Carlisle Companies (CSL)

Updated May 6th, 2024 by Jonathan Weber

Key Metrics

Current Price:	$405	**5 Year CAGR Estimate:**	2.3%	**Market Cap:**	$19B
Fair Value Price:	$340	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	05/17/24
% Fair Value:	119%	**5 Year Valuation Multiple Estimate:**	-3.4%	**Dividend Payment Date:**	06/03/24
Dividend Yield:	0.8%	**5 Year Price Target**	$434	**Years Of Dividend Growth:**	47
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Sell

Overview & Current Events

Carlisle Companies is a diversified company that is active in a wide array of niche markets. The segments in which the company produces and sells products include construction materials (roofing, waterproofing, etc.), interconnecting technologies (wires, cables, etc.), fluid technologies, and brake & friction. Carlisle Companies was founded in 1917.

Carlisle Companies reported its first quarter earnings results on April 26. The company reported revenues of $1.1 billion for the quarter, which was down 8% compared to the revenues that Carlisle Companies generated during the previous year's quarter. Carlisle's revenues were higher than the analyst consensus estimate. Carlisle's revenue performance was worse than during the previous quarter, when the year-over-year growth rate was slightly better. The ongoing weakness in parts of the housing market explain why sales dipped year-over-year.

Carlisle Companies generated earnings-per-share of $3.72 during the first quarter, beating the consensus analyst estimate easily. Carlisle Companies' earnings-per-share were up a hefty 85% from the previous year's level, as steep margin improvements more than offset the headwinds from lower revenues. Carlisle's cost-saving measures were a positive factor, and share repurchases also had a positive impact on the company's earnings-per-share growth rate during the period. In 2023, earnings-per-share totaled $16.60, down from the record result in 2022, but still way above every year except for 2022. For the current year, a double-digit earnings-per-share increase is expected, with profits likely coming in around the peak level seen two years ago.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$3.83	$4.82	$5.86	$5.53	$6.04	$8.21	$6.41	$8.89	$20.01	$16.60	***$20.00***	***$25.53***
DPS	$0.94	$1.10	$1.30	$1.44	$1.54	$1.80	$2.05	$2.16	$3.00	$3.40	***$3.40***	***$4.55***
Shares[1]	65	64	64	62	59	57	54	53	52	49	***47***	***40***

From 2009 to 2019, Carlisle recorded an average annual earnings-per-share growth rate of 15%, which is a strong result. During the last financial crisis, Carlisle's earnings-per-share did not decline a lot.

Despite its small size, Carlisle is a company that is highly active when it comes to M&A. Carlisle has been divesting lower-growth business units such as its food division in order to focus on higher-growth businesses such as Brake & Friction. Optimizing the portfolio via tuck-in acquisitions to bolster these segments further, is an opportune move that should be beneficial for Carlisle's growth going forward. Without any acquisitions Carlisle would not have been able to grow this quickly, but its organic sales growth has historically been solid as well. Thanks to a strong balance sheet and relatively low leverage levels, Carlisle can engage in M&A easily and will most likely continue to do so in coming years. Carlisle Companies bought building materials company Henry Company for $1.6 billion to boost that part of its business.

Carlisle returns a lot of cash to its owners via share repurchases, which is beneficial for its earnings-per-share growth. In recent years, Carlisle Companies has returned $500 million to $1 billion a year to its owners via buybacks, even in 2020, despite the pandemic. Buybacks will remain an important earnings-per-share growth driver, we believe.

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[1] In Millions

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	21.6	19.6	17.2	18.7	16.7	19.7	24.3	27.7	11.8	18.8	***20.3***	***17.0***
Avg. Yld.	1.1%	1.2%	1.3%	1.4%	1.5%	1.1%	1.3%	0.9%	1.3%	1.1%	***0.8%***	***1.0%***

Carlisle Companies trades at around 20 times this year's expected earnings-per-share. This is ahead of our fair value estimate, even though Carlisle has been more expensive at times over the last decade. Shareholders get a rather small dividend yield from Carlisle at current prices.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	24.5%	22.8%	22.2%	26.0%	25.5%	21.9%	32.0%	24.3%	15.0%	20.5%	***17.0%***	***17.8%***

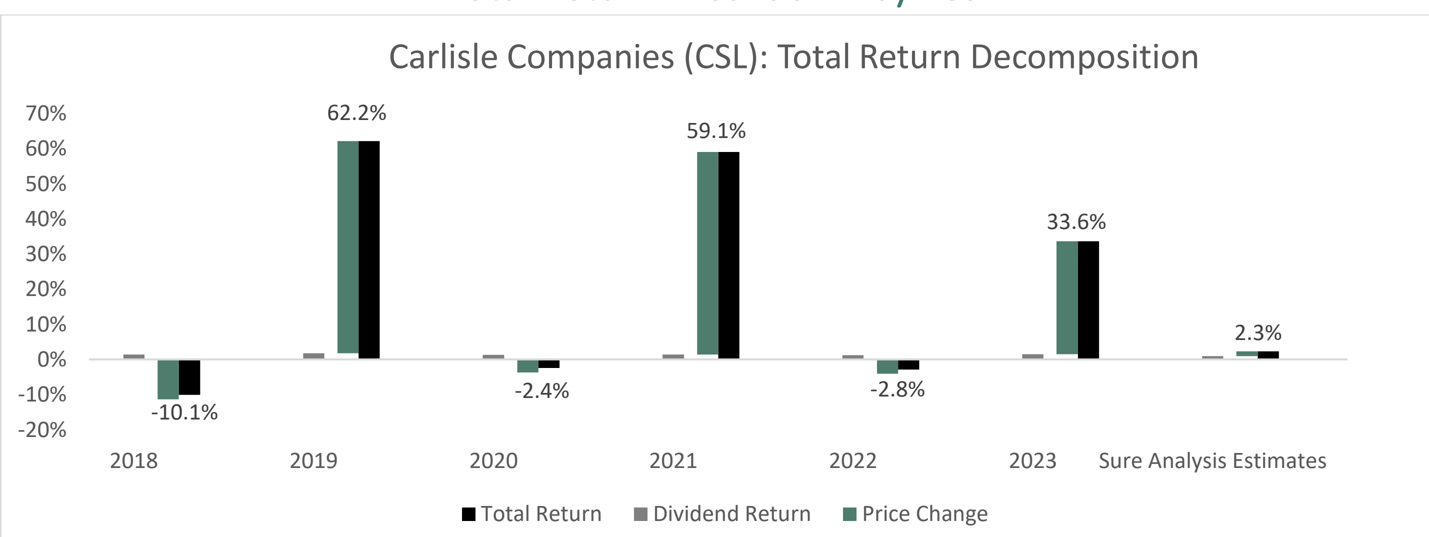
Carlisle Companies has grown its dividend every year for more than four decades, and the dividend growth rate has been attractive over the last couple of years. The company nevertheless has a relatively low dividend payout ratio, as earnings-per-share growth has been quite strong as well during that time frame. The dividend looks safe, as Carlisle Companies was able to easily cover its dividend payments during every year in the past.

As an industrial company, demand for Carlisle's products can be somewhat cyclical, but the company still managed to remain highly profitable during the last financial crisis, when profits dropped by just ten percent from 2008 to 2010. Carlisle is active in niche markets where it has a strong market position, despite its rather small size. The company's approach of growing its presence organically as well as via acquisitions allows for improving scale as the company gets bigger, which brings benefits such as operating leverage and more efficient purchasing.

Final Thoughts & Recommendation

Carlisle Companies is a small industrial company that combines many positives, including a strong earnings and dividend growth track record, a solid long-term growth outlook, and some resilience to economic downturns. Carlisle's approach of consolidating its niche industries through M&A will likely deliver meaningful growth going forward. Following a profit decline in 2023, Carlisle should be able to get close to all-time record profits this year again. Carlisle's shares trade ahead of fair value right now, which hurts the total return outlook, which is why we rate shares a sell at current prices.

Total Return Breakdown by Year



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Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	3,204	3,543	3,425	3,751	4,480	4,485	3,970	4,810	6,592	4,587
Gross Profit	820	1,007	1,086	1,048	1,175	1,306	1,137	1,315	2,157	1,634
Gross Margin	25.6%	28.4%	31.7%	27.9%	26.2%	29.1%	28.7%	27.3%	32.7%	35.6%
SG&A Exp.	379	462	495	533	625	630	603	698	812	625
D&A Exp.	104	129	138	169	191	205	224	226	251	205
Operating Profit	408	503	546	464	509	634	488	568	1,276	983
Operating Margin	12.7%	14.2%	15.9%	12.4%	11.4%	14.1%	12.3%	11.8%	19.4%	21.4%
Net Profit	251	320	250	366	611	473	320	422	924	767
Net Margin	7.8%	9.0%	7.3%	9.7%	13.6%	10.5%	8.1%	8.8%	14.0%	16.7%
Free Cash Flow	177	457	422	299	219	614	601	287	817	1,059
Income Tax	124	148	148	88	87	117	79	96	270	212

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	3,759	3,951	3,966	5,300	5,249	5,496	5,866	7,247	7,222	6,620
Cash & Equivalents	731	411	385	378	804	351	897	324	400	577
Accounts Receivable	439	503	512	626	698	683	554	815	829	615
Inventories	339	356	377	449	458	511	433	605	749	362
Goodwill & Int. Ass.	1,576	2,022	1,953	2,517	2,410	2,857	2,603	4,208	4,038	2,455
Total Liabilities	1,554	1,604	1,499	2,772	2,652	2,853	3,329	4,617	4,198	3,791
Accounts Payable	198	213	244	332	312	327	285	432	371	246
Long-Term Debt	750	745	596	1,586	1,588	1,592	2,081	2,927	2,583	2,289
Shareholder's Equity	2,205	2,347	2,467	2,528	2,597	2,643	2,538	2,630	3,024	2,829
LTD/E Ratio	0.34	0.32	0.24	0.63	0.61	0.60	0.82	1.11	0.85	0.81

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	6.9%	8.3%	6.3%	7.9%	11.6%	8.8%	5.6%	6.4%	12.8%	11.1%
Return on Equity	12.0%	14.0%	10.4%	14.6%	23.8%	18.0%	12.4%	16.3%	32.7%	26.2%
ROIC	8.8%	10.6%	8.1%	10.2%	14.7%	11.2%	7.2%	8.3%	16.6%	14.3%
Shares Out.	65	64	64	62	59	57	54	53	52	49
Revenue/Share	49.06	53.84	52.79	59.02	74.16	77.99	72.18	90.42	125.56	91.01
FCF/Share	2.71	6.95	6.51	4.70	3.62	10.68	10.93	5.39	15.57	21.01

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.