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PRESENTATION

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Thank you for taking time out of your schedule to be here. And we hope that the information you get from today's sessions will be very beneficial to you as you do your investment decisions, analyses and recommendations regarding Stanley Black & Decker. The obligatory cautionary statements are in your book, just refer to those. But let me talk to you about who you're going to hear from today a little bit and what you're going to hear. So you're going to hear from a lot of our company leaders, corporate leaders, business unit leaders, some of our functional leaders as well, and Jim is going to kick things off. He's going to share with you a portfolio vision, where are we heading, how we're going to get there, our strategic imperatives and so on and our purpose. Jim's going to be followed by a number of our business unit leaders, and they're going to give you a little bit more in-depth look at our businesses, their visions, how they differentiate themselves in the markets that they serve and their growth plans, very important. Then you're going to hear a little bit about SFS 2.0. SFS 2.0 is integral to our value-creation model, and we thought it's important that we spent some time talking to you about that, so you get a much better sense of what that means to us and our ability to grow organically and from a margin perspective as we go forward. So we're going to try to bring that to life for you, again, very important.

And then Don Allan. Not surprisingly, Don will go through our financial framework, our long-term financial objectives, our historically friendly capital allocation approach, and Don will also take you back to May 2015 when we shared with you our vision for 2018. So how are we doing? So we thought that would be important to give you a perspective of how we're doing relative to the '18 vision we laid out for you at the last Investor Day. Obviously, we'll have time for Q&A, 2 sessions for Q&A and then you'll have some time for informal interaction with members of the management team during lunch.

So what do we want you to take away from here, other than the tool that you'll get when you leave, which we hope you put to good use. Number one, we want you to walk away with a very clear sense of our portfolio vision, how we're going to achieve it, both from an organic perspective and from an acquisitive perspective, that's number one. Number two, we want you to walk away here with a much better knowledge of our business units, what makes them tick, what differentiates them in the markets that they serve, and how they're going to grow both from a top line and a bottom line basis leveraging SFS 2.0. And then thirdly, what are our financial objectives? How have we done against those financial objectives? And what is our capital allocation approach as we go forward? So again, that's all I want to leave you with in terms of the kickoff. We're going to turn to a brief video and then Jim Loree will start the day for us. Again, thank you for being here and I hope you enjoy the event.

(presentation)

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Good morning. Welcome to our Stanley Black & Decker 2017 Investor Day. And thank you for joining us. It's great to be here with you on a beautiful, spring morning. It's going to be 78 degrees later today, very, very energizing. It's been 9 months for me now -- a little over 9 months in the CEO role, and as many of you do know, though, I've been with the company for 18 years, CFO for 10, Chief Operating Officer for 7. It's been an incredible journey for me personally and for the company. When I started in 1999 -- I know some of you have been following us that long because I saw some familiar faces in the audience, talked to a few folks from back then. Our market cap was about $2 billion. Today, it's $20 billion plus. Back then, the tool business was $600 million in revenue. This year, it will be the world's largest tool business with over $8 billion in revenue. We're proud of the tremendous growth and evolution of this company and at the same time, excited and energized about the journey ahead.

So it's a pleasure to be with you this morning to talk about the company's strong historical performance, but more importantly, our vision and strategy going forward. You'll see that we have a clear vision for where to take this company even as we face into times that will undoubtedly be characterized by volatility and exponential technological change. We have a deep bench of world-class leaders here today to share their plans and strategies with you.

The first half of our program will focus on the businesses and the latter half will focus on the Stanley Fulfillment System 2.0, also known as SFS 2.0. This operating performance system is a key enabler, which has 5 important elements: breakthrough innovation; digital excellence; commercial excellence; core SFS; and functional transformation.

SFS 2.0 drives our differentiated performance in organic growth, margin expansion and asset efficiency. Importantly, it also provides the framework to differentiate us among industrials, all of whom are dealing with a world where the pace of change is relentlessly accelerating. Our goal is to convey to you today an understanding and appreciation of how we're running the company on both a strategic and a day-to-day basis.

Here are some of the key takeaways that make us a compelling and attractive investment opportunity. We envision a $22 billion diversified industrial company by 2022. We're building our culture around 3 strategic imperatives that the team is excited about, right behind me up on the wall there. We have a strong and effective value-creation model powered by SFS 2.0. And M&A opportunities will be pursued across the segments as part of our growth and capital allocation approach. Simply put, Stanley Black & Decker is a growth company with a vibrant future ahead of it. We have a track record of delivering outstanding growth. Founded in 1843, our company took 158 years to achieve just over $2 billion in revenue and a $2 billion market cap. Then something very special happened.

In the most recent 16 years, we grew by an additional $9 billion, and in the process, we created a formidable global diversified industrial with world-class brands and franchises across Tools & Storage, Security and Industrial. And today, as I noted, our market cap is 10x what it was back then. And we paid an attractive dividend for 140 consecutive years and increased the dividend in each of the past 49 years, including through the great recession. We've delivered outsized returns to shareholders since the year 2000, which is right about the time that 4 of our most senior executives arrived: Don Allan, our CFO; Jeff Ansell, our Tools Group Executive; and Joe Voelker, our Chief Human Resources Officer; and me. And during that time, we significantly outperformed our peer group and the S&P 500. In fact, if you invested $1 in Stanley back in 2000 and reinvested the dividends along the way, you would have $6 at the end of the period. If you'd done the same thing with the S&P 500 Index of the general market, you would have ended up with $2. That's what I mean by outperformance.

We've had great success in a long and storied history, but we're well aware that future performance is what our current and prospective shareholders are interested in. So we've set an aggressive growth goal once again, this time to double the size of the company over the next 6 years, essentially growing to $22 billion during that period. We will do this by growing organically in our existing businesses 4% to 6% per year and then adding between $6 billion to $8 billion in acquisitions. We're off to a great start in that regard. We recently closed on the acquisition of Newell Tools with the renowned Lenox and Irwin brands. We also completed the acquisition of the Craftsman brand, which, as you know, is an iconic and symbolic U.S. brand with deep customer loyalty. These are great acquisitions which further strengthen our ever-stronger global tools franchise and contribute almost $2 billion to our 22/22 goal.

Stanley Black & Decker's value-creation model is the cornerstone for how we will deliver on this growth. We operate strong innovation-driven businesses in diverse global markets. We provide outsized capital-efficient organic growth, an attractive expandable operating margin rate and outstanding free cash flow conversion. We then deploy an investor-friendly capital allocation approach that earmarks half of our cash for M&A and returns the other half to shareholders in the form of dividends and repurchases. This is a model that has helped us deliver exceptional shareholder value over the years and will continue to do so in the future. And as I mentioned upfront, SFS 2.0 is a big deal for Stanley Black & Decker. It spawned FLEXVOLT. We have 10 additional breakthrough innovation projects in the pipeline across the company, so stay tuned.

SFS 2.0 powers our above-average organic growth. It drives continuous margin expansion even when a stronger dollar creates FX headwinds. It fosters supply chain excellence, thus enabling 10-plus working capital turns, 10.6 in 2016, as well as strong customer-level execution. It provides a framework for the digitization of the company, touching products, processes, business models and even culture. SFS 2.0 is very real. It would be hard to find an employee in this company who isn't engaged in some way with SFS 2.0, and you'll hear more of it shortly from each of our executive sponsors. Another topic that garners a lot of interest is our M&A path forward as well as our plans for timing of potential transactions. As we've shared previously, the Newell Tools and Craftsman transactions came to market on the seller's schedules. And they were simply too important and too attractive to pass up. Our focus now is effectively integrating and leveraging those investments to deliver the growth and value that we expect and have committed to. So far so good, and we're on track to do just that.

Any sizable new acquisitions we might pursue will have to wait for a few quarters and will likely be in the form of industrial bolt-ons or further expansion of the electronic security business. That doesn't rule out the occasional small tool bolt-on that might come up in the next few quarters, and it doesn't preclude larger tool acquisitions in the coming years, once the recent additions are firmly in place and performing well. In addition, we see a number of potential adjacency opportunities that might be attractive. Acquisition targets in this category must meet key criteria, including solid financial returns, sound industrial logic and fit with our value-creation model.

Potential examples, some of which we've discussed before, include areas such as lawn and garden, irrigation, motion control and engineered components beyond the narrow definition of engineered fasteners.

A really exciting element of our M&A strategy is the notion of utilizing M&A to complement our breakthrough innovation projects and vice versa. Think of it as M&A to accelerate organic growth, a great combination. When I assumed the CEO role last August, my senior team and I met to determine the next chapter in this awesome company's future. Three key themes emerged from that session and now provide the foundation for us as we move forward. This is what our leaders are excited about: innovation and digital transformation; continued top quartile performance; and an elevated commitment to corporate social responsibility.

The first theme is innovation and digital transformation. We want to become known as one of the world's most innovative companies, not just in industrials but when measured against all companies. Our revolutionary flexible battery system is a great example, and I can assure you that across the company, there is a growing pipeline of new products, processes and business models, many of which are digitally enabled, which will differentiate us and fuel our growth for years to come. The team will take you through the FLEXVOLT example. But as good as it is, it's just the beginning. We're structuring and organizing the company to accelerate innovation and digital transformation throughout the enterprise. In this environment of rapid innovation and digital disruption, we know that we have to be a disruptor or put ourselves at risk of being disrupted. So we're taking the playbooks from leading innovators and learning from the best. We're adding breakthrough innovation teams across the company even while we're recognized as serial innovators in our core business. These teams are focused on forward-looking future products and business models with revenue potential greater than $100 million. In each case, they operate without the traditional day-to-day pressures of working in a results-driven culture. We've also set up makerspaces and formed relationships with leading universities and venture companies.

On the digital front, as you know, we stood up a Digital Accelerator team in Atlanta in 2015, which will double to about 100 employees by the end of this year. The team is comprised of world-class technology talent from leading universities and companies with expertise in IoT, cloud, advanced analytics, social media, mobile applications, search engine optimization and digital products, among others. The team is infusing these digital capabilities across our entire company. They are also working with next-generation technologies, which, before you know it, will quickly become mainstream. You will get more insights into this later today from Brian Koster, who is leading the Digital Accelerator. The focus on innovation and digital transformation also extends to our manufacturing footprint where we are rapidly deploying Industry 4.0, which enables our "make where we sell" strategy. Two of our manufacturing facilities are in the process of becoming lighthouse factories, where we will incorporate digital capabilities as well as other elements of Industry 4.0 to build truly smart factories. They will incorporate the latest in robotics, manufacturing execution systems, machine learning, 3D printing, innovation labs and makerspaces to drive the next wave of flexibility, cost efficiency and quality improvement.

Our execution of Industry 4.0 will intensify over the coming quarters, so expect to see dramatic change here in the next 24 to 36 months. We've accomplished a lot towards this innovation goal, but we're only in the early stages. More speed and agility is required and new creative organization models and resource allocations are under consideration. Not only keeping up with, but also exploiting the technological revolution is paramount to our success.

The second strategic theme is top quartile performance. It is powered by SFS 2.0, our high-performance culture and the strength of our brands and franchises. Continued top quartile execution will be a key part of what we're about as we go forward, just as it has been in the past. Rewarding our shareholders with outsized returns is something that we pursue with passion and vigor here at Stanley Black & Decker.

The third theme is elevating our commitment to corporate social responsibility. We've done a great job with ECOSMART, our environmental, health and safety system, and are recognized and renowned for our commitment in this area. We're also known around the world for our community spirit and our willingness to give back. However, my team and I believe that in today's society, business has a larger role to play. The geopolitical environment around the globe has been tumultuous, including in the U.S., and technology has advanced so rapidly that many are being left behind. The issue is not going away. There is a role here for business to play to help bridge the gap between what governments can do and what society needs. And it's a role that our management team believes Stanley Black & Decker can take on. And if enough companies do their part in this regard, the business community can make a big difference. In this connection, we spent some time last year working to define and articulate our company's purpose. We established a working group from inside and outside Stanley, which did deep research on the essence of this 174-year-old company and our impact on society. Purpose sits at the intersection of who we are and why we exist and gives us the opportunity to define our broader role in society. It gives us a way to inspire, inform and influence our own employees, our customers, our shareholders and other important stakeholders. Purpose is our why. It gives us meaning behind our work and helps ensure that we're always aligned and guided by a North Star. And similar to studies on employee engagement, research demonstrates that purpose-driven companies simply perform better than the rest, and at this company we set a high bar for that. So in addition to being positive for our communities and employees, it also makes good business sense. As part of the process, the working group identified characteristics that are unique to Stanley Black & Decker and define who we are. And from that work and discussions with luminaries, we developed our purpose statement.

(presentation)

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

For those who make the world. I'm not only pleased but inspired and energized by that choice. First, it was built from input from our teams and research about our company and our culture. It appropriately reflects our history and the unique characteristics that make Stanley Black & Decker special. The statement is not just about us.

In this statement, we reflect the nature of our organization by focusing on those who we help and empower, for those reflect our customers and our end users, who are out there working hard every day. The doctors and the educators and students whose lives are made safer by our security systems. The people who drive the cars held together with our fasteners. The statement gives us the ability to personalize it for us as individuals, for our teams and for our businesses. We can finish the statement and make it our own. Think about it this way, Stanley Black & Decker is for those who make the world safer, more peaceful, healthier, stronger, more dependable. This is a mission that all our employees are excited about and something that will be a key element of our engagement with our teams going forward. This corporate social responsibility initiative and its connection to purpose has been very well received by the people I've talked to around the globe at every level of the organization. It brings a fabric of richness to who we are and what we do that will take us to another level. I do hope that after today, you share just some of my team's excitement about the strength and future of this organization. Our vision is to be a great industrial company, one that is both human-centered and committed to delivering top-quartile growth and productivity. We operate strong innovation-driven businesses in diverse global markets, powered by a robust and pervasive operating system, SFS 2.0, and a value-creation framework, with an execution culture that is bold and agile, yet thoughtful and disciplined, with a clear purpose and a deep commitment to social responsibility.

So that is the overview. It's going to be a great day, and now I'll invite Jim Cannon and Aru Bala up to present our Security business. Thank you.

James J. Cannon - *Stanley Black & Decker, Inc. - President of Stanley Security North Americas & Emerging Markets*

Good morning. I'm Jim Cannon, the President of Stanley Security North America, and I'm joined by my colleague, Aru Bala, the President of Security Europe, and it's our privilege to give you a brief overview of our Security segment here today.

If you recall at our last Investor Day, we questioned whether or not it made sense for Stanley to maintain a Security segment. Since then, we've reshaped the portfolio, focusing the business on electronic security, door automation and a host of unique healthcare solutions. We believe this refocused business remains a key part of our future strategy with several very attractive characteristics.

It's got stable revenue streams, especially in recessionary environments, a heavy RMR weighting that serves as a financial ballast, light capital requirements and the opportunity to continue to consolidate what is a fragmented market. And lastly, our exposure to technologies in Security help to drive digital excellence across the company. Furthermore, we're positioned to drive profitable organic growth, again, with leading positions in electronic security, door automation and unique healthcare solutions. Driving world-class field execution with the Stanley standard, coupled with innovation-led growth, fuels that future roadmap for growth.

Today, we're about $1.8 billion in revenue, generating 12 points operating margin. We serve a very wide range of end markets, retail customers, healthcare, large enterprise customers, banking. Government verticals may be our primary focus, but in the world that we live in, security is a concern for every market.

Our revenue is fairly balanced between North America and Europe, and our mission is very clear: Drive sustainable profitable growth with differentiated healthcare and retail solutions, service excellence, industry-leading door automation and a renewed RMR engine positioned to consolidate the market. Again, our task is clear. And with leading businesses in electronic security door automation and the healthcare markets, our purpose is just as clear. We're for those who make the world safer, we're for those who make the world accessible, we're for those who make the world caring.

The global security market is incredibly dynamic. Over the past 24 months, we've seen all of our chief competitors change control. Technology is advancing rapidly. It's enabling new solutions, but it's also allowing new threats. The world is ever more connected, making data the raw material of our time to be harnessed. As a security professional, the threat environment has never been more intense. Churches, synagogues, shopping centers are considered by some to be legitimate targets of war. We must harden these soft targets. Again, it's our purpose for those who make the world safer. And we accomplish this with the world's second-largest commercial security provider, one of a very few that can serve customers around the world with differentiated service and install, and again, a thirst and drive for digital excellence.

In healthcare, we're the North American market leader in infant protection. Every year, we secure over 3 million infants, and there's never been an abduction of an infant under our watch. We also lead with WanderGuard products for patient elopement and environmental monitoring. And our automatic door business is the North American market leader. Indeed, we invented the automatic door. We installed it here in New York City at Penn Station. We hold the first patent from 1931, and we're working now to connect those doors and make them smarter and more innovative. Also over the past several years, we've made sound gains financially, focusing first on margin improvement, working capital and building that renewed RMR engine, and now our task is clear: profitable organic growth. And I'll hand it over now to Aru Bala to talk about that path forward.

Aru Bala - *Stanley Black & Decker, Inc. - President of Stanley Security Europe*

Thanks, Jim. It's an exciting time for us in the Security business as we see the progress we've made in the past few years in terms of stabilizing the business and positioning for future profitable growth there. So more exciting today is, I'm going to talk about how security is evolving into the digital space, how we're reformatting this business to capture the digital opportunity we have in the market. So a 2-pronged strategy there, that's clear. One is the protect the core, where the commercial electronic security business is where we're using the SFS 2.0 growth engine in terms of commercial excellence, operational excellence, core innovation, which is similar to what we see in other businesses.

In Stanley Black & Decker we're using this, continue using this and we see the results there in terms of improving our performance on the core business. So this will get us to the 2% to 3% organic growth rates, what we see, and also towards the mid-teens profitability range. We want more of the Security business up there. And also we're targeting M&As in this space as well in the electronic security business since, as Jim mentioned, it is a fragmented space and, obviously, we want to consolidate the market.

A lot of opportunities for value-creation there. So this is the core part of it, but the more exciting part is the digital opportunity that's presenting itself in front of us. And our answer to that is through SATS, we call it. It's called Stanley Advanced Technology Solutions strategy, which we've been doing for the past 1 year and we're seeing good results there, preliminary results so far. So I'll kind of profile in terms of how we're capitalizing on this digital opportunity for Security there. So clear focus in terms of the digital area as it's a wide topic. We all know that, widely discussed, widely published, but our focus is on 3 areas in the digital space. Obviously, Internet of Things applications we're focusing, healthcare, asset tracking and mobile and cloud solutions and artificial intelligence applications.

So this is a focus, and also we're leveraging the security infrastructure, the wonderful security infrastructure we have across the planet in terms of monitoring assets, in terms of our service assets across the planet. So this will be a great advantage in terms of leveraging and going into the digital space. So I'm going to profile how we're going to move in this space and how we're executing this as we speak there.

So this is kind of the gateway, security being a gateway to digital opportunity. Kind of 1-year back, we profiled this roadmap, a simple roadmap of our teams. And you can see at the top, security, it's pretty straightforward. In terms of value-creation model, we collect data, video, audio, intrusion data currently through our software -- security software. And using our monitoring assets, we provide security and safety solutions to our customers. So it's pretty straightforward. That's what we do for a living there. And the more exciting part is at the bottom where the new technology, how security can be a natural evolution into the SATS space, the Stanley Advanced Technology space. So here the focus is IoT, cloud and mobile solutions. We've focused our attention and it's similar to security, data collection, but its volume of data is pretty intense in the space and using the Stanley connect systems where we do the data analytics and using monitoring assets for these applications, we're able to provide new solutions in terms of growth, productivity and compliance. So this is the change we've done for the past one year, and happy to say that there are a few early successes we're seeing in the market. As you can see on the right, we see examples where on the connected vehicles space, it's in Portugal, we've connected all the Porsche cars. Around 700 cars are connected to a monitoring station. So the value addition we provide to the customers are in terms of, obviously, antitheft, in terms of monitoring the engine parameters, in terms of monitoring the airbag efficiencies.

In terms of emergencies, we provide the service, and also if the driver is not able to respond, we take over from our 24/7 coverage for connected cars. So it's more in the service space we play. Our partner is Vodafone in this case. We provide these kind of connected services in this space, a really great opportunity for us. The other one we can see is the connected care opportunity in U.S. for the Adventist HealthCare hospitals here. As

Jim mentioned, the asset tracking is where we provide here, using cloud and mobile solutions on our RTLS platform, real-time location services platform. Here the hospital efficiencies are going up. The patient experiences are really good because the patient waiting time is reduced because all the asset tracking has been put on cloud. Through our monitoring stations, we can do that as well.

So the last one is where we connected people. This is an interesting project in Finland where we're executing it with a hospitality group called Restel. We're converting the experience of customers when they come into a hotel on a mobile platform. On a simple app, we're converting the experience, retrofitting their locks using a Bluetooth-enabled receiver where you can retrofit and convert a mobile experience.

In simple terms, what it means for a customer, for anybody checking into the hotel, is you don't need to queue in the counters there. Just [trade in], you can go and check into your room using a mobile app. And also in-room entertainment is all around the mobile app as well. So you can view your entertainment that way. We execute it. It's a $4 million job. We're proud to say that, and a lot more opportunities are coming up in the space. So really great progress we've made. We want to continue to evolve in this area using our assets of monitoring and our service base there.

So more for the future. How we're going to transform these learnings we've had for the past 1.5 years in the digital space, how we're going to get in -- our answer is the breakthrough innovation, the monitoring of IoT space. Why we say this is important as this is one space that is a value chain for us to participate using our assets we have, the monitoring and the service assets we have. Why say that? There is a lot of data being collected, we know that. In the connected space, tremendous amount of data collection, lot of analytics are made, but where we see the gap in the market is what we do with the data? That's a key gap we see in the market and that's where we want to fill the gap in terms of providing the service for this opportunity there.

How we're going to do this? Couple of transformations we have to make. One is on the right corner that is more important for us. I know it's a busy chart. I'll touch on a couple of opportunities where we have to transform and participate there. One is the service providers network. We have to enhance the ecosystem of service providers for taking actions. What it means is law enforcement, ambulance, fire, which we already have in our network across the globe, in all countries.

How do we expand it to maintenance companies for cars, et cetera, insurance companies? All that kind of ecosystem of service providers is where we'll be the one-stop provider there, combined and connected to our monitoring station, which we want to change it into an artificial intelligence-based monitoring station, so that we can take some actions through this. And we'll be a platform -- IoT platform-agnostic using a standard middleware on the connected space we saw in the previous examples.

So what it means? I know it's a busy chart. Just give a practical example, how this is evolving. I'll touch on the connected care opportunity on the senior living space. Currently, we provide this service for senior living in their homes, putting sensors in the homes, in the bed, in the rooms, et cetera. We collect the data and make sure that 24/7 we monitor the seniors for safety and security of the seniors. So that's the service we provide now.

But what is the future? How the future is evolving? We had an interesting discussion with a few start-ups where the algorithms are being built to predict onset of disease, onset of conditions for seniors. So in a practical case, we monitor the movement of data -- movement of seniors in the homes on a 24/7 basis.

So example, like when we talk to elders and we ask them how are we doing at night? Do you wander? They say no, but when we see the data we can see that elders are -- started wandering at night. That's an indication for onset of dementia. So that's what research shows. And we use the predictive analytical tools, the algorithms to predict these kind of conditions with elders. This is a future evolution where the value creation is going to happen in the space. So we're really thrilled to see this opportunity to expand our monitoring stations into an AI-based monitoring station. In practical sense, this world's going to evolve and we want to continue the future in the space there. So really great opportunity there for us.

So in summary, for Security, we have a 3-pronged strategy for growing profitably. A is protect and grow the core, which we've been executing for the past 2 years. We saw the results of the businesses growing profitably, which gets us to the 2% to 3% organic growth rate.

The more exciting part is the digital acceleration where we're going to accelerate the growth to the 4-plus organic growth rates using the IoT monitoring, the breakthrough solutions, cloud and mobile and artificial intelligence solutions, which we're in the process of making there. And the third part is the opportunity to consolidate the market space because this is a fragmented market and we have a lot of opportunity to consolidate the market through M&A as well.

So great opportunity to grow this portfolio and where we are now is Security as a portfolio, I think, we're proud to say that we're on a very good condition, very good potential to unlock the opportunities. A is lot more margin accretion opportunities for the platform. Two is the recurring revenue portfolio, which is growing at a rapid pace for us, which will cushion us during the recessionary cycles which we saw in 2009 for the corporation. Three is the digital getaway opportunity which we see there in terms of exploiting security there. So really tremendous position for the Security portfolio.

And so to summarize, to end it, so Security is well positioned to accelerate growth and profitability, anchored by our purpose for those who make the world safer. Thank you very much.

Unidentified Company Representative

Thank you, gentlemen. Our next speaker is the President of our Stanley Engineered Fastening business, John Wyatt.

John H. A. Wyatt - *Stanley Black & Decker, Inc. - President of Stanley Engineered Fastening*

So good morning. My name is John Wyatt, and as Tim said, I lead the Industrial Stanley Engineered Fastening team.

So what I'd like to do is to start with sharing with you a brief overview of our business. And we are a $1.5 billion unit with very high -- over -- teen operating margins.

The business is spread quite evenly geographically across Asia, 1/3; North America, 1/3; and Europe, 1/3. We also have built this business behind outstanding automotive and industrial franchises. Specifically, with our global OEMs, we have tremendous brands, you can see here, with high reputation, high recognition. The other important aspect here is that we operate in a very large market, $24 billion today. So you can see we have opportunity for share gain and also market and category expansion.

But how's the business been performing?

So let me share with you our recent track record. It's a powerful, you can see it's a powerful performance. We've grown compound 10% per annum over the last 5 years, organically 4%, twice the market growth, and 220 basis points of operating margin improvement, helping us get to the high-teen OM level.

What's more? We've grown working capital turns 75% to hit 9.9x, and a lot of this has been driven by our Automotive segment, which has grown 8% per annum, that's twice light-vehicle production. So some meaningful share gains for our company. And importantly, the source of growth has come from the emerging markets. So China, India, Latin America now account for 22% of our revenue. But how do we envisage growing this business into the future? What is our vision for the Engineered Fastening business? Well, simply put, it's about becoming the worldwide leader in highly engineered products with opportunities both organically and through acquisition.

We'll grow organically by leveraging our worldwide capability and systems, things like stud welding systems, self-piercing rivets, assembly technology systems. And we'll leverage our global footprint with a focus on Asia, automotive and industrial, and our brands to build that business. But it's also an opportunity for acquisitive growth. So we continue to evaluate close-in industrial spaces like rail, 2-wheeler and aerospace, but also looking, as Jim alluded to earlier, some adjacencies as well. Things like motion control, sensors, and connectors. Industries that have like traits or business characteristics to our own with highly -- high-application engineering components, a recurring revenue stream and actually similar or even the same customer base.

So the value proposition behind our Engineered Fastening business and some of these acquisition opportunities is very similar. Let me share with you that value proposition. Simply stated, it's about really a complete assembly solution that enables us to build margin. That complete assembly solution starts with working with our OEMs on product development.

So the product development design of, for example, a new vehicle. Very early stage in the cycle of the product, perhaps 4 or 5 years out from the launch, sometimes longer. We'll then work on building the assembly solution, developing the tool and qualifying a rivet in this example to go through that tool. But ultimately and most importantly, it's about process monitoring, so we can ensure the quality of the finished product. Again, that's what our intimate relationships built with our customers enables us to do. And for the customer what it enables is increased productivity, lower inventory and higher output. And, of course, at the same time, we benefit from that recurring revenue from the fastener systems growing through a particular product.

I'd now like to share with you some industry trends that we think are really important in terms of a catalyst for future organic growth and innovation. There are 3 simple ones here. The first is around government legislation driving increased miles per gallon. So our customers are having to lightweight their vehicles. Second one is emission control, reducing carbon dioxide and NOx.

Again, government legislation is driving this. So our customers are looking at alternative energy sources. I think you'll be familiar with electric, hybrid and even hydrogen cars. And then finally, with digital technology advancing, on the horizon we can see autonomous vehicles as well, which, again, will need different fastening solutions given the technology in them. So all these trends will demand breakthrough innovation, whether it's mixed materials or different components going into the vehicles, we'll need breakthrough innovation to create solutions for these new vehicles. So what we've done is launch our own SEF, Stanley Engineered Fastening breakthrough innovation team. Importantly, we've sited this new team in Germany. It's the automotive innovation hub today for the world, but we have brought in individuals, experts from around our business, from Asia, from North America and from Europe to source and develop and lead this new group.

We've also developed a new ecosystem, an innovation ecosystem that is tying into research institutes looking at new metallurgy, looking at new materials, advanced materials. We've tied in with some universities and have professors working with us on new fastening technologies to join mixed materials to lightweight vehicles. And we've also been leveraging our Stanley Black & Decker innovation hub in some of the other business units that you'll see and hear today.

One of the recent exciting initiatives is actually our customers coming to us. Now that they know we have this new resource, we've had a couple of our major global OEMs come to us and say, we have this issue, how can you help us overcome this challenge? That's very exciting for us as well. So that's another area to generate new initiatives in terms of innovation. It's early days, but we've got some exciting concepts coming out. Couple of them will include, adhesives, working with carbon, for example, is a new material, how we fasten that and also new materials, nano materials, which we're working with one of our venture partners that you'll hear about later, looking at lightweighting, stronger materials and also critically, corrosive-resistant materials at the same time. So early days, but some interesting concepts coming through.

Let me now turn to bringing us back into today in the medium and short term and the opportunity for us to continue to grow the business we have, which is around different application solutions. In this instance, I'm looking at automotive, specifically tying in with our stud welding system, self-piercing rivets, connectors both metal and plastic, and components.

I'm talking about this because we believe there is a real opportunity to drive penetration, and let me give you an example. Today, we have around $7 of content in every global car on the planet. But if you look at North America, one of our leading customers there, we have $15 of content. In Asia, we have a leading customer with $20 and in Europe, a leading customer with $25 of content. So an opportunity to improve our penetration levels with these global customers where we have these very, very strong relationships. And you can see here, over the last 5 years, we've actually grown over 20%. So we know we can do it. I'd now like to share with you a short video that shows some of these technologies are coming to fruition. It's a European OEM, and it's our center in Germany working with them to develop a new fastening system. In this particular vehicle, you'll see we actually have $150 worth of fastening systems. So let me share with you this video right now.

[Video Presentation]

John H. A. Wyatt - *Stanley Black & Decker, Inc. - President of Stanley Engineered Fastening*

I want to share another piece about this particular customer which is, we were able to improve the cycle time on some of the assembly technologies you saw there, to the point we're actually turning out, on one production line today, 120 more cars per day. And that enabled us to win a large piece of new business from this customer, over $40 million in the next 36 months. So truly a great relationship with the customer, but also great assembly technologies that are delivering demonstrable benefits to our industry customers and partners.

Let me now turn to Asia, the last opportunity but a huge one for us to continue to grow. It's our biggest market, and it's our biggest opportunity. And as you can see here, the Asian market is larger than the European and North American markets combined and is growing at twice the rate.

We have tremendous relationships with our global OEMs in Asia, but we see a huge opportunity for local and regional OEMs that are developing and growing. Brands that you may not have heard of, but are huge in that marketplace. So we have a tremendous advantage because we have a footprint -- manufacturing footprint across Japan, China, India and Southeast Asia today, which we can leverage. But to tap into these local and regional OEMs, we've also opened up technical centers across all of those markets to engage them. And we've begun to win new business on the back of that, which is tremendously exciting. But it's not just about automotive, it's also about the industrial space. So winning new 2-wheeler business in India, rail in China and both heavy industry and truck as well across those markets. Asia is a huge opportunity for us and one which we're really leveraging and can see benefits into the future.

So let me just summarize by sharing this with you, which is really we have a tremendous franchise here in the Engineered Fastening business. It's a large market, $24 billion. So we've got a lot of opportunity to grow with share, as you can see we have been, and through category expansion. We've got tremendously exciting highly engineered solutions that our customers really need, want, and those relationships are very deep and intimate. And we work with them through the product life cycle, 4 or 5 years, in some instances, to bring a product to market. But most importantly, we truly believe there's multiple opportunities to grow in this space; both organically, I've mentioned breakthrough innovation, I mentioned penetration of vehicles and I mentioned Asia, the 3 significant organic opportunities; but also these adjacency opportunities as well in terms of acquisition that can come to us over the coming months and years. So tremendously exciting business, poised for further growth. Thank you very much.

Unidentified Company Representative

Thank you, John. Our next speaker is Senior Vice President and President of the Global Emerging Markets Group, Jaime Ramirez.

Jaime A. Ramirez - *Stanley Black & Decker, Inc. - SVP and President of Global Emerging Markets*

Good morning. My name is Jaime Ramirez, and I run the Global Emerging Market business for the company. And I'm here to share with you 3 main topics about our business in emerging markets. Number one is the tool market and how we have performed in the last 3 years.

Second, I'm going to talk about the organic growth opportunity that we have in emerging market space on our market share and the macroeconomic situation. And number three is our vision on emerging markets and the plans we have to continue winning and growing our business. So let me start with our results in the last 3 years. For nobody it's a secret that the last 3 years, the emerging markets have been really, really difficult from a macroeconomic perspective. We've been able to grow our business 2x GDP in emerging markets, offsetting almost $300 million of currency headwind and a lot of macroeconomic and geopolitical issues. We approach our business in emerging markets with 3 regions: Latin America; Asia, and another region that includes Russia, Turkey, Middle East, India and Africa. We see a tremendous opportunity for substantial growth in emerging markets in an $11.6 billion business. That's the opportunity we have.

Let me talk about our market share position. You can see on this slide that our position is quite different in the different regions, depending on where we are. You can see Latin America being #1, we're #4 in Asia and Russia, #3 in Africa and in the Middle East. And let me share with you a little bit of why we're so encouraged about this opportunity.

When Stanley and Black & Decker merged back in 2010, I was leading the Latin American business for Black & Decker, and at that time, I was in charge of the business for almost 3 or 4 years. And we took a very strategic approach in running the business in Latin America. And that's why we got to position #1. 15 years ago, we were #3 in Latin America.

And that's exactly the same thing we're trying to do in Asia and in the other countries that you see on this slide. We know how to do it, and we're adding to this our approach in terms of technology, in terms of new products, in terms of digital. So that's why we think we can achieve the #1 position or #2 position in these sort of markets. And then you see the different business categories.

Our market share in power tools is in the high teens; hand tools and storage is in the middle single digits; and accessories, low single digit. So a lot of opportunity to grow in all the different segments of the business. If we think about global emerging markets from the external perspective and from the macroeconomic perspective, everybody knows that these economies are expected to represent the majority of the global economic output before the end of the decade, tremendous opportunity. And then from the middle-class perspective, middle class is growing and income is also growing. So that represents also a tremendous opportunity for us. And then from the perspective of the products, you can see on that slide that the mid-price-point products represent 70% of the market we go after in these countries. For that specific segment, we have developed specific products to go after our end users, with the right specification, with right quality, and we're very excited about the results so far.

Let me talk about our vision in emerging markets. Our vision is to grow our business through an innovative end-user customer approach with a renewed commitment to social responsibility.

We're going to accomplish this based on 3 key areas. Number one is our focus on the end user and the customer. We're working on building a digital ecosystem to get connected to our end user. This ecosystem is going to allow us, when we're connected to the end users, to create demand, a [permanent] issue that we'll face in emerging markets, and to create value for our customers, for our direct distributors.

Then social responsibility, connected to what we're trying to accomplish with the company. So use social -- corporate social responsibility to raise the GEM profile. And then a culture of disruption and innovation. We want to really understand the needs of our end users to come with the right solutions, the right products and the right solutions. We put the GEM platform together back in 2012. At that time, we started working on developing the right products and building the right organization and having the right business model in place in a lot of the different markets, though with very difficult times. Today, we say that we are at an inflection point in our business. Why do we say that we are at an inflection point? If you see what is going on in the markets, we've got to face reality. Things are not getting better. Things are stable, but not getting better.

Number two, we have technology. We have customers and end users that are connected 24/7. And of course, we have to continue growing our business. We have to continue improving our revenue, improving our profitability. So with the change in our focus and with the use of technology, and taking the leverage of our new MPP product line and SFS 2.0, we're ready to take the business in emerging markets to the next level. Let me tell you how.

Number one, we have a clean and consistent strategy to go after the end users with the right brands and the right products. What you can see on that slide is how we do segmentation with our end users, the different business segments and the different brands. And you see it in the MPP segment at Stanley. Today, Stanley is a global brand that covers all the different product categories, power tools, accessories and hand tools. We launched Stanley power tools 18 months ago, and today, we have Stanley power tools in all the emerging markets across the globe with excellent results so far.

Our second key strategy is localization. When we talk about localization, we talk about manufacturing localization and commercial localization. So manufacturing localization connected to what Jim said before. We want to make where we sell our products. And we want to sell our products in the market. So we have deployed commercial organizations across all the emerging markets. These commercial organizations are taking a strategic approach rather than an opportunistic approach. And today, whatever strategy we launch, we can deploy that strategy in every single market across emerging markets. Our business model has evolved to localize how we sell our products. So with localization, we mitigate FX risks, we review supply chain costs, we improve our working capital and we're closer to our customers and our end users.

Digital ecosystem. We're working on building a disruptive ecosystem to transform our business, to attract, engage, convert and retain our end users with 2 focus areas: the end user to generate demand; and the customer to create value. What we're basically doing here is we're disrupting our business model. We're using breakthrough innovation to disrupt the business model we have today and to create new business models in a lot of the different markets. We have that opportunity. We have the flexibility. We're very mature in some markets, but in some markets we're just beginning. So we have the opportunity to try different business models in all the markets. And to do this, we're using technology. We're using artificial intelligence. We're using data analytics. So technology's at the core of this ecosystem.

And then, of course, SFS 2.0 is at the core of all these strategies, to continue investing and growing our powerful brands across the globe in all the price points, to continue expanding our distribution, in the big boxes, in industrial channel, the e-commerce channel. We're working a lot on e-commerce. And e-commerce, this is a great opportunity for us.

Core innovation. Core innovation is also extremely critical for us to come with the right products, with the right cost and with the right effects for our end users, and aggressive focus on end user pull. We don't want to push products. We want to pull our products from our end user by creating demand.

So in summary, we're very excited about the opportunity for strong growth in emerging markets. We're seeing that this is probably the largest organic growth opportunity for the company for 3 main reasons: number one, the market share opportunity; number two, our vision, with a focus on the end user and the customers, social responsibility and innovation; and number three, with the ecosystem and the organization we have put in place. We're very focused on the end user, the brands, our MPP products, our distribution partners and innovation. Thank you very much.

Unidentified Company Representative

Thank you, Jaime. Our next speaker is Executive Vice President and President of the Global Tools & Storage business, Jeff Ansell.

Jeffery D. Ansell - *Stanley Black & Decker, Inc. - EVP of Global Tools & Storage and President of Global Tools & Storage*

Good morning, ladies and gentlemen. All these wonderful eclectic accents this morning, but you have to listen to me in English. What I'd like to open with is the size of our tool business today is -- will be greater than $8 billion by year-end 2017, as Jim indicated, which is market-leading. Also our profitability sitting at 17%, also an all-time high and also market-leading. If you look at the bottom quadrant of the page, we go to market in 199 countries and we do so through 50,000 customers, predominantly through 4 vertical markets, from consumer all the way through commercial and industrial.

On the upper left of the screen, you can see the business model. So it starts with core SFS, which Steve Stafstrom will talk about later today, which is essentially delivering on-time, on-cost, on-quality what the customer expects. We then move to functional transformation. You'll hear more on that today as well, but that's really not much more than eliminating cost as far away from the user as you can and reinvesting closer to your customers. digital excellence that unites us as a company with our supply chain through our customers to the end user. Breakthrough innovation, which is a hallmark of our company but also a key enabler of any consumer durables. And it all leads to and culminates in commercial excellence.

So I'm pleased, proud and honored to be here representing the world's largest, most global, most innovative, most efficient, most profitable and fastest-growing tool company in the world.

In the last 3 years, our results have looked like this. We've grown our business organically, roughly $1.5 billion or 7% annual -- compound annual growth, driven by over $2 billion of gross new product launch, but $1 billion worth of incremental new product launch. So 2/3 of our actual growth has come from new product. And along those lines, it's a most recent publication, we were ranked the eighth most innovative of all companies and certainly, the most innovative in tools.

We have world-leading EH&S safety results as well as productivity. You can see we're 5x the industry average. All that culminates with leverage, 250 basis points of profit improvement or 10% average annual growth rate. Nearly 1/4 of improved productivity via working capital turns, all delivering 3x market growth.

So all those things, I think, individually impressive. When you put them together, they kind of galvanize the story in our tools business. And if you think about competing with this company, many do, but typically, you can see an Achilles heel from a distance, right. Where would you attack a company? And everybody has got their vulnerabilities, and we are humble. We remain extraordinarily humble. However, this tells you that we have paid very close and precise attention to every element of this business so that we're not an obvious target, so that all of our strengths come through on behalf of our customers. You think of a company that is the fastest-growing and most profitable, typically don't happen in the same place. Most efficient and most innovative typically don't happen in the same place. So we're pleased to be able to bring all those things to market on behalf of our customers.

We're #1 in all of power tools, consumer and professional. We're #1 in all of hand tools and storage across construction, automotive, power tool accessories and storage. We're also in a #1, 2 or 3 position in every major market of the world, and as Jaime said, lot of great work occurring in our global emerging markets where we probably have even the greatest opportunity for share gains. But the more impressive thing, I think, on the chart would be that each and every arrow is going up, which says regardless of our position, we are improving that position and have improved that position in recent history. All of that comes together to have a market share chart that looks like this one.

So one of the things we're more proud of than others is that, when we put these 2 companies together in 2010, we were 10% larger than the next closest competitor. So it was a very close race. We stand here today over 70% larger than the next closest competitor, and that's been achieved by growing at 3x market rate over the past 7 years. All those results were delivered in our core GTS or Global Tools & Storage business. So all the things that have made up our tool business since Stanley Black & Decker became one in 2010 has delivered that result. What more can be done when you add tremendous new assets like Craftsman, Irwin and Lenox.

So I'm going to detail our mission going forward, and then I'll spend more time on those newly acquired brands to give you comfort that they will be accretive to our already impressive results.

So our mission remains unchanged. We're in hot pursuit of being #1 or #2 in everything we do in the world. Reason being #1 and #2 leads, and we plan to lead. So how will we achieve that? You could have 100 different initiatives. Our view is with less is more. And our employees, all 35,000 of them in the tools business, can tell you what our objectives are. They are around 5 things: innovation; supply chain excellence; globalization; brand building; and world-class people, bringing all those things together on behalf of our customers.

And so in our view, those really are tenets of what is commercial excellence. So commercial excellence is one of those things, you follow a lot of companies, that I think most profess to have. Few actually have and even fewer excel at. Commercial excellence is one of the simplest and most complicated topics that I can think of because by its very nature it is just essentially listening to your customer and delivering to them what they want. That sounds pretty straightforward.

So why doesn't everybody do it? Because what they want is very difficult to achieve. They want world-class and repeatable service levels and supply chain excellence. So I'll show you in a bit. We sell 50 products every second around the world. Our customers demand that we replenish those rates of sale rapidly and continuously, repeatedly. That's very, very hard to do, but we do it. Our customers demand extraordinary quality. Our quality today is 40% better than it was just 7 years ago, and best in our history. Our customers say that's satisfactory, right. They always want more in terms of quality. And lastly, innovation. Innovation is something that everybody pursues, but meaningful, real innovation is a difficult thing to bring forward, and we've proven an incredible propensity to do that. So if you think of commercial excellence as these pillars, listening to your customer, delivering what they want, very easy to say, very hard to do, but it is what has led us from what was a $600 million tool business when I started running it to a business that will be over $8 billion today, and so we feel very good about repeating this exact formula going forward.

Innovation has been our hallmark, our lifeblood for decades, centuries in some cases. But on average today, we launch about 1,000 new products every year. We have a 35% new product vitality, which is measured over a 3-year period. We launch on average 3 products per day, and we sell 50 products every second of every day, of every week, of every month, of every year around the world. We have a tremendous number of third-party accolades for performance in the area of innovation. However, our 2 most coveted things are exceeding the expectations of our end users because if you do that, you exceed your customers or trade customers' expectations, and the Benjamins that go with that performance. Those are the 2 things we covet the most. Speaking of innovation, and Jim highlighted some of this earlier, and Frank Mannarino will talk more about this, but FLEXVOLT has probably been the -- it's been the greatest innovation in my 3 decades in this business.

A couple of things that we did here that we've never done before. We launched FLEXVOLT to every customer in every geography around the world on the same day, June 21, 2016. Our commercial excellence launch was the best in our history, extraordinarily detailed, extraordinarily digital, translated into 39 different languages, all those types of things. But it was the best -- by our customers' rating, the best launch in our history. That was only second to the quality of the products that we did launch. So you can see here the average rating, now approaching 9 months in the marketplace, is 4.9 out of a possible 5.0 stars. So if you get the commercial launch right and you get the product right, everything else tends to take care of itself. And we couldn't be more pleased with the results of our FLEXVOLT program in that, right now, we are on pace for FLEXVOLT to launch 10x the speed of brushless. So if you think of brushless, which now is a dominant technology within all of cordless, FLEXVOLT is on pace to be 10x faster than the uptake on brushless itself. And our pipeline, which Frank will spend more time talking to you about, is extraordinarily full and it -- really it spans so many different categories where max watts out were unavailable in previous cordless platforms. So we couldn't be more pleased with the FLEXVOLT.

Turning to supply chain excellence, another one of our tenets. One of the things that Steve will talk more about to you later today is "make where you sell." This has been an initiative for us for the last 5 years, certainly. And you can see our progress around making where you sell. So we've gone in the last 7 years from 30% of products made where we sell them to 45% of products made where we sell them. That's impressive. But consider that improvement, that 40% improvement, has occurred while we doubled the size of the tools business, right. So we've gone from 30% to 45% made where we sell it, while also doubling the size from $4 billion to $8 billion of the tools enterprise. So that's really impressive. On our way to something greater than 50%, we have 60% in our targets, in our sites right now. That will be done by a whole lot of new manufacturing technologies that Steve and James will talk about later today. But you can see, we have made tremendous progress and will continue to make tremendous progress across North America, Europe, and the emerging markets.

I hope this answers a lot of questions that I expect to take during the Q&A, which is around brand positioning. So a company with a marquee stable of brands such as Stanley Black & Decker has just acquired 3 new wonderful assets. So the question could be, how do they fit in a company that's already brand-rich. This is my best effort to try and explain it to you, and you can see that these acquisitions fit a very important place or take a very important position in our brand hierarchy. So Craftsman now becomes the single broadest brand in our entire portfolio. Irwin holds a position that we typically had not covered with our brands, and then Lenox, a more industrial position. But each and every one of these has a very logical fit in our hierarchy, and I think the obvious fit in our overall strength will be obvious as you see products launch over the coming 6, 12, and 18 months. But it wasn't by accident that we made these acquisitions.

Secondly, they held these positions in the market before we acquired them, right. So they held a meaningful position. And as we've grown from a $600 million tool company to a $8 billion tool company, these 3 brands continued to persist, Craftsman, Lenox, Irwin. So I guess, our view is if you can't beat them, buy them, right? And we've done just that so that we can go to market and put these assets to use for ourselves.

I'll start with Craftsman for a couple of pages and I'll then move to the Irwin and Lenox brands. We think we're probably the only company capable of properly managing a brand like Craftsman that runs the gamut that it does. And the reason being, you can see from this chart. Stanley, because of its almost 2 centuries in the marketplace, has proven an ability to manage price points from $1 to $3,000, from a utility knife blade to an industrial breaker. Craftsman has a similar portfolio, again, because of its almost 100 years in the marketplace, from $3 bottle openers to $2,000 lawn tractors. So we believe we have a great deal of experience in managing that really broad landscape.

Secondly, we think there is an opportunity to improve Craftsman by innovation. So if you go back in time to when Jim and Joe and Don and I joined the company, Craftsman was the #2 player in all of tape measures. They held the #2 position, 37% market share back then. They have exited that space. They have no tapes today in the marketplace, except the one that you see in the picture, which is perhaps the worst example of a tape measure that I've ever seen. And then if you look at the manufacturing statement, there used to be a very proud call-out on these boxes, proudly made in the United States of America. Today, there is no call-out at all, and if you turn the product over, you'll see that it's made in China.

So we think there's an opportunity for us to manage the brand breadth as well as the innovation and the country of origin better than it's being done today. And why do we feel capable or qualified to do just that? Well, it's because Stanley started in 1843 manufacturing in the United States and then transported that capability to many of the markets that it has served around the world. Black & Decker started manufacturing in the United States in 1910 and exported that capability to manufacture around the globe. Those 2 things come together, give us a great and a rich tradition of having done this.

Secondly, well in advance of the current political environment that is focused on "Made in the United States," over 36 months ago, we recommitted ourselves to move products to the United States that had historically been manufactured globally for 2 reasons. One is the customer doesn't demand it, but they absolutely appreciate it. Two, we were getting so large and our volume so big, we wanted to mitigate our risk of manufacturing at any one place, bring that supply chain to the markets we serve to also give us the ability to respond faster to changes in demand. So you think about the example of power tools manufactured in the United States, DeWalt power tools. We'll make products today on the second shift that will ship to the customer on the first shift, right? That's 12 hours' notice, versus 12 weeks' lead time coming from another geography.

So we've committed ourselves to doing that. And in fact, we've made over 1 billion units of product in the past 3 years alone in the United States of America. We have increased our headcount 40%, and we feel very good about our position across the 11 network plants in United States as well as our global opportunity to do the same thing, which Steve will spend more time on. So in Craftsman's case in particular, we think we can reintroduce "Made in America." We also think we can make Craftsman available to customers that have not had access to the brand before because it's been a very limited distribution brand. So the way that we will go to market with Craftsman looks like this. We will take what is the core Craftsman business today, the 3 big pillars are hand tools and storage, power tools and outdoor power equipment, those 3 things. We do all those things today in our core business. So we will manage the product development, utilizing our strategic business units that exist today. We'll utilize our existing commercial organization that has commercial excellence in mind, but at the same time, we have built a dedicated stand-alone Craftsman team to make certain that Craftsman maintains its own vibrancy, its own identity and own reasons for being as it always has been. And we've already built that team. It's up, it's running, it's located. It's doing a really fine job, but we think this model gives us the best of both worlds, scale of our existing structure with an identity -- a team that can build a Craftsman identity for us inside our own 4 walls.

Turning to Page 2, the Irwin and Lenox integrations. A different equation because in Craftsman's case we bought a brand that we were building product for, really not much else came with it, versus Irwin and Lenox where we bought a business and we're integrating that into our business. There are 3 huge benefits of the 2 companies functioning together. One is from the product perspective. There are products that the Newell Brands have historically made that are better than Stanley products, and there are products that Stanley has typically made that are better than the Newell products. So we have the opportunity to take the best of both worlds and make a better product for the end user and the brand that they already endorse. So think of locking pliers or vise-grips, traditionally very, very capably done by Irwin.

You look at clamps, very capably done by Irwin. And bimetal cutting products, whether they are hacksaw blades, jigsaw blades or reciprocating sawblades, all 3 of those things are done by Stanley today, but done better by Irwin and Lenox. Conversely, knives, blades and tape measures are examples of things that are offered by Irwin and Lenox, but are better manufactured by Stanley. So you're putting those together, we'll make the best products in the brand the customer endorses.

Also mechanical and electrical and plumbing channels are channels that typically Stanley has had really good products to take the market, but hasn't done a very good job of getting to market, even with such great brands as the DeWalt. Irwin -- excuse me, Lenox was born and raised in those channels, has done a tremendous job of selling the products in their space, but they've had a very limited offering of what was Lenox. So we think that the opportunity to bring new products into a channel that has been exploited really well by the newly acquired company, namely Lenox, is going to help both sides. And then finally, world-class service. It's no short -- or no secret that over the last 36 months, Irwin and Lenox have had trouble supporting their customers from a product availability perspective. When we acquired that business on March 10, there was $9 million of backlog, meaning orders in place that we couldn't fill. In, I guess, 6 short weeks, Steve Stafstrom and his capable team have reduced that backlog number from $9 million to $2 million. So better serving our customers than they've been served to this point. The mission is clear, the job is not done, but progress has been made.

So returning to the brand piece, and I hope from my depiction of the brand hierarchy you understand where they fit. I also want to give you greater confidence that we'll do a good job of delivering the brand promise that all these brands stand for.

And the best way to show that is through example. So from the time Stanley and Black & Decker came together, we had an acute focus on making sure that those brands remained true to the brand promise they had to the end user. Many of the folks in this room said we couldn't do it, but we have. In 7 years, we've grown that Stanley brand 14%, we've grown the Black & Decker brand twice that, 28%, and we've grown the flagship brand, DeWalt, 71% over that 7-year period, the largest in history for all 3 of those brands, by the way.

Two years ago, we integrated industrial brands within the company into our global tools business, namely brands like Mac Tools, Facom in Europe, Proto in the United States, which have grown 4%, 6% and 15% over that 2-year period. I think proving quite nicely that whether it's a consumer brand or whether it's a pure play industrial brand, we've done a quite good job of integrating them into our tools platform and as a result, they've gotten more attention, not less. They've grown, not shrunk. And the user has a better experience with them than ever. We plan to and we are committed to replicating that exact experience with these newly acquired brands, Craftsman, Irwin and Lenox.

So we stand here today providing more products and more solutions to more end users in more places than any time in our history, across industrial, automotive, construction, professional, metalworking, woodworking, mechanical, electrical, plumbing, DIY and even residential. So we are really, really connected to the world that is tools, and we stand here as the world's largest, most global, most innovative, most efficient, most profitable and fastest-growing tool company in the world. And we think that is not an accomplishment, that's a great responsibility for the future that we humbly accept. And why do we feel that tomorrow can be even greater than yesterday? This chart gives us a great deal of confidence. It doesn't ensure success, by the way, because pride comes just before the fall, but it gives us confidence to prevail. It took us 5 years, from 2010 to 2014, to grow our tools business $1 billion. We then achieved that same feat in 2 years, between 2015 and 2016. And in the year 2017, we'll grow our tools business another $1 billion for the first time in any one annual period in history. So bigger, better, faster, stronger, and we feel like our best and brightest days are in front of us.

So the summation looks like this. We run an incredibly strong tools franchise that has grown from $600 million to over $8 billion in the past decade and a half. A point not to be lost on you is that while we've done that, 85% of the market still doesn't belong to us, it still belongs to somebody else. So isn't that a great position to be in? 70% larger than the next closest competitor with 85% of the market not yet yours. If you can't get out of bed with a smile on your face with that, then there's something quite wrong. We have the ability to continue to drive above-average and above-market growth rates through innovation, brand excellence and supply chain excellence. And at this point, the integrations of the Irwin, Lenox and Craftsman brands are absolutely on track and we feel quite good about the prospects for the future. Thank you very much.

And I would like to introduce to you the Q&A session -- I apologize. So we'll invite 7 members of our management here and we'll take questions from this morning's session.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Great. Thanks, Jeff. So as we set up, just to let you know what we're doing, we'll have 15 to 20 minutes of questions, then we'll have about 5 to 10 minutes for a break and we'll start sharp at the 11:05 time for the next session.

QUESTIONS AND ANSWERS

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

So when you do ask your question, obviously, can you wait for the microphone because this is the audio webcast? Thanks. Thanks, folks. So questions? I mean, Rich will just start right in the front here. [Mark], right here.

Richard Michael Kwas - *Wells Fargo Securities, LLC, Research Division - MD and Senior Equity Research Analyst*

Two questions. So on Industrial from an M&A standpoint, Jim, how do you frame the importance of the various assets within the Industrial group right now in terms of focus? Engineered Fastening has been talked about. You have a large automotive presence there. If you were to look at an asset within that particular area, how important is it from a diversification standpoint to lessen the automotive exposure versus the quality of the asset overall?

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Well, obviously, the quality of the asset is paramount. I think the opportunity to diversify into areas, perhaps aerospace is an interesting example, that type of thing. It would be a really good thing. Automotive, we're kind of late in the cycle, I think everybody understands that, in the U.S., not necessarily true in Asia or Europe. And the problem is that there aren't that many engineered fastening assets available that diversify us out of automotive, and frankly, there aren't that many that would be in automotive.

So we're looking really more closely at adjacencies to Engineered Fastening. Businesses that would have very similar business models and potentially would diversify us outside of automotive accomplish that, check that box. So we look for businesses such as components, connectors, sensors, things like that where you're doing the application engineering in an industry vertical, you're getting a recurring revenue stream and potentially, in some cases, even an aftermarket. So that would be, I think, really attractive to us, some of those areas. Now the problem with a lot of those types of acquisitions is they are very high priced. So what we're really looking for is the right kind of right size, the right price and some of the other attributes that I just described.

Richard Michael Kwas - *Wells Fargo Securities, LLC, Research Division - MD and Senior Equity Research Analyst*

And then just separately on security. So there was a slide up there that talked about consolidation. So you went through the Niscayah situation and...

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

You had to remind us of that?

Richard Michael Kwas - *Wells Fargo Securities, LLC, Research Division - MD and Senior Equity Research Analyst*

And if you go back to a couple of years ago with the margins within the segment, so we've kind of been flat lining, maybe a little bit of improvement relative to a couple of years ago. What should we take away from getting the confidence around making additional acquisitions in the business and building it up from here? What has transpired over the last couple of years that gives you more confidence to potentially consolidate the business?

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Well, I'll let Don walk us through the last couple of years because I think it's been better than flatlining, to say the least.

Donald Allan - *Stanley Black & Decker, Inc. - CFO and EVP*

Yes, I would say, in 2016 in particular, we actually saw a significant margin improvement, almost over 100 basis points. This year, in 2017, we have flattened it out, but that's more intentional because we have a couple of dynamics that are occurring in the business.

One is that we are investing more for growth. So we recognize -- all of us recognize the importance of security growing organically on a more consistent basis. Some of the things that we're going to have to do is invest in breakthrough innovation, commercial excellence, digital excellence, all those pillars that you heard about from Jim this morning and you'll see in a lot more detail after this break. We need to begin to invest in our Security business so they can begin to generate those types of returns. But if you look at '15 and '16, we're actually very pleased with the progress we made in getting the margins up to 12%. Actually, it was closer to 13% before we sold the SMS business. And then with that adjustment, it brings it down closer to 12%. But really good progress. This year, it's a little bit about investing for growth, which we think is very important for the overall development of that particular business.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Yes, right here. Robert? Right in the end there, [Mark], if you could please?

Robert D. Barry - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Maybe I'll just pick up on that actually to start. With Security, it looks like the margin goal is now higher, high teens. I think last time it was mid-teens. Is that just because we're now looking 6 years more out? Or are the digital solutions looking higher margin? What's the driver there? And then also just about timing. You're targeting 4% high teens margin. What's the kind of cadence of that over the next 6 years?

Donald Allan - *Stanley Black & Decker, Inc. - CFO and EVP*

Yes. As Aru presented along with Jim this morning, the initial goal is to get it to mid-teens or around 15%, which is what we previously communicated. And we think we can do that with a lot of the core Security offerings that we're doing today. However, enhanced, so maybe that first phase that Aru was talking about related to some of the connected assets that we monitor through our existing monitoring centers. But then as the technology evolves, and he talked about artificial intelligence and used the example of an elderly person within their home, that's where we think actually we can push the growth higher to closer to 4% on an annual basis and improve the profitability over time to something that's closer to high teens. But I think the way you should think about it, if you think about the next 3 to 4 years, it's really a business that we're targeting to grow 2% to 3% and get to profitability of roughly 15%. Beyond that, it would really be a focus on this technology set of solutions that Aru went through in a little bit of detail this morning.

Robert D. Barry - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Got you. And then actually just a second question on Jeff's presentation, Slide 12 on brand positioning. It was very helpful, by the way, to kind of see where Irwin and Lenox fit. There is a lot of white space on that slide. But my question is, what's the relevant white space there? You don't have high-price-point consumer, but do you want that? If you had to select where the white spaces are that are kind of relevant to fill, what you would say, if any?

Jeffery D. Ansell - *Stanley Black & Decker, Inc. - EVP of Global Tools & Storage and President of Global Tools & Storage*

Well, by definition, 85% of the chart should be white space, right? Because we only have 15% global market share. Because I would say that there is opportunity for a majority of the brands that you saw in our staple to move in breadth, but also move in -- north to south in terms of improving its position.

So we commissioned the most extensive permission-to-play study that we've ever done right now to look at all those brands to see, what does the user expect those brands to stand for? Where does the user expect to find those brands? On what products? What level of quality? What price point?

And really that will guide our direction as to where we position those things from a core manufacturing perspective, of which we make about 85% of what we take to the market today. It will direct us to what things we need to source in addition to that, and also license, which isn't reflected on the chart. So those are the ways we'll fill the white space, but there is realistically more white space to fill than we have people and time to fill at this particular moment. So there is enough to keep us busy for the foreseeable future and it's really good work. So at this point, we feel not just committed to it, but also encouraged by it.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Thanks. Jimmy, right by you in the middle there, or you can go right if you'd like to.

Michael Jason Rehaut - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Michael Rehaut, JP Morgan. I had a question on breakthrough innovation. And there was a slide in the Engineered Fastening section, a slide in the commercial Security section. You've previously talked about the breakthrough innovation opportunities being at least $100 million in sales, 10 teams or so across the company. I was curious on how the commercial Security and the Engineered Fastening breakthrough innovation slides -- it seems, particularly, when you think about commercial Security, it's a little bit more amorphous and there are a lot of different opportunities that are maybe more bottoms-up grown. I'm curious if there are tangible, let's say, $100 million opportunities individually that you see. Or is it more of just when you talk about the Internet of Things, monitoring some of the other opportunities that you highlighted, a broader just digital platform as you try and implement that across a lot of different end markets? Is it more of just a broader type of opportunity rather than specific? And similar type of question for Engineered Fastening as well in terms of how you think about breakthrough innovation for that business as well, so.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Yes. Let me just -- I'll start and then I'm going to have Jim Cannon follow up, and maybe Aru as well if there is color commentary that he wants to add. Aru runs the European Security business and Jim the North America one, just FYI. So 10 teams around the company. And I think we've done an outstanding job up to this point and it's been an initiative since -- it's really about 2 years old. And we have -- in our oil and gas business, we have 3 teams that have come up with $100 million-plus opportunities. In our hydraulics business, we have a team that's come up with significant opportunities, potentially well above $100 million. And think about those businesses, neither of those businesses is greater than $300 million in revenue. So -- and sometimes people say, why do you have oil and gas when you're just a relatively small player in a huge market? Or why do have hydraulics and it doesn't really seem to fit with the rest of the portfolio? But what we're finding is the technology that we have in other parts of the business being applied, or outside of the business for that matter, being applied to these markets -- or these businesses that are relatively small and focused really gives them license to innovate when they think big in a way that's never been done before in those businesses. Now Security is a little bit different in the sense that you described, so I'll let Jim Cannon and then maybe Aru pitch in as well.

James J. Cannon - *Stanley Black & Decker, Inc. - President of Stanley Security North Americas & Emerging Markets*

Sure, sure. Well the short answer is yes. We do believe those sort of opportunities exist and we're actively working on them. We built a team in Security that we call Futures, and they're located in the South Seaport in Boston. They're co-located with the MassChallenge there and there's a lot of collaboration across all the breakthrough innovation teams. If we think about our traditional Security, commercial Security business where we have to go install and service, certainly there is a governor to growth there. If we launch any one solution, we've got to then go and install and service it.

But remember, our Security business also includes healthcare solutions. It includes door automation, right? Making the doors smarter, et cetera. There are lot of solutions that we're coming out with now in our healthcare business that are really breakthrough opportunities. I'm not going to list them off -- rattle them off by name. You'll learn about them as they begin to enter the market.

But absolutely, in particular in healthcare and door automation, those kind of $100 million-plus real disruptors in the marketplace certainly exist and they're pretty exciting. And our healthcare business, again, has a wide range of solutions from infant protection solutions to senior living and caring for seniors in the home, moving that continuum of care into the home with smart and connected systems, environmental temperature monitoring, real-time patient asset tracking paired with outcomes and taking that product, move it into the cloud so that we can go after small- and medium-size hospitals or clinics, where right now it's a big IT spend. So that Futures team is really busy with a host of breakthrough opportunities there in Boston.

Aru Bala - *Stanley Black & Decker, Inc. - President of Stanley Security Europe*

Just to add to Jim's comment on the digital side. The potential for the monitoring of IoT solutions is a breakthrough concept we see there. Because the acceleration of market in the connected space is obviously exponential. We all see that, either in the few areas we listed in the connected space, in connected vehicles or connected care, connected job sites. Those applications is absolutely phenomenal growth we're seeing. And our opportunities in the monitoring space of providing a service for the IoT companies there. That's the concept we're looking at with breakthrough innovation. Initial response is pretty good, but we need to keep developing that concept towards that $100 million mark, and to answer the question.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Jimmy, right in the middle there, that row. Jeff?

Jeffrey Todd Sprague - *Vertical Research Partners, LLC - Founder and Managing Partner*

It's Jeff Sprague from Vertical Research. One for Jim and then maybe an unrelated one for Jeff. Jim, just on the -- thinking about the portfolio and laying out your multiyear plan here. Just describe for us how you balance the pluses and minuses on acquisition pricing versus your desire to grow the company? We've seen some companies relax their return criteria and do other things in the quest for growth. Have you done that at all? And maybe you could just remind us on how you would -- maybe Don jumps in here too on just the financial metrics around your M&A ambitions.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Yes. I mean, we have historically been extremely disciplined. We put in acquisition financial criteria back when I was the CFO. And we tweaked it here and there, but never really changed it fundamentally.

So Don, you can walk through the specific criteria if you like, but we follow that religiously. Sometimes it means that we really have to go after acquisitions that have either a really significant cost synergy potential. That tends to help bring the after-synergy multiple down and we've seen a fair amount of that. For instance, in the Irwin-Newell, it was not cheap, that acquisition. But when you look at it on an after-synergy basis, it certainly fits the criteria that we have. And then the other thing is, sometimes really businesses with a significant revenue growth potential enable us to increase the multiple that we would pay. We historically have paid a little bit. But I'd say we're really disciplined about that and you can cover that.

Donald Allan - *Stanley Black & Decker, Inc. - CFO and EVP*

Yes. I'll actually address that as well in my presentation a little bit later in more detail. But we've always had a view, or at least for the last couple of decades, that we look at CFROI as the return for our company but also for acquisitions. And we like our acquisitions to be between 12% and 15%, which is where we want the total company to be, within a certain reasonable time frame post-closing date. So usually within 3 to 5 years after the closing, most of our acquisitions end up within that range. Now sometimes when we model them in the early stages, as Jim mentioned, we have cost synergies and the multiple might be a little bit higher, but over time, it goes down to a very reasonable level. But what we don't model is revenue synergies. And we've been very successful, especially in our tools business in driving revenue synergies. And when you factor those in over a 3- to 5-year time horizon, you actually get at the very high end of that range of 12% to 15% in some of those specific examples. But I'll walk that in a little more detail later this morning.

Jeffrey Todd Sprague - *Vertical Research Partners, LLC - Founder and Managing Partner*

And I was just wondering, Jeff, if you could give us a little bit more color on FLEXVOLT? You gave us a high-level view on the commercial front end, looks and feels pretty strong. But what have you learned at this point, now several months in, on leakage on the other side, what the cannibalization looks like? And is there any context to think about 10x the adoption of brushless, what that might mean for the revenue opportunity for the business looking out, say, you pick the year, 3 years, 5 years?

Jeffery D. Ansell - *Stanley Black & Decker, Inc. - EVP of Global Tools & Storage and President of Global Tools & Storage*

Well, Frank Mannarino is going to give a full segment on it this afternoon. So I'll answer your question, but he'll actually give you some more detail. In regards to cannibalization, it is definitely too early to tell. And the reason I say that is FLEXVOLT is a challenging initiative in that regard. Because it will take share from corded products, by definition, that's the intent. And if you think about that, we own about 20% of it. So $8 of $10 that we sell there is coming from someone else, not us, but still there is some cannibalization. It cannibalizes cordless products, of which we have an even higher share.

Think of a user that bought a cordless circular saw in our 20-volt platform or a Makita 18-volt platform, they now step up to FLEXVOLT. Well, that is cannibalization to somebody. But then factor in the price differential. FLEXVOLT is 35% more expensive than anybody else. So it adds growth just simply via price point. Take all those things into consideration and then add to it that when we executed this commercial launch of FLEXVOLT, we will now replace what was imagine an end cap or a display that was a 20-volt product this time last year, but today is FLEXVOLT because FLEXVOLT didn't exist this time last year. So all those things lead to some measure of cannibalization, but it is definitely too early to tell. We haven't gone through one cycle yet. Any of those things I just described, whether it cannibalizes corded product, cordless product or space, given the price point of FLEXVOLT, any of those scenarios is good for us.

And then I think your second point was around what could the size be? Let me start with what the target is. FLEXVOLT is something that we will use to target high watts output, max watts out scenario. So you won't see FLEXVOLT in places where 20-volt can get to because it's more expensive. But when there is a max watt out opportunity that only FLEXVOLT can serve, we'll go there. And so you see that in products that we launched initial stages, but you'll see new products that have never been done in power tools before because only FLEXVOLT can get to that type of output. And in those scenarios, less cannibalization, but also a tougher commercial launch because that has never existed before. So FLEXVOLT has us pulling our hair out in good ways at this point.

The last thing I would say is the size of what it could be. We think the market for FLEXVOLT, between small engine opportunities or small motor opportunities for other products like outdoor and gas, tractors, et cetera, combined with all the handheld opportunities within power tools and lawn & garden, it's probably a $5 billion or $6 billion market. What portion of that we can convert? Time will tell. But we are very pleased with the uptick that we're at 10x the pace of brushless because brushless is a huge win for us and a huge win in the marketplace.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

And we have time for one more question. Does anybody have a question on emerging markets? Anyway, okay.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

You did a great job, Jaime. Congratulations.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

So right in the end here, [Mark], right in the aisle. Jeff is there and then we will break.

Jeffrey Ted Kessler - *Imperial Capital, LLC, Research Division - MD, Institutional Research Group*

I know you talked a bit about the rise of "Make Here in America," but what I'm thinking in terms of is, there is a general worldwide move it seems toward nationalism, made here or distributed here, done here. How are you as a company adjusting to the rise of, let's call it, manufacturing nationalism across and including, and especially in some of the emerging growth countries that you operated in?

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Well I think we -- when we think about that, we look at the 3 major businesses. Security is pretty much not making that much and it's buying where it sells for the most part, so that's not an issue there. Engineered Fastening is incredibly well distributed in terms of make where you sell. It's literally 1/3, 1/3 and 1/3 in terms of the 3 poles of the word and all, almost all locally manufactured. So in great shape.

The tool industry is the interesting one from that point of view because the tool industry itself, it essentially migrated to China and Mexico with some appendages in the developed markets. But we had the foresight or good luck, whatever it might be, a couple of years ago to really kick off the initiative that Jeff described in his charts to take us from 30% to 45% while doubling the size of his business. That was a Herculean accomplishment when you think about the billions of dollars of manufacturing transformation that Steve Stafstrom, who is with us today and will talk later, and his team accomplished. So we have a great head start.

And for instance, in America, we produce -- 30% of the tools that are consumed by our customers in America, we produce in America. That compares to essentially 0 for all the other major tool companies except Snap-on. Snap-on, very high-end tools. Their customers really -- mostly insist on Made in America. They've done a great job. So we have opened 2 factories in the last couple of years in the United States. We have added thousands of manufacturing employees. I think we're in a -- relatively speaking, we're in a very good competitive position, but we've got a lot of work to do. And that's where Industry 4.0 comes in. And we're going to, as I said, implement that with vigor over the next 12 to 24 months or 24 to 36 months, and that will facilitate moving from 45% to 60% in the tool business. So the tool business is the opportunity there. And if this is true on a global basis, it's true in the emerging markets, it's true in Europe and it's true in the United States.

Jeffery D. Ansell - *Stanley Black & Decker, Inc. - EVP of Global Tools & Storage and President of Global Tools & Storage*

Right. But to clarify, we make 45% of -- today, we -- the starting point was 30%. We make 45% of what we sell in this country in tools in this country.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

All right, thanks. We're going to take a break. We're going to start at 11:05 and then there will be another time for Q&A after this. Thank you.

(Break)(presentation)

PRESENTATION

Stephen M. Subasic - *Stanley Black & Decker, Inc. - VP of HR - Global Tools & Storage*

Good morning. Hi, my name is Stephen Subasic. I'm the Vice President of Human Resources for Global Tools & Storage, and the executive sponsor for the breakthrough innovation platform. We started our breakthrough innovation journey with a clear business imperative, best highlighted by this quote from The Innovator's Dilemma. "History has clearly demonstrated that companies who do not embrace the opportunities of breakthrough innovation face significant risk from industry disruption by competitors or startups". And it was with this as our backdrop that we expanded our world-class innovation capabilities, augmenting our highly successful core innovation teams with the launch of our first dedicated breakthrough innovation organization. Today, we recognize 4 distinct horizons on an innovation continuum, as illustrated on the right of this slide, ensuring that we continue to lead today while also capitalizing on our opportunities to shape and disrupt markets through breakthrough innovation in the future. Since the launch of our SFS 2.0 breakthrough innovation platform, we have been on an accelerated journey that I'll share with you this morning.

We leverage learnings from innovation immersions in areas such as the Silicon Valley and Boston to design a startup-like breakthrough innovation organization known as Special Forces. Our Special Forces team is structured independent from the core business with a unique operating model. The small team is comprised of elite talent with the right experimental mindset and passion for learning and creating while focused exclusively on $100 million opportunities. And since the launch of our Special Forces pilot, we've established an extensive innovation ecosystem that now spans the enterprise. I'll expand more on the ecosystem later, but in summary, our innovation ecosystem encompasses our world-class core innovation, augmented by our dedicated breakthrough teams, linked to external sources of innovation through Stanley Ventures, while enabling a highly collaborative and engaged culture of innovation.

Building on the learnings and success of our first Special Forces model, breakthrough innovation has become pervasive across Stanley Black & Decker with dedicated teams in place across the enterprise and united by a common mission of bringing disruptive industry-shaping innovation to life. Today, dedicated breakthrough teams are in place in Tools & Storage, Oil and Gas, Engineered Fastening, Security and Hydraulics, among others. From a talent perspective, we placed a significant emphasis on recruiting a broad range of diverse, technical skill sets and expertise with the right experimental mindset and global perspective. We've also situated our teams in areas where the most significant benefits can be derived from local innovation communities, including start-ups, academia and talent.

As you heard earlier, the Security Futures integrated innovation team is strategically located in Boston, a hotbed of startup activity in advanced research. Similarly, Engineered Fastening's FIRST team is set in the heart of the German automotive industry near leading technical universities and research institutes. The same can be said for our oil and gas breakthrough innovation team located in Houston, Texas. Across our breakthrough network, we're partnering with some of the very best universities as well, ensuring that we're on the leading edge of emerging technical developments and academia while promoting our brand of innovation to future innovators on campuses today.

We're also seeing strong collaboration and co-creation among and between our various breakthrough teams and between these teams and the core innovation organizations. Collaboration between technologists and product developers cuts across lines and serves as a synergistic lift to accelerate the development process. We've seen firsthand the power of co-creation when technical strength and key learnings in one breakthrough team are transplanted to enable and accelerate development in other areas. The collaboration and sharing between our teams is robust and is a really key element of our organizational design. These teams have dramatically enhanced our internal focus on breakthrough capabilities. But concurrently, we've also expanded focus on external sources of innovation. To that end, we've also expanded our innovation ecosystem to infuse external sources of innovation. Our Stanley Ventures team is aligning us with start-ups who are working on disruptive advances that can augment our breakthrough developments and accelerate the delivery of market-shaping innovation.

Our Ventures team is also connected to some of the most significant start-up communities embedded in those networks, building relationships and continually mining for potential partners. Our strategy has paid dividends already with a number of strategic partnerships in place and further expansion of this deployment framework underway. For example, our partnership with Prieto Battery, as you see on the screen, will ensure that we remain on the forefront of emerging energy storage. Our partnership with Veloxint provides us with access to the strongest nano-crystallized materials that could be leveraged in 3D printing and other product applications with a potential to deliver additional unmatched product performance characteristics across multiple business groups. We also leverage the external innovation across multiple businesses, as enabling technologies often support multiple breakthrough teams, which underscores the importance of collaboration.

Today, our innovation ecosystem enables cross-fertilization of technologies and co-creation across our enterprise. This way of operating is essentially formalized by our Stanley Black & Decker Technology Council. The Council includes representatives from each breakthrough team, technologists from our core businesses, representatives from our highly connected Digital Accelerator organization and our Stanley Ventures team. We conduct annual summits known as innovation showcases to share progress and to spotlight solutions. In this way, we have created and continue to grow a thriving community of technologists who are highly collaborative and mutually supportive in their pursuit of breakthrough innovation. We also provide early visibility of the most significant innovation opportunities to our executive team during these sessions, which enables accelerated investment, decision making and development.

Now the hallmark of the most successful innovation organizations is their ability to unlock innovation across the enterprise. And it was with this in mind that we launched an internal crowdsourcing platform known as the Drawing Board. The Drawing Board is an internal portal where our employees from every business around the world can respond to problem statements and contribute ideas for new and better solutions. Piloted in 2015, this crowdsourcing process was embraced by our team members as we realized participation levels that triple the normal rate.

Our investment has translated into real value creation. In the first 2 years, ideas gathered on the Drawing Board have turned into products and solutions that have added meaningful incremental revenues to our product pipeline while reinforcing and growing our culture of innovation. To bring our Drawing Board products to life and enable further external innovation and engagement, we're launching our first makerspace, essentially a mini prototyping workshop outfitted with low-tech and high-tech equipment to accelerate prototype development. This will allow our people to create their product concepts as physical objects in an environment that is still very much experimental. And with our makerspace, we are putting an environment in place off-site that our creators will flock to, including our team members and students from partner universities, fueling our creativity engine and accelerating product development.

Our ecosystem provides the backbone for world-class innovation, but it is important to highlight the synergistic relationship between our SFS 2.0 platforms, most notably breakthrough innovation, digital excellence and commercial excellence. We have clearly seen that when the capabilities of our SFS 2.0 platforms are brought to bear on a breakthrough solution, we realize a tremendous lift. These benefits range from enabling digital expertise that accelerates solution development, to advanced analytics from our commercial excellence experts who infuse sophisticated tools and processes in our market assessments and commercialization strategies. The power of SFS 2.0 has never been more evident.

In a very short period of time, we've grown our breakthrough innovation from a pilot design, just a couple of years ago, and concept to a robust network of dedicated breakthrough teams across the enterprise. We stay true to the learnings and best practices from our early days, but continue to refine and improve breakthrough as a key element of our overall innovation ecosystem. And we couldn't be more pleased to share with you next an example that brings to life the power of the breakthrough model with the launch of FLEXVOLT, with other breakthrough innovations on the horizon. Innovation is truly our lifeblood and represents one of the most significant enablers for our sustained organic growth. Thank you.

Unidentified Company Representative

Thank you, Stephen. Our next speaker is President of Power Tools and Equipment for the Global Tools & Storage group, Frank Mannarino.

Frank A. Mannarino - *Stanley Black & Decker, Inc. - President of Power Tools & Equipment Global Tools & Storage*

Okay, good morning. Okay, my name is Frank Mannarino. I lead our Power Tools and Equipment group, and we're going to talk about the FLEXVOLT story.

We'll start with our mission. We have been relentlessly pursuing a cordless job site. To carry out this mission, we've established performance targets for the key job site applications. And what we found was our industry-leading 20-volt tools just did not have the power to handle applications in what we call the land of corded and gas-powered tools. We estimate this to be between a $1.5 billion to $2 billion market opportunity. So that really created 2 problems: number one, we needed more power; number 2, not a new system. We already had a huge 20-volt system with millions of users invested in that system. So to look for solutions to the problems, we turned to a very small capable team, as Stephen mentioned, our Special Forces breakthrough innovation team. We gave the team time to think, time to prototype and time to research. And based on the prototype feedback from our professional end users, we really thought we were onto something pretty special. And we felt if we could execute, it would allow us to penetrate the land of corded and gas-powered tools, and FLEXVOLT gives us the opportunity to do just that. I'm going to play a quick video that will give you an overview of the system and then we'll hear from our professional end users about the FLEXVOLT product.

(presentation)

Frank A. Mannarino - *Stanley Black & Decker, Inc. - President of Power Tools & Equipment Global Tools & Storage*

(inaudible) watch the video. All right, let's talk about the 2016 launches for FLEXVOLT. We launched 45 power tool accessories and 18 new power tools. Many of the power tools were world's first that had never been cordless before, like our FLEXVOLT 12-inch sliding miter saw, and our FLEXVOLT table saw. In total, FLEXVOLT delivered over $100 million in revenue globally in 2016.

Let's talk about today and beyond. In 2017, we'll launch 12 new power tools and 25 new power tool accessories. As part of the power tool launch will be our outdoor power equipment. And as we look out over the next few years, we'll launch over 15 new tools, over 20 new power tool accessories. We'll continue the expansion into the small gas engine market, which we define as handheld gas in the 25cc range. And then we'll validate the technology expansion into larger gas engines, which we identified as about a $3 billion market opportunity, in the 4- to 5-horsepower gas range. FLEXVOLT will be leveraged for future innovation in new categories.

In summary, the breakthrough innovation approach really leads to the FLEXVOLT system. It was a rapid product development process, in less than 24 months from concept to commercialization. A successful 2016 launch with many new products in the pipeline over the next few years and significant opportunity to expand the technology into larger gas engines. We believe FLEXVOLT gives us the platform to continue to expand and go into large incremental market opportunities in both our core markets and adjacencies. And that's the FLEXVOLT story. Thank you.

Unidentified Company Representative

Thank you, Frank. Our next speaker is President of U.S. Retail for Global Tools & Storage, Jon Michael Adinolfi.

Jon Michael Adinolfi - *Stanley Black & Decker, Inc. - Former President of US Retail - Global Tools & Storage*

Good morning. I'm Jon Michael Adinolfi, President of U.S. Retail and executive sponsor of commercial excellence. I'm excited here to talk to you today about commercial excellence, because my job and my role in running U.S. Retail is leading our home centers, mass merchants and e-commerce channels across the U.S. In that role, I have the ability and the opportunity to help lead our teams and then work with other parts of the organization to continue to expand commercial excellence. I thought it'd be best to frame and capture what Jeff talked about earlier, what is commercial excellence?

Commercial excellence is giving the customer what they want, when they want it, the products, the services, the delivery, conversion and ultimately innovation. It's not very easy to do, it's very hard for the persons to work through and challenge themselves. By working and bringing themselves together, we are working to utilize all the facets of commercial excellence, and I'll walk you through the strategy and the approach that we take to drive that in the marketplace.

By driving commercial excellence across our portfolio, we are delivering above-market average organic growth. We start with the end user on the far left of the chart here. We focus on working with that end user to understand the CTQs that help them drive their business, understanding what's important to them to drive more productivity and exceed their expectations. We then translate that into innovation and portfolio excellence by bringing that together and driving world's first meaningful technology, as Frank just outlined with FLEXVOLT, to bring that to life and give that end user something they've never had before. Our brands and our marketing teams capture those portfolios in our brands and bring them to life.

Pricing and promotion, we then activate it in the field, and we then take our sales forces and deploy them regionally to make sure that we're executing day in and day out with our retailers. We then bring that all together with something that's very important to us, that's our channel and partner programs. That enables us to take the first 5 pillars of this strategy and listen to that customer, understand what they want and exceed their expectations. We then follow that up with customer service and post-sales support to make sure that we drive loyalty and commitment to our brands. By embedding this best-in-class commercial excellence, we are able to deliver profitable growth.

First -- my first example is around end-user insight fueling innovation. Our tapes platform, which is a $200 million business today inside of Stanley Black & Decker, is a world leader. We're never satisfied. So we spend time with our end users, focusing on what is important to them, stand out, durability, ergonomics and country of origin. We listen to our end users, we understood what was important to them and then our engineers and teams went to work to develop the world's next most innovative tape, which we're launching this month, the DeWalt next-generation tape with I-Beam straight standout, giving that end user usability and accuracy combined with the toughest coatings and case in the industry, giving them durability, and a smaller more ergonomic housing, something that no one ever thought we could do when we already had the world's best tape measures, and then we bring that to life by making it here in the United States of America. So that insight drives market share and growth in our business.

The next example from our Engineered Fastening team, where our global #1 leadership position in stud welding, combined with our self-piercing excellence and expertise, enabled our teams to bring that combination of products together and then leverage one of our core elements of commercial excellence and that's customer partnerships. By listening to the customer, they then understood what was important to them and created a service offering, combined with a product offering, that truly created a winning solution, leading to an over $40 million win in that business. That's what we're going to continue to drive as we continue to grow in Europe, taking that same model to Asia and then across the Americas, collaborating with our customers to win around the globe.

Commercial excellence in action in Europe. Frank just walked you through the FLEXVOLT story, a truly world-class event when we launched FLEXVOLT, bringing 450 customers together in one area to unveil product and innovation, give them a deep dive into the technology, also allow them to touch and feel the tools and understand the true power, not of just what was presented, but bring it to life themselves, and then followed that up with a truly monumental and a once-in-a-lifetime experience to eat on the [pitch] in Barcelona, truly breathtaking event and really drove that alliance to our products and our brands.

Next, the European team brought together and continued to grow in Eastern Europe and took a successful formula, taking two of our most important brands, Stanley and DeWalt, aligning our sales force, going direct in those markets, leveraging our position and growing for 3 years straight at over 20%.

The last example, e-commerce. As we continue to grow our business, and very important whether you're in the United States or in Europe, our e-commerce platforms are spreading around the world. By aligning globally, we've been able to bring the power of our portfolio to market, capitalize on our brands, align our country strategy and deliver growth in our e-commerce accounts by over 50%, showing that commercial excellence is alive and well in Europe.

Made in the USA. You heard a lot about our localization strategy and what we've been doing here, Made in the USA. We've been making world-class products in the U.S. since 1843, you all know that. What this strategy is, and what I'm very proud of what we're doing here today, is some of the most robust in-store execution we've ever had in 2017. We'll continue to drive Made in the U.S. products that we have here today and then really wrap around that the digital evolution and our marketing campaigns, bring them to life in-store as well as online, coupled with manufacturing strategies and our continued movement of product back to where we make it and where we sell it in the U.S., taking things like our fastening platform or expanding our Made in the U.S. footprint as well as our Tools & Storage platform. Bringing those together, we bring it to life with activation at the store level with the end user and our customer mind. This is fueling sustainable above-market organic growth in our U.S. Retail business.

And then we wrap that up with our focus on customer service and post-sales support. Our Security North America team has focused on their customer day in and day out, leveraging technology, creating impactful connections. They work through the service cloud, leveraging customer interactions to make sure they stay close to that customer throughout the journey, and that's what allows us to drive customer simplicity, enhancing the ability for our customer to connect with us, we improve the experience, we continue to grow our business and we measure that success and we can adjust along the way.

And in summary, as you can see, commercial excellence is alive and well. It's firmly aligned in our Tools and Storage business. And commercial excellence best practices are continuing to be spread across our businesses in each and every aspect of Stanley Black & Decker. By driving and aligning the leadership and the strategies and approaches from each of our businesses, we will continue to grow and drive above-market opportunities and OM expansion across our business. Thank you very much.

Unidentified Company Representative

Thank you very much, Jon Michael. Our next speaker is Vice President of Digital Excellence, Brian Koster.

Brian Koster

Good morning. My name is Brian Koster and I'm the Vice President of Digital Excellence. And I, along with our executive sponsor, John Wyatt, who you heard from earlier, are leading our digital transformation across Stanley Black & Decker. Today, I'm going to share with you what we mean by digital excellence, what we've been working on and where we're headed.

We began contemplating the impact of digital on our business in 2013, and we did so because we recognized that digital was transforming the way that people live and the way people work. Social media was exploding, smartphones for millennials were more important than cars and TVs. Mobile applications were surpassing the web and products were becoming connected, providing new sources of value for our customers and new business models.

And all of this was being fueled by a string of disruptive technologies, you see some on the page, from cloud to augmented reality, new advanced network technologies, big data, cognitive computing, the list goes on and on and on and on, but these technologies were rapidly advancing and transforming our world. Now these technologies were also disrupting businesses, and this was one of the first to be disrupted, were actually more of your digital businesses, but we knew that those technologies were soon going to be used in disrupting across all industries. The time was right for us to act. So in January of 2015, we formally launched the digital excellence initiative across Stanley Black & Decker.

So what is digital excellence? We've had information technology in Stanley Black & Decker for 50 years, and by definition information technology is digital. So what do we mean by digital excellence? Well, here is our definition. Digital excellence is leveraging the power of emerging technologies across all parts of our business to drive new sources of value for our customers. I emphasize the word emerging. Digital excellence is focused on those technologies that are transformative in nature for our industry and for our company.

Now a lot of the early work we've done is in the product space, because that's been an area that's been underserved by digital technology. But we view digital excellence as equally important across all parts of our business, from sales and marketing, products and services, operations and our functional teams as well. With digital technology, we will improve the speed and efficiency of our internal operations. We'll be able to develop new and enhanced products, get closer to our customers with one-to-one relationships and increase our employee engagement and collaboration.

At the heart of our digital transformation is a team that Jim referenced early and it's called the Digital Accelerator. The Accelerator is a unique team in Stanley Black & Decker in that it serves as a center of excellence for all things digital. It is a product engineering team that actually creates digital products, and it's forward-looking on digital innovation as well. Now the team serves all parts of our business, it works as change agents as well as thought leaders across our company.

In setting up the team, we knew it was going to be important to hire world-class digital talent. And so we've done that. We also wanted to free the team to build processes that optimize for speed. After all, the pace of innovation is very fast here. We've got to move quickly inside the Digital Accelerator. We asked the team to leverage cutting-edge digital technologies and to keep abreast of digital trends. After a city search, we chose Atlanta, Georgia to base the team, and we did so because we felt we could really be relevant in Atlanta and attract that world-class talent that we were looking for. Atlanta is home to a world-class university and engineering school in Georgia Tech, and around Georgia Tech, there is a corporate innovation ecosystem, you see some of the names on the slide, just down the street from our offices. It's also got a rich start-up ecosystem and has got strong support from the city and the Metro Atlanta Chamber for digital in Atlanta.

Our first hire in the Accelerator came on in June of 2015, and we've grown the team quite rapidly. I'm proud of what they've been able to accomplish, and I'll show you bit more about that in some slides coming up.

When we built the team, we felt it was important to make sure that they were digital practitioners, not just consultants and advisers to the business. They had to have hands-on, they had to be doing, they had to be working day-to-day in digital technology. So at the core of the Digital Accelerator, you will find what we call a digital product team. A digital product team has all the skills necessary to conceive of, envision and deliver digital products. We have digital product managers that work hand-in-hand with our businesses on digital strategy, digital features and product road maps. We have software engineers that are well versed in cloud, mobile and web and that work with our mechanical and electrical engineers in the business to ensure that our digital applications work well with our physical products. We've got a world-class user experience team. We have specialists in Internet of Things and data scientists, and we've got digital marketing staff that work with our business on customer acquisition, search engine optimization and digital campaigns.

Now we do work only on those things that our business wants us to work on. After all, the business runs the commercial side of the operation and the P&L. That said, we want to be equal partners with our business, shoulder-to-shoulder at the table and make sure that we're driving digital transformation and thought leadership with our business units. Right now, we're a little over 80 people, and we'll be at about 100 people by year-end.

So our digital transformation is really in full swing. In addition to the Accelerator, our businesses themselves have also hired quite a few people and begun to build commercial teams. We have also worked with them to identify new digital roles and to help increase those skill sets in the business.

We've begun to embed digital processes into the business. So for example, our product development life cycle that's been physical for all these years now has to incorporate digital as well. We stood up 3 new technology platforms, 1 for the Internet of Things, 1 for big data and 1 for digital marketing. But most importantly, we began to change the culture of Stanley Black & Decker so that digital is viewed as a requirement for future success in the business.

In short, we set a course to go from responding back in 2015, to leading in our industry.

Now let me give you some examples of the work that we've been doing in the accelerator and across Stanley Black & Decker. In our Black & Decker brand, in our Stanley hand tools brand and DeWalt and Stanley healthcare, we've created connected products and a series of mobile applications for our customers. I want to highlight STANLEY Measure. We began to work with our business in the measuring space to understand a key question: What happens if measuring goes digital or parts of measuring go digital? So with that question in mind, we've reimagined what measuring could be. We built a mobile application that allows you to record measurements digitally and to upload them to the cloud for safekeeping. The first product we have integrated is a Laser Distance Measurer and we've got more products coming in the pipeline. We will continue to build on that platform of measuring.

On the right, we see DIYZ, and I think we talked a little bit about this a few years ago, but we stood up a brand-new brand, a completely digital brand. DIYZ is an application that allows a do-it-yourselfer to complete a task, to complete a job, a home improvement project.

We created rich digital content that's available in the app. We've shot all the videos in-house. It's really some excellent work. If you haven't downloaded the app, I would encourage you to do that. But if that's not enough, we've also given you the ability in real-time to contact an adviser over video chat to get help with your project. We have over 700,000 downloads to date and we're on a trajectory to be at 1 million by the end of the summer. We're 4.5 stars rated in the App Store, and we've been featured on Apple's New Apps We Love.

We've got a lot of work going on big data. I've got a slide coming up on that next, but I want to highlight some really interesting work that we've done on internal engagement and collaboration. We were a beta customer and an early adopter of a new application called Facebook Workplace. Facebook Workplace is really their consumer version of Facebook, taken and created just for corporations. It's private and allows our employees to communicate with each other. We've got 30,000 users on Facebook Workplace today, and Facebook itself has told us that we were the fastest customer to adopt Facebook Workplace. I would say, probably one of our biggest contributors in posting would be our CEO, Mr. Jim Loree, and I would bet that right now we could go on to Facebook Workplace and we would probably find postings about this event. It's that real-time.

All right. Big data. Just about every company our size is going to have a traditional data warehouse, and it's great for financial reporting, it's great for running our business operations day-to-day, but there is so much more value that we can get out of our data if we apply new tools, new techniques and new ways to look at and store data. So to do that, we've created a new data platform called the data lake, and we've hired a team of data scientists and given them the freedom to explore that data for new insights.

I've got a few early examples here on the page. We've been working with a GEM business on retail microsegmentation, using machine learning to enhance our mix of product offerings to grow revenue, while also strengthening our retail partnerships. We worked with our Security team to modernize the Security pricing structure. And we're doing an experiment right now to look at automated call monitoring to try to detect noise patterns that might signal an event and that would create an alert. And these are just some early examples, but the field here is wide open. As we deploy more and more connected products, we're going to have a wealth of data coming from out in the field. And as we deploy Industry 4.0 in our factories, we will have a wealth of data about our internal operations. We're really just scratching the surface here.

So the Digital Accelerator is going to continue to evolve. Over the past 2 years, we've done, I think, a great job of putting in foundational platforms and capabilities, people, skills. And we've gone from that area where we were trying to figure out what digital is, to a leading position. But the digital landscape is going to continue to change, and what was new and innovative yesterday is really table stakes today. And we have got to keep up.

So as the Accelerator continues to mature these capabilities, we will be embedding those into the business and redeploying our resources more towards these emerging technologies. We've got to be ready, we got to understand the digital landscape and be ready to bring these technologies in-house when they're mature enough for our business and before our competitors do.

So in summary, our focus on digital excellence is strong. We have and we will continue to make investments to be a leader in digital. You have heard digital in just about every presentation here today. It is a key focus area for the company and it is already manifesting itself into actual products and solutions that will drive organic growth and operating margin. Thank you.

Unidentified Company Representative

Thank you, Brian. Our next speakers are Steve Stafstrom, Vice President of Operations for Global Tools & Storage and the Emerging Markets; and James Ray, President, Global Industrial for the Stanley Engineered Fastening business.

Stephen J. Stafstrom - *Stanley Black & Decker, Inc. - VP of Operations, Global Tools & Storage and Emerging Markets*

Well, good morning. Steve Stafstrom. I oversee the global supply chain for our tool franchises. I'm going to be joined this morning by my colleague, James Ray, who is the President of the Industrials for our Engineered Fastening business. And our focus today is going to be on core SFS. 93% of corporate continuous improvement initiatives die in the first 5 years, but I'm proud to stand up here today and say that 2017 marks the 10th anniversary of the Stanley Fulfillment System, SFS.

The Stanley Fulfillment System has driven vast improvements in customer service, free cash flow generation and productivity since inception. SFS harnesses the desires of our customer for business benefits. SFS has been the fuel for our transformation. The Stanley Fulfillment System marches on as we continue to reinvent and reinvest in our toolkit. And you'll see that we have exploited some of the best-in-world continuous improvement techniques over the past 10 years, operational lean, S&OP, complexity reduction. Those tools have yielded vast improvements for us, and we've been really clear about choosing current and future courses to drive benefits for our customers and our shareholders.

We feel it's very important to recognize what to preserve in SFS and what has to change. So if we think about our supply chains and -- our supply chain and all supply chains, they're constrained by physical reality. And that physical reality in our world is bending steel, bashing metal, assembling tools, putting boxes on trucks, those things. And we've been very successful in improving those physical realities. But as we think about how we evolve SFS, our next evolution or maybe even a revolution for our factories and supply chains will be to go digital. Industry 4.0, Industrial Internet of Things, big data, the Brilliant Factory, additive robotics, technologies will become part of the Stanley Fulfillment System toolkit. If we are to continue to remake our industry, we will have to gather data, process data, distribute data like no other time in our history, and we've begun that journey to fully digitize our supply chain. SFS will live on as competitive cost advantage.

So if you think about our end users, you've heard today that things that they demand of our supply chain is selection, price, quality, convenience. And we believe that the improved outcomes of our manufacturing and supply chain can pave the way for disruptive business models. We will have a supply chain that has the customer at the center with -- and with best-of-world cost. And most businesses try to do one or the other, they put the customer at the middle or they try to have best-in-world cost. We believe we can deliver both.

Digital technologies will help us to deliver double-digit improvements in overall equipment efficiency, energy cost, we anticipate enhanced speed to market, historic levels of good quality. And these are all high aspirations when you think that we serve customers in over 150 countries, we launch 3 new products daily and we sell 50 products every second of every day. The value we expect from digitization is robust productivity and cost improvement, but most importantly, we're embracing these technologies to give us that ability to satisfy our customers to grow at 2 to 3x the market.

So you say this all sounds good and -- so what is the how? Well, the how is what we're branding supply chain 2022, and that again, our vision is to get even closer to our customer. Now local manufacturing has not always been the obvious choice. But over the last several years, we've embraced make where we sell. Make where we sell is industry-leading supply chain design, and it's about producing local products, in local factories, for local markets. Customer responsiveness, currency mitigation, trade compliance, risk avoidance and reduced environmental impacts all result from these redesigned trade flows. And as you've heard, our end user really prefers products that are made in market. In fact, in the last 3 years, we have moved from a 30% make where we sell to a 45% make where we sell. And just alone in the last 3 years in the U.S., we've produced over 1 billion products. But we believe that Industry 4.0, the digital thread is going to be an accelerant to this make where we sell, with -- our goal is to be able to produce and serve on par cost anywhere in the world, to the point that just last month we announced to our workforce in the U.K. that we'd be bringing power tool manufacturing back to the U.K.

So we'll leverage the newest digital technologies to give Stanley Black & Decker the most customer-centric and most cost-competitive factories and distribution in the industry. We are proving this cost competitiveness on a daily basis.

James Ray - *Stanley Black & Decker, Inc. - VP of Global Operations - Stanley Engineered Fastening*

Thanks, Steve. Again, James Ray, President of Industrial Fastening and also responsible for our Global Operations at the Engineered Fastening business.

As you see on the screen, these 8 Industry 4.0 technology-driven capabilities are being implemented in our smart factory approach. Our team is focused on increased operational flexibility, driving lean manufacturing and speed-to-market of our great new products. Transforming our current manufacturing capability is essential to maintaining market leadership in both innovation and competitiveness.

And as we expand our operations footprint, all new sites will be launched with industry-leading processes and technologies, where Industry 4.0 capability will be at the core of it and it will help us accelerate core SFS. We continue to raise the bar for our operations excellence. And as the definitions of digital excellence and commercial excellence proceed to meet operations excellence, it's essentially waste-free manufacturing and supply chain. So that's what we're striving to achieve.

We established 2 lighthouse U.S. manufacturing plants over a year ago, as Jim mentioned in his opening comments. These sites are in place to prove out use cases implementing the Industry 4.0 elements and how we can best maximize the benefit that they provide. Real-time data transparency is driving a collaborative learning environment, while also driving an operations mindset change. It's really interesting when you take a look at some of these examples, and I'll focus on 2: advanced robotics and human-machine interface. This is where we're looking at how we can best couple robotics, adaptive robotics as well as humans and increase our operational effectiveness. The other area is the virtual factory and also our "data at the point of impact" strategy, where we're modeling our factories and simulating flow, material flow and replenishment in our factories and doing real-time lean Kaizen events on our current footprint, but also more importantly, as we plan to launch new products in the future, we are optimizing our factories before we launch those products. So it's a waste-free environment, very flexible and very quick to market.

Standard work and best practice definition ensures consistent Industry 4.0 capability is deployed across our global sites. So we started with these 2. We have another factory in Germany where the excitement is so high with this capability, factories are starting to approach us themselves, nominate themselves to be lighthouse plants and really start to accelerate this implementation. And ultimately, we're trying to achieve predictive manufacturing, getting out in front, not looking back at what happened in the last hour or the last shift, the last day, the last week, but actually getting in front and optimizing manufacturing before we make the first part. So it's really exciting for us and it's exciting for the people in the organization.

And in summary, core SFS is a proven model for achieving operational excellence. Our lighthouse factory center of expertise approach is enabling consistent Industry 4.0 global deployment, and we are targeting 80% of all of our cost of manufacturing will be in some level of Industry 4.0 by 2019, which is a very, very significant effort in front of us. Industry 4.0 significantly enables our "make where we sell" strategy. As you've heard, it's a common theme throughout all these presentations. This is a core enabler for that. And then by leveraging digital capability, as Brian just mentioned, we're accelerating core SFS and lean manufacturing to the next level. Thank you.

Unidentified Company Representative

Thank you, gentlemen. Our next speaker is Vice President and Chief Information Officer, Rhonda Gass.

Rhonda O. Gass - *Stanley Black & Decker, Inc. - Chief Information Officer and VP*

Okay. Let me check. No, I can't quite say good afternoon. So good morning. I'm Rhonda Gass, the Chief Information Officer at Stanley Black & Decker, and I'll be spending the next few minutes discussing the fifth and final component of the SFS 2.0 operating system. It's known as functional transformation. While arguably this is not the flashy topic, especially when compared to our preceding topics, I think you'll find functional transformation to be an important and significant part of our overall operating system.

As part of my presentation today, I'd like you to take away 3 things. Number one, we are in implementation mode with respect to this initiative. In our last update to you, we were just embarking upon a multi-quarter deep-dive analysis and assessment. Today, I'm happy to report that we have completed the assessment work and are now implementing across both the IT and finance functions. Number two, the SG&A opportunity has been validated and our savings targets have been set. As a result of the assessment that we began just over 18 months ago, we have validated approximately 2 points of SG&A savings and we're going after it. And finally, for the third thing I want you to remember, we are highly cognizant that in this multiyear period, we will need to balance this activity as we also invest for growth. We will need to continually weigh investment in and any disruption caused by functional transformation, while we also invest in many of the other exciting opportunities you heard about today.

So with that, and these 3 things in mind, let's get started. I want to start with a recap of the functional transformation program and opportunity. When we started this journey, the company was performing well, and in fact, continues to perform extremely well versus our peers and indeed, the S&P 500. However, we know that we have absorbed some 100 acquisitions with various levels of process and systems integration. And we also know that our SG&A costs are not at the peer average, so we have some opportunity. These facts result in a run rate savings potential anywhere in the 1- to 3-point savings range. So through our work in assessing the situation, evaluating the facts and determining our effectiveness and efficiency trade-offs, we've been able to validate 2 points of SG&A improvement, which will be achieved over several years and which will not only create an investment funding vehicle, but also create a more sustainable and scalable enterprise to better support our future growth aspiration of $22 billion by 2022.

All right. I also think it's important for you to understand the thorough planning steps we undertook as part of this initiative. We worked with Bain & Company and used a proven methodology of zero-based redesign, commonly known as ZBR or ZBB, to guide our efforts. This process consisted of 8 steps intended to not only drive waste out and deliver efficiency, but also deliver higher functional effectiveness. This functional effectiveness will be required to support our aspirations for growth. I'll highlight a few of these steps here.

First, we have to understand the current state. So we built a bottoms-up financial spend foundation, dissecting every cost center, categorizing it and analyzing it. We also recast all of the costs into activity-based drivers so that we could determine activities to start, stop and continue. However, we didn't just focus on the numbers, we also developed a nonfinancial fact base. We've conducted many interviews with our business leaders, business users and customers. With these insights, we were able to set a should-be cost target informed by our data as well as industry benchmarks.

Next, in the middle phases, we aligned our missions and we thought big about what our ideal state could be. And through comparison of ideal state to existing state, we were able to size and validate the savings opportunity. Finally, we set about building our plans to achieve both the validated savings and deliver lasting functional structures to support the company many years into the future.

So functional transformation is, therefore, a comprehensive and bold mandate for the G&A functions. We are starting with finance and IT as this allows us to target our largest spend pools and drive the most return on investment. Our goals are ambitious, but measured, resulting in an energy in the functions, allowing us to shift our focus to high value-added work.

Now, let's take a look at what we are actually implementing. There are 2 implementation pillars for the functional transformation work. The first pillar is implementing and enhancing our global shared services. And the second pillar is transforming our systems. In the global shared service area, we are developing centers around the world that partner with our businesses to deliver results. We're focusing on transactional activities first, primarily in controlling and accounting areas, and standardizing processes along the way. This approach enables greater effectiveness and efficiency. We found in our activity-based time analysis that transactional activities were being performed by almost every associate in finance. By consolidating these activities into shared service centers, we will free up our remaining capacity for value-added work and have our transactional activities performed at much lower cost. In the future, we plan to also use bots or robotic process automation to further optimize these transactional activities.

In our systems transformation, we're focusing on rationalizing our ERPs and applications, again standardizing along the way. Primarily as a result of acquisitions and decentralized enterprise governance, we have more than 1,000 applications and 100 ERPs in our systems landscape. Further, 75% of these applications are used by only one business unit. With these stats, it's easy to see that systems rationalization will drive both optimization and the all-important scale.

Now we're also moving to a cloud-first strategy, adopting state-of-the-art infrastructure to better serve our long-term needs. Finally, strong sourcing and vendor management capabilities are being built to leverage our scale in our partner community. These sourcing capabilities will be even more important as we grow. And we have already realized some quick wins.

In the HR function, we implemented a global talent management system and it was used in our annual process starting this past October. We are also automating our indirect spend systems across the company and targeting 90% of the spend to be managed under a single system by the end of 2018.

So in summary, this initiative is all about transforming our functions to support the company's growth. The functional transformation initiative is well underway. We are focusing first on finance and IT to address those large spend pools and target impactful ROI. We validated the SG&A savings opportunity, it's approximately 2%, and the savings will be achieved over a multi-year period. And finally, we're being mindful and balanced in our approach to investments here, remaining flexible as we also invest for growth. Thank you.

Unidentified Company Representative

Thank you, Rhonda. Our next speaker is Executive Vice President and Chief Financial Officer, Don Allan.

Donald Allan - *Stanley Black & Decker, Inc. - CFO and EVP*

I can officially say good afternoon. So our team is passing out another set of presentations. It's my presentation as well as Jim's closing comments. So before I start my presentation, the first thing I would like to do is reiterate our 2017 annual guidance that we communicated back in April on our first quarter earnings call.

We expect to grow 4% organically for revenue. The EPS range, ex-charges, will range from $7.08 up to $7.28, which would be a growth rate of 9% to 12% compared to the prior year. And we expect our free cash flow conversion rate to approximate 100%. We think 2017 is another year of robust organic growth that comes with solid operating leverage even as we're facing some additional headwinds this year, although at a much smaller scale compared to the previous 2 years. We still have a $100 million to $105 million of combined FX and commodity headwinds.

So I would like to spend the next 20 minutes or so going through 3 different topics or 3 different areas. The first of which is getting into our strategic framework, our long-term financial objectives and talking about some of these fantastic franchises that you've heard about this morning. The second area would be looking at how have we done as a company over the last 5 years compared to our long-term financial objectives. So a bit of a scorecard. And then the third area would be focused on looking at -- we gave a vision for 2018 two years ago at this meeting. How are we progressing towards that vision and do we feel it's achievable? And then I'll summarize my presentation with a few comments about our vision related to $22 billion of revenue by 2022.

So let's start with our strategic framework. Our framework has been in place for almost 20 years. It's focused on 3 different pillars: continued organic growth momentum; be selective in where we operate so we can really maximize the opportunities, both for organic growth and profitability; and then the third, continue to pursue acquisitive growth opportunities. If we break each one down a little bit, you saw some fantastic examples this morning across our businesses of what we are trying to do to continue that organic growth momentum: Utilizing the different pillars of SFS 2.0 as a catalyst; focusing on where the high-growth opportunities are, such as emerging markets; focusing on high-margin businesses, such as global tools and engineered fastening; and really looking at how we increase our weighting in certain key areas.

Being selective in where we operate, where is our brand meaningful? We have many powerful brands. Where does that resonate? And where can we really leverage that value? Innovation clearly is the key theme that you've heard this morning, both incremental innovation and breakthrough innovation, because both of them are important. They ultimately allow us to have a definable, sustainable value proposition that results in us being able to differentiate ourselves versus our competitors.

And then pursuing acquisitive growth. You heard from Jim in his opening comments as well as John Wyatt that we have opportunities across all our different franchises to build upon them, but we also are evaluating and looking at potential adjacencies in certain industrial markets. How does that framework tie to our long-term financial objectives? Again, the long-term financial objectives have not changed. We think organically we can continue to grow 4% to 6%. Our total revenue growth will approximate 10% to 12% when you factor in acquisitions. EPS should be able to grow 10% to 12% as well, and on organic basis, we would expect EPS to grow 6% to 8%. So really getting that operating leverage that I was referring to a few minutes ago related to 2017.

I touched on in the Q&A about CFROI. We would like our CFROIs of our company to be between 12% and 15% over the long-term. And then just as importantly, returning value back to our shareholders through a dividend, and we want our dividend to continue to grow over the long-term like it has over the last several decades. And then, also making sure we take a balanced, disciplined approach to ensure that we have a healthy balance sheet, but also utilize our balance sheet when we have an opportunity, but maintain strong investment credit ratings along the way. We think this framework and these long-term financial objectives allow us to sustain above-market organic growth and also allow us to achieve additional margin expansion.

So you heard about the wonderful franchises this morning from our business presidents and our leaders. They truly are outstanding, and they are quite impressive in many of their attributes. Jeff and Jaime went through our #1 position in Tools & Storage business globally with the amazing brands that we have, and you see the 6 powerful brands on this particular page that are the premium brands. But as you saw in Jeff's brand page, there is many other brands as well that are Tier II that are quite powerful in this overall portfolio.

Innovation continues to drive this business, both incremental and breakthrough. FLEXVOLT is a fantastic example of that. And we are very much a global business with penetration across all the different markets in all the different channels across the globe. This is the tool company to own. But I think what's interesting about this page, it's not new information based on what you heard, but we have built these franchises over the last 15 to 18 years.

You've heard many stories of a tools business that started at $600 million that's now going to be over $8 billion this year going into next year. Same could be said about our commercial electronic security business. Virtually didn't exist 15 years ago. Very small hardware business and automatic door business at that time. Now we built upon that through our acquisition strategy, our organic growth programs and we now have a differentiated solution that we believe we can continue to drive value, and there is more opportunity. We want to develop a more consistent organic growth track record across this business. We want to improve the profitability, as we talked about in the Q&A, at 12% today and we see an opportunity to get to 15% and then eventually, beyond that. It has a lot of opportunity in front of it that we think is achievable and realizable.

And then, third, but certainly, not least, is our Engineered Fastening business, as John Wyatt went through that and really talked about the unique application engineering approach that business has that allows us to differentiate versus its competitors, and has a bit of a recurring revenue model. As they get into these specific automotive customers, their design teams work with the design teams of the customers and they continue to drive value, but also increase our content along the way. And very much a global business, a business that has high levels of profitability in the high-teens, approaching 20%, and will grow on average some level of GDP-plus over the long-term. Three outstanding franchises that have been built by the leadership team here at Stanley Black & Decker that have asset efficiency and a high level of customer-level execution focus that is ultimately aided by the SFS 2.0 operating system.

Jim talked about the value-creation model this morning, and I just would like to reinforce a couple of concepts. We obviously take these franchises as well as our infrastructure business, which is a much smaller piece of our company, and they have these various attributes on the upper left-hand page of the slide -- or corner of the slide. We utilize the operating system of SFS 2.0, the 5 elements that you heard about, to really drive outsized organic growth performance, generate attractive yet expandable operating margin rates, and then generate significant free cash flow conversion, hopefully greater than a 100% almost every year, but at a minimum equaling 100%. That allows us to achieve our long-term financial objectives that you see as a call-out on the right side of the page. It also allows us to have an investor-friendly capital allocation. As we generate that cash flow, we want to have half of that go back to our shareholders, primarily through a dividend, but also through the occasional opportunistic share repurchase. And then the other half goes back into M&A and gets reinvested into our portfolio and the cycle of value creation continues. World-class branded franchises that have long-term sustainable strategic characteristics that allow us to create exceptional shareholder value.

Now a little more detail on the long-term capital allocation strategy. I mentioned a 50-50 split between M&A and returning value back to the shareholder. This is a hybrid model, because we do view ourselves as a company, but as a growth company. But at the same time, we want to return significant value back to our shareholders, not only in the growth of our company, but also through dividends and occasionally a share repurchase.

Looking at capital expenditures, it continues to be a significant part of our investment into our core businesses. We need to have these types of investments to continue growth and to achieve many of the other things that you heard about this morning, such as functional transformation, digital excellence, et cetera. Therefore, we believe our -- at least for the next 5 years, we'll be investing about 3% to 3.5% of net sales in CapEX, which is pretty much the run rate we have been at the last couple of years.

Looking at our dividend policy, you see that we're still committed to dividend growth. I mentioned that earlier on the previous page. We do target a payout ratio of roughly 30% to 35% over the long term. Occasionally, we get above that, but over time it tends to work within that range, which is very consistent with our peers and, frankly, very consistent with our long-term history.

So the next phase I want to talk about, the second area is really looking at how have we performed as a company versus these long-term financial objectives? So I went through the strategic framework, went through the long-term financial objectives. So have we done over the last 5 years?

So let's start with revenue and EPS. You can see that our revenue CAGR has been 4%. Our average organic growth over that 5-year time horizon was 4% as well. Earnings per share, our CAGR over the 5-year time horizon was 13%, that is excluding some M&A charges back in the first 2 years of 2012 and 2013. So truly the operational earnings per share performance. Cash flow, free cash flow has been very strong as well. 10% CAGR over the 5-year time horizon with very strong free cash flow conversion. So when we go to the scorecard and we compare ourselves to all of our long-term financial objectives, which is in the middle of the page, and then our results, which are over to the right, it's quite an impressive story. 4% organic growth on average, so at the bottom end of that range. Our total revenue growth is at 4% as well, however, remember, we had a significant M&A moratorium for a period of time in this 5-year period, so we have to keep that in mind.

Looking at EPS, CAGR at 13%, so above our range of 10% to 12%. Free cash flow conversion, 130% on average over the 5 years. And then our CFROI in 2016 was 16%, so above our targeted range of 12% to 15%. Checks across all those items, except for total revenue growth.

Looking at dividend, up 26%, increasing it every year. So as our company's earnings grew, we increased our dividend as well. And then we maintained strong investment credit grade with the 3 credit agencies that monitor us and follow us and we believe we can continue to do that. 5-year time horizon, check across every particular item, except for total revenue growth. We think that's an outstanding performance and demonstrates the power of our model and the power of our franchises and our ability to achieve these long-term financial objectives.

Let's dive a little bit into the balance sheet and some of the return areas related to 2016 at the end of that 5-year time horizon. Our debt-to-EBITDA ratio was 1.9x, a little bit below our targeted range of 2 to 2.3x that we tend to try to maintain. Now we all know we did some large acquisitions in the first quarter, so that ratio at the end of the first quarter was about 2.6x, which tends to be the approach we take with acquisitions. We can lever up for a period of time, but then we want to migrate ourselves back to the range of 2 to 2.3x within some reasonable time frame. And at that point in time, at the end of the first quarter, we thought that was the beginning of the first quarter of 2018.

All of you are aware of a hybrid equity instrument that we issued last week that was very successful. We are very pleased with the outcome. As a result of that, it gives us flexibility in our capital structure. So we can maybe achieve these deleverage ratios a little earlier, maybe by the end or the fourth quarter of 2017, or it creates a little bit of capacity as our funnel is very full for M&A transactions that maybe we can do something in the later stages of 2017 versus waiting for 2018.

We tend to take those types of transactions as an opportunity. The market was actually in a very good position, and we think we got fantastic results from this hybrid instrument. We are very pleased with the outcome and, therefore, we've created flexibility for our company and some of the things that we may want to do through the remainder of this year as well as we go into 2018.

So we had this question earlier on around acquisitions and the financial framework and the criteria we look at. So it's just a bit of a refresher for everybody, and the criteria that we look at when we evaluate acquisitions as a management team and eventually, as we present them to our Board of Directors. First of all, is it a strategic fit? Does it fit well into one of our existing franchises or platforms? Is it a nice adjacency as some of the ones we talked about earlier today, fitting well into our system and our operating model of SFS 2.0, having very similar characteristics as some of the industrial businesses we are in today? Can our organization -- does it have the capacity to take on these acquisitions at this stage, is kind of the second criteria that we evaluate. Then the third area is looking at certain financial metrics. Does the organic growth profile and profitability of this business, is it consistent with our long-term financial objectives? And if it isn't, is it something that we can make consistent by adding innovation and some of the other pillars of our operating system? Is the EPS accretive in year 1 when you exclude the effect of charges? Do we achieve CFROI within 3 to 5 years post-closing within our long-term objectives of 12% to 15%?

And then the last thing we look at is the opportunity of the acquisition versus utilizing the funds to do a share repurchase. Although in the short term, it may be a better financial decision, over the long term, an acquisition can tend to drive more value, long term being 3 to 5 years. And so that's the evaluation we do there. We are looking at these different growth areas. As I mentioned, the funnel is very active. We have several different things that we are evaluating across many of these businesses, and then the adjacencies is an area that we will continue to pursue as we evaluate those spaces over the next 12 to 18 months.

Acquisition continues to be a part -- an important part of our strategy and an important part of our growth story as well.

So let's look at some returns. I mentioned CFROI was 16% at the end of 2016, really bounced up from the 13% it had been at the previous 2 years. As we saw a strong cash flow conversion, our working capital turns got to 10.6x at the end of 2016. We had strong earnings performance and operational performance that drove that, slightly above the range of 12% to 15%. And the good news is from my perspective, and you'll see this a little bit later on, is we think although that will come down a little bit in 2017, we still think it will be around 14% to 15%.

Another area of returns that we like to look at is return on operating assets. Some people refer to this as the HOLT model. This is kind of our version of the HOLT model and how we compare versus many of our industrial peers. You can see that our return is 19% for 2016, in the top quartile. Highest performer at 22% and then the lowest performer is just slightly below 10%. Our focus on working capital and being as efficient as we can as a company, being disciplined in our capital expenditures, although we're spending a little bit more as a percentage of revenue, we are very focused on where do we spend the money to stimulate growth, to stimulate savings in the back office, et cetera. Being efficient with our cash balances around the globe. Our treasury and tax teams are very much focused on making sure that we utilize that money, if we can get our hands on it, through reasonable structures. But the thing that actually is very encouraging for me about returns is I actually see more opportunity for us to continue to expand our operating margin rate. And 2 years ago, I talked about these 3 items. The focus on operating leverage. You saw that in 2016 and 2015, in particular. As we grew organically, we had strong operating leverage. We believe that will continue.

Functional transformation. Rhonda went through that in a fair amount of detail. The journey has begun. This is a multi-year program, and this will generate savings for our company of significance over an extended period of time. And then we clearly talked about our desire and our ability and the opportunity to expand our Security margins from 12% up to 15% and potentially beyond that. We are a very asset-efficient company that performs in the top quartile compared to our peers, however, we see more opportunity to continue to perform in this area at a high-level.

So the third area I want to talk about is the vision for 2018. And so 2 years ago, I stood in front of all of you and we put a vision out there, a 3-year vision for 2018. And this particular page is the page that was presented. 4% to 6% organic growth on an annual basis, getting our revenue on a core basis up to somewhere between $12.5 billion to $13.2 billion and an additional M&A-related revenue of $1 billion to $1.3 billion by 2018. Getting our operating margin rate up to 16%, with expanding our operating margin rates 50 to 75 basis points per year over that 3-year time horizon, which also meant that our EPS CAGR will be 10% to 12% over that 3-year period, consistent with our long-term financial objectives, 4% to 6% organic growth, 10% to 12% EPS CAGR as well.

And then finally, we felt that we could grow our earnings per share by $2 over that 3-year time frame, which means our EPS will be approximately $8 at that stage. So how are we doing versus that vision?

So we think we're on track. We think 2016 was aligned with pretty much all of those objectives and our current outlook for 2017 is the same thing. 4% organic growth for both years. We're enhancing the growth in 2017 with the acquisitions of Newell Tools and the Craftsman brand. Operating margin rate expanded 20 basis points in 2016. However, one thing to remember about the vision on the previous page is that it was currency neutral. It assumes a stable currency environment. So if you adjust for that, our operating margin rate has actually expanded 90 basis points, and that also includes the offsetting price benefit that we got related to currency. This year, we expect our operating margin rate to expand 70 basis points. And then our EPS grew 10% in 2016, within our range of 10% to 12%. And we expect it to grow 9% to 12% in 2017.

Free cash flow conversion is strong. Last year, we expected it to be at 100% this year. CFROI, as I mentioned, 16%, probably 15% at the end of 2017. And then working capital turns at 10x. We got above 10x at the end of '16. With the acquisitions, we expect to come back a little bit. So we'll be at about 9x at the end of 2017, but if you adjust for that, we will still be slightly above 10x before the acquisitions.

Grew our dividend last year. We will grow it again this year. And we've maintained the strong investment credit grade. 2 years of the 3 years we're on track to hitting our vision for 2018. And we're committed to that goal. And as you see here, the vision of 2018 for revenue and operating margin on the left side of the page. In the middle is our current view of 2018, which is about $13 billion in revenue in total, $1 billion of that coming from M&A. And we also believe we're on track for an operating margin rate of 16%. However, that does include a lot of negative currency impact. It also has an impact of selling our mechanical lock business within Security.

If you adjust the numbers for those different items as well as the offsetting price impact related to currency, our revenue will be about $13.8 billion adjusted, which is very much in line with the vision in total, and then the operating margin would have been close to 17%. What I think is great about this is even with the headwinds of currency, we still feel that we have a path to get to 16% operating margin rate for 2018. And therefore, we believe we have a path for $2 of accretion over this 3-year time horizon and therefore, our EPS will approximate $8 for 2018.

Another example of how the operating model and the franchises we have allow us to achieve our long-term financial objectives, just like we did in the previous 5 years up to the end of 2016, and we're doing the same thing with our 3-year vision of 2016, '17 and '18. So to summarize my presentation this morning, I thought I'd go through a slide of why invest Stanley Black & Decker. We use this slide quite a bit. We have world-class franchises, I showed you and the team showed you today. #1 or #2 in most of our businesses, with very powerful brands. We're poised for growth. We have growth in our history, but what's even more exciting is we see more growth on the horizon going forward, as we continue to develop the operating system of SFS 2.0 and those principles and drive more organic growth. And then we've resumed our M&A activity with 2 large transactions here in the early part of 2017.

I talked about the high margin or the margin improvement opportunity, which is outstanding. Operating leverage as we grow, functional transformational benefits, and then Security progressing towards that 15%. All of that means a continued strong free cash flow generation story. And therefore, our shareholder-friendly capital allocation will continue.

The umbrella over all of this is our go-forward vision that Jim started with this morning around $22 billion by 2022. And being a company known for innovation, continuing to be a top quartile performer and then being more socially responsible along the way. What I think is really intriguing about this vision is that we want to get to $22 billion, but we also want to be a top quartile performer. And I think our history has demonstrated, over the last 6 years, in particular, and eventually it will be 7 years once we finish 2018, is that our long-term financial objectives are very much aligned with the business models that we have. And we have performed pretty much in line with those long-term financial objectives, and we've been a top quartile performer as a result of that. To get to $22 billion, we need to grow our revenue over the 5-year time horizon beyond 2017 by 12% a year. So 4% to 6% organically, and the difference getting us to 12% through acquisitions, which is in line with our long-term financial objectives. If we grow our company's EPS 10% to 12% in that same time horizon, the value that we will create will be significant, and it will allow us to continue to be a top quartile performer.

Thank you very much. And now we will move to a second session of Q&A.

QUESTIONS AND ANSWERS

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

So folks we're going to do 20 minutes of Q&A. And then Jim has about a few minutes for closing remarks, break for lunch. Okay. [Mark], are you good? You're good, okay. So question, Mark , right there, Joe with the hand in the middle, please.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP and Lead Multi-Industry Analyst*

I appreciate all the detail today. Don, maybe just starting with you. So clearly you guys have done a great job hitting your targets in the previous plan. Moving forward, the 4% to 6% organic growth and the drop-through on the organic EPS of 6% to 8%. Would have just thought that maybe the drop-through would have been a little bit more. So maybe talk a little bit about their elevated spending levels over the next few years. Like why wouldn't the drop-through be a little bit better than just 6% to 8% on the organic side?

Donald Allan - *Stanley Black & Decker, Inc. - CFO and EVP*

Sure. Good question. So in certain years, it may be a little bit better, Joe. But I think over the long-term as we look at it and we make certain investments across SFS 2.0, things like functional transformation, the growth opportunities, we're going to have occasional years where it's closer to that 6% to 8%. There may be a year where it's a little bit better. We've seen a couple of those in the previous 2 years. But when I look at where we need to go and how we need to stimulate growth going forward, we're going to need to continue to invest. And so the drop-through would still be quite powerful at 6% to 8%. And we will have a little bit more occasionally one year versus the other. But I think that will be a good average at this point to assume.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Plus there's plenty of unknowns. We didn't expect 4 years ago that the next 4 years would bring $500 million of operating margin headwind. So committing more than that, I think we prefer to be prudent. And if we have to tackle headwinds, we'll tackle the headwinds. And if FX were to go the other way, that would be really, really nice.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP and Lead Multi-Industry Analyst*

Fair enough. And maybe my follow-on question there is you talked a little bit about the acquisition funnel being pretty full today. Are you seeing a lot of willing sellers? You talked about different potential growth areas across your portfolio. Maybe if you could just prioritize the areas that you're focused on today.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Well, first of all, the core franchises is the top priority. So we could start with tools, and there's plenty yet to be done in tools. Jeff made a point to note that we are -- our market share is still quite -- there's still quite a bit of white space in the market and a lot of that could be tackled through acquisition. So there is acquisitions in the emerging markets. There is acquisitions in accessories or abrasives and plenty of other opportunities, and some of which are sizable. Not a lot of sizable ones, but a couple. And so we'll keep our antenna up for that. We talked about -- earlier about Engineered Fastening. And in Security, as an example, we don't have a fire business, hugely complementary to our footprint in Security a nice fire business would be. There is also many -- several Security assets that are trapped within larger companies that may have strategic -- or I mean, may be nonstrategic to them as they evolve their strategy, so that's a possibility. And then when we go beyond that, I think we're going to end up in the industrial space at some point with some adjacencies, similar to what I talked about earlier.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Right. [Mark], right over your left shoulder.

Unidentified Analyst

I think the prior question regarding the EBIT leverage probably reflects a conservative outlook considering how high your margins are today. So I wonder if I could flip the question around to say -- and for Jeff, this is specifically your category, which is obviously very important. The size and scale that you have seem to create a demonstrable gap to your competitors' ability to both innovate and distribute the product efficiently, and you guys are higher margins now in tools than you really had foreseen when the BDK-Stanley deal occurred in '09. What is going to potentially change to keep that margin perhaps not beating your expectations again? I mean, you talked about investments, but your competitors are getting weaker by the year, it seems.

Jeffery D. Ansell - *Stanley Black & Decker, Inc. - EVP of Global Tools & Storage and President of Global Tools & Storage*

Well, you could say weaker. You could say more desperate. Those tend to cause price pressure. As we talked during the break, the tool P&L and, in particular, power tool P&Ls are extraordinarily volume sensitive, right? So there's -- everybody chased volumes in the power tool space, so that does put some pressure on your ability to achieve whatever margin accretion you would like to have. If you look at the plan of attack here, we sell at higher prices than our competitors. And I make the point to my organization regularly that it's hard to do that. It takes a lot more effort and a lot more energy to do that than to drop price. However, the result of doing that, selling at a higher price, are things like acquiring the Craftsman brand, the Lenox brand, the Irwin brand. So I more have a view of how do we make this tools business larger. So in Jim's view, for the company to be $22 billion, if you do the pro rata share, tools has to be somewhere in that $12 billion or $14 billion range. It'd be -- I'd be extraordinarily pleased and proud if we could achieve $12 billion to $14 billion at the types of margins we have today, which would be a lot more profit dollars for the company. So I don't know what the future holds, except for any of those scenarios are things we would be happy with.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Martin, right up there.

Martin A. Sankey - *Neuberger Berman Group LLC - MD*

I'd like to drill -- this is Martin Sankey from Neuberger Berman. I'd like to drill down into the SG&A discussion that you offered. Current SG&A is 23% of sales. You expect -- the company expects to get 2% to 3% cost out. But if you look at the buckets of SG&A, is selling cost where you want it to be? Is advertising where you want it to be? Clearly, there is opportunities in G&A, and will you take some of that G&A opportunity perhaps and reinvest it into the selling side? Or is the plan to let that -- any of the cost saves that you get on G&A to drop down into margins?

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James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

The very spirit of functional transformation, which is what Rhonda was talking about to get that 2 points of SG&A, is to take some of the savings and reinvest it into precisely the areas you were just talking about. And then let the other portion of it, whatever that might be, just think 50-50 directionally, let that fall through to operating margin.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

[Mark], right there. Robert.

Robert Cameron Wertheimer - *Barclays PLC, Research Division - Director and Senior Industrials Analyst*

It's Robert Wertheimer, Barclays. Question on Security, can you just give a little bit more detail on what -- on the core revenue growth, so setting aside for a minute the digital, the push up to 4%, I think you said 2% to 3% on Security. What's different? And what's changing? What's going to make that -- whether it's channel or product or otherwise, Stanley would be 2% or 3%?

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Jim.

James J. Cannon - *Stanley Black & Decker, Inc. - President of Stanley Security North Americas & Emerging Markets*

Yes. Our core Security business, so the electronic security business, we've made a lot of robust improvements over the past 18 months, most notably through the Stanley standard. The chief governor that we've had in growing that business is matching our backlog with our building and installing service, right, and have good technicians that can go deliver that growth. Again, we've done a nice job building backlog, and we've got a very healthy backlog. And through the Stanley standard, which is very prescriptive, it's core SFS for Security or for a service organization, we're now opening up a lot of capacity. So we built out what we call the Stanley standard process leading team. We went in and built a certification program across all of our branches. We've implemented a 3-tiered structure for our technicians to move through. It takes about 18 to 24 months to move to a technician level 3. All these things are improving our ability in the field to service and install and open up that capacity. So the principal driver, again, to convert that backlog is better field service install. We're delivering that with Stanley standard.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Jim came from an operations background. And it's not a coincidence that we put him into this job, because what we found out is that the -- it's a lot easier to sell security services than it is to execute the sale in terms of an installation and service, et cetera. So our ability to sell had gotten out ahead of our ability to provide the service in a customer-friendly way. And what we've done over the last couple of years in North America is catch up with the operational side of it. And so now I think the moon and the stars are potentiality aligned here, so that we can start to eke out some more growth.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Go ahead, Robert.

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Robert Cameron Wertheimer - *Barclays PLC, Research Division - Director and Senior Industrials Analyst*

So if I understand it right, the opportunity has been there and it just has been the fulfillment, et cetera. At the same price point, the same margin structure, you could have had more business. It's not a matter of changing the price structure. And then what time frame should we expect the more -- the higher end of the innovation to start to come in and push it up to 4%? Is that near term? Or is it a little pushed out?

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Aru, you can handle that?

Aru Bala - *Stanley Black & Decker, Inc. - President of Stanley Security Europe*

Sure. I think what we're looking at is in the next 2, 3 years, we can accelerate to the growth rates from the digital front with more of it putting in the seats now, as Don mentioned, the investments we're putting in for the digital growth using the Security assets. The next 2 to 3 years, I think we can accelerate to that level there.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

[Mark], right here. Robert?

Robert D. Barry - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

First just a housekeeping item on the earnings growth, the 10% to 12%. Does that include any assumption of repos? Or is that flat shares?

Donald Allan - *Stanley Black & Decker, Inc. - CFO and EVP*

It's flat shares.

Robert D. Barry - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Got you. And then a couple of questions on the recent deals. First on Newell, do you expect that business to grow this year? Or is there still some operational work to get through before that can grow? And then on Craftsman, what's the timing for being in the market with an offering there and what's assumed in the $0.08 guide? And we just saw some news today, for example, that one of the vendors to Sears is concerned about serving that account. It seems like a potential opportunity for you, the sooner you can get in there. So what is the timing? And what is the timing assumed in the guide?

Jeffery D. Ansell - *Stanley Black & Decker, Inc. - EVP of Global Tools & Storage and President of Global Tools & Storage*

So I'll take both of those. We do believe we can grow the Newell Tools business this year, Irwin, Lenox. There are good plans around the globe, some of which have come from my friend in the emerging markets. But also in the emerged markets. The number one thing we are fixated on today is delivery to the customers, service levels to the customer. And I guess that is an element of growth. If you didn't serve them well before, you do now. And we're also going back to those customers that have probably lost faith and asking them to give us another opportunity to serve them with those brands. So we do expect some growth this year. But arguably, not even a close second would be -- #1 obsession for us is delivery to the customers. That's one thing we're focused on. Because it doesn't do much good to have commercial plans if you can't serve -- solve the #1 need. So I would say growth, but small this year.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

But to your point the opposite is true, too. Once you serve them, they buy more.

Jeffery D. Ansell - *Stanley Black & Decker, Inc. - EVP of Global Tools & Storage and President of Global Tools & Storage*

That is true. But they are from Missouri in this case, which is show me a demonstrated ability over a period of time. In the first month you recover, it doesn't mean you're good. Steve Stafstrom would agree with me on that. And the second question around Craftsman, very difficult to give an exact timeline. I would say this: We're selling non-Sears customers today that we've inherited. We're taking very swift actions to segregate ourselves to make certain that whatever happens on the Sears Holdings side that we're as immune to that as possible, meaning setting up on our own supply chain and our own systems, even our own distribution point, because we don't want to be susceptible to whatever might happen there. The argument between Sears Holdings and One World is between those 2, let them have it. And then lastly, I would say that our hope, and I wouldn't say commit me to this, but our hope is that we will have Craftsman products in the market in the second half of 2018, our Craftsman products. We're working hard on that. We have more than 200 products in development today that we've seen, touched, felt that have the -- that solve for the Craftsman advantage, and we feel quite good about that. But there's a lot more work to be done. We hold separate product review board meetings for Craftsman products. And we a have separate team that hosts those. So a lot of hard work, but since we bought a brand with nothing else, there really is a lot of work to build the structure around it, to be able to go-to-market with products that both meet the needs that the user has and that we're proud of. And we won't do anything until we have those 2 things at our disposal.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Jaime, since nobody has asked you a question, I'm going to ask you a question.

Jaime A. Ramirez - *Stanley Black & Decker, Inc. - SVP and President of Global Emerging Markets*

Oh, thank you, very much.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Could you describe for these folks what you are doing with the Irwin and the Lenox brands across the emerging markets?

Jaime A. Ramirez - *Stanley Black & Decker, Inc. - SVP and President of Global Emerging Markets*

Okay. I think 2 key things, number one is, as Jeff mentioned, we are working on fixing fill rates. The number one complaint when we had meetings with customers -- and we had 20 meetings in 20 different countries with more than 3,000 customers already in emerging markets, from Asia to Latin America, India, Russia, Turkey. The number one complaint from customers was fill rates. And then the second opportunity for us is the geographic expansion of using the commercial infrastructure we have in all these markets to start distributing and selling to customers, to the current SBD customers and to sell SBD products to some of the Irwin customers that were not our customers. So we have an opportunity, as Jeff mentioned. In fact, in emerging markets, we will see the organic -- the fastest organic growth opportunity to grow the Irwin and Lenox business across the geographies.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Thanks, Jaime.

Robert D. Barry - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

To clarify, that was second half '18?

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Yes.

Robert D. Barry - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

For your own products.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

That's correct.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Right there. Jeff? Right -- more to your right, or Jimmy.

Jeffrey Todd Sprague - *Vertical Research Partners, LLC - Founder and Managing Partner*

Two unrelated questions. Could you share with us a little bit -- I guess, this is really a GTS question. What percent of your sales go through e-commerce channels? What the pricing environment looks like there versus traditional brick-and-mortar? And if there is a clear difference in kind of adoption rates? Or really how are you approaching that market in terms of what you'll even make available on e-commerce?

Jeffery D. Ansell - *Stanley Black & Decker, Inc. - EVP of Global Tools & Storage and President of Global Tools & Storage*

The first answer -- the first point I want to make, I won't segregate by channel how much we do, that's not something we share. But I will say this: E-commerce, we're the #1 tool provider via e-commerce as we are in traditional brick-and-mortar, which you would expect. Our e-commerce platform and business have grown faster than any other segment globally. And while we've done that, the thing that we feel great about is it has provided more terrific content for research for folks to use, whether they buy via e-commerce or even more so if they buy it through brick-and-mortar. So we put a really great content out there, where our content is best-in-class. So the researchability of our products has improved dramatically as we've grown with e-commerce, which is a positive. The possible negative can be that if you don't manage pricing, it could be a mistake. We have really tightened up the pricing parameters around e-commerce, so that the split within e-commerce, the range of pricing is actually closer across e-commerce than it is in brick-and-mortar. So really well-maintained geographies around pricing, which has enabled us to grow both of those things simultaneously, brick-and-mortar, whether that's retail, industrial, at the same time we've grown e-commerce. And then the next step of that has been taking the e-commerce platform globally. We have done a really fine job of that, because it brings a whole new set of challenges with it. But at this point, we've been really successful in managing that on a global basis.

Jeffrey Todd Sprague - *Vertical Research Partners, LLC - Founder and Managing Partner*

Is the margin dilutive?

Jeffery D. Ansell - *Stanley Black & Decker, Inc. - EVP of Global Tools & Storage and President of Global Tools & Storage*

Is e-commerce margin dilutive? No.

Jeffrey Todd Sprague - *Vertical Research Partners, LLC - Founder and Managing Partner*

And then just one quick one for Jim. On the acquisition target list, the one that kind of stood out as, "Hmmm, what's that mean?" is irrigation. It sounds like if that's on the slide you have something specific in mind. Maybe just a little bit more thought there.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Well, there is a huge need in the world for smart irrigation, especially in emerging markets where there is difficulty getting water to a source or power to an agrarian area. And we have DC brushless motor technology, which can help make irrigation more cost-effective. So while we wouldn't do anything on our own in this area, if we were to align ourselves with a company, either through partnership or through acquisition, that had a great product and a great channel to market, we could do some collaboration and I think it could be very, very profitable, high growth and do something really positive for society.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Mike? Jimmy, please.

Michael Jason Rehaut - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Two questions. First for Don. Just wanted to be clear, when you had your slide on the 2018 vision versus the 2018 estimate. Is that your first take at guidance for 2018? Or is it more of just kind of applying the theoretical 4% to 6% organic? Because when you talk about the $8, in particular, it seems a touch conservative relative to just thinking through about some of the acquisitions synergies or accretion from the acquisitions and your base growth?

Donald Allan - *Stanley Black & Decker, Inc. - CFO and EVP*

I'm not giving guidance for 2018, but what I'm doing is that I'm indicating that I believe the 2018 vision is achievable, but it is not guidance.

Michael Jason Rehaut - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Perfect. And I just wanted to clarify that. The other question I have was around the margin goals for Security as well as the SG&A drop down that we talked about before, the 1 to 3 points of opportunity. Can you give us a sense of the time frame that you're looking to achieve the 15% in Security as well as the 1 to 3 points of SG&A opportunity? And I think you also said on that second point that maybe not all that drops through, some of it will fund the initiatives.

Donald Allan - *Stanley Black & Decker, Inc. - CFO and EVP*

Yes. So for Security I would say that it continues to be a very effective journey. We have made some investments this year. So the growth hasn't been as robust as I indicated in the earlier Q&A. But I do think we're probably looking at a good 3 to 4 years before we get to 15% for Security. And the other question associated with -- I'm sorry, what was the second part?

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

SG&A.

Michael Jason Rehaut - *JP Morgan Chase & Co, Research Division - Senior Analyst*

The SG&A achievability.

Donald Allan - *Stanley Black & Decker, Inc. - CFO and EVP*

Yes. So I think that number is very real as far as the savings that we can achieve, but it is a long journey. If you talk to any company that's done a functional transformation of our size or bigger, they'll tell you it's going to take anywhere from 5 to 10 years. So that's kind of the time horizon we're thinking about. And we're not going to generate a lot of savings in the first couple of years here. But as we get deeper into it, that's when we'll start to see more annual benefit coming out of those transformational activities. And then we will reinvest, and as Jim said, probably about half of it back into growth programs along the way, and let the other half drop through. So I think that gives you a good sense of the time horizon. It's a bit out there in that particular case, but they are both great opportunities. And Security has an opportunity do it a little bit faster than I said. But I think right now, 3 to 4 years is the right time horizon.

Gregory S. Waybright - *Stanley Black & Decker, Inc. - VP of IR*

Great. Thanks, Don. We're going to end the Q&A now. Jim has a few closing remarks. Thanks.

James M. Loree - *Stanley Black & Decker, Inc. - CEO, President and Director*

Well, first of all, thanks to all the speakers. I might be biased, but I thought they were great. But more importantly, thank you all in the audience, analysts, investors, investment bankers, I think we have a few of those that were listening very intently, and other friends of the company. Thank you for your engagement with us. And I hope you enjoyed the dialogue and the interaction as much as we did. I also hope that we successfully demonstrated why we are so excited about the future of this company.

We talked about a $22 billion diversified industrial company by '22. I think we counted 45 sightings of that during the presentation. So I'm pretty sure everybody got that part. A culture built around 3 central themes, which we talked about quite a bit. A strong effective value creation model, which we really believe in. We've been applying that model for many years, powered by SFS 2.0 now, and about 10 years of SFS and then 2 of those years SFS 2.0. M&A opportunities we talked about at length across the segments, but still remaining true to our 50-50 capital allocation approach. Our goal to achieve our vision, while at the same time is to achieve our 22/22 vision, while at the same time expanding margin, as Don indicated. That 4% to 6% organic growth and $6 billion to $8 billion of acquired revenue will get us there. We believe this is completely achievable. Remember, this is the team that took the company from $2 billion to where it is today, about a 6x improvement -- or growth in revenue over a period of about 15, 16 years. And so while it might seem daunting to some people go from $11 billion to $22 billion, we see the roadmap, and we believe it can be done.

Our historical focus on top quartile performance, supplemented with an accelerated effort around innovation and innovating at an exponential level, promises to be a great combination. Adding to that a human-centered approach, and you have a very special diversified industrial company, bold and agile on one hand and at the same time, thoughtful and disciplined. It is a diversified industrial for the generations ahead. I appreciate you taking the time to be with us today. And with that, we will break for lunch.
