



# Third Quarter 2020 Overview

October 27, 2020

# Participants

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***Jim Loree***

***President & CEO***

***Don Allan***

***Executive VP & CFO***

***Dennis Lange***

***VP, Investor Relations***

# Cautionary Statements



Certain Statements Contained In This Presentation Are Forward Looking. These Are Based On Assumptions Of Future Events Which May Not Prove To Be Accurate. They Involve Risk And Uncertainty. Actual Results May Differ Materially From Those Expected Or Implied. We Direct You To The Cautionary Statements Detailed In The Corresponding Press Release And Form 8-K And Our Recent '34 Act SEC Filings.

# 3Q 2020 Financial Highlights

## Record Quarterly Operating Margin Rate & Earnings Per Share\*...

- Revenues Of \$3.9 Billion, Up 6% Versus Prior Year Led By 11% Organic Growth In Tools & Storage
- Gross Margin Rate Was 35.9%\*, Up 160 Bps Versus Prior Year
- Operating Margin Rate Was A Record 17.7%\*, Up 320 Bps Versus Prior Year Aided By Strong Cost Control, Margin Resiliency Initiatives, Volume Leverage, And Price Realization
- Diluted Adjusted EPS Of \$2.89\*, Up 36% Versus 3Q'19
- Strong 3Q'20 Free Cash Flow Of \$615M

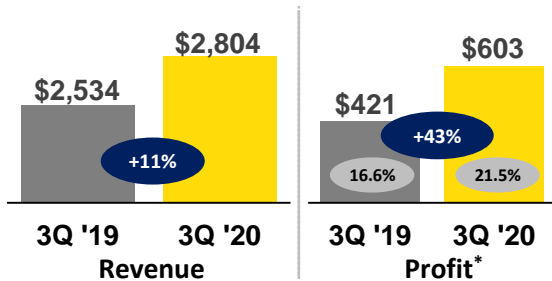
## Navigating The COVID-19 Pandemic

- 1 ENSURE THE HEALTH AND SAFETY OF OUR EMPLOYEES & SUPPLY CHAIN PARTNERS
- 2 MAINTAIN BUSINESS CONTINUITY AND FINANCIAL STRENGTH & STABILITY
- 3 SERVING OUR CUSTOMERS AS THEY PROVIDE ESSENTIAL PRODUCTS & SERVICES TO THE WORLD
- 4 DOING OUR PART TO HELP MITIGATE THE IMPACT OF THE VIRUS ACROSS THE WORLD

*...Taking Actions To Protect Our Employees & The Business While Positioning The Company To Thrive*

# 3Q'20 Segment Overview

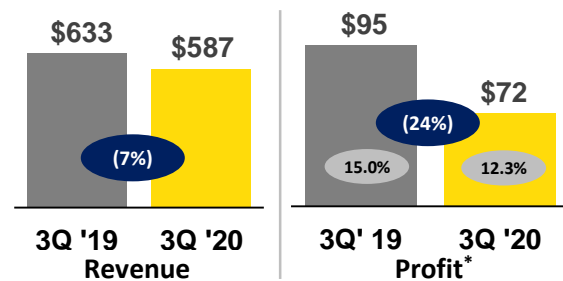
## Tools & Storage



- **+11% Organic Growth**
  - +11% NA, +12% Europe, +11% EM
  - +22% PTE, (5%) HTAS
- Organic Revenues Across All Regions Were Positive Benefitting From Customers Reconnecting With The Home & Positive eCommerce Trends
- N.A.: Strong DIY & Pro Demand In Retail & eCommerce Partially Offset By Declines In Industrial Focused Customers | Strong POS Demand In Retail Continued Through 3Q With Modest Improvement In Retailer Inventory
- Europe: Benefited From Similar DIY & Pro Trends
- EM: Growth Led By Strong Recovery In Latin America That Began In August

**OM Rate\* +490 Bps | Benefits From Volume Leverage, Productivity, Price & Cost Control Delivered Record Operating Margin Rate**

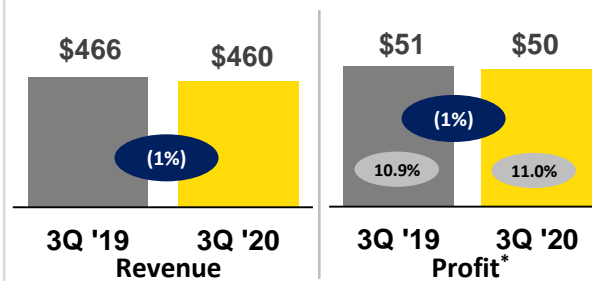
## Industrial



- **(18%) Organic Growth**
  - (14%) Engineered Fastening
  - (25%) Infrastructure
- Gradual Market Recoveries Continued Across Many Of The Businesses With Auto End Markets Showing Largest Sequential Improvement
- Engineered Fastening: Lower Global Automotive Light Vehicle & General Industrial Production
- Infrastructure: Lower Volumes In Attachment Tools And A Sharp Reduction In Oil & Gas Pipeline Construction
- CAM Acquisition Delivered 10 points Of Growth

**OM Rate\* (270 Bps) | Market Driven Volume Declines Were Partially Mitigated By Effective Cost Control**

## Security



- **(3%) Organic Growth**
  - (3%) NA
  - (2%) Europe
- NA: Lower Installations In Commercial Electronic Security & Healthcare Due To The Pandemic
- EU: Growth Within France & Nordics Offset By Lower Volume In UK
- Order Rates In Electronic Security Have Gained Momentum Since The Trough & The Backlog Remains In A Healthy Position

**OM Rate\* +10 Bps | Price & Cost Control More Than Offset The Impact From Lower Volume & Growth Investments**

# Free Cash Flow & Liquidity

## 2020 YTD Free Cash Flow

	QTD			YTD		
	3Q'19	3Q'20	V\$	3Q'19	3Q'20	V\$
Net Income	\$ 231	\$ 395	\$ 164	\$ 759	\$ 767	\$ 8
Deprec / Amort	141	145	4	420	431	11
Working Capital	(278)	52	330	(859)	(668)	191
Pre-tax Gain on Sale of Business	-	-	-	(17)	-	17
Other	99	85	(14)	(41)	70	111
<b>Operating CF</b>	<b>193</b>	<b>677</b>	<b>484</b>	<b>262</b>	<b>600</b>	<b>338</b>
CapEx	(97)	(62)	35	(283)	(209)	74
<b>Free Cash Flow</b>	<b>\$ 96</b>	<b>\$ 615</b>	<b>519</b>	<b>\$ (21)</b>	<b>\$ 391</b>	<b>412</b>

### Liquidity Key Points

- Maintain Strong, Investment Grade Credit Ratings
- \$3B Revolving Credit Facilities
- First Term Debt Maturity 4Q 2021 | Next Maturity 4Q 2022
- Capital Deployment Priority Is Debt Repayment

### Liquidity Sources As Of 9/26/20

Cash On Hand	\$0.7B
Addl. Commercial Paper Capacity (\$3B Max)	\$3.0B
<b>Total Additional Liquidity</b>	<b>\$3.7B</b>

**Significant Financial Flexibility To Continue Navigating This Environment**

# 4Q Scenario Planning

## 4Q Planning Assumption Range: 3% - 5% Organic Growth

	<u>Organic Growth 4Q Range</u>	<u>Organic Growth Sep + Oct MTD VPY</u>
<b>Tools &amp; Storage</b>	+8% To +10%	+12%
<b>Industrial</b>	-15% To -10%	-11%
<b>Security</b>	-4% To Flat	-3%

### Recent Key Trends

- U.S. T&S Retail → POS Growth Currently Low-20's For Last 4 & 8 Week Period
- European T&S → Double Digit Organic Growth Last 8 Week Period
- Engineered Fastening → Positive October MTD Growth Led By Auto
- Security → Organic Growth ↓ Low-Single Digits For Past 8 Weeks
- Company Organic Growth +7% Last 8 Weeks

**Supply Chain Positioned To Support Strong & Improving Demand Trends Across The Businesses**

# Cost Reduction Program

## Cost Actions

**~\$500M 2020 | ~\$125M 2021**

### Indirect Cost

*Prof Services, MRO, IT,  
Marketing, T&E, Etc.*

### Deflation

*Fin. Goods, Components,  
Commodities & Transport*

### Compensation

*Furloughs, Reductions In  
Force & Salary Red.*

### Benefits

*Temporary Reductions  
Implemented*

## 3Q Update

- Organization Focused On Delivering Sustainable Cost Savings In 2020 & 2021
- ~\$350M Benefit Achieved YTD Through 3Q | Expecting ~\$150M 4Q Benefit
- Positive 2021 Carryover Currently ~\$125M Net Of Reinstating Temporary Actions
- Margin Resiliency To Add To The Opportunity In 2021 (~\$100 - \$150M Potential)

**Maintaining Strong Operational Foundation | Cost Actions Remain On Track**



# Summary – FY 2020 Financials

## P&L

- **Revenues:** Given The Uncertainties In The Global Economic Outlook, Organic Growth Planning Assumption Range: 4Q (+ 3% – 5%)
- **Cost Structure Considerations:** \$180M In Cost Savings (Announced Oct'19) & \$500M (Announced Apr'20). Tariff & FX Headwinds Currently \$165M, With \$140M Realized YTD
- **Operating Margin:** Mid Single Digit Dollar Growth VPY | Significant Rate Expansion In 2H'20 & FY'20
- **Other Items:** Other, Net: ~\$255M | Interest ~\$205M | Tax 16% - 17% | Shares ~156M | M&A And Other Pretax Charges ~\$370M

## FCF

- **Priority:** Achieving Leverage Targets
- **CapEx:** Planning Significant Reduction Versus Plan
- **Working Capital:** Supply Chain Remains Prepared For Continuing Strong Demand Trends

# Summary – Record 3Q Performance

*Retain Discipline On Costs And Margin Resiliency While Investing In Key Share Gain Opportunities...*

eCommerce

Reconnecting With  
The Home & Garden

Health & Safety

**CRAFTSMAN**

**DEWALT**

**STANLEY**

**STANLEY  
FATMAX**

**MTD**  
For A Growing World™



Security  
Re-Imagined



Global  
eCommerce

**BLACK+  
DECKER**

**FLEXVOLT**

**XTREME**  
SUB-COMPACT SERIES

**ATOMIC**  
COMPACT SERIES



Core & Breakthrough  
Innovation

*...Confident In Our Ability To Generate Significant Future Shareholder Value*



*StanleyBlack&Decker*

**Q&A**

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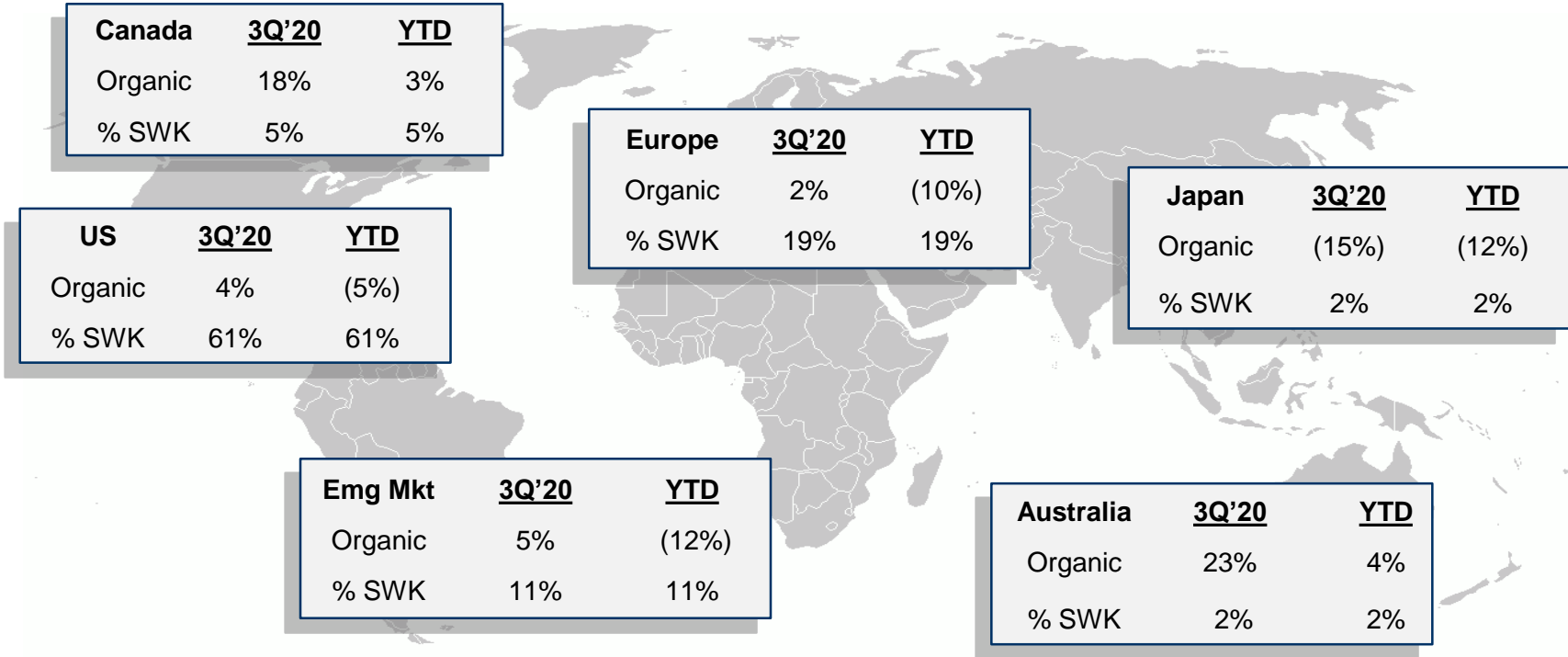
**THANK YOU**



*StanleyBlack&Decker*

**APPENDIX**

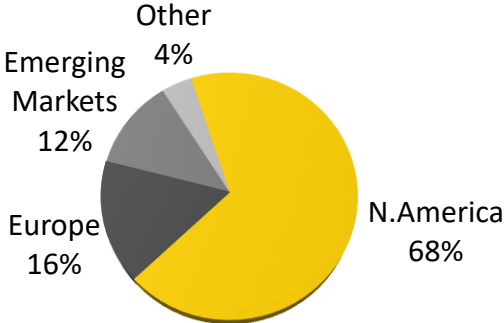
# Global Presence



# 3Q 2020 Regional Revenue Breakout

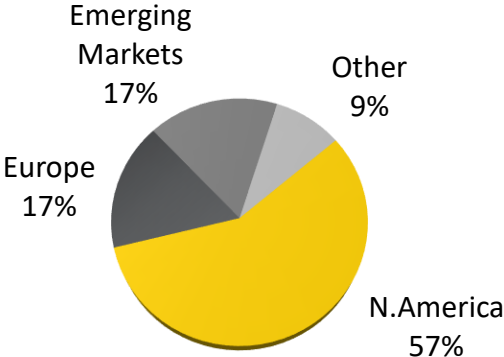
## Tools & Storage

\$2,804M



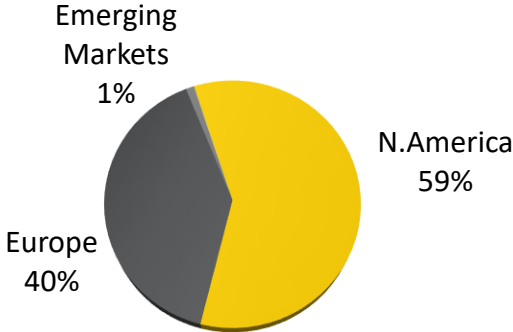
## Industrial

\$587M



## Security

\$460M





Organic sales growth is defined as total sales growth less the sales of companies acquired and divested in the past twelve months and any foreign currency impacts. Operating margin is defined as sales less cost of sales and selling, general and administrative expenses. Management uses operating margin and its percentage of net sales as key measures to assess the performance of the Company as a whole, as well as the related measures at the segment level. Free cash flow is defined as cash flow from operations less capital and software expenditures. Management considers free cash flow an important indicator of its liquidity, as well as its ability to fund future growth and to provide a return to the shareowners. Free cash flow does not include deductions for mandatory debt service, other borrowing activity, discretionary dividends on the Company's common and preferred stock and business acquisitions, among other items. Free cash flow conversion is defined as free cash flow divided by net income. The normalized statement of operations and business segment information, as reconciled to GAAP on pages 12 through 15 of the press release, is considered relevant to aid analysis of the Company's margin and earnings results aside from the material impact of the M&A related and other charges.



***StanleyBlack&Decker***