FINAL TRANSCRIPT

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PRESENTATION

Operator

Welcome to the Q2 2011 Stanley Black & Decker Inc. earnings conference call. My name is John, and I will be your operator for today's call.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Please note that this conference is being recorded.

I will now turn the call over to Ms. Kate Vanek, VP Investor Relations. You may begin.

Kate Vanek - *Stanley Black and Decker Inc. - VP IR*

Thanks so much, John. Good morning all and thank you for joining us for the Stanley Black & Decker second-quarter 2011 conference call. On the call, in addition to myself, are John Lundgren, President and CEO, Jim Loree, Executive Vice President and COO, and Don Allan, Senior Vice President and CFO.

I'd like to point out that our earnings release was issued after yesterday's close and a supplemental presentation which we will refer to during the call are available on the IR portion of our website, StanleyBlackandDecker.com. This morning John, Jim and Don will review Stanley's second-quarter results and various other topical matters, followed by a Q&A session. There's also some very helpful information in the appendix of the slide deck as it relates to your models in particular. If you have any sort of questions, please contact me. A replay of the call will be available beginning at 2 p.m. today. The replay number and the access code are in our press release. As a reminder, you can download the earnings replay as a podcast from iTunes. As always, please feel free to contract me with any sort of follow-up questions after today's call.

We will be making some forward-looking statements during this call. Such statements are based on assumptions of future events that may not prove to be accurate and as such, they involve risk and uncertainty. It is therefore possible that actual results may differ materially from any forward-looking statements that we might make today. We direct you to the cautionary statements in Form 8-K which we filed with the press release and our most recent 34[X].

With that, I will now turn the call over to our CEO, John Lundgren.

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

Thanks Kate. Good morning everybody. Just I'm going to touch on some highlights before Jim gets into some more detail on the segments. But as we look back on the second quarter, we remain on a steady course of organic growth despite an unfavorable macroeconomic backdrop. We did get some better news this morning that Jim and Don will touch on as it relates to the macroeconomic environment, but nonetheless, our performance and the organic growth story we were able to achieve was driven primarily by new products that we introduced to the market, where we gained share in established markets and continued strong performance in the emerging markets, again, that I'll touch on a little later.

Second-quarter revenues were up 11% to $2.6 billion, organically plus 3%. That of course excludes the favorable impact of foreign exchange. Organic growth in Power Tools and Accessories, Industrial, and our Convergent Security Solutions was somewhat muted by weakness in hand tools, outdoor products and ongoing Pfister impact.

Don talked about the Pfister impact in the first quarter, but just to shed a little more light on outdoor, which we referenced in the press release, particularly for those of you who are less familiar with that business, outdoor is a $550 million to $600 million business, and it is one of the few businesses that is quite seasonal. It's lit roughly 60/40, first-half/second-half historically, with the second quarter almost every year being the largest quarter.

We all know there was -- across the country the weather was terrible in the second quarter regardless of where we were. But just in round numbers, it's just math. The 20% decline in the second quarter unrecovered on an annual basis is almost 70 basis points of organic growth across the entire Company. So just take that in mind as Don is doing his outlook, and the fact that we've lowered our organic growth estimates for the year 100 basis points. The overwhelming majority of that is the result of Pfister business that we didn't -- excuse me, of outdoor business that we didn't achieve in the second quarter, much of which, based on history, is gone and won't be recovered.

Our EPS of $1.46 excludes M&A charges and does reflect the $0.28 benefit attributable to the favorable tax settlement of the outstanding tax contingencies. GAAP EPS was $1.14, includes the M&A related charges and $1.18 excludes the charges as well as the favorable settlement. That was in line with management's expectations and the direction the Don gave on our first quarter call that approximately 45% of our core earnings would be achieved in the first half of the year and 55% in the second half based on the way the year was rolling forward for us.

13.6% operating margin -- again, that excludes the charges. 120 basis point sequential increase in CDIY. Security profitability, the total segment increased 300 basis points sequentially, and 120 basis points VPY or versus second quarter 2010. Industrial increased 110 basis points versus the second quarter of 2010.

Our integration remains on track. In fact, it remains ahead of plan, good progress there. As the year progresses we're able to shed some more light on that. We've been able to accelerate some of the 2011 cost synergy realization, specifically by $35 million. So our total synergy target, we have been able to raise from -- to $450 million by the end of 2012; that's up from $425 million. For clarity, that means the annualized impact at the end of 2012 goes from $460 million to $485 million.

Last but not least, as it relates to the integration, you won't see this in the numbers directly, but we've just completed a global employee survey. It yielded very positive results as it relates to the cultural integration of these two companies.

As we said at the time of the merger, there were many similarities, but there are also some differences in these two companies. We were very, very encouraged that, 12 to 15 months later, that we receive the kind of results that we did from the survey that in general suggests everyone is on the same page, everyone is focused on the same objectives, everyone is motivated. While that won't show up directly in the numbers, I think we all know it will show up long-term in the numbers, and we took a lot of comfort from that survey. It validated, further validated the success thus far of the integration, both on a qualitative as well as quantitative perspective.

Working capital, another good story. Turns increased 14% to 5.8 as SFS operational principles are expanded and embedded across a larger business base.

Looking at the integration specifically and some of the key milestones, the biggest news, as I think was quite clear in the press release, is that we're moving $35 million forward into -- from 2012 into 2011, yet holding 2012, so essentially we are $100 million higher than our original estimate. We are getting it three months earlier. So it's, all in all, a continued good story.

Looking at the top left of the chart, we were able to do that because our synergy steering committee continues to me quite regularly. We did our annual refresh process and we identified $25 million of additional opportunities. Several of our major footprint-related projects that we've talked about have been launched, and we said these are -- it's even more important we track these carefully because there is much more interdependency, there's more complexity. Some of the ones that we've talked about are in East Greenwich, Rhode Island, Rock Falls, Jackson Tennessee, all underway or nearing completion. We recently announced plans as it relates to our Reading, Pennsylvania facility. There are others in Europe that need to be worked through work councils, unions, and employees, etc., that are not yet announced, but much in North America underway or completed. Europe is starting to roll, and we continue to be very confident about our ability to achieve all of the objectives that we've identified in conjunction with those programs.

By the second half of '11, we'll have completed the two major distribution center and three major plant consolidations. Relative to the numbers that we've talked about, by the end of 2011, we will have executed projects that represent 75% of the 2012 cost savings of about $425 million. That was what we'd said as little as three months ago.

What we are doing with our update is saying that, by the end of '11, we will have executed projects now that represent almost 85% of the 2012 savings of $450 million, so 10% higher completion rate of a pool that's $25 million higher than we estimated at three months ago. So needless to say, we are, A, pleased, and, B, confident -- pleased with the progress thus far and confident in our ability to continue with that pace.

Last but not least on the integration, compelling revenue synergies opportunities continue to surface and grow. The wall tools through the industrial channel, hand tools in Latin America are among the two largest successes to date. Jim will talk a little bit about those when he reviews the segments.

So we are in a good place on cost synergies. That allowed us to raise our estimate, which is a good thing, in the face of this current economic environment.

Looking really quickly at the region, revenue and profit growth continues to be driven by the emerging markets, really good story. The emerging markets now account for 15% of our total revenue. That's up from 11% at the end of 2010. So these markets continue to grow. We are dedicating both financial and human resources to these markets because we recognize what an important part of our future they represent.

In North America on the left, organic growth of 1%, a lot of puts and calls. Jim is going to come onto those, so in the interest of time and not wanting to duplicate efforts, I'll move on.

But Europe, which is our second largest geography, our organic growth was 2%. It represents 24% of the Company and Industrial performed very well in Europe. CDIY was soft but all-in, we were able to achieve 2% organic growth, which is a good story in Europe.

Latin America up 26%, now represents 9% of our total Company's revenue. We are really pleased.

Canada was down 7%, primarily (inaudible) [locks] within the MAS segment, or HHI. It's a near neighbor to Outdoor in terms of a lot of it is weather related. We don't regard that as a continuing trend, but it did have an impact on organic growth in the quarter. Canada is 6% of our revenue and it was down 7%. So the numbers are clear.

We remain pleased with performance in Asia. It represents 5% of the Company. Organically up 4% but if you see the blue balloon, excluding engineered fastening in Japan, Asia organic growth was up 15%. Jim is going to talk a little bit in the segments about Emhart, but Japan is bouncing back nicely from the tragedy that they suffered late in the first quarter. Our largest engineered fastening customer is up to about 80% of its historical production levels as that gradually becomes a more normal working environment. But considering the importance of Japan to our Emhart or engineered fastening business, we're quite pleased with our performance in Asia as well.

Moving on to the sources of growth, as mentioned in my first bullet point, Power Tools, Industrial and Convergent Security, they posted the more solid organic growth during the quarter. That was partially offset by weakness in our mechanical security business, the Outdoor that we've talked about, and the Pfister issues that we absorbed in the first quarter but will be with us throughout the year.

Really quickly, volume was up 3%. Price was flat, a lot of puts and calls, but for the quarter, as Don guided, price was flat in the second quarter, consistent with our expectations. Currency added 5%, acquisitions another 3%, so that gets us to our 11% total revenue.

Looking at some of our larger businesses, Industrial continues to be a really positive story, 9% organic growth. Hand tools, fastening and power tools together, our core tool businesses, if you will, up 7%; convergent security up 4%; mechanical Access down 1%; outdoor (inaudible) down 17%; and Pfister, 21%. A lot of puts and calls, but at the end of the day 3% organic growth across the entire system. Jim will give you a little more detail on each of the segments as he walks through those. I'll turn it over to him.

Jim Loree - *Stanley Black and Decker Inc. - EVP, COO*

Thank you John.

Let's start with CDIY. Second-quarter CDIY revenue was $1.364 billion, up 5%. Excluding FX, sales were flat, price was flat. (inaudible) share of delta woodworking and the consumer auto electronics product line crossed 2 points, and that basically offset the 2 points of unit volume growth.

Operating profit was $195 million, down 3% versus 2Q '10, [but up]. The profit rate was 14.3% off 120 basis points versus a year ago but up 120 basis points sequentially as almost $40 million of inflation in the quarter, which was expected, but it offset the effect of synergies. Now, the pricing actions that we have taken do not take hold until the third quarter, so some of this margin degradation that was associated with the inflation was definitely anticipated.

The organic growth was a little weaker than expected. As John mentioned, it was 2%. There was a lot going on behind that number, certainly as we already talked about to some extent. Pfister was a headwind of about 2 points. Divestitures I mentioned were another 2 points, and the lost outdoor season that John described cost us 1 point, so total headwinds of about 5 points. So if you take the 2% growth with those headwinds, the rest of the segment actually had a terrific performance in this kind of a market, up 7%. If you look at the organic growth chart there, you can see that professional power tools and accessories and consumer power tools were both significantly positive with professional power tools and accessories up 13% and consumer power tools up 7%. So very, very good performances fueled by the new product introductions, some of the revenue synergies, and a very successful quarter from that perspective for those units.

Hand tools and fastening doesn't have quite the same extent of new product activity. You can see although it does have the DeWALT hand tools which we began shipping in the quarter, it was slightly negative and then the outdoor and home products part of the Company -- or part of the segment was down 17%. So I'd say, in light of the weak market, it was still a very strong performance.

So in the face of this weaker than already weak market that we predicted, as well as a hefty dose of inflation as we also predicted, CDIY held its own and now looks forward to a stronger second half with little to no help expected from the markets, although there was some encouraging news this morning on housing starts, which I'm sure everyone has seen. I would emphasize that we haven't really built any of that into our forecasts.

We think that we'll have better performance in the second half from an organic growth perspective because the revenue synergies will continue, our pricing actions will kick in, the 18/20 volt cordless launch and the DeWALT hand tools launch will also gain momentum in the second half. It should be a pretty good story and who knows, with a little help possibly from the market that we haven't built in. So that's CDIY.

Moving now to Security, in Security, second-quarter revenue was $622 million, up 9%, 5 points from acquisitions, 3 points from currency, 1 point organic. Operating profit was $103 million, which was up 16%. The profit rate was 16.8%, up 120 basis points versus a year ago and 290 basis points sequentially. Without the acquisitions, the profit rate was actually 17.6% due to the dilutive impact of the GMT and InfoLogix acquisitions in their early stages. The profit growth derived from synergies associated with the merger, productivity projects, very strong performance there, and tight SG&A control, which more than offset the inflation.

Moving to organic growth, Convergent business was up 4%. That was a very encouraging performance, given that installs outpaced RMR growth and national accounts showed very strong signs of life, so we continue to see progress in the CSS area and I would expect to see that continue as we go forward.

The mechanical business, or MAS as it's called here, residential was flattish to down a point. Access technologies, the automatic door business, was off 4 points organic growth, and that was driven actually by their largest customer who has cut back on some remodeling scope as the year has progressed. Then the commercial locking business I thought was quite encouraging with organic growth of 3 points. You can start to see the benefit of a little life in the commercial markets in the US affecting that.

So the electronic business is showing signs of better growth. Momentum is growing there. Mechanical is still dealing with weak markets, although commercial looks more promising. Both businesses are managing margins and profit growth effectively.

Then just going to the geographic mix for a minute, just one of our issues with this business for a long time has been the fact that it is so North American-centric. That's not surprising, since we basically created this business almost from nothing about seven, eight years ago. Today, it's a $2.4 billion business, roughly. But it's 77% North American right now. With the recently announced Niscayah acquisition, this issue is going to be addressed. This will add about $250 million of revenue per quarter to our Security segment, of which 85% is outside the US, and it will take the non-North American content of this segment to over 50% of the revenue. So that's very encouraging news.

Speaking of Niscayah, just a couple of brief comments on that -- on June 27, we announced the offer. This week, we were notified -- the mandatory waiting period under Hart Scott Rodino expired, so the US has given us the green light for the transaction as it relates to antitrust. EU approval is still pending. The process with the Swedish company is -- the Swedish regulators and the EU work in tandem. We have filed or we have been in contact with the authorities. We filed the paperwork that's necessary. We expect to hear some news in the next few days, and we are hoping that the EU commission will confirm that it has no further questions and that we will be able to take the next step if all goes well there with short point clearance. Then we will begin a 30-day offer period which will enable the shareholders to tender their shares. We will, at the end of that 30 days, determine if 90% of the shares have been tendered. If so, the offer will go unconditional and will close shortly thereafter. I will remind everybody that the acquisition, if successful, which we hope it will be, is highly accretive with $0.20 of accretion in year one and $0.45 in year three, most of which we'll begin to see the impact of in 2012 as -- if the transaction closes as expected.

Moving onto Industrial, Industrial is once again a strong sales and profit growth driver for the Company. Second-quarter revenue was $636 million, up 29%. Acquisitions provided 13 points of growth. FX accounted for 7 points. Organic growth was 9 points, or 9%, including 2 points of price. Operating profit was $98 million, up $27 million, or 38%, and it came in at 15.4%, up 110 basis points versus 2Q '10, and down 210 basis points sequentially.

If we go to the organic growth chart there, we can see the industrial and automotive repair business had an exceptional performance with 13% organic growth and a terrific performance in North America with both Mac and Proto up almost 20% each organically with very strong operating margins. Storage sales were also strong.

Just as a sidenote, we just opened up a new Vidmar plant in China which makes the high-end Vidmar cabinets of the same quality and performance in China as we make in Allentown, Pennsylvania. They will be for the Asian market and not for import into the US for the most part.

Engineered fastening was up 6%, which was a heroic effort, I think, given the tremendous difficulties that we had in Japan with production down in Japan. Automotive production down 40%. In the quarter, Japanese auto production was reduced to 8% of global production, down from 13% a year ago. So for -- and total global auto production was down 2% for the quarter. So for these folks to be up 6%, that truly is a great story involving increased penetration of fasteners, new products, and a good nameplate mix. So a great story there.

CRC-Evans performed well with revenue up mid-single digits. Despite a slow natural gas pipeline market in the US, in North America, in hydraulics, some business we don't often talk about when we talk about the quarter here, because they are only 10% of the segment, was up 40%, so a huge growth driver in the segment with really strong markets and really great performance in handheld, railroad, and their mounted product lines. So the entire segment was a terrific story. Looks like it will continue to perform well into the second half although we think the growth rates may moderate somewhat, but the profit rate and the momentum will continue.

Now, I'll turn it over to Don Allan.

Don Allan - *Stanley Black and Decker Inc. - VP, CFO*

Thank you Jim. I'd like to spend a little bit of time talking about working capital on Page 12. We are very pleased with our working capital performance this quarter, where working capital turns increased 14% and revenue increased 11% or grew 11%, as you heard from John earlier. That means our turns went from 5.1 to 5.8 turns year-over-year, which is an excellent performance. Sequentially, they went from 5.3 turns up to that 5.8 number which was about a 9% improvement.

What I find really encouraging about this particular chart is when you look at the aspects of rolling out the Stanley fulfillment system into any new aspect of our Company, in particular legacy Black & Decker, what we tend to do is attack the receivables and payables first. You are starting to see the affects of that, where receivable days are 56 and payable days are 70, and you had a nice improvement in both those categories year-over-year. We focus on credit and collections and the efficiency of collecting our cash on our receivables, as well as improving the turns and the relationships with our vendors so they are more in line with how we like to do business with those particular companies and entities as we go forward. So it's great to see that progress and really beginning to see the traction as the global enterprise continues to embrace the different tenets of the Stanley fulfillment system.

How does that translate into cash flow on the next page. First of all, I just want to remind everybody that the cash flow, the free cash flow that we're showing here is -- excludes M&A or merger and acquisition payments. , So it gives you a good sense of how the operational cash flow performance is.

If we start with working capital, you can see there wasn't a large benefit because we did have a large growth in revenue, but we were able to maintain the cash flow performance in the second quarter. We do expect that to turn positive as the year progresses. As many of you know, we tend to have a seasonality of our working capital performance in the fourth quarter in particular, as well as combining that with the different projects and initiatives around the Stanley fulfillment system will allow that to become a positive number by the end of 2011.

One thing of note on this page is you see in "Other", there's a large negative -- $131 million in the second quarter and about $218 million year-to-date. What you have going on there is a couple of things. The primary drivers of that is the tax settlement that we achieved in both the first and the second quarter which totaled about $70 million, a large part of that was non-cash. So you have the benefit in net income and you have the negative effect being back out in "Other", which is really what's driving a lot of what's in that line.

The other thing in there is we do have pension contributions, as many of you know, from the legacy Black & Decker pension plan, slightly underfunded, so we continue to make some pension contributions which are about $45 million year-to-date. Those two things are the large drivers of why that's negative, and we do have a few timing items in there through the first half of the year that we expect to reverse in turns -- and those will result in a slightly lower negative by the end of the year.

The other item here is CapEx. CapEx is trending very nicely. It's at, through six months, 2.1% of revenue, which is at the lower end of our guidance range. We would expect that trend to continue throughout the year.

Now, one thing you might look at when you look at this page is $235 million of free cash flow through six months, and we are reiterating our guidance of $1.1 billion.

If you look back historically at both legacy companies, Black & Decker and Stanley, the vast majority of the cash flow that's generated by both companies happens in the back half of the year and a large part of it in the fourth quarter. And a five-year history of both companies indicates that the first half as a percentage of the full year tends to represent somewhere between

22% and 25% of the full-year free cash flow performance. If you take those percentages versus the $235 million, you get very close to that $1.1 billion, which is why we feel comfortable reiterating that cash flow guidance for all of 2011.

So a little more information on P&L guidance on Page 14. As our press release indicated, we have raised our EPS guidance range, excluding M&A charges, to $5.15 up to $5.40. That's an increase of $0.15 from the previous guidance range we provided back in April. That is solely due to the $0.15 of additional settlement of tax contingencies that occurred in the second quarter. If we look at the year for our tax rate related to our guidance range, we are now expecting the tax rate to be 19% to 20%, which is down 1 point from the previous range that we provided in April, which was 20% to 21%.

Looking at operational aspects of our guidance, as indicated by John as well as in our press release, we have lowered our guidance for the year on net organic sales by 1 point down to 4% to 5% based off the pro forma level of $9.3 billion of sales for 2010. That's down from the 5.5% to 6% that we provided back in April. As many of you know, the guidance that we provided did not have any market growth in the mature markets in particular, in Continental Europe, in the United States and Canada. That continues to be the case in the guidance that we provided, but it certainly creates an ability to offset some of the headwinds that we are seeing in both the weather-related outdoor performance that John and Jim discussed as well as the weaker European market that we experienced in the second quarter in the CDIY segment, which was down modestly in that period. So, we do have a slight negative as a result of that. As of now, we do not have any marked improvement in the mature countries that I mentioned. But we'll see as -- housing starts was positive, as Jim indicated earlier, up 14% in the month of June, we'll see if that is something that allows for improvement in the back half of the year, but we are not including that in our guidance at this point in time.

Cost synergies, as John mentioned, we believe will now be $200 million in 2011, which is up from a $165 million estimate that we provided three months ago. How that translates to 2012 is we believe we'll be at $450 million in that timeframe, which is an annualized number of $485 million as we go into 2013, which means the implied 2012 number is approximately $115 million.

Another item of note is that due to the situation with Niscayah and the potential acquisition, we did suspend our repurchase program in the (technical difficulty) quarter of stock of $250 million but we will commence that program again either later this week or early next week. We expect our shares outstanding to approximate 172.5 million for the year.

We are reiterating certain aspects of our guidance. On the right side of page, as you can see, revenue synergies we expect to still be approximately 50 basis points of growth in 2011 with a modest EPS impact. The acquisition revenue for the acquisitions listed here on the page, approximately 3%. We continue to believe that our operating margin rate expansion will be 150 basis points from the 2010 levels, which is just slightly over 14% for the year. Embedded in that is that negative 100 basis points from the price inflation arbitrage that we primarily experienced in the first half of the year as we start to see the positive impact of price in the second half of 2011. The non-merger and acquisition related restructuring is still expected to approximate the $25 million, or consistent with 2010 levels.

So with that, I'd like to provide a little more insight into each segment on Page 15. Consistent with the Company, we are tightening our guidance range or our thoughts around performance of CDIY for the year for revenue, organic revenue, to be approximately 4% to 5%. It's really due to the weaknesses that we mentioned in outdoor products as well as in Europe that's driving the vast majority of that.

The first-half performance or for organic growth was approximately 2%, but when you adjust it for certain things such as the outdoor product performance as well as the expected price benefit in the back half of the year and comps as they become easier in the second half because we saw significant stock -- or restocking in the first half of 2010, and then we saw a slower performance in the back half of 2010, which makes the comps easier as we go through the remainder of this year.

We expect operating margin accretion to continue in the second half of 2011 because of incremental cost synergies, positive impact from new products. The pricing actions that I just referred to are really helping to mitigate the inflation that's now in our run rate.

Jim touched on the share gains that we're getting in the various new products that are continuing to be rolled out. Many of them started in the first half, but we'll see the full effect of that in the back half of the year of the cordless power tools as well as the DeWALT hand tools that started to launch in late June and will continue to roll out through the summer.

Moving to Security, we are very pleased with Security performance in the second quarter, as Jim mentioned. From a topline perspective, through six months, the organic growth is slightly positive. We expect that to continue to get slightly better as the second half progresses, and we believe we'll have a low single-digit organic growth performance for the entire year. That's being driven by the conversion or electronic security growth as it continues at a healthy pace. It continues to get better as the second half progresses. Also, we will see more favorable performance in the back half in our residential hardware business as we did have some inventory corrections, if you remember in the third quarter of 2010. That will provide a slightly easier comp as a result of that. We do expect the strength that we saw in the commercial hardware business in the second quarter to continue at that modest pace into the back half of the year.

Margins will continue to slightly improve across the entire Security segment as we continue the integration of the SSDS business. We continue to drive the integration across mechanical security and residential hardware.

Moving to Industrial, Industrial, as Jim mentioned, very strong performance through the first half of the year. Organic growth was 11%. We are indicating that, for the year, we expect mid single-digit growth. Now, let me make sure that people understand what that means. We define mid single-digit growth as somewhere between 3% to 8%. Clearly, we expect this to trend to the high end of that range, which is at 8% based on the performance that it had in the first half of the year and expected performance in the back half. There will be a lower growth rate in the back half versus the 11% due to the comps as well as other items that I'll touch on in a few minutes.

Industrial and automotive repair continues to be strong. They continue to gain share and exceed market growth that's occurring in the industries that they serve. We're very pleased with that performance and they're really starting to get some traction with revenue synergies as well.

The Emhart business, or engineered fastening business, has seen nice growth. Even though the light-vehicle production was slow in the second quarter, we expect that to be better in the third quarter and the fourth quarter as we see improvement in Japan. We expect that our business will continue to outperform the production levels as we've seen in the first half of the year.

In the offshore channel business, we are starting to see more activity and more life there in our infrastructure business, so we expect that to drive some growth as well in the back half, which is why we believe we'll see that performance around that 8% level for the year for this particular segment.

So to summarize the call this morning, we feel excellent about where we are with the integration. It continues to proceed very well. We have accelerated synergies into 2011, as you saw by increasing our estimate to $200 million. We have raised the overall estimate for the whole program to $450 million by the end of 2012, which again equates to the $485 million annualized into 2013. The [volume] and margin growth expected in the second half due to new products, the pricing actions, emerging markets, really allows us to feel like we are on track to that 150 basis point year-over-year OM expansion that I discussed earlier.

John touched on the revenue synergies and the progress we are making. It's very smooth in the implementation and the results have been compelling so far, so we continue to invest in that with both people and other assets to really drive that growth throughout the remainder of the year.

I touched on the Stanley fulfillment system and the impact on working capital and working capital turns improving by 14% year-over-year, which is really nice to see the tenets of SFS really getting embedded in our Company globally. Then of course we are reiterating our $1.1 billion in free cash flow forecast for the year.

With that, that completes the presentation portion of the call. I'll turn it to

Kate Vanek - *Stanley Black and Decker Inc. - VP IR*

Time for Q&A, all. John, our operator, will be kicking it off. As always, we'll follow the one question, one follow-up routine.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Eric Bosshard, Cleveland Research.

Eric Bosshard - *Cleveland Research Co. - Analyst*

Good morning. Can you give a little more color on the 80% cost recovery in the back half a little bit just across the portfolio where the expectations are, and then also provide perhaps a bit of input on what you've learned as you started to have these discussions and how things have fared to this point?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

This is John. I'll kick it off, and Don will give you a little more granularity. From 36,000 feet, we are absolutely holding to that recovery. We are getting a little less price than we had anticipated. One of the reasons we're getting a little less in CDIY is inflation is abating, or if you will the escalation has slowed down, so we are getting a little less second-half inflation compared to where we left off. So all in, the 80% is still good, but I'll let Don give you a little more granularity.

Don Allan - *Stanley Black and Decker Inc. - VP, CFO*

We are comfortable that we will see an 80% recovery, as indicated, in the back half of the year. There's been a lot of moving parts in that [annex] associated with inflection and price. The vast majority of our price increases are in place, although we still have a few smaller ones that we are negotiating over this month. But by the end of July, we feel comfortable that all price increases will be in place.

On the inflation side, we've seen some pluses and minuses. As John alluded to, we've seen some trends that have caused production inflation, and we've also seen some trends that are increasing inflation. So we're managing; we are continuing to manage that dynamic, but at this point, we still feel comfortable that we will have 80% price recovery in the back half of the year.

Eric Bosshard - *Cleveland Research Co. - Analyst*

Thank you.

Operator

Jason Feldman, UBS.

Jason Feldman - *UBS - Analyst*

Good morning. So obviously there's a lot of focus on the Black & Decker related cost synergies. I find it interesting though that, at IAR, your margin expansion was very substantial. It's a legacy business without the acquisition-related synergies. I think it was actually second quarter of last year it started doing much better. Are there other areas in the legacy business not included kind of in that $450 million synergy target where you see material opportunities for operational improvement?

Jim Loree - *Stanley Black and Decker Inc. - EVP, COO*

This is Jim. IAR is predominantly a non-revenue, non-cost synergy story area. It's really an execution story. I'd say they've done a great job over the last year pulling that business together on a global platform basis and treating it as if it were one company instead of a series of popcorn stands. So I think that's a terrific story.

Engineered fastening, which is another part of the Industrial segment, has -- when they went through the downturn, they dealt with severe contraction in the automotive market, and they really did a phenomenal job bringing their cost structure down even before the merger. As the automotive market came back last year and into this year prior to the second quarter with the Japan issues, they have kept their cost structure intact and they have a tremendous operating leverage story. So, I think that is another one that we are particularly proud of.

But I think you're still seeing, across the portfolio, for instance in Security, their margin growth is not driven solely by revenue -- or cost synergies. It's driven almost equally as much by a terrific story managing productivity projects and controlling SG&A levels. So, you've got those stories I think across the portfolio. The CDIY folks have -- are battling a lot of headwinds, but I think they too have managed the productivity element of the equation extremely effectively.

Jason Feldman - *UBS - Analyst*

Okay. Thanks. A quick clarification on the guidance, I'd just I guess a little confused, and I'm sorry if I'm missing something. On the 150 basis points of margin expansion that was reiterated for the year, the revised guidance has basically lower revenue and more cost savings, so wouldn't that suggest that the operating margin expansion would be higher than in the prior version of guidance?

Don Allan - *Stanley Black and Decker Inc. - VP, CFO*

This is Don. I get the question, but I would say no. When you look at the components of revenue and the profitability of those revenues as well as the increased synergies and other dynamics that are changing that are pluses and minuses, it puts you roughly to the same place, year-over-year expansion and operating margin.

Jason Feldman - *UBS - Analyst*

Okay, great. Thank you.

Operator

Dan Oppenheim, Credit Suisse.

Dan Oppenheim - *Credit Suisse - Analyst*

I'm just wondering if you can talk a little bit about the launches of DeWALT in August, what you're thinking about doing in terms of the spending behind the marketing of that to make sure it's gaining traction there in this tough climate.

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

I'll take it. We are not going to review spending plans for our competitors to jump all over or counterpunch. But simply said, if you look at SG&A, it's totally in line with expectations and with former guidance. We have very robust plans in support of those launches. One of the reasons we talked about CDIY in the second-quarter margins, we really had a semi-hiatus same period year ago. So we were comparing against a low spending base. Essentially, I'll call it brand support and product introduction support is back to historical levels in line with it should be as a percentage of SG&A. I'll go so far as to say, thus far, customer acceptance and future plans are quite -- we're very encouraged by it and we would not have gotten that level of acceptance without meaningful levels of support. But it's just not appropriate to give you any more granularity than that. I hope you understand.

Dan Oppenheim - *Credit Suisse - Analyst*

Sure, I understand that. I guess secondly, I was wondering in terms of as you look at growth opportunities as you're pursuing the SKYE right now, would you be content finishing with the integration of Black & Decker and looking at SKYE or are you still looking at other opportunities here at this time?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

I guess any of us could take that. The pipeline is really full, but the playbook will be the same. We will look at both financial capacity and organizational capacity. The beauty of Niscayah, as we pointed out, is it's primarily a foreign acquisitions made with foreign cash, extraordinarily good use of a somewhat dormant resource. That in and of itself would make it a good deal. The fact that it's highly strategic, it's been a coveted asset, and it's quite accretive makes it an even better deal. We'll still have plenty of cash. If it's a business and a geography that will not interfere with the integration of either of those businesses, we could still -- unlikely this year two-thirds over from an M&A perspective -- unlikely we could execute -- would execute anything else this year. But we'll start the meter running again as we look forward to next year. The pipeline is quite full. The only change in environment that I know you're well aware of is with financing being relatively inexpensive. Private equity or financial sponsors are a far more meaningful part of any competition for a good asset than perhaps they were two or three years ago when we did the Black & Decker deal. But it's a robust environment with a lot of opportunity.

Jim may want to add to that.

Jim Loree - *Stanley Black and Decker Inc. - EVP, COO*

Yes, I think -- and to take it from a complementary but slightly different perspective, what we're basically doing from a capital allocation perspective is taking about a third of our excess capital and returning it to the shareholders in the form of dividends and repurchases and taking the other two-thirds in investing it in acquisitions that are strategically linked to our key franchises and our growth platforms but are also able to produce cash flow return on investment returns in the 13% to 15% range over time. We think that is a great way to create shareholder value. However, if we don't execute on the acquisitions and deliver those returns, then we could destroy value. So we're very conscious of making sure that we only invest when we are confident that we can do that, which means we have the organizational capacity to do so. And so financial capacity, organizational capacity, getting back to what John said, is critical, both from a tactical and a strategic perspective.

Operator

Mike Rehaut, JPMorgan.

Will Wong - *JPMorgan Chase & Co. - Analyst*

This is actually [Will Wong] on for Mike. Just a quick question. When talk about your outlook not including any rebound in residential construction, first, can you just remind us how much residential construction exposure you have across the three segments? Then secondly, when do you expect sort of the residential market to rebound and when that will be built into your forecast?

Kate Vanek - *Stanley Black and Decker Inc. - VP IR*

First, I'm going to point you to the appendix of our investor overview, which is always on our website. That has the breakdown by segment and by business of our exposures to residential construction. So as of 2010 pro forma, about 20% of total Stanley was residential; 28% was other residential, meaning sort of outdoor repair/remodel. Second, we're not going to be in the business of predicting the housing rebound, and I think you understand. And I think, if we were, we would be embedding it in our guidance and having a lot more conviction behind it. But that's not the stance that we're going to take today.

Will Wong - *JPMorgan Chase & Co. - Analyst*

Great. Just my follow-up question -- in terms of the weather-related weakness in outdoors, how are you able to discern what was sort of weather-related weakness versus maybe an overall demand coming in weaker?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

I'll take it. The one -- essentially overwhelmingly it was weather-related. We can take it off-line but the one reliable source I've seen that measures essentially hours available for outdoor activities through May, not through June, is the data isn't available yet. That would mean using our outdoor products, participating in various sports, etc. It's a syndicated resource. Through May, those hours were down 26%. So, if you think about we were down about 19% with our outdoor. That would tell us that we may even have gained a little bit of share, but the overwhelming majority if not more than 100% of the softness was weather related.

You don't hear us talk about weather very often. Legacy Stanley I think the only businesses that would have -- are impacted by that are access technologies and to a small extent gate hardware in our legacy hardware business. So this is new for the Stanley side of the merger, not new for the folks who've lived with this business for a long time.

But the simple answer is I would say 100%-plus of the shortfall was weather related. Thus, we don't anticipate that it's going to repeat itself. That's the good news.

The bad news is the second quarter is always your biggest quarter. When you get past June or July and you haven't sold it, it's generally gone for the year.

Operator

Sam Darkatsh, Raymond James.

Sam Darkatsh - *Raymond James & Assoc. - Analyst*

Good morning. A couple of questions -- first off, the change, the 1% change in the organic growth, it seems like the vast majority of that is already spoken for with Q2. I'm looking on a go-forward basis. How much have you revised your European demand expectations? What are those European growth expectations given that it's one-fourth of your business?

Don Allan - *Stanley Black and Decker Inc. - VP, CFO*

It's Don. I would say, on the outdoor component, I would say the vast majority of that is behind us. As far as the European component, we do expect slightly negative performance in the back half of the year, which is what we experienced in the second quarter. So that trend will continue and contribute to the whole 1% decline that we talked about for the year.

Sam Darkatsh - *Raymond James & Assoc. - Analyst*

John, hopefully I'm going to be phrasing this question right. Based on a bunch of recent security industry transactions and multiples, it would seem that the overall stock market might be materially undervaluing either your security business or your tools business. I was just curious as to what your view on the subject might be and maybe what options you and the Board consider in terms of unlocking latent value?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

I guess I'll say two things. It should be obvious that the market is grossly undervaluing both our tools and security business, but I would argue that those of us on this side of the call are biased. Look, security at legacy Stanley grew from nothing to almost 40% of our revenues. Jim, Don, and I spend a lot of time talking about that and with the Board. We always felt that if it got to 50% of our revenues and wasn't being valued, valued properly, we'd think about some alternatives for it.

With the acquisition or merger of Black & Decker, securities flipped back to less than 25% of the business. With Niscayah, it will be about 30%, so you can argue just based on market multiples we have a 11 or 12 times EBITDA business trapped inside a 7 or 8 times company.

We would all argue that's a very, very high cost problem because were it to be -- come to a point where it was a standalone company that could be valued higher, we'd create a tremendous value for our shareholders and it's something we'd have to talk about. It's the furthest thing from our minds as we speak right now. We love our business. It's a very important part of a diversified portfolio that served us so well through the last economic downturn while our tools business was down 15% to 20% on an organic volume basis and not quite as much in terms of earnings because we took out some costs. The security business stayed flat in terms of volume, increased in terms of earnings. It's what makes us we think a reliable and a valuable diversified industrial company. That's the place we want to be and our Board wants us to be. But every year, we go through a strategic planning exercise with our Board. It's one of the things we talk about. Right now, Security is I'd say 25% going to about 32% of our revenue with Niscayah. We love the business. We love having it as part of our portfolio, and we are always open to considering various alternatives.

Securitas I might add -- and they've been public with this -- had the same thought five years ago -- a guarding business, a monitoring business and a residential security business. (inaudible) two of them out, it didn't work very well for them. So, it's not magic that if you take a potentially high EBITDA multiple business and spin it out and put it on its own, that you've created wealth over night due to financial engineering if it was that simple and straightforward. We have an incredibly capable and savvy Board of Directors and I think a pretty good business development team and a lot of good financial advice. We would've done it five years ago. It didn't make sense then, doesn't make sense now, but it's certainly something (inaudible) that we will always look at, always consider the pros and cons.

Operator

Michael Kim, Imperial Capital.

Michael Kim - *Imperial Capital - Analyst*

Good morning guys. Specific to Convergent, you talked a little bit about installs being greater than RMR. Can you quantify how much stronger install was over RMR? Then with RMR specifically, was that primarily account growth or ARPU growth, or is it split pretty evenly between those?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

That's an incredible amount of granularity that you're asking for. What I will say is that the RMR -- or the install growth was a couple of points higher than the overall line average organic growth for CSS. So we are talking kind of in the 5% to 7% range, and it was largely derived from new account acquisition. Also, I think the RMR growth was also aided by the fact that our attrition rates are coming down as well. They are in a very good place as it relates to historical performance.

Michael Kim - *Imperial Capital - Analyst*

Then you guys also called out some order strength from national accounts and a rebound in commercial. Can you talk a little about where you're seeing the vertical strength or are there any particular segments of the market that you're seeing some good activity?

Jim Loree - *Stanley Black and Decker Inc. - EVP, COO*

I think the state and municipal markets continued to be horrendous. I think we're seeing good in the multi-family. We're clearly seeing some positives. Education is stronger than it has been. Healthcare is slightly stronger. So that's kind of where we're seeing, from a vertical perspective, the better performance. The order rates are in excess of the install growth. So they are doing well from an order perspective. Our job now is to convert that in the back half of the year.

Don Allan - *Stanley Black and Decker Inc. - VP, CFO*

I'll just add to that because you'll get cut off because it was follow-up -- that as you know, you know our Security business so well, we're heavily skewed towards retail but working very hard to diversify into the six other verticals that we're actively pursuing. Retail simply isn't getting much worse; it's been bad. It's hit bottom. I'm not suggesting a rebound there, but to Jim's point, all the positives that Jim has talked about, which are modest but in the right direction, are not being offset to the extent of our retail declines as they have been in the prior four or five quarters.

Operator

Ken Zener, KeyBanc.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Good morning. I wonder if you could -- I thought it was interesting in CDIY obviously the difference between the power tools and the hand tools. So I'm wondering if you could maybe just expand on your comments about the relative difference. I know you mentioned the product launches were very impactful on the power tools side. But does that imply on the hand tools side you were gaining share or were you holding share in a market that was down that much? If you wouldn't mind refreshing us. I know you addressed this at the capital markets today, but the introduction of the DeWALT hand tools, if you could kind of refresh us on why you don't think that will be a high rated cannibalization towards the high end Stanley hand tools that you might or might not have in those same channels. Thank you.

Jim Loree - *Stanley Black and Decker Inc. - EVP, COO*

Sure. I'll take the first part of your question for sure. It's Jim. I clearly believe that the overall market was negative, modestly negative, for both power tools and hand tools in the quarter. The reason I think that we had strong double-digit performance in professional power tools and solid single-digit performance in consumer power tools is primarily a result of the new product introductions and share gains in cordless that are derived from the 12-volt that we did last year and the 18-volt that we are just beginning to introduce now. So this is not surprising to us that we are performing well in this regard. We expect to continue to perform well. So really the market, which was exacerbated by the weak European performance down I'd say a couple of points -- I think the hand tools and fastening number minus 1% probably would have been minus 2% to minus 3% had it not been for the revenue synergies that are being pursued, selling hand tools through power tool channels that existed with legacy Black & Decker, especially in Latin America but also in Europe now. So, I think that's certainly a driver. And then of course the DEWALT hand tool line which really didn't have a huge impact in the quarter, but I think we'll continue to see progress as the year develops and we take that across the US. (multiple speakers)

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

I'll take the second part on the cannibalization, which I think is a very logical question. Jim touched on it. Remember DeWALT hand tools are available in one large big-box customer, primarily the (inaudible) channel. Stanley hand tools were significantly underdeveloped in the (inaudible) channel. That's why this is a tremendous revenue synergy opportunity, to Jim's point. There's not much to cannibalize, to be very candid, which is why that was, A, the product line and, B, the channel of focus on where we wanted to introduce this high-quality product with obviously a terrific brand name to support it.

Ken Zener - *KeyBanc Capital Markets - Analyst*

I appreciate that. For my follow-up, I'm not sure if you don't mind commenting on SKYE's kind of security in the US which we are seeing more of a nascent recovery obviously on the convergent side, less on the mechanical side. But if one looks at the Niscayah business, which is a bit more on the install side than your existing business I believe, it's seen pretty negative growth. Can you kind of, without getting into detail, but kind of describe your thoughts around how that installation versus the kind of recurring market is occurring, and given recent changes that we've -- or pressure that we've seen on the European economy relative to the US is more nascent in commercial recovery? Thank you.

Jim Loree - *Stanley Black and Decker Inc. - EVP, COO*

This is Jim again. The big difference between Niscayah and our business is they're both have pretty strong recurring revenue. I think we're about 50%; they're about 40%. But only 10% of their revenue derives from monitoring. We are substantially higher than that, at least double that. The monitoring business is by far and away the most profitable part of the recurring monitoring business.

The other recurring revenue is service revenue. I would offer that I think Niscayah does a fantastic job signing up their customers for service. I think we could learn from them actually in the US and take some of what they are doing with respect to the contract service and leverage our service base even more effectively. I think one of the problems they have is that, given some of their historical constraints, they haven't been able to really size their service fleet in accordance with their level of demand. So, there's opportunity all over the place for both Niscayah and for us to learn from each other and to make our entire enterprise even more profitable.

Operator

Dennis McGill, Zelman and Associates.

Dennis McGill - *Zelman & Assoc. - Analyst*

Good morning and thank you. I'm just wondering if -- sorry if I missed this or you touched on this already. But can you just talk about how inventory management at some of your bigger customers may have impacted results during the quarter or the outlook for the third quarter?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

This is John. Obviously, we've been pretty public and granular. Inventory is not at dramatically low levels, although our data tells us that of the larger customers we won't name any by name, we are down about 1.5 weeks from historical level. That's arithmetic. That did have an adverse impact, particularly in our HHI channel and to a modest extent in hand tools. We're not going to go through inventory by SKU or by product line, but in general, as you know, we get good POS data from our seven largest customers and we get it almost real-time. We're down about 1.5 weeks from what I think we would agree with our customers are historically optimal levels. To the extent they keep it there, that won't come back. To the extent they rebuild, there will be a little bit of a lift in the second half. We've built no lift based on inventory rebuild into our forecast because we think our customers, just as we do, are getting better managing their supply chains with a little less inventory. We know, historically, when it went from about 12 to 8 weeks, there were a lot of [stocks] all over the place. That was neither good for vendors or customers. But to think, over time, retail inventories could come down a week or so, which is 8%, of course it varies a lot by category, and turns would increase and out-of-stocks wouldn't, that's quite feasible. So we've built no lift into the numbers going forward, but it clearly did have an impact in the first half of the year in general and second quarter in particular.

Dennis McGill - *Zelman & Assoc. - Analyst*

That's very helpful. Just to be clear then, the 1.5 weeks roughly would also be down versus the year-ago period?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

Yes. Our best estimate is yes. A week to a week and a half across the big-boxes (inaudible) that's right.

Dennis McGill - *Zelman & Assoc. - Analyst*

And then just one follow-up on a comment you made earlier about outdoor. I think you said it's a $500 million to $600 million business. Does that include the legacy BDK cleaning and lighting in some of the household products or was that strictly the outdoor category?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

Yes, it's all of that.

Operator

Nicole DeBlase, Deutsche Bank.

Nicole DeBlase - *Deutsche Bank - Analyst*

I just wanted to clarify the comments you made on pricing. I think it was probably the first question on the call. You said it sounds like you're getting a little bit of pushback from your CDIY customers. I'm a little bit confused because I thought that was all unrecovered inflation, and so I'm not sure why they'd be pushing back, so if you could clarify that comment.

Don Allan - *Stanley Black and Decker Inc. - VP, CFO*

It's not so much that we're getting pushback. What it is is that [this] process is a continual discussion around data and information sharing, trends that happen in inflation on a daily basis get discussed. So we are at the later stages of these discussions, but it's relatively small amounts we are referring to that haven't been analyzed at this point.

Jim Loree - *Stanley Black and Decker Inc. - EVP, COO*

Frankly, we have no choice but to finalize them. So we implemented the price increases across the rest of the channel so they will come at the home centers and we will work through that.

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

I think, Nicole, just another point, we talked about inflation abating. It's true. To Don's point, as they ask for more data and we provide it, most folks are focusing on [steel] which is without question the biggest single commodity with which we deal. Resin is important, etc. But if anybody has looked at rare earth metals lately, they are up 600%, 700%. Now, that being said, they are a tiny piece of cost, but it's important as it relates to power tools. Our customers understand that because they source those products directly themselves. So to Don's point, the data is there to support the increases. What Jim said is absolutely right. We can't have three sets of prices in the marketplace, so we either raise the prices or don't ship. We have been here before, and we don't expect much of a fallout from where we are.

Nicole DeBlase - *Deutsche Bank - Analyst*

Thanks guys, that's really helpful. Then for my follow-up, industrial margins on an incremental basis came in at about 20%. It's a little bit lower than we've seen recently. Is there anything to call out there?

Jim Loree - *Stanley Black and Decker Inc. - EVP, COO*

Are you saying on a contribution margin basis?

Nicole DeBlase - *Deutsche Bank - Analyst*

Yes.

Jim Loree - *Stanley Black and Decker Inc. - EVP, COO*

We are investing in the business, so contribution margin is one way to look at it. But that assumes that SG&A is steady state and that's just not the case. In the Industrial business, we are investing in new products. You're going to see an absolutely stunning new air tool introduction the first industrial power tool air tool that will be introduced here in the next few weeks in about 15 years in the industry. So those types of things are going on. We are spending money on advertising and sales promotion and working the emerging markets aggressively. So you can't just take the contribution margin. Some of that has to fuel growth. This is a dynamic business.

Operator

Peter Lisnic, Robert W. Baird.

Peter Lisnic - *Robert W. Baird & Co. Inc. - Analyst*

Good morning everyone. I guess the first question on Security -- I just want to make sure I understand the profitability here. Up 200 bips, ex-acquisitions, which I consider to be pretty strong, especially on the mechanical side where organic growth was down 1 point I think you pointed out. So just wondering what the levers are in that mechanical business. My guess is that the profitability there actually improved even though organic was down. Am I kind of on the right track there? Then just kind of what led to that?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

I'll start. It did improve, but I'd like to feel better about it. We predicted that it'd improve from an extraordinarily low base in the first quarter, which Don couldn't I don't think could've been more clear to say we considered it an aberration. We said what we thought contributed to it, specifically a lot of softness in MAS and the mechanical locking sub segments of the business. It isn't so much the second quarter was terrific. Second quarter was a terrific improvement off a low base, and quite frankly we felt sanity was restored to our margins rather than we did something special.

Don Allan - *Stanley Black and Decker Inc. - VP, CFO*

You are seeing the impact of the Black & Decker Stanley integration in the mechanical business as we integrate HHI into our commercial locking business. You're starting to see the synergy effect this year, and it will continue into next year. We didn't have a lot of that last year.

Peter Lisnic - *Robert W. Baird & Co. Inc. - Analyst*

So the implication as of the second half we should continue to see that improvement in mechanical if you are not kind of putting for par in that business, to use an analogy I guess?

Jim Loree - *Stanley Black and Decker Inc. - EVP, COO*

That's the perfect analogy. Putting for pars and dogs chasing cars don't last very long (inaudible).

Peter Lisnic - *Robert W. Baird & Co. Inc. - Analyst*

On the CDIY business, I just want to make sure I understand the organic growth forecast for the second half -- 4% to 5%. Can you give us a breakdown of price versus volume?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

We are not going to give you that level of detail, but there definitely will be 1 point or 2 of price in the mix. And then beyond that it's going to be volume-driven.

Jim Loree - *Stanley Black and Decker Inc. - EVP, COO*

The whole Company will add about a point of price in the back half of the year. It will be the best way to look at it.

CDIY is about 80% of the inflation, so you can figure out where the pricing action is most aggressive.

Operator

[Mike Whirley], Janney Capital Markets.

Mike Whirley - *Janney Montgomery Scott - Analyst*

This is Mike Whirley standing in for Jim Lucas. I just had a follow-up on the Security business. You said that -- I was just wondering. The productivity gains, are they more from SSDS or spread more evenly across the segment and part of that BDK integration you were talking about?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

They are across both CSS and MAS. As I said when I gave my comments, there were three principal factors that drove the earnings growth in Security. One of them was synergies, one of them was productivity projects, and the last one was SG&A control. Those are the three things that drove the profit growth.

Mike Whirley - *Janney Montgomery Scott - Analyst*

Okay. Then was there any change to your full-year material inflation recovery forecast of 33% to 50% that you gave us last quarter?

John Lundgren - *Stanley Black and Decker Inc. - Chairman, CEO*

No.

Don Allan - *Stanley Black and Decker Inc. - VP, CFO*

No, we're still on track for the 80% in the second half and the 33% to 50% for the full year.

Kate Vanek - *Stanley Black and Decker Inc. - VP IR*

This concludes our call today. Again, please feel free to reach out to me with any questions about any sort of matter. Thank you so much for chiming in today.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.
