

STANLEY Engineered Fastening



STANLEY Oil & Gas



Industrial & Automotive Repair



Industrial Segment:  
Driving Profitable Growth

# Stanley Black & Decker 1Q 2014 Overview

**StanleyBlack&Decker**

April 24, 2014

# Participants

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***John Lundgren***

***Chairman & CEO***

***Jim Loree***

***President & COO***

***Don Allan***

***Senior VP & CFO***

***Jeff Ansell***

***Senior VP & Group Executive,  
Construction & DIY***

***Greg Waybright***

***VP Investor & Government  
Relations***

# Cautionary Statements

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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 1934 Act SEC Filings.

# 1Q 2014 Highlights

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- 1Q'14 Revenues Increased 7% Driven By 4% Organic Growth And Addition Of Infastech
  - Organic Growth Investments Contributed ~2% Growth In 1Q
- Operating Margin Expanded 30 Bps To 12.1%\*
  - Sharp Cost Focus Offset \$25 Million Of Currency Pressure Enabling Operating Leverage
- 1Q'14 Diluted EPS Of \$1.07\* | \$1.05 On A GAAP Basis – GAAP & Adjusted EPS Converge
- CDiy And Industrial Posted Compelling Top And Bottom Line Results
  - CDiy Achieved Robust 6% Organic Growth With Expansion In Every Region
  - Industrial Delivered 5% Organic Growth And 15.6%\* OM Up 170 Basis Points VPY
- Security North America Tracking To Plan Aside From Weather Impact, While Security Europe Turnaround Gaining Traction But Not Yet Manifested In Financial Performance
- Increasing The Low End Of 2014 EPS Range And Reiterating Cash Flow Guidance
  - EPS Of \$5.35 – \$5.50\* | \$675M FCF Inclusive Of ~\$250M One-Time Payments

***Solid Top And Bottom Line Performance Led By CDiy And Industrial***

# 1Q 2014 Sources Of Growth

*Top-line Momentum Continues, Leveraging Organic Growth Investments...*

## Sources Of Growth

	4Q'13	1Q'14
Volume	+ 4%	+ 4%
Price	Flat	Flat
Organic	+ 4%	+ 4%
Acquisitions	+ 6%	+ 4%
Currency	- 1%	- 1%
<b>SWK</b>	<b>+ 9%</b>	<b>+ 7%</b>

## Regional Organic Growth

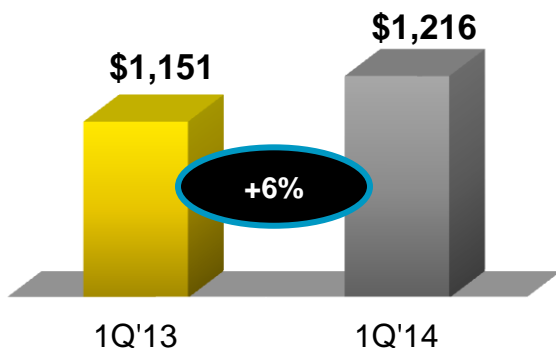
	4Q'13	1Q'14
United States	+ 4%	+ 2%
Europe	+ 1%	+ 4%
Emerging Markets	+ 5%	+ 5%
Rest Of World	+ 5%	+ 8%
<b>SWK</b>	<b>+ 4%</b>	<b>+ 4%</b>

*...Broadly Distributed Growth In Spite Of Emerging Market Challenges & US Weather Impact*

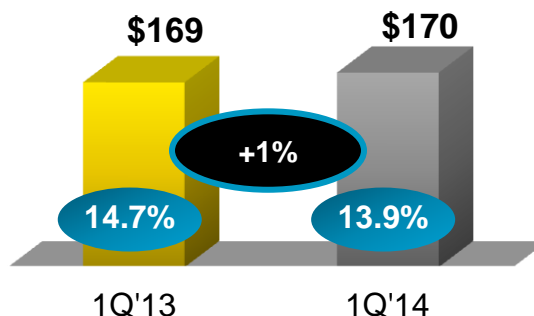
# 1Q'14 CDIY

**Up 6% Organically With All Regions Delivering Growth...**

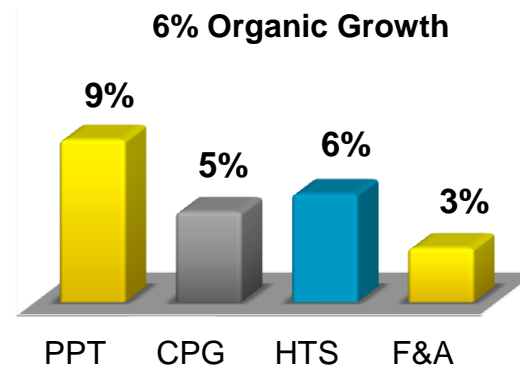
## Revenues



## Segment Profit\*



## Organic Growth



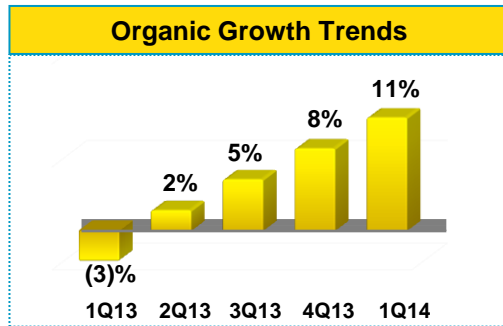
- Growth: 1Q'14 Organic Growth Rate Marks The Fourth Consecutive Quarter Of Mid-Single Digit Organic Growth
  - New Product Development Drove Growth In Every Strategic Business Unit (SBU) As Innovation Led To Increased Demand From End Users
  - Customer Connectivity & Market Activation Led To Pervasive Growth Across Customers, Channels & Geographies With The Following Organic Growth Profile:
    - Europe +11%, North America +5% & Emerging Markets +7%
- Profitability: Volume, SG&A Cost Control & Productivity Offset Carryover Growth Investments And \$20 Million Of Currency Headwinds

**... Volume Gains And Intensive Cost Management Offset Severe Currency Pressure**

# CDIY: Gaining Share Across The Globe

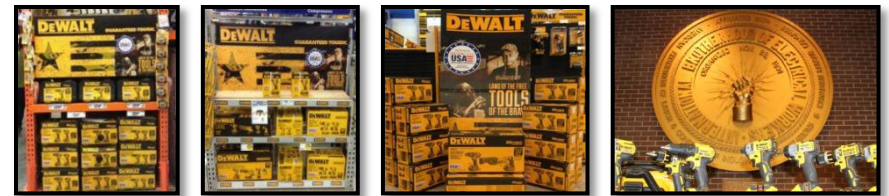
## Europe: Sequential Growth

- Innovation Drives Growth Across All SBU's
- Expanded Retail Partnerships Deliver Mutually Beneficial Growth
- Growth In All European Markets



## Built In The USA Initiative

- Leverages Our Unique And Pervasive US Manufacturing Footprint
- Over 300 Products Across SBU's... Focused On DEWALT, Stanley, Porter Cable & Bostitch Brands
- Built In The USA Growth Rates Accretive To Overall Growth Rate



## Emerging Markets

- Addition Of 300+ “Feet On The Street” & 1,500 Distributors
- Dedicated Emerging Market Power Tool & Hand Tool SBU's In Place
- MPP Product Development Accelerated By Strategic GQ Power Tool Acquisition
- Over 1,000 New Products Launching Over A One-Year Time Frame
  - First Wave Shipping 2Q

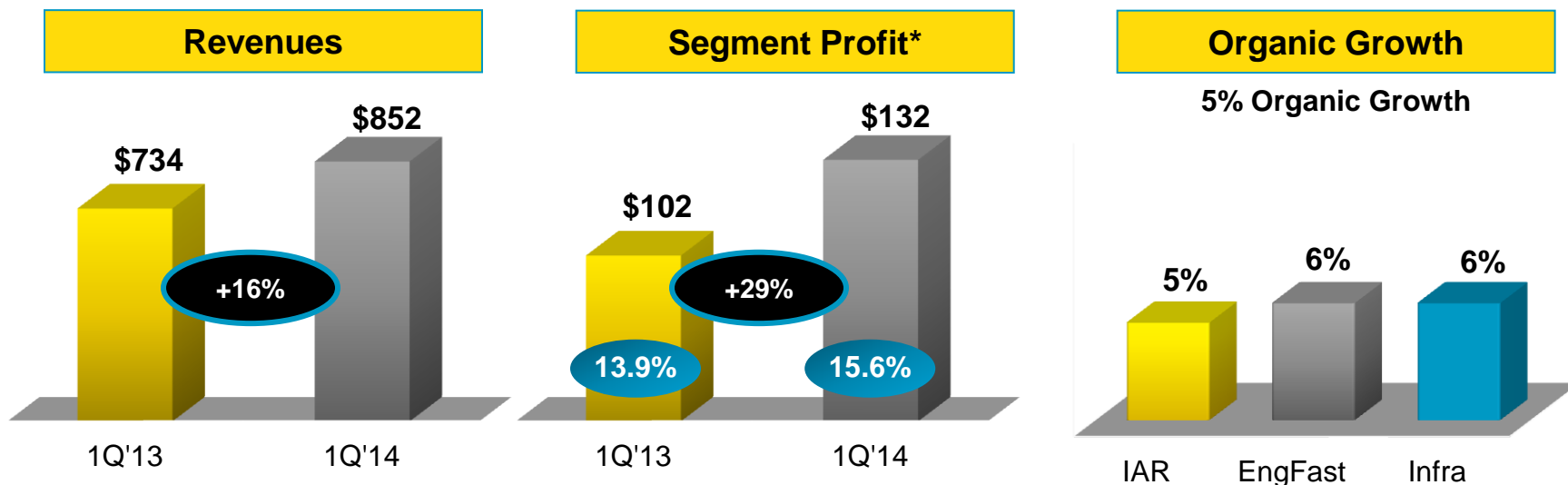


## New Product Development



# 1Q'14 Industrial

## Industrial Delivers Significant Organic And Acquisitive Revenue Growth...



- 16% Revenue Growth: Volume +5%, Pricing Flat, Acquisitions +12% & Currency Down 1%
- OM Expands As Volume Leverage And Tight Cost Focus Offset Modest Foreign Exchange Headwinds
- IAR: Growth In Europe, Emerging Markets, And North America (MRO Vending And MAC Tools Businesses)
- Engineered Fastening: Driven By Strong Automotive Revenues At Nearly 2 Times The Rate Of Light Vehicle Production And Continued Success With The Infastech Integration
- Infrastructure: Oil & Gas Up 11% Organically – Strong Onshore Market Activity Continued In 1Q | Growth To Decelerate Due To An Expected 2-3 Quarter Onshore Pipeline Construction Lull

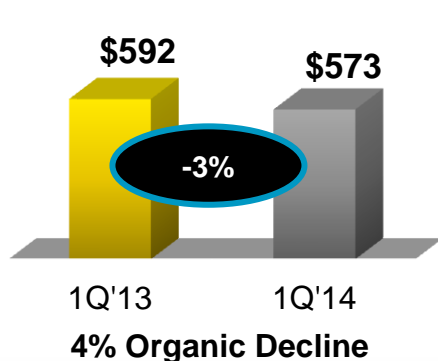
## ...Tight Cost Control More Than Offsets Growth Investments & Currency Driving Operating Leverage



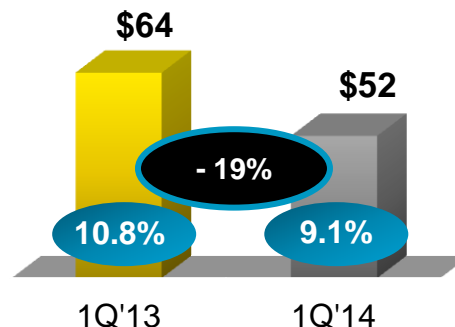
# 1Q'14 Security

## North America And Emerging Markets Remain On-Track...

### Revenues



### Segment Profit\*



### NA & EM (1% Organic Decline | 14.7% OM\*)

- Organic Revenue: Weather Related Headwinds In North America Offset Growth In the Emerging Markets
- Vertical Market Solutions Continue To Ramp Up
  - Order Rate At \$120M Annualized
- OM Rate Improves 40 Bps Versus Prior Year
  - Improvements In Field Efficiency Leading To Stronger Install Margins
  - Cost Actions Gaining Traction

### Europe (7% Organic Decline | 1.0% OM\*)

- Organic Revenue: Lower Install & Recurring Revenues
  - Order Growth & Backlog Expansion In 1Q'14
  - 1Q'14 RMR Attrition Sub-15%; ~340 BPS Decrease VPY
- 2014 Actions Underway To Deliver Improvement
  - Managing RMR Attrition To 10-12%
  - Cost Reductions To Resize Business
  - Centralized Daily Management Model Deployment
  - Improve Backlog Conversion Efficiency

...While European Improvement Gaining Traction, But Financial Benefit Lagging 1 – 2 Quarters

# 2014 Plan: Security Transformation | Turnaround

**Initiatives In Global Electronic Security Have Made Tangible Progress...**

		Progress	
		North America	Europe
<b>Step 1</b> <b>Upgrade Leadership</b>	<ul style="list-style-type: none"> <li>Numerous Management Upgrades</li> <li>Streamlined Organization Structure                             <ul style="list-style-type: none"> <li>– Segregated Sales And Operations</li> </ul> </li> <li>Clear Accountability And Line Of Sight</li> </ul>		
<b>Step 2</b> <b>Overhaul Sales Organization</b>	<ul style="list-style-type: none"> <li>Upgraded Sales Personnel</li> <li>Instituted “Hunters” Culture (Europe)</li> <li>Aligned Sales Incentives With Goals</li> </ul>		
<b>Step 3</b> <b>Stem RMR Attrition</b>	<ul style="list-style-type: none"> <li>Develop Both Defensive &amp; Proactive Processes To Minimize Attrition</li> <li>Intensified Focus On RMR-led Sales</li> </ul>		<i>In Process: Complete EOY 2014</i>
<b>Step 4</b> <b>Optimize Operations</b>	<ul style="list-style-type: none"> <li>Retool Bid And Proposal Process To Drive Net Realized Margin</li> <li>Establish Field-level Execution Metrics (Focus On Costs, KPIs)</li> <li>Reduce Labor Cost Of Installation Jobs</li> <li>Standardize SKU Offerings And Centralize Procurement</li> </ul>		<i>In Process: Complete EOY 2014</i>
<b>Step 5</b> <b>Implement Vertical Strategy</b>	<ul style="list-style-type: none"> <li>Strategy Already Showing Great Success In N.A. (Will See Results In 2H)</li> <li>Opportunity To Differentiate In Market And Drive Margins Higher</li> </ul>		<i>Begin EOY 2014</i>

**...However, North America Is Further Along Than Europe**

# 1Q'14 Free Cash Flow

*FCF Consistent With Prior Year...*

5.9 WCT

	1Q '13	1Q '14	V\$
Net Income	\$ 81	\$ 162	\$ 81
Deprec / Amort	106	110	4
Working Capital	(195)	(330)	(135)
Other	(139)	(94)	45
<b>Operating CF</b>	<b>(147)</b>	<b>(152)</b>	<b>(5)</b>
CapEx	(77)	(58)	19
<b>Free Cash Flow</b>	<b>\$ (224)</b>	<b>\$ (210)</b>	<b>\$ 14</b>

*...On-Track To Deliver \$675M Inclusive Of \$250M In One-Time Payments*

# Stanley Black & Decker 2014 Outlook

**Increasing Low End Of 2014 EPS Range To \$5.35 - \$5.50\* And Reiterating ~\$675M Free Cash Flow In 2014**

## FY2014 Guidance

<b>2014 EPS And FCF Guidance</b>	2014 EPS *	\$5.35 - \$5.50
	GAAP 2014 EPS	\$5.23 - \$5.38
	Free Cash Flow Including 1X Payments	~\$675M
	One-Time Payments	~\$250M

**Updated Guidance**  
 Security Margin Expected To Be Relatively Flat Versus Prior Year  
 More Than Offsetting This Headwind Is Stronger Performance In Industrial And Lower Indirect Costs Across The Company

**Other**  
 Consistent With 2012 & 2013, 1H EPS Expected To Approximate 45% Of Full Year Earnings Delivery. Q2 Organic Growth Planned To Modestly Decelerate Given Tougher Comparables In CDiy & Industrial.

## FY2014 Segment Outlook

	Organic Rev. Growth	Margin Rate	Drivers
<b>CDiy</b>	Mid-Single Digit	Increase VPY	<ul style="list-style-type: none"> <li>• OM% Increase Due To Cost Actions And Volume Leverage</li> <li>• Partially Offset By FX</li> </ul>
<b>Industrial</b>	Mid-Single Digit	Increase VPY	<ul style="list-style-type: none"> <li>• OM% Increase Due To Cost Actions And Volume Leverage</li> <li>• Offsetting FX</li> </ul>
<b>Security</b>	Flat-To-Modest Decrease	Relatively Flat	<ul style="list-style-type: none"> <li>• Organic Growth Driven By North America &amp; Emerging Markets</li> <li>• Expectation That Margin Improves VPY During 2H'14</li> </ul>

# Summary

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## ***2014 Focused On Executing Operating & Capital Allocation Actions...***

- Delivered Strong 1Q'14 Performance Despite N.A. Weather And Foreign Exchange Headwinds
  - DIY And Industrial Delivered Excellent Results
  - Tight Cost Focus Across Enterprise Enabled Modest Operating Leverage
  - Remain Optimistic About Security Recovery, However, Europe Improvement Slower Than Expected And Tightly Linked To Previously Announced 2H'14 Cost Reductions & Operational Improvements
- 2014 Focus: Improve Near-Term Returns And Relative Performance
  - Organic Growth Initiative
  - Security Margin Improvement
  - Surgical Cost Actions To Ensure Operating Leverage
  - Ongoing Working Capital Focus
  - Capital Allocation Rebalance For 2014/15 (Acquisition Moratorium | Share Repurchase | Deleverage)

***...Positioning The Company To Deliver Our Long-Term Financial Objectives***

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# ***APPENDIX***

# Global Presence

## Strong Growth Across Europe, North America And Emerging Markets

<b>Canada</b>	<b><u>4Q'13</u></b>	<b><u>1Q'14</u></b>
Organic	+2%	+9%
% SWK	6%	5%

<b>US</b>	<b><u>4Q'13</u></b>	<b><u>1Q'14</u></b>
Organic	+4%	+2%
% SWK	46%	46%

<b>Europe</b>	<b><u>4Q'13</u></b>	<b><u>1Q'14</u></b>
Organic	+1%	+4%
% SWK	26%	29%

<b>Japan</b>	<b><u>4Q'13</u></b>	<b><u>1Q'14</u></b>
Organic	+23%	+11%
% SWK	3%	2%

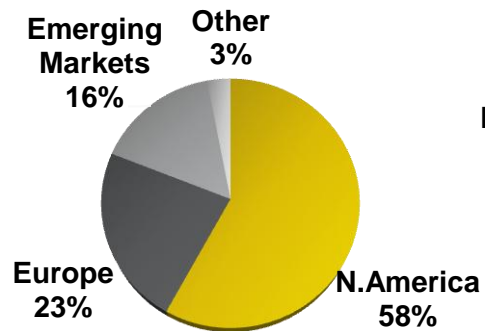
<b>Emg Mkt</b>	<b><u>4Q'13</u></b>	<b><u>1Q'14</u></b>
Organic	+5%	+5%
% SWK	17%	16%

<b>Australia</b>	<b><u>4Q'13</u></b>	<b><u>1Q'14</u></b>
Organic	-7%	Flat
% SWK	2%	2%

# Regional Revenue Breakout 1Q 2014

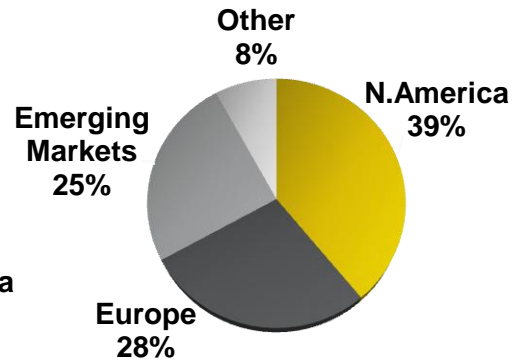
## CDIY

\$1,216M



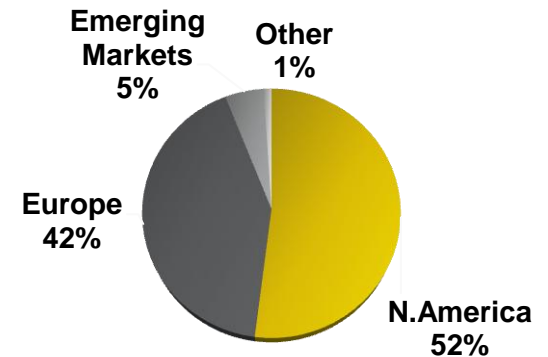
## Industrial

\$852M



## Security

\$573M





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These results reflect the Company's continuing operations. In 3Q'13, the Company classified two small businesses within the Security and Industrial segments as held for sale based on management's intention to sell these businesses. The business within the Industrial segment was sold in February 2014. The operating results of these businesses have been reported as discontinued operations for 1Q'14 and 1Q'13. In addition, the Company sold its Hardware & Home Improvement business (HHI), including the residential portion of Tong Lung in December of 2012. The sale of this business occurred in a First and Second Closing. The First closing, which excluded the residential portion of Tong Lung, occurred on December 17, 2012. The Second closing in which the residential portion of Tong Lung was sold occurred on April 8, 2013. The operating results of the residential portion of Tong Lung have been reported as discontinued operations for 1Q'13. Total sales reported as discontinued operations were \$7.7 million and \$32.9 million for 1Q'14 and 1Q'13, respectively.

The Company recast 2013 segment net sales and profit between the CDiy and Industrial segments to align reporting with the current management of the Company's operations in the emerging markets to be comparable with the current year presentation. There is no impact to the consolidated financial statements of the Company as a result of this segment realignment. The recast results for the quarterly and year-to-date periods of 2013 are shown on page 14 of the press release.

Organic sales growth is defined as total sales growth less the sales of companies acquired 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 stock and business acquisitions, among other items. The normalized statement of operations and business segment information, as reconciled to GAAP on pages 12 and 13 for 2014 and 2013, are considered relevant to aid analysis of the Company's operating performance and earnings results aside from the material impact of the one-time charges and payments associated with the Black & Decker merger, the Niscayah and Infastech acquisitions and other smaller acquisitions of the Company. Normalized free cash flow, as reconciled from the associated GAAP measures on page 10 for 2014 and 2013 are considered meaningful pro forma metrics to aid the understanding of the Company's cash flow performance aside from the material impact of the M&A-related payments and charges.