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SWK - Stanley Black & Decker Inc Investor Day

EVENT DATE/TIME: MAY 16, 2019 / 12:00PM GMT

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## PRESENTATION

**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

All right. Good morning, and welcome. I'm Dennis Lange, the VP of Investor Relations. Thank you for taking the time to attend today's event or listen via the webcast.

Before we get too far along, we are going to be making some forward-looking statements today. Please review the cautionary in the document that you have in front of you or online. I want to thank many of our shareholders and analysts that provided feedback and questions that helped shape today's agenda. We hope that you find the content helpful and informative, and most importantly, walk away as energized about the prospects for this company as we are.

To quickly cover the agenda. We'll start with Jim Loree, who will walk you through the vision and the actions we are taking to position the company for success. Jim will be followed by several of our leaders that will provide a richer understanding of the growth catalyst and the positioning of our Tools & Storage and Engineered Fastening businesses for profitable growth. Then, you will hear about some of the exciting transformational activities that are occurring across the company. We will address security as well as how we are advancing our vision for the company as you can see behind me, performance, innovation, Corporate Social Responsibility. This includes our growing innovation ecosystem and many examples of how we are applying digital capabilities to support growth and margin expansion.

Don will, of course, translate all of what you hear today and what it means for the numbers. He'll address the trade and tariff topic at that time. As you know, the quantification of the various scenarios is a pretty well-traveled story at this point for the company. In addition, he's going to share an overview of our financial framework, our capital allocation plans, our long-term financial objective, and this will be both a look back and a look ahead how we're doing against our financial vision.

We'll have 2 formal Q&A sessions for today. Please hold all tariff-related questions for the second session after Don had a chance to give his remarks.

We also have time at lunch to interact with today's presenters. And with that, I hope you enjoy the day. We will play a quick video as our President, CEO, Jim Loree, takes the stage. Thank you.

(presentation)

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

Good morning. Thank you for joining us. Welcome to our 2019 Investor Day. It's great to be with you here in New York. It's great to see so many familiar faces and some new ones. We truly appreciate your interest in our story.

When I joined Stanley 20 years ago as CFO, our market capital is about $2 billion. Today, it's $20 billion. Our revenues were about $2.5 billion, and now they're over $14 billion. Our stock was a little over $20 a share, and now it's in the $130 range. It's been quite a journey of growth and value creation. And as you'll see today, there's more runway ahead. In fact, we're gaining momentum. I look forward to framing up our story for you this morning. It's relatively straightforward, great company, outstanding growth track record, a great growth pipeline which has never been stronger, contemporary culture with purpose and a pervasive commitment to innovation and social responsibility. Margins, under stress by external forces at the moment, but we have a game plan to resume margin accretion. With outstanding growth and rebounding margins and excellent opportunity to create value, that is Stanley Black & Decker on May 16, 2019.

Somewhat overshadowing all that in the short term is the U.S.-China trade conflict. Since the inception of tariffs last year, our stock has increased the volatility based on the latest trade-related news. Don Allan will cover the financial impact of various trade, tariff scenarios later this morning. However, you should know that we are fully prepared with responsive plans and actions to minimize any potential negative impact on 2019 and 2020 financial results, regardless of whatever trade outcome develops. This management team will not allow tariffs or trade policy to spoil the great story of future growth execution and value creation that we have put together for 2019 and beyond.

So let me tell you about the leadership team that we've assembled to share that story and make it real for you in every way possible. It's a diverse talented team of executives who, together and individually, are bold and agile, yet thoughtful and disciplined. It's a nice mix of longtime executives from legacy Stanley and legacy Black & Decker with some great new additions from external hires as well. You can see those with asterisks on them are legacy Black & Decker, and the folks who don't have the asterisks are from legacy Stanley. We don't really even use the term legacy anymore. You can't tell the difference, but I thought it was interesting just to point out the mix, the amalgam of talent in the leadership team. And then we have some new ones that have the dotted ovals around them, folks like Sudhi Bangalore; Mark Maybury and Janet Link. And I just want to give you a sense of their background so you get a feel for the level of talent that we're able to bring into the company now.

So Sudhi was the Global Head of Industry 4.0 for Wipro, an amazing company. He also had operations leadership roles focused mainly on technology at Siemens, Danaher and Rockwell Automation. And Mark Maybury had advanced technology leadership roles spanning 27 years at the MITRE Corporation. And at one point, he was also the Chief Scientist of the U.S. Air Force. Janet came to was from JCPenney where she was General Counsel. Previously, before that, she was a partner at Latham & Watkins. She did her undergrad work at Yale and received her JD from Columbia Law School. So just a real -- a sense for the quality of the talent that we're bringing into the company, and I think you'll enjoy seeing them in action, too, in their presentations.

So moving to the program. The first half of our program will focus on growth catalysts that we have developed as well as review our larger businesses. And then during the latter half, we'll focus on how we are poised to expand margins across the company and how we are transforming security as we conduct our strategic review. In addition, we'll cover some of the exciting cultural topics and finish it up with commentary on the overall financial outlook.

So here's some key messages that we'll convey today and I hope you'll take away from this session. First, we have an array of catalysts positioning the company for growth with long-term margin expansion. This includes a host of revenue-generating initiatives and a major transformative program focused on margins, which Steve Brodrick will articulate.

We have a strong and effective value-creation model powered by SFS 2.0 that underpins our differentiated performance in organic revenue growth, EPS growth and asset efficiency. We're building a unique and powerful innovation ecosystem, enabling a robust pipeline of new innovations that will sustain organic growth as well as provide a broad and deep window into the technological forces that are shaping and reshaping business models across our industries. And finally, all of this is supported by and accelerated by our corporate culture, which is rapidly evolving to position us to win in the 2020s.

We are a company which has thrived for 176 years now, and we are poised to do so for the long term. Now when I assumed the role of CEO in 2016, my challenge was to determine how to take the company to the next level of fitness and readiness, make it sustainable and be a leader in the new age of industrial disruption. And I believe that a new form of leadership and corporate citizenship is necessary to navigate through these times.

In 2017, I laid out our vision for the company and we remain focused on that today, to continue to deliver top quartile financial performance, to become known as one of the world's great innovative companies and to elevate our commitment to Corporate Social Responsibility. All of this is backed by our purpose for those who make the world.

Since the year 2000, we have delivered top quartile shareholder return versus our peer group and well in excess of the S&P 500. This starting point corresponds with the same time that 4 of our most senior executives arrived at the company, including Don Allan, our CFO; Jeff Ansell, our President of the Tools & Storage business; Joe Voelker, our CHRO; and me. The peer group used for this comparison is our industrial peers, including Danaher, Dover, Emerson, GE, Honeywell, 3M and United Technologies, among others. And over this time frame, we have outperformed some very respectable companies.

And if you look at shorter periods, we compare favorably as well in all but the 1 year comp, which was clouded by tariffs and the trade war. We outperformed both the peer median and the overall market, and this is a testament to our strategy, our value creation model and the performance-based culture that we developed, and most of all, it's a testament to our people.

Our value-creation model is the cornerstone of how we deliver total shareholder return. We operate strong innovation-driven businesses in diverse global markets. We strive to provide outsized capital-efficient organic growth and attractive expandable operating margin rate and strong free cash flow generation.

We deploy an investor-friendly capital allocation approach that earmarks half of our excess capital for M&A and returns the other half to shareholders in the form of dividends and repurchases. This is a model that has enabled us to deliver that exceptional shareholder value over the last 2 decades, and we believe we can continue to do so in the future. The Stanley Fulfillment System is our business operating system and engine for continuous improvement, driving operational excellence and strong results across the company.

SFS 2.0 brings a next-generation focus on breakthrough innovation, digital excellence, commercial excellence, functional transformation and Core SFS or supply chain-related areas, seeking step function and change impact on how we perform across various dimensions. Digital excellence is at the center of it all. Importantly, SFS also provides the framework to differentiate us among industrials, all of whom are dealing with a world where the pace of change is relentlessly accelerating.

So where do we go from here? We've entered a new transformational era. You've seen the signs, higher volatility, unpredictability, increasing pace of change, technology-disrupting business models, and industrials are not immune to the inexorable destructive forces. It just takes longer to disrupt them because of their physical complexity and often mission-critical hardware components. So there's more risk in today's world but also more opportunity. We are facing into these forces with an agile and open-minded approach, which includes the important concept of disrupting ourselves before others do. And the reality is our company has never been stronger. I'll discuss 5 areas that I believe will continue to differentiate us.

First, we have the best set of market-leading franchises and growth catalysts that I've seen in my 20 years here. We have a rapidly evolving innovation ecosystem, which is both unique and powerful. We have embraced diversity and inclusion to attract and retain the best talent, fully engage them and benefit from the power of diverse backgrounds and thinking to drive differentiated performance. And we're elevating our commitment to Corporate Social Responsibility, a commitment which is shared individually by each of our 61,000 people as well as by our teams and our organization in total. And finally, we have a purpose, values and a culture that provide a rock-solid foundation for continued success.

Wow, what a great set of attributes to be excited about. However, we acknowledge that the onslaught of external headwinds that began to emerge in 2018 has caused our margins to be under attack. Stanley Black & Decker has a long history of generating consistent operating margin rate expansion. In fact, we averaged 40 basis points per year of sequential margin accretion from 2013 to 2017. Then we saw $370 million of cost inflation, tariffs and FX suddenly materialize mid last year. This created 260 basis points of margin headwind in 2018. Fortunately, we were able to offset all but 80 points -- basis points of that rate decline in 2018 through price increases, cost management and other techniques.

To address these pressures and their carryover impact into 2019, we took out $250 million of cost in the fourth quarter 2018. We also launched a new major multiyear margin expansion program enabled by harnessing new technologies. This is a unique program in the sense that it taps the capabilities enabled by new technology in a systematic way to create value across virtually all company value pool. It's made possible by tapping the large and growing digital talent pool that we have assembled over the years.

In a nutshell, it involves the intensive organized engagement of tools like AI, Advanced Analytics, IoT, MES systems, cobotics, robotics and others to create economic value. Our team's excited about the potential of this program, particularly since we are so well positioned for future revenue growth with all the catalysts that I mentioned. Steve Brodrick will review the margin resiliency program later this morning, and Don will dimension the impact when he talks.

So let's talk about these growth catalysts, starting with Craftsman. The Craftsman rollout began in 2018 in a major home center and is now in the middle innings with great success so far. We also have an ongoing leadership with an important co-op customer and will soon add coverage by bringing on a major e-commerce player. The revitalization of this iconic American brand is well underway. In fact, yesterday we announced the construction of a new manufacturing facility in Fort Worth, Texas to support Craftsman growth and reduce Chinese imports.

This facility, to be in production in 18 months, will be a showcase that leverages advanced manufacturing technologies to optimize productivity, quality and sustainability, Made in the U.S.A. is a key attribute desired by Craftsman and users. And in addition, the advantages of local U.S. manufacturing at a competitive cost extend the quality levels, bill rates, lead times, cycle times and inventory levels. It will be a shining example of the art of the possible, enabled by Industry 4.0, and we're excited about the prospects of the overall Craftsman program. As previously announced, we believe this iconic brand will achieve $1 billion of revenue by 2021, 6 years ahead of our original expectations. And you'll hear more about it from Jeff in a few minutes.

FLEXVOLT and other core breakthrough innovations continue to support growth across our businesses. 2.5 years into launch, FLEXVOLT represent the fastest new product adoption into DEWALT's history and continues to deliver strong mid-teens growth. We will continue to expand the FLEXVOLT system in the future with the ultimate goal of eliminating the needs for cords in job sites, thereby improving worker safety and efficiency. And we're not stopping there. There's another breakthrough innovation in power tools that's being introduced to the market this year, Jeff will speak to this in more detail when he presents.

We like acquisitions that create both organic and inorganic growth opportunities. In the case of LENOX and IRWIN, we moved aggressively to capture the cost of revenue synergies from these transactions. We are focused on leveraging those products across our global customer base and bringing more offerings to market, particularly in emerging markets. We've already made significant progress in executing the total 3-year revenue growth opportunity of $100 million to $150 million, but there's more to come.

And we recently closed on the purchase of the IES Attachments business, which almost triples the size of our infrastructure unit. And we're currently in the process of integrating this leading provider of off-highway specialized attachments, and it's going very well. And additionally, we recently completed the acquisition of a 20% stake in MTD Products, a leading outdoor power equipment manufacturer. This is an exciting opportunity to increase the presence -- our presence in the $20 billion Lawn & Garden market in a financially and operationally prudent way. Our respective teams are now working together on multiple opportunities to generate operational efficiency and revenue growth for SBD and MTD.

Beginning in 2021, we have the option to acquire the remaining 80% of the business and take full ownership. We negotiated a unique structure where we pay a low double-digit multiple for the business as it is sized today and a 5.5x EBITDA multiple for any EBITDA growth between now and the exercise date. This has the potential to add approximately $3 billion in revenue at an all-in EBITDA multiple of we think will be about 7 to 8x, which could be an important step -- would be an important step towards driving us towards our vision with an excellent return on capital on that acquisition.

In e-commerce. Globally, e-commerce represent a key growth driver, with our 2018 online revenue at $1 billion and growing at high double-digit rates, with a strong complement of omni-channel and pure online content and global -- our global retailers are well positioned, and we are the industry leader in e-commerce and believe the opportunities will continue to grow in both emerging and developed markets.

And in emerging markets, we continue to produce strong growth and share gains, growing at 2 to 3x market rates. We're leveraging our unique business model and the strength of our brands, including Stanley-branded mid price point corded and cordless power tools and hand tool products. And we've also been active in the past 2 years with regard to our acquisition strategy, as I said. And going forward, we will deploy a 2-part approach.

First, we'll continue to strengthen our franchises with additional tool industry consolidation, and we'll also be seeking industrial bolt-on acquisitions. The second path is selectively pursuing portfolio-enhancing opportunities. Acquisition targets in this category must meet key criteria such as being compatible with our portfolio needs, having sound industrial logic and fitting with our financial criteria. And the MTD partnership is a great example of that.

With MTD, we gained the opportunity to enter a $20 billion market, with a $3 billion -- what will be a $3 billion company that benefits from our scale, our channel access, our Craftsman brand and our electrification technology. MTD has one of the best manufacturing platforms in the industry, some strong brands such as Cub Cadet and Troy-Bilt, as well as an excellent management team. We remain committed to our vision to be a diversified industrial focused on innovation-led growth and supplemented by acquisitions. Assuming the conversion of MTD, we see a path to grow our revenues in excess of $20 billion by 2022, which is consistent with our vision and will be further supplemented as of the right acquisitions present themselves in future years.

I do want to emphasize that 22/22 is an aspirational revenue goal to rally the team and to think boldly while operating with discipline. Although it sounds big and bold, it actually represents an 11% CAGR from the 2016 base, which is quite consistent with the nearly 10% revenue CAGR that we achieved from 2000 to 2018. In that spirit, we continue to target 4% to 6% organic growth annually and 10% to 12% total revenue growth, inclusive of acquisitions and consistent with our long-term financial objectives. We believe that the portfolio composition will evolve to tools and storage making up about 50% to 60%, Lawn & Garden and Industrial each representing 15% to 20% and Security, if retained, at about 10%. Of course, that is all subject to change given all the variables. However, consider it directional for now.

We will continue to review and assess our current portfolio and future additions and potential divestitures with a focus on continuing to create long-term shareholder value.

Now I'll move to the security transformation, which is now in full execution mode. Some of you may remember, it was a year ago, almost to the day, when at the EPG Conference, I mentioned that we have put commercial electronic security on a 2-year clock for strategic review. The security business has many positive characteristics. It operates in a growing and fragmented global market. Security has an attractive recurring revenue model. It's relatively stable during recessionary periods and it's CapEx light, which results in strong free cash flow generation. And finally, the business offers a window into the digital revolution and capabilities that we do leverage across our enterprise.

However, over the last decade or so, the business evolved from a high-growth, high-teens margin portfolio segment to a less attractive financial profile as the industry commoditized and became more competitive. Today, the security business operates at an 11% operating margin rate with relatively flat organic growth, which is inconsistent with our long-term financial objectives. So as part of our strategic review, we completely revamped our strategy, simplifying it and making it higher value-added. We also infused significant talent from outside the industry to drive new capabilities, a new growth mindset for the business.

We believe this strategy is sound and the technology-centered innovation that is being commercialized is promising. And we're encouraged by the first year progress and believe the team has the necessary skills and resources to be successful in significantly improving growth and profitability metrics as we move through 2019 and beyond. We will continue to evaluate the progress with a mid-2020 decision target. But regardless of the outcome, we expect that this transformation will create significant value for our shareholders. Robert Raff will update you on this story later in the session.

A key part of our journey is the quest to become known as one of the world's great innovative companies, leading into the age of disruption with rapid innovation and digital transformation. In this regard, we increased the R&D expenditures again in 2018 to $276 million, a 47% increase over the previous 3-year period. To foster rapid pervasive innovation, we are building a vast ecosystem of partners to ensure we remain aware of and open to new technological opportunities around the globe. The ecosystem includes external resources, partnerships with academia, startups and well-established companies as well as internal resources that are coordinated and aligned through the office of our Chief Technology Officer, Mark Maybury.

As we apply innovation and digital disruption, we look to 3 key ways to harness these advances. First, there are the innovations that we can apply to our core processes and manufacturing and the back office and other places around the company, lowering the cost of operations. And this is part of what the margin resiliency initiative will do. Next there is product innovation, which we continue to aggressively pursue through our focus on core and breakthrough innovation within each business unit. And finally, we are pursuing new disruptive approaches, either to push into a new market or disrupt our existing business models before our competitors and/or new entrants do. We're already seeing tangible progress in these areas, and we've dedicated time to go into more detail later this morning.

And last year, we launched our social responsibility strategy in alignment with our 22/22 vision and purpose. Our 2030 program is built upon the sustainable development goals, the United Nations blueprint to achieve a better and more sustainable future for all. Our strategy is based on 3 bold and transformative 2030 goals that Janet Link will share with you in more detail.

Empower makers. Enable 10 million creators and makers to thrive in a changing world. Innovate with purpose. Innovate our products to enhance the lives of 500 million people and improve environmental impacts. And create a more sustainable world. Positively impact the environment through our operations.

The way we see it, social responsibility extends to our efforts to develop and create a diverse and inclusive culture that welcomes and supports all employees and one that is aligned with our purpose. In this regard, we spent some time over the last 2 years working to excavate our company's purpose and aligning it with our values. Purpose fits at the intersection of who we are and why we exist. And it gives an opportunity -- gives us an opportunity to define our broader role in society. In conjunction with our purpose launched, we took the opportunity to revisit our company's values. We expect our people to be bold and agile, yet thoughtful and disciplined, as I've mentioned.

In our updated set of values, inspirational ones such as courage, innovation and inclusivity stand side-by-side with the bedrock ones such as performance, integrity and accountability, which in today's world are as important as ever. Research demonstrates that purpose-driven companies simply perform better than the others. And at Stanley Black & Decker, high performance is important. So in addition to being positive for our employees and our communities, for those who make the world also makes good business sense. With it, we have thrived for almost 2 centuries through all sorts of external disruption, dislocation and volatility. It takes a very special company with a unique culture to do that.

Powered by our purpose, values and 22/22 vision, we aim to enhance our culture above evolutionary and disruptive ways to attract and retain the most innovative, purpose-driven, socially responsible talent. We strongly believe that by promoting diversity and inclusion in the workplace, we create an attractive environment, a magnet for talent where all employees are empowered, engaged, motivated to do their best work.

We're encouraged that we are headed in the right direction as we continue to see an energized workforce, great talent, entering the organization and have started to see multiple external recognitions of our efforts. Including being named the 28th Most Reputable Company in America on Forbes 2019 List, among others.

I do hope that after today, you share some of my team's excitement about the strength and future of this company. We are tackling the volatility of today's global environment with a common sense, workman-like approach. We will not allow our great growth story to be overshadowed or preempted by geopolitical events. Our vision is to be a great human-centered industrial company, one that is focused on delivering top quartile growth and profitability with a clear purpose and deep commitment to social responsibility. It's an honor to be at the helm of this great company with such a great team, a rich 176-year history and such a bright future, so thanks for coming and enjoy the rest of the morning.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Our next speaker is Jeff Ansell, Executive Vice President and President of Tools & Storage.

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

Good morning. Can you hear me out there? Good morning. So I will open the day with an overview of growth amongst our flagship brands within Global Tools & Storage. So we'll start with the most recent addition to the Global Tools & Storage network, Craftsman.

In the just over 2 years we've owned the Craftsman brand, we've aligned it with partners that you see depicted here, the largest hardware distributor in the United States, largest wholesaler in the United States and the largest e-commerce provider in the United States. And those partnerships alone will take Craftsman to a larger place, more outlets, larger volume than it's ever been in history.

But in addition to this, Craftsman has also provided us the tremendous opportunity within the critically important and competitive home center channel in North America.

As you can see depicted here, you see that Craftsman brand has allowed us to partner with Lowe's so that we could use -- utilize Craftsman and flank that brand with outstanding trade brands like IRWIN and LENOX as well as augment their existing DEWALT program with exclusive 12-volt extreme product to round out the home center exclusive programs we've built for them. Concurrent with that, we have been able to partner with The Home Depot, utilizing the outstanding Stanley and Stanley FatMax brands across hand tools and storage products. We've been able to continue our successful journey into FLEXVOLT, in the core power tools and now into battery-powered outdoor products. And then finally, augment that existing DEWALT franchise within Home Depot with the proprietary 20-volt program called ATOMIC. I'll talk about both of those programs in a bit. But you can see, Craftsman is a -- has been a tremendous asset in addition to our portfolio, but when it's added to our other stable of iconic brands, it is a veritable share gain machine.

Back to Craftsman. What we acquired 2 years ago look like this, no products, no manufacturing, 2,000 outlets and about $100 million. And some of you scratched your heads and said, "Why did you do this?" We said the future is far different and far brighter than what you see depicted here. In the next 10 years, we committed to 2,500 new products, 80% would be manufactured by us; 10,000 outlets; and $1 billion of revenue. And we reiterate that commitment as we stand here today, the difference being we're going to do that in 4 years instead of 10. If you haven't noticed, I work for a very impatient man. So this is our commitment, and we're well, well on track.

In the last 12 months, we've launched 1,250 ground-up products under the Craftsman brand. You can them depicted here. If it makes you tired looking at it, you should try doing it. And not just quantity, the quality of those products has been rated 4.6 out of a possible 5 stars by end users. So we've gotten the quantity and the quality right to bring this tremendous asset back to life.

The reason we were able to do so much so quickly is really our manufacturing footprint that you see depicted here. This manufacturing footprint allowed us to take on the Craftsman proposition, begin our journey towards 80% prime manufacturing and repatriate many of these key categories to the United States that had moved to China under previous ownership.

Some examples include power tools being manufactured in North Carolina, storage products manufactured in Missouri and tape rolls manufactured in Connecticut. In addition to those things, as Jim indicated here and he announced earlier this week, we have a ground-up manufacturing location coming in Fort Worth, Texas by the end of next year, over 400,000 square foot, 500 employees, and we'll make world's best mechanics tools in the United States once again.

With the product well in hand, the next thing we had to turn our attention to is the brand. And you could argue that over the last 2 decades, the only thing that sustained Craftsman's life was the brand itself, but it was a wonderful brand with some rust on it. So we decided that how would we make this brand stand out in a very noisy marketplace today?

Well, we figured we thought we would start with 2 things. We would offer the most complete system of things that work together under Craftsman, and we would target professional yet accessible products, so professional in nature available to anyone. We then turned our attention to the brand attributes of brand, purpose and character. We focused on empowering heartfelt pride. In addition to that, we looked at brand equity around quality, integrity and innovation. And finally, we focused on the user, proud doers.

So with this approach to renovating and resuscitating that great brand, what happened? Well, in the 12-month period -- in a 12-month period, we evolved this brand from 10% positive sentiment with the user to 70% positive sentiment with the user. We reduced the number of negatives by 3x and increased the positives by 5x. Two things come to mind. One is I think we did a really good job; but two, it says that the user really wanted this to work. They really wanted to bring this brand back to life and they helped us do it.

When you bring these things together, great products, great manufacturing, great quality, quantity and brand, what happens when you bring these things to market? Here's the initial depiction of what has happened. As we brought new Craftsman to market, we gained share in the magnitude of almost 200 basis points in mechanics tools; over 200 basis points in corded and cordless power tools and hand tools; and over 1,000 basis points of share in metal storage products. So the user absolutely endorsed everything that we did to bring this brand back to life.

So we've purchased $100 million program -- we've grown that sixfold in the last -- in 2 years on our way to $1 billion. And if we did only that, I would be able to drop the mic, walk off the stage and say, "We've had a really good go of it." Not enough. What else did we do concurrently with that? Well, we acquired IRWIN and LENOX, 2 terrific trade brands in the same 24-hour period that we acquired Craftsman. And that brand, while tremendous in its recognition, had been under siege for the prior 5 years prior to our acquisition. It had experienced low single-digit declines each and every year for those 5 years.

In the first year of ownership via innovation, we restored these brands to growth, growing this business at about 6%, again, in the first 12 months. Focusing on innovation around things like vise grips and pliers, clamps and band saw blades. That would be perhaps enough as well. Not yet. The Stanley brand could have been susceptible to a decline with those 2 things happening, Craftsman growth, IRWIN and LENOX growth. It has not. We renovated 15 categories across the Stanley brand. We innovated via breakthrough innovation, the world's best tape. We made tape rolls for over 100 years. This is the best one we have ever manufactured. With that approach, Stanley will achieve the highest, the biggest growth, the biggest size in its 176-year history this year.

And finally, if that weren't enough, the DEWALT brand where breakthrough innovation starts and ends. In this brand, we brought to life something called FLEXVOLT, that we have depicted on stage here, and Jim referenced. The FLEXVOLT brand was -- the desire of our approach in FLEXVOLT was this, to make jobsites cordless, to deliver output in cordless that had never been delivered before. So we developed what was called a FLEXVOLT 20/60 program where these products would work with over 20-volt system, but also could be used at 60 volts for higher power, right?

And in the first 3 years, a little less than 3 years, in the market with FLEXVOLT, we've grown this to over $300 million, and here's the critical thing, it is by far and away the pros #1 choice, far and away the #1 power option for cordless professional. We have now achieved in FLEXVOLT power outputs that are 3x greater than an average professional cordless product and higher than any corded product ever manufactured. That's fantastic, right?

So that would be enough. But we looked at it and said, "Okay, if we captured the best possible option for the user at the pro end, the high power output, what else -- what other frustrations would they have?" Well, then it comes down to power and weight, the combination of power and weight. So what we did is put a team together to focus on bringing to life the best power-to-weight ratio product in the history of cordless. We have done just that. So our next breakthrough innovation that Jim referenced that's launching as we speak is this -- is exactly what I described, the world's best power-to-weight ratio product. What we did is we focused on several things, motors, cells, transmission, software, everything that makes up a cordless product to make the world's strongest, smallest package. And our launch of 20-volt ATOMIC and 12-volt XTREME product will be the highest power-to-weight ratio products ever manufactured by any one. They are launching as we speak. And if you think about that, we've now captured the smallest most powerful footprint, the highest power output and the rest of our 20-volt products filling the gap in between making a cordless system the biggest, best and most defensible.

In addition to that, we have innovated in DEWALT in compressors, pneumatics, storage products, hand tools, et cetera. And the thing that's probably most impressive is when we acquired the wonderful DEWALT brand almost 10 years ago now, it was the #1 power tool brand in the world at $1 billion. In the 8 years that have past since then, we've grown that to the world's largest tool brand at almost $5 billion.

So with that as the backdrop, I would say that our best days remain in front of us. We will continue to exploit opportunities for share gain in Craftsman. We are at the leading edge of making our products where we sell those products to give the user absolutely the best possible option. We will expand in the new channels and categories. Innovation will be our obsession, and we will do these things by bringing to life the world's most foremost arsenal of brands.

So we stand here proud, but never satisfied, as the world's largest, fastest-growing, most innovative, most efficient, most profitable and most global power tool company. Thank you.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Our next speaker is Allison Nicolaidis, President of Lawn & Garden and Chief Marketing Officer for Tools & Storage.

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**Allison A. Nicolaidis** - *Stanley Black & Decker, Inc. - President of Outdoor Products & CMO of Global Tools and Storage*

Good morning. It's my pleasure to speak to you today about our investment in MTD, and I think we're going to start with a little bit about the collaboration in a moment. But first, an overview of MTD. They are -- coming to 2018, they are a $2.4 billion company, mid-single-digit operating margins primarily selling inside of North America to consumers and prosumer end users with a growing professional business.

The categories in which they compete: lawnmowers, push mowers, riding lawn mowers, zero-turn mowers. They also sell snow throwers, and they have a handheld gas business, things like string trimmers, blowers, things of that nature.

So as you can see, there's no shortage of competition on the right-hand side of the slide. It is a very well-stocked competitive landscape. However, Stanley Black & Decker and MTD, individually as well as combined, do a wonderful job addressing this competitive set. MTD primarily with Cub Cadet and Troy-Bilt, and Stanley Black & Decker with the Black & Decker brand, more recently DEWALT, and of course, Craftsman. And I want to stop on Craftsman for a moment and follow-up on what Jeff just told us about.

When we purchased the Craftsman brand, many looked at that purchase and said, "Well, logically, Craftsman is a brand that's all about the automotive end-user, therefore, the majority of that revenue you would be led to think to be about things like sockets and wrenches, products we find in an automotive space." However, more than 40% of Craftsman's revenue at the time we bought that brand was in the Lawn & Garden category. That brand has a tremendous legacy in the yard and in the garden and we will continue to drive that legacy ahead, both Stanley Black & Decker manufacturing Craftsman as well as in our partnership with MTD.

So the market opportunity. Jim talked about over $20 billion. This is why we really love having MTD as an investment and as a partner. Today, Stanley Black & Decker addresses the side of the slide that you see called electric lawn care, $2 billion is what we can address.

The combination of Stanley Black & Decker and MTD, of course, opens that up dramatically, 10x to a north of $20 billion opportunity because we add all of the products that MTD markets today as well as new categories like pressure washers. MTD also has a very nice parking service business with great profitability. So we really like the size of this market opportunity.

Why MTD? We enjoy a nice list of very complementary capabilities between our 2 organizations. MTD, of course, brings engineering expertise in gas products, gas engines and large-format lawn and garden products. They bring the manufacturing expertise to make those products. They also have acquisitions that they have made in the robotics and autonomy space that we're very interesting in collaborating with them on. We believe it is part of the future of Lawn & Garden. And certainly, the 2 companies are coming together at this point with our engineering teams to explore how we bring that to life in a very meaningful way at the right value for the market, which does not exist today.

Stanley Black & Decker brings a proven operational model that we believe can benefit MTD, engineering for electrification to make large-format products cordless in a way that, again, has the performance as well as the value proposition needed to create that category in a much larger fashion than it exists today. North American customers synergies are exceptional. And from a global perspective, Stanley Black & Decker operates with a larger international footprint, which customer to customer, we feel there are some great introductions that can occur and certainly, some excellent expansion on the back of our relationship.

The partnership construct looks like this. As Jim said, 2021 July is the first call point for the option. Between now and that time, here's how we're going to work together. There is a team at the MTD side as well as a team at the Stanley Black & Decker side. I lead it for Stanley Black & Decker. There are a team of executives as well as folks throughout our outdoor organizations that are collaborating on how we're going to bring the work streams that you see on this slide to life. The top 3 boxes there are very much commercially focused. The bottom 3, of course, very much focused in the area of operations.

In addition to that, we have 2 Board seats in MTD. I occupy one of those. And our leader for M&A, who ultimately will help bring the deal to life in the event that we exercise that option out in 2021, is also there with me. So we are both at the level of where everything is happening on the day to day with the 2 companies working together, also at the upper level with MTD's management team as they guide the organization to health.

So some detail about the conversations and the work that's going on. We're very much engaged in handheld, riders, parts business, everything that MTD currently has in their portfolio and how we take that forward through the brand funnel and really create product lines that are exciting and have a tremendous opportunity for organic growth.

Opening price point, mid-price point and high price point products are all in play. And ultimately, the goal is for our teams to look at the product lines, the brands in the commercial universe in which we serve and get to a place where we can serve all season; we can serve all end-users, prosumer, consumer and professional; and ultimately, we can handle nearly any application that lawn and garden can throw at us with our combined product lines.

Additional focus initiatives outside of the nuts and bolts of making products. On the left, technology and innovation. As I said earlier, we are very much engaged in what's happening in the autonomy space, and we'll continue to work on forwarding the robotics business with MTD. We have our battery teams that have a great legacy and experience as well as a very nice supply base on the Stanley Black & Decker side working together with MTD's engineering staff on electrification of riders and other large equipment.

We will also do some things that are simpler but a tremendous benefit to the end-user in the feature, space, battery start. If anyone has ever started a lawnmower or a snow thrower and pull the cord a zillion times, it's not a super fun experience. We can bring that forward with Stanley Black & Decker's batteries in MTD's products. We can create the user experience that takes the cord out. You walk up and press the button like you do in a modern automobile and the engine comes on. In addition, speed wind. If you've ever wound your own string trimmer, it's also not the most fun experience. Speed wind is a massively simple version of how to get your string wound up so you can get on with taking care of your lawn. Those are things that maybe exist just on the Stanley Black & Decker side today that can now be pervasive across both product lines and both companies.

Cost reduction. So no doubt, there is a lot going on in the product and commercial space but inside of the 4 walls of MTD, Stanley Black & Decker and MTD are very hard at work together. Best practices like design to value, complexity management and should cost analysis has been underway since the beginning of this year. We're making great progress.

On the manufacturing front, certainly looking at footprint relative to MTD. They have tremendous amount of capability. They have a lot of plants. We think there are great manufacturing synergies and places where MTD can continue to manufacture for Stanley Black & Decker. Starting later this year, we will have a mower in their Tupelo, Mississippi facility. We will also have a blower that's going into their Nogales, Mexico facility. So very quickly, we got out of the gate and started to leverage their manufacturing footprint and their capability here in North America to further make where we sell, which of course is a Stanley Black & Decker global Tools & Storage goal.

Supply chain logistics and procurement. Over 250 contracts in play where Stanley Black & Decker and MTD are at the table and really looking at best cost, best suppliers, best ability to bring value and profitability to MTD's P&L so that ultimately, it can become a part of Stanley Black & Decker's thriving portfolio.

So the from-to for us, $2.4 billion, mid-single-digit margin, 20% ownership. If we do what I described, and we will, we will be $3 billion, double-digit operating margin with upside to both organic growth and profitability that is significant into the future of these 2 companies as they come together.

That partnership and that technology will enable Stanley Black & Decker to address that 10x, $20 billion outdoor Lawn & Garden market. We will do so in addition to bringing technology, partnership, the world-class end-user solutions with electrification, autonomy and design efficiency shared by both organizations, and ultimately, operational excellence from things like as SFS, Industry 4.0, manufacturing optimization, make where we sell, will set us up for margin expansion, feed the customer, an organic growth, put as in a great spot for Stanley Black & Decker to have a tremendous lawn and garden business in our future. Thank you very much.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Our next speaker is Jaime Ramirez, Senior Vice President and President, Global Emerging Markets.

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

Good morning. I'm very please to talk to you about our global emerging market business, what we call GEM. In GEM, we cover 4 regions of the world: Latin America; Asia, that includes Northeast Asia, China, Southeast Asia and India; Russia and the CIS countries; Middle East, Turkey and Africa, what we call META.

In 2018, this business delivered almost $1.5 billion of revenue for the company. And we grew our business organically in the last 3 years, 2x GDP, as Jim mentioned in his presentation. As you can see on this slide we've been gaining market share in all the regions, with a solid #1 market share position in Latin America, #3 in Asia and India and #4 in the CIS countries, Russia and META. From the business perspective, in power tools, our market share is in the high-teens and hand tools, storage and accessories in the mid-single digits across all the markets.

So we see a substantial penetration opportunity across all the markets as part of the success we've been having so far. How are we doing that? By building a digital ecosystem to evolve our business, to evolve the way we do business, with our clear vision, to grow our business through an innovative end-user and customer approach with renewed commitments to social responsibility. This ecosystem is powered by SFS 2.0 and brings 3 key pillars.

Number one, data, digital and technology to offer the best customer experience and uncover new ways to monetize. The end-user, to create that connectivity, to deliver the best end-user experience and to generate demand, extremely critical for us in emerging markets. And our customers, to create value for our customers, to offer operational efficiencies and margin excellence.

Let me talk a little bit more about the strategic growth drivers of this ecosystem. Number one is business transformation. We're going to be a data and technology and data and digital-driven organization to make better decisions. Number two, we're working on developing our omni-channel approach. We see this as the present and the future of the business. Number two, we're focused on the end-user. We want to deliver the best end-to-end user experience across all the emerging markets. We want to have the right brand positioning and develop the right products for the users. Third, commercial excellence. We want to have, and we're having the best commercial execution across all the markets, and we're working on the strategic pricing. Why is the strategic pricing so important for us in emerging markets? Because we have to deal with a lot of currency volatility across the majority of our markets.

E-commerce. With a solid omni-channel strategy we'll lead in the global marketplaces. And global marketplaces outside the U.S. are very important for the e-commerce business. I want to resource this initiative for exponential growth. And last but not least, accelerate localization. We want to be closer to the markets, closer to the customers and closer to the end-users. We have very good commercial execution, and to make where we sell. We do all these as a market portfolio combining all the different countries. In some countries we have great revenue opportunities, in other countries we have great margin opportunities, so we try to maximize those 2. And because of the volatility and the uncertainty we have to deal with in these regions, we have to do this with agility, resilience and common sense.

Let me talk a little bit more about the strategic growth drivers. Business transformation. At the center of the business transformation, we have the end-users. Want to be connected to the end-users, want to do micro segmentation. Today we're connected to millions of end-users because we want to offer that end-to-end user experience in all the markets. How are we doing this? By using data, by using digital, by using technology. To create business innovation, to create new ways of connecting with the users and the customers, to develop the omni-channel approach. And we've been building a transformational team and capabilities to create this transformation across all the different segments in all the different regions.

Focus on the end-user. The focus on the end-users create demand generation across our brands, products and different price points. And you can see, we have a clear segmentation starting with our end users, our brands, the online and the off-line channels. To be very specific to go after the right end-users. So for consumer, customers, we have our brands Black & Decker. For Tradesman, and Tradesman is the largest segment is emerging markets. Tradesman represents probably 60% of the potential market that we have. We have our Stanley brand. And we developed a full product range with the brand Stanley in power tools, hand tools and accessories and then they go sell end-users.

Commercial excellence. Embedding in the team creates commercial activities to deliver profitable and sustainable growth across the market. So we're working on innovation and portfolio management to offer the best products and solutions. Brand and marketing to be end-user centric. Pricing and promotion to create value for our customers and our company. Sales pool deployment, to optimize resources, sales resources across all the markets. Channel and partner programs to drive value for our customers in all the different channels, the traditional channels, the home centers, the e-commerce, the marketplaces. And full sales support as as real competitive advantage that can differentiate ourselves by using digital technology and connectivity with the end-user from our competitors.

E-commerce. E-commerce is the #1 growth opportunity for us. Jim talked about it in his presentation. We have a clear vision. We want to be the #1 in the tool segment for e-commerce by partnering with key customers and by deploying an omni-channel strategy, while they (inaudible) the omni-channel strategy, brand maximization and omni-channel execution, leading the global marketplaces. We have multiple marketplaces across all the markets. And we saw simple exponential growth. We see e-commerce as the opportunity for exponential growth in emerging markets.

And we have a developed business model, a business model that covers the B2B normal initiative, very, very normal; B2B2C; and the B2C initiative. Why is the B2C initiative so important? In some countries in the world, like China, for example, we don't have significant market share, and growing the business the traditional way is very difficult because our competitors having the market for many, many years. So going to that right to the end-users in countries like China and other countries in Asia, is that we're going to create a lot of disruption by going to offer the opportunity to sell direct to the users and potentially transform and balance the needs of our business. To do all these, we have hired more than 150 digital and e-commerce experts across all the markets. So e-commerce is a global strategy executed locally market-by-market. We do e-commerce in every single market across GEM.

Last but not least, accelerate localization. As I said before, we want to be closer to the markets, the customers and the users. How are we doing this? Localizing commercial organizations. Today, we have more than 36 commercial organizations to be agile on commercial execution. Distribution centers. We have 23 distribution centers across emerging markets. We're fast to our customers and end-users. Local manufacturing footprint. We have 5 manufacturing facilities, 1 in India, 1 in China and 3 in Latin America. We design and make the right product for the right users in emerging markets for emerging markets. Localization is giving us agility and speed in execution.

So emerging markets remain as a great opportunity for strong growth for the company. We have large market share potential. And as we grow a lot across all the markets, we'll continue building an ecosystem to evolve our business model and to generate demand by using the best end-to-end user experience. We have a clear pathway for growth with business transformation, commercial excellence, localization and portfolio management. And we'll continue building a diverse organization, extremely critical for us in emerging markets, linking talent to value. In GEM, we're very well positioned for continued revenue growth and market share expansion. Thank you very much.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Our next speaker is John Wyatt, President of STANLEY Engineered Fastening.

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

Good morning. So I wanted to start the presentation this morning with a very powerful image. This is the new nuclear powdered aircraft carrier, the USS Gerald Ford. And the reason I'm sharing with you on the first slide is simply because with the acquisition that we did last year and completed Nelson Industrial Fasteners, we're able to get into a new shipbuilding vertical. And in doing that, it's given us the option to cross-sell $1 million of fasteners to complete the ship and send it out. And it's important because there's more defense spending going on in the world today and so there's more opportunity for us in the future. So a very powerful slide just to start with.

So looking at our Engineered Fastening business in the round, you can see we have about a $1.8 billion revenue model, really targeted automotive and industrial brand-leading products, high-teen operating margins and a very good mix, geographic mix, with 60% of our business in Asia and Europe and 40% in North America. And with the acquisition of Nelson, that's improved the segment in industrial to 40% of our business and 60%, automotive.

The 5-year scorecard is quite powerful. You can see here, we've grown 2x the market in both global and emerging market segments. So 4% and 9%, respectively, in terms of growth. And in automotive 3x light-vehicle production. So 7% growth rate there. All that with a 9.5 working capital turns posted as well. So good numbers from us in terms of that division, all driven by the 7 core brands you can see here, which are respected and recognized by our industry partners.

But there's more. We really believe we have our unique competitive advantage. To enable us, you can see the vision, to grow to be the worldwide leader in highly engineered products and solutions. Through organic growth, we're going to do that looking at these 4 pillars, namely, looking at engineering capabilities. We have really close relationships with OEMs. We have 350 engineers and application engineers, many of them embedded with our customers to help them develop solutions.

We have leading industry systems and technologies. The 3 specifics are stud welding systems, where we have a very significant share globally. Self-piercing riveting systems, likewise, a growing market. And also assembly systems, assembly tools. We've got significant opportunity in multiple verticals. Again, with the acquisition, that's given us opportunities in mining, agriculture, infrastructure and defense. And then finally, our global scale is a real advantage. We have 34 plants operating in over 15 countries around the world so we can service local OEMs, but also the global companies as well. They're all true great capability there.

Looking at our inorganic opportunity, we continue to believe and evaluate a number of areas, specifically core foster opportunities around the world. Also, regional opportunities to build scale in specifically markets like India, China and also Korea in the future, to build out our businesses in those particular markets. We're looking at M&A adjacencies as well but specifically adjacencies where there are businesses with a similar business model to us with high recurring revenue over the lifetime of a product.

And then finally, with our venturing group, we're looking at disruptive -- the core technologies that we have today. And you'll hear from Mark Maybury shortly about the ecosystem we're building that's a real key part of what we see our success going forward, disruptive technologies that we can bring in in-house.

Turning now to our real customer value proposition. We offer a complete assembly solution, so the fasteners and the systems to apply the fasteners. We work with our OEMs at an early very early design stage, often years before they bring the products to market. We're doing that very competitively with them to look at costs, look at designs to make sure they have the best products available.

We also enable IoT within the systems that we build so they're able to improve throughout analytics, obviously in insights, improve productivity, take out warranty costs and improve output. And the benefit for us as is that recurring revenue model over the lifetime of the product they're building.

And it's this unique model that's enabled us to grow at 3x light-vehicle production in the automotive space, as I mentioned earlier. In fact, since 2014, when you look at the global number of vehicles on the market, we've got about 5 -- we had about $5 per vehicle globally on average back in 2014. That's now $8.50 as of last year in that global average, so a significant increase what we'd call vehicle penetration from $5 to $8.50.

Now one of the big dynamics going on in our marketplace, which we're well aware of them working with is the electric mobility, the drive to electrify automotive. You can see here that we believe that around 40% of global output by 2025 will be either electric vehicles or hybrid electric vehicles. So a significant shift. First question is, is that a threat or an opportunity? We believe it's a huge opportunity for us, and I'll explain to you why we believe that's the case.

If you look at the vehicle in the center at the top, that's a traditional steel vehicle with a gasoline engine. Our opportunity of penetration with fasteners in that vehicle is around about $20.

Now if you look at the vehicle below, that's a lightweight vehicle using mixed materials and an electric engine, electric battery system. There is a huge opportunity for us with this development, namely that electric vehicle needs 4x the number of stud welds or [earthing] studs in the vehicle to support the electrical infrastructure that's going into that vehicle, 4x the number of studs we sell today.

What's more, the battery needs over 100 different blind nuts and rivets to secure it and actually to secure it inside the vehicle itself. A new opportunity for us.

And then finally to lightweight the vehicle, when you're mixing materials like aluminum, carbon fiber and thin steel, the only way you can do that is the cold forming, self-piercing rivet. You simply can't weld it. So there's about 1,000 self-piercing rivets that are needed in these new vehicles to put those mixed materials together, also to lightweight the vehicle to enable it to run longer before it has to be recharged.

So in that sense, we can see here that the ultimate opportunity is around $75 million (sic) [$75] per vehicle up from the $20 today in the full electric vehicle to about $40 in a hybrid vehicle. So huge opportunity for us going forward.

Turning now to our industrial vertical. With the acquisition of Nelson, that put about [1/3] incremental sales number into our business and gave us those vertical opportunities I mentioned earlier, but mining, transport, infrastructure, construction, these are new areas we can now go into and cross-sell. It's also enabled us to go direct. And that's important because the application engineers that came with -- came to us with the Nelson acquisition have really enabled much deeper relationships with some of these industrial OEMs.

An example I give you is the industrial welding systems that Nelson have. In the online warehouse fulfillment business, it could have been built around the globe to service those -- that online dynamic -- driven million shear studs per warehouse that we are now putting into those (inaudible) facilities. In fact this bridge behind me in Pennsylvania, it's got 0.5 million Nelson stud welds in it. You can see the gentleman here, the end-user putting those studs in place. So another huge opportunity with those direct relationships with end-users and OEMs.

And then finally, innovation. The core of what we do and have been doing for many, many years. Two examples here that we're bringing to market towards the end of this year. The first is a cordless lockbolt tool system, which is enabling our end-users to get a 50% reduction in time in terms of placing the lockbolt. This example is the solar farm, and we have solar farms that we're servicing around the globe as we speak in terms of that new opportunity. And then the second one is the world's first stud weldable rebar.

So if you're welding rebar at a construction site today, you're MIG welding it. One individual [can] use a MIG welding; one piece of rebar. What this video is showing you is in the time it takes to weld one piece of rebar, we can fire the Nelson system 9 studs in the same time. So a dramatic improvement in terms of reduced labor costs and efficiency.

So a lot of opportunity in the innovation space as well and there will be more to come over the coming years as we invest in breakthrough innovation.

So finally, just as a summary for the Engineered Fastening business. It's a great, well-established business with really strong, highly engineered, deep customer-driven solutions. I'd have explained that with the automotive electrification opportunity.

It is a large market with strong underlying growth drivers, vertical expansion I talked about, the emerging markets where we've been growing significantly in places like India, Korea and China. And then finally, leveraging SFS 2.0. With IoT data and insights, the analytics we get, we can really improve our customers' productivity with the systems we're developing and also our own productivity. So significant improvement in terms of customer relationships with the direct opportunity because of the growth drivers with these large vertical expansions, and improved productivity around our SFS 2.0 initiatives as well. So a bright future. Thank you.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Our next speaker, we welcome Jeff Ansell back up to the stage. Executive Vice President and President of Tools & Storage.

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

At this time, I'll be providing an overview of the Global Tools & Storage business. The Global Tools & Storage business is the world's largest and most profitable, at $10 billion in size and greater than 15% operating profit. We have a leading position across the U.S., North America, Europe and the emerging markets. We also have a leading position from the consumer to the professional to the automotive, through the industrial end user.

Our value proposition is as straightforward as it could be. It starts with 55,000 of the world's best in terms of colleagues and employees. Operating around 80 manufacturing and distribution sites globally and conducting business in 185 countries. We make today about 75% of what we sell around the world. That's up from 60% 8 years ago. So that doesn't sound like a significant improvement. It is, however, when you consider that the -- as of the percentage of increase from 60% to 75%, the business has grown 2.5 fold, so that is a beautiful thing, growing the size and the percentage.

We are on the leading edge of making products where we sell those products around the globe. And turning to the bottom of the page, innovation. If you remember one thing from this presentation, it would be that innovation is the lifeblood of our business and our company. And I'm pleased to say that we are 50% more innovative than the next closest tool company, no matter how much noise they might like to make. And we're ranked #8 of all companies in terms of innovation. Not just tool companies.

Our folks tend to be left-brained and right-brained. What do I mean by that? Well, it means that we have a tremendous capability of taking what we own, making it bigger organically. And separately, left-brain, looking at things that aren't part of our company, bringing them in, integrating them and growing them simultaneously. And we do all these things through 3 handfuls of the world's leading brands.

Over the last 3-year period, we have grown our business on an average of 9% in revenues, probably averaging 2 to 3x market growth. We have expanded our profitability on an average annual basis by about 10%. About half of our growth has come from new product development, again, innovation. And that's led to about 100 basis points of share gain each and every year for the last 3 years, even as we've served the larger market, as we acquire new things. Again, the left-brain, right-brain thing, all those are left-brain activities, growth and innovation, profitability, et cetera.

At the same time, you can see we are the world's most efficient tool company, more than twice as efficient at 8 working capital turns than the average of our competitors, so we are able to do those things simultaneously.

We've had growth in every one of our strategic business units over the last 10 years, 3 years, year ticket. We have a leading position in power tools at $6 billion and #1, and a leading position in hand tools, storage and accessories at $4 billion and #1.

We've grown every market around the world and probably what has changed since our last time together, 2 nice advances here. We have taken -- overtaken the #2 position in Australia, New Zealand for the first time in our history. And we have overtaken the #1 position in Europe, the world's largest tool market for the first time in history. So we're very pleased with that growth in every market, but those in particular. All of these things have led us, as you can see, on the right side of the chart, to share gain each and every year for the last decade, leading us to a position where we are about 50% larger in terms of share than the next closest tool company. It's certainly the fastest.

What has driven that growth? Well, our mission has remained unchanged. That doesn't mean we won't execute differently or we have not evolved or all the things that Jim indicated that has modernized our company -- we've done all of those things, but we've done that in the same -- according to the same mission, to be a leader in everything we do to focus on 5 things: innovation, supply chain excellence, globalization, brand building, all by the world's best people. This mission has guided us from a $600 million hand tool company, 15 years ago, to a $10 billion diversified global tools leader.

So starting with innovation. Looking at the DEWALT business, we have absolutely changed the landscape in power tools in total, professional power tools in particular, with the advent of flexible high-power system that I outlined earlier. The advent of the best power-to-weight ratio platform of products in ATOMIC and Xtreme, as I also indicated.

Additionally, inside of Stanley, 15 categories we've renovated and expanded in. Craftsman, bottom left, 50 categories. We're now in 50 categories, up from 0, 2 years ago, requiring a great deal of innovation and transformation. And then finally, Irwin Lennox, I indicated, some of those advances here, but also tremendous advancement in linear edge, an important part of power tool accessories and band saw business.

So I think that innovation -- innovative spirit has -- is alive and well and important. The thing that I'm most impressed with, probably this is 1 of the 2 most impressive slides I'll share with you today. The reason I say that is in the same time frame, all 6 of these brands, DEWALT, Stanley, Stanley FatMax, Craftsman, Irwin/Lenox, all 6 of these brands simultaneously will grow to the largest size in our history. That is impressive. That means that while we grew these things, we didn't cannibalize the other. I think that is a masterful execution.

How did that occur? By launching 5 new products every day and selling 100 products every second. So we're busy, yes. From a supply chain perspective, we've gone from 30% localized manufacturing to 45% as we sit today. Again, that doesn't sound like a dramatic change in percentage. We've done that while growing the business 2.5 fold. I think that's the most impressive part. On our way to 60% localized manufacturing, we will improve our position in terms of localized manufacturing in the U.S., North America, Europe and the emerging markets.

Third element, globalization. So we're not only the world's largest tool company, we are also the world's most global tool company. And the way we execute that strategy around the world varies greatly by market, but with the same level of success. There are several examples I wanted to share with you.

So starting with Stanley FatMax, traditionally known as a hand tool brand, specifically in tape measures. We've utilized that brand across the European continent as an affordable, professional Tradesman power tool brand. We now launch Stanley FatMax Power Tools to the European marketplace in the last 2 years. It has become the fastest growing power tool range in all of Europe. Additionally, we launched over 800 new Irwin products to the Australian marketplace alone. So those things have led to tremendous share gain in both cases. How do you do that while remaining the world's most efficient tool company? We've done that by utilizing all the great work the team did around Craftsman, platforming from those Craftsman advances so that Stanley FatMax Power Tools for Europe is built off the same exact product and platform as Craftsman for the domestic market. And Irwin power tool accessories and hand tools for the Australian market, are platformed off of Craftsman hand tools and power tool accessories, making us really successful globally, but also very efficient.

And then finally, we have the world's #1 aided and unaided awareness brand in Black & Decker through a lot of great work around the world. Jaime indicated or shared some of it with you, but on a global basis, Black & Decker is the leading e-commerce brand in the world. So we have done a fantastic job of globalizing our assets leading to growth.

The fourth part of the strategy is around brand building. This chart depicts the growth in these brands since they've joined Stanley Black & Decker. So Irwin/Lenox up 6% in the last -- a little more than a year, but also Black & Decker up 10%. Stanley, almost 70%. DEWALT, almost 200%. And Craftsman, 300%. So we have acquired fantastic brands, maintained what they stand for in the marketplace, accelerated growth in those brands by breakthrough innovation.

All of those things made possible by the last piece of the puzzle, which is world-class organization. There is no doubt we have the world's best and most talented people.

So what this depicts is our journey over the last 1.5 decades from $600 million to the world's first $6 billion tool company, the world's first $7 billion tool company, first $8 billion tool company, first $9 billion tool company. And today, the world's first $10 billion tool company. And I guess I would say, while this is impressive, the way I would categorize is, our dreams remain bigger than our memories. Thank you very much.

## QUESTIONS AND ANSWERS

**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

So we're going to transition into the first Q&A session. And there are a few folks out there that weren't here when we started. So just to understand the focus, we're going to try to keep the questions focused on the morning's presentations so that Don will kind of address of the tariff topic when he comes on, so thank you.

Julian, why don't you lead us off. Mark on the end here.

**Julian C.H. Mitchell** - *Barclays Bank PLC, Research Division - Research Analyst*

Over here. So maybe a first question for Jim around the status of the industrial business. We've heard a lot about tools, we'll hear about security later, but industrial's organic growth has been below that 4% to 6% firm-like target for a few years. We heard about fasteners this morning, maybe give us any thoughts on the non-fasteners piece within it and how satisfied you are with the performance in industrial overall.

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

Well, we love the Engineered Fastening business. There's no doubt about that. I mean you could see from John's presentation, it is a really compelling business model and it generally outperforms the light vehicle production by 300 or 400 basis points of growth. And so when you have a good systems business, which we don't have this year, but we will probably have in years to come, it is a great business and it has great growth. So at the core of it, the largest segment of Industrial, I think, we're very pleased with. The statement, I think, we made when we bought IES Attachments is that we think there is a market opportunity in the Infrastructure part of the business. People talk about $2 trillion infrastructure programs. I don't know if that will ever come to fruition, but certainly the world's infrastructure needs updating over time. And so that has great secular growth characteristics. And oil and gas, we're very pleased with the innovation coming out of there. If you look in the marketplace, there's a breakthrough innovation being released in oil and gas right now. And in addition, there's probably another one coming out within another 12 months or so. And I think that portends quite well for the enhancement of growth in oil and gas. However, the problem with that business is it's subject to the vagaries of the oil and gas market, and we can't really control those. And we put our toe in the water a few years ago in oil and gas when everybody was kind of contemplating that, and it's been an experiment. I would say it's ours for now and we constantly reevaluate our portfolio at different times to determine whether there's a fit or not. But right now we're kind of planning to enjoy the innovation that we have coming out in the marketplace.

And there is a, I'll call it, a long shot but a strong -- a slight possibility that if prices stay at a certain level in the oil and gas market, that offshore could come back. And if that came back, that would be a growth juggernaut for us for a while.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Yes. Let's pass it to Nigel.

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**Nigel Edward Coe** - *Wolfe Research, LLC - MD & Senior Research Analyst*

So Jeff, you reiterated the 60% localization targets by 2020 plus. I'm just wondering if there is a limitation on the ability to localize the manufacturing for power tools given the supply chain, the power that's primarily in Asia. So that's the first part of the question. The second part would be, with the new Craftsman plant that you've announced yesterday, how does unit costs for that production compare to [Lanicot] coming in from Asia?

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

Well, I'll start with the first part of the question, we have a great deal of confidence in our ability to get to 60% localized manufacturing, with the limitations of the supply chain that you referenced. Things like cells and chucks and so forth, you just -- for power tool perspective you just simply can't procure in the United States. If we're successful ultimately with MTD, that will increase that number, by the way, that's probably another 10% or 15%, I think, we talked about. So we have the ability to get there as it sits today. It is a supply base, if some of these key components continues to mobilize towards the U.S., the North American continent, that would accelerate that number. But we're confident with those limitations of getting to at least the number we shared with you.

The second point around mechanics tool manufacturing in the new facility in Fort Worth, Texas, we run a series of models and so forth. It tells us that we can be competitive with a domestically manufactured product matching or meeting the landed price of an imported product. So I think that's really, really positive. It will help that Craftsman brand, it also will help the MAC and Proto brand that will be manufactured in that facility as well.

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

And on the first part of that question as well, I'll just supplement it by saying that the supply chain is the obstacle, right, the barrier. Our industry 4.0 initiative today is focused on what we manufacture. Three years from now or 2 years from now, we're going to be able to pivot because we're going to have accomplished what we wanted to in terms of building the capability in our plant system from our Manufactory in Hartford. And that will pivot toward the supply base and then we will start to require our suppliers, our large suppliers anyway, to come into the United States and manufacture here as well. And we will assist them with getting to the same kinds of cost levels that we were able to do using our Manufactory 4.0 and our capability and competence in advanced manufacturing.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Why don't you pass it to John.

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**John Joseph Coyle** - *Barclays Bank PLC, Research Division - Former Research Analyst*

Just 2 real quick -- just a further follow-up on the supply chain. It still sounds like you're talking kind of more about growing away from the [distant] advantageous base as opposed to some kind of more structural change, specifically as it relates to China. I just wonder if you could address that in a little bit more detail. And then just secondly on MTD, maybe a little bit of commentary on the visibility of getting to that 10% to 12% margin in 2021. And I would assume that's not the end point of your journey. So I wonder if you could speak a little bit to what you view as kind of the margin entitlement of a business like that also.

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

I'll take the first half and then you take the second? Okay. So our journey to make-where-we-sell has not been precipitated by any one geopolitical event, it really was precipitated by -- it started with end user preferences that U.S. tradesman like to buy U.S. manufactured products and U.K. like to buy U.K., et cetera. And that was 5, 6 years ago when we decided that we were going to start to try to migrate manufacturing back. And we knew that advanced manufacturing was achieving new technological breakthroughs and we felt that at some point, and we are at that point today, there would be the ability to manage -- to manufacture at parity on a landed basis. And so we thought in addition to that, we started to observe all these nationalistic trends that were going on. And so the latest kind of fireworks on trade is just a natural culmination of the geopolitical nationalistic tendencies that we were seeing -- began to see a couple of years ago. So it's been about 5 years where we've really put the groundwork in place to make this happen and it's all integrated into our strategic thought process. I don't know if that answers your question or not, but I tried.

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**Allison A. Nicolaidis** - *Stanley Black & Decker, Inc. - President of Outdoor Products & CMO of Global Tools and Storage*

As it relates to MTD. So there are really 4 key work streams, the [DTV] piece, the procurement piece, manufacturing and then just commercial growth. Those are the 4 primary verticals in which we're working. And I think we've been at it since the beginning of this year and I think DTV , procurement were very far ahead. I think commercial we're really out of the gate nicely. Manufacturing, we're getting into that right now in great detail but the early math looks really positive in terms of our path to 10%. And I think we certainly see upside beyond that. It's just a matter of those are a lot of really big faces to go in and find all the data, but the early math says that there is a path to 10 and beyond.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Mark, right behind you, why don't you pass the mic to [Ken Zane].

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**Unidentified Analyst**

I do appreciate the comments on MTV. Jeff, I just -- your comments about Europe taking #1 share. I wonder if you could just express how brand segmentation -- I know that Stanley brand, you kind of went in there on that mid-price point. What does that say about how your brands really give you leverage [versus kind of that] what was [Bosch] to higher price point as well as the sourcing versus other mid-price point competitors?

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

Actually, the brand portfolio that we depicted during the tools presentation is incredibly powerful in [setting you up] for the world but also for Europe because -- think of it this way. Stanley brand is as strong across the European continent as anywhere in the world. So that's a great thing. Brands like Facom are fantastic inside of Europe, but France in particular. They don't even play in the United States. Other brands -- Irwin, strong in Europe. Lenox, strong in Europe. So those are all great things. In addition to that, we have really made great progress in professional power tools across the European continent. So you -- we launched DEWALT in the United States several years, 5 years before we launched across Europe. So we had a little bit of a delayed start there. In the last 10 years, our growth within DEWALT across Europe has been stronger than anywhere in the world. So all those things coming together across the European continent have led us to the #1 position in hand tools, power tools, [forge], et cetera, combined. So we're quite pleased and the progress perspective for those brands continues to grow quite positive.

As it relates to the middle price point, which you referenced. Europe is a noisy place with a lot of different brands. The Stanley FatMax program really has grown based on innovation and value. So it is really a great product for a really good price and as a result, has been successful and mostly eliminating house brands. There are a lot of house brands across Europe in the MPP space. That would probably be the #1, that and Bosch probably occupy a leading position in MPP and we challenged both of those things with Stanley FatMax.

**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Mark, last question give to Rob Wertheimer.

**Robert Cameron Wertheimer** - *Melius Research LLC - Founding Partner, Director of Research & Research Analyst of Global Machinery*

Question for Jeff and then maybe Jim on innovation. You mentioned the 2 breakthrough innovations, ATOMIC and Xtreme. Could you flesh out the opportunity for that, maybe explain the 12 volts sort of ideas. We've seen voltages march up in that sense. And then Jim, you referenced, I think, oil and gas breakthrough. I think the stud welding might be breakthrough. Can you just give us a little bit of an overview since FLEXVOLT what you have seen come through that process and whether the pipeline remains robust?

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

So the detail on the new high power-to-weight ratio launches, ATOMIC is a 20-volt offering and the Xtreme is 12-volt offering. So if you think of it this way, you will see that the ATOMIC 20-volt product is essentially the same size as a competitive 12-volt product in terms of its size, but about 2.5x the power output. The Xtreme product that is a 12-volt package is the smallest 12-volt package and the most powerful 12-volt package ever offered. So if you think of it that way, it really becomes preference to the user is, do I want a 12-volt system or 20-volt, system depending on the application. 12-volt is smaller with a little less power. The 20-volt system is large -- a little bit larger with a little more power, but they both occupy that space really, really well. So in order of magnitude, in the first year of launch, we'll do more than $100 million with those products this year and they are just launching as we speak. So we're really, really excited. If you can combine that with FLEXVOLT, then that breakthrough innovation is really going to carry the growth across tools.

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

And in pipeline, 2 innovations. One does welding inside the pipeline and outside the pipeline simultaneously, the only piece of equipment in the world ever to be able to do that. And the other one is a system which uses the cloud and other technologies to enable pretty significant efficiency gains along -- for pipeline construction. And Engineered Fastening has some really interesting ones, the...

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

(inaudible) about rebar.

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

Yes, talk about those and then talk about maybe conceptually some of the things that are in the pipeline that are still to come without getting into too much detail.

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

So we 3 years ago, we invested in a breakthrough innovation team. We put them in Germany, and they're working on some disruptives that are going to disrupt us before someone else can. If you think about the stud welding environment in automotive plants, one of the downside of stud welding is the carbon that comes off. If you think about flying of material once the stud is being welded. So we're looking at ways to reduce or eliminate that. So that is one of the big area that we're working on, and we think that's a huge opportunity for us. Then on the stud weldable rebar, which I talked about a little bit earlier, we're just beginning to roll it out here in North America. It's specifically for seismic areas, and you're basically welding the rebar before you pour the concrete so it's a stub that you pull the concrete around to give it rigidity, but it is very high value in those seismic areas around the world. So obviously, the west coast, some of the Asian markets. But we also see it going beyond that. But that's where we're starting, given the margin opportunity there. But as you saw, it's a huge improvement in end-user productivity. You get 9 studs versus 1. [Big] welding is 1, you get 9 studs from our gun.

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

I think the other credit to what John has done in breakthrough innovation with Engineered Fastening is our center is headquartered in Germany. We're right at the heart of the automotive industry there. And we have consistent collaboration now with the large German automakers who are really -- have become partners with us on innovating. And I think that brings a relevancy to our business and a halo effect to our business that is very helpful just in general in terms of revenue generation.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Okay. We're going to take a 10 minute break, so we'll get started just before 9:50, okay? Thank you.

(Break)

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**Robert H. Raff** - *Stanley Black & Decker, Inc. - President of STANLEY Security*

Good morning. Robert Raff, President of Stanley Security. 17 years with Stanley, the last 15 months, running the Security business. So to give a brief overview of the STANLEY Security business, we're a $2 billion business, 50% of our business is based here in the U.S. and the other 50% is in the rest of world, primarily in Western Europe. We are industry diversified. It has 3 business segments. One is the electronic security which is the largest, the automatic doors and the health care facilities.

Within our health care division, we're a leader in tracking assets and people to keep them safe and secure. Over technologies make the lives of the caregivers, whether they're at home, the hospital or senior living facility easier because we give them actionable insights on an iPad. The new leadership team is driving connectivity between our new health at home, our senior living and our hospital channels along with connectivity back to the caregivers.

Since we've adopted this new strategy, we are up double-digit growth in the last 2 quarters with this new leadership team in driving this strategy, and we have a good growth rate to go in this division.

Within our automatic door group, it's going through digital transformation as well. The iQ connect module allowed us create the industry's first automatic door, IoT automatic door. It's like having a technician, a data scientist, a financial analyst embedded into every door. We can remotely change the speed of a door, we can alter the distance of that -- depicting a person coming through the door. And by adding sensors now to the door, we can predict mechanical failures within it, allowing us to repair doors prior to them actually breaking. Predictive maintenance will save ourselves service costs and provide a better customer experience with 0 downtime. The technology is being placed in every one of our doors, coming off of our factory floor and we have plans to retrofit more than the 275,000 doors that are currently out in operation, continuing to set us apart inside of the space. By executing this strategy within the automatic door group, we actually have won 100% of service work from 2 major U.S. retailers.

I'm going to pivot now to the remaining portion of my presentation on commercial electronic security business. It's a $130 billion global market. It's fragmented. It has new competition and offerings. We all know that the traditional offerings are being commoditized, but those that are differentiating are winning in the market and they're actually expanding their margins. We've begun this journey over the last 12 months inside of STANLEY Security. And I'm going to take you through what we've done, where we are today and where we're going.

So as Jim mentioned earlier, within this transformation, we're focused on areas that can most benefit Stanley Black & Decker and our customers. It's a large growing fragmented market with high cash conversion, light on CapEx, which is different than most of the other businesses within Stanley Black & Decker. Over the past year, we focused on onboarding teams of digital talent so that we can take advantage of quickly changing industry. The new teams are going to bridge the days of pulling wire to solutions selling and bundling remote services. With all of that, we'll have a path of growth and profitability rates consistent with the rest of Stanley Black & Decker.

Therefore whichever decision this business -- we make on this business within Stanley Black & Decker, we will create significant value.

My first year in the business 2018 [we're] running was a year of stabilization. We developed a good strategy, we focused on innovation and differentiation and we brought new leadership across all of our businesses, and also brought in digital talent. 2019 is -- we're going to go through now -- is about executing the plan in which we developed and gaining the muscle needed to transform this business. And ultimately 2020 and beyond, it's about acceleration to our commitment of low to mid-single-digit revenue and mid-teens operating margin.

So what was our strategy? The global strategy focused on 3 major pillars: customer diversification within our small and medium businesses; simplifying our sales, our install and service processes, along with differentiating our technologies. Within our large national accounts and system integration jobs, we had to create immediate proprietary value outside of the security space by utilizing our advanced data analytic teams. And finally, we will continue to lower our traditional cost-to-serve model. So let me take you through these, one at a time, so we can get a better understanding of them.

The small and medium businesses around the globe are the core of the commercial electronic security business. We have taken a value proposition from the [grudge] security intrusion, purchased to an immediate return on investment for our customers by -- and we're executing this with speed around the globe. The global [VOC] has overwhelmingly asked a vendor to provide more than just an intrusion alarm -- which we all know 98% of them are false alarms. They're requesting professionally installed simplicity. It not only provides a patented world-class intrusion system, but also analytics about their business when they're not there. We now have an anchor digital engine that can consolidate data from the camera, from POS, from payroll and other external data providers to provide valuable outcomes for our business owners. [Then with] partnerships like we announced a couple of weeks ago with Alarm.com, we can actually present this on a world-class front end. We already have 10,000 locations on this service, and it's growing very quickly.

We're now taking partnerships to the next level and we're doing this in 2 different ways. One, our strategic corporate relationships, like the one we formed with Cisco Systems. So now we can be the security provider to the small and medium business, the single owner of that business, and give them world-class cyber protection along with physical and electronic protection.

The second method, the second method is taking advantage of new entries in technologies by using our Ventures team within Stanley Black & Decker. We're making minority investments within start-ups that differentiate our offerings to our customer base. IntelAssure is one of those partnerships that began in the second quarter of last year. We are already monitoring 17,000 devices, and that's just in the first 9 months. So let me show you a little bit more about IntelAssure and what we're doing to create that sticky relationship between ourselves and our customers.

(presentation)

So at the beginning of 2018, our value proposition was very simple. We sold fire and intrusion and we had one of our operators call the customer when the alarm was detected. But as I mentioned earlier, we've invested heavily in data analytics and machine learning, making us much more than a security company to our customers. Our customers now see that return and it's immediate. We have the right to play. And most importantly, we had the right to win inside of this area because we can now take these multiple data sources and just one of them is security and run them through our AI platform and deliver multiple business cases and insights.

So we're winning. We're winning in places we never won before and we're winning in growing markets. These advanced data analytics solutions are why.

For example, we have a major financial services provider that we're currently in beta with about 70 of their locations and then providing IntelAssure and BI reporting, ensuring all their devices are fully operational. We have a few major restaurant chains that total about 12,000 locations and 160,000 cameras that we pull variety of data sources in every location through our AI engine and we can detect and notify management with video evidence of a specific occurrence.

For example, when an associate has issued a refund but there's no one was present on the other side of the counter, this transaction type typically holds a high probability of fraud. The same platform is also being used to help our retail customers enforce age verification like selling tobacco and alcohol. And even employee retention by identifying training needs specific to an individual. We are also utilizing our solution -- to differentiate our global data center vertical, which is growing very strong right now by providing remote analysis and service, real-time reporting on all the devices and total end-to-end design. Shifting our business intelligence is one of the most significant moves over the past year and by doing so, we're now meeting with the C-suites, solving complex business problems versus security directors that discuss basic security solutions, which are almost always centered around price. All of our RMR that I've talked about today is within the last 11 months. The value proposition has been driving new scalable RMR within our business above today's margin rates.

And finally, along the front line -- along with the front line value propositions, we must continue to be focused on transforming our back office and legacy infrastructure that drives tremendous inefficiencies within today's environment.

The security division is still very labor and skill set dependent. Within our monitoring centers, these are very stressful environments and are not customer service when an emergency phone call comes in, we must have well-trained individuals that know the correct plan of action. And in the field, as stable WiFi and 5G become the norm, the days of having technicians pulling wire will quickly come to an end. We are preparing inside the STANLEY Security for those days, the transformation needed as these skill sets are our #1 priority in both of these use cases.

By utilizing AI, we've already consolidated 3 of our monitoring centers in the last 6 months, and we are now continuing to refine our automation to make more -- to even take in more false signals and we're scaling our remote services teams to be able to fix problems immediately as we're now tied into our customer systems.

Therefore electronic security is globally focused on a simplified, scalable solution. That means targeting the small and medium businesses with innovation of data analytics teams and driving partnerships and lowering our cost to serve. We're continuing to go outside the security industry to attract new people and skill sets to help differentiate STANLEY Security from our competition.

So if I'm sitting in your shoes and you're sitting in mine, I'm saying does -- is this really going to work? I've been in this chair for 15 months. Is this -- are we going to be able to drive this all the way through? Well, we have hired an outside organization, outside consultants, that sit side-by-side with me and they've been with me for the past year and they work on a variable cost basis to get the desired results, but they are also bringing in industry experts to help us with speed of execution. We have a full program management office in place driving accountability and execution that no decision waits longer than 1 week inside of our business. Our new management team has a variable comp based on the results of our transformation. Total company engagement, Jim and Don and Joe have invested heavily so we can go to anybody inside the Stanley Black & Decker that is a subject matter expert in any of the fields and bring them into security to help us out.

And finally in regard to investment, we are investing heavily in sales, technicians and digital talent across the globe. We've seen a sequential improvement for the last 3 quarters and this team has every opportunity to continue to be successful.

So in summary, we've seen the stabilization. We will see the low to single digit growth and consistent margin expansion. All the businesses investing heavily in innovative digital solutions to differentiate and the growth in which we are seeing inside of health care and automatic doors will continue.

This leadership team is new, but we're building muscle and we're building execution muscle. We have brought very talented individuals into this company over the past year that do not lose. And I'm confident that we are focused in the right areas and that we will be successful in this transformation of STANLEY Security. Thank you.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Our next speaker is Mike Simpson, Chief Marketing Officer.

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**Mike Simpson**

Good morning, ladies and gentlemen. Today I'm going to talk to you about our digital brands. We're going to talk about 3 things. We are going to talk about relevance, sustainable long-term growth brands. Growth brands that have seen 5% organic growth since 2017 by nurturing our brands through a shared digital vision. Brands that are awake, awake in this fourth industrial revolution. Transformation, using our digital vision, our diverse upskilled teams, embracing absorptive leadership inside and outside of the company to set a new vision and impact. Impact, more than just products and solutions, brands with a social conscience. So let's keep moving. Let's see some of the passion and energy and excitement behind our great brands.

(presentation)

So we will continue to invest in the value of our brands around the globe in our sector, 97% of the people are aware of least one of our brands. In 2018, we saw over 308,000 minutes of TV brand exposure and a 63% increase in digital exposure. It was a truly great year in 2018.

So what makes relevant growth brands here at Stanley Black & Decker? Well, it starts with a clear vision. A vision that is customer-consumer centric, to engage our customers, our consumers, our employees now and tomorrow, and our investors in a personalized one-to-one relationship wherever and whenever they wish with the right message at the right time and the right channel.

Our value creation model, our brand bull's-eye. Brands that are advocated for, brands that are global, brands that are societal and brands that are transformative. This ecosystem will ensure success for the future and beyond, so that we are known as one of the world's most innovative companies and seeing best-in-class activation, as Jeff talked to with our recent Craftsman launch. In 2018, we've brought this iconic American brand back, we revitalized. And the team used advocacy and influences to do this. Influencers like Richard.

(presentation)

You got to love the confidence. The team did a phenomenal job, driving over 2,500 user-generated stories around My CRAFTSMAN story, a launch event with bloggers and vloggers seeing over 94 million online branded impressions, 260,000 additional subscribers to all new CRAFTSMAN Club. And as Jeff said earlier on, an advocacy rating, an average advocacy rating of 4.6 out of 5. Truly, truly a revitalization to be proud of.

But with commercialization, comes speed to market. Speed to market and our digital transformation our journey to the future. We're fueling organic growth with our upskilled diverse teams and utter focus on increasing our customer lifetime value through one-to-one product and brand journeys because our world is changing and we will be ready for the next Industrial Revolution. But take a look at this journey.

(presentation)

Along our journey since 2016, we've learned 3 things and implemented 3 things. We've accelerated our foundational marketing capabilities at Stanley Black & Decker. We've invested and deployed against the biggest, most transformative opportunity and we deployed our resource on demand across our organization when it comes to our digital marketing and our consumer-centric journey.

Our capabilities around rapid commercialization have also progressed in new market verticals, customer experience. Customer experience that drive advocacy and customer syndication and taking difficult innovation to market.

But our special power, the thing that it has truly made us different is our people. Our people, a diverse group of 36 people who we've identified in our organization, the best and brightest marketing talent we have working cross functionally. But I won't do it justice to talk about them. Let's hear from them.

(presentation)

So let's close with this, our impact. We are a company that's more than just products and services. For the great quote, from Maya Angelou, that says, "People will forget what you did. People will forget what you said, but people will never forget how you made them feel." This is the modern brand journey for any organization and it certainly evokes what we believe. Brands have a role in the world. 81% of the people globally believe that brands can make the world a better place. The best brands understand their role in the world. Our goal is to be a platform for others.

Our trailblazers and the next generation, supporting those who expect nothing less than a legacy to be a positive thing, our future engineers and world makers.

Innovating new technologies to make the world a more sustainable place because we [offer] those who make the world. The other day I talked to you about relevance. Brands that are awake, empowering our organic growth. Transformative brands that are digital, powered by upskilled talents through our diverse organization. And impactful brands, brands that are purposeful and empowering our social conscience. Thank you so much.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Our next speaker is Steve Brodrick, Vice President, Corporate FP&A.

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**Steve Brodrick**

Good morning. Let's face it, it's never easy to follow a marketing and brand, and I have no racing videos today or sports highlights, but I do have a lot of excitement to share. And again, I'm Steve Brodrick. I head up the company's FP&A organization as well as finance shared services and transformation.

Recently, late last year, I was appointed to lead the company's margin resiliency initiative. I've seen the company evolve over the last 18 years and have held leadership roles in several large-scale efforts. A few of those would be the [SFS] rollout back in the early 2000s, the integration of Stanley and Black & Decker from 2010 and beyond, and then more recently in 2016, in co-leading functional transformation with our CIO, Rhonda Gass.

You're going to see today that margin resiliency is a large scale, company-wide transformation that is the most impactful one I've worked on, with hundreds of millions of dollars of value it's unlocked for the company and we're leveraging technology to drive that change. So I like to think of this initiative as the intersection between a few things: innovation, technology and top quartile performance.

So let's start with the framework to help you understand how we're approaching margin resiliency inside Stanley Black & Decker. Many of you are familiar with the SFS operating model. It's been a driver of our success since the mid-2000s. We focus on innovation to help us drive commercial excellence for our customers. At the same time, we've invested in innovating the back office, which helps us get after the inherent complexity in our operations as the company has experienced some pretty significant growth. At the core of all of this, is digital excellence. We stood up our digital accelerator team in Atlanta in 2015 and since we've made a lot of good strides in that space. Now is our opportunity to leverage the SFS 2.0 framework and augment that with technology that help us enhance and provide scale as we continue to execute on our growth platforms, some you've have already heard about today like Craftsman, MTD, Nelson Fasteners, et cetera.

Given the amount of external headwinds we face in recent years, we see margin resiliency as critical to give us confidence in performing to our financial goals in a quite challenging and dynamic external environment. Let's take a look back at that financial performance for a minute.

We do take pride in our ability to deliver a track record of top line expansion with also bottom line expansion. If you take a 5-year lens leading up to last year, you can see it here -- that we've not only executed the synergies associated with Black & Decker, but we created a stronger enterprise, leveraging SFS 2.0 across the company, leading to over 14 points of profit in 2017. Last year, the headwinds just never abated. We absorbed over $200 million in excess of our operating plan related to tariffs, inflation, foreign currency. We offset a majority of those headwinds last year but we saw our operating margin take a step back, or a rate step back. To respond and also prepare for future volatility, we focused the organization on margins. So we got to work and evaluated the top areas that we could influence to drive value creation. Now here in May, we are in full execution mode, driving significant transformation across our top value pools in the 4 areas that you see on the right side of the page here. These are all advancing at various levels of maturity inside the company. I'm now going to cover each in some detail now.

What I want to start with is price margin. Frankly, this is something we have to be good at because we live in such a dynamic operating environment and we have to be prepared to respond as cost inputs change. We do consider this the core competency. But we also see the opportunity to standardize our pricing process globally. We have assigned a leader over this who has a track record of success in pricing and margin excellence within emerging markets business. We are already seeing some strong results.

Next generation procurement is about digitally enabling our buyers and planners. We are eliminating manual work and giving them tools to adapt quicker to changing dynamics. I'll cover this in more detail later, but there's some really good momentum going on in this space.

We have been actively working on supply chain optimization for years in line with SFS and our make-where-we-sell strategy. You heard Jeff talk about localization strategy earlier. The recent trade tensions obviously accelerated the work that we're doing in the supply chain space, as you would expect and we ramped up the intensity given this week's news.

We stood up a team last year to actively work on tariffs mitigation and we're pursuing footprint actions that continue to rebalance our manufacturing base to be more in line with our revenue base. The team is moving quickly to qualify new suppliers to shift China production and we have been pursuing tariff exclusions where they are available.

We also operationalized Industry 4.0 in a big way since early last year and I won't steal Sudhi's thunder on that, he's up after me, but I can tell you it's good news.

In the last category, we're leveraging technology to enable our functions to be more efficient while also becoming more effective at the same time. This is near and dear to me given the increasing demands placed on both finance and IT, but it does reduce our complexity and helps us operate more efficiently. And ultimately, this provides a better customer experience for the company and also better ways of working that drive better collaboration across teams internally.

And underpinning all of this, you can see on the page is advanced analytics. This enables us to get data and insights necessary to make quick but also sound decisions and operate with agility. When you look at our approach and our guiding principles, not only are we recovering our margins, but we're also strengthening our processes and creating a scale to support future growth that you heard a lot about earlier today.

We are already exhilarating execution in some areas that we have a head start on last year. I think these are a good indication that we're always looking ahead and balancing short term and midterm expectations.

We have been quite active in mitigating tariff impacts since last year and we've been investing in automation, IoT and in the price [COE] and these investments were already underway as we entered this year.

In other areas, we're evolving and most notably, I'll say that in the areas of digital and technology. As an example, we are midstream on building a procurement data lake, which serves as a central data repository for all of our purchasing activity. We are leveraging this to provide an integrated fact set that helps us to drive better purchasing decisions. This type of momentum in critical areas has driven a high level of engagement across the company, and that is what you look for at this early stage of the initiative as a barometer of our future success.

We're putting a good deal of work into educating our associates on the potential not only for the company here, but also for our employees as they're better able to utilize technology to perform the work they do now more efficiently.

So let's take a deeper dive into some of the initiatives. One thing I think we can all say is data has never been more ubiquitous, but also more important in driving business decisions. And analytics are at the core of price margin excellence for sure. Simply put, we're leveraging new tools and technologies on top of a richer data set to drive more informed business decisions. One example of this is the work we're doing to apply analytics and algorithms to our historical promotional data. This provides us insights into what drives demand and helps us gain a perspective on our price elasticity as well. So, for example, we can develop a more informed view of what we anticipate the sales lift to be given certain promotional strategies. And the more information we run through this process, the smarter we get because then we can apply machine learning to then sharpen our focus even better.

This is a really good example of how we can not only sharpen our internal lens as we develop those plans, but also enhance our own profitability while also providing better service to our customers and helping them optimize revenue lift. This data-driven approach also helps us and our promotional planners gain the insights and become more effective in what they do to drive the revenue expansion.

Taking this one example, in my view, this is as close as it gets to win-win for our employees, our shareholders and our customers alike. I'd like to expand a little bit on next-generation procurement, I'm really excited about the prospects here. Albeit at the early stages, we've been at this for about 3 months. But what is it and what stands out?

First, we're setting a stronger foundation. We're reducing our complexity by pulling purchasing information into one common data store. Then we tap into the data set with new tools looking for value-creation opportunities. For example, we now have the ability to perform should costing across the entire enterprise by comparing our actual purchasing activity to benchmarks and data from the outside by those same product categories. These types of advancements in our processes allow our teams to make better decisions and also with greater speed. Currency, tariff and inflation, just, they naturally cause a lot of stress to our system, but we now have the ability to dynamically link cost changes to our clean-sheeting processes. This unlocks value and improves our planning agility in a pretty meaningful way.

Like many companies, we've been investing in standardizing our ERPs and our planning our reporting systems. We've been driving towards standard role process across businesses to reduce the complexity that is associated with over 100 acquisitions in the last decade or so. With better data, we can automate redundant back-office tasks and drive advanced analytics projects that previously just weren't impossible based on our fragmented systems landscape. One point I'll make is, where we win is when technology drives different decisions. This is where we capture value, we then leverage the investments we're making in planning and reporting tools to drive accountability to our goals.

So in summary, our approach to indirect costs have shifted from what I'll call a previously manual process with local accountability to a data-driven process with reach across the entire enterprise, across the whole company. This represents an opportunity for us to drive a more sustained approach here to cost management going forward, and this is really a definition of transformation.

As with any company-wide initiative, we have to prioritize around value. We are a performance-driven culture, which means we focus on value creation, but we also remain disciplined and invest the capital in the highest-impact areas. We've been hard at work this year on the funnel of ideas, we have a standard business case format to rack and stack ideas based on effort versus impact, this informs a few things: What projects we pursue, what the time table is then importantly hear what is the sequencing of all those activities. We've spent lot of time connecting transformation resources along the resources in our business units and functions to identify where can we unlock value. Our goal is simple, it's align the right technology solutions to the highest impact projects, and when we do that, drive really strong collaborative -- collaboration across the whole company. So you may ask, "Well, how do we drive that collaboration across the company as efficiently and effectively as possible?" That's what I'll cover next.

One of the great things about Stanley Black & Decker is the teamwork that occurs to really drive change. I've been a part of several transformational aspects as I mentioned in my opening comments, and I can say that the collaboration now in a company that's over $14 billion in revenue is actually better than when I joined in early 2000s when it was $2 billion. That's amazing, that's amazing. That speaks our culture. We have a time-tested model for integration, planning and deployment, which we've adopted to govern around this program. In the last several months we aligned our resources around data technology and process and, in simple terms, these are critical links in the value chain for us, and this connectivity helps us create a holistic approach while minimizing overlaps, handoff gaps, that could impede how quickly we can execute. We evaluate process with the leadership team once a month, including value, progress, but as well as some other health factors I think are important on organizational capacity, change management considerations and also communications. This is a communication channel but also a place where we can drive quick decisions as well.

So to wrap up, we can begin to see the value road map unfold for sure and the high engagement across the company is impressive related to margin resiliency.

I'll leave you with 3 things. One, is this is a major transformation margin program that will generate hundreds of millions of dollars of value over a multiyear period. That's exciting. This will be utilized to recover in then expand our margins and deliver operating leverage in the face of external volatility. This program is technology enabled, the key point here, that you've seen in several spaces allowing us to better align our workforce around value creation. It's days like today where you can see what an outstanding company Stanley Black & Decker really is. We're proud but we're also evolving with technology and we are transforming to create an even better future for the company.

Thank you for your time and attention this morning.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Our next speaker is Sudhi Bangalore Vice President Industry 4.0.

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**Sudhi N. Bangalore** - *Stanley Black & Decker, Inc. - VP of Industry 4.0*

Good morning. I have the opportunity and privilege to talk about a really important program of Industry 4.0, which you have heard about a few times this morning. But before I get into the details of how we have stood up this program, I want to talk a bit about my passion and expertise in this business of Industry 4.0. One thing that has been a critical need for Industry 4.0 has been speed and scale, right, and this is a problem for many reasons, but I've had the opportunity and the privilege to work on this problem in my past life heading Industry 4.0 transformation type of activities in Wipro. And I've been able to help conceptualize and drive similar large-scale transformation programs with large companies such as TE Connectivity, Corning, Philips and so on. And so I've been able to bring the passion and expertise along with the excellent leadership we have in our factories and other parts of the Stanley Black & Decker to bear. So with that, I'm going to give you a little bit of how we approach this whole program.

So as you've heard all morning, SFS for us has been an engine of consistent and expanding value for us. And while that is an amazing good thing, what we wanted to do was now inject digital technologies to do 2 things: one is to make sure that we drive a step change impact like Jim already has mentioned this morning; but also equally important is how do we run this engine more efficiently. Specifically, I'm talking about taking manual content out of all of the Lean Kaizen activities that's critical to SFS 2.0 as well as the ability to bring digital technologies to do problem solving much faster and more smartly.

So how do we approach this program? So the first thing obviously is to set a vision that makes sense for the organization and also has the stretch that we need given our culture. So our vision for this program is to drive the frontiers of -- push the frontiers of productivity and differentiation. So once we determined that as our vision, what we then did was to understand the top 5 processes that drive at value to begin with. And we started digitizing that while keeping people at the center of that transformation. What I mean by that is we've elevated work, we've created content that helps upskilling and retraining programs that will be deployed in sync with technology, right? And then when we do this at scale, which is what this whole program is all about, that's going to drive plan excellence, and we're not satisfied with that. We see there an opportunity to drive enterprise excellence with the center that Jim talked about in Hartford, and we're going to use that, along with all of the data that Steve talked about, to seek out best practices, apply across the enterprise in real time. And that's where we get enterprise excellence. When we do these 2 things, guess what? Our supply chain is going to be a lot more nimbler, a lot more attractive for all the things that you've heard this morning with all of the acquisitions and the growth activities that you saw.

So the thing about Industrial 4.0 technologies is there are several technologies, roughly about 15 or so depending on how you count and who's counting it, right? But I'm going to talk about some of the foundational things we're doing and I won't cover all of that, just a few. Foundational to everything is connected factory also called the connected enterprise. What it essentially does is to deploy an always-on industrial Internet connection if you well between our assets, process and people. When you do that at scale and you put in other applications on top of that, it does a couple of things. One, is it brings speed to, it injects speed into how we respond, it gets rid of a lot of manual paper-based operations, really important, drives collaboration, right? And which is a huge opportunity with Industrial 4.0. So that's what we do, and when we of course connect things, it opens up this trove of data that we then use for analytics. So that's connected factory. Similarly, another important technology for us is digital twin. And here, in this case, what we're doing is creating replicas of our assets especially, large, lazy rusty assets that we have quite a few of and we use these digital twins to optimize and to troubleshoot.

We started this whole program from scratch so we had to assemble a team that could do things at scale. And so what we did was to make sure that we addressed the first problem I started out with, we basically delayered this program into these individual streams starting with connected factory, automation and so on. And each one of these individual streams, they have a leader and that leader has the technical expertise, functional expertise and the accountability to drive value capture results, right? And then we created an integrated team that is made up of IT and other experts, and that's how we've been able to create 1 program management structure, get rid of risk, cost and time that happens when you have multiple layers of program management. So that's the unique part of our deployment team.

And then very important is our ecosystem. We have actually stood up a team of about 13 partners right now both big such as Cisco, Rockwell who we are partnering with very actively, and also smaller startup companies like FogHorn, et cetera, and IGear. So that really is how we have brought all of these things -- 3 things together. We have been functional as a full-fledged team starting January and with the confidence we have established within that time period, we believe we can get the 65% to 70% of plant coverage by 2021, and this is global deployment by the way.

So pulling it all together is this really amazing and unique advanced manufacturing center that we have set up. We believe nobody else has done it in the industry, especially in the industrial sector. Oil & Gas has done that, but nobody in industrial. So this is a 23,000 square-foot facility and this will house about 120 experts, as I said, both our own people and that of our partners. And here is how it looks. And the idea here is we can do everything from conceptualization, ideation, build solutions, test solutions, deploy solutions, train and support. That's how extensive we're thinking.

So with that, this is a video that quickly kind of walks through that centered around process, people technology. This is our connected enterprise view, here is the focus on machining, it's a critical part of SEF and also GTS to a certain extent, getting rid of dirty, dangerous type of tasks with cobots, assembly of course very critical to our GTS business. And we have come up with a smart way to do a migration between manual and automated operations. Here is a view of our connected factory dashboard, one dashboard actually, everything from HR to EHS to quality to engineering. Here is predictive analytics that tell us before a robot can go down, obviously, there's a lot of robots so we need to make sure of that. And here is our enterprise excellence center pulling in data from all over the world. In this case you see Warrington, UK. And then digital twins as I said. Here is a digital twin of -- up in Hartford and it's telling you how we can optimize performance and also troubleshoot. As I said we've been in operation for about 4 months and we've had good success. All of those 3 tracks that I talked about, we've deployed apps that gives you full view of our factories as well as our lines again across the enterprise and then analytics has been a great story for us. We've been able to drive yield improvement of 12% in our GTS business. We can use it in others as well. And then the third one is robots. This is especially interesting for 2 reasons: the cost of robots are going down and also our ability to deploy that is much, much faster than any other tracks, so that's what we have with robots.

One last point. You'll see that what we have is clear categorization of, for example, how much time it takes to deploy, what's the payback and we have created standards to get to that level of confidence.

So as a point of reflection, this program started somewhere about mid-2017 before I was here, and we've gone from those exploratory modes of activities in our lighthouse factories to a full-fledged program with all of the streams that I talked about. As I said when, we execute at this level, we will be able to drive about 65%, 70% coverage.

So in summary, we have the clarity of purpose, we have the targets that we are going after, full consensus with the operational leadership and we have an amazing advanced manufacturing set up we can act that sets us apart from our competition and with the kind of data that Steve talked about that is stitching across these different streams, as I said our differentiation to drive speed and agility with our customers and suppliers is going to be absolutely top-notch. Best in the industry. Thank you.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Our next presenter is Mark Maybury, Chief Technology Officer.

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**Mark T. Maybury** - *Stanley Black & Decker, Inc. - CTO*

Hopefully I'm on. Yes. Good morning. It's really an honor to serve as Stanley Black & Decker's first-ever Chief Technology Officer. Jim mentioned we have a number of new folks, Sudhi and I actually started the first day together. Janet, as well, new to the company. It is just a real pleasure to work with this world-class leadership team. As Jim said, I spent 3 decades in the public sector, in public service serving as the 33rd Chief Scientist of the Air Force where I oversaw $5 billion every year of R&D investment, bringing our nation and our national security to technological superiority. I also spent 27 years in The MITRE Corporation, which manages 7 Federally-funded research and development centers. Including serving as Chief Technology Officer, Chief Security officer and Director of our nation's first national cybersecurity center of excellence. Along the way, I had a great pleasure of commercializing 5 companies in 1 year in 2015, of which actually turns out to be a digital engine of one of our cybersecurity unicorns. So I've had a great pleasure working with Robert's team and Security and many others across that my most exciting thing today is to introduce to you our innovation ecosystem.

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**Mark T. Maybury** - *Stanley Black & Decker, Inc. - CTO*

The more you learn about this company, its past, its present, its new future, you can't help but get excited about it. I'm excited to talk about what we're going to be doing for the next 10 years. Our first intention is to become leaders in multiple ecosystems, specifically in areas such as battery technology, as you've heard today, in added manufacturing, in construction technology and others. We aim to innovate. Over the next 10 years, we will introduce 10,000 or more new products. We will actually introduce hundreds of first of a kind the world has never seen. And we will protect those through 1,000 or more patents, many trade secrets and other mechanisms. And importantly, we won't only do this alone, we will do this in partnership with others. And importantly, we'll do this a purpose and mission. As Sudhi was mentioning, we will upskill 30,000 of our employees, and we will empower them with advanced analytics, with artificial intelligence and machine learning and with cobots and robots through autonomous support. In addition, we will change the lives. Just alone in the next few years through the use of our advanced motors together with photovoltaics we will change the lives of 10,000 people in India. This really is an exciting opportunity for us to leverage this global innovation ecosystem as we go forward.

Speaking of going forward, one of the great things is not only does the company of a legacy of great innovation, but 4 years ago under the leadership of Jim and Don we had significant investment in launching an innovation journey that started with our Technology Council, which specifically brings together all of our leadership in technology and commercial excellence across the company, as well as our digital accelerator, which you've heard of in Atlanta. And importantly in Jeff's business, the special forces, our first breakthrough group was launched, which as you know well, the FLEXVOLT result just a year later. But of course, accelerating beyond that to ATOMIC and Xtreme. And importantly, not only did that generate new revenue and new value for that business, but it spawned the creation within a year of breakthrough groups across all of our business, which are revolutionizing as you've heard some examples before. You've heard about what we're doing in Industry 4.0 but also Jaime Ramirez leads our exponential learning unit situated in the heart of Silicon Valley in San Jose and already only a year old, we're at first revenue with 3 innovative startups that are digitally enabling many of our construction workers in the field.

This innovation ecosystem is expanding at an impressive rate, but with a clear focus: on core innovation, on 22/22, and ensuring that we can maintain leadership or gain leadership in markets across the world. The breakthrough innovation groups which are physically separate with experts but nonetheless focused and reporting into the businesses are intended to disrupt the core to make that core much more successful. And in addition, they're accelerated through a variety of elements such as the Elu, the digital accelerator, as well as our ventures investments and our external partners. Our technology capability across the company in terms of our talent base is connected to the Technology Council as well as our Technology Connectors, which live with venture capitalists and connect to universities and national laboratories as well as very focused expert groups such as a digital product security team. In addition, we actually believe that innovation has to happen with everyone. It's a cultural change. And so already, through our innovative crowd-sourcing drawing board activity, we've been enabled to create $30 million worth of value. Our Innovation Everywhere just launched a few months ago already has thousands of employees engaged producing hundreds of new innovations to improve efficiencies or improve new top line capabilities, and they're all connected globally via workplace. Over 130 real-time translation languages allowing us to connect our 60,000-plus employees plus the many other additional folks in our ecosystem right together with our mother ship.

Innovation, the talent, the treasure and the technology is global, and so our strategy is global, as you've heard. Our breakthrough groups appear across the globe. The sun never sets on our breakthrough groups. We're innovating continuously 7 x 24 hour with a pipeline of innovative products to be introduced in 2019 and beyond. Our Technology Council, which I'm privileged to lead, consists of leadership across the company is specifically focused on identifying the knowledge and the disruptive capabilities that will help propel us into the future, from academics, from national laboratories as well as for the other industrial experts. And indeed that group has created our very first, in the history of Stanley Black & Decker, innovation horizon. Our strategy for technology innovation, which identifies our top 12 focus technologies where we believe we can generate the most revenue. Just as an example IoT and AI generating $3 trillion to $4 trillion worth of value over the next 5 to 10 years. So we are very focused and importantly we are leveraging all the talents in the company. So you heard Mike Simpson talk about digital marketing, those teams are integrated into these technology strategies so we can maximize the opportunity both for protecting ourselves against threats but also for taking maximum advantage of opportunities.

Just to give you a couple of examples. We are very excited to be able to report our first -- our partnership with Techstars has already resulted in 10 new accelerated companies in additive manufacturing, and Stanley Black & Decker now has a name as a leader in additive manufacturing. As you can see here these companies came from all around the world to come to Hartford to be improved: from Canada, from Israel, from Eastern Europe, from across the globe, coming to Hartford so that they could actually improve the additive manufacturing capability. I don't have to going to go through all these, but just let me give you one small example, MetalMaker 3D. A 25,000-year-old metal-casting process, and right in Hartford, this company has translated by using 3D-printing technology, so plastic printing an arbitrarily complex mold and then covering it with metal and then burning that mold out, basically allowing us with essentially a kind of a negative process, like you would have in photography, to create an impressive capability for metal molding, specifically for prototyping. A process that would take months at times, now we can do in 1 day. And we actually have an eye on doing this within a few hours. So exciting technologies that will really revolutionize the additive manufacturing business.

Our way, however, is to do this in partnership with others . As you can see here, whether it be in battery technology, additives, security, our objective is to use all of the tools, all of our weapons to advance our profitability as well as our growth. So we invest in companies where we want to have a strategic role, we accelerate companies where we want to benefit from others' investments in those, or we invent via our breakthrough groups brand-new technology internally that we can bring to the market.

Just as 2 very quick examples here. Veloxint, this is a new 100-nanometer material that allows us to print very quickly an arbitrarily complex metal article that actually has the properties of steel at 2 to 3 -- 2x to 5x less weight. Revolutionary material, it was just actually approved for use in desktop metal, which allows us -- which is actually another $1 billion company, startup, just out of Boston, which allows us to actually rapidly innovate in metals. But it's not just there. If we look at plastics and John's business, Evolve, is an innovative new company that we're also investing in. This company gives us a 50x ability to improve the speed of plastics printing, and we're already beginning to explore in SEF some automotive parts that we can add. So there are many other -- additively manufacture. There are many other examples here we could give you. The point here is that we're connected directly to these ecosystems. We're taking advantage specifically for the benefit of our shareholders as well as our businesses.

But don't just take my enthusiasm and my excitement for this technology innovation. Listen to the experts. An independent study of a thousand leading technology innovation companies in the world, we were honored recently to be among those. More importantly, 88 of those 1,000 were identified as high leverage innovators. Stanley Black & Decker was not only in those 88. Stanley Black & Decker was 1 of only 2 that over a 15-year period had sustained higher level performance and you could see the 3x market capital, the 2.6x revenue growth rate driven by our innovation investments that you've heard about throughout the entire morning. We intend to further accelerate both our internal as well as our external ecosystem so that we can produce better products faster for all of those in the world.

In summary, I'm reminded of a great African quote, which is, "If you want to go fast go alone, but if you want to go far, go together." Our innovation ecosystem allows us to go fast and far for those who make the world innovative.

Thank you.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Our next speaker is Janet Link, Senior Vice President, General Counsel and Secretary.

**Janet M. Link** - *Stanley Black & Decker, Inc. - Senior VP, General Counsel & Secretary*

Good morning. As Jim highlighted in his remarks earlier this morning, our company's purpose for those who make the world drives our success in the business and connects us to our broader role in society. I'm sure that there are a lot of you out there thinking the same thing that I was thinking when I interviewed with the company 1.5 years ago. Is your purpose statement really anything more than a cool tagline on your pretty brochures? And what I found when I arrived was that the purpose statement really describes the essence of what the company has been doing for the last 175 years. And because of that, it really is something that's embraced by our employees as a rallying cry and it really is a framework for everything that we do.

The social responsibility and governance that is -- that are at the heart of our purpose help us to create long-term value for all of our stakeholders through a virtuous circle. As Mike Simpson was talking about earlier this morning, our social responsibility really burnishes our brand and, in turn, that increases their value. It allows us to attract more customers and we're able to recruit and retain really talented employees. Those talented employees innovate new products that address unmet societal needs, helping our communities link to incremental revenues. We make new sustainable packaging for those products, leading to a less waste, lower shipping costs, and more profit. And so it goes and goes.

The 23rd Global Corporate Social Responsibility Strategy that we've rolled out last year is designed to bring our purpose alive by inspiring makers and innovators to create a more sustainable world. I think that everybody in the ESG world right now is looking for metrics that tie sustainability to performance. We base our strategy on the United Nations' sustainability goal, which as Jim said, are a blueprint for creating a better more sustainable world for everyone. We've also put a lot of thought into the 3 key metrics -- key 3 pillars that support our strategy, working hard to make sure that each of these pillars leads to the creation of long-term value. The pillars are -- empower makers by enabling 10 million creators and makers that thrive in a changing world, innovate with purpose by innovating our products, enhance the lives of 500 million people and improve environmental impact and create a more sustainable world by positively impacting the environment through our operations. We're working to enable 10 million creators and makers to thrive in a changing world. Industrial and technological innovation are rapidly changing the nature of work, and we're helping our employees, students and others to gain the skills and expertise that they need to create new jobs, revitalize communities and make a better world. We're taking a number of actions to meet our 2030 goal. We're upskilling employees to prepare them for Industrial 4.0 and for technological disruption, we're providing access to STEAM education and vocational training and building makerspaces around the world. These actions lead to long-term value by building the workforce that we need in order to keep innovating new product. It also is training tradesmen, DIYers and others to use the tools that we're making, enhancing our relationships with existing customers and creating new customers.

By 2030, we intend to innovate our product to enhance the lives of 500 million people through addressing unmet societal needs and reducing the life cycle impact on the environment of outsourcing in our product. For example, in our -- we are working to source our products, finished goods, raw materials, and services from suppliers to meet our evolving sustainability criteria. By enhancing the sustainability of our supply chain, we help the environment and our communities, we also build a supply chain that can endure despite resource constraint and the changing climate.

We have a long-standing commitment to creating a more sustainable world by reducing the environmental impact of our operations on things like greenhouse gases, water use and waste generation. Our commitment to these areas is even stronger than ever, and our 2030 target of achieving carbon-positive emissions, sustainable water use across our operations and zero waste to landfill are our way of making a lasting positive impact on our communities. We have many examples of renewable energy in action around the company. Because I'm a Texas girl, I'm going to tell you about our new global Tools & Storage facility in Mission, Texas. It's our first manufacturing plant that is operated 100% on -- by renewable energy.

Our Board is directly involved in our corporate social responsibility initiatives, and it recently amended the charter of our Corporate Governance Committee to add responsibility for overseeing our environmental management, sustainability and corporate social responsibility initiatives.

We know from experience that diverse ideas, perspectives and backgrounds and make a stronger work environment where we make better decisions and innovate more. Over recent years, we've launched a number of initiatives to foster the diversity and inclusion that lead to long-term value. One of these initiatives is the leadership training program for young talent that has an industry-leading retention rate. Another initiative are our employee resource groups, which were pipeline for talent. We now have 9 employee resource groups with more than 30 chapters and 13,000 members around the world. These groups support a variety of employee needs from the women's, LGBTQ and African ancestry communities to special abilities, veterans and working parents. We asked our employees what we can due to help them bring their best selves to work, and in response to requests and suggestions, we've instituted things like a flexible work opportunity, paid parental leave and transition guidelines.

Our employee resource groups have developed a diversity and inclusion strategy that supports our 22/22 goal. They articulate the strategy in terms of 4Cs: community, culture, career and commerce. They're building a relationship in the community to support our corporate social responsibility strategy. They're working to ensure that inclusiveness is woven into our culture as opposed to just being a onetime initiative, building a career paths for talented employees and supporting and promoting the commercial initiatives that drive our 22/22 goal.

Let's take a minute to see diversity and inclusion and action around the company.

(presentation)

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**Janet M. Link** - *Stanley Black & Decker, Inc. - Senior VP, General Counsel & Secretary*

Now let me turn to corporate governance. We have instituted corporate governance policies that align the interests of management with shareholders. Our compensation programs are designed to incentivize employees to meet or exceed financial goals and create long-term value. 79% to 89% of our senior executive target compensation is based on the achievement of specified financial goals and share price performance. Our Board strives to make our governance shareholder-friendly and to make changes in our governance consistent with evolving best practices. Last year, the Board amended our bylaws to add a proxy access provision that we believe is consistent with guidelines issued by the Council for Institutional Investors (sic) [Council of Institutional Investors]. We've also engaged with our shareholders on issues like corporate governance, and the Board has incorporated valuable insights from those -- from that engagement into its deliberations.

Just as we recognize the power of diversity in our employee population, we recognize its power in the boardroom. Over the last 3 years, the Board has added 3 new independent directors who are leaders in their field. Their fresh perspectives balance the more institutional knowledge of our more tenured directors. 30% of our directors are women or are ethnically diverse. The Board also engages in a robust annual self-evaluation process where it determines whether it has the skills, experience and expertise that needs to continue overseeing the very rapidly changing business dynamic in which we operate.

The strong governance and social responsibility at the heart of our purpose enable us to bring -- continue bringing in the talent that we need to drive performance so that we're leaning into the rapidly changing external environment and embracing the corporate citizenship necessary to keep creating the financial and social value that lead to long-term success. That's what purpose-driven performance means to us. Thank you.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

We're going to play a brief video as Donald Allan, Executive Vice President and CFO, takes the stage.

(presentation)

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**Donald Allan** - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Good morning, everybody. So gravity is not going to hold us down. And all the great things that you saw this morning is -- are perfect examples of that. But I know one of the questions you have is, will tariffs hold us down? And my answer to that is no, they will not hold us down. We have been in the mode for quite some time now, and you're going to see that through this presentation, especially the back end of this presentation, in particular that Stanley Black & Decker and this leadership team has dealt with significant headwinds for over 5 years at this stage, and tariffs is the latest and greatest. And we continue to grow our earnings at a very acceptable, if not outstanding pace, which is what you'll see.

So what does tariffs mean to us today? As we all know, there was a tweet about 1.5 weeks ago, Sunday night while eating pizza. And so the world just changed quite a bit in the last 10 days as a result of that. So when we -- as a refresher when we gave April guidance, we told you that the impact from tariffs would be $100 million in 2019, and that was with List 3 at 10% at that stage. With that tweet occurring about 1.5 weeks ago and then the subsequent events that occurred in that time frame that I mentioned, we now know that List 3 is being escalated to 25% and will be effective June 1. What that means for us in 2019 is an incremental impact of $50 million to $60 million. So on a cumulative annualized tariff basis, when you add all those together now is going to be $250 million to $275 million. So when I look at that, I say, "okay, it's another headwind. It's something we've got to deal with." We've dealt with currency, we've dealt commodity inflation and we started dealing with tariffs last year. So we're going to do what we've been doing, but now we have some more things in our playbook that you've heard about today.

So the first thing we're going to do is going to initiate some price actions. There's always delays in the timing of that, we all know that it takes time to get those into the market, a lot of them don't stick over time and so we never get a full recovery from price actions especially when it relates to these type of topics. But we know we'll get a reasonable percentage, probably somewhere between 30% to 50%. Time will tell. So we're also moving quickly on things that we can do in the supply chain to adjust where we manufacture, where we get our components and parts from, to try to really mitigate as much of this as possible. You've heard about some of that from Steve this morning and we'll continue to provide more clarity on that as the months go forward and we really see how this plays out over time.

And then the third area is the margin resiliency initiative in general. One of the reasons, among many, but probably the biggest reason that we really went after this is that we saw our margins were under attack, as Jim mentioned. Significant impact last year as a result of these headwinds. And we want them heading in the right direction, we want accretion on a regular basis of at least 50 basis points per year. And so these initiatives allow us to really do that even when we have headwinds. And so this is an opportunity to offset. So we believe we can offset these escalated List 3 tariffs by these 3 different areas and make sure that we do grow our earnings per share 6% in 2019.

So what that means is we are reiterating our guidance for 2019. With 4% organic growth for our company, EPS range of $8.50 to $8.70 and free cash flow conversion rate of net income of 85% to 90%. This obviously assumes that escalation, as you see on the chart, of List 3. Now when I go back a page there was also some noise over the last 10 days about a List 4 and whether that becomes a reality or not. Currently that's not something that's been enacted. That is just a discussion and a conversation that's happening, but for transparency we provided these numbers in the past. The incremental impact to us from a List 4, which means everything from China has a tariff of 25% on it across many industries would be another $125 million to $150 million. If that occurs, later this year, or in the coming months, we'll see how things play out, we will pull out the same playbook that I just went through, initiate price actions, more supply chain adjustments and margin resiliency initiative will help us offset part of that as well. That being said, I'm not sure all 3 of those things could fully offset the full impact of that. So we would likely evaluate other cost reduction ideas, which would include certain surgical restructuring actions.

We are determined to work through this period of time where these headwinds are significant, but yet our earnings per share continues to grow at a reasonable basis. We did that last year where our earnings per share grew 9%. Our expectation is grow 6% this year and in 2020, by taking these various actions with these headwinds still in place, we will take enough mitigating actions to make sure that we grow earnings at a reasonable basis next year as well. So I hope that's clear, but if it's not we can certainly clear it up in the Q&A.

So what I'd like to do now is spend a little bit time talking through 3 different areas: one is kind of an overall summary of our strategy that you've heard today, put into some of the standardized stages that many of you seen on a regular basis and give a little color on a couple of topics; the second area is to look at how strong the financial performance of Stanley Black & Decker has been in the last 5 years ending at 2018, as well as 3 years ending 2018, because we put many expectations out there including long-term financial objectives, a 3-year vision, and so how did we do related to all those things, and so I'll spend a little time working through that; and then the third area, is looking at where we go from here? So we will lay out a new 3-year vision financially of where we would like to go financially and with all the momentum that you saw this morning, why we feel strongly that we can achieve that.

So starting with the stage, we've been a global leader with world-class franchises for quite some time, 3 very powerful segments, all with many different attributes that you heard about this morning. The power of the Tools & Storage business of $10 billion in revenue. Jeff did an outstanding job, as usual, explaining where we have been in where we're going. John Wyatt touched on engineered fastening and industrial. And then Robert Raff talked about our transformation in Security and the great opportunity that's ahead. The vision underlying all this to be known as the world-class innovator, make sure we continue our top-quartile performance as it relates to TSR, and then of course continuing to enhance our social responsibility.

So, I'd like to spend a little bit of time, and Julian asked this question in the Q&A so I can give a little more color right now as our industrial portfolio -- because you didn't see that entire picture this morning, you just saw Engineered Fastening. But one of the things that we have always said about our industrial business because of Engineered Fastening's amazing automotive platforms that they have is very heavily weighted to that industry. And so with the acquisitions of Nelson, which is in industrial fasteners, and the IES brands of Paladin and Pengo, we are really broadening the diversification. And so now when you look at the overall segment, automotive is about 40% where it was over 50% before these acquisitions. So it helps with the diversification strategy, it helps with some of the growth profile aspects as well because we do see times like this in automotive where we go through cycles and it affects our top line growth. But when you look at the overall growth of that industry, in our business, and how we outperform as Jim mentioned, we demonstrate very powerful growth within our 4% to 6% organic growth profile for Engineered Fastening. We think attachment tools can do the same deals, thanks growing the type of performance level as well. And then we touched on Oil & Gas and some of the things that -- in the industry that are affecting us, but what I like about this situation is that we're making modest investments in the breakthrough area so we're prepared when the industry turns in the future and that will drive revenue opportunities for us.

So overall, we feel very good about this particular part of our company. Different pieces, continue to diversify it and make it very similar to a growth profile of what we're seeing in our Tools & Storage business as we go forward.

So our strategic framework and our long-term financial objectives have not changed. We've always been focused on organic growth momentum, and I think you saw this morning the amazing growth momentum we have as a company. What's great about it is you can see the future that it's going to continue for some time in the future, at least 3 to 5 years. We're very selective in where we operate, our brands are powerful, the innovation that we bringing sustainable and it truly is a differentiation in all the markets that we play in. And then obviously, we're focused on being a global cost leader in all our businesses.

And then we pursue acquisitive growth as well in addition to all those organic activities to build upon the amazing tools platform that we have. This industrial platform I just described and building upon that. And then maybe somewhere down the road electronic security, but it has to finish what it's doing right now, so that's not even something we're even considering.

The long-term financial objectives have not changed. 4% to 6% organic growth, 10% to 12% overall, EPS growth 10% to 12%. Remember that range, 10% to 12% EPS growth, I'll show you some data later in that particular category and a few others. Strong free cash flow has been part of our story impacted last couple of years because the some of these transitions and other items. But as I mentioned in April, when we get to 2020 we want to get back to 100% or better free cash flow conversion as we drive more working capital benefit across the company.

Dividend is a great story. We continue to grow our dividend and as a company grows in our payout ratio is somewhere between 30% and 35%. And obviously, we're disciplined and make sure we maintain a healthy balance sheet and have strong investment credit-grade rating (sic) [investment-grade credit rating].

And in that regard, we mentioned that we ended the year last year, as you can see on the left side of this particular page, with a debt-to-EBITDA ratio of about 2.3x. Our target to be around 2x. And so we're going to do a little bit of delevering this year, in 2019, to get back to that, which is actually perfect timing because we've done various acquisitions and across the company in our Industrial businesses, in particular recently, but then you saw it from Jeff the amount of work that we have going on around these brand transitions and all the activities there, so the timing is perfect for us to digest these capital allocation decisions we've made and really focus on getting our leverage back to our target leverage ratio, as I mentioned.

The capital allocation strategy is not changing. 50% of capital goes back to M&A and 50% goes to our shareholders through a dividend for the opportunistic share repurchase that we do, like we did last year in 2018. We think this strategy allows us to be disciplined in our M&A decisions but also return value to shareholders in another form through dividends and share repurchases.

And I mentioned the dividend policy on the page before. This is a hybrid model that has worked well for us, at least for 20 years and probably was in place even before that. All these things allow us to do the value-creation model that Jim touched on earlier today, which is we have franchises that have all those traits in the upper left, which means their strong innovation-driven businesses that play in diverse and global markets, and then we apply the principles of our operating system, of our operating model, the Stanley Fulfillment System 2.0 and all those things and all those traits that allow us to drive type of financial performance that achieves our long-term financial objectives. And then we reallocate the money, 50% of our free cash flow back to the businesses through M&A and the other half, obviously, back to our shareholders. World-class branded franchises that have sustainable strategic characteristics that create exceptional shareholder value and have for many, many years.

So let's talk a little bit about acquisitions. We've done acquisitions, as you know, quite a few but that's talk about how they're doing financially. Now that we're year -- in year 2 or 3 for a couple of them. But before I do that, just as a reminder, the acquisition criteria that we go through. It's not overly complex, it's fairly straightforward. Obviously, there first thing is, is an acquisition target a strategic fit? Does it make sense in our existing platforms and businesses and segments? The second question is do we have the organizational capacity to absorb it? And if it doesn't pass that test, we're usually move on. And then we get into various financial aspects, the first of which is when you look at the business, does it have the type of organic growth and profitability that would be consistent with our long-term financial objectives that I just showed you. If it doesn't, it's probably not a perfect fit. It may strategically make sense in some ways, but if it can't perform in a market, if it doesn't have that profile it may not be the best fit. We have to have accretion -- EPS accretion in year 1 before or excluding M&A charges. Our CFROI within 3 to 5 years after closing the transaction should be similar between 12% and 15%, which of course is in line with our long-term financial objectives. And then we also look at, is this a value-creation opportunity that's more significant than just using the capital to buy back our shares. Usually if it has gotten all through the test of all those things I just mentioned, it's probably something that's creating a lot of value for us over a 3-to-5-year-plus time frame. I mentioned the acquisitive growth areas, we've already touched on those. So let's look at a couple of recent acquisitions and how they're progressing financially. So the Lenox and Irwin brand, you saw the great things that we're doing this morning, but if you look at it financially the EPS accretion was supposed to be $0.60 in year 3, which is we're in year 3 right now, and we will achieve that objective, which means we're getting cost synergies of $85 million, and we're achieving the revenue synergies, as Jim mentioned earlier, of greater than $100 million in year 3. This has been outstanding acquisition for us and it fit perfectly into our portfolio of brands and products within the Tools & Storage segment. And then of course, Craftsman is outstanding, you heard that $1 billion opportunity is now going to be achieved by 2021, 6 years ahead of schedule and revenues at $600 million here in 2019. The CFROI target will be achieved by 2021 as well, which means there will be in excess of 12%. And the way that thing's going, I'm sure it will be even better than 12% by the time we're done, because it's a fantastic acquisition.

So these are great examples of recent acquisitions, how they went through the filter and they've achieved the type of financial objectives that we want to achieve with these particular investments. And as we think about a couple of years down the road, we'll do the same thing with Nelson and the IES assets to see -- make sure that they do the same type of performance in that regard.

So I thought it would be helpful, because sometimes people ask the question, "What is the vision for Industrial or M&A?" because they certainly understand what we're in today. But we ideally would like to find a way to create a $3 billion to $4 billion global platform that is made up of highly-engineered application-based solutions. Now you're probably wondering what the heck that means because it's a lot of interesting words. But if you think about our Engineered Fastening and the value -- our fastening business and the value they bring to our customers, with being involved in the design process, in the use of our fasteners and the uses of the fastening machines as well in their manufacturing process that creates productivity and then we get paid appropriate levels of profitability based on that. We're looking for businesses in that regard, which have a lot of the traits here on the left. So they have that engineering capability with leading industrial technologies, they likely have some type of customer-trusted brands, like our Engineered Fastening business, like the Paladin and Pengo businesses. They're known very well in those industries and are very trusted by the customers. Is there a recurring revenue, or just as importantly, some type of aftermarket opportunity within the business? Is it global, multi-vertical? And does it have the ability to differentiate through some type of innovation or unique service it provides? And then, of course, is it in a market that is attractive? All these things are consistent with our strategic framework and what we try to achieve across the entire company. So that means the acquisition focus would be, first of all, looking at bolt-ons to the existing platforms we have in that space, but maybe some portfolio-enhancing assets, so businesses that have very similar traits but they may not be exactly the same product that we have today. Is there customer market diversification we create? We talked about trying to -- we love our automotive business, but can we make that 1/3 of the Industrial segment versus the 40% that it's at today through some of these types of transactions? And obviously, a product line expansion as an opportunity.

And then new technologies. Now here's an area where maybe we want to make some investments in the automotive side because we see automotive changing. John talked about electrification and the opportunity there and the penetration that we can achieve, maybe with some small acquisitions to allow us to build that out at a more rapid pace as that continues to accelerate. So we think there's a lot of opportunities in this business. We do think it is a business that has a strong organic growth profile. Even though in the last 18 months or so, it's been impacted by what's happened in automotive, we don't see that as a long-term detriment to this particular segment. And then obviously, we see it as an opportunity to grow through acquisitions.

So here's the part I was alluding to, or actually probably wasn't alluding to, it was very obvious, that we're very proud as a company of our financial performance. And although sometimes we all get focused on the shorter-term headwinds that we're experiencing, like I touched on at the beginning of this presentation, the overall performance when you look at it over a 5-year timeframe first, our organic revenue CAGR over 5 years was 5%. Our adjusted EPS CAGR, that's before M&A charges, was 10% over that 5-year period. And our free cash flow CAGR growth was 8% over that time frame as well, so cash is pretty close to earnings in that regard. A very strong performance and in line with those long-term financial objectives I just mentioned.

But then we have to look at what types of returns are we getting. Are we getting the right returns of the company? And you can see our CFROI, which is a key measurement that we look at for returns, which is cash from operations and then adjusted for after-tax interest expense divided into our capital investment base. We've been somewhere between 12% and 15% the last 5 years. And you'll see the average CFROI over the 5-year time frame is pretty much right in the middle or a little bit above the middle of the range over that 5-year time horizon. So this validates the P&L -- the sales performance, the P&L performance and now this performance validates that we're creating value as a company and for our shareholders.

And then another way to look at it is to look at a return on operating assets versus your industrial peers. So this is a bit of a modified HOLT, it's not exactly a HOLT model. But if you looked at HOLT, it would get you the same answer. Really it's taking your operating cash flow performance and dividing it into the original investment you made in your operating assets. And we're top quartile, and the reason we're top quartile is because we're very efficient with our assets, both on the working capital side and how we invest in capital expenditures as well. And then of course, we're managing our cash balances very effectively across the globe. We don't have a great deal of cash just sitting overseas that we can't utilize and haven't for quite some time.

What I think is really impressive about this page is not so much the historical performance, but the opportunity going forward is still there to perform at this level or better. Because we still want to get above 10x working capital turns, and now we're in the 8s. And we see an opportunity to get above 10 in the next couple of years. We're continuing to be disciplined in capital expenditures. And then the bigger opportunities actually may be in our operating margin rate and the accretion we can get out of the 3 different areas that you see here on the page: driving operating leverage as we grow organically. Improving our security margins dramatically from 11% where they are today to somewhere in the mid-teens has a significant impact to our company. And then the margin resiliency initiatives, you'll see a number in a minute on that. That's quite significant for the next 4 years that we believe we can achieve that will also help us improve our margin rates. So I only see this return on operating assets getting better on a go-forward basis because of that. There's lots of opportunities for strong performance in this area.

So over the 5 years, how did we do versus our long-term targets? You can see we hit everything except for one thing. And that was total revenue growth, which as we told you many times, we're not obsessed about total revenue growth. We want to get 4% to 6% organic growth and we want to get 10% to 12% EPS growth. Now total revenue was impacted by things like currencies and small divestitures. So if we exclude that, it would be closer to 8%., so not far from the range we're trying to get to.

The free cash flow conversion average, it was strong, over 100%. And then you saw -- I mentioned the CFROI being at 14% on average over that time frame.

Checked the box in every single one of these things related to our long-term financial objectives, when we dealt with roughly in this 5-year time frame almost $850 million of headwinds.

So back in 2015, we laid out a vision for 3 years financially, which the world was a little bit of a different place back then, as we all know, changed quite a bit. However, we've achieved all these objectives we've laid out. And so we said 4% to 6% organic growth, we got 5%. We wanted to enhance that growth with acquisitions, which we did. We got 8% CAGR in total revenue growth over the 3 years. We wanted 50 to 75 bps of operating margin rate improvement, which this was like a hot topic, if you remember back in 2015, folks thought this was too low, that it should be bigger. And probably were right if everything went perfect, but everything didn't go perfect. We dealt with $500 million of headwinds in that time frame with obviously the biggest coming in 2018. IF that hadn't occurred, we would have had that type of rate accretion, actually would have been better.

But even with those headwinds, we got to 11% EPS growth CAGR in that 3-year time frame. I think that's an outstanding performance by the leadership team at Stanley Black & Decker.

Our free cash flow conversion greater than 100%, CFROI averaged 14% and working capital turns on average were very close to 10 over that time horizon. And we did obviously grew our dividend and maintain a disciplined, healthy balance sheet along the way. We said we'd be approaching $8 of EPS in 2018 back in 2015. We ended up at $8.15, and we dealt with the type of headwinds I just described.

So that's why we don't sit here and get overly worried, freaked out, panicked that things like tariffs are coming our way. We recognize them as real issues. And we recognize that sometimes in a short window, the financial performance might be impacted a little bit as a result of that. But over a period of time like 2 or 3 years, we feel like we can mitigate those types of headwinds through the playbook that we have created. And now we've added things to it with our margin resiliency initiative programs And we can't forget it all starts with this. So without this type of momentum on the top line that you heard from Jeff, Jim, John, Jaime, et cetera, it's hard to do all the other things. So this is where you start. And this is why we feel really good about where we're going for the next 3 to 4 years because we have all these opportunities. And of course, we have, MTD as you've heard from Allison, as something that we could potentially bring into our family of brands and businesses sometime 2021 or later. So the growth is there.

And Steve talked us through all this around margin expansion, our margin resiliency initiative, the 4 different categories, how this is different by using technology to drive this. This is not about brute force. This is process change, organization change and, in some cases, business model changes. It allows us to make better decisions with better information at a faster pace. We believe this will create $300 million to $500 million of value by 2022. And we're creating value here in 2019 with this program. As it ramps up and as we get momentum going into 2020, we will have some value that occurs in 2019 as well. This is why we feel like we can expand our margins by 50-plus basis points on an annual basis going forward because of this type of -- set of initiatives, even though we know we're probably going to be continuing to deal with some headwinds.

So summarizing the 3-year financial outlook over that time, so this is from 2020 to 2022, with 2019 as the base year, and very similar to the last time we gave a 3-year financial objective, very consistent with our long-term financial objectives. And so you're still probably scratching your head looking at that 50 basis points plus. Saying, does that really make sense? How does that -- shouldn't it be much bigger if you have $300 million to $500 million of margin resiliency actions? Well, frankly, it could be. Operating leverage should give us alone 40 to 50 bps. So margin resiliency is going to be on top of that.

But we also know we'll be dealing with some headwinds that we'll have to offset. The headwinds aren't as big as they have been, so that's an opportunity for us to outperform that metric. Time will tell. We will see where that goes.

EPS growth is very similar. We're giving you both a kind of an organic one and a total one, so 7% to 9% without acquisitions, 10% to 12% with acquisitions. And the biggest acquisition assumed in these numbers today would be completing the MTD transaction. If for some reason that didn't happen, we would probably invest that capital into other parts of the company.

10 working capital turns, achieved that as well. Get back to 100% free cash flow conversion or better and make sure we maintain our CFROI in 12% to 15% as we move forward. And the dividend and obviously the credit rating, we will continue to maintain our philosophy and approach there.

We will create $3 of EPS accretion over this 3-year time horizon. And this management team is determined to do that. And we really believe there's a compelling story to invest in our company. We understand the short-term situations of trade wars and geopolitical events. But when you step back from that for a few minutes, and you think about what you've heard for the last 3 hours or so, we have world-class franchises with amazing brands that are #1 or #2 in the marketplace. They're scalable and defensible franchises. We have an outstanding track record of growth that you just saw both in -- not only just in organic growth but total revenue growth and of course, EPS growth.

So one area that we've been set back in the last 12 months is margins. So we have a margin expansion focus, to get that back heading in the right direction and make sure that attack we experienced is not something that lingers, that we go forward and we continue to drive accretion in our margin rates. And you see the 3 areas that I mentioned earlier that are going to do that. That will allow us to have strong free cash flow generation as we get our working capital turns above 10x and we can continue our various shareholder-friendly capital allocation. All of this being driven by the SFS 2.0 operating system. And encompassing that is our vision, as Jim started the morning out with, a company that will be known for innovation, but also will be a top quartile performer and ensure that it enhances its social responsibly along the way.

So thank you very much. We're now going to move to Q&A.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

(technical difficulty)

Why don't you give this to Justin. Justin Speer.

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**Justin A. Speer** - *Zelman & Associates LLC - MD of Research*

First question for me is just with regard to Steve, if you don't mind, breaking down the programs to support margin expansion. I think it's one of the elements that I think is going to be really important for value creation. But just breaking down those buckets. You talked about price, margin, procurement, supply chain. If you can help us understand some context on maybe in order of magnitude, easiest to hardest, and how we think about that going forward.

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**Donald Allan** - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Sure. I'll give you a little color on that. And I think the -- what I like about this program is there's some things that are a little bit more complicated than others. Steve talked about the supply chain changes in response to tariffs that frankly we've been doing for a period of time. And we haven't been overly aggressive in that space, thinking that maybe a trade deal would emerge. And we'll see what happens over the next few months whether we want to get more aggressive over time. So that one's probably a little bit longer cycle.

But when you think about the other ones, Industry 4.0 has actually been underway for almost 2 years. Sudhi came in a little more than a year ago, and he's just thrown like a ton of gas on that situation and just working with our operations leaders in tools and Engineered Fastening and making that go faster. So that has got momentum, and that's creating value already here in 2019 and will create more value in 2020. So I look at that one as kind of a leading particular area just because we started sooner.

The price and margin ones is ramping up very quickly though. And so the good thing about price is when you get the right data, the tools and information and some of the technologies that Steve was referring to around artificial intelligence, those decisions can be made fairly quickly and implemented fairly quickly. So we see price benefit here in 2019 as a result of many of those things occurring as well.

And then the last area was in direct and functional efficiency or transformation. And that one is generating benefit as well here in the current year.

And so when I look at these 4 different categories and you talk about $300 million to $500 million, I actually think they're all -- if you're just going to divide it by 4, you're going to get within $25 million or so of each one. Because they're all big buckets and value pools of opportunities for us that we can drive over the next 4 years.

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

Let's do Cliff, okay. He's been with us for so long, 20 years.

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**Donald Allan** - *Stanley Black & Decker, Inc. - Executive VP & CFO*

What are you, ignoring him?

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

No. He's almost like a front-row student.

**Donald Allan** - *Stanley Black & Decker, Inc. - Executive VP & CFO*

He is.

**Clifford F. Ransom** - *Ransom Research, Inc. - Founder and President*

It's actually a lot worse than that. This is my 74th cumulative year following Black & Decker and Stanley. I know that's a meaningless number, but it's fun to talk about. I got a couple of just kind of big questions. First of all, is there anything structurally in your businesses today that you -- that we should not expect that working capital turns could be significantly higher than 10x? They are in many other comparable industries. Just a question of time in my book. But am I missing something?

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

Go ahead.

**Donald Allan** - *Stanley Black & Decker, Inc. - Executive VP & CFO*

I would say, Cliff, that the Tools & Storage business has already been over 10x in the past, so they can get there. Engineered Fastening has been over 10x I think last year. They can get there. Security has been over 10x in the past as well. So the 3 big franchises have already done it. The only business which is small that has a little bit of difficulty is Oil & Gas because of some of the dynamics in that industry, but it's a relatively modest impact on the company.

**Clifford F. Ransom** - *Ransom Research, Inc. - Founder and President*

The other thing that you taught me is that one of the great challenges in your business across all these business lines is channel conflict. And I always get a little nervous when you start talking about omnichannel solutions because I don't know what in the world has changed. The big boxes are still as rapacious meat-eating animals as they ever have, the Internet is inexorable. The co-ops have been surprisingly strong over the last couple of decades. How do -- how are you making sure you're not going to run into that problem on the omnidirectional side?

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

So I'll take the question because it probably is more relevant to tools than any other place in the company at the moment. Cliff, I would say we've done a particularly good job of managing absolute value and price point in the marketplace, meaning everybody's playing in a fairly even way. And so 10 years ago when we really started to expand beyond pure brick and mortar, there were large deltas in value and price point of our products depending on channel. And last decade, we've spent really making that much, much more transparent and cleaner to the point where the users select how they choose to purchase, but it's not going to be based on the absolute price point. It will be based on their preference and then absolute value. So now that's -- it's never easily done, but we've done a very effective job of doing it and allowing us to be #1 in the biggest and most competitive markets in the world, U.S., North America, Europe, #1 in retail, #1 in construction, #1 e-commerce. So we're doing it quite well. It is a situation where you never put the pencil down, however. It is a daily exercise.

**Clifford F. Ransom** - *Ransom Research, Inc. - Founder and President*

One last question, if I may. Now one of the disadvantages of having been around since the glaciers covered the Earth is that MTD in the past was a somewhat flawed business model. It was the lowest price points retail, not a very high quality standard. Now I understand there's been some changes in the family management. But maybe you can talk about how my old impression of MTD is not necessarily today's MTD even before you begin to influence it.

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

Yes. I mean MTD is anything but what you just described. MTD today is an incredibly well-done manufacturing company, which has presence in the pro, prosumer and consumer channels that have a broad product line. And it's -- when we look at the companies that we could have transacted with in the space, it was the company of choice for us because we felt we could do more with them with a running start than we could with any other of the companies. So we're very pleased that we were able to come to terms. And we really like the transaction that we struck with them because I think it's a win-win transaction for both the family and for the company. So we're very pleased with it.

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**Clifford F. Ransom** - *Ransom Research, Inc. - Founder and President*

(inaudible)

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

I don't know. I couldn't tell you what changed because we only looked -- started looking at it probably 2 years ago.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Mark, why don't you pass it to Josh over there.

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**Unidentified Analyst**

Thanks. So 2 questions, I guess first both a near-term and medium-term question around price particularly in tools. I know 2018, it's kind of hard to get ahead of some of the inflation that keeps rolling in and tariffs. But when you think about the new product introductions in the categories that you're building out in, do those naturally have a better opportunity to recapture price than the base? Or is -- or are we still kind of feeding into categories where you get pushback just based on the competitive landscape or who the customers are?

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

Good question. I would say a couple of things. One is, no price is ever higher than your first price, right? So a new product is the absolute most likely way to command the highest possible price. And you saw the stat from my presentation. About half our growth is based on new products introduced in the last 3 years. So that is a big, big part of our margin story and it will continue to be as such going forward. So that's absolutely true. Beyond that, other long surviving products are more challenging to get price on, but we have exited the vast majority of categories where brand and innovation don't matter. You think of historically, we've been in businesses like nails and doors and home decor, things that were not defensible businesses. We've elected to eliminate those things to the point where now our value and our innovation and our quality matter significantly, which improves the price dynamic for sure. But new product is absolutely the ideal way to capture price.

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**Unidentified Participant**

And then -- follow that just then on tariffs for List 4, I mean it becomes little bit of an academic exercise because I think at some level, you probably have more demand issues than you would margin issues at that point, the kind of the knock-on effect of global growth. Relative to the cost actions you've already taken, what more could be done if this turned into a growth issue or a more recessionary scenario? Because you've taken out the $250 million, but the business is still growing. So is there a lot less? Maybe help us to dimensionalize that.

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**Donald Allan** - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Yes what I would say is that there's not a lot left. But there is an opportunity, and we're talking about List 4, that is -- if it occurred, and that is still a big if. If it occurs, it's $125 million to $150 million on an annualized basis. We know we could pass some of that on as price. We also know we're probably not going to get 50%, 60% price recovery on it. It'll probably be a smaller number. We also know that we're working a lot of different things in the margin resiliency, but we'll still have a gap to try to cover that completely. And what that gap is, is maybe 1/3 of the total number. That's kind of the magnitude we're talking about where we're going to do very surgical restructuring actions. And so there's not a lot of fat sitting around. Absolutely not. So we'll be looking at different areas and really trying to be more surgical about some of those decisions that -- and not impact our growth and our investments that we're making in engineering and R&D, et cetera. So I'm not saying it will be simple, but we feel that given the magnitude of the dollar amounts, it something we can manage through.

On the second part of the question, more -- is there a recession that evolves out of this if we go to a List 4. Well, a recession changes everything because your volume is being dramatically impacted. The company is shrinking. And to be honest with you, you can find a way to work with less employees as a result of that. Never an easy decision to make, very difficult to go through as a leadership team and an organization. But we also recognize that if that occurred, we would have to take those types of steps.

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

I think that would also depend on the nature of the recession. I mean, '08, '09 was the mother of all kind of dislocations. So if you go back to like '00, '01 or even in the '90s, '90 -- or '91, those were much more mild recessions, really didn't have a massive impact on the volume. They brought it down maybe 3 to 5 -- little bit more, perhaps, in points. But that kind of a recession with the kind of growth momentum that we have I think puts us in a position where we would not have to take out massive amount of costs. We'd have to take out some, but it wouldn't be debilitating, I don't think, like -- it was hard in '08, '09. I mean it was -- revenues were down 15%, 20% and more in some of the businesses. So a big difference in the nature of the types of recessions that we might have.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

[Kristin,] why don't you pass the microphone on to Mike.

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**Unidentified Participant**

Thanks very much. Appreciate all the comments. Just to drill down a little bit more on the $300 million to $500 million from the margin resiliency. If you talk -- if you look at the 50 basis points, that actually, off of a $14 billion base, that gives you a little over $200 million just as a starting point. So when you talk about $300 million to $500 million, and appreciate Don, that you kind of -- get roughly 1/4 across each of the 4 major buckets, what would drive it towards the higher end of that range, number one? And number two, would you expect the realization to be kind of ratable over the next 3 years? Or will there be a ramping and a weighting towards the back half of that period?

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**Donald Allan** - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Yes, I would actually expect a reasonable performance this year in 2019. It's not going to be -- if you look at a 4-year time horizon, it's probably not going to represent 25% of the program. It will be solid performance to start the program, because it's really only 6 -- 6 to 8 months of performance for the most part, except for 4.0, which has been up and running since the beginning of the year. And then you'll get up to a point where for the remainder of the program, you're probably getting, for those 3 out years, so whatever is left over at that stage, about 1/3 a year. And we think these are things that we'll get some of them quicker as I mentioned in the next couple of years. And then there'll be longer tails more around the supply chain, which will take longer, which will be at the back end of the program, more like 2021 and 2022. And so I think that's the way to think about it as far as staging and how it rolls out.

But the margin rate comment of 50-plus basis points, operating leverage will get you anywhere from 30 to 50 basis points alone, just growing organically. And then this program is going to be another 70 to 80 points per year on top of that depending on what number use per year. So it gets you to a much higher number. No one is denying that.

But we already know that there's some headwinds that we're going to be dealing with and tariffs likely in 2020 and this year. So it will have to help us with that for a period of time. But if the headwinds subside after we get to a tariff regime and we don't have a major recession or any type of recession for that matter, then you're in a situation where you could actually see a much better performance than 50 bps per year. And that's what -- we'd love to see that. But we're also preparing the company in case we have an environment that's more difficult.

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

Now, I know I'm not supposed to say this, but what if the headwinds actually turned into tailwinds someday?

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**Donald Allan** - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Jim likes to talked about currency going the other way. And -- I'm supposed to be the optimist. But that's why we have him around.

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

Yes.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Mark, why don't you pass it to Nicole right there.

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**Nicole Sheree DeBlase** - *Deutsche Bank AG, Research Division - Director & Lead Analyst*

So it's good to hear that you guys can offset the tariffs impact completely. But maybe if you could talk a little bit about the quarterly cadence of that. Do you still expect 2Q to represent 29.5% of the full year, given that there's probably a little bit of lag between when the tariffs come in and when you can actually offset them? And then secondly, similar to the last question around the $300 million to $500 million, are there any costs to achieve that, that would keep that $300 million to $500 million to drop -- from dropping fully to the bottom line?

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**Donald Allan** - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Yes at this stage, we feel like the second quarter is in line with what we previously communicated. The back half of the year could change slightly as we get deeper into this, and if the tariffs do become a reality on June 1, as they appear they will be. But I don't expect that to be a major impact, frankly. It could be very modest, but I don't think it's going to change the quarterly profile very much at all.

As far as the -- the question was on the $300 million to $500 million and -- what was it, Dennis? The second part of the question?

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Cost to achieve.

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**Donald Allan** - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Cost to achieve, thank you. We think that we can manage, a lot of the costs will, frankly, probably be in capital expenditures. And we think we can manage that within our 3% to 3.5% of revenue that we'd like to achieve over the long term that was in one of the charts I presented. Now that doesn't mean we might not have a year where it's a little bit higher than 3.5% as we work through this. But we think it's -- the cost to achieve is at a reasonable level and would not result in anything that would be outside the bounds of what we're trying to do overall as a company financially.

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

We always have $50 million built into the base as well for...

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**Donald Allan** - *Stanley Black & Decker, Inc. - Executive VP & CFO*

For restructuring.

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

Restructuring every year.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

Martin?

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

Martin Sankey, Neuberger Berman. I'd like to ask 2 questions now. I'll ask one then the other, which will be unrelated to the first. I'd like to ask the bigger picture question with respect to Security in the sense that your predecessor was quite fond of saying that without Security in the portfolio, the Stanley Works would not have been able to make the Black & Decker deal, which was transformative to the company. And now it's 10 years later, Tools & Storage is a much bigger percentage of the revenue base. Security is now 15% plus or minus. The question becomes has Security now lack the mass within the Stanley -- or Black & Decker portfolio to provide the cyclical resiliency that it provided in the past? And how does the board think about that?

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

Okay. Well, your math is generally correct in terms of the portfolio weighting. And my predecessor was correct in the sense that in '07, '08, '09, it provided a very valuable buffer. Obviously with a weighting change -- and a matter of fact, it was greater than 50% of the operating margin, I believe, in '08. So with the weighting change, it -- of course, it's less significant. And we still think it could play a role in buffering, but it would be far less significant. I don't think that's the primary reason for owning Security right now. I think right now, we own Security because we're -- no matter whether we divest it or keep it, it's going to enhance shareholder value, in our opinion, if this transformation is successful. And we have every reason -- I think the optimism around that was conveyed. We have every reason to believe that there will be some sort of accretion associated with that major program, that major transformational program.

The board thinks about it the same way I think about it. And I'm on the board and we're -- it's got a year to go before we make a decision. And when we get to 2020, we will communicate a decision. And the one thing that we appreciate about that business is -- there were several things that we talked about as positives.

But it is a very unique asset in the sense that we have installation resources. We have field monitoring. We have service resources in the field. And in the old days when we were pulling -- technicians were pulling wire, it was relatively simple. Today, there are not that many assets in the world out there that can take so much of this technology that exists and apply it and also install it, service it, monitor it, et cetera. So we think it's a much more valuable asset in a transformed capacity than it is in its old capacity. And so we'll just have to see where it goes. I would not conclude that we intend to sell it and I would not conclude that we intend to keep it. We are open-minded, and we will be that judge in 12 months from now.

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

My second question is -- has more to do with the -- with the role of Stanley Black & Decker in the world. The tools can be a very macho place. And so how does -- how do you think about marketing to the -- to women and getting them to be participatory in the business? Because I'm thinking of a recent Wall Street Journal article in which they said most companies think about marketing to women by coloring the product pink. So how do you do that without ...

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

We tried that 15 years ago. It didn't work. Go ahead, Jeff. You finish up on that one.

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

Well, the -- if you think of the brands in our portfolio, they are prevalent -- some of them prevalent with the trades, which can be male dominant. It depends on what it is. And there are other brands that are lifestyle brands that are attractive to everyone and anyone. So I think we've made our products both accessible and achievable to a very, very broad audience. So if you look at the DEWALT shopper, as an example, it's probably 97% to 3%. That's kind of the way that breaks out. When you get to the Craftsman demographic, it's closer to 70/30, something like that because of the high level of outdoor included in it and so forth. You get to Black & Decker, very much closer to 50-50. So we serve really important parts, even in a -- you said macho category like tools. I appreciate that, but we don't think of it that way. We think of it as something that attracts all people to a really -- to a way to improve their life and improve their situation and add value. And so I think that's kind of our look at the market.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

All right. We're going to turn it over to Jim now to close the session.

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

I'll do this very quickly. We're 4 hours into this immersion into what is Stanley Black & Decker and where are we going. And I hope you can sense both the passion that we share for this company as well as the passion and the quality of the team. We highlighted that I think today. And I've always believed and I continue to believe even more strongly as time goes on that this is a very special company. And right now, our forward progress is tangible. Our positioning for future growth and success is excellent. We have a clear vision backed by a strong and meaningful purpose that is driving our momentum. And we're focused on strong cash flow generation, growth and operating margin expansion. We're prepared, as Don indicated, to tackle whatever external realities come our way.

In addition, we have the best set of franchises and growth catalysts in the history of our organization, a strong operating system in SFS 2.0, an integrated innovation ecosystem and a culture of values based on performance, innovation and social responsibility. And as we look to the future, we are well positioned to achieve our vision as well as navigate in this new age of industrial disruption that we're in.

So thanks again everyone for your attention today and your support of this company. And I'll now turn it back to Dennis for a couple of logistical items.

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**Dennis M. Lange** - *Stanley Black & Decker, Inc. - VP of IR*

So...

(technical difficulty)

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