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CORPORATE PARTICIPANTS

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

Kate Vanek
Stanley Black & Decker, Inc. - Director of Investment Relations

Jim Loree
Stanley Black & Decker, Inc. - EVP, COO

John Lundgren
Stanley Black & Decker, Inc. - President, CEO

Kate Bennett
Stanley Black & Decker, Inc. - Director of Investment Relations

CONFERENCE CALL PARTICIPANTS

Daniel Oppenheim
Credit Suisse - Analyst

Sam Darkatsh
Raymond James & Associates - Analyst

Will Wong
JPMorgan Chase & Co. - Analyst

Dennis McGill
Zelman & Associates - Analyst

Eric Bosshard
Cleveland Research Company - Analyst

Jim Lucas
Janney Montgomery Scott - Analyst

Nicole DeBlase
Deutsche Bank - Analyst

Peter Lisnic
Robert W. Baird & Company, Inc. - Analyst

Michael Kim
Imperial Capital - Analyst

PRESENTATION

Operator

Good morning, my name is Tracy and I will be the conference operator today. At this time I would like to welcome everyone to The Stanley Black & Decker fourth quarter full-year 2010 results conference call results. (Operator instructions) . Thank you. I'd now like to introduce and turn the call over to Ms. Kate Vanek, Director of Investor Relations. You may begin your

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Kate Vanek - *Stanley Black & Decker, Inc. - Director of Investment Relations*

Thanks, Tracy. Good morning everybody and thank you all for joining us for the Stanley Black & Decker fourth quarter and full-year 2010 conference call. On the call in addition to myself, is John Lundgren, President and CEO, Jim Loree, Executive Vice President and COO and Don Allan, Senior Vice President and CFO.

I would like to point out that our fourth quarter earnings release, which was issued this morning and a supplemental presentation which we will refer to during the call, are available on the investor relations portions of our website, www.stanleyblackanddecker.com. This morning, John, Jim and Don will review Stanley's fourth quarter and full-year 2010 results and various other topical matters followed by a Q&A session. The entire call should last approximately an hour. The replay will begin at 2.00 pm today. The number and access code are in our press release. As a reminder, you can download the earnings replay as a podcast from iTunes and set up subscription for future replays going forward. And as always please feel free to contact with me with any follow-up questions after today's call.

The necessary comments here, we will be making some forward-looking statements during this call such statements are based on assumptions of future events that may not prove to be accurate and as such they involve risks and uncertainties. It is therefore possible actual results may differ materially from any forward-looking statements that we might make today and we direct you to the cautionary statements in the 8-K that we filed in today's release and in our most recent 34F. With that I will now turn the call over to our CEO, John Lundgren.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Thanks, Kate and thanks for everybody who has joined us this morning on another beautiful but very snowy morning for those of you who are calling in from the northeast. Just to highlight fourth quarter and full year on the first slide, all of which was in our press release, but I think important and worth repeating. Fourth quarter pro forma revenues up 10% to $2.4 billion, 5% organic with a modest adjustment in that number which we think makes the most relevant comparison to adjust for the Black & Decker fiscal calendar moving in sync to the Stanley Works fiscal calendar. Fourth quarter deluded EPS of $1.05 on a GAAP basis that's $0.81. The $1.05, of course, excluded the one time charges primarily related to the merger which was an impact of $0.24 or $39 million. Full-year pro forma revenue increased 11% and we are quite encouraged with organic growths of 7%. And full-year diluted EPS, again, excluding the merger-related charges of $3.88 and on a GAAP basis including all those charges of $1.32.

So relative to our annual guidance and our implied fourth quarter guidance, volume was essentially -- was essentially flat. We achieved $10 million more in synergies which accounted for about -- in the fourth quarter -- which accounted for about half of the over achievement and the other half of the over achievement was split between tax and lower restructuring costs. A few notes out early this morning attributed all of the over achievement to tax and that simply is not correct. Don will give you some more granularity on that. So, about half of the over achievement due to synergies and half due to a combination of restructuring charges and taxes. We were really encouraged with cash flow, $935 million, Jim is going to give you some granularity on that later in the presentation, and I think of tremendous importance to everybody the integration's proceeding well. I'm going to talk a little bit more about it a little later. SFS is taking hold, legacy Black & Decker working capital turns were up 12% in 2010 and we're only just beginning to embed this across the entire country.

Cumulative synergies, we have now projected at $425 million by the end of 2012, which is a significant increase from our original estimate of $350 million by March 2013. So, an excess of 20% more cost synergies three months sooner than be we predicted and projected when we put these two companies together a year ago. We have also given our first formal estimate on revenue synergies. We have identified $300 million to $400 million by 2013, more from Don a little later in the presentation on that. And next year full year diluted EPS guidance between $4.75 and $5, again, excluding the one-time charges, and we're projecting cash flow to be $1.1 billion in -- or certainly in that neighborhood. So tremendous growth, profit -- both profit and volume growth opportunity going forward.

Let's look quickly at the geographies. Essentially, good solid growth in all but two markets which accounted for only 8% of our -- of our combined revenue in total. First and foremost at our largest market, the US, 3% growth in the fourth quarter, all on a pro forma basis which we think is obviously the most helpful way for you to look at the progress as we put the two companies together relative to year ago. US does account for 54% of our revenue and it grew at 3% in the fourth quarter. Moving over to Europe, accounting for 26% of our revenue, it grew at 4% -- a lot of mixed performances within Europe. You're going to hear more about that from Jim. Really strong performance in Latin America, up 26%, it now accounts for 7% of our total. Continued strength in Asia up 15% and it's now 5% of our total with only two markets, Australia and Canada, showing modest 1% or 2% organic revenue declines and respectively Canada accounts for 6% and Australia about 2% of our combined revenue. So, growth driven primarily across all regions of the world, emerging markets represent now about 11% of our total. But that is still significantly under-weighted versus many diversified industrials where we would estimate approximately 20%, and in some cases as high as 25% or 30% of revenues, would come from emerging markets. And as a consequence, it should come as no surprise that a lot of the growth initiatives we are going to talk about going forward will be focused on these emerging markets and our ability to capitalize on our very strong position in Latin America and our increasingly strong position throughout Asia.

Looking at fourth quarter results, earnings increased 15%, excluding the one-time costs consistent with our financial objectives, and the primary driver was $60 million of cost synergies realized during the quarter. That gave us $135 million of synergies for the year versus the $90 million that we originally projected, and as I've already said, fourth quarter was 10% higher than we had projected and we simply couldn't be more grateful and more pleased with the synergy team leaders, the business sets and the functional heads who are working so hard to drive these synergies and who at this -- who up to this point in time are executing so well against what we think are very aggressive objectives.

Looking at operating margin, you see fourth quarter '09 of 13.4%, 10.1% on a pro forma basis versus 11.2% this year. So, down 220 basis points on a GAAP basis and up 110 on a pro forma basis which we think is more relevant. Jim's going to give you quite a bit of granularity on that so I won't spend much time other than to say that CDIY margins were relatively flat, a modest decline. Security was down, offset by really strong performance in our industrial segment -- right across the board -- industrial and automotive repair, engineered fastening, and our new infrastructure segment, both CRC and hydraulics which has been part of the portfolio for quite a while, posting very strong -- very strong performance. Tax rate of 13.4%, and I've said the tax rate contributed to slightly less than half of our over achievement versus where we guided. And you see the share count -- the effects of the share count roughly 2X where they were a year ago due to the merger.

Moving onto the sources of growth in the fourth quarter, 5% organic revenue growth on a pro forma basis driven by market share gains in our industrial portfolio of very successful introduction of 12-volt lithium ion product and, as I've already suggested and indicated, really strong performance in the emerging markets. Looking at the two charts left to right, left is as reported. And I think it just makes sense to walk you through that. And the right is a better view of what's going on in each of the legacy businesses on a combined basis, both segment by segment. So looking at the left real quickly, volume was up 5% in the fourth quarter, price was flat, giving us organic growth of plus 5%. Currency was a 1% headwind and acquisitions accounted for 145%, the overwhelming majority of that 133% -- obviously was the inclusion of Black & Decker. More importantly on a segment basis, Don's team's been able to break out both legacy Stanley, legacy Black and Decker on a pro forma basis which we think tells you a lot more of what you really need and want to know -- hand tools fastening, worldwide power tools -- both legacy companies showed 4% organic growth in the quarter, as previously suggested, really strong performance in both industrial segments. You have Proto, Mac, [succumb] and as well as the infrastructure businesses included in that segment. And then security and HHI, legacy Stanley was off marginally, legacy Black & Decker with continued strong performance on Kwikset and several other businesses up marginally. But for a total, quite symmetrical. Both legacy companies showing 5% organic growth in the fourth quarter, which was consistent with where we thought we would be and we are pleased with that achievement.

No quarterly earnings report or call would be complete without an update on the integration and we'll obviously field any questions that we are able to. Importantly, the -- we've -- anything -- we've done anything but let up on the rigorous integration process discipline that's been in place for the last year, specifically the steering committee rhythms continue, integration remains our top property, the integration steering committee meets -- continues to meet every two weeks, six of our most senior executives including Jim Loree, Don Allan, know Nolan Archibald and myself participate regularly in that session to be sure we understand what's going on. And we look at numbers globally and then at each session we do a deep dive on either a business or a function to reassure ourselves that all programs are on track, that the synergies in place or if they aren't, we can dedicate more or reallocate resources to ensure they get back on track. Don's team has done a great job in enhancing the database. The business leaders now have the information they need much quicker so they can use it to make decisions. And it's been a heck of a lot of work getting there. We are there and that, of course, is facilitating the process nicely. Last but not least, we had the official roll-out on January 11th of the Stanley Fulfillment System across the entire Company. Pervasive internal communications and educational platforms are in place. You'll recall that we did this at legacy Stanley in 2007 and we have an even more comprehensive program based on three years of learnings that we are now driving across the entire Company. So, we think there's a tremendous opportunity yet on the expanded base to leverage the impact and all the benefits of SFS.

Cost synergies are going to exceed our original target. We have -- hardly declaring success or early victory in that we've got a lot of heavy lifting yet to come. Phase one projects that are complete include the combining of the sales organization in both CDIY and our mechanical security platform, combining North American parcel agreements, the corporate officer combination, and all the corporate synergies as well as risk management and audit fees. But the difficulty and the intensity of the synergy projects will increase as we go forward. Some of the first half projects will include benefit harmonization. The work is done. The HR team has worked tirelessly to make this happen but now it will actually be implemented and we have some plant and DC closures before us in the first half. We will not provide any granularity on the specifics because the policy that serves us well -- and I know you will understand -- until our specific employees, or in certain cases works counsels and others have been informed, it's nothing we're in a position to talk about externally. However, we've been clear all along that some of that exists and we're getting on with it in 2011. We've done it before. We're quite optimistic that the programs are in place to do it correctly and effectively and we'll keep you updated as those programs progress.

Last but not least, there's been a lot of interest in revenue synergies and in our announcement this morning we have formalized the $300 million to $400 million run-rate by 2013. Key top line growth opportunities have been identified around the globe. Don's going to talk a little bit more about that but primarily they're coming in four buckets. CDIY is going to be a half to two thirds of those synergies, which understandably so. And the remainder of those synergies will be split evenly between the industrial and security platforms. I think an interesting point is they're going to be funded primarily by CapEx, which implies, as you probably figured out in looking at the 2011 guidance, that a very high percentage of the cost synergies will fall to the bottom line and we are very, very encouraged that we're in a position to do that or project that. And needless to say, the investments that we're going to make in 2011, both in capital and in brand support and product development, are going to drive these projects to fruition in 2012, 2013. Don will talk about a very small amount of these revenue synergies are included in our guidance for 2011. Let me turn it over to Jim who's going to give you first some important details -- more important details on the segments, and I think of equal or perhaps even greater importance is he will talk about the impact of the Stanley Fulfillment System, what it's having on working capital and the impact it's having on our cash flow.

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

Okay. Thanks, John. CDIY had a solid quarter in the face of continued sluggish market conditions, but stable market conditions in North America and Europe. The story here was successful integration, as John mentioned, and maintaining focus on the core business. Total revenues were up 274% to $1.273 billion. As John mentioned, organic growth was 4% in hand tools and fastening and 4% in the legacy Black & Decker businesses. The hand tools growth was driven by a successful Bostitch hand tools launch last year as well as strength in Latin America. And the power tools story has a lot to do with the very successful 12 volt compact lithium ion launch that occurred late in the third quarter of last year across the three brands, DeWalt, Black & Decker, and Porter Cable, as well as strength in Latin America, which John did highlight. And all of this offsets -- more than offsets market weakness in developed countries.

Moving to the segment profit rate, it was down 60 basis points year-over-year with fourth quarter '09 shown at 11.9% -- that's legacy Stanley only and that will be the format for all three segments that I talk about. But I will mention that pro forma profitability in 4Q 09 was 11.8%, so very similar there. The story in terms of the rate contraction was that there was some negative price about a point in negative price and there was some inflation. So, the price inflation arbitrage was a bit of an issue for these folks in the quarter. And then there was a slight effect from the mix of power tools as well.

The -- I'd like to highlight for a minute the growth in Latin America. Legacy Black & Decker in Latin America where they have that infrastructure already in place -- and had it -- was up 28%. Legacy Stanley was up 36%. So, there's a tremendous growth story down there. And just stepping back for a minute and looking at the total Company in Latin America, organic growth across each of the six subregions, meaning Brazil, Argentina, the combination of Chile and Peru, Colombia, Mexico, and Central America, none of those six subregions had growth -- organic growth of less than 20%. So you can see a tremendous story there. And then going back to CDIY, I think we're very well positioned for a strong 2011 with a combination of slightly better markets and an array of new products, some carrying over and some yet to come in the coming months, revenue synergies, and benefits from SFS. So, these folks have -- are hitting on all cylinders and moving in the right direction. Big part of the Company.

Security. They had a respectable in-line quarter. Revenues were up 10%, driven entirely by the SSDS acquisition and operating margin was up 17%. Revenues were $565 million, organic revenues were down a point, consistent with Don's guidance on the last conference call, and segment profit was down 330 basis points to 16.6%; however, when you add back SD -- the effect of SSDS, the French ADT acquisition and GMT, a Chinese hardware acquisition, which we announced concurrent with the press release, it was really 17.7%. So, you compare 19.9% to 17.7% and essentially what you have there are volume issues and mechanical as well as some inflation and a really tough 21% prior year comp in electronic as well as mixing into larger customers in CSS. However, when you look at it on a pro-forma basis, that 19.9% becomes 17.7%. And so when you compare the 17.7% pro forma to the 17.7% adjusted, excluding SSDS and GMT, you have essentially, on a pro-forma basis, a flat margin rate performance. And that -- some of the issues that I talked about in MAS and CSS were completely offset by an excellent performance in HHI, and that's what drives that. So despite there weak markets and few other issues, security grew their operating margins 17%. We think they're well position for growth to resume in the first half, which will start with CSS, and then I think by the second half of next year we hope to see some resumption of grown in mechanical as well.

Moving on to industrial. Once again, industrial was the star of the quarter. Their overall revenues was up 144% to $575 million. Organic growth was up 18%. Segment profit was up 219% to $85 million. If you look at the organic growth, the legacy Stanley industrial part, which is primarily industrial automotive repair also hydraulics, was up a whopping 18%. And the legacy BDK business, which is Emhart, was up 10%. We think there was a fair amount of markets share growth. When you look at the total segment on a pro forma basis, there was 12 points of organic growth. We think half of that was share gain which occurred in industrial and automotive repair, North America and Europe as well as Emhart. And then about a third of the growth of that 12 points was market related and about two points of restocking. So, the restocking that we experienced in previously quarters has essentially come to completion at this point.

Segment profit was up nicely from 11.3% to 14.8%. Without Emhart and CRC Evans it would have been 12.7% so still 140 basis points of nice growth deriving from the legacy business. And that's obviously a lot of operating leverage involved there. And as I mentioned before, we included CRC and that added 150 basis points to the margin rate. And incredibly, CRC in its first full quarter with Stanley Black & Decker grew its organic volume 50 -- over 50% and the hydraulics revenue as well and the infrastructure segment was up over 50%. And that was by a rebounding scrap steel market. So, industrial continues to perform exceptionally well and it continues to gain momentum.

Now we'll talk for a moment about working capital. The journey to extract cash out of the working capital in the combined Company has definitely begun, and as John mentioned, we have already begun to make some progress. In total, $133 million of cash in 2010 was generated by working capital improvement. And if you'll recall, the combined Company's working capital turns were 4.6 in the third quarter, moving to 5.7. And on a pro forma basis they were 5.2 and they improved to 5.7 so about a 10% improvement in the turns. But the big news here is what's ahead. Just two weeks ago we rolled out the Stanley Fulfillment System to 200 top executives in the Company -- the training, the communication, all the programmatic elements -- just as we did back in January '07 when legacy Stanley was sitting in the mid fours and ultimately brought that up to almost eight turns over the succeeding two or three years. So this is just rerunning the tape, better -- slightly better, more improved execution, we think, because we have the experience under our belt and it's a huge opportunity which we have a high level of confidence which we can execute. Now I'll turn you over to Don Allan and he'll take you through cash flow and some other items.

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

Thank you, Jim. On page 13, I'd like to walk through our free cash flow performance which does exclude special charges. As John mentioned earlier, $935 million of free cash flow for the year, $451 million in the fourth quarter. And you can see that the impact of working capital that Jim was just describing in the fourth quarter positive inflow of $318 million and for the year, $135 million. So clearly we are beginning to see the benefits of this merger on cash flow and it's really beginning to demonstrate the power of the merger and our ability to generate significant cash flow in 2011 and beyond.

Moving to the next page, I'd like to talk briefly about long-term capital allocation strategy. Many of you are aware of our strategy that's been in place since 2004 and has four primary objectives, the first of which is to target a strong investment grade credit rating and we have done that over the years and we will continue to do that. Our current adjusted debt to cap ratio is slightly under 30%, right where we anticipated it to be at this stage of the merger. The investment of our free cash flow -- we'd like to take two thirds of that and put it into acquisitions over the long term and one third of it goes back to shareholders even through dividends or occasional share repurchases when the opportunity arises. And, of course, we are committed to continued dividend growth over this time frame as well. But I will remind everybody that these allocations of one third and two third are not rigid annual formulas. They are things that we look for the long term objective and actually since 2004, Stanley has returned almost 48% of its free cash flow to shareholders either through dividends and occasional share repurchases. So, we are actually slightly ahead of the pace there on that particular ratio. But we also recognize as a company that our Company is changing dramatically and the cash flow performance excluding special charges of $935 million in 2010 which was $550 million approximately with special charges. And with very little special charges occurring next year, as you'll see, the free cash potential here is quite significant and it will be going beyond 2011 as well. So we are beginning the process, in our February Board meeting, of assessing the timing and the magnitude of a dividend increase. As many of you know, historically, we do that in July. And this meeting will be an opportunity for us to discuss a potential increase and the timing of that. Some more information to come on that in the future.

Moving to cost and revenue synergies -- as John mentioned, we have indicated that we are raising our cost synergies to $425 million and a slightly quicker time frame than originally anticipated. If those of you remember back in November of 2009, we indicated $350 million of cost synergies, year one was $125 million, same in year two, and in year three was $100 million. As you see here on the page, we just recorded $135 million in 2010. We expect to have $165 million in 2011, and that's included in our guidance which I'll review in a few minutes, and then in 2012 approximately $125 million to achieve that $425 million. Looking below that in a little more detail, if you remember also back in November of 2009 we broke it into four different categories, manufacturing and distribution, corporate overhead, purchasing or sourcing, and then business unit and regional consolidation. The original estimates for manufacturing and distribution were $45 million. We now believe it's $85 million. And that's primarily due -- as we have gotten deeper into the integration looking at the CDIY businesses of both legacy companies as well as the HHI and hardware and mechanical access businesses of Stanley, we have found more opportunities throughout the supply chain and manufacturing footprint to consolidate various activities which we are quite excited about. But clearly those are difficult projects that take longer to do and really will be one of the main focuses, as John mentioned, for 2011 to ensure we're successful with those integration projects.

Corporate overhead was $95 million, originally and still is $95 million, so we expect our estimate to hold there. And then purchasing, originally $75 million, is now up to $100 million as we have found a lot of excellent synergies in the indirect spend area. John mentioned freight in 2010. We have made a lot of progress there but also in the direct spend area we continue to find additional synergies which allow us to feel comfortable with that $100 million estimate. And then the business unit and regional consolidations up slightly from $135 million original estimate to now $145 million. Is -- as we put the teams together around the world, slight improvement in that estimate. So in total, as I mentioned, $425 million when you back out the $95 million of corporate, which leaves you about $330 million. Just the rough estimate of segment split -- about 70% of that would go to CDIY, 20% to security, and then the remainder to industrial.

Moving to the right side of the page, revenue synergies is something that, as you know, we've been very excited about and this is our first communication around some numbers in this particular area. As John mentioned, we think revenue synergies will

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range between $300 million to $400 million by 2013. This implies an incremental EPS impact of about $0.35 to $0.50, which is an implied 25% operating margin. So, we feel very good about where we are in the process of beginning to execute on revenue synergies. A little more flavor on the estimate by type. As you remember back in November 2009, we talked about different potential revenue synergies and they're starting to come to life. The first is geographic expansion. Latin America is the opportunity that we've all talked about for over a year and it clearly is coming to light in the estimate that we feel we will achieve in revenue centers. We think about 30% of the top estimate I just reviewed will come from that type of expansion in Latin America, other emerging markets around the world such as eastern Europe, the Middle East and China as well. And it's really leveraging that infrastructure that exists in either one of the legacy companies and the different products that now exist across our whole company.

The next area is channel and cross selling which is really taking the existing products that we have and funneling them through different channels where they might not be as strong today. We talked about the IRR business as an opportunity to take power tools into that channel and that's something that we see as a great revenue opportunity and that would be in that category. Brand expansion -- take the great suite of brands that we have, the powerful brands of DeWalt, Stanley, et cetera, Black & Decker of course, and utilizing them in different product types and categories and channels and expanding that across the globe is another 30%. And then jointly taking our new product development skills and expertise across our new combined company and really leveraging new product opportunities is the remaining 10% to get to that range of $300 million to $400 million. The segment split is about two thirds. CDIYs, as you'd imagine is the vast majority is in CDIY and the remainder is split between our industrial and security segments. Our great opportunity for us going forward and we really looking forward to the execution of that over the next two to three years.

Looking to page 16, to give you a little more flavor on our outlook for 2011, after this page I'll walk through a little more detail the high level assumption. But I also want to give you a sense of the three different segments, what we actually are seeing, and what we expect to occur in 2011. First starting with CDIY. We do expect mid-single-digit pro forma organic revenue growth in 2011. We've experienced about 7% pro forma organic growth in 10%. So, clearly there are trends and momentum in that business that we actually believe will continue throughout 2011. One of the main reasons we feel really good about it is all the new different product launches -- new product launches that have occurred. You've heard about the 12-volt sub-compact lithium ion products that have been rolled out in the last three to six months. Those will continue to roll around the globe but we are also expecting to get significant share gains from other new products in our pipeline that will be rolling out in different parts of the world as well as expanding our brand, as I mentioned, as a revenue synergy. Looking geographically in CDIY, we expect revenue to grow in all regions of the world but clearly Latin America will outpace the rest of the world because we really see that as a significant opportunity. One reminder around operating margins for CDIY, we had significant operating margin rates in the first half of 2010 due to much lower promotional spend because of some uncertainty around the merger and the timing as we will return to a more normal spend rates in the first half of 2011. So it will be a bit of a headwind but clearly for the full year the CDIY operating margins accretion will be significant as is expected.

Moving to security. As Jim mentioned, security has struggled a little bit from a top line perspective but considering the economic dynamics, the fact that they were only down 1% pro forma organic revenue in 2010 is actually a pretty healthy performance. We do expect them to turn to a positive growth in 2011, but it will be low single pro forma organic revenue because the markets that they serve, in particular construction -- commercial construction where the mechanical access business as a significant presence, will likely continue to be sluggish at least through the first half of 2011 if not for the entire year of 2011. They are looking at various different new product opportunities and clearly revenue synergies across selling with the HHI business that could leverage and offset some of those market dynamics and really minimize that impact. Our convergent business -- we expect to have organic growth in 2011 at a more significant pace than mechanical access because we do expect installation revenue growth to return and we also expect the national account market to get stronger as the year progresses. The health care solutions performance was strong in the fourth quarter, up 7%, and we would anticipate that that growth rate would continue in 2011. HHI, our residential hardware business, in particular, will probably have some -- a bit of a struggle from a top line perspective. It will be up modestly but there are various new product launches and expanded distribution channels through some revenue synergies that will offset any sluggishness in that particular area.

Moving to industrial, a great year in 2010 for industrial pro forma organic revenue up 23%. We do expect the revenue growth to turn to something that maybe is more historically typical for this industry, more in the mid-single-digit growth rates. But even with that, we have a lot of exciting things going on there. Jim talked about the expert tool launch in our industrial and auto repair tool business back in October in our Q3 earnings release. That's going to begin to expand across the globe in different markets and emerging markets as well that will drive some growth. We don't expect restocking to occur in 2011. It has pretty much ended and the levels of inventory that we do see in our customers and end users appears to be healthy and appropriate. Engineer fastening and part has been very strong in 2010. Global automotive production around the world is expected to rise by 5%, so therefore we expect our business to grow as well as gain some market share along the way. And then, of course, last but not least, CRC Evans started out very well here as part of Stanley Black & Decker and we expect there to be continued growth in offshore markets that will drive top line performance for them as well.

So let's move to the overall guidance for Stanley Black & Decker for 2011. First of all, the vast majority of what I will show you here excludes the various merger and acquisition-related one-time charges. So, our EPS guidance for the year is $4.75 up to $5 EPS. It's based on sales growth assumption. First of all, net organic sales going up 5% to 6% off a pro forma level of $9.3 billion. So, if our Companies have been combined for the entire year of 2010, our revenues would have been $9.3 billion. Revenue synergies will add about an incremental 50 basis points to 2011 revenues with a relatively modest EPS impact. We will be making investments to really build certain infrastructure and certain organizations to maximize the value of these particular revenue synergies in 2012 and 2013. The acquisition revenue impact of CRC Evans, SSDS, GMT and InfoLogix will approximate about 3% growth off that pro forma number. So, in total that's about 9% growth if you use the midpoint of 5% to 6% for organic. $165 million in cost synergies, as I mentioned previously, due to the merger. And then operating margin we expect -- operating margin rate we expect to expand by 150 basis points versus the 2010 rate of 12.6%. Embedded in there, though is there clearly is a significant negative impact related to the inflation price arbitrage. We are seeing significant increases in various commodities, in particular, steel, resin, and copper, of anywhere from 10% to 20% currently with the anticipation that it likely will go up further from there. As a result, we actually believe there will be a drag of about 100 basis points, offsetting a portion of those synergies. But still, a very healthy operating rate improvement year-over-year from 2010 by -- up by 150 basis points. The tax rate will approximate 25% to 26%. If you adjust for all the you unusuals in 2010, our tax rate was 24.6%. So relatively in line with what happened in 2010.

We will likely have some non-merger and acquisition related restructuring activities which will approximate the 2010 level of $25 million. So, flat year-over-year. And then the charges associated with the acquisitions that I mentioned up above, as well as the Black & Decker traction, will be up approximately $105 million -- $90 million of which is restructuring and related, and then $15 million is SG&A and other types of costs. So, significantly lower than the 530 -- or $540 million that we saw in 2010, but still quite significant. As a result, free cash flow will approximate $1.1 billion which excludes those special charges that I just mentioned and a couple assumptions associated with that. Our capital expenditures will increase in 2011 due to investments that we need to make related to revenue synergies that John touched on earlier in the call. So our typical ratio has been -- we like to spend anywhere from 2% to 2.5% of revenue. In 2011 we will likely spend between 2.5% and 2.8% of revenue. But that will be a one-year phenomena and we will return to more historical levels back in 2012. Additionally we do expect a modest improvement in working capital. Approximately a half turn improvement year-over-year as we continue to see some of the early benefits and early wins of the Stanley Fulfillment System.

So to conclude the presentation portion of our call this morning, the potential for strong organic growth and profit growth in 2011 and beyond is clear but it's also clear that this achievement is very contingent on us continuing to be successful with the integration of Black & Decker merger and that -- Black & Decker merger -- and that is very high priority for us. The increased cost and synergy targets -- we're very excited about that and really is driving enhanced profitability in the Company as you saw in the guidance. The revenue synergy target has been identified and we will be providing more details around these opportunities at our analyst day in New York City in March. Jim mentioned and John mentioned that in our annual management meeting on January 11th we really re-launched, kicked off the effort of the Stanley Fulfillment System and the opportunity in the path for improvement across our whole Company and you can definitely see and feel people embracing it Company wide. And then last but certainly not least on this page, $1.1 billion of free cash flow for 2011. I will say our acquisition pipeline is very robust but we also recognize how significant this integration is and it needs to be our top priority as we progress throughout 2011. So with that, we will move to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator instructions) . And your first question comes from the line of Dan Oppenheim from Credit Suisse. Your line is now

Daniel Oppenheim - *Credit Suisse - Analyst*

Thanks very much. I was hoping you could just talk a little bit more in terms of the expectations for the margin erosion based on price and inflation. Is that based on the historical relationship of capturing 80% of commodity costs and such? Is there something else driving that and does the view change at all based on the acceptance of the Black & Decker products that are coming now from that success?

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Dan, I think that's a great question and clearly our current estimate is we definitely have some price recovery against that inflation but at lower levels than what we have historically seen at legacy Stanley. As you know, legacy Stanley had a track record of recovering about 80% to 85% of inflation over various inflationary time periods. In this particular case, we think we're looking at about one third to 50% recovery of inflation at this stage. We have different dynamics now in our new combined company. Clearly, there's a whole set of individuals that need to learn the different rhythms or center of excellence that we have around pricing and the processes and how we go about do that -- go about doing that.

Second, the competitive dynamics are much different on the Black & Decker side of our company than the Stanley hand tool side. There's three or four significant competitors that we need to factor in as we make pricing decisions around inflation. So, we need to be aware of that as part of the decision making process.

And also when you look at the business as well, it is clearly a significant part of our company, Black & Decker, and has various commodity components to it just like Stanley hand tools does. So, it's going to have more of an impact from things such as if the R&B gets revalved as well. That's a risk in that number. And so there's various different things that we need to consider as part of this.

But over the long term, we anticipate that we will drive a lot of these rigors and rhythms into the company across the entire globe and across the entire businesses but there's a transition that needs to take place. And you also have to combine it with the last factor that I didn't even touch on -- is that we are catching up a little bit on the technology side with some of our products in Black & Decker and DeWalt in particular. And when you have that bit of a disadvantage in a few of your products to the competition it makes pricing even more difficult. So, all those factors need to be considered and why we will have some pressure in 2011 related to that inflation price arbitrage.

Daniel Oppenheim - *Credit Suisse - Analyst*

Great. Thanks. And the second question, just wondering you talked about the -- looking at the dividend, wondering what the thoughts are in terms of share repurchase would be at the times you look at the free cash flow coming in for the year?

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

I'm sorry. When would we do what?

Daniel Oppenheim - *Credit Suisse - Analyst*

You talked about -- talked about the dividends in terms of looking at that but given the free cash flow coming in, what's the thought on share repurchase?

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

I think share repurchase for us is always opportunistic. We look at the stock price, we look at our free cash flow performance, we also have to consider the pipeline of acquisitions and kind of counter the balance between the two of making that decision. Right now our priority is to focus on the timing and the magnitude of our dividend increase and as the year progresses and those different factors evolve, we obviously will continue to evaluate share re-purchases.

Daniel Oppenheim - *Credit Suisse - Analyst*

Thanks very much.

Operator

Your next question comes from the line of Sam Darkatsh, Raymond James. Your line is now open.

Sam Darkatsh - *Raymond James & Associates - Analyst*

Good morning, John, Jim, Don, how are you?

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Good morning.

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

We are colder than you, Sam.

Sam Darkatsh - *Raymond James & Associates - Analyst*

Considerably. My blood is thin, though, so that balances out. A couple of real quick questions. First off, in the incremental synergy savings, it looks like a big chunk of it's coming from manufacturing and distribution, I guess, about $45 million incrementally versus your prior views which is a big deal. I mean, that's 5% of annual earnings or so. It's notable given that you really don't have a whole lot of product overlap with the two primary businesses, so it -- could you give a little bit of color as to why such a large incremental savings is now expected in that particular subset and I've got one follow-up too.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Yes, as I alluded to, Sam, and Jim may want to provide a little more color -- it's more in distribution than manufacturing for exactly the reason you cited. These are hand tools and power tools are different processes.

That being said, as we have understood the legacy Black & Decker footprint a little better and we've touched on, there is an opportunity to produce Stanley hand tools in legacy Black & Decker facilities in certain geographical markets that not much of that goes the other way. But what's of tremendous value is the opportunity to combine more distribution centers, we think, in a low risk way, run them in parallel until we need to.

I mean, specifically we are serving the same end users and the same customers and the same channels and the same geographies and as we learned about third party warehouses and things that are outsourced that we have the opportunity to insource, there's a tremendous amount on the distribution front. So, it's skewed in that direction.

As it relates to specific facility closures that we weren't sure we could -- we thought we could look at but did not include in our original estimates, I will just apologize and revert to what I said earlier -- until we have -- depending on the geography, until we have talked to employees and or works councils about those plans we can't talk about them externally. But we -- I think if you know our track record well, we have a high degree of confidence that there are a couple plants that we've added to the list of potential consolidation that weren't there this time last year. So, overwhelmingly on the distribution side, little bit avoiding constructing hand tool plants and then the opportunity to consolidate a couple facilities in different geographies.

Sam Darkatsh - *Raymond James & Associates - Analyst*

Yes, and the only follow-up I have, Don, I notice you didn't mention the R&B at all but that FX is likely to be flat or expected to be flat. Is any anticipations of a revalue there going to be inherent within your inflation expectations or how should we look at that relationship?

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

Yes, we have estimated within our inflation estimate a potential R&B adjustment of anywhere between 3% and 5%.

Sam Darkatsh - *Raymond James & Associates - Analyst*

Okay. Thank you.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

And Sam, I'll just add as I'm sure you and others understand, while that places some pressure to the extent that the R&B becomes stronger, many of our customers are going to see that -- are going to see materials and pricing pressure from private label suppliers where 100% of the product is coming direct from China. It doesn't change our view and Don's, I thought very, very active and helpful explanation on the 100 basis points of arbitrage that we think will be behind for at least a year.

That being said, the more our large customers are seeing meaningful inflation that's R&B driven, obviously the -- it makes it easier for us to have a price conversation and that's going to help mitigate a lot of the pure impact of raw materials inflation.

Sam Darkatsh - *Raymond James & Associates - Analyst*

Thanks much.

Operator

Your next question comes from the line of Michael Rehaut JPMorgan.

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

This is actually Will Wong for Michael.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Hello.

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

Mike is not here right now. But just a quick question on the CDIY margins. You guys mentioned that in 2010 you had lack of normal promotion spend. Can you sort of talk about what you're seeing for the first half of '11 in terms of what you think a normal promotion spend would be?

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

Yes, well, what I was referring to is that in our guidance I wanted people to recognize that in the first half of 2010 there was very little promotional spend in the Black & Decker part of our company, because there was a lot of uncertainty around the timing of the closing of the merger, there were decisions being made by individuals, et cetera. So, the promotional spend was not at the level that you would typically see. In 2011 we expect that to return to normal levels.

As far as an actual estimate, it's not something that I have at my fingertips but it's not minor, by any stretch of the imagination. I'm sure Kate can follow up with more details on that afterwards.

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

Sure and then just a follow-up question too. You guys broke out some of the revenue synergies by 2013 and you have channel cross selling and brand expansion as making up 60% of that revenue synergy. Can you just go into a little bit more detail, as you guys have that, in terms of brand expansion? Where do you see that happening as well as the cross selling? Is there any cannibalization that you see?

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

I'll talk about it generally but specifically if you've followed us, and I know Mike has and you have too, until we have presented it to a customer and you can find it at a customer level, we are not going to talk about it externally on an earnings call. But brand expansion is an example of things that are in the marketplace that have already taken place is a DeWalt hand tool introduction in certain channels. That would have never happened before these two companies came together. That's one that's in the marketplace, that people have seen, and that's just a really good example of something. Cross selling, again, we've talked about -- I can talk about what's happened historically. Cross selling something as simple as legacy Black & Decker is extremely well established in the staff-to-channel with its powerful, powerful DeWalt business. Legacy Stanley hand tools, despite being number one or two in almost every category, is underdeveloped in the staff-to-channel. So, as the -- historically the DeWalt salesperson is selling DeWalt power tools in the staff-to-channel, there's the opportunity to sell more Stanley hand tools at the same time. So those are one example that we've already put forward of brand expansion and cross selling that essentially is in the marketplace.

Anything new, with apologies, we have a policy that says we are not going to talk about those externally until we have talked about them to our customers and that's served us well in the past and we are going to stick with that.

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

Okay. Sounds good. And just my last question is in terms of interest expense and other net expense as well as corporate expense, do you guys have any more color on that in terms of how we should be thinking about that?

Kate Bennett - *Stanley Black & Decker, Inc. - Director of Investment Relations*

I'll follow up.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

If you could follow up, Kate. She will be happy to provide you that information.

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

Thank you, guys.

Operator

Your next question comes from the line of Dennis McGill from Zelman Associates. Your line is now open.

Dennis McGill - *Zelman & Associates - Analyst*

Good morning and thanks for all the great information on the outlook. Was just hoping to push you guys a little bit more on the free cash/usage of that.

You'll probably be somewhere in the $2.5 billion range on the books at the end of this year and even if you doubled the dividend, you would still be over $2 billion and it sounds like you're rightfully very focused on the BDK acquisition. So, nothing large on the acquisition front. And there's more free cash flow behind that as we move forward. So, I'm just trying to better understand the share repurchase comment because it sounded like that was more of a small impact this year, if any, and trying to figure out how you guys think about the good problem of too much cash.

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

Well, the good problem is a great problem for anyone to have and it's a high class problem, but the -- one of the things that we are a little -- I think it's a huge opportunity for us is to get our yield back up to a point where we think that it's attractive to a certain type of investor that is very -- has historically been very interested in owning our stock.

And right now we are hovering around a 2% yield and we are about 50 basis points or so below where we wouldn't normally be. And part of that has been the stock price appreciation, which has been driven by the earnings and the cash generation, so it makes perfect sense. And that's why reevaluating the dividend is our number one cash deployment -- issue right now or opportunity. And then secondly, as Don mentioned, when it comes to re-purchases, we generally look at them opportunistically.

The first thing to understand is, of the cash on the balance sheet, virtually 100% of that is overseas, and cannot be accessed for things like re-purchases and dividends unless we repatriate it which we are not likely to do anytime soon because of the current tax policy. Now, if the tax policy were to change, your hypothesis would be a lot more in terms of -- the magnitude would be a lot more appropriate or relevant in this particular case. So, we don't have this mountain of cash that we can just simply return to the shareholders.

What we will do with the international cash is continue to look at -- it's very fortunate that where we'd like to grow is internationally in security and in some of the other platforms. So, we are actively looking for international acquisitions, like many multinational companies.

And then when we consider share repurchase versus deploying domestic cash for acquisitions, we generally look at it on a -- we first look at it strategically and we have long-term financial objectives which are to grow the revenue at 10% to 12% annually and organic growth 4% to 5% annually. So, to make up the difference between the 4% to 5% and the 10% to 12%, there is a fair amount of acquiring that has to go on.

We don't expect 2011 to be a banner year for acquisitions because of the focus on integration, but we do expect to make some acquisitions. So, that will consume some of the cash and then whatever is left over we look at is it the appropriate time to buy back stock? What is the EPS accretion from doing that versus investing in more acquisitions? That type of analysis. And what are the future cash flow prospects, et cetera for the company? So it's not -- there's no formula for doing it. It's an ongoing process that we go through. And as I said right now our first focus is going to be on evaluating the level of dividend and making sure that we address that issue as we go forward.

Dennis McGill - *Zelman & Associates - Analyst*

Okay. That's very fair to hear those puts and takes.

Just a separate thought. I think, Jim said on a pro forma base with all the business in last year and the CDIY business you would have seen somewhere in the 50 basis point margin contraction. And I was just hoping you could maybe talk a little bit more about the moving parts there because you obviously have a lot of synergy costs in there. You had good volume leverage. You mentioned promotional spend was down versus what would typically be the case and I know that you have some raw materials but is that the bulk of that or is there anything there -- else there that we should be considering?

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Are you talking about the fourth quarter performance or a prospective --

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Dennis McGill - *Zelman & Associates - Analyst*

I'm sorry just the fourth quarter.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Yes it was very -- it was quite simple. I mean, the inflation spiked up in the quarter. Price was negative, so we had an unfavorable arbitrage and that was by and large the primary driver. Then there was some -- obviously the synergies were a big offset to that. There was also on a year-over-year basis there was more promotional spending than there was in the fourth quarter of '09 but those are basically the moving parts.

Dennis McGill - *Zelman & Associates - Analyst*

So the promotional spend was lower than normal but still up from 09?

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Yes.

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

No, no.

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

Promotion spend in '10 was quite normal. It was Don's point --

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

First half of 2010 was where --

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

Don's point was in '09 and early '10, as we were putting two organizations together and sorting through the various SBUs and which particular brands and businesses would receive the majority of our brand support, we had about a nine month period where it was below normal but that would not have applied to the fourth quarter of 2010.

Dennis McGill - *Zelman & Associates - Analyst*

Got you. Okay. Thanks a lot.

Operator

Your next question comes from the line of Eric Bosshard from Cleveland Research Company. Your line is open.

Eric Bosshard - *Cleveland Research Company - Analyst*

Good morning. A big picture question first. The guidance when you made the deal was to make, I think, $5 in 2012 and you're now effectively saying you're going to make $5 in 2011. I'm interested if you have some respective on what's changed to get you to that earnings number a year earlier?

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

Yes, what we said is by year three we would have $5 of EPS. Now we are saying $4.75 to $5 in 2011. But clearly the top line performance has been quite significant in 2010.

We are projecting 5% to 6% organic growth in 2011 and that revenue synergies on top of that of a half a point. And originally the projections were for top line to be about 2%. We were in a different market at the time, different set of circumstances. The economy was very slowly recovering and now we are seeing a more robust top-line performance than we originally anticipated. So, that's the first factor.

The second factor is we obviously looked at $350 million of cost synergies happening in three years. Now we are saying $425 million is going to happen in two and three quarter years or by the end of 2012. And frankly, it looks like by the end of 2011 we will be very close to $350 million achieving that in a run rate basis. So it's acceleration of the cost synergies, higher cost synergies and it's a more robust revenue performance and outlook. Those are the two major factors.

Eric Bosshard - *Cleveland Research Company - Analyst*

Secondly, within the CDIY business -- and I understand that a little bit better why the 4Q margin looked like it and you framed out how the first half CDIY margin many not look as good as the full year because of this promotional compare -- but can you take a step up a level, perhaps, and talk about the earnings and margin opportunity in that business as you regain market share with lithium ion? Can you just speak to the margin opportunity in that business? Does the product mix change anything?

I'm interested in the earnings opportunity in that business is different than what you had thought before? Trying to sift through these moving parts.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Yes, I mean the opportunity is all good and it's all positive because you have -- as I mentioned earlier there's a confluence of things that are coming together here in this business. We have slightly better markets. We have an array of new products. We have carryover in that respect. We have new products that we are going to introduce in the coming months. We have the revenue synergies, the SFS implementation.

There's a lot of good things happening and, yes, we have a little bit of inflation headwind but we also have improving price management capability and new products that are going to improve our value proposition so we really have a lot of good things going. So, can we put a number on it? Absolutely not because if everything good happened nobody would believe the number.

So, I think we have to just kind of go with -- what are we saying for 2011 and assume that we will deliver that and then there's probably more opportunity beyond that in '12 and '13.

Eric Bosshard - *Cleveland Research Company - Analyst*

Very good. Thank you.

Operator

Your next question comes from the line of Jim Lucas, Janney Montgomery Scott. Your line is open.

Jim Lucas - *Janney Montgomery Scott - Analyst*

First question on -- I thought it was interesting the wording of relaunching of SFS company wide and the being embraced company wide. Was wondering if you could just give us a little bit of color, one, from a training perspective, will there be any costs associated with that? And secondly, with SFS being relaunched, are your incentive comp plans changing at all?

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John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Yes, I'll take it, Jim. Good morning. There's a heck of a lot of training, and I'll say what I alluded to is we had a good launch with legacy Stanley in 2007.

It took six to 12 months for it to really gain traction. And we think, primarily, via providing robust online materials as well as making it a focal point of things like the national sales meeting for the CDIY team when they are all together anyway in the same place at the same time -- making that an important part of the theme particularly stressing the importance to the legacy Black & Decker side of the business who, I have to say, and I think would admit a year ago, we were somewhat skeptical. What's SFS and what are its benefits? I think now there's complete buy-in because everyone is seen the power.

So, we've got better materials. A lot of it again is online. So the incremental training cost is not material, I guess would be my -- would be my response to that.

And I think the second part of your question, if I understood it, is we've learned from where we were in the past. The opportunity is tremendous. Folks have embraced it. And the whole objective in emphasizing it is, can we get an even faster start? Can we get -- can we gain traction in three months as opposed to say, six to nine or 12? Which is what it took us before and that's really the reference to it.

Jim Lucas - *Janney Montgomery Scott - Analyst*

And my question on that was really, in terms --

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

I'm sorry, Jim, so you don't get cut off. You asked about comp plans. Our comp plans won't change in that the legacy Stanley comp plans will prevail and a tremendous -- a large percentage -- there's both short-term and long-term as you know and short-term a very meaningful percentage of everyone's comp will be based on cash flow or working capital turns which simply means implementing SFS. And depending on whether you have any control over payables or the total as cash flow, if you're not, it's working -- reducing working capital and approving turns as a surrogate for that. That's up to 50% of any individual's comp in this company. That won't change.

Long term the two elements of earnings growth and ROCE, which obviously reducing the denominator is going to have a tremendous impact on how people will get paid, that won't change either. So, simply said, it's the legacy Stanley systems that prevail and upwards of 50% of both short and long-term compensation are dramatically influenced by cash conversion, working capital reduction, and return focus.

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

And then, Jim, in addition to that, one of the things that made the Stanley legacy initiative so successful in getting from 4.5 to almost eight turns over the course of three years was that the board put in place a special bonus plan for the -- a couple hundred of the most senior people in the company. And that turned out to be a tremendous motivating factor and a glue that held the whole initiative together and that was actually paid out.

It was a three year rise in -- and it was actually paid out last year in the middle of the year. And given the opportunity on the table, the board decided to put -- kind of re-put that plan in place for the combined company. So, you also have this very direct correlation between the achievement of between seven and eight working capital turns within a three year period and a monetary -- a direct monetary incentive for the -- a couple of hundred of their most senior people in the company.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

And again, Jim, just to come back. That existed before. We are doing it again, so the focal points and the drivers are -- I think are quite consistent it's just over a base that's 2X the size.

Jim Lucas - *Janney Montgomery Scott - Analyst*

Okay. Helpful. Thank you.

And on the acquisition side, CRC was an interesting acquisition to build out your infrastructure side of your platform and clearly a lot of management resources dedicated on the CDIY side. You alluded to security in one of the earlier answers in terms of international acquisition focus but could we -- could you give us an update in terms of the pipeline of where exactly you're seeing the activity building these days in terms of your various growth platforms?

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Yes and no. I'm going to have Jim respond because obviously we can't mention specific targets but we can certain mention platforms and geographies, Jim, I think that's fair.

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

I also think it's pretty obvious that the busiest people in the company right now are the ones that are working on the revenue synergy implementation and the cost synergy implementation, And the most stretched organization would be CDIY and the regions that are strong and prevalent in CDIY.

So, you're not likely to see anything meaningful -- of any meaningful size if anything in those particular areas where people are very stretched working on the integration. So, I think the first rule would be, if we do something, it will in all likelihood be either in the healthcare or infrastructure growth platforms where there's nothing going on with respect to the integration or in electronic security where there's basically no integration going on with respect to the Black & Decker merger.Perhaps in mechanical if it were to occur in a geography where there was not a lot of activity and integration going on. And then maybe in industrial tools would be the other area if something were to come up.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

And again, discriminating in favor of high growth or emerging markets, as I think is clear from our previous statements.

Operator

And your next question comes from the line of Nigel Co from Deutsche Bank.

Nicole DeBlase - *Deutsche Bank - Analyst*

Yes. Hi, guys. It's actually Nicole.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Hi Nicole.

Nicole DeBlase - *Deutsche Bank - Analyst*

Hi. So nice quarter. Most of my questions have been answered but I want to talk a little bit more about the lithium ion launch. If you guys could talk about the signs of success that you're seeing there and just comment on -- you said in the past that you think that you can gain back the share that Black & Decker had lost over the past cycle -- if you still think that rings true.

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

The answer is, yes. The only granularity, Nicole, that I think we are able to give you, it's only been in the marketplace essentially a quarter and the best estimates Black & Decker lost 1.5 to 2 share points a year for three years. So, 5 to 6 share points in that category space and we think in the course of our projections, which was three years, we can and will gain that back.

It's way too early to say we have and we will. There's obviously going to be a competitive response to such a terrific product that is -- obviously has a strong brand behind it, well positioned in terms of price and we are absolutely confident in its performance.

So there's no reason to think -- there's no reason to change our statement that the five to six share points we lost in cordless power tools over about a three year period that we will gain back in the same amount of time or less -- that's all we are in a position to say at this stage.

Nicole DeBlase - *Deutsche Bank - Analyst*

That's very helpful. Thank you. And then, I understand that promotional spending is going to be picking up on a year-on-year basis in CDIY in the first half but could you talk about how that moves Q on Q? Typically between 4Q and 1Q? Does the first quarter and the first half tend to be heavier promotionally versus the fourth quarter or lighter?

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

The first quarter tends to be a little lighter than the fourth quarter and then the second quarter is very heavy. And so the second and third and fourth quarters are heavy promotional quarters. The first is probably the lightest of the four.

Operator

Your next question comes from the line of Peter Lisnic from Robert W. Baird. Your line is now open.

Peter Lisnic - *Robert W. Baird & Company, Inc. - Analyst*

Good morning, everyone.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

Good morning.

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

Good morning.

Peter Lisnic - *Robert W. Baird & Company, Inc. - Analyst*

I guess first question just to continue on the SFS or the free cash flow outlook -- if I look at the reintroduction, as you call it, as of us being reintroduced, my guess is you take that revenue synergies and better execution then all of a sudden the target of $1 billion in free cash flow that you laid out a year or so ago is pretty conservative. How should we think about that in terms of -- you look two or three years out and what the free cash flow generation profile the business might be?

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

We are not there yet, Pete. I think, Don has been quite granular on $1.1 billion is a very, very big number next year. It's a -- you know, which means roughly a 10% cash flow yield which is a very, very large number. Obviously, we have the objective and the programs in place to continue to increase it. But on this call we aren't going to project cash flow three years out.

We are absorbing and digesting our past accomplishments and making sure the programs are in place to deliver $1.1 billion, not to say if we can deliver more we won't. But as you know, because you follow us so closely, our cash flow by the nature of the business is always backend loaded in the course of the year. So, it's going to be well into the fourth quarter next year before we have complete confidence around the $1.1 billion. And as a result, would have the confidence to provide a larger number or better granularity on cash flow specifically in 2012 and '13.

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

But if you were just doing big picture modeling, I mean you could -- we are going to have earnings growth that's out there so that would definitely be an impact in -- a significant one. And D&A is going to kind of -- be at or near those levels for a while. Probably even grow a little bit with some acquisitions if we do acquisitions from the future. And you can figure out for yourself how much of the working capital turns you think might go into the cash flow statement. But that will pretty much -- you could do your own modeling and you probably wouldn't be far off from what we could provide at a later date anyway.

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

We said publicly about working capital that we think there's a $400 million to $500 million opportunity to unlock in this merger so that clearly gives you an indication of that magnitude over a three, four year period.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

And the question is how fast we can unlock it.

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

That's right.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

And how much of it truly, truly is converted and flows to cash.

Peter Lisnic - *Robert W. Baird & Company, Inc. - Analyst*

Okay. Yes, and I was wondering if there's a piece that -- or incremental that you could take out of the legacy business now but I can do that math. And I know it's kind of small but the GMT acquisition, to what extent is that a platform acquisition for you in China? If you look at the revenue base that you have there it's pretty small but it looks like this can be a business that's perhaps scalable. Can you comment on that business and sort of a China strategy to a small degree?

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

Well, China is a terrific market for hardware in some ways and in some ways it's a more challenging market. We like the GMT business because GMT is -- it's like Kleenex or Xerox for floor hinges in commercial hardware in China. So, if you go to commercial building in China and you open those big glass doors and you look down at the floor -- I think about eight times out of 10 you'll see a GMT brand on the hinge. So, they have a terrific distribution network in China. They have a great brand and their limitation is that they are really specialists in floor hinges. So, clearly we can bring some product expertise to GMT and they can bring some low cost manufacturing to us to help manufacture those products. So, I think you're onto something.

I do think this is a very nice platform for commercial hardware expansion. Whether we get into residential hardware in the future will be something that we continue evaluate because, number one, there is no GMT of residential hardware. And secondly, it is a more challenging market because it is so fragmented --and I'm talking about residential now -- and in residential, some of the private company owners run these companies with a different overhead structure than we can. And that's not -- that's more because we insist on compliance with laws and regulations as opposed to we're top heavy. So, that's an issue in residential and whether we can make money or not and it's still -- that's still an open question but clearly the GMT provides the commercial framework, commercial hardware framework for expansion.

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

And I think the key take away from what Jim said, all of which is totally correct, there is a huge Chinese domestic market factor within GMT. Quite often, one makes one of those acquisitions as a low -- essentially as an LCC outsourcing opportunity. But Jim, I think, made it very clear but I want to be sure that it's understood that they have a very strong position in the Chinese commercial construction market. This is not something that we are -- that we have acquired simply because they can produce product at low cost and export it to western markets. We'd like to participate in the growth of the Chinese market and this is a very important step in that direction.

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

But it also raises -- John raises that point and which sparked a thought on my part too which is another really attractive element of GMT is that they are exporters into southeast Asia. So, not only do you get the China coverage but you get the entire coverage of the entire southeast Asian region.

Operator

Your final question comes from the line of Michael Kim from Imperial Capital. Your line is now open.

Michael Kim - *Imperial Capital - Analyst*

Hi. Good morning, guys. Just turning back to security -- one of your larger competitors this morning reported fairly good recovery in their North American commercial business. Are you guys seeing maybe a little more cautious recovery in the market or are there certain verticals where you're seeing strength but offset by other areas that you're focused in? And can you tie that a little bit with the guidance commentary with mechanical being a little bit flatter, more modest up this year? Are you looking at the convergent side, growing at a much stronger pace throughout the balance of the year?

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

I have to admit I haven't had time to review all our competitors' press releases this morning, as it was a very busy morning. However, one might surmise from that is the fact that we are less commercial construction driven than our two competitors. So, we are more leveraged to healthcare, education and government and the like. And we are also more leveraged to the retrofit market which has been particularly weak.

So, we might -- if there in fact is a relative comparison which makes us look unfavorable, it's quite possible that that's driven by the mix of business and perhaps they are observing a little more -- kind of better volume in the commercial construction market and we might not be benefiting from that level of concentration in commercial construction. So, it's been a long time since anybody said anything positive about commercial construction and I'm looking forward to reading the release. As far as Convergent goes, we are pretty optimistic about their ability to grow beginning in the first half and we think that's going to help the security segment tremendously get off to a good start here in 2011.

Michael Kim - *Imperial Capital - Analyst*

And just specifically on the Convergent side -- can you provide any color on some of the key metrics in terms of either the account or the ARPU or attrition or even just directional trends of how each of those metrics have changed in the quarter?

John Lundgren - *Stanley Black & Decker, Inc. - President, CEO*

I wouldn't say that we've had significant change in any of those metrics over the last quarter or two. You know, the real trend has been around installation orders in our Convergent security business being modestly -- showing modest growth. But now we begin to get order trends in the last quarter that's been a little better than that, which is why we feel good about the statement that Jim just made -- that we expect to see growth in the first half in our Convergent business. And I also indicated when I went to the segment outlook that we did expect the Convergent business growth outpace the mechanical access security business, which was the point you were making earlier. So, that's where we think the growth a lot of the growth is going to come from in that particular segment, at least -- particularly in the first half of 2011 but also likely for the year.

Michael Kim - *Imperial Capital - Analyst*

Okay. Great. Thank you very much.

Kate Bennett - *Stanley Black & Decker, Inc. - Director of Investment Relations*

That concludes our call today. Thank you all for tuning in. If you have any questions, please feel free to reach out to me.

Operator

This concludes today's conference call. You may now disconnect.