FINAL TRANSCRIPT

Thomson StreetEvents℠

SWK - Q1 2010 Stanley Black & Decker, Inc. Earnings Conference Call

Event Date/Time: Apr. 27. 2010 / 2:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Kate White
Stanley Black & Decker, Inc. - Director IR

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

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

Don Allan
Stanley Black & Decker, Inc. - SVP, CFO

CONFERENCE CALL PARTICIPANTS

Eric Bosshard
Cleveland Research - Analyst

Jim Lucas
Janney Montgomery Scott - Analyst

Dennis McGill
Zelman & Associates - Analyst

Nicole DeBlase
Deutsche Bank - Analyst

Dan Oppenheim
Credit Suisse - Analyst

Peter Lisnic
Robert W. Baird & Company - Analyst

PRESENTATION

Operator

Good morning, my name is Louisa and I will be your conference operator today. At this time I would like to welcome everyone to the Stanley Black & Decker first quarter 2010 results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. (Operator Instructions)

Ms. Kate White, Director of Investor Relations, you may begin your conference.

Kate White - *Stanley Black & Decker, Inc. - Director IR*

Thanks, Louisa. Good morning, everyone and thank you all for joining us for the Stanley Black & Decker first quarter 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 first quarter earnings release, which was issued at 7:00 AM this morning, and a supplemental presentation, which we will refer to during the call, are available on the Investor Relations portion of our website and accessible on our home page of www.stanleyblackanddecker.com.

This morning John, Jim and Don will review Stanley's first quarter 2010 results and various other topical matters followed by a Q&A session. Because of the complexity of this quarter and the large amount of content the entire call is expected to last approximately one hour and 15 minutes in order to provide adequate time for Q&A.

A replay of the call will be available beginning at 2:00 PM today. The replay number and access code are in our press release. As a reminder you can also download the earnings replay as a podcast from iTunes and even set up a subscription for future replays of the calls we post. This should be posted within 24 hours.

I also wanted to call your attention to Stanley's 2009 annual report and annual review website and videos that we launched yesterday. We decided to go online this year with a lot of our normal annual report contents and we invite you to check out the site and explore the videos which feature conversations with Senior Management as well as the interactive charts and informational resources throughout the site. It's a great way to become more familiar with the Stanley story. You can access this through our home page. And as always please feel free to contact me with any follow-up questions you might have after today's call.

We will be make some forward-looking statements during this call. Such statements are based on assumptions of future events that may not prove to be accurate and as such they involve risk and uncertainty. It is therefore possible that actual results may differ materially from any forward-looking statements that we might make today. And we direct you to the cautionary statements in the Form 8-K which we filed with today's press release and in our most recent 34 Act. 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 good morning, everybody. Let me just start by saying this had the potential to be a confusing and very noisy quarterly release due to the obvious fact that the Black & Decker transaction closed three weeks before the end of the quarter. So I did want to thank both the legacy Black & Decker and Stanley finance teams. First of all for closing three sets of books at least in a very short period of time and for extraordinary efforts in that regard as well as the finance and IR teams for pulling together what we think is a clear presentation. But as Kate said, she will be available as will Management if necessary later on in the day and later on in the week to clarify anything that's still outstanding at the end of this call.

So let's get started. Diluted EPS was $0.70, and that did include a $0.04 negative impact based on the acquisition of ADT France which closed on March 9th. It excludes one-time charges. We did reference the ADT transaction in the press release so we're not going to spend a lot of time on it this morning, other than to say it's strategic and it's going to fit extraordinarily well with GDP, Generale de Protection, our French electronic security business. And as Don will discuss his guidance we still believe that this acquisition is going to be meaningfully accretive, $0.07, $0.08 in year three on the expanded share base. So diluted EPS, including the charges of $213 million, was a loss of $1.09, and again Don's going to give you more granularity on the charges and their composition in the quarter, which we believe to be quite clear.

The gross margin rate, excluding charges was 39.4% and excluding Black & Decker, or the impact of Black & Decker for the three-weak stub period the rate improved 120 basis points versus first quarter 2009 to 40.8%, and that is a first quarter record for our Company. Free cash flow was positive $37 million excluding charges and payments related to the transaction. Working capital was encouraging as well reaching 7.3 turns excluding Black & Decker, and 4.6 turns on a pro forma basis, including both Companies in those results.

CDIY segment, our largest segment, profit improved to $83 million, and that's up 189% excluding the charges. Industrial saw a nice rebound, profit rate improving 280 basis points to 13.2% again excluding the charges. And as I had mentioned earlier, ADT France closed on March 9th. It's going to be a great addition and complimentary to our existing Convergent Security Solution platform in Europe. The integration, which I'm sure everyone is curious about into how it's progressing, we think very well and we're going to talk a little more about the synergy target in our estimates. And Don's going to give you some detail on our 2010 guidance for the combined Company, which is now at $3 .10 to $3 .33 per share excluding the one-time charges.

So moving to the first quarter results of the combined Company, very simple and straightforward, a 46% increase excluding the charges. As you can see to about 70-- not to about, $2.70 from 1Q 2010 and the charges related to $213 million or translates to $1.79 a share on the new share base reflecting the timing of the acquisition. So on a GAAP basis a loss of $1.09. The only thing that might look a little odd is the minus 1.4% tax rate. Just very quickly, it's a one-time event. The charges had an impact of about 35.2% on the tax rate, not all of those charges were tax deductible. There's also an ADT net operating loss impacting about 3.9% and the impact of the tax extender benefit impact which is about 2.6%. That gets you to a normalized rate of 27.3% which is why we have highlighted that, and that's what Don will talk to in the guidance in terms of that should be your expectation going forward.

Looking at margins on the next page, we think it's important to note pretty strong gross margin of 39.4% for the combined Company. As noted in the press release, on the legacy Stanley basis continued its positive trend about 40.8% on a stand-alone basis. So we remain encouraged with the margin performance, and Jim's going to talk about some of the drivers of that as he reviews the various segment results. Operating margin remains fairly constant at around 13%. So we're in a good place as we begin to go forward and combine these two Companies and report to you on a combined basis.

The cost synergy drivers are I think important to everyone. This chart is essentially unchanged from what we have presented on two or three occasions. So I won't spend a lot of time on it, other than to emphasize a few points. We continue to feel confident in our $350 million estimate for synergies but there have been so many questions as well as the cost to achieve it at not exceeding $400 million over the three-year time frame. But there have been enough questions on the $350 million, that I just wanted to shed a little more light on it.

As Don will point out in his guidance, we're going to realize about $90 million of that $350 million during calendar 2010. So the majority of the year one achievement that we've previously put in our model, of course we only have nine months, but in the nine months of 2010 we're looking for about $90 million of benefit. But relating to the $350 million in total, first of all it's a very big number and as a consequence it's not easy. I think it's important to point out if one just does back of envelope math against the purchase space or the cost base and comes up with a number, it's really important to note out there's a couple of very large areas where there's absolutely no overlap at all between the two legacy Companies.

I mean one example, and a good one, is batteries in the purchasing area. Legacy Black & Decker spent about $300 million a year on nickel cadmium and lithium-ion batteries. Stanley spends essential nothing. That's anecdotal but it's just an example of an area where there's no overlap. And on a business basis, the Convergent Security business is $800 million in revenue with essentially no overlap whatsoever with the legacy Black & Decker business. So the base against which to focus in the up for the synergies is actually smaller than one might realize at first blush and the $350 million is a fairly aggressive number.

Second, the cost to achieve synergies in excess of $300 million may render the returns for those programs or those investments and those expenses unattractive. So while the number could be driven higher, it may not be in the best interest of the Company to do it.

And last, but certainly not least, as Jim will point out, to the extent we achieve additional cost synergies, we may well choose to reinvest those synergies in growth initiatives as we referred to in our press release. We intend to grow this combined business as soon as we've got our synergy targets fairly embedded in the P&L.

Looking at the status of integration over the first six weeks, we're quite pleased with where we are. Let's focus on some of the major milestones. The first being customers and employees, or very simply said, our primary objective is to protect our core. We've executed on a goal of a smooth close and the first 30 days as a combined Company going well. We've been proactive and positive with communication with employees and customers, numerous town hall meetings and market visits, Jim, myself, Don Allan and the Senior Management team have spent as much time as ever in our careers in front of our employees and in front of customers. It's a very important part of the integration and we will continue to do that for the foreseeable future. And importantly, let's avoid pitfalls. We have thus far. No major pitfalls and no major surprises now that we're five weeks post-close.

Focusing on the cost synergies, we have finalized the bottoms-up synergy identification process and that will be presented to the Executive Steering Committee in late May. As a reminder, Brett Bontrager on the Stanley side, whose got a wealth of experience in major integrations for Stanley, and Tony Milando, who was formerly head of operations for the Worldwide Power Tools and Accessories business, are co-leading this integration process. They are reporting to a Steering Committee of six people that includes Jim Loree, myself, Don Allan, Mark Mathieu, Massimo Grassi in Europe, and of course, Nolan Archibald from Black & Decker who brings all the experience from that organization to bear on the synergies and the targets and what's a good business decision and what isn't. That group meets quite regularly.

There are 13 sub teams focused on either businesses or functions, and as those of you who are familiar with our Company know, it's a very very important part of the rhythm and rigor with which we integrate acquisitions. And we're putting the best team we can on the field to ensure that this process continues and that it's given the utmost attention from the top of the house, right down to the folks executing the programs. Thus far all our findings have supported that $350 million target.

Regarding the execution, we rigorously track the cost synergy extraction and are quite sure that we're quantifying it appropriately and not double counting. We're eagerly and rapidly deploying the Stanley fulfillment system on the Black & Decker base. I am really pleased to say that while it's Black & Decker had a focus on operational excellence, was their internal terminology, the elements and the fundamentals of SFS are being embraced. I think there's broad scale understanding of the benefits it has had to legacy Stanley over the last three to four years and that it can have on a business with a very similar geographic and customer base, so far so good on that. And last ,but certainly not least, we've identified or are beginning to identify the revenue synergies and corresponding plans to get them. And I think it'll come as no surprise that once the cost synergies are identified and we're clear that they're on track, it's more inspirational, it's more motivating, it is more fun to grow the business than to take costs out of it. So there's been tremendous support around this initiative. So so far so good. We're underway. No major pitfalls.

Looking very quickly at the geographical breakdown. The purpose of this chart is to say that combining these two Companies didn't have tremendous impact geographically on the Companies on a stand-alone basis. Specifically the large purple section of the pie showing 56%, legacy Stanley legacy Black & Decker were between 55% and 57% of their business in the US prior to the merger. The primary difference being Stanley had a slightly larger presence in Europe and Black & Decker had a meaningfully larger presence in Latin America. But when you combine the two Companies, you see that the US is about 56% of the revenue, Europe is 25%, and then Latin America, Canada, Australia adding to 14% and the rest of the -- Asia and the rest of the world adding to -- excuse me, the rest of the world included in the 14% and Asia about 5%.

Looking at our businesses by segment. Again, I think just two important points to make here on this chart. Even as the combined entity we are -- we remain a diversified global leader. And second, it is not a departure or an abandonment of Stanley strategy to continue to diversify into higher growth emerging markets and businesses. Specifically, if we look at CDIY, which includes the legacy Stanley CDIY business, the legacy Black & Decker Worldwide Power Tools and Accessory business and the Price Pfister business, which historically Black & Decker reported within Hardware and Home Improvement, it makes up 58% of the total, of the combined total of the Company on a 2009 revenue basis.

Security, which is basically all of Stanley's legacy Security business, both Mechanical and Convergent, plus Black & Decker Hardware and Home Improvement less Price Pfister, making up about 25% of the business. And Industrial, which included Stanley's Industrial portfolio and essentially the MR Technologies business making up 17% of the business.

The chart on the bottom to me at least is very important and it's very important that everyone understands it. In 2002 the large home centers and mass merchants, seven customers represented 40% of legacy Stanley's revenue and the largest customer represented 22%. By the end of 2008, as Stanley diversified its portfolio, those numbers became 13% and 6% respectively. Adding Black & Decker 2009 base on a pro forma basis, moves those numbers back to 31% of the combined Company's business is through US home centers and mass merchants and 12% through our largest customer. Not a tremendously concentrated business I think by most standards.

And while we can say it's a step back, all it does is put Stanley where it was at about 2006 in its evolution. It's certainly not an abandonment of Stanley's strategy to diversify. It's simply a reflection of the math in that Stanley's been able to merge with a great company and a great set of brands at a very opportunistic time in the cycle. Our strategy going forward will remain exactly as it's been in the past and as we've pointed out on many times to continue to grow, to continue to diversify our portfolio and take some of the volatility out of our end results.

Looking quickly at first quarter revenues, I think the good news here is they are stabilizing versus the dramatic declines of 2009. The chart on the top I think shows that clearly from a holistic point of view. But more importantly if we look at the segment results, what we see is the four sequential quarters for both revenue and volume starting in 2Q 2009 going through the first quarter. And the first quarter results of course reflect the addition of three weeks of Black & Decker so the CDIY business and the Industrial business are a little bit less representative. Jim's going to talk about that in just a minute.

But I think the important point to note is within Security, the rate of decline is slowing down dramatically. The mix is strong, customer attention is as good or better than it's ever been, and it's obviously a less volatile business than CDIY or Industrial. It serves Stanley extraordinarily well in the last couple years with a less precipitous decline, and as a consequence the recovery--the market-based recovery within the Security business will be slightly slower but we're highly confident that it's there, and in the meantime a very strong customer retention and a very solid mix in terms of recurring revenue is keeping the margins of that business in a very, very safe place. So I'm going to turn it over to Jim Loree who is going to take you through both the segment results and add a little more clarity on the legacy businesses because we think that will provide some good insight into how the Company has performed on a stand-alone basis right up until the transaction close.

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

Okay, thank you, John. Let's start with Construction and DIY. The story here was very positive, twofold. Legacy Stanley drove a 470 basis point improvement in the OM rate on a negative 2% organic volume growth. And Black & Decker performed exceptionally well adding $39 million to operating margin and having an accretive impact on the operating margin rate. So let's break it down.

If we move to revenues, we came in at $561 million in this segment with an 85% increase, 82 points of which were associated with BDK, five points currency thus the minus 2% organic, and that was about minus 1% price and about minus 1% unit volume. Segment profit was up 189%. If you take out a substantial contribution, $39 million from the acquisition, the actual rate was 14.2% and still a very impressive performance for the legacy Stanley business as I said up 470 basis points.

If we get into the specifics, the US revenues and European revenues, organically, were both slightly negative. The big box customers in the US continue to have tight inventory controls, did not see a lot of rebuilding there. Orders were modestly positive and new product development was strong with the introduction of the Bostich Hand Tool line. And Legacy segment profit improved 54% due to the dramatically lower overhead that resulted from the significant cost take-outs over the last five quarters or so.

Working capital was a good story going from about 2.5 turns a year ago to 6.8 turns with a $55 million inventory reduction versus prior year and only a $4 million increase in inventory sequentially versus the fourth quarter. So I think this is a very strong story here. We'll get into a little bit more color on the pro forma Black & Decker performance in a few minutes. But I expect the next chapter for this segment will be operating leverage. And as we look forward, we're looking for a little more volume growth as we get into the year so we should see some good operating leverage as we go forward here so stay tuned for that.

Now interestingly, as we look at Security this quarter, one would say it was a challenging quarter, we expected that. But ironically, if we'd had this quarter two, three quarters ago we would have thought it was a pretty good quarter. So what's essentially happened here is Security continues to kind of plug along. It was really the foundation that helped the Company get through some of the difficult Construction DIY and Industrial market conditions, and it continues to be very strong and stable. Revenues were up 11%. All of the growth in the quarter was due to the addition of HHI into the results. Legacy Stanley also benefited from the ADT France acquisition which contributed three points and currency which contributed three points, thus you get to the minus 6% organic growth.

If you divide that or look at that the components of that both Convergent Security, the electronic business, and Mechanical Security were both down roughly 6%. There were different stories though. The Convergent was relatively simple story. Modest volume decline, RMR increase, slight RMR increase, couple points. Stable operating margins, pretty much business as usual, trying to get through the difficult market conditions. The nice aspect of the quarter for them was that the national account budget seemed to be loosening up a little bit which is good. However the core business, which was the foundation of their volume story in the last year or so was weak. So you had kind of a change in mix there due to that.

On the Mechanical side the volume decline was also expected, but the operating margin did dip from about 20% in the prior year first quarter to 16%. Again, a two-fold story here. Absorption issues in the factories clearly contributed to that. And then secondly, some SG&A investments for growth, primarily for growth in Asia, and for feet on the street in the US, got ahead of the growth curve, which is not unexpected and perfectly fine. So that caused a temporary dip in the operating margin rate and we don't see that as a continuing issue.

Now Industrial, I think, was a very positive story. I think it's also indicative of the first signs of what a few points of volume can do for operating margin growth in this type of a business, what we call operating leverage, and also a nice contribution from Black & Decker's Emhart Teknologies business, which itself is rebounding in a very big way. And again, we'll talk more about the Black & Decker activities in just a minute. Revenues were up 22%. 16 points of that was from the Emhart contribution, three points currency, organic growth was positive 3% and that led to a 54% segment profit increase and without the Emhart contribution a 25% segment profit increase which is fantastic, and that would have been $30 million of segment profit attributable to the legacy Industrial Stanley business. And if you go to the segment profit rate we increased from 10.4% to 13.2%, 280 basis points. And about 100 of that was associate with the Emhart contribution, so 12.2% operating margin for the core Stanley legacy business there.

So pretty much the story on the volume was a rebound in Europe and at Proto with Europe up 6% in volume and Proto up 14%. We all know what's happening in the industrial markets. It's a strong story. I think a little bit of that obviously, maybe more than a little bit, was restocking. When we look at the GDP is not quite up at those levels. And then we did have some weakness in our Vidmar Storage business and our Hydraulics business, both the Vidmar issue being driven by government spending delays and the Hydraulics just a cyclical business which is kind of appears to be at the trough of the cycle right now.

Now I'm going to change gears here for a moment and we're going to look at the pro forma Black & Decker legacy segment performance. And one look at this page and I can't help but think that the timing of this merger was excellent. This chart shows the Black & Decker segments arrayed on a full quarter-over-quarter pro forma basis. So this is how it would have looked had Black & Decker been a stand-alone business at this point in time. And if we start with PT&A, which is Power Tools and Accessories, which was a very large part of their business as you can see, they had 6% growth, 1% organic growth. North American was the weakest part of the story although the consumer products group was strong. Europe had a nice performance with positive 3% organic, that was very encouraging. And Latin America was up 11% and Asia up 13%, both bright spots. So a good story there.

Hardware and Home Improvement shown here as HHI, was up 12%, mostly organic. US lock sets primarily the Quick Set and Baldwin business was up 14% and Price Pfister was up 9%. Nice product introduction in the mid-point, price point range, and Quick Set is leading to some outstanding success in the marketplace and also some nice rebound in the markets as well.

And if there was any rebound in the market story within Black & Decker's legacy businesses it was in the Fastening and Assembly segment, which is also known as Emhart Teknologies. And this is a business that sells productivity to industrial customers primarily automotive OEM, it's about two-thirds driven by global automotive production, and about a third driven by industrial production. And the story, of course, in the quarter was that the global vehicle demand was up 42% around the world with North America up 62%, Europe up 25%, Japan up 53%, thus Emhart, which has historically been a mid-teens operating margin performer, quickly rebounded from a trough last year of 2% to 14%, very impressive performance from the folks at Emhart, largely market driven, but they took out a lot of costs in that business and they've got a cost structure that's really in a good place.

So truly a terrific performance from our new colleague from Black & Decker. This morning there are a lot of questions about how could this how could these margins be so rich? And the story is very simple. These folks took out about $300 million, slightly more than $300 million, of costs over the last five, six quarters before the merger. And their cost structure is in great shape and a little volume is going to go a long ways towards big profit improvements in that part of the business.

Now another great story for the quarter, in my view, is working capital in the legacy Stanley business. You may recall for those of you that have been following the Company that Stanley closed out last year at 7.9 turns. We typically will have at least a point reduction in the turns as we go into the end of the first quarter with the seasonal build and so forth. We were able to contain that to a much smaller increase, so we don't -- closed at 7.3 turns and that's up from 4.8 last year, so a real nice performance there. You can see good news in all fronts, inventory down 25%, receivables down 14%, payables up 10%, that's good, a total 34% reduction from 762 down to 504. And I just want to emphasize that these improvements are process driven by the Stanley fulfillment system. And we don't have the time this morning to delve into Stanley fulfillment system in great detail for the folks that aren't familiar with it, however I will note there is a new section in the web-based annual report that we're issuing that will give you a lot insight into Stanley fulfillment system if you're interested in learning more about it.

But as we move to the next page here, we can see that there's one huge opportunity, and John alluded to it earlier, and that is that rigorous deployment of the Stanley fulfillment system across the newly added Black & Decker entities will provide a huge opportunity for the Company. As you can see, the combined working capital of the Companies, although it was a nice reduction from last year, is right around $1.9 billion. And that's comprised of $0.5 billion of Stanley legacy working capital, and $1.4 billion of Black & Decker legacy working capital. Now, a little math. If we just annualize the first quarter, for illustrative purposes, we would have $8.8 billion of annualized revenues. If we could get to the 7.9 turns that we ended the year at, that would free up $1.1 billion in cash. I mean it would fill up-- it would free up $800 million in cash because it would be $1.1 billion. So $1.9 billion minus $1.1 billion is $800 million.

But I also will emphasize that this is-- while it's an objective, it is also a journey and not an overnight sensation. As I mentioned, SFS is process driven. It took us three years to get from 4.5 turns to 7.9. But we, as John mentioned, have begun the journey here, and it is a very doable journey with a very positive outcome. And now I will turn it over to Don Allan, our Senior Vice President and CFO, to go through some of the financial aspects of the quarter.

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

Thank you, Jim. First thing I'd like to do is start with our balance sheet and the combined basis. We feel really good about our financial position going into the new Company and moving forward. As you can see at the bottom of the page our debt-to-capital ratio is 35%. If we adjusted for the hybrid instruments that we have, it's at 31%, exactly where we were hoping we would be as we put the two Companies together post-merger.

A few other items to note here of significance. Obviously there's some large dollar variances on the balance sheet by merging the two Companies when you compare to the first quarter of last year. The big-- the largest changes have to do in other assets where the goodwill and the intangibles are recorded of about %5.6 billion, as well as the Black & Decker working capital components being added in there of about $2.4 billion on the asset side of the balance sheet. And then equity clearly the issuance of the equity associated with the merger of about $4.5 billion is increasing our equity, and that's really what's driving the debt-to-capital ratio coming down from where we were last year at this point in time. So we feel very good starting out around our financial position as we move forward.

For free cash flow in the first quarter if you -- this chart depicts what free cash flow was excluding one-time payments. And we had approximately $92 million of one-time payments related to the merger. And if you exclude that effect, the free cash flow was $37 million. Operating cash flow was $59 million which was an improvement of $55 million year-over-year in the first quarter of 2009, and you can see it's driven by net income increase and John and Jim just walked through some of the details in that area. And then working capital was a significant negative in the first quarter of $90 million, which is a normal trend for both Companies. They tend to have a working capital negative in the first quarter as certain inventories get billed going into the second quarter, and then just the timing of the sales related to AR as we have a large sales month in March and that can drive our receivables up at the end of the first quarter. So pretty much as planned was our working capital in Q1.

Touching on the ADT brands acquisition on the next page, it's not a large acquisition but it's something important that we should talk about briefly. It really is a continuation of our strategy within Security to expand our footprint internationally. We've talked to many of you over the last year or two that that's an important part of our initiatives and overall strategy within Security. And this acquisition really allows us to continue to take that step forward. By combining ADT France and GDP together we're creating the largest market share Company in France by doing that. GDP brings a strong core commercial orientation, and then ADT has a very strong national account orientation. So by pulling these two Companies together they mix well together from that perspective.

The revenues are expected to be, in 2010, to be about $125 million to $135 million, as I'll go through in more detail later. Last year's revenues in 2009 were EUR132 million, about $175 million. And the RMR component is about 45%. As John mentioned earlier the accretion should be about $0.07 to $0.08 by year three as we look to remove about $35 million of costs by pulling the two Companies together, which would allow the operating margin to be approximately 20% once the synergies are completely removed.

We feel we have a really strong and experienced Management Team in France that can drive this integration. They proved their worth in the GDP acquisition that we did a few years ago in integrating them into our worldwide business, and now they have the ADT France business integrated into their local operations.

The last thing I'll leave you with, there is a dilutive impact associated with operating margins related to this acquisition in 2010. It could be as much as 150 to 200 million basis -- 200 basis points in 2010 to the CSS business and to the overall segment about 75 to 100 basis points. But that's just a one-year phenomenon as we go into 2011 and 2012 we would expect the operating margins at CSS to get back to that 20% bar that we've established. So we feel very good about that acquisition as we head into this year.

The next page is really the way that we've begun to summarize some of the trends that we're seeing in our three different segments, and then after that I'll walk into the guidance in a little more detail. If we start with the CDIY segment, I want to leave you with two or three thoughts here as we head into 2010 and beyond. We believe that we're starting to see an improvement in the top line in our CDIY segment. And we expect mid single-digit growth in revenue, and that would be total growth on an organic basis and including currency, which does not include any impact of acquisitions going forward so this would be on a pro forma basis.

We also are seeing continued recovery in emerging markets around the world, so we expect growth to be stronger in emerging markets in both Hand Tools as well as Power Tools and Bostich around the world. We don't expect the US and mature markets in Europe as well to grow as significantly but we do expect some modest growth in those particular markets. And as always we'll continue to be very focused on new product development, innovation and making sure that those rollouts help us drive more market share gains as we move forward.

Industrial, as Jim mentioned, we are beginning to see a little bit of an effective restocking throughout the supply chain. We saw that in the month of March, in particular in Facom and Proto. And we believe these indications allow us to forecast or predict the possibility of a high single-digit revenue growth in this segment in 2010. This customer restocking is primarily in the Industrial portion of our businesses. The automotive component has not been as strong but we do believe that it's coming, likely in the second quarter.

In the Engineered Fastening business we saw significant increase in light vehicle production in the first quarter, we expect that trend to continue compared to the prior year and the second quarter and the third quarter, which will drive revenue growth. And then a small acquisition in Engineered Fastening called Fit which really allows us to diversify ourself a little bit away from the automotive manufacturing environment in aerospace. It is a strategy that we'll continue to look at as we move forward in the Company.

Security. Talked a little bit about this already related to ADT France, but the trends that I'm listing here do not include the effect of ADT France. So revenue we actually expect it to decline slightly in our Security business this year. This is a late cycle business as many of you know and the economic recovery will come a little bit later as we're seeing some of the economic recovery in our CDIY business and Industrial, we expect Security to see it either later this year or early next year. So as a result we will have a small single-digit revenue decline throughout 2010.

We are seeing a recovery in the core commercial accounts and lagging in our national account customer base. Installation revenues continue to improve slightly but not significantly. I talked about the integration of the ADT France acquisition already. and you can see the impact financially in 2010 here will be a slight drag on our operating margins as I mentioned. And clearly commercial construction continues to be a drag on this segment and it's an area that we continue to focus on but we also are focusing on other verticals such as education and healthcare to try to offset the impact of that.

So moving to our guidance for 2010 on the next page. Excluding one-time charges in costs, we believe the EPS guidance for 2010 is $3 .10 to $3.30. And underlying some of the assumptions in that you can see on this page we start with the first section at the top. The remaining nine months of 2010, so this is just for the upcoming three quarters, we believe the net sales will increase 4% to 5% on a pro forma merged Company basis, and that excludes the impact of ADT France, and it would include the impact of currency which we would expect to be relatively immaterial for the remainder of the year, but I'll talk about that a little later as it relates to the Chinese RMB. ADT France will contribute $125 million to $135 million of sales and will be modestly dilutive to EPS in 2010.

We believe our gross margins on a combined basis for the next nine months will range between 37% and 38% and so you see the blending effect of putting the two Companies together, Stanley and Black & Decker, as it mixes our gross -- the Stanley gross margin rate down from the 41% to 40% category that it's been in the last two or three quarters. But we also expect to experience some significant commodity inflation through the remainder of the year, and if the Chinese RMB does revalue that could be a significant pressure as well. So we forecasted the potential for a 5% RMB revaluation which equates to approximately $42 million on an annualized basis. Exactly the timing of that and when that will happen is difficult to predict but we've assumed two-thirds of that in our guidance.

That being said with commodity inflation coming and revaluation of currency, the Chinese currency, we're very proactive of looking at how we can pass on some of these increases to our customer base as we've done as Company for the last two to four years. It continues to be something that we're focused on and we'll continue to do that throughout 2010, but there clearly will be a lag in the timing of that as we have tended to see during significant inflationary periods.

One fact I'll leave you with related to inflation is that when you look at the steel components that we buy, if you compare the average cost in the first quarter to the fourth quarter of last year, the increases have been about 7% to 10%. We haven't experienced that at the Company, but if you look at what's happening on the commodity markets those are the percentage increases that we're seeing. If you compare to first quarter averages to the third quarter of last year, the increases are around

25%, so there clearly is inflationary pressures that are coming. We need to be proactive about how we pass those increases on to our customers, and that's something we're very focused on.

Two other items to note related to this nine-month period, intangible amortization will approximate $55 million. And as John mentioned, the cost synergy impact in calander 2010 will be $90 million. That's about 90% of that $90 million of impact SG&A.

Looking at the full year, the bottom part of the page, our share count clearly is going to increase as a result of merger but we also have the previously announced issuance of about six million shares related to our equity unit hybrid instrument that will occur in May of 2010. So the average outstanding shares will approximate 150 million. The tax rate should be about 26% to 27%, as John mentioned earlier, the normalized Q1 tax rate was around 27%, so really will be consistent with what we experienced in the first quarter. And then the impact of foreign currency we would expect to be-- utilized current exchange rates we would expect that to be relatively minimal, now that excludes the effect of the Chinese RMB. Anything that happens related to that is outside of that particular assumption. And then last, the restructuring and related charges not associated with Black & Decker or ADT France will be about $30 million to $40 million. So the free cash flow assumption related to this, when you factor in these particular EPS guidance and excluding the effect of the one-time charges and payments, will be about $600 million for the merged Company 2010.

The next page is a summary of the one-time charge that we expect for the full year of 2010, and if you look at our GAAP EPS forecast or guidance we believe that we will be anywhere from a loss of $0.41 to a slight gain of $0.05 based on the exact outcome of these charges over the remainder of the year. And they're really broken down into three different components. The first is just restructuring costs associate with severing employees as well as closing facilities, and the range there is $245 million to $295 million, $90 million of which we've actually incurred in the first quarter of 2010.

Then we have one-time costs and SG&A and the category that we call other net below operating margin of $100 million which relates to certain executive comp charges, investment banking fees and other advisory and consulting fees that we're utilizing for the integration process. The vast majority of that was actually incurred in the first quarter about $81 million, so we have $19 million of additional costs for the remainder of the year.

And then last an accounting charge related to inventory where we actually step up the value and purchase accounting, it's a noncash charge will be $170 million, $42 million of that was recorded in the first quarter. So on a cash EPS basis, excluding these different charges, we believe that the cash EPS will be $4.89 to $5.09 and that assumes $370 million of depreciation and amortization.

So to summarize this morning's call, we feel we've been very -- we've made successful progress in beginning the execution of the integration with Black & Decker. We believe the $350 million cost synergy target is achievable. As I mentioned related to trends, we're seeing selective customer restocking activity in our Industrial channel and signs of a bit of a pickup in the end markets that allow us to feel that a 4% to 5% revenue growth for the remainder of 2010 is reasonable. We're focused on strong new product launches to gain market share and boost that top line growth as much as we can. And as Jim mentioned the operating leverage is something that we're very focused on and we saw a bit of a demonstration of that in the first quarter in CDIY and Industrial. And then last, but certainly not least, SFS we believe will play a very significant role in the successful integration of Black & Decker as well as our objectives around working capital. So with it that concludes the presentation portion of this morning's call.

Kate White - *Stanley Black & Decker, Inc. - Director IR*

Thank you all. It's time for Q&A, Louisa.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Eric Bosshard with Cleveland Research. Your line is now open.

Eric Bosshard - *Cleveland Research - Analyst*

Good morning.

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

Good morning, Eric.

Eric Bosshard - *Cleveland Research - Analyst*

Two things, first of all can you talk about the sustainability of the margin improvement which was quite remarkable in the core CDIY business as well as in the Power Tool business of Black & Decker, Power Tool business? Obviously you talked about cost improvement contributing to that but can you talk about the sustainability of what are pretty strong levels of profitability in those businesses?

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

Sure, was that the first part? You said two things, Eric.

Eric Bosshard - *Cleveland Research - Analyst*

That's the first part. There's a second part as well which hopefully I'll be able to ask once you're done with that.

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

Jim, why don't you talk about the COE and everything else that contributes to that.

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

Yes I mean clearly the story, as I mentioned in my remarks, has everything to do with the fact that on a combined basis these Companies took out well over $600 million of costs, close to $700 million of costs, in the last six quarters before the end of the year. So that cost is obviously not all coming back, and when the volume comes in, there is some cost add backs in both of the businesses. But we're here to enjoy some operating leverage and make some selective reinvestments in growth as we move forward, and we'll kind of monitor and allocate those growth reinvestments as we go.

But the expectation here is that we've gone through a lot of pain over the last, both organizations, over the last couple years, and we expect to enjoy the fruits on a-- on a more granular basis, when you get into gross margins, both Companies have a tried and true productivity regimen, somewhat different, we're taking the best of the best and putting them together in those cases. I think Stanley has probably been a little more, legacy Stanley, has been a little more focused on pricing core competency in the organization, and I think we have some opportunities to drive that through the new Company and help drive some positive improvement in gross margins in particular in that area.

But I would also say that I think inflation is something that we all need to be, as Don pointed out, we all need to be cognizant that as this economy heats up, we're already seeing the early signs of commodity inflation. So there will be some puts and takes here as we go, and we're probably not going to get 100% price recovery, just like we didn't get 100% price recovery in legacy Stanley since 2004, we got 80%. If we can get somewhere between 60% and 80% as a combined Company, I think we'll be doing quite well. But there will be a lag time in that regard, and that's why while Don's guidance may seem a little cautious to some folks, I think including you, Eric, based on something I read, I think it's probably appropriate. I think the margin rates that we're at today certainly seems sustainable to us, but we're three weeks into our relationship here, so time will tell.

Eric Bosshard - *Cleveland Research - Analyst*

And I guess the follow up, when you originally presented the targets, I think the original presentation was that there would be -- I'm looking at a slide that said $0.20 to $0.45 of dilution in year one. And there's a lot of moving parts with these numbers I understand, but can you help us understand how this guidance is up from the core Stanley Works guidance for 2010, the stand-alone guidance you gave out at 4Q? And so it looks like your guidance suggests this is going to be accretive, the combination will be accretive in year one and the original guidance was for dilution. Hopefully that's clear enough, but can you just talk about what that is relative to where we started?

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

Yes, there are lots of puts and takes there, Eric but Don will give you a little more granularity on that. We expected that question.

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

Yes Eric, you're exactly right. As part of the November guidance we provided we did believe that it would be dilutive in year one but to keep in mind as you know there were some pretty conservative assumptions around top line growth in that November guidance around 2% total growth for the entire combined Company in year one. Now obviously we're looking at growth rates that are more around 4% to 5%. Additionally we're starting to see the effect of the leverage from that volume so you begin to see the accretive impact of that, and that's really what's driving that $0.25 to $0.30 improvement from what we were thinking back in November of last year.

Eric Bosshard - *Cleveland Research - Analyst*

Perfect. That's great. Thank you.

Operator

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

Jim Lucas - *Janney Montgomery Scott - Analyst*

Thanks a lot. And thank you for a lot of good material in preparation for this because I know a lot has to go into making this into a coherent form to us outsiders. First question, if we look within the CDIY business, you commented that you're not seeing a lot of orders in the home center channel. Could you comment on the sell-through of what you're seeing there?

And then the second question big picture as it relates to synergies, if you could comment early read on revenue synergies, of what you're thinking there? And with regards to SFS, it's-- how long do you think it takes Black & Decker to get the rhythm that Stanley has from an SFS standpoint?

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

Well, Jim this is John. I've never heard four questions snuck in so quickly when we don't have you on the buzzer. But let me try them all and Jim will jump in to help. In terms of restocking and sell-through, it's a little early. As you know and everyone on the call knows, the home centers close their fiscal books at the end of January which is always a relatively soft month for we as suppliers in terms of volume. So what we've shipped in February and March we do believe is helping with restocking.

In terms of POS, all I'll say is there's nothing out of the ordinary yet and I don't want to say any more than that, the simple reason being without inventory there can't be any sell-through. And inventories have been so low up until about March that we think POS has been constrained by lack of inventory at retail. So we've seen no dramatic increases, we've seen no decreases. But the simple answer is, it's one to three months early to make any kind of I say projection or draw any kind of conclusion based on that. And I hope that's clear. So modest restocking, constant sell-through. We think we're-- it's going to take a few months of inventories being at a more robust level in the stores before we can expect the kind of POS lift that we're hoping to see.

In terms of revenue synergies, it's early days. We've been in I'd say violent agreement across the two Companies that they are there, as I reference they're more -- it's much more motivating and inspirational to work on revenue synergies, but I have to say first and foremost we need to be sure of the cost synergy plans are in place, they're being executed and that's embedded. We've only recently, since we've been able to put the two Companies together, at the very Senior levels of Management, top 12 people in the combined Company, established a process for identifying, resourcing and managing any potential conflict with revenue synergies relative to cost synergies because conceivably one could get in the way of the other so there has to be a way to establish the appropriate priorities, and to the extent a conflict exists, resolve it. As I mentioned in my introductory remarks, there's actually a formal presentation at the end of May to the Steering Committee where we think we can-- will be a little more granular internally and if something material takes place, obviously we'll be public about it, otherwise we'll just talk about the status in our next quarterly review.

Lastly, in terms of timing for SFS, Jim said it best, it's an evolution, it's not a revolution. This is not a silver bullet, it's not an overnight phenomenon. It's a very, very long journey. I'd like to think with a very willing audience and-- or if you will, body and that's the entire Black & Decker operating and Management team, they've seen the positive impact it's had for Stanley over the last three years. But I'll say our own experience, we started talking about it four years ago, we started really embedding it three years ago and it's taken-- while the improvement has been gradual, its taken three years to really really really see the fruit on those trees. So I'd like to think we could do it a little quicker, because we have some more experience. As Jim pointed out, we're applying it across a much much larger base, so that's going to have an impact as well. But I think it's going to be 12 to 18 months before it's appropriate to see any process driven changes as the result of SFS, and I think you can expect a steady improvement from there.

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

Yes and I think everyone needs to understand that when you're implementing $350 million of synergies in a $9 billion Company, while it may not sound like much on a percentage basis, it's really all consuming. And hence we're putting off the revenue synergy deep dive kind of planning process a couple months. And SFS may take a little bit longer to implement across the platform because we can't do everything at once, so we're trying to sequence these things in at a rational and orderly manner. But there is that huge opportunity out there. And I think also the fact there are fewer SKUs in the Power Tool business than in the Hand Tool business will help us, the fact that we've got experience that John referenced, will help us expedite. But it's going to be a very large undertaking, and it will take at least somewhere in the range of probably 18 to 24 maybe 36 months to get it done to that level.

And then last thing I would just comment on the revenue synergies a little bit. I had the opportunity to spend about four weeks visiting far flung regions of the world and meeting the Black & Decker folks and learning about their business in great detail around the world and starting to kind of frame out what the revenue synergy areas might be. And I think there's five really significant ones and maybe some more that I don't know about yet that will kind of be surfaced during our vetting process over the next few months.

But they have a very strong organization in Latin America. They have production in Brazil, which is expandable. They have a distribution center down there, which we don't have. And for those of you that are familiar with Brazil those are enormously important assets in order to be successful in Brazil, which is really on fire from a market growth perspective. So we will quickly, as quickly as possible, take advantage of that opportunity to gain market share with the legacy Stanley businesses down in Latin America, the business leader down there is terrific.

Likewise in the Middle East, in Dubai, which covers the entire Middle East and Africa region for legacy Black & Decker and now Stanley Black & Decker, very strong organization in the Middle East as well and a good infrastructure significantly bigger and better than ours in the Middle East. We will leverage that as quickly as we can.

And in Asia I think we find that both Companies had fledgling operations there. When we put them together I think we have sufficient scale to have a meaningful growth initiative in Asia and really leverage off each other and our distribution channel excess and our talent over there. We were fortunate enough to retain both the -- both leaders from Stanley legacy and Black & Decker legacy, Asia. And we have them now kind of divided that up territory for-- within both of their regions, so they both are now -- we have twice the Senior talent working on Asia and the emerging markets.

And then closer to home, I think well really the staff the channel is something that Stanley has coveted for a long time and aspired to do better in. And the Bostich Hand Tool launch is just an example of something that's really targeted at the staff the channel. But when you look at the Black & Decker relationships and the staff the channel there, stronger then-- and their history is more successful in that channel than ours, and so we hope to leverage that.

And then lastly in the Industrial channels around the globe, as many of you know Stanley has transformed its market approach in those channels to be -- to really drive a global platform approach across the regions. And Black & Decker, while it has this entity called Industrial Power Tools, its really far more construction oriented than industrial, it has some industrial. But Stanley has a much better channel access into the industrial and automotive repair channels across the world and we expect to leverage that as a revenue synergy as well. So I hope that gives you a little color into some of the potential areas that could be very meaningful on a go forward basis.

Jim Lucas - *Janney Montgomery Scott - Analyst*

Extremely helpful. Thank you.

Operator

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

Dennis McGill - *Zelman & Associates - Analyst*

Good morning, guys. Hi, the first question I was hoping, I believe you touched on the home center trends within the Hand Tool business, but I was hoping you could maybe talk about what you're seeing from point of sale and new orders particularly as you exit the quarter across all businesses there including the legacy BDK that touches that end channel? And then I had a follow-up question as well.

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

Dennis, you have to ask-- I said everything that we intend to say about orders our in POS at this stage. It's as you know it's a very short cycle business. We've only had granularity at Black & Decker Power Tool orders and POS for three weeks, and as I say at this stage restocking has been a slightly -- has been modestly encouraging but far less than in the Industrial channels. And it's too early to have a view on POS because inventories are only being gradually restored and we only have three weeks of data to go on.

Dennis McGill - *Zelman & Associates - Analyst*

Okay, fair enough. A second question, I believe in the press release you guided towards $600 million of free cash flow for the year. And I was wondering if you could maybe give us some puts and takes as far as what some of the bigger drivers there are and how we might think about that relative to I believe the $1billion or so that the combined entity generated last year?

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

Yes, we'll talk -- there's a lot of one-times in the $1 billion, Dennis. And obviously the targets $1 billion plus on an ongoing basis which is year three, but we've had a lot of discussion on that. Don is going to give you some of the highlights of where we came out.

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

Yes, so Dennis, the $600 million, as I mentioned, or was mentioned in the press release, really does has a very modest impact around working capital included in it. So in essence what it is, is if you take the net income, or EPS projections that we have, you add back the depreciation and amortization and subtract out CapEx, you pretty much get to that $600 million number. So and our CapEx tends to be anywhere between 2% and 2.5% of our revenue. So use those as kind of boundaries you'll get to that number.

The opportunity for us going forward is clearly continued top line growth and we're seeing the signs of that in 2010. If these trends continue, then we'll have more growth in 2011 and 2012. But working capital is also a significant opportunity for us, and getting to the $1 billion required a modest improvement in the Black & Decker working capital turns of about 2 turns, and that was really part of that projection that we provided back in November. The other thing to keep in mind is that the performance last year of both Companies had, on a combined basis, about $450 million of working capital benefit in it. And we don't expect that at this point in time that that will repeat in 2010 but as we move forward, as Jim mentioned, there is a big opportunity for $800 million of cash flow from working capital.

Dennis McGill - *Zelman & Associates - Analyst*

Okay, thank you very much.

Operator

Your next question comes from the line of Nicole DeBlase with Deutsche Bank. Your line is now open.

Nicole DeBlase - *Deutsche Bank - Analyst*

Guys, good morning.

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

Hi, Nicole.

Nicole DeBlase - *Deutsche Bank - Analyst*

I just wanted to echo the comments thanking you guys for all the disclosure, I know it probably required a lot of work. So maybe first of all you mentioned a little bit how you're expecting -- a little bit about your price inflation expectation for the full year. Is there any way you could provide some detail on pricing, when you're expecting to take pricing? Is that something that happens in the back half of the year?

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

I guess, Nicole, always we try to be as far ahead of the curve as possible in order to maximize recovery of commodities inflation. Steel is, as Don pointed out, he quantified exactly how much it will be, how much we think it will be, what's built into our projection. The RMB is huge obviously with product, both from our competitors and ourselves, sourced from Asia, 5% RMB inflation is $42 million on an annualized basis. The simple thing to say is when we see that inflation coming, it will take one to three months for it to hit our cost of goods. We will be out trying to announce and implement pricing the second we see it coming. If you assume a six-month lag in some customers from the day we announce it until the day we get it, we have a three month gap to fill, and that's what Don trying to improve.

So simply said we try to be equal to or ahead of the curve. We've done a good job with that over the last three or four years driven by the central pricing center of excellence and people from that organization being embedded within each of the business units. And that's where we'll stay. We'll try to stay equal to or ahead of the curve and both commodities and RMB inflation are going to be very, very big external factors or market driven factors to look at.

Importantly, as it relates to the impact of RMB inflation, we're not in this alone. Anyone, whether it's private label of the home centers or foreign competition in CDIY, they're going to be impacted as much or more as we are. So while the numbers are big, the forces in the marketplace will-- are present, it will suggest we won't be alone in the need to achieve pricing to maintain margin.

Nicole DeBlase - *Deutsche Bank - Analyst*

Okay thanks, John, that's really helpful. And then maybe if you could comment a little bit on how Power and CDIY core growth in 1Q compared to your internal plans? I guess I was a little surprised by the volume declines given the mid-to-high single-digit growth we've seen out of both Danaher and Cooper this quarter.

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

Well let me start by saying that both Danaher and Cooper are far more industrial oriented than our CDIY business. If you look at their-- before the JV, their portfolios, and when you combine them together, it doesn't change anything. So you have to really if you want to get a Danaher Cooper, Stanley Black & Decker comparison, or at least Stanley legacy comparison, you really have to have kind of blend the CDIY and the Industrial results. And I think you saw the surge in our Industrial business as well which was very comparable to what they experienced.

Nicole DeBlase - *Deutsche Bank - Analyst*

Okay, that's fair. And lastly from me, what sort of seasonal pickup do you guys expect for Security in the second quarter?

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

It's always the case not versus-- obviously not versus 2Q 2009, but 1Q to 2Q we get historically a good seasonal pickup in our Mechanical Security business. I think Black & Decker's Hardware and Home Improvement business will be a little less seasonal than Stanley's. Specifically ours is driven as you know by two things in legacy Stanley. The tremendous penetration we have on university campuses and mechanical locking and most of that takes place in June and July which builds into the third quarter where we get on to the campuses to change a lot of locks, that will be less Black & Decker's Mechanical Security business, we'll not be tremendously impacted by that.

The second point being our Access Technologies business, which we love, tends to have a far greater performance in the second and third quarters than first and fourth and it's all weather related. We never have any site availability issues when we go to install or in some cases service doors or retrofit doors. That goes away. So what you've seen on the Stanley side historically we would expect again. We expect very little of it on the Black & Decker side in that their Mechanical Security business is less university and large retail oriented. So essentially on a combined basis, the percentage increase which we always -- we often attribute 100 to 200 basis points is cut in half just due to the business is twice the size.

Operator

Your next question comes from the line of Dan Oppenheim with Credit Suisse. Your line is now open.

Dan Oppenheim - *Credit Suisse - Analyst*

Thanks very much. You talked a lot about this in terms of the CDIY and the encouraging signs in terms of inventory (inaudible) happening much more on the Industrial side. In this guidance of 4% to 5% revenue growth for the remaining three quarters of the year is there any customer restocking built into that or are you assuming that it takes place later on?

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

Well, since there obviously is a little bit of customer restocking built into that and clearly we experienced a little bit of that in the first quarter, and then we'd expect that to continue into the second quarter and third quarter. But I would say that the vast majority of that is really end market pickup.

Dan Oppenheim - *Credit Suisse - Analyst*

Thanks very much. And I guess the other question, just wondering about the, and think about the Power Tools. You talk about product launches helping to regain some market share. Do you think that as you deal with the big box retailers is your thought at this point that having the right products and those introductions will help to you regain the market share, or is there anything different you're looking at with the relationship with them?

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

No, absolutely it's about having the right product. And importantly as the legacy Stanley Management team understands the Black & Decker Power Tools business better and there's still tremendous amount of expertise within the combined Company. Black & Decker had a core franchise to protect in nickel cadmium. So on the one hand it was slow to convert to the emerging technology of lithium-ion, one of the reasons being the franchise that it had to protect. The products are available, the pipeline is full. These are the-- this is the most powerful and sought after brand in the professional channel, that's the DeWALT brand, of course. And we believe, not due to the fact that we're a larger Company, due to the fact that legacy -- the Stanley brands and DeWALT brands are the most sought after brands in the industry and we have every hope and expectation to gain share as a result of that as we're able to put these two Companies together and introduce our new products.

You'll recall from following Stanley historically new product launches take place in March and October, and we start to see the benefits of that in the second obviously in fourth quarters. Every year about $100 million in revenue on the legacy Stanley CDIY side has been generated from new products. We sea no reason why that shouldn't continue going forward.

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

Yes and these DeWALT folks and also Black & Decker Power Tool folks are very proud and capable people. And they didn't take it very kindly when they missed this window, which has cost them some market share points over the last year and a half. And I can tell you that the passion they have for what they do is going to be manifested in some outstanding new products, and I think they are going to regain their marker share both through product and also they had reduced a lot of their brand support in taking costs out. And a lot of that brand support, while it's not a cost synergy per se and it's not a revenue synergy per se, we are able to leverage a lot of our existing brand support assets such as our MLB program, we'll see with DeWALT and [Four Parks] probably already have. And also in our premier -- or football over in Europe, you'll see DeWALT at the games now. And so around the world in our NASCAR, you'll see the same things. So we really are beefing up the brand support at that time same time the products are going out, and I expect that will help the marker share as well.

Operator

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

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

Good morning, everyone.

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

Hi, Peter.

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

I guess first question if we could just go back to the revenue synergies, and you laid out those five as sort of the targets. I'm wondering if those are more -- are they plug and play sort of initiatives? In other words, what sort of capital costs should we think about as you try to enter some of these or take advantage of some of these strategic opportunities?

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

Yes Pete, there's good news and bad news there. The good news is there's essentially no capital required to do what Jim talked about. And I think he articulated it extraordinarily well, and that's the positive.

The negative is a lot of experience sitting around this table and throughout our combined entities say as logical as it is and as easy as it sounds, it takes two to three times as long to realize those synergies as might seem reasonable at first blush. A lot of cross-training on product, a lot of the fact that folks know and understand their legacy customers and product lines that they have -- they need to be properly incented to go achieve these synergies without losing focus on the core business. And as, if you will, qualitative or subjective as that all sounds, Jim and I and all the folks at Black & Decker particularly in the regions have all had the same experience. It takes longer because it's not as easy as it sounds. We will get there. We'll get there with very little capital, but it's all about protecting the core while we layer this on and get at them as soon as we can.

We'll have a better flavor for what those are and how quickly we might achieve them as we live together for three to six months as opposed to three to six weeks. So stay tuned, and at some point in time, particularly when we get entire investment community together for an analyst day who knows a year from now, and we put out some new three year projections, we'll have a lot more granularity on that for you. But no capital longer time than you might be tempted to put in your model.

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

No, totally understand. Thanks for that color. If we could just get back to the I guess the cash flow commentary where I'm a little bit -- I see some optimism, I guess you're doing $600 million in free cash flow this year. And Jim, you talked about an opportunity of freeing up $800 million, but you also laid out a target of $1 billion pro forma. Can you-- you sort of set the bars for us when you're talking about the cost savings synergies and how to think about that. Can you also give us some of the puts and takes and why we shouldn't be more optimistic than your $1 billion target on the free cash flow front?

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

Peter this is Don. I think it's really going to depend on what happens over the next few years. I mean clearly there's significant cost synergies. Jim laid out some of the working capital opportunities that we have in the Company, but also we have to keep in mind that those working capital opportunities will take some time to achieve. We feel comfortable that we can achieve a lot of them, but the actual ability to achieve to them in a 24 month period is much different than ultimately achieving them. So those are all factors that need to be considered, as well as the volume pickup that we might experience as a Company for the next two to three years, it's a little bit of a question mark. So there's different ways that you could model it to be more optimistic, clearly that would get to you something greater than $1 billion, but at this point in time we still think that number makes a lot of sense. And as time evolves as we go forward, we'll continue to update it as we see appropriate.

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

Okay, thank you for the color and for the disclosures this morning.

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

Okay.

Operator

That is all the time we have today for Q&A. I will now like to turn the call back over to our presenters.

Kate White - *Stanley Black & Decker, Inc. - Director IR*

Thanks, everyone for joining in today. Again if you have questions, please feel free to reach out to me after the call.

Operator

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