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PRESENTATION

Operator

Welcome to the Q3 2011 Stanley Black & Decker, Inc. earnings conference call. My name is Kim, and I will be your operator for today's call. At this time all participants are in a listen only mode. Later we will conduct a question-and-answer session. Please note that this conference is being recorded.

I will now turn the call over to Ms. Kate White Vanek, Vice President of Investor Relations. Ms. White Vanek, you may begin.

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

Thanks so much, Kim. Good morning everybody and thank you all for joining us for the Stanley Black & Decker third-quarter 2011 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 earnings release, which was issued yesterday after the close, and a supplemental presentation, which we will certainly refer to during the call, are on the Investor Relations portion of our website, StanleyBlackandDecker.com.

This morning John, Jim and Don will review Stanley's third-quarter results and various other topical matters followed by a Q&A session. There is some helpful information in the appendix of the slide deck as it relates to your models. If you have questions, please contact me directly after the call.

In addition, you will note on the cover of our PowerPoint presentation for this quarter you will see a barcode on the cover. You can access our DeWalt Hand Tools mobile site by downloading the free scan app available on your App Store and will be able to access the site by clicking on the code from there.

A replay of the call will be available beginning at 2 today. Replay number and access code are in our release. And, as always, you can download the earnings replay as a podcast from iTunes as well, should you be interested.

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

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

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

Thanks, Kate, and good morning everyone. If we could focus on the first slide, I think the greatest highlight of the third quarter 2011 is in the earnings number itself, which excluding merger-related charges increased almost 40% versus the prior year.

Revenues were up 11%, $2.6 billion, organically up 4% in what you will hear is a relatively soft market. By segment CDIY grew 5% organically, excluding Pfister and previously announced divestitures such as the Delta business. Within CDIY our Professional Power Tools sales rose over 20% on the strength of some very exciting and very well-received new product introductions that Jim is going to talk to you a little bit about in the segment analysis.

10% organic growth in our Industrial segment. We are seeing great strength there, both in IAR as well as Emhart and some of our infrastructure segments. Security was flat versus prior year. There are a lot of puts and calls within Security in general and within the Mechanical Access portion of security in particular. But despite the flat volume our margins, as you will see in a second, were very strong in Security.

Diluted GAAP earnings were $0.92 a share, $1.34 excluding the M&A-related charges. And repeat that is plus 38% versus third quarter 2010. 13.9% operating margin. That excludes Niscayah, which is included for about 3.5 weeks in our results. That is up 130 basis points from the same period a year ago.

Strong margins in Security, as I have suggested earlier, 20.2%. And that was within Security our Convergence Security Solutions business posted record profitability.

SFS continues to be embraced, and as a consequence working capital turns increased 24% to 5.7, again, excluding Niscayah, which was only part of the Company for three weeks in September.

As Don will point out in our outlook and as he looks at our balance sheet and cash flow, working capital turns and the improvement in turns and many other things as a result of the embedding of the Stanley Fulfillment System across a larger company is a tremendous ongoing source of cash.

Niscayah closed on September 9. We have made really good progress in the first five weeks. And per our announcement, and I will talk about it a little later, we are expecting $0.20 of accretion next year, $80 million in synergies by 2013, resulting in even further accretion.

A $350 million share repurchase took place during the third quarter, and that is about $100 million more than we previously communicated. We brought in a total of 5.6 million shares.

So the earnings are driven by a lot of things, healthy organic growth relative to the market and cost synergies from the ongoing success of the Black & Decker integration.

We have had a lot of conversation on various geographies, and it is a mixed bag around the world, but generally positive as this chart will show. Organic revenues, as I mentioned, were up 4%. But if we start on the middle left in our largest market, plus 3% in the US, that represents more than 55% of Stanley Black & Decker's total revenue. Canada was flat. It represents 7% of our total revenue. And Europe, our second-largest market, was plus 3%, again, with very strong performance in the Industrial segment, relative softness in CDIY, but healthy performance nonetheless relative to the market, and some good -- relatively good early results in Security from a margin perspective and relatively flat from a volume perspective.

Looking at Latin America. Our revenue synergies are really beginning to gain traction in Latin America. It represents 9% of our combined revenue, and we had 23% organic rose in Latin America during the third quarter.

Asia grew 9% organically, and is becoming an increasingly large part of our portfolio. But if you see the bubble that we have highlighted, if you exclude Engineered Fastening, our Emhart business, organic sales growth in Asia was 19%, a tremendous achievement, not dissimilar to Latin America.

Engineered Fastening grew sequentially. It had a very good quarter, but it is still feeling the aftereffect of the second-quarter tragedies in Japan that had a tremendous effect on the automotive industry. Coming back nicely, but still not back to pre-tsunami and earthquake levels.

And last, and arguably least, representing 1% of our volume, organic sales were down 8% in Australia. We think that is a quarterly aberration rather than an ongoing trend. Australia remains a very important market for us despite its small size.

So Europe was steady and emerging markets, Asia, Latin America, continuing to expand at a tremendous rate.

Looking at the sources of growth, as I suggested earlier, Professional Power Tools in the Industrial business posted really, really strong organic growth despite relatively subdued end markets. Volume 4%, as I have said. Price was flat. Jim and Don will come onto that a little bit. We had some positive list price increases and some greater-than-expected promotional activity on some of our older generation products to enhance and help the sell-through. But all-in flat price during the quarter, with our organic volume up 4%. Currency helped us 3% and the impact of acquisitions 4% for your total topline growth of 11%.

If you are looking within the businesses, Professional Power Tools and Accessories, 17%; Industrial, 10%; Security, excluding the automatic door business, or Stanley Access Technologies, was plus 2%; Consumer Power Tools were flat. Hand Tools and fasteners, most of which is the legacy Stanley Henschel business, was down 6%, with relative softness in the US and Europe and strong strength everywhere else.

Access Technologies, as Jim will talk about in the segments, our automatic door business down 9%. It is rare for them to have a down quarter. Some retrofit business with large customers was delayed. The business remains very strong.

And Pfister down 22%, not dissimilar to last quarter as that reflects the impact of lost SKUs at a major customer that has been in place since the first of the year. And we will have one more quarter of that type of comparison before we have reached, if you will, steady-state on the Pfister business.

So it gives you a little more granularity inside the segment and Jim will give you some of the causes and effects in just a minute.

Finally, integration first and foremost on many of our minds, certainly mine and the senior management team. I will talk about two different programs running in parallel. First, the Black & Decker integration within Stanley to become one company remains on track. We are projected to achieve $450 million in cost synergies by 2013 and enter 2014 at a $485 million annualized basis.

We are getting into the major project implementation phase. We have consolidated two major distribution centers, three plants. They are progressing on time and on budget. We are tracking these very, very closely, because the interdependency of these projects and the resulting increased complexity is very, very important, and it is as important as ever that we stay on top of these.

We are, as part of our, I would say rigorous and I think well-understood integration process, senior management and the relevant project managers meet regularly with our normal dashboard format to ensure that these programs stay on track.

We have $115 million in incremental cost synergies this year, and that is going to drive about $0.50 in earnings accretion. And something that we are very excited about is our revenue synergy projects. They are beginning to yield strong results. They are still on track for $300 million to $400 million in incremental revenue, and $0.35 to $0.50 EPS accretion by the end of 2013.

The biggest opportunities, it is already showing up in the numbers, are in CDIY and IAR in Latin America, both Argentina and Brazil. And it is really encouraging to see these results.

Niscayah, as I mentioned, closed on September 9. It was a publicly traded company. The first four, now five weeks of the integration confirm our ability to achieve the stated cost synergies of $80 million. It is more than just a European business. I think it is important to understand there is overlap in the US. About 15% of Niscayah's business is in the US and about 15% of the legacy Stanley Convergent Security business was in the UK and France. So there is really good opportunity in those three geographies, as well as an opportunity to drive some synergies through improved practices across the rest of the system.

The management team is in place. Massimo Grassi, one of our most senior executives in Europe, has been named to head Security Europe. He brings global experience and a lot of experience managing cross cultures, cross integrations.

We very much like what we found with Niscayah. Tremendous field organization, quite decentralized relative to the Stanley model. We will get everything that can be done in one place done in one place, and Massimo has been overseeing that for about four years with our Company. And anything that touches a customer and end-user will continue to be done locally, because that is the way we do it in Europe, that is our model for success. And we are quite encouraged by the prospect for Niscayah five to six weeks into it.

The pro forma financial impact is per our information release. We are expecting $45 million in cost synergies and $0.20 accretion next year, another $35 million the following year, which will ultimately result in $0.45 of accretion.

Both the accretion -- incremental accretion from Black & Decker and next year's accretion from Niscayah are included in the 2012 preliminary outlook that Don provided.

But let me turn it over to Jim to give you some more granularity on our three reporting segments for the third quarter and going forward.

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

Okay, thank you, John. In light of the continued difficult global construction market, CDIY delivered a very solid performance. Total sales were $1.338 billion, up 6% from the third quarter 2010. Segment profit of $170 million was also up 6%, and the profit rate held nicely in the 13% range.

Organic sales were plus 3%, but up 5%, as John said, excluding Pfister and the divestitures. And the Professional Power Tools and Accessories business was overwhelmingly positive with 17% organic growth on the strength of its lithium-ion share gains, as well as increased promotional activity on older generation Power Tool products.

Consumer Power Tools was flat organically, with a weak backdrop in the US and Europe offsetting double-digit gains in Asia and Latin America. And Hand Tools and Fastening was down 6%, of which 2 points of that erosion was due to a business model change with the Bostitch Industrial business, which shifted over from a direct to a distributor model. But broad POS pressure in the US and Europe was really at the core here, and it more than offset DeWalt Hand Tool share gains, listing gains and strong emerging markets -- and a strong emerging market performance.

As you can see, CDIY-wise revenues in Latin America grew 19% with above average operating margin rates. But the highlight really was the Professional Power Tools, which grew over 20% due to the success of the 18/20 volt Max lithium-ion line and continued strength from the 12 volt lithium-ion line that was introduced a year ago.

In Power Tool Accessories we are strong as well, up 6%, which is a continued focus for us to grow that highly profitable recurring abrasives and accessories line.

Let's talk about price for a minute. I know that is on a lot of people's mind, the pricing actions were successful in CDIY during the quarter. We locked in the final increases that were out there hanging. And we now have successfully achieved our goals in terms of list price increases to offset inflation. But during the quarter we chose to offset the benefit from that with higher promotional discounts on Ni-Cad and other older generation products.

And you can understand with limited store traffic and increasing dichotomy between the pros who simply want the best power tool out there, i.e., our new lithium-ion, and those who were more interested in good performance at a lower price point, we felt that this was the best gambit available to us to effect the phase-in, phase-out and maximize revenue and profit, and we think it did. So all in all a decent showing for CDIY. Revenue growth, profit growth and share gain all against a tough market backdrop.

Security also had strong profit growth in a weak environment. Total sales were $656 million, up 17%, with acquisitions contributing 15 of the 17 points. Organic sales growth was flat. Segment profit was $110 million, up a very strong 26%. And nice operating leverage and synergies from the Black & Decker and other acquisitions.

Price and productivity more than offsetting inflation. And ex acquisition charges, the segment profit rate was 18.4%, and ex the temporary margin dilution from the new acquisitions, Security OM percent was actually 20.2%, certainly a very good place for that to be, and we haven't seen that in a long, long time.

As the businesses went, CSS or Convergent Security was up 1% with 4% growth in RMR recurring revenue, monthly revenue, and install volume was down 2%. But healthy order flow from both National Accounts and Core Commercial accounts left us with an increasing backlog, and orders were up 10% in the US, UK during the quarter and up 4% overall in this subsegment.

Also notable CSS France, the home of the ADT France acquisition which we made a year ago, really progressed quite smoothly. And we have gotten -- now we have gotten that operating margin rate into the mid teens as we promised and are now ready to digest the Niscayah activities as well in France. So that is definitely another highlight.

And then in addition, a business that we will be featuring in the future as a growth engine in the coming years, health care solutions was up 12% organically, indicating some of the power and potential of that unit due to strong sales in both patient security and RFID-enabled storage systems.

Turning to Mechanical. Excluding the Access business, organic growth was up 2%, which we think was an excellent performance given the very difficult market conditions, especially in residential that we and our competitors have been encountering. The story there was clearly share gain, specifically Kwikset, which comported itself quite well at retail during the quarter.

Now turning to Access, John mentioned, the down 9% continued to fight market headwinds. In this case Access does have some significant customer concentration and its largest customer elected to delay remodels during the quarter. The rest of the business was quite healthy, but that delay with that large customer resulted in a 9% overall decrease, so we expect that to be a temporary phenomenon. They also maintained their strong profitability right around 20% operating margin in Access despite that setback.

Overall, Mechanical Access operating margin percent was greater than 19%, with 300 basis points of year-over-year expansion reflecting synergy realization, strong productivity and successful pricing actions. So for 4Q you can expect another solid quarter for Security with 3% to 4% organic growth, we think, characterized by very strong electronic security and continued market headwinds for MAS and Access. Niscayah will also be accretive to OM dollars, but certainly not to the rate.

Turning to Industrial. Once again, Industrial had a great quarter. Revenues were up -- were $642 million, up 19% over the third quarter. Segment profit was $106 million, up 31%, and the operating margin rate expanded to 16.5%. All three of the subsegments had healthy organic growth during the quarter, leading to a 10% organic growth performance for Industrial overall.

IAR was up 6% organically, as Industrial and Mobile Distribution, as well as Engineered Storage benefited from strong customer demand and marketshare gains. And for the all-time Mac aficionados, Mac had its third consecutive quarter of double-digit growth and is operating at record operating margin rate levels as we go.

Solid revenue growth for the entire North American segment of Industrial and Automotive Repair was up 12% organically, and the emerging-market volume was up 20%, more than offsetting a modestly softer Europe.

New products, particularly in the mid-price point range as the market has shifted slightly, gained traction globally with strong results in emerging markets. And the operating margin rate expanded 350 basis points, driven by operating leverage, cost synergies and successful price inflation recovery.

Engineered Fastening had a terrific showing with organic revenues up 14%, 3 times the growth in global light vehicle production, as new products such as the T-Series stud welding, which debuted at Volkswagen during the quarter, and increased platform and penetration and marketshare gains. And as John mentioned, production in Japan rebounded sequentially as we expected, and that is now on the road to recovery -- well on the road to recovery.

Infrastructure was the star of the quarter in terms of organic growth, up 19% in the segment. And pro forma revenues for CRC were up in the mid-single digits on stronger international product sales. And operating margin rate for that acquisition topped 18%. Hydraulics sales were up 30% on continued market strength in that small but very, very successful business.

On balance, another strong quarter for Industrial, really complementing the other units and helping us drive a pretty good performance for the total Company.

Now as we move to working capital, on working capital we made excellent progress during the quarter, and we have started the multiyear trek to drive legacy Black & Decker to 8 to 9 turns, thus enabling us to extract over time the $0.5 billion of cash from unproductive assets.

This quarter the highlights were accounts receivable and accounts payable. And as you can see, accounts receivable drove $96 million of cash vis-a-vis the prior year. That was in the face of 11% sales growth. So very difficult to do, but that obviously was a very nice improvement. And days payables drove $118 million of cash flow versus the prior year. And took its days from 60 to 74, a 14-day increase.

Inventories, on the other hand, I would look for a significant inventory turns increase in the fourth quarter. Inventory takes a little bit longer when you make the process improvements to get the results. But from where I sit I can see excellent progress in the business units across the Company. We have solid plans in place to affect this improvement in the fourth quarter. I think that is going to go a long ways towards contributing to the $1.1 billion in cash flow that we expect to drive this year.

Working capital through SFS is a momentum game, and we are gaining momentum. So more to come, stay tuned. Now I will turn it over to Don Allan, who will take you through the financial aspects.

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

Thank you, Jim. If we start on page 12, I would like to spend a little bit of time talking about our free cash flow performance. As a reminder, this does exclude M&A charges -- the number is on the page.

Specifically if we start with working capital, as Jim mentioned on the previous page, we had very nice performance year-over-year, but sequentially we had a little bit of a retraction of working capital, which is why you see a $45 million negative.

Very much a seasonality phenomena, where we tend to see a great deal of our working capital benefit occur in the fourth quarter of both legacy companies, for Stanley and Black & Decker. And so throughout the year we have had a slight negative performance in working capital, as you see $121 million. We would expect that to turn positive in the fourth quarter, closer to $100 million, $150 million of a positive.

That will drive a lot of the strong cash flow performance that we will see next quarter, and will allow us to feel that we have achieved our $1.1 billion of free cash flow for the year.

A couple of other items of note on the page. If you look at Other, a large negative in there, and we have talked about this throughout the year. As I mentioned in the July earnings call, we had a significant tax settlement in the first in the second quarter that was non-cash of about $70 million. We also have a large pension payment that is occurring throughout the year, which will be about $80 million by the end of the year, $60 million through three quarters. And then a few other items that make up that $233 million of a negative. Even with that though, we feel that we will be able to achieve our $1.1 billion free cash flow by the end of the year.

Another item of note is CapEx. In line with our projections it is about 2.1% of revenue. And this will be CapEx excluding any M&A-related capital activities, but it is on track for our expectations.

So why would we feel comfortable that we can achieve $1.1 billion in free cash flow for the year? Well, one of the big items is what I mentioned, working capital will swing to a positive of about $100 million to $150 million for the full year after the fourth quarter has been completed. And that is really due to the phenomena of seasonality as well as the SFS activities that Jim was describing on the previous page.

Additionally, if you look at history, of the two legacy companies over the past two years anywhere from 50% to 60% of the free cash flow is achieved in the fourth quarter. If you utilize those types of analytical statistics it gets you to $1 billion, $1.1 billion of the projection for the year. Hence, why we feel comfortable that we can achieve the free cash flow performance by the end of 2011.

Moving to the next page, spending a little bit of time on 2011 outlook. The first item I want to talk about is net organic sales. Our current projection for the year is 3.5% organic sales, which is down from the 4% to 5% we provided in July.

I will remind everyone that our guidance throughout the year has really been predicated on very little market growth in the mature markets in Europe and in the United States. But what we have seen in the third quarter and we expect to continue in the fourth quarter is a bit of a retraction in the US Hand Tool volumes, as Jim discussed on the segment slides earlier. We would imagine that likely will continue in the fourth quarter.

We are also seeing modest softness in Europe. We discussed softness in CDIY back in July. We are also seeing a little bit of softness in our Industrial Automotive Repair tool business and a flat performance in our Security business in Europe. Offsetting that has been a great performance in our Engineered Fastening business, as both John and Jim have discussed earlier this morning.

But we would expect this trend to continue, hence, why we believe we will have a lower organic growth performance in revenue this year. What that means to the EPS is that we still believe we will be able to achieve our EPS range, where we communicated in July a range of $5.15 to $5.40, although we will be at the lower end of the range, and the Q4 EPS will be $1.30.

A few items embedded in our forecast for the year that are more nonoperational in nature, as you can see on the last bullet on the left-hand side of this page. We certainly did a buyback of $350 million or 5.6 million shares, which drove our share count down and our average for the year will now be approximately 167 million versus the 170 million we communicated in July.

The tax benefits that we had in the third quarter were our tax rate was around 20%. In the third quarter we would expect for the year the tax rate will be between 17% and 18%, so lower than we communicated in July. So that those two items together, about an $0.18 EPS positive for the entire year.

Offsetting that though is what has been happening with foreign currency. And we have seen a significant decline in the euro versus the dollar, primarily that is the main driver. And that is having a negative impact of $0.13 on our forecast as well. So the net impact of that is about a $0.05 positive on the outlook for 2011.

Moving to the right side of the page, we believe the total revenue growth performance will be about 12.5%. I mentioned the organic piece of 3.5%, and then we believe acquisitions, which are large part of that will be Niscayah, as well as currency, will add an additional 9% for the year.

And then a little bit of housekeeping related to interest, other and -- other net and restructuring. We still expect that to be approximately $330 million, as we are definitely having lower non-M&A restructuring this year. However, we have higher amortization that is coming from Niscayah that pretty much offsets that. So a net neutral versus what we were saying in July.

We are reiterating a few items. We expect $200 million in cost synergies in 2011. We believe that even with the promotional discounting that Jim described around pricing, we still will achieve price inflation recovery of between 33% and 50%, closer to the bottom end of that range. And then our free cash flow, I mentioned earlier, $1.1 billion being achieved.

So we are still achieving our lower end of our guidance range that we started with earlier in the year, despite very turbulent market conditions and a few unforeseen headwinds.

So looking ahead to 2012, we thought it was important to give various folks some insight into what our thoughts were related to 2012. We actually -- if we assume economic conditions remain as is, so we have a little bit of softness in parts of Europe, in some of the US Hand Tool markets, we have strength in some of our industrial businesses, expecting modest growth in Security, etc., we believe $6 EPS for 2012 appears achievable, and here is why.

If you start with 2011 as a base, utilizing the $1.30 guidance I just provided for the fourth quarter and adding that to our year-to-date EPS performance of $3.89, gets you to a $5.19 EPS for 2011.

John mentioned that we have $115 million of cost synergies related to Black & Decker in 2012, which is about $0.50 EPS or earnings accretion. We also have the Niscayah transaction that John discussed, that will be $0.20 accretion in 2012. So those are two items that we can execute upon and perform, which will drive accretion of a significant nature.

Additionally, if we just take an assumption around volume and revenue synergies that we will have a consistent performance of what we have seen this year, which is in essence driving growth in emerging markets [that is] both market growth and revenue synergy base, regaining marketshare, as well as a relatively flat performance in the mature markets of Europe and the United States, you could see that we would have a relatively consistent performance with 2011.

Offsetting those three positives will be a tax kind of clawback. Where we had a 17.5% tax rate in 2011, I would imagine that would return back into the 20%s for 2012. That will be a bit of a negative as we walk to 2012's $6 EPS.

A few items that are not shown here that offset each other would be general productivity, as we drive productivity through our supply chain; that would be a positive. But we will have a bit of an overhang, especially in the first and part of the second quarter of inflation versus price that will carry over into next year. And then if currency rates stay where they are today, we will have a bit of a negative drag from FX. Those three items will offset each other at this point in time, which is why we feel comfortable that the $6 is achievable.

So to summarize the call this morning, the integrations of both Black & Decker and Niscayah are progressing very well. We are comfortable with Niscayah's leadership and the integration teams are in place.

As Jim and John touched on, marketshare gains are very evident across all three of our segments. Professional Power Tools are up 20% despite no increase in housing starts; the Engineered Fastening business up 14%, which is approximately 3 times global light vehicle production around the world; our Security hardware business up 10% in a declining market.

The ongoing global Companywide SFS implementation is definitely gaining traction. You saw the numbers that Jim presented. Working capital turns are increased 24% versus the prior year. It is really demonstrating the organizational agility and the effectiveness of integrating Black & Decker and assimilating them into the Stanley Fulfillment System.

The powerful accretion from both cost and revenue synergies that have existed in 2011, that will carry over into 2012, which is why we believe we can drive an EPS performance of $6.

With that we will open it up to Q&A.

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

Great, Tim. We would like to open up and begin our Q&A. As always, we are going to follow the one question, one follow-up model to go forward.

QUESTIONS AND ANSWERS

Operator

we will now begin the question-and-answer session. (Operator Instructions). Dan Oppenheim, Credit Suisse.

Dan Oppenheim - *Credit Suisse - Analyst*

I was wondering if you -- you talked a lot about the thoughts going into the $6 in earnings for 2012. Can you give any sort of quick thoughts in terms of the -- your cash flow and thoughts on what you can continue to do with SFS next year for cash flow generation, but also thinking about any potential contributions to the pension?

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

Dan, it is Don. I would say that the pension -- just to deal with that last part, the pension contribution will be consistent with 2011, so there wouldn't be any significant increase there.

As far as the free cash flow performance, we do believe we will exceed $1.1 billion next year as well. And we will have a nice working capital performance embedded in that. And I would imagine you would see working capital turns improve about a half turn in 2012 versus 2011.

Dan Oppenheim - *Credit Suisse - Analyst*

Okay, and now so, I guess, the follow-up would be just really to Hand Tools in terms of the promotional activity in terms of pricing there. As you look forward to the coming year, assuming sort of a challenging environment here, are you assuming that there is continued pressure in terms of pricing and margins in that area?

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

This is Jim. The way we constructed the promotional activity it was essentially a one-quarter phenomenon. Now we also had some promotional activity in the fourth quarter. This time it will be in the Consumer Power Tools business, much more so than the Professional, as you get into the seasonal aspects of Consumer Power Tools and the gifts and so forth tends to be more in their fairway.

Beyond that, it really remains to be seen what happens with the competitive backdrop in terms of pricing. All our competitors have, like we have, faced significant price inflation. We raised our prices; they didn't for the most part. So we are going to be stepping back and observing, and we will see what happens with respect to that and we will do what we have to do to maximize our share in our profitability.

Operator

Jim Lucas, Janney Capital Markets.

Jim Lucas - *Janney Capital Markets - Analyst*

The first question regarding the M&A pipeline. With Niscayah now closed and the share repurchase largely completed this year, could you talk a little bit about the appetite for deals as well as what you are seeing in the pipeline these days?

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

Sure, Jim, this is John. We always have an appetite, as those who have followed the Company know, because historically between 50% and two-thirds of our free cash has gone to acquisitions. That being said, those who follow us well also know we are very

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disciplined in terms of our credit rating, financial hurdles for acquisitions and our organizational capacity, all of which will come into play.

Our five strategic growth platforms remain the same. We have been pretty public with what they are -- Convergent, Mechanical, Security, Engineered Fastening, health care and infrastructure. There is a good pipeline. I think the important thing to know is the majority of that pipeline is outside the US, number one, and in very high-growth emerging markets, number two.

The two things importantly there, those do take longer to incubate. Many are private companies, and we need to be quite comfortable that we have both the financial and organizational capacity with our -- with the cash we generate as well as with the people we can put on the field before we pursue one.

So our strategy remains the same. Our financial discipline remains the same. Organizational capacity remains a discipline. The focus is on those five areas. And from a geographic perspective it is in very high-growth markets. I guess I would go so far to say it won't be in the first half of the year where you see something game changing in that we don't feel we have either the organizational or the financial capacity to do that.

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

I would just like to follow up -- this is Jim -- to say that as we look at any acquisition at this point in time, we are looking at trading that off against a share repurchase. As you saw in the quarter, we bought 100 million more than we had previously planned because of the opportunistic price that we felt was on the table. And we will continue to have that -- make that evaluation on an ongoing basis.

When you're trading for 6 times EBITDA it is hard to get your head around paying 11 or 12 times or 10 or 9 even for something, unless the synergies are so rich that after the implementation you get to a point where you're at or near the market multiple of the Company. So it is a tougher decision. It is a more thoughtful decision right now as it relates to whether we buy our own stock or whether we buy another company.

Now in the case of international acquisitions, as John mentioned, that will probably be our focus. The pipeline is certainly strong there, and the obvious benefit from that strategically is there, but you also have the opportunity to use international cash that otherwise could not be deployed in favor of share repurchase. So it is the US acquisitions that really get the tough scrutiny as to whether we should do them or not in the face of what I have just described.

Jim Lucas - *Janney Capital Markets - Analyst*

Okay, very helpful. And as a follow-up, you gave some color on the initial revenue synergies that you have captured using Latin America as an example. Could you talk a little bit more about some of the early successes if any standout, as well as as you're looking at it are others beginning to emerge that you didn't identify initially?

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

Sure, I will take it, and Jim should feel free to follow up. A couple three that are in the marketplace, so we are quite comfortable talking about it. I will start with Latin America first.

The fact that we are producing and selling Stanley branded Hand Tools in Uberaba -- that is our plant in Brazil, a legacy BDK plant with a tremendous adjacent distribution center, where historically Stanley ran a very high-priced import model that was subject to 18% plus tariff.

So Stanley Hand Tools produced in Latin America, sold in Latin America through a well-established Black & Decker distribution channel jumps right out as probably the biggest one.

The second one I bring to mind is things like DeWalt Hand Tools at a large domestic customer which, of course, would not have been done under the previous regime. DeWalt is an incredibly powerful brand name, but Black & Decker didn't have the capability to produce or source Hand Tools that would merit -- the quality and performance that would merit the DeWalt name or they would have done that on their own a long time ago. That is the second example.

Third, just in distribution, Jim mentioned the Mac aficionados. I think most people on the phone understand how the Mac model works. They are essentially franchisees. And while they drive Mac trucks, everything on their truck isn't Mac. The fact that a Mac distributor has DeWalt power tools tools on his truck, you can only imagine the competitive advantage that gives them and the opportunity that is for the Mac sales folks, which has really helped improve their topline as well as their bottom line.

So those are three that are in the marketplace, more to come. But we are really pleased with the traction it is gaining and the results that those synergies are generating.

Operator

Michael Rehaut, JPMorgan.

Michael Rehaut - *JPMorgan - Analyst*

The first question, if I could just go back to 2012 guidance and the positive impact that you expect from volume and revenue synergies. Obviously, we are still a couple of quarters away but -- or at least a quarter away rather -- but I was wondering if you could parse out of the positive impact how much incremental -- you have been talking about 50 BPs of positive topline growth from revenue this year, what that might be next year? And of the core volume, let's say, how much from developed markets versus emerging markets?

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

Michael, it is Don. I would -- we are certainly not giving specific guidance yet, but to give you a little bit of an indication of our thought process, certainly, we have seen about 3.5% organic growth in 2011, and about 50 basis point of that is coming from revenue synergies.

As we go into 2012 we would expect the revenue synergy number to increase a little bit from a percentage point as we go into the year, so somewhere between 50 and 100 basis points coming from revenue synergies. Combining with that that with we do expect emerging markets around the world to grow from a market growth perspective and gaining share, not really duplicating what I am describing around revenue synergies, so that is going to give us some growth.

And then our belief right now is we are going to continue to see some of the softness that we have seen in Europe continue next year. So maybe a little bit of a retraction for the first part of the year and stabilization and flat performance in the back half. And then the US will be similar, I think, in that regard. What we have seen this year will continue and what we have seen in the back half will continue into next year.

So the mature markets, we wouldn't expect much growth, and in some cases a little bit of a retraction. And then a lot of our growth is going to come from emerging markets and revenue synergies. That is our current thought process.

Michael Rehaut - *JPMorgan - Analyst*

That is really helpful. I appreciate it. Second question, if we could just go back to the promotions in the Power Tools. If you could just give us a sense -- you said Professional grew over 20%. How much you might think came from the promotions themselves?

And I guess conceptually speaking you put through the price increase, yet you also had these promotions. What is your view in terms of the stability of that price increase? And is it just something that, I guess like you said before, you're going to have take on a quarter-by-quarter basis?

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

Sure, a fair question. I think -- I fear you misinterpreted Jim's comments and I'm really glad you asked the question to give us a chance to clarify. Essentially none of that growth came from promotions. Let me break the Power Tools.

The overwhelming majority of that increase came because we had tremendous sell-through on the 12 volt lithium-ion Max product and tremendous pipeline and sell-in on the really, really well accepted 18 and 20 volt. That is where the overwhelming majority of the lift came. It is where we got the pricing. And, of course, we have to announce pricing -- not have to -- we chose to announce pricing across the entire Professional Power Tool line and sell-in and sell-through of those at higher prices was terrific.

The promotion that we talked about, and recall that still a very large part of our franchise is in the older nickel cadmium technology, and the point Jim made is a very important one. It is a high-performing product, but the reason lithium-ion is growing so much is that charge lasts longer and it is greener. It is also a lot more expensive.

So there are folks who are looking at good performance for a good price who want the Ni-Cad, but we are required to promote it more heavily than the lithium-ion product.

And then the last point that Jim raised, remember the Black & Decker brand, which is very powerful, is less focused at the professional user as opposed to the DIYer. And it is also a very, very important gift item. It is one of the few brands and products in our line that has any seasonality at all. They are very popular Christmas gifts for dad, for granddad, for the child with a new apartment or a new home. And so there is some fourth-quarter seasonality historically promoting of the Black & Decker Consumer Power Tool brand.

Having said all that, we will maintain or continue to grow share. We will not be at a price disadvantage or premium to our competitors. We are the market leader, and as a consequence behave like the price leader. And if we are out there alone we will promote to get back to competitive market prices. And if we are not, we will continue to gain share at higher prices. I think that is the best guidance we can provide you.

We look at this daily, not quarter-to-quarter or in the rearview mirror, I think -- so you don't get cut off. Another very important point to make and we have talked about this on previous calls, our pricing Center of Excellence works very closely with our global sourcing organization to see inflationary increases long before they show up in product costs. So our SBU managers now they are coming, can either reengineer or condition the salesforce for the need to take the price increase so we get out ahead of it.

The result at the end of the day, we are an industry where historically real prices have declined 1% to 2% a year for the last 10 years. Gross margins are about 35%. If you didn't somehow between productivity and price get 3% a year, your margins would decline. Our margins are not declining, in fact, they are growing.

So it suggests the combination of price and productivity has historically and will continue to deliver well above industry average margins. And we think we have the programs and processes in place and look at it closely enough to carry that forward for the next 12 months.

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

If I could just take it to a very tactical level. The impact from the promotions from a revenue perspective in CDIY might have been somewhere between 1% and 2% of sales in the quarter. And our estimation is that the market was probably slightly negative, and so that probably just got us right up to about flat, and anything beyond that was driven by new product introduction.

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

Next question, Kim.

Operator

Stephen Kim, Barclays Capital.

Stephen Kim - *Barclays Capital - Analyst*

Guys, I was wondering if you could address the issue of inventory destocking. Obviously, as we are looking across the Industrial Group it is something that people, as we look ahead into the fourth quarter and year-end, people are a little concerned that we may see a wave of inventory destocking. Typically I would think that your product mix isn't going to be particularly susceptible to that; however, we have in the past seen Black & Decker talk about that probably a little bit more than Stanley.

So I was curious if you could talk about what you see from your customers in terms of vulnerability to an inventory destocking wave, if one were to come?

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

Sure, Stephen, it is Don. I would be happy to talk about that. Obviously, I think as you are aware and many folks are, we are monitoring POS and weeks of stock on hand on a regular basis. So we get that information from our major customers, and we are always monitoring to make sure that we're not getting our house -- get ahead of ourselves from an inventory perspective.

Right now, where we are -- we feel comfortable where inventory levels are. We tend to want them to be somewhere between, on average, 10 to 12 weeks of inventory on hand at our major customers. And you may have small pieces that deviate from that range, but overall if we are in that range we feel reasonably comfortable with the levels of inventory.

Additionally, we are always listening to any signals from our customers as to whether there is change in thought process of levels of inventory that they may want to maintain. At this stage we are not aware of anything that would cause a concern in that light. Our inventories are at the right levels based on that range I provided, as well as we are not hearing any signals from our customers that that is a particular initiative or set of actions they may be considering or evaluating.

Stephen Kim - *Barclays Capital - Analyst*

That is comforting to hear. Thanks a lot for that. Second question relates to the geographic breakdown that you provided on page 5, where Latin America was up organic 23%. I was curious as to whether or not you could talk about what the margin profile looks like for your Latin American offering, whether it is generally higher margin or lower margin to your Company average?

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

We actually put that in the presentation, and we will say this much, because it is a very fair question and it is an important answer. It is above line average margin. We are not going to get more granular than that on this call for obvious reasons.

But when it is growing that fast, a very logical and fair question is are you growing volume up at the expense of share and margin? We are really pleased due to a combination of premium products and a very competitive cost position due to a world-class manufacturing facility and a good local management team that the entire business in Latin America is above our line average for each specific segment.

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

And we can say the same thing for Asia as well. Way you grow into Asia, you go into Latin America, you grow into mix in the higher margin.

Operator

Sam Darkatsh, Raymond James.

Sam Darkatsh - *Raymond James - Analyst*

Most of my questions have been asked and answered. One small one, I guess, that is left for me. CRC-Evans, the margins look terrific. The sales being up only mid-single digit there. I would have thought that end market would have been a little bit more robust with pipeline CapEx where it is. I know it is a nichey business for you, but what do you ascertain the marketshare trends there for CRC, and is the integration perhaps affecting topline execution?

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

This is Jim. Certainly, we are very encouraged by what we have purchased. And what I will tell you is that if there is any governor on sales right now with CRC-Evans, it is the onshore business in North America. And the onshore business in North America has been characterized by, especially at 48 inch pipeline in that segment, which is our sweet spot, has been characterized by bureaucratic, unnecessary delays that are related to environmentalist, government, etc.

It is incredibly frustrating. There are all sorts of opportunities, the Keystone Pipeline being the biggest, that could really drive tens of millions of dollars of revenue and many jobs for this country, and unfortunately it is delayed. Now it looks like it might be breaking loose, and if it does, it will be a great market for us.

In the meantime we are not sitting still. We have -- actually I would say the integration has helped these folks in terms of their product development strategy, because where the action is today is in the less than 48 inch pipeline.

We are completely redeveloping products that are suited for that particular market, but that is unfortunately a couple of quarters out before we really get the benefit of that. So the shale and those types of things, it is all going to be narrower -- narrow pipeline. So when we get prepared to serve that market it is also going to be very strong for us.

And then finally the offshore business, which is really the outstanding part of this business that we have made so much progress in over the last year winning accounts with the two major pipeline suppliers in the world on the offshore basis.

We have a terrific value proposition with welding, coating, pipe laying, inspection and so forth. We have gained marketshare. We have had many, many wins around the world, and that will be coming next year in force. It is a $30 million business today. We expect it to be $100 million to $200 million within a couple of years, and next year will be very, very significant growth from offshore.

So no matter what happens in the onshore business, we are going to get great growth from the offshore. If we can get the products configured to the smaller diameter pipelines, and if the government can get off its dead center here and get going with the Keystone project and some other major projects I think we will be in great shape..

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

Sam, this is John. So you don't get cut off, and you are able to ask a second question, I will add two things. First of all, Jim Loree is not running for public office. He is too valuable as the senior executive at Stanley Black & Decker, as much as we think he would make a wonderful government official.

The second, probably equally important point, simply put, this is a very lumpy business that we are getting used to. You know our business well and in our Industrial platform about 80% of what we do is made to stock. It comes out of a customer's maintenance budget. It is not less -- it is no less predictable than our CDIY business.

Infrastructure in general, but hydraulics and CRC in particular, these are generally big numbers, big projects. And quite frankly depending on when they -- when they are executed, when they are completed and when they hit the P&L, if we have a $400 million business it isn't $100 million a quarter, it is $70 million one quarter and $130 million the next.

I think it is important that as we look at it that we understand that. And we are looking at longer-term trends, because the orders, they tend to come in much bigger numbers and bigger chunks, and as a consequence it is a lumpier business than 80% of what we do.

Sam Darkatsh - *Raymond James - Analyst*

Got you, thank you. And I didn't mean to hit such a nerve, Jim, I apologize.

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

No, you just -- you did find something that I am fairly passionate about though.

Sam Darkatsh - *Raymond James - Analyst*

The other question I have is what is the latest plan and update for Pfister at this point?

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

It is a business that needs to, like any and all of our businesses, needs to earn its cost of capital to remain a valuable part of our portfolio. And what I am able to say at this stage, Sam, is it took a tremendous body shot in the first quarter, lost 20% plus of its business. Since then it has recovered very, very nicely. They have got a very sound strategy in place.

We are looking at the business hard to -- can it in fact recover to the levels of profitability and ongoing strategic position that it can remain part of our portfolio. And, if not, we are -- as you know, we are fairly dispassionate about these things, and if it can't and we make the decision long-term that it won't, it will no longer be part of our portfolio. [It] is still out at this stage, but stay tuned and we will keep you updated.

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

The next question, Kim.

Operator

Dennis McGill, Zelman & Associates.

Dennis McGill - *Zelman & Associates - Analyst*

I just wanted to talk about the CDIY margin. As a whole segment we talked a lot about the power tools within that, but as we think about the fourth quarter and beyond, I think year-to-date margins in that business are 13.5% and you still have it somewhere in the neighborhood of $75 million to $100 million of cost synergies to come. Is this a business that can do 15% to 16% type operating margins, or because of the competitive nature of the peers and the end channel do you have to start reinvesting that back into a business? I guess just some help thinking about the fourth quarter rate as well as just longer term.

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

Dennis, it is Don. As far as the fourth-quarter rate goes, and I think if you look at the third quarter it is indicative of what you're going to probably see the fourth quarter roughly.

As far as long term, I believe that this can be a 15% segment from an operating margin perspective. It will require continued execution on the cost synergies. It will require price discipline around inflationary environment, etc. And, of course, the most important thing it will provide -- it will definitely need to be able to provide continual new products into the marketplace like it has done over the last 12 to 18 months, and frankly, both companies have done over the last several decades. Those are the keys to being successful and being a market leader with the powerful brands that we have in that particular sector.

When economic market growth comes, and it will someday, I just don't know when, there is no doubt in my mind that it will be above 15% operating margin.

Dennis McGill - *Zelman & Associates - Analyst*

Okay, the second question relates to just the overall business mix in Europe. I think most of the comments you made seemed as though business held in pretty well during the third quarter, and you noted maybe some modest softening into the early part of next year. How do you think about the risk of what is going on over there, the risk of a recession, parts of your business that would maybe be most impacted or any red flags that you guys are on the lookout for that we also could be thinking about as it relates to the international exposure?

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

It is interesting when you look at what are the risks to our revenue line from a double dip, for example. Let's say that Europe were to drive a double dip in a global sense. The construction market today accounts for about two-thirds of our revenues when you take into account both resi, non-resi -- and I include DIY in that -- and commercial.

I don't know how much less construction could go on. We were approaching very close to zero. So now could you have inventory corrections? Yes, but they tend to be temporary so there could be some volatility in some quarters.

On the Industrial side, if I go back to 2009 and think back to the implosion that we had in Industrial driven primarily by inventories, our Industrial production globally was down 2 or 3, 4 points. And volume in Industrial was down 20 to 30 points, and that was characteristic across the Industrial universe. That could happen again.

So as we look at it, we have a reasonable amount of confidence that if they will get their act together in the EU over time, I think most people have a reasonable level of confidence that they will. Nothing happens quickly, because there is so much consensus that needs to be built. But if for some reason the wheels come off, this is a management team that took this Company through the 2008, 2009 downturn which was gut wrenching successfully, and we will do it again.

And we will use exactly the same approach, which is we will resize the cost structure to line up with the revenues that we will be looking at that time. And we will go on the offense during that timeframe and we will take actions to position the Company for success both within the downturn and as we come out off the downturn.

Now do we think that is going to happen? Absolutely not. Are we cognizant that it could happen and it is more than a de minimis probability? Absolutely, and we are ready for it.

Operator

Jason Feldman, UBS.

Jason Feldman - *UBS - Analyst*

So if we look at the 2012 guidance, the earnings guidance is up about 15%. Free cash guidance looks like it is flat to up slightly. It is still pretty good free cash conversion; I think it is about 110%. But when I think about the discrepancy between the growth rate and earnings versus free cash flow for next year, is that primarily because the incremental working capital opportunities are lesser next year or that a big chunk of that work was already done this year, or is there something else there?

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

Jason, it is Don. What I said was we expect to achieve $1.1 billion next year, so we didn't actually give a specific number; we just expect it to be higher. As we finalize our guidance in January and provide more detail insight, we will give more specifics about what we think that number is.

But to your point around working capital, I think there -- and Jim mentioned it in his presentation -- there is a great deal of opportunity to continue to drive working capital benefit. And Jim indicated $0.5 billion of assets that can be freed up from legacy Black & Decker over the next two to three years. We would expect a portion of that number to be achieved in 2012 and then the vast majority -- the remainder of it in 2013 and maybe part of 2014.

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

Jason, it is John. It is early days, I think, in fairness to be projecting cash flow. We had a lot of discussion as to what we wanted to say about 2012, but we thought it would help you and everybody on the phone. But I am quite comfortable saying that remember a meaningful percentage of the entire management team at Stanley Black & Decker's incentive and measurement is based on cash conversion. So you know it is a focal point for the Company. But I think on the same token, taken taking $100 million or $200 million out of working capital -- out of inventory specifically year in, year out is not a two foot putt straight uphill. There are a lot -- a lot of moving pieces.

And I am very comfortable with SFS, the traction it is gaining. But the last thing anybody should do, including this management team or anybody on the phone, is take it for granted that that goes on in perpetuity. So there is arguably some thoughtful conservatism in the guidance that Don is giving, and we will get more granular on that when we are on our first-quarter call, and obviously on the fourth-quarter results in January. But your question is a fair one, but I think we are where we need to be for the time being.

Jason Feldman - *UBS - Analyst*

Thank you. That is helpful. Then, also, if we are thinking about 2012, I understand that none of us has a crystal ball, but if we assume the macro environment remains the same, which seems to be the underlying premise behind the framework that you have created for 2012, how should we think about how some of the Company-specific business situations that you have had this year, and what the impact could be on growth rate? And specifically you have the Access business where you had some remodeling delays, so maybe there could be some catch up there.

Presumably next year we won't have a headwind in Fastening in Japan. The Pfister issues anniversary, I believe, next quarter. And the alleviation of those headwinds, does that wind up potentially having a material impact on the growth rate next year even if the macro environment is unchanged?

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

Jason, everything you mentioned, and approximately 15 things you haven't, some of which are far greater impact, some of which are less, are what went into our thinking as we put our preliminary numbers together. It is really too early to talk about each and every one, not because we won't, it is because we don't think we have a better view than you do.

Everything you said and everything we have thought about is baked into the 3.5% global organic growth that in mid-October 2011 is our best guess off a base from where we think we will depart 2011.

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

Next question, Kim.

Operator

Ken Zener, KeyBanc.

Ken Zener - *KeyBanc - Analyst*

I wonder if you could talk about the strength in North America IAR, which is if Europe was down kind of soft, it would appear that you had high-single, low-double digits success in America. I know you're talking about the trucks channel penetration. Do you see that as really structural? And how much of that structural component is related to key competitors, you know, Apex Tool, not being as focused? Or could you describe what is going on there because it contributed so much to the margin expansion?

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

We are not going to talk about specific competitors on our call. We never have and never will, but Jim can give you a very granular perspective on what is going on, and it is all good.

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

I think we clearly are getting some help from the market, no question, a couple of points with help from the market. It has been an auto repair with the aging fleet in this country has been a good market, not spectacular, but solid. And so that has helped.

But I think underlying that the industrial markets have been healthy as well in certain segments such as automotive OEM, for example, and aerospace and some other key segments for that business. So we have had some market tailwind.

But I think the biggest positive thing going on in IAR North America and around the globe, is the emergence of that business as a global platform, being run as a global platform, as opposed to a series of smaller business units that were not coordinated. And the single biggest benefit from that has been leveraging the product development from the Facom Group based in Europe, and driving new products into Mac Tools.

And then from a Proto perspective I think we benefited greatly from its strength in some of the verticals such as petro, chem and aerospace and some other verticals that had been strong around the globe and taking the Black & Decker and Stanley merged global distribution structure and leveraging Proto across the globe into the emerging markets and other areas around the world. That shows up in North America because it is Proto and Proto shows up in North America today. I think that has helped as well.

So it has been a combination of market strength, and at the same time I think improved execution in this business deriving primarily from changing the business model to be a globally coordinated business with product development centered in Europe and driven into various markets around the world.

Ken Zener - *KeyBanc - Analyst*

Good, thank you. And this next question, just because we are going to be approaching the three year anniversary of Black & Decker, I wonder if you could just have a broader look back.

Obviously, the $6 number, which you guys came out early on in 2012 coincides with that three year outlook. Could you talk about how -- obviously there is different -- I think the top line has been pretty similar to what you guys expected at 2%. You guys obviously got more upside on the cost synergies, sales and you have in this guidance some other things. Can you talk about the perspective of how that $6 that you came out with, I do appreciate it early, compares to you what you thought the business would be like three years ago, if that is a fair question?

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

Kenneth, if you think about going back to November of 2009 when we announced the transaction, we had a view of the top line. It was very little growth, about 2% or so, 2% or 3%. And we had $350 million of cost synergies and we hadn't provided any estimates of revenue synergies at that point.

Subsequent to what has happened, since then in the last almost, coming up in two years, I guess, of the announcement into next month, we have increased our cost synergies to $485 million on an annualized basis for 2013. We have got revenue synergies of $300 million to $400 million. And, frankly, the top line growth has been a little bit stronger than that 2% number that you were talking about -- not a lot. So you have a little bit of that going on as well.

Offsetting some -- all those positive things is we certainly didn't expect the commodity inflationary environment we had in 2011. We have been able to mitigate it partially with the price increases we talked about throughout the year and today. But we had a vision of being $5 EPS and $1 billion free cash flow in year three. We are achieving over $1 billion free cash flow this year, and we are over $5 EPS this year, so we are certainly well ahead of schedule based on the items that I laid out, and feel very pleased with where we are in the current state of the integration.

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

And Ken, I will add, because you will get cut off, from a qualitative perspective, we are very pleased. It is as simple as that. Starting at the Board level, the way the expertise from the two Boards have come together. We just finished a Board meeting, and you have to stop and think who was the legacy Stanley Director, who was the Black & Decker Director.

Corporate headquarters is in New Britain, Connecticut. Stanley was the prevailing Company; and that makes sense. We are running our CDIY business from Towson, Maryland -- the entire CDIY business. That is where Black & Decker Power Tools is headquartered. We run the entire Security business from Indianapolis. We run our IAR business, as Jim said, as a global platform from Brussels, Belgium at a neutral site.

And if you sit in a meeting, whether it be a strategy review, a budget review, or a quarterly review, we are at the stage where you have to stop and think if the person presenting was legacy Stanley or legacy Black & Decker.

I would tell you, and Mark Mathieu, our Senior Vice President of Human Resources would tell you, that is the acid test beyond the numbers, how it is coming together. And less than two full years into it, or exactly two years post announcement, I feel very good as the CEO of this Company where we are. That being said, I feel equally passionate that we need to continue at the same pace to truly differentiate this Company from its competitors, and that is what we intend to do.

Operator

David MacGregor, Longbow Research.

David MacGregor - *Longbow Research - Analyst*

With respect to Europe, I know there is a lot of concern about Europe these days. Don, in your remarks I think you mentioned that you expected Europe to be soft in the first half and stable in the second half. Can you help us calibrate the risk in the 2012 European story by the giving us some kind of EPS sensitivity to a percentage change in your revenue or maybe in incremental margin?

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

David, this is John. In the interest of everybody on the phone, Don has done that, and so maybe we could check the transcript. But simply said, we don't think it is going to get any worse. And when the global CDIY and construction market was down 75%, our unit volume was down 15%. So we just don't see step function changes due to a 2% or 3% softening in European GDP.

It is 23% of our business. We have meaningful platforms with all three businesses. Round numbers it is -- we have got $800 billion Security business, CDIY business, and Industrial business, so it is a three-legged stool.

I don't want to be cavalier, and hopefully I don't sound that way about the macro economic conditions in Europe. There is nothing we can do to control it. We spend our time worrying about the things and focusing on the things over which we do have some control and making sure we have contingency plans, as Jim described in great detail, were it to get really bad what we would do about it.

So as a consequence, if macro economic conditions in Europe had a more than 100 or 200 basis point negative impact on our top line, we would adjust our cost structure accordingly to deliver our earnings commitment.

David MacGregor - *Longbow Research - Analyst*

Okay. I guess just as a follow-up question, you are active on the share repurchase program this quarter. You have indicated in the past that you devote about one-third of your free cash flow to -- back to the shareholders. On the $1.1 billion free cash flow outlook it is, what, $350 million, $370 million of free cash. Your dividend consumes about $280 million of that. I guess the question is just how much more active can you be on the share repurchase front going forward?

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

I think you know Jim touched on this, and I believe he was answering question earlier on is that we will continue to evaluate, if we are looking at a US acquisition, the alternative of doing a share repurchase. That being said, our cash is all overseas. So for us to do that we would have to pay a tax, and that really makes it a very difficult hurdle when you are measuring against a potential acquisition.

I don't foresee a great deal of share repurchase in the short and medium term, but that is something we continue to evaluate as market conditions, and in particular, the equity markets seemed to fluctuate and have volatility.

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

Kim, I believe that concludes our call today. I want to thank everybody for chiming in and joining us. As always, please contact me afterwards with questions. And thank you all.

Operator

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