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SWK.N - Stanley Black & Decker Inc at Robert W Baird Sustainability Conference (Virtual)

EVENT DATE/TIME: FEBRUARY 24, 2021 / 1:50PM GMT

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PRESENTATION

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Great. So Hi. Good morning, everybody. Why don't we get started. Thanks for joining us this morning at Baird's sustainability conference. I'm Tim Wojs, and I cover residential and commercial building products here at Baird. And really excited to have Stanley Black & Decker with us this morning, the world's largest tool company. And we think there's really an emerging ESG story here, particularly as you see the shift from gasoline-powered engines to lithium ion and the capabilities that I think Stanley is going to be able to bring there over time. And we'll talk more about that today.

Joining us from the company are CEO, Jim Loree; Corporate Responsibility Officer, Deb Geyer; and then Dennis Lang and Cort Kaufman from IR.

So in terms of format, I think Jim is going to start with some opening remarks and a few slides, and then we'll run through Q&A. (Operator Instructions)

So with that, Jim, the floor will be yours.

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

Thank you so much, Tim. It's great to be here. It's pretty exciting and quite an honor, I think, for Baird to be hosting this sustainability conference, and we're starting to see this tremendous wave of interest growing in ESG and sustainability. And we've been very quietly pursuing ESG for many, many years, and we've ramped it up. When I took over as the CEO back in 2016, and -- but we've been very quiet about it. So we will share some of the elements of our story today and over time, we'll be more vocal.

But I think it's very important in the ESG world to make sure that there's no kind of ESG washing and that -- with the story, it's got content, it's real, and we feel really, really positive about that. But let me start with a chart. And I can't really see if it's up, but I'm assuming it's -- let's go to that chart. The first chart, please. Yes. Thank you. And so just a quick overview here. Tim said, world's largest tool company by a pretty wide margin, global in nature, $10 billion franchise, power tools and equipment, hand tools, accessories, storage. And importantly, outdoor.

Today, the outdoor business is approximately $800 million. We'll be doing this MTD transaction within the year in all likelihood, which would make that business about 3 -- over $3 billion in size. So very exciting opportunity there. We'll talk more about that later, I'm sure. And then you have 2 businesses that are roughly $2 billion each. The security business, #2, commercial electronic security services provider in the world and the industrial business, which is highlighted by STANLEY Engineered Fastening, which has a tremendous franchise in automotive assemblies and components and equipment.

And we shipped directly into the automotive OEMs, and there is a story brewing in that business, which is very exciting, which relates to the electrification of automotive and how the content of STANLEY Engineered Fastening in each vehicle will increase dramatically during that time frame. And I'm sure we'll get into that later.

So when I took over as CEO back in 2016, I charted out 3 themes or priorities as part of our framework for moving forward. And the first one was to continue our top quartile performance, which if you look over 20 years, we've delivered over 800% shareholder return to our shareholders with a time-tested formula of taking about 50% of our excess capital and giving it back to the shareholders and taking the other 50% and investing it in the company franchises. And so one of the themes was to do that to continue that, and we're marching in that direction. We've got an exciting future as well as a strong EPS growth performance over the past several years, many years.

The second thing is to become known as one of the world's great innovative companies. High bar, yes. But by the same token, in the 2020s and beyond, if you're not one of the great innovative companies, and you're not keeping pace with the accelerating pace of change in technology, then you are questionable in terms of your sustainability -- of different kind of sustainability. And then finally, the third element was to elevate our commitment to corporate social responsibility. And I sensed and my team sensed back in 5 years ago, that this element of performance and corporate responsibility was going to be essential to maintaining our license to operate in the global environment. And so we've been committed since 1843, when the company was founded. It's a social responsibility, but we really amplified our effort in that area, starting in 2016 and have great momentum there.

And what we found interestingly, and I think this is really aside benefit from all that, is that we have become a magnet for talent. And a lot of that has to do with those 3 themes that I just mentioned. The folks coming into the workplace today and Gen Z and the tail end of the millennial generation, they are much more focused on social responsibility. They get that if you take social responsibility and combine it with innovation and combine it with high performance, that's the kind of place they want to work. So we've had an incredible draw in terms of world class talent, which becomes a reinforcing principle, when you start to pursue things like innovation and social responsibility. So very exciting times here.

I'm going to turn it over now to Deb Geyer, our Corporate Responsibility Officer who reports to me, and she has been spearheading our activities and our strategy in that area. Deb?

Deb Geyer

Very good. Happy to. Hello to everyone. You're looking at a massive slide with a lot of information on it, but I think it's extremely important to reflect, as Jim was alluding to a little bit, that there's some foundational elements that are really critical to understanding. And the first one behind this slide, if you think about it is our history. As Jim alluded to, we've been in business for over 175 years. In all of those years, our founding fathers and beyond have had an intense focus on environment, on safety, on health, certainly on corporate citizenship, philanthropy and beyond.

I think it's safe to say in all of those years, our efforts were definitely quiet, largely unnoticed. That's largely because we're a humble company. But certainly, our results were incremental, although we're always there driving us to continually improve.

The second element behind this, as Jim alluded to, it was really him. When he took over as our Chief Executive Officer in mid-2016, he really wanted us to evolve as a company, to not become complacent, to take on those technological challenges that were coming out the world and embrace it as a company in advance.

And look at evolution, Stanley Black & Decker would evolve out of the true sense -- the true word sustainability, and it's true environmental spend. So just be incrementally getting better and take on a much more ambitious sustainable role as a company in the world. And then the third backdrop to this slide before I go through the pillars, is purpose. We needed to understand and reexcavate why Stanley Black & Decker exists? Why are we here? What is the society need from us, what do we fulfill for society, and that was our purpose.

We always had it, but we needed to go back and reexcavate it. And our purpose is for those who make the world. So Stanley Black & Decker exists for those who make the world. And along with the talent theme that Jim just mentioned, it's a true draw when every one of our employees is going through the door, factory or office, their function, whatever it is, it's clear, they're north stars, they're there for those who make the world. And it drives our products, it drives our innovation, and it certainly contributes to our social responsibility efforts. So with those 3 elements as a backdrop, what you're looking here on this slide then is our very ambitious 2030 CSR strategy.

And we say 2030 because, again, it's a long-term, where do we want to be by 2030 and then setting our targets incrementally to get to that 2030 role.

So for CSR, we're focusing all of our efforts in 3 main pillars: empower makers, innovate with purpose and create a more sustainable world. We've pick these pillars because they are our strengths and where we can definitely become more ambitious. Each pillar, as you can see, has a very ambitious goal. So for empower makers, to enable 10 million makers and creators to thrive in a changing world and what this means is we focus on upskilling, reskilling not only our workforce but those in the community so that everybody can move forward as we advance through this fourth industrial revolution and thrive. You can see the alignment as well to the sustainable development goals.

Our second pillar, innovate with purpose. To innovate our products to enhance the lives of 500 million people and improve environmental impacts. So this has taken our products beyond what we're traditionally known for and asking ourselves to partner with others to design both products and packaging that improves social lives.

So for example, in the past year with the COVID, we partnered with 3M and the Ford Motor Company to create using our batteries that we're known for, the battery-powered air purifying respirators for frontline health care workers. It was a huge success. It allows our workers -- our health care workers to be very attentive to patients that otherwise, they were not going to be able to. So very much addressing a social need.

And then finally, our third pillar, positively impact the environment through our operations. This is where we're focusing. Our operations can not only go to 0 carbon emissions, but go beyond 0, which is what we call being carbon positive. And additionally, we've signed up to take all of our operations to 0 waste to landfill, all again by 2030.

Draws my eye to the bottom of the slide. Going back to that foundational sustainability background. We just wanted to share with you, since 2015 and forward, rolling forward to 2019, how we have been performing on energy, carbon, water and waste reduction efforts. Understand that 2020 results aren't in here yet. We're a couple of weeks away from launching those, but they are also being validated.

So I'll turn it back to Jim with that and happy to answer any questions later on.

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

Yes. Thank you. Thank you, Deb. I think there are several things that are impressive about what Deb has established here. And I think it was about 2 years, 3 years ago, something in that time frame when we literally put the strategy together and have been pursuing quantitative results in each one of those categories that lead to execution in those areas or successful execution of those areas. And I also think it's notable that the company has put 2030 down as a marker instead of 2050. You see so many examples where people are going to get to carbon neutral by 2050.

Well, you can waste a lot of time between now and 2050. When you get 2030 as a target, there's no time to waste and there has to be a very specific annual improvement to get to that target. And that's the track that we're on, very exciting. So I'm going to touch upon diversity, equity and inclusion for a moment. This is something that is very, very important to me personally for several reasons. I think I always say to people, the first reason it's important is because if you don't entertain, if you don't create an environment that is conducive to DE&I, in the end, it will hurt your performance. And if you do, it will help your performance. So there's a correlation there, a very specific correlation, which has been proven over the years to exist. And so it's good for business, basically.

Why is that? I think, first of all, if you just limit your universe of talent to white males, you get about 1/3 of the population. And you're excluding about 2/3. So it's really important to open up your aperture and welcome all people of all cohorts. Doesn't matter whether it's gender, race, ethnicity, sexual preference, these things, there's people of all types and if you open it up, then you have access to 100% of the talent universe. And if you engage and empower 100% of the talent universe through inclusion and having creating equal opportunity for those folks, that is the optimal environment for success. So that's one really good reason for being committed to DE&I.

I think the second thing that's really -- one that hits home for me even more is, I really do believe in equality and equal opportunity. And I benefited myself even as a privileged white male, although not overly privileged, but privileged, and I was able to rise from a middle class family to where I am today in the corporate organization. And that is really, I think, a tremendous motivator for people to have that social mobility. And I think that social mobility is something that I -- no, I really appreciated it over time. And I think all people should have the opportunity to have that opportunity.

But having said that, I really do believe that equality and diversity, equity inclusion, it's the right thing to do. I don't see it any other way. So I think in addition to being good for business, it's the right thing to do. So in 2016 and beyond, again, we were certainly making progress in DE&I prior to that, but in 2016 and then beyond, we really ramped up our efforts in this department. So we have now 9 employee resource groups. You can see they -- with all the acronyms, but there's one for LGBTQ, we have for our black community, for women, for developing professionals, for folks with impressed in challenges, learning challenges and handicap sort of challenges. We have working parents.

I mean there's -- we have the Hispanic network, just a whole series of folks with 10,000-plus members who are active in promoting the agendas of their various groups, and we have made a lot of progress in recent years in terms of informing our environment to one where everybody can come to work and bring their whole self to work. And everybody can have a voice.

And it's -- it just makes such a great difference in the workplace. And again, just another feature of the Stanley Black & Decker culture that attracts talent. And we have a very good magnet for diverse talent as well and an environment where people do feel included. And I think it's really, really important.

So with that, I'm going to turn now to some of the themes of the conference that go beyond just the things we were talking about, but more focused on the products that we sell, the business models that we have and the growth catalysts and growth initiatives that we have. And I can say with confidence, after 21 years in C-level jobs in this company that we have never been more well positioned to seize the growth opportunities ahead of us. We have a very significant e-commerce business. We have a 3:1 relative advantage over our competition. It is global. So we are engaged in e-commerce with people around -- with companies around the globe and with end users.

It grew a 40% last year. It's $1.8 billion now, out of our $14.5 million, it is really significant. And the pandemic certainly has brought to the forefront, an acceleration, as you could see from the results of our Home Center partners, they both had fantastic growth in e-commerce, we saw over the last 2 days. And we are enjoying that growth along with them and other major e-commerce players. So really incredible franchise in e-commerce. And then we have some of the great things that we've done from a branding perspective in recent years with Craftsman being the highlight, I suppose, which we purchased about 4 -- 3, 4 years ago and have built from a $100 million business to something that will be $1 billion net of cannibalization this year.

And it's just growing so quickly and continuing to expand and reviving that Craftsman brand has been one of the most fulfilling aspects of being part of this company for so many of us because it was almost dead on arrival when we bought it, iconic brand. We resuscitated it, and now it is alive and well and revitalized. There's another brand at the bottom of that page under Craftsman and Stanley and Stanley FatMax, you see down there, Black & Decker.

Black & Decker is one of the most prominent consumer brands in the world. It is a global brand. It is the only brand of significance in this company left that we need to revitalize. And we have the gentleman who ran the tool business from the early 2000s to 2019 working on revitalizing the Black & Decker brand, making it a brand that's relevant for Gen Z and millennials. For younger generations, very e-commerce focused. It's got a great, great runway ahead of it. And he's basically the same leader who revitalized the Craftsman brand and he's got a team of young, diverse talent working on this. It's going to be a very exciting project as we go forward.

And then there's the other things that you know about the breakthrough innovations in FLEXVOLT. And XTREME and ATOMIC and POWERDETECT is not up there, but it's another big one that came out last year. The DEWALT brand is stronger than ever and has expanded now into outdoor, which is very, very significant because MTD, which is a $2.5 billion, $2.6 billion company, small, Midwestern family company that is one of the big players in outdoor power equipment. And we will own that company in all likelihood in -- within a year. And the combination of MTD and it's great products and it's fantastic abilities in terms of manufacturing and its position in retail, combined with some of the Stanley Black & Decker brands, the power of that combination is just spectacular.

And then, of course, there's the opportunity to bring electrification to outdoor power equipment, especially in the lawnmower area. And some of the handhelds as well, things like string trimmers and blowers and whatnot, a huge opportunity, a $30 billion global market and one that we are advancing rapidly to drive our future growth. And then electrification, so that includes MTD, but also the STANLEY Engineered Fastening.

Within about 5 years, there will be more electric and hybrid vehicles than petrol-powered vehicles produced in the world on an annual basis. And it's really good to know, and it's great to be positioned this way. But in our Engineered Fastening business, the average content in a car goes from about $10 for a gasoline-powered vehicle to about $30 to $60 for an electric-powered vehicle. So that's a huge growth opportunity. Today, it's an $800 million business and it has tremendous growth runway ahead of it and also sustainable characteristics for a positive benefit on society.

And then this whole movement towards health and safety in society, very opportunistic positioning given our security business, which has many, many applications that drive growth from health and safety and certainly having a positive impact on society that way as well.

So with that, Tim, I think I will turn it back over to you, and we can begin the Q&A.

QUESTIONS AND ANSWERS

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Great. Let me just start my video here, sorry. So no, thank you, Jim. I really -- it's very informative, and I'm glad you kind of went through kind of the holistic aspect of ESG. I think that's really beneficial, and I'm glad you spent the time there.

Maybe when you think about kind of the business and kind of the shift to lithium ion, I mean it's not something that maybe hits investors over the head today because the outdoor business isn't huge relative to your power tool business. But the cost curve is coming down, the power curve is rising on lithium-ion technology. And I think you're going to start to see an acceleration there in terms of small gasoline engines and then eventually the larger ones. So maybe just -- could you talk a little bit about internally how you're preparing for that shift? And it does seem pretty significant in terms of conversion as you kind of get into the outdoor power arena.

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

Yes. Well, it's all part of the investment thesis that we made in MTD almost 2 years ago now, where we were looking for a growth avenue that would be adjacent to power tools but have many of the same characteristics, same customers, in many cases, some different ones, but also many -- much overlap. The notion that this gas-powered equipment could be converted to electrification and who would be -- what company would be better suited to have a great opportunity to take its technology and its capabilities and apply them to something that could convert an entire industry.

So we feel we're very well positioned to do that. And we found a great company in MTD. It truly is a company that shares many of the same values that we have that is focused on innovation. They have a fantastic product pipeline. They benefited -- we benefited from working together around collaboration on R&D in the last 1.5 years or so, and we have a very focused effort going on electrification, in particular, but also just expanding the MTD folks business into much more of the pro segment as well, which would involve some great product development that they're doing right now in conjunction with the DEWALT brand.

And you can see some of the fruits of that. It's just the beginning. It's the first evidence of it. You can see at one of the major retailers rolling that out right now in the United States. And I think that's just a teaser, if you will. It's going to be a big program, probably be $100 million program this year. But it's just the teaser for what's to come. So we have a lot of people that say, well, why, why MTD, I've never heard of MTD or it is a very interesting opportunity for Stanley Black & Decker and a big one.

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Right. No, that's very important. And I guess when you think about the shift to batteries, I mean, this happened to power tools a long time ago and you -- the quarter going to quarter list, you're creating kind of this system, I guess, that, that next incremental tool or that next incremental purchase kind of plays on the last kind of battery purchase.

And so I don't think consumers or pros want 20 different battery chargers and those types of things as they're kind of doing their work. So is this also kind of -- if you think of this shifting into outdoor power, is this also going to be kind of a moat shift in the sense that a lot of monoline players that might have 1 or 2 products could potentially be displaced just because of the battery systems?

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

Well, there's definitely a big segment of the market where that is true for sure. So -- but that will tend to be more, I think, down in the handheld categories. When you start to get up into the professional and the zero-turn riders and that sort of thing, your battery system is going to be -- it's going to be a little bit more like an automotive battery system than a power tool battery system. So I think the answer is to your question is yes, but it's a segment of the market, which is probably more the handheld segment, which still has a huge gas conversion opportunity ahead of it.

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Right. Okay. And then kind of dovetail, you mentioned auto. I mean, EVs and engineered fastening. I think people probably don't realize or it doesn't, again, hit them kind of over the head, that's kind of flying under the radar. But could you just talk about your position in the automotive engineered fastening market and how you're investing to kind of make sure that you're kind of taking advantage of that content gain?

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

Yes. I mean, we are truly pervasive when it comes to the auto OEMs. So there's very few auto OEMs in the world, you can probably count on 2 fingers or thereabouts, where we don't have a pretty significant position with respect to our equipment and/or our fasteners. So we provide engineering support for these OEMs, and that's how our business model works. We go in, we work with them hand-in-hand to design fasteners and fastening systems for the various assemblies of the vehicle that help them with things like lightweighting, which is a big one. And just making sure that the application that they're trying to -- the OEM is trying to accomplish is supported by our engineering. And we literally do the design work for the OEMs on these fastening systems.

And then we have systems that actually provide -- assemble the fasteners into the product, the OEM product. And we sell the equipment to the OEMs and then we sell the fasteners. And that particular business model works beautifully because what happens is, we are working on products that are now 3 years out, 4 years out, doing the engineering work. And as they come into the market, then the fastener -- before they come in, the equipment gets installed in their factories, and then the fasteners follow that. And so what we've done historically over time is, it's been a good growth business is that we've increased the penetration virtually.

I think every year for as long as we've owned the business, which is since we did the Black & Decker merger. And so now when you think of what we're doing in terms of our engineering work on these electric vehicle platforms, it is exactly the same process that has been going on with the nonelectric vehicles. And that content future is growing as we speak. So that $10 going to $30 to $60 in that range is something that we have some visibility into, and I'm very excited about that.

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. Okay. It sounds like a pretty meaningful opportunity. A question here from the audience, Jim. Just could you talk about kind of battery production and kind of the green clean aspects behind that? And then there's been some kind of chip shortages reported out of Asia. And so just a question on how you're kind of managing that or if you have any exposure to that?

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

Yes. So the supply availability has been quite an endeavor over the last -- lots of different things over the last x number of months as we've gone through the pandemic. And it started out with some of the suppliers had liquidity issues back in the early days, and there were concerns in that area, and then it went to as the -- it finally started booming in certain segments, there are shortages that started to grow and all sorts of different things in our component universe.

And we have navigated through that with brute force, basically. So over 100 engineers at different suppliers, different -- during the pandemic, trying to make sure that what we wanted, what we needed for our production lines was being produced. And if there was problems in that regard, we were hand-in-hand troubleshooting with the suppliers. And we took a very proactive and aggressive, I would say, stance in that area.

And so far, we have not run out of anything. Our batteries are getting tight right now. Certainly, some more electronic components are getting tight and the skyrocketing demand in our industry has put additional stress on that. But so far, we're staying ahead of it, and we're very pleased with our ability to be able to grow the tool business, as an example, 25% in the fourth quarter and now with a guidance for the first quarter, that is somewhere between 21% and...

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

21% and 26% for the company.

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

26%. So it's a daily battle in that regard. And the first part of the question, Tim, could you just repeat that for me?

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

It was about kind of the battery production and just -- if it's kind of, I guess, green and clean?

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

I really do believe it is. I mean when you think about the producers are these major companies like Samsung, for example, I mean, their standards are absolutely pristine. So we don't produce the batteries ourselves. We assemble the batteries, but the cells is where the green clean question comes in. And to the extent of our knowledge, it is a very green clean process.

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. Okay. Great. And then maybe just kind of in the Tools business, could you just give us a true-up or maybe an update of how Tools is performing year-to-date? You mentioned some of the commentary from your Home Center partners. POS was strong in January. It sounds like from their report, we've seen that actually get better in February. So just kind of curious what you're seeing on the Tool side from a POS and a growth standpoint?

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

Yes. I mean it has not let up. It has not let up at all. It is a daily challenge to keep up with just the point-of-sale production or point-of-sale results that are coming out of these retailers. And we still need to build up the -- rebuild the inventory. So we're doing our best to keep up with their needs and the end user needs, and it's not just a U.S. phenomenon. I think I mentioned that in the last conference call that we did for earnings, it is all over the globe. So it's great days.

In fact, I think it's very likely that the growth in the first quarter will be at least at the high end of the range that Dennis just let me -- the 26%. So we've gotten off to the best start in my 21 years here. And I think January was just mind blowing in terms of how good it was.

So we're very, very bullish on the first quarter, and we're -- we -- the back half of the year, a lot of people raise that as a concern on -- I think one of the Home Center CEO said this yesterday, but if the demand did not abate from the levels it's at right now, which is kind of running mid-20s in the Home Center comps higher in the e-commerce. If the demand just kind of stayed steady through the year, I wouldn't -- there's nothing to worry about in the back half even in Tools.

And then you've got the industrial businesses, which are in the aggregate, rebounding nicely, even as we speak that should get better as we go through the year. And security is looking for positive growth as well. So all systems are go in terms of the segments, we're lined up for a great growth story in the first half, and we're lined up to deal with the comps in the second half of the year.

And then, of course, we have MTD, which the current plan is towards -- as we get towards the back half to execute our option, which will acquire a $2.5 billion revenue company with what should be somewhere between 8% and 10% operating margin at the time. And it should be somewhere -- I don't know, Dennis, what are we saying $0.80 to $1, we said anything about accretion. They can do the math. I mean, it's in that range. So that's coming in, too. So we're going to get growth. I just -- how much of it will be organic, how much will be inorganic, time will tell.

We -- I can be pretty certain that there's going to be a stimulus package approved pretty soon here in the U.S. that is not going to slow demand down, I don't think. And it's only a question of -- I mean, the pro is extremely busy right now. Anybody who wants to do a home renovation project or build a home or whatever, good luck. I mean, it's hard to find a contractor that you can get to -- that isn't completely scrapped. So I just think there's an awful lot of things working in our favor right now as it relates to demand. And I am not out at all by the difficulty of the second half comps.

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. I mean, it's great to hear everything is kind of -- all systems kind of go across the organization. And then maybe...

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

Tim, I was told you're streaming this thing to the general public, okay? So I assume that's correct, right?

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Yes. We are. We are. And I guess from a -- maybe from a cost perspective, I mean, obviously, inflation is a really big topic of investors right now. You're talking about kind of a new level of OM margin in -- within the Tools business, the 18% to 20%. Could you just kind of talk about your ability and your levers to pull to kind of combat cost inflation and be able to kind of execute on that and the higher-margin level?

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

Yes. I really think this inflation issue is overblown, and it's a red herring for us right now. And I think it derives -- there is definitely inflation, I can't dispute that. And I don't know whether it's structural inflation or whether it's simply opportunism on the part of some of the suppliers.

But for us, right now, we're looking at $70 million of inflation. That is not atypical for a Stanley Black & Decker year. It is nothing like what we encountered in the '18, '19 -- '17, '18, '19 time frame, where we had about $300 million, 3 years in a row, that was challenging. Even in that period, we generated 8% earnings per share CAGR. So I know people get exercised about it, but I think we navigated through that time period pretty effectively.

And so when you look at $70 million, we're running -- I mean, the fourth quarter price was a point, that's $150 million. We're not guiding to a point, but we're guiding to modest positive price, maybe higher. A lot will depend on the margin resiliency initiative and how much price is impacted by that, but we're expecting $100 million to $150 million of margin resiliency this year, which is a special Stanley Black & Decker program that has been in place now for over 2 years.

It takes -- the mix good use out of some of the technologies that exist today in the world like artificial intelligence and Industry 4.0 and machine learning and IoT and takes all those different technologies and applies them to the value pools in the company and to try to be more sophisticated about how we manage through some of those extracting the value. That's a real program.

We have a very senior executive in the company leading that, who's done it very successfully. It was certainly a big contributor last year and it will continue to contribute this year. None of that is in the guidance. So the margin resiliency is not in the guidance. If we were to get a big burst of inflation that we haven't experienced yet, there would be that 100 to 150 plus whatever price we could get in addition to the, say, less than 50 basis points that we're kind of built into the guidance at this point.

I'm not concerned about it. And frankly, we have, for years and years, dealt with that sort of level of inflation and recovered part of it through price and the remainder through productivity. So this is nothing new, and it is not '17, '18 and '19, all over again.

Recognizing -- Tim, just one last thing, recognizing that the inflation in '17, '18, '19 was a combination. It was a trifecta of tariffs and regular cost inflation and what was the other one?

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

FX.

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

And terrible FX. And FX is working to our advantage right now. It's a $40 million tailwind. So it's a different era that we're in.

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. No, no, no, that's great. It's very good to hear that you have the levers to be able to offset that.

So I think we're out of time. So please join me in thanking Jim and Deb and the IR team for presenting today. And if anybody has any questions, feel free to reach out. But thanks, guys. Really appreciate the story and the time today.

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

Thank you, Tim.

Deb Geyer

Thank you.

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

Nice to see you.

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Take care.

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

Thanks, everybody.

Timothy Ronald Wojs - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Thank you.

Deb Geyer

Bye.
