Goldman Sachs Virtual Industrials & Materials Conference

Company Participants

- Dennis Lange, Vice President of Investor Relations
- Donald Allan, Chief Financial Officer

Other Participants

- Joseph Ritchie, Analyst

Presentation

Joseph Ritchie {BIO 16351356 <GO>}

Good afternoon, everyone. This is Joe Ritchie. Hi. And with the next presentation here, we have Stanley Black & Decker. Excited to have both Don Allan, the CFO; as well as Dennis Lange from Investor Relations with us here this afternoon. Don and Dennis, thanks for participating in the conference.

Donald Allan {BIO 15138860 <GO>}

Absolutely. Happy to be here Joe.

Questions And Answers

Q - Joseph Ritchie {BIO 16351356 <GO>}

And just a reminder for all of you guys listening, if you have any questions, feel free to shoot me some questions via the web link or you can shoot me an e-mail at joseph.ritchie@gs.com.

So maybe just kind of kick things off a little bit, Don. Heading into this year, you guys were in a really good spot, right? Like last year, you had a ton of inflationary pressures. You had a lot of tariff headwinds that we thought going into 2020, things were going to kind of abate and what a difference a few months makes.

So luckily for you guys, you guys, about a year ago, had started to roll out your margin resiliency initiatives. Maybe talk about how that has helped you weather not only last year's headwind, but really like the challenges that you're facing today with COVID-19?

A - Donald Allan {BIO 15138860 <GO>}

Sure, Joe. Yes. So certainly, we've seen our fair share of headwinds the last few years between commodity inflation, currency and then tariffs between the United States and

China, in particular. And really, I think what it's done is that there was a period of time, probably about 18 months ago, where we said we just needed to really develop a set of what we call resiliency programs and initiatives that we're focused on a lot of different areas, organizational restructuring, transformational activities and functions, higher level of procurement activities using technologies such as advanced data analytics, artificial intelligence, Industry 4.0 and accelerating the automation of our plant system, manufacturing footprint, the digitization of it and using those tools to become even more efficient and productive and improve the quality of our products as well along the way, which are very high-quality to start with.

And then we had things like price, processes using, again, advanced data analytics and artificial intelligence technologies to make even better pricing decisions, when to promote things, when to not promote things, how do you do surgical price increases, in particular, product lines, et cetera, et cetera. And so we developed a -- basically a program and a menu of different areas, and we built an organization and team around this. And began to see some value being created in 2019.

And so as we came into 2020, we -- as we've dealt with all this volatility, and we really positioned -- like you said, we didn't have a lot of carryover headwinds coming into the year. We had some, but we also had kind of a contingency from these performance resiliency programs of anywhere from $100 million to $150 million for this year. That we were going to execute on no matter what that would help us absorb any new headwinds that would come our way.

And obviously, the pandemic headwind has been much more significant than $100 million to $150 million impact. And you could never really have a set of programs to completely offset that in your kind of back pocket. But what it did do is it builds a lot of momentum in our Company and part of our culture has been in the last two or three years is how do you respond to new headwinds, volatility, the whole (inaudible) world that everybody keeps talking about, and make sure that you're prepared as things come your way to respond quickly and be able to take the appropriate actions.

And so oddly enough, we were actually prepared for something incredibly difficult like this, not that we wanted to go through this. But I think because of all the things that have happened to us in the last two or three years, because of the performance resiliency, margin resiliency program we developed, we quickly recognized what was happening at the end of kind of mid-March to end of March. And began to develop a program of cost reduction of $1 billion on an annualized basis.

And in that $1 billion is that $100 million, $150 million is included. And so we went after $850 million to $900 million more of different actions in the various different areas that we talked about in the earnings call. 60% is kind of in the indirect and commodity deflationary, and the other 40% is in comp and ben.

And we've done it in a way that creates flexibility. So if we have U recovery or a V recovery or an L recovery, we can allow some of that cost to come back in in certain scenarios. Other scenarios where you have an L Recovery or U recovery, maybe you maintain those costs out of the system for a longer period of time. And so having that agility and that flexibility I think has been kind of ingrained in our culture for the last three or four years, in particular, the last two years and allowed us to quickly pivot as this was happening and build this program out in almost about four weeks, and then the execution happened in the subsequent four weeks.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Yes. Don, that was super helpful color, and I'm glad you touched on the $1 billion cost out plan because we got a bunch of questions from investors post-earnings, post your report on just clarification on all the different moving pieces. And just to make sure that we're kind of fully square on all of that, fully recognized even outside of the $1 billion cost plan, there was that there's a plan that you guys put in place in the fourth quarter of '19, that's yielding roughly, I think, around $180 million to $200 million in benefits in 2020. And I think we should think about that as being pretty linear, right, as we progress through the year?

A - Donald Allan {BIO 15138860 <GO>}

Yes, correct.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Okay, cool. And then going back to what you talked about with the $1 billion, $500 million is going to be recognized in 2020. And within that, that was the margin resiliency of $100 million to $150 million that you were talking about, correct?

A - Donald Allan {BIO 15138860 <GO>}

That's correct. Yes.

Q - Joseph Ritchie {BIO 16351356 <GO>}

All right. Cool. And then so when you think about just the portion that is kind of considered margin resiliency of $100 million to $150 million, right, you named a variety of different things earlier, whether it was the procurement or the supply chain.

A - Donald Allan {BIO 15138860 <GO>}

Yes.

Q - Joseph Ritchie {BIO 16351356 <GO>}

I guess I'm just trying to understand like how much of that is indirect spend? How much of that -- you mentioned being able to kind of flex your cost structure depending on the nature of the recovery. So how much of it is temporary based on the demand environment versus something a little bit more structural in nature?

A - Donald Allan {BIO 15138860 <GO>}

Yes. I think the way to think about the $1 billion program is, clearly, the margin resiliency -- performance resiliency piece of $100 million to $150 million is permanent and sustainable. And so -- and a lot of that's weighted towards GSM productivity, procurement productivity, pricing, Industry 4.0, and those are sustainable permanent changes that we're making that will stick on an ongoing basis.

Then there's other aspects in that indirect number and commodity deflation number that adds up to $600 million on an annualized basis, they will be temporary. Things that we just can't -- we know we can reduce T&E dramatically, obviously. But we're going to -- at some point, we've got to let some of that creep back into the system.

The professional services, marketing, we're cutting back anywhere from 10% to 30% on those different categories. And there'll be a portion of that, that's sustainable as we kind of redesign the way we do things, and there'll be a portion of that will be temporary as it creeps back in.

And I think the way to think about it is, it depends on the recovery because if there's an L Shape recovery, then we're bumping along and not seeing much growth once this thing bottoms out. We think a lot of the $1 billion is sustainable. And there's a portion of it that will creep back that has to do with like 401(k) benefits being suspended for a year. You can't do that forever. Some of the indirect costs will creep back so maybe in an L-shape recovery, $200 million to $300 million of that creeps back in.

Our view is we'll find a way to offset that with other cost actions. We'll either make some of the compensation temporary changes permanent or we'll find some other areas in the productivity space, like Industry 4.0, where we can accelerate value faster. And so I actually feel like in a difficult recovery, we can let a lot of that stick. In a V shape or a W or a U, a lot of that will creep back in.

And that will be okay because when you have that type of -- if you have a significant improvement at some stage to your top line, you're getting back to levels you were at before, and closer to $14 billion, $15 billion in annualized revenue, it's okay if a portion of that creeps back in. But I think it depends on the recovery. And I think the message I've been trying to send everybody is, don't assume that there's a massive number that creeps back in. It could happen in a very strong recovery. But if we don't have a strong recovery, we will do our best to really keep a lot of that cost out of the system. We may not be able to keep the entire $1 billion out, but we'll do our best to keep a lot of it out.

Q - Joseph Ritchie {BIO 16351356 <GO>}

That's super helpful, Don.

A - Donald Allan {BIO 15138860 <GO>}

I was just going to say, everybody wants kind of know like what is it mean for next year? How does that carry over to next year? And is it $500 million next year? Or is it $200 million next year? And it really depends on the recovery. If we have a bad recovery then we're going to try to get as much as possible to carry over in the next year.

Q - Joseph Ritchie {BIO 16351356 <GO>}

That makes sense. And I guess, just as a kind of -- as you think about it for this year and next year, I think you guys kind of were talking about managing to like a low 20s type decremental margin. And so depending on the demand environment, we -- that's just kind of what we should assume that you guys will flex the cost structure to kind of try to manage to that type of an environment? Is that a fair statement?

A - Donald Allan {BIO 15138860 <GO>}

Yes. That's actually a really good way to think about it. Yes.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Okay. Okay. Cool. So there was a lot of discussion on the call and then post the call that I've had with investors regarding the -- what you guys had to say from a point-of-sale perspective, the sell-in, sell-out dynamic. And so I've actually already -- as we're talking, I've gotten some inbounds from some inbounds from some investors. So I'll just read -- I'll read the question specifically.

Do you have any visibility into inventory at the retailer level? And if so, does that provide any type of indication as to when destocking could flip into restocking at the current demand level?

A - Donald Allan {BIO 15138860 <GO>}

Yes, we do. We do have very good insights with our major customers as to what's happening with inventory and POS. In the earnings call, we talked about POS in the first four weeks of March being up low double digits. We went into the quarter with -- at one of our major customers, the inventory was pretty much where you'd expect it to be at the right level and not a lot of expected adjustment to those inventory levels throughout the second quarter. And then another major customer at higher levels of inventory, and we've talked about that in the last 18 months that as we rolled out the Craftsman program that was intentionally done by us and Lowe's, and we wanted to make sure that we had more than adequate product to serve the demand as it ramped up and that program was incredibly successful in the launch. And I think that strategy was a very good strategy that was primarily driven by Lowe's.

And now in this quarter, there's an opportunity for them to reduce their inventories a little bit. And so they're going to do that. But I think as we move through the quarter, we're going to see replenishments start to evolve in the near term. And I think this is the month to see if that starts to emerge. We didn't see, obviously, that in April. But as we get further into May, we're going to see indications that, that's probably likely going to occur. We'll see if it does. But I think one of the things that we've been telling people is that as we start to see the trend shift significantly, we will provide some clarity externally on that and what it means for the second quarter, probably not to the full year, but what it means for the second quarter and how those trends are changing. And it wouldn't surprise me if we do something like that in the next week or two.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Okay. That makes sense. I guess just -- maybe just following up on that. And I know you guys just reported a couple of weeks ago, but I mean, would you have -- like, have there been any kind of like noticeable shifts on the point of sales data for May so far?

A - Donald Allan {BIO 15138860 <GO>}

I can't really comment on that. That's something that's still under evaluation. It's still early. We don't want to respond to something too quickly. Like I said, we're watching it day-to-day, week to week. And all I'd say is if the trends continue the way they were the first four weeks of April, we will likely be telling people, giving people an update in the next week or two if those trends continue.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Okay. I'm getting a barrage of questions from the audience. So let's just kind of continue down this path. Another question that I got was just around like your market share trends. Talk about how that has been kind of trending and how you expect that to hold up during the crisis?

A - Donald Allan {BIO 15138860 <GO>}

We think our market share is doing very well. I mean, if you -- I'll just start with different categories. But if you look at US retail, you just look at the POS I described for the first weeks of October. That's our POS. That's our (technical difficulty) and so it's selling very strong at low double digits. And so that clearly indicates that we're gaining share in a difficult market environment. I think in other markets around the globe, that's -- it's hard to gauge whether you're gaining share. But all I'll say is that the declines we're seeing are indicative of the environment where you have closed customer locations or significantly reduced hours at the customers.

And so the types of declines that you're seeing in Europe and the emerging markets of anywhere from 35% to 45% at this stage is more indicative of the market conditions versus anything else. So we think we're at a minimum of maintaining, if not gaining our share in those fair share in those particular environments. But it's very clear in the US retail, we're gaining share.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Okay. That's great to hear. Maybe switching -- staying obviously here in tools and storage, but maybe switching channels a little bit and talking a little bit about e-commerce. You mentioned e-commerce volumes up a lot. I was actually a little surprised by that. We've heard some others, like, for example, yesterday at Emerson and Allegion call out their e-commerce partners pulling back on non-essential equipment. So I'm curious like has your e-commerce channel remained as strong? Or have you started to see a little bit of pullback in that channel as well?

A - Donald Allan {BIO 15138860 <GO>}

That continues to be strong, as we said on the earnings call. And we believe, in many cases, our products are essential. I know some of the e-commerce folks have made decisions to prioritize medical equipment and those types of things and food. And I certainly understand that. But we've seen continued strong performance. I think we're fortunate because we have multiple brands that we sell in e-commerce. And clearly, we have the Craftsman brand, which is obviously a very strong brand for do it yourselfers, tradesmen and occasionally, the Pro. So it goes across a wide spectrum as well. But we're pleased with what we're seeing. When I say US retail, I'm also including e-commerce in that.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Okay. Great. Just going back to the audience, another question that we received, and this is more of like a broader question for you, Don. So this individual wants to know your views on how you think growth is going to shake out, whether it's resi versus non-res as you're thinking about new construction versus remodeling and how that's going to impact your business?

A - Donald Allan {BIO 15138860 <GO>}

Yes. I think the remodel market and the resi market will come out of this and be strong. I think there's going to be people that want to continue to do remodel work and project work. More people will be working from home, which will stimulate some of that activity. And I imagine this virtual remote environment will continue for a fairly lengthy period of time for a lot of people. And so I think there'll be a lot of projects. Some of them do it yourself, but some done by the professional as well.

And then I think new resi construction will be strong, too, because I think they might -- they very likely will be a gravitation away from the cities to the suburbs, the countryside, and people will spend more time there, if not all their time. And I think that will stimulate a positive activity in that market.

On non-resi commercial construction, I think there's a big question mark where that goes. And you do -- could see a very sluggish commercial construction market in the coming two or three years as we go through this kind of workspace -- workplace shift and change to more people working virtually and remotely. Because I think what's happened is businesses -- we've all experienced that. We found out that, hey, we're pretty productive using virtual technologies like Zoom and Microsoft and other ones. And so you can't necessarily keep this sustainable the way we're doing it now where everybody's home because there are office critical people. But I do think it's going to -- most companies are recognizing now that their real estate footprint doesn't need to be as big. And I think that will pressure that market for at least two or three years, if not longer.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Yes. No, that makes a lot of sense. I think just to maybe kind of switching geographies for a second, the China recovery is a pretty big topic for investors, just as a proxy for what could potentially happen in developed markets. Maybe provide an update on what you're seeing on the activity from that perspective, like whether on a consumer level or construction activity, and how that's playing out post-COVID?

A - Donald Allan {BIO 15138860 <GO>}

Yes. I think around the globe, we're seeing more construction workers get back to work. In some parts of the United States, there were projects that just were continued to work on through this is really dependent on the state. An example is I know Florida continued a lot of their construction activity all the way through the virus or the pandemic so far. And then there's other parts of the country like here in the Northeast for a lot of that activity almost stopped to nothing.

So -- but we're starting to see that kind of come back to life. And so I would imagine as states open up and countries open up and they go through their phase 1, phase 2 reopenings, you're going to see more of those types of activities emerge.

I think the bigger question is, do we have kind of a second wave of an outbreak that kind of slows things down for a period of time, kind of W situation or a little bit of a bumping along the way before we see the stronger recovery. I think that's the bigger question in everybody's mind right now. But there's clearly a desire by most countries to get a lot of these activities back up and running, and you can -- you're definitely seeing that in the construction side.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Got it. And then as you kind of think about like the mix of your business, like whether it cancels versus power tools like -- it's kind of China coming out of a little bit quicker? Is there a possibility that hand tools mix is up and starts to improve a little faster, just given it got greater EM exposure or how -- are you seeing any discernible trends between hand tools versus power tools?

A - Donald Allan {BIO 15138860 <GO>}

Well, I think with Craftsman, which is definitely more heavily weighted to Hand Tools & Storage or kind of non-power tool products. That -- I think that's going to continue to be a very strong performer. And so that could cause a little bit of a shift for a short period of time. But I think as we look at the categories and the POS that we were talking about, it's strong in almost every category. And so when you look at those four weeks I discussed through April and POS being up low double digits, it's not heavily weighted to hand tools versus power tools or outdoor equipment or -- it's really strong across the board.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Got it. Okay. No, that's good. That's great to hear. And before kind of heading over to the other segments, I've got another question coming in from the audience. This one is specifically, how are you thinking about the long-term of -- given the recent acquisition that you did, the CAM acquisition, how are you thinking about that acquisition longer term. Just given this the max impact and also, obviously, the virus? And have your base-case assumptions for that acquisition change?

A - Donald Allan {BIO 15138860 <GO>}

Yes. I mean, in the short term, our assumptions have changed. I mean it's probably going to be anywhere revenue this year from $200 million to $250 million. They -- the one thing about that particular management team, though, is they've been through difficult downturns before. Nothing like this. So I don't think anyone can say we've been through anything like this before. But they understand how to kind of hunker down their cost base. And there is a big opportunity for them to really consolidate their manufacturing footprint. We had that as a synergy that we were going to assist them with -- because we have a very -- obviously, a very strong operations team across our Company, there are regulatory requirements and certification requirements that we have to make sure we're cognizant of as we do that.

However, because that Company was built out of a lot of small acquisitions, they have a lot of small manufacturing sites scattered across the United States. And so there's a real efficiency opportunity that we can take advantage of through this downturn to improve the profitability at much lower levels of revenue where they are today and position them well for -- as the market comes back and then growth comes back.

I mean I think if you listened to the Boeing CEO earlier this week, as he was doing the talk show, kind of circuit, he said three years to get back to the levels we were at before. And then after that, two years of demonstrating kind of growth again and new aircraft, so to speak. And I think that's a reasonable kind of view at this point. Could it be two years? Could it be four years till we get back? Maybe. But I think based on what we know, that's probably reasonable. But I think it's a really -- still a very good industry to be in long term. And just in the short term to midterm, it's going to be a little bumpy. But we're going to have a business that's smaller. It will still have good profitability after we've kind of restructured it and done some synergy work as well.

And then it will be positioned well to grow as that industry comes back for growth in the future. And so we think it's still a very good space to be. We love the engineered, kind of, fascinating model in both automotive and aerospace. And when those industries run well, which they do have -- they are cyclical. But when they run well, they run well for maybe a decade. And then they struggle for periods of time going through downturns, and then they run well for a decade again.

So I think long term, it's a very good space to be. And we still feel very good about the acquisition. And we actually -- as you know, we structured the deal so that if certain things didn't happen with the MAX 737, the purchase price would go down. And it kind of feels like that is how it's going to play out at this point given what's happening with the volumes.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Yes. No, that's a good reminder. And all fair comments about the cycles that both aero and auto. Maybe kind of shifting gears a little bit just to a theme that is top of mind for everybody and one that you guys have been talking about pretty vocally and that's reassuring. Rockwell actually mentioned you guys specifically on their earnings call, they also mentioned you yesterday on the fireside chat. You know that you've been kind of in-sourcing more into the Austin plant. So can you give us any more details, like around like what percentage, like Austin increases your US sourcing to? And then are you accelerating this initiative at all in this backdrop? Just any color around that would be helpful.

A - Donald Allan {BIO 15138860 <GO>}

Sure. You can thank Blake for making some positive comments about Stanley. But we actually have developed a partnership, myself and Blake got together about a year and half ago. And we're working together on our Industry 4.0 initiative and they've been a great partner with us in that regard. And as you think about the footprint change, one of the aspect that's really important to that is the Industry 4.0, changes in automation, higher levels of automation, higher levels of digitization, using artificial intelligence and advanced analytic tools, to more effectively and efficiently run the plant system and eventually start to reach out to our suppliers to help them be more efficient and effective as well with some of those technologies, will really be helpful as we move our footprint because we've had a strategy for close to a decade, but at least last five to seven years, we've been local about it, of getting closer to our customer from a manufacturing perspective.

There's a lot of benefits to that. One, you can pivot quickly with new product introductions, you can really keep your working capital levels at a lower level to serve those customers in the region versus having a lot of product on ships being shipped across the Pacific Ocean from China into the United States markets. And so there's a lot of benefits of doing that.

And so we were on a kind of a slow track of doing that, then the tariffs came along, we decided to accelerate it. And we've made a lot of progress. We got a really outstanding playbook of what we're executing on. We've had to put that on hold for the last couple of months given that no one's really traveling right now. But as soon as we get back to a point where people can travel safely, we'll get those programs going again. And we think we can execute the China kind of reduction of cost to transfer, which we're trying to dramatically reduce that in the next three years in that time frame. And so that we look at our footprint three years from now, we will have a very much smaller Chinese manufacturing footprint that serves more of the Asian geographies versus US markets and European markets. There'll be some -- a few things that serve those markets, but they'll be the minority versus the majority.

And Industry 4.0 is going to help us make sure that we generate value as we do this because there is costs that will be eliminated as we move production from China to the North American geography. Obviously, freight costs go down dramatically. In some cases, tariffs go away dramatically where there was no price offset. In the case where there was a price offset, then that's kind of a neutral impact of that. But there's also a working capital benefit of being closer to your customers. So we really are excited about it, and we're ready to accelerate as soon as we get out of this kind of holding pattern that we are in right now. And the benefits just seem bigger at this stage versus even what they looked like six months ago.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Don, I think Blake owes you a beer?

A - Donald Allan {BIO 15138860 <GO>}

Yes, I think he does two.

Q - Joseph Ritchie {BIO 16351356 <GO>}

So it's clearly -- just as the on follow-on there. But clearly, like you have -- like your really good test case, obviously, for Rockwell. So you clearly think that the reassuring theme is a real deal, needle mover and will start to take hold for, I guess, many companies? Or how do you think about it more broadly beyond just Stanley?

A - Donald Allan {BIO 15138860 <GO>}

Yes. I think everybody will figure out their own strategy in this area. I think they all have to decide, is it important to the customer that they're closer to their customers, that's a decision point they have to think through. Are they heavily burdened by Chinese tariffs and they can't get price offset. I think those are the two factors they have to really look at to make the decision. But I think there's a lot of companies in a similar boat that we are.

We're probably more heavily weighted in the sense of the Chinese manufacturing servicing the US market. But the good news is we have a plan to fix that -- strategy to fix that. And two to three years from now, it'll be behind us.

Q - Joseph Ritchie {BIO 16351356 <GO>}

So we only have a couple of minutes left. I want to touch real quickly on Industrial and Security. So maybe just touching on Industrial first. Auto is obviously the largest vertical in the segment, and that was experiencing the declines before COVID-19. So when you think about this business and you think about what it's tied to, should we be thinking about this business as just basically growing with regionally weighted auto production? Or are there share opportunities? And I think you called out some share gains this quarter. How should we think about kind of like outgrowth or share opportunities across this business?

A - Donald Allan {BIO 15138860 <GO>}

Yes. And fastening has always been a great model of gaining share. And I think since we've owned that business as part of our Company, which has been about a decade now, almost every quarter that we're talking about how they've gained share in that given quarter. Because of that model of application engineering and how embedded our engineers are in these large automotive OEMs and that model continues to be the case. And even as the OEMs change and shift towards maybe less gas, diesel to more electrification, we're right there along with them. We have solutions for electric cars as well. And we're in the design phase of the new electric cars. The new electric car companies emerging in the Asian markets, we have relationships with them. And so I actually see this -- I actually think the automotive industry could see a very large resurgence from coming out of this particular crisis as less and less people want to be on mass transportation. More people will maybe want to have their own car versus being in an Uber or a Lyft car.

And you could actually see a bit of a surge in automotive sales. I just don't know when. I mean, I think it's not going to happen immediately. But as we work through this particular dynamic, I actually think it could be a really nice growth area for the next five years.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Got it. Last one, security. Two quick questions. First, I guess, how much of your Security business is service-oriented? Second, I know you guys put the decision to -- on what you're going to do with security on hold for the moment. I guess, what's it going to take for you to be ready to kind of publicly revisit that decision?

A - Donald Allan {BIO 15138860 <GO>}

Yes. I mean, if you look at recurring revenue for electronic security, about 40% of the revenue is some recurring nature, monitoring, service and maintenance, et cetera. Yes. I think one of the things about security that's interesting going through this crisis is, there's new revenue opportunities that are emerging because of the crisis that a security business would be outstanding at providing that to our customer base.

And so we're working on those different opportunities right now to help our customers with the dynamic of making their employees feeling safer in the buildings or the locations they're at. And there's a lot of different things that we can do, and we can't get into a lot of detail right now, but we will in the future as we're doing. And we're excited about that prospect in helping with the transformation of this business. No matter what we decide to do with it in the future, this will likely help the performance of the business, both from a growth perspective, and a profitability perspective. And the business is not being impacted to the level that our other businesses are, as we mentioned on the earnings call, and we'll see how the second quarter plays out for them. And -- But it's pretty clear at this point that the amount of decline in security will be substantially lower than what we're seeing in the other businesses. And we've taken significant cost actions in that business, and we're looking at these growth opportunities.

So it may position the business actually to transform at a faster pace. And then we'll get to the decision later on down the road as to when is the right time to tell people about where we're going with this. But I wouldn't expect anything. I think at the earliest would be October before we'd say anything, and that might even be a little too early too.

Q - Joseph Ritchie {BIO 16351356 <GO>}

Don, that makes sense. Don and Dennis, thanks so much for joining us today. I always enjoy our conversations. And have a great rest of your week.

A - Donald Allan {BIO 15138860 <GO>}

Thanks, Joe.

A - Dennis Lange {BIO 20415109 <GO>}

Thanks joe.

A - Donald Allan {BIO 15138860 <GO>}

Thanks, everybody.