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Stanley Black & Decker, Inc. (SWK)

Capital Markets Day

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MANAGEMENT DISCUSSION SECTION

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Hey, everyone. Good morning. I'm Dennis Lange. I'm the Vice President of Investor Relations. First of all, thanks for taking the time today to attend the event or listen on the live webcast. For those who here at the New York Stock Exchange, I hope you enjoyed the DEWALT product displays, featuring our innovation and the breadth of offerings on one of our iconic brands. After the event, our DEWALT product team will be available, so you can spend more time learning about the innovative products and solutions.

Before we get too far along, I'll remind you that we'll be making some forward-looking statements today. Please review the cautionary statements that you see on the screen. They're also posted on the web, and you can review them there with the materials. Unless otherwise stated, the financials we'll be sharing today will be adjusted non-GAAP financial measures. Therefore, please refer to the appendix of the posted presentations on our website for additional information about these measures.

I want to thank many of our shareholders and analysts who provided feedback and questions to help shape today's agenda. We continue to take steps forward on the transformation that we initiated in the middle of 2022. I hope that you gain a deeper understanding of the steps we are taking to accelerate growth and margin expansion. You will hear from key leaders, many of them new to the company, about how they are energized about the tangible steps and opportunities that they see in front of us and our pathway for future success.

To quickly cover the agenda, we're going to start with our CEO, Don Allan, who's going to share an update on our vision and strategy. Don will be followed by Chris Nelson and Thomas Ehrhardt, who will give you a sense of how we drive profitable market share growth in the future within Tools & Outdoor and Engineered Fastening.

I want to highlight a slight change today. Chris Nelson, unfortunately, re-aggravated a back injury that he has a pre-existing back injury and he's unable to join us today in New York, but he's going to be on video. And then he's also going to be joining us virtually for our Q&As.

A member of Chris's leadership team, Bill Beck, our T&O's Chief Growth Officer, is in attendance today. And he's available after the event here at the Stock Exchange. Following Chris and Thomas' presentations, Tamer Abuaita will take you through our roadmap for building a world-class supply chain, a competitive advantage, and a key enabler to sustainable growth. Finally, Pat Hallinan will translate all that you hear today into what it means for the financials. At this point of the journey, we feel like the time is right to discuss long-term financials, the algorithm for the company from a financial perspective, inclusive of metrics, performance targets, and capital allocation.

We'll have two formal Q&A sessions planned for today. The first will occur after Don and Chris speak. We envision that to be focused on our vision and strategy, and how we accelerate growth in the Tools & Outdoor business. The second session will occur after Pat completes his presentation, and will be a good opportunity to discuss the questions on the financial performance, scenario analysis, as well as our SCF business and our supply chain transformation. After the event today, we'll have lunch available and time held to interact with today's presenters.

With that, I hope you enjoy the day, and we're going to turn to a quick video, and then turn it over to our President and CEO, Don Allan.

[Video Presentation] (00:03:30-00:04:35)

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

All right. Well, good morning, everyone. Thank you for joining us today. We are really excited as a team to be spending a few hours with you walking through the journey of finishing our transformation, and then where do we go from there. And with that, there's really three objectives we went into for this particular meeting, I just mentioned two. The third was also for an opportunity for all of you to meet this reconstructed leadership team, and begin to understand their perspective and their thoughts as they came in from outside of the company, in many cases, and how that aligns with the framework that we created two and a half years ago.

Before I jump into my presentation. I know many of you have heard we've made some comments around tariffs related to Stanley Black & Decker. And we're not going to spend a lot of time on that today. But I will make a few comments here and then you'll hear about it from Pat Hallinan later when he does the financial presentation. And as I said on the earnings call back in October, we've really been planning for this since the spring of this year. And we really looked at three different pillars that we have to be focused on to be successful and have the right outcomes if there is a new tariff regime to deal with at Stanley Black & Decker.

The first have been investing a lot of time with the variety of different potential new administration in D.C. as well as existing senators and those in the House, and talking to them about the potential impact to Stanley Black & Decker, and getting them to understand different dynamics about our industry. And we feel like we've built very strong relationships in that regard, and we are actually anxious and ready to start having conversations with the new administration about how we can be successful, and also how we can make the industry successful around construction, lowering interest rates over time, do we see more activity in this space, and also how we begin to invest in the trades, so we can grow the trades together, and all the different agenda items that the new administration has, and how we can align it with some of those goals and objectives that we have. We don't expect everything will be perfect, but we like to have a voice at the table. And so, we're very focused on doing that.

The second thing is we've been active thinking through, if there is a new wave of tariffs, what's the pricing actions we need to take as a company? And we've begun those communications with our customers over the last week. Obviously, we're not talking details. We're just making them aware, if there are new tariffs, we'll be coming back with a more detailed discussion about what the price increases will be in the market.

And then, the third thing is – before I do that, the second thing, I want to make a comment about pricing. I think there – for me personally, this is a new leadership team, but as all of you know, I've been here for over 25 years. I went through the tariff regime at Stanley Black & Decker back in the first President Trump administration. We were not proactive in pricing. The learning from that is we are going to be proactive in pricing going forward. And so, as you hear more about this over time, I want you to realize this is going to be something that is on our radar and is very important that we address early on and whatever changes if things change.

And then, the third thing is what I would call the more permanent structural change, which is how do we continue to drive our strategy around our supply chain to lessen our dependence on China, which we've done a lot of that. 8 years ago, 10 years ago, about 40% of what we sold in the US came from China. Today, that number is closer to 20% to 25%. And so, we've made a lot of progress in that regard, but we have more to do. And so, we built the plan on how to do that. And we will begin to execute that, and we will accelerate it, if we see new tariffs coming into the market. That does not necessarily mean all the pricing goes away. It just means that we're addressing our

supply chain in accordance with what potentially could happen in that particular area, with the overarching thing being that we will be continued to be less dependent on China from a supply chain point of view.

So, that's all I'd like to say about tariffs. And so, now, I'd like to focus the energy on where we are, what we need to do to finish our transformation by the end of 2025, and then what are the amazing opportunities we see beyond – into 2027 and beyond 2027. So, there's four key takeaways that we want you to really get from this session today. We have created a much more focused company through this transformation, but we've also created a solid foundation for growth.

Since the beginning of this transformation in 2022, we delivered against our objectives and our goals and our vision. And we're confident that we'll be able to achieve the margin and cash goals that we've laid out there for the future in the short and the midterm. We're very focused on activating the growth culture across this company. Stanley Black & Decker has been a growth company for a long time, but if you look at the last two decades, a lot of the growth came through M&A. Great acquisitions. We built an amazing portfolio of brands and assets. But now, we need to figure out how to really activate that on an organic basis and consistently and sustainably drive organic growth every single year over long-time horizons as we expand margins along the way.

We believe this vision that we've created and we'll continue to adjust and tweak based on the market environment we see going forward is a multiyear roadmap for growth and margin expansion. That is a compelling story for our shareholders, and the value that it can create over the next three to five years.

So, who are you going to hear from today? Obviously, Dennis went through the agenda. In addition to myself, we have Chris Nelson on video, and he's been with us now for almost coming up on 18 months and is well-entrenched in the T&O role, and now is expanding a lot of his activities into the Chief Operating role as well on an enterprise-wide basis. It's great to have Chris on the team. He's a solid operator, a very solid, strategic thinker and an excellent person somewhere down the road probably to take over the helm of this company. We'll see how that plays out.

Thomas is a veteran of Stanley Black & Decker. He's been around for a while in our Engineered Fastening business. He's been in that industry for a very long time. You'll hear from him later. And he's the right person to lead this business through the next phase of where we want to take the Engineered Fastening business.

Tamer Abuaita is somebody that I hired about three years ago, a little over three years ago – yeah, about three years ago, Tamer, into the supply chain role. And he is the one that worked with me and other members of the team to develop the transformation plan for supply chain, built the team around it and has begun the process of executing over the last two years, that has created already close to \$1 billion of value and will create \$1.5 billion by the end of next year and dramatically improved our fill rates along the way.

And then Pat, our CFO, joined us a little less than two years ago, and a seasoned finance person, a great business partner, and a wonderful complement to the team that we've created. It's great to have all of you here today. We do have a few other members of our management team that are in attendance that make out what we call our executive committee as well, so it's great to have them here too.

So, two and a half years ago, we started a journey of transformation of Stanley Black & Decker. The company needed to change coming out of COVID. A lot of things were broken, in particular in the supply chain, due to the challenges of what happened around demand, challenges around logistical aspects of moving product around the globe, and we felt like there was a \$2 billion cost opportunity across the company that we could execute upon. About \$500 million was related to SG&A and the other \$1.5 billion was related to supply chain. We wanted to

optimize our corporate structure, become less of a holding company, diversify some of the assets we had in our portfolio, and be focused on more of an operating company that drives the performance to higher levels organically and less corporate cost. And so, we've done the vast majority of that work over the last two years.

As I mentioned, we wanted to be more focused in our portfolio and how we operated. And so, we divested a substantial amount of businesses, and the vast majority of that is complete. We probably have one more pruning action we need to do, as you'll hear from me later on. And then, of course, we've been transforming our supply chain as well to reduce the complexity across the company to meet the objectives of our customers and our end users. But to do that, we also needed to invest in growth. And we also needed to invest in our supply chain, because you just don't want to take out cost. There needs to be an opportunity that's significant that we want to achieve here in our company, and that's a mid-single digit organic growth number on a consistent basis. 2 times to 3 times the market, 200 basis points to 300 basis points above the market, whichever way you want to look at it. You'll hear that in different terms today. But it's a significant share gain on a consistent, sustainable basis.

To do that, we need to invest in our field resources. We need to invest in our innovation. We need to continue to drive electrification and battery power-operated tools. There's still significant opportunity of a lot of different tools and products that are powered by different technologies versus battery technology. That has to continue to be driven forward. And you saw that with a great example of the launch of POWERSHIFT here in 2024.

Continue our market leadership as the number one tools and outdoor company in the world, we have to be gaining share to do that. We have to be pushing hard in the field and we have to be moving fast with our innovation. And then, to do that, we need a resilient, responsive supply chain, which has been part of our transformation as a company.

The outcomes, as you see on the right side of the page, is where we think we can enhance the shareholder return and value. I mentioned the mid-single digit organic revenue and the growth around that. 35% plus adjusted gross margin. 100% free cash flow conversion. And those things are achieved by powerful innovation along the lines I described, and ensuring that we're meeting the expectations of our customers around fill rates, and we are the supplier of choice that they want to work with. We are a more focused company, and a very purpose-driven company as well.

But what have we accomplished so far? Because we do need to spend a little bit of time on some of the stuff that we have achieved, because it is significant. I mentioned to many of you 2.5 years ago over that summer into the fall, that we needed to transform our team. We were going to be a different company. We needed different talent. It didn't mean the talent before was bad talent, it's just different type of talent, if you want to be an organic growth culture, and you want to achieve the type of objectives we've laid out there.

Of our top 70 leaders, we've changed out more than 50% of those roles. And that doesn't mean those are all new people. It's a combination of new people from outside the company and people that have been put in new roles that are better suited for their skills and expertise. Our gross margin journey is not over. We started in the low-20s and now we're exiting this year in the low-30s with our goal of getting to 35% in the next 12 to 18 months, hopefully, depending on the market.

Service levels have stabilized for sure. We're back and above where we were in 2019, but that's not good enough. We need to be higher and we need to service our customers at a higher level of effectiveness. And so, we have more work to do in that regard, which you'll hear from Tamer later on. We simplified the portfolio, \$2.6 billion of divestitures related to a revenue that we've sold off to simplify this company, which you'll see in about two seconds how simplified it is. But we've been investing along the way. We're not waiting to the very end of the

transformation to start investing. We've already invested \$250 million, which is very close to that low end of the range of \$300 million to \$500 million you saw on the previous page. But again, we have more work to do.

And then, our debt has been reduced by \$2 billion by improving our balance sheet around working capital in particular, and getting back to stronger free cash flow conversion as a company. And so, we're very close to achieving our objective there. But again, we have a little more work to do to finish that.

So, we are now a more focused company. We're very well positioned with our businesses in very attractive industries that are forecasted to grow over multi-year periods of time. We have two businesses as we know. The Tools & Outdoor business, \$13 billion of revenue, amazing brands, the three primary brands being DEWALT, STANLEY and CRAFTSMAN. And you'll hear more from Chris after me exactly what our strategy is in there and what we're going to do to continue to leverage those amazing assets, in addition to some other specialty brands that we have that he'll touch on as well. But this industry or this business is tied to great industries such as residential construction, non-residential construction, which includes infrastructure. Outdoor and DIY activity as well.

And then, we have our STANLEY Engineered Fastening business, which is about \$2 billion of annual revenue. Some wonderful brands in that business. But what I get really excited about is the industries that they're tied to, because over the long-term, businesses and industries that are tied to automotive, aerospace and general industrial manufacturing will see significant growth over the next several decades.

And so, they fit our strategic criteria very well. These markets, as I said, are very attractive growth profiles over the long term. They have attractive market structures that where a brand really does matter. It has an impact of significance. And you can differentiate yourself through rapid innovation and delivering products to your customers that improve their productivity and make them feel safer with the same level of quality that we have today or better. And obviously that allows us to achieve scale over time.

But as I said, we're not done with our transformation. Our goal is to finish the transformation by the end of 2025, get the \$1.5 billion of savings, complete that, continue to invest in growth again next year. The four levers that you'll hear from Tamer Abuaita later are listed on the page there, strategic sourcing; operations excellence, which is really just making our plants more efficient through lean activities and initiatives on an ongoing basis, day to day, week to week, month to month; complexity reduction, continuing to reduce the number of SKUs that we have through initiatives like platforming; and then we will continue to rationalize our footprint in a thoughtful, strategic way based on a lot of different factors, including tariffs, as I mentioned earlier, but also continuing to really look at how do we create centers of excellence for certain products, such as power tools, certain types of hand tools, storage cabinets, and leveraging that strategy that we have begun over the last 18 months.

We're also going to continue, as I said in the previous page, to accelerate our investments around growth. This is a business that we all know on the Tools & Outdoor side that's heavily tied to the pro. And so, we need to look at our pro and say, what is the innovation they're looking for to achieve what I just described earlier around productivity and safety. We need to continue to revolutionize the electrification effort and battery technology, and advance that across many different product families, and be a leader like we have been for decades around engineering and manufacturing.

By the end of 2025, we will probably declare that our transformation is complete. And we will begin to talk about where do we go from here. But today is an opportunity to start that conversation. And so, what's possible by 2027 financially? Before COVID, our EBITDA was in the low \$2.1 billion, \$2.2 billion. This year, we're going to be somewhere around \$1.5 billion to \$1.6 billion. And we believe by 2027, with a relatively modest organic growth

performance over the three year periods, as you'll see from Pat later, because we do think the beginning of 2025 might be a little choppy, as we mentioned on our earnings call back in October. Even with that, we still think we can get to \$2.5 billion EBITDA by 2027. Pat will walk you through more details and assumptions around that. But that's the size of the prize that we see over the next three years that we're looking to achieve as a company.

But we're also thinking beyond that, because when we look at the opportunity at Stanley Black & Decker and the levers of value, we think they're quite significant. And what you're going to hear from Chris, Thomas and Tamer, and then a summary from Pat is the magnitude of that, but also where they are and why we are so excited and encouraged about the value opportunity that we have in front of us. \$2 billion was a big number for transformation. I remember many of you said that to me at the beginning. And we talked about the details of how we get there and we will get there by the end of 2025.

But what's more exciting to me and frankly more exciting to this team is how big they see the opportunity beyond that. And so, you see our long-term financial goals that we lay out that's really for beyond 2027, mid-single digit organic growth in what we will view probably as a low single-digit market. Obviously, if the market is better, our revenue performance will be better in that period of time. We think our gross margins can be somewhere between 35% and 37%, depending on mix and other factors. Our adjusted EBITDA will be in the high teens as a percentage of revenue. CFROI will be around mid-teens or slightly above. And then, obviously, free cash flow conversion you see here, and then continuing to have a solid investment-grade credit rating would be an important aspect for Stanley Black & Decker as well.

And what does that mean for capital deployment priorities? Well, we're not done on the transformation side with some of the things we laid out two and a half years ago. In particular, our leverage is not where we want it to be. And so, we're targeting 2.5x net debt to EBITDA or slightly below that in the short term. And hopefully, we achieve that by the end of 2025. That's our objective. It will require us probably to do some modest pruning of the portfolio that will result in some proceeds on a net basis of around \$0.5 billion or slightly better, as you've heard from us over the last few months. And we'll see how the markets behave around M&A and whether that's something we can achieve in 12 months or it takes 18 months for that to play out.

And then, that will be complete and it'll be a check mark around the health of the balance sheet. And then post-deleveraging, you can see what our objectives will be around capital deployment. We will continue to fund our businesses to stimulate the right level of growth above the market and gain market share and invest for continued margin expansion.

We will support our strong and growing dividend. We will continue to grow our dividend, as you'll hear from Pat later, when the time is right, when we see the opportunity for earnings achieving a certain level and cash flow achieving a certain level. And our preference initially coming out of the gate, which will probably be sometime in 2026, will be to repurchase our shares. And then, over time, we'll see where we go from there around capital deployment.

So, I want to touch on a little bit of what you're going to hear from Tamer and Chris and Thomas. I'm not going to grind through the slide, but we view our supply chain as a competitive advantage. We look at it as an opportunity to meet the goals and the objectives of our channel customers, so that they look at us as the supplier of choice. So what does that mean? That means that our innovation has to be outstanding and has to hit every target and goal and objective, and the lifecycle has to be – excuse me – has to be very short, but also achieve the right level of quality as we do that.

Our network strategy needs to be agile and resilient. So as the world changes, we need to be able to be agile and change. And so we need to create a supply chain that gives us flexibility to do that. Because the one thing I think all of us have learned in the last 10 years is this world is going to keep changing. It's never going to be stable, although they might be stable for three to six months. But as you get beyond that timeframe, it will continue to evolve and change.

We need to have material productivity leadership. We need to be focused on platforming and sustainable productivity, not just one-time opportunistic opportunity. And then I mentioned achieving the supplier of choice from all our key end customers. But that only enables the opportunity for us to grow organically on a consistent sustainable basis as well, and gain market share.

I mentioned rapid, market-driven innovation. The world has changed a lot since I joined Stanley Black & Decker. Our innovation cycles 25 years ago were anywhere from two to three years before something started from concept to hitting stores. Today, it's much shorter than that, but it needs to be even shorter. And you'll hear that from Chris later today on how we're going to achieve that type of outcome. Because that's what our end users want, they're looking for more products around productivity, they're looking for more products that make them safer, and they're also looking for the same level of quality or, in some cases, even a higher level of quality than what they've seen in our products.

The same is true with Thomas' business. We provide some amazing products to the automotive and aerospace industries around applying fasteners, the types of fasteners, the technology, how we make our customers productive in their manufacturing locations, how do they take out costs by using our equipment and using our fasteners to drive their own productivity when they make a car or when they make a plane.

And then our growth priorities will be, as we invest, continue to invest in the field, looking at our field resources and saying, do we have enough people touching the end users, talking to our end users, helping our end users understand the new innovation, the power of the new innovation, how it actually does perform versus the competitive product? Not mythical stuff, reality-based performance versus competitive product.

And then, of course, we will continue to be a global company. One of the great things about Stanley Black & Decker is we are the biggest and strongest global company in this industry for T&O and Engineered Fastening. And so we have the opportunity to leverage that. We're in 60 to 70 countries around the globe. We have solid infrastructure and so as we do all the things on the left side of the page, we need to make sure it has a global impact, not just the US or European impact. These are the things that will allow us to achieve mid-single digit revenue growth and sustainable market share expansion.

So to summarize, we've made significant progress over the last two years to stabilize the company coming out of COVID, and we have set a foundation for future growth. And we've also set a foundation for future margin expansion and cash flow generation, because we are more focused company, because we have delivered and executed against the goals and objectives that we've laid out over the last two years. And we are continuing to build upon our organic growth culture.

Those three things with all the other details you've heard today is why this is a compelling shareholder value creation opportunity. There's a lot of noise in the world right now in the short term, and there are things that we'll have to deal with and other companies will have to deal with. But when you step back and think about what this company can do over the next three to five years, but I've just summarized and what you're going to hear over the next hour-and-a-half should get you really excited. So I'm looking forward to that. And thank you very much. And I'll see you at the next Q&A.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Next up, our COO and President of Tools & Outdoor, Chris Nelson.

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

Good morning, everybody. My name is Chris Nelson and I am extremely excited to have the opportunity to talk to you today about Stanley Black & Decker's Tools & Outdoor business. It is an amazing business with iconic brands, global reach, and a legacy of industry leading innovation.

However, as impressive as this legacy of success is in the business, what makes this business more exciting are all of the opportunities we see for accelerated value creation in the future. We play in markets with attractive fundamentals that are set up for long-term growth, and we serve customers in this business that value innovation and reliable brands. We are investing for growth in this business to build off our legacy foundation and enable accelerated, profitable growth in the future. And we are confident that this formula will deliver consistent market share gains with an attractive margin and cash profile.

But first, let me give you a brief overview of the business itself. The Tools & Outdoor business of Stanley Black & Decker is approximately a \$13 billion entity with the majority of its revenue generated in North America. EMEA is its second largest market, representing approximately 20% of the overall revenue. And we have a brand portfolio that is the envy of the industry. Our top five brands account for roughly 80% of our overall revenue. We will spend more time later on in the presentation discussing our three focus brands in more depth, those being DEWALT, STANLEY and CRAFTSMAN. We are focusing the majority of our market facing investments in these brands to drive growth. With BLACK+DECKER and Cub Cadet, we are focused on improving their margin profile prior to investing for growth.

I would also like to take the opportunity to call out the chart on the bottom left corner of the page you're looking at. You can see that this pie chart represents the overall tools and outdoor industry, and that the industry itself is fairly fragmented, with the top two players representing only approximately 25% of the overall market. We consider this an outstanding and attractive backdrop as we look for share gain opportunities in the future.

However, before I talk about the future plans for share growth in the business, I would like to spend some time looking at the history of the company.

[Video Presentation] (00:34:10-00:35:45)

The vision and values that founded the DEWALT brand still drive our company today. The focus on safety, quality, productivity and innovation have never been more relevant than in today's market landscape. Our end users rely on us to provide solutions that help them to get their jobs done faster, more safely and more efficiently. And the challenges that they face have never been more difficult than they are in today's market. With a tight labor market, aggressive project schedules and constrained budgets, our customers count on us and the tools that we provide to help them to overcome those challenges.

Our obsession with end user productivity in Stanley Black & Decker has been built over a 100-year timeframe. It is embedded in our DNA. The knowledge and process required to deliver productivity-driven innovation are not easily replicated and cannot be built overnight. And it is not just us saying that this focus on safety, productivity,

quality and innovation is important. It is important that we listen to our end users as well. And as we talk to those end users, they tell us the same story.

The data on the page that you are looking at shows that our end users proactively replace their tools more than 50% of the time. They replace that existing tool with something that makes their job more efficient or more safe. And when they are making that purchase decision, the most important factors that they look at are safety, quality and brand reputation. Price is way down the list because they know that paying more for the right tool, the one that helps make them more productive, will ultimately save them money on the job and make them more successful.

This data helps underscore just how attractive the market fundamentals are in the Tools & Outdoor business. There is a defined problem we are focused on solving, making our customers more productive on the job site. Our customers proactively pursue these innovations and are willing to pay for the solutions. These market fundamentals provide a clear opportunity for margin accretive growth and share gain. Not only do the markets we serve demonstrate attractive fundamentals, but they are poised to grow for the long-term. Ultimately, here at Stanley Black & Decker, we are largely tied to the global construction end markets, and we know that these end markets have attractive long-term macro trends.

One great example is the North America residential home construction market, where there is a large and growing gap in housing stock. This has helped push the average age of a US house to roughly 40 years. And we know that this will ultimately drive an increase in housing starts as the interest rate environment becomes more attractive. More importantly, we know that house owners will look for an increased level of repair and renovation activity. As that happens, the tradespeople that we serve will benefit, and they will need our tools to help get the job done. We are focused on building the tools solutions for the key trades that we know will benefit most from the pending construction activity.

In addition, as construction activity ramps up, so will the priority for productivity. With a tight labor market, labor inflation our end users more than ever will be motivated to embrace our new innovations to drive productivity on the jobsite as the labor market becomes tighter. So, we play in an industry with attractive fundamentals. It is poised to grow. And at Stanley Black & Decker, we have what it takes to win in that market, and believe we are uniquely positioned to thrive. We have brands that our customers trust, an innovation engine that has been honed over decades to drive productivity on the jobsite and unparalleled global distribution network that provides access to every key end market. And an operational engine that not only delivers our solutions efficiently, but also drives continuous improvement to fund future innovation.

While we are starting from a position of strength, we are absolutely laser-focused on building upon our solid foundation to accelerate future growth and value creation.

But before we could start to accelerate our growth journey, we first needed to make sure that we were organized for success. Traditionally, at Stanley Black & Decker, we have been a very product line oriented company, focused on delivering point solutions for our end users tool by tool. However, in today's market, end users are not looking for a single point solution. They want a total brand solution. They are looking for brands that can offer all the tools required to complete their entire workflow. They value the simplicity, consistency and battery compatibility that a total brand ecosystem provides.

We are now organized by brand to better align with our end user's needs. For example, now our DEWALT GM is responsible for defining and developing the total DEWALT brand solution for each of our key focus trades. From a marketing and activation perspective, we had become too centralized and detached from local markets. In the

new go-to-market, we have retained a small group of central brand strategists, but shifted the go-to-market investments and resources into the regions closer to our customers. Now, we can drive local activations that are most relevant to the markets that they serve and invest in resources to work directly with our end users and to introduce our innovations to those end users and ultimately work to convert them to being loyal brand users.

Back to innovation. As I have mentioned before, we have an outstanding innovation engine, but there are always ways to improve. Traditionally, each of our product line groups in the engineering organization had a fairly high level of design autonomy. While this approach has certainly produced outstanding innovation results, it has also driven significant complexity. We have now centralized our engineering resources to facilitate a move towards platforming. Ultimately, this will allow us to continue delivering industry-leading innovation, but improve our speed to market and reduce the complexity of our supply chain.

And finally, as a part of the supply chain transformation, we are working to integrate and optimize a supply chain footprint that was redundant and complex due to multiple acquisitions. Our team is in place. We brought in some new people from the outside to bring in new ideas and new ways of working. It's mixed with some veterans and outstanding players from the legacy Stanley Black & Decker. We are up and running in a new organizational construct, and it's making a difference. Our approach to focusing on brands is resonating with our customer base.

And let's talk a little bit more about those brands. We talked earlier about our brand portfolio in our three focused brands. We have worked over the past year to refine the focus and positioning of these brands and assign dedicated leadership to each. These are the brands that will receive the majority of the market-facing investments and are key to our overall growth strategy.

I'll start with DEWALT. DEWALT is a \$7 billion brand that has been growing at high-single digit CAGR for over the past 10 years. This brand will focus on serving the most demanding professionals. We will continue to develop the end-to-end solutions that our key tradespeople need and strengthen our DEWALT battery ecosystem to leverage its outstanding installed base.

Next, on to STANLEY. STANLEY will be focused on those smaller, mostly residential contractors. The STANLEY tools that these professionals rely on are essential for them to deliver high quality work. And we will make sure that we deliver to them the tools that they need and the quality that they need to deliver high quality work. Because as small business owners, they put their reputation on the line every day and their reputation is their livelihood.

CRAFTSMAN. That brand has an unparalleled reputation and respect amongst ambitious DIYers. These customers are driven by the feeling of accomplishment of completing challenging projects. And we will work with our CRAFTSMAN brand to build out our portfolio of solutions to help them to complete their projects in their homes, their garages and their gardens. At the same time, we will work to improve the margin structure of the CRAFTSMAN brand as we deliver products that are specifically designed for the needs of the ambitious DIYer. We are excited about the potential of these three key brands and the leadership role that they will play in our growth journey.

Back to innovation. We've talked about how strong our legacy innovation engine is, but as a part of our acceleration plan, we also felt it was something that we needed to make improvements upon. And it all starts with innovating with a purpose. From the customer back, defining what the problem is that we are trying to solve for our customers.

In our case, as I have mentioned before, we are focused on delivering innovations that make our customers more productive and more safe. And the first step in the process is to define what this means in practical terms. For us, that could be more to work on an impact wrench to complete the job faster, rotation control on a hammer drill to reduce injury risk or more power in a rammer to replace gas-powered machines. But make no mistake, all of these outcomes, no matter what they are, no matter for what trade, are enabled by our core technologies.

And as such, it's vitally important that we continue to invest in and lead in developing differentiated core technologies. Specifically, we are prioritizing investments in batteries, motors and controls. These are the key building blocks for our technical differentiation. We are developing the core technologies that will deliver more power, longer runtime, faster charging time and better control. We will continue to be at the forefront of innovation in these core technologies, and they will provide a sustainable performance differentiation to our customers.

From there, our chief engineers, application engineers and end user specialists configure these core technologies into solutions with outcomes to solve the specific challenges of key trade groups. Our expertise in combining the best combination of battery, control and motor technology to solve specific end user issues is our traditional strength. And with our new engineering structure, we will now be developing these trade-specific solutions in a platform approach.

As you can see on the page that you're looking at with the nailer and grinder example, we are going to utilize a common library of core technology components and configure them to provide the required performance outcome. The benefit of leveraging the common components allows for speed and development and a much less complex supply chain. With the platform approach, we will be able to drive our traditional strength of purpose-driven innovation, while also improving our time to market and reducing costs. It will truly be a game changer.

At the same time, we need to keep our eyes on the evolving trends in the marketplace and position ourselves for the future. As I have said repeatedly in this presentation, our end users rely on us to help them make safer and more productive job sites. Traditionally, that has been achieved through mechanical means more speed, more power, etcetera. But we can see that in the future the information that our tools provide may become a more powerful source of productivity.

And as such, we are embedding connected technology into our tools that will provide important information to the end user. They can help answer such important questions as, where are my tools, how many tools do I have on the jobsite, how much are they being utilized and how safely are they being used? This type of data will become increasingly important to drive jobsite productivity, and it's important that we start designing that technology into our tools today and we are. Of course, none of this innovation matters if we can't get it into the hands of our end users.

Over the course of the past year, we have made consistent investments in our field resources. By the end of 2024, we will have added nearly 400 customer-facing employees. These specialists are responsible for working directly with our end users, introducing them to our products and innovations, supporting them on the jobsite, and ultimately converting them to loyal brand users.

In addition, they help us stay in touch with jobsite trends and provide feedback to our engineering teams to drive new innovations. In addition to this, we have recently completed our state-of-the-art Customer Experience Center in Towson, Maryland. This is a place where we can host key customers and users, show them the entirety of our product portfolio and our roadmap of pending innovations. It is an opportunity for our customers to view our growth plans up close and personal. We currently have more requests to host customers than we can accommodate and are working to expand our capacity.

Another way that we are working to drive accelerated share gain can be seen on the right side of the page, where we are adding additional field resources in areas that are attractive markets that we know we are under indexed from a share position.

The example on the page is what we're doing in EMEA, where we are taking key attractive markets and investing in those markets with local resources to help drive profitable share growth in areas where we know that our share is under indexed for what our entitlement is.

As we look to accelerate our growth and specifically drive share growth, I hope that it's clear that we are prioritizing investments closer to our customers. And finally, and Tamer will go into this in far more depth in this subject. We are investing to transform our supply chain. These investments will clearly help us to improve our margin profile and provide a productivity engine that will help fund future investments and growth and innovation. As importantly, our supply chain transformation will support our growth acceleration by ensuring that we can support our customers with consistent on-time delivery and high quality products.

In summary, we know that we are well-positioned in Stanley Black & Decker Tools & Outdoor for profitable growth. We are going to leverage our iconic brands, innovation engine and broad category and channel coverage. The investments we are making will help us to deliver consistent, profitable share gain in an attractive and growing market. We have what it takes to win and are moving with a sense of urgency to accelerate our organic growth trajectory. I can tell you personally that I am extremely excited about the future at Stanley Black & Decker. Thank you very much.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Okay. We're going to get organized for our first Q&A. So, Don and Pat will come to the stage with me. And it looks like we got Chris. Can you hear us, Chris?

QUESTION AND ANSWER SECTION

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

I got you loud and clear.

A

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

How you feeling?

A

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

Well, about as well as could be imagined, considering I'd much rather be in New York with you all. But as Dennis mentioned my back. To put it politely, less mobile than I'd like. But the good news is, it's a disc issue, the fix should be fairly straightforward. But I think it would be an understatement to say that the timing is a little suboptimal. But thanks. I'm doing all right. It's good to see everybody.

A

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Great to see you, too. So, who would like the first question? Why don't we get a microphone at the left side here.

A

Timothy Wojs

Analyst, Robert W. Baird & Co., Inc.

Thanks. Tim Wojs from Baird. I guess just first question on your outgrowth relative to the market, the 200 basis points to 300 basis points. Which parts of the portfolio, if you kind of break it up between, DEWALT and maybe the other brands, is going to be responsible for that outperformance? I mean, does it weigh one to the other or is it going to be a combination of everything?

Q

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

Yeah, it is a combination. But you're hitting on a good point, which is that there will be a mix factor of this, and there will be opportunities that we can chase that have higher growth in certain categories. And I'll have Chris touch on that in a little more detail. But clearly, he walked through the three big brands we're investing in. That's going to be a big part of it. And then, there are subcategories of certain trades and channels that we see opportunity as well. But Chris, why don't you give a little more color on that?

A

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

Sure. So, I think, first and foremost, I think it would be safe to say that we're going to be certainly relying on the top three brands to deliver the lion's share majority of the outpaced growth. And within those brands, I'd say that right now we have really good momentum with DEWALT. And we are growing above market and have been growing above market for a number of quarters. And we are seeing good momentum building in the other two as we certainly prioritize resources there.

A

However, we know that there are opportunities as we've now actually focused some of our specialty brands more on the areas that they are most effective in and with our brand reprioritization. And we believe that those specialty brands with the strength that they have with the LENOXs, for example, those types of brands are also going to be able to deliver growth.

Within the professional, as Don mentioned, we are targeting key trade groups that we know as well will grow above the market given what we see the pending construction activity to be. So I'd say we're relying on the top three brands. We're going to develop the products and categories that are most appealing and required for the key trades that we see growing in the near term.

And then we're going to make sure that our specialty brands are supportive of this strategy as well by focusing and executing within their defined areas of expertise.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Okay. [ph] Kate (00:56:30), why don't you bring up to Joe Ritchie here at the front?

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Thank you. Chris, hope you feel better?

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

Thanks.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

So maybe just talk about these investments that you're making. I know we've been talking about kind of \$300 million to \$500 million for some time. How far along are you on that journey? And then as you're thinking about the investments in both supply chain and your field labor, I'm just curious, how are you thinking about the returns on those investments? How are you measuring that?

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Go ahead, Chris.

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

Yes. So I'd say that we have been for over a year very consistent in the way that we have been investing. And we've laid out the areas of those investments we're going into. Not only to the core brands of field activation. As I mentioned, we'd have added over that period roughly close to 400-field facing or customer-facing personnel. And then also made sure that we are reprioritizing and reallocating dollars that would have been going to other initiatives that now as we've really defined the core that we're going after. The investing – the incremental investment is only a part of the story, and we've been investing more in innovation as we reallocated those dollars towards those key trades, towards those key brands and developing the solution there.

So it's going to be an ongoing process and we are – we have good momentum. We're seeing the green shoots and we're seeing share stabilization and actually growth right now. We're going to continue that. I think the difference is that as we go forward, we're certainly going to make sure that we are driving productivity and allocating resources appropriately, so the incremental becomes a less. And I think Pat will talk about what we think about for the near-term and longer-term SG&A profile of the business. So that's where we are on the growth journey.

Joe Ritchie*Analyst, Goldman Sachs & Co. LLC*

That's helpful. One another quick one for Don. So Don, you called out, greater than about \$0.5 billion in proceeds from additional portfolio pruning. So clearly, that doesn't mean the entire industrial segment. I'm just curious, any thoughts on what potentially is not part of the core going forward?

Donald Allan, Jr.*President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.*

Well, I think, the page represented about, a more focused company with two businesses is we really love the assets of this company right now with the Tools & Outdoor business and Engineered Fastening business. There's some small businesses that we're evaluating for that pruning within each one of those segments. But when we think about the portfolio today and going forward for the next three years or more, it's a good set of businesses that can really help us achieve our long-term financial objectives.

But over time, like we've always done, we've basically said that a business has to earn a right to be part of Stanley Black & Decker, which means they have to hit certain levels of performance around organic growth, profitability, working capital, cash flow, etcetera. They need to have some unique differentiation around brand or innovation. So I think all our businesses have those two. The question is, will they all hit those different financial objectives? And they'll have to be evaluated over time if they don't.

And so Engineered Fastening is an example of we think they will hit those objectives because they're very much tied to attractive growth industries. Historically, they've had the right levels of profitability, and ultimately they'll help us achieve the right levels of cash flow return on investment. But, we'll continue to evaluate it like we do on an ongoing basis. And we have, for my whole 25 years here, and it's something that I really believe this team will continue to do for the next three to five years. And we feel good about the assets we had today in our portfolio.

Joe Ritchie*Analyst, Goldman Sachs & Co. LLC*

Okay.

Dennis M. Lange*Vice President-Investor Relations, Stanley Black & Decker, Inc.*

Why don't you pass it to David MacGregor right in front of you, Fernanda? Yeah.

David S. MacGregor*Analyst, Longbow Research LLC*

Yeah. Good morning, and thanks very much. I guess the question is on your ability to get paid for this innovation. Historically, it's been very difficult to get paid in the power tool category for developments on product. It's a fast follower business, as you pointed out in the previous slide. It's very fragmented.

I guess should we think of how you're defining sufficient innovation as patentable innovation? And if so, what does the patent portfolio look like today? What is your goal for patents three years down the road? And is that an appropriate metric for measuring success on this goal?

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

A

Yeah. It's a very good question and I'll have Chris give more detail on it. But one of the things about the Tools & Outdoor business, but it's also true with our Engineered Fastening business is that you do tend to get a lot of pricing through new innovation. And so you're able to kind of reset the pricing of a product at the beginning versus what you might be replacing or one or two things you might be replacing. And that allows you to get increased profitability coming out of the gate.

So, you don't necessarily see it in the accounting world of price, but it is the opportunity for us to continue to improve upon our margins as we innovate. But I'll have Chris give more color on some of the more detailed aspects of the question you asked.

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

A

Yeah, and thanks a lot, Don. What I would say just to answer the question directly is that I do not think that patentable technology or number of patents is the right metric to be measuring success. I think that that can lead to a chase that sometimes you worry about protecting things that don't really need to be protected and can distract you from the mission to add.

What I would say that our key metric is going to be in order to drive the type of margin accretive innovation and margin accretion overall is going to be the speed of innovation. We need to be able to take a concept to production and distribution in a much faster cycle than we are right now. And what that does is allow us to – as Don said, we can continue to derive value at increased margins from those new innovations.

And then as we have the capability that we've demonstrated be able to find and drive those innovations and really have our end users seek out what we need. If we can do that faster and faster, that allows us to continue to drive the value equation up as others, as you point out, there could be a desire to be a fast follower. We need to be able to make sure that we're always at the forefront there.

I feel very good about our capabilities in that area and as we're seeing now with as we start to see some of the fruits of platforming, that'll pay a big dividend. And I'll just use one example to say that of one of our first kind of key platformed product lines, now we've seen that the follow-on on product innovations and extensions off of that platform are going to be available to the market in roughly 50% less time than it would have taken us originally. So to me, it's really the speed of innovation, which is going to help us drive and improve the growth.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

A

Fernanda, can you pass the microphone to Mike Rehaut or [ph] Kate (01:04:11) sorry?

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Thanks. Good morning, everyone. Thanks for all the information so far. I wanted to zero in on the goals of growing 2x to 3x the market rate to 200 bps to 300 bps, if you could kind of compare that to what you've grown

versus the market organically in the last five years. And looking forward, where do you see the greatest opportunities? And I'm thinking specifically within DEWALT in pro cordless, there is a market perception, as we talk to investors, of maybe over the last few years, you've ceded leadership in innovation in certain areas of cordless. I wanted you to speak to how accurate that perception may or may not be, what are the areas that you can point to and, again, looking forward, where do you see the opportunities to better penetrate either certain product categories or channels.

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

Yeah, sure. So, thank you for the question. I'll ask Pat to give a little more color on our historical organic performance versus the market. And then, Chris can give a little more detail on some of the aspects around where the growth opportunities are. As far as us ceding leadership around innovation over the last two or three years, we don't believe that's true. We think when we look at our innovation that we've put in the market, it's been outstanding. I think the opportunities that we're talking about to accelerate innovation, move at a faster pace, have a more resilient supply chain, will allow us to get better and stronger and continue to be the leader around innovation. We have been the leader in the DEWALT category, in the STANLEY category for decades around innovation, and our competitors have been fast followers. In some cases, not so fast, but they've been followers.

And that's something that we believe we will continue to do, and we've structured the company to be successful in that regard. And the things that we're talking about to drive value around supply chain and rapid innovation only will make us stronger in that regard. And so, we feel good about where our position is. And as we all know, there's a lot of noise in the market around different things that create perceptions that sometimes people believe is reality. But the reality we believe is and we know for facts and data supports that we have the highest level of innovation. We're bringing the most innovative products to the market. We're meeting the needs of our end users on a regular, consistent basis to make them more productive and make them safer. And those are the things that we want to continue to do to be successful. And as we make our supply chain more resilient and agile, we're only going to get better at doing those types of things.

So, Pat, maybe you can go with the...

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

Yeah.

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

...question around history.

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

Yeah. Mike, the change in nomenclature is really just to clarify and simplify. We're really targeting mid-single digit growth at 200 basis points to 300 basis points above what we expect to be low-single-digit GDP growth, which is roughly where the industries were in roughly follow especially durable GDP. That just happens to equal 2 times to 3 times the market. I think in the past sometimes people would get confused on what the definition of the market was. So, it was just kind of to simplify things, to say, we expect our portfolio building through the next three years to be planning out of the water at mid-single-digit growth, which, again, we're expecting GDP in that time horizon to – real GDP to be in the low-single-digit range.

I think if you look pre-COVID, the whole portfolio, even on organic basis, was growing mid-to-high-single-digits, driven by brands like DEWALT that was kind of roughly at a 8-plus percent CAGR going into the COVID period. Obviously, the supply chain disruptions in the middle of COVID definitely disrupted the momentum of some of our brands, especially power tool centric brands. Last couple of years we feel like, in a down market, we've had a number of bright spots in our business. Whether it's DEWALT on the Tools side of the business, or whether big chunks of Thomas' Industrial business, auto, aero, and even portions of the Industrial business that are serving industries like solar.

So, we're – our job going forward is to get that momentum broadly across the portfolio. One of the earlier questions from Tim was what's it going to take in our priority brands and our priority businesses which you've heard from Chris today and you'll hear from Thomas today, those are going to have to grow at or above our portfolio average. And then, some of our other brands who are going to play a role and they're going to have to be very near. They might not be quite at the portfolio. But have to be very near.

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

A

Chris, do you want to add anything around growth in the question?

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

A

Yeah, sure. Just a few key points. One is, you've called out battery and cordless technology in the power tools space. And I would say that – we're just seeing now the POWERSHIFT launch, et cetera. We remain a leader and a recognized leader in innovation in that area. There's just no question about that. And if we look at that market, it is the largest and fastest growing market within power tools. So, we're in the right place with the right leadership and technical capabilities. But the important thing is that even though it's largest and fastest growing, it's only just about [indiscernible] (01:10:06) a tick over 50% penetrated globally. So, there's big runway there.

So, that mix perspective and playing to our strength is a share gain opportunity. But separate from that as you think about what kind of the key levers are for share, one is that, as we talked about, by brand, we need to be more intentional and organize around the types of innovation that we drive, such that we're rounding out all of the needs for an end user and what they need with their brand for their trade. We have not been quite as organized as we should be in that area and that's a big opportunity because that delivers the value proposition that the end user is looking for.

And secondarily, we'll just continue to supplement our activation resources in the field to be able to take that innovation, to tell that story, to convert the end users, because we have what it takes. We need to make sure – I think we were not as intentional in the field as we needed to be. And we've got the – we have the channel, we have the reach, we have the infrastructure. It's just small adds and specifically in areas where we know that we're under indexed or underrepresented. So, the playbook is fairly clear and it's not overly complex. But the opportunity for growth in those areas is tangible and we're seeing it already.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

A

Fernanda, can you pass the microphone to Chris Snyder?

Chris Snyder

Analyst, Morgan Stanley & Co. LLC

Q

Thank you. Chris Snyder from Morgan Stanley. The event is very much focused on DEWALT, the product showcase, the video and even as a priority brand for investment. But DEWALT has done very well. I think you said high-single-digit growth for the last decade. So, I guess, my question is, as the company kind of tries to return to a mid-single-digit growth CAGR, is the view that DEWALT can do even better, or is it that the rest of the portfolio needs to lift up even though they're not getting the incremental investment?

And then, just the second point on geographic expansion, how meaningful is that opportunity when you guys try to get back to that mid-single-digit growth CAGR? Thank you.

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

A

Well, I think those are all opportunities. I do think DEWALT can be even better from a share gain point of view. I think our brands around STANLEY and CRAFTSMAN and the specialized brands can perform better than they have, for sure, as Chris has touched on. And he mentioned in his presentation that the geographic opportunity is significant and we're being very thoughtful about where we're going after those opportunities. But I'll ask Chris to give a little more color on it because he's actually the one that really is driving it with his team. Chris?

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

A

Yeah. So, I mean listen you've, Don, hit it well. DEWALT can be better and will be better. And I think that we have an opportunity with the resources and emphasis that we're putting in to CRAFTSMAN and STANLEY to get them to the point where they are nicely over market as well. That has not been the case and that's part of what we're starting to invest in and see right now.

From a market standpoint, that is – it's a significant opportunity not just geographically extending into – I showed an example of EMEA, but there are certain markets within the United States where we are underrepresented from a share perspective that we are looking at that kind of chessboard as well and putting the resources where we know that there's a combination of a growing market, lots of construction pending activity. And we're underrepresented from a share and potentially a feet on the street standpoint.

So, it's a real – it's a nice tangible opportunity. And the way we're looking at and was asked a little bit earlier is that we measure each one of those investments and look at the effectiveness of them. We understand how quickly a sales person in a territory is ramping up versus our expectations to be able to gain that share. We've been very excited about what we're seeing with that, with those trends today. And then, what we have is KPIs in place that we – as we measure, if we see places that are working better than others, we will then divert resources to that geography and then make sure that we fix what is not working at an individual geography. So, it's a real time opportunity. We're measuring it real time and we see it coming through real time.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

A

Can you pass the microphone to Rob Wertheimer?

Rob Wertheimer

Analyst, Melius Research LLC

Q

Hi. Rob Wertheimer, Melius Research. Thank you. Could you talk a bit more about the platforming strategy, how far along that is? What the margin potential or margin results that you're seeing? And maybe it's early days, and maybe there's duplication now and so forth. But what do you think that can do for margins, for supply chain, for cash flow, and so on? Thank you.

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

A

I will have Chris address that, because you're obviously right in the forefront of that leader team.

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

A

Yeah. So I would say we are – yeah. If you want to take a full view of what I would say would be the timeline for when I would say we're going to be at a level of really properly platformed across the portfolio, and then by that, I'd say, kind of we're measuring – our metrics are saying where we have 75-ish percent of each one of our products is being kind of utilizing that common library of components. However, what we're seeing – it's not we wait three years until that happens. We're platforming today. And as we go and not only develop new products and then we retroactively looking at platforming key high value-added activities right now, we are working through that stepwise. And we have once again measurements in place and goals in place to make sure that we measure the commonality of our components and how it grows over time, and we're actually ahead of those metrics right now.

What we're seeing is that not only I quoted that we're seeing the follow-on programs in those already platformed areas be able to be executed at roughly half the time. We've seen that in some key outdoor areas and some key power tool areas, particular nailers that we've done thus far.

So, I can tell you based on my experience, having done this a few times before, the margin potential and upside and the unlock is tremendous. And I think when Tamer talks about – he will talk about what we think about 35% just being the beginning and there's space beyond 35%, I think platforming will be the key to the drive beyond 35% in GM, because it is not only going to provide lower input costs and product costs from the standpoint of getting more leverage and scale for component negotiations. It's going to allow us to be able to run our plants much more efficiently, dropping working capital, increasing our labor productivity, increasing our team and linearity in our plants. It's really a big unlock overall for the company. And I see it as being probably the major building block that we have in order to drive that beyond 35% we're looking now to target.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Okay. Well, thank you. We're going to leave it there for this session. We've got another session at the end of the event. We're going to take a brief break. So, just be back at 10:30, if you want to refresh your coffee or hit the restrooms. Thank you.

[Break] (01:18:04-01:30:27)

Okay, everyone. Please return to your seats. The next presenter is Thomas Ehrhardt, President of STANLEY Engineered Fastening.

Thomas Ehrhardt

President, STANLEY Engineered Fastening, Stanley Black & Decker, Inc.

So, also from my side, good morning. Warm welcome, everybody in the room. My name is Thomas Ehrhardt. I'm the President of our STANLEY Engineered Fastening business. Somebody called me a veteran already before. 19 years with Stanley Black & Decker and about 27 years in the fastening industry. Pleasure to meet you all.

During the next 10 minutes or so, I do my best to share my excitement about the Engineered Fastening business, why I believe, we believe, it's such a fantastic business in our portfolio. Let me start by saying we are not one of these commodity fastener suppliers. We focus on engineered solutions, and that's exactly where we play, in close cooperation with our customers. We serve, as you see on the screen here, large and growing markets. I'll talk more about this later on. And we have further opportunity to drive margin expansion. Forgot to click. I'm sorry.

So, let me start with an overview of SEF. I'm sure everybody here in the room, you interact with very different businesses, different industries, different industry leaders, but really, no matter what that business is, any industrial manufacturing process requires people, companies to fasten, assemble, join materials together. And that is exactly what we do. We are a global leader in engineered fastening and joining solutions with multiple really excellent market positions.

Typically, more critical industry products like cars and planes require much more complex assembly processes, and this is the Engineered Fastening segment I have mentioned before, and this is exactly where we specialize and where we play. We continue to demonstrate our value to our customers by solving their most critical challenges. We talked about productivity and other topics before. I mention some of that later.

And the result has been market share gains in all of our three verticals over the last couple of years. Auto is about 50%, the largest business in our portfolio, about \$1 billion in revenue. In aero, we have a similar market share, slightly over \$300 million in revenue. And the third vertical is industrial, which is close to \$700 million in a very diversified market, and we are targeting very attractive sub-segments in the industrial segment.

So, what do we do? How do we gain share or even more how do we expand our market versus the gain share play and how do we grow profitably in this fastening industry? As said before, we solve the most critical challenges of our customers. Challenges our customer engineers are faced with daily, innovating the next product, launching the next innovation and so on.

So, we have a few examples for you in very simplified way here on the screen, and you could think about the themes going across the three verticals, really. Auto, there's a need to reduce weight, especially when you add very heavy battery packs in vehicle bodies, while you need to continue to improve productivity and increase passenger safety. So, to get there, customers must use new materials which are significantly more complex to join and this is exactly where we collaborate and differentiate.

A great example is our brand-new plasma-assisted welding and joining technology that is used, you might have seen companies using giga castings and mega castings and high strength steel, cool materials, but very difficult to join. And we can join such materials, we can join them like nobody else can in one single step, and that's one of the key differentiators how we win in the market nowadays.

And in aero, it's pretty – it's very similar themes. It's about sustainability, it's about weight reduction. It's about the usage of new materials. And, of course, it's about passenger safety, while they need to reduce weight in order to improve fuel efficiency.

And in our industrial segment, one example, we help companies, our customer to build solar trackers. You have seen some of them in the video, in very remote locations and we have developed a special solar lock bolt and a cordless solar tool, which is – significantly it's like eight times faster in terms of installation versus a traditional nut and bolt installation.

So, how do we win? And these are the three themes you will see on the next couple of pages as well. The first one is through our model of deeply embedded design partnerships. We influence, we work with the customer typically very early and we influence part design and hence create value already during the design phase. And this is one way how we differentiate from more commoditized fastener manufacturers.

Second and that is pretty unique, pretty cool, is a model of connected value streams. Now, you can think about this being similar to the razor and the razor blade model. We just go beyond and connect up to five revenue streams based on one app – from one application. We brought a video, one example, let's say, a customer developing an EV. You need to cool the batteries in an EV, so you need to fasten a cooling line.

We will design a plastic fastener for them, ideally on one of our Tucker studs, which you see on the video here. So, that plastic fastener in that one application drives stud revenue for us, which then drives the need for stud welding systems to weld that stud. And once you have such a stud welding system, you need spare parts, which are typically high margin goods, and many customers engage in service contracts with us for uptime improvement and installation. So, one application driving five revenue streams for us, which is pretty unique and one way how we differentiate.

The third one is really around automation, which is key in any of the industries we have, because – why, because of global labor shortage, because customers need to improve their quality performance and you can do process monitoring when you automate and, of course, in order to reduce total cost. So, automation is key and we are a leader in fastening and joining automation with a couple of number one market positions in these sub-segments.

So, let me now explain how we partner with our customers in each of the three verticals in a bit more detail, three verticals being auto, aero, and industrial. Let me start with auto. Auto is about a \$10 billion market for us, and the huge transformation you have seen, we have seen in the auto industry, it's probably the best example how we add value through these three core competencies I've explained before, design partnership, that connected value stream and the leadership in automation.

The introduction of new energy vehicles has led to a couple of really significant technical challenges, and we do love these challenges because they represent innovation opportunities for us. Talking about EVs, and there's always a debate about what is EV versus ICE, internal combustion engine mean for you as a business. Our current business is about – it's over 95% powertrain independent because we mainly operate in the car body. But we do see additional growth opportunity when it comes to an electrified powertrain, both in the car body, but also in the area of the components for each cell, highly engineered components for the battery, for the electrified powertrain and the battery system itself.

What we also experience in auto is that, specifically the new players, the new market entries are much faster. That was a theme in the tools and outdoor presentation before. They are much faster to launch innovation. Typically, what we have seen, like 5 to 7 years' development time for a new car is now more 2 to 3 years, which for us, because we internally focus on doubling the speed of innovation for quite some time, although through platforming, like Chris explained before, it's an opportunity because we can launch products in our typically more long sales cycle businesses much faster than we could do in the past.

Furthermore, as an interesting dynamic, all global OEMs are shifting their resources away from the old domain expertise, the body-in-white, to electrification, software, autonomous. But they still need to manufacture a car, so they still need to have that expertise, and they will rely and they do rely even more on partners like us with that deep fastening system know-how and that body-in-white, that's the car body expertise. It becomes even more critical for them, for any global OEM.

And then independent of the powertrain, we all enjoy autonomous driving features in our cars. It doesn't matter if it's electric or internal combustion engine. Well, to drive – to have autonomous driving, you need a ton of sensors in your car, and every single sensor needs to be fastened. There needs to be a cable, there needs to be a grounding solution, and that's, again, exactly where we play. So, there's a natural increase in demand for our product, and another opportunity for that recurring 5 times revenue model I was explaining before.

And, of course, last but not least, in order to be able to compete in that very global, very dynamic auto market, customers need to reduce labor cost, and automation is still key and will be even more critical going forward. And we continue to invest in more of these connected products where we have a fastener in the system and the feeder and the software and everything together in order to drive growth.

If we now look at the aerospace business, maybe surprisingly or not surprisingly, it's the same theme, right? You have the – you can have the three pillars on the left side here where we play. But the same core opportunities like in auto exist in the \$4 billion aerospace market. For example, sustainability is also a key driving factor in the aerospace industry, and it drives aircraft lightweighting, and that comes with the world's highest safety standards and, at the same time, global labor shortage.

So, manufacturers look for new materials and more automated solutions, very similar to the dynamics I just explained in auto, in what today and traditionally has been a real – a lot of manual assembly process when you manufacture an aircraft. And that trend towards automation and new materials opens up new opportunities for us. Composite aircraft structures, for example, are designed to reduce weight, and that's a perfect example where we can solve technical issues with our corrosion-resistant titanium fasteners, for example.

Automation, I talked about it already before, has always been a key challenge. Let me give you an example. As you can imagine, there are a couple of areas in an airplane where accessibility is really an issue. You think about the end of a wing, and you see people crawling into that wing to hold the fasteners so the other maker can install the second part from the outside. That is not very efficient.

So what we focus on and what we develop right now with a leading aircraft manufacturer is a fully automated, single-site Blind Fastening solution for the aircraft industry, so you don't have these economic issues and the space constraints anymore. The same concept applies what I just talked about in auto, we develop the fastener, but we also develop the automation equipment together with it so that the customer will benefit from our full system approach. So, as a result, we are providing value through the design partnership, connected value stream, and enabling automation also in the aerospace vertical.

Last but not least, our industrial vertical where we participate in about an \$11 billion market. We are successful today, and we just had some side conversations about market growth in certain verticals. Well, what we do there is we focus our pull efforts more and more on high-growth sub-verticals in the industrial segment. For example, new energy generation, new energy storage or data centers infrastructure, to some extent as well, are the key areas where we are going to concentrate our resources around marketing and sales activities, but also in innovation.

We continue to combine this with our proven push model together with our strong channel partners for the general industry. And also for the industrial vertical, I brought a couple of examples to make that a bit more tangible what we are really doing. Within the renewable energy segment, there is a need for faster installation, driving productivity, for example, of solar trackers, we showed it before in remote environments. And leveraging our design partnership, we have just launched not only the lock bolt but also the cordless handheld tool, and we are conducting field tests with the leader in solar trackers as we speak right now.

Within our heavy equipment vertical, more specifically, you think about truck and trailer, we can provide the same benefits of automation I explained before also in low- to medium-volume applications, because we have a scalable automation solution for both welding but also for Blind Fastening systems helping these customers also to overcome labor shortage and to increase productivity and quality.

Last but not least, in the growing infrastructure segment, we see an ongoing trend for prefabrication, mainly of steel structures, which is done to meet very aggressive build schedules on site, on the jobsite, and to reduce the total cost. We offer multiple solutions from a manual Nelson-branded welding system, up to a fully automated solution based on auto technology partially as well to enable customers to do prefabrication of these structures.

So, in summary, what does it do? By solving, by not being a commodity manufacturer, but by solving our customers' most critical challenges in the three verticals – auto, aero and industrial – we drive, continue to drive profitable growth around 200 bps to 300 bps above the market. Our value proposition, which I explained before, of deeply embedded design partnerships that connect that value stream recurring revenue model and our leadership position in automation, bundled with operational excellence and our global sourcing power will enable us to continue to deliver growth over market, while also driving gross margin expansion, which, by the way, we continuously did since the mid of 2022.

Thank you very much.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Our next presenter is our Global Chief Supply Chain Officer and President of Industrial, Tamer Abuaita.

Tamer Abuaita

Global Chief Supply Chain Officer & President-Industrial, Stanley Black & Decker, Inc.

Well, good morning, everyone. Over this next segment, what I hope to do is have – is work hard to have each and every one of you see the SBD world through my eyes. My name is Tamer Abuaita and I run the global supply chain for Stanley Black & Decker. I've been doing this for about 32 years. I started out in a factory and I've been living the supply chain ever since. And through that journey, I've taken on four large scale transformations, this being the fourth and the most exciting. And when you see the world through my eyes, hopefully you also see the incredible opportunity ahead.

My hope is you will see that opportunity and also be a little bit closer to understanding our plans to deliver that. I hope you walk away today believing in the plan and believing in the team, that's delivering that plan for each and every one of you. Because operational excellence is about really driving profitability, so we can invest in fuel to grow this business. You saw some exciting plans from Chris and Thomas around what we want to do to grow this business and a key backbone of delivering that is driving profitability. But also delivering service to exceed our customer expectations and be that partner of choice, and having that innovation engine that enables us to bring innovation to market faster than anyone else.

Our mission is to deliver a world-class supply chain and I'm going to share with you how we plan to do that as a collective team. But it's important to take a step back before we take a step forward. Our supply chain is about 40,000 employee strong. We've got about 32,000 suppliers across our network. We make over 160,000 products and service over 170,000 customers. We have 200 facilities around the world, about 120 of them are manufacturing sites; the rest, distribution centers. And we spend nearly \$10 billion in purchasing products to convert into our final goods for our customers.

You might see, as the tagline says, a diversified supply chain with global scale or global reach and scale. You know what I see? I see opportunity, a tremendous amount of opportunity. I see a large supply chain, which means we can leverage that scale to get the best cost possible. I see global reach and many suppliers, which means we have opportunity to simplify, so we can move faster and be more efficient. I see a lot of employees, which gives us the opportunity to be leaner and much more efficient.

This supply chain, it's a good supply chain to get us here. But it's going to be an even better supply chain to take us to the future, because there's a ton of opportunity as you think about that complexity and that far reach.

That opportunity will allow us to be a competitive advantage, as Don referenced earlier today, to our business: a competitive advantage in driving the top-tier profitability year in and year out; a competitive advantage that allows us to service our business better than anyone else in the industry. When you have a backbone that's a competitive advantage, it enables us to drive healthy, profitable growth. And we're on our way there. We didn't start this journey today. Two years ago, Don came up and spoke to many of you about this transformation we all go under. And the tip of the spear of that transformation was the supply chain. Well, we started on that journey and ever since we laid out our plans for the supply chain transformation team, we've delivered on every commitment to date and we intend to do that as we close out the transformation in 2025.

We've driven a step change in gross margin. We've driven a step change in inventory and, in turn, free cash flow. And we've driven a step change in service. We feel good about our say/do ratio, because we are very, very focused on building this competitive advantage for our business. But we're not done yet. That's only the beginning. It's only the tip of the iceberg, team. We have bigger ambitions as a collective team, because we know that the algorithm that Pat will share with you requires us to take on this next step. And the opportunity is there for us to deliver it. We want to be at a gross margin level that's greater than 35%. And we want to be at an inventory level that's top tier in industry, continuing our pathway to drive the free cash flow. And we want to be the partner of choice that delivers the fastest innovation in the industry. We have the team, we have the plans, and we're fully committed.

And we will do that through four key levers that I will spend some time with speaking through with each and every one of you. Now, here's the important thing about these four levers. They're not new to the world, team. We're not banking on some AI technology that we still have to prove out. We're not banking on something that we're putting a bet on that still hasn't been proven in supply chains or in industry in general. These are things that I've done throughout my career and many of my colleagues have as well. And they're the building blocks to closing out our transformation, but they will carry us beyond there into our pathway to 37% and into our pathway to delivering top-notch service and top-notch free cash flow.

Let's spend some time talking about each and every one of these and I'll start with the most impactful and work my way from there. Material productivity. Let's just grab an example here. Maybe it helps sort of bring it home. You saw this out in the display earlier today if you had some chance to look at our DEWALT display. This is a wrench using a battery and many of our end users will use this day in and day out to support their livelihood. Well,

we make these in our factories around the world, and it's a top quality product that's well regarded in the industry. I think we all know this. The materials that come together to make this product also comprise about 65% of our total cost structure. 65%. Okay.

Material productivity is about building an engine, which we started two years ago, of driving net productivity in the cost of that material year in and year out. Let me give you an example. You can probably feel when you touch this. You feel plastics. You feel plastic on the outer housing. You feel plastic around the outside of the battery, et cetera. Well, we also, if you think about our hand tools that we sell, if you carry the case there, that says you either DEWALT or CRAFTSMAN or STANLEY, it's made of plastic. You even saw Thomas in the video where he had some of the fasteners and the guides for the wires in some of the cars that's made of plastic, too, right.

But when we set out on our transformation journey, we said we're going to define some categories that comprise the materials we buy and we're going to professionalize that. We're going to bring in the best leaders of those categories, that are experts in those categories and they're going to leverage our global scale to get the best cost possible for that combined power of the largest company in the industry. We did that, for example, for plastics, and in turn, the resins that actually make the plastics. And we did that for the commodity groups that all make up, if you can imagine the metals, the powdered metals, the different electronics here, et cetera. And set out and changed the game in terms of how we buy and professionalize our sourcing capability. Well, that delivered about 15% to 20% reduction in our cost structure across those materials.

Now, here's the exciting thing. We've only really got to about 50% of that. That's what excites me more about the future. We haven't done this for everything. That is one element of material productivity. That enables us to get to where we are today, but even excites me more about the future. I'll talk more about material productivity here in a second.

Operational excellence is the next biggest lever in terms of unlocking opportunities, and helped us to get to today, but even enables us for the future. East Longmeadow, Massachusetts, raise your hand if you know where that city is, raise your hand. East Longmeadow, Massachusetts. Okay. There's only two people that know East Longmeadow. Well, we have a factory there, and that factory there produces blades for a lot of our saws and things like that. So, it's a hand tools factory. It's been around for 30, 40 years, has about 500 employees, and it's one of several factories around the world where we set out a couple of years ago on our operational excellence journey.

And at East Longmeadow, they've been doing things a certain way for a while. Volume has been pretty steady, not growing too tremendously, not going down. But we brought in a team of experts into that factory, and we implemented the Lean principles of really running a factory much more efficiently. We built a playbook on how do you run your hour, run your shift, run your day, run your week, and run your month the most effectively in a factory. How do you eliminate the bottlenecks in a factory, and how do you automate in a smart way that drives a decrease cost per unit. And we did that over about a five-month span, six-month span.

We also did that in several other factories around the world, regardless of the geography, whether it be in Mexico, whether it be in Asia or whether it be in EMEA. East Longmeadow, since that point, has delivered a net productivity of 6% each year, up until this day and has been a key factor in enabling our gross margin growth, so did every other factory that we've implemented our operational excellence Lean playbook. But here is the exciting thing, we've only touched less than 20% of the factories. So, the world, through my eyes, is I've got 80% of the factories to duplicate the same, and we've got a playbook on how to deliver operational excellence to embed in each of our factories.

Network optimization. It's all about optimizing our network to make sure we service our customers in the most efficient way, but also building resilience. In logistics, imagine a distribution center that actually takes in our products and ships it to each of our customers. We looked at our logistics network across the world. In Europe, let's take Europe, for example. We had 22 distribution centers in Europe and when we did our analysis, we believed we could operate with 11, half. Since we laid out those plans, we've closed down 8 of those 11. Improving our cost structure and logistics, and at the same time, we improve service to our customers and responsiveness to our customers. That's an example of a network optimization work.

A lot of the distribution centers were really close to each other, so why not combine them, why not leverage one facility instead of two when you're hitting a geographic area, as an example. But here's the exciting thing. We've only just done Europe and we've just started the North America logistics transformation. We've just touched the tip of the iceberg from a logistics perspective. Manufacturing network, very similar. We've closed some factories. We've moved around products across 20% to 30% of our network, still a long way to go. And a lot of our plans that we laid out around the manufacturing network still come to life in 2025 and 2026, so the opportunity is still out there in front of us.

And last but not least is complexity reduction. We reduced our SKU portfolio by somewhere in the neighborhood of about 50% and improved the efficiency of how we operate across our organization. We also reduced our supplier count by 25%, but there's still a long way to go in reducing both of those to simplify how we operate as an organization. And you've heard it touched on multiple times around this concept of platforming, which I'll talk about as well.

Those are each of the four levers. Look, team, you've probably heard them before from other companies. They're not new to the world. But what we have done is we've made it something that we're committed to as a full organization and are driven to deliver against every month, every quarter and every year. And there are building blocks to close out the transformation and achieve the 35% margin level. You see each of those and the relative impact. That same ratio of what each of those levers on the left side of the page reflect is what got us here from 2022 and will close out the transformation in 2025. They've delivered and the plans are in place and the wheels are already in motion to deliver against those.

So, we have – because we've got those wheels in motion, we've also then have the opportunity to set our sights to beyond 35%, because 35% is not the destination. We want to get better than that. And, of course, the exciting things that Chris and Thomas have talked about will help drive that margin trajectory. Share gain, revenue gain, we build that cost effective competitive advantage in the guts of the P&L, any top line growth is going to flow through very effectively.

We will continue our work around complexity reduction, but I want to talk about platforming and I know there were some questions in the room that came up earlier. Let me take that same wrench that you saw earlier. And now, let me also take an impact driver, okay. Imagine this from an end user perspective. So, a contractor, whether that's one that comes to your home and that works on a construction site, et cetera, will take this impact wrench. I want to secure some nuts in a very quick way and be able to secure bolts or nuts in whatever type of operation they want. But then the smaller impact wrench is very effective at taking fasteners like taking screws and applying them to a wall, or applying them to holding something up, okay. Two different uses, very important in the portfolio of products that our end users will use, okay.

Platforming. Imagine these products are essentially a combination of a battery pack, a controller that sends the signal from that battery pack and converts it to a motor that transfers that power to enable the end use, as well as the lights that they need and the functionality that they need. Same applies here. But in a non-platformed world,

maybe the battery pack is similar, but then the controller's different, the motor is different, the chassis is different, and the outer housing is different. What ultimately matters to the end user? Do I have lights? How did outer housing feel, so I can have the torque I need, and it feels good in my hand and the weight. They really could care less. I'm being extreme to make a point around the components inside of this. And how that motor functions as long as it provides the safety and reliability and the torque that they need.

In a non-platform world, we have different batteries, different control units inside, different wiring, different motors, different chassis. We have to hold inventory of each of those. When we develop a new product, it's a new development cycle for this one versus this one and it's completely different testing to validate. When we run it in a factory, it requires different changeovers from one type of product to another across all the components, which takes time and builds inefficiency. And all of that leads to a simplification opportunity.

Platforming is saying for those inner workings of these two units, how do we get to a common inner working so we can use that menu of those products interchangeably in our factories, in our inventories, and when we innovate? And we can do that. And that drives speed, that drives cost efficiencies and that drives working capital efficiencies. And that is one of the building blocks and one of the most impactful building blocks to achieving beyond 35% gross margins. That is platform. We've already started that journey and every new product, we're driving to achieve two-thirds of the components being common. We will continue to optimize our distribution model and continue our network optimization work.

So, from a material productivity perspective, you can imagine us continuing our pathway of what I referred to as category excellence, leverage digital to move faster, and embedding platforming and design to value to drive that value creation through scale and design, because what I didn't mentioned earlier, and you'll see this call out on design to value. In this product, is areas where we can optimize the cost and the end user is agnostic to the change, which will also be a design optimization work that we do beyond platforming as well.

We will continue our path of simplifying our end-to-end value chain. As I mentioned earlier, moving forward two-thirds of our – or all new products will have two-thirds common components. That's our ambition. Reaching commonality every new product we introduce. Continuing to optimize our manufacturing assets, because they work together. As we platform, we can reduce the number of assets we have across our network. To give you a perspective, we have over 2,000 manufacturing lines around the world. All of that is to service the different levels of complexity that we have today.

As we platform, as we simplify, we also reduce our asset base. Right now, through 30% to 40% of our sites are being transformed, so we continue that journey ongoing. And we are determined to have much less suppliers that are true partners that enable us the innovation that we need as well as building that sustainable productivity engine with us. And those will be the suppliers that stay, because I envision that they were at least – we have at least half the suppliers we have today.

And in our factories, as a factory, you have to earn the right to stay within our network. You have to be the most cost competitive, period, and they know that. And so, we're working to implement those lean operational excellence principles across the four walls of the factory to optimize and will drive lean performance at every site. And then, use digital in a smart way, only if we can monetize it. Like we did in those – like the ELM example that I gave you, well, we did that and across every geographies it's proven we're implementing that same journey to world-class manufacturing across the other 100 sites around the world. And that journey has just begun. And as we continue our journey of building the network that's agile, efficient and resilient.

Building ecosystems that are leveraging each other and the geographic vicinity to be efficient in their buying power, in their technology and their talent availability, but also building the ecosystems, as Don said, that are able to navigate and give us the flexibility in an uncertain world. That's the objective of our manufacturing network. We will have less factories than we have today. Because that's a process that will be ongoing as we do our job to be more efficient and effective. Inevitably, our network will reduce.

And in our logistics network, we've just started the journey of the North America transformation, where we will be much more responsive to our customers, with a much more efficient logistics network to operate in. Our hub and spoke model is just coming to life in North America as we speak.

So I hope you're just as excited as I am, and I hope for just a few minutes, you were able to see the world of Stanley Black & Decker in my eyes – through my eyes. Because I couldn't be more excited about our journey to go beyond 35% gross margin. I couldn't be more excited about building an innovation machine that is faster than no other. I couldn't be more excited about a network that is resilient and agile and being a material productivity machine that invests to grow our business. Builds that algorithm for growth. All this while delivering a best-in-class service to our companies. We've done it to get to this point, and we're going to continue to do it again.

So I'd like to thank you for the time today, and I would like to thank you for your attention. Back to you, Dennis.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Our next presenter is our EVP and CFO, Pat Hallinan

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

Greetings, everyone. Great to see the energy in Tamer there. We need him to be that energetic. But thank you for investing your time in us today. It's a pleasure to get a chance to share the next chapter of our value creation journey. I'm going to build on what the business leaders shared with you today and present to you the financial objectives we have as we go forward to drive value creation from 2024 into 2025 and beyond. And I'm going to start with 2024 and some of our recent performance and then go to the longer term.

So 2024, we are reiterating our financial guidance for 2024, \$1.15 to \$1.70 (sic) [\$1.75] of GAAP EPS with \$1.45 at the midpoint. Adjusted EPS of \$3.90 to \$4.30, or \$4.10 at the midpoint. And free cash flow of \$650 million to \$850 million with \$750 million at the midpoint. Consistent with what we talked about at the end of the third quarter, we may get to cash a little bit differently by the end of the year than we laid out early in the year in that probably lighter CapEx by about \$75 million and a bit higher payables as we invest in some inventory for a number of reasons, not the least of which is tariffs and some of the facility moves we're doing. But again, we still expect to be consistent with our cash flow range.

What we're really focused on and will stay focused on is taking care of what we control and continuing to deliver on our objectives. And we feel like we've done that, done that really effectively this year in a choppy year that was softer than expected, and that's been kind of a theme since we've been on this transformation journey.

In terms of progress, since the back half of 2022, we've really been focused on transforming our business and transforming our financial performance, and we've been delivering against the major metrics in a choppy, soft macro environment.

By this year-end, year-end 2024, relative to the troughs, we expect to deliver 1,000 basis points of adjusted gross margin improvement and \$600 million of adjusted EBITDA improvement. Relative to peak inventory and debt, we expect to reduce inventory by about \$2.2 billion and gross debt by about \$2 billion. So big changes over the last 2, 2.5 years, and we are definitely focused on and committed to restoring Stanley Black & Decker to and beyond its historic earnings power and reestablishing our strong balance sheet.

We appreciate a big part of this journey is successfully completing the transformation, and we remain very focused on, and you heard from the business leaders today, but especially just in Tamer's presentation, achieving 35-plus percent gross margins and generating the cash to reduce our leverage. And as both Chris Nelson and Tamer will talk about in their presentations, we believe there's gross margin potential meaningfully beyond 35%, potentially up to 37% via product platforming. As Chris talked about, it's going to take two to four years for that to build within our SKU base in Tools & Outdoor products and as more of our footprint optimization plays forward in 2025 and 2026.

As Don mentioned, by the end of 2025, we expect to be substantively done with the transformation and deep into our pivot towards an organic growth company with consistent margin expansion and margin performance via continuous improvement. The next and really critical phase of this journey is really pivoting to being a strong and consistent organic growth machine. Both of our businesses, Chris's Tool & Outdoor business and Thomas's fastener business, very focused on growth, growth via the seizing of market opportunities and growth via organic share gains.

And we have been, as both talked about, investing SG&A dollars in growth investments, and we have been protecting these investments in the choppy, soft macro environment, and we plan to continue doing so. We are moving with speed, but we are thoughtfully pacing these investments. A number of forums we've been in, people who often ask us, hey, if you're creating all this fuel via the transformation and you haven't yet restored your earnings power at a EBITDA, EPS level, why not just pile more money near-term into SG&A? We certainly challenge ourselves to grow faster, but we want to be thoughtful as we put this money into the system that we're getting the returns on it, and that we're able to use it effectively with our channel partners and customers. So, we are governing the pacing of it and the businesses are monitoring the productivity of these investments as part of their monthly and quarterly routines.

As an example, in Chris's Tool & Outdoor business, they have five specific metrics that they report on internally with us every month relative to these investment deployments. And they're very much tracking the productivities of the individuals they're putting into the field.

Near term and medium term, we expect somewhat elevated SG&A level. We expect to be in that 21%, 22% of net sales. Longer term, we may drop it slightly down to that 20%, 21% of net sales. And we will continue to challenge the SG&A deployment within our enterprise, putting pressure on the back office to become more efficient so we continue to invest in the growth engine.

The biggest part of what I want to share today is where we're going longer term with our financial objectives. During late 2022, Don and the team at the time really established a really critical financial framework that ran through 2025. Much of that framework was predicated on returning the margin profile of the business and getting leverage back into an appropriate state. Today, we're communicating a financial framework that runs beyond 2027.

Beyond 2027, we are expecting to drive mid-single digit net sales growth. We're expecting to deliver and challenging ourselves to deliver 35-plus-percent gross margins, potentially reaching 37% gross margins. We

expect to be delivering annual operating leverage in the 20% to 25% range. Therefore, pre-tax operating income of \$0.20 to \$0.25 of every dollar of net sales that we generate. Want to get EBITDA margins back into the high-teens and CFROI margins to the mid-teens. We expect cash flow conversion of net income to be around 100% plus or minus 10 basis points. And net debt to EBITDA on the 2.0 to 2.5 times range. And we are very focused on and committed to these targets.

And the assumptions that underlie these targets are that we'll have low-single digit real GDP growth, which is our market metric. That will have a reasonable inflationary/deflationary environment, avoiding the extremes of either. And if any geopolitical dynamics arise in the near term, tariffs or otherwise, that we can mitigate these in a 12 to 24-month timeframe.

While we might have to navigate a choppy start to 2025, because that's the conditions we're facing as we close out 2024, we very much feel that we have the growth initiatives and the margin initiatives in motion to deliver this type of performance.

We're [ph] getting (02:25:35) a little bit from the longer term to 2027. If you look at where we are right now, the current housing trends and the potential for some post-election changes, whether they're tariff or otherwise, they make it a bit difficult to make a call, a firm call on 2025 today. But we are targeting specific full year 2027 performance. And the performance we're targeting in 2027 is a net sales range of \$16.5 billion to \$17 billion, adjusted gross margins above 35%, SG&A still in the growth mode of 21% to 22%, and adjusted EBITDA of about \$2.5 billion plus or minus \$100 million, and free cash flow conversion at that 100% of net income, which is signaling that we spent – expect to be much the way through our inventory reduction journey by 2027.

Again, predicated on a similar set of dynamics that I shared on the previous slide of a low-single digit real GDP CAGR, avoiding the extremes of inflation or deflation and being able to navigate anything that come out of a change of administration in 12 months or less, or 24 months or less.

Our sales CAGR of 3% over this horizon is just a reflection of what we think is a pragmatic reality that we're probably going to start 2025 with a potentially choppy, soft start to at least 2025. We do believe 2025 can become a growth year, and it's every bit our intent to work towards that objective. And then the pacing of a broader base of share gains in our business. You've heard, we've had some real strengths in businesses like DEWALT or in the automotive and aerospace sectors and Thomas's business. But this anticipates that we'll be building that share gain pacing in a broader part of our portfolio.

This is where the leadership team is committed. And you heard in Chris and Thomas's presentations today, they're focused on growth to make this come to life, and in Tamer's presentation, where we're all working together. So it's not just a supply chain team. We're all working together to drive cost structure improvement and [ph] to find (02:28:15) the fuel to invest in the growth.

And we shared this last week. If you were paying attention to some of our releases, we are anticipating changes post-election. We don't know what those changes will be. We have no special information. And as we disclosed last week, we do think a potential change to tariffs seems possible. Our teams are in motion already. As Don mentioned, since the spring, we thought it prudent to start allocating some time to plans for what if tariffs. And those plans have been against government initiatives, potential pricing initiatives and supply chain initiatives.

If tariff change occurs, we will be acting expediently on all of these fronts. They're all in motion. And we would expect price to be the lever that starts to buttress any tariff expense most quickly. But we will be putting all three

in motion, and it's just an example of where we're really committed to staying on our gross margin pathway and positioning ourselves to continue to invest for growth and invest for the long term.

So, again, as Don mentioned, this is something we will be prepared to deal with, and we will work through it, and we'll update you when we know more. We don't have any special information at this time. It's probably we'll see what comes out in the early parts of the administration, if that's before our guidance for 2025 or shortly thereafter.

Capital structure. We remain very committed to and we feel that our brands merit an investment-grade debt rating, and we are committed to disciplined capital allocation. And in the near and medium term, there's really no change to our capital allocation priorities. Our priorities are clearly to fund the transformation and our pivot to organic growth, maintain our dividend. Very proud of the duration of our dividend, and maintaining it even through some challenging periods, and we expect to continue doing that, and then to pay down debt.

Longer term, we expect our dividend policy to return to where it was, and that is a payout ratio of about 30% of net income, plus or minus 5 percentage points. And then, as Don hinted at, if the macro reaccelerates, which we do expect in this timeframe, we do expect that there could be the optionality for some capital deployment in 2026 such as share buybacks. So we're very focused on getting the balance sheet in order and on maintaining the dividend, and we feel we've been tracking against that very nicely for the last 2.5 years, and we are committed to remaining focused in this area.

Returns. We are very focused on returning CFROI to the mid-teens, and this is going to be a combination of levers. Organic growth, operational excellence, those two things combined, really drive the earnings power of the business, and then complementing that with disciplined capital allocation, and asset efficiency, in areas like working capital.

But all of these levers will contribute equally to returning CFROI to the mid-teens. We expect to be in a 12% to 13% range by 2027 and then the mid-teens shortly after that. So, we are really excited about and committed to the value creation potential of this business. You heard the energy from Thomas and Chris towards growth and the focus on very specific growth areas.

The energy and opportunity that Tamer sees in our supply chain, and the whole leadership team is very committed to the 2027 and longer-term targets that we shared with you today. To realize this, we're going to remain tenaciously focused on completing the transformation, which, again, we expect to be substantively done by 2025, reigniting an organic growth engine. And again, you combine that with the gross margin potential that lies ahead, that's the foundation of our earnings potential and really disciplined capital deployment.

We're excited about this journey ahead. We really feel like we have the great foundation for growth. We are competing in markets that are poised for strong growth in attractive industries. We have very, very high quality brands and businesses with which to compete, a strong track record of innovation where both of the businesses are focusing that evermore. And we have an amazingly committed and talented team bringing this to life. And we are very, very focused and committed to the goals we're sharing with you here today. And we look forward to deploying this value creation journey over the next three years and beyond in light of whatever changes the next administration brings to us.

So with that, Don is going to come up and have a few closing remarks and then we'll go to the final Q&A session. So thank you, everyone. Have a good day.

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

Thank you, Pat. I'm going to be very brief and to the point, which is usually the way I am. I hope you see the excitement within us and the passion we have about the opportunity to continue to drive value at Stanley Black & Decker. We're not done with our transformation. We have one – a little more than a year to finish it up, and we feel really good about the things in front of us to make sure we get that done by the end of 2025.

But we're really excited about the opportunities beyond that in supply chain for organic growth, innovation cycle that's even more rapid than it is today. Meeting the expectations, then exceeding the expectations of our customers on a regular basis are all things that we see in a time horizon that's not far away. And so as you think about Stanley Black & Decker, think about the fact that our transformation story will be ending soon. But think more about the opportunity ahead to get our EBITDA to \$2.5 billion by 2027, and then beyond that as we think about the years after 2027.

So thank you very much. I want to thank the team for an outstanding job. You all did a fantastic job presenting. Thank you very much. The entire support team around this as well today, all the work they did leading up to it, thank you very much. And so we're going to shift to Q&A, Dennis. So why don't you – why don't we all come up and we'll go through that?

QUESTION AND ANSWER SECTION

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Yeah. Okay. Chris, you on?

A

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

There he is.

A

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Just want to do the audio check real quick. Say hello again.

A

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

Can you hear us, Chris? Nope.

A

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Give him one second here.

A

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

We didn't hear you.

A

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

We can hear you.

A

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

I'm up and...

A

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

Good.

A

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

...up and running.

A

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

There you go. Good.

A

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

All right. Who wants the first question? I'm sorry. Adam, right there on the end.

A

Adam Baumgarten

Analyst, Zelman & Associates

Thanks. Adam Baumgarten, Zelman. Just a question on the 35% gross margin target. One of the slides – I believe it was Tamer's – there was the building blocks, which didn't really mention volume. But then in Pat's outlook, there's some level of implied volume growth over the next few years to get to that number. So I guess long way of asking, how reliant is volume in that equation to get to the near-term targets?

Q

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

Yeah, Adam. Both as Don and team laid out, the original set of objectives and then the objectives that go beyond this year and to 2027, we're trying to not rely on volume to be the lever that gets us to the gross margin targets. I would say consistent with what we talked about even on the third quarter call. We do need to see volumes stop declining to get there. We expect that that's the case either by the end of this year or the early part of next year. So, we do need declines to cease, but we don't need volumes to grow meaningfully for this journey to be predicated. And we're – certainly for the journey to 35-plus percent, we don't need volumes. Maybe a little bit in that route to 37%, but we're not expecting a super strong macro in that environment. So it's not a volume dependent. It's mostly volumes have to stop declining, which is really what we really need to have happen.

A

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Pass the mic to Peter.

A

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

I should say that volumes going up, that would be really lovely and helpful.

A

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

I was hoping you said that.

A

Peter J. Cummiskey

Analyst, Hardman Johnston Global Advisors LLC

Don, from 2013 to 2017, you had some growth, but not great growth. You had some margin improvement. But you guys incentivized your business manager, to see that working capital out of the business. And your returns strengthened dramatically to north of 20%, and the stock performed very well. How does this environment compare to that one? Why does CFROI have to start – stop at the mid-teens? And what's different and why can't we go back to that kind of scheme? Is it cost of capital being higher now? What's different and why can't you replicate that performance?

Q

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

From a working capital point of view, specifically?

A

Peter J. Cummiskey

Analyst, Hardman Johnston Global Advisors LLC

CFROI is...

Q

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

Yeah.

A

Peter J. Cummiskey

Analyst, Hardman Johnston Global Advisors LLC

...in the end all that matters, right?

Q

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

I think the – I wouldn't rule out the possibility of working capital getting to a point that was close to where it was back then. But it has to be done through some of the operational lean activities that we were describing. When we think about platforming and all these things, they have so many tentacles that go beyond just cost. There's cost, there's inventory, there's potential new revenue opportunities because we're able to innovate faster.

A

And so all of these things are benefits that come out of the platforming initiative, the network optimization, the footprint rationalization, the lean or operational excellence and the lean activities around that are all things that will allow us to be effective in working capital cost and drive more revenue opportunities because we're going to gain more share. So, when I look about that, I don't – I say this, I don't think there's anything limiting in us from our ability to get to that type of performance that we had in that timeframe.

But it's going to be done through structural, sustainable change. And some of those things we did in the past were more brute force, and brute force is necessary. You've got to have the right balance between brute force and sustainable set of process change. And I think this time around, we're going through a process of really making sure that what we're doing is sustainable. So therefore, I don't think it prevents us from getting to that type of CFROI return in the future. It just may not be in the next three or four years. Maybe over a longer time horizon. Anything you'd add to that, Pat?

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

No, I would say the same thing. I think part of the near-term journey is also getting the acquired assets to be fully productive. And I think that's part of the timing that you're seeing up there that kind of takes probably a bit more than four or five years to get there.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Okay. Why don't you bring the mic up to Joe?

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Thank you. So one quick one for Pat and then one for Tamer. So Pat, just the long-term outlook that you've provided. I'm just – we're just assuming at this point, given that tariffs are in flux, that that's just not embedded as part of the outlook from here on out.

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

Correct. I mean what we – why we chose to kind of share 2027, assumes that anything that does occur, we can mitigate it via price and cost structure within 24 months or less. Obviously, you could paint a full range of scenarios, some that are highly contained and some that are less so. So this is kind of on the contained end of the range. It doesn't have to be maybe even as contained as the scenario we shared last week and again today, which was just the China going to 60% on current tariffed goods. But yeah, I would suggest that it assumes we can get through that in 24 months or less. And obviously, as we talk about 2025, we'll be doing our best to kind of bring what we know when we talk about 2025.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Okay, great. And then – and Tamer, clearly, you're excited about the opportunity. Given your background predominantly with consumer products types companies, I'm curious, like whether you've experienced this type of platforming in the past and whether what you can bring to this experience? And then also, as you're thinking about the opportunity from a material cost perspective, how are you balancing taking cost out versus the quality equation and not reducing the quality piece of it?

Tamer Abuaita

Global Chief Supply Chain Officer & President-Industrial, Stanley Black & Decker, Inc.

Yeah. On the first question, supply chains, regardless of the industry, what I found, there's a lot of things in common. You want a simpler – you want a standard, simplified portfolio. You want to optimize your network, and you want your factories to run as efficiently as possible, and all that while leveraging your spend. The larger the

company you are, the better cost structure that you can get. So regardless of the industry. And I spent a lot of time in the CPG industry. What I've found in the CPG industry, a lot of platforming is very common to packaging, for example. You try to find common packaging so that you're efficient, you carry less inventory, you carry less – you have less changeovers in the factories, you do all those things. It's very common, regardless of the industry.

Here, the platforming opportunity in durables is even bigger because you're so dependent on all the different components inside those. If you pull out that drill again, if you don't mind, Dennis, there's hundreds and hundreds of components in there. And it can get very, very complex, if you allow it to. And you heard Chris talk earlier about how our innovation cycle leading up to this point was very focused on a individual product and really innovating in that product and not thinking about a portfolio of product.

Well, what happens when you operate in that world is you get differences in components against each of those products, and then it becomes complex. Our journey together now is around building that portfolio and leveraging that commonality for efficiency, for working capital efficiency, factory efficiency, and innovation efficiency. It's actually a bigger opportunity than CPG. And that's what excites me even more because I see the inventory that develops and the lack of agility that's created when you have complexity here more than any other industry that we can capitalize on. And that's why I think the supply chain can be a competitive advantage. So, that's what excites me. I'm sorry. Can you repeat the second part of your question?

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Quality versus cost.

Q

Tamer Abuaita

Global Chief Supply Chain Officer & President-Industrial, Stanley Black & Decker, Inc.

Oh, quality. We made it a value set for all of us not to compromise the quality of our products. It's what got us here and what makes this 184-year-old company is that we don't compromise the quality of our products. So, we incorporate quality from the early parts of design, all the way through. And make sure whatever is critical to customer is at the forefront of whether you're an engineer, whether you're a manufacturing leader, or whether you're in the brand organization or any part of our organization.

A

And I think we've done a very, very good job there. If you look at some of our quality indicators, we measure this, we measure customer sentiment, et cetera. Through all the transformation that we've gone through, we've stayed pretty steady on our quality, because I think that's a reflection of our value set as a company. Room to grow. Always room to grow. And as we get more data points around our customer sentiment, we're embedding that even closer into our innovation cycle, because it's what can – quality can take forever to build a brand. Quality can destroy brand very quickly. And we won't compromise that.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Tim?

A

Timothy Wojs

Analyst, Robert W. Baird & Co., Inc.

Thank you for all the details. Maybe just on the EBITDA bridge from the \$1.5 billion to \$1.6 billion this year to the \$2.5 billion, I think you can get to \$2 billion just with the incremental transformation savings from \$2 billion to \$2.5

Q

billion. How much of that is going to be growth versus some of the platform making complexity reduction that you talked to?

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

A

Yeah. I would say, platforming as both Chris and Tamer is very much alive and underway. I would say, it's the minority. It's the thing that that gets us a bit beyond 35% by the 2027 timeframe. I think in that specific interval of what you would say is somewhere around \$2 billion by the end of next year, assuming next year's a growth year in and of itself, is probably two-thirds volume growth and one-third continued margin expansion in that horizon. It'll take a while for platforming to be enough of our SKU base for it to become a big driver. But, definitely, once you start getting to 2027 and beyond, it can become a very big driver.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

A

Rob?

Rob Wertheimer

Analyst, Melius Research LLC

Q

Hi. Thanks. Rob Wertheimer, Melius. A question for Tamer and maybe even Don. You talked about some impressive improvements in factory productivity for example. Are you getting back to where SBD was pre-supply chain, pre-COVID, pre-everything? Or are you kind of forging new ground here? And then, I guess, for Don, you bounced off of I don't know 37% gross margin in the past. I don't know if the – going above the 35% in the future is based on less price and more productivity, more platforming, more whatever. When you think about your competitive edge and ability to hold that, is it already visibly different? Thank you.

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

A

Yeah. I think the – when I look at the past in that regard that you were describing, we had a very strong productivity engine in this company before COVID. The COVID really put us on our back foot and in some cases knocked us down in the supply chain. But when I look at what we did back then versus what we're talking about doing now, it's more sustainable. And so, the types of processes that Tamer is putting in place will stick and they won't be as impacted by shocks in the system, because the world has become volatile. And so, when the world becomes volatile again, because it will, and then it will be volatile again after that, at some point, we have to make sure that we have sustainable operational excellence, material productivity, et cetera, et cetera, that really continue to move forward no matter what the environment is, versus in the past, I don't think it was all necessarily sustainable.

Margins, yeah, there was times where we got to 37% and we think we can be somewhere between 35% and 37%. Could we go beyond 37% somewhere down the road? That's to be determined and we'll see, but certainly this business has the capability to have pricing power, the power of the brands, and the power of the innovation is the thing that gives you that opportunity. And so, we'll see how things play out. I'm not sure we're ready to say this is going to become a 40% gross margin business, but there's definitely an opportunity to be comfortably in the 35% to 37%. Beyond that, time will tell. But I think all the things we're doing to build these sustainable rigors, rhythms, processes, teams, et cetera and technology around it, we'll open that possibility out there somewhere down the road.

And Tamer, do you want to add anything to that?

Tamer Abuaita

Global Chief Supply Chain Officer & President-Industrial, Stanley Black & Decker, Inc.

A

I think you – well said, Don. I mean, the only thing I will build is that – Don mentioned early in the presentation, we're a holding company, sort of acquisitive in nature and that was our operating model. How the factories got to those results historically were differed. And led to that lack of sustainability where we are building a standard playbook where regardless of the factory whether you're somewhere in our Czechoslovakia factory or in United States or somewhere in Asia, the common set of playbook and the common capability that sustains.

And I didn't touched on that a lot in my presentation, but I think Don said it well and that's about investing in capability. So, this becomes a productivity engine that just automatic year-after-year versus a one-time shot and that's what we're building. To offset any headwinds and have the culture inside the factories regardless of the changes of the people, that sustains that operational excellence that we're after. And that playbook was forged with those initial set of factories and now is expanding.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

A

Tom?

Tom Mahoney

Analyst, Cleveland Research Co. LLC

Q

Can you talk about the outdoor business and its ability to contribute inside of the 3% revenue growth target and what the priorities are for that part of your business, especially maybe from a supply chain perspective?

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

A

Yeah. I'll start and I'll ask Chris to give some commentary as well and Pat can add color in addition to that. I mean, we like a lot of our Outdoor business. Our Outdoor business fits well in the portfolio of the different types of products and brands we have. And so, when we look at the business today, it really came off an unusual high during COVID where demand levels were skyrocketing and you probably had a fair amount of pull ahead of purchasing activity by a consumer and even a landscaper in some cases.

So, you're dealing with really the hangover of that, and we think that stabilized. And now we're kind of at the point now beginning to get back to some growth in the business. At the same time, some decisions were made around capacity and supply chain and Outdoor that added a lot of capacity during COVID. And so, now we're looking at how do we streamline some of the operations underneath the plan that Tamer presented to help us achieve some of the objectives overall for our company, and we think that's a fairly significant opportunity to improve the profitability of the business as well.

Then, the last thing I'd say is, and we've been pretty vocal about this, is that there's pieces of the business that maybe are not the best pieces to be in for us over the long-term. They represent a small, modest portion of the business. But things so much – such as the bigger platform items that probably will not electrify in the foreseeable future, might take several decades before they electrify, are those types of things that we kind of minimize our investment in and really just maintain what we have and focus on the handheld business, the ride-on business, the zero turn business, and those are the opportunities where innovation and brands can really leverage the outcome.

Chris, I'll hand it to you and see if you'd like to add some color to that.

Christopher J. Nelson

Chief Operating Officer, Executive Vice President, President-Tools & Outdoor, Stanley Black & Decker, Inc.

A

I would just say that there are a lot of parts of the business that we really like and we have the brands to be very successful as well with. And we're working to lean in specifically to those areas of that – of the business, whether, as Don pointed out, with the handheld, with a lot of what we're doing on the profession, zero-turn side. There's a lot that we like.

Secondarily, there's a lot of pull from our customer base for our products with the brands that they like to be able to create synergies across their stores and for their users, specifically as we think about Stanley – I'm sorry, DEWALT and CRAFTSMAN. So, we're working with our customers as they think about the cross-category battery synergies that exist and we're really driving for growth in those areas with the core brands that we think that can deliver that pull.

However, in the nearer term, as Don pointed out, it's just very clear that there has been a significant reset on volume. We don't think that that reset is going to kind of snap back. There's no Y-shaped recovery. I think it's kind of a low-single digit recovery over a number of years. So, we're working equally as hard to focus our efforts on those categories, but then also to make sure that we're taking out the fixed cost, the capacity and the structure, and realization of the realities of the volume base of the business, and therefore, be able to set up a good, solid foundation from a margin perspective, off of which we can grow those attractive segments of the business that we have alluded to earlier, with the core brand and we believe that bring overall synergy across our portfolio.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

A

Mike, I think, we'll leave it there. Yeah. That's it. Leave it after this one.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

All right. Thanks for taking my question. Mike Rehaut, JPMorgan. Wanted to hit on a couple quick things, core question, then kind of a clarification question, if I could. The core question just on tariffs, you had the slide up there and you kind of referred to it, Pat, in your portion, talked about the tariffs going to 60%, representing \$200 million, and then taking about 24 months to offset. So, kind of, in that construct, I'm just wondering getting the assumption of the 60%, is that like a rough doubling of the average tariffs that you're seeing on the sourcing today? I'm just trying to understand the assumption set behind that. And secondly, if you have a 24-month period to offset it, should we be expecting less than half of that would be offset through pricing actions in the first year? Just trying to get a sense of how you're thinking about that?

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

A

Yeah. I'll start and Don or Tamer can join in. What we were trying to lay out in that is we expect something to occur as the new administration takes office. What seems most expedient is for them to take tariffs that are already in place today on list 1, 2, 3 and 4A where they're at 25% today and just change the tariff level because that could happen pretty quickly. There's a framework that's already in place. That's been legally challenged. And so, that would mean a 35-point increase on those goods, and that's what that incremental roughly \$200 million annualized represents.

If that were to occur, we would, quickly with our channel partners, be activating the discussions we talked about have already been in motion and at a conceptual level. And we've been thoughtful in looking at the competitive

dynamics and elasticities by product category so that it's not kind of a one-size-fits-all approach to pricing. It's a thoughtful approach to pricing, but those will go in pretty quickly and we would start mitigating costs.

Where the balance of those two play out over a 24-month period or longer is going to be dependent on competitive responses, where does our share go? All those kinds of things. I can't predict those here today. Our focus as the asset owner is going to be on how do we preserve and grow market share and how do we build a business relationship and a partnership with our channel partners where we're both making the types of returns we each need to be able to continue investing in our business?

And so we'll be pursuing both out of the gate. And obviously, the way the real world plays out will tell us how much of the mix of those two things sustains over time. Our goal as an asset owner will be to continue driving share gains profitably and to be doing so in a way that is reasonable with our channel partners because they need to make returns as well.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Great. And then just the clarification question, talked about potential pruning of getting \$500 million of proceeds or more over the next 12, 18 months. That was not contemplated, I think, in the \$2.5 billion EBITDA target. But just trying to rightsize that pruning actions, what that might represent from a sales and EBITDA standpoint as you look across – I'm sure you've kind of come up with that number and looked at across the portfolio?

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

A

So, the \$2.5 billion does include, as you know, pruning that particular asset to get proceeds of about \$500 million net, a little bit higher. If we didn't do that and we achieved what we think will be the likely cash flow for 2025 at this point, which is still early days, we'd probably be closer to 3 times.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

I actually meant the \$2.5 billion of EBITDA.

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

A

He was asking how much EBITDA will come out.

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

A

How much EBITDA will come out, it would be minimal. The \$2.5 billion, to your point, Mike, to be clear, does not include that EBITDA exiting. Obviously, we're going to be mindful of all the stakeholders as we pursue this, right. And we've historically traded in that kind of 10 to 12 times, 12-ish times EBITDA. So, we'd be trying to find an asset that was a very modest size, would be trading at that portfolio multiple or higher, and therefore, we could do it in a way that's not some kind of highly dilutive. So, you can kind of divide 500 by 12 and you're kind of probably in the zip code.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Great. Thank you.

Dennis M. Lange

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Thank you, everybody. Appreciate the time today and we can go to lunch.

Donald Allan, Jr.

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

Thank you.

Patrick D. Hallinan

Chief Financial Officer & Executive Vice President, Stanley Black & Decker, Inc.

Thank you.

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