



**Target Price** | **Current Price** | **52 Week High** | **52 Week Low** | **P/E** | **Market Cap.** | **Div Yield** | **Beta**  
\$202.37 | \$151.52 | \$66.58 | \$176.62 | 19.08 | 24.12B | 1.61% | 1.00

### Business Description

Stanley Black & Decker is an American manufacturer of industrial tools & household hardware and provider of security products. They are recognized for having all the tools of the trade as the largest leading US toolmaker; the company markets hand tools, mechanics' tools, power tools, pneumatic tools, and hydraulic tools. Besides the Stanley and Black & Decker brands, it sells such brands as Bostitch, Mac Tools, and DEWALT. Stanley Black & Decker peddles its products through home centers and mass-merchant distributors, as well as through third-party distributors and a direct sales force.

### Investment Thesis

Stanley Black & Decker is poised to post record earnings in both 2017 and 2018, as bottom line reaped the rewards of both their impressive top-line growth and an improving operating margin. This coupled with their "Stanley Fulfillment System 2.0" positions them to expect top-line growth to reach \$22B by 2022. Strong organic growth and over 7% acquisition related revenue growth has assisted in driving the company to beat earning expectations in all four quarters of 2017.

### Industry Trends

. The industry has outperformed the S&P 500 in 2017 and now at the beginning of 2018, many of the strongest players in the market are trading at discount because of trade war ideas, tariffs on basic materials, and other macroeconomic implications which caused the industry to lag these first three months. We see opportunity at this time because the fundamentals of Stanley Black & Deckers' business operations are not compromised from these short term trends that have lowered its stock price.

### Competitive Analysis

Stanley Black & Decker has a 9.3% Market Share while 61.3% is held by companies employing 20 or less employees. Snap-On, Lixil Group, and Techtronic are to name some of their biggest global competitors. Snap-On is an American based competitor, but they also have had 14 consecutive quarters of growth in European markets, while Lixil and Makita have a strong foothold in the Asian markets. The majority of these competitors are lacking the diversity that Stanley Black & Decker has to offer with its brand portfolio and growing security and industrial segments.

### Valuation Assumptions

WACC: 9.4% | Terminal Rate: 2% | Terminal Year: 2022

### Stock One Year Performance



### Revenue Growth Analysis

2017 saw a top line sales growth of 11.7%, and we have outlined a 5.9% growth rate in 2018 which gradually falls to 1.7% rate by 2022. The assumptions to this revenue growth include the tools & storage segment to maintain their growth, organically resulting from their FLEXVOLT innovation, and through acquisitions with the purpose of diversifying their strong brand portfolio. The industrial segment will continue to improve from its 2016 sales as pipeline related tools, fastening, and infrastructure demand continues to recover. Security saw a 12% decrease sales in 2017, however Stanley Black & Decker still outperformed in regards to revenue growth. Security is projected to see 2% organic growth in North America and to maintain current sales in Europe.

### Risk

The economic risk is an immediate concern for businesses in this space. Operating revenues of most companies in this niche industry are significantly affected by domestic demand. Major fluctuations in housing starts or level of construction orders received could challenge the business's historical growth and financial position. Additionally, with the larger number of players in the competitive landscape, new product development is a challenge Stanley Black & Decker looks to always stay ahead of. The company's performance and financial positions could be adversely affected if a failure to respond appropriately to changes in market or industry needs that other competitors capitalize on.

### Report Prepared By

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Sources: Bloomberg, Yahoo! Finance, NewZoo