

Stanley Black & Decker, Inc.

US Satellite*

Recommended since 13.02.2023

07.08.2023



Country US	Market capitalization (bn) USD 15.3	Perf. since reco. (%)
Sector Industrial Goods & Servic	Free float 98.5%	Stanley Black & Decker, Inc. 10.3
Factset SWK-US	Closing price USD 98.45	Secteur 5.0
ISIN US8545021011	ESG Risk score* 25.3	Medium risk

Profile
Stanley Black & Decker, Inc. provides power and hand tools. It operates through the Tools and Storage segment and the Industrial segment. The Tools and Storage segment includes power tools and equipment, hand tools, accessories and storage businesses. The Industrial segment includes the technical fastening and infrastructure businesses. The company was founded in 1843, is headquartered in New Britain, Connecticut and employs 54'200 people

Strengths/opportunities

- Historical brands
- Recurrent cash generation in normal times
- Plan to achieve \$2 billion in annual savings by 2025

Weaknesses/threats

- More violent turnaround than expected in the US cycle
- Risk of execution of the ongoing de-stocking and cost reduction plan

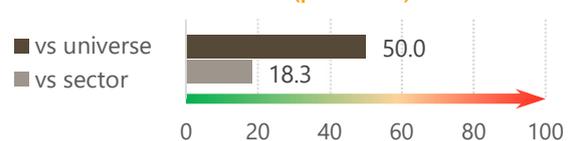
Investment case

- This is an "opportunistic" recommendation with a higher risk/return than traditional recommendations. SWK has massively underperformed the US market since 2021. The group is impacted by an overstock situation, after the Covid confinement-induced buying wave ended in 2021. This has weighed on working capital requirements, and therefore its cash generation, which has been further reduced by a significant acquisition (\$1.6bn) also in 2021. All this has broken the "quality - cash generation - security" stock market status that the group benefited.
- Management reacts by 1- reducing production, which mechanically translates into a lower operating margin, 2- selling off its excess inventory with price concessions, which also has a negative effect on its margin but a positive effect on cash generation, and 3- launching a cost reduction plan targeting \$2bn in full-year savings by 2025. The first effects are clearly visible on H2-2022 and H1-2023 results and the group confirmed its 2023 guidances and 2025 targets at the Q2-2023 results.
- From a stock market perspective, and after discussions with the company, we believe that the period 2023-1H2024 will be marked by a return to positive cash generation and profits that are still strongly deteriorated (such that the valuation ratios through the income

Valuation

The ratios presented are not very significant. We value the stock by projecting Ebit and EPS to 2025, then discounting to the end of 2023. A realistic scenario leads to a range of \$120-\$150/share for 12-18 months horizon, compared to \$98 today.

ESG risk vs. universe & sector (percentile)*

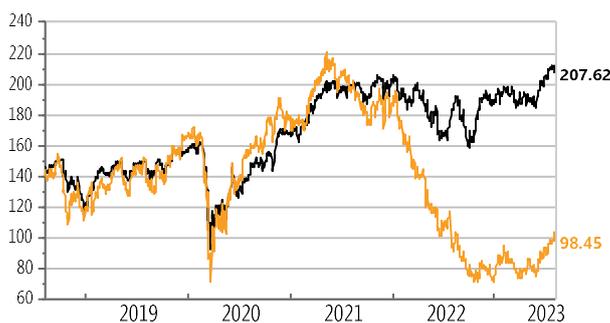


USD	12/2022	2023e	2024e
Chiffre d'affaires - CA (mio)	16 947	16 010	16 666
Croissance des ventes	10.9%	-5.5%	4.1%
EBIT ajusté (mio)	914	817	1 489
% des ventes	5.4%	5.1%	8.9%
Résultat net (mio)	171	162	748
Croissance du résultat net	0.0%	-5.6%	362.6%
Flux de trésorerie libre/CA	-11.7%	5.0%	5.8%
Dette nette/EBITDA	4.8x	5.1x	3.1x
Rendement du dividende	3.3%	3.3%	3.0%
PE	#N/A	96.1x	20.6x
P/BV	1.6x	1.6x	1.5x

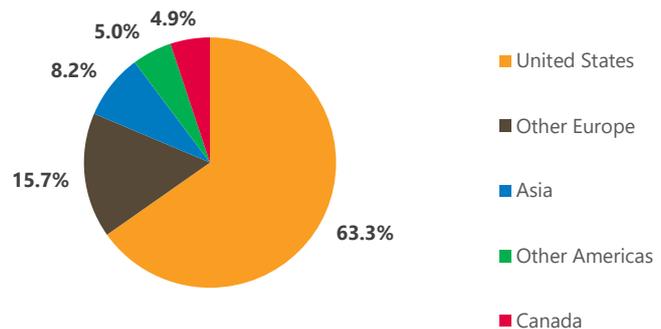
ESG - risks and key points

- SWK has a "medium" ESG risk rating, due to a higher ESG exposure and corporate governance that is considered strong, thus reducing the overall risk.
- The main risk lies in the quality of the products sold versus the standards and regulations applicable in its core markets.

5-year performance vs sector



Sales breakdown - 12/2023



Factset estimates

Source: FactSet

*: see overleaf

Source: Factset, Sustainabilitys

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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