

**STANLEY.**



**FACOM**



**BOSTITCH**

**LISTA**

**DEWALT**

**PORTER CABLE**

**PROTO**

**Powers**  
FASTENING INNOVATIONS

**Vidmar**



**The Global Leader In Tools & Storage**

**Stanley Black & Decker  
4Q 2014 Overview**

***StanleyBlack&Decker***

January 29, 2015

# Participants

---

***John Lundgren***

***Chairman & CEO***

***Jim Loree***

***President & COO***

***Don Allan***

***Senior VP & CFO***

***Greg Waybright***

***VP Investor & Government  
Relations***

# Cautionary Statements

---

Certain Statements Contained In This Presentation Are Forward Looking. These Are Based On Assumptions Of Future Events Which May Not Prove To Be Accurate. They Involve Risk And Uncertainty. Actual Results May Differ Materially From Those Expected Or Implied. We Direct You To The Cautionary Statements Detailed In The Corresponding Press Release And Form 8-K And Our Recent 1934 Act SEC Filings.

# 4Q And Full Year 2014 Highlights

## 4Q'14 Highlights

- Organic Growth Of 7% | CDIY (+ 11%), Industrial (+5%) & Security (+3%)
- Continued Cost Focus And Price Realization Delivered Robust Operating Leverage
- Operating Margin Rate 13.7%\* (+ 50 Bps VPY)
- 4Q'14 Diluted EPS Up 16% VPY To \$1.56\* | \$1.37 On A GAAP Basis

## 2014 Highlights

- Revenues Up 4% | +5% Organically Driven By CDIY (+7%) & Industrial (+5%)
- 2014 Diluted EPS Of \$5.67\* (+14% VPY) | GAAP EPS Of \$5.37
- Price & Cost Management More Than Offset \$85M Currency Headwinds
- Achieved Record FCF Of ~\$1B | Working Capital Turns Expanded To 9.2T (+1.1T)
- Cash Flow Return On Investment (CFROI) Improved 390 Bps To ~13%

## 2015 Guidance

- **GAAP EPS Of \$5.65 – \$5.85 Representing 5-9% EPS Growth Absorbing \$0.70 - \$0.75 Of Foreign Exchange Headwinds**
- **FCF Of At Least \$1B**

***Strong Close To 2014 While Macro Volatility Persists***

# 4Q & Full Year 2014 Sources Of Growth

**Strong Growth Across Developed And Emerging Markets...**

## Sources Of Growth

	4Q'14	FY'14
Volume	+ 6%	+ 4%
Price	+ 1%	+ 1%
Organic	+ 7%	+ 5%
Acquisitions	Flat	+ 1%
Currency	- 4%	- 2%
<b>SWK</b>	<b>+ 3%</b>	<b>+ 4%</b>

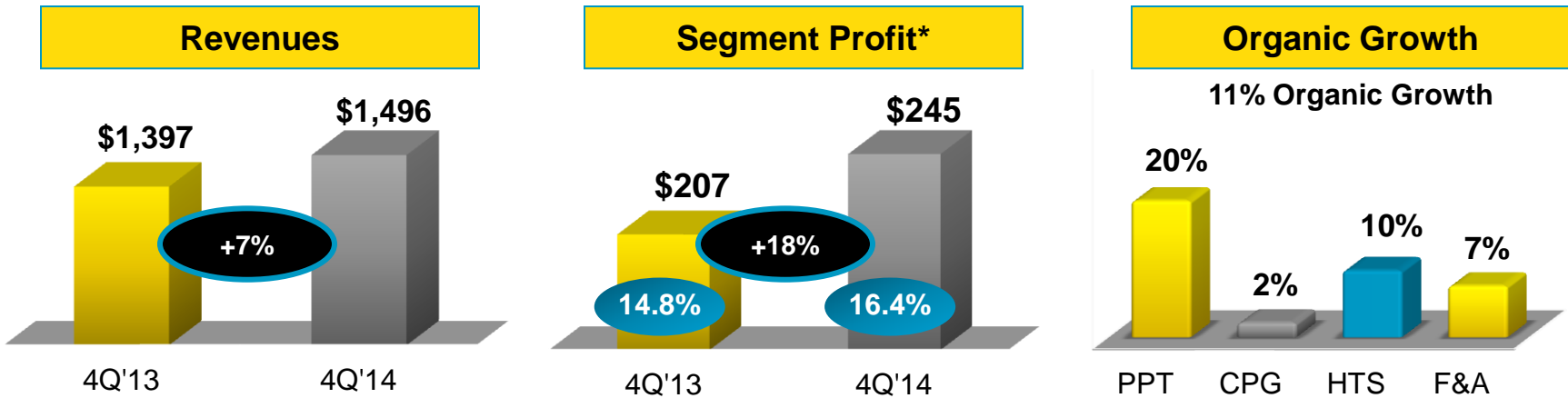
## Regional Organic Growth

	4Q'14	FY'14	'14 GDP <sup>1</sup>
United States	+ 11%	+ 5%	+ 2%
Europe	+ 4%	+ 4%	+ 1%
Emerging Markets	+ 10%	+ 5%	+ 3%
Rest Of World	Flat	+ 3%	+ 2%
<b>SWK</b>	<b>+ 7%</b>	<b>+ 5%</b>	<b>+ 2%</b>

**...Full Year Results Outpaced GDP In All Regions**

# 4Q 2014 CDIY

**Growth Accelerates In All Markets Delivering Impressive Operating Leverage....**

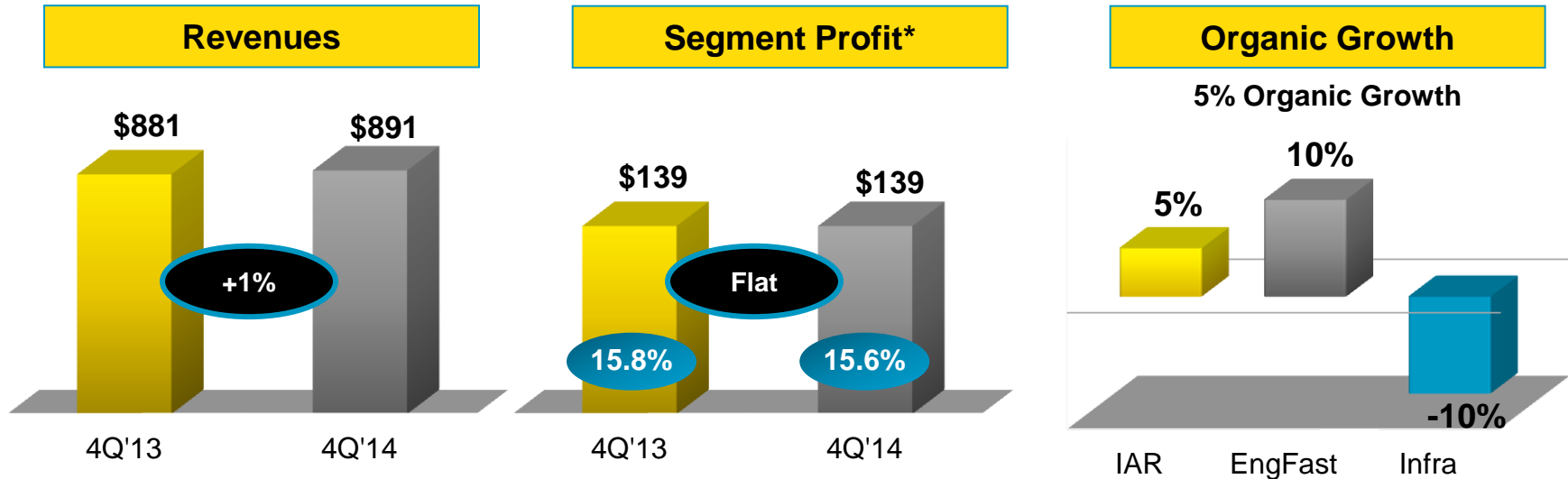


- Organic Growth: North America +14%, Europe +7% And Emerging Markets +7%
  - NA: New Product Development, BiUSA And Leveraging Brand Extensions Contributed To Share Gain On Top Of A Solid Underlying Tool Market
  - Europe: Share Growth Continues | New Product Development & Expanded Retail Partnerships
  - Emerging Markets: Growth Led By Latin America | MPP Launches Pacing To Expectations
  - Growth Supported By Strong Retail Sell Through
- Profitability: Volume Leverage, Price, Productivity & Cost Management More Than Offset Significant Currency Headwind

**...Resulting In Another Year Of Share Gain**

# 4Q 2014 Industrial

## Industrial Delivers Solid Organic Growth And Robust Margins...

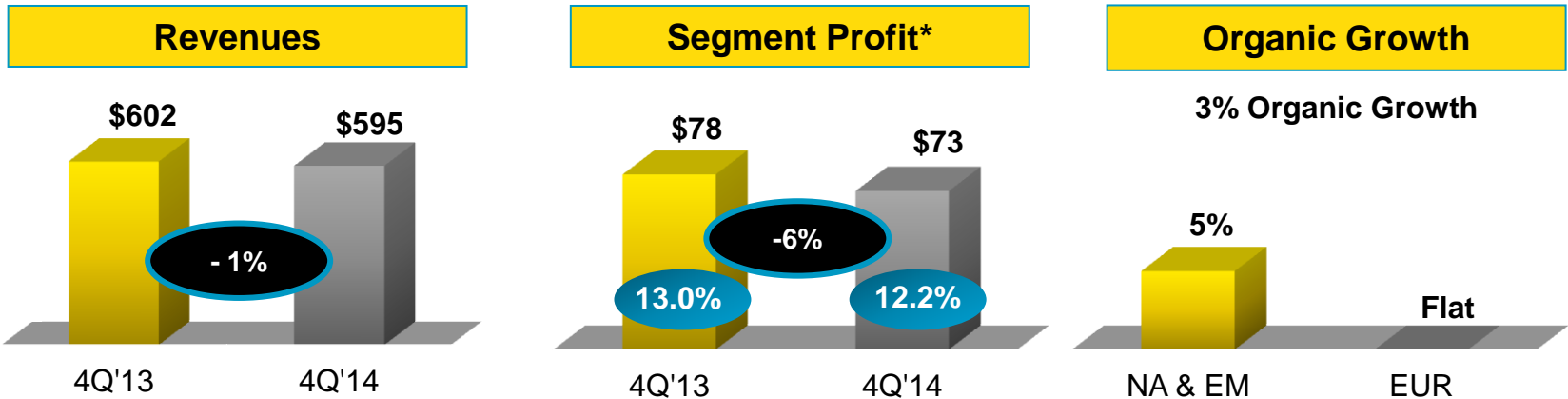


- 1% Revenue Growth: Volume +5%, Price Modestly Positive, Currency (4%)
- OM\* Remains Strong At 15.6% Based On Volume Leverage, Tight Cost Focus And Surgical Pricing Actions
- Engineered Fastening: Strong Global Automotive And Electronic Revenues
- IAR: Organic Growth Driven By New Product Introductions & Strong Industrial Demand In North America & Europe
- Infrastructure: Increased Demand For Hydraulic Tools Was Offset By A Slow Pipeline Construction Market Exacerbated By The Recent Contraction In Oil Prices

**...As Foreign Currency Headwinds And Oil & Gas Market Slowdown Mitigates Margin Expansion**

# 4Q 2014 Security

**Vertical Solutions Driving Growth In NA While Europe Continues To Move In A Positive Direction...**



- North America & Emerging Markets:
  - Organic Increase Driven By CSS Verticals & Transportation Installations In Access Doors
  - Vertical Market Solutions Continue To Ramp Up | ~\$140M Of Revenue In 2014
  - 4Q'14 OM\* Rate In The Mid-Teens Consistent With 3Q But Down VPY | Impacted By Temporary Project Mix
- Europe:
  - Organic Revenue Flat As Installation & Service Volume Offset Lower Recurring Revenue
  - Order Rates Continued To Expand In The Quarter | FY'14 RMR Attrition Held Within The 10-12% Target Range
  - 4Q'14 OM\* Rate Improved Sequentially And VPY, In Line With Expectations
  - Decision Reached To Divest Spain And Italy Operations

**...Confident Momentum Will Continue Into 2015**



# 4Q 2014 Free Cash Flow

*Increased Operational Earnings, Lower Restructuring Payments & Reduced Capital Expenditures...*

9.2 WCT

	4Q'13	4Q'14	V\$	YTD'13	YTD'14	V\$
Net Income	\$ 56	\$ 146	\$ 90	\$ 489	\$ 761	\$ 272
Deprec / Amort	119	112	(7)	441	450	9
Working Capital	385	433	48	13	(10)	(23)
Other	172	56	(116)	(75)	81	156
<b>Operating CF</b>	<b>732</b>	<b>747</b>	<b>15</b>	<b>868</b>	<b>1,282</b>	<b>414</b>
CapEx	(95)	(111)	(16)	(340)	(291)	49
<b>Free Cash Flow</b>	<b>\$ 637</b>	<b>\$ 636</b>	<b>\$ (1)</b>	<b>\$ 528</b>	<b>\$ 991</b>	<b>\$ 463</b>

*... Drive Record Cash Flow Performance*

# Stanley Black & Decker 2015 Outlook

**Establishing 2015 GAAP EPS Of \$5.65 - \$5.85 And Free Cash Flow Of At Least \$1B**

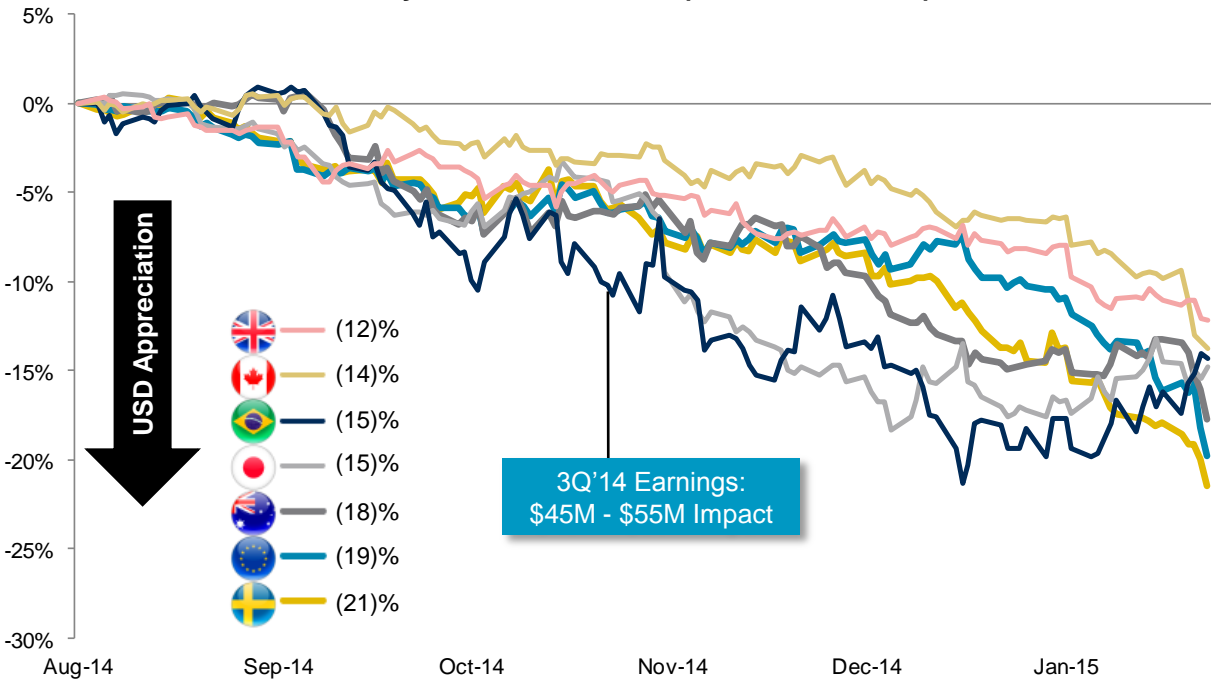
FY2015 Guidance			FY2015 Segment Outlook			
	Item	Impact		Organic Rev. Growth	Margin Expansion	Drivers
2015 EPS & FCF Guidance	2015 EPS (GAAP)	\$5.65 - \$5.85	CDIY	Mid-Single Digit	Increase Y-o-Y	<ul style="list-style-type: none"> <li>• OM% Increase Due To Volume Leverage And Cost Actions</li> <li>• Partially Offset By FX</li> </ul>
	P&L Restructuring Charges Per Share	~\$0.25				
	Free Cash Flow	At Least \$1B				
Tailwinds	+3-4% Organic Growth	\$0.45 - \$0.55	Security	Low-Single Digit	Increase Y-o-Y	<ul style="list-style-type: none"> <li>• Organic Growth Driven By NA &amp; Emerging Markets   Europe Modest Growth In 2H</li> <li>• OM% Increase From Cost Reductions, Volume Leverage And Continued Operational Improvements In Europe</li> </ul>
	CDIY/IAR Combination Synergies, Security Cost Reductions, Corporate/Functional Cost Actions Combined With Pricing & Commodity Deflation	~\$0.50				
	Lower Share Count Due To Repurchase Of Shares	\$0.09 - \$0.12				
Headwinds	Foreign Exchange Revenue Impact Expected To Be ~(4-5%)	(\$0.70 - \$0.75)				
Other	Tax Rate Will Be Relatively Consistent With 2014 Rate		Industrial	Mid-Single Digit	Increase Y-o-Y	<ul style="list-style-type: none"> <li>• OM% Increase Due To Volume Leverage And Cost Actions</li> <li>• Partially Offset By FX</li> </ul>
	Expect Typical Operating Profit Seasonality In 1Q'15. However, Higher Levels Of Restructuring Charges And Impacts Of Foreign Exchange Versus 1Q'14, Lead EPS To Be ~16% Of Full Year EPS					
	1Q'15 Restructuring Charges Will Be ~60% Of FY \$50M Estimate					

**Changing To GAAP Guidance In 2015 Due To Lower Levels Of M&A And One-Time Charges | EPS Of \$5.90 - \$6.10 On An Adjusted Basis**

# 2015 Foreign Exchange Impacts

**Continued Strengthening Of U.S. Dollar Vs. All Major Currencies...**

**Currency Trends vs. USD (8/1/14 – 1/26/15)**



**2015 FX Impacts Now Approximate \$140M  
50% Translational & 50% Transactional**

## Hedging Approach

- Hedge Key Currency Exposures As We Enter The Year (CAD, EUR & BRL Among Others)
- Today Key Currencies Are Materially Hedged
- Intent Is To Dampen Volatility And Allow Time For Business Teams To Mitigate Fluctuations With Cost & Price Actions

## Additional 2015 Mitigating Factors

- Continue To Increase Price Where Significant Transactional FX Headwinds Exist (i.e. Canada, Brazil & Europe)
- Executing Several Company-Wide Surgical Cost Reduction Actions
- Continue To Improve Localized Production & Component Supply (Longer-Term)

**...Causing FX Headwinds To Intensify Across Developed Markets In 2015**

# Summary

## ***Remain Focused On Executing Near-Term Operating & Capital Allocation Actions...***

- Delivered Strong 4Q And Full Year EPS & Cash Flow Performance Despite Continued Foreign Exchange Pressure And Emerging Market Volatility
  - Strong Organic Growth (+5%) Supported By Innovation And 2013 Organic Growth Investments
  - Tight Cost Focus & Surgical Customer Pricing Actions Across Enterprise Enabled Operating Leverage
  - Europe Security Continues To Make Progress On Its Multi-Year Transformation
  - Strong Free Cash Flow And Cash Flow Return On Investment Goal Exceeded
  - Deleveraging Targets Met & Executed Equity Derivatives To Commence Share Repurchase Program
- Continued Focus: Improve Near-Term Returns And Relative Performance
  - Organic Growth
  - Security Margin Improvement
  - Surgical Cost & Pricing Actions To Ensure Operating Leverage
  - Ongoing Working Capital Focus
  - Capital Allocation Rebalance For 2014/15 (Acquisition Moratorium | Share Repurchase | Deleverage)

## ***...Positioning The Company To Deliver Our Long-Term Financial Objectives***

---

# ***APPENDIX***

# Global Presence

<b>Canada</b>	<b><u>4Q'14</u></b>	<b><u>FY'14</u></b>
Organic	+ 4%	+ 4%
% SWK	5%	5%

<b>US</b>	<b><u>4Q'14</u></b>	<b><u>FY'14</u></b>
Organic	+ 11%	+ 5%
% SWK	50%	49%

<b>Europe</b>	<b><u>4Q'14</u></b>	<b><u>FY'14</u></b>
Organic	+ 4%	+4%
% SWK	24%	25%

<b>Japan</b>	<b><u>4Q'14</u></b>	<b><u>FY'14</u></b>
Organic	- 9%	Flat
% SWK	2%	2%

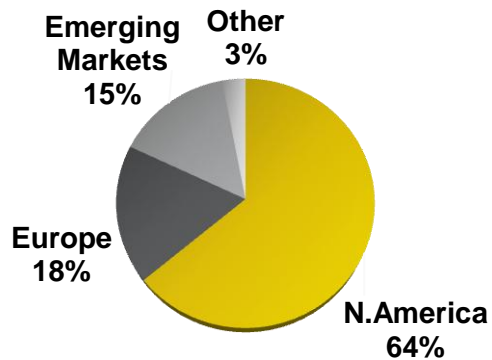
<b>Emg Mkt</b>	<b><u>4Q'14</u></b>	<b><u>FY'14</u></b>
Organic	+ 10%	+ 5%
% SWK	17%	17%

<b>Australia</b>	<b><u>4Q'14</u></b>	<b><u>FY'14</u></b>
Organic	+ 4%	+ 4%
% SWK	2%	2%

# Regional Revenue Breakout 4Q 2014

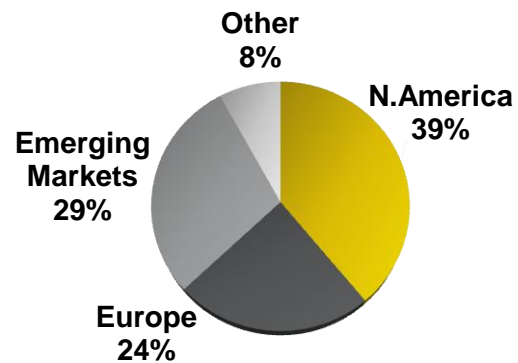
## CDIY

\$1,496M



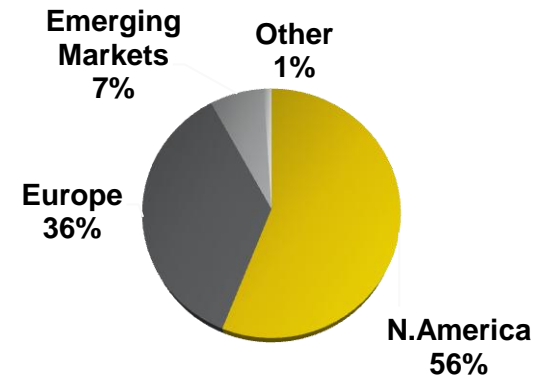
## Industrial

\$891M



## Security

\$595M



---

These results reflect the Company's continuing operations. In 4Q'14, the Company classified the results of the Security segment's Spain and Italy operations as held for sale based on management's intention to sell these operations. The operating results of Security Spain and Italy have been reported as discontinued operations for 2014 and 2013. In 3Q'13, the Company classified two small businesses within the Security and Industrial segments as held for sale based on management's intention to sell these businesses. The businesses within the Security and Industrial segments were sold during 2014. The operating results of these businesses, including the related losses on sale, have been reported as discontinued operations for 2013 and through the date of sale for 2014. Total sales reported as discontinued operations were \$25.2 million and \$34.8 million for 4Q'14 and 4Q'13, respectively, and \$118.4 million and \$150.1 million for 2014 and 2013, respectively.

The Company recast 2013 segment net sales and profit between the CDIY and Industrial segments to align reporting with the current management of the Company's operations in the emerging markets to be comparable with the current year presentation. There is no impact to the consolidated financial statements of the Company as a result of this segment realignment.

Organic sales growth is defined as total sales growth less the sales of companies acquired in the past twelve months and any foreign currency impacts. Operating margin is defined as sales less cost of sales and selling, general and administrative expenses. Management uses operating margin and its percentage of net sales as key measures to assess the performance of the Company as a whole, as well as the related measures at the segment level. Free cash flow is defined as cash flow from operations less capital and software expenditures. Management considers free cash flow an important indicator of its liquidity, as well as its ability to fund future growth and to provide a return to the shareowners. Free cash flow does not include deductions for mandatory debt service, other borrowing activity, discretionary dividends on the Company's common stock and business acquisitions, among other items. The normalized statement of operations and business segment information, as reconciled to GAAP on pages 13 to 16 of the press release for 2014 and 2013, are considered relevant to aid analysis of the Company's operating performance and earnings results aside from the material impact of the one-time charges and payments associated with the Black & Decker merger, the Niscayah and Infastech acquisitions and other smaller acquisitions of the Company. Normalized free cash flow, as reconciled from the associated GAAP measures on page 11 of the press release for 2014 and 2013 is considered a meaningful pro forma metric to aid the understanding of the Company's cash flow performance aside from the material impact of the M&A-related payments and charges.