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SWK - Q2 2010 Stanley Black & Decker, Inc. Earnings Conference Call

Event Date/Time: Jul. 21. 2010 / 2:00PM GMT

THOMSON REUTERS

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PRESENTATION

Operator

Good morning. I will be your conference operator today. At this time, I would like to welcome everyone to the Stanley Black & Decker second quarter 2010 results conference call. All lines have been placed on mute to prevent background noise. After the speakers' remarks, there will be a question and answer session. (Operator Instructions). Miss White, you may begin your conference.

Kate White - *Stanley Black & Decker, Inc. - Director of IR*

Thank you, Michelle, and good morning everybody. Thank you for joining us for the Stanley Black & Decker second quarter 2010 conference call. On the call in addition to myself is John Lundgren, President and CEO; Jim Loree, Executive Vice President and COO; and Don Allan, Senior Vice President and CFO. I would like to point out that our second quarter earnings release, which was issued this morning in a supplemental presentation which we will refer during the call, are available on the Investment

Relations portion of our website, www.stanleyblackanddecker.com. This morning, John, Jim, and Don will review Stanley's second quarter 2010 results and various other topical matters followed by a Q&A session. The call is expected to last approximately one hour. A replay of the call will be available beginning at 2 PM today. The replay number and the access code are in our press release we put out this morning. And as a reminder you can download the earning replay as a podcast from iTunes and you can set up a subscription for all other future replays of calls we post. It will be ready this afternoon.

As always, please feel free to contact me with any follow-up questions after today's call. We will make some forward-looking statements during the call. Such statements are based on assumptions of future events that may not prove to be accurate and as such they involve risks and uncertainties. It is therefore possible that actual results may differ materially from any forward-looking statements that we might make today, and we direct you to the cautionary statements in the Form 8-K which we filed with today's press release and in our most recent 34 act. With that, I will now turn the call over to our CEO, John Lundgren.

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

Thanks, Kate. Good morning, everybody. Let me first just touch on some second quarter highlights of the quarter. We were pleased with our performance in general as well as where we see the business going from here. Revenues on a pro forma basis increased 13% to $2.4 billion and I'm going give you a breakdown by geography and source in just a minute. Jim Loree, when he reviews the segments, will give you more granularity within the segments as to what we feel some of the indicators are.

Our second quarter diluted EPS was $1.24, excluding the one time charges related to primarily to the Black & Decker merger. The details of the special charge charges that total $129 million are included on page four of our press release. We provided quite a bit of granularity there and we don't intend to spend much time on this morning's call and that it is there clearly delineated in the press release. That does include a $36 million benefit, the $1.24 or $0.21 a share attributable favorable settlements of tax contingencies associated with the resolution of Black & Decker income tax audits from prior years. On a GAAP basis, $0.28 diluted EPS including all the one time charges. $213 million of free cash flow excluding the one time payments, and again that's $27 million detailed in the press release.

Legacy Stanley reached a record 8.6 working capital turns. And it's nothing else, it's indication that SFS, the Stanley Fulfillment System, is alive and well in the legacy business, and you will hear later that we are very rapidly expanding the Stanley Fulfillment System across a larger base and beginning to gain traction. Integration's proceeding quite smoothly. The focus in the second half will be on the launch of SFS across a larger framework as well as beginning of the formulation of some revenue synergy plans.

Our CDIY segment, which is now the largest segment in the business, profitability improved 430 basis points to 15.6%. Again, excluding the CDIY portion of the one time charges that I alluded to earlier. And the smaller but still very important integration of Stanley Solutions de Securite, or SSDS, the former ADT France business is also progressing quite well. Margins improved significantly versus the prior year. And it's an important strategic add-on to our continental European convergent security business.

Don is going to talk more about full year guidance, but excluding one time charges, we increased it to $3.56 to $3.76, that range. Or $3.35 to $3.55 if we exclude the $0.21 tax related benefit that we realized in the second quarter. So the bottom end of our guidance now exceeds top end of the range previously presented in April, and Don will talk a little bit more about that and the underlying assumptions toward the end of our presentation. And lastly, free cash flow guidance for the year, where previously we said it would approximate $600 million, we are thinking and guiding to the fact it will exceed $600 million for the year.

Moving on, just a snapshot essentially of the earnings picture, $0.89 same period year ago on our share base of roughly 79.7 million. And looking forward to 2010, shares -- due to the merger, the share count -- average share count for the quarter of 166.1 million. You see, $0.28 on a GAAP basis, $1.03 without the one time charges -- but excluding the benefit, the $36 million benefit or $0.21 a share impact of the tax settlement, which would take it to $1.24. I think of equal or greater importance -- that's obviously shown in the tax rate, the ongoing or normalized tax rate would have been 28% without that benefit. I think that helps you in terms of your modeling. Without the charges, operating margin increased to 13.7%. Very healthy performance across all three segments, and Jim Loree will give you more granularity on the segments in just a minute.

Looking at worldwide revenues, we will go around the world very quickly. Starting with our largest market on the left in the US, revenues grew 6% and US continues to represent 56% of Stanley Black & Decker's global revenues. Canada grew nicely, 28%, and represents about 7% of global revenues. Very strong growth in Latin America. Mexico -- we recognize it's part of North America, but we report it in our Latin American and manage it as part of our Latin American business -- grew 39% and represents 7% of our total. Europe driven by strong industrial growth showed 17% revenue growth. It's 24% of our total. And good performance in Asia, primarily mainland China, southeast Asia, represents 4% of our total, grew 35%. And Australia, an important market, albeit a small one for both legacy Stanley and legacy Black & Decker, represents 2% of our total. But we had a nice lift, 11%. Emerging markets are clearly showing the strongest recovery and the strongest performance in a geographical range where revenues grew from as little as 6% to as much as 39%, getting us to the 13% total that I spoke about earlier.

Looking at the sources of those growth, 9% organic growth, which we can compare both sequentially and looking little bit by business volume, as I mentioned earlier, accounted for 9% of that growth. There was no impact of price globally. So organic growth of 9% from volume. We lost 1 percentage point due to currency. And if we isolate the impact of Black & Decker, this is the first quarter where we had a full three months of Black & Decker in the GAAP results plus the benefit of the French convergent security business, 149% for the total of 157%. If you look at that compared to the 38% sequentially in the first quarter, remember that both the ADT France business and the Black & Decker business were only part of the combined total for about three weeks in the first quarter.

If you look at our segments, CDIY volume grew 6%, driven by power tools. Worldwide power tools grew 10%, which is a strong performance in that business. Industrial volumes across the globe grew 30%. Engineered fastening, essentially the Emhart business plus the former Stanley Assembly Technologies business, grew 44%. Security on a volume basis was flat with some puts and takes that Jim will give you more granularity on. Legacy Black & Decker home and improvement business, excluding the Price Pfister business, grew 3% and -- for a total of 12% as you can see it. So a lot of restocking. We talked about it in our press release. Don will address it to the extent appropriate in his comments. We also saw a nice uptick in demand, which ultimately resulted in some tremendous volume leverage that showed up both on the top line and in our margins.

The integration remains first and foremost and something we are all spending a lot of time on. Probably the highest priority item in addition to protecting our core business remains the cost synergy targets. We feel very good about what they are. We are continuing to guide that $90 million of cost synergies will be realized in our P&L in 2010. And we remain on track for $350 million of annual cost synergy realization by year three, which is where we have been essentially since the announcement of this deal and as we both looked at this top down, bottom up with various puts and takes.

Rigorous tracking is in place with weekly meetings and conversations with the integration management office and the steering committee. Monthly rhythms are established now to both track actuals and flag any issues early to put them on a corrective path, and this specific program is falling behind. And we had a lot of outside help in pulling this together and getting it started. That will end in mid-August, and I'm confident that we are ready to pass that baton and take the process over 100% internally. We have done this before and we believe we are in very good shape on that end. The focus has moved from planning to execution. We've stabilized the organization and we've certainly executed well in the first full quarter that we have been able to track. The actuals that are included within the $90 million are on or slightly ahead of plan. So good start.

We streamlined integration teams as I talked about previously. The integration teams historically consisted of one legacy Stanley manager, one legacy Black & Decker manager, and a third party subject matter expert. We are now able to deploy some of the internal executives back to the businesses. So we have a total going forward for the rest of the year of about 16 people as opposed to 40 working full time on the integration. Of those 16, just an interesting point of reference, nine are legacy Stanley executives, seven are legacy Black & Decker executives and Brent Bontrager and the integration management office continues to do an extraordinary job of keeping this on track and keeping everyone informed. Management teams, particularly Jim Loree, Don Allan, myself as well as our business leaders have traveled essentially to every large facility around the world, having met thousands of employees and try to get everyone on the same page and we feel good about the way these two organizations are coming together.

I think of equal or perhaps greater importance going forward is we started the process to identify revenue synergy opportunities. The focus, of course, is on high priority opportunities that we have a high likelihood to achieve at a reasonable cost. We are developing the plans. We were hiring people if necessary to execute against those synergies. They will be included within the businesses and the businesses will be held accountable for achieving them, and we'll have a lot more granularity on our October call as it relates to the magnitude of those synergies, which is what we said all along. We want to ensure our cost synergies are in the bank and we've protected the core, and we'll start to develop, execute, staff, and fund our highest priority revenue synergies.

Last but certainly not least, the rollout of the Stanley Fulfillment System across a larger base is in process. We established clear understanding of what the goals are, what are the principles, what are the processes -- as well as working capital fundamentals, guidelines, and targets across the entire system -- providing the tools and the processes to develop a game plan to achieve the working capital targets which is obviously a tremendous source of cash generation, has been in the past and continues to be in the future as we combine these two organizations with very similar supply chains. And we are providing the method and tools and knowhow to enable the businesses to engage associates quickly at the point of impact. What I will say is as we visited and spent time with the management teams around the world, we clearly are gaining traction with legacy Stanley businesses that are historically below line average as well as the new businesses that have become part of the combined enterprise. We are sharing best practices that have been developed elsewhere across the system and we are already seeing sequential improvement second quarter versus first quarter.

Let me turn it over to Jim Loree, who will take you into more detail on the specific segment performance. We will then turn it over to Don Allan, who will talk about our balance sheet -- that's in good shape -- as well as provide an outlook for the rest of the year.

Jim Loree - *Stanley Black & Decker, Inc. - EVP & COO*

Okay, thank you, John. There is -- let's start with construction and DIY. There are four parts to this great story. The first one is resumption of modest end market demand along with inventory corrections. That led to organic growth in both the legacy CDIY and the worldwide product tools and accessories business from legacy Black & Decker. As you can see, our CDIY hand tool business was up 5%. The power tool business was up 8% organically. And while to some they may not seem like significant numbers, they are in the context of several quarters if not over a year of negative organic growth in both segments, including minus 2% most recently in legacy CDIY in the first quarter.

The power tools and accessories business continued a strong performance sequentially from the first quarter organically, and so we have both of that going on. At the same time, we have growing momentum in new product development and introduction both in power tools and hand tools. And hand tools, the Bostitch hand tool launch has been successful, more successful even than the FatMax Xtreme launch that we had a few years ago.

And then within professional power tools, the compact cordless lithium ion product revenues were substantial in terms of growth and we have another wave of lithium ion product introductions coming in the third and fourth quarter. So very exciting progress little bit of catch up over the past few years, but we are confident that these introductions will be successful.

And then within the consumer product group, we have some improvements in the Tradesman product line, but substantial progress in the outdoor portfolio driven by a new 24-volt string trimmer and a 36-volt lawnmower, which in particular the string trimmer had been very successful from a quantity perspective and both have been readily accepted by the marketplace. Second element of the story, growing new product momentum.

Then we move to all of this with a backdrop of a vastly more efficient cost structure. Both companies as you note took out substantial costs before the merger. And now we have the beginnings of merger synergy realization beginning to occur, and we will gain momentum as we go forward. And so that enables us -- the fourth part of the story, which is strong operating leverage, and that's what we saw here. The hand tools business ran at an operating margin rate of close to 17%, very, very near its peak of 17.6% in the third quarter of 2006. And the power tools business on a pro forma basis ran an operating margin of 14.4%, which was very close to its peak back in the second quarter of 2006. Essentially what you have is both hand tools and power tools performing right about at their historic high operating margin percent rates that were achieved at top of the cycle while still very early in the cycle. So very exciting story.

And as John mentioned, we are very pleased with the stability of the management structure that we have in CDIY. The way they are operating across geographies and across businesses and across functions and led by Jeff Ansell, a veteran legacy SWK, a proven performer -- he has a staff of refined business heads and functional leaders that achieves a nice blend from both companies and the best of the best on the team now, and I think now we can attribute a lot of the performance to the hard work of that team.

Moving on to security, this is the segment that buttresses Stanley, its results during the steep construction DIY and industrial downturn over the past few years. And it tends to be more of a mid- to late cycle performer. In the second quarter, solid but not spectacular, but signs of a possible turn in electronic ahead and a stable performance in mechanical. So basically like to characterize it as holding the fort while the construction and DIY segment and industrial segment really outperformed. But I will say that even the organic growth that security was able to achieve, while modest at 1% in the legacy Stanley security solutions business, was a turn from what we have been seeing in past quarters. A very positive sign there -- for instance, last year it was down 8%, and you will recall in the first quarter of this year it was also negative.

Little more color on Convergent, organic sales were flat, and recurring monthly revenue was up 4% with flat installs. Those negative install numbers that we have been seeing have at least stabilized at flat, and as we look ahead, we have some positive order rates. Nothing to get euphoric about, but definitely positive order rates in the quarter, which portends some possible growth in the coming quarters, and the attrition rates in this business are easing as well from their highs. Good progress there. On the ADT France acquisition, which John so eloquently pronounced -- I will just call it SSDS -- the integration is proceeding nicely as you can see. As you can see and as expected, it was dilutive to OM rate in the quarter, but I will say the cost takeouts are on track. A social plan is announced and underway. It's running at a revenue run rate of about $145 million annually. And it will be somewhere between break even and line average OM rate in 2011, closer to that. Definitely on track with the accretion estimates that we provided last quarter.

The mechanical business organic sales were up 1%. We had low single digit growth in legacy Stanley builder's hardware and automatic door businesses, with the automatic door business also benefiting from strong retrofit and repair in the face of a very weak retail new construction environment. And we had mild erosion in the traditional best access or otherwise known as commercial locking systems business due to the depressed commercial construction market. Very stable and steady with some puts and takes in the various product lines within the mechanical excess solutions.

And then the new HHI business, which excludes Price Pfister in this particular segment, had some organic growth, some positive organic growth. Also a very similar story to CDIY with some new product wins such as the Kwikset SmartKey and the Baldwin Prestige line, which is the entry level Baldwin line based on the Kwikset platform. They achieved an operating margin rate of over 14%, which was 300 basis points higher than their five year quarterly average. So a very strong performance by our colleagues at HHI. So both of the subsegments within security held the fort, as I said, during the quarter, given the difficult environment, and we did see some encouraging signs in certain places.

Industrial -- industrial I characterize it as stunningly good quarter. Far exceeded our own expectations, driven by volume growth and operating leverage. The organic growth was at almost unheard of levels -- 30% for legacy industrial. That would be the Facom business and the hydraulics business, Mac, Proto included in that. That was against the 36% decline organically in the second quarter of 2009.

And our new addition, the Emhart business, otherwise known as engineered fastening, was up a remarkable 42% on global light vehicle production increases of 25%, with strength in North America -- light vehicle production was up almost 70% there. Europe light vehicle production was fairly weak in contrast at plus 5%; Japan, almost 30% up. They benefited from strong end markets, but they benefited from more than that as well. Strong presence in the emerging markets helped them. Also, larger cars and trucks which take more fasteners, so they had more penetration, some new products, nameplate mix. Everything it seems went right for these folks in the quarter and they contributed to substantial profit growth in this particular segment.

So the segment profit rate was up 450 basis points from 9.4% last year to 13.9%. As you can see, it would have been 10.8% excluding the engineered fastening addition. So even within the core legacy industrial, we had some substantial improvement. Facom sales were up 16%, Proto, general US revenues were up 38%. A lot of this was restocking, as we mentioned before, particularly this segment -- but across I would say construction DIY and industrial a lot of restocking going on here. But we also had tremendous destocking in past quarters. I think it's very encouraging we are seeing signs of life there.

Moving on to working capital, we are kind of -- we put it all together now instead of showing the SWK legacy separately. But it's really two different stories. The Stanley legacy working capital turns running 8.6, a new record for the Stanley legacy businesses. And we have the Black & Decker legacy businesses running around 4 turns, so on a blended basis we are running at 5.1 turns. And what that means is in that $1.9 billion of working capital that we ended the quarter with, about $1.4 billion relates to legacy Black & Decker and $0.5 billion relates to Stanley legacy. There is a big improvement opportunity related to the legacy Black & Decker by implementing the Stanley Fulfillment System. The key message here is -- there is an opportunity ahead to generate significant cash flow benefits over the next few years by implementing the Stanley Fulfillment System across the legacy Black & Decker platform.

And then my final charge, just a reminder to everyone as much as we love the tool business, especially at this stage of the cycle and especially the way it's performing today, the Company continues to have a priority to continue to diversify and grow its revenue base outside of construction DIY and industrial tool revenue. So don't be surprised in the next few quarters if we put our toe in the water in some of these other growth platforms with some smaller acquisitions. It probably won't be in convergent security or mechanical security, which are two of the five growth platforms, because both of these teams are busy right now integrating -- in the case of convergent, SSDS, and the case of mechanical, HHI. But you might expect to see some activity in one or more of the other newer growth platforms such as engineered fastening, infrastructure, or health care. And you can be sure that if you see any activity in the next couple quarters, it will be only because we feel we have both the financial capacity and within that particular segment as well as the total Company the organizational capacity to integrate them successfully.

So with that, I will turn it over to Don Allan.

Don Allan - *Stanley Black & Decker, Inc. - SVP & CFO*

Thank you, Jim. Jim was discussing the growth platform. Clearly the Company needs to continue to generate significant free cash flow for that strategy to be effective going forward. As you can see, in the second quarter the cash flow performance was very strong. Free cash flow was $213 million, which is up significantly from last year as a result of the merged Company, and the income increased by $136 million. One thing to keep in mind is to go through these numbers, as John mentioned earlier on -- it does exclude one time payments related to the merger costs, and we did have $27 million of those payments in the second quarter and year to date is approximately $119 million. A few other items to note here on this page, working capital you see is a slight negative in the second quarter, and for year to date, about $110 million of a negative drain on cash. We expect that to reverse itself in the back half of the year, which is typical for both legacy companies as they tend to utilize working capital in the first half of the year and then begin to improve that performance in the back half. And as we indicated in our April guidance and we still feel it's appropriate, we should have a likely modest improvement by the end of the year in working capital.

Another item to notice here -- on the other line, we do have a few unusual in 2009. For those of you that follow legacy Stanley, we did have a significant gain in the second quarter of last year, a non-cash gain of some extinguishment of debt of over $30 million. That's driving a lot of that variance year-over-year. As you can see, through six months the free cash flow is $250 million. If you compare that to the history of both companies, they both tend to experience anywhere from 35% to 40% of the free cash -- annualized free cash flow in the first half of the year. If you just extrapolate that mathematically, it gives you a free cash flow number somewhere between $625 million and $650 million. That's why we believe we will exceed $600 million in free cash flow for 2010.

Moving to the balance sheet on the next page, obviously as indicated back in the first quarter we have significant changes compared to the prior year as result of the merger of a Stanley Black & Decker. You see cash increasing dramatically in various other assets and liabilities as well. And I will walk through a little bit more detail later on. The real takeaway is really the continued improvement in our debt levels. Our debt went down almost $400 million from the first quarter to the second quarter as we continue to generate strong cash flow, and we had certain maturities that occurred at end of the first quarter and into the second quarter. And so our debt to cap ratio went from 35% to 32%, and when you adjust it for our hybrid instruments, went from 31% to that range of 28% to 29%. We were very close to our original year end projections for debt to capital. So we feel very good that we are a few quarters ahead in that regard. As I mentioned in the previous page, continued cash flow performance will make sure that we ensure we will either meet or achieve our objectives in this area. Some of the variances are significant obviously in the balance sheet, obviously, as I mentioned earlier. We have the significant amount of goodwill -- over $5 million related to the merger, and the inclusion of the working capital that Jim mentioned from Black & Decker, and obviously various other assets and liabilities which is driving the majority of that variance year-over-year. We feel good about where we are in the balance sheet, a good financial position, and our debt to cap ratios are slightly ahead of where we are planning.

On the next page, as we have done over the last few quarters, we want to get some indication around the outlook, and in this particular case the back half of 2010, by segment and some of trends we are seeing and the trends we believe are going to happen over the next six months in this case. If we start with our CDIY segment, on a pro forma basis we believe that we will see revenue growth in the back half of the year in low single digits. We saw significant growth, as Jim mentioned and John mentioned, in the first half of the year and second quarter in this particular segment. But we believe there was some restocking occurring. When you exclude that impact, we believe that this growth rate will be reflection of what the demand we experienced in the first half of the year.

Now one of the things that's really driving growth in the end user demand is all the different things we are doing around new products. Jim talked about lithium ion rollout, and we have a second half rollout as well of additional products. Many other new products are being rolled or have been rolled out in 2010. And then the performance in emerging markets, in particular Latin America, as John touched on, is really helping to drive that growth. So some of the mature markets we don't expect to grow significantly, and likely could be flat in the back half of the year. All the other areas we're focused on are allowing us to feel that we can achieve a low single growth rate in the second half.

Industrial, we believe industrial will perform relatively well in the back half of the year as it did in the second quarter on a pro forma basis. We think high single digit revenue growth in the second half. There likely could be some continued restocking in this channel, but we don't think it will be significant. We think a lot of that has occurred. But it's something we will continue to monitor. When you look at industrial distribution businesses, both in North America and in Europe, they have been strong and we think they will continue to be strong, and it will more than offset the weakness we are seeing in our mobile distribution market in North America. One item to note in our storage business, as you see here on the page, is that we have showed a little bit with our government business as been soft, and really we do expect an improvement in that in the back half of the year. But it does hinge on the passage of a particular war spending bill that is in Congress right now that likely will be approved at some point later this year. Then we touched on the performance of light vehicle production around the world and how that's helped our engineered fastening business. We don't expect the growth rate from that area to be quite as significant. If you look at forecast for car manufacturing production around the world, it's relatively flat year-over-year in the second half of the year, with likely being somewhat of an uptick in the fourth quarter but slightly down in the third quarter.

Then last but not least, our securities segment. Slight improvement from what we were seeing in April. We actually were anticipating slightly negative revenue performance for the year. We believe in the back half of the year now we will probably emerge into a either a flat or slight low single digit growth rate as a result of the improving trend that we are seeing in order rates, in particular in June that Jim touched on in his discussion around the segments. We are obviously continuing to see some softness in commercial construction in the market there. And many of the professionals that forecast this believe that the bottoming is not going to occur until early 2011 now. The good news, as you will see here in the fourth bullet, is we continue to be focused on other verticals such as education, government, and health care to really ensure we are driving positive growth while commercial construction continues to be soft. Overall, that's the sense by segment of how we think things will evolve over the remainder of the year.

And as we move to the next page, the end result of that is the guidance that we provided this morning in our press release. The first thing I will point out is that numbers I will walk through here do exclude the one time cost related to the Black & Decker merger and the SSDS acquisition. And as a reminder, those one time costs for this year for restructuring and related costs are estimated to be $245 million to $295 million. We will have one time costs and SG&A and other net of approximately $120 million related to banking fees, consulting fees, et cetera, and then the non-cash accounting inventory step up charge of $170 million. And that's just a refresher for those that are familiar for that. And the other items -- make note these numbers do not include the $0.21 second quarter tax benefit that was recorded and that John walked through in detail earlier on.

With that, we believe the earnings guidance for the year will be $3.35 and $3.55. I also indicated earlier that we expect to exceed $600 million of free cash flow. And three significant items to point out here related to the back half of 2010. First item is that we think the net organic sales will increase 4% to 5% on a pro forma basis. That includes the currency effect. If currency levels stay where they are today, we will likely see 1% to 2% negative currency effect on sales. So excluding that, we believe it's 4% to 5%, and really as a reflection of the first half performance that we saw on an organic pro forma basis of 11%. And in particular the second quarter that strong performance, if you exclude the effects of the restocking that we estimated, we think the end user demand in the second quarter was about 4% to 5%. And we believe that will continue into the back half of the year.

Gross margins will likely be in the range of 38% to 37%, which will be consistent with what we saw in the second quarter of 37.7%. We do believe that we will have lower anticipated inflation around the RMB revaluation, as we expected a possible revaluation back in April and it does not appear that will be the case of the magnitude we believe. It will be much more gradual impact over time. But the negative effect of the Euro versus the US dollar will most likely offset that, so net neutral impact from those two items.

And then last but not least, commodity inflation. We do believe we will have a headwind in the back half of the year from commodity inflation. Some of the major commodities that we purchased, in particular steel -- if you look at the market prices at the end of June of this year versus the end of June last year, decreases are anywhere from 60% to 80%, and other commodities that we purchased increases anywhere from 20% to 30%. So we will definitely experience some level of commodity inflation in the back half of the year, and as always we will continue to be focused on productivity in our supply chain and passing on price to our customers to ensure we minimize that impact.

A few items that are not on the page, just as reminders from the April guidance. No changes to some other factors. The impact of the SSDS acquisition -- we expect that to be relatively neutral or slightly negative from a diluted impact. The intangible amortization of Black & Decker is $65 million on an annual basis. John mentioned the cost synergy positive impact of $90 million. Our tax rate should be between 26% and 27% for the year, excluding all the special charges. And then there will be other restructuring charges unrelated to the merger in ADT of about $30 million to $40 million and that's a reminder for everybody. The end result is our cash EPS estimate is $5.10 to $5.30 for the year. Clearly we were seeing significant cash performance when you exclude the impact of approximately $350 million in depreciation and amortization.

So to summarize our presentation this morning on the last page, the integration of Black & Decker continues to be on track. $350 million of cost synergies is where we believe we are and we are re-iterating that today. And we are beginning the process to identify the revenue synergies as John mentioned. Working capital continues to be a focus through SFS. Now we are beginning to roll out the plans across the Black & Decker framework and begin to make progress there as we move forward. The revenue performance is very encouraging in the second quarter. And the restocking impact, as you can see here is 50% to two-thirds of our unit volume growth, but there was strong end user demand, and clearly a successful impact of the new products we rolled out, which makes us feel good about the back half of 2010. The operating leverage from that growth is significant and clearly evident in our growth margin and operating margin rates. Last but certainly not least, solid free cash flow growth, continued improvement there. That was to support our exceeding $600 million in free cash flow estimate for 2010. So with that, that concludes our presentation portion of the call today.

Kate White - *Stanley Black & Decker, Inc. - Director of IR*

Michelle, we are ready for questions when you are ready.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Your first question comes from Nigel Coe with Deutsche Bank. Your line is open.

Nicole DeBlase - *Deutsche Bank - Analyst*

This is actually Nicole asking questions on Nigel's behalf. Let me say congrats on a great quarter. A couple questions for you. The first is you gave a nice walkthrough of what you are expecting for organic growth by business in the second half. If you could give us a trajectory on margins, that would be helpful.

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

Nicole, you should -- I would think would know by listening to enough of these calls we will not provide segment by segment margin guidance. It's not due to capacity or lack of desire to be transparent. We have a history of when we provide that guidance and achieve it, we get no credit. If we miss it for any reason one way or the other, it tends to hurt us. Simply said, for the last two years, we taken a position we will not provide margins and guidance by segment, and regrettably you will have to live with it.

Nicole DeBlase - *Deutsche Bank - Analyst*

Fair enough. I had to try. Then let me asking it in a different way. What are you guys embedding -- if you can possibly quantify the price inflation in the second half and also what are you now expecting for renminbi appreciation.

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

It's quite clear in our press release what we said. We are expecting less renminbi inflation than we anticipated. What we said is 5% renminbi on an annualized basis will cost $40 million in cost over the combined base, and we would have to get that through productivity and price. What we are saying is that it's going to be less than that, which means any renminbi appreciation driven inflation will be significantly less than an annualized run rate of $40 million, which means we are more likely able to cover it with productivity programs and price. And that is the assumption per Don's outlook for the entire businesses going forward, specifically what we do take on in terms of commodity inflation. Most of which, anything that we take on from this day forward won't hit the P&L until the fourth quarter, but anything we take on we will recover in terms of price and/or productivity. Thus the assumption of maintenance of gross margin at current level.

Nicole DeBlase - *Deutsche Bank - Analyst*

Got it. That's helpful. Then on the price inflation impact, would you expect pricing to remain negative in the second half?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

It's going to depend on commodity inflation, and we price to recover market driven inflationary increases and/or to take advantage of margin improvement opportunity with the unique proprietary product. There is neither a positive or a negative assumption going forward in the second quarter. The assumption is we will price to maintain margins regardless of what happens to commodities.

Operator

Next question comes from Michael Rehaut from JPMorgan. Your line is open.

Michael Rehaut - *JPMorgan Chase & Co. - Analyst*

Thanks. It's still Rehaut. Good morning, everyone. The first question, just -- and by the way, really appreciate the great details as always on the presentation. I thought it was particularly helpful and straightforward this quarter. So appreciate that trend that you continue to hold up. On the restocking, I was -- the first question, I was wondering if you had any -- you said half to two-thirds of the volume growth. Was that the case in both -- I assume that's more concentrated in the industrial segment. Do you have a sense of the contribution on a percentage basis in the CDIY segment?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

I will take it and Jim will supplement it. Half to two-thirds is our best estimate. We think it was globally at least half. You know well, because you know our business well, we don't have the robust POS data outside the US in general and then within the industrial segment in particular. Our sense is current inventories are about where they need to be globally, both in industrial distribution and with the large North American retailers. I think if we had to speculate, we would say there was more restocking in industrial Europe driving that tremendous volume impact than anywhere else. So just simply best estimate based on all of the POS data we have based on talking to our customers, the restocking was a little higher in industrial Europe. It was meaningful in the North American big box, but inventories are not out of line and a little less everywhere else. I think that's the best we can do. Jim may want to add a little more granularity to that.

Jim Loree - *Stanley Black & Decker, Inc. - EVP & COO*

To put this in perspective, it helps to have data with respect to the CDIY sales that are were outside of the US. And I could have covered these when I went through the chart, and I will do it now. European power tool sales were up 12% -- any power tool information here will be pro forma as well. Hand tools were also up 12%. So Europe, up 12%. You can be pretty sure that wasn't -- that was not all sellthrough. Latin America was up 36% in power tools and 27% in hand tools. Despite the strength of that economy, again, I think it's pretty sure that some of that was restocking. Canada up 37% in power tools, up 26% in hand tools; and Asia up 24% in power tools and up 9% in hand tools. So what you have here is a tremendous surge of volume outside of the US where we don't have really the data, but you can look at the numbers and be confident there is a substantial element of restocking and CDIY. And the key here is the US in CDIY was only up -- only modestly positive, really very close to flat. Couple points up. So -- in both power tools and hand tools. You can see that what you have with the US retailers is -- as you know, their performance was flattish from a sellthrough basis in the last quarter. So I'm guessing that a lot of European and other non American volume growth in CDIY was inventory restocking. When you get to industrial, Emhart is not going to have a tremendous amount of inventory restocking. But the legacy industrialist John pointed out in Europe and in North America is largely a distribution oriented channel, and with their 30% organic growth, you can be sure that substantial portion of that was restocking.

Michael Rehaut - *JPMorgan Chase & Co. - Analyst*

Okay. That is great. I appreciate that. And so just drilling down on that, for the US only modestly positive, certainly that would perhaps allay concerns that there would be at least related to this issue a material change in trend or a compensation in the third quarter relative to what you saw in the second quarter, is that fair?

Jim Loree - *Stanley Black & Decker, Inc. - EVP & COO*

I don't know whether I can agree or disagree. What I will say is the fact that it's a good thing from our perspective we did as well as we did without having a big restocking going on with CDIY in the US. That may have happen in the future and it may not depending on market conditions and what the retailers decide to do. The restocking effect was primarily outside of the US.

Operator

Your next question comes from Jim Lucas from Janney Montgomery. Your line is open.

Jim Lucas - *Janney Montgomery Scott - Analyst*

Thanks, good morning. Two questions. First, with regards to new products, you gave a lot of color in the prepared remarks. But outside of the success you are having with the Bostitch hand tool launch and the acceleration of the lithium ion on the Black & Decker side, are there any notable new product launches in the second half that you can talk about at this time?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

Actually, Jim, there are -- the other thing that Jim Loree touched on, new business to the legacy Stanley folks, but the consumer products group within legacy Black & Decker outdoor had a nice quarter. There's seasonality, but there's seasonality every year. They had a nice lift with the lawnmower product as well as wire trimmer product. But beyond that -- our mantra, for better or worse, until you can see it on the shelf and it's been presented to every customer, we can't talk specifics about what they are. What we will say is we are cautiously optimistic based on a whole lot of years of experience that the pipeline for second half introduction both on the hand tool and the power tool side is as robust as we have seen it in many years. So we are cautiously optimistic that we have some new product momentum to drive us toward that 4% to 5% organic growth that Don gave us in the outlook. It will be October before we are in a position to talk specifics with you.

Jim Loree - *Stanley Black & Decker, Inc. - EVP & COO*

From my perspective, this is Jim, I would say that most pleasant surprise in this whole merger has been the product pipeline that the Black & Decker folks have compiled over the last two years or so very quietly, while the world assumed that they had stumbled on lithium ion, which they did. Instead of just throwing up their arms and giving up, they went back and redoubled their efforts, and I think we will be really -- that's the most significant new product activity going. The pervasiveness -- these folks have new product development in their DNA and pervasiveness of the new product momentum within Black & Decker remains prominent. And certainly we haven't lost it in the rest of the Stanley legacy businesses. It really is one of the most exciting elements of what's to come here over the next year, 1.5 years and years to come beyond that.

Jim Lucas - *Janney Montgomery Scott - Analyst*

That's helpful. Secondary, you have given a lot of color on the industrial business, particularly about where restocking is occurring around the globe. When you look at the underlying demand, are there any particular markets that you are seeing out there within any of the individual brands you touched on, Facom versus Proto, but any color you can give with regards to the industrial demand will be appreciated.

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

Well, I guess a couple things. What really drove the Emhart lift was light vehicle production, as Jim Loree went through with a lot of granularity. I think, Jim, that had a lift on all of our industrial and automotive repair aftermarket businesses. Our sense is yes, there is a lot of restocking because distributors both in the industrial side for Proto and on the automotive repair side for Facom, I think they actually accepted opportunity loss or lost volume rather than carrying excess inventory. There is a cautious optimism that allowed them to restock. And we talked on earlier quarters, which came first, chicken or the egg. You can't have the POS or sellthrough if there is no inventory at distribution. So the only other point I would make other than just general broad scale lift is the European industrial production numbers thus far are better than what we are experiencing in terms of POS. We have I guess some cautious optimism there that is what attributed to the restocking and ultimately will attribute to the sellthrough on the European industrial side.

Operator

Your next question comes from Sam Darkatsh from Raymond James. Your line is open.

Sam Darkatsh - *Raymond James & Associates - Analyst*

Good morning. Couple questions regarding the restock if I could. First off, how much of the ultimate customer behavior in restocking had you foreseen when you last talked to us in April? And then what would you peg your incremental margins on that additional volume from a fixed cost absorption standpoint?

Don Allan - *Stanley Black & Decker, Inc. - SVP & CFO*

This is Don. We definitely said in April we believe we would see some restocking in CDIY and in particular more industrial. And as far as what actually happened versus what that estimate and is clearly at least two or three times more than what we are anticipating in some cases. And so restocking was a lot larger than originally anticipated. We expected a mild restocking impact when we gave guidance back in April. I'm sorry, the second question was around absorption?

Sam Darkatsh - *Raymond James & Associates - Analyst*

I'm trying to get a sense -- your, typically your contribution margins are 30% to 40% or so. Would we see something similar? I'm trying to get a sense of the financial impact of the restocking. Would that be fair to peg that kind of incremental margin on the volume?

Don Allan - *Stanley Black & Decker, Inc. - SVP & CFO*

Yes. I think if you look at legacy Black & Decker, their contribution margin tended to be in the low 30s. And these types of volume pick ups or drops. And then legacy Stanley is in the low 40s. If you use that range, you will probably see an impact of roughly 100 to [120] basis points in the second quarter from the restocking.

Sam Darkatsh - *Raymond James & Associates - Analyst*

Second question, synergies in the second quarter, what are you pegging that from a cost savings standpoint?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

What we are saying, Sam, is we realized about $30 million. That is a number that you are hearing for the first time on this call. But I think it's good to know of that $90 million that we feel we will achieve in 2010, we had a plan to have $25 million to $27 million hit the bottom line in the second quarter and in fact $30 million to $32 million hit the bottom line, which is why -- what led me to say in the overview we were slightly ahead of plan. $30 million is a good number for what is in for the benefit of cost synergies that we already realized -- not planned, but realized, that hit the bottom line.

Operator

Your next question comes from Dan Oppenheim from Credit Suisse. Your line is open.

Dan Oppenheim - *Credit Suisse - Analyst*

Thank you very much. I was wondering if you can talk about the CDIY. You talked about the new product introductions in 3Q and 4Q. Can you frame that in terms of what you are expecting? The impact of that relative to the impact of the macro environment? And you talked about the restocking to slow compared to 2Q. Is that something you are looking at a tougher macro and think there is a sort of flattish? Risk of destocking there? How would you quantify it?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

I will try. We are -- historically we introduced products in the second and fourth quarter. We are all familiar with black Friday commitments and promotions, particularly by the large home centers. That tends to be the best time to introduce new products. The 4% to 5% organic growth guidelines that we've put out there and re-iterated -- if I had to take a best guess, it will be 50% of it is going to be driven by our own initiatives, new product introductions, and the continuation of market share gains, and say 2 to 2.5 points that way, and the rest from what we believe will be a modest pick up in end user demand that will lift the entire market. The fact that the markets are flat to up very low single digits doesn't mean we won't exceed that. Historically we had an objective to grow at two times the rate of the market in CDIY, and we aren't going to back off that just because we had a bigger CDIY business.

Dan Oppenheim - *Credit Suisse - Analyst*

Okay. And just secondly, wondering about cash. You talked about the smaller acquisition, but I'm still in security -- what is the outside in terms of magnitude of those and how do you look at that for the remainder of this year into next year?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

Well, we used to say with small acquisition was $200 million or less. I would say a small acquisition today is probably $400 million to $500 million or less. Don't expect anything larger than that.

Operator

Next question comes from Eric Bosshard from Cleveland Research. Your line is open.

Eric Bosshard - *Cleveland Research Group - Analyst*

Good morning. Two questions. The margin performance in the tools business and the industrial business I guess is the first thing I love to get more color on, to get to historic peak margins in the second quarter of 2010 and the legacy Stanley and legacy Black & Decker when the revenues are still 25% off the peak and the cost saves from the combination are still relatively limited. Can you talk a little bit more about how you are, where you are, and if it's sustainable? And if it is, it will seem quite scalable from here. Just provide a little more background or insight into how you are or where you are?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

Yes, I will try. We said since last November 1 or since we put the two companies together, both companies have taken extraordinary costs out of their systems out of the last two years. And Don highlighted between the two companies approaching or actually exceeding $500 million in cost combined for the two companies. The difference being legacy Stanley spent a lot of cash to do that, downsized our infrastructure to be profitable at 75% to 80% of its historic size given the market driven volume declines that you cited. You saw third, fourth, and first quarters for legacy Stanley record gross margins because the cost structure had been up reduced so dramatically.

Black & Decker reduced costs dramatically as well. It was a slightly different approach where on the one hand they spent a lot less to do it. On the second hand, they were temporary cutbacks in salaries, benefits, discretionary spending. Some of that will come back, but not all of it. So both companies took $200 million to $300 million worth of cost out of their base. It's still out of the base. Some of it will come back marginally as volumes increased. That's why we are so encouraged that we can get the margin achievement we did at current volume levels. And we like to think we got some upside leverage as volumes rebound for all the reasons you said.

Jim Loree - *Stanley Black & Decker, Inc. - EVP & COO*

And the industrial segment specifically, today if you look at legacy Stanley, we are only running on 11%, which is not peak. So we are running at peak in CDIY early cycle. We are running below peak in industrial. If you look at the mix of the geographic mix in particular, you see a lot more European concentration in the industrial business than you do in the others. The cost takeouts really take a little bit longer, and we have a major European cost reduction program going on which affects both CDIY and industrial, but I think you will see substantial benefits in the industrial business as a result of that on a prospective basis, but it won't happen this year.

Eric Bosshard - *Cleveland Research Group - Analyst*

Is there something related to that that explains why the incremental margin was underwhelming in industrial considering the magnitude of the revenue?

Jim Loree - *Stanley Black & Decker, Inc. - EVP & COO*

That's part of it. The other part is the fact that industrial is making a major push right now into the emerging markets and we are making investments in the emerging markets in terms of China, India, Latin America, all around the world outside of western Europe and North America. We are making some investments there and the combination of those two things are what's driving it.

Eric Bosshard - *Cleveland Research Group - Analyst*

And the second question -- strategically, John, as you talk about more acquisitions and acquisitions up to $400 million or $500 million. Considering we are a quarter into Black & Decker, what's the strategic thinking, or what attracts you that you want to leverage within the organization to get involved in acquisitions so quickly when you have so much to accomplish with the cyclical recovery and the integration of Black & Decker?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

As Jim said, when you talked about the growth platforms, within CDIY which is now half our business, we are overwhelmed with the integration and is that our primary focus. The -- it's a question of the integrity of our balance sheet, the ability to fund it. Remember, we have $1.5 billion in cash on our balance sheet, $1 billion of which is outside the US. And to the extent the growth platforms that Jim talked about -- infrastructure, health care and engineered fastening -- there is very, very little integration going on in those three areas. So to the extent that we were to add to those platforms, the integration of those acquisitions to the extent that it would be required would be done by completely different people, totally capable teams that have done it before. And our firm belief is we wouldn't go forward with it if we thought it was going to be -- Jim made the point very clearly. Obviously it needs to clear financial hurdles and there needs to be great opportunities strategically and economically, nor would we contemplate pushing the button on an acquisition if we didn't believe we had the organizational capacity to absorb it. That would mean it comes with a good management team that would require less integration or a reverse integration, or it was something for instance within the health care infrastructure or engineered fastening business where we have very capable management team, particularly with an engineered fastening that's simply essentially a standalone business other than for embedding SFS not involved in a lot of merger related synergy activity.

Jim Loree - *Stanley Black & Decker, Inc. - EVP & COO*

And it goes back to the whole risk management thing. You can argue it's riskier to do a small toe in the water acquisition right now in one of the growth platforms, but we can also argue it's riskier to not do one and go through this cycle for two or three years and enjoy the benefits of the cash flow from CDIY and industrial and security and turn the money over to the shareholders in the forms of dividends and repurchases. But I would argue that from a revenue diversification standpoint, we are better off right now getting going on building these significant growth platforms outside of CDIY and industrial. So that when the time comes, just like the time came last time, that the revenues plunge, we have something to buttress up the portfolio then. And that's the thinking, and we get paid to manage risk, and that's our measured view.

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

And just one closing comment. Because you did take -- you addressed at high level strategically, which we appreciate and understand. Nothing is changed. What do I mean by that? Maintain the integrity of our balance sheet and our upper tier investment credit rating has not changed. It's not a constraint. It's a priority and it's a discipline, number one. Number two, in terms of capital allocation going forward, historically it's not a precise science. But we invested two-thirds of our cash flow on strategic accretive acquisitions. And one-third has been returned to the shareholders terms of selective or opportunistic buybacks and dividends. We increased our dividend for the 42nd year in a row. That's an important part of TSR. And lastly to continue the diversification of our portfolio, to broaden our revenue base in existing businesses or near neighbors where we think we have a strategic and competitive advantage. That's been in place since 2004 and it hasn't changed going forward. Board has validated that strategy and we think it's right for us in the long term.

Operator

Your next question comes from Dennis McGill from Zelman and Associates. Your line is open.

Dennis McGill - *McGill, Zelman & Associates - Analyst*

Good morning. Just follow-up on Eric's question on the CDIY margin. Can you talk about where they are today compared to where your expectations were six months ago? Are you surprised they were able to get to these levels this soon without volume behind it?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

They have volume behind it which is one -- which I guess is what's driving them to that level. If you predicted this level of volume improvement, we could have very easily, Dennis, gotten to those margins. The surprise, through a combination of restocking outside the US that we talked about in some items this morning, and good organic growth based on a very successful lithium ion, very successful consumer product group outdoor launches, it's the volume leverage that's giving us a couple hundred basis points we would not have anticipated. Had we forecasted the volume at its current levels, we would have forecasted the margin along with it.

Dennis McGill - *McGill, Zelman & Associates - Analyst*

Okay. I guess I was asking in the context of certainly housing and construction markets are still depressed, as you talked about. So you haven't had the cyclical volume you would normally expected.

Jim Loree - *Stanley Black & Decker, Inc. - EVP & COO*

As I mentioned earlier, the volume increase didn't come in the US. Just 1 point or 2 points, thereabouts. It's really outside of the US. We aren't surprised by this success of the new product introductions, but we are surprised by the level of restocking that seems to be -- pleasantly surprised by the level of restocking that's going on outside of the US and that's why we were able to raise our guidance, among other reasons.

Dennis McGill - *McGill, Zelman & Associates - Analyst*

Okay.

Operator

Your next question comes from Peter Lisnic from Robert W. Baird. Your line is open.

Peter Lisnic - *Robert W. Baird & Company, Inc. - Analyst*

Good morning, everyone. If we could talk about security a bit and the second quarter operating margin. It looks like there is a little bit of degradation there. I guess there is probably some growth investments there. Can you maybe talk about growth there and what you are doing from an investment perspective? And then give us the puts and takes to what led to the degradation of the legacy security margin?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

Sure.

Don Allan - *Stanley Black & Decker, Inc. - SVP & CFO*

I think, this is Don, obviously we continue to make investments in this sector where -- feet on the street type investment, been doing it for solid year now. That is a factor. You also have the factor of continued volume decline for a long period of time and now just a modest growth rate in that area. So we have been very prudent about making sure not to cut the cost too deep in this sector of our business. It really helped us, as you are aware through 2009, and as Jim said buttress the Company in its performance. The types of cost takeouts, although have been significant in some cases. But when you look at it as a holistic view of how much cost was taken out across the whole Company, we tried to be more balanced in our approach there and continued to make investments to ensure that we are really preparing this business for the long term.

Jim Loree - *Stanley Black & Decker, Inc. - EVP & COO*

And of the 340 point decline in the profit rate, half of that was related to the acquisitions -- HHI and SSDS.

Don Allan - *Stanley Black & Decker, Inc. - SVP & CFO*

A mix of HHI, and as you know when we bought it, $150 million money losing enterprise, those are both concluded in the 15.6%. And as Jim pointed out it was basically 170 basis points of market driven margin decline based on same period a year ago. And I hope this doesn't sound defensive. I would like a whole portfolio of businesses that with volume head winds can decline 170 basis points at 17.3%. I wanted to be really clear that our appreciation, that our commitment to this business has never been stronger. But this business is in great shape competitively and dealing with the marketplace headwinds pretty well. They are ready, willing, and able as a management team to cut costs if we ask them to continue -- to reproduce the 19% and 20% margin. At this stage, we said the benefit of a diversified portfolio and finally a little bit of market tailwind in our other segments will allow us to continue to invest in the future growth of this business, because we have incredibly strong belief that this is just a really important part of our future. And it's hardly -- certainly not a sick business. Nor do I suggest that it is. It's a strong business. It's mixed down a little bit due to the integration and an acquisition, and we expect it to be right back at historic levels in the not too distant future.

Peter Lisnic - *Robert W. Baird & Company, Inc. - Analyst*

All right. And then I guess I'm trying to square away the results in CDIY, specifically the Black & Decker piece where you got a lot of new product introductions flowing through the pipeline, but yet there is 2 points of price erosion. Can you maybe square away why that would be?

Jim Loree - *Stanley Black & Decker, Inc. - EVP & COO*

Because the new products don't go into price. They go into mix. So price doesn't include the new product accretion.

Operator

Your next question comes from Michael Kim from Imperial Capital. Your line is open.

Michael Kim - *Imperial Capital - Analyst*

Good morning. Just going back to security and specific convergent security, can you talk a little bit about the RMR growth and how much that was driven by ARPU improvement, considering the flat installation volume, and what's driving that pricing improvement?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

Part of it is just math. Two good -- two very positive things went on in convergent security. Let me start with -- the math is simply when installation as a percent of total is down, margins and mix improve positively. But as we said previously on these calls, we obviously need the installations to generate the future RMR. What we were pleased with was the fact that attrition, which was running a little ahead of historical levels, in fact declined sequentially, which is a good thing. And we continued to gain share at national accounts, where we really believe we have a competitive advantage over almost everyone out there. The ongoing RMR from national account share gains and the slight decline in attrition actually helped our margins and gave us I will say cautious optimism going forward.

At the end of the day, a little bit more installation and we actually implemented I think fairly creative programs to ensure that we maintain if not increase our install base to fuel or prime the pump for the future RMR is an important part of our -- it's tactical more than strategic, but an important part of how we will operate going forward.

Michael Kim - *Imperial Capital - Analyst*

And then just on the installation volumes with the expansion with national accounts, are you seeing visibility to return to positive volume growth in the second half? Can you clarify your commentary earlier?

John Lundgren - *Stanley Black & Decker, Inc. - Chairman & CEO*

First of all in convergence, where we are focusing, there is essentially no product involved. It's install and service. And so we were not anticipating a huge lift based on that. Anything we get is going to be as a result of share gain. We aren't seeing it in the marketplace. What we said, and I don't think we'd move off that -- we didn't expect to see anything before the third or fourth quarter, and what we said is with various productivity programs and mix enhancement improvements, if we didn't see market conditions improving before the fourth quarter or into the first quarter, we'd look at more cost takeouts. But as I say, we haven't projected margins by segment, certainly, and by subsegment. But we believe we can hold the margins where they are, ultimately within the next six to nine months and get volume lift and help from the marketplace and drive these margins back to where they've been. There is not a lot of -- there is no volume lift baked into what we said about our next six months.

Operator

There are no further questions at this time. I will turn the call back over to you.

Kate White - *Stanley Black & Decker, Inc. - Director of IR*

Thank you very much for calling in today. Please contact me if you have any questions. 860-827-3833.

Operator

This concludes today's conference call. You may now disconnect.

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