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CORPORATE PARTICIPANTS

Dennis M. Lange *Stanley Black & Decker, Inc. - VP of IR*

Patrick D. Hallinan *Stanley Black & Decker, Inc. - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

Nigel Edward Coe *Wolfe Research, LLC - MD & Senior Research Analyst*

PRESENTATION

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

We're good. Okay, guys, good morning. We're going to get restarted with Stanley Black & Decker, and very happy to have Stanley here live in the flesh in New York City. And this is my first time meeting Pat Hallinan, new CFO of Stanley Black & Decker. And obviously, Dennis on stage as well, Dennis Lange, Head of IR as well.

So Pat, I think you've got a few slides, so let's get into it and go from there.

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Yes. Thank you, Nigel, and thanks for coming, everyone, today. Thanks for the interest. I was just going to kick it off with maybe 3 or 4 slides here. You do start with the normal safe harbor. Obviously, there will be some forward-looking statements and assumptions here, but I'll just take us through kind of where we are and the most recent chapter of our journey and then open it up for questions.

So for those of you who haven't been closed to Stanley Black & Decker for a while, we are going through quite a change in -- the start of the changes, streamlining the portfolio. Last year, we sold off Oil & Gas business and the Security business, both of which closed in '22. And we're now a much more streamlined and focused company, both from a portfolio perspective and from an org structure and SG&A perspective.

But the current portfolio is the Tools & Outdoor business. Just shy last year of about $14.5 billion of revenue, about 85% of our revenue. And when you put Tools & Outdoor together, the largest Tools & Outdoors business out there with great pro and retail channel exposure.

And then we have an Industrials business. A big chunk of it is around fastening, both in auto and aerospace fastening, and then an Infrastructure business, about $2.5 billion or about 15% of our revenue. And from here, our growth platform in both of these businesses is to grow based on some great brands that have longstanding equity, very powerful innovation engine.

I was in Maryland this week with our Tools team and our Outdoors team. Now that the supply chain has healed up and people can get back to their roots of innovation, we're seeing some really great innovation pipeline fill up. We have great channel coverage for pro and retail consumers with the channel exposure that we have. And through the transformation, we're building a much more leverageable business model with globalized operations and supply chain and a much more streamlined operating structure.

So a little on the transformation. We are changing our business. A big part of it is how do you build the capabilities to get to the performance level that this business has long held, and we want to get it back to that level and beyond to drive value creation.

So really, start on the right side of this slide with where we're trying to go, which is back to market-leading growth. Our market, we typically talk about it over the long term as GDP, nominal GDP. So if you think of that as a 2% to 3% type market run rate, we're trying to beat that by 2 to 3 times kind of in that 4 to 6-plus percentage range as a growth CAGR.

Over the long term, 35-plus percent gross margins. Obviously, gross margins, we're very challenged by inflation and supply chain disruption and will be throughout this year, but we're making great progress on that this year, I'll talk about, and get back to high free cash flow conversion, both to get our balance sheet where it needs to be, but also to fund growth going forward.

And we're doing that through changing the org structure, globalizing operations and supply chain and building a number of very powerful capabilities in there and leveraging that to fund growth and spend about $300 million to $500 million to get back to our roots, great innovation, accelerate electrification, especially in outdoors; enhance our commercial go-to-market capabilities; and have a -- not just a more efficient supply chain, but a more resilient supply chain.

And the transformation, very much on track. Some of the key tenants have been things you've probably heard from other durable goods and industrial companies, but a supply chain transformation built around strategic sourcing, footprint rationalization, improvement of how we run the facilities we have in terms of continuous improvement in lean and SKU rationalization, complemented by SG&A simplification, not one to reduce cost, but also to get us close to our customers and our channel partners and speed decision-making.

And our goal is to drive a run rate of $2 billion of cost out of our total cost structure, about $1.5 billion from COGS and $500 million from SG&A. And we're very, very much on track across all of those initiatives and on that dollar run rate. We'll finish '23 at a run rate level of about $1 billion across both COGS and SG&A.

Now some of that will be on our balance sheet, but that's the run rate, leaving us with about another $1 billion after we get done with '23. But you see some of the numbers up here. In terms of cost savings in the quarter, $230 million and including what we pursued at the back half of last year, cumulatively $430 million.

And of course, a big part of this is also to get our inventory down. This year, we're trying to get inventory down, and we'll get inventory down $750 million to $1 billion, but we did about $200 million of that in the first quarter. That's the first time since the Great Recession that we took inventories down in the first quarter. We typically build inventories in the first quarter, ahead of construction and outdoor season. And so where we would typically be building $400 million to $600 million of inventory, we took down $200 million in inventory.

And so we're very much on track, and this has been something where down last year, really got the team refocused. And I'd say, impressively, the rate at which we're pursuing this. And we're going to push ourselves to beat these numbers and use them to fund growth.

I think that's -- think of where we are in our journey, '22 -- the back half of '22 and all of '23 is about capability building and using that capability to get margins up and cash flow up and heal the balance sheet, and then with that to set a bunch of growth initiatives in motion, that '24 and beyond, really get the momentum beyond -- behind the top line.

And we're going to leave where we started on this slide is really retapping the potential of our great brands with a very talented group of individuals and a very powerful innovation engine. And we like where we're headed, and we see a great value creation opportunity coming out of the tumult of supply chain challenges and getting these brands back to performing the way they long have. So thank you.

QUESTIONS AND ANSWERS

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Thanks, Pat. While you carefully come back to your chair, don't trip over my feet or anything, but we're going to have Q&A now. I'm going to stop after 10 minutes, see if there's any questions in the audience. Put your hand in the air. There's a mic that will come around.

So obviously, you spent some time there talking about the cost savings as part of your programs. Those are set in motion, and the targets are set before you joined. So when you had a chance to dive into this and vet them, what was your reaction? Was it the case of, like, "Guys, there's way more opportunity here?" Was it -- these seem aggressive. I mean, what was your initial view on those targets?

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

I think it was impressive given -- even in my old world, but getting on the ground here, last year was a tumultuous year in general. And I think Don and team set a pretty aggressive agenda in the midst of a very unsettled macro and supply chain environment and made some leadership changes in ops and supply chain.

And so I do think the opportunity can be bigger, but I -- what I'm very impressed with is the rate at which a relatively new leadership team and ops and supply chain has been able to put a program in place, make it bear fruit, get the whole enterprise aligned to it because you're moving a lot of people's cheese and make real progress quickly. I think it's too soon to make statements of how far beyond $2 billion could you go, but I think the potential is there most definitely.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Okay, $2 billion would be a good number to get there, to be fair. So the SG&A is done, right? So those actions have been taken. We're in the run rate already. What -- how does the investment -- the reinvestments profile look like? How much gets done this year? How much is beyond this year?

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

And Dennis, you can kick me if I misspeak here. Because we are -- what we're trying to do this year is make some of the investments this year because we want to see the more historical momentum behind the brands. This year's investments are going to be judicious given how the year unfolds, and so we're metering them out thoughtfully.

It will probably this year, like on an incremental basis, start to approach $100-ish million in that ZIP code. We're not like plunking that all down in the first 1/3 of the year. We can meter that out judiciously because some of it is around how we activate some of these innovations and what collateral we build to do that.

So you can, with the marketing side of it, dial it up or down, but a lot of it is really focused on electrification and products for the Pros. Our business model is to delight the Pros and then use that to create the brand halo and then monetize it more expansively in retail with consumers. And so I think, really getting energy electrification in the outdoors and some really exciting things for the Pros is where our focus is.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Okay. But it sounds like -- so $100 million run rate is reasonable by year-end. And it sounds like electrification-type investments are the priority here.

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Priority, yes.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

And then what about sort of marketing feet on the Street? Is that sort of more '24, '25, depending on the recovery profile?

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

No. Don is really pushing the team to get to that the back half of this year, especially feet on the Street focused on the pros and the pro channels, are really going to be part of this year.

Dennis M. Lange - *Stanley Black & Decker, Inc. - VP of IR*

And the only thing I'd add, Nigel, is these have been happening, too. So as part of our reprioritization last year, it was to make sure that we're focused on some of these priorities and starting to build those investments. And so what Pat is saying is absolutely right on how we continue that trajectory, but it's not as if we have to wait to get started. We're already getting started in a lot of these areas.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Okay. And obviously, the big nuts is the $1.5 billion of supply chain sourcing. How do we think about structural cost savings versus some good news on raw materials? And maybe just catch us up in terms of -- there's a lot of volatility in commodity prices. Lithium is down huge. Steel is a little bit high. I mean, how does that bucket of cost look today versus maybe Jan 1 when you forming the plan?

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Again, I'll start, and Dennis can either correct me, given my newness, or amplify some things. But in the $2 billion run rate that we're speaking to, there's nothing in there that is a bet on deflation. Deflation would be kind of in addition to that.

And our overriding assumption for this fiscal year as it pertains to our income statement, so the things that would roll off our balance sheet on to our income statement this year is, really, we weren't making a big deflationary bet this year. And the stuff that we're seeing in real time other than container rates is not -- we're not seeing this year in our income statement some big tailwind from deflation.

I think deflation is a possibility, and how it unfolds is still to be determined because it's not outside of container rates. It's not ubiquitous significant deflation yet. But everything we're focused on, controlling our own destiny and getting our margins to 35-plus percent with or without deflation, and deflation can add to that. And we -- this year, could there be especially as you're even seeing I think some people reevaluate what is really happening with China, and you're seeing -- like with copper recently, you're seeing copper come off some recent highs because of that.

If that kind of stuff starts to happen in our commodity streams, that will be on the balance sheet, and it will come off in the early part of next year.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Right, so 2024. And just one -- maybe one more on the supply chain SKU reduction. I think, 80,000 SKUs is the target reduction, if I'm not mistaken. Dennis, kick me if I'm wrong.

Dennis M. Lange - *Stanley Black & Decker, Inc. - VP of IR*

60,000, I think. Well, we've approved 60,000, yes.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Yes, 60,000. So I just raised the target there right now. So what is -- some investors have said, "Well, that sounds like a big number for a retail-focused company." Maybe just put that in context of the total SKUs you're having. And any sort of areas of focus that we should be monitoring?

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

I'll start, and Dennis will probably add to it. So first of all, for us, think of a SKU as could be a single drill bit, right? And then you might have brand exclusivity with certain channels. So it's the combination of product and packaging. So to put it in context, it's probably not 80,000 bespoke unique things, in general. There's probably 1 drill bit, and 4 packs could be driving that. But we're approaching it thoughtfully.

Where SKU reduction is critical to the journey is, one, when you're trying to rationalize your footprint and optimize the performance inside the 4 walls, any complexity you could take out in that journey before, during and after is going to help the cause. And then you want to make room for innovation.

Our facilities and our channel partners only have so much room for innovation. And so it's key to innovation, and it's key to optimizing our own facilities. And we're going to go about it thoughtfully. The first wave, which I think is 10,000 to 15,000 SKUs, there was little to no sales, and this became a reduction of some underutilized inventory and tooling and, therefore, it's a space play.

And you go to a next wave with very low sales. And you got to go about this methodically to not take opportunity away from your channel partner and swap in like product that you have. And so we're going to approach it methodically. But it is a key space creator on the journey to optimizing our footprint.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

And what sort of taxing of sales growth does that have? So if we delete 15,000 SKUs, I mean, recognizing that these are somewhat peripheral, but what kind of growth impact does that have, top line?

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Yes. I don't think we're -- I mean, we're -- it's going to be -- we're in Phase I, which Dennis talked about. We've already kind of approved and activated the things that were super low volume. We're starting Phase II.

Our approach is going to be to do it in a way where it's not a material net sales headwind. I don't know that we're far enough down the road to say there's nothing there, but we're not going to -- certainly not going to do anything that's not value creating. And we're certainly not going to do anything that tips the competitive dynamic in the wrong direction.

And we're going to be approaching it, so that our channel partner is the same or better off, and our stakeholders elsewhere are certainly better off. And I think we see the opportunity to do that. I think the work will get harder the closer we get to things that have meaningful volume to them. But so far, we're confident in our ability in navigating that.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Okay. That's very clear.

Dennis M. Lange - *Stanley Black & Decker, Inc. - VP of IR*

And the only other thing, Nigel, that's important in this, too, is that's just one component of this complexity reduction. Equally as important is platforming around power tools, getting more common components, taking some complexity out of the plants that way as well. And so it gets a little less focus in question, but it's actually from a value perspective, as important of an initiative that we're going after.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

The common platform is the biggest driver of that.

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Yes.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Okay. Great. I do want to touch on sort of what you're seeing out there, kind of trading conditions. We've heard from Depot and Lowe's, they took down their full year forecast. They're -- it sounds like they're going to be managing inventory a lot more aggressively over the next several quarters. So how does that change the rubric for you guys, that low to mid-single-digit outlook?

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Yes. So obviously, we went a month before either of the home centers. I think much of what they expressed in their experience was stuff we were already seeing when we were conveying our earnings. We've talked about our guidance. And on an organic basis, sales in the mid-range of our guidance being down low to mid-single digits on an organic basis, that's the Tools & Outdoors business being down mid-single digits on an organic basis and the Industrial business being up low single digits or better. Obviously, the waiting is 85% Tools, so you kind of get to the answer around the Tools top line.

What we've seen in our world is similar to what they've seen. We've seen a relatively strong pro with consistency and willing to pay. We've seen a weaker do-it-yourself or a consumer with price sensitivity at high price points.

We still feel like our guidance range, and even the midpoint, is where our focus is, and there's pathway to that. I'd say Tools specifically, separating Outdoors from Tools, Tools has been at our plan range, if not a little bit better. And I think a part of that is our supply chain wasn't performing where we would have wanted it to the last 1.5 years, and it's really healed up nicely.

And so I think with a much more robust supply chain, we're seeing some really nice Tools momentum in our business. I mean, it's still down slightly year-over-year, but really nice momentum and in a manner that's very consistent with what you heard from the home center specifically around that category, some really nice performance there.

Outdoor has been more choppy, and the outdoor season isn't over. We still have the Memorial Day Holiday and the June 10th Holiday and Fourth of July coming up here. So the outdoor season is not over, but it's much more of a compacted season.

So it kind of launches. It burns for only a while, and then it's over, both in the summer outdoor season and the winter outdoor season. It's been a slower start and a more choppy progression, but we don't yet know where the outdoor season is. But I'd say we're still focused on our guidance and, in particular, focused on the midpoint range of our guidance.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Yes. Okay. Great. Obviously, the macro is out of your control. I mean, it's going to -- what's going to happen is going to happen. If you do end up at the bad end of your revenue range, are there measures you can take to protect the -- maybe the midpoint of the EPS range?

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Most definitely. We -- as an organization, we're going to be focused on margin improvement and EPS delivery, irrespective of where we are in the range. And it will depend on what unfolds the back half of this year, of what the mix of things are, but you could -- the investor community here that our focus is on margin, cash generation and delivering the best EPS this year.

And if that means we have to make some choices around the rate of investment or other things, we will make those choices. We do -- we're going to constantly, I would say, for the next 2 or 3 years, be balancing this desire for growth, which is going to be among the more powerful valuation levers and how do you deliver good returns and results in the near term, and we'll be balancing that.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Okay, okay. That's good news. You mentioned a very price-sensitive consumer out there. We saw, I think, Dennis, I think, 2% price in the last quarter, down from the 8%, I think it was, in the fourth quarter. What's going on in the covers on pricing? Are we seeing the pickup in spending? And is there a risk that maybe that 2% could fall to 0 or even below that going forward? .

Dennis M. Lange - *Stanley Black & Decker, Inc. - VP of IR*

Well, I think what you should expect is a lot of what you saw in the first quarter is really just a carryover of what we put in place with that third price increase in Tools early last year. And so our expectation from here forward is that price isn't really going to be a contributor. It will be plus or minus 0.

We're going to run -- we'll have more seasonal promotions as we get back with the supply constraints that Pat was talking about earlier that we had last year. But it's not about depth of promotion. It's about getting more. And then, therefore, price, we're expecting is really just kind of a neutral impact.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

So very neutral. So...

Dennis M. Lange - *Stanley Black & Decker, Inc. - VP of IR*

Plus or minus 0.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Plus, minus 0, 2Q and beyond.

Dennis M. Lange - *Stanley Black & Decker, Inc. - VP of IR*

Exactly.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Got it. Great. Okay, guys, any questions out there? If so, put your hands in the air. No. Okay. No. That's a no, okay. We'll carry on.

Confidence in cash flow, I mean, obviously, cash production is critical here. You had a very strong start to the year in 1Q, not as much cash burn as we normally see. Given the weakness that we're seeing now, I mean, how much confidence do you have you can get that incremental inventory out in 2Q and, obviously, the back half of the year?

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Yes, yes. We have put in process a place that has -- across the commercial aspect of the business, the operating and the finance community, really tight monitoring of cash. I don't have a historic perspective at Stanley Black & Decker, but even among the world I came from, this is kind of the tightest enterprise-wide focus on cash delivery I've seen.

And I think it's been not a distraction to the business. It's been a good thing for the business. And so I think we feel good with the guidance range we have out there, and it is among our top priorities. So I think you should feel like we're feeling very good about the guidance range we have out there. Obviously, the macro will pull us towards one side of it or the other, but the trajectory through the first quarter and what we've seen in this second quarter, we're feeling good with the guidance range we have.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Yes. Okay. Competition, there's been a pretty lively debate about competitive dynamics. One of your Asian competitors, the one in Japan, not Hong Kong, has put out a really, really weak North American outlook this year. I mean, I'm not asking you to comment or necessarily vet that. But in terms -- what are we seeing out there amongst the different players?

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Yes, I think that -- we'll come back to that. There's different -- how each competitor is positioned from an inventory perspective in the channel, which I think is possibly a big part of that equation. But I would say from a competitive dynamic, there hasn't been a big shift in competitive dynamics.

I think based on how each manufacturer had supply at a point in time when the channels wanted the supply, they could have very different channel inventory exposure. But even when that's the case, we have not seen that result in changes to pricing or promotional tactics. List pricing are promotional tactics.

We've seen channel partners want to maximize price because they don't have a ton of traffic right now, at least at the DIY, relatively speaking. And so they're doing that. And then they're being understandably cautious in an uncertain macro environment and high short-term rate environment, keeping their channel inventories tight.

So not big changes in the competitive dynamics that matter most to the near term and the long term. For our channel inventories, we're -- from a historical perspective, we're in relatively reasonable historic channel inventory position. But that said, our channel partners are trying to push down to what is the lower side of their normal run rate.

And so we'll see that pressure throughout the year, but we contemplated that in the guidance we expressed at the end of Q1. I think there are some competitors that have more inventory in the channel. And now a macro that has a less active DIY consumer, and you're hearing them express that, I think, and some of the things they're saying. I don't know if there's anything you'd add to that.

We constantly, on a monthly basis with our commercial teams, look at weeks and days sales in -- of our products in their channel. And the we're -- the ranges we're in right now, I mean, it can always move inside of, call it, plus or minus 3 or 4 days. We're kind of -- or plus or minus 3 or 4 weeks, but we're in normal ranges right now.

We just have channel partners trying to push towards the lower end of that range, and that's -- if you were facing short-term money in the high low to mid-single to high single digits and uncertain back half of the year, that's what they're doing.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

I want to talk about -- we're getting close to the end in 2 minutes, but I want to talk about the production penalty you're facing right now. How does that at the back end? I think, Dennis, I think you mentioned 400 basis points, 500 basis points of margin impact -- gross margin impacts. So how does that production benefit come back in the back half of the year? And then let's start there, and I've got a follow-on.

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Yes, yes. We had 23% gross margins in the first quarter. We're expecting something very similar to that in the second quarter. And we're targeting to finish in the mid-range of our guidance in the high 20s and, to your point, kind of 500, plus or minus 100 basis points of improvement.

I'd say a portion of that is purely really high cost inventory that's on the balance sheet that comes off. So it's less about deflation and more about things like what we'll be air freighting back then, which kind of gets capitalized on the balance sheet that's got to come off. And then a portion of that is running the factories more full and getting more factory utilization.

And then a portion of it is the run rate of the savings that the operation transformation has put on the balance sheet the back part of last year. And I'd say I can't speak with precision, but they're all material contributors, like 1/3, 1/3, 1/3, maybe a little bit of a bias towards some of the really expensive materials because they were airfreighted and stuff coming over. But all 3 of those play a role in that gross margin expansion in the back part of the year.

But the good thing that can get easily lost in what we report at the end of the year is we're hitting our midrange guidance, and we're reporting in the high 20s given that we expect to have, by that point, a cumulative run rate of $0.5 billion or more of COGS improvement. There's going to be 2 to 3 basis points -- 200 to 300 basis points of improvement parked on the balance sheet that starts to flow into next year. So there will be good momentum on gross profitability.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

So we've got basically at the midpoint, so $1 per quarter, $2 in the back half of the year. That's, I think, a bit more weight towards 4Q than 3Q, if I'm not mistaken. Or is it -- do you think it's going to be fairly linear?

Dennis M. Lange - *Stanley Black & Decker, Inc. - VP of IR*

I mean, we haven't gotten really precise about the quarterly profile. But what I think people should expect is that there's going to be normal seasonal dynamics. So the Tool business is more promotional in the fourth quarter. That's when you have a lot of the Black Friday type things. But the precision between the 2, we haven't gotten too far into.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

So if we take $1 in the back half of the year, let's say, $1 per quarter, we run that into 2024, we've got some cost savings, that $5 million of incremental cost savings come through in '24. I think Don, at one of the conferences this month, said 4 to 5 for 2024. So I'm just wondering why a 4 handle potentially in 2024 when we got this tailwind come through as well?

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

I think we're obviously not here to give '24 guidance. I think those -- the range you gave is very possible. I think what we're internally as a company deciding is what -- for optimizing value creation for our shareholders, what's the appropriate rate of investment next year, both around product and commercialization of that product.

And so the absolute EPS of '24, we would expect a really nice improvement trajectory. But what the final destination is, is what's the macro and what's the right level of investment. And I think we're rebuilding some muscle on the commercial side of the business. And we'll be smart of how we invest to build -- rebuild that muscle.

But we will make some decisions in the first part of next year on what's the right level. I think, ultimately, we optimize value when we get our margins back up, and then we really get the growth going again. And I think we'll make that call in the early part of next year.

Nigel Edward Coe - *Wolfe Research, LLC - MD & Senior Research Analyst*

Very clear. Well, Pat, thanks for the time. It's a great conversation. And Dennis, thank you, too.

Patrick D. Hallinan - *Stanley Black & Decker, Inc. - Executive VP & CFO*

Great to see. Thank you. Thanks for the invite.

Dennis M. Lange - *Stanley Black & Decker, Inc. - VP of IR*

Thanks, Nigel.
