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Stanley Black & Decker, Inc. (SWK)

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Michael Rehaut

Analyst, JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

Michael Rehaut

Analyst, JPMorgan Securities LLC

Great. Welcome, everyone. Thanks for joining us. My name is Mike Rehaut. I'm the senior analyst covering the homebuilding and building products sectors for JPMorgan. Really thrilled to have with us Stanley Black & Decker. And to my immediate left, Pat Hallinan, the CFO. And we also have from the IR team, Michael Wherley and Christina Francis. So, thanks everyone from SWK for joining us.

I'm going to kind of conduct essentially like a fireside chat, but I'll turn it over to Pat for just some brief introductory comments and intro on the company.

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

Yeah. Well, thank you. I'll assume that you know that we're a tools and outdoor products company with about 85% of our portfolio, and industrial fastener with the balance, about 15% of the portfolio. But the few things I'd share with you is, obviously, with tariffs, 2025 was a challenging and interesting year, but we made important progress, important progress on margin, on our balance sheet, and recovering the health of our brands.

And we take a lot of pride in being able to deliver progress in challenging environments. We'll see what this year brings. But we remain confident that we could stay on our margin growth and cash journey, even if the macro remains flat to low growth, which is probably what's in front of us for 2026, and if not, some bit beyond 2026.

In terms of our objectives, our long-term objectives are consistent with those that we shared late in 2024 at the Investor Day. Now, they probably move out to the end of 2028 instead of the end of 2027, but getting the portfolio to mid-single digit growth; getting gross margins to 35% to 37%; achieving EBITDA margins that are mid-teens and better; and having the leverage at about 2.5 times net debt to EBITDA. And we still feel very much like we're on that journey and those are the targets we're chasing for 2028.

And then, as far as the current – I'm sure Mike will be asking me some questions about the current environment. The first two years of – or our two months rather of 2026, January and February, very much in line with the expectations we had when we set guidance. And we'll see kind of where this war goes. Right now, it hasn't yet had a meaningful impact on the business. It certainly creates certain inflationary headwinds around fuel and resins and freight. But fortunately, right now, those are roughly offset by the tailwinds of lower tariffs. And we'll see kind of where the war and the consumer goes from here.

Now, with that, I'll kind of turn it back over to you.

QUESTION AND ANSWER SECTION

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Great. Now, thanks, Pat. And just to clarify, the comments around the long-term objectives moving out to 2028 versus 2027, I believe that's something that you spoke to during the past earnings call as well, right?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

Correct.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Yeah, yeah.

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

Yeah.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

So, that's nothing new per se?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

Yes. Correct.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Yeah. Okay. So, maybe just to start on sales growth top line for 2026 and beyond. You talked about just before kind of thinking in terms of a flat to low growth backdrop where it's kind of baked into your guidance for this year, and so far, I guess, kind of hitting that, at least in January, February. But if you were just to kind of go a little deeper, little more granular in terms of the different end markets, as part of that flat to low-single digit outlook, I think, in general, the overall was a low – low-single digits was the organic growth guidance. How does that break

down between US new res; US repair, remodel; Europe, maybe non-res? How does that low-single digit – if you were to parse it out a little bit?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

Yeah. What I'd tell you, first of all, on a longer-term scenario, our macro tends to ebb and flow with GDP, right, in that 85% of our portfolio is construction-oriented, whether that's residential, commercial, industrial or infrastructure. And over the long haul, it tends to ebb and flow with GDP. I would expect the GDP for this year to be a bit like last year, again, war aside, we'll see what the war does there. But last year, the GDP was reasonable, was around 2.5% or better. But our end markets were below that, right, because GDP last year was driven by things like data centers and GLP-1 drugs and stuff that has very little to do with us.

And what I would say, when we came to this year around flat, I don't want to portray it as some hyper scientific regression model we have, we put in 20 variables and it spits out flat. We had some good things and some bad things, right. I would say, on the good side is, I do think, again, war aside, there'd be modest growth in R&R. We would expect modest growth in durables generally. We would expect whether you want to call it market or just not the headwinds of tariffs that we had during the second and the third quarter of last year, where manufacturers and retailers took promotions out of the market to deal with the Labor Day [ph] shop (00:06:13). So, those were the good side.

I would say, new construction housing, we were just assuming down 2 or 3 points, autos flat to down 1 point or thereabouts. And so, in the ebb and flow of this, roughly flat. Given we are very construction-focused, and I wouldn't point to somewhat only like Home Depot, but with Home Depot guiding 0 to 2 points, we're guiding flat, I'd say we're kind of in the same ZIP Code, right?

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Okay. Yeah. No, I mean that all makes sense. I think one of the standouts of the more recent – your last quarter was the volume trends. And obviously, talking about that volume down 9% in Tools & Outdoor due to maybe a little bit greater amount of price elasticity, I think it was discussed on the call, and obviously a softer underlying market. North American retail was kind of highlighted in terms of being a little more challenged on the opening price point in select promotional areas. So, how are the trends in this more specific area progressing so far in 2026? And what's the risk of some of the 4Q dynamics continuing over the next 6 or 12 months?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

Yeah. I think, as we shared at the end of – on the fourth quarter call, which was the end of January, beginning in February, we'll see a measure of that in the first quarter, but I don't expect it beyond the first quarter. And the reason why is, if I take us back to last year in the May-June timeframe and then again in the September-October timeframe, you had to make a set of pricing decisions in an environment that was pretty extreme and in an industry where, let's be honest, the manufacturers in this industry haven't been on a regular price cadence. So, it's not like a highly predictable environment.

And our approach last year was, hey, we care about volume and share, but we're going to make sure we take the price we need to to protect margin because we need to get back to 35% margin in a reasonable timeframe to invest in growth. And so, we were a first mover and we were thoughtful but aggressive, knowing we might do some things that put some pressure on volume, and then we'll adjust later. So, since we took that price, other

competitors like Milwaukee have taken incremental price. You also have a number of the outdoor manufacturers that protected their 2025 shipments, but have put price into their 2026 shipments. Those things have played out.

And then, on our premium brands like DEWALT and even our DIY brands, STANLEY and CRAFTSMAN, we've been adjusting promos at the pace we can. Some of those happened in the first quarter, but more of those will happen in the second quarter. And then, on opening price points like BLACK+DECKER vacuums at Amazon, that kind of stuff, we got those in as quickly as we can. I think you'll see a measure of that adjustment in the first quarter, but not a full measure.

Michael Rehaut*Analyst, JPMorgan Securities LLC*

Q

Right.

Patrick D. Hallinan*Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.*

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And then, by the second quarter, you'll see the full measure of that adjustment. And I think, by the second quarter, we should be starting to see the types of share and sales performance we'll need to get to a full year that's around 2%.

Michael Rehaut*Analyst, JPMorgan Securities LLC*

Q

And that's for a full year price tailwind for the – when you say 2%, you're talking about?

Patrick D. Hallinan*Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.*

A

Yeah, like 2% is organic. And yes, there's probably about 2% of price in there but you also have some volume coming out of there, right. So, I mean, it's – I just think that we'll be back to kind of an elasticity that's closer to that 1/1 by the time we get to the second quarter.

Michael Rehaut*Analyst, JPMorgan Securities LLC*

Q

Okay. So, kind of in a related question, given that there are a lot of moving pieces in this area. But when you think about the competitive backdrop overall what – where do you think we are in the life cycle of – obviously, there's a lot of back and forth timing wise in terms of these price increases and the reactions in the market. But when you take a step back and you think about the competitive backdrop in 2025, the level of intensity, the level of perhaps promotional intensity outside of the necessary price increases taken, where – how would you think 2026 at this point would compare to 2025?

Patrick D. Hallinan*Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.*

A

Well, I mean, I think I'm – as you know, I'm like 2.5, 2.75 year into this chair. I would have said that this segment wasn't as disciplined maybe as some other segments in construction and building products, kind of pricing dynamics. But I would characterize 2025 and 2026 as, I would say, encouragingly kind of disciplined and rational across the competitive set.

I'd say, where there's exceptions to that, they tend to be brands and/or manufacturers that are opening price point big box centric where they were very afraid of kind of a do or die scenario. I mean, if you're kind of anchored to one or two big retailers and you're only opening price point, they were pretty reticent to take price or at least as much price as other people were taking just because it was a very moment – a big moment of truth, where they don't have a big pro channel outlet for their products.

And – but other than that, I mean, if you look across our biggest brand, which is over \$7 billion of our Tools & Outdoor portfolio, DEWALT, competing against Milwaukee, Bosch, Makita, Hilti, the pricing was pretty consistent across. I mean, obviously, we took it at different times, and at every SKU level, there can be differences, and we're all kind of dialing that in, but it was pretty rational. And I expect that to be the case for 2026.

I can't speak with other retailers. Obviously, you're probably going to get to some questions about tariffs. But our long-term expectation is the administration is going to try to use Section 301s and 232 tariffs to effectively replace the IEEPA's. Now, it will take time to do that and it may play out differently by country of origin and product category. But what I've observed so far as we and others are given where we think the long-term tariffs are going, we're not really thinking of everyday price adjustments in this because we need to know more before we even contemplate something like that.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

So, maybe just on a due diligence standpoint in terms of just hitting on tariffs, you mentioned that – what you had to go through last year. But as it stands today and year-to-date, and I think this was also kind of hit on on the earnings call, but are you still looking at it like that some of the reductions in tariff rates are kind of roughly being offset by some of the increases in other material costs or freight or logistics? Or how does it all kind of shape out?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

Yeah. Well, what I'd say, I'll get to the change of IEEPA's. I would say, in general, with the tariffs that came out last year, right, we kind of priced dollar for dollar for the tariffs. And then, getting our margin percentage back was about tariff mitigation this year, which was largely just changing the country of origin and/or USMCA compliance to get \$100 million, \$200 million of mitigation out of the system to get your margin back. And we're still very much on that path. We have a meeting every other Friday, and we're tracking all of this progress as if nothing changed. Then, you have a court ruling that took IEEPA's off...

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Right.

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

...but put a different tariff in place, Section 122, that right now is at 10% threatening to go to 15%, but it's still a favorable headwind relative to IEEPA's.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Right.

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

The magnitude of that favorability right now in a short period, two or four weeks, is roughly being consumed by fuel inflation for ground transportation, resins, freight inflation in Europe because that's really where that's occurring. And then, some metals inflation like tungsten and lithium in batteries. Those kind of forces kind of roughly offset each other. And so...

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Right.

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

...assuming this conflict is such that it doesn't affect the macro economy or the consumer materially, we're kind of still in the same ZIP Code. If oil prices went away, then you'd probably just have the tailwinds of tariffs showing through.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Right.

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

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And those will go for the 150 days and we'll kind of see where they go from there.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Right. Sure.

Q

Regarding the tariffs, are you in the talks with the government to [ph] like sue them, get a refund (00:15:48), or do you plan – there are counterparties who would offer you \$0.70 on the dollar for immediate cash back? And then, those kind of deals...

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

Yeah.

Q

...are you looking at that?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

Yeah. We – we're not interested in any of the selling our IEEPA claims at a discount because we feel like if there's a legal case, we have a legal case to stand on. And we've effectively cured our balance sheet issue with the sale of our aerospace fastener business. So, we're not out there hunting for cash at a discount. I would tell you, yes, we fully expect to, and our legal team and our trade compliance team, very much engaged in pursuing refunds. We're doing it in concert with other tariff-related activities, right.

I mean, we're having ear to the ground and are trying to put our viewpoint out there with maintaining USMCA, either as is or something similar, and there are some things we're talking to the government about in metals tariffs. So, we're pursuing it diplomatically, but it's our fiduciary responsibility to pursue it and we would expect to pursue it by whatever means is the most effective means. Right now, we're just working through normal channels with trade compliance and trade lawyers to do it. It wouldn't be our first choice to have a lawsuit, but if that becomes what's in our fiduciary responsibility, then I guess we'll have to at least contemplate that but...

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Moving on to market share and also kind of a competitive backdrop type of question, and I know this is something that you probably deal with on almost every investor call. But also, I guess just on the – in the interest of being comprehensive in my questions. Maybe if you could just comment on your share globally and in the US over the last 5 to 10 years, how it's changed to the extent it has and who have been kind of the other, let's say, winners or losers in this period? And maybe first, talk about the US in particular because I think that's where the most will be interested, and if there's been any other notable shifts in your other key markets?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

Yeah. I would say, I don't know that I could parse kind of US versus globe, but I'll get at many of the things I think you want me to get at. I would tell you that I would think our share over the last three to five, maybe even seven years has kind of been flat. And what it's been is you've had a brand like DEWALT continuing to outperform the market, maybe not grow as quickly as Milwaukee is growing, but consistently outperform the market. But you've had headwinds in STANLEY, CRAFTSMAN and BLACK+DECKER as kind of the three big brands. Maybe you'd add IRWIN to that pile. Where anything that DEWALT was gaining, they were consuming and we were effectively running in place.

I think if you look at a competitor like TTI, I don't want to claim that I know them intimately. You probably know them better than I do, as do many of these investors. But I think their Milwaukee brand has really been performing well. They've been exposed to weakness in Ryobi because the DIY consumer's been kind of weak. But I think they've been gaining share and gaining share through their Milwaukee brand, both in the US and abroad.

And then I think, you have some other really quality brands in the form of Makita, Bosch, and Hilti. We see those as very serious competitors. They can either be more niche product focused, like in the case of Hilti, where they've been getting all their growth out of anchors and fastening and kind of things that are adjacent to that, which has been favorable in a data center environment. And then, you have the Makitas and the Bosches focusing more on home geographic markets. And I think them with – also with any of the other bit players have been kind of the net losers in this.

But I think in the case now – again, I don't want to claim I could speak for Milwaukee or Bosch. I think they've tried to focus their energies on geographies or parts of their portfolio that have made more sense. And I think that account, combined with some lesser players like SKIL or whomever, that they've been kind of the share losers in that whole journey. But I think, Mike, the opportunity for us is, we at Stanley Black & Decker, we haven't been on our A game combining innovation, marketing, and sales execution; and we're excited about the growth opportunity.

We feel like we have opportunities to take DEWALT higher than it's been. We see the green shoots in the STANLEY turnaround. And with the product launches we have this year in CRAFTSMAN and a renewed alignment in that brand with Lowe's and with Ace, we feel like this will be the year we turn – make the turn in the back half of the year on CRAFTSMAN. And I think we have growth opportunity across all three of those brands.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

I mean, that really kind of – that's basically the next question that I have. And the question was around just in general product innovation, with the – in power tools. But maybe just to broaden it out and talk about – you mentioned the STANLEY turnaround, you mentioned some of the product launches in CRAFTSMAN. But when you think about DEWALT, STANLEY, CRAFTSMAN in terms of product innovation, maybe you could just highlight across the three different brands some of the top areas where you hope to move the needle in 2026 and into 2027?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

Yeah, I think it's unique to each brand. Because I think one of the key tenets of each of their growth strategies is being hyper-focused on the end users, and they're all focused on different end users. With DEWALT, it's about the pro. And for us, it's expanding into areas that go beyond our traditional strength. Our traditional strength in DEWALT is carpentry. We still have a leading position there. But whether you're talking mechanical, plumbing, electrical, and concrete, those are the spots of innovation. And much of the innovation there is coming from two different types of productivity benefits.

If you're talking about something like grinders for welders, we've had a lot of great innovations around making things via battery that are both compact relative to the hydraulically-powered or air compressor-powered, rather, tools available today with a battery. So, you kind of get rid of the cord and you get better compactness. And I'd say, around concrete, we have battery innovations and power shift where we're bringing battery technology to replace fuel products in concrete. That's an example of what we're doing in DEWALT.

Very differently, in CRAFTSMAN, when we bought CRAFTSMAN from Sears some years ago, the brand, the CRAFTSMAN brand we acquired leveraged the tool portfolio that Stanley Black & Decker already owned. And it borrowed probably maybe too many categories and had a cost structure that was probably higher than ideal for a DIY consumer. And so, the launches this year for CRAFTSMAN are much more focused on home renovation and outdoor all on a V20 battery platform, which is consistent with the DIY-er who's looking to be a regular user of tools but doesn't need the performance and is looking for a price point below a DEWALT.

But we're not going to have – we probably had too many SKUs in each product category when we first rolled out CRAFTSMAN because we were...

Michael Rehaut

Analyst, JPMorgan Securities LLC

Right.

Q

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

...borrowing from a big catalog and that wasn't appropriate. And so, we've really dialed in that brand. And then, STANLEY – as Americans, we all sit here and we know STANLEY for tape measures and utility knives, because they kind of have long led those categories and it's a hand tools brand in the US. STANLEY, two-thirds of its sales are outside the US. And outside the US, it's also a power tools brand and it's kind of at that mid-price point, mid-tier. And again, the STANLEY launch, which is probably about two to three quarters ahead of the CRAFTSMAN turnaround, has been around reinvigorating the innovation to make sure a tightness of SKUs, but a cost structure of SKUs that makes them more attractive.

Price point, some ergonomics and industrial engineering across both the power tools and hand tools category, and very different packaging and merchandising. So, when you go into stores outside the US, you're seeing STANLEY bags that are highly re-energized. And in – outside the US, packaging recyclability is a big thing and kind of leading in that range.

So, these are all examples of just working end user backed. What are people willing to pay for? How do you focus your innovation where you have a right to win and you can differentiate on productivity, safety or ergonomics? And then, how do you tie in the marketing and the sales execution in a very tight alignment with that innovation? And we – as we were focused on acquisitions five plus years ago, we weren't doing this well enough. And I think...

Michael Rehaut

Analyst, JPMorgan Securities LLC

Right.

Q

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

...we have a lot of opportunity when we execute it well.

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Michael Rehaut

Analyst, JPMorgan Securities LLC

Great. I have one more quick question, probably quickly. If – and then – and want to turn it over to the audience as well. Brand investment, and maybe just more broadly, SG&A. You guided to a 22% SG&A for 2026, up a little bit from 21.5% in 2025. I think earlier in 2025, it was even talked about more closer to 21%. It kind of drifted up a little bit. What's that – what's the right number over time? Is it a 22%? Could it be a little higher? Because obviously, there's a lot going on, I think, around the product innovation, around the marketing, around other areas to support the brand. So, what – how would you – how should we think about that SG&A level?

Q

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

Yeah. I would say looking at the next three years where we expect the macro to be at best flat to low, right. So, the next three years, we would expect it to be 22% plus or minus 50 bps, 75 bps. And the way we get there though, Mike, is we're still trying to put \$50 million to \$100 million a year of incremental growth and innovation

A

investment in, which basically means, in a low growth environment, we have to go out and take cost out of the back office and other areas.

So, if you look at 2025 full year SG&A versus 2024 full year, we were roughly flat dollar for dollar. We put almost \$100 million in for growth, but we strip \$100 million out of it. And I think that's going to be the formula for the next one to two years unless and until the macro turns. And then, we get questions sometimes about, hey, we feel like you really have a growth opportunity, which we feel like the same. Why don't you just throw more gasoline on the fire?

But about \$100 million, maybe to \$150 million a year, we could use the SG&A productivity productively and our channel partners would be receptive to what we're doing. But you start getting beyond \$100 million, \$150 million, what's our ability to ramp head count productively? What's our willingness of channel partners to take new products or change...

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Right.

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

...merchandising or anything...

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Right.

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

...like that? So, I mean, we'll keep challenging ourselves and try to push that envelope, but I think that's the world we're in, is kind of 22% with us making the back office more efficient to fund the growth on the front office.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Yeah, makes sense. I'll turn it over if there are any questions from the group. Yeah.

Q

You mentioned the new products. What percent of sales come from new products when we think this year and next year?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

A

Yeah. We don't do a vitality index. We may go down that path, but I don't know that we would be like in, where you might want a long-term target of 25-ish percent. But I don't know if we've ever said anything like that – Christina and Mike – before. But I would imagine they're somewhere in the 10-plus percent for sure.

Christina Francis

Director-Investor Relations, Stanley Black & Decker, Inc.

We have the math but we [indiscernible] (00:29:36).

A

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

Yeah.

A

Q

Do you think that it's the same for the industry as well, the 10%?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

I don't know, I mean, I think a lot of developed world construction durables, people are usually trying to be around 25% for products that are 36 months old or younger. My experience is when you use that metric, though, you have to be sure you're not inspiring a lot of SKU complexity. I mean, I think the real question is, how do you gain share and how do you gain share effectively and efficiently? And so, as we go forward and think about metrics like that, if we're going to put vitality out there internally, I would expect to hold our product developers so that we're not making lots of small volume SKUs because that just ends up complicating your manufacturing world.

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Q

Outside of the recent movements on resins and IEEPA, just to level set, coming into the year, what was the expectation around how much sourcing you'd get out of China, like your percent portfolio or like footprint reduction, as well as like USMCA compliance as you kind of work through the year?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

Yeah, yeah. So, as some of you may be familiar, we started 2025 at about 15% of US COGS from China. And by the end of 2026, we're tracking to be down to very low-single digits. I don't think we'll get to absolute zero just because there's always going to be some low volume DEWALT SKUs that you're going to want to make in one place for the globe. And that one place might be China, and you just bear the tariff. And we're very much tracking to that, so that by the end of 2026 we're in very, very low-single digit percentages of COGS from China.

A

And that's kind of – we're on this path, the long-term strategic path of being out of China. And we track it every week and we're ahead of schedule on that. I'd say, for USMCA compliance, we've been particularly thoughtful about not giving out specific percentages there because we feel that's a competitive advantage for us. What we have said is, like appliance manufacturers and auto players that tend to be 70-plus percent USMCA compliant for products from Mexico, we would expect to be at that level or better, and we're tracking to that as well.

Q

Yeah, sorry. Just one quick follow up related to tariffs. On the refund question earlier, have you guys communicated how many dollars of tariff...

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

We haven't.

A

Q

...impact you've had?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

We haven't. We'll – if and when that becomes kind of a material thing that we have to, we will. But obviously, if we start shooting up big air balloons of hundreds of millions of dollars, somebody might come looking for them as well. So, we'll be thoughtful when that day comes. But it's a [indiscernible] (00:32:33) we – what we have said publicly is IEEPA was the majority of the tariffs we were paying. That's what we've said publicly. And what we have said publicly is our run rate of tariffs before the court ruling that just occurred a few weeks ago was \$700 million to \$800 million a year on an annualized full year basis. So, it's a big number.

A

Michael Rehaut

Analyst, JPMorgan Securities LLC

Anything else? Yeah.

Q

Q

On the tariffs, again. If it jumps to 15% now, what would be the impact on the tariffs?

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

Yeah. Because we don't know if and when that's going to happen and we haven't kind of given an earnings call, we can't kind of go between 10% and 15%. Both are lower than the IEEPA, so both are actually a tailwind to our guidance kind of irrespective of whether it's 10% or 15%. Because the IEEPAs, you think of them of roughly around a weighted average of 20% to 25%, you're just talking what's the magnitude of the tailwind? It seems, right now, there's – while there's a lot of rhetoric around 15%, there's actually no action around 15% right now.

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Michael Rehaut

Analyst, JPMorgan Securities LLC

All right. I think we'll close it out here. So, thank you very much.

Patrick D. Hallinan

Executive Vice President, Chief Financial Officer & Chief Administrative Officer, Stanley Black & Decker, Inc.

Thank you, Mike. Good to see you. Thank you for the interest.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Good to see you.

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