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Stanley Black & Decker, Inc. (SWK)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

Michael Wherley

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Christopher J. Nelson

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

Patrick D. Hallinan

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

OTHER PARTICIPANTS

Nigel Coe

Analyst, Wolfe Research LLC

Julian Mitchell

Analyst, Barclays Capital, Inc.

Timothy Wojs

Analyst, Robert W. Baird & Co., Inc.

Sam Reid

Analyst, Wells Fargo Securities LLC

Andres Padilla

Analyst, Jefferies LLC

Aanvi Patodia

Analyst, Goldman Sachs & Co. LLC

Brett Linzey

Analyst, Mizuho Securities USA LLC

Chris Snyder

Analyst, Morgan Stanley & Co. LLC

Rob Wertheimer

Analyst, Melius Research LLC

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Stanley Black & Decker First Quarter Earnings Call. My name is Shannon, and I'll be your operator for today's call. At this time, all participants are in a listen-only mode. Following the company's prepared remarks, we will conduct a Q&A session. [Operator Instructions] Please note that this conference is being recorded.

I will now turn the call over to the Vice President of Investor Relations, Michael Wherley. Mr. Wherley, you may begin.

Michael Wherley

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Good morning, everyone, and thanks for joining us for our first quarter earnings call. With us today, are Chris Nelson, President and CEO; and Patrick Hallinan, Executive Vice President, CFO, and Chief Administrative officer.

Our earnings release, which was issued earlier this morning, and a supplemental presentation, which we will refer to, are available on the IR section of our website. A replay of today's webcast will also be available beginning around 11:00 AM Eastern Time.

This morning, Chris and Pat will review our first quarter results along with our updated outlook for 2026, followed by a Q&A session. During today's call, we will be making some forward-looking statements based on our current views. Such statements are based on assumptions of future events that may not prove to be accurate, and as such, they involve risk and uncertainty. It's therefore possible that actual results may materially differ from any forward-looking statements that we might make today. We direct you to the cautionary statements in the 8-K that we filed with our press release and in our most recent '34 Act filings.

Additionally, we may also refer to non-GAAP financial measures during the call. For applicable reconciliations to the related GAAP financial measures and additional information, please refer to the appendix of the supplemental presentation and the corresponding press release, which are available on our website.

I will now turn the call over to our President and CEO, Chris Nelson.

Christopher J. Nelson

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

Thank you, Michael, and thank you all for joining us today. I am pleased to report that Stanley Black & Decker delivered a solid start to the year, outperforming our expectations on the top and bottom lines in the first quarter as we demonstrated continued progress on our strategic priorities.

We are confident in our strategy and in the team's ability to continue to execute and deliver results. For the first quarter, revenue was up 3% overall and flat organically. This was ahead of our expectations, driven primarily by a well-executed outdoor products pre-season.

Our adjusted gross margin rate of 30.2% was down 20 basis points year-over-year, essentially unchanged. Adjusted EBITDA margin of 9.2% was down by 50 basis points year-over-year, slightly ahead of our planning

assumptions for the period. Adjusted earnings per share were \$0.80, \$0.20 ahead of the high end of our first quarter guidance range of \$0.55 to \$0.60. Pat will unpack this further later in the call.

Additionally, on April 6, we announced the successful completion of the previously disclosed agreement to sell our aerospace fasteners business. This portfolio change is consistent with our strategy to focus on our core business and commitment to enhancing shareholder value. The vast majority of the approximately \$1.6 billion of net proceeds have already been applied towards debt reduction.

We are now positioned with a stronger balance sheet and have unlocked the ability to deploy capital to accelerate shareholder value creation. We expect our capital allocation strategy to be biased towards share repurchases, which the board has authorized.

Turning to our first quarter operating performance by segment. I'll start with Tools & Outdoor. First quarter revenue was approximately \$3.3 billion, up 2% year-over-year. Organic revenue was down 1% as a 4% benefit from targeted pricing actions was more than offset by 5% of volume pressure. Currency was a 3% benefit in the quarter.

As we discussed in February, our base case assumption was that top line volatility, especially within the North American retail channel, would persist through at least the first quarter. Consistent with our expectations, competitors continue to take price and we honed our approach to promotions for select products.

Also, as expected, our results this quarter reflected a decrease in volume, primarily driven by lower retail activity in North America. This was partially offset by a strong initial sell-in for outdoor products as we approached the peak selling season.

International growth in prioritize investment markets such as Eastern Europe, United Kingdom, and Latin America was an encouraging outcome. Additionally, increased sales generated by professional end-user demand in the US commercial and industrial channel indicates that our growth investments are building momentum in the market. Tools & Outdoor first quarter adjusted segment margin was 8.7%, which was consistent with our plan. Now, for additional context on the top-line performance by product line in first quarter.

Power tools' organic revenue declined 2%. And hand tools, accessory and storage, organic revenue declined 3%, which were both driven by factors consistent with the broader segment performance. Outdoor organic revenue increased 1%, driven by encouraging pre-season sales for spring 2026, particularly for ride-on and zero-turn mower offerings. While we are still in the early stages of the outdoor season, our performance thus far reflects strong execution by our team, including effective order fulfillment.

Now, Tools & Outdoor performance by region. In North America, organic revenue declined 2%, reflecting trends we discussed for the overall segment. The US commercial and industrial channel delivered high-single digit organic growth, demonstrating a strong return on our targeted investments in brand activation for the professional end-user. I'll talk more about this in a moment.

Point of sale performance in the quarter was aligned with our expectations and broadly consistent with reported home improvement consumer credit card data. In Europe, organic revenue was up 1%, growth in prioritized investment markets, including the United Kingdom and Eastern Europe, was partially offset by softer market conditions in other parts of the region. The rest of world organic revenue was flat, with double-digit growth in Latin America offset by pockets of market softness in Asia and the Middle East.

Turning now to Engineered Fastening, first quarter revenue grew 10% on a reported basis and 7% organically. Revenue growth was comprised of a 6% volume increase, 1% higher pricing, and a 3% currency tailwind.

The aerospace business continued its strong performance, achieving 31% organic growth in the quarter. The automotive business delivered 4% organic growth, outpacing the market, driven by strong North America demand and strength in global fastener systems for auto OEMs. General industrial fasteners' organic revenue declined low-single digits.

Adjusted segment margin for Engineered Fastening was 12% in the quarter. Year-over-year expansion of 190 basis points was primarily due to improved profitability in aerospace, and favorable automotive volume and mix.

Overall, through disciplined execution, both the Tools & Outdoor and Engineered Fastening segments delivered revenue on a reported and organic basis that was better than expected, despite the challenging operating environment.

Segment margin rates were also in line with expectations this quarter through disciplined execution, operational cost improvements, and targeted refinements to promotional strategies. We believe the results are evidence of the momentum we're building. We have conviction in our strategy and are confident that we are taking the actions required to ensure sustainable growth and shareholder value creation into the future.

Thank you to our team for maintaining their customer-centric approach and for advancing our vision of building a world-class branded industrial company. Our ambition is anchored by three core strategic imperatives: purposeful brand activation, operational excellence, and accelerated innovation. I would like to share a few updates regarding how our efforts are taking root.

Starting with DEWALT, you've heard us talk many times about safety as a core end-user priority and value proposition of the products we deliver. Our PERFORM & PROTECT lineup is designed to provide product features to defend against dust inhalation, loss of torque control, and tool vibration without sacrificing the performance that professional end users demand.

DEWALT has over 200 PERFORM & PROTECT solutions that are attracting professional end users and converting them into users of the DEWALT platform. These types of end-user-oriented solutions, combined with our ongoing investments to expand our field service and sales teams, contributed to the strong commercial and industrial performance in the quarter, including professional contractors fully converting from competitor offerings to DEWALT cordless solutions and lead construction contractors outfitting large, new project job sites with DEWALT.

In addition, last quarter, we indicated that the STANLEY brand was positioned to return to growth in 2026. I'm pleased to share that our targeted investments are supporting new listings, largely driven by the initial phase of our product refresh and new product introductions. We are seeing green shoots and are on pace to return to growth with the STANLEY brand by mid-year. Our expanded field team and trade specialists serving the professional end user are driving meaningful traction with our global channel partners, building demand as we grow together.

I will now pass the call to Pat to discuss progress on a few key performance metrics and to outline our 2026 guidance.

Patrick D. Hallinan

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

Thank you, Chris, and good morning to everyone joining us today. Before we jump into the guidance, let me start by providing a bit more detail on our adjusted EPS outperformance in the first quarter, which, as Chris noted, was \$0.20 above the high end of our guidance range from February. Above-the-line operating outperformance made up about half of the outperformance driven by outdoor. The remainder of the outperformance came from below-the-line items, most of which didn't change our full-year view on those items materially. For example, our forecasted first quarter tax rate was 30%, and that landed at 26% due to the timing of a discrete tax item, but we have not changed our view on the full-year tax rate of 19%.

Now let me walk you through our updated guidance and other assumptions for 2026. There are a few key updates embedded in this guidance you should be aware of. First, the CAM deal closed on the early side of the anticipated window. Practically, that resulted in us removing CAM's expected second quarter contribution from our guidance. That one quarter adjustment lowers our expected Engineered Fastening segment pre-tax profit by about \$15 million, but it also lowers second quarter interest expense by a similar amount, meaning it has essentially no impact on second quarter or full-year adjusted EPS guidance.

Second, there have been numerous tariff policy changes since our last earnings call, which prompted new assessments and assumptions. We expect that all-in, these tariff policy changes and our updated tariff assumptions equate to net tailwind for us this year on a gross basis compared to our assumptions at the beginning of the year.

In the near term, we have a temporary period of lower tariffs since the replacement Section 122 tariffs are lower than the former IEEPA tariffs. Our base case assumption is that new Section 301 tariffs will be introduced at the same level as the old IEEPA tariffs, which means our underlying tariff costs would be virtually the same by August as they were prior to the Supreme Court ruling in February. This is our current expectation, but that is subject to change as policy is finalized, and we will update our assumptions as appropriate.

Third, since the start of the conflict in the Middle East, we have seen inflationary cost pressures in resins and freight. Last, we have also seen meaningful inflation in recent months in battery metals and tungsten, which is applied to the tips of our saw blades and drill bits for increased durability and heat resistance. We believe the combined impact from these inflationary pressures roughly offsets the benefit from the tariff tailwind in the year.

Moving on to our actual guidance metrics. For 2026, we expect adjusted earnings per share to be in the range of \$4.90 to \$5.70, representing growth of 13% at the midpoint and remaining consistent with our original adjusted earnings guidance. We now anticipate total company revenue will be about flat compared to the last year, which is slightly lower than prior guidance because of the removal of CAM from the second quarter expectations.

We still expect organic revenue to grow by a low single-digit percentage year-over-year. This outlook reflects on our focus in pivoting to growth and our confidence in seizing the share opportunities across our key markets. We continue to expect 50 to 100 basis points of full-year benefit from foreign exchange, which should predominantly land in the first half.

Moving to gross margin expectations, we anticipate adjusted gross margins will expand by approximately 150 basis points year-over-year, consistent with prior guidance. This is supported by top line expansion, price, ongoing tariff mitigation efforts, and continuous operational improvement.

We believe, we are firmly on track to meet this target, and I will talk more about it on the next slide. We plan to continue growth investments in 2026 to further advance our robust innovation pipeline and fuel market activation with the goal of enhancing brand health and accelerating organic growth.

We expect SG&A as a percentage of sales to remain around 22%. We will continue to manage SG&A thoughtfully, allocating capital to strategic investments that position the business for long-term growth.

Free cash flow is expected to be in the range of \$500 million to \$700 million, including projected taxes and fees associated with the CAM divestiture. Excluding such payments, free cash flow is expected to be in the range of \$700 million to \$900 million, consistent with our original guidance.

Our free cash flow performance is expected to be accomplished through a disciplined and efficient approach to working capital management, progressing inventory towards pre-pandemic norms while remaining attentive to our ongoing tariff mitigation and footprint optimization initiatives. We were pleased to deliver progress on inventory reduction in the first quarter.

Looking at our segments, we are planning for organic revenue growth and segment margin expansion in both segments. Tools & Outdoor is still expected to deliver low single-digit organic growth in 2026, led by market share gains in what we anticipate will be a roughly flat market.

Organic revenue in the second quarter is expected to be up in a low single-digit range, as our recent commercial efforts continue to gain traction and as we start lapping the promotional disruption that started in the second quarter last year.

Throughout the rest of 2026, we also expect to see sales trends improve from our new product launches and commercial initiatives with a focus on outperforming the market. Adjusted segment margin is expected to improve year-over-year, driven primarily by sustained pricing actions, tariff mitigation, operational excellence, and thoughtful SG&A management.

Engineered Fastening is expected to grow low single to mid-single digits organically, which is slightly lower than our prior guidance, reflecting just one quarter of contribution from CAM, rather than the two in our original guidance. Adjusted segment margin is expected to improve year-over-year, primarily due to continuous operating improvement and volume leverage.

Turning to other 2026 assumptions. Our GAAP earnings guidance of \$4.15 to \$5.35 includes pre-tax non-GAAP adjustments ranging from \$10 million to \$65 million. This GAAP guidance is higher than prior guidance due to an expected \$260 million to \$280 million gain on the sale of our CAM business, which is largely offsetting charges that are primarily related to footprint actions.

Our full year interest expense is now expected to be about \$270 million, which accounts for three quarters without CAM, and the resulting lower debt profile, as well as lower interest in the first quarter.

Now for second quarter guidance. We anticipate net sales to be around \$3.9 billion, down slightly year-over-year due to the sale of CAM, but up by a low single-digit percentage on an organic basis. Adjusted earnings per share are expected to be approximately \$1.15 to \$1.25.

In the second quarter, the benefits of pricing, tariff mitigation, and productivity initiatives are expected to deliver an approximate 300 basis points year-over-year improvement on adjusted gross margin, offsetting the continued

impact of volume deleverage from the second half of 2025. Additionally, our adjusted EPS for the quarter assumes a planned tax rate of approximately 20%.

One additional comment to make on tariffs has to do with 232 tariffs, which were altered by a policy change on April 6. The way 232 tariff policies are applied is complex, and broad industry headlines are not always good barometers of our profit and loss impact. Although there was much speculation in the market about our outsized exposure to these higher 232 rates, we assess the incremental headwind to be just \$15 million on an annualized basis and less than \$10 million for 2026.

Though recall, the net of all the 2026 tariff changes, inclusive of 232 tariff changes, and our updated assumptions for the rest of the year, indicate that tariffs are going to provide a tailwind relative to our prior assumptions, and will be offset by inflationary impacts caused by the war, battery metals, and tungsten.

Turning now to slide 8, let's take a step back and look at our expected implied first half and second half adjusted gross margin performance on a year-over-year basis in accordance with our full year and second quarter guidance. We expect meaningful progress for each half of this year, with roughly 150 basis points of implied improvement in the first half, and roughly 200 basis points of implied improvement in the second half.

In the first quarter, we were essentially flat on AGM, down 20 basis points year-over-year due to the timing of the tariff cost realization and volume deleverage offsets we had anticipated and called out in February. As a reminder, we saw peak tariff expense and volume deleverage in the second half of 2025. The impact of both these elements rolls off our balance sheet and into our first half 2026 income statement.

We expect tariff mitigation will make a bigger contribution to margin improvement as the year plays out, as we continue to make progress on USMCA compliance and shifting production for our US tools business from China to North America.

Looking ahead, we remain fully committed to achieving adjusted gross margins of 35-plus-percent, a longstanding objective that continues to guide our efforts and priorities. We anticipate reaching this milestone by the fourth quarter of 2026, and we continue to target 35% to 37% adjusted gross margin by the end of 2028, as we stated on our last earnings call.

The other important topic on this slide I want to cover is the debt reduction that resulted from our closing the CAM divestiture to Howmet Aerospace for \$1.8 billion. This is not reflected in our first quarter financials, because the deal closed on April 6, after the end of the first quarter. However, this has dramatically improved our intra-quarter balance sheet and also provides us with a clear opportunity for a more flexible capital allocation approach.

Net proceeds from the CAM transaction were approximately \$1.57 billion, net of projected taxes and fees. We have used the vast majority of these proceeds to reduce debt in the second quarter. We said we would target 2.5 times net debt to adjusted EBITDA, the closing of CAM and our EBITDA growth focus will deliver this result. The only reason we aren't there today is due to normal seasonality of operational cash flows, but we are firmly on track to be at or around 2.5 times by year-end. Achieving this critical financial milestone provides us with greater capital allocation flexibility.

We are now well positioned to respond to market dynamics, invest in growth, and enhance shareholder value creation. We remain committed to discipline capital allocation and accelerating value creation for our shareholders, including funding organic growth, returning excess capital to shareholders efficiently, and if and when appropriate, considering bolt-on M&A. All the while, we strive to maintain an investment grade credit rating.

In the near term, we are firmly focused on accelerating organic growth and using excess cash to opportunistically repurchase our shares. The recent authorization from our board of directors for 500 million in share repurchases provides us with the flexibility to do so.

In summary, 2026 is set to be another important year for our company. With a strong foundation set, a sharpened portfolio, disciplined cost and capital allocation, and a relentless focus on our customers, we are well positioned to deliver growth and create long-term value for our shareholders.

Thank you, and I will now turn the call back to Chris.

Christopher J. Nelson

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

Thank you, Pat. As you heard this morning, our success will be determined by how effectively we execute our strategy, which is firmly anchored by our three strategic imperatives: activating our brands with purpose; driving operational excellence; and accelerating innovation.

As Pat outlined, we are focused on continuing to proactively manage factors within our control to effectively navigate evolving market conditions. We remain committed to driving towards our near-term targets and long-term goals.

As we look ahead, I am energized by the opportunities that lie before us, and I'm confident in our strategy and the team that is executing it. We are building on our hard-earned momentum to serve our end users, and we are now positioned to accelerate shareholder value creation.

We are now ready for Q&A, Michael.

Michael Wherley

Vice President-Investor Relations, Stanley Black & Decker, Inc.

Thanks, Chris. Operator, we can now start the Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Nigel Coe from Wolfe Research. Your line is now open.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Thanks. Good morning, everyone. Thanks for the question.

Christopher J. Nelson

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

A

Good morning, Nigel.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Morning. I'll try and keep the first one simple. I wonder, can you maybe just unpack for us the improvement in gross margin from first half to second half, about four points? I'm guessing there's a bit of CAM benefits, you mentioned tariffs – sorry, USMCA compliance. I think there's some productivity. Maybe just help us unpack that four-point improvement.

Patrick D. Hallinan

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

A

Yeah. Nigel, great question. It's a long-term focus for us, so we have every intent on hitting it. And the good news when we talk about the third quarter in particular is we could see effectively that gross margin percentage already on our balance sheet.

And from here, the only things that could really change that is if sales change meaningfully down or there was some very big new spike in inflation. So I mean, we can see the 34-and-a-fraction percentage gross margin for the third quarter already in our balance sheet.

And when you think of that stepping up from the first half to the back half, you're talking about really three big factors that go beyond the normal seasonality of outdoor or the CAM issue that you mentioned, because these are really the ones that are going to sustain it and drive it long term, which is – it's about 40% of the delta is net productivity benefits from our ongoing continuous improvement initiatives. Another roughly similar amount from adjusting our fixed cost structure to the current volume environment that became apparent in the back half of last year after tariff pricing.

And then the final portion, so about 20% of the delta, is just the ongoing tariff mitigation efforts. So three levers of continuous improvement, adjusting to the current volume environment, and then the ongoing tariff mitigation drives us there.

And we have every confidence we'd get there and sustaining it will be continuing to keep our cost structure attuned to the volume environment and dealing with inflation as it plays out the balance of the year on however the war unfolds and however kind of battery metal situation unfolds.

Nigel Coe*Analyst, Wolfe Research LLC*

Q

Okay. Thank you very much. And just a quick follow-on on the tariffs. You made it very clear that the temporary benefit from IEEPA is offset by raw material inflation, but I'm just wondering if – the IEEPA benefit seems like it could be quite material. So, I'm just wondering if it does create some temporary benefits in the P&L during the year that then washes out, or is it wash in pretty much every quarter.

Christopher J. Nelson*President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.*

A

Yeah, Nigel, this is Chris. I'd say that if you look at the benefit that we see right now, we think about it, as Pat outlined in the comments, as being a temporary benefit, because we do expect the 301s to be reinstated at similar levels to IEEPA. And the assumptions that we have in for that intervening period, while all-in with all the changes that were mentioned are a net tailwind, they do offset some of the inflation that we're seeing right now, not only in battery metals, but what we're experiencing due to some higher input costs that we'd say are driven by the conflict in the Middle East.

So, net-net, there is a bit of a tailwind, but the base assumption is that we are going to see a tariff environment that is roughly equivalent to what we left in IEEPA when the 301s were put in.

Operator: Our next question comes from the line of Julian Mitchell from Barclays. Your line is now open.

Julian Mitchell*Analyst, Barclays Capital, Inc.*

Q

Hi. Good morning. Just wanted to home in a little bit more on the Tool (sic) [Tools] & Outdoor volume environment. The outdoor pickup, I suppose, is encouraging. Just wondered kind of what you thought underpinned that. And how you're expecting the T&O volumes to play out over the balance of the year, given there's some market share efforts, but also maybe a slightly more muted consumer demand backdrop in total?

Christopher J. Nelson*President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.*

A

Yeah. This is Chris, Julian. First of all, good morning. Thanks for joining us. And I'll start with outdoor and say that, I'm very proud of the team and encouraged by the way that they were able to execute in what we would consider to be our pre-season timeframe. And the ability to fulfil orders, I think, positions us to be able to have a nice selling season. It remains yet to be seen which direction that selling season is going to be, but we think we're well positioned to be in a good position for whatever that selling season looks like, so we could experience some upside if we see increased sell through.

Overall, in the Tools & Outdoor environment, what I would say that really, we haven't seen any material changes to what we would say underlying demand to look like. Last call, we talked about the fact that we expected to see an inflection in Q2, partially due to the previous year comps, where, as you understand, we had disruption in normal promotional volumes and timing.

So, those coming on this year is going to be a net tailwind as we think about volume relative to last year, as well as the fact that when we talked about what we're going to do to hone some of our promotional strategies in those periods versus what we had in Q4, we expect those tailwinds to be kicking in the second quarter. And we're excited to see that they are on pace for performing as we would have expected them to.

But the underlying demand, as we came into the year, we thought about it being relatively flattish, and we still see it as being relatively flattish, but we feel good to be positioned from a relative basis year-over-year to be able to see the growth in quarters two and three that we had outlined as a part of our plan.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

That's great. Thank you. And then, just when we're thinking about price and cost movements, as you said, there's a lot sort of moving around in terms of costs within the year because of tariffs and your own price initiatives. I suppose, any more color you could kind of give us on how you're thinking about that price, net of cost delta in that gross margin guidance that you laid out on slide 8 as we go through the year? And how's the sort of elasticity on price to volume playing out year-to-date?

Patrick D. Hallinan

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

A

Yeah, Julian, I would say, we haven't really changed our viewpoint materially for the year on price. I mean, as we've said on many calls in the past, we can have deltas of up to 100 percentage points – or 100 basis points, rather, in any given quarter on how promo mix dominates or not volume and that can cause 100 basis point swing in our reported pricing in a given quarter.

But in terms of the price we plan to execute and the adjustments to promotions or select targeted opening price points hasn't changed in any material fashion from the start of the year. And I just would remind you, in this environment, most of the price we took, we obviously took last year to dollar for dollar offset estimated tariff costs. And then, we would reclaim our margin relative to those tariff costs by tariff mitigation, and that is still very much our game plan.

So, the structure of everything stays the same for this year. As you heard, we have some tariff tailwinds largely from 122s being lower than IEEPAs. And then, we have some inflation from battery metals, tungsten, and oil derivatives from the war, and those roughly offset in the year. Obviously, those things can change on us during this year, because there's more trade talks going on this year, and there's obviously still to see how the war plays out.

And if and as those inflationary factors become more apparent in the back half or the middle of the year, we'll decide what that means for pricing in the latter part of the year or to set up 2027. But right now, if you asked us, our 2026 price plan is consistent with our opening guidance and everything's playing out in accordance with that. And any inflationary factors from this year that affect the go forward, we'll deal with in the back half of the year or the early part of 2027.

Operator: Our next question comes from the line of Tim Wojs from Baird. Your line is now open.

Timothy Wojs

Analyst, Robert W. Baird & Co., Inc.

Q

Hey, everybody. Good morning and thanks for all the details. Maybe just to start out, Chris, you mentioned, I think you guys kind of went through the wall a little bit more with price than some of your competitors. And now some of those competitors seem to be kind of implementing more price as we're kind of coming through – into 2026.

And I'm just kind of curious if you're starting to see any sort of shift on the ground in terms of how that's impacting just kind of your relative POS performance in those various categories?

Christopher J. Nelson

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

A

Yeah. Thanks a lot for the question. Thanks for joining us. So as we talked about last call, we were seeing and we're expecting to see more competitive price movement in Q1, and we did, in fact, see that.

So I'd say that combined with the actions that we had taken as we did the view of what we needed to surgically adjust in our promotional and kind of some of our pricing on more of our elastic items, we have seen, what I'd say to be, for lack of a better term, more of an even playing field on pricing as the competitive dynamic has played out.

In addition to that, as we have adjusted our pricing and promotions coming into the year, as you might imagine, we're tracking it skew by skew to understand the impact and is it in line with what we anticipated and what we modeled out. And to date, it has performed in that manner.

So we're encouraged by what we're seeing going into Q2. Now I will say that the majority of those promotional repositionings do come in, in Q2, so we're keeping a close eye on that. And once again, we are going to see more promotional activity versus last year in that area.

But right now, we are seeing it react as we anticipated. And once again, to reiterate what Pat was talking about, that that would be that we were confident in being along the lines of where our guidance was on price with the understanding that it could vary a little bit quarter to quarter based upon promotional uptake.

Timothy Wojs

Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Great. No, that's really helpful. And then just – I had a follow-up just on CRAFTSMAN. I think there's plans to do a bigger relaunch of that product later this year. I was just kind of curious about the timing and kind of if that could have a more material impact on sales and margins.

Christopher J. Nelson

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

A

Yeah, it's a great question. So the way we have kind of scripted it out has been that obviously going back several years, we started really putting investments and dollars behind the brand health and the go-to-market and sell-through in the DEWALT brand.

And we continue to see and are very encouraged by what we're seeing there, particularly in the professional channels, as I think we referenced that we've seen, where we saw last quarter high single digit sales in our professional North America construction and industrial channel, which is very encouraging.

Next from there, what we have, and we highlighted this a little bit in the prepared remarks, is that we have been working over the past couple of years to also refresh the lineup in the STANLEY brand, which we have started by launching our measuring and layout SKUs. And we'll continue to see this year more on the V20 platform coming out in the STANLEY brand.

So we're in a position and we're encouraged by what we're seeing there, as well as the dedicated selling resources we put in place in Europe, that we're in a place where we expect to, as scheduled, inflect into growth by mid-year.

CRAFTSMAN is the one that we were spending a lot of time repositioning the cost from a platform perspective. And we've been now launching – we have one of our largest ever NPD launch cycles this year for the CRAFTSMAN brand, since we've owned it. And we expect by year end to have a lot of that in market and see the benefit by the end of the year going into 2027, as we move into growth on the CRAFTSMAN brand.

So yes, I guess I answered more than you asked, but that's how we've been thinking about it for our core brands and that we should see that CRAFTSMAN momentum by year end and certainly going into 2027.

Operator: Our next question comes from the line of Sam Reid from Wells Fargo. Your line is now open.

Sam Reid

Analyst, Wells Fargo Securities LLC

Q

Thanks so much, guys. Just wanted to maybe drill a little bit deeper on the status of your USMCA tariff initiatives and then also maybe just talk through kind of the status of the China tariff mitigation as well. Thanks.

Christopher J. Nelson

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.

A

I'll take that one, I guess. So if I think of USMCA, we had talked about how we wanted to make sure that we were getting towards or exceeding the industrial averages for what USMCA qualification looked like. As we had talked about at the beginning of this, I guess, early last year, we were well below average with roughly a third of our products USMCA-qualified.

We've been making tremendous progress there and are a little bit ahead of pace on those activities and we will certainly expect to be at or exceeding that average in the not-too-distant future. So we're on pace to a little ahead on the USMCA front. And then just to reiterate, we had stated that we intend to be less than 5% of our sales in the US coming from China-sourced product by the end of the year and we are as well on pace for that.

And even with all the changes that we've seen and modifications in tariff policy with IEEPA, 122s, et cetera, we have continued on the same path of the strategy that we initially laid out, which was to, first and foremost take care of our customers, making sure that we have availability, and then to make sure that we are able to, through operational moves and leveraging our global footprint, continue to mitigate the costs of those tariffs to ensure that we are driving towards a margin position that allows us to continue to invest in the innovation and brand health that we need to be successful.

And I give great kudos to the team for the way that they have been working tirelessly to ensure that those projects move on pace or ahead of pace that we expected. So we feel good about where we are there.

Sam Reid

Analyst, Wells Fargo Securities LLC

Q

All helpful, guys. I'll pass it on.

Operator: Our next question comes from the line of Jonathan Matuszewski from Jefferies. Your line is now open.

Andres Padilla*Analyst, Jefferies LLC*

Q

Hi. Good morning. This is Andres. I'm on for Jonathan. Thank you so much for taking the question. First, you called out stronger outdoor sell-in ahead of the spring season and higher conversion in the pro channel. Can you expand on what's driving those trends and the sustainability of outdoor demand from here? Thank you.

Christopher J. Nelson*President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.*

A

Well, I think that, from an outdoor perspective, we have a channel where people are optimistic about seeing a good season. Inventories were at a level where people were making sure – we're in a position to want to be in a good position to have the proper inventory for when the selling season came. And our team was able to produce and execute and fulfil those orders in a timely fashion.

We're at the very, very beginning of the key outdoor season. So we'll see how it plays out. But we are in a position to take advantage of any upside that the market may offer. And I think that's the best thing we could hope for at this point. So, once again, congratulations to the outdoor team and what they've been able to accomplish.

Now what we've been able to see in the growth, in the professional channels, both in the US and in the rest of the world, and we referenced and I did earlier, the high single digit growth in the US commercial and industrial channel, that's really been driven by a multi-year strategy for us to invest in the work flows that we need with the products that we need for those key trades that we're focused on.

And we've been – we continually – we continue to round out that product offering. And I referenced a lot of what we're seeing with the momentum in our Perform & Protect product line in the DEWALT brand. And then we continue to invest in our go-to-market and our service and sales force around the world.

And I think that the combination of those two things, as well as the activity level that we see in the professional channels has bode well for us to be able to continue to grow, we believe, above market rates in those professional segments and particularly with the DEWALT brand.

Andres Padilla*Analyst, Jefferies LLC*

Q

Great. I'll pass it on. Thank you.

Operator: Our next question comes from the line of Joe Ritchie from Goldman Sachs. Your line is now open.

Aanvi Patodia*Analyst, Goldman Sachs & Co. LLC*

Q

Hi, and good morning. This is Aanvi on for Joe. Thanks for taking the question. I wanted to spend one minute on, like, the CAM divestiture. I recognize there's been some shift in the guide, because of the timing on the close. So if I understand it right, it's \$15 million as, you know, a net impact for the year.

Can you help me understand what you said that it would not have a significant impact on Q2, so just any puts and takes around the interest offset as well as the profit for the second quarter and the year?

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

A

Yeah. When we gave initial guidance for the year, obviously we had the uncertainty of the specific timing of the CAM transaction. And so, you know, we indicated at the start of the year that every quarter that CAM is in our results, it's roughly \$110 million to \$120 million of net sales and roughly \$10 million to \$20 million of pre-tax profit, and the year played out very much in line with that.

So, taking CAM out of the second quarter for virtually all but a day of the second quarter resulted in roughly \$110 million net sales reduction and roughly a \$15 million pre-tax operating profit reduction.

But as we indicated in the call, there's a reduction in second quarter interest expense that's roughly equivalent to that. And so those things, the loss of contribution relative to the loss of interest expense roughly offset each other on a pre-tax basis. And that leaves the quarter and the year unaffected.

Obviously, the CAM transaction provides net proceeds of just below \$1.6 billion, which we use towards debt paydown in the quarter. And so, you'll see, all else equal, our leverage being down by that amount in the second quarter.

Also, some working capital will come out – CAM was a pretty working capital-intensive business – but that was expected in our year-end results anyway. And so, those are really the big puts and takes. There's kind of no other big puts and takes in that. And what was uncertain at the beginning of the year is, would that happen inside of 2026 and when? And obviously, we know the answer to that now.

Aanvi Patodia*Analyst, Goldman Sachs & Co. LLC*

Q

Got it. That's helpful. And just as a follow-on, since you've been talking about the impact from CAM as well as the OPG Gas Walk together. If you could, like, provide some color on why this change is instated, what it really means. And I know you've quantified it as well, but anything we should keep in mind for the quarter in particular?

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

A

Yeah. Well, you're referring to, for select gas walk behind product in outdoor, we transition to a full manufacturer on our own model to certain products being licensed, and that's how we provide those to our channel partners to have a full rounded out product offering. That really occurs the back third of this year, so it has very little to do with this spring-summer selling season; has more to do with kind of the end of that season and how the early parts of 2027 play out.

And as we recall that that's really a change on the top line of a couple hundred million dollars, that net-net is accretive on the bottom line. And that's a project plan that's ongoing, and is tracking as we expect at this point, so there's no real big changes to that.

And we called out that along with CAM at the beginning of the year just because they were things that we anticipated would really change our reported versus our organic sales in the third and fourth quarter of this year. And that's the only reason we talked about them together is the impact they had on reported versus organic sales the back half of the year.

Operator: Our next question comes from the line of Brett Linzey from Mizuho. Your line is now open.

Brett Linzey*Analyst, Mizuho Securities USA LLC*

Hey, good morning, all.

Q

Christopher J. Nelson*President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.*

Good morning.

A

Brett Linzey*Analyst, Mizuho Securities USA LLC*

My question is just regarding the pro and the tradesmen replacement cycle on battery platforms. I've always thought about that as really a five- to six-year churn, but curious what you see as the life cycle there.

Q

And then, how are you seeing the next pro replacement cycle setting up for some of those pandemic units starting to churn? And then, anything from an innovation standpoint that's maybe activating some of that demand and what the milestones might look like internally there?

Christopher J. Nelson*President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.*

Yeah, it's a good question. I would say, honestly, we think about the replacement cycle as being a little bit more applicable in more of the DIY segment, in being that kind of timeframe that you're talking about, because the reality is that the professionals, they have such a high intensity of use, and that it's usually accelerated and not as applicable for that timeframe, as well as the fact that often they are going to kind of tool up all in for a new job site as they go job site to job site.

A

So, what we have seen is that the strength that we see in certain areas in the commercial and industrial world, specifically with data centers, we see great demand there on our battery platforms to support the growth going forward.

Now, as is it pertains to what we see in the DIY, we think that that is kind of behind us from what could have been seen as a pull ahead of volume that needed to shake out over time, I think that's behind us. And what we're seeing from the DIY world is more of an overall effect of the depressed consumer and lower than average kind of project and renovation and repair work going on.

As far as what we see for the products that we have been making sure that we drive in order to continue to build out that battery platform, there's really a couple of things that we've been doing is, one, working with each one of our core battery platforms at the 20-volt XR level, FLEXVOLT, and then launching POWERSHIFT so that we have then three core platforms that we can build around in the professional segment, and then making sure that we are really building out all of the tools that each key trade could need and would want to optimize and make them more efficient and safer as a part of their workflow.

So, we've been making sure that we not only drive and optimize those three core platforms, but then also the tools around them to ensure that we take advantage of what we see as a really strong installed base for our professional batteries and tools around the globe.

Brett Linzey

Analyst, Mizuho Securities USA LLC



Thanks, Chris. Appreciate the insight. I'll leave it at one.

Operator: From this point forward, we will ask the remaining Q&A participants to please limit themselves to just one question. Our next question comes from the line of Chris Snyder from Morgan Stanley. Your line is now open.

Chris Snyder

Analyst, Morgan Stanley & Co. LLC



Thank you. I wanted to ask about the competitive environment. It sounds like some of the competitors took price action in Q1, but I guess, do you see any changes in the competitive environment as we look into the back half of the year?

And the reason I ask is because it seems like, you know, while you guys are seeing a tailwind or a tariff offset from the move from IEEPA to 122, I would imagine a lot of the Asian competitors in the market are seeing even a more significant tariff offset on that rollback. So just wondering, what does that mean to you guys around potential price competition in the back half of the year? Thank you.

Christopher J. Nelson

President, Chief Executive Officer & Director, Stanley Black & Decker, Inc.



I think there's a couple of things in there. Once again, our calculus and baseline would say that we think that the 301s are going to largely replace IEEPA. So in the back half of the year, we're not anticipating there being a significant change in the environment as one. So I think that that would be kind of more of a steady type of environment as a result.

So that's kind of anything that would happen in the near term would be temporary in nature. And as we look at the combination of our strategies and how it stacks up versus our competitors and what we have for our global footprint and how we're driving towards, you know, really high percentages of USMCA-qualified product, which have a much lower tariff exposure. We believe that we are, at parity to probably mildly advantaged as we think about going forward in that environment as well.

So, what you did reference, which I think is important to note, is we have seen the pricing environment play out more in line with what we thought it would. And we did see those moves in Q1 in the competitive set that I think is important as we move into Q2 and the strategies that we said that we're going to be following to make sure that we see the opportunity for us to pivot towards growth in Q2 and Q3.

Operator: Our final question comes from the line of Rob Wertheimer with Melius Research. Your line is now open.

Rob Wertheimer

Analyst, Melius Research LLC



Thank you. It seems like the overall consumer trend is stability in a world that feels a little bit more unstable. So I wonder if you could comment on, trends through April for Europe and the US just to see if that has continued? Thank you.

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

A

Yeah, Rob. We obviously – we can't start talking about the end of Q2 as we just wrap up Q1. But, I would say, what we've experienced through the end of the first quarter is consistent with the back half of last year, which, as you hint in a really challenging global macro backdrop, I would say, the pro and the consumer hanging in better than one might expect.

Obviously, there's been softness the back half of last year as tariff pricing went into effect and volumes adjusted to that pricing, around a one-to-one elasticity and that continued into the back half or the front half of this year. And our outlook anticipates that while the buyers will continue to be challenged, they kind of hang in there where they've been the last three quarters, and that's what our outlook is based upon.

We'll see as the war plays out, if that changes, you know, and if it changes, we'll adjust to the upside any production that we need to produce, if the consumer heals up a bit. And if the consumer ticks down a bit, we'll be mindful of managing our total cost structure while preserving the long-term investments we want to grow the business and pivot towards growth.

But, I would say your characterization is where our guidance is, which is in a challenging world, kind of buyers being relatively steady where they've been the last three or so quarters.

Michael Wherley*Vice President-Investor Relations, Stanley Black & Decker, Inc.*

That is all the time that we have for Q&A. We'd like to thank everyone again for their time and participation on today's call.

If you have any further questions, please do reach out to me directly. Have a good day.

Operator: This concludes today's conference call. Thank you for your participation. You may now disconnect.

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