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EDITED TRANSCRIPT

SWK.N - Stanley Black & Decker Inc at JPMorgan Homebuilding and Building Products Conference (Virtual)

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PRESENTATION

Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Good afternoon. Thanks for joining us. My name is Mike Rehaut. I'm the senior analyst covering the homebuilding and building product sectors for JPMorgan. We're excited to kick off the afternoon session of day 2 of our 15th Annual Home -- JPMorgan Homebuilding and Building Products Conference. And with us, we have Black & Decker -- I'm sorry, Stanley Black & Decker. Getting a little punchy on my 14th company, I guess.

We have with us at Stanley Black & Decker, President and CFO, Don Allan; along with Vice President of Investor Relations, Dennis Lange. Don and Dennis have a few slides to go through. We'll also ask the team some questions that we've prepared. And in addition, we can certainly pass along questions from the audience. If you'd like to submit a question, you can do so through the submit question button on your digital conference book. And that goes straight to me, and I can pass that along to the team.

So Don and Dennis, I want to thank you for your time and your participation in the conference. It's great to see you, hopefully, next year in person. And with that, I'll turn it over to you, and we'll go from there.

Donald Allan - *Stanley Black & Decker, Inc. - President & CFO*

Great. Thank you, Michael, and good afternoon, everybody. As Michael said, I want to go through 3 slides and just maybe spend up to 10 minutes just familiarizing you with Stanley Black & Decker as well as talk through some of the great attributes of our significant franchises.

So if we look at this page here, you can see that our revenue last year was $15.6 billion. With the acquisitions of MTD and Excel that closed late in the fourth quarter of 2021, that will add another $3 billion in revenues. So probably kind of a pro forma starting point of almost $19 billion in revenue, approaching $20 billion this year most likely as we close out the year.

Two significant franchises, they're really 3 but 2 significant segments. We have our Tools & Outdoor segment and then our Industrial segment. If we look a little bit into Tools & Outdoor, and I have a little more detail on the next page, you can see that half of that segment is power tools, and then the other half is split between the outdoor power equipment and hand tools. Now obviously, this is before the MTD and Excel acquisitions. But when you factor those in, you'll see, clearly, a much more significant portion of the segment will be the outdoor power equipment.

The Industrial business, which is heavily weighted to Engineered Fastening, which serves many manufacturers around the world with some significant weighting to the automotive OEMs and aerospace OEMs. And we think this is a great cyclical recovery story as they bounce back from a challenging couple of years as those industries have been impacted by a variety of different reasons, limited travel in the case of aerospace, and then supply chain, semiconductor supply challenges on the auto side.

The company continues to evolve. We've made some significant portfolio moves over the last really 12 months with the acquisitions I mentioned, but also by selling the 2 significant components of our Security segment: electronic security for almost $3.3 billion to Securitas; and then our automatic door business approaching $1 billion in purchase price to Allegion. So those transactions are progressing well, and we would -- we still expect them to close midyear, probably early in the third quarter is the likely time frame.

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So really a reshaping of the portfolios in Stanley Black & Decker to really create a more straightforward, simpler company that will be heavily weighted towards the Tools & Outdoor platforms with a nice, solid Engineered Fastening business that has that cyclical recovery aspect that I described. We continue to be a company that is known for innovation. And we will continue to invest to ensure that occurs in the future, focused on high performance and high return to our shareholders and then also making sure that we're a force for good and investing in social responsibility.

So with that, if we can move to the next page and maybe dive a little bit deeper into the larger part of the company, which is our Tools & Outdoor platforms. You can see the amazing brands that we have across the spectrum here with the premier brand being DEWALT, and then just a notch down from that, brands like Stanley, CRAFTSMAN, Black & Decker and then some great additions in our outdoor space with Cub Cadet and Hustler, with Hustler serving really the independent dealer network primarily, and Cub Cadet serving that network as well as a little bit in the retail space. And then some really strong niche brands in IRWIN, LENOX and Facom and of course, Mac Tools.

These platforms have really been focused on how do we continue the growth story associated with tools and now outdoor by really focusing the effort on commercialization, continue to invest in innovation and also investing in our brands.

There's 5 different kind of categories of products. Power tools is an obvious one that we all know very well. Of course, outdoor products and then hand tools, which are weighted to both construction hand tools and industrial hand tools, accessories primarily for power tools and then storage, which serves many different channels and really partners well with a lot of the different products that I just mentioned.

Four major customer segments with a heavy weighting towards construction and then weighting towards consumer and DIY, industrial, manufacturing and then auto repair. Interesting fact around -- there's been a lot of questions around gaining share. We believe our business has continued to gain share throughout the pandemic, just like it gained share before the pandemic in all these different categories.

When you look at our performance around the globe versus the market performance, we continue to outperform the market in some way, shape or form, 1.5 to 3.5x the market performance depending on the time frame and the category. And you also can see, if you looked at the 10-Ks of our major home centers that reported recently, their fiscal '21 results, you'll see that the POS that we've actually achieved has outperformed the POS in those categories for Tools & Outdoor, which sends a strong message to us that we are gaining share in those major customers.

This business is a wonderful platform that's really been shaped over a decade now, decade-plus, through multiple acquisitions, first with the merger of Stanley and Black & Decker, and the acquisition of CRAFTSMAN, some of the outdoor acquisitions I mentioned as well, the brands that came from Newell, both IRWIN and LENOX, and of course, Facom was something we acquired probably about 15, 16 years ago, a business that now is positioned to really leverage significant organic opportunity that we have in front of us. And how do we drive that organic opportunity? Through innovation and leveraging the brands that we have.

So if we move to the next page. The other thing that we have to keep in mind is we've had a strong record of performance over the years. You can see the results here of what we expect in 2022, although it's a slight revision down, or revision down since what we communicated in January. Due to a significant wave of inflation that occurred in both February and March of this year, we are responding with price actions as needed to offset that, not necessarily within 2022 completely, but over a multiyear period of '22 and '23, we'll be able to fully recover that impact through price increases with our customers and ultimately the end users.

There's also a significant story around margin expansion here. We have to not only focus on growth but how do we continue to accelerate margin expansion as they've been impacted dramatically by commodity inflation over the last 12 months. The way we're going to do that is through NPD, our innovative products to the market, looking at all the channels that we have out there to leverage the growth opportunities such as e-commerce. Electrification. Electrification will be a great growth story for our Outdoor business, and we'll talk more about that in the Q&A, I'm sure.

And then looking at margin resiliency, the opportunity to not only expand our margins through price that we pass on as a response to commodity inflation, but also the supply chain opportunity to transform that to get closer to our customers, something that we were working hard on before the pandemic, and then we had to pause for a couple of years as we dealt with much higher volumes.

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We will accelerate that transformation again beginning here in '22 and going into '23 and '24, which will allow us to have shorter supply chains, ultimately lower levels of inventory. And in my view is we'll ultimately be able to drive our cost down -- the cost of the supply chain down over the long term as we continue to grow.

We're driven by our vision and our purpose. We want to be a force for good. We want to continue to deliver top quartile long-term performance. We also want to be recognized as a company that has the -- is one of the world's most innovative companies, has been and will continue to be. And of course, our commitment to social responsibility, as I mentioned before. We are for those who make the world. And we believe we've created a company that is straightforward, simple and has a wonderful organic growth story and margin expansion story going forward, which will ultimately create significant free cash flow.

So that ends my presentation, Michael. I'll put it back over to you for Q&A.

QUESTIONS AND ANSWERS

Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. Thanks, Don. Appreciate that. And certainly, there are a bunch of questions that I have that you've alluded to in some of the prepared remarks. But let me kick it off with just demand visibility for the back half of the year. Embedded in your guidance is an acceleration in organic sales growth from roughly flat in the first half to low to mid-teens in the second half. What are the drivers of this growth? And what are the risks to achieving the outlook?

Donald Allan - *Stanley Black & Decker, Inc. - President & CFO*

Yes. I would say the back half has a couple of significant factors, really 3 factors to consider when thinking about those numbers that Michael just mentioned. One, there will be a significant component of that organic growth is price. So we've achieved about 5.5% in price in the first quarter. We expect that number to be somewhere between 7% and 8% in Q2. And then in the back half, we'll be around 10%, maybe slightly higher.

So a large part of that growth, anywhere from 2/3 or more, will be coming from price. And that price is in response to a significant amount of inflation, as I mentioned, almost $2.7 billion that we've experienced over the last 12 months. That's an annualized number that will roll into next year but impacts last year, this year and next year. Those price increases, the fourth wave or fourth round will go into effect in the third quarter. We just completed the third round in the month of April, early May.

The second thing is we do expect the supply chain constraints to improve as time goes on here. As we mentioned at the beginning of the year, semiconductors was a challenge, in particular, for our professional power tool business. That supply has improved in Q1, and it's going to improve again in Q2. As a result, we expect to see a better revenue performance sequentially versus Q1. And then in the third quarter and the fourth quarter, improved sequential performance versus Q2 and the first half. So that's a volume aspect of that will improve the volume story in the back half of the year by really shaking loose from that constraining supply chain challenge that we've had in the past.

And then the last is the comps actually get easier as you look at the different businesses, whether it's Tools or our Industrial business and even portions of our Outdoor business that are organic. The comps will get easier as we go throughout the year, in particular, in the fourth quarter. All 3 of those things are really driving a sequential shift when you look at organic growth in the back half versus the first half.

Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. Great. That's perfect. Second, I wanted to hit on price-cost. Historically, I believe you described your approach to cost inflation is trying to offset by price about 40% or 50% of that amount and then with the rest through cost actions or productivity. How has that changed in the more recent environment?

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And I'm going to kind of combine this with my next question is, the greater amount of price that you sought in the market, I think it points -- you've kind of incorporated a little bit of demand elasticity or conservatism there. If you want to comment on how price has impacted volumes or your thoughts around volumes and volume growth.

Donald Allan - *Stanley Black & Decker, Inc. - President & CFO*

Yes. I think the old model of our -- of Stanley Black & Decker for pricing was appropriate for that period of time where you experienced inflation that was something that was at reasonable levels that you could do a mix of price increases, productivity in the supply chain, other cost actions and then some of the performance resiliency things that we do on an ongoing basis. And that would be a way to kind of mitigate the impact of that in the short term, midterm and long term.

As we went through this particular unprecedented period of time of hyperinflation, as I mentioned, the numbers are quite substantial at $2.7 billion that we'll experience over a 3-year period of time is just not something you can take that same approach to pricing, but you have to be more aggressive in how much you pass on. And we believe, when this is all said and done, we will approximate 100% of price recovery versus inflation over that time frame.

The periods as far as the quarters, half years and years will not be perfect matches at 100%. You'll have some years like last year where the recovery was lower, and then years like this year and next where it will be around 100% or higher. And so that's the approach we believe is appropriate.

And what's interesting about it is as you look at the dynamics of what's happening in the market, everybody is taking price in some way, shape or form. They're doing it through new product introductions, list price increases, mix management, promotional limitations, et cetera. We're doing the same thing, and I think that's the right way to approach price in an environment like this.

And I actually think it might be a learning going forward coming out of this cycle that you really should be more aggressive with your price actions when you experience an inflationary period of time. And then as that moderates, you decide what you give back or what you don't give back as the cycle begins to pull back.

The second question, I forget.

Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Elasticity.

Donald Allan - *Stanley Black & Decker, Inc. - President & CFO*

Elasticity. Thank you. So when we updated our guidance in April, we looked at kind of what we thought for volume for the full year versus what we said in January, knowing that we're going to put another round of price or round 4 into the market in the third quarter. We decided to pull back a little bit on our volume assumptions where in January, for Tools, our volume assumption for the full year was a modest volume growth.

The current view is that it probably will be down 2% to 3% for the full year. Probably 1 point of that is due to the -- maybe 0.5 point to 1 point of that is due to the closure of our Russian business. The other portion of it is being a little more conservative on the volume assumption, knowing that we're putting some pretty substantial price into the market. And then when you look at all 4 rounds of price, we will end up putting in close to 18% in total price increase over a 12-month period of time. Hence, why we decided to be a little more prudent on the volume.

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Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

I mean, historically, have you seen any correlations between price and volume in terms of elasticity? I mean, I guess, in the past, you haven't had a near 20% price increase over a 12-month period. But have you seen different in the marketplace, any relationships between the 2? And I'm also wondering if that relationship has changed at all, to the extent that perhaps in some channels, to the extent that competition has become a little bit more intense?

Donald Allan - *Stanley Black & Decker, Inc. - President & CFO*

So I think history is really difficult to look at and compare it to this current period of time because a lot of the price increases of the past were relatively modest, 1%, 2%, 3%. And they don't tend to have dramatic impacts on volume because of that. So it's hard to really look at history and say, what does that mean for this particular situation.

One of the things that we're doing, and you were just touching on that in the second part of your question, is with all the data and information that we've pulled together over the last 2 or 3 years and really created a very automated, fairly intense database and analytics around that of scraping websites and different areas of the Internet for what our competitors are doing with price and really trying to understand those dynamics is that analysis really helps you make better decisions. It also helps you understand what the potential elasticity impact could be.

So if you're going to do a 5% price increase on a particular set of products and you're already at a premium of 15% and you don't see your competitors moving, you may create a bit of elasticity volume challenge in that particular case. The good news here is that everybody is -- as I mentioned earlier, everybody is moving up in some way, shape or form. And so as we look at this analysis I just described on an ongoing live basis, which is some -- we have a group of people that are looking at this daily and weekly and on a monthly basis, obviously, as well to see what shifts are happening in the market. And the good news is we don't see a lot of disconnects as far as premiums and discounts versus the competitor product set.

So as we are making price increases, we're either bridging a gap that shouldn't exist, i.e., we're lower versus our competitor, or we're both moving up, and the premium that we have versus them is not shifting significantly. And therefore, as a result, we feel pretty good about it. That's why we haven't -- we baked in a little bit of conservatism on the elasticity side, as I mentioned earlier. But we think because of the way we're managing this, we feel like we can navigate it effectively.

Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. Great. My next question, Don, is regarding Techtronic. And it's a question that I feel like you get a lot, we get a lot as well from investors, and so it's important to address. And it was very helpful in your prepared remarks talking about your view around market share and market share gains over the last few years, which, in some ways, addresses the question.

But if you could just give us a sense, maybe just bigger picture and frame the backdrop here, I think it would be helpful. If you could compare to the best extent that you have the information, Techtronic's market share versus your own in power tools, both North America and globally, today versus, let's say, 5 years ago as well as its relative positioning versus yourself in DIY, pro and by channel. And then I kind of have a follow-up.

Donald Allan - *Stanley Black & Decker, Inc. - President & CFO*

Yes. I would say that they've made significant strides in power tool market share gains over the last 3 years in particular. But even before that, they were making very good progress. We look at them today. They're very serious competitor in the North American space. They're somebody that we've taken seriously for a very long time.

But one of the things that I think about when I consider this particular situation is, we know what we need to do to be successful and continue to gain market share and continue to compete successfully against them and any other competitor. We have the best brands in the industry. We have DEWALT, which is the premium brand in the space. We have the highest innovation track record.

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We've brought things such as FLEXVOLT, POWERSTACK, XTREME, ATOMIC and many other incremental innovations as well, too numerous to list. We continue to invest in our business, both engineers, feet on the street. We made substantial investments last year. We're going to continue to make substantial investments going forward.

So they will continue to gain share based on what they're doing, and we're going to continue to gain share based on what we're doing. We feel like we have a model that can be very successful. As the supply chain constraint frees up in the next 3 to 4 months, we will continue to get back to strong organic growth in our power tools space. We see wonderful opportunities with our customer partners. We have a great innovation funnel and pipeline that will be hitting the market this year, 2023 and 2024.

And so we're excited about where power tools is going, and we think we'll continue to gain share. And yes, we will compete and it'll be an intense competitive fight, but we believe we can do it the way we've done it in the past with a little bit of a nuance to our model. That requires a little -- higher level of investment, but results in stronger levels of organic growth and still strong levels of profitability.

And then we have the Outdoor business, which we are #1 globally in power tools, and we are #1 globally in -- or I'm sorry, in North America for our Outdoor business. And we are going to continue to maintain that position. We will invest in Outdoor like we've invested in Power Tools. We have an electrification growth strategy that's just really exciting. We're excited about the products we have today, but I'm actually even more excited about the products that will be going into the market over the next 2 to 3 years and how much that's going to leverage growth and ultimately drive a substantial change in that industry. And we believe we can be the leader of the electrification of these types of outdoor products.

In many ways, the way we were the leader of handheld outdoor electrification or battery operated from corded, we will do the same thing in this particular space going from gas engines to electrified engines in bigger platforms. So it's a great growth story for us. Yes, we do have an intense competitor, but we're a pretty intense competitor, too.

Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

No. Absolutely. And your discussion at the end around outdoor takes a little bit out of my next question, but I do just want to kind of close the loop, if you don't mind, on Techtronic as my follow-up. Certainly, they have gained a lot of share in the last few years, as have you, perhaps different rates.

But I'm just kind of curious as well, to the extent that they are -- have that stronger exposure to the home center channel, and perhaps they've gained some share at expense of some smaller brands, I'm just wondering if that was kind of a -- you can look at that as more of a finite opportunity that they've been able to take advantage of? And going forward, maybe the growth is a little bit more even? Or if I'm not fully appreciating what the competitive dynamics have been over the last 2 or 3 years?

Donald Allan - *Stanley Black & Decker, Inc. - President & CFO*

Well, one of the things that I think is a big advantage for us, both in power tools and outdoor, is that we have access to multiple brands that are great brands. We have access to multiple channels. And we have had a significant head start on the global geographic growth and expansion across Europe, across emerging markets. And then the last area that we've really invested in growth is e-commerce. And so we've made significant progress in e-commerce in many countries around the world.

Our e-commerce business for Tools & Outdoor is close to 20% of the total business. It was last year. And so we feel like we have channels, we have brands, we have the innovation track record. And it really sets us up well to continue to leverage those opportunities where maybe that competitor you're describing doesn't have the same type of access to brands and channels.

A good example of channels would be this -- the acquisition of MTD and Excel, how it really gets us deeper into the independent dealer network where really the professional landscaper goes to get their products. That can be handheld products, it can be large platform products as well and even ride-on mowers. And so getting access to that, thousands of different dealers through those 2 acquisitions allows us to leverage the DEWALT

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brand, the electrification growth strategy as we electrify the larger platforms and then really leverage the handheld opportunity of how do we get more of our handheld DEWALT products into that particular channel now that we have access to it. So I feel like we have a broader scope, a broader set of brands. And I believe we have a stronger innovation track record.

Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Right. No, I appreciate that. We have a little less than 10 minutes left. I do have several other questions for the team, but I just want to remind those that have dialed in, if you like, please submit a question through the button on your digital dashboard. And I'd be happy to pass those along to the management team.

Talking about outdoor, obviously, it's an exciting new area for the company with -- leveraging the new acquisitions that you've done. And on the last earnings call, there was thrown out a target of a 10% to 15% annual growth for that business and mid-teens margins. I just wanted to focus on the top line growth for a moment. I think they're, in some ways, connected, and other ways, obviously, there's cost-related actions that you're taking or manufacturing efficiencies.

But given that you kind of alluded to some investor concerns on the earnings call around the strategy, I'd love to get a little more detail in terms of what goes into the 10% to 15% annual growth. You've mentioned electrification. You've mentioned channel penetration. But how should we think about the timing? Is it more of a '23 story? Is it more of a '24 story? And what are the actions being taken that kind of gives you the visibility that, that 10% to 15% might start right off the bat at the beginning of next year?

Donald Allan - *Stanley Black & Decker, Inc. - President & CFO*

Yes. Clearly, electrification is a big part of that story and how do we accelerate that conversion as much as possible. And we think there's a way to do that given some of the solutions that we've designed and are likely taking some of them to the market next year and then another wave to the market in '20 -- the season of '24.

The other thing is the expansion of the dealer network. I mean, there's an opportunity there, not only for electrification, but also to leverage the DEWALT brand with some existing products, whether that's a combination of gas and electric large platforms or just electric is to be determined. There's also the handheld opportunity of really leveraging that through that channel where we have an okay presence today, but it's not a large presence. And so how do you leverage that?

There's technology like autonomous solutions where for a zero-turn mower, we have that solution today and how do we leverage that innovation for growth as well. It really makes the job of the professional landscaper much more efficient and effective. And he can do more jobs per day, per week, per month as a result.

There's also the robotics opportunity going forward as well. How do we leverage that innovation and make sure that maybe that's not as big of an opportunity in the U.S., but it's a big opportunity in the European market.

One other thing we don't talk a lot about is we do have a decent European presence between the combination of Stanley handheld outdoor and then what we acquired with MTD and the business they had over there. So we can actually leverage that opportunity as well. And that's not even talking about emerging markets. We're not even thinking about that yet. We're really focused heavily on North America and Europe in all those 3 or 4 things that I mentioned.

And that's why we think growth at the level that you indicated is possible, and it's not something that's 4 years out. Whether we exactly get to 10% to 15% next year, we'll figure that out as we get further into this year. But on an ongoing basis, it definitely feels like it's doable given all the opportunities I described.

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Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. I guess just moving on, maybe switching gears a little bit to Industrial, just writing down some notes here. How much of your guidance in '22 for organic sales up high single to low double is dependent on a recovery in the auto and aerospace markets? And what drives your confidence that those recoveries -- the recoveries in those sectors remain on track to emerge?

Donald Allan - *Stanley Black & Decker, Inc. - President & CFO*

Well, I mean, we're starting to see them evolve now. Auto is getting a little bit better sequentially. Aerospace has stabilized and starting to slowly get better sequentially. So the recovery is beginning to happen.

Travel is ramping up dramatically. And it's just a matter of time for the OEMs and new plane production continues to expand, which will be beneficial to our fastener business in that space.

The semiconductor supply chain challenge ultimately will get figured out in some way, shape or form in the automotive space. And as that happens, you're going to see expansion. There's a definite need for new cars. It's an underserved space right now. And I think as that recovers throughout this year going into next year, that's why we believe this is a cyclical opportunity of close to $300 million in revenue that probably plays out over the next 2 to 3 years. But Dennis, maybe you want to give a little color on the guidance?

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

Yes, I think if you think about the guidance, the revenue levels that we have to achieve in 2Q and the back half on a quarterly basis are not that far apart from each other. There just is -- so it's not necessarily banking on a big ramp-up as opposed to just continued improvement in a lot of the markets that Don talked about. But remember, the comps get a lot easier as well.

So first quarter was a tough comp in automotive. But beyond that, most of the comps are in easier position for that business. So even if it stays at the level of revenue that we just delivered or improves slightly from there, you're going to show a pretty decent level of growth with the 2 markets that we discussed, and then obviously, very strong attachment tool and general and industrial fastener volumes that we're seeing as well.

Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. I guess I have time for one last one, and I don't see any questions in the audience. So I guess I'm asking all the right ones myself. So -- and it kind of you hit on it a little bit at the end there, not directly, but the question is around portfolio optimization and any further actions. I mean, obviously, it's been a big year for you in that regard and the most recent announcement of the sale of the security business, the doors business. Any other actions to -- that -- obviously, I can't ask you to announce things before they're finalized, but should we be thinking that perhaps you're not done in this regard?

I mean, people look at, for example, the infrastructure segment as -- within Industrial as a collection of businesses that don't really spring to mind when you think about Stanley power tools and hand tools. You mentioned attachment tools, you have the oil and gas business. And these are somewhat different businesses than your bread and butter in tools and storage. So I mean, should we be thinking that perhaps there's a little more to go here? Or where are you on that portfolio journey?

Donald Allan - *Stanley Black & Decker, Inc. - President & CFO*

I think we're close to being done. I mean, the attachment business is actually -- would fit well with our Outdoor business. And that independent dealer network I described, a lot of those dealers sell many of these attachments as well. So I actually think that will be eventually maybe a great addition to the Outdoor business once they get through the integration of MTD and Excel. But we'll see.

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It's still a very good standalone business that has a lot of growth in it right now. Dennis touched on it in the guide for this year. It's got really solid profitability and opportunity to improve as we streamline the manufacturing operations and improve the supply chain.

The oil and gas business, that's under evaluation. And we'll see how that plays out. And then Engineered Fastening is in a recovery mode. It's just coming off the bottom of a downturn. And we know there's a cyclical opportunity, and most of that $300 million I mentioned is Engineered Fastening. And we want to really benefit from the cyclical recovery. That's going to be a nice growth catalyst for Stanley Black & Decker. It's going to be a nice profitability rate improvement as we get to leverage from that growth over 2 or 3 years. And then we'll see where we are 2 or 3 years down the road to see if that part of the business makes sense to be part of Stanley Black & Decker. But it wouldn't be a value creative thing to take any actions on that particular business today.

Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. Well, that does it for me, and we're right at the end of the session. So I want to thank you again, Don and Dennis, for joining us. Really appreciate it.

We will continue at the top of the hour with TopBuild followed by the end of this afternoon session, Century Communities and Forestar. Have a great rest of the day, guys. Good to see you, and we'll talk soon.

Donald Allan - *Stanley Black & Decker, Inc. - President & CFO*

See you. Thanks, Michael.

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

Thank you, Michael. Bye-bye.

Michael Jason Rehaut - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Thanks.

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