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CORPORATE PARTICIPANTS

Corbin B. Walburger *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

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

CONFERENCE CALL PARTICIPANTS

Daniel Mark Oppenheim *Crédit Suisse AG, Research Division - Research Analyst*

PRESENTATION

Daniel Mark Oppenheim - *Crédit Suisse AG, Research Division - Research Analyst*

Great. Welcome to the Credit Suisse Industrials Conference here for the Stanley Black & Decker presentation. I'm Daniel Oppenheim from Credit Suisse. To my right, we have Corbin Walburger, VP and Interim CFO. To my left,

(technical difficulty)

Relations. We can get started. Corbin, if you want to talk in terms of just a brief intro, and I think then with the attendance here, we can then sort of -- I've got some questions, and we can have everyone else with a chance for questions here we can go through.

Corbin B. Walburger - *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

You bet. Thanks, Dan. It's nice to be here. As Dan said, I'm Corbin Walburger. I joined Stanley back in 2008 after spending 11 years at Goldman Sachs doing M&A. Stanley was one of my clients. And since joining Stanley, I've done M&A all the way through, but I've also done a number of other things and since the 1st of July have been the interim Chief Financial Officer, which has been interesting.

Just maybe a refresher or an update on Stanley Black & Decker. We've made a number of pretty significant portfolio actions over the last 12 months. About a year ago, we announced the sale of our electronic security business. We sold our automatic door business last -- or this year as well as our Oil & Gas business and have become a fairly focused, streamlined company with some outstanding franchises.

What's left in the portfolio after the divestitures is really a Tools & Outdoor business along with an Industrial business. A tool business, about \$15 billion, about half of that revenue is power tools, 1/4 are hand tools, accessories and storage and another 1/4 outdoor products. So handheld outdoor products, walk-behind mowers and large format mowers.

Our Industrial business, which is about \$2.5 billion, really has 2 components. The first is an Engineered Fastening business, which is almost \$2 billion. And that business is focused really on 3 end markets: industrial, aerospace and automotive.

And we make highly engineered products that are custom fit to applications. It's a very good business. It allows our customers to be more productive.

And we have an infrastructure business. It's about \$600 million. They make attachments and heavy-duty tools. As you can see on the slide, we have a collection of really incredibly powerful brands. On the tool side, DEWALT, CRAFTSMAN and Stanley. We have consumer brands like Black & Decker, which has got incredible global reach. We have some specialty brands like IRWIN, LENOX, Facom and Proto. And we have some great outdoor brands like CUB CADET, Troy-Bilt and HUSTLER.

We are the global leader in tools and outdoor products. We've got the broadest product lines across multiple end markets. We've got the most extensive distribution network, and we're a leader in innovation. And we've had historically a fairly successful operating model that at this point needs a refresh, and I'll talk a little bit about that later. We're powered by our people, 60,000 associates around the world doing a great job. And we're guided by our purpose, which we implemented about 5 years ago for those who make the world.

Back in June, when Don Allan took over as the CEO, he put a framework together for how we would transform Stanley Black & Decker to be more streamlined, more efficient and also to increase some investments in some key areas, which I'll talk about in a couple of minutes. The first step was to totally reanalyze our SG&A.

Now that we were a simpler, more streamlined company, there were a number of corporate groups that were more appropriate for a larger diversified industrial business that we thought that we could take out and shift some of those resources into the businesses and closer to our customers. And as we did that, that created about \$200 million of cost savings. We also felt we needed to flatten our business organizations and our functional organizations. And so we increased bands, decreased layers, and that reduced another \$100 million on an annualized basis.

And last, we've had a team for the last 3 or 4 months focused on reducing our indirect costs, and they've done a very good job. And that will enable us to cut another \$200 million by 2023. So in total, about \$500 million of SG&A reductions to rightsize the business and also allow us to invest some of those savings back into the business around innovation, user activation and digital marketing.

The most significant work, however, you'll see on the right-hand side of the page, transforming our supply chain. For the past 7 or 8 years, we've been methodically shifting our supply chain closer to our customers, but the pandemic taught us that we really needed to accelerate that. Long supply chains create all kinds of problems. High inventory makes you less responsive to your customers and less agile. So this transformation that we're embarking on has 4 components to it.

The first, as you can see at the top, product platforming and SKU reduction. We're going to simplify our product offering. We're going to reduce our product complexity. Today, we have a little over 100,000 SKUs in the tool business, and we're probably going to target about a 40% reduction of those. We've already taken action on a number of SKUs, and that activity is underway. Platforming, probably a longer program, 2 to 3 years. But in total, we think that first component will allow us to save about \$300 million.

The second is strategic sourcing. Our addressable spend on the sourcing side for what we're going to go after is about \$8 billion. And so we are going to shift from having more transactional relationships to having more strategic relationships, consolidating our suppliers, stronger category management. We've done a pretty good job of leveraging our spend within BUs, but we're going to do a better job leveraging it across BUs and across the whole enterprise. And that's probably where you'll see the quickest wins happen in early 2023.

The third is facility consolidation. This is really -- what's interesting is finalizing some of the integrations of the acquisitions we've done. We did a study. And what we found a lot of times when we do a deal, and this is my background, we look at synergies, we think about them over a 3-year period. And a lot of times, it's 1/3 in the first year, 1/3 in the second year, 1/3 in the third year.

We typically outperform in the first year, outperform in the second year and underperform in the third year. And that's because the third year typically has the heaviest lifting, things that we do in a lot of cases, it's facility consolidation. So that's going to be a big focus of this effort here. We have almost 120 plants, and we're going to consolidate a significant portion of those, and that will start in 2023.

Fourth is operations excellence. Generally, we've been pretty good, but there are lots of areas that we have to continually improve in our factories. We've got a new leadership team that joined us earlier this year. They've spent the year out globally at all of our factories and DCs to put this plan together. And so in summary, it will be a \$1.5 billion plan. Execution is going to start in January. The detailed planning has been going on for the last several months and will continue on through the end of December.

And the whole program will be completed in 2025. We're going to shift the supply chain from -- at some level over the last couple of years being a problem creator to a strategic and competitive advantage for us. It will allow us to drive our gross margins up above 35%, improve -- help us improve our service levels with our customers, allow us to be faster and more agile and more responsive and also help us drive organic growth.

So in total, between the 2 programs, \$2 billion in savings. And as I said, we're going to take some of the portions of those savings and reinvest them in the business, probably on the order of \$300 million to \$500 million. The first place we're going to invest is in the electrification of the outdoor market. That market is transforming rapidly from small gas engines to battery-powered equipment. Handhelds today are about 2/3 converted.

Walk behinds are only about 1/3 converted, and large format are less than 10%. So a significant portion of our investment is going to go into electrifying the outdoor space. We see that as a great opportunity.

We're also going to be investing in power tool innovation, as you know. We've done a really good job with breakthrough innovations, whether it was DEWALT, FLEXVOLT or our POWERSTACK products. But we're also going to continue to focus on breakthrough innovations, but also, you'll see us with more core innovation in power tools.

And lastly, we're going to be investing at the front end of our business, more feet on the street, people interacting with customers, showing customers how products function, how they compare to competitors, more feet on the street. In total, we will be creating the next evolution of Stanley Black & Decker.

We expect to grow 2 to 3x the market, have gross margins north of 35%, have incredibly strong cash flow generation in excess of net income, have a really strong and powerful innovation machine and ultimately focus on delighting our customers and end users. The company, as you might know, has been around for 180 years. It's got a fantastic legacy. But now as a more focused and agile company, we'll continue to deliver great shareholder value, and those are my prepared remarks.

QUESTIONS AND ANSWERS

Daniel Mark Oppenheim - *Crédit Suisse AG, Research Division - Research Analyst*

Great. And I guess wondering just in terms of starting where you...

Corbin B. Walburger - *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

Can I sit down next to you?

Daniel Mark Oppenheim - *Crédit Suisse AG, Research Division - Research Analyst*

Sure. So in terms -- you talked about the transformation, which will be so significant over the coming years. Wondering, given the -- before getting into some of that with the portfolio, so you've had the shift away from security, away from oil and gas.

And so as you're talking, there's less talk of that, there's more in terms of electrification and sort of then working with the end users. But how much were -- how do you see the portfolio now versus where it should be in the -- over the next 5 years? Do we see a relatively static portfolio at this point, given those changes where the emphasis is on the transformation? Or is there still some change to come up with the portfolio?

Corbin B. Walburger - *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

Yes. Dan, I would say we've been pretty active portfolio manager. Since I joined Stanley in 2008, we've done probably 80 acquisitions and probably 25 to 30 divestitures. And they've been of all shapes and sizes. And we will continue to be active portfolio managers. So I imagine the portfolio will continue to change.

On the Industrial side, which is a question that we get often, right now, that business is doing very well. We see a couple of hundred million dollars of upside over the next few years as the auto and aerospace markets recover. And so as we think about being able to access that increase and think about the portfolio, it's something we talk about all the time. We're happy with the portfolio today, but we'll continue to actively manage it.

Daniel Mark Oppenheim - *Crédit Suisse AG, Research Division - Research Analyst*

Got it. One of the things that you've talked about in terms of sort of cash flow generation has been sort of working in this environment where supply chain and such, inventory has been higher than it's been in the past. And now sort of reversing that can be extremely helpful in terms of the cash flow generation here.

I saw some of that in the third quarter. How do you think about that as we move through the fourth quarter, but then also looking towards '23, I think in the outlook initially for '22, the sort of cash flow is back-end loaded for the year. Is it something we should expect here in '23? Or will it be more front-end loaded, given these efforts in terms of the inventory?

Corbin B. Walburger - *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

Yes. It will definitely be a continued focus for us. We've got about \$300 million out in Q3, probably a similar amount in Q4 and in 2023, somewhere between \$700 million to \$1 billion out. And it's probably 1 of the top 1 or 2 priorities for the company. And so I think you'll see the year turn out differently than in the past. The focus on generating cash flow will be fairly consistent all the way through the year. But I think you'll see a different performance than we had last year in the first half than the next year.

Daniel Mark Oppenheim - *Crédit Suisse AG, Research Division - Research Analyst*

Got it. So I've got a list here to go through, but also if given everyone in here. I want to -- we'll start any questions to -- here from the audience, and then I can get back to -- okay. Then if no one wants to, I will then -- do we have one or no -- okay, okay.

Corbin B. Walburger - *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

Maybe we'll stimulate some exciting questions as we go through these.

Daniel Mark Oppenheim - *Crédit Suisse AG, Research Division - Research Analyst*

I guess thinking about sort of just top line and the environment you're seeing issues from the -- on the power tool side and such and outdoor were sort of a choppy environment in terms of the consumer and activity there. How do you see that? I think we've seen that really during the second quarter initially in terms of some -- a shift towards start of the quarter and then ending it. How is it that you're sort of seeing trends but also the outlook as you think about '23 and what you're planning on from this?

Corbin B. Walburger - *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

It's interesting. My view or kind of our institutional view is when the pandemic happened, you obviously had people sitting at home thinking, okay, what can I do? And they also are spending more time at home. So they thought about remodeling different parts of the home, and so you saw a huge surge in demand. A lot of that was consumer-driven. A lot of that was also pro-driven. As we've said on our call a couple of months ago, the pro has continued to kind of hang in there, as you said. The consumer really kind of fell off a lot in May.

And the question will be how much longer will the pro be able to hang on? And everything we've seen -- what's been interesting for me, I think the pro has actually been stronger and more durable over the last couple of months maybe than we expected. As we hear from trade associations, our customers, their expectation is that pro will continue to be strong throughout 2023. The question is when the consumer comes back, and I think that probably has to do with inflation, with employment and things like that. And, Dennis, if you'd add any other...

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

No, I'd say that's a good summary, Corbin. And I think what we're seeing in the markets today is that the consumer really had that correction earlier in the year. They're not driving volume gains versus 2019 as you look at kind of what end demand is looking like. And really, it's pro and it's price. And those are the 2 areas that are really driving growth in dollars versus 2019 for the company right now.

Daniel Mark Oppenheim - Crédit Suisse AG, Research Division - Research Analyst

I guess if we think about the difference of consumer versus pro, in the end, it should be going towards projects in the home either way. And so what's the concern, whether it's been labor constraints in the past and so there may be backlogs, how do you think about sort of visibility and planning in terms of shifting in the pro environment?

Corbin B. Walburger - Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO

Like I said, right now, the pro continues to be strong. And we get information from customers. We get our own anecdote. Every pro that I could find, I'd say, how is it going? What's your outlook for 2023? And almost to a person, they said, I have a really -- I'm going to be busy for most of 2023. And some of our customers have said that as well. So we're pretty bullish on the pro. You never know exactly what's going to happen, but so far, the pro has been hanging in.

Daniel Mark Oppenheim - Crédit Suisse AG, Research Division - Research Analyst

Talk about sort of the SKUs in terms of just what you're doing there in terms of optimization, talk to also in terms of what you want to do in terms of market share. And as you look at sort of your large customers thinking about fulfillment in terms of where share losses have been linked to not having product all the time, how do you think about that in terms of just what plans are and sort of linking it to in terms of the capturing of share over the coming years?

Corbin B. Walburger - Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO

Yes, it's been interesting. People have asked, if you're going to take 40% of your SKUs out, how much shelf space are you going to give up? How much are your revenue is going to go down? How much share are you going to give up? The plan is not to do any of those things. The plan is to simplify the portfolio. There are a number of places, and the SKU reduction will probably be heavier weighted towards hand tools than power tools where you just have a lot of different types of products.

But one of the things that we need to do a better job of is we talked about platforming, platforming your power tools. But even on the hand tool side, you don't need a totally unique set of products for Southeast Asia and China and India and South America. And -- I mean you can do a much better job. And historically, we had done a better job of saying, if you're going to introduce a new product, you got to take 2 of them out. We lost a little bit of that discipline but we're trying to get back now. But overall, we don't expect to have any share loss, lose any shelf space. We're going to be pretty thoughtful and methodical about how we do it.

Daniel Mark Oppenheim - Crédit Suisse AG, Research Division - Research Analyst

And then I think -- and when you think about sort of the shares, if we look at sort of higher inventory levels, there's sort of the -- the concerns has been to losing share by not having a product, but inventory has been up sort of -- and so how is it that there's sort of that share loss, given that it would seem that you've had the availability and sort of has been not in the right products? And how do you think through those?

Corbin B. Walburger - Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO

You've answered this well before. Why don't you?

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

Yes. I mean it is very nuanced. If you think about what we've been dealing with over the past few years. And it has been a surge of demand. We built products for a higher level of demand. And you're starting to see -- that's where the inventory is back in office areas where it slowed. Conversely, you've had shortages throughout the supply chain that we've had to deal with around components and things of that nature. And we've been most vocal about electronic components as an example, Dan. And that's an area that we've been working at. We put some plans in place late last year.

We started to see improvements of supply as we've moved through this year. And we're now in a position where that's kind of in the rearview mirror at this stage, where we're no longer supply constrained on some of the DEWALT products that require some of these specialized semiconductors to drive performance.

And so that's why you have this difference is that there are some categories that are heavy that we need to work down. There are other categories in hand tools and power tools that we're still ramping up. And we're working through that process right now and looking to take the inventories down, as Corbin said, over the next year or so to more normalized levels.

Daniel Mark Oppenheim - Crédit Suisse AG, Research Division - Research Analyst

And I guess one of the areas I think outdoor in terms of more inventory there and bringing that down. I think weather has been talked in terms of an issue there. How do you think about the impact of weather versus some pull forward that we had in terms of the outdoor spending that's occurred in recent years? And sort of what does that mean for your outlook?

Corbin B. Walburger - Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO

There's probably a little bit more inventory in the channel for outdoor than there is for hand tools or power tools. And last -- it is a seasonal business much more so than tools. We had -- the retailers, everyone is hoping for a really strong season last March, April and May. We didn't get that. It was a really weak season. And we're hoping for a lot of snow this winter and a dry, sunny spring so that we can kind of rightsize that inventory next year.

Daniel Mark Oppenheim - Crédit Suisse AG, Research Division - Research Analyst

Got it. And thinking about sort of the -- looking for share over the coming years, an environment where it's sort of competitive in terms of volumes and such, how do you think about that for pricing and sort of talk about getting back to 35% margins and such? How important is pricing and sort of what's going to be the focus in terms of share in volume versus pricing?

Corbin B. Walburger - Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO

Well, DEWALT is a premium product, and it charges a premium price. And it is priced today kind of right at parity with other high premium products. When you think about what happened over the last 18 months with inflation and pricing, you never get price as soon as you start to feel it in your P&L. And there's probably a 6- to 9-month lag from when you initially start to see commodity inflation going up to when you can actually implement and execute the price. To date, we have not gotten any pushback on pricing because there was a real lag where we were taking a lot more cost than we're getting on price, and so that will work itself out over time. But so far, the plan has been just to hold price as long as we can.

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

And if you think about share, it really is the areas that we've been talking about as either strengths of the business or areas that we're looking to invest in. So it starts with brand. It starts with having a great innovation model, an innovation machine, investing in new areas of growth and investing and activating that in the marketplace. And that's what we're excited about, and that's why we think we can continue to gain share in the categories because we've got the best brands in the industry. We've got great innovation, and we've got great people to activate it.

Daniel Mark Oppenheim - Crédit Suisse AG, Research Division - Research Analyst

Got it. And then turning to Industrial, which is -- will be sort of 15% of the business or so from a revenue perspective there, a lot of it tied with aero and auto and fasteners and such. How do you think about -- like if we look at auto, where we've seen supply chain issues there, and certainly sales trends have been mixed depending on sort of inventories and availability. What's the outlook there for end markets? And what do you think about sort of that either auto or aerospace as well?

Corbin B. Walburger - Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO

I would say that the long-term trend for aero is very positive. But it's just it's slow. That market does not move quickly. The near-term outlook for auto is strong, but as you said, you've had supply constraints. And now with inflation, you probably are going to have some demand issues as well. And so it remains to be seen what that looks like. But we're pretty bullish on both kind of auto for the next year or 2 and aero over the longer term.

Daniel Mark Oppenheim - Crédit Suisse AG, Research Division - Research Analyst

Got it. Anyone else? Okay.

Unidentified Analyst

(inaudible) given your background in M&A (inaudible) rating. (inaudible) more transformational steps that you can see the business taking? Or is it focused very much on (inaudible) synergy and (inaudible)?

Corbin B. Walburger - Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO

It's a good question and one I think about a lot for kind of what my next role is going to be after we get a permanent CFO in place. But what I would tell you is the single most important thing that we have to do right now is to transform the supply chain. And about the worst thing we could do would be to go do a big acquisition that distracts us from that. We've done things in the past that have distracted us from the mission. We're not going to do that again.

And so I don't imagine any significant M&A for at least 2 to 3 years until we have got the supply chain transformation completed. And it's kind of hard to say as the person that's in charge of M&A at the company, but it's the right thing to do. It is -- the supply chain transformation is so important for us that I'm happy to say, you know what, we'll stand down. We'll get plugged into other places where we can help. But there are transformational things to do going forward, but the most important thing we can do is to have everyone laser-focused on the commercial side of the business but also on the supply chain transformation. It's a good question.

Daniel Mark Oppenheim - Crédit Suisse AG, Research Division - Research Analyst

Anyone else? Okay. Wondering about sort of innovation and electrification side. So if we look, I guess, also related to M&A. So it's probably 2 years after you started then in terms of the combination with Black & Decker, and so now 12 years past that. As you think of it, so where there have been

plenty of innovation in terms for consumer side, we have some great brands there. How do you think of innovation within the company now versus what it was at that time? Are there any -- is there anything that needs to be done to revive that in terms of the efforts on electrification? How do you think about capabilities?

Corbin B. Walburger - Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO

It's a good question. Historically, we have done a good job at the big breakthrough innovations. As I mentioned during my remarks, FLEXVOLT, POWERSTACK and ATOMIC and others have been really important. And I think we almost got a little too focused on the big breakthrough innovations and not enough on the core innovations.

And so well, you want to have both of those because you want to be known as a market leader in innovation, and you want people to be excited about the products. At the same time, you also need people to come out with more core innovation really across the portfolio. And so I think what you'll see maybe slightly different than we've had in the past is a nice balance between the 2. I don't know.

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

Well, it feeds your business model. Like we talked about earlier, it feeds the perception of your brands. It feeds your price premium. It allows you to make some changes to pricing in the marketplace as you bring the new innovation to market. And so having a higher quantity helps enable that, and it helps enable the things that we're talking about from a financial objective perspective as well.

Corbin B. Walburger - Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO

And your customers love it. I mean as I talk to trades people and they say, oh, I just tried the FLEXVOLT. I can't believe that it does this. I don't have to use cords anymore. This is huge. And you can really delight your customers as you think about how you're going to come out with both breakthrough and core innovative products.

Daniel Mark Oppenheim - Crédit Suisse AG, Research Division - Research Analyst

I guess then in terms -- you talked about sort of the optimization and sort of thinking about facilities and other areas. And year 3 with acquisitions being the most difficult. How -- is it that some of those facilities and some of the integration didn't occur in the end, and so things that were initially outlined didn't happen. How much of that is still out there that you can identify and work through?

Corbin B. Walburger - Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO

Yes. I would say it really is there -- whenever you do an acquisition, you kind of -- procurement synergies, you've got SG&A synergies, you've got some front-end synergies. And then depending on how strategic and how much complementarity there are, you say, wow, we probably could rationalize these facilities now. It's going to -- that's going to be a heavy lift. It's going to take time and focus. And sometimes you don't get all the way done with those things. This time, because of what I said in response to that question, how important the supply chain transformation is going to be for us, we are going to have the discipline to go all the way on those things.

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

There's also second-order synergies that emerge when you start to add M&A deals together. And that's another piece of this, Dan. It's not just kind of things that we can finish out. It's also opportunities that arise because you've done multiple transactions, and you can now go one step further than you could have envisioned when you did it at the outset.

Daniel Mark Oppenheim - *Crédit Suisse AG, Research Division - Research Analyst*

Got it. And then I think in terms of use of cash flow if we think about this over the coming years. So less activity in terms of M&A, cash flow generation from bringing inventory down here, which will help, how do you then think about sort of use of that returning to shareholders in terms of repurchase activity? And how does the overall environment influence that here?

Corbin B. Walburger - *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

Well, the -- as we think about our capital allocation program, and Don has mentioned this that historically, we've been 50% towards M&A, 50% towards return to shareholders. That will probably -- and it's not a fixed ratio every single year. It's kind of changed. But over the next couple of years, you'll probably have a lot less towards M&A. The dividend is critical, really important, something that we will do everything in our power to continue to grow. Repaying debt and getting down to the level that the agencies want, very important. And then after we get to that point, share repurchase will be back on the table for us.

Daniel Mark Oppenheim - *Crédit Suisse AG, Research Division - Research Analyst*

Got it. Anyone? Curious in terms of given the seasonality of timing, any read in terms of what you saw in terms of big boxes, Black Friday activity? Any thoughts here in terms of what...

Corbin B. Walburger - *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

The thing that I think is interesting now, and we were talking about this on the way here is Black Friday has kind of turned from a 1-day thing to a bigger event. I mean I'm getting emails like last Monday about Black Friday deals have already started. And so -- and I kept getting emails even today, Black Friday deal is still going on. So for us, right now, it's a little too early to tell. It really becomes not just a 1-day thing like it was 10 or 15 years ago. But it's really maybe a week before and stretches really now all the way through till the end of the holiday season. But a little early for us to get really good information yet.

Daniel Mark Oppenheim - *Crédit Suisse AG, Research Division - Research Analyst*

And what's the view in Europe where you're seeing certainly some volume challenges there, given everything happening? And is there -- like what's the outlook in terms of just overall? Do you bring down SG&A there more as you sort of think about this environment? How are you approaching '23?

Corbin B. Walburger - *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

Europe has been more challenging and more challenging earlier than the U.S. There's probably more -- we actually feel pretty good about where channel inventories sit in the U.S., probably a little heavy in Europe. When we -- as we've gone through the cost reductions, we were -- I wouldn't say we were disproportionately punitive to Europe. We're, long-term, bulls in Europe. They do have their challenges right now. Hopefully, they can get over those sooner and kind of be back to where we'd like them to be. I don't know anything else you'd add on Europe?

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

No, I'd just say that like you said, it's a little bit more fragmented of a marketplace, and we've been getting feedback that channel inventories remain high. That started earlier this year. It continued into the third quarter. So we really moderated our view on Europe looking ahead because of that, because we're still getting that feedback and feel that there's still probably some inventory to burn down.

Daniel Mark Oppenheim - *Crédit Suisse AG, Research Division - Research Analyst*

Got it. I think probably here towards the end, we can probably go with one question or I guess I would be curious in terms of some of the efforts in terms of getting closer to the customer and sort of efforts there, something that sort of we've got some great consumer brands. We've had that historically. What do you think as you look back sort of what's changed, what should have been done and sort of like when will we see some of the benefits in terms of the -- those efforts and what it means for innovation to come through?

Corbin B. Walburger - *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

I think what's nice about those investments is they have pretty quick paybacks. When you start to invest in digital marketing, when you start to invest in feet on the street, that doesn't take 2 to 3 years. You start -- I mean, some of the digital marketing programs that we had in the third and fourth quarter have a payback in like 4 to 6 weeks.

And so those are the places where I think we probably need to do a better job is to put more resources at really the point of impact with the customer, people out in the field, but also given how the world is changing a lot more of an emphasis on digital marketing.

Daniel Mark Oppenheim - *Crédit Suisse AG, Research Division - Research Analyst*

Got it. Okay. Okay. I think that is basically the end of time here and we have -- well, thank you for this and then we have TopBuild coming in for the next presentation. Thank you.

Corbin B. Walburger - *Stanley Black & Decker, Inc. - VP of Business Development & Interim CFO*

All right. Thanks, Dan.

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

Thanks a lot.

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