

# Stanley Works Sees Green In Black & Decker Takeover

Ashley M. Heher, AP Retail Writer

CHICAGO (AP) — Tool makers Stanley Works and Black & Decker Corp. are betting that together they can wring out more profit and better position themselves for a housing market recovery than they could apart.

Battered by the housing slump and economic recession, two of the industry's most iconic brands are now merging. Stanley Works on Monday agreed to pay \$3.46 billion for rival Black & Decker in an all-stock deal that will create the nation's largest tool maker.

The deal will cut costs by \$350 million within three years, likely in part through job cuts, and grow earnings per share by \$1 within three years, the companies said. Executives said most of the savings will come from reducing corporate overhead and consolidating business units and manufacturing, distribution and purchasing.

There is little overlap in the companies' products, said James C. Lucas, managing director of Janney Montgomery Scott LLC. Stanley is a leader in consumer and industrial hand tools and security, while Black & Decker holds a top position in power tools.

Stanley Works' brands include its Stanley tools line and FatMax, Bostitch and Mac Tools, which are used on cars. In addition to its namesake line, Black & Decker owns DeWalt, Porter-Cable, Kwikset and Baldwin brands, which are popular with both consumers and professionals.

"This is a unique opportunity to bring together two great companies, each with first-rate brands, and provide enhanced opportunities to generate superior returns as we build on this new, larger platform," Stanley Chairman John F. Lundgren, who will be president and CEO, said in a statement. Black & Decker Chairman, President and CEO Nolan D. Archbald will serve as executive chairman for three years.

Moody's Investors Service placed Stanley Works' A3 senior unsecured and Baa1 junior subordinated debt under review for possible downgrade. Moody's late Monday also affirmed the company's Prime-2 commercial paper rating.

The proposed deal will likely result in higher debt and weakened ability to cover interest and fixed costs as Stanley Works takes over Black and Decker's debt, lease obligations and pensions, Moody's said.

The review will focus on Stanley Works' ability to integrate Black & Decker's businesses without disrupting relationships with customers, suppliers and employees and also save money, the ratings agency said.

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The deal comes after both companies have slashed jobs and cut other costs as the housing slump and global economic downturn reduced demand in the professional builder, industrial and do-it-yourself markets. Black & Decker last month said it expects demand for its industrial and consumer-power tools to continue to stabilize, but does not expect a near-term rebound.

Black & Decker, based in Towson, Md., has 22,100 workers. Stanley Works, based in New Britain, Conn., has 18,200 workers. The new Stanley Black & Decker will retain corporate headquarters in Connecticut while its power tool division will remain headquartered in Maryland.

Lucas said it is too soon to speculate about how the deal will affect jobs, but the two companies have different processes and therefore different plants.

Black & Decker shareholders will receive stock valued at \$57.57 for each share held, representing a 22 percent premium to Black & Decker shares' closing price. Based on the company's 60.2 million shares outstanding at July 24, the deal is worth \$3.46 billion. Including debt and other items, the two companies value the transaction at \$4.5 billion.

Stanley shareholders will own about 50.5 percent of the combined company, while Black & Decker shareholders will hold a 49.5 percent stake. The nine members of Stanley Works' board will remain in place and be joined by six new members from Black & Decker's current board.

Each company's board of directors has signed off on the deal, but it still must win regulatory and shareholder approval. It's expected to close in the first half of 2010.

Morningstar analyst Anthony Dayrit said space remains for smaller tool makers that make up most of the industry.

"There's a lot of smaller players who make cheaper tools," he said. "I think these guys will still be competitive because you have consumers that won't be willing to pay up for the quality of a Black & Decker tool."

Deutsche Bank and Goldman, Sachs & Co. acted as Stanley's financial advisers and Cravath, Swaine & Moore LLP acted as Stanley's legal counsel. Black & Decker's financial adviser was J.P. Morgan Securities Inc. and its legal advisors were Hogan & Hartson LLP and Miles & Stockbridge P.C. Black & Decker shares climbed \$10.82, or 23 percent, \$58.16 in Tuesday premarket trading from a close of \$47.34 before the deal was announced. Stanley Works shares rose \$1.90, or 4.2 percent, to \$47.05 in premarket trading, having closed Monday at \$45.15.

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*Associated Press Writer Kasey Jones contributed reporting from Baltimore, Md. and Associated Press Business Writer contributed reporting from Hartford, Conn.*

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