Great Hill Capital

Turnaround Tom's Top Stock Picks for 2H and Outlook

Tom Hayes

May 2025

Professional Background

2015 – Present — Great Hill Capital, LLC
- ➢ Chairman and Managing Member

2013 – 2015 — Cornwall Capital Management
- ➢ Commodity/Equity Research Consultant

2011 – 2013 — Wright Investors Service Holdings
- ➢ Chief Operating Officer, $1.6B AUM

2009 – 2013 — Bedford Oak Advisors
- ➢ Managing Director

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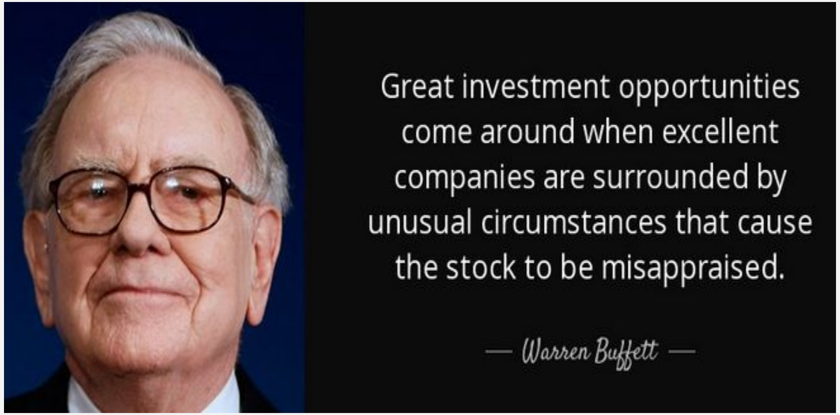
Great Hill Capital Overview

Great Hill Capital, LLC manages a long/short equity strategy in SMA format for accredited investors and qualified institutions

- ➢ Founded in 2015 by Thomas Hayes
- ➢ Based in New York, NY

"Hedge Fund Tips with Tom Hayes" is the #1 ranked hedge fund podcast on Feedspot

- ➢ Widely followed across the investment management, hedge fund, and media communities



We profit by buying on weakness and selling on strength, driven by deep research and the belief that greater price dislocation reduces risk. Where others see volatility as danger, we see opportunity

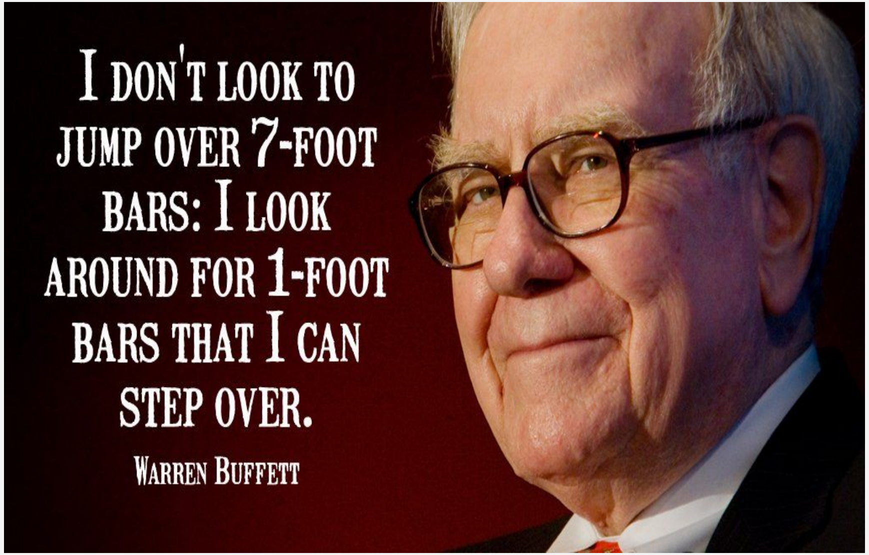
How We Identify Potential Investment Opportunities

- **Solvency Risk Analysis:** Does the company have a solid balance sheet? Can they meet upcoming debt obligations?

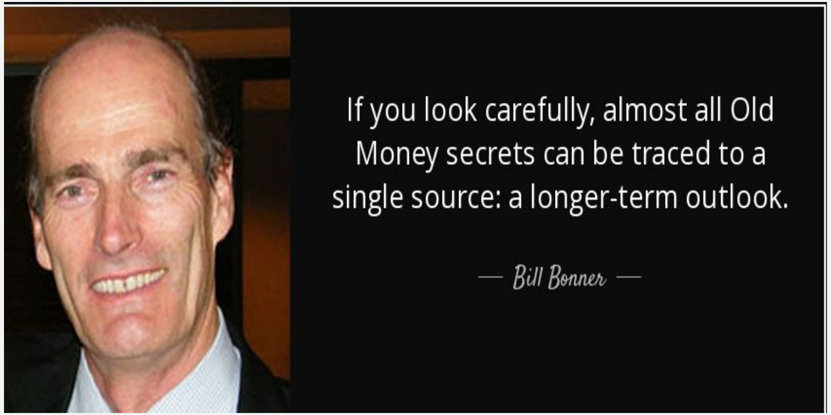
- **Moat:** Does the company have a sustainable competitive advantage? Do they have a history of performing well through economic cycles?

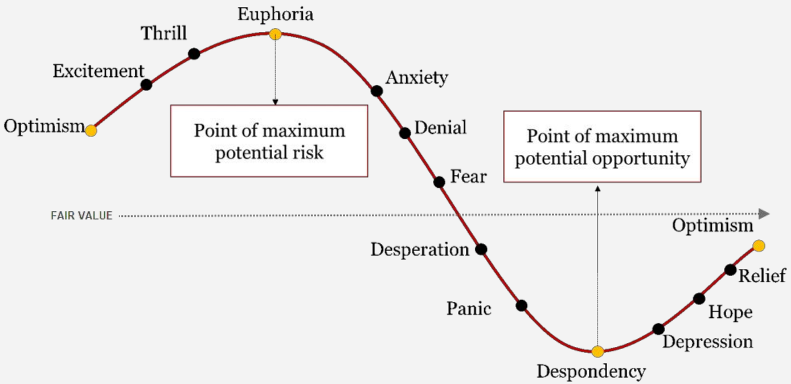
- **Management:** Does management prioritize shareholder value? Are their incentives aligned with the interests of shareholders?

- **Near-Term Catalyst:** Is there a significant catalyst that could unlock value? (e.g., new CEO, spin-offs, cost-cutting, activist investor)



What’s Our Edge?





➢ Every time you purchase a stock, someone else is selling, and both of you think you’re smart. We believe we have two key advantages:

➢ **Time Horizon (2-3 years):** In the short run, the market is a voting machine, but in the long run it is a weighing machine

➢ **Temperament:** The ability to drown out the "noise" and avoid being swayed by Mr. Market's emotional ups and downs. Wall Street is the only place where when they hold a clearance sale, everyone runs OUT of the store!

#1 Theme Entering 2025: Last Shall Be First

Why We Anticipated a Rotation Coming into 2025:

Cycles of Outperformance: U.S. stocks outperformed international for ~16 years, the longest streak on record. With U.S. stocks trading at a 60% premium and Europe at a record low valuation, a rotation was long overdue

It Pays to Zoom Out: ZIRP created one of the longest stretches of growth outperformance on record. However, history shows this was the exception, not the rule, with value outperforming growth by 4.4% per year on average since 1927

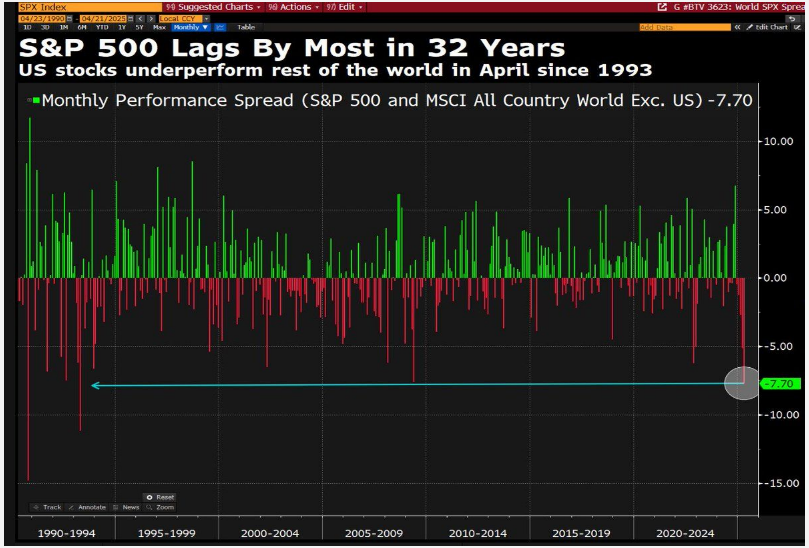
Follow the Earnings: Mag 7 posted nearly 36% earnings growth in each of the past two years, but growth was expected to slow in 2025 (16% and 18%), while still trading at nosebleed valuations. Meanwhile, the Unmagnificent 493 was set for its best growth in two years (8% and 13%)

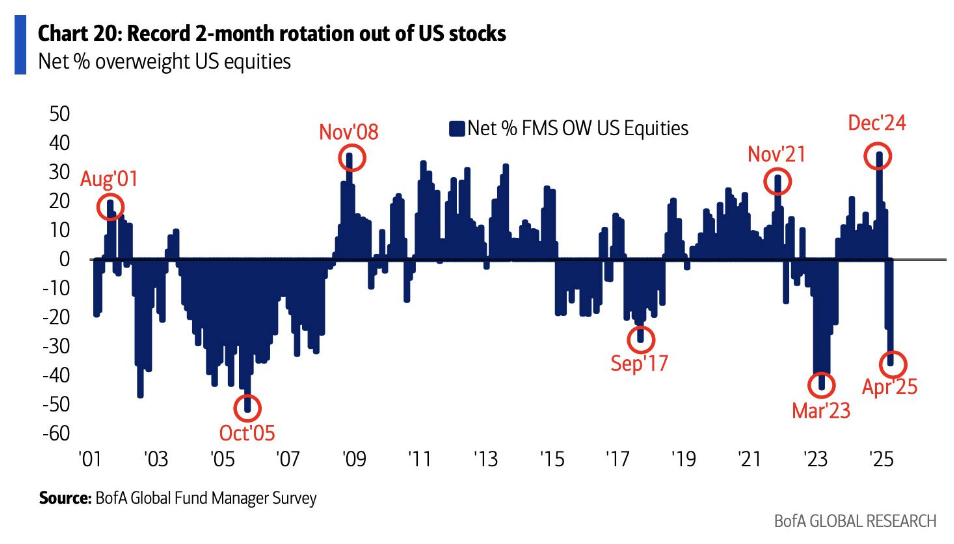
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cons Disc +9.9%	Energy +28.0%	Tech +34.3%	Health Care +6.3%	Tech +49.9%	Tech +43.6%	Energy +53.3%	Energy +64.3%	Tech +56.0%	Comm +34.7%
Cons Staples +6.9%	Financials +22.6%	Materials +24.0%	Utilities +3.9%	Financials +31.9%	Cons Disc +29.6%	Real Estate +46.1%	Utilities +1.4%	Comm +52.8%	Financials +30.6%
Health Care +6.8%	Industrials +20.0%	Industrials +24.0%	Cons Disc +1.6%	**S&P 500 +31.5%**	Comm +26.9%	Financials +34.8%	Cons Staples -0.8%	Cons Disc +39.6%	Cons Disc +26.5%
Tech +5.5%	Materials +16.8%	Cons Disc +22.8%	Tech -1.7%	Comm +31.1%	Materials +20.5%	Tech +34.7%	Health Care -2.1%	**S&P 500 +26.3%**	**S&P 500 +24.9%**
S&P 500 +1.4%	Utilities +16.1%	Financials +22.0%	Real Estate -2.4%	Industrials +29.1%	**S&P 500 +18.4%**	**EW +29.3%**	Industrials -5.6%	**EW +17.9%**	Utilities +23.3%
EW -1.3%	Tech +15.0%	Health Care +21.8%	**S&P 500 -4.4%**	Real Estate +28.7%	Health Care +13.3%	**S&P 500 +28.7%**	**EW -8.5%**	Industrials +18.1%	Tech +21.6%
Financials -1.7%	**EW +12.9%**	**S&P 500 +21.8%**	**EW -6.0%**	Cons Disc +28.4%	Industrials +11.0%	Cons Disc +27.9%	Financials -10.6%	Materials +12.5%	Industrials +17.3%
Industrials -4.3%	**S&P 500 +12.0%**	**EW +18.4%**	Cons Staples -8.1%	**EW +28.1%**	**EW +10.9%**	Materials +27.5%	Materials -12.3%	Real Estate +12.4%	**EW +16.3%**
Utilities -4.9%	Cons Disc +6.0%	Cons Staples +13.0%	Financials -13.0%	Cons Staples +27.4%	Cons Staples +10.2%	Health Care +26.0%	**S&P 500 -18.1%**	Financials +12.0%	Cons Staples +12.2%
Materials -8.7%	Cons Staples +5.0%	Utilities +12.0%	Industrials -13.2%	Utilities +25.9%	Utilities +0.6%	Industrials +21.1%	Real Estate -26.3%	Health Care +2.1%	Energy +5.6%
Energy -21.5%	Real Estate +2.7%	Real Estate +10.7%	Materials -14.9%	Materials +24.1%	Financials -1.7%	Utilities +17.7%	Tech -27.7%	Energy -0.6%	Real Estate +5.1%
	Health Care -2.8%	Energy -0.9%	Energy -18.2%	Health Care +20.4%	Real Estate -2.1%	Cons Staples +17.2%	Cons Disc -36.6%	Cons Staples -0.8%	Health Care +2.5%
				Energy +11.7%	Energy -32.5%	Comm +16.0%	Comm -37.6%	Utilities -7.2%	Materials +0.2%

Funds: XLY, XLP, XLE, XLF, XLV, XLI, XLB, XLK, XLU, XLRE, XLC, SPY
EW: Equal Weight of All Sectors Rebalanced Annually

2024 Recap: Growth stocks beat Value by ~23%, Large caps out-performed Small caps by ~15%, and U.S. equities led International by ~20%

International Performance: YTD Update





The S&P 500 has lagged international equities by the most in 32 years. If the current 14% outperformance holds, it would be the widest on record. International stocks remain cheap, trading at 13x vs. the S&P's 20x. Fund managers continue dumping U.S. stocks, with a record two-month rotation out of U.S. equities

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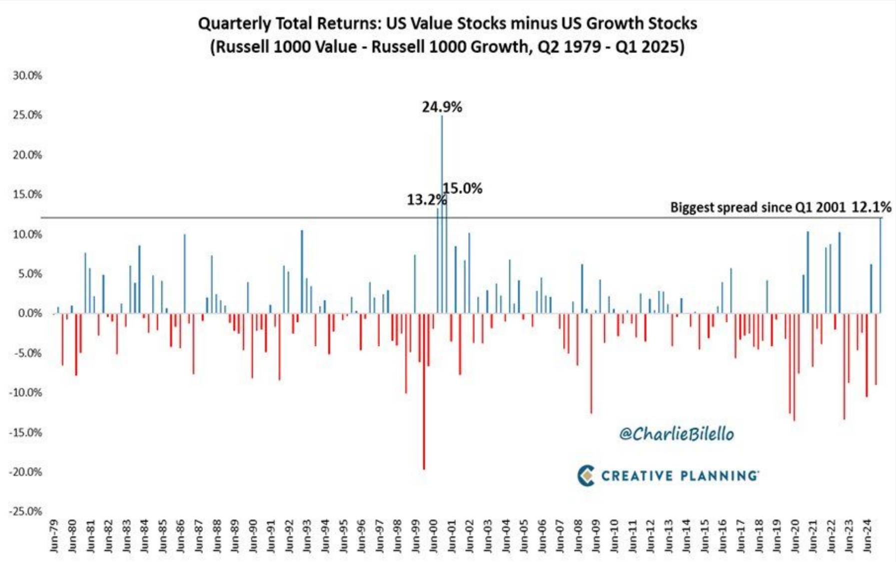
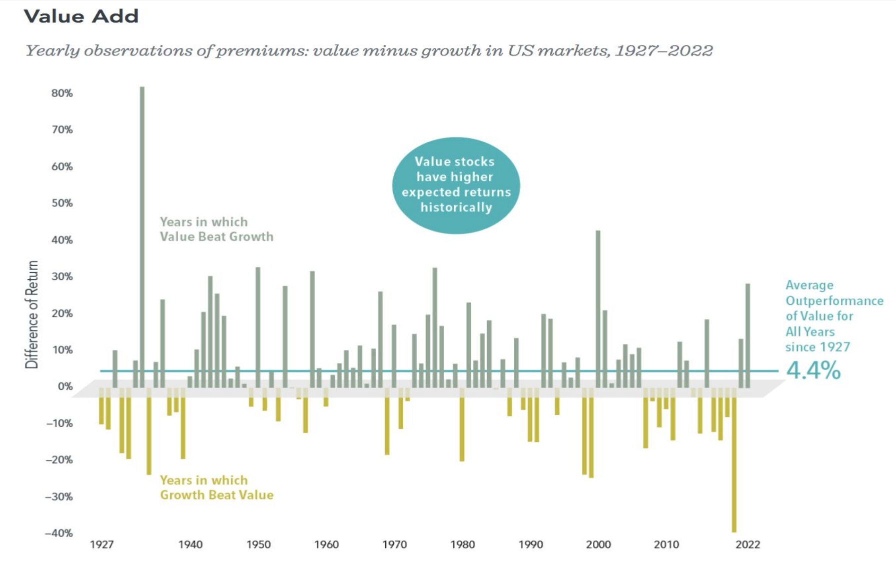
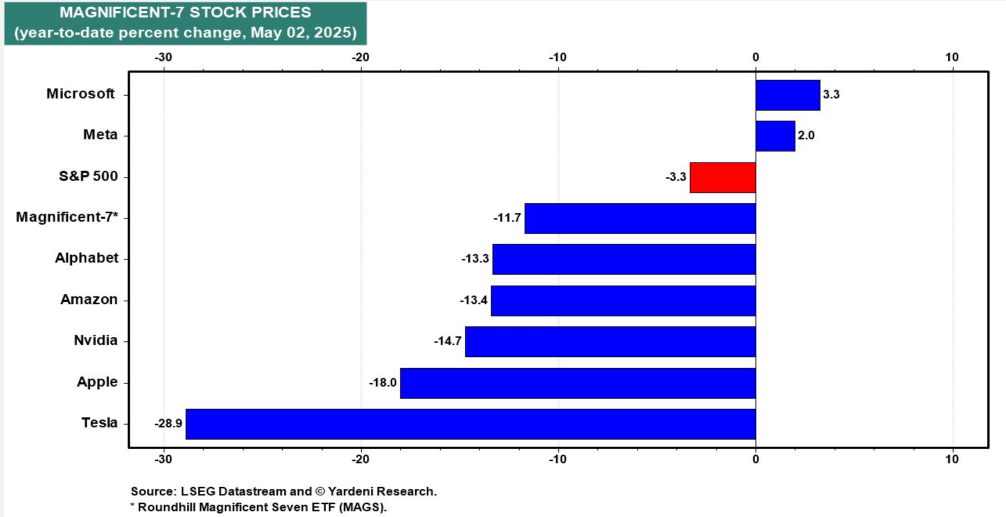
Value Performance: YTD Update

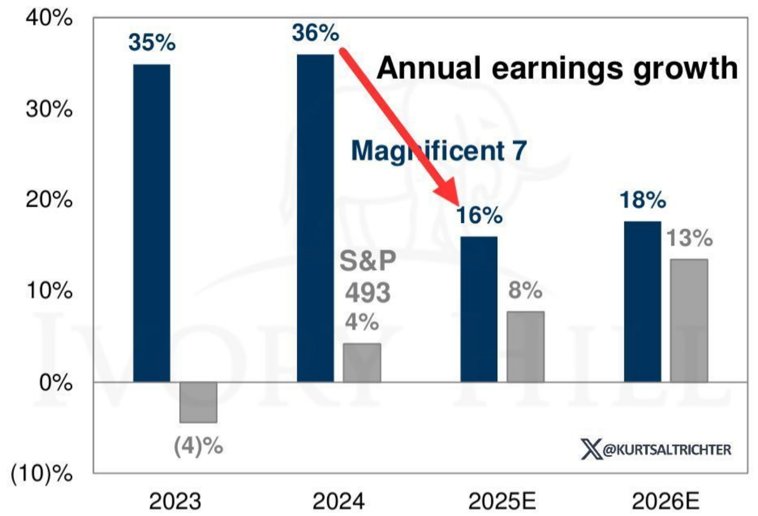




Value out-performed Growth by 12% in Q1, the biggest quarterly lead since 2001. The last time we saw this, value went on to outperform growth for seven consecutive years, delivering a cumulative gain of 82.1%. When value outperforms growth, the average premium is nearly 15% for the full year

Mag 7 to Lag 7: YTD Update





The Mag 7 posted their worst quarter in over two years, now down ~14% YTD, while the S&P 493 is up ~1%. Only Microsoft (+3.3%) and Meta (+2%) are outperforming the S&P. Tesla is the biggest laggard, down 28.9%. Valuations have come down from 34x to 25x but still remain elevated

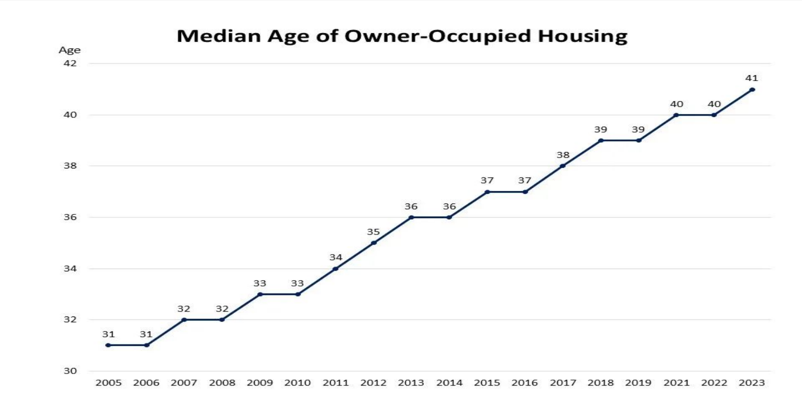
#1 Theme for Second Half 2025: U.S. Housing Revival

Housing-related stocks continue to underperform with sentiment at multi-year lows. We see this as overdone, with several catalysts ahead: lower rates, a starter home revival, favorable policy shifts, and strong demographics. We view it as a long-term opportunity and highlight three picks and shovel plays to express the theme

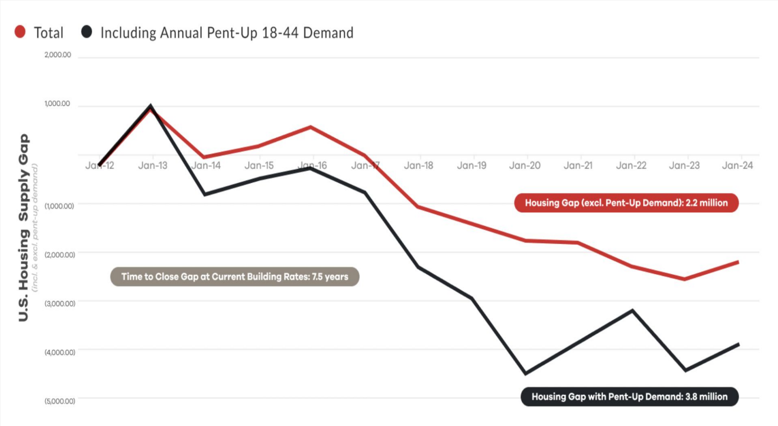
The U.S. Housing Deficit

- ➢ At the pace of current construction, it would take roughly **7.5 years** to close the multi-million-home deficit

- ➢ A decade-plus of underbuilding has pushed the median age of owner-occupied homes to **41 years**, up from **31** in 2005. Nearly **48%** of the U.S. housing stock now dates back to the **1980s** or earlier

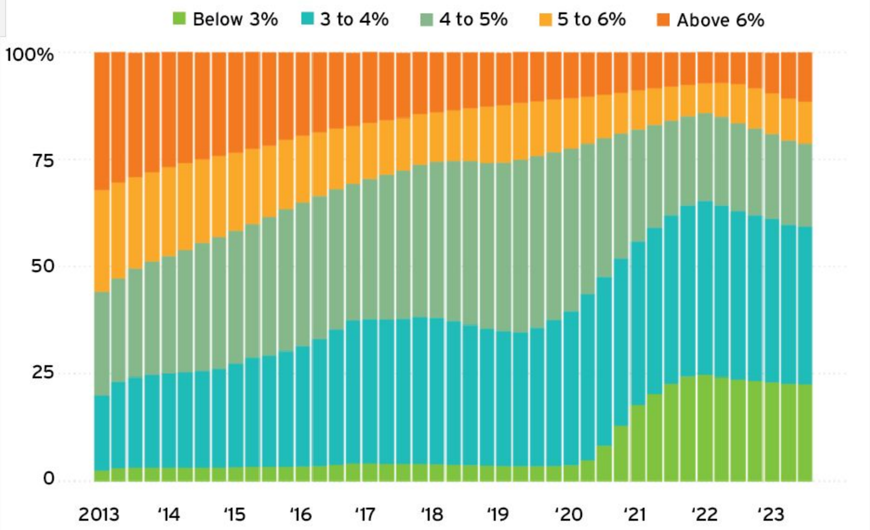


Source: 2005 – 2019, 2021-2023 American Community Survey, NAHB Estimates



Household formation and population growth have outpaced homebuilding every year since 2013, leading to a housing shortage estimated between 4 to 7 million homes

Mortgage Rates Easing



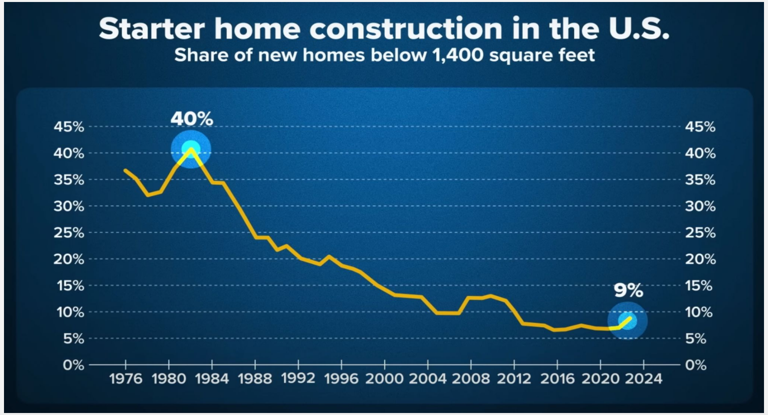
Source: FHFA, National Mortgage Database (NMDB)

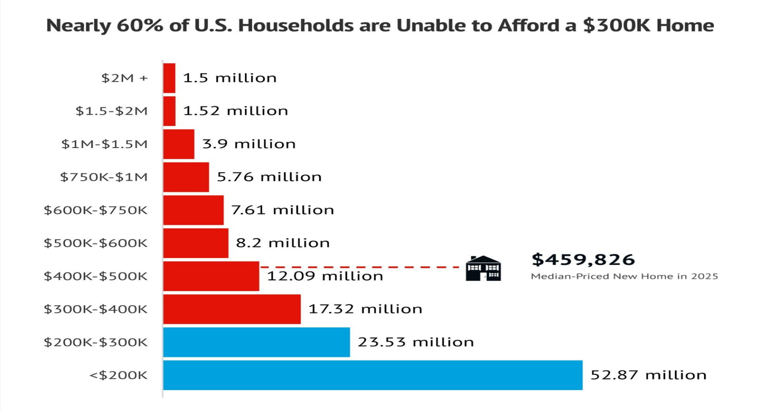
- 75% of mortgage holders have rates below 5%, with 25% below 3%, creating a **lock-in effect** and contributing to the tightest housing supply in decades
- When rates approached 6% in late 2024, we saw 18 consecutive weeks of positive purchase applications. A recent ResiClub survey found 41% of homeowners would accept 6%, 54% would accept 5.5%, and 78% would accept 5%. **Pent-up demand** remains strong
- Treasury Secretary Scott Bessent has made it clear: lowering the 10-year yield (the benchmark for mortgage rates) is a **top priority**. Exempting government-backed securities from the SLR could lower yields by 30–70 bps, with tax policy and deregulation as additional levers

In 2023, U.S. mortgage rates peaked at 7.79%, the highest in over 23 years. Today, rates are at 6.76% and have been largely range-bound between 6.5% and 7% for the past six months

The Return of Starter Homes

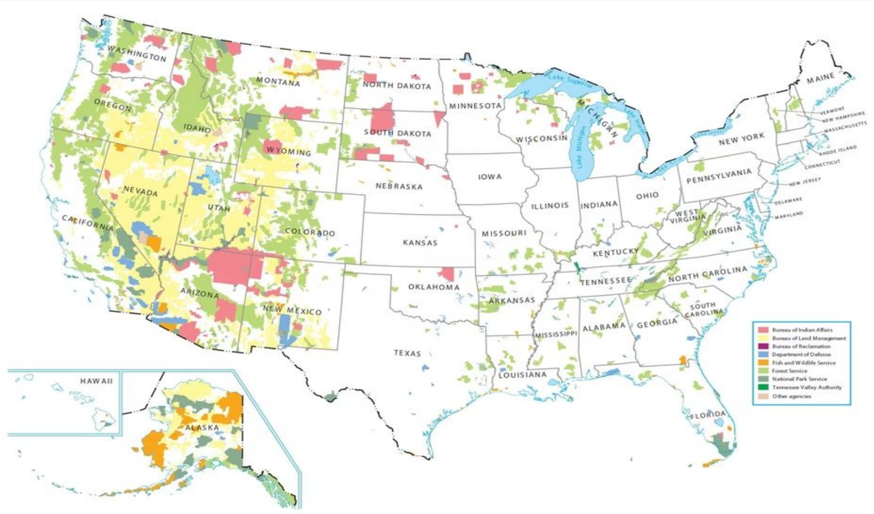
- In 1982, ~40% of new U.S. homes were entry-level (under 1,400 sq. ft.). By 2023, that number dropped to just 9%
- This shortage has pushed 75% of U.S. households (~100.6 million) out of reach of the $460K median-priced new home, leading to the worst affordability in 40+ years
- Homeownership among under-35s has dropped to multi-year lows, while the median age of first-time buyers has climbed to 38, up from 28 in 1991





We believe these pressures are creating the conditions for a sweeping starter home revival across the U.S. in the coming years

Policy & Regulation



- Cutting the red tape is a top priority under this administration, which has already terminated the AFFH rule, restored local control, and removed local zoning tax
- In 2022, 83% of construction delays were attributed to permitting issues
- The administration is also focused on another key solution: opening portions of 640 million acres of federal land for large-scale housing development
- Roughly 47 million acres, or 7.3% of federal land, fall within metropolitan areas where more housing is needed
- The AEI estimates that unlocking just 512,000 acres federal land could support the construction of 3 million new homes over the coming decades

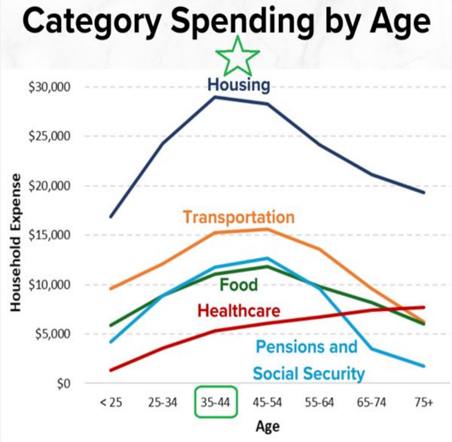
Regulatory costs and policy failures are a major driver of the housing shortage, with costs related to building codes, zoning, and permitting accounting for nearly 25% (~$94K) of a single-family home and over 40% for a typical apartment

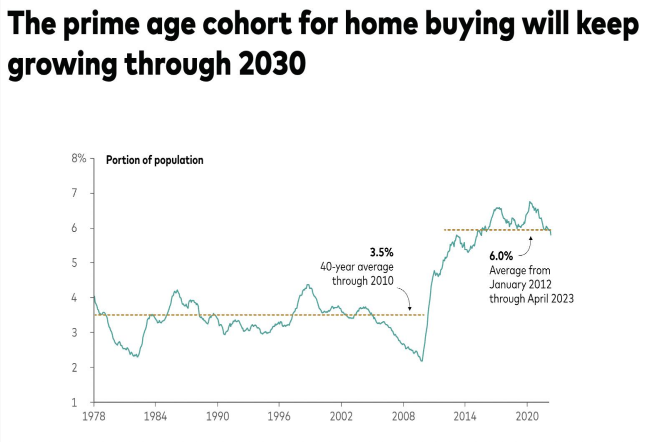
Demographic Tailwinds

- U.S. demographics support strong housing demand over the medium term, with millennials as the largest age cohort, now entering their prime family formation and housing demand years

- 45.3 million Americans are aged 30–39, making up 13.6% of the total population

- The U.S. population grew to 340.1 million in 2024, with a growth rate of 0.98%, the highest since 2001. This also marks the third consecutive year of increasing population growth





Existing-home sales totaled just 4.06 million in 2024, the lowest since 1995. However, the U.S. now has 76.3 million more people and 33.2 million more households than in 1995

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#1 Housing Pick: QXO (Formerly Beacon Roofing)

QXO

Reconciliations: Non-GAAP Financial Measures

RESULTS BY QUARTER (CONTINUING OPERATIONS)

($M)	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022
Net sales	$ 1,318.0	$ 1,872.1	$ 1,875.4	$ 1,754.9	$ 1,686.9	$ 2,358.2	$2,415.2	$ 1,969.4
Gross profit	$ 332.8	$ 517.4	$ 507.8	$ 461.6	$ 439.5	$ 650.2	$ 630.2	$ 515.6
Gross margin %	25.3%	27.6%	27.1%	26.3%	26.1%	27.6%	26.1%	26.2%
Adjusted Operating Expense								
Operating expense	$ 310.0	$ 336.6	$ 349.7	$ 355.2	$ 348.2	$ 395.8	$ 398.8	$ 389.3
Acquisition costs	(25.9)	(26.0)	(25.9)	(22.6)	(21.9)	(23.2)	(23.5)	(21.9)
Restructuring costs	(5.3)	(1.6)	(2.8)	(25.2)	(1.7)	(2.9)	(1.4)	(2.8)
COVID-19 impacts	(0.5)	(0.4)	(0.4)	(1.0)	(1.4)	(0.1)	(0.2)	(0.3)
Adjusted Operating Expense	$ 278.3	$ 308.6	$ 320.6	$ 306.4	$ 323.2	$ 369.6	$ 373.7	$ 364.3
Operating expense % of net sales	23.5%	18.0%	18.6%	20.2%	20.7%	16.8%	16.5%	19.8%
Adjusted Operating Expense % of net sales	21.1%	16.5%	17.1%	17.5%	19.2%	15.7%	15.5%	18.5%
Adjusted EBITDA								
Net income (loss) from continuing operations	$ (10.5)	$ 79.8	$ 104.5	$ 68.1	$ 55.8	$ 174.5	$ 154.8	$ 73.3
Interest expense, net	29.5	23.1	17.1	17.0	17.2	19.1	23.6	26.3
Income taxes	(4.8)	27.1	37.3	20.9	18.9	61.0	53.8	27.6
Depreciation and amortization	42.2	40.3	40.3	38.7	38.9	40.4	40.9	39.0
Stock-based compensation	4.2	5.5	4.9	2.8	5.1	8.0	7.9	6.6
Acquisition costs	0.6	0.7	0.9	0.4	0.5	1.7	1.6	2.6
Restructuring costs	12.6	52.5	2.7	25.2	1.7	2.9	1.4	2.8
COVID-19 impacts	0.5	0.4	0.4	1.0	1.4	0.1	0.2	0.3
Adjusted EBITDA	$ 74.3	$ 229.4	$ 208.1	$ 174.1	$ 139.5	$ 307.7	$ 284.2	$ 178.5
Net income (loss) % of net sales	(0.8%)	4.3%	5.6%	3.9%	3.3%	7.4%	6.4%	3.7%
Adjusted EBITDA % of net sales	5.6%	12.3%	11.1%	9.9%	8.3%	13.0%	11.8%	9.1%

($M)	3/31/2023	6/30/2023	9/30/2023	12/31/2023	3/31/2024	6/30/2024	9/30/2024	12/31/2024
Net sales	$1,732.3	$2,503.7	$2,584.3	$ 2,299.5	$1,912.4	$2,674.6	$2,772.6	$ 2,403.6
Gross profit	$ 441.9	$ 636.2	$ 672.6	$ 592.0	$ 473.2	$ 683.7	$ 730.4	$ 617.5
Gross margin %	25.5%	25.4%	26.0%	25.7%	24.7%	25.6%	26.3%	25.7%
Adjusted Operating Expense								
Operating expense	$ 381.3	$ 401.9	$ 418.8	$ 428.5	$ 428.1	$ 467.9	$ 483.7	$ 459.7
Acquisition costs	(24.0)	(22.8)	(23.6)	$ (21.5)	(24.1)	(26.7)	(28.7)	(24.4)
Restructuring costs	(0.5)	(1.5)	—	$ 1.5	(0.5)	(0.3)	(12.1)	(1.7)
COVID-19 impacts	—	—	—	—	—	—	—	—
Adjusted Operating Expense	$ 356.8	$ 377.6	$ 395.2	$ 408.5	$ 403.5	$ 440.9	$ 442.9	$ 433.6
Operating expense % of net sales	22.0%	16.1%	16.2%	18.6%	22.4%	17.5%	17.4%	19.1%
Adjusted Operating Expense % of net sales	20.6%	15.1%	15.3%	17.8%	21.1%	16.5%	16.0%	18.0%
Adjusted EBITDA								
Net income (loss) from continuing operations	$ 24.8	$ 153.8	$ 161.3	$ 95.1	$ 5.6	$ 127.2	$ 145.3	$ 83.6
Interest expense, net	29.0	27.6	36.4	38.9	39.1	47.2	50.0	46.4
Income taxes	8.0	54.5	57.3	31.3	(1.5)	43.2	52.7	29.6
Depreciation and amortization	43.0	43.2	44.5	45.5	46.6	49.4	53.5	52.3
Stock-based compensation	6.0	8.3	7.9	5.8	7.4	8.3	7.6	7.7
Acquisition costs	1.7	1.4	2.2	1.6	3.0	3.8	4.0	1.2
Restructuring costs	0.5	1.5	—	(1.5)	2.9	0.3	12.1	1.7
COVID-19 impacts	—	—	—	—	—	—	—	—
Adjusted EBITDA	$ 113.0	$ 290.3	$ 309.6	$ 216.7	$ 103.1	$ 279.4	$ 325.2	$ 222.5
Net income (loss) % of net sales	1.4%	6.1%	6.3%	4.1%	0.3%	4.8%	5.2%	3.5%
Adjusted EBITDA % of net sales	6.5%	11.6%	12.0%	9.4%	5.4%	10.4%	11.7%	9.3%

We define Adjusted Operating Expense as operating expense (as reported on a GAAP basis) excluding the impact of amortization, acquisition costs, restructuring costs, and costs directly related to the COVID-19 pandemic.

We define Adjusted EBITDA as net income (loss) from continuing operations excluding the impact of interest expense (net of interest income), income taxes, depreciation and amortization, stock-based compensation, acquisition costs, restructuring costs, and costs directly related to the COVID-19 pandemic.

Beginning January 1, 2023, the Company determined that COVID-19 impacts should no longer be considered an adjusting item and the change was applied prospectively.

For additional information see our latest Form 8-K, filed with the SEC on February 27, 2025.

BEACON

We began building a position in QXO in Fall 2024

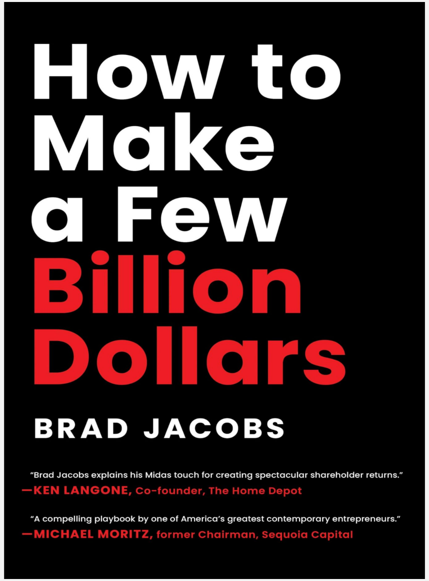
Company Overview

QXO

- ➢ Brad Jacobs has the **Midas touch** — he has built eight companies from scratch, each becoming a billion-dollar or multi-billion-dollar enterprise

- ➢ XPO became a **50-bagger** by 2024, and URI a **60-bagger**—meaning a $1 million investment in URI when Jacobs got involved would be worth $60 million today. Both rank among the top 10 performing Fortune 500 stocks of the past decade

- ➢ Jacobs has run the same playbook for 40+ years and **500+ M&A deals**: find fragmented, "boring" industries with strong fundamentals and outdated operations, ripe for consolidation and automation



QXO is the largest publicly traded distributor of roofing, waterproofing, and building products in the U.S. The company aims to become the tech-enabled leader in the $800 billion industry, targeting $50 billion in annual revenues within a decade through acquisitions and organic growth

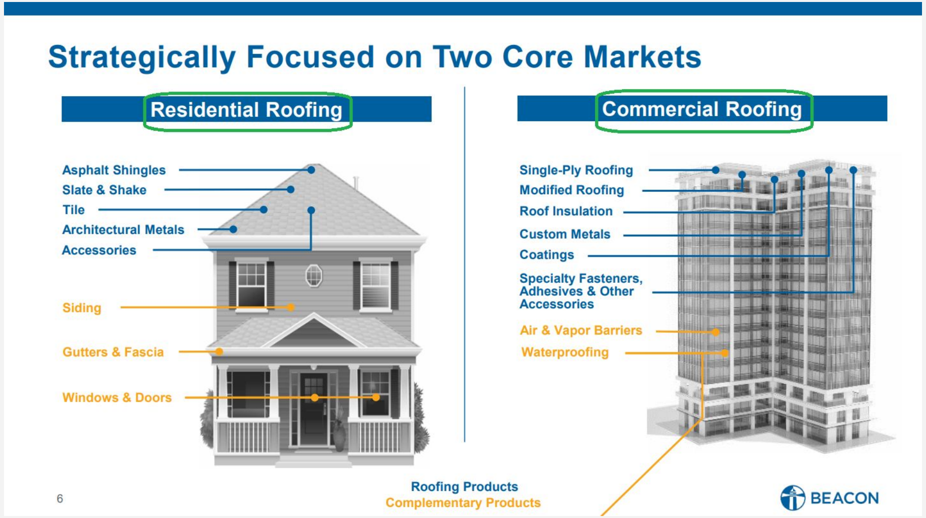
The Case for QXO

QXO

- QXO recently completed its ~$11B acquisition of Beacon Roofing—the first of many moves to build a **$50B+ powerhouse**. QXO paid ~10.5x EBITDA, but with Brad Jacobs' plans to **double EBITDA** over the next few years, the price tag could end up looking more like a mere 5x

- **80%** of Beacon's business comes from non-discretionary, less cyclical repair and remodeling. Meanwhile, 97% is US-based and domestically sourced, making it virtually **tariff-immune**

- With most of its business tied to existing home sales (repair and remodel), QXO is set to benefit from aging commercial buildings (50+ years), homes (40+ years), a **4-million-home shortage**, and the $2 trillion in infrastructure repairs needed across North America over the next two decades



If QXO reaches $50B revenue by 2034 with 10% EBITDA margins (Beacon's average), it would generate ~$5B in EBITDA. At a 12x multiple, that's a 6-bagger—and with more aggressive assumptions, the stock is well over a 10-bagger. Knowing Brad Jacobs and his playbook, the upside is likely much higher

#2 Housing Pick: Stanley Black & Decker

Stanley Black & Decker

STANLEY B&D NYSE-SWK | RECENT PRICE **82.00** | P/E RATIO **15.8** (Trailing: 18.8, Median: 18.0) | RELATIVE P/E RATIO **0.90** | DIV'D YLD **4.0%** | VALUE LINE

TIMELINESS	4	Lowered 11/15/24
SAFETY	3	Lowered 7/10/20
TECHNICAL	4	Raised 3/14/25

BETA 1.20 (1.00 = Market)

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$65-$134	$100 (20%)

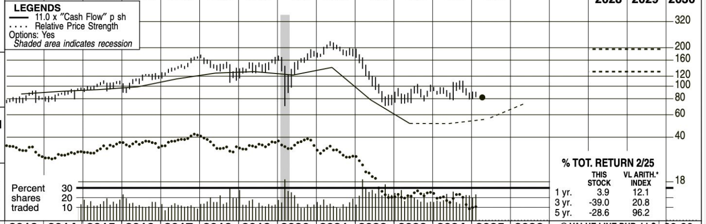
2028-30 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	195	(+140%)	26%
Low	130	(+60%)	15%

Institutional Decisions

	2Q2024	3Q2024	4Q2024
to Buy	335	400	378
to Sell	384	348	413
Hld's(000)	135922	146559	155753

High:	97.7	111.2	126.7	170.9	176.6	169.5	195.0	225.0	196.5	104.2	110.9	91.1
Low:	75.0	90.1	88.7	114.9	106.4	115.0	70.0	167.7	70.2	73.1	77.7	78.9



% TOT. RETURN 2/25

	THIS STOCK	VL ARITH.* INDEX
1 yr.	3.9	12.1
3 yr.	-39.0	20.8
5 yr.	-28.6	96.2

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	© VALUE LINE PUB. LLC	28-30
46.36	50.29	61.20	63.59	70.70	72.03	72.57	74.77	82.75	92.41	94.08	90.42	95.62	110.78	102.73	99.51	**99.85**	**104.60**	Sales per sh A	**158.60**
5.20	5.58	7.67	7.64	7.92	8.30	8.56	9.00	10.36	11.52	11.82	11.14	12.76	7.11	4.67	**4.65**	**5.05**	**6.75**	"Cash Flow" per sh	**12.40**
2.72	3.96	5.24	4.67	4.98	5.36	5.92	6.51	7.45	8.17	8.40	9.04	10.48	4.62	1.45	4.36	**5.05**	**6.45**	Earnings per sh B	**10.25**
1.30	1.34	1.64	1.80	1.98	2.04	2.14	2.26	2.42	2.58	2.70	2.78	2.98	3.18	3.22	3.26	**3.30**	**3.34**	Div'ds Decl'd per sh C■	**3.76**
.90	.99	1.78	2.41	2.35	1.85	2.02	2.27	2.87	3.25	2.77	2.17	3.18	3.47	2.20	2.29	**2.35**	**2.40**	Cap'l Spending per sh	**3.00**
24.95	42.28	41.68	41.98	44.22	41.37	37.75	41.73	49.00	46.83	49.75	59.47	67.17	63.48	58.95	56.47	**58.95**	**59.50**	Book Value per sh D	**68.95**
80.62	167.21	169.55	160.25	155.61	157.41	153.94	152.56	154.04	151.30	153.51	160.75	163.33	152.98	153.62	154.41	**154.00**	**153.00**	Common Shs Outst'g E	**145.00**
14.1	14.7	12.9	15.2	16.3	16.2	17.1	17.2	19.1	17.5	16.9	16.5	18.3	25.1	NMF	21.2	***Bold figures are Value Line estimates***		Avg Ann'l P/E Ratio	**16.0**
.94	.94	.81	.97	.92	.85	.86	.90	.96	.95	.90	.85	.99	1.45	NMF	1.18			Relative P/E Ratio	**.90**
3.4%	2.3%	2.4%	2.5%	2.4%	2.3%	2.1%	2.0%	1.7%	1.8%	1.9%	1.9%	1.6%	2.7%	3.7%	3.6%			Avg Ann'l Div'd Yield	**2.3%**
						11172	11407	12747	13982	14442	14535	15617	16947	15781	15365	**15380**	**16000**	Sales ($mill) A	**23000**
						18.1%	18.2%	18.4%	13.6%	15.7%	16.0%	16.3%	9.4%	7.9%	**16.0%**	**17.0%**	**17.0%**	Operating Margin	**19.0%**
						414.0	408.0	460.7	506.5	560.2	376.5	374.0	369.7	432.4	**426**	**430**	**435**	Depreciation ($mill)	**550**
						903.8	965.3	1135.5	1236.2	1254.3	1433.0	1728.9	723.7	284.5	294.3	**350**	**600**	Net Profit ($mill)	**1250**
						21.6%	21.3%	20.0%	16.0%	16.0%	15.1%	6.9%	- -	6.9%	18.7%	**18.5%**	**18.5%**	Income Tax Rate	**21.0%**
						8.1%	8.5%	8.9%	8.8%	8.7%	9.9%	11.1%	4.3%	1.8%	1.9%	**2.3%**	**3.8%**	Net Profit Margin	**5.4%**
						859.5	1981.0	204.3	567.8	50.9	1477.7	d241.0	1405.5	1134.1	1460.8	**1600**	**1750**	Working Cap'l ($mill)	**1900**
						3836.6	3815.3	2843.0	3819.8	3176.4	4245.4	4353.6	5352.9	6101.0	5602.6	**5400**	**5200**	Long-Term Debt ($mill)	**4600**
						5811.6	6367.0	8297.1	7836.2	9136.3	11060	11591	9712.1	9056.1	8719.9	**8900**	**9100**	Shr. Equity ($mill) D	**10000**
						10.2%	10.4%	11.2%	11.8%	11.3%	10.1%	11.4%	5.9%	3.7%	2.0%	**2.5%**	**4.0%**	Return on Total Cap'l	**8.5%**
						15.6%	15.2%	13.7%	15.8%	13.7%	13.0%	14.9%	7.5%	3.1%	3.4%	**4.0%**	**6.5%**	Return on Shr. Equity	**12.5%**
						10.0%	10.0%	10.2%	12.0%	11.2%	10.3%	11.3%	2.6%	NMF	**1.0%**	**1.5%**	**2.0%**	Retained to Com Eq	**6.5%**
						35%	34%	32%	31%	32%	31%	29%	65%	NMF	NMF	**NMF**	**85%**	All Div'ds to Net Prof	**43%**

CAPITAL STRUCTURE as of 12/28/24
Total Debt $6103.0 mill. **Due in 5 Yrs** $2501.8 mill.
LT Debt $5602.6 mill. **LT Interest** $105.0 mill.
(Total interest coverage: 4.7x)
(39% of Capital)

Leases, Uncapitalized Annual rentals $139.6 mill.
Pension Assets-12/24 $1683.1 mill.
Oblig. $1874.1 mill.

Preferred Stock None
Common Stock 154,413,950 shares
as of 2/11/24
MARKET CAP: $12.7 billion (Large Cap)

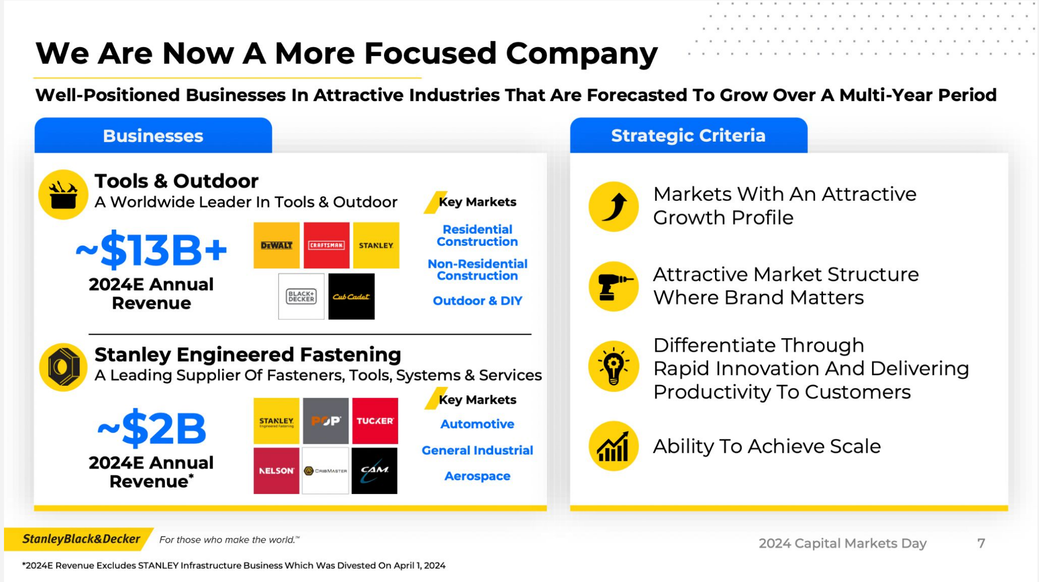
CURRENT POSITION 2022 2023 12/28/24
($MILL.)

We began building a position in SWK in late 2023

Company Overview

Stanley Black & Decker

StanleyBlack&Decker	
Ticker / Share Price	"SWK" / $60.08
Market Cap	$9.30B
Enterprise Value	$15.89B
FY2024 Financials	
Revenue	$15.40B
Adjusted EBITDA	$1.6B
Non-GAAP EPS	$4.36



Founded in 1843, Stanley Black & Decker is the #1 global leader in tools and engineered fastening systems. It provides hand tools, power tools, outdoor products, and industrial solutions to professionals and consumers worldwide

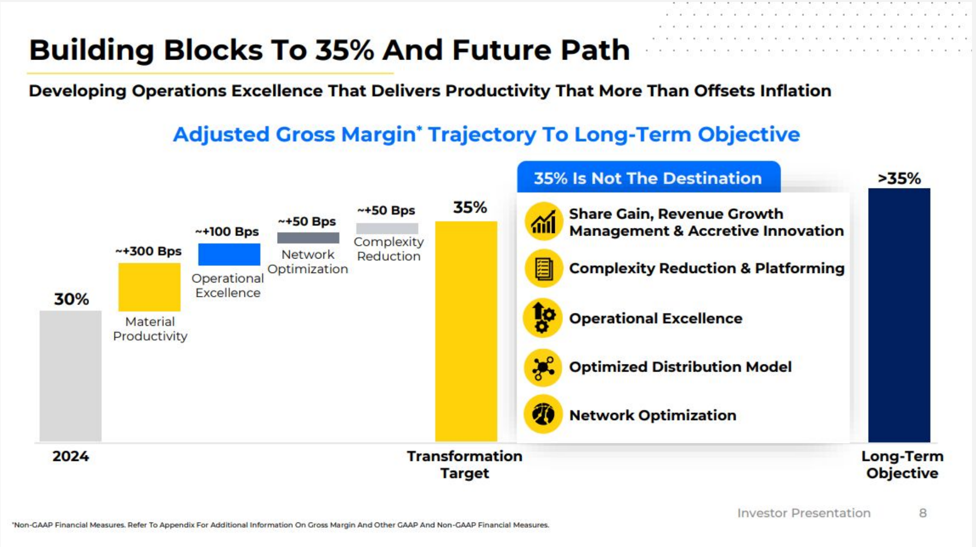
Fixing the Bottom Line

Stanley Black & Decker

- Inflationary headwinds and excess inventories crushed gross margins, falling from ~36% in 2021 to a quarterly trough of just 19.5% in Q4 2022

- Management launched a $2B cost-savings plan in 2022 aimed at restoring margins to their historical average of ~35%. Run-rate savings have already reached $1.7B, with the full amount expected by the end of 2025

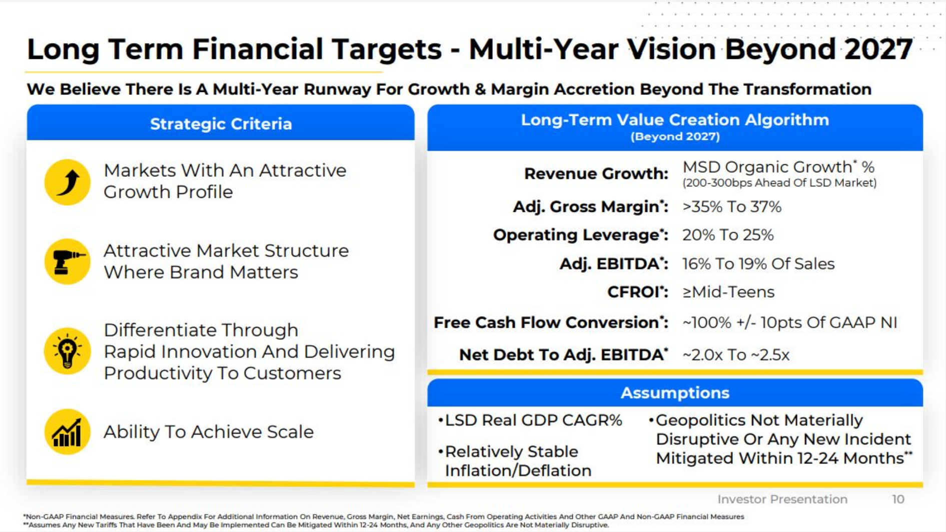
- $2B in cost savings equals roughly $13 per share based on 154 million shares outstanding. At a 16x multiple, the historical average, that translates to nearly $200 per share in value. Yet the stock trades at just $71, barely a third of that



Margins have sharply rebounded to 30.4%, with 35% expected by year-end and a long-term target closer to 37% by 2027. The last time SWK had gross margins above 35%, it generated $8.05 in EPS and traded north of $150

Bright Days Ahead

Stanley Black & Decker



Long Term Financial Targets - Multi-Year Vision Beyond 2027

We Believe There Is A Multi-Year Runway For Growth & Margin Accretion Beyond The Transformation

Strategic Criteria

- Markets With An Attractive Growth Profile
- Attractive Market Structure Where Brand Matters
- Differentiate Through Rapid Innovation And Delivering Productivity To Customers
- Ability To Achieve Scale

Long-Term Value Creation Algorithm (Beyond 2027)

Revenue Growth:	MSD Organic Growth* % (200-300bps Ahead Of LSD Market)
Adj. Gross Margin*:	>35% To 37%
Operating Leverage*:	20% To 25%
Adj. EBITDA*:	16% To 19% Of Sales
CFROI*:	≥Mid-Teens
Free Cash Flow Conversion*:	~100% +/- 10pts Of GAAP NI
Net Debt To Adj. EBITDA*	~2.0x To ~2.5x

Assumptions

- LSD Real GDP CAGR%
- Relatively Stable Inflation/Deflation
- Geopolitics Not Materially Disruptive Or Any New Incident Mitigated Within 12-24 Months**

Investor Presentation 10

*Non-GAAP Financial Measures. Refer To Appendix For Additional Information On Revenue, Gross Margin, Net Earnings, Cash From Operating Activities And Other GAAP And Non-GAAP Financial Measures
**Assumes Any New Tariffs That Have Been And May Be Implemented Can Be Mitigated Within 12-24 Months, And Any Other Geopolitics Are Not Materially Disruptive.

- After two years of choppy demand and a weak residential housing market, things are beginning to turn a corner for SWK, with management expecting low single-digit growth in 2025

- Management is targeting **$16.5B to $17B** in revenues by 2027, up from $15.4B in 2024 (a 3% CAGR). The long-term goal remains mid-single-digit growth, in line with historical averages and **2-3x** expected GDP growth in normalized environments

- We think sentiment around SWK will continue to improve after a few more quarters of solid organic growth and margins returning to the 35% mark. Putting a 16x multiple on the stock, in line with its 20-year average, gets it back to **$150+** over the next 12-24 months. In the meantime, investors get paid a nice **4.4% dividend yield** while they wait

Pro demand remains strong, with brands like DEWALT posting its eighth consecutive quarter of revenue growth. DIY demand is softer but expected to accelerate as existing home sales rebound

#2 Housing Pick: Generac

GENERAC

GENERAC HOLDINGS NYSE-GNRC

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
130.88	18.6 (Trailing: 24.3, Median: 28.0)	1.05	Nil	1233

TIMELINESS 3 Lowered 1/31/25
SAFETY 3 New 12/28/12
TECHNICAL 1 Raised 3/14/25
BETA 1.25 (1.00 = Market)

High:	62.5	50.8	43.7	53.8	60.7	102.8	239.6	524.3	354.0	157.0	195.9	165.4
Low:	38.6	26.3	26.3	33.8	43.0	48.4	75.5	222.5	86.3	79.9	108.9	130.0

18-Month Target Price Range

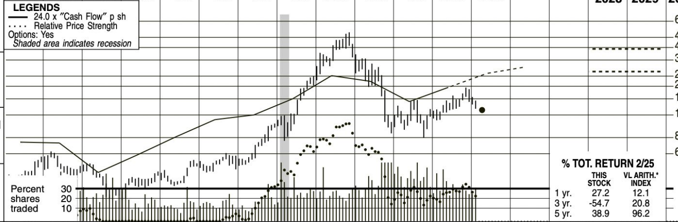
Low-High	Midpoint (% to Mid)
$99-$234	$167 (25%)

2028-30 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	390	(+200%)	32%
Low	260	(+100%)	20%

Institutional Decisions

	2Q2024	3Q2024	4Q2024
to Buy	321	335	386
to Sell	322	324	330
Hld's(000)	53647	55837	60235



% TOT. RETURN 2/25

	THIS STOCK	VL ARITH.* INDEX
1 yr.	27.2	12.1
3 yr.	-54.7	20.8
5 yr.	38.9	96.2

Generac Holdings Inc. completed its initial public offering on February 10, 2010. At that time, 20.7 million shares were sold to the public at an average price of $13.00 per share. The underwriting syndicate included Bank Of America Merrill Lynch, Goldman Sachs, and JPMorgan Chase.

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	© VALUE LINE PUB. LLC	28-30
19.95E	23.04	26.81	32.56	35.23	39.54	58.65	74.32	66.89	72.06	*77.10*	*86.60*	Sales per sh	*125.45*
1.79	2.44	3.39	4.60	5.00	6.67	10.08	9.10	6.34	8.19	*10.50*	*11.80*	"Cash Flow" per sh	*16.65*
1.12	1.50	2.56	3.54	4.03	5.48	8.30	5.42	3.27	5.39	*7.50*	*8.50*	Earnings per sh A	*13.00*
--	--	--	--	--	--	--	--	--	--	*Nil*	*Nil*	Div'ds Decl'd per sh D	*4.00*
.46	.49	.53	.77	.97	.99	1.73	1.40	2.15	2.29	*2.00*	*2.10*	Cap'l Spending per sh	*2.25*
7.06	6.40	8.98	12.24	16.50	22.12	34.74	36.76	38.91	41.84	*47.95*	*49.80*	Book Value per sh B	*80.00*
66.02	62.70	62.37	62.14	62.57	62.85	63.72	61.42	60.14	59.61	*59.00*	*56.00*	Common Shs Outst'g C	*55.00*
34.0	24.1	16.0	14.4	17.4	26.9	44.4	41.3	35.5	26.9	*Bold figures are*		Avg Ann'l P/E Ratio	*25.0*
1.71	1.26	.80	.78	.93	1.38	2.40	2.39	1.97	1.41	*Value Line*		Relative P/E Ratio	*1.40*
--	--	--	--	--	--	--	--	--	--	*estimates*		Avg Ann'l Div'd Yield	*1.3%*
1317.3	1444.5	1672.4	2023.5	2204.4	2485.2	3737.2	4564.7	4022.7	4295.8	*4550*	*4850*	Sales ($mill)	*6900*
21.6%	21.2%	19.8%	20.0%	20.9%	22.0%	22.3%	15.9%	13.7%	15.6%	*17.5%*	*18.5%*	Operating Margin	*19.5%*
40.3	54.4	52.0	47.4	60.9	68.8	92.0	159.4	166.6	171.8	*175*	*185*	Depreciation ($mill)	*200*
77.7	98.8	159.4	238.3	252.0	350.6	550.5	399.5	214.6	316.3	*445*	*475*	Net Profit ($mill)	*715*
36.8%	36.8%	21.3%	22.5%	21.1%	22.2%	19.5%	19.6%	25.2%	22.6%	*24.5%*	*26.0%*	Income Tax Rate	*27.0%*
5.9%	6.8%	9.5%	11.8%	11.4%	14.1%	14.7%	8.8%	5.3%	7.4%	*9.8%*	*9.8%*	Net Profit Margin	*10.4%*
448.2	341.6	429.7	560.1	698.7	1028.2	692.6	1190.4	1116.9	999.0	*1200*	*1550*	Working Cap'l ($mill)	*1700*
1050.1	1006.8	906.5	876.4	837.8	841.8	902.1	1369.1	1447.6	1210.8	*1150*	*1025*	Long-Term Debt ($mill)	*1200*
465.9	401.1	559.8	760.5	1032.4	1390.3	2213.8	2257.4	2340.3	2494.3	*2830*	*2790*	Shr. Equity ($mill)	*4400*
6.5%	8.6%	12.3%	15.8%	14.5%	16.4%	18.2%	11.7%	6.9%	9.7%	*12.0%*	*13.5%*	Return on Total Cap'l	*13.5%*
16.7%	24.6%	28.5%	31.3%	24.4%	25.2%	24.9%	17.7%	9.2%	12.7%	*15.5%*	*17.0%*	Return on Shr. Equity	*16.5%*
16.7%	24.6%	28.5%	31.3%	24.4%	25.2%	24.9%	17.7%	9.2%	12.7%	*15.5%*	*17.0%*	Retained to Com Eq	*16.5%*
--	--	--	--	--	--	--	--	--	--	*Nil*	*Nil*	All Div'ds to Net Prof	*30%*

CAPITAL STRUCTURE as of 12/31/24
Total Debt $1334.2 mill. **Due in 5 Yrs** $809.0 mill.
LT Debt $1210.8 mill. **LT Interest** $84.0 mill.
(33% of Cap'l)
Leases, Uncapitalized Annual rentals $61.2 mill.

Pension Plan Terminated 12/19

Pfd Stock None

Common Stock 59,614,025 shares.
as of 2/14/24

MARKET CAP: $7.8 billion (Mid Cap)

CURRENT POSITION ($MILL.) 2022 2023 12/31/24

We began building a position in GNRC in late 2023

Company Overview

GENERAC

GENERAC	
Ticker / Share Price	"GNRC" / $116.60
Market Cap	$6.77B
Enterprise Value	$7.93B
FY2024 Financials	
Revenue	$4.30B
Adjusted EBITDA	$789M
Non-GAAP EPS	$7.27

GENERAC

Generac Overview

- Founded in 1959
- 2024 Net Sales: $4.3 Billion
- 9,200+ Employees Worldwide (as of 12/31/2024)
- 2024 ADJ EBITDA: $789 Million
- Omni-Channel Distribution: Thousands of Dealers, Wholesalers, Retailers and E-Commerce Partners
- 1,200+ Engineers Worldwide (as of 12/31/2024)
- 2024 Region Net Sales Mix: 84% Domestic, 16% International
- 2024 Product Net Sales Mix: 57% Residential, 32% Commercial & Industrial, 11% Other

Generac, founded in 1959, is a leading provider of backup power solutions (we like to call it the Kleenex of generators). The company designs and manufactures generators, energy storage systems, and power management products for residential, commercial, and industrial markets

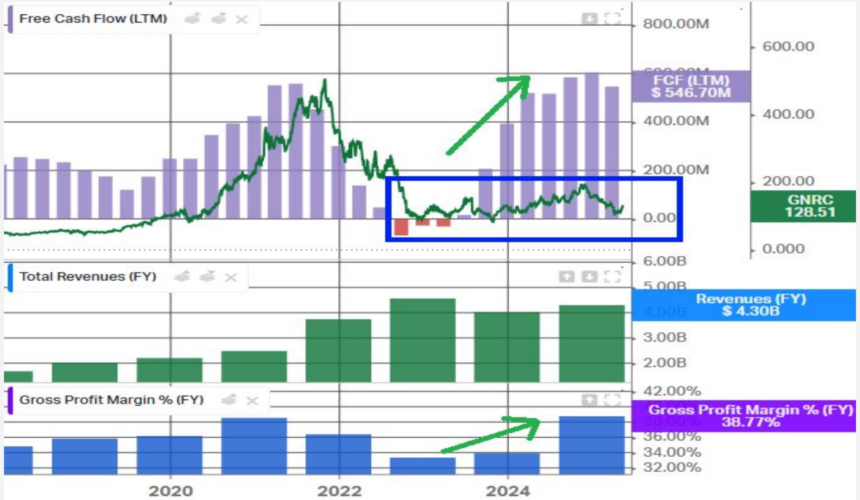
Price vs. Fundamentals

GENERAC

- Generac was hit by the post-pandemic destock cycle, with field inventories jumping 85%+ and reaching 2x historical averages (2021-2022). Excess inventories weighed on the stock, falling over 80% after multiple quarters of negative free cash flow and a 500 bps drop in gross margins to a trough of just 33%

- Management spent the next few years working through inventories, getting levels largely normalized by 2024. Gross margins quickly rebounded to 39%, the highest since 2010, and free cash flow hit an all-time record of $605 million. Revenues are also on track to reach all-time highs this year

- Despite improving fundamentals (many at record highs) GNRC still trades 75% below its peak. The market clearly remains pessimistic, continuing to price GNRC as a rate-sensitive cyclical "show me" story, unconvinced that the elevated post-COVID revenue base is sustainable



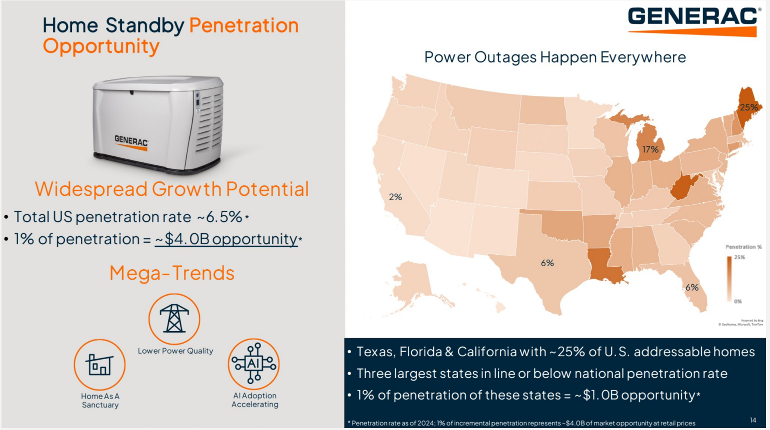
We see GNRC as an industry-leading secular grower driven by powerful mega trends, with a C&I business emerging from a once-in-a-century bottoming cycle, trading at a trough multiple. Eventually, we expect the market to recognize this. Remember: short-term voting machine, long-term weighing machine

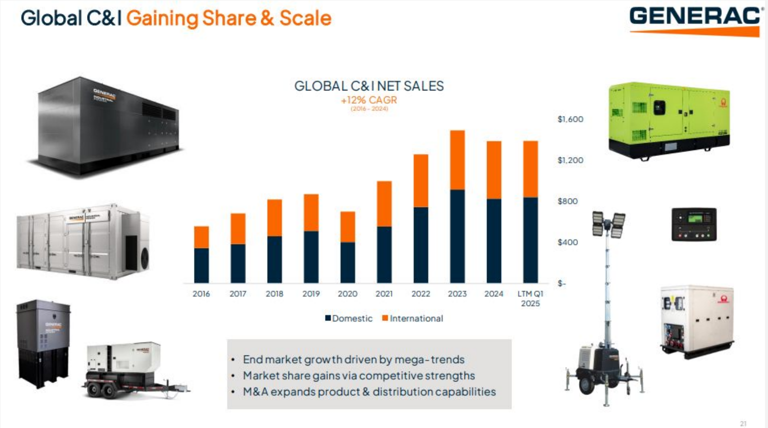
Massive Runway Ahead

GENERAC

- ➢ Residential home standby generators are Generac's bread and butter and highest margin business. Generac is the market leader with **~75% share**, **~4x** the size of its next largest competitor

- ➢ Market penetration remains low, with only **6.5%** of U.S. owner-occupied homes over $175K having a standby generator. Each 1% increase in penetration represents a **$4 billion opportunity**





Generac's C&I business, 32% of sales, is coming out of a cyclical trough. It's now targeting data centers and hyperscalers, with new diesel generators shipping later this year and seeing strong early interest

Mega Trends Powering Demand

GENERAC

- ➢ **Lower Power Quality:** 2024 saw the most power outages on record since 2010, with nearly 1.5 billion lost hours in the U.S. due to three major hurricanes. The 2025 hurricane season is forecasted to be 125% above the past decade average, and billion-dollar weather events now average 23 per year—nearly 2x more than in the 2010s

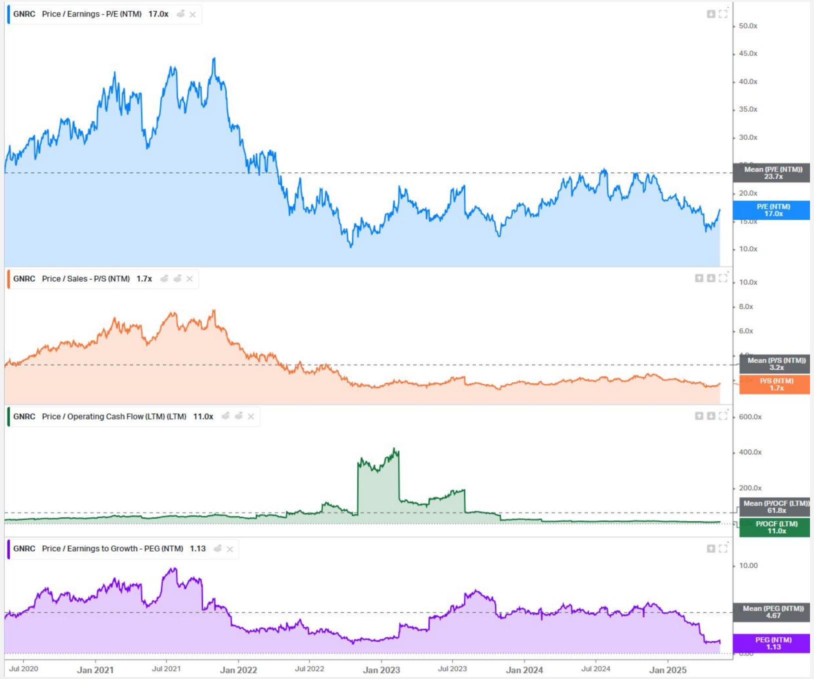
- ➢ **Aging Infrastructure:** 70% of U.S. transmission lines are over 25 years old. The average age of large power transformers, which handle 90% of U.S. electricity flow, is over 40 years—around the same age when transformer malfunctions tend to escalate

- ➢ **Power Prices:** U.S. average electricity prices have risen over 35% since 2020, with further increases expected, creating a growing incentive for homeowners to seek solutions to protect and reduce electricity costs

Increasing intermittent generation sources, all at a time of "electrification of everything," continue to drive supply/demand imbalances. Hyperscalers and AI adoption further disrupt the grid, with a single Chat GPT request using 17x more energy than a Google search

Too Cheap to Ignore

- Generac remains **cheap** on several key metrics:
  - P/E Ratio: **+39%** to reach the historical average of 23.7
  - P/S Ratio: **+88%** to reach the historical average of 3.2
  - PEG Ratio: **+313%** to reach the historical average of 4.67
- We expect continued margin expansion to drive **double-digit earnings growth** over the next 2-3 years. Margins should get a tailwind from clean energy products, which were a ~400 bps drag on EBITDA margins in 2024, and are expected to breakeven by 2026, on track to reach company historical averages



As the residential business continues to benefit from mega trends, C&I inflects and expands, clean energy becomes profitable, and with continued margin expansion back to new highs, we expect GNRC to push well above $250 over the next 24-36 months

Contact Information / Q&A

- **Top Ranked Podcast:** Hedge Fund Tips with Tom Hayes
- **Twitter:** @HedgeFundTips
- **YouTube:** "Hedge Fund Tips"
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Thank You!
Q&A

*Opinion, Not Investment Advice