

Flowserve

4Q23 earnings: operations & guide in line; FCF is a positive surprise

Reiterate Rating: BUY | PO: 48.00 USD | Price: 42.21 USD

4Q23 earnings operationally come in line

Flowserve 4Q23 adj. EPS of \$0.68 came in above our \$0.58 estimate and \$0.60 consensus. Core operations were in line with our estimates and consensus. Stronger FCD results were offset by a margin miss in FPD. Initial 2024 guide comes operationally in line with the framework that management laid out at its September investor day. Adj. EPS guide of \$2.40-\$2.60 brackets our prior estimate and \$2.53 consensus. Backlog of \$1.04bn was down (3)% sequentially. 10-K commentary suggests y/y flat bookings (2024 bookings “comparable to 2023 levels”). At the midpoint of sales guide, this implies a ~0.94x book-to-bill. Given Emerson (EMR) & ITT (ITT) Industrial Process bookings & commentary, we believe this outlook could be conservative. We note some investors may question that management committed to >1.0x 2024 book-to-bill at its investor day. Reiterate Buy. We raise our PO to \$48 (vs. \$44 prior) to reflect higher estimates.

Valuation undemanding, particularly on higher estimates

The company trades at 10.5x 2024E EV/EBITDA versus peers trading at 13x. It trades at a 19% discount to its long-term average on FY+1 P/E and at a 17% discount on FY+2 P/E. Given the undemanding valuation, we view the quarter as good enough, particularly given the strength of the cash performance.

FCF surprises to the upside in the quarter

FCF was a surprise to the upside, as the company delivered 122% FCF conversion in 4Q and 93% for the year. FY23 FCF of \$326mn came in 77% above consensus and above our estimate. This is inclusive of a \$(60)mn headwind from inventory build, with other working capital (e.g., accounts payable) driving the improvement. Management does not believe it will see an outsized y/y headwind in working capital from reinvesting in 2024, suggesting the potential for structurally better cash conversion going forward.

Raising our 2024 adj. EPS estimate to \$2.50, +19% y/y

We raise our 2024 adj. EPS estimate to \$2.50 from \$2.42, at the midpoint of \$2.40-\$2.60 guidance. We forecast +5.8% y/y revenue growth versus +5.3% y/y prior, which compares to the guidance range of +4-6% growth. Our core growth estimate is unchanged at +6.0% y/y. We forecast \$318mn of FCF in 2024, or 96% net income conversion. Our FCF forecast includes a y/y \$13mn step up in capex.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.10	2.10	2.50	2.92	3.42
GAAP EPS	1.44	1.42	2.32	2.83	3.37
EPS Change (YoY)	-20.3%	90.9%	19.0%	16.8%	17.1%
Consensus EPS (Bloomberg)			2.53	2.91	3.23
DPS	0.80	0.80	0.80	0.80	0.80
Valuation (Dec)					
P/E	38.4x	20.1x	16.9x	14.5x	12.3x
GAAP P/E	29.3x	29.7x	18.2x	14.9x	12.5x
Dividend Yield	1.9%	1.9%	1.9%	1.9%	1.9%
EV / EBITDA*	21.0x	13.1x	11.3x	5.3x	4.7x
Free Cash Flow Yield*	-2.1%	4.7%	5.7%	6.0%	8.4%

* For full definitions of *IQmethod*SM measures, see page 10.

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Refer to important disclosures on page 11 to 13. Analyst Certification on page 9. Price Objective Basis/Risk on page 9.

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Timestamp: 21 February 2024 05:00AM EST

21 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	44.00	48.00
2024E EPS	2.41	2.50
2025E EPS	2.86	2.92
2026E EPS	3.19	3.42

Andrew Obin

Research Analyst
BofAS
+1 646 855 1817
andrew.obin@bofa.com

David Ridley-Lane, CFA

Research Analyst
BofAS
+1 646 855 2907
david.ridleylane@bofa.com

Sabrina Abrams

Research Analyst
BofAS
+1 646 556 3520
sabrina.abrams@bofa.com

Devin Leonard

Research Analyst
BofAS
+1 646 855 3698
devin.leonard@bofa.com

Stock Data

Price	42.21 USD
Price Objective	48.00 USD
Date Established	21-Feb-2024
Investment Opinion	B-1-7
52-Week Range	29.99 USD - 43.64 USD
Mkt Val (mn) / Shares Out (mn)	5,539 USD / 131.2
Free Float	99.4%
Average Daily Value (mn)	34.10 USD
BofA Ticker / Exchange	FLS / NYS
Bloomberg / Reuters	FLS US / FLS.N
ROE (2024E)	15.8%
Net Dbt to Eqty (Dec-2023A)	34.8%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

Flowserve Pump Division -FPD

Flow Control Division - FCD

iQprofileSM Flowserve

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	5.5%	9.5%	10.4%	11.4%	12.5%
Return on Equity	7.8%	14.5%	15.8%	16.7%	17.4%
Operating Margin	6.2%	9.5%	10.8%	11.9%	13.0%
Free Cash Flow	(116)	258	318	333	466

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	-0.3x	1.2x	1.2x	1.1x	1.2x
Asset Replacement Ratio	0.8x	0.8x	1.0x	1.0x	1.1x
Tax Rate	10.4%	15.1%	20.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	45.1%	34.8%	21.6%	14.1%	-0.6%
Interest Cover	4.5x	6.2x	7.9x	9.2x	10.4x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,615	4,321	4,571	4,799	5,039
% Change	2.1%	19.5%	5.8%	5.0%	5.0%
Gross Profit	1,008	1,299	1,397	1,519	1,595
% Change	-5.5%	28.8%	7.6%	8.8%	5.0%
EBITDA	312	499	579	1,224	1,392
% Change	-19.0%	60.3%	15.9%	111.6%	13.7%
Net Interest & Other Income	(53)	(67)	(62)	(62)	(63)
Net Income (Adjusted)	144	278	330	386	451
% Change	-20.3%	92.3%	18.9%	16.8%	17.1%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	144	278	330	386	451
Depreciation & Amortization	90	88	83	83	83
Change in Working Capital	(327)	26	(21)	(71)	(8)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	53	(66)	6	20	28
Capital Expenditure	(76)	(67)	(80)	(84)	(88)
Free Cash Flow	-116	258	318	333	466
% Change	NM	NM	23.1%	4.6%	40.0%
Share / Issue Repurchase	0	0	0	(96)	(116)
Cost of Dividends Paid	(105)	(105)	(106)	(106)	0
Change in Debt	(33)	(40)	(104)	(60)	(100)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	435	546	654	730	985
Trade Receivables	869	882	933	966	1,001
Other Current Assets	1,147	1,276	1,301	1,312	1,338
Property, Plant & Equipment	501	506	513	525	542
Other Non-Current Assets	1,839	1,899	1,910	1,919	1,929
Total Assets	4,791	5,109	5,312	5,453	5,795
Short-Term Debt	49	66	0	0	0
Other Current Liabilities	1,194	1,372	1,449	1,442	1,516
Long-Term Debt	1,224	1,167	1,130	1,070	970
Other Non-Current Liabilities	465	528	528	528	528
Total Liabilities	2,932	3,134	3,107	3,039	3,013
Total Equity	1,859	1,975	2,205	2,413	2,782
Total Equity & Liabilities	4,791	5,109	5,312	5,453	5,795

* For full definitions of iQmethodSM measures, see page 10.

Company Sector

Process Controls

Company Description

Flowserve is a Texas-based supplier of pumps, valves, seals, automation, and related services, primarily for the oil & gas, power, and chemical industries. Flowserve operates under two segments: Flowserve Pump Division (FPD) and Flow Control Division (FCD).

Investment Rationale

Flowserve has a premium product offering, with strong leverage to the global oil & gas and chemicals cycles. Flowserve stands out as being the most pure-play flow control name with significant exposure to oil & gas end markets (approximately 61% of revenues). The company is also levered to the buildout of decarbonization infrastructure, which is a large and underappreciated beneficiary of the Inflation Reduction Act.

Stock Data

Average Daily Volume 807,859

Quarterly Earnings Estimates

	2023	2024
Q1	0.40A	0.49E
Q2	0.52A	0.62E
Q3	0.50A	0.61E
Q4	0.68A	0.78E

Core operations came in line with our model

Segment operating income was in line with our estimates. **FPD** reported organic growth of +10.2% versus our +9.5% y/y estimate. Segment margin was (140)bp below our 13.2% forecast. Overall, FPD was a \$(0.05)/sh miss. **FCD** organic growth of +10.0% came in above our +9.0% estimate. Combined with 290bp better segment margin, FCD was a \$0.06/sh beat. Corporate/eliminations were a \$(0.01) headwind. Below-the-line items were a net \$0.10 tailwind, largely on taxes.

Exhibit 1: 4Q23 earnings variance analysis

Adj. EPS of \$0.68 was \$0.10 above our estimate

	Actual	Reported		BofA Estimate		Variation Versus BofA Est.	
(in US\$ mn, except per share data)	4Q:22A	4Q:23A	YOY % Chg.	4Q:23E	YOY % Chg.	Percentage / b.p.	EPS
Revenue by Segment							
Flowserve Pump Division	739	833	12.6%	817	10.5%	2%	
Flow Control Division	302	336	11.3%	332	10.0%	1%	
Eliminations and all other	(2)	(3)	12.1%	(2)	10.3%	2%	
TOTAL	1,039	1,166	12.3%	1,146	10.3%	2%	
Operating income by Segment							
Flowserve Pump Division	97	98	1.6%	108	11.3%	-9%	\$ (0.05)
Flow Control Division	39	56	44.2%	45	17.3%	23%	\$ 0.06
Eliminations and all other	(23)	(32)	34.5%	(30)	27.8%	5%	\$ (0.01)
TOTAL	112	122	9.4%	123	9.9%	0%	\$ (0.00)
Operating Margin by Segment							
Flowserve Pump Division	13.1%	11.8%	(130 bp)	13.2%	10 bp		
Flow Control Division	12.8%	16.6%	380 bp	13.7%	90 bp		
TOTAL	10.8%	10.5%	(30 bp)	10.7%	0 bp		
Revenue	1,039	1,166	12.3%	1,146	10.3%	1.8%	
Cost of Products Sold	740	817	10.5%	797	7.7%	2.6%	
Gross profit	299	349	16.5%	350	16.8%	-0.2%	\$ (0.00)
SG&A	184	221	20.0%	223	21.1%	-0.9%	\$ 0.01
Net Earnings from Affiliates	4	5	27.9%	4	9.7%	16.6%	\$ (0.00)
Operating profit	112	122	9.4%	123	9.9%	-0.4%	\$ 0.00
Interest expense / (income)	15	19	25.2%	16	1.6%	23.2%	\$ (0.02)
Other expense / (income)	-	-	NM	-	0.0%	NM	\$ -
EBT	96	103	6.9%	107	11.2%	-3.9%	\$ (0.02)
Income tax expense	10	8	-17.4%	26	168.4%	-69.2%	
Tax rate	10%	8%	(230 bp)	24%	1430 bp	--	\$ 0.13
Net Income attributable to noncontrolling interest	4	5	32.9%	4	11.5%	N/M	\$ (0.01)
Operating Net income	83	90.235	8.6%	77	-7.2%	17.1%	\$ 0.11
FULLY DILUTED EPS	\$0.63	\$0.68	8.2%	\$0.58	-7.6%	17.0%	
Diluted Shares Outstanding	132	132	0.4%	132	0.4%	0.1%	\$ (0.00)
Margin Analysis							
	Actual	Reported		Estimated		4Q:22A	
Gross Margin	28.8%	29.9%		30.5%		110 bp	
SG&A as % revenue	17.7%	18.9%		19.4%		120 bp	
Operating Margin	10.8%	10.5%		10.7%		(30 bp)	
Pretax Margin	9.3%	8.8%		9.4%		(40 bp)	
Net Margin	8.0%	7.7%		6.7%		(30 bp)	
Segment Incremental Margin	-576.9%	8.3%		10.3%		58510 bp	

Source: BofA Global Research, company files

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Exhibit 2: 4Q23 bookings variance analysis

Bookings were down (6)% y/y, (7)% organically

Bookings Analysis	4Q:22A	3Q:23A	4Q:23A	Q/Q % Chg.	Y/Y % Chg.
Flowserve Pump Division	786	735	722	-1.7%	-8.1%
Flow Control Division	<u>325</u>	<u>331</u>	<u>327</u>	<u>-1.1%</u>	<u>0.6%</u>
Total Bookings	1,107	1,070	1,040	-2.8%	-6.0%

Book-to-Bill	4Q:22A	3Q:23A	4Q:23A
Flowserve Pump Division	1.06 x	0.96 x	0.87 x
Flow Control Division	<u>1.08 x</u>	<u>1.00 x</u>	<u>0.97 x</u>
Total Backlog	1.07 x	0.98 x	0.89 x

Backlog Analysis	4Q:22A	3Q:23A	4Q:23A	Q/Q % Chg.	Y/Y % Chg.
Flowserve Pump Division	2,009	1,959	1,892	-3.4%	-5.8%
Flow Control Division	<u>746</u>	<u>830</u>	<u>827</u>	<u>-0.3%</u>	<u>10.9%</u>
Total Backlog	2,740	2,770	2,700	-2.5%	-1.5%

Source: BofA Global Research estimates, company report

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Raising our 2024E adj. EPS number

We raise our 2024 adj. EPS estimate to \$2.50 from \$2.42, at the midpoint of \$2.40-\$2.60 guidance. We forecast +5.8% y/y revenue growth versus +5.3% y/y prior, which compares to the guidance range of +4-6% growth. Our core growth estimate is unchanged at +6.0% y/y. We forecast \$318mn of FCF in 2024, or 96% net income conversion. Our FCF forecast includes a y/y \$13mn step up in capital expenditures. We model 130bp of y/y margin expansion. This includes ~20bp of incremental savings from the cost-out program, on our math.

Notably, 2024 earnings growth guide of +14-24% y/y comes in below commentary for 20-25% EPS growth last quarter; however, the company came in \$0.10 above the midpoint of its guidance range. Had 2023 EPS come in at \$2.00 (the prior midpoint of guide given at 3Q23 earnings), the \$2.40-2.60 range would represent 20-30% y/y EPS growth.

Exhibit 3: Flowserve 2024 outlook versus BofA estimates (2024E/2025E)

We raise our adjusted EPS estimate to \$2.50

	FLS 2024 outlook	BofA 2024			BofA 2025		
	As of 4Q23	Old	New	Consensus	Old	New	Consensus
Revenue growth	4.0-6.0%	5.3%	5.8%	5.3%	6.0%	5.0%	3.5%
Core growth		6.0%	6.0%	5.0%	6.0%	5.0%	5.3%
Adj. operating margins	LDD%, up 100bps y/y	10.6%	10.8%	10.8%	11.7%	11.9%	11.7%
Adj. EPS	\$2.40-\$2.60	\$2.42	\$2.50	\$2.53	\$2.87	\$2.92	\$2.91
Effective tax rate	~20%	20.0%	20.0%		21.0%	21.0%	
Capital expenditures	\$75-85mn	-\$91mn	-\$80mn	\$82mn	-\$97mn	-\$84mn	\$89mn
FCF		\$230mn	\$318mn	\$293mn	\$361mn	\$333mn	\$364mn
FCF conversion		72.3%	96.4%	88.6%	95.7%	86.3%	100.8%

Source: BofA Global Research estimates, company report

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FCF surprises to the upside

FCF was a surprise to the upside, as the company delivered 122% FCF conversion in 4Q and 93% for the year. FY23 FCF of \$326mn came in 77% above consensus and above our estimate. This is inclusive of a \$(60)mn headwind from inventory build, with other working capital (e.g., accounts payable) driving the improvement. Management does not believe it will see an outsized y/y headwind in working capital from reinvesting in 2024, suggesting the potential for structurally better cash conversion going forward.

Organic bookings (7)% y/y, but demand remains strong

The company stated in its 10-K, "Assuming a positive general macro environment and continued supportive environments in our end markets, we expect full-year bookings in 2024 to be comparable to 2023 levels." At the midpoint of revenue guidance, flat bookings would imply a ~0.94x book-to-bill. Given Emerson (EMR) and ITT (ITT) bookings commentary on process bookings, we believe that the outlook could be conservative.

Flowserve 4Q organic bookings were down (7.1)% y/y with a book-to-bill of 0.89x. Bookings growth sequentially improved from (20.6)% in Flowserve Pump Division to (8.1)%. Bookings growth sequentially decelerated to +0.6% y/y from +10.2% y/y in Flow Control Division last quarter. On an absolute basis, orders were down (3)% sequentially. OE bookings were up (13)% y/y organically, with aftermarket bookings down (1)%.

End market discussion

Oil & gas bookings (38% of total) were up down (15)% y/y, sequentially improving decelerating from (22)% last quarter. The bookings last quarter were impacted by the year ago Jafurah order.

Chemicals bookings (20% of total) were down (15)% y/y. Chemicals bookings have been down y/y for three quarters. In the 10-K, management states that it believes "an increase in [consumer] spending would drive greater demand for petrochemical, specialty chemical and pharmaceutical products supporting improved levels of capital investment."



Power bookings (11% of total) were up +3% y/y in the quarter. Bookings were down (3)% sequentially. Key drivers for the power generation segment include nuclear new build and life extensions as well as traditional thermal power sources.

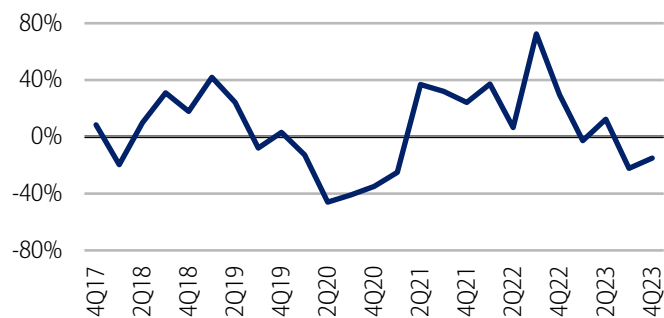
General industries bookings (27% of total) were up +1% y/y in the quarter. Key end markets for general industries include mining and ore processing, pulp and paper, food and beverage, and other smaller applications. This segment also includes distributor sales, whose end customers serve the respective end markets.

Water bookings (4% of total) were up +276% y/y in the quarter. This end market is more driven by government budgets.

Flowserve quarterly bookings growth by end market

Exhibit 4: Quarterly Oil & Gas bookings growth (y/y%)

Oil & gas bookings were down (15)% y/y

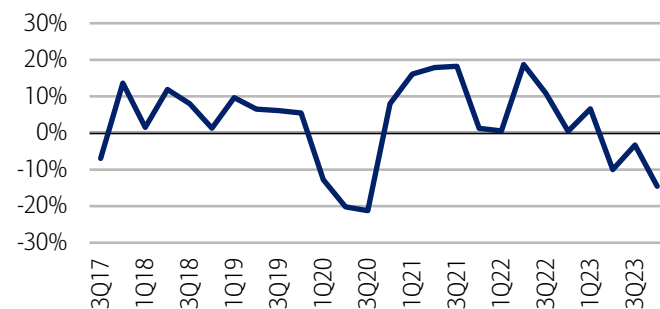


Source: Company reports, BofA Global Research

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Exhibit 5: Quarterly Chemicals bookings growth (y/y%)

Chemicals bookings were down (15)% y/y

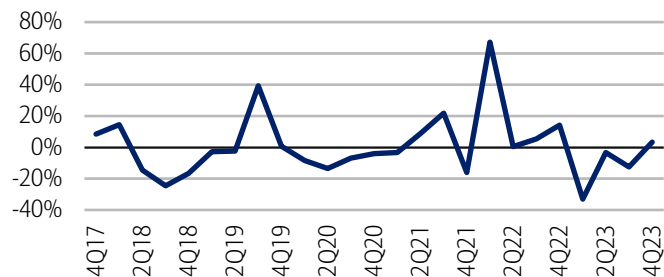


Source: Company reports, BofA Global Research

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Exhibit 6: Quarterly Power bookings growth (y/y%)

Power bookings were up 3% y/y

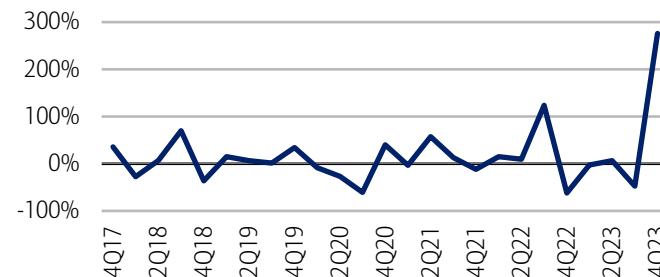


Source: Company reports, BofA Global Research

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Exhibit 7: Quarterly Water bookings growth (y/y%)

Water bookings were up 276% y/y

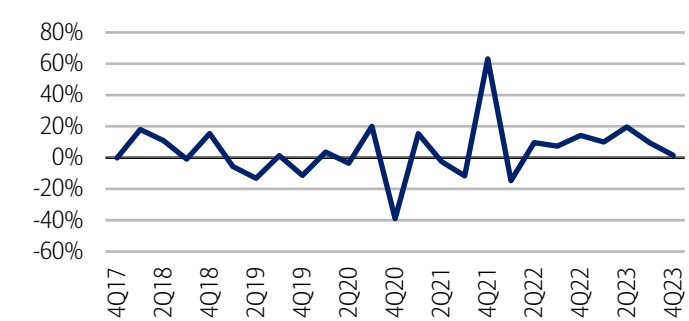


Source: Company reports, BofA Global Research

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Exhibit 8: Quarterly General Industry bookings growth (y/y%)

General Industry bookings were up +1% y/y

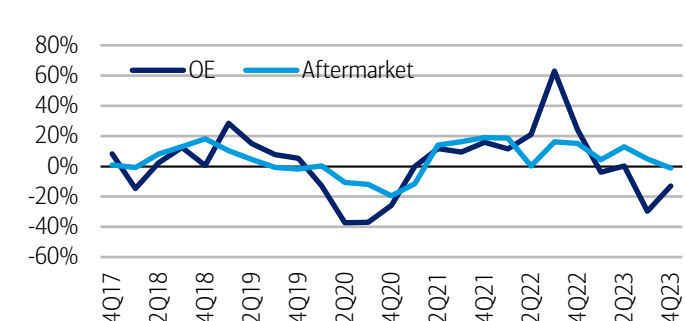


Source: Company reports, BofA Global Research

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Exhibit 9: OE vs. aftermarket quarterly organic bookings (y/y%)

OE bookings were up (13)% y/y and aftermarket was down (1)% y/y in 4Q23



Source: Company reports, BofA Global Research

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Valuation

Our \$48 PO is based on 10x our 2025 estimates, at a discount to peers trading at 13x 2024E. We think the discount to peers is warranted given below-peer margins.

Exhibit 10: FLS comparable valuation analysis

We base our \$48 price objective on a 10x EV/EBITDA multiple on our 2025 estimate

Company	Ticker	Stock Price 2/20/2024	P/E		EV/EBITDA		EBITDA Margins		EPS growth	
			2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
IDEX*	IEX	\$230.35	27.7 x	25.7 x	19.2 x	17.2 x	27.7%	28.7%	1.8%	7.7%
ITT	ITT	\$122.37	20.7 x	18.1 x	13.1 x	11.8 x	20.9%	21.9%	13.2%	14.7%
Parker-Hannifin	PH	\$519.53	20.6 x	19.3 x	15.7 x	15.0 x	25.0%	25.1%	9.6%	6.8%
Sulzer*	SULZF	CHF 87.2	12.2 x	11.4 x	6.6 x	6.0 x	13.3%	13.7%	5.3%	7.2%
Weir	WEIGF	1,839 p	17.7 x	15.5 x	10.6 x	9.6 x	19.4%	20.3%	4.0%	14.1%
AVERAGE			19.8 x	18.0 x	13.0 x	11.9 x	21.3%	21.9%	6.8%	10.1%
Flowserve	FLS	\$42.21	16.9 x	14.5 x	10.5 x	9.3 x	12.7%	13.6%	18.7%	16.8%
Flowserve	FLS	\$48.00	19.2 x	16.5 x	11.8 x	10.4 x				

Source: BofA Global Research estimates, Bloomberg

** Bloomberg consensus estimates

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Price objective basis & risk

Flowserve (FLS)

We base our \$48 price objective on a 10x EV/EBITDA multiple on our 2025 estimates. A 10x multiple puts the company at a discount to the 13x peer average multiple on 2024. We think the discount is warranted given below-peer margins.

Upside risks to our PO are: 1) Faster-than-expected recovery in oil & gas capital spending, and 2) Better than anticipated global industrial production growth.

Downside risks: 1) a reduction in capital spending in the key end-markets, specifically oil & gas 2) Greater consolidation in the flow control market increases competition and reduces prices across the industry, and 3) weaker than anticipated global industrial production.

Analyst Certification

I, Andrew Obin, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	APi Group	APG	APG US	Andrew Obin
	AspenTech	AZPN	AZPN US	Andrew Obin
	Atmus Filtration	ATMU	ATMU US	Andrew Obin
	Dover Corp	DOV	DOV US	Andrew Obin
	Eaton Corp PLC	ETN	ETN US	Andrew Obin
	Emerson Electric Co	EMR	EMR US	Andrew Obin
	Flowserve	FLS	FLS US	Andrew Obin
	General Electric Company	GE	GE US	Andrew Obin
	Honeywell International Inc.	HON	HON US	Andrew Obin
	ITT Inc.	ITT	ITT US	Andrew Obin
	Montrose Environmental Group, Inc.	MEG	MEG US	Andrew Obin
	Parker Hannifin Corporation	PH	PH US	Andrew Obin
	PTC Inc.	PTC	PTC US	Andrew Obin
	Rush	RUSHA	RUSHA US	Andrew Obin
	Vertiv	VRT	VRT US	Andrew Obin
	Vontier	VNT	VNT US	Andrew Obin
NEUTRAL				
	3M Company	MMM	MMM US	Andrew Obin
	AMETEK Inc	AME	AME US	Andrew Obin
	Fortive Corporation	FTV	FTV US	Andrew Obin
	Johnson Controls International PLC	JCI	JCI US	Andrew Obin
	Pentair plc	PNR	PNR US	Andrew Obin
	Rockwell	ROK	ROK US	Andrew Obin
	Trane Technologies PLC	TT	TT US	Andrew Obin
UNDERPERFORM				
	Allegion	ALLE	ALLE US	Andrew Obin
	Carrier Global Corp.	CARR	CARR US	Andrew Obin
	Core & Main	CNM	CNM US	Andrew Obin
	Illinois Tool Works	ITW	ITW US	Andrew Obin
	John Bean Technologies	JBT	JBT US	Andrew Obin
	Keysight	KEYS	KEYS US	David Ridley-Lane, CFA



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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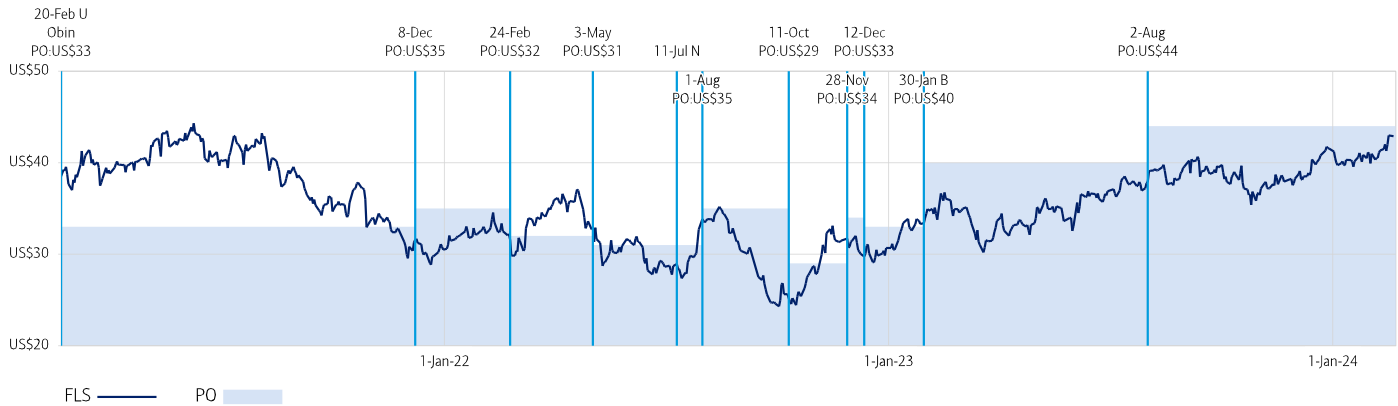
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Flowserve (FLS) Price Chart



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Equity Investment Rating Distribution: Electrical Equipment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	14	53.85%	Buy	10	71.43%
Hold	6	23.08%	Hold	3	50.00%
Sell	6	23.08%	Sell	1	16.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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