

## Industrials/Multi-Industry

# DEM #560: Multis go to Washington: contracting and lobbying data analysis

Industry Overview

### Government Contract Awards

In this week's *Deus Ex Machina*, we look back at the 2023 federal fiscal year to analyze how our coverage interacted with the US government during that time period. We look at government contracts awarded, what agency government contracts are stemming from, lobbying spend, what issues our coverage is lobbying on, and what regulations are our companies commenting on. We found that in the 2023 federal fiscal year within our coverage HON, GE, PH, JCI, and ETN had received the most contract awards from the federal government. We note that the data we looked at shows contracts awarded during the time period and does not show outlays. We also note the data we looked at only shows awards for non-classified projects. Finally, we would highlight that broadly federal exposure will be understated as the data does not show awards where our company was not the main awardee, we provide our estimate for Defense exposure in our coverage separately. When looking at the contracts as a percentage of revenue, the ranking stays the same for the top three, but as a percentage of revenue PTC is the fourth highest and JCI is fifth highest for government contracts as a percentage of revenue in federal fiscal year 2023

### Government Contracts; DoD vs other Departments

In addition to looking at the overall government contracts awarded in the 2023 fiscal year we also looked at awards by department. For the Department of Defense (DoD) the top five awardees were: GE, HON, PH, JCI, and ETN. For all non-DoD contract awards, the top five awardees were HON, GE, JCI, CARR, and FTV. For the five companies in our coverage who received the most in government contracts we looked at what department awarded the most money to the company in that FY. For HON, it received the most government contracts from the Department of Energy. For GE, PH, JCI, and ETN the DoD was the agency each received the most awards from on a dollar basis. For GE, HON, PH and ETN DoD exposure is driven by its aerospace businesses.

### Lobbying spend and issues in 2023

For the companies in our coverage who lobby, GE, CARR, HON, MMM and JCI spent the most on lobbying in the 2023 federal fiscal year. However, when analyzing lobbying spend as a percentage of revenue the top five in our coverage is CARR, JBT, HON, MMM, and GE. The issues each company lobbied on varied, but each of the top five spenders within our coverage all lobbied on energy, the environment, taxation/ internal revenue code, and trade (domestic and foreign) in addition to various other issues.

19 January 2024

Equity  
Americas  
Industrials/Multi-Industry

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Timestamp: 19 January 2024 05:00AM EST

## Upcoming events

Monday January	Tuesday	Wednesday	Thursday	Friday
15	16	US Industrial Production 17	18	19
22	GE 4Q23 Earnings MMM 4Q23 Earnings 23	U.S Manufacturing PMI release 24	25	26
29	JCI 1Q24 Earnings PNR 4Q23 Earnings 30	ROK 1Q23 Earning FTV 4Q23 Earnings 31	HON 4Q23 Earnings TT 4Q23 Earnings DOV 4Q23 Earnings ETN 4Q23 Earnings PH 2Q24 Earnings U.S Manufacturing PMI release 1	2
February				
5	CARR 4Q23 Earnings 6	EMR 1Q24 Earnings 7	ITT 4Q23 Earnings 8	9

### Exhibit 1: BofA Global Research Reports

#### Reports published week ending January 5, 2023

##### Title: Subtitle

[Industrials/Multi-Industry: Fluid Power Survey #164: Strong start for outlook in '24; demand reading more mixed](#)

[Industrials/Multi-Industry: When AI meets grid: why Elon Musk cares about transformers](#)

[Ansys, Inc.: SNPS to acquire ANSS; move to No Rating](#)

[Parker Hannifin Corporation: Benchmarking Parker vs. top-tier operators](#)

Source: BofA Global Research

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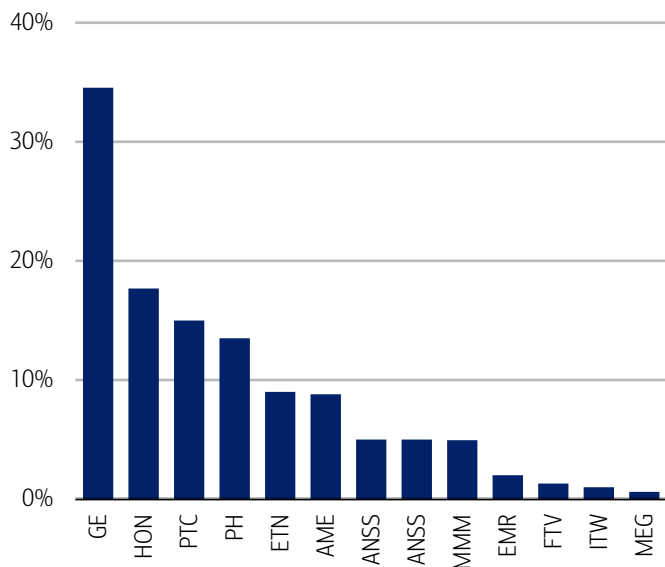
16 January 2024

17 January 2024

## Estimated Defense and Aerospace exposure in coverage

### Exhibit 2: Estimated exposure to Aerospace end markets within our coverage

We estimate GE has the highest Aerospace exposure in coverage

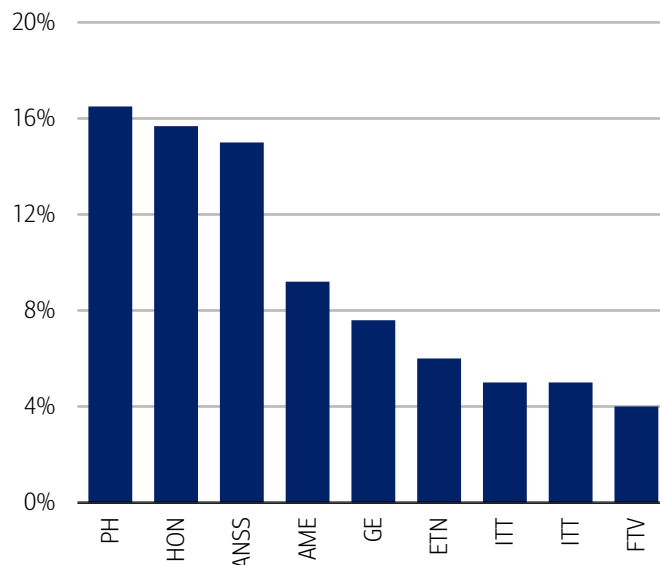


Source: BofA Global Research estimates

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### Exhibit 3: Estimated exposure to Defense end markets within our coverage

We estimate HON has the highest Defense exposure in coverage



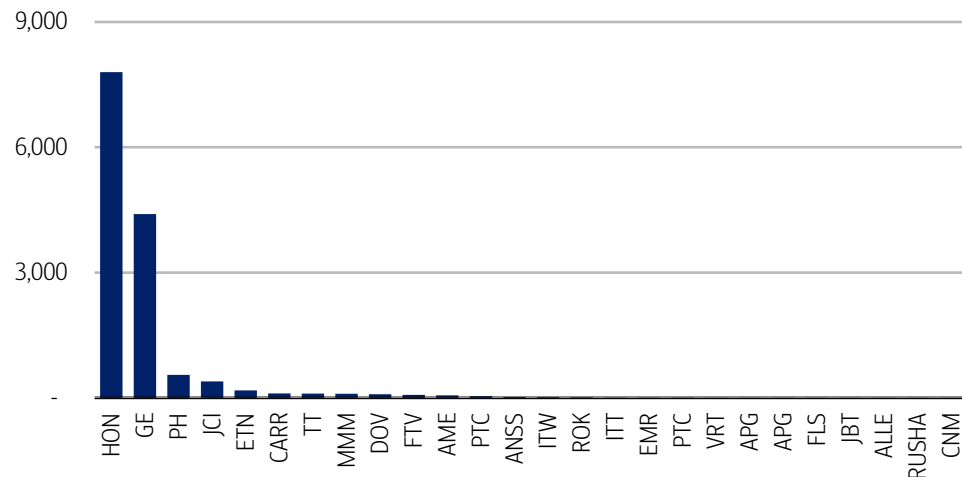
Source: BofA Global Research estimates

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## Contracts awarded

### Exhibit 4: Contracts awarded in Federal Fiscal year 2023 (\$mn)

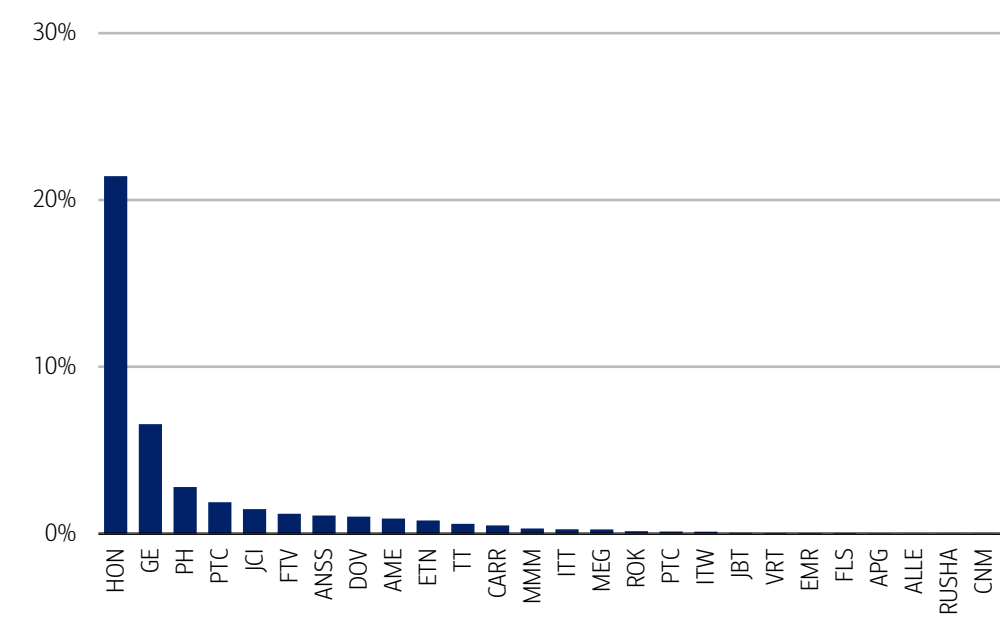
HON, GE, and PH received the most government contract awards in federal fiscal year 2023



Source: Bloomberg

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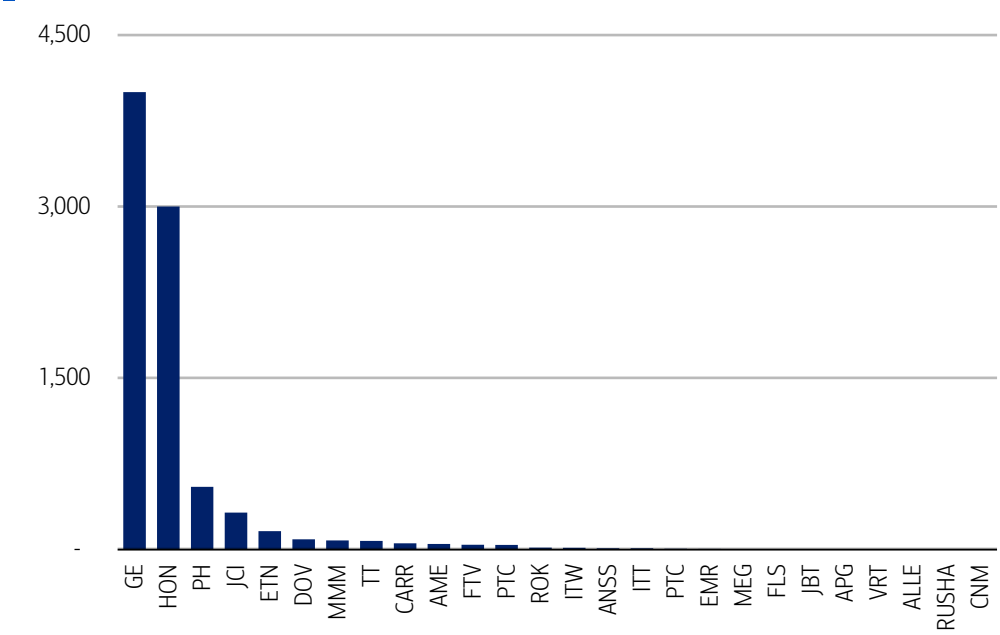
**Exhibit 5: Contracts awarded in Federal Fiscal year 2023 as a % of revenue**  
HON, GE, and PH received the most government contract awards as a % of revenue in federal fiscal year 2023



Source: Bloomberg, BofA Global Research

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**Exhibit 6: Government contracts awarded by the DoD in federal fiscal year 2023 (\$mn)**  
GE, HON, and PH had the most DoD contracts awarded in terms of \$



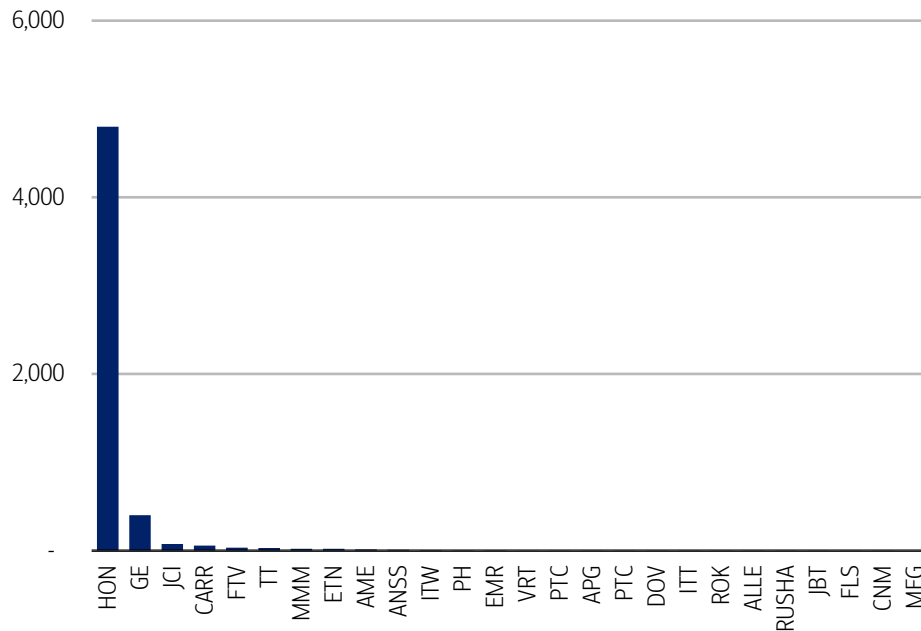
Source: Bloomberg

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**Exhibit 7: Government contracts awarded by departments other than the DoD in federal fiscal year****2023 (\$mn)**

HON, GE, and JCI had the most DoD contracts awarded in terms of \$

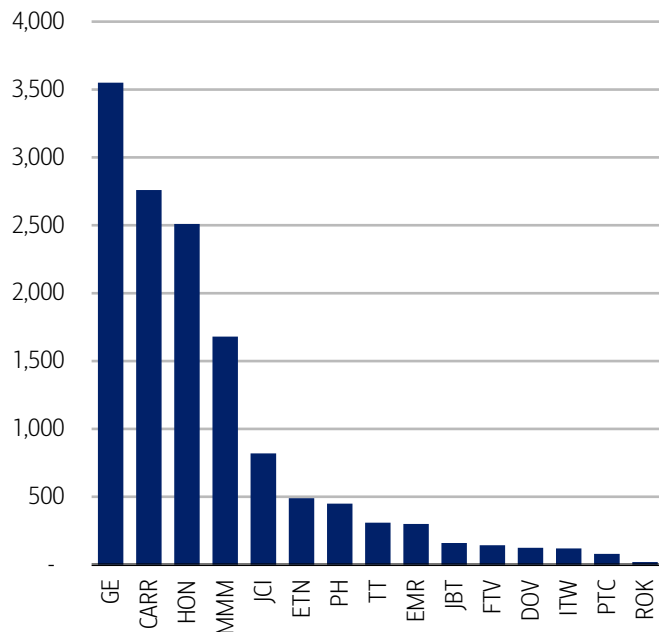


Source: Bloomberg

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**Lobbying in the coverage****Exhibit 8: Lobbying spend in federal fiscal year 2023 (\$ in '000s)**

In federal fiscal year 2023 GE, CARR, and HON spent the most on lobbying



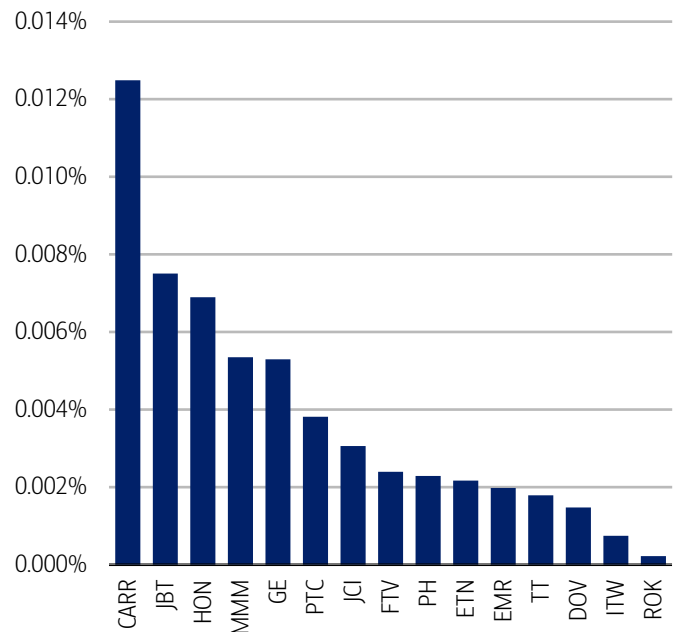
Source: Bloomberg

Note: GE's lobbying spend includes on behalf of GE Health Care

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**Exhibit 9: Lobbying in federal fiscal year 2023 as a % of revenue**

As a % of revenue CARR, JBT, and HON spent the most



Source: Bloomberg, BofA Global Research

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In the LDA (Lobbying Disclosure Act) filings topics lobbied on are broadly grouped into categories. Below are the issues companies in our coverage were noted for lobbying on

and how many times the topic was noted in filings throughout the 2023 federal fiscal year.

- CARR: energy (8), environment/superfund (8), manufacturing (8), taxation/ internal revenue code (10), and trade (domestic and foreign) (6)
- DOV: defense (6)
- EMR: Environment/ superfund (6), energy (4), homeland security (4), and manufacturing (2)
- ETN: Budget/ appropriations (9), energy (9), defense (8), taxation/ internal revenue code (6), trade (domestic and foreign) (3), automobiles (1), Environmental (1), transportation (1)
- FTV: Budget/ appropriations (4), government issues (4), defense (3), energy/nuclear (1), homeland security (1)
- GE: Defense (29), budget/ appropriations (16), taxation/ internal revenue code(13), energy (10), aviation/aircraft/airlines (8), trade (domestic and foreign) (8), health issues (7), environment/superfund (4), computer industry (3), consumer safety/ products (3), copyright/patent/ trademark (3), manufacturing (3), science & technology, transportation (3) and miscellaneous tariff (1)
- HON: taxation/ internal revenue code(9), defense (7), aerospace (5), budget/ appropriations (5), government issues (4), manufacturing, trade (domestic and foreign) (2), transportation (2), communications/radio/ broadcasting (1), energy (1), environmental (1), financial institutions/ investments/ securities (1), foreign relations (1), healthcare (1), homeland security (1), science/technology (1), telecommunications (1)
- ITW: no specific issues flagged in filings
- JBT: defense (6), aviation/ aircraft/ airlines (5), copyright/ patent/ trademarks (4), transportation (2)
- JCI: defense (9), energy (8), environmental/superfund (8), taxation/ internal revenue code (8), budget/ appropriations (7), homeland security (4), telecommunications (3), trade (domestic and foreign) (1)
- MMM: chemical/ chemical industry (16), environment/ superfund (12), transport (10), consumer safety/ products (8), roads/ highway (7), taxation/ internal revenue code (7), disaster planning/ emergencies (6), health issues (6), budget/ appropriations (4), copyright/ patent/ trademark (4), defense (4), energy, science/ technology (4), trade (domestic and foreign) (4), civil rights/ civil liberties (2), Medicare/ Medicaid (2), economics (1), labor/ antitrust/ workplace (1)
- PH: defense (12), budget/ appropriations (6), and economics/ economic development (1)
- PTC: defense (4)
- ROK: manufacturing (1)
- TT: environment/ superfund (5), clean air & water (quality) (4), energy(4), trade (domestic & international)(4), bankruptcy (3), defense (1), labor issues/antitrust/workplace (1)

## Comments on regulations and requests for information

During 2023, TT, CARR, HON, MMM, and GE all commented on regulations or responded for requests for information. TT commented on a proposed regulation from the Federal Acquisition Regulatory Council on disclosure of greenhouse gas emissions and climate-related financial risk. CARR responded to a request for information from the Department of Energy on test procedures for central air conditioners and heat pumps. HON provided the Department of Transportation comments on its proposed rule for gas pipeline leak detection and repair. 3M provided comments to the Department of Health and Human Services on proposed revisions to payment policies under the Medicare physician fee schedule for CY 2024. GE provided comments to the Federal Aviation Administration regarding GE90 engines; part replacements due to iron inclusions

# Valuation metrics

## Exhibit 10: Multi-industrial summary valuation metrics

Summary valuation metrics

	Ticker	Price	Price Obj.	Revenue Growth (%)			Operating Margin (%)			EPS Growth (%)		
				2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
3M	MMM	\$106.44	\$120	-3.6%	-3.5%	5.3%	21.1%	20.3%	21.8%	-6.4%	-7.4%	14.4%
Allegion	ALLE	\$121.17	\$95	14.1%	11.5%	3.5%	20.2%	21.9%	20.7%	9.9%	14.4%	-1.5%
AMETEK	AME	\$162.31	\$165	10.9%	7.2%	12.1%	24.4%	26.0%	25.7%	17.1%	11.5%	7.7%
Carrier	CARR	\$55.40	\$55	-0.9%	8.6%	22.3%	14.2%	14.6%	15.6%	3.1%	15.4%	11.3%
Core & Main	CNM	\$40.89	\$28	32.9%	1.1%	2.3%	11.7%	11.0%	10.2%	N/M	0.4%	0.0%
Dover	DOV	\$146.77	\$180	7.6%	-0.1%	2.3%	16.9%	17.4%	17.7%	10.7%	4.2%	3.7%
Eaton	ETN	\$240.12	\$275	5.7%	11.7%	6.6%	14.7%	17.0%	18.1%	12.0%	21.6%	9.2%
Emerson	EMR	\$93.68	\$120	-17.4%	11.3%	12.5%	18.9%	18.8%	18.6%	-10.5%	20.7%	15.5%
Flowserve	FLS	\$40.16	\$44	2.1%	18.8%	5.2%	6.2%	9.6%	10.6%	-20.6%	N/M	20.4%
Fortive	FTV	\$71.58	\$77	10.9%	3.9%	5.8%	24.3%	25.7%	26.5%	14.6%	7.1%	4.2%
General Electric	GE	\$128.55	\$135	3.0%	-14.4%	0.0%	7.9%	8.6%	8.6%	23.3%	1.7%	59.2%
Honeywell	HON	\$200.13	\$250	3.1%	4.1%	5.4%	22.0%	23.2%	23.6%	8.8%	4.8%	9.8%
Illinois Tool Works	ITW	\$252.78	\$235	10.2%	1.1%	1.2%	23.8%	25.1%	24.9%	14.7%	-0.2%	2.9%
ITT	ITT	\$118.53	\$135	8.1%	9.6%	6.1%	15.9%	17.0%	18.3%	9.5%	17.5%	16.2%
John Bean Technologies	JBT	\$91.14	\$85	15.9%	-23.1%	6.6%	9.2%	10.6%	11.0%	25.0%	-15.8%	14.8%
Johnson Controls International	JCI	\$53.67	\$60	6.4%	6.2%	4.6%	11.6%	12.6%	13.4%	12.3%	18.6%	13.6%
Montrose Environmental Group	MEG	\$27.48	\$40	-0.4%	15.2%	10.8%	-5.1%	-3.3%	0.7%	N/M	N/M	N/M
Parker Hannifin	PH	\$465.70	\$525	15.1%	12.9%	5.0%	19.7%	21.8%	21.9%	19.8%	11.9%	9.0%
Pentair	PNR	\$70.68	\$76	9.5%	-0.6%	2.9%	18.6%	20.9%	22.4%	8.2%	1.2%	9.0%
Rockwell	ROK	\$300.15	\$320	12.5%	13.8%	5.9%	17.1%	17.6%	19.7%	7.5%	22.4%	10.2%
Trane Technologies	TT	\$247.33	\$245	13.1%	10.6%	4.3%	14.9%	16.1%	16.4%	21.2%	19.3%	10.8%
Vontier	VNT	\$34.80	\$40	6.5%	-3.1%	0.7%	20.0%	19.1%	20.1%	7.0%	-7.1%	6.8%
Vertiv	VRT	\$50.89	\$60	13.9%	20.3%	10.8%	3.9%	12.4%	15.6%	-29.9%	N/M	30.6%
<b>AVERAGE</b>				<b>8.9%</b>	<b>5.1%</b>	<b>5.9%</b>	<b>15.1%</b>	<b>16.6%</b>	<b>17.4%</b>	<b>8.4%</b>	<b>7.4%</b>	<b>12.5%</b>
<b>MEDIAN</b>				<b>8.8%</b>	<b>6.7%</b>	<b>5.1%</b>	<b>15.4%</b>	<b>17.0%</b>	<b>17.9%</b>	<b>11.3%</b>	<b>7.1%</b>	<b>9.5%</b>

Source: Company Reports, BofA Global Research estimates; Data calendarized for Dec.31st year end

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## Exhibit 11: Multi-industrial summary valuation metrics

Summary valuation metrics

	Ticker	P/E				Cash P/E			EV/EBITDA			Dividend Yield		
		2022	2023E	2024E	10-yr Avg	2022	2023E	2024E	2022	2023E	2024E	2022	2023	2024
3M	MMM	10.8 x	11.6 x	10.2 x	15.7 x	15.7 x	14.8 x	17.9 x	8.3 x	8.4 x	7.6 x	5.6%	5.6%	5.6%
Allegion	ALLE	20.2 x	17.7 x	18.0 x	17.7 x	27.1 x	20.3 x	17.9 x	17.3 x	14.3 x	14.2 x	1.3%	1.5%	1.5%
AMETEK	AME	28.6 x	25.6 x	23.8 x	17.9 x	37.2 x	23.8 x	24.9 x	21.6 x	19.8 x	17.3 x	0.5%	0.6%	0.6%
Carrier	CARR	23.6 x	20.5 x	18.4 x	N/A	34.3 x	24.6 x	20.2 x	16.5 x	14.0 x	13.6 x	1.1%	1.4%	1.5%
Core & Main	CNM	18.8 x	18.8 x	18.8 x	N/A	26.8 x	9.5 x	16.3 x	12.7 x	11.4 x	11.1 x	0.0%	0.0%	0.0%
Dover	DOV	17.4 x	16.7 x	16.1 x	13.4 x	36.0 x	17.3 x	16.0 x	14.0 x	13.2 x	11.8 x	1.4%	1.4%	1.4%
Eaton	ETN	NM	26.6 x	24.4 x	12.0 x	NM	34.3 x	28.3 x	26.0 x	21.2 x	18.4 x	1.3%	1.4%	1.5%
Emerson	EMR	24.3 x	20.2 x	17.5 x	16.8 x	26.9 x	24.4 x	19.6 x	18.1 x	13.3 x	13.4 x	2.2%	2.2%	2.3%
Flowserve	FLS	NM	20.1 x	16.7 x	16.3 x	NM	NM	22.9 x	19.5 x	12.2 x	10.5 x	2.0%	2.0%	2.0%
Fortive	FTV	22.7 x	21.2 x	20.3 x	20.4 x	21.3 x	20.4 x	19.2 x	18.9 x	16.6 x	15.5 x	0.4%	0.4%	0.4%
General Electric	GE	NM	NM	NM	2.1 x	29.7 x	27.7 x	27.7 x	18.3 x	20.3 x	20.5 x	0.2%	0.2%	0.2%
Honeywell	HON	22.8 x	21.8 x	19.8 x	15.2 x	30.3 x	14.4 x	NM	16.2 x	14.6 x	13.2 x	2.0%	2.1%	2.2%
Illinois Tool Works	ITW	25.9 x	25.9 x	25.2 x	0.0 x	NM	24.9 x	24.0 x	20.4 x	18.8 x	18.4 x	2.0%	2.1%	2.3%
ITT	ITT	26.7 x	22.7 x	19.6 x	14.4 x	NM	24.8 x	19.8 x	16.9 x	14.3 x	12.3 x	0.9%	1.0%	1.1%
John Bean Technologies	JBT	19.0 x	22.6 x	19.7 x	16.0 x	NM	25.8 x	22.9 x	13.7 x	11.5 x	10.5 x	0.4%	0.4%	0.4%
Johnson Controls International	JCI	17.3 x	14.6 x	12.9 x	N/A	25.5 x	19.6 x	14.3 x	11.6 x	10.8 x	9.8 x	2.6%	2.7%	2.9%
Montrose Environmental Group	MEG	NM	NM	NM	N/A	NM	17.1 x	12.9 x	NM	35.6 x	25.6 x	0.0%	0.0%	0.0%
Parker Hannifin	PH	23.3 x	20.8 x	19.1 x	15.1 x	27.4 x	23.3 x	17.8 x	0.0 x	8.6 x	13.5 x	0.9%	0.0%	0.0%
Pentair	PNR	19.2 x	19.0 x	17.4 x	17.8 x	NM	19.6 x	17.7 x	17.0 x	14.9 x	13.3 x	1.2%	1.2%	1.3%
Rockwell	ROK	29.6 x	24.1 x	21.9 x	N/A	NM	NM	22.2 x	23.7 x	20.5 x	17.8 x	1.5%	1.6%	1.6%
Trane Technologies	TT	NM	28.1 x	25.4 x	14.0 x	NM	NM	40.0 x	22.9 x	19.5 x	17.7 x	1.1%	1.2%	1.3%
Vontier	VNT	11.3 x	12.2 x	11.4 x	N/A	21.5 x	13.9 x	11.3 x	10.6 x	10.4 x	9.8 x	0.3%	0.3%	0.3%
Vertiv	VRT	NM	29.5 x	22.6 x	N/A	NM	31.5 x	25.4 x	42.2 x	19.7 x	15.4 x	0.0%	0.0%	0.2%
<b>AVERAGE</b>		<b>21.1 x</b>	<b>21.0 x</b>	<b>19.1 x</b>	<b>13.9 x</b>	<b>27.7 x</b>	<b>21.5 x</b>	<b>20.9 x</b>	<b>17.5 x</b>	<b>15.9 x</b>	<b>14.4 x</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.3%</b>
<b>MEDIAN</b>		<b>21.5 x</b>	<b>21.0 x</b>	<b>19.3 x</b>	<b>15.2 x</b>	<b>27.3 x</b>	<b>20.4 x</b>	<b>19.8 x</b>	<b>17.0 x</b>	<b>14.4 x</b>	<b>13.6 x</b>	<b>1.1%</b>	<b>1.2%</b>	<b>1.3%</b>

Source: Company Reports, BofA Global Research estimates; Data calendarized for Dec.31st year end

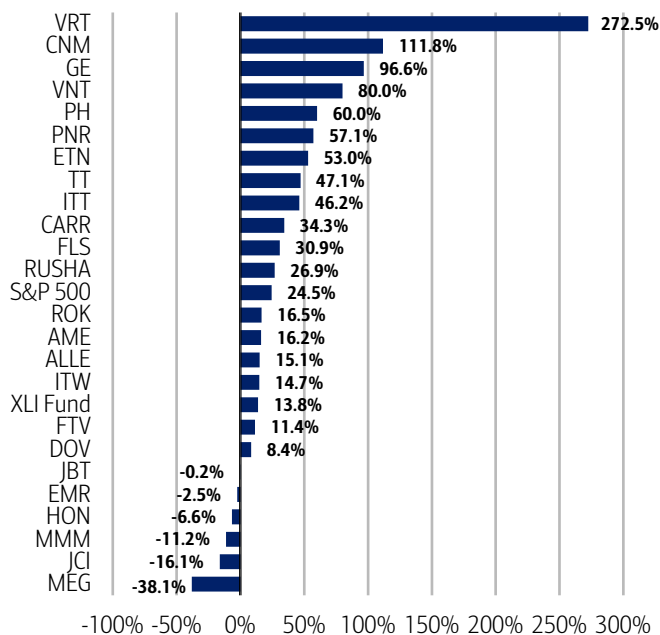
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# Stock performance

## Exhibit 12: YTD Stock Performance

VRT is the best YTD stock performer

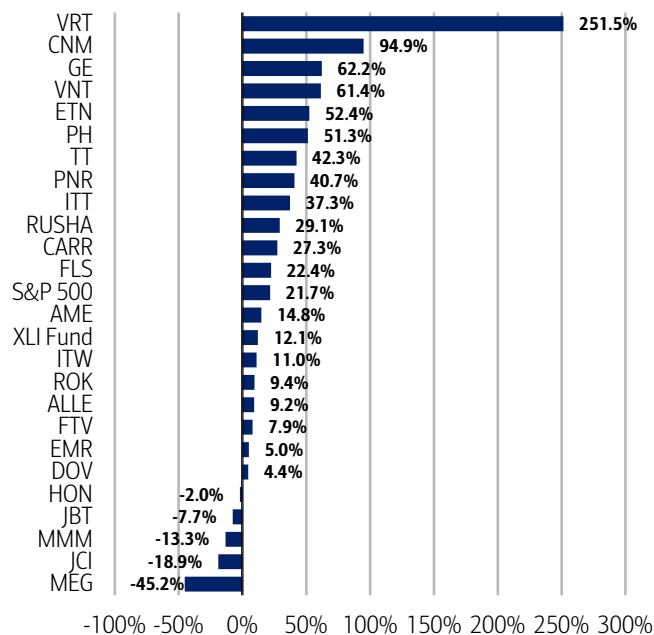


Source: BofA Global Research, Bloomberg

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## Exhibit 13: 1-Year Stock Performance

VRT is the best 1-year stock performer

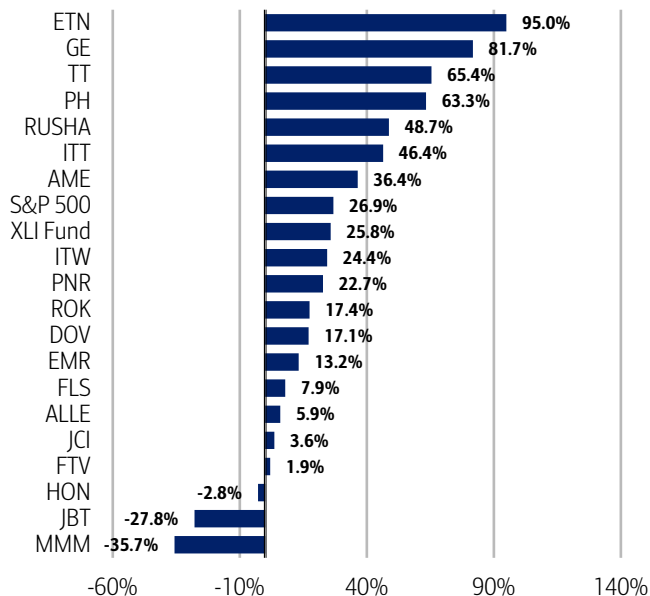


Source: BofA Global Research, Bloomberg

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## Exhibit 14: 3-Years Stock Performance

ETN is the best 3-year stock performer

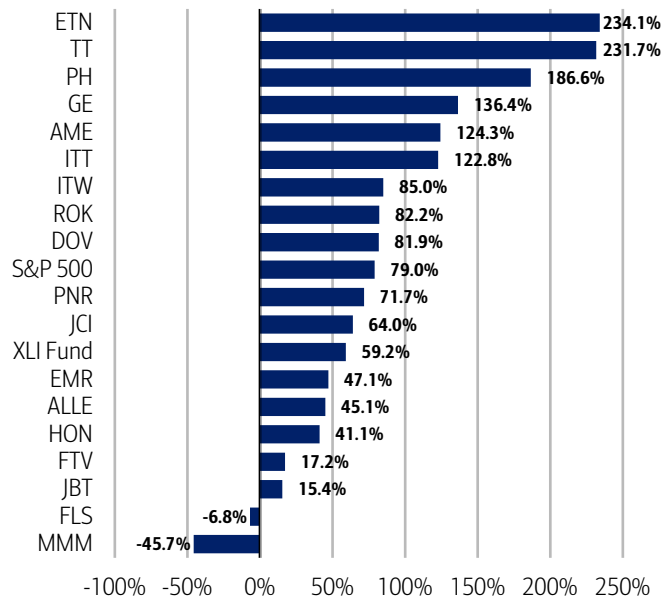


Source: BofA Global Research, Bloomberg

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## Exhibit 15: 5-Years Stock Performance

ETN is the best 5-year stock performer



Source: BofA Global Research, Bloomberg

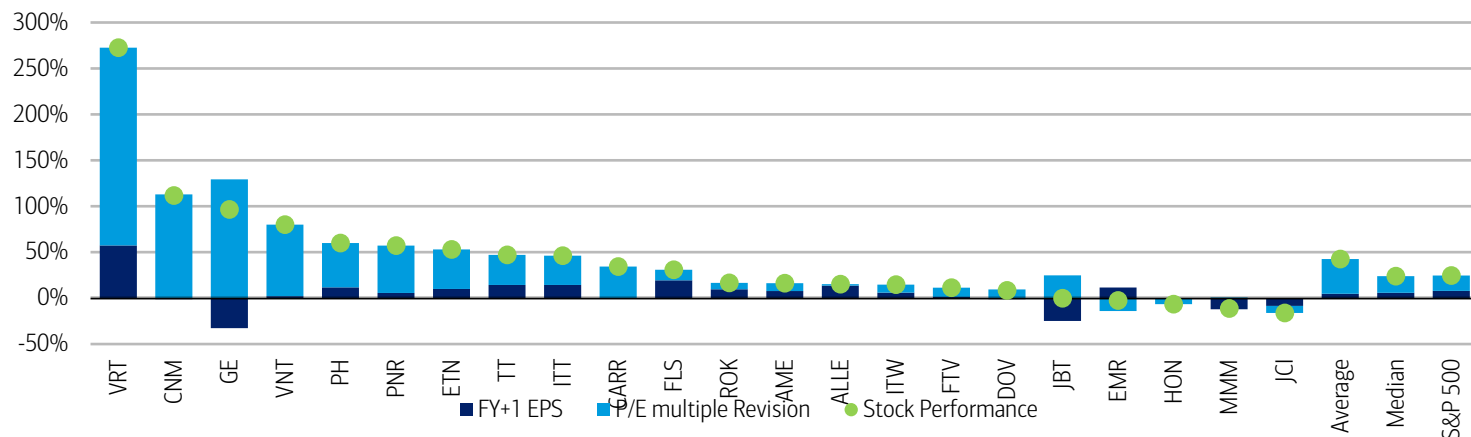
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## YTD stock performance attribution

Year-to-date, stock performance across our coverage (up 21% on a median basis) has been driven more by multiple expansion than earnings revisions.

### Exhibit 16: Stock performance attribution (P/E multiple revision vs. '23 EPS revision)

Stock performance attribution, P/E multiple revisions versus FY+1 EPS revisions

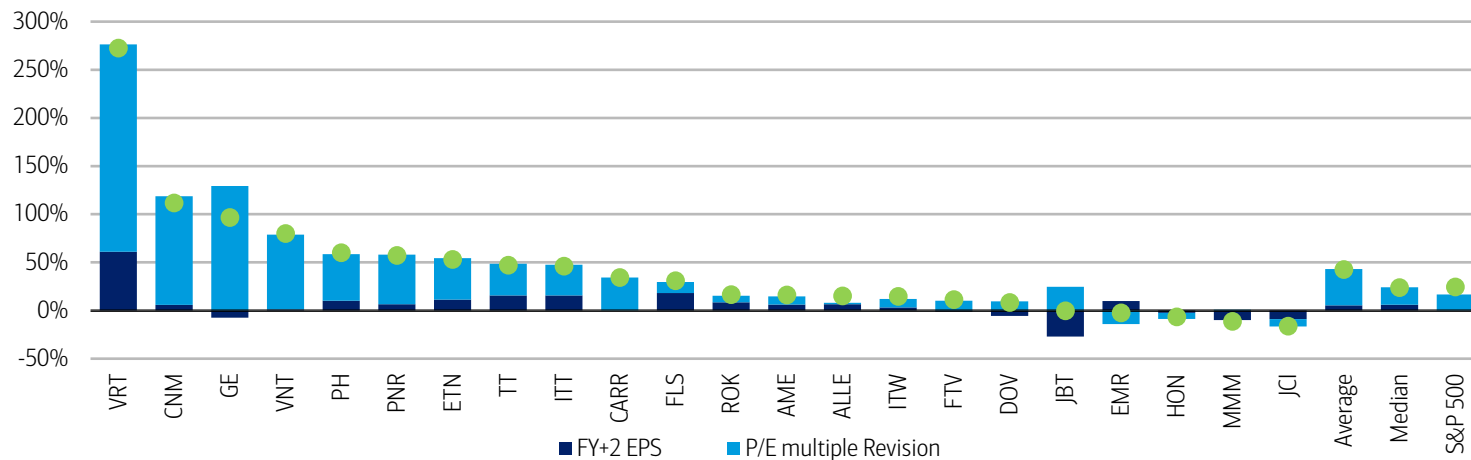


Source: BofA Global Research, Bloomberg

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### Exhibit 17: Stock performance attribution (P/E multiple revision vs. '23 EPS revision)

Stock performance attribution, P/E multiple revisions versus FY+2 EPS revisions



Source: BofA Global Research, Bloomberg

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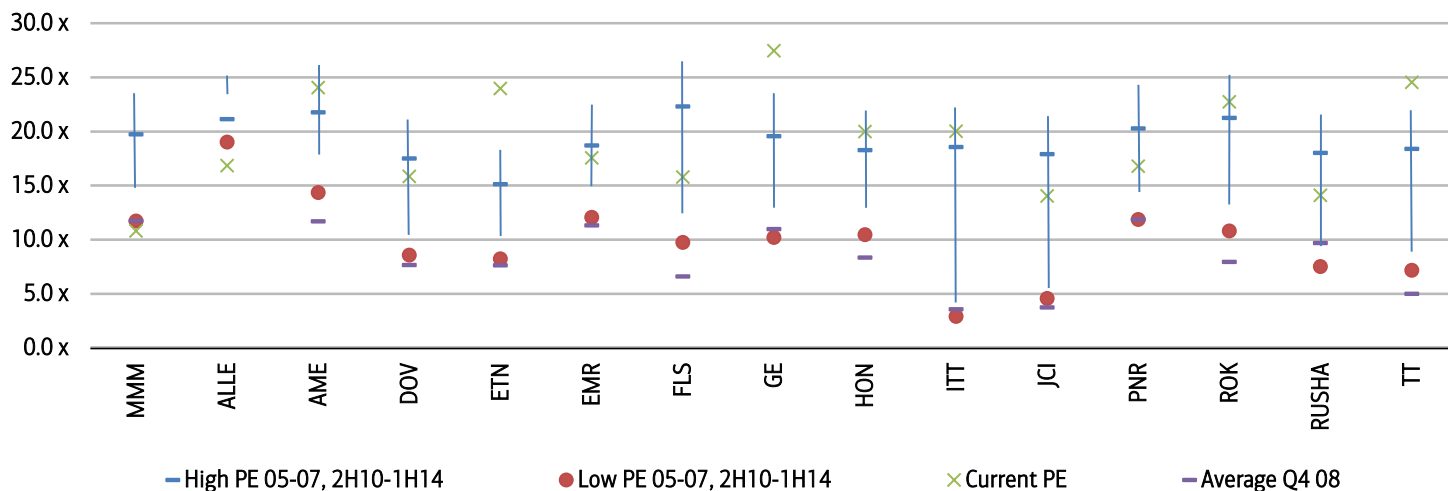
## Current valuation vs. historical

We look at where valuations in our coverage stand relative to ranges of historical valuations and other sell-off periods. The exhibit below shows consensus based on 12 months forward PE multiples for (i) the current share price, shown as a green X, (ii) the high and low levels since 2005, excluding the extreme cycle from 2008 to 1H10, shown as a blue line stop and red dot (iii) Q4 08, the trough US financial crisis, shown as a purple line stop.

This week, stocks are generally trading above or at the high end of their historical ranges. Stocks are trading at higher multiples relative to low points seen during 05 – 07 and 2H10 – 2H14. We note that ITT exists in its current form only since '12.

### Exhibit 18: Multi-industrial coverage stocks consensus PE ranges – current vs. range since 2005 vs. pre-financial crisis vs. Q4 2008

Stocks are trading towards or below the high end of their historical valuation ranges, with ETN, GE, and TT trading well above



Source: BofA Global Research estimates, Factset

Note: ALLE (spin-off from IR in 2013), time period range for ITT has been revised to post-2012 divestiture

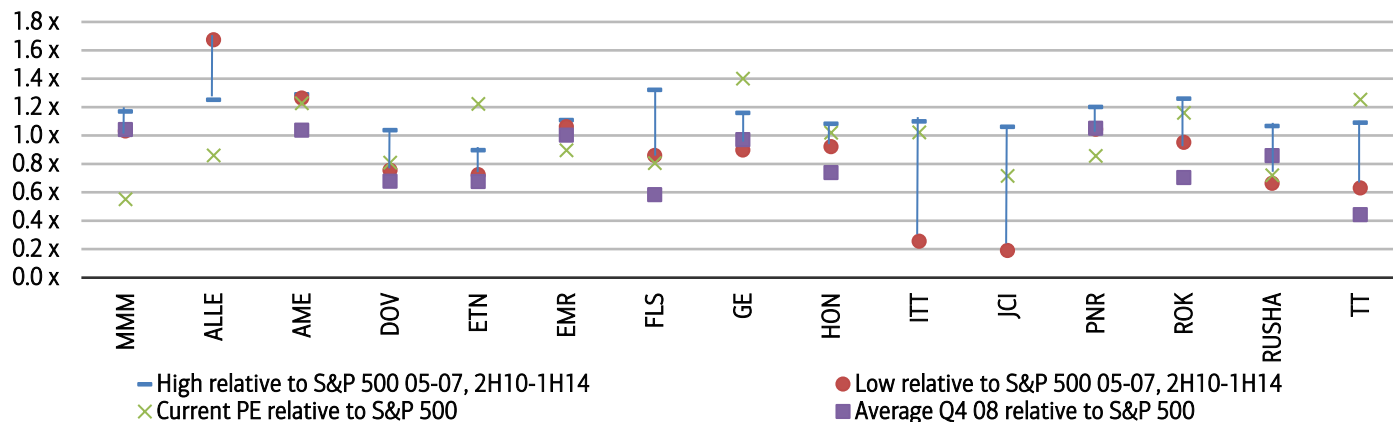
\*Current PE based on Bloomberg consensus estimate

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We also highlight PE multiples relative to the S&P 500 for the same time periods analyzed above.

### Exhibit 19: Multis coverage stocks consensus PE ranges relative to S&P 500 – current vs. range since 2005 vs. pre-financial crisis vs. Q4 2008

Stocks are trading towards or below the high end of their relative historical valuation ranges, with ETN, GE, and TT trading well above



Source: BofA Global Research estimates, Factset

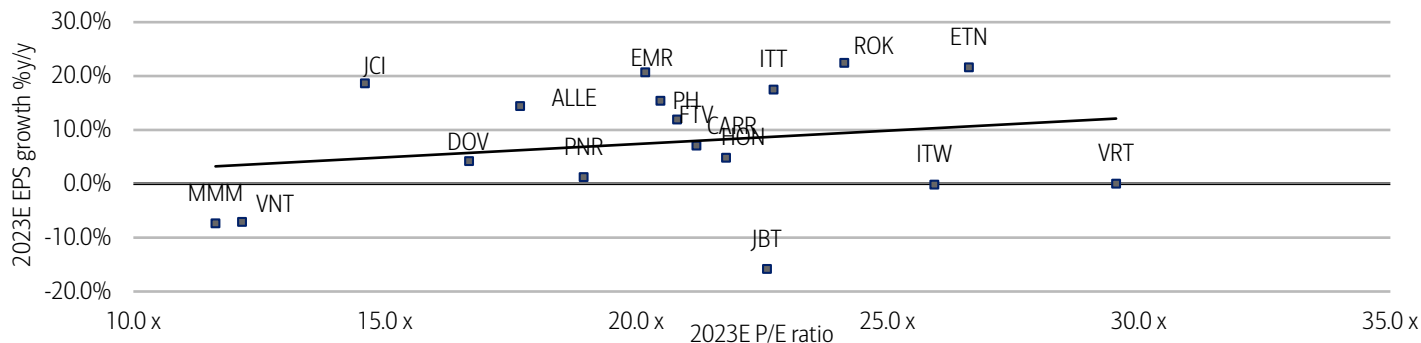
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## Multi-industrial valuation charts

The chart below illustrates what 2023E P/E ratio investors are paying for 2023E earnings growth. We think the market will generally pay a premium for names with faster earnings growth, assuming forecasts are achievable.

### Exhibit 20: Headline P/E ratio (BofA estimates) versus 2023 EPS forecast growth (BofA)

Higher P/E ratios are somewhat associated with higher earnings growth

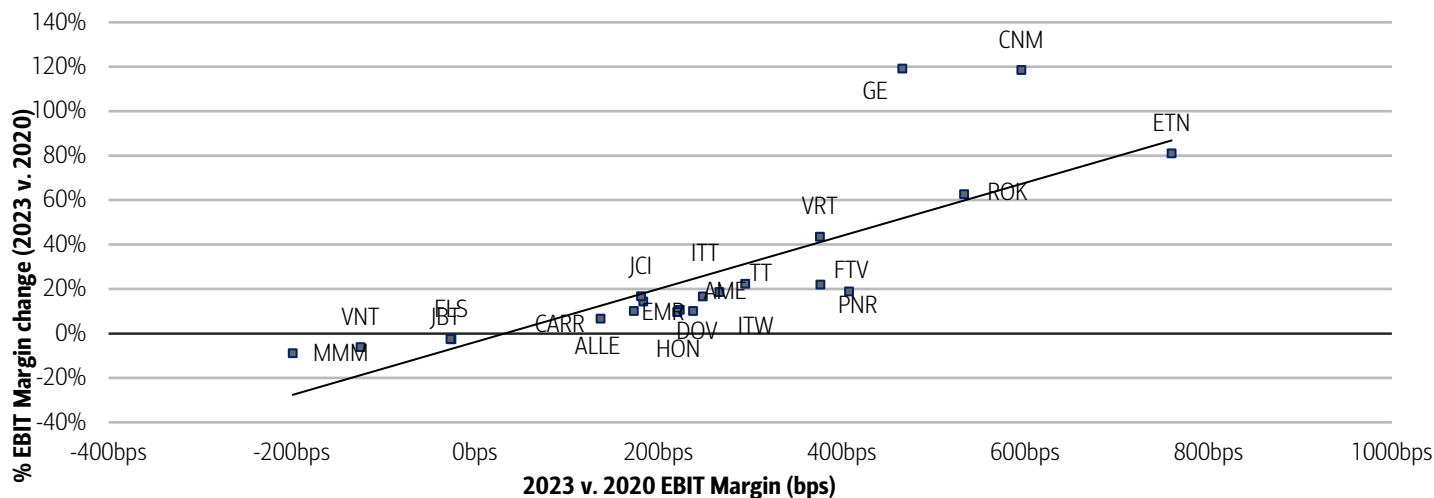


Source: BofA Global Research estimates

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### Exhibit 21: 2023 vs. 2020 EBIT margin expansion

Within our coverage, ETN stands out as having the highest '20-'23 margin expansion

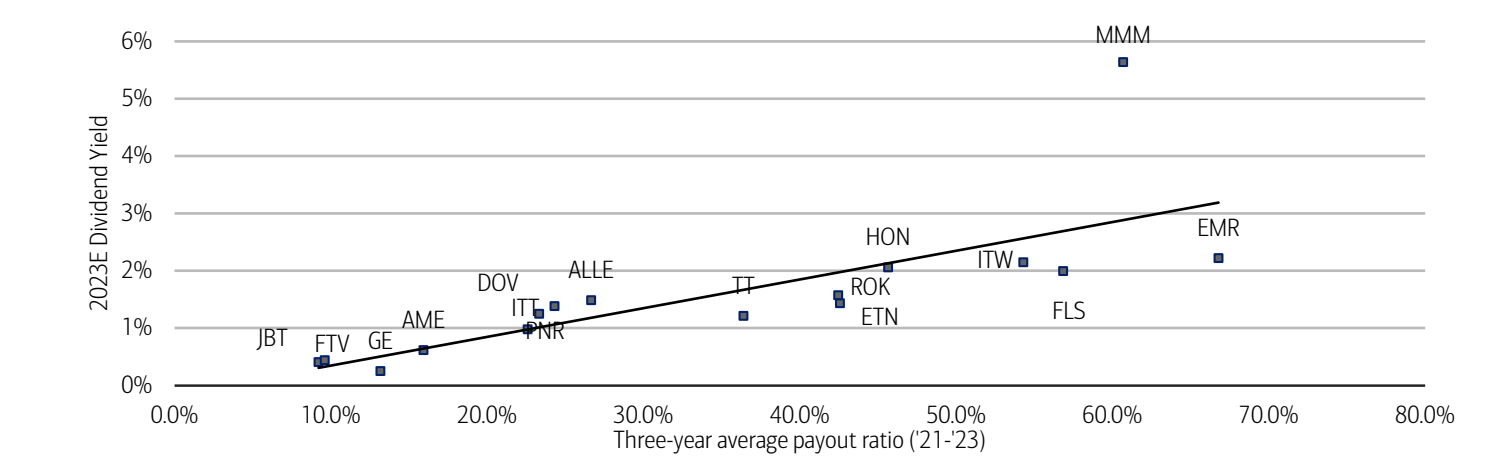


Source: BofA Global Research estimates

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**Exhibit 22: 2023 Dividend yield forecast (BofA estimates) versus three-year average payout ratio ('20-'23)**

EMR, MMM have among the highest 3-year average dividend payout



Source: BofA Global Research estimates

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**Exhibit 23: Multi-industrial summary Net Debt/EBITDA**

2023E coverage average net debt-to-EBITDA is 1.5x

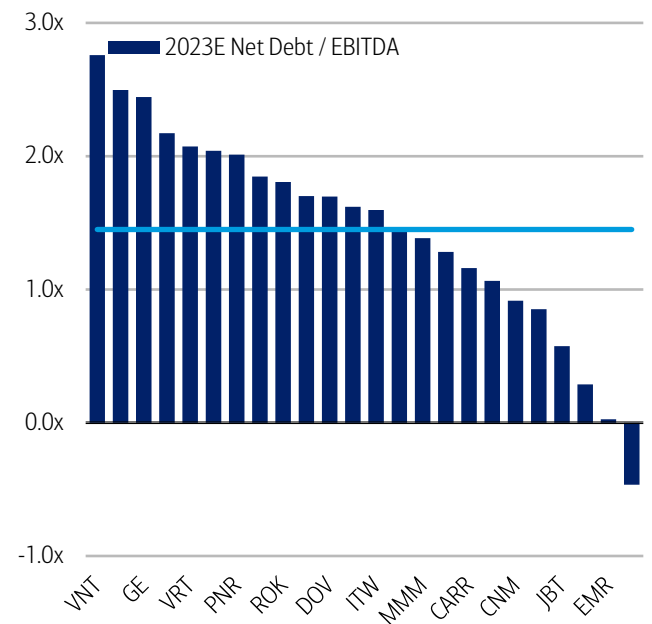
Company	S&P credit rating	2022	2023E	2024E
MMM	BBB+ *	1.4x	1.4x	1.3x
ALLE	BBB	2.5x	1.8x	1.6x
AME	BBB+	1.1x	1.3x	0.6x
CARR	BBB	1.7x	1.2x	2.9x
CNM		1.8x	0.9x	1.0x
DOV	BBB+	1.9x	1.7x	0.8x
ETN	A-	2.0x	1.5x	1.0x
EMR	A	2.4x	0.0x	1.7x
FLS	BBB-	2.5x	1.6x	1.2x
FTV	BBB	1.7x	1.7x	1.7x
GE	BBB+	4.1x	2.4x	2.4x
HON	A	1.0x	0.9x	0.5x
ITW	A+	1.7x	1.6x	1.6x
ITT	BBB	-0.2x	-0.5x	-0.8x
JBT		3.2x	0.6x	0.1x
JCI	BBB+	1.8x	2.2x	1.9x
PH	BBB+	3.0x	2.5x	1.8x
PNR	BBB-	2.7x	2.0x	1.3x
ROK	A	2.1x	1.8x	1.6x
RUSHA		0.4x	0.3x	0.1x
TT	BBB+	1.3x	1.1x	0.8x
VNT	BBB-	3.2x	2.8x	2.6x
VRT		5.6x	2.1x	1.6x
<b>Average leverage</b>		<b>2.2x</b>	<b>1.5x</b>	<b>1.2x</b>

Source: BofA Global Research

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**Exhibit 24: 2023E Multi-Industrial Net Debt/EBITDA**

2023E coverage average net debt-to-EBITDA is 1.5x



Source: BofA Global Research estimates

Note: GE net debt is calculated using rating agency methodology and Industrial-assumed debt ex-GE Capital

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## Valuation metrics

### Exhibit 25: Multi-Industrial summary valuation metrics

Summary valuation metrics

	Ticker	ROIC			ROTA			FCF Conversion		
		2022	2023	2024	2022	2023	2024	2022	2023	2024
3M	MMM	14.6%	14.4%	17.3%	20.0%	18.1%	20.4%	68.5%	78.8%	56.7%
Allegion	ALLE	20.6%	19.9%	19.0%	31.6%	32.3%	30.2%	74.8%	87.0%	102.0%
AMETEK	AME	11.7%	11.5%	11.4%	39.3%	38.4%	37.9%	76.8%	107.5%	95.8%
Carrier	CARR	10.6%	11.9%	12.6%	14.2%	16.3%	16.7%	69.7%	83.3%	92.5%
Core & Main	CNM	14.8%	12.6%	12.6%	23.0%	17.0%	17.0%	70.3%	196.5%	109.1%
Dover	DOV	15.2%	15.1%	14.8%	27.8%	26.9%	24.9%	54.5%	107.8%	111.1%
Eaton	ETN	9.6%	11.6%	0.0%	19.5%	22.1%	22.2%	75.0%	85.8%	94.1%
Emerson	EMR	8.3%	6.9%	6.5%	14.5%	12.4%	12.4%	104.6%	98.6%	112.3%
Flowserve	FLS	4.9%	7.9%	8.8%	5.5%	8.6%	9.4%	-80.5%	31.3%	72.6%
Fortive	FTV	8.4%	9.2%	9.6%	35.9%	37.8%	36.7%	106.6%	104.0%	105.8%
General Electric	GE	3.0%	3.2%	3.2%	2.6%	2.6%	2.6%	165.9%	175.3%	175.3%
Honeywell	HON	13.0%	14.1%	15.2%	14.9%	15.9%	17.2%	75.3%	151.7%	15.9%
Illinois Tool Works	ITW	27.4%	27.0%	25.4%	20.6%	20.6%	20.8%	63.8%	104.2%	105.4%
ITT	ITT	12.8%	14.6%	16.2%	14.3%	16.3%	17.7%	46.8%	91.5%	98.8%
John Bean Technologies	JBT	9.3%	6.3%	6.5%	13.5%	9.0%	9.2%	35.6%	87.8%	85.8%
Johnson Controls International	JCI	5.2%	6.7%	8.5%	9.0%	10.5%	13.0%	68.2%	74.8%	90.0%
Montrose Environmental Group	MEG	-2.6%	-0.1%	2.7%	-5.5%	-0.1%	4.7%	NM	NM	0.0%
Parker Hannifin	PH	13.5%	0.0%	0.0%	22.2%	24.9%	30.1%	85.0%	0.0%	123.7%
Pentair	PNR	14.4%	13.4%	14.0%	33.4%	33.9%	33.0%	46.4%	96.5%	94.6%
Rockwell	ROK	14.8%	17.6%	18.6%	19.5%	22.3%	22.7%	65.4%	33.9%	100.3%
Trane Technologies	TT	14.0%	16.8%	17.7%	20.6%	24.0%	24.9%	81.2%	68.0%	64.3%
Vontier	VNT	16.1%	15.1%	15.1%	27.3%	26.0%	26.0%	52.7%	87.2%	98.0%
Vertiv	VRT	-0.8%	11.6%	11.6%	-1.1%	14.4%	14.4%	1844.8%	128.0%	109.5%
<b>AVERAGE</b>		<b>11.9%</b>	<b>12.3%</b>	<b>11.9%</b>	<b>18.8%</b>	<b>20.0%</b>	<b>20.1%</b>	<b>142.9%</b>	<b>94.1%</b>	<b>87.8%</b>
<b>MEDIAN</b>		<b>12.9%</b>	<b>12.2%</b>	<b>12.6%</b>	<b>19.8%</b>	<b>19.3%</b>	<b>20.6%</b>	<b>69.7%</b>	<b>87.8%</b>	<b>96.9%</b>

Source: Company Reports, BofA Global Research estimates, Bloomberg

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### Exhibit 26: Multi-Industrial summary valuation metrics

Summary valuation metrics

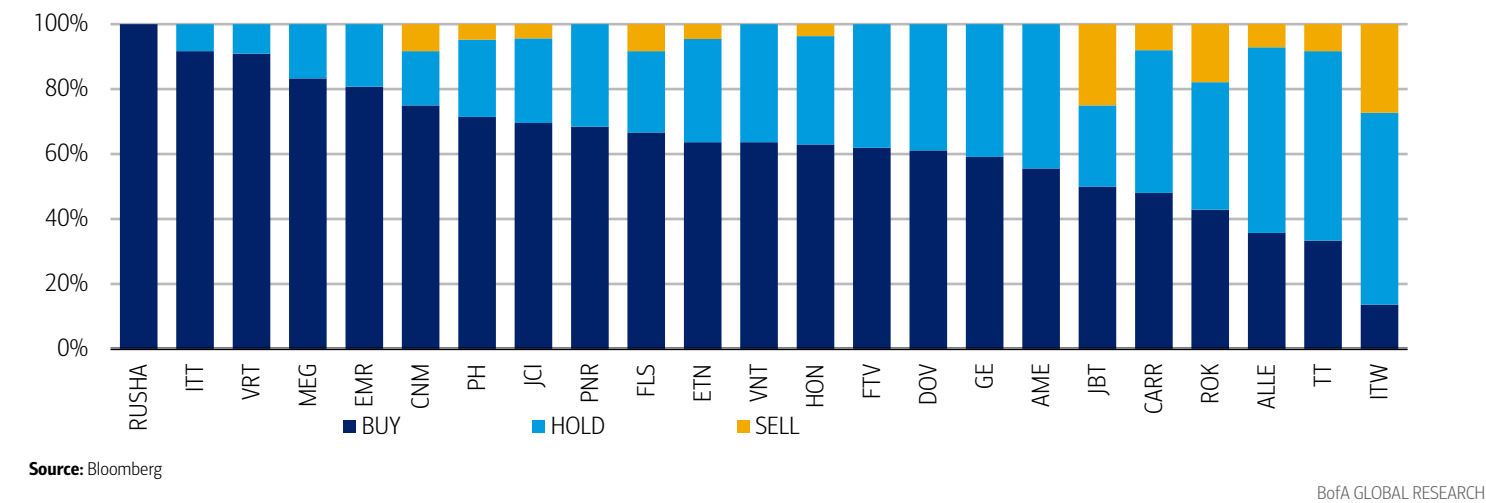
	BofA Rating	Ratings			FY+1 EPS				FY+2 EPS			
		Buy	Neutral	U/P	BofA	Consensus	Low	High	BofA	Consensus	Low	High
3M	Neutral	2	18	1	\$9.15	\$9.12	\$9.01	\$9.20	\$10.47	\$9.81	\$9.30	\$10.47
Allegion	Underperform	5	8	1	\$6.85	\$6.86	\$6.80	\$6.90	\$6.62	\$7.16	\$7.00	\$7.41
AMETEK	Neutral	10	8	0	\$6.33	\$6.34	\$6.31	\$6.38	\$6.82	\$6.72	\$6.12	\$6.93
Carrier	Underperform	12	11	2	\$2.70	\$2.72	\$2.69	\$2.79	\$2.97	\$2.88	\$2.55	\$3.15
Core & Main	Underperform	9	2	1	\$2.19	\$2.12	\$1.85	\$2.24	\$2.30	\$2.23	\$1.95	\$2.60
Dover	Buy	11	7	0	\$8.80	\$8.77	\$8.67	\$8.93	\$9.05	\$9.22	\$8.34	\$9.66
Eaton	Buy	14	7	1	\$9.02	\$9.03	\$9.00	\$9.07	\$9.95	\$9.97	\$9.02	\$10.89
Emerson	Buy	21	5	0	\$4.44	\$4.46	\$4.43	\$4.52	\$5.25	\$5.20	\$4.67	\$5.31
Flowserve	Buy	8	3	1	\$2.00	\$2.03	\$1.99	\$2.10	\$2.41	\$2.53	\$2.41	\$2.67
Fortive	Neutral	13	8	0	\$3.38	\$3.39	\$3.37	\$3.40	\$3.57	\$3.67	\$3.57	\$3.73
General Electric	Buy	13	9	0	\$2.65	\$2.66	\$2.56	\$2.75	\$4.22	\$4.61	\$4.22	\$5.17
Honeywell	Buy	17	9	1	\$9.19	\$9.16	\$9.11	\$9.20	\$10.08	\$9.97	\$9.68	\$10.15
Illinois Tool Works	Underperform	3	13	6	\$9.73	\$9.76	\$9.65	\$9.82	\$9.87	\$10.16	\$9.66	\$10.58
ITT	Buy	11	1	0	\$5.21	\$5.21	\$5.20	\$5.23	\$6.06	\$5.89	\$5.79	\$6.06
John Bean Technologies	Underperform	2	1	1	\$4.03	\$4.04	\$4.00	\$4.10	\$4.63	\$4.66	\$4.63	\$4.72
Johnson Controls International	Neutral	16	6	1	\$3.50	\$3.55	\$3.51	\$3.67	\$3.70	\$3.67	\$3.60	\$3.75
Montrose Environmental Group	Buy	5	1	0	-\$1.59	-\$0.81	-\$1.61	\$0.42	-\$0.44	-\$0.05	-\$0.74	\$0.75
Parker Hannifin	Buy	15	5	1	\$21.55	\$20.84	\$19.24	\$21.14	\$23.39	\$23.29	\$22.82	\$23.57
Pentair	Neutral	13	6	0	\$3.74	\$3.75	\$3.72	\$3.80	\$4.21	\$4.19	\$3.96	\$4.40
Rockwell	Neutral	12	11	5	\$12.12	\$11.97	\$11.73	\$12.23	\$13.38	\$12.86	\$12.24	\$13.48
Trane Technologies	Neutral	8	14	2	\$9.00	\$9.01	\$8.98	\$9.05	\$9.63	\$10.02	\$9.47	\$10.32
Vontier	Buy	7	4	0	\$2.86	\$2.83	\$2.48	\$2.88	\$3.14	\$3.09	\$2.79	\$3.22
Vertiv	Buy	10	1	0	\$1.72	\$1.73	\$1.60	\$1.77	\$2.25	\$2.19	\$1.72	\$2.33

Source: Company Reports, BofA Global Research estimates, Bloomberg

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**Exhibit 27: Sell side stock ratings of BUY/HOLD/SELL**  
Over half of our coverage has a consensus Buy rating



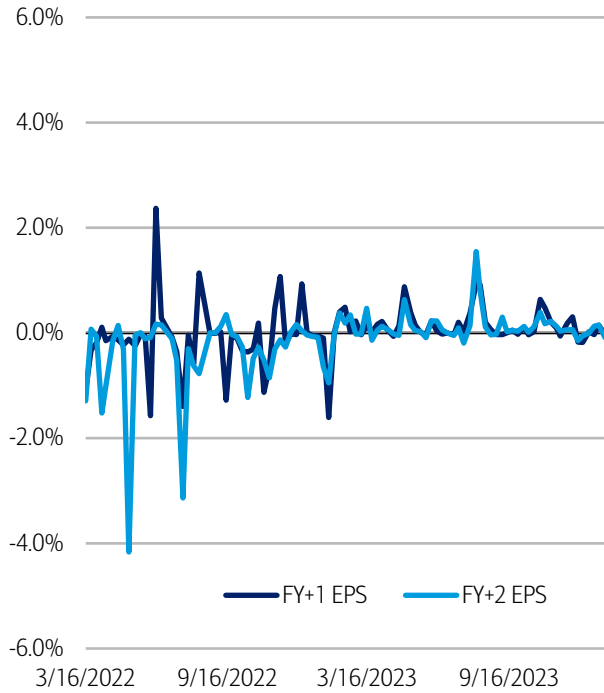


## Consensus revision tracker

The charts below shows historical consensus revisions compared to the previous week and month, respectively. Revisions remained flat vs last week for FY+1 EPS and FY+2 EPS. Revisions were flat for FY+1 EPS and for FY+2 EPS vs. last month.

### Exhibit 28: Bloomberg consensus revisions vs. 1 week ago

FY+1 EPS revision and FY+2 EPS revision remained flat vs. 1 week ago

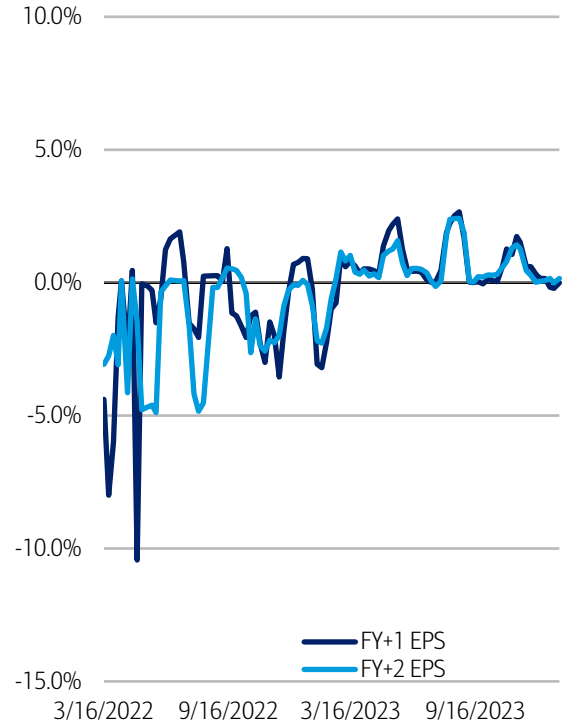


Source: Bloomberg

BofA GLOBAL RESEARCH

### Exhibit 29: Bloomberg consensus revisions vs. 1 month ago

FY+1 EPS and FY+2 EPS revisions flat vs. 1 month ago



Source: Bloomberg

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**Exhibit 30: Changes to consensus EPS estimates versus a week ago**

FY+1 EPS revision is flat vs. 1 week ago

Ticker	Current Quarter EPS			FY+1 EPS			FY+2 EPS		
	Current	1 Week Ago	% Revision	Current Est.	1 Week Ago	% Revision	Current Est.	1 Week Ago	% Revision
ALLE	\$1.58	\$1.58	-0.1%	\$6.86	\$6.86	0.00%	\$7.16	\$7.16	0.00%
AME	\$1.61	\$1.62	-0.3%	\$6.34	\$6.34	0.00%	\$6.72	\$6.65	1.05%
CARR	\$0.52	\$0.52	0.4%	\$2.72	\$2.72	0.00%	\$2.88	\$2.88	0.00%
CNM	\$0.37	\$0.37	0.5%	\$2.23	\$2.21	0.90%	\$2.44	\$2.41	1.24%
DOV	\$2.43	\$2.43	0.0%	\$8.77	\$8.77	0.00%	\$9.22	\$9.23	-0.11%
EMR	\$1.03	\$1.03	-0.2%	\$5.20	\$5.23	-0.57%	\$5.65	\$5.73	-1.40%
ETN	\$2.46	\$2.46	0.0%	\$9.03	\$9.03	0.00%	\$9.97	\$9.97	0.00%
FLS	\$0.60	\$0.60	-0.5%	\$2.03	\$2.03	0.00%	\$2.53	\$2.53	0.00%
FTV	\$0.94	\$0.94	0.2%	\$3.39	\$3.39	0.00%	\$3.67	\$3.67	0.00%
GE	\$0.91	\$0.91	0.4%	\$2.66	\$2.65	0.38%	\$4.61	\$4.62	-0.22%
HON	\$2.59	\$2.59	0.0%	\$9.16	\$9.16	0.00%	\$9.97	\$9.97	0.00%
ITT	\$1.34	\$1.34	0.4%	\$5.21	\$5.21	0.00%	\$5.89	\$5.89	0.00%
ITW	\$2.41	\$2.41	-0.1%	\$9.76	\$9.76	0.00%	\$10.16	\$10.18	-0.20%
JBT	\$1.34	\$1.34	0.4%	\$4.04	\$4.04	0.00%	\$4.66	\$4.66	0.00%
JCI	\$0.51	\$0.51	0.2%	\$3.67	\$3.67	0.00%	\$4.19	\$4.20	-0.24%
MEG	(\$0.01)	(\$0.01)	16.7%	(\$0.81)	(\$0.81)	0.00%	(\$0.05)	(\$0.05)	0.00%
MMM	\$2.31	\$2.31	0.2%	\$9.12	\$9.12	0.00%	\$9.81	\$9.81	0.00%
PH	\$5.31	\$5.31	0.0%	\$23.29	\$23.29	0.00%	\$25.34	\$25.34	0.00%
PNR	\$0.86	\$0.86	0.1%	\$3.75	\$3.75	0.00%	\$4.19	\$4.19	0.00%
ROK	\$2.63	\$2.63	0.0%	\$12.86	\$12.88	-0.16%	\$14.00	\$14.01	-0.07%
RUSHA	\$0.85	\$0.85	0.0%	\$4.05	\$4.05	0.00%	\$3.12	\$3.12	0.00%
TT	\$2.13	\$2.13	0.0%	\$9.01	\$9.01	0.00%	\$10.02	\$10.01	0.10%
VNT	\$0.78	\$0.78	-0.1%	\$2.83	\$2.83	0.00%	\$3.09	\$3.09	0.00%
VRT	\$0.52	\$0.53	-1.3%	\$1.73	\$1.75	-1.14%	\$2.19	\$2.24	-2.23%
<b>Average</b>			<b>0.0%</b>			<b>0.0%</b>			<b>-0.1%</b>

Source: Bloomberg

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Since 1 week ago, CNM had the largest positive revision for FY+1 followed by GE. VRT had the largest negative revision for FY+1 followed by EMR. CNM has had the largest positive revision for FY+2 followed by AME. VRT had the largest negative revision for FY+2 followed by EMR.

**Exhibit 31: Changes to consensus EPS estimates versus a month ago**

FY+1 EPS revision and FY+2 EPS revision are flat vs. 1 month ago

Ticker	Current Quarter EPS			FY+1 EPS			FY+2 EPS		
	Current	1 Month Ago	% Revision	Current Est.	1 Month Ago	% Revision	Current Est.	1 Month Ago	% Revision
ALLE	\$1.58	\$1.58	0.0%	\$6.86	\$6.86	0.0%	\$7.16	\$7.10	0.8%
AME	\$1.61	\$1.63	-1.2%	\$6.34	\$6.34	0.0%	\$6.72	\$6.62	1.5%
CARR	\$0.52	\$0.52	0.0%	\$2.72	\$2.72	0.0%	\$2.88	\$2.90	-0.7%
CNM	\$0.37	\$0.37	0.0%	\$2.23	\$2.21	0.9%	\$2.44	\$2.40	1.7%
DOV	\$2.43	\$2.43	0.0%	\$8.77	\$8.79	-0.2%	\$9.22	\$9.39	-1.8%
EMR	\$1.03	\$1.03	0.0%	\$5.20	\$5.23	-0.6%	\$5.65	\$5.71	-1.1%
ETN	\$2.46	\$2.46	0.0%	\$9.03	\$9.03	0.0%	\$9.97	\$9.96	0.1%
FLS	\$0.60	\$0.60	0.0%	\$2.03	\$2.03	0.0%	\$2.53	\$2.53	0.0%
FTV	\$0.94	\$0.94	0.0%	\$3.39	\$3.39	0.0%	\$3.67	\$3.60	1.9%
GE	\$0.91	\$0.91	0.0%	\$2.66	\$2.66	0.0%	\$4.61	\$4.61	0.0%
HON	\$2.59	\$2.59	0.0%	\$9.16	\$9.16	0.0%	\$9.97	\$9.96	0.1%
ITT	\$1.34	\$1.33	0.8%	\$5.21	\$5.20	0.2%	\$5.89	\$5.88	0.2%
ITW	\$2.41	\$2.40	0.4%	\$9.76	\$9.74	0.2%	\$10.16	\$10.20	-0.4%
JBT	\$1.34	\$1.34	0.0%	\$4.04	\$4.04	0.0%	\$4.66	\$4.66	0.0%
JCI	\$0.51	\$0.51	0.0%	\$3.67	\$3.67	0.0%	\$4.19	\$4.16	0.7%
MEG	(\$0.01)	(\$0.01)	0.0%	(\$0.81)	(\$0.81)	0.0%	(\$0.05)	(\$0.05)	0.0%
MMM	\$2.31	\$2.28	1.3%	\$9.12	\$9.11	0.1%	\$9.81	\$9.81	0.0%
PH	\$5.31	\$5.27	0.8%	\$23.29	\$23.25	0.2%	\$25.34	\$25.29	0.2%
PNR	\$0.86	\$0.86	0.0%	\$3.75	\$3.75	0.0%	\$4.19	\$4.18	0.2%
ROK	\$2.63	\$2.61	0.8%	\$12.86	\$12.90	-0.3%	\$14.00	\$14.01	-0.1%
RUSHA	\$0.85	\$0.85	0.0%	\$4.05	\$4.05	0.0%	\$3.12	\$3.12	0.0%
TT	\$2.13	\$2.13	0.0%	\$9.01	\$9.01	0.0%	\$10.02	\$10.02	0.0%
VNT	\$0.78	\$0.78	0.0%	\$2.83	\$2.83	0.0%	\$3.09	\$3.10	-0.3%
VRT	\$0.52	\$0.52	0.0%	\$1.73	\$1.74	-0.6%	\$2.19	\$2.18	0.5%
<b>Average</b>			<b>0.1%</b>			<b>0.0%</b>			<b>0.2%</b>

Source: Bloomberg

BofA GLOBAL RESEARCH

Compared to last month, CNM had the largest positive revision for FY+1, followed by ITW. VRT had the largest negative revision for FY+1, followed by EMR. FTV had the largest positive revision for FY+2, followed by CNM. DOV had the largest negative revision for FY+2, followed by EMR.

## Revenue breakdown by region

We present the geographic breakout for our multi-industrials coverage below.

### Exhibit 32: Revenue breakout by region

Multi-Industrial coverage revenue breakout by geographic exposure

Company	Ticker	Americas	Europe (EMEA)	Asia (APAC)	China	Other
Allegion	ALLE	78%	18%	4%	2%	
AMETEK	AME	51%	19%	21%	9%	9%
Carrier	CARR	60%	23%	17%	5%	
Core & Main	CNM	100%				
Dover	DOV	65%	21%	11%	6%	3%
Emerson	EMR	56%	16%	28%	12%	
Eaton	ETN	70%	19%	11%	5%	
Flowserve	FLS	49%	32%	18%	5%	
Fortive	FTV	57%	13%	12%	12%	18%
General Electric	GE	51%	32%	17%	6%	
Honeywell	HON	60%	19%	21%	6%	
ITT	ITT	41%	38%	18%	10%	4%
Illinois Tool Works	ITW	57%	25%	19%	11%	
Johnson Controls	JCI	51%	17%	23%	4%	10%
Montrose	MEG	80%	5%			15%
3M	MMM	54%	17%	29%	11%	
Parker Hannifin	PH	68%	20%	12%	6%	
Pentair	PNR	71%	11%	5%	5%	14%
Rockwell	ROK	67%	19%	14%	5%	
Rush Enterprise	RUSHA	100%				
Trane Technologies	TT	79%	13%	8%	5%	
Vertiv	VRT	50%	23%	27%	13%	
Vontier	VNT	75%	9%	12%	4%	4%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

The table below illustrates the end market breakout for our coverage.

### Exhibit 33: Revenue breakout by end market

Multi-Industrial coverage revenue breakout by end market exposure

End Market	ALLE	AME	CARR	CNM	DOV	EMR	ETN	FLS	FTV	GE	HON	ITT	ITW	JBT	JCI	MEG	MMM	PH	PNR	ROK	TT	VRT	VNT
Upstream Oil & Gas		2%				11%		2%	2%		2%	2%	3%			7%		1%		5%			
Midstream Oil & Gas						5%		8%	2%		3%	3%				2%				3%			
Downstream Oil & Gas		2%				6%		30%	2%		6%	4%				4%				2%			
Chemicals					7%	15%		22%			7%	9%				4%				5%			
Materials & Metals						3%		13%			7%	3%				3%		12%		20%			
Industrial		13%	9%		21%	17%	6%		27%		22%	22%	10%	10%			25%	40%		5%			
Aerospace		9%				2%	9%		1%	35%	18%	5%	1%			1%	5%	14%					
Defense		9%					6%		4%	8%	16%	5%						17%					
Residential Construction	25%		33%	22%			8%						22%		13%				60%		39%		
Commercial Construction	35%		25%	39%			10%						12%		45%	23%	1%		26%		30%	5%	
Institutional Construction	40%		10%	39%			20%		10%				23%		31%	11%			14%		16%	5%	1%
Commercial & Professional Services			10%														5%				6%		
Transportation			12%			5%				5%	3%	6%					2%						
Autos		5%				3%	17%					42%	25%					11%		10%	9%		
Consumer Durables & Apparel									7%		6%					8%	20%			5%			
Consumer Services					34%																		99%
Consumer Staples		4%			25%			5%						86%			12%			20%			
Healthcare		23%			6%	14%			30%		6%		4%	4%			29%	2%		5%			
Information Technology							5%		8%	5%	4%									5%			
Semiconductors & Semiconductor Equipment		13%				4%		4%										3%		5%			
Telecommunication		4%														18%				5%		20%	
Utilities/ Power Gen		16%			7%	15%	10%	16%	8%	48%	1%					18%		1%					
Data Center							9%								12%					5%		70%	

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

**Exhibit 34: Stocks mentioned**

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
MMM	MMM US	3M	US\$ 106.44	B-2-8
ALLE	ALLE US	Allegion	US\$ 121.17	B-3-7
AME	AME US	AMETEK	US\$ 162.31	B-2-7
ANSS	ANSS US	Ansys, Inc.	US\$ 328.27	-6-
CARR	CARR US	Carrier	US\$ 55.4	B-3-7
CNM	CNM US	Core & Main	US\$ 40.89	B-3-9
DOV	DOV US	Dover Corp	US\$ 146.77	B-1-7
ETN	ETN US	Eaton Corp PLC	US\$ 240.12	B-1-7
EMR	EMR US	Emerson	US\$ 93.68	B-1-7
FLS	FLS US	Flowserve	US\$ 40.16	B-1-7
FTV	FTV US	Fortive	US\$ 71.58	B-2-7
GE	GE US	General Electric	US\$ 128.55	B-1-7
HON	HON US	Honeywell	US\$ 200.13	B-1-7
ITW	ITW US	Illinois Tool Works	US\$ 252.78	B-3-7
ITT	ITT US	ITT Inc.	US\$ 118.53	B-1-7
JBT	JBT US	John Bean Tech	US\$ 91.14	B-3-7
JCI	JCI US	Johnson Controls Int	US\$ 53.67	B-2-7
MEG	MEG US	Montrose	US\$ 27.48	C-1-9
PH	PH US	Parker Hannifin	US\$ 465.7	B-1-7
PNR	PNR US	Pentair plc	US\$ 70.68	B-2-7
PTC	PTC US	PTC	US\$ 173.19	B-1-9
ROK	ROK US	Rockwell	US\$ 300.15	B-2-7
RUSHA	RUSHA US	Rush	US\$ 44.22	B-1-7
TT	TT US	Trane Technologies	US\$ 247.33	B-2-7
VRT	VRT US	Vertiv	US\$ 50.89	C-1-7
VNT	VNT US	Vontier	US\$ 34.8	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

**Price objective basis & risk****3M Company (MMM)**

We base our \$120 price objective on 11x P/E on our 2025 estimates. Our 11x target multiple is at a discount to Industrial peers trading at 21x on 2024 estimates. 11x is also at a discount to high quality consumer goods peers trading at 23x on 2024E. We believe valuation at a discount to peers is warranted given 3M's lower growth outlook, choppy execution, and PFAS liability risk.

Upside risks to our PO are 1) little headline risk/market reaction to PFAS liability, 2) limited PFAS legislative action taken by the federal government, and 3) better-than-expected operational execution.

Downside risks to our PO are 1) a need for greater investment could be a margin headwind, 2) slower-than-anticipated recovery of end markets, and 3) PFAS litigation risk.

**Allegion (ALLE)**

We base our \$95 price objective on a 11x EV/EBITDA of our 2025 estimates. Our 11x target multiple is in line with peers trading at 11x on 2024E.

We believe the an in-line multiple is warranted given it balances ALLE's above-peer margins and our concerns for ALLE's end markets.

Upside risks are: 1) North American residential downturn less severe than expected and 2) pricing holds up into '23. Downside risks are: 1) Greater-than-expected headwinds from raw material inflation and supply chain headwinds, 2) Lost market share to North



American competitor, and 3) Emerging market slowdown could impact the company's growth, reliant on increased security demand from urbanization.

#### **AMETEK Inc (AME)**

We base our \$165 price objective on an 16x EV/EBITDA multiple of our 2025 estimates. Our target 16x multiple is in line with the 16x peer average on 2024E, reflecting the similar earnings trajectory as peers.

Downside risks to our price objective are: 1) weaker industrial production trends, 2) slower pace of acquisitions, and 3) cyclical risks on shorter cycle component businesses. Upside risks are: 1) secular growth in automation and aerospace end markets, 2) accretive acquisitions, and 3) share gains for differentiated products.

#### **Ansys, Inc. (ANSS)**

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

#### **Carrier Global Corp. (CARR)**

We base our \$55 price objective on 11x EV/EBITDA of our 2025 estimates. Our 11x target multiple is at a discount to peers, trading at 12x on 2024 estimates. We believe that the discount is warranted given the potential for destocking across res and non-res.

Upside risks to our price objective are: 1) continued solid execution in 2023, 2) non-residential markets take longer to crack than our thesis, and 3) price increases offset impact of destocking cycle.

Downside risks to our price objective are: 1) slower-than-expected macro recovery, 2) inability to execute on announced cost savings plan, and 3) lost market share to competitors.

#### **Core & Main (CNM)**

We base our \$28 price objective on an 8x EV/EBITDA multiple of our CY25 estimate. Our target multiple is below the peer average of 15x on CY24 estimates. We argue a below-peer multiple is warranted given CNM's higher financial leverage and slower near-term EBITDA growth.

Downside risks to our price objective are: 1) the ability to raise pricing in excess of cost inflation, 2) a downturn in new construction markets (approximately 45% of revenue), 3) risks around acquisition selection and integration, and 4) above-peer financial leverage may limit the company's ability to pursue its M&A strategy. Upside risks to our price objective are: 1) accretive M&A transactions, 2) better than expected growth in new construction, and 3) sustained period of premium pricing on manufacturing supply chain constraints.

#### **Dover Corp (DOV)**

We base our \$180 price objective on a 13x EV/EBITDA multiple of our 2025 estimates. Our target multiple is in line with multi-industrial peers, trading at 13x 2024 estimates. We argue that an in-line valuation discount is fair given Dover's improved portfolio mix, capital allocation strategy, and margin trajectory, offset by slower near-term revenue growth.

Downside risks to our PO are 1) slowing US industrial production, 2) not achieving expected returns from organic investments or acquisitions, and 3) slower-than-expected margin improvement.

#### **Eaton Corp PLC (ETN)**

We base our \$275 price objective on a 20x EV/EBITDA multiple of our 2025 estimates. Our target multiple is at a premium to the 15x peer average on 2024 estimates. We argue a premium valuation is warranted due to broad exposure to key growth end markets, expected upside from cyclical operating leverage, strong margin performance, and Eaton's less cyclical portfolio mix.

Downside risks to our PO are 1) a slower-than-expected manufacturing capex growth, 2) a more active M&A is inherently risky as it relies on the availability of accretive synergistic targets and the company's ability to integrate, and 3) the trajectory of the recovery in automotive and aerospace end markets.

#### **Emerson Electric Co (EMR)**

We base our \$120 price objective on a 15x EV/EBITDA multiple of our CY25E EBITDA. Our target multiple is a premium to multi-industrial peers trading at 14x CY24 estimates. We argue that a premium is warranted, given above-peer margins and execution.

Downside risks to our PO are 1) deterioration in energy capex outlook or oil price correction 2) emerging market slowdown, which could impact the company's growth, and 3) acquisition integration risks.

#### **Flowserve (FLS)**

We base our \$44 price objective on a 10x EV/EBITDA multiple on our 2025 estimates. A 10x multiple puts the company at a discount to the 11x 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.

#### **Fortive Corporation (FTV)**

We base our \$77 price objective on a 15x EV/EBITDA multiple of our 2025 EBITDA estimate. Our target multiple is a discount to the 20x peer average on 2023 estimates. We argue a discount is warranted given below-peer margins and EPS growth.

Upside risks to our PO are: 1) stronger industrial demand, 2) better than expected pricing, 3) potential accretive acquisitions.

Downside risks to our PO are: 1) weaker-than-expected capex cycle, 2) acquisition integration risks, 3) continued weakness in China (approx. 12% of revenue).

#### **General Electric Company (GE)**

We base our \$135 price objective on a 13x EV/EBITDA multiple of our 2025 estimates. Our target multiple is in line with the 13x peer average on 2024 estimates. We argue the pending spin-off of GE Vernova (Energy and Renewable segments) will drive a re-rating of GE Aerospace.

Downside risks to our PO are 1) the pace of the recovery in Aerospace, 2) progress on Renewable's turnaround, and 3) transactional risks relating to pending spin-off of Vernova (Renewable Energy & Power).

#### **Honeywell International Inc. (HON)**

We base our \$250 price objective on 16x 2025E EV/EBITDA. Our target multiple is a premium to peers trading at 14x EV/EBITDA on 2024E. We argue a premium multiple is warranted given top quartile execution and end market exposure to aerospace and oil &

gas.

Downside risks to our price objective are: 1) Acquisitions, specifically that Honeywell overpays for deals in the pursuit of diversifying and expanding into new, faster-growing adjacent markets, 2) Unforeseen future sales deceleration due to economic pressures (e.g., slowing global flying hours, oil price volatility and muted O&G capex outlook), and 3) execution around ongoing simplification efforts.

### **Illinois Tool Works (ITW)**

We base our \$235 price objective on 16x 2025E EV/EBITDA. This compares to the peer average at 15x and high-quality compounders at 18x. We maintain a slight premium to the industrial group given above-average EBITDA margins.

Upside risks to our PO are 1) Auto production volumes revised upward, driving better near-term margin expansion and topline, 2) Welding price/cost and volumes better than expected, and 3) T&M&E recovers from cyclical downturn faster than forecasted. More margin expansion vs. our forecast would alleviate pressure on the multiple and drive positive earnings revisions. Downside risks are: 1) Auto volumes remain depressed, limiting near-term margin expansion, 2) investor sentiment pressured more than expected on lackluster earnings growth.

### **ITT Inc. (ITT)**

Our \$135 price objective reflects 12x our 2025 estimates, in line with peers trading at 12x 2024E. We believe an in-line valuation is warranted given better EPS growth and margin expansion in '24, offset by decelerating organic growth.

Downside risks to our PO are: 1) ITT may overpay for deals in the pursuit of diversifying and expanding its product portfolio, 2) Lower than expected capex spending in the auto, oil & gas, power gen, and other key end markets, 3) Short-cycle and chemical pumps could slow, 4) above-peer exposure to European markets, and 5) declining backlog coverage may limit visibility.

### **John Bean Technologies (JBT)**

We base our \$85 price objective on an 9x EV/EBITDA multiple of our 2025 estimates. Our 9x target multiple is below the peer average trading at 13x on 2024 estimates. We argue a discounted valuation is warranted given JBT's below-peer EBITDA margins and below-peer cash conversion.

Upside risks to our PO are: 1) better than expected execution on restructuring/facility consolidation, 2) lower input cost inflation, and 3) faster pace of accretive M&A. Downside risks to our PO are: 1) valuation already implies future M&A, 2) ability to source accretive acquisitions, 3) execution risk in restructuring/facility consolidation, 4) input cost inflation, 5) rising low-cost competition, and 6) failure for AeroTech sale to complete.

### **Johnson Controls International PLC (JCI)**

We base our \$60 price objective on 10x EV/EBITDA of our 2025 estimates. Our 10x target multiple is below the peer group average trading at 14x on 2024 estimates. We think the discount valuation is warranted given risk from slowdown in the non-residential cycle.

Downside risks to our price objective are 1) potential loss of market share to peer and building automation competitors, 2) execution risks, particularly on the cost takeout plan, and 3) risks from the aqueous film forming foam litigation.

### **Montrose Environmental Group, Inc. (MEG)**



We base our \$40 price objective on 24x EV/EBITDA of our 2025 estimates. This is at a premium to the peer group average trading at 10x on 2024E. We believe the premium is warranted capital allocation and secular growth trends from US environmental regulations/infrastructure stimulus.

Downside risks to our PO are 1) greater-than-expected y/y declines in the CTEH business, 2) inability to source or integrate deals, and 3) poor execution tied to ERP rollout and initiation of European operations.

#### **Parker Hannifin Corporation (PH)**

We base our \$525 price objective on a 14x EV/EBITDA multiple applied to our CY25E estimate. Our 14x target multiple is at a discount to the 16x multi-industrial peer average on 2024E and 17x Aerospace Suppliers peer average on 2024E. Parker has historically traded at a discount, but we believe it should start to close the gap with high quality peers AME and ITW.

Downside risks are: 1) industrial short-cycle destocking worse than expected, 2) Meggitt integration, and 3) the ability to offset material inflation through pricing. Upside risks: 1) Aerospace recovery has more upside given more exposure from Meggitt, and 2) Multiple expansion as the company closes the performance gap.

#### **Pentair plc (PNR)**

We base our \$76 price objective on a 13x EV/EBITDA multiple of our 2025 estimates. This slightly below the peer group trading at 14x on 2024 estimates. We think the below-peer valuation is fair given above average EBITDA margins offset by more cyclical topline.

Upside risks are: 1) better-than-expected revenue growth in pools, 2) success on incremental productivity actions. Downside risks are: 1) Reinvestment in most profitable (Pool) segment, 2) execution risk on sourcing & consolidation activities.

#### **PTC Inc. (PTC)**

Our PO of \$175 is based on 20x CY25E EV/EBITDA. This is in line with industrial software peers at 20x on CY24E, as we believe below peer EBITDA margins are offset by faster revenue growth relative to peers

Downside risks to our PO: Macro worsens, sticky product and significant competition in core PLM market limits market share gains, declines in discrete manufacturing activity, IoT and Augmented Reality new bookings slow down to below market growth, elevated leverage post OnShape and Arena acquisitions, acquisition integration risks.

#### **Rockwell (ROK)**

We base our \$320 price objective on a 17x EV/EBITDA multiple of our CY25 estimate. Our target multiple is a premium to the 14x peer average on 2024E. We argue a premium is warranted given ROK's position in the US automation market.

Upside risks are 1) supply chain improvement, 2) potentially accretive acquisitions.

Downside risks are 1) slowing global industrial production, 2) delays in global capex, 3) greater competition, and 4) supply-chain constraints.

#### **Rush (RUSHA)**

We base our \$57 price objective on a 13x P/E multiple of our 2024 EPS estimate. Our target multiple is below the company's long term P/E multiple of 14x, which we think is fair given near-term pressures on the truck cycle.

Upside risks are: 1) improving mix of service-related revenue, 2) accretive use of free

cash flow in either share repurchases or acquisitions, 3) an improvement in US truck market. Downside risks are: 1) Rush's relationship with PACCAR given the majority of revenue comes from the sale of PACCAR products, namely Peterbilt trucks and parts. 2) PACCAR has ultimate veto power on Rush's growth plans by virtue of having a right of first refusal on the purchase of additional Peterbilt dealerships. PACCAR may terminate Rush's dealership agreements upon change of control of the company from the Rush family or if the Rush family's aggregate voting power falls below 30%. 3) The heavy truck market is a highly cyclical business that can be affected by fuel prices, interest rate fluctuations, economic recessions and customer business cycles.

### **Trane Technologies PLC (TT)**

We base our \$245 price objective on 17x 2025E EV/EBITDA. Our 17x target multiple is above the peer group average trading at 13x on 2024 estimates. We believe the premium is warranted given above-average performance.

Downside risks are 1) slower-than-expected macro recovery, 2) lower-than-expected productivity improvement and cost synergies, 3) loss of market share to competitors. Upside risks are 1) continued solid execution in 2023, 2) non-residential markets take longer to crack than our thesis, and 3) price increases offset impact of destocking cycle.

### **Vertiv (VRT)**

We base our \$60 price objective on an 14x EV/EBITDA of our 2025 estimates (previously 12x). Our target multiple is in line with the 14x peer average on 2024E. We argue an in line multiple is warranted given above-peers earnings growth offset by below-peer margins.

Downside risks to our price objective are 1) declines in company-owned data centers, 2) inability to execute on cost savings plans, 3) pricing deterioration due to competition, and 4) disruptions due to supply chain or manufacturing execution.

### **Vontier (VNT)**

We base our \$40 price objective on 9.5x our 2025E EBITDA estimate. This is a discount to the peer average of 14x on 2024 estimates to reflect above-peer leverage.

Downside risks to our price objective are 1) greater-than-expected decline in US fuel dispenser revenue, 2) acquisition timing, selection, and integration risks, 3) greater adoption of electric vehicles hurting demand for retail fueling infrastructure.

## **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.

## **Special Disclosures**

BofA Securities is currently acting as a financial advisor to General Electric Co in connection with its proposed plan to form three public companies focused on Aviation, Healthcare, and Energy, which was announced on November 9, 2021.

BofA Securities is currently acting as Financial Advisor to Carrier Global Corp in relation to the sale of its commercial refrigeration business to Haier Smart Home Co Ltd., which was announced on December 13, 2023.

## US - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	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
<b>NEUTRAL</b>				
	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
<b>UNDERPERFORM</b>				
	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

## Disclosures

## Important Disclosures

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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%

<sup>R1</sup> 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.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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

<sup>R2</sup> 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.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: 3M, Allegion, AMETEK, Ansys, Inc., Carrier, Core & Main, Dover Corp, Eaton Corp PLC, Emerson, Flowserve, Fortive, General Electric, Honeywell, Illinois Tool Works, ITT Inc., John Bean Tech, Johnson Controls Int, Montrose, Parker Hannifin, Pentair plc, PTC, Rockwell, Rush, Trane Technologies, Vertiv, Vontier.

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