

Dover Corp

Bookings turn up in 4Q23, with achievable 2024 guidance

Reiterate Rating: BUY | PO: 180.00 USD | Price: 156.55 USD

'24 guidance risk over and valuation still attractive

In our [4Q preview note](#) we wrote, "2024 guidance may fall short of Street, but we think investors would prefer a conservative initial guide." 2024 adj. EPS guidance of \$8.95-9.15 was below consensus of \$9.19. Despite this, shares were up 4.5% on the day of results (versus 1.2% for the S&P 500 index). After 7 quarters of declines, bookings grew 2% y/y organically. Shares trade at a 20% discount to the peer average on 2024E EV/EBITDA (12.6x vs 15.6x). Reiterate Buy and \$180 Price Objective.

Positioning for growth, but with alternative plans ready

Management expects demand "to progressively improve" but has a "list of cost actions" should trends weaken. 2023's cost actions have a \$40mn (or ~\$0.23/sh) carryover benefit in 2024. Dover has a fully booked year for ESG (waste hauling; ~8% of revenue). We also see a return to growth in pumps & connectors business (~10% of revenue), less destocking, and the non-repeat of 2Q's software upgrade disruptions.

Several business units facing known headwinds

We acknowledge there are several operating companies facing headwinds in 2024. A sudden decline in European heat pump demand is likely to drag SWEP (heat exchangers; ~4%), although we note that residential heat pumps comprise less than half of SWEP's revenue. Maag (polymer processing; ~5%) and Belvac (can making; ~4% of revenue) are likely to face declines after a capital investment cycle. Net-net, we view the 2024 organic revenue guidance of 1-3% y/y as reflecting these headwinds and achievable.

Raise 2024E adj. EPS by \$0.03 to \$9.08

We raise our 2024 adjusted EPS by \$0.03 to \$9.08, which compares to guidance of \$8.95-9.15. We forecast 2% y/y organic revenue growth and 80bp of adjusted EBITDA margin expansion. For 2025, we now forecast 5% y/y organic revenue growth and 70bp of y/y adjusted EBITDA margin expansion. These assumptions drive our adjusted EPS estimate of \$10.04.

| Estimates (Dec) (US\$) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------|-------|-------|-------|-------|-------|
| EPS | 8.45 | 8.80 | 9.08 | 10.04 | 10.93 |
| GAAP EPS | 7.55 | 7.52 | 8.04 | 9.11 | 10.05 |
| EPS Change (YoY) | 10.7% | 4.1% | 3.2% | 10.6% | 8.9% |
| Consensus EPS (Bloomberg) | | | 9.19 | 9.92 | 10.82 |
| DPS | 2.01 | 2.03 | 2.07 | 2.11 | 2.15 |
| Valuation (Dec) | | | | | |
| P/E | 18.5x | 17.8x | 17.2x | 15.6x | 14.3x |
| GAAP P/E | 20.7x | 20.8x | 19.5x | 17.2x | 15.6x |
| Dividend Yield | 1.3% | 1.3% | 1.3% | 1.3% | 1.4% |
| EV / EBITDA* | 14.4x | 14.2x | 13.3x | 12.3x | 11.5x |
| Free Cash Flow Yield* | 2.5% | 5.0% | 5.5% | 6.1% | 6.6% |

* For full definitions of *IQmethod*SM measures, see page 8.

02 February 2024

Equity

Key Changes

| (US\$) | Previous | Current |
|---------------|----------|---------|
| 2024E Rev (m) | 8,698.0 | 8,605.7 |
| 2025E Rev (m) | 9,162.9 | 9,029.5 |
| 2026E Rev (m) | NA | 9,426.8 |
| 2024E EPS | 9.05 | 9.08 |
| 2025E EPS | 10.02 | 10.04 |
| 2026E EPS | NA | 10.93 |

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Stock Data

| | |
|---------------------------------|-------------------------|
| Price | 156.55 USD |
| Price Objective | 180.00 USD |
| Date Established | 24-Oct-2023 |
| Investment Opinion | B-1-7 |
| 52-Week Range | 127.25 USD - 160.66 USD |
| Mrkt Val (mn) / Shares Out (mn) | 22,999 USD / 146.9 |
| Free Float | 99.5% |
| Average Daily Value (mn) | 117.11 USD |
| BofA Ticker / Exchange | DOV / NYS |
| Bloomberg / Reuters | DOV US / DOV.N |
| ROE (2024E) | 23.4% |
| Net Dbt to Eqty (Dec-2023A) | 60.0% |
| 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".

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Timestamp: 02 February 2024 05:00AM EST

iQprofileSM Dover Corp

iQmethodSM – Bus Performance*

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------|-------|-------|-------|-------|-------|
| Return on Capital Employed | 13.6% | 13.2% | 12.8% | 13.5% | 14.2% |
| Return on Equity | 28.6% | 26.3% | 23.4% | 22.5% | 21.3% |
| Operating Margin | 16.9% | 17.2% | 18.0% | 18.8% | 19.6% |
| Free Cash Flow | 585 | 1,144 | 1,264 | 1,402 | 1,525 |

iQmethodSM – Quality of Earnings*

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|--------------------------|-------|-------|-------|-------|-------|
| Cash Realization Ratio | 0.7x | 1.1x | 1.1x | 1.1x | 1.1x |
| Asset Replacement Ratio | 0.7x | 0.6x | 0.5x | 0.5x | 0.5x |
| Tax Rate | 19.1% | 17.0% | 20.7% | 20.7% | 20.7% |
| Net Debt-to-Equity Ratio | 76.9% | 60.0% | 26.8% | 9.2% | -5.7% |
| Interest Cover | 12.8x | 12.3x | 14.0x | 18.6x | 23.7x |

Income Statement Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 8,508 | 8,438 | 8,606 | 9,030 | 9,427 |
| % Change | 7.6% | -0.8% | 2.0% | 4.9% | 4.4% |
| Gross Profit | 3,064 | 3,085 | 3,204 | 3,384 | 3,556 |
| % Change | 3.2% | 0.7% | 3.9% | 5.6% | 5.1% |
| EBITDA | 1,746 | 1,770 | 1,879 | 2,030 | 2,172 |
| % Change | 7.5% | 1.4% | 6.2% | 8.0% | 7.0% |
| Net Interest & Other Income | (112) | (118) | (111) | (91) | (78) |
| Net Income (Adjusted) | 1,213 | 1,237 | 1,278 | 1,406 | 1,524 |
| % Change | 9.5% | 2.0% | 3.3% | 10.1% | 8.4% |

Free Cash Flow Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|--|---------------|--------------|--------------|--------------|--------------|
| Net Income from Cont Operations (GAAP) | 1,074 | 1,108 | 1,140 | 1,276 | 1,402 |
| Depreciation & Amortization | 308 | 317 | 330 | 328 | 326 |
| Change in Working Capital | (560) | (53) | (62) | (49) | (50) |
| Deferred Taxation Charge | 0 | 0 | 0 | 0 | 0 |
| Other Adjustments, Net | (15) | (36) | 20 | 15 | 18 |
| Capital Expenditure | (221) | (193) | (164) | (168) | (171) |
| Free Cash Flow | 585 | 1,144 | 1,264 | 1,402 | 1,525 |
| % Change | -38.1% | 95.6% | 10.5% | 10.9% | 8.8% |
| Share / Issue Repurchase | (585) | 0 | (214) | (231) | (250) |
| Cost of Dividends Paid | (288) | (284) | (291) | (296) | (300) |
| Change in Debt | 630 | (267) | (441) | (397) | (674) |

Balance Sheet Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalents | 381 | 399 | 1,457 | 2,004 | 2,383 |
| Trade Receivables | 1,517 | 1,432 | 1,484 | 1,576 | 1,664 |
| Other Current Assets | 1,526 | 1,560 | 1,569 | 1,603 | 1,630 |
| Property, Plant & Equipment | 1,005 | 1,032 | 792 | 760 | 731 |
| Other Non-Current Assets | 6,468 | 6,926 | 6,323 | 6,215 | 6,105 |
| Total Assets | 10,897 | 11,349 | 11,626 | 12,158 | 12,513 |
| Short-Term Debt | 736 | 468 | 0 | 0 | 0 |
| Other Current Liabilities | 2,038 | 1,909 | 1,907 | 1,968 | 2,020 |
| Long-Term Debt | 2,943 | 2,992 | 3,019 | 2,621 | 1,947 |
| Other Non-Current Liabilities | 894 | 873 | 875 | 890 | 903 |
| Total Liabilities | 6,610 | 6,242 | 5,800 | 5,479 | 4,871 |
| Total Equity | 4,286 | 5,107 | 5,826 | 6,678 | 7,643 |
| Total Equity & Liabilities | 10,897 | 11,349 | 11,626 | 12,158 | 12,513 |

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Industrials/Multi-Industry

Company Description

Dover is a diversified, global manufacturer of industrial products. It comprises more than 30 independent companies that operate in five segments: Engineered Products, Clean Energy & Fueling, Imaging & Identification, Pumps & Process Solutions, and Climate & Sustainable Technology.

Investment Rationale

We expect re-rating on the stock over time as investors start paying up for less cyclical business profile and potential upside from margin improvement story.

Stock Data

Average Daily Volume 748,074

Quarterly Earnings Estimates

| | 2023 | 2024 |
|----|-------|-------|
| Q1 | 1.94A | 1.81E |
| Q2 | 2.05A | 2.17E |
| Q3 | 2.35A | 2.51E |
| Q4 | 2.45A | 2.59E |

Key takeaways from 4Q23

Exhibit 1: Bookings trends (4Q20-4Q23)

Organic bookings grew +2.0% y/y

| Bookings | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 |
|------------------------------------|--------------|--------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|
| Engineered Products | 21.0% | 2.4% | -9.0% | 1.9% | -14.9% | -0.8% | 8.1% | 12.5% | -0.7% |
| Clean Energy & Fueling | -1.1% | 18.6% | 7.7% | -7.6% | 0.1% | -9.4% | -9.8% | 4.0% | 0.4% |
| Imaging & Identification | -0.4% | 4.6% | -2.5% | -4.1% | -10.0% | -5.3% | -10.3% | -3.8% | 8.8% |
| Pumps & Process Solutions | 26.0% | -16.6% | -9.5% | -15.4% | -21.2% | 1.0% | -16.4% | -12.6% | 25.6% |
| Climate & Sustainable Technologies | 66.8% | -17.2% | -33.5% | -21.7% | -38.6% | -32.6% | -14.4% | -17.8% | -16.2% |
| Total Dover | 22.9% | -3.4% | -11.4% | -10.1% | -19.3% | -9.2% | -8.4% | -2.8% | 2.7% |
| Organic bookings | 22.2% | -4.3% | -9.9% | -8.2% | -17.5% | -7.6% | -8.3% | -4.1% | 2.0% |
| Book-to-bill | 1.20x | 1.10x | 0.98x | 0.96x | 0.90x | 0.98x | 0.92x | 0.93x | 0.94x |

Source: BofA Global Research, company filings

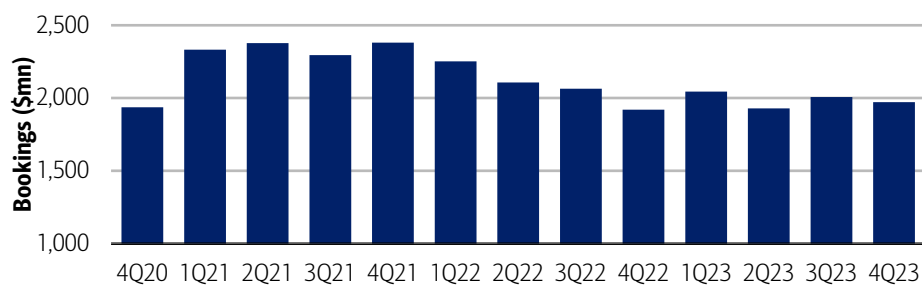
Note: 2Q22 includes impact of \$74mn order cancellation in the Climate & Sustainable Technologies segment

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- **2.0% y/y organic bookings growth.** Bookings rose 2.0% y/y overall with three of the five segments showing y/y growth. Management expects bookings to be positive throughout 2024.

Exhibit 2: Bookings trend (4Q20-4Q23)

Bookings up 2% y/y on an organic basis



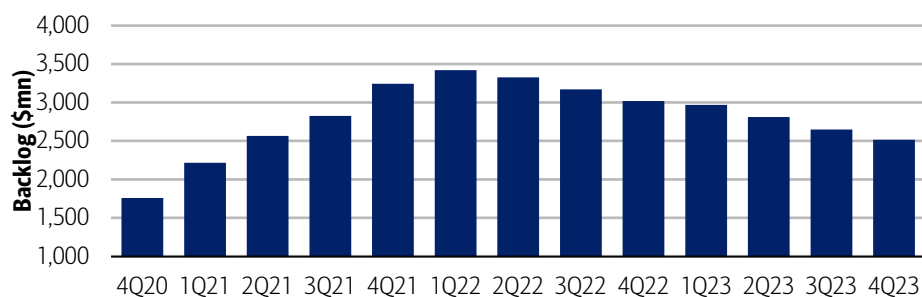
Source: BofA Global Research, company filings

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- **Total backlog** was down 17% y/y to \$2.5bn. Backlog declined sequentially from \$2,6bn last quarter.

Exhibit 3: Backlog trend (4Q20-4Q23)

Backlog fell sequentially, but remains at above-average levels



Source: BofA Global Research, company filings

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- **Tuck-in M&A.** On 1/17, Dover closed on Transchem, a maker of car wash chemicals, equipment, & software. On 2/1, Dover closed on Bulloch Technologies, which makes point-of-sale software for retail fueling. We view both these firms as being close adjacencies with Dover's existing operating companies and adding higher-margin software revenue. Proceeds from the pending Destaco divesture (\$680mn; 1Q24 expected close) helps to fund these acquisitions



Organic revenue trends

All revenue growth figures below are on an **organic** basis.

Exhibit 4: Organic revenue growth by segment

We forecast 2% y/y organic revenue growth in 2024

| Org. rev. growth | 2021 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 2022 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 2023 | 1Q24E | 2Q24E | 3Q24E | 4Q24E | 2024E |
|------------------------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|
| Engineered Products | 14% | 15% | 19% | 18% | 16% | 17% | 3% | -8% | -3% | 0% | -2% | 4% | 12% | 9% | 8% | 8% |
| Clean Energy & Fueling | 6% | 0% | -1% | 0% | 0% | 0% | -3% | -9% | 0% | -4% | -4% | -8% | 2% | 3% | 11% | 2% |
| Imaging & Identification | 8% | -1% | -1% | 5% | 9% | 3% | 8% | 0% | -4% | -4% | 0% | -6% | 2% | 4% | 5% | 1% |
| Pumps & Process Solutions | 27% | 13% | 7% | 2% | -4% | 4% | -7% | 1% | -7% | 1% | -3% | -3% | -7% | 5% | 9% | 1% |
| Climate & Sustainable Technologies | 22% | 17% | 11% | 19% | 27% | 19% | 16% | 4% | 2% | -11% | 2% | -13% | 0% | -3% | -1% | -4% |
| Total Dover | 15% | 9% | 8% | 9% | 9% | 9% | 3% | -3% | -2% | -3% | -1% | -5% | 2% | 4% | 7% | 2% |

Source: BofA Global Research, company filings

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- **Engineered Products** revenue was flat y/y. Waste handling (~33% of segment) grew, but was offset by a decline in Vehicle Services Group. We forecast 8% y/y growth in 2024.
- **Clean Energy & Fueling** revenue declined (4)% y/y. Above-ground fuel dispenser sales and clean fuels sales grew. However, this was more than offset by destocking, lower below-ground fueling sales, and declines in vehicle wash. We forecast 2% y/y growth in 2024.
- **Imaging & Identification** revenue declined (4)% y/y. Consumables and software grew, offset by lower printer shipments. We forecast +1% y/y growth in 2024.
- **Pumps & Process Solutions** revenue rose 1% y/y. Precision components and polymer processing grew and biopharma was down. We forecast +1% y/y growth in 2024.
- **Climate & Sustainable Technologies** revenue declined (11)% y/y. Shipments of retail refrigeration systems and CO2 refrigeration systems grew. Beverage can making equipment sales declined. Heat exchanger shipments decline on a abrupt industry slowdown in heat pumps. We forecast (4)% y/y decline in 2024.

Raise 2024E adj. EPS by \$0.03 to \$9.08

We raise our 2024 adjusted EPS by \$0.03 to \$9.08. Excluding \$0.25 of discrete tax benefits in 2023, this represents 6% y/y growth. Our estimate compares to 2024 guidance of \$8.95-9.15. We forecast 2% y/y organic revenue growth and 80bp of adj. EBITDA margin expansion. For 1Q24, we forecast \$1.81 adjusted EPS.

Exhibit 5: How our 2024 estimates have changed

We are raising our 2024 adj. EPS by \$0.03 to \$9.08

| | Dover Guidance | BofA Estimates | |
|------------------------------------|--------------------|----------------|---------------|
| <u>Organic Revenue Growth</u> | As of 4Q22 | New | Old |
| Engineered Products | | 8.3% | 6.5% |
| Clean Energy & Fueling | | 2.0% | 4.5% |
| Imaging & Identification | | 1.5% | 3.5% |
| Pumps & Process Solutions | | 1.1% | 4.0% |
| Climate & Sustainable Technologies | | -4.1% | 2.2% |
| Total Organic Growth | 1-3% | 2.0% | 4.3% |
| M&A | | 0.0% | -1.2% |
| FX | | 0.0% | -0.7% |
| Total Revenue Growth | 2-4% | 2.0% | 2.3% |
| Adjusted EPS | \$8.95-9.15 | \$9.08 | \$9.05 |
| Tax Rate | 20.0-21.5% | 20.8% | 20.5% |

Source: BofA Global Research, company filings

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4Q23 adjusted EPS was \$0.03 above Street

Revenue was 3% below our estimate. Segment operating margin of 22.0% was 10bp above our estimate. Combined with \$(0.08) drag from higher corporate expense, operating EPS was \$(0.15) below estimate. Lower interest expense was a \$0.02 benefit and lower tax rate was a \$0.12 benefit. In total, adjusted EPS of \$2.45 was \$0.01 below our estimate.

Exhibit 6: Variance analysis

Adj. EPS of \$2.45 was \$0.01 below our estimate, but \$0.03 above consensus

| | Actual | Reported | | BofA Estimate | | Variation Versus BofA Est. | | |
|---|---------------|---------------|---------------|---------------|--------------|----------------------------|------------|-----------------|
| (in US\$ mn, except per share data) | 4Q:22A | 4Q:23A | y/y% chg. | 4Q:23E | y/y% chg. | Dollar | Percentage | EPS |
| Segment Sales | | | | | | | | |
| Engineered Products | 525 | 529 | 1% | 546 | 4% | -17 | -3% | |
| Clean Energy & Fueling | 462 | 449 | -3% | 474 | 3% | -25 | -5% | |
| Imaging & Identification | 293 | 286 | -3% | 291 | -1% | -5 | -2% | |
| Pumps & Process Solutions | 418 | 445 | 6% | 434 | 4% | 10 | 2% | |
| Climate & Sustainable Tech | 442 | 398 | -10% | 422 | -5% | -24 | -6% | |
| Intra-segment eliminations | -1 | -1 | NM | -2 | NM | NM | NM | |
| Total | 2,139 | 2,106 | -2% | 2,167 | 1% | -61 | -3% | |
| Segment Operating Profit | | | | | | | | |
| Engineered Products | 104 | 118 | 14% | 117 | 12% | 2 | 2% | \$0.01 |
| Clean Energy & Fueling | 91 | 79 | -13% | 96 | 6% | -17 | -18% | \$(0.10) |
| Imaging & Identification | 74 | 73 | -1% | 76 | 4% | -4 | -5% | \$(0.02) |
| Pumps & Process Solutions | 120 | 122 | 2% | 121 | 1% | 1 | 1% | \$0.00 |
| Climate & Sustainable Tech | 62 | 71 | 16% | 65 | 5% | 7 | 11% | \$0.04 |
| Segment Total | 449 | 463 | 3% | 475 | 6% | -11 | -2% | \$(0.07) |
| Purchase Accounting | -40 | -42 | 4% | -42 | 4% | 0 | 0% | \$0.00 |
| Corporate Overhead | -42 | -46 | 9% | -33 | -21% | -13 | 39% | \$(0.08) |
| Total | 367 | 376 | 2% | 400 | 9% | -24 | -6% | \$(0.15) |
| Segment Operating Margin | | | | | | | | |
| Engineered Products | 19.7% | 22.4% | 270 bp | 21.3% | 160 bp | | | 110 bp |
| Clean Energy & Fueling | 19.7% | 17.6% | (210 bp) | 20.3% | 60 bp | | | (270 bp) |
| Imaging & Identification | 25.1% | 25.4% | 30 bp | 26.2% | 110 bp | | | (80 bp) |
| Pumps & Process Solutions | 28.6% | 27.4% | (120 bp) | 27.9% | (70 bp) | | | (50 bp) |
| Climate & Sustainable Tech | 13.9% | 17.9% | 400 bp | 15.3% | 140 bp | | | 260 bp |
| Segment Total | 21.0% | 22.0% | 100 bp | 21.9% | 90 bp | | | 10 bp |
| Net Sales | 2,158 | 2,106 | -2% | 2,167 | 0% | -61 | -3% | |
| COGS | 1,386 | 1,320 | -5% | 1,369 | -1% | -49 | -4% | |
| Gross Profit | 773 | 786 | 2% | 798 | 3% | -12 | -2% | \$(0.07) |
| SG&A | 383 | 410 | 7% | 398 | 4% | 12 | 3% | \$(0.07) |
| Operating Income | 390 | 376 | -4% | 400 | 2% | -24 | -6% | \$(0.15) |
| Interest expense / (income) | 29 | 26 | -9% | 29 | 3% | -3 | -12% | \$0.02 |
| EBIT | 362 | 350 | -3% | 370 | 2% | -21 | -6% | \$(0.13) |
| Taxes | 69 | 37 | -46% | 57 | -17% | -20 | -35% | - |
| Tax Rate | 19.1% | 10.6% | (840 bp) | 15.5% | (360 bp) | (490 bp) | | \$0.12 |
| Amortization expense (after tax) | 31 | 33 | 5% | 33 | 6% | 0 | | \$(0.00) |
| Net Income (Continuing Operations) | 324 | 345 | 7% | 346 | 7% | -1 | 0% | \$(0.01) |
| FULLY DILUTED EPS | \$2.26 | \$2.45 | 9% | \$2.46 | 9% | \$(0.01) | 0% | |
| Diluted Shares Outstanding | 143 | 141 | -2% | 141 | -2% | 0 | 0% | \$0.00 |

Source: BofA Global Research, company filings

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Valuation

We base our \$180 Price Objective on a 13x EV/EBITDA multiple of our 2025 estimates. Our target multiple is a discount to multi-industrial peers trading at 16x on 2024 estimates. We argue a valuation discount is fair given Dover's improved portfolio mix, capital allocation strategy, and margin trajectory, offset by slower near-term revenue growth.

Exhibit 7: DOV comparable valuation analysis

DOV trades at a discount to peers on 2024 P/E, EV/EBITDA, and P/FCF

| Company | Ticker | Stock Price 2/1/2024 | P/E | | EV/EBITDA | | EBITDA Margin | | EPS Growth | | P/FCF | |
|-----------------------|------------|-------------------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------|--------------|---------------|---------------|
| | | | 2024E | 2025E | 2024E | 2025E | 2024E | 2025E | 2024E | 2025E | 2024E | 2025E |
| 3M | MMM | \$95.91 | 9.3 x | 8.8 x | 7.1 x | 6.6 x | 26.9% | 27.2% | 15.2% | 6.0% | 15.2 x | 11.2 x |
| AMETEK | AME | \$165.87 | 24.9 x | 23.5 x | 17.8 x | 16.4 x | 30.6% | 30.9% | 6.6% | 6.0% | 26.1 x | 24.3 x |
| Eaton | ETN | \$264.57 | 28.8 x | 27.0 x | 21.6 x | 20.2 x | 20.7% | 20.7% | 5.4% | 6.5% | 35.1 x | 31.9 x |
| Honeywell | HON | \$197.31 | 19.6 x | 17.5 x | 13.5 x | 12.4 x | 26.3% | 27.2% | 10.0% | 12.0% | 18.7 x | 16.7 x |
| Illinois Tool Works | ITW | \$255.55 | 25.5 x | 23.3 x | 17.9 x | 16.8 x | 27.4% | 28.0% | 3.3% | 9.2% | 24.2 x | 22.6 x |
| Trane Technologies | TT | \$270.74 | 28.3 x | 26.2 x | 19.7 x | 18.4 x | 17.7% | 18.0% | 7.9% | 8.2% | 28.4 x | 26.5 x |
| Rockwell | ROK | \$263.01 | 17.3 x | 16.3 x | 13.9 x | 12.9 x | 23.1% | 22.8% | 20.1% | 6.2% | 18.9 x | 17.4 x |
| Raytheon Technologies | RTX | \$92.17 | 17.4 x | 16.2 x | 13.5 x | 12.9 x | 15.4% | 15.5% | 6.0% | 7.5% | 27.1 x | 20.3 x |
| AVERAGE | | | 21.4 x | 19.8 x | 15.6 x | 14.6 x | 23.5% | 23.8% | 9.3% | 7.7% | 24.2 x | 21.4 x |
| Dover | DOV | \$156.55 | 17.2 x | 15.6 x | 12.6 x | 11.6 x | 21.8% | 22.5% | 3.2% | 10.6% | 17.4 x | 15.6 x |
| Dover at PO | | \$180.00 | 19.8 x | 17.9 x | 14.3 x | 13.2 x | | | | | 20.0 x | 18.0 x |

Source: BofA Global Research estimates, company reports, Bloomberg

Note: estimates calendarized for December 31st year end

BofA GLOBAL RESEARCH

Price objective basis & risk

Dover Corp (DOV)

We base our \$180 price objective on a 13x EV/EBITDA multiple of our 2025 estimates. Our target multiple is a discount to multi-industrial peers trading at 16x on 2024 estimates. We argue a 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.

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

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

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

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

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

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

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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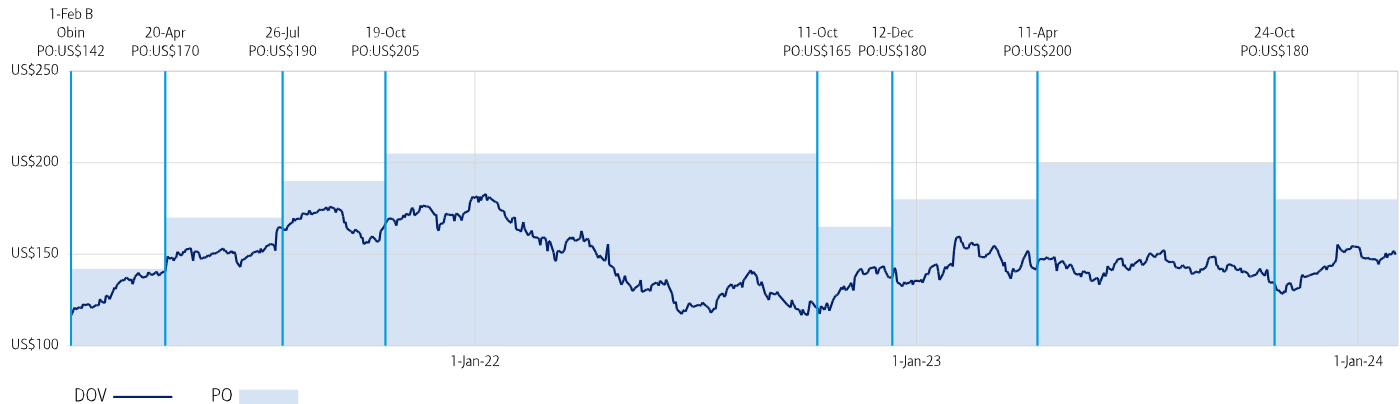
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Dover Corp (DOV) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | 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: 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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