

Industrials/Multi-Industry

DEM #566: Industry inventory and pricing: a closer look at the data

Price Objective Change

Manufacturing inventories flat sequentially

We look at most recent inventory data (December) reported from the US Census Bureau and most recent PPI data (January) from the Bureau of Labor Statistics, the data sets were released on February 15 and February 16, respectively. Aggregate manufacturing inventories-to-sales (data from the US Census Bureau) were flat sequentially in December at 1.48. Inventories remain elevated versus pre-pandemic levels, but December's inventory-to-sales ratio is flat with January '23.

Channel inventories flat

US Census Bureau data shows that aggregate wholesaler inventories and retailer inventories were flat sequentially in December. Retailers remain below pre-pandemic levels, but distributor inventories remain above pre-pandemic levels. Distributor inventories reported at 1.34 months in December compared to the pre-COVID 2015-2019 historical average of 1.32 months. For all the discussion of distributor destocking, in absolute dollars inventory since October has been relatively flat and ended 2023 up 2% y/y in absolute dollars, suggesting that a hard destock has yet to happen.

Durable goods channel inventories tick down

Durable goods wholesaler inventories-to-sales ticked down to at 1.81 in December, with channel inventories declining since April 2023. Compared to 2015-2019 averages, durable goods distributors are holding an extra 9% of inventory on average. The "hardware and plumbing and heating equipment and supplies" category - which includes HVAC (heating, ventilation, and air conditioning) - has inventory significantly elevated relative to pre-COVID levels (holding an extra 12% of inventory). Chemicals continue to have channel inventories below pre-COVID levels. In most other areas, distributor inventories are elevated above pre-COVID levels, but declining. We also note channel inventories for machinery, equipment, and supplies saw channel inventories flat and vehicle & motor vehicle parts and supplies ticked up sequentially, possibly reflecting previous supply chain shortages and long lead times.

Manufacturing pricing down, multi-industrials pricing up

Pricing for total US manufacturing was down (2)% y/y in January. Pricing for total manufacturing peaked in June 2022 and has trended down sequentially. Total manufacturing prices turned negative in April '23, were positive for the month of September '23 and then returned to being negative. However, pricing for multi-industrials related categories remain positive. Areas of relative strength include fluid power pump and motor (relevant for PH, ITT, and FLS) and electrical equipment (relevant for ETN). For companies with high backlogs, realized pricing (e.g., reported by companies) reflects pricing from orders logged several months ago. In contrast, the PPI reflect current selling prices. We see price increases continuing to moderate broadly in 2024 as PPI data continues to moderate.

We fine-tune our estimates and raise PNR PO by \$4 to \$80 (4% upside) to reflect peer re-rating. Our PO is now based on 13.5x 2025E EV/EBITDA (vs 13x prior) at a 1.5x-turn discount to peers trading at 15x on 2024E. We raise our VRT PO by \$3 to \$75 based on 17x EV/EBITDA (from 16x reflecting AI tailwinds, stickier pricing, and improving FCF).

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Upcoming events

Monday February	Tuesday	Wednesday	Thursday	Friday
			MEG 4Q23 earnings	
26	27	28	29	1
March				
4	5	6	7	8
11	12	13	14	15
18	19	20	21	22

Exhibit 1: BofA Global Research Reports

Reports published week ending March 1, 2024

Title: Subtitle

[Rockwell: Key issues: deep-dive on distributor destock and production inefficiencies](#)

[Industrials/Multi-Industry: Fluid Power Survey #167: Outlook holds up better than demand](#)

Source: BofA Global Research

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Inventory analysis

Manufacturing inventories flat sequentially in Dec

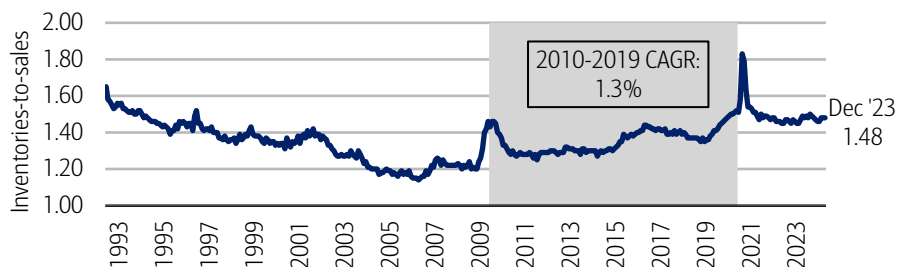
Aggregate manufacturing inventories-to-sales (data from the US Census Bureau) were sequentially flat in December at 1.48 months, and flat with 1.48 months at the start of the year.

In absolute dollar terms, US manufacturing sales ended '23 up y/y, but inventories were down 0.7% y/y. Manufacturing inventories-to-sales ratios remain higher than pre-pandemic levels. However, the pace of inventory normalization has been fairly slow.

We note that manufacturing inventories have been rising over the last decade as a result of offshoring (contrary to investor perception of just-in-time inventory).

Exhibit 2: Manufacturing inventories flat sequentially in Dec, and flat with the start of 2023

Manufacturing inventories-to-sales ratio, seasonally adjusted



Source: US Census Bureau

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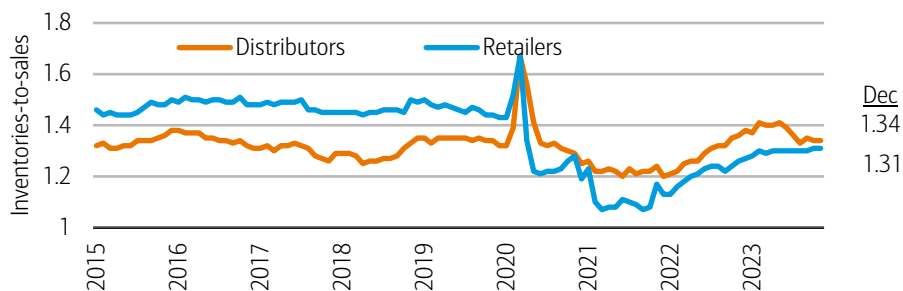
Distributor inventories flat sequentially in December

Distributor inventories-to-sales stood at 1.34 months in December, flat sequentially. In absolute dollars, wholesale inventories ended down (1.5)% y/y versus sales up 1.6%. Over the past three months, wholesale inventories have been relatively stable (in absolute dollars). For all the discussion of distributor destocking, in absolute dollars inventory since October has been relatively flat and ended 2023 up 2% y/y in absolute dollars, suggesting that a hard destock has yet to happen.

Retailer inventories were flat sequentially in December but ended 2023 up 4% y/y.

Exhibit 3: Retailer and distributor inventories flat in December

Wholesaler and retailer inventories-to-sales, 2015-2023



Source: US Census Bureau, BofA Global Research

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Durable goods channel inventories tick down in December

The chart below breaks down wholesaler inventories-to-sales for various sectors. In the last six months (June to December 2023), durable goods inventories to sales were up 6% from the same period pre-pandemic (June to December 2019). Compared to 2015-2019 averages, durable goods distributors are holding an extra 9% of inventory on average. Chemicals and Petroleum and petroleum products continue to have low channel

inventories. In most other areas, distributor inventories are either elevated relative to pre-COVID levels or in line.

Exhibit 4: Durable goods channel inventories above pre-COVID levels

Wholesaler inventories-to-sales by sub-industry, June - Dec '23 vs. pre-COVID

Wholesaler inventories-to-sales	June - December '23, Avg	June - December '19, Avg	Change	2015- 2019, Avg
Durable goods	1.8	1.7	0.1	1.7
Motor Vehicle and Motor Vehicle Parts and Supplies	1.8	1.7	0.1	1.7
Furniture and Home furnishings	1.7	1.7	0.0	1.7
Lumber and other construction materials	1.6	1.6	0.1	1.5
Professional and commercial equipment and supplies	1.2	1.2	0.1	1.1
Metals and minerals, except petroleum	2.3	2.3	0.0	2.2
Household appliances and electrical and electronic goods	1.3	1.2	0.2	1.1
Hardware and plumbing and heating equipment and supplies	2.4	2.1	0.3	2.1
Machinery, equipment, and supplies	2.9	2.9	0.0	2.7
Miscellaneous durable goods	1.7	1.7	0.0	1.6
Nondurable goods	1.0	1.0	-0.1	1.0
Paper and paper products	1.0	1.1	-0.1	1.1
Drugs and druggists' sundries	1.0	1.1	-0.1	1.1
Apparel, piece goods, and notions	2.9	2.2	0.6	2.1
Grocery and related products	0.7	0.7	0.0	0.7
Farm product raw materials	1.1	1.6	-0.4	1.4
Chemicals and allied products	1.1	1.2	-0.1	1.2
Petroleum and petroleum products	0.3	0.4	-0.1	0.4
Beer, Wine, and Distilled Alcoholic Beverages	1.6	1.3	0.3	1.3
Miscellaneous nondurable goods	1.8	1.7	0.1	1.6

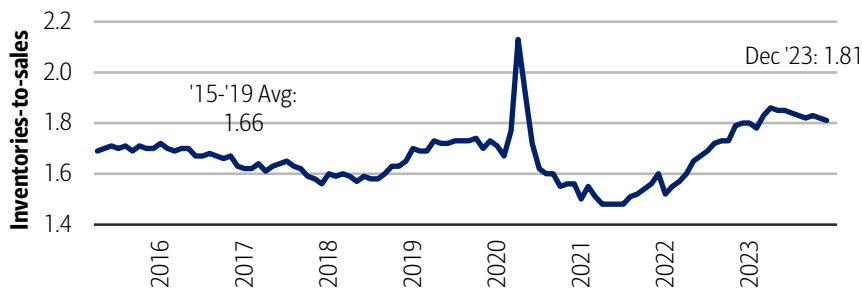
Source: US Census Bureau, BofA Global Research

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Durable goods wholesaler inventories-to-sales were down sequentially at 1.81 in December. Channel inventories had been rising throughout the year but have come down slightly since June but are above pre-COVID levels. Many categories have inventory that is elevated vs. pre-COVID levels. This poses industry-wide risks of destocking if demand slows.

Exhibit 5: Durable goods channel inventories fell in December

Durable goods wholesaler inventories-to-sales, 2015-2023



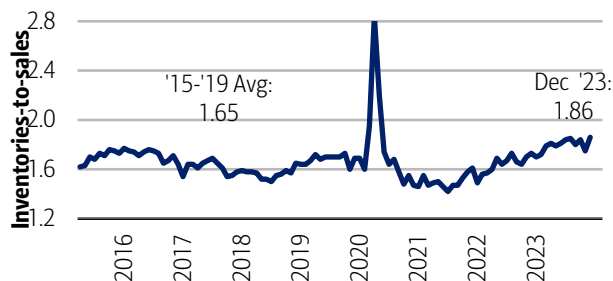
Source: US Census Bureau

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We look at channel inventory levels for motor vehicle/motor vehicle parts and supplies (the chart on the left) and machinery (the chart on the right). Motor vehicle channel inventories-to-sales rose sequentially in December to 1.86, still above average levels in 2015-2019. Machinery channel inventories-to-sales were flat sequentially at 2.94. Machinery inventories are also above historic levels.

Exhibit 6: Motor vehicle channel inventories rose in December

Motor vehicle and motor vehicle parts and supplies wholesaler inventories-to-sales, 2015-2023

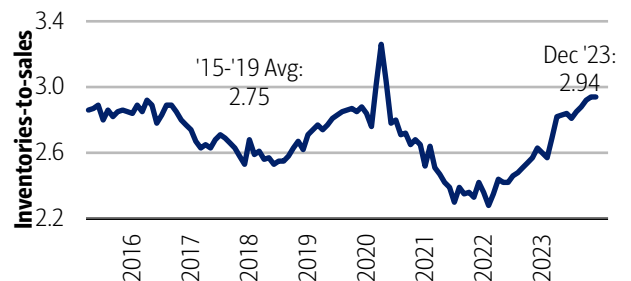


Source: US Census Bureau

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Exhibit 7: Machinery channel inventories were flat in December

Machinery, equipment, and supplies wholesaler inventories-to-sales, 2015-2023



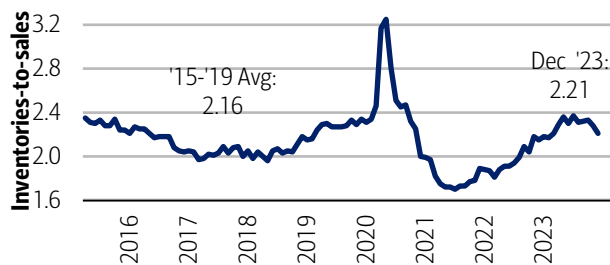
Source: US Census Bureau

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We look at channel inventories for metals and minerals (the chart on the left) and chemicals (the chart on the right). Metals and minerals wholesaler inventories fell sequentially to 2.2, but still remain above pre-pandemic levels. Chemicals wholesaler inventories were flat sequentially at 1.04. We highlight chemicals channel inventories as one area that is still depressed relative to pre-pandemic levels.

Exhibit 8: Metals and minerals channel inventories fell in December

Metals and minerals, except petroleum wholesaler inventories-to-sales, 2015-2023

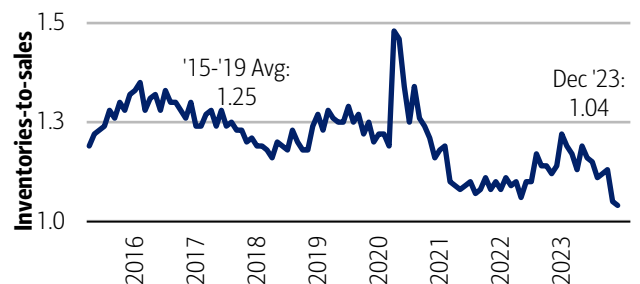


Source: US Census Bureau

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Exhibit 9: Chemicals channel inventories fell in December

Chemicals and allied products wholesaler inventories-to-sales, 2015-2023



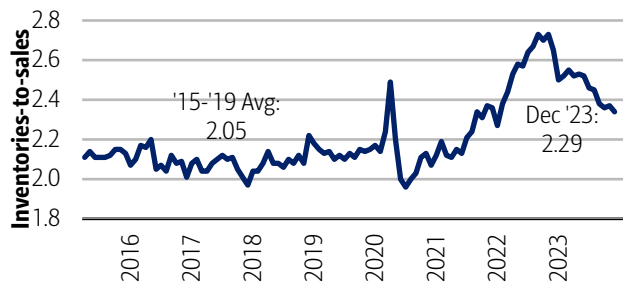
Source: US Census Bureau

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We look at channel inventories for hardware and plumbing and heating equipment (the chart on the left) and household appliances and electrical and electronic goods (the chart on the right). Hardware wholesaler inventories ticked down sequentially to 2.29 in December. Household/electrical wholesaler inventories fell to 1.30 sequentially in December. Both channel inventories for hardware and plumbing and heating equipment remain above pre-pandemic levels.

Exhibit 10: Hardware and plumbing and heating equipment and supplies channel inventories ticked down in Dec

Hardware and plumbing and heating equipment and supplies wholesaler inventories-to-sales, 2015-2023

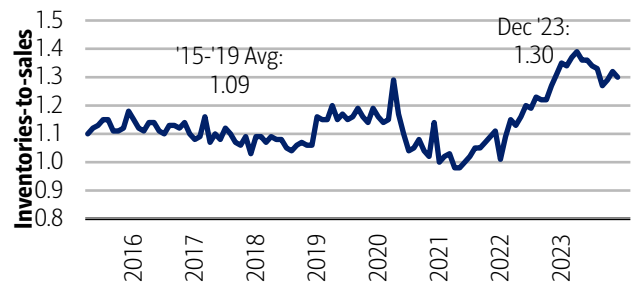


Source: US Census Bureau

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Exhibit 11: Household appliances and electrical and electronic goods channel inventories down in Dec

Household appliances and electrical and electronic goods wholesaler inventories-to-sales, 2015-2023



Source: US Census Bureau

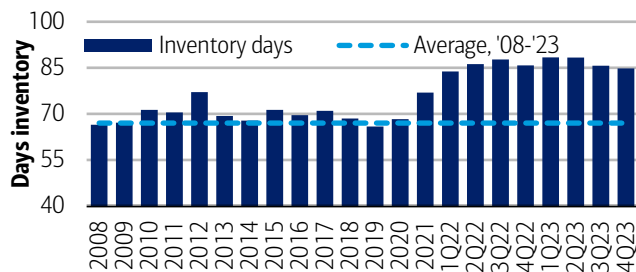
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Multi-industrial inventories down

Multi-industrials days inventory is down sequentially by a day to 85, also down a day with a year ago. Elevated inventories are reflective of supply chain constraints. Manufacturers have held onto increased inventories given the volatility in global supply chains. Distributor days inventory (we look at a subset of public industrial distributors) is down sequentially in 4Q23. After entering 2022 below historical averages, distributor inventories peaked at 111 days in 2Q23, and have come down to 94 days in 4Q23. High inventories at both distributors and manufacturers signals the possibility for material destocking in a slowing demand environment.

Exhibit 12: Multi-industrial inventories remain elevated

Multi-industrial days inventory, 2008-2023



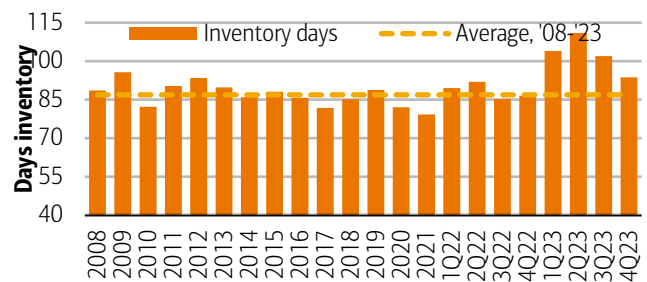
Source: BofA Global Research, company filings

Multi-industrials include: AME, CARR, DOV, ETN, FTV, GE, HON, ITT, JCI, MMM, PNR, ROK, TT, VNT

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Exhibit 13: Distributor inventories have come down but are still elevated relative to the historical average

Distributor days inventory, 2008-2023



Source: BofA Global Research, company filings

Distributors include: FAST, GWW, MSM, WCC, WSO

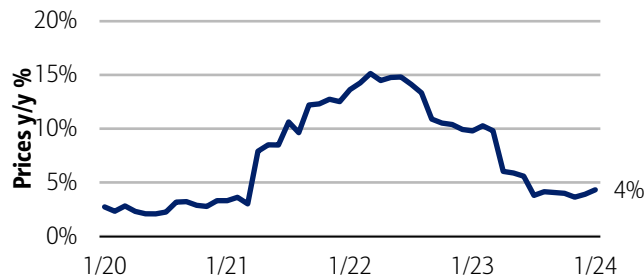
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Pricing analysis

We look at y/y producing pricing index (PPI) data for motor industrial machinery manufacturing (the chart on the left) and HVAC (heating, ventilation, and air conditioning) and commercial refrigeration equipment (the chart on the right). Industrial machinery manufacturing broadly represents the industry and prices for January was +4% y/y but has been stable since July. HVAC and commercial refrigeration equipment prices are applicable for TT, CARR, and JCI. Pricing was +4% y/y and was flat sequentially.

Exhibit 14: Industrial machinery manufacturing PPI y/y

Prices received by manufacturers rose 4% y/y in January

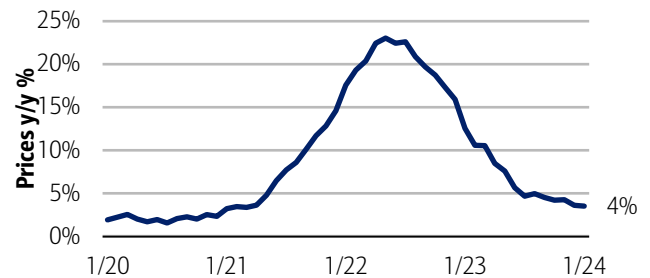


Source: Bureau of Labor Statistics

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Exhibit 15: HVAC and commercial refrigeration equipment PPI y/y

Prices received by manufacturers were +4% y/y in January



Source: Bureau of Labor Statistics

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Fluid power valve and hose fitting manufacturing (chart on the left) and fluid power pump and motor manufacturing (chart on the right) are categories applicable for FLS, ITT, and PH. Fluid power valve and hose prices are up 14% y/y but down sequentially. Fluid power pump and motor pricing is up 5% y/y and up sequentially. We note that the valve and hose pricing data is very strong and is inconsistent with our own proprietary dataset and channel checks, which show solid pricing but nothing as unusually strong as the data would suggest.

Exhibit 16: Fluid power valve and hose fitting mfg PPI y/y

Prices received by manufacturers are up 14% y/y in January

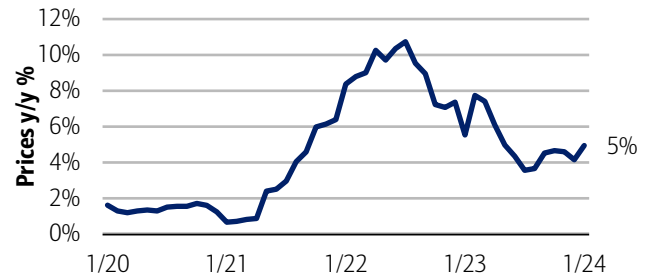


Source: Bureau of Labor Statistics

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Exhibit 17: Fluid power pump and motor mfg PPI y/y

Prices received by manufacturers are up 5% y/y in January



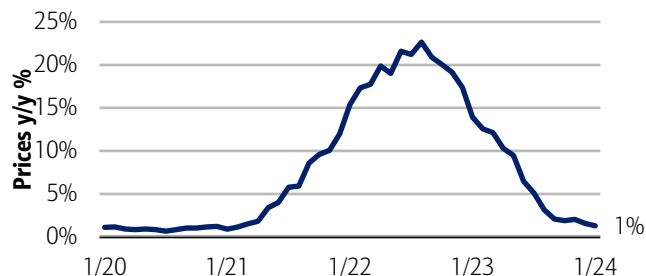
Source: Bureau of Labor Statistics

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We look at y/y pricing for adhesive manufacturing (chart on the left) and other aircraft parts and equipment manufacturing (chart on the right). Adhesive manufacturing, applicable for MMM, pricing in January was +1% y/y and down sequentially. While pricing data has been since peaking in August 2022, we note that historically 3M has had some of the strongest pricing power in our coverage. Other aircraft parts and equipment manufacturing, applicable for GE, PH, ETN, AME, pricing is up 4% y/y and down sequentially.

Exhibit 18: Adhesive mfg PPI y/y

Prices received by manufacturers was +1% y/y in January

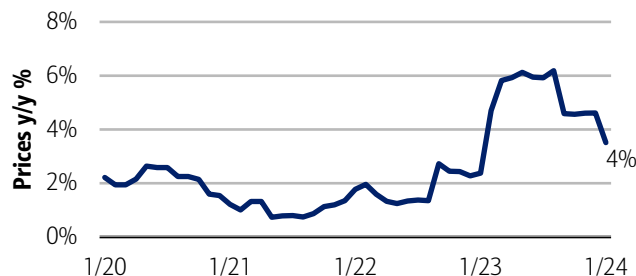


Source: Bureau of Labor Statistics

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Exhibit 19: Other aircraft parts and equipment mfg PPI y/y

Prices received by manufacturers was +4% y/y in January



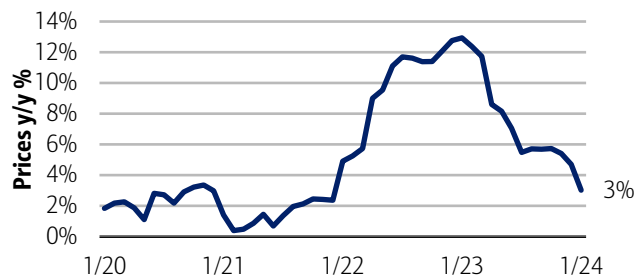
Source: Bureau of Labor Statistics

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We look at y/y pricing for industrial process variable instruments (chart on the left) and electrical equipment manufacturing (chart on the right). Industrial process variable instruments, applicable for EMR and ROK, is up 3% y/y and flat sequentially on an absolute dollar basis. Electrical equipment manufacturing, applicable for ETN, is up 5% y/y and flat sequentially.

Exhibit 20: Industrial process variable instruments PPI y/y

Prices received by manufacturers was +3% y/y in January

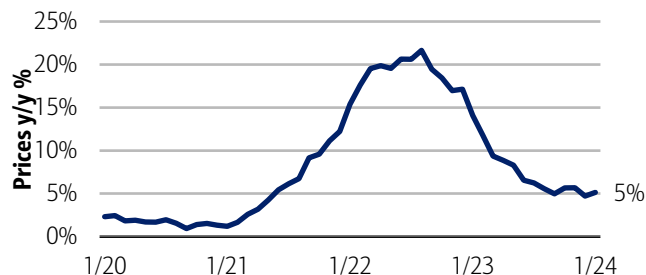


Source: Bureau of Labor Statistics

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Exhibit 21: Electrical equipment mfg PPI y/y

Prices received by manufacturers was +5% y/y in January



Source: Bureau of Labor Statistics

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PO changes: PNR and VRT

We fine-tune our estimates and raise our PNR PO by \$4 to \$80 (4% upside) to reflect peer re-rating. Our new PO is based on 13.5x on 2025E EV/EBITDA (vs 13x prior), at a 1.5x-turn discount to peers trading at 15x on 2024E. We think a slight discount is warranted given better EBITDA margins, offset by more cyclical businesses. Our methodology is unchanged. We raise our VRT PO by \$3 to \$75 based on 17x EV/EBITDA (from 16x reflecting AI tailwinds, stickier pricing, and improving FCF).

Valuation metrics

Exhibit 22: 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	\$92.12	\$110	-3.6%	-4.5%	1.4%	21.1%	20.3%	21.5%	-6.4%	-7.4%	14.4%
Allegion	ALLE	\$127.87	\$95	14.1%	11.6%	2.4%	20.2%	21.9%	20.9%	9.9%	14.4%	-1.5%
AMETEK	AME	\$180.18	\$182	10.9%	7.3%	12.0%	24.4%	25.9%	25.3%	17.1%	11.5%	7.7%
Carrier	CARR	\$55.58	\$55	-0.9%	8.2%	17.8%	14.2%	14.5%	15.2%	3.1%	15.4%	11.3%
Core & Main	CNM	\$47.73	\$28	32.9%	1.1%	2.3%	11.7%	11.0%	10.2%	N/M	0.4%	0.0%
Dover	DOV	\$165.38	\$180	7.6%	-0.8%	2.0%	16.9%	17.2%	18.0%	10.7%	4.2%	3.7%
Eaton	ETN	\$289.00	\$300	5.7%	11.8%	7.4%	14.7%	17.0%	17.9%	12.0%	21.6%	9.2%
Emerson	EMR	\$106.85	\$120	-17.4%	11.3%	12.5%	18.9%	18.8%	18.6%	-10.5%	20.7%	15.5%
Flowserve	FLS	\$42.32	\$48	2.1%	19.5%	5.8%	6.2%	9.5%	10.8%	-20.6%	N/M	20.4%
Fortive	FTV	\$85.13	\$85	10.9%	4.1%	6.5%	24.3%	25.9%	27.0%	14.6%	7.1%	4.2%
General Electric	GE	\$156.89	\$162	3.0%	-14.4%	0.0%	7.9%	8.6%	8.6%	23.3%	1.7%	59.2%
Honeywell	HON	\$198.73	\$250	3.1%	3.4%	5.5%	22.0%	23.2%	23.8%	8.8%	4.8%	9.8%
Illinois Tool Works	ITW	\$262.15	\$235	10.2%	1.1%	3.2%	23.8%	25.1%	24.7%	14.7%	-0.2%	2.9%
ITT	ITT	\$126.14	\$135	8.1%	9.9%	11.6%	15.9%	16.9%	17.6%	9.5%	17.5%	16.2%
John Bean Technologies	JBT	\$101.48	\$85	15.9%	-23.2%	5.7%	9.2%	10.9%	11.9%	25.0%	-15.8%	14.8%
Johnson Controls International	JCI	\$59.27	\$60	6.4%	6.2%	4.6%	11.6%	12.6%	13.4%	12.3%	18.6%	13.6%
Montrose Environmental Group	MEG	\$41.38	\$48	-0.4%	14.7%	11.4%	-5.1%	-4.6%	-0.2%	N/M	N/M	N/M
Parker Hannifin	PH	\$535.45	\$600	15.1%	12.9%	5.0%	19.7%	21.8%	21.9%	19.8%	11.9%	9.0%
Pentair	PNR	\$77.79	\$80	9.5%	-0.4%	2.5%	18.6%	20.8%	22.3%	8.2%	1.2%	9.0%
Rockwell	ROK	\$285.08	\$300	12.5%	13.8%	5.9%	17.1%	17.6%	19.7%	7.5%	22.4%	10.2%
Trane Technologies	TT	\$281.97	\$282	13.1%	10.5%	7.1%	14.9%	16.3%	16.7%	21.2%	19.3%	10.8%
Vontier	VNT	\$43.00	\$48	6.5%	-2.8%	0.7%	20.0%	18.8%	20.1%	7.0%	-7.1%	6.8%
Vertiv	VRT	\$67.62	\$75	13.9%	20.6%	11.2%	3.9%	12.7%	15.5%	-29.9%	N/M	30.6%
AVERAGE				8.9%	5.0%	6.0%	15.1%	16.6%	17.4%	8.4%	7.4%	12.5%
MEDIAN				8.8%	6.8%	5.3%	15.4%	16.9%	17.8%	11.3%	7.1%	9.5%

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

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Exhibit 23: 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	9.3 x	10.1 x	8.8 x	15.7 x	13.6 x	10.1 x	16.5 x	7.3 x	7.5 x	7.1 x	6.5%	6.5%	6.5%
Allegion	ALLE	21.4 x	18.7 x	19.0 x	17.7 x	28.5 x	21.9 x	19.9 x	18.1 x	15.0 x	14.0 x	1.2%	1.4%	1.5%
AMETEK	AME	NM	28.4 x	26.4 x	17.9 x	NM	26.1 x	26.1 x	23.9 x	22.0 x	19.3 x	0.5%	0.6%	0.6%
Carrier	CARR	23.7 x	20.5 x	18.5 x	N/A	34.4 x	22.2 x	NM	16.5 x	14.3 x	14.0 x	1.1%	1.3%	1.4%
Core & Main	CNM	22.0 x	21.9 x	21.9 x	N/A	31.3 x	11.1 x	19.0 x	14.5 x	13.2 x	12.8 x	0.0%	0.0%	0.0%
Dover	DOV	19.6 x	18.8 x	18.1 x	13.4 x	NM	20.3 x	18.4 x	15.5 x	14.9 x	13.2 x	1.2%	1.2%	1.3%
Eaton	ETN	NM	NM	29.4 x	12.0 x	NM	NM	33.9 x	30.9 x	25.4 x	22.7 x	1.1%	1.2%	1.3%
Emerson	EMR	27.8 x	23.0 x	19.9 x	16.8 x	30.7 x	27.8 x	22.3 x	20.3 x	15.1 x	15.0 x	1.9%	1.9%	2.0%
Flowserve	FLS	NM	21.2 x	17.6 x	16.3 x	NM	21.6 x	17.6 x	20.5 x	12.6 x	10.5 x	1.9%	1.9%	1.9%
Fortive	FTV	27.0 x	25.2 x	24.2 x	20.4 x	25.3 x	24.3 x	22.5 x	22.2 x	19.4 x	17.8 x	0.3%	0.3%	0.4%
General Electric	GE	NM	NM	NM	2.1 x	36.3 x	33.8 x	33.8 x	22.0 x	24.9 x	25.1 x	0.2%	0.2%	0.2%
Honeywell	HON	22.7 x	21.6 x	19.7 x	15.2 x	30.1 x	30.4 x	22.4 x	16.1 x	14.5 x	13.1 x	2.0%	2.1%	2.2%
Illinois Tool Works	ITW	26.8 x	26.9 x	26.1 x	0.0 x	NM	25.8 x	25.2 x	21.1 x	19.5 x	18.8 x	1.9%	2.1%	2.2%
ITT	ITT	28.4 x	24.2 x	20.8 x	14.4 x	NM	24.3 x	23.2 x	18.0 x	15.6 x	13.2 x	0.8%	0.9%	1.0%
John Bean Technologies	JBT	21.2 x	25.2 x	21.9 x	16.0 x	NM	NM	20.2 x	14.8 x	12.5 x	10.9 x	0.4%	0.4%	0.4%
Johnson Controls International	JCI	19.1 x	16.1 x	14.2 x	N/A	28.2 x	21.7 x	15.8 x	12.7 x	11.7 x	10.6 x	2.3%	2.4%	2.5%
Montrose Environmental Group	MEG	NM	NM	NM	N/A	NM	25.8 x	19.1 x	NM	NM	35.8 x	0.0%	0.0%	0.0%
Parker Hannifin	PH	26.8 x	23.9 x	21.9 x	15.1 x	31.6 x	26.8 x	20.4 x	0.0 x	8.6 x	13.5 x	0.8%	0.0%	0.0%
Pentair	PNR	21.1 x	20.9 x	19.1 x	17.8 x	NM	21.5 x	19.5 x	18.4 x	16.2 x	14.5 x	1.1%	1.1%	1.2%
Rockwell	ROK	28.1 x	22.9 x	20.8 x	N/A	NM	NM	20.8 x	22.6 x	18.7 x	15.8 x	1.6%	1.7%	1.8%
Trane Technologies	TT	NM	NM	28.9 x	14.0 x	NM	NM	NM	25.9 x	22.3 x	20.3 x	1.0%	1.1%	1.1%
Vontier	VNT	14.0 x	15.0 x	14.1 x	N/A	26.5 x	17.0 x	13.9 x	12.3 x	12.3 x	11.5 x	0.2%	0.2%	0.2%
Vertiv	VRT	NM	NM	NM	N/A	NM	34.1 x	31.3 x	NM	24.9 x	19.7 x	0.0%	0.0%	0.1%
AVERAGE		22.1 x	21.3 x	20.6 x	13.9 x	28.6 x	23.3 x	22.0 x	17.7 x	16.5 x	16.1 x	1.2%	1.2%	1.3%
MEDIAN		22.0 x	21.6 x	20.8 x	15.2 x	29.3 x	23.2 x	20.3 x	18.0 x	15.0 x	14.0 x	1.0%	1.1%	1.2%

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

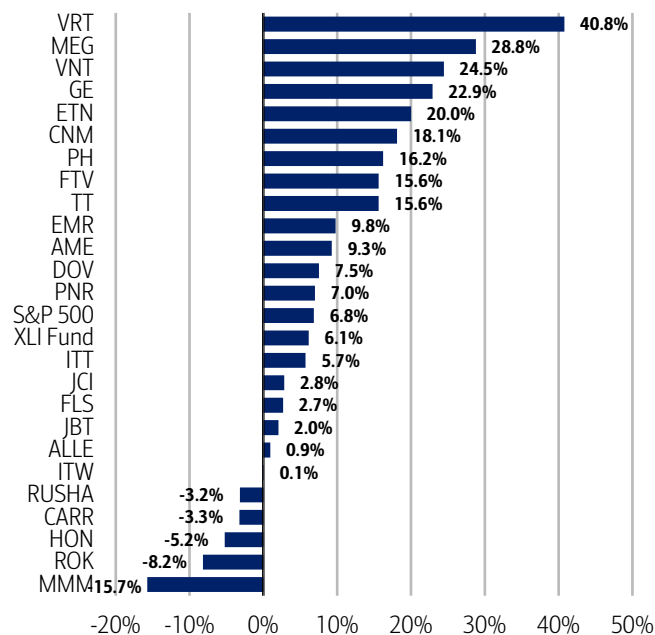
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Stock performance

Exhibit 24: YTD Stock Performance

VRT is the best YTD stock performer

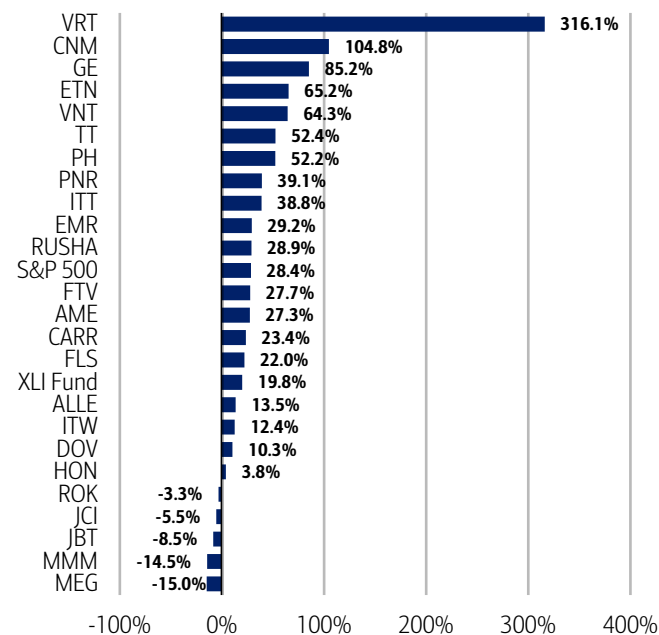


Source: BofA Global Research, Bloomberg

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Exhibit 25: 1-Year Stock Performance

VRT is the best 1-year stock performer

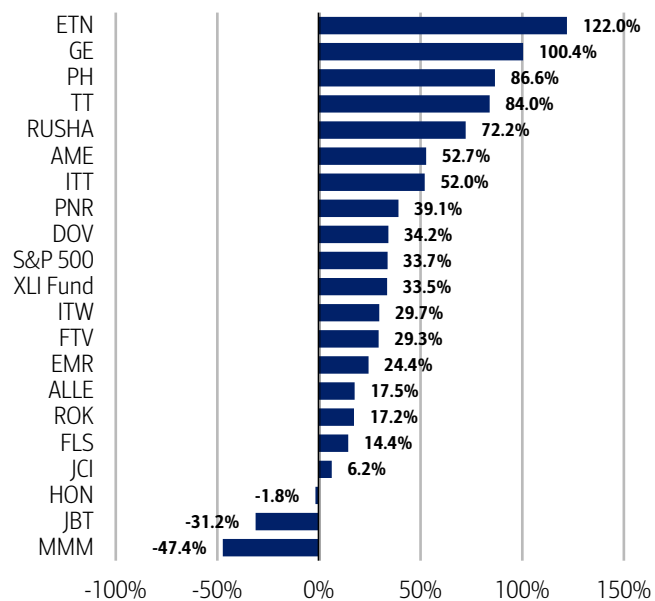


Source: BofA Global Research, Bloomberg

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Exhibit 26: 3-Years Stock Performance

ETN is the best 3-year stock performer

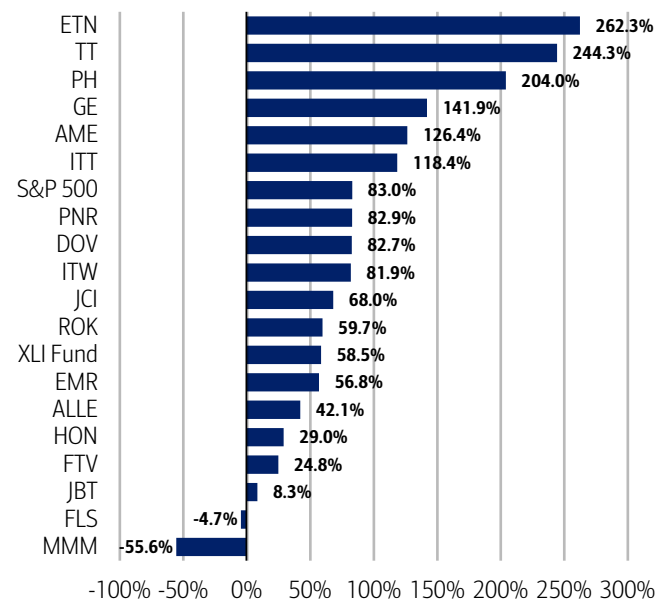


Source: BofA Global Research, Bloomberg

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Exhibit 27: 5-Years Stock Performance

ETN is the best 5-year stock performer



Source: BofA Global Research, Bloomberg

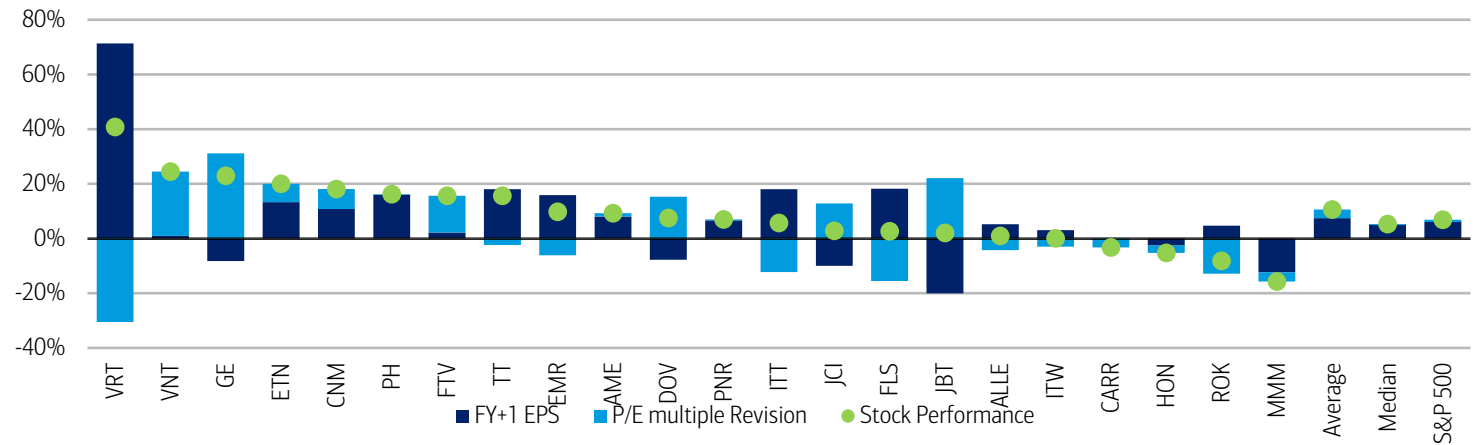
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YTD stock performance attribution

Year-to-date, stock performance across our coverage (up 10% on average) has been driven more by multiple expansion rather than earnings revisions.

Exhibit 28: Stock performance attribution (P/E multiple revision vs. '23 EPS revision)

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

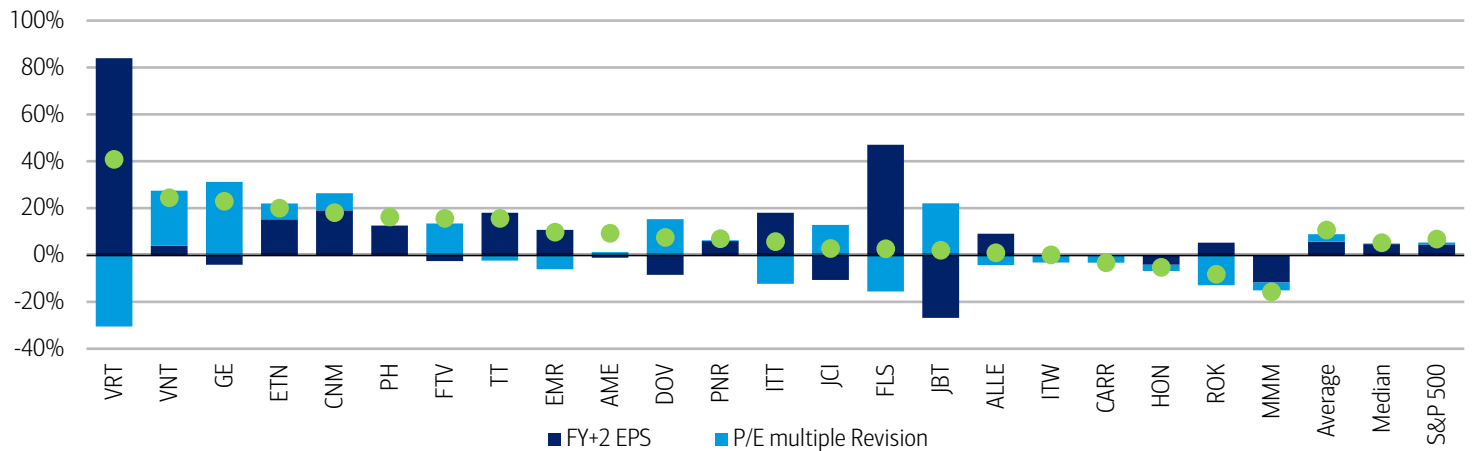


Source: BofA Global Research, Bloomberg

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Exhibit 29: Stock performance attribution (P/E multiple revision vs. '24 EPS revision)

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



Source: BofA Global Research, Bloomberg

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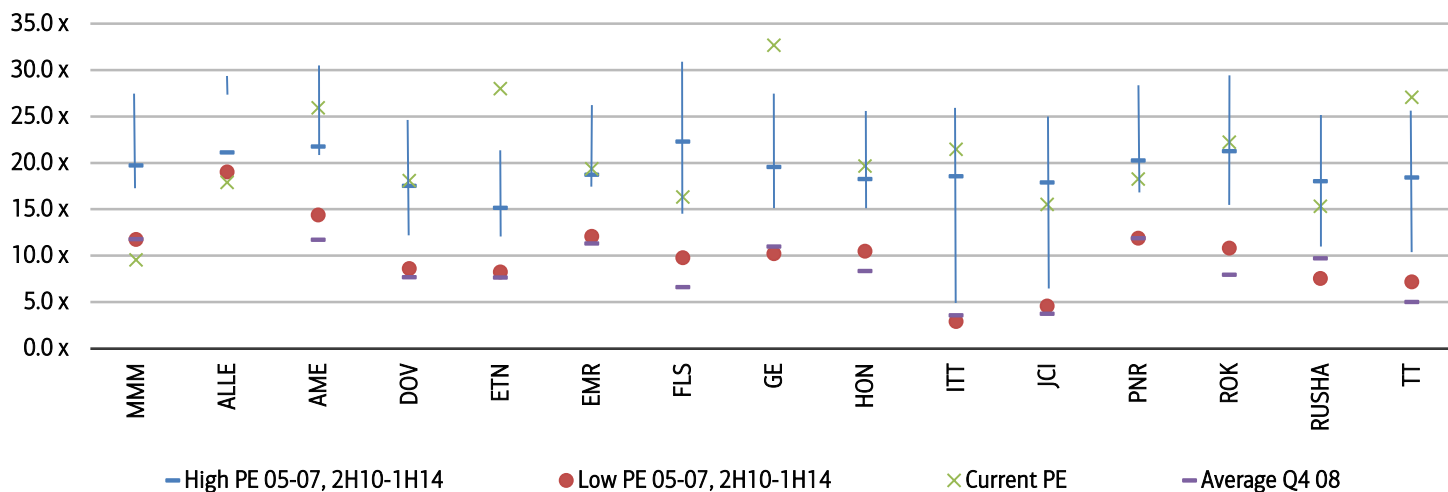
Current valuation vs. historical

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

Stocks are mostly trading within historical ranges, with GE standing out as the only one to trade above its historical range



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

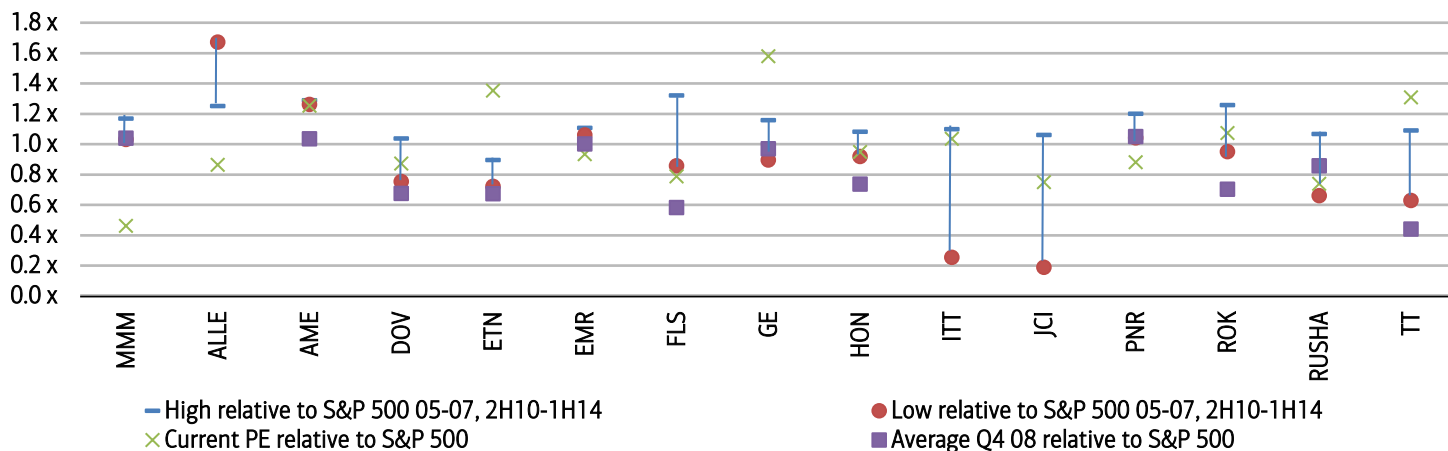
*Current PE based on Bloomberg consensus estimate

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

Exhibit 31: 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 below the high end of their relative historical valuation ranges, with GE being the notable exception



Source: BofA Global Research estimates, Factset

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

*Current PE based on Bloomberg consensus estimates.

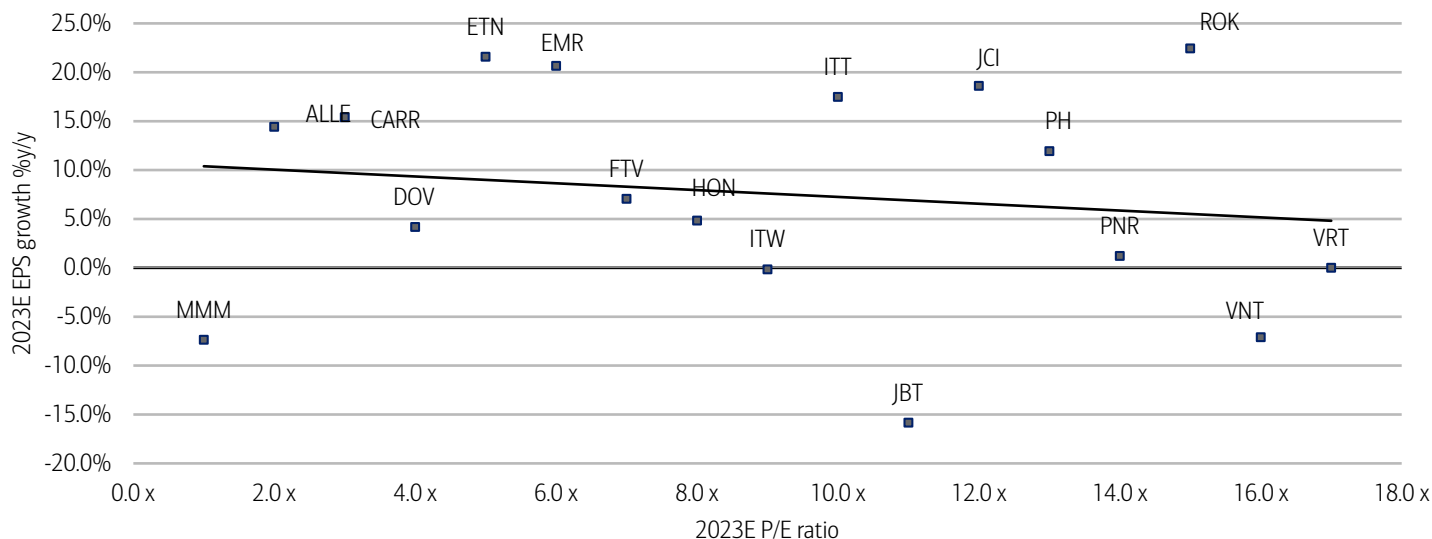
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Multi-industrial valuation charts

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 32: Headline P/E ratio (BofA estimates) versus 2023 EPS forecast growth (BofA)

Higher P/E ratios are associated with higher earnings growth

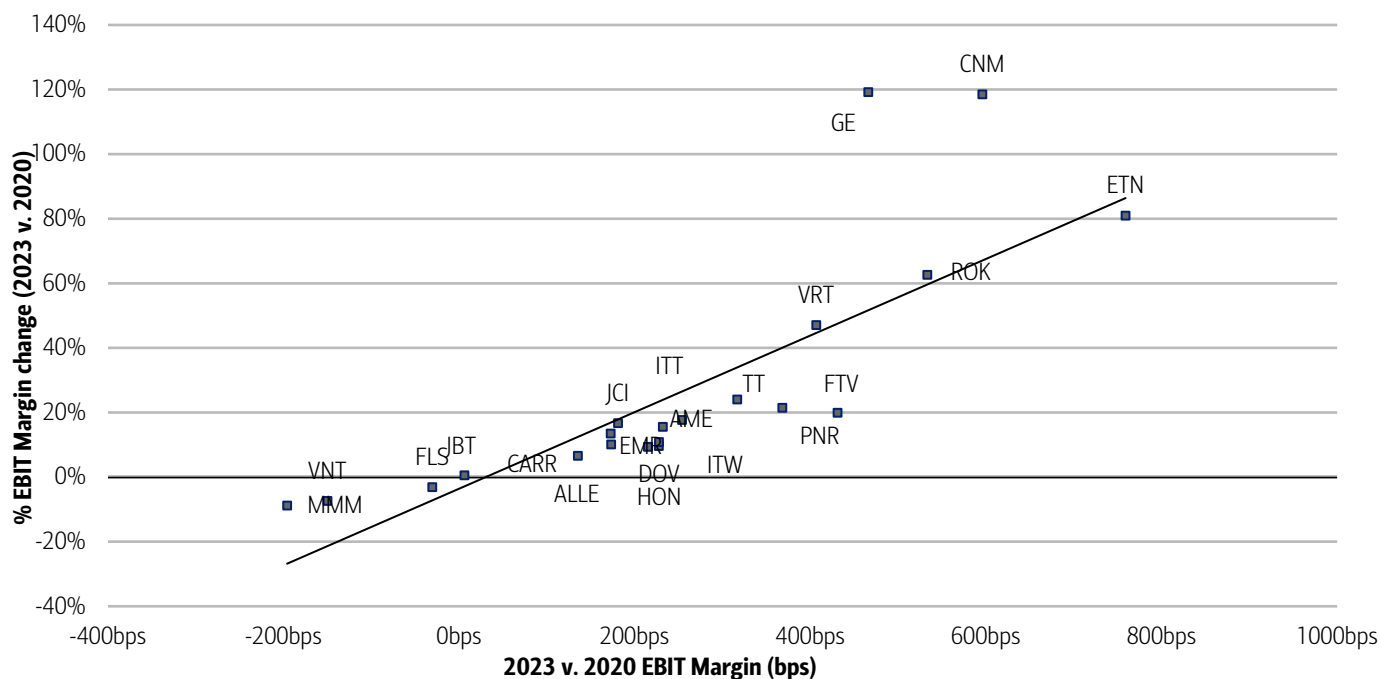


Source: BofA Global Research estimates

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Exhibit 33: 2023 vs. 2020 EBIT margin expansion

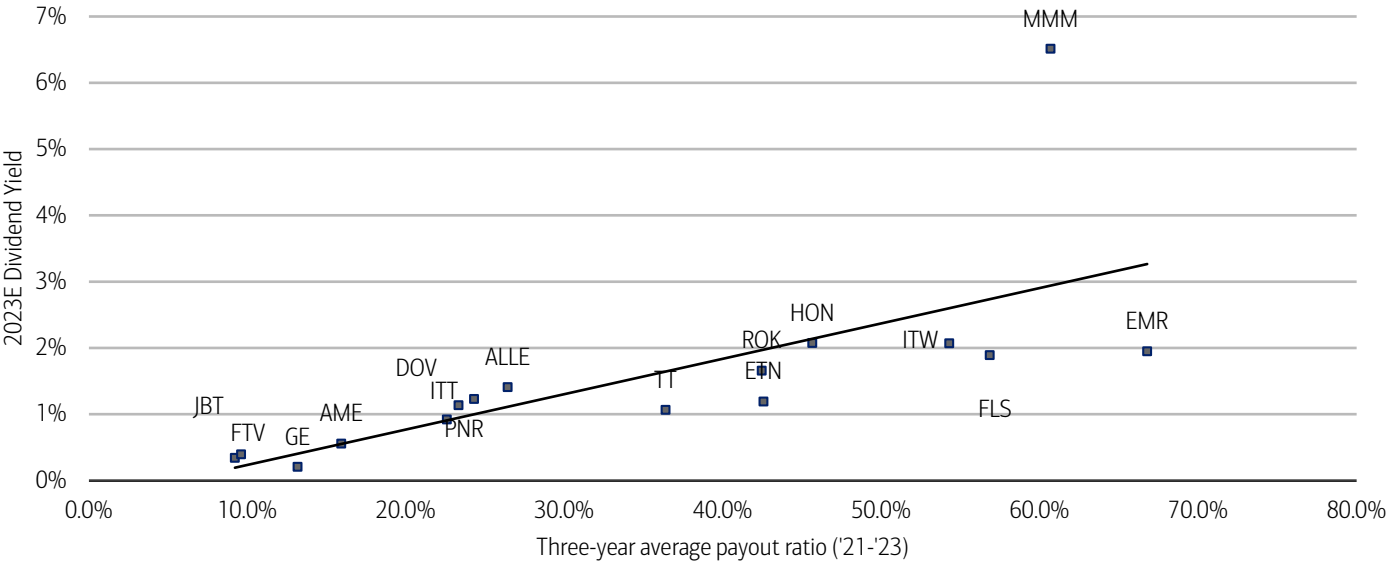
Within our coverage, CNM and ETN stand out as having the highest '20-'23 margin expansion



Source: Company Reports, BofA Global Research estimates

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Exhibit 34: 2023 Dividend yield forecast (BofA estimates) versus three-year average payout ratio ('21-'23)
EMR stands out as having the highest 3-year average dividend payout



Source: Company Reports, BofA Global Research estimates

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Fdf

Exhibit 35: :Multi-industrial summary Net Debt/EBITDA

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

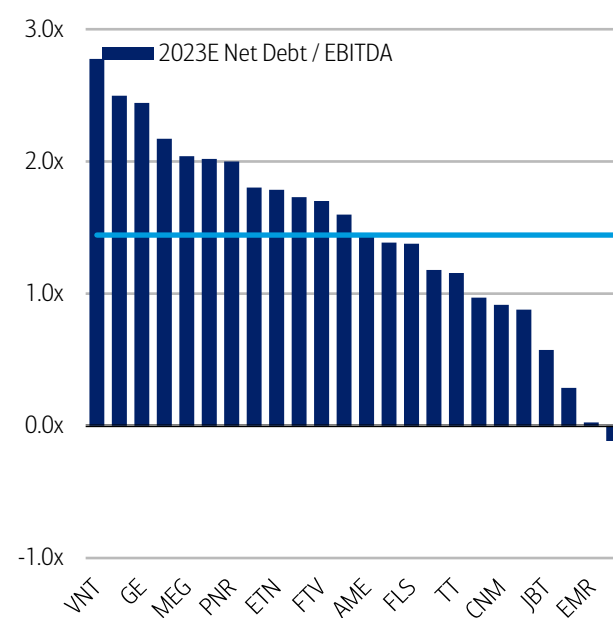
Company	S&P credit rating	2022	2023E	2024E
MMM	BBB+ *	1.4x	1.4x	1.3x
ALLE	BBB	2.5x	1.8x	1.5x
AME	BBB+	1.1x	1.4x	0.7x
CARR	BBB	1.7x	1.2x	2.5x
CNM		1.8x	0.9x	1.0x
DOV	BBB+	1.9x	1.7x	0.8x
ETN	A-	2.0x	1.8x	1.6x
EMR	A	2.4x	0.0x	1.6x
FLS	BBB-	2.7x	1.4x	0.8x
FTV	BBB	1.7x	1.7x	1.7x
GE	BBB+	4.1x	2.4x	2.4x
HON	A	1.0x	0.9x	0.5x
ITW	A+	1.7x	1.6x	1.6x
ITT	BBB	-0.2x	-0.1x	-0.4x
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	1.0x	0.6x
RUSHA		0.4x	0.3x	0.1x
TT	BBB+	1.3x	1.2x	0.9x
VNT	BBB-	3.2x	2.8x	2.6x
VRT		5.6x	2.0x	1.6x
Average leverage		2.2x	1.5x	1.2x

Source: BofA Global Research

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Exhibit 36: 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 37: 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%	98.9%	58.0%
Allegion	ALLE	20.6%	19.9%	19.0%	31.6%	32.3%	30.2%	74.8%	84.0%	91.3%
AMETEK	AME	11.7%	11.5%	11.4%	39.3%	38.4%	37.9%	76.8%	108.2%	101.4%
Carrier	CARR	10.6%	11.9%	12.6%	14.2%	16.3%	16.7%	69.7%	91.8%	32.6%
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%	87.6%	94.2%
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%	93.1%	96.4%
Fortive	FTV	8.4%	9.2%	9.6%	35.9%	37.8%	36.7%	106.6%	103.6%	107.8%
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%	71.2%	87.7%
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%	99.7%	92.1%
John Bean Technologies	JBT	9.3%	6.3%	6.5%	13.5%	9.0%	9.2%	35.6%	14.5%	98.1%
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%	96.2%	94.4%
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%	67.5%	60.4%
Vontier	VNT	16.1%	15.1%	15.1%	27.3%	26.0%	26.0%	52.7%	87.7%	98.0%
Vertiv	VRT	-0.8%	11.6%	11.6%	-1.1%	14.4%	14.4%	1844.8%	157.5%	118.8%
AVERAGE		11.9%	12.3%	11.9%	18.8%	20.0%	20.1%	142.9%	92.9%	89.6%
MEDIAN		12.9%	12.2%	12.6%	19.8%	19.3%	20.6%	69.7%	93.1%	97.2%

Source: Company Reports, BofA Global Research estimates

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Exhibit 38: Multi-Industrial summary valuation metrics

Summary valuation metrics

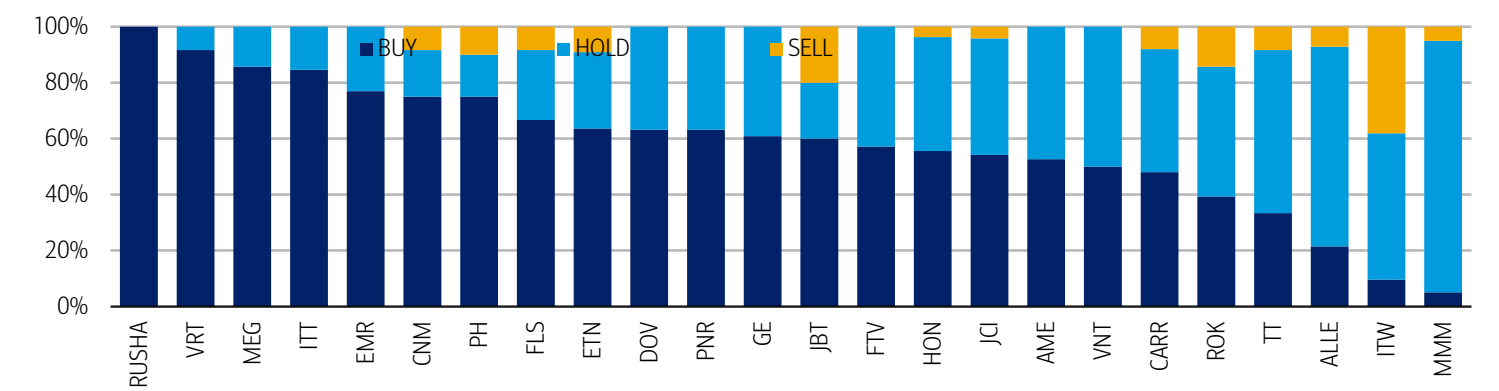
	BofA Rating	Ratings			BofA	FY+1 EPS			BofA	FY+2 EPS		
		Buy	Neutral	U/P		Consensus	Low	High		Consensus	Low	High
3M	Neutral	1	18	1	\$9.24	\$9.12	\$9.01	\$9.20	\$9.60	\$9.53	\$9.16	\$9.73
Allegion	Underperform	3	10	1	\$6.96	\$6.87	\$6.80	\$6.90	\$7.02	\$7.07	\$7.00	\$7.15
AMETEK	Neutral	10	9	0	\$6.38	\$6.34	\$6.31	\$6.38	\$6.82	\$6.84	\$6.70	\$6.95
Carrier	Underperform	12	11	2	\$2.73	\$2.72	\$2.69	\$2.79	\$2.75	\$2.84	\$2.70	\$3.00
Core & Main	Underperform	9	2	1	\$2.19	\$2.12	\$1.85	\$2.24	\$2.30	\$2.26	\$2.02	\$2.60
Dover	Buy	12	7	0	\$8.80	\$8.77	\$8.67	\$8.85	\$9.08	\$9.01	\$8.12	\$9.15
Eaton	Buy	14	6	2	\$9.12	\$9.04	\$9.00	\$9.08	\$10.15	\$10.14	\$9.02	\$10.45
Emerson	Buy	20	6	0	\$4.44	\$4.46	\$4.43	\$4.52	\$5.36	\$5.40	\$5.35	\$5.45
Flowserve	Buy	8	3	1	\$2.10	\$2.02	\$1.99	\$2.06	\$2.50	\$2.53	\$2.43	\$2.61
Fortive	Neutral	12	9	0	\$3.43	\$3.39	\$3.37	\$3.41	\$3.75	\$3.79	\$3.75	\$3.82
General Electric	Buy	14	9	0	\$2.81	\$2.66	\$2.56	\$2.75	\$4.36	\$4.57	\$4.36	\$4.90
Honeywell	Buy	15	11	1	\$9.16	\$9.16	\$9.11	\$9.20	\$10.10	\$9.96	\$9.71	\$10.10
Illinois Tool Works	Underperform	2	11	8	\$9.74	\$9.77	\$9.65	\$9.93	\$9.87	\$10.14	\$9.87	\$10.30
ITT	Buy	11	2	0	\$5.21	\$5.21	\$5.20	\$5.23	\$5.90	\$5.76	\$5.65	\$5.90
John Bean Technologies	Underperform	3	1	1	\$4.10	\$4.03	\$4.00	\$4.07	\$5.12	\$5.11	\$4.88	\$5.30
Johnson Controls International	Neutral	13	10	1	\$3.50	\$3.55	\$3.51	\$3.67	\$3.66	\$3.61	\$3.52	\$3.67
Montrose Environmental Group	Buy	6	1	0	-\$1.57	-\$0.51	-\$1.61	\$0.42	-\$0.62	\$0.17	-\$0.74	\$0.75
Parker Hannifin	Buy	15	3	2	\$21.55	\$20.84	\$19.24	\$21.14	\$24.50	\$24.19	\$20.84	\$24.67
Pentair	Neutral	12	7	0	\$3.75	\$3.75	\$3.72	\$3.80	\$4.21	\$4.19	\$3.92	\$4.27
Rockwell	Neutral	11	13	4	\$12.15	\$11.97	\$11.73	\$12.23	\$13.38	\$12.28	\$11.10	\$13.38
Trane Technologies	Neutral	8	14	2	\$9.04	\$9.01	\$8.98	\$9.15	\$10.21	\$10.22	\$10.08	\$10.54
Vontier	Buy	6	6	0	\$2.89	\$2.83	\$2.48	\$2.88	\$3.15	\$3.09	\$2.72	\$3.15
Vertiv	Buy	11	1	0	\$1.77	\$1.75	\$1.72	\$1.77	\$2.34	\$2.33	\$2.23	\$2.64

Source: Company Reports, BofA Global Research estimates

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Exhibit 39: Sell side stock ratings of BUY/HOLD/SELL
Over half of our coverage has a consensus Buy rating



Source: Bloomberg

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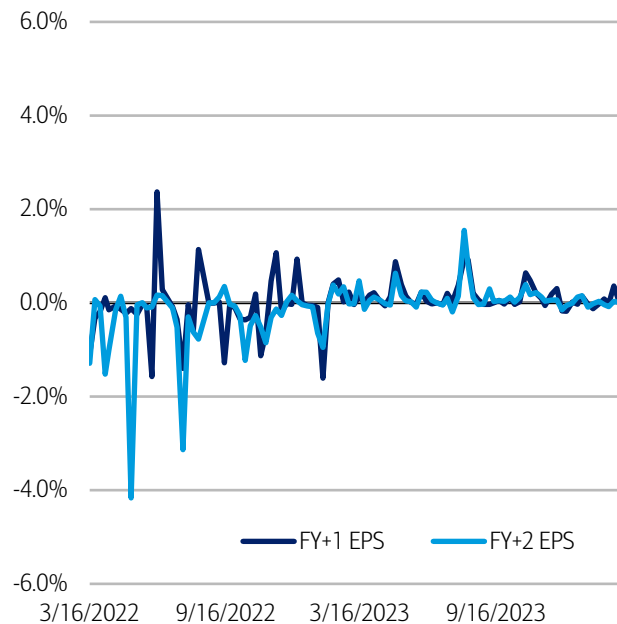


Consensus revision tracker

The charts below show historical consensus revisions compared to the previous week and month, respectively. Revisions are relatively flat for FY+1 EPS and for FY+2 EPS vs last week. Revisions are trending negative for current quarter EPS and for FY+2 EPS vs. last month. The FY+1 EPS revisions are flat versus 1 month ago.

Exhibit 40: Bloomberg consensus revisions vs. 1 week ago

FY+1 EPS and FY+2 EPS revisions are relatively flat vs. 1 week ago

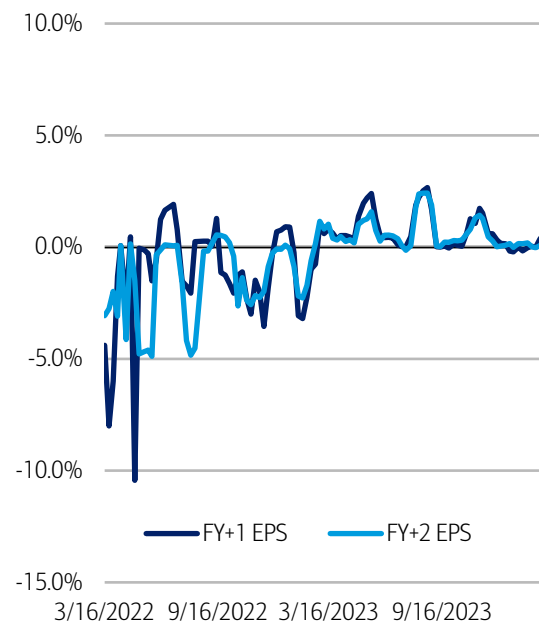


Source: BofA Global Research estimates, Bloomberg

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Exhibit 41: Bloomberg consensus revisions vs. 1 month ago

FY+2 EPS revisions are trending negative vs. 1 month ago, and FY+1 EPS revisions are flat



Source: BofA Global Research estimates, Bloomberg

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Compared to last week, VRT had the largest positive revision for FY+1 followed by EMR. ITT had the largest negative revision for FY+1 followed by ITW. EMR had the largest positive revision for FY+2 followed by VRT. ITT had the largest negative revision for FY+2 followed by ITW.

Exhibit 42: Changes to consensus EPS estimates versus a week ago

FY+1 EPS and FY+2 EPS revisions are relatively 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	\$1.44	\$1.44	0.1%	\$7.07	\$7.07	0.00%	\$7.59	\$7.59	0.00%
AME	\$1.59	\$1.59	0.0%	\$6.84	\$6.83	0.15%	\$7.51	\$7.51	0.00%
CARR	\$0.50	\$0.50	1.0%	\$2.84	\$2.84	0.00%	\$3.08	\$3.08	0.00%
CNM	\$0.34	\$0.34	0.6%	\$2.26	\$2.26	0.00%	\$2.45	\$2.45	0.00%
DOV	\$1.94	\$1.94	0.3%	\$9.01	\$9.01	0.00%	\$9.82	\$9.79	0.31%
EMR	\$1.25	\$1.25	-0.1%	\$5.40	\$5.37	0.56%	\$5.69	\$5.67	0.35%
ETN	\$2.26	\$2.26	-0.1%	\$10.14	\$10.14	0.00%	\$11.27	\$11.26	0.09%
FLS	\$0.46	\$0.47	-1.5%	\$2.53	\$2.53	0.00%	\$2.94	\$2.94	0.00%
FTV	\$0.79	\$0.79	-0.5%	\$3.79	\$3.79	0.00%	\$4.14	\$4.14	0.00%
GE	\$0.64	\$0.64	0.5%	\$4.57	\$4.57	0.00%	\$5.97	\$5.98	-0.17%
HON	\$2.17	\$2.19	-0.8%	\$9.96	\$9.96	0.00%	\$10.88	\$10.89	-0.09%
ITT	\$1.35	\$1.35	0.3%	\$5.76	\$5.78	-0.35%	\$6.51	\$6.53	-0.31%
ITW	\$2.35	\$2.36	-0.5%	\$10.14	\$10.17	-0.29%	\$10.93	\$10.96	-0.27%
JBT	\$0.86	\$0.86	0.6%	\$5.11	\$5.11	0.00%	\$5.72	\$5.72	0.00%
JCI	\$0.75	\$0.75	-0.5%	\$3.61	\$3.61	0.00%	\$4.11	\$4.11	0.00%
MEG	(\$0.10)	(\$0.10)	0.0%	\$0.17	\$0.17	0.00%	\$0.43	\$0.43	0.00%
MMM	\$2.08	\$2.08	0.1%	\$9.53	\$9.53	0.00%	\$10.21	\$10.20	0.10%
PH	\$6.13	\$6.13	0.1%	\$24.19	\$24.21	-0.08%	\$25.85	\$25.89	-0.15%
PNR	\$0.90	\$0.90	0.2%	\$4.19	\$4.19	0.00%	\$4.65	\$4.65	0.00%
ROK	\$2.29	\$2.23	2.6%	\$12.28	\$12.30	-0.16%	\$13.58	\$13.60	-0.15%
RUSHA	\$0.81	\$0.81	0.6%	\$3.12	\$3.12	0.00%	\$3.50	\$3.50	0.00%
TT	\$1.63	\$1.63	-0.1%	\$10.22	\$10.22	0.00%	\$11.39	\$11.37	0.18%
VNT	\$0.71	\$0.71	0.7%	\$3.09	\$3.09	0.00%	\$3.41	\$3.41	0.00%
VRT	\$0.35	\$0.35	-1.1%	\$2.33	\$2.31	0.87%	\$2.87	\$2.86	0.35%
Average			0.1%			0.0%			0.0%

Source: BofA Global Research estimates, Bloomberg.

BofA GLOBAL RESEARCH

Compared to last month, MEG had the largest positive revision for FY+1 followed by JBT. ROK had the largest positive revision for FY+2 followed by ITT.

MEG had the largest negative revision for FY+1 followed by VRT. JBT had the largest negative revision for FY+2 followed by ROK.

Exhibit 43: Changes to consensus EPS estimates versus a month ago

FY+1 EPS and FY+2 EPS revisions are trending negative 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	\$1.44	\$1.52	-5.3%	\$7.07	\$7.10	-0.4%	\$7.59	\$7.70	-1.4%
AME	\$1.59	\$1.58	0.6%	\$6.84	\$6.75	1.3%	\$7.51	\$7.40	1.5%
CARR	\$0.50	\$0.56	-10.7%	\$2.84	\$2.87	-1.0%	\$3.08	\$3.10	-0.6%
CNM	\$0.34	\$0.37	-8.1%	\$2.26	\$2.23	1.3%	\$2.45	\$2.44	0.4%
DOV	\$1.94	\$2.09	-7.2%	\$9.01	\$9.19	-2.0%	\$9.82	\$9.92	-1.0%
EMR	\$1.25	\$1.24	0.8%	\$5.40	\$5.26	2.7%	\$5.69	\$5.64	0.9%
ETN	\$2.26	\$2.17	4.1%	\$10.14	\$10.01	1.3%	\$11.27	\$11.01	2.4%
FLS	\$0.46	\$0.48	-4.2%	\$2.53	\$2.53	0.0%	\$2.94	\$2.91	1.0%
FTV	\$0.79	\$0.82	-3.7%	\$3.79	\$3.66	3.6%	\$4.14	\$4.03	2.7%
GE	\$0.64	\$0.64	0.0%	\$4.57	\$4.57	0.0%	\$5.97	\$5.93	0.7%
HON	\$2.17	\$2.24	-3.1%	\$9.96	\$9.96	0.0%	\$10.88	\$10.94	-0.5%
ITT	\$1.35	\$1.37	-1.5%	\$5.76	\$5.89	-2.2%	\$6.51	\$6.56	-0.8%
ITW	\$2.35	\$2.38	-1.3%	\$10.14	\$10.17	-0.3%	\$10.93	\$10.88	0.5%
JBT	\$0.86	\$0.83	3.6%	\$5.11	\$4.85	5.4%	\$5.72	\$5.95	-3.9%
JCI	\$0.75	\$0.76	-1.3%	\$3.61	\$3.63	-0.6%	\$4.11	\$4.14	-0.7%
MEG	(\$0.10)	(\$0.14)	28.6%	\$0.17	\$0.08	112.5%	\$0.43	\$0.30	43.3%
MMM	\$2.08	\$2.09	-0.5%	\$9.53	\$9.60	-0.7%	\$10.21	\$10.27	-0.6%
PH	\$6.13	\$5.96	2.9%	\$24.19	\$23.30	3.8%	\$25.85	\$25.36	1.9%
PNR	\$0.90	\$0.93	-3.2%	\$4.19	\$4.17	0.5%	\$4.65	\$4.68	-0.6%
ROK	\$2.29	\$3.15	-27.3%	\$12.28	\$12.87	-4.6%	\$13.58	\$14.01	-3.1%
RUSHA	\$0.81	\$0.74	9.5%	\$3.12	\$3.12	0.0%	\$3.50	\$3.50	0.0%
TT	\$1.63	\$1.62	0.6%	\$10.22	\$10.05	1.7%	\$11.39	\$11.16	2.1%
VNT	\$0.71	\$0.66	7.6%	\$3.09	\$3.09	0.0%	\$3.41	\$3.42	-0.3%
VRT	\$0.35	\$0.37	-5.4%	\$2.33	\$2.24	4.0%	\$2.87	\$2.73	5.1%
Average			-2.3%			0.6%			0.2%

Source: BofA Global Research estimates, Bloomberg

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Revenue breakout by region

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

Exhibit 44: 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 45: 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 46: Companies referenced in this report

Ticker, rating, price

	Ticker	Rating	Price
3M	MMM	B-2-8	\$ 92.12
Allegion	ALLE	B-3-7	\$ 127.87
AMETEK Inc	AME	B-2-7	\$ 180.18
Carrier	CARR	B-3-7	\$ 55.58
Core & Main	CNM	B-3-9	\$ 47.73
Dover	DOV	B-1-7	\$ 165.38
Eaton Corp.	ETN	B-1-7	\$ 289.00
Emerson	EMR	B-1-7	\$ 106.85
Flowserve	FLS	B-1-7	\$ 42.32
Fortive	FTV	B-2-7	\$ 85.13
General Electric	GE	B-1-7	\$ 156.89
Honeywell	HON	B-1-7	\$ 198.73
Illinois Tool Works	ITW	B-3-7	\$ 262.15
ITT	ITT	B-1-7	\$ 126.14
John Bean Technologies	JBT	B-3-7	\$ 101.48
Johnson Controls International	JCI	B-2-7	\$ 59.27
Montrose Environmental Group	MEG	C-1-9	\$ 41.38
Parker Hannifin	PH	B-1-7	\$ 535.45
Pentair	PNR	B-2-7	\$ 77.79
Rockwell	ROK	B-2-7	\$ 285.08
Trane Technologies	TT	B-2-7	\$ 281.97
Vertiv	VRT	C-1-7	\$ 67.62
Vontier	VNT	B-1-7	\$ 43.00

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

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

We base our \$110 price objective on 11x P/E on our 2025 estimates. Our 11x target multiple is at a discount to Industrial peers trading at 22x on 2024 estimates. 11x is also at a discount to high quality consumer goods peers trading at 24x 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 slightly below peers trading at 12x on 2024E given our concerns for ALLE's end markets, partially offset by ALLE's strong margins.

Upside risks are: 1) North American residential downturn less severe than expected and 2) pricing holds up into '24. 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 \$182 price objective on an 18x EV/EBITDA multiple of our 2025 estimates. Our target 18x multiple is in line with the 18x peer average on 2024E, reflecting 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.

Atmus Filtration (ATMU)

We base our \$29 price objective on 8x our 2025E EBITDA estimate. This is a discount to the peer average of 13x on 2024E to reflect below-peer margins and EBITDA growth.

Downside risks to our price objective are 1) acquisition selection and integration risks, 2) the loss of a major customer, 3) economic recession resulting in lower aftermarket volumes, 4) faster-than-expected transition to battery electric commercial vehicles, 5) pending exchange offer by Cummins.

Carrier Global Corp. (CARR)

We base our \$55 price objective on 13x EV/EBITDA of our 2025 estimates. Our 13x target multiple is at a discount to peers, trading at 14x 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 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.

Eaton Corp PLC (ETN)

We base our \$300 price objective on a 22x 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 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 in line with multi-industrial peers trading at 15x CY24 estimates. We argue an in line multiple is warranted given above-peer margins offset by higher merger integration risks.

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 \$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.

Fortive Corporation (FTV)

We base our \$85 price objective on a 16x EV/EBITDA multiple of our 2025 EBITDA estimate. Our target multiple is a discount to the 20x peer average on 2024 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 \$162 price objective on a 16x EV/EBITDA multiple of our 2025 estimates. Our target multiple is above the 15x peer average on 2024 estimates, which we argue is warranted given GE's above-peers earnings trajectory. 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 15x 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 16x 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 \$48 price objective on 28x EV/EBITDA of our 2025 estimates. This is at a premium to the peer group average trading at 11x 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 \$600 price objective on a 16x EV/EBITDA multiple applied to our CY25E estimate. Our 16x target multiple is in line with the 16x multi-industrial peer average on 2024E and 16x 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 are: 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 \$80 price objective on a 13.5x EV/EBITDA multiple of our 2025 estimates. This slightly below the peer group trading at 15x 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.

Rockwell (ROK)

We base our \$300 price objective on a 16x EV/EBITDA multiple of our CY25 estimate, at a premium to peers trading at 15x on 2024E. We argue a 1-turn premium is warranted given the company's market share and exposure to secular themes, partially offset by destocking headwinds and a lack of near-term catalysts.

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

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

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 \$282 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 2024, 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 \$75 price objective on an 17x EV/EBITDA of our 2025 estimates. Our target multiple is in line with the 16x peer average on 2024E. We argue the slightly higher multiple is warranted given above-peers earnings growth.

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 \$48 price objective on 11x 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
BUY				
	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

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Important Disclosures

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: 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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