

AMETEK Inc

No surprises to 4Q23 results and guidance

Reiterate Rating: NEUTRAL | PO: 182.00 USD | Price: 166.08 USD

Orders decline, but destocking drag seen ending by 2H

Orders were down (2)% y/y organically, the third consecutive quarter of y/y declines. However, management is positioning for a year of growth, with destocking headwinds ending by 2Q24-end. CEO Zapico said on the earnings call, "As we get out to 2H, maybe even 2Q, I think the orders will outpace sales." In the 4Q, organic revenue growth of 1.5% y/y was below the peer average of ~3%. We reiterate our Neutral rating. We raise our price objective by \$17 to \$182 to reflect broadly higher multiples among peers. We base our \$182 price objective on 18x our 2025E EBITDA (versus 16x previously). Our target 18x multiple in line with the 18x peer average on 2024E, reflecting an earnings trajectory similar to peers.

2024 guidance broadly in line with consensus

Management guided for low- to mid-single digit organic revenue growth. This brackets 3.4% y/y consensus. 2024 adjusted EPS guidance of \$6.70-6.85 compares to median consensus of \$6.82. The inclusion of Paragon Medical (closed 12/8/23) is \$0.08-0.10 accretive, but will be a drag to margins. Management guided for ~30bp y/y of underlying margin expansion, but (50)bp y/y decline in reported margins. Net-net, we view this as a conservative margin outlook. However, we acknowledge price/cost is likely to be less of a tailwind in 2024 versus 2023.

Maintain 2024E adjusted EPS at \$6.82, +7% y/y

We maintain our 2024E adjusted EPS at \$6.82. This compares to \$6.70-6.85 guidance. We forecast +3.5% y/y organic revenue growth and (50)bp of y/y reported margin contraction. For 1Q24, we forecast adj. EPS of \$1.59. Our 2025E adjusted EPS unchanged at \$7.40 (+9% y/y).

4Q adjusted EPS of \$1.68 came \$0.05 above BofA

4Q adjusted EPS of \$1.68 was a \$0.05 beat relative to BofA and consensus. Relative to our estimates, core EBITA drove \$0.01 EPS upside. Revenue was 0.3% above our estimate. Margins were 40bp below our forecast. A lower tax rate (17.8% vs. our 19.5% estimate) contributed \$0.03. Lower other expense was a \$0.01 boost.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	5.68	6.38	6.82	7.40	7.94
GAAP EPS	5.01	5.67	5.99	6.58	7.12
EPS Change (YoY)	17.1%	12.3%	6.9%	8.5%	7.3%
Consensus EPS (Bloomberg)			6.81	7.48	8.20
DPS	0.88	1.00	1.04	1.08	1.12
Valuation (Dec)					
P/E	29.2x	26.0x	24.4x	22.4x	20.9x
GAAP P/E	33.1x	29.3x	27.7x	25.2x	23.3x
Dividend Yield	0.5%	0.6%	0.6%	0.7%	0.7%
EV / EBITDA*	22.5x	20.4x	18.3x	17.4x	16.4x
Free Cash Flow Yield*	2.6%	4.1%	4.1%	4.2%	4.5%

* For full definitions of *IQmethod*SM measures, see page 9.

07 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	165.00	182.00
2024E Rev (m)	7,390.1	7,390.3
2025E Rev (m)	7,736.1	7,741.9
2026E Rev (m)	8,136.6	8,142.6

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Stock Data

Price	166.08 USD
Price Objective	182.00 USD
Date Established	7-Feb-2024
Investment Opinion	B-2-7
52-Week Range	131.52 USD - 168.54 USD
Mrkt Val (mn) / Shares Out (mn)	38,738 USD / 233.3
Free Float	99.6%
Average Daily Value (mn)	144.68 USD
BofA Ticker / Exchange	AME / NYS
Bloomberg / Reuters	AME US / AMEN
ROE (2024E)	17.0%
Net Dbt to Eqty (Dec-2023A)	33.3%
ESGMeter™	Medium

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: 07 February 2024 05:00AM EST

iQprofileSM AMETEK Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	11.2%	11.3%	11.2%	11.5%	11.5%
Return on Equity	18.3%	18.2%	17.0%	16.2%	15.4%
Operating Margin	24.4%	25.9%	25.3%	25.7%	26.2%
Free Cash Flow	1,010	1,598	1,607	1,646	1,757

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.9x	1.2x	1.1x	1.1x	1.0x
Asset Replacement Ratio	0.4x	0.4x	0.4x	0.4x	0.4x
Tax Rate	18.8%	18.3%	19.5%	19.5%	19.5%
Net Debt-to-Equity Ratio	27.3%	33.3%	15.5%	1.3%	-10.6%
Interest Cover	18.0x	20.9x	15.5x	29.4x	42.7x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	6,151	6,597	7,390	7,742	8,143
% Change	10.9%	7.3%	12.0%	4.8%	5.2%
Gross Profit	2,145	2,384	2,667	2,809	2,971
% Change	12.2%	11.1%	11.8%	5.3%	5.8%
EBITDA	1,831	2,026	2,250	2,371	2,513
% Change	14.8%	10.6%	11.1%	5.4%	6.0%
Net Interest & Other Income	(83)	(82)	(120)	(68)	(50)
Net Income (Adjusted)	1,315	1,478	1,585	1,722	1,848
% Change	16.4%	12.3%	7.3%	8.6%	7.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,160	1,313	1,393	1,531	1,657
Depreciation & Amortization	319	337	400	403	406
Change in Working Capital	(309)	83	(63)	(165)	(183)
Deferred Taxation Charge	(68)	(51)	(20)	(20)	(20)
Other Adjustments, Net	47	52	57	63	69
Capital Expenditure	(139)	(137)	(160)	(166)	(172)
Free Cash Flow	1,010	1,598	1,607	1,646	1,757
% Change	-3.8%	58.2%	0.6%	2.4%	6.8%
Share / Issue Repurchase	(333)	(1)	(1)	(1)	(2)
Cost of Dividends Paid	(202)	(231)	(241)	(250)	(260)
Change in Debt	(74)	928	(1,378)	(425)	(441)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	345	410	397	1,367	2,421
Trade Receivables	919	1,013	1,115	1,189	1,273
Other Current Assets	1,263	1,402	1,516	1,574	1,641
Property, Plant & Equipment	636	891	852	816	785
Other Non-Current Assets	9,267	11,308	11,157	10,992	10,830
Total Assets	12,431	15,024	15,037	15,938	16,950
Short-Term Debt	226	1,418	0	0	0
Other Current Liabilities	1,338	1,465	1,580	1,560	1,539
Long-Term Debt	2,159	1,895	1,936	1,511	1,069
Other Non-Current Liabilities	1,231	1,515	1,582	1,587	1,595
Total Liabilities	4,955	6,293	5,098	4,657	4,204
Total Equity	7,477	8,730	9,939	11,281	12,746
Total Equity & Liabilities	12,431	15,024	15,037	15,938	16,950

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Industrials/Multi-Industry

Company Description

AMETEK Inc. (AME) is a leading diversified industrial company with approximately \$5 billion in sales divided into the Electromechanical Group (EMG) and the Electronic Instruments Group (EIG). EMG produces a wide range of motor products whereas EIG is primarily focused on measurement instrumentation. The company's strategy revolves around completing bolt-on acquisitions to drive growth.

Investment Rationale

While Ametek is a high-quality compounder, it does have a relatively high mix of short-cycle industrial exposure which gives it more cyclical leverage. We see increased downside risks from higher cyclicality in the face of potential destocking.

Stock Data

Average Daily Volume 871,137

Quarterly Earnings Estimates

	2023	2024
Q1	1.49A	1.59E
Q2	1.57A	1.69E
Q3	1.64A	1.74E
Q4	1.68A	1.80E

Maintain our 2024E EPS at \$6.82

We maintain our 2024 adjusted EPS at \$6.82, +7% y/y. We forecast 12.0% y/y reported revenue growth, including an 870bp benefit from acquisitions. We forecast a ~21% incremental margin (including acquisition). Our 2025 adjusted EPS unchanged at \$7.40, +9% y/y.

Exhibit 1: 2024 guidance versus BofA and consensus forecasts

Maintain our adj. EPS at \$6.82

	2024 Guidance	BofA 2024		Consensus
	As of 4Q23	Old	New	pre-results
Revenue	N/A	7,390	7,390	7,323
y/y %	LDD	12.1%	12.0%	10.7%
Organic y/y%	LSD-MSD	1.5%	3.5%	3.4%
Operating income	N/A	1,896	1,870	1,874
Operating margin	N/A	25.7%	25.3%	25.6%
Cash EPS	\$6.70-6.85	\$6.82	\$6.82	\$6.72
GAAP EPS	\$5.88-6.03	\$6.00	\$5.99	\$6.12

Source: BofA Global Research estimates, company filings, Bloomberg

Note: LDD = low double-digit, LSD = low single-digit, MSD = mid single-digit

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We forecast 1Q24 adjusted EPS of \$1.59, compared to \$1.56-1.60 guidance. This is driven by 11% y/y total revenue growth (versus management's low double-digit guidance) and 1% y/y organic growth (versus management's low single-digit guidance). We forecast (90)bp of y/y margin contraction (due to the inclusion of Paragon Medical) to 24.5%.

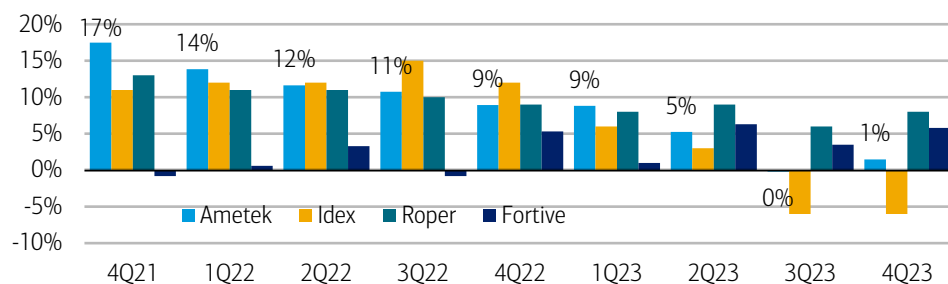
Organic growth below peers in 4Q23

Ametek's +1% y/y 4Q23 organic revenue was below the peer average of ~3% y/y (IDEX consensus estimates, Roper actuals, and Fortive actuals). Ametek had ~5pts of pricing implying a (4)% y/y organic volume decline.

Ametek's 2024 guidance calls for low- to mid-single digit organic revenue growth. This compares to organic revenue guidance of +5-6% y/y for Roper, and +2-4% for Fortive.

Exhibit 2: Organic revenue trends at Ametek and peers

AME's organic revenue was below peer average in 4Q23



Source: Company filing, BofA Global Research

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Organic revenue up 1.5% y/y in 4Q23

ELG organic sales were up 3.5% y/y, while EMG organic sales declined (4)% y/y.

Aerospace & Defense revenue grew at a high single-digit pace organically (a deceleration from low double-digit growth last quarter). Management expects high single-digit organic sales growth in 2024.

Process & Analytical Instruments revenue increased at a low single-digit pace organically, steady with last quarter's pace. Management expects low single-digit organic sales growth in 2024.

Power & Industrial revenue was up low single-digit on an organic basis (steady up low single-digit last quarter). Management expects low- to mid-single digit organic sales growth in 2024.

Automation & Engineered Solutions revenue was down mid-single digit organically in 4Q23 (an improvement from low double-digit decline last quarter). Management expects low single-digit organic sales growth in 2024, albeit 2H-weighted.

Exhibit 3: Electronic instruments segment end market commentary

ELG organic sales up +3.5% y/y in 4Q23

	1Q23	2Q23	3Q23	4Q23
Electronic Instruments:				
Process & Analytical Instruments:	<ul style="list-style-type: none"> • Up 10% organically • Expect mid-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • Up mid-single digit organically • Expect mid-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • Up low-single digit organically • Expect mid-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • Up low-single digit organically • Expect low-single digit y/y organic growth in 2024
Aerospace & Defense	<ul style="list-style-type: none"> • Up mid 20% organically • Expect ~10% organic growth in 2023 	<ul style="list-style-type: none"> • Up low double-digit organically • Expect low double-digit organic growth in 2023 	<ul style="list-style-type: none"> • Up low double-digit organically • Expect mid-teens organic growth in 2023 	<ul style="list-style-type: none"> • Up high single-digit organically • Expect high single-digit organic growth in 2024
Power & Industrial	<ul style="list-style-type: none"> • Up low teens organically • Expect mid-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • Up mid-teens organically • Expect mid-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • Up low-single digit organically • Expect mid-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • Up low-single digit organically • Expect low- to mid-single digit y/y organic growth in 2024
ELG	<ul style="list-style-type: none"> • ELG +13% y/y, +11% y/y organic • Segment operating margin up 290bp y/y • Expect mid-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • ELG +10% y/y, +8% y/y organic • Segment operating margin up 130bp y/y • Expect mid- to high-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • ELG +8% y/y, +3.5% y/y organic • Segment operating margin up 360bp y/y • Expect mid-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • ELG +7% y/y, +3.5% y/y organic • Segment operating margin up 250bp y/y

Source: BofA Global Research, company files

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Exhibit 4: Electromechanical segment end market commentary

EMG organic sales down (4)% y/y in 4Q23

	1Q23	2Q23	3Q23	4Q23
Electromechanical:				
Automation & Engineered Solutions	<ul style="list-style-type: none"> • Flat organic y/y • Expect mid-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • Down mid-single digit organic y/y • Expect low-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • Down low double digit organic y/y • Expect mid-single digit y/y decline in 2023 	<ul style="list-style-type: none"> • Down mid-single digit organic y/y • Expect low-single digit y/y growth in 2024
EMG	<ul style="list-style-type: none"> • EMG: Sales up 2% y/y, organic up 4% • Operating margins -210bp reported / +50bp organic • Expect mid-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • EMG: Sales up 5% y/y, organic flat • Operating margins +100bp reported / +180bp organic • Expect mid-single digit y/y organic growth in 2023 	<ul style="list-style-type: none"> • EMG: Sales (2)% y/y, organic (8)% y/y • Operating margins -120bp reported • Expect low-single digit y/y organic decline in 2023 	<ul style="list-style-type: none"> • EMG: Sales +6% y/y, organic (4)% y/y • Operating margins (190)bp reported, up +100bp organic

Source: BofA Global Research, company files

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4Q23 adj. EPS of \$1.68 beats Street

4Q adjusted EPS of \$1.68 was a \$0.05 beat relative to \$1.63 BofA estimate and consensus. Relative to our estimates, total company EBITA drove \$0.01 of the upside, with lower other expense a \$0.01 tailwind, and lower tax rate a \$0.03 benefit.

EMG sales declined (4)% y/y on an organic basis and margins contracted (190)bp y/y.

EIG sales grew +3.5% y/y organic and margins expanded +250bp y/y. Total Ametek margins expanded 120bp y/y on a reported basis and 200bp on an organic basis.

Exhibit 5: 4Q23 variance analysis

\$0.02 of operating downside versus our estimate

	Actual	Reported		BofA Estimate		Variation Versus BofA Est.		
(in US\$ mn, except per share data)	4Q:22A	4Q:23A	YOY % Chg.	4Q:23E	YOY % Chg.	Dollar	Percentage	EPS
Segment Sales								
Electromechanical (EMG)	466	495	6%	496	6%	(1)	0%	
Electronic Instruments (EIG)	1,159	1,236	7%	1,230	6%	7	1%	
Total	1,626	1,731	6%	1,726	6%	5	0%	
Segment Operating Profit								
Electromechanical (EMG)	115	112	-2%	119	4%	(7)	-5%	\$(0.02)
Electronic Instruments (EIG)	307	359	17%	357	16%	2	1%	\$0.01
Segment Total	422	471	12%	475	13%	(4)	-1%	\$(0.01)
Corporate Overhead	(24)	(26)	12%	(25)	6%	(1)	5%	\$(0.00)
Total	398	445	12%	450	13%	(5)	-1%	\$(0.02)
Segment Operating Margin								
Electromechanical (EMG)	24.6%	22.7%	(190 bp)	24.0%	(60 bp)	(120 bp)	-	
Electronic Instruments (EIG)	26.5%	29.0%	250 bp	29.0%	250 bp	0 bp	-	
Total EBIT	24.5%	25.7%	120 bp	26.1%	160 bp	(40 bp)	-	
Net Sales	1,626	1,731	6%	1,726	6%	5	0%	
COGS	1,064	1,116	5%	1,100	3%	16	1%	
Gross Profit	562	615	9%	626	11%	(11)	-2%	\$(0.04)
SG&A	164	170	4%	176	7%	(6)	-3%	\$0.02
Operating Income	398	445	12%	450	13%	(5)	-1%	\$(0.02)
Other Expense	(3)	4	-215%	8	-318%	(4)	-47%	\$0.01
Interest expense / (income)	23	24	5%	22	-4%	2	9%	\$0.00
EBT	379	417	10%	421	11%	(4)	-1%	\$(0.01)
Taxes	71	74	4%	82	15%	(8)	-10%	
Tax Rate	18.9%	17.8%	(110 bp)	19.5%	60 bp	(0)	-9%	\$0.03
Net Income (Continuing Operations)	307	343	12%	339	10%	4	1%	\$0.02
Amortization expense (after tax)	44	46	4%	39	-11%	7	18%	\$0.03
Net Income (Op. Earnings)	351	389	11%	378	8%	11	3%	\$0.05
FULLY DILUTED CASH EPS	\$1.52	\$1.68	10%	\$1.63	7%	\$0.05	3%	
Diluted Shares Outstanding	231	232	0%	232	0%	(0)		\$0.00
	Actual	Reported		BofA Estimate		Variation (b.p.)		
Margin Analysis	4Q:22A	4Q:23A		4Q:23E		BofA Est.	4Q:22A	
COGS	65.4%	64.5%		63.7%		(70 bp)	(100 bp)	
Gross Margin	34.6%	35.5%		36.3%		70 bp	100 bp	
SG&A	10.1%	9.8%		10.2%		40 bp	(30 bp)	
Operating Margin	24.5%	25.7%		26.1%		40 bp	120 bp	
EBT Margin	23.3%	24.1%		24.4%		30 bp	80 bp	
Net Margin	18.9%	19.8%		19.6%		(20 bp)	90 bp	
Segment Incremental Margin	30.3%	44.6%		52.3%		770 bp	1430 bp	

Source: BofA Global Research, company filings

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Valuation

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 the similar earnings trajectory as peers.

Exhibit 6: AME's comparable valuation analysis

We base our \$182 price objective on 18x our 2025 EBITDA

Company	Ticker	Stock Price 2/6/2024	P/E		EV/EBITDA		EBITDA Margin		EPS Growth		P/FCF	
			2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Agilent	A	\$135.67	24.4 x	22.1 x	20.4 x	18.6 x	30.0%	30.6%	2.7%	10.3%	22.7 x	24.1 x
Fortive	FTV	\$81.45	23.1 x	21.5 x	17.5 x	15.7 x	27.2%	27.6%	4.1%	7.7%	22.4 x	20.7 x
Franklin Electric *	FELE	\$95.74	21.9 x	20.7 x	13.2 x	12.7 x	15.3%	15.0%	5.7%	5.9%	19.6 x	19.0 x
IDEX Corp *	IEH	\$219.22	26.0 x	24.4 x	18.2 x	16.5 x	27.7%	28.4%	3.1%	6.6%	26.4 x	23.3 x
Mettler-Toledo	MTD	\$1,219.79	29.8 x	26.8 x	21.3 x	19.8 x	34.8%	35.4%	1.9%	11.0%	38.1 x	37.8 x
Pentair	PNR	\$73.21	18.0 x	16.6 x	13.7 x	11.7 x	23.1%	25.2%	8.8%	8.6%	18.4 x	16.9 x
Rewity (PerkinElmer)	RVTY	\$105.40	23.4 x	20.3 x	23.6 x	20.2 x	23.0%	25.2%	-0.9%	15.6%	25.3 x	51.8 x
Rockwell	ROK	\$260.99	17.1 x	16.1 x	13.8 x	12.8 x	23.1%	22.8%	20.2%	6.1%	19.3 x	18.9 x
Roper Industries *	ROP	\$543.44	30.0 x	27.7 x	22.9 x	20.7 x	40.0%	40.7%	8.6%	8.3%	26.5 x	24.0 x
Thermo Fisher	TMO	\$557.51	25.7 x	22.5 x	22.3 x	20.8 x	25.4%	25.9%	0.9%	14.1%	105.8 x	59.9 x
AVERAGE			24.0 x	21.9 x	18.7 x	16.9 x	27.0%	27.7%	5.5%	9.4%	32.5 x	29.6 x
AMETEK	AME	\$165.25	24.9 x	23.4 x	17.8 x	16.3 x	30.6%	30.9%	6.5%	6.1%	26.0 x	24.3 x
AMETEK at PO		\$182.00	27.4 x	25.8 x	19.6 x	18.1 x					28.6 x	26.7 x

Source: Bloomberg, company reports, BofA Global Research estimates

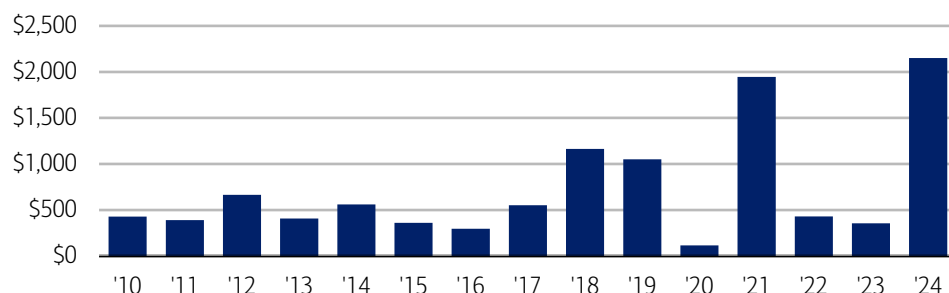
Note: Estimates calendarized for December 31st year end; * Estimates based on Bloomberg consensus

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M&A review

Exhibit 7: AME deployed \$2.15bn on acquisitions in 2024

\$1.9bn acquisition of Paragon Medical closed in December 2023



Source: Company reports, BofA Global Research

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2024 M&A: Bison Gear, UEI, Amplifier Research, and Paragon Medical

Ametek closed on the acquisition of Bison Gear & Engineering on 5/2/23. Bison is a manufacturer of motion control solutions for industrial automation, food & beverage, power, and transportation markets. Bison generated approximately \$80mn in revenue last year. Ametek's ~\$100mn purchase price suggests 1.25x price/sales. On 9/6/23, Ametek closed on the acquisition of United Electronic Industries (UEI) for approximately \$150mn. UEI is a manufacturer of control systems and test & measurement equipment services the aerospace & defense, energy, and semiconductor industries. UEI generates ~\$35mn of revenue, suggests a 4.3x price/sales multiple. On 10/31/23, Ametek closed on the acquisition of Amplifier Research Corp, a manufacturer of radio frequency, microwave amplifiers, and electromagnetic compatibility testing equipment. The approximately \$105mn purchase price suggests a 1.8x price/sales multiple on annual sales of approximately \$60mn. On 12/8/23, Ametek closed on the acquisition of Paragon Medical for \$1.9bn (all cash). Paragon is a manufacturer of medical components and instruments for original equipment manufacturers with annual sales of approximately \$500mn and EBITDA margins of approximately 25%. The purchase price represents approximately 15x trailing EBITDA.

Exhibit 8: AME's M&A transactions since 2012

Acquisitions are a core part of Ametek's operating system

Date	Target Company Name	Target Sales (US\$m)	Cash paid (US\$m)	Product Line	Segment
Dec-23	Paragon Medical	\$500	\$1,900	Medical components and instruments	EMG
Oct-23	Amplifier Research Corp.	\$60	\$105	Radio frequency, microwave amplifiers, and electromagnetic compatibility testing equipment	EIG
Sep-23	United Electronic Industries	\$35	\$150	Control systems and test & measurement equipment for aerospace & defense, energy, and semiconductor industries	EIG
May-23	Bison Gear & Engineering	\$80	\$100	Motion control solutions for industrial automation	EMG
Oct-22	RTDS Technologies	\$56	\$240	Power simulation hardware & software for utilities	EIG
Sep-22	Navitar	\$44	\$190	Optical components & systems	EIG
Dec-21	Alphasense	\$30	\$96	Gas & particulate sensors	EIG
May-21	NSI-MI Technologies	\$90	\$230	Radio & microwave test & measurement systems	EIG
Apr-21	Abaco Systems	\$325	\$1,350	Embedded computing for defense (~80%), aerospace & industrial	EIG
Mar-21	Magnetrol International	\$100	\$230	Level and flow control solutions	EIG
Mar-21	Crank Software	\$5	\$15	Embedded graphical user interface software	EIG
Mar-21	EGS Automation	\$15	\$25	Robotic automation solutions	EMG
Feb-20	Intellipower	\$40	\$115	Ruggedized power systems serving defense and industrial applications	EIG
Oct-19	Gatan	\$180	\$925	Electron microscopes and add-ons for imaging and analysis	EIG
Sep-19	Pacific Design Technologies	\$40	\$125	Liquid cooling systems and components	EMG
Nov-18	Spectro Scientific	\$50	\$190	Lab-based and onsite instrumentation, consumables, and software analytics for monitoring fluid conditions in mission-critical equipment	EIG
Nov-18	Telular	\$165	\$525	Hardware, software and wireless connectivity for IoT solutions in logistics, monitoring, and security applications	EIG
Nov-18	Forza Silicon	\$20	\$40	High performance imaging sensors used in medical, defense, commercial and industrial applications	EIG
Jul-18	Motec GmbH	\$35	\$95	Integrated vision systems that combine ruggedized mobile cameras with advanced software	EIG
May-18	SoundCom Systems	\$40	\$40	Design, integration, installation, and support of clinical workflow and communication systems	EIG
Feb-18	Arizona Instrument	\$15	\$38	High precision moisture & gas measurement instruments for high-value applications	EIG
Feb-18	FMH Aerospace	\$50	\$235	Transfer fluids and gases at extreme temperatures & pressures for aerospace, defense, and space	EMG
Apr-17	MOCON	\$63	\$182	Laboratory and field gas instrumentation to research labs, production facilities, quality control	EIG
Feb-17	Rauland-Borg Corp	\$160	\$370	Designs and manufactures enterprise telecommunications equipment	EIG
Nov-16	Laserage Technology	\$22	N/A	Laser processing, precision tube cutting, laser scribing, machining, drilling and precision welding	EMG
Aug-16	HS Foils Oy	N/A	N/A	Ultra-thin x-ray windows	EIG
Aug-16	Nu Instruments	\$25	N/A	Mass spectrometers and accessories	EIG
Feb-16	ESP/SurgeX	\$40	\$130	Power protection, monitoring, diagnostic solutions for on-site and remote power protection	EIG
Feb-16	Brookfield Engineering Labs	\$55	\$167	Viscometers and rheometers for analyzing texture and powder flow	EMG
Jun-15	Surface Inspection division of Cognex	\$60	\$160	Software-enabled vision systems to inspect surfaces for flaws	EIG
May-15	Global Tubes	\$120	\$200	High precision, small diameter metal tubing	EMG
Aug-14	Luphos GmbH	N/A	\$13	Non-contact metrology tech for measurement of lenses & optical surfaces	EIG
Aug-14	AMPTek, Inc	\$30	\$115	Instrumentation and detectors used in non-destructive materials analysis	EIG
Apr-14	Zygo Corporation	\$168	\$266	High precision optics & assemblies for scientific, industrial, and medical	EIG
Feb-14	VTI Instruments'	\$38	\$74	High precision test and measurement instrumentation	EIG
Jan-14	Teseq Group	\$53	\$93	Instrumentation for electromagnetic compatibility (EMC) testing	EIG
Dec-13	Powervar	\$70	\$128	Power management systems & UPS	EIG
Oct-13	Creaform	\$52	\$120	Portable 3D measurement technologies	EIG
Aug-13	Controls Southeast	\$50	\$160	Custom-engineered thermal solutions	EIG
Jan-13	Crystal Engineering	N/A	N/A	Pressure measurement technology and portable digital pressure calibrators and digital test gauges	EIG
Jan-13	Sunpower	N/A	N/A	high reliability cryocoolers and externally heated Stirling cycle engines	EIG
Dec-12	Avtech Avionics & Instruments (Avtech)	N/A	N/A	next generation and legacy avionics and instruments	EMG
Dec-12	Aero Components International (ACI)	N/A	N/A	fuel, hydraulic, pneumatic, power generation and heat exchanger components	EMG
Oct-12	Micro-Poise	\$125	\$170	Integrated test & measurement solutions for the tire industry	EIG
May-12	Dunkermotoren	\$200	\$320	Motion control solutions for industrial automation applications	EMG
Jan-12	O'Brien Corporation	\$80	\$175	Fluid & gas handling solutions, sample conditioning & process analyzers	EIG
Jan-12	Technical Manufacturing Corporation	\$29	N/A	High-performance vibration isolation systems and optical test benches	EIG

Source: Company filings, BofA Global Research

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Price objective basis & risk

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.

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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

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

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

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

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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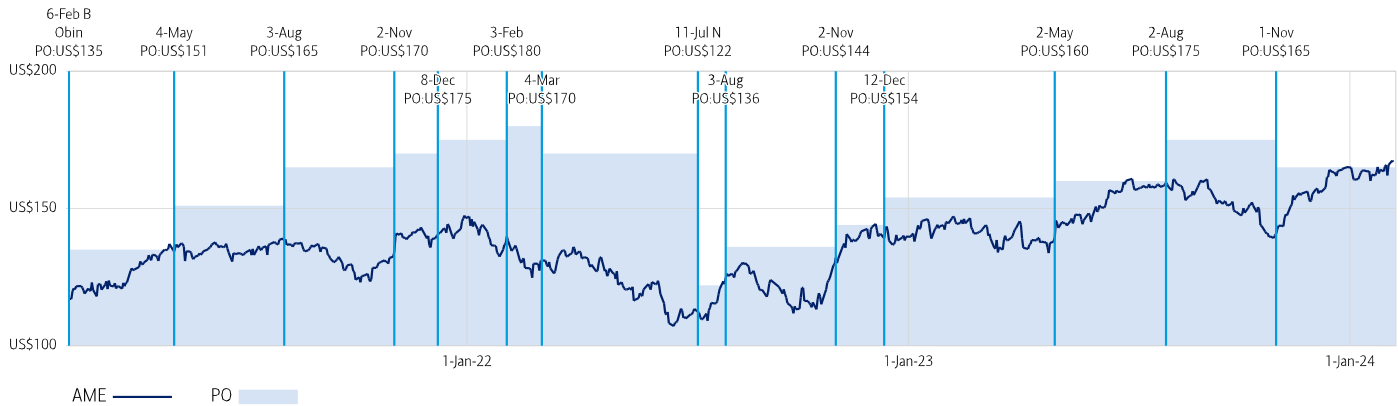
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Important Disclosures

AMETEK (AME) 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%

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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%

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