

Industrials/Multi-Industry

DEM #564: When the PMI finally inflects positively, industrial stocks should follow

Price Objective Change

US PMIs return >50 outside of recessions: buy signal?

It is relatively rare for the PMI to remain below 50 for more than three consecutive months without the US falling into a recession. In the past 65 years, it has happened just six times. So far, PMIs have been below 50 for 15 consecutive months (since Nov 2022). This would be the longest ever <50 period without a recession ever. What happened to multi-industrial stocks when the PMI index returned above 50 the last six times? On average, 21% 1-year absolute returns and 9% 1-year relative returns (versus the S&P 500).

PMI continues to contract in January

Our coverage is up +3.3% year-to-date on average (versus the XLI up +1.7%). The Institute of Supply Management's (ISM) US manufacturing Purchasing Managers' Index (PMI) is a closely watched indicator given its history, timeliness, and absence of revisions. The ISM Manufacturing PMI was 49.1 in January versus 47.1 in December. The sequential improvement in New Orders and inventories is consistent with our December PMI note, [see our Dec 8 note here](#). New orders were above 50 for the first time since August 2022.

Lead times remain above 80 days, inventory levels up

The PMI is a diffusion index based on m/m comparisons (50=no change). The index is an equal-weighted average of five series: new orders, production, employment, inventories, and supplier deliveries. Usually, longer supplier delivery times mean higher demand. Current supply chain issues are driving extended lead times and higher inventory levels. Normally, higher inventory levels indicate optimism about future shipments, however we believe it is still a function of issues like higher safety stock or missing components. Supplier deliveries and lead times ticked up sequentially in January. Lead times for production material registered at 83 days, leaving lead times remaining above 80 days. This follows November which saw lead times for production materials drop below 80 days for the first time since March 2021. Lead times remain elevated relative to pre-COVID averages of ~62 days, but below pre-COVID averages than 100 day peaks.

Employment remains a constraint

The PMI's employment index decelerated sequentially to 47.1 and has remained below 50 since contracting in October. Of the six big manufacturing sectors only Transportation Equipment saw employment expand in January. Several respondents said that January saw a slowdown in hiring and a continuation of staff reduction activity. US manufacturing payrolls were up 0.3% y/y in January. US manufacturing job openings remain elevated sequentially, but down 25% y/y.

Raising ROK PO

We raise our ROK price objective to \$300 (vs. \$280 prior). Our PO reflects 16x 2025E EV/EBITDA (vs. 15x prior), at a premium to peers trading at 15x. 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. Reiterate Neutral.

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Timestamp: 16 February 2024 05:49AM EST

16 February 2024

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<50 PMIs outside of recessions

Six great escapes ... <50 PMIs and no US recession

It is relatively rare for the PMI to remain below 50 for more than three consecutive months without the US falling into a recession. In the past 65 years, it has happened just six times. So far, PMIs have been below 50 for 15 consecutive months (since Nov 2022). This would be the longest ever <50 period without a recession ever.

Exhibit 1: Six great escapes... plus one more?

Six prior times the US manufacturing PMI has been <50 for over three months without a recession

| 1st month <50 | 1st month >50 | Months <50 | Months before trough | Months after trough |
|----------------|---------------|------------|----------------------|---------------------|
| January 1967 | August 1967 | 7 | 3 | 4 |
| February 1985 | October 1985 | 8 | 4 | 4 |
| May 1995 | June 1996 | 13 | 8 | 5 |
| June 1998 | January 1999 | 7 | 6 | 1 |
| October 2002 | July 2003 | 9 | 6 | 3 |
| October 2015 | March 2016 | 5 | 3 | 2 |
| Average | | 8 | 5 | 3 |
| November 2022 | N/A | 15+ | 7 | 8+ |

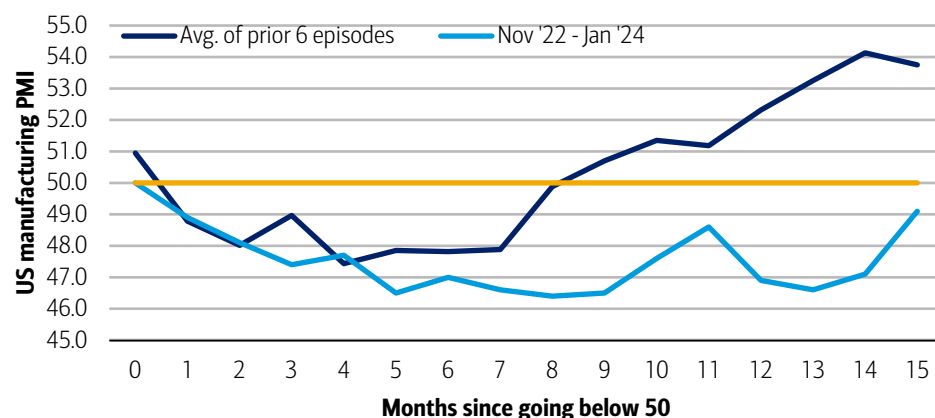
Source: Bloomberg, BofA Global Research

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On average, these episodes have lasted 8 months (range: 5-13), with the trough PMI reading coming around the 5th month and then three months of improvement before going back above 50.

Exhibit 2: Historical average of episodes versus current

Current period of <50 PMI has lasted longer and fallen further than prior historical episodes



Source: Bloomberg, BofA Global Research

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Historically, multi-industrials shares have performed well after going back >50

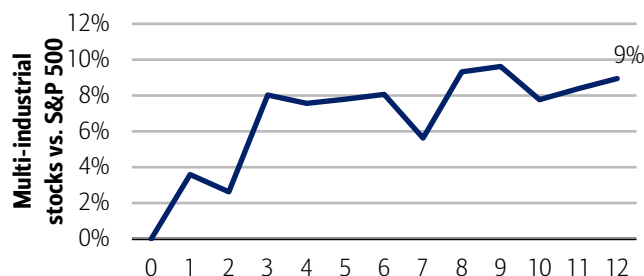
For illustrative purposes, we assume investors bought a basket of multi-industrial stocks in the month that the US manufacturing PMI returned above 50 (e.g., not the month before). We use a simple average of the share prices of ETN, EMR, GE, HON, PH, and MMM.

On average, the hypothetical basket of multi-industrials would have outperformed the S&P 500 by 9% in the one year after PMIs returned above 50 (hit rate: 5 of 6 times, range: -7% to +24%). On average, the hypothetical basket of multi-industrial stocks would have risen 21% on an absolute basis in the one year after PMIs return above 50 (hit rate: 5 of 6 times, range: -2% to +44%).

History supports the idea that US manufacturing PMIs returning above 50 can be a buy signal

Exhibit 3: Multi-industrials relative performance (prior 6 episodes)

9% y/y one-year share relative price performance to S&P 500.



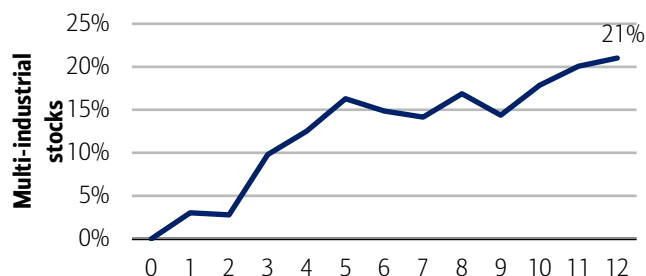
Source: BofA Global Research, Bloomberg

Note: Multi-industrial is a simple average of ETN, EMR, GE, HON, PH, and MMM share prices. Past performance is no guarantee of future results. The historical range is the average of 1967-1968, 1985-1986, 1996-1997, 1999-2000, 2003-2004, and 2016-2017

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Exhibit 4: Multi-industrials absolute performance (prior 6 episodes)

21% y/y one-year share price performance.



Source: BofA Global Research, Bloomberg

Note: Multi-industrial is a simple average of ETN, EMR, GE, HON, PH, and MMM share prices. Past performance is no guarantee of future results. The historical range is the average of 1967-1968, 1985-1986, 1996-1997, 1999-2000, 2003-2004, and 2016-2017

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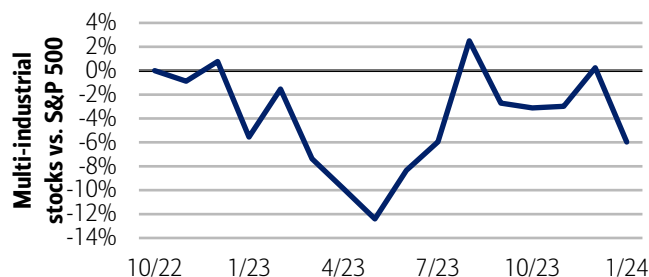
What have multi-industrials stocks done already?

Given the unique nature of this cycle, we also look at what this same collection of long-lived multi-industrial stocks has done since the US manufacturing PMI turned below 50 in November 2022.

On a relative basis, multi-industrial stocks have underperformed the S&P 500 by (6)% over the past 15 months. On an absolute basis, multi-industrial stock have risen 21% over the past 15 months.

Exhibit 5: Multi-industrials relative performance since PMI turned <50

(6)% 15-month share relative price performance to S&P 500



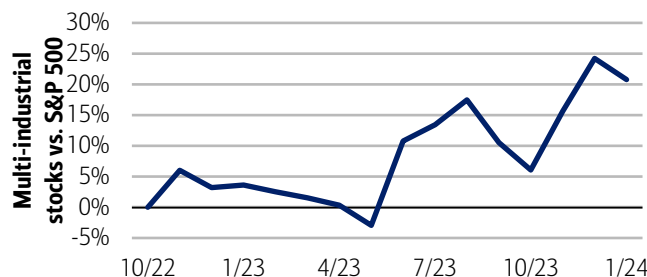
Source: BofA Global Research, Bloomberg

Note: Multi-industrial is a simple average of ETN, EMR, GE, HON, PH, and MMM share prices.

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Exhibit 6: Multi-industrials absolute performance since PMI turned <50

21% 15-month share price performance



Source: BofA Global Research, Bloomberg

Note: Multi-industrial is a simple average of ETN, EMR, GE, HON, PH, and MMM share prices.

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US manufacturing PMI comes in at 49.1

The US manufacturing PMI for January was 49.1. This is up from December at 47.1. The ISM calculates the “headline” PMI using an equal-weighted average of five series: new orders, production, employment, inventories, and supplier deliveries. While the ISM’s Report on Business also has indexes for prices, customers’ inventories, backlog, exports, and imports these do not factor into the headline PMI.

Lead times dropped below 80 for the first time since March 2021. We believe this is putting additional impact on the index given the impact of lead times on orders and inventories. Better lead times mean companies need to carry less buffer stock, which leads to lower orders.

Exhibit 7: “Headline” manufacturing PMI components & weightings

While the ISM Report on Business has other readings – only these five go into the headline PMI

| Weight | Sub-index | Description |
|--------|---------------------|--|
| 20% | New Orders | m/m change in units orders (not dollars) |
| 20% | Production | m/m change in units produced (not dollars) |
| 20% | Employment | m/m change in employment levels (not payroll dollars) |
| 20% | Supplier deliveries | m/m change in supplier delivery times (lead times + transportation time) |
| 20% | Inventories | m/m change in units of manufacturers’ own inventory |

Source: Institute for Supply Management, BofA Global Research

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Below are the TTM readings for the headline PMI and components. In January, Employment, supplier deliveries, and inventories were below 50. New orders were above 50 for the first time since August 2022.

The industries that reported month-over-month growth in production are: Apparel, Leather & Allied Products; Paper Products; Primary Metals; and Transportation Equipment. The eleven industries that reported a decrease in production in January are: Wood Products; Petroleum & Coal Products; Nonmetallic Mineral Products; Textile Mills; Plastics & Rubber Products; Machinery; Furniture & Related Products; Fabricated Metal Products; Computer & Electronic Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products.

Exhibit 8: TTM US manufacturing PMI components

New orders went above 50 in January

| | New orders | Production | Employment | Supplier deliveries | Inventories | Manufacturing PMI |
|-----------|------------|------------|------------|---------------------|-------------|-------------------|
| 2/28/2023 | 47.0 | 47.6 | 48.8 | 45.2 | 49.9 | 47.7 |
| 3/31/2023 | 44.6 | 48.0 | 47.8 | 44.8 | 47.6 | 46.5 |
| 4/30/2023 | 45.5 | 48.7 | 49.4 | 44.6 | 46.6 | 47.0 |
| 5/31/2023 | 42.9 | 50.5 | 50.3 | 43.5 | 45.8 | 46.6 |
| 6/30/2023 | 45.7 | 47.1 | 49.1 | 45.7 | 44.5 | 46.4 |
| 7/31/2023 | 47.0 | 48.4 | 45.0 | 46.1 | 45.8 | 46.5 |

Exhibit 8: TTM US manufacturing PMI components

New orders went above 50 in January

| | New orders | Production | Employment | Supplier deliveries | Inventories | Manufacturing PMI |
|------------|------------|------------|------------|---------------------|-------------|-------------------|
| 8/31/2023 | 46.4 | 49.9 | 48.6 | 48.6 | 44.3 | 47.6 |
| 9/30/2023 | 48.6 | 51.9 | 50.9 | 46.4 | 45.4 | 48.6 |
| 10/31/2023 | 46.2 | 50.0 | 47.1 | 47.7 | 43.6 | 46.9 |
| 11/30/2023 | 47.8 | 48.8 | 46.1 | 46.2 | 44.3 | 46.6 |
| 12/31/2023 | 47.0 | 49.9 | 47.5 | 47.0 | 43.9 | 47.1 |
| 1/31/2024 | 52.5 | 50.4 | 47.1 | 49.1 | 46.2 | 49.1 |

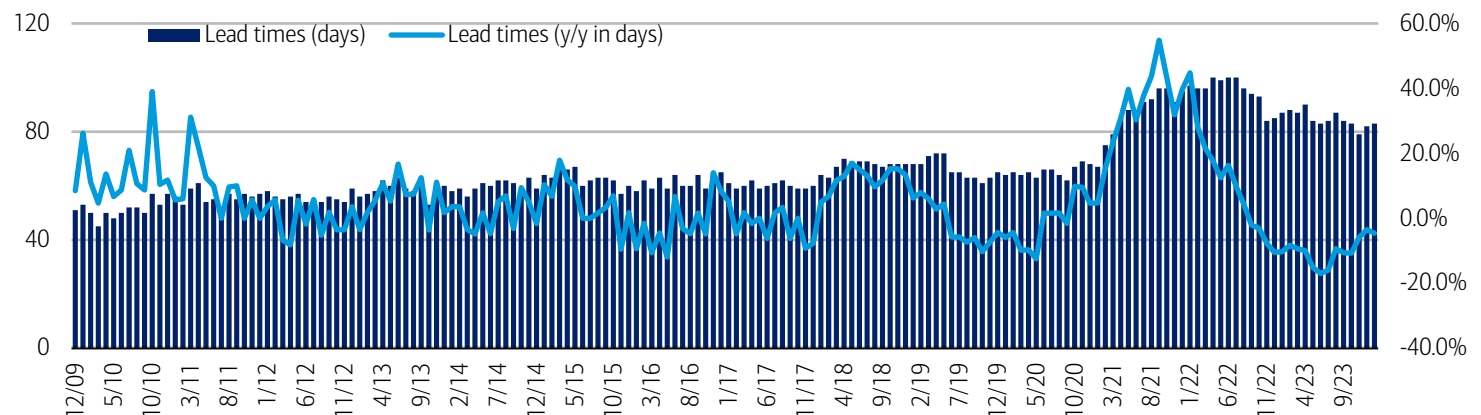
Source: Institute for Supply Management, BofA Global Research

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Supplier deliveries and lead times ticked up sequentially in January. Lead times for production materials are back above 80 days after following below 80 days in November for the first time since March 2021. Lead times remain elevated relative to pre-COVID averages of ~62 levels, but below pre-COVID averages than 100 day peaks.

Exhibit 9: Lead times for production materials, days

Lead times remain elevated versus history

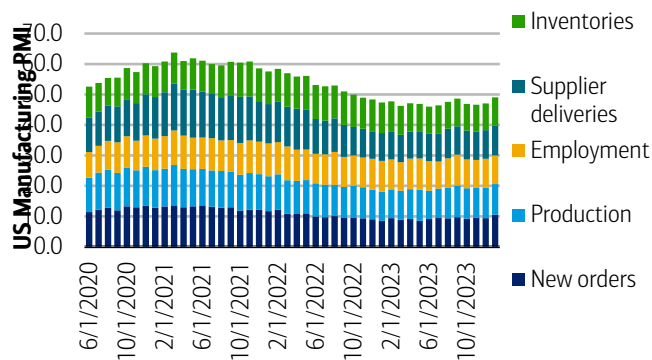


Source: Institute for Supply Management, BofA Global Research

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Exhibit 10: US manufacturing PMI was at 49.1 in January

Components of US manufacturing PMI

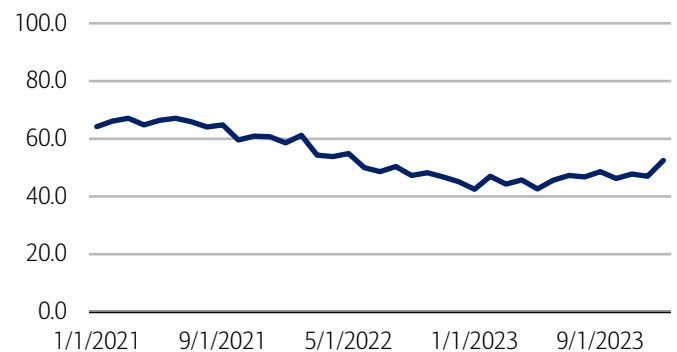


Source: Institute for Supply Management, BofA Global Research

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Exhibit 11: New Orders came in at 52.5 in January

ISM New Orders, 1/21 to 1/24



Source: Institute for Supply Management, BofA Global Research

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Upcoming events

| Monday February | Tuesday | Wednesday | Thursday | Friday |
|--------------------|--------------------|---|-------------------|--------|
| 12 | | RUSHA 4Q23 earnings ATMU 4Q23 Earnings | VNT 4Q23 Earnings | 16 |
| 19 | ALLE 4Q23 Earnings | JBT 4Q23 Earnings FLS 4Q23 Earnings VRT 4Q23 Earnings | 22 | 23 |
| 26 | 27 | APG 4Q23 Earnings | 29 | 1 |
| March | | | | |
| 4 | 5 | 6 | 7 | 8 |

Exhibit 12: BofA Global Research Reports

Reports published week ending February 16, 2024

Title: Subtitle

[Vertiv: 4Q23 preview: orders, AI, and capacity in focus](#)

[Rush: 4Q23 earnings: better truck sales and cost control drive the beat](#)

[Atmus Filtration: Beat & raise 4Q23 as exchange offer launched](#)

[Industrials/Multi-Industry: Multi-industrial Question Bank: A Guide for the Perplexed](#)

Source: BofA Global Research

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Date Published

13 February 2024

14 February 2024

15 February 2024

15 February 2024

Valuation metrics

Exhibit 13: 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 | \$92.38 | \$110 | -3.6% | -4.5% | 1.4% | 21.1% | 20.3% | 21.5% | -6.4% | -7.4% | 14.4% |
| Allegion | ALLE | \$133.31 | \$95 | 14.1% | 11.5% | 3.5% | 20.2% | 21.9% | 20.7% | 9.9% | 14.4% | -1.5% |
| AMETEK | AME | \$173.74 | \$182 | 10.9% | 7.3% | 12.0% | 24.4% | 25.9% | 25.3% | 17.1% | 11.5% | 7.7% |
| Carrier | CARR | \$56.05 | \$55 | -0.9% | 8.2% | 17.8% | 14.2% | 14.5% | 15.2% | 3.1% | 15.4% | 11.3% |
| Core & Main | CNM | \$44.59 | \$28 | 32.9% | 1.1% | 2.3% | 11.7% | 11.0% | 10.2% | N/M | 0.4% | 0.0% |
| Dover | DOV | \$162.64 | \$180 | 7.6% | -0.8% | 2.0% | 16.9% | 17.2% | 18.0% | 10.7% | 4.2% | 3.7% |
| Eaton | ETN | \$275.79 | \$300 | 5.7% | 11.8% | 7.4% | 14.7% | 17.0% | 17.9% | 12.0% | 21.6% | 9.2% |
| Emerson | EMR | \$105.71 | \$120 | -17.4% | 11.3% | 12.5% | 18.9% | 18.8% | 18.6% | -10.5% | 20.7% | 15.5% |
| Flowserve | FLS | \$42.98 | \$44 | 2.1% | 18.8% | 5.2% | 6.2% | 9.6% | 10.6% | -20.6% | N/M | 20.4% |
| Fortive | FTV | \$84.61 | \$85 | 10.9% | 4.1% | 6.5% | 24.3% | 25.9% | 27.0% | 14.6% | 7.1% | 4.2% |
| General Electric | GE | \$148.37 | \$162 | 3.0% | -14.4% | 0.0% | 7.9% | 8.6% | 8.6% | 23.3% | 1.7% | 59.2% |
| Honeywell | HON | \$197.95 | \$250 | 3.1% | 3.4% | 5.5% | 22.0% | 23.2% | 23.8% | 8.8% | 4.8% | 9.8% |
| Illinois Tool Works | ITW | \$256.83 | \$235 | 10.2% | 1.1% | 3.2% | 23.8% | 25.1% | 24.7% | 14.7% | -0.2% | 2.9% |
| ITT | ITT | \$124.92 | \$135 | 8.1% | 9.9% | 11.6% | 15.9% | 16.9% | 17.6% | 9.5% | 17.5% | 16.2% |
| John Bean Technologies | JBT | \$105.05 | \$85 | 15.9% | -23.1% | 6.6% | 9.2% | 10.6% | 11.0% | 25.0% | -15.8% | 14.8% |
| Johnson Controls International | JCI | \$57.40 | \$60 | 6.4% | 6.2% | 4.6% | 11.6% | 12.6% | 13.4% | 12.3% | 18.6% | 13.6% |
| Montrose Environmental Group | MEG | \$34.40 | \$40 | -0.4% | 15.2% | 10.8% | -5.1% | -3.3% | 0.7% | N/M | N/M | N/M |
| Parker Hannifin | PH | \$521.87 | \$600 | 15.1% | 12.9% | 5.0% | 19.7% | 21.8% | 21.9% | 19.8% | 11.9% | 9.0% |
| Pentair | PNR | \$75.43 | \$76 | 9.5% | -0.4% | 2.5% | 18.6% | 20.8% | 22.3% | 8.2% | 1.2% | 9.0% |
| Rockwell | ROK | \$281.38 | \$300 | 12.5% | 13.8% | 5.9% | 17.1% | 17.6% | 19.7% | 7.5% | 22.4% | 10.2% |
| Trane Technologies | TT | \$272.96 | \$282 | 13.1% | 10.5% | 7.1% | 14.9% | 16.3% | 16.7% | 21.2% | 19.3% | 10.8% |
| Vontier | VNT | \$38.63 | \$48 | 6.5% | -2.8% | 0.7% | 20.0% | 18.8% | 20.1% | 7.0% | -7.1% | 6.8% |
| Vertiv | VRT | \$62.84 | \$72 | 13.9% | 21.1% | 11.1% | 3.9% | 12.6% | 15.4% | -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% | 5.1% | 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 14: 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 | 9.4 x | 10.1 x | 8.8 x | 15.7 x | 13.6 x | 10.1 x | 16.6 x | 7.3 x | 7.5 x | 7.1 x | 6.5% | 6.5% | 6.5% |
| Allegion | ALLE | 22.3 x | 19.5 x | 19.8 x | 17.7 x | 29.8 x | 22.4 x | 19.7 x | 18.8 x | 15.6 x | 15.5 x | 1.2% | 1.4% | 1.4% |
| AMETEK | AME | NM | 27.4 x | 25.5 x | 17.9 x | 39.8 x | 25.2 x | 25.1 x | 23.1 x | 21.3 x | 18.6 x | 0.5% | 0.6% | 0.6% |
| Carrier | CARR | 23.9 x | 20.7 x | 18.6 x | N/A | 34.7 x | 22.4 x | NM | 16.6 x | 14.4 x | 14.1 x | 1.1% | 1.3% | 1.4% |
| Core & Main | CNM | 20.5 x | 20.5 x | 20.5 x | N/A | 29.2 x | 10.3 x | 17.8 x | 13.7 x | 12.4 x | 12.0 x | 0.0% | 0.0% | 0.0% |
| Dover | DOV | 19.3 x | 18.5 x | 17.8 x | 13.4 x | 39.9 x | 20.0 x | 18.1 x | 15.3 x | 14.6 x | 13.0 x | 1.2% | 1.2% | 1.3% |
| Eaton | ETN | NM | NM | 28.0 x | 12.0 x | NM | 38.6 x | 32.3 x | 29.6 x | 24.3 x | 21.8 x | 1.2% | 1.2% | 1.3% |
| Emerson | EMR | 27.5 x | 22.8 x | 19.7 x | 16.8 x | 30.4 x | 27.5 x | 22.1 x | 20.1 x | 15.0 x | 14.8 x | 1.9% | 2.0% | 2.0% |
| Flowserve | FLS | NM | 21.5 x | 17.9 x | 16.3 x | NM | NM | 24.5 x | 20.7 x | 12.9 x | 11.1 x | 1.9% | 1.9% | 1.9% |
| Fortive | FTV | 26.8 x | 25.1 x | 24.1 x | 20.4 x | 25.2 x | 24.2 x | 22.3 x | 22.0 x | 19.3 x | 17.7 x | 0.3% | 0.3% | 0.4% |
| General Electric | GE | NM | NM | NM | 2.1 x | 34.3 x | 32.0 x | 32.0 x | 20.9 x | 23.5 x | 23.7 x | 0.2% | 0.2% | 0.2% |
| Honeywell | HON | 22.6 x | 21.6 x | 19.6 x | 15.2 x | 30.0 x | 30.3 x | 22.4 x | 16.0 x | 14.5 x | 13.0 x | 2.0% | 2.1% | 2.2% |
| Illinois Tool Works | ITW | 26.3 x | 26.3 x | 25.6 x | 0.0 x | NM | 25.3 x | 24.7 x | 20.7 x | 19.1 x | 18.4 x | 2.0% | 2.1% | 2.3% |
| ITT | ITT | 28.1 x | 24.0 x | 20.6 x | 14.4 x | NM | 24.0 x | 23.0 x | 17.8 x | 15.4 x | 13.0 x | 0.8% | 0.9% | 1.0% |
| John Bean Technologies | JBT | 21.9 x | 26.1 x | 22.7 x | 16.0 x | NM | 29.7 x | 26.4 x | 15.2 x | 13.2 x | 12.1 x | 0.4% | 0.4% | 0.4% |
| Johnson Controls International | JCI | 18.5 x | 15.6 x | 13.7 x | N/A | 27.3 x | 21.0 x | 15.3 x | 12.3 x | 11.4 x | 10.3 x | 2.4% | 2.5% | 2.6% |
| Montrose Environmental Group | MEG | NM | NM | NM | N/A | NM | 21.5 x | 16.2 x | NM | 42.2 x | 30.3 x | 0.0% | 0.0% | 0.0% |
| Parker Hannifin | PH | 26.1 x | 23.3 x | 21.4 x | 15.1 x | 30.8 x | 26.1 x | 19.9 x | 0.0 x | 8.6 x | 13.5 x | 0.8% | 0.0% | 0.0% |
| Pentair | PNR | 20.5 x | 20.2 x | 18.6 x | 17.8 x | NM | 20.9 x | 18.9 x | 17.9 x | 15.7 x | 14.0 x | 1.1% | 1.2% | 1.2% |
| Rockwell | ROK | 27.7 x | 22.6 x | 20.5 x | N/A | NM | NM | 20.6 x | 22.3 x | 18.5 x | 15.6 x | 1.6% | 1.7% | 1.8% |
| Trane Technologies | TT | NM | NM | 28.0 x | 14.0 x | NM | NM | NM | 25.1 x | 21.6 x | 19.7 x | 1.0% | 1.1% | 1.2% |
| Vontier | VNT | 12.5 x | 13.5 x | 12.6 x | N/A | 23.8 x | 15.3 x | 12.5 x | 11.4 x | 11.3 x | 10.6 x | 0.3% | 0.3% | 0.3% |
| Vertiv | VRT | NM | NM | 27.9 x | N/A | NM | 38.2 x | 31.5 x | NM | 23.5 x | 18.5 x | 0.0% | 0.0% | 0.2% |
| AVERAGE | | 21.8 x | 21.0 x | 20.6 x | 13.9 x | 29.9 x | 24.1 x | 22.0 x | 17.3 x | 17.3 x | 15.6 x | 1.2% | 1.2% | 1.3% |
| MEDIAN | | 22.3 x | 21.5 x | 20.5 x | 15.2 x | 29.9 x | 24.0 x | 21.4 x | 17.9 x | 15.5 x | 14.1 x | 1.0% | 1.1% | 1.2% |

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

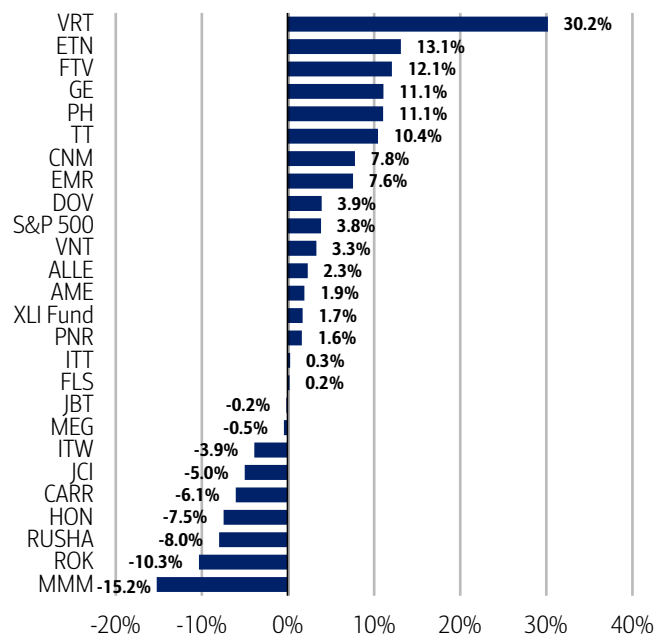
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Stock performance

Exhibit 15: YTD Stock Performance

VRT is the best YTD stock performer

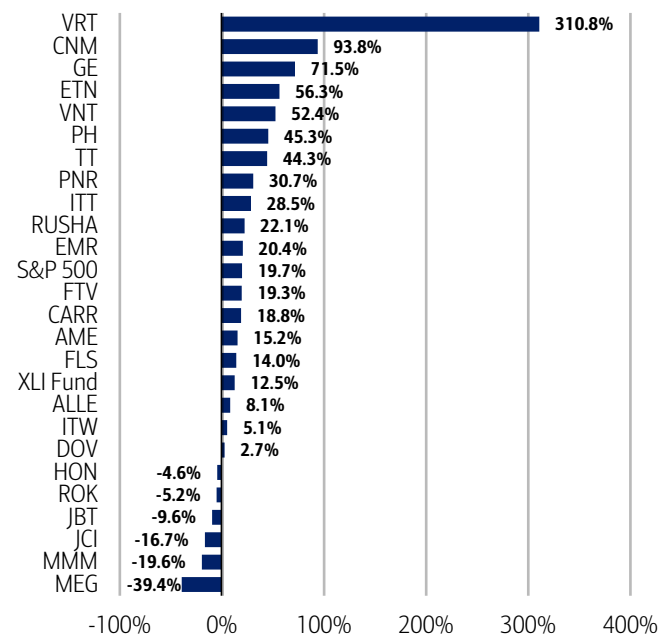


Source: BofA Global Research, Bloomberg

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Exhibit 16: 1-Year Stock Performance

VRT is the best 1-year stock performer

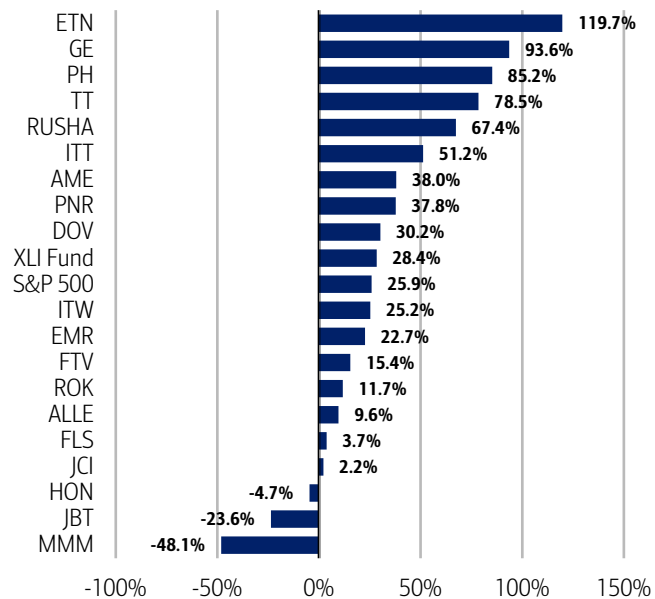


Source: BofA Global Research, Bloomberg

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Exhibit 17: 3-Years Stock Performance

ETN is the best 3-year stock performer

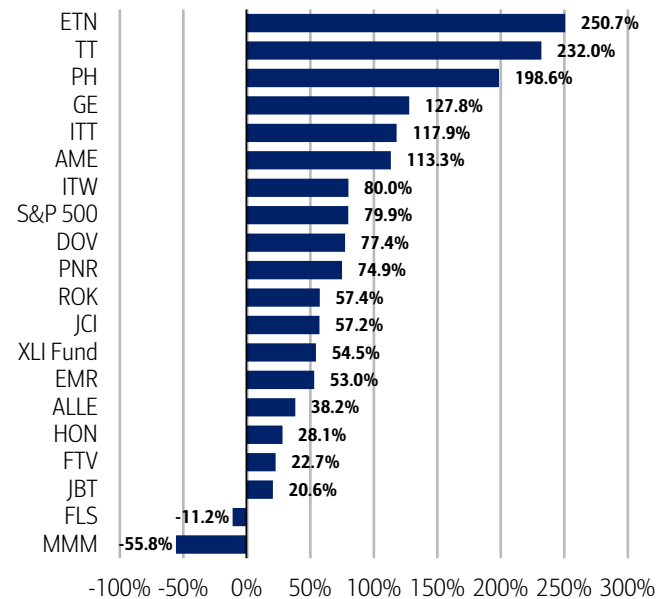


Source: BofA Global Research, Bloomberg

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Exhibit 18: 5-Years Stock Performance

ETN is the best 5-year stock performer



Source: BofA Global Research, Bloomberg

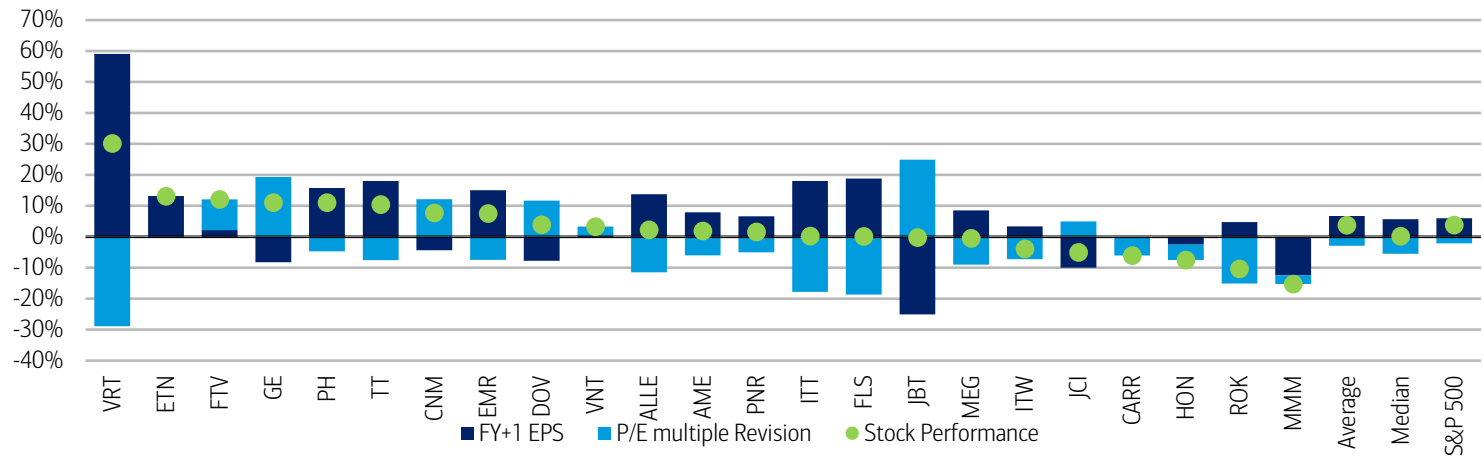
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YTD stock performance attribution

Year-to-date, stock performance across our coverage (up 3% on a median basis) has been driven more by multiple expansion than earnings revisions.

Exhibit 19: Stock performance attribution (P/E multiple revision vs. '23 EPS revision)

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

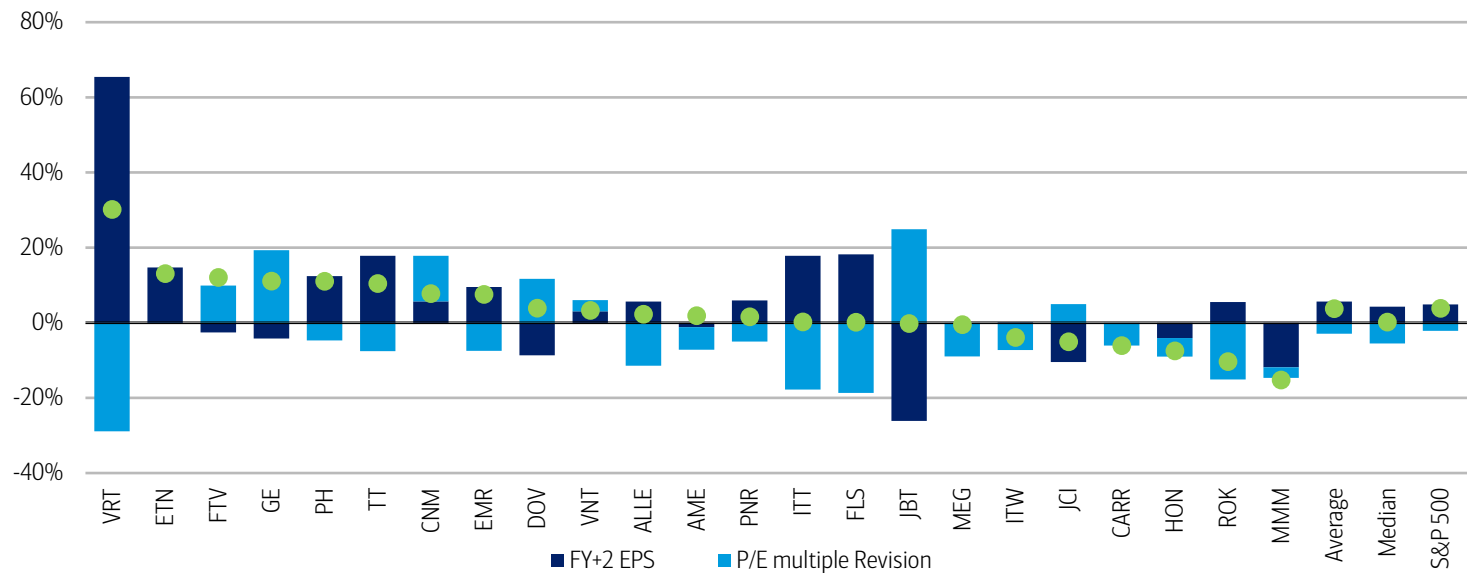


Source: BofA Global Research, Bloomberg

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Exhibit 20: Stock performance attribution (P/E multiple revision vs. '23 EPS revision)

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



Source: BofA Global Research, Bloomberg

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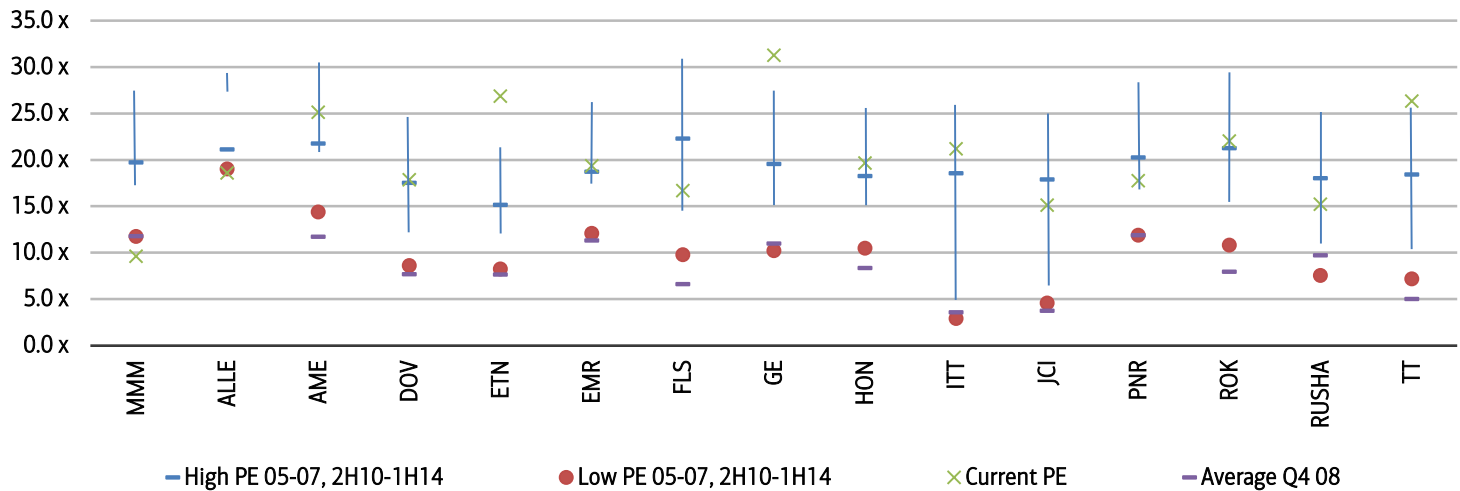
Current valuation vs. historical

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

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

Exhibit 21: Multi-industrial coverage stocks consensus PE ranges – current vs. range since 2005 vs. pre-financial crisis vs. Q4 2008

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



Source: BofA Global Research estimates, Factset

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

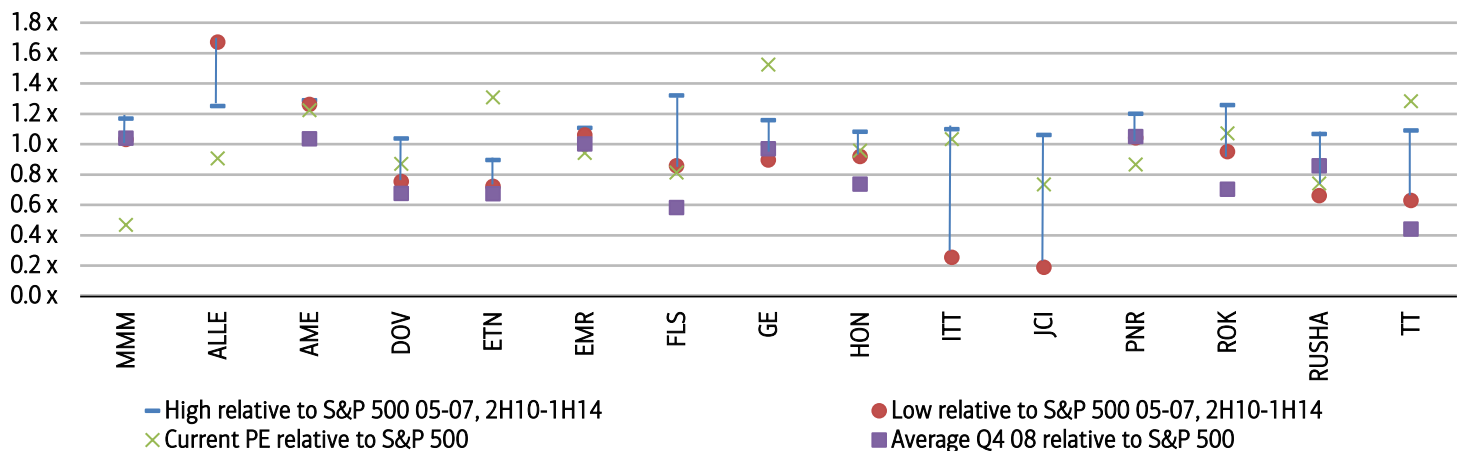
*Current PE based on Bloomberg consensus estimate

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

Exhibit 22: Multis coverage stocks consensus PE ranges relative to S&P 500 – current vs. range since 2005 vs. pre-financial crisis vs. Q4 2008

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



Source: BofA Global Research estimates, Factset

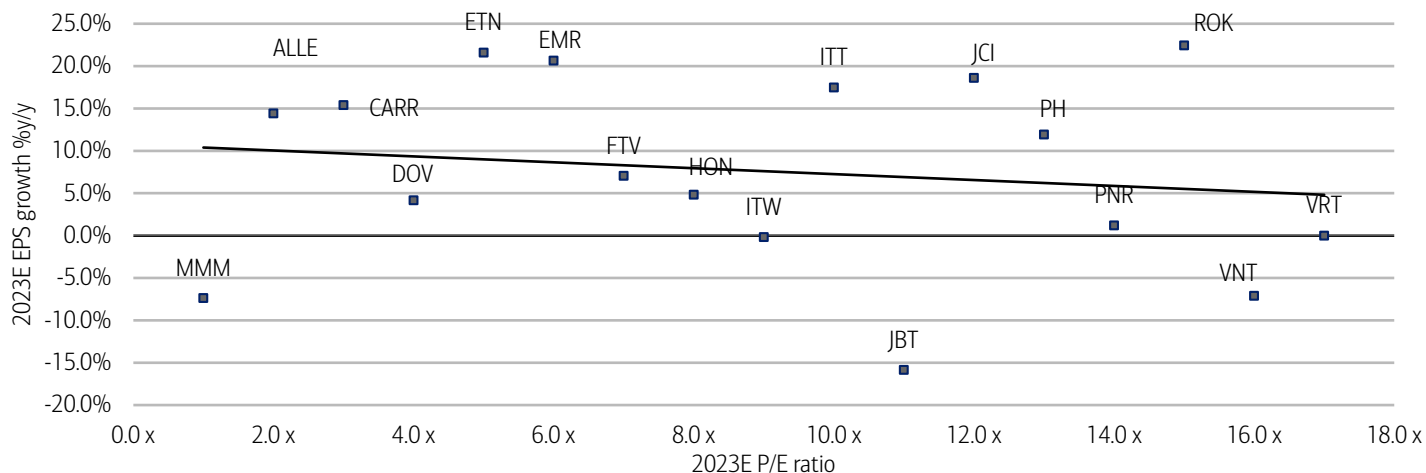
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Multi-industrial valuation charts

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

Exhibit 23: Headline P/E ratio (BofA estimates) versus 2023 EPS forecast growth (BofA)

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

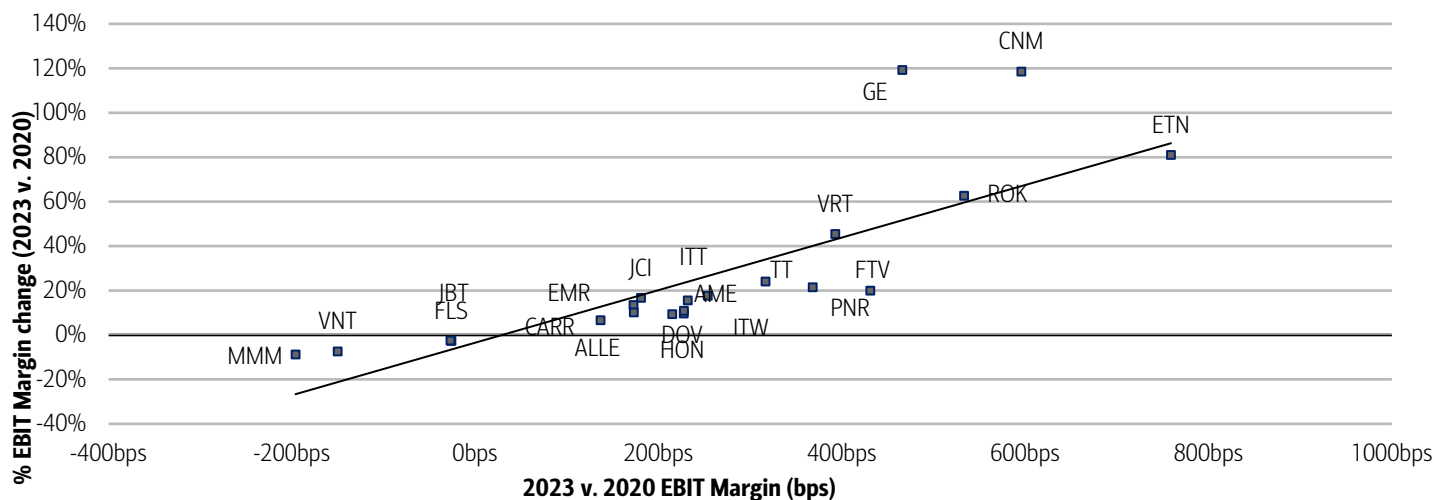


Source: BofA Global Research estimates

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Exhibit 24: 2023 vs. 2020 EBIT margin expansion

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

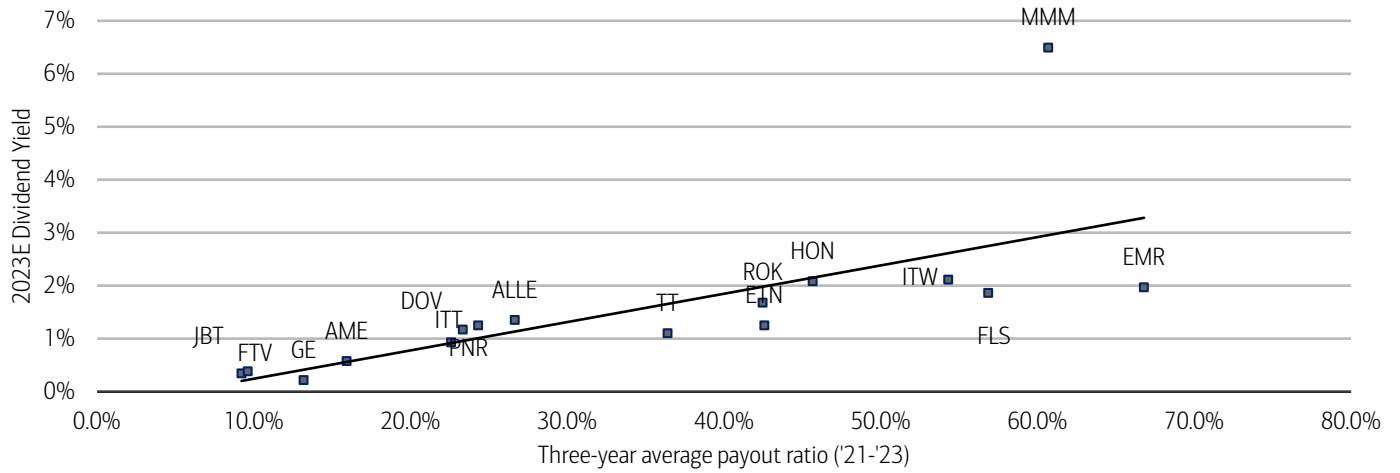


Source: BofA Global Research estimates

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Exhibit 25: 2023 Dividend yield forecast (BofA estimates) versus three-year average payout ratio ('20-'23)

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



Source: BofA Global Research estimates

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Exhibit 26: Multi-industrial summary Net Debt/EBITDA

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

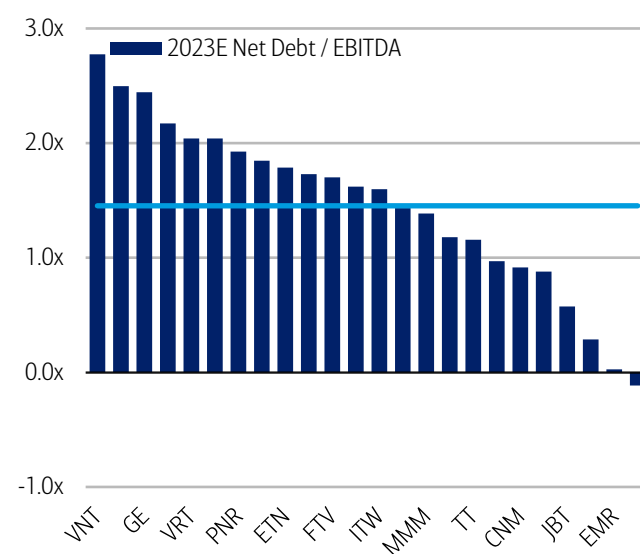
| Company | S&P credit rating | 2022 | 2023E | 2024E |
|-------------------------|-------------------|-------------|-------------|-------------|
| MMM | BBB+ * | 1.4x | 1.4x | 1.3x |
| ALLE | BBB | 2.5x | 1.8x | 1.6x |
| AME | BBB+ | 1.1x | 1.4x | 0.7x |
| CARR | BBB | 1.7x | 1.2x | 2.5x |
| CNM | | 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- | 2.5x | 1.6x | 1.2x |
| FTV | BBB | 1.7x | 1.7x | 1.7x |
| GE | BBB+ | 4.1x | 2.4x | 2.4x |
| HON | A | 1.0x | 0.9x | 0.5x |
| ITW | A+ | 1.7x | 1.6x | 1.6x |
| ITT | BBB | -0.2x | -0.1x | -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 | 1.9x | 1.2x |
| 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 27: 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 28: 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% | 87.0% | 102.0% |
| 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% | 31.3% | 72.6% |
| 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% | 87.8% | 85.8% |
| Johnson Controls International | JCI | 5.2% | 6.7% | 8.5% | 9.0% | 10.5% | 13.0% | 68.2% | 74.8% | 90.0% |
| Montrose Environmental Group | MEG | -2.6% | -0.1% | 2.7% | -5.5% | -0.1% | 4.7% | NM | NM | 0.0% |
| Parker Hannifin | PH | 13.5% | 0.0% | 0.0% | 22.2% | 24.9% | 30.1% | 85.0% | 0.0% | 123.7% |
| Pentair | PNR | 14.4% | 13.4% | 14.0% | 33.4% | 33.9% | 33.0% | 46.4% | 96.2% | 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% | 130.5% | 109.1% |
| AVERAGE | | 11.9% | 12.3% | 11.9% | 18.8% | 20.0% | 20.1% | 142.9% | 92.3% | 88.2% |
| MEDIAN | | 12.9% | 12.2% | 12.6% | 19.8% | 19.3% | 20.6% | 69.7% | 91.8% | 96.2% |

Source: Company Reports, BofA Global Research estimates, Bloomberg

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Exhibit 29: Multi-Industrial summary valuation metrics

Summary valuation metrics

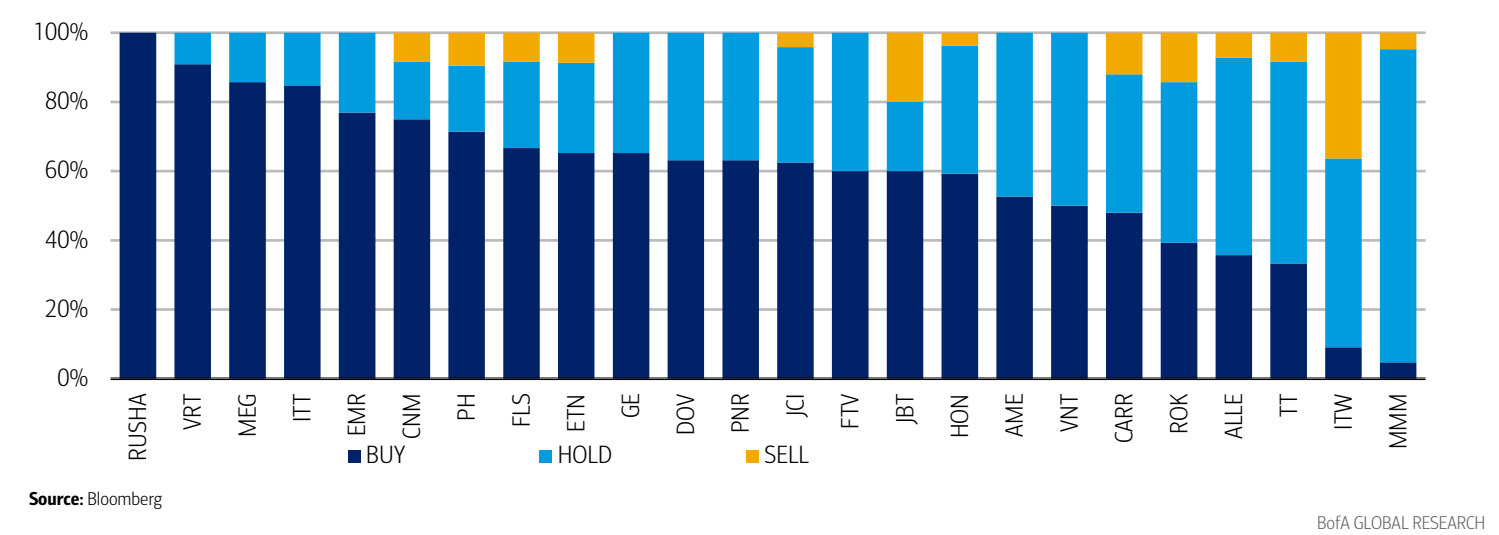
| | BofA Rating | Ratings | | | BofA | FY+1 EPS | | | BofA | FY+2 EPS | | |
|--------------------------------|--------------|---------|---------|-----|---------|-----------|---------|---------|---------|-----------|---------|---------|
| | | Buy | Neutral | U/P | | Consensus | Low | High | | Consensus | Low | High |
| 3M | Neutral | 1 | 19 | 1 | \$9.24 | \$9.12 | \$9.01 | \$9.20 | \$9.60 | \$9.53 | \$9.16 | \$9.73 |
| Allegion | Underperform | 5 | 8 | 1 | \$6.85 | \$6.87 | \$6.80 | \$6.90 | \$6.62 | \$7.10 | \$6.77 | \$7.41 |
| AMETEK | Neutral | 10 | 9 | 0 | \$6.38 | \$6.34 | \$6.31 | \$6.38 | \$6.82 | \$6.83 | \$6.58 | \$6.93 |
| Carrier | Underperform | 12 | 10 | 3 | \$2.73 | \$2.72 | \$2.69 | \$2.79 | \$2.75 | \$2.85 | \$2.70 | \$3.00 |
| Core & Main | Underperform | 9 | 2 | 1 | \$2.19 | \$2.12 | \$1.85 | \$2.24 | \$2.30 | \$2.26 | \$1.95 | \$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 | 15 | 6 | 2 | \$9.12 | \$9.04 | \$9.00 | \$9.08 | \$10.15 | \$10.13 | \$9.02 | \$10.45 |
| Emerson | Buy | 20 | 6 | 0 | \$4.44 | \$4.46 | \$4.43 | \$4.52 | \$5.36 | \$5.36 | \$5.20 | \$5.45 |
| Flowserve | Buy | 8 | 3 | 1 | \$2.00 | \$2.02 | \$1.99 | \$2.06 | \$2.41 | \$2.53 | \$2.41 | \$2.67 |
| Fortive | Neutral | 12 | 8 | 0 | \$3.43 | \$3.39 | \$3.37 | \$3.41 | \$3.75 | \$3.79 | \$3.75 | \$3.82 |
| General Electric | Buy | 15 | 8 | 0 | \$2.81 | \$2.66 | \$2.56 | \$2.75 | \$4.36 | \$4.57 | \$4.36 | \$4.90 |
| Honeywell | Buy | 16 | 10 | 1 | \$9.16 | \$9.16 | \$9.11 | \$9.20 | \$10.10 | \$9.96 | \$9.71 | \$10.10 |
| Illinois Tool Works | Underperform | 2 | 12 | 8 | \$9.74 | \$9.77 | \$9.65 | \$9.93 | \$9.87 | \$10.17 | \$9.87 | \$10.58 |
| ITT | Buy | 11 | 2 | 0 | \$5.21 | \$5.21 | \$5.20 | \$5.23 | \$5.90 | \$5.80 | \$5.65 | \$6.02 |
| John Bean Technologies | Underperform | 3 | 1 | 1 | \$4.03 | \$4.03 | \$4.00 | \$4.07 | \$4.63 | \$4.72 | \$4.63 | \$4.88 |
| Johnson Controls International | Neutral | 15 | 8 | 1 | \$3.50 | \$3.55 | \$3.51 | \$3.67 | \$3.66 | \$3.61 | \$3.52 | \$3.67 |
| Montrose Environmental Group | Buy | 6 | 1 | 0 | -\$1.59 | -\$0.51 | -\$1.61 | \$0.42 | -\$0.44 | \$0.17 | -\$0.74 | \$0.75 |
| Parker Hannifin | Buy | 15 | 4 | 2 | \$21.55 | \$20.84 | \$19.24 | \$21.14 | \$24.50 | \$24.15 | \$20.84 | \$24.50 |
| 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 | \$12.29 | \$11.10 | \$13.38 |
| Trane Technologies | Neutral | 8 | 14 | 2 | \$9.04 | \$9.01 | \$8.98 | \$9.15 | \$10.21 | \$10.22 | \$10.08 | \$10.52 |
| Vontier | Buy | 6 | 6 | 0 | \$2.89 | \$2.83 | \$2.48 | \$2.88 | \$3.15 | \$3.07 | \$2.72 | \$3.15 |
| Vertiv | Buy | 10 | 1 | 0 | \$1.77 | \$1.75 | \$1.72 | \$1.77 | \$2.34 | \$2.25 | \$2.15 | \$2.34 |

Source: Company Reports, BofA Global Research estimates, Bloomberg

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Exhibit 30: Sell side stock ratings of BUY/HOLD/SELL
Over half of our coverage has a consensus Buy rating

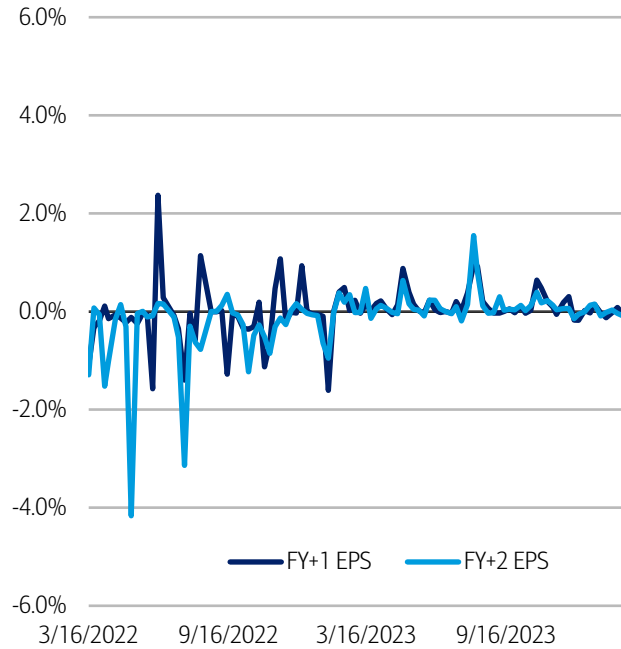


Consensus revision tracker

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

Exhibit 31: Bloomberg consensus revisions vs. 1 week ago

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

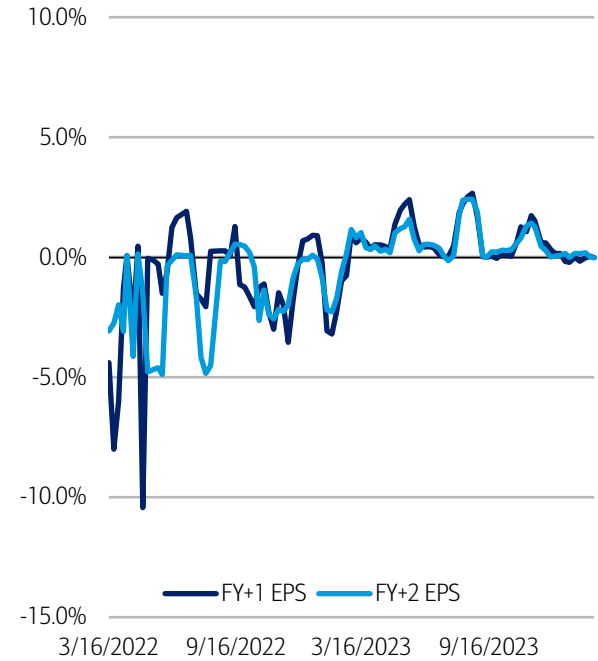


Source: Bloomberg

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Exhibit 32: Bloomberg consensus revisions vs. 1 month ago

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



Source: Bloomberg

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Exhibit 33: Changes to consensus EPS estimates versus a week ago

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

| Ticker | Current Quarter EPS | | | FY+1 EPS | | | FY+2 EPS | | |
|----------------|---------------------|------------|-------------|--------------|------------|-------------|--------------|------------|--------------|
| | Current | 1 Week Ago | % Revision | Current Est. | 1 Week Ago | % Revision | Current Est. | 1 Week Ago | % Revision |
| ALLE | \$1.58 | \$1.58 | -0.2% | \$6.87 | \$6.87 | 0.00% | \$7.10 | \$7.10 | 0.00% |
| AME | \$1.59 | \$1.59 | 0.1% | \$6.83 | \$6.83 | 0.00% | \$7.51 | \$7.51 | 0.00% |
| CARR | \$0.51 | \$0.51 | 0.6% | \$2.85 | \$2.85 | 0.00% | \$3.09 | \$3.09 | 0.00% |
| CNM | \$0.33 | \$0.33 | 1.2% | \$2.26 | \$2.22 | 1.80% | \$2.42 | \$2.42 | 0.00% |
| DOV | \$1.94 | \$1.95 | -0.3% | \$9.01 | \$9.00 | 0.11% | \$9.80 | \$9.80 | 0.00% |
| EMR | \$1.25 | \$1.24 | 0.5% | \$5.36 | \$5.36 | 0.00% | \$5.63 | \$5.66 | -0.53% |
| ETN | \$2.26 | \$2.26 | -0.1% | \$10.13 | \$10.12 | 0.10% | \$11.22 | \$11.22 | 0.00% |
| FLS | \$0.60 | \$0.60 | -0.2% | \$2.02 | \$2.02 | 0.00% | \$2.53 | \$2.53 | 0.00% |
| FTV | \$0.79 | \$0.79 | -0.5% | \$3.79 | \$3.78 | 0.26% | \$4.14 | \$4.14 | 0.00% |
| GE | \$0.64 | \$0.64 | 0.5% | \$4.57 | \$4.57 | 0.00% | \$5.97 | \$5.97 | 0.00% |
| HON | \$2.18 | \$2.19 | -0.3% | \$9.96 | \$9.97 | -0.10% | \$10.89 | \$10.91 | -0.18% |
| ITT | \$1.36 | \$1.38 | -1.4% | \$5.80 | \$5.86 | -1.02% | \$6.54 | \$6.52 | 0.31% |
| ITW | \$2.36 | \$2.36 | -0.1% | \$10.17 | \$10.16 | 0.10% | \$10.97 | \$10.96 | 0.09% |
| JBT | \$1.36 | \$1.36 | 0.0% | \$4.03 | \$4.03 | 0.00% | \$4.72 | \$4.72 | 0.00% |
| JCI | \$0.75 | \$0.75 | -0.4% | \$3.61 | \$3.61 | 0.00% | \$4.12 | \$4.12 | 0.00% |
| MEG | \$0.01 | \$0.01 | 42.9% | (\$0.51) | (\$0.51) | 0.00% | \$0.17 | \$0.17 | 0.00% |
| MMM | \$2.08 | \$2.09 | -0.3% | \$9.53 | \$9.58 | -0.52% | \$10.20 | \$10.26 | -0.58% |
| PH | \$6.12 | \$6.12 | 0.1% | \$24.15 | \$24.32 | -0.70% | \$25.84 | \$26.02 | -0.69% |
| PNR | \$0.90 | \$0.90 | -0.2% | \$4.19 | \$4.19 | 0.00% | \$4.65 | \$4.65 | 0.00% |
| ROK | \$2.23 | \$2.36 | -5.5% | \$12.29 | \$12.38 | -0.73% | \$13.61 | \$13.66 | -0.37% |
| RUSHA | \$0.81 | \$0.74 | 10.2% | \$3.12 | \$3.12 | 0.00% | \$3.50 | \$3.50 | 0.00% |
| TT | \$1.63 | \$1.63 | -0.2% | \$10.22 | \$10.20 | 0.20% | \$11.37 | \$11.34 | 0.26% |
| VNT | \$0.66 | \$0.66 | 0.5% | \$3.07 | \$3.07 | 0.00% | \$3.38 | \$3.40 | -0.59% |
| VRT | \$0.53 | \$0.53 | 0.0% | \$1.75 | \$1.75 | 0.00% | \$2.25 | \$2.24 | 0.45% |
| Average | | | 0.2% | | | 0.0% | | | -0.1% |

Source: Bloomberg

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Since 1 week ago, CNM had the largest positive revision for FY+1 followed by FTV. ITT had the largest negative revision for FY+1 followed by ROK. VRT has had the largest positive revision for FY+2 followed by ITT. PH had the largest negative revision for FY+2 followed by VNT.

Exhibit 34: Changes to consensus EPS estimates versus a month ago

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

| Ticker | Current Quarter EPS | | | FY+1 EPS | | | FY+2 EPS | | |
|----------------|---------------------|-------------|--------------|--------------|-------------|-------------|--------------|-------------|-------------|
| | Current | 1 Month Ago | % Revision | Current Est. | 1 Month Ago | % Revision | Current Est. | 1 Month Ago | % Revision |
| ALLE | \$1.58 | \$1.58 | 0.0% | \$6.87 | \$6.86 | 0.1% | \$7.10 | \$7.16 | -0.8% |
| AME | \$1.59 | \$1.57 | 1.3% | \$6.83 | \$6.70 | 1.9% | \$7.51 | \$7.37 | 1.9% |
| CARR | \$0.51 | \$0.56 | -8.9% | \$2.85 | \$2.88 | -1.0% | \$3.09 | \$3.10 | -0.3% |
| CNM | \$0.33 | \$0.37 | -10.8% | \$2.26 | \$2.23 | 1.3% | \$2.42 | \$2.44 | -0.8% |
| DOV | \$1.94 | \$2.10 | -7.6% | \$9.01 | \$9.23 | -2.4% | \$9.80 | \$9.94 | -1.4% |
| EMR | \$1.25 | \$1.25 | 0.0% | \$5.36 | \$5.26 | 1.9% | \$5.63 | \$5.65 | -0.4% |
| ETN | \$2.26 | \$2.13 | 6.1% | \$10.13 | \$9.97 | 1.6% | \$11.22 | \$11.01 | 1.9% |
| FLS | \$0.60 | \$0.60 | 0.0% | \$2.02 | \$2.03 | -0.5% | \$2.53 | \$2.53 | 0.0% |
| FTV | \$0.79 | \$0.82 | -3.7% | \$3.79 | \$3.67 | 3.3% | \$4.14 | \$4.03 | 2.7% |
| GE | \$0.64 | \$0.70 | -8.6% | \$4.57 | \$4.61 | -0.9% | \$5.97 | \$5.99 | -0.3% |
| HON | \$2.18 | \$2.24 | -2.7% | \$9.96 | \$9.97 | -0.1% | \$10.89 | \$10.95 | -0.5% |
| ITT | \$1.36 | \$1.38 | -1.4% | \$5.80 | \$5.88 | -1.4% | \$6.54 | \$6.54 | 0.0% |
| ITW | \$2.36 | \$2.38 | -0.8% | \$10.17 | \$10.17 | 0.0% | \$10.97 | \$10.88 | 0.8% |
| JBT | \$1.36 | \$1.34 | 1.5% | \$4.03 | \$4.04 | -0.2% | \$4.72 | \$4.66 | 1.3% |
| JCI | \$0.75 | \$0.79 | -5.1% | \$3.61 | \$3.68 | -1.9% | \$4.12 | \$4.21 | -2.1% |
| MEG | \$0.01 | (\$0.01) | 200.0% | (\$0.51) | (\$0.81) | 37.0% | \$0.17 | (\$0.05) | 440.0% |
| MMM | \$2.08 | \$2.21 | -5.9% | \$9.53 | \$9.81 | -2.9% | \$10.20 | \$10.49 | -2.8% |
| PH | \$6.12 | \$5.96 | 2.7% | \$24.15 | \$23.29 | 3.7% | \$25.84 | \$25.34 | 2.0% |
| PNR | \$0.90 | \$0.99 | -9.1% | \$4.19 | \$4.19 | 0.0% | \$4.65 | \$4.67 | -0.4% |
| ROK | \$2.23 | \$3.16 | -29.4% | \$12.29 | \$12.86 | -4.4% | \$13.61 | \$14.01 | -2.9% |
| 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 | \$10.01 | 2.1% | \$11.37 | \$11.09 | 2.5% |
| VNT | \$0.66 | \$0.67 | -1.5% | \$3.07 | \$3.09 | -0.6% | \$3.38 | \$3.43 | -1.5% |
| VRT | \$0.53 | \$0.53 | 0.0% | \$1.75 | \$1.75 | 0.0% | \$2.25 | \$2.24 | 0.4% |
| Average | | | -3.2% | | | 0.0% | | | 0.0% |

Source: Bloomberg

BofA GLOBAL RESEARCH

Compared to last month, MEG had the largest positive revision for FY+1, followed by PH. ROK had the largest negative revision for FY+1, followed by MMM. MEG had the largest positive revision for FY+2, followed by FTV. ROK had the largest negative revision for FY+2, followed by MMM.

Revenue breakdown by region

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

Exhibit 35: 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 36: 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 37: Stocks mentioned

Prices and ratings for stocks mentioned in this report

| | Ticker | Rating | Price |
|--------------------------------|---------------|---------------|--------------|
| 3M | MMM | B-2-8 | \$ 92.38 |
| Allegion | ALLE | B-3-7 | \$ 133.31 |
| AMETEK Inc | AME | B-2-7 | \$ 173.74 |
| Carrier | CARR | B-3-7 | \$ 56.05 |
| Core & Main | CNM | B-3-9 | \$ 44.59 |
| Dover | DOV | B-1-7 | \$ 162.64 |
| Eaton Corp. | ETN | B-1-7 | \$ 275.79 |
| Emerson | EMR | B-1-7 | \$ 105.71 |
| Flowserve | FLS | B-1-7 | \$ 42.98 |
| Fortive | FTV | B-2-7 | \$ 84.61 |
| General Electric | GE | B-1-7 | \$ 148.37 |
| Honeywell | HON | B-1-7 | \$ 197.95 |
| Illinois Tool Works | ITW | B-3-7 | \$ 256.83 |
| ITT | ITT | B-1-7 | \$ 124.92 |
| John Bean Technologies | JBT | B-3-7 | \$ 105.05 |
| Johnson Controls International | JCI | B-2-7 | \$ 57.40 |
| Montrose Environmental Group | MEG | C-1-9 | \$ 34.40 |
| Parker Hannifin | PH | B-1-7 | \$ 521.87 |
| Pentair | PNR | B-2-7 | \$ 75.43 |
| Rockwell | ROK | B-2-7 | \$ 281.38 |
| Trane Technologies | TT | B-2-7 | \$ 272.96 |
| Vertiv | VRT | C-1-7 | \$ 62.84 |
| Vontier | VNT | B-1-7 | \$ 38.63 |

Source: BofA Global Research

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 in line with peers trading at 11x on 2024E.

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

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

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

AMETEK Inc (AME)

We base our \$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.

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.

Flowservice (FLS)

We base our \$44 price objective on a 10x EV/EBITDA multiple on our 2025 estimates. A 10x multiple puts the company at a discount to the 11x peer average multiple on 2024. We think the discount is warranted given below-peer margins.

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

Fortive Corporation (FTV)

We base our \$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 13x on 2024 estimates. We argue a discounted valuation is warranted given JBT's below-peer EBITDA margins and below-peer cash conversion.

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

Johnson Controls International PLC (JCI)

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

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

Montrose Environmental Group, Inc. (MEG)

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

Downside risks to our PO are 1) greater-than-expected y/y declines in the CTEH

business, 2) inability to source or integrate deals, and 3) poor execution tied to ERP rollout and initiation of European operations.

Parker Hannifin Corporation (PH)

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

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

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.

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 \$72 price objective on a 16x EV/EBITDA of our 2025 estimates. Our target multiple is in line with the 16x peer average on 2024E. We argue an in line multiple is warranted given above-peers earnings growth offset by below-peer margins.

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

Vontier (VNT)

We base our \$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 | | | | |
| | 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 |

Disclosures

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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