

Industrials/Multi-Industry

DEM#561: 4Q23 earnings (so far): read across to our coverage

Price Objective Change

4Q23 earnings: read across to our coverage

In this week's *Deus Ex Machina*, we take a look at companies that already reported 4Q23 earnings and implications for our multi-industrial coverage. Next week, DOV, ETN, FTV, HON, ITW, JCI, PH, PNR, ROK, and TT report. While industrial demand seems in line with expectations, we think consumer appears to be a source of incremental weakness. The global semi market remains a drag to companies with exposure, with consensus inflection in 2H24. Our framework into 2024 reflects exposure to our favorite end markets: VRT (datacenter); GE (aerospace), ITT and EMR (process), and PH (aerospace). APG, a services business, is our remaining top pick. We continue to view consumer/residential as weak; semis/electronics still weak until 2H24; and industrial short-cycle as soft but bottoming out (with a positive tone towards growth in '24).

Consumer & residential construction weakness

This week, [we attended the AHR Expo in Chicago](#) and the [Pool & Spa Show in Atlantic City](#). During our visit to the AHR Expo, our takeaway was that residential volumes in 4Q23 were weaker than expected. We heard that residential units could be down 20-30% y/y, worse than expectations. The tone on the consumer was more negative given stimulus running out and higher interest rates. Our conversations at the Pool & Spa show were negative on new pool construction, but more mixed on consumer health generally. We heard that while the consumer still has cash, consumers are cautious and uncertain, leading to paused projects. MMM 2024 guidance for its Consumer business would be flat excluding portfolio restructuring. We would highlight Underperform-rated ITW as having above-peer consumer and residential construction exposure.

Semis still weak, but not any worse: DD, MMM

On 1/24, Dupont de Nemours (ticker: DD), covered by our colleague Steve Byrne, negatively pre-announced 4Q23 on industrial destocking and weak China demand. CEO Ed Breen said in the press release, "We continue to see stabilization within Semiconductor Technologies with slight sequential sales lift occurring in the fourth quarter as expected and we remain confident of a broad-based market recovery for electronics materials in 2024." We view recovery in electronic materials as a positive read-across for Honeywell's Advanced Materials business into 4Q. We model flat growth in AM in 4Q23; ~20% of the business is semis, with implied growth in 60% of the business (fluorine). [3M forecasts semis to improve into 2H24 \(full earnings note here\)](#). It is seeing some signs of consumer electronics stabilizing. On the conference call, CFO Monish Patolawala stated, "The semiconductor market is forecasted to start the year soft, however, improve as we progress through the year." We continue our end market read across on page 3 of this report.

26 January 2024

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Exhibit 1: Changes to TT PO and EPS

Raising TT PO to \$265

	Old	New
TT PO	\$245	\$265
TT 2024 EPS	\$9.63	\$9.94

Source: BofA Global Research estimates

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Upcoming events

Monday January	Tuesday	Wednesday	Thursday	Friday
22	GE 4Q23 Earnings MMM 4Q23 Earnings	U.S Manufacturing PMI release	25	26
29	JCI 1Q24 Earnings PNR 4Q23 Earnings	ROK 1Q24 Earning FTV 4Q23 Earnings	HON 4Q23 Earnings TT 4Q23 Earnings DOV 4Q23 Earnings ETN 4Q23 Earnings PH 2Q24 Earnings ITW 4Q23 Earnings	2
February				
5	CARR 4Q23 Earnings AME 4Q23 Earnings	EMR 1Q24 Earnings	ITT 4Q23 Earnings	9
12	13	14	15	16

Exhibit 2: BofA Global Research Reports

Reports published week ending January 5, 2023

Title: Subtitle

[Vertiv: Positive read-across from Super Micro](#)

[Honeywell International Inc.: 4Q23 preview: in-line 2024 guidance should be good enough](#)

[Industrials/Multi-Industry: AHR: resi uncertainty, mixed light commercial, strong applied](#)

[General Electric Company: 4Q23 first look: finishing strong, greater standalone costs in '24 guidance](#)

[3M Company: 4Q23 first look: EPS beat on below the line; '24 guide conservatively below Street](#)

[General Electric Company: The final countdown: raising 2024 estimates as Vernova spin-off nears](#)

[3M Company: Growth outlook key source of uncertainty into '24; pension, spin costs a drag](#)

[Pentair plc: Pool & Spa Show: 2024 new pools down y/y, restock & maintenance should help](#)

Source: BofA Global Research

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Short-cycle industrial: AIT; FAST

Applied Industrial Technologies (AIT)

Applied Industrial Technologies (ticker: AIT; not covered) is a leading industrial distributor of bearings, flow control, fluid power, and automation products. [The company was constructive on reacceleration into F25](#). AIT anticipates LSD declines organically in FQ3 (1Q) but a return to growth in FQ4 (2Q). Overall, we view the results and outlook as in line with expectations for industrial demand into 4Q23 earnings: growth is moderating but constructive on reacceleration in 2H24/F25. On the margin, the potential for restocking would be a tailwind vs. expectations.

Fastenal (FAST)

Fastenal (ticker: FAST; not covered) reported earnings on 1/18. EPS was 2% above consensus. Similarly to AIT, the company sees soft demand near-term but was more constructive on FY24 conditions. CFO Holden Lewis stated that “our sales results continue to reflect sluggish demand. For example, our manufacturing end-market continues to grow, but at moderating rates, while our fastener product line experienced contraction in MRO and for the first time this cycle, OEM products.” Notably, the company stated that while trends did not improve in 4Q, it was stable with 3Q, and the company flagged being constructive on 2024 given easier comparisons, “channel inventories being in good shape,” and “generally favorable customer outlooks from regional leadership entering the year, although business activity remains subdued.” We view AIT/FAST results as a positive read-across for Parker-Hannifin (PH) in particular.

Raising TT PO and adjusting estimates

We raise TT’s PO to \$265 from \$245. Our new PO still reflects 17x 2025E EV/EBITDA. We raise our 2024 TT estimates to \$9.94 (from \$9.63 prior). We are \$0.10 below \$10.04 consensus primarily on a higher tax rate as we estimate impact from the Organization for Economic Cooperation and Development (OECD)’s implementation of the global minimum tax rate. Our 2023 estimate is unchanged.



Valuation metrics

Exhibit 3: Multi-industrial summary valuation metrics

Summary valuation metrics

	Ticker	Price	Price Obj.	Revenue Growth (%)			Operating Margin (%)			EPS Growth (%)			
				2022	2023E	2024E	2022	2023E	2024E	2021	2022	2023E	2024E
3M	MMM	\$95.98	\$110	-3.6%	-4.5%	1.4%	21.1%	20.3%	21.5%	13.5%	-6.4%	-7.4%	14.4%
Allegion	ALLE	\$125.76	\$95	14.1%	11.5%	3.5%	20.2%	21.9%	20.7%	6.6%	9.9%	14.4%	-1.5%
AMETEK	AME	\$164.12	\$165	10.9%	7.2%	12.1%	24.4%	26.0%	25.7%	22.7%	17.1%	11.5%	7.7%
Carrier	CARR	\$56.31	\$55	-0.9%	8.6%	22.3%	14.2%	14.6%	15.6%	37.0%	3.1%	15.4%	11.3%
Core & Main	CNM	\$40.30	\$28	32.9%	1.1%	2.3%	11.7%	11.0%	10.2%	N/M	N/M	0.4%	0.0%
Dover	DOV	\$149.96	\$180	7.6%	-0.1%	2.3%	16.9%	17.4%	17.7%	34.6%	10.7%	4.2%	3.7%
Eaton	ETN	\$245.82	\$275	5.7%	11.7%	6.6%	14.7%	17.0%	18.1%	34.9%	12.0%	21.6%	9.2%
Emerson	EMR	\$96.24	\$120	-17.4%	11.3%	12.5%	18.9%	18.8%	18.6%	18.6%	-10.5%	20.7%	15.5%
Flowserve	FLS	\$40.86	\$44	2.1%	18.8%	5.2%	6.2%	9.6%	10.6%	-20.3%	-20.6%	N/M	20.4%
Fortive	FTV	\$74.29	\$77	10.9%	3.9%	5.8%	24.3%	25.7%	26.5%	-10.0%	14.6%	7.1%	4.2%
General Electric	GE	\$129.93	\$145	3.0%	-14.4%	0.0%	7.9%	8.6%	8.6%	N/M	23.3%	1.7%	59.2%
Honeywell	HON	\$202.56	\$250	3.1%	4.0%	5.8%	22.0%	23.2%	23.7%	13.4%	8.8%	4.8%	9.8%
Illinois Tool Works	ITW	\$262.18	\$235	10.2%	1.1%	1.2%	23.8%	25.1%	24.9%	28.5%	14.7%	-0.2%	2.9%
ITT	ITT	\$120.07	\$135	8.1%	9.6%	6.1%	15.9%	17.0%	18.3%	26.6%	9.5%	17.5%	16.2%
John Bean Technologies	JBT	\$101.47	\$85	15.9%	-23.1%	6.6%	9.2%	10.6%	11.0%	-2.7%	25.0%	-15.8%	14.8%
Johnson Controls International	JCI	\$55.70	\$60	6.4%	6.2%	4.6%	11.6%	12.6%	13.4%	20.8%	12.3%	18.6%	13.6%
Montrose Environmental Group	MEG	\$30.75	\$40	-0.4%	15.2%	10.8%	-5.1%	-3.3%	0.7%	N/M	N/M	N/M	N/M
Parker Hannifin	PH	\$471.80	\$525	15.1%	12.9%	5.0%	19.7%	21.8%	21.9%	29.2%	19.8%	11.9%	9.0%
Pentair	PNR	\$72.16	\$76	9.5%	-0.6%	2.9%	18.6%	20.9%	22.4%	36.0%	8.2%	1.2%	9.0%
Rockwell	ROK	\$304.24	\$320	12.5%	13.8%	5.9%	17.1%	17.6%	19.7%	14.4%	7.5%	22.4%	10.2%
Trane Technologies	TT	\$252.12	\$265	13.1%	10.6%	4.3%	14.9%	16.1%	16.4%	36.6%	21.2%	21.9%	10.5%
Vontier	VNT	\$34.66	\$40	6.5%	-3.1%	0.7%	20.0%	19.1%	20.1%	16.7%	7.0%	-7.1%	6.8%
Vertiv	VRT	\$53.31	\$60	13.9%	20.3%	10.8%	3.9%	12.4%	15.6%	-7.0%	-29.9%	N/M	30.6%
AVERAGE				8.9%	5.0%	5.7%	15.1%	16.6%	17.4%	17.4%	8.4%	7.6%	12.5%
MEDIAN				8.8%	6.7%	4.8%	15.4%	17.0%	17.9%	20.8%	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 4: 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	9.7 x	10.5 x	9.2 x	15.7 x	14.2 x	10.5 x	17.2 x	7.6 x	7.7 x	7.3 x	6.2%	6.3%	6.3%
Allegion	ALLE	21.0 x	18.4 x	18.6 x	17.7 x	28.1 x	21.1 x	18.6 x	17.9 x	14.8 x	14.7 x	1.3%	1.4%	1.5%
AMETEK	AME	28.9 x	25.9 x	24.1 x	17.9 x	37.6 x	24.1 x	25.1 x	21.9 x	20.0 x	17.5 x	0.5%	0.6%	0.6%
Carrier	CARR	24.0 x	20.8 x	18.7 x	N/A	34.9 x	25.0 x	20.5 x	16.7 x	14.3 x	13.8 x	1.0%	1.4%	1.5%
Core & Main	CNM	18.6 x	18.5 x	18.5 x	N/A	26.4 x	9.4 x	16.1 x	12.5 x	11.3 x	10.9 x	0.0%	0.0%	0.0%
Dover	DOV	17.8 x	17.0 x	16.4 x	13.4 x	36.8 x	17.6 x	16.3 x	14.2 x	13.4 x	12.0 x	1.3%	1.4%	1.4%
Eaton	ETN	NM	27.3 x	25.0 x	12.0 x	NM	35.1 x	29.0 x	26.6 x	21.7 x	18.8 x	1.3%	1.4%	1.5%
Emerson	EMR	25.0 x	20.7 x	18.0 x	16.8 x	27.7 x	25.0 x	20.1 x	18.5 x	13.6 x	13.7 x	2.1%	2.2%	2.2%
Flowserve	FLS	NM	20.4 x	17.0 x	16.3 x	NM	NM	23.3 x	19.8 x	12.4 x	10.6 x	2.0%	2.0%	2.0%
Fortive	FTV	23.6 x	22.0 x	21.1 x	20.4 x	22.1 x	21.1 x	20.0 x	19.6 x	17.2 x	16.1 x	0.4%	0.4%	0.4%
General Electric	GE	NM	NM	NM	2.1 x	30.1 x	28.0 x	28.0 x	18.5 x	20.5 x	20.7 x	0.2%	0.2%	0.2%
Honeywell	HON	23.1 x	22.1 x	20.1 x	15.2 x	30.7 x	31.8 x	21.9 x	16.4 x	14.8 x	13.3 x	2.0%	2.0%	2.2%
Illinois Tool Works	ITW	26.8 x	26.9 x	26.1 x	0.0 x	NM	25.8 x	24.9 x	21.1 x	19.4 x	19.0 x	1.9%	2.1%	2.2%
ITT	ITT	27.1 x	23.0 x	19.8 x	14.4 x	NM	25.2 x	20.1 x	17.1 x	14.5 x	12.5 x	0.9%	1.0%	1.1%
John Bean Technologies	JBT	21.2 x	25.2 x	21.9 x	16.0 x	NM	28.7 x	25.5 x	14.8 x	12.8 x	11.7 x	0.4%	0.4%	0.4%
Johnson Controls International	JCI	18.0 x	15.2 x	13.3 x	N/A	26.5 x	20.3 x	14.9 x	12.0 x	11.2 x	10.1 x	2.5%	2.6%	2.7%
Montrose Environmental Group	MEG	NM	NM	NM	N/A	NM	19.2 x	14.4 x	NM	38.8 x	27.8 x	0.0%	0.0%	0.0%
Parker Hannifin	PH	23.6 x	21.1 x	19.3 x	15.1 x	27.8 x	23.6 x	18.0 x	0.0 x	8.6 x	13.5 x	0.9%	0.0%	0.0%
Pentair	PNR	19.6 x	19.4 x	17.8 x	17.8 x	NM	20.0 x	18.1 x	17.3 x	15.2 x	13.5 x	1.2%	1.2%	1.3%
Rockwell	ROK	30.0 x	24.5 x	22.2 x	N/A	NM	NM	22.5 x	24.0 x	20.8 x	18.0 x	1.5%	1.6%	1.6%
Trane Technologies	TT	NM	28.0 x	25.4 x	14.0 x	NM	NM	NM	23.3 x	19.5 x	17.6 x	1.1%	1.2%	1.3%
Vontier	VNT	11.3 x	12.1 x	11.3 x	N/A	21.4 x	13.9 x	11.3 x	10.5 x	10.3 x	9.7 x	0.3%	0.3%	0.3%
Vertiv	VRT	NM	NM	23.7 x	N/A	NM	33.0 x	26.6 x	43.9 x	20.5 x	16.1 x	0.0%	0.0%	0.2%
AVERAGE		21.5 x	21.0 x	19.5 x	13.9 x	28.0 x	22.8 x	20.6 x	17.9 x	16.3 x	14.8 x	1.2%	1.2%	1.3%
MEDIAN		22.1 x	21.1 x	19.6 x	15.2 x	27.9 x	23.6 x	20.1 x	17.3 x	14.8 x	13.7 x	1.1%	1.2%	1.3%

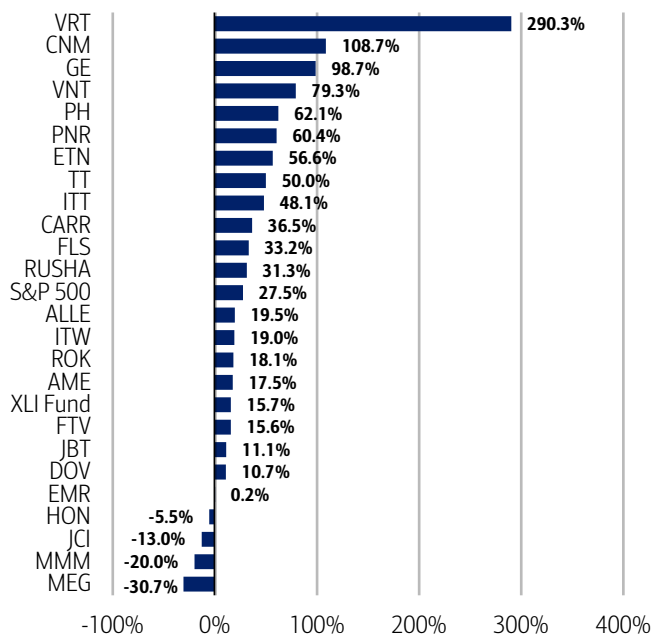
Source: Company Reports, BofA Global Research estimates; Data calendarized for Dec.31st year end

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Stock performance

Exhibit 5: YTD Stock Performance

VRT is the best YTD stock performer

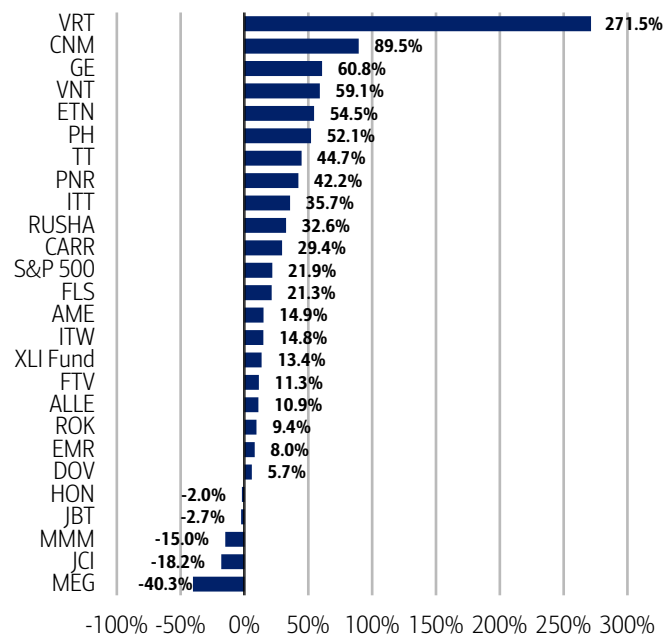


Source: BofA Global Research, Bloomberg

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Exhibit 6: 1-Year Stock Performance

VRT is the best 1-year stock performer

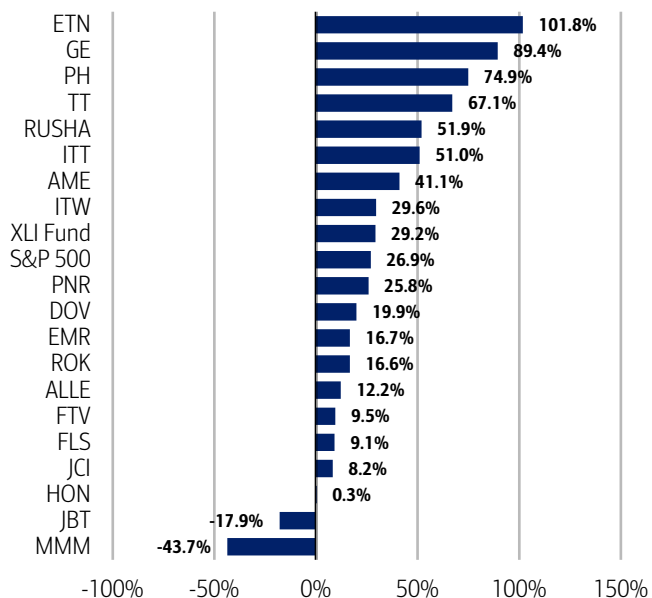


Source: BofA Global Research, Bloomberg

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Exhibit 7: 3-Years Stock Performance

ETN is the best 3-year stock performer

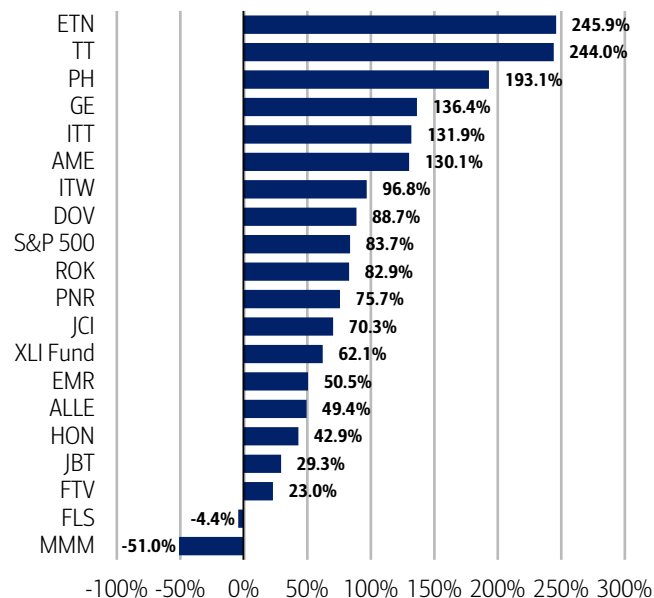


Source: BofA Global Research, Bloomberg

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Exhibit 8: 5-Years Stock Performance

ETN is the best 5-year stock performer



Source: BofA Global Research, Bloomberg

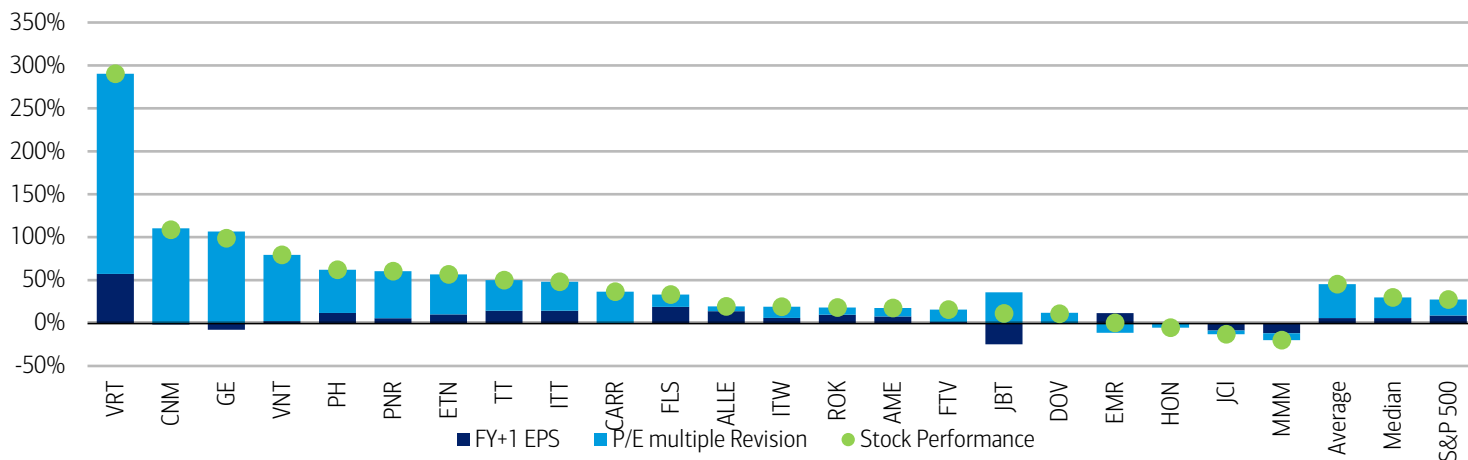
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YTD stock performance attribution

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

Exhibit 9: Stock performance attribution (P/E multiple revision vs. '23 EPS revision)

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

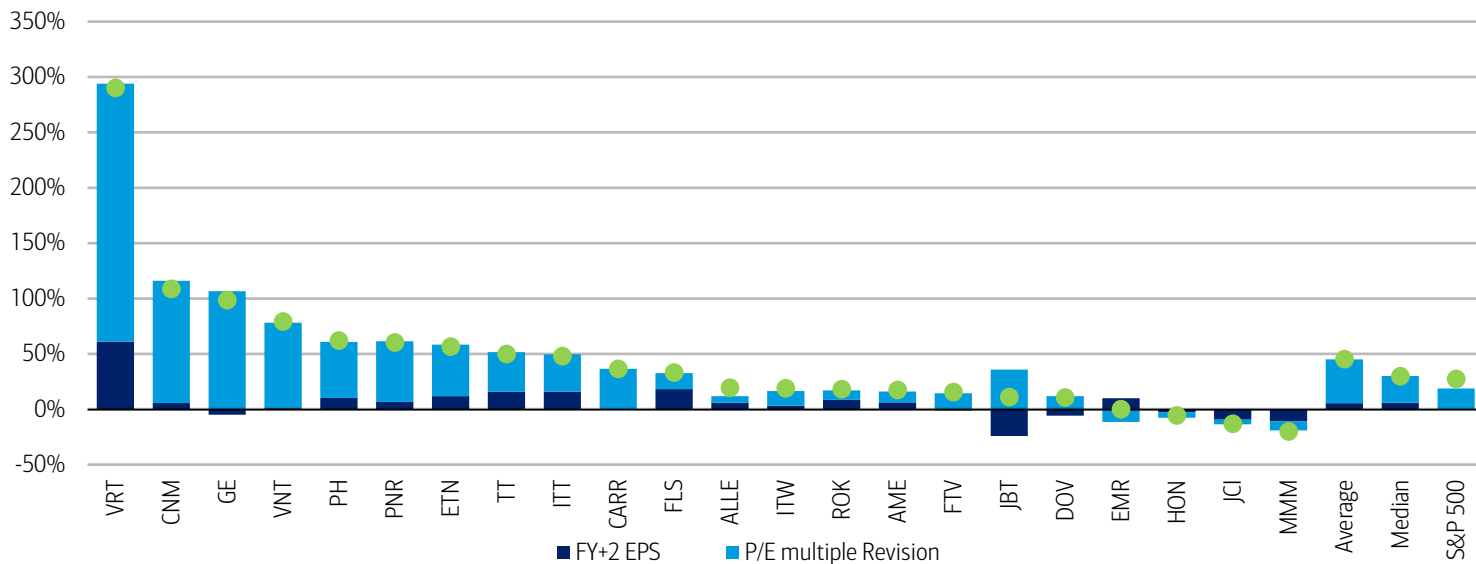


Source: BofA Global Research, Bloomberg

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Exhibit 10: 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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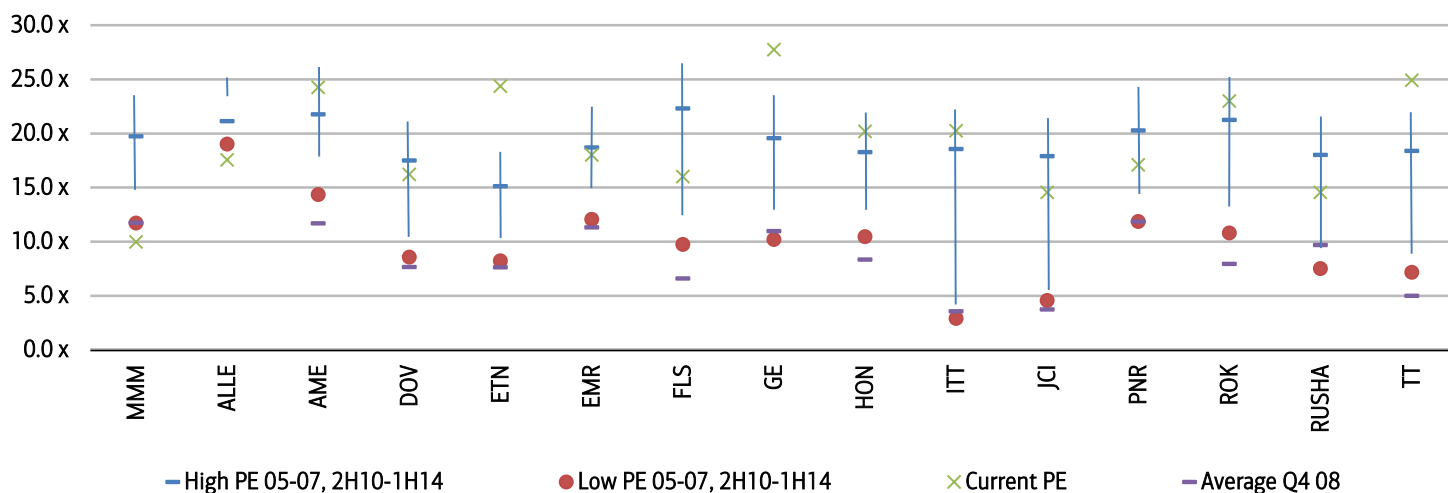
Current valuation vs. historical

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 11: 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

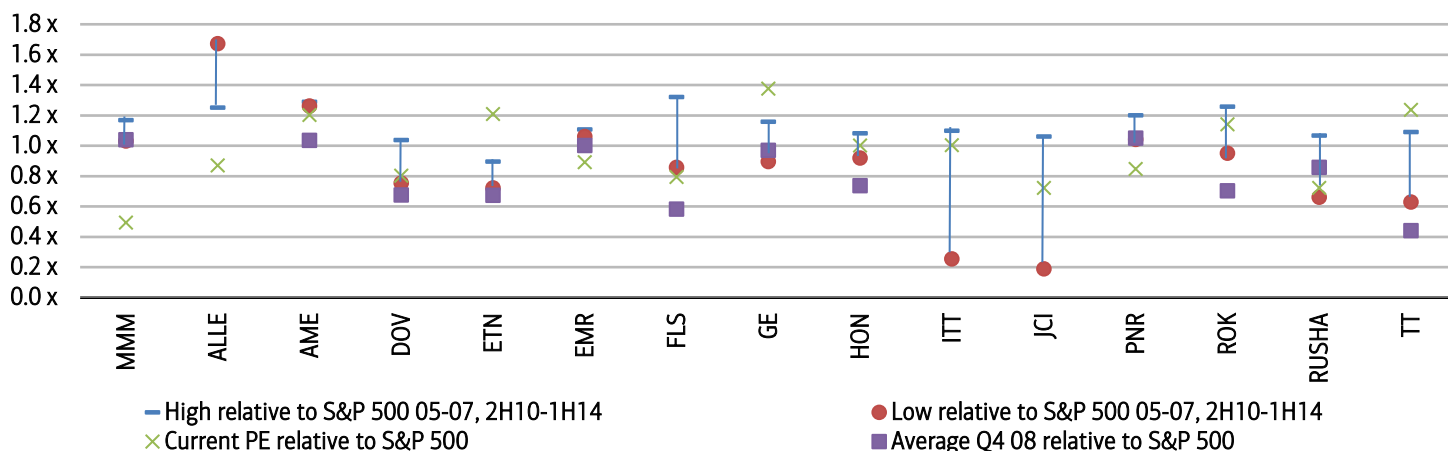
*Current PE based on Bloomberg consensus estimate

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

Exhibit 12: 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

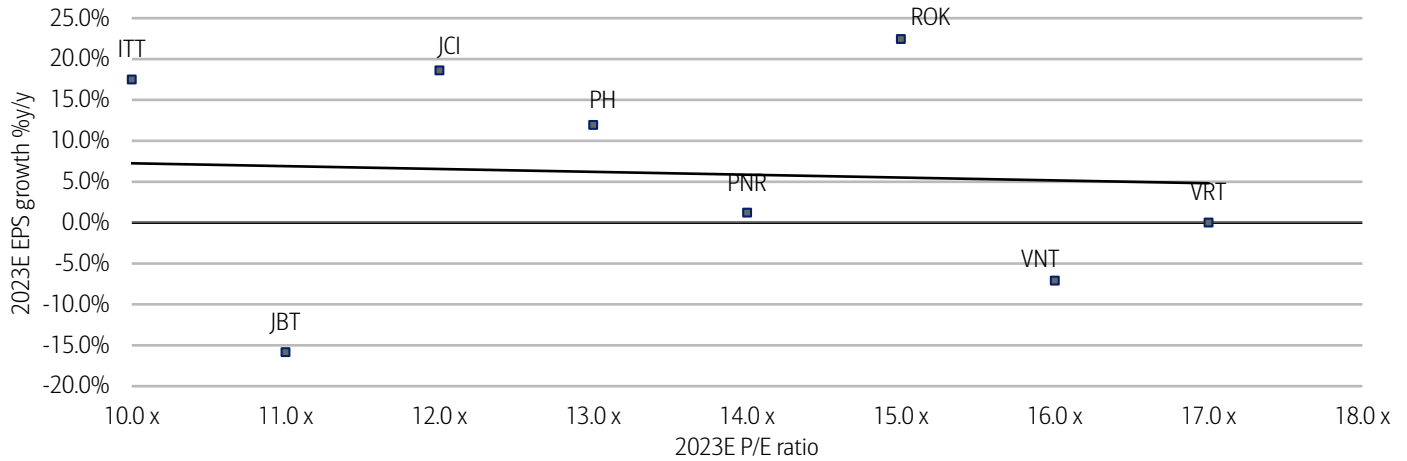
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Multi-industrial valuation charts

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

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

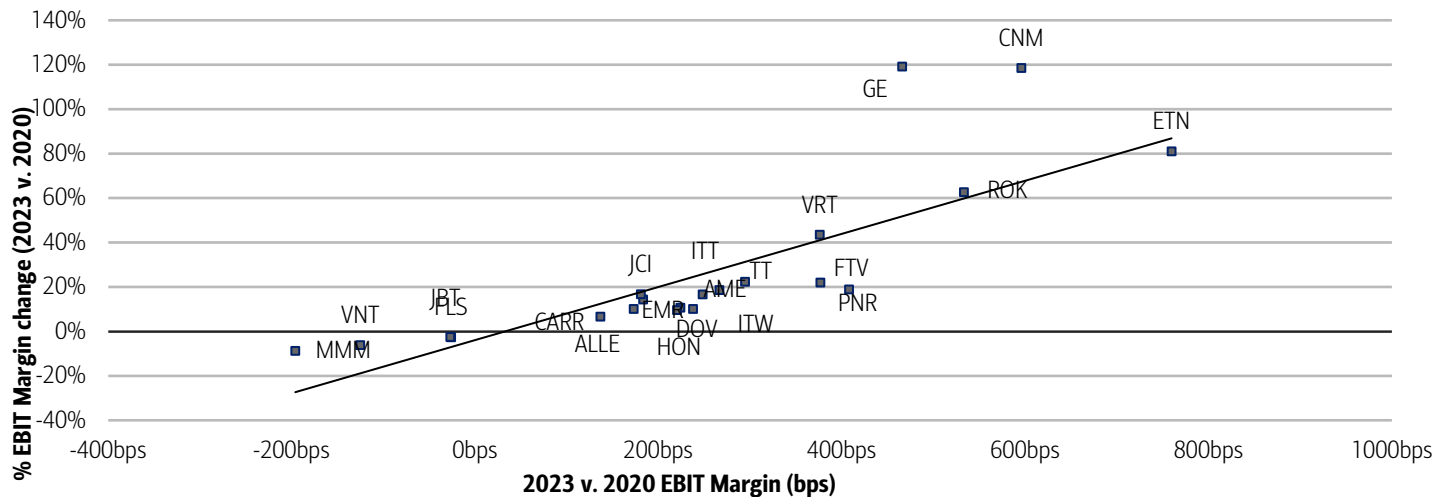


Source: BofA Global Research estimates

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Exhibit 14: 2023 vs. 2020 EBIT margin expansion

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

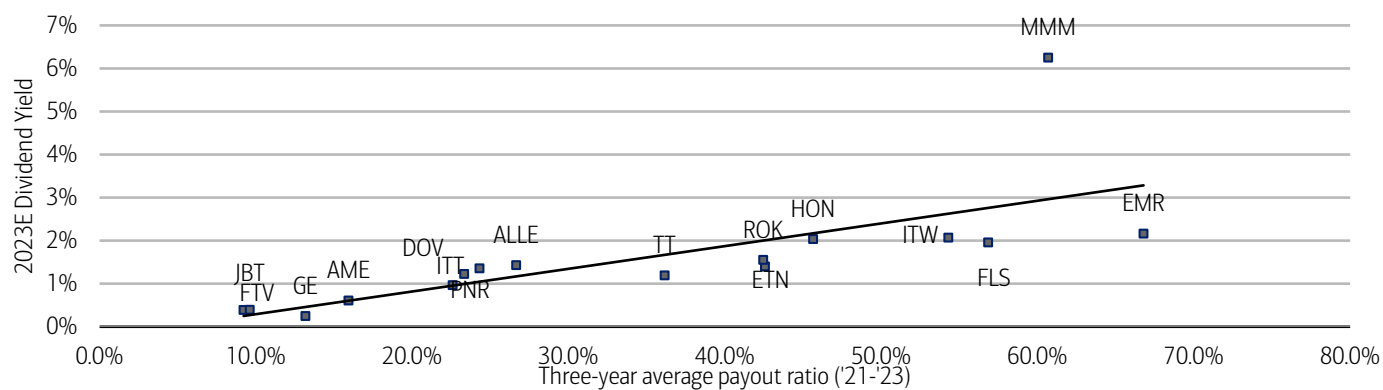


Source: BofA Global Research estimates

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Exhibit 15: 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 16: Multi-industrial summary Net Debt/EBITDA

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

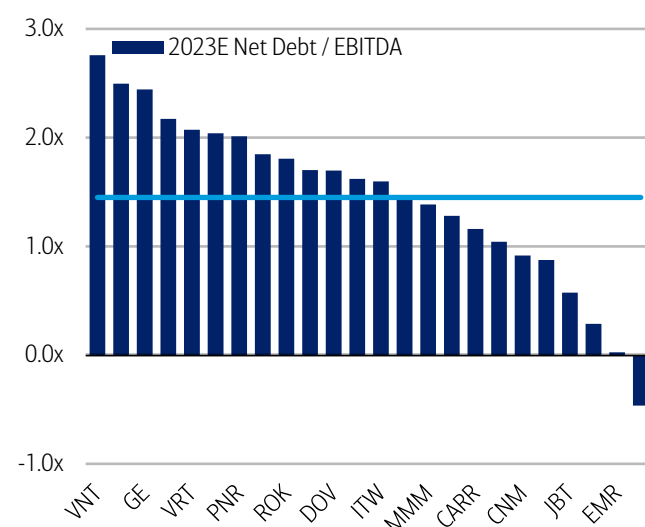
Company	S&P credit rating	Net Debt/ EBITDA		
		2022	2023E	2024E
MMM	BBB+ *	1.4x	1.4x	1.3x
ALLE	BBB	2.5x	1.8x	1.6x
AME	BBB+	1.1x	1.3x	0.6x
CARR	BBB	1.7x	1.2x	2.9x
CNM		1.8x	0.9x	1.0x
DOV	BBB+	1.9x	1.7x	0.8x
ETN	A-	2.0x	1.5x	1.0x
EMR	A	2.4x	0.0x	1.7x
FLS	BBB-	2.5x	1.6x	1.2x
FTV	BBB	1.7x	1.7x	1.7x
GE	BBB+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

Source: BofA Global Research

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Exhibit 17: 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 18: Multi-Industrial summary valuation metrics

Summary valuation metrics

Ticker	ROIC			ROTA			FCF Conversion		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
MMM	14.6%	14.4%	17.3%	20.0%	18.1%	20.4%	68.5%	98.9%	58.0%
ALLE	20.6%	19.9%	19.0%	31.6%	32.3%	30.2%	74.8%	87.0%	102.0%
AME	11.7%	11.5%	11.4%	39.3%	38.4%	37.9%	76.8%	107.5%	95.8%
CARR	10.6%	11.9%	12.6%	14.2%	16.3%	16.7%	69.7%	83.3%	92.5%
CNM	14.8%	12.6%	12.6%	23.0%	17.0%	17.0%	70.3%	196.5%	109.1%
DOV	15.2%	15.1%	14.8%	27.8%	26.9%	24.9%	54.5%	107.8%	111.1%
ETN	9.6%	11.6%	0.0%	19.5%	22.1%	22.2%	75.0%	85.8%	94.1%
EMR	8.3%	6.9%	6.5%	14.5%	12.4%	12.4%	104.6%	98.6%	112.3%
FLS	4.9%	7.9%	8.8%	5.5%	8.6%	9.4%	-80.5%	31.3%	72.6%
FTV	8.4%	9.2%	9.6%	35.9%	37.8%	36.7%	106.6%	104.0%	105.8%
GE	3.0%	3.2%	3.2%	2.6%	2.6%	2.6%	165.9%	175.3%	175.3%
HON	13.0%	14.1%	15.2%	14.9%	15.9%	17.2%	75.3%	69.4%	91.7%
ITW	27.4%	27.0%	25.4%	20.6%	20.6%	20.8%	63.8%	104.2%	105.4%
ITT	12.8%	14.6%	16.2%	14.3%	16.3%	17.7%	46.8%	91.5%	98.8%
JBT	9.3%	6.3%	6.5%	13.5%	9.0%	9.2%	35.6%	87.8%	85.8%
JCI	5.2%	6.7%	8.5%	9.0%	10.5%	13.0%	68.2%	74.8%	90.0%
MEG	-2.6%	-0.1%	2.7%	-5.5%	-0.1%	4.7%	NM	NM	0.0%
PH	13.5%	0.0%	0.0%	22.2%	24.9%	30.1%	85.0%	0.0%	123.7%
PNR	14.4%	13.4%	14.0%	33.4%	33.9%	33.0%	46.4%	96.5%	94.6%
ROK	14.8%	17.6%	18.6%	19.5%	22.3%	22.7%	65.4%	33.9%	100.3%
TT	14.0%	16.8%	18.0%	20.6%	24.0%	25.3%	81.2%	68.0%	64.3%
VNT	16.1%	15.1%	15.1%	27.3%	26.0%	26.0%	52.7%	87.2%	98.0%
VRT	-0.8%	11.6%	11.6%	-1.1%	14.4%	14.4%	1844.8%	128.0%	109.5%
	11.9%	12.3%	11.9%	18.8%	20.0%	20.2%	142.9%	91.4%	91.0%
	12.9%	12.2%	12.6%	19.8%	19.3%	20.6%	69.7%	87.8%	96.9%

Source: Company Reports, BofA Global Research estimates, Bloomberg

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Exhibit 19: Multi-Industrial summary valuation metrics

Summary valuation metrics

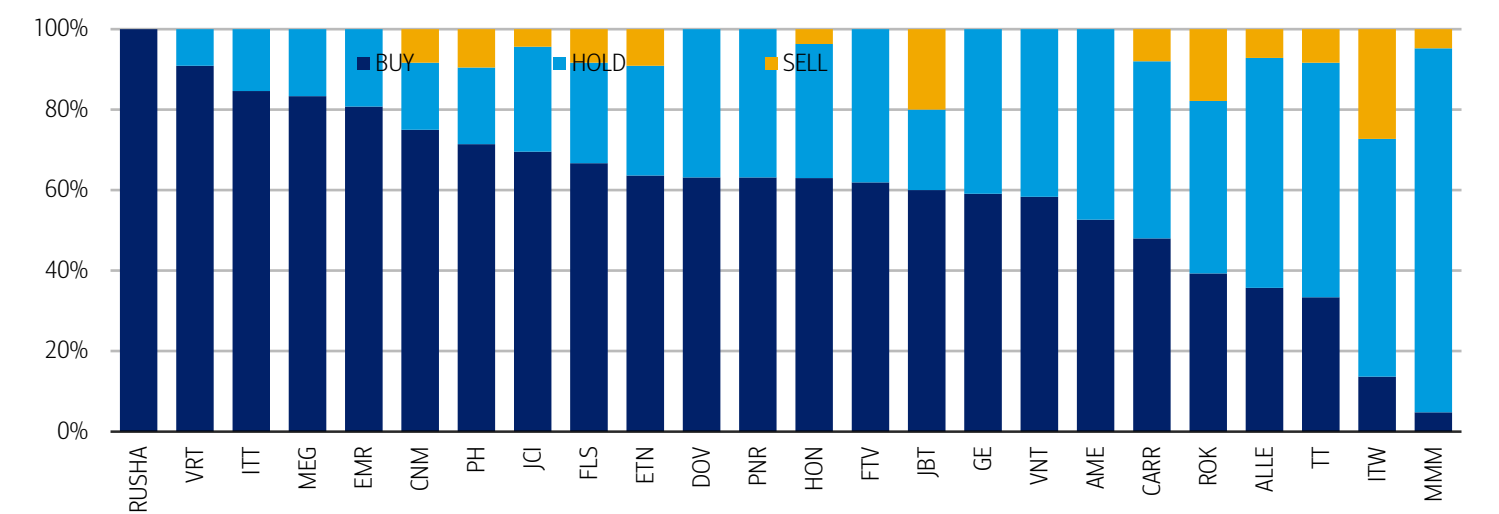
	BofA	Ratings			FY+1 EPS				FY+2 EPS			
	Rating	Buy	Neutral	U/P	BofA	Consensus	Low	High	BofA	Consensus	Low	High
3M	Neutral	1	19	1	\$9.24	\$9.12	\$9.01	\$9.20	\$9.60	\$9.59	\$9.30	\$9.85
Allegion	Underperform	5	8	1	\$6.85	\$6.87	\$6.80	\$6.90	\$6.62	\$7.13	\$6.95	\$7.41
AMETEK	Neutral	10	9	0	\$6.33	\$6.34	\$6.31	\$6.38	\$6.82	\$6.72	\$6.12	\$7.00
Carrier	Underperform	12	11	2	\$2.70	\$2.72	\$2.69	\$2.79	\$2.97	\$2.87	\$2.55	\$3.15
Core & Main	Underperform	9	2	1	\$2.19	\$2.12	\$1.85	\$2.24	\$2.30	\$2.23	\$1.95	\$2.60
Dover	Buy	12	7	0	\$8.80	\$8.77	\$8.67	\$8.93	\$9.05	\$9.20	\$8.34	\$9.66
Eaton	Buy	14	6	2	\$9.02	\$9.04	\$9.00	\$9.08	\$9.95	\$10.01	\$9.02	\$10.89
Emerson	Buy	21	5	0	\$4.44	\$4.46	\$4.43	\$4.52	\$5.25	\$5.20	\$4.67	\$5.31
Flowserve	Buy	8	3	1	\$2.00	\$2.02	\$1.99	\$2.06	\$2.41	\$2.53	\$2.41	\$2.67
Fortive	Neutral	13	8	0	\$3.38	\$3.39	\$3.37	\$3.40	\$3.57	\$3.67	\$3.57	\$3.73
General Electric	Buy	13	9	0	\$2.81	\$2.66	\$2.56	\$2.75	\$4.36	\$4.59	\$4.35	\$5.11
Honeywell	Buy	17	9	1	\$9.19	\$9.16	\$9.11	\$9.20	\$10.10	\$9.96	\$9.68	\$10.10
Illinois Tool Works	Underperform	3	13	6	\$9.73	\$9.76	\$9.65	\$9.82	\$9.87	\$10.17	\$9.66	\$10.58
ITT	Buy	11	2	0	\$5.21	\$5.21	\$5.20	\$5.23	\$6.06	\$5.89	\$5.79	\$6.06
John Bean Technologies	Underperform	3	1	1	\$4.03	\$4.05	\$4.00	\$4.10	\$4.63	\$4.85	\$4.63	\$5.25
Johnson Controls International	Neutral	16	6	1	\$3.50	\$3.55	\$3.51	\$3.67	\$3.70	\$3.66	\$3.55	\$3.75
Montrose Environmental Group	Buy	5	1	0	-\$1.59	-\$0.81	-\$1.61	\$0.42	-\$0.44	-\$0.05	-\$0.74	\$0.75
Parker Hannifin	Buy	15	4	2	\$21.55	\$20.84	\$19.24	\$21.14	\$23.39	\$23.30	\$22.82	\$23.57
Pentair	Neutral	12	7	0	\$3.74	\$3.75	\$3.72	\$3.80	\$4.21	\$4.19	\$3.96	\$4.40
Rockwell	Neutral	11	12	5	\$12.12	\$11.97	\$11.73	\$12.23	\$13.38	\$12.86	\$12.24	\$13.48
Trane Technologies	Neutral	8	14	2	\$9.00	\$9.01	\$8.98	\$9.15	\$9.94	\$10.04	\$9.47	\$10.53
Vontier	Buy	7	5	0	\$2.86	\$2.83	\$2.48	\$2.88	\$3.14	\$3.09	\$2.79	\$3.22
Vertiv	Buy	10	1	0	\$1.72	\$1.73	\$1.60	\$1.77	\$2.25	\$2.19	\$1.72	\$2.33

Source: Company Reports, BofA Global Research estimates, Bloomberg

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Exhibit 20: Sell side stock ratings of BUY/HOLD/SELL
Over half of our coverage has a consensus Buy rating



Source: Bloomberg

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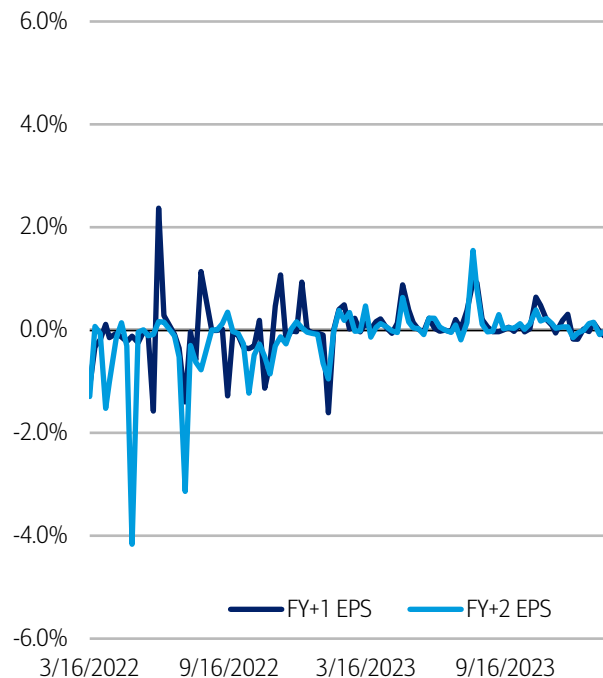


Consensus revision tracker

The charts below 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 21: Bloomberg consensus revisions vs. 1 week ago

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

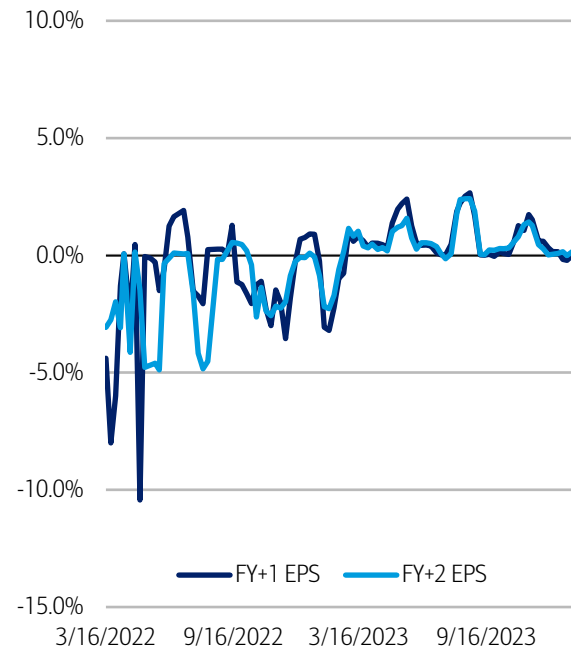


Source: Bloomberg

BofA GLOBAL RESEARCH

Exhibit 22: 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 23: Changes to consensus EPS estimates versus a week ago

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

Ticker	Current Quarter EPS			FY+1 EPS			FY+2 EPS		
	Current	1 Week Ago	% Revision	Current Est.	1 Week Ago	% Revision	Current Est.	1 Week Ago	% Revision
ALLE	\$1.58	\$1.58	-0.1%	\$6.87	\$6.86	0.15%	\$7.13	\$7.16	-0.42%
AME	\$1.63	\$1.63	0.0%	\$6.34	\$6.34	0.00%	\$6.72	\$6.76	-0.59%
CARR	\$0.52	\$0.52	0.6%	\$2.72	\$2.72	0.00%	\$2.87	\$2.87	0.00%
CNM	\$0.37	\$0.37	0.8%	\$2.23	\$2.23	0.00%	\$2.44	\$2.44	0.00%
DOV	\$2.43	\$2.43	0.0%	\$8.77	\$8.77	0.00%	\$9.20	\$9.23	-0.33%
EMR	\$1.03	\$1.03	-0.3%	\$5.20	\$5.20	0.00%	\$5.65	\$5.65	0.00%
ETN	\$2.47	\$2.47	0.2%	\$9.04	\$9.03	0.11%	\$10.01	\$10.01	0.00%
FLS	\$0.60	\$0.60	-0.5%	\$2.02	\$2.03	-0.49%	\$2.53	\$2.53	0.00%
FTV	\$0.94	\$0.94	0.2%	\$3.39	\$3.39	0.00%	\$3.67	\$3.67	0.00%
GE	\$0.64	\$0.70	-9.1%	\$4.59	\$4.61	-0.43%	\$5.93	\$5.99	-1.00%
HON	\$2.59	\$2.59	0.0%	\$9.16	\$9.16	0.00%	\$9.96	\$9.97	-0.10%
ITT	\$1.33	\$1.33	0.0%	\$5.21	\$5.21	0.00%	\$5.89	\$5.89	0.00%
ITW	\$2.41	\$2.41	-0.1%	\$9.76	\$9.76	0.00%	\$10.17	\$10.16	0.10%
JBT	\$1.36	\$1.34	1.9%	\$4.05	\$4.04	0.25%	\$4.85	\$4.66	4.08%
JCI	\$0.51	\$0.51	-0.2%	\$3.66	\$3.67	-0.27%	\$4.17	\$4.19	-0.48%
MEG	(\$0.01)	(\$0.01)	16.7%	(\$0.81)	(\$0.81)	0.00%	(\$0.05)	(\$0.05)	0.00%
MMM	\$2.09	\$2.21	-5.3%	\$9.59	\$9.81	-2.24%	\$10.30	\$10.50	-1.90%
PH	\$5.32	\$5.31	0.2%	\$23.30	\$23.29	0.04%	\$25.36	\$25.35	0.04%
PNR	\$0.86	\$0.86	0.1%	\$3.75	\$3.75	0.00%	\$4.19	\$4.19	0.00%
ROK	\$2.63	\$2.63	0.0%	\$12.86	\$12.86	0.00%	\$14.00	\$14.00	0.00%
RUSHA	\$0.85	\$0.85	0.0%	\$4.05	\$4.05	0.00%	\$3.12	\$3.12	0.00%
TT	\$2.13	\$2.13	-0.1%	\$9.01	\$9.01	0.00%	\$10.04	\$10.02	0.20%
VNT	\$0.78	\$0.78	-0.1%	\$2.83	\$2.83	0.00%	\$3.09	\$3.09	0.00%
VRT	\$0.52	\$0.52	0.8%	\$1.73	\$1.73	0.00%	\$2.19	\$2.19	0.00%
Average			-0.5%			-0.1%			0.0%

Source: Bloomberg

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Since 1 week ago, JBT had the largest positive revision for FY+1 followed by ALLE. MMM had the largest negative revision for FY+1 followed by FLS. JBT has had the largest positive revision for FY+2 followed by TT. MMM had the largest negative revision for FY+2 followed by GE.

Exhibit 24: 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	\$1.59	-0.6%	\$6.87	\$6.86	0.1%	\$7.13	\$7.14	-0.1%
AME	\$1.63	\$1.63	0.0%	\$6.34	\$6.34	0.0%	\$6.72	\$6.62	1.5%
CARR	\$0.52	\$0.52	0.0%	\$2.72	\$2.72	0.0%	\$2.87	\$2.90	-1.0%
CNM	\$0.37	\$0.37	0.0%	\$2.23	\$2.21	0.9%	\$2.44	\$2.40	1.7%
DOV	\$2.43	\$2.43	0.0%	\$8.77	\$8.79	-0.2%	\$9.20	\$9.35	-1.6%
EMR	\$1.03	\$1.03	0.0%	\$5.20	\$5.23	-0.6%	\$5.65	\$5.71	-1.1%
ETN	\$2.47	\$2.46	0.4%	\$9.04	\$9.03	0.1%	\$10.01	\$9.96	0.5%
FLS	\$0.60	\$0.60	0.0%	\$2.02	\$2.03	-0.5%	\$2.53	\$2.53	0.0%
FTV	\$0.94	\$0.94	0.0%	\$3.39	\$3.39	0.0%	\$3.67	\$3.60	1.9%
GE	\$0.64	\$0.72	-11.1%	\$4.59	\$4.61	-0.4%	\$5.93	\$5.96	-0.5%
HON	\$2.59	\$2.59	0.0%	\$9.16	\$9.16	0.0%	\$9.96	\$9.96	0.0%
ITT	\$1.33	\$1.33	0.0%	\$5.21	\$5.21	0.0%	\$5.89	\$5.89	0.0%
ITW	\$2.41	\$2.40	0.4%	\$9.76	\$9.74	0.2%	\$10.17	\$10.20	-0.3%
JBT	\$1.36	\$1.34	1.5%	\$4.05	\$4.04	0.2%	\$4.85	\$4.66	4.1%
JCI	\$0.51	\$0.51	0.0%	\$3.66	\$3.67	-0.3%	\$4.17	\$4.18	-0.2%
MEG	(\$0.01)	(\$0.01)	0.0%	(\$0.81)	(\$0.81)	0.0%	(\$0.05)	(\$0.05)	0.0%
MMM	\$2.09	\$2.22	-5.9%	\$9.59	\$9.81	-2.2%	\$10.30	\$10.51	-2.0%
PH	\$5.32	\$5.27	0.9%	\$23.30	\$23.25	0.2%	\$25.36	\$25.29	0.3%
PNR	\$0.86	\$0.86	0.0%	\$3.75	\$3.75	0.0%	\$4.19	\$4.18	0.2%
ROK	\$2.63	\$2.61	0.8%	\$12.86	\$12.90	-0.3%	\$14.00	\$14.01	-0.1%
RUSHA	\$0.85	\$0.85	0.0%	\$4.05	\$4.05	0.0%	\$3.12	\$3.12	0.0%
TT	\$2.13	\$2.13	0.0%	\$9.01	\$9.01	0.0%	\$10.04	\$9.99	0.5%
VNT	\$0.78	\$0.78	0.0%	\$2.83	\$2.83	0.0%	\$3.09	\$3.10	-0.3%
VRT	\$0.52	\$0.52	0.0%	\$1.73	\$1.75	-1.1%	\$2.19	\$2.19	0.0%
Average			-0.6%			-0.2%			0.2%

Source: Bloomberg

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

Revenue breakdown by region

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

Exhibit 25: 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

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

Exhibit 26: 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

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Exhibit 27: Stocks mentioned

Prices and ratings for stocks mentioned in this report

	Ticker	Rating	Price
3M	MMM	B-2-8	\$ 95.98
Allegion	ALLE	B-3-7	\$ 125.76
AMETEK Inc	AME	B-2-7	\$ 164.12
Carrier	CARR	B-3-7	\$ 56.31
Core & Main	CNM	B-3-9	\$ 40.30
Dover	DOV	B-1-7	\$ 149.96
Eaton Corp.	ETN	B-1-7	\$ 245.82
Flowserve	FLS	B-1-7	\$ 40.86
Fortive	FTV	B-2-7	\$ 74.29
General Electric	GE	B-1-7	\$ 129.93
Honeywell	HON	B-1-7	\$ 202.56
Illinois Tool Works	ITW	B-3-7	\$ 120.07
ITT	ITT	B-1-7	\$ 120.07
John Bean Technologies	JBT	B-3-7	\$ 101.47
Johnson Controls International	JCI	B-2-7	\$ 55.70
Montrose Environmental Group	MEG	C-1-9	\$ 30.75
Parker Hannifin	PH	B-1-7	\$ 471.80
Pentair	PNR	B-2-7	\$ 72.16
Rockwell	ROK	B-2-7	\$ 304.24
Trane Technologies	TT	B-2-7	\$ 252.12
Vertiv	VRT	C-1-7	\$ 53.31
Vontier	VNT	B-1-7	\$ 34.66

Source: BofA Global Research

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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, choppier execution, and PFAS liability risk.

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

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

Allegion (ALLE)

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

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

Upside risks are: 1) North American residential downturn less severe than expected and 2) pricing holds up into '23. Downside risks are: 1) Greater-than-expected headwinds from raw material inflation and supply chain headwinds, 2) Lost market share to North American competitor, and 3) Emerging market slowdown could impact the company's growth, reliant on increased security demand from urbanization.

AMETEK Inc (AME)

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

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

Carrier Global Corp. (CARR)

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

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

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

Core & Main (CNM)

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

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

Dover Corp (DOV)

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

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

Eaton Corp PLC (ETN)

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

Downside risks to our PO are 1) a slower-than-expected manufacturing capex growth, 2) a more active M&A is inherently risky as it relies on the availability of accretive

synergistic targets and the company's ability to integrate, and 3) the trajectory of the recovery in automotive and aerospace end markets.

Emerson Electric Co (EMR)

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

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

Flowserve (FLS)

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

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

Fortive Corporation (FTV)

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

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

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

General Electric Company (GE)

We base our \$145 price objective on a 14x EV/EBITDA multiple of our 2025 estimates. Our target multiple is in line with the 15x peer average on 2024 estimates which reflects below-peer margins.

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

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

Pentair plc (PNR)

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

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

Rockwell (ROK)

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

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

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

Rush (RUSHA)

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

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

Trane Technologies PLC (TT)

We base our \$265 price objective on 17x 2025E EV/EBITDA. Our 17x target multiple is above the peer group average trading at 13x on 2024 estimates. We believe the premium is warranted given above-average performance.

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

Vertiv (VRT)

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

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

Vontier (VNT)

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

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

Analyst Certification

I, Andrew Obin, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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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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