

Industrials/Multi-Industry

DEM#563: Earnings Week 3: 2H-weighted guides hinge on short-cycle inflection

Earnings Review

Mixed operational earnings season so far

In this week's *Deus Ex Machina*, we recap week 3 of earnings. AME, CARR, EMR, ITT, and industrial software name AZPN reported. Of multi-industrials reporting so far, 13 out of 16 beat on headline EPS, 8 beat on revenue, and 6 beat on operating profit. Median organic growth of +2.0% y/y came in (90)bps below our forecast for +2.9% y/y organic growth. For the companies that disclose price, organic growth came in at an average of +2.4% y/y. This is comprised of +3.0% price and (0.6)% volume declines. This compares to 3Q23, where organic growth was +0.8% y/y (for those same companies), comprised of 4pts of price and (3.2)% volume declines. 15 of our companies have given guidance (GE did not give total company guide due to the Vernova spin-off, expected early April '24). Of these companies, 11 introduced guidance, 2 raised guidance, 1 maintained guidance, and 1 lowered guidance. Next week, ATMU, RUSHA, and VNT report.

Guides hinge on 2H24 short-cycle inflection

Corporates seem to have conviction on short cycle improving in 2H24. Investors seem to have little conviction in either a macroeconomic improvement or destocking abating. Most of our companies are implicitly guiding for both a growth and earnings inflection in 2H24 on a combination of easier comparisons and the end of destock. It seems to us that many companies are less willing to underwrite mega-project reacceleration in the guidance, and none are planning for interest rate cuts in the guide. The 2024 seasonal 1H/2H weighting is much more similar to 2020, when COVID impacted 1H results.

Inflation: “normalizing”, but price/cost still a tailwind

The planning assumption for our companies is largely for a return to a more “normal” inflation environment in 2024. CEO of AME, David Zapico, stated, “When we transition to 2024, we really see inflation decreasing... we think pricing in 2024 will be about 3% across the entire portfolio. And we think inflation will be at about 2.5%.” Companies are largely planning for a positive price/cost impact to margin (e.g., EMR; ROK; ITT). HON is guiding for price and productivity to offset inflation. PNR is guiding for price to offset inflation on a dollar basis, but its inflation metric includes operating cost inflation as well. PH stated its target is to be price/cost neutral on a gross margin basis. We believe pricing is closer to historical levels than in the past years, but given changes to the portfolio is likely running structurally higher.

End market strength: Aero, electrical, oil & gas

The best performing end markets in our coverage continue to be Aerospace, electrical, and oil & gas. GE reported the greatest revenue beat versus our model this quarter. ETN's outlook surprised to the upside, with supply chain (not demand) being the key potential constraint. EMR saw +4% orders growth as process and hybrid strength offset discrete headwinds. ITT's Industrial Process business saw 5% y/y organic orders growth and plans to exit the year with >1.0x book-to-bill. PH, which has more exposure to upstream than midstream & downstream, was also constructive on oil & gas demand. We view these results as positive read-across for VRT (reporting 2/21) and FLS (reporting 2/20).

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4Q price vs. volume

We look at organic growth for the companies that already reported and disclose price. For the companies that break out topline, organic growth has been an average of +2.4% y/y, accelerating from +0.8% y/y last quarter. Price was +3.9% on average and volumes were (0.6)%. Pricing has sequentially stepped down throughout the year, from 6% in 1Q, 5% in 2Q, 4% in 3Q, and now 3% in 4Q23. We forecast an average of +2.2% price and +1.3% volume for the below companies in 2024E.

Exhibit 1: 4Q23 price versus volume breakdown

On average, 2.4% organic growth has been driven by 3pts of price and (0.6)pts of volume

	Organic growth	Price	Volume
AME	1.5%	5.0%	-3.5%
DOV	-3.4%	2.0%	-5.4%
EMR	10.0%	2.0%	4.0%
HON	2.4%	3.0%	-0.6%
PNR	-2.0%	3.0%	-5.0%
TT	5.8%	2.7%	3.1%
Average	2.4%	3.0%	-0.6%
Median	2.0%	2.9%	-0.9%

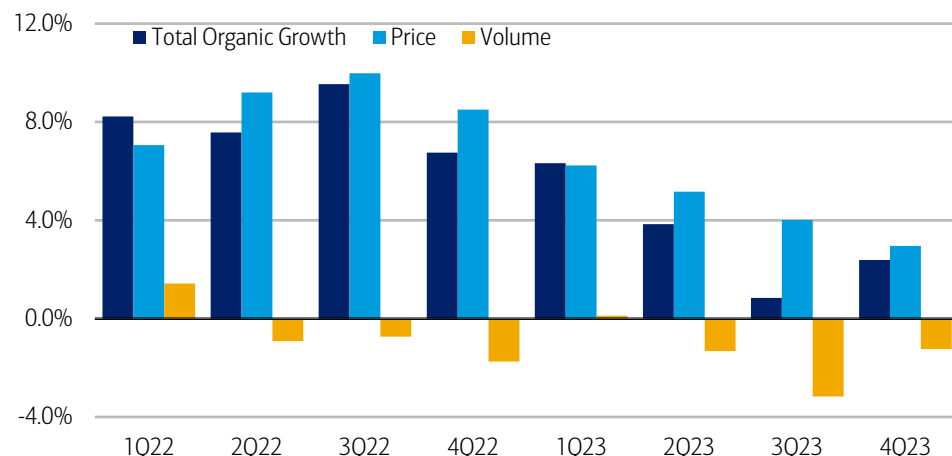
Source: BofA Global Research, company filings

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The below shows price, volume, and organic growth for AME, DOV, EMR, HON, PNR, and TT from 1Q22-4Q23. Pricing of +2.9% is slower than +4.0% in 3Q, with less severe volume declines.

Exhibit 2: Price, volume, and organic growth

Pricing of 3% slowed sequentially from 4% in 3Q23



Source: BofA Global Research, company filings

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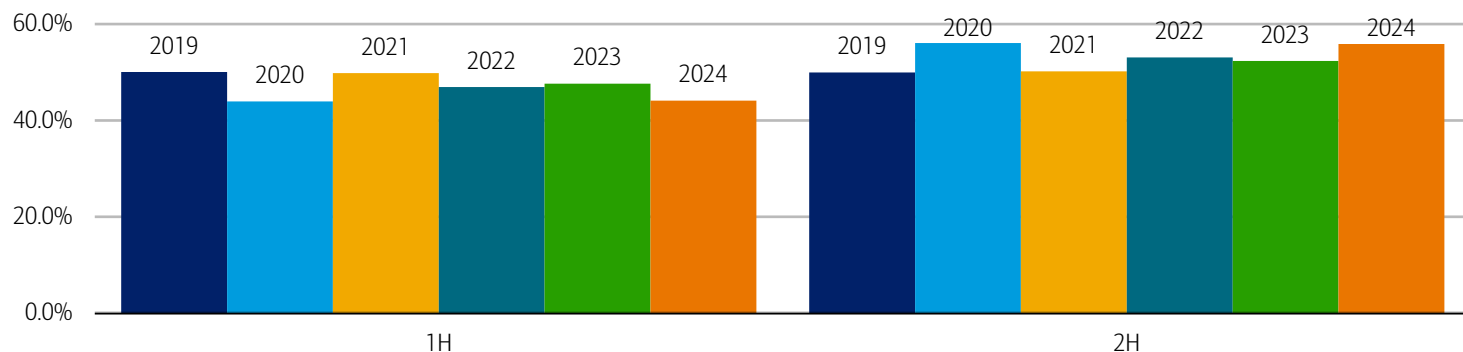
Returning to 2H-weighted guidance

A key area of investor concern has been the believability of 2H ramps in guidance. Below we average 1H vs. 2H adjusted EBITDA contribution in the past five years. We use BofAe for the companies that have already reported earnings. Notably, 2024 is the most 2H-weighted earnings cadence since 2020. 2022, which had a myriad of supply chain constraints in the 1H, actually was less 2H-weighted than this year.

Corporates seem to have conviction on short cycle improving in 2H24. Investors seem to have little conviction in either a macroeconomic improvement or destocking abating. Most of our companies are implicitly guiding for both a growth and earnings inflection in 2H24 on a combination of easier comparisons and the end of destock. It seems to us that many companies are less willing to underwrite mega-project reacceleration in the guidance, and none are planning for interest rate cuts in the guide.

Exhibit 3: Adjusted EBITDA cadence, 2019-2024

BofAe is for 56% of earnings in 2H24



Source: BofA Global Research, company files

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4Q23 Earnings Review

13 out of 16 multis beat on EPS, 8 beat on revenue, and 6 beat on operating profit. Of the companies that reported earnings so far, EMR reported the greatest EPS beat versus our model, while ROK had the largest miss relative to our model. GE reported the greatest revenue beat on our estimates. DOV reported the largest revenue miss.

Exhibit 4: Key earnings metrics, actual versus forecast

13 out of 16 multis beat on EPS so far

	BofA Forecast				Actual				Variance Analysis (%)				
		Operating	Operating			Operating	Operating			Operating	Operating		
	Revenue	Income	Margin	EPS	Revenue	Income	Margin	EPS	Revenue	Income	Margin	EPS	
AME	1,726	450	26.1%	\$1.63	1,731	445	25.7%	\$1.68	0.3%	-1.2%	(40 bp)	3.1%	
CARR	5,173	591	11.4%	\$0.50	5,102	557	10.9%	\$0.53	-1.4%	-5.7%	(50 bp)	6.0%	
DOV	2,167	400	18.5%	\$2.46	2,106	376	17.8%	\$2.45	-2.8%	-6.1%	(60 bp)	-0.4%	
EMR	3,923	735	18.7%	\$1.03	4,117	870	21.1%	\$1.22	4.9%	18.4%	240 bp	18.4%	
ETN	5,958	1,070	18.0%	\$2.45	5,967	1,115	18.7%	\$2.55	0.2%	4.2%	70 bp	4.1%	
FTV	1,571	421	26.8%	\$0.93	1,584	439	27.7%	\$0.98	0.8%	4.1%	90 bp	5.4%	
GE	17,096	1,522	8.9%	\$0.88	18,514	1,773	9.6%	\$1.03	8.3%	16.5%	70 bp	17.0%	
HON	9,673	2,335	24.1%	\$2.62	9,440	2,293	24.3%	\$2.60	-2.4%	-1.8%	20 bp	-0.8%	
ITT	822	144	17.5%	\$1.34	829	141	17.0%	\$1.34	0.9%	-2.0%	(50 bp)	0.0%	
ITW	3,975	995	25.0%	\$2.37	3,983	988	24.8%	\$2.38	0.2%	-0.7%	(20 bp)	0.4%	
JCI	6,189	567	9.2%	\$0.49	6,094	542	8.9%	\$0.51	-1.5%	-4.4%	(30 bp)	4.1%	
MMM	7,746	1,669	21.5%	\$2.33	7,693	1,608	20.9%	\$2.42	-0.7%	-3.7%	(60 bp)	3.9%	
PH	4,828	1,018	21.1%	\$5.21	4,821	1,110	23.0%	\$6.15	-0.2%	9.1%	200 bp	18.0%	
PNR	978	200	20.4%	\$0.86	985	198	20.1%	\$0.87	0.7%	-1.0%	(30 bp)	1.2%	
ROK	2,089	382	18.3%	\$2.58	2,052	313	15.2%	\$2.04	-1.8%	-18.2%	(310 bp)	-20.9%	
TT	4,430	650	14.7%	\$2.12	4,424	688	15.6%	\$2.17	-0.1%	5.9%	90 bp	2.4%	
									Average	0.3%	0.8%	8 bp	3.9%
									Median	0.0%	-1.1%	(20 bp)	3.9%

Source: BofA Global Research estimates, company reports

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The table below summarizes results from US multi-industrial companies and peers. We highlight that organic growth is +3.4% on average with a median of +2.7% this quarter.

Exhibit 5: Multi-industrial and peers 4Q23 earnings metric

Average organic revenue growth is +3.4% y/y

	Organic Rev. Growth	EPS Growth	EBIT Growth
ABB	6.0%	-17.5%	-5.8%
AME	1.5%	10.4%	9.8%
ASSAB	0.0%	6.0%	11.0%
CARR	2.6%	32.6%	8.2%
DHR	-10.0%	-17.5%	-21.8%
DOV	-3.4%	13.7%	2.4%
EMR	10.0%	20.4%	11.5%
ETN	9.6%	23.8%	24.6%
FTV	2.7%	12.1%	12.4%
GE	13.3%	-16.5%	18.8%
HON	2.4%	3.0%	13.5%
ITT	4.2%	3.9%	6.2%
ITW	-0.5%	-19.2%	0.2%
JCI	12.5%	6.3%	2.1%
MMM	-1.4%	10.8%	8.9%
PH	2.9%	29.3%	18.6%
PNR	-2.0%	6.7%	13.4%
ROK	1.0%	4.8%	3.1%
RTX	10.0%	2.0%	10.9%
TT	5.8%	18.9%	21.1%
Average	3.4%	6.7%	8.5%
Median	2.7%	6.5%	10.4%

Source: BofA Global Research estimates, company reports

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Average organic growth in 4Q23 was up +2.9% y/y, decelerating from last quarter's +4.0% pace. GE reported the largest growth increase and DOV reported the largest revenue decline.

Exhibit 6: 4Q organic revenue growth

4Q23 average organic revenue growth has come in at 2.9% vs. 4.0% last quarter

	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
AME	-1.5%	-8.1%	-22.4%	-14.3%	-8.3%	1.2%	24.8%	16.7%	17.5%	13.8%	11.6%	10.7%	8.9%	8.8%	5.2%	-0.2%	1.5%
CARR	-2.0%	-9.0%	-19.0%	3.0%	0.0%	17.0%	31.0%	4.0%	11.0%	10.0%	7.0%	8.0%	5.0%	4.0%	6.0%	3.0%	0.0%
DOV	-1.1%	-2.7%	-16.0%	-5.0%	-2.3%	8.8%	29.7%	13.2%	11.5%	9.4%	7.5%	9.0%	9.3%	2.9%	-3.0%	-2.4%	-3.4%
EMR	-4.0%	-7.1%	-22.1%	-8.7%	-4.9%	0.5%	27.3%	8.0%	6.2%	10.5%	11.2%	14.5%	14.7%	13.6%	14.0%	4.9%	10.0%
ETN	-4.0%	-7.1%	-22.1%	-8.7%	-4.9%	0.5%	27.3%	8.0%	6.2%	10.5%	11.2%	14.5%	14.7%	14.9%	13.0%	9.6%	9.6%
FTV	7.2%	6.0%	-4.3%	1.5%	2.6%	10.9%	11.0%	4.7%	-0.8%	0.6%	3.3%	-0.8%	5.3%	1.0%	6.3%	2.5%	2.7%
GE*	4.6%	-5.0%	-20.0%	-12.0%	-13.7%	-10.0%	7.0%	-1.0%	-3.0%	0.8%	5.0%	7.1%	11.2%	16.9%	19.0%	18.0%	13.3%
HON	2.0%	-4.0%	-18.0%	-14.0%	-7.0%	-2.0%	15.0%	8.0%	-2.0%	1.0%	4.3%	9.2%	9.6%	8.2%	3.0%	2.3%	2.4%
ITT	3.9%	-5.3%	-27.6%	-18.0%	-3.9%	1.5%	29.5%	15.6%	-2.1%	6.8%	9.7%	15.0%	17.5%	10.3%	12.5%	5.4%	4.5%
ITW	-1.6%	-6.6%	-26.5%	-4.6%	-0.9%	6.1%	37.2%	6.3%	5.3%	10.6%	10.4%	15.7%	11.9%	5.2%	3.0%	0.2%	-0.5%
JCI	3.0%	-4.9%	-16.1%	-5.8%	-4.7%	1.4%	15.0%	5.3%	8.2%	9.0%	7.3%	9.3%	8.5%	12.5%	9.0%	2.1%	-0.7%
MMM	-2.6%	0.3%	-13.1%	0.9%	5.5%	8.0%	21.4%	6.3%	1.3%	1.8%	1.1%	1.2%	0.4%	-5.4%	-2.5%	-3.1%	-1.4%
PH	-7.1%	-7.4%	-21.1%	-13.0%	-6.1%	-1.0%	21.8%	15.8%	13.2%	11.1%	12.0%	14.2%	10.3%	11.5%	6.4%	2.3%	2.9%
PNR	-0.6%	2.7%	-10.0%	10.40%	3.4%	18.5%	27.7%	18.4%	19.4%	12.4%	12.3%	4.2%	-3.0%	-2.6%	-7.0%	-7.4%	-2.0%
ROK	-1.0%	-0.2%	-17.6%	-12.06%	-9.7%	1.3%	26.4%	12.6%	16.8%	1.3%	7.1%	20.5%	9.9%	27.3%	13.2%	17.7%	1.0%
TT	7.0%	-5.2%	-12.5%	0.5%	-1.0%	11.1%	17.6%	4.3%	11.0%	12.3%	10.7%	19.4%	16.0%	9.0%	10.9%	8.8%	6.0%
Average	0.1%	-4.0%	-18.0%	-6.2%	-3.5%	4.6%	23.1%	9.1%	7.5%	7.6%	8.2%	10.7%	9.4%	8.6%	6.8%	4.0%	2.9%
Median	-1.0%	-5.1%	-18.5%	-7.2%	-4.3%	1.4%	25.6%	8.0%	7.2%	9.7%	8.6%	10.0%	9.8%	8.9%	6.4%	2.4%	2.0%

Source: BofA Global Research, company filings

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4Q23 median organic growth so far has come in at +2.0% y/y. This is (90)bps below our forecast for +2.9% organic growth. DOV reported the largest organic growth miss relative to our model at (380)bps, while GE reported the largest beat of 760bps.

Exhibit 7: Organic revenue growth comes in below our forecast

So far, median organic growth of +2.0% is below our +2.9% forecast

	BofA	Reported	Difference
AME	1.4%	1.5%	10bps
CARR	2.6%	0.0%	-260bps
DOV	0.4%	-3.4%	-380bps
EMR	7.5%	10.0%	250bps
ETN	10.2%	9.6%	-70bps
FTV	3.0%	2.7%	-30bps
GE	5.7%	13.3%	760bps
HON	3.4%	2.4%	-100bps
ITT	4.2%	4.5%	20bps
ITW	-0.3%	-0.5%	-20bps
JCI	0.3%	-0.7%	-100bps
MMM	0.4%	-1.4%	-180bps
PH	2.7%	2.9%	20bps
PNR	-3.0%	-2.0%	100bps
ROK	3.0%	1.0%	-200bps
TT	5.8%	6.0%	20bps
Average	3.0%	2.9%	-10bps
Median	2.9%	2.0%	-25bps

Source: BofA Global Research, company filings

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Median EPS growth is coming in at 12.1%, slightly decelerating from 12.9% last quarter. GE reported the strongest EPS growth of 56% y/y. JCI reported the largest EPS y/y declines of (24)% y/y.

Exhibit 8: Multi-industrial quarterly EPS growth rates

Median EPS growth of +12.1% slightly decelerated from 12.9% last quarter

	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
AME	11.2%	1.2%	-20.0%	-4.2%	-0.7%	5.6%	36.1%	24.8%	26.8%	24.0%	20.4%	14.8%	11.1%	12.1%	14.1%	12.9%	10.4%
CARR		-26.1%	-54.5%	-9.4%	-41.2%	35.8%	94.8%	6.4%	40.4%	13.7%	9.2%	-1.6%	-9.6%	-5.0%	12.7%	27.7%	32.6%
DOV	7.8%	12.3%	-27.3%	0.0%	0.6%	30.0%	81.9%	24.3%	14.9%	4.6%	3.6%	14.0%	21.4%	2.3%	-4.2%	4.1%	13.7%
EMR	-9.4%	6.2%	-18.5%	-5.0%	27.0%	10.1%	34.6%	10.9%	-16.1%	-18.0%	-23.0%	-18.7%	-1.7%	25.0%	40.8%	20.4%	31.5%
ETN	-0.1%	-12.5%	-49.4%	-20.1%	-11.0%	15.2%	99.2%	29.2%	18.9%	12.4%	9.0%	15.9%	19.8%	16.4%	18.1%	21.9%	23.8%
FTV	12.9%	6.5%	-24.9%	8.6%	-31.7%	-13.9%	-2.5%	-29.5%	13.2%	11.0%	18.3%	19.4%	10.6%	6.2%	9.1%	6.8%	12.1%
GE*	27.6%	-66.2%	-186.7%	-60.1%	-61.3%	-39.2%	-133.2%	22.2%	39.8%	2.8%	102.9%	-38.6%	35.4%	12.9%	-12.9%	133.2%	56.0%
HON	8.1%	15.0%	-39.9%	-24.9%	0.3%	-12.7%	60.0%	29.5%	1.0%	-1.0%	3.7%	11.1%	20.8%	8.6%	6.4%	1.1%	3.0%
ITW	0.0%	0.0%	0.0%	-10.1%	1.7%	19.2%	143.3%	10.5%	-4.2%	0.0%	-3.1%	16.0%	10.5%	10.5%	4.6%	8.7%	-19.2%
JCI	50.5%	32.2%	4.5%	-1.8%	8.3%	23.5%	23.1%	14.8%	25.1%	21.4%	2.9%	13.1%	25.2%	19.5%	20.4%	6.3%	-23.5%
MMM	-16.5%	0.9%	-13.0%	-2.8%	38.2%	29.4%	45.7%	0.4%	-9.6%	-9.4%	-8.9%	3.3%	-10.3%	-25.2%	-11.5%	3.2%	10.8%
PH	6.3%	-2.0%	-15.7%	0.5%	15.5%	21.3%	44.7%	38.8%	29.7%	17.5%	17.7%	11.3%	6.7%	22.7%	17.8%	25.7%	29.3%
PNR	13.5%	20.6%	-14.7%	20.2%	2.7%	56.5%	42.7%	27.0%	24.2%	4.9%	21.8%	12.0%	-5.9%	7.2%	0.7%	-5.7%	6.7%
ROK	-3.8%	19.1%	-45.4%	-5.6%	-17.3%	-2.3%	74.7%	21.0%	20.2%	-31.2%	15.1%	30.4%	15.0%	81.5%	12.9%	19.6%	4.8%
TT	-0.5%	-28.8%	-25.9%	6.4%	11.7%	132.9%	51.4%	4.4%	32.1%	10.6%	12.2%	26.5%	34.5%	25.9%	24.1%	22.8%	22.8%
Average	7.7%	-1.4%	-35.4%	-7.2%	-3.8%	20.8%	46.5%	15.6%	17.1%	4.2%	13.4%	8.6%	12.2%	14.7%	10.2%	20.6%	14.3%
Median	7.0%	1.2%	-24.9%	-4.2%	0.6%	19.2%	45.7%	21.0%	20.2%	4.9%	9.2%	13.1%	11.1%	12.1%	12.7%	12.9%	12.1%

Source: BofA Global Research, company filings

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Median EPS growth of +11.5% y/y has come above our +6.9% estimate. We highlight GE as the company with the largest beat on EPS growth relative to our model, while ROK posted the largest EPS miss.

Exhibit 9: BofA EPS growth forecast vs. reported

Median EPS growth is 11.5% y/y

	BofA	Reported	Difference
AME	7.2%	10.4%	320bps
CARR	26.4%	32.6%	630bps
DOV	14.0%	13.7%	-20bps
EMR	31.5%	31.5%	0bps
ETN	18.9%	23.8%	490bps
FTV	5.8%	12.1%	620bps
GE*	33.0%	56.0%	2300bps
HON	3.9%	3.0%	-90bps
ITT	3.9%	3.9%	0bps
ITW	-19.7%	-19.2%	50bps
JCI	-26.5%	-23.5%	300bps
MMM	6.6%	10.8%	430bps
PH	9.5%	29.3%	1980bps
PNR	4.7%	6.7%	210bps
ROK	4.8%	-17.1%	-2180bps
TT	16.4%	18.9%	250bps
Average	8.8%	12.1%	331bps
Median	6.9%	11.5%	275bps

Source: BofA Global Research, company filings

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The table below shows 2024 revenue and EPS guidance for companies which have reported so far and compares guidance to prior consensus and BofA forecasts. Of the 16 multi-industrials below, 11 introduced guide, 2 raised guide, 1 maintained guide, and 1 lowered guide. Ge did not issue total company guidance ahead of the pending Vernova spin (expected April 2024).

Exhibit 10: Guidance as of 4Q23 vs. Consensus vs. BofA

12 multi-industrials introduced guidance, 2 raised guide, 1 maintained guide, and 1 lowered guide

	'24 Revenue Growth					'24 EPS		
	<u>Old</u>	<u>As of 4Q23</u>	<u>Consensus*</u>	<u>BofA Forecast*</u>		<u>As of 4Q23</u>	<u>Consensus*</u>	<u>BofA Forecast*</u>
AME		LSD-MSD	3.2%	3.7%		\$6.70-\$6.85	\$6.72	\$6.82
CARR		MSD	4.6%	5.1%		\$2.80-\$2.90	\$2.87	\$2.97
DOV		1 - 3%	2.6%	2.3%		\$8.95 - \$9.15	\$9.20	\$9.05
EMR	4 - 6%	4.5-6.5%	4.9%	5.5%	\$5.15 - \$5.35	\$5.30-\$5.45	\$5.23	\$5.25
ETN		6.5 - 8.5%	7.0%	7.0%		\$9.95 - \$10.35	\$10.02	\$9.95
FTV		2 - 4%	4.5%	3.1%		\$3.73 - \$3.85	\$3.66	\$3.57
GE		LDD	12.3%	13.1%			\$9.92	\$10.47
HON		4 - 6%	5.5%	5.4%		\$9.80 - \$10.10	\$9.96	\$10.10
ITT		3 - 6%	5.3%	6.7%		\$5.45-\$5.90	\$5.90	\$6.06
ITW		1 - 3%	2.5%	2.1%		\$10.00 - \$10.40	\$10.17	\$9.87
JCI	-MSD	-MSD	4.8%	5.9%	\$3.65 - \$3.80	\$3.60 - \$3.75	\$4.16	\$3.70
MMM		Flat to +2%	3.0%	5.0%		\$9.35 - \$9.75	\$9.92	\$10.47
PH	+~1.5%	1.5%	1.6%	2.3%	\$22.60 - \$23.40	\$23.90 - \$24.50	\$23.30	\$23.39
PNR**		2 - 3%	3.3%	2.9%		\$4.15 - \$4.25	\$4.19	\$4.21
ROK	(2.0)% - 4%	(2.0)% - 4%	1.8%	4.0%	\$12.00 - \$13.50	\$12.00 - \$13.60	\$14.01	\$13.38
TT		6 - 7%	5.2%	4.9%		\$10.00 - \$10.30	\$10.05	\$9.94

Source: BofA Global Research estimates, company reports

*Consensus and BofA forecasts as of time of earnings report. Consensus revenue growth is reported

** Growth indicates all-in outlook

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Valuation metrics

Exhibit 11: 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	\$92.90	\$110	-3.6%	-4.5%	1.4%	21.1%	20.3%	21.5%	-6.4%	-7.4%	14.4%
Allegion	ALLE	\$131.91	\$95	14.1%	11.5%	3.5%	20.2%	21.9%	20.7%	9.9%	14.4%	-1.5%
AMETEK	AME	\$168.50	\$182	10.9%	7.3%	12.0%	24.4%	25.9%	25.3%	17.1%	11.5%	7.7%
Carrier	CARR	\$56.01	\$55	-0.9%	8.2%	17.8%	14.2%	14.5%	15.2%	3.1%	15.4%	11.3%
Core & Main	CNM	\$44.00	\$28	32.9%	1.1%	2.3%	11.7%	11.0%	10.2%	N/M	0.4%	0.0%
Dover	DOV	\$160.53	\$180	7.6%	-0.8%	2.0%	16.9%	17.2%	18.0%	10.7%	4.2%	3.7%
Eaton	ETN	\$277.96	\$300	5.7%	11.8%	7.4%	14.7%	17.0%	17.9%	12.0%	21.6%	9.2%
Emerson	EMR	\$103.20	\$120	-17.4%	11.3%	12.5%	18.9%	18.8%	18.6%	-10.5%	20.7%	15.5%
Flowserve	FLS	\$41.50	\$44	2.1%	18.8%	5.2%	6.2%	9.6%	10.6%	-20.6%	N/M	20.4%
Fortive	FTV	\$82.70	\$85	10.9%	4.1%	6.5%	24.3%	25.9%	27.0%	14.6%	7.1%	4.2%
General Electric	GE	\$139.28	\$145	3.0%	-14.4%	0.0%	7.9%	8.6%	8.6%	23.3%	1.7%	59.2%
Honeywell	HON	\$194.84	\$250	3.1%	3.4%	5.5%	22.0%	23.2%	23.8%	8.8%	4.8%	9.8%
Illinois Tool Works	ITW	\$255.75	\$235	10.2%	1.1%	3.2%	23.8%	25.1%	24.7%	14.7%	-0.2%	2.9%
ITT	ITT	\$122.40	\$135	8.1%	9.9%	11.6%	15.9%	16.9%	17.6%	9.5%	17.5%	16.2%
John Bean Technologies	JBT	\$103.28	\$85	15.9%	-23.1%	6.6%	9.2%	10.6%	11.0%	25.0%	-15.8%	14.8%
Johnson Controls International	JCI	\$55.50	\$60	6.4%	6.2%	4.6%	11.6%	12.6%	13.4%	12.3%	18.6%	13.6%
Montrose Environmental Group	MEG	\$33.53	\$40	-0.4%	15.2%	10.8%	-5.1%	-3.3%	0.7%	N/M	N/M	N/M
Parker Hannifin	PH	\$521.38	\$600	15.1%	12.9%	5.0%	19.7%	21.8%	21.9%	19.8%	11.9%	9.0%
Pentair	PNR	\$74.48	\$76	9.5%	-0.4%	2.5%	18.6%	20.8%	22.3%	8.2%	1.2%	9.0%
Rockwell	ROK	\$283.50	\$280	12.5%	13.8%	5.9%	17.1%	17.6%	19.7%	7.5%	22.4%	10.2%
Trane Technologies	TT	\$275.44	\$282	13.1%	10.5%	7.1%	14.9%	16.3%	16.7%	21.2%	19.3%	10.8%
Vontier	VNT	\$36.70	\$40	6.5%	-3.1%	0.7%	20.0%	19.1%	20.1%	7.0%	-7.1%	6.8%
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 12: 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	10.2 x	8.9 x	15.7 x	13.7 x	10.2 x	16.7 x	7.4 x	7.5 x	7.1 x	6.4%	6.5%	6.5%
Allegion	ALLE	22.0 x	19.3 x	19.6 x	17.7 x	29.5 x	22.1 x	19.5 x	18.6 x	15.4 x	15.4 x	1.2%	1.4%	1.4%
AMETEK	AME	29.7 x	26.6 x	24.7 x	17.9 x	38.6 x	24.4 x	24.4 x	22.4 x	20.7 x	18.1 x	0.5%	0.6%	0.6%
Carrier	CARR	23.9 x	20.7 x	18.6 x	N/A	34.7 x	22.3 x	NM	16.6 x	14.4 x	14.1 x	1.1%	1.3%	1.4%
Core & Main	CNM	20.3 x	20.2 x	20.2 x	N/A	28.8 x	10.2 x	17.5 x	13.5 x	12.2 x	11.8 x	0.0%	0.0%	0.0%
Dover	DOV	19.0 x	18.2 x	17.6 x	13.4 x	39.4 x	19.7 x	17.9 x	15.1 x	14.5 x	12.8 x	1.3%	1.3%	1.3%
Eaton	ETN	NM	NM	28.2 x	12.0 x	NM	38.9 x	32.6 x	29.8 x	24.5 x	21.9 x	1.2%	1.2%	1.3%
Emerson	EMR	26.8 x	22.2 x	19.3 x	16.8 x	29.7 x	26.8 x	21.6 x	19.7 x	14.6 x	14.5 x	2.0%	2.0%	2.0%
Flowserve	FLS	NM	20.8 x	17.2 x	16.3 x	NM	NM	23.7 x	20.0 x	12.5 x	10.8 x	1.9%	1.9%	1.9%
Fortive	FTV	26.2 x	24.5 x	23.5 x	20.4 x	24.6 x	23.6 x	21.8 x	21.6 x	18.9 x	17.3 x	0.3%	0.4%	0.4%
General Electric	GE	NM	NM	NM	2.1 x	32.2 x	30.0 x	30.0 x	19.7 x	22.1 x	22.2 x	0.2%	0.2%	0.2%
Honeywell	HON	22.2 x	21.2 x	19.3 x	15.2 x	29.5 x	29.9 x	22.0 x	15.8 x	14.3 x	12.8 x	2.0%	2.1%	2.3%
Illinois Tool Works	ITW	26.2 x	26.2 x	25.5 x	0.0 x	NM	25.2 x	24.6 x	20.6 x	19.0 x	18.4 x	2.0%	2.1%	2.3%
ITT	ITT	27.6 x	23.5 x	20.2 x	14.4 x	NM	23.5 x	22.6 x	17.4 x	15.1 x	12.8 x	0.9%	0.9%	1.0%
John Bean Technologies	JBT	21.6 x	25.6 x	22.3 x	16.0 x	NM	29.2 x	26.0 x	15.0 x	13.0 x	11.9 x	0.4%	0.4%	0.4%
Johnson Controls International	JCI	17.9 x	15.1 x	13.3 x	N/A	26.4 x	20.3 x	14.8 x	12.0 x	11.1 x	10.0 x	2.5%	2.6%	2.7%
Montrose Environmental Group	MEG	NM	NM	NM	N/A	NM	20.9 x	15.8 x	NM	41.4 x	29.7 x	0.0%	0.0%	0.0%
Parker Hannifin	PH	26.1 x	23.3 x	21.4 x	15.1 x	30.7 x	26.1 x	19.9 x	0.0 x	8.6 x	13.5 x	0.8%	0.0%	0.0%
Pentair	PNR	20.2 x	20.0 x	18.3 x	17.8 x	NM	20.6 x	18.7 x	17.7 x	15.5 x	13.8 x	1.1%	1.2%	1.2%
Rockwell	ROK	27.9 x	22.8 x	20.7 x	N/A	NM	NM	20.7 x	22.5 x	18.6 x	15.7 x	1.6%	1.7%	1.8%
Trane Technologies	TT	NM	NM	28.2 x	14.0 x	NM	NM	NM	25.3 x	21.8 x	19.8 x	1.0%	1.1%	1.2%
Vontier	VNT	11.9 x	12.8 x	12.0 x	N/A	22.6 x	14.7 x	11.9 x	11.0 x	10.8 x	10.1 x	0.3%	0.3%	0.3%
AVERAGE		22.0 x	20.6 x	20.4 x	13.9 x	29.2 x	23.7 x	21.6 x	17.1 x	17.1 x	15.4 x	1.2%	1.2%	1.3%
MEDIAN		22.1 x	20.8 x	20.2 x	15.2 x	29.5 x	23.5 x	21.3 x	17.6 x	15.3 x	14.0 x	1.0%	1.1%	1.2%

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

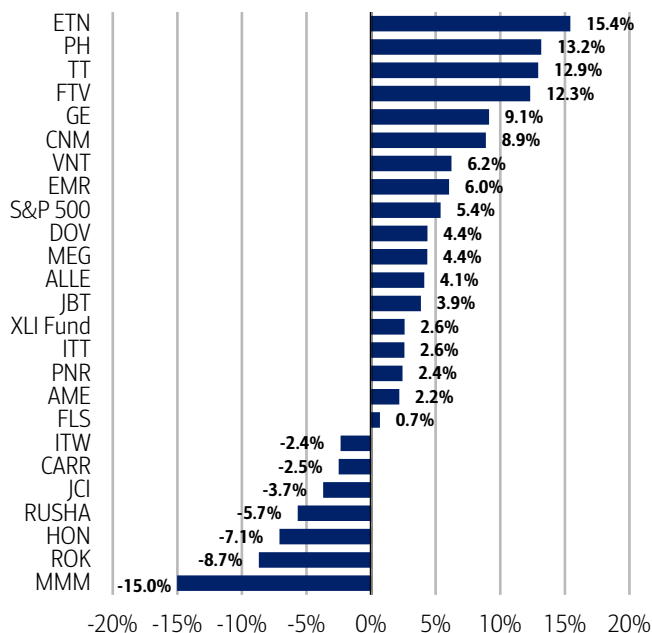
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Stock performance

Exhibit 13: YTD Stock Performance

ETN is the best YTD stock performer

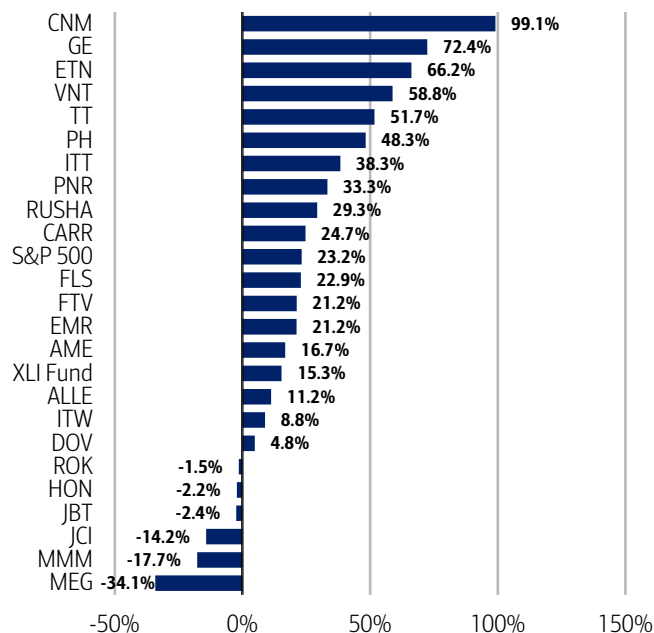


Source: BofA Global Research, Bloomberg

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Exhibit 14: 1-Year Stock Performance

CNM is the best 1-year stock performer

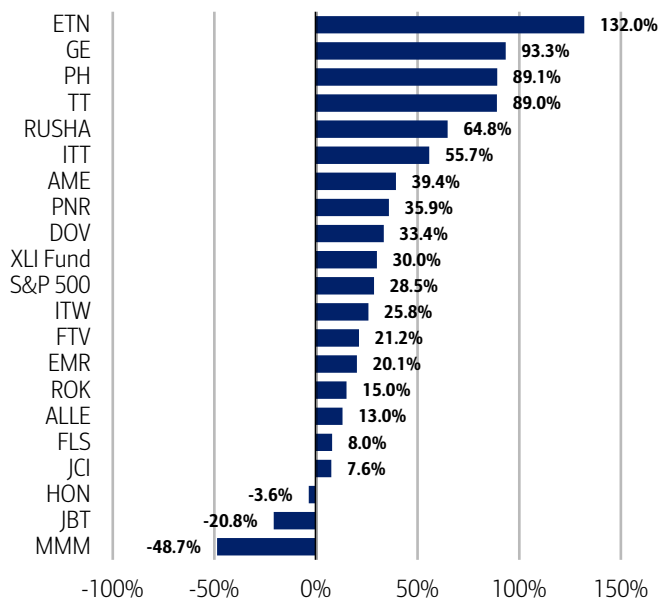


Source: BofA Global Research, Bloomberg

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Exhibit 15: 3-Years Stock Performance

ETN is the best 3-year stock performer

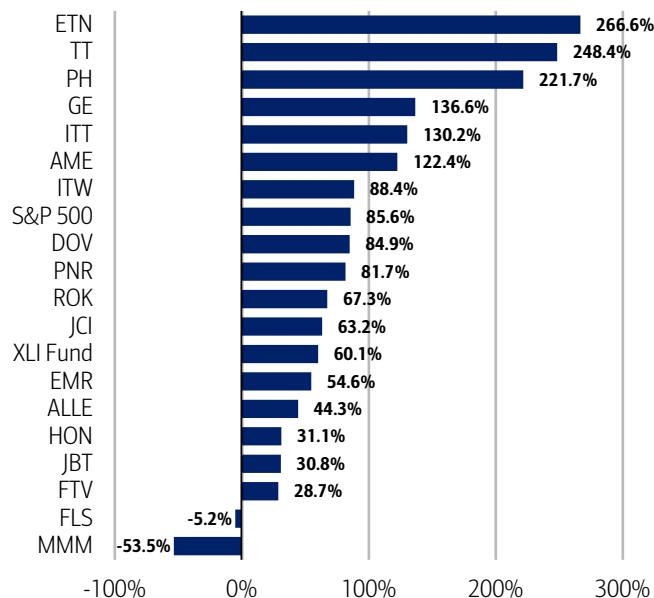


Source: BofA Global Research, Bloomberg

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Exhibit 16: 5-Years Stock Performance

ETN is the best 5-year stock performer



Source: BofA Global Research, Bloomberg

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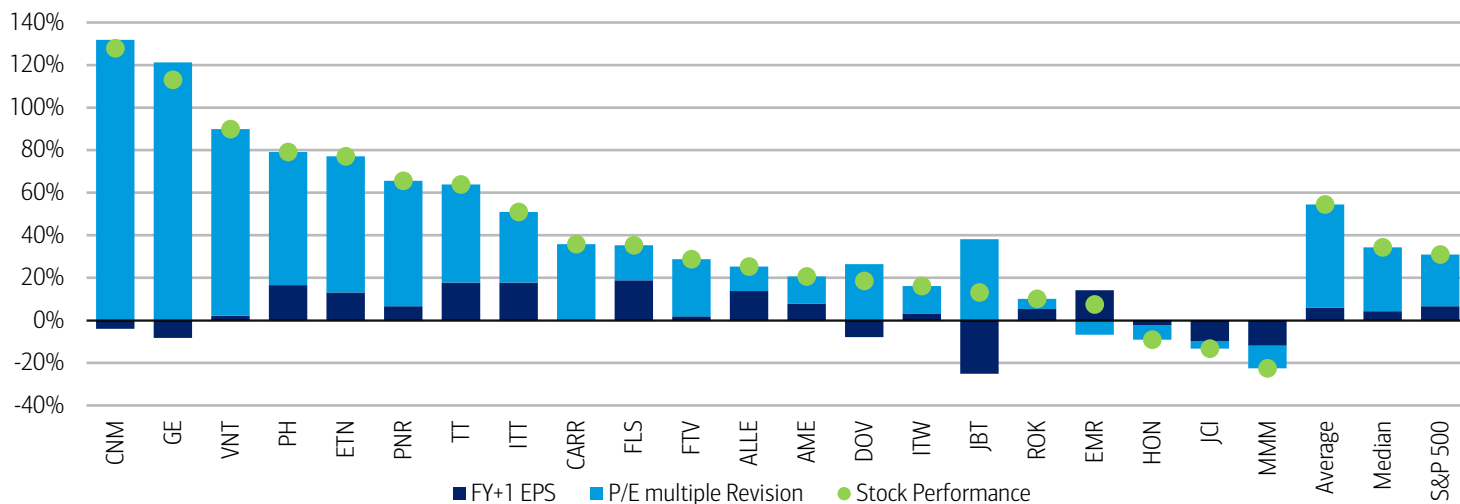


YTD stock performance attribution

Year-to-date, stock performance across our coverage (up 29% on a median basis) has been driven more by multiple expansion than earnings revisions.

Exhibit 17: Stock performance attribution (P/E multiple revision vs. '23 EPS revision)

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

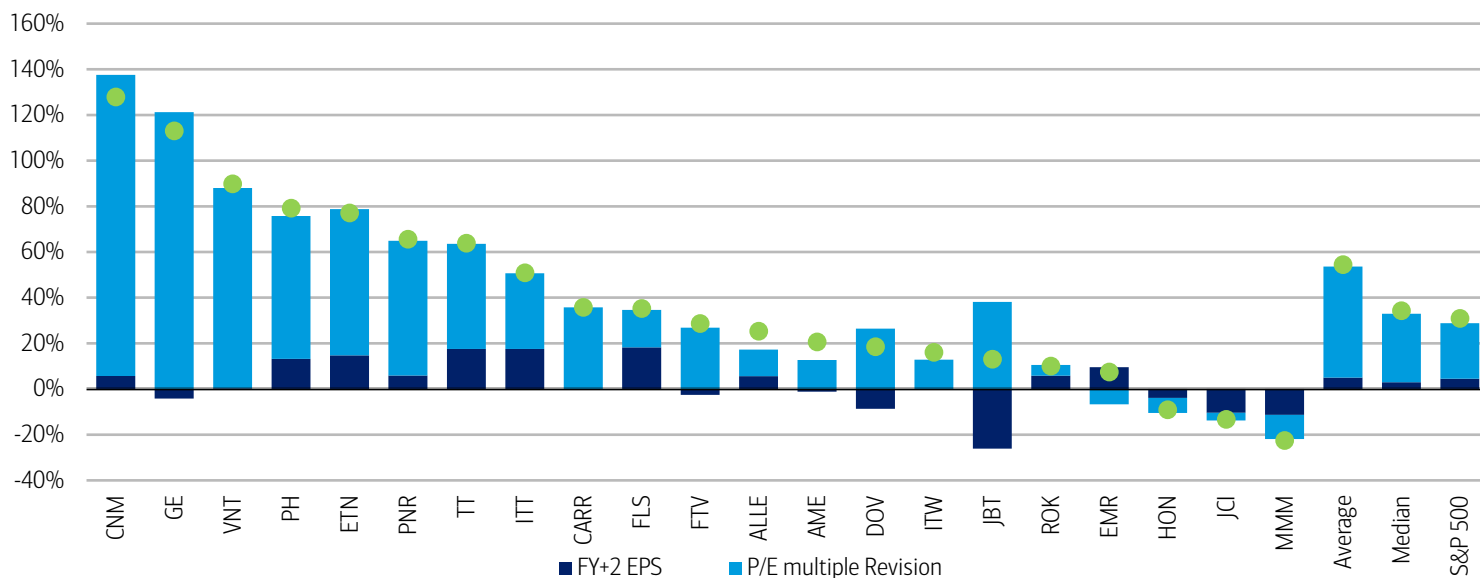


Source: BofA Global Research, Bloomberg

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Exhibit 18: 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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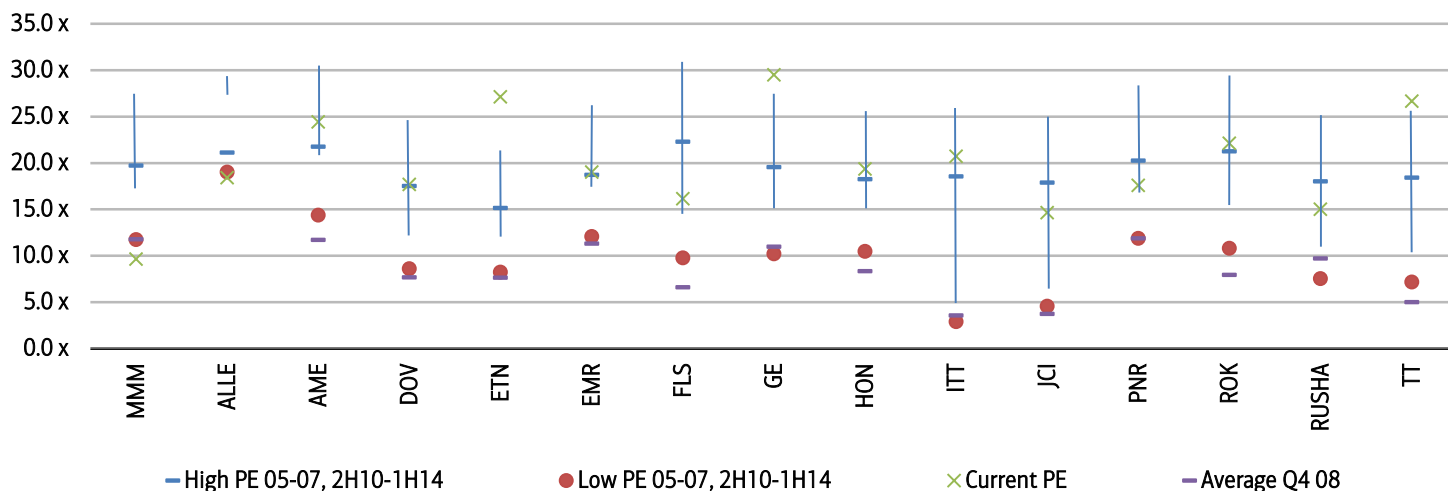
Current valuation vs. historical

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 19: 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

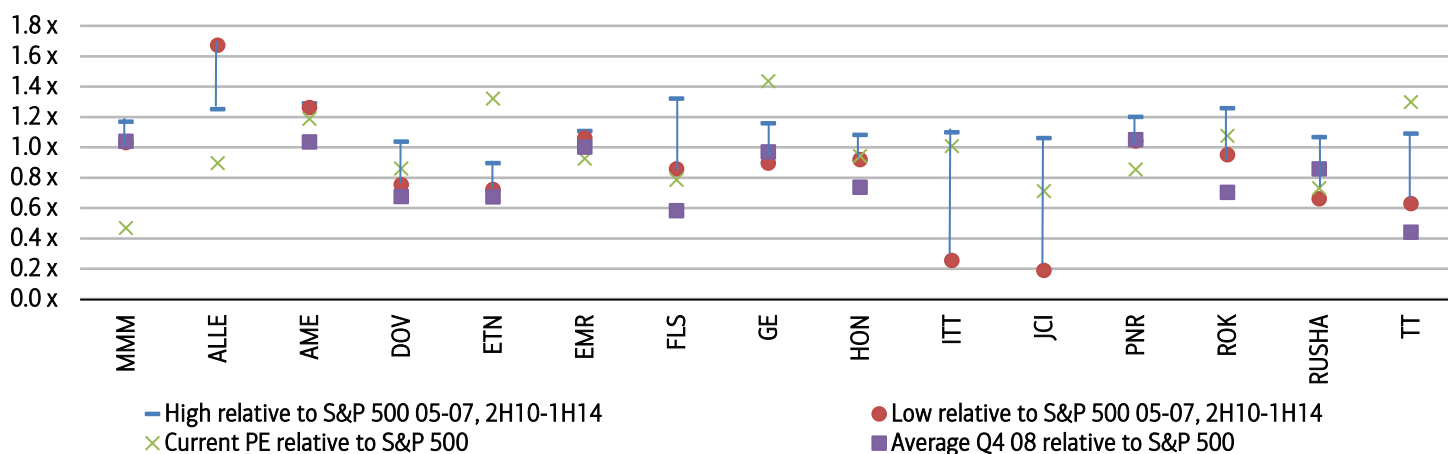
*Current PE based on Bloomberg consensus estimate

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

Exhibit 20: 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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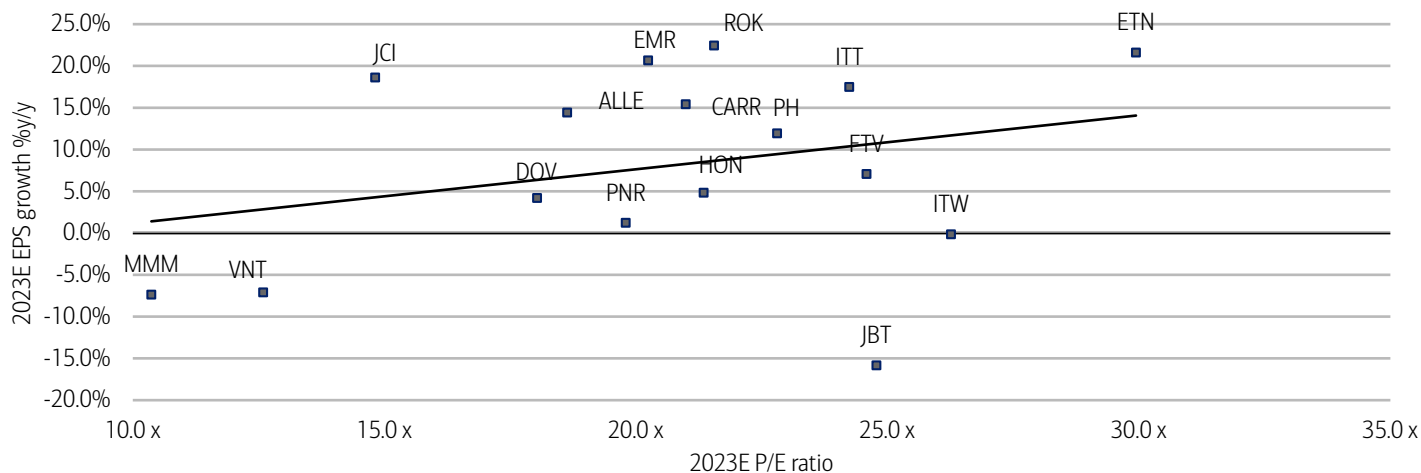


Multi-industrial valuation charts

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

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

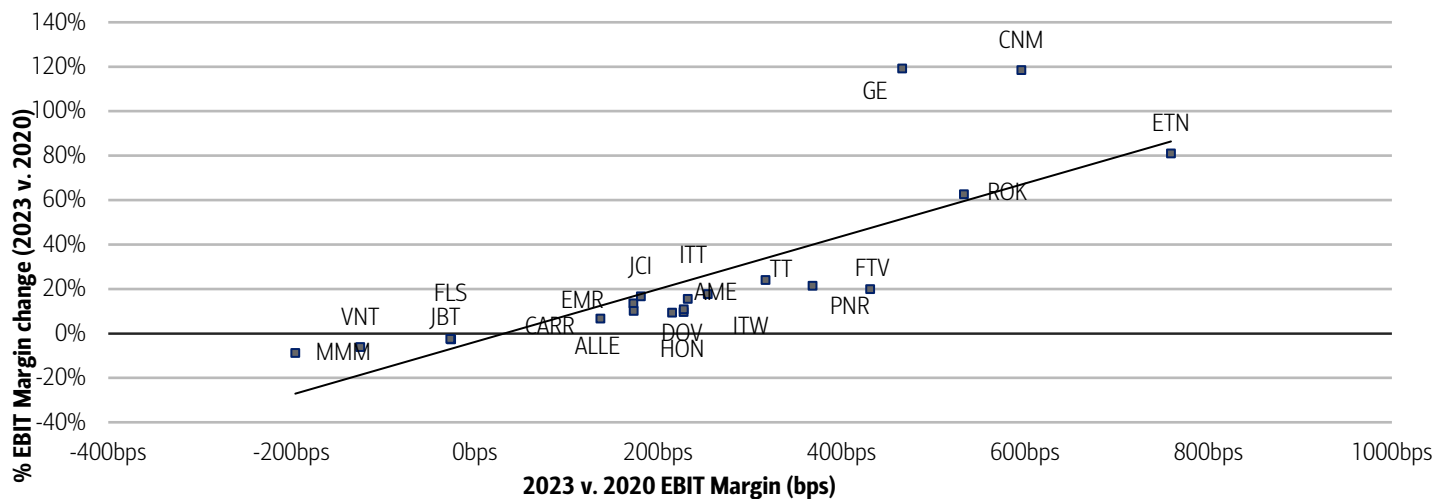


Source: BofA Global Research estimates

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Exhibit 22: 2023 vs. 2020 EBIT margin expansion

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

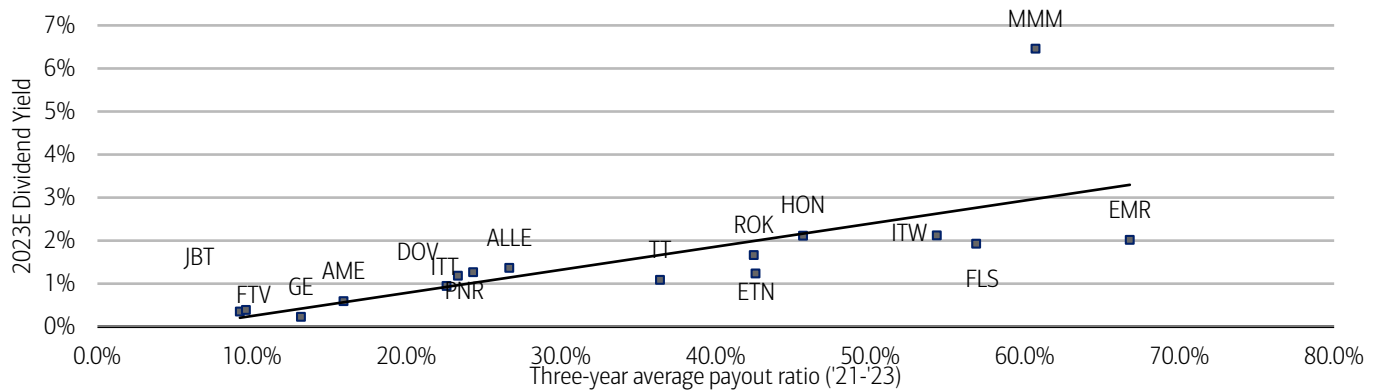


Source: BofA Global Research estimates

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Exhibit 23: 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 24: Multi-industrial summary Net Debt/EBITDA

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

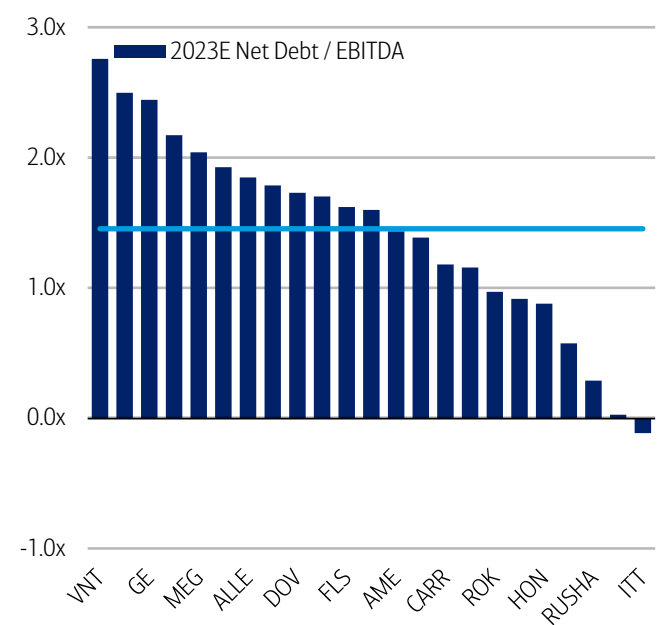
Company	S&P credit rating	Net Debt/ EBITDA		
		2022	2023E	2024E
MMM	BBB+ *	1.4x	1.4x	1.3x
ALLE	BBB	2.5x	1.8x	1.6x
AME	BBB+	1.1x	1.4x	0.7x
CARR	BBB	1.7x	1.2x	2.5x
CNM		1.8x	0.9x	1.0x
DOV	BBB+	1.9x	1.7x	0.8x
ETN	A-	2.0x	1.8x	1.6x
EMR	A	2.4x	0.0x	1.6x
FLS	BBB-	2.5x	1.6x	1.2x
FTV	BBB	1.7x	1.7x	1.7x
GE	BBB+	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
Average leverage		2.2x	1.5x	1.2x

Source: BofA Global Research

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Exhibit 25: 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 26: 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%	87.2%	98.0%
AVERAGE		11.9%	12.3%	11.9%	18.8%	20.0%	20.1%	142.9%	92.2%	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 27: Multi-Industrial summary valuation metrics

Summary valuation metrics

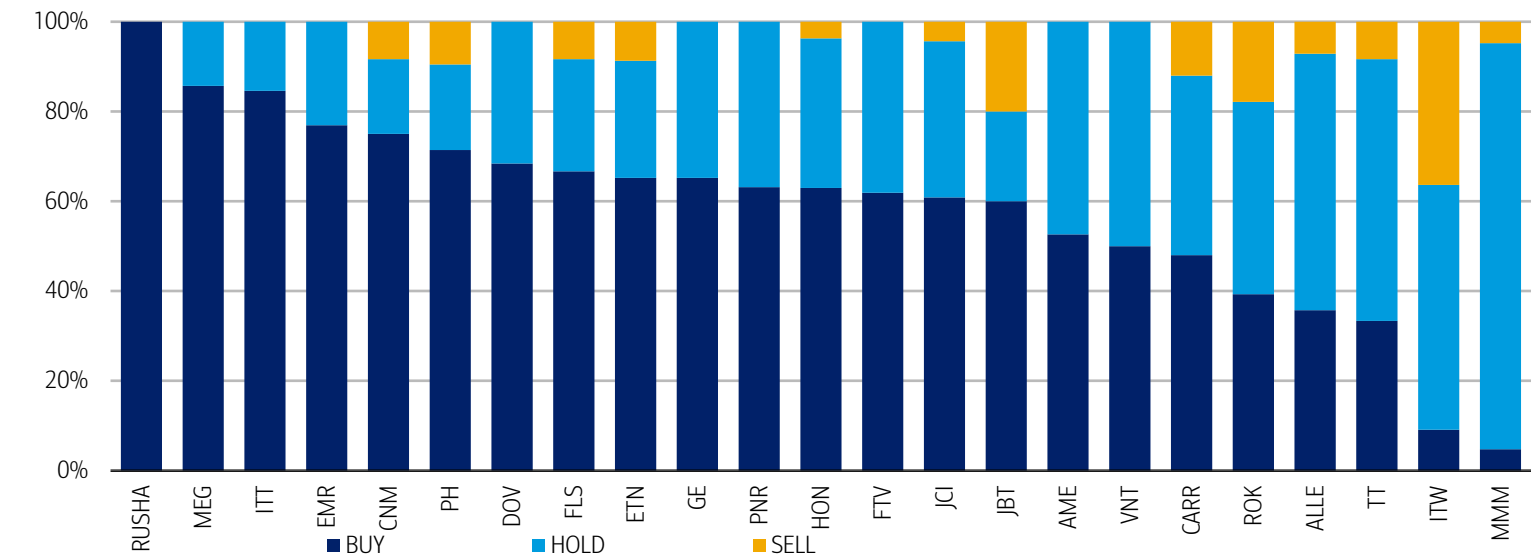
	BofA			Ratings			FY+1 EPS			FY+2 EPS		
	Rating	Buy	Neutral	U/P	BofA	Consensus	Low	High	BofA	Consensus	Low	High
3M	Neutral	1	19	1	\$9.24	\$9.12	\$9.01	\$9.20	\$9.60	\$9.58	\$9.16	\$9.85
Allegion	Underperform	5	8	1	\$6.85	\$6.87	\$6.80	\$6.90	\$6.62	\$7.10	\$6.77	\$7.41
AMETEK	Neutral	10	9	0	\$6.38	\$6.34	\$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	\$2.55	\$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	13	6	0	\$8.80	\$8.77	\$8.67	\$8.85	\$9.08	\$9.00	\$8.12	\$9.15
Eaton	Buy	15	6	2	\$9.12	\$9.04	\$9.00	\$9.08	\$10.15	\$10.12	\$9.02	\$10.45
Emerson	Buy	20	6	0	\$4.44	\$4.46	\$4.43	\$4.52	\$5.36	\$5.32	\$4.47	\$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	13	8	0	\$3.43	\$3.39	\$3.37	\$3.41	\$3.75	\$3.78	\$3.70	\$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	17	9	1	\$9.16	\$9.16	\$9.11	\$9.20	\$10.10	\$9.97	\$9.71	\$10.10
Illinois Tool Works	Underperform	2	12	8	\$9.74	\$9.77	\$9.65	\$9.93	\$9.87	\$10.16	\$9.87	\$10.58
ITT	Buy	11	2	0	\$5.21	\$5.21	\$5.20	\$5.23	\$5.90	\$5.83	\$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	14	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	\$24.32	\$23.53	\$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	12	5	\$12.15	\$11.97	\$11.73	\$12.23	\$13.38	\$12.36	\$11.10	\$13.38
Trane Technologies	Neutral	8	14	2	\$9.04	\$9.01	\$8.98	\$9.15	\$10.21	\$10.20	\$9.80	\$10.52
Vontier	Buy	6	6	0	\$2.86	\$2.83	\$2.48	\$2.88	\$3.14	\$3.07	\$2.79	\$3.15

Source: Company Reports, BofA Global Research estimates, Bloomberg

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Exhibit 28: Sell side stock ratings of BUY/HOLD/SELL
Over half of our coverage has a consensus Buy rating



Source: Bloomberg

BofA GLOBAL RESEARCH

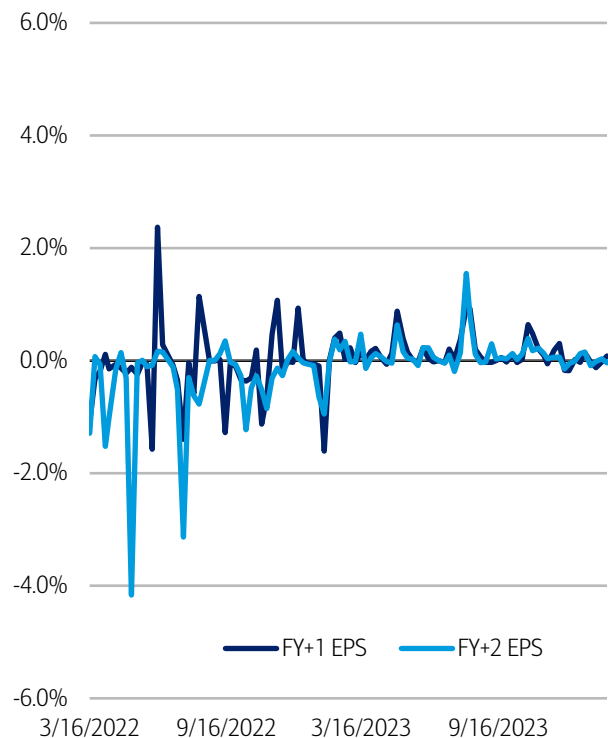


Consensus revision tracker

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 29: Bloomberg consensus revisions vs. 1 week ago

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

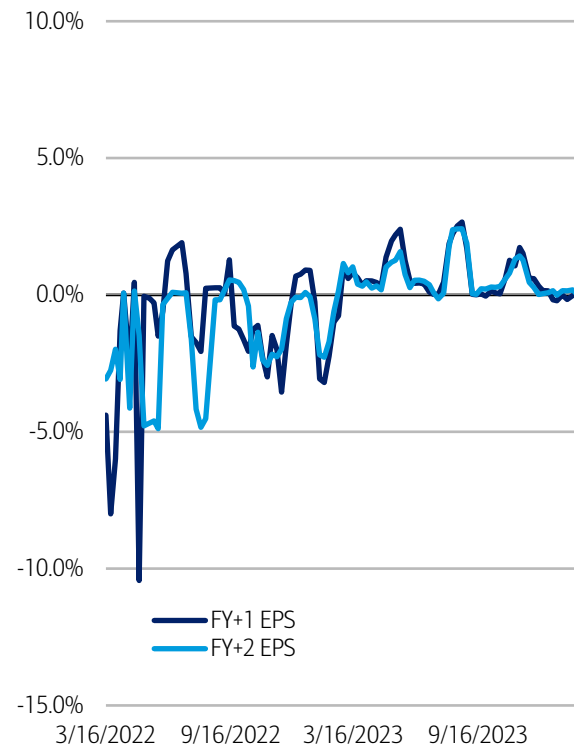


Source: Bloomberg

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Exhibit 30: 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 31: 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	\$1.58	0.4%	\$6.83	\$6.75	1.19%	\$7.51	\$7.40	1.49%
CARR	\$0.51	\$0.56	-8.6%	\$2.85	\$2.87	-0.70%	\$3.09	\$3.10	-0.32%
CNM	\$0.33	\$0.32	1.9%	\$2.26	\$2.22	1.80%	\$2.42	\$2.42	0.00%
DOV	\$1.95	\$1.99	-2.0%	\$9.00	\$9.07	-0.77%	\$9.80	\$9.86	-0.61%
EMR	\$1.24	\$1.24	-0.3%	\$5.32	\$5.26	1.14%	\$5.63	\$5.64	-0.18%
ETN	\$2.26	\$2.24	0.8%	\$10.12	\$10.08	0.40%	\$11.22	\$11.17	0.45%
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%	\$3.78	\$3.78	0.00%	\$4.14	\$4.14	0.00%
GE	\$0.66	\$0.66	-0.3%	\$4.57	\$4.59	-0.44%	\$5.97	\$5.96	0.17%
HON	\$2.19	\$2.21	-0.9%	\$9.97	\$9.95	0.20%	\$10.91	\$10.92	-0.09%
ITT	\$1.37	\$1.38	-0.6%	\$5.83	\$5.90	-1.19%	\$6.54	\$6.56	-0.30%
ITW	\$2.36	\$2.38	-0.8%	\$10.16	\$10.19	-0.29%	\$10.96	\$10.98	-0.18%
JBT	\$1.36	\$1.36	0.0%	\$4.03	\$4.05	-0.49%	\$4.72	\$4.85	-2.68%
JCI	\$0.75	\$0.76	-0.9%	\$3.61	\$3.60	0.28%	\$4.12	\$4.11	0.24%
MEG	\$0.01	(\$0.01)	183.3%	(\$0.51)	(\$0.63)	19.05%	\$0.17	\$0.08	112.50%
MMM	\$2.09	\$2.09	0.2%	\$9.58	\$9.60	-0.21%	\$10.26	\$10.27	-0.10%
PH	\$6.12	\$6.06	1.0%	\$24.32	\$24.07	1.04%	\$26.02	\$25.76	1.01%
PNR	\$0.90	\$0.90	0.2%	\$4.19	\$4.19	0.00%	\$4.65	\$4.65	0.00%
ROK	\$2.36	\$2.41	-1.9%	\$12.36	\$12.40	-0.32%	\$13.65	\$13.67	-0.15%
RUSHA	\$0.85	\$0.85	0.0%	\$4.05	\$4.05	0.00%	\$3.12	\$3.12	0.00%
TT	\$1.63	\$1.63	-0.1%	\$10.20	\$10.17	0.29%	\$11.34	\$11.30	0.35%
VNT	\$0.78	\$0.78	-0.1%	\$2.83	\$2.83	0.00%	\$3.07	\$3.07	0.00%
Average			-0.6%			0.1%			0.0%

Source: Bloomberg

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Since 1 week ago, MEG had the largest positive revision for FY+1 followed by CNM. ITT had the largest negative revision for FY+1 followed by DOV. AME has had the largest positive revision for FY+2 followed by PH. JBT had the largest negative revision for FY+2 followed by DOV.

Exhibit 32: 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	\$6.69	2.1%	\$7.51	\$7.36	2.0%
CARR	\$0.51	\$0.56	-8.9%	\$2.85	\$2.88	-1.0%	\$3.09	\$3.10	-0.3%
CNM	\$0.33	\$0.38	-13.2%	\$2.26	\$2.24	0.9%	\$2.42	\$2.45	-1.2%
DOV	\$1.95	\$2.10	-7.1%	\$9.00	\$9.28	-3.0%	\$9.80	\$10.01	-2.1%
EMR	\$1.24	\$1.25	-0.8%	\$5.32	\$5.26	1.1%	\$5.63	\$5.70	-1.2%
ETN	\$2.26	\$2.13	6.1%	\$10.12	\$9.97	1.5%	\$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%	\$3.78	\$3.66	3.3%	\$4.14	\$4.01	3.2%
GE	\$0.66	\$0.72	-8.3%	\$4.57	\$4.62	-1.1%	\$5.97	\$5.99	-0.3%
HON	\$2.19	\$2.24	-2.2%	\$9.97	\$9.97	0.0%	\$10.91	\$10.96	-0.5%
ITT	\$1.37	\$1.38	-0.7%	\$5.83	\$5.88	-0.9%	\$6.54	\$6.52	0.3%
ITW	\$2.36	\$2.38	-0.8%	\$10.16	\$10.18	-0.2%	\$10.96	\$10.88	0.7%
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	\$3.67	-1.6%	\$4.12	\$4.20	-1.9%
MEG	\$0.01	(\$0.01)	200.0%	(\$0.51)	(\$0.81)	37.0%	\$0.17	(\$0.05)	440.0%
MMM	\$2.09	\$2.21	-5.4%	\$9.58	\$9.81	-2.3%	\$10.26	\$10.49	-2.2%
PH	\$6.12	\$5.96	2.7%	\$24.32	\$23.29	4.4%	\$26.02	\$25.34	2.7%
PNR	\$0.90	\$0.99	-9.1%	\$4.19	\$4.17	0.5%	\$4.65	\$4.67	-0.4%
ROK	\$2.36	\$3.16	-25.3%	\$12.36	\$12.88	-4.0%	\$13.65	\$14.00	-2.5%
RUSHA	\$0.85	\$0.85	0.0%	\$4.05	\$4.05	0.0%	\$3.12	\$3.12	0.0%
TT	\$1.63	\$1.62	0.6%	\$10.20	\$10.01	1.9%	\$11.34	\$11.09	2.3%
VNT	\$0.78	\$0.78	0.0%	\$2.83	\$2.83	0.0%	\$3.07	\$3.09	-0.6%
Average			-3.4%			0.0%			0.0%

Source: Bloomberg

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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 DOV. 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 33: 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%	
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%	
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 34: 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%									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 35: Stocks mentioned

Prices and ratings for stocks mentioned in this report

	Ticker	Rating	Price
3M	MMM	B-2-8	\$ 92.90
Allegion	ALLE	B-3-7	\$ 131.91
AMETEK Inc	AME	B-2-7	\$ 168.50
Carrier	CARR	B-3-7	\$ 56.01
Core & Main	CNM	B-3-9	\$ 44.00
Dover	DOV	B-1-7	\$ 160.53
Eaton Corp.	ETN	B-1-7	\$ 277.96
Flowserve	FLS	B-1-7	\$ 41.50
Fortive	FTV	B-2-7	\$ 82.70
General Electric	GE	B-1-7	\$ 139.28
Honeywell	HON	B-1-7	\$ 194.84
Illinois Tool Works	ITW	B-3-7	\$ 122.40
ITT	ITT	B-1-7	\$ 122.40
John Bean Technologies	JBT	B-3-7	\$ 103.28
Johnson Controls International	JCI	B-2-7	\$ 55.50
Montrose Environmental Group	MEG	C-1-9	\$ 33.53
Parker Hannifin	PH	B-1-7	\$ 521.38
Pentair	PNR	B-2-7	\$ 74.48
Rockwell	ROK	B-2-7	\$ 283.50
Trane Technologies	TT	B-2-7	\$ 275.44
Vontier	VNT	B-1-7	\$ 36.70

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, 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.

APi Group (APG)

We base our \$36 price objective on 10x our 2025E EBITDA, a discount to the 13x peer average on 2024 estimates. We argue a discount is warranted given APi Group's above-peer financial leverage

Upside risks are 1) greater-than-expected revenue and cost synergies from future acquisitions, 2) strong execution in national accounts and service line expansion strategies, and 3) greater market share gains.

Downside risks are 1) future acquisition selection and integration risks, 2) above-peer financial leverage limiting flexibility, and 3) potential downturn in construction spending.

Atmus Filtration (ATMU)

We base our \$26 price objective on 8x our 2025E EBITDA estimate. This is a discount to the peer average of 12x on 2024E to reflect below-peer margins and EBITDA growth.

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

Carrier Global Corp. (CARR)

We base our \$55 price objective on 13x EV/EBITDA of our 2025 estimates. Our 13x target multiple is at a discount to peers, trading at 14x on 2024 estimates. We believe that the discount is warranted given the potential for destocking across res and non-res.

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

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

Core & Main (CNM)

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

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

Dover Corp (DOV)

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

estimates. We argue a valuation discount is fair given Dover's improved portfolio mix, capital allocation strategy, and margin trajectory, offset by slower near-term revenue growth.

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

Eaton Corp PLC (ETN)

We base our \$300 price objective on a 22x EV/EBITDA multiple of our 2025 estimates. Our target multiple is at a premium to the 15x peer average on 2024 estimates. We argue a premium valuation is warranted due to expected upside from cyclical operating leverage, strong margin performance, and Eaton's less cyclical portfolio mix.

Downside risks to our PO are 1) a slower-than-expected manufacturing capex growth, 2) a more active M&A is inherently risky as it relies on the availability of accretive synergistic targets and the company's ability to integrate, and 3) the trajectory of the recovery in automotive and aerospace end markets.

Emerson Electric Co (EMR)

We base our \$120 price objective on a 15x EV/EBITDA multiple of our CY25E EBITDA. Our target multiple is in line with multi-industrial peers trading at 15x CY24 estimates. We argue an in line multiple is warranted given above-peer margins offset by higher merger integration risks.

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

Flowserve (FLS)

We base our \$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 \$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 \$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 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 \$280 price objective on a 15x EV/EBITDA multiple of our CY25 estimate. Our target multiple is in line with the 15x peer average on 2024E. We offset execution concerns with ROK's position in the US automation market.

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

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

Rush (RUSHA)

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

Upside risks are: 1) improving mix of service-related revenue, 2) accretive use of free cash flow in either share repurchases or acquisitions, 3) an improvement in US truck market. Downside risks are: 1) Rush's relationship with PACCAR given the majority of revenue comes from the sale of PACCAR products, namely Peterbilt trucks and parts. 2)

PACCAR has ultimate veto power on Rush's growth plans by virtue of having a right of first refusal on the purchase of additional Peterbilt dealerships. PACCAR may terminate Rush's dealership agreements upon change of control of the company from the Rush family or if the Rush family's aggregate voting power falls below 30%. 3) The heavy truck market is a highly cyclical business that can be affected by fuel prices, interest rate fluctuations, economic recessions and customer business cycles.

Trane Technologies PLC (TT)

We base our \$282 price objective on 17x 2025E EV/EBITDA. Our 17x target multiple is above the peer group average trading at 13x on 2024 estimates. We believe the premium is warranted given above-average performance.

Downside risks are 1) slower-than-expected macro recovery, 2) lower-than-expected productivity improvement and cost synergies, 3) loss of market share to competitors. Upside risks are 1) continued solid execution in 2024, 2) non-residential markets take longer to crack than our thesis, and 3) price increases offset impact of destocking cycle.

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.

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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%

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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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