BofA SECURITIES

Industrials/Multi-Industry

4Q preview: looking for an earlier-than-expected bottom

Estimate Change

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Equity
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4Q likely trended in line to better than expectations

We expect earnings to come in line for our coverage. Our channel checks into 4Q were more constructive than expected. Our proprietary biweekly fluid power survey has showed a positive inflection into YE23. We model a slight deceleration in EPS growth y/y to 6% vs. 9% last quarter off a six-point tougher comp. We forecast organic growth of +3.0% y/y versus 2.5% y/y in 3Q. This reflects easing volume comps and a deceleration in pricing despite a 40bp easier comp (y/y pricing peaked in 3Q22 with a median of +9.0% y/y). We expect electrical (e.g. ETN, VRT) to buck the trend of deceleration in 4Q. We revise estimates for APG (Buy), CNM (Underperform), FTV (Neutral), and PTC (Buy).

Best ideas into 4Q print: PH, ROK, MMM, VRT, EMR

Parker Hannifin (Buy; PH) is one of our top picks for 2024. We think the company is likely to beat-and-raise and our proprietary survey indicates that Industrial orders are stable to improving. Our survey indicates orders in North American industrial could be down 2-3% y/y (versus down 4% last quarter). Our sense from channel checks is that Rockwell (Neutral; ROK) orders did bottom in 3Q and should improve q/q in 4Q, albeit there remains a glut of inventory in the channel. It also seems that execution in the quarter was solid. We see upside to 3M (MMM; Neutral) 2024 consensus on the back of restructuring. Vertiv (VRT; Buy) already initiated preliminary 2024 guidance, which bracketed prior Street expectations. We think investors will focus on 4Q orders growth for signs of incremental artificial intelligence demand showing through. We see a very easy step-up for the company to show accelerating orders growth in 4Q. Emerson (Buy; EMR) already provided 2024 guidance. Process automation markets remain robust. We believe EMR will provide more color on capital allocation on its conference call, which will reassure investors that the company is focused on execution.

All eyes on 2024 guidance

Most companies in our coverage are initiating 2024 guidance this quarter. We think most will bracket consensus. Honeywell (HON), Flowserve (FLS), and VRT have already introduced achievable preliminary frameworks. Backlogs and easier comps should support initial 2024 revenue guidance. We acknowledge margin expansion will be tougher as pricing normalizes. We incorporate modest volume leverage in our estimates, but management teams may not want to underwrite this in initial guides.

Where do orders go from here?

Our conversations at the Distributor Summit (see report) were more constructive on the underlying industrial economy than expected. Our Fluid Power Survey showed improvement into YE23. In certain areas (e.g., discrete automation), demand seemingly has picked up into YE23 after slowing in 3Q/4Q24, but excess inventory remains a headwind to order activity. We have yet to see a material inflection in order activity related to mega-projects, and do not expect to see one until 2H24. Broadly speaking, we see signs into 4Q prints that suggest orders in some areas (e.g. discrete automation, fluid power) have already bottomed. In other areas where supply chain remains stubborn, we see room for a longer but more shallow deterioration (e.g. electrical).

Exhibit 1: FY 2023E EPS changes
Adjusting for APG, CNM, FTV, PTC

	FY 2024E EPS	
	Old	New
APG	$1.89	$1.87
CNM	$2.23	$2.30
FTV	$3.52	$3.57
PTC	$4.95	$4.85

Source: BofA Global Research
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Exhibit 2: FY 2025E EPS changes
Adjusting for APG, CNM, FTV, PTC

	FY 2025E EPS	
	Old	New
APG	$2.20	$2.18
CNM	$2.49	$2.58
FTV	$3.79	$3.86
PTC	$6.34	$6.44

Source: BofA Global Research
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Exhibit 3: FTV dividend/share changes
We raise our dividend/sh estimate for FTV

	Dividend/sh FTV changes	
	Old	New
2023	$0.28	$0.29
2024/2025	$0.28	$0.32

Source: BofA Global Research
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Timestamp: 12 January 2024 05:00AM EST

Upcoming events

Monday January	Tuesday	Wednesday	Thursday	Friday
8	9	10	11	12
15	16	US Industrial Production 17	18	19
22	**GE 4Q23 Earnings** **MMM 4Q23 Earnings** 23	U.S Manufacturing PMI release 24	25	26
29	30	**PTC 1Q24 Earnings** 31	**HON 4Q23 Earnings** **TT 4Q23 Earnings Call** U.S Manufacturing PMI release 1	US Situation Release 2

Exhibit 4: BofA Global Research Reports

Reports published week ending January 12, 2024

Title: Subtitle	Primary Author	Date Published
Industrials/Multi-Industry: 4Q channel checks: more positive on 4Q than expected	Andrew Obin	8 January 2024
E2open: 3QF24 SaaS revenue in guidance range, FY24 outlook narrowed	Andrew Obin	10 January 2024
Illinois Tool Works: High valuation, challenged growth & margins; downgrade to Underperform	Andrew Obin	10 January 2024
Pentair plc: Margin expansion is a positive; Pool returns to growth; upgrade to Neutral	Andrew Obin	11 January 2024
Vontier: Seeing the value in Vontier; upgrade to Buy	Andrew Obin	11 January 2024

Source: BofA Global Research

Valuation metrics

Exhibit 5: Multi-industrial summary valuation metrics
Summary valuation metrics

				Revenue Growth (%)			Operating Margin (%)			EPS Growth (%)		
	Ticker	**Price**	**Price Obj.**	**2022**	**2023E**	**2024E**	**2022**	**2023E**	**2024E**	**2022**	**2023E**	**2024E**
3M	MMM	$108.92	$120	-3.6%	-3.5%	5.3%	21.1%	20.3%	21.8%	-6.4%	-7.4%	14.4%
Allegion	ALLE	$120.67	$95	14.1%	11.5%	3.5%	20.2%	21.9%	20.7%	9.9%	14.4%	-1.5%
AMETEK	AME	$163.93	$165	10.9%	7.2%	12.1%	24.4%	26.0%	25.7%	17.1%	11.5%	7.7%
Carrier	CARR	$56.86	$55	-0.9%	8.6%	22.3%	14.2%	14.6%	15.6%	3.1%	15.4%	11.3%
Core & Main	CNM	$40.92	$28	32.9%	1.1%	2.3%	11.7%	11.0%	10.2%	N/M	0.4%	0.0%
Dover	DOV	$147.33	$180	7.6%	-0.1%	2.3%	16.9%	17.4%	17.7%	10.7%	4.2%	3.7%
Eaton	ETN	$243.42	$275	5.7%	11.7%	6.6%	14.7%	17.0%	18.1%	12.0%	21.6%	9.2%
Emerson	EMR	$94.80	$120	-17.4%	11.3%	12.5%	18.9%	18.8%	18.6%	-10.5%	20.7%	15.5%
Flowserve	FLS	$40.31	$44	2.1%	18.8%	5.2%	6.2%	9.6%	10.6%	-20.6%	N/M	20.4%
Fortive	FTV	$71.74	$77	10.9%	3.9%	5.8%	24.3%	25.7%	26.5%	14.6%	7.1%	4.2%
General Electric	GE	$129.83	$135	3.0%	-14.4%	0.0%	7.9%	8.6%	8.6%	23.3%	1.7%	59.2%
Honeywell	HON	$201.67	$250	3.1%	4.1%	5.4%	22.0%	23.2%	23.6%	8.8%	4.8%	9.8%
Illinois Tool Works	ITW	$253.97	$235	10.2%	1.1%	1.2%	23.8%	25.1%	24.9%	14.7%	-0.2%	2.9%
ITT	ITT	$117.33	$135	8.1%	9.6%	6.1%	15.9%	17.0%	18.3%	9.5%	17.5%	16.2%
John Bean Technologies	JBT	$93.49	$85	15.9%	-23.1%	6.6%	9.2%	10.6%	11.0%	25.0%	-15.8%	14.8%
Johnson Controls International	JCI	$57.79	$60	6.4%	6.2%	4.6%	11.6%	12.6%	13.4%	12.3%	18.6%	13.6%
Montrose Environmental Group	MEG	$28.24	$40	-0.4%	15.2%	10.8%	-5.1%	-3.3%	0.7%	N/M	N/M	N/M
Parker Hannifin	PH	$462.64	$525	15.1%	12.9%	5.0%	19.7%	21.8%	21.9%	19.8%	11.9%	9.0%
Pentair	PNR	$71.51	$76	9.5%	-0.6%	2.9%	18.6%	20.9%	22.4%	8.2%	1.2%	9.0%
Rockwell	ROK	$305.10	$320	12.5%	13.8%	5.9%	17.1%	17.6%	19.7%	7.5%	22.4%	10.2%
Trane Technologies	TT	$245.99	$245	13.1%	10.6%	4.3%	14.9%	16.1%	16.4%	21.2%	19.3%	10.8%
Vontier	VNT	$35.09	$40	6.5%	-3.1%	0.7%	20.0%	19.1%	20.1%	7.0%	-7.1%	6.8%
Vertiv	VRT	$50.02	$60	13.9%	20.3%	10.8%	3.9%	12.4%	15.6%	-29.9%	N/M	30.6%
AVERAGE				**8.9%**	**5.1%**	**5.9%**	**15.1%**	**16.6%**	**17.4%**	**8.4%**	**7.4%**	**12.5%**
MEDIAN				**8.8%**	**6.7%**	**5.1%**	**15.4%**	**17.0%**	**17.9%**	**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 6: Multi-industrial summary valuation metrics
Summary valuation metrics

		P/E				Cash P/E			EV/EBITDA			Dividend Yield		
	Ticker	**2022**	**2023E**	**2024E**	**10-yr Avg**	**2022**	**2023E**	**2024E**	**2022**	**2023E**	**2024E**	**2022**	**2023**	**2024**
3M	MMM	11.0 x	11.9 x	10.4 x	15.7 x	16.1 x	15.1 x	18.4 x	8.4 x	8.6 x	7.8 x	5.5%	5.5%	5.5%
Allegion	ALLE	20.2 x	17.6 x	17.9 x	17.7 x	26.9 x	20.2 x	17.9 x	17.2 x	14.3 x	14.2 x	1.4%	1.5%	1.5%
AMETEK	AME	28.9 x	25.9 x	24.0 x	17.9 x	37.6 x	24.1 x	25.1 x	21.8 x	20.0 x	17.5 x	0.5%	0.6%	0.6%
Carrier	CARR	24.3 x	21.0 x	18.9 x	N/A	35.2 x	25.2 x	20.7 x	16.8 x	14.4 x	13.9 x	1.0%	1.4%	1.5%
Core & Main	CNM	18.8 x	18.8 x	18.8 x	N/A	26.8 x	9.5 x	16.3 x	12.7 x	11.4 x	11.1 x	0.0%	0.0%	0.0%
Dover	DOV	17.4 x	16.7 x	16.1 x	13.4 x	36.2 x	17.3 x	16.0 x	14.0 x	13.2 x	11.8 x	1.4%	1.4%	1.4%
Eaton	ETN	NM	27.0 x	24.7 x	12.0 x	NM	34.8 x	28.7 x	26.4 x	21.5 x	18.6 x	1.3%	1.4%	1.5%
Emerson	EMR	24.6 x	20.4 x	17.7 x	16.8 x	27.3 x	24.6 x	19.8 x	18.3 x	13.4 x	13.5 x	2.2%	2.2%	2.3%
Flowserve	FLS	NM	20.2 x	16.8 x	16.3 x	NM	NM	23.0 x	19.5 x	12.2 x	10.5 x	2.0%	2.0%	2.0%
Fortive	FTV	22.7 x	21.2 x	20.4 x	20.4 x	21.3 x	20.4 x	19.3 x	18.9 x	16.6 x	15.6 x	0.4%	0.4%	0.4%
General Electric	GE	NM	NM	NM	2.1 x	30.0 x	28.0 x	28.0 x	18.5 x	20.5 x	20.7 x	0.2%	0.2%	0.2%
Honeywell	HON	23.0 x	22.0 x	20.0 x	15.2 x	30.6 x	14.5 x	NM	16.3 x	14.7 x	13.3 x	2.0%	2.0%	2.2%
Illinois Tool Works	ITW	26.0 x	26.1 x	25.3 x	0.0 x	NM	25.0 x	24.2 x	20.5 x	18.9 x	18.5 x	2.0%	2.1%	2.3%
ITT	ITT	26.4 x	22.5 x	19.4 x	14.4 x	NM	24.6 x	19.6 x	16.7 x	14.1 x	12.2 x	0.9%	1.0%	1.1%
John Bean Technologies	JBT	19.5 x	23.2 x	20.2 x	16.0 x	NM	26.4 x	23.5 x	13.9 x	11.8 x	10.7 x	0.4%	0.4%	0.4%
Johnson Controls International	JCI	18.7 x	15.7 x	13.8 x	N/A	27.5 x	21.1 x	15.4 x	12.4 x	11.5 x	10.4 x	2.4%	2.5%	2.6%
Montrose Environmental Group	MEG	NM	NM	NM	N/A	NM	17.6 x	13.3 x	NM	36.4 x	26.1 x	0.0%	0.0%	0.0%
Parker Hannifin	PH	23.1 x	20.7 x	19.0 x	15.1 x	27.3 x	23.1 x	17.7 x	0.0 x	8.6 x	13.5 x	1.0%	0.0%	0.0%
Pentair	PNR	19.4 x	19.2 x	17.6 x	17.8 x	NM	19.8 x	18.0 x	17.1 x	15.1 x	13.4 x	1.2%	1.2%	1.3%
Rockwell	ROK	NM	24.5 x	22.3 x	N/A	NM	NM	22.5 x	24.0 x	20.8 x	18.1 x	1.5%	1.5%	1.5%
Trane Technologies	TT	NM	28.0 x	25.2 x	14.0 x	NM	NM	39.8 x	22.8 x	19.4 x	17.7 x	1.1%	1.2%	1.3%
Vontier	VNT	11.4 x	12.3 x	11.5 x	N/A	21.6 x	14.1 x	11.4 x	10.6 x	10.4 x	9.8 x	0.3%	0.3%	0.3%
Vertiv	VRT	NM	29.0 x	22.2 x	N/A	NM	31.0 x	25.0 x	41.6 x	19.4 x	15.2 x	0.0%	0.0%	0.2%
AVERAGE		**20.7 x**	**21.2 x**	**19.2 x**	**13.9 x**	**28.1 x**	**21.7 x**	**21.1 x**	**17.6 x**	**16.1 x**	**14.6 x**	**1.2%**	**1.2%**	**1.3%**
MEDIAN		**20.2 x**	**21.1 x**	**19.2 x**	**15.2 x**	**27.4 x**	**21.1 x**	**19.6 x**	**17.1 x**	**14.5 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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4Q23 Earnings Preview

Below we highlight BofA 4Q23 earnings estimates versus consensus for our multi-industrial and industrial software coverage. We are above consensus EPS on 8 stocks, below consensus on 13 stocks, and in line with consensus on 6 stocks. We note industrial software companies (ANSS, AZPN, PTC) are evaluated on other metrics such as bookings, ARR, ACV, and annual spend.

Exhibit 7: BofA multi-industrial 4Q23 estimates vs. consensus

BofA 4Q adj. EPS is above consensus on 8 names, below consensus on 13 names, and in line with consensus on 6

Company	Earnings Date	Revenue ($mn)		Revenue Growth (y/y %)		EBITDA ($mn)		EPS	
		BofA	Consensus	BofA	Consensus	BofA	Consensus	BofA	Consensus
ALLE	2/22/2024*	$895	$904	3.9%	4.9%	$269	$220	$1.57	$1.58
AME	2/2/2024*	$1,726	$1,736	6.2%	6.8%	$533	$522	$1.63	$1.62
ANSS	2/22/2024*	$817	$799	17.6%	15.0%	$418	$429	$3.85	$3.70
APG	2/28/2024*	$1,740	$1,761	2.2%	3.4%	$206	$207	$0.50	$0.42
AZPN	1/25/2024*	$285	$268	17.4%	10.2%	$109	$109	$1.65	$1.64
ATMU	2/13/2024*	$377	$380	-2.2%	2.2%	$64	$65	$0.43	$0.43
CARR	2/7/2024*	$5,173	$5,242	1.3%	2.7%	$712	$736	$0.50	$0.52
DOV	1/31/2024*	$2,167	$2,172	1.3%	1.5%	$484	$477	$2.46	$2.43
ETN	2/8/2024*	$5,958	$5,907	10.7%	9.7%	$1,314	$1,326	$2.45	$2.46
EMR	2/8/2024*	$3,923	$3,912	16.3%	16.0%	$916	$889	$1.03	$1.03
FLS	2/21/2024*	$1,139	$1,139	9.6%	9.6%	$148	$144	$0.58	$0.60
FTV	1/31/2024	$1,571	$1,565	2.7%	2.3%	$442	$445	$0.93	$0.94
GE	1/23/2024	$17,096	$17,289	-18.6%	-17.7%	$2,037	$2,242	$0.88	$0.92
HON	2/1/2024	$9,687	$9,668	5.5%	5.3%	$2,652	$2,557	$2.62	$2.59
ITW	2/2/2024*	$3,975	$4,001	0.1%	0.8%	$1,108	$1,102	$2.37	$2.41
ITT	2/8/2024	$822	$812	6.1%	4.8%	$168	$171	$1.34	$1.34
JCI	2/1/2024*	$6,189	$6,118	2.0%	0.8%	$752	$768	$0.49	$0.51
JBT	2/21/2024*	$446	$452	-25.6%	-24.5%	$76	$76	$1.34	$1.34
MEG	2/28/2024*	$169	$161	20.8%	15.7%	$10	$16	-$0.07	-$0.01
MMM	1/23/2024	$7,746	$7,703	0.4%	-4.7%	$2,050	$2,052	$2.33	$2.31
PH	2/1/2024	$4,828	$4,809	3.3%	2.9%	$1,205	$1,098	$5.21	$5.24
PNR	1/31/2024*	$978	$975	-2.5%	-2.8%	$222	$215	$0.86	$0.86
PTC	1/31/2024	$535	$539	14.8%	15.7%	$186	$192	$1.10	$0.97
ROK	1/26/2024*	$2,089	$2,096	5.5%	5.8%	$417	$430	$2.58	$2.63
TT	2/2/2024	$4,430	$4,430	8.7%	8.7%	$734	$749	$2.12	$2.13
VNT	2/16/2024*	$779	$781	-10.7%	-10.4%	$191	$189	$0.78	$0.78
VRT	2/22/2024*	$1,848	$1,877	11.7%	13.4%	$324	$337	$0.51	$0.53

Source: BofA Global Research, Bloomberg

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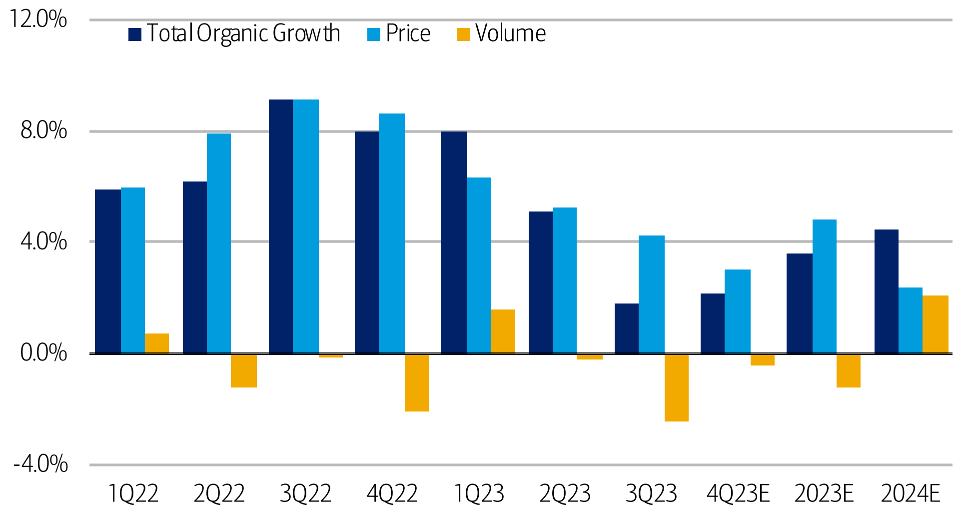
Volume y/y decline less negative on easier comps

We look at organic growth breakdown of price versus volume forecasts for a subset of companies in our coverage that disclose price. We forecast +3.0% price y/y following +4.2% y/y average price last quarter. We forecast volumes of (0.5)% y/y, which implies sequentially less negative volume declines from (2.4)% y/y last quarter. We note that the y/y comps for both volume and price get easier in 4Q23 sequentially.

We note that pricing commentary in our channel checks was constructive. In electrical, it seems that pricing was similar to 3Q on a y/y basis.

Exhibit 8: BofA estimates for total organic growth, price vs. volume

We forecast volumes of (0.5)% y/y, which implies a sequential improvement from last quarter



Source: BofA Global Research, company filings

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Best ideas into 4Q print

Parker Hannifin, Buy ($525 price objective)

***Key point**: Continuing Aero macro and execution, looking for orders to be slightly better*

Our Fluid Power Survey and intra-quarter channel checks indicate that order activity in Parker NA Industrial may have started to tick up q/q. The company reported (4)% y/y order declines in FQ1, better than buyside expectations. We think that 4Q orders could be sequentially flat or slightly better (e.g., down 2-3%). PMI New Orders, elongated lead times, and an influx in mega-projects means we may have seen the bottom already. We expect margins to continue surprising to the upside even if growth does slow. Further, Aerospace should be a source of continuing upside.

We note that consensus and our estimate have moved towards the high end of guidance (we are at $23.39, consensus is at $23.30, which compares to guidance of $22.60-$23.40). This may limit upside on a more modest beat and raise.

Rockwell, Neutral ($320 price objective)

***Key point**: Better shipments than expected in the Q, sequentially improving orders*

Our channel checks indicated that while discrete automation demand slowed in 3Q/4Q, demand picked up into YE23. Aerospace & Defense remains robust. Consumer-packaged goods slowed, but is starting to ramp back up after a dip in 2H24. There remains a glut of channel inventory in PLCs/drives, in line with management commentary.

We think that the company's message during its FQ4 earnings call for sequentially improving order activity is intact. Importantly, ROK shipments for distributors came in better than expected, per our quarter-end channel checks.

3M, Neutral ($120 price objective)

***Key point:** How was holiday demand and how impactful was restructuring in the Q?*

When we hosted investor meetings in December with management, we heard that 4Q was trending in line with expectations. Retail demand remains soft, but Black Friday sales "didn't disappoint" relative to expectations. The Washington Post noted U.S. retail sales between Nov. 1 and Dec. 24 were up 3.1% y/y. Electronics demand is stabilizing on a y/y basis, and 3M is watching holiday consumer demand closely. Management sounded confident on improving execution, in our view. We expect a renewed focus on execution and growth in core 3M businesses in 2024. Based on previous commentary, we estimate that flatlining the remaining net restructuring benefit (accounting for the costs) offers $0.05 benefit to EPS each quarter of 2024.

Vertiv, Buy ($60 price objective)

***Key point**: watch 4Q orders acceleration*

At its 11/29 investor conference, management raised 2023 adjusted EPS guidance to $1.72-1.76 from $1.69-1.73 previously. Management also gave preliminary 2024 guidance which bracketed prior Street expectations (8-10% organic revenue growth, 16.5-16.9% adjusted operating margin).

We think investors will focus on 4Q orders growth for signs of incremental artificial intelligence demand showing through. We see a very easy step-up for the company to show accelerating orders growth in 4Q. Vertiv had 11% y/y organic orders growth in 3Q23 and the year ago comp in 4Q is 27pts easier.

For 4Q, we forecast 12% y/y organic revenue growth, in line with consensus. We forecast $304mn adj. operating profit, below consensus of $312mn. We forecast $0.51 adjusted EPS versus $0.53 consensus.

For 2024, we forecast $1,348mn in adj. operating profit, and $2.25 for adj. EPS. This is above consensus of $1,275mn and $2.24, respectively.

Emerson, Buy ($120 price objective)

***Key point**: a more straight-forward quarter*

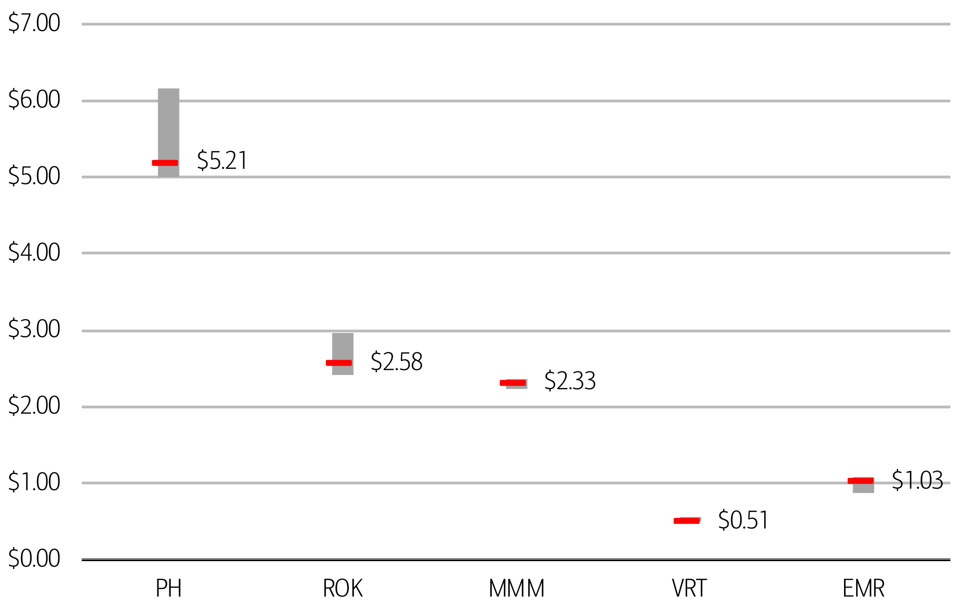
1QF24 results should be more straight forward than last quarter, when Street estimates went above guide. Strength in process end markets should more than offset weaker trends in the discrete automation segment (15% of revenue). Given the Oct. 12th closing of the National Instruments acquisition, Emerson will be missing ~2 weeks of revenue and earnings this quarter. We believe EMR will provide more color on capital allocation on its conference call (e.g., no major deals in 2024 and focus on execution, which should be well received by investors).

We forecast 1QF24 (December) adjusted EPS of $1.03, in line with consensus and compared to $1.00-1.05 guidance. We forecast 7.5% y/y organic revenue growth, above the Street at 6.7%.

For 2024, we forecast 5.5% y/y organic revenue growth, slightly above consensus. On adjusted EPS, we are $0.02 above the Street at $5.25 versus consensus of $5.23.

Exhibit 9: BofA 4Q23 EPS vs consensus range: PH, ROK, MMM, VRT, and EMR

BofA is below consensus on PH, ROK, VRT, in line on EMR, and above consensus on MMM



Source: Global Research estimates, Bloomberg consensus estimates

BofA GLOBAL RESEARCH

Positive earnings impact

General Electric (Buy, $135 price objective)

***Key point**: Aerospace pricing & margins offer potential upside*

We see potential upside to GE Aerospace's 4Q results on higher margins. We continue to hear positive data points around pricing. Recent issues with Boeing's 737 Max 9 are unlikely to impact GE's revenue given just 171 domestic planes are grounded. For GE Vernova, 4Q orders should be strong. In 4Q, GE received a record order for 674 onshore wind turbines (2.4 gigawatts) from Pattern Energy for the SunZia project in New Mexico.

For 4Q, we forecast adjusted EPS of $0.88, or $0.03 below consensus of $0.91. We forecast FCF of $2.9bn, above consensus of $2.6bn.

We forecast 2024 adjusted EPS of $4.22 and FCF of $5.8bn. This compares to consensus of $4.62 for adj. EPS and $5.9bn for FCF.

Ametek (Neutral, $165 price objective)

***Key point**: M&A to aid 2024 guide, but orders trend likely stays negative*

Ametek closed on the $1.9bn acquisition of Paragon Medical on 12/8. Consensus estimates are currently a mix of those including/excluding the acquisition. We raised our 2024 adjusted EPS by $0.13 from the acquisition.

We expect organic orders to decline again in 4Q (versus 10% y/y decline in 3Q). We note the year ago "comp" is 11pts easier and total booking will have ~1 months of contribution from Paragon. While Aerospace & Defense trends (~20% of revenue) are likely to remain strong in 2024, we are more cautious on automation and industrial end markets.

We forecast 4Q adjusted EPS of $1.63, a penny above the Street at $1.62. This compares to guidance of $1.61-1.63. We forecast 1.4% y/y organic revenue growth.

For 2024, we forecast 3.7% y/y organic revenue growth and $6.82 adjusted EPS. This is well above consensus of $6.65, which is a mix of those including/excluding Paragon.

PTC (Buy, $175 price objective)

***Key point**: Delivery of beat and raise on ARR as PMI continues to be weaker*

PTC issued initial FY24 annual recurring revenue (ARR) guidance for +11-14% on a constant currency last basis last quarter. This compared to our +13.0% y/y estimate. The company raised its medium-term guide t mid-teens ARR growth in FY25/FY26. Our meeting with management at the company's headquarters indicated that the company is confident in hitting cash targets, even in a more pronounced downturn versus its base case. PTC can hit the low end of FY24 guidance with ~(10)% decline in net ARR additions.

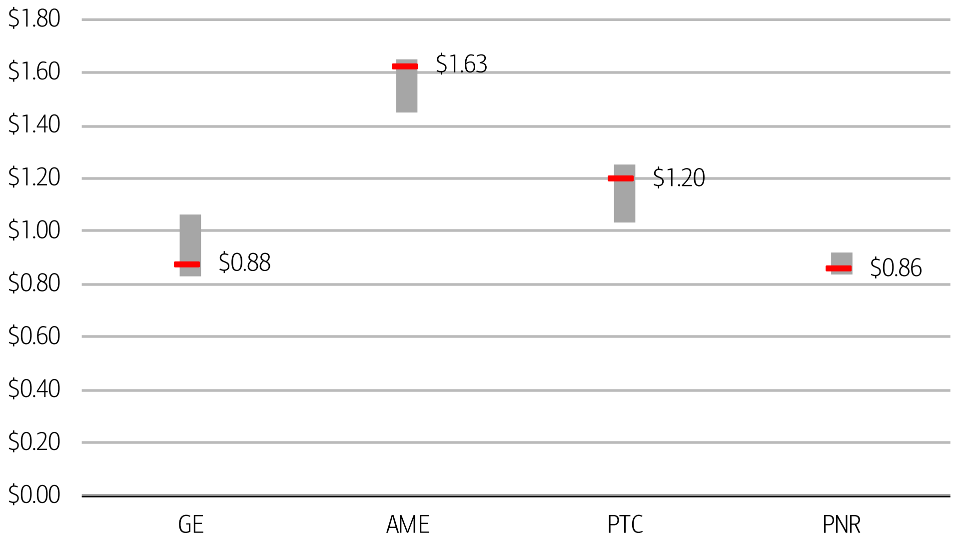
Pentair (Neutral; $76 price objective)

***Key point**: 2024 outlook on Pools; margin bridge into 2024*

We recently upgraded Pentair to a Neutral from Underperform. We also raised our FY24 estimate to $4.21 from $3.98 on improved margin visibility on the company's transformation initiatives. We think the key focus for investors into the print will be the 2024 outlook on Pools and the margin bridge for 2024. The company has previously implied that 100bps of margin expansion is the target for next year. While the company does not always explicitly guide margins, we expect implied guidance to be in line with the 100bps of expansion. We think commentary around the input to margins (productivity and price/inflation) will be important to investors.

Pool revenue guidance will also drive sentiment. We believe residential pools are bottoming out and the company is largely lapping its $150mn destocking headwind next year. We think investors expect guidance to at least meet the company's long-term mid-single digit plus y/y target.

Exhibit 10: 4Q23 EPS vs consensus range: GE, AME, PTC, and PNR
BofA is in line with consensus for PNR and AME, and below on GE and PTC



Source: Global Research estimates, Bloomberg consensus estimates

BofA GLOBAL RESEARCH

ITT (Buy; $135 price objective)

Key point: *IP growth outlook and reinvestment; MT margin outlook*

Our meeting with management into quarter-end was constructive on both topline and margin. The message is for orders to grow faster than organic growth in Industrial Process. We slightly adjust our IP estimate to reflect better topline in 2024 but some reinvestment headwinds to margins. We believe ITT will continue to outperform global auto builds by 400-500bps in Motion Tech with improving profitability in 2024, on our estimate.

The company usually issues ~$0.40 guide ranges to start the year. We would expect the guidance to bracket the Street and to include our forecast on the high end (e.g., $5.70-$6.10). Our +6.7% y/y organic growth estimate is top-quartile for our coverage, only behind VRT, GE, and ETN.

Flowserve (Buy, $44 price objective)

Key point: *Expect conservative guidance to bracket the Street/investor day commentary*

Management already offered an initial outlook at 2024 guidance at its 2023 investor day in September. The company sees mid-single digit y/y revenue growth, 100bps of margin expansion, and 20-25% EPS growth y/y. We are modeling 5.2% y/y revenue growth, led by Flow Control Division (FCD) and 100bps y/y of margin expansion. We expect initial 2024 guidance to be roughly in line with its investor day commentary. Based on commentary from peer ITT and distributors with oil & gas exposure at our 4Q distributor channel checks, we think mid-single digit growth is conservative, and the company can beat and raise on topline throughout the year.

Valuation remains relatively undemanding (10.5x 2024E EV/EBITDA versus peers at 12x; ~90% of its long-term average). Given relatively low expectations, the stock has had a modest (3-4%) positive reaction to earnings the past 3 quarters. We think it is more likely that the company beats in 4Q and keeps its mid-single digit revenue guidance on a higher base, allowing for earnings upside throughout the year. While not incorporated in our model, adjusting for the 3Q actuarial asbestos liability (which we view as a possibility) would be a $0.06 y/y tailwind, or 2.5% benefit to EPS.

Vontier (Buy, $40 price objective)

***Key point**: value stock returning to EPS growth in 2024*

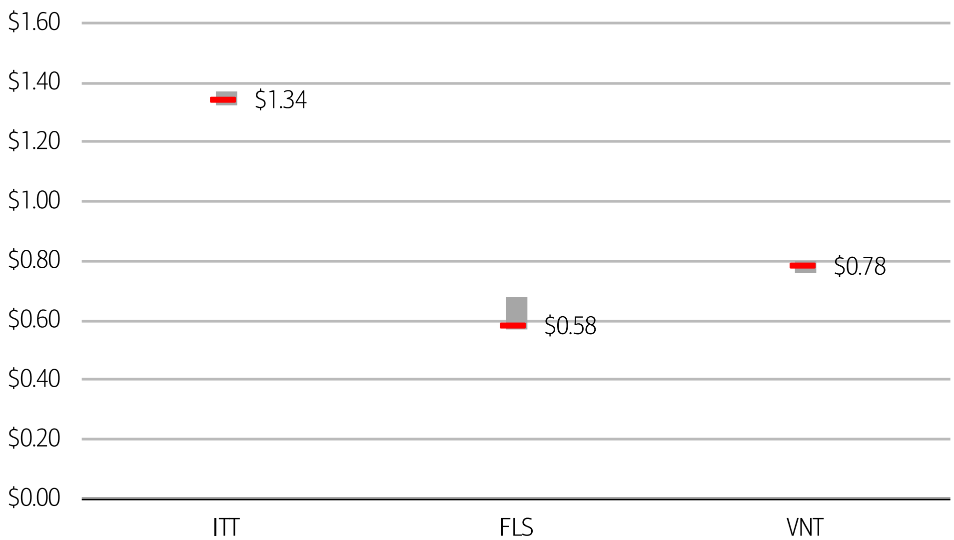
We recently upgraded VNT shares to Buy from Neutral. We have adjusted our estimates to reflect the closed Coats divestiture (closed 1/8). We expect faster software revenue growth and stabilization of US fuel dispenser revenue.

For 4Q23, we forecast adjusted EPS of $0.78, in line with consensus and versus $0.75-0.79 guidance. We model (9)% y/y organic revenue decline, in with consensus.

For 2024, we forecast adjusted EPS of $3.14, or $0.05 above consensus. This is based on a 4% y/y organic revenue decline and 100bp of y/y adjusted operating margin expansion.

Exhibit 11: 4Q23 EPS vs consensus range: ITT, FLS, and VNT

BofA is below consensus on FLS and in line on ITT and VNT



Source: Global Research estimates, Bloomberg consensus estimates

BofA GLOBAL RESEARCH

Neutral earnings impact

Honeywell (Buy, $250 price objective)
Key point: *Consensus needs to be the midpoint, not the high end*

Bull case: adj. EPS of $9.80-$10.20; we think stock is up. Base case: $9.70-$10.10, stock is flat. We are more concerned if the guidance only brackets the Street on the high end. This is particularly given 2024 EPS estimates have come down from to $10.00 from ~$10.20 at the time the company gave 2023 guidance. The company has stated publicly that its long-term targets for 4-7% organic growth and 40-60bp of segment margin expansion are a good framework into 2024, which we view as reasonable and achievable. We think orders (3Q23 of +10% y/y were among the best in our coverage) and strong backlog coverage can support growth next year.

We view current valuation as undemanding given the company has a discount relative to peers compared to its historic premium, but the valuation also reflects a lack of earnings upside in 2023. We think the company can re-rate back to its typical premium if it can issue a beat-and-raise performance throughout 2024.

Operationally, aerospace remains robust with strong visibility. We are looking for an inflection in short-cycle trends, particularly in Honeywell Building Technologies, Safety & Productivity Solutions, and in Advanced Materials.

Eaton (Buy, $275 price objective)
Key point: *Guide likely brackets the Street*

Our channel checks were constructive on electrical into 2024 and indicate 4Q was better than expected for the market. We think focus is largely on the 2024 guide. We think the adj. EPS guidance will bracket the Street. However, we think only bracketing the Street could be a potential source of a negative reaction given current valuation (currently trades at 19x our 2024E EV/EBITDA estimate versus peers at 15x).

Industry participants have reached a consensus on supply chains constraining growth. This includes both manufacturers' own capacity and labor constraints. We expect CEO Craig Arnold to highlight both of these gating factors on the conference call, while being bullish on demand. We have conviction in Eaton beat-and-raise throughout the year. We note that we expect electrical orders to deteriorate further this quarter (Electrical Americas down 3% on a TTM basis; Electrical Global up 1%).

Trane Technologies (Neutral; $245 price objective)
Key point: *Is bookings momentum sustainable?*

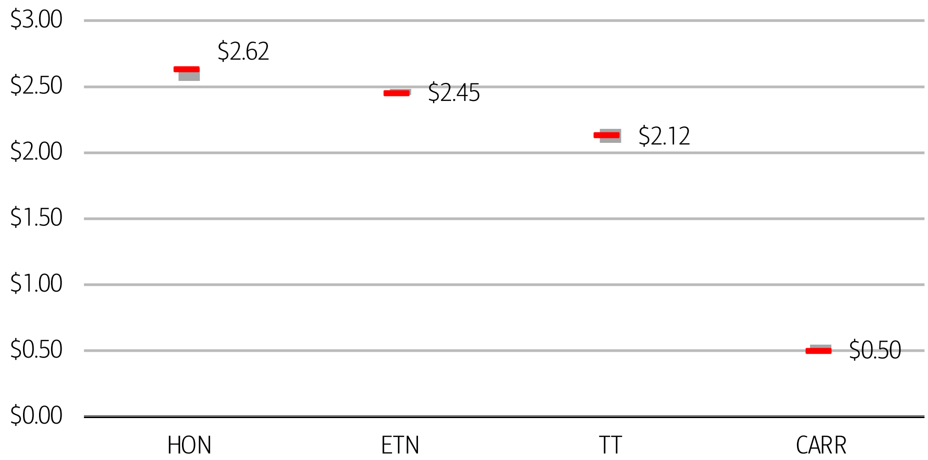
During recent channel checks we heard that resi destock continued, but that applied was doing well. Applied strength has been noted by TT who remains confident on commercial HVAC in '24 because of view from backlog which is 95% commercial HVAC.
For 24, TT will be affected by the Global Minimum Tax. TT has already discussed a dip in NA trailer being forecasted for 2024. On NA HVAC we are more cautious on resi destock, light commercial comps, sustainability of orders, and the refrigerant transition. Unlike Carrier who fully redesigned for the refrigerant transition when it redesigned for SEER, TT has to have a new product for the A2L transition.

Carrier (Underperform; $55 price objective)
Key point: *upside to 2024 numbers from Viessmann closing; European heat pump commentary a source of volatility*

Given the Viessmann acquisition closed on Jan 2nd, we think there is the potential for upside to 2024 consensus estimates as the company will guide inclusive of Viessmann. The guide will also proportionally include divested assets, Global Access Solutions and Commercial Refrigeration. Initial 2024 guidance may come in above consensus but we note Carrier will face tougher comparisons in 2025.

We are looking for commentary on European heat pumps, which we view as a potential source of volatility. During recent channel checks, we heard that resi destock continued, but that applied was doing well. We also heard that light commercial would peak in 1H24 so we will be watching to see how light commercial performed in the quarter as it has been a source of upside for Carrier in 2023.

Exhibit 12: 4Q23 EPS vs consensus range: HON, ETN, TT, and CARR
BofA is above consensus on HON and below consensus on ETN, TT, and CARR



Source: Global Research estimates, Bloomberg consensus estimates

BofA GLOBAL RESEARCH

Johnson Controls (Neutral; $60 price objective)

Key point: *Bridging 1Q performance to the rest of the year*

With JCI issuing 1Q guide with 2 weeks left in the quarter we believe investors will be expecting the company to hit numbers. The company's EPS for 4QFY23 would have missed consensus even without the cyber incident, so we think investors are hoping for a beat. A clear path from 1Q to full year 2024 adj. EPS will be key to JCI stock reaction.

Dover (Buy; $180 price objective)

Key point*: 2024 guidance may fall short of Street, but we think investors would prefer a conservative initial guide; 4Q23 beat on EPS*

We updated our estimates to reflect the FW Murphy acquisition (closed 12/4) and exclude contributions from the pending Destaco divestiture (expect to close by 2Q24). This is the framework we expect initial 2024 guidance to follow. This resulted in a $(0.08) drag to 2024 adjusted EPS, and consensus is a mix of those including/excluding Destaco.

We forecast 4Q23 adjusted EPS of $2.46, or $0.03 above consensus. Our 0.4% y/y organic revenue growth forecast is in line with consensus.

Our 2024 adjusted EPS forecast of $9.05 (+3% y/y) is below $9.28 consensus. We forecast 4% y/y organic growth, in line with consensus. We view our forecast as conservative given $0.23 carryover benefit from last year's cost actions, the non-repeat of 2Q23's software upgrade issues ($0.10 drag), and less drag from de-stocking. We sense that buyside expectations are below current consensus, and investors would prefer conservative initial guidance.

Aspen Tech (Buy, $255 price objective)

Key point*: Expect maintained FY24 ACV guidance*

For 2QF24 (Dec), we forecast adjusted EPS of $1.65 versus consensus of $1.63. We forecast annual contract value (ACV; annualized value of term software licenses and maintenance & support agreements) of $925mn (+11.0% y/y) in line with consensus of

$925mn. In 2Q, Aspen will have ~$131mn of contracts up for renewal, up from $111mn in the year ago quarter. This will be a modest tailwind to y/y revenue and earnings comparisons.

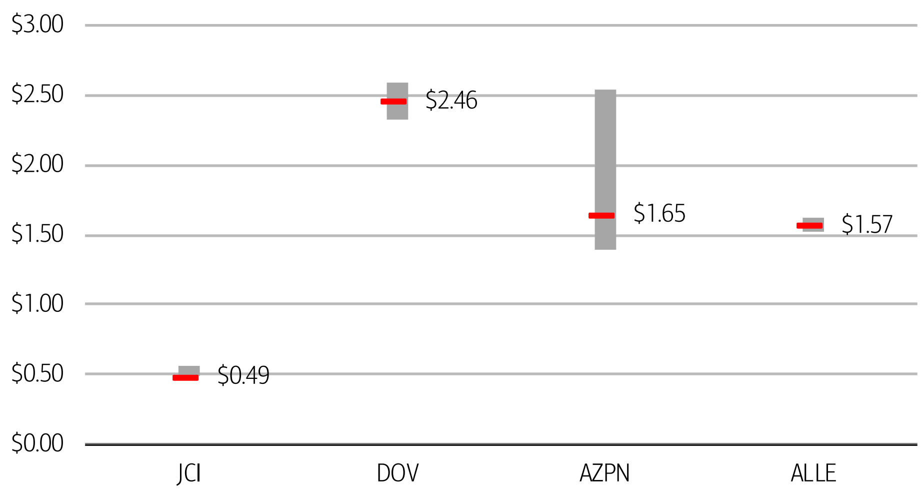
We expect management to maintain FY24 ACV growth guidance of "at least" 11.5% y/y, given the 2H-weighted nature of expected net new ACV additions (i.e., "low 60%" of full-year ACV growth to come in 2HF24. For FY24, we forecast 12.5% y/y ACV growth to $995mn, which is above consensus of $989mn. We forecast adjusted EPS of $6.76, which is above $6.59 consensus.

Allegion (Underperform; $95 price objective)

***Key point**: Do volumes remain negative and does pricing continue to decelerate?*

During a competitor's conference in November when asked about end-markets said that residential remains soft and was not counting on a huge snap back and that commercial office remains soft. In addition to concerns about those end markets, we remain concerned for the institutional end markets given weakness in muni bond issuance over the last two years. While Allegion has repeatedly reiterated that the trend in muni bonds is not as applicable given the late cycle nature of Allegion and saying it took 18-24 months for the impact to be felt after '08, we remain concerned as muni bonds ended negative y/y in 2023 and 2022. Overall construction in Europe is also expected to decline. EuroConstruct is expecting newbuilds to fall (0.1)% y/y and renovations to be down (1.2)% y/y.

Exhibit 13: 4Q23 EPS vs consensus range: JCI, DOV,AZPN, and ALLE
BofA is below consensus on JCI and ALLE, and above consensus on DOV, AZPN



Source: Global Research estimates, Bloomberg consensus estimates

BofA GLOBAL RESEARCH

APi Group (Buy; $36 price objective)

***Key point**: expect midpoint of 2024 EBITDA guidance to be above consensus*

On 11/27, APi Group raised its synergy targets from the Chubb acquisition by $25mn to $125mn (by year-end 2025). On 12/31, APi Group paid a 7.9mn common stock dividend to Series A preferred shareholders. We have updated our 2024 adjusted EPS to reflect the higher share count. Our 2024 adjusted EBITDA remains unchanged.

We forecast 4Q adjusted EBITDA of $206mn, in line with consensus. This compares to $200-210mn guidance. We forecast 2% y/y organic revenue growth, slightly below 4% consensus. Peer Cintas' Fire & Safety segment saw double-digit growth in its November-ended quarter.

For 2024, we forecast 5% y/y organic revenue growth, above 4% consensus. Year-to-date, APi Group has made five bolt-on acquisitions for $62mn in net consideration, but the benefit will somewhat offset by the pending $37mn divestiture of an infrastructure-focused specialty contracting company. We forecast $900mn of EBITDA or $23mn above consensus.

John Bean Technologies (Underperform; $85 price objective)

***Key point**: do orders and backlog decelerate sequentially again?*

FCF is the key metric for us. While 3Q's FCF was good, we remain concerned about whether the improved FCF generation is sustainable given the history of lackluster FCF generation. Additionally, after backlog and orders were down sequentially, we will be looking for further softness.

Atmus (Buy; $26 price objective)

***Key point**: 2024 revenue outlook*

American Trucking Association's survey of US tonnage was down 1% y/y in November. US Class 8 truck sales were down 18% y/y in November. As a reminder, management expects destocking pressure to moderate in 4Q. We forecast Atmus's volume to be down 5% y/y, but for this to be partially offset by 2% pricing. We think investors will focus will on 2024 revenue guidance. Our view is that declines in first-fit volumes will be offset by the absence of de-stocking drag on aftermarket volumes.

We forecast 4Q EPS of $0.43, in line with the Street. We forecast (3)% y/y organic revenue decline, a 17.0% adjusted EBITDA margin, and $64mn in adjusted EBITDA.

For 2024, we forecast 1% y/y organic revenue growth, above consensus for 0%. We forecast $300mn of adjusted EBITDA, $11mn above consensus. On adjusted EPS, we are $0.02 above the Street at $2.07 versus consensus of $2.05.

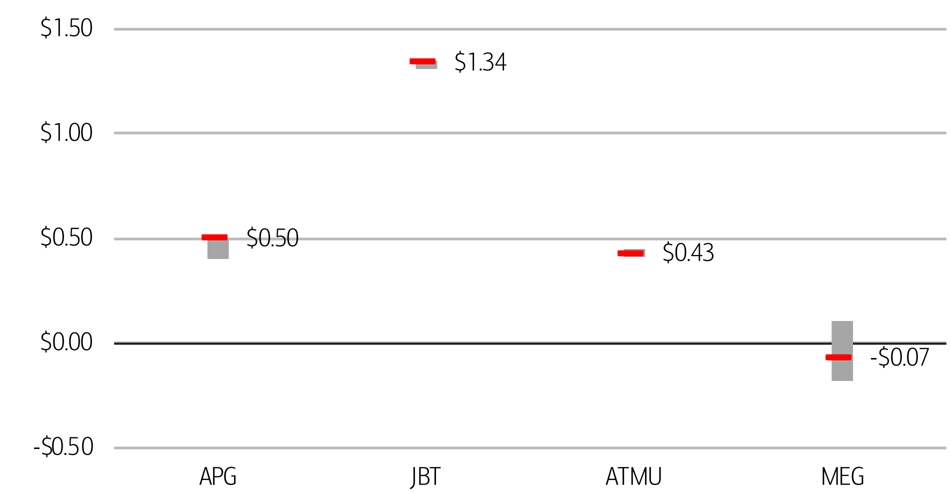
Montrose Environmental Group (Buy; $40 price objective)

***Key point:** does CTEH revenue normalize in 4Q?*

Montrose is transitioning its biogas business to higher-margin offerings which should depress revenue growth over the next 12 months. We view Montrose as a beneficiary of PFAS remediation efforts in response to increasing US federal and state environmental regulations. We think investor will focus on EBITDA guide and impact from winddown of CTEH revenue.

Exhibit 14: 4Q23 EPS vs consensus range: APG, JBT, ATMU, and MEG

BofA is above consensus on APG, below consensus on MEG, and in line on JBT and ATMU



Source: Global Research estimates, Bloomberg consensus estimates

BofA GLOBAL RESEARCH

Negative earnings impact

Illinois Tool Works (Underperform, $235 price objective)

***Key point**: Muted Auto OEM topline outlook, is guidance*

We downgraded ITW to an Underperform on risk to 2024 earnings this week. We think 2024 consensus estimates are too high. We think topline guidance is likely to bracket the Street's +2.7% y/y estimate, which comes below the company's long-term 4%+ target (e.g., 2-4% y/y). The key delta between us and the Street is a more conservative view on margin. We forecast 10bp of "core" segment margin expansion y/y, 20bp of segment margin contraction including the inter-segment item (given non-repeat of an insurance gain recovery in 3Q23). Consensus forecasts are for 40bp y/y expansion (including the inter-segment item).

Another risk into the 4Q print is Auto OEM topline (20% of revenue) in our view. It seems like the company recovered well from the United Auto Workers (UAW) strike. However, this segment grows with auto builds, which are quite lackluster into 2024 (+0.5% growth forecasted by IHS for North America; (0.5)% y/y declines for global). The Street is forecasting +4.7% y/y growth for 2024 in this segment.

Ansys (Underperform; $295 price objective)

***Key point**: How low will the "around 10"% guide reach; deal announcement commentary; China commentary*

On 12/22, it was widely reported in the press that Synopsys (SNPS; covered by our colleague Vivek Arya) was in talks to acquire Ansys. Ansys has yet to publicly comment on the press reports. We downgraded Ansys to Underperform in November on concerns around broader demand trends and US-China export restrictions. We will look for further commentary on China impact given the second-order impact on the broader supply chain is still uncertain.

During its 3Q23 earnings, the company introduced 2024 guidance of "around 10%" organic constant currency (c.c.) annual contract value (ACV) guidance. Our fundamental analysis indicates that after R&D budgets were robust in '21-22, '23 R&D spend slowed significantly. Consensus forecasts are for a recovery to only mid-single digits y/y in 2024; albeit on an absolute basis, numbers have gone ~1.5% higher since we last ran the analysis given 2023 has been revised upwards.

We model +10.4% ACV on c.c. for 2024. We note the company tends to introduce guidance with a wide range (e.g., last year the company introduced ACV at constant currency at 9.9-13.4% on c.c.). We think given the "around 10%" commentary, a guide of ~8.5-12% on c.c. would generate a negative share reaction. Generally, we think if 10% is around the midpoint, investors will have a negative reaction given the possibility for single-digit growth.

Fortive (Neutral; $77 price objective)

***Key point**: risks to 2024 organic revenue guidance, margin expansion likely solid*

We are cautious on the 2024 revenue guidance, given declines at test & measurement peers, weaker China demand trends, and softness in certain component businesses. In 4Q23, Fortive plans to action ~$35mn in restructuring costs. Assuming a one-year payback, this suggest 50-60bp of margin tailwind to 2024.

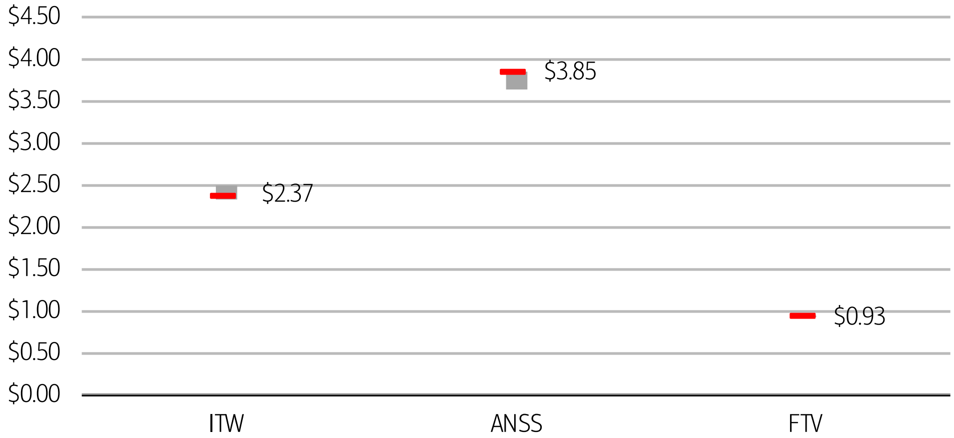
Initial 2024 EPS guidance will also be aided by the acquisition of EA Elektro-Automatik (EA; closed 1/3). EA specializes in high-power electronic test solutions. We estimate EA will be slightly accretive (~$0.05) to adjusted EPS in 2024.

We forecast 4Q adjusted EPS of $0.93, or $0.01 below consensus and relative to $0.92-0.95 guidance. We forecast 1.8% y/y organic revenue growth.

For 2024, we are at $3.57, $0.09 below consensus of $3.66. We forecast 3.1% y/y organic revenue growth (in line with consensus) and ~55% incremental margin

Exhibit 15: 4Q23 EPS vs consensus range: ITW, ANSS, and FTV

BofA is below consensus on ITW, ANSS, and FTV



Source: Global Research estimates, Bloomberg consensus estimates

BofA GLOBAL RESEARCH

We expect median organic y/y growth to accelerate sequentially in 4Q23 to 3.0% versus 2.5% in 3Q23. Pricing was the source of upside versus our estimates.

Exhibit 16: Multi-industrial quarterly organic revenue y/y growth
BofA is forecasting median organic growth of +3.0% y/y

	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
ALLE	-1%	6%	6%	19%	11%	15%	6%	-1%	4%
AME	17%	14%	12%	11%	9%	9%	5%	0%	1%
APG	24%	16%	12%	16%	6%	12%	8%	6%	2%
ATMU		4%	8%	17%	17%	11%	0%	-3%	-4%
CARR	11%	10%	7%	8%	5%	4%	6%	3%	3%
CNM	44%	47%	39%	27%	7%	-4%	0%	0%	0%
DOV	11%	9%	8%	9%	9%	3%	-3%	-2%	0%
EMR	6%	7%	4%	11%	6%	14%	14%	5%	8%
ETN	6%	10%	11%	15%	15%	15%	13%	10%	10%
FLS	-6%	-2%	1%	7%	19%	22%	23%	23%	9%
FTV	-1%	1%	3%	-1%	5%	0%	3%	2%	3%
GE*	-3%	1%	5%	7%	11%	17%	19%	18%	6%
HON	-2%	1%	4%	9%	10%	8%	3%	2%	3%
ITW	5%	11%	10%	16%	12%	5%	3%	0%	0%
ITT	-2%	7%	10%	15%	17%	10%	12%	5%	4%
JBT	10%	11%	15%	16%	17%	8%	2%	-2%	1%
MEG									
MMM	1%	2%	1%	1%	0%	-5%	-3%	-3%	0%
PH	13%	11%	12%	14%	10%	12%	6%	2%	3%
PNR	19%	12%	12%	4%	-3%	-3%	-7%	-7%	-3%
ROK	17%	1%	7%	21%	10%	27%	13%	18%	3%
TT	11%	12%	11%	19%	16%	9%	11%	9%	6%
VNT	-8%	0%	2%	-2%	10%	4%	-2%	-3%	-9%
VRT	4%	0%	8%	20%	22%	35%	25%	17%	12%
Average	**7.5%**	**8.1%**	**8.7%**	**11.7%**	**10.6%**	**10.4%**	**7.9%**	**5.4%**	**3.3%**
Median	**6.0%**	**7.0%**	**7.5%**	**11.0%**	**10.3%**	**9.0%**	**6.0%**	**2.5%**	**3.0%**

Source: BofA Global Research estimates, company report
*Represents GE industrial business only

BofA GLOBAL RESEARCH

We forecast median EPS y/y growth in the quarter to decelerate to 6% in 3Q23 vs. 9% last quarter.

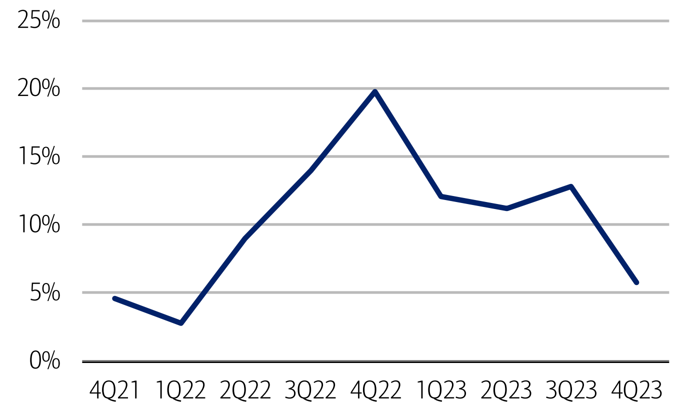
Exhibit 17: Multi-industrial quarterly adjusted EPS y/y growth
BofA is forecasting 4Q median adjusted EPS increase of 6% y/y

	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
ALLE	-20%	-10%	4%	7%	42%	39%	23%	12%	-7%
AME	27%	24%	20%	15%	11%	12%	14%	13%	7%
APG	-11%	106%	32%	6%	25%	10%	11%	30%	18%
ATMU		-39%	4%	40%	47%	60%	6%	-16%	-15%
CARR	40%	14%	9%	-2%	-10%	-5%	13%	28%	26%
CNM	NM	289%	237%	60%	14%	1%	2%	-3%	8%
DOV	15%	5%	4%	14%	21%	2%	-4%	4%	14%
EMR	-16%	-18%	-23%	-19%	-2%	25%	41%	20%	31%
ETN	19%	12%	9%	16%	20%	16%	18%	22%	19%
FLS	-16%	-74%	-18%	-67%	40%	445%	72%	434%	-8%
FTV	13%	11%	18%	19%	11%	6%	9%	7%	6%
GE*	40%	3%	103%	-39%	35%	13%	-13%	133%	-29%
HON	1%	-1%	4%	11%	21%	9%	6%	1%	4%
ITW	-4%	0%	-3%	16%	52%	11%	5%	9%	-20%
ITT	5%	-8%	4%	21%	22%	21%	36%	14%	4%
JBT	-10%	-2%	-5%	24%	63%	-31%	-14%	-12%	-10%
MEG	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
MMM	-10%	-9%	-9%	3%	-10%	-25%	-11%	3%	7%
PH	30%	18%	18%	11%	7%	23%	18%	26%	10%
PNR	24%	5%	22%	12%	-6%	7%	1%	-5%	5%
ROK	20%	-31%	15%	30%	15%	81%	13%	20%	5%
TT	32%	11%	12%	26%	34%	26%	24%	23%	16%
VNT	-5%	10%	18%	7%	-2%	-2%	-7%	-15%	-4%
VRT	-88%	-138%	-68%	15%	-400%	140%	100%	86%	113%
Average	**4%**	**8%**	**18%**	**10%**	**2%**	**38%**	**16%**	**36%**	**9%**
Median	**5%**	**3%**	**9%**	**14%**	**20%**	**12%**	**11%**	**13%**	**6%**

Source: BofA Global Research, company files

BofA GLOBAL RESEARCH

Exhibit 18: BofA median EPS growth decelerating in 4Q23
We forecast EPS growth to decelerate to 6% from 13% last quarter



Source: BofA Global Research, company files

BofA GLOBAL RESEARCH

We expect median EBITDA y/y growth to re-accelerate sequentially to 10% y/y this quarter from 6% y/y in 3Q.

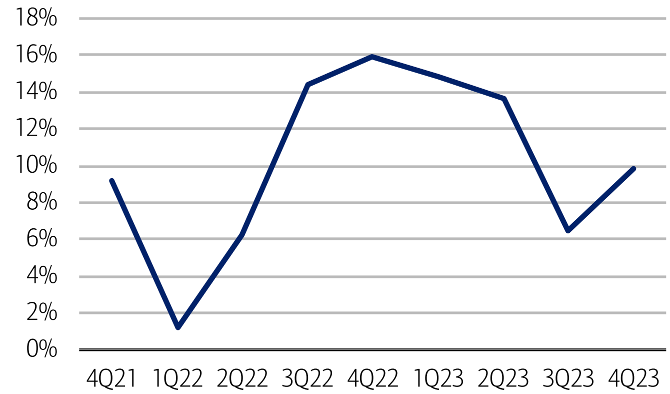
Exhibit 19: Multi-industrial quarterly adjusted EBITDA growth y/y
BofA is forecasting a median of 10% EBITDA growth vs. 6% last quarter

	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
ALLE	-26%	-8%	5%	33%	41%	45%	24%	5%	40%
AME	21%	22%	15%	12%	12%	11%	12%	11%	9%
APG		110%	66%	49%	59%	15%	15%	20%	13%
ATMU		-34%	1%	35%	30%	55%	18%	1%	20%
CARR	10%	3%	1%	-1%	0%	4%	14%	20%	16%
CNM	119%	105%	78%	45%	9%	0%	-3%	-12%	-5%
DOV	11%	-1%	3%	11%	17%	5%	-4%	2%	9%
EMR	8%	-21%	-12%	-12%	-5%	17%	15%	4%	21%
ETN	12%	14%	11%	27%	27%	17%	18%	35%	16%
FLS	-23%	-48%	-13%	-49%	26%	113%	58%	164%	11%
FTV	9%	11%	20%	19%	16%	10%	11%	9%	8%
GE	24%	6%	38%	-17%	14%	-17%	-19%	-2%	-30%
HON	1%	-6%	0%	4%	5%	6%	6%	5%	14%
ITW	-5%	0%	3%	14%	16%	7%	8%	8%	2%
ITT	0%	-9%	1%	14%	13%	15%	27%	14%	4%
JBT	-12%	-8%	-7%	15%	47%	3%	8%	-11%	-12%
PH	19%	14%	17%	20%	22%	32%	18%	24%	6%
PNR	18%	5%	17%	14%	10%	22%	13%	3%	13%
ROK	14%	-25%	14%	51%	13%	66%	11%	-30%	3%
TT	13%	4%	8%	21%	22%	19%	18%	19%	15%
VNT	-3%	6%	9%	2%	-4%	-2%	-3%	-12%	-5%
VRT	-19%	-73%	-36%	2%	53%	479%	165%	105%	39%
Average	**10%**	**3%**	**11%**	**14%**	**20%**	**42%**	**20%**	**17%**	**9%**
Median	**9%**	**1%**	**6%**	**14%**	**16%**	**15%**	**14%**	**6%**	**10%**

Source: BofA Global Research, company report

BofA GLOBAL RESEARCH

Exhibit 20: Multi-industrial quarterly adjusted EBITDA y/y growth
Multis adjusted EBITDA to re-accelerate to 10% y/y from 6% y/y in 3Q

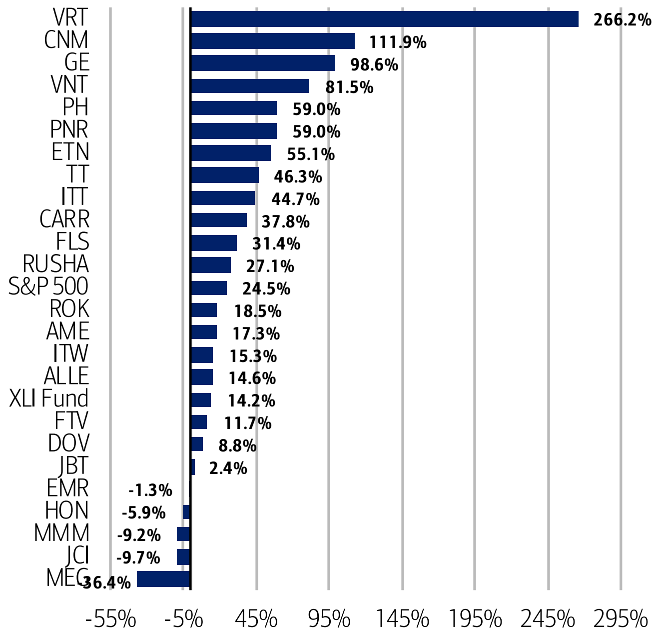


Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Stock performance

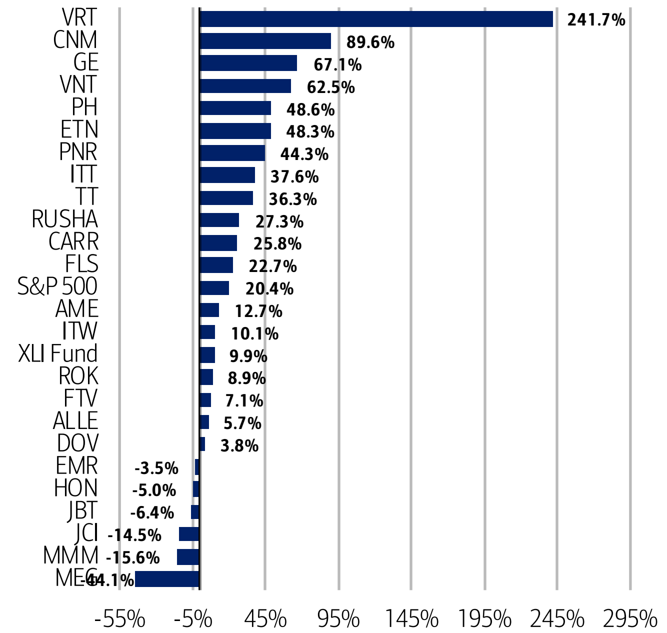
Exhibit 21: YTD Stock Performance
VRT is the best YTD stock performer



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

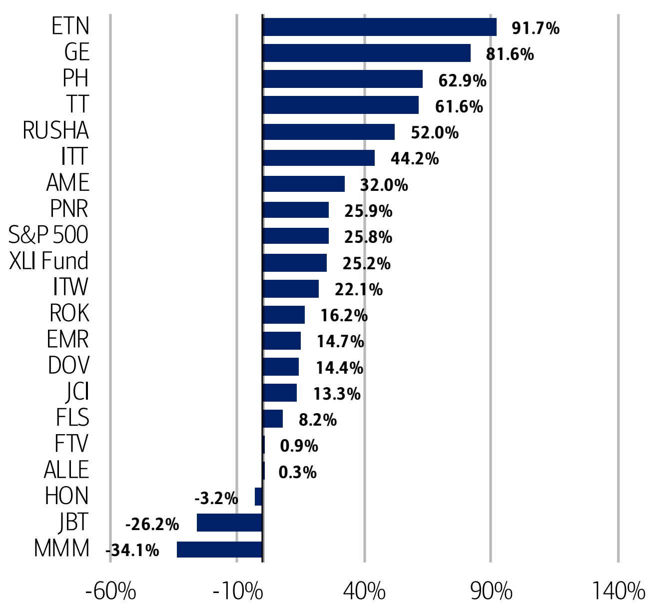
Exhibit 22: 1-Year Stock Performance
VRT is the best 1-year stock performer



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 23: 3-Years Stock Performance
ETN is the best 3-year stock performer



Source: BofA Global Research, Bloomberg

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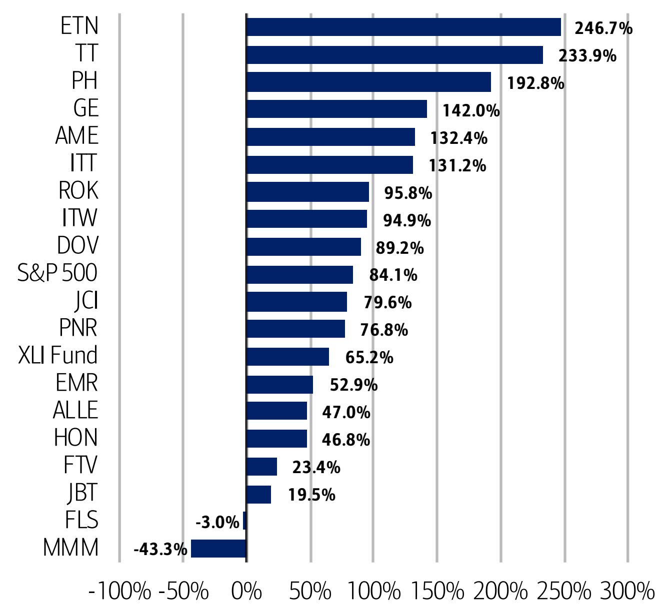
Exhibit 24: 5-Years Stock Performance
ETN is the best 5-year stock performer



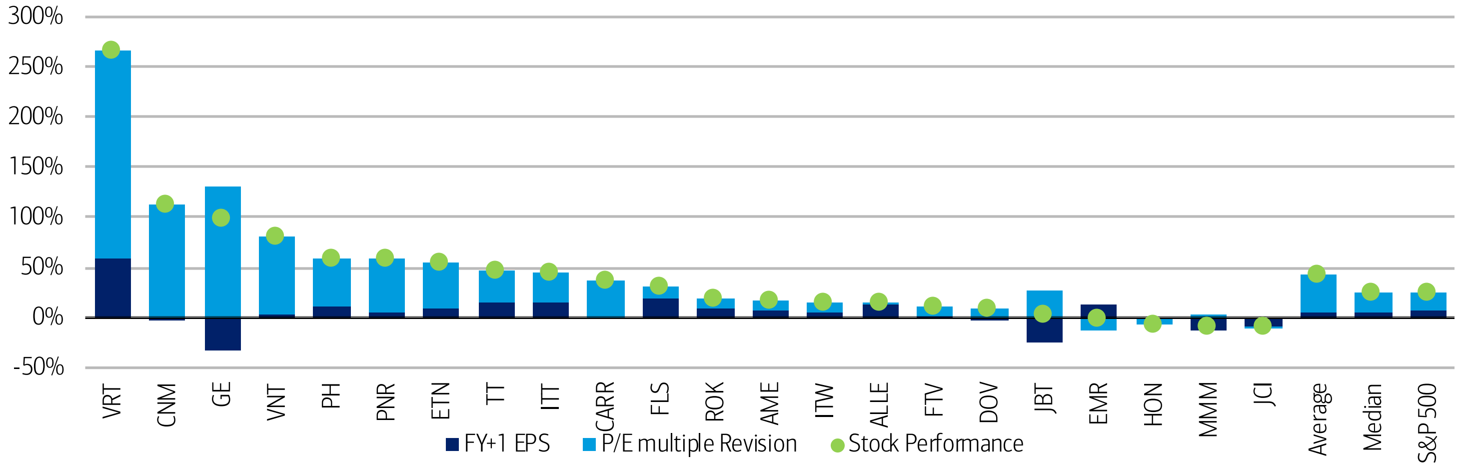
Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

YTD stock performance attribution

Year-to-date, stock performance across our coverage (up 24% on a median basis) has been driven more by multiple expansion than earnings revisions.

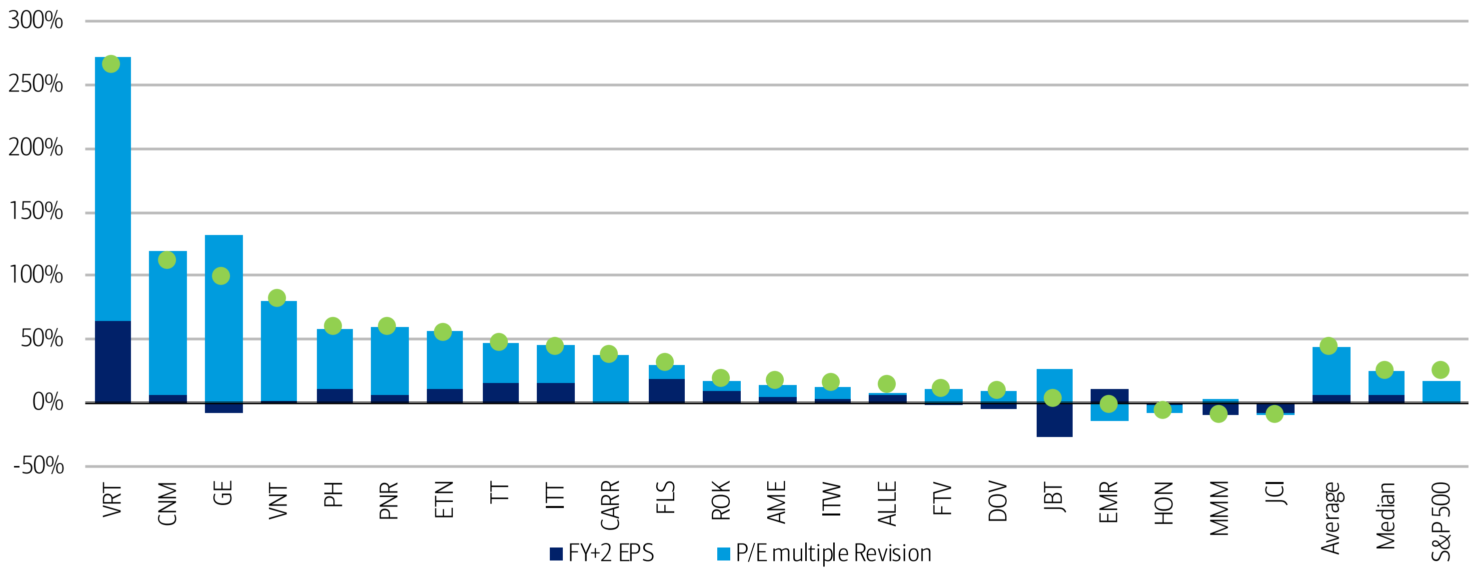
Exhibit 25: Stock performance attribution (P/E multiple revision vs. '23 EPS revision)
Stock performance attribution, P/E multiple revisions versus FY+1 EPS revisions



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 26: 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

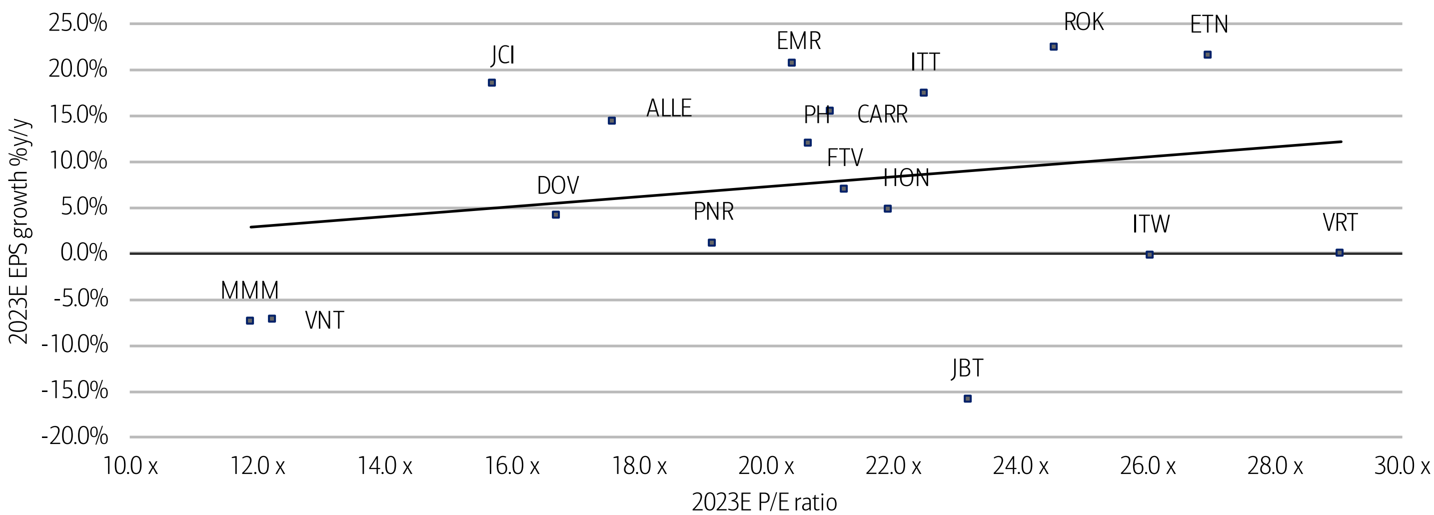
BofA GLOBAL RESEARCH

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

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

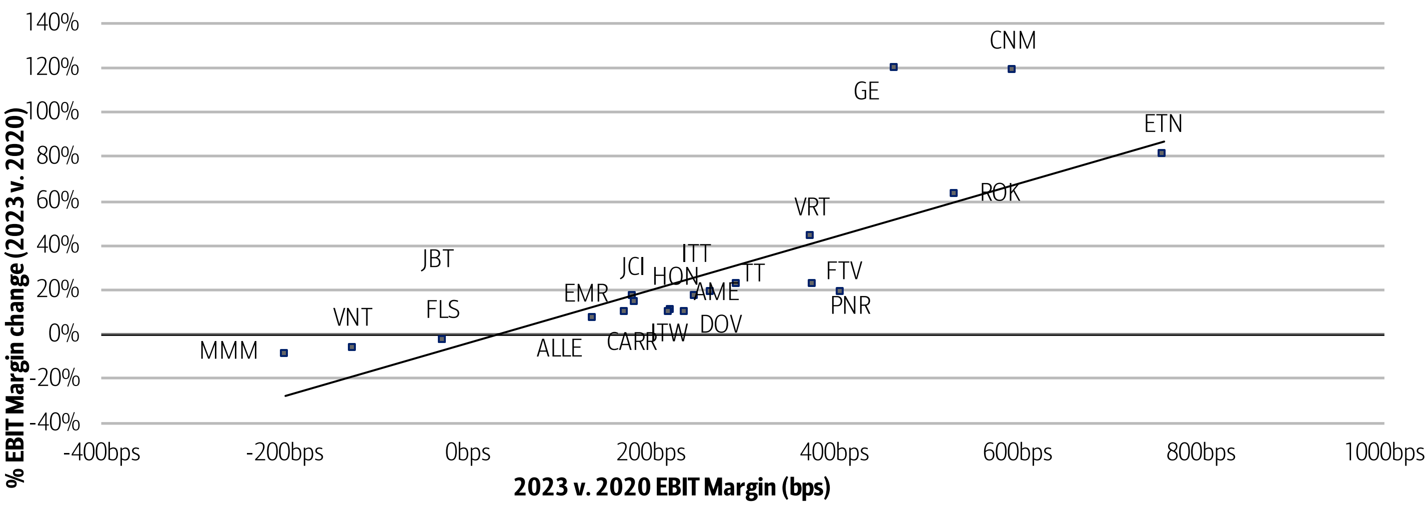


Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 28: 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

BofA GLOBAL RESEARCH

Valuation metrics

Exhibit 29: Multi-Industrial summary valuation metrics

Summary valuation metrics

		ROIC			ROTA			FCF Conversion		
	Ticker	**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%	78.8%	56.7%
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%	107.5%	95.8%
Carrier	CARR	10.6%	11.9%	12.6%	14.2%	16.3%	16.7%	69.7%	83.3%	92.5%
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%	85.8%	94.1%
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%	104.0%	105.8%
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%	151.7%	15.9%
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%	91.5%	98.8%
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%	96.5%	94.6%
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%	68.0%	64.3%
Vontier	VNT	16.1%	15.1%	15.1%	27.3%	26.0%	26.0%	52.7%	87.2%	98.0%
Vertiv	VRT	-0.8%	11.6%	11.6%	-1.1%	14.4%	14.4%	1844.8%	128.0%	109.5%
AVERAGE		**11.9%**	**12.3%**	**11.9%**	**18.8%**	**20.0%**	**20.1%**	**142.9%**	**94.1%**	**87.8%**
MEDIAN		**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

BofA GLOBAL RESEARCH

Exhibit 30: 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	2	18	1	$9.15	$9.12	$9.01	$9.20	$10.47	$9.81	$9.30	$10.47
Allegion	Underperform	5	8	1	$6.85	$6.86	$6.80	$6.90	$6.62	$7.16	$7.00	$7.41
AMETEK	Neutral	10	8	0	$6.33	$6.34	$6.31	$6.38	$6.82	$6.65	$5.97	$6.92
Carrier	Underperform	12	11	2	$2.70	$2.72	$2.64	$2.79	$2.97	$2.88	$2.55	$3.15
Core & Main	Underperform	9	2	1	$2.19	$2.12	$1.85	$2.24	$2.30	$2.21	$1.95	$2.60
Dover	Buy	11	7	0	$8.80	$8.78	$8.70	$8.93	$9.05	$9.23	$8.34	$9.66
Eaton	Buy	14	7	1	$9.02	$9.03	$9.00	$9.07	$9.95	$9.97	$9.02	$10.89
Emerson	Buy	21	5	0	$4.44	$4.46	$4.43	$4.52	$5.25	$5.23	$4.67	$5.31
Flowserve	Buy	8	3	1	$2.00	$2.03	$1.99	$2.10	$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	$3.52	$3.73
General Electric	Buy	13	9	0	$2.65	$2.66	$2.59	$2.75	$4.22	$4.62	$4.22	$5.17
Honeywell	Buy	17	9	1	$9.19	$9.16	$9.11	$9.20	$10.08	$9.97	$9.68	$10.15
Illinois Tool Works	Underperform	3	13	6	$9.73	$9.76	$9.65	$9.82	$9.87	$10.18	$9.66	$10.58
ITT	Buy	11	1	0	$5.21	$5.21	$5.20	$5.23	$6.06	$5.89	$5.79	$6.06
John Bean Technologies	Underperform	2	1	1	$4.03	$4.04	$4.00	$4.10	$4.63	$4.66	$4.63	$4.72
Johnson Controls International	Neutral	16	6	1	$3.50	$3.55	$3.51	$3.67	$3.70	$3.67	$3.60	$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	5	1	$21.55	$20.84	$19.24	$21.14	$23.39	$23.29	$22.82	$23.57
Pentair	Neutral	13	6	0	$3.74	$3.75	$3.72	$3.80	$4.21	$4.19	$3.96	$4.40
Rockwell	Neutral	12	11	5	$12.12	$11.97	$11.73	$12.23	$13.38	$12.88	$12.42	$13.48
Trane Technologies	Neutral	8	14	2	$9.00	$9.01	$8.98	$9.05	$9.63	$10.01	$9.47	$10.32
Vontier	Buy	7	4	0	$2.86	$2.86	$2.84	$2.88	$3.14	$3.10	$2.79	$3.22
Vertiv	Buy	10	1	0	$1.72	$1.75	$1.72	$1.77	$2.25	$2.24	$2.15	$2.33

Source: Company Reports, BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 31: Stocks mentioned
Rating and price summary

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
MMM	MMM US	3M	US$ 108.92	B-2-8
ALLE	ALLE US	Allegion	US$ 120.67	B-3-7
AME	AME US	AMETEK	US$ 163.93	B-2-7
ANSS	ANSS US	Ansys, Inc.	US$ 357.79	B-3-9
APG	APG US	APi Group	US$ 31.46	B-1-9
AZPN	AZPN US	AspenTech	US$ 198.28	B-1-9
ATMU	ATMU US	Atmus	US$ 22.52	C-1-9
CARR	CARR US	Carrier	US$ 56.86	B-3-7
CNM	CNM US	Core & Main	US$ 40.92	B-3-9
DOV	DOV US	Dover Corp	US$ 147.33	B-1-7
ETN	ETN US	Eaton Corp PLC	US$ 243.42	B-1-7
EMR	EMR US	Emerson	US$ 94.8	B-1-7
FLS	FLS US	Flowserve	US$ 40.31	B-1-7
FTV	FTV US	Fortive	US$ 71.74	B-2-7
GE	GE US	General Electric	US$ 129.83	B-1-7
HON	HON US	Honeywell	US$ 201.67	B-1-7
ITW	ITW US	Illinois Tool Works	US$ 253.97	B-3-7
ITT	ITT US	ITT Inc.	US$ 117.33	B-1-7
JBT	JBT US	John Bean Tech	US$ 93.49	B-3-7
JCI	JCI US	Johnson Controls Int	US$ 57.79	B-2-7
MEG	MEG US	Montrose	US$ 28.24	C-1-9
PH	PH US	Parker Hannifin	US$ 462.64	B-1-7
PNR	PNR US	Pentair plc	US$ 71.51	B-2-7
PTC	PTC US	PTC	US$ 172.07	B-1-9
ROK	ROK US	Rockwell	US$ 305.1	B-2-7
TT	TT US	Trane Technologies	US$ 245.99	B-2-7
VRT	VRT US	Vertiv	US$ 50.02	C-1-7
VNT	VNT US	Vontier	US$ 35.09	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

3M Company (MMM)

We base our $120 price objective on 11x P/E on our 2025 estimates. Our 11x target multiple is at a discount to Industrial peers trading at 21x on 2024 estimates. 11x is also at a discount to high quality consumer goods peers trading at 23x 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.

Ansys, Inc. (ANSS)
We base our $295 price objective on a 20x EV/EBITDA multiple on our 2025 estimates. This a discount to the peer average trading at 24x on 2024 estimates. We view this as warranted given near-term slower revenue trajectory and pressured ACV growth.

Upside risks to our PO are: 1) accretive capital deployment on share repurchases or acquisitions, 2) broader adoption of simulation software among engineers, 3) faster than expected growth in new simulation use cases.

Downside risks to our PO are: 1) acquisition integration risks, 2) trade restrictions, 3) a cyclical downturn impacting research & development budgets.

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.

AspenTech (AZPN)
We base our $255 price objective on a 25x EV/EBITDA multiple of our CY25E estimate. Our target multiple is a premium to the 19x peer average on CY24. We argue that a premium is warranted given oil & gas end-market demand strength and prospective synergies from recent acquisitions. Downside risks to our price objective are 1) oil price volatility and oil prices below $50, 2) integration risks, and 3) weakness in chemical industry budgets.

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-expect transition to battery electric commercial vehicles.

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 $135 price objective on a 13x EV/EBITDA multiple of our 2025 estimates. Our target multiple is in line with the 13x peer average on 2024 estimates. We argue the pending spin-off of GE Vernova (Energy and Renewable segments) will drive a re-rating of GE Aerospace.

Downside risks to our PO are 1) the pace of the recovery in Aerospace, 2) progress on Renewable's turnaround, and 3) transactional risks relating to pending spin-off of Vernova (Renewable Energy & Power).

Honeywell International Inc. (HON)
We base our $250 price objective on 16x 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 15x multi-industrial peer average on 2024E and 18x 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.

PTC Inc. (PTC)

Our PO of $175 is based on 20x CY25E EV/EBITDA. This is in line with industrial software peers at 20x on CY24E, as we believe below peer EBITDA margins are offset by faster revenue growth relative to peers

Downside risks to our PO: Macro worsens, sticky product and significant competition in core PLM market limits market share gains, declines in discrete manufacturing activity, IoT and Augmented Reality new bookings slow down to below market growth, elevated leverage post OnShape and Arena acquisitions, acquisition integration risks.

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.

Trane Technologies PLC (TT)

We base our $245 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

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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
	Ansys, Inc.	ANSS	ANSS 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: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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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