

Industrials/Multi-Industry

DEM #558: checking on progress since COVID

Estimate Change

Progress since COVID in multi-industrials

In this week's *Deus Ex Machina*, we look back at fundamental metrics over 2019-2024E to gauge the relative performance of our coverage. We analyzed gross margin expansion, revenue CAGR, adjusted EPS CAGR, adjusted EBITDA CAGR, absolute stock performance, and change in relative P/E (versus S&P 500 index). We find that adjusted EPS growth has been the single best explanatory factor for stock performance. However, gross margin expansion was the best explanatory factor for changes in relative P/E multiples.

Total return beneficiaries: VRT, ETN, and RUSHA

From 12/31/19-12/31/23, VRT shares delivered the highest total return (336%), followed by ETN (179%), and RUSHA (159%). Three stocks had negative four-year total returns (JBT, FLS, and MMM). We find that adjusted EPS growth was the highest explanatory factor behind total returns, followed closely by EBITDA growth. Management teams' efforts to boost the headline EPS metric appear not to be misplaced. Looking at adjusted EPS growth, VRT, RUSHA, and TT had the fastest all-in growth.

Multiple expansion beneficiaries: GE, TT, and ETN

We compared average relative forward P/E multiples in 2023 versus 2019. Interestingly, the three stocks with the greatest multiple expansion are all simplification stories. GE went from trading at an average 32% discount to the S&P 500 in 2019 to an average 78% premium in 2023. TT spun-off Ingersoll-Rand in March 2020 and flipped from trading at a discount to a premium as a pure-play HVAC stock. ETN divested its lighting (March 2020) and hydraulics (August 2021) businesses and saw a similar level of multiple expansion. Within our coverage, gross margin expansion was the best explanatory factor for changes in relative P/E multiples. Acquisitions & divestitures are one way to quickly improve gross margin profiles. We note that FTV, EMR, and PH had the best gross margin expansion. However, these three stocks have yet to see the benefit show up in their multiples.

Adjusting Carrier estimates for Viessmann acquisition

On 1/2, Carrier completed the acquisition of Viessmann Climate Solutions, a provider of heat pumps, boilers, solar PV & batteries, and water storage. On 12/8 Carrier announced a definitive agreement to sell its Global Access Solutions Business and on 12/13, Carrier announced a definitive agreement to sell its commercial refrigeration business. The divestitures are expected to close by 2H24, but we expect management will provide initial 2024 guidance excluding the divestitures. We have adjusted our estimates for this M&A. Our 2023E adj. EPS remains \$2.70. Our 2024E adj. EPS is \$(0.04) lower at \$2.97. Our 2025E adj. EPS is \$(0.12) lower at \$3.22.

05 January 2024

Equity
Americas
Industrials/Multi-Industry

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HVAC: heating, ventilation, and air conditioning

PV: Photovoltaics

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Timestamp: 05 January 2024 05:00AM EST

Upcoming events

Monday January	Tuesday	Wednesday	Thursday	Friday
				US December Situation Release
1	2	3	4	5
8	9	10	11	12
15	16	17	18	19
22	23	24	25	26

Exhibit 1: BofA Global Research Reports
Reports published week ending January 5, 2023
Title: Subtitle
[Industrials/Multi-Industry: Fluid Power Survey #163: Demand, outlook and pricing rising & positive into YE23](#)
[Ansys, Inc.: Press reports Ansys in merger talks](#)
[3M Company: Dupont opt-outs levels a positive for 3M](#)
Source: BofA Global Research

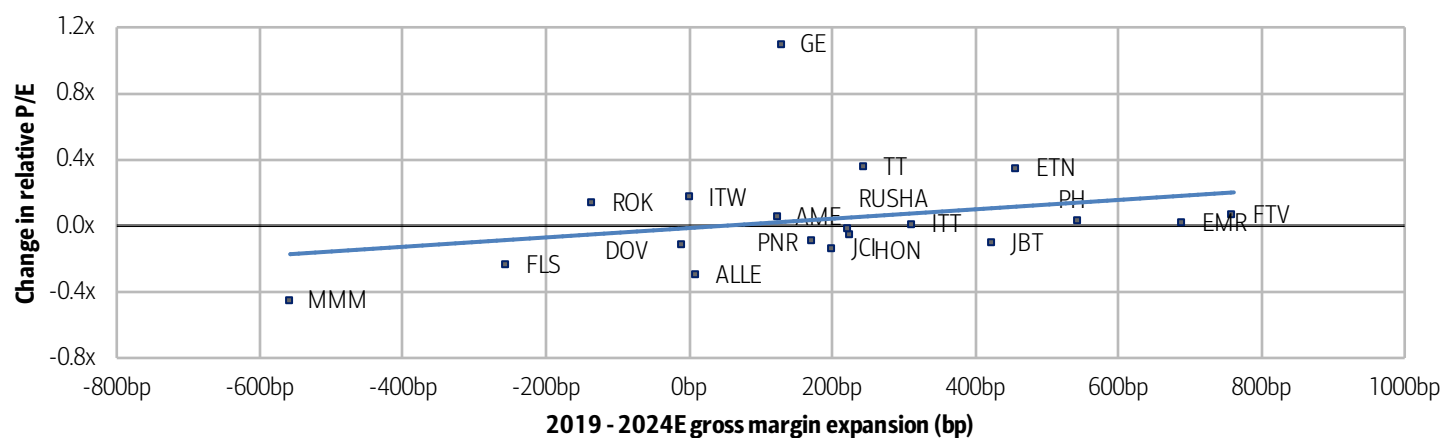
Primary Author	Date Published
Andrew Obin	2 January 2024
Andrew Obin	2 January 2024
Andrew Obin	4 January 2024



Gross margin expansion

Exhibit 2: Gross margin expansion drove changes in relative P/E

PH, EMR, and FTV had largest gross margin expansion



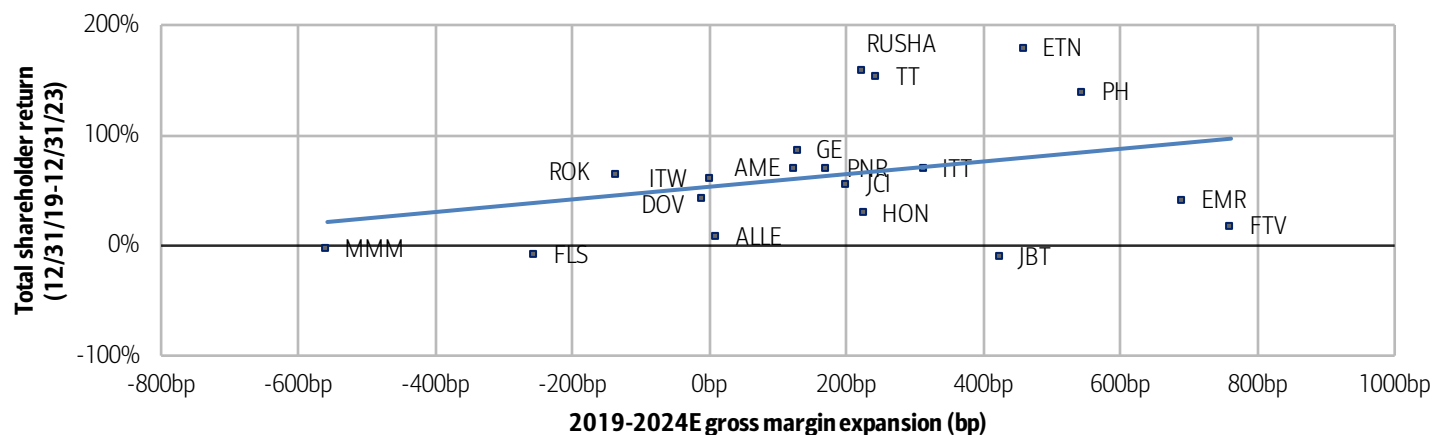
Source: BofA Global Research estimates, Bloomberg

Note: PH and HON reclassified certain costs to SG&A from COGS. We have estimated 2019 gross margins based on the relative impact in 2023.

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Exhibit 3: Gross margin expansion didn't drive as significant a change in stock performance

PH, EMR, and FTV outperformed on gross margins



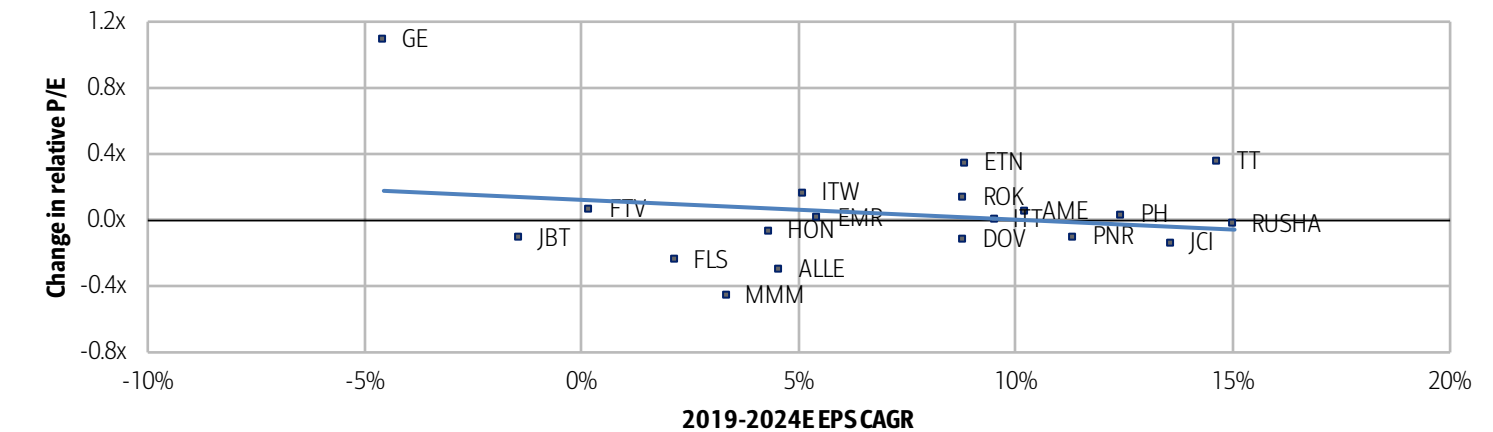
Source: BofA Global Research estimates, Bloomberg

Note: PH and HON reclassified certain costs to SG&A from COGS. We have estimated 2019 gross margins based on the relative impact in 2023.

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EPS Growth

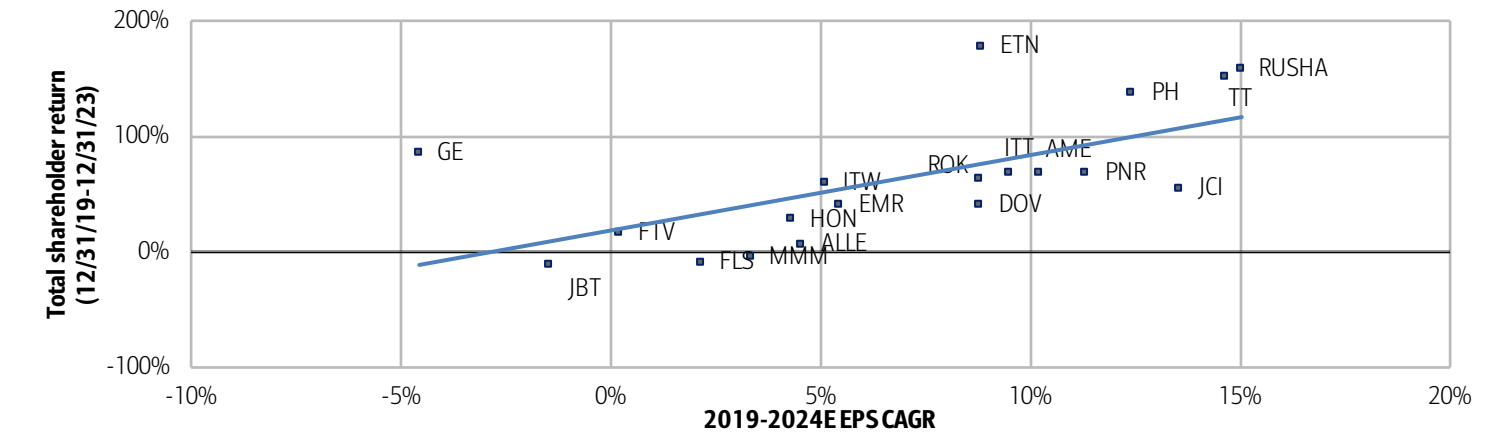
Exhibit 4: Growth in EPS was not as strongly related to multiple expansion
VRT, RUSHA, and TT saw the best EPS growth over the last 5 years



Source: BofA Global Research estimates, Bloomberg

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Exhibit 5: Growth in EPS was more closely tied with stock performance
VRT, RUSHA, and TT saw the best EPS growth over the last 5 years



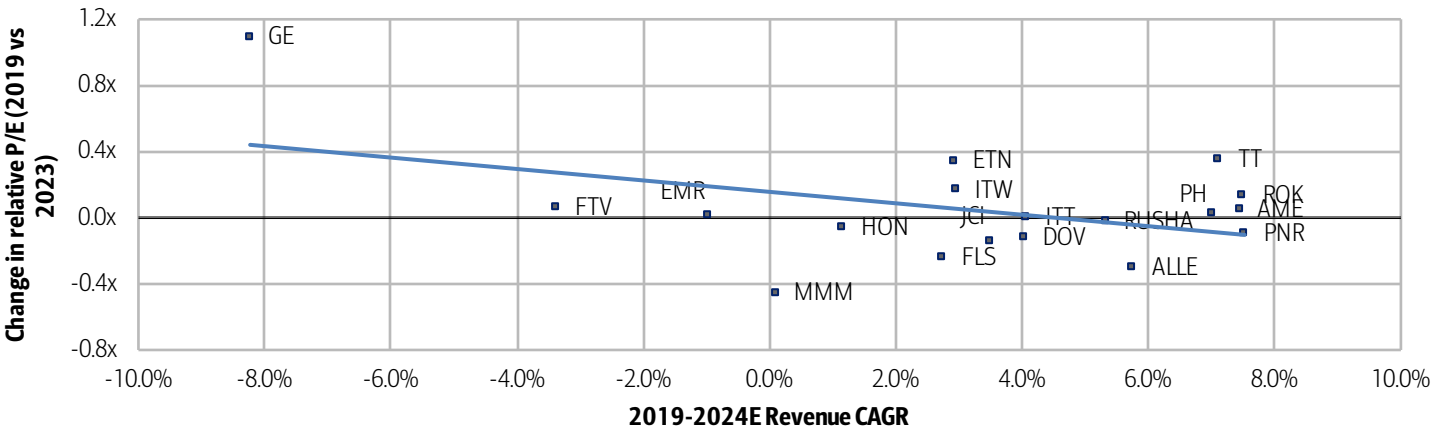
Source: BofA Global Research estimates, Bloomberg

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Revenue Growth

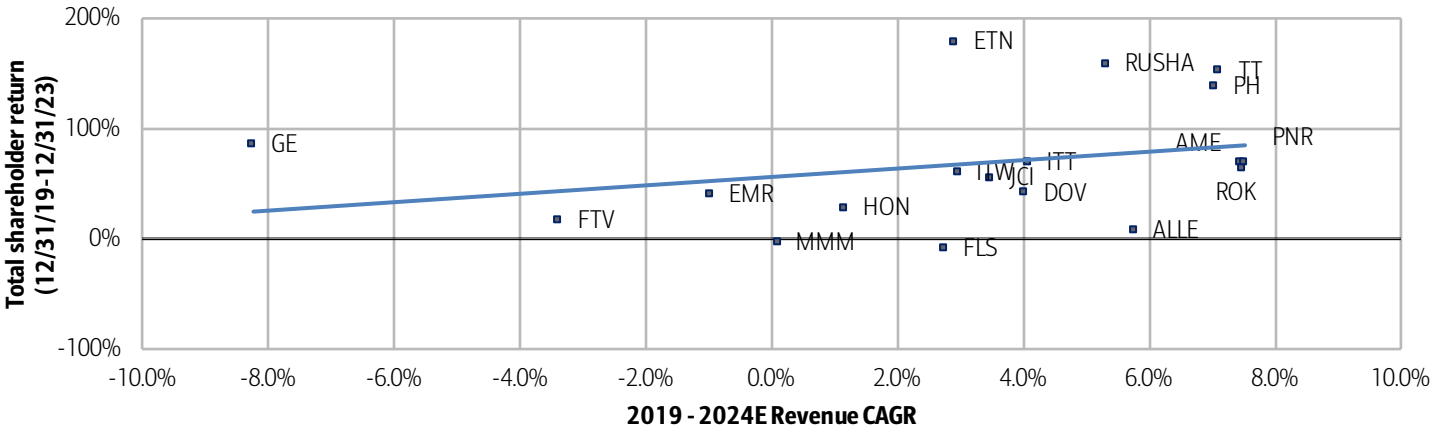
Exhibit 6: Growth in revenue was not as strongly related to multiple expansion
VRT, CARR, and PNR saw the most revenue expansion



Source: BofA Global Research estimates, Bloomberg

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Exhibit 7: Growth in revenue was more closely tied with stock performance
VRT, CARR, and PNR saw the most revenue expansion



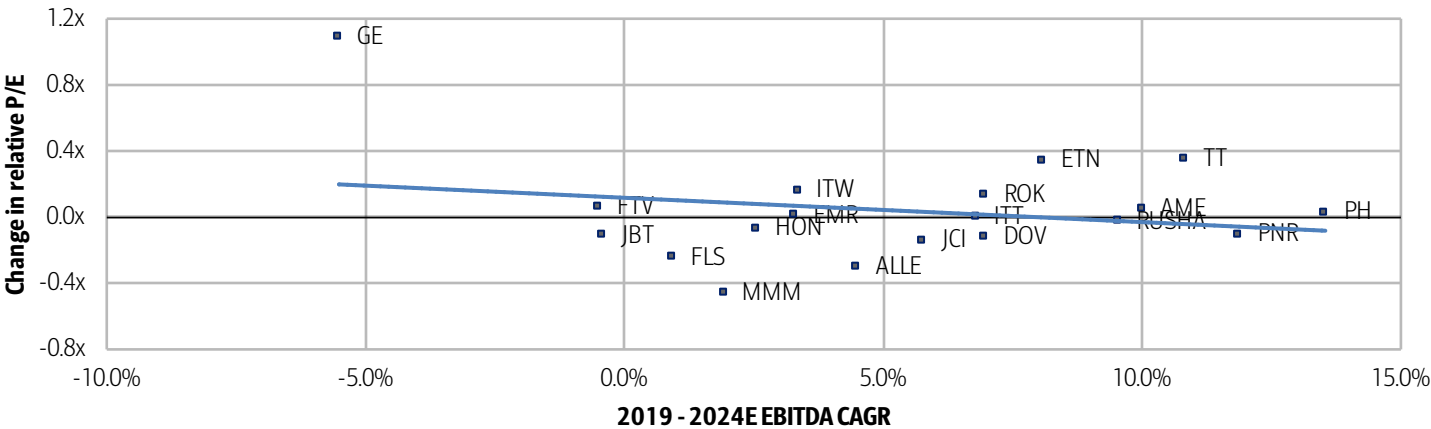
Source: BofA Global Research estimates, Bloomberg

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EBITDA growth

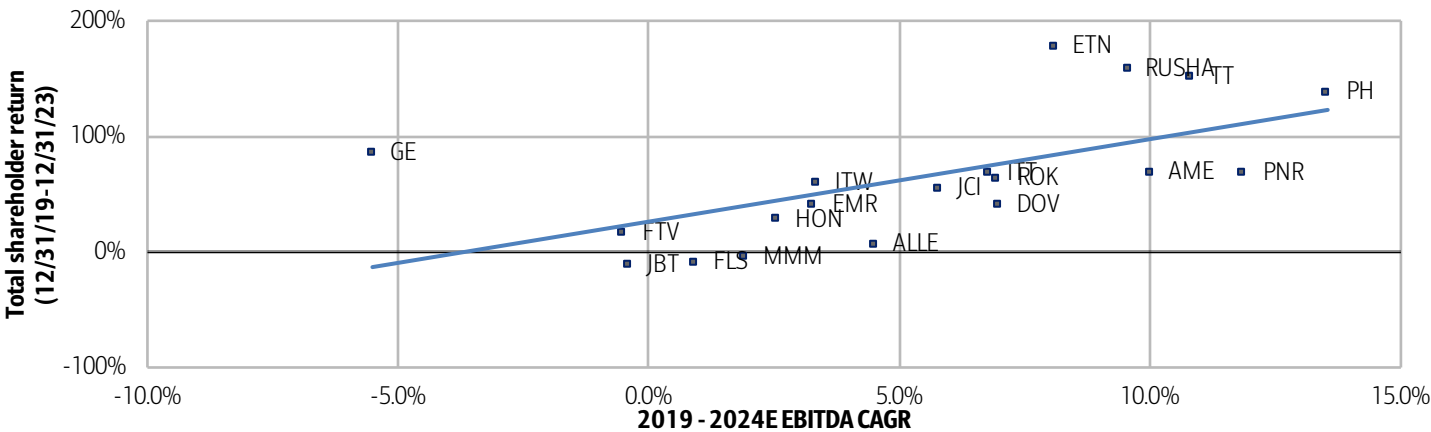
Exhibit 8: Growth in EBITDA was not as strongly related to multiple expansion
VRT, PH, and PNR all saw the most EBITDA growth



Source: BofA Global Research estimates, Bloomberg

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Exhibit 9: Growth in EBITDA was more closely tied with stock performance
VRT, PH, and PNR all saw the most EBITDA growth



Source: BofA Global Research estimates, Bloomberg

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Valuation metrics

Exhibit 10: 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	\$108.17	\$120	-3.6%	-3.5%	5.3%	21.1%	20.3%	21.8%	-6.4%	-7.4%	14.4%
Allegion	ALLE	\$122.27	\$95	14.1%	11.5%	3.5%	20.2%	21.9%	20.7%	9.9%	14.4%	-1.5%
AMETEK	AME	\$160.48	\$165	10.9%	7.2%	12.1%	24.4%	26.0%	25.7%	17.1%	11.5%	7.7%
Carrier	CARR	\$55.48	\$55	-0.9%	8.6%	5.0%	14.2%	14.6%	15.3%	3.1%	15.4%	11.3%
Core & Main	CNM	\$39.10	\$28	32.9%	1.1%	2.1%	11.7%	11.0%	10.2%	N/M	0.4%	0.0%
Dover	DOV	\$148.10	\$180	7.6%	-0.1%	2.3%	16.9%	17.4%	17.7%	10.7%	4.2%	3.7%
Eaton	ETN	\$234.48	\$275	5.7%	11.7%	6.6%	14.7%	17.0%	18.1%	12.0%	21.6%	9.2%
Emerson	EMR	\$95.10	\$120	-17.4%	11.3%	12.5%	18.9%	18.8%	18.6%	-10.5%	20.7%	15.5%
Flowserve	FLS	\$39.73	\$44	2.1%	18.8%	5.2%	6.2%	9.6%	10.6%	-20.6%	N/M	20.4%
Fortive	FTV	\$71.52	\$77	10.9%	3.9%	2.6%	24.3%	25.7%	25.9%	14.6%	7.1%	4.2%
General Electric	GE	\$124.66	\$135	3.0%	-14.4%	0.0%	7.9%	8.6%	8.6%	23.3%	1.7%	59.2%
Honeywell	HON	\$204.90	\$250	3.1%	4.1%	5.4%	22.0%	23.2%	23.6%	8.8%	4.8%	9.8%
Illinois Tool Works	ITW	\$259.38	\$260	10.2%	1.1%	1.0%	23.8%	25.1%	25.1%	14.7%	-0.2%	2.9%
ITT	ITT	\$114.58	\$135	8.1%	9.6%	6.1%	15.9%	17.0%	18.3%	9.5%	17.5%	16.2%
John Bean Technologies	JBT	\$91.59	\$85	15.9%	-23.1%	6.6%	9.2%	10.6%	11.0%	25.0%	-15.8%	14.8%
Johnson Controls International	JCI	\$56.72	\$60	6.4%	6.2%	4.6%	11.6%	12.6%	13.4%	12.3%	18.6%	13.6%
Montrose Environmental Group	MEG	\$29.46	\$40	-0.4%	15.2%	10.8%	-5.1%	-3.3%	0.7%	N/M	N/M	N/M
Parker Hannifin	PH	\$452.06	\$525	15.1%	12.9%	5.0%	19.7%	21.8%	21.9%	19.8%	11.9%	9.0%
Pentair	PNR	\$68.93	\$46	9.5%	-0.5%	3.2%	18.6%	20.9%	22.4%	8.2%	1.2%	9.0%
Rockwell	ROK	\$304.67	\$320	12.5%	13.8%	5.9%	17.1%	17.6%	19.7%	7.5%	22.4%	10.2%
Trane Technologies	TT	\$239.69	\$245	13.1%	10.6%	4.3%	14.9%	16.1%	16.4%	21.2%	19.3%	10.8%
Vontier	VNT	\$33.43	\$37	6.5%	-3.1%	0.2%	20.0%	19.1%	20.1%	7.0%	-7.1%	6.8%
Vertiv	VRT	\$45.80	\$60	13.9%	20.3%	10.8%	3.9%	12.4%	15.6%	-29.9%	N/M	30.6%
AVERAGE				8.9%	5.1%	4.9%	15.1%	16.6%	17.4%	8.4%	7.4%	12.5%
MEDIAN				8.8%	6.7%	4.8%	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 11: 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	11.0x	11.8x	10.3x	15.7x	16.0x	15.0x	18.2x	8.4x	8.5x	7.7x	5.5%	5.5%	5.5%
Allegion	ALLE	20.4x	17.9x	18.1x	17.7x	27.3x	20.5x	18.1x	17.4x	14.4x	14.4x	1.3%	1.5%	1.5%
AMETEK	AME	28.2x	25.3x	23.5x	17.9x	36.8x	23.6x	24.6x	21.4x	19.6x	17.2x	0.5%	0.6%	0.6%
Carrier	CARR	23.7x	20.5x	18.4x	N/A	34.4x	24.6x	20.9x	16.5x	14.1x	12.6x	1.1%	1.4%	1.5%
Core & Main	CNM	18.0x	17.9x	17.9x	N/A	25.6x	9.1x	16.0x	12.2x	11.0x	10.9x	0.0%	0.0%	0.0%
Dover	DOV	17.5x	16.8x	16.2x	13.4x	36.4x	17.4x	16.1x	14.1x	13.3x	11.9x	1.4%	1.4%	1.4%
Eaton	ETN	NM	26.0x	23.8x	12.0x	NM	33.5x	27.7x	25.5x	20.8x	18.0x	1.4%	1.5%	1.6%
Emerson	EMR	24.7x	20.5x	17.7x	16.8x	27.4x	24.7x	19.9x	18.3x	13.5x	13.5x	2.2%	2.2%	2.3%
Flowserve	FLS	NM	19.9x	16.5x	16.3x	NM	NM	22.7x	19.3x	12.1x	10.4x	2.0%	2.0%	2.0%
Fortive	FTV	22.7x	21.2x	20.3x	20.4x	21.3x	20.4x	19.7x	18.9x	16.6x	15.4x	0.4%	0.4%	0.4%
General Electric	GE	NM	NM	29.5x	2.1x	28.8x	26.8x	26.8x	17.8x	19.7x	19.8x	0.3%	0.3%	0.3%
Honeywell	HON	23.4x	22.3x	20.3x	15.2x	31.0x	14.7x	NM	16.6x	14.9x	13.5x	1.9%	2.0%	2.2%
Illinois Tool Works	ITW	26.6x	26.6x	25.9x	0.0x	NM	25.5x	24.2x	20.9x	19.2x	18.7x	2.0%	2.1%	2.2%
ITT	ITT	25.8x	22.0x	18.9x	14.4x	NM	24.0x	19.1x	16.3x	13.8x	11.9x	0.9%	1.0%	1.1%
John Bean Technologies	JBT	19.1x	22.7x	19.8x	16.0x	NM	25.9x	23.1x	13.7x	11.6x	10.5x	0.4%	0.4%	0.4%
Johnson Controls International	JCI	18.3x	15.4x	13.6x	N/A	27.0x	20.7x	15.2x	12.2x	11.3x	10.2x	2.5%	2.6%	2.7%
Montrose Environmental Group	MEG	NM	NM	NM	N/A	NM	18.4x	13.8x	NM	37.5x	27.0x	0.0%	0.0%	0.0%
Parker Hannifin	PH	22.6x	20.2x	18.5x	15.1x	26.6x	22.6x	17.3x	0.0x	8.6x	13.5x	1.0%	0.0%	0.0%
Pentair	PNR	18.7x	18.5x	17.0x	17.8x	NM	19.1x	17.3x	16.6x	14.6x	13.0x	1.2%	1.3%	1.3%
Rockwell	ROK	NM	24.5x	22.2x	N/A	NM	NM	22.5x	20.8x	18.1x	15.5%	1.5%	1.5%	1.5%
Trane Technologies	TT	NM	27.2x	24.6x	14.0x	NM	39.2x	38.7x	22.2x	19.0x	17.2x	1.1%	1.3%	1.3%
Vontier	VNT	10.9x	11.7x	10.9x	N/A	20.6x	13.4x	10.9x	10.3x	10.1x	9.5x	0.3%	0.3%	0.3%
Vertiv	VRT	NM	26.6x	20.4x	N/A	NM	28.4x	22.9x	38.5x	17.9x	14.0x	0.0%	0.1%	0.2%
AVERAGE		20.5x	20.8x	19.4x	13.9x	27.7x	22.1x	20.8x	17.3x	15.9x	14.3x	1.2%	1.2%	1.3%
MEDIAN		20.4x	20.8x	18.9x	15.2x	27.1x	21.7x	19.7x	16.6x	14.5x	13.5x	1.1%	1.3%	1.3%

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

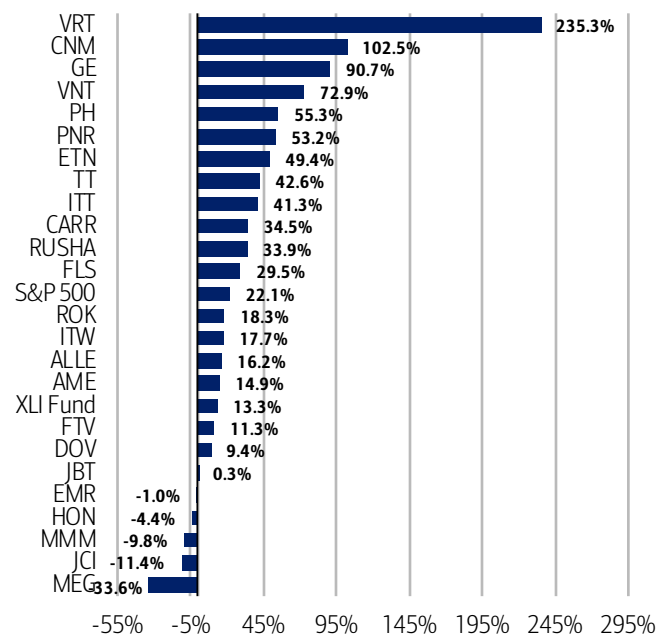
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Stock performance

Exhibit 12: YTD Stock Performance

VRT is the best YTD stock performer

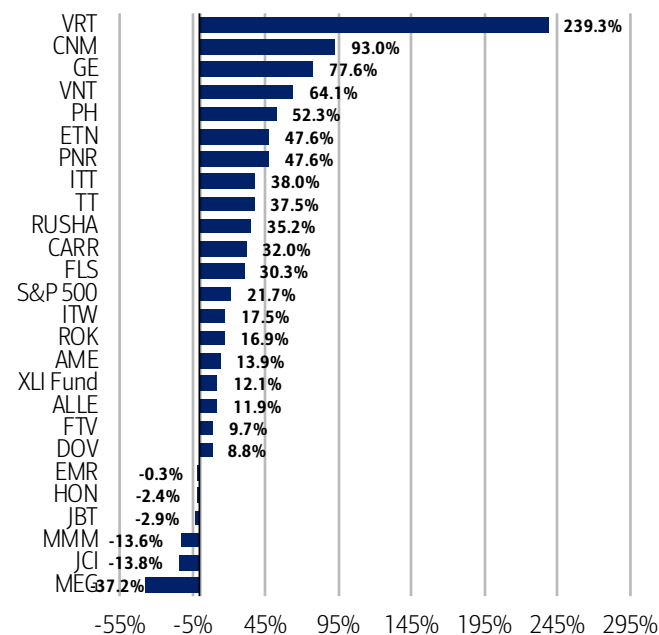


Source: BofA Global Research, Bloomberg

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Exhibit 13: 1-Year Stock Performance

VRT is the best 1-year stock performer

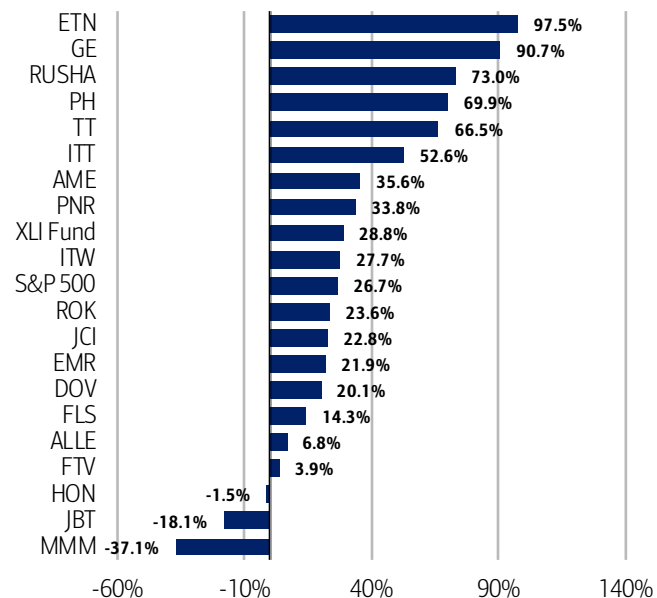


Source: BofA Global Research, Bloomberg

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Exhibit 14: 3-Years Stock Performance

ETN is the best 3-year stock performer

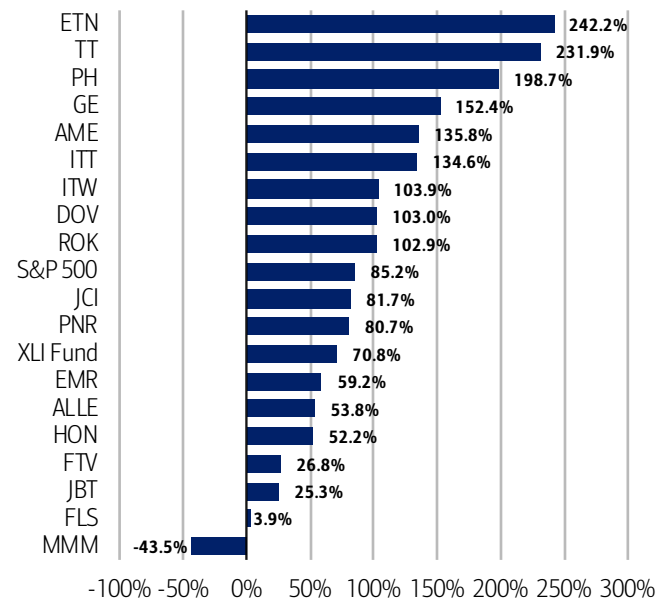


Source: BofA Global Research, Bloomberg

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Exhibit 15: 5-Years Stock Performance

ETN is the best 5-year stock performer



Source: BofA Global Research, Bloomberg

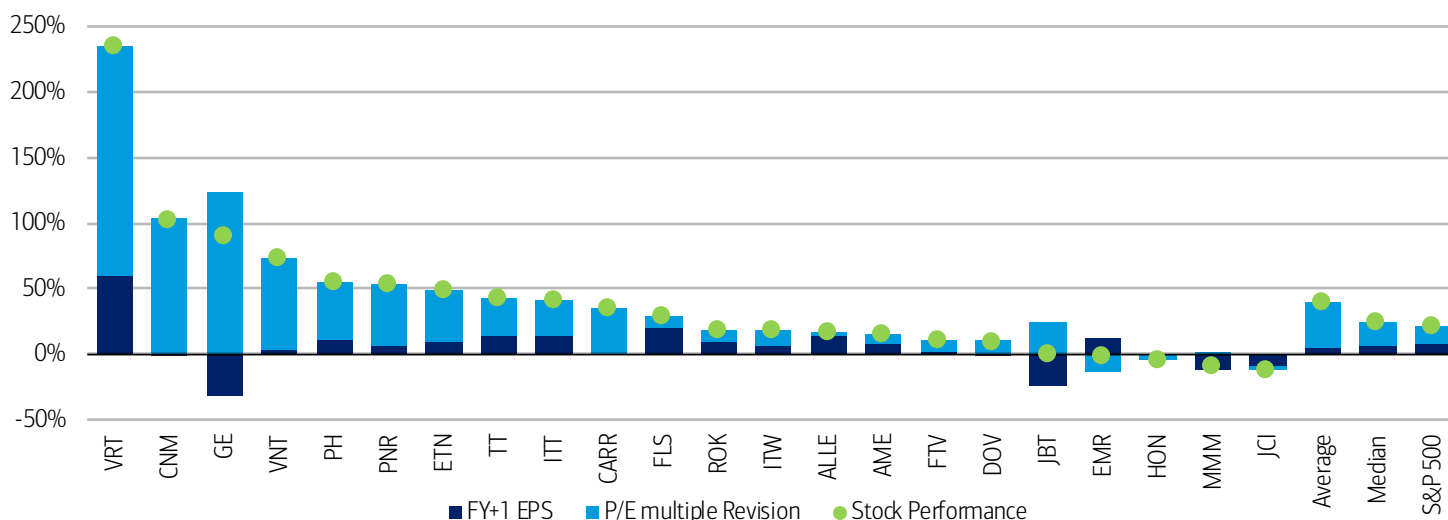
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YTD stock performance attribution

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

Exhibit 16: Stock performance attribution (P/E multiple revision vs. '23 EPS revision)

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

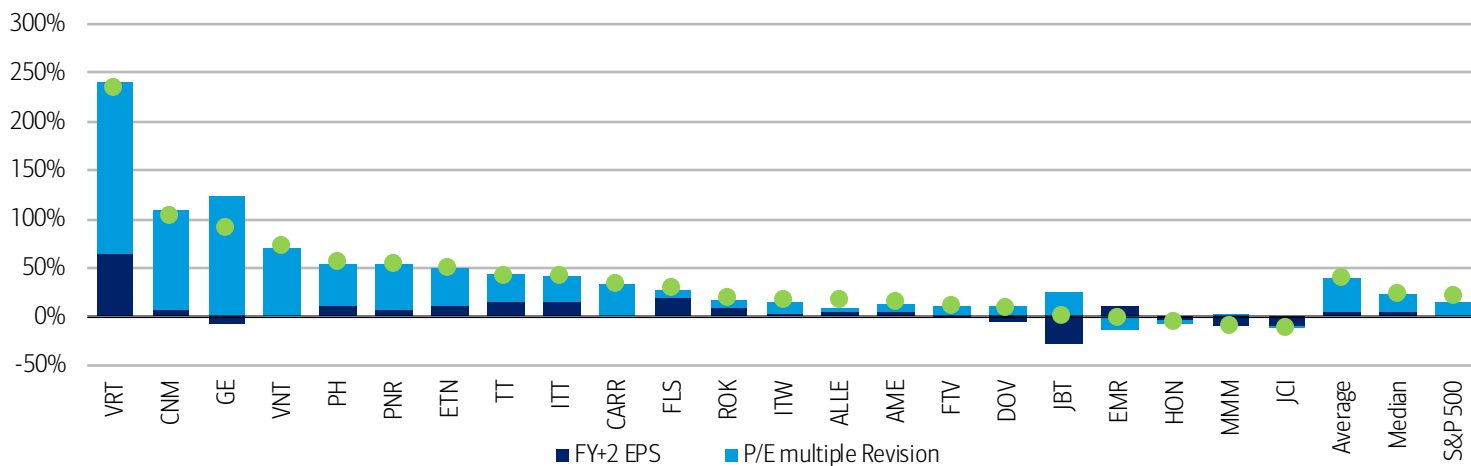


Source: BofA Global Research, Bloomberg

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Exhibit 17: 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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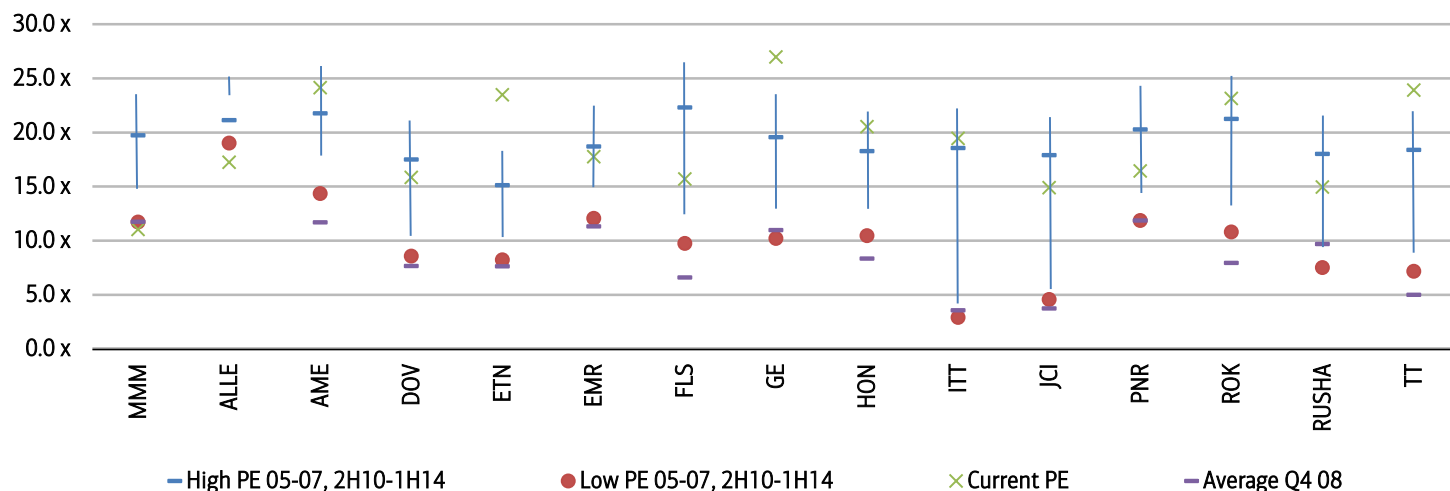
Current valuation vs. historical

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 18: 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

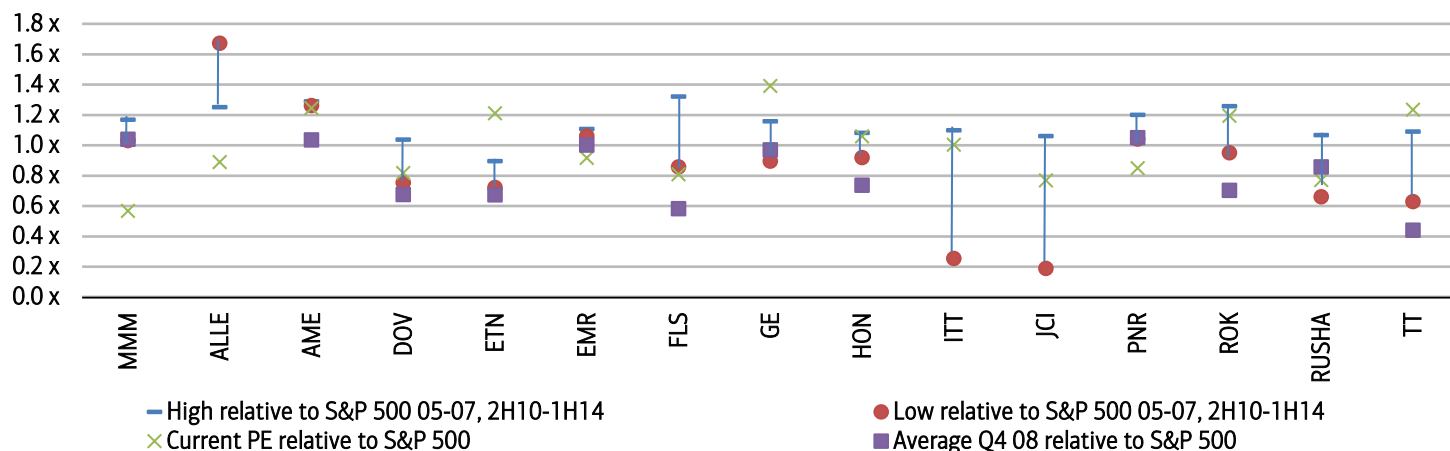
*Current PE based on Bloomberg consensus estimate

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

Exhibit 19: 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 with ETN, GE, and TT trading well above



Source: BofA Global Research estimates, Factset

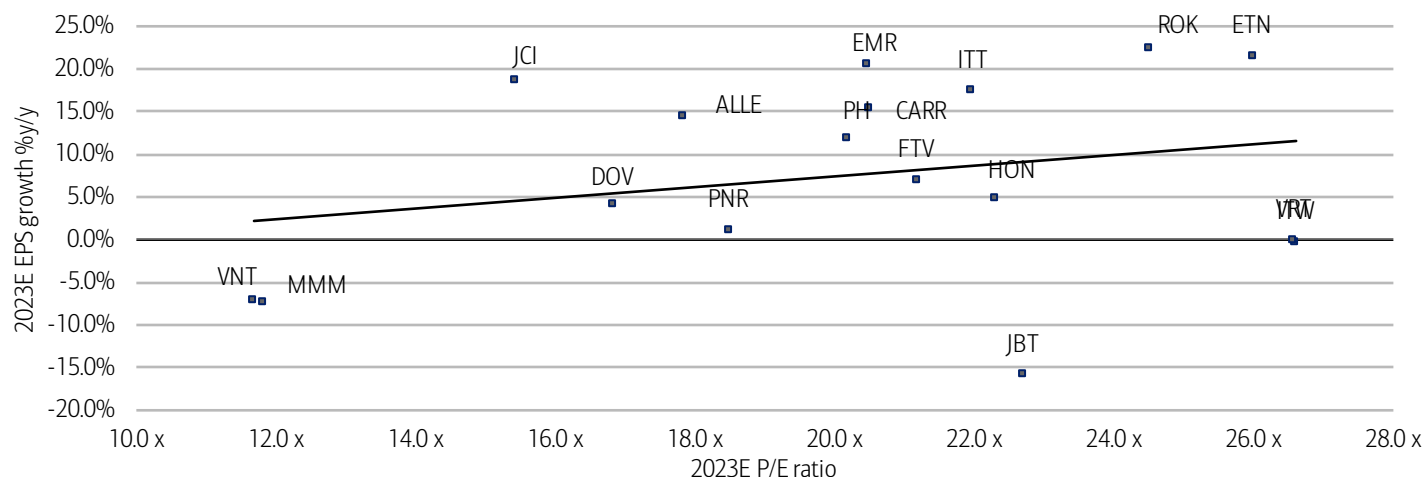
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Multi-industrial valuation charts

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

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

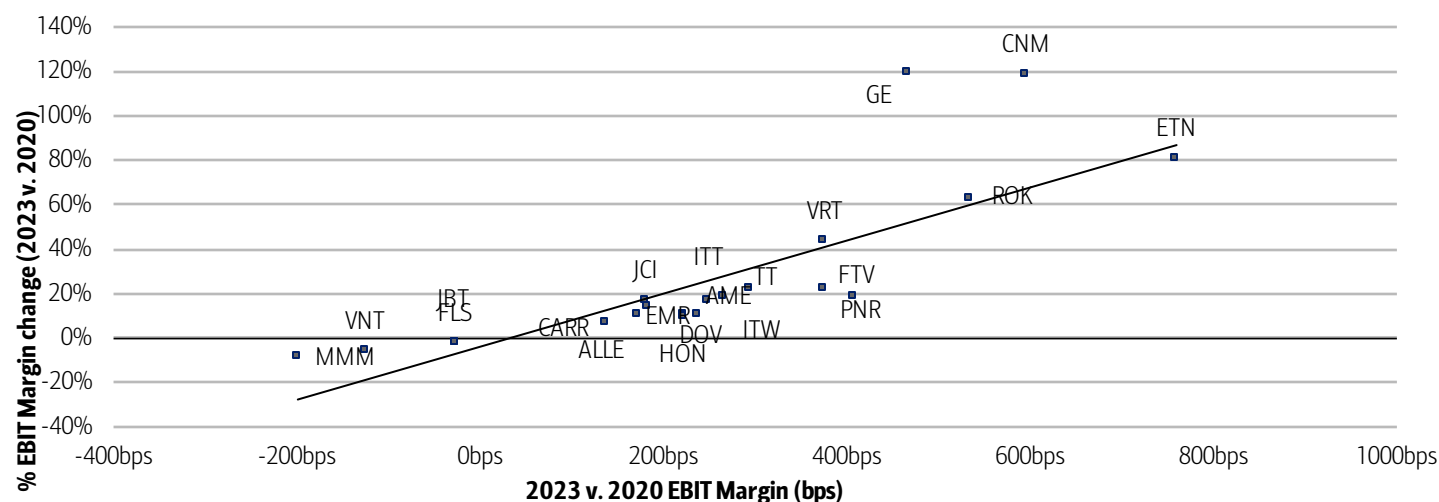


Source: BofA Global Research estimates

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Exhibit 21: 2023 vs. 2020 EBIT margin expansion

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

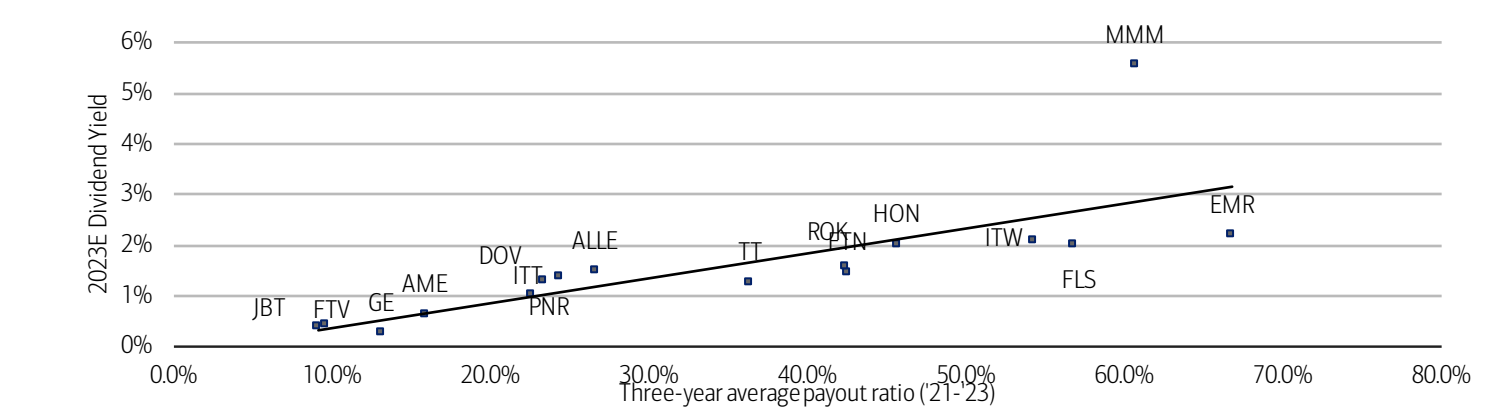


Source: BofA Global Research estimates

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Exhibit 22: 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 23: Multi-industrial summary Net Debt/EBITDA

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

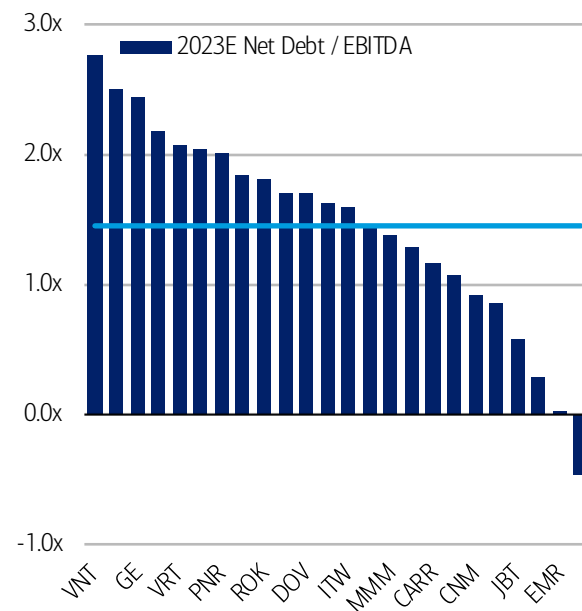
Company	S&P credit rating	2022	2023E	2024E
MMM	BBB+ *	1.4x	1.4x	1.3x
ALLE	BBB	2.5x	1.8x	1.6x
AME	BBB+	1.1x	1.3x	0.6x
CARR	BBB	1.7x	1.2x	0.7x
CNM		1.8x	0.9x	1.0x
DOV	BBB+	1.9x	1.7x	0.8x
ETN	A-	2.0x	1.5x	1.0x
EMR	A	2.4x	0.0x	1.7x
FLS	BBB-	2.5x	1.6x	1.2x
FTV	BBB	1.7x	1.7x	1.7x
GE	BBB+	4.1x	2.4x	2.4x
HON	A	1.0x	0.9x	0.5x
ITW	A+	1.7x	1.6x	1.6x
ITT	BBB	-0.2x	-0.5x	-0.8x
JBT		3.2x	0.6x	0.1x
JCI	BBB+	1.8x	2.2x	1.9x
PH	BBB+	3.0x	2.5x	1.8x
PNR	BBB-	2.7x	2.0x	1.4x
ROK	A	2.1x	1.8x	1.6x
RUSHA		0.4x	0.3x	0.1x
TT	BBB+	1.3x	1.1x	0.8x
VNT	BBB-	3.2x	2.8x	2.6x
VRT		5.6x	2.1x	1.6x
Average leverage		2.2x	1.5x	1.1x

Source: BofA Global Research

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Exhibit 24: 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 25: 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%	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%	68.8%	83.3%	88.2%
Core & Main	CNM	14.8%	12.6%	12.6%	23.0%	17.0%	17.0%	70.3%	196.4%	109.6%
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%	103.5%
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%	96.9%	100.0%
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%	97.8%
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%	142.8%	94.1%	87.7%
MEDIAN		12.9%	12.2%	12.6%	19.8%	19.3%	20.6%	68.8%	87.8%	98.3%

Source: Company Reports, BofA Global Research estimates, Bloomberg

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Exhibit 26: Multi-Industrial summary valuation metrics

Summary valuation metrics

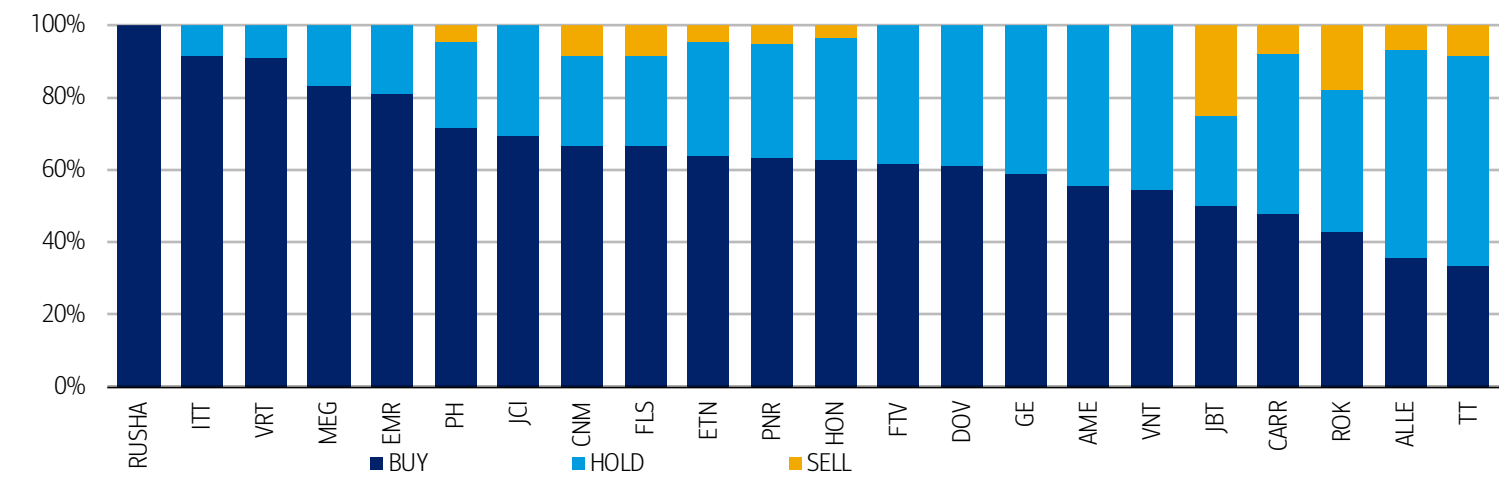
	BofA Rating	Ratings			BofA	FY+1 EPS			BofA	FY+2 EPS		
		Buy	Neutral	U/P		Consensus	Low	High		Consensus	Low	High
3M	Neutral	2	18	1	\$9.15	\$9.11	\$9.01	\$9.25	\$10.47	\$9.80	\$9.30	\$10.47
Allegion	Underperform	5	8	1	\$6.85	\$6.86	\$6.80	\$6.90	\$6.62	\$7.08	\$6.62	\$7.41
AMETEK	Neutral	10	8	0	\$6.33	\$6.34	\$6.31	\$6.37	\$6.82	\$6.64	\$5.97	\$6.93
Carrier	Underperform	12	11	2	\$2.70	\$2.72	\$2.69	\$2.79	\$3.01	\$2.89	\$2.55	\$3.15
Core & Main	Underperform	8	3	1	\$2.19	\$2.12	\$1.85	\$2.24	\$2.23	\$2.21	\$1.95	\$2.60
Dover	Buy	11	7	0	\$8.80	\$8.79	\$8.74	\$8.93	\$9.05	\$9.34	\$9.02	\$9.66
Eaton	Buy	14	7	1	\$9.02	\$9.03	\$9.00	\$9.06	\$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	\$5.33
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	\$3.52	\$3.65	\$3.52	\$3.71
General Electric	Buy	13	9	0	\$2.65	\$2.66	\$2.59	\$2.75	\$4.22	\$4.61	\$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	Neutral	3	14	5	\$9.75	\$9.74	\$9.65	\$9.82	\$10.03	\$10.19	\$9.84	\$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	7	0	\$3.50	\$3.55	\$3.51	\$3.67	\$3.70	\$3.67	\$3.58	\$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	\$23.25	\$22.82	\$23.56
Pentair	Underperform	12	6	1	\$3.73	\$3.75	\$3.72	\$3.80	\$3.98	\$4.18	\$3.96	\$4.40
Rockwell	Neutral	12	11	5	\$12.12	\$11.97	\$11.73	\$12.23	\$13.38	\$12.87	\$12.38	\$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	Neutral	6	5	0	\$2.86	\$2.86	\$2.84	\$2.88	\$3.06	\$3.10	\$2.79	\$3.22
Vertiv	Buy	10	1	0	\$1.72	\$1.75	\$1.72	\$1.77	\$2.25	\$2.23	\$2.15	\$2.32

Source: Company Reports, BofA Global Research estimates, Bloomberg

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Exhibit 27: Sell side stock ratings of BUY/HOLD/SELL
Over half of our coverage has a consensus Buy rating



Source: Bloomberg

BofA GLOBAL RESEARCH

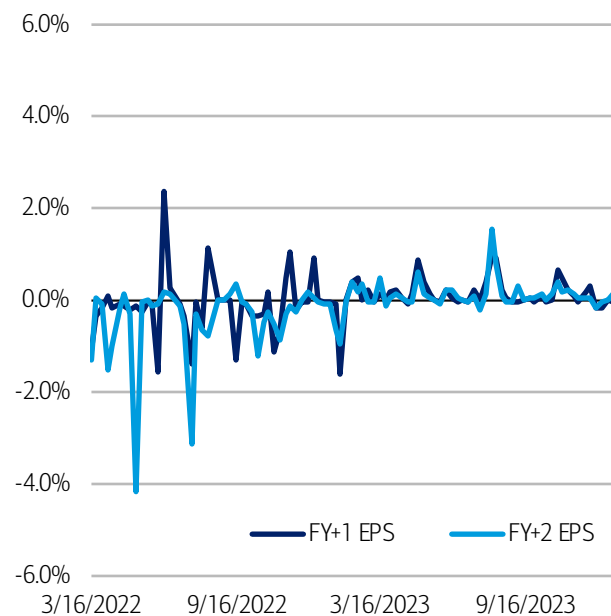


Consensus revision tracker

The charts below show 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 28: Bloomberg consensus revisions vs. 1 week ago

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

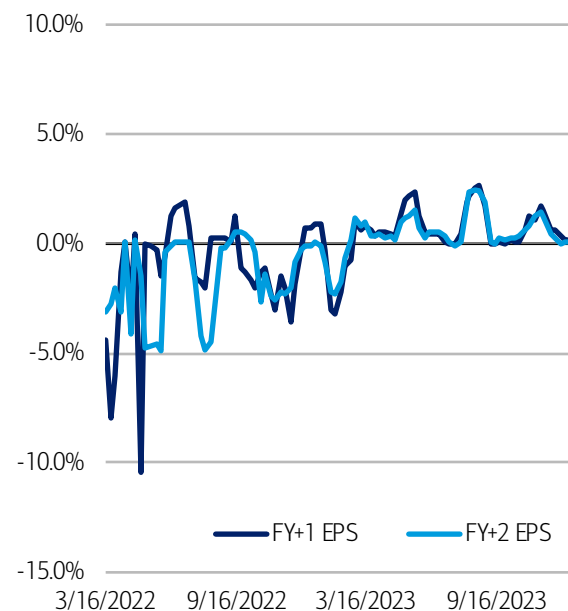


Source: Bloomberg

BofA GLOBAL RESEARCH

Exhibit 29: 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 30: 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	-0.3%	\$6.86	\$6.86	0.00%	\$7.08	\$7.10	-0.28%
AME	\$1.61	\$1.63	-1.0%	\$6.34	\$6.34	0.00%	\$6.64	\$6.62	0.30%
CARR	\$0.51	\$0.52	-1.0%	\$2.72	\$2.72	0.00%	\$2.89	\$2.90	-0.34%
CNM	\$0.37	\$0.37	0.0%	\$2.21	\$2.22	-0.45%	\$2.40	\$2.40	0.00%
DOV	\$2.43	\$2.43	-0.1%	\$8.79	\$8.79	0.00%	\$9.34	\$9.35	-0.11%
EMR	\$1.03	\$1.03	-0.4%	\$5.23	\$5.23	0.00%	\$5.70	\$5.71	-0.18%
ETN	\$2.46	\$2.46	0.2%	\$9.03	\$9.03	0.00%	\$9.97	\$9.96	0.10%
FLS	\$0.60	\$0.60	-0.5%	\$2.03	\$2.03	0.00%	\$2.53	\$2.53	0.00%
FTV	\$0.94	\$0.94	0.3%	\$3.39	\$3.39	0.00%	\$3.65	\$3.60	1.39%
GE	\$0.91	\$0.91	0.6%	\$2.66	\$2.66	0.00%	\$4.61	\$4.61	0.00%
HON	\$2.59	\$2.59	-0.1%	\$9.16	\$9.16	0.00%	\$9.97	\$9.96	0.10%
ITT	\$1.34	\$1.34	0.4%	\$5.21	\$5.21	0.00%	\$5.89	\$5.89	0.00%
ITW	\$2.41	\$2.40	0.3%	\$9.74	\$9.74	0.00%	\$10.19	\$10.20	-0.10%
JBT	\$1.34	\$1.34	0.4%	\$4.04	\$4.04	0.00%	\$4.66	\$4.66	0.00%
JCI	\$0.51	\$0.51	0.2%	\$3.67	\$3.67	0.00%	\$4.19	\$4.18	0.24%
MEG	(\$0.01)	(\$0.01)	16.7%	(\$0.81)	(\$0.81)	0.00%	(\$0.05)	(\$0.05)	0.00%
MMM	\$2.28	\$2.28	0.2%	\$9.11	\$9.11	0.00%	\$9.80	\$9.81	-0.10%
PH	\$5.26	\$5.27	-0.1%	\$23.25	\$23.25	0.00%	\$25.29	\$25.29	0.00%
PNR	\$0.86	\$0.86	-0.5%	\$3.75	\$3.75	0.00%	\$4.18	\$4.18	0.00%
ROK	\$2.61	\$2.61	0.0%	\$12.87	\$12.90	-0.23%	\$13.99	\$14.01	-0.14%
RUSHA	\$0.85	\$0.85	0.0%	\$4.05	\$4.05	0.00%	\$3.12	\$3.12	0.00%
TT	\$2.13	\$2.13	0.0%	\$9.01	\$9.01	0.00%	\$10.01	\$9.99	0.20%
VNT	\$0.78	\$0.78	0.0%	\$2.86	\$2.86	0.00%	\$3.10	\$3.10	0.00%
VRT	\$0.53	\$0.52	2.3%	\$1.75	\$1.75	0.00%	\$2.23	\$2.19	1.83%
Average			0.0%			0.0%			0.1%

Source: Bloomberg

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

Exhibit 31: 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%	\$6.86	\$6.86	0.0%	\$7.08	\$7.16	-1.1%
AME	\$1.61	\$1.63	-1.2%	\$6.34	\$6.33	0.2%	\$6.64	\$6.66	-0.3%
CARR	\$0.51	\$0.52	-1.9%	\$2.72	\$2.72	0.0%	\$2.89	\$2.88	0.3%
CNM	\$0.37	\$0.30	23.3%	\$2.21	\$2.19	0.9%	\$2.40	\$2.31	3.9%
DOV	\$2.43	\$2.44	-0.4%	\$8.79	\$8.79	0.0%	\$9.34	\$9.40	-0.6%
EMR	\$1.03	\$1.03	0.0%	\$5.23	\$5.22	0.2%	\$5.70	\$5.71	-0.2%
ETN	\$2.46	\$2.46	0.0%	\$9.03	\$9.03	0.0%	\$9.97	\$9.95	0.2%
FLS	\$0.60	\$0.60	0.0%	\$2.03	\$2.03	0.0%	\$2.53	\$2.52	0.4%
FTV	\$0.94	\$0.94	0.0%	\$3.39	\$3.39	0.0%	\$3.65	\$3.60	1.4%
GE	\$0.91	\$0.90	1.1%	\$2.66	\$2.66	0.0%	\$4.61	\$4.59	0.4%
HON	\$2.59	\$2.59	0.0%	\$9.16	\$9.16	0.0%	\$9.97	\$9.98	-0.1%
ITT	\$1.34	\$1.33	0.8%	\$5.21	\$5.20	0.2%	\$5.89	\$5.87	0.3%
ITW	\$2.41	\$2.40	0.4%	\$9.74	\$9.74	0.0%	\$10.19	\$10.17	0.2%
JBT	\$1.34	\$1.34	0.0%	\$4.04	\$4.04	0.0%	\$4.66	\$4.66	0.0%
JCI	\$0.51	\$0.69	-26.1%	\$3.67	\$3.95	-7.1%	\$4.19	\$4.41	-5.0%
MEG	(\$0.01)	(\$0.01)	0.0%	(\$0.81)	(\$0.81)	0.0%	(\$0.05)	(\$0.05)	0.0%
MMM	\$2.28	\$2.27	0.4%	\$9.11	\$9.12	-0.1%	\$9.80	\$9.78	0.2%
PH	\$5.26	\$5.20	1.2%	\$23.25	\$23.05	0.9%	\$25.29	\$24.95	1.4%
PNR	\$0.86	\$0.86	0.0%	\$3.75	\$3.74	0.3%	\$4.18	\$4.19	-0.2%
ROK	\$2.61	\$2.61	0.0%	\$12.87	\$12.87	0.0%	\$13.99	\$13.95	0.3%
RUSHA	\$0.85	\$0.85	0.0%	\$4.05	\$4.05	0.0%	\$3.12	\$3.12	0.0%
TT	\$2.13	\$2.13	0.0%	\$9.01	\$9.01	0.0%	\$10.01	\$10.03	-0.2%
VNT	\$0.78	\$0.78	0.0%	\$2.86	\$2.86	0.0%	\$3.10	\$3.10	0.0%
VRT	\$0.53	\$0.52	1.9%	\$1.75	\$1.74	0.6%	\$2.23	\$2.18	2.3%
Average			0.0%			-0.2%			0.2%

Source: Bloomberg

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Compared to last month, CNM had the largest positive revision for FY+1, followed by PH. JCI had the largest negative revision for FY+1, followed by MMM. CNM had the largest positive revision for FY+2, followed by VRT. JCI had the largest negative revision for FY+2, followed by ALLE.

Revenue breakdown by region

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

Exhibit 32: 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%	9%
AMETEK	AME	51%	19%	21%	9%	
Carrier	CARR	60%	23%	17%	5%	
Core & Main	CNM	100%				
Dover	DOV	65%	21%	11%	6%	3%
Emerson	EMR	56%	16%	28%	12%	
Eaton	ETN	70%	19%	11%	5%	
Flowserve	FLS	49%	32%	18%	5%	
Fortive	FTV	57%	13%	12%	12%	18%
General Electric	GE	51%	32%	17%	6%	
Honeywell	HON	60%	19%	21%	6%	
ITT	ITT	41%	38%	18%	10%	4%
Illinois Tool Works	ITW	57%	25%	19%	11%	
Johnson Controls	JCI	51%	17%	23%	4%	10%
Montrose	MEG	80%	5%			15%
3M	MMM	54%	17%	29%	11%	
Parker Hannifin	PH	68%	20%	12%	6%	
Pentair	PNR	71%	11%	5%	5%	14%
Rockwell	ROK	67%	19%	14%	5%	
Rush Enterprise	RUSHA	100%				
Trane Technologies	TT	79%	13%	8%	5%	
Vertiv	VRT	50%	23%	27%	13%	
Vontier	VNT	75%	9%	12%	4%	4%

Source: BofA Global Research estimates, company report

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

Exhibit 33: Revenue breakout by end market

Multi-Industrial coverage revenue breakout by end market exposure

End Market	ALLE	AME	CARR	CNM	DOV	EMR	ETN	FLS	FTV	GE	HON	ITT	ITW	JBT	JCI	MEG	MMM	PH	PNR	ROK	TT	VRT	VNT
Upstream Oil & Gas		2%				11%		2%	2%		2%	2%	3%			7%		1%		5%			
Midstream Oil & Gas						5%		8%	2%		3%	3%				2%				3%			
Downstream Oil & Gas		2%				6%		30%	2%		6%	4%				4%				2%			
Chemicals					7%	15%		22%			7%	9%				4%				5%			
Materials & Metals						3%		13%			7%	3%				3%		12%		20%			
Industrial		13%	9%		21%	17%	6%		27%		22%	22%	10%	10%			25%	40%		5%			
Aerospace		9%				2%	9%		1%	35%	18%	5%	1%			1%	5%	14%					
Defense		9%					6%		4%	8%	16%	5%						17%					
Residential Construction	25%		33%	22%			8%						22%		13%				60%		39%		
Commercial Construction	35%		25%	39%			10%						12%		45%	23%	1%		26%		30%	5%	
Institutional Construction	40%		10%	39%			20%		10%				23%		31%	11%			14%		16%	5%	1%
Commercial & Professional Services			10%														5%				6%		
Transportation			12%			5%				5%	3%	6%					2%						
Autos		5%				3%	17%					42%	25%					11%		10%	9%		
Consumer Durables & Apparel									7%		6%					8%	20%			5%			
Consumer Services					34%																		99%
Consumer Staples		4%			25%			5%						86%			12%			20%			
Healthcare		23%			6%	14%			30%		6%		4%	4%			29%	2%		5%			
Information Technology							5%		8%	5%	4%									5%			
Semiconductors & Semiconductor Equipment		13%				4%		4%										3%		5%			
Telecommunication		4%														18%				5%		20%	
Utilities/ Power Gen		16%			7%	15%	10%	16%	8%	48%	1%					18%		1%					
Data Center							9%								12%					5%		70%	

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Exhibit 34: Stocks mentioned

Prices and ratings for stocks mentioned in this report

	Ticker	Rating	Price
3M	MMM	B-2-8	\$ 108.17
Allegion	ALLE	B-3-7	\$ 122.27
AMETEK Inc	AME	B-2-7	\$ 160.48
Carrier	CARR	B-3-7	\$ 55.48
Core & Main	CNM	B-3-9	\$ 39.10
Dover	DOV	B-1-7	\$ 148.10
Eaton Corp.	ETN	B-1-7	\$ 234.48
Emerson	EMR	B-1-7	\$ 95.10
Flowserve	FLS	B-1-7	\$ 39.73
Fortive	FTV	B-2-7	\$ 71.52
General Electric	GE	B-1-7	\$ 124.66
Honeywell	HON	B-1-7	\$ 204.90
Illinois Tool Works	ITW	B-2-7	\$ 114.58
ITT	ITT	B-1-7	\$ 114.58
John Bean Technologies	JBT	B-3-7	\$ 91.59
Johnson Controls International	JCI	B-2-7	\$ 56.72
Montrose Environmental Group	MEG	C-1-9	\$ 29.46
Parker Hannifin	PH	B-1-7	\$ 452.06
Pentair	PNR	B-3-7	\$ 68.93
Rockwell	ROK	B-2-7	\$ 304.67
Rush	RUSHA	B-1-7	\$ 46.66
Trane Technologies	TT	B-2-7	\$ 239.69
Vertiv	VRT	C-1-7	\$ 45.80
Vontier	VNT	B-2-7	\$ 33.43

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

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

Carrier Global Corp. (CARR)

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

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

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

Core & Main (CNM)

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

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

Dover Corp (DOV)

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

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

Eaton Corp PLC (ETN)

We base our \$275 price objective on a 20x EV/EBITDA multiple of our 2025 estimates. Our target multiple is at a premium to the 15x peer average on 2024 estimates. We argue a premium valuation is warranted due to broad exposure to key growth end

markets, expected upside from cyclical operating leverage, strong margin performance, and Eaton's less cyclical portfolio mix.

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

Emerson Electric Co (EMR)

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

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

Flowserve (FLS)

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

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

Fortive Corporation (FTV)

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

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

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

General Electric Company (GE)

We base our \$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)

Our \$260 PO is based on a 17x multiple on our 2025 EV/EBITDA estimate, at a premium to the multis average trading 13x on 2024E and in line with high quality compounders. We believe valuation in line with high quality compounders is warranted given best-in-class operating margins, strong history of capital allocation, and the potential for cyclical end market recovery.

Downside risks to our PO are 1) Auto volumes constrained for longer by supply chain, limiting near-term margin expansion, 2) near-term macro headwinds (e.g., slowing PMI) and 3) industrial short-cycle exposure into a recession. Upside risks to our PO are 1) cyclical end market recovery drives better than expected organic growth, 2) restructuring and fixed cost savings drive more margin expansion than anticipated, and 3) broader macro holds up.

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 \$46 price objective on a 8x EV/EBITDA multiple of our 2024 estimates. This is below the peer group trading at 13x on 2024 estimates. We think the below-peer group valuation is fair given below-average EBITDA margins and earnings growth longer term.

Upside risks are: 1) better-than-expected revenue growth in pools, 2) stronger execution may boost the company's valuation and provide more cash for buyback. Downside risks are: 1) Manitowoc Ice integration, 2) weaker spending growth in Industrial and Residential/Commercial markets.

Rockwell (ROK)

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

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

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

Rush (RUSHA)

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

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

Trane Technologies PLC (TT)

We base our \$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 \$37 price objective on 9x our 2025E EBITDA estimate. This is a discount to the peer average of 13x on 2024 estimates to reflect slower near-term earnings trajectory.

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

Analyst Certification

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

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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
NEUTRAL				
	3M Company	MMM	MMM US	Andrew Obin
	AMETEK Inc	AME	AME US	Andrew Obin
	Fortive Corporation	FTV	FTV US	Andrew Obin
	Illinois Tool Works	ITW	ITW US	Andrew Obin
	Johnson Controls International PLC	JCI	JCI US	Andrew Obin
	Rockwell	ROK	ROK US	Andrew Obin
	Trane Technologies PLC	TT	TT US	Andrew Obin
	Vontier	VNT	VNT 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
	John Bean Technologies	JBT	JBT US	Andrew Obin
	Keysight	KEYS	KEYS US	David Ridley-Lane, CFA
	Pentair plc	PNR	PNR US	Andrew Obin

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Electrical Equipment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	14	53.85%	Buy	10	71.43%
Hold	6	23.08%	Hold	3	50.00%
Sell	6	23.08%	Sell	1	16.67%

Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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