

Industrials

TITANS OF INDUSTRY

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Titans of
Industry



MEET THE TEAM



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**Titans of
Industry**



A G E N D A

- Recommendations
- The Economic Environment
- The Industry Environment
- Company Analysis
 - Parker Hannifin
 - Caterpillar Inc
 - John Deere
 - Honeywell
- Final Recommendations
- Q&A

RECOMMENDATIONS

			 JOHN DEERE	
Company	Parker Hannifin	Caterpillar Inc	John Deere	Honeywell
Ticker	PH	CAT	DE	HON
Current Price	\$550.18	345.53	\$405.57	198.02
Valuation Price	\$545.43	\$307.40	\$349.74	\$264.22
Recommendation	HOLD	HOLD	SELL	BUY

The Economic Environment

THE ECONOMIC ENVIRONMENT

Key Economic Indicators

- **GDP Growth Rate**

- *U.S. economic growth slowed further in the first quarter, dropping to slightly below potential after two quarters of above-trend growth. Real GDP growth declined from an unsustainable 3.4% in the fourth quarter to 1.6% in the first quarter*

- **New Orders**

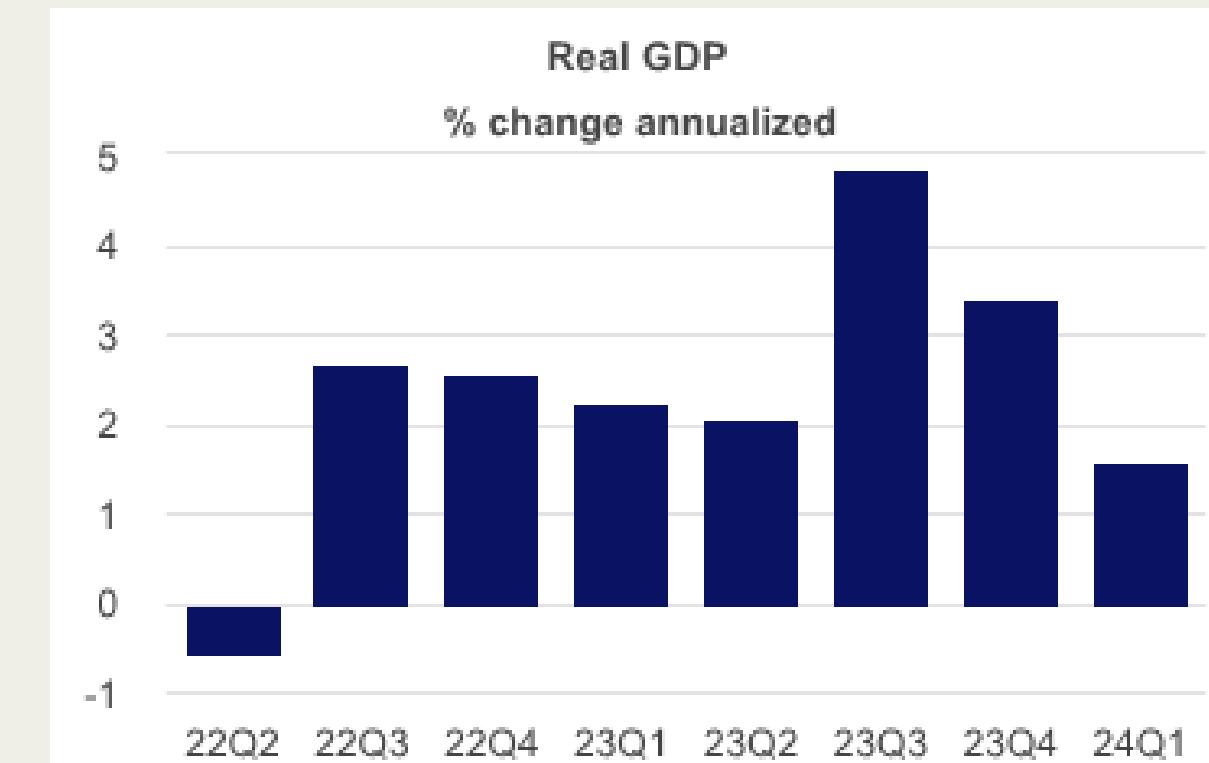
- *In March, U.S. factory orders rose 1.6%, in line with consensus expectations but stronger than our call for a 1.1% gain. The latest monthly growth follows a downwardly revised 1.2% gain in February (previously 1.4%)*

- Manufacturing Production

- Industrial Production

- Crude Oil

- Steel



THE ECONOMIC ENVIRONMENT

Key Economic Indicators

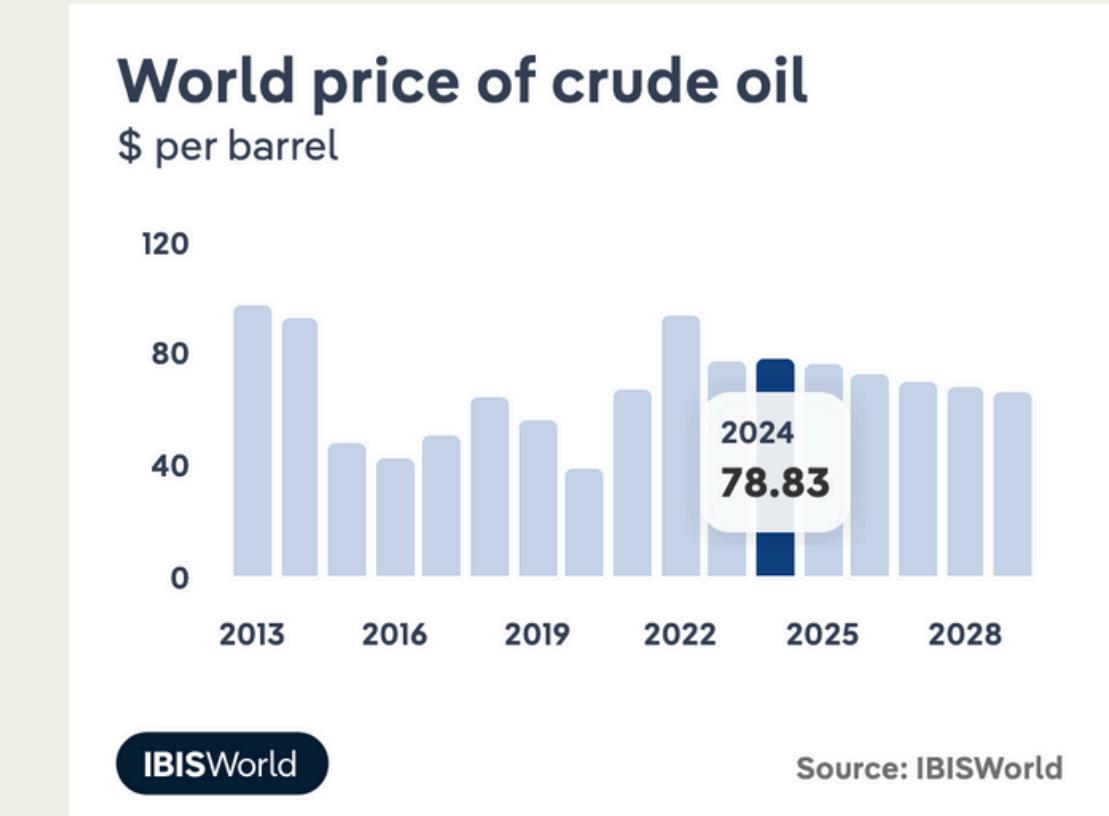
- GDP Growth Rate
- New Orders
- **ISM Manufacturing**
 - After expanding in March, U.S. manufacturing activity contracted in April. The ISM manufacturing index fell to 49.2 from 50.3 in the previous month
- **Industrial Production**
 - Industrial production in the U.S. climbed 0.4% in March. Manufacturing output ticked up 0.5% after a 1.2% jump in February.
- Crude Oil
- Steel



THE ECONOMIC ENVIRONMENT

Key Economic Indicators

- GDP Growth Rate
- New Orders
- ISM Manufacturing
- Industrial Production
- **Crude Oil**
 - *Crude oil is a critical input in most manufacturing industries. High crude oil prices directly raise production and transportation costs for most manufacturers.*
- **Steel**
 - *Climbing steel prices often lead to higher production costs for most industrial manufacturers. Steel is also a critical input in most manufacturing machinery, meaning steel prices touch the entire manufacturing sector. Steel prices have grown extremely volatile through the current period.*



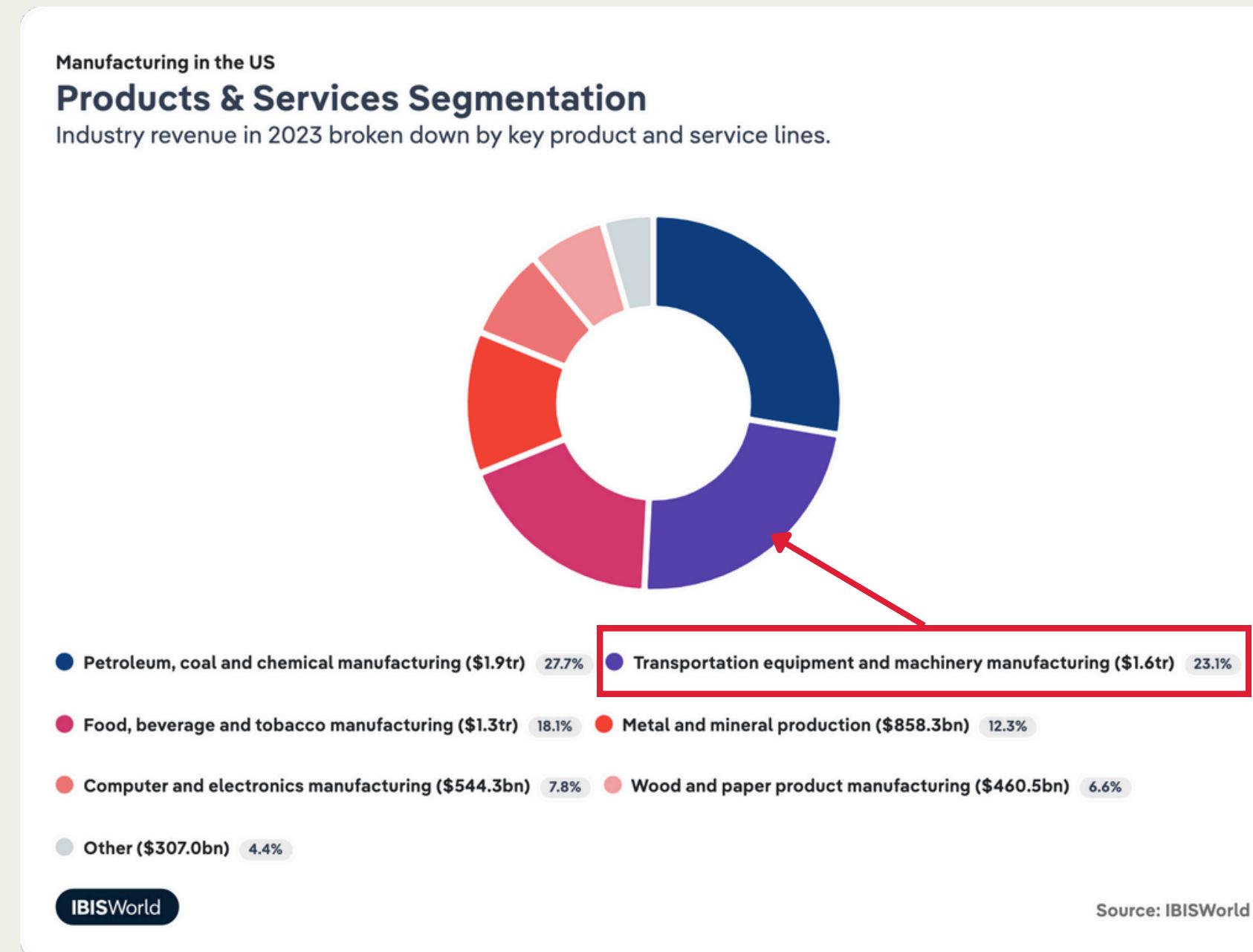
THE ECONOMIC ENVIRONMENT

Conclusions

- Industrials are affected by macro forces such as GDP growth and interest rates
- Commodity inputs like steel and crude oil can drive costs
 - These costs are often passed through to consumers
- Lagging indicators of ISM Manufacturing and Industrial production have been trending up since the pandemic, but downwards in the last few quarters
- New orders for manufactured goods vary quarter to quarter due to uncertain futures

The Industry Environment

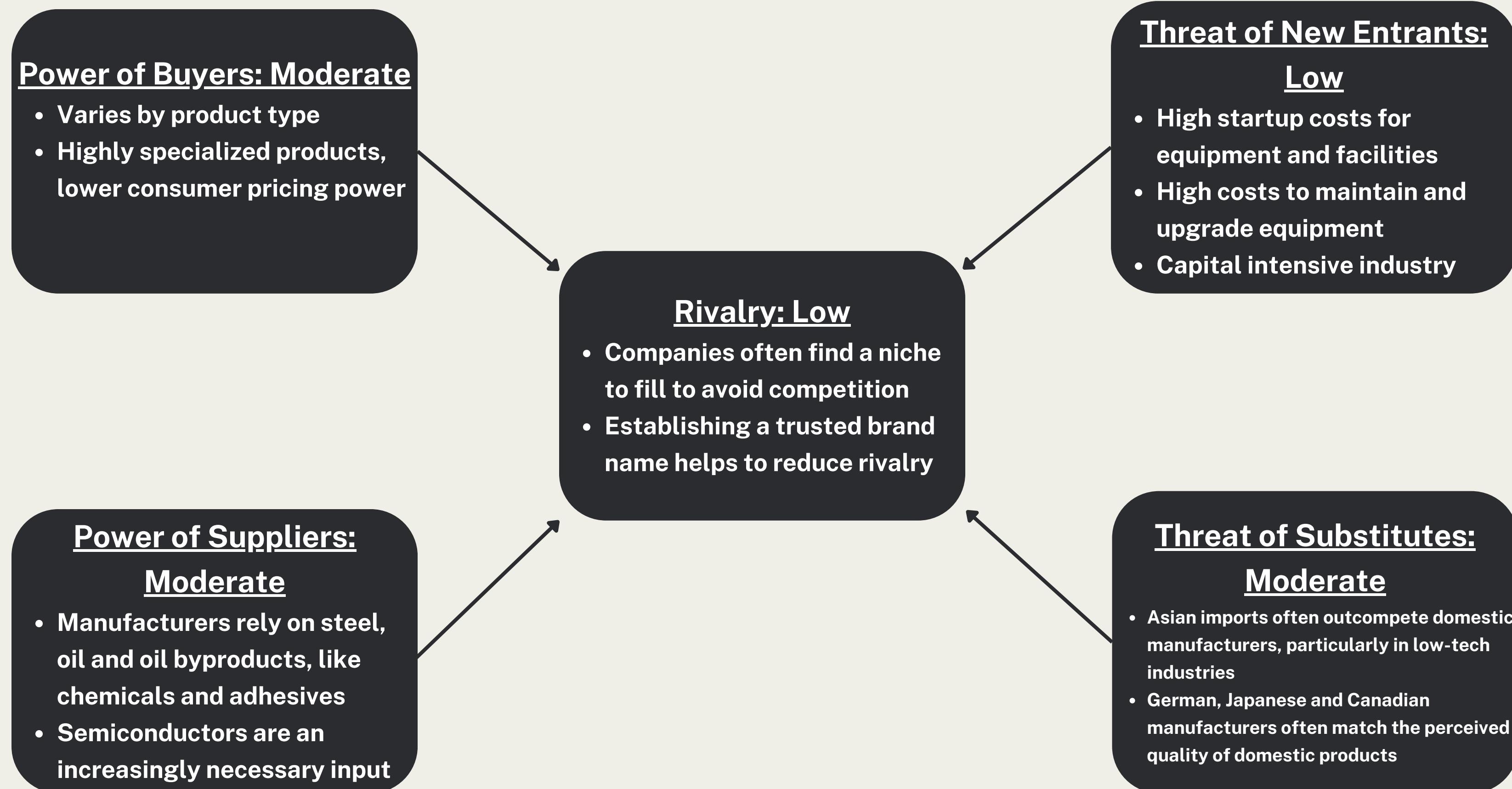
THE INDUSTRIALS INDUSTRY



Key Findings

- Transportation equipment and machinery manufacturing account for \$1.6 Trillion of revenue in the United States
- Industry is in a mature phase
- Overall growth in the industry is low, volatility is low as well
- Wages have grown significantly across the industry
 - Many companies are looking to implement AI and automation in order combat wage growth
- Profits were hurt in the pandemic, however have been rebounding in recent years

P O R T E R S 5 F O R C E S



INDUSTRY TREND ANALYSIS AND CONCLUSIONS

Key Findings

- Manufacturers struggled during the pandemic as lockdown measures limited opportunities.
 - Semiconductor shortages exacerbated supply chain issues, leading to significant price spikes.
 - Skyrocketing metal prices, like steel and aluminum, also contributed to higher production costs among transportation equipment and machinery manufacturers.
- Climbing interest rates have limited demand from construction markets
 - Construction demand has plummeted as interest rates climb. Many potential buyers have suspended projects, leading to lower input demand and fewer machinery replacements.
- Supply Chain disruptions have been prevalent throughout the pandemic and continue today
 - Many issues were from crude oil shortages, stemming from sanctions on Russian oil following its invasion of Ukraine.
- The manufacturing sector would benefit from a more stable economic outlook
 - The sector will greatly benefit from stable consumer demand after years of uncertainty.
 - Normalized interest rates will encourage manufacturers to invest in new facilities and machinery

Company Analysis

Titans of
Industry



(1) PARKER-HANNIFIN

Agenda:

1. Management and Corporate Governance
2. Strategy and Competitive Position
3. Red Flag Analysis
4. Risks and Contingencies
5. SWOT Analysis
6. Ratio and Trend Analysis
7. Valuations
8. Market Consensus
9. Recommendation

Company Snapshot	
<p style="text-align: center;"><u>Financial</u></p> <p>Ticker: PH Market Cap: \$70.65B Revenue: \$19B Net Income: \$2B</p>	<p style="text-align: center;"><u>Revenue Mix</u></p> <p>Diversified Industrial NA (\$9B) Diversified Industrial Intl (\$5B) Aerospace Systems (\$5B)</p>
<p style="text-align: center;"><u>Operations</u></p> <p>Engineered Materials Group Filtration Group Fluid Connectors Group Motion Systems Group Aerospace Engine/Brake Systems</p>	<p style="text-align: center;"><u>Regions</u></p> <p>PH facilities are located across 39 US states and 43 other countries. PH has 548,000 global customers in every significant manufacturing, transportation, and processing industry.</p>



PH KEY MANAGEMENT AND CORPORATE GOVERNANCE



Jennifer A. Parmentier
Chairman of the Board and
Chief Executive Officer



Andrew Ross
President and COO



Berend Bracht
President of Motion Systems Group



PH STRATEGY AND COMPETITIVE POSITION

- PH is a leading worldwide diversified manufacturer of motion and control technologies and systems, providing engineered solutions for almost every industrial, mobile, and aerospace market.
 - (1) Diversified Industrials Segment sells products to OEMs and distributors who serve the manufacturing, packaging, processing, transportation, construction, refrigeration, agricultural, and military equipment industries.
 - (2) Aerospace Systems Segment sells products in military and commercial aerospace markets to both OEMs and end users for spares, maintenance, repair, and overhaul.
- PH's facilities are located across 39 US states and 43 other countries. The Company supplies products to approximately 548,000 global customers.
 - No single product accounted for more than 1% of FY23 sales.
 - No single customer accounted for more than 4% of FY23 sales.
- PH's wide array of product offerings and global scope gives the Company hundreds of competitors across its various markets and offerings. However, no single competitor competes with PH with respect to all products it manufactures and sells.
- An acquisition of Meggitt, a UK aerospace company, was completed in September 2022 for \$8.8 billion
- \$11B backlog at FY23 end; 79% of this was scheduled for delivery during FY24.
- Business is generally not seasonal in nature.

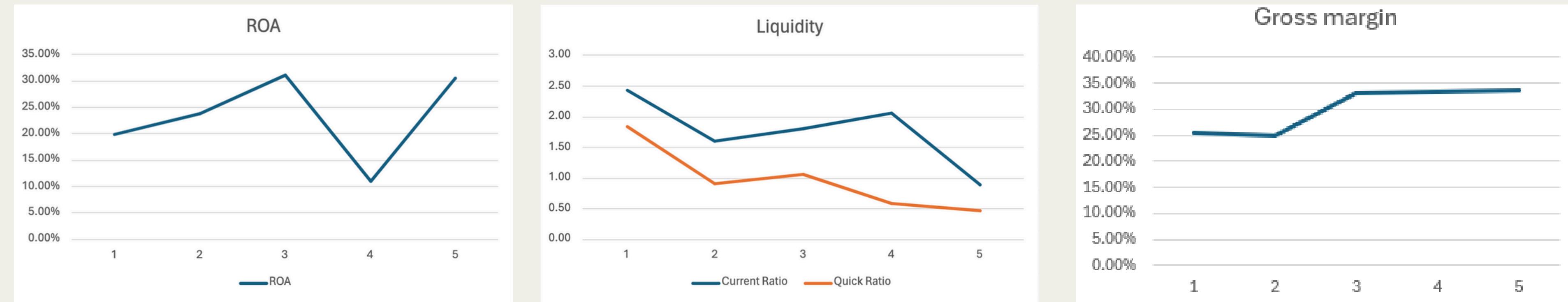


PH RED FLAGS

- PH has high operating costs and hundreds of competitors across various markets. If one of PH's segments begins to lose significant market share in a product category, the bottom line could be drastically impacted due to high costs and falling revenues. PH may want to consider divesting of some of its less profitable business lines.
- PH uses significant amounts of steel, brass, copper, aluminum, nickel, rubber, and thermoplastic materials, the prices of which can fluctuate significantly. Significant increases could affect operating and profit margins.
- PH has been named as a “potentially responsible party” under the US Federal Superfund Law, and the Company may be liable for clean-up costs at various waste sites. The estimated total liability ranges from \$149.4m - \$251m. Failure to comply with regulations could result in further legal proceedings and fines, or cause customers to find a new supplier.
- PH has incurred significant debt for acquisitions, R&D, operations and CapEx (\$9B of debt at FY23 end). The Company has a BBB+ credit rating and FY23 interest expense was \$573m. Rising debt levels and interest rates could impact future FCFE and general financial flexibility.
- The Company's pension is currently underfunded by \$380m, and PH plans to make \$171m of cash contributions in 2024.
- Under PH's 2016 Stock Incentive Plan, 6.4 million common shares are available for further issuance.

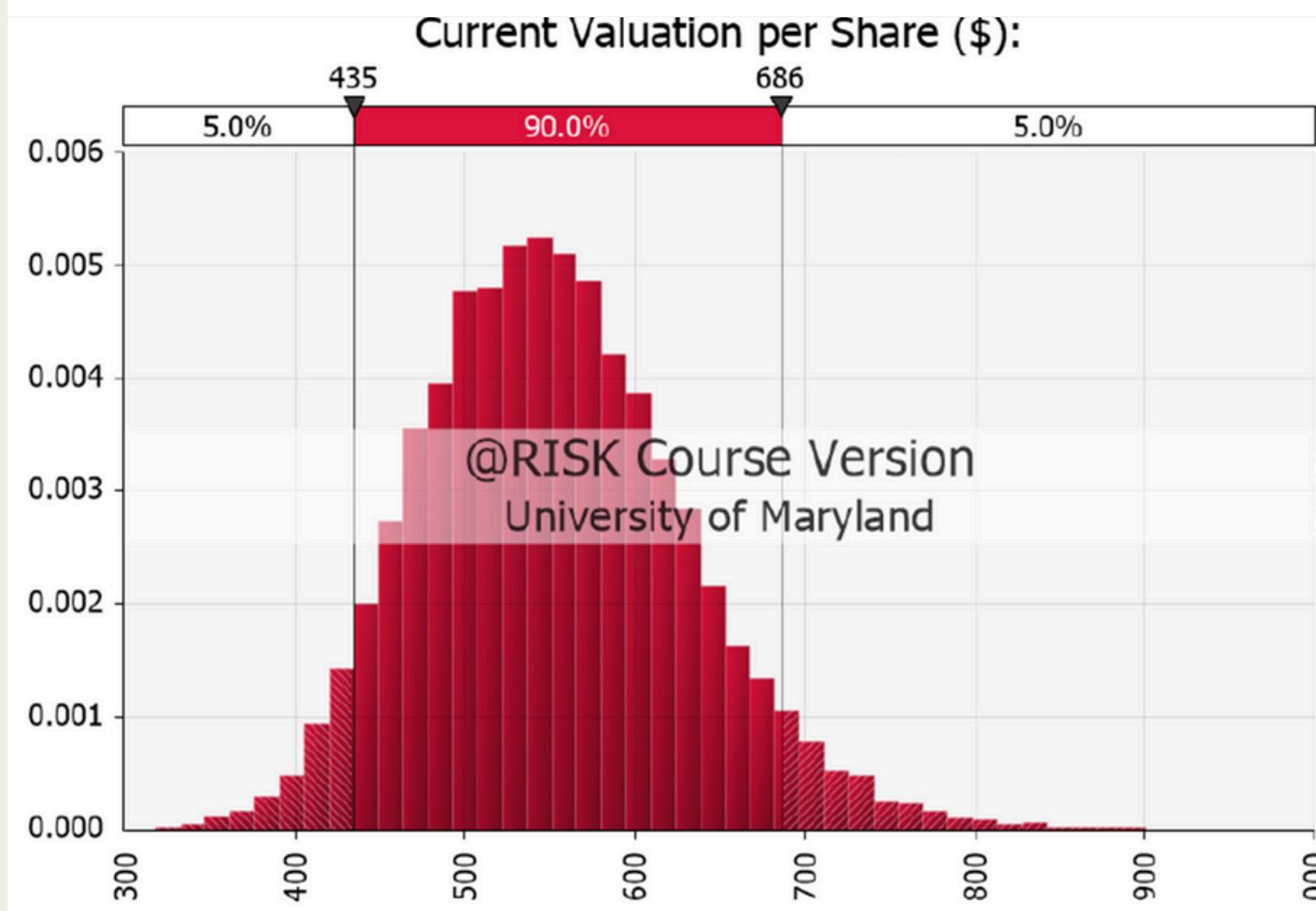


PH RATIO AND TREND ANALYSIS



PH VALUATION

		Terminal Growth Rate						
		3.00%	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%
Ke	11.96%	\$556.34	\$569.52	\$583.48	\$598.29	\$614.02	\$630.78	\$648.66
	12.21%	\$540.30	\$552.67	\$565.76	\$579.62	\$594.32	\$609.95	\$626.59
	12.46%	\$525.11	\$536.75	\$549.04	\$562.03	\$575.79	\$590.39	\$605.91
	12.71%	\$510.70	\$521.67	\$533.23	\$545.43	\$558.33	\$572.00	\$586.50
	12.96%	\$497.03	\$507.37	\$518.26	\$529.74	\$541.86	\$554.67	\$568.24
	13.21%	\$484.03	\$493.80	\$504.07	\$514.88	\$526.28	\$538.32	\$551.04
	13.46%	\$471.66	\$480.90	\$490.60	\$500.80	\$511.53	\$522.85	\$534.81
								Model 12 Month Price Target: \$585.49



Key Assumptions

- We expect strong revenue growth in all segments due to the Bipartisan Infrastructure Deal and continued efforts to reshore manufacturing and other industrial capabilities.
- We expect continued growth in US government spending due to heightened geopolitical tensions.
- PH is exposed to fast-growing, emerging economies that will be reliant on infrastructure.
- COGS has been gradually decreasing due to continuous improvement initiatives.
- 50/50 weighting of forward and historic Beta.



PH COMPARABLE COMPANY ANALYSIS

VALUATION MULTIPLES

Company Name	Ticker	Recent Price	Price / Book	Price/Sales			P/E			PEG			EV/EBITDA				
				FYR1	FYR2	FYR3	FYR1	FYR2	FYR3	FYR1	FYR2	FYR3	Last FY	FYR1	FYR2		
Eaton	ETN	\$326.28	6.85	5.21	4.85	4.52	31.28	28.18	25.00	2.23	2.01	1.78	28.07	24.50	22.10		
Cummins	CMII	\$283.35	4.38	1.18	1.13	1.06	15.21	13.21	11.80	2.14	1.86	1.66	8.49	8.60	8.14		
RTX	RTX	\$101.98	2.21	0.49	0.46	0.44	52.67	46.68	41.85	7.42	6.57	5.89	13.29	13.64	12.52		
Danaher Corp	DHR	\$247.46	3.42	7.67	7.08	6.56	32.52	28.54	25.59	4.32	3.80	3.40	26.26	25.43	22.71		
Parker Hannifin	PH	\$550.18	6.84	3.56	3.40	3.23	22.21	20.75	18.80	1.89	1.76	1.60	18.05	16.71	15.90		
				Average	4.22	3.64	3.38	3.14	32.92	29.15	26.06	4.03	3.56	3.18	19.03	18.04	16.37
				Median	3.90	3.19	2.99	2.79	31.90	28.36	25.30	3.28	2.90	2.59	19.78	19.07	17.31
				Average	\$338.97	\$561.85	\$545.95	\$535.42	\$815.41	\$773.11	\$762.57	\$1,173.25	\$1,109.98	\$1,095.91	\$584.95	\$601.47	\$568.99
				Median	\$313.71	\$493.39	\$482.72	\$474.97	\$790.17	\$752.08	\$740.17	\$954.09	\$904.58	\$891.65	\$611.67	\$641.11	\$607.15



PH RECOMMENDATIONS

- We rate PH as a HOLD.
 - PH's top line is poised to benefit from the passing of the US Infrastructure Bill, increased growth from emerging economies dependent on infrastructure, and increased spending from the US Government for defense needs.
 - While the top line stands to see tremendous growth, PH's equity value will ultimately depend on its ability to control costs and improve its gross margin. Due to fluctuations in the prices of PH's raw materials and its global scale, the Company incurs substantial cost of goods sold.
 - PH's long-term debt balance has grown from \$6.5b in FY19 to \$9b in FY23. The Company has a BBB+ credit rating and a weighted-average interest rate of approximately 5.70%. Rising interest rates and increased debt levels could impact interest coverage ratios, future credit rating, and FCFE.
 - Despite the above concerns, PH stock is up 66% over the past year, and the Company has paid a dividend for 73 consecutive years. Additionally, based on our comps analysis, the market seems bullish on similar industrial stocks based on average P/E, PEG and EV/EBITDA ratios. We feel that this is due to the positive industry factors we have mentioned, such as the Infrastructure Deal and reshoring efforts.
 - Due to this upside, but uncertainty regarding future margin improvement, we recommend HOLD.



(2) CATERPILLAR INC

Agenda

1. Management and Corporate Governance
2. Strategy and Competitive Position
3. Red Flag Analysis
4. Risks and Contingencies
5. SWOT Analysis
6. Ratio and Trend Analysis
7. Valuations
8. Market Consensus
9. Recommendation

Company Snapshot	
<p><u>Financial</u></p> <p>Ticker: CAT Market Cap: \$168.72B Revenue: \$67B Net Income: \$12.9B</p>	<p><u>Revenue Mix</u></p> <p>Machinery & Energy: 63.8B</p> <ul style="list-style-type: none">• Construction: 27.4B• Resource: 13.6B• Energy & Transportation: 28B <p>Financial Products: 3.1B</p>
<p><u>Brands</u></p> <p>AsiaTrak, Anchor, CAT, CAT Financial, FG Wilson, Perkins, Hindustan, MWM, SEM and others</p>	<p><u>Regions</u></p> <ul style="list-style-type: none">• CAT operates globally with facilities at more than 500 locations worldwide.• Headquartered in Irving, Texas, US



CAT MANAGEMENT AND CORPORATE GOVERNANCE



**Donald James (Jim)
Umpleby III**
Chairman of the Board and
Chief Executive Officer



Andrew R.J. Bonfield
Chief Financial Officer



Joseph E. Creed
Chief Operating Officer

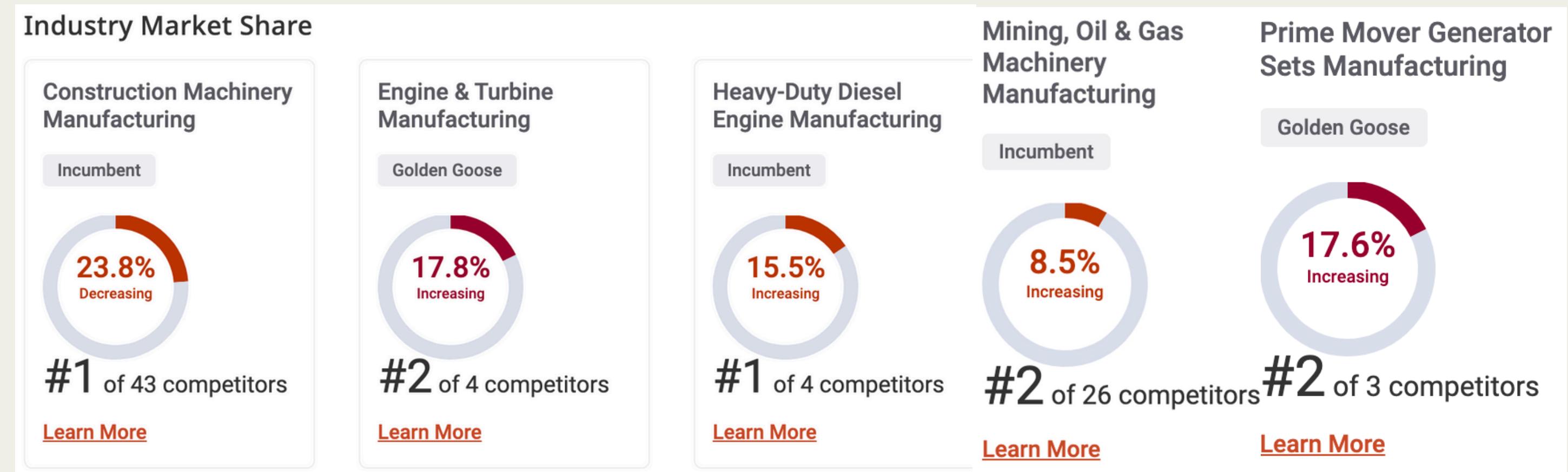


CAT STRATEGY AND COMPETITIVE POSITION

Strategy:

- Focused view of business through the Operating & Execution Model, through which they are making strategic choices to create long-term profitable growth
- Since 2017, they have focused on three strategic areas: Expanded Offerings, Operational Excellence and Services
- In 2022, they updated their strategy to also include Sustainability as a strategic area.

Competitive Position:



CAT RED FLAG ANALYSIS

- IRS Inquiry: Caterpillar Inc. faced an audit by the Internal Revenue Service (IRS) for its income tax returns from 2013 to 2017. The IRS claimed that Caterpillar owed the federal government more than \$2.3 billion in unpaid taxes and penalties. The dispute was related to the company's alleged tax avoidance practice of funneling U.S. profits through a Swiss subsidiary. Caterpillar eventually reached a settlement with the IRS in 2022.
- Competitive Pricing Pressure: While Caterpillar's premium brand and quality are well-regarded, intense competition often leads to price discounting (lowering prices on goods to increase demand). This competitive environment can impact margins and profitability, especially in markets where customers prioritize purchase price over long-term value.
- Acquisitions: Caterpillar completed the acquisition of SPM Oil & Gas for \$359 million financed with cash, which helped enhance their Energy & Transportation segment



CAT RISKS AND CONTINGENCIES

- Highly sensitive to global and regional economic conditions- cyclical demands, reduced in periods of weak economy.
- Catastrophic events, including global pandemics, could materially adversely affect business, results of operations and/or financial condition - For example, the pandemic had a significant impact around the world, prompting governments and businesses to take unprecedented measures in response.
- Commodity price changes, material price increases, fluctuations in demand for CAT products and services, significant disruptions to supply chains, or significant shortages of labor and material may adversely impact financial results
- Changes in government monetary or fiscal policies may negatively impact results - Increases in interest rates could negatively impact sales and create supply chain inefficiencies.
- Disruptions or volatility in global financial markets could limit sources of liquidity, or the liquidity of our customers, dealers and suppliers.
- Financial Products segment is subject to risks associated with the financial services industry - An increase in delinquencies, repossessions or net losses of Cat Financial customers
- International trade policies and additional tax exposure due to global presence

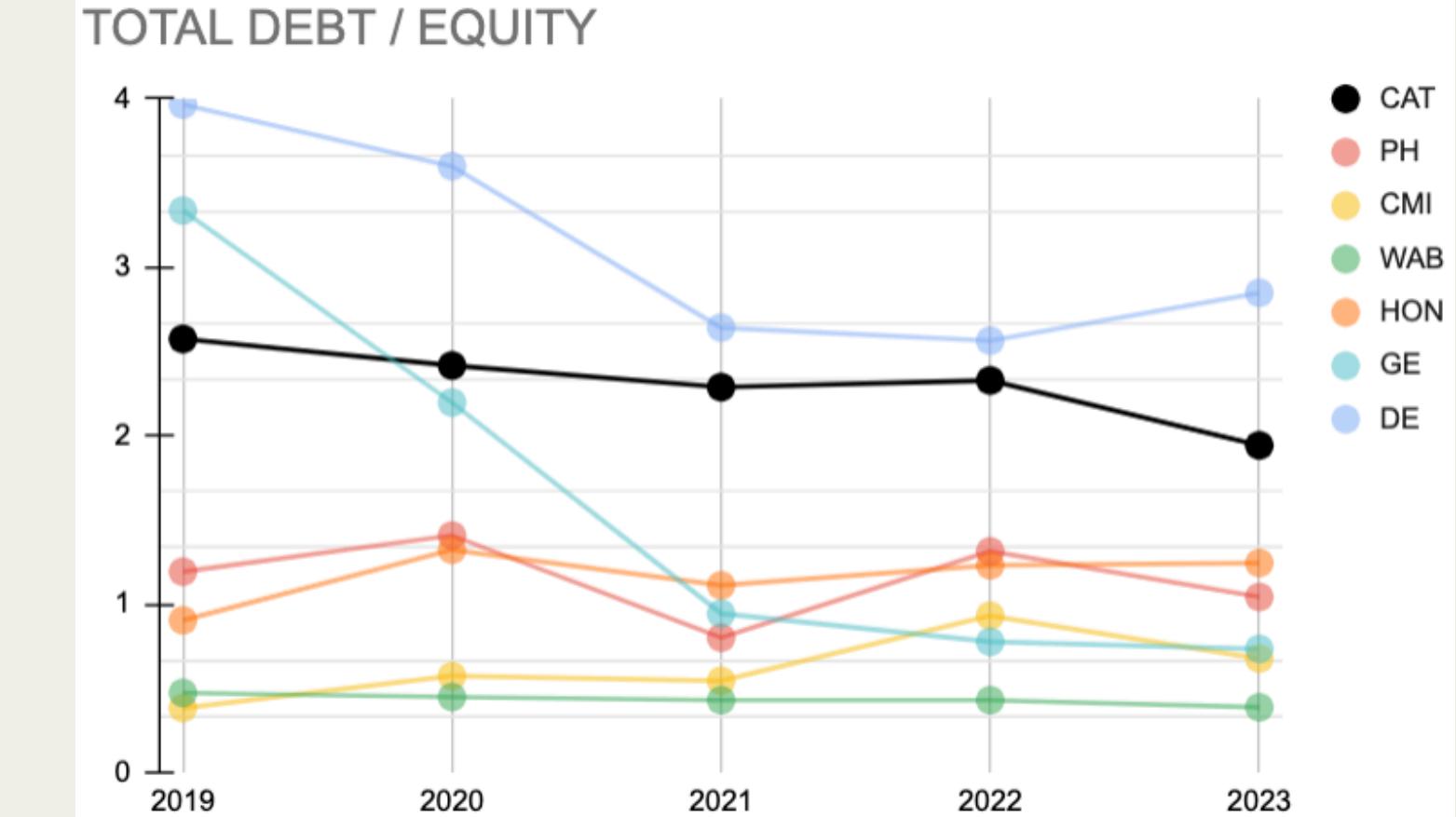
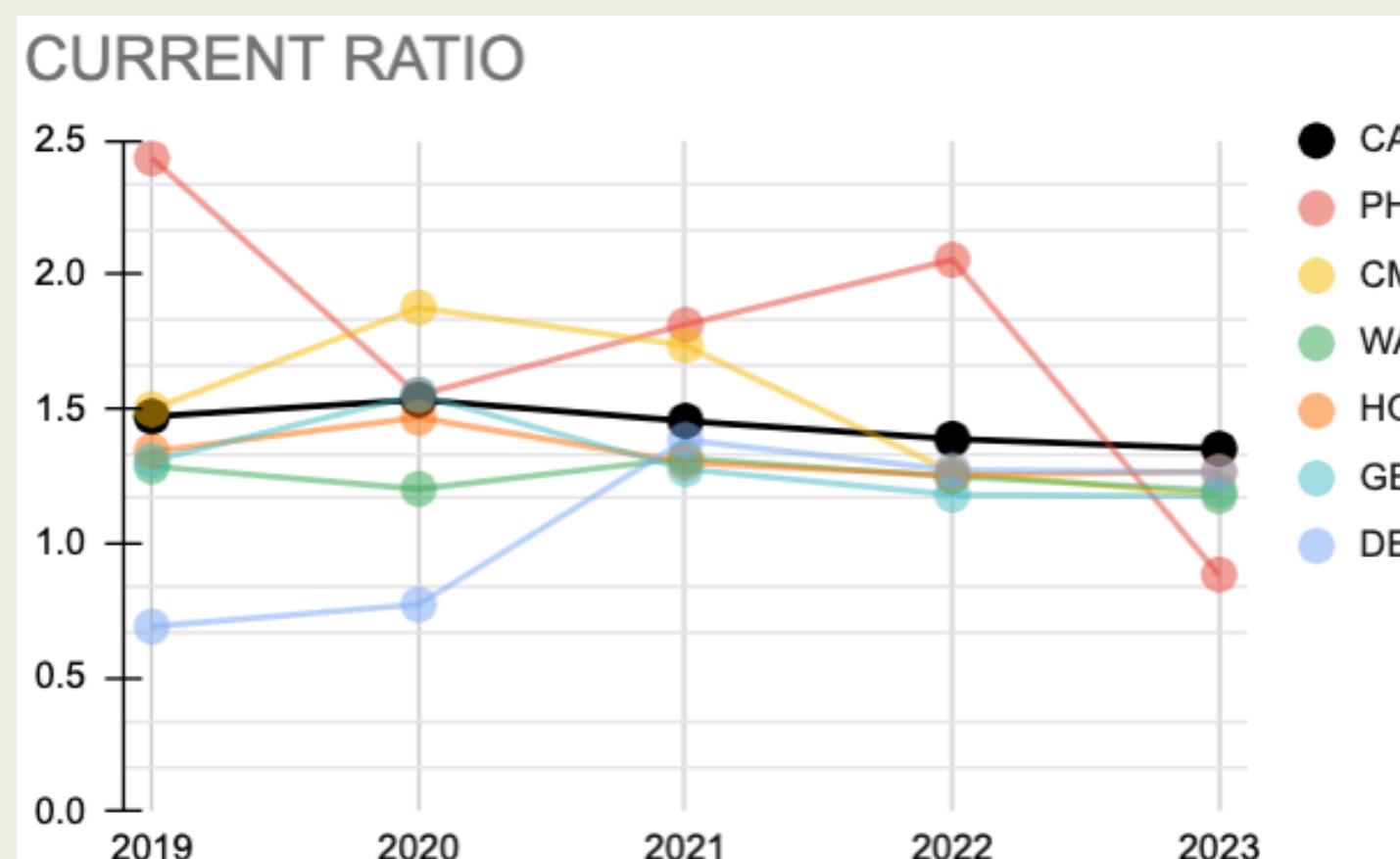
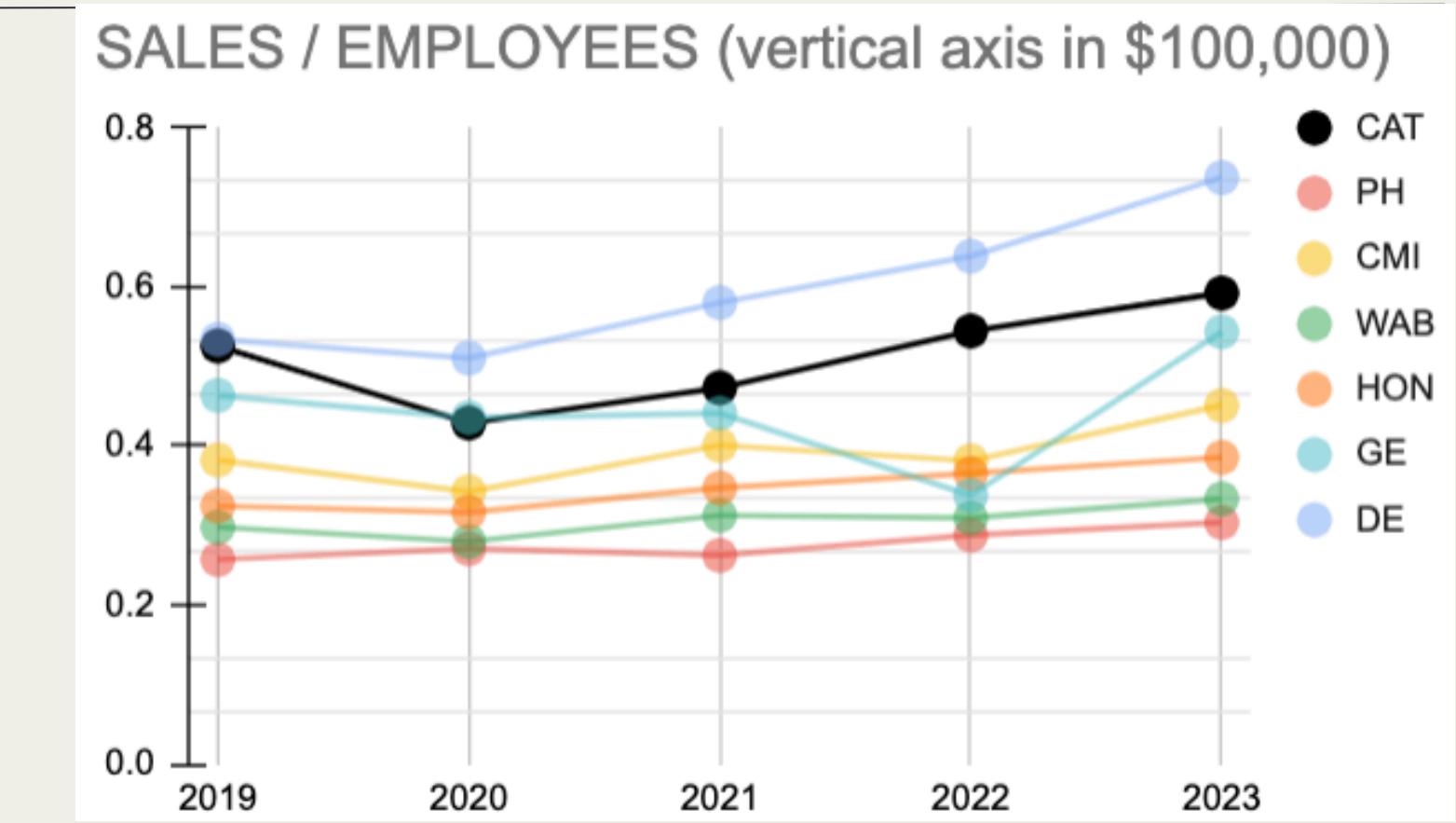
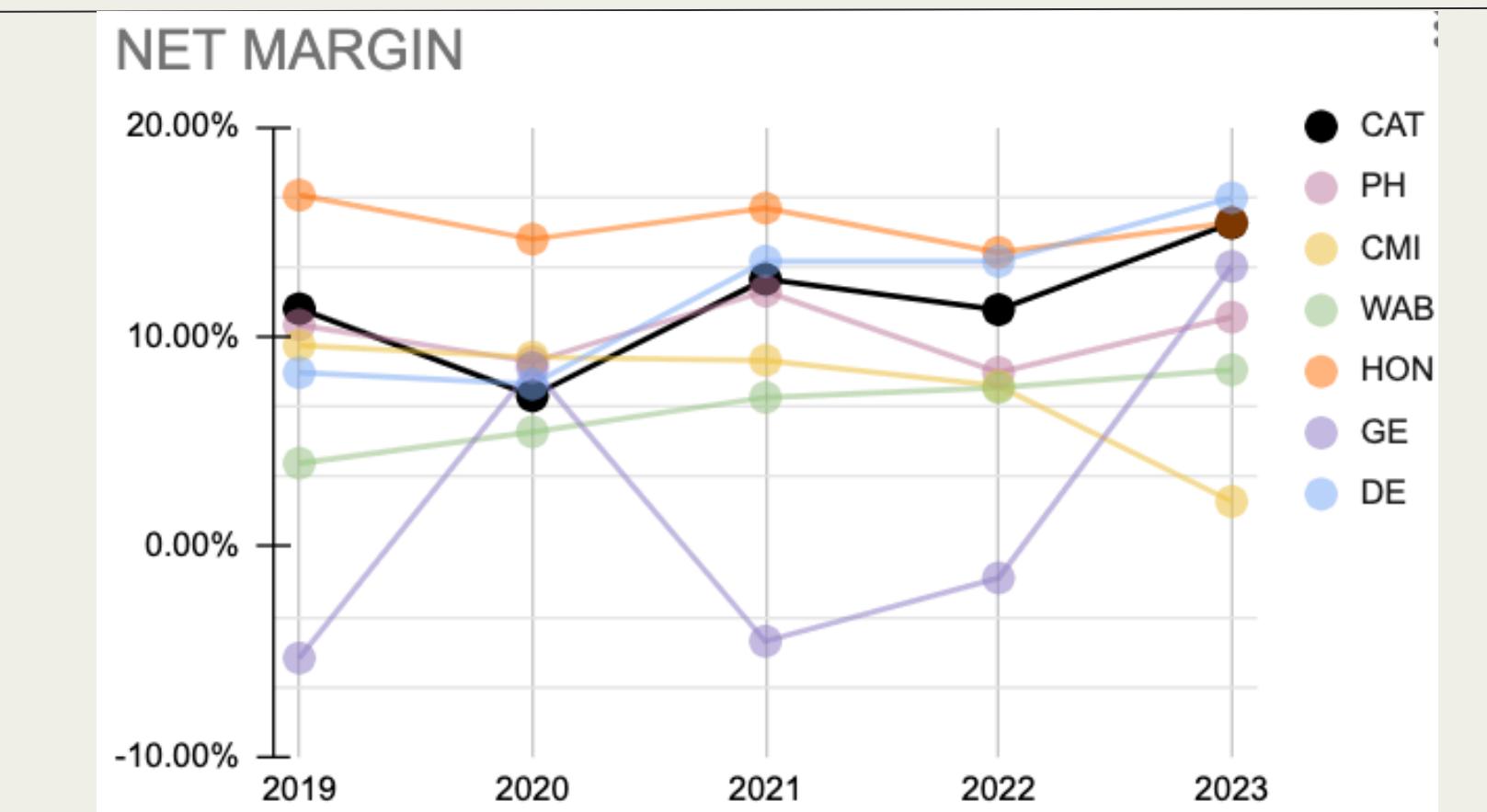


CAT SWOT ANALYSIS

<p><u>STRENGTHS</u></p> <ul style="list-style-type: none">• Market Leadership and Brand Power - extensive dealer network across 191 countries• Financial Services Synergy - Offering retail financing to customers provides a strategic advantage and revenue stream	<p><u>WEAKNESS</u></p> <ul style="list-style-type: none">• Competitive Pricing Pressure: puts pressure on margins and can negatively impact operating profit• Supply Chain Constraints: reliance on a global supply network exposes it to increasing complexity and interconnectivity of which remain a significant challenge
<p><u>OPPORTUNITIES</u></p> <ul style="list-style-type: none">• Emerging Market Penetration: expand its footprint and increase market share in regions where infrastructure development and industrialization are accelerating	<p><u>THREATS</u></p> <ul style="list-style-type: none">• Economic Sensitivity: the cyclical nature of the industry• Intense Global Competition



CAT RATIO AND TREND ANALYSIS



CAT VALUATIONS

Current Valuation

		Terminal Growth Rate						
		3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%
Ke	307	\$364.95	\$376.89	\$389.90	\$404.13	\$419.75	\$437.00	\$456.13
	9.33%	\$334.13	\$343.94	\$354.55	\$366.06	\$378.62	\$392.35	\$407.43
	10.33%	\$307.91	\$316.06	\$324.83	\$334.29	\$344.53	\$355.64	\$367.75
	10.83%	\$285.36	\$292.20	\$299.53	\$307.40	\$315.86	\$324.99	\$334.87
	11.33%	\$265.78	\$271.59	\$277.77	\$284.38	\$291.45	\$299.05	\$307.22
	11.83%	\$248.66	\$253.61	\$258.88	\$264.48	\$270.46	\$276.84	\$283.67
	12.33%	\$233.56	\$237.83	\$242.35	\$247.14	\$252.22	\$257.63	\$263.40

12 Month Price Target

		Terminal Growth Rate						
		3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%
Ke	\$352	\$414.78	\$429.58	\$445.70	\$463.34	\$482.71	\$504.09	\$527.81
	9.33%	\$379.88	\$392.14	\$405.41	\$419.82	\$435.53	\$452.70	\$471.57
	10.33%	\$350.10	\$360.39	\$371.46	\$383.40	\$396.32	\$410.36	\$425.65
	10.83%	\$324.42	\$333.14	\$342.48	\$352.50	\$363.28	\$374.91	\$387.50
	11.33%	\$302.08	\$309.54	\$317.49	\$325.98	\$335.07	\$344.83	\$355.33
	11.83%	\$282.47	\$288.90	\$295.73	\$303.00	\$310.74	\$319.02	\$327.88
	12.33%	\$265.15	\$270.73	\$276.65	\$282.91	\$289.57	\$296.65	\$304.19

Assumptions

- Strong Revenue growth- As the past Years' trend
- Terminal growth - 3.9% as more investment flows in emerging economies
- Beta is taken as weighted average of forward (70%) and historic (30%)



CAT COMPARATIVE COMPANY ANALYSIS

VALUATION MULTIPLES																	
Company Name	Ticker	Recent Price	P/B	Price/Sales			P/E			PEG			EV/EBITDA				
				FYR1	FYR2	FYR3	FYR1	FYR2	FYR3	FYR1	FYR2	FYR3	FYR1	FYR2	FYR3		
Deere & Co	DE	400.96	5.1x	2.3x	2.3x	2.3x	14.7x	14.6x	13.7x	-2.2x	-2.2x	-2.0x	9.8x	15.4x	15.4x		
General Electric Co (Aerospace)			184.11	6.2x	4.9x	4.4x	4.0x	40.5x	32.8x	27.7x	1.5x	1.2x	1.0x	19.8x	23.0x	19.9x	
Honeywell International Inc			195.81	7.8x	3.3x	3.1x	3.0x	19.7x	18.0x	16.7x	2.4x	2.2x	2.0x	17.0x	14.3x	13.3x	
Cummins			280.74	4.0x	1.2x	1.2x	1.1x	15.1x	13.2x	11.9x	2.1x	1.9x	1.7x	8.7x	8.8x	8.4x	
Westinghouse Air Brake Technologies Corp			162.21	2.7x	2.8x	2.6x	2.5x	22.1x	19.9x	17.6x	1.6x	1.5x	1.3x	17.5x	15.2x	14.1x	
Parker Hannifin			550.18	6.3x	3.6x	3.4x	3.2x	22.2x	20.8x	18.9x	1.8x	1.7x	1.5x	16.6x	15.7x	14.6x	
Caterpillar Inc			336.75	8.9x	2.6x	2.5x	2.4x	15.5x	14.8x	13.8x	2.2x	2.1x	2.0x	13.4x	13.0x	12.7x	
Average	5.2x																
Median	5.1x																
Average	196.07																
Median	192.24																

P / B

PRICE /
SALES

P / E

PEG

EV / EBITDA



CAT RECOMMENDATIONS

- We rate CAT as a **HOLD**.
- As we have seen from the 12 month target model , the target price = 352, which is greater the current price. Also according to the Comparative Company Analysis, CAT is well placed and undervalued relative to its peers.
- From analysis we can conclude that it has favorable growth prospects with exciting opportunities in Emerging Markets where growth in infrastructure is accelerating
- The Brand power and Market leadership also gives the company an edge over its competitors which is strengthened by it's Financial Services Integration



(3) JOHN DEERE

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Company Snapshot	
<p>Financial</p> <p>Ticker: DE Market Cap: \$125.26B Revenue: \$61.25B Net Income: \$10.16B</p>	<p>Revenue Mix</p> <p>Production and Precision Agriculture: 44.6% Small Agriculture and Turf: 23.2% Construction and Forestry: 24.5% Financial Services: 7.7%</p>
<p>Operations</p> <p>PPA: Corn and Soy, Small Grain, Cotton, and Sugarcane Equipment SAT: Dairy and Livestock, Lawn and Property Maintenance, Golf Course Maintenance, and High Value Crop Solution Equipment CAF: Earthmoving, Forestry, and Roadbuilding Equipment FS: Financial Solutions</p>	<p>Regions</p> <p>In the U.S. and Canada, DE owns 23 factory locations and leases 3 locations. Outside of the U.S. and Canada, DE owns or leases 45 factory locations in 14 countries.</p>



JOHN DEERE

DE MANAGEMENT AND CORPORATE GOVERNANCE



- Joined John Deere in 1997
- CEO since May 2020
- COO of Deere in 2019
- Former President, Worldwide Agriculture & Turf Division

John C. May

Chairman of the Board and
Chief Executive Officer



JOHN DEERE

DE STRATEGY AND COMPETITIVE POSITION

- World's largest distributor of agricultural machinery
 - 25.3% market share in 2021
- Slightly over half of Deere's total revenue is from United States sales.
 - Growing revenues in Latin America & North America but declining in Europe, Africa, Oceania, and the Middle East.
- Four business segments: Production and Precision Agriculture, Small Agriculture and Turf, Construction and Forestry, and Financial Services
- In 2020 they announced their Smart Industrial Operating Model with investments in production systems, technology stack, and lifecycle solutions.
 - Improved sustainability solutions to reduce CO2 emissions, increase crop production efficiency, and improve nitrogen use efficiency
- Subject to significant seasonality where the majority of sales are during growing season.



JOHN DEERE

DE RED FLAG ANALYSIS

- Subject to a lawsuit in the Northern District of Illinois
 - Alleged engagement in monopolistic practices
 - Deere only allows customers to receive repair services from authorized Deere technicians
- Expected to receive an overall decrease in customer demand in FY 2024, primarily from agricultural products.
- Geopolitical instability in Eastern Europe
- Foreign taxation uncertainty
- Accounting adjustments:
 - Sales Incentives - retail discount incentives
 - Allowance for Credit Losses - from economic uncertainty in Russia
 - Operating Leases Residual Values - is an estimation; revenue depends on residual values. Risk in US & Canada portfolios



JOHN DEERE

DE RISKS AND CONTINGENCIES

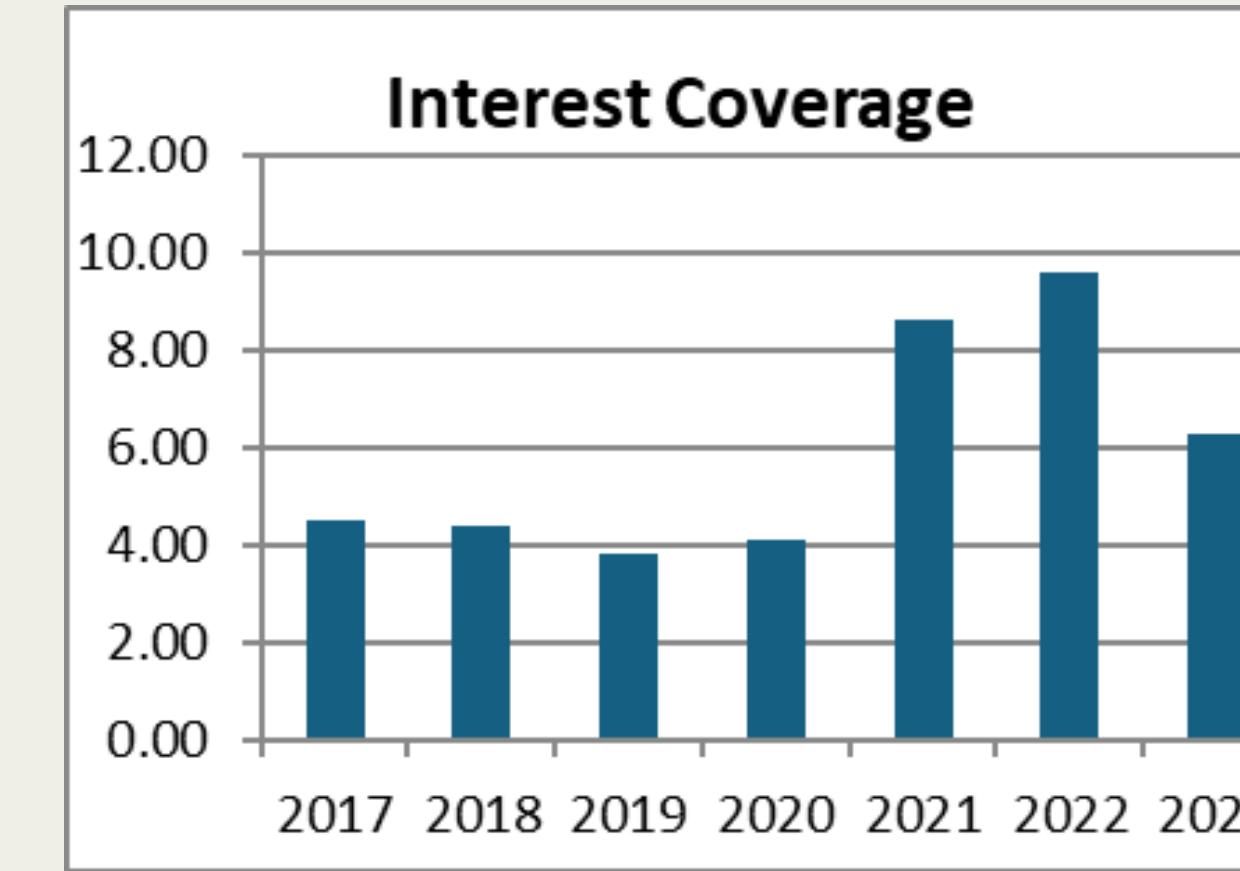
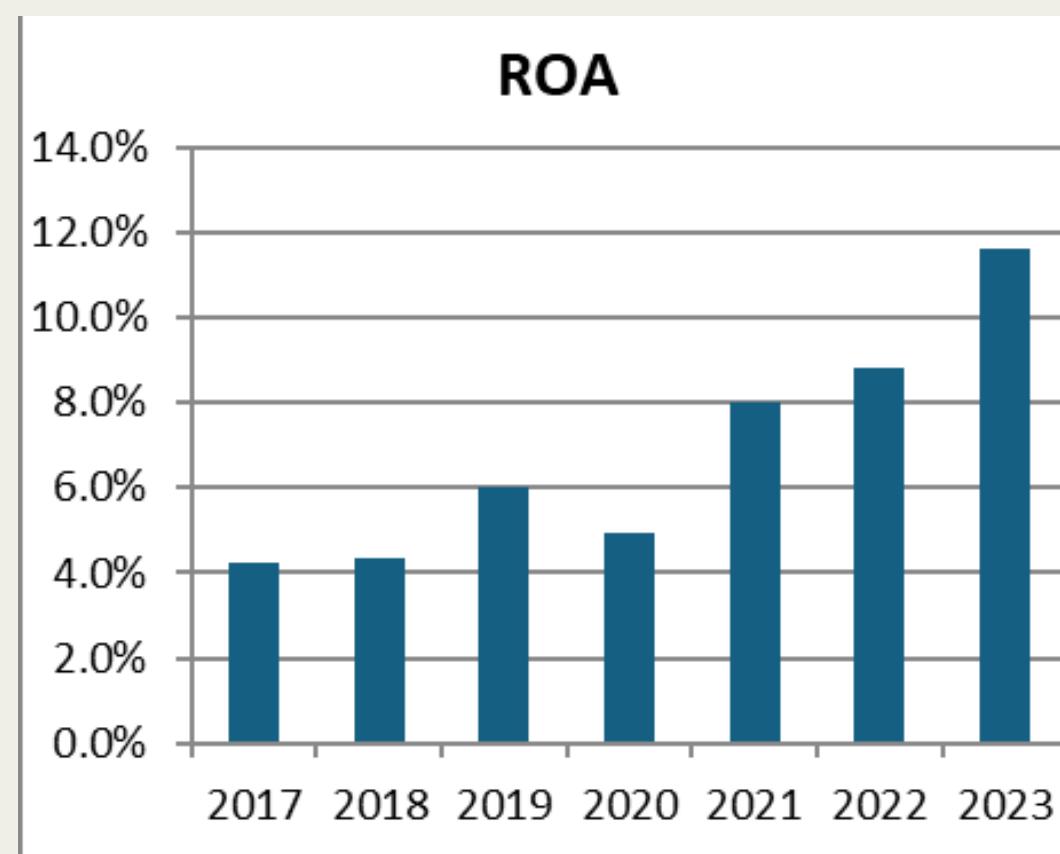
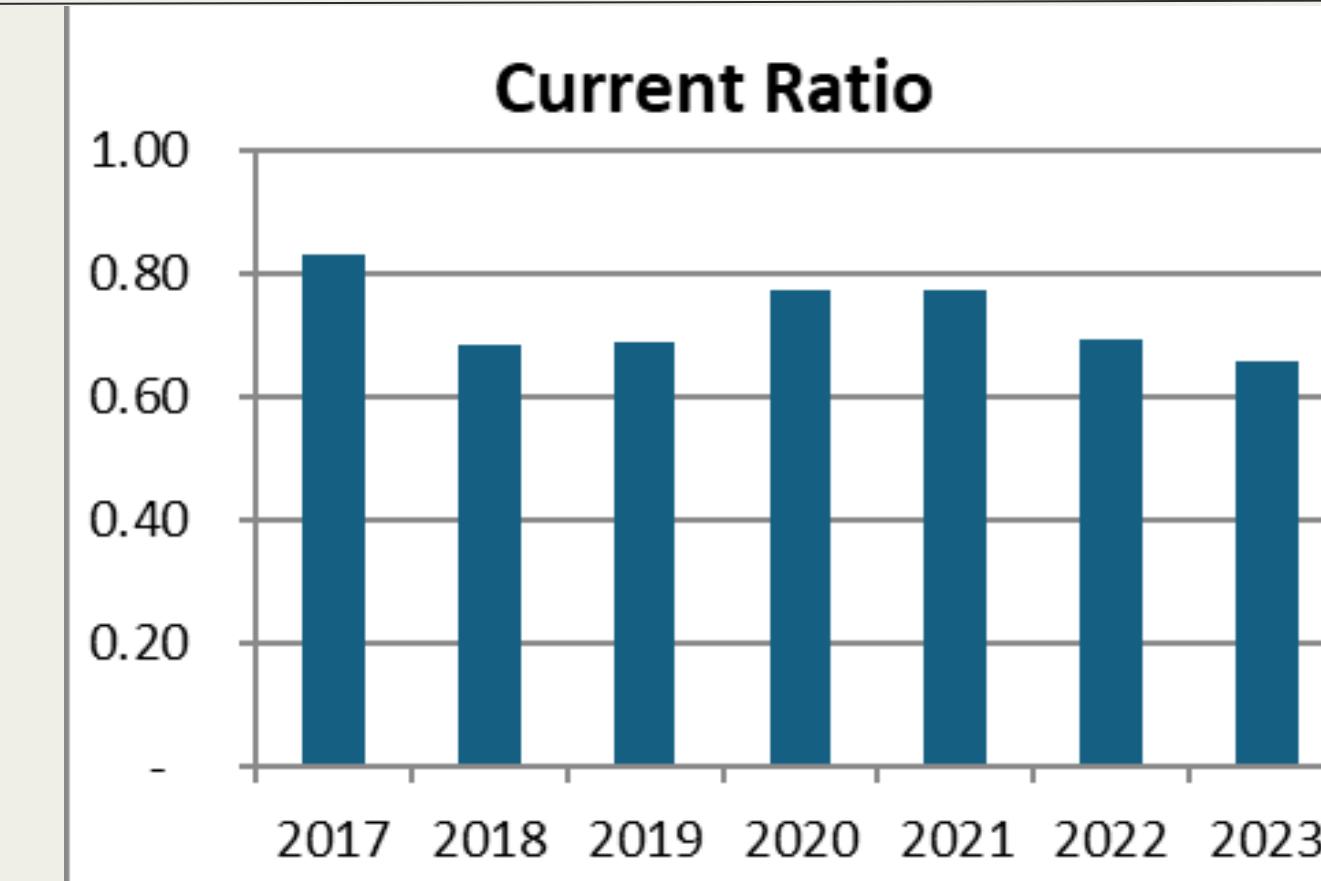
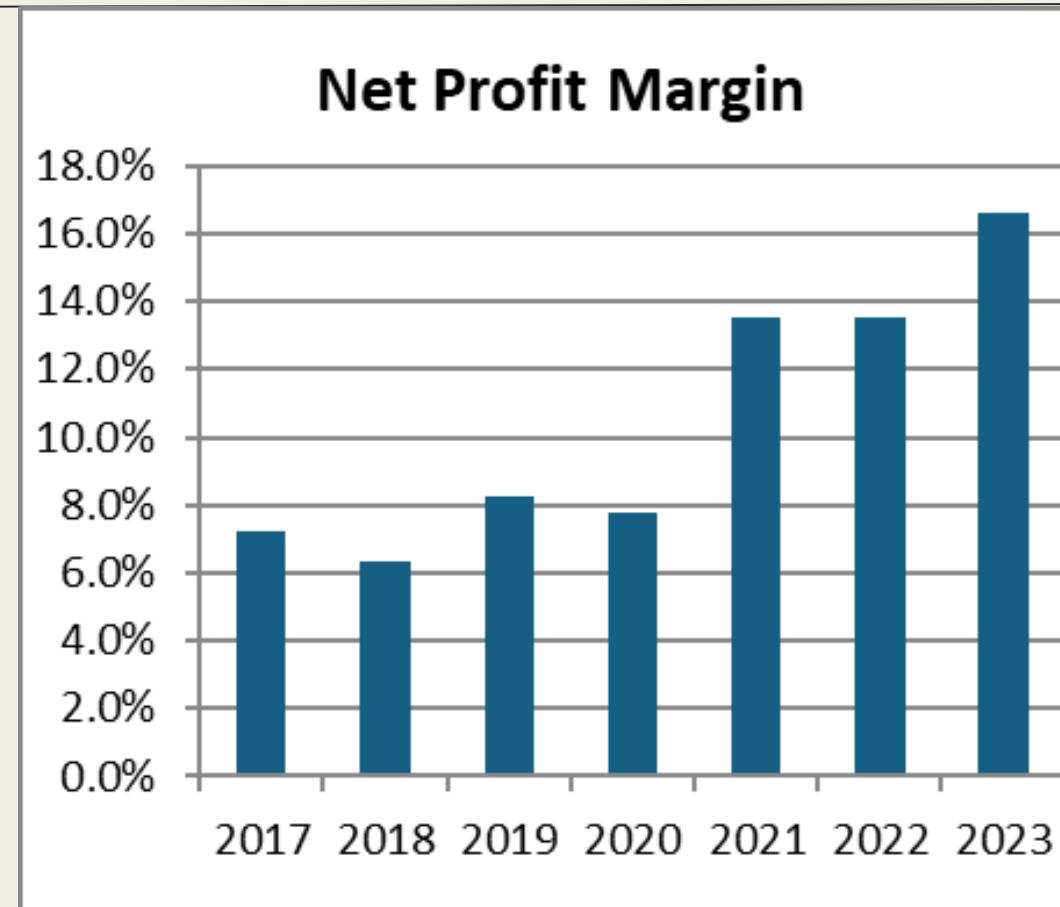
Risks:

- Farm commodity and food demand
- Fuel prices
- Unfavorable weather conditions
- Disputes with labor unions
- Reliance on a network of dealers to manage distribution
- Environmental regulations
- Accurately forecasting customer demand
- Price and supply of raw materials and components



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DE RATIO AND TREND ANALYSIS



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DE VALUATIONS

		Terminal Growth Rate							
	349.74	2.25%	2.50%	2.75%	3.0%	3.25%	3.50%	3.75%	
	10.5%	\$393.29	\$403.61	\$414.61	\$426.34	\$438.89	\$452.34	\$466.79	
	11.0%	\$368.83	\$377.85	\$387.41	\$397.58	\$408.40	\$419.95	\$432.30	
	11.5%	\$347.06	\$354.98	\$363.36	\$372.23	\$381.65	\$391.66	\$402.31	
Ke	12.0%	\$327.54	\$334.55	\$341.94	\$349.74	\$357.99	\$366.73	\$376.00	
	12.5%	\$309.96	\$316.20	\$322.75	\$329.65	\$336.93	\$344.61	\$352.73	
	13.0%	\$294.04	\$299.61	\$305.46	\$311.60	\$318.05	\$324.84	\$332.01	
	13.5%	\$279.56	\$284.56	\$289.80	\$295.28	\$301.04	\$307.08	\$313.44	

Model 12 Month Price Target: **381.92**

Bear Case	Base Case	Bull Case
\$197.57	\$349.74	\$458.55



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DE COMPARATIVE COMPANY ANALYSIS

VALUATION MULTIPLES

Company Name	Ticker	Recent Price	Price / Book	Price/Sales			P/E			PEG			EV/EBITDA		
				FYR1	FYR2	FYR3	FYR1	FYR2	FYR3	FYR1	FYR2	FYR3	Last FY	FYR1	FYR2
Caterpillar Inc	CAT	\$345.00	9.58x	2.82x	2.72x	2.58x	15.92x	15.19x	14.10x	3.12x	2.98x	2.76x	14.00x	13.91x	13.54x
AGCO Corp	AGCO.K	\$117.08	2.25x	0.78x	0.79x	0.76x	9.61x	9.61x	8.99x	-6.00x	-6.01x	-5.62x	5.65x	6.45x	6.41x
CNH Industrial NV	CNHI.K	\$11.90	2.42x	0.93x	0.94x	0.88x	7.99x	7.82x	7.09x	3.99x	3.91x	3.54x	13.55x	15.50x	15.50x
Toro Co	TTC	\$89.08	7.50x	2.44x	2.34x	2.31x	20.77x	18.79x	17.82x	1.98x	1.79x	1.70x	17.68x	16.43x	15.34x
Deere & Co	DE	\$405.57	5.75x	2.60x	2.59x	2.54x	14.91x	14.80x	13.82x	21.30x	21.14x	19.75x	12.25x	16.34x	16.34x

Average	5.44x	1.74x	1.70x	1.63x	13.57x	12.85x	12.00x	0.77x	0.67x	0.60x	12.72x	13.07x	12.70x
Median	4.96x	1.69x	1.64x	1.59x	12.76x	12.40x	11.54x	2.55x	2.38x	2.23x	13.77x	14.71x	14.44x

Average	\$ 425.51	\$ 302.16	\$ 294.76	\$ 288.85	\$ 369.15	\$ 352.20	\$ 352.04	\$ 14.71	\$ 12.83	\$ 12.24	\$ 475.07	\$ 319.92	\$ 304.86
Median	\$ 387.92	\$ 292.10	\$ 284.89	\$ 282.04	\$ 347.15	\$ 339.72	\$ 338.72	\$ 48.55	\$ 45.73	\$ 45.81	\$ 531.09	\$ 385.01	\$ 374.29



JOHN DEERE

DE RECOMMENDATIONS

- John Deere expects a decrease in demand in FY 2024 which reduces its net income.
- Deere may face litigation in the coming years which may affect its profitability.
- Deere maintains a leading market share in agricultural machinery but is strongly affected by food demand.
- Strongly affected by declining sales in Eastern Europe due to the conflict with Russia & Ukraine
- Declining sales and market share in Western Europe

Therefore, we recommend a SELL due to geopolitical, litigation, and market risks.



JOHN DEERE

(4) HONEYWELL

Agenda

1. Management and Corporate Governance
2. Strategy and Competitive Position
3. Red Flag Analysis
4. Risks and Contingencies
5. Ratio and Trend Analysis
6. Valuations
7. Market Consensus
8. Recommendation

Honeywell

HON MANAGEMENT AND CORPORATE GOVERNANCE



Darius Adamczvk
(Executive
Chairman)



Vimal M Kapur
(Chief Executive
Officer & Director)



Deborah-Ale Flint
(Independent
Director)



Gregory P. Lewis
(CFO & Senior Vice
President)

Founded by Albert M. Butz in 1906 and is headquartered in Charlotte, NC. The Honeywell brand dates back to 1906, and the Company was incorporated in Delaware in 1985.

Honeywell

HON STRATEGY AND COMPETITIVE POSITION

Strategy:

- Innovation Focus
- Portfolio Diversification
- Customer-Centric Approach
- Operational Excellence

Competitive Position:

- Industry Leadership
- Technological Expertise
- Global Presence
- Brand Reputation
- Acquisitions

Honeywell

HON RED FLAG ANALYSIS

- Clean Audit Opinion
- No Accounting Practices
- Asbestos-Related Liabilities: Significant liabilities associated with NARCO and Bendix asbestos claims.
- Ongoing legal disputes raise concerns about financial and legal risks.
- Litigation: Engaged in lawsuits with the NARCO Trust and facing class-action litigation related to Bendix asbestos claims. Implications for financial stability, reputation, and shareholder value.
- Involvement in bankruptcy proceedings with Garrett, indicating potential financial strain or risk.
- Disputes over indemnification agreements highlight complexities in managing liabilities.
- Liabilities are contingent with respect to ongoing Garrett spin-off.

Honeywell

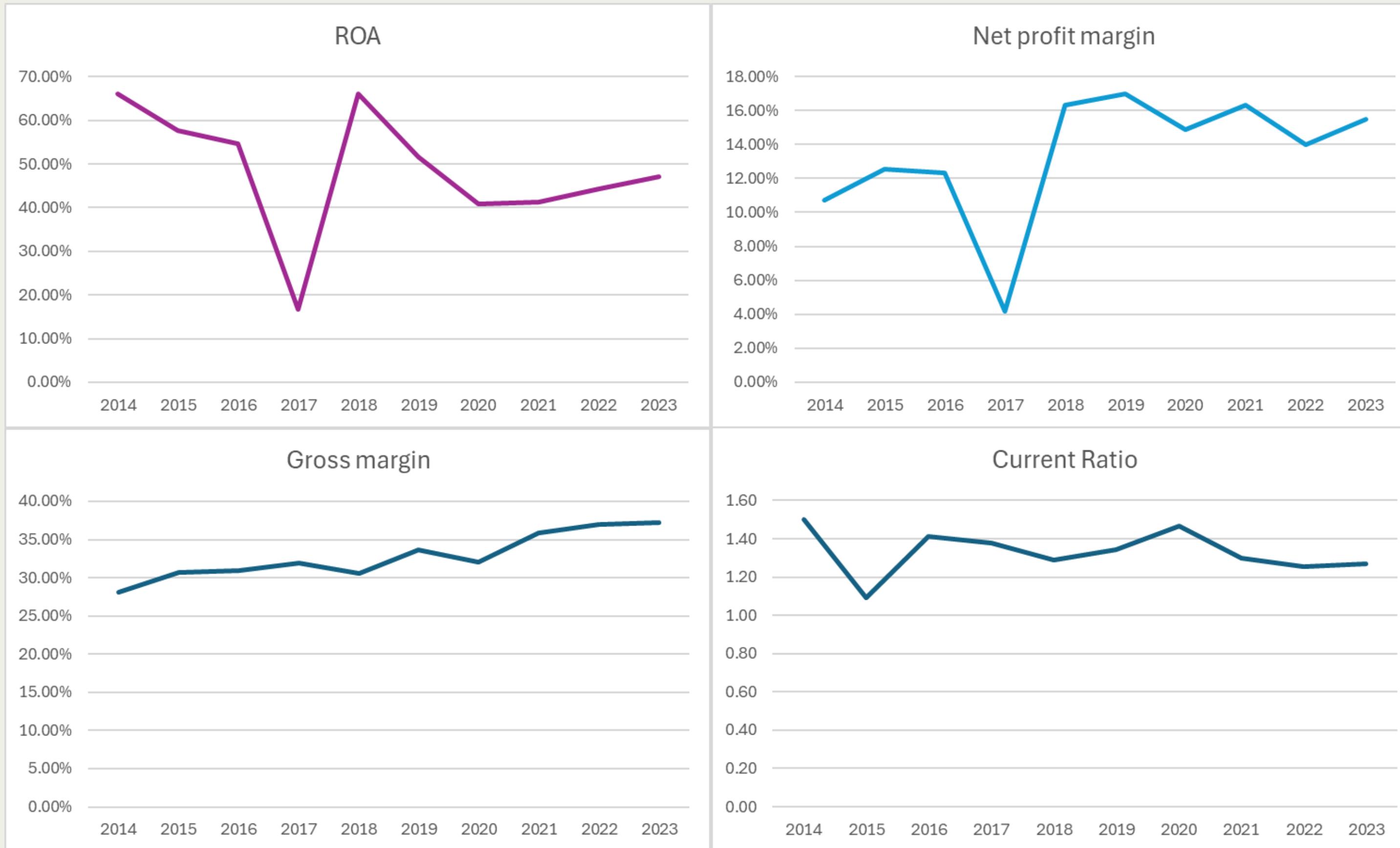
HON RISKS AND CONTINGENCIES

Risks:

- Global air travel demand affecting Aerospace
- Commercial construction activity impacting Building Technologies
- Capacity utilization affecting Performance Materials and Technologies
- Market fluctuations impacting Safety and Productivity Solutions
- Regulatory changes affecting pension funding obligations and cash flow
- Challenges in integrating acquisitions or executing divestitures(three acquisitions - acquisitions of Compressor Controls Corporation and SCADAfence, agreement to acquire Carrier Global Corporation's Global Access Solutions business.)

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HON RATIO AND TREND ANALYSIS



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HON VALUATIONS

	Terminal Growth Rate						
264.20	1.75%	2.00%	2.25%	2.5%	2.75%	3.00%	3.25%
9.9%	\$295.14	\$302.47	\$310.28	\$318.62	\$327.54	\$337.12	\$347.41
10.4%	\$277.77	\$284.17	\$290.95	\$298.17	\$305.86	\$314.07	\$322.86
10.9%	\$262.31	\$267.93	\$273.87	\$280.17	\$286.85	\$293.96	\$301.53
11.4%	\$248.47	\$253.43	\$258.67	\$264.20	\$270.05	\$276.25	\$282.83
11.9%	\$235.99	\$240.40	\$245.04	\$249.93	\$255.09	\$260.54	\$266.30
12.4%	\$224.69	\$228.63	\$232.77	\$237.12	\$241.69	\$246.50	\$251.58
12.9%	\$214.41	\$217.95	\$221.65	\$225.54	\$229.61	\$233.89	\$238.39

	Terminal Growth Rate						
271.92	1.75%	2.00%	2.25%	2.5%	2.75%	3.00%	3.25%
9.9%	\$301.95	\$310.01	\$318.59	\$327.76	\$337.56	\$348.08	\$359.39
10.4%	\$284.26	\$291.32	\$298.81	\$306.78	\$315.27	\$324.33	\$334.03
10.9%	\$268.51	\$274.73	\$281.32	\$288.31	\$295.72	\$303.60	\$311.99
11.38%	\$254.39	\$259.92	\$265.76	\$271.92	\$278.43	\$285.34	\$292.67
11.9%	\$241.68	\$246.61	\$251.81	\$257.28	\$263.05	\$269.14	\$275.59
12.4%	\$230.16	\$234.59	\$239.24	\$244.12	\$249.26	\$254.67	\$260.38
12.9%	\$219.68	\$223.67	\$227.85	\$232.24	\$236.83	\$241.67	\$246.75

Honeywell

HON COMPARATIVE COMPANY ANALYSIS

VALUATION MULTIPLES

Company Name	Ticker	Recent Price	Book Value	Price / Earnings			P/E			PEG Ratio			EV/EBITDA		
				FYR1	FYR2	FYR3	FYR1	FYR2	FYR3	FYR1	FYR2	FYR3	Last FY	FYR1	FYR2
3M CO	MMM.N	95.54	11.00	2.23	2.18	2.15	13.44	12.45	11.89	-2.58	-2.37	-2.23	7.73	9.81	9.20
GENERAL ELEC	GE.N	168.78	443.86	5.10	4.55	4.15	41.73	33.74	28.45	1.51	1.22	1.03	20.51	23.84	20.56
CARRIER GLC	CARR.N	64.26	6.67	2.25	2.31	2.20	22.51	21.01	18.70	2.48	2.32	2.06	16.58	12.70	12.62
RTX CORP	RTX.N	103.23	2.29	1.73	1.84	1.54	19.19	17.01	15.24	1.68	1.49	1.33	13.31	13.66	12.53

Average	6.65	2.83	2.67	2.51	24.22	21.05	18.52	0.78	0.66	0.55	14.53	15.00	13.73
Median	8.84	2.24	2.24	2.18	20.85	19.01	16.97	1.59	1.35	1.18	14.95	13.18	12.58
Average	162.04	166.88	166.32	163.69	240.56	228.38	216.95	0.64	0.60	0.54	165.14	207.57	203.89
Median	215.14	132.14	139.85	141.98	207.10	206.24	198.77	1.32	1.22	1.15	170.37	180.03	185.19

Honeywell

HON RECOMMENDATIONS

- We rate HON as a BUY.
- As we have seen from the 12 month target model , the target price = 271.94 , which is greater than the current price.
- Honeywell is a key player in the aerospace industry, with a strong presence in commercial aviation and defense sectors.
- From our analysis we can conclude that it has favorable growth prospects.

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RECOMMENDATIONS

				
Company	Parker Hannifin	Caterpillar Inc	John Deere	Honeywell
Ticker	PH	CAT	DE	HON
Current Price	\$550.18	345.53	\$405.57	198.05
Valuation Price	\$545.43	\$307.40	\$349.71	\$264.22
Recommendation	HOLD	HOLD	SELL	BUY

Questions -> & Answers

Thank you!

TITANS OF INDUSTRY

John Fetsch, Ryan Jarboa, Isha Joshi, Anjali Maheshwari, Justin Morris,
Risha Somkuwar, John Treanor, Andrew Trepicchio

Titans of
Industry 