



# Dover Corporation (DOV)

Updated July 19<sup>th</sup>, 2019 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$98	<b>5 Year CAGR Estimate:</b>	6.2%	<b>Volatility Percentile:</b>	62.0%
<b>Fair Value Price:</b>	\$94	<b>5 Year Growth Estimate:</b>	5.0%	<b>Momentum Percentile:</b>	85.8%
<b>% Fair Value:</b>	104%	<b>5 Year Valuation Multiple Estimate:</b>	-0.8%	<b>Growth Percentile:</b>	36.3%
<b>Dividend Yield:</b>	2.0%	<b>5 Year Price Target</b>	\$120	<b>Valuation Percentile:</b>	51.5%
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Total Return Percentile:</b>	35.1%

## Overview & Current Events

Dover Corporation is a diversified global industrial manufacturer with annual revenues of ~\$7 billion and a market capitalization of \$14 billion. Dover is composed of three segments: Engineered Systems, Fluids and Refrigeration, & Food Equipment. Dover is a Dividend King with 63 years of consecutive dividend increases. Slightly more than half of revenues come from the U.S., with the remainder coming from international markets. Dover spun off its energy business Apergy at the beginning of May 2018.

Dover released financial results for the second quarter on 7/18/2019. The company earned \$1.56 per share, \$0.03 above estimates and improving 19% from the previous year. Excluding the spinoff of Dover's energy business Apergy, earnings-per-share increased 20%. Revenue increased just 0.7% to \$1.8 billion, which was \$49 million lower than expected. However, revenue from continuing operations was higher by 1%. Currency was a 2.5% headwind to revenue results.

Adjusted segment earnings increased 13%, which helped lead to a 190 bps improvement in operating margin. Dover had 2.9% organic growth in the second quarter. Fluids once again was the strongest business unit, with organic growth of 7.5% and bookings higher by 7%. Each business within Fluids showed growth during the quarter, led by pumps and process solutions, which had 7% organic growth. This segment grew more than 20% in the Europe/Middle East/Africa region and double-digit growth in China. The Engineered Systems segment was essentially flat, with currency exchange offsetting 1.7% organic growth. Dover's industrial business saw strength in waste handling and vehicle service. Bookings for waste handling were down due to high comparisons and a record backlog in Q2 2018. Overall, bookings were down 5.5% for this segment. Refrigeration & Food Equipment sales decreased 2.8% and bookings declined 10%. Demand for the company's heat exchanger business was down 6%. Food retail posted another positive quarter, growing double-digits as demand for products improved. Dover offered revised guidance for 2019 and now expects to earnings-per-share in a range of \$5.75 to \$5.85. Previous guidance had called for earnings-per-share of \$5.65 to \$5.85 for the year.

## Growth on a Per-Share Basis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
<b>EPS</b>	\$2.00	\$3.48	\$4.49	\$4.53	\$5.28	\$4.54	\$3.64	\$3.25	\$4.38	\$4.97	<b>\$5.80</b>	<b>\$7.40</b>
<b>DPS</b>	\$1.02	\$1.07	\$1.18	\$1.33	\$1.45	\$1.55	\$1.64	\$1.72	\$1.82	\$1.90	<b>\$1.92</b>	<b>\$2.45</b>
<b>Shares</b>	186	187	184	175	170	163	155	155	155	145	<b>143</b>	<b>135</b>

Most of Dover's segments are experiencing strong growth right now. The engineered systems segment, which is the company's largest, enjoyed 6% organic revenue growth last year and is expected to grow by 4% to 5% this year. The digital textile printing division in the engineered systems segment is expected to grow at around 30% per year over the next decade, according to management.

Given management's long-term target of 3%-5% revenue growth and a 1.5% average annual buyback rate in the last decade, it is reasonable to expect the company to continue to grow its earnings-per-share by at least 5% per year in the next five years, particularly given its strong momentum. If this occurs, the company will grow its earnings-per-share to \$7.40 in 2024. Dover has increased its dividend for 63 consecutive years. This is the second longest dividend growth streak among U.S. companies.

*Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.*



# Dover Corporation (DOV)

Updated July 19<sup>th</sup>, 2019 by Nathan Parsh

## Valuation Analysis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Now	2024
Avg. P/E	17.0	14.0	13.4	13.2	15.4	18.5	18.5	20.7	19.5	17.1	16.9	16.2
Avg. Yld.	3.0%	2.2%	2.0%	2.2%	1.8%	1.8%	2.4%	2.6%	2.1%	2.3%	2.0%	2.0%

Shares of Dover have increased \$2, or 2.1%, since our 4/22/2019 update. Using the company's updated guidance for 2019, Dover is trading at a current price-to-earnings ratio (P/E) of 16.9 and has traded at an average P/E ratio of 16.2 over the last decade. If the company's P/E ratio reverts to its long-term average over the next five years, annualized returns will be reduced by 0.8% during this time period.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
Payout	51.0%	31.0%	26.0%	29.0%	28.0%	34.0%	45.0%	58.0%	42.0%	32.0%	33.0%	33.0%

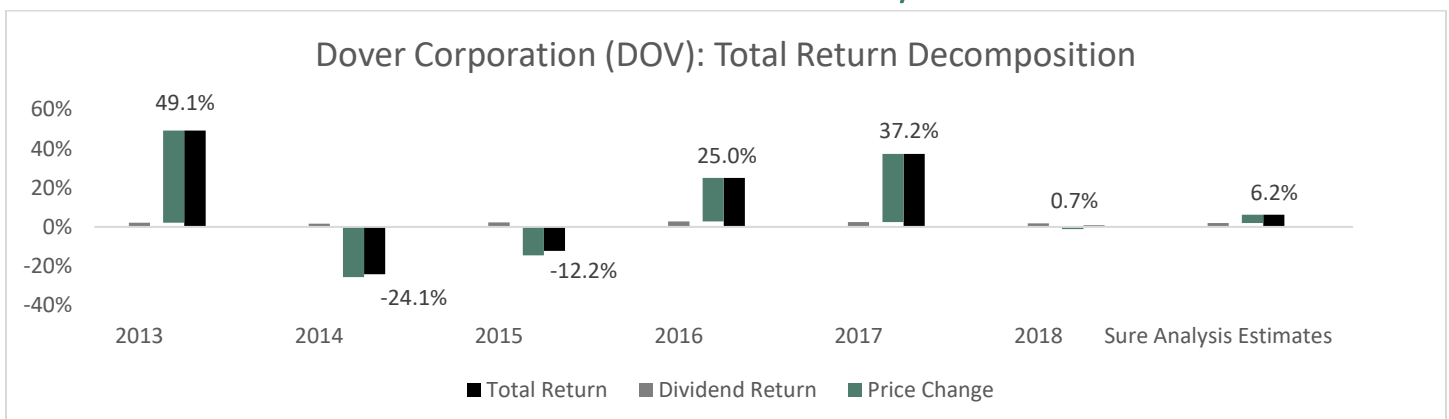
Investors should keep in mind that Dover is vulnerable to recessions due to its cyclical nature. In 2009, its earnings-per-share plunged 45%, from \$3.67 to \$2.00. Accordingly, this stock should not be seen as a defensive portfolio constituent. Quantitatively, the company's exceptionally long dividend history and reasonable payout ratio give it a high likelihood of paying future rising dividends.

Dover's key competitive advantage is its focus on niche industries. The company offers highly engineered products that customers have come to depend on, as switching to a different provider may not yield the same results for their businesses. Dover's spinoff of Apergy will likely reduce the amount of capital expenditures, while at the same time increasing margins.

## Final Thoughts & Recommendation

After second quarter results, Dover Corporation is expected to offer a total annual return of 6.2% through 2024, down from 6.4% previously. The company had a decent quarter with strong bottom line growth. Currency exchange remains a headwind and will likely continue to be given that almost half of revenues come from outside the United States. Fluids remains strong while Foods & Refrigeration weighs on the company. Dover's ability to continually to raise its dividend for more than six decades is impressive, given the cyclical nature of its business. While the stock may never offer a high yield, Dover's track record is evidence that the company will likely continue to pay and raise its dividend going forward. Due to mid-single digit expected returns, Dover Corporation receives a hold recommendation from Sure Dividend at this time. We have increased our 2024 price target \$1 to \$120 due to updated guidance.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Dover Corporation (DOV)

Updated July 19<sup>th</sup>, 2019 by Nathan Parsh

## Income Statement Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenue</b>	5776	6110	7369	6627	7155	7753	6956	6794	7830	6992
<b>Gross Profit</b>	2099	2423	2845	2580	2779	2974	2568	2472	2890	2560
<b>Gross Margin</b>	36.3%	39.7%	38.6%	38.9%	38.8%	38.4%	36.9%	36.4%	36.9%	36.6%
<b>SG&amp;A Exp.</b>	1511	1500	1721	1521	1617	1759	1647	1758	1976	1716
<b>D&amp;A Exp.</b>	258	229	290	230	278	307	327	361	394	283
<b>Operating Profit</b>	588	923	1124	1059	1162	1215	921	714	914	843
<b>Operating Margin</b>	10.2%	15.1%	15.3%	16.0%	16.2%	15.7%	13.2%	10.5%	11.7%	12.1%
<b>Net Profit</b>	356	700	895	811	1003	775	870	509	812	570
<b>Net Margin</b>	6.2%	11.5%	12.1%	12.2%	14.0%	10.0%	12.5%	7.5%	10.4%	8.2%
<b>Free Cash Flow</b>	676	774	817	1120	1011	810	681	697	625	618
<b>Income Tax</b>	120	194	237	281	248	316	205	180	162	134

## Balance Sheet Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Total Assets</b>	7882	8563	9501	10444	10855	9030	8606	10116	10658	8366
<b>Cash &amp; Equivalents</b>	714	1187	1207	800	804	682	362	349	754	396
<b>Accounts Receivable</b>	N/A	N/A	1119	1226	1077	1187	1120	1265	1386	1232
<b>Inventories</b>	571	714	734	873	715	864	803	870	879	749
<b>Goodwill &amp; Int. Ass.</b>	4301	4276	4691	5740	4367	4861	5151	6366	6202	4812
<b>Total Liabilities</b>	3799	4036	4570	5525	5478	5330	4962	6316	6274	5597
<b>Accounts Payable</b>	357	469	516	651	523	615	651	830	979	N/A
<b>Long-Term Debt</b>	1861	1808	2187	2800	2828	3031	2755	3621	3568	3164
<b>Shareholder's Equity</b>	4084	4527	4931	4919	5377	3701	3645	3800	4383	2769
<b>D/E Ratio</b>	0.46	0.40	0.44	0.57	0.53	0.82	0.76	0.95	0.81	1.14

## Profitability & Per Share Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Return on Assets</b>	4.5%	8.5%	9.9%	8.1%	9.4%	7.8%	9.9%	5.4%	7.8%	6.0%
<b>Return on Equity</b>	9.1%	16.3%	18.9%	16.5%	19.5%	17.1%	23.7%	13.7%	19.8%	15.9%
<b>ROIC</b>	6.0%	11.4%	13.3%	10.9%	12.6%	10.4%	13.2%	7.4%	10.6%	8.2%
<b>Shares Out.</b>	186.14	186.90	183.66	174.68	169.91	163.01	155.00	155.43	154.82	145
<b>Revenue/Share</b>	30.93	32.30	39.01	36.02	41.23	45.92	43.70	43.38	49.64	45.96
<b>FCF/Share</b>	3.62	4.09	4.32	6.09	5.82	4.80	4.28	4.45	3.96	4.06

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.