



# Dover Corporation (DOV)

Updated January 29<sup>th</sup>, 2022 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$167	<b>5 Year CAGR Estimate:</b>	6.2%	<b>Market Cap:</b>	\$24 billion
<b>Fair Value Price:</b>	\$145	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	2/23/2022 <sup>1</sup>
<b>% Fair Value:</b>	115%	<b>5 Year Valuation Multiple Estimate:</b>	-2.7%	<b>Dividend Payment Date:</b>	3/15/2022 <sup>2</sup>
<b>Dividend Yield:</b>	1.2%	<b>5 Year Price Target</b>	\$214	<b>Years Of Dividend Growth:</b>	66
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Last Dividend Increase:</b>	1.0%

## Overview & Current Events

Dover Corporation is a diversified global industrial manufacturer with annual revenues of just over \$6 billion. Dover is composed of five reporting segments: Engineered Systems, Clean Energy & Fueling, Pumps & Process Solutions, Imaging & Identification and Climate & Sustainability Technologies. Dover is a Dividend King with more than six decades of dividend increases. Slightly more than half of revenues come from the U.S., with the remainder coming from international markets.

On 8/5/2021, Dover announced that it had raised its dividend 1% for the 9/15/2021 payment, marking 66 consecutive years of dividend growth. This is the second-longest dividend growth streak among U.S. companies.

Dover reported fourth quarter and full year earnings results on 1/27/2022. For the quarter, revenue grew 11.8% to \$1.99 billion, which was \$70 million above estimates. Adjusted earnings-per-share of \$1.78 compared to \$1.55 in the prior year and \$0.11 better than expected. For the year, revenue improved 18% to \$7.9 billion while adjusted earnings-per-share of \$7.63 compared to \$5.67 in 2020.

Organic revenue continues to be very high, with 11% growth for the quarter and 15% for 2021. Engineered Products improved 16% as orders were up across all businesses. Clean Energy & Fueling declined 4% due to customer delays in North America and Latin America. Bookings were strong for below ground retail fueling. Imaging & Identification was higher by 3%. Marking and coding consumables and serialization software performed well, but were offset by weakness in printers. Pumps & Process Solutions was the top performer, with organic revenue up 30% year-over-year. All businesses and regions had elevated demand. Climate & Sustainability Technologies was higher by 13% due to demand for heat exchangers. Dover's backlog grew 84% year-over-year and 14.3% quarter-over-quarter to \$3.2 billion.

Dover offered guidance for 2022. Adjusted earnings-per-share are expected in a range of \$8.45 to \$8.65 with revenue projected to grow 8% to 10%, including 7% to 9% organic growth.

## Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>EPS</b>	\$4.53	\$5.28	\$4.54	\$3.64	\$3.25	\$4.38	\$4.97	\$5.84	\$5.67	\$7.63	<b>\$8.55</b>	<b>\$12.56</b>
<b>DPS</b>	\$1.33	\$1.45	\$1.55	\$1.64	\$1.72	\$1.82	\$1.90	\$1.96	\$1.97	\$1.99	<b>\$2.00</b>	<b>\$2.55</b>
<b>Shares<sup>3</sup></b>	175	170	163	155	155	155	153	147	145	145	<b>145</b>	<b>140</b>

Dover's earnings-per-share have compounded at 6% annually over the last decade. Growth has accelerated in the medium-term, at an annual rate of more than 14% over the five years. Dover did suffer some setbacks during the worst of the COVID-19 pandemic, but the company has quickly rebounded. We maintain our expected earnings growth rate of 8% per year through 2027.

<sup>1</sup> Estimated ex-dividend date

<sup>2</sup> Estimated dividend payment date

<sup>3</sup> In millions of shares

*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 January 29<sup>th</sup>, 2022 by Nathan Parsh

With more than six decades of dividend growth, Dover is a Dividend King and owns one of the longest dividend growth streaks in the market place.

## Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	13.2	15.4	18.5	18.5	20.7	19.5	17.6	16.4	18.7	23.8	19.5	17.0
Avg. Yld.	2.2%	1.8%	1.8%	2.4%	2.6%	2.1%	2.2%	2.0%	1.9%	1.1%	1.2%	1.2%

Shares of Dover have decreased \$1, or 0.6%, since our 10/19/2021 update. Shares trade with a price-to-earnings ratio of 19.5 times expected adjusted earnings-per-share for the year. We reaffirm our P/E target of 17 to reflect the company's average valuation over the last decade. If the company's P/E ratio reverts to its long-term average over the next five years then annualized returns will be reduced by 2.7% during this time period.

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

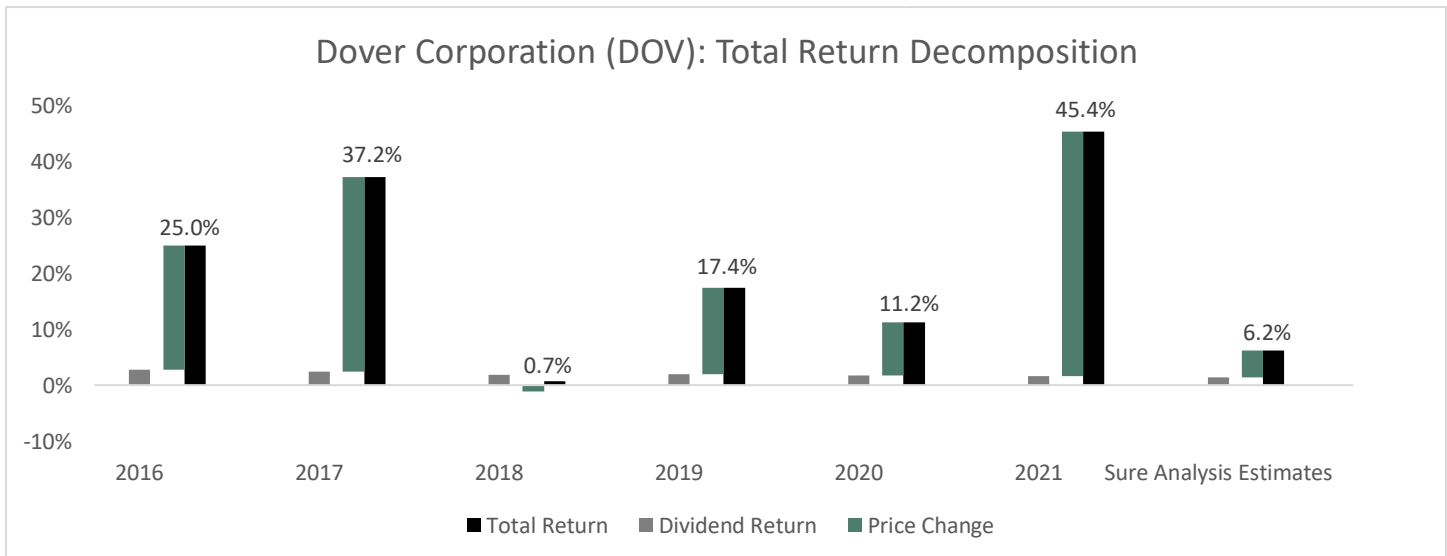
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	29%	28%	34%	45%	58%	42%	32%	34%	35%	26%	23%	20%

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. 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.

## Final Thoughts & Recommendation

After fourth quarter results, Dover Corporation is now projected to offer a total annual return of 6.2% through 2027, up from our prior estimate of 3.4%. Our estimated return is based on 8% earnings growth and a starting yield of 1.2% offset by a low single-digit headwind from valuation reversion. Dover ended the year on a strong note and the future looks promising considering the increase in backlog over the past few quarters. The company offered aggressive guidance for 2022. We have raised our 2027 price target \$27 to \$214 to reflect the guidance for the year and now view shares of Dover as a hold due to projected returns.

## 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 January 29<sup>th</sup>, 2022 by Nathan Parsh

## Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenue</b>	6,627	7,155	7,753	6,956	6,043	6,821	6,992	7,136	6,684	7,907
<b>Gross Profit</b>	2,580	2,779	2,974	2,568	2,228	2,529	2,560	2,621	2,474	2,970
<b>Gross Margin</b>	38.9%	38.8%	38.4%	36.9%	36.9%	37.1%	36.6%	36.7%	37.0%	37.6%
<b>SG&amp;A Exp.</b>	1,521	1,617	1,759	1,647	1,519	1,722	1,716	1,599	1,541	1,688
<b>D&amp;A Exp.</b>	230	278	307	327	250	283	283	272	279	290
<b>Operating Profit</b>	1,059	1,162	1,215	921	709	807	843	1,022	933	1,282
<b>Operating Margin</b>	16.0%	16.2%	15.7%	13.2%	11.7%	11.8%	12.1%	14.3%	14.0%	16.2%
<b>Net Profit</b>	811	1,003	775	870	509	812	570	678	683	1,124
<b>Net Margin</b>	12.2%	14.0%	10.0%	12.5%	8.4%	11.9%	8.2%	9.5%	10.2%	14.2%
<b>Free Cash Flow</b>	1,120	1,011	810	681	723	666	628	759	939	944
<b>Income Tax</b>	281	248	316	205	183	129	134	165	158	277

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Assets</b>	10,444	10,855	9,030	8,606	10,116	10,658	8,366	8,669	9,152	10,404
<b>Cash &amp; Equivalents</b>	800	804	682	362	349	754	396	397	513	386
<b>Accounts Receivable</b>	1,226	1,077	1,187	1,120	1,265	1,184	1,232	1,217	1,137	1,348
<b>Inventories</b>	873	715	864	803	870	677	749	806	836	1,191
<b>Goodwill &amp; Int. Ass.</b>	5,740	4,367	4,861	5,151	6,366	4,969	4,812	4,838	5,156	5,918
<b>Total Liabilities</b>	5,525	5,478	5,330	4,962	6,316	6,275	5,597	5,637	5,766	6,214
<b>Accounts Payable</b>	651	523	615	651	830	882	970	983	854	
<b>Long-Term Debt</b>	2,800	2,828	3,031	2,755	3,621	3,568	3,164	3,070	3,109	3,124
<b>Shareholder's Equity</b>	4,919	5,377	3,701	3,645	3,800	4,383	2,769	3,033	3,386	4,190
<b>LTD/E Ratio</b>	0.57	0.53	0.82	0.76	0.95	0.81	1.14	1.01	0.92	0.75

## Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Return on Assets</b>	8.1%	9.4%	7.8%	9.9%	5.4%	7.8%	6.0%	8.0%	7.7%	11.5%
<b>Return on Equity</b>	16.5%	19.5%	17.1%	23.7%	13.7%	19.8%	15.9%	23.4%	21.3%	29.7%
<b>ROIC</b>	10.9%	12.6%	10.4%	13.2%	7.4%	10.6%	8.2%	11.3%	10.9%	16.3%
<b>Shares Out.</b>	175	170	163	155	155	155	153	147	145	145
<b>Revenue/Share</b>	36.02	41.23	45.92	43.70	38.58	43.24	45.96	48.55	45.97	54.43
<b>FCF/Share</b>	6.09	5.82	4.80	4.28	4.62	4.22	4.13	5.16	6.46	6.50

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.