



Dover Corporation (DOV)

Updated April 21st, 2022 by Nathan Parsh

Key Metrics

Current Price:	\$144	5 Year CAGR Estimate:	9.4%	Market Cap:	\$21 B
Fair Value Price:	\$145	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	5/27/22 ¹
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.2%	Dividend Payment Date:	6/15/22 ²
Dividend Yield:	1.4%	5 Year Price Target	\$214	Years Of Dividend Growth:	66
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Hold

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 August 5th, 2021, Dover announced that it was raising its dividend 1% for the September 15th, 2021 payment, marking 66 consecutive years of dividend growth. This is the second-longest dividend growth streak among U.S. companies.

On April 21st, 2022 Dover reported first quarter earnings results for the period ending March 31st, 2022. Revenue increased nearly 10% to \$2.05 billion, topping estimates by \$20 million. Adjusted earnings-per-share of \$1.90 compared favorably to \$1.81 in the prior year and was \$0.07 better than expected.

Organic revenue remains strong, with the company seeing a 9% gain in the first quarter. Engineered Products had 15% organic growth due to gains made in waste handling, vehicle services, and industrial winches and automation. Clean Energy & Fueling was flat as strength in fueling, vehicle wash, and fuel transport were offset by weakness in North America above-ground equipment. Supply chain issues, labor constraints, and a difficult comparable period contributed to an 800-basis point decline in the adjusted EBIT margin for the segment. Imaging & Identification was lower by 1% due to electronic and consumable shortages as well as the Russian invasion of Ukraine. Pumps & Process Solutions improved 13% due to growth in all business and regions. Climate & Sustainability Technologies was up 17%, again due to gains in all businesses and regions. Dover's backlog grew 54% year-over-year and 5% quarter-over-quarter to \$3.4 billion.

Dover reaffirmed 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
EPS	\$4.53	\$5.28	\$4.54	\$3.64	\$3.25	\$4.38	\$4.97	\$5.84	\$5.67	\$7.63	\$8.55	\$12.56
DPS	\$1.33	\$1.45	\$1.55	\$1.64	\$1.72	\$1.82	\$1.90	\$1.96	\$1.97	\$1.99	\$2.00	\$2.55
Shares³	175	170	163	155	155	155	153	147	145	145	145	140

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.

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ 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.



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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	16.8	17.0
Avg. Yld.	2.2%	1.8%	1.8%	2.4%	2.6%	2.1%	2.2%	2.0%	1.9%	1.1%	1.4%	1.2%

Shares of Dover have fallen \$23, or 13.8%, since our October 19th, 2021 update. Shares trade with a price-to-earnings ratio of 16.8. 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 would see a 0.2% benefit from multiple expansion during this time period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

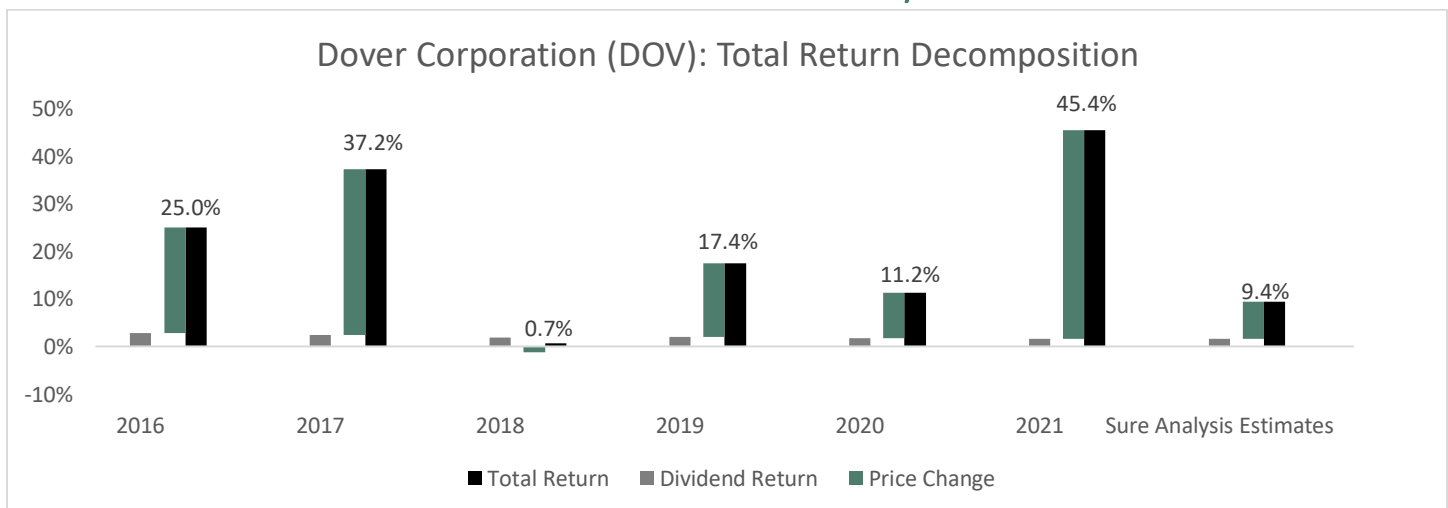
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	29%	28%	34%	45%	58%	42%	32%	34%	35%	26%	23%	20%

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

Following first quarter results, Dover Corporation is now projected to offer a total annual return of 9.4% through 2027, up from our prior estimate of 6.2%. Our estimated return is based on 8% earnings growth, a starting yield of 1.4%, and a small contribution from multiple expansion. Most of Dover's segments had solid results for the quarter. However, shares fell more than 7% following the earnings release, mostly due to the Clean Energy & Fueling segment's significant adjusted EBIT decline. That said, leadership maintained the company's aggressive guidance for 2022. We maintain our five-year price target of \$214 as well as our hold rating on shares of Dover due to projected returns. A further pullback in the share price would cause us to look more favorably upon the stock.

Total Return Breakdown by Year



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Income Statement Metrics

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

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	10,444	10,855	9,030	8,606	10,116	10,658	8,366	8,669	9,152	10,404
Cash & Equivalents	800	804	682	362	349	754	396	397	513	386
Accounts Receivable	1,226	1,077	1,187	1,120	1,265	1,184	1,232	1,217	1,137	1,348
Inventories	873	715	864	803	870	677	749	806	836	1,191
Goodwill & Int. Ass.	5,740	4,367	4,861	5,151	6,366	4,969	4,812	4,838	5,156	5,918
Total Liabilities	5,525	5,478	5,330	4,962	6,316	6,275	5,597	5,637	5,766	6,214
Accounts Payable	651	523	615	651	830	882	970	983	854	
Long-Term Debt	2,800	2,828	3,031	2,755	3,621	3,568	3,164	3,070	3,109	3,124
Shareholder's Equity	4,919	5,377	3,701	3,645	3,800	4,383	2,769	3,033	3,386	4,190
LTD/E Ratio	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
Return on Assets	8.1%	9.4%	7.8%	9.9%	5.4%	7.8%	6.0%	8.0%	7.7%	11.5%
Return on Equity	16.5%	19.5%	17.1%	23.7%	13.7%	19.8%	15.9%	23.4%	21.3%	29.7%
ROIC	10.9%	12.6%	10.4%	13.2%	7.4%	10.6%	8.2%	11.3%	10.9%	16.3%
Shares Out.	175	170	163	155	155	155	153	147	145	145
Revenue/Share	36.02	41.23	45.92	43.70	38.58	43.24	45.96	48.55	45.97	54.43
FCF/Share	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.

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