



Dover Corporation (DOV)

Updated February 4th, 2023 by Nathan Parsh

Key Metrics

Current Price:	\$160	5 Year CAGR Estimate:	8.0%	Market Cap:	\$22 B
Fair Value Price:	\$152	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	02/24/23 ¹
% Fair Value:	105%	5 Year Valuation Multiple Estimate:	-1.0%	Dividend Payment Date:	03/15/23 ²
Dividend Yield:	1.3%	5 Year Price Target	\$224	Years Of Dividend Growth:	67
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 nearly \$9 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 4th, 2022, Dover announced that it was raising its dividend 1% for the September 15th, 2022 payment, marking 67 consecutive years of dividend growth. This is the second-longest dividend growth streak among U.S. companies.

On January 31st, 2023, Dover reported fourth quarter and full year results the period ending September 30th, 2022. For the quarter, revenue grew 7.5% to \$2.14 billion and was \$20 million above estimates. Adjusted earnings-per-share of \$2.16 compared to \$1.78 in the prior year and was \$0.01 better than expected. For the year, revenue grew 9% to \$8.5 billion. Adjusted earnings-per-share of \$8.45 compared favorably to \$7.63 in 2021.

Organic revenue was 9% for both the quarter and full year. For the quarter, Engineered Products increased 17% organically, led by gains in waste handling, vehicle aftermarket, and industrial winches. Clean Energy & Fueling was flat once again. Growth in clean energy, below-ground fueling and vehicle wash were offset by construction delays and weakness in Europe. Imaging & Identification was higher by 9% due to demand for marking and coding products in regions outside of China. Pumps & Process Solutions was down 4% as strength in industrial pumps, medical/thermal connectors, and precision components was more than offset by post-Covid-19 inventory normalization in biopharma. Climate & Sustainability Technologies was up 27% as all businesses and major product lines remained in high demand during the quarter. Dover's backlog fell 6.3% to \$3 billion, but more than doubled from 2019 levels.

Dover provided guidance for 2023. Adjusted earnings-per-share are expected in a range of \$8.85 to \$9.05, representing 5.9% growth at the midpoint. Revenue and organic growth are projected to be 3% to 5% for the year.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$5.28	\$4.54	\$3.64	\$3.25	\$4.38	\$4.97	\$5.84	\$5.67	\$7.63	\$8.45	\$8.95	\$13.15
DPS	\$1.45	\$1.55	\$1.64	\$1.72	\$1.82	\$1.90	\$1.96	\$1.97	\$1.99	\$2.01	\$2.02	\$2.58
Shares³	170	163	155	155	155	153	147	145	145	141	141	140

Dover's earnings-per-share have compounded at 5.4% annually since 2013. Growth has accelerated in the medium-term, at an annual rate of more than 12% over the five years. Dover did suffer some setbacks during the worst of the

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ In millions of shares

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COVID-19 pandemic, but the company has quickly rebounded. We maintain our expected earnings growth rate of 8% per year through 2028.

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.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	15.4	18.5	18.5	20.7	19.5	17.6	16.4	18.7	23.8	16.0	17.9	17.0
Avg. Yld.	1.8%	1.8%	2.4%	2.6%	2.1%	2.2%	2.0%	1.9%	1.1%	1.5%	1.3%	1.2%

Shares of Dover have improved \$38, or 31%, since our October 20th, 2022 update. Shares trade with a price-to-earnings ratio of 17.9. 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 1% reduction in total returns from multiple contraction during this time period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

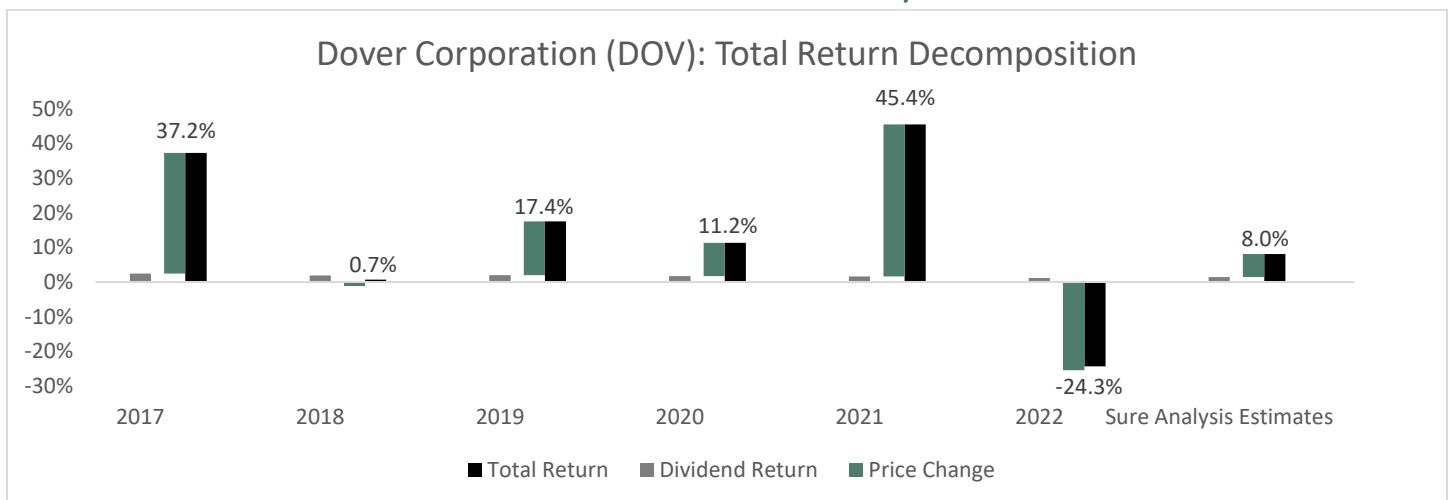
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	28%	34%	45%	58%	42%	32%	34%	35%	26%	24%	23%	20%

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 8.0% through 2028, down from our prior estimate of 12.8%. Our estimated return is based on 8% earnings growth and a starting yield of 1.3%, partially offset by a low single-digit headwind from multiple contraction. The majority of Dover's businesses continue to see high growth rates as demand is elevated in many areas. We have raised our five-year price target \$10 to \$224 due to EPS estimates, but now rate shares of Dover as a hold due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	7,155	7,753	6,956	6,043	6,821	6,992	7,136	6,684	7,907	8,508
Gross Profit	2,779	2,974	2,568	2,228	2,529	2,560	2,621	2,474	2,970	3,064
Gross Margin	38.8%	38.4%	36.9%	36.9%	37.1%	36.6%	36.7%	37.0%	37.6%	36.0%
SG&A Exp.	1,617	1,759	1,647	1,519	1,722	1,716	1,599	1,541	1,688	1,684
D&A Exp.	278	307	327	250	283	283	272	279	290	308
Operating Profit	1,162	1,215	921	709	807	843	1,022	933	1,282	1,379
Operating Margin	16.2%	15.7%	13.2%	11.7%	11.8%	12.1%	14.3%	14.0%	16.2%	16.2%
Net Profit	1,003	775	870	509	812	570	678	683	1,124	1,065
Net Margin	14.0%	10.0%	12.5%	8.4%	11.9%	8.2%	9.5%	10.2%	14.2%	12.5%
Free Cash Flow	1,011	810	681	723	666	628	759	939	944	585
Income Tax	248	316	205	183	129	134	165	158	277	222

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	10,855	9,030	8,606	10,116	10,658	8,366	8,669	9,152	10,404	10,897
Cash & Equivalents	804	682	362	349	754	396	397	513	386	381
Accounts Receivable	1,077	1,187	1,120	1,265	1,184	1,232	1,217	1,137	1,348	1,517
Inventories	715	864	803	870	677	749	806	836	1,191	1,367
Goodwill & Int. Ass.	4,367	4,861	5,151	6,366	4,969	4,812	4,838	5,156	5,918	6,003
Total Liabilities	5,478	5,330	4,962	6,316	6,275	5,597	5,637	5,766	6,214	6,610
Accounts Payable	523	615	651	830	882	970	983	854	1,074	
Long-Term Debt	2,828	3,031	2,755	3,621	3,568	3,164	3,070	3,109	3,124	3,678
Shareholder's Equity	5,377	3,701	3,645	3,800	4,383	2,769	3,033	3,386	4,190	4,286
LTD/E Ratio	0.53	0.82	0.76	0.95	0.81	1.14	1.01	0.92	0.75	0.86

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	9.4%	7.8%	9.9%	5.4%	7.8%	6.0%	8.0%	7.7%	11.5%	10.0%
Return on Equity	19.5%	17.1%	23.7%	13.7%	19.8%	15.9%	23.4%	21.3%	29.7%	25.1%
ROIC	12.6%	10.4%	13.2%	7.4%	10.6%	8.2%	11.3%	10.9%	16.3%	13.9%
Shares Out.	170	163	155	155	155	153	147	145	145	141
Revenue/Share	41.23	45.92	43.70	38.58	43.24	45.96	48.55	45.97	54.43	59.25
FCF/Share	5.82	4.80	4.28	4.62	4.22	4.13	5.16	6.46	6.50	4.07

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

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