



# Dover Corporation (DOV)

Updated July 25<sup>th</sup>, 2023 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$145	<b>5 Year CAGR Estimate:</b>	10.1%	<b>Market Cap:</b>	\$20 B
<b>Fair Value Price:</b>	\$152	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	08/30/23 <sup>1</sup>
<b>% Fair Value:</b>	96%	<b>5 Year Valuation Multiple Estimate:</b>	0.9%	<b>Dividend Payment Date:</b>	09/15/23 <sup>2</sup>
<b>Dividend Yield:</b>	1.4%	<b>5 Year Price Target</b>	\$223	<b>Years Of Dividend Growth:</b>	67
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Buy

## 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 4<sup>th</sup>, 2022, Dover announced that it was raising its dividend 1% for the September 15<sup>th</sup>, 2022 payment, marking 67 consecutive years of dividend growth. This is the second-longest dividend growth streak among U.S. companies.

On July 25<sup>th</sup>, 2023, Dover reported second quarter results the period ending June 30<sup>th</sup>, 2023. For the quarter, revenue decreased 2.8% to \$2.1 billion, which was \$100 million less than expected. Adjusted earnings-per-share of \$2.05 compared unfavorably to \$2.14 in the prior year and was \$0.16 below estimates.

Organic revenue was lower by 3% for the quarter. For the period, Engineered Products decreased 8% organically, as gains in waste handling were more than offset by weaker results in vehicle services. Clean Energy & Fueling was lower by 9% due to general destocking in distribution channels. Imaging & Identification was flat as gain in core marking and coding in Europe and America was offset by lower volume in Asia. Pumps & Process Solutions was up 1% due to gains in polymer processing, thermal connectors, precision components, and hygienic dosing systems. Climate & Sustainability Technologies grew 4% as this segment was led by strength in food retail and heat exchangers. Dover's backlog fell 7% from the preceding quarter to \$2.8 billion, but is up 20% from 2019 levels.

Dover updated guidance for 2023 as well. Adjusted earnings-per-share are now expected in a range of \$8.85 to \$9.00 for the year, compared to \$8.85 to \$9.05, previously. Revenue growth is projected to be 2% to 4% for 2023, down from 3% to 5, previously.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$5.28	\$4.54	\$3.64	\$3.25	\$4.38	\$4.97	\$5.84	\$5.67	\$7.63	\$8.45	<b>\$8.93</b>	<b>\$13.12</b>
<b>DPS</b>	\$1.45	\$1.55	\$1.64	\$1.72	\$1.82	\$1.90	\$1.96	\$1.97	\$1.99	\$2.01	<b>\$2.02</b>	<b>\$2.58</b>
<b>Shares<sup>3</sup></b>	170	163	155	155	155	153	147	145	145	141	<b>141</b>	<b>140</b>

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 last 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 2028.

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

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

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

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With nearly seven 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	16.2	17.0
Avg. Yld.	1.8%	1.8%	2.4%	2.6%	2.1%	2.2%	2.0%	1.9%	1.1%	1.5%	1.4%	1.2%

Shares of Dover have declined \$1, or 0.7%, since our April 29<sup>th</sup>, 2023 update. Shares trade with a price-to-earnings ratio of 16.2. 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 0.9% benefit to total returns from multiple expansion during this time period.

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

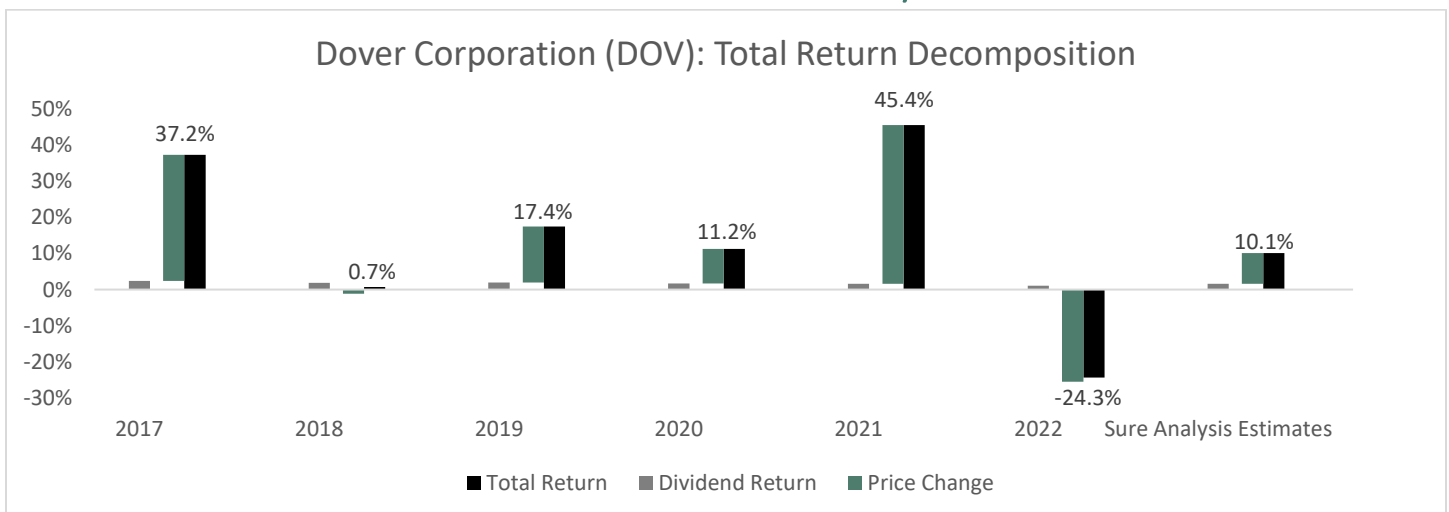
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	28%	34%	45%	58%	42%	32%	34%	35%	26%	24%	23%	20%

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

Following second quarter results, Dover Corporation is now projected to offer a total annual return of 10.1% through 2028, up slightly from our prior estimate of 10.0%. Our estimated return is based on 8% earnings growth, a starting yield of 1.4%, and a small tailwind from multiple expansion. Most of Dover's businesses struggled during the most recent quarter and the company did lower the top-end of its forward guidance. Despite operating in a cyclical sector, however, Dover has raised its dividend for nearly seven decades, speaking to the strength of the company. We have lowered our five-year price target \$1 to \$223 due to EPS estimates, but continue to rate shares of Dover as a buy 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
<b>Revenue</b>	7,155	7,753	6,956	6,043	6,821	6,992	7,136	6,684	7,907	8,508
<b>Gross Profit</b>	2,779	2,974	2,568	2,228	2,529	2,560	2,621	2,474	2,970	3,064
<b>Gross Margin</b>	38.8%	38.4%	36.9%	36.9%	37.1%	36.6%	36.7%	37.0%	37.6%	36.0%
<b>SG&amp;A Exp.</b>	1,617	1,759	1,647	1,519	1,722	1,716	1,599	1,541	1,688	1,684
<b>D&amp;A Exp.</b>	278	307	327	250	283	283	272	279	290	308
<b>Operating Profit</b>	1,162	1,215	921	709	807	843	1,022	933	1,282	1,379
<b>Operating Margin</b>	16.2%	15.7%	13.2%	11.7%	11.8%	12.1%	14.3%	14.0%	16.2%	16.2%
<b>Net Profit</b>	1,003	775	870	509	812	570	678	683	1,124	1,065
<b>Net Margin</b>	14.0%	10.0%	12.5%	8.4%	11.9%	8.2%	9.5%	10.2%	14.2%	12.5%
<b>Free Cash Flow</b>	1,011	810	681	723	666	628	759	939	944	585
<b>Income Tax</b>	248	316	205	183	129	134	165	158	277	222

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	10,855	9,030	8,606	10,116	10,658	8,366	8,669	9,152	10,404	10,897
<b>Cash &amp; Equivalents</b>	804	682	362	349	754	396	397	513	386	381
<b>Accounts Receivable</b>	1,077	1,187	1,120	1,265	1,184	1,232	1,217	1,137	1,348	1,517
<b>Inventories</b>	715	864	803	870	677	749	806	836	1,191	1,367
<b>Goodwill &amp; Int. Ass.</b>	4,367	4,861	5,151	6,366	4,969	4,812	4,838	5,156	5,918	6,003
<b>Total Liabilities</b>	5,478	5,330	4,962	6,316	6,275	5,597	5,637	5,766	6,214	6,610
<b>Accounts Payable</b>	523	615	651	830	882	970	983	854	1,074	
<b>Long-Term Debt</b>	2,828	3,031	2,755	3,621	3,568	3,164	3,070	3,109	3,124	3,678
<b>Shareholder's Equity</b>	5,377	3,701	3,645	3,800	4,383	2,769	3,033	3,386	4,190	4,286
<b>LTD/E Ratio</b>	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
<b>Return on Assets</b>	9.4%	7.8%	9.9%	5.4%	7.8%	6.0%	8.0%	7.7%	11.5%	10.0%
<b>Return on Equity</b>	19.5%	17.1%	23.7%	13.7%	19.8%	15.9%	23.4%	21.3%	29.7%	25.1%
<b>ROIC</b>	12.6%	10.4%	13.2%	7.4%	10.6%	8.2%	11.3%	10.9%	16.3%	13.9%
<b>Shares Out.</b>	170	163	155	155	155	153	147	145	145	141
<b>Revenue/Share</b>	41.23	45.92	43.70	38.58	43.24	45.96	48.55	45.97	54.43	59.25
<b>FCF/Share</b>	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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