



Dover Corporation (DOV)

Updated October 24th, 2023 by Nathan Parsh

Key Metrics

Current Price:	\$131	5 Year CAGR Estimate:	12.1%	Market Cap:	\$18.3 B
Fair Value Price:	\$150	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	11/30/23 ¹
% Fair Value:	88%	5 Year Valuation Multiple Estimate:	2.7%	Dividend Payment Date:	12/15/23 ²
Dividend Yield:	1.6%	5 Year Price Target	\$220	Years Of Dividend Growth:	68
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	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 3rd, 2023, Dover announced that it was raising its dividend 1% for the September 15th, 2023 payment, marking 68 consecutive years of dividend growth. This is the second-longest dividend growth streak among U.S. companies.

On October 24th, 2023, Dover announced third quarter results the period ending September 30th, 2023. For the quarter, revenue decreased 0.2% to \$2.15 billion, which was \$70 million less than expected. Adjusted earnings-per-share of \$2.35 compared favorably to \$2.25 in the prior year and was \$0.02 above estimates.

Organic revenue was lower by 2% year-over-year, but up 3% sequentially. For the period, Engineered Products decreased 3% organically, as gains in waste handling and aerospace and defense were more than offset by weakness in Asia and Europe and lower volume in vehicle service. Clean Energy & Fueling was flat as growth in clean fuels and above-ground fueling equipment was offset by weakness in car wash and destocking activity. Imaging & Identification was down 4%. Marking and coding services remained strong, but printer volumes were down and demand in China was weaker. Pumps & Process Solutions decreased 7% as strength in precision components and dosing pumps was not enough to overcome declines in biopharma. Climate & Sustainability Technologies improved 2% as this segment benefited from growth in heat exchanger demand and refrigeration products. Dover's backlog decreased 7.1% from the preceding quarter to \$2.6 billion, but is up 19% from 2019 levels.

Dover provided revised guidance for 2023 as well. Adjusted earnings-per-share is now expected in a range of \$8.75 to \$8.85 for the year, compared to \$8.85 to \$9.00 and \$8.85 to \$9.05, previously. Revenue growth is now projected to be flat for the year, down from 2% to 4% and 3% to 5, previously. We have updated our forecast accordingly.

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	\$8.80	\$12.93
DPS	\$1.45	\$1.55	\$1.64	\$1.72	\$1.82	\$1.90	\$1.96	\$1.97	\$1.99	\$2.01	\$2.04	\$2.60
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 last 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 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	14.9	17.0
Avg. Yld.	1.8%	1.8%	2.4%	2.6%	2.1%	2.2%	2.0%	1.9%	1.1%	1.5%	1.6%	1.2%

Shares of Dover have decreased \$14, or 9.7%, since our July 25th, 2023 update. Shares trade with a price-to-earnings ratio of 14.9. 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 2.7% benefit to total returns from multiple expansion during this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

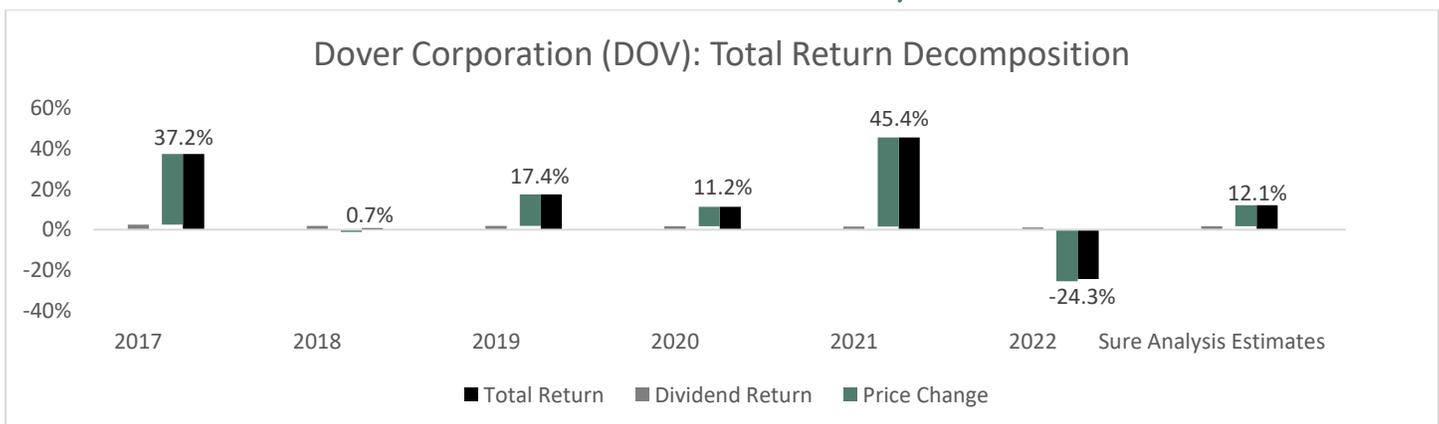
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	28%	34%	45%	58%	42%	32%	34%	35%	26%	24%	23%	20%

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 third quarter results, Dover Corporation is now projected to offer a total annual return of 12.1% through 2028, up from our prior estimate of 10.1%. Our estimated return is based on 8% earnings growth, a starting yield of 1.6%, and a small tailwind from multiple expansion. Dover continues to see struggles in most businesses during the most recent quarter. Guidance was lowered slightly as well. Despite operating in a cyclical sector, however, Dover has raised its dividend for nearly seven decades, speaking to the strength of the company and its ability to navigate challenging periods. We have lowered our five-year price target \$3 to \$220 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
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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