



Dover Corporation (DOV)

Updated February 3rd, 2024 by Nathan Parsh

Key Metrics

Current Price:	\$159	5 Year CAGR Estimate:	8.4%	Market Cap:	\$22.2 B
Fair Value Price:	\$154	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	02/27/24 ¹
% Fair Value:	103%	5 Year Valuation Multiple Estimate:	-0.7%	Dividend Payment Date:	03/15/24 ²
Dividend Yield:	1.3%	5 Year Price Target	\$226	Years Of Dividend Growth:	68
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

Dover Corporation is a diversified global industrial manufacturer with annual revenues approaching \$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 February 1st, 2024, Dover reported fourth quarter and full year results the period ending December 31st, 2023. For the quarter, revenue declined 1.4% to \$2.11 billion, which was \$70 million below estimates. Adjusted earnings-per-share of \$2.45 compared favorably to \$2.16 in the prior year and was \$0.02 better than expected. For 2023, revenue declined 1% to \$8.5 billion while adjusted earnings-per-share of \$8.80 compared to \$8.45 in the prior year and matched the midpoint of company guidance.

Organic revenue was down 3% for the quarter and lower by 1% for the year. For the quarter, Engineered Products had flat organic growth, as improvements in waste handling, industrial winches, and aerospace were offset by continued weaker demand for vehicle service in Europe and Asia. Clean Energy & Fueling was down 4% despite gains in clean energy and above-ground retail fueling equipment. Below-ground retail fueling equipment, car wash, and destocking activity were headwinds during the period. Imaging & Identification was down 4%, largely due to a tough comparable period. Serialization software was a positive during the period. Pumps & Process Solutions grew 1% due to ongoing strength in precision components and polymer processing. Biopharma continues to see lower volumes. Climate & Sustainability Technologies decreased 11% due to declines in demand for can-making equipment and heat exchangers. Dover's organic bookings grew 2%, the first positive figure in the last eight quarters.

Dover provided guidance for 2024 as well, with the company expecting adjusted earnings-per-share in a range of \$8.95 to \$9.15 for the year. Organic revenue growth is projected to be in a range of 1% to 3%. We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$4.54	\$3.64	\$3.25	\$4.38	\$4.97	\$5.84	\$5.67	\$7.63	\$8.45	\$8.80	\$9.05	\$13.30
DPS	\$1.55	\$1.64	\$1.72	\$1.82	\$1.90	\$1.96	\$1.97	\$1.99	\$2.01	\$2.03	\$2.04	\$2.60
Shares³	163	155	155	155	153	147	145	145	141	141	141	140

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ In millions of shares

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Dover's earnings-per-share have compounded at 7.6% annually since 2014. Growth has accelerated somewhat in the medium-term, at an annual rate of more than 9% 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 2029.

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	18.5	18.5	20.7	19.5	17.6	16.4	18.7	23.8	16.0	17.5	17.6	17.0
Avg. Yld.	1.8%	2.4%	2.6%	2.1%	2.2%	2.0%	1.9%	1.1%	1.5%	1.3%	1.3%	1.2%

Shares of Dover have increased \$28, or 21.4%, since our October 24th, 2023 update. Shares trade with a price-to-earnings ratio of 17.6. 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 annual returns would see a 0.7% annual headwind from multiple reversion during this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

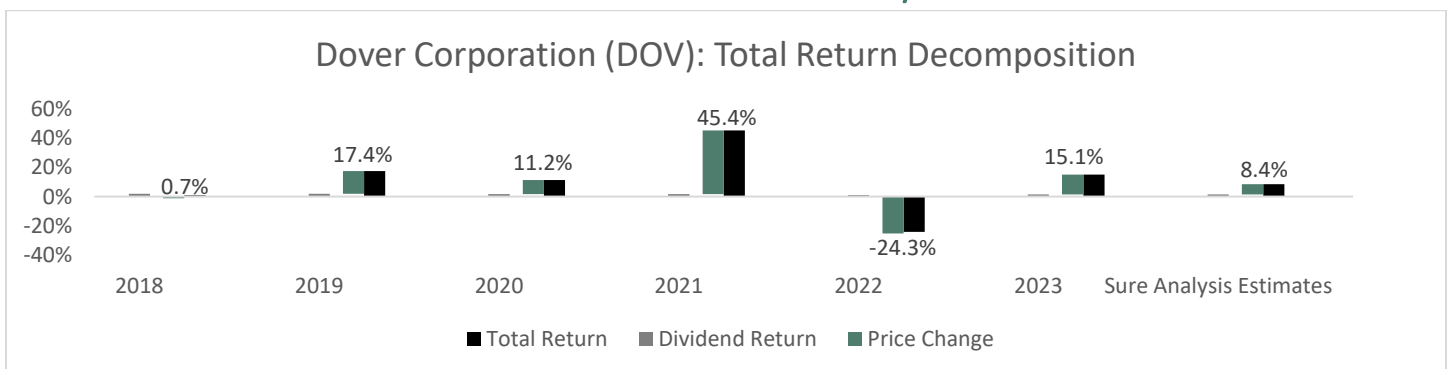
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	34%	45%	58%	42%	32%	34%	35%	26%	24%	23%	23%	20%

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, so switching to a different provider may not yield the same results for their businesses.

Final Thoughts & Recommendation

Following fourth quarter results, Dover Corporation is now projected to offer a total annual return of 8.4% through 2029, down from our prior estimate of 12.1%. Our estimated return is based on 8% earnings growth and a starting yield of 1.3%, offset by a small amount multiple contraction. Dover continues to see struggles in many businesses during the most recent quarter, but offered decent guidance for 2024. Importantly, bookings grew for the first time in almost two years. 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 increased our five-year price target \$6 to \$226 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	7,753	6,956	6,043	6,821	6,992	7,136	6,684	7,907	8,508	8,438
Gross Profit	2,974	2,568	2,228	2,529	2,560	2,621	2,474	2,970	3,064	3,085
Gross Margin	38.4%	36.9%	36.9%	37.1%	36.6%	36.7%	37.0%	37.6%	36.0%	36.6%
SG&A Exp.	1,759	1,647	1,519	1,722	1,716	1,599	1,541	1,688	1,684	1,718
D&A Exp.	307	327	250	283	283	272	279	290	308	317
Operating Profit	1,215	921	709	807	843	1,022	933	1,282	1,379	1,366
Operating Margin	15.7%	13.2%	11.7%	11.8%	12.1%	14.3%	14.0%	16.2%	16.2%	16.2%
Net Profit	775	870	509	812	570	678	683	1,124	1,065	1,057
Net Margin	10.0%	12.5%	8.4%	11.9%	8.2%	9.5%	10.2%	14.2%	12.5%	12.5%
Free Cash Flow	810	681	723	666	628	759	939	944	585	1,144
Income Tax	316	205	183	129	134	165	158	277	222	213

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	9,030	8,606	10,116	10,658	8,366	8,669	9,152	10,404	10,897	11,349
Cash & Equivalents	682	362	349	754	396	397	513	386	381	399
Accounts Receivable	1,187	1,120	1,265	1,184	1,232	1,217	1,137	1,348	1,517	1,432
Inventories	864	803	870	677	749	806	836	1,191	1,367	1,225
Goodwill & Int. Ass.	4,861	5,151	6,366	4,969	4,812	4,838	5,156	5,918	6,003	6,366
Total Liabilities	5,330	4,962	6,316	6,275	5,597	5,637	5,766	6,214	6,610	6,242
Accounts Payable	615	651	830	882	970	921	854	1,074	1,068	1,881
Long-Term Debt	3,031	2,755	3,621	3,568	3,164	3,070	3,109	3,124	3,678	3,460
Shareholder's Equity	3,701	3,645	3,800	4,383	2,769	3,033	3,386	4,190	4,286	5,107
LTD/E Ratio	0.82	0.76	0.95	0.81	1.14	1.01	0.92	0.75	0.86	0.68

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	7.8%	9.9%	5.4%	7.8%	6.0%	8.0%	7.7%	11.5%	10.0%	9.5%
Return on Equity	17.1%	23.7%	13.7%	19.8%	15.9%	23.4%	21.3%	29.7%	25.1%	22.5%
ROIC	10.4%	13.2%	7.4%	10.6%	8.2%	11.3%	10.9%	16.3%	13.9%	12.8%
Shares Out.	163	155	155	155	153	147	145	145	141	141
Revenue/Share	45.92	43.70	38.58	43.24	45.96	48.55	45.97	54.43	59.25	60.02
FCF/Share	4.80	4.28	4.62	4.22	4.13	5.16	6.46	6.50	4.07	8.13

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

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