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# Dover Corp. (DOV)

Q1 2025 Earnings Call

## CORPORATE PARTICIPANTS

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*Vice President-Investor Relations, Dover Corp.*

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

**Chris Woenker**

*Chief Financial Officer & Senior Vice President, Dover Corp.*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning and welcome to Dover's First Quarter 2025 Earnings Conference Call. Speaking today are Richard J. Tobin, President and Chief Executive Officer; Chris Woenker, Senior Vice President and Chief Financial Officer; and Jack Dickens, Vice President, Investor Relations. After the speakers' remarks, there will be a question-and-answer period. [Operator instructions]

As a reminder, ladies and gentlemen, this conference call is being recorded and your participation implies consent to our recording of this call. If you do not agree with these terms, please disconnect at this time.

Thank you. I'd now like to turn the conference over to Mr. Jack Dickens. Please go ahead.

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### Jack Dickens

*Vice President-Investor Relations, Dover Corp.*

Thank you, Margo. Good morning, everyone, and thank you for joining our call. An audio version of this call will be available on our website through May 15, and a replay link of the webcast will be archived for 90 days.

Our comments today will include forward-looking statements based on current expectations. Actual results and events could differ from those statements due to a number of risks and uncertainties which are discussed in our SEC filings. We assume no obligation to update our forward-looking statements.

With that, I will turn this call over to Rich.

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### Richard Joseph Tobin

*Chairman, President & Chief Executive Officer, Dover Corp.*

Thanks, Jack. Good morning, everybody. Let's go to slide 3. Q1 was a good quarter. Adjusted EPS was up 19% over the prior year on excellent incremental margin conversion, driven by a healthy mix of our growth platforms, prior period structural cost actions, and positive price/cost dynamics.

Adjusted EBITDA margin was up 240 basis points to 24%, a record result for Q1, with four of five segments posting over 100 basis points of comparative margin expansion. Importantly, organic bookings were up for the sixth consecutive quarter, with book-to-bill north of 1 across all five segments, resulting in a sizable portion of Q2 revenue already in backlog.

Overall, we are very encouraged by the start of the year. All of our efforts on portfolio construction, new product introductions, and methodical cost and productivity actions are driving meaningful improvement in segment profitability and durable long-term top line resilience.

Let's go to slide 5. Engineered Products was down in the quarter on lower volumes in vehicle services and program timing in aerospace and defense. We intervened on the cost structure of vehicle service to support its margin performance going forward.

Engineered Products, and specifically vehicle services, the most exposed to tariffs, so Chinese imported subcomponents in our case, structural steel. We are out with pricing mitigation actions, but we'll keep a close eye

on volume. The segment will be bolstered as the year progresses by calendarization of our aerospace and defense business.

With the divestitures of De-Sta-Co Environmental Services Group in 2024, our Engineered Products segment now accounts for 15% of our total portfolio, down from 25% in the prior year.

Clean Energy & Fueling was up 2% organically in the quarter, led by strong shipments in clean energy components, fluid transport, and below-ground retail fueling equipment.

Robust order activity and below-ground retail fueling signals a recovery after two years of lower volumes, a welcomed outcome. We are also encouraged by the increasing quoting activity in clean energy components, particularly in recent wins in space launch and LNG infrastructure in the US and Europe.

Margin performance was robust in the quarter, up 180 basis points on a higher mix of below-ground fueling equipment and tight cost controls. We expect this segment to be the leaders in margin accretion in 2025 on volume leverage, pricing and SKU management and positive product mix.

Imaging & ID posted another solid quarter with organic growth 4% on strong wins in serialization software and broad-based growth in core marking and coding across all geographies and product lines. Margin performance was robust as management actions on cost to serve and structural cost controls continue to drive incremental margins higher.

Pumps & Process Solutions was up 7% organically on double-digit growth in single-use biopharma components and triple-digit growth in thermal connectors for liquid cooling of data centers. Precision components and industrial pumps also had solid results. As forecasted, the long-cycle polymer processing equipment was down year-over-year in the quarter. Segment revenue mix and volume leverage drove margin improvement on excellent production performance and volume growth in biopharma and thermal.

The outlook for the rest of the year is favorable in Pumps & Process Solutions. Biopharma components and thermal connectors should continue their robust growth trajectories on secular themes in single-use biological drug production and liquid cooling of data centers. Our precision components business has a healthy exposure to the gas and steam turbine markets which are performing well.

Revenue was down in the quarter in Climate & Sustainability Technologies on comparative declines in food, retail, door cases and engineering services, which more than offset the record quarterly volumes in CO2 systems. We are encouraged to see year-over-year growth in our heat exchanger business for the first time since the fall of 2023, shipments of heat exchangers for installation and European heat pumps still faced poor comp in Q1, but were up sequentially from Q4.

Despite the lower top line, the segment posted 120 basis points of margin improvement and year-over-year growth in absolute earnings on productivity actions and a higher mix of CO2 systems. We expect improvement of segment performance over the balance of the year on the strength of CO2 refrigeration systems, robust growth at heat exchangers for liquid cooling of data centers and a continued recovery in heat exchangers for European heat pumps on improving end customer sentiment and normalized channel stocking levels.

I'll pass it to Chris.

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## Chris Woenker

*Chief Financial Officer & Senior Vice President, Dover Corp.*

Thanks, Rich. Good morning, everyone. Let's go to our cash flow statement on slide 6. Our free cash flow in the quarter was \$109 million or 6% of revenue. This was a \$3 million increase when compared to the first quarter of last year. Higher earnings and improved working capital performance were partially offset by the expected increase in capital spending on growth and productivity projects. The improved working capital performance was driven by strong collection activity, positively impacting our accounts receivable balance, partially offset by investments in inventory ahead of seasonally stronger volume quarters in Q2 and Q3. The first quarter is traditionally our lowest cash flow quarter of the year.

Our guidance for 2025 free cash flow remains on track at 14% to 16% of revenue on strong conversion of operating cash flow.

With that, let me turn it back to Rich.

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## Richard Joseph Tobin

*Chairman, President & Chief Executive Officer, Dover Corp.*

I'm on slide 7. Here, we provide a little more detail on the bookings in the first quarter. Q1 marked our sixth consecutive quarter of positive year-over-year organic bookings growth, posting a book-to-bill above 1. As shown in the segment detail on the right, the booking rates were broad-based, with strength in our secular growth-exposed markets and an encouraging trend as we move through the year.

Let's go to slide 8, which highlights several of the end markets. They were driving our consolidated organic growth forecast. Between end market data, our customer forecast and our booking rates, we are encouraged by the outlook in the broader industrial gas complex within clean energy and precision components, single-use biopharma components, CO2 refrigeration and inputs into liquid cooling applications of data centers, which include our connectors, as well as heat exchangers.

We have made significant organic and inorganic investments behind these end markets. Over 75% of the acquisition capital we've deployed over the last five years has been behind these markets, and they remain some of our highest priority areas of investment moving forward. In aggregate, these markets now account for 20% of our portfolio and drive attractive margin accretion on expected double-digit growth.

Moving to 9. Our organic investments remain our highest priority for capital deployment. We will continue to invest behind our existing businesses, regardless of the near-term fluctuations in the macro sentiment.

Here, we show some of the most meaningful and high-ROI projects for 2025. You'll see a healthy balance between growth capacity expansions behind some of our highest priority platforms, as well as productivity and automation investments, including some rooftop consolidations. As the rooftop consolidation projects are completed in the second half, we will provide the roll-forward benefit of the reduction of fixed costs.

Going to slide 10. This slide delineates our current tariff exposure. Clearly, this is a bit of a moving target. And these are annualized cost based on 2024 volumes. Nevertheless, it gives you the current situation and the prevailing tariff rates. Takeaway here is that we are a proximity manufacturer and the costs are embedded in our guidance. I leave the rest to Q&A, where I'm sure we'll beat this to death.

Let's go to slide 11. We have modestly trimmed our revenue and EPS guidance ranges for the full year to reflect uncertainty of the demand environment in the second half of the year because of the ongoing tariff negotiations. This is purely a top-down mechanical adjustment at this point based on the trends in our order rates. Together with backlog levels, we are in really good shape for Q2, but I think it's fair to say uncertainty in the tariff environment will have some impact on medium-term demand.

As a note, we set our forecast using prevailing exchange rates at the beginning of the quarter and have not adjusted our forecast for any fluctuations in foreign exchange since then, in particular, the euro/dollar rate. Clearly, at current spot rates, the translation headwind is reversing to a tailwind with the euro rallying over 5% of the dollar in the past month. Due to the short-term volatility in foreign exchange, we have chosen to wait until the end of the second quarter to see where it settles.

A final note on the current environment tariffs. Like any changes that occur in the macro environment, there's a tendency to focus on the negative implications. While we have spent countless hours over the past month on tariff costs and the supply chain implications by business and region and developing mitigation plans, one must not ignore evaluating competitive positioning. We are a proximity manufacturer with our cost and revenue base aligned. We have manageable supply chains. We will implement solutions to offset the cost implications of tariffs, and we'll push hard for market share gains where we believe we are strategically advantaged, be that on a cost or geographic footprint basis.

Dover proved during the pandemic that it can play defense and defend margins in a challenging demand environment. We entered this year with exceptionally good momentum from a product and portfolio perspective and an advantaged balance sheet position that allows us to opportunistically play offense in capital deployment. We will weather this tariff tumult, and I would argue that our business leaders are positioned far more on offense than defense at present.

Let's go to Q&A.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] And with that, we'll take our first question from Jeff Sprague with Vertical Research. Please go ahead.

**Jeffrey Todd Sprague**

*Analyst, Vertical Research Partners LLC*

Q

Hey, thank you. Good morning, everyone. Yeah, Rich, let me start the dead horse beating here. Just on the tariff side, I wonder – I guess this question is there's going to be some fungibility, right, in what you do on cost. But I'm trying to get a sense of what you're doing new incremental to offset tariffs versus what you already had in flight. I mean, it sounds like the \$60 million reshoring thing you called out is one of them.

But just thinking about sort of the cost versus pricing dynamics that you're doing here. And again, how much might have been sort of in the plan now and is going towards tariffs as opposed to potentially upside that we could have had to 2025.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Yeah. I think when we were doing all the conferences in the quarter, it was all Mexico and Canada then we saw this Chinese issue with the rate, it was a little bit of a surprise to say the least.

As I mentioned in the commentary, where we have the exposure, we're out in the market with pricing presently. There's a little bit of a lag effect depending on where we are from an inventory position, but yeah, we'll cover that largely with price.

But back to what I said at the end in terms of competitive positioning. There are instances where we believe that we're advantaged like meaning that a smaller proportionality of our bill of materials is subject to tariffs. And in cases like that, we will take advantage of the cost position that we have vis-à-vis some of our competitors that have been importing built-up units.

So, the – if you take a look at the chart on 10, I mean, other than China, that's the big number. And of that big number, \$60 million on one particular product line. And that product line, you can see in our first quarter results, we've been a little bit careful. And that's why the volume is down because we wanted to get the pricing out there.

So, I know the question is going to come in the Q&A here, well, while you're taking revenue down if all the pricing is coming through, as I mentioned before, I mean, the risk here is not price/cost. I think that we've got tailwinds on mix, and I think that we're on the front foot in terms of getting the price out there.

It's really – it's volume, right? And it's volume in the second half, and I think that – look, I did it, it's not in our forecast, and it's not built in a spreadsheet. I basically said, let's clip off about 1% because we're probably going to have project drift because of all the delay that we've seen around these tariffs.

**Jeffrey Todd Sprague**

*Analyst, Vertical Research Partners LLC*

Q

And then just – and understood. Thanks for clarifying that. And then just to kind of pick up then, as you'd mentioned, kind of on the conference circuit, right? Through January and February, things seemed to be progressing better. It sounded like March was okay or maybe better than okay given the book-to-bills, but maybe just kind of talk about how you exited the quarter and did you see any sort of behavior change anywhere from your customer base kind of post the April 2 announcements?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

I mean, look, the incremental margin in the quarter was phenomenal. And I guess, I think, I would argue we probably outperformed a little bit there because the margin mix was so healthy.

Yeah, the order rates, I think – like you talked to clients – like I said before, I mean, this view of, yeah, we want to do the projects, but where everybody's kind of getting nervous a little bit, and there's a little bit of a drift there to say. But in terms of our order rates and our shipment rates, we actually accelerated through the quarter.

So like I said, that's why I'm making it – it's a sentiment adjustment I'm making, not tangible data of customers saying, yeah, I was going to probably want in Q2, but now I want it in Q3. That type of thing. Our Q2, based on our backlog, should be right on what our forecasts were going through Q1.

**Jeffrey Todd Sprague**

*Analyst, Vertical Research Partners LLC*

Q

Got it. Thanks. I'll leave it there. Appreciate it.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Thanks.

**Operator:** Our next question comes from Andrew Obin with Bank of America. Please go ahead.

**Andrew Obin**

*Analyst, BofA Securities, Inc.*

Q

Yes. Thanks so much. So just a question about bookings. You've highlighted six consecutive quarters of year-over-year bookings growth. But second quarter comp is tougher, and I do appreciate that on a two-year stack, it's maybe not as tough. But should we think about just sustainability of bookings growth? And I do appreciate that there may be an air pocket on bookings related to tariffs, but maybe near term, how do you see that?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

I would expect to be over 1 for Q2. That's my expectation right now. And look, we get crazy about this. Bookings are a little bit lumpy sometimes. And a lot of it is predicated on what happens in the last week of the quarter. So I wouldn't flip out if somebody goes below 1. But right now, based on the momentum that we have on bookings going into the quarter and what we know we're quoting on and stacking up there, it should be okay by the time we get to the end of Q2. But like I said, that's – we're going to see if we can plow through negative sentiment over the next how many days we have left here, 65 or 68 days left in the quarter.

**Andrew Obin**

*Analyst, BofA Securities, Inc.*

Q

Got you. And as we think about just sort of your – just pure math on removing percentage point of volume, but then also EPS impact. If you put it together with the beat, we sort of get decrements on revenue sort of around 40%. Obviously, then there's this FX cushion. So it's just – should we just think it as sort of margin of safety that you've built into forecast? Or are there sort of signs to this 40% decremental number? More precise signs.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

There's not signs to it. It was not.

**Andrew Obin**

*Analyst, BofA Securities, Inc.*

Q

Okay.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

It was mechanical in nature, and it was basically \$100 million revenue at 38% margin or something like that.

**Andrew Obin**

*Analyst, BofA Securities, Inc.*

Q

Okay. Okay. [indiscernible] (00:18:49). Thanks so much.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Thanks.

**Operator:** Our next question comes from Scott Davis with Melius Research. Please go ahead.

**Scott Reed Davis**

*Analyst, Melius Research LLC*

Q

Hey, good morning, guys, and welcome, Chris, to the call.

**Chris Woenker**

*Chief Financial Officer & Senior Vice President, Dover Corp.*

A

Thanks.

**Scott Reed Davis**

*Analyst, Melius Research LLC*

Q

Rich, the other kind of second derivative of all this chaos is potentially M&A valuations getting a bit lower. Is that something you're kind of – I mean, it's probably a little too early to say you're seeing signs of it, but it is something you're anticipating?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Well, we've only had one meaningful transaction in multi world and the valuation was pretty robust at the end of the day. I can tell you anecdotally that I'm aware of a few processes that have been pulled because of uncertainty. So – and maybe we're going to have to wait until we get a little clarity on the tariff tumults and then we'll see when assets come back and the like. I will tell you, for ourselves, we're working on a bunch of stuff. A lot of it is proprietary. So it's not in kind of like the public domain of kind of Whisper stuff out there.

Will valuations come down? I guess so. But not from what we've seen, but we've got such a limited amount of data so far that it's hard to tell.

**Scott Reed Davis**

*Analyst, Melius Research LLC*

Q

Yeah. That doesn't surprise me. Hey, not to climb out of minutia here, but would you be willing to share the actual growth rate in the thermal connectors that you had in the quarter?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

I think that we've said it was up 50%, I think, something like that.

**Scott Reed Davis**

*Analyst, Melius Research LLC*

Q

Oh, you did say that?

**Chris Woenker**

*Chief Financial Officer & Senior Vice President, Dover Corp.*

A

Over 100%.

**Scott Reed Davis**

*Analyst, Melius Research LLC*

Q

All right. I missed it.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

What's that?

**Chris Woenker**

*Chief Financial Officer & Senior Vice President, Dover Corp.*

A

It was over 100%.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Oh, excuse me, it was over 100%. Comparative growth [ph] rate (00:20:38), not sequential, that would be competitive.

**Scott Reed Davis**

*Analyst, Melius Research LLC*

Okay. That's a big number. All right. I'll pass it on. Thank you, guys.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Yes, thanks.

A

**Scott Reed Davis**

*Analyst, Melius Research LLC*

Good luck.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Thanks.

A

**Operator:** Thank you. Next, we'll go to Steve Tusa with JPMorgan. Please go ahead.

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Good morning.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Hi.

A

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Do you – can you opine on like what your second quarter internal plan roughly looks like?

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

No.

A

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Okay.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

It is embedded in our full year guidance.

A

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Q

Okay. Does it look like it's around consensus?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Yes.

A

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Okay. And then just on your kind of tariff mitigation. I mean, everybody is kind of giving a little bit of color on the split of what they're planning to do. I mean, should we think about it as – first of all, how much of a hit will it be in the near term? And then, I assume you're going to kind of work through it in the third and the fourth quarter. And then how much of that is price and how much is kind of these mitigation activities?

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Okay. Well, look, clearly, if we put all the regions into the manageable category with the exception of Chinese imports, just if you look at the quantum on the slide, that we can make up a variety of different ways, whether it's productivity or price or hopefully both.

A

On the China one, we will make up largely in price, but I will tell you that we are aggressively negotiating with our suppliers in China about what the split is. So a couple of things. I get that the percentage tariff rate right now is extremely high. I don't believe that, that is going to last for the balance of the year. So this is just math, number one. And number two, like I said, whether we take the full brunt of the tariffs or not, that's up to our negotiations between what little bit of supply base that we have in China left and our vendors and ourselves. And I can tell you that anecdotally, at worst, we will share it.

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Okay. And then just one last one. You said it was kind of like a top-down approach. I mean, \$0.10 is kind of rounding error in the end. How did you – what is your macro assumption to a degree? I mean, like, why not \$0.20? Why not \$0.30? Like, what is your – I'm just trying to get a gauge of how well you can manage in the context of like a downside economic scenario. Like, what are you actually thinking from a top-down? Or was it just like, hey, you know what, \$0.10, let's just strip it out.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Yeah, it was mechanical at the end of the day. And like I said in the commentary, what I could have done, I could have given you a bridge and then rerun FX and said, [obscenity] (00:23:43) the torpedoes, we're holding guidance for the year. I don't know of what the derivative of the demand environment is going to be in the second half. So, basically, it is – so it wasn't like we ran [ph] Q3 and – Q forecast (00:23:54) into these types of scenarios, I just basically clipped it right off the top.

A

Now, do I have a variety of different measures baked in there? Sure. Is all the pricing that we've assumed, the incremental pricing, is that assumed in our forecast right now? No, right? So to the extent that it sticks and volume remains where we think it's going to be, that's upside, our beat the FX thing to death.

I would tell you that Q1 corporate costs were high, and we don't expect that to repeat over the balance of the year. So there's a variety of different items that we have. What I can say is, I think, what we've proven in the past is in a downside scenario, we can flex our cost base relatively quickly.

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Q

Got it. I won't ask about the torpedo reference.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Yeah, [indiscernible] (00:24:49).

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Q

But thanks a lot.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Yes.

**Operator:** Our next question comes from Julian Mitchell with Barclays. Please go ahead.

**Julian Mitchell**

*Analyst, Barclays Investment Bank*

Q

Hi. Good morning. Maybe I just wanted to push you a little bit, Rich, on the organic sales assumption, because I understand you've taken a more cautious view, but you're not seeing anything yet that's concerning from customers. But in the first quarter, your organic sales were up overall around 1 point and the full year is guided at the midpoint up 3.

So I understand you've sort of lowered the original assumption for organic sales growth for the year. But it's still an acceleration versus the first quarter. So maybe sort of help us understand which businesses you're most confident in will see that step-up in growth, please.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Well, yeah, Julian, as you know, if you go back and look at the seasonality of our portfolio, we tend to be relatively low growth and build inventory in Q1 and then step it up in Q2 and Q3. And then Q4 is always a little bit depending on what our view is about the following year, whether we run production performance. So, you've heard that speech before.

So, seasonality says that we should jump in Q2. Like I said, Q2 from a backlog perspective, we can see it. So unless we start getting cancellations around here, I think that we're confident in terms of what the step-up is in Q2. We'll watch order rates going through Q2, which would give us clarity on the top line for Q3, but it's a little bit early to tell. I don't even think we have even anecdotal data yet in – as we get – as we're in Q2 right now, but I'm not hearing anybody squealing that their order rates are falling off a cliff.

So we feel really good about Q2 because of the backlog, so that would support what our assumptions were for Q2. So basically, what I did was trim off the back end of the year just because we need to get some visibility.

**Julian Mitchell**

*Analyst, Barclays Investment Bank*

Q

That's helpful. Thank you. And then just a second question on the operating margins and the tariffs. So just to understand, is the main assumption that the net dollar tariff effect for the full year is around zero. And just if that's a firm-wide number, is there any aspect, whereby you may be a negative in a given quarter? And any color on which segment you think might have the biggest tariff risk?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

How do I want to respond to that? Okay. I understand what you're saying, right? If we were net neutral for pricing and tariff costs, it's dilutive to margins. But that has an underlying assumption of, first of all, if you look at those numbers and you back out that the Chinese number is a full year number, we've already got a quarter under our belt that didn't exist, and we don't expect it to last for the balance of the year. What are we talking about here at the end of the day in terms of if that was the scenario? To me, that gets eaten up in mix in every segment, maybe with the exception of [indiscernible] (00:28:14), which it's relatively easy to calculate at the end of the day. So I'm not – if any kind of movement in margin is going to be on intra-segment mix far more on price/cost because of tariff.

**Julian Mitchell**

*Analyst, Barclays Investment Bank*

Q

That's great. Thank you.

**Operator:** Next, we're going to take our question from Michael Halloran with Baird. Please go ahead.

**Michael Halloran**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Hey. Morning, everyone.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Good morning.

**Michael Halloran**

*Analyst, Robert W. Baird & Co., Inc.*

Q

So could you just give any thought process on if you're seeing any difference between your OpEx, steady-state consumable-type businesses, versus more of your CapEx longer-cycle-type pieces in terms of orders or commentary from customers at this point.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Yeah. I mean, the CapEx ones are the ones we're keeping a close eye on, right? So the volume churn, maybe that's not the right word, on kind of the flow businesses, we just watch that on a daily basis, and then we just take a look at it. The ones that we really got to keep a look on is our customers' CapEx projects that we are a

precursor or a component supplier into it. And that's where the concern is. Is everybody just going to keep going along? Or are we going to run into a situation of – again, I'm worried about the macro and I want to see some clarity and the things get delayed a little bit. So that's the part that we're working on the most. And that's really the reason that we gave a little bit of haircut to the total volume for the year because if you get another month or so of drift, you're not going to be able to make it up in the balance of the year. So clearly, right now, the flow portion of the business is going well, but we'll keep an eye on it. It's the one that we really got to pay attention to is customer CapEx, where we're a supplier into that.

**Michael Halloran**

*Analyst, Robert W. Baird & Co., Inc.*

Q

And is the implication there is that you're seeing a little bit of drift in the CapEx piece or you're just worried that the drift will come?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

I'm worried, right?

**Michael Halloran**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Yeah, [indiscernible] (00:30:23)

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

I can't see it in the order rates, right? So we just have anecdotal conversations with all of our business leaders that are talking to these customers of – and all the customers are saying, no, no, everything is on path, everything is on path, but experience says when you get into a situation like this, could you get some drift? Sure, right? Is it going to be meaningful over the long term? It's irrelevant at the end of the day, but we're just trying to be prudent.

**Michael Halloran**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Yes. No, makes sense. And then just on the inventory side of things, how would you characterize your inventory and then your content in the channel, how would you characterize that inventory level?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

I think we did a great job on inventory. We actually have more inventory than we would like, but I think we are on the front foot of bringing in a bunch of inventory either because of issues around tariffs or buying forward because metal pricing was quite good for us in Q4. So, we basically had our businesses postured going into this year of let's stock up on some inventory because if demand is good and we get the top line of 5%, let's make sure that we're able to work the supply chains and everything else because we know we can bleed it off in the back half of the year anyway.

So right now, with the one exception on the structural steel around Vehicle Services Group, which we will take our time because it may be prudent to wait to see if we get a tariff settlement, and then just catch up on the volume in the back end of the year. That's the only one I can think of where we're being careful around tariffs as it relates to inventory.

**Michael Halloran**

*Analyst, Robert W. Baird & Co., Inc.*

Make sense. Really appreciate it. Thanks.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Thanks.

A

**Operator:** We'll take our next question from Nigel Coe with Wolfe Research. Please go ahead.

**Nigel Coe**

*Analyst, Wolfe Research LLC*

Thanks. Good morning. So look, in the spirit of sweating the small stuff here, if we look at the top line guide, the point cut to the top line, if we decompose that between price and volume, is there like a 2-point cut to volumes and maybe 1 point higher price to offset the tariffs? And then if we then take that thought a little bit further, would that mean maybe a 3- to 4-point cut to the volumes in the back half of the year. Just trying to judge how conservative your position in the back half of the year.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Nigel, I don't know, right? Like I said, it's a mechanical adjustment. It's not a spreadsheet where we basically said, let's see all the price increases. And then on static volume, it is more or less let's just take 1% off at current conversion margin and be done with it. I can't predict mix from a portfolio that's diverse over the next three quarters and split it between price and volume.

A

If volume stays at what we thought it was going to be going into the year and we get price, right, then clearly, that's some upside. But getting all this price, is that going to have a detriment on volume? And who knows at this point, right? So, I think that we need to get through another quarter here and maybe get some clarity of where we are on this tariff tumult and then we can start breaking this down into individual cells on the spreadsheet, but it's inclination rather than some mathematical adjustment.

**Nigel Coe**

*Analyst, Wolfe Research LLC*

Okay. No, that's very clear. Thanks, Rich. And then just a couple of quick ones. PPS margins obviously were great. Normally, 1Q was the low point. I realize mix is an issue, but would you expect 1Q to be the low point for PPS? And then, did we detect a glimmer of hope in European heat pumps? Just any thoughts there.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Yeah. It's a glimmer of hope. So sequentially up. If you remember, our orders were up in Q4 on heat pumps. I mean, albeit off a pretty low base. So European heat pumps has outperformed our internal forecast for the last two quarters. So we'll take it as good news there, now that's being augmented by [ph] that phrase being (00:34:30) heat exchangers goes into a variety of different applications. But, yes, we're seeing orders which is good news because that means that the inventory in the system has been largely depleted at this point. What was the first question?

A

**Nigel Coe**

*Analyst, Wolfe Research LLC*

The PPS margins.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Oh, PPS margins, we're going to be careful with that because MAAG was down because it had a bad comp. So as MAAG and DPC come up, they're great margin businesses, but they're dilutive to that. So, I think I'd be a little careful about whether that thing keeps going up. I hope it does. But you do have a mix effect on the balance of the portfolio, so you have to be a little bit careful.

A

**Nigel Coe**

*Analyst, Wolfe Research LLC*

Okay. Thanks, Rich.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Yes.

A

**Operator:** Next, we'll go to Joe O'Dea with Wells Fargo. Please go ahead.

**Joseph O'Dea**

*Analyst, Wells Fargo Securities LLC*

Hi. Good morning.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Hi.

A

**Joseph O'Dea**

*Analyst, Wells Fargo Securities LLC*

Can you just expand on the proximity manufacturer considerations here, where in the business you would have some of the bigger advantages, any positions where you would view yourself as being a little bit disadvantaged?

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Not without giving out a lot of proprietary information about our view of the competitive stack by business. I can just tell you that we have competitors that import fully built-up units of products that compete with us where we manufacture in the United States and maybe have subcomponents that are imported, but as a percentage of the bill of materials, it's significantly lower.

A

So, we're on the lookout to take advantage of that, and that will all be around pricing, right? Because everybody is going to grow out a bunch of pricing and the signaling and then you're going to max then you're going to start doing the calculations between market share gains and price/cost and a variety of things like that.

So, we do that work every year around here. So, when things like this happened or when it happened back in 2020, we have different strategies by business relative to the cost basis of their competitors.

**Joseph O'Dea**

*Analyst, Wells Fargo Securities LLC*

Q

And then on vehicle lift, just to expand on that dynamic a little bit to try to understand how much is your managing the timing of demand for moves in the manufacturing base versus underlying CapEx demand trends where there's a little bit of a pause. It doesn't sound like you're seeing much pause in the businesses. But just trying to understand...

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Well, and if you remember...

**Joseph O'Dea**

*Analyst, Wells Fargo Securities LLC*

Q

...how you're managing timing.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Yes. Yeah. If you remember how this whole tariff thing lifted off, it was all around auto and all around NAFTA, and auto is the one that bore the brunt of it, number one.

And number two, we had big discussions, it seems like a long time ago, it's probably like 60 days ago, about the consumer and inflation on the consumer. And this is a particular product that unlike the vast majority of our portfolio that has got auto and consumer exposure.

So, you would expect the reaction there to be the quickest and we've seen that in terms of volume. And coupled on that now we've got – it happens to be the one business that we have that's got a higher exposure in terms of imported components, particularly from China.

So, some of that is market and some of that is self-inflicted from a timing point of view. We put a bunch of pricing out there and we'll see what happens in terms of demand and price/cost going forward [ph] in the year (00:38:19).

**Joseph O'Dea**

*Analyst, Wells Fargo Securities LLC*

Q

Got it. Thank you.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Yes.

**Operator:** We'll take our next question from Joe Ritchie with Goldman Sachs. Please go ahead.

**Joe Ritchie**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hey, good morning, guys.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Joe.

A

**Chris Woenker**

*Chief Financial Officer & Senior Vice President, Dover Corp.*

Good morning.

A

**Joe Ritchie**

*Analyst, Goldman Sachs & Co. LLC*

Hey. So, I know you don't want to give us a 2Q guide, but let me just kind of ask a question on organic growth because it is the one quarter that you guys have a great deal of visibility on. So, is it fair to say that the growth rate you're expecting at this point in 2Q would be above the 2% to 4% range for the year?

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

No. I don't think so.

A

**Joe Ritchie**

*Analyst, Goldman Sachs & Co. LLC*

Okay. But within the range or no?

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Yeah.

A

**Joe Ritchie**

*Analyst, Goldman Sachs & Co. LLC*

Okay. And then I wanted to just ask a question. I know we don't usually spend a lot of time on DII. But I think I heard you say that you expect it to be the greatest margin expansion story from the segment perspective this year. Just talk us through some of the structural cost actions that are occurring in the business and maybe what the ballpark expectations are for margins this year.

Q

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

Well, let me answer the DII question. That's not where we expect the largest margin expansion. That would be in Clean Energy & Fueling, where we expect the largest absolute margin expansion from a year-over-year point of view. Now, DII on the other hand, if you go back and look historically in terms of margin, I would – I'm doing this out of my head, but it almost seems like it's about 100 basis points to 125 basis points of margin expansion per year over the last five years, if you strip out kind of COVID year where it's all over the place.

A

So, not to take away anything from the management team of DII, which has done a fantastic job in terms of their cost to serve on relatively lower single-digit volume growth that the absolute profit or cash flow generated, but that

business has been exemplary. On the clean energy side, that's where we've done the restructuring in the prior year. So you've got the roll-forward.

What we tried to signal here on that slide about our CapEx projects, we told you that we're doing a bunch of acquisitions and that we were going to begin to intervene on the footprint in 2025. We're ready to get that all kicked off. And as we kick it off largely in the back half of the year, we'll give you the restructuring charges and we'll give you the roll-forward benefit going into 2026.

So it's a combination of volume that we're getting. We've got a really healthy mix as opposed to the previous year in that segment. And then you've got roll-forward restructuring benefit this year and another set of roll-forward coming for next year. We're going to get that business to 25% EBITDA margin.

**Joe Ritchie**

*Analyst, Goldman Sachs & Co. LLC*

Q

Got it. [indiscernible] (00:41:26). Thanks for the clarification.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Yes. Thanks.

**Operator:** Our next question comes from Andy Kaplowitz with Citigroup. Please go ahead.

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hey, good morning, everyone.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Hi, Andy.

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Rich, just following up on DPPS. You mentioned a tough comp at MAAG in Q1, and Pumps & Process still put up 7% revenue growth on over 30% margin. So I think given MAAG comps get easier now in Q2, does Pumps & Process potentially continue to accelerate here? And I think you said in the recent past that biopharma was trending up higher than your low teens forecast for 2025. I think today, you talked about thermal connectors up triple digits. Are those businesses going to continue to run hotter for the rest of the year you think?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Not at the rates that it's going at. I mean, we're kind of in the liftoff phase. It's going to – look, if we can post 35% operating margins and 7% growth for the balance of the year, would be a fantastic result. I think it's just the compounding effect of that growth just gets tougher and tougher, and you run into market limitations and capacity limitations of the market at the end of the day. I think that we're really, really [audio gap] (00:42:40) and the gain on share of those particular product lines in the two sides. But I don't think – let's not overlay something that's not realistic in terms of an acceleration from here.

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Q

It's helpful. And maybe just looking a little more closely at DCEF, because I think in the recent past, you've mentioned you expect your cryo-related businesses [ph] having (00:43:05) to grow double digits. What are you seeing there? I know you -you're forecasting mid-single digit for the year. Last quarter you started at 2%. That's obviously not bad. But is there anything holding that business down on the revenue side?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

That's got a lot of – that's got a flow portion of the business and then it's got a project-related portion of the business. The flow part of the business is doing well. We talk about like the cryogenic component side of it, and then you've got project side, right? And the project side is – the whole retail fueling side is project related, which we did terrifically, which drove the margin in Q1. We – and expect that to kind of go through, but we have to be a little bit cautious on the project side because that goes into – that's customer CapEx at the end of the day and we're trying to get some clarity on where we go from there.

But the setup itself in terms of the margin mix of where the demand is coming from and the structural cost takeout makes us feel pretty good no matter what the back half dynamic is in that particular business.

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Appreciate the color.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Yes.

**Operator:** And our last question comes from Brett Linzey with Mizuho. Please go ahead.

**Brett Linzey**

*Analyst, Mizuho Securities USA LLC*

Q

Hey, good morning. Thanks. Just want to come back to price. So, the incremental price is not fully baked in the guide. But I guess in terms of what you've announced to the channel and customers, do you have all the price out there that you need to mitigate the tariffs for this year?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

I hope so, if we could get some clarity on what the tariffs are actually going to be for the year. We just put out pricing last night. So, I got an email. So, I think the vast majority of it's out there, but it's a little bit of a moving target under the current circumstances. And then price is always signaling at the end of the day, and there's a lag time in price. So it's not as if we raise prices tonight, we got to burn the backlog off and you know the drill. So, I think everything that we know about is out there. We'll see about realization.

**Brett Linzey**

*Analyst, Mizuho Securities USA LLC*

Q

Yes, makes sense. And then maybe just shifting back to FX. So headwind flipping to a tailwind here. And understandably, there's the gyrations you don't want to mark-to-market. But I guess if you were to strike the line today, how are you thinking about the net impact with all the hedges and everything in terms of the tailwind at today's rates?

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

I think the last time we ran it, for what we trimmed out of the guidance, we'd put it right back on FX.

**Chris Woenker**

*Chief Financial Officer & Senior Vice President, Dover Corp.*

A

Yes, [ph] that's right (00:45:50).

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Believe it or not.

**Brett Linzey**

*Analyst, Mizuho Securities USA LLC*

Q

All right. Got it. Thanks a lot.

**Richard Joseph Tobin**

*Chairman, President & Chief Executive Officer, Dover Corp.*

A

Yes. Thanks.

**Operator:** Thank you. And that concludes our question-and-answer period and Dover's first quarter 2025 earnings conference call. You may disconnect your line at this time, and have a wonderful day.

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