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Dover Corp. (DOV)

Q2 2026 Earnings Call

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CORPORATE PARTICIPANTS

Jack Dickens
Vice President-Investor Relations, Dover Corp.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

Christopher B. Woenker
Senior Vice President & Chief Financial Officer, Dover Corp.

OTHER PARTICIPANTS

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Scott Reed Davis
Analyst, Melius Research LLC

Amit Mehrotra
Analyst, UBS Securities LLC

Nigel Coe
Analyst, Wolfe Research LLC

Deane Dray
Analyst, RBC Capital Markets LLC

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Andrew Obin
Analyst, BofA Securities, Inc.

Michael Halloran
Analyst, Robert W. Baird & Co., Inc.

Joe Ritchie
Analyst, Goldman Sachs & Co. LLC

Christopher M. Snyder
Analyst, Morgan Stanley & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to Dover's Second Quarter 2026 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 would now like to turn the call over to Mr. Jack Dickens. Please go ahead, sir.

Jack Dickens

Vice President-Investor Relations, Dover Corp.

Thank you, Katie. Good morning, everyone, and [audio gap] (00:01:00) joining our call. An audio version of this call will be available on our website through August 13, 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 filing. We assume no obligation to update our forward-looking statements.

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

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Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Thanks, Jack. Good morning, everyone, and let's get going on slide 3. We delivered another strong quarter with results that reflect the breadth of demand across the portfolio. All-in revenue grew 7% or 5% organically with all five segments posting positive organic growth. Our top line performance continued to be led by our secular-growth-exposed markets, which now represent approximately 25% of the portfolio, which is complemented by broad-based constructive trading conditions across most of our other end markets. Margin performance was solid. Adjusted EBITDA margin expanded 80 basis points to 25.9% as operational execution on incremental volume more than offset input cost inflation and facility consolidation costs during the quarter. Incremental margins were 38% from 25% in Q1, the healthy product mix driven by our growth platforms. Adjusted EPS was $2.74 per share, up 12% year-over-year, marking another quarter of double-digit earnings growth.

Bookings were again the highlight in the quarter. Orders increased 16% year-over-year and outpaced shipments with book-to-bill at 1.06, extending strong order momentum of recent quarters and improving our visibility into the second half of the year. Our balance sheet remains a competitive advantage, and we continue to invest capital behind our businesses. During the quarter, we advanced capacity expansion projects to support growth as well as productivity investments to drive margin improvement across the portfolio. Industrial M&A markets have improved this year, and our acquisition pipeline has a number of interesting opportunities in attractive end markets. Given our first-half performance, the momentum in our end markets and the visibility we have in the second half, we are raising our full-year adjusted EPS guidance. We are committed to delivering double-digit adjusted EPS growth consistent with Dover's long-term performance trajectory.

Let's go to slide 5. Engineered Products was up 2% organically. Growth was driven by strong demand in aerospace and defense components, fluid dispensing, and industrial winches, along with continued stabilization in the North American vehicle aftermarket. Margins expanded 100 basis points on favorable mix and proactive cost-containment actions.

Clean Energy & Fueling grew 9% organically with broad-based strength across clean energy components and retail fueling, equipment and software. Within Clean Energy, our order book has expanded meaningfully from cryogenic components used in LNG and space launch infrastructure driving momentum in that business. Retail fueling also remained healthy with particular strength in North American dispensers, software, and below-ground equipment. Segment margin expanded 170 basis points on volume leverage and the integration benefits from recent acquisitions.

Imaging & Identification grew 3% organically with growth across core marking and coding equipment, consumables, spare parts, and serialization software. Segment margin expanded 150 basis points on productivity and structural cost discipline.

Pumps & Process Solutions grew slightly with strength in AI and energy infrastructure components, single-use biopharma, and industrial pumps. Precision components benefited from robust demand for bearings tied to steam-and-gas turbines. Polymer processing had a tough comp in the quarter, which muted the segment's top line. We expect the business to return to growth in the second half of the year. Segment margin expanded 170 basis points to 35%, I think a record or a best-in-class result driven by a mix of products delivered and augmented by M&A activity.

Climate & Sustainability Technologies grew 8% organically. A bit of a tale of two cities here. Heat exchange has delivered their best quarter ever with particularly strong demand tied to liquid cooling. For data centers, we are actively working to double capacity for these products over the next 12 months. We also continue to see a

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welcome recovery in European residential heat pumps. We had a tough quarter in refrigeration. Demand was strong across all the product lines particularly CO2 systems, which is great, but raising output proved difficult in the midst of a complex facility consolidation while simultaneously ramping labor. While we knew that there was going to be some margin pressure from running redundant facilities through the transition, we frankly did not expect to fall short on our production throughput targets. That's on me, and it cost us on the top line in the quarter probably 1 point to 1.5 points of organic growth. We'll get this fixed over the balance of the year, and I expect to be reflected in the revenue growth rate and margin in the second half.

I'll pass it over to Chris.

Christopher B. Woenker

Senior Vice President & Chief Financial Officer, Dover Corp.

Thanks, Rich, and good morning, everyone. Let's go to our cash flow statement on slide 6. Year-to-date free cash flow of $320 million, or 8% of revenue, was up 23% over prior year. This improvement was primarily driven by operating cash conversion on year-over-year earnings growth, which more than offset working capital investments tied to accelerating top line growth. Consistent with historical trends, we expect cash flow generation to accelerate meaningfully in the second half driven by seasonal working capital liquidation in the third and fourth quarters. Our full-year CapEx estimate remains $190 million to $210 million, and our free cash flow guidance remains 14% to 16% of revenue.

With that, let me turn it back to Rich.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

I'm on slide 7. Broad-based booking momentum continued in Q2 with all five segments posting year-over-year growth. On a trailing 12-month basis, consolidated bookings are up 15%, and book-to-bill is well above 1, providing further visibility and confidence in our outlook. The breadth of our order growth is important and points to continued top line strength in the second half. We are seeing particular strength in the areas we have highlighted as secular growth priorities: aerospace and defense, components for steam-and-gas turbines, and broader power generation infrastructure, single-use biopharma, CO2 refrigeration systems, and heat exchangers for liquid cooling of data centers, where, in many cases, demand is outpacing supply and extending lead times, and we are actively expanding capacity in those areas.

We also are seeing order improvement in parts of the portfolio that have recently been pressured. Refrigerated door cases and engineering services continued to recover from 20-year lows as national retailers reengage in maintenance and replacement activity. In polymer processing, a book-to-bill above 1 in the quarter is an early signal of stabilization and about a better outlook for that longer-cycle business as we look towards 2027.

Turning to slide 8, we highlight the breadth of our exposure across multiple secular growth end markets. These markets, which now represent approximately 25% of our 2026 revenue, up from 20%, I think, at the end of Q1, are becoming increasingly visible across all five segments. Across the energy transition and power generation markets, natural gas remains the most viable option for scalable, reliable electricity. We participate in the natural gas ecosystem through cryogenic components such as valves and vacuum jacketed piping for LNG infrastructure, and through precision components for reciprocating compressors, engines, steam-and-gas turbines where OEM lead times now extend for years.

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Our acquisition of SIKORA a year ago continues to meaningfully outperform its underwriting case, providing test-and-measurement equipment for high-voltage wires tied to electrification and, increasingly, for polymer-coated fiber optic cables tied to the data center build-out. In data centers, the density of thermal requirements of new chips are driving a shift towards liquid cooling, as we all know, which directly benefits our connector and heat exchanger businesses.

Through SWEP, we participate across multiple parts of the liquid cooling ecosystem supplying brazed plate heat exchangers in both coolant distribution unit and chiller OEMs. Our OPW business is also capitalizing on this growth through supplying couplers, adapters, and cryogenic cooling infrastructure as well as fiberglass trench systems, which were originally designed for retail fueling and are increasingly being specified for data center applications by hyperscalers. Demand tied to data center infrastructure remains exceptional with customers securing capacity well ahead of need.

In CO2 refrigeration, we hold a first-mover advantage of fully platform product offering and a recently retrofitted plant in Georgia that gives us differentiated scale and product performance. Importantly, industry adoption is no longer driven by regulation, but rather by economic payoff and the total cost of ownership versus legacy refrigerants.

We are also seeing robust growth across our exposures to semiconductor and electronics manufacturing, where cryogenic components, flow meters, and specialized heat exchangers position us well against a durable, multiyear investment cycle.

In biopharma and medical, our single-use connectors, pumps, and flow meters continue to benefit from investment behind new therapies increasing production rates and secular shift toward single-use batch manufacturing.

And finally, we have a growing exposure to space through our cryogenic components business particularly vacuum jacketed piping and valves for launch infrastructure, as well as through our Microwave Products Group, which supplies radiofrequency filters, amplifiers, and switches for satellites. All-in, we expect to generate $50 million in revenue tied to space this year with order rates signaling significant momentum going forward.

These are the types of markets where Dover tends to win, technically demanding applications with mission-critical components, strong customer relations, and differentiated product performance. These are the hallmarks of the Dover business, and support durable competitive positions, attractive margins, and long growth runways. As a result, the majority of our acquisition capital over the past five years has been deployed in these areas, and they continue to represent the most attractive opportunities in our M&A pipeline.

Okay, finally, let's go to slide 9. Our updated full-year guidance is shown on the left and reflects the raise of our organic growth and adjusted EPS outlook. For the full year, we expect positive organic growth across all five segments, similar top line trends that we saw in the first half of the year. The second, secular-growth-exposed markets should continue to lead the way complemented by solid, broad-based demand across most of our other end markets. The operating environment has still its share of uncertainty, geopolitics, input costs. And evolving trade and tariff background are factors that we are managing closely. That said, demand signals remain constructive across the portfolio, and the strength and duration of our order book gives us a level of visibility that supports the guidance increase.

We are staying disciplined in our operations, investing behind platforms where returns are most compelling, and maintaining balance sheet flexibility to play offense on capital deployment. That combination, operating execution,

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durable demand, and disciplined capital allocation is what gives us confidence in the outlook and our ability to continue creating long-term value for shareholders.

With that, Jack, let's go to Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We'll pause for just a moment to allow everyone the chance to queue. Thank you. Our first question will come from Jeff Sprague with Vertical Research. Your line is open.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC
Q

Hey, thanks. Good morning. Hey, Rich, on the refrigeration-related issues, I guess throughput issues, that 1 to 1.5 points you're talking about, is that on a Dover consolidated basis? And then really the bigger part of my question, because that caused a disruption in deployment at the customer. Your customer expecting stuff to deliver, and it's not at the store, and creates some competitive issue for you.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Yes, it's a consolidated basis. Yeah, look, we've been late on some deliveries. I think that demand in certain categories is outstripping some capacity of the industry. So, I don't think we've caused that many problems, but, yeah – but, truly, look, we knew that we were going to have margin pressure because this was quite the project to close one plant and fit it into another one. So, we thought the redundant capacity and the training of the workforce was going to pressure the margins a little bit. I think the disappointing part was the throughput has been disappointing. We've got all hands on deck to catch up in Q3 and Q4, but I'm not aware of us losing any market share to-date. But it's clearly a situation that that nobody likes to do these projects. I think, for the long term, it's the right thing to do. But these projects are hard.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC
Q

And that other plant is now closed.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Yeah. Not totally. I'd say three-quarters.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC
Q

And then just on Pumps & Process, how weak was polymer? Because it sounded like everything was good except that, and it was enough to make the segment flat. Was there some issue there, too, in the quarter?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

No, it just tends to be lumpy. If you remember, Q4 of last year, polymer is what drove the big beat we had in revenue there. So, we expect – we really weren't expecting much. But it just tends to be lumpy. And it was

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detrimental to the top line. But having said that, if it had delivered more, it would have been detrimental to the consolidated margin. So, even with the loss of the revenue, the profit actually came in slightly above what our expectation was. The good news is, is that polymer is north of 1 in book-to-bill exiting Q2.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

Got it. Okay. Thank you.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

You're welcome.

Operator: Thank you. Our next question will come from Scott Davis with Melius Research. Your line is open.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Hey, good morning, guys.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Scott.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Rich, I haven't heard you flog yourself in a call for a while, and you don't make a lot of operating mistakes, so kudos to you to own it. Look, I got to ask. Is the EPA mandate that pushing the CO2 stuff out to the right, is that changing anything for your customers? Are they more likely to kind of delay or pause, or are they just too far down the road now?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah. We were unable to meet our delivery obligations in CO2 during Q2.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Yeah

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

So...

[indiscernible] (00:17:27)

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

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I think we talked about this last quarter, Scott. I think that, for us, we're not losing any market share. Our backlog looks terrific. The adoption rate is actually accelerating. We actually are pleased that there's not a time-based mandate. I don't think the industry could have met it even if it was there. So, now this turns into something that is over a multiyear period. It's actually better for us.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Okay, I understand. So, look, I'm looking at this cryogenic cooling opportunity that's on the data center slide. And it seems kind of – I don't remember you talking about that in the past, but, again, these quarters kind of blend into each other, so maybe you did. What is that product and what's the – can you kind of explain the opportunity there for us a bit?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Well, if you think about our legacy, well, there's two things. We bought a bunch of companies in the cryogenic space that specialize in valve connectors and piping. Because of the amount of cooling that's needed in data centers, a lot of those products are becoming viable in data center applications. Now, we bought them because of natural gas and LNG, kind of where we live, but we're pivoting now, recognizing the opportunity there. So, it's relatively new, and that's probably why we haven't talked about it before.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Sounds good. I'll pass it on. Thank you, guys. Appreciate it. Good luck.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Thanks.

Operator: Thank you. Our next question will come from Amit Mehrotra with UBS. Your line is open.

Amit Mehrotra
Analyst, UBS Securities LLC

Q

Thanks, operator. Morning, gentlemen. Rich, I wanted to ask about orders. Obviously, book-to-bill of 1.06 is great in the context of a typical 2Q, but it was down in absolute dollar sequentially, which is not something that I would sort of triangulate with early innings of [ph] ISM (00:19:43) recovery, momentum in some of the structural growth, which now make up over a quarter of your business. I'd love to get your perspective on that. Am I reading too much into it? Are orders still good, or how do you sort of translate a lot of the commentary on momentum building was actually down sequential absolute orders?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Well, I don't want to get into the mathematics of book-to-bill and everything else, but remember, as revenue rises, this bogey becomes larger, right? So, what we've highlighted in Q1 is that it was going to come down because you had all these – it's the beginning of the year. You have all these [ph] come in, and then we'd say (00:20:23), let's not panic, as if it drifts down from Q1 as long as it stays above 1. So, to us, we're above 1, and we're above 1

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across the entire portfolio, which doesn't happen often, I think, historically within Dover, so it's as broad-based as it's going to get.

Amit Mehrotra
Analyst, UBS Securities LLC

Q

Yeah. No, I understand the math around book- to-bill. I guess the point I'm trying to make is that the numerator of that calculation actually went down sequentially, and I don't know if that's – there's something more to read into that or not?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

I think that we're just picking at issues. Right now, our book-to-bill is solid. And like I said before, in the context of Dover, so – because we touch so many different end markets, it's rare that we see it above 1 across the portfolio, so it is by definition broad-based.

Amit Mehrotra
Analyst, UBS Securities LLC

Q

Yeah. Okay, that's fair. And then just a quick follow-up. The capacity increase you're doing in SWEP, can you maybe quantify that because it definitely seems to be a capacity-constrained market? And maybe just kind of quantify that in terms of how much capacity, when is it going to come on, and maybe that'll help us translate to some revenue opportunity as well.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

I'm going to talk in general terms because there's a competitive aspect about capacity. So, it's coming on sequentially over the balance of the second half of the year into 2027.

Amit Mehrotra
Analyst, UBS Securities LLC

Q

And would growth in the second quarter have been higher if that capacity was there? I assume the answer is obviously yes to that.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah, yeah, yes.

Amit Mehrotra
Analyst, UBS Securities LLC

Q

Okay. All right. Thank you. I appreciate it. Thanks for taking the question.

Operator: Thank you. Our next question will come from Nigel Coe with Wolfe Research. Your line is open.

Nigel Coe
Analyst, Wolfe Research LLC

Q

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Hi. Good morning, everyone. So, Rich, thanks for quantifying the impact of the production issues during the quarter. Just – is it fair to assume that – sounds like you're all hands on deck to try and get that back in the second half of the year. Do you think it's realistic to assume it comes back in the second half of the year? And then any kind of guess on sort of the total margin impact of production deal running of plants on the segments during the quarter? And I'm just curious, again, the recovery in those margins in the back half of the year.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah. Our expectation that throughput will increase sequentially over the balance of the year and that throughput will be reflected in the fixed-cost absorption directly into the margins. I prefer not to quantify it, but I think that we've given you an idea before what our expectation is of – we're talking about the refrigeration business now in terms of margins.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Yeah, yeah.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

So, as we increase throughput, and we close down the last of the redundancy costs that we have out there, naturally those margins will lift. So, our expectation is, from a profitability point of view, that H2 will be materially different than H1.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Okay. And then just you're kind of beating yourself up on this one issue, but if you look at the other four segments, incremental margin performance was a lot better than I think even your plan had for 2Q. So, maybe just self-assess on where you outperformed or over-delivered versus your plan. Mix, productivity, like price/cost would have been helpful, but maybe it was. And then are you confident with the refrigeration recovery? It sounds like there's going to be some restructuring savings coming through the back half of the year. Are you confident there's a pathway to mid-30%-plus-type incremental margins in the back half of the year?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Okay. Where to start. I'd point to slide 3 in the deck. I mean, I know we can – my job is to focus on the parts that we can improve. But if we step back for a moment, that's green lights the whole way down the P&L all the way down to EPS. So, I don't think we have anything to apologize from there. Yeah, we had a missed opportunity in refrigeration on the top line, but that's why people don't have the guts to do those projects, because this is the – you've got to pay in the short term for the long-term benefit, and we're convinced that our plans will be fruitful once we get done with this transition. The incremental margin's up from, what did I say, 25% up to what is it in this quarter?

Christopher B. Woenker
Senior Vice President & Chief Financial Officer, Dover Corp.

A

38%.

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Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

38%. So, that is more a reflection of everything else. When we take away the drag of refrigeration right now, everything else in the portfolio is up. So, that's because every portion of the portfolio has got a plan to deliver earnings growth year-over-year. There's a variety of different ways we're going about it. So, if you look at Engineered Products, for example, it's got a little bit of a muted top line because we're doing that ourselves. We are not chasing dilutive sales in vehicle sales group. And I think the management has done a great job of maximizing profitability as opposed to we were looking for the turnaround for all of the restructuring that we did in the cryogenic components business, which is in Clean Energy, and look at the margin expansion that we're getting there. We expect a lot of those themes just to continue as we go through the balance of the year. So, to me, when we catch up on refrigeration, we're going to get a top line bump, and it's going to be a little bit diluted to consolidated margins, but that's not how we run the company and trying to protect that. So, we're – if I look objectively at the trajectory of the portfolio right now, sure, we got a couple things to fix, but I don't think anybody was ever counting on DPPS delivering 35% margins.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Yeah. Okay. Thanks, Rich.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Thanks.

Operator: Thank you. Our next question will come from Deane Dray with RBC Capital Markets. Your line is open.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

Thank you. Good morning, everyone.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Deane, we're going to miss you. Go ahead.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

I appreciate that. Appreciate it. Hey, maybe just circling back on the heat exchangers. How do you land on 2x capacity as the right number? I mean, we've seen some of the folks in liquid cooling quadrupling capacity. So, is 2x the right number? And is this brownfield? Is it greenfield? And just – this is an extended question, I apologize, but everyone's focused on what the margin impact as you bring on new capacity is, because it's never at peak efficiency on day one. So, have you calibrated what sort of impact that will have on incrementals? I know there's a lot there. Thanks.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

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Yeah. That's okay because it's actually a very good question. Number one, the beauty of the business is that it is very hard to ramp capacity in it. And so, there's very few companies that can do it, so the defensive nature of that business is it's hard to ramp capacity. Number one. Number two, we've been ramping capacity into this demand cycle over the previous two-and-a-half years, let's say. And so, our margins have actually been lower than they could have been because you're adding fixed costs in advance of revenue recognition, right? So, that's dilutive to margins over time. So, if you go back and look over the previous two years, and I would just show you margins in heat exchangers, you'd say, you know what, I see the top line growth, but it's not converting. Well, the reason was you're deploying CapEx in advance of that volume. What you see now is the volume demand is inflected so much that you're actually getting both. So, the margins are expanding because the revenue is accelerating in excess of the capital we're deploying.

Deane Dray
Analyst, RBC Capital Markets LLC
Q

That's really helpful. And I'm going to end it there on a good question. And I wish you all continued success. Thanks.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Yeah. Good luck, Deane.

Christopher B. Woenker
Senior Vice President & Chief Financial Officer, Dover Corp.
A

Thanks, Deane.

Operator: Thank you. Our next question will come from Andy Kaplowitz with Citigroup. Your line is open.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.
Q

Hey, good morning, everyone.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Andy.

Christopher B. Woenker
Senior Vice President & Chief Financial Officer, Dover Corp.
A

Hey, Andy.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.
Q

Rich, you mentioned the industrial M&A markets have improved. Maybe you can double-click on what that means. Do you think you can find good targets at reasonable valuations this year? And then your stock obviously seems relatively inexpensive. So, how do you weigh the opportunity to do repurchases and other ASR versus acquisitions?

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Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

No different than we do any year, Andy. My comment on its assets coming to market has improved over the previous two or three years. So, just the big question was: why were multiples so high? Was it because of dearth of assets which was driving multiples up or corporate balance sheets or blah, blah, blah? But if we strip out all that noise, there are more assets. Can you create value depending on what the [ph] prevailing (00:30:20) acquisition price is? Remains to be seen. But we're looking at a variety of different things that if we can get it for the appropriate price, we're happy to execute on it. If we can't, I don't know.

Our stock is, from a multiple point of view, cheap. If we don't do anything in M&A, we're not going to sit on another year of consolidated cash flow, and that we would cycle back and do something related to capital return. But I think that our posture has changed since the end of last year, where we said we were more inclined to do for capital return. And the reason for that was there were very few assets available, and the multiples that were prevailing in the market were very high. What's changed since then is there's more assets coming available, and so we'd like to keep our powder dry to see whether we're going to choose to participate in that.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Q

Helpful. And I'm just curious if you could talk a little bit more about Clean Energy, sort of what you're seeing between retail fueling and gas, all this business. As you mentioned, space launch already [ph] ready (00:31:29). So, organic growth has obviously stepped up pretty significantly over the last couple quarters. Where has that step-up been most concentrated? Is it in things like space launch? Do you see good durability still in the retail fueling cycle? More color, I think, would be helpful.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Sure. Let's go to the retail fueling since it's been in the portfolio for some time. It's broad-based across the board. I think that I'm very, very pleased for management. They've done a lot of work in terms of 80/20 and getting the portfolio the way they want it. And I think in terms of – they've been rewarded for during the down cycle that we had several years ago. They continued to invest in their product portfolio, and we think that we've got an advantage now, and we're seeing that in terms of the demand.

On the other part of the portfolio, which is mostly made up of acquisitions that we made over the past couple years. I'm pleased for that group also. It was an incredible amount of heavy lifting that we had to do in terms of facility consolidation. I mean, you heard my comments about refrigeration. These are not easy to do, and that's been a multiyear effort. So, we're not only seeing the bet on the end-market demand inflecting the way we want it. We're also seeing the margin, which had been disappointing during that transition period beginning to inflect up. So, both sides of the house are doing quite well.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Q

Helpful color, Rich.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Thanks.

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Operator: Thank you. Our next question will come from Andrew Obin with Bank of America. Your line is open.

Andrew Obin
Analyst, BofA Securities, Inc.

Q

Hey, good morning.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Hey.

Andrew Obin
Analyst, BofA Securities, Inc.

Q

Can we just talk a little bit about what's happening, biopharma orders in the second quarter? And how are you different than Danaher and other capital equipment providers?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah, we get that question all the time, Andrew. I think you can ask Danaher, and who is our customer, and Thermo Fisher, and Sartorius, the ones that basically are material participants in the marketplace. From our parts, we're doing well because the management teams have been doing great in terms of new product introduction and for the – and you have to realize that the vast majority of our revenue stream is either replacing an existing product, but it's a consumable, so it's not selling new systems so much. It's as long as the systems are running in the marketplace. So, it's at – there's two things going on. There is activity in the space, and those systems are running, and they're consuming. So, if you look at kind of the OEMs, they're saying that their consumable business is good. That's our stream there, number one. And, number two, I think we've introduced over the last – and just this week, as a matter of fact, we've introduced a variety of new products into the space that have been very successful.

Andrew Obin
Analyst, BofA Securities, Inc.

Q

Thank you. And then just maybe a simplistic question. If I look at your year-over-year bookings growth starting in third quarter, sort of high single digits, around 10s, 20s, teens. Why isn't it – just why isn't there a more sort of torque in revenue growth to sort of what's happening on the bookings side?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

That's an interesting question in itself. I'm not talking up revenue, right, bookings because here we are sitting here, and we're getting feedback, well, it's disappointing on the top line. Well, it's well within the band that we gave in guidance. So, if I talk up the revenue, and we can explore possibilities of beating the top line of revenue, for sure, I'm not going to get in a situation where estimates outrun basically what we're telling you. What we're giving you now is an upgrading on our estimates for the full year. Let's stick to that. You know what, if we get to the end of Q3, and orders are continuing to chug along at the pace that they're coming in at, then we're happy to revisit it at that time.

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Andrew Obin
Analyst, BofA Securities, Inc.
Q

So, maybe I'll just stick one in. So, how is your line orders?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

You know what, I don't know. I don't think we've closed it. So, hard to say.

Andrew Obin
Analyst, BofA Securities, Inc.
Q

Thank you.

Operator: Thank you again. [Operator Instructions] Our next question will come from Mike Holloran with Baird. Your line is open.

Michael Halloran
Analyst, Robert W. Baird & Co., Inc.
Q

Hey, good morning, everyone.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Hi.

Michael Halloran
Analyst, Robert W. Baird & Co., Inc.
Q

Two questions here. Let's just kind of stick with the last one. Maybe, Rich, talk about how you're seeing lead times. How aggressively are those extending across the portfolio here? That's part of your visibility in the second half of the year and stretching into next year and maybe just put it in the context of history.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Our lead times overall are in balance except where we've had execution problems, where that's led out. So, if you look at book-to-bill, there's an argument to be made that that number is a little bit helped by the fact that we couldn't get the product out, right? So, it's sitting in backlog to a certain extent. And the more orders are coming in because people are afraid, we're trying to get it out. I think the only area where we see elongated orders starting to move into 2027 is the long-cycle portion of the portfolio. It is not material in terms of our total backlog. But in areas like heat exchangers, people are trying out there to secure a supply. So, you're beginning to see – so, it's not a reflection of our lead times. It's a reflection of demand outstripping supply capacity in the market as a total – in total.

Michael Halloran
Analyst, Robert W. Baird & Co., Inc.
Q

Okay. That makes sense. And then maybe just a higher-level question. How are you thinking about the durability of the cycle? Obviously, a lot of your comments have been about how you don't see green across the portfolio as

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often or very often like you are right now. What are the factors that give you confidence there's durability once you get past the second half of this year and we think about out-years?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

These cycles that we're participating in clearly have visibility into 2027. So, it's a question of how long's durability; the durability question. So, look, we can – in the grand scheme of things, we're not a data center play. We've participated in data centers, but we're – but proportionally, it is what it is with the portfolio. It's kind of like space launch infrastructure. It's kind of like biopharma has been in the past five or six years. I'm not aware of any kind of business right now where it looks like it's short-cycle demand that may end in 2026. So, we're getting ready to do our strategic plans around here in August and September. I fully expect the numbers or the velocity of the trajectories may change some, but I don't see anybody going negative moving into 2027.

Michael Halloran
Analyst, Robert W. Baird & Co., Inc.
Q

Thanks, Rich. Appreciate it.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Thanks.

Operator: Thank you. Our next question will come from Joe Ritchie with Goldman Sachs. Your line is open.

Joe Ritchie
Analyst, Goldman Sachs & Co. LLC
Q

Hey, guys. Good morning.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Joe.

Christopher B. Woenker
Senior Vice President & Chief Financial Officer, Dover Corp.
A

Hey, Joe.

Joe Ritchie
Analyst, Goldman Sachs & Co. LLC
Q

So, I had the same question as Obin on the order conversion into revenue. I guess maybe I'll ask it this way. Is there any reason to believe that the conversion won't translate into much faster earnings growth or organic growth given what you see today and then assuming that the trends kind of – could stay fairly consistent?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Well, I mean, the problem with that question is that, on a 12-month basis, when one could take the figures and say, here's the conversion, and here's what I get, we always have to be a little bit careful because a lot of what we

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have is short cycle. While over a rolling 12-month basis, it will meet the trajectories that we expect. There may be quarterly volatility for thousands of different reasons, right? So, that's why we always have to be a little bit careful of getting ahead of our skis. We're not making paperclips here, right?

So, yeah, I mean, look, the bottom line is we're really pleased with the orders. It's up to us to convert on the orders, and we'll maximize the revenue within days. Not weeks, not months, not quarters. Right now that's telling us this is what – if we look at the math, and we've got to rely on these businesses and what the forecast is, this is what it looks like. But guess, like I said to Andrew, but we're going to get to the end of Q3. And if orders continue to surge, and book-to-bill remains what it is, then we'll revisit that to the extent that we can convert it out of the manufacturing base. So, I mean, we have to be careful about just doing the maths on backlog as if there's excess capacity sitting there waiting, and then there's a timing difference of when somebody actually wants to take delivery on something.

Joe Ritchie
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. That's fair enough. And then I guess just given the issues that you kind of have, you've already talked about on the refrigeration side, I'm just curious, like what your level of concern is on the capacity ramp in SWEP?

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Well, we always have concern, but less so. SWEP is the highest automated business that we have in the portfolio, and the issues that we've had in refrigeration have been largely driven by labor ramp.

Joe Ritchie
Analyst, Goldman Sachs & Co. LLC

Q

Super helpful. Thanks, Rich.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

Thanks.

Operator: Thank you. [Operator Instructions] Our next question will come from Chris Snyder with Morgan Stanley. Your line is open.

Christopher M. Snyder
Analyst, Morgan Stanley & Co. LLC

Q

Thank you. I think you guys talked about in Q1 that customers started placing orders for brazed plate heat exchangers further into the future than maybe they were in 2025. Did that continue here into Q2? And then can you just maybe talk about your plans to add capacity there? What is the timeline for that capacity to come on? And would you expect that those lead times start to come in as that capacity comes on over the next 12 months or whatever that may be? Thank you. Hello?

Operator: Please hold on the line.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.

A

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Hello?

Operator: We have now moved to the backup.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Yeah, we've moved to the backup. I guess this is the last question, so let me answer it real quick here. The answer to the question is yes, and the capacity will come on sequentially over the back half of 2026 going into 2027.

Joe Ritchie
Analyst, Goldman Sachs & Co. LLC
Q

Thank you. And if I could squeeze in a follow up on this backup line, is there anything you could talk about on Q3? Is it fair to assume, like, similar to the full year, low-double-digit EPS growth? And is it also fair to assume that Q3 organic is better than Q4, just given how much more difficult that Q4 comp is? Thank you.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Yeah. We don't give out quarterly guidance, so I'm going to have to pass on that one.

Joe Ritchie
Analyst, Goldman Sachs & Co. LLC
Q

Fair enough. Thank you.

Richard Joseph Tobin
Chairman, President & Chief Executive Officer, Dover Corp.
A

Thanks.

Operator: Thank you. This concludes our Q&A period and the Dover second quarter 2026 earnings conference call. You may now disconnect the line, and have a wonderful day.

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