

23-Apr-2026

Dover Corp. (DOV)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Dover's First 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 of 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, Chloe. Good morning, everyone, and thank you for joining our call. An audio version of this call will be available on our website through May 14, 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 the call over to Rich.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Thanks, Jack. Good morning, everyone. Let's get started on slide 3. We're off to a good start in 2026. Revenue grew double digits in the quarter, driven by continued strength and our secular-growth-exposed and markets, acquired company performance and constructive demand conditions across the portfolio. Bookings were a key highlight in the quarter. First quarter bookings totaled \$2.5 billion, up 24% year-over-year. Book-to-bill was healthy at 1.2 in the quarter, with each of the five segments well above 1, providing improved visibility and confidence in our forecast.

Our balance sheet remains strong and continues to provide flexibility for long-term value creation. During the quarter, we continue to return capital to shareholders through opportunistic share repurchases while also investing behind high return capacity expansions and productivity projects. Our acquisition pipeline remains active as industrial M&A begins to pick up. As always, we will remain disciplined with a focus on maximizing value creation through strong financial returns and strategic fit.

All-in adjusted EPS of \$2.28 per share was up 11% year-over-year. While we are keeping a keen eye on the geopolitical machinations and the possible impacts to the macro environment, we believe we are well positioned to drive value creation for our shareholders given the underlying strength of our order books, the flexibility of our business model, and the operational execution of our teams and our opportunities for capital deployment. We remain committed to delivering double-digit adjusted EPS growth for the full year, consistent with Dover's long-term performance trajectory. We have chosen to reaffirm full guidance for the year for the time being, but clearly based on order rates, we are driving to the top end of the range. We will revisit guidance next quarter. Let's go to slide 5.

Engineered Products revenue increased modestly in the quarter, supported by strong underlying demand and healthy bookings in aerospace and defense components and industrial winches, along with improving trends in the global vehicle aftermarket business. Clean Energy & Fueling grew 11% organically led by strong shipments and new orders in clean energy components, fluid transport and retail fueling. We continue to see aggressive build-outs from national retailers in North America, which we believe is still in the early innings of a multi-year growth cycle, and we're also seeing healthy improvement in Europe as well.

Margin performance was driven by volume leverage and operational execution, but with recent pricing actions expected to further bolster margin performance over the balance of the year. Imaging & Identification delivered stable performance across core marking and coding equipment, consumables, and in serialization software. Segment margins remain strong with some foreign currency translation headwinds in the quarter that should abate as the year progresses.

Revenue in Pumps & Process Solutions declined modestly in the quarter as solid performance in artificial intelligence, energy infrastructure components and industrial pumps allowed us to lap a tough comp and biopharma. Segment margins expanded on favorable mix and strong productivity execution. Climate & Sustainability Technologies was a standout during the quarter, delivering 15% organic growth. Heat exchangers performed especially well across all regions, particularly in North America on the growth in liquid cooling applications and data centers. Food retail also delivered solid top line performance, supported by continued double-digit growth in CO2 refrigeration systems together with the recovery in refrigerated door cases and services as forecasts.

Demand remains strong and the order supports our confidence in the full year outlook as we are already booking into the second half. Margins are up in the quarter on volume leverage and a higher mix of CO2 systems and heat exchangers.

I'll pass it to Chris here.

Christopher B. Woenker

Senior Vice President & Chief Financial Officer, 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 \$131 million or 6% of revenue. This was a \$22 million increase when compared to the first quarter of last year as cash conversion on higher year-over-year earnings was partially offset by higher capital expenditures tied to growth in productivity investments. Our full year capital expenditure estimate remains at \$190 million to \$210 million.

Consistent with prior quarters, we expect Q1 to be our lowest cash flow quarter of the year as our operating businesses make investments in inventory ahead of seasonally stronger volume quarters in Q2 and Q3. Our guidance for 2026 free cash flow remains on track at 14% to 16% of revenue.

With that, let me turn it back to Rich.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Thanks, Chris. I'm on slide 7. Bookings momentum continued to build in the first quarter. Bookings are up 12% over the last 12 months, reflecting broad-based acceleration across most end markets. Importantly, trailing 12-month book-to-bill is now above 1, providing further visibility and confidence in the growth outlook. The

acceleration in bookings and demand is driving longer lead times in certain growth markets. We are seeing the most clearly in program-specific orders for aerospace and defense components, and longer cycle components for steam and gas turbines and engines. And in retail refrigeration, CO2 systems and in heat exchangers as customers work to secure supply of critical components for fast growing applications such as liquid cooling applications.

Turning to slide 8. We highlight several key end markets that are material drivers of our revenue growth in 2026 and beyond. We expect to generate over \$1 billion in revenue from applications tied to artificial intelligence and power generation infrastructure this year. In data centers, increasing density of thermal requirements are necessitating a shift towards liquid cooling, which directly benefits our connector and heat exchanger businesses.

Our SIKORA acquisition, which closed in June of 2025, expands our exposure to electricity infrastructure through measurement and inspection controls, solutions for high-voltage polymer coated wires and cables, a direct beneficiary of growing electrification trends and demand for customers for product, quality assurance and improvement. SIKORA is performing well ahead of its acquisition underwriting case. We are actively working to expand its geographic offering through our global channels and relationships. Natural gas remains the most visible option for scalable, reliable energy to meet the growing demands for electricity.

Our precision components business provides bearings, seals, and compressor components for gas and steam turbines, engines and midstream natural gas infrastructure. Demand for steam and gas turbine components remains robust, a reflection of OEM lead times that now extend multiple years. While we have not seen a corresponding acceleration in midstream investment necessary to transport the gas to those turbines, early customer indications suggest a pickup in shorter cycle orders for midstream compression beginning in the second half of this year into early next year.

Our clean energy components business continues to build – to see solid growth in valves and vacuum jacketed piping used in LNG liquefaction, infrastructure including export terminals. We are also seeing strong demand in space launch-related applications, which recently booked its single largest order ever for space launch infrastructure where growth rates remain firmly in double digits. And biopharma customers continue to invest behind new therapies and increasing production rates, driving long-term growth for our single-use connector pump and flow meter solutions.

And finally, in CO2 refrigeration, we maintain a clear market leadership position in the US, supported by fully platformed product portfolio from our retrofitted plant in Conyers, Georgia that provides strong competitive moats and product performance, lead times, and scalability. The shift to natural refrigerants has transitioned from a regulatory mandated demand to performance and productivity-driven adoption as early installs have proven that the technology delivers improved operating performance versus legacy technologies. Despite the strong growth we've experienced, North America remains in its early adoption of natural refrigerants with penetration still below 10%.

Let's go to slide 9. Our organic investments remain our highest priority for capital deployment. Here, we highlight several most meaningful high return capital projects plans for 2026. We continue to invest where demand visibility and returns are strongest while maintaining discipline around productivity and cost optimization. We also outline a number of ongoing fixed cost reduction and facility consolidation initiatives. In aggregate, these actions are expected to generate more than \$40 million of rightsizing savings in 2026 with an incremental carryover benefits into 2027. The precise timing of these savings will depend on when able to finalize certain facility moves as we balance site consolidation with underlying demand trends in certain growth markets.

Let's go to 10. In Engineer Products, we expect low single-digit organic growth for the year, driven primarily by aerospace and defense, which continues to experience significant demand strength tied to electronic warfare and signal intelligence solutions. We expect to see further stabilization in vehicle aftermarket businesses supported by recent booking trends. Clean Energy & Fueling is expected to deliver broad-based organic growth across clean energy components, fluid transport and retail fueling, and retail fueling domestic demand from national customers remains strong. We believe that this is a multi-year cycle.

Our greenfield facility expansion and below-ground retail fueling is expected to support this growth cycle, particularly in our Fibrelite composite solutions business, which is seeing accelerating adoption globally, including increased specification and data center-related infrastructure applications from hyperscalers. We expect margin improvement in Clean Energy & Fueling for the year on volume leverage, acquisition integration and productivity initiatives, and positive price versus cost dynamics.

Imaging & ID should deliver low single-digit growth driven by serialization software and marking and coding hardware and consumables supported by strong order rates. Pumps & Process Solutions should benefit from growth in industrial pumps, single-use biopharma components, precision measurement solutions for electrification infrastructure, and critical components for steam and gas turbines, engines and midstream compression. We also expect gradual improvement in our core polymer processing equipment as supported by improved coding activity.

Finally, we expect Climate & Sustainability Technologies to deliver double-digit organic growth for 2026, driven by continued strength in CO2 refrigeration systems and the anticipated recovery in refrigerated door cases and engineering services for national. Retailers are re-engaging in maintenance and replacement activity following a period of tariff-related delays supporting a rebound from historically low volume levels in the previous year. We expect the robust demand across all geographies for brazed plate heat exchangers to continue over the balance of year with particular strength in North America, tied to liquid cooling of data centers and other HVAC applications. Lead times for large and extra large heat exchangers have extended materially with additional capacity coming online as the year progresses. We have a margin opportunity here from volume leverage and the fact that we are carrying redundant fixed costs in refrigeration as we complete our facility consolidation.

Let's go to 11. Full year guidance is on the left. We expect 2026 seasonality to be consistent with recent years. The operating environment still has its share of macro noise, whether it's geopolitics, input costs or policy-related uncertainty. That said, the demand signals we're seeing across the portfolio remain constructive and provide a level of visibility that supports our outlook. We are staying disciplined in our operations and our response to demand conditions. We are investing behind the platforms where returns are most compelling and we have the balance sheet flexibility to opportunistically play offense with capital deployment to create long-term value for our shareholders.

With that, we will pass it to Q&A. Jack?

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] We'll move first to Nigel Coe with Wolfe Research. Your line is open.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Thanks. Good morning. Thanks. That was quite a – I think you got through about an hour's worth of prepared remarks averaging about 15 minutes. So, well done.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Thank you.

Nigel Coe

Analyst, Wolfe Research LLC

Q

I think want to kind of clear up the kind of the obvious question. I mean, obviously the orders, this is a record order quarter. So, just anything unusual, supply chain concerns, people getting ahead of maybe potential concerns around Middle East, et cetera? And have you seen the strength continuing into April?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

No. I don't – we don't see any kind of pre-buy. I mean, what we put in the comments about longer lead times is what you do see is customers ordering for later delivery periods than normal just because demand is outstripping supply at the end of the day. So, that's really what's driving up, especially in brazed plate heat exchangers, CO2 systems and refrigeration cases, and that you can see that in the portfolio. So, overall, we don't say – we don't see anything based on changes in tariffs or anything like that. It's just more the demand is there. And I think there's a recognition that you would need to get in line if you want deliveries because of capacity constraints.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay. That's great. And my follow-up on the tariffs. You mentioned tariffs, Rich. You've got a lot of inflation coming through on some of the base metals and steel. Maybe just talk about some of the countermeasures to that and just maybe just clarify how the different tariff landscape is impacting Dover.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah. Well, with the diversification of the portfolio, we've been trying to run down literally tens of thousands of line items of input costs and the like. And I won't bore you with the details other than the fact that it kind of comes out relatively neutral at the end of the day. So, everything that we are planning on based on the last round of tariffs now with these changes, we kind of go 360 degrees and come out in the same spot at the end of the day. So, there will be pockets where it may be detrimental and there will be pockets where potentially it's a strategic advantage because of the fact that we're mostly a build-in-the-region to ship-into-the-region kind of company at the end of the day. So, net-net, after thousands of man hours of work, it's solved nothing here.

Nigel Coe

Analyst, Wolfe Research LLC

Okay. Thanks, Rich.

Q

Operator: We'll move next to Andrew Obin with Bank of America. Your line is open.

Andrew Obin

Analyst, BofA Securities, Inc.

Yeah. Good morning. Maybe a different angle on S232. You are a largely domestic manufacturer. Will the change to Section 232 tariffs provide you with any competitive advantage versus importers of finished goods?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

I hope so. hard to tell, right? This is all new news. And like we saw the last time a year ago, it takes four to six months for these changes to work their way through because of the fact that you've got inventory changes and a variety of other things. I'm not going to talk about where we think we may have a strategic advantage. We'd just rather take advantage of it. But clearly just like the last time we went through this, having relatively short supply chains has proven to be helpful.

A

Andrew Obin

Analyst, BofA Securities, Inc.

And I can't resist. I will ask this question. Organic growth 5%, bookings in the mid-20s and you're getting 3% to 5% organic growth?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah.

A

Andrew Obin

Analyst, BofA Securities, Inc.

Right. How...

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

I mean, I think...

A

Andrew Obin

Analyst, BofA Securities, Inc.

The comps don't get tough until Q4.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah.

A

Andrew Obin

Analyst, BofA Securities, Inc.

It seems a conservative guide.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

I know. And if you remember, Andrew, we actually got questions about our guide when we initiated our guide. So, this is – and I think look, I think if you go back and read the transcript, I was pretty explicit. They were driving clearly to the top end of the guide. We're 90 days into this. Well, where are we now? 120 days into it or whatever. If bookings trends remain consistent through Q2, it's clear that we're going to have to revisit top line expectations.

A

Andrew Obin

Analyst, BofA Securities, Inc.

And booking – and April bookings. Just to confirm, April bookings seem to be fine.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah, yeah. So far, so good.

A

Andrew Obin

Analyst, BofA Securities, Inc.

Okay. Thank you.

Q

Operator: We'll move next to Joe O'Dea with Wells Fargo. Your line is open.

Joseph O'Dea

Analyst, Wells Fargo Securities LLC

Hi. Good morning.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Good morning.

A

Joseph O'Dea

Analyst, Wells Fargo Securities LLC

Rich, maybe just in terms of that comment on Nigel's question around the demand is there. Trying to understand the triggers behind the demand being there because it's very broad based when we look at the order strength. And so, what has shifted from sort of customer sentiment? What you're seeing out there around the confidence to order right now, and it sounds like that has persisted even through the geopolitical situation now?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Well, look, I mean, when we gave out guidance of the year, we basically targeted both the Clean Energy and Climate segments as the two segments that we're going to drive the growth going into 2026, and here we are in

A

Q1, and they are driving the top line growth and they are the ones that are – got the best order rates in terms of bookings.

So, in a way, we knew it was coming and there was a reason for it. I mean, I don't want to rehash the whole issue of what we went through for a couple of years on underinvestment in both retail fueling, and now we're seeing that turn the corner, and kind of the headwind we had to overcome last year on refrigeration. So, there's kind of the secular story of the CapEx cycle swinging in those particular markets. The balance of it is generally either acquisitions or the growth platforms, and that is kind of widespread across the portfolio with the exception of DII. So, it's a combination of a lot of things, whether it's a secular growth driver and a lot of – we've been investing pretty heavily in capacity expansions and new product introductions over the last couple of years. And knock wood, they are gaining some pretty good traction in the marketplace.

Joseph O'Dea

Analyst, Wells Fargo Securities LLC

Q

And then just shifting to M&A. You sound pretty constructive on the pipeline. Just confidence in getting something done this year. It doesn't look like multiples are moving any lower and you've got a track record of discipline. So, how are you kind of navigating through that dynamic?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah. Multiples are frustratingly high for sure but we've got a variety of different balls in the air. We just got to see if we can get them across the finish line or not. So, look, the good news is there's more product available, right? Because the fact that the equity markets are performing well and multiples paid are pretty high. So, that generally is a precursor to product becoming available. That's the good news. Can we find stuff that we like? Hope so. We got a couple of proprietary things going on, so we'll see. But better than it's been over the last couple of years just in terms of the total environment.

Joseph O'Dea

Analyst, Wells Fargo Securities LLC

Q

Got it. Thank you.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah.

Operator: We'll take our next question from Mike Halloran with Baird. Your line is open.

Michael Halloran

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

Q

Hi, everybody. I'll ask both my questions in one chat because my connection is a little poor. First, you saw the long cycle orders roll through appropriately. Were you seeing any improvement sequentially as you work through the quarter into April on the short cycle order side of the things? Did it mirrored from a trajectory perspective at least the long cycle orders? And then on the long cycle orders, maybe just talk to how you think that plays out in terms of conversion to revenue. What it means for sequentially or first half-second half weightings, however you want to put it as you work through the year?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Okay. The pace of the orders remained relatively consistent from Q4 into Q1, and that's just a broader base comment. Let's not get confused between long cycle orders and kind of longer cycle capital goods demand. What we're seeing is a phenomenon that we're getting what would have been reasonably short cycle orders being booked to reserve capacity. So, that's why you see the order rates what they are. And if I show you the expected delivery times, you would see that we're getting orders well into Q2, into Q3 that in certain businesses that we wouldn't see that, and that's just because there's a demand-supply constraint there.

So, over time, we would expect those orders to build, which is great. We have them, and then we'd kind of – we'd see them probably normalize as we ramp up production to kind of – to meet that demand. So, the good news is we got the orders and the pace of that rate sustained itself throughout Q1, and it sustained itself through April. But it's not as if in polymer processing and can making equipment, the stuff that's got really long lead times, those are not what's driving the order rate in the backlog.

.....
Operator: We'll move next to Jeff Sprague with Vertical Research. Your line is open.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Hey. Thanks. Good morning. Hey, Rich, maybe just kind of picking up on that then. The supply constraints that you're talking about are Dover internal, not kind of supply chain inputs, and I guess I sort of get that right. You've been waiting for growth. You've probably kept your boot on the throat of some investment here when it wasn't growing, but maybe – am I right on that? And maybe just some visibility if you want to add.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

No. Jeff, it's more of the – it's not that we haven't had any constraints, right? At the end of the day, when you're booking the way we're booking and trying to ramp, and I mean, it's cost us quite a few margin dollars in Q1 trying to like ramp up to do everything here. But it's more of – like these data center projects, there's – we've operate in some markets with very few competitors, which is the beauty of the business model. So, everybody understand that, so they're ordering advance to reserve the capacity. So, it's – and then that's the same thing for a lot of the markets that we participate in. It's not a question of – we would never ramp the capacity to meet what you see in terms of the orders as if we could get it out in Q1 anyway, right? All we're doing is based on the funnel is the funnel. We have ramped for sure, but the funnel is the funnel and we're just working with the customers and saying, look, we're sold out in Q2, you got to start ordering for Q3. That's [indiscernible] (00:27:33)

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

It sounds like you ramped down and now we're doing a 180 and we're ramping back up. It's just a...

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

No, no, no. We've never ramped – look, I mean, we're good at cost management at the end of the day, but it's not like we've taken plants out or anything as part of our consolidation. So, those are all efficiency. We've not willfully taken out production capacity in the markets that we wish to participate in over the long term.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Got it. And then just on the climate-related stuff then. The strength in orders there and on the top line, is that pretty level loaded between the CO2 and the heat exchanger heat pump-related pieces of the portfolio? Could you just elaborate on that a little bit more?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah. It's the law of small numbers now, right? So, you don't want to use percentages because the size of the business is different, but it is broad-based with the exception of Belvac, right? So, the heat exchanger business is growing very well. We're actually, back to your capacity question, adding more capacity in heat exchangers.

And on the refrigeration side, CO2, we are adding capacity there, right? So, we're just installing a new production line in Conyers. A plant that was empty is now getting close to being full now. And then on the refrigeration side, I mean, we beat that to death last year. There was that delay that cost us 2 points of growth. That's all the orders coming through. That's where it's been quite the juggling act of taking – meeting customer demand almost in an inefficient way because we're in the midst of a facility consolidation. We're actually delayed in getting that project done because we had so many orders, we had to keep the plant open, and that's cost us margin dollars.

We're on path to get that all done probably by mid-year. So, I would expect the incremental margin in that segment to be robust in H2, right? We're probably going to have to carry it a little bit through Q2, but then we should see a pretty material inflection in margin performance if we can get this right.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

That's a great color. Thanks.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah.

Operator: We'll move next to Andy Kaplowitz with Citigroup. Your line is open.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Q

Good morning, everyone.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Good morning.

Jack Dickens

Vice President-Investor Relations, Dover Corp.

A

Good morning, Andy.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Q

Rich, just in DPPS, you mentioned you overcame tough comps in Pumps & Process in Q1, and you didn't own biopharma, and you didn't change your forecast for the year. But are you seeing businesses like gas compression picking up? And obviously, your business in the gas turbines is strong, but what's the outlook for the overall business? I would imagine it may be slightly stronger versus last quarter, but you tell me.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Well, I mean, I think that we were pretty transparent even in Q1 last year that we had a great Q1 that we – that was going to set this up. We are very pleased, actually, with the performance of the segment despite that, particularly in terms of the margin performance, right? Because we not only had the tough comp, but that's a tough comp on the top line, but it's a tough comp in terms of a margin comparison, too. And so, not only did we do a great job in MAG in terms of margin preservation despite tough top line conditions. Across the balance of the portfolio in biopharma and thermal connectors and industrial pumps and precision components, the margin performance has been exemplary.

So, I'm always trying to kind of manage expectation about margin performance. I think we actually did better than we would have expected in Q1. For the balance of the year, I think if you go back and look at the comments, yeah, we've been doing really well on the turbines side for some time now, and that will continue to do well. What we're really looking for is the inflection on compression. Signs are there, but if there's any upside to the performance of that segment in the second half, it would be in compression, but we'll know when we get the orders that that's coming.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Q

Helpful. And then maybe just on DII, you're still talking about low single-digit organic growth and margin expansion for the year, but can you give us more color on what happened in Q1? Sort of any additional color on that business, I think, would be helpful.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

I mean, I don't think we have a lot of angst about 30 basis points of margin compression. It's a rounding error. It's FX, Andy. I mean, we – it's our most global business, and because of that, it's got a ton of FX running through it. So, we're not worried at all. It's not a negative at all, the performance in the quarter. It's going to do – this business is going to do what it does every year, right? It's going to deliver single-digit top line growth, very healthy margins, and a ton of cash.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Q

Cash cow, if you may. Thanks, Rich.

Operator: We'll move next to Amit Mehrotra with UBS. Your line is open.

Amit Mehrotra

Analyst, UBS Securities LLC

Q

Thanks. Good morning, everybody. Rich, I wanted to ask about Engineered Products. It was nice to see that business return to growth and book-to-bill was obviously very strong. I think you guys have a pretty decent defense business inside of there that's, I guess, fortunately or really unfortunately quite relevant in today's geopolitical environment. Can you just maybe talk about the growth you're seeing there? Is it really specific to that business or is it more broad based? And then, I guess, with the book-to-bill, can we accelerate off of this? And do you have enough capacity to kind of meet that opportunity?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

It is driven by the defense business in the segment right now, but that's not to say that the industrial winch side is actually doing quite well. And as we talked about before on the vehicle service side, the headwind that we saw last year in Europe is abated. So, the management team is doing a good job there in terms of margin performance and the like. On the defense side, yeah, I mean, that goes back to this long discussion about long lead times and everything else. We are working like mad to increase production capacity in aerospace and defense to get it done. It's just not something you can kind of throw money at, unfortunately. In order to do it, it takes a lot of time to do it. So, it's doing really well. And I would expect if we can get a little bit more production capacity online, we're probably going to be able to sell it as we march through the balance of the year

Amit Mehrotra

Analyst, UBS Securities LLC

Q

Okay. And then just as a follow-up, you had mentioned earlier this net impact of tariffs and I guess Section 232, but I wanted to just double click on something you mentioned a little bit, because I think you do have some competitors in certain specific business lines that do disproportionately manufacture in Mexico. I think they've been historically quite stubborn in cutting prices. But are you seeing any competitive behavior that either gives you an umbrella or an opportunity for share in those markets? If you can just give a little bit of color on what you're seeing. I know April 6 just happened, so maybe it's too early, but anything you can offer would be helpful.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

History would say that in that particular market that you're referring to is that they will not give up market share and just eat it. The success of our business is more predicated upon the significant investments that we've made in our own production processes that has enabled us to have best-in-class product lead times, meaning that we don't have to go grab market share on price. We can do it on lead times. That's the strategy. And knock wood, it seems to be working right now.

Amit Mehrotra

Analyst, UBS Securities LLC

Q

Okay. Great. Thank you very much. Appreciate it.

Operator: We'll take our next question from Joe Ritchie with Goldman Sachs. Your line is open.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Q

Thanks. Good morning, guys. So, Rich, I'm wondering like how are you thinking about the TAM for both CO2 systems and liquid cooling? Obviously, CO2 systems still way under-penetrated relative to Europe and just got

back from Data Center World, and liquid cooling is growing like wildfire. So, I'm just trying to think about like what the opportunity is for you guys.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Well, we can – I think we can give you a much more intelligent answer about CO2 systems than we're going to be able to give you about liquid cooling because I'll leave it to much larger market participants to try to figure out what that TAM is. But clearly, it's growing.

On the CO2 system side, as we put in the notes, North America is 10% penetrated. So, that's basically the math there is the installed base has converted 10% of the footprint, which doesn't include kind of growth, but our estimates in retail refrigeration and commercial refrigeration, it's kind of one for one. For every greenfield, there's probably a shutdown. But if we just look at the installed base, we're at 10% penetration. So, that gives plenty of opportunity. The base couldn't if it wanted to convert in a short period of time. So, the beauty of it is, if we stay in front in terms of product line performance and we stay in front in terms of online capacity, then we can kind of just run the table a little bit over a multi-year period. Well, at least that's what we're going to try to do.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Q

Got it. That's helpful. And then just maybe on that point, on the capacity piece. So, it seems like you're expecting incremental margins to really – to inflect, I guess, maybe in the second half of the year, I guess, in DCST. I guess, I don't know, how do we think about that? Like how much capacity you have available? Is it like a – do you think you got like – is it a multi-year capacity? Is it – do you have enough through the end of next year? I'm just trying to understand it because obviously it has implications for the margin trajectory of those businesses.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah. With the – if you go to the slide in the deck, where we're adding capacity is now is generally speaking for 2027 demand at this point. So, we're – well, anytime we're adding capacity, it's not generally intra-year capacity. I mean, sometimes you can do it, but generally speaking, it's kind of the CapEx that we spent 18 months ago is now productive capacity now. So, where we're adding is based on an evolving – forecasts – three-year forecasts evolving over time. So, I think that we've got it right I guess is the best way to put it. Back to your question about the TAM, about data centers. If we were to install the capacity of some of the estimates of the TAM, there is never going to be enough capacity in the marketplace. So, like we're just going to have to see. From what our interactions with our customers, we think that we're on the front foot of kind of rolling the capacity rollout based on the demand curve.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Q

Okay. It makes sense. Thanks, Rich.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Thanks.

Operator: We'll move next to Julian Mitchell with Barclays. Your line is open.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

Hi. Good morning. Maybe, Rich, I know you've touched on this a couple of times, but I think it's sort of worth looking at just because there's some various crosscurrents. So, you said that the pace of bookings was sort of steady in the last several months, but you had very good bookings growth, which you said is a function not of pre-buy, but customers sort of placing orders with a longer lead time because of supply concerns later in the year. So, maybe just flesh that out a little bit. I guess, I'm most interested in the point around, is that sort of view based on customer conversations that they're not placing the orders ahead of price increases? And also your point on the bookings sort of pace being quite steady, you didn't see a spike around when Iran started. Just sort of help us put some of those things together.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Sure. I think for the most part, as a general comment, all of our pricing was done at the beginning of the year. So, it was all announced. I mean, the argument would have been, do we drive orders in Q4 because they knew it was coming in Q1, and we've gone past that now. So, there's some exceptions, but the vast majority of the pricing is out there now.

No, we did not see any kind of spike like I said. I mean, it's different by business, but kind of the pacing that we saw into Q4 just rolled right through Q1. In particular, in the segments where we thought it was coming anyway, right? And so, a lot of that is while that's coming, you're communicating with your customers about, okay, here's where we are in terms of product lead times, and they're beginning to stretch a little bit just because of the fact that capacity is being utilized. So, I don't foresee – I don't – it was more of a secular growth in the areas that we had kind of bet on were going to come anyway, just came.

Not – it wasn't like we were surprised at all by any individual business other than, I think, like I mentioned before, the margin performance in DPPS despite that having to chin a pretty tough headwind there from a mix point of view, I think it was probably the only thing that surprised us. And I think the other issue is, as I mentioned before, the demand in kind of retail refrigeration was a little bit stronger than we would have expected, and that's necessitated us to keep a plant open longer than we would have liked to. It's great. It drives the revenue and we'll take it. But weirdly, it's a little bit dilutive in terms of margin conversion because we can't get that fixed costs out.

We'll get it out, but it's probably going to take us a quarter longer than we would have expected. And that was my comment of, if you think about the Climate segment, you've got brazed plate heat exchangers, which is very capital intensive. So, at a certain point, incremental margin flips over on the depreciation of all the investment, and we see in that growth. And then once we get those redundant costs out of refrigeration business, we can expect incremental margin there to inflect positively also.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

That's – Yeah, that's very helpful. That was sort of where I was going with the second point, which was you had, I think, 10% revenue growth all-in in Q1. EBITDA margins company-wide were up 10 basis points, though. You've gone through sort of in DCST, maybe why the operating leverage picks up later in the year. I'm just wondering, across the other segments in aggregate, kind of anything you'd call out that helps the operating leverage improve later in the year?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

I would think the retail fueling business will also inflect sequentially positive throughout the year on volume leverage and on product mix through the year also. We would expect this to be one of the lower margin quarters for us, right? Because if you think about the seasonality, if everything goes as planned, you've got volume leverage on that kind of bookings and growth, which we would expect would drive margins higher in that particular segment. I think DPPS, if we can stay where we are, I think we'd be pleased.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

Understood. Thank you.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Thanks.

Operator: We'll move next to Patrick Baumann with JPMorgan. Your line is open.

Patrick M. Baumann

Analyst, JPMorgan Securities LLC

Q

Thanks. Good morning.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Hi.

Patrick M. Baumann

Analyst, JPMorgan Securities LLC

Q

Just had a follow-up on the orders. So, generally, looking historically, the first quarter orders convert at a similar level into second quarter sales. So, I guess, I'm just trying to get a sense on how to think about that \$2.5 billion in orders versus the \$2.2 billion in sales that consensus has for the second quarter. And it would be helpful if you could, in that vein, maybe quantify what was, I guess, unusually longer-dated orders in magnitude within that \$2.5 billion number.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah. You can do the math here and take the order rates and stuff it all into Q2 and get a pretty big revenue growth number. And I would advise you, that's why we had all these discussions around here about the machinations of describing longer-dated orders, right? To kind of prevent that at the end of the day. We will – seasonality, we will move up in Q2 for sure, but I don't think we'd get ahead of our skis here in trying to look at bookings of Q1 and say, well, wait a minute, if it's that much, let's go stuff that into Q2, because I think it's just not realistic from a capacity point of view. So, we are booking in certain businesses into Q3 now. So, that is great for us, but let's not get overly excited about the revenue growth in Q2. We will get as much as we possibly can get out in Q2.

Patrick M. Baumann

Analyst, JPMorgan Securities LLC

Is it like \$100 million, \$200 million of longer-dated orders? Is it?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Patrick, we're not going there.

A

Patrick M. Baumann

Analyst, JPMorgan Securities LLC

I figured I would try. My follow-up on price expectations for the year now. Based on what you're seeing from a commodities cost inflation perspective, do you still expect to be at kind of 1.5 % to 2%?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah, yeah. Right now, I mean, it's a moving target. We'll see what happens with input costs and metals and everything else. But right now, even if we see it, we won't see it in the back half of next year anyway because we've got everything else in inventory.

A

Patrick M. Baumann

Analyst, JPMorgan Securities LLC

Okay. So, that guidance is unchanged for price then?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

If you want to give us price guidance, sure.

A

Patrick M. Baumann

Analyst, JPMorgan Securities LLC

Thank you.

Q

Operator: And our final question comes from Chris Snyder with Morgan Stanley. Your line is open.

Chris Snyder

Analyst, Morgan Stanley & Co. LLC

Thank you, thank you. I just kind of wanted to follow up on some of the price commentary. Rich, I thought earlier in the call you were saying maybe there is more price coming into Q2 to combat the cost inflation. I don't know if that's just maybe the earlier action being realized in Q2. So, just kind of, I guess, did you guys put more price in place since the start of the year just in response to the cost inflation?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

I'm sure we did anecdotally, but no. I mean, I think all the pricing that we put out started at the beginning of the quarter.

A

Chris Snyder

Analyst, Morgan Stanley & Co. LLC

Q

Thank you, I appreciate that. And then I guess just on Q2, I don't think anyone's asked it yet. I mean, like, is the expectation that Q2 is kind of still in this 10% EPS growth mid-single-digit organic growth range? Thank you.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Okay. I haven't done the math. I know that we're driving towards – over 10% EPS growth for the full year. I guess seasonality says that our profits are generally highest in Q2 and Q3, and I'll leave it to you to do the math.

Chris Snyder

Analyst, Morgan Stanley & Co. LLC

Q

Thank you, I appreciate that.

Operator: Thank you. That concludes our question-and-answer period and Dover's first quarter 2026 earnings conference call. You may now disconnect your line at this time and have a wonderful day.

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