Dover Corporation
Non-GAAP Reconciliation
2020 Annual Report

This document defines, reconciles to GAAP and discloses the relevance to investors of the non-GAAP measures included in the 2020 Annual Report.

Adjusted Earnings Per Share

Earnings from continuing operations are adjusted by the effect of acquisition-related amortization, rightsizing and other costs, loss on extinguishment of debt, loss on assets held for sale, (gain)/loss on disposition, and the Tax Cuts and Jobs Act to derive at adjusted earnings from continuing operations and adjusted diluted earnings per common share as follows:

(in thousands, except per share data)	2020	2019	2018
Adjusted earnings from continuing operations:			
Earnings from continuing operations	$ 683,451	$ 677,918	$ 591,145
Acquisition-related amortization, pre-tax [1]	138,515	138,336	146,297
Acquisition-related amortization, tax impact [2]	(34,367)	(34,768)	(37,001)
Rightsizing and other costs, pre-tax [3]	51,472	32,153	72,828
Rightsizing and other costs, tax impact [2]	(10,802)	(6,789)	(14,531)
Loss on extinguishment of debt, pre-tax [4]	-	23,543	-
Loss on extinguishment of debt, tax impact [2]	-	(5,163)	-
Loss on assets held for sale [5]	-	46,946	-
Tax Cuts and Jobs Act [6]	-	-	(2,832)
Gain on dispositions, pre-tax [7]	(5,213)	-	-
Gain on dispositions, tax impact [2]	1,267	-	-
Adjusted earnings from continuing operations	$ 824,323	$ 872,176	$ 755,906
Diluted average shares outstanding	145,393	146,992	152,133
Adjusted diluted earnings per common share*:			
Earnings from continuing operations	$ 4.70	$ 4.61	$ 3.89
Acquisition-related amortization, pre-tax [1]	0.95	0.94	0.96
Acquisition-related amortization, tax impact [2]	(0.24)	(0.24)	(0.24)
Rightsizing and other costs, pre-tax [3]	0.35	0.22	0.48
Rightsizing and other costs, tax impact [2]	(0.07)	(0.06)	(0.10)
Loss on extinguishment of debt, pre-tax [4]	-	0.16	-
Loss on extinguishment of debt, tax impact [2]	-	(0.04)	-
Loss on assets held for sale [5]	-	0.32	-
Tax Cuts and Jobs Act [6]	-	-	(0.02)
Gain on dispositions, pre-tax [7]	(0.03)	-	-
Gain on dispositions, tax impact [2]	0.01	-	-
Adjusted diluted earnings per common share	$ 5.67	$ 5.93	$ 4.97

[1] Includes amortization on acquisition-related intangible assets and inventory step-up.

[2] Adjustments were tax effected using the statutory tax rates in the applicable jurisdictions or the effective tax rate, where applicable, for each period.

[3] Rightsizing and other costs include actions taken on employee reductions, facility consolidations and site closures, product line exits and other asset charges.

[4] Represents a loss on early extinguishment of €300,000 2.125% notes due 2020 and $450,000 4.30% notes due 2021.

[5] Represents a loss on assets held for sale of Finder Pompe S.r.l. ("Finder"). Under local law, no tax benefit is realized from the loss on the sale of a wholly-owned business.

[6] 2018 tax benefits related to additional Tax Cuts and Jobs Act regulatory guidance covered by SAB 118.

[7] Represents a gain on the disposition of AMS Chino within the Refrigeration & Food Equipment segment, including working capital adjustments.

* Per share data and totals may be impacted by rounding.

Adjusted Segment EBIT

Adjusted segment EBIT is defined as net earnings before income taxes, net interest expense, corporate expenses, rightsizing and other costs, a 2019 loss on assets held for sale, and a 2020 gain on disposition. Adjusted Segment EBIT Margin is defined as adjusted segment EBIT divided by segment revenue.

(in thousands)	2020	2019
Engineered Products:		
Segment earnings (EBIT)	$ 238,167	$ 291,848
Rightsizing and other costs	11,530	3,150
Adjusted EBIT - Segment	$ 249,697	$ 294,998
Adjusted EBIT %	16.3%	17.4%
Fueling Solutions		
Segment earnings (EBIT)	$ 236,974	$ 231,873
Rightsizing and other costs	6,703	4,885
Adjusted EBIT - Segment	$ 243,677	$ 236,758
Adjusted EBIT %	16.5%	14.6%
Imagining & Identification		
Segment earnings (EBIT)	$ 193,473	$ 229,484
Rightsizing and other costs	6,027	6,350
Adjusted EBIT - Segment	$ 199,500	$ 235,834
Adjusted EBIT %	19.2%	21.7%
Pumps & Process Solutions		
Segment earnings (EBIT)	$ 305,276	$ 240,081
Rightsizing and other costs	13,436	6,128
Loss on assets held for sale[1]	-	46,946
Adjusted EBIT - Segment	$ 318,712	$ 293,155
Adjusted EBIT %	24.1%	21.9%
Refrigeration & Food Equipment		
Segment earnings (EBIT)	$ 102,872	$ 118,832
Rightsizing and other costs	6,475	6,042
Gain on disposition[2]	(5,213)	-
Adjusted EBIT - Segment	$ 104,134	$ 124,874
Adjusted EBIT %	7.9%	8.9%
Total Segments		
Segment earnings (EBIT)	$ 1,076,762	$ 1,112,118
Rightsizing and other costs	44,171	26,555
Loss on assets held for sale[1]	-	46,946
Gain on disposition[2]	(5,213)	-
Adjusted EBIT - Segment	$ 1,115,720	$ 1,185,619
Adjusted EBIT %	16.7%	16.6%

[1] FY 2019 includes a $46,946 loss on assets held for sale for Finder.

[2] FY 2020 includes a $5,213 net gain on the sale of a business for AMS Chino.

Adjusted Return on Average Equity

Adjusted return on average equity is calculated by dividing adjusted earnings from continuing operations by average stockholders' equity (the sum of the stockholders' equity at the beginning and end of the year, divided by 2) as follows:

(in thousands)	2020	2019	2018
Adjusted earnings from continuing operations	$ 824,323	$ 872,176	$ 755,906
Beginning stockholders' equity	$ 3,032,660	$ 2,768,666	$ 4,383,180
Ending stockholders' equity	3,385,773	3,032,660	2,768,666
Average stockholders' equity	$ 3,209,217	$ 2,900,663	$ 3,575,923
Adjusted Return on Average Equity	25.7%	30.1%	21.1%

Free Cash Flow

Free cash flow represents net cash provided by operating activities minus capital expenditures as follows:

(in thousands)	2020	2019	2018
Cash flow from operating activities	$ 1,104,810	$ 945,306	$ 789,193
Less: Capital expenditures	(165,692)	(186,804)	(170,994)
Free cash flow	$ 939,118	$ 758,502	$ 618,199
Revenue	$ 6,683,760	$ 7,136,397	$ 6,992,118
Free cash flow as a percentage of revenue	14.1%	10.6%	8.8%

Non-GAAP Disclosures

Adjusted earnings from continuing operations represents earnings from continuing operations adjusted for the effect of acquisition-related amortization, rightsizing and other costs, loss on extinguishment of debt, loss on assets held for sale, (gains)/loss on disposition, and the Tax Cuts and Jobs Act. We exclude after-tax acquisition-related amortization because the amount and timing of such charges are significantly impacted by the timing, size, number and nature of the acquisitions the Company consummates. We exclude the other items because they occur for reasons that may be unrelated to the Company's commercial performance during the period and/or Management believes they are not indicative of the Company's ongoing operating costs or gains in a given period.

Adjusted diluted earnings per share from continuing operations represents adjusted earnings from continuing operations divided by average diluted shares.

Adjusted segment EBIT is defined as net earnings before income taxes, net interest expense, corporate expenses, rightsizing and other costs, a 2019 loss on assets held for sale and a 2020 gain on disposition. Adjusted segment EBIT margin is defined as adjusted segment EBIT divided by segment revenue.

Management believes these measures are useful to investors to better understand the Company’s ongoing profitability as it will better reflect the Company's core operating results, offer more transparency and facilitate easier comparability to prior and future periods and to its peers.

Adjusted return on average equity represents adjusted earnings from continuing operations divided by average stockholders’ equity (the sum of the stockholders’ equity at the beginning and end of the year, divided by 2). Management believes that adjusted return on average equity is an important measure of profitablility and operating effiency.

Free cash flow represents net cash provided by operating activities minus capital expenditures. Free cash flow as a percentage of revenue equals free cash flow divided by revenue. Management believes that free cash flow and free cash flow as a percent of revenue are important measures of operating performance because it provides management and investors a measurement of cash generated from operations that is available for mandatory payment obligations and investment opportunities, such as funding acquisitions, paying dividends, repaying debt and repurchasing our common stock.