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Dover Corp. (DOV)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to Dover's Third Quarter 2026 Earnings Conference Call. Speaking today are Richard J. Tobin, President and Executive – 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 Q&A session. [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 this term, please disconnect at this time.

Thank you. I would now like to turn our call over to Mr. Jack Dickens. Please go ahead, sir.

Jack Dickens

Vice President-Investor Relations, Dover Corp.

Thank you, Leslie. Good morning, everyone, and thank you for joining our call. An audio version of this call will be available on our website through November 12, 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. Overall, it was a solid quarter. Organic growth accelerated to 7%, led by our secular growth markets and supported by durable demand across the majority of the portfolio. Bookings were the highlight in the quarter. Orders were up 16% year-over-year with growth in all five segments. Book-to-bill was 1.03 for the quarter. Our backlog is up 35% versus this time last year, which supports our confidence in the forecast and provides very good momentum heading into 2027. Adjusted EPS was \$2.88 per share, up 10% in the quarter.

We remained active on the capital – on capital deployment, announcing two bolt-on acquisitions that add complementary capabilities, low-cost manufacturing, and geographic breadth to our businesses. We also repurchased over \$330 million of our shares in the quarter. We are narrowing our full-year guidance towards the upper end of the range with organic growth of 5% to 6% and adjusted EPS from \$10.60 to \$10.75 per share, representing double-digit growth consistent with our long-term algorithm.

Go to slide 5. Our secular growth markets now represent over 25% of our total revenue, up from 18% in 2024. Across the top of the slide, we show our expected growth rates in each of these markets this year. In total, these markets are material driver of our overall revenue growth in 2026, and we expect that trend to continue in 2027. We have purposely built these platforms through R&D spending and new product development in our legacy businesses, as well as through targeted M&A.

Our business model is unique. It allows us to pursue a variety of high-growth business opportunities across a range of secular themes, with several of our businesses participating in more than one. We have been able to deliver this growth by proactively adding capacity in advance of the market, which has allowed us to capture leadership positions. This has been particularly important in energy transition and power generation, CO2 systems, data centers, and cryogenic components serving the energy and space markets.

We have continued to invest in additional capacity in 2026 behind this demand strength, some of which we will detail in a subsequent slide. These organic and inorganic investments have delivered high returns on invested capital despite the proactive upfront investments as the result – as a result of high growth rates and margin profiles of these sectors. These businesses are technically demanding mission-critical applications where Dover tends to win. The vast majority of our acquisition capital over the past five years has been deployed in these markets, and they remain our top priorities from both an organic and inorganic investment.

Go to slide 6. This slide underscores the breadth and duration of our order book. Trailing 12-month bookings are up 16%, well ahead of revenue growth at 8%, and trailing book-to-bill has climbed to 1.08. Every segment has grown bookings faster than revenue over the past 12 months. That sustained order momentum has underpinned the top-line acceleration we are seeing in 2026, and it gives us confidence in our outlook going forward. Importantly, our backlog is 35% higher than it was at this point last year and is up sequentially from Q2, with roughly half scheduled to ship in 2027. [ph] This stat (00:05:12) gives us a solid foundation heading into next year with revenue visibility well ahead of where we would expect to be at this point in the planning cycle.

Moving to slide 7. Engineered Products was down 2% organically. Demand for aerospace and defense components remained strong, was more than offset by lower volumes in European vehicle services. Margin was stable on favorable mix and cost controls. Clean Energy & Fueling grew 12% organically, with solid shipments and new orders in clean energy components, fluid transport, and North American retail fueling, which posted its strongest quarter in years.

Demand for our cryogenic components in LNG and space launch infrastructure remains healthy, with several recent high-profile project wins. Margin was roughly flat as volume leverage was offset by production ramp in cryogenic product lines. Where demand is running ahead of capacity, we're actively expanding that capacity with additional output coming online in the first quarter of 2027.

Imaging & [ph] Id (00:06:16) grew 2% organically, led by double-digit growth in serialization software and solid performance in core marketing – marking and coding consumables and equipment. Margins expanded 400 basis points to 33%, driven by volume leverage on largely fixed cost base and software growth in consumables, favorable geographic mix, and foreign currency translation.

Pumps & Process Solutions grew 1% organically with growth in AI and energy infrastructure, single-use biopharma and industrial pumps that was partially offset by lower volumes in polymer processing equipment where quoting activity is high. Margin expanded 70 basis points to 34% on solid conversion in industrial pumps and precision components and a higher mix of biopharma revenue.

Climate & Sustainability Technologies accelerated to 18% organic growth in the quarter. Shipments and order rates in brazed plate heat exchangers remain robust across all geographies and major end markets, with notable strength in liquid cooling for data centers, which is initially concentrated in the US, but we are now seeing meaningful acceleration in Europe and Asia. Lead times remain extended, and we are actively investing to double our global capacity for large heat exchangers through 2027.

CO2 refrigeration systems posted quarterly revenue – posted record quarterly revenue, with September reaching its highest output of the year. In refrigerated door cases, the investments that we have added in Richmond, Virginia facility are ramping up. Line rates exiting third quarter were 15% higher than the second quarter. We expect another sequential increase in line rates and output in the fourth quarter.

We also completed the consolidation of the door frame production in Sylmar, California, at the end of the quarter. Segment margin was 18%. Margins in heat exchangers were robust as volumes outran the significant investments in capacity build. With direct labor less than 10% of its cost basis, this business converts incremental volume exceptionally well. Those gains in heat exchangers were offset by cost of ramping production simultaneously across CO2 systems, specialty cases, and refrigerated door cases ahead of higher demand and shipment rates in 2027, which is reflected in our backlog.

Heat exchangers should continue to benefit from volume leverage in 2027 with a good portion of Q1 revenue already in backlog. In food retail, we have absorbed roughly \$40 million of costs year-to-date from investments in extra labor costs associated with the production ramp, along with duplicate fixed costs of running two facilities for the throughput of one. As line rates continue to ramp and as the roll-off of fixed costs accelerates through the balance of the year, margins in Climate & Sustainability Technologies are poised to improve meaningfully in 2027.

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 8. Year-to-date, free cash flow was \$703 million or 11% of revenue, up \$72 million over the prior year, driven primarily by increased operating cash conversion, which more than offset working capital investments to support accelerating top-line growth.

Third quarter free cash flow was \$383 million or 17% of revenue. We've taken up our full-year CapEx guide for the year to reflect the organic investments we're making behind demand strength. Free cash flow accelerated in the third quarter, consistent with historical trends, and we expect a further increase in the fourth quarter, which is historically our highest cash-generating quarter. Our full-year free cash flow guidance 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.

Okay. I'm on slide 9. Organic investment remains our highest return use of capital. On the left are our most meaningful projects. In support of our organic revenue trajectory, we have greenfield expansions underway in below-ground retail fueling, cryogenic components, flow meters in the US, and single-use biopharma components in Asia, along with capacity investments in radio frequency equipment for space, printer and ink production, and specialty cases in CO2 systems and large heat exchangers. Many of these projects will be online by the end of the first quarter of 2027.

On the productivity side, we are optimizing our vehicle services footprint, extracting synergies from our polymer processing acquisition, and have now completed the footprint consolidation in food retail. These actions generate substantial carryover restructuring benefits, which we will quantify when we provide full-year guidance in January.

On the right side of the slide are the bolt-on acquisitions we announced in the quarter. Cloeren, which we closed in August, adds extrusion dies and feed blocks to our MAAG polymer processing platform, along with more than 300,000 square feet of US manufacturing capacity close to the US petrochemical and space launch infrastructure. Leistung, which we signed and expect to close in the fourth quarter, gives our Clean Energy segment a low-cost, state-of-the-art cryogenics components manufacturing presence in India. Both business – businesses carry excess capacity that other Dover operating companies will leverage as manufacturing hubs in highly strategic locations.

Moving to slide 10. Our balance sheet remains a competitive advantage and our capital allocation priorities are unchanged. Organic investment generates our highest returns, and we are guiding full-year CapEx of \$200 million to \$220 million, with the capacity and productivity projects I just covered delivering attractive returns into next year. We have committed approximately \$80 million to our two announced acquisitions, and our pipeline remains active for bolt-on opportunities in high-priority markets. We have also repurchased approximately \$400 million of shares year-to-date, including \$330 million in the third quarter. With over \$3 billion of dry powder at quarter end, we have the ample flexibility to play offense in capital allocation and a near-term bias towards returning capital to shareholders.

Let's finish with slide 11. We are moving our full year guidance towards the upper end of the range. We are – our focus is on finishing the year strong, and our order book gives us confidence in the forecast with momentum carrying into 2027. Alongside a constructive demand backdrop and a strong order book, we will benefit from carry-over restructuring savings, contributions from completed acquisitions, a lower share count, and a roll-off of transition costs in food retail. We look forward to closing out the year strong and are confident as we enter 2027 from a position of strength.

Over to you, Jack.

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Jack Dickens

Vice President-Investor Relations, Dover Corp.

Leslie, we can go right to the Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Steve Tusa with Wells Fargo. Please go ahead. Your line is now open.

C. Stephen Tusa

Analyst, Wells Fargo Securities LLC

Good morning, guys.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Steve.

A

Christopher B. Woenker

Senior Vice President & Chief Financial Officer, Dover Corp.

Hi, Steve.

A

C. Stephen Tusa

Analyst, Wells Fargo Securities LLC

Just on the backlog, I think it's like a little bit above \$3 billion now, if I kind of like go back and do the math. And I think you said 50% of that is like shippable for next year. Is there anything in kind of the non-backlog business that you look out to next year that you would be like worried about being unsustainable or dropping off at all?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

I'd characterize it this way, I guess. Where we've been capacity constrained is what's driving the backlog into 2027. So the duration of the demand is a good indicator because customers are basically getting in line to reserve that capacity. It is not overly influenced from some of our more traditional long cycle businesses. [ph] MAAG's (00:14:49) pretty much is a bottom, same with Belvac. So it's not – those numbers aren't influenced by those two businesses. So that's actually upside to backlog build as we go into 2027. And then our traditional short cycle businesses, we don't have a lot of visibility going into next year, and we'll just book and ship as we normally do between now and the end of the year.

A

C. Stephen Tusa

Analyst, Wells Fargo Securities LLC

Right. And is there any reason for the growth to like slow materially in 4Q? I know you kind of like guided that number. The midpoint is a bit of a slowing. Like anything stand out? I mean the order has been pretty good, book-to-bill above 1 seasonally.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah, not really, other than the fact that Q4 is not always in our control, right? We've got the orders, we can make the orders, then it becomes a question at the end of the year whether those orders get called off by our customers or as everybody play a kind of managing the working capital game at the end of the year. So we're always a little

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bit cautious because December could go almost either way in any given year. But there's nothing based on the trajectory that we see that's any slowing. It's pure calendarization.

C. Stephen Tusa

Analyst, Wells Fargo Securities LLC

One more, just on the buyback. You've done \$300 million or [ph] something (00:16:02) like that. Are you done with that, or is there still some of that? You have ton of cash, ton of capacity. Is – can you chew through some of that?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah. I think in corporate speak, what we said is that our bias was still on capital return. So take that for what it is.

C. Stephen Tusa

Analyst, Wells Fargo Securities LLC

Great. I don't understand all corporate speak, but that's pretty clear, so I appreciate that. Thank you.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Great. Thanks.

Operator: Thank you. Our next question comes from Nigel Coe, Wolfe Research. Please go ahead.

Nigel Coe

Analyst, Wolfe Research LLC

Thanks. Good morning. Maybe Rich, could you just kind of give us a little kind of sense on the deal cost you called out? I think \$40 million of investment and deal cost that's now behind us. Maybe give us a sense on how you see CST margins in the fourth quarter, but more importantly, going into 2027. And you've said 20% margin target in the past for that segment. Are we on track for that in 2028?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah. Just for clarity's sake, it's the year-to-date headwind costs of the plant closure and the redundant labor that we've had to run as a result of that. And that's year-to-date, okay? So that number will actually probably go up between now and the end of the year because as line rates come up, we'll absorb that extra labor, and then we'll begin to flip it over into productivity. So that's the \$40 million.

Yeah, I mean I think that we're well on track of meeting the targets that we put on that sector because of two things. Number one, the carryover of not having those costs of consolidation between the two years is an add back. The volume across the segment goes up, and so the incremental margin of the fixed cost goes up along with it. So I think that's why I said that we can expect a material change in 2027 in the margin of that particular segment.

Nigel Coe

Analyst, Wolfe Research LLC

But no numbers.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Oh, come on, Nigel. We're going to give you guidance when we get to the end of the year, but it's material.

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Nigel Coe

Analyst, Wolfe Research LLC

Okay. You've said 20% in the past. I was just trying to get a sense on that. But maybe – can we just talk about the PPS orders – sorry, not PPS, CST orders. Been strong for a long time now. No sign of a slowdown. I'm just wondering, maybe if you can just like try and give us another sort of second level detail on SWEP versus CO2 systems versus core refrigeration. And I do want to get a sense on one number, which – 30% growth in data center this year is impressive, but I would think it'd be even more impressive just given the growth in the market. And I'm wondering if there's any capacity constraints within SWEP that maybe gets released in 2027.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Well, yeah. I mean we – I think that if you go on the slide of our capital investments and if you go back and read the transcript of what I said, yeah, we've been capacity constrained all year. It doesn't seem to be preventing the actual build-outs, but everybody is trying to get in front of securing the supply. So there's a lot of signaling effect in there. But we are basically ramping to double capacity into the main product line that's been growing, this is SWEP now, that's been sent into data centers. That will change over time because there'll be a shift between the central cooling system demand, which we see it now, into more CDU mix into the future, and we're taking that into consideration.

A

In terms of the backlog, I don't want to say 50/50, but it's dominated by CO2 systems demand and SWEP.

Nigel Coe

Analyst, Wolfe Research LLC

Okay. Thanks, Rich.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Thanks.

A

Operator: Thank you. Our next question comes from Mike Halloran with Baird. Please go ahead. Your line is open.

Michael Halloran

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

Hey. Good morning, everyone.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

[ph] Good morning (00:20:08).

A

Michael Halloran

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

Q

Hey. So back to the backlog question on some level. What's the normal conversion ratio at this point? Half your backlog is shippable next year. What does that normally look like? And maybe any thoughts on the lead times you're seeing in the industry and if those are starting to extend?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

It is higher than average that we would see at this time. So if you go back and read the transcripts, we would expect in a kind of, let's call it a normal year, for book-to-bill to come down in Q3 just because the order of magnitudes of shipments. But because of the secular growth nature of some of these businesses that we're in, that customers in certain segments are securing supply, so trying to secure capacity, and so that they're ordering well in advance of what we would normally expect. And that's why we gave you the backlog figures, and that's why we tried to monetize how much of that is 2027, because that, in general terms, would not look like that except for the pace of the growth rate in some of those segments.

Michael Halloran

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

Q

[ph] No (00:21:24), that makes sense. And on the buyback side, M&A side, obviously, certainly makes sense that you're pushing more on the capital return side short term. But maybe what's just happening on the M&A side of things, are you getting priced out of deals at this point? Has the activity slowed? Maybe just some thoughts there.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

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Yeah. I mean the activity naturally slows in Q4. Very little comes to the market at the end of the year. So whatever has come to market, has come to market. Not to get into certain deals. Look, we've got return criteria that we stick to. So there are some things that we didn't get that we would have liked to get, but the purchase price that those assets sold for were above that criteria at the end of the day.

We'll see in 2027, but we've got a ton on our plate of organic investment, which is probably going to drive as much revenue growth as kind of bolt-on acquisitions would do. So we retain a posture of optionality, meaning that we'll participate in M&A. We got – we've got some interesting stuff in the pipeline. But with all the cash that we're producing that we carried into this year and all the cash that we're going to produce this year, clearly that our stance is now on capital return.

Michael Halloran

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

Q

Thank you. Appreciate it.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Thanks.

Operator: Thank you. Our next question is from Joe O'Dea from Vertical Research. Please go ahead. Your line is open.

Joseph O'Dea

Analyst, Vertical Research Partners LLC

Hi. Good morning. Could you talk a little bit about pricing and what might be in the pipeline just with respect to the inflationary backdrop? Looked like the price this quarter was pretty similar to the second quarter, maybe a little bit tougher comp, but are you out there in the market and need to do anything more on the pricing side...

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

It depends, Joe.

[indiscernible] (00:23:18)

Joseph O'Dea

Analyst, Vertical Research Partners LLC

...to carry over into next year?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah, it depends, Joe. I mean we are – actually have moved up pricing decisions this year, and have been introducing pricing, which in a kind of a stable year of a low inflation environment, we'd kind of wait till the beginning of the year. We've actually accelerated that in certain instances, depending on exposure to a variety of different things, whether it's commodity group metals or other things. So I think we're on the front foot of getting ahead of what anybody's view about price cost is going into 2027. I think we're actually probably a full quarter in front of getting in front of that.

Joseph O'Dea

Analyst, Vertical Research Partners LLC

And then just another one on the food retail and the production ramp costs. As we think about full year being somewhere above \$40 million, how much of that we can think about as being non-repeat? Is there carryover associated with it, or do you think that those are all kind of contained costs that you'll be able to leverage next year?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

It will – so the speed is coming down as the volumes go up, right? You get the fixed cost absorption benefit. The balance of it is productivity, so it's just winding out kind of extra labor costs as you stabilize the line rates. So we would expect that to progressively get better over the balance of the year, and then probably finish up by the end of Q1. But I don't expect the \$40 million or whatever it ends up being at the end of this year flows through in total going into next year, unless volume drops, and based on our backlog right now, we see no indication of volume dropping in 2027.

Joseph O'Dea

Analyst, Vertical Research Partners LLC

Got it. Thank you.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Welcome.

A

Operator: Thank you. Our next question comes from Scott Davis with Melius Research. Please go ahead. Your line is open.

Scott Reed Davis

Analyst, Melius Research LLC

Hey. Good morning, guys.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Scott.

A

Scott Reed Davis

Analyst, Melius Research LLC

What – Rich, what happens in retail fueling when prices – when fuel prices are up this much? Does that create a little bit more cash flow for these guys to invest in their businesses? It seems like that it's been a while since we've had a big jump like this, but what does \$6 diesel and \$4 gas do for the – for these folks?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah. Not to talk about our customers' profitability, which – many of which are publicly traded. At the end of the day, earnings spread on fueling products have been up substantially over the past 18 to 24 months, and I don't expect that to narrow. The better news, so that's great. We like healthy customers that are making a lot of money, number one. And number two, the good part of what we've seen about the CapEx is there is supply constraints in that particular market, and that is just lengthening the duration of what we believe the demand cycle is. So we knew we were coming into a CapEx cycle for a variety of different reasons. We now believe that that is going to extend, I think we called it out a year and a half ago as a three-year cycle. It's probably going to – we could probably argue that it's going to be at least four.

A

Scott Reed Davis

Analyst, Melius Research LLC

And is that an area where you're able to get price because of that supply chain dislocation?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

It's – in terms of the amount of market participants, it is a market that we like.

A

Scott Reed Davis

Analyst, Melius Research LLC

Yeah, makes sense. All right. Thank you. Best of luck.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Thanks.

A

Operator: Thank you. Our next question comes from Andy Kaplowitz, Citigroup. Please go ahead. Your line is open.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Good morning, everyone.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Hi, Andy.

A

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Rich, so DII margin, I think was the best margin that segment has recorded. I know you mentioned mix productivity effects, but I think you've been working on structural cost actions in that segment. So should we think about DII's margins even more sustainable, closer to Q3 rates, or maybe it was more of a one-time bump?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Look, I'd look at year-to-date at the end of the day, because it's our most global business. There's a lot running through that, that some of our other business don't have to deal with, especially FX, and then mix because of the disproportionate difference in margin between the consumables and the equipment. So it will move around for that. Having said that, if you go back and take a look over a three- to five-year period, we've steadily marched up the margin in that business through a variety of different measures. We're making some pretty significant investments. We built a brand-new plant in Poland this past year, and we're going to finish up on basically rebuilding our ink production in 2027, so we expect some productivity to come out of that. So yeah, I mean I wouldn't get all excited about the quarter's – this quarter's margin, but if you look at it on a year-to-date basis, that's entirely sustainable.

A

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

That's great. And maybe a similar question on Clean Energy & Fueling. If I look at Q3, year-over-year margin is a little bit more difficult than the first half. I know you talked about cryo space production ramp impacting margin, but maybe update us on the platform you created in that business, that journey. I think you talked about the 25% margin. Where is that?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Look, we're tracking there, but we've been – the opportunities that we've found on the cryo side over the past 18 months, which is driving the top line, is requiring a lot of investment on our part. So that has got a little bit of a dilutive effect, but we'll take that trade-off any day, right? Because it's driving the top line, and they are – these are

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businesses with secular growth that once we go through the build phase, we can expect what we saw in SWEP over the last couple of years, where we had margins that were down because investment was running forward than the revenue. Now we've got the revenue in SWEP, and so the incremental margin is robust.

We'd expect that same kind of trajectory, and that's the reason that we put that slide in about all the organic investments that we're making is, it's not only to kind of explain what we think about the durability of the revenue increase, but it's to give you a signal of, we're going to invest here. There's some cost of making those investments, but we believe over time, the return on invested capital there will be excellent.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Appreciate all the color, Rich.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Thanks.

A

Operator: Thank you. Our next question comes from Brett Linzey, Mizuho. Please go ahead. Your line is open. Brett, your line is open.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

I think we have to move on.

A

Operator: We will move to our next question. Our next question comes from Amit Mehrotra with UBS. Please go ahead. Your line is open.

Amit Mehrotra

Analyst, UBS Securities LLC

Thank you, operator. Hi, Rich.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Hi, Amit.

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Amit Mehrotra

Analyst, UBS Securities LLC

Just maybe one quick one. SWEP lead times, last time I checked in, they were like 25 weeks. Is that still the case? And I think that's where most of your copper exposure is. Obviously, copper has come off a little bit, but sort of hit all-time highs in September. I think you have a material pass-through on that, so no issue on price cost. Maybe you can enlighten me on that, but maybe there's a margin issue as copper rises in that business. Maybe you can talk about those two things.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Yeah. Let's deal with copper first. I think that it is – we do have copper exposure there, but it's built into the pricing mechanism with our supplier contracts in SWEP. I don't know what lead times are off the top of my head. I mean we're bringing on additional capacity sequentially through the year, but with a pretty big jump this quarter going into Q1. Then it becomes a big debate of, well, but the lead times keep going out because the orders keep coming in advance of that capacity build. Does that wind down in 2027? Hard to say. Right now, we don't see it, but we are bringing on more capacity because the fact that we believe in the durability of the demand.

Amit Mehrotra

Analyst, UBS Securities LLC

But it's not measured in years. It's measured in quarters, right?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah. Yeah. [ph] Not really (00:32:26).

Amit Mehrotra

Analyst, UBS Securities LLC

Okay.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

It's not in years.

Amit Mehrotra

Analyst, UBS Securities LLC

So I guess just my follow-up question, my clarifying question then, if I think about quarterly order in dollar terms over the last three quarters, so this year, sort of average \$2.3 billion to \$2.4 billion, depending on the quarter. That's about 9%, 10% higher than the average quarterly revenue of this year. I'm sure you're going to tell me to curb my enthusiasm, but is that the wrong way to think about maybe the organic growth opportunity next year?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Let me answer it this way. We've given you book-to-bill against my own advice. We gave you the number of the backlog increase. To get into the high-level math when you don't know what the duration is of the timing of those orders...

Amit Mehrotra

Analyst, UBS Securities LLC

Yeah.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

...it's a fool's game. I'm sure Jack can give you all kinds of clarifying questions, but I can't go there right now.

Amit Mehrotra

Analyst, UBS Securities LLC

I guess that was my question. That was my question about lead times, right? So I mean, lead times [ph] are not like that (00:33:32)?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah. Yeah. Look, I mean we're not losing share because of lead times, right?

A

Amit Mehrotra

Analyst, UBS Securities LLC

Right.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Because we – generally speaking, we're in very concentrated markets from a supply base. So those who bring on the capacity proactively tend to win, and that's why we've been investing in advance of some of this demand to the detriment of margins, by the way, but it's – but they end up being good investments once they roll over and absorb the fixed cost. So we can see that...

A

Amit Mehrotra

Analyst, UBS Securities LLC

Right

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

...in SWEP right now.

A

Amit Mehrotra

Analyst, UBS Securities LLC

Excellent. Okay. Thank you for answering my questions. Appreciate it.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Thanks.

A

Operator: Thank you. Our next question is from Andrew Obin, Bank of America. Please go ahead. Your line is open.

David Ridley-Lane

Analyst, Bank of America Merrill Lynch

Morning. This is David Ridley-Lane on for Andrew. Clean Energy & Fueling, there is a comment that you're planning a greenfield expansion and below-ground retail fueling. Know that there is a regulatory or replacement cycle there for underground tanks, but adding capacity expansion suggests that you think this is a kind of a multi-year durable cycle. Is that the right interpretation?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah, I think I answered it a minute ago to Scott. The – there is capacity constraints on underground equipment to come into compliance on tanks, and that – and because there is capacity, which by the way, we don't supply. But what that is doing is lengthening the duration of the demand because you can't get the tanks to do the work, right? What we're expanding in is all of the products that are around that, where we see robust demand and our margins are quite good. So that's the way I would answer it.

David Ridley-Lane

Analyst, Bank of America Merrill Lynch

Thank you. And just a quick follow-up. Have you been hearing any impact from higher interest rates from any of your more capital planning type businesses? Is that something that's bubbled up to your level?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

None.

David Ridley-Lane

Analyst, Bank of America Merrill Lynch

That's very clear. Thank you very much.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Thanks.

Operator: Thank you. Our next question is from Joe Ritchie with Goldman Sachs. Please go ahead. Your line is open.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Hey, guys. Good morning.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Joe.

Christopher B. Woenker

Senior Vice President & Chief Financial Officer, Dover Corp.

Joe.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

So, Rich, look, the slide 9 is great, right? Gives you a lot of detail on your capacity expansions, organic investments, et cetera. I guess the question I have is, as you've – as we're getting closer and closer to 2027, like

how much does this set you up for growth beyond 2027 based on what you know today? Or do you think there's going to possibly be additional capacity expansion beyond what you've already announced?

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Well, I hope we have additional capacity expansion. But the capacities that we are laying in are for multi-year, especially the greenfields, right? I mean we're building – greenfield is a building a new site, and we would never [ph] capacitize (00:36:44) a new site for the next 12 months unless – because you never get the return on capital there. So they all have been sized on the initial investment for multi-year duration. So in a way, if we have the same slide again next year and there are additional capacity on top of it, it's a great sign because it's just more demand than we've sized the initial investment. So right now...

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Q

Yeah. That's...

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

...these investments, we believe that we can capture our share of the market of the growth rates that I think that we showed you on slide 5.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Q

Got it. Okay. That's super helpful. And then going back to the question earlier about the \$40 million and the \$40 million potentially going higher as the year progresses. I guess, quick math, right, taking a look at your revenue year-to-date in CST, it's like that equates to like roughly 300 basis points if I'm doing the math right. So I guess the question I have as you get into 2027, like when would you expect to see a turn in CST margins? And starting to – obviously, you've been taking on these extra costs throughout the year and will continue, but I'm just curious when you would expect to see a turn based on what you know today.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

I think that we will beat our comp in Q1.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Q

Okay. That's absolute. Okay, great. Thank you.

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

A

Thanks.

Operator: Thank you. Our next question is from Andrew Buscaglia with PNB (sic) [BNP] (00:38:27) Paribas. Please go ahead. Your line is now open.

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Hey, guys. Thanks for taking my question.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Sure.

A

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

If you could – just kind of tying this all together, I get – sort of get the sense, your outlook for 2027 and – or your confidence that 2027 has improved in the last few months. I mean just based on some of these higher growth markets and like the visibility you have. But am I right in that that's the core reason you're kind of sounding better on 2027 or sounding positive on 2027? Or slide 6 sort of suggests like your underlying, just kind of core markets are seeing some improvements cyclically. So I guess where is more of the confidence coming from? Is that high growth stuff or like that core business?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah. Well, I mean the slides are put in there for a reason, and it's the trajectory growth rates on where we've been investing. Have – I mean we're looking at, I don't know, what did we say? 500 basis points of improvement over the past 24, or not even 24 months, 20 months.

A

Jack Dickens

Vice President-Investor Relations, Dover Corp.

Yeah.

A

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

So that we're good there, and we have a data point in terms of orders and backlog earlier this year than we would have in a normal year. So growth, where we've chosen to participate, those markets are performing well, and the customers that we have across the broader portfolio are beginning to order into 2027 for a variety of reasons, that we usually are kind of cautious until we get into giving full year guidance, because usually we don't have that kind of visibility.

A

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Yeah, that's the sense I get. Okay. And then on the heat exchanger side, you talked about – you sort of said you hope you have more capacity investments because that means things are probably going well. What are capacity requirements like on heat exchangers, in your opinion? And then just given the really strong growth we're seeing in that data center cooling side, what's the competitive dynamics there? That's always been sort of a risk that you're not alone in identifying this growth and...

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Sure.

A

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Yeah. Can you comment on that too, please?

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Yeah. Everybody wants to be in data centers. I see the M&A presentations all the time. Look, this is a – that's a highly automated process. You need to make capacity decisions 18 months in advance before them coming online. So this is not a – this is not kind of hire a bunch of people and get bigger throughput. It's actually very little people in the process, and so it's a very highly engineered, probably one of the most highly engineered products that we have in the entire portfolio. It's a very concentrated market, but those competitors that we have, if you went and looked, are also announcing capacity expansion.

A

So, I don't – I think that we've done a very good job of proactively investing in capacity in advance of the market to the detriment of margins in the past. So we'll get our fair share here. But I can't disagree with you. I mean everybody wants to be in data centers, so you've got to be – we're going to find out altogether about the duration of the demand. Right now, I don't think we're getting over our skis just because our backlog says what it is, and we believe there is going to be a conversion into more CDU mix than we see now. But, I think that we're positioned competitively and from a capacity point of view, appropriately.

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Fair enough. Thank you.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Thanks.

A

Operator: Thank you. Our final question comes from Brandon Knutson, Morgan Stanley. Please go ahead. Your line is open.

Brandon Knutson

Analyst, Morgan Stanley & Co. LLC

Hey. Good [ph] morning, (00:42:36) everybody.

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Brandon, morning.

A

Brandon Knutson

Analyst, Morgan Stanley & Co. LLC

Just a quick follow-up on CST margins. I know you said it's going to be stronger [Technical Difficulty] (00:42:45) growth, but more flat. You said a lot of the...

Q

Jack Dickens

Vice President-Investor Relations, Dover Corp.

Hey, Brandon. Brandon, we're having a hard time hearing you. Are you far away from the microphone?

A

Brandon Knutson

Analyst, Morgan Stanley & Co. LLC

Hello?

Q

Jack Dickens

Vice President-Investor Relations, Dover Corp.

Hey. Can you hear us, Brandon?

A

Brandon Knutson

Analyst, Morgan Stanley & Co. LLC

Yeah. Can you hear me?

Q

Jack Dickens

Vice President-Investor Relations, Dover Corp.

Yes, we can hear you now. All right, go ahead.

A

Brandon Knutson

Analyst, Morgan Stanley & Co. LLC

On [ph] CST (00:43:13), you saw strong growth accelerate there. Margins went [Technical Difficulty] (00:43:22)

Q

Richard Joseph Tobin

Chairman, President & Chief Executive Officer, Dover Corp.

Brandon. Hi, Brandon, you're cutting – hey, Brandon, you're cutting out. You know what, give Jack a call. He'll get to you. But you're cutting in and out.

A

Jack Dickens

Vice President-Investor Relations, Dover Corp.

Okay. I think we can wrap up the call, Leslie.

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

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