OVERVIEW:
Co. reported 1Q23 YoY organic revenue growth of 3%. Expects 2023 organic revenue growth to be 3-5% and adjusted EPS to be $8.85-9.05.
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PRESENTATION
Operator
Good morning, and welcome to Dover’s First Quarter 2023 Earnings Conference Call. Speaking today are Richard J. Tobin, President and Chief Executive Officer; Brad Cerepak, Senior Vice President and Chief Financial Officer; and Jack Dickens, Senior Director of Investor Relations.

After the speaker’s 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
Thank you, Todd. Good morning, everyone, and thank you for joining our call. An audio version of this call will be available on our website through May 17 and a replay link of the webcast will be archived for 90 days.

Dover provides non-GAAP information and reconciliations between GAAP and adjusted measures are included in our investor supplement and presentation materials, which are available on our website. 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  Dover Corporation - President, CEO & Director
Thanks, Jack. Good morning, everybody. Let’s start with the performance highlights on Slide 3. The quarter was solid overall. We are very pleased with our production performance to start the year which allowed us to begin reducing our inventory balances towards the end of the quarter.
Consolidated organic revenue was up 3%, with growth across most of our businesses driven largely by the secular growth tailwinds that we outlined at our most recent Investor Day. The majority of our input and supply chain constraints have dissipated resulting in production lead times largely returning to pre-pandemic levels. This has led to more normalized order patterns, improved shipping volumes and a gradual reduction of elevated backlog.

New order intake was robust in the quarter with 4 out of 5 segments posting book-to-bills of 1. New book-to-bills decreased sequentially in the first quarter, and our order backlog remains elevated compared to normal levels providing us with good visibility for the remainder of the year.

During the quarter, we de-booked some volume from our backlog and retail refrigeration from a single customer, was put the timing of '22 -- 2023 capital plan under review. Our expectation is that we'll be rebooking the volume in the second half.

Margin performance in the quarter was strong with 4 out of our 5 segments improving margins over 100 basis points, driven by broad-based productivity gains, positive price/cost dynamics and prior period investments and cost containment actions.

Higher segment earnings performance drove our EPS growth. We had some comparable cost headwinds during the quarter from transitory inorganic activity costs, higher interest expense, FX and tax. Brad will review later. Interest costs are set to drop progressively for the balance of the year and FX at current rates turns into a comparable tailwind in the back half.

Our recent investments in automation and productivity projects are paying off, and we are in the process of completing several capacity expansions in our secular growth businesses. The acquisition of Witte in our Pumps & Process Solutions segment, which we completed in December last year is off to a great start and is performing above expectations.

Our strong financial position allows us to pursue a healthy pipeline of attractive bolt-on acquisitions and to opportunistically return capital to our shareholders.

We are encouraged by the trends and performance so far in 2023. We have a constructive but also watchful outlook for the remainder of the year. Overall, demand conditions in our attractive industrial markets remain solid and our bookings are healthy. Our order backlogs, especially in our longer-cycle businesses provide good visibility to our forecast. We are on track to deliver our full year cash flow target as we liquidate inventory in concert with the normalization of our backlog. We are mindful of the mix to macro economic backdrop, and we are staying close to our customers to understand their plans.

We have available cost control levers and operational flexibility that should enable us to deliver good results in various macroeconomic environments. With that, we maintain our 2023 full year guidance, 3% to 5% organic revenue growth and adjusted EPS of $8.85 to $9.05 per share. I'll skip Slide 4. Let’s move on to the segments.

Engineered Products was up 3% organically in the quarter, driven by positive pricing, strong demand for waste handling equipment parts and related digital services. The chassis availability issues that impacted the waste handling business coming out of the pandemic have improved. And to the extent that, that supply continues to be available, we are well positioned to increase shipments meaningfully against strong underlying demand.

Margins were up 230 basis points year-over-year, primarily driven by improving supply chains, positive price cost dynamics, mix and as well as investments in productivity initiatives.

Clean Energy and Fueling declined by 3% on an organic basis. Revenue is up in clean energy components, vehicle wash, fuel transport and below-ground retail fueling, offset by the expected comparable decline in dispenser and EMV card reader demand.

The upcoming second quarter comp is the last of material EMV volume. We remain constructive on the business for the full year as order activity in March was healthy. Despite the lower volume, margins in the quarter were up 120 basis points on positive mix and price cost as well as improved comparable cost structure from previously announced cost reduction actions taken in the retail fueling business.
Imaging and ID posted a solid quarter, up 8% organically on broad-based strength in our marking and coding printers, spare parts and consumables. Our serialization software business continues to perform well and win new accounts. FX remained a negative headwind to absolute revenue and profits in this segment that drove a large base of non-U.S. dollar revenue. Margins in Imaging and ID were very strong at 24%, improving 260 basis points on volume, conversion, pricing actions and mix.

Pumps and Process Solutions declined 7% organically in the quarter, driven principally by the post-COVID transition in the biopharma space. New orders for biopharma grew sequentially during the quarter as the impacts from inventory destocking begin to subside. At the current trajectory, we expect to have one more quarter of headwinds then inflect positively in the second half of the year.

All the other businesses in this segment posted solid organic growth during the quarter with particular strength in precision components, industrial pumps, thermal connectors and polymer processing equipment. Operating margin was down against a peak comparable quarter in the prior year due to the mix effect from non-- from higher non-biopharma revenue.

Top line and Climate and Sustainable Technologies continued its double-digit growth trajectory from the last 2 years, posting 16% organic growth. Demand trends remain particularly robust in heat exchangers and CO2 refrigeration systems, driven by global investments in sustainability. Beverage can making continued shipping deliveries against its strong backlog. Margins came in at 16% in the quarter, up 280 basis points year-over-year on strong volume conversion, productivity, positive price/cost and good mix of products delivered. I'll pass it to Brad here.

Brad M. Cerepak - Dover Corporation - Senior VP & CFO

Thanks. Good morning, everyone. Let’s go to Slide 6. The top bridge shows organic revenue growth of 3%, driven by increases in 3 of our 5 segments. Acquisitions contributed $19 million to the top line in the quarter. FX translation was a substantial headwind at 2.5% or $52 million and impacted both our revenue growth and profitability. FX headwinds resulted in $0.06 of negative EPS impact in the quarter.

At today’s prevailing rates, we expect these FX headwinds to subside as the year progresses against easier comps with roughly $0.10 of negative FX impact forecasted for the first half of the year and $0.05 of favorability in the second half.

From a geographic perspective, the U.S., our largest market, was up 3% organically in the quarter. Europe and Asia were flat and down 4%, respectively, on timing, of comparable shipments. We expect organic growth in both regions for the full year.

On the bottom chart, bookings were down year-over-year due to foreign currency translation, normalization of lead times across several businesses and a $90 million order de-booking related to a major retail refrigeration customer’s decision to temporarily pause its new store expansion program. Now let’s move to cash flow on Slide 7.

Free cash flow for the quarter came in at $193 million or 9% of revenue. This represents a record first quarter free cash flow and was up over $200 million year-over-year. The first quarter is historically our lowest cash flow quarter due to seasonality of investments in working capital to support growth in the year ahead.

As discussed previously, our supply chains -- with supply chains improving, we have been actively working to liquidate our working capital balances in 2023 and we are beginning to see the results materialize. We expect our working capital balances, in particularly our inventories to reduce over the balance of the year and to be a significant driver of year-over-year cash flow. Excluding any impacts from acquisitions, we should materially pay down commercial paper balances over the next several quarters. As a result, we would expect interest expense to decline by $10 million between the first half and second half of the year.

Our forecast for 2023 free cash flow remains on track for between 15% and 17% of revenue. I’ll turn it back to Rich.
Richard Joseph Tobin - Dover Corporation - President, CEO & Director

All right. Let's go to Slide 8. Here, we show the growth in margin outlook by segment for 2023 that are underpinned by our current bookings and backlog trends. I'll make a few summary comments before I jump into the segments.

First, our lead times have largely normalized across the portfolio. We highlighted in the chart our good backlog levels are primarily driven by a handful of operating businesses that are either a long cycle in nature or experience – or experiencing secular growth where there is a supply-demand deficit or both.

Next, our expectation going into the year was that order rates would normalize in an orderly fashion because the repaired supply chains, removed the rationale for customers to order for in advance. Order rates in the first quarter were strong across most businesses which is a positive indicator for our full year revenue targets, which do not require us to -- which do not require book-to-bill above 1 every quarter due to the aforementioned backlogs.

We expect growth in Engineered Products to remain solid, driven by pricing carryover as well as pent-up demand and improved chassis availability in refuse collection vehicles. We expect trading conditions in aerospace and defense, industrial automation and winch is to remain constructive following 2 years of excellent volume growth, we expect vehicle aftermarket to be stable.

Engineered Products are set to improve margins in 2023 on solid volumes benefits from our recent productivity capital investments taking hold and positive price cost tailwinds.

Clean Energy and Fueling should grow low single digits organically, and solid demand in all businesses except aboveground dispensers, the constructive booking rates and customer sentiment in the dispenser business point to improvement from here with Q2 being the last quarter of negative EMV mix impact. For the year, we expect margin improvement in Clean Energy and Fueling volume recovery, improved mix, proactive restructuring actions in aboveground fueling and we expect revenue and absolute earnings growth to be entirely second half weighted for this segment as EMV volume comps fade.

Imaging and ID is expected to continue its mid-single-digit growth trajectory through the year. We see robust demand for renters consumables and professional services and the outlook for our software offerings is also strong after some recent customer wins. Full year margins should remain attractive for this segment. We project flat organic growth for the year in Pumps and Process Solutions. Coding activity remains strong in industrial pumps, the plastics and polymers business continues to deliver against record backlog levels with particular strength in the U.S. and in China, the Witte Pumps acquisition provides much-needed capacity to our Maag business. Demand for engineered bearings and compressor components remains robust with a notable mix in order rates towards energy transition markets, such as hydrogen, LNG and carbon capture. Thermal connectors continues to grow well into the double digits.

In biopharma, we expect the business to remain at current conditions in the second quarter and return to growth in the second half of the year as order rates continue to improve. As we discussed during the Analyst Day, the long-term tailwinds for single-use components for biological drug manufacturing are robust. Our full year margin target for this segment is approximately 30%.

The growth outlook for climate and sustainability technologies is solid as our businesses continue to ship against strong backlog levels. We are forecasting continued double-digit growth in both natural refrigerant systems and heat exchanges for heat pumps. We expect some second quarter headwinds in refrigeration cases due to the aforementioned debooking impacting fixed cost absorption, but we remain constructive on the overall demand and continue to expect our multiyear journey of margin improvement for the business.

Beverage can making is booked for the next several quarters, and we have some very interesting opportunities in the pipeline. We expect continued margin improvement in 2023 on volume conversion, productivity gains and mix.

Go to Slide 9. Here, we show the range of new-to-market products and the status of some of our important expansion projects that allow us to sustain our competitive advantages in our marketplaces. We are very bullish on the long-term value creation opportunity for these new product launches. You'll see each of these products touch sustainability, digitization or biopharma and hygienic applications. Our growth and capacity
expansion projects are progressing well, whether behind our heat exchangers, natural refrigerant systems, or biopharma businesses. Each of these applications are growing in double digits. Over the long term, these will be important drivers of our underappreciated organic growth story.

Our previously announced restructuring within the retail fueling segment is on track as we transform this business model. We also took some incremental footprint restructuring actions in retail fueling in Europe in the first quarter, and we have several ongoing projects across other operating companies as well.

Let’s wrap up on Slide 10. Dover’s portfolio consists of a range of niche middle market industrial franchises with significant diversification from a product and end market exposure perspective, many of which we believe are secular growth tailwinds. Our supply chains are not overly complicated, and our manufacturing operations are lean and getting leaner. We believe our diverse end market exposure together with our flexible operating model and value-added center-led initiatives will continue to be a competitive advantage for us regardless of the macroeconomic environment. We believe that we have line of sight for our full year forecast and a range of available cost levers to ensure we deliver. With that, so -- with that, we are maintaining our full year 2023 guidance. So Jack, let’s go to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Jeff Sprague with Vertical Research Partners.

Jeffrey Todd Sprague - Vertical Research Partners, LLC - Founder & Managing Partner

Rich, as Brad pointed out, if you get these inventories normalize, the cash comes through, you delever pretty quickly. I just wonder what you’re seeing on the M&A side of the equation and are there things that are actionable in the pipeline in 2023 in your view? And also just wonder if you’d comment on potential interest in Carrier’s refrigeration business, which (inaudible) this morning.

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

I’ll take the second one first. I know, I think it’s just a purchase, I would say no, but I think it’s early days to see what happens in the space. Any activity in the space in total is interesting. I’ll leave it at that.

In terms of M&A, yes, we took some cost in Q1 around inorganic activity. So I guess that’s an indication that we’re working on some things that we hope to get across the line. I can tell you, overall, there’s not a lot coming to market for all the reasons we can understand. But the good news is that multiples are now converged with the public markets and the competitiveness or lack of PE participation is helpful. So more to come, but I think that we’re pleased with what we got going on in the pipeline.

Jeffrey Todd Sprague - Vertical Research Partners, LLC - Founder & Managing Partner

And then just on this debooking, I mean, are you seeing any other signs that retailers are just wavering either on new stores or remodeling or do you think this is truly a one-off? And I think you said you expect it to actually rebook at some point later in the year.

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

Yes. This was more of one particular customer basically revisiting strategically what their intent is. So it’s our customer. We expect that process to take somewhere between 4 to 6 months, and at that point, we go back. It just wasn’t -- we could have kicked the can here and just left it in backlog, but then it becomes a problem in terms of inventory in our planning process. So we just took the -- we just made the decision just to debook it out
of backlog, it is a one-off. I mean, right now, what I'm hearing -- what we're hearing from our clients is, again, they're still having trouble getting the labor. They're still unhappy with the inflation cost of doing their builds, but they'd continue to like to do the build. So the demand is still strong. This one is just a strategic issue as opposed to kind of an overall commentary on the market.

Operator

Our next question comes from Steve Tusa with JPMorgan.

Charles Stephen Tusa - JPMorgan Chase & Co, Research Division - MD

Can you just talk about the -- what you expect to see here in the second quarter? I think you made some comments in the 10-Q about some of the organic growth rates. It seems like everything is relatively stable, but then we have to take into account the debooking in the refrigeration business. Is that roughly how we should think about organic growth in the second quarter. I know the comps are kind of all over the place these days, but maybe just a little color on the sequential trend there.

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

Yes. I mean I think that we would have expected to build some of that product in Q2. So that's a bit of a headwind there. But quite frankly, the bigger issue for Q2 is the last remaining quarter of bio and EMV. So to me, Q2 is always going to be, from a comp point of view, sort of like Q1 to a certain extent, but we really feel good about the back half of the year because the comps roll forward and all of the bottom below the line charges, to call it that, for a lack of a better word, actually roll positive. So yes, I mean, Q2 should look a lot like Q1 relative comp to comp.

Charles Stephen Tusa - JPMorgan Chase & Co, Research Division - MD

Relative comp to comp. But I mean absolute you usually do step up quarter-to-quarter like just on an absolute EPS basis? I mean, are we assuming normally -- should we take normal seasonality and just subtract the door cancellation?

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

No, I mean, I wouldn't get too hung up on trying to monetize the math on the door cancellation. It is a bit of a headwind in Q2. What I'm saying is if you look at Q1 to Q1, Q2 is going to be similar in terms of Q2 to Q2 comp. There's a step up in volume there.

Brad M. Cerepak - Dover Corporation - Senior VP & CFO

Yes. So I would say the historical first half to second half is not applicable at this stage. It's a little bit more to the back half as we said before, Steve.

Charles Stephen Tusa - JPMorgan Chase & Co, Research Division - MD

Okay. That makes sense. And then, Rich, you've been among -- sorry, just on price cost. Any update there for the year? What are you guys seeing on those numbers?

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

I think we're not really taking any more meaningful price action. I mean, I think in certain areas, yes, but I mean, I think we're happy to just continue to get what's already baked into the system.
Okay. So you’re positive, though, on a price cost spread basis?

Our expectation is to be positive for the full year.

Our next question comes from Andy Kaplowitz with Citigroup.

Rich, so I know how much you love talking about orders, but let’s do that. If we exclude the order reversal in climate, your book-to-bill was over 1 in Q1, and you’re on pace for an order number, closer to $8 billion in the numbers we discussed last quarter. I think you said that order lead times have already mostly normalized. So at this point, is it looking more likely that you’ll not go back to that sort of more normalized backlog at least this year and that book-to-bill may remain healthier than you previously thought?

Oh, boy. Orders in Q1 were better than we had modeled. And interestingly, just to give a little color of it, it was all in March. So it was tracking the way that we thought it was going to track. We would expect it to be below 1 in Q1 just because of the size of the backlog and the non need to order so far in advance, but March was very healthy. So it’s early days. If that pace keeps up, that’s great for our full year volume forecast. But like I said before in the comments, we don’t need to be above 1 every quarter for the balance of the year to hit our numbers. So it’s early days. I think that overall, we’re pleased with the book-to-bill of Q1 because it’s a little bit better than expected.

Remember, but you have to recall, remember numerator and denominator Q2 and Q3, we step up on the shipment side, right? So you need almost a greater inflection of orders to stay above 1 from there. So we’ll see how it goes, but will take better-than-expected book-to-bill in Q1 (inaudible).

Yes, that’s helpful, Rich. And then maybe just on the CST, again, you you obviously still have very high backlog coverage, even with the debooking. So when you look at the business, I know you’re still forecasting mid-single-digit growth you talked about the Q2 issue. But is that mid-single-digit growth really more of a minimum given sort of the capacity additions you’ve got and the strength in heat exchangers and CO2 systems? And how durable is the growth you think as you go forward, even if economic conditions get a little more difficult?

Well, we’re very prospective on the CO2 systems and on the heat exchanger side, which is the reason that we’re expanding capacity. So that capacity is going to take basically the balance of the year to progressively come online. We probably could sell some of that capacity if it was in place now, but we think that we still in the March in terms of our capacity build versus our competitors there. So we’re bringing it online as fast as we can, but you can’t sacrifice quality, and there’s a variety of other things that you need to do to get it done.

The swing factor will be, as I mentioned in the comments, that we have some interesting projects in Belvac, which we would expected Belvac to cycle down some in Q2, which I think we talked about at the beginning of the year. If we were able to book that, that would be a positive in terms of
of back-end growth. And look, at the end of the day, we expect to rebook the refrigeration business in the second half of the year. But I will tell you that, that cost structure of that business is much more flexible than it's been in the past. So even if we were to miss a little bit in terms of the top line growth there, I don't think that we're going to see the margin dilution that you would have seen historically.

Operator

Our next question comes from Joe Ritchie with Goldman Sachs.

Joseph Alfred Ritchie - Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst

So first question, I guess, maybe just following up on Andy's question on orders. Rich, what's the price positively in March from an order standpoint?

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

North American dispensers. I think was a positive surprise, and we wouldn't -- we were not expecting that to inflect until the back half of the year. Heat exchangers, I mean, I think that if we really wanted to go get the orders now, we could basically book the balance of the year in terms of backlog. That's been good.

Printing and ID, I think if you look at the performance of Q1 has been excellent. I mean that's a business that I don't think anybody models an 8% growth rate there at some really good margins. So I mean it's broad-based in the portfolio. I think what we're most pleased with, I guess, is that biopharma inflected, right? Because we -- you see our customers now reporting their earnings of the week. We were kind of 3 quarters in front of everybody else in the destocking. So we feel good about basically this inflecting in the second half of the year. And I think that we've had a more positive view, I think, on retail fueling then, I guess, the market would expect and if March orders are a precursor, I think we feel good about our full year estimates.

Joseph Alfred Ritchie - Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst

Awesome. No, that's great. And it's a good segue into biopharma, right? So it seems like you're probably at a trough margin for the segment in 1Q, I think you're still expecting the margins for the year to be pretty much flat year-over-year versus last year. So that would imply a pretty significant improvement from here. How do you think about the cadence of that improvement over the coming quarters?

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

Well, I mean, the negative comp is less so in Q2 than Q1. It was pretty significant in Q1, as you can see from the margin performance. It's still negative in Q2 and it reflects positively in the second half. The interesting part about it is we really never lost operating margin on the lower volume. We actually preserved margins. We just lost all of the volume and all the gross margin associated with that volume. So more interesting thing about targeting 30% for the full year is the balance of that segment is growing very well, and it's dilutive to biopharma. So to get to 30%, it does -- it's interesting that if those parts of the portfolio grow significantly or at least stay on the track that they're on right now, we probably have a little bit of difficulty to reach 30% just because of the portfolio effect of the segment itself. But better news is, we've been waiting now, but biopharma looks like it turns from a headwind at the half to a tailwind going forward, and we'd expect that tailwind to be material in '24.

Operator

Our next question comes from Andrew Obin with Bank of America.
Brad, a question. Now that you guys are a HVAC heat pump company, or can we just talk about SWEP a little bit? I think Carrier just talked about the market tripling for European heat pumps, you've highlighted SWEP capacity additions in one of the key areas for expansion for your company. You highlighted order upside in this business. Do you guys have enough capacity to keep up with this tripling of the market? And how do you see -- I know that you and Alpha Laval sort of at the top of the market right now, how do you see sort of incremental competition sort of coming in and screwing up this market?

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

We have not had the time to digest what Carrier put out there in terms of the marketplace. So I'll take a pause on that. We -- but we have been participating in the growth of the European heat pump market now for several years. I think that we are proactive in terms of building out our capacity.

As we mentioned, we -- our target is to increase capacity early in '24 by 50% for SWEP. So part of winning share is to have the available capacity at the right product quality at the right price point. So that's all we can do. So we would expect that we will be -- we'll receive part of whatever estimates you want to make about what the future is in terms of heat pump growth from here but we don't think it's just a European phenomenon. We'd expect that technology to be adopted progressively over the balance of the world driven a lot by regulation, and that's why we're not just expanding our capacity in Europe. We've actually expanded it in Asia and the United States also.

Andrew Burris Obin - BofA Securities, Research Division - MD

And just a question, you -- we sort of agree with you on the impact of order rates -- supply chain normalization of order rates. It does seem you're starting to release working capital. Where are you just in your broader thinking about the balance between the state of economy, credit availability and just brought -- I'm not asking about Dover. I'm not asking about Dover order rates, right? But just order rates for industrial economy as a whole because I think you have sort of great insights over the past 24 months about the entire dynamic.

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

Yes. I mean I can't remember the Sammy Hagar song about like one foot on the gas and one on the break. That's the way we're trying to run it here, right? That meaning that there's a lot of macro uncertainty in the marketplace. We think that we've got some tailwinds, but we can't just be blind of not watching our own balance sheet. And quite frankly, we've been carrying excess inventory for 2 years around here. So it was natural for us to kind of liquidate.

Our watch points are the businesses that we have that are subject to constriction in credit. So to pick one and not to be overly negative here, I mean our carwash business require -- is largely driven in a certain way of entrepreneurs getting loans and building out carwash. Well, the fact of the matter is that credit is going to be tightened. Now does that open up the door for our big retail clients to now meaningfully move into the carwash space, we'll see. So there's a lot of moving parts here.

At the end of the day, my personal view, it's going to be a consumer-driven recession, kind of of which I think that we're going to get. I think whether that negativity is fully offset by the amount of capital that is going into kind of a regulatory regime or reshoring or a variety of other tailwinds that we talked about during the Investor Day, our position right now is yes, all right? But that implies really no degradation of the macro in a meaningful way from here, kind of like a slow at the air out of the out of a balloon as opposed to a shock.

So we're going to have a management meeting here as soon as this Q&A is done. And part of what we're going to do is basically go business by business and say, all right? What's your plan to meet your numbers for the year and what's your plan if we run into trouble, right? We've got -- we have no choice but to run the corporation that way.
Our next question comes from Mike Halloran with Baird.

By the way, nice, I Can't Drive 55 Sammy Hagar reference. Anyway, maybe just following up on that last question there. How are you guys thinking about the -- or what are you seeing on the larger CapEx side, some of the later cycle, longer cycle type stuff. Are you seeing any change in the purchase patterns there? And obviously, outside the climate debooking, but any real change on that side or anything notable?

Well, we would have -- we've modeled in a reduction in CapEx in beverage can making right after going. We had a pretty good 3-year run of a lot of build out there. And if you go look at what the big can makers are saying, they're kind of pausing and getting their footing together there. But that was modeled into our forecast. And the heat pumps, I think, is -- the issue is just yours, so we'll leave that alone for the time being.

On the retail fueling side, it's actually -- the amount of negativity around that, I think, is overcooked because we do see a lot of CapEx still there. We still expect a lot of consolidation there, which drives CapEx when those retail operations are -- you basically are taking smaller stations and building much more larger complex stations, which is good for us. And -- but Mike, at the end of the day, plastics in terms of raw production or capacity expansion, particularly in Asia and North America is quite good despite energy costs moving up a little bit. So the watch point for us is more credit tightness and how that affects CapEx for kind of not for big OEMs, but for kind of like the second layer. That's where we think there may be some tightness.

No, that makes sense. And the flip side of that coin on the short-cycle side. Have trends on that side been relatively stable from a seasonality perspective or any real movement there?

It's been relatively stable.

Our next question comes from Julian Mitchell with Barclays.

One point I just wanted to check in on was on DEP, which I don't think has got much attention yet, but you had a very good margin expansion year-on-year in the first quarter, down sequentially. Just trying to understand sort of as we think about margins for the year, they're growing, I think, for the year as a whole. Is that all kind of first half loaded? Do you think we should see decent margin expansion as you move through the year? And is the sort of the flattish vehicle aftermarket guide, does that have any margin impact or it's a sort of similar margin to the segment?
Richard Joseph Tobin - Dover Corporation - President, CEO & Director

The margins should go up into Q4. So you’re rightly -- if you go back and look at Q4 margin, we would expect Q1 margin to come down solely on production performance. So we would expect it to come down. But from a comp point of view from here, we’d expect to have accretive margins up until Q4, and then we’ll see how we end the year because I think our margins are just so quite robust.

On the vehicle, calling that market flat, right? So it’s not a negative in terms of consolidated margin from the segment. It’s -- that’s more of a top line comment as opposed to a margin comment.

Julian C.H. Mitchell - Barclays Bank PLC, Research Division - Research Analyst

That’s helpful. And then just my follow-up. I know you tried to give some Q2 commentary when prompted and in the spirit of letting no good deed go unpunished. We’ve had a lot of questions on your second quarter sort of commentary. So I just wondered if you could put any -- fully understand you do not guide quarterly, but I don’t know if there was any finer point you could put on that second quarter color. You’re kind of saying that EPS in Q1 was up low single digit year-on-year. And so the second quarter doesn’t look too different from that year-on-year performance.

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

I think it’s more joint of the performance in terms of revenue and margin looks comp to comp similar. Now having said that, we had an $0.08 of EPS headwind of kind of below the line segment headwinds, which we believe dissipates. So I don’t want to get into EPS accretion guidance quarter-to-quarter. But we did -- so it looks -- if you look at Q2, if you look at the performance -- relative performance Q1 to Q1 comp and do the same for Q2 to Q2 comp, it should look similar, probably without some of the headwind that we saw on the below-the-line items.

Operator

Our next question comes from Scott Davis with Melius Research.

Scott Reed Davis - Melius Research LLC - Founding Partner, Chairman, CEO & Research Analyst of Multi-industry Research

A lot of territory has been covered here, so I don’t want to beat a dead horse. But Rich, would it be fair to say -- you said earlier that better-than-expected book-to-bill in the quarter, that comment is clear. But was it also better than expected price in that book-to-bill in the quarter? I mean piecing it together, it sounds like the answer is yes, but I haven’t explicitly heard you say that.

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

No. The price that we have -- the price that -- the accretion from price overall is just peanut buttered over what we see the sequential revenue growth isn’t for the full year. And so it’s not as if we put new pricing out there, and so that book-to-bill is kind of more accretive than what we have modeled at the end of the day. I’d have to go back and take a look in terms of mix.

But as you can imagine around here, calculating mix effect on many revenue streams is a bit difficult. But overall, Scott, it was -- we knew we were carrying big backlogs into ’23, and we knew and our customers knew that our lead times were coming down quite a bit. So we would expect it kind of to do more of a bleed off of not necessarily the backlog, but it would reflect it in the lower order rates. But like I said, in March, we had a pretty good inflection in terms of orders, which allowed us to get above 1 because, as I mentioned, with the backlog -- what we’ve got modeled in for backlog depletion, we don’t need to be above 1 this year. And that’s why we’re trying to kind of coach everybody into, let’s not panic if we don’t do above 1. We don’t need to be above 1 to hit our numbers.
Our next question comes from Josh Pokrzywinski with Morgan Stanley.

Joshua Charles Pokrzywinski - Morgan Stanley, Research Division - Equity Analyst

Rich, just on the -- that comment on March in terms of the booking rates being better. Can you put that in context of these lead time improvements and what you would expect it to be kind of in the opposite direction. Was that surprised really in these longer cycle or longer lead time businesses, where maybe folks were kind of waiting to see what they want to do or waiting to see what that supply chain impact was and then came back? Or was it in the more like shorter cycle economically sensitive stuff?

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

Both, right? So you had a positive inflection in biopharma that we talked about, I think, retail fueling inflected positively, which is a good sign. But on the longer cycle side, plastics and polymers, which is a long-cycle business booked very well, and we expect it to book very well again in Q2. So it’s both, I mean, at the end of the day.

So -- but we haven’t even had the time to dissect it order by order. But I can tell you, just in terms of the -- it’s not overly short cycle and it’s -- and or exclusively short cycle because there is an element of the long cycle in there, which you’re going to see probably in our backlogs by the time we close Q2.

Joshua Charles Pokrzywinski - Morgan Stanley, Research Division - Equity Analyst

Got it. That’s helpful. And then just on climate and sustainability. I think there’s some decent mix within mix there. And maybe just to avoid something like what happened in pumps and process, is there a quarter that you could see coming or a period of time where you would expect some outsized mix effect to show up? Or should we just see kind of the steady progression we’ve seen thus far?

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

Yes. I think everybody overestimates the margin in Belvac, which is accommodated into our forecast for the full year because as we mentioned, we’ve been kind of transparent about what the cycle was there. We would expect to see some kind of fade there, but it’s not something that we can’t mop up because CO2 systems and heat exchanger margins are at minimum flat to what we get in beverage can making.

Our final question will come from Brett Linzey with Mizuho Americas.

Brett Logan Linzey - Mizuho Securities USA LLC, Research Division - Executive Director

First question just on pumps and process. Good to see some stabilization there in biopharma. Just curious how we should think about the mix benefit on the other side here. Obviously, some sequential improvement through the year. But thinking about next year, I mean, we’re going to be expanding back into that 32%, 33% level?

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

Well, that’s pretty aggressive. Look, at the end of the day, as I mentioned, we actually did not give up margin going down, we just gave up the mix effect of that reduced volume on the segment itself. All I can tell you is we would expect on the way back up that from a margin mix point of view,
it’s clearly positive, and that's why I think they were sitting, as I mentioned in my opening comments, we're trying our best to get to 30% for the full year, which implies some amount of positive. We know we have the comp positivity, but it implies some amount of growth in the second half of the year at some healthy biopharma margin. But more importantly, for (inaudible).

But more importantly, as we went through in the Investor Day, if we strip out the COVID, the core business is growing 20%. So if we get some growth in the back end, it’s margin accretive and as we roll into '24, if we can keep on that trajectory, then it becomes meaningful in terms of absolute profits and margin, but what I don’t want to do is to talk down the growth rates of the rest of the segment from a mix point of view because if they grow significantly themselves, and you’re going to have a little bit of a margin mix drag, but absolute profits will take it.

Brett Logan Linzey - Mizuho Securities USA LLC, Research Division - Executive Director

Yes. Makes sense. And then just on Slide 9, you called out the ongoing restructuring actions, I think, $14 million in the first quarter. Where are you in terms of rightsizing efforts? Do you think you're in a pretty good spot in terms of capacity aligned with deliverables or is there more to do there?

Richard Joseph Tobin - Dover Corporation - President, CEO & Director

In Fueling Solutions, I think that we’re probably 90% there. I mean we’ve taken a bunch of costs out last year and then we took some further actions this year. So the management team is doing a real good job of kind of getting their arms around positioning the cost structure of that business based on what we believe the demand is and the business model is going to be going from here. Having said that, the balance of the portfolio has opportunity in it. And I think if you go back and read the comments, I think I wrote into the fact that we would expect some further footprint actions to go on, and I think you'll begin to see some of that this year.

Operator

That concludes our question-and-answer period and Dover's First Quarter 2023 Earnings Conference Call. You may disconnect your line at this time, and have a wonderful day.