

Dover Corporation
Non-GAAP Reconciliation & Performance Measures
2021 Annual Report and 2022 Company Overview

This document defines, reconciles non-GAAP measures to GAAP and discloses the relevance to investors of the non-GAAP measures included in the 2021 Annual Report and 2022 Company Overview.

Adjusted Net Earnings Per Share

Net earnings are adjusted by the effect of acquisition-related amortization, rightsizing and other costs, gain on dispositions, loss on extinguishment of debt, loss on assets held for sale, the Tax Cuts and Jobs Act, disposition costs and product recall reversal to derive adjusted net earnings and adjusted diluted net earnings per common share as follows:

(in thousands, except per share data)	2021	2020	2019	2018	2017
Adjusted net earnings:					
Net earnings ¹	\$ 1,123,818	\$ 683,451	\$ 677,918	\$ 591,145	\$ 746,663
Acquisition-related amortization, pre-tax ²	141,980	138,515	138,336	146,297	151,277
Acquisition-related amortization, tax impact ³	(34,754)	(34,367)	(34,768)	(37,001)	(48,881)
Rightsizing and other costs, pre-tax ⁴	38,436	51,472	32,153	72,828	49,379
Rightsizing and other costs, tax impact ³	(7,336)	(10,802)	(6,789)	(14,531)	(14,746)
Gain on dispositions, pre-tax ⁵	(206,338)	(5,213)	-	-	(205,334)
Gain on dispositions, tax impact ³	53,218	1,267	-	-	32,753
Loss on extinguishment of debt, pre-tax ⁶	-	-	23,543	-	-
Loss on extinguishment of debt, tax impact ³	-	-	(5,163)	-	-
Loss on assets held for sale ⁷	-	-	46,946	-	-
Tax Cuts and Jobs Act ⁸	-	-	-	(2,832)	(54,908)
Disposition costs, pre-tax ⁹	-	-	-	-	5,245
Disposition costs, tax impact ³	-	-	-	-	(2,015)
Product recall reversal, pre-tax	-	-	-	-	(7,200)
Product recall reversal, tax impact ³	-	-	-	-	2,614
Adjusted net earnings	\$ 1,109,024	\$ 824,323	\$ 872,176	\$ 755,906	\$ 654,847
Diluted average shares outstanding	145,273	145,393	146,992	152,133	157,744
Adjusted diluted net earnings per common share:					
Net earnings ¹	\$ 7.74	\$ 4.70	\$ 4.61	\$ 3.89	\$ 4.73
Acquisition-related amortization, pre-tax ²	0.98	0.95	0.94	0.96	0.96
Acquisition-related amortization, tax impact ³	(0.24)	(0.24)	(0.24)	(0.24)	(0.31)
Rightsizing and other costs, pre-tax ⁴	0.26	0.35	0.22	0.48	0.31
Rightsizing and other costs, tax impact ³	(0.05)	(0.07)	(0.06)	(0.10)	(0.09)
Gain on dispositions, pre-tax ⁵	(1.42)	(0.03)	-	-	(1.30)
Gain on dispositions, tax impact ³	0.37	0.01	-	-	0.21
Loss on extinguishment of debt, pre-tax ⁶	-	-	0.16	-	-
Loss on extinguishment of debt, tax impact ³	-	-	(0.04)	-	-
Loss on assets held for sale ⁷	-	-	0.32	-	-
Tax Cuts and Jobs Act ⁸	-	-	-	(0.02)	(0.35)
Disposition costs, pre-tax ⁹	-	-	-	-	0.03
Disposition costs, tax impact ³	-	-	-	-	(0.02)
Product recall reversal, pre-tax	-	-	-	-	(0.05)
Product recall reversal, tax impact ³	-	-	-	-	0.02
Adjusted diluted net earnings per common share	\$ 7.63	\$ 5.67	\$ 5.93	\$ 4.97	\$ 4.15

¹ 2018 and 2017 represent earnings from continuing operations.

² Includes amortization on acquisition-related intangible assets and inventory step-up.

³ Adjustments were tax effected using the statutory tax rates in the applicable jurisdictions or the effective tax rate, where applicable, for each period.

⁴ Rightsizing and other costs include actions taken on employee reductions, facility consolidations and site closures, product line exits and other asset charges. 2021 includes a \$12,073 other than temporary impairment charge related to an equity method investment and a \$6,072 write-off of assets incurred in connection with an exit from certain Latin America countries within our Climate & Sustainability Technologies segment, as well as a \$9,078 payment received for previously incurred restructuring costs related to a product line exit in our Engineered Products segment.

⁵ 2021 represents a \$181,615 gain on the disposition of Unified Brands, a wholly owned subsidiary of the Company within the Climate & Sustainability Technologies segment, and a \$24,723 gain on disposition of our Race Winning Brands equity method investment in the Engineered Products segment. 2020 represents a \$5,213 net gain on the sale of AMS Chino within the Climate & Sustainability Technologies segment. 2017 represents a \$88,402 gain on the disposition of Performance Motorsports International and a \$116,932 gain on disposition of Warn Industries, Inc. ("Warn").

⁶ Represents a loss on early extinguishment of €300,000 2.125% notes due 2020 and \$450,000 4.30% notes due 2021.

⁷ Represents a loss on assets held for sale of Finder Pompe S.r.l. Under local law, no tax benefit is realized from the loss on the sale of a wholly-owned business.

⁸ 2018 tax benefits related to additional Tax Cuts and Jobs Act regulatory guidance covered by SAB 118. 2017 Tax impact primarily related to the enactment of the Tax Cuts and Jobs Act which also includes decreases in statutory tax rates of foreign jurisdictions.

⁹ Disposition costs include costs related to the sale of Warn.

* 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 (benefits), 2021 gain on dispositions, a 2020 gain on disposition, and a 2019 loss on assets held for sale. Adjusted Segment EBIT Margin is defined as adjusted segment EBIT divided by segment revenue.

(in thousands)	2021	2020	2019
Engineered Products:			
Segment earnings (EBIT)	\$ 285,511	\$ 238,167	\$ 291,848
Rightsizing and other costs ¹	805	11,530	3,150
Gain on dispositions ²	(24,723)	-	-
Adjusted EBIT - Segment	\$ 261,593	\$ 249,697	\$ 294,998
Adjusted EBIT %	14.7%	16.3%	17.4%
Clean Energy & Fueling:			
Segment earnings (EBIT)	\$ 271,388	\$ 236,974	\$ 231,873
Rightsizing and other costs	3,847	6,703	4,885
Adjusted EBIT - Segment	\$ 275,235	\$ 243,677	\$ 236,758
Adjusted EBIT %	16.7%	16.5%	14.6%
Imaging & Identification:			
Segment earnings (EBIT)	\$ 237,147	\$ 193,473	\$ 229,484
Rightsizing and other costs	6,477	6,027	6,350
Adjusted EBIT - Segment	\$ 243,624	\$ 199,500	\$ 235,834
Adjusted EBIT %	20.9%	19.2%	21.7%
Pumps & Process Solutions:			
Segment earnings (EBIT)	\$ 546,863	\$ 305,276	\$ 240,081
Rightsizing and other (benefits) costs	(436)	13,436	6,128
Loss on assets held for sale ³	-	-	46,946
Adjusted EBIT - Segment	\$ 546,427	\$ 318,712	\$ 293,155
Adjusted EBIT %	32.0%	24.1%	21.9%
Climate & Sustainability Technologies:			
Segment earnings (EBIT)	\$ 322,622	\$ 102,872	\$ 118,832
Rightsizing and other costs ¹	23,214	6,475	6,042

Gain on dispositions ²	(181,615)	(5,213)	-
Adjusted EBIT - Segment	\$ 164,221	\$ 104,134	\$ 124,874
Adjusted EBIT %	10.2%	7.9%	8.9%
Total Segments:			
Segment earnings (EBIT)	\$ 1,663,531	\$ 1,076,762	\$ 1,112,118
Rightsizing and other costs ¹	33,907	44,171	26,555
Gain on dispositions ²	(206,338)	(5,213)	-
Loss on assets held for sale ³	-	-	46,946
Adjusted EBIT - Segment	\$ 1,491,100	\$ 1,115,720	\$ 1,185,619
Adjusted EBIT %	18.9%	16.7%	16.6%

¹ Rightsizing and other costs include actions taken on employee reductions, facility consolidations and site closures, product line exits and other asset charges. 2021 includes a \$9,078 payment received for previously incurred restructuring costs related to a product line exit in our Engineered Products segment, as well as a \$12,073 other than temporary impairment charge related to an equity method investment and a \$6,072 write-off of assets incurred in connection with an exit from certain Latin America countries within our Climate & Sustainability Technologies segment.

² 2021 includes a \$181,615 gain on the disposition of Unified Brands, a wholly owned subsidiary of the Company within the Climate & Sustainability Technologies segment, and a \$24,723 gain on disposition of our Race Winning Brands equity method investment in the Engineered Products segment. 2020 includes a \$5,213 net gain on the sale of a business for AMS Chino within the Climate & Sustainability Technologies segment.

³ Represents a \$46,946 loss on assets held for sale for FINDER.

(in thousands)	2021	2020	2019
Net earnings:			
Total segment earnings (EBIT)	\$ 1,663,531	\$ 1,076,762	\$ 1,112,118
Corporate expense / other	160,827	126,662	147,817
Interest expense	106,319	111,937	125,818
Interest income	(4,441)	(3,571)	(4,526)
Net earnings before provision for income taxes	1,400,826	841,734	843,009
Provision for income taxes	277,008	158,283	165,091
Net earnings	\$ 1,123,818	\$ 683,451	\$ 677,918

Adjusted Return on Average Equity

Adjusted return on average equity is calculated by dividing adjusted net earnings 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)	2021	2020	2019
Adjusted net earnings	\$ 1,109,024	\$ 824,323	\$ 872,176
Beginning stockholders' equity	\$ 3,385,773	\$ 3,032,660	\$ 2,768,666
Ending stockholders' equity	4,189,528	3,385,773	3,032,660
Average stockholders' equity	\$ 3,787,651	\$ 3,209,217	\$ 2,900,663
Adjusted return on average equity	29.3%	25.7%	30.1%

Free Cash Flow

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

(in thousands)	2021	2020	2019	2018	2017
Cash flow from operating activities	\$ 1,115,865	\$ 1,104,810	\$ 945,306	\$ 789,193	\$ 739,409
Less: Capital expenditures	(171,465)	(165,692)	(186,804)	(170,994)	(170,068)
Free cash flow	\$ 944,400	\$ 939,118	\$ 758,502	\$ 618,199	\$ 569,341
Revenue	\$ 7,907,081	\$ 6,683,760	\$ 7,136,397	\$ 6,992,118	\$ 6,820,886
Free cash flow as a percentage of revenue	11.9%	14.1%	10.6%	8.8%	8.3%

Revenue Growth Factors

	2021	2020	2019	2018
Organic				
Engineered Products	14.1%	-10.3%	5.4%	6.6%
Clean Energy & Fueling	5.8%	-8.8%	10.5%	9.9%
Imaging & Identification	8.0%	-7.2%	1.2%	4.6%
Pumps & Process Solutions	26.6%	-2.3%	3.9%	7.4%
Climate & Sustainability Technologies	22.0%	-3.0%	-2.7%	-7.9%
Total organic	15.3%	-6.6%	3.8%	3.7%
Acquisitions	1.3%	1.0%	0.8%	0.5%
Dispositions	-0.2%	-0.7%	-0.5%	-2.5%
Currency translation	1.9%	0.0%	-2.0%	0.8%
Total*	18.3%	-6.3%	2.1%	2.5%

* Totals may be impacted by rounding.

Bookings

	2021	2020	2019
Engineered Products	\$ 2,113,729	\$ 1,558,486	\$ 1,708,321
Clean Energy & Fueling	1,742,479	1,471,870	1,613,764
Imaging & Identification	1,190,404	1,065,098	1,092,915
Pumps & Process Solutions	2,023,061	1,334,338	1,393,830
Climate & Sustainability Technologies	2,317,000	1,510,499	1,446,755
Intrasegment eliminations	(2,058)	(2,186)	(871)
Total consolidated bookings	\$ 9,384,615	\$ 6,938,105	\$ 7,254,714

Non-GAAP Disclosures

Adjusted net earnings represents net earnings adjusted for the effect of acquisition-related amortization, rightsizing and other costs, gain on dispositions, loss on extinguishment of debt, loss on assets held for sale, the Tax Cuts and Jobs Act, disposition costs and product recall reversal. 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 net earnings per share represents adjusted net earnings 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, 2021 gain on dispositions, a 2020 gain on disposition, and a 2019 loss on assets held for sale. 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 they 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 net earnings 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 profitability and operating efficiency.

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 they provide 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.

Management believes that reporting organic revenue growth, which excludes the impact of foreign currency exchange rates and the impact of acquisitions and dispositions, provides a useful comparison of our revenue and bookings performance and trends between periods.

Performance Measures Definitions

Bookings represent total orders received from customers in the current reporting period. This metric is an important measure of performance and an indicator of revenue order trends.

Backlog represents an estimate of the total remaining bookings at a point in time for which performance obligations have not yet have satisfied. This metric is useful as it represents the aggregate amount we expect to recognize as revenue in the future.

We use the above operational metrics in monitoring the performance of the business. We believe the operational metrics are useful to investors and other users of our financial information in assessing the performance of our segments.