

Dover Corporation
Non-GAAP Reconciliation & Performance Measures
2023 Annual Report and 2024 Company Overview

This document defines and reconciles non-GAAP measures to GAAP and discloses to investors the relevance of the non-GAAP measures that are included in the 2023 Annual Report and 2024 Company Overview.

Adjusted Net Earnings Per Share

(in thousands, except per share data)

	2023	2022	2021	2020	2019	2018
Adjusted net earnings:						
Net earnings ¹	\$ 1,056,828	\$ 1,065,376	\$ 1,123,818	\$ 683,451	\$ 677,918	\$ 591,145
Purchase accounting expenses, pre-tax ²	164,943	181,103	141,980	138,515	138,336	146,297
Purchase accounting expenses, tax impact ³	(36,720)	(41,734)	(34,754)	(34,367)	(34,768)	(37,001)
Restructuring and other costs (benefits), pre-tax ⁴	63,673	38,990	38,436	51,472	32,153	72,828
Restructuring and other costs (benefits), tax impact ³	(13,181)	(8,226)	(7,336)	(10,802)	(6,789)	(14,531)
Disposition costs, pre-tax ⁵	1,302	—	—	—	—	—
Disposition costs, tax impact ³	(270)	—	—	—	—	—
Loss (gain) on dispositions, pre-tax ⁶	—	194	(206,338)	(5,213)	—	—
Loss (gain) on dispositions, tax impact ³	—	(27)	53,218	1,267	—	—
Loss on extinguishment of debt, pre-tax ⁷	—	—	—	—	23,543	—
Loss on extinguishment of debt, tax impact ³	—	—	—	—	(5,163)	—
Loss on assets held for sale ⁸	—	—	—	—	46,946	—
Tax Cuts and Jobs Act ⁹	—	(22,579)	—	—	—	(2,832)
Adjusted net earnings	\$ 1,236,575	\$ 1,213,097	\$ 1,109,024	\$ 824,323	\$ 872,176	\$ 755,906
Diluted average shares outstanding	140,599	143,595	145,273	145,393	146,992	152,133

Adjusted diluted net earnings per common share*:

Net earnings ¹	\$ 7.52	\$ 7.42	\$ 7.74	\$ 4.70	\$ 4.61	\$ 3.89
Purchase accounting expenses, pre-tax ²	1.18	1.27	0.98	0.95	0.94	0.96
Purchase accounting expenses, tax impact ³	(0.26)	(0.30)	(0.24)	(0.24)	(0.24)	(0.24)
Restructuring and other costs (benefits), pre-tax ⁴	0.46	0.26	0.26	0.35	0.22	0.48
Restructuring and other costs (benefits), tax impact ³	(0.10)	(0.06)	(0.05)	(0.07)	(0.06)	(0.10)
Disposition costs, pre-tax ⁵	0.01	—	—	—	—	—
Disposition costs, tax impact ³	—	—	—	—	—	—
Gain on dispositions, pre-tax ⁵	—	—	(1.42)	(0.03)	—	—
Gain on dispositions, tax impact ³	—	—	0.37	0.01	—	—
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	—	(0.16)	—	—	—	(0.02)
Adjusted diluted net earnings per common share	\$ 8.80	\$ 8.45	\$ 7.63	\$ 5.67	\$ 5.93	\$ 4.97

¹ 2018 represents earnings from continuing operations.

² Purchase accounting expenses are primarily comprised of amortization of intangible assets and charges related to fair value step-ups for acquired inventory sold during the period.

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 Restructuring and other costs (benefits) relate to actions taken for headcount reductions, facility consolidations and site closures, product line exits, and other asset charges.

⁵ Disposition costs relate to the sale of De-Sta-Co which is expected to close in Q1 2024.

⁶ 2022 represents working capital adjustments related to the disposition of Unified Brands a wholly owned subsidiary of the Company within the Climate & Sustainability Technologies segment and the Race Winning Brands equity method investment in the Engineered Products segment. 2021 represents a \$181,615 gain on the disposition of Unified Brands, and a \$24,723 gain on disposition of our Race Winning Brands equity method investment. 2020 represents a \$5,213 net gain on the sale of AMS Chino within the Climate & Sustainability Technologies segment.

⁷ Represents a loss on early extinguishment of €300,000 2.125% notes due 2020 and \$450,000 4.30% notes due 2021.

⁸ 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.

⁹ 2022 represents a reduction to income taxes previously recorded related to the Tax Cuts and Jobs Act. 2018 tax benefits related to additional Tax Cuts and Jobs Act regulatory guidance.

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

Reconciliation of Segment Earnings to Net Earnings

(in thousands)	2023
Net earnings:	
Segment earnings:	
Engineered Products	\$ 377,425
Clean Energy & Fueling	328,604
Imaging & Identification	272,512
Pumps & Process Solutions	484,405
Climate & Sustainability Technologies	305,380
Total segment earnings	1,768,326
Purchase accounting expenses ¹	164,943
Restructuring and other costs (benefits) ²	63,673
Disposition Costs ³	1,302
Corporate expense / other ⁴	150,593
Interest expense	131,305
Interest income	(13,496)
Earnings before provision for income taxes	1,270,006
Provision for income taxes	213,178
Net earnings	\$ 1,056,828

¹ Purchase accounting expenses are primarily comprised of amortization of intangible assets and charges related to fair value step-ups for acquired inventory sold during the period.

² Restructuring and other costs (benefits) relate to actions taken for headcount reductions, facility consolidations and site closures, product line exits, and other asset charges.

³ Disposition costs relate to the sale of De-Sta-Co which is expected to close in Q1 2024.

⁴ Certain expenses are maintained at the corporate level and not allocated to the segments. These expenses include executive and functional compensation costs, non-service pension costs, non-operating insurance expenses, shared business services and digital overhead costs, deal related expenses and various administrative expenses relating to the corporate headquarters.

Adjusted Return on Average Equity

(in thousands)	2023	2022	2021
Adjusted net earnings	\$ 1,236,575	\$ 1,213,097	\$ 1,109,024
Beginning stockholders' equity	\$ 4,286,366	\$ 4,189,528	\$ 3,385,773
Ending stockholders' equity	5,106,605	4,286,366	4,189,528
Average stockholders' equity	\$ 4,696,486	\$ 4,237,947	\$ 3,787,651
Adjusted return on average equity	26.3 %	28.6 %	29.3 %

Free Cash Flow

(in thousands)	2023	2022	2021
Cash flow from operating activities	\$ 1,336,345	\$ 805,724	\$ 1,115,865
Less: Capital expenditures	(192,592)	(220,962)	(171,465)
Free cash flow	\$ 1,143,753	\$ 584,762	\$ 944,400
Revenue	\$ 8,438,134	\$ 8,508,088	\$ 7,907,081
Free cash flow as a percentage of revenue	13.6 %	6.9 %	11.9 %

Revenue Growth Factors

	2023	2022	2021	2020	2019
Organic					
Engineered Products	(1.9)%	16.8 %	14.1 %	(10.3)%	5.4 %
Clean Energy & Fueling	(4.0)%	(0.3)%	5.8 %	(8.8)%	10.5 %
Imaging & Identification	0.2 %	2.9 %	8.0 %	(7.2)%	1.2 %
Pumps & Process Solutions	(3.3)%	4.1 %	26.6 %	(2.3)%	3.9 %
Climate & Sustainability Technologies	2.4 %	18.5 %	22.0 %	(3.0)%	(2.7)%
Total organic	(1.5)%	8.8 %	15.3 %	(6.6)%	3.8 %
Acquisitions	0.9 %	4.2 %	1.3 %	1.0 %	0.8 %
Dispositions	— %	(1.5)%	(0.2)%	(0.7)%	(0.5)%
Currency translation	(0.2)%	(3.9)%	1.9 %	— %	(2.0)%
Total*	(0.8)%	7.6 %	18.3 %	(6.3)%	2.1 %

* Totals may be impacted by rounding.

Non-GAAP Disclosures

Adjusted net earnings represents net earnings adjusted for the effect of purchase accounting expenses, restructuring and other costs/benefits, Tax Cuts and Jobs Act, gain/loss on extinguishment of debt, disposition costs, gain/loss on dispositions, and gain/loss on assets held for sale. Purchase accounting expenses are primarily comprised of amortization of intangible assets and charges related to fair value step-ups for acquired inventory sold during the period. We exclude after-tax purchase accounting expenses because the amount and timing of such charges are significantly impacted by the timing, size, number and nature of the acquisitions the Company consummates. While we have a history of acquisition activity, our acquisitions do not happen in a predictive cycle. Exclusion of purchase accounting expenses facilitates more consistent comparisons of operating results over time. We believe it is important to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation. 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 or adjusted earnings per share represent diluted EPS adjusted for the effect of purchase accounting expenses, restructuring and other costs/benefits, Tax Cuts and Jobs Act, gain/loss on extinguishment of debt, disposition costs, gain/loss on dispositions and gain/loss on assets held for sale.

Total segment earnings is defined as the sum of earnings before purchase accounting expenses, restructuring and other costs/benefits, disposition costs, gain/loss on dispositions, corporate expenses/other, interest expense, interest income and provision for income taxes for all segments. Total segment earnings margin is defined as total segment earnings divided by revenue.

Management believes the non-GAAP measures above are useful to investors to better understand the Company's ongoing profitability as they better reflect the Company's core operating results, offer more transparency and facilitate easier comparability to prior and future periods and to its peers.

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 ratio are important measures of liquidity 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.

Adjusted return on average equity is defined as adjusted earnings over average stockholders equity. Management believes that reporting adjusted return on average equity provides a useful measure of financial performance.