UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2020**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number: 1-4018**

DOVER CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **53-0257888** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **3005 Highland Parkway**<br>**Downers Grove, Illinois** | **60515** |
| (Address of principal executive offices) | (Zip Code) |

**(630) 541-1540**
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock | DOV | New York Stock Exchange |
| 1.250% Notes due 2026 | DOV 26 | New York Stock Exchange |
| 0.750% Notes due 2027 | DOV 27 | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12-b-2 of the Exchange Act.

| | | | | | |
|---|---|---|---|---|---|
| Large Accelerated Filer | ☑ | Accelerated Filer | ☐ | Emerging Growth Company | ☐ |
| Non-Accelerated Filer | ☐ | Smaller Reporting Company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The number of shares outstanding of the Registrant's common stock as of April 14, 2020 was 143,947,008.

**Dover Corporation**
**Form 10-Q**
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**Item 1. Financial Statements**

**DOVER CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**
**(In thousands, except per share data)**
**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| **Revenue** | $ 1,655,939 | $ 1,724,757 |
| Cost of goods and services | 1,043,696 | 1,101,215 |
| **Gross profit** | 612,243 | 623,542 |
| Selling, general and administrative expenses | 386,941 | 408,466 |
| Loss on assets held for sale | — | 46,946 |
| **Operating earnings** | 225,302 | 168,130 |
| Interest expense | 27,268 | 31,808 |
| Interest income | (1,183) | (890) |
| Gain on sale of a business | (6,551) | — |
| Other income, net | (7,732) | (1,106) |
| **Earnings before provision for income taxes** | 213,500 | 138,318 |
| Provision for income taxes | 37,221 | 32,613 |
| **Net earnings** | $ 176,279 | $ 105,705 |
| | | |
| **Net earnings per share:** | | |
| Basic | $ 1.22 | $ 0.73 |
| Diluted | $ 1.21 | $ 0.72 |
| **Weighted average shares outstanding:** | | |
| Basic | 144,259 | 145,087 |
| Diluted | 145,782 | 146,911 |

See Notes to Condensed Consolidated Financial Statements

**DOVER CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**
**(In thousands)**
**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| **Net earnings** | $ 176,279 | $ 105,705 |
| **Other comprehensive (loss) earnings, net of tax** | | |
| Foreign currency translation adjustments: | | |
| Foreign currency translation (losses) gains | (93,554) | 23,700 |
| Reclassification of foreign currency translation losses to earnings | — | 25,339 |
| Total foreign currency translation adjustments | (93,554) | 49,039 |
| Pension and other post-retirement benefit plans: | | |
| Amortization of actuarial losses included in net periodic pension cost | 1,669 | 175 |
| Amortization of prior service costs included in net periodic pension cost | 286 | 572 |
| Total pension and other post-retirement benefit plans | 1,955 | 747 |
| Changes in fair value of cash flow hedges: | | |
| Unrealized net (losses) gains arising during period | (5,074) | 2,594 |
| Net losses (gains) reclassified into earnings | 1,121 | (230) |
| Total cash flow hedges | (3,953) | 2,364 |
| Other comprehensive (loss) earnings, net of tax | (95,552) | 52,150 |
| **Comprehensive earnings** | $ 80,727 | $ 157,855 |

See Notes to Condensed Consolidated Financial Statements

**DOVER CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands)**
**(Unaudited)**

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 508,907 | $ 397,253 |
| Receivables, net of allowances of $33,901 and $29,381 | 1,222,154 | 1,217,190 |
| Inventories | 852,075 | 806,141 |
| Prepaid and other current assets | 122,864 | 127,846 |
| Total current assets | 2,706,000 | 2,548,430 |
| **Property, plant and equipment, net** | 841,813 | 842,318 |
| **Goodwill** | 3,860,817 | 3,783,347 |
| **Intangible assets, net** | 1,096,140 | 1,055,014 |
| **Other assets and deferred charges** | 439,483 | 440,368 |
| **Total assets** | $ 8,944,253 | $ 8,669,477 |
| **Liabilities and Stockholders' Equity** | | |
| **Current liabilities:** | | |
| Notes payable | $ 500,000 | $ 84,700 |
| Accounts payable | 947,006 | 983,293 |
| Accrued compensation and employee benefits | 175,231 | 226,658 |
| Accrued insurance | 99,992 | 98,432 |
| Other accrued expenses | 355,837 | 339,060 |
| Federal and other income taxes | 16,295 | 17,748 |
| Total current liabilities | 2,094,361 | 1,749,891 |
| **Long-term debt** | 2,963,018 | 2,985,716 |
| **Deferred income taxes** | 338,586 | 322,036 |
| **Noncurrent income tax payable** | 52,000 | 52,000 |
| **Other liabilities** | 515,607 | 527,174 |
| **Stockholders' equity:** | | |
| Total stockholders' equity | 2,980,681 | 3,032,660 |
| **Total liabilities and stockholders' equity** | $ 8,944,253 | $ 8,669,477 |

See Notes to Condensed Consolidated Financial Statements

**DOVER CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(In thousands, except share data)**
**(Unaudited)**

| | Common stock $1 par value | Additional paid-in capital | Treasury stock | Retained earnings | Accumulated other comprehensive loss | Total stockholders' equity |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2019** | $ 258,552 | $ 869,719 | $ (6,090,842) | $ 8,211,257 | $ (216,026) | $ 3,032,660 |
| Adoption of ASU 2016-13 | — | — | — | (2,112) | — | (2,112) |
| Net earnings | — | — | — | 176,279 | — | 176,279 |
| Dividends paid ($0.49 per share) | — | — | — | (70,899) | — | (70,899) |
| Common stock issued for the exercise of share-based awards | 193 | (10,212) | — | — | — | (10,019) |
| Stock-based compensation expense | — | 3,252 | — | — | — | 3,252 |
| Common stock acquired | — | — | (52,916) | — | — | (52,916) |
| Other comprehensive loss, net of tax | — | — | — | — | (95,552) | (95,552) |
| Other, net | — | (12) | — | — | — | (12) |
| **Balance at March 31, 2020** | $ 258,745 | $ 862,747 | $ (6,143,758) | $ 8,314,525 | $ (311,578) | $ 2,980,681 |

| | Common stock $1 par value | Additional paid-in capital | Treasury stock | Retained earnings | Accumulated other comprehensive (loss) earnings | Total stockholders' equity |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2018** | $ 257,822 | $ 886,016 | $ (5,947,562) | $ 7,815,486 | $ (243,096) | $ 2,768,666 |
| Net earnings | — | — | — | 105,705 | — | 105,705 |
| Dividends paid ($0.48 per share) | — | — | — | (69,809) | — | (69,809) |
| Common stock issued for the exercise of share-based awards | 392 | (20,000) | — | — | — | (19,608) |
| Stock-based compensation expense | — | 8,182 | — | — | — | 8,182 |
| Other comprehensive earnings, net of tax | — | — | — | — | 52,150 | 52,150 |
| Other, net | — | (7,833) | — | — | — | (7,833) |
| **Balance at March 31, 2019** | $ 258,214 | $ 866,365 | $ (5,947,562) | $ 7,851,382 | $ (190,946) | $ 2,837,453 |

See Notes to Condensed Consolidated Financial Statements

**DOVER CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| **Operating Activities:** | | |
| Net earnings | $ 176,279 | $ 105,705 |
| Adjustments to reconcile net earnings to cash from operating activities: | | |
| Loss on assets held for sale | — | 46,946 |
| Depreciation and amortization | 68,752 | 67,738 |
| Stock-based compensation expense | 3,252 | 8,182 |
| Gain on sale of a business | (6,551) | — |
| Other, net | (17,358) | 2,363 |
| Cash effect of changes in assets and liabilities: | | |
| Accounts receivable, net | (25,313) | (42,252) |
| Inventories | (61,936) | (73,041) |
| Prepaid expenses and other assets | (8,654) | (14,921) |
| Accounts payable | (25,245) | (22,638) |
| Accrued compensation and employee benefits | (67,247) | (55,559) |
| Accrued expenses and other liabilities | 25,321 | (16,107) |
| Accrued and deferred taxes, net | 14,563 | 18,108 |
| **Net cash provided by operating activities** | 75,863 | 24,524 |
| **Investing Activities:** | | |
| Additions to property, plant and equipment | (40,172) | (37,122) |
| Acquisitions, net of cash acquired | (208,421) | (175,083) |
| Proceeds from sale of property, plant and equipment | 1,232 | 170 |
| Proceeds from sale of businesses | 16,850 | 2,245 |
| Other | — | (7,900) |
| **Net cash used in investing activities** | (230,511) | (217,690) |
| **Financing Activities:** | | |
| Repurchase of common stock | (52,916) | — |
| Change in commercial paper and notes payable | 415,300 | 125,893 |
| Dividends paid to stockholders | (70,899) | (69,809) |
| Payments to settle employee tax obligations on exercise of share-based awards | (10,019) | (19,608) |
| Other | (512) | (409) |
| **Net cash provided by financing activities** | 280,954 | 36,067 |
| Effect of exchange rate changes on cash and cash equivalents | (14,652) | 3,892 |
| **Net increase (decrease) in cash and cash equivalents** | 111,654 | (153,207) |
| Cash and cash equivalents at beginning of period | 397,253 | 396,221 |
| **Cash and cash equivalents at end of period** | $ 508,907 | $ 243,014 |

See Notes to Condensed Consolidated Financial Statements

**DOVER CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Amounts in thousands except share data and where otherwise indicated) (Unaudited)**

## 1. Basis of Presentation

The accompanying unaudited interim Condensed Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim periods and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. These unaudited interim Condensed Consolidated Financial Statements should therefore be read in conjunction with the Consolidated Financial Statements and Notes for Dover Corporation ("Dover" or the "Company") for the year ended December 31, 2019, included in the Company's Annual Report on Form 10-K filed with the SEC on February 14, 2020. The year end Condensed Consolidated Balance Sheet was derived from audited financial statements. Certain amounts in the prior periods have been reclassified to conform to the current year presentation.

The accompanying unaudited interim Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect amounts reported in the Condensed Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates. The Condensed Consolidated Financial Statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair statement of results for these interim periods. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year.

## 2. Revenue

A majority of the Company's revenue is short cycle in nature with shipments within one year from order. A small portion of the Company's revenue derives from contracts extending over one year. The Company's payment terms generally range between 30 to 90 days and vary by the location of businesses, the type of products manufactured to be sold and the volume of products sold, among other factors.

Over 95% of the Company's performance obligations are recognized at a point in time that relate to the manufacture and sale of a broad range of products and components. Revenue is recognized when control transfers to the customer upon shipment or completion of installation, testing, certification, or other substantive acceptance provisions required under the contract. Less than 5% of the Company's revenue is recognized over time and generally relates to the sale of services or engineered to order equipment that have no alternative use and in which the contract specifies the Company has a right to payment for its costs, plus a reasonable margin.

Revenue from contracts with customers is disaggregated by segments and geographic location, as it best depicts the nature and amount of the Company's revenue. See Note 17 — Segment Information for revenue by segment and geographic locations.

At March 31, 2020, we estimated that $156.0 million in revenue is expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period. We expect to recognize approximately 81% of our unsatisfied (or partially unsatisfied) performance obligations as revenue through 2021, with the remaining balance to be recognized in 2022 and thereafter.

The following table provides information about contract assets and contract liabilities from contracts with customers:

| | March 31, 2020 | December 31, 2019 | January 1, 2019 |
|---|---|---|---|
| Contract assets | $ 13,841 | $ 14,894 | $ 9,330 |
| Contract liabilities - current | 61,508 | 44,001 | 36,461 |
| Contract liabilities - non-current | 10,363 | 9,121 | 9,382 |

The revenue recognized during the three months ended March 31, 2020 and 2019 that was included in contract liabilities at the beginning of the period amounted to $21,133 and $15,414, respectively.

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

## 3. Acquisitions

***2020 Acquisitions***

During the three months ended March 31, 2020, the Company acquired two businesses in separate transactions for total consideration of $208,421, net of cash acquired. These businesses were acquired to complement and expand upon existing operations within the Imaging & Identification and Engineered Products segments. The goodwill recorded as a result of these acquisitions represents the economic benefits expected to be derived from product line expansions and operational synergies. Goodwill in the amount of $33,125 is deductible for U.S. income tax purposes and goodwill in the amount of $92,256 is non-deductible for U.S. income tax purposes for these acquisitions.

On January 24, 2020, the Company acquired 100% of the voting stock of Sys-Tech Solutions, Inc. ("Systech"), a leading provider of product traceability, regulatory compliance and brand-protection software and solutions to pharmaceutical and consumer products manufacturers, for $162,942, net of cash acquired. The Systech acquisition strengthens the portfolio of solutions offered by the Imaging & Identification segment. In connection with this acquisition, the Company recorded goodwill of $92,256 and intangible assets of $76,100, primarily related to customer intangibles.

On February 18, 2020, the Company acquired 100% of the voting stock of So. Cal. Soft-Pak, Incorporated ("Soft-Pak") Software Solutions, a leading specialized provider of integrated back office, route management and customer relationship management software solutions to the waste and recycling fleet industry for $45,479, net of cash acquired. The Soft-Pak acquisition strengthens the digital offerings within the Engineered Products segment. In connection with this acquisition, the Company recorded goodwill of $33,125 and intangible assets of $12,800, primarily related to customer intangibles.

The following presents the preliminary allocation of purchase price to the assets acquired and liabilities assumed, based on their estimated fair values at acquisition date:

| | Total |
|---|---|
| Current assets, net of cash acquired | $ 19,816 |
| Property, plant and equipment | 1,580 |
| Goodwill | 125,381 |
| Intangible assets | 88,900 |
| Current liabilities | (15,073) |
| Other liabilities | (12,183) |
| Net assets acquired | $ 208,421 |

The amounts assigned to goodwill and major intangible asset classifications were as follows:

| | Amount allocated | Useful life (in years) |
|---|---|---|
| Goodwill - tax deductible | $ 33,125 | na |
| Goodwill - non deductible | 92,256 | na |
| Customer intangibles | 74,100 | 12 |
| Trademarks | 5,100 | 15 |
| Other intangibles | 9,700 | 6 - 9 |
| | $ 214,281 | |

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

***2019 Acquisitions***

On January 25, 2019, the Company acquired the assets of Belanger, Inc. ("Belanger"), a leading full-line car wash equipment manufacturer for $175,083, net of cash acquired. The Belanger acquisition strengthens Dover's position in the vehicle wash business within the Fueling Solutions segment. In connection with this acquisition, the Company recorded goodwill of $97,817 and intangible assets of $77,000, primarily related to customer intangibles. The intangible assets are being amortized over 9 to 15 years.

**Pro Forma Information**

The following unaudited pro forma information illustrates the impact of 2020 and 2019 acquisitions on the Company's revenue and earnings from operations for the three months ended March 31, 2020 and 2019, respectively.
The unaudited pro forma information assumes that the 2020 and 2019 acquisitions had taken place at the beginning of the prior year, 2019 and 2018, respectively. Unaudited pro forma earnings are adjusted to reflect the comparable impact of additional depreciation and amortization expense, net of tax, resulting from the fair value measurement of intangible and tangible assets relating to the year of acquisition.

The unaudited pro forma effects for the three months ended March 31, 2020 and 2019 were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Revenue: | | |
| As reported | $ 1,655,939 | $ 1,724,757 |
| Pro forma | 1,661,825 | 1,746,533 |
| Net earnings: | | |
| As reported | $ 176,279 | $ 105,705 |
| Pro forma | 180,433 | 106,188 |

## 4. Disposed Operations

Management evaluates Dover's businesses periodically for their strategic fit within its operations and may from time to time sell or discontinue certain operations for various reasons.

***2020***

On March 6, 2020, the Company completed the sale of the Chino, California branch of The AMS Group ("AMS Chino"), a wholly owned subsidiary of the Company. Upon disposal of AMS Chino, the Company recognized total consideration of $16,850, which resulted in a pre-tax gain on sale of $6,551 included within the Condensed Consolidated Statements of Earnings and within the Refrigeration & Food Equipment Segment for the three months ended March 31, 2020.

***2019***

On March 29, 2019, the Company entered into a definitive agreement to sell Finder Pompe S.r.l ("Finder"), a wholly owned subsidiary, to Gruppo Aturia S.p.A ("Aturia"). As of March 31, 2019, Finder met the criteria to be classified as held for sale. The Company classified Finder's assets and liabilities separately on the consolidated balance sheet as of March 31, 2019.

Based on the total consideration from the sale, net of selling costs, the Company recorded a loss on the assets held for sale of $46,946 in the Condensed Consolidated Statements of Earnings during the three months ended March 31, 2019. The loss was comprised of an impairment on assets held for sale of $21,607 and $25,339 of foreign currency translation losses reclassified out of accumulated other comprehensive losses.

On April 2, 2019, Dover completed the sale of Finder to Aturia, which generated total cash proceeds of $24,218. The Finder business was included in the results of the Pumps & Process Solutions segment. The sale does not represent a strategic shift that will have a major effect on operations and financial results and, therefore, did not qualify for presentation as a discontinued operation.

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

## 5. Inventories

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Raw materials | $ 486,866 | $ 467,912 |
| Work in progress | 172,173 | 162,670 |
| Finished goods | 300,725 | 280,051 |
| **Subtotal** | 959,764 | 910,633 |
| Less reserves | (107,689) | (104,492) |
| **Total** | $ 852,075 | $ 806,141 |

## 6. Property, Plant and Equipment, net

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Land | $ 54,580 | $ 56,583 |
| Buildings and improvements | 522,155 | 527,192 |
| Machinery, equipment and other | 1,662,535 | 1,648,354 |
| **Property, plant and equipment, gross** | 2,239,270 | 2,232,129 |
| Accumulated depreciation | (1,397,457) | (1,389,811) |
| **Property, plant and equipment, net** | $ 841,813 | $ 842,318 |

For the three months ended March 31, 2020 and 2019, depreciation expense was $34,555 and $32,188, respectively.

## 7. Credit Losses

Effective January 1, 2020, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments prospectively. This ASU replaces the incurred loss impairment model with an expected credit loss impairment model for financial instruments, including trade receivables. The amendment requires entities to consider forward-looking information to estimate expected credit losses, resulting in earlier recognition of losses for receivables that are current or not yet due, which were not considered under the previous accounting guidance. Upon adoption, the Company recorded a noncash cumulative effect adjustment to retained earnings of $2.1 million, net of $0.6 million of income taxes, on the opening consolidated balance sheet as of January 1, 2020.

The Company is exposed to credit losses primarily through sales of products and services. The Company's expected loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions and a review of the current status of customers' trade accounts receivables. Due to the short-term nature of such receivables, the estimate of amount of accounts receivable that may not be collected is based on aging of the accounts receivable balances and the financial condition of customers. Additionally, specific allowance amounts are established to record the appropriate provision for customers that have a higher probability of default. The Company's monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of customers' financial condition and macroeconomic conditions. Balances are written off when determined to be uncollectible. The Company considered the current and expected future economic and market conditions surrounding the novel coronavirus ("COVID-19") pandemic and determined that the estimate of credit losses was not significantly impacted.

Estimates are used to determine the allowance. It is based on assessment of anticipated payment and all other historical, current and future information that is reasonably available.

The following table provides a roll-forward of the allowance for credit losses that is deducted from the amortized cost basis of accounts receivable to present the net amount expected to be collected.

| | 2020 |
|---|---|
| **Beginning Balance, January 1,** | $ 29,381 |
| Adoption of ASU 2016-13, cumulative-effect adjustment to retained earnings | 2,706 |
| Provision for expected credit losses | 3,703 |
| Amounts written off charged against the allowance | (811) |
| Other, including dispositions and foreign currency translation | (1,078) |
| **Ending Balance, March 31,** | $ 33,901 |

(Amounts in thousands except share data and where otherwise indicated) (Unaudited)

## 8. Goodwill and Other Intangible Assets

The changes in the carrying value of goodwill by reportable operating segments were as follows:

| | Engineered Products | Fueling Solutions | Imaging & Identification | Pumps & Process Solutions | Refrigeration & Food Equipment | Total |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2019** | $ 636,571 | $ 873,381 | $ 977,069 | $ 750,627 | $ 545,699 | $ 3,783,347 |
| Acquisitions | 33,125 | — | 92,256 | — | — | 125,381 |
| Disposition of business | — | — | — | — | (2,841) | (2,841) |
| Foreign currency translation | (4,446) | (26,008) | (8,514) | (5,790) | (312) | (45,070) |
| **Balance at March 31, 2020** | $ 665,250 | $ 847,373 | $ 1,060,811 | $ 744,837 | $ 542,546 | $ 3,860,817 |

During the three months ended March 31, 2020, the Company recorded additions of $125,381 to goodwill as a result of the acquisitions with the Engineered Products and Imaging & Identification segments discussed in Note 3 — Acquisitions. During the three months ended March 31, 2020, the Company disposed of $2,841 of the Refrigeration & Food Equipment segment goodwill as a result of the sale of a business as discussed in Note 4 — Disposed Operations.

Dover performs its annual goodwill impairment testing in the fourth quarter of each year. During the 2019 impairment testing, all fifteen reporting units had fair values substantially in excess of their carrying values. In addition to the annual impairment test, the Company is required to regularly assess whether a triggering event has occurred which would require interim impairment testing. The Company considered the current and expected future economic and market conditions surrounding the COVID-19 pandemic and its impact on each of the reporting units. Further, the Company assessed the current market capitalization, forecasts and the amount of headroom in the 2019 impairment test. The Company determined that a triggering event has not occurred which would require an interim impairment test to be performed. Refer to "Segment Results of Operations" for further details on the COVID-19 impact to the Company's operations.

The Company’s definite-lived and indefinite-lived intangible assets by major asset class were as follows:

| | March 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| **Amortized intangible assets:** | | | | | | |
| Customer intangibles | $ 1,467,966 | $ 731,391 | $ 736,575 | $ 1,410,636 | $ 714,566 | $ 696,070 |
| Trademarks | 220,805 | 89,123 | 131,682 | 218,064 | 85,791 | 132,273 |
| Patents | 158,612 | 134,360 | 24,252 | 159,376 | 133,677 | 25,699 |
| Unpatented technologies | 162,763 | 100,858 | 61,905 | 154,505 | 99,276 | 55,229 |
| Distributor relationships | 80,237 | 44,889 | 35,348 | 82,779 | 44,202 | 38,577 |
| Drawings & manuals | 26,619 | 22,228 | 4,391 | 27,500 | 22,403 | 5,097 |
| Other | 22,908 | 17,482 | 5,426 | 22,355 | 16,939 | 5,416 |
| **Total** | 2,139,910 | 1,140,331 | 999,579 | 2,075,215 | 1,116,854 | 958,361 |
| **Unamortized intangible assets:** | | | | | | |
| Trademarks | 96,561 | — | 96,561 | 96,653 | — | 96,653 |
| **Total intangible assets, net** | $ 2,236,471 | $ 1,140,331 | $ 1,096,140 | $ 2,171,868 | $ 1,116,854 | $ 1,055,014 |

For the three months ended March 31, 2020 and 2019, amortization expense was $34,197 and $35,550, respectively, including acquisition-related intangible amortization of $33,817 and $35,155, respectively.

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## 9. Restructuring Activities

The Company's restructuring charges by segment were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| Engineered Products | $ 358 | $ 79 |
| Fueling Solutions | 1,475 | 738 |
| Imaging & Identification | 256 | 291 |
| Pumps & Process Solutions | 3,846 | 381 |
| Refrigeration & Food Equipment | 560 | 1,412 |
| Corporate | 846 | 35 |
| **Total** | $ 7,341 | $ 2,936 |
| These amounts are classified in the Condensed Consolidated Statements of Earnings as follows: | | |
| Cost of goods and services | $ 1,542 | $ 1,179 |
| Selling, general and administrative expenses | 5,799 | 1,757 |
| **Total** | $ 7,341 | $ 2,936 |

The restructuring expenses of $7,341 incurred during the three months ended March 31, 2020, were a result of restructuring programs initiated in 2019. Restructuring expense was comprised primarily of broad-based selling, general and administrative expense reduction and broad-based operational efficiency initiatives focusing on footprint consolidation, operational optimization and IT centralization designed to increase operating margin, enhance operations and position the Company for sustained growth and investment. The Company expects to incur additional charges of approximately $6 million during the remainder of 2020. COVID-19 has not resulted in significant restructuring costs. Additional programs, beyond the scope of the announced programs, may be implemented during 2020 with related restructuring charges.

The $7,341 of restructuring charges incurred during the first quarter of 2020 primarily included the following items:

- The Engineered Products segment recorded $358 of restructuring charges principally related to headcount reductions.
- The Fueling Solutions segment recorded $1,475 of restructuring charges principally related to headcount reductions.
- The Imaging & Identification segment recorded $256 of restructuring charges principally related to headcount reductions.
- The Pumps & Process Solutions segment recorded $3,846 of restructuring expense primarily due to headcount reductions and facility restructuring costs.
- The Refrigeration & Food Equipment segment recorded $560 of restructuring expense primarily due to headcount reductions and facility restructuring costs.
- Corporate recorded $846 of restructuring charges primarily related to headcount reductions and associated exit costs related to IT centralization initiatives.

The Company’s severance and exit accrual activities were as follows:

| | **Severance** | **Exit** | **Total** |
|---|---|---|---|
| **Balance at December 31, 2019** | $ 13,751 | $ 2,639 | $ 16,390 |
| Restructuring charges | 4,014 | 3,327 | 7,341 |
| Payments | (6,510) | (2,049) | (8,559) |
| Other, including foreign currency translation | 184 | (2,376) (1) | (2,192) |
| **Balance at March 31, 2020** | $ 11,439 | $ 1,541 | $ 12,980 |

(1) Other activity in exit reserves primarily represents the non-cash write-off of certain long-lived assets in connection with certain facility closures.

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## 10. Borrowings

Borrowings consisted of the following:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| **Short-term** | | |
| Short-term borrowings | $ 500,000 | $ — |
| Commercial paper | — | 84,700 |
| **Notes payable** | $ 500,000 | $ 84,700 |

| | | Carrying amount [1] | |
|---|---|---|---|
| | Principal | March 31, 2020 | December 31, 2019 |
| **Long-term** | | | |
| 3.150% 10-year notes due November 15, 2025 | $ 400,000 | $ 396,210 | $ 396,042 |
| 1.25% 10-year notes due November 9, 2026 (euro-denominated) | € 600,000 | 645,487 | 658,089 |
| 0.750% 8-year notes due November 4, 2027 (euro denominated) | € 500,000 | 537,463 | 548,008 |
| 6.65% 30-year debentures due June 1, 2028 | $ 200,000 | 199,180 | 199,155 |
| 2.950% 10-year notes due November 4, 2029 | $ 300,000 | 296,366 | 296,270 |
| 5.375% 30-year debentures due October 15, 2035 | $ 300,000 | 296,122 | 296,060 |
| 6.60% 30-year notes due March 15, 2038 | $ 250,000 | 247,968 | 247,939 |
| 5.375% 30-year notes due March 1, 2041 | $ 350,000 | 344,222 | 344,153 |
| **Total long-term debt** | | $ 2,963,018 | $ 2,985,716 |

[1] Carrying amount is net of unamortized debt discount and deferred debt issuance costs. Total unamortized debt discounts were $18.3 million and $18.9 million as of March 31, 2020 and December 31, 2019, respectively. Total deferred debt issuance costs were $15.7 million and $16.2 million as of March 31, 2020 and December 31, 2019, respectively.

As of March 31, 2020, the Company maintained a $1.0 billion five-year unsecured revolving credit facility (the "Credit Agreement") with a syndicate of banks which expires on October 4, 2024. The Company uses the Credit Agreement as liquidity back-up for its commercial paper program. On March 16, 2020, the Company borrowed $500 million due May 19, 2020 under the Credit Agreement. Proceeds from the borrowing were used to repay all of the Company's outstanding commercial paper and for general corporate purposes. The Company was in compliance with all covenants in the Credit Agreement and other long-term debt covenants at March 31, 2020 and had an interest coverage ratio of consolidated EBITDA to consolidated net interest expense of 11.2 to 1.

As of March 31, 2020, the Company had approximately $143.5 million outstanding in letters of credit, surety bonds, and performance and other guarantees which expire on various dates through 2029. These letters of credit and bonds are primarily issued as security for insurance, warranty and other performance obligations. In general, we would only be liable for the amount of these guarantees in the event of default in the performance of our obligations.

## 11. Financial Instruments

### Derivatives

The Company is exposed to market risk for changes in foreign currency exchange rates due to the global nature of its operations and certain commodity risks. In order to manage these risks, the Company has hedged portions of its forecasted sales and purchases to occur within the next twelve months that are denominated in non-functional currencies, with currency forward contracts designated as cash flow hedges. At March 31, 2020 and December 31, 2019, the Company had contracts with total notional amounts of $170,672 and $179,580, respectively, to exchange currencies, principally Euro, Pound Sterling, Swedish Krona, Chinese Yuan, Canadian Dollar, and Swiss Franc. The Company believes it is probable that all forecasted cash flow transactions will occur.

In addition, the Company had outstanding contracts with a total notional amount of $76,553 and $79,707 as of March 31, 2020 and December 31, 2019, respectively, that are not designated as hedging instruments. These instruments are used to reduce the

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Company's exposure for operating receivables and payables that are denominated in non-functional currencies. Gains and losses on these contracts are recorded in other income, net in the Condensed Consolidated Statements of Earnings.

The following table sets forth the fair values of derivative instruments held by the Company as of March 31, 2020 and December 31, 2019 and the balance sheet lines in which they are recorded:

| | Fair Value Asset (Liability) | | |
|---|---|---|---|
| | **March 31, 2020** | **December 31, 2019** | **Balance Sheet Caption** |
| Foreign currency forward | $ 1,826 | $ 2,892 | Prepaid / Other current assets |
| Foreign currency forward | (2,979) | (476) | Other accrued expenses |

For a cash flow hedge, the change in estimated fair value of a hedging instrument is recorded in accumulated other comprehensive (loss) earnings as a separate component of the Condensed Consolidated Statements of Stockholders' Equity and is reclassified into revenues and cost of goods and services in the Condensed Consolidated Statements of Earnings during the period in which the hedged transaction is recognized. The amount of gains or losses from hedging activity recorded in earnings is not significant, and the amount of unrealized gains and losses from cash flow hedges that are expected to be reclassified to earnings in the next twelve months is not significant; therefore, additional tabular disclosures are not presented. There are no amounts excluded from the assessment of hedge effectiveness and the Company's derivative instruments that are subject to credit risk contingent features were not significant.

The Company is exposed to credit loss in the event of nonperformance by counterparties to the financial instrument contracts held by the Company; however, nonperformance by these counterparties is considered unlikely as the Company’s policy is to contract with highly-rated, diversified counterparties.

The Company has designated the €600,000 and €500,000 of euro-denominated notes issued November 9, 2016 and November 4, 2019, respectively, as hedges of a portion of its net investment in euro-denominated operations. Changes in the value of the euro-denominated debt are recognized in foreign currency translation adjustments within other comprehensive earnings of the Condensed Consolidated Statements of Comprehensive Earnings to offset changes in the value of the net investment in euro-denominated operations.

Amounts recognized in other comprehensive earnings for the gains (losses) on net investment hedges were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| Gain on euro-denominated debt | $ 23,624 | $ 3,557 |
| Tax expense | (5,139) | (747) |
| Net gain on net investment hedges, net of tax | $ 18,485 | $ 2,810 |

**Fair Value Measurements**

ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. ASC 820 establishes three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs include inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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The following table presents the Company’s assets and liabilities measured at fair value on a recurring basis as of March 31, 2020 and December 31, 2019:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | Level 2 | Level 2 |
| Assets: | | |
| Foreign currency cash flow hedges | $ 1,826 | $ 2,892 |
| Liabilities: | | |
| Foreign currency cash flow hedges | 2,979 | 476 |

In addition to fair value disclosure requirements related to financial instruments carried at fair value, accounting standards require interim disclosures regarding the fair value of all of the Company’s financial instruments.

The estimated fair value of long-term debt, net at March 31, 2020 and December 31, 2019, was $3,311,012 and $3,322,033, respectively. The estimated fair value of long-term debt is based on quoted market prices for similar instruments and is, therefore, classified as Level 2 within the fair value hierarchy.

The carrying values of cash and cash equivalents, trade receivables, accounts payable and notes payable are reasonable estimates of their fair values as of March 31, 2020 and December 31, 2019 due to the short-term nature of these instruments.

## 12. Income Taxes

The effective tax rates for the three months ended March 31, 2020 and 2019 were 17.4% and 23.6%, respectively. The decrease in the effective tax rate for the three months ended March 31, 2020 relative to the prior comparable period is primarily driven by favorable audit settlements.

The three months ended March 31, 2019 includes a discrete tax benefit from stock exercises, partially offset by the exclusion of capital losses on the sale of Finder under local tax law.

Dover and its subsidiaries file tax returns in the U.S., including various state and local returns, and in other foreign jurisdictions. We believe adequate provision has been made for all income tax uncertainties. The Company is routinely audited by taxing authorities in its filing jurisdictions, and a number of these audits are currently underway. The Company believes that within the next twelve months uncertain tax positions may be resolved and statutes of limitations will expire, which could result in a decrease in the gross amount of unrecognized tax benefits of approximately zero to $9.3 million.

## 13. Equity Incentive Program

The Company typically grants equity awards annually at its regularly scheduled first quarter meeting of the Compensation Committee of the Board of Directors. During the three months ended March 31, 2020, the Company issued stock-settled appreciation rights ("SARs") covering 389,603 shares, performance share awards of 49,056 and restricted stock units ("RSUs") of 78,553.

The Company uses the Black-Scholes option pricing model to determine the fair value of each SAR on the date of grant. Expected volatilities are based on Dover's stock price history, including implied volatilities from traded options on Dover stock. The Company uses historical data to estimate SAR exercise and employee termination patterns within the valuation model. The expected life of SARs granted is derived from the output of the option valuation model and represents the average period of time that SARs granted are expected to be outstanding. The interest rate for periods within the contractual life of the SARs is based on the U.S. Treasury yield curve in effect at the time of grant.

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The assumptions used in determining the fair value of the SARs awarded during the respective periods were as follows:

| | SARs | |
|---|---|---|
| | 2020 | 2019 |
| Risk-free interest rate | 1.44 % | 2.51 % |
| Dividend yield | 1.65 % | 2.13 % |
| Expected life (years) | 5.5 | 5.6 |
| Volatility | 22.76 % | 22.35 % |
| | | |
| Grant price | $119.86 | $91.20 |
| Fair value per share at date of grant | $22.54 | $17.55 |

The performance share awards granted in 2020 are market condition awards as attainment is based on Dover's performance relative to its peer group (companies listed under the S&P 500 Industrials sector) for the relevant performance period. The performance period and vesting period for these awards is approximately three years. These awards were valued on the date of grant using the Monte Carlo simulation model (a binomial lattice-based valuation model) with the following assumptions, and are generally recognized ratably over the vesting period, and is not subject to change based on future market conditions. The assumptions used in determining the fair value of the performance shares granted in 2020 were as follows:

| | Performance Shares |
|---|---|
| | 2020 |
| Risk-free interest rate | 1.40 % |
| Dividend yield | 1.65 % |
| Expected life (years) | 2.9 |
| Volatility | 23.30 % |
| | |
| Grant price | $119.86 |
| Fair value per share at date of grant | $165.71 |

The performance share awards granted in 2019 are considered performance condition awards as attainment is based on Dover's performance relative to established internal metrics. The fair value of these awards was determined using Dover's closing stock price on the date of grant. The expected attainment of the internal metrics for these awards is analyzed each reporting period, and the related expense is adjusted based on expected attainment, if that attainment differs from previous estimates. The cumulative effect on current and prior periods of a change in attainment is recognized in selling, general and administrative expenses in the Condensed Consolidated Statements of Earnings in the period of change.

The fair value and average attainment used in determining stock-based compensation cost for the performance shares issued in 2019 is as follows for the three months ended March 31, 2020:

| | Performance Shares |
|---|---|
| | 2019 |
| Fair value per share at date of grant | $91.20 |
| Average attainment rate reflected in expense | 209.31% |

The Company also has granted RSUs, and the fair value of these awards was determined using Dover's closing stock price on the date of grant.

Stock-based compensation is reported within selling, general and administrative expenses in the Condensed Consolidated Statements of Earnings. The following table summarizes the Company’s compensation expense relating to all stock-based incentive plans:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Pre-tax stock-based compensation expense | $ 3,252 | $ 8,182 |
| Tax benefit | (349) | (1,048) |
| Total stock-based compensation expense, net of tax | $ 2,903 | $ 7,134 |

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## 14. Commitments and Contingent Liabilities

### Litigation

Certain of the Company’s subsidiaries are involved in legal proceedings relating to the cleanup of waste disposal sites identified under federal and state statutes that provide for the allocation of such costs among "potentially responsible parties." In each instance, the extent of the Company’s liability appears to be very small in relation to the total projected expenditures and the number of other "potentially responsible parties" involved and is anticipated to be immaterial to the Company. In addition, certain of the Company’s subsidiaries are involved in ongoing remedial activities at certain current and former plant sites, in cooperation with regulatory agencies, and appropriate estimated liabilities have been established. At March 31, 2020 and December 31, 2019, the Company had estimated liabilities totaling $30,233 and $30,608, respectively, for environmental and other matters, including private party claims for exposure to hazardous substances that are probable and estimable.

The Company and certain of its subsidiaries are also parties to a number of other legal proceedings incidental to their businesses. These proceedings primarily involve claims by private parties alleging injury arising out of use of the Company’s products, patent infringement, employment matters, and commercial disputes. Management and legal counsel, at least quarterly, review the probable outcome of such proceedings, the costs and expenses reasonably expected to be incurred and currently accrued to-date, and the availability and extent of insurance coverage. The Company has estimated liabilities for legal matters that are probable and estimable, and at March 31, 2020 and December 31, 2019, these estimated liabilities were not significant. While it is not possible at this time to predict the outcome of these legal actions, in the opinion of management, based on the aforementioned reviews, the Company is not currently involved in any legal proceedings which, individually or in the aggregate, could have a material effect on its financial position, results of operations, or cash flows.

### Warranty Accruals

Estimated warranty program claims are provided for at the time of sale of the Company's products. Amounts provided for are based on historical costs and adjusted for new claims and are included within other accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet. The changes in the carrying amount of product warranties through March 31, 2020 and 2019, were as follows:

| | 2020 | 2019 |
|---|---|---|
| **Beginning Balance, December 31 of the Prior Year** | $ 49,116 | $ 50,073 |
| Provision for warranties | 13,360 | 13,955 |
| Settlements made | (15,526) | (14,993) |
| Other adjustments, including acquisitions and currency translation | (1,079) | (792) |
| **Ending Balance, March 31** | $ 45,871 | $ 48,243 |

## 15. Employee Benefit Plans

### Retirement Plans

The Company sponsors qualified defined benefit pension plans covering certain employees of the Company and its subsidiaries, although the U.S. qualified and non-qualified defined benefit plans are closed to new entrants. The plans’ benefits are generally based on years of service and employee compensation. The Company also provides to certain management employees, through non-qualified plans, supplemental retirement benefits in excess of qualified plan limits imposed by federal tax law.

The tables below set forth the components of the Company’s net periodic (income) expense relating to retirement benefit plans. The service cost component is recognized within selling, general and administrative expenses and cost of goods and services, depending on the functional area of the underlying employees included in the plans, and the non-operating components of pension costs are included within other income, net in the Condensed Consolidated Statements of Earnings.

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***Qualified Defined Benefits***

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | U.S. Plan | | Non-U.S. Plans | |
| | 2020 | 2019 | 2020 | 2019 |
| Service cost | $ 1,706 | $ 1,754 | $ 1,293 | $ 1,545 |
| Interest cost | 4,068 | 4,756 | 825 | 1,241 |
| Expected return on plan assets | (7,869) | (8,534) | (1,677) | (1,517) |
| Amortization: | | | | |
| Prior service cost (credit) | 57 | 76 | (119) | (58) |
| Recognized actuarial loss | 1,884 | — | 742 | 816 |
| Net periodic (income) expense | $ (154) | $ (1,948) | $ 1,064 | $ 2,027 |

***Non-Qualified Supplemental Benefits***

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Service cost | $ 318 | $ 486 |
| Interest cost | 441 | 668 |
| Amortization: | | |
| Prior service cost | 424 | 703 |
| Recognized actuarial gain | (464) | (570) |
| Net periodic expense | $ 719 | $ 1,287 |

***Post-Retirement Benefit Plans***

The Company also maintains post-retirement benefit plans, although these plans are closed to new entrants. The supplemental and post-retirement benefit plans are supported by the general assets of the Company. The following table sets forth the components of the Company's net periodic expense relating to its post-retirement benefit plans:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Service cost | $ 5 | $ 5 |
| Interest cost | 60 | 78 |
| Amortization: | | |
| Prior service cost | 3 | 3 |
| Recognized actuarial gain | (4) | (18) |
| Net periodic expense | $ 64 | $ 68 |

The total amount amortized out of accumulated other comprehensive earnings into net periodic pension and post-retirement expense totaled $2,523 and $952 for the three months ended March 31, 2020 and 2019, respectively.

**Defined Contribution Retirement Plans**

The Company also offers defined contribution retirement plans which cover the majority of its U.S. employees, as well as employees in certain other countries. The Company's expense relating to defined contribution plans were $14,048, and $12,906 for the three months ended March 31, 2020 and 2019, respectively.

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## 16. Other Comprehensive Earnings

The amounts recognized in other comprehensive (loss) earnings were as follows:

| | Three Months Ended March 31, 2020 | | | Three Months Ended March 31, 2019 | | |
|---|---|---|---|---|---|---|
| | **Pre-tax** | **Tax** | **Net of tax** | **Pre-tax** | **Tax** | **Net of tax** |
| Foreign currency translation adjustments | $ (88,415) | $ (5,139) | $ (93,554) | $ 49,786 | $ (747) | $ 49,039 |
| Pension and other post-retirement benefit plans | 2,523 | (568) | 1,955 | 952 | (205) | 747 |
| Changes in fair value of cash flow hedges | (5,074) | 1,121 | (3,953) | 2,993 | (629) | 2,364 |
| **Total other comprehensive (loss) earnings** | $ (90,966) | $ (4,586) | $ (95,552) | $ 53,731 | $ (1,581) | $ 52,150 |

Total comprehensive earnings were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| Net earnings | $ 176,279 | $ 105,705 |
| Other comprehensive (loss) earnings | (95,552) | 52,150 |
| **Comprehensive earnings** | $ 80,727 | $ 157,855 |

Amounts reclassified from accumulated other comprehensive loss to earnings during the three months ended March 31, 2020 and 2019 were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| **Foreign currency translation:** | | |
| Reclassification of foreign currency translation losses to earnings for assets held for sale | $ — | $ 25,339 |
| Tax benefit | — | — |
| Net of tax | $ — | $ 25,339 |
| **Pension and other postretirement benefit plans:** | | |
| Amortization of actuarial losses | $ 2,158 | $ 228 |
| Amortization of prior service costs | 365 | 724 |
| Total before tax | 2,523 | 952 |
| Tax benefit | (568) | (205) |
| Net of tax | $ 1,955 | $ 747 |
| **Cash flow hedges:** | | |
| Net losses (gains) reclassified into earnings | $ 1,420 | $ (291) |
| Tax (benefit) provision | (299) | 61 |
| Net of tax | $ 1,121 | $ (230) |

The reclassification of foreign currency translation losses to earnings during the three months ended March 31, 2019 relates to the sale of Finder. See Note 4 — Disposed Operations for further details.

The Company recognizes the amortization of net actuarial gains and losses and prior service costs in other income, net within the Condensed Consolidated Statements of Earnings.

Cash flow hedges consist mainly of foreign currency forward contracts. The Company recognizes the realized gains and losses on its cash flow hedges in the same line item as the hedged transaction, such as revenue, cost of goods and services, or selling, general and administrative expenses.

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## 17. Segment Information

The Company categorizes its operating companies into five reportable segments as follows:

- Engineered Products segment is a provider of a wide range of products, software and services that have broad customer applications across a number of markets, including aftermarket vehicle service, solid waste handling, industrial automation, aerospace and defense, industrial winch and hoist, and fluid dispensing.

- Fueling Solutions segment is focused on providing components, equipment and software and service solutions enabling safe transport of fuels and other hazardous fluids along the supply chain, as well as the safe and efficient operation of retail fueling and vehicle wash establishments.

- Imaging & Identification segment supplies precision marking and coding, product traceability and digital textile printing equipment, as well as related consumables, software and services.

- Pumps & Process Solutions segment manufactures specialty pumps, fluid handling components, plastics and polymer processing equipment, and highly engineered components for rotating and reciprocating machines.

- Refrigeration & Food Equipment segment is a provider of innovative and energy-efficient equipment and systems that serve the commercial refrigeration, heating and cooling and food equipment markets.

Segment financial information and a reconciliation of segment results to consolidated results was as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| **Revenue:** | | |
| Engineered Products | $ 408,160 | $ 418,851 |
| Fueling Solutions | 359,982 | 373,050 |
| Imaging & Identification | 256,765 | 268,354 |
| Pumps & Process Solutions | 319,536 | 330,219 |
| Refrigeration & Food Equipment | 311,913 | 334,643 |
| Intra-segment eliminations | (417) | (360) |
| Total consolidated revenue | $ 1,655,939 | $ 1,724,757 |
| **Net earnings:** | | |
| Segment earnings (EBIT): (1) | | |
| Engineered Products | $ 69,094 | $ 67,119 |
| Fueling Solutions | 53,498 | 37,230 |
| Imaging & Identification | 51,482 | 55,955 |
| Pumps & Process Solutions (2) | 66,079 | 14,991 |
| Refrigeration & Food Equipment(3) | 23,529 | 24,807 |
| Total segment earnings (EBIT) | 263,682 | 200,102 |
| Corporate expense / other (4) | 24,097 | 30,866 |
| Interest expense | 27,268 | 31,808 |
| Interest income | (1,183) | (890) |
| Earnings before provision for income taxes | 213,500 | 138,318 |
| Provision for income taxes | 37,221 | 32,613 |
| Net earnings | $ 176,279 | $ 105,705 |

(1) Segment earnings (EBIT) includes non-operating income and expense directly attributable to the segments. Non-operating income and expense includes gain on sale of a business and other income, net.
(2) The three months ended March 31, 2019 includes a $46,946 loss on assets held for sale for Finder.
(3) The three months ended March 31, 2020 includes a $6,551 gain on the sale of AMS Chino.
(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 overhead costs, deal related expenses and various administrative expenses relating to the corporate headquarters.

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The following table presents revenue disaggregated by geography based on the location of the Company's customer:

| | Three Months Ended March 31, | |
|---|---|---|
| **Revenue by geography** | **2020** | **2019** |
| United States | $ 956,640 | $ 919,892 |
| Europe | 361,166 | 402,645 |
| Asia | 154,275 | 196,350 |
| Other Americas | 129,049 | 138,118 |
| Other | 54,809 | 67,752 |
| Total | $ 1,655,939 | $ 1,724,757 |

## 18. Share Repurchases

In February 2018, the Company's Board of Directors approved a standing share repurchase authorization, whereby the Company may repurchase up to 20 million shares of its common stock through December 31, 2020. This share repurchase authorization replaced the January 2015 share repurchase authorization.

During the three months ended March 31, 2020, under the February 2018 authorization, the Company repurchased 548,659 shares of common stock at a total cost of $52,916, or $96.45 per share. There were no repurchases under the February 2018 authorization during the three months ended March 31, 2019. The Company has suspended further repurchases as a result of business uncertainty related to COVID-19.

As of March 31, 2020, 7,811,385 shares remain authorized for repurchase under the February 2018 share repurchase authorization.

## 19. Earnings per Share

The following table sets forth a reconciliation of the information used in computing basic and diluted earnings per share:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| Net earnings | $ 176,279 | $ 105,705 |
| **Basic earnings per common share:** | | |
| Net earnings | $ 1.22 | $ 0.73 |
| Weighted average shares outstanding | 144,259,000 | 145,087,000 |
| **Diluted earnings per common share:** | | |
| Net earnings | $ 1.21 | $ 0.72 |
| Weighted average shares outstanding | 145,782,000 | 146,911,000 |

The following table is a reconciliation of the share amounts used in computing earnings per share:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| Weighted average shares outstanding - Basic | 144,259,000 | 145,087,000 |
| Dilutive effect of assumed exercise of SARs and vesting of performance shares and RSUs | 1,523,000 | 1,824,000 |
| Weighted average shares outstanding - Diluted | 145,782,000 | 146,911,000 |

Diluted earnings per share amounts are computed using the weighted average number of common shares outstanding and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of SARs and vesting of performance shares and RSUs, as determined using the treasury stock method.

The weighted average number of anti-dilutive potential common shares excluded from the calculation above were approximately 65,000 and 42,000 for the three months ended March 31, 2020 and 2019, respectively.

## 20. Recent Accounting Pronouncements

### Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. This resulted in the earlier recognition of allowances for losses. In addition, the FASB issued ASU 2019-04, Codification Improvements to Topic 326 which provides clarity on certain aspects of the amendments in ASU 2016-13. The Company adopted this guidance prospectively on January 1, 2020. Upon adoption, the Company recorded a noncash cumulative effect adjustment to retained earnings of $2.1 million, net of $0.6 million of income taxes, on the opening consolidated balance sheet as of January 1, 2020. See Note 7 — Credit Losses for further details.

## 21. Subsequent Events

Subsequent to March 31, 2020, the Company reduced production at our operations in response to COVID-19 related government mandates, reduced demand conditions and other operational drivers in several of our businesses. This resulted in temporary, partial closures of several facilities in the U.S. and Europe across our business. Meanwhile, certain facilities that were closed as of March 31, 2020 have re-opened. The extent of the impact of the COVID-19 outbreak on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, its impact on our customers and suppliers and the range of governmental and community reactions to the pandemic, which are uncertain and cannot be fully predicted at this time.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Refer to the section below entitled "Special Notes Regarding Forward-Looking Statements" for a discussion of factors that could cause our actual results to differ from the forward-looking statements contained below and throughout this quarterly report.

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), we refer to measures used by management to evaluate performance as well as liquidity, including a number of financial measures that are not defined under accounting principles generally accepted in the United States of America ("GAAP"). We believe these measures provide investors with important information that is useful in understanding our business results and trends. Explanations within this MD&A provide more details on the use and derivation of these measures.

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") a pandemic. The COVID-19 outbreak and associated counter-acting measures implemented by governments around the world, as well as increased business uncertainty, are having an adverse impact on our financial results and are discussed in more detail below.

**OVERVIEW**

Dover is a diversified global manufacturer and solutions provider delivering innovative equipment and components, consumable supplies, aftermarket parts, software and digital solutions, and support services through five operating segments: Engineered Products, Fueling Solutions, Imaging & Identification, Pumps & Process Solutions, and Refrigeration & Food Equipment. The Company's entrepreneurial business model encourages, promotes and fosters deep customer engagement and collaboration, which has led to Dover's well-established and valued reputation for providing superior customer service and industry-leading product innovation. Unless the context indicates otherwise, references herein to "Dover," "the Company," and words such as "we," "us," or "our" include Dover Corporation and its consolidated subsidiaries.

Dover's five operating segments are as follows:

- Our Engineered Products segment is a provider of a wide range of products, software and services that have broad customer applications across a number of markets, including aftermarket vehicle service, solid waste handling, industrial automation, aerospace and defense, industrial winch and hoist, and fluid dispensing.

- Our Fueling Solutions segment is focused on providing components, equipment and software and service solutions enabling safe transport of fuels and other hazardous fluids along the supply chain, as well as the safe and efficient operation of retail fueling and vehicle wash establishments.

- Our Imaging & Identification segment supplies precision marking and coding, product traceability and digital textile printing equipment, as well as related consumables, software and services.

- Our Pumps & Process Solutions segment manufactures specialty pumps, fluid handling components, plastics and polymer processing equipment, and highly engineered components for rotating and reciprocating machines.

- Our Refrigeration & Food Equipment segment is a provider of innovative and energy-efficient equipment and systems that serve the commercial refrigeration, heating and cooling and food equipment markets.

In the first quarter of 2020, revenue was $1.7 billion, which decreased $68.8 million, or 4.0%, as compared to the first quarter of 2019. Results were driven by an organic revenue decline of 2.7%, an unfavorable impact from foreign currency translation of 1.4% and a 0.7% impact due to dispositions. This growth was partially offset by acquisition-related revenue growth of 0.8%.

The 2.7% organic revenue decline was broad based across our segments, compared to strong sales performance in the comparable first quarter of 2019 of 5.3% revenue growth, in which organic revenue growth was 8.3%, and the current quarter decline was also due to the slowing demand environment in several of our end-markets driven by the outbreak of COVID-19. The Imaging & Identification and Refrigeration & Food Equipment segments both experienced organic revenue decline of 4.3%, reflecting primarily weaker demand for textile digital printing equipment and for commercial foodservice and heat exchange equipment, respectively. Fueling Solutions segment organic revenue declined 2.6% which was driven by weaker demand for transportation, vehicle wash and underground retail fueling equipment. Engineered Products segment organic revenue declined 1.9% as a result of a slowing of demand in industrial automation and winch markets, as well as vehicle aftermarket, partially offset by strong performance in our waste handling business. Pumps & Process Solutions segment organic revenue declined 1.1% as a result of reduced demand for pumps and precision components, including from the oil & gas industry.

From a geographic perspective, in the first quarter, organic revenue for the U.S., our largest market, grew 4%, while organic revenue in Europe and Asia declined 7% and 19% respectively, year over year. U.S. organic growth was driven primarily by strength in our Fueling Solutions and Engineered Products segments, partially offset by a slight decline in our Refrigeration & Food Equipment segment. The decline in Europe was broad-based across four segments, except Pumps and Process Solutions, as the region faced significant operational and demand headwinds from the developing pandemic. The decline in Asia was driven mainly by a sharp decline in China and weakness in India across all segments as a result of the outbreak of COVID-19.

Bookings were $1.8 billion for the three months ended March 31, 2020, flat compared to the prior year period. Included in this result was organic growth of 0.9%, acquisition-related bookings growth of 1.0%, offset by an unfavorable impact from foreign currency translation of 1.2% and a 0.7% impact due to dispositions. Organic bookings growth was primarily due to robust activity in our Fueling Solutions segment as well as growth in our Pumps & Process Solutions segment, offset by a decline in our Refrigeration & Food Equipment and Engineered Products segments. Backlog as of March 31, 2020 was $1.6 billion, an increase from $1.4 billion from the prior year. See definition of bookings and backlog within "Segment Results of Operations".

During the three months ended March 31, 2020, we acquired Sys-Tech Solutions, Inc. ("Systech") and So. Cal. Soft-Pak, Incorporated ("Soft-Pak") Software Solutions for an aggregate price of $208.4 million, net of cash acquired. Systech is a leading provider of software and solutions for product traceability, regulatory compliance and brand protection and will strengthen the portfolio of solutions offered by our Imaging & Identification segment to customers in the pharmaceutical and consumer products industries. Soft-Pak is a leading specialized provider of integrated back office, route management and customer relationship management software solutions to the waste and recycling fleet industry and will further strengthen the digital offerings of our waste handling business in our Engineered Products segment.

During the three months ended March 31, 2020, we divested the Chino, California branch of The AMS Group ("AMS Chino"), a regional aftermarket refrigeration services and solutions provider based in Southern California. The AMS Group was a wholly owned subsidiary, which was part of our Refrigeration & Food Equipment segment. We sold the business and recorded a pre-tax gain on sale of $6.6 million.

During the three months ended March 31, 2020, we continued to execute on our previously announced rightsizing programs to further optimize operations. Rightsizing charges included restructuring costs of $7.3 million and other costs of $0.5 million for the three months ended March 31, 2020. Restructuring expense was comprised primarily of broad-based selling, general and administrative expense reduction initiatives and broad-based operational efficiency initiatives focusing on footprint consolidation, operational optimization and IT centralization. These restructuring charges were broad-based across all segments as well as corporate. We expect to incur $6 million of restructuring charges during the remainder of 2020 for these initiatives.

We also purchased 0.5 million shares of our common stock for a total cost of $52.9 million, or $96.45 per share, during the three months ended March 31, 2020. We have suspended repurchases as a result of business uncertainty related to COVID-19.

The recent outbreak of COVID-19 has resulted and will continue to result in significant economic disruption and has and will adversely affect our business, including our supply chain and operations. We also have experienced and expect to continue to experience reductions in customer demand in several of our end-markets. We expect that the social distancing measures, the reduced operational status of our suppliers and reductions in production at certain facilities will more meaningfully impact our operations in the second quarter, and general business uncertainty will continue to negatively impact demand in several of our end-markets in the second quarter, and possibly beyond. During the first quarter, the impact of COVID-19 on Dover's businesses was most pronounced in China and Italy, where we experienced interruption of our operations due to regulatory requirements as well as weakening demand and supply chain difficulties.

Our foremost focus has been on the health and safety of our employees, business partners and customers. In response to the outbreak, we established a central global response team, initiated enhanced health and safety measures across our facilities and enacted information technology ("IT") security protocols in response to new “work-from-home” patterns for office staff. More specifically, we have modified practices at our manufacturing locations and offices to adhere to guidance from the U.S. Centers for Disease Control and Prevention and local health and governmental authorities with respect to social distancing, physical separation, personal protective equipment and sanitization, and have restricted the number of employees permitted in common areas at any given time. Further, we have enhanced our operational excellence model by memorializing our approach to sanitized manufacturing which includes procedures for dealing with confirmed COVID-19 cases, compliance auditing, and manufacturing line design. We are approaching our response to this outbreak with a recognition that our operating companies provide essential and important products and services on which our customers and broader society rely upon daily to support crucial functions. For example:

- Our Engineered Products segment includes our waste handling business that provides a broad range of products and services to support municipal waste collection.

- Our Fueling Solutions segment supports the ongoing operation of gas stations and broader fuel supply chain with equipment, components and services.

- Our Imaging & Identification segment supplies equipment, consumables and services that enable the food and personal goods industries to comply with product marking regulations and provide product identification and traceability for consumers (such as product expiration dates).

- Our Pumps & Process Solutions segment include businesses in the biopharma and medical markets that produce components that are used in the research and production of pharmaceuticals. Other businesses provide products for diluting and dispensing chemicals specifically used for facility cleaning and sanitizing, equipment and components that support the safe operation of paper production plants, chemical facilities, fuel refineries and many other industries and equipment that supports the recycling of plastic waste.

- Our Refrigeration & Food Equipment segment supports food stores with refrigeration equipment, parts and services.

Accordingly, we consider our companies to be essential suppliers to our customers and business partners and therefore most of our U.S. and global facilities have remained substantially operational during the outbreak while implementing enhanced safety protocols designed to protect the well-being of our employees. Operations at the facilities in countries with broad-based mandated shutdowns (China, Italy, India, Malaysia) were suspended for a portion of the first quarter.

As of March 31, 2020, approximately 78% of our major global facilities (by count) were fully operational, approximately 9% were partially operational, and the remaining 13% were fully closed. From a geographic perspective, U.S. production continues for most of our businesses. However, in March, in the U.S., we voluntarily closed a plant serving the automotive industry as the customer base has largely temporarily ceased operation, and we closed our plants serving the vehicle wash industry due to local government mandates. In Italy, while operations have been suspended since mid-to-late March due to government mandates, we anticipate resuming at least some limited operations in the second quarter. In China, all operations were halted in late January and early February, but were back to fully operational by early March and we expect to see improvement in the currently lagging demand environment. To a lesser extent (due to a smaller scale presence), we have also been impacted by government-mandated shutdowns in India and Malaysia.

Subsequent to March 31, 2020, we have continued to reduce production at operations in several of our businesses in response to government mandates, reduced demand conditions and other operational drivers. This resulted in temporary, partial closures of several facilities in the U.S. and Europe (across the Fueling Solutions, Engineered Products and Refrigeration & Food Equipment segments). As of April 17, 2020, 7% of our major global facilities (by count) were closed completely and 11% were partially closed or operated with a reduced capacity. Meanwhile, certain facilities that were closed as of March 31, 2020 have re-opened. We anticipate that we will experience additional temporary shut-downs in Europe and in the U.S. in the second quarter.

Beginning in early-to-mid-March 2020, the commercial paper market began to experience very high levels of volatility as a result of COVID 19-related uncertainties. As a result, on March 16, 2020, in the spirit of prudent liquidity management, we borrowed $500 million due May 19, 2020 under our $1 billion revolving credit facility, even though we have no long-term debt maturities until 2025. Proceeds from the borrowing were used to repay all of our outstanding commercial paper and for general corporate purposes. See "Financial Condition - Capitalization" for further discussion.

While we are encouraged that approximately 30% of our overall revenue represents recurring demand, which includes parts, consumables, services and software, we expect a weak demand environment in the second quarter and likely into the third quarter in several of our end-markets, such as the commercial refrigeration, vehicle service and apparel and textile printing markets. We are taking steps across the portfolio and at the corporate center to reduce our controllable costs, including short-term actions to reduce labor costs, including furloughs, eliminating non-essential travel and reducing discretionary spend. Additionally, we are proactively managing our working capital and have significantly reduced our capital spending plan for the year, without deferring strategic ongoing initiatives. We also continue to monitor government economic stabilization efforts and expect to participate in certain legislative provisions, such as deferring estimated tax payments to later in the year or the following two years and utilizing job retention subsidies.

The extent of the impact of the COVID-19 outbreak on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, its impact on our customers and suppliers and the range of governmental and community reactions to the pandemic, which are uncertain and cannot be fully predicted at this time. We will continue to proactively respond to the situation and may take further actions that alter our business operations as may be required by governmental authorities, or that we determine are in the best interests of our employees and customers.

## CONSOLIDATED RESULTS OF OPERATIONS

| | Three Months Ended March 31, | | |
|---|---|---|---|
| *(dollars in thousands, except per share data)* | 2020 | 2019 | % Change |
| Revenue | $ 1,655,939 | $ 1,724,757 | (4.0)% |
| Cost of goods and services | 1,043,696 | 1,101,215 | (5.2)% |
| Gross profit | 612,243 | 623,542 | (1.8)% |
| *Gross profit margin* | *37.0 %* | *36.2 %* | *0.8* |
| | | | |
| Selling, general and administrative expenses | 386,941 | 408,466 | (5.3)% |
| *Selling, general and administrative expenses as a percent of revenue* | *23.4 %* | *23.7 %* | *(0.3)* |
| Loss on assets held for sale | — | 46,946 | nm* |
| Operating earnings | 225,302 | 168,130 | |
| Interest expense | 27,268 | 31,808 | (14.3)% |
| Interest income | (1,183) | (890) | 32.9 % |
| Gain on sale of a business | (6,551) | — | nm* |
| Other income, net | (7,732) | (1,106) | nm* |
| Earnings before provision for income taxes | 213,500 | 138,318 | 54.4 % |
| Provision for income taxes | 37,221 | 32,613 | 14.1 % |
| *Effective tax rate* | *17.4 %* | *23.6 %* | *(6.2)* |
| Net earnings | $ 176,279 | $ 105,705 | 66.8 % |
| Net earnings per common share - diluted | $ 1.21 | $ 0.72 | 68.1 % |

* nm - not meaningful

***Revenue***

In the first quarter of 2020, revenue decreased $68.8 million, or 4.0%, from the comparable period. Results included an organic revenue decline of 2.7% across all our segments primarily due to the adverse impact of the recent outbreak of COVID-19. Acquisition-related revenue growth was 0.8% led by our Imaging & Identification and Pumps & Process Solutions segments, partially offset by an unfavorable impact from foreign currency translation of 1.4% and a 0.7% impact from dispositions within the Pumps & Process Solutions and Refrigeration & Food Equipment segments. Customer pricing favorably impacted revenue by approximately 0.7% in the first quarter of 2020.

***Gross Profit***

Gross profit for the three months ended March 31, 2020 decreased $11.3 million, or 1.8%, from the comparable period, primarily due to an organic revenue decline of 2.7%, increased material and inflation costs due to the impact of COVID-19, partially offset by pricing initiatives, benefits from productivity initiatives and rightsizing actions and cost containment actions. Gross profit margin increased 80 basis points to 37.0% for the three months ended March 31, 2020 from the comparable period primarily due to benefits from productivity initiatives and rightsizing costs and cost containment actions. We are managing the operating plants' production aggressively to match demand.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses for the three months ended March 31, 2020 decreased $21.5 million, or 5.3%, from the comparable period, primarily due to a reduction in discretionary and planned spend and benefits from rightsizing actions. As a percentage of revenue, selling, general and administrative expenses decreased 30 basis points to 23.4%, reflecting the decrease in expenses. We are taking proactive cost reduction efforts as we monitor the impact of COVID-19. We expect the second quarter to require continued and more significant actions to reduce costs to offset revenue decline and under-absorption of production fixed overhead, such as further reducing discretionary spend and headcount to match demand.

Research and development costs, including qualifying engineering costs, are expensed when incurred and amounted to $35.5 million and $34.6 million for the three months ended March 31, 2020 and 2019, respectively. These costs as a percent of revenue were 2.1% and 2.0% for the three months ended March 31, 2020 and 2019, respectively.

***Loss on assets held for sale***

On March 29, 2019, we entered into a definitive agreement to sell Finder Pompe S.r.l. ("Finder") for total consideration of approximately $23.6 million net of estimated selling costs. As of March 31, 2019, Finder met the criteria to be classified as held for sale and based on the total consideration from the sale, net of selling costs, we recorded a loss on the assets held for sale of $46.9 million. The loss was comprised of an impairment on assets held for sale of $21.6 million and foreign currency translation losses reclassified from accumulated other comprehensive losses to current earnings of $25.3 million. We subsequently sold Finder on April 2, 2019, which generated total cash proceeds of $24.2 million.

***Gain on sale of a business***

On March 6, 2020, the Company sold AMS Chino within the Refrigeration & Food Equipment segment, for net cash proceeds of $16.9 million, of which gain on sale of $6.6 million was recognized. The disposal did not represent a strategic shift in operations and, therefore, did not qualify for presentation as discontinued operations.

***Other income, net***

Other income, net for the three months ended March 31, 2020 increased $6.6 million primarily due to increased foreign exchange gains from the remeasurement of foreign currency denominated balances and increased earnings from our equity method investments.

***Income Taxes***

The effective tax rates for the three months ended March 31, 2020 and 2019 were 17.4% and 23.6%, respectively. The decrease in the effective tax rate for the three months ended March 31, 2020 relative to the prior comparable period was primarily driven by favorable audit settlements.

The three months ended March 31, 2019 includes a discrete tax benefit from stock exercises, partially offset by the exclusion of capital losses on the sale of Finder under local tax law.

Dover and its subsidiaries file tax returns in the U.S., including various state and local returns, and in other foreign jurisdictions. We believe adequate provision has been made for all income tax uncertainties. The Company is routinely audited by taxing authorities in its filing jurisdictions, and a number of these audits are currently underway. The Company believes that within the next twelve months uncertain tax positions may be resolved and statutes of limitations will expire, which could result in a decrease in the gross amount of unrecognized tax benefits of approximately zero to $9.3 million.

***Net earnings***

Net earnings for the three months ended March 31, 2020 increased 66.8% to $176.3 million, or $1.21 diluted earnings per share, from $105.7 million, or $0.72 diluted earnings per share, from the comparable period. The increase in net earnings was mainly attributable to pricing initiatives, benefits from productivity and rightsizing actions, and broad-based cost reductions, as well a loss on assets held for sale of $46.9 million in the prior period. These benefits were partially offset by reduced volume due to the impact of COVID-19 and increased material and inflation costs.

***Rightsizing Activities, which includes Restructuring and Other Costs***

During the three months ended March 31, 2020, rightsizing activities included restructuring charges of $7.3 million and other costs of $0.5 million. Restructuring expense was comprised primarily of broad-based selling, general and administrative expense reduction initiatives and broad-based operational efficiency initiatives focusing on footprint consolidation, operational optimization and IT centralization designed to increase operating margin, enhance operations and position the Company for sustained growth and investment. Other costs were comprised primarily of other charges related to the restructuring actions. These rightsizing charges were recorded in cost of goods and services and selling, general and administrative expenses in the Condensed Consolidated Statement of Earnings. We expect to incur additional rightsizing restructuring charges of $6 million during the remainder of 2020. COVID-19 has not resulted in significant restructuring costs. Additional programs, beyond the scope of the announced programs may be implemented during 2020 with related restructuring charges. We recorded the following rightsizing costs for the three months ended March 31, 2020:

| | Three Months Ended March 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(dollars in thousands)* | **Engineered Products** | **Fueling Solutions** | **Imaging & Identification** | **Pumps & Process Solutions** | **Refrigeration & Food Equipment** | **Corporate** | **Total** |
| Restructuring (GAAP) | $ 358 | $ 1,475 | $ 256 | $ 3,846 | $ 560 | $ 846 | $ 7,341 |
| Other costs, net | 3 | 18 | 8 | — | 144 | 345 | 518 |
| Rightsizing (Non-GAAP) | $ 361 | $ 1,493 | $ 264 | $ 3,846 | $ 704 | $ 1,191 | $ 7,859 |

During the three months ended March 31, 2019, rightsizing activities included restructuring charges of $2.9 million and other costs of $1 million. Restructuring expense was related to two significant rightsizing restructuring programs initiated in 2018, comprised primarily of broad-based selling, general and administrative expense reduction and footprint consolidation initiatives. Other costs were comprised primarily of other charges related to the restructuring actions. These rightsizing charges were recorded in cost of goods and services and selling, general and administrative expenses in the Condensed Consolidated Statement of Earnings. We recorded the following rightsizing costs for the three months ended March 31, 2019:

| | Three Months Ended March 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(dollars in thousands)* | **Engineered Products** | **Fueling Solutions** | **Imaging & Identification** | **Pumps & Process Solutions** | **Refrigeration & Food Equipment** | **Corporate** | **Total** |
| Restructuring (GAAP) | $ 79 | $ 738 | $ 291 | $ 381 | $ 1,412 | $ 35 | $ 2,936 |
| Other costs, net | 1 | 14 | 98 | 33 | 881 | — | 1,027 |
| Rightsizing (Non-GAAP) | $ 80 | $ 752 | $ 389 | $ 414 | $ 2,293 | $ 35 | $ 3,963 |

## SEGMENT RESULTS OF OPERATIONS

The summary that follows provides a discussion of the results of operations of each of our five reportable operating segments (Engineered Products, Fueling Solutions, Imaging & Identification, Pumps & Process Solutions, and Refrigeration & Food Equipment). Each of these segments is comprised of various product and service offerings that serve multiple markets. See Note 17 — Segment Information in the Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q for a reconciliation of segment revenue, earnings and margin to our consolidated revenue, net earnings and margin. For further information, see "Non-GAAP Disclosures" at the end of this Item 2.

Additionally, we use the following 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:

- 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 been satisfied. This metric is useful as it represents the aggregate amount we expect to recognize as revenue in the future.

- Book-to-bill is a ratio of the amount of bookings received from customers during a period divided by the amount of revenue recorded during that same period. This metric is a useful indicator of demand.

### Engineered Products

Our Engineered Products segment is a provider of a wide range of products, software and services that have broad customer applications across a number of markets, including aftermarket vehicle service, solid waste handling, industrial automation, aerospace and defense, industrial winch and hoist, and fluid dispensing.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| *(dollars in thousands)* | **2020** | **2019** | **% Change** |
| Revenue | $ 408,160 | $ 418,851 | (2.6)% |
| | | | |
| Segment earnings (EBIT) | $ 69,094 | $ 67,119 | 2.9 % |
| Depreciation and amortization | 10,122 | 10,359 | (2.3)% |
| Segment EBITDA | $ 79,216 | $ 77,478 | 2.2 % |
| | | | |
| Segment margin | 16.9 % | 16.0 % | |
| Segment EBITDA margin | 19.4 % | 18.5 % | |
| | | | |
| Other measures: | | | |
| Bookings | $ 414,972 | $ 427,697 | (3.0)% |
| Backlog | $ 453,867 | $ 451,335 | 0.6 % |
| | | | |
| Components of revenue decline: | | | |
| Organic decline | | | (1.9)% |
| Acquisitions | | | 0.1 % |
| Foreign currency translation | | | (0.8)% |
| | | | (2.6)% |

***First Quarter 2020 Compared to the First Quarter 2019***

Engineered Products segment revenue for the first quarter of 2020 decreased $10.7 million, or 2.6%, as compared to the first quarter of 2019, comprised of organic decline of 1.9% and an unfavorable impact from foreign currency translation of 0.8%, partially offset by acquisition-related growth of 0.1%. Acquisition-related growth was driven by the acquisition of SoftPak. Customer pricing did not have a significant impact on revenue in the first quarter of 2020.

The organic revenue decline was primarily driven by the global impact of COVID-19 on our operations, as well as the operations of our customers and suppliers. This impact was particularly notable in our vehicle service business, whose operations in China and Italy were disrupted by government ordered facility shutdowns and whose customers in the global automotive aftermarket experienced reduced end customer demand due to mobility restrictions and lower demand for automotive maintenance and repairs. Additionally, we have voluntarily suspended production at a U.S. facility serving the automotive original equipment manufacturer ("OEM") market due to the suspension of operations by a majority of their customers. Impacts from COVID-19 were also experienced to a lesser degree in our industrial automation and fluid dispensing businesses, whose operations in China were most notably impacted by government-required facility shutdowns in the quarter. Additionally, our industrial automation and industrial winch and hoist businesses experienced decreases in customer demand due to challenging end-market conditions. These headwinds more than offset continued strong performance in our environmental solutions business, driven by growth in refuse truck shipments and continued strong growth in our digital solutions product line.

The global COVID-19 pandemic is expected to significantly impact segment results in the second quarter, as facility shutdowns impacting both our facilities and our customers' facilities have accelerated in the U.S. and across Europe, creating near-term operational disruptions and demand headwinds across several of our businesses. However, we believe that once government restrictions related to COVID-19 ease, the demand for our products will continue its long term favorable growth trend and the fundamental long term demand drivers across our end-markets will remain constructive.

Engineered Products segment earnings increased $2.0 million, or 2.9%, compared to the first quarter of 2019. This increase was primarily driven by productivity actions including the benefit of rightsizing actions and cost reduction initiatives, and selling, general and administrative expenses cost containment actions. These impacts more than offset the negative impact from earnings conversion on lower organic revenues, driven by the impacts of COVID-19. Segment operating margin increased 90 basis points to 16.9% from 16.0% as compared to the prior year quarter.

Bookings decreased 3.0% for the segment, including an organic decline of 2.3% and an unfavorable impact from foreign currency of 0.9%, partially offset by acquisition-related growth of 0.2%. The organic bookings decline was primarily driven by the global impact on customer demand of the COVID-19 pandemic, reduced end market demand in our industrial automation and industrial winch and hoist businesses, and order placement timing in our aerospace and defense business. Segment book-to-bill was 1.02. Backlog increased 0.6% compared to the prior year quarter.

**Fueling Solutions**

Our Fueling Solutions segment is focused on providing components, equipment and software and service solutions enabling safe transport of fuels and other hazardous fluids along the supply chain, as well as the safe and efficient operation of retail fueling and vehicle wash establishments.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| *(dollars in thousands)* | **2020** | **2019** | **% Change** |
| Revenue | $ 359,982 | $ 373,050 | (3.5)% |
| | | | |
| Segment earnings | $ 53,498 | $ 37,230 | 43.7 % |
| Depreciation and amortization | 18,339 | 17,879 | 2.6 % |
| Segment EBITDA | $ 71,837 | $ 55,109 | 30.4 % |
| | | | |
| Segment margin | 14.9 % | 10.0 % | |
| Segment EBITDA margin | 20.0 % | 14.8 % | |
| | | | |
| Other measures: | | | |
| Bookings | $ 373,070 | $ 343,083 | 8.7 % |
| Backlog | $ 211,518 | $ 185,847 | 13.8 % |
| | | | |
| Components of revenue decline: | | | |
| Organic decline | | | (2.6)% |
| Acquisitions | | | 0.8 % |
| Foreign currency translation | | | (1.7)% |
| | | | (3.5)% |

***First Quarter 2020 Compared to the First Quarter 2019***

Fueling Solutions segment revenue for the first quarter of 2020 decreased $13.1 million, or 3.5%, comprised of an organic decline of 2.6% and an unfavorable impact from foreign currency translation of 1.7%, partially offset by acquisition-related growth of 0.8%. Customer pricing favorably impacted revenue by approximately 1.6% in the first quarter of 2020.

Order trends remained robust during the quarter in the U.S. supported by the demand for Europay, Mastercard, and Visa ("EMV")-compliant equipment. The strength in the U.S. was more than offset by a decline outside of the U.S. principally as a result of actions to contain the spread of COVID-19 implemented by governments across the world, which began to impact our business with the shutdown of manufacturing operations in China in February, accelerated in March with the restrictions implemented in Italy, and have continued to spread, impacting our supply chain and manufacturing operations, as well as those of our customers. Additionally, our vehicle wash facilities in the U.S. were shut down in March due to local government mandates. The organic revenue decline was also impacted by reduced volume in underground equipment in China due to tapering of government-mandated site infrastructure upgrade activity. Additionally, our businesses serving the transportation and vehicle wash markets have seen slowing in order rates and sales due to the impact of lower oil prices on capital budgets within the fuel supply chain markets and COVID-19 related project deferrals, respectively. We expect the operational curtailments and demand deferrals to continue into the second quarter and to have a negative impact on segment results.

Fueling Solutions segment earnings increased $16.3 million, or 43.7%, over the prior year quarter. The increase was driven by favorable geographic and product mix, pricing initiatives, benefits of selling, general and administrative cost reductions being realized, productivity actions and a favorable impact from foreign currency translation. The cost reduction actions include the elimination of non-essential travel, third party and other expenses, and re-prioritization of all planned investments and hiring plans. These benefits were partially offset by the previously discussed global impact of COVID-19 on volume, increased material costs and inflation costs. Segment margin increased 490 basis points over the prior year quarter.

Overall bookings increased 8.7% as compared to the prior year quarter, driven by organic growth of 9.5% and acquisition-related growth of 1.1%, partially offset by an unfavorable impact from foreign currency translation of 1.9%. Organic growth was primarily driven by acceleration in demand for EMV compliant equipment in North America. Segment book to bill was 1.04. Backlog increased 13.8% as compared to the prior year quarter on the back of strong new bookings.

**Imaging & Identification**

Our Imaging & Identification segment supplies precision marking and coding, product traceability and digital textile printing equipment, as well as related consumables, software and services.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| *(dollars in thousands)* | 2020 | 2019 | % Change |
| Revenue | $ 256,765 | $ 268,354 | (4.3)% |
| | | | |
| Segment earnings | $ 51,482 | $ 55,955 | (8.0)% |
| Depreciation and amortization | 8,769 | 7,435 | 17.9 % |
| Segment EBITDA | $ 60,251 | $ 63,390 | (5.0)% |
| | | | |
| Segment margin | 20.1 % | 20.9 % | |
| Segment EBITDA margin | 23.5 % | 23.6 % | |
| | | | |
| Other measures: | | | |
| Bookings | $ 272,604 | $ 267,762 | 1.8 % |
| Backlog | $ 170,119 | $ 118,177 | 44.0 % |
| | | | |
| Components of revenue decline: | | | |
| Organic decline | | | (4.3)% |
| Acquisitions | | | 2.8 % |
| Foreign currency translation | | | (2.8)% |
| | | | (4.3)% |

***First Quarter 2020 Compared to the First Quarter 2019***

Imaging & Identification segment revenue for the first quarter of 2020 decreased $11.6 million, or 4.3%, comprised of an organic decline of 4.3% and an unfavorable impact from foreign currency translation of 2.8%, partially offset by acquisition-related growth of 2.8%. Acquisition-related growth was driven by the acquisition of Systech. Customer pricing favorably impacted revenue by approximately 0.4% in the first quarter of 2020.

The organic revenue decline was primarily driven by the global impact of COVID-19 on our operations, as well as the operations of our customers and suppliers. Actions to contain the spread of COVID-19, implemented by governments across the world, began to impact our business with the shutdown of manufacturing operations in China in February, affecting our marking and coding manufacturing facilities, which returned to fully operational by March. In March, restrictions were implemented in Italy, where our digital printing business headquarters and main manufacturing facilities reside in the country's northern region. Digital textile printing operations have been largely shut down since mid-March. Restrictions globally have continued to spread, impacting our supply chain, manufacturing operations and customer demand in Asia, Europe, North America and South America. Additionally, the expansion of government mandated shutdowns worldwide have hampered our sales and service functions globally, and has led to a significant temporary reduction in demand for the digital textile printing equipment, as our customers are facing near-term uncertainty about end-demand for textiles, fashion and apparel goods in light of global retail outlet closures and economic uncertainty. Although demand for consumables in marking and coding, particularly inks for food and beverage, cleaning supplies, pharmaceuticals, and medical supplies remain robust, we are seeing delays in orders for new and replacement marking and coding capital equipment. This reduction led to lower manufacturing utilization at our marking and coding operations in France. Additionally, we saw slowing demand in industrial end-markets for our marking & coding business and travel restrictions have impacted our ability to provide maintenance services.

We expect these demand headwinds and operational interruptions to continue into the second quarter and to negatively impact segment results. However, we believe that once government restrictions related to COVID-19 ease, demand for marking and coding equipment will continue its long term favorable growth trend, supported by constructive secular trends in demand for product traceability, identification, differentiation and brand protection solutions. Additionally, we believe the long term growth outlook for our digital printing products remain robust, as demand for clothing and apparel globally will continue to grow due to population growth and the continued transition from analog to digital printing by our customers due to performance and environmental benefits.

Imaging & Identification segment earnings decreased $4.5 million, or 8.0%, over the prior year quarter. The decrease was primarily driven by the previously discussed impacts associated with widespread actions by governments across the globe to contain the spread of COVID-19, partially offset by significant cost containment initiatives undertaken as demand levels began to deteriorate. These initiatives include actions to adjust direct and indirect manufacturing cost to current demand levels, the execution of short-term actions to reduce labor costs, the elimination of non-essential travel, third party and other expenses, the recognition of adjustments to variable compensation to reflect current conditions, the execution of selective structural cost actions aimed at streamlining our business, and a detailed review and re-prioritization of all planned investments and hiring plans. These actions have been taken deliberately and strategically, and allow us to rationalize current spending to levels appropriate given near-term market conditions, while preserving our ability to capitalize on long-term secular growth trends. These actions will continue into the second quarter and remain in place until we see improvements in near-term demand. Segment margin decreased 80 basis points over the prior year quarter.

Overall bookings increased 1.8% as compared to the prior year quarter, reflecting organic growth of 0.3% and acquisition-related growth of 4.1%, partially offset by an unfavorable impact from foreign currency translation of 2.6%. Strong orders for consumables in our marking and coding business more than offset reductions in equipment and services bookings in marking and coding and reduced bookings in our digital printing business, driven by the global impacts from COVID-19. Segment book to bill was 1.06. Backlog increased 44.0% as compared to the prior year quarter driven by the inclusion of backlog from the Systech acquisition, and strong bookings for consumables in marking and coding.

**Pumps & Process Solutions**

Our Pumps & Process Solutions segment manufactures specialty pumps, fluid handling components, plastics and polymer processing equipment, and highly engineered components for rotating and reciprocating machines.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| *(dollars in thousands)* | 2020 | 2019 | % Change |
| Revenue | $ 319,536 | $ 330,219 | (3.2)% |
| | | | |
| Segment earnings [(1)] | $ 66,079 | $ 14,991 | 340.8 % |
| Depreciation and amortization | 18,336 | 17,548 | 4.5 % |
| Segment EBITDA [(1)] | $ 84,415 | $ 32,539 | 159.4 % |
| | | | |
| Segment margin [(1)] | 20.7 % | 4.5 % | |
| Segment EBITDA margin [(1)] | 26.4 % | 9.9 % | |
| | | | |
| Other measures: | | | |
| Bookings | $ 369,403 | $ 369,801 | (0.1)% |
| Backlog | $ 397,969 | $ 353,066 | 12.7 % |
| | | | |
| Components of revenue decline: | | | |
| Organic decline | | | (1.1)% |
| Acquisitions | | | 0.9 % |
| Dispositions | | | (1.9)% |
| Foreign currency translation | | | (1.1)% |
| | | | (3.2)% |

[(1)] Segment earnings (EBIT) and segment EBITDA for the three months ended 2019 include a $46,946 loss on assets held for sale for Finder.

***First Quarter 2020 Compared to the First Quarter 2019***

Pumps & Process Solutions segment revenue for the first quarter of 2020 decreased $10.7 million, or 3.2%, comprised of organic decline of 1.1%, an unfavorable impact from foreign currency translation of 1.1% and a 1.9% impact from dispositions, partially offset by acquisition-related growth of 0.9%. Customer pricing favorably impacted revenue by approximately 1.1% in the first quarter of 2020.

The organic revenue decline was principally driven by the adverse impact of COVID-19, as well as the slowing demand in the oil & gas end-market, partially offset by growth in the biopharma and hygienic markets (including for products directly used in the fight against the COVID-19 pandemic). As a result of the COVID-19 pandemic, several facilities across the globe were subjected to mandatory government shutdowns beginning in February in China and with further restrictions in India and Mexico in March. These shutdowns disrupted manufacturing and supply chain operations, as well as the operations of some of our customers and suppliers. Additionally, the fall in the price of oil has led to a reduction in demand from customers in the oil & gas end-market for rotating and reciprocating machinery components and aftermarket services. The above factors have led to a temporary reduction in demand, which is likely to continue into the second quarter and may unfavorably impact segment results in the ensuing quarter. Activity in our plastics and polymer processing business remained constructive as it primarily serves large long-term capital projects around the world.

Pumps & Process Solutions segment earnings increased $51.1 million, or 340.8%, over the prior year quarter. Segment earnings in the first quarter of 2019 included a loss on assets held for sale for Finder of $46.9 million. Excluding the loss, segment earnings increased driven by pricing initiatives, productivity actions, restructuring benefits, and selling, general and administrative cost reductions. The aforementioned cost reductions include the elimination of non-essential travel, third party and other expenses, and re-prioritization of all planned investments and hiring plans. These actions as well as line rate reductions and selected furloughs will continue into the second quarter and remain in place until we see improvements in near-term demand. These benefits were partially offset by the global impact of COVID-19 on volume, increased material and inflation costs, and an unfavorable impact from foreign currency translation. Segment margin increased to 20.7% from 4.5% from the prior year quarter, which included the loss on Finder.

Overall bookings were flat as compared to the prior year quarter, reflecting an unfavorable impact from foreign currency translation of 1.1% and a 2.0% impact from a disposition, partially offset by organic growth of 2.2% and acquisition-related growth of 0.8%. Segment book to bill was 1.16. Backlog increased 12.7% as compared to the prior year quarter driven by strong new order rates in our biopharma and plastics and polymer equipment businesses.

**Refrigeration & Food Equipment**

Our Refrigeration & Food Equipment segment is a provider of innovative and energy-efficient equipment and systems that serve the commercial refrigeration, heating and cooling and food equipment markets.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| *(dollars in thousands)* | **2020** | **2019** | **% Change** |
| Revenue | $ 311,913 | $ 334,643 | (6.8)% |
| | | | |
| Segment earnings[(1)] | $ 23,529 | $ 24,807 | (5.2)% |
| Depreciation and amortization | 11,548 | 13,011 | (11.2)% |
| Segment EBITDA[(1)] | $ 35,077 | $ 37,818 | (7.2)% |
| | | | |
| Segment margin[(1)] | 7.5 % | 7.4 % | |
| Segment EBITDA margin[(1)] | 11.2 % | 11.3 % | |
| | | | |
| Other measures: | | | |
| Bookings | $ 355,157 | $ 376,998 | (5.8)% |
| Backlog | $ 356,133 | $ 311,632 | 14.3 % |
| | | | |
| Components of revenue decline: | | | |
| Organic decline | | | (4.3)% |
| Dispositions | | | (1.8)% |
| Foreign currency translation | | | (0.7)% |
| | | | (6.8)% |

(1) Segment earnings (EBIT) and Segment EBITDA for the three months ended March 31, 2020, includes a $6,551 gain on the sale of AMS Chino.

***First Quarter 2020 Compared to the First Quarter 2019***

Refrigeration & Food Equipment segment revenue decreased $22.7 million, or 6.8%, as compared to the first quarter of 2019, reflecting an organic revenue decline of 4.3%, a 1.8% impact from the disposition of AMS Chino, and an unfavorable impact from foreign currency translation of 0.7%. Customer pricing did not have a significant impact on revenue in the first quarter of 2020.

The organic revenue decline was principally driven by the impact of COVID-19. Government actions to contain the spread of the virus, such as mandated plant shutdowns and social distancing measures, resulted in deferred customer orders and operational curtailments and inefficiencies across the segment. Our operations in the segment were shut down in China and Malaysia for a period of time during the quarter and we experienced intermittent interruptions in our North American facilities due to various operational factors related to the pandemic. Many key customers in our retail refrigeration business delayed previously planned projects related to new store construction and existing store remodels and deferred their near-term capital investment plans in favor of focusing on maximizing store uptime and meeting the needs of surging customer traffic as they experienced surging demand during the quarter as a result of social distancing and restaurant closure mandates. These remodel deferrals will have a substantial impact on revenue in the near-term, however we believe demand for refrigeration and foodservice equipment will normalize once government restrictions related to COVID-19 ease, as the current wear and tear on existing assets will drive the need for increased equipment replacement programs. Demand from our U.S. commercial foodservice customers has slowed significantly during the quarter as restaurants were closed in many localities and customer traffic declined significantly, leading restaurants to delay their capital expenditures. Additionally, we experienced slower sales in our heat exchanger business in Asia and Europe.

Refrigeration & Food Equipment segment earnings decreased $1.3 million, or 5.2%, as compared to the first quarter of 2019. Segment margin increased to 7.5% from 7.4% in the prior year quarter. The earnings decline was driven by reduced volumes and operational inefficiencies associated with impacts from COVID-19, partially offset by the gain on sale from the disposition of AMS Chino and other broad based cost reduction activities, including adjusting direct and indirect manufacturing costs to current demand levels, reduction of discretionary expenses, adjustments to variable compensation to match current outlook, and deferral of planned selling, general, and administrative investments. These actions as well as planned furloughs will continue in the second quarter and remain in place until we see improvements in near-term revenue demand.

Bookings in the first quarter of 2020 decreased 5.8% from the prior year quarter, reflecting an organic decline of 4.2%, a 1.1% impact from the disposition of AMS Chino, and an unfavorable impact from foreign currency translation of 0.5%. Organic decline was driven primarily by COVID-19 demand reductions in our foodservice equipment and heat exchanger businesses as well as timing of projects for aluminum can shaping equipment, which operates with a strong long-term backlog. Retail refrigeration's organic bookings grew 1.2%, as key supermarket chain order trends remained healthy, albeit with request for delivery date timing beyond normal lead times. Segment book to bill for the first quarter of 2020 was 1.14. Backlog increased 14.3% over the prior year quarter, driven mainly by increases in our heat exchanger and aluminum can shaping equipment businesses.

## FINANCIAL CONDITION

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Significant factors affecting liquidity are: cash flows generated from operating activities, capital expenditures, acquisitions, dispositions, dividends, repurchases of outstanding shares, adequacy of available commercial paper and bank lines of credit, and the ability to attract long-term capital with satisfactory terms. We generate substantial cash from the operations of our businesses and remain in a strong financial position, with sufficient liquidity available to support continued operations, reinvest in existing businesses and fund strategic acquisitions, while maintaining our prudent capital structure on a short and long-term basis.

### Cash Flow Summary

The following table is derived from our Condensed Consolidated Statements of Cash Flows:

| **Cash Flows** *(dollars in thousands)* | **Three Months Ended March 31, 2020** | **2019** |
|---|---|---|
| Net Cash Flows Provided By (Used In): | | |
| Operating activities | $ 75,863 | $ 24,524 |
| Investing activities | (230,511) | (217,690) |
| Financing activities | 280,954 | 36,067 |

***Operating Activities***

Cash provided by operating activities for the three months ended March 31, 2020 increased approximately $51.3 million compared to the comparable period in 2019. This increase was primarily driven by higher net earnings, excluding the impact of depreciation, amortization, loss on assets held for sale and gain on sale of a business. The increase was also attributable to improvements in working capital of $25.4 million relative to the prior year.

We also continue to monitor government economic stabilization efforts and expect to participate in certain legislative provisions to enhance our liquidity. We deferred approximately $15 million of non-US tax payments from the first quarter to predominantly the second quarter of 2020. We expect to defer approximately $50 million of U.S. and state income tax payments from the second to the third quarter of 2020. Additionally under the U.S. CARES Act, we expect to defer the payment of approximately $5 million of payroll taxes each quarter for the remainder of 2020 to be paid equally in the fourth quarters of 2021 and 2022.

*Adjusted Working Capital:* We believe adjusted working capital (a non-GAAP measure calculated as accounts receivable, plus inventory, less accounts payable) provides a meaningful measure of our operational results by showing changes caused solely by revenue.

| **Adjusted Working Capital** *(dollars in thousands)* | **March 31, 2020** | **December 31, 2019** |
|---|---|---|
| Accounts receivable | $ 1,222,154 | $ 1,217,190 |
| Inventories | 852,075 | 806,141 |
| Less: Accounts payable | 947,006 | 983,293 |
| **Adjusted working capital** | $ 1,127,223 | $ 1,040,038 |

Adjusted working capital increased from December 31, 2019 by $87.2 million, or 8.4%, to $1.1 billion at March 31, 2020, which reflected an increase of $5.0 million in accounts receivable, an increase of $45.9 million in inventory, and a decrease in accounts payable of $36.3 million.

***Investing Activities***

Cash provided by or used in investing activities generally results from cash outflows for capital expenditures and acquisitions, offset by proceeds from sales of businesses and property, plant and equipment. For the three months ended March 31, 2020 and 2019, we used cash in investing activities of $230.5 million and $217.7 million, respectively, driven mainly by the following factors:

- *Acquisitions:* During the three months ended March 31, 2020, we acquired Systech and Soft-Pak within the Imaging & Identification and Engineered Products segments, respectively, for $208.4 million, net of cash acquired. During the three months ended March 31, 2019, we acquired Belanger, Inc., within the Fueling Solutions segment for $175.1 million, net of cash acquired.

- *Capital spending:* Our capital expenditures increased $3.1 million on major projects in progress during the three months ended March 31, 2020 compared to the three months ended March 31, 2019. We have initiated a plan to significantly reduce our capital spend for the year, without deferring strategic ongoing initiatives

- *Proceeds from sale of businesses:* For the three months ended March 31, 2020, we received proceeds of $16.9 million from the sale of AMS Chino within the Refrigeration & Food Equipment segment. For the three months ended March 31, 2019, we received partial proceeds of $2.2 million from the sale of Finder in the second quarter of 2019.

We have significantly reduced our capital spending plan for the year as a result of COVID-19, without deferring strategic ongoing initiatives. We anticipate that capital expenditures and any acquisitions we make through the remainder of 2020 will be funded from available cash and internally generated funds and through the issuance of commercial paper, use of lines of credit or public or private debt or equity markets, as necessary.

***Financing Activities***

Our cash flow from financing activities generally relates to the use of cash for the repurchase of our common stock and payments of dividends, offset by net borrowing activity. For the three months ended March 31, 2020 and 2019, cash provided by financing activities was $281.0 million and $36.1 million, respectively, with the activity primarily attributable to the following:

- *Repurchase of common stock:* During the three months ended March 31, 2020, we used $52.9 million to repurchase 548,659 shares. There were no share repurchases during the three months ended March 31, 2019. We have suspended repurchases as a result of business uncertainty related to COVID-19.

- *Long-term debt, commercial paper and notes payable:* During the three months ended March 31, 2020, we borrowed $500 million due May 19, 2020 under the $1.0 billion five-year unsecured revolving credit facility ("Credit Agreement"). Proceeds from the borrowing were used to repay all of the Company's outstanding commercial paper and for general corporate purposes. During the three months ended March 31, 2019, we received net proceeds from commercial paper and notes payable of $125.9 million primarily to fund the acquisition of Belanger.

- *Dividend payments:* Dividends paid to shareholders during the three months ended March 31, 2020 totaled $70.9 million as compared to $69.8 million during the same period in 2019. Our dividends paid per common share increased 2.1% to $0.49 during the three months ended March 31, 2020 compared to $0.48 during the same period in 2019. The number of common shares outstanding decreased during the three months ended March 31, 2020 compared to the same period in 2019 as a result of share repurchases completed in 2020 and the second half of 2019.

- *Payments to settle employee tax obligations:* Payments to settle tax obligations from the exercise of share based awards declined $9.6 million compared to the prior year period. The decrease is primarily due to the decrease in the number of shares exercised partially offset by an increase in the average stock price compared to the prior year period.

## Liquidity and Capital Resources

### *Free Cash Flow*

In addition to measuring our cash flow generation and usage based upon the operating, investing and financing classifications included in the Condensed Consolidated Statements of Cash Flows, we also measure free cash flow (a non-GAAP measure) which represents net cash provided by operating activities minus capital expenditures. We believe that free cash flow is an important measure of operating performance because it provides management and investors a measurement of cash generated from operations that is available for mandatory payment obligations and investment opportunities, such as funding acquisitions, paying dividends, repaying debt and repurchasing our common stock.

The following table reconciles our free cash flow to cash flow provided by operating activities:

| | Three Months Ended March 31, | |
|---|---|---|
| **Free Cash Flow** *(dollars in thousands)* | **2020** | **2019** |
| Cash flow provided by operating activities | $ 75,863 | $ 24,524 |
| Less: Capital expenditures | (40,172) | (37,122) |
| Free cash flow | $ 35,691 | $ (12,598) |
| Free cash flow as a percentage of revenue | 2.2 % | (0.7) % |
| Free cash flow as a percentage of net earnings | 20.2 % | (11.9) % |

For the three months ended March 31, 2020, we generated free cash flow of $35.7 million, representing 2.2% of revenue and 20.2% of net earnings. Free cash flow for the three months ended March 31, 2020 increased $48.3 million compared to the prior year period, primarily due to higher cash flow provided by operations, as previously noted, partially offset by higher capital expenditures.

We have maintained positive free cash flow in the first quarter by proactively managing our working capital. We will continue this focus in the second quarter and beyond and also initiated a plan to significantly reduce our capital spend for the year, without deferring strategic ongoing initiatives. We are reducing discretionary spend and other costs to align with current demand levels in order to support strong free cash flow generation. We also continue to monitor government economic stabilization efforts and expect to participate in certain legislative provisions to enhance our liquidity. We deferred approximately $15 million of non-US tax payments from the first quarter to predominantly the second quarter of 2020. We expect to defer approximately $50 million of U.S. and state income tax payments from the second to the third quarter of 2020. Additionally under the U.S. CARES Act, we expect to defer the payment of approximately $5 million of payroll taxes each quarter for the remainder of 2020 to be paid equally in the fourth quarters of 2021 and 2022.

### *Capitalization*

We use commercial paper borrowings for general corporate purposes, including the funding of acquisitions and the repurchase of our common stock. As of March 31, 2020, we maintained a Credit Agreement with a syndicate of banks with an expiration date of October 4, 2024. The Credit Agreement is used as liquidity back-up for our commercial paper program. Beginning in early-to-mid-March 2020, the commercial paper market began to experience very high levels of volatility as a result of COVID-19 related uncertainties. Volatility was most pronounced for "Tier-2" issuers, such as Dover, and impacted both market access and pricing. As a result, on March 16, 2020, the Company borrowed $500 million due May 19, 2020 under the Credit Agreement. Proceeds from the borrowing were used to repay all of the Company's outstanding commercial paper and for general corporate purposes. We plan to continue to use commercial paper borrowings to the extent available and are exploring other short-term financing alternatives available to investment grade issuers depending on conditions in the commercial paper market. Under the Credit Agreement, we are required to pay a facility fee and to maintain an interest coverage ratio of consolidated EBITDA to consolidated net interest expense of not less than 3.0 to 1.0. We were in compliance with this covenant and our other long-term debt covenants at March 31, 2020 and had a coverage ratio of 11.2 to 1. We are not aware of any potential impairment to our liquidity and expect to remain in compliance with all of our debt covenants. Additionally, our earliest long-term debt maturity is in 2025.

We also have a current shelf registration statement filed with the Securities and Exchange Commission that allows for the issuance of additional debt securities that may be utilized in one or more offerings on terms to be determined at the time of the offering. Net proceeds of any offering would be used for general corporate purposes, including repayment of existing indebtedness, capital expenditures and acquisitions.

At March 31, 2020, our cash and cash equivalents totaled $508.9 million, of which $215.8 million was held outside the United States. At December 31, 2019, our cash and cash equivalents totaled $397.3 million, of which $273.1 million was held outside the United States. Cash and cash equivalents are invested in highly liquid investment-grade money market instruments and bank deposits with maturities of three months or less. We invest any cash in excess of near-term requirements in money market instruments or short-term investments, which consist of investment grade time deposits with original maturity dates at the time of purchase of no greater than three months.

We utilize the net debt to net capitalization calculation (a non-GAAP measure) to assess our overall financial leverage and capacity and believe the calculation is useful to investors for the same reason. Net debt represents total debt minus cash and cash equivalents. Net capitalization represents net debt plus stockholders' equity. The following table provides a reconciliation of net debt to net capitalization to the most directly comparable GAAP measures:

| ***Net Debt to Net Capitalization Ratio*** *(dollars in thousands)* | **March 31, 2020** | **December 31, 2019** |
|---|---|---|
| Short term borrowings | $ 500,000 | $ — |
| Commercial paper | — | 84,700 |
| Notes payables | 500,000 | 84,700 |
| Long-term debt | 2,963,018 | 2,985,716 |
| Total debt | 3,463,018 | 3,070,416 |
| Less: Cash and cash equivalents | (508,907) | (397,253) |
| Net debt | 2,954,111 | 2,673,163 |
| Add: Stockholders' equity | 2,980,681 | 3,032,660 |
| Net capitalization | $ 5,934,792 | $ 5,705,823 |
| Net debt to net capitalization | 49.8 % | 46.8 % |

Our net debt to net capitalization ratio increased to 49.8% at March 31, 2020 compared to 46.8% at December 31, 2019. Net debt increased $280.9 million during the period primarily due to an increase in short term borrowings as a result of the Company borrowing $500 million under the Credit Agreement partially offset by a decrease in commercial paper and an increase in cash and cash equivalents. Stockholders' equity decreased $52.0 million primarily as a result of foreign currency translation adjustments, dividends paid and share repurchases, partially offset by earnings during the period.

Operating cash flow, existing capacity of our Credit Agreement and access to capital markets are expected to satisfy our various cash flow requirements, including acquisitions, capital expenditures and share repurchases.

**Critical Accounting Policies and Estimates**

Our Condensed Consolidated Financial Statements and related public financial information are based on the application of GAAP which requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information contained in our public disclosures, including information regarding contingencies, risk and our financial condition. We believe our use of estimates and underlying accounting assumptions conform, to GAAP and is consistently applied. We review valuations based on estimates for reasonableness on a consistent basis.

**Recent Accounting Standards**

See Part 1, Notes to Condensed Consolidated Financial Statements, Note 20 — Recent Accounting Pronouncements. The adoption of recent accounting standards as included in Note 20 — Recent Accounting Pronouncements in the Condensed Consolidated Financial Statements has not had, and is not expected to have, a significant impact on our revenue, earnings or liquidity.

**Special Notes Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q, especially "Management’s Discussion and Analysis of Financial Condition and Results of Operations," contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this document other than statements of historical fact are statements that are, or could be deemed, “forward-looking” statements. Some of these statements may be indicated by words such as “may”, “anticipate”, “expect”, believe”, “intend”, “guidance”, “estimates”, “suggest”, “will”, “plan”, “should”, “would”, “could”, “forecast” and other words and terms that use the future tense or have a similar meaning. Forward-looking statements are based on current expectations and are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond the Company’s control. Factors that could cause actual results to differ materially from current expectations include, among other things, the impacts of COVID-19, or other future pandemics, on the global economy and on our customers, suppliers, employees, business and cash flows, other general economic conditions and conditions in the particular markets in which we operate, changes in customer demand and capital spending, competitive factors and pricing pressures, our ability to develop and launch new products in a cost-effective manner, changes in law, including the effect of U.S. tax reform and developments with respect to trade policy and tariffs, our ability to identify and complete acquisitions and integrate and realize synergies from newly acquired businesses, the impact of interest rate and currency exchange rate fluctuations, capital allocation plans and changes in those plans, including with respect to dividends, share repurchases, investments in research and development, capital expenditures and acquisitions, our ability to derive expected benefits from restructuring, productivity initiatives and other cost reduction actions, changes in material costs or the supply of input materials, the impact of legal compliance risks and litigation, including with respect to product quality and safety, cybersecurity and privacy, our ability to capture and protect intellectual property rights, and various other factors that are described in our periodic reports filed with or furnished to the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2019. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

The Company may, from time to time, post financial or other information on its website, www.dovercorporation.com. The website is for informational purposes only and is not intended for use as a hyperlink. The Company is not incorporating any material on its website into this report.

**Non-GAAP Disclosures**

In an effort to provide investors with additional information regarding our results as determined by GAAP, we also disclose non-GAAP information which we believe provides useful information to investors. Segment EBITDA, segment EBITDA margin, free cash flow, free cash flow as a percentage of revenue, free cash flow as a percentage of earnings from continuing operations, net debt, net capitalization, net debt to net capitalization ratio, adjusted working capital, organic revenue growth and rightsizing costs are not financial measures under GAAP and should not be considered as a substitute for earnings, cash flows from operating activities, debt or equity, working capital, revenue or restructuring costs as determined in accordance with GAAP, and they may not be comparable to similarly titled measures reported by other companies.

We believe that segment EBITDA and segment EBITDA margin are useful to investors and other users of our financial information in evaluating ongoing operating profitability as they exclude the depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years, as well as in evaluating operating performance in relation to our competitors. Segment EBITDA is calculated by adding back depreciation and amortization expense to segment earnings, which is the most directly comparable GAAP measure. We do not present segment net income because corporate expenses, interest and taxes are not allocated at a segment level. Segment EBITDA margin is calculated as segment EBITDA divided by segment revenue.

We believe the net debt to net capitalization ratio and free cash flow are important measures of liquidity. Net debt to net capitalization is helpful in evaluating our capital structure and the amount of leverage we employ. Free cash flow and free cash flow ratios provide both management and investors a measurement of cash generated from operations that is available to fund acquisitions, pay dividends, repay debt and repurchase our common stock. Free cash flow as a percentage of revenue equals free cash flow divided by revenue. Free cash flow as a percentage of earnings from continuing operations equals free cash flow divided by earnings from continuing operations. We believe that reporting adjusted working capital, which is calculated as accounts receivable, plus inventory, less accounts payable, provides a meaningful measure of our operational results by showing the changes caused solely by revenue. We believe that reporting organic revenue growth, which excludes the impact of foreign currency exchange rates and the impact of acquisitions and divestitures, provides a useful comparison of our revenue performance and trends between periods. We believe that reporting rightsizing costs, which include restructuring and other charges, is important as it enables management and investors to better understand the financial impact of our broad-based cost reduction and operational improvement initiatives.

Reconciliations of non-GAAP measures can be found above in this Item 2, Management's Discussion & Analysis.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change in our exposure to market risk during the three months ended March 31, 2020. For a discussion of our exposure to market risk, refer to Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

### Item 4. Controls and Procedures

At the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2020.

During the first quarter of 2020, there were no changes in the Company’s internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

See Part I, Notes to Condensed Consolidated Financial Statements, Note 14 — Commitments and Contingent Liabilities.

### Item 1A. Risk Factors

The risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the “Form 10-K”) should be considered together with information included in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and should not be considered the only risks to which we are exposed. In general, we are subject to the same general risks and uncertainties that impact many other industrial companies such as general economic, industry and/or market conditions and growth rates; the impact of natural disasters and their effect on global markets; and changes in laws or accounting rules. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial condition. We are providing the following information regarding changes that have occurred to the previously disclosed risk factors in our Form 10-K. Except for such additional information, we believe there have been no material changes from the risk factors previously disclosed in our Form 10-K.

***The COVID-19 pandemic has adversely impacted, and poses risks to, our business, the nature and extent of which are highly uncertain and unpredictable.***

We are monitoring the global outbreak of the COVID-19 and taking steps to mitigate the risks to us posed by its spread, including by working with our customers, employees, suppliers and other stakeholders. The pandemic is adversely affecting, and is expected to continue to adversely affect, certain elements of our business (including our supply chain, distribution systems, production levels and research and development activities) and our operations have been negatively impacted due to significant portions of our workforce are unable to work effectively due to quarantines, government orders and guidance, facility closures, illness, travel restrictions, implementation of precautionary measures and other restrictions. We also have experienced and expect to continue to experience unpredictable volatility in demand in several of our end-markets. If the pandemic continues and conditions worsen, we expect to experience additional adverse impacts on our operational and commercial activities, costs, customer orders and purchases and our collections of accounts receivable, which may be material, and the extent of these adverse impacts on future operational and commercial activities, costs, customer orders and purchases and our collections remains uncertain even if conditions begin to improve. Furthermore, the pandemic has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates and interest rates. For example, in recent weeks, the continued spread of COVID-19 has led to disruption and volatility in the global capital markets, which increases the cost of capital and adversely impacts access to capital including the commercial paper markets. Due to the speed with which the situation is developing, the global breadth of its spread and the range of governmental and community reactions thereto, there is uncertainty around its duration, ultimate impact and the timing of recovery. Therefore, the pandemic could lead to an extended disruption of economic activity and the impact on our consolidated results of operations, financial position and cash flows could be material.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

a. Not applicable.

b. Not applicable.

c. The table below presents shares of Dover stock that we acquired during the quarter.

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs [1] |
|---|---|---|---|---|
| January 1 to January 31 | — | $ — | — | 8,360,044 |
| February 1 to February 29 | — | — | — | 8,360,044 |
| March 1 to March 31 | 548,659 | 96.45 | 548,659 | 7,811,385 |
| **For the Third Quarter** | 548,659 | $ 96.45 | 548,659 | 7,811,385 |

[1] In February 2018, the Company's Board of Directors approved a standing share repurchase authorization, whereby the Company may repurchase up to 20 million shares of its common stock through December 31, 2020. The Company repurchased 548,659 shares under the February 2018 authorization during the three months ended March 31, 2020. As of March 31, 2020, the number of shares still available for repurchase under the February 2018 share repurchase authorization was 7,811,385.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

3.1 Amended and Restated Bylaws of the Company, effective as of February 14, 2020, filed as Exhibit 3.1 to the Company's Current Report on form 8-K filed on February 19, 2020 (SEC file No. 001-04018), are incorporated by reference.

10.1 Form of 2020 award grant letter for SSAR grants made under the Dover Corporation 2012 Equity and Cash Incentive Plan.*

10.2 Form of 2020 award grant letter for cash performance awards made under the Dover Corporation 2012 Equity and Cash Incentive Plan.*

10.3 Form of 2020 award grant letter for performance share awards made under the Dover Corporation 2012 Equity and Cash Incentive Plan.*

10.4 Form of 2020 award grant letter for RSU awards made under the Dover Corporation 2012 Equity and Cash Incentive Plan.*

31.1 Certificate pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, signed and dated by Brad M. Cerepak.

31.2 Certificate pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, signed and dated by Richard J. Tobin.

32 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Richard J. Tobin and Brad M. Cerepak.

101 The following materials from Dover Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Earnings, (ii) the Condensed Consolidated Statements of Comprehensive Earnings, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statement of Stockholders’ Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements.

104 Cover Page formatted in Inline XBRL and contained in Exhibit 101.

* Executive compensation plan or arrangement

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

| | | |
|---|---|---|
| | | DOVER CORPORATION |
| Date: | April 21, 2020 | /s/ Brad M. Cerepak |
| | | Brad M. Cerepak<br>Senior Vice President & Chief Financial Officer<br>(Principal Financial Officer) |
| Date: | April 21, 2020 | /s/ Ryan W. Paulson |
| | | Ryan W. Paulson<br>Vice President, Controller<br>(Principal Accounting Officer) |

**Exhibit 10.1**

# SSAR Award

DATE: February __, 2020

TO: <<Name>>

Here are the details for your SSAR grant:

Number of shares of Dover Common Stock - <<# of Shares>>
SSAR Base Price Per Share - $xx.xx
Date of Grant - February __, 2020
Expiration Date - February __, 2030

Your Stock Settled Appreciation Right (SSAR) Award is subject to all the terms and provisions of the Dover Corporation ("Dover") 2012 Equity and Cash Incentive Plan ("Plan"), which terms and provisions are expressly incorporated into and made a part of the Award as if set forth in full herein. Capitalized terms used but not defined herein have the meanings ascribed to them in the Plan. A copy of the Plan can be found at www.dovercorporation.com, in the Investor Information area, under SEC Filings, in the Proxy Statement filed on March 19, 2012, Appendix A.

In addition, your SSAR Award is subject to the following:

1. The earliest date on which the SSAR Award may be exercised is the third anniversary of the Grant Date. Earlier exercise may be permitted in the event of a Change of Control or death or disability as provided in the Plan. No payment is required to exercise a SSAR Award.

2. **It is your responsibility to keep track of your SSAR Award and to ensure that you exercise your SSAR Award before it expires. Dover will not remind or notify you that your SSAR Award is nearing its expiration date.**

3. Your SSAR Award is subject to earlier termination as provided in the Plan, for example, upon termination of employment (including retirement) prior to the expiration date.

4. Upon exercise of your SSAR Award, you will be entitled to receive from Dover that number of whole shares of Common Stock equal in value, on the date of exercise of the SSAR Award, to the excess of (A) the value of a share of Common Stock on the date of exercise of the SSAR Award multiplied by the number of SSARs being exercised over (B) the sum of (i) the per share base price of the SSAR Award being exercised multiplied by the number of SSARs being exercised, plus (ii) unless you elect to pay such tax in cash, any amount of tax that must be withheld in connection with such exercise; provided, however, for any Section 16 Person, (B) above will automatically include any amount of tax that must be withheld in connection with such exercise. Fractional shares shall be disregarded.

5. As a condition of receiving your SSAR Award, you agree to be bound by the terms and conditions of Dover’s Anti-hedging and Anti-pledging Policy (which is part of Dover’s Securities Trading and Confidentiality Policy) and by Dover’s Clawback Policy, as such policies may be in effect from time to time. The Anti-hedging and Anti-pledging Policy prohibits hedging or pledging <u>any</u> Dover equity securities held by you or certain designees, whether such Dover securities are, or have been, acquired under the Plan, another compensation plan sponsored by Dover, or otherwise. Please review the Anti-hedging and Anti-pledging Policy to make sure that you are in compliance. You may obtain a copy of the current version of the Anti-hedging and Anti-pledging Policy and the Clawback Policy by contacting the Benefits Department at 630-541-1540.

6. For Non-US Employees, your SSAR Award is subject to the terms and conditions of the Addendum for Non-US Employees attached to your SSAR Award letter.

7. Your SSAR Award is not transferrable by you other than by will or the laws of descent and distribution and in accordance with the applicable terms and conditions of the Plan.

8. Dover reserves the right to amend, modify, or terminate the Plan at any time in its discretion without notice.

**Exhibit 10.2**

# Cash Performance Award

DATE: February __, 2020

TO: «Name»

Here are the details for your Cash Performance Award:

Your business unit - «Company»
The Performance Period is the three-year period - 2020 - 2022
Your target Cash Performance Award payout at the 100% level - «Tagetlocal» «Currency_Code»

The actual Cash Performance Award amount to be paid to you, if any, will be derived from the Cash Performance Payout Table included in this Award agreement.

Your Cash Performance Award is subject to all the terms and provisions of the Dover Corporation ("Dover") 2012 Equity and Cash Incentive Plan ("Plan"), which terms and provisions are expressly incorporated into and made a part of the award as if set forth in full herein. Capitalized terms used but not defined herein have the meanings ascribed to them in the Plan. A copy of the Plan can be found at www.dovercorporation.com in the Investor Information area, under SEC Filings, in the Proxy Statement filed on March 19, 2012, Appendix A.

In addition, your Cash Performance Award is subject to the following:

1. Within two and one-half months following the end of the Performance Period, your Dover Operating Company will pay you a Cash Performance Award payout if your business unit has reached certain levels of internal total shareholder return ("iTSR"), as set forth in the Cash Performance Payout Table, and the other conditions of your Cash Performance Award are satisfied.

2. A summary of the definition of iTSR for your business unit is set forth in the Definition of iTSR included in this Award agreement.

3. The aggregate maximum cash payout for each business unit (determined after applying the individual payout limitation noted in the next sentence, if applicable) in respect of all Cash Performance Awards for a specific Performance Period shall not exceed the product of (i) 1.75%, times (ii) the sum of the business unit's change in entity value plus free cash flow (as such terms are defined in the Definition of iTSR) for that Performance Period. In no event will the Cash Performance Award payout to any one individual exceed $10 million for the Performance Period.

4. As a condition of receiving your Cash Performance Award, you agree to be bound by the terms and conditions of Dover's Anti-hedging and Anti-pledging Policy (which is part of Dover's Securities Trading and Confidentiality Policy) and by Dover's Clawback Policy, as such policies may be in effect from time to time. The Anti-hedging and Anti-pledging Policy prohibits hedging or pledging any Dover equity securities held by you or certain designees, whether such Dover securities are, or have been, acquired under the Plan, another compensation plan sponsored by Dover, or otherwise. Please review the Anti-hedging and Anti-pledging Policy to make sure that you are in compliance. You may obtain a copy of the current version of the Anti-hedging Policy and Anti-pledging Policy, and the Clawback Policy, by contacting the Benefits Department at 630-541-1540.

5. For Non-US Employees, your Cash Performance Award is subject to the terms and conditions of the Addendum for Non-US Employees.

6. Your Cash Performance Award is not transferrable by you other than by will or the laws of descent and distribution and in accordance with the applicable terms and conditions of the Plan.

7. Dover reserves the right to amend, modify, or terminate the Plan at any time in its discretion without notice.

**Cash Performance Payout Table**

| iTSR for Performance Period | Payout (% of target) |
|---|---|
| <5% | 0% |
| 5% | 25% |
| 8% | 100% |
| 16% | 300% |
| >30% | 500% |

The payout formula will be applied on a sliding scale based on the business unit's iTSR for the Performance Period.

---------------------------------------------------------------------------------------------------------------------------------

**Definition of iTSR**

**Conceptual formula for iTSR calculation:**

$$\text{iTSR}_x = \frac{\Delta\text{Entity Value}_x + \text{Free Cash Flow}_x}{\text{Starting Entity Value}} - 1$$

**Explanation of iTSR formula:**

Change in entity value is nine times the change in EBITDA values, comparing the full base year to the full final year of the performance period. The base year iTSR is the minimum value of an Operating Company, to which the 9X multiple is applied to calculate an EV. The base year iTSR is calculated using the highest of the following:

(i) Base-Year EBITDA
(ii) 10% of Base-Year Sales
(iii) 90% of Prior-to-Base-Year iTSR Base

Free cash flow is the cash flow generated by your business unit, including your business unit's operating profit plus depreciation, amortization and proceeds from dispositions, less taxes and investments made for future growth (capital spending, working capital and acquisitions) and adjusted for other non-recurring items.

EBITDA is pre-tax income adjusted for non-operating and non-recurring items plus depreciation and amortization.

DATE: February __, 2020
TO: «Name»

**Mathematical Formula for 3 Year iTSR Cash Performance Plan payout:**

$$iTSR_3 = \sqrt[3]{1 + \frac{\Delta EV_1 + \Delta EV_2 + \Delta EV_3 + FCF_1 + FCF_2 + FCF_3}{EV_0}} - 1$$

**<u>Rules for Transfers/Promotions</u>**

The following rules will apply to you if you are transferred from one Dover business unit to another Dover business unit. These rules apply to all Cash Performance payments you may be entitled to under this and any other Cash Performance Award under the Plan you may have, as if part of your original Award.

(i) For the first Cash Performance payment date that occurs after your transfer, any Cash Performance payment that may be due will be based on the performance of your old business unit.

(ii) For the second Cash Performance payment date that occurs after your transfer, any Cash Performance payment that may be due will be based on the performance of either your old business unit or your new business unit, whichever results in the higher payment to you.

(iii) For the third Cash Performance payment date that occurs after your transfer, any Cash Performance payment that may be due will be based on the performance of your new business unit.

(iv) Any Cash Performance payment under an award made at one business unit that becomes payable after you transfer to another business unit will still be based on that Award's original dollar amount.

For purposes of these rules your old business unit is the business unit indicated on your Award. Your new business unit is the business unit where you are employed on the payment date.

**Exhibit 10.3**

# Performance Share Award

DATE: February __, 2020

TO: «Name»

Here are the details for your Performance Share Award:

The Performance Period is the three-year period - 2020 - 2022
Your target Performance Share Award at the 100% level - « # of Shares» Shares

The actual Performance Shares to be paid to you, if any, will be derived from the Performance Share Payout Table included in this Award agreement.

Your Performance Share Award is subject to all the terms and provisions of the Dover Corporation ("Dover") 2012 Equity and Cash Incentive Plan ("Plan"), which terms and provisions are expressly incorporated into and made a part of the Award as if set forth in full herein. Capitalized terms used but not defined herein have the meanings ascribed to them in the Plan. A copy of the Plan can be found at www.dovercorporation.com, in the Investor Information area, under SEC Filings, in the Proxy Statement filed on March 19, 2012, Appendix A.

In addition, your Performance Share Award is subject to the following:

1. Within two and one-half months following the end of the Performance Period, Dover will issue you Common Stock based on Dover’s TSR Ranking, as set forth in the Performance Share Payout Table included in this Award agreement, and if the other conditions of your Performance Share Award are satisfied. For any Section 16 Person, Dover shall issue shares of Common Stock for the vested Performance Share Award less applicable tax withholding.

2. A summary of the components of the Dover’s TSR Ranking is set forth in the Definitions Section included in this Award agreement.

3. In no event will the performance payout to any one individual exceed 500,000 shares of Common Stock for the Performance Period.

4. As a condition of receiving your Performance Share Award, you agree to be bound by the terms and conditions of Dover’s Anti-hedging and Anti-pledging Policy (which is part of Dover’s Securities Trading and Confidentiality Policy) and by Dover’s Clawback Policy, as such policies may be in effect from time to time. The Anti-hedging and Anti-pledging Policy prohibits hedging or pledging <u>any</u> Dover equity securities held by you or certain designees, whether such Dover securities are, or have been, acquired under the Plan, another compensation plan sponsored by Dover, or otherwise. Please review the Anti-hedging and Anti-pledging Policy to make sure that you are in compliance. You may obtain a copy of the current version of the Anti-hedging and Anti-pledging Policy, and the Clawback Policy, by contacting the Benefits Department at 630-541-1540.

5. For Non-US Employees, your Performance Share Award is subject to the terms and conditions of the Addendum for Non-US Employees.

6. Your Performance Share Award is not transferrable by you other than by will or the laws of descent and distribution and in accordance with the applicable terms and conditions of the Plan.

7. Dover reserves the right to amend, modify, or terminate the Plan at any time in its discretion without notice.

**Performance Share Payout Table**

| Dover's TSR Ranking for Performance Period | Payout (% of target) |
|---|---|
| 90th Percentile or above | 300% |
| 75th Percentile | 200% |
| 50th Percentile | 100% |
| 25th Percentile | 50% |
| Below 25th Percentile | 0% |

If Dover's TSR Ranking for the Performance Period is between two of the levels set forth in the table above, the Payout percentage shall be determined using linear interpolation. In the event Dover's TSR for the Performance Period is negative, the Payout percentage shall not exceed 100%.

**Definitions**

For purposes of this Award, the terms below have the following meanings:

**Beginning Stock Price:** The closing price of a share of stock, as reported in transactions on the applicable stock exchange or market, on the trading day immediately prior to the first trading day of the Performance Period.

**Change in Stock Price:** The Ending Stock Price minus the Beginning Stock Price.

**TSR:** (Change in Stock Price + Dividends Paid)/Beginning Stock Price

**Dividends Paid:** The total of all dividends paid on one share of stock during the Performance Period, provided that dividends shall be treated as though they are reinvested on the date the dividend is paid.

**Ending Stock Price:** The volume-weighted average closing price of a share of stock, as reported in transactions on the applicable stock exchange or market, during the last 30 trading days of the Performance Period.

**Peer Group:** The companies in the S&P 500 Industrials Sector; provided, that (i) the Peer Group will not include any company that is not publicly traded (*i.e.*, has no ticker symbol) at the end of the Performance Period; (ii) the performance of the surviving entities will be used in the event there is a combination of any of the Peer Group companies during the Performance Period; and (iii) no new companies will be added to the Peer Group during the Performance Period (including a company that is not a Peer Group member which acquires a member of the Peer Group). Notwithstanding the foregoing, the Dover Compensation Committee may disregard any of these guidelines when evaluating changes in the membership of the Peer Group during the Performance Period in any particular situation, as it deems reasonable in the exercise of its discretion.

**TSR Ranking:** The percentage of companies in the Peer Group that have a lower TSR for the Performance Period than Dover.

**Exhibit 10.4**

# Restricted Stock Unit Award

DATE: February __, 2020     Date of Grant: 02/__/2020

TO: «Name»     xxxxx Restricted Stock Units

Your Restricted Stock Unit Award is subject to all the terms and provisions of the Dover Corporation ("Dover") 2012 Equity and Cash Incentive Plan ("Plan"), which terms and provisions are expressly incorporated into and made a part of the award as if set forth in full herein. Capitalized terms used but not defined herein have the meanings ascribed to them in the Plan. A copy of the Plan can be found at www.dovercorporation.com, in the Investor Information area, under SEC Filings, in the Proxy Statement filed on March 19, 2012, Appendix A.

In addition, your Restricted Stock Unit Award is subject to the following:

1. A Restricted Stock Unit is a bookkeeping entry on the books of Dover. No shares of Dover common stock shall be issued to you in respect of the Restricted Stock Unit Award until the restrictions have lapsed at the end of a Restricted Period. Within 30 days following the end of the Restricted Period, Dover shall issue shares of Common Stock in your name equal to the number of Restricted Stock Units that have vested during the Restricted Period less applicable tax withholding. In the event that your employment shall terminate prior to your vesting in the Restricted Stock Units, the Restricted Stock Units shall be forfeited.

2. You shall vest in the Restricted Stock Unit Award, and all restrictions thereon shall lapse, with respect to 33% of your Restricted Stock Units on March 15, 2021 (or the first trading thereafter if such date is not a trading day), with respect to 33% of your Restricted Stock Units on March 15, 2022 (or the first trading thereafter if such date is not a trading day) and with respect to 34% of your Restricted Stock Units on March 15, 2023 (or the first trading thereafter if such date is not a trading day), subject to the forfeiture provisions of the Plan. You must be an active employee of Dover or an affiliate at the end of each Restricted Period in order for your Restricted Stock Units to vest, with certain exceptions as provided in the Plan.

3. During the Restricted Period you shall not have any rights of a stockholder or the right to receive any dividends declared and other distributions paid with respect to the Restricted Stock Units. Within 30 days after the end of each Restricted Period you shall be paid all Dividend Equivalents with respect to the Restricted Stock Units that have vested.

4. You do not have any voting rights with respect to Restricted Stock Units.

5. As a condition of receiving your Restricted Stock Unit Award, you agree to be bound by the terms and conditions of Dover's Anti-hedging and Anti-pledging Policy (which is part of Dover's Securities Trading and Confidentiality Policy) and by Dover's Clawback Policy, as such policies may be in effect from time to time. The Anti-hedging and Anti-pledging Policy prohibits hedging or pledging <u>any</u> Dover equity securities held by you or certain designees, whether such Dover securities are, or have been, acquired under the Plan, another compensation plan sponsored by Dover, or otherwise. Please review the Anti-hedging and Anti-pledging Policy to make sure that you are in compliance. You may obtain a copy of the current version of the Anti-hedging and Anti-pledging Policy, and the Clawback Policy, by contacting the Benefits Department at 630-541-1540.

6. For Non-US Employees, your Restricted Stock Unit Award is subject to the terms and conditions of the Addendum for Non-US Employees.

7. Your Restricted Stock Unit Award is not transferable by you other than by will or the laws of descent and distribution and in accordance with the applicable terms and conditions of the Plan.

8. Dover reserves the right to amend, modify, or terminate the Plan at any time in its discretion without notice.

**Exhibit 31.1**

**Certification**

I, Brad M. Cerepak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dover Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 21, 2020

/s/ Brad M. Cerepak

Brad M. Cerepak
Senior Vice President & Chief Financial Officer
(Principal Financial Officer)

**Exhibit 31.2**

**Certification**

I, Richard J. Tobin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dover Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | |
|---|---|
| Date: April 21, 2020 | /s/ Richard J. Tobin |
| | Richard J. Tobin |
| | President and Chief Executive Officer |
| | (Principal Executive Officer) |

**Exhibit 32**

**Certification**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
**with Respect to the Quarterly Report on Form 10-Q**
**for the Period ended March 31, 2020**
**of Dover Corporation**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Dover Corporation, a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2020 (the "Form 10-Q") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | | |
|---|---|---|
| Dated: | April 21, 2020 | /s/ Richard J. Tobin |
| | | Richard J. Tobin |
| | | President and Chief Executive Officer |
| | | (Principal Executive Officer) |
| Dated: | April 21, 2020 | /s/ Brad M. Cerepak |
| | | Brad M. Cerepak |
| | | Senior Vice President & Chief Financial Officer |
| | | (Principal Financial Officer) |

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Form 10-Q or as a separate disclosure document of the Company or the certifying officers.