EVENT DATE/TIME: APRIL 21, 2015 / 2:00PM GMT

OVERVIEW:

Co. reported 1Q15 revenues of $1.7b and EPS of $0.72. Expects full-year 2015 revenues to be down 4-6% and EPS to be $4.20-4.40. Also expects 2Q15 revenues to be up 7-9% sequentially.
GOOD MORNING, AND WELCOME TO THE FIRST-QUARTER 2015 DOVER EARNINGS CONFERENCE CALL. WITH US TODAY ARE BOB LIVINGSTON, PRESIDENT AND CHIEF EXECUTIVE OFFICER; BRAD CEREPAK, SENIOR VICE PRESIDENT AND CFO; AND PAUL GOLDBERG, VICE PRESIDENT OF INVESTOR RELATIONS.

(OPERATOR INSTRUCTIONS)

AS A REMINDER, LADIES AND GENTLEMEN, THIS CONFERENCE CALL IS BEING RECORDED, AND YOUR PARTICIPATION IMPLIES CONSENT TO OUR RECORDING OF THIS CALL. IF YOU DO NOT AGREE WITH THESE TERMS, PLEASE DISCONNECT AT THIS TIME. THANK YOU.

I WOULD NOW LIKE TO TURN THE CONFERENCE OVER TO MR. PAUL GOLDBERG. PLEASE GO AHEAD, SIR.

PAUL GOLDBERG - DOVER CORPORATION - VP OF IR

THANK YOU, ANGIE.

GOOD MORNING, AND WELCOME TO DOVER’S FIRST-QUARTER EARNINGS CALL. WITH ME TODAY ARE BOB LIVINGSTON AND BRAD CEREPAK.

TODAY’S CALL WILL BEGIN WITH SOME COMMENTS FROM BOB AND BRAD ON DOVER’S FIRST-QUARTER OPERATING AND FINANCIAL PERFORMANCE, AND FOLLOW WITH AN UPDATE OF OUR 2015 OUTLOOK. WE WILL THEN OPEN THE CALL UP FOR SOME QUESTIONS. AS A COURTESY, WE KINDLY ASK THAT YOU LIMIT YOURSELF TO ONE QUESTION, WITH A FOLLOW UP.

PLEASE NOTE THAT OUR CURRENT EARNINGS RELEASE, FORM 10-Q, INVESTOR SUPPLEMENT, AND ASSOCIATED PRESENTATION CAN BE FOUND ON OUR WEBSITE, DOVERCORPORATION.COM. THIS CALL WILL BE AVAILABLE FOR PLAYBACK THROUGH MAY 5, AND THE AUDIO PORTION OF THIS CALL WILL BE ARCHIVED ON OUR WEBSITE FOR THREE MONTHS. THE REPLAY TELEPHONE NUMBER IS 800-585-8367. AND WHEN ACCESSING THE PLAYBACK, YOU’LL NEED TO SUPPLY THE FOLLOWING ACCESS CODE, 19194889.
Before we get started, I’d like to remind everyone that our comments today, which are intended to supplement your understanding of Dover, may contain certain forward-looking statements that are inherently subject to uncertainties. We caution everyone to be guided in their analysis of Dover by referring to our Forms 10-K and 10-Q for a list of factors that could cause our results to differ from those anticipated in any such forward-looking statement. Also, we undertake no obligation to publicly update or revise any forward-looking statements, except as required by law. We also would direct your attention to our website, where considerably more information can be found on Dover.

And with that, I’d like to turn the call over to Bob.

Bob Livingston - Dover Corporation - President and CEO

Thanks, Paul. Good morning, everyone, and thank you for joining us for this morning’s conference call.

Our businesses continued to perform well against the backdrop of significant headwinds in our energy-related markets, as well as the increasing FX impact of the strengthening US dollar and slower-than-expected activity in our core retail refrigeration markets. These headwinds caused our first-quarter results to be below our expectations. We continued to take aggressive restructuring actions to better align our cost to anticipated demand, just as we did in the fourth quarter.

From a geographic perspective, our non-energy-related US markets moderated, while Europe and Asia were solid. Excluding US energy markets, all regions grew in the quarter.

Now let me share some specific comments on the quarter. In energy, our drilling and production businesses were significantly impacted by a sharper-than-anticipated decline in the North American oil and gas markets, resulting in customer destocking and lower order activity. In response, we took restructuring actions during the quarter to better align our cost base, and will continue to pursue appropriate cost reductions going forward.

In engineered systems, we achieved solid organic growth across both platforms. Within printing and identification, our businesses performed very well globally. The industrial platform achieved broad-based organic growth, led by continued solid results in our waste-handling and auto-related businesses.

Our fluid segment once again performed well, where continuing strong market conditions for fluid transfer products were the primary driver. The majority of our pump markets remained solid, though year-over-year comps were impacted by strong project shipments in the first quarter of last year.

The refrigeration and food equipment market has remained stable. We expected a slow start to the year based on reduced activity from a key retail refrigeration customer, and volume from other customers has been slower to develop than anticipated. We expect overall customer activity to pick up in the back half of the year. Additionally, our glass door business has remained strong.

Our acquisition pipeline rebuilt nicely in the first quarter, and is now quite robust. And I am optimistic that we will close on several acquisitions in the back half of the year.

In addition, we completed the sale of a business in the first quarter for $185 million, and also announced the agreement to sell another for $500 million. We will use the deal proceeds to complete our previously announced $600 million of share repurchases in 2015.

Now let me address our revised outlook for the year, which is largely unchanged for engineered systems and fluids, except for FX. Their markets have remained healthy, and we expect them to have solid growth in 2015.

As you’d expect, North American energy fundamentals are having the biggest impact on our forecast. As a result, we expect significantly lower revenue in our drilling and production businesses. Several of our other businesses in our energy segment are less exposed to upstream oil and gas...
activity, and thus have been less impacted than our drilling and production businesses. Overall, we expect the second quarter to be the lowest revenue quarter of the year for energy.

In engineered systems, we anticipate continued growth in our industrial platform, and strong results in printing and identification, driven by new product introductions and positive market dynamics, largely offset by increased FX headwinds.

Regarding fluids, we believe the solid global markets will continue for fluid transfer and most of our pumps businesses. Our expectations are supported by ongoing safety and environmental regulations, a positive retail fueling environment, and new pump product introductions, partially offset by the impact of FX.

And lastly, within refrigeration and food equipment, we now expect a tougher year, driven by lower order activity for our cases and systems. We do expect our glass door, heat exchanger, and commercial food equipment businesses to perform well, and help mitigate the previously mentioned softness.

With that, let me turn it over to Brad.

Brad Cerepak - Dover Corporation - SVP and CFO

Thanks, Bob. Good morning, everyone.

Let's start on slide 3 of our presentation deck. Today we reported first-quarter revenue of $1.7 billion, a decrease of 5%. This result was comprised of an organic revenue decline of 6%, growth from acquisitions of 5%, and an FX headwind of 4%. EPS was $0.72, including $0.10 of restructuring.

Segment margin for the quarter was 13.5%, 340 basis points below last year. Adjusting for restructuring and normal acquisition purchase accounting cost, our overall margin was 15.5%.

Bookings decreased 11% over the prior year to $1.7 billion, reflecting weak energy macros, softer order rates in refrigeration, and FX impacts. Overall, book-to-bill finished at 1.02. Our backlog decreased 13% to $1.2 billion.

Free cash flow was strong at $103 million for the quarter, or 6% of revenue. For the full year, we expect to generate free cash flow of approximately 11% of revenue.

Now let's turn to slide 4. Engineered systems grew organic revenue 6%, with broad-based growth in both platforms. Fluids grew 2%, benefiting from solid fluid transfer markets, partially offset by tough comps connected to a large order shipped last year.

Refrigeration and food equipment's organic revenue declined 7% on tough comps in retail refrigeration and can-shaping equipment. As discussed on previous calls, the can-shaping business can be lumpy quarter to quarter, but the market remains solid overall.

Weak macros in energy drove organic revenue down 24%. Acquisition growth in the quarter was 5%, comprised of 15% in energy, 2% in fluids, and 1% in engineered systems. FX impacted the total Company by 4%, as seen on the chart.

Turning to slide 5 in our sequential results, revenue decreased 13% from the fourth quarter, primarily reflecting weak drilling and production markets, softer retail refrigeration activity, the impact of FX, and the timing of pump shipments. Overall, energy decreased 22%. Refrigeration and food equipment decreased 19%, coming off a strong fourth quarter. Fluids was down 10%, and engineered systems declined 3%.

Sequential bookings decreased 7%. Of note, energy declined 22% on weak market fundamentals. Engineered systems was down 8%, principally driven by tough comps in waste handling. Refrigeration and food equipment seasonally increased 14%, although less than anticipated.
Now moving on to slide 6, energy revenue of $430 million decreased 10%, and earnings of $52 million decreased 56% from last year. Excluding the combined $29-million impact of Q1 restructuring and purchase accounting cost, earnings decreased 32%.

Energy's results were significantly impacted by a steeper and broader deterioration of the North American oil and gas markets than previously forecasted. The result was reduced E&P CapEx spending, and significant customer destocking, most notably in our North American drilling and production markets. Solid activity in compression winches, ESPs, and international markets helped to partially offset challenges in our Business.

We took additional restructuring actions in the first quarter to better align our costs. Over the last two quarters, we have incurred approximately $25 million in charges in our energy segment. These actions will provide $45 million in benefits this year. In addition, we have taken other cost-reduction actions, which should provide an incremental $30 million in savings.

Excluding the Q1 restructuring of purchase accounting costs, our adjusted operating margin was 18.8%, reflecting lower volume and modest price declines, offset by the benefits of productivity and prior-period restructuring. Bookings were $417 million, a decrease of 13% from the prior year. Book-to-bill was 0.97.

Turning to slide 7, engineered systems had another solid quarter, where total revenue of $573 million was up 1% overall. Earnings of $88 million increased 6%.

Our printing and identification platform revenue of $230 million decreased 1% overall. Of note: Organic revenue grew 8%, but was offset by significant FX headwinds. These results were driven by continued strong digital printing activity, and solid global markets in our core printing and coating business.

In the industrial platform, revenue grew 2% to $343 million, including organic growth of 4%, offset by FX headwinds. Revenue growth continued to be particularly strong in our waste-handling business. Margin was up 70 basis points to 15.4% on volume leverage and productivity. A one-time insurance recovery of $4 million largely offset incremental restructuring charges in the quarter.

Bookings were $573 million, a decrease of 8%, reflecting an organic bookings decline of 3%, and a 6% impact from FX. Our printing and identification bookings decreased 6% to $236 million. However, adjusting for FX, organic bookings were up 3%. Industrial bookings decreased 9% to $337 million, largely reflecting the impact of order timing in waste handling, and softer markets in a hydraulic cylinder business.

Book-to-bill for printing and identification was 1.02, while industrial's was 0.98. Overall, book-to-bill was 1.

Now moving to slide 8, within fluids, revenue decreased 1% to $340 million, and earnings of $55 million declined 6%. Revenue performance was driven by organic growth of 2%, and acquisition growth of 2%, offset by FX headwinds.

Our fluid transfer businesses continue to benefit from strong demand in global retail fueling markets, and ongoing safety and environmental regulations. Pumps results were primarily impacted by the timing of large shipments to customers in the plastics and polymers markets. Segment margin was 16.1%, a decrease of 70 basis points, largely reflecting product mix. Bookings were $339 million, a decrease of 7%, primarily reflecting the timing of project-related orders within pumps, partially offset by solid fluid transfer markets. Book-to-bill was 1.

Now let's turn to slide 9. Refrigeration and food equipment's revenue of $372 million declined 10% from the prior year. Earnings decreased 19% to $36 million. Revenue performance in the quarter was essentially as expected. Our results were largely driven by reduced order activity for refrigeration systems and cases by a key retail customer, which offset solid heat exchanger and commercial food equipment activity.

Operating margin was 9.7%, a 120-basis-point decrease from last year. This result largely reflects reduced volume, and product mix. Bookings were $420 million, a decrease of 15%, principally reflecting slower-than-anticipated order activity from our core refrigeration customers. Book-to-bill was 1.13.
Going to the overview slide, number 10, first-quarter net interest expense was $32 million, in line with our forecast. Corporate expense was $35 million, up $4 million from last year, and consistent with expectations. Our first-quarter tax rate was approximately 29%, essentially in line with our revised full-year forecast.

Capital expenditures were $28 million in the quarter. Lastly, in the quarter we repurchased 2.8 million shares for $200 million. As previously communicated, we will repurchase a total of $600 million in shares this year.

Now on to slide 11, which is an update on energy. We now expect full-year revenue for energy to decline 16% to 18%, a reduction of about 10 points from our prior forecast, or about $200 million in revenue, with organic revenue declining 24% to 26%. The biggest change is in our drilling and production, and automation, markets. And although less exposed, our bearings and compression forecast has also been revised to reflect general energy market conditions.

Moving on to slide 12, which shows our full-year guidance, we now expect full-year revenue to be down 4% to 6%. Our expected organic revenue will decrease 2% to 4%. Completed acquisitions will add approximately 2%. We now expect the total impact of FX to be approximately a 4% headwind.

Segment margin is estimated to be between 16.8% and 17.3%, excluding restructuring costs. Corporate expense remains at approximately $125 million, and interest expense should be around $127 million. We now expect full-year normalized tax rate to be approximately 29%. CapEx should be about 2.3% of revenue, and our full-year free cash flow will be approximately 11% of revenue.

From a segment perspective, energy's full-year organic revenue forecast has been reduced to a negative 24% to 26%. Refrigeration and food equipment’s organic revenue forecast is now expected to be negative 1% to 3%. Engineered systems and fluid organic forecasts are essentially unchanged.

Turning to 2015 bridge on slide 13, in 2015 we now expect the year-over-year impact of restructuring costs to be a $0.01 impact to a $0.02 benefit. Performance largely driven by volume, but also including items such as price, productivity and restructuring benefits, will reduce earnings $0.47 to $0.58. Within this estimate are restructuring benefits of $0.31 to $0.33.

The benefit of acquisitions already completed will be $0.04 to $0.06. Shares will provide $0.23 to $0.24 based on an estimate of $600 million in repurchases in 2015, and the carry-over impact of our 2014 repurchases. Interest, corporate and the tax rate will be in the range of a $0.02 impact to a $0.01 benefit.

In total, we now expect EPS to be $4.20 to $4.40, inclusive of $0.15 to $0.18 of restructuring costs. The incremental $0.05 to $0.08 of restructuring costs will mostly impact the second quarter.

Regarding the second quarter, we expect revenue to be up 7% to 9% sequentially, largely driven by a seasonal increase in refrigeration and food equipment, and a sequential decline in energy.

With that, I'll turn the call back over to Bob for some final comments.

Bob Livingston - Dover Corporation - President and CEO

Thanks, Brad.

Overall, I am pleased with the way our Companies performed in their first quarter in the face of tough markets. We continued to focus on lean and productivity initiatives across the Organization. Through all our actions, we have better positioned Dover for both the current demand environment, and for margin enhancement over the longer term.
With our strong free cash flow and the strength of our balance sheet, we have significant capacity to strengthen and build our position within our growth spaces. We will remain focused on growth investment, as well as investment in productivity initiatives, including supply-chain optimization and shared infrastructure.

As I look beyond the current environment in energy, I am excited about Dover's position. We have structurally improved our cost base, while at the same time, continued to invest in product development and innovation. These internal initiatives, when combined with value-creating acquisitions, give me confidence that we will not only leverage volume improvements, but also deliver very strong performance.

With that, I'd like to thank our entire Dover team for their continued focus on serving our customers and driving results. Now, Paul, let's take some questions.

Paul Goldberg - Dover Corporation - VP of IR

Thanks, Bob. At this time, I'd like to remind all our listeners to limit yourself to one question with a follow-up, so we can get more people in the queue. And with that, Angie, if we can have our first question.

QUESTIONS AND ANSWERS

Operator

Your first question comes from the line of Nigel Coe with Morgan Stanley.

Nigel Coe - Morgan Stanley - Analyst

Thanks for the detail on -- around the energy markets. So Brad you provided some color on 2Q sales which is helpful, but any [interesting] call outs in terms of margin in particular with -- in terms of Energy and also the impact of restructuring pay back primarily?

Brad Cerepak - Dover Corporation - SVP and CFO

Okay. So you're asking about -- okay. So Q2 margins we're really not going to get into a discussion on that. But as far as the year is concerned on Energy, we would see the margins continue improve throughout the year as those restructuring benefits begin to take hold. As we said, Q2 will be impacted by further Energy restructuring costs.

By the time we exit, we would expect our decrementals in Energy to significantly improve. So the first quarter, the decrementals were about 39%. I would see decrementals into the second quarter as slightly higher, let's say 2 points higher than that, about 41% on Energy.

And then for the year, we would see decrementals in our Energy business slightly below 40%. We had previously thought that would be somewhere between 30% and 35%, but Nigel, the steepness of the curve in a downturn has been significant. So getting the cost out and holding to those lower decrementals is a challenge right now.

Nigel Coe - Morgan Stanley - Analyst

Right, right, exactly. So I'll leave Energy then, I'm sure other people will come back to that.
But in terms of Refrigeration, obviously, a lot of your competitors have been calling out weak trends as well. So I'm wondering, I understand some of the commentary around the customers, but it seemed like a general market pause here, so I'm just wondering what are your perspectives on what's causing this pause?

What gives you confidence it's going to come back? And can you maybe talk about market share as well, do you feel you hold market share here?

**Bob Livingston - Dover Corporation - President and CEO**

Nigel, hi, this is Bob. I'm going to add -- I'm going to take your question but I'm going to add something to your earlier question on the Energy margins. I will tell you that with everything we're working on, with all of the cost take outs that the teams are working on, with all of the product development activity that the teams are working on, and the opportunities that they think they have in front of them here over the next two to three months, our objective is to exit the year with something very, very close to a 20% operating margin.

Now that's not the second half, I'm saying exit the year, so I'm really speaking to the fourth quarter. And I think we have a lot of confidence, not just here with Brad and myself, but with the business team leaders that we can do that within Energy.

Refrigeration. I've been restrained in talking about this over the past year. But I need to take the Refrigeration story back to about this time last year, the April, May time last year. And we received notice from Walmart, who has been a very, very significant and good customer for Dover and for Hillphoenix and for Anthony for several years, that in their new global bid, we were not going to participate in the next cycle for their large format stores. That is starting to show up in our first quarter, first half 2015 full-year revenue and order activity.

Nigel, the impact of that, it's -- first off, it's not all of the business that we enjoy and appreciate with Walmart. I think last year we did about $300 million with Walmart. But it does have an impact on this year's revenue load with Walmart of about $100 million.

We have known that since last spring. We were not sure of the timing of the cutover or the transition. And we've been working pretty feverishly within the business to backfill and to capture additional market share from other national and regional accounts. And we feel good with that progress.

But the impact in 2015 on our Refrigeration segment is about $100 million reduction with Walmart activity. And we feel that we have backfilled that with about $60 million to $70 million of new business that we have captured here to date though it's not showing up in our order rates.

**Nigel Coe - Morgan Stanley - Analyst**

Thanks, Bob, that's great color. I'll leave it there, thanks.

**Operator**

Your next question comes from the line of Andrew Obin with Bank of America Merrill Lynch.

**Andrew Obin - BofA Merrill Lynch - Analyst**

A question on pumps. Want to understand what these delays have to do -- I guess you mentioned chemicals from the guidance that seems that you guys fully expect to get it back, would like to give more color here.
Bob Livingston - Dover Corporation - President and CEO

Okay. First, I wouldn’t use the word delays. Part of the tough comp, and I think that’s what you’re referring to in the first quarter, is that we had significant project shipments in the first quarter.

And if you go back and look at our notes, or the notes in the script from last year, I think, Brad, we may have reported organic growth last year in the first quarter of 12% to 14%. And we told you then it was significantly boosted by project shipments with a couple of our businesses.

It -- we went back to a, I think a 1% or 2% organic growth rate in the second quarter of last year. And you really have to look at the two quarters as an average to get a feel for the typical run rate for the pumps businesses.

You’re going to see that again in the first half of this year, only it’s flipped. Low organic growth rates in the first quarter against that tough comp last year and you’ll see a much higher organic growth rate out of the Fluids business and our pumps businesses in the second quarter of this year.

Andrew Obin - BofA Merrill Lynch - Analyst

Got you. So when you say --

Bob Livingston - Dover Corporation - President and CEO

It simply is just the timing of project shipments.

Andrew Obin - BofA Merrill Lynch - Analyst

Got you, that makes perfect sense. The other question I have, a lot of companies are talking about this CapEx delays, global CapEx delays this quarter.

Yet, if I look at your printing and ID business, it seems to be doing quite well. Can you just talk a little bit more about this dichotomy between CapEx and maybe something more consumer driven spending that you’re seeing?

Bob Livingston - Dover Corporation - President and CEO

Well, I think you just summarized the difference. I wouldn’t label the bulk of our product -- of our printing and identification business as CapEx, though a piece of it, especially within our digital business is surely that.

But the bulk of it being Markem-Imaje, we would not label as typical CapEx spend. It really is an operating expenditure with our customers.

We had very strong organic growth in the quarter in that platform, 8%. It was across the board with all three businesses. In fact, I think Markem-Imaje, which is obviously our largest business within that platform, was 6% organic growth for the quarter.

So it’s -- we’re -- good quarter and we expect it to continue for the year. We think it’s a very solid business for us for this year.

Andrew Obin - BofA Merrill Lynch - Analyst

Thank you very much.
Operator
Your next question comes from the line of Steven Winoker of Bernstein.

Steven Winoker - Sanford C. Bernstein & Company, Inc. - Analyst
On Energy, what rig count assumptions are baked into your revised guidance now?

Bob Livingston - Dover Corporation - President and CEO
Lower than they are today.

Steven Winoker - Sanford C. Bernstein & Company, Inc. - Analyst
Okay.

Bob Livingston - Dover Corporation - President and CEO
We have -- let's say as we sit here on the call, I think the latest data point I have and I'm quoting, Steve, I'm quoting a US number. I think as of last week, the US rig count was down to 950 or 954.

Wow, a much, much sharper, steeper decline over the last four months than we anticipated three and four months ago. I don't know where it's going to bottom out, I don't think anybody does.

We feel fairly -- we feel very comfortable with the forecast we have for Energy for this rig count to go a bit lower. I think -- I will tell you that if the rig count does pierce below the 900 level, we have additional actions that we need to take beyond what we have contemplated so far in the second quarter, and we will take them.

But our -- we feel comfortable right now with a plan we have in place and the actions we've taken over the previous two quarters, the actions we're taking here in the second quarter. We feel pretty comfortable that our businesses are right sized to deal with the 900 level or perhaps a bit lower. If it pierces that significantly, we have other actions we need to take.

Steven Winoker - Sanford C. Bernstein & Company, Inc. - Analyst
Okay. And then on pricing, we're hearing from a number of your peers about pricing pressures from both currency as well as of course in Energy that are on the way. And how are you guys thinking about it and seeing and dealing with that?

Bob Livingston - Dover Corporation - President and CEO
Okay I have to -- I confess, I missed the first part of that question, can you repeat it?

Steven Winoker - Sanford C. Bernstein & Company, Inc. - Analyst
No I'm asking about pricing pressure that we're hearing from your peers about. And whether or not you are -- whether or not you're seeing anything yet and even if you're not, are you anticipating it? How are you dealing with it, both currency and energy driven?
Bob Livingston - Dover Corporation - President and CEO

Yes, we’re experiencing it and yes we continue to anticipate it. I think everyone, all of the supply base and especially here in North America in the oil and gas market, has dealt with it. I’ll use the phrase either price pressure to significant price pressure over the last three or four months from especially the important customers, our larger customers. We’ve dealt with it.

We deal with it in an account -- sometimes even a field-by-field basis and it is -- the type of discussion we have varies significantly from product line to product line. In the first three or four months of this year, we have seen more engaging discussions. And you can interpret engaging as you wish, but we’ve encouraged -- incurred more engaging discussions around our PVC inserts an our sucker rod products more so than some of our other products.

We do have price concessions still to be negotiated in our forecast for the year. But I think the experience we had in the first quarter, gives us some confidence that we can deal with them and still exit the year at a something close to a 20% operating margin for our Energy business.

To size this for you, I think in the first quarter it was, Brad, somewhere around 2% for the segment. And this is not a product commentary, this a segment number.

About a 2% price impact for the segment in the first quarter. And for the entire year, we are fully prepared to deal with a 3% to 5% price concession and it is in our forecast.

Steven Winoker - Sanford C. Bernstein & Company, Inc. - Analyst

Great, very helpful. Thank you.

Operator

Your next question comes from the line of Shannon O’Callaghan with UBS.

Shannon O’Callaghan - UBS - Analyst

Bob, you said the second quarter would be the lowest revenue quarter for Energy. Is that end of destocking or seasonality or any other reason you feel you bottom?

Bob Livingston - Dover Corporation - President and CEO

I’m going to label it as the destocking impact more than the seasonality of the business, Shannon. I would say that for both our PVC inserts as well as our sucker rod business that the destocking we believe will see the bulk of the destocking activity occur between February and May. In fact, some of our customers are signaling now, pretty strongly, that the second quarter will see the end of their destocking activity.

Shannon O’Callaghan - UBS - Analyst

Okay, great. And then --

Bob Livingston - Dover Corporation - President and CEO

It’s insignificant. And I’ll give you one example, Shannon. It’s probably been most prevalent within our PVC inserts business.
In fact, the first quarter, our revenue with our PVC inserts business was down 43%. And I think about two-thirds of that was related to reduced activity in the oil and gas markets here in North America. I think the other one-third was destocking.

I think we'll see that continue during the second quarter. But I think by the time we get through the second quarter that we will see the disappearance of the destocking activity in the second half of the year.

Shannon O'Callaghan - UBS - Analyst
Okay, great, that's helpful. And then in terms of capital deployment, you sound pretty optimistic about some deals in the second half of the year. Any color there on magnitude and focus areas of what you're looking at?

Bob Livingston - Dover Corporation - President and CEO
Well, so you noticed my comment was in the second half of the year and not the second quarter, so obviously nothing is close to closing right now. So I'm going to defer any specific color and size comments perhaps until the July call. We're fairly -- we've got a fairly active pipeline in three of our four segments, the one being absent is Energy.

And it's not that we would not be interested in adding to a couple of product areas, especially around automation. But the -- I would say there's been a scarcity of attractive properties and businesses that have come to market here in the first four or five months of the year.

Operator
Your next question comes from the line of Jonathan Wright with Nomura Securities.

Jonathan Wright - Nomura Securities - Analyst
Can you talk me through on restructuring side for Energy, how does this play book evolve? Can you talk through what the first place you go to in 4Q is and where you look to expand that through the course of the year? Is this closing services facilities, how do you -- where do you go as this downturn evolves?

Bob Livingston - Dover Corporation - President and CEO
Okay. So you want me to go back to the fourth quarter?

Jonathan Wright - Nomura Securities - Analyst
Well, just talk through what's the initial response then incrementally what can you add on to take cost out of the business?
Bob Livingston - Dover Corporation - President and CEO

So, let’s see, from the beginning of the fourth quarter through the end of their first quarter, headcount reduction within Energy is slightly over 1000 employees. And I don’t have the exact number. But I do know it’s like 15.5% of our employee base that existed at the beginning of the fourth quarter.

In the early days, and I would label that as the fourth quarter, most of those headcount reductions I would say were -- not all hourly, but it was really related to reducing output capacity that we were anticipating. So let’s call it variable type of activity. And we’ve seen a much healthier, heavier load here in the first quarter on SG&A.

The one thing we haven’t touched yet, and I want to emphasize this, I want to emphasize both parts of that statement we haven’t touched and then yet, is product development and R&D. And we have been, I have been, we’ve all been rather [loathe] to reduce the ongoing product development and innovation work we’re doing within these key businesses. As I mentioned earlier, if we see rig count pierce the 900 level and drop significantly below that, then I would say we start to look at some other cost decisions that up until now I have, we have been reluctant to pursue.

Jonathan Wright - Nomura Securities - Analyst

Okay, great, that was perfect. On the fluid transfer side, I think you have sales growth that still looking very strong. Is there any risk to OPW from the fall in the oil price and some of the railcar business? Is there any change in customer behavior within the fluid transfer piece?

Bob Livingston - Dover Corporation - President and CEO

Yes, a little bit. We have -- I don’t remember now the exact numbers, but we actually have taken down our expectations in the second half of the year on our -- both our over the road as well as rail cargo activity that’s related to oil transport.

It’s not a significant piece of our business. In fact, I would give you this data point for the entire segment, not just fluid transfer, this is for the entire segment of Fluids.

About 10% of the Fluids revenue is exposed to -- let’s see, I guess the right phrase here is oil and gas upstream CapEx activity. And that 10%, it’s about half in North America and about half outside of North America.

We have seen a little bit of that decline, especially within our pumps businesses in the first quarter. We think we have that decline appropriately sized and anticipated for the balance of the year.

But even with that, we see strong growth potential in some of our other markets and verticals, and we’ve got a fairly healthy organic growth rate, not just for fluid transfer, but for the entire segment for the year. We feel pretty comfortable with this segment.

Jonathan Wright - Nomura Securities - Analyst

Okay, that’s great. Thank you, Bob.

Operator

Your next question comes from the line of Julian Mitchell with Credit Suisse.
Julian Mitchell - Credit Suisse - Analyst

You called out a mix as a margin headwind in all the segments except Engineered Systems. I guess within Fluids and Refrigeration and Food Equipment in particular, how quickly do think that mix headwind on margins can reverse?

Bob Livingston - Dover Corporation - President and CEO

Okay. So let’s deal with it, I guess specifically within Fluids. Brad may be able to size this better than I can, I’m sitting here doing this from recall. But the mix -- yes, the margins were down a bit because of mix.

But we’re not talking 150 basis points or anything like that. I think we’re talking maybe 20 or 30 basis points on mix. So it was rather modest.

And it will just -- it just works its way through the product lines. There’s nothing unique or nothing alarming in the first quarter activity. And I would tell you it gets back -- it has a lot to do with tough comps from the first quarter of last year.

Now here -- let me give you a commercial or an advertisement here for performance in Fluids. Margins in their first quarter, I think were 16% and a fraction operating margins.

We do have in our objective for the year, operating margins for the Fluid segment to be 20%. And that’s -- we know that’s a tough reach for the business teams, but we believe we will be very, very close to 20% operating margins for the year. And you’re going to see some rather market improvement margins from the segment especially in the second and third quarters.

Julian Mitchell - Credit Suisse - Analyst

Great. And then on -- circling back to capital allocation, the size of what you think you can spend. I mean, is it fair to say that you are looking to deploy this year the free cash flow after dividend and the $100 million or so extra from divestment proceeds? So that’s maybe $600 million plus you could use on deals in the second half.

Bob Livingston - Dover Corporation - President and CEO

Yes, okay. Let me just tweak that statement. You should look at the share repurchase activity for this year and my goodness, we’ve said this six times over the last two quarters that the number will be $600 million is primarily being funded by the divestiture of the two businesses that we have announced here in the first quarter. The one that’s closed in the first quarter and the second one that will close here sometime in the next few weeks. So that’s really funding the share repurchase activity.

So after CapEx and after dividends, we still have a fairly healthy cash flow that’s available for M&A allocation for the balance of the year. And Brad and I will go in a room and arm wrestle as to how much more he allows me to send if the opportunities present themselves.

Julian Mitchell - Credit Suisse - Analyst

Great. Thank you.

Operator

Your next question comes from the line of Nathan Jones with Stifel.
Nathan Jones - Stifel Nicolaus - Analyst
Who usually wins the arm wrestle?

Brad Cerepak - Dover Corporation - SVP and CFO
Bob does. (laughter)

Bob Livingston - Dover Corporation - President and CEO
You have to understand, I’m right-handed and Brad is left-handed. We do arm wrestle in the right hand.

Nathan Jones - Stifel Nicolaus - Analyst
Just following onto your answer to Julian’s question there with the 20% targeted margins for Fluids from the year. 16% and a fraction in the first quarter, there looks to be some seasonality in margins into 2Q and 3Q, but that’s a pretty healthy target, can you maybe give us a more color on how you get to 20% for the full year?

Bob Livingston - Dover Corporation - President and CEO
Actually, there is a little bit of seasonality in the Fluids business. We typically see the second and third quarters being the high revenue quarters for the entire segment and that will hold true again this year. So some of the -- some of it will come from growth and volume leverage. Some of it is the increased revenue level we see in the second and third quarter.

But here I’m going to -- I have to give credit here to the business teams and to our segment leadership team, very, very focused on productivity and cost take outs as we grow the business. And we’re making very good progress there. It’s -- there’s no silver bullet, it’s just a lot of blocking and tackling a good execution on productivity.

Nathan Jones - Stifel Nicolaus - Analyst
So you would say then that it’s primarily cost out and productivity improvements and that is --

Bob Livingston - Dover Corporation - President and CEO
And volume. Don’t lose sight of the fact --

Nathan Jones - Stifel Nicolaus - Analyst
Things that are in your control?

Bob Livingston - Dover Corporation - President and CEO
The volume, the organic growth rate for this segment for the year is 5% to 7%. That type of volume on top of our productivity initiatives is a pretty powerful combination.
Nathan Jones - Stifel Nicolaus - Analyst

What’s your level of confidence at actually making that, I know you said it was a bit of a stretch goal at actually making that 20% for the full year?

Bob Livingston - Dover Corporation - President and CEO

I feel fairly confident sitting here today.

Nathan Jones - Stifel Nicolaus - Analyst

Okay, fair enough. If we just look at the drilling and production business again here, can you maybe talk about the difference in the pricing pressure at US synthetic versus the artificial lift businesses given that the steeper decline in US synthetic at the moment?

Bob Livingston - Dover Corporation - President and CEO

Well, it’s easy to give me you the example for our PVC inserts because for all intents and purposes, it’s a single product business. You get into artificial lift and, my goodness, the product portfolio there is not just very broad from an application point of view, it’s pretty broad from -- it’s even broader from a product point of view.

I did state earlier that up until now we’ve seen the bulk of the price pressure. And I’m not saying the bulk of the discussions, but the bulk of the price pressure to be most evident around PVCs as well as sucker rods. And I would expect that statement to hold true for the second quarter as well.

Nathan Jones - Stifel Nicolaus - Analyst

Okay, that’s helpful.

Bob Livingston - Dover Corporation - President and CEO

I really don’t want to talk about pricing on specific products.

Nathan Jones - Stifel Nicolaus - Analyst

Okay and just a quick one for Brad. Is there any of the step up purchase price accounting left to get through in accelerated in the second quarter?

Brad Cerepak - Dover Corporation - SVP and CFO

No, mostly it’s behind us. Again this was the inventory turn in the fourth quarter of 2014 into the first quarter. So that’s behind us at this point in time.

Nathan Jones - Stifel Nicolaus - Analyst

Okay. Thanks very much, guys.
Operator

Your next question comes from the line of Jeff Sprague of Vertical Research Partners.

Jeff Sprague - Vertical Research Partners - Analyst

Was wondering if we could touch base a little bit on the change in automation and I guess there’s a couple threads to my thought. But we’re seeing these stories out of Baker Hughes and others about wells being drilled and not completed and decontenting and the like. Is that what is going on with the automation business or is it just simply the depressed rig count as it were just catching up with the business?

Bob Livingston - Dover Corporation - President and CEO

Well, I think it’s both of those items, I see different statistics. The latest one I saw I think over the weekend was an estimate that perhaps as many of the -- even with the reduced activity environment that we’re in that perhaps as many as 20% of the wells that were drilled in the first quarter are waiting to be completed at some future date. So obviously, that has some impact not only on our artificial lift business but also on the -- on our automation business.

The other -- there’s a little bit of a detail here that I think is important to understand. There is one product area within our automation portfolio that I would label it as being down hole.

Everything else, all of our other product offerings and productivity packages and solution offerings are all top of well or field type of automation products and solutions. The one product that is down hole has probably seen a decline similar to what I shared on the earlier question similar to what we’ve seen with our PVC inserts. It’s in the 40% range, Jeff.

Brad Cerepak - Dover Corporation - SVP and CFO

I would add there, Jeff, that we thought this business would be more resilient because of the expectations around productivity at the well head and continued completions, which --

Bob Livingston - Dover Corporation - President and CEO

And we still believe that.

Brad Cerepak - Dover Corporation - SVP and CFO

We still believe that. We just think it’s a bit delayed.

Bob Livingston - Dover Corporation - President and CEO

We’ll see. With the significant inventory of uncompleted wells, the one thing I will share with you, Jeff, is that we are not forecasting a sudden surge in the second half of these uncompleted wells coming on line to be completed. We have not forecast that with our automation business and we have not forecast that with our artificial lift business.

Jeff Sprague - Vertical Research Partners - Analyst

So that should imply that drilling should fall further, right? If people --
Bob Livingston - Dover Corporation - President and CEO

Well, no doubt. I would tell you, Brad, made the comment that our Energy, our Energy segment, the second quarter will be the low quarter of the year from a revenue perspective. We see a further drop in the second quarter in both drilling activity as well as our artificial lift activity.

That said, because of the significant amount of destocking, we actually believe, we’re becoming convinced that there is going to be a slight recovery. And I emphasize the word and I put it in caps, slight recovery in our drilling activity in the second half of the year.

And I think it’s -- we just look at that as this destocking activity for our PVC inserts, Jeff, I cannot emphasize how significant it has been in the last couple of months and further destocking anticipated here in the second quarter. But we do believe it comes to an end here with the second quarter.

Brad Cerepak - Dover Corporation - SVP and CFO

I think it’s been steeper and more significant than what we saw during the recession time.

Bob Livingston - Dover Corporation - President and CEO

Correct. And then it’s contributable in my mind to this destocking.

Jeff Sprague - Vertical Research Partners - Analyst

Right, so a follow up back to Fluids, then.

Bob Livingston - Dover Corporation - President and CEO

Back to what?

Jeff Sprague - Vertical Research Partners - Analyst

Back to Fluids.

Bob Livingston - Dover Corporation - President and CEO

Fluids, yes.

Jeff Sprague - Vertical Research Partners - Analyst

Yes, so in December you are guiding margins up 80 to 100 basis points and I’m not sure exactly what the base is, right, there’s a few things moving around. But your organic growth outlook is about the same, can you give us a little bit more -- I mean you always have seasonality, right, what is it that would drive such a step function change in your view on margins in Fluids? And is 20% in your guidance or that’s an aspirational target?

Bob Livingston - Dover Corporation - President and CEO

I think embedded in our guidance is an execution on margins that is very, very close to the 20% number that I told you is our objective.
Yet, it’s about 80 basis points from give or take, 50 to 80 basis points from where we were in the last guide. Is really driven by, as Bob said, execution and productivity initiatives and we did take some restructuring in this segment and have been working on our cost for the last two quarters and I think--

Bob Livingston - Dover Corporation - President and CEO

Even longer.

Brad Cerepak - Dover Corporation - SVP and CFO

A little bit longer and I think that’s going to show.

Jeff Sprague - Vertical Research Partners - Analyst

Okay, great. Thank you.

Operator

Our final question comes from the line of Deane Dray with RBC Capital Markets.

Deane Dray - RBC Capital Markets - Analyst

I know we covered a lot of ground here. Looking back, Bob, at your comments, I’d be interested in hearing any additional color regarding that lost business with Walmart. I know it happened a while ago, but you gave us some insight there.

But maybe reflect on why did you missed that business? Were there any lessons?

And then the new business you’ve got, the $60 million to $70 million were those new customers? And any kind of color there would be helpful, thanks.

Bob Livingston - Dover Corporation - President and CEO

So to put it pretty bluntly, Deane, when we went through -- when our teams went through the global bid exercise and let's say, that would have been in the, gosh, second half of 2013, even though we were not informed of the customer decision until the spring of 2014, we made a decision we did not want to chase the price down as low as the price was going. It was really that simple.

It was not a product decision. It was not a feature decision. It was not a capacity decision and it was not a technology decision. It really was for us a pricing decision.

I want to put this in a broader context here. I've shared with you what our objective is as we exit the year on margins for Energy and I've told you what our objective is for the year on margins for Fluids.

We continue to make very, very good progress within the businesses and the segment within Engineered Systems on margin improvement. And this has been a significant discussion with the leadership teams within Refrigeration and Food Equipment to improve the margins.
And you’ll see a little bit of an improvement in margins with Refrigeration and Food Equipment this year. I think we have more to do.

And I would like to think as we go through 2015 and 2016, you will see us execute on that objective on margin improvements within Refrigeration. And at the pricing level that was being offered, or I would maybe more appropriately put it at the pricing level that this order activity, this award was led at, we just found it unattractive.

Deane Dray - RBC Capital Markets - Analyst
That's real helpful. Thank you.

Operator
We’ve reached the allotted time for questions and answers. I would now like to turn the conference over to Mr. Goldberg for closing remarks.

Paul Goldberg - Dover Corporation - VP of IR
Thanks, Angie. This concludes our conference call for the first quarter. With that, as always, we want to thank you for your continued interest in Dover and we look forward to speaking to you again next quarter. Have a good afternoon. Thanks, bye.

Operator
Thank you. That concludes today's first-quarter 2015 Dover earnings conference call. You may now disconnect your lines at this time and have a wonderful day.