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IDEX Corp. (IEX)

Q3 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Third Quarter 2024 IDEX Corporation Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce Wendy Palacios, Vice President of FP&A and Investor Relations. Thank you. Wendy, you may begin.

Wendy Palacios

Vice President-FP&A and Investor Relations, IDEX Corp.

Good morning everyone. This is Wendy Palacios, Vice President of FP&A and Investor Relations for IDEX Corporation. Thank you for joining us for our discussion of the IDEX third quarter 2024 financial highlights. Last night, we issued a press release outlining our company's financial and operating performance for the three months ending September 30, 2024. The press release, along with the presentation to be used during today's webcast, can be accessed on our investor website at investors.idexcorp.com.

Joining me today are Eric Ashleman, our Chief Executive Officer and President; and Abhi Khandelwal, our Senior Vice President and Chief Financial Officer. Following our prepared remarks, we will open the call up for your questions.

Turning to slide 2, please note that during today's call, we will present certain non-GAAP financial measures. We will also make forward-looking statements within the meaning of the federal securities laws, including statements regarding events or developments that we expect or anticipate will or may occur in the future. These forward-looking statements are subject to the risks and uncertainties. Actual results might differ materially from any forward-looking statements that we make today. We do not assume any obligation to update them. Information regarding these factors that may cause actual results to differ materially from these forward-looking statement is available on our website and in our SEC filings.

With that, I'll now turn this call over to our CEO and President, Eric Ashleman.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Thanks, Wendy and good morning everyone. I'm on slide 3. Our IDEX teams drove strong Q3 results in an uncertain environment. Here are the highlights. We delivered nice organic growth supported by excellent margins in our Fluid & Metering Technology and Fire Safety and Diversified Products segments. A free cash flow across IDEX of \$192 million was 133% of adjusted net income.

Execution through operational excellence was really strong overall. We're pleased to see orders growth within our Health & Science Technology segment, and our teams are digging into the Mott acquisition with focus and energy as we align around our best long-term growth prospects across all of our recent HST acquisitions. We have some important projects to deliver in Q4 in all segments to set us up well for next year.

From the start of Q2 to the end of Q3, we really haven't seen a noticeable change in the macro environment. The recent interest rate drop by the Fed and China stimulus announcements has yet to create positive ripple effects through improved certainty. An extremely close US November election with polarized outcomes also isn't helping in the near-term. Take all of that together and we continue to see an environment where day-to-day order rates remain stable, with an absence of larger long-term project commitments. This dynamic really holds true in the more fragmented industrial markets of FMT.

We're encouraged by an increase in quoting activity as we move from summer to fall and we don't see projects moving from delayed to canceled. We'll watch for signs either way as many customers move and more formally consider their capital and OpEx deployment within calendar budget cycles. We continue to see strength within our Intelligent Water markets and I'll talk more about our focused efforts there on the next slide.

Within the Health & Science Technologies segment, we saw a robust Q3 organic orders increase, partially driven by blanket orders, many of them landing within our IDEX Health & Science business. Admittedly, we're comparing to the low point of last year, but we drove year-over-year orders increases in all of our major HST reporting areas. We booked a bit of backlog overall this quarter and we posted a nice sequential uptick to our highest order point in 2024. We are encouraged by these trends within HST, but remain cautious as we consider the trajectory of recovery within our most important markets.

Our defense, aerospace and satellite communication markets are strong. They experienced double-digit growth within the quarter. However, most major semiconductor customers are pushing out the next industry inflection point into at least the midpoint of 2025. Life sciences and analytical instrumentation customers are more positive than they have been. They're innovating at a rapid clip and launching a lot of new gear, but they too are pretty non-committal to the timing of next level growth rates. Our teams continue to deploy resources toward their best long-term growth prospects, with an eye towards applied material science technology synergies as we integrate Mott alongside our recent HST acquisitions.

Fire, Safety and Diversified Products had a solid quarter exceeding expectations achieving record sales performance. Our fire business continues to grow, share and scale production to meet North American OEM multi-year backlogs. BAND-IT experienced strong growth from aerospace demand. Finally, recall our dispensing business was impacted by top line headwinds of \$40 million from the end of a large 2023 North American large retailer replenishment cycle, but our teams continue to work to offset that pressure by delivering strong growth within emerging markets. We close that year-over-year gap considerably, delivering over 15,000 units from our new facility in India just opened in April of last year.

As an aside, I want to thank our team members from IDEX Fire & Safety who chipped in to help people in North Carolina following the devastation from the remnants of Hurricane Helene. Finally, we're thrilled to formally close on the Mott acquisition this quarter. Things are really exciting there. We'll share more details on the progress of the integration activities and some of the benefits we are experiencing early on in a slide to follow.

Turning to slide 4. Our Intelligent Water platform continues to be a bright spot for us. We see significant opportunities now and in the future as municipalities and industries around the world cope with the impacts of climate change as they navigate the dynamic regulatory and funding ecosystems to support the best use and management of water. Water management is a sector that has classically been slow to change. Those days are over.

Our aging and neglected infrastructure just can't handle the demands of expanding populations and increasingly severe weather events. What was once underground and out of sight is now impossible to ignore. What was once analog and manual is now increasingly digital and automated, and federal regulatory and funding support is stepping in to drive growth from above within a typically bottoms up local and regional landscape.

And our teams are ready to meet the challenge. Below ground, IDEX Intelligent Water aims to be the collection system experts, monitoring flow of stormwater and identifying small issues before they become big ones. Above ground, our teams help protect the environment with solutions that treat water and reduce the amount being used in critical processes.

You see some examples here on the slide. The Envirosight ultra camera inspection system gives teams better capabilities for remote inspection of sewers in more challenging environments than before. The most recent additions to the platform is Subterra, which we acquired about three months ago. This rapid sewer screening solution complements our core inspection technologies within iPEK, Envirosight and WinCan. Subterra's SewerScout floats untethered downstream, capturing three dimensional data along the way. The market needs a simple condition assessment in our wastewater collection systems, specifically for large pipes that are rarely inspected. Subterra's technologies performing within an integrated digital analytics suite addresses that need and expands our overall IDEX expertise in this space.

And yet another example of IDEX serving semiconductor manufacturers, The Quantum XNT (sic) [Quantum NXT] ultra-pure water heater and pump from Trebor continues to save billions of liters of ultra-pure water. In this market, Trebor's innovation displaced an established heater pump manufacturer that didn't recognize or address quickly enough the semiconductor industry's needs to reduce water consumption.

Now turning to slide 5 and an update on our acquisition of Mott Corporation. Less than two months since completing our acquisition of Mott, the partnership is off to a fast start. A few high potential IDEX team members have formally joined the Mott leadership team in the earliest days of acquisition integration. This gives the Mott team a living key into the rest of IDEX to drive collaborative efficiency. While it's too soon to share specifics,

teams from Mott and other IDEX units within HST are already working on innovative new solutions together to leverage Mott's highly engineered filtration technologies. In one instance, a combined team has rapidly developed a customer ready prototype in the first 90 days of Mott being part of IDEX. Frankly, it's been tremendous to see.

As you can see in the photo on the right of slide 5, earlier this month, Mott opened its third manufacturing facility in Connecticut. This plant quadruples Mott's production capacity for custom designed, ultrathin porous metal sheet, which are a critical component in the generation of green hydrogen, a low emission fuel essential for the world's energy transition. The picture on the left shows Mott's high purity operations where point of use gas filters used in the semiconductor industry are laser marked, pressure and helium leak tested, inspected and then pulse cleaned before bagging.

As a reminder, Mott is a leader in the design and manufacturing of sintered porous material structures and flow control solutions. The Mott team has deep material science knowledge and process control capabilities. Their business is complementary to our broader applied material science technology businesses within HST, including Muon, STC Material Solutions and Optical Technologies. We're excited about Mott's history of execution and the robust backlog funnel it has built to-date with key project deliveries as we close out 2024.

With that, I'll turn it over to Abhi to discuss our financial results.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

Thanks, Eric. Turning to the consolidated financial results on slide 6. Please note that all comparisons are against the prior year period unless stated otherwise. Also, the acquisition of Mott is reflected in IDEX's consolidated and HST segment financials as of the close of the transaction on September 5. Third quarter orders of \$781 million were up approximately 10% on a reported basis and up 8% organically. We saw orders growth across the portfolio, with HST seeing 20% organic growth in the quarter, half of which was partially driven by blanket order activity that will ship in 2025.

FSDP had low single digit organic growth, while FMT was essentially flat. We did see slight sequential growth in FMT orders. Third quarter sales of \$798 million were up 1% reported and flat organically compared to the prior year. We experienced organic growth of 4% in FSDP and 2% in FMT. HUT had a 5% organic decline, driven by continued headwinds that I will cover in the upcoming slides. Third quarter gross margin was 44.3% and adjusted gross margin was 44.6%, an expansion of 20 basis points and 40 basis points, respectively. Gross margin expansion was driven by strong price/cost, partially offset by higher employee-related cost.

Third quarter adjusted EBITDA margin was 26.9%, down 150 basis points. With the acquisition of Mott, our biggest acquisition to date, we had higher than typical M&A spending, which negatively impacted our margins by approximately 40 basis points. We are accelerating the integration of Mott and are excited to see the realization of the expected commercial synergies. We continue to leverage 80/20 across IDEX to deploy resources to growth and reduce complexity. I will discuss the drivers of third quarter adjusted EBITDA on the next slide in a moment.

On a GAAP basis, our Q3 effective tax rate was 22.9% versus 20.2% in the prior year period. The prior year rate included certain one-time benefits, which contributed \$0.11 of adjusted EPS in the prior year period. Third quarter net income was \$119 million, resulting in GAAP EPS of \$1.57. Adjusted net income was \$144 million, with an adjusted EPS of \$1.90, down \$0.22 or 10%. We achieved the higher end of our guide. And while our guidance did not include contributions from Mott or its related financing cost, these amounts essentially offset one another during the quarter.

Free cash flow for the quarter was \$192 million, a decrease of 7%. We achieved a conversion rate of 133% of adjusted net income, a 400 basis point improvement on a year-over-year basis. We have a strong balance sheet, and this quarter we paid over \$50 million in cash dividends. We also funded the acquisition of Mott through the combination of approximately \$212 million of cash, \$279 million of borrowings from our revolving credit facility, and \$495 million net proceeds from the issuance of senior notes. We maintain a strong investment grade rating with a 2.4 gross leverage ratio at the close of September.

Moving on to slide 7, which details the adjusted EBITDA drivers. For the third quarter, adjusted EBITDA decreased by \$11 million. Our organic sales volume decline of approximately 3% unfavorably impacted adjusted EBITDA by \$9 million, flowing through at prior year adjusted gross margin rate. The negative volume flow-through was partially offset by strong price/cost spread of 100 basis points and operational productivity, resulting in a \$10 million benefit over the prior year. In the quarter, we saw unfavorable mix primarily in our industrial businesses and our dispensing businesses.

We had higher employee-related cost and higher transaction related expenses in connection with the acquisition of Mott. All these factors combined resulted in an unfavorable organic flow-through. The impact of FX slightly increased adjusted EBITDA by \$1 million and acquisitions net of divestitures added \$2 million on a quarter-over-quarter basis as the benefits from our acquisitions more than offset the impact on adjusted EBITDA from divested companies.

I will now review segment-level performance. Turning to slide 8 and FMT segment. In Q3, we experienced sequential and mid-single-digit plus organic year-over-year growth in orders across the majority of our businesses. This growth was muted by continued ag cycle headwinds and pushout in chemical project activity, resulting in total flat organic orders growth for FMT. Net sales were up 2% organically. We had strong price capture across the segment and experienced high-single-digit growth in our industrials and Intelligent Water businesses.

Total segment growth was unfavorably impacted by demand softness in our ag OEM and energy businesses. Our industrial day rates remained steady from Q2, with no change in overall market conditions. The strength in year-over-year organic growth in our industrial business was partially due to prior year comps. Our Intelligent Water portfolio continues to see strength in the North America municipal market with strong governmental funding to support ongoing investments.

Our energy business are seeing headwinds from weather-related North America, slowdown in propane truck builds and distributor destocking and decreased demand for propane in Europe. Our ag OEM business remains challenged by the market slowdown. Despite this downturn, our teams remain focused tackling the market headwinds and leveraging 80/20 to redeploy resources. Adjusted EBITDA margin decreased 160 basis points due to higher employee-related cost, higher discretionary spending and unfavorable mix, partially offset by price/cost.

Moving on to slide 9 and our HST segment. Orders grew sequentially and experienced a year-over-year organic growth of 20%. Growth was partially driven by blanket orders in life science and performance pneumatics businesses. Year-over-year comps were also a factor as life sciences, analytical instrumentation and semiconductor markets bottomed in this same period last year. Our innovation funnel in life sciences remains active while there is no change in our outlook.

Net sales were down 5% organically. Although we had strong price capture, it did not entirely offset the volume declines, driven by continued challenges in the end markets we serve. Our life sciences and analytical instrumentation businesses demand was steady sequentially from Q2 to Q3. Defense, aerospace and satellite

communication end markets remain strong. We saw double-digit growth in the quarter. Within semicon what we are seeing is the pushout in the end market recovery to the second half of next year. Our HST industrial like businesses continue to experience project delays.

As I commented earlier, the acquisition of Mott is reflected in HST's segment financials as of the close of the transaction on September 5. The integration of Mott is moving at a brisk pace. Q3 adjusted EBITDA margin for HST declined 40 basis points year-over-year, primarily due to lower volume and higher employee-related cost, partially offset by price/cost, favorable operational productivity, cost of work the teams have done to align with the current environment, and the net accretive impact of acquisitions and divestitures.

Now turning to slide 10, I'd like to take a moment to recognize our FSDP team's performance, delivering record sales and adjusted EBITDA in the quarter. Orders in our Fire & Safety/Diversified Products segment were up 4% organically, driven by Fire & Safety low double-digit growth, partially offset by declines in dispensing and BAND-IT. Net sales were up 4% organically. We had strong price capture and higher volumes, mainly driven by Fire & Safety and BAND-IT.

Our Fire & Safety businesses continue to see growth in North America fire OEMs and we are ramping production to meet their needs. BAND-IT experienced growth driven by strong aerospace demand, offsetting declines in industrial and auto. Our dispensing business experienced declines as expected, driven by headwinds from the North American big box retailer refresh cycle. Growth from the India market had been an offset to this headwind through the first half of this year due to timing of projects in the emerging markets landing in the first half of 2024. Q3 adjusted EBITDA margin declined 20 basis points year-over-year, primarily due to unfavorable mix with positive price/cost offsetting higher employee-related cost.

With that, I would like to provide an update on our outlook for the fourth quarter and full year on slide 11. For the fourth quarter, we project organic sales to increase 3% to 4% compared to the prior year. We anticipate an adjusted EBITDA margin of approximately 27%, with GAAP EPS in the range of \$1.64 to \$1.69 and adjusted EPS in the range of \$2.01 to \$2.06. On a year-over-year basis we expect mid-to-high single-digit organic growth in FMT and FSDP. In HST, we expect flat sales growth.

Our full year adjusted EPS outlook remains unchanged and we expect organic revenues to decline 1% to 2% with an adjusted EBITDA margin of approximately 27%. We project GAAP diluted EPS to range from \$6.65 to \$6.70 and adjusted EPS to range from \$7.85 to \$7.90, in line with our prior guidance. The full year revenue guidance implies high single-digit organic sales decline in HST and low single-digit growth in FMT and FSDP.

With that, I'll turn it over to Eric for closing remarks.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Thanks, Abhi. I'm on slide 12. Look, it's easy to get caught up in the economic uncertainties that play out quarter-to-quarter. It's been a frustrating last couple of years as we've seen the last echoes of the pandemic play out against an uncertain geopolitical environment, an environment made more uncertain globally by the unprecedented number of 2024 national elections. We've managed well throughout this period. We've improved the long-term growth prospects of IDEX significantly through incredibly focused work within a proprietary M&A funnel. We have some outstanding people and technologies at our disposal to develop trusted solutions to our customers' most difficult problems.

We're building relative and absolute scale across business units to support advantaged markets like water, which we discussed today; advanced semiconductor wafer fabrication, life sciences and analytical instrumentation; and space and defense. We're rapidly digitizing traditionally analog applications throughout IDEX as we transform everything from customer acquisition and support to core product functionality.

And we continue to grow through our jump off points within Asia Pacific as these developing markets reach economic trigger points to adopt IDEX advanced technologies. We sometimes take our abilities to execute for granted. We shouldn't. 80/20 isn't a tool at IDEX, it's evolved into an intuitive headset. We can size up the critical few quicker than others and swing our best people to our biggest challenges and opportunities without the need for time wasting decision loops.

Finally, we're talking about collaboration across business boundaries to build scale more than we have in the past, and some have asked if this challenges the notion of a decentralized IDEX. It doesn't. We've built our culture intentionally over the last 15 years to prepare us for this moment. Our teams collaborate and help each other naturally without stifling structure and bureaucracy to win for customers. We live our purpose every day through our commitment to our core values of trust, team and excellence. Thanks again to our IDEX employees and partners around the world for all that you do to make IDEX a great company.

With that, I'll turn it over to the operator for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first question is from Deane Dray with RBC Capital Markets. Please proceed with your question.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

Thank you. Good morning, everyone.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hey, Deane.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Good morning, Deane.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

Hey, maybe we'd start with the tone of business, the day rates. Eric, you already kind of gave us the good news that the small project delays didn't escalate. So that was good and you gave us some color on BAND-IT. But just the progression the quarter and your read on the day rates, that would be a great place to start. Thanks.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. As I said kind of in the opening comments, I mean, they've been stable for a while without really a lot of inflection. So you don't really see anything different through the summer months, month-to-month as it played out in the quarter. A lot of it looks pretty similar to where we were in Q2.

And of course, we've got the businesses that are closest to consumption, we track those all the time. They've been steady with a little bit of lift in them and we see that playing out in the numbers that we posted in kind of our core industrial units here. And so I think, good shape on those indicators that kind of industrial system continues and we're still making things in plants all across the country and we're maintaining it. That's kind of what a lot of that indicates.

The project and the longer term commitments, I think that's in about the same place too, the uncertainty and the overhang of obviously the election coming up next week, where that's going to take us, those kind of things. I think it's still sort of out there in a way. We're always looking to see if any of those projects start to suddenly move into a category of either delayed – or canceled instead of delayed or just not talked about any longer.

We don't see that. I actually made a comment about the fact that quoting activity, in fact, is picking up a little bit, which I think is a good sign. And then, well, I'm sure we'll get through it at certain point, we've got a little bit of revenue ramp here in Q4 and almost of that is project related, with a couple of key things that are in the backlog now, some of them are underway and near completion and I think are also good signs of confidence of the time that are ahead of us.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Hi, Deane. Just to build on Eric's narrative a little bit. So if you just kind of think about Q3 and just even talking about FMT, on the face you see organic growth of 2%, if you will. But if you kind of take a step back and go a step deeper, within the FMT business, pumps and water grew high single-digit. You saw valves grew high single-digit on an organic basis, which is offset by aero and – or sorry, offset by ag and energy. So even within HST the core industrial franchise was up high single-digit.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

That's really helpful and I appreciate all that color. And just as a follow-up, I love the fact that you put the spotlight on your Intelligent Water portfolio. We met with the team and got to visit each one of these businesses at the WEFTEC trade show in New Orleans recently. So if we had to point to one, probably the fastest growing sector in the water infrastructure is this whole stormwater management. So, you guys looks like you had some first mover advantage there. Can you just talk about critical mass for the Intelligent Water group? Do you need to add more capabilities? What kind of is the funnel like, and just kind of where and how does this business grow from here?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. Well, thanks. Thanks. We appreciate talking to you and others at that show. And you mentioned a key word, in our commentary about kind of the – our businesses in that area, we pointed to becoming the collection experts. That's really the work we do here and there's a lot of focus right there, obviously, through things like stormwater and significant weather events that that's where you see that play out.

And so I think we've got the assets positioned in the right place. They're really, really focused. And as you saw, they work together. They work together in a way where the hardware and the analytics help to give you this

predictive insight into not just what's going on in your system in front of you, but what's likely to occur in the future. And I think one of the reasons we're winning is, when you think about our end customers it's certainly operating professionals who are trying to run the system. We have a significant customer base that are our specification engineers and project engineers within municipalities and industries.

And what they're trying to do is understand the analytics of the system, the way that kind of that the water circuit works, if you will, and then they're trying to put that together to obtain capital project approval. And so at this particular phase of the cycle, the cycle has got more positive funding support with longer duration, being able to understand your system so that you can position yourselves to get that funding for your municipality or business is really, really important. And it kind of points right back to the core work that we do. That's sometimes underappreciated, everybody thinks it's kind of day-to-day monitoring. But this very specific engineering kind of partnership that helps people understand their system better actually allows them to go grab funding that is more available now than it has been.

Sorry. You also asked about, yeah, other pieces and things and kind of where we are.

Deane Dray

Analyst, RBC Capital Markets LLC

Yeah.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

I mean, Subterra is a good example. That's sort of probably an under the radar, underappreciated technology that we very much appreciate it. We've been working with that company before. I mean, it really helps kind of complete capabilities for us. There are other things we would like to do here within kind of this ecosystem of collection. And so, we continue to work the funnel. We continue to look at things and we're very much – it is an 80s for us in terms of an area that we would like to make larger, both organically and inorganically over time.

A

Deane Dray

Analyst, RBC Capital Markets LLC

Great to hear. Thank you.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

hanks, Deane.

A

Operator: Our next question is from Nathan Jones with Stifel. Please proceed with your question.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Good morning everyone.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Good morning, Nathan.

A

Wendy Palacios

Vice President-FP&A and Investor Relations, IDEX Corp.

Hey. Good morning.

A

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

I'm going to follow up on Deane's question there because at WEFTEC you could say that the Intelligent Water business is altogether kind of united front, showing customers what the combined businesses' capabilities were. I'm just thinking about how you run those businesses and potentially how you run some of the businesses in HST to collaborate together.

Q

And, Eric, that was one on your closing comments, was collaboration across the business units without losing the decentralized structure. How do you kind of manage that process with these businesses? Do you need some kind of integration with the commercial organization, cross-training for sales? And how do you manage those business so that you drive the collaboration that you want to say without actually going and integrating the businesses?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yes, it's a great question and that's a great spot to talk about it. I mean, think of it a little bit as, it's kind of these areas where we put some scale together, they present themselves as kind of mini versions of IDEX. And when you step back from IDEX, I mean, one of the ways that we kind of work it the way that we do, as nimbly and agilely as we do, is it's a super flat organizational structure. So we have a leader of the water business. And between kind of that leader and the leaders of individual pieces of water, I mean, there's not a lot of stacking. So think of this as kind of wide and horizontal, more than vertical. That's one of the keys here.

A

And the quality of the people, the quality of the system and the operating model allows you to take that span a little bit wider. And so you already got something working for you in terms of being close to the point of impact with all leaders. So that's a key ingredient. It doesn't change, it's always been part of IDEX and is as we do this work. But it comes down to strategy. A lot of this is why we work so intensively in terms of building strategy and strategic capabilities and doing it in focused 80s areas of IDEX, and so that we would be prepared to understand these worlds and why things need to go together and where they don't.

And so in every one of these points, we know the difference between an area where there is collaboration and people are working together because a customer cares about it, versus other areas where life goes on in individual pieces and specialized segments, which is – that's where I think a lot of companies get caught, they over-rotate one way or the other. We're actually very comfortable living in a kind of a hybrid world because we have ever since I've worked at IDEX. We're just becoming a bit more focused to putting some of this scale to work because the solution set demands it.

The problems are harder, they're evolving, they're earlier stages of evolution, so you need more power in the system. So it really does lever everything we've ever thought about in terms of 80/20, everything we do culturally, which celebrates flat organizations and a lack of bureaucracy. And probably the secret sauce for all of it is the talent and development that we do internally to make sure that leaders are built in a certain way that they can operate with all of that autonomy.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thanks for that. I guess my follow-up question is going to be around the HST order number, 20% organic growth. I think Abhi said half of that was from blanket orders. Is the kind of right way to think about, without the blanket orders, the order number would have been something like about \$305 million, which is kind of an average of where it's been settled in over the last few quarters since the bottom in 2023, so it's kind of no change sequentially, still waiting and saying, not really getting any better or not getting any worse? Or are these blanket orders indicative of some kind of improvement in some of those markets?

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah. So, Nathan, let me try answering your question. So if you kind of think about it sequentially from 2Q to 3Q and look at HST, HST was up about \$20 million. I'd say about half of that was blanket order activity that we saw from Q2 to Q3, and the other half was just straight demand between different businesses. And then if you think about it year-over-year, HST posted about a \$51 million organic change in orders on a year-over-year basis. That's, again, the same kind of amount for blanket and half of that was demand.

So you do see...

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

You are actually seeing – please go ahead.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

No, go ahead, Nathan.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

I was just going to say, you are seeing some – at least some underlying improvement in the markets there.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yes, we are. Life sciences continues to be stable if you look at it sequentially. But there are markets, like we have said, again, semicon is not at a point where it's inflecting, but we are seeing improvement even in our semicon end markets sequentially.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

And then a reminder...

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great. Thanks for taking my questions.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. Just to finish, I mean, we have half of this segment that kind of is in other high-tech areas that are not in the usual suspects of semiconductor and life science and analytical instrumentation. And those, I mean they're performing a lot like the industrial businesses that we see elsewhere, so we've got some growth and lift there. We had that from before. I just think, look, at the end of the day, we feel good about the position we see here because we've obviously got a big comp number against a low point last year, but we've seen kind of nice progression away from that and we've just now posted the highest order number for the year and the segment built a little bit of backlog and we have a really good comparison.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Correct.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

And some signs of optimism in just the conversations we're having with customers. It doesn't say when the next inflection comes. It doesn't really talk about the magnitude of it. But having people leaning in the same direction here, that is one of the signs we wanted to see as we start to move away from just baseline stability.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Awesome. Thanks for taking my questions.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thanks, Nate.

Operator: Our next question is from Mike Halloran with Baird. Please proceed with your question.

Michael Patrick Halloran

Analyst, Robert W. Baird & Co., Inc.

Q

Hey. Morning everyone.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hi. Morning, Mike.

Michael Patrick Halloran

Analyst, Robert W. Baird & Co., Inc.

Q

So first question kind of ties into a couple of answers that you already had, but maybe talk about how you're thinking about the sequential in the fourth quarter. I know, Eric, I think you briefly mentioned there's some incremental project activity coming in there. But maybe talk about, it doesn't seem like there's a change in your day rate choppy, kind of stable, but choppy month-to-month, week-to-week kind of expectations.

And how should we think about that into next year from a backlog, order cadencing, et cetera, perspective? In other words, relatively normal sequentials, is that how you're thinking about things in the fourth quarter? And is

that a fair assumption to start next year until we see a change in the backdrop? Kind of any thoughts on how you're thinking about how the next few quarters here play out.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah. So let me take the Q3 to Q4 sequential and I'll let Eric jump in. So if you kind of think about Q3 to Q4 and think about the guide that we've laid out, it's really – there are a few different places where we have projects that are in the backlog that we've done a lot of work on that are supposed to ship in Q4. So first is around ABEL, they ship big pumps and that's in the backlog that the teams are working on executing getting out the door.

Second place you see it is in pharma, in our MPT business where there's backlog. That's [ph] bulked (00:38:09) that we are working on. It's pretty late stage that's going to get out in Q4. And then the last bit I'd tell you is tied to Mott. We have a big energy project that's scheduled to go out at the end of the quarter. That's part of our Q4 guide. So if you think about the sequential guide from Q3 to Q4, a decent part of the ramp is tied to a few different projects that I just laid out. And that's how we think about the ramp from Q3 to Q4.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

And then, look, past that, I think it's going to depend on what we sort of see play out here in the fourth quarter. I do think this is a period where everybody like us is kind of forced to come in and consider their next calendar year if they're on that cycle, in terms of what bets they're going to make, how they're going to make them. They kind of need to talk to critical suppliers like us as they do it. That would be an interesting source that would inflect it other way.

But I think a continuation of stability, that seems reasonable as we go forward, and then it's really a question of what layers and on top of it, what are the state of health of commitments and the ability to make them, kind of where are we sitting at that point with backlog of other projects including any that might be there for Mott. We'll layer those in and then we'll have those up-to-the-minute conversations, see what happened here, of course, in the election, whether or not that triggered anything.

So there's the usual number of suspects that would come in there. But it's been kind of a period of – it's now two quarters of kind of base-level stability that at least allows you to then kind of see the pieces that rise above it with pretty good clarity, or at least the fact that you need to keep digging for it.

Michael Patrick Halloran

Analyst, Robert W. Baird & Co., Inc.

Q

So then let's move beyond kind of that horizon and you get towards the point where there is a recovery in the market. How would you think about the growth algorithm now that you've done an iterative reshaping of the portfolio here? You've centralized some resources or added centrally resources to support the decentralized model, the revenue synergy piece. Could you maybe help on the growth algorithm and then break it down by what the drivers or components of that growth look like from market to synergies to outperformance or however else you want to categorize it?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah, look, we now have a portfolio that is increasingly starting to weight itself to more faster growing markets, all the ones that we've acquired into here in HST. And so, that's becoming the biggest segment. It's going to carry

more of the load as we go forward in periods like the ones you're describing, certainly somewhere else in the future. And so we would see kind of organic rates. We'd always want to outperform our core market entitlements, but we're moving that entitlement to the north.

And so we'd like to start to dial IDEX into kind of mid-single digit grower plus. As we start to navigate that, we'll continue to deploy capital on the bottom line that would say you'd put a point or two of inorganic growth on top of it, kind of take us to that higher single-digit range when you put the two together. That should allow beautiful flow through, because these are high margin businesses and high margin differentiated markets and we're still going to practice 80/20 in productivity. We're going to do a lot of it on the acquisitions that we acquire. And so, you get nice double-digit earnings expansion through all of that.

So, slight uptick on the growth rate, the core growth rates of IDEX because of what's happened in the portfolio, kind of maintenance of the additive dimension of inorganic, which we've demonstrated over the last three years. We've got a system and a method to do that. And then, all of it lifting nicely because it's even more differentiated than before and we continue to know how to execute and practice 80/20 really, really well.

Michael Patrick Halloran

Analyst, Robert W. Baird & Co., Inc.

Q

Thanks, Eric. Thanks, Abhi.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thank you.

Operator: Our next question is from Vlad Bystricky with Citigroup. Please proceed with your question.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Good morning, guys. Thanks for taking my call this morning.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Good morning, Vlad.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hey. Vlad.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

So I just wanted to dig in on FMT a bit. Just in terms of your commentary and outlook around energy there, which I think you moved from stable to market softness. So can you just talk a little bit more about the dynamics you're seeing in energy in particular and how you're thinking about whether how much election impacts might be having an impact on those end markets or anything else that you're seeing as sort of an overhang in those [indiscernible] (00:42:41) markets?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. I mean, there's a – yeah, first, there's two things here. One, I'd always kind of step back a little bit and remind people of the job we do here. We do a lot of downstream work around custody transfer. So as energy moves around the system, that's kind of where we do a lot of our work. Frankly, a lot of that's driven by things like people building trucks and lane and some infrastructure within that transportation system. We got some overhang there from a really, really warm winter. That's probably spread over that sector throughout.

We got a little bit of an artificial bump here to the downside because this was one of the business – as you might remember, we had a consolidation, a large scale consolidation here a couple of years ago. This is one that if you go back in time, about a year ago, we were still processing quite a bit of backlog in that business. It was one of the last that we had that were kind of eating backlog that it accumulated. And so we got a bit of a comparison issue because we're now at very standard IDEX levels of lead time and replenishment. So there's always going to be a little bit of a calibration issue, particularly on a year-over-year basis.

So I'd actually take this energy story and say, it's probably half of it, it's us. Half of it, there is a little bit of a pressure there that you'd see in the market. And then just on the question of go-forward, obviously it's sort of an indirect relationship, but health of the energy sector overall will tend to promote CapEx deployment and all those things that eventually find their way downstream to the places where we do business. So we would prefer to have it rather than not. But to be honest, a really, really cold winter will also help, and that has very little to do with politics.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Okay, that's helpful, Eric. Appreciate it. And then maybe just sticking with FMT, just in terms of the stability you've seen in sort of the day rate orders any color or commentary you can give on what you're seeing by geography and whether you're seeing any meaningful differences in domestic versus international trends?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

It's probably as you'd suspect. I mean, North America leading the way. That's been the case now for a while, not just by a little, but by a lot. I think reasonable stability in Europe. Not a lot of inflection, it moves around a little bit. It's not the bigger piece for us in this particular part of the business. I mean, we're more North American centric anyways. And then I would say, and when you go on the other side of the globe, that is a different story. I mean, almost anything we're doing in India right now is really, really good.

I would say China is, well, that story overall, of course, has some sobering characteristics. We've always been super surgical there. And so it's probably trailing the pack because of where it is and what it's a part of. But we're more than holding our own because we choose to wait, make certain bets in certain places that are honestly, they're very small representative of the entirety of that economy. So if you're going to put them in order, probably would say India first, but it's a smallish piece of IDEX, North America strong and that's driving a lot of it, Europe stable and lagging a little bit behind. I'd probably put China at the back, but still positive for us.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Okay. I appreciate that. Thanks.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Ye.

Operator: Our next question is from Jeff Sprague with Vertical Research Partners. Please proceed with your question.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Hey. Thank you. Good morning everyone.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hi, Jeff.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Hey. Hi. I want to come back just to the HST orders again and sort of blanket orders starting to come in. Eric, is there anything there in sort of the number or customers, the size of the orders that actually helps kind of firm up a view into 2025. Obviously, there's got to be some normalization going on here. So just your context, right, as maybe apparently the channel inventory liquidations have run their course and maybe we're getting to some sort of normalization here.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

I think even though, of course, it's a strong and sharp comparison year-over-year when you actually dig into kind of each one of the entries, I think they're more generalized in terms of how you would interpolate them all and you have to kind of add them all up and get some more general conclusions. But you put them all together, they're still positive. So, and you cited one there. So the fact that these are laying in and laying in across the life science spectrum, it does tell you something about kind of a point of moving from stability towards something different. Again, the rate of advancement, the rate of inflection, still pretty vague and not really determined yet.

I'd hold that up in that particular space. If you just listen to comments that our teams are having with customers or the ones that are out there in the public, you hear optimism a little bit more. You hear some people talking about fleet aging and where we are in that side of the cycle. Some things around consumables, which often lead the way for instruments at some point. And so there's like little general pieces, but there is a preponderance of them on the right side of the page as opposed to the left, as we're kind of thinking of the space. And then if we just track over the history and sort of appreciate it quarter-to-quarter over the last year as it's walked this way, you can kind of see it building. I mean, it's a slow build and it doesn't really say what the slope is going to be at this point yet. But it's important.

The inventory dynamic that you talked about, that's out there too for HST. And reminder again, some of these are not life sciences or semi spaces. There are other ones, but those are areas of OEM centric businesses and a little higher customer concentration and they have been some areas where those customers have had some inventory that we've been working around. And in some extent there's order patterns like this, it does suggest there too that you're further and further away from that. And then the fact that all of the reporting areas that we have, have got

some level of organic health on the order side and it's uniform across the segment, those are the kind of things, again, that just again, they're sort of rough and generalized, but they're important and they're additively on the positive side of the ledger versus not.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Understood. Thanks for that color. And then, maybe just coming back to China, I think your prior comments on China just a moment ago were just on related to FMT, I apologize if they weren't, but can you just give us kind of the big picture view on China, how it performed in the quarter? And just any context on total IDEX price in the quarter also would be helpful. Thank you.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. On the first part, they're not far off FMT versus full company because we have a lot of a FMT presence there. It's really that's kind of the lead segment with some things that we have in fire as well. And I would say, put the two together, it's very basically the same commentary. It's a tiny piece of a giant geography and it's kind of product line based. And so, we kind of move in and out depending on which way the wind is blowing. And so when we think we've got technical advantage, we go a little heavier with something that holds up better and we generally – all of it stays in at least a positive category in an otherwise maybe not quite as positive story. Again, which is still a small piece for the company. Abhi?

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah. And then on the pricing question that you had, we saw about 2.3% price in the quarter and 100 basis point spread that we had talked about as part of the guidance in Q2. So that's where we landed for the quarter.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

And that's been holding steady both sides of the equation.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Thank you for that. Have a good day. Appreciate it.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Thank you.

Operator: Our next question is from Andrew Buscaglia with BNP Paribas. Please proceed with your question.

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Q

Hey. Good morning, everyone.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Good morning.

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Q

I wanted to ask on HST, you're talking about this delayed pick up in semis. Maybe two questions there. Just what are the customers saying is giving you an insight into that comment, why we wouldn't see that pick up sooner than midyear next year? And then, have you guys discussed the margin differential across those four sub-segments within HST? And how would that impact the recovery for margins going from here?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

All right. Well, I'll take the first part and I'll let Abhi chime in on the second. I mean, I think from a semi perspective, again, we do pretty narrow focus work there. We're involved in wafer manufacturing and fabrication and metrology, principally on really, really advanced solutions. That's where almost all of the IDEX pieces that do business do it. And I think really it's a question of factory utilization.

I mean, overall, it's – until that hits certain levels and there's a catalyst identifiable that's either taking it there or it looks like it's going to take it there in the near term, it just doesn't drive kind of big ticket items at a level yet that takes it up to another level. So there's been a series of pretty public announcements in that regard. I think a lot of people pointing to probably the lack of any singular big catalyst beyond obviously the things that are happening in AI, but that really doesn't present itself at this point in massive volume. It's more specialized.

And so I think whether that's some kind of consumer gear or a return to lots of PCs that are more advanced than ever, those are the kind of things I think you'd be looking for to take and push the upper limits of those utilization rates to a point where you want to then get in line for some still pretty long lead time gear. And so given that nobody orders this kind of stuff today for delivery tomorrow, it does allow you to probably see into the future a little bit and make a projection like that. So it doesn't mean, again, that that's a necessarily bad market for us. It's just we're kind of all waiting for the next cycle there. And we really are because we've got just incredible amount of assets that are now positioned for it.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah. So I'll take a stab at your margin question. So kind of just think about where HST is, on a year-over-year basis our HST margins were down 40 basis points and organic sales being down 5%, right? So, I'd say it's a true testament to the work that our teams have done in rightsizing our businesses, frankly, because if you're down 5% organically and the teams didn't do the work they did to take out costs, you'd see a much higher decline on a year-over-year basis. So kudos to our team for rightsizing the size, coupled with driving productivity, coupled with the price/cost spread that we saw in the segment, right?

So as you sit here today and look at a 26.5% EBITDA profile, and then moving forward, what does that look like? So we've announced the acquisition of Mott, we said it was low 20% EBITDA out of the gate. Then we laid out a very clear plan that demonstrates that we're going to generate 400 to 600 basis points of margin improvement at Mott in the next 12 to 18 months. So when you put it all together, coupled with the organic growth coming back in the future, there's no reason for HST not to be a low 30% EBITDA business.

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.



Okay. That's helpful. Maybe sticking with margins, your price/cost has been good, but I feel like every few years you guys have to navigate some sort of supply chain calamity, and with the election coming up, tariffs are now back in the news. So, can you remind us, like, where you are with your positioning if indeed tariffs come back into the picture and how you're getting ready for that?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.



Well, I mean, like I think whether it's supply chain pressure that we experience in the pandemic or it's an item like that, thinking about supply chain resilience, every company should be, and we're doing that, too. I will remind people, I mean, as we saw this to our advantage in the pandemic, probably would be an advantage in this environment as well.

We're much more localized in terms of ideating and orders placed within the same geography where we actually produce and sell. It doesn't mean there aren't cross-border shipments on the supply and input side, there are at certain levels and certain kind of base-level commodities. But we do an awful lot of work within country. So, as we think of tackling it, and we're of course running scenarios and talking about critical inputs like anybody else, we are appreciative that kind of we built the company around a model that tends to be more localized anyways.

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.



It's helpful. Thank you.

Operator: Thank you. Our next question is from Brett Linzey with Mizuho. Please proceed with your question.

Brett Linzey

Analyst, Mizuho Securities USA LLC



Hey. Good morning all.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.



Good morning.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.



Hi.

Brett Linzey

Analyst, Mizuho Securities USA LLC



Hey. Wanted to come back to the EBITDA bridge and specifically the resource investment/discretionary, that \$12 million, fairly big step-up sequentially inverse Q1. Was hoping you could just unbundle those. Is the resource investment offset by lower discretionary, is this discretionary going up, too? And then if you can maybe speak to some of those targeted investments and the paybacks.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah, let me take the bridge item first. So if you look at the bridge that we put out there on a year-over year-basis, you're seeing a \$12 million headwind tied to the question you ask. And so, I'd say a third of that is tied to higher M&A spend on a year-over-year basis, given the fact that we just did our largest transaction with Mott. So that's about a third of it. The other third is tied to stock comps and the timing of stock comp last year and the tailwind that we saw compared to this year. And then there's some discretionary spend in here tied to customer-facing T&E and the investments that we're making tied to growth initiatives on a year-over-year basis.

Brett Linzey

Analyst, Mizuho Securities USA LLC

Q

Okay. Appreciate that. And then maybe just shifting back to Mott. So it sounds like you're running ahead there. Good integration progress. Should we think about the 2026 accretion target or expectation getting pulled forward based on this fast start and does that change your thinking at all?

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Well, look, we're early days or six weeks in the acquisition. We're working the plans, we're partnering with the local teams. Our teams and the Mott teams are partnering together and laying out a plan over the next 12 months. So it's early days, so it's hard to pinpoint to what 2025 versus 2026 is going to do.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

I think part of what we want to convey here is, is that you always think you're going to get a certain business and meet it and then you pass the line, you close it and, of course, reality is there. This reality is every bit as good as what we thought coming in. And the fact that we were able to integrate some teams as fast as we are, it's an 80s acquisition for us and we're all playing in, and we see as many possibilities [ph] as we're doing (00:37:40), it's just a real testament. So that's the early read, the early excitement. There's still an awful lot of work to do. The world's got to play out, but at least want to make sure we got that out in front of you that at this point couldn't be happier with what we acquired.

Brett Linzey

Analyst, Mizuho Securities USA LLC

Q

Appreciate the detail. Best of luck.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Thank you.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thank you.

Operator: Our next question is from Joe Giordano with TD Cowen. Please proceed with your question.

Joe Giordano

Analyst, TD Securities (USA) LLC

Hey. Good morning, guys.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Hi, Joe.

A

Joe Giordano

Analyst, TD Securities (USA) LLC

I wanted to touch on some of the other more recent M&A. So for EA, you guys lowered your expectations last quarter. Just curious how that's tracking. And then also curious on Muon, just given the semi push you talked about and one of your large customers gave some disappointing orders. So just curious what the latest is on those two businesses.

Q

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

I'm sorry. Can you tell me what EA means? I'm not sure I followed you. Apologies.

A

Joe Giordano

Analyst, TD Securities (USA) LLC

Sorry. Sorry. We focus on Muon. That was my mistake there. Just Muon given like the weakness there in orders at one of your large customers.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah. I mean, look, that's a piece of that business. It's not – by no means is it all of it or even the majority of it. And even there, I mean, look, that business is doing – a portion of it is doing some pretty advanced work that's actually well ahead of machines that are being delivered today. So it's not a one for one kind of a corollary. So there's a few things there that help out on that side of it, and ultimately at the end, long cycle, super well positioned. It's got some presence in medtech markets that are doing well because it's exiting some inventory positions. It's got another one that's actually in a very different adjacency as well.

A

So, it's not an entirely semi-driven business. That is a decent component of it, but it's well positioned, and at times a little different than you might suspect in terms of the production cycle. And the other two components, I think pretty good and holding up. And it is a piece that we're now considering with other applied materials science business, technology businesses we have in terms of how all of it works together, including Mott. So we'll be doing some of that work in some ways in kind of rescaling, recasting all of it together.

Joe Giordano

Analyst, TD Securities (USA) LLC

Interesting. Okay. And then just curious on the sequential growth in HST, you said half of it was – roughly half of it was like actual demand. Just curious on the life science side, are we talking more like bioprocessing or is it more lab? Just kind of which cohort of customers is really driving that?

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Well, for us, it kind of almost has to be in the analytical instrumentation kind of core space, just because of our presence. We're not as pronounced in the bio areas.

Joe Giordano

Analyst, TD Securities (USA) LLC

Q

Perfect. Thanks, guys.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Thank you.

Operator: Our next question is from Rob Wertheimer from Melius Research. Please proceed with your question.

Rob Wertheimer

Analyst, Melius Research LLC

Q

Hi there. I know I was late in the call, but Eric I was listening to your prepared remarks and the conversion of analog processes and tools to digital, something you've touched on before. I don't know if your comments were slightly more broad this time, and I wondered if you had any further expansion on how you're evolving, how you guys operate on that theme. Thank you.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. Look it's a theme that years ago was kind of harder for us to imagine across all of the smaller pieces of IDEX. But as we started to assemble scale more purposefully, actually, this is one of the areas that we are applying it. And so I'll give you a couple of examples that kind of rise to the next level. Doing a lot of work on the frontend of a lot of these outstanding FMT franchises, which are more fragmented, more industrial in nature, but the nature of the interactions between ourselves and end customers is more digital than ever.

And as a leader in those spaces, I mean, the market's looking for us to kind of lead the way of how this work is going to be done, how does knowledge transfer happen. If somebody calls in and they're looking for information, how many people have to manually intervene there versus some automated things that we can do. So we've had it for a while now, but we're starting to scale it more, some very focused initiatives to make sure that we are leading the way there, like you would think a market leader would do and you see a lot of that playing out at FMT.

On the solutions side, this is not a ubiquitous solution, but you see it playing out in fire. We've talked about the automation there. That's a decent part of the growth in the strong numbers that they've put up. That's a slower to change industry, but it's starting to take and get some real traction there. And that's all about digital functionality and automation helping solve this problem of crew size. We talked about our water businesses. At the core, all that hardware ultimately presents information that is shown digitally and is now more seamless and more integrated than it was before. So I wanted to make sure that people appreciate that part of becoming a larger company and a little bit more thematic organization, you start to get benefits in this way and we're participating in our own IDEX like way.

Rob Wertheimer

Analyst, Melius Research LLC



Perfect. Thank you.

Operator: Thank you. There are no further questions at this time. I would like to hand the floor back over to Eric Ashleman for any closing comments.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Hey, thanks so much. Thanks for everybody for joining today. I really appreciate the questions and the interest. And look, I think the bottom line here, still a choppy and uncertain world, no doubt, but we're in a good spot at IDEX. We're not out of the woods yet at HST, but it's really great to see the strong year-over-year orders comp, the modest backlog build and the sequential orders uptick to the high point. We'll have to wait a bit, see how that recovery plays out from here. But look, I think we've strengthened our portfolio a lot as we prepare ourselves for a cycle of sunnier days ahead, no doubt through the acquisitions and Mott here at the end is a really good indicator of that.

Our two other segments are doing really, really well with some nice pockets of growth. And execution is always at IDEX is strong across the board. We think the second half of the decade, which by the way is only two months away from starting, it's going to be a tremendous period of value creation overall for IDEX and I really look forward to talking with you about it in the quarters to come. Thanks. Have a great day.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

Thank you.

Wendy Palacios

Vice President-FP&A and Investor Relations, IDEX Corp.

Thank you.

Operator: This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

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