

05-Feb-2025

IDEX Corp. (IEX)

Q4 2024 Earnings Call

CORPORATE PARTICIPANTS

Wendy Palacios

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

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

OTHER PARTICIPANTS

Michael Halloran

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

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Deane Dray

Analyst, RBC Capital Markets LLC

Joseph Giordano

Analyst, TD Cowen

Brett Linzey

Analyst, Mizuho Securities USA LLC

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Rob Wertheimer

Analyst, Melius Research LLC

MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the IDEX Corporation Fourth Quarter 2024 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.

I would now like to turn the conference over to your host, Ms. Wendy Palacios, Vice President, FP&A and Investor Relations for IDEX Corporation. Thank you. You may begin.

Wendy Palacios

Vice President-FP&A & 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 fourth quarter and full year 2024 financial highlights. Last night, we issued a press release outlining our company's financial and operating performance for the three months and full year ending December 31, 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 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 period. These forward-looking statements are subject to risks and uncertainties. Actual results may differ materially from any forward-looking statements that we make today, and we do not assume any obligation to update them other than as required by law. Information regarding these factors that may cause actual results to differ materially from these forward-looking statements 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.

Thank you, Wendy. And good morning, everyone. I'm on slide 3. IDEX's teams maneuvered a year of choppy and uncertain macro conditions with operational focus and solid execution in 2024. We delivered innovative solutions to our customers, achieved strong productivity through net price capture and operational excellence and deployed both financial and human capital toward our largest acquisition to-date, Mott. I want to thank our IDEX employees around the globe for all their contributions. Our IDEX team executed a strong finish to the year.

Here are some Q4 highlights. We delivered a series of impactful projects within the Health & Science Technologies segment destined for pharma, global broadband satellite communications, and energy transition verticals. We drove organic orders growth across all segments led by HST. Mott achieved strong results in their first quarter with IDEX delivering a significant filtration systems project within their energy transition vertical. The integration is proceeding smoothly, and Mott's accretion timing is tracking ahead of our original expectations. Our Fire & Safety and Diversified Products segment set another new quarterly sales record, driven by strong growth of their automation programs within integrated fire systems.

Reflecting on 2024, we saw three themes play out. When we started the year, there were some encouraging signs of growth with a noticeable uptick in industrial day rates coupled with expectations at the time for accelerated interest rate easing. We saw this reflected in our 2024 Q1 orders and sales performance in pockets of our portfolio. This environment changed in late Q1 as an unexpectedly high inflation rate reduced the likelihood of rate reductions. The US election cycle with polarized potential outcomes entered the mix in the summer and most markets settled into an uncertain but stable pattern.

Finally, late in the year, we had clarity with respect to both issues as inflation moderated and a presidential candidate won the race, but the dynamic policy implications of the new administration likely moderated any near-term growth catalysts within Q4. As we begin 2025, there appears to be a climate of uncertain optimism. We're sitting on a stable business base, our inventories and lead times have recalibrated back to normal levels, and a series of transformational megatrends are ready to help carry strong growth through the second half of the decade and beyond.

The open questions continuing to drive near-term uncertainty all relate to the direction of US trade and economic policy within an overall environment of high geopolitical tension. We'll likely have more clarity as we move through the first couple quarters this year. Despite challenging macro conditions, we are building IDEX to outperform throughout the entirety of a cycle. Our differentiated technologies provide solutions to complex problems in growth advantaged verticals. We continue to apply 80/20 to each business to fuel growth and productivity. That's been the heartbeat of our operating model for well over a decade. But now more than ever, we're using 80/20 at the enterprise level to drive power, scale, and focus through our portfolio of high-quality businesses.

As we turn towards 2025 and beyond, I'd like to show you how far we've already come on this journey. I'm on slide 4. We have more aggressively deployed capital over the last few years to build scale through thematic

integration. We have also selectively pruned smaller, less growth advantaged businesses to complement the work. Today, we have over half of IDEX revenue working together collaboratively within five groups, some formal, some building informally, to attack a handful of faster growing markets that will benefit long term from the secular tailwinds you see listed here. We're doing it with more scale and breadth, which allow us to better leverage our overhead spend while maximizing productivity potential.

This is an important strategic road map for our future evolution fueled by more power, more focus, more growth to drive consistent earnings expansion. We have recently deployed the majority of our M&A capital towards businesses that deliver high-quality applications and solutions that leverage differentiated materials science technologies. Mott is an important piece of this story, providing more access points to support fast-growing markets within energy transition, space and defense, and high-performance semiconductor.

Despite the dramatic market ups and downs over the last few years, we've remained very committed to expanding our work within life sciences. We have long, mutually beneficial partnerships with the world's best customers, and our teams continue to innovate in ways that push the frontiers of what is thought to be possible. We remain confident with the long-term growth outlook of this space.

Within Intelligent Water, we built a portfolio that offers an integrated suite of digital analytics, complemented by hardware and mobile solutions that work in some of the world's most demanding environments. This helps our municipal and industrial customers meet the challenges of aging wastewater infrastructure, increasing severe weather events, and stricter regulatory requirements.

In other areas of IDEX, where the markets are more mature, more industrial, and more fragmented, we are collaborating at scale across units to also drive growth and income outperformance. In IDEX Fire & Safety, our automation capabilities are decreasing the response time and increasing the productivity and agility of emergency workers. We believe we are uniquely positioned with our breadth of products and innovation capabilities to drive solutions of this type. We are enjoying double-digit growth in this area, and automated solutions now make up more than 10% of platform revenue.

Finally, within our largest FMT businesses specializing in severe duty flow control, we are rapidly digitizing the front end of our businesses, impacting the way we service and interact with our distributors, OEMs, and end users. This urgent work is powered by the scale and positioning of our best 80s businesses. Ultimately, the next step, we will deploy a common set of digital tools across all IDEX businesses to drive even higher levels of customer engagement.

One last important point, beyond support for faster growth, the collaboration and integration I'm describing here has additional potential to drive earnings expansion at IDEX. As we build larger scalable platforms and business groups, we can begin to shift vertical organizations, which stack up additively one company at a time to more efficient horizontal frameworks that better lever our employee dollars, allowing us to self-fund more growth resources, position very close to the customer for maximum impact.

Alongside this work, we continue to push for flat organizations overall to speed decision-making, pushing to eliminate any layers that might get in the way of our agility. Higher thematic scale and integration also supports higher levels of sourcing productivity as the quantities of similar purchased commodity classes naturally increase. You'll see some early tangible benefits of this work within our guidance schedules. We have \$0.43 of adjusted EPS support lined up for 2025 in these areas on top of another \$0.20 at the midpoint from traditional productivity. We're well-positioned for solid margin expansion as we move the needle on organic growth.

Turning to slide 5, the last essential piece of our growth strategy is capital deployment. We are focused on the integration of Mott and deepening collaborative connections across our broader portfolio to leverage Mott's highly engineered filtration technologies into new innovative solutions. At the same time, our dedicated corporate development team continues to work alongside our business leaders to build a robust and active M&A funnel, cultivating businesses that fit the IDEX mold and have the potential to advance our strategic goals in the areas where we want to grow. We have the pipeline, balance sheet and free cash flow generation to keep M&A as a consistent contributor to our growth over time.

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

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

Thanks, Eric. Turning to the consolidated financial results on slide 6. Please note all comparisons are against the prior year period unless stated otherwise. Fourth quarter orders of \$817 million were up approximately 8% on a reported basis and up 5% organically. We saw orders growth across the portfolio with HST experiencing 8% organic growth in the quarter, driven by blanket order activity that will ship in 2025. FSDP had mid-single-digit organic growth and FMT had low-single-digit growth. For the year, orders were up 4% overall and up 3% organically.

Our HST and FSDP segments experienced high-single-digit organic growth. HST growth was driven by year-end blanket order activity in pneumatics and life sciences combined with strong demand in both semiconductor MRO within our sealing solutions business and within global broadband satellite communications. FSDP growth was driven by the combination of strong demand from North America fire OEMs and fire integrated system solutions. FMT experienced a low-single-digit organic decline driven by market softness in our agricultural business as well as softness in our semiconductor capital equipment vertical within our Intelligent Water portfolio.

Fourth quarter sales of \$863 million were up 9% reported and up 3% organically compared to prior year. We experienced organic growth of 8% in FSDP and 3% in FMT. FSDP growth was driven by continued strength with North America fire OEMs production ramp and share gain of automation programs within integrated fire systems. HST was flat organically versus prior year. Strong execution of targeted growth initiatives tied to fuel cells, projects in pharma and global broadband satellite communications and strong demand for semiconductor MRO were offset by broad-based softness in life sciences, analytical instrumentation, automotive and semiconductor capital equipment verticals. Overall, we delivered approximately \$40 million of projects, primarily centered in HST.

Full year sales of \$3.3 billion were flat overall and down 2% organically. HST contracted by 7% on an organic basis driven by life sciences and semiconductor cyclical market headwinds. FMT growth was flat with strength in chemicals and municipal water markets offsetting softness in agriculture and semiconductor capital equipment within the Intelligent Water platform. FSDP drove low-single-digit growth, bolstered by North America fire OEM and fire integrated system solution demand.

Fourth quarter gross margin declined 20 basis points to 42.5% on a reported basis. However, on an adjusted basis, gross margin expanded by 40 basis points as the benefit from strong price-cost and operational productivity was partially offset by higher employee-related and discretionary cost, unfavorable mix and the net dilutive impact of acquisitions and divestitures. For the year, gross margin was 44.2%, ending relatively flat. Adjusted gross margin was 44.5% expanding 30 basis points. Strong price-cost and improved operational productivity net of lower volume leverage were partially offset by higher employee-related cost and unfavorable mix.

Fourth quarter adjusted EBITDA margin was 26.4%, up 60 basis points. I will discuss the drivers of fourth quarter adjusted EBITDA on the next slide in a moment. On a full year basis, adjusted EBITDA margin contracted 80 basis points to 26.7%. A bridge of the full year adjusted EBITDA can be found in the appendix of this presentation.

On a GAAP basis, our Q4 effective tax rate was 18.5% versus 22.7% in the prior year period. The full year 2024 GAAP effective tax rate was 21.1% versus 21.7% in 2023. Both the Q4 and full year tax rate decreases were primarily due to discrete benefits at year-end, including the reduction of taxes accrued on dividends of foreign earnings and the decrease in state tax expense, mainly due to the jurisdictional mix of taxable income.

Fourth quarter net income was \$123 million, resulting in GAAP diluted EPS of \$1.62. Adjusted net income was \$155 million with an adjusted EPS of \$2.04, up \$0.21 or 11%. For the full year, net income was \$505 million, resulting in EPS of \$6.64. Adjusted net income was \$599 million, generating an EPS of \$7.89, down \$0.33 or 4% from last year.

Free cash flow for the quarter was \$157 million, a decrease of 12%. We achieved a conversion rate of 101% of adjusted net income. For the year, we delivered free cash flow of \$603 million, down 4% versus last year and also coming in at 101% of adjusted net income.

We achieved 3.8 in inventory turns and invested \$65 million in capital expenditures. Our strong balance sheet and cash flow enabled us to pay \$205 million in cash dividends to shareholders this year. We also funded the acquisition of Mott through the combination of approximately \$212 million of cash and \$774 million of debt. We continue to maintain our strong investment grade rating and closed the year with a gross leverage ratio of 2.2 times.

Moving on to slide 7, I will walk through the details of the adjusted EBITDA drivers. For the fourth quarter, adjusted EBITDA increased by approximately \$23 million. Our organic sales volume increase of approximately 1% favorably impacted adjusted EBITDA by \$2 million flowing through at prior year adjusted gross margin rate of 42.7%. Strong price-cost spread of 130 basis points and operational productivity drove \$18 million of benefits year over year.

In the quarter, we saw unfavorable mix primarily in our energy and BAND-IT business. We strategically invested in resources supporting targeted growth initiatives in groups such as fire & safety and Intelligent Water. All these factors combined into a favorable organic flow through of 53%. The impact of acquisitions net of divestitures and FX, increased adjusted EBITDA by \$12 million on a quarter-over-quarter basis.

Now, I would like to move on to our overall outlook for 2025, starting on page eight. Before diving into our full year guidance, I want to reiterate Eric's opening comments. IDEX continues to have leading positions in attractive end markets attached to strong secular growth trends. Beyond positive economic fundamentals, we will continue to drive above-market growth through pricing power, targeted growth initiatives, competitive lead times and customer intimacy driven share gains. These dynamics are demonstrated in each of our segments and will result in better than market performance over the long term.

For the full year 2025, we expect organic growth of 1% to 3% with the majority of our end markets stable to growing. Within this range, we expect HST to be our highest growth segment near the high end of the range. We are expecting a modest lift within our key end markets in life sciences fluidics and optical filters and a second half recovery in the semiconductor capital equipment. We will continue to see tailwinds with pharma, semiconductor MRO, space and energy transition markets as we experienced in Q4.

Those tailwinds are supported by demand for new disease therapies and nutrition, global communication satellite network expansion and energy consumption tied to data centers. Additionally, Mott's applications and capabilities will enable growth acceleration with energy transition as demand for clean energy expands internationally and traditional energy solutions grows domestically.

For FMT, we expect overall segment growth closer to the lower end of the guidance range. We see the most exposure to market cyclicality in this segment. In our core industrial markets, we expect continued stability, as we saw in the fourth quarter, with flat-to-low-single-digit market growth and strong price support. This stability will be tempered by energy and agriculture, where we see more challenges driven by the timing of capital investments and lower levels of farm income respectively.

We remain bullish with the growth in our Intelligent Water platform driven by continued municipal water markets investment in wastewater management and aging infrastructure improvements in conjunction with key project wins in our semiconductor ultra-pure water heater business.

Finally, turning to our FSDP segment, we expect organic growth to be towards the midpoint of our guided range with continuous strength in our fire & safety business. Our fire business has successfully deployed its integrated systems platform over the past few years and it is now more than 10% of that business. This program has increased our content per truck, which when combined with the recovering North America OEM channel has accelerated our growth. We expect the growth trajectory to continue in 2025. We expect dispensing and BAND-IT to be up low single digits.

This segment performance outlook embedded within our organic growth range of 1% to 3% equals adjusted earnings per share growth of \$0.15 to \$0.40 depending on topline results, including price-cost in line with IDEX's historical performance and slight portfolio mix. Additionally, we will drive operational excellence from operational productivity more than offsetting wage-related inflation pressure, contributing \$0.15 to \$0.25 of adjusted EPS growth.

We will also drive \$0.43 of growth from the platform optimization and delayering savings that Eric already mentioned. In order to achieve these savings, we expect to take \$21 million to \$25 million in restructuring charges during 2025, of which approximately \$8 million to \$10 million is expected in the first quarter. These charges are primarily related to severance.

The reset of variable compensation to normal levels after a challenging 2024 combined with higher share-based compensation results in a \$0.29 headwind while the impact of recent acquisition and divestitures contributes \$0.24 of adjusted operating EPS growth before financing.

Finally, considering a few non-operational items, the higher debt level due to the acquisition of Mott will unfavorably impact adjusted EPS growth by \$0.22. In totality, the overall impact of Mott to 2025 adjusted EPS is accretive net of higher interest expense ahead of schedule. We expect FX to be a headwind of \$0.11 in 2025.

An increase in the effective tax rate on a year-over-year basis is creating \$0.14 headwind for adjusted EPS. The 2024 effective tax rate includes certain discrete events, which produced an \$0.11 benefit to adjusted EPS in 2024 that will not repeat in 2025. And in addition, the projected 2025 rate of approximately 22% to 23% includes a heavier mix of improved performance in regions with higher tax rates.

Turning to slide 9, I'll provide additional details for the full year guidance as well as the first quarter of 2025. In summary, for the full year, we expect organic revenue growth of 1% to 3% to yield GAAP EPS of \$6.56 to \$6.96 and an adjusted EPS of \$8.10 to \$8.45 or up 3% to 7% over 2024. Adjusted EBITDA margins are expected to be in the range of 27.5% to 28%. Capital expenditures are anticipated to be about \$90 million. Corporate costs are expected to be approximately \$110 million, up from 2024 by approximately \$16 million, driven by variable compensation reset and essential compliance investments.

Moving on to the first quarter, we are projecting GAAP EPS to range from \$1.18 to \$1.24 and adjusted EPS to range from \$1.60 to \$1.65. Organic revenue is expected to decline 3% to 4% compared to the prior year, and adjusted EBITDA margins are expected to be in the range of 24.1% to 24.5%.

Organic revenue range reflects a challenging Q1 2024 comparable with our semiconductor, agricultural, chemical and energy end markets, which decelerated as we exited 2024. We are offsetting a portion of this pressure through positive price-cost spread, productivity and a platform optimization savings to drive an organic flow through on lower volume in the low-to-mid 40%. Additionally, our adjusted EPS guidance includes \$0.06 of pressure versus the prior year from share-based compensation.

To add additional color to our first quarter guide, from a sequential perspective versus 4Q 2024, we expect to see reduced revenues resulting from \$40 million of projects executed in the fourth quarter flowing through at a gross margin rate as well as some additional volume decline in HST due to semiconductor recovery timing and within FMT due to seasonality within ag and water. We expect pressure of \$0.20 to adjusted EPS from accelerated recognition of stock compensation and variable compensation reset as we enter 2025.

To close out on our guidance, I would like to provide some pacing considerations to consider as you contemplate our full year guidance on the next slide. I am on slide 10. Our guidance implies that revenue and adjusted EPS will be weighted to the second half of the year. In terms of revenue pacing, we expect a higher portion of our full year sales guide to be delivered in the second half, driven by sequential recovery of our capital equipment related semiconductor markets, timing of water project deliveries, and March shipment timing, which has historically been weighted to the latter part of the calendar year.

Additionally, we expect a modest recovery within our life sciences fluidics and optical filter business, implying low single-digit organic growth for the year, with revenue pacing approximately flat across the year, and industrials to show modest market growth but strong price support following historic seasonal patterns. Our targeted growth programs will have a more pronounced impact in the second half.

From an adjusted EPS perspective, we expect increased adjusted EPS on higher second half volume at historical flow-through rates. Platform optimization and de-layering benefits, as well as price-cost realization, reached full run rate in the third quarter of 2025. And stock compensation expense will have an in-year first quarter adjusted EPS impact of approximately \$0.20 and a full year impact of approximately \$0.35.

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

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Thanks, Abhi. I'm on slide 11. As I close our introductory remarks with an overview of our value drivers, I thought I'd provide some three-dimensional color for my Q4 travels across IDEX to help you really appreciate the quality of our company, our people, and our culture.

In late November, I joined more than 20 other IDEX leaders at our Airtech business, acquired in 2021, for a week of rapid continuous improvement events to drive productivity and throughput in support of one of their fastest growing customers. We included a cohort of large business leaders nearing graduation from the IDEX Academy's Leadership Excellence Program. They took powerful lessons of process-driven servant leadership back to their global teams to raise the bar on what's possible when great teams work together with full engagement.

I checked in on the Mott team in late fall to see firsthand the state of integration. I was inspired, as always, by their incredible passion for the business as they deliver solutions to the world's most demanding problems. In many ways, it feels like they've been part of IDEX for years, not months.

Finally, I traveled to India to visit our facilities and commercial teams. The manufacturing facility we opened less than two years ago near Ahmedabad is already at high levels of utilization, producing a variety of products for dispensing in our HST material processing technologies business. Near Vadodara at our first production campus, I got a chance to visit the secondary school we've built and staffed to support over 250 children from local communities. All of these experiences helped me really appreciate the power of our purpose, trusted solutions, improving lives.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Mike Halloran with Baird. Please proceed with your question.

Michael Halloran

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

Hey, good morning, everyone.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Hello, Mike.

A

Wendy Palacios

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

Good morning.

A

Michael Halloran

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

So, let's start with a lot of what Abhi was going through there and just help me understand the cadencing and the moving pieces a little bit more succinctly. If I think about why 1Q is so soft, and then the confidence in the remaining part of the year, obviously, let's take aside the share-based comp piece, and you certainly referenced the timing. So, the moving pieces here are more project timing, share-based comp. Anything else you would talk to as a broad bucket?

Q

But I think the bigger part of the question is just why the confidence in some of these end markets improving as you work through the year, particularly the semi side or anything else? I know it's a broader question and my follow-up maybe will be a little more succinct related to some of those, but just maybe help line that out because I know that's certainly where we're getting a lot of questions.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah. So why don't I do this? Let me start and then Eric will jump in as he sees fit. But – so, look, I know this Q1 topic, Q4 topic is a big topic. So, let's just start first sequentially, Mike, to your point. So if you kind of think about Q4 to Q1 sequentially, as you pointed out, there's about \$40 million of project in Q4. So when you think about the organic growth that you saw in Q4, \$40 million of that, we shipped \$40 million of project in Q4. So that organic growth is really tied to that \$40 million project shipment. So when you go from Q4 to Q1, that \$40 million doesn't repeat and there's about a \$0.22 impact sequentially.

The second thing is when you talk about share-based comps, it is actually a big topic sequentially. So from Q4 to Q1, it's a \$0.20 headwind when you look at it on a sequential basis. So, if you start with the \$2.04, back out the project, back out the share-based comp, that's about \$0.42 worth of sequential headwind.

Now switching gears on you for a second, kind of talking about Q1 year-over-year, as you recall when we talked about the last year at the same time, we exited Q4 into Q1 where our industrial businesses saw a positive momentum, positive inflection, and we built backlog in the – exiting Q1 last year.

In May, we also saw there was a – the inflation reading was pretty hot, the likelihood of Fed cutting the rate 3 times to 5 times was pretty much off the table. And so what we saw in 2024 really in the first half into the third quarter is that industrial businesses that built backlog, burned that backlog, and quite frankly, carried the weight in 2024.

The second half of 2024, Mike, is really all about the strong momentum that we saw in HST tied to the order growth that we saw in Q3 and Q4. If you recall, Q3 was positive 20%, Q4 was positive 8%. In Q3, we saw blanket activity tied to our life sciences business and some pneumatic business. And then in Q4, we saw about \$40 million worth of blanket activity, \$30 million of which is tied to our pneumatic business and then some more life sciences activity.

Now, these are not just blanket activity or just normal orders, right. These are brand new platforms with specific customers that have delivery schedules throughout 2025, okay. So, that's where the confidence into the HST orders and what that means from a revenue standpoint comes forward in 2025. So what you're seeing here really is a year that's setting up with positive momentum. We closed January. We built some backlog as part of the January close. So Q1 really is a reflection, as you think about Q1, coming into Q1, we have lower backlog on the industrial side with strong momentum on the HST side as you saw in Q3, Q4, that's really setting us up for 2025.

A couple of other things in the quarter, year-over-year, we have a \$0.03 headwind from FX, and then another \$0.06 of headwind on the margin line tied to share-based comp and variable comp reset. So, that's the color between Q4 to Q1 and in Q1 year-over-year.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

And just a couple of things there. I think that that last point that Abhi made, I mean, this is us making the turn, where kind of HST comes back and leads the way as it will in 2025 from a growth standpoint. That's why we've

been building it. The momentum that we saw in those blankets, as Abhi said, that's not routine stuff. The Q4 items that we got in our pneumatics area are really, really good. I mean that's tied to honestly providing power for data center applications. So really strong things that again they're unique individual customers with individual launch rates. So we know where those are and how they phase out across the year.

The semicon piece in there is the only piece we didn't really talk about. We do have a couple of customer specific inventory adjustment pressure points in the early part of the year that are going to correct against themselves in the back half. And so, while as always, we're kind of waiting for an overall inflection point to get to better days ahead, there is a specific point in there that does show up in phasing, beginning to end. So, that's out there.

But at the same time around that, we've got actually a couple of positive data points. Our sealing solutions business within semicon, just kind of different work and there's more sort of aftermarket maintenance kind of items that you use in a system when you're running it. We saw nice growth in Q4, it's continuing to Q1. That's kind of a precursor at least, indicative that utilization matters and run rates matter, and we think it's a good data point for further growth in the entire sector.

And then, we saw some really, really nice bookings numbers at that kind of cutting edge of technology where we've got heavy content, heavy participation which sets up really nicely for years ahead. So, we have a little bit of a transitional bump there, if you will, customer specific, first half to second on the semi side, which complements everything that Abhi talked through.

Michael Halloran

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

Q

Yeah. Got it. All right. So, if I just sum that up super cleanly, then it's the sequential 4Q to 1Q are actually pretty normal seasonality if you exclude the share-based comp and you exclude the project activity?

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

That is correct.

Michael Halloran

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

Q

And then the outlook for the year is also relatively normal seasonality other than how Mott is shaping up, a couple of green shoots are shaping up in your semi commentary? Is that a fair interpretation?

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah, that is correct. Yeah.

Michael Halloran

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

Q

Right. And then the second one, just when you think about the platform optimization and delayering comments you made today, maybe talk a little bit about what this means for the growth profile and for how you think about incremental margins or incremental leverage on that growth on a forward basis and just kind of frame up what the tailwind or the benefit could be from it?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. So, I mean, it's a pretty simple ratio. We're moving the topline, the numerator and the denominator. And so, this is stuff that we always had in mind as we were putting these pieces together and maybe I'll – or kind of work it around the newer part that we're building around materials science applications. But these businesses do link together thematically. They're all leveraging technologies that are unique to each business, but are kind of [ph] paying (00:35:34) against the same four to five markets. And so, you're able to get some commercial efficiency there. You're able to kind of move from a system where kind of may call it the old IDEX way, where each business sort of has to support itself in every single function to now a couple of businesses that are able to intertwine either commercially or via technology, sometimes shared services and back office.

And so, you're getting more mass close to the customer to support growth, resources and the growth mission of the company. And you're doing it in a way where actually you're moving up within the organizations that we're interfacing with in the markets that matter the most because we're bringing more power and more mass to those. To get a chance to move the needle more on the top end which we're actually able to do it a lot more efficiently from a resource perspective because you don't have to kind of string along a bunch of pearls. You've got some unique ways to combine things and get that leverage.

So, you saw that play out. You're seeing it play out in the 2025 numbers on both the top line and the bottom because most of the growth highlights we have, they're kind of coming off that page. And a lion's share of the productivity we're delivering is in the same areas. And that's a story that isn't done. I mean as we continue to run this out, we keep assembling the pieces, we put more scale and we get more depth and presence with certain customer sets and markets. There's things we can do from a facilities perspective, other things along the way here.

So, it has always been part of how we thought about this to not only drive growth but get the earnings expansion and the kick that you want there as well by working the top and the bottom of the ratio.

Michael Halloran

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

Q

Thank you.

Operator: Thank you. Our next question comes from the line of Vlad Bystricky with Citi. Please proceed with your question.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Good morning, guys.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hi, Vlad.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Good morning, team IDEX for – thanks for taking my call. Thanks for all the color around the outlook and the phasing. I guess just stepping back in terms of the broader macroeconomic backdrop and what's assumed in your guidance, have you made any specific assumptions relative to potential tariff impacts coming in? And what are you hearing from your customers as they're thinking about those potential impacts in this uncertain environment that you mentioned?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. Well, look, I mean, nothing really material here in the numbers or the quarterly phasing that anticipates direction there because, as you know, some of it's along the lines I would have guessed, some other pieces of it are kind of surprising and they're on/off again in nature. So, what I will tell you is that I just step back and say, here's how we're generally set up for anywhere this goes. We're really, really localized in any region we do business. So, the majority of the content that we are procuring and sourcing and putting into production, and then, selling generally happens within the same border. So, that's always been the model kind of before tariff wave one and where we are now.

Now, over the last five or six years, like a lot of companies, I mean, we've been more intentional about mitigating far away portions of our supply chain. We moved things around. We've taken certain ratios and fractions down and we've got more second sources. Some of that was trade war related, some of it is COVID and that whole experience, we've done those things too. And then, as always, we just keep coming back to the differentiation and the moats around our franchises and frankly the long relationships that we have, which gives us some pricing protection as things come out and it's simply unavoidable and we're delivering critical technologies.

So, we're tracking in any one of these scenarios sort of the price we might pay as an importer. We know what that is, we know where it is, if a supplier is paying it and maybe most importantly, given our model, we know those places where if something were to come out and there was long duration, it's going to tend to lag in through value-added steps. An example I would give you here would be electronics. We buy a lot of it from local board houses and things, but almost all of the components probably are coming from somewhere else.

And so, we learned some things in the first wave. We know where those points are. We can understand them, potentially move things if we need to. But at the end of the day, we think we can protect it with price differentiation. So, that's the general approach. We meet on it more actively as again I think most customers – companies are. And then we're spending the time working different scenarios here. We don't have – at least from a North America perspective, we don't have a facility in Mexico. We have kind of a small to medium one in Canada. And again, a very localized model overall.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Great. That's really helpful. Eric, appreciate that. And then, I just wanted to shift to capital deployment for a minute here. The M&A funnel update was interesting and helpful. I guess, is there a way to think about sort of the mix of proprietary versus competitive targets in that \$10 billion plus potential funnel? And are there particular businesses where you see a higher proportion of potentially larger deals that could come through?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah, well, I would still say I mean, where we've got a lot of focus in the area is where we've been deploying capital. So, continuing to flesh out that space, the spaces within HST, a lot of companion technologies to the

materials science businesses that we put up there. I mean, a lot of – there's still a decent portion of the funnel that takes that even to another level. That's an area of interest.

Proprietary transactions are very much what we're trying to drive here. Over the last few years, as we've stepped up this work, we've been about an 80% proprietary level on the transactions that we've done. The work we're doing now that's absolutely our focus. So, we talk about who's going to go over and have that first conversation with somebody. Just introduce them to the concept of IDEX. As you can probably imagine, the more successful we are with bringing these transactions over the line, it gives us reference points and people that they can then talk to, to understand what that experience was like. So, you start to build some natural credibility and momentum as that approach plays out.

So, I'd love to hold that ratio if we could as we go through it. I think we've got a mix in the funnel right now that would suggest we could, and we're all spending our time in a way that supports largely proprietary transactions kind of regardless of the spaces we're looking at. I mean, these are – again, we're kind of – we like that low on the bill of material, mission criticality component, often not top of mind for some people, we see things a little differently. I think Mott was a good example there. We view that as a way that it could have some interdependence with other IDEX businesses in a way that's kind of uniquely IDEX. I think we were out there and were able to tell that story for longer than others might have been able to tell. So, we very much want to keep this approach.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

And then, Vlad, this is Abhi. And as you know, our leverage and the capacity, so we do have the balance sheet capacity to go support M&A, the way we laid out on the page and still maintain our investment grade rating.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Great. Appreciate it. I'll get back in queue.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thanks, Vlad.

Operator: Thank you. Our next question comes from line of Nathan Jones with Stifel. Please proceed with your question.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Good morning, everyone.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hey, Nathan.

Wendy Palacios

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

A

Good morning.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

I'm going to start off with the back on the 1Q guide and specifically the \$40 million projects that shipped in the fourth quarter. Maybe I missed it. Maybe you already said it, which – I mean, I assume it's HST, FMT, how did that split between those segments? I'm just trying to get a better idea of maybe what some core growth numbers in the fourth quarter would have been ex some of these project shipments.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Hey, Nathan. This is Abhi. So, it's about 80% HST with a couple of projects in FMT and FSDP, but majority of this was HST driven in Q4.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

And so, that means then probably – because, I mean, the same as Mike said, we're getting a lot of questions about the revenue guide in the first quarter. I think you've explained some of the earnings stuff. Any color on how you're expecting that minus 3% to 4% to play out across the segments in the first quarter of 2025?

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Absolutely. I can give you that, Nathan. So, think of FMT, kind of going back to my backlog conversation I just had, starting the year, FMT is going to be down mid-single digit with HST low-single-digit to mid-single-digit decline and FSDP up low-single digit. That's how we've laid out this guide to get to 3% to 4% decline.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

That's helpful. Thanks. And then, I wanted to talk a little bit more about I think it was slide 4 or slide 5 with the leveraging scale to drive growth and earnings. Eric, you've given some color there around some of the initiatives. I was hoping to dig a little bit more into some of the financial impacts. I mean, when you're talking about supply chain leverage that should show up in gross margins and you're also talking about SG&A leverage here...

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Over time, how does that contribute to the financial performance of the business? Like, I mean, you must have in your model somewhere some expectations of this adds 20 basis points to gross margins a year or 20 basis points to SG&A leverage a year. Just how we should think about how that moves the needle for IDEX from a financial perspective?

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah, Nathan. So, the best way to think about it is kind of going back to what we've been talking about over the last 12 months, which is really thinking about EBITDA margins here. So, if you kind of think about HST long term, what we've laid out is a low-to-mid 30% EBITDA business in HST, right? So, as you start to think about the work we're doing around layering, around platform optimization and building scale, you should expect to see that SG&A benefit, expect to see that gross margin benefit because the cost is not just in SG&A. It's also above in the gross margin line. So, you should start to see the margin needle move and you should expect HST to get to low-to-mid 30% EBITDA business. And then FMT, it's already north of 30% and then FSDP to be closer to 30% EBITDA.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

I mean, we...

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

I know you – go ahead, Eric.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Sorry, Nathan. I was just going to say, I mean, one example here, we talked a little bit when we brought Mott onboard and talked about where it kind of came in from an EBITDA perspective and how we're going to help them aggressively, start to boost it. I mean, some of what we're talking about here is how that work is done. You're sharper on the front end, 80/20 says you're localizing around your highest margin products for the kind of [indiscernible] (00:46:27) franchises and you're moving those the most with the most consequence. We create drop-down contribution margin when you do that and you're super careful about where you're sort of leveraging resources elsewhere, what you need to run a business within a company like IDEX to get that bottom line pick up as well.

Nathan, it's early days in some of the things we're doing in sourcing, but just to get your head around it, if you start to think about it over time, you put lots and lots and lots in optics franchises together. They're buying a lot of the same base level materials, and we're kind of seeing that in each one of these areas whether it's castings in one or optics in another or motors in a third. And so, you can start to – you can approach that in a very different way.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great. Thanks for taking my questions. I'll get back in the queue.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah.

Operator: Thank you. Our next question comes from the line of Deane Dray with RBC Capital Markets. Please proceed with your question.

Deane Dray

Analyst, RBC Capital Markets LLC

Thank you. Good morning, everyone.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Hi, Deane.

A

Wendy Palacios

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

Good morning.

A

Deane Dray

Analyst, RBC Capital Markets LLC

Hey, just for starters, I appreciate all the specifics on the first quarter guide. We were all in a bit of a vacuum with the release and it was very helpful to hear the specifics this morning. But that was probably the bulk of our questions that we were getting before the call. But I appreciate how you've bridged that for us. And so, first question is, if there's ever been a time to kind of plumb what you're seeing in terms of tone of business, it seems now. Last quarter, it was election uncertainty that seems to have been replaced with policy uncertainty.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah.

A

Deane Dray

Analyst, RBC Capital Markets LLC

But at the end, you have got great indicators in terms of sentiment with your customers on the short cycle stuff. So what are the bellwether businesses telling you? And related to that, I don't normally ask about blanket orders, but the return of them is a positive that your key customers are giving you that kind of line of sight. So, is that also part of a tone of business, and are you going to calibrate that for us?

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah, no, thanks for the questions and the comments in the beginning there. I mean, so let's start over on the more industrial side of this, the thing where we're closer to consumption. I mean, I would say, that has been very stable and was stable all last year. I mean, even though, as I said in my comments, we got some certainty around candidate selection in Q4, I mean, you didn't really see a bounce necessarily because it very quickly went into the other area, which you mentioned, which is which of the many policies that are being suggested are likely to play out, and can everybody get their head around whether that's good, bad, negative, indifferent, all of those things.

A

The reason I called it uncertain optimism is I do think in most of those conversations, you are seeing people sort of lean forward saying, but I think it's going to be a good business environment. Like, we're having more discussions about future projects. We're being asked to think and consider and quote on some things, even in those industrial spaces that frankly we weren't two or three quarters ago. So I think that's a positive.

That being said, it's not like they're running the system higher. The factories are not working extra shifts. We're not really seeing that yet. So it's a more positive environment, I think. I think we really would like to get some clarity on where we need to go. Again, we're kind of set up to deal with either one of those swim lanes. It would just be nice to know which one we're likely to get. So I think that's on the industrial side.

I think your pointing at the blanket is super important, because that is kind of a different world, and it's reflective of why we spend so much time trying to build our critical mass in some of these HST markets. So I pick a couple so you can get your head around it. We're doing a lot of work around the space side of things, not a huge part of IDEX today, but its growth potential is really high. And so the conversations when you're talking about people that are in that space, it's not about what's the policy and where interest rate's going, it's how many people are going to be shooting rockets up into the atmosphere, how many people want to play with communication satellites? Are they going to be able to get payloads at another level?

And so, when we're getting orders and positions on solutions in those areas, those are annuity streams that I don't think are subject to some of the distortions month-to-month, quarter-to-quarter that we've seen in some of the other areas of the business. So there's one example. I mean, I think we have others in some of the things we're doing. We've got some good things going on in pharma.

The Mott solution that we talked about in Q4 that they delivered, it's the first time that work's ever been done. So a lot of this work and those orders and those order positions and the things we're putting out there are about setting specification points for evolving markets that I think are a little less dependent on some of the ups and downs and sideways of [ph] current (00:51:21) news of the day.

And so, I mean, we're really encouraged, as you can tell, by those Q3 blankets, the Q4 – because the numbers are good, but largely what they represent and how they position us for the years to come.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

And Deane, just to add to that, when we talk about blankets more for the near term, above and beyond what Eric also said, is those blankets that we're talking about have specific ship dates in 2025. So they're going to get shipped in 2025. Of course, that once you book a blanket, it doesn't get shipped on January 1. But they have delivery schedules tied to it throughout the year that we're going to get the product out the door.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

That's really helpful. And second question, and I might have missed it in the 2025 assumptions, our growth investments, that's always a lever that you have. It's a way of investing for the future. Page 4 probably had a number of those growth investments, but do you have a specific number embedded in 2025? And what was that number in 2024?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Well, it's kind of an interesting one, because in many ways, they don't stick out in ways that they have before as a bridge item. Because as I said in the comments here, we have largely self-funded a lot of the growth investments within those five areas that we talked about. So we have a net productivity benefit because we've been able to resource lever. But that's sort of after the fact of us building some scalable mass as we go after some of these spaces.

So, I guess it's because of the way that this architecture is being built that we've actually got more natural productivity so you have to look less at it. There are some exceptions around the edges, but you're actually getting more power underneath the hood than is showing as a exceptional bridge item because of that work.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

Correct.

A

Deane Dray

Analyst, RBC Capital Markets LLC

Appreciate all that color. Thank you.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah.

A

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

Thanks, Deane.

A

Operator: Thank you. Our next question comes from the line of Joe Giordano with TD Cowen. Please proceed with your question.

Joseph Giordano

Analyst, TD Cowen

Hi, guys. Good morning.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Hey, Joe.

A

Wendy Palacios

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

Good morning.

A

Joseph Giordano

Analyst, TD Cowen

Just to start on the projects that you got, the \$40 million, was that contemplated when you guys reported 3Q, was that contemplated originally in the fourth quarter or was that kind of a pull-in? Because I'm just curious, you got to the low end of the organic guide for the quarter, but the margin was below the low end. So just what, if any, of that was expected?

Q

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah. So, Joe, when we guided Q4 as part of the Q3 call, we were very, very specific around the project delivery that we're expecting in Q4. In fact, the exact – or the language that we used around it was, hey, if you think about Q3 to Q4 ramp, the businesses in general are stable and sequentially flat. And on top of it, what you have is project activity [indiscernible] (00:54:12) from Q3 to Q4. So we specifically called it out as part of our guidance.

Joseph Giordano

Analyst, TD Cowen

Q

Okay. And then if I look at the bridge, and I think that's obviously where all the confusion is with people today, I thought you said – I've kind of a couple of embedded questions here. Like on semi, I thought you said that it decelerated out of Q4 and now it sounds like that's a major part of the acceleration in the second half of the year.

So, maybe if you can dig in there on like where in semi are you talking about, whether it's memory or other things? And then like the life science, how does that play with NIH potential de-funding and like export restrictions on tools and things like that? I'm getting to like how much of that ramp is secured with firm orders, or is it just an expectation of a market change?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. So the two areas that you talked about on the semi side, we kind of have two pieces of it. On the positive side, in our sealing solutions business, this is a smaller percentage, but that was positive in Q4, it remains positive in Q1. And it's kind of think of it as like MRO aftermarket business, kind of a wearable item that you're using as you maintain the system. So, we're calling that out. It's not the major driver, but it's important because it is positive, and in some ways we think it's a precursor of days ahead.

The more impactful disruption is in the first half of the year here, and sitting in first quarter, this is on the kind of tool equipment side, where we do some – the lion's share of the rest of our work. I mean, we do have some inventory adjustments that are being taken probably for some of those because of those impacts of those economic variables or political variables that you talked about that we know is happening. And so, we've got kind of a phenomenon where we pause a bit inside the business for that part of what we deliver in semi, and then, we pick it up again in the second half of the year. It's not necessarily a market effect. It's more of a discrete customer item that we know about.

The third item that I was talking about for more long-range support is we're seeing very good commercial activity around the kind of ragged edge of the spectrum where we do a lot of the work that ultimately supports future run out towards 2023 and beyond. So, we kind of got near-term positive. We got this bump in existing programs where we have to navigate that first half to second half. And then we've got some long-term indicators that actually we think are really positive.

On the life science side, you talked through some of those things. Look, we see low-single-digit to mid-single-digit lift in that kind of core fluidics handling franchise that we have around analytical instrumentation and within the life science stuff. Good stuff within optical filters which we have a life science component that's tucked in there, offset a little bit by some of the work that we do around genomics that is tied a little bit more to some of the uncertainty around government funding, [ph] lot of which is used for (00:57:11) population surveillance and those things. But a net positive overall as we run through the year and what we see and what we call H&S or life sciences.

Joseph Giordano

Analyst, TD Cowen

Q

Thanks, guys.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah.

A

Operator: Thank you. Our next question comes from the line of Brett Linzey with Mizuho. Please proceed with your question.

Brett Linzey

Analyst, Mizuho Securities USA LLC

Hey. Good morning, all. Thanks. First question just on price-cost, can you just clarify within that \$0.15 to \$0.40 that's organic, how much are you embedding for price-cost? And then any context on the phasing through the year? Is it negative in the first quarter and you catch up? Any context will be good.

Q

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

Absolutely, Brett. I can answer that for you. So, when you think about price-cost spread that we've laid out in this guide, I have laid out about 60 basis points to 80 basis points of price-cost spread in the guide. If you think about phasing on the price piece, first half to second half, I would say it's about incremental \$10 million of pricing in the back half of the year. Because if you really think through the pricing mechanism and how we do it, we typically announce our pricing increase that goes into effect in Q1. So, there is a quarter worth of lag. So, think of it as first half to second half about an incremental \$10 million on price you should expect to see.

A

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

But we don't have a negative position.

A

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

No. It's positive 60 basis point to 80 basis point spread for the year, yeah. And yeah.

A

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah.

A

Brett Linzey

Analyst, Mizuho Securities USA LLC

Okay. Great. Appreciate the color there. And then just a question on HST in slide 13. So, you indicated the challenging comparable in life science and analytical as an offset to strength elsewhere. Just a little bit of context there, I guess, on the moving pieces. I saw orders were down about [ph] 19% (00:58:53) and sales pretty soft. I don't know if that suggests that life science and analytical was up in the prior quarter. Just any color would be great.

Q

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

I'm sorry, Brett. Try that question again. I'm not sure I've completely followed you.

Brett Linzey

Analyst, Mizuho Securities USA LLC

Q

Oh, on slide 13, you said that you had noted a challenging comparable in life science and analytical instrumentation was an offset to strength elsewhere. I guess, was that a Q4 comment? I know Q4 2023, HST was down pretty significantly. So, just wanted to square the moving pieces within the divisions.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah. So, look, I think if you think about Q4 2023 – first of all, 2024 for life sciences has been pretty much flat sequentially. If I kind of take a look at our sales and where we've been in the last four quarters in 2024, it's been pretty much similar throughout the year. While they have been flat on a year-over-year basis, there has still been pressure on the life sciences side from 2024 to 2023. So, that's what we're talking about when we say – we've always talked about life science in the context of 2024 being, hey, sequentially, we have seen a flat top line, but on a year-over-year basis it's still down. That's what it refers to.

Brett Linzey

Analyst, Mizuho Securities USA LLC

Q

Okay. Great. Appreciate the detail.

Operator: Thank you. Our next question comes from the line of Andrew Buscaglia with BNP Paribas. Please proceed with your question.

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Q

Hey. Good morning, guys.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hey.

Wendy Palacios

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

A

Good morning.

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Q

So, I had a kind of high-level strategic question I wanted to ask in that, HST has really come – it's really not come back the way we thought it would. And you had a good year out of COVID or good two years. But it's been a long time since we've really seen that growth pick up and it seems to be quite a long cycle business. I'm wondering does this inform kind of where you want to go with this segment in terms of strategic acquisition? Has it surprised

you how long cycle and how tough it's been? And, yeah, if you could just comment like is that a fair criticism in that it's much more longer than we thought?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Well, I mean, longer cycle would kind of, I think, imply that there's a consistent wave and it's going to come around again and again and again. That I wouldn't agree with. I think what is surprising is probably the impact and the duration and just the overall numbers involved on the sort of COVID – post-COVID run up and run down on two sectors of that segment that formed half of it originally. Now that percentage is actually lower today as we've acquired things in. I mean, we're acquiring them in different spaces. Mott alone with its focus on energy transition starts to take those levels down. They're not as critical as they were just singularly with two dimensions.

But I'd go back and say, in hindsight, it all looks totally rational. But you had a global health event, so the very sector that was involved in trying to keep people safe and I mean got max funding, max velocity and was really, really hot. And yeah, it was a little surprising in how long it took, the multi-years, to recalibrate itself back and find its footing again. But the dynamics of that market, they don't – I don't think they're changed. I mean, we still got tremendous challenges out there in terms of health events and things that we're trying to crack the code and figure out.

We're winning and the platforms that we're working on today, I mean, they're going to ultimately make life a lot better for people as we go forward. So, I don't think that thesis has changed. It's on the back end of a very, very singular event that in itself was health consequential and driven.

I think right next to it was the semi side of it. Everybody went from working here to working at their house. They all bought PCs and it's been a long time since they've needed new ones. And so, you got two things that were half of our segment that I still think of semi always has a certain amount of cyclicity, and we're always going to be careful to keep that ratio reasonable within IDEX. I think the two of them together, the duration of it and what caused it was pretty exceptional. And I think what's important to realize here is while it's been a while, we're actually seeing the swing. We're seeing the swing now where HST comes back.

Our 2025 guidance has it leading the way in growth for IDEX. That's a position we should expect it to remain in, and I think we're going to see less and less and less of any of those echoes and ripples. And now, frankly, very, very exciting days ahead.

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Q

And similar question with FMT. I would think that that would be recovering pretty strongly, but it seems as though kind of similarly, it seems like the – it's not a short cycle either, has something changed in that business where you're finding you're on a lot more of these long duration projects than you used to be in the past?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

I mean, largely the FMT when taken entirely doesn't have a lot of projects in it. We talk about it. They're usually in kind of our chemical spaces, energy, that's where you see a couple of them. It's pretty fragmented space that's reflective of general industry. That's why it tends to oscillate pretty fast. We referenced, frankly, pretty dramatic up, down in 2024 as the world dialed in differently. I think what you're seeing there with kind of FMT being in sort of a third place positioning for growth in the current environment is the uncertainty that we talked about with

Deane playing out. I mean, we're looking for direction on policy and things that – get some of those conversations that I referenced to turn into commitments, orders and positions. When that happens at IDEX, we typically chase it pretty quick and ramp it up.

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Q

Yeah. Okay. All right. Thank you.

Operator: Thank you. Ladies and gentlemen, our final question this morning comes from the line of Rob Wertheimer with Melius Research. Please proceed with your question.

Rob Wertheimer

Analyst, Melius Research LLC

Q

Hi. Thanks for question. I wanted to kind of follow up on where you were going a minute ago, Eric. I mean, if you look at obviously HST, you cited the sources of the volatility both up and down. And if you look across the trend line and I know the business has changed, but do you think that we're back to normal there? And as you mentioned, that we're ready to resume growth, is there any reversion to mean upwards versus maybe a higher trend line growth that you would expect from that segment? That's my first question. Thanks.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. No. Well, look, I think we're heading into positive territory. We're careful on the life science recovery and the lift that we're talking about here. I don't think it's a snap back kind of thing. Ultimately, that should be more to – growing at higher levels than even what we have projected in here. We're kind of following the moderate trend lines to move away from where we've been to where we're going. We think, long term, I mean, that has tremendous growth prospects. It should be a mid-single digit at a minimum kind of franchise for us. We're just being pretty careful and moderate about our projections as we start to approach that.

The semi side, I think we're conservative there as well. We're seeing some good things and we're seeing – obviously we've got the item I mentioned internally with customer positioning here. But generally, we think that we're closer to where that next cycle is going to be. We're super well-positioned in terms of how we're represented across critical technology. I think that's going to be an important component. Those two things where we've typically spent the bulk of our time talking about HST when we get here, as I said, they used to be half the segment. They're actually lower now.

Things that Mott is doing and delivering within energy transitions, they're doing some great work around the water franchise that they have inside that business. You're going to start to hear some things as those come out. We're going to be talking about those more, it's going to be a more balanced suite of products. And again, I think Mott with our – one of the reasons we like it is it's not as dependent on some of the temporal shifts in mood and things because these are fast evolving applications that are moving pretty rapidly from phase one to phase two of their own evolution. So, being there first is really, really important and exciting.

Rob Wertheimer

Analyst, Melius Research LLC

Q

Okay, I'll stop there. Thank you.

Operator: Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Mr. Ashleman for any final comments.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Well, thanks. Thanks for joining today. Appreciate all the good questions and the interest as always. And I'll probably conclude with some comments that are going to echo some of the things we talked about. But I want to make sure that we end with them here. We're at an important inflection point for IDEX as we begin to bring together some of these recently acquired businesses with select legacy businesses that we've long had to build scale and power and the focus that I talked about on slide 4.

And you see that that's set up to deliver and is starting to deliver nice growth on the top line and then some really, really nice productivity and leverage on the bottom line. So, working both sides of this ratio we think is really important and we're now watching HST make that transition and that swing from a tough couple of years, we talked about why that happened, to being back out in the lead as we – leading the way for growth for IDEX.

And again – and I liked the conversation we had with Deane. I mean, blanket orders, their numbers, they're important, they help with the comps. But each one of them has a story and a story that you see there is, in many cases, entry points into some of the best applications that we're going to be talking about for the next 5 to 10 years. And really, really important that we get out there, super innovative, first to get there and to see Mott contributing in that way this early as part of the company really, really provides some nice energy.

We're not leaving FMT and FSDP behind. We didn't touch on it much here today, but that point around digitization and automation, being able to apply that at scale to go drive growth kind of out ahead of some of the industrial and municipal markets they're in, it [audio gap] (01:09:18) fire and rescue that's now automated solutions, that's an important milestone and threshold. So, don't want to lose sight of that either. But end of the day, we think we're building something special here. We are excited to keep talking about it with you along the way. I look forward to the next time we get to do it. Have a great day.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.