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IDEX Corp. (IEX)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings. Welcome to the IDEX Corporation First Quarter 2025 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]

Please note this conference is being recorded. I will now turn the conference over to your host, Jim Giannakouros. Thank you. You may begin.

Jim Giannakouros

Vice President, Investor Relations, IDEX Corp.

Thank you. Good morning, everyone, and welcome to IDEX's first quarter 2025 earnings conference call. We released our first quarter financial results earlier this morning and you can find both our press release and earnings call slide presentation in the Investor Relations section of our website, idexcorp.com.

On the call with me today are Eric Ashleman, President and Chief Executive Officer of IDEX; and Abhi Khandelwal, our Senior Vice President and Chief Financial Officer. Today's call will begin with Eric providing highlights of our first quarter results and a discussion of our current business outlook. And Abhi will discuss additional financial details and our updated outlook for 2025. Following our prepared remarks, we will open up the line for questions. But before we begin, please refer to slide 2 of our presentation, where we note that comments today will include forward-looking statements based on current expectations.

Actual results could differ materially from these statements due to a number of risks and uncertainties which are discussed in our press release and SEC filings. As IDEX provides non-GAAP financial information, we provided reconciliations between GAAP and non-GAAP measures in our press release and in the Appendix of our presentation materials, which are available on our website.

With that, I will turn the call over to Eric.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Good morning, everyone, and thank you for joining us today. Before I dive in, I want to welcome Jim Giannakouros, who joined us in March as our VP of Investor Relations. We're thrilled to have Jim in this role with the experience he brings. Welcome to the team, Jim.

And now moving to slide 3, our IDEX teams delivered better than expected results in the first quarter of 2025, with revenue and profitability coming in slightly above plan in each of our business segments. I'd like to thank our IDEX teams across the globe for all their contributions, staying focused on serving our customers and executing through an environment of intensifying policy driven uncertainty.

I'm especially encouraged by our orders performance this quarter. Orders increased both sequentially and versus last year to record levels. Additionally, this represents our fourth consecutive quarter with positive year-over-year organic growth in our order book. This combined with underlying stability in our day rates sets a firm foundation for growth near term.

The trade and geopolitical situation continues to be fluid with the ultimate impact on global demand unknown. We are proactively managing what we can control and have been quick and very thoughtful in actions designed to absorb the impact of tariffs introduced this year. Even though we have yet to see indications of a slowdown, we have proactively identified another \$20 million in savings targets for this year. This amounts to a cumulative \$80 million of support for 2025 when combined with the savings expected from our previously discussed platform optimization, organizational de-layering and baseline productivity initiatives. Abhi will discuss this later in the call.

Now I'd like to take you through our first quarter highlights. We're seeing momentum build in our businesses serving space defense, energy transition, municipal water and North American Fire and Safety. Our analytical instrumentation businesses within IDEX Health and Science continues to exhibit improving performance trending towards low-single digit growth for the year, and our semiconductor MRO facing businesses provide a slight tailwind.

On the industrial side, our rapid-turn businesses that often serve as leading indicators of economic change were steady in the first quarter, and that stability continued through the month of April. We recognize the potential for customer caution going forward and we'll continue to actively monitor inbound order trends as our customers adapt to this fluid environment.

We continue to see some offsetting headwinds in our businesses serving agriculture and automotive industries. Additionally, the inventory adjustment we are working through with a large semiconductor wafer fab customer continues to be a headwind.

As you might expect, there is some hesitancy for customers to commit to larger projects, but it's at a level that matches both our recent experience exiting 2024 and supports assumptions within our 2025 annual guidance. We believe that the emerging order strength described here is a function of the active portfolio shape and driven over

the last five years. We'll continue this work moving forward as we seek to grow through more increased exposure to advantaged markets.

To achieve the next level of growth performance, we continue to drive our own luck by tuning our technologies towards high velocity applications. We support these efforts with focused cross-business collaboration wherever possible as customers push us to innovate faster. We lean on our intuitive understanding of 80/20 to pull organizations together in pursuit of clear objectives and outcomes. Here are some examples.

Our Richter business facing headwinds in its core European chemicals markets has adapted its severe-duty valves for fast growing pharmaceutical applications where they've won in a big way.

Our ABEL Pump business is winning an extremely difficult environment, supporting mining of strategic minerals. They have another segment of the business focused on marine defense applications. Both of these [ph] 80s (00:05:26) verticals are extremely advantaged at the moment.

A number of our optics businesses are working together to help solve the most challenging problems for the emerging space sector from low-orbit satellite communication support to critical components within hypersonic systems.

Our Airtech business within Performance Pneumatics is helping their customers solve power requirements for the rapidly growing data center market in a way that best support sustainable solutions. They recently brought some of Mott's technologies into discussions on next generation solutions to help solve critical problems of scalability.

Speaking of Mott, our latest acquisition and our largest to-date, I'm pleased to report that the teams there continue to deliver against our expectations. Mott recently entered into a \$40 million multi-year agreement to deploy a custom wastewater filtration solution for a large US dairy farm operation that will treat over 2 million gallons of wastewater a day. To give you a sense of timing, roughly 25% of this order has been booked in Q1, and it's expected to be delivered as sales in the second half of the year.

At IDEX, our teams are laser focused on speed and increased agility to meet the evolving needs of our customers. Our teams are fully committed to not only execute on our collective near-term commitments, but drive sustainable value creation for all stakeholders in the long run.

With that, I'll turn it over to Abhi for first quarter financial highlights and some more specifics around our 2025 outlook.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

Thanks, Eric, and good morning, everyone. Let's go to slide 4. As Eric mentioned, we outperformed our guidance for the first quarter across revenue, margin and adjusted earnings per share. Now all comparisons I will discuss will be against the prior year period, unless stated otherwise.

In the first quarter, organic sales declined 1% as we faced difficult comps in our semiconductor, agriculture, chemical and energy businesses, which more than offset positive results in space, defense and municipal water facing businesses. We continued to see resilient demand all in for IDEX with organic orders up 1% and backlog building by about \$60 million.

Adjusted EBITDA margin declined 50 basis points to 25.5% given year-over-year volume deleverage and near-term margin dilution from our acquisition of Mott. And these were partially offset by positive price-cost and productivity, including announced platform optimization efforts.

First quarter 2025 adjusted EPS of \$1.75 came in \$0.10 better than the high end of our guided range, given better than expected sales and margins across segments and timing of corporate costs, most notably share-based compensation. We generated \$91 million of free cash flow in the quarter, which included short term investments in working capital to support higher sales in the second quarter, as well as some modest purchasing ahead of inventory intended to slow tariff impact. Additionally, we deployed \$50 million to repurchase IDEX shares in the first quarter and we have \$490 million left with our current authorization.

I'm on slide 5. Turning to the drivers of our adjusted EBITDA, a decline in volume resulted in an \$8 million reduction flowing through at our prior year adjusted gross margin rate. We additionally experienced unfavorable overhead leverage, which was more than offset by platform optimization savings and favorable price-cost, which was accretive to margins. Acquisitions, divestitures and FX benefited adjusted EBITDA by \$3 million.

Now quickly, some color on our results by segment. I'm on slide 6. In HST, organic sales in the first quarter declined 1%, while our organic orders actually increased 3%. We are seeing solid activity in our Performance Pneumatics group driven by growth in data center power solutions and in space and defense with a number of our optics businesses. We see steady trends in life sciences with an uptick in analytical instrumentation, more than offsetting lower DNA sequencing orders.

Our semiconductor business specifically where we provide solutions that support wafer fabrication faces headwinds. Adjusted EBITDA margins of 25.6% was slightly better than we anticipated, primarily due to benefits from higher-than-expected volumes in the first quarter.

Turning to slide 7. In FMT, organic sales declined 4% and organic orders declined 3%. While we continued to see relative strength in municipal water and downstream energy markets and relative stability in our core industrial markets, we are also experiencing near-term pressures in our Chemicals and Ag businesses.

Finally, our business supporting pure water applications within semiconductor fabs has slowed. Adjusted EBITDA margin of 32.8% declined 80 basis points as volume deleverage was only partially offset by price-cost and productivity improvements, including platform optimization savings.

I'm on slide 8. FSD turned another solid quarter with organic sales increasing 5% and organic orders up 2%. Our Fire & Safety business continues to benefit from both strong OEM demand and adoption of integrated solutions. BAND-IT experienced growth in energy with Aerospace remaining stable. We continue to build upon our leadership position in dispensing where overall global trends are stable and auto remains pressured. Adjusted EBITDA margin of 29.4% increased 50 basis points due to favorable volume leverage, price-cost and productivity.

Now please turn to slide 9 for our updated full year and second quarter guidance. We are maintaining our full year organic growth guidance range of 1% to 3% and adjusted EPS of \$8.10 to \$8.45. Although the situation is still evolving, we believe we can fully absorb the impact of the tariffs introduced this year based on our current assumptions. I will provide our detailed tariff assumptions on the next slide.

We expect to fully mitigate tariff pressure largely through incremental pricing actions. We're navigating a fluid and uncertain environment, and the impact of this on underlying demand is challenging to predict, particularly in the short lead time or rapid replenishment areas of our business.

While we have not observed any immediate signs of demand softening through April, we acknowledge that it could manifest as the year plays out given policy driven uncertainty. We have proactively identified an additional \$20 million of savings that we are deploying against scenarios of up to 3% to 4% back half volume pressure.

For the second quarter, we anticipate organic revenue growth of flat to 2%. We expect second quarter adjusted EBITDA margin to be between 26.5% to 27%, up 100 basis points or more sequentially on higher volumes, positive price and greater traction on our platform optimization and delayering savings. This generates expected second quarter adjusted EPS of \$1.95 to \$2.05.

Please turn to slide 10, which outlines our tariff exposure as it stands today. We expect tariffs to drive \$100 million of annualized impact based on 2025 volumes, with two-thirds of that amount to be recognized in 2025. On an annualized basis, we expect that tariffs will add 5% to 6% inflation to our cost of goods sold, which can be offset by price increases of 3% to 4%.

I want to take a moment to emphasize how IDEX thrives during times of disruption. In particular, IDEX benefits from its local for local manufacturing footprint, the flexibility provided by its 80-20 principles and the strength of its longstanding customer partnerships. Additionally, as Eric previously mentioned, we have the ability to adapt our technology to new applications which further positions us for success.

Now I'd like to pass it back to Eric.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Thanks, Abhi. Please turn to slide 11. I'm excited about the IDEX we're building. Today, over half of IDEX [ph] is on ways (00:14:30) to collaborate, sell and leverage scale within thematic growth platforms. This is an important strategic shift we've made to elevate our long-term performance in advantaged spaces with combined total addressable markets of just over \$20 billion.

We've identified a series of specific integrative threads that we believe support higher growth and expanded margins as we come together within these groups in a unique IDEX way. We deploy flat organizational structures with autonomous decision rights, sharp 80-20 segmentation while solving the most critical customer solutions with quick iterative bursts of innovation.

I'm on slide 12. We have a strong balance sheet supported by superior cash flow generation to explore multiple avenues of capital deployment. Our corporate development team, alongside our business leaders, continues to work an active M&A pipeline. We'll continue to deploy capital to expand and deepen our capabilities within our growth platforms. And we remain committed to returning capital to shareholders.

Finally, turning to slide 13. We believe IDEX is advantaged and therefore prepared to navigate an increasingly uncertain trade and geopolitical environment. We generally ideate, engineer, source, produce and sell our products locally. Our businesses are well-positioned within attractive markets and we enjoy long and productive relationships with outstanding customers.

As the world becomes more regionalized, we can adapt with customers and position local for local support across the globe with speed. 80-20 is deeply embedded in our diverse set of businesses. We are constantly looking to tune our solutions to apply them in new applications and markets, and we can shift resources quickly from areas with developing flat capacity to structurally advantaged markets.

Putting it all together, we are improving and leveraging each of our key value drivers: organic growth, inorganic growth and margin expansion. We collectively believe that change and uncertainty, no matter how unsettling they can be in the near term, ultimately present opportunities for our trusted solutions as we help our customers win.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Our first questions come from the line of Mike Halloran with Baird. Please proceed with your questions.

Michael Halloran

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

Q

Hi. Thank you. Good morning, everyone.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hey, Mike.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Hi, Mike.

Michael Halloran

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

Q

So just want to make sure I understand the puts and takes in the guidance here and what's embedded. I mean, I think the punchline is I think you feel really comfortable with the guide and the ability to have some flexibility to manage some of the inputs depending on what materializes. One, is that right? And then two, could you just go through those puts and takes? I mean it seems like FX is slightly more of a tailwind, put the incremental \$20 million of cost savings, a little lower volume, a little higher price? I mean, maybe just kind of walk through those two different assumptions I talked to there.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah, Mike, I can do that and I'll break it up for you and kind of follow the sequential pattern here. So just starting with Q1, again, recalibrating everybody on the call here. As I think about our performance for Q1, our organic came in better than what we had provided, which is down 3% to 4%. We came in down about 1 point. Good start to the year in terms of EPS.

So as I kind of look forward and think about the cadence of 2Q and then the rest of the year and I'll touch on tariff in a second, coming into any given quarter, we're about 50% booked. So as I look at our outlook for Q2 coming into this quarter and Eric alluded to it in his remarks, we haven't seen our order pattern shift in April.

So as of last night, our orders continue to remain in line with expectations as I think about Q2 and the current outlook of zero to 2% our backlog supports that, which then translates into a \$1.95 to \$2.05.

As I then fast forward into Q3 and Q4 and think about the back half of the year, what this outlook incorporates is a Q3 HST ramp from 2% to 3% of \$10 million, \$10 million from 3% to 4%. FMT is staying at the same levels and FSDP is staying at the same levels, which then gets you to the 1% to 3% for the year.

From a tariff standpoint, what we've assumed in the guide is the two-third impact of the \$100 million. So call it \$60 million to \$65 million impact in this outlook. And we're going to offset that one for one with price.

The incremental \$20 million of cost-out is a proactive measure, even though we haven't seen our volumes move, we proactively deployed those in the likely event that we see our quick lead times rapid replenishment cycle businesses slow.

Michael Halloran

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

Q

Perfect. That's super helpful here. And then maybe just talk about I mean, look, we're in a little different scenario relative to normal, right? If we get some pressure points from a macro perspective on your businesses, normally that happens after a period of expansive growth, not as much frequency happening against the periods of headwinds you've seen over the last couple of years here. So maybe talk about how you see the portfolio shaping up if you do get some sort of pullback, what that resilience looks like, how you frame it? And then I know you have a lot of those offsets as you have from a growth initiative perspective. And how does that balance things out?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. So obviously kind of unprecedented times in a number of respects, as you said. But look, as I said on the slide that highlighted how we've sort of set ourselves up with five very, very strong growth platforms. We've got them lined up in talking with customers and innovating in areas that in many ways, I think are in markets that are rapidly developing, kind of irrespective of some of these forces. We've got a lot of resources and weight tilted towards delivering on those solutions.

All of IDEX right now has been leaned out and optimized through multiple rounds of productivity. And just to recap that, I mean, we came into the year, we always have baseline productivity lined up that starts on January 1.

We added that layering, de-layering and platform optimization work a lot of it in these areas of growth platforms, a lot of it in HST, so with that ready to go early on. And then candidly we just thought, hey, this is an environment that says there's -- we can do more with less. We know how to do that here. And we laid that in for kind of mitigation and protection in the back half of the year.

So when you look at it, you've got a bunch of franchises that are well-positioned. We deliver critical, incredibly valuable solutions and frankly low price points. We protected ourselves from the impact of tariffs, at least the ones that have been announced here today. And we're engaging in a way that we always do via 80-20, super sharp places and areas that are advantaged and probably hold up better to any of the shocks that are running around at time just because the nature of the solutions that we're after.

So I think this is where 80-20 kind of our credibility and reputation as operators, the two things come together and putting about as much resilience as we can imagine at a time with no doubt a lot of uncertainty.

Michael Halloran

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

Thank you.

Q

Operator: Thank you. Our next questions come from the line of Nathan Jones with Stifel. Please proceed with your questions.

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

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

Hey.

A

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

I guess I'll start with a question about tariffs and pricing. I mean, talking about two-thirds of the tariffs falling within the year kind of -- and pricing falling within the year kind of implies that market has not seen tariff impacts or pricing impacts yet. Is that fair and are those coming down the pipe probably in May or June, potentially the catalyst? I mean, it sounds like you are anticipating some of the short cycle business demand drops off. Is that kind of when you expect to start seeing that impact of customers actually seeing the dollars on their invoices?

Q

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

Yeah, Nathan. This is Abhi. Let me take a stab at it. So if you kind of think about the \$100 million that's, of course, an annualized figure and we provided the details in terms of what it is by region. That said, as I kind of take a step back and think about where we are, we're sitting here in April, end of April, first day of May, what we have seen so far is and we do hold some inventories, and what we have seen so far is a small impact in Q2 with majority of this impact we're going to see in Q3 and Q4. So if you think about the cadence of the \$60 million, \$65 million, I'd say \$10 million to \$12 million is what we're expecting in Q2 and the balance \$25 million and \$25 million end up in Q3 and Q4.

A

That's how we're thinking about it. But keep in mind, it's also about what you're buying, when you're buying it and how much the all-in inventory.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

But I think I get the spirit of parts of your question here. I mean through much of April, I think a lot of this is kind of off the radar. It's something that everybody knows is coming. It's been announced by us and others. You'll see the IDEX side of it take hold probably faster just because of the nature of just don't have as much inventory and we

A

turn things with quicker lead times, and we were pretty urgent and aggressive on price capture that we thought we had to have.

But I think you will see this start to cascade and build as we go through May and probably especially into June, just giving inventory positions and announcements and things and then really kind of full steam on the back half. And that's where I think where we and others will be looking for, okay, what's the collective impact of that? And frankly, are there other modifications? I mean, remember, that's sort of two parallel tracks there working together.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.



Okay. Thanks for that. I'm going to ask one that's not related to tariffs. I wanted to have you guys talk a little bit more about the combining of some of these businesses into these strategic growth platforms. I think probably I certainly didn't understand until I was out with you guys on the road in the first quarter and talked more about it. I think it's probably a little bit misunderstood by investors as well about what the potential benefits, what the potential growth outcomes are longer term from combining these businesses, de-layering these businesses. So I'm hoping you could just go into a little more detail and explain the rationale behind that and what you think the benefits are going to be.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.



Sure. Sure. And again, we're always careful with this at IDEX. This absolutely still leaves decision rights locally with these businesses and these platforms. And we're super careful about the integrative threads that we weave between them in terms of what dimension and where that adds value.

So, what this isn't is a massive bureaucracy with multiple organizational layers. It's in fact actually the opposite. But in my prepared remarks, there were actually two examples of this starting to come together. And so on the growth side, I'll kind of highlight those and give you a bit more insight.

As I talked about our Performance Pneumatics business and our recent acquisition, Airtech, and the work that they're doing around power solutions, frankly, sustainable power solutions for the data center market. So that business singularly has done great work over the years and is continuing to evolve it and it was a decent part of the story in Q1.

But they're actually able to now bring in Mott and some of the technology that they have there for a different and related specific application that actually helps scalability to the next level in a way that, frankly, the Airtech business never could by themselves. And no other company really could, because those two technologies typically don't exist in a way that they do at IDEX.

Now it's still early days. We'll see where that goes. But it absolutely is -- it takes that whole frontier and move that forward. And I would say that aspect right at the tip of the spear of technology is probably front and center what we're really after more than any other thing.

I talked about it in optics as we've talked about low-orbit space communication and hypersonic travel. We've got great optics franchises that we've assembled over time. Iridium being the last. They have multiple points where they're playing in that space. And so picture those as engineers working together in complementary ways where one business has 20 years of legacy is now teamed up with one business' 20 years to develop something that again is pretty novel. It doesn't really exist and it doesn't really have a competitive offering or offset just simply

because the advantaged scale that we've put together there. Again, it's relative to kind of our world and our size. But it is important in these markets.

And then as we talked about the multiple tranches of productivity that we've laid out and we talked about this last quarter, just this organizational ability to span things and span functions a little differently gives us a kick in productivity that helps fuel the innovation on the other side.

So for selling, let's say, to a single customer here and doing it across multiple businesses, in kind of the old IDEX that would have had been supported with standalone commercial organizations and then the cartoon version of this would have had multiple people in the same lobby calling on the customer.

We don't have to do that anymore. That's actually advantaged and preferred by the customer and it's a lot cheaper to run on our side. We can take those resources and funnel it right back into technology.

So it's those little extensions and those connection points between businesses, think of them as sparks and lightning bolts. That's what we're celebrating. But doing it in a very, very IDEX way. Flat organizational structure, local decision rights, everything we kind of know and expect with IDEX, but we've been able to amplify it in this way.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah. Nathan, just to build on what Eric said. So he touched on the delayering work that we did as part of yearend, but there's more chapters to it. So as you think about the five scalable platforms that Eric's talking about, there's a second chapter around footprint consolidation, around looking at that landscape and really starting to consolidate some footprint, which would be the second layer of this cost allocation towards growth.

And then the third piece is around with this level of scale, we get an opportunity to go after sourcing savings and drive more productivity. So that's chapter two and three. More to come on that as we move forward. But this is the advantage of having this level of scale and being able to drive the level of integration that Eric's talking about.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Very helpful. Thanks very much for taking my questions.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thanks, Nathan.

Operator: Thank you. Our next questions come from the line of Vlad Bystricky with Citigroup. Please proceed with your questions.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Good morning, guys.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Hi, Vlad.

A

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Thanks for taking my question here. Hi, guys. Maybe just start off for me, I think the Mott Project win that you highlighted was actually quite interesting. Can you just talk about whether that is something that's fairly unique or whether you see that opportunity as something that could be repeatable and meaningful for other customers? Do you see other opportunities, similar opportunities out there for Mott?

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah. So this is actually – was kind of a small technology acquisition that Mott made before our acquisition. And so the thesis very much was in line with what this project represents. So it's really, really advanced filtration that is being deployed, in this particular case a pretty massive scale livestock application. But essentially, we're processing the waste stream of dairy cows and things like that. And you kind of get two products at the end of it. You've got pure fertilizer on the one side and very, very clean water on the other side. And you essentially are delivering environmental friendliness with kind of resultant products that have their own potential for productivity. So that kind of is the core thesis of what this business and business model represents.

A

I must admit, this is probably at the right edge and the higher edge of the scale just simply because of where this is being applied in this particular case. I mean, it's an outstanding reference case. It's going to take us a while to engineer it, put it out there and get it in place. That's why we talked about the specific timing of the bookings and the way it's going to run out in the back half of the year. It does support partially that HST ramp that Abhi talked about later.

But it is going to be an outstanding reference case for a business that's just kind of starting to launch within Mott. But this is like right down the fairway of kind of the core argument, the core fundamental argument of what we're trying to achieve.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

No, it definitely sounds interesting. Appreciate that, Eric. And then maybe just a quick follow-up for me. I think you mentioned that you did, taken a little extra inventory here in 1Q just ahead of tariffs. I guess a follow-up question to that, have you seen any evidence from your customers of them pulling forward any order activity, if you will?

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah. So, look, that's always a tricky one for us across all businesses with a pretty customized product. So it's never been the best inventory to stack on shelves anyways. But we absolutely weren't looking for it just because you can imagine the same dimension that we responded to. I mean, for us, it was a pretty modest amount for much of the same reasons. We found a couple of pockets of it. I think – and we went and talk to people, talk to distributors and others. I think in the end of the day, Abhi, what did we say it was...

A

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

We said \$6 million to \$8 million.

A

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

I think we – I mean, we went to places, look for box levels where we go, where we hang out a lot, and just didn't see a ton of it. But we allow that there's probably that level. And honestly it's pretty equivalent to the little bit that we did.

A

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

Yeah.

A

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Great. That's helpful. I'll get back in queue.

Q

Operator: Thank you. Our next questions come from the line of Joe Giordano with Cowen. Please proceed with your questions.

Joseph Giordano

Analyst, TD Cowen

Hey, good morning, guys.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Hey, Joe.

A

Joseph Giordano

Analyst, TD Cowen

So I wanted to talk on the – and apologies if you've mentioned this in the very beginning of your prepared remarks. But the confidence now in the semiconductor recovery, or at least the resumption of those orders in the second half that we talked about last quarter, I mean I feel like the updates that we've been getting on semi is generally negative so far this earnings season. So I was just curious there's any update on that.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah. So there's kind of two things going on. I think we would agree with the overall sentiment, the industry, there has been more headlines about restrictions and things like that. And so, if you think of our business, it's split. We do a fair amount of it and the majority of it is kind of right in the heart of, essentially, the machine tool in the wafer fab and then a companion piece on the metrology and inspection side.

A

I did mention in the prepared remarks, though, that we saw some pretty good performance. We had some growth tailwinds on the MRO facing side of the business. Now, that has historically for us been in the sealing areas. So these are these are consumable items, they wear out over time and they're reflective of just using the system.

It's a little better now because as Mott has come into the picture, Mott's exposure in the space has essentially a gas filter. So it's a consumable element as well. And so they both win new platforms and then have this recurring revenue stream. So it tilts us a little bit more in that direction and that was favorable for us.

So I alluded to that, but I did say on the back side, same thing that you're seeing here, we probably see a push out, an extension of ultimate recovery here on high-cost cutting-edge machine tools. And I think we're seeing the same thing as we talk to our customers. So they don't necessarily balance themselves out. So we have a little bit of net pressure in the back half of the year from that space, but are certainly happy and have this higher level of MRO exposure.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. Hey, Joe, just to kind of bring it all together in terms of outlook because I think your question towards that will eventually turn to outlook. So again, let me just recalibrate.

So if I take a step back, again think about Q1, as I mentioned earlier, we came in better than expected. Our EPS performance was better than expected. Coming into second quarter as I look at our outlook, look at the forward look and where we're headed from Q2 and beyond our backlog position in Q2 supports the zero to 2% organic, right.

And then as I look forward and kind of think about sequentially 3Q, 4Q HST is a \$10 million ramp from 2% to 3%, 3% to 4%. And really that's driven by the backlog that we built for Mott that's going to shift in the back half of the year. The strength that we're seeing in pharma, space and defense. Okay.

And then FMT is pretty much going to be at the same levels and FSD be at the same levels of 2Q revenue to be able to get to our outlook of 1% to 3%. So that's on the top line.

On the bottom line, though, if you think about it, a third of our bottom line outlook is driven by the volume piece, as I just articulated for you. But the two-thirds is tied to things that are in-flight, in motion, i.e. cost optimization, delayering stepping up in the back half. The cost-out piece that we laid out for \$20 million as part of this conversation, that's back half. And then the timing of share-based comp from first half to second half, which is pretty significant, which is almost \$0.12. So again, a third of this first half, second half earnings ramp is tied to the revenue piece I just laid out. Two-thirds is tied to in-flight controllable actions that are part of this outlook.

Joseph Giordano

Analyst, TD Cowen

Q

Before I get to my follow-up, just maybe if I can clarify what you just said there. Are you saying that some of that semi ramp with maybe you like Muon and the large customers is like effectively been replaced with Mott and the 1Q beat and things like that so we arrive at the same place, but maybe it's not as dependent on those large orders?

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

That is correct.

Joseph Giordano

Analyst, TD Cowen

Q

Okay. And then just question on the strategic growth platforms. I mean, that's somewhat new. Is there any sense of like re-branding companies as like -- as a like go-to-market as one entity or like as one kind of overarching theme? I know that's not how this is typically done in the past, but it sounds a little bit more like that just in the commentary. So just curious how you think about individual brands versus like an IDEX franchise that goes to customers?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Now it's a good point. And in actual fact, this part has been evolving alongside for a while now. I mean, to be honest, a lot of the thinking here is actually built on kind of what happened in IDEX Health, in health and sciences over the last 10 years and we do and have for a while now branded that as IDEX Health & Science. At the same time, we still celebrate the individual brands and the brand equity that we have there. So it's a bit of a hybrid.

As we move through this and evolve, you see that today in IDEX Fire & Safety. I mean, we very much present ourselves that way out in the market, but at the same time then celebrate Hurst, Jaws of Life, Hale, those individual sub brands.

We're doing the same thing probably in an emerging perspective within Intelligent Water. Two, three years ago you would go to a Westech or one of the trade shows and see five different booths. We actually have brought those together over the last couple of years but never lose sight of the individual accumulated brand equity. It's a much lighter touch in severe-duty flow control. That's where, frankly, those individual equity stories are the highest and all we're really integrating there is kind of front-end customer acquisition through digitization at this point. So that's white to none.

And then over on the material sciences solutions side, that's just purchased, just accumulated. There's no point in branding that at this level. So I think that matters. But for us, it's indicative of when you reach a state of evolution where, frankly, the customers are starting to say this is what we want. We actually want the capitalization that IDEX provides. We recognize now that these solutions can only happen because IDEX exist and has brought them together. And then even when we introduce and put IDEX on the side of the box, we never subordinate completely those individual brands.

Joseph Giordano

Analyst, TD Cowen

Q

Great color. Thank you.

Operator: Thank you. Our next questions come from the line of Bryan Blair with Oppenheimer. Please proceed with your questions.

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

Q

Thank you. Good morning, guys.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Hi [indiscernible] (00:40:02)

A

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

You've referenced steady day rates a few times, so -- and I imagine, directionally, I know what the response will be. But I was curious if you could offer some detail on order trends at Warren Rupp, Gast and BAND-IT over in March and April. Just curious what the real time reads have been from those canary type businesses pre versus post-tariff recommendation?

Q

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

Yeah. I mean, look, as Eric mentioned it, I alluded to it, as I think about the business as you're talking about, Eric and I track them on a weekly basis, daily basis. We look at the order trends, compare them to last week, last quarter. And what we've seen in Q1 and, frankly, till 5:00 P.M. of last night is order trends have been steady and are in line with our expectation. We have seen no movement, if you will, on those order trends.

A

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

So, really nothing identifiable based on news of the day externally, where the next day it pivots or changes. I mean, they always ebb and flow a bit day to day. But we look at the kind of moving average and we look at how it tracks across them. That actually tells you more when they line up and move the same way, given the breadth and the difference in businesses that's where we get the most intel.

A

And then, we this time of year as well is also good for us. We have a fair amount of distributor conferences where we bring everybody together in the different businesses and we get the opportunity to then have three dimensional conversations around that day, those day rate data. And we just had one of those, the biggest one last week, same story.

It's kind of consistently people saying, hey, things are holding up, my customers are doing well, they're still requiring things. The systems are working. There is hesitancy on bigger projects. I talked about that. But honestly, that's been pretty consistent for a while now. And then lots of captive energy about I wonder what comes next that's absolutely there, too.

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

Yeah, of course. That's helpful color. Thank you. And I understand at any point in time, there's only so much that your team can discuss on this front. But maybe just a high level update on the M&A environment and how, if at all, the uncertainty of this backdrop has affected your team and your M&A strategy.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah, well, I think there's no question that, in terms of people looking to transact quickly and legitimize where their business is going to go and all the things you would need to make a transaction move fast in the near-term, I think you're seeing that pretty slow for not just us, but for everybody.

A

We always kind of divide this activity into buckets, so I would say the lion's share of all the work that people are doing is really at that conversational diligence level, getting to know people. Remember, about 80% of the deals we've done in the last few years have been proprietary. That's the way we prefer it. We like taking our time, getting to know a business like Mott. And so that was a multi-year conversation.

We have other conversations like that going on and they don't change or ebb and flow. In fact, in some ways they get more intensive around changes like this and how that shapes, how a team thinks about its business.

So big category work that doesn't get affected. That work around near-term transactions. I think you can imagine it's -- that's slower now. I mean, the number of people offering us things from out of the blue is certainly slower for all the reasons you'd expect. But that really isn't a feeder stock for us anyways.

So I think that this is a speed bump in many ways, but it doesn't interrupt the overall quality of the work or the work that we're doing and, frankly, our future vision for what we can deploy.

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

Q

That makes sense and encouraging. Thanks again.

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

Deane Dray

Analyst, RBC Capital Markets

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

Q

Hey. Maybe you can expand on your earlier comment on strength in municipal water. I mean, the idea here is that's probably the most defensive of defensive verticals just because so much of it is OpEx and non-discretionary and projects are locked in and so forth. But just any color there in terms of the outlook? Thanks.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah, yeah. No, I think you're right. It's very, very defensible business and again, the work that we do is very localized around the wastewater side of things and critical analytics as we examine that infrastructure and help our customers dig into how it's working.

And so that kind of protect -- there's some natural resiliency there on two fronts. One, the things that thunderstorms and things that could be affected by climate, I mean, they're not affected by trade policy. And so, the need for people to understand that, mitigate it, I think last night I saw there were floods again in Oklahoma, that's the work we do. A lot of our businesses are helping with flow monitoring and understand where the system broke down and how it should be remediated.

And so, that's really unaffected. There is some natural resiliency from, frankly, some probably unfortunate variable inputs.

On the other side, remember, to the extent there's funding support for this, it's broad and it extends over multiple years. Our end customer for a lot of these businesses is actually specification engineers, which are putting together the capital projects that goes and grabs some of that funding. So, if we're in a multi-year wave of stronger strength within municipal water, our positioning at the front end of it is, it's got some natural resiliency as well just because we're helping people figure out how they're going to appropriate those funds, ask for them, request them and put them to work.

So I think I think some of it is just sector driven, as you've said, Deane. I think a lot of it is just the nature of what we do, what we've localized around and the natural resiliency of that kind of work.

Deane Dray

Analyst, RBC Capital Markets

Q

Yeah, it's what's, from what we can see, the storm water management is one of the fastest growing water sector verticals, both because of the funding, but also the fines that the EPA is pursuing against cities if they're not addressing it. Are you seeing both of these driving the storm water management?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah, the sort of regulatory side of this has always been a driver for this business. Yeah.

Deane Dray

Analyst, RBC Capital Markets

Q

Good. And then just separately, anytime there's heightened uncertainty, it has a fallout on M&A in terms of if there's a falloff in multiples, the sellers have a way of being pretty sticky and remembering what their business was worth just a few months ago so -- and they'll even pull some transactions until things settle out. Just what's been your perspective here real time on the kind of funnel and multiples?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah, well, I think you're right that quality businesses tend to be very sticky around those valuation expectations. If anything, uncertainty then tends to drive things out to wait for good times to return so that everything can be back to normal again. So the timing probably more than valuations, I would say being impacted by something like this, this round of uncertainty.

For us, I mean, we're just at a period with -- I mean, we're really doing two things in this area. We're spending a lot of time kind of optimizing, building and integrating on, frankly, the higher activity that we brought into the company through M&A. So we're doing a lot of work there. And then around these growth platforms, I mean, as I talked

about in the comments, there's a lot of room to run. And so we're doing a lot of exploratory work, initial conversations. So that whole chapter, as I said before, doesn't really go down at this point. In fact, in some ways, people are more available for it now.

And then on the other side, we're looking at some interesting bolt-ons. We've got a framework here with over half of the company with natural attachment points. And so I think around some nice bolt-on work that could happen here over the next couple of quarters [ph] which should (00:48:21) be very good.

Deane Dray

Analyst, RBC Capital Markets

Q

Terrific. And I was remiss at not welcoming Jim to the team. And best of luck.

Jim Giannakouros

Vice President, Investor Relations, IDEX Corp.

A

Thanks, Deane.

Operator: Thank you. [Operator Instructions] Our next questions come from the line of Brett Linzey with Mizuho. Please proceed with your questions.

Brett Linzey

Analyst, Mizuho Securities USA LLC

Q

Hey, good morning, all. Hey, I want to come back to the organic sales outlook, the 1% to 3% unchanged from the previous outlook. It sounds like the composition has maybe changed a little bit, but I was hoping maybe you could just dimension that.

So, you're getting the 3 to 4 points of incremental tariff induced pricing. I imagine you had some price embedded in the original assumption. Is it fair to say price is up and you're taking a little bit more hedge on the volume side? Any thoughts there?

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Absolutely. I can walk you through it. So the original outlook that we had laid out of 1% to 3% implied a price of 1.5. So as you kind of think about the full year outlook, the way we see it today, that hasn't changed. What that does incorporate is an additional 1.5 of price on a full year basis. So if you think about the current outlook, it is assuming 3 points of price for the full year and then volume being down 2% at the low end and being flat at the high end. Okay.

As Eric alluded, as I've mentioned, we've not seen our April order rates move, but proactively, we have gone out and identified an incremental \$20 million of cost that we're taking out, which then gives us protection from 3% to 4% volume decline in the back half of the year.

Brett Linzey

Analyst, Mizuho Securities USA LLC

Q

All right. Got it. And appreciate that. And then just a follow-up on some of the government spending or the austerity measures under DOGE and the new administration. Are you seeing any spending reductions or impact

on grants driving customer spending decisions at this point? And then maybe any update on the core life science customer base and what you're seeing there from an order perspective?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. So on your first question, I mean, not a lot directly. The kind of work we do is more iterative and not massively project dependent. So to the extent there's some impact there, it's harder to read and it hasn't really presented itself when we talked about that in our daily rates.

Life science is an area where it does come up because there's obviously been some work towards NIH funding. But that's pretty low percentage ultimately for our customers and the read-through for us is kind of low percentage as well. And frankly, in our life science markets, the strength in pharma sort of offsets it. And so that's one area where the headline you can hear about it – hear about a little closer to home. But it's at a low impact level and we offset it.

I would say generally in places that it might be presenting itself elsewhere in the business, again, I think it's probably being offset by some of the strength we've seen in defense applications, space. So, it's netting out at present if it's there. And again, because of the nature of sort of project work that we do or the lack of it, you just it – doesn't present itself as a big impediment at present. It's sort of one of those things that I think people are speculating about direction and ultimate impact, but really hasn't landed anywhere near us yet.

Brett Linzey

Analyst, Mizuho Securities USA LLC

Q

All right. Got it. Appreciate the detail. Best of luck.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thank you.

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Thanks.

Operator: Thank you. Our next questions come from the line of Matt Summerville with D.A. Davidson. Please proceed with your questions.

Matt J. Summerville

Analyst, D.A. Davidson & Co.

Q

Thanks. Just maybe first, just to follow-up, I want to make sure I understand this. You're basically saying that through this incremental proactive cost-out, you can absorb a 3% to 4% organic sales decline in the second half of the year but that is not how you've guided the top line? Do I have that correct?

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

So when you said 3% to 4% year-over-year, what I'm saying is if you think about the \$20 million of cost-out and think about our prior outlook to our current outlook, it will absorb 3% to 4% top line decline with that \$20 million. So it's outlook to outlook shift.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

But it would absorb the volume component of it. We would get some of the price capture would stand in for some [ph] of the product set (00:53:02).

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

Yeah.

Matt J. Summerville

Analyst, D.A. Davidson & Co.

Q

Okay. And then as you look at kind of the maybe you can comment to as the year has unfolded through the first four months, realizing that inbound orders have been healthy, have you seen any discernible trend in the sequential cadence in orders? And are you getting any sort of sense that you have customers, especially in kind of your more distribution facing businesses are buying ahead? And if so, can you maybe try to quantify that? Thank you.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

I'd say the cadence has been pretty uniform through each of the four months in the majority of our business. Maybe elevating and growing a little bit with more strength in HST but largely that's because of the wins we saw in places like Mott and in defense and space. I mean, they're attributable to things you'd want to see in a business.

Everything else pretty stable. We talked a little earlier about the buy ahead. I mean, we looked and looked and looked and think it's at relatively low levels. I think we talked what do we say just a second ago, Abhi?

Abhishek Khandelwal

Senior Vice President & Chief Financial Officer, IDEX Corp.

A

\$6 million to \$8 million

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. Something like that. It kind of matches the same percentage that we did. It's unusual for us to do it, kind of unusual for our customer base. But we found evidence that we're sort of in line on that. So we don't think it's a big number, but I wouldn't say it's zero.

Matt J. Summerville

Analyst, D.A. Davidson & Co.

Q

Got it. I missed that \$6 million to \$8 million. Thanks for clarifying that.

Operator: Thank you. We have reached the end of our question-and-answer session. I would now like to turn the floor back over to Eric Ashleman for closing comments.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Well, thank you very much, and thanks for everybody for joining the call today. Obviously, as we discussed this morning, it's a dynamic and fluid situation as global trade relationships are reset and redefined. But I just ask that we remember that some things don't change at IDEX. Our businesses are really strong. I mean, they're just outstanding. We deliver a ton of critical value at price points that are low relative to the total cost of the customer solution. And we enjoy really long and productive relationships with world class customers.

I think our number one job now is to support those same customers as they navigate the same uncertain waters that we're looking at with innovation, agility and global breadth. And as we do that, we'll keep our fingers on the pulse of prevailing economic trends and to control what we can control, adjust where we need to, and clearly communicate our latest thinking as we move through the next phase of change. Thanks again for your interest and support of IDEX and have a great day.

Operator: Thank you. This does now conclude today's teleconference. We appreciate participation. You may disconnect your lines at this time. Enjoy the rest of your day.

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