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IDEX Corp. (IEX)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Third Quarter 2025 IDEX Corporation Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Jim Giannakouros. Thank you. You may begin.

Jim Giannakouros

Vice President-Investor Relations, IDEX Corp.

Good morning, everyone, and welcome to IDEX's third quarter 2025 earnings conference call. We released our third 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 Akhil Mahendra, our Interim Chief Financial Officer and Vice President of Corporate Development.

Today's call will begin with Eric providing highlights of our third quarter results and a discussion of our current business outlook and strategies. Then Akhil will discuss additional financial details and our updated outlook. Following our prepared remarks, we will open 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've 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.

Thanks, Jim. Good morning, everyone, and thank you for joining us today. The IDEX teams across the globe collectively delivered better-than-expected results in the third quarter of 2025. I'm proud of our team's hard work and steadfast commitment to execution, particularly given today's challenging economic conditions.

I'm on slide 3. Regardless of the business environment, our business model and 8020 philosophy, along with our strong balance sheet and continued robust cash generation, position us to quickly address challenges and pursue opportunities as they arise. We do this while remaining focused on driving long-term sustainable growth and value for all of our stakeholders. As we'll discuss further today, our team is laser focused on the things we can control, thoughtfully executing our strategy amid a dynamic economic environment.

Before I provide an overview into our results, I'd like to step back and highlight where we are in IDEX's evolution and frame our priorities in the months and quarters ahead. When IDEX was founded almost 40 years ago, it was effectively a holding company, with a portfolio of disparate but attractive industrial businesses. These were strong brands operating independently without a clear governing framework. In Phase II, we introduced a common IDEX culture and business approach, powered by an operating model with 8020 as its heartbeat. 8020 not only enhance the efficiency of our operations, but also served as a decision making framework and growth accelerator, guiding our focus, resource allocation and portfolio optimization.

In our current Phase III, we've made a number of foundational acquisitions accompanied by complementary bolt-ons to expand our capabilities in targeted, advantaged end markets. These additions help us establish higher growth platforms leveraged to 21st century secular trends.

Today, we are intensively deploying 8020 in these areas to enhance efficiencies and productivity and unlock integrated growth potential. We followed this playbook over the previous decade to build our IDEX Health & Science platform. Now, we want to repeat the work at a faster pace, with more power, as we integrate new businesses and technologies into IDEX.

I'd like to take a moment and shine a light on the three pillars of 8020-driven higher growth so you can best understand our strategy to unlock sustainable value for shareholders. Please turn to slide 4.

The first pillar involves targeting high-growth, advantaged markets as we allocate capital within our portfolio. We acquired 11 outstanding companies over the past five years. Each business brings one or more critical technologies to IDEX alongside a series of attractive market access points.

Examples of the critical solution set that's expanded for us include support for data centers, space and defense, advanced semiconductor manufacturing, and water. Each acquired company links and integrates in some way with other pieces of IDEX, providing scale and efficiency while reducing enterprise complexity. In parallel to this work, we divested four businesses with less attractive market exposures and lower potential to scale.

Our collective growth entitlement has moved to the right of traditional industrial indexes. We now have five thematic growth platforms that cover half of our revenue, and we believe they will disproportionately fuel organic growth for IDEX as we move forward.

In prior earnings calls, we talked about our build-out of the Intelligent Water platform, expanded in the last few years with the acquisitions of Nexsight and Subterra. These businesses were a strong contributor of organic growth for IDEX in Q3. In September, we were proud to host a number of analysts and investors at the largest water industry trade show in North America. They were impressed by what we've built.

We've also publicly referenced some great work at Airtech within our Performance Pneumatics group. The team continues to win as they support power-gen applications for data centers. They were a top driver of orders and sales growth for HST this quarter. Making great businesses work together is the second pillar of Phase III growth outperformance.

Please turn to slide 5. Here, we integrate technologies and market access points within growth platforms. As an active example, I'd like to take you through our integration progress within our Materials Science Solutions platform. The teams there have done excellent work. They also were strong contributors to HST's growth in Q3.

All of the companies within MSS map close to one of three critical jobs to do for customers. One, we form critical material properties. Two, we shape materials to create and control surfaces. And three, we add functionality by applying coatings. The platform brings these capabilities together for power.

Our teams like to say, if we hit one of these attributes, we can bid on a project. If we had two, we're highly likely to get the order. If we hit all three, we can set specifications in the space and drive transformative growth.

Within MSS, I'd like to highlight how the team at Muon is doing a great job, effectively offsetting pressures within semicon lithography to drive performance. With 8020 at the heart of the work, Muon is improving productivity, rationalizing its cost structure, focusing on higher-quality revenue and redeploying resources towards higher-value commercial opportunities.

An example of tuning towards advantaged markets is the development work Muon is actively pursuing now within data center cooling applications after recently winning business in the optical switching space, which we mentioned last quarter. We are excited about the results our 8020 actions are driving, which notably improved Muon's profitability in the third quarter to above HST's segment average. The MSS platform is well positioned to drive profitable growth going forward.

Please turn to slide 6. The third key component of Phase III of IDEX's evolution is balanced capital allocation. Akhil will get into more details here, but after the last few years of accelerating larger M&A to build our growth platforms, our current focus is on optimizing our business portfolio, tuning our capabilities in an ever-evolving marketplace, augmenting those efforts with strategic bolt-on acquisitions and returning capital to shareholders.

I hope you found this overview of the evolution of IDEX helpful and engaging. We are confident in the strategic plans to drive sustainable, profitable growth for shareholders in the years ahead.

Now, I'd like to move to our third quarter 2025 results, which demonstrate traction on these collective efforts and position us well to deliver within the guidance we set for the second half of 2025. I'm on slide 7.

IDEX delivered better-than-expected third quarter results despite continued macro uncertainty. Our Health & Science Technologies segment, or HST, is building momentum as our teams continue to identify integrated growth opportunities. Overall, organic orders and sales increased 5% and 10% respectively year-over-year on the back of growth in pharma and data centers. Our most recent acquisition, Micro-LAM, is off to a great start, enhancing our capabilities in optics given their proprietary materials shaping technology. As discussed earlier, we saw strength from our businesses within MSS, notably within our optics businesses and Muon.

HST also drove strong margin improvement due to volume leverage and full run rate of their platform optimization efforts. We see a path for continued margin expansion going forward. While HST continues to successfully tune its capabilities towards advantaged markets, the segment's more fragmented industrial market exposures are netting to flattish, and we see little evidence of near-term improvements.

In Fluid & Metering Technologies, or FMT, third quarter sales and profitability exceeded expectations, driven by strong execution and pricing. Our water businesses facing municipal markets were standouts in terms of orders and revenue growth. FMT's general industrial exposure points remained stable without signs of positive inflection.

Finally, in our Fire & Safety/Diversified Products segment, or FSDP, disruptions in the funding environment and sluggish replenishment spend impacted our third quarter results and temper our expectations for near to midterm demand.

So, overall, we see a dynamic macro environment with an uncertainty overhang that we expect will continue into 2026. It's not clear how and when broad external catalysts will line up to support more predictable and positive conditions. But at IDEX, we plan to continue to make our own luck through 8020, tuning our resources and technologies towards those opportunities with higher growth velocities and work together as a team to integrate our growth platforms, providing more solutions power for key customers. We're on track to deliver the second half of the year and look forward to continuing our momentum into 2026.

And with that, I'll pass it over to Akhil to discuss our financials and our updated outlook in greater detail.

Akhil Mahendra

Interim Chief Financial Officer & Vice President-Corporate Development, IDEX Corp.

Thanks, Eric, and good morning, everyone. All the comparisons I will discuss will be against the prior-year period, unless stated otherwise. As Eric mentioned, in the third quarter of 2025, IDEX delivered strong financial performance. Organic revenue growth of 5% was better than we expected, with momentum in HST driving the outperformance. And adjusted EBITDA margin and adjusted EPS came in higher than our forecast for the company overall.

Orders grew 7% organically in the quarter. Our HST segment reached a record high at $390 million, and both FMT and FSDP posted high-single-digit order growth in the quarter. While order activity was strong on a year-over-year basis, much was received and shipped within the quarter, leaving overall backlog levels relatively flat sequentially. And as a reminder, given the nature of IDEX's rapid fulfillment business model, we typically enter a quarter approximately 50% booked, which limits our overall visibility.

Touching on some of the more meaningful business demand trends in the quarter, we saw strong order activity within municipal water, data centers, semiconductor, MRO, pharma, and space and defense. Semiconductor lithography remained below prior-year levels. In life sciences, where IDEX provides niche component for analytical instruments, we continued to see low-single-digit growth.

Finally, while we posted order growth in FSDP, this increase was largely due to timing of orders last year. FSDP order activity was subdued in the third quarter, specifically in Dispensing and Fire and Safety outside of the US.

Organic sales in the third quarter grew 5%, with both positive price and higher volumes contributing versus last year's third quarter. Strong price execution across segments was the primary driver while volumes increased in both our HST and FMT segments, but declined in FSDP.

IDEX adjusted gross margin contracted slightly, or 10 basis points versus last year given unfavorable mix. These headwinds were largely offset by productivity gains across our businesses. Adjusted EBITDA margin expanded 40 basis points versus last year, reflecting productivity gains, favorable price/cost and volume leverage. These more than offset unfavorable mix.

Our platform optimization and cost containment efforts yielded $17 million in savings in the third quarter. These initiatives remain on track to deliver over $60 million in full-year savings. Free cash flow of $189 million decreased 2% versus last year on higher working capital. Free cash flow conversion was 123% of adjusted net income, and we remain on pace to achieve our target of at least 100% free cash flow conversion for 2025.

We ended the third quarter with strong liquidity of approximately $1.1 billion. And finally, we deployed another $75 million to repurchase IDEX shares in the quarter, taking our total to $175 million for the first three quarters of 2025, continuing our acceleration of returning cash to shareholders, as Eric noted earlier.

Now, quickly, some color on our results by segment. I'm on slide 9. In HST, organic orders grew 5% and revenue grew 10%. Volumes increased on strength in life sciences, space and defense, semiconductor consumables, pharma, and data centers. These areas more than offset year-over-year declines in semiconductor lithography and industrial businesses.

HST adjusted EBITDA margin expanded 120 basis points year-over-year, given strong volume leverage, platform optimization savings, cost containment actions and favorable price/cost. These more than offset the dilutive impact of unfavorable mix.

Turning to slide 10. In FMT, organic orders increased 8% and organic sales increased 4%. Orders growth was supported by our Intelligent Water platform, which delivered strong performance this quarter, with project timing and favorable prior-year comps driving results otherwise.

Looking at our leading indicator, industrial order rates, they appear to be range-bound, and notably without any strong indication for sustainable inflection in the near term. We also are seeing continued hesitation on larger orders from customers across most of our industrial end markets. FMT achieved adjusted EBITDA margin improvement of 90 basis points, driven by favorable price/cost and execution of platform optimization and cost containment actions.

Please turn to slide 11. FSDP organic orders increased 7%, but organic sales declined by 5%. Orders benefited from continued growth within North America Fire OEM and growth in BAND-IT. Within Dispensing, orders increased, but this was largely driven by timing. Organic sales declined in the quarter, primarily due to soft volumes across fire OEM, rescue tools and dispensing. While short-term headwinds impacted sales in fire and rescue, the broader outlook for these businesses remains steady, albeit with limited catalyst for near-term acceleration, as macroeconomic and geopolitical factors weigh on order activity.

Dispensing volumes were also pressured, reflecting the natural progression of the businesses' refresh cycle. As customers increasingly shift towards refurbishing existing equipment rather than investing in new machinery, we anticipate continued softness in this area. FSDP experienced adjusted EBITDA margin contraction of 200 basis points, mainly due to volume deleverage. This headwind was partially offset by platform optimization and cost containment actions and favorable price/cost.

I'm on slide 12. Now, let's turn to capital allocation for the quarter. As Eric mentioned, free cash flow generation remains strong, allowing us to continue to allocate resources towards the areas we think will generate the highest returns. We drove $189 million of free cash flow after investments for organic growth, including CapEx spend of $15 million in the quarter.

And IDEX has generated 97% free cash flow conversion year-to-date. We ended the quarter with strong liquidity of $1.1 billion, including cash levels of about $600 million and revolver capacity of about $500 million. Our current gross leverage position sits at approximately 2.1 times. And while we feel comfortable with our current leverage and liquidity position, we intend for our leverage to migrate lower and get to our typical target range of under 2 in the next several quarters.

Our balance sheet provides financial flexibility to meet capital allocation priorities. As mentioned earlier, we accelerated our pace of share repurchases, repurchasing $75 million shares in the quarter and $175 million year-to-date. And in September, we increased our share repurchase authorization to $1 billion. We paid approximately $54 million in dividends in the third quarter and continue to target 30% to 35% of adjusted net income in dividends paid.

Regarding M&A, we do not expect to pursue large acquisition opportunities in the near term after investing in the establishment of our growth platforms over the last couple of years. Instead, we will be focused on bolt-ons and portfolio optimization in the coming quarters.

Please turn to slide 13. We are narrowing our full-year guidance range to $7.86 to $7.91, which remains within our previously communicated outlook of $7.85 to $7.95. This reflects continued strength in HST, particularly within our advantaged markets, data centers, space and defense, semiconductor MRO, and pharma, which are helping offset pressure in our FSDP business stemming from funding disruptions and sluggish equipment replenishment spending.

FMT continues to perform in line with expectations, contributing to overall portfolio stability. Both our organic growth expectation of 1% for the fiscal year 2025 and adjusted EBITDA margin expectation of between 26.5% to 27.5% (sic) [27%] (00:20:21) remain unchanged. Our updated guidance reflects more of a level load of sales between the third and fourth quarters, reflective of the typical historical seasonal cadence at IDEX. Our strong third quarter results have positioned us well to deliver on the second half expectations we set this summer.

With that, I'll turn the call back over to Eric.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Thanks, Akhil. I'm on slide 14, where we highlight the key drivers of IDEX's shareholder value creation. As I mentioned earlier, we are squarely in the midst of driving Phase III of our evolution. We are applying 8020 to drive integration, operational improvement and enhance growth prospects across our high-margin growth platforms. We intend to remain very selective around bolt-on acquisitions to augment our organic efforts, taking a balanced, long-term approach to capital allocation supported by near-term intentionality. And as Akhil said, our current focus here is smaller bolt-ons and returning capital to shareholders.

In the past couple of years, we identified acquisition opportunities and pulled forward activity to more quickly establish attractive, value-creating growth platforms. We are now acutely focused on applying 8020 to maximize their potential. We believe all this will drive meaningful EPS growth over the longer term, driven by organic growth we can leverage and capital deployment that amplifies IDEX's value creation potential for all stakeholders.

We have outstanding and passionate teams and talent, a portfolio of highly critical and adaptable technologies in advantaged markets, and a culture of operational excellence and the heartbeat of 8020, which powers it all, supported by a robust balance sheet that we leverage via a balanced and effective capital deployment philosophy. We believe we are in a position of strength to deliver as a premier growth compounder as we close out the decade and head towards our next phase of evolution.

That concludes our prepared remarks. And with that, I'll turn it over to the operator to take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Deane Dray with RBC Capital Markets. Please proceed with your question.

Deane Dray
Analyst, RBC Capital Markets LLC

Q

Thank you. Good morning, everyone.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Hey, Deane.

Deane Dray
Analyst, RBC Capital Markets LLC

Q

Hey. Really appreciate that slide 3 on the evolution and also just kind of giving us the near-term clarity on capital allocation, portfolio optimization and so forth. That was a big help.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Sure.

Deane Dray
Analyst, RBC Capital Markets LLC

Q

Hey. This seems always appropriate, especially given that macro uncertainty, Eric, to have you give us your insight into the tone of business. You mentioned some order hesitation, but just the metrics that you typically use, the day rates, order size, some of the bellwether businesses, and can you also weave then whether there have been any blanket orders that's also a good indicator for us? Thanks.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Sure, sure. Well, really, look, I think there's kind of two realities out there. There's the – those areas that we focus that are really contributing to our growth. And those are dynamic and aggressive and exciting. Data centers and the things we're doing in water, space, I know you know well. So, those kind of have their own rhythm of positive energy. And then you have kind of the broad economy next to it. And this is, for us, is a lot more fragmented.

I'd say it's certainly stable. I don't – it's not really inflecting one way or the other. The way that we kind of pulse that, as you know, is we line up about six or seven businesses, we look at what we call their sort of day rates, a lot of it comes through fragmented distribution. We watch them together and if they ever move in the same cadence, it generally tells us we're approaching some inflection point, either positive or negative. And so, as we've been monitoring those throughout the year, I'll actually take you through it, I'd say in kind of Q1 leading up to the events of the spring around policy, those were stable, but they were a little higher than they are now.

Then of course, we went through the spring and summer periods of tariff announcements and policy stuff and we had a lot of things swinging back and forth, that kind of resolved itself in July as we talked through on the last call. And now, it's stable again. It's just at a slightly lower level than it was in the first quarter and that it kind of makes sense. There's an extra dimension of uncertainty hanging over everyone's heads here related to where policy direction might take us. So, I think we're still looking for things to turn there. We monitor them every week, but as of now, very, very stable, without inflection.

On the large order side, which is not as big a part of the order flow for us, but does tell us things, these would be discrete items where we actually know the end customer and how many they require and what they're actually building out. We just see that same kind of hesitancy. We don't see things being canceled. We see the decision process being elongated. Well, typically you kind of see the funnel move a little bit to the right in terms of timing of outcomes.

And largely, we're capturing the orders we would expect, it's just taking longer. And so, not really an inflection positive there either. But again, just – that's kind of one world. It's sit next to another world that almost operates with an entirely different cadence because it's being driven by other macro forces that are not as affected by these things.

Deane Dray
Analyst, RBC Capital Markets LLC

Q

That's all really helpful. And just as a follow-up and then I'll hand it off, just can you reference any of the bellwether businesses in particular and also the impact of government shutdown on the fire business in particular?

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah, yeah. So, the kind of bellwether businesses, a lot of them for us are in FMT, there's much more fragmented user base through indirect distribution. So, you can think of places like Gast, Warren Rupp, Viking. Over on the HST side, a business like BAND-IT, which does in clamps. There's a portion of that business that's pretty fragmented as well through kind of industrial applications. There's a few others. But that's generally the nature of what we're looking at.

And the reason it's meaningful for us is, I mean, it's really, really rapid fulfillment, as you mentioned. So, we can get an order on a Monday and make it on a Wednesday, and it's in service on a Friday. So, it gives you a really good indication of what consumption actually looks like on the outside. And when those are constant, it generally tells us the system is working, people are fixing things, maintaining, replacing like-for-like. When it starts to move, they're doing more work, they're running extra shifts. They might even be expanding the facilities. So, that's kind of how we use it as a filter.

Oh, and the government – sorry, the government funding...

Deane Dray
Analyst, RBC Capital Markets LLC Q

Yeah.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp. A

...question, really that doesn't have the effect you might think. The North American fire and rescue markets are actually really good. They've been good for a while now. As you know, we do – we've got kind of an enhanced automation offering there as well. That's kind of helping us grow above baseline entitlements.

So, what we're really seeing when we reference government support, it's more of a European and Far East issue. For us, that's China markets and some broader Southeast Asia. Typically, at kind of this point, back half of the year, they start to move up a bit as you get closer to the end of a budget cycle. And this particular year in both geographies, we didn't see that, and in fact, we saw it kind of turn the other way.

If you think about it, in Europe, a lot of the funding over there is being used for other purposes. You can think of like the European equivalent for FEMA and sort of preparedness. So, there's not as much to go around in our line of work. And I just think, in China, it's the continuation of a theme there. It's a desire to support more local industries, if you will, and be really, really careful on decision making around higher government spend at a time where the economy is just not as strong, but not as affected on the US side. It's not that direct a relationship.

Deane Dray
Analyst, RBC Capital Markets LLC Q

Yeah. Thanks for that clarification and appreciate all the color. Thanks.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp. A

Thank you, Deane.

Operator: Thank you. Our next question comes from the line of Mike Halloran with Baird. Please proceed with your question.

Michael Halloran
Analyst, Robert W. Baird & Co., Inc. Q

Hey. Thank you. Morning, everyone.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Good morning, Mike.

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

Q

Hey. So, no, I agree with Deane, I like those four slides you put at the front that kind of laid things out. One question on it, can you frame what this means from a growth perspective for the portfolio relative to history? I know that the 2010s, the growth was pressured by the 8020 piece, but it was kind of in that 3%, 4% kind of range, all else equal on a reported organic basis. What does that look like on a forward basis in a normal environment or however you want to frame the growth algorithm today versus the previous decade before you embarked on Phase III?

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. Well, sure. I think, like, if you kind of track IDEX historically, especially in that period or before, you'll see that we kind of tracked right along with industrial production or the [ph] ISMX index (00:30:34), I mean, almost one for one, it's very high correlation in those years. And so, by doing this work on the integrative side, bringing in, frankly, higher levels of vitality in the technologies that we've acquired, a lot of it in HST, some of it in the water space, certainly captive within our growth platforms, what we're trying to do is move that fulcrum to the right.

And we're starting to break from it now just because of the collective weight, a lot of it being delivered in the HST segment. And so, if you think of that as historically something that's been kind of the lower side of low-single digits as an entitlement, the industrial piece, we see that moving up, and ultimately would like to get it sitting closer to mid-single digits for the company, so kind of GDP-plus, and really being just driven on the backs of two things, really, the portfolio itself, the composition of just higher-tech assets that are more in line with, as I said on the prepared remarks, 21st century secular trends.

But at the same time, and I think this is important, that source code that we're writing in terms of how these technologies actually work together in a company like IDEX with tunable technology and you really, really see that taking shape in the Materials Science Solutions platform that I outlined and its impact on a single business like Muon, where actually you're seeing faster results because of the collaboration across the dimensions that we've outlined here. So, it's those two things. It's assets coming on board and the way we work those assets together that then moves us off of kind of an industrial fulcrum to something closer to mid-single digits.

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

Q

That's helpful. Appreciate that. And then, maybe the answer here is obvious with some of the stuff you said in the earlier remarks. But you look back over the last seven or so quarters, orders have been positive, they've kind of trended, if I take a really loose average in that 3%, 4% kind of range from an organic growth perspective.

How do you think about when the revenue levels can start more consistently normalizing towards that range? We've had a lot of moving pieces quarter-to-quarter for a while now.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah.

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

Q

But just when do you think there's going to be more of a consistent relationship between those things emerging?

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Well, I think two things got to happen there. I mean, we – obviously, we're getting a lot of price, too. So, as you reference those numbers, what we're looking at is, is not just the organic rates, especially on the industrial businesses, but we're actually looking for the volume step-up underneath it. And so, I do think it's been a while now since that sort of base level industrial world started to move or inflect. So, at some point when it does, I mean, we're going to be really, really well positioned to move on top of it. That's still an important part of the business and it covers a lot of IDEX.

I think, back to this theme of controlling what we can control and having more pieces available at our disposal to do it, that's the part that's more impactful and where we're spending all our time and energy. So, stories like you see in the Materials Science Solutions platform, the work that I've referenced long ago about kind of how data centers are coming together in our pneumatic space, that's kind of leading the way for growth for us right now. Water, which on the municipal-facing side, that was a high-single-digit grower for us here in this quarter.

And so, having more of those cases and points put down and then ultimately Mott being part of that as well, as we continue the exact same work there, I think it's those two components. It's an entitlement shift that I think is overdue on the industrial side, and then us just doing the work that I'm describing here on top of it.

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

Q

Thanks, Eric. Appreciate it.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Thank you, Mike.

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

Joe Giordano
Analyst, TD Cowen

Q

Hey, guys. Good morning.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Hi, Joe.

Akhil Mahendra
Interim Chief Financial Officer & Vice President-Corporate Development, IDEX Corp.

A

Morning.

Joe Giordano
Analyst, TD Cowen

Q

Hey. I'm just curious, Eric, like, when you – if you just, like, step back now, like, after the – and you kind of take in the last year, 18 months or so, and you look at the deals you've done, clearly, interesting deals with – positioned into the growth areas that you mentioned. But, like, if I compare, like, what we've been acquiring to what we used to acquire, like, was there a sense of, like, maybe we chase growth in a different way and did we get away from what made IDEX unique in terms of the positioning and, like, the visibility of these businesses. I'm just curious how you would kind of push more on the whole, like, last two years here on the M&A side, now that we're refocusing on 8020, like, as a specific mandate again.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah, yeah. Appreciate the question. I think – well, look, from probably the most positive aspect, the line of sight between the technology and the market access points we've acquired and areas of growth in the economy that are not affected by some of the things we've talked through, I think, is really positive. Almost every single point we've referenced here in terms of us making our own luck, you can trace it back to areas very close to the businesses that we've acquired. So, I think that part of the thesis I feel very confident about.

The actual work being performed is not that different than I remember coming out of the earlier days of IDEX. Well, a lot of our traditional technology was pretty industrial in nature. The actual development and iterative innovation work that goes on there is very, very difficult and cutting edge. And so, part of the thesis here really is, is to essentially set the same specification points now in emerging industries be a part of that, be a partner with customers as they develop things and then solve problems that I think are honestly pretty equivalent to what we did back in the earlier industrial times. But there's new markets and new worlds here that are available that we need to be a part of that will be essentially annuity streams for us over the next decades here.

They're different assets. We do a lot more of the work in clean room environments than we used to do in traditional manufacturing. But the nature of engineering first, rapid iteration, kind of a big capital D and a small R in R&D, I mean, that's classic IDEX. And then the ultimate business filter here that looks at delivering massive criticality at a kind of low point of the bill of materials is just – that's the sort of secret source code of our economic engine, that's constant as well.

So, I think it's – while it is an evolutionary shift and probably the newest piece of it is the way that we're collaborating cross-borders within business. I actually think that's reflective of just where the world is now as well, the kind of solutions they're asking us to solve, some of the best customers that are out there, they often demand work that transcends a single business or a single technology. So, we're setting ourselves up in a way that we can continue to participate with a world that's developing and evolving as well.

Joe Giordano
Analyst, TD Cowen

Q

That's great color. And just kind of like a extension of that, and I understand that policies can change and they do change all the time from like a governmental, but if we think about what's in place now and if I was to, like, ask you to do kind of like a five-year kind of growth outlook, not looking for the number, but if you were to compare that now versus – like if I asked you five years ago, are any of, like, your businesses, do you think, like, structurally differently positioned in a world where policy is kind of here, thinking some of the – maybe some of the – on the med tools side and some of like the lab-based clinical applications? Thanks.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Well, look, I think there's no question in certainly the last five years, things have changed and the pace of change is a lot faster than it used to be. So, when I think of that from the highest level, I think about businesses and a company that's agile and can move on a dime and being able to quickly rally around change, I think we're actually really, really well setup for that.

I'll just give you a quick example. We highlighted a lot of great things going on in this Materials Science Solutions platform. We got some applications there on the data center side, they didn't even exist on – they really weren't on our horizon even a year, a year-and-a-half ago. And so, they're a testament to the teams and the flat organizational nature of the way we run things and autonomy of decision rights. Those teams jumped on that, kind of put 100% effort on it, segmented with 8020, went out, put prototypes in front of people, and ultimately won the day very, very quickly. So, I'll step back and say, in a world of change, I do think we're very, very well setup just in terms of kind of how we run and lead IDEX to go after that.

Now, there are specific places, you mentioned one there on the life sciences side. And that's in a different space than it was years ago. But I think even there, the tunability of our technology allows us to respond to things very, very well. In life sciences today, there's absolutely some pressure on the kind of academic funding side of things, but there is a lot of strength on the pharma side and we're able to tune resources and shift accordingly. So, that ability to do that within kind of a small to medium-sized organizational construct and do it fast, I do think sets us up for change sort of no matter what direction it takes us.

And then just from a kind of a trade policy perspective, which is sort of the big headline today that we're dealing with, remember, this is a really localized business model. We tend to iterate, ideate, produce, source, make stuff, and sell it within the same geography. So, it protects us a bit from unexpected shifts there on that side as well.

Joe Giordano
Analyst, TD Cowen

Q

Thank you, guys.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Appreciate it, Joe.

Operator: Thank you. Our next question comes from the 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

Hi, Nate.

Akhil Mahendra
Interim Chief Financial Officer & Vice President-Corporate Development, IDEX Corp.

A

Morning.

Nathan Jones
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Guess I'll come from the other side of the platforming strategy and some of the acquisitions that have been made here, questions have obviously been focusing on growth. I think there are opportunities for you guys to take some more cost out of those businesses, maybe combining some rooftops. I know you did some head count reductions earlier in the year. So, maybe if you could just talk about it from the other side and the potential for reducing costs, expanding margins as part of the strategy as well. Thanks.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. Well, look, that's kind of a classic part of how we drive value at IDEX. We're very good at operational excellence. We apply 8020 to understand where resources are being well leveraged and where they're not. I'd kind of, within a more recent framework, take you through maybe three of the acquisitions so you can understand the work there.

I'll go back a bit in time. A few years ago, we bought Airtech. We did a lot of work with that business. We – at one point, we did a kind of President's Kaizen event there and brought in most of the senior leaders of IDEX and helped out on a number of elements to make sure that they were set up to grow that business. I was happy to say when I went back a year later that there – you can see it, it's alive today. And they've taken that and they've incorporated into their business and it's how they're able to grow at the level that they have.

We've got some insight into the Materials Science Solutions platform and Muon specifically here, where as you know, we took some cost actions there in Q3. We see that it – we can appreciate it at full run rate. And as you can see now, we've got profitability above the consolidated HST levels and are well setup now to lever it as we grow forward. And then more recently and certainly at a different scale, the work we're doing with Mott, it's the same thing. We're in there and we're making calls on business, where do we think the 80s are, where are the 20s, how does this help us map resources accordingly, and we're doing a lot of work on the efficiency side.

And one of the highlights of Q3, as you know, Mott has a ramp, kind of a non-linear ramp to Q4. They're going to step up that business. They actually executed some of it early into the third quarter because of efficiency gains and some of the great work that that team has done as well as the work on our side.

More structurally, we've long referenced the work that we did around operational or structural productivity and delayering and things like that at the platform level. That's part of it, too. When we move from single businesses in kind of a classic IDEX sense that has all the back office and all the administrative things happening business to business, and we combine them and they work together, we get back office efficiencies there. So, a lot of the things that are on the plate right now, that's where it came from. And now, we're seeing full run rate here in the third quarter and we're – upticks a bit even into Q4.

Akhil Mahendra
Interim Chief Financial Officer & Vice President-Corporate Development, IDEX Corp.
A

Yeah. Nathan, just maybe to put some numbers around it, right, Eric mentioned the delayering and the platform optimization efforts. And then the second bucket was really cost containment efforts and actions that we put into place in – starting in the second quarter. And what you see today is we delivered $17 million across those two buckets and the step-up will be a few million dollars and run rating at about $20 million here in the fourth quarter.

Nathan Jones
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Are there further opportunities for these kinds of restructuring savings? I think you've talked about maybe consolidating some rooftops as one of the things to do in the future as part of combining these businesses, moving them closer together. Is it something that you're likely to move on in 2026?

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.
A

Well, that's certainly a chapter that we'll take a look at. One of the advantages when you put similar businesses together is you can absolutely look at your infrastructure topology and then ask questions around how to effectively lever that. I will say we haven't done as much of it here this year because that's a big variability element. As we worked on some of the other aspects of 8020 and bringing people together, particularly in a commercial and a technical way that's different.

We've been a little careful not to superimpose more variability on top of it and subject – and run the risks that any of it then manifest through to the customer base. So, that's a chapter to come. That's something that we'll certainly consider here and we'll be thoughtful as to how we layer it across so that it doesn't interrupt growth. But that is an open-up area of opportunity for us. And certainly, as we scale the company, we're always thinking of that because we want to take some of that complexity out of the system.

Nathan Jones
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Thanks for that. I guess my follow-up is going to be around capital allocation, specific change in priorities, I guess, really this quarter with – I know you talked about M&A maybe taking more of a backseat now, smaller deals, not the transformational deals. And you have repurchased shares each quarter this year, increased the authorization. Is that being part of the plan here to be more of a serial repurchaser of stock going forward? I would imagine that you think the stock's probably well below intrinsic value right now. And IDEX has historically been a share repurchaser in that situation. So, just how we should think about share repurchase both opportunistically in the short term and more as a long-term avenue for capital deployment? Thanks.

Akhil Mahendra
Interim Chief Financial Officer & Vice President-Corporate Development, IDEX Corp.
A

Yeah. Nathan, let me just sort of walk you through that framework, right? And first, I think it's important for me to recognize the high-quality portfolio we've built, which actually enables us to generate strong free cash flow consistently that we're actually able to deploy, right?

And you sort of called it out, M&A, there was a period of heavy investment for us during our growth platform building phase and now we're focused on bolt-ons that are going to have attachment points to these growth platforms that we've built. And one of the greatest examples here that I have for you, it was in one of the slides was Micro-LAM, which we announced a quarter ago, right? Its integration is going really well. It's sort of plug in very nicely into the MSS platforms.

Look, from a funnel perspective, our funnel is strong. We continue to cultivate proprietary ideas. And so, we'll – as those opportunities are available to us, right, we'll execute on them. And then as we think about excess cash flow, we'll continue to return that capital to shareholders and that's through dividends. I do want to make sure that we spend a minute on that. That is sort of a policy that where we've grown our dividend here historically, we aim for 30% to 35% of adjusted net income to be paid out from that front. And then share repurchases, which as you mentioned, right, we stepped up.

So, coming into the year, we had already stepped up the share repurchases because we were outside of that heavier deployment of capital towards platform building. And so, if you look at sort of how the numbers stack up, right, year-to-date, we've returned about 80% of our free cash flow to shareholders. So, as we think about this framework and look at what's ahead, especially us moving towards more bolt-on, being able to add more things to the growth platforms, you'll see that excess cash being returned to shareholders.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

But I think, Nathan, like, long term and that's what people are recognizing, I mean, we've got some work in parallel. We're always thinking about where does IDEX go next, what other technologies are out there that could be interesting for us, other access points for markets. So, that work continues, but it's of a longer duration. So, we're not – it's really important that we don't interrupt it.

We'll kind of do two parallel tracks here. We're thinking ultimately about deploying capital to the points of highest return. And I think right now, for us, taking advantage of what we've purchased, getting it to work together effectively, working on both the top and the bottom line and driving a ton of value out of this base that we've acquired is absolutely a point of high return. And then, as we do that, returning cash and capital to shareholders, we think is, if nothing else, a real signal and sign of the confidence we have in a long-term growth strategy for the company.

Nathan Jones
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Awesome. Thanks for taking my questions.

Operator: Thank you. Our next question comes from the line of Bryan Blair with Oppenheimer & Company. Please proceed with your question.

Bryan F. Blair
Analyst, Oppenheimer & Co., Inc.

Q

Thank you. Good morning, guys.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Hi, Bryan.

Akhil Mahendra
Interim Chief Financial Officer & Vice President-Corporate Development, IDEX Corp.
A

Morning.

Bryan F. Blair
Analyst, Oppenheimer & Co., Inc.
Q

The Intelligent Water platform has gotten a decent amount of airtime today. I think that's fair. Eric, as you called out, the team presented quite well at WEFTEC. Wondering if you could offer some finer points on contribution in the quarter. I think you had noted high-single digit. I don't know if that was a revenue or order expansion, a clarification there would be helpful. And then even more importantly, just speak to the underlying demand trends, visibility and growth prospects of the platform as we look to 2026.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.
A

Sure. The high-single digits was on the revenue side, orders were good as well. We point out the municipal-facing side because when we talk about water platform as a whole, we also have a piece of it that's vectored towards high-purity applications. A lot of that's in kind of semi-fab build-out areas. So, we want to make the distinction, but the bulk of it is municipal-facing.

And it's – I mean, they're great businesses. We're doing a job there that is absolutely critical. We help people understand what's going on underneath the ground. And these are environments, as you know, you don't want to spend a lot of time in. And we've augmented that through acquisition as well. So, Nexsight, it brought us some more critical inspection gear and a lot of analytical intelligence. This is our most software-intensive business in all of IDEX. And we use it – the two technologies together, think of it as flow monitoring, flow detection in very difficult environments. I assure you that's not an easy job to do. And then that – a data capture portion of it that then sends it into an analytical framework, which essentially allows us to help municipalities understand how the system is working. And so, we present that information all across the globe to customers.

And essentially, if you think about it, there's two primary customers. On the one side, there's the operator side that's trying to just run a good system day to day. But maybe even more importantly for us, we're actually supplying that analytical input into capital specification engineers and they're using it then to essentially vector capital into larger-scale projects and infrastructure build-out. Without the work that we do, that would be very difficult.

So, it's much more integrated than it was originally. We presented it that way at WEFTEC. It works that way in actual fact. And here with the latest addition, Subterra, that allows us kind of to go in in an untethered way a lot further and extends our reach with a pretty simple device. So, we're really, really pleased with what we have there. It's great to see the growth is a reward and we look for more in the future.

Bryan F. Blair
Analyst, Oppenheimer & Co., Inc.
Q

That's excellent. Appreciate the color. And in Q3, HST results were pretty encouraging overall. I know your team's been navigating challenging market conditions for a while, and perhaps there aren't stand-out green shoots quite yet. But it seems like, I guess, the aggregate demand outlook is at least gradually improving. Given the restructuring and optimization work your team has done, how should we think about HST incrementals once we do get back to a more supportive demand environment?

Akhil Mahendra
Interim Chief Financial Officer & Vice President-Corporate Development, IDEX Corp. A

Hey, Bryan. It's Akhil. Yeah, I can take this one. Look, I – the way I would think about it is sort of from a incrementals standpoint, just given sort of the demand dynamics that you laid out, we'd expect somewhere in that 35% to 40% incrementals. And again, as sort of those demand dynamics weren't there, right, we'd vector to the lower end of that. But that's sort of how we're thinking about with demand there to support the business.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp. A

And I think as you said, and I want to highlight here, especially for the teams that are doing the work in HST, yeah, they had a really good year. I mean, this segment has grown orders, sales and profitability each of the three quarters that we've had here. And they're going to step it up again in the fourth quarter. Again, the underlying markets are – some of them are better than others in IDEX, but a lot of this is on the backs of great work like we've outlined in MSS or in data center applications, in Airtech and other places.

Bryan F. Blair
Analyst, Oppenheimer & Co., Inc. Q

Appreciate the detail. Thanks again.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp. A

Thanks , Bryan.

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

Vladimir Bystricky
Analyst, Citigroup Global Markets, Inc. Q

Good morning, guys. Thanks for taking my call.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp. A

Thanks, Vlad.

Vladimir Bystricky
Analyst, Citigroup Global Markets, Inc. Q

So, maybe just going back to your commentary, Eric, on sort of the price versus volume dynamics that you've seen and you mentioned that you've been seeing strong price realization overall. So, could you give any color on what price actually contributed in 3Q and how you're thinking about pricing heading into 2026, particularly if kind of a still sideways or sluggish demand environment in portions of the business linger?

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp. A

Yeah. Well, look, so price capture has increased, obviously as we've gone through the year, much of it in response to the tariff announcements. And so, in Q3, we're about 3.5%. That's the high point for the year. That's higher than everything we had in 2024. It's kind of starting to approach some of the levels at the tail end of 2023, which was kind of the end of that big inflationary cycle. So, it's increasing. And two things I would say about it.

One, I would just want to remind people here, one of the reasons that we're able to do that and do it effectively, it is a testament to the differentiation that we have in our technologies, the positioning of our businesses and the great work of our teams. I say that because I think as this goes on and the levels get higher, I think this is an area where it's getting a little more difficult. I think there's some real pricing fatigue that is out there generally. And I think this is where I appreciate the differentiation that we have in our businesses and our ability to kind of withstand that argument. It goes back to the original business filter of the company of lots of criticality at a relatively low price point, so that when our increases do hit, they're easier to rationalize than some others.

So, heading forward, I think, obviously, from a pricing perspective, a lot of it's going to depend on where does policy go, so much of it has been a response to that. Kind of the base level pricing entitlement that does things like covers traditional inflation for us and others, we're planning for that. We've got some of it out now. There's kind of a preannouncement getting ready. So, nothing really interrupting that side of the cycle. The real open question is, does policy become more aggressive, does that then force us to go to even higher levels? And then ultimately, that's into an environment that I think is starting to have some real fatigue.

Akhil Mahendra A

Interim Chief Financial Officer & Vice President-Corporate Development, IDEX Corp.

Yeah. And, Vlad, I can put some dimensions around sort of the 3.5%, right? I think you heard us talk about it earlier in the year, we came out with sort of traditional price of about 1.5 point. And then in the second quarter, once we started to put the tariff pricing in place to be able to offset that incremental cost, we're now at about a 2% run rate, just to help you put some numbers around what Eric mentioned. And we expect that to continue here in the fourth quarter, unless there's maybe a positive announcement here or it could go the other way, just given what's on the horizon. So, we're not accounting for that, but our intention is to continue to offset it, just given the remarks Eric made here.

Vladimir Bystricky Q

Analyst, Citigroup Global Markets, Inc.

Okay. That's helpful color, helpful to understand. And then, could you just maybe help me understand a little better kind of the cadence between 3Q and 4Q, and whether you saw some shifts in demand, just given the upside here in 3Q with the full year largely reiterated, just what's changed amongst the quarters?

Akhil Mahendra A

Interim Chief Financial Officer & Vice President-Corporate Development, IDEX Corp.

Yeah. Look, I think if you go back when we were out here in the summer, right, we talked about sequentially 2% to 3% would generally be flat and there was that step-up. And as we said in our prepared remarks, right, the teams did a really nice job executing with this backdrop. And you think about certain order timing materialized earlier than we anticipated. The 8020 work that Eric mentioned with Mott and the operational improvements that we're seeing there, that left us with more of a balanced 3Q to 4Q, which is more reflective of a historical pattern for IDEX overall. In the 4Q, we still see a ramp in HST, but we've got line of sight to it. It's in our backlog. So, we're pretty confident in being able to deliver on that.

Vladimir Bystricky Q

Analyst, Citigroup Global Markets, Inc.

Great. Thanks, Akhil.

Operator: Thank you. Our next question comes from the line of Rob Jamieson with Vertical Research Partners. Please proceed with your question.

Robert Jamieson
Analyst, Vertical Research Partners LLC

Q

Hey. Good morning. Thanks for all the color this morning. Just – I know you're not going to give formal guidance on 2026, but can you provide us maybe a little bit of framework of how you're thinking about next year? Just as you're trying to drive the business back to historic mid-single-digit organic growth algorithm, like what are some of the key risks and opportunity is that we should be thinking about and considering into next year?

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. Well, I mean, I think a lot of it still will come down to what's the nature of kind of base level industrial entitlement because that still covers a decent part of IDEX. So, as we go through Q4, monitoring those bellwether businesses to see if there is some inflection, that'll be a key input for where we end up on a lot of IDEX on – in terms of industrial coverage.

Pricing dynamics will be important as well. So, as Akhil mentioned, where are we going to be between that ratio of kind of a lower figure, which takes care of our own inflation and then a higher figure which has to offset wherever policy may be at that point, that'll go into the calculus. And then the bulk of it is really going to come down to momentum and where we are in these individual areas where we're creating our own luck. So, kind of each one of the five growth platforms, we're starting there, we're having those discussions now around what's in the funnel, what are we winning, when does it look like it's going to come out. So, I think those three pieces moving together is how we'll be thinking about the year to come out.

The last piece is in our control. The other two largely we – are somewhat captive to how the world goes and how that shapes out, given the diversified nature of the company. But that – we will be looking for signs of inflection as we go through Q4 and certainly we'd be referencing those as we talk together.

Robert Jamieson
Analyst, Vertical Research Partners LLC

Q

Great. Thank you.

Operator: Thank you. Our next question comes from the line of Walt Liptak with Seaport Global Securities. Please proceed with your question.

Walt Liptak
Analyst, Seaport Global Securities LLC

Q

Good. Thanks. Morning, everyone. Just a quick follow-on on that last one, thinking about 2026. I guess, one, just on the organic revenue, what's your feel at this point, if you can give us any about it. Are you cautious about 2026 or you're optimistic about the organic growth, especially given the platforms? And then maybe second, just help us think about the operating leverage that we should get when we're thinking about modeling 2026 EPS.

Akhil Mahendra
Interim Chief Financial Officer & Vice President-Corporate Development, IDEX Corp.

A

Yeah. Hey, Walt. It's Akhil. So, sort of just building on what Eric mentioned, right, we'll talk about guidance when we see here next. But just at a higher level, look, he sort of mentioned us monitoring the day rates. We are short cycle, have limited visibility. So, we are continuing to do the work around 2026 and what that's going to look like taking into account all the factors that Eric mentioned, right, the pricing dynamics, us being able to make our own luck in the work that we're doing within our growth platforms. And then really just some of this macro backdrop, right, around rapid fulfillment and we're going to continue to monitor that pretty closely.

But as you think about generally the incrementals, right, we sort of – I mentioned, I would say, think of it as 30% on a consolidated basis, 30-ish-percent-plus, some are going to be higher here. So, that is what we're going to be looking at from a incrementals standpoint. We – earlier in the call, right, we mentioned where HST would be. So, I think taken together, that should hopefully give you some level of guidance of where we expect 2026 incrementals to land.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

And I would just say, Walt, to add on, the degrees matter here. So, closer the world tends to tilt towards flattish, our incrementals don't spring as well. You get a little bit of buoyancy in the system and get that up around 3%, 4%. Things start to perform a lot better. So, kind of where we are in that spectrum will matter as well around that point that Akhil mentioned.

Walt Liptak
Analyst, Seaport Global Securities LLC

Q

Okay. Great. And I appreciate the color. Thank you.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Thank you.

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

Brett Linzey
Analyst, Mizuho Securities USA LLC

Q

Hey. Good morning, all.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

A

Hey.

Brett Linzey
Analyst, Mizuho Securities USA LLC

Q

Wanted to come back to the platform optimization savings and the cost containments. So, the $60 million, I guess how should we think about any carryover into next year? And then how much would be maybe structural versus discretionary that would flex back up as these volumes might improve?

Akhil Mahendra
Interim Chief Financial Officer & Vice President-Corporate Development, IDEX Corp.

A

Hey, Brett. It's Akhil. I'll take that one. So, as you think about the couple of buckets here, right, you got this platform optimization and delayering bucket, I would think of that as more structural in nature. And that's going to achieve run rate this quarter here. And so, you'll see that moving forward. That was about – think of that as the $42 million bucket that we had put forward here when we announced that on the back of our 4Q earnings earlier this year.

And then you think about the second bucket that we talked about, cost containment, again, that's also going to hit run rate here. That's more temporal in nature. I would think of that one as possibly coming back, depending on the opportunity set that we're expecting to pursue here. We could make some of those investments to land those opportunities. So, that's that $20 million bucket for a total of $62 million. So, that's how I would parse the two.

Brett Linzey
Analyst, Mizuho Securities USA LLC

Q

Okay. Great. I'll leave it there. Thanks a lot.

Operator: Thank you. And we have reached the end of the question-and-answer session. I would like to turn the floor back to Eric Ashleman for closing remarks.

Eric D. Ashleman
President, Chief Executive Officer & Director, IDEX Corp.

Well, thank you. Thanks for joining today and thanks for your interest and support in IDEX. I think key takeaways here, certainly, we're making our own luck with 8020 in a really broadly uncertain world that taking you through our evolution, I hope you can appreciate we built some real strong foundational assets and got some outstanding businesses, very strong teams and talent, a highly engaged and collaborative culture and effective operating model powered by 8020.

And now, we boosted our technical and commercial vitality through these strategic acquisitions and divestitures, and we're writing the source code for a new way of working together as a team within scalable growth platforms. And I'm happy to see we're starting to put some growth points on the board there as we do that work together. We're confident overall that we'll continue to build momentum through this work, focused work, as we move forward to drive value for all of our shareholders. And I really look forward to talking to you about it more in the quarters ahead.

Thanks so much and have a great day.

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