

IDEX Corporation Reports Third Quarter Results; 16% Sales Growth, 15% Increase in Diluted EPS and Strong Free Cash Flow

October 18, 2007 8:32 AM ET

NORTHBROOK, Ill.--(BUSINESS WIRE)--Oct. 18, 2007--IDEX Corporation (NYSE: IEX) today announced its financial results for the quarter ended September 30, 2007. From continuing operations, orders in the third quarter were up 15 percent, sales increased 16 percent, and income rose 16 percent to \$38.8 million compared to the third quarter of 2006. Diluted earnings per share from continuing operations were 47 cents versus 41 cents in the year-ago quarter.

Third Quarter 2007 Highlights (from Continuing Operations)

- Orders in the third quarter of 2007 were \$327.5 million, 15 percent higher than a year ago; excluding foreign currency translation and acquisitions, organic orders growth was 3 percent.
- Third quarter sales of \$334.9 million rose 16 percent; excluding foreign currency translation and acquisitions, organic sales growth was 5 percent.
- Operating margin at 18.9 percent was 10 basis points higher than a year ago.
- Income increased 16 percent to \$38.8 million.
- Diluted EPS at 47 cents was 6 cents or 15 percent ahead of last year.
- EBITDA of \$73.3 million was 22 percent of sales and covered interest expense by 13 times.
- Third quarter free cash flow was \$52.2 million.

"In the third quarter, we continued to experience strong global demand in our process controls, infrastructure and core health and science end markets. However, our third quarter results were unfavorably impacted by lower demand in the Dispensing Equipment and Fire & Safety/Diversified Products segments. In the Dispensing Equipment segment, we experienced softer than expected demand in the North American small retail channel as well as lower operating margins primarily due to reduced volume, in-quarter operational issues and unfavorable mix. In the Fire & Safety/Diversified Products segment, the results were impacted by lower OEM demand for fire suppression equipment.

"For the fourth quarter of 2007, projected organic growth rates in the Fluid & Metering Technologies and Health & Science Technologies segments are 6-8 percent and 3-5 percent, respectively. In the Dispensing Equipment segment, the projected fourth quarter organic growth rate of 4-6 percent reflects improvement from the third quarter due to planned replenishment orders in the North American large retail channel. The projected fourth quarter organic growth rate in the Fire & Safety/Diversified Products segment of 4-5 percent is consistent with third quarter performance, as we anticipate continued softness in the North American fire suppression market.

"Given these trends, current market conditions and the impact from currency and recent acquisitions, we expect fourth quarter sales growth of 12 to 15 percent and EPS of 46 to 49 cents per diluted share. The EPS estimate range as stated includes a projected unfavorable impact of one to two cents from estimated severance and

field service expenses in the fourth quarter."

Lawrence D. Kingsley
Chairman and Chief Executive Officer

Third Quarter Financial Results

(Dollars in millions, except per share amounts)

	For the Quarter Ended				
	September 30,			June 30,	
	2007	2006	Change	2007	Change
Orders Written	\$327.5	\$285.6	15%	\$339.3	(3)%
Sales	334.9	289.8	16	344.5	(3)
Operating Income	63.1	54.4	16	68.9	(8)
Operating Margin	18.9%	18.8%	10bp	20.0%	(110)bp
Income from Continuing Operations	\$38.8	\$33.3	16%	\$41.8	(7)%
Net Income	38.4	46.0	(16)	41.6	(8)
Diluted EPS:					
Income from Continuing Operations	.47	.41	15	.51	(8)
Net Income	.47	.57	(18)	.51	(8)
Other Data (from Continuing Operations)					
- Income before Taxes	\$58.0	\$51.5	13%	\$63.3	(8)%
- Depreciation and Amortization	9.8	6.6	49	9.3	5
- Interest	5.5	3.4	64	6.1	(9)
- EBITDA	73.3	61.5	19	78.7	(7)
- Cash Flow from Operating Activities	58.6	40.8	44	63.8	(8)
- Capital Expenditures	7.4	6.3	17	7.4	-
- Excess Tax Benefit from Stock-Based Compensation	1.0	.3	302	1.9	(45)
- Free Cash Flow	52.2	34.8	50	58.3	(10)

Q3 Orders, Sales, Income and EPS from Continuing Operations Increase Year-over-Year

New orders in the quarter totaled \$327.5 million, 15 percent higher than the same period in 2006. Excluding the impact of acquisitions and foreign currency translation, orders were up 3 percent. The organic order growth rate in the third quarter was unfavorably impacted by timing of anticipated OEM orders.

Sales in the third quarter of \$334.9 million increased 16 percent from the prior-year period. Excluding the impact of acquisitions and foreign currency translation, organic growth was 5 percent. Sales to international customers represented approximately 46 percent of total sales for the third quarter of 2007 versus 45 percent in the same period of 2006.

Third quarter operating margin was 18.9 percent, 10 basis points higher than the 18.8 percent reported in the prior-year period. Gross margin of 41.1 percent was 10 basis points higher than the third quarter of 2006. Selling, general and administrative expenses as a percent of sales were 22.2 percent, flat compared to the prior year. Margin improvement from volume leverage, strategic sourcing and operational excellence initiatives were offset by lower operating performance in the Dispensing Equipment segment.

Income from continuing operations of \$38.8 million increased 16 percent over the third quarter of 2006. Diluted earnings per share from continuing operations of 47 cents improved 6 cents, or 15 percent, from the third quarter of 2006.

Year-to-Date Financial Results

(Dollars in millions, except per share amounts)

	Nine Months Ended	September 30	
	2007	2006	Change
Orders Written	\$1,026.8	\$869.6	18%
Sales	1,012.6	852.8	19
Operating Income	193.6	158.2	22
Operating Margin	19.1%	18.5%	60bp
Income from Continuing Operations	\$117.5	\$97.5	20%
Net Income	116.7	111.0	5
Diluted EPS:			
Income from Continuing Operations	1.43	1.21	18
Net Income	1.42	1.37	4
Other Data			
- Income before Taxes	\$177.1	\$148.6	19%
- Depreciation and Amortization	28.3	20.7	37
- Interest	18.0	10.4	73
- EBITDA	223.4	179.7	24
- Cash Flow from Operating Activities	138.2	109.6	26
- Capital Expenditures	20.2	16.0	26
- Excess Tax Benefit from Stock-Based Compensation	4.7	4.9	(4)
- Free Cash Flow	122.7	98.5	25

Nine Month Orders, Sales, Income and EPS from Continuing Operations Ahead of Last Year

New orders for the first nine months of 2007 totaled \$1,026.8 million, 18 percent higher than the first nine months of last year. Excluding the impact of acquisitions and foreign currency translation, orders in the first nine months of 2007 were 6 percent higher than in 2006.

Sales for the first nine months of 2007 increased 19 percent to \$1,012.6 million from \$852.8 million a year earlier. Excluding the impact of acquisitions and foreign currency translation, organic growth was 6 percent. Sales to international customers represented approximately 45 percent of total sales for the first nine months of both 2007 and 2006.

First nine months operating margin was 19.1 percent, 60 basis points higher than the 18.5 percent reported in the prior-year period. Gross margin improved 70 basis points to 42.0 percent, while selling, general and administrative expenses as a percent of sales of 22.9 percent increased 10 basis points from the first nine months of 2006, reflecting acquisitions and reinvestment in the business to drive organic growth.

Year-to-date income from continuing operations of \$117.5 million increased 20 percent compared to 2006. Diluted earnings per share from continuing operations of \$1.43 rose 22 cents, or 18 percent, from the \$1.21 recorded for the first nine months of 2006.

Segment Results

Fluid & Metering Technologies sales in the third quarter of \$143.8 million reflected 35 percent growth (25 percent acquisitions, 9 percent organic and 1 percent foreign currency translation). Strong global demand for infrastructure-related applications, coupled with acquisitions, drove the sales growth within the segment. Operating margin of 21.9 percent represented a 30 basis point improvement compared with the third quarter of 2006.

Health & Science Technologies sales in the third quarter of \$83.3 million reflected 3 percent growth (2 percent organic and 1 percent foreign currency translation). Growth in core analytical instrumentation, IVD and biotechnology markets was offset by slow growth in specific pneumatic OEM markets. In addition, the exiting of two specific, maturing OEM contracts continues to negatively impact growth. Operating margin of 20.1 percent represented a 230 basis point

improvement compared with the third quarter of 2006, primarily driven by favorable mix.

Dispensing Equipment sales of \$38.1 million in the third quarter was relatively flat compared with the third quarter of 2006 (-5 percent organic offset by 5 percent foreign currency translation). Slower North American demand driven by softness in the small retail channel coupled with timing of large retail replenishment programs contributed to lower than expected performance. Operating margin of 14.7 percent represented a 750 basis point decline compared with the third quarter of 2006, as a result of reduced volume, operational issues, product quality-driven field service costs, unfavorable product mix and severance expenses.

Fire & Safety/Diversified Products sales in the third quarter of \$70.6 million reflected 8 percent growth (5 percent organic and 3 percent foreign currency translation). The engineered band clamping business achieved strong growth, offset by weak demand in the North American fire suppression market. Operating margin of 23.4 percent represented a 90 basis point decline compared with the third quarter of 2006, due to volume decline in fire suppression and unfavorable product mix.

For the third quarter of 2007, Fluid & Metering Technologies contributed 43 percent of sales and 45 percent operating income; Health & Science Technologies accounted for 25 percent of sales and 24 percent of operating income; Dispensing Equipment accounted for 11 percent of sales and 8 percent of operating income; and Fire & Safety/Diversified Products represented 21 percent of sales and 23 percent of operating income.

Strong Financial Position

IDEX ended the quarter with total assets of \$1.8 billion and working capital of \$125.8 million. Total borrowings were \$304.0 million at September 30, 2007. Free cash flow (cash flow from operating activities less capital expenditures plus the excess tax benefit from stock-based compensation) for the first nine months of 2007 was \$122.7 million. Year-to-date, 2007 EBITDA (earnings before interest, taxes, depreciation and amortization) totaled \$223.4 million (22 percent of sales) and covered interest expense by more than 12 times. Debt-to-total capitalization at September 30, 2007, was 21 percent.

Conference Call to be Broadcast over the Internet

IDEX will broadcast its third quarter earnings conference call over the Internet on Thursday, October 18, 2007 at 1:30 p.m. CT. Chairman and Chief Executive Officer Larry Kingsley and Vice President and Chief Financial Officer Dominic Romeo will discuss the company's recent financial performance and respond to questions from the financial analyst community. IDEX invites interested investors to listen to the call and view the accompanying slide presentation, which will be carried live on its website at www.idexcorp.com. Those who wish to participate should log on several minutes before the discussion begins. After clicking on the presentation icon, investors should follow the instructions to ensure their systems are set up to hear the event and view the presentation slides, or download the correct applications at no charge. Investors also will be able to hear a replay of the call by dialing 800.642.1687 or 706.645.9291 and using conference ID #5708545.

A Note on EBITDA and Free Cash Flow

EBITDA means earnings before interest, income taxes, depreciation and amortization, while free cash flow means cash flow from operating activities less capital expenditures plus the excess tax benefit from stock-based compensation. Management uses these non-GAAP financial measures as internal operating metrics and for enterprise valuation purposes. Management believes these measures are useful as analytical indicators of leverage capacity and debt servicing ability, and uses them to measure financial performance as well as for planning purposes. However, they should not be considered as alternatives to net income, cash flow from operating activities or any other items calculated in accordance with U.S. GAAP, or as an indicator of operating performance. The definitions of EBITDA and free cash flow used here may differ from those used by other companies.

Forward-Looking Statements

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. These statements may relate to, among other things, capital expenditures, cost reductions, cash flow, and operating improvements and are indicated by words or phrases such as "anticipate," "estimate," "plans," "expects," "projects," "should," "will," "management believes," "the company believes," "the company intends," and similar words or phrases. These statements are subject to inherent uncertainties and risks that could cause actual results to differ materially from those anticipated at the date of this news release. The risks and uncertainties include, but are not limited to, the following: economic and political consequences resulting from terrorist attacks and wars; levels of industrial activity and economic conditions in the U.S. and other countries around the world; pricing pressures and other competitive factors, and levels of capital spending in certain industries - all of which could have a material impact on order rates and IDEX's results, particularly in light of the low levels of order backlogs it typically maintains; its ability to make acquisitions and to integrate and operate acquired businesses on a profitable basis; the relationship of the U.S. dollar to other currencies and its impact on pricing and cost competitiveness; political and economic conditions in foreign countries in which the company operates; interest rates; capacity utilization and the effect this has on costs; labor markets; market conditions and material costs; and developments with respect to contingencies, such as litigation and environmental matters. The forward-looking statements included here are only made as of the date of this news release, and management undertakes no obligation to publicly update them to reflect subsequent events or circumstances. Investors are cautioned not to rely unduly on forward-looking statements when evaluating the information presented here.

About IDEX

IDEX Corporation is an applied solutions company specializing in fluid and metering technologies, health and science technologies, dispensing equipment, and fire, safety and other diversified products built to its customers' exacting specifications. Its products are sold in niche markets to a wide range of industries throughout the world. IDEX shares are traded on the New York Stock Exchange and Chicago Stock Exchange under the symbol "IEX".

For further information on IDEX Corporation and its business units, visit the company's Web site at www.idexcorp.com.

(Tables follow)

IDEX CORPORATION
Condensed Statements of Consolidated Operations
(in thousands except per share amounts)

	Third Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net sales	\$334,884	\$289,848	\$1,012,634	\$852,809
Cost of sales	197,219	171,083	587,771	500,990
Gross profit	137,665	118,765	424,863	351,819
Selling, general and administrative expenses	74,517	64,352	231,298	193,644
Operating income	63,148	54,413	193,565	158,175
Other income - net	437	501	1,531	770
Interest expense	5,537	3,366	17,974	10,368
Income from continuing operations before income taxes	58,048	51,548	177,122	148,577
Provision for income taxes	19,231	18,215	59,639	51,044
Income from continuing operations	38,817	33,333	117,483	97,533

Income (loss) from discontinued operations, net of tax	(350)	(306)	(719)	528
Net gain (loss) on sale of discontinued operations, net of tax	(55)	12,969	(55)	12,969

Income (loss) from discontinued operations, net of tax	(405)	12,663	(774)	13,497

Net income	\$38,412	\$45,996	\$116,709	\$111,030
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Basic Earnings per Common

Share:				
Continuing operations	\$0.48	\$0.42	\$1.46	\$1.23
Discontinued operations	-	0.16	(0.01)	0.17

Net income	\$0.48	\$0.58	\$1.45	\$1.40
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Diluted Earnings per Common

Share:				
Continuing operations	\$0.47	\$0.41	\$1.43	\$1.21
Discontinued operations	-	0.16	(0.01)	0.16

Net income	\$0.47	\$0.57	\$1.42	\$1.37
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Share Data:

Basic weighted average				
common shares outstanding	80,832	79,689	80,563	79,389
Diluted weighted average				
common shares outstanding	82,311	80,957	82,005	80,897
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Condensed Consolidated Balance Sheets

(in thousands)

September 30, 2007 December 31, 2006

Assets

Current assets		
Cash and cash equivalents	\$74,992	\$77,941
Receivables - net	193,457	166,485
Inventories	178,622	160,687
Assets held for sale	-	829
Other current assets	19,209	11,966

Total current assets	466,280	417,908
Property, plant and equipment - net	170,788	165,949
Goodwill and intangible assets	1,135,479	1,083,963
Other noncurrent assets	4,733	3,001

Total assets	\$1,777,280	\$1,670,821

Liabilities and		
shareholders' equity		
Current liabilities		
Trade accounts payable	\$86,769	\$75,444
Accrued expenses	89,377	95,170
Short-term borrowings	154,578	8,210
Liabilities held for		
sale	-	373
Dividends payable	9,775	8,055
Total current liabilities	340,499	187,252
Long-term borrowings	149,448	353,770
Other noncurrent		
liabilities	169,063	150,527
Total liabilities	659,010	691,549
Shareholders' equity	1,118,270	979,272
Total liabilities and		
shareholders' equity	\$1,777,280	\$1,670,821

IDEX CORPORATION
Company and Business Group Financial Information
(dollars in thousands)

	Third Quarter Ended		Nine Months Ended	
	September 30, (a)		September 30, (a)	
	2007	2006	2007	2006
Fluid & Metering Technologies				
Net sales	\$143,842	\$106,251	\$421,642	\$316,011
Operating income (b)	31,559	22,957	91,443	64,362
Operating margin	21.9%	21.6%	21.7%	20.4%
Depreciation and				
amortization	\$4,310	\$2,142	\$12,428	\$6,882
Capital expenditures	2,883	1,280	8,992	3,515
Health & Science Technologies				
Net sales	\$83,266	\$81,252	\$246,356	\$225,572
Operating income (b)	16,703	14,488	45,733	41,281
Operating margin	20.1%	17.8%	18.6%	18.3%
Depreciation and				
amortization	\$3,316	\$2,460	\$8,162	\$6,303
Capital expenditures	1,207	1,025	3,987	3,408
Dispensing Equipment				
Net sales	\$38,145	\$37,955	\$135,897	\$123,778
Operating income (b)	5,625	8,425	31,577	30,443
Operating margin	14.7%	22.2%	23.2%	24.6%
Depreciation and				
amortization	\$854	\$544	\$2,431	\$2,609
Capital expenditures	694	794	2,448	1,984
Fire & Safety/Diversified Products				
Net sales	\$70,592	\$65,233	\$212,596	\$191,001
Operating income (b)	16,533	15,844	50,008	45,766
Operating margin	23.4%	24.3%	23.5%	24.0%

Depreciation and amortization	\$1,235	\$1,425	\$4,289	\$4,503
Capital expenditures	829	2,332	2,528	5,098

Company

Net sales	\$334,884	\$289,848	\$1,012,634	\$852,809
Operating income	63,148	54,413	193,565	158,175
Operating margin	18.9%	18.8%	19.1%	18.5%
Depreciation and amortization (c)	\$9,826	\$6,592	\$28,305	\$20,687
Capital expenditures	7,794	6,282	20,924	15,985

(a) Nine month data includes acquisition of Faure Herman (February 2007) and Quadro (June 2007) in the Fluid & Metering Technologies Group, JUN-AIR (February 2006) and EPI (May 2006) in the Health & Science Technologies Group and Airshore (January 2006) in the Fire & Safety/Diversified Products Group from the dates of acquisition.

(b) Group operating income excludes unallocated corporate operating expenses.

(c) Excludes amortization of debt issuance expenses and unearned compensation.

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SOURCE:

IDEX Corporation