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IDEX Corp. (IEX)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us and welcome to the IDEX Corporation Third Quarter 2026 Earnings Conference Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference over to Jim Giannakouros, Vice President of Investor Relations. Jim, please go ahead.

Jim Giannakouros

Vice President-Investor Relations, IDEX Corp.

Good morning, everyone, and welcome to IDEX's third quarter 2026 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 Investors section of our website, idexcorp.com.

On the call with me today are Eric Ashleman, President and Chief Executive Officer of IDEX; and Sean Gillen, our Chief Financial Officer.

Today's call will begin with Eric providing highlights of our third quarter results and an update on our business outlook and strategies. And then, Sean will discuss additional financial details and our updated outlook for 2026. Following our prepared remarks, we will open the line for questions.

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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 have 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. I'm on slide 3. IDEX delivered another strong quarter with Q3 results ahead of our expectations on sales, margins and earnings. Sales and adjusted EPS were both records. Organic sales grew 8%. Adjusted EBITDA margin expanded 50 basis points year-over-year to 27.8%, and adjusted EPS grew 15% to $2.33. Year-to-date, organic sales are up 6%. Adjusted EBITDA margin is up 50 basis points and adjusted EPS is up 14%. These results are consistent with our long-term growth expectations and reflect deliberate choices to build integrated growth platforms and tune our capabilities toward advantaged markets guided by 8020.

In addition to the strong sales and earnings performance, orders were again a highlight in the quarter, growing 13% year-over-year, reaching nearly $1 billion. We saw organic order growth in all three segments with continued strong growth in HST and broadening growth across our industrial businesses in FMT. We are raising our full year 2026 outlook due to the strong Q3 results and are expecting to close out the year with momentum. Sean will get into greater detail on our results and guidance later in the call.

Before turning it over to him, I'd like to provide an update on our performance in certain advantaged markets. Please turn to slide 4. As discussed on previous calls, data centers, semiconductor, space and defense and water continue to lead the way for growth at IDEX. While the order and sales numbers inflected noticeably in 2026, this is a story that's been building for a few years, confirming the original strategic thesis powering so much of our post-pandemic capital deployment. Thoughtful 8020 is shaping both growth and profitability as we apply it along the way. I'll touch a bit more on that in the next slide.

In data centers, our teams win by solving increasingly more difficult technical problems as the industry scales. Our primary solutions include thermal management technologies for clean, behind-the-meter power generation and solutions that improve reliability of liquid cooling systems. We expect demand in this space to remain healthy.

In semiconductor, we are seeing strong demand across several applications, including filtration, sealing, optics, and thermal management solutions that sit inside process tools and metrology equipment. Roughly half of our semiconductor business is tied to consumables that provide a more recurring revenue stream. And in FMT, we sell high-purity pumps and heaters that support ultrapure water applications in wafer fabrication.

In space and defense, our optics help satellites transmit, receive and filter signals across low-earth orbit. We are helping set critical specifications in these growing markets and once established, these specifications can support revenue streams for decades. We are also seeing growth in optical solutions supporting next generation defense applications. Space launch and lift capacity is reaching an inflection point, supporting even more robust growth in the years to come. And Mott is solving problems to help make that possible through bespoke filtration solutions. They're also involved in a number of development projects within defense applications that are moving at speeds not previously seen within those markets.

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Finally, in our FSDP segment, BAND-IT's engineered clamping products are growing strongly across commercial aerospace, defense, and spacecraft platforms. Our Intelligent Water platform within our FMT segment continues to grow nicely and profitably, up high-single digits in the third quarter. Last month at WEFTEC, North America's largest annual water show, we hosted investors and showcased how we've brought together leading positions in flow monitoring, robotic pipe inspection, AI-enabled software and rehab tools, all connected through PERISPEK, our cloud-based platform. Our ultimate product here is analytics and information. We help municipalities diagnose their problems before they commit capital to fix them.

Please turn to slide 5. I want to spend a moment on an underappreciated driver of our growth within integrated platforms, which we have deployed within the fast-growing advantaged markets I covered on the last slide. Our ability to tune our solutions laterally and quickly to faster-growing verticals is a distinct competitive advantage that's unique to IDEX.

First, we take advantage of our fundamental component orientation to deliver powerful solutions at relatively low levels of total systems cost. This has always powered our superior profitability and cash generation and our ability to command price ahead of cost while opening doors to top customer technical talent.

Next, we've connected teams carefully within integrated platforms where a tight band of technical capabilities aligns with specific targeted advantaged markets. We apply our proprietary 8020 playbook across this matrix to pinpoint areas where resources should be augmented or reduced.

Finally, we lean on our entrepreneurial culture, flat organizational structure, and celebration of local decision-making autonomy to fuel agility and speed as we dynamically shift resources and capital to best optimize growth and value across the platform.

I'd like to take you through three examples of this important competitive advantage so you can best appreciate its impact on current performance. At Mott, our command of porous metal filtration has long served both legacy and transformational energy markets. Those same basic technical capabilities solve atomic level purity challenges in semiconductor manufacturing. As this market has experienced significant growth, our teams have swung resources and modest incremental capital quickly to meet customer requirements, all within the same four walls in Connecticut.

At Muon, our electroforming expertise, which has long been deployed in critical care respiratory applications now enables fast, accurate fiber alignment for optical circuit switching and data centers. The component-level technology and process methodology are the foundation with our best-in-class engineers applying their know-how to tune them to a new application. The team saw the opportunity, made the commitment to an identified 80s market, dedicated talent and capacity, and aligned incentives to make it happen. Great win for IDEX.

Finally, Muon's laser etching of glass and ceramics has been re-engineered to produce precision RF antennas for space applications. This came about from a customer access point elsewhere within the platform. It simply would not have happened without the cross-business communication that we formalized within our Materials Science Solutions platform. This tunability, which clearly helps us grow faster, also helps us optimize profitability as we do it. Recall that we lifted the Muon business to HST's average segment margin level in Q3 last year. This year, the business has grown 20% organically year-to-date, driven by strength in our 80s markets, and margins have advanced further.

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At Mott, as we shifted resources towards fast growing and highly profitable areas within semiconductor and space and defense, we're enjoying growth rates above the segment average in those 80s markets and have driven meaningful improvement in margin. We still have a few larger calls to execute on some legacy business that will set us up well for 2027 and beyond. Why does tunability ultimately matter? It allows us to respond quickly to unpredictable shifts in today's most dynamic markets while also supporting margin expansion in a dimension that's additive to basic growth leverage.

Please turn to slide 6. Switching gears, I'd also like to highlight the overall FMT segment for a moment. Coming into 2026, we plan for a relatively flat revenue year in the segment. Orders and sales have tracked ahead of that plan all year, and organic sales growth stepped up to 4% in the third quarter. This performance goes beyond the dynamics in water that I just discussed. We are seeing a broadening of demand in our industrial businesses and stabilization with indicators of future growth in areas like ag and energy.

Lastly, I want to touch on inflation. It has proven stubborn and elevated energy prices continue to push input costs higher, but the IDEX model is built to handle this. Our components perform mission-critical functions at a small share of our customer's total system cost so we can price for the value we deliver. We do that in a measured way as conditions warrant rather than in large calendar-driven steps. Combined with continuous improvement and the benefits of 8020, that enables us to manage effectively through inflationary environments. Price/cost was positive on a dollar basis again this quarter, and our teams expanded margins while absorbing higher costs.

With that, I'll turn it over to Sean to walk through the quarter in more detail, including segment performance and our updated outlook.

Sean M. Gillen

Chief Financial Officer & Senior Vice President, IDEX Corp.

Thanks, Eric. Good morning, everyone. I'll first add some detail on the consolidated results Eric covered. I'm on slide 7. Third quarter results exceeded our guidance on every key measure. Organic revenue grew 8% above our 5% to 7% range, with notable strength again in HST and solid contribution from FMT and FSDP. Adjusted EBITDA margin of 27.8% was above our 27% to 27.5% range, and adjusted EPS of $2.33 was above our $2.20 to $2.25 range.

Orders totaled nearly $1 billion, up 13% organically, with growth in all three segments. HST orders grew 21% and FMT orders grew 11%. Book-to-bill remained north of one times in the quarter. As expected, orders stepped down sequentially from a very strong second quarter, primarily due to timing and data center order activity, which was still up significantly year-over-year.

Order activity remained strong in areas influenced by artificial intelligence, as well as continued strength in municipal water, mining, space and defense, and commercial aerospace. Organic sales grew 8%, with HST up 13%, FMT up 4%, and FSDP up 6%. Growth was driven primarily by volume with a positive price contribution. Price cost remained positive on a dollar basis with targeted pricing and productivity keeping us ahead of inflation and we expect that to continue. Adjusted gross margin expanded 70 basis points to 45.2%, driven mostly by volume leverage and productivity. Adjusted EBITDA margin expanded 50 basis points to 27.8%. Free cash flow was $214 million, up 14%, representing a 124% conversion. We ended the quarter with liquidity of over $1.2 billion.

Now, some color by segment. I'm on slide 8. In HST, organic orders grew 21% to $468 million, a third quarter record and organic sales grew 13%. Volumes increased in our advantaged markets, including semiconductor OE and consumables, data center applications and space and defense. Nearly all of this growth is coming from

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businesses we acquired over the past several years, and in areas where we focused our integrated growth strategies. That momentum continues to build visibility into 2027.

Our life sciences business trended in line with our expectations. Overall growth was flat, with base analytical instrument demand growing mid-single digits, which was partially offset by the expected roll-off of a legacy platform, which we expect to largely lap by year-end. HST adjusted EBITDA margin expanded 110 basis points to 28.8%, driven mostly by volume leverage. Flow-through was in the high-30s in line with expectations and 8020 work in our highest yielding areas is underway. Mott, the largest acquisition in IDEX's history contributed positively on strong mix and early traction on continuous improvement work the teams are executing.

Please turn to slide 9. In FMT, organic orders grew 11% to $349 million, a third quarter record. And organic sales grew 4%. Order strength reflects continued momentum in longer lead time areas as well as in our base industrial businesses. Additionally, we saw some improvement in order activity in energy and agriculture compared to last year's quarter.

Sales growth was led by semiconductor and municipal water, as well as year-over-year growth at our leading industrial pumps businesses. We continued to see year-over-year declines in chemical valves and agriculture, but have seen sequential improvement in each. FMT adjusted EBITDA margin expanded 20 basis point to 33.9% as productivity and volume leverage more than offset some headwinds and mix.

Please turn to slide 10. FSDP, organic orders grew 1% and organic sales grew 6%. All three businesses in FSDP grew in the third quarter. BAND-IT led this growth as it continues to benefit from strong aerospace demand. As expected, dispensing returned to growth in the quarter as its comparisons are easier in the second half. FSDP adjusted EBITDA margin expanded 140 basis points to 28.5%, driven by productivity, volume, leverage and mix.

Please turn to slide 11, where I'll touch on capital deployment. Gross leverage improved to 1.8 times from 2.1 times a year ago on strong cash flow and earnings growth. We continue to invest in our business with CapEx up from last year to support growth. We also returned capital to shareholders paying $54 million in dividends and repurchasing 75 million of shares in the quarter. We plan to maintain repurchases at around $75 million per quarter through the rest of 2026. And we can flex above that based on leverage, bolt-on M&A and 8020-led portfolio decisions. Our M&A pipeline remains active, focused on bolt-ons that attach to our growth platforms.

Now to our updated guidance for 2026. Please turn to slide 12. We are raising our full year outlook to reflect our third quarter outperformance and continued momentum we're seeing in several areas. We now expect organic growth of 6.5% to 6.8%, up from 5% to 6%. We are tightening our adjusted EBITDA margin expectation for the full year to 27.1% to 27.3%. And we are raising adjusted EPS by $0.16 at the midpoint to $8.91 to $8.96 up from $8.70 to $8.85. At the midpoint, this represents double digit growth year-over-year.

A couple of fourth quarter specific notes. Consistent with prior years, we expect fourth quarter margins to step down sequentially. This is largely driven by fewer production days and planned maintenance shutdowns that result in lower sales and margin. We saw the same pattern last year. Below the line, lower debt balances and higher interest income provide a modest tailwind. Our outlook reflects the visibility we have in our advantaged markets and stable to improving short cycle industrial demand. We continue to expect CapEx of approximately $110 million and free cash flow conversion of at least 100% for the full year.

Looking further out, we continue to view high 30s to 40% incrementals net of reinvestment as the right framework for IDEX. FMT has long shown it drives those levels with positive volumes, and HST is there this year through

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volume, leverage and 8020 and our acquired businesses. We'll of course get into more granular details when we share our 2027 outlook on the fourth quarter call.

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

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Thanks, Sean. I'm on slide 13. Stepping back, what I'm most pleased with this quarter isn't any single number. It's the compounding effect of our everyday execution and the reshaping of our portfolio. The businesses we've acquired in advantaged markets have shaped our deployment of integrated platforms that are leading the way for growth. Now, with the margin profile, we expect at IDEX.

And our premier industrial businesses are lean and well-positioned. As demand improves, they'll do what they've always done, expand margins and generate strong cash flow on incremental volume. This is the algorithm we want our portfolio to deliver. HST growing high-single digits through a cycle and our industrial businesses outgrowing their markets. With that growth, we expect high 30s to 40% incremental margins, resulting in sustainable double-digit earnings growth.

Capital allocation is a key part of that algorithm. Our strong cash flow funds investment in our businesses and acquisitions in advantaged areas to extend our growth platforms. Alongside that, we'll continue to return capital to shareholders through our dividend and share repurchases. Deployed with discipline, that capital builds on the earnings growth our businesses generate on their own. Our strategy is working and there is significant runway ahead.

I want to close by recognizing our teams across IDEX whose focus and discipline continue to turn our strategy into results. To participants on the call, we appreciate your continued interest in IDEX and I'll now turn the call back to the operator for your questions.

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QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Mike Halloran with Baird. Mike, your line is open. Please go ahead.

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

Q

Hey, thank you. Good morning, everyone.

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

A

Morning, Mike.

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

Q

A couple of questions. Eric, maybe just spend a little time talking about that broadening of growth comment. What is it, indicators of growth that you're seeing? Where are you seeing the broadening most specifically? And then in those areas that are still down over year and stabilizing, maybe just touch on what you're seeing there, if there's actually signs of improvement or are we just at the point where we've bottomed out enough to talk about a sustainable floor that you can build off over time?

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

A

Yeah. Well, we've seen – we see nice little step-ups in the broader kind of small volume order rates throughout the year. You might recall we noted some that we'd seen in June as we ended Q2. Saw that continue into July. And we kind of saw the same phenomenon in September with continuation in October. So just nice step-up.

As we talked about those diagnostic businesses for us, when they move together, it generally tells us something, tells us that there's a driver out there. So, we've seen that as well. These are modest rates, but they're nice, incremental step-ups and best reflected in kind of the daily order requirements, a lot of them coming from distributors and people like that.

To the second part of your question, we've kind of pointed to three fatigued areas for us chemicals, ag and energy. And I would say two of the three we are seeing some indicators pointing to better days ahead. Ag, it's been a certainly a tough cycle there, but we do a lot of preseason ordering, because of the seasonality of that business. We kind of stage orders now ahead of next year's planning season and that's improved for us this year.

Again, it's kind of a modest number, but it's been a while since we've seen it. We think it's being driven by – some of the commentary we've heard out of the industry, lower dealer inventories for heavy equipment, better crop pricing in certain areas. Still a lot of challenges for farmers, but we do see some signs of life there.

And I would say energy is the other one. We've got some terminal automation business we haven't had in a while. There's some things we're doing in pipeline work with our FMT business. Still a lot of uncertainty around it, but again, some indicators pointing to better days there. Chemicals is probably the one area I would say continues to be very fatigued, I think largely because of the dependence on input pricing and an elevated level.

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

Q

That's great. That's helpful. And then maybe just on the M&A side of things, I know there's been a little less activity for you lately, somewhat intentional, but you're below kind of that 2% gross leverage levels. Any change in the thought process on how aggressive you want to be? Particularly because a lot of the acquisitions you've done over the last three, five years have really proven out to be beneficial. And also maybe just some thoughts on the pipeline and what you're seeing out there.

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

A

Yeah. We're certainly aggressive in the activity level. Recall, kind of our model is to have a lot of proprietary conversation with folks that may not think that the time is good to sell, but we try to convince them otherwise. We're doing a lot of that work around those recently acquired businesses. So in some cases, we're meeting people for the first time. And so, those conversations are happening aggressively and in earnest.

And then, I mentioned the tunability factor and how that drives our business, that's the kind of stuff we're looking for. Other technologies, other capabilities, other access points that allow us to do even more of that. So lots of work happening there but the nature of proprietary discussions like that, they can take a little longer. And so activity level really, really high.

I'd say from kind of on a larger front, we are always thinking about other capabilities or things we might want to bring into IDEX in a larger way. Quite honestly there, the pricing and evaluation levels are still pretty robust and maybe not necessarily as reflective as they should be, given some of the factors that are still out there in the macro environment. So we're going to be disciplined and careful, but still doing the work.

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

Q

Great. Really appreciate it, Eric. Helpful as always. Thank you.

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

A

Thanks, Mike.

Operator: Your next question comes from the line of Bryan Blair with Oppenheimer. Bryan, your line is open. Please go ahead.

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

Q

Thank you. Morning, everyone.

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

A

Hi, Bryan.

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

Q

I'd like to drill down on HST momentum and near-term outlook a bit. We know, quarterly orders are going to be volatile. But if we look at the last four quarters, high [ph] 480 (00:24:18) is average, that's quite robust. You're obviously below that albeit narrowing the gap in terms of revenue trajectory. Based on current visibility, inclusive of project timeline and phasing, is it fair to expect HST to get to that kind of revenue level, the average of trailing orders by the early part of 2027, or is that visibility not quite there?

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

A

Yeah. Well, it's a good question. I think maybe I'll step back a little bit and just talk about order flow generally at IDEX and then get quickly to where you are at HST. I mean, in all of our segments, still, the vast majority of the orders we bring in are kind of like they've always been. We have quick lead time as we offer rapid replenishment and people don't have to order a lot of things ahead of time. So, that's still the case in all three segments.

It's changed most notably in HST around the three areas that we talked about on the slide. And really in that bucket, only the data center piece has kind of got this phenomenon of large pieces that come in, in kind of an unpredictable way. We saw that a couple of times here. We've got more than enough backlog there, just kind of run that out.

I think for the from an operating perspective at ground level, we're more focused on the conversations that we're having every day, every week about requirements in the next quarter, things that we're going to probably have to do next year. And I would say data centers in particular, honestly, the order streams as they come in, in large tranches, they're pretty unpredictable. I think a lot of those are calibrated for their supply chains at large. They're often not pinged because of kind of our componentry.

And so, look, I think for us, moving up sequentially, continue to grow the business, continue to supply against that backlog is the key. And I think like we're ahead of schedule in terms of setting up HST overall at kind of a high-single digit rate, which we described as our algorithmic targets here. I think that'll continue for a while as we do close that gap. But I think you are right to note that the data center piece in particular is going to be a little lumpy, a little unpredictable. But at the moment, we're very assured in terms of what we have and what we need for continued growth.

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

Q

Understood. Very helpful color. And you mentioned WEFTEC and the launch of PERISPEK for the Intelligent Water platform. Maybe speak to trends for Intelligent Water in general. It seems like high-single digit growth has sustained and maybe offer a little bit more on the value prop of PERISPEK. We saw that in person and met with your team. We were impressed overall.

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

A

Yeah. Well, a couple of things. When we look at the reportable water group for our business, we kind of always have to remind people there is a municipal water dimension that's there. There's also a high-purity business that's associated with that, that's very, very tied to the semi world. Both are growing well. The semi world in particular is strong. I think your comments are kind of moving towards the municipal side and I'll remind people of the work

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that we do there. It's essentially dirty water, overflow mitigation, storm-water runoff, things like that. And then as I said in my prepared remarks, our product is essentially analytics.

So, we provide that visibility into the system. When it doesn't perform the way that cities want it to, we kind of, we help them isolate as to what's wrong, whether or not they choose to spend capital is a separate decision that we don't really participate in, but we give them the viewpoint to see it. What PERISPEK does is it takes the different businesses that we've had for years and here recently acquired and essentially brings them together under one common software platform. It's one of the most difficult jobs for a municipality to do is to do its own rationalization of all those inputs and then use it to drive their own analytic understanding. It's hard enough with any one data feed, but to do it on their own disparate systems is very, very difficult.

So, again, this is a specialized area. It doesn't cover everything they do within the water sphere but in our world, it does. It comprehensively brings it together and gives that sort of diagnostic answer in a simple, easy to understand way that's very, very useful for them.

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

Q

Again, helpful. Thank you.

Operator: Your next question comes from the line of Jeff Sprague with Vertical Research. Jeff, your line is open. Please go ahead.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

Hey, thank you. Good morning, everyone.

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

A

Hi, Jeff.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

Hey, good morning. Eric, something you mentioned just kind of piqued my interest here. This idea of kind of tuning the portfolio. I mean, it sounds like you're discovering sort of maybe adjacencies you didn't even know were adjacencies as you work through this process and maybe it's opening the aperture further on, on sort of, kind of bolt-on opportunities relative to where you play. But do you see a, like a significant increase in your TAM unfolding as you work through this kind of platforming internally and the tuning of the portfolio and just the opening up of these adjacencies?

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

A

Yeah. It's a great question. It's kind of why we highlighted this particular point because it's a little nuanced. We want to make sure people understand it. these intersection points where you take, just think of it as an X-Y grid and you have capabilities on the one side. That's the things that we can do technically. And then, you have spaces on the other and you're really trying to mine those intersection points. What this tuning ability gives us is it does absolutely elevate the potential TAM of things to do there and all the examples that I walked through. So,

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we've gone back three to five years. I mean, there really weren't things we were thinking about either because of customer access points or because we were working with current customers and solving different problems with an existing component base technology.

We're actually able to make that step. The reason I put culture in there as an important attribute is we're kind of leaning on what we've always done, it's largely still a decentralized place where when leaders see that opportunity, they can go capitalize on it fast without a bunch of bureaucratic overreach from our side. And so, all of those ingredients, I think, are super, super important and intended a growth path for us as a company. And exactly the way that you just referenced, it does give us a lot more opportunities. But also linking it back to the M&A side gives us a lot more things to consider in terms of assets we might want to acquire in to make that better.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

Great. Thank you for that. And then just come back around the life sciences, if we could. So, we'll be done lapping the headwinds here in Q4. Is there anything just on the horizon, product cycle wise where we've got some visibility of just kind of a better growth trajectory as we look into 2027 or into 2028?

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

A

I mean, it's hard to answer with any one specific piece. We've got very broad coverage there with kind of all the major suppliers of devices and instrumentation in that world. So, all I can say is I kind of look overall at the level of innovation. And so, whenever we go to the businesses, we take a look at what's in the labs, where are we? What part of the process, how close to launch are we. That's been really, really healthy for well over a year. And so, I wouldn't point to any one thing other than to say we feel very good about that space, that sector and the innovation stream that we can see going on in our businesses with each one of the major customers that we partner with.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

Great. Thank you for the color.

Operator: Your next question comes from the line of Joe Giordano with TD Cowen. Joe, your line is open. Please go ahead.

Joseph Giordano
Analyst, TD Cowen

Q

Hey, guys. How you doing?

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

A

Good morning, Joe.

Joseph Giordano
Analyst, TD Cowen

Q

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We're hearing a lot more now about the next kind of wave of AI being in terms of like diagnostics and life science and things like that. It's clearly like impacting the story around some of your customers and the stock price around some of your customers. I'm just curious is like when you think about trends like that and try to marry that with conditions on the ground, your customers sound better on volumes and like the market getting better.

But how do you kind of connect, what you're actually seeing on the ground near term kind of visibility with some of these higher level like overarching themes that may have like pretty material impact on those markets over time.

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

A

That was certainly the subject you're talking about. I think it's particularly exciting for this sector. It's going to impact innovation in a whole bunch of ways. I think the probably the one that comes to mind for our teams is speed. And so, being able to do things and crunch data and interpret results in a way that used to depend on human interpretation and that and was paced in that way, obviously you can think of that much differently now. And in that world in particular, kind of the speed of analysis, speed of decision-making, speed of regulatory, all of those things have been big inputs into kind of the current pacing and the historic pacing.

So, I think probably in that one aspect, the opportunity to move faster is probably the most exciting piece. Now, is that a direct one for one correspondence to feeling better in the industry today? It's probably in there in an indirect way. But I think generally what we're seeing in terms of optimism is just we're further and further away from the pandemic, given the institutional pressures we're lapping at this point than they're slightly better than they were. And the innovation that was kind of teed up as we came out of the pandemic is now starting to reach market introduction stages.

So I think all of those things together are the current ingredients. But boy, I'm like probably where you are. I think the potential for AI and what it can do in the space is very exciting.

Joseph Giordano
Analyst, TD Cowen

Q

And just and forgive me if you've touched on this before in the beginning of the prepared remarks I had to join in a couple of minutes late. But the data center, semiconductor space based elements of HST, obviously pacing growth there. Are you able to parse out like the split of what's driving this year? And then as you think into next year, does that – does the aggregate really change a whole lot? And does the like the composition of that growth change within those three?

Sean M. Gillen
Chief Financial Officer & Senior Vice President, IDEX Corp.

A

Yeah. So, as you mentioned, we did touch on it in the prepared remarks. A lot of the growth, particularly in HST continues to come from those three advantaged areas; data center, semiconductor, and space and defense. And in those in aggregate, they're now over a third of the portfolio and really driving a lot of the growth in the HST segment in particular. Overall, probably around, kind of year-to-date, 50% type growth year-over-year in those areas.

And I think as you look into next year, a lot of those trends are durable like we've talked about. One, the trends are durable. Two, we have the orders and backlog that help with the visibility. We will start to get into, tougher comps year-over-year as we move into that. But I think all the things that are driving growth there continue to be additive as we look into 2027.

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Joseph Giordano
Analyst, TD Cowen

Q

Thanks, guys.

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

A

Thank you.

Operator: Your next question comes from the line of Nathan Jones with Stifel. Nathan, your line is open. Please go ahead.

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

Q

Good morning, everyone.

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

A

Hey, Nathan.

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

Q

Maybe just a follow-up on that. You talked about 50% growth in that the advantaged area is contributing most of the HST growth. Maybe we could talk about the other pieces of HST that are maybe not contributing to growth at the moment and how you're feeling about the prospects for those areas to start contributing to growth in 2027-2028?

Sean M. Gillen
Chief Financial Officer & Senior Vice President, IDEX Corp.

A

Yeah. I think the biggest piece there of kind of the other parts of HST outside of those advantaged three areas would be life sciences, as we just talked about, which we do still consider an advantaged area and for all the reasons that Eric touched on, expect growth to continue to return there. For us specifically, we're starting to see that other than there's one program that's sun-setting. And I think all the characteristics and demand attributes as we look into next year are positive. So, if you think about kind of the HST portfolio overall, that's one has been a drag for a few years now, kind of even today. And as you look into next year, should be additive to the growth.

That's kind of the single biggest other piece of HST. About a third of the portfolio is life sciences. We have more than a third from the advantaged three, life sciences being another third. And the balance of it starts to be some of the more kind of industrial-leaning type products, whether it's in our sealing solutions business or in the Gast part of performance pneumatics. Some of those, I think, continue to just perform in line with overall industrial activity, and that'll probably be the case as we look into next year as well.

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

Q

I guess I'd ask a question on incremental margins. IDEX has historically been a business that the higher the growth goes, the higher the incremental margins go. Are you seeing – there's really strong growth in HST and

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improving growth in FMT. Should we expect to see the incremental margins get a little bit better as the growth gets a little bit better?

Sean M. Gillen
Chief Financial Officer & Senior Vice President, IDEX Corp.
A

Yeah. I think, overall, that's fair. And I think, in a way, that's what you saw in Q3 because you started to see volume growth in the FMT and FSDP portions of the business as well, and flow-through there was quite strong in the quarter as we talked about. Kind of that high – for the whole company, that high 30s to 40% flow-through range is still the right zip code and that's with HST in the high 30s, FMT kind of 40% plus or minus depending on where the volume is coming from, and FSDP somewhere in between the two.

You will have a little bit of, kind of from a consolidated standpoint, a bit of a headwind from the corporate line year-over-year that eats into the consolidated flow-through. But those are the pieces I think about in terms of overall flow-through, which I think Q3 was a good proxy for as well.

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

And then Nathan and, as you think of those numbers, they are inclusive of, probably an environment we're heading into where we are going to put some growth investments on the board. We've largely now for a few years kind of – frankly lived off of 8020 and moving resources left and right largely, but we've now got some sectors of the business that are growing and growing really strong. And we think we do need to put some talent in there to make sure we can keep it going. But what Sean referenced is inclusive of that work. That's still to come.

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

Great. Thanks for taking the questions.

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

You bet.

Operator: Your next question comes from the line of Vlad Bystricky with Citigroup. Vlad, your line is open. Please go ahead.

Vladimir Bystricky
Analyst, Citigroup Global Markets, Inc.
Q

Hey, good morning, guys, and thanks for taking my call or my question, I should say. Appreciate all the color. Maybe just one sort of more detailed question. Just if I think about your comments around inflation and some of the pricing actions you've taken to offset that. Can you quantify how much of a tailwind pricing is to top line in 2026 and how you're thinking about that evolving in 2027?

Sean M. Gillen
Chief Financial Officer & Senior Vice President, IDEX Corp.
A

Yeah, I can touch on that. Pricing for 2026 is around 2% of overall top line. That's what it was in Q3. Q2 had some noise with the IEEPA tariffs, but if you strip that out, you're around in the 2% zip code. I think overall that continues to be the right place for us to think about pricing overall for the company, tends to be a little bit heavier

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in the more established markets like FMT and FSDP, a little bit lighter, the higher growth, higher innovation portions of HST. But we continue to look to price in excess of cost, the IDEX businesses are set up well. Eric talked about the pricing dynamic across the businesses that we have.

I think it's set up well for us to continue to price in excess of cost. We've obviously been in a kind of unusually inflationary environment for the past couple of years, both with tariffs as well as just overall inflation, particularly on some commodities that we see. Who knows what'll happen there? But I think we continue to expect that we'll price in excess of cost and keep our margins intact.

Vladimir Bystricky
Analyst, Citigroup Global Markets, Inc.

Q

Got it. That's really helpful, Sean. Appreciate that. And I guess then, just stepping back, given the momentum you're seeing in advantaged markets, given the order strength you've had and then some of the broadening into industrial, as we start to think about puts and takes into 2027. But, are there any sort of emerging headwinds or negatives that we should be thinking about, that could potentially offset this positive momentum that we're seeing build here through 2026?

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

A

I mean, there's – nothing really on the board that's pinging for us in the near term that we're worried about. I mean, probably like everyone else, as we look at some of the most aggressively growing markets, data center probably being at the top of the list, we're always keeping an eye on kind of overall aggregate capacity of the system. Remember, we're putting a small component into a pretty complex ecosystem. So far, there's some noise out there clearly in pockets, none of it caused by us and none of it really disruptive to us. But, looking at that as a governor of ultimate rates of expansion, I think that's something you always have to keep an eye on.

Probably have to do it as well in some of the areas that are growing and those advantaged spaces for us for different inputs. But again, we pride ourselves on with our own uptick in capital, we're not going to be the cause of any of that. And again, at present, I don't really see anything that would distort it, but those would probably be the items that would be at the top of our list to just keep an eye on, as well as the usual things around environmental macroeconomics.

Vladimir Bystricky
Analyst, Citigroup Global Markets, Inc.

Q

Understood. Appreciate it. Thanks, Eric.

Operator: [Operator Instructions] Your next question comes from the line of Dan DiCicco with Bank of Montreal Capital Markets. Dan, your line is open. Please go ahead.

Daniel DiCicco
Analyst, BMO Capital Markets Corp.

Q

Great. Thank you for taking my question. Maybe just a little bit bigger picture, which business or end market has exceeded your expectations the most this year? And then as we look to 2027, where do you feel like visibility has improved the most as well? Thanks.

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

A

Well, it's an interesting question. I think our teams within material science solutions, I would probably say the work that they're doing there has been particularly impressive. That's where we've got the two large businesses that we acquired are pretty near that universe. There are some newer applications in there that we're just meeting for the first time and the speed that they've moved on those and made progress. Teams at Muon, right next to them the teams at Mott, as I referenced in my comments earlier. I'm particularly impressed with our output there and what's happening.

In terms of, the second part of your question? Look, I think, again, we're kind of focused in the way that I described in the beginning. We're – those advantaged markets are sort of leading the way. That's where a lot of our time and attention is being spent. We'll keep an eye on those as we go. Again, we're excited about the broadening industrial side of this, too. It's been a while since we've been able to flex some growth muscles and get the leverage levels that we've talked about here. And that's a really important part of IDEX as well. So, it's all interesting, fascinating for us and doing very, very well.

Daniel DiCicco
Analyst, BMO Capital Markets Corp.

Q

Great. That's it for me. Thank you.

Operator: We have reached the end of our Q&A session. I will now turn the call back to Eric Ashleman, Chief Executive Officer for closing remarks.

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

Thank you and thanks for joining the call today, everyone. I have just four key messages to sum up our time together. 2026, I think, has really been a validation of our strategic thesis that drove the acquisition strategy over the last five years. I mean, we are really, really happy with the performance of the businesses we acquired.

Number two, we continue to see durability and strength in those advantaged markets we covered today. Our teams are innovating with customers every day. And as we talked about when we referenced tunability, we want to extend our reach and impact within those demand streams. I'm confident we will. Very encouraged by the broadening of demand in industrial businesses as I just talked about. We've seen small steps each quarter, some positive indicators pointing to better days ahead. And those businesses perform so well when they're growing in that way.

And then finally, our teams are executing in a great way. That's expected, of course, but I never take it for granted. I want to thank them again. Thanks for all your time with us today. Look forward to talking about where we're going next in future calls. Have a great day.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.

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