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IDEX Corp. (IEX)

Q2 2017 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the Q2 2017 IDEX Corporation Earnings Conference. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentations. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Michael Yates, Vice President and Chief Accounting Officer. Thank you. Mr. Yates, you may begin.

Michael J. Yates

Chief Accounting Officer & Vice President, IDEX Corp.

Thank you, Doug. Good morning, everyone. This is Mike Yates, Vice President and Chief Accounting Officer for IDEX Corporation. Thank you for joining us for our discussion of the IDEX second quarter financial highlights. Last night, we issued a press release outlining our company's financial and operating performance for the three-month period ending June 30, 2017. And later today, we will file our 10-Q for the same period.

The press release and the presentation slides to be used during today's webcast can be accessed on our company's website at www.idexcorp.com.

Joining me today is Andy Silvernail, our Chairman and CEO; and Bill Grogan, our Chief Financial Officer.

The format for our call today is as follows: We will begin with Andy providing an overview of the second quarter financial results and an update on our markets and geographies. He'll then walk you through the operating performance of each of our segments. And then finally, we will wrap up with an outlook for the third quarter and full-year 2017. Following our prepared remarks, we'll then open the call for your questions.

If you should need to exit the call for any reason, you may access a complete replay beginning approximately two hours after the call concludes by dialing the toll-free number 877-660-6853 and entering the conference ID 13652252, or you may simply log on to the company's homepage for the webcast replay.

As we begin, a brief reminder. This call may contain certain forward-looking statements that are subject to Safe Harbor language in today's press release and in IDEX's filings with the Securities and Exchange Commission.

With that, I'll now turn the call over to our Chairman and CEO, Andy Silvernail.

Andrew K. Silvernail

Chairman & Chief Executive Officer, IDEX Corp.

Thanks, Mike. Good morning, everybody. Thank you for joining us here in our second quarter conference call. Look, the first and second quarters were very positive, and they produced strong results here in the first half of the year. And I'm pleased with the way the team continues to capitalize on the rebounding economy and successfully execute our growth strategy and is setting us up for what we think is going to be mid-single-digit organic growth here for all of 2017.

In the second quarter, we had pretty broad-based overall performance. There are only a couple of pockets that were soft. But really as we think about the strength so far in our businesses and the sustained economic outlook,

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we think the operating results for the balance of the year are going to be very solid. As I mentioned, there are a few pockets of weakness in our portfolio, primarily around Midstream Energy. We've talked about this quite a bit in the last couple of calls, where the midstream really lagged the improvement in upstream.

We are seeing – we have continued to see improvement in the upstream, but the midstream is still soft. But I will say that there's some evidence of a bottoming, and we're prepared for the market here to improve in the second half of the year. I'll provide more details as I walk through the markets and the segments here in a little bit. But overall, look, it was a strong quarter and we're very pleased with the results for the first half.

Orders were really strong in all three segments. They were up 11% overall, 9% organically. HST delivered organic order growth of 11%, FMT had organic order growth of 9%, and FSD had organic growth of 7%. So all three segments really showing a nice order progress. We also built $12 million of backlog in the second quarter. And for those of you who have known the story for a long time, you'll know that, that is not typical for us. We typically burn our backlog in the second quarter. So this sets us up well here going into the second half.

Organic revenue was up 3%, driven by HST, which was up 6% organically. And FMT, which was up 4% organically. FSD was down 1% organically in terms of sales for the quarter, but that was really entirely due to a project delay in the North American dispensing market. We did see a nice ratable increase in sales and orders throughout the quarter, and it's what we like to see as we move through the quarter, and we saw that strength as we moved from April to May to June.

Flow through was 36.8% when we adjusted for the $2.6 million of net charges compared to the prior year. And look, the teams did an excellent job in the second quarter, and we saw that in the results. As I mentioned, organic orders and sales were up 9% and 3%, respectively. Op margin was 21.8%, which was up 110 basis points. EPS was $1.08, which was up $0.09 or 9% for the quarter, and free cash flow was $78 million.

We increased our gross margin by 40 basis points to 44.8%. However, if we back out the $3.6 million of fair value inventory step-up compared to prior period, it was down about 30 basis points, and this is due to some increased investments in engineering that we had in the quarter, really, around accelerating growth and some – a few pockets of inefficiencies in our supply chain. That I'll talk about here in a few moments. We also increased our quarterly dividend by 9% to $0.37 in the second quarter.

Let me take a minute here and as I usually do talk about what we're seeing in our markets and in the regions around the world. Industrial distribution, look, it continues to be steady. We see continuous signs of recovery, really, in all markets around the globe. Energy, as I mentioned, a minute ago, was a mixed bag. Upstream is strong, if you look at our BAND-IT and our Sealing businesses. But in FMT, in the midstream applications, it has generally lagged. And as I said, I think we're seeing a bottom, and I believe we'll see some improvement here in the back half.

Ag has been a great story. Our Banjo business has been very strong, up double-digits so a really nice recovery. Life sciences – Scientific Fluidics and Optics continues to be a market stronghold for us. We've talked about a lot that the nice product cycle is moving through that industry right now, and we're doing well within that. Semicon has also been strong, and we're winning share there. Municipal end markets in both Water and Fire continue to be positive.

If we turn to the regional look; North America, I think we all know that the silliness that we're seeing in the political landscape in the U.S., kind of regardless of that, we're continuing to lead the recovery around the world. We've

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seen strength in most of our markets including transportation, semicon, industrial distribution, agriculture, life sciences, and upstream oil and gas.

Europe continues to improve. There are some pressures from the strengthening U.S. dollar, but generally in the core markets, those are doing well. Same can be said for Asia. There have been some stumbles in India with the change in tax laws, but we think that's a short-term thing, and we benefit from this going forward.

So just a few comments on capital deployment before I get into the operating results and the segment discussions. Our strategy remains the same. We have an emphasis on long-term organic growth, disciplined M&A, consistent dividends, and opportunistic share repurchases. On the organic growth side, I think you're seeing the benefits of the investments we've been making. The teams have done an excellent job in terms of executing our strategies, around targeted growth and new product development, and we've seen strong organic growth certainly in the orders side for the first half of the year, and we think that plays out into the second half.

Dividends, as I mentioned, we increased our dividend by 9% to $0.37 a quarter here in April. Share repurchases, we bought back about $2 million of stock in the quarter, 24,000 shares. And as you know, we think of share repurchases as a tool for driving long-term shareholder value for the company, and we'll do so when that makes sense.

In terms of M&A, our funnel of opportunities is good, and has actually improved a little bit here through the second quarter, and we'll continue to look for and execute on deals that are going to drive long-term shareholder value. Our financial position is outstanding. We paid off our U.S. revolver here in the second quarter. Our debt-to-cap is 28%, our net leverage is 1.2 times, our gross leverage is 1.5 times. So you combine our balance sheet and our strong cash flows, and we are in a very nice position around capital deployment.

Okay, let's switch gears here. Let's turn to Page 4, and let's talk to the financial results. In Q2, we had revenue that was $573 million. As I've mentioned, that was 4% – up 4% overall, 3% organically. That's driven by HST, which was up 6%, in terms of organic growth in FMT, which was up 4%. Orders were $586 million, which up 11% overall, 9% organically. As I mentioned before, all three segments delivered organic order growth: HST, up 11%; FMT, up 9%; FSD, up 7%.

Q2 net income was $84 million. It was made for $1.08 a share, which was up $0.09 or 9% from the prior year. As we discussed in January, look, we're making growth investments, and we're committed to new product development and funding our growth initiatives around the world. In the first half, if you look at our engineering spend, which includes all aspects of engineering including R&D, our product engineering and applications engineering, that spend was up 14% year-over-year.

Op margin was 21.8% for the quarter, up 110 basis points. And as I mentioned, this was really driven by volume leverage, benefits of our prior restructuring, and we did have also the benefit of a $2.6 million in cost from last year that we did not have this year. Free cash flow was $78 million, which was at 93% of net income. This was down slightly from the second quarter of last year compared – if you just look at the impact that were around tax payments. We had higher tax payments this second quarter versus last year. We did have a little bit of higher working capital as we're seeing some growth, although, our capital efficiency remains quite good. And we did have some increased CapEx. And just – I ask you to remember that on a year-to-date basis, our free cash flow was up 8% year-over-year.

Okay, let's turn to the segment discussions. And we'll start with Fluid & Metering. I'm on Slide 5. For the second quarter in a row, FMT had a very solid quarter. Organic orders and sales were up 9% and 4%, respectively. Op

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margin was up 270 basis points, primarily due to volume leverage on the organic growth, some impacts of our restructuring savings and also little bit lower amortization.

Water remains a good story; we have strength in our U.S. distribution and municipal end markets. Sales were actually up on an apples-to-apples basis, but on a reported basis, they were down a little bit. Just remember, we did have some divestitures in that area. The team has done just an outstanding job around new product development, which continues to drive the organic growth success.

If you look at industrial fluids, the Pump businesses, the Viking and Warren Rupp, in particular, very strong double-digit increases year-over-year. Our targeted growth initiatives around LACT skids in upstream oil and gas with the Viking brands has been just outstanding and the industrial markets overall are solid. The Valves business is stable and improving. We have seen orders and sales growth a little bit offset by FX as the dollar has strengthened against the euro.

Energy, I've already talked about. But in particular, the LPG mobile market, we have seen softness. We are seeing what we believe is a bottom there. So we think we will see some improvement here in the second half. And our aviation project funnel is in really good shape, and I think positions the business well here in the back half of 2017. Agriculture, a good story through the second quarter, it got better in the first quarter – rather it got better in the second. And we think we're going to continue to see strong global demand and double-digit orders and sales growth.

With that, let's turn to Health & Science. I'm on Slide 6. Similar to FMT, HST had two strong – has had two strong quarters in a row of organic order growth, it was up 11% in the quarter and sales were up 6% over last year. Op margin was up 60 basis points, mainly due to restructuring activities and higher volume. The Life Science and Optics businesses, Fluids and Optics, really strong across our major markets, AI, Bio IVD and DNA sequencing.

As we've talked about, there's a nice overall new product funnel that is coming into the marketplace, and we have won share on most major platforms; so it's a good story for us. Our Sealings business, we're seeing record levels of production in our Blackburn facility in England. We've had organic orders and revenues up double digits there. The SFC acquisition is exceeding our plan, and we're ahead of our original deal model.

As I mentioned, the semicon market continues to be strong as is oil and gas and our investment in a new facility in Texas here has proven to be a winner for us. And we are seeing some life in the heavy-equipment market, so some improvement there. HST industrial overall, that marketplace is stable and the Material Process technology, we're seeing strength in pharma and nutrition. We have finished our site consolidation, which did drive some inefficiencies here in the second quarter, but we think we cleaned that up going into the third quarter and the back-end of the year and really start to pivot towards growth in those businesses.

I'm on the last segment, Diversified, I'm on Slide 7, had organic orders up 7% for the quarter. Organic sales were down 1% and really, entirely due to a delay in an order in dispensing. Operating margins were up 80 basis points, primarily due to the inventory step-up for Akron Brass, partially offset by dilutive impact to margins – excuse me, from the dilutive impact of margins from prior year acquisitions.

In terms of dispensing, we did have a relatively large order. We talked about last quarter, it got pushed out, and so we did not recognize that order or sales in the second quarter. And we have seen the X-SMART product start to plateau. That's has been really a home run for us, but we are starting to see reaching peak levels there. And so as we look at our new product initiatives that are coming out in the back half of the year, that should help us accelerate growth in this platform in the future.

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The Asian and European markets are performing better than expected in dispensing, although we are seeing some impact from FX. In terms of Fire & Safety, excellent wins in rescue tools and fire pumps. Another strong quarter here for this group. OEM and municipal markets, while they are solid themselves, we are absolutely winning share.

The European market has had some recovery. In the Akron Brass and AWG, we are well on our way of delivering on our promise of 500 basis points of margin improvement in those businesses. And then, finally, BAND-IT. Look, we had really good quarter for BAND-IT. We saw a rebound in energy, and we've continued to win share. Transportation and the industrial markets have done well, and so we're seeing a nice bounce back here for BAND-IT.

All right. I'm on final slide here, Slide 8, and I'll give you an update on Q3 and full year guidance. So for Q3, we think EPS is going to be $1.04 to $1.06. Organic revenue is expected to be about 6%, operating margin's around 21.8%. The Q3 tax rate should be about 26.5%. FX we think will be flat for the quarter, and corporate costs should be about $17 million.

For the year, based on the first half performance, the strength of our order intake in Q2 and I think a solid overall rebound in the markets. We're expecting to take our full-year guidance up. We were at $4 to $4.10, and we're taking that now, $4.18 to $4.23. We're also increasing our full-year organic revenue expectations to 5%, and full-year operating margin to about 21.8%.

We expect FX to have less than 1% headwind for us for the year. Corporate costs should be around $68 million and free cash flow at about 120% of net income. Finally, as always, we have not included the impact of any future acquisitions or potential cost of restructurings that may happen here in the future.

With that, let me pause, Doug, operator, I'll turn it over to you, and we'll open it up to questions.

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QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Allison Poliniak with Wells Fargo. Please proceed with your question.

Allison A. Poliniak-Cusic
Analyst, Wells Fargo Securities LLC

Q

Hi, guys. Good morning.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Hey, Allison.

Allison A. Poliniak-Cusic
Analyst, Wells Fargo Securities LLC

Q

Andy, just want to talk – you talked or mentioned quite a bit, market share gains driving some of that order acceleration pretty much across all the segments, and you guys have done a lot of investing over the years to get to this point. Is there any way to help us understand, I mean, I know it might be a little difficult, in terms of market share gains, is it 1%, is it 2% above market? Any generalization or color that you can give us there?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yeah. I think we actually did a little bit of work here, maybe a little bit deeper than we had in the past, in advance to this call, we assume that this would be something people want to talk about. From an order perspective, if we – we broke it down along our major businesses, and what we are estimating is about half of what we're seeing in order growth is coming from market and about half is discrete win that we can put our finger on, kind of, really clearly that we can walk through.

You've got some big ones around – some big wins that have happened in – around Life Sciences, in the Scientific Fluidics & Optics. You've got some other big wins around Viking, the LACT skids investment has been a big win for us, our Water businesses generally. There, it's more kind of singles, buns and singles that we're winning. It's not one big new product but you add that up together, and those are some good numbers. So those three areas, in particular, are the big drivers. But right now, if you look at that 9% organic order growth, we think about half of it is market and about half of it is discretely from our initiatives.

Allison A. Poliniak-Cusic
Analyst, Wells Fargo Securities LLC

Q

That's great. And then, as I look to the segment margins in the context of your overall corporate margin targets out there for the – your outlook, is there any mix – outside of volume, any mix issues either way by segment that we should be wary of as we do our models here?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

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I don't think so, Allison. It was – the overall mix equation was pretty stable for the most part. So if you kind of look at how few things played out, it had some pretty big puts and takes within HST. And what I mean by that is, you had really strong growth in life sciences, which is better-than-average margins, and you also had really strong growth in Sealing, which is a little bit lower, just because they have more amortization there.

And then we did have some inefficiencies, as I said in supply chain. If you look at where those came to, it was about $3 million of inefficiencies that we can put our finger on as we saw some growth accelerate, and we had to do some catch up in supply chain, mostly around HST. But we think we'll get those cleaned up through the balance of the year.

Allison A. Poliniak-Cusic
Analyst, Wells Fargo Securities LLC

Q

Great, thanks. That's helpful.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yeah.

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

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

Q

Good morning, everyone.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Hi, Nathan.

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

Q

I'm going to follow-up a little bit on Allison's growth investment questions there. Last couple three years, you guys have made a concerted effort to invest more in these growth initiatives. Is there more that you can do there, are you constrained by manpower, are you constrained by manufacturing capability, given that you're going to have higher growth here, you're going to generate more cash, are you looking at making more investments to try and drive these growth rates higher?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

You know, Nathan, part of what you saw in the engineering expenses for the year, that was actually a little bit above our expectation as the year has gone on and we performed better than our earlier expectations. We have put – we put even more money there. I don't see huge constraints in the intermediate-term. In the short term, you may have some constraints around people and engineering, just capacity. And so we're starting to alleviate some of that. But I think we've really taken the point of view consistently that we're going to fully fund. And so it's not something we really – we've backed off on.

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So manufacturing constraints, I don't see that very much. Maybe some short-term around engineering that we're working to alleviate. And then I think supply chain, as we've talked about, really though, last quarter, we started talking about it, maybe even the quarter before. Supply chain, I think, will become, it will become the kind of bottleneck. It's something that we're all going to be able to get our arms around. And certainly in areas that we start growing over and above the 9% in order growth, we have seen some strains there. And we got to make sure that we stay ahead of that curve.

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.
A

And Nathan, this is Bill. The only thing I'd add is, right. Obviously, we want to go very deep on a limited number of initiatives. I think we've seen the success based upon prioritizing the critical few. So there's a lot around our focus around a small number of initiatives versus expanding the funnel and putting our toe on a bunch of different pools.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Good point, very good point.

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

Over the years, Andy, you've always said that it's easy to ramp your business up than it is to ramp it down?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Yes.

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

And you're in an area here now, which is increased organic growth outlook where you're going to have to ramp the business up a little bit. Are there any costs that you need to add back in that might depress incrementals a little bit in the short-term or anything like that?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Yes. I mean, a little bit, Nathan, but I wouldn't expect us to be underneath that 35% target. I can't see why that would be the case. So if you constrain – I said this many times, if you constrain your spending, and you get a quick ramp up, then, obviously, the incrementals can be big. I think we have enough visibility, and we are targeting enough areas that we should see incrementals to be healthy, north of that 35% range. But I don't want to hamper our spending to get five more points of incremental in the quarter when we're really kind of thinking about the long-term here.

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

You've said the incrementals go higher as the organic revenue growth goes higher.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

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Yes.

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

Q

Now that we're getting into that 6% range, is there the potential for us to start pushing towards the number that's starts with a 4?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

It's possible, again, Nathan, I'm not – if I've got to make trade-offs, right, which I'm making sure that we're continuing to reach investment, to maximize our investment around very, very high return projects, we're delivering a 45% incremental, I'll trade of the investments, right, because I'll take that very attractive 35% with promise for greater long-term growth than a short term 40% or 45%.

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

Q

Fair enough. That's helpful. Thanks very much.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

You bet, Nathan.

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

Mike P. Halloran
Analyst, Robert W. Baird & Co., Inc.

Q

Good morning, everyone.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Good morning, Mike.

Mike P. Halloran
Analyst, Robert W. Baird & Co., Inc.

Q

So, last few quarters, you've kind of grown increasingly positive or at least increasingly constructive on the environment, but there's always been that cautionary note, uncertainty in the forward look. This quarter seems like other than maybe a comment on the political landscape here, not much uncertainty tingeing your comments. So some thoughts on sustainability as you see it going forward from here, obviously, a lot of momentum in the short-term...

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yeah.

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Mike P. Halloran
Analyst, Robert W. Baird & Co., Inc.

Q

...but you clearly pulled your commentary more positive. So, some thoughts going from here?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yeah. So if you remember last quarter, my hesitancy was really around two things. One was, what I'll call the geopolitical risks that are out there; and the second was really around that we had not started to see sustained investments in larger things. Those are the two things that kind of gave me caution. I would put the geopolitical silliness at the exact same level than before. I don't think it's gotten better and I don't think it's gotten particularly worse.

What I would say is, we are starting to see some more structural investment by industrially, not necessarily via governments, but we are starting to see some of that. And so that gives me some more confidence. And we're starting to see some of the businesses that had lagged bottom. I think the midstream energy is a good example of that. And so I do – I feel better that the balance of this year and probably into early 2018, there's more visibility than I think we had six months ago.

Mike P. Halloran
Analyst, Robert W. Baird & Co., Inc.

Q

And what was the cadence like through the quarter? Pretty consistent or did you see a ramp that was different from seasonality?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

It was the normal ramp that we would see, Mike, but it wasn't a big hockey stick, which is good, right?

Mike P. Halloran
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

And so it was – if you actually went through, it was the orders were $183 million, $196 million, $207 million. That's how they went April, May, June. And sales were $174 million, $189 million, $210 million. And so that's a very normal pattern for us. And so that's a pretty good sign. If it was $150 million then $250 million at either ends of the barbell, you might be a little more worried. But that was a good pattern.

Mike P. Halloran
Analyst, Robert W. Baird & Co., Inc.

Q

That makes sense. Last one then, just how do you view the actionability of your acquisition pipeline right now?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

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It's good question, Mike. We've got more in the pipeline and there's more things further down than we've had in a little while. The thing that gives me pause is a number of things we've seen. We've seen prices really run at the last minute. And you just know how we feel about that. And so this is more stuff further down than we were talking here 90 days ago, but I think there's still a lot of volatility in getting things over the line just because of the nature of the marketplace.

Mike P. Halloran
Analyst, Robert W. Baird & Co., Inc.

Q

Makes sense. Appreciate the time.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

You bet, Mike. Thank you.

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

Jeffrey Reive
Analyst, RBC Capital Markets LLC

Q

Hi, good morning. This is Jeff on for Deane.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Good morning.

Jeffrey Reive
Analyst, RBC Capital Markets LLC

Q

Can you touch on the dispensing order that was delayed?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yeah.

Jeffrey Reive
Analyst, RBC Capital Markets LLC

Q

Could you possibly size that, and do you expect to see that come in the third quarter or the fourth quarter?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yes, we talked about it in the last quarter. It's in the $5 million range, plus or minus. So it's certainly meaningful to the overall dispensing business and meaningful to the FSD segment. Obviously, it's less meaningful to the company as a whole.

But we expected that. We're 90 days behind where we thought would be, to be honest with you, and we're hoping that will – there's no reason we believe it won't happen. But this is where we've got to work with our customers for

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what's best for them in terms of their own timing. So there's no reason to believe the order won't happen, and it won't turn into sales, but the timing is delayed.

Jeffrey Reive
Analyst, RBC Capital Markets LLC

Q

All right. And then maybe when you guys look at your forward-looking indicators, what are you most optimistic about going forward for the second half of the year and into 2018?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yes. I'll say three things. One is the broad-based nature, right? So, because if you look at our portfolio, we are so diversified and we touch so many end markets that when you see it as broad-based at this, that's a good sign, right? It's a good sign of a healthy and improving economy; that's number one.

Number two, we can very clearly pick out where we are driving incremental revenue, and where we're seeing the wins coming from, discrete actions that have been in place for a long period of time. So for me, that's very important.

And then the final one is the work that we've done around segmenting our businesses and really understanding how and where we're going to compete. It makes me believe, and actually know, that the revenue that we're looking at is high-quality revenue. It's high return, high-margin, high return revenue. And I think it's a good overall story for IDEX within what I'll call an improving environment.

Jeffrey Reive
Analyst, RBC Capital Markets LLC

Q

All right. Thank you.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Thank you.

Operator: Our next question comes from the line of Scott Graham from BMO Capital Markets. Please proceed with your question.

R. Scott Graham
Analyst, BMO Capital Markets (United States)

Q

Hey, good morning, all.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Good morning, Scott.

R. Scott Graham
Analyst, BMO Capital Markets (United States)

Q

Very nice work.

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Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Thank you.

R. Scott Graham
Analyst, BMO Capital Markets (United States)
Q

So the two questions I have, the first is on pricing. Would you kind of size that for us, Andy, and maybe also indicate which businesses were sort of above that or below that kind of thing?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Yes, Scott, the story is really not different than what's been. We're still between 0.5 and 1 point in price across our businesses. The FMT businesses have done – typically get more price. HST, we've got larger customer concentration, a lot of multi-year contracts. And so we tend not to get as much price, so it will be negligible. It'll be positive, but negligible. And then FSD is kind of in the middle. So that pattern really hasn't changed. There's nothing materially different.

R. Scott Graham
Analyst, BMO Capital Markets (United States)
Q

Got you. And then the other question is on sort of the fixed businesses, and I know that number we've thrown around at about 25% in sales.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Yes.

R. Scott Graham
Analyst, BMO Capital Markets (United States)
Q

I'm just kind of wondering where the margins are in some of those individual businesses to where you think that there might be a sales funding opportunity perhaps later this year, 2018, and which businesses would those be?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

You mean to sell the businesses?

R. Scott Graham
Analyst, BMO Capital Markets (United States)
Q

No, no. You were – it doesn't sound like you're going to sell much more.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

No, no.

R. Scott Graham
Analyst, BMO Capital Markets (United States)
Q

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So we're going to move into funding of those businesses?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Ohh. I'm sorry, I got it. I apologize I didn't understand that. So look, we've made great progress. We look at this monthly in terms of the discrete actions of improving profitability, and we are at/or ahead of plan in terms of our profit improvement for those businesses. As you know, we graduated a bunch of businesses last year into – out of that bucket and into one or the other growth buckets. And I expect we'll do that, again, this year. So we're making a lot of progress.

To answer your question, look, we're on/or ahead of schedule in terms of margin improvement in those, and we expect to graduate some and move them into growth category or the outperformed category. As you know, we've kind of said, look, you only get two years in that bucket. So Bill, anything you would add there?

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.
A

Yes, just a reminder, about a third of that bucket is our new acquisitions, right? So we continue to deal, you always see that fixed bucket as a certain percentage of our businesses and the two Fire assets that we bought last year are both on track, that 500 basis points. So about year and a half in on Akron and about a year in on AWG, and those are progressing nicely. And SFC is really more about growth story. We're implementing the operating model. Just to capture a few efficiencies on their side.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Absolutely.

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.
A

So we'll probably see those three graduate here at the end of the year.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Yes, yes.

R. Scott Graham
Analyst, BMO Capital Markets (United States)
Q

And if we were to look at, let's say, first quarter of next year, what would that percent of fixed would be down to?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

I'd need to look at that.

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.
A

And plus it's going to vary depending on how many deals we can potentially close this year.

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Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

If you – Scott, don't hold me to this, but if you neutralized for no more acquisitions, let's just say you didn't add it, you're probably somewhere – it goes into the 15% to 20% range. So call it 10 points or so of that bucket move out into one of the other buckets. So we're making the progress we had hoped to make.

R. Scott Graham
Analyst, BMO Capital Markets (United States)
Q

Very good. Thank you.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Thank you, Scott.

Operator: Our next question comes from the line of Brett Linzey from Vertical Research Partners. Please proceed with your question.

Brett Logan Linzey
Analyst, Vertical Research Partners LLC
Q

Hi. Good morning, all.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Good morning.

Brett Logan Linzey
Analyst, Vertical Research Partners LLC
Q

Hey, just wanted to come back to Akron Brass and the AWG. I mean it sounds like you're making good margin progression on those businesses.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Yes.

Brett Logan Linzey
Analyst, Vertical Research Partners LLC
Q

But if you are just to isolate those two assets, how did or how has the organic growth profile been over the front half of the year?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

It's actually been really good. It's exceeded our expectations compared to what we went to with the model. So now it's a little bit hard to discretely pick out the organic growth because we have started to put together the sales channels, and you are starting to put the businesses together. So as we go forward, it will get more difficult to pick out exactly what's the difference between Fire – our legacy fire and Akron-AWG because they're going to be

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coming together. So probably by the end of this year, we actually won't talk discreetly about those. But there are at/or above our expectations.

Brett Logan Linzey
Analyst, Vertical Research Partners LLC

Q

Okay, great. And then Andy, maybe just speaking to the M&A question a little bit different. I mean, in terms of the funnel, and as you look at the strategic pillars between private equity to the carve-outs, the internally cultivated, how does the funnel compare and contrast between those particular areas, and where do you see the most opportunity?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

So the most volatility – but when you look at over time, right, and you say how much do one of those pillars change in terms of going into the funnel, the work that we do with private companies remains really steady, right? That doesn't change very much regardless of the environment. And the reason for that is typically the impetus for selling is a family event rather than an economic event.

And so, you see less volatility there. So what we see, specifically, in our funnel now is you're seeing more private equity. That's the biggest change, meaning private equity folks coming to market. And selectively more corporates looking at some small divestitures. Those would be the two biggest things that have changed over time, and those are more driven by market conditions, right? So improvement in their overall businesses and strength in the seller's environment.

Brett Logan Linzey
Analyst, Vertical Research Partners LLC

Q

Okay, great. And then just one little cleanup here. What was the size of the contingent consideration? I know these aren't abnormal...

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.

A

It was $1 million.

Brett Logan Linzey
Analyst, Vertical Research Partners LLC

Q

It was $1 million.

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.

A

Yeah, yeah.

Brett Logan Linzey
Analyst, Vertical Research Partners LLC

Q

Is that in the corporate books or the segment level?

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.

A

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No, that was last year, the contingent consideration.

Brett Logan Linzey
Analyst, Vertical Research Partners LLC

Q

Okay. I see. So you're...

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.

A

Yeah.

Brett Logan Linzey
Analyst, Vertical Research Partners LLC

Q

You're calling out the comp. Okay.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yeah, yeah, yeah.

Brett Logan Linzey
Analyst, Vertical Research Partners LLC

Q

That's all for me.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Thank you.

Operator: Our next question comes from the line of Matt Summerville from Alembic Global Advisors. Please proceed with your question.

Matt J. Summerville
Analyst, Alembic Global Advisors LLC

Q

Thanks. A couple questions. First on FMT, when you look at, kind of, the absolute revenue level in the second quarter of this year versus last, pretty similar operating profit power, about $6 million, which, margins up very nicely as well. Can you sort of talk about what that step function improvement is being driven by? Is it a combination – obviously you have higher volume? Were the divestitures really not making money so you have accretion there? I guess, I'm trying to get a sense for is this a new baseline? We've had four quarters in a row, who will say average 27%. Is this a new baseline for that segment?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yes, it is. I think the 27% is a good new baseline. You've got a few things that have happened in there that have driven it. And it's a nice combination. So the divestitures were lower margin, overall. So that certainly did help to some degree. But it was small.

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The big things you have is you've got the impact of the fix businesses, and you've got the rebound in Warren Rupp, Viking and Banjo that are all very nice businesses in terms of their profit profile and contribution. So you put those three things together, and that's the difference.

Matt J. Summerville
Analyst, Alembic Global Advisors LLC

Q

And then, with respect to the HST business, you mentioned a couple times in your prepared remarks how the industry is going through, sort of, a new product cycle, if you will. Can you – is there a way to describe how significant that is to IDEX over what timeframe you see this kind of ramping up, and then at some point I would imagine there's sort of a leveling off.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yeah.

Matt J. Summerville
Analyst, Alembic Global Advisors LLC

Q

How we should expect that to manifest itself?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yeah, the way I would characterize it, you're talking about plus or minus about 15% of our business, right, that's kind of square in that area, that's looking against that new product cycle. I think it's pretty – from our visibility, it's pretty healthy year 2017, 2018 and even into 2019, assuming commercial success, right? We're assuming that our customers are going to have commercial success, and if you assume that, you can see some pretty good picture for us. Not at this kind of rates, right? So double digit organic growth in that area, that's too high. That was an anomaly in those businesses, but we do expect to see north of mid-single-digit organic growth on a compounded basis here for a little while. So that's kind of the impact.

The driver of that is, you've got a lot happening in each of those worlds, whether it's the impact of mass spec on analytical instrumentation, the impact of the amount of testing and the exactness of testing in In Vitro Diagnostics and Bio and certainly, DNA sequencing. Those all have good trends compared to say maybe the last three or four years, where that was a little more soft. So hopefully that will dimensionalize it for you.

Matt J. Summerville
Analyst, Alembic Global Advisors LLC

Q

Great. Thank you very much.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yeah.

Operator: Our next question comes from the line of Charley Brady with SunTrust Robinson Humphrey. Please proceed with your question.

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Patrick Wu
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Hi, guys. This is actually Patrick Wu standing in for Charley. Thanks for taking my question.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Hi, Patrick.

Patrick Wu
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Just I wanted to visit the margin profiles a little bit, each of the segments. Obviously, you guys laid out sort of the ranges, I think a couple of quarters ago. With organic growth sort of improving, I don't know if it's to the expectations that you guys have also orders – organic orders up 9% this quarter. Is it time you guys think that want to revisit the targets and things like that? Is there a room for maybe on the higher end of that to exit the year or maybe even be sort of, I guess, above that range?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

I don't think so. I think what we've laid out is very consistent, right? We've kind of said, FMT, we're talking somewhere in that 27% range; HST is 23%, and FSD 25%, plus or minus. I think our expectations through the year – they capture what we believe will be the flow-through that allows us to invest at the rate we want to and still get incremental margin expansion at a healthy rate. I don't think there's – I don't believe there's a big upside here that you guys and we haven't captured to any degree.

Patrick Wu
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay, that's fair. And obviously, I think you touched upon a little bit in the last question. With a lot of focus on organic investments even throughout the downturn, what percentage of your sales are from new product developed over the last 12 to 18 months now? And sort of where do you guys see that number going, let's say in 2018?

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.

A

Yeah, so, Patrick, we actually spend very little time looking at that. And I've actually pushed really hard to eliminate what a lot of people call vitality index. And the reason I do is that our business actually thrives because we have very long product life cycles and the defensibility of that is really tremendous. And so I think in the nature of our business, when you put in targets like that, what happens is people start to chase an artificial metric versus thinking about the long term and building the business.

And so if you just kind of think of the equation for winning for IDEX, if we outpace our underlying markets by north of 200 basis points on an ongoing basis, the compounding effect of that, the impact of earnings and margins and return on capital is just outstanding. And so our focus is how do we invest to beat our markets by a couple hundred basis points a year. And if we do that consistently, we got a winner.

Patrick Wu
Analyst, SunTrust Robinson Humphrey, Inc.

Q

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Got it. And just one final housekeeping one. Maybe I have missed it earlier, but the dispensing order that got pushed out, was that captured in the order growth for the segment this quarter? Or was that not in there yet?

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.
A

No, that was not.

Patrick Wu
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Thank you.

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.
A

Yes.

Operator: Our next question comes from the line of Joe Giordano with Cowen and Company. Please proceed with your question.

Joseph Giordano
Analyst, Cowen & Co. LLC
Q

Hey, guys. Good morning.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Hey, Joe.

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.
A

Good morning.

Joseph Giordano
Analyst, Cowen & Co. LLC
Q

Just wanted to catch up maybe on China a little bit. A lot of headlines about the housing sector there and maybe some curves trying to go into restraint pricing and investment. How do you view the level of activity there? How sustainable do you think it is? And how are you guys trying to position yourselves ahead of maybe some government regulations that might be going in over there?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Yes, so China generally has improved for us. We'd had a couple of soft years in China. And overall, it's actually done a little bit better. In terms of major regulations that are going to impact it, there's nothing that we see there's going to be a major driver. And remember, when all said and done, we're talking about 5% to 6% of sales. So I don't think it's going to be a huge driver to overall success, but I don't see a major inflection point.

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Joseph Giordano
Analyst, Cowen & Co. LLC

Q

Okay. Anything specifically on some of your, like, Fire businesses or anything like that on the municipal side over there?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yes, yes. So we've actually had real success here this year, specifically in our Rescue business. As you know, the Rescue business had been soft for really two years. And this year, we've seen some significant improvement. We are actually launching a series of new products for the Fire business out of our Dinglee business, and we think those will be quite successful. But I think we're still early days.

Joseph Giordano
Analyst, Cowen & Co. LLC

Q

Thanks, guys.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

You bet. Thank you.

Operator: Our next question comes from the line of Brett Kearney from Gabelli. Please proceed with your question.

Brett Kearney
Analyst, GAMCO Investors, Inc.

Q

Hi, guys. Good morning.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Good morning.

Brett Kearney
Analyst, GAMCO Investors, Inc.

Q

Thanks for taking my call. Just want to ask at a high level how you guys are thinking about your capital allocation priority in this current environment, I guess, given the robust acquisition pipeline you mentioned, kind of balanced against the new product opportunities that you guys have right now.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yes, one of the things that I feel very passionate about, and also very fortunate, is we're not capital constrained when it comes to growth investments, organic growth investments.

We do not hold back, we fully fund our organic growth investments, fortunate to have the kind of free cash flow. So through thick and thin, we're going to maximize that and push as hard as we can to drive new market development, new product development, et cetera.

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And so that's going to be priority one, and it's always going to be priority one in our business because the returns on capital are outstanding and the defensibility of those cash flows long term are outstanding.

Secondly, we want you guys to have a consistent view of what dividends are going to be, so kind of 30%, 35% of net income. And then it really comes down to M&A and share repurchase. And so our first priority after those things is going to be, hey, how do we put money to work strategically around building our platforms of businesses that are going to have the same kind of characteristics that we have today.

And then, if the market presents the opportunity, to buy back our shares and drive shareholder value in a differentiated way, we'll do so. So we pivot back and forth there. But with all that, patience, to me, is absolutely critical. And so when you're in a marketplace of very high valuations and what I think is oftentimes irrationality around pricing, being patient, being willing to build cash for a period of time and then taking advantage of opportunities when they present themselves aggressively, I think, is the way to do it. So there'll be times when we'll build cash, when it's prudent to do and there'll be times when we get really aggressive, and we deploy capital towards acquisitions or share repurchase when it makes sense.

Brett Kearney
Analyst, GAMCO Investors, Inc.

Q

Great. Thanks very much, Andy.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Thank you.

Operator: Our next question comes from the line of Bhupender Bohra with Jefferies. Please proceed with your question.

Bhupender Bohra
Analyst, Jefferies LLC

Q

Hey, good morning, guys.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Good morning, Bhupender.

Bhupender Bohra
Analyst, Jefferies LLC

Q

My question is around HST. Now, I believe that business, about 30% to 40% of the business is kind of industrial focused here.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yes.

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Bhupender Bohra
Analyst, Jefferies LLC

Q

Could you give us some color on the – I mean, the orders have been pretty nice and strong for this quarter, like 11% and if you can give us some color on the industrial part of the business, how MPT and some of the sealing platform businesses are doing?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yes. So if you kind look at, if i were going to rack and stack the orders in the second quarter, kind of who did what in that world, the life sciences group was – well, actually Sealing and Life Sciences are kind of neck and neck both in the double-digit territory, and we had a pretty tough comp around MPT, but also remember, we told you when we did that facility consolidation with our Materials Process, there was a good chunk of business, around $10 million a year that we're going to walk from. And we saw that here in the quarter as we expected it. And then the industrial stuff is kind of in the middle, right, in the middle between those two things but generally pretty good across the board and certainly, at/or above our expectations.

Bhupender Bohra
Analyst, Jefferies LLC

Q

And how was the cadence of the orders like? If you can just talk about HST, and maybe the FMT and FSD through the quarter and if you're seeing any different like in July we are – like three weeks in July right now, so...

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Yes, nothing different from what I answered before. I'm not sure if you heard when I think Mike asked the question earlier. So we saw an order pattern that was what you'd expect throughout the quarter and nothing surprising. No big hockey stick, which is good, and July, generally, is at our expectation, Bill, nothing really surprising, right?

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.

A

No.

Bhupender Bohra
Analyst, Jefferies LLC

Q

Okay, got it. Thanks a lot.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

A

Thank you.

Operator: [Operator Instructions] Our next question comes from the line of Jim Giannakouros with Oppenheimer & Co. Please proceed with your question.

Jim Giannakouros
Analyst, Oppenheimer & Co., Inc.

Q

Hey, guys. Good morning.

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Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Hi, Jim.

William K. Grogan
Chief Financial Officer & Senior Vice President, IDEX Corp.
A

Hi Jim.

Jim Giannakouros
Analyst, Oppenheimer & Co., Inc.
Q

Sorry, I hopped on a little late here so sorry if you've covered it, so I fully understand you're seeing broad-based strength across your portfolio and, obviously, that's a nice anchor to your, I guess, your confidence in just your organic progression going forward. But how would you rank order major end markets by your confidence level in, I guess, sustainable growth, appreciating we're in very different innings of different cycles, whether it be Water, Muni, Ag, General, Industrial or Gas, etcetera?

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

Yes, well, I guess, you want to talk sustainability and level, right? Because those two things could be different. So as an example, I think that if you look at Muni, I think the sustainability is going to be pretty good, right, but it's going to be at lower levels. I think the life sciences based businesses; they probably have the longest lights that we can see here a little bit. Our Sealing business is really well-positioned. If you look at how they are winning, yes, some of their markets are improving but they are winning some really nice chunks of market share that should be sustainable going out.

And then you got some things that are more cyclically driven, although we are doing our own. So if you look at what's going on with Banjo, Warren Rupp, those are more cyclically driven. What's happening to Viking is cyclical, but also we're winning some big chunks of business from discrete actions. So, there is a little bit – then the energy stuff is – we're really kind of at this – at cyclical point where I think we get some improvement in the midstream. That's how I break it down.

Jim Giannakouros
Analyst, Oppenheimer & Co., Inc.
Q

Okay. That's helpful. Thank you.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.
A

You bet.

Operator: There are no further questions in queue. I'd like to hand the call back over to management for closing comments.

Andrew K. Silvernail
Chairman & Chief Executive Officer, IDEX Corp.

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Well, thank you all very much. As we come to a close of this call, obviously, we've had some strength specifically in our order book and, I think, good results. And just acknowledging the team here throughout IDEX, and our 7000-plus associates have done a great job of really grabbing onto a differentiated way of running this business, which is thinking about deep segmentation, making focused investments to grow the business and then real rigor around capital deployment, all kind of within the values that we've laid out here at IDEX and how we execute with our operating model. I just want to thank them for a great job, and I think positioning ourselves for success in the long-term. And also thank you to each of you, the analysts and our investors; I appreciate your time and attention to the company and understanding the company and your support. And we look forward to talking to here in 90 days. Take care.

Operator: Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time, and have a wonderful day.

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