30-Jan-2018

IDEX Corp. (IEX)

Q4 2017 Earnings Call

Copyright © 2001-2018 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Michael J. Yates
Chief Accounting Officer & Vice President, IDEX Corp.

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

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

OTHER PARTICIPANTS

Allison Poliniak-Cusic
Analyst, Wells Fargo Securities LLC

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

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

Jeffrey Reive
Analyst, RBC Capital Markets LLC

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

Joseph Giordano
Analyst, Cowen and Company

Steven Winoker
Analyst, UBS Securities LLC

MANAGEMENT DISCUSSION SECTION

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

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

Michael J. Yates
Chief Accounting Officer & Vice President, IDEX Corp.

Great. Thank you, Doug. Good morning, everyone. This is Mike Yates, Vice President and CAO for IDEX Corporation, and I want to thank you all for joining us of our discussion of the IDEX fourth quarter and full year financial highlights. Last night, we issued a press release outlining our company's financial and operating performance for the quarter and year ending December 31, 2017. The press release, along with 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 CFO. The format for our call is as follows: We will begin with Andy providing an overview and an update on market conditions, geographies and our capital deployment strategies. He will then discuss our 2017 financial results and walk you through the operating performance within each of our segments. And finally, we will wrap up with an outlook for the first quarter and full-year 2018. Following our prepared remarks, we will open the call for your questions.

Copyright © 2001-2018 FactSet CallStreet, LLC

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 conference ID 13675214, or you may simply log on to our company's homepage for the webcast replay.

Before we begin, a brief reminder. This call may contain certain forward-looking statements that are subject to the 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 this call over to our Chairman and CEO, Andy Silvernail.

Andrew K. Silvernail

Chairman & Chief Executive Officer, IDEX Corp.

Thanks, Mike. Hey. Good morning, everybody. I appreciate you joining us to talk about the 2017 full year and obviously our fourth quarter results. I'm going to start with a brief overview of 2017 and what we expect to see here in 2018.

Look, 2017 was a record for IDEX. Market conditions around the globe continued to improve throughout the year, and our team is positioned very, very well and capitalized on the strength. We delivered organic revenue and order growth in all four quarters, as well as all-time quarter and annual highs in orders, sales, operating margin, EPS, and free cash flow.

I'm extremely pleased with the team's ability to execute on our targeted growth initiatives which have really contributed to this record results for the year. The strength is broad-based across almost the entire portfolio, which I'll elaborate on here in a minute. And our balance sheet is extremely strong. Our gross debt leverage ratio is 1.4 times, and our net debt leverage ratio is 0.8 times.

If you combine our strong balance sheet with the $700 million of availability of our revolver plus our free cash flow in 2018, we'll have the ability to deploy over $1 billion in the next 12 months. Of course, we remain very disciplined and ensure that we get our best returns for our shareholders not only in the short-term, but most importantly in the long-term.

Speaking of which, I'd like to take the opportunity to welcome our newest acquisition, thinXXS, to the IDEX family. We'll talk more about the acquisition in a bit, but we're very happy to have this innovative team as a part of our organization.

Given the sustained strength in the back half of the year, we remained optimistic about our ability to continue to grow. We're projecting 5% organic growth in 2018 with full year EPS in the range of $4.90 to $5.10 a share. Using the midpoint of our 2018 EPS guidance of $5, EPS is up $0.69 or 16% compared with 2017 adjusted EPS of $4.31. About 60% of the increase is due to targeted growth and operational initiatives with the remaining 40% coming from the expected 2018 effective tax rate that will be in the range of 22% to 23%.

Now, I would like to take a moment to talk about what we've seen across the markets we serve and the regions we do business in. The industrial markets have really showed continued worldwide momentum throughout the year and provided a nice finish here in 2017. More project opportunities are providing indications of continued strength in 2018, and I see this really as a release of more CapEx into the marketplace.

Copyright © 2001-2018 FactSet CallStreet, LLC

The IVD/Bio, Analytical Instrumentation, and DNA Sequencing markets were great all last year, and we expect strength to continue. We continue to leverage our differentiated position as a market leader in fluidics and in optics specifically within life sciences.

The Ag market really has been strong throughout 2017, and we expect it to continue into 2018 based on the good preorder season we saw in the fourth quarter. The upstream energy market has been strong all year. As a reminder, our exposure in this market is minimal, but the strength in the upstream market does provide a lift across general industrial markets, and we're definitely seeing that in our pump businesses in FMT.

The midstream energy market is stable, and we're optimistic as this market has continued to show signs of improvement on the back of a cold winter. Municipal end markets in both fire and water continue to see positive demand throughout the year, and we will continue with new product development in water and investments in emerging markets within fire to capitalize on this demand.

We experienced strength across all of our regions in 2017. The North American region continues to be strong and is the leading in the recovery for us. The European market gained strength throughout the year and we expect market growth to continue. An increase in government funding and initiatives in Asia are driving strength across many markets including environmental and water treatment, transportation, pharma, and Fire and Rescue.

I want to take a minute here and recap our commitment to our capital deployment strategy. I think what's most important to note is, we have set a capital deployment framework which we believe very strongly in. And even with the changes in the tax rates in the U.S., we don't expect that to change how we think about deploying capital, but rather to continue to be aggressive within that framework.

As I mentioned earlier, in December, we acquired thinXXS, a leader in the design, manufacturer and sale of microfluidic components in the life science markets. We anticipate that the synergies between thinXXS and our existing microfluidics technologies in our Scientific Fluidics and Optics businesses will position us well in the next generation of microfluidics technologies as they're deployed. Once again, we welcome, thanks to our team.

We also took the opportunity to divest our Faure Herman business within the energy group. The divestiture is consistent with our segmentation strategy. We sold Faure Herman for $21.8 million which resulted in a $9.3 million gain.

We will continue to invest in the best organic growth opportunities, and I'm extremely pleased with both the fourth quarter and full year organic growth rates in orders and sales across the company. This is the result of our team's dedication to our targeted growth initiatives and our segmentation strategy, and organic growth remains our top priority within the company.

We remain committed to opportunistically repurchasing shares, and that will not change in 2018. In 2017, we repurchased 266,000 shares for $29 million for an average purchase price of $109 a share.

We increased our dividend 9% in 2017. And in 2018, subject to board approval, we intend to increase our dividend 15% to 18%, which will allow us to hit the high-end of our goal of distributing 30% to 35% of earnings to our shareholders.

Okay. Before I get into the IDEX financials – the results for the fourth quarter and the full year, I'd like to provide a few comments regarding the impact to IDEX of Tax Reform in the United States. Tax Reform will no doubt bolster

Copyright © 2001-2018 FactSet CallStreet, LLC

our already strong financial profile by providing additional earnings, cash flow and capital availability. We intend to put this additional capital to work consistent with our balanced capital deployment strategy, as I just outlined.

All-in, the net impact from Tax Reform in 2017 were basically a wash. However, we did have various puts and takes related to this. The remeasurement of our U.S. deferred taxes at the lower enacted corporate tax rate of 21%, provided us with a $40.6 million tax benefit. However, this benefit was almost entirely offset by a $30.2 million of repatriation tax expense, as well as $10.3 million of additional tax expense tied to tax planning strategies that we implemented in the fourth quarter and were tied to the enactment of the Tax Act. This additional charge of $10.3 million will provide us flexibility and access to our cash across the globe.

All right. Let's switch gears here. Let's talk about the 2017 financial results, I'm on slide 5. As noted on the slide, the GAAP results for adjusted for restructuring in both 2017 and 2016, as well as a gain on sale of business in 2017 and net loss on sale of businesses in 2016. As I mentioned a moment ago, the Tax Reform is essentially a wash, and we did not adjust for the results for any impact from it.

I'll start with full year results. Order growth for the year was 9% with organic orders up 7%, FSD finished the year with double-digit organic growth in both the third and the fourth quarters. FMT and HST delivered robust organic order growth consistent throughout the entire year.

For the full year, we had $2.3 billion of revenue, which was up 8% compared to prior year, up 6% organically. All three segments contributed organic revenue growth for the year. FMT was up 6%, HST was up 8%, and FSD was up 4%.

Gross margin was 44.9% for the year, which is up 90 basis points. Adjusting for the prior year inventory step-up charges, gross margin was up 20 basis points. Op margin, adjusted for the gain on divestiture and restructuring expense was 21.9% for the year, up 120 basis points compared to the prior year. The increase is primarily due to higher volume and productivity initiatives, as well as the dilutive impact of the inventory step-up charge in the prior year. Excluding the impact from prior year inventory step-up charges, adjusted operating margin was up 50 basis points for the year.

Full year EPS was $4.36, while adjusted EPS was $4.31. That was up $0.56 or 15% compared to the adjusted prior year EPS. Our full year effective tax rate was 25.9%, and that included the impact from the gain on the divestiture and restructuring expenses. Our adjusted full year effective tax rate excluding the impact of these items is 26.6%.

Free cash flow of $389 million was a record for IDEX and converted into 117% of net income compared to prior year.

For the fourth quarter results, they're really strong here. Orders were very strong across all three segments in the fourth quarter resulting in overall growth for the company of 10% and organic growth of 9%. Revenue was $586 million, which was up 10% overall and 9% organically. Adjusted operating margin for the quarter was 22.1%, up 150 basis points year-over-year, due in part to the pressure from the fair value inventory step-up in the prior year. Excluding this charge, adjusted operating margin was up 60 basis points year-over-year. Fourth quarter EPS was $1.21, while adjusted EPS was $1.12, which is a $0.16 or 17% increase over the prior year.

Our Q4 effective tax rate of 24.2% includes the impact from the gain on the divestitures and restructuring expense. Our adjusted Q4 effective tax rate excluding the impact of these items was 26.4%. Free cash flow in the

Copyright © 2001-2018 FactSet CallStreet, LLC

quarter was outstanding, $120 million, which is a 14% increase year-over-year and 139% of Q4 adjusted net income.

Okay, I'd like to start with the segment discussion now. I'm on slide 6, and we'll start with Fluid & Metering. FMT had a very solid 2017 on both the top and the bottom line. Organic orders were up 9% in the fourth quarter, 7% for the full year. Organic sales were up 7% in the fourth quarter and 6% for the full year. Adjusted op margin was 28.4%, which was up 100 basis points, while full-year adjusted op margin of 27.7% was up 200 basis points from the prior, primarily due to higher volume and productivity initiatives.

In water, we had a solid finish to the year driven in part by strong distribution markets in the U.S. and UK, and we continue to focus on new product development across our water businesses and leverage that technology to gain share.

On the industrial side, our pump business was very strong with orders and sales, benefiting from the improving economy and the upstream impact of oil and gas. The LACT pump, which really has been a big win for us here, principally in the upstream oil and gas market, continues to gain traction. We have a strong project funnel as we look at 2018.

And finally, U.S. distribution channel also finished with day rates improving throughout the year. In terms of valves within the industrial group, we saw improvement in U.S., Canada and Europe, as well as encouraging signs in the chemical markets.

With energy, we continue to see our market share gains in LPG Mobile, increasing truck builds, as I mentioned earlier in the call, winter should help this business.

In agriculture, as we've been seeing all year, the Ag story has been great in 2017, and we expect this to continue into 2018, given what we saw, the nice pre-order market in the fourth quarter.

Okay. I'm on slide 7, and we'll talk here on Health & Science. Q4 organic orders were up 7%, with full year organic orders up 8%. Organic sales were up 11% in Q4, up 8% organically for the full year. Adjusted Q4 op margin of 22.3% increased 330 basis points, while full-year op margin of 22.5% increased 170 basis points. Both increases were primarily driven by the fair value inventory step-up that we took in prior year coupled with higher volume. If you exclude the fair value inventory step-up from the prior year, adjusted operating margin would have been up 100 basis points for the quarter.

Our growth initiatives, including higher engineering investments in HST and targeted initiatives are working, especially in Sealing and Scientific Fluidics and Optics. However, with the success that comes from challenges and margins, specifically we continue to have some operating challenges that relate to growth, but we're making a lot of progress on this throughout the year. We will expect segment margin to be higher than 22.3% in the fourth quarter on 11% organic growth. Our operating teams are focused on this opportunity and we expect this to improve throughout 2018.

If we look at Scientific Fluidics and Optics, it was a very strong year for the group, with continued gains and momentum across the major markets of AI, IVD/Bio and DNA Sequencing. Also, we announced our Optics Center of Excellence in Rochester, New York scheduled to be completed by early 2019. This project will bring three separate businesses together in a brand new state-of-the-art building with a sole mission of supporting the growth of our key life science customers.

Copyright © 2001-2018 FactSet CallStreet, LLC

Looking at Sealing Solutions, we experienced a record year driven in part by very strong semicon demand, but also propelled even further by oil and gas, mining, automotive and our own initiatives in new product development. HST industrial remains solid, looks a lot like at what we just discussed in FMT.

Within our Material Process business, we've seen continued global stability with increased demand in the U.S. food and pharma markets along with a strong project funnel as we enter 2018.

Okay. I'm on slide 8. I'm on our last segment, Diversified. Diversified also had a really good year. They delivered a record fourth quarter orders, sales and op margin. Organic orders were 11% in the fourth quarter, 5% for the year. Organic sales were 12% in the fourth quarter and 4% for the year. Adjusted Q4 op margin of 26.5% was up 250 basis points, while full year adjusted op margin of 25.1% was up 110 basis points. This is primarily due to higher volume and productivity initiatives.

In addition to the higher volume and productivity, Akron Brass and AWG are integrating very well into our legacy Fire and Rescue businesses. When we acquired them in the summer of 2016, we had an objective to increase EBITDA margins by 500 basis points over three years. We are 75% of our way towards that goal in a year and a half, and this is evidenced by the very strong 26.5% op margins in the fourth quarter.

If you look at dispensing, we've got continued stability in the North American market which is coupled with growing strength in Europe and Asia. Our X-Smart business continues to be strong in emerging markets and we're beginning to see traction of our growth initiatives as our next phase of new products will be in launch globally.

Within Fire and Rescue, the muni and North American OEM markets continue to perform well, and we've seen a return of projects in emerging markets which is encouraging.

Finally, Band-It. Band-It continues to deliver across their various markets including transportation, energy and industrial.

All right. We're down to the last couple pieces of our conversation here. Let's talk about 2018 guidance and then specifically the fourth quarter. I'm on slide 9. So, we anticipate full year organic growth in 2018 to be 5%, which will contribute $0.34 to $0.45 of benefit to EPS.

FX is expected to be a $0.06 tailwind in 2018. We are impacted mostly by translational fluctuations from the euro, Swiss franc, Canadian dollar, and British pound. We're basing our analysis on rates as of December 31, 2017. We expect the net impact of our 2017 divestiture of Faure Herman and our 2017 acquisition of thinXXS to represent $0.03 of pressure on EPS. Our productivity initiatives will more than fully offset wage and raw material inflation in 2018 and will provide a $0.05 benefit.

As noted before, we'll continue to focus on our best organic growth opportunities. We will invest in people along with a focus on new products and new applications of our existing products. These investments are across all of our segments, and these growth investments will be approximately $0.08 of pressure in 2018.

We've shown a subtotal of EPS of $4.65 to $4.75, which represents what operational EPS improvement in 2018 would have been prior to Tax Reform. That's a 9% improvement at the midpoint. We anticipate that Tax Reform will provide $0.25 to $0.35 benefit to our bottom line. So, the result in EPS is in the range of $4.90 to $5.10. So, at the midpoint of $5, EPS would be up 16% compared to 2017 adjusted EPS of $4.31.

Copyright © 2001-2018 FactSet CallStreet, LLC

I'll now conclude with some additional details regarding our 2018 guidance for the first quarter and full year. I'm on the last slide, slide 10.

In Q1, we estimate EPS ranging from $1.20 to $1.24 with organic revenue growth of 5% to 6% and operating margins of approximately 22%. Q1 effective tax rate is expected to be approximately 22.5% with an estimated 3% – excuse me, 3% top line tailwind from FX based on December 31st rates. Corporate costs for the first quarter are expected to be in the range of $17 million to $18 million.

Turning to full-year 2018, we expect EPS to be in the range of $4.90 to $5.10. Full year organic growth is expected to be approximately 5%, and full year operating margin approximately 22.5% to 23%.

The top line FX impact is approximately 1% tailwind, again based on end-of-year rates. The full year effective tax rate is to be in the range of 22% to 23%. The capital expenditures will be around $50 million. Free cash flow is expected to remain strong at approximately 115% to 120% conversion rate. And corporate costs are expected to be in the range of $70 million to $74 million for the year.

Finally, our earnings guidance excludes any associated costs of future acquisitions or restructuring charges.

With that, let me pause and turn it over to operator, Doug, for details. Thank you.

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 Poliniak-Cusic
Analyst, Wells Fargo Securities LLC

Q

Hi, guys. Good morning.

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

A

Good morning, Allison.

Allison Poliniak-Cusic
Analyst, Wells Fargo Securities LLC

Q

Andy, could you touch on organic investment a little bit more. You know, you've obviously invested very broadly here, but with the incremental cash that you're not going to get from the Tax Reform, is there any specific area that you think you could accelerate some investment in to see some attraction you're getting?

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

A

You know Allison, we figured we get this question across the board as it came down to the increase in earnings and cash from the tax rate. And the bottom line is not really. And what I mean by that is, we have been very

Copyright © 2001-2018 FactSet CallStreet, LLC

aggressive across the board for years now at fully funding organic. And I think we've been very consistent in saying that, even when that's done, there's plenty of money left over.

So, I don't think we've left much on the table. Last year, we had a pretty good number in terms of incremental organic investments. This year, it's $0.08 a share. So, I don't think when you when you net it all out, it changes much of anything from our strategy. And I think it's in terms of our ability to be competitive and to win globally, it's obviously a positive thing. But I don't think it changes what we spend our time on and where we're making our bets.

Allison Poliniak-Cusic
Analyst, Wells Fargo Securities LLC

Q

That's helpful. And then HST with the operational inefficiencies in 2017, it sounds like they're dragging into 2018.

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

A

Yeah.

Allison Poliniak-Cusic
Analyst, Wells Fargo Securities LLC

Q

Could you help us quantify that impact in 2017, how you're thinking about it for 2018, and should those kind of disappear as we go through the year?

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

A

Yes. So, that's actually – it's under one headline, but to be candid, there's one piece that we've kind of put behind us and two pieces that we haven't. So, when I say that we had – we did a major consolidation up in Canada, which we had some bumps earlier in the year. And that was kind of some of the bigger dollars earlier in the year. And we've fundamentally – those things are never done until you're humming completely. But we feel really good about where that is and the team there has done a great job of closing that off.

The two things that we're more wrestling with right now are really around very fast growth rates and – as we look at some of the more scientifically bent pieces of our portfolio. And so, what we're experiencing is more around think of it as expedites, a little higher cost of internal quality than we would expect. In the quarter it was about $1.5 million, Allison. And frankly, basically, we're protecting our customers to make sure that they're not feeling these inefficiencies or longer lead times, and we are eating some of the cost ourselves.

So, it was $1.5 million in the fourth quarter. And if you normalize the HST margin, frankly, that's the kind of margin we would expect to see in HST, if you normalize that $1 million, $1.5 million.

I don't think we completely put it to bed just because we're not going to try to save $0.5 million to put our customers at risk. And so, if it takes a little bit longer to make sure we get it right at all angles, we'll do it. I think it's going to go into the second quarter before we have it completely behind us.

Allison Poliniak-Cusic
Analyst, Wells Fargo Securities LLC

Q

Great. That's helpful. Thank you.

Copyright © 2001-2018 FactSet CallStreet, LLC

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

Yeah. No problem at all.

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

Hey, good morning, guys.

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

Good morning.

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

So, maybe when I think back to your prepared comments, Andy, and when I think about the prepared comments over the last five, six quarters, the level of caution continues to bleed out of the comments. And I did not hear a lot of concern points in the script.

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

Yeah.

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

Any areas of the portfolio you're worried about right now, or are we just seeing broad-based growth through all of your business lines at this point?

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

It's broad-based, Mike. You read this correctly. At this point, it's pretty hard to find a piece of the portfolio that is soft. I mean, if I were going to pick a little bit, it'd be the places that we've been picking on, but even those have gotten better since we last talked, meaning, the dispensing business in North America has flattened out and the midstream energy we thought bottomed out in the third quarter. And we believe that to be true and has improved, and the cold winter will help that even some there.

And when you do a Pareto of all of our businesses, right, if I showed you a Pareto chart of all of our businesses, the couple of things that you would see negative are by our choice, we actively make choices to shrink a couple of things; otherwise, in that you'd see positives.

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

Copyright © 2001-2018 FactSet CallStreet, LLC

And then extending Allison's first question a little bit, obviously your investment hurdles haven't really changed. You guys have been diligent on your side.

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

Yeah.

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

How do you feel this is going to impact your customer base? And what their investment decisions look like? And how does that layer through into your business?

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

That's a great question. I think that's – is a big one. If I understand, Mike, you mean in terms of, will they invest more, and therefore, will that cause a downstream effect? Is that what you mean?

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

Yes. That's exactly it.

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

Yeah. Well, I think for everybody, the answer to that to some degree is going to be yes. And whether that happens directly or it happens with how money gets circulated in the economy via dividends or whatever, right, I think the answer to that is going to be yes.

I will caution, however, that these things tend to have – because of where we play in the marketplace, there might be a little bit longer, I think, impact for that to turn into a structural change, meaning brand-new programs coming in where we've won new products.

I think that the short-term impact is going to be on book and turn business, right, the stuff that you've already won, and you might get some incremental benefits. And I do think that we're seeing that, and we have seen that. And the bigger thing that we're looking at is the confidence level in capital related projects, right? And if you remember, I want to say, two or three calls ago Bill, must have been or maybe assuming the beginning of last year, people were asking us what would give you more confidence. And I believe my answer back then was you got to see the what I'll call the speculative confidence turning into the spending confidence, turning into the capital spending confidence and I believe we've entered that phase. And so, we're definitely starting to see people more willing to spend bigger dollars which is what makes it sustained for folks like us as long as it holds up.

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

Yeah, I would add, our commercial funnels across the portfolio have picked up, especially over the last quarter. I think the upside case would be if a significant amount of those materialized here in 2018.

Copyright © 2001-2018 FactSet CallStreet, LLC

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

I agree with that, Bill.

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

And then, just let me tack on to that one, Andy, on the CapEx side, because I remember those comments a couple of quarters back...

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

Yeah.

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

...and the hope was CapEx have scaled back part of this year, right?

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

Yeah.

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

It certainly feels like you're more confident that CapEx of maybe not massive size, but more meaningful size is starting to come forward. Is that fair and how do you see that projecting out?

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

It is fair. Let me give you three examples without being specific to any customers, because we never do that, but three places where you're seeing that coming in size. One, we're seeing it in the chemical markets, no matter if you look in Europe or you look in the [ph] value (28:59), so to speak, we're definitely seeing improvement and bigger dollars being released in those areas. In China actually too.

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

Yeah.

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

China too. And so, that's number one.

Number two, we received some pretty good sized blanket orders, and it's not atypical, but in our general industrial, touching some of our general industrial book and turn businesses. And if you went back two years ago, those didn't exist, then last year it came back a little bit, and this year we saw it come back stronger. That's a good sign.

Copyright © 2001-2018 FactSet CallStreet, LLC

And then finally, in some of our scientific-related businesses, you're seeing people plan much further out related to their own capital. And the questions to us are around our ability to ramp as they ramp capital. So, we've not really seen the spend yet, but when that conversation is happening, they're gauging – they're starting to now gauge who am I going to partner with based on availability, not just based on price, not that we ever really play in that much...

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

Q

Yeah.

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

A

But you're seeing some of those behavioral changes.

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

Q

Great color as always. Appreciate it.

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

A

Thanks, Mike.

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.

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

A

Good morning.

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

Q

I just like to follow-on to the question there about larger capital spending dollars coming out, that would probably hit you in the second half of the year. But I would guess that that's probably not baked into the guidance that you have for 5-ish percent organic growth. I know you're going to have tougher comps in the second half, and I assume that that's probably part of it. If you do see some of those positive spending drivers come through, is there upside to your organic revenue guidance in your view?

Copyright © 2001-2018 FactSet CallStreet, LLC

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

I think, Nathan, you have to believe – for the answer to that to be yes. You have to believe that there's going to be an overall pick-up in industrial production in the back half of the year compared to what we've been experiencing now and the projection in the first half. And so far, we're not seeing that yet. So, we are baking in some of this improvement. You're right, we do have tougher comps in the back half.

Could it get better with an acceleration overall in organic spending through the pipelines so to speak? It could, but by the nature of the short cycle of our business, and by the nature of what we are seeing people think about in the back half of the year and full year for industrial production, I think we've picked reasonably well with the facts that we have today.

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

Okay. That's fair. I'd like to go onto some of the businesses that have or continue to be in your fixed bucket.

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

Yeah.

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

You disposed a one that I assumed didn't pass your standards there. I know some of the acquisitions go into that. Can you give us an update on where you are with the businesses that are in the fixed bucket? Are there candidates for disposition? Are there candidates for moving out of that fixed bucket?

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

Sure. Sure. Let me comment, and then I would ask Bill to comment too, because Bill plays a really big role here in looking at the overall portfolio of the company on a day-to-day, week-to-week, month-to-month basis.

So, first of all, that fixed bucket has shrunk from about 25% this time last year to about 15%, right? So, whether it's been disposition or folks moving from there to different parts of our growth profile, that's shrunk now. So, it's a smaller piece of the overall profile.

The first part, I don't think that there are – there's nothing major in line for disposition in there, right? We've always said we'll constantly look at it, things change, but I feel very good about where we are relative to what we own today. So, that 15% that's in there is really about those two types of changes that we've talked about for a long time.

One is they've got to improve their profit profile and/or they have something important in there that makes up their franchise that needs investment as a technology or channel development. So, I generally feel pretty good. And, Bill, I'll turn to you.

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

Copyright © 2001-2018 FactSet CallStreet, LLC

Yeah, I think the fixed businesses overall, their margin improvement last year was about 200 basis points. So, we did see a significant portion graduate out. Remember, all of our acquisitions go into the fixed business, so you saw Akron and AWG graduate into the integrated growth, and SFC into the integrated growth within our dispensing or excuse me, our Sealing platform.

So, the 15% that remains relative to the productivity improvements we have in line this year, that will continue to shrink if we don't do any additional deals this year.

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

Okay. As it relates to that, gross margins have been – they've been edging up over the last few years, but they've been in that kind of 44%, 45% range.

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

Yeah.

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

Are there opportunities that you feel you still have to drive gross margins higher or does margin expansion really come from SG&A leverage here or just how should we think about that going forward?

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

Nathan, I think we – I think we can get both. There's no reason we can't continue to do that. If you look at our ability to get price, our ability to drive productivity. So, if you kind of look at those two major things. So, let's look at price versus – price and productivity versus inflation, meaning wage plus raw material inflation. We think we can get – with that combination, we should be able to get expansion, right? And that all shows up at the gross margin line. And then from there, obviously, you've got volume leverage. And then those two things combine, that should then compound at the op margin line.

So, I don't think there's any reason we can't. Frankly, I'm not going to lie, I was a little disappointed on at where we ended gross margin, right? I thought we could have expanded gross margin more throughout this year, and we gave up a reasonable amount of it with some of these inefficiencies that we've had. And what I liked about it is, is our teams are just as upset, right? It's not like we're having to tell them that this is an issue.

At the same time, you got to make bets, you got to make bets on growth and you got to make bets on center of excellence and things like that. And I think on balance, those are paying off for us, but I do expect to expand gross margins, and I think we can, Bill? I mean, I think we can?

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

Yeah. I mean, you should see us this year consistently in the 45% range...

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

Copyright © 2001-2018 FactSet CallStreet, LLC

Yeah.

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

...with improvement off of that. I think 46% would be a target longer term, but solid 45%, mid-45% is a good number for this year.

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

Absolutely.

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

Great color as usual. Thanks, guys.

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

Thank you.

Operator: Our next question comes from the line of Steven Winoker from UBS. Please proceed with your question.

Steven Winoker
Analyst, UBS Securities LLC
Q

Thanks and good morning, all.

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

Good morning, Steve.

Steven Winoker
Analyst, UBS Securities LLC
Q

Hey. I just wanted to follow on that last question around gross margin and tie it to also the $0.05 of tailwind that you point to in 2018 for inflation net or productivity net of inflation.

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

Yeah.

Steven Winoker
Analyst, UBS Securities LLC
Q

Just maybe help us think about, and I know you separate pricing someplace else...

Copyright © 2001-2018 FactSet CallStreet, LLC

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

Yeah.

Steven Winoker
Analyst, UBS Securities LLC
Q

...but the dynamics there, a little more color would be helpful to break it apart?

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

Do you want to touch that, Bill?

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

Yeah, no, I think the $0.05 improvement is really us solving some of the execution issues that we had within 2017, and then it's our continued OpEx programs, exceeding our inbound inflation. That's how we think about it.

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

And, Steve, anytime you can net that out to positive, that just puts you in a great position to expand margin.

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

Yes. So, it's a little bit higher than what we historically have guided, because of the inefficiency we could put our finger on in 2017.

Steven Winoker
Analyst, UBS Securities LLC
Q

Right. And that inflation is all material or you have wage elsewhere, correct?

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

No, that's in the number as well.

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

That's in there.

Steven Winoker
Analyst, UBS Securities LLC
Q

That's both?

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

Copyright © 2001-2018 FactSet CallStreet, LLC

Yeah.

Steven Winoker
Analyst, UBS Securities LLC

Q

Okay. And so on the materials side, I know it's not a huge part of your cost structure, but what are you thinking given what we're seeing?

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

A

It's 40 bps.

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

A

Yeah. I think it's about 40 bps this year, that's our expected.

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

A

Somewhere $10 million to $12 million in material inflation?

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

A

Yeah.

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

A

Somewhere in there. Yeah. Yeah. So to think of it, 40 bps, it's not huge but it's definitely there, it's present.

Steven Winoker
Analyst, UBS Securities LLC

Q

Okay. And then on the – maybe Andy, if you could put us – I know you've talked a bit – a lot about capital deployment already today, but a little finer point on quantifying the current M&A envelope within which you're kind of working comfortably and particularly in light of I guess what, $200 million of overseas cash and all, et cetera?

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

A

Yes. I am a frustrated groom.

Steven Winoker
Analyst, UBS Securities LLC

Q

Not left at the altar.

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

A

No. It's – no we've looked at a lot of stuff. We see – we have looked at a lot of stuff and our funnel has a ton of stuff in it. And we walked away from a couple of things right at the end of last year that we put a ton of effort into.

Copyright © 2001-2018 FactSet CallStreet, LLC

And principally around some of the same things we've talked around, around price and around terms. And we have – with our board, we've laid out a very detailed strategy that combines organic and inorganic. And what makes an IDEX-like business. And then frankly our ability to drive differentiation long-term.

And so we know what that looks like. We feel very comfortable with what we know. And we feel very comfortable with what we don't know. And so what I don't want to do is find us stretching into places where we don't bring something different and better to the business. And so I'd rather remain disciplined there. So what we're seeing now is we're seeing a lot of behavior and it's accelerating, right? And I expect tax relief to accelerate that to some degree.

We're seeing a lot of behavior where people are paying mid-teens multiples for very good assets, but when you just kind of back do the math, it's tough to get there. And so I think, look, I'm betting on the fact that we will be rewarded for discipline over the long-term and we might – hey, heck, we might get punched around a little bit in the short-term for it, but I'm okay with that.

Steven Winoker
Analyst, UBS Securities LLC

Q

Okay. That's helpful. And any kind of color again around the characteristics of – I know Faure Herman that went to Le Garrec...

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

A

Yeah.

Steven Winoker
Analyst, UBS Securities LLC

Q

...and as you've shrunk that fixed bucket down, I think it always helps us if you give us some insight into what makes that kind of business worth more to somebody else than to you guys?

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

A

Yeah. So, I think – a few things. And I won't speak specifically to Faure Herman, but I think what it comes down to is the ability to drive real differentiation in the marketplace. And so, when we looked at a bunch of the businesses that we have sold in the last few years, most of them came down to either we didn't have the scale to compete or we had lost a technology advantage that somebody else brought to the table that could advance that business much faster than we could organically.

And so, that's typically been the decision-making. Rarely is it because financially you can't get there. We can solve those things pretty quickly. It really comes down to those two things, the ability to scale it and the ability to get over a technology hurdle and for the most part, the buyers that we've sold to or, I guess, for the whole part, we think they could, they think they could.

And one of the things that we think about here, Steve, is it's good for everybody in terms of performance of the business. It's also good for the people in the business, right? Do you want to be part of a business where you are kind of forgotten, or do you want to be part of a business where you are prime time? And so, we think about that. In the businesses we've sold, they're going to partners, they're going to be primetime. And that's going to allow them to thrive and succeed.

Copyright © 2001-2018 FactSet CallStreet, LLC

Steven Winoker
Analyst, UBS Securities LLC

Q

Great. All right. Very helpful. Thanks, guys. Good luck.

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

A

Thanks, Steve.

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, guys.

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

A

Hi Scott.

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

Q

Hey, look just another quarter, well done, that's all I can tell you.

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

A

Thank you.

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

Q

I jumped on a little bit late. I apologize. We're spread really thin this morning. Have you talked about the amount of fixed businesses that are still left in the portfolio, the percent of sales and approximately what their margins are running at right now?

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

A

Yeah, so we did a little bit, so I won't spend much time on it. You can go back on the transcript.

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

Q

Yeah.

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

A

Copyright © 2001-2018 FactSet CallStreet, LLC

But basically about 15% of our businesses are now in the fixed bucket. We made about 200 basis points improvement in margins. We don't talk about the specific margin profile that's in there today, but that's about what it is. But there is a longer conversation earlier.

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

Q

Okay, got you. So now with sort of piggybacking on the M&A question, and I know that your pipeline is looking good and all that. But can you give us an idea of what the pipeline is comprised of. You now have essentially 85% which is substantial portion of your sales, of course, in businesses which it sounds like you're really ready to make an acquisition...

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

A

Yeah.

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

Q

...next to alongside. So does the composite of your pipeline equal to percent of sales of these businesses? Or how are you looking at that Andy?

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

A

Yeah, so Scott, I'm not exactly sure if I understand what you meant by that, but let me take a whack and if I'm wrong, come back at it. So, I would actually look at the 75%, because really most of the businesses that we categorize has outperformed. We're unlikely to acquire something in those businesses unless something popped out that was unexpected from a competitor that we could put together. So let's just call 75% of the business I categorize as ready and we're excited about acquiring around.

Across that 75%, the pipeline is pretty good. I couldn't tell you that there's one thing versus another, where we're seeing more or less of something. Now, there's price disparities. When I look at the HST-related properties, they're more expensive. When I look at the FSD-related properties, they tend to be less expensive, and FMT is somewhere in the middle.

And so, we've been looking at things for all of 2017 and even today that touch on all those businesses or adjacent to those businesses. We continue to invest in strategy, we continue to invest in people, to think about how IDEX runs a business. If you think about the style of competition of IDEX, right, what makes us really different, we kind of come down to three things time and time and time again, right?

Number one, we're really good at building teams that know how to run these businesses. The second part is those teams are obsessively customer centric, meaning in terms of how do you grow them, how do you care for them, how do you innovate around them. And they do so through really this practice of 80:20 which has been the hallmark of our operating model. And so we keep investing in what other types of businesses that are adjacent to our world, does that model work? And that's where our sweet spot is. It's got to have the dynamics of an IDEX business, but we put those three things together, that's where acquisitions work for us.

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

Q

Copyright © 2001-2018 FactSet CallStreet, LLC

Very good. That's all I had. Thank you.

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

You bet.

Operator: Our next question comes from the line of Deane Dray with 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. I just have one question around the dynamic of Tax Reform on the M&A landscape. Now, sellers have less tax leakage. I was wondering if you're seeing any more targets become available. You may be expecting more asset purchases? Just kind of wondering how you're thinking about all this.

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

I guess the only way I can answer that with confidence is the number of things that have come across the transom since we walked through the door here on January 1, it's up substantially. So, my answer to your question is, I think the answer is yes.

Jeffrey Reive
Analyst, RBC Capital Markets LLC
Q

All right. That should be all for me. Thanks.

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

Thank you.

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

Joseph Giordano
Analyst, Cowen and Company
Q

Hey, guys. Thanks for taking my questions here.

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

Hey, Joe.

Joseph Giordano
Analyst, Cowen and Company
Q

When I think about your organic guide for 2018 and just think about how orders, and maybe let's focus on FMT and HST just use the lumpiness of diversified. But is it fair to think that maybe orders grow at a slower rate than revenue this year? I know the organic rate has been very solid on orders for you guys this year, but when I look

Copyright © 2001-2018 FactSet CallStreet, LLC

sequentially they don't look dramatically different quarter-to-quarter. It's a very stable, good, healthy run rate. Is that how we should be thinking about orders kind of like stable around these areas, give or take a little bit on like a sequential pattern?

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

Yeah. I think they need – sequentially they will uptick slightly 4% or 5% number next year, but not materially.

Jeffrey Reive
Analyst, RBC Capital Markets LLC
Q

Okay.

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

Yeah. I think following, we've always said that orders and sales quarter-to-quarter don't necessarily match, but obviously within a year they typically would. That's exactly what we saw this year. So, you'll see some puts and takes. We've built some backlog which is a good sign going into the first quarter. There's no doubt we'll have a quarter this year where we'll building some backlog, and no one should be surprised by that.

Joseph Giordano
Analyst, Cowen and Company
Q

Okay. So, fairly like you're getting a little bit of a tail from that order performance this year into revenue next year. That's fair.

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

Yeah.

Joseph Giordano
Analyst, Cowen and Company
Q

Just quick housekeeping on the corporate expense. It was a bit higher than we had for the quarter here. Is that more of like a baseline that we should be modeling off of here that kind of new 20-ish per quarter kind of level?

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

No, we guided $17 million to $18 million for the first quarter.

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

Yeah. We are a little heavy. Go ahead.

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

Copyright © 2001-2018 FactSet CallStreet, LLC

I mean, the fourth quarter again, we highlighted a little bit in the release. A lot of that was due to the increase in stock price, impact in compensation, and then overall management incentive based upon how we finish the year, there were some headwind from that.

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

A

Yeah.

Joseph Giordano
Analyst, Cowen and Company

Q

Cool. Thanks, guys.

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

A

Thanks, Joe.

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

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

Great. So, just kind of three closing comments. One on the lighter side and two of the more serious side. On the lighter side, I grew up in Maine, so I'm a die-hard, I'm one of the Patriots fans, so I'm not going to turn down the opportunity to say, go, Pats, even though everybody here in Illinois hates me.

On the more serious side, there's an announcement this morning that a gentlemen by the name of Dan Comas is retiring from Danaher, their longtime CFO. And I was an intern for Dan in the summer of 1998, and Dan is just one of the true gentleman, has built an incredible legacy. And I just – he's been around this community for an awful long time. He's a very special person, and I want to congratulate Dan myself on just what a great run and the legacy that he has built.

And then finally, I just want to thank my teams. The teams here at IDEX has done a remarkable job, and we're trying to build a special enterprise, an enterprise that believes in our mission of trusted solutions in improving lives. People who have bought into the values in this organization. And then finally, really focused on how do we do the right thing for all of our stakeholders, our shareholders, the folks who work here at IDEX, and obviously most importantly, for our customers. So, I just want to thank everybody for the great work, and I look forward to an outstanding 2018. 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.

Copyright © 2001-2018 FactSet CallStreet, LLC

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2018 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.