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IDEX Corp. (IEX)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

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

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

Jim Giannakouros

Vice President-Investor Relations, IDEX Corp.

Thank you. Good morning, everyone, and welcome to IDEX's second quarter 2025 earnings conference call. We released our second quarter financial results earlier this morning and you can find both our press release and earnings call slide presentation in the Investor Relations section of our website idexcorp.com.

On the call with me today are Eric Ashleman, President and Chief Executive Officer of IDEX and Akhil Mahendra, our Interim Chief Financial Officer and Vice President of Corporate Development.

Today's call will begin with Eric providing highlights of our second quarter results and a discussion of our current business outlook and strategies. And Akhil will discuss additional financial details and our updated outlook for 2025.

Following our prepared remarks, we will open up the line for questions. But before we begin, please refer to slide 2 of our presentation, where we note that comments today will include forward-looking statements based on current expectations. Actual results could differ materially from these statements due to a number of risks and uncertainties which are discussed in our press release and SEC filings. As IDEX provides non-GAAP financial information, we provided reconciliations between GAAP and non-GAAP measures in our press release and in the appendix of our presentation materials, which are available on our website.

With that, I will turn the call over to Eric.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Thanks, Jim. Good morning, everyone, and thank you for joining us today. I'm on slide 3. The IDEX teams across all three segments delivered better than expected results in Q2 despite continued macro uncertainty. I'd like to thank our teams around the world for their hard work and strong execution as they navigated a very fluid environment.

Our teams are bound together with a simple value creation equation that adapts quickly to address challenges and deliver on opportunities. We deliver differentiated critical impact from low points in our customers' bill of materials, typically at the component level, allowing us to quickly shift towards advantaged applications, and increasingly so with integrated growth opportunities most often driven by changes in customer demands.

I'd like to walk through a real-time growth example of this dynamic tuning at Airtech, a business acquired in 2021 within HST to illustrate our team's agility in action. Airtech delivers customer value through pneumatic solutions,

most often in the form of specialty blowers or valves. It sits next to our outstanding Gast business with some light integration within channels to market and functional leadership. Four years ago, at the time of acquisition, their product lines were growing within mutually exclusive application sets, supported by good operational performance with room for targeted improvements.

Today, they are growing much faster as they've helped their customers shift their core businesses toward solutions within data center applications, specifically, fuel cell power support and thermal management via liquid cooling. Airtech's two product lines benefit from joint exposure to this fast-growing space and the leadership team at Gast is leaning in to help them drive process efficiency to fully leverage profitability to support group performance.

Finally, applying 8020 has helped them focus and fully resource these applications in a powerful way, which in turn is multiplying their impact.

As data center solutions scale, our customers have experienced additional pain points outside the scope of pneumatics. This is where other IDEX capabilities come in, and in this case, Airtech is looking to Mott to address the key technical problem to drive significant system efficiencies. Their solution is currently under review by a key customer. Finally, they are also exploring operational opportunities that leverage IDEX's infrastructure and world-class capabilities in India. This is a great story that advanced in the second quarter. It demonstrates the power of our dynamic business model, our commitment to 8020, and the leverage of IDEX's global capabilities with proprietary capital deployment via M&A as the key catalyst.

We're confident in the pneumatics teams' plans to drive even more growth and value creation in the quarters and years to come. Turning to an overview of business conditions, we saw some impactful patterns play out in Q2 in July that help us think about our likely path to close out the year. First, we have some areas of healthy demand, including food and pharma applications within IH&S and MPT, space and defense applications at Mott and Optical Technologies, North American Fire, Downstream Energy Custody Transfer, Intelligent Water, and Data Center Thermal Management within pneumatics.

Weaker areas include chemicals, auto, semiconductor lithography, and ag. The rest of the portfolio was pretty steady. Within Q2, there were some strong demand inputs in the form of trade policy positioning statements that were unpredictable, shocking the system, and setting up sine waves of up and down order patterns.

Daily demand levels move dynamically between policy announcements and negotiation deadlines as customers attempted to derisk tariff and pricing exposure. In the end, we see two implications. First, the patterns are moving around a relatively stable baseline that didn't line-up well with the quarter end point. However, in July, we saw a modest order recovery build through the month. Second, and most important for us, the sudden and unpredictable shifts in policy are slowing down decision-making and conviction for larger orders. This has the highest go-forward impact for us and some more recently acquired areas of IDEX where strong growth funnel supported earlier expectations of accelerating back half revenue and margins.

As a result, we are lowering our back half financial projections to better reflect this dynamic. We're very confident in the quality of our businesses. They are set up to solve some of the most complex challenges and advantaged markets. Coupling this with our long-established operational capabilities, we believe we are very well-positioned to drive attractive growth and value for all of our stakeholders.

I'm now on slide 4. Before Akhil covers the financial details of both our Q2 performance and our updated guidance, I'd like to step back and help you understand our journey and the progress we are making towards long-term revenue and margin acceleration through growth platforms.

Our goal is simple, extend IDEX's growth potential through variable levels of integration to win an advantaged markets where customers are demanding more solutions impact than any one single business unit can provide alone. Here are two examples. First is HST, IDEX Health & Science platform that we built through thoughtful capital deployment over the last 20 years. Today, IH&S is an integrated global platform of world-class technologies that has added thin film optics, system integration, and microfluidic capabilities to its core fluidics portfolio.

We've divested some small non-core businesses along the way, consolidated like businesses together in a state-of-the-art greenfield site in Rochester, New York, and integrated commercial and technical teams across the platform. This work has driven strong value for customers and shareholders over the years and is well-positioned to meaningfully do so in the years to come. An example of this work in action today involves a key win for integrated sample prep within a cutting-edge protein analysis instrument.

Our team designed a metal-free ceramic valve for cutting-edge core performance, then across business, development team enhanced overall systems performance by incorporating a suite of our platform's fluidic connection technologies. They even pulled on nano filtration technologies for Mott to take everything one step further.

Finally, they collaborated with a customer to integrate all the technology deeply within the front-end of their instrument. The initial response to the customers' product line has been outstanding. Our second example is the strong value created over time, through the build-out of Optical Technologies, a cornerstone within HST's Materials Science Solutions platform. We built the Optical Technologies Group over the last 14 years, both organically and through multiple transactions, broadening its capabilities. We're taking another step forward today with our news of the acquisition of Micro-LAM, a high-quality bolt-on that brings proprietary difficult to machine forming capabilities into our already advantaged technical toolbox.

Over the years, we helped drive a culture of 8020 to each individual company entering IDEX to drive focus around core capabilities while rapidly improving profitability. In later stages, we increasingly encourage joint commercial and technical collaboration between units to attack emerging applications within semiconductor lithography and metrology. Most recently, the group is accelerating its growth by working together to support advanced space and defense applications. Micro-LAM is very complementary here, given their customer access points and technical capabilities.

Moving to slide 5. Since 2020, we have focused a greater portion of capital deployment towards M&A to accelerate building and expanding our growth platforms. In the last three years, through several acquisitions, we created HST's Material Science Solutions platform. And last year, we added Mott, which is highly complementary to many HST businesses, adding nano filtration technologies at scale, a meaningful and very attractive capability for us.

I'd like to dive a bit deeper into both of these areas to illustrate the strong links to our past success and frame the potential for even faster growth. I'll first discuss our value creation journey building MSS. We started with a highly optimized Optical Technologies business, which we just discussed. Next, we applied 8020 and operational improvement tools to our acquisitions of STC and all businesses within the Muon Group.

As a reminder, a large piece of our cost optimization work this year is substantially complete within these areas. Today, our teams are focusing resources on the best customers and solutions as we align teams commercially and technically to win in advanced markets.

While our growth and margin expansion acceleration has hit a near-term air pocket as our strong positioning with advanced semiconductor lithography has caught up in geopolitical tensions, we continue to be excited about our funnel of growth opportunities overall and in particular attractive markets like data center optical switching.

Here, the Muon team recently secured a multiyear win through collaboration between two of its units. A great example of our integrated growth strategy at work and teams are attacking other attractive opportunities within a variety of advanced semiconductor applications, space and defense, sustainable energy, and precision forming. The businesses within the MSS group are truly outstanding. They are highly differentiated and complement each other well as they provide trusted solutions to advantaged markets.

Turning to Mott. We are aggressively deploying 8020 as we help the business grow and optimize profitability. Mott has an outstanding track record of deploying its core specialty filtration capabilities in a variety of end markets to build important scale advantages. The solutions have ranged from differentiated components like high purity gas filtration elements that serve as critical consumables within semiconductor lithography to large-scale filtration solutions that embed Mott's core technology within engineered skid-based solutions. Both lines of businesses are strong within their own relative merits, but our collective teams are leveraging 8020 and product line strategy to tune towards more IDEX-like highest differentiation, highest margin component-level solutions.

This should even out the growth path over time and best fuel Mott's development resources towards growth with the highest return profiles. Mott's acceleration has slowed a bit this year as the larger more complex opportunities within their funnel were impacted by the policy-driven demand uncertainties described earlier. We expect Mott's growth will continue to accelerate this year, but we've recalibrated its growth potential for the back half of the year, given the pause we are seeing in customer decision-making. As a team works through these headwinds, they are attacking a rapidly growing set of opportunities within space and defense and high purity semiconductor applications that match all screening elements with the best IDEX-like businesses.

The core differentiation of Mott's nano filtration technology deployed at scale is powerful. We continue to love the business and the team and confirm that the acquisition will be accretive exiting the year. Putting our past and present together, you can see that we're following a simple and powerful growth formula that's long driven value for IDEX. But we're more intentional today as we deploy capital and integrate more rapidly to support the emerging needs of today's fastest growing markets. And while we didn't dive into them today, I'd like to mention that our intelligent water and fire and safety platforms are very well-positioned in this regard, with very similar stories of focused cross-business collaboration.

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

Akhil Mahendra

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

Thanks, Eric, and good morning, everyone. Let's turn to slide 6. As Eric mentioned, in the second quarter of 2025, IDEX delivered strong financial performance. While revenue came in toward the midpoint of our guidance, we outperformed on both adjusted EBITDA margin and adjusted EPS. Now, all the comparisons I will discuss will be against the prior year period, unless stated otherwise.

In the second quarter of 2025, orders grew organically by 2%. We saw positive demand in our pharmaceutical, energy and agriculture end markets, along with continued stability in diversified industrial and water. However, softness persisted in our automotive, rescue tool, and parts of our semiconductor businesses. Organic sales in the second quarter increased 1% year-over-year. We benefited from positive price across all three of our segments as well as favorable results in businesses serving aerospace, defense, data centers, pharmaceuticals, and North American Fire OEMs.

Strength in these areas isn't fully visible given challenging prior year comparisons within our FMT and FSD businesses as well as continued weakness within semiconductor and automotive. Adjusted gross margin declined 10 basis points year-over-year, primarily due to the near-term dilution from the Mott acquisition, unfavorable mix and volume deleverage. These effects were partially offset by favorable price/cost and operational productivity, net of employee-related costs. Adjusted EBITDA margin declined 40 basis points to 27.4%, reflecting our gross margin performance and lower variable compensation expense in the second quarter last year.

Our platform optimization and delayering initiatives and cost containment efforts delivered a combined \$14 million in savings during the quarter, in line with our plans. Both of these remain on track to achieve \$62 million or \$0.63 per share in full year savings. Additionally, we continue to work our baseline productivity improvements planned for this year. Some of which are going to be influenced by volume. Free cash flow of \$147 million increased 25% year-over-year and represents 94% conversion versus adjusted net income.

The increase was driven by higher earnings and favorable timing of receivables, partially offset by payments related to our platform optimization and delayering actions. We ended the quarter with strong liquidity of approximately \$1.1 billion, including \$568 million in cash and \$541 million in undrawn revolver capacity after paying down \$100 million in long-term debt and \$12.5 million in short-term borrowings during the quarter. Finally, we deployed another \$50 million to repurchase IDEX shares in the second quarter, taking our total through the first half of the year to \$100 million.

Now, quickly, some color on our results by segment. I'm on slide 7. In HST, second quarter organic orders increased 2% and organic sales increased 4%. Revenue growth was supported by positive price, as well as volume increases within our pharmaceutical, space/defense, and data center-focused businesses. Demand for advanced semiconductor lithography solutions and automotive continued to face headwinds. Adjusted EBITDA margin of 26% increased sequentially by 40 basis points but tracked lower than we anticipated, given mix pressure within our Materials Science Solutions and Mott businesses.

Turning to slide 8. In FMT, organic orders increased 7% and organic sales declined 2%. From an orders perspective, we experienced growth in our downstream energy, agriculture, and municipal water businesses. As we said earlier, our industrial distribution businesses posted daily order rates in line with our expectations through May, but pulled back in June, weighing on our expectations near-term.

On the revenue side, our chemical, energy, and agriculture businesses declined against challenging prior year comparables. Semiconductor remains challenging and water was down year-over-year, which we attribute mostly to timing. Positive price was a partial offset. Adjusted EBITDA margin of 35% increased 130 basis points year-over-year as positive price, cost and productivity improvements more than offset volume deleverage.

I'm on slide 9. FSD organic sales grew 2%, but organic orders declined 7%. Our Fire & Safety business continues to benefit from strong OEM demand and strong adoption of our integrated solutions. But order patterns are somewhat choppy near term, which we attribute mostly to timing in both our Fire & Safety, as well as Dispensing

businesses. Adjusted EBITDA margin of 29.4% increased 40 basis points year-over-year, given positive price/cost, which more than offset net productivity, volume deleverage, and mix headwinds year-over-year.

Now, please turn to slide 10 for our updated full year and third quarter guidance. We are adjusting our organic sales growth guidance for the full year to approximately 1% versus 1% to 3% previously, given the up and down day rates. Slower customer decision-making on larger orders and a key semiconductor customer lowering their growth expectations. Adjusted EPS guidance moves to \$7.85 to \$7.95 versus prior guidance of \$8.10 to \$8.45 for the year.

We are adjusting our profitability outlook for the second half of 2025, given the flow-through impact from lower volumes and expectations for continued mix headwinds near term. In the third quarter, we expect 2% to 3% organic revenue growth and adjusted EPS of \$1.90 to \$1.95.

Our third quarter revenue guidance reflects our recent order performance and current backlog. We expect that revenue will be relatively flat in the third quarter versus the second quarter across each of our segments. Our adjusted EBITDA margins and adjusted EPS are expected to decrease sequentially, driven by anticipated timing of corporate costs and slightly lower volumes and related deleverage.

From a tariff standpoint, we have updated our 2025 tariff impact to be approximately \$50 million, with about two-thirds of it recognized in 2025. We expect to fully mitigate tariff-related inflation with price increases and additional sourcing and supply chain savings we are actively pursuing. Our 2025 guidance does not include the possibility of additional tariffs. We expect to take mitigating actions, as needed, to offset these additional tariffs if or as they occur.

Now, please turn to slide 11 for our capital allocation strategy. We maintained a purposeful and return-focused approach to capital allocation, supported by a strong balance sheet, robust cash flow generation, and meaningful borrowing capacity. Organic investments remain our highest priority as we look to consistently drive innovation across our platforms. From an inorganic standpoint, our current focus is on opportunistic tuck-in M&A to scale and expand critical capabilities in advantaged markets. We continue to work an active funnel to broaden our capabilities, and we'll continue to seek opportunities to leverage 8020 and operational improvement, which together enhance the IDEX advantage moving forward.

In addition, we are focused on returning capital to maximize shareholder value. We have a long track record of growing our dividend as we grow earnings. We also consistently evaluate additional return of capital through share repurchases. June year-to-date, we have paid \$106 million in dividends and repurchased \$100 million of common stock, including \$50 million in the past quarter. And we have \$440 million remaining in our current authorization.

As we focus on leveraging the larger platform-building investments made over the past few years, we expect a more balanced approach to capital deployment in the near to immediate term.

With that, I will now turn it back over to Eric.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Thanks, Akhil. I'm on slide 12 where we highlight the key value drivers for IDEX shareholders. While we have recalibrated our financial expectations for the second half of 2025, primarily due to the pause in customer

decision-making, we are paving the way for sustainable value creation with all three pillars here contributing and thoughtful capital allocation to drive attractive shareholder value and return sustainably going forward. Thank you.

And with that, I'll turn it over to the operator to take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Nathan Jones with Stifel. Please proceed with your question.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Good morning, everyone.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hey, Nathan.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

I guess, I'll start with the delayed orders on the semi side. Obviously, there was plenty of disruption going on in the second quarter. We are starting to get a bit more clarity on trade and tariffs. Maybe you can just talk about that as a catalyst for getting some more decision-making going on that front. And...

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

...we have been waiting for these orders to improve in the back half. What is your level of confidence that these things will actually come through in the next couple of quarters? I mean, projects can be deferred indefinitely. So, maybe just talk about your confidence on those projects coming through versus continuing to be deferred.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Sure, Nathan. You started off talking about semi, but then I think the question was more broadly framed around large orders in general. So, I'll kind of hit it that way and probably go in reverse. And so, look, no doubt, as we talked about in the prepared remarks, we saw some oscillation in both small order patterns and decision-makings around those announcements and negotiation deadlines. What was interesting here and I think probably gives us the most confidence is, as you know, some of that just timed out where in early July, we got some resolution here that things were moving forward. And I think, everybody got a sense of where the pattern is likely to settle in.

And so, we saw order recovery throughout July in both buckets, frankly, on the small order side and on the decision-making piece of larger orders. And so, I think, part of the confidence comes from our sense that while

there's still announcements and things to come, there's kind of a predictable nature of where they're likely to settle in, how they're likely to play out. And we're hearing that reflected in the conversations that we're having with customers and decision makers along the way.

So, I think, the confidence primarily comes from a pattern that, partially is in the current quarter that's played out here in July. Again, one of the reasons we dove as far as we did into the new acquired larger businesses within HST is, that's really where most of the impact comes here in terms of the shift in guidance. We had – I mean, both those businesses, especially on the Mott side, had a really, really strong funnel. They typically kind of run that business in a non-linear way, that kind of races to year-end and really as Q2 played out and they just saw a lot of kind of frozen decision-making there, much of it released here in July.

And so, then ultimately you have kind of a physics question in terms of how much they can produce in Q4. But even some of those orders coming in for that business and others along the way, we saw the same thing in water with recovery in July, I think, gives us a better feel as we enter the back half of the year that things are stable. They're still likely to change up and down. But that baseline is pretty stable in both sides of the business.

You open the question around semi in general, I just want to say, we see semi exposure in different ways and different businesses, probably the piece that has given us the most pressure when we talk about mix and talk about semi mix and HST, it's really a large chunk of business in the Muon business up in our MSS platform. It's outstanding cutting-edge lithography componentry that we make there. That's coming from a customer that initially had talked about inventory timing in the first half of the year and I think is more settled now that, hey, things are going to be kind of steady for a while, largely because of some of the geopolitical tensions, restrictions and things that have also played out.

And the other pieces of semi within IDEX, there's a lot of them that are growing, growing well, some of them quite markedly in areas like metrology. We see that in optics. So, it's kind of a mixed bag there depending on how we play out. But the pressure point for us is a portion of really high-quality business that looks like it's going to be flatter for a while.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

I would assume that kind of stuff that you're talking about there is also very high margin and very high incremental margins.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

You have cut the guidance, full year margin guidance by 100 basis points, which kind of implies 200 basis points in the back half. Is that really outsized impacts from what a very high margin businesses that aren't quite getting the volume that you'd anticipated? And when that volume comes in, those orders come in, we should start to see that margin improvement come back up?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

That is definitely a piece of it, especially in the HST side. That's some of the best business that we have in the acquired group. Some of the opportunity that I mentioned is a partial offset, the great work they're doing on things like data center switching. I mean, it's equally attractive and over time will also complement it. But, there's no doubt a return to growth there will really, really help profitability in that particular platform and in HST. I'd say the second half of it, though, is really the acceleration of Mott.

We're tuning that business a lot. We've taken some cost out there and they were heading already for a lot of volume and still are in the back half of the year. That's where you get full leverage. And so, I think, those two things together tuning and revenue and acceleration at Mott and then ultimately a release on the really good margin business towards more acceleration would be the two chief components here that we'd be looking for.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Awesome. Thanks very much for taking my questions.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thanks, Nathan.

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

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Good morning, guys. Thanks for taking my questions this morning.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Sure.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

I guess, first off, maybe can you just give us a little more granularity or specificity on what's embedded now in the current guidance? Is it a continuation of current trends? Are you, you know, I know you talked about sort of more predictability around the policy front, but how are you thinking about potential for any incremental volatility or downshift in those day rate trends that you've seen bounce around over the past couple of months, it sounds like?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. I think, really, again, we're going to end up talking here a lot about HST, because the FMT and FSDP segments, we've got those – we had them originally modeled to be pretty steady and that's kind of where they're sitting now and they're performing really, really well. So, I think, we were able to kind of deal with what we had in the second quarter and come out of it with the rates in July. Maybe a little pressure on the third quarter, we would have chosen to accelerate that a bit.

Ultimately, the recovery will help us get where we need to and then we kind of got those running out from here. And so, on HST, that's where we had some more aggressive acceleration hopes with – again, those two most recently acquired businesses. We've moderated those a bit. But they are still moving forward. A lot of it coming from a pretty strong fourth quarter for Mott. We mentioned that that's – we're confirming that's going to be an accretive business at that point.

I kind of take us back to the beginning of the year. You might remember we talked about a large project that we booked in Q1, a portion of that starts to come out of the business and hit the revenue line in Q4. Some of the orders, even the ones delayed, are now in hand, and will also support that. And it's kind of been the natural tendency of that business to run there. So, we have some acceleration there. But we've tempered that acceleration a bit and then it's generally steady on the other two segments.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Okay. That makes sense. And that's quite helpful. And then, just follow-up for me on, within FMT specifically, I think, you called out positive ag orders growth in the quarter. But there's also still a red line next to ag on the slide. So, I guess, can you just clarify or talk about what you're seeing and expecting within that specific market vertical?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Sure. I'm just reminding everybody that, for us we've got two businesses there, the largest of which while it has an OEM component, it's the smaller piece of the business. A lot of it just depends. It's components that farmers retrofit as they go and as they are planning and harvesting. So, it's a little less tied to the dynamics of heavy CapEx and OEMs, but it's all related certainly. I would say, look, it's still a rough cycle for ag. However, it's kind of played out better than we originally had hoped.

And I think a lot of that is coming from a bit more confidence. Growing season has been pretty good and our team there has done a really good job on the commercial side of things in terms of channel management and things that they're doing, expansion in Europe. So [ph] Put It Down (00:33:28) still a business that's in the lower part of the cycle, but performing above kind of below our expectations that we had coming into the year.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Understood. That's helpful. I'll get back in queue.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thanks.

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

Michael Halloran

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

Q

Good morning, everyone.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Hi, Mike.

A

Michael Halloran

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

Not to belabor here, I just want to, Eric, make sure I understand the moving pieces. So, it's not so much that there's been a deterioration. It's just that the pace of growth that you're assuming as you move to the back half of the year is slower than you originally would have thought. On top of some of those project pushouts where I don't think that your optimism over a medium term has really changed. It's just the timing or the duration of when those actually hit has shifted. Is that a fair characterization?

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah. No. That's dead on. And partially here, this is, we – again, we're really close to customers. I mean, we, of course, have a bunch of businesses that are rapidly turning components. So, any inflection we tend to feel a lot more sensitively and quicker than others. And so, we just went through a quarter where there was tremendous up and downs and some periods of frozen decision-making and then release points. It played out in kind of an unusual way and then resolved itself largely in the month of July.

A

So, from an ongoing confidence standpoint actually feel better given that, I think, everybody can kind of see the patterns that are working here. It appears to be reasonable. We can kind of draw a straighter line than we could coming into the quarter. We hear that from customers, distributors, end users, all over the place. But, for where we are, I mean, we're often coming into a quarter with X amount of the backlog secured and then we're hunting for the rest. That decision-making has an impact, had an impact in the second quarter for us.

And most specifically, again, I just point to, we've really had some strong funnels up in those recently acquired businesses and those acceleration rates. We're dealing with a pause there and a time out, again with some resolution in the same exact capacity in July. So, confidence level pretty good. But, it was a period of oscillation and kind of strange patterns for us that just – we're going to experience maybe more than some other businesses.

Michael Halloran

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

No. That makes sense. And then, just on the capital deployment side, maybe just some thoughts on the funnel of opportunity. I know the tenor or the tone has been a little bit more measured about the pace of M&A. Is that a reflection of where the balance sheet is, a reflection of the opportunity set as you sit in the market today and just maybe a little bit broader thoughts on the opportunity set holistically?

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah. Well, I mean, obviously, we talked about bolt-ons, tuck-ins, and then, of course, we announced one. I think, it's largely the output from what the funnel looks like. Because if you think about it, if you step back here, I mean, as we dove in and talked about the Materials Science Solutions platform, we took essentially an optics platform that we built over the time horizon that I talked about in my remarks 14 years. And then, we built the second half largely pretty aggressively here over the last couple of years with the acquisition of the businesses that form that unit.

A

Now that it exists, essentially the next move and the piece we've been getting ready for are those tuck-ins and technology fillers that really then bolt-on to a really great framework. And so, it was always kind of the plan, is to get it to this level, complete it with the technologies that we have, and then put complementary businesses like Micro-LAM right next to it. Mott's a little different. It was kind of unusually scaled business. It presented technologies that we'd not had in the portfolio. So, one of the things we see there is just wide applicability to almost everything we have in HST.

So, we're actually not forcing that one at the moment. We're getting a read on where it's, you know, kind of fits the best, where it complements things the most. We're using it as sort of a, as I said in the comments, something in the toolbox for everybody to exploit. But, I think, the nature of capital deployment's really reflective of just whether it's fire and rescue, water, IH&S and now MSS, these incredible platforms that have multiple touchpoints that we're attempting to take advantage of.

Michael Halloran

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

Q

Thanks, Eric.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thanks, Mike.

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

Deane Dray

Analyst, RBC Capital Markets LLC

Q

Thank you. Good morning, everyone.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hi, Deane.

Akhil Mahendra

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

A

Good morning.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

Hey. Appreciate all the color you're providing here, because it is kind of an unusual, choppy, mixed kind of signals. And you guys are really good historically at being able to identify them and – versus expectations. So, in the spirit of that, can you give us any calibration on the day rates? Just you said May was as expected; June, declined; July, was it up or stabilizing? Any kind of sizing of that just because it's really important this quarter to get a sense of, like, the amplitude? How far was June down and how much has July come back, and what the implications are?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yes. I appreciate it, Deane. I mean, look, it played out with each – each month kind of had its own little story over the last four. I think in April, we talked about it. We, probably like a lot of business, experienced some pull-ahead pre-tariffs, after the initial announcement. In May, as expected, we saw some of that come back and we are probably at about the position we thought we'd be at the end of May. We always knew June was going to be a pretty key month, particularly with some big announcements sitting right in the beginning of July, concurrent with a holiday. And so, the backlog reductions that you see overall for IDEX, all of it, came out of the month of June, really over kind of the last three weeks, I'd say, right into that US holiday that we had at the beginning of July.

Then, we got the news. The news said, hey, things are delayed. You start to get more clarity on, like, how this is ultimately probably going to play out. And then, all through July, you saw a steady build back. And I'd say, as we closed July, in that four-month period, we ended up exactly where we thought we would. It's just the patterns themselves were pretty dynamic, pretty different. And certainly, as we said, at least from a larger decision-making perspective, I think froze some people as they were really putting their concentration towards ups, downs, and things that they could do, to try to mitigate potential tariff hits or things like that. That's ultimately what's playing out.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

Good. That's helpful. And look, we've all seen periods in the macro where customer decision-making slows down. You need extra signatures. It's just longer to get to. Yes. But it really does sound like, for your guidance cut, it's concentrated in Mott. So, how much of the guidance cut is attributed specifically to Mott?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Well, I'd say, two places, really. And you got to think of this from a revenue and then of the profitability flow-through along. And it's really from the MSS group which I talked about right next to Mott. I think, the issue there is not so much on the revenue line, it's the continued mix issue that we have with a great piece of semi lithography business, that's kind of flattened out for us. And we had long hope that that was going to start to move again. But revenue largely solid and, in fact, growing around it, just not at the same kind of mix quality. And then, from Mott's standpoint, as I said before, that really historically has been a non-linear business that kind of starts low and builds throughout the quarter. That was the plan of attack for it in 2025.

Large funnel, I mean, they've got a funnel that's frankly overbuilt for what they ultimately still need in the back half of the year. But that decision – kind of the frozen decision-making loop in the second quarter, really delays just kind of the physics and fundamentals of what can possibly be produced as we exit the year. And so, you're seeing that because that's where a lot of the margin appreciation is happening simultaneous to the volume stacking on.

So, I'd say, those two pieces relative to what our previous [ph] color (00:42:24) is the significant piece of the delta. The only trailing component would be, again, I think, generally had those small order patterns not played out the way I describe. We might have had a little bit more cross IDEX momentum into Q3. We kind of had to build through July to kind of get back to the zero point, but I'd put that as a trailing third and certainly not a chapter we're worried about going forward.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

Okay. That's really helpful. And just last question for me is, the past couple years, most of the consternation was around life sciences and the kind of destocking, extended demand fall-off that we went through. And that doesn't seem to be the case here. Can you just refresh us where have the life sciences gone during this period when...

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yes.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

...I guess, most of the focus here has been on semi? But just an update there. Are you seeing any blanket order changes as well?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Really, I'd say the life science story is playing out exactly like we thought it would be. It's a slow recovery off the bottom. It's growing low-single digits. There are some areas that are weaker, but they're generally offset by things that are stronger. So, for talk around NIH funding and academia, that's definitely under a bit of pressure. But it's a smaller piece of our business. Those applications that are targeted to pharma, drug discovery are strong and generally offsetting them. And then that core kind of moderate recovery heading to something better in the future is playing out exactly as we thought it would be.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

That's great to hear. Thank you.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thanks, Deane.

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

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

Q

Thank you. Good morning, guys.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hi.

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

Q

You mentioned that water was down in the quarter, so little bit of a surprise. I guess, if I heard correctly, that was attributed to timing. Hoping you can offer a little more detail on the water performance in Q2. And then, more

importantly, what your team's seeing on an underlying basis where there's opportunity versus perhaps risk in terms of platform demand and what level of growth you expect in the back half?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. Well, I'm glad you asked it. Actually, what I isolated there is that, water which has some larger order components in it, more than some of the rest of IDEX, I mean, had some of the same kind of frozen timing dynamics in Q2 that we talked about elsewhere. A lot of that released in July and really does nothing to impact what we've generally seen, which has been a favorable run out of that business and we've actually got good numbers for it going forward. So, really no pause in water. It's just I was able to reference that that same dynamic played there and released nicely for us in July.

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

Q

Okay. Understood. And circling back to Micro-LAM, that's an interesting tuck-in, the technology, I'm admittedly not familiar with. Can you offer a little more color on the strategic fit and synergy with the MSS platform? And then, as we think of – think about your tuck-in strategy going forward, how does Micro-LAM compare to the average prospect in your funnel just deal size, revenue generation, et cetera?

Akhil Mahendra

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

A

Yeah. Hi, it's Akhil here. I'll take this one and then Eric, please feel free to add in any color. So, when you think about Micro-LAM, right, it sort of plays in the same workflows that our Optical businesses do. When you think about what we do in optics today, right, a lot of that is on the coding side of the business. But Micro-LAM is essentially a provider of precision optics. So, they actually manufacture the optic, which can then get coded. So, there's a really nice complementarity here and a strategic fit between our Optical Technologies business and Micro-LAM. And so, this is as you know, Micro-LAM, it's sort of – it will fit within our MSS platform.

And when you think about some of the other capabilities we have in there, the touchpoints are really interesting and unique and I think we can drive a lot of value there. As we mentioned when we think about Micro-LAM right and how does it compare to, will tuck-ins look similar going forward? We've got a pretty, I think, broad funnel across our platforms here that we're cultivating pretty actively. And we've got a great foundation in place with the platforms that we have built. And so, we expect to strategically find opportunities that help fill a capability gap, help us scale or take us open up some new customer doors. So, it will continue to look like that.

They have to have, I think, one of the filters that we're going to be applying here is that, they have to have an existing or a touchpoint within existing IDEX business. So, what you're going to see us is focus acquisitions, tuck-in acquisitions around businesses that we know that we can bolt-on and tuck into a platform for sure. And again, we'll be targeting strong returns there. And as you see with Micro-LAM, right, we're going to be accretive in the first full year of our ownership.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Couple of other comments here, that while the technology is really, really complementary, I would oversimplify and say, they're really good at making the optics. We're really good at polishing, coating, and assembling them. That's kind of the high level where this fits. They also have outstanding customer touchpoints that are really complementary in the space and defense sphere based on the technologies they have. So, we've been actually

working with these guys for a while now. Our teams know them really well. Everybody in optics knows each other. And so, we're going to hit the ground running here.

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

Q

I appreciate all the color. Thanks, again.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thank you.

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

Joseph Giordano

Analyst, TD Cowen

Q

Hey, guys. Good morning.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hi, Joe.

Akhil Mahendra

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

A

Good morning.

Joseph Giordano

Analyst, TD Cowen

Q

Hey. So, like last quarter, I thought the messaging was more like, we are confident in the margin path because of actions that we've already taken that we know are going to readout and that the back half acceleration was like really not dependent any longer on these larger semi orders coming in. Like what changed? Like, the commentary you're saying today about Muon, so it seems consistent with what you said last quarter, but like the outcome of it feels different now. So, maybe, if you can give us a little color on how that messaging is changing.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. I think once again, kind of in the same way when Nathan had this in a question that the only piece of semi here that really is playing out is a decent chunk of really high margin business that's kind of up in the Muon business. And that has been a piece we've been talking about. We talked about originally there was an inventory correction. There was a lot of customer feedback pointing an acceleration after that point, kind of saying at this point, okay, based on our interactions with them, we don't see that coming here. We're not going to get the lift from that component of it.

The rest of semi elsewhere is really not an issue that plays a lot and things that are different. So, I think, it's that piece of it and it's the acceleration of Mott really we were – again, we've kind of always had a path that was going to run pretty aggressively for them and having a time out on some of the order flow there.

We've kind of got a physics problem at the end of the year. It's still going to be a really, really strong Q4 for them, very similar to what they had last year. The funnel is still really strong. It's overbuilt, frankly, for what we need. So – and we see good business growth past that point. But taken some time out here from frozen decision-making for that business in particular does impact us.

Joseph Giordano

Analyst, TD Cowen

Q

And then, follow-up here. Can – the tie-ins of some of these new acquisitions to, like, our existing businesses. Like, it makes sense, I get it. Are we like – has there been a pivot more? Does that kind of pivot to bolting on within kind of the context of IDEX? Does it get us into a situation where, like, there could be more of a cascading effect of like a market issue across the franchise than you've had previously at IDEX, where I felt like there can always kind of be a problem somewhere, but these businesses are largely independent enough that there's enough other things that would probably offset? It feels like one kind of problem somewhere has like more of an impact across more businesses now, because of how they're kind of being tied in. Is that accurate?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

I don't think so. I mean, I think, I get the spirit of the question. But, I mean, if we really step back and let's take Mott as an example, I gave several examples in the comments where Mott's technology is linking with current IDEX solutions. They actually cover a pretty wide range of end markets, everything from data center switching to something over on the life science side. And so, that in itself to me says very IDEX-like. You can take a core capability. You can actually tune it in several different areas that to the extent a lot of the work is being done here most recently in HST. It does tend to be bracketed in faster growing emerging markets that was not going to have necessarily the range and the fragmentation of a lot of our industrial kind of core FMT assets.

So, there's a different look and feel here. But, we're not kind chasing one singularity over and over and over here. These are very appropriable technologies. They just happened to be a lot of them more recently here in the HST side of the house, which is a little narrower than certainly almost everything is narrower than what we have over in very, very mature industrial businesses.

Akhil Mahendra

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

A

And maybe if I can just add, when you think about Micro-LAM, right, essentially the applicability of that technology is very broad-based, right. Eric highlighted some of the fast-growing markets that they're levered to. But when you think about sort of the markets they can serve, it's actually pretty broad base from a capability standpoint.

Joseph Giordano

Analyst, TD Cowen

Q

Thanks, guys.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Thank you.

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

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Hey, thanks. Good morning, everyone.

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Hi, Jeff.

A

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Hey, hi. I wonder if we could just get to kind of the internal cost and productivity actions, comment was made in the pitch that they're on track. But some vulnerability to the volume weakness, which I get – makes sense obviously. But, can you just level set us on what you've accomplished year-to-date? What remains to be done in the back half of the year? And if there's any other interpretation, we need to add to your comment about maybe volume risk to those aspirations?

Q

Akhil Mahendra

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

Hey, Jeff. It's Akhil. I'll take that one. So, if you recall, we had three buckets of cost actions. The first was the platform optimization and delayering initiatives and that was the \$42 million that we had talked about. So, that's in place. We're actually at a run rate. And so, year-to-date, we've – or I would say, in the second quarter, we achieved \$11 million of that. And year-to-date, it's about \$20 million. And then, when you think about the second bucket, right, that was the \$20 million of cost containment.

A

Again, we expect that to hit run rate in this quarter and that's about \$4 million. And then, when you look at the total, right, between those two buckets, we have – we're at about \$23 million and we'll recognize the balance of those savings in the back half of the year. And really, the third bucket is our baseline productivity. We're still pursuing that. But some of that is a function of volume, which we will, we expect to again ramp in the third and fourth quarter.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Got it. Thanks for that clarification. And then, also on the, you know, on the so-called OB3 or Big Beautiful Bill, whatever we want to call it here, are you expecting some cash flow benefits from the change in R&D deductibility or any other impact on your financial results in 2025?

Q

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Yeah. And it's not only been the OBB, but you've also got some state tax laws and foreign tax laws that have actually changed this year. That's why when you look at the third quarter, right, you see our tax rate bumping up just marginally. That reflects really a true up of the tax changes and rules that are going into effect for the year. And then, therefore, when you think about our tax rate overall for the year, you see it coming down, which would

A

imply a lower fourth quarter. But the OBB does help us from a cash standpoint and cash taxes. And it is supportive of incremental cash there.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Great. And then, maybe just one little loose end also, just on price, it sound like it was mostly positive across the corporation. Can you just aggregate that for us? What was your price capture in Q2?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. So, when would I think about price capture, right, for the second quarter, we were just shy of 3%, right. And let me just take you back, right, and when we thought about price, we implemented that in the first quarter and that's about 1%. And we came into the second quarter, tariffs got announced that we had to – we were responding to tariff environment and that had us not only with traditional, but the tariff piece added on top of it. That put us right under the 3% mark for the quarter.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

And I guess, you'd expect something similar for the year, or maybe a little bit of dial back dose and tariffs faded, right?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

That's right. We're actually expecting a slight acceleration, because if you think about when we put our tariff pricing in effect, right, it went into effect into Q2. So, we didn't realize the full benefit in the quarter and you'll do that going forward. Now, this obviously assumes the current rules that are in place as August 1 comes to bear and then there is other deadlines or the tariffs move around, we'll continue to respond accordingly.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Great. Thanks for the feedback.

Operator: Thank you. Our next question comes from the line of Rob Wertheimer with Melius Research. Please proceed with your question.

Rob Wertheimer

Analyst, Melius Research LLC

Q

Thank you. And thank you for all the color around customers. It's been helpful. Just a quick follow-up on that. I mean, to the extent that you know, when you talk to them, is the uncertainty largely tariff related? There's obviously a few other areas of uncertainty in the world. But, as we get stability on tariffs, I mean, maybe that's what unlocked July a little bit. Is there more of that? And then, just to tack on my second one, is there – your M&A activity has been great. Is there any related M&A freeze in the market if you or other potential buyers or sellers from the uncertainty we're seeing? Thank you.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. I would say probably 90% of all conversations are related to trade policy and the things that we're covering here as we talk through Q2 and it really comes down to, I think two things. Anybody who's working on a larger order with us, it's generally remember, we're a component level to something much bigger than we are and so it becomes a stack up issue. And I think singularly it becomes, how much is it going to cost and I need to know that, is it likely going to change again. To your point there are other factors out there, but they really don't enter the conversation much. So they certainly didn't in in the second quarter.

It was kind of – where is this going to go? Where is it going to settle out? Is it going to happen 10 days from now, 20 days from now? 30 days? How can I sort of move my things around, again with somebody on our side that's generally pretty rapid fulfillment? So, there's not a lot of buffer in between us in that conversation. And that's largely what played out.

So, I do think certainty in that particular area is a really good thing for us and others. And when I say certainty, it doesn't – that's a relative term around a reasonable band kind of in a way to anticipate and call as we experience both sides of those conversations, potential things that could happen and what ultimately plays out. So, I think that's [indiscernible] (00:58:50) really, really positive.

Akhil Mahendra

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

A

And on the M&A front, look, I would say that, early on in the quarter when all of these tariff announcements went into play, there was really a freeze in the market. And we saw a number of sale processes that were due to come to market get halted. And now, I would say, that's all thought out and activity is starting to pick up and that's just really a general, I think, view of the market at the moment.

Rob Wertheimer

Analyst, Melius Research LLC

Q

Thank you.

Operator: Thank you. Our next question comes from the line of Matt Summerville with D.A. Davidson. Please proceed with your question.

Matt J. Summerville

Analyst, D.A. Davidson & Co.

Q

Thanks. I just, again, want a little more clarity here that the \$20 million in cost containment was a hedge against what exactly if it wasn't a hedge against some of the things you're describing on the call as driving down your EPS guidance for the year? And then, I have a quick follow-up.

Akhil Mahendra

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

A

Yeah. Hey, Matt, this is Akhil. So, this was a hedge against a downturn in volumes. Now, it only captured a certain sort of downtrend in volume. And what we're calling here is slightly more than that. So, that containment action is in place. It is supportive of our back half. And again, it does ramp this quarter and then it will be fully at run rate in the fourth quarter.

Matt J. Summerville

Analyst, D.A. Davidson & Co.

Q

Okay. And then, throughout your prepared remarks and a few times during the Q&A, Eric, you referenced, your data center-related exposure. Can you maybe size that up for us in terms of roughly how much revenue that will generate for IDEX in 2025? And again, just kind of big picture, where that can sort of go over the next two to three years for the company? Thank you.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. Like it's not a giant part of IDEX. It's a decent part of the Airtech business that I talked about. You really don't see it over in gas. So, if you're looking at performance pneumatics, Airtech is only a portion of that and this is a – is becoming a larger portion of their business. So that starts to dimensionalize it, too. It's important for that business not yet rising to a major catalyst for IDEX. What's interesting, though, is then we're starting to see it in other place. And so, I mentioned the win in the Muon Group again with – these are very peripheral kind of applications.

It's not that massive stuff that you see around the center of a data center, but it's interesting little niches off to the side. What it can become from here? Great to see these initial wins, because as you know in this space, I mean, often, you can take something that's working and delivers performance and efficiency in one area and run to lots of others and deliver that as well. So, I mean, our commercial teams are doing that. I think, as it goes, we'll certainly probably work to dimensionalize this a little better, talk about the funnel, but these are some interesting initial wins that are pretty early for us that we're going to continue to drive forward.

Matt J. Summerville

Analyst, D.A. Davidson & Co.

Q

Got it. Thanks, Eric.

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

Brett Linzey

Analyst, Mizuho Securities USA LLC

Q

Hey. Thanks for taking the questions. Just first one on China, pretty sluggish here in the quarter still based on results, thus far. You know IDEX exposure isn't huge there, but you do have some larger landed exposure indirectly into China in HST. So, just any color on what you're seeing in the region and then what are the expectations for the second half of the year there?

Akhil Mahendra

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

A

Yeah. I mean, certainly, we wouldn't say that it's different conditions there. I mean, we're seeing the same thing in terms of not really, really strong. It again is a small piece of what we do, about 6% overall of revenue. We kind of surgically attack that a product line at a time. Probably the areas of pressure that we would know, you mentioned one of them. For our HST customers, that's an area they've long been talking about and are concerned about in terms of rates and when it might recover and how stimulus programs may help that. We do a little bit of direct shipping there that has been softer.

Some rescue. We've talked a little bit about the rescue business. We've got a decent franchise up there that's also been impacted by some of the slowdowns. The core that we have around it, I mean, they're generally really appropriate. They do incredible things for that local economy and they're kind of branded at a level that's long

been localized for the geography. So, I would say, it's pressured. It's small for IDEX. We're treating it accordingly as we think of resourcing investments in many ways kind of our Asia Pac concentration is China and India, very surgical and specific, and the India side is more than offset that from just really strong fundamentals.

Brett Linzey

Analyst, Mizuho Securities USA LLC

Q

Great. And then, maybe shifting back over to tariffs, so you're moving from the \$100 million to the \$50 million. Could you just expand a bit on some of the underlying assumptions there? Are you assuming the incremental copper tariffs embedded in that assumption? And then any other color on some of the regional tariffs would be great.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Yeah. So, what's not embedded in here is obviously the copper, as you mentioned. And then, the finalized rules around what's going to happen with Europe, Japan, that's also not in here. I know there's been an announcement, right? But we're waiting for further clarification on how that's going to be implemented. And then you got – you have Taiwan, China, any changes there versus the status quo is not in here. But generally, if there are incremental tariffs, right, we'll continue to offset that one for one with price.

Brett Linzey

Analyst, Mizuho Securities USA LLC

Q

All right. Appreciate all the detail. Thanks.

Operator: Thank you. Our next question comes from the line of Andrew Buscaglia with BNP Paribas. Please proceed with your question.

Andrew Buscaglia

Analyst, BNP Paribas Exane

Q

Hi. Good morning, everyone.

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Hello.

Andrew Buscaglia

Analyst, BNP Paribas Exane

Q

Apologies if I missed this, but what were your expectations for Mott's growth into the year? And then, where do you see that playing out for the full year? What will the growth be?

Akhil Mahendra

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

A

Yeah. Look, I would say from a Mott standpoint, right, when we announced the transaction last year, our expectations was the business – we're going to improve the margins in that business and that was going to be over a longer period. And we expected the business to be able to deliver high-single digits in terms of growth. I think, we're – where we are right now, it's more or less just given the pause where we're calling the business flat. And then, it's just going to be a different trajectory. But again, our expectations for the business overall, as Eric

mentioned earlier, right, we're excited about the business. The team itself remain intact and we do expect to generate – our expectation is still to generate double-digit returns for the business over the longer horizon.

Andrew Buscaglia

Analyst, BNP Paribas Exane

Q

Right. Got it. And maybe a lot of, like, the detailed questions are taken. And so, I'd like to take a – ask a bigger, broader question. But we're seeing some trends across industrials where some peers are trying to reduce complexity in their businesses and making strategic decisions one way or the other to do that. How do you guys view your portfolio at this point, given the world has changed a lot in the last five years, even the last three? And you quite – you haven't been able to grow earnings the way one would hope. So is there a conversation to be had or are you having those conversations where maybe you look to, rather than acquire, divest anything or review your portfolio?

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

A

Look, we always consider all the pieces of our portfolio along the year while we've talked a lot about the things we've added. And we've added things more aggressively over the last four years. We've pruned small- to medium-sized assets along the way as well because, honestly, they're not going to scale. And to your point, they become more complex over time, if, in fact, they become relatively smaller as the business goes. And so, I do think we consider both sides of the equation.

I think really here, though, what you see is, we haven't talked a lot about FMT. We haven't talked a lot about FSDP. I mean, to your point on complexity, I mean, we've taken a ton of complexity out of those two particular platforms and they're performing really, really well. What we're doing within HST is, we're arguably trying to move this portfolio over towards faster-growing, more inherently advantaged markets. And doing it – the connection points between each business is – in some ways is taking complexity out of the equation as well, because it's taking a large suite of end markets and things where we could go attack them single units at a time to more concentrated energy towards a handful of really, really good markets where we're trying to set those initial specification points to generate the same kind of annuity streams that we had elsewhere in industrial businesses in the two segments that we're not spending as much time talking about.

So, we're kind of have very active work in the HST side now. We're talking about it appropriately. But it's really to put it in a state where it's frankly inherently simpler than it is today. And then through all of it, looking at both sides of the equation, each unit has got to kind of earn its relative merits. And we talk about that constantly as we go.

Andrew Buscaglia

Analyst, BNP Paribas Exane

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Okay. That's fair. Thanks, Eric.

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

Eric D. Ashleman

President, Chief Executive Officer & Director, IDEX Corp.

Okay. Thank you. Thank you all for joining here. And of course, today we talked about a lot of the work we're doing to put pieces of IDEX together to multiply our growth input. You've heard examples of that today reflecting

on our past. We talked about IH&S and the Optical Technologies and the build-out of those over more than a decade or in some cases two.

We discussed our present when we talked about Airtech and the many HST touchpoints that we have for Mott. We didn't talk about them today, but the great work that's going on in the extended Intelligent Water platform, the automation growth that's happening in fire and safety. And then, all of the future work, a lot of it within the MSS group and the larger Mott group work across HST. These are all examples of how, whether it's a couple of units or a platform coming together, they're able to go and solve problems in ways that are just very, very difficult for any one single unit and we think are going to absolutely propel the company going forward. We thank you for your time today, your interest in IDEX, and we hope you all have a great day.

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

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