

IDEX CORP /DE/  
Form 10-Q  
April 29, 2014  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934  
For the quarterly period ended March 31, 2014

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

Commission file number 1-10235

IDEX CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware 36-3555336  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1925 West Field Court, Lake Forest, Illinois 60045  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (847) 498-7070

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Number of shares of common stock of IDEX Corporation outstanding as of April 23, 2014: 80,618,840.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

IDEX CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (in thousands except share and per share amounts)  
 (unaudited)

	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$458,383	\$439,629
Receivables, less allowance for doubtful accounts of \$6,202 at March 31, 2014 and \$5,841 at December 31, 2013	287,903	253,226
Inventories — net	244,175	230,967
Other current assets	72,915	67,131
Total current assets	1,063,376	990,953
Property, plant and equipment — net	216,045	213,488
Goodwill	1,349,926	1,349,456
Intangible assets — net	300,710	311,227
Other noncurrent assets	21,765	22,453
Total assets	\$2,951,822	\$2,887,577
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Trade accounts payable	\$149,045	\$133,312
Accrued expenses	163,543	150,751
Current portion of long-term debt and short-term borrowings	1,393	1,871
Dividends payable	—	18,675
Total current liabilities	313,981	304,609
Long-term borrowings	778,852	772,005
Deferred income taxes	146,643	144,908
Other noncurrent liabilities	91,348	93,066
Total liabilities	1,330,824	1,314,588
Commitments and contingencies		
Shareholders' equity		
Preferred stock:		
Authorized: 5,000,000 shares, \$.01 per share par value; Issued: None	—	—
Common stock:		
Authorized: 150,000,000 shares, \$.01 per share par value		
Issued: 89,420,137 shares at March 31, 2014 and 89,154,190 shares at December 31, 2013	894	892
Additional paid-in capital	622,092	607,766
Retained earnings	1,368,288	1,293,740
Treasury stock at cost: 8,545,237 shares at March 31, 2014 and 7,958,510 shares at December 31, 2013	(368,851)	(326,104)
Accumulated other comprehensive loss	(1,425)	(3,305)

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Total shareholders' equity	1,620,998	1,572,989
Total liabilities and shareholders' equity	\$2,951,822	\$2,887,577
See Notes to Condensed Consolidated Financial Statements		

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)

(unaudited)

	Three Months Ended	
	March 31,	
	2014	2013
Net sales	\$543,996	\$494,448
Cost of sales	299,576	282,451
Gross profit	244,420	211,997
Selling, general and administrative expenses	130,585	117,285
Operating income	113,835	94,712
Other income — net	844	1,279
Interest expense	10,457	10,557
Income before income taxes	104,222	85,434
Provision for income taxes	29,674	24,134
Net income	\$74,548	\$61,300
Basic earnings per common share	\$0.92	\$0.74
Diluted earnings per common share	\$0.91	\$0.74
Share data:		
Basic weighted average common shares outstanding	80,527	82,197
Diluted weighted average common shares outstanding	81,575	83,152
See Notes to Condensed Consolidated Financial Statements		

Table of ContentsIDEX CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended	
	March 31,	
	2014	2013
Net income	\$74,548	\$61,300
Other comprehensive income (loss)		
Reclassification adjustments for derivatives, net of tax	1,157	1,190
Pension and other postretirement adjustments, net of tax	439	1,273
Cumulative translation adjustment	284	(27,253 )
Other comprehensive income (loss)	1,880	(24,790 )
Comprehensive income	\$76,428	\$36,510
See Notes to Condensed Consolidated Financial Statements		

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IDEX CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(in thousands except share and per share amounts)  
(unaudited)

	Common Stock and Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Cumulative Unrealized Gain (Loss) on Derivatives	Treasury Stock	Total Shareholders' Equity
			Cumulative Translation Adjustment	Retirement Benefits Adjustment			
Balance, December 31, 2013	\$ 608,658	\$ 1,293,740	\$ 52,211	\$(23,857 )	\$(31,659 )	\$(326,104 )	\$ 1,572,989
Net income	—	74,548	—	—	—	—	74,548
Cumulative translation adjustment	—	—	284	—	—	—	284
Pension and other postretirement adjustments (net of tax of \$240)	—	—	—	439	—	—	439
Amortization of forward starting swaps (net of tax of \$663)	—	—	—	—	1,157	—	1,157
Issuance of 278,067 shares of common stock from issuance of unvested shares, exercise of stock options and deferred compensation plans (net of tax of \$1,875)	9,079	—	—	—	—	—	9,079
Repurchase of 551,148 shares of common stock	—	—	—	—	—	(40,133 )	(40,133 )
Shares surrendered for tax withholding	—	—	—	—	—	(2,614 )	(2,614 )
Share-based compensation	5,249	—	—	—	—	—	5,249
Balance, March 31, 2014	\$ 622,986	\$ 1,368,288	\$ 52,495	\$(23,418 )	\$(30,502 )	\$(368,851 )	\$ 1,620,998
See Notes to Condensed Consolidated Financial Statements							

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IDEX CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2014	2013
Cash flows from operating activities		
Net income	\$74,548	\$61,300
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	8,394	8,948
Amortization of intangible assets	10,863	10,891
Amortization of debt issuance expenses	429	425
Share-based compensation expense	6,312	5,612
Deferred income taxes	(748)	) (117)
Excess tax benefit from share based compensation	(2,925)	) (2,439)
Non-cash interest expense associated with forward starting swaps	1,820	1,872
Changes in:		
Receivables	(33,910)	) (14,843)
Inventories	(12,605)	) (3,115)
Other current assets	(6,285)	) (3,513)
Trade accounts payable	15,392	6,303
Accrued expenses	14,419	1,043
Other — net	(1,519)	) (172)
Net cash flows provided by operating activities	74,185	72,195
Cash flows from investing activities		
Cash purchases of property, plant and equipment	(10,809)	) (7,625)
Acquisition of businesses, net of cash acquired	—	(34,648)
Other — net	21	(57)
Net cash flows used in investing activities	(10,788)	) (42,330)
Cash flows from financing activities		
Borrowings under revolving facilities for acquisitions	—	34,648
Borrowings under revolving facilities	20,014	5,438
Payments under revolving facilities	(13,617)	) (305)
Dividends paid	(18,628)	) (16,575)
Proceeds from stock option exercises	6,154	10,758
Excess tax benefit from stock-based compensation	2,925	2,439
Purchase of common stock	(37,537)	) (33,115)
Unvested shares surrendered for tax withholding	(2,614)	) (1,735)
Net cash flows provided by (used in) financing activities	(43,303)	) 1,553
Effect of exchange rate changes on cash and cash equivalents	(1,340)	) (9,237)
Net increase in cash	18,754	22,181
Cash and cash equivalents at beginning of year	439,629	318,864
Cash and cash equivalents at end of period	\$458,383	\$341,045
Supplemental cash flow information		
Cash paid for:		
Interest	\$85	\$545
Income taxes	17,835	7,002



See Notes to Condensed Consolidated Financial Statements

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except share data and where otherwise indicated)

(unaudited)

1. Basis of Presentation and Significant Accounting Policies

The Condensed Consolidated Financial Statements of IDEX Corporation (“IDEX” or the “Company”) have been prepared in accordance with the accounting principles generally accepted in the United States of America applicable to interim financial information and the instructions to Form 10-Q under the Securities Exchange Act of 1934, as amended. The statements are unaudited but include all adjustments, consisting only of recurring items, except as noted, that the Company considers necessary for a fair presentation of the information set forth herein. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the results to be expected for the entire year. The Condensed Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

2. Acquisitions

All of the Company’s acquisitions have been accounted for under Accounting Standards Codification (“ASC”) 805, Business Combinations. Accordingly, the accounts of the acquired companies, after adjustments to reflect fair values assigned to assets and liabilities, have been included in the consolidated financial statements from their respective dates of acquisition.

2013 Acquisitions

On March 18, 2013, the Company acquired the assets of FTL Seals Technology, Ltd (“FTL”). FTL specializes in the design and application of high integrity rotary seals, specialty bearings, and other custom products for the oil & gas, mining, power generation, and marine markets. Located in Leeds, England, FTL, along with Precision Polymer Engineering (“PPE”), operates within the Health & Science Technologies segment as part of the Sealing Solutions group and will expand the range of PPE’s technology expertise and markets served. FTL was acquired for an aggregate purchase price of \$34.5 million (£23.1 million) in cash. The entire purchase price was funded with borrowings under the Company’s revolving credit facility. Goodwill and intangible assets recognized as part of this transaction were \$18.0 million and \$13.0 million, respectively. The \$18.0 million of goodwill is not deductible for tax purposes. The Company incurred \$0.5 million of acquisition-related transaction costs in the three months ended March 31, 2014. These costs were recorded in selling, general and administrative expense and were related to completed transactions, pending transactions and potential transactions, including transactions that ultimately were not completed.

3. Business Segments

The Company has three reportable business segments: Fluid & Metering Technologies, Health & Science Technologies and Fire & Safety/Diversified Products.

The Fluid & Metering Technologies segment designs, produces and distributes positive displacement pumps, flow meters, injectors, and other fluid-handling pump modules and systems and provides flow monitoring and other services for the water and wastewater industries. The Health & Science Technologies segment designs, produces and distributes a wide range of precision fluidics, rotary lobe pumps, centrifugal and positive displacement pumps, roll compaction and drying systems used in beverage, food processing, pharmaceutical and cosmetics, pneumatic components and sealing solutions, very high precision, low-flow rate pumping solutions required in analytical instrumentation, clinical diagnostics and drug discovery, high performance molded and extruded, biocompatible medical devices and implantables, air compressors used in medical, dental and industrial applications, optical components and coatings for applications in the fields of scientific research, defense, biotechnology, aerospace, semiconductor, telecommunications and electronics manufacturing, laboratory and commercial equipment used in the production of micro and nano scale materials, precision photonic solutions used in life sciences, research and defense

markets, and precision gear and peristaltic pump technologies that meet exacting original equipment manufacturer specifications. The Fire & Safety/Diversified Products segment produces firefighting pumps and controls, rescue tools, lifting bags and other components and systems for the fire and rescue industry, engineered stainless steel banding and clamping devices used in a variety of industrial and commercial applications, and precision equipment for dispensing, metering and mixing colorants and paints used in a variety of retail and commercial businesses around the world.

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## IDEX CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except share data and where otherwise indicated)

(unaudited)

Information on the Company's business segments is presented below, based on the nature of products and services offered. The Company evaluates performance based on several factors, of which operating income is the primary financial measure. Intersegment sales are accounted for at fair value as if the sales were to third parties.

	Three Months Ended	
	March 31,	
	2014	2013
Net sales:		
Fluid & Metering Technologies:		
External customers	\$223,007	\$211,407
Intersegment sales	354	348
Total group sales	223,361	211,755
Health & Science Technologies:		
External customers	183,892	171,674
Intersegment sales	2,483	1,194
Total group sales	186,375	172,868
Fire & Safety/Diversified Products:		
External customers	137,097	111,367
Intersegment sales	187	146
Total group sales	137,284	111,513
Intersegment elimination	(3,024	) (1,688
Total net sales	\$543,996	\$494,448
Operating income:		
Fluid & Metering Technologies	\$56,407	\$48,079
Health & Science Technologies	36,229	32,267
Fire & Safety/Diversified Products	39,648	28,232
Corporate office and other	(18,449	) (13,866
Total operating income	113,835	94,712
Interest expense	10,457	10,557
Other income - net	844	1,279
Income before income taxes	\$104,222	\$85,434
	March 31,	December 31,
	2014	2013
Assets:		
Fluid & Metering Technologies	\$1,031,728	\$1,025,352
Health & Science Technologies	1,132,689	1,113,546
Fire & Safety/Diversified Products	515,992	484,139
Corporate office	271,413	264,540
Total assets	\$2,951,822	\$2,887,577

## 4. Earnings Per Common Share

Earnings per common share ("EPS") are computed by dividing net income by the weighted average number of shares of common stock (basic) plus common stock equivalents outstanding (diluted) during the period. Common stock equivalents consist of stock options, which have been included in the calculation of weighted average shares

outstanding using the treasury stock method, unvested shares, performance share units, and shares issuable in connection with certain deferred compensation agreements (“DCUs”).

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## IDEX CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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ASC 260 "Earnings Per Share" provides that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. If awards are considered participating securities, the Company is required to apply the two-class method of computing basic and diluted earnings per share. The Company has determined that its outstanding unvested shares are participating securities. Accordingly, earnings per common share are computed using the more dilutive of the treasury stock method and the two-class method prescribed by ASC 260. For the purposes of calculating diluted EPS, net income attributable to common shareholders was reduced by \$0.5 million and \$0.3 million for the three months ended March 31, 2014 and 2013, respectively.

Basic weighted average shares reconciles to diluted weighted average shares as follows:

	Three Months Ended March 31,	
	2014	2013
Basic weighted average common shares outstanding	80,527	82,197
Dilutive effect of stock options, unvested shares, performance share units and DCUs	1,048	955
Diluted weighted average common shares outstanding	81,575	83,152

Options to purchase approximately 0.5 million and 0.6 million shares of common stock for the three months ended March 31, 2014 and 2013, respectively, were not included in the computation of diluted EPS because the effect of their inclusion would be antidilutive.

## 5. Inventories

The components of inventories as of March 31, 2014 and December 31, 2013 were:

	March 31, 2014	December 31, 2013
Raw materials and component parts	\$139,522	\$133,470
Work in process	43,400	41,895
Finished goods	61,253	55,602
Total	\$244,175	\$230,967

Inventories are stated at the lower of cost or market. Cost, which includes material, labor, and factory overhead, is determined on a FIFO basis.

## 6. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the three months ended March 31, 2014, by reportable business segment, were as follows:

	Fluid & Metering Technologies	Health & Science Technologies	Fire & Safety/ Diversified Products	Total
Balance at December 31, 2013	\$528,044	\$571,675	\$249,737	\$1,349,456
Foreign currency translation	(105	) 618	(43	) 470
Balance at March 31, 2014	\$527,939	\$572,293	\$249,694	\$1,349,926

ASC 350 "Goodwill and Other Intangible Assets" requires that goodwill be tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely

than not reduce the fair value of the reporting unit below its carrying value. Annually on October 31, goodwill and other acquired intangible assets with indefinite lives are tested for impairment. The Company did not consider there to be any triggering event that would require an interim impairment assessment, therefore none of the goodwill or other acquired intangible assets with indefinite lives were tested for impairment during the three months ended March 31, 2014. Based on the results of our annual impairment test at October 31, 2013, all reporting units had a fair value that was significantly in excess of carrying value, except for our IDEX Optics and Photonics ("IOP") reporting unit, which had a fair value approximately 10% greater than the carrying value. The IOP reporting

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## IDEX CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except share data and where otherwise indicated)

(unaudited)

unit was written down to its fair value in 2012 as a result of our annual goodwill impairment testing and, thus, the fair value continues to be near the carrying value.

The following table provides the gross carrying value and accumulated amortization for each major class of intangible asset at March 31, 2014 and December 31, 2013:

	At March 31, 2014			Weighted Average Life	At December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net		Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:							
Patents	\$9,955	\$ (4,658 )	\$ 5,297	11	\$10,673	\$ (5,179 )	\$ 5,494
Trade names	104,606	(29,939 )	74,667	16	104,582	(28,310 )	76,272
Customer relationships	242,933	(127,878 )	115,055	10	242,674	(121,092 )	121,582
Non-compete agreements	3,175	(2,744 )	431	3	3,769	(3,272 )	497
Unpatented technology	75,489	(34,853 )	40,636	11	75,528	(32,905 )	42,623
Other	6,999	(4,475 )	2,524	10	6,958	(4,299 )	2,659
Total amortized intangible assets	443,157	(204,547 )	238,610		444,184		