



IDEX Corporation (IEX)

Updated May 8th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	\$222	5 Year CAGR Estimate:	8.5%	Market Cap:	\$16.6 B
Fair Value Price:	\$216	5 Year Growth Estimate:	8.0%	Ex-Dividend Date¹:	06/06/24
% Fair Value:	103%	5 Year Valuation Multiple Estimate:	-0.6%	Dividend Payment Date¹:	06/27/24
Dividend Yield:	1.2%	5 Year Price Target	\$317	Years Of Dividend Growth:	16
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

The IDEX Corporation (IEX) is a company that sells industrial products worldwide. The business operates through three segments: Fluid & Metering Technology (FMT), Health & Science Technologies (HST), and Fire & Safety/Diversified Products (FDSP). These segments made up 37.8%, 39.5%, and 22.7% of sales, respectively, for 2023. Inside each of the segments, IDEX owns a series of businesses in niche markets that own highly engineered and proprietary assets. These businesses are generally in fragmented niches in growing markets, and most of their businesses are first or second in their niche markets. This gives the business the advantage of being able to drive high returns on operating capital because each of its individual businesses has a moat. IDEX Corporation was incorporated in 1987 and has 8,500 employees.

On December 14th, 2023, the company completed the acquisition of STC Material Solutions for \$202 million, expanding its portfolio in the materials science space.

On April 23rd, 2024, IDEX reported first quarter results for the period ending March 31st, 2024. The company earned \$1.88 in adjusted earnings-per-share in the quarter, down 10% from the year-ago quarter's \$2.09. For the quarter, IDEX's net sales were \$800.5 million, compared to \$845.4 million, reflecting a year-over-year decline of 5.3%.

Organic sales in the quarter decreased 6% year over year, driven by lower volumes primarily in the Health & Science Technologies segment. The decline in sales was attributed to various factors including market slowness and inventory recalibrations. In the Fluid & Metering Technologies segment, sales decreased by 2.5% to \$313.7 million, with a slight improvement in the adjusted EBITDA margin to 33.6%, reflecting strong operational productivity offset by lower volume leverage. The Health & Science Technologies segment saw a significant decrease in sales by 11.7% to \$310.1 million due to ongoing market challenges and inventory adjustments, with the adjusted EBITDA margin decreasing to 26.2%, reflecting increased operational costs and an unfavorable sales mix. Meanwhile, the Fire & Safety/Diversified Products segment experienced a marginal sales increase of 2.1% to \$178.0 million. Sales volumes remained flat, but benefited from strategic price increases, and the adjusted EBITDA margin improved to 28.9%, driven by cost management and operational efficiency gains.

IDEX expects adjusted earnings per share of \$2.00 to \$2.05 for the second quarter of 2024. For the full year 2024, IDEX anticipates adjusted earnings of \$8.15 to \$8.45 per share and projects organic sales growth to be between 0% to 2%.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$3.45	\$3.45	\$3.72	\$4.36	\$5.41	\$5.80	\$5.19	\$6.30	\$8.12	\$8.22	\$8.30	\$12.20
DPS	\$1.07	\$1.24	\$1.34	\$1.36	\$1.66	\$1.93	\$2.00	\$2.16	\$2.34	\$2.56	\$2.76	\$3.87
Shares	79	77	76	77	76	76	76	76	75	75	75	75

Since 2014, IDEX has seen earnings-per-share grow at an average annualized rate of 10.1%, and over the past 5 years, the business has seen earnings-per-share grow at 7.4% annually. We forecast that the business will continue to grow

¹ Estimated Date.

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earnings-per-share at 8.0% annually, which guides our 2029 earnings-per-share estimate just above \$12. Over the past decade, the company has grown dividends by 10.2% annually, and over the past 5 years, dividends have grown by 7.4% annually. Over the next 5 years, we forecast slower dividend growth of about 7% annually, because we expect dividends to grow slightly slower than earnings. The company has a long history of paying dividends and has 16 consecutive years of annual dividend increases. In May 2024, the company increased its quarterly dividend by 7.8% from \$0.64 to \$0.69 per share.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	21.8	21.9	22.8	25.3	25.9	27.1	32.5	34.5	26.4	23.9	26.7	26.0
Avg. Yld.	1.9%	1.6%	1.6%	1.2%	1.2%	1.2%	1.2%	1.0%	1.1%	1.3%	1.2%	1.2%

Over the past decade, IDEX Corporation has averaged a P/E ratio of 26.2, and over the past 5 years, the stock has averaged a P/E ratio of 26.7. We estimate that over the intermediate term, the business will trade for a P/E ratio of around 26.0, which is in line with the way the stock has traded in the past. Today, the stock offers a low 1.2% dividend yield, which is likely not ideal for investors seeking dividend income, but investors may find this business attractive if they are looking to invest in a growing industrial company.

Safety, Quality, Competitive Advantage, & Recession Resiliency

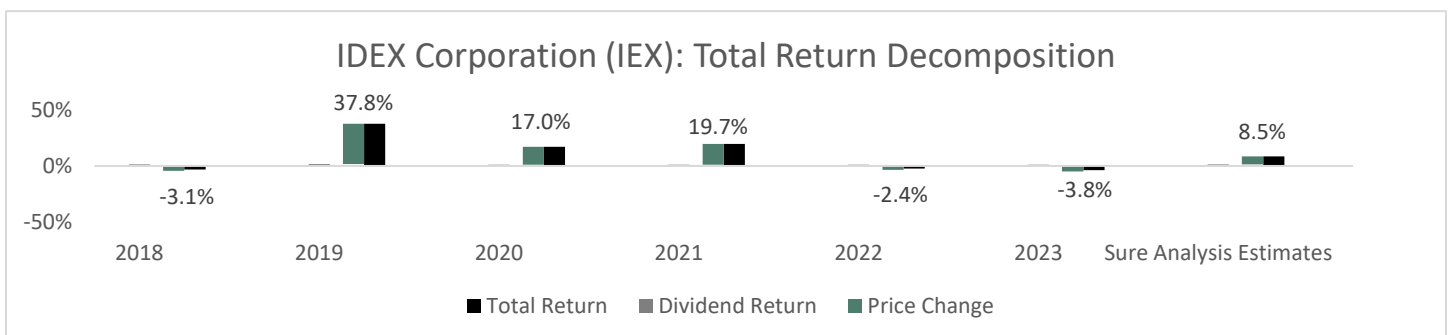
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	29%	31%	36%	36%	31%	31%	33%	39%	34%	29%	33%	32%

The business has averaged a payout ratio of 33.1% over the past 10 years, and 33.2% over the past 5 years. With a low payout ratio below 40%, we expect that the dividend is safe from any cuts or decreases because it is well-covered by earnings. The business has a strong balance sheet, with a debt/equity ratio of less than 1, and a current ratio of more than 3. The business has a competitive advantage as a business that owns and acquires businesses that are leaders in their markets with superior technologies. While the business did see a decrease in earnings-per-share and revenue in 2020, the business continued to grow after. The strong core businesses and balance sheet give this business recession resiliency.

Final Thoughts & Recommendation

The IDEX Corporation owns businesses that are leaders in their niche markets. The result is a business that can create high returns on capital while growing dividends and earnings-per-share. At today's price, we rate the stock as a hold as total return prospects come in at 8.5% annually over the next five years, fueled by an 8% annual earnings-per-share growth, the 1.2% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	2,148	2,021	2,113	2,287	2,484	2,495	2,352	2,765	3,182	3,274
Gross Profit	949	904	931	1,027	1,118	1,125	1,027	1,225	1,427	1,447
Gross Margin	44.2%	44.8%	44.0%	44.9%	45.0%	45.1%	43.7%	44.3%	44.8%	44.2%
SG&A Exp.	504	474	492	525	537	525	495	578	653	704
D&A Exp.	77	78	87	84	78	77	84	103	120	152
Operating Profit	445	430	438	502	581	600	533	646	774	743
Op. Margin	20.7%	21.3%	20.7%	21.9%	23.4%	24.1%	22.6%	23.4%	24.3%	22.7%
Net Profit	279	283	271	337	411	426	378	449	587	596
Net Margin	13.0%	14.0%	12.8%	14.7%	16.5%	17.1%	16.1%	16.3%	18.4	18.2%
Free Cash Flow	320	317	362	389	419	477	518	493	489	627
Income Tax	113	110	97	118	118	107	93	131	163	165

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,903	2,805	3,155	3,400	3,474	3,814	4,414	4,917	5,512	5,865
Cash & Equivalents	509	328	236	376	466	633	1,026	855	430	534
Acc. Receivable	260	262	275	298	314	298	288	355	431	419
Inventories	238	239	253	260	280	293	290	370	471	421
Goodwill & Int.	1,592	1,684	2,068	2,119	2,081	2,168	2,311	2,765	3,586	3,850
Total Liabilities	1,417	1,362	1,611	1,513	1,479	1,551	1,874	2,114	2,472	2,324
Accounts Payable	127	129	129	147	143	138	152	179	209	180
Long-Term Debt	859	841	1,015	859	849	849	1,045	1,190	1,469	1,326
Total Equity	1,486	1,443	1,544	1,887	1,995	2,263	2,540	2,803	3,039	3,541
LTD/E Ratio	0.58	0.58	0.66	0.46	0.43	0.38	0.41	0.42	1,469	0.37

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	9.6%	9.9%	9.1%	10.3%	11.9%	11.7%	9.2%	9.6%	11.3%	10.5%
Return on Equity	18.3%	19.3%	18.2%	19.7%	21.2%	20.0%	15.7%	16.8%	20.1%	18.1%
ROIC	11.9%	12.2%	11.2%	12.7%	14.7%	14.3%	11.3%	11.9%	13.8%	12.7%
Shares Out.	79	77	76	77	76	76	76	76	76	76
Revenue/Share	26.61	25.92	27.53	29.58	32.02	32.61	30.78	36.19	41.87	43.13
FCF/Share	3.96	4.06	4.71	5.03	5.41	6.24	6.78	6.45	6.44	8.26

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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