



IDEX Corporation (IEX)

Updated November 5th, 2023, by Patrick Neuwirth

Key Metrics

Current Price:	\$195	5 Year CAGR Estimate:	10.9%	Market Cap:	\$14.6 B
Fair Value Price:	\$212	5 Year Growth Estimate:	8.0%	Ex-Dividend Date¹:	01/12/24
% Fair Value:	92%	5 Year Valuation Multiple Estimate:	1.7%	Dividend Payment Date¹:	01/26/24
Dividend Yield:	1.3%	5 Year Price Target	\$311	Years Of Dividend Growth:	15
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	Buy

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 35.5%, 43.5%, and 21.0% of sales, respectively, for 2022. 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 October 25th, 2023, IDEX reported third quarter 2023 results for the period ending September 30th, 2023. The company earned \$2.12 in adjusted earnings-per-share in the quarter, down 1% from the year-ago quarter's \$2.14. For the quarter, IDEX's net sales were \$793.4 million, compared to \$824.0 million reflecting year-over-year decline of 30.6%. Organic sales in the quarter decreased 6% year over year, better than the 8% decline expected by IDEX. The exit of a COVID testing application in 2022, which did not reoccur in 2023, impacted sales by 2%. On August 3, 2023, the company sold Micropump for a total of \$110.3 million after deducting cash payments. This sale resulted in a profit of \$93.8 million before taxes. IDEX expects adjusted earnings per share of \$1.74 to \$1.79 for fourth quarter 2023. For the full year 2023, IDEX anticipates (improved) adjusted earnings of \$8.13 to \$8.18 per share (previously \$7.90 to \$8.00) and organic sales growth is projected to be decline 1% to 2% in 2023 (previously a 7% to 8% decline).

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$3.09	\$3.45	\$3.45	\$3.72	\$4.36	\$5.41	\$5.80	\$5.19	\$6.30	\$8.12	\$8.15	\$11.98
DPS	\$0.89	\$1.07	\$1.24	\$1.34	\$1.36	\$1.66	\$1.93	\$2.00	\$2.16	\$2.34	\$2.56	\$3.59
Shares	81	79	77	76	77	76	76	76	76	75	75	75

Over the past 9 years, IDEX has seen earnings-per-share grow at an average annualized rate of 11.3%, and over the past 5 years, the business has seen earnings-per-share grow at 8.5% annually. We forecast that the business will continue to grow earnings-per-share at 8.0% annually after 2022, which guides our 2028 earnings-per-share estimate of almost \$12. Over the past 9 years, the business has grown dividends by 11.3% annually, and over the past 5 years, the business has grown dividends by 9.1% 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 15 consecutive years of annual dividend increases. In May 2023, the company increased its quarterly dividend by 6.7% from \$0.60 to \$0.64 per share.

¹ Estimated Date.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	19.0	21.8	21.9	22.8	25.3	25.9	27.1	32.5	34.5	26.4	23.9	26.0
Avg. Yld.	1.9%	1.4%	1.6%	1.6%	1.2%	1.2%	1.2%	1.2%	1.0%	1.1%	1.3%	1.2%

Over the past 9 years, the IDEX Corporation has averaged a P/E ratio of 25.7, and over the past 5 years, the business has averaged a P/E ratio of 23.9. 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 1.3% dividend yield, which is not ideal for investors seeking dividend income, but investors may find this business attractive if they are looking to invest in a growing industrial business.

Safety, Quality, Competitive Advantage, & Recession Resiliency

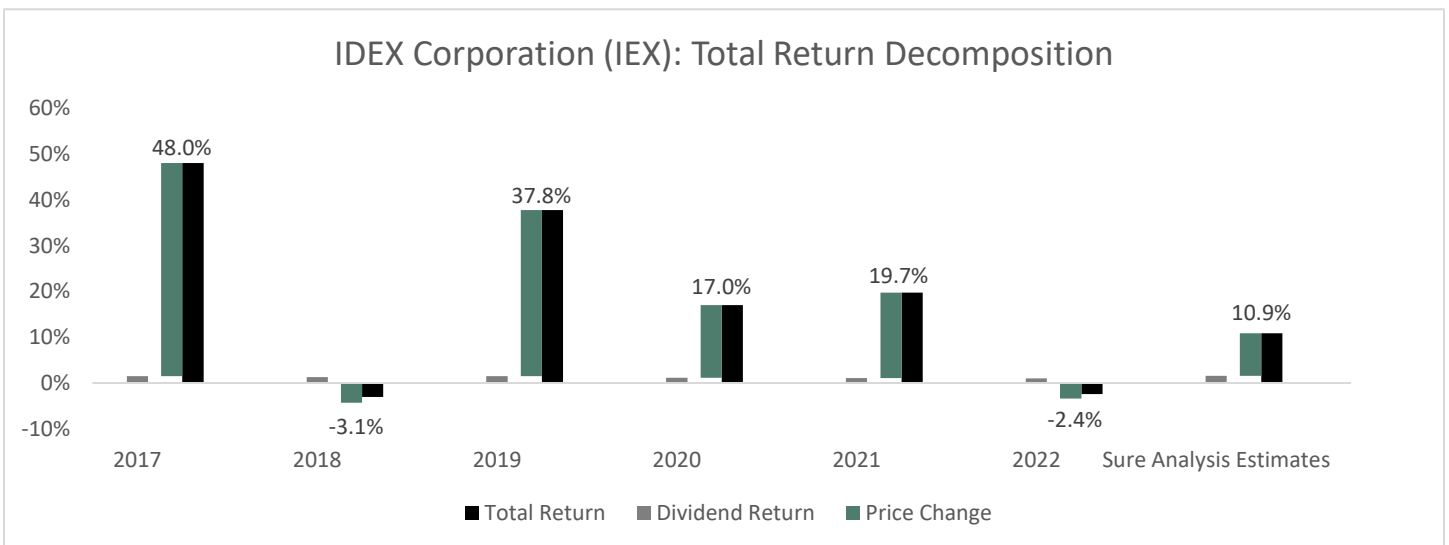
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	29%	31%	36%	36%	31%	31%	33%	39%	34%	29%	31%	30%

The business has averaged a payout ratio of 32.9% over the past 10 years, and 33.1% 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 kept on growing after. The strong core businesses and strong 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 and continue to grow dividends and earnings-per-share. At today's price, we rate the stock as a buy as total return prospects come in at 10.9% annually over the next five years, fueled by an 8% annual earnings-per-share growth, a 1.3% dividend yield, and a valuation tailwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	2,024	2,148	2,021	2,113	2,287	2,484	2,495	2,352	2,765	3,182
Gross Profit	873	949	904	931	1,027	1,118	1,125	1,027	1,225	1,427
Gross Margin	43.1%	44.2%	44.8%	44.0%	44.9%	45.0%	45.1%	43.7%	44.3%	44.8%
SG&A Exp.	478	504	474	492	525	537	525	495	578	653
D&A Exp.	79	77	78	87	84	78	77	84	103	120
Operating Profit	396	445	430	438	502	581	600	533	646	774
Op. Margin	19.5%	20.7%	21.3%	20.7%	21.9%	23.4%	24.1%	22.6%	23.4%	24.3%
Net Profit	255	279	283	271	337	411	426	378	449	587
Net Margin	12.6%	13.0%	14.0%	12.8%	14.7%	16.5%	17.1%	16.1%	16.3%	18.4
Free Cash Flow	370	320	317	362	389	419	477	518	493	489
Income Tax	98	113	110	97	118	118	107	93	131	163

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	2,888	2,903	2,805	3,155	3,400	3,474	3,814	4,414	4,917	5,512
Cash & Equivalents	440	509	328	236	376	466	633	1,026	855	430
Acc. Receivable	256	260	262	275	298	314	298	288	355	431
Inventories	231	238	239	253	260	280	293	290	370	471
Goodwill & Int.	1,661	1,592	1,684	2,068	2,119	2,081	2,168	2,311	2,765	3,586
Total Liabilities	1,315	1,417	1,362	1,611	1,513	1,479	1,551	1,874	2,114	2,472
Accounts Payable	133	127	129	129	147	143	138	152	179	209
Long-Term Debt	774	859	841	1,015	859	849	849	1,045	1,190	1,469
Total Equity	1,573	1,486	1,443	1,544	1,887	1,995	2,263	2,540	2,803	3,039
LTD/E Ratio	0.49	0.58	0.58	0.66	0.46	0.43	0.38	0.41	0.42	1,469

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	9.0%	9.6%	9.9%	9.1%	10.3%	11.9%	11.7%	9.2%	9.6%	11.3%
Return on Equity	16.8%	18.3%	19.3%	18.2%	19.7%	21.2%	20.0%	15.7%	16.8%	20.1%
ROIC	11.1%	11.9%	12.2%	11.2%	12.7%	14.7%	14.3%	11.3%	11.9%	13.8%
Shares Out.	81	79	77	76	77	76	76	76	76	76
Revenue/Share	24.54	26.61	25.92	27.53	29.58	32.02	32.61	30.78	36.19	41.87
FCF/Share	4.49	3.96	4.06	4.71	5.03	5.41	6.24	6.78	6.45	6.44

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

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