

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

IDEX CORP /DE/  
Form 10-Q  
August 07, 2007

-----  
-----  
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 June 30, 2007  
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  
(State or other jurisdiction of  
incorporation or organization)

36-3555336  
(I.R.S. Employer  
Identification No.)

630 DUNDEE ROAD, NORTHBROOK, ILLINOIS  
(Address of principal executive offices)

60062  
(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 is a large accelerated filer, an accelerated filer or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated  
filer

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

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

Yes [ ] No [X]

Number of shares of common stock of IDEX Corporation outstanding as of July 31, 2007: 81,387,088 (net of treasury shares).

-----  
-----

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION	
Item 1.	Financial Statements..... 1
	Condensed Consolidated Balance Sheets..... 1
	Condensed Consolidated Statements of Operations..... 2
	Condensed Consolidated Statements of Shareholders' Equity..... 3
	Condensed Consolidated Statements of Cash Flows..... 4
	Notes to Condensed Consolidated Financial Statements..... 5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations..... 14
	Cautionary Statement Under the Private Securities Litigation Reform Act..... 14
	Historical Overview and Outlook..... 14
	Results of Operations..... 15
	Liquidity and Capital Resources..... 20
Item 3.	Quantitative and Qualitative Disclosures About Market Risk..... 20
Item 4.	Controls and Procedures..... 21
PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings..... 21
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds..... 22
Item 4.	Submission of Matters to a vote of Security Holders..... 22
Item 5.	Other Information..... 22
Item 6.	Exhibits..... 22
	Signatures..... 23
	Exhibit Index..... 24
	Certifications.....

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

IDEX CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)  
(UNAUDITED)

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

	JUNE 30, 2007	DECEMBER 31, 2006
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 52,025	\$ 77,941
Receivables, less allowance for doubtful accounts of \$4,224 at June 30, 2007 and \$3,545 at December 31, 2006.....	199,320	166,485
Inventories.....	174,054	160,687
Assets held for sale.....	776	829
Other current assets.....	20,093	11,966
	-----	-----
Total current assets.....	446,268	417,908
Property, plant and equipment -- net.....	169,513	165,949
Goodwill.....	937,624	912,600
Intangible assets -- net.....	190,754	171,363
Other noncurrent assets.....	4,953	3,001
	-----	-----
Total assets.....	\$1,749,112	\$1,670,821
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable.....	\$ 90,991	\$ 75,444
Accrued expenses.....	89,354	95,170
Short-term borrowings.....	158,240	8,210
Liabilities held for sale.....	129	373
Dividends payable.....	9,758	8,055
	-----	-----
Total current liabilities.....	348,472	187,252
Long-term borrowings.....	170,404	353,770
Deferred income taxes.....	112,707	100,316
Other noncurrent liabilities.....	50,669	50,211
	-----	-----
Total liabilities.....	682,252	691,549
	-----	-----
Commitment 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: 81,453,771 shares at June 30, 2007 and 80,669,121 shares at December 31, 2006.....	815	538
Additional paid-in capital.....	350,036	326,968
Retained earnings.....	696,206	638,579
Treasury stock at cost: 138,177 shares at June 30, 2007 and 123,383 shares at December 31, 2006.....	(3,768)	(3,248)
Unearned compensation.....	(12,790)	(9,551)
Accumulated other comprehensive income.....	36,361	25,986
	-----	-----
Total shareholders' equity.....	1,066,860	979,272
	-----	-----
Total liabilities and shareholders' equity.....	\$1,749,112	\$1,670,821
	=====	=====

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

See Notes to Condensed Consolidated Financial Statements.

1

IDEX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

	SECOND QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2007	2006	2007	2006
Net sales.....	\$344,482	\$296,573	\$677,750	\$562,961
Cost of sales.....	196,948	173,652	390,552	329,907
Gross profit.....	147,534	122,921	287,198	233,054
Selling, general and administrative expenses.....	78,669	66,937	156,781	129,292
Operating income.....	68,865	55,984	130,417	103,762
Other income -- net.....	521	258	1,094	269
Interest expense.....	6,058	4,061	12,437	7,002
Income from continuing operations before income taxes.....	63,328	52,181	119,074	97,029
Provision for income taxes.....	21,493	17,562	40,408	32,829
Income from continuing operations.....	41,835	34,619	78,666	64,200
Income (loss) from discontinued operations, net of tax.....	(205)	337	(369)	834
Net income.....	\$ 41,630	\$ 34,956	\$ 78,297	\$ 65,034
Basic earnings per common share:				
Continuing operations.....	\$ .52	\$ .44	\$ .98	\$ .81
Discontinued operations.....	--	--	(.01)	.01
Net income.....	\$ .52	\$ .44	\$ .97	\$ .82
Diluted earnings per common share:				
Continuing operations.....	\$ .51	\$ .43	\$ .96	\$ .79
Discontinued operations.....	--	--	--	.01
Net income.....	\$ .51	\$ .43	\$ .96	\$ .80

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

	=====	=====	=====	=====
Share data:				
Basic weighted average common shares				
outstanding.....	80,595	79,521	80,429	79,237
Diluted weighted average common shares				
outstanding.....	82,046	81,043	81,855	80,928

See Notes to Condensed Consolidated Financial Statements.

2

IDEX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)  
(UNAUDITED)

	COMMON STOCK & ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	UNEARNED COMPENSATION	ACCUMULATED OTHER COMPREHENSIVE INCOME
	-----	-----	-----	-----	-----
Balance, December 31, 2006.....	\$327,506	\$638,579	\$ (3,248)	\$ (9,551)	\$2
Net income.....		78,297			
Other comprehensive income, net of tax					
Cumulative translation adjustment.....					
Amortization of retirement obligations.....					
Other comprehensive income.....					1
Comprehensive income.....					
Issuance of 615,377 shares of common stock from exercise of stock options and deferred compensation plans.....	17,926				
Issuance of 128,549 shares of restricted common stock.....	5,419			(5,419)	
Amortization of restricted common stock award.....				2,180	
Restricted shares surrendered for tax withholdings.....			(520)		
Cash dividends declared -- \$.24 per common share outstanding.....		(19,466)			
Cumulative effect of change in accounting for uncertainties in income taxes (FIN 48 -- See Note 15).....		(1,204)			
Balance, June 30, 2007.....	\$350,851	\$696,206	\$ (3,768)	\$ (12,790)	\$3

=====

See Notes to Condensed Consolidated Financial Statements.

3

IDEX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(UNAUDITED)

Cash flows from operating activities of continuing operations  
Net income.....  
Adjustments to reconcile net income to net cash provided by operating activities:  
    Loss (income) from discontinued operations.....  
    Gain on sale of fixed assets.....  
    Depreciation and amortization.....  
    Amortization of intangible assets.....  
    Amortization of debt issuance expenses.....  
    Stock-based compensation expense.....  
    Deferred income taxes.....  
    Excess tax benefit from stock-based compensation.....  
    Changes in (net of the effect from acquisitions):  
    Receivables.....  
        Inventories.....  
        Trade accounts payable.....  
    Accrued expenses.....  
    Other -- net.....  
  
    Net cash flows provided by operating activities of continuing operations.....  
Cash flows from investing activities of continuing operations  
    Purchases of property, plant and equipment.....  
    Acquisition of businesses, net of cash acquired.....  
    Proceeds from fixed assets disposals.....  
    Other.....  
  
    Net cash flows used in investing activities of continuing operations.....  
Cash flows from financing activities of continuing operations  
    Borrowings under credit facilities for acquisitions.....  
    Borrowings under credit facilities.....  
    Payments under credit facilities.....  
    Dividends paid.....

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

Distributions (to) from discontinued operations.....	
Proceeds from stock option exercises.....	
Excess tax benefit from stock-based compensation.....	
Other -- net.....	
Net cash flows (used in) provided by financing activities of continuing operations.....	
Cash flows from discontinued operations	
Net cash (used in) provided by operating activities of discontinued operations.....	
Net cash used in investing activities of discontinued operations.....	
Net cash provided by (used in) financing activities of discontinued operations.....	
Net cash flows used in discontinued operations.....	
Effect of exchange rate changes on cash and cash equivalents.....	
Net decrease in cash.....	
Cash and cash equivalents at beginning of year.....	
Cash and cash equivalents at end of period.....	
Less-cash, end of period-discontinued operations.....	
Cash and cash equivalents at end of period-continuing operations.....	
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid for:	
Interest.....	
Income taxes.....	
Significant non-cash activities:	
Issuance of restricted stock.....	
Debt acquired with acquisition of business.....	
Capital expenditures included in accounts payable.....	
Cash flows from operating activities of continuing operations	
Net income.....	
Adjustments to reconcile net income to net cash provided by operating activities:	
Loss (income) from discontinued operations.....	
Gain on sale of fixed assets.....	
Depreciation and amortization.....	
Amortization of intangible assets.....	
Amortization of debt issuance expenses.....	
Stock-based compensation expense.....	
Deferred income taxes.....	
Excess tax benefit from stock-based compensation.....	
Changes in (net of the effect from acquisitions):	
Receivables.....	
Inventories.....	
Trade accounts payable.....	
Accrued expenses.....	
Other -- net.....	
Net cash flows provided by operating activities of continuing operations.....	
Cash flows from investing activities of continuing operations	
Purchases of property, plant and equipment.....	

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

Acquisition of businesses, net of cash acquired.....	
Proceeds from fixed assets disposals.....	
Other.....	
Net cash flows used in investing activities of continuing operations.....	
Cash flows from financing activities of continuing operations	
Borrowings under credit facilities for acquisitions.....	
Borrowings under credit facilities.....	
Payments under credit facilities.....	
Dividends paid.....	
Distributions (to) from discontinued operations.....	
Proceeds from stock option exercises.....	
Excess tax benefit from stock-based compensation.....	
Other -- net.....	
Net cash flows (used in) provided by financing activities of continuing operations.....	
Cash flows from discontinued operations	
Net cash (used in) provided by operating activities of discontinued operations.....	
Net cash used in investing activities of discontinued operations.....	
Net cash provided by (used in) financing activities of discontinued operations.....	
Net cash flows used in discontinued operations.....	
Effect of exchange rate changes on cash and cash equivalents.....	
Net decrease in cash.....	
Cash and cash equivalents at beginning of year.....	
Cash and cash equivalents at end of period.....	
Less-cash, end of period-discontinued operations.....	
Cash and cash equivalents at end of period-continuing operations.....	
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid for:	
Interest.....	
Income taxes.....	
Significant non-cash activities:	
Issuance of restricted stock.....	
Debt acquired with acquisition of business.....	
Capital expenditures included in accounts payable.....	

See Notes to Condensed Consolidated Financial Statements.

IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of IDEX Corporation ("IDEX" or the "Company") have been prepared in accordance with the instructions to Form 10-Q under the Securities Exchange Act of 1934, as amended. The statements are



## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

unaudited but include all adjustments, consisting only of recurring items, except as noted, which the Company considers necessary for a fair presentation of the information set forth herein. The results of operations for the three and six months ended June 30, 2007 are not necessarily indicative of the results to be expected for the entire year.

The 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, 2006.

### UNCERTAINTY IN INCOME TAXES

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes -- an interpretation of SFAS No. 109." This interpretation clarifies the accounting and disclosure for uncertain income tax positions relating to the uncertainty about whether a tax return position will ultimately be sustained by the respective tax authorities. See note 14 for the impact of FIN 48 on the Company's consolidated financial statements.

### STOCK SPLIT

On April 4, 2007, the Company's Board of Directors authorized a three-for-two common stock split effected in the form of a 50% dividend payable on May 21, 2007, to shareholders of record on May 7, 2007. Par value of common stock remained at \$.01 per share. All prior share and per share amounts have been restated to reflect the stock split.

### CASH FLOW PRESENTATION

In previously issued financial statements the Company incorrectly presented borrowings and payments under credit facilities as net repayments in the financing activities section of the Consolidated Statements of Cash Flows. Accordingly, such presentation in the accompanying financial statements for the six months ended June 30, 2006 has been restated to separate line items borrowings and payments under credit facilities. This correction does not affect net cash used in financing activities of continuing operations as previously presented.

### 2. RESTATEMENT OF 2006 CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

In December 2006, the Company adopted the provisions of Statement of Financial Accounting Standard (SFAS) No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The transition adjustment related to the adoption of SFAS No. 158 was \$21.1 million. Subsequent to the issuance of the Company's 2006 consolidated financial statements, the Company's management determined that the Company had incorrectly included the transition adjustment within Other comprehensive income and Comprehensive income for the year ended December 31, 2006 in its Consolidated Statements of Shareholders' Equity in the 2006 Annual Report on Form 10-K. The transition adjustment should have been presented as an adjustment to the ending balance of Accumulated other comprehensive income within the 2006 Consolidated Statement of Shareholders' Equity.

## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(UNAUDITED)

The following is a summary of the effect of the adjustment on the Company's 2006 Consolidated Statement of Shareholders' Equity. The adjustment has no impact on Consolidated Shareholders' Equity but rather only the components listed below.

	2006 AS REPORTED	ADJUSTMENT	2006 AS RESTATED
	-----	-----	-----
	(IN THOUSANDS)		
Other comprehensive income.....	\$ 6,710	\$21,132	\$ 27,842
Comprehensive income.....	\$153,381	\$21,132	\$174,513

It is the Company's intention to correct its presentation for the year ended December 31, 2006 in its 2007 Annual Report on Form 10-K.

### 3. ACQUISITIONS

On February 14, 2007, the Company acquired Faure Herman SA ("Faure Herman"), a leading provider of ultrasonic and helical turbine flow meters used in the custody transfer and control of high value fluids and gases. Headquartered in La Ferte Bernard, France, Faure Herman has sales offices in Europe and North America, with annual revenues of approximately \$22 million. Faure Herman operates as part of the Company's Liquid Controls business within its Fluid & Metering Technologies segment. IDEX acquired Faure Herman for an aggregate purchase price of \$25.8 million, consisting of \$24.2 million in cash and the assumption of approximately \$1.6 million of debt. Approximately \$12.9 million of the cash payment was financed by borrowings under the Company's credit facility. Goodwill and intangible assets recognized as part of this transaction were \$13.3 million and \$7.7 million, respectively. The \$13.3 million of goodwill is not deductible for tax purposes.

On June 12, 2007, the Company acquired Quadro Engineering ("Quadro"), a leading provider of particle control solutions for the pharmaceutical and bio-pharmaceutical markets. Quadro's core capabilities include fine milling, emulsification and special handling of liquid and solid particulates for laboratory, pilot phase and production scale processing within the pharmaceutical and bio-pharmaceutical markets. Headquartered in Waterloo, Ontario, Canada, Quadro operates as a standalone unit within the Company's Fluid & Metering Technologies segment. IDEX acquired Quadro for a purchase price of \$32.1 million, consisting entirely of cash. Approximately \$11.3 million of the cash payment was financed by borrowings under the Company's credit facility. Goodwill and intangible assets recognized as part of this transaction were \$7.3 million and \$15.7 million, respectively. Of the \$7.3 million of goodwill, approximately \$5.3 million is expected to be deductible for tax purposes.

The purchase price for Faure Herman and Quadro, including transaction costs, has been allocated to the assets acquired and liabilities assumed based on estimated fair values at the date of the acquisitions. The purchase price allocation is preliminary and further refinements may be necessary pending finalization of asset valuations.

## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

The results of operations for these acquisitions have been included within the financial results from the date of the acquisition. The Company does not consider these acquisitions to be material to its results of operations for any of the periods presented.

### 4. DISCONTINUED OPERATIONS

On July 11, 2006, IDEX sold Lubriquip, its lubricant dispensing business that operated as part of IDEX's Dispensing Equipment segment.

During the third quarter of 2006, the Company determined that Halox, its chemical and electrochemical systems product line operating as a unit of Pulsafeeder in IDEX's Fluid & Metering Technologies segment, met the criteria to be classified as a discontinued operation. The Company is marketing the Halox operation and conducting other actions with the intention to complete the sale within one year.

6

### IDEX CORPORATION AND SUBSIDIARIES

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (UNAUDITED)

Financial information for the three and six months ended June 30, 2006 have been restated to present the operating results of Halox and Lubriquip as discontinued operations.

Summarized results of the Company's discontinued operations are as follows:

	SECOND QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2007	2006	2007	2006
	(IN THOUSANDS)			
Revenue.....	\$ 515	\$7,842	\$1,136	\$16,525
	=====	=====	=====	=====
Income (loss) from discontinued operations before income taxes.....	\$ (315)	\$ 484	\$ (567)	\$ 1,209
Income tax benefit (provision).....	110	(147)	198	(375)
	-----	-----	-----	-----
Income (loss) from discontinued operations...	\$ (205)	\$ 337	\$ (369)	\$ 834
	=====	=====	=====	=====

Total assets and liabilities expected to be transferred as part of the sale of discontinued operations held for sale at June 30, 2007 and December 31, 2006 were as follows:

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

	JUNE 30, 2007	DECEMBER 31, 2006
	-----	-----
	(IN THOUSANDS)	
Cash and cash equivalents.....	\$ 1	\$ 2
Receivables, net.....	303	424
Inventory.....	342	272
Other current assets.....	19	20
Property, plant and equipment, net equivalents.....	111	111
	----	----
Assets held for sale.....	\$776	\$829
	====	====
Accounts payable.....	\$ 12	\$154
Other liabilities.....	117	219
	----	----
Liabilities held for sale.....	\$129	\$373
	====	====

5. BUSINESS SEGMENTS

Information on IDEX's business segments from continuing operations is presented below, based on the nature of products and services offered. IDEX 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.

7

IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(UNAUDITED)

	SECOND QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2007	2006	2007	2006
	-----	-----	-----	-----
	(IN THOUSANDS)			
Net sales				
Fluid & Metering Technologies:				
External customers.....	\$140,583	\$107,387	\$276,885	\$209,025
Intersegment sales.....	511	453	915	735
	-----	-----	-----	-----

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

Total group sales.....	141,094	107,840	277,800	209,760
	-----	-----	-----	-----
Health & Science Technologies:				
External customers.....	81,232	80,219	161,110	142,346
Intersegment sales.....	1,138	1,080	1,980	1,974
	-----	-----	-----	-----
Total group sales.....	82,370	81,299	163,090	144,320
	-----	-----	-----	-----
Dispensing Equipment:				
External customers.....	49,859	44,415	97,752	85,823
Intersegment sales.....	--	--	--	--
	-----	-----	-----	-----
Total group sales.....	49,859	44,415	97,752	85,823
	-----	-----	-----	-----
Fire & Safety/Diversified Products:				
External customers.....	72,808	64,552	142,003	125,767
Intersegment sales.....	--	--	1	1
	-----	-----	-----	-----
Total group sales.....	72,808	64,552	142,004	125,768
	-----	-----	-----	-----
Intersegment elimination.....	(1,649)	(1,533)	(2,896)	(2,710)
	-----	-----	-----	-----
Total net sales.....	\$344,482	\$296,573	\$677,750	\$562,961
	=====	=====	=====	=====
Operating income				
Fluid & Metering Technologies.....	\$ 30,133	\$ 21,646	\$ 59,884	\$ 41,405
Health & Science Technologies.....	15,167	14,513	29,030	26,793
Dispensing Equipment.....	14,248	11,688	25,952	22,018
Fire & Safety/Diversified Products.....	18,117	16,267	33,475	29,922
Corporate office and other.....	(8,800)	(8,130)	(17,924)	(16,376)
	-----	-----	-----	-----
Total operating income.....	\$ 68,865	\$ 55,984	\$130,417	\$103,762
	=====	=====	=====	=====

6. 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 restricted shares, and shares issuable in connection with

IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(UNAUDITED)

certain deferred compensation agreements ("DCUs"). Basic weighted average shares reconciles to diluted weighted average shares as follows:

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

	SECOND QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2007	2006	2007	2006
	(IN THOUSANDS)			
Basic weighted average common shares outstanding.....	80,595	79,521	80,429	79,237
Dilutive effect of stock options, unvested restricted shares, and DCUs.....	1,451	1,522	1,426	1,691
Diluted weighted average common shares outstanding.....	82,046	81,043	81,855	80,928

Options to purchase approximately 1.7 million and 1.4 million shares of common stock as of June 30, 2007 and 2006, respectively, were not included in the computation of diluted EPS because the exercise price was greater than the average market price of the Company's common stock and, therefore, the effect of their inclusion would be antidilutive.

7. INVENTORIES

The components of inventories as of June 30, 2007 and December 31, 2006 were:

	JUNE 30, 2007	DECEMBER 31, 2006
	(IN THOUSANDS)	
Raw materials.....	\$ 62,668	\$ 63,360
Work-in-process.....	19,944	16,420
Finished goods.....	91,442	80,907
Total.....	\$174,054	\$160,687

Inventories carried on a LIFO basis amounted to \$144.2 million and \$133.7 million at June 30, 2007 and December 31, 2006, respectively. The excess of current cost over LIFO inventory value amounted to \$3.8 million and \$3.1 million at June 30, 2007 and December 31, 2006 respectively.

8. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the six months ended June 30, 2007, by business group, were as follows:

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

	FLUID & METERING TECHNOLOGIES	HEALTH & SCIENCE TECHNOLOGIES	DISPENSING EQUIPMENT	FIRE & SAFETY DIVERSIFIED PROD
	(IN THOUSANDS)			
Balance at December 31, 2006...	\$304,464	\$333,801	\$128,457	\$145,878
Foreign currency translation...	1,246	70	1,512	1,166
Acquisitions.....	20,585	--	--	--
Acquisition adjustments.....	640	(195)	--	--
Balance at June 30, 2007.....	\$326,935	\$333,676	\$129,969	\$147,044

9

IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(UNAUDITED)

The following table provides the gross carrying value and accumulated amortization for each major class of intangible asset as of June 30, 2007 and December 31, 2006:

	AT JUNE 30, 2007			AT DECEMBER 31, 2006	
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	AVERAGE LIFE	GROSS CARRYING AMOUNT	ACCUMULATE AMORTIZATIO
	(IN THOUSANDS)			(IN THOUSANDS)	
Amortizable intangible assets:					
Patents.....	\$ 7,854	\$ (4,706)	11	\$ 8,508	\$ (5,171)
Trade names.....	34,313	(2,139)	17	30,081	(1,224)
Customer relationships.....	72,104	(3,795)	17	64,796	(1,609)
Non-compete agreements.....	4,313	(1,523)	4	4,087	(702)
Unpatented technology.....	17,215	(499)	15	4,727	(127)
Other.....	6,279	(762)	5	6,457	(560)
Total amortizable intangible assets.....	142,078	(13,424)		118,656	(9,393)
Banjo trade name.....	62,100	--		62,100	--
Balance at June 30, 2007.....	\$204,178	\$ (13,424)		\$180,756	\$ (9,393)

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

9. ACCRUED EXPENSES

The components of accrued expenses as of June 30, 2007 and December 31, 2006 were:

	JUNE 30, 2007	DECEMBER 31, 2006
	-----	-----
	(IN THOUSANDS)	
Payroll and related items.....	\$36,694	\$32,897
Management incentive compensation.....	5,424	15,279
Income taxes payable.....	4,763	10,897
Deferred income taxes.....	1,262	1,359
Insurance.....	11,270	10,338
Other.....	29,941	24,400
	-----	-----
Total accrued expenses.....	\$89,354	\$95,170
	=====	=====

10. BORROWINGS

Effective February 2007 the \$150.0 million of 6.875% Senior Notes due February 15, 2008 were reclassified from long-term borrowings to short-term borrowings.

In addition to the \$150.0 million of 6.875% Senior Notes due February 15, 2008, the Company also has a \$600.0 million domestic multi-currency bank revolving credit facility ("Credit Facility"), which expires December 21, 2011. With \$160.0 million outstanding under the facility at June 30, 2007, and outstanding letters of credit totaling \$5.7 million, the maximum amount available under the Credit Facility was \$434.3 million. Interest is payable quarterly on the outstanding balance at the bank agent's reference rate or, at the Company's election, at LIBOR plus an applicable margin payable at maturity. The applicable margin is based on the credit rating of our Senior Notes, and can range from 24 basis points to 50 basis points. Based on the Company's BBB rating at June 30, 2007, the applicable margin was 40 basis points. We also pay an annual fee of 10 basis points on the total Credit Facility.



## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

As defined in the agreement, the minimum interest coverage ratio is 3.0 to 1 and the maximum leverage ratio is 3.25 to 1. At June 30, 2007, the Company was in compliance with both of these financial covenants.

We also have a one-year, renewable \$30.0 million demand line of credit ("Short-Term Facility"), which expires on December 12, 2007. Borrowings under the Short-Term Facility are at LIBOR plus the applicable margin in effect under the Credit Facility. At June 30, 2007, there were no borrowings outstanding under this facility.

### 11. PREFERRED STOCK

The Company had five million shares of preferred stock authorized but unissued at June 30, 2007 and December 31, 2006.

### 12. SHARE-BASED COMPENSATION

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 123R using the modified prospective method, and thus did not restate any prior period amounts. Under this method, compensation cost in the three and six months ending June 30, 2007 include the portion vesting in the period for (1) all share-based payments granted prior to, but not vested as of December 31, 2005, based on the grant date fair value estimated using the Black-Scholes option-pricing model in accordance with the original provisions of SFAS No. 123 and (2) all share-based payments granted subsequent to December 31, 2005, based on the grant date fair value estimated using the Binomial lattice option-pricing model.

On April 3, 2007, the Company granted approximately .9 million stock options and .1 million restricted shares, respectively.

Total compensation cost for stock options is as follows:

	SECOND QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2007	2006	2007	2006
	(IN THOUSANDS)			
General and administrative expenses.....	\$ 2,646	\$2,032	\$ 3,971	\$ 3,547
Cost of goods sold.....	355	310	571	533
	3,001	2,342	4,542	4,080
Total expense before income taxes.....				
Income tax benefit.....	(1,093)	(803)	(1,654)	(1,325)
	\$ 1,908	\$1,539	\$ 2,888	\$ 2,755
Total expense after income taxes.....	=====	=====	=====	=====

Total compensation cost for restricted stock is as follows:

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

	SECOND QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2007	2006	2007	2006
	(IN THOUSANDS)			
General and administrative expenses.....	\$1,268	\$ 917	\$2,167	\$1,595
Cost of goods sold.....	8	3	12	3
Total expense before income taxes.....	1,276	920	2,179	1,598
Income tax benefit.....	(285)	(190)	(451)	(270)
Total expense after income taxes.....	\$ 991	\$ 730	\$1,728	\$1,328

11

IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(UNAUDITED)

Recognition of compensation cost within the Consolidated Statements of Operations is consistent with recognition of cash compensation for the same employees, and compensation cost capitalized as part of inventory was immaterial.

As of June 30, 2007, there was \$16.6 million of total unrecognized compensation cost related to stock options that is expected to be recognized over a weighted-average period of 1.5 years, and \$9.4 million of total unrecognized compensation cost related to restricted stock that is expected to be recognized over a weighted-average period of 1.4 years.

13. RETIREMENT BENEFITS

The Company sponsors several qualified and nonqualified defined benefit and defined contribution pension plans and other postretirement plans for its employees. The following tables provide the components of net periodic benefit cost for its major defined benefit plans and its other postretirement plans.

PENSION BENEFITS			
SECOND QUARTER ENDED JUNE 30,			
2007		2006	
U.S.	NON-U.S.	U.S.	NON-U.S.
(IN THOUSANDS)			

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

Service cost.....	\$ 426	\$ 223	\$ 789	\$ 165
Interest cost.....	1,082	396	1,032	288
Expected return on plan assets.....	(1,299)	(267)	(1,208)	(183)
Net amortization.....	699	188	742	130
	-----	-----	-----	-----
Net periodic benefit cost.....	\$ 908	\$ 540	\$ 1,355	\$ 400
	=====	=====	=====	=====

PENSION BENEFITS

SIX MONTHS ENDED JUNE 30,

2007

2006

U.S.

NON-U.S.

U.S.

NON-U.S.

(IN THOUSANDS)

Service cost.....	\$ 938	\$ 444	\$ 1,533	\$ 327
Interest cost.....	2,144	782	1,977	570
Expected return on plan assets.....	(2,621)	(528)	(2,417)	(365)
Net amortization.....	1,365	373	1,367	256
	-----	-----	-----	-----
Net periodic benefit cost.....	\$ 1,826	\$1,071	\$ 2,460	\$ 788
	=====	=====	=====	=====

OTHER BENEFITS

SECOND  
QUARTER  
ENDED  
JUNE 30,

SIX MONTHS  
ENDED  
JUNE 30,

2007

2006

2007

2006

(IN  
THOUSANDS)

Service cost.....	\$132	\$127	\$ 255	\$ 237
Interest cost.....	330	373	655	692
Net amortization.....	90	66	173	123

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

Net periodic benefit cost.....	----- \$552 =====	----- \$566 =====	----- \$1,083 =====	----- \$1,052 =====
--------------------------------	-------------------------	-------------------------	---------------------------	---------------------------

12

IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(UNAUDITED)

The Company previously disclosed in its financial statements for the year ended December 31, 2006, that it expected to contribute approximately \$5.1 million to these pension plans and \$1.3 million to its other postretirement benefit plans in 2007. As of June 30, 2007, \$3.3 million of contributions have been made to the pension plans and \$.5 million has been made to its other postretirement benefit plans. The Company presently anticipates contributing up to an additional \$2.6 million in 2007 to fund these pension plans and other postretirement benefit plans.

14. LEGAL PROCEEDINGS

IDEX is a party to various legal proceedings arising in the ordinary course of business, none of which is expected to have a material adverse effect on its business, financial condition, results of operations or cash flows.

15. INCOME TAXES

The Company's provision for income taxes is based upon estimated annual tax rates for the year applied to federal, state and foreign income. The provision for income taxes increased to \$21.5 million in the second quarter of 2007 from \$17.6 million in the second quarter of 2006. The effective tax rate increased to 33.9% in the second quarter of 2007 from 33.7% in the second quarter of 2006.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. Effective January 1, 2007, the Company adopted FIN 48. In accordance with FIN 48, the Company recognized a cumulative-effect adjustment of \$1.2 million, increasing its liability for unrecognized tax benefits, interest, and penalties and reducing the January 1, 2007 balance of retained earnings.

At January 1, 2007, the Company had \$6.6 million in unrecognized tax benefits. If recognized, \$5.8 million of our unrecognized tax benefits would reduce our income tax expense and effective tax rate. Included in the balance of unrecognized tax benefits at January 1, 2007, is \$.5 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This range represents a decrease in unrecognized tax benefits and depends on the ultimate closure date of various examinations.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. At January 1, 2007, the Company had accrued \$.9 million and \$.2 million for the potential payment of interest and penalties, respectively.

## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

The Company is subject to U.S. Federal income tax examinations for the tax years 2000 through 2006, however the 2001 and 2002 tax years are limited to adjustments to the research and development credit only. The Company is subject to non-U.S. income tax examinations for the tax years 2002 through 2006. In addition, the Company is subject to state and local income tax examinations for the tax years 2002 through 2006 in jurisdictions for which tax returns have been filed.

During the second quarter of 2007, unrecognized net tax benefits were reduced by \$0.7 million, of which \$0.6 million reduced the effective tax rate accordingly.

### 16. NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. This statement is effective for fiscal periods beginning after November 15, 2007, and does not require any new fair value measurements. Management is currently evaluating the requirements of SFAS No. 157, and has not yet determined the impact on the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities -- Including an Amendment of FASB Statement No. 115". SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is in the process of evaluating the impact this pronouncement may have on its results of operations and financial condition.

13

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

#### CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT

The "Historical Overview and Outlook" and the "Liquidity and Capital Resources" sections of this management's discussion and analysis of our financial condition and operations contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. These statements may relate to, among other things, capital expenditures, cost reductions, cash flow, and operating improvements and are indicated by words or phrases such as "anticipate," "estimate," "plans," "expects," "projects," "should," "will," "management believes," "the company believes," "we believe," "the company intends" and similar words or phrases. These statements are subject to inherent uncertainties and risks that could cause actual results to differ materially from those anticipated at the date of this filing. The risks and uncertainties include, but are not limited to, the following: economic and political consequences resulting from terrorist attacks and wars; levels of industrial activity and economic conditions in the U.S. and other countries around the world; pricing pressures and other competitive factors, and levels of capital spending in certain industries -- all of which could have a material impact on our order rates and results, particularly in light of the low levels of order backlogs we typically maintain; our ability to make acquisitions and to integrate and operate acquired businesses on a profitable basis; the relationship of the U.S. dollar to other currencies and its impact on pricing

## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

and cost competitiveness; political and economic conditions in foreign countries in which we operate; interest rates; capacity utilization and the effect this has on costs; labor markets; market conditions and material costs; and developments with respect to contingencies, such as litigation and environmental matters. The forward-looking statements included here are only made as of the date of this report, and we undertake no obligation to publicly update them to reflect subsequent events or circumstances. Investors are cautioned not to rely unduly on forward-looking statements when evaluating the information presented here.

### HISTORICAL OVERVIEW AND OUTLOOK

IDEX Corporation ("IDEX") or the ("Company") is an applied solutions company specializing in fluid and metering technologies, health and science technologies, dispensing equipment, and fire, safety and other diversified products built to its customers' specifications. Our products are sold in niche markets to a wide range of industries throughout the world. Accordingly, our businesses are affected by levels of industrial activity and economic conditions in the U.S. and in other countries where we do business and by the relationship of the U.S. dollar to other currencies. Levels of capacity utilization and capital spending in certain industries and overall industrial activity are among the factors that influence the demand for our products.

IDEX consists of four reportable segments: Fluid & Metering Technologies, Health & Science Technologies, Dispensing Equipment and Fire & Safety/Diversified Products.

The Fluid & Metering Technologies Group produces pumps, compressors, flow meters, and related controls for the movement of liquids and gases in a diverse range of end markets from industrial infrastructure to food and beverage. The Health & Science Technologies Group produces a wide variety of small scale, highly accurate pumps, valves, fittings and medical devices, as well as compressors used in medical, dental and industrial applications. The Dispensing Equipment Group produces highly engineered equipment for dispensing, metering and mixing colorants, paints, inks and dyes, hair colorants and other personal care products, as well as refinishing equipment. The Fire & Safety/Diversified Products Group produces firefighting pumps, rescue tools, lifting bags and other components and systems for the fire and rescue industry; and engineered stainless steel banding and clamping devices used in a variety of industrial and commercial applications.

IDEX has a history of achieving above-average operating margins. Our operating margins have exceeded the average operating margin for the companies that comprise the Value Line Composite Index (VLCI) every year since 1988. We view the VLCI operating performance statistics as a proxy for an average industrial company. Our operating margins are influenced by, among other things, utilization of facilities as sales volumes change and inclusion of newly acquired businesses.

14

Some of our key 2007 financial highlights for the six months ended June 30, 2007 were as follows:

- Sales of \$677.8 million rose 20%; base business sales -- excluding acquisitions and foreign currency translation -- were up 7%.
- Gross margins improved 100 basis points to 42.4% of sales, while operating margins at 19.2% were 80 basis points higher than a year ago.

## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

- Income from continuing operations increased 23% to \$78.7 million.
- Diluted EPS from continuing operations of \$0.96 was 17 cents ahead of the same period 2006.
- Net income increased 20% to \$78.3 million.
- Diluted EPS of \$0.96 was 16 cents ahead of the same period of 2006.

Our business units continue to deliver profitable sales growth as a result of new product initiatives and market initiatives and our on-going commitment to operational excellence. During the first six months of the year, organic sales growth was 7 percent, reflecting particular strength in Fluid & Metering Technologies at 7 percent and Fire & Safety/Diversified Products at 10 percent. As we move forward, we believe we are well positioned in attractive product segments buoyed by strong underlying industry fundamentals. We are leveraging commercial and operational excellence to effectively serve our customers, expand our market position and generate profitable growth.

The following forward-looking statements are qualified by the cautionary statement under the Private Securities Litigation Reform Act set forth above.

As a short-cycle business, our performance is reliant upon the current pace of incoming orders, and we have limited visibility on future business conditions. We believe IDEX is well positioned for earnings expansion. This is based on our favorable cost structure resulting from our operational excellence discipline, our investment in new products, applications and global markets, and our pursuit of strategic acquisitions to help drive IDEX's longer term profitable growth.

### RESULTS OF OPERATIONS

For purposes of this discussion and analysis section, reference is made to the table on the following page and the Company's Consolidated Statements of Operations included in Item 1. During the third quarter 2006, the Company determined that Halox, its chemical and electrochemical systems business, met the criteria to be classified as a discontinued operation. During the second quarter, the Company determined that Lubriquip, its lubricant dispensing business, met the criteria to be classified as a discontinued operation and was subsequently sold July 11, 2006. Financial information for the three and six months ended June 30, 2006 have been restated to present Halox and Lubriquip as discontinued operations.

### PERFORMANCE IN THE THREE MONTHS ENDED JUNE 30, 2007 COMPARED WITH THE SAME PERIOD OF 2006

Sales in the three months ended June 30, 2007 were \$344.5 million, a 16% improvement from the comparable period last year. The increase was driven by base business shipments of 6%, acquisitions accounted for 8% and foreign currency translation contributed 2%. Sales to international customers from base businesses represented approximately 47% of total sales in the current period compared to 45% in the same period in 2006.

During the quarter, Fluid & Metering Technologies contributed 41% of sales and 39% of operating income; Health & Science Technologies accounted for 24% of sales and 20% of operating income; Dispensing Equipment accounted for 14% of sales and 18% of operating income; and Fire & Safety/Diversified Products represented 21% of sales and 23% of operating income.

Fluid & Metering Technologies Group sales of \$141.1 million for the three months ended June 30, 2007 rose \$33.3 million, or 31% compared with 2006,

## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

reflecting 7% base business growth, 23% for acquisitions and a 1% favorable impact from foreign currency translation. In the second quarter of 2007, base business sales grew

15

approximately 8% domestically and 6% internationally. Base business sales to customers outside the U.S. were approximately 43% of total group sales during the second quarter of both 2007 and 2006.

Health & Science Technologies Group sales of \$82.4 million increased \$1.1 million, or 1%, in the second quarter of 2007 compared with last year's second quarter. The expected sales decline in specific OEM contracts resulted in more than 200 basis points of lower sales growth in the 2007 quarter. In the second quarter of 2007, base business sales decreased 5% domestically and increased 9% internationally. Base business sales to customers outside the U.S. were approximately 40% of total group sales in the second quarter of 2007, compared to 37% in 2006.

Dispensing Equipment Group sales of \$49.9 million increased \$5.4 million, or 12%, in the second quarter of 2007 compared with 2006. This increase reflects a 7% increase in base business volume and 5% from favorable foreign currency translation. In the second quarter of 2007, base business sales decreased 1% domestically and increased 11% internationally. Base business sales to customers outside the U.S. were approximately 69% of total group sales in the second quarter of 2007, compared with 66% in the comparable quarter of 2006.

Fire & Safety/Diversified Products Group sales of \$72.8 million increased \$8.3 million, or 13%, in the second quarter of 2007 compared with 2006. This increase reflects a 10% increase in base business volume, with an additional 3% of favorable foreign currency translation. In the first quarter of 2007, base business sales increased 9% domestically and 10% internationally. Base business sales to customers outside the U.S. were approximately 45% of total group sales in the second quarter of both 2007 and 2006.

16

	SECOND QUARTER ENDED JUNE 30, (1)		SIX MONTHS ENDED JUNE 30, (1)	
	2007	2006	2007	2006
<b>Fluid &amp; Metering Technologies</b>				
Net sales.....	\$141,094	\$107,840	\$277,800	\$209,760
Operating income(2).....	30,133	21,646	59,884	41,405
Operating margin.....	21.4%	20.1%	21.6%	19.7%
Depreciation and amortization.....	\$ 4,269	\$ 2,507	\$ 8,118	\$ 4,740
Capital expenditures.....	3,473	1,103	6,109	2,235
<b>Health &amp; Science Technologies</b>				
Net sales.....	\$ 82,370	\$ 81,299	\$163,090	\$144,320
Operating income(2).....	15,167	14,513	29,030	26,793



Edgar Filing: IDEX CORP /DE/ - Form 10-Q

Operating margin.....	18.4%	17.9%	17.8%	18.6%
Depreciation and amortization.....	\$ 2,277	\$ 2,444	\$ 4,846	\$ 3,843
Capital expenditures.....	1,129	1,506	2,780	2,383
Dispensing Equipment				
Net sales.....	\$ 49,859	\$ 44,415	\$ 97,752	\$ 85,823
Operating income(2).....	14,248	11,688	25,952	22,018
Operating margin.....	28.6%	26.3%	26.5%	25.7%
Depreciation and amortization.....	\$ 1,030	\$ 1,052	\$ 1,577	\$ 2,065
Capital expenditures.....	1,462	531	1,754	1,190
Fire & Safety/Diversified Products				
Net sales.....	\$ 72,808	\$ 64,552	\$142,004	\$125,768
Operating income(2).....	18,117	16,267	33,475	29,922
Operating margin.....	24.9%	25.2%	23.6%	23.8%
Depreciation and amortization.....	\$ 1,529	\$ 1,540	\$ 3,054	\$ 3,078
Capital expenditures.....	813	1,628	1,699	2,766
Company				
Net sales.....	\$344,482	\$296,573	\$677,750	\$562,961
Operating income(2).....	68,865	55,984	130,417	103,762
Operating margin.....	20.0%	18.9%	19.2%	18.4%
Depreciation and amortization(3).....	\$ 9,340	\$ 7,802	\$ 18,479	\$ 14,095
Capital expenditures.....	7,347	5,688	13,130	9,703

-----

(1) Second quarter data includes acquisition of Quadro (June 2007) in the Fluid & Metering Technologies Group and EPI (May 2006) in the Health & Science Technologies Group, while six month data includes acquisition of Faure Herman (February 2007) and Quadro in the Fluid & Metering Technologies Group, JUN-AIR (February 2006) and EPI in the Health & Science Technologies Group and Airshore (January 2006) in the Fire & Safety/Diversified Products Group from the dates of acquisition.

(2) Group operating income excludes unallocated corporate operating expenses.

(3) Excludes amortization of debt issuance expenses and unearned stock compensation.

Gross profit of \$147.5 million, in the second quarter of 2007, increased \$24.6 million, or 20%, from 2006. Gross profit as a percent of sales was 42.8% in the second quarter of 2007 and 41.5% in 2006. The improved gross margins primarily reflect volume leverage, the Company's strategic sourcing and other operational excellence initiatives and acquisitions.

Selling, general and administrative (SG&A) expenses increased to \$78.7 million in the second quarter of 2007 from \$66.9 million in 2006. Higher total SG&A expenses reflect acquisitions, volume-related expenses, and

17

reinvestment in the business to drive organic growth. As a percent of sales, SG&A expenses were 22.8% for 2007 compared to 22.6% in 2006.

Operating income increased \$12.9 million, or 23%, to \$68.9 in the second quarter of 2007 from \$56.0 million in 2006, primarily reflecting higher volumes, partially offset by increased SG&A expenses. Second quarter operating margins were 20.0% of sales, 110 basis points higher than the second quarter of 2006. The improvement from last year resulted from higher gross margins. In the Fluid & Metering Technologies Group, operating income of \$30.1 million and operating

## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

margins of 21.4% in the second quarter of 2007 were up from the \$21.6 million and 20.1% recorded in 2006 principally due to strong global demand and acquisitions. In the Health & Science Technologies Group, operating income of \$15.2 million and operating margins of 18.4% in the second quarter of 2007 were up from the \$14.5 million and 17.9% recorded in 2006 principally due to volume. In the Dispensing Equipment Group, operating income of \$14.2 million and operating margins of 28.6% in the second quarter of 2007 were up from the \$11.7 million and 26.3% recorded in 2006 principally due to improved market conditions in Europe. Operating income in the Fire & Safety/Diversified Products Group of \$18.1 million was higher than the \$16.3 recorded in 2006, due primarily to increased volume. Operating margins within Fire & Safety/Diversified Products Group of 24.9% in the current quarter were down from 25.2% in 2006, primarily due to product mix.

IDEX's provision for income taxes is based upon estimated annual tax rates for the year applied to federal, state and foreign income. The provision for income taxes increased to \$21.5 million in the second quarter of 2007 from \$17.6 million in 2006. The effective tax rate increased slightly to 33.9% in the current quarter from 33.7% in the second quarter of 2006.

Income from continuing operations for the current quarter was \$41.8 million, 21% higher than the \$34.6 million earned in the second quarter of 2006. Diluted earnings per share from continuing operations in the second quarter of 2007 of \$.51 increased \$.08, or 19%, compared with the second quarter of 2006.

Net income for the current quarter of \$41.6 million, which included a loss from discontinued operations of \$.2 million, increased from the \$35.0 million earned in the second quarter of 2006, which included income from discontinued operations of \$.3 million. Diluted earnings per share in the second quarter of 2007 of \$.51 increased \$.08, or 19%, compared with the second quarter of 2006.

### PERFORMANCE IN THE SIX MONTHS ENDED JUNE 30 2007 COMPARED WITH THE SAME PERIOD OF 2006

Sales in the six months ended June 30, 2007 were \$677.8 million, a 20% improvement from the comparable period last year. The increase was driven by base business shipments of 7%, acquisitions accounted for 11% and foreign currency translation contributed 2%. For the first six months of the year, base business sales to international customers were approximately 45% of total sales for both 2007 and 2006.

For the first six months, Fluid & Metering Technologies contributed 41% of sales and 40% of operating income; Health & Science Technologies accounted for 24% of sales and 20% of operating income; Dispensing Equipment accounted for 14% of sales and 17% of operating income; and Fire & Safety/Diversified Products represented 21% of sales and 23% of operating income.

Fluid & Metering Technologies Group sales of \$277.8 million for the six months ended June 30, 2007 rose \$68.0 million, or 32% compared with 2006, reflecting 9% base business growth, 22% for acquisitions and a 1% favorable impact from foreign currency translation. In the first six months of 2007, base business sales grew approximately 8% domestically and 12% internationally. Base business sales to customers outside the U.S. were approximately 43% of total group sales during the first six months of 2007 compared with 42% in the comparable period of 2006.

Health & Science Technologies Group sales of \$163.1 million increased \$18.8 million, or 13%, for the first six months of 2007 compared with 2006. This increase was attributed to acquisitions which contributed 11%, an increase in base business volume of 1% and favorable foreign currency translation of 1%. In the first six months of 2007, base business sales were up slightly domestically and increased 7% internationally. Base business sales to customers outside the

## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

U.S. were approximately 37% of total group sales in 2007 and 35% in 2006.

18

Dispensing Equipment Group sales of \$97.8 million increased \$11.9 million, or 14%, in the first six months of 2007 compared with 2006. This increase reflects a 9% increase in base business volume and 5% from favorable foreign currency translation. In the first six months of 2007, base business sales increased 16% domestically and increased 5% internationally. Base business sales to customers outside the U.S. were approximately 64% of total group sales in the first six months of 2007 compared with 66% in the comparable period of 2006.

Fire & Safety/Diversified Products Group sales of \$142.0 million increased \$16.2 million, or 13%, in the first six months of 2007 compared with 2006. This increase reflects a 9% increase in base business volume, with an additional 4% of favorable foreign currency translation. In the first six months of 2007, base business sales increased 8% domestically and 10% internationally. Base business sales to customers outside the U.S. were approximately 45% of total group sales in the first six months of both 2007 and 2006.

Gross profit of \$287.2 million, in the first six months of 2007, increased \$54.1 million, or 23%, from 2006. Gross profit as a percent of sales was 42.4% in 2007 an increase from 41.4% in 2006. The improved gross margins primarily reflect volume leverage and the Company's strategic sourcing and other operational excellence initiatives.

SG&A expenses increased to \$156.8 million in the first six months of 2007 from \$129.3 million in 2006. Higher total SG&A expenses reflect acquisitions, volume-related expenses, and reinvestment in the business to drive organic growth. As a percent of sales, SG&A expenses were 23.2% for 2007 and 23.0% for 2006.

Operating income increased \$26.7 million, or 26%, to \$130.4 in the first six months of 2007 from \$103.8 million in 2006, primarily reflecting higher volumes, partially offset by increased SG&A expenses. Operating margins for the first six months of 2007 were 19.2% of sales, 80 basis points higher than the first six months of 2006. The improvement from last year resulted from higher gross margins. In the Fluid & Metering Technologies Group, operating income of \$59.9 million and operating margins of 21.6% in the first six months of 2007 were up from the \$41.4 million and 19.7% recorded in 2006 principally due to strong global demand and acquisitions. Operating income for the Health & Science Technologies Group of \$29.0 million was up from the \$26.8 million recorded in 2006 principally due to volume. Operating margins within Health & Science Technologies Group of 17.8% in the current period were down from 18.6% in 2006 primarily due to acquisitions and growth-related investments in the Company's medical product lines. In the Dispensing Equipment Group, operating income of \$26.0 million and operating margins of 26.5% in the first six months of 2007 were up from the \$22.0 million and 25.7% recorded in 2006 principally due to improved market conditions in Europe, volume leverage and the impact of our operational excellence initiatives. Operating income in the Fire & Safety/Diversified Products Group of \$33.5 million was higher than \$29.9 recorded in 2006, due primarily to increased volume. Operating margins within Fire & Safety/Diversified Products Group of 23.6% in the current period were down slightly from 23.8% in 2006, primarily due to product mix.

Other income in the first six months of 2007 increased \$.8 million compared with 2006 primarily due to favorable foreign currency translation.

IDEX's provision for income taxes is based upon estimated annual tax rates

## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

for the year applied to federal, state and foreign income. The provision for income taxes increased to \$40.4 million in the first six months of 2007 from \$32.8 million in 2006. The effective tax rate increased slightly to 33.9% in the current period from 33.8% in 2006.

Income from continuing operations for the first six months was \$78.7 million, 23% higher than the \$64.2 million earned in the same period of 2006. Diluted earnings per share from continuing operations in the first six months of 2007 of \$.96 increased \$.17, or 22%, compared with the same period last year.

Net income for the first six months of 2007 was \$78.3 million, which included a loss from discontinued operations of \$.4 million, increased from the \$65.0 million earned in the same period of 2006, which included income from discontinued operations of \$.8 million. Diluted earnings per share in the first six months of 2007 of \$.96 increased \$.16, or 20%, compared with the same period of 2006.

19

### LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2007, working capital was \$97.8 million and our current ratio was 1.3 to 1. Cash flows from operating activities increased \$10.8 million, or 16%, to \$79.6 million in the first six months of 2007 mainly due to the improved operating results discussed above.

Cash flows provided from operations were more than adequate to fund capital expenditures of \$12.8 million and \$9.7 million in the first six months of 2007 and 2006, respectively. Capital expenditures were generally for machinery and equipment that improved productivity and tooling to support IDEX's global sourcing initiatives, although a portion was for business system technology and replacement of equipment and facilities. Management believes that IDEX has ample capacity in its plants and equipment to meet expected needs for future growth in the intermediate term.

The Company acquired Faure Herman in February 2007 for cash consideration of \$24.2 million and the assumption of approximately \$1.6 million in debt and Quadro Engineering in June 2007 for cash consideration of \$32.1 million. Approximately \$12.9 million and \$11.3 million, respectively, of the cash payments for both acquisitions were partially financed by borrowings under the Company's credit facility.

In addition to the \$150.0 million of 6.875% Senior Notes due February 15, 2008, the Company also has a \$600.0 million domestic multi-currency bank revolving credit facility ("Credit Facility"), which expires December 21, 2011. With \$160.0 million outstanding under the facility at June 30, 2007, and outstanding letters of credit totaling \$5.7 million, the maximum amount available under the Credit Facility was \$434.3 million. Interest is payable quarterly on the outstanding balance at the bank agent's reference rate or, at the Company's election, at LIBOR plus an applicable margin payable at maturity. The applicable margin is based on the credit rating of our Senior Notes, and can range from 24 basis points to 50 basis points. Based on the Company's BBB rating at June 30, 2007, the applicable margin was 40 basis points. We also pay an annual fee of 10 basis points on the total Credit Facility.

There are two financial covenants that the Company is required to maintain. As defined in the agreement, the minimum interest coverage ratio is 3.0 to 1 and the maximum leverage ratio is 3.25 to 1. At June 30, 2007, the Company was in compliance with both of these financial covenants.

## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

We also have a one-year, renewable \$30.0 million demand line of credit ("Short-Term Facility"), which expires on December 12, 2007. Borrowings under the Short-Term Facility are at LIBOR plus the applicable margin in effect under the Credit Facility. At June 30, 2007, there were no borrowings outstanding under this facility.

We believe the Company will generate sufficient cash flow from operations for the next 12 months to meet its operating requirements, interest on all borrowings, required debt repayments, any authorized share repurchases, planned capital expenditures, and annual dividend payments to holders of common stock. The Company is currently in the process of evaluating its options related to the Senior Notes due February 15, 2008, including the potential use of its Credit Facility. In the event that suitable businesses are available for acquisition upon terms acceptable to the Board of Directors, we may obtain all or a portion of the financing for the acquisitions through the incurrence of additional long-term borrowings.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is subject to market risk associated with changes in interest rates and foreign currency exchange rates. The Company's interest rate exposure is primarily related to the \$328.6 million of total debt outstanding at June 30, 2007. Approximately 54% of the debt is priced at interest rates that float with the market. A 50-basis point movement in the interest rate on the floating rate debt would result in an approximate \$.9 million annualized increase or decrease in interest expense and cash flows. The remaining debt is fixed rate debt. We will, from time to time, enter into interest rate swaps on our debt when we believe there is a financial advantage for doing so. A treasury risk management policy, adopted by the Board of Directors, describes the procedures and controls over derivative financial and commodity instruments, including interest rate swaps. Under the policy, we do not use derivative financial or commodity instruments for trading purposes, and the use of these instruments is subject to strict approvals by senior officers. Typically, the use of derivative instruments is limited to interest rate swaps on the Company's outstanding long-term debt. As of June 12, 2007, the Company acquired certain forward contracts as

20

part of the Quadro acquisition that are expected to lapse by December 31, 2007. The impact of these contracts are immaterial to the Consolidated Statements of Operations.

Our foreign currency exchange rate risk is limited principally to the euro and British pound. We manage our foreign exchange risk principally through invoicing our customers in the same currency as the source of our products. As a result, the Company's exposure to any movement in foreign currency exchange rates is immaterial to the Consolidated Statements of Operations.

### ITEM 4. CONTROLS AND PROCEDURES.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and

## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

There has been no change in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS.

IDEX and five of its subsidiaries have been named as defendants in a number of lawsuits claiming various asbestos-related personal injuries, allegedly as a result of exposure to products manufactured with components that contained asbestos. Such components were acquired from third party suppliers, and were not manufactured by any of the subsidiaries. To date, all of the Company's settlements and legal costs, except for costs of coordination, administration, insurance investigation and a portion of defense costs, have been covered in full by insurance subject to applicable deductibles. However, the Company cannot predict whether and to what extent insurance will be available to continue to cover such settlements and legal costs, or how insurers may respond to claims that are tendered to them.

Claims have been filed in Alabama, California, Connecticut, Delaware, Florida, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, Virginia, Washington and Wyoming. Most of the claims resolved to date have been dismissed without payment. The balance have been settled for reasonable amounts. Only one case has been tried, resulting in a verdict for the Company's business unit.

No provision has been made in the financial statements of the Company, other than for insurance deductibles in the ordinary course, and IDEX does not currently believe the asbestos-related claims will have a material adverse effect on the Company's business, financial position, results of operations or cash flow.

IDEX is also party to various other legal proceedings arising in the ordinary course of business, none of which is expected to have a material adverse effect on its business, financial condition, results of operations or cash flow.

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS (1)	MAXIM OF SHAR YET BE UNDER OR PR
April 1, 2007 to April 30, 2007.....	--	--	--	2,
May 1, 2007 to May 31, 2007...	--	--	--	2,
June 1, 2007 to June 30, 2007.....	--	--	--	2,

(1) On October 20, 1998, IDEX's Board of Directors authorized the repurchase of up to 2.25 million shares of its common stock, either at market prices or on a negotiated basis as market conditions warrant.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company held its Annual Shareholders' Meeting on Tuesday, April 3, 2007 and voted on two matters. The first matter was the election of two directors to serve a three-year term on the Board of Directors of IDEX Corporation. The following persons received a plurality of votes cast for Class III directors.

DIRECTOR	FOR	WITHHELD	BROKER NON-VOTES
Ruby R. Chandy.....	51,768,016	189,857	0
Neil A. Springer.....	51,548,370	409,503	0

Secondly, shareholders voted on a proposal to appoint Deloitte & Touche LLP as auditors. The proposal received a majority of the votes cast as follows:

Affirmative votes.....	51,922,245
Negative votes.....	28,070
Abstentions.....	7,560
Broker non-votes.....	0

ITEM 5. OTHER INFORMATION.

There has been no material change to the procedures by which security

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

holders may recommend nominees to the Company's board.

ITEM 6. EXHIBITS.

The exhibits listed in the accompanying "Exhibit Index" are filed as part of this report.

22

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IDEX CORPORATION

/s/ DOMINIC A. ROMEO

-----  
Dominic A. Romeo  
Vice President and Chief Financial  
Officer  
(duly authorized principal financial  
officer)

August 6, 2007

23

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	Restated Certificate of Incorporation of IDEX Corporation (formerly HI, Inc.) (incorporated by reference to Exhibit No. 3.1 to the Registration Statement on Form S-1 of IDEX, et al., Registration No. 33-21205, as filed on April 21, 1988)
3.1(a)	Amendment to Restated Certificate of Incorporation of IDEX Corporation (formerly HI, Inc.), (incorporated by reference to Exhibit No. 3.1(a) to the Quarterly Report of IDEX on Form 10-Q for the quarter ended March 31, 1996, Commission File No. 1-10235)
3.1(b)	Amendment to Restated Certificate of Incorporation of IDEX Corporation (incorporated by reference to Exhibit No. 3.1 (b) to the Current Report of IDEX on Form 8-K dated March 24, 2005, Commission File No. 1-10235)
3.2	Amended and Restated By-Laws of IDEX Corporation (incorporated by reference to Exhibit No. 3.2 to Post-Effective Amendment No. 2 to the Registration Statement on Form S-1 of IDEX, et al., Registration No. 33-21205, as filed on July 17, 1989)



## Edgar Filing: IDEX CORP /DE/ - Form 10-Q

- 3.2(a) Amended and Restated Article III, Section 13 of the Amended and Restated By-Laws of IDEX Corporation (incorporated by reference to Exhibit No. 3.2(a) to Post-Effective Amendment No. 3 to the Registration Statement on Form S-1 of IDEX, et al., Registration No. 33-21205, as filed on February 12, 1990)
- 4.1 Restated Certificate of Incorporation and By-Laws of IDEX Corporation (filed as Exhibits No. 3.1 through 3.2 (a))
- 4.2 Indenture, dated as of February 23, 1998, between IDEX Corporation, and Norwest Bank Minnesota, National Association, as Trustee, relating to the 6 7/8% Senior Notes of IDEX Corporation due February 15, 2008 (incorporated by reference to Exhibit No. 4.1 to the Current Report of IDEX on Form 8-K dated February 23, 1998, Commission File No. 1-10235)
- 4.3 Specimen Senior Note of IDEX Corporation (incorporated by reference to Exhibit No. 4.1 to the Current Report of IDEX on Form 8-K dated February 23, 1998, Commission File No. 1-10235)
- 4.4 Specimen Certificate of Common Stock of IDEX Corporation (incorporated by reference to Exhibit No. 4.3 to the Registration Statement on Form S-2 of IDEX, et al., Registration No. 33-42208, as filed on September 16, 1991)
- 4.5 Credit Agreement, dated as of December 21, 2006, among IDEX Corporation, Bank of America N.A. as Agent and Issuing Bank, and the Other Financial Institutions Party Hereto (incorporated by reference to Exhibit No. 10.1 to the Current Report of IDEX on Form 8-K dated December 22, 2006, Commission File No. 1-10235)
- 4.6 Credit Lyonnais Uncommitted Line of Credit, dated as of December 3, 2001 (incorporated by reference to Exhibit 4.6 to the Annual Report of IDEX on Form 10-K for the year ended December 31, 2001, Commission File No. 1-10235)
- 4.6(a) Amendment No. 7 dated as of December 12, 2006 to the Credit Lyonnais Uncommitted Line of Credit Agreement dated December 3, 2001 (incorporated by reference to Exhibit No. 4.6(a) to the Annual Report of IDEX on Form 10-K for the year ended December 31, 2006, Commission File No. 1-10235)
- \*31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
- \*31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
- \*32.1 Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
- \*32.2 Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code

-----

\* Filed herewith