UNITED PARCEL SERVICE INC
Form 8-K
October 23, 2007

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

**FORM 8-K**
**CURRENT REPORT**
**PURSUANT TO SECTION 13 OR 15(d) OF THE**
**SECURITIES EXCHANGE ACT OF 1934**
**Date of Report (Date of earliest event reported):**
**October 19, 2007**
**United Parcel Service, Inc.**
(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| Delaware | 001-15451 | 58-2480149 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification Number) |

| | |
|---|---|
| 55 Glenlake Parkway, N.E. Atlanta, Georgia | 30328 |
| (Address of principal executive offices) | (Zip Code) |

Registrant s telephone number, including area code: (404) 828-6000
Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 2.03. Creation of a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement of a Registrant.**

*The Backstop Facility*

On October 19, 2007, United Parcel Service, Inc. ( we or our ) entered into a new U.S. $7.0 billion revolving credit facility (the Backstop Facility ) with a syndicate of banks, financial institutions and other institutional lenders, including Citibank, N.A. as administrative agent ( Citibank or the Agent ). The material terms and conditions of the Backstop Facility are as set forth below.

Generally, amounts outstanding under the Backstop Facility bear interest at a base rate or a Eurocurrency rate. Base rate advances bear interest at a fluctuating rate equal to Citibank s base rate. Eurodollar rate advances bear interest at fixed rates for selected interest periods (having durations of one, two, three or six months or, in certain cases where no lender objects, nine or twelve months) equal to LIBOR for the applicable interest periods plus a margin equal to 0.135%. Interest on base rate advances is paid quarterly in arrears, and interest on Eurodollar rate advances is paid in arrears at the end of each interest period and, if the interest period is longer than three months, every three months from the first day of the interest period.

The Backstop Facility will mature and all amounts outstanding thereunder will be due and payable on October 17, 2008.

We are required to pay certain fees in connection with the Backstop Facility. For example, we must pay an annual facility fee quarterly in arrears equal to 0.015% of the aggregate $7.0 billion commitment of the lenders under the Backstop Facility. Generally, however, we may reduce the aggregate commitment of such lenders by terminating any unused amounts under the Backstop Facility on three days notice. Such reductions must be at least $25 million and are subject to certain restrictions. We may also be required to pay certain fees to the Agent, as we and the Agent may agree on from time-to-time.

The Backstop Facility contains customary covenants regarding the preservation and maintenance of our corporate existence, material compliance with laws, payment of taxes, and maintenance of insurance and of our properties. The Backstop Facility also generally restricts us from incurring certain secured indebtedness without making provision for indebtedness under the Backstop Facility to be secured equally and ratably with such secured indebtedness, and from entering into certain sale-leaseback transactions. The Backstop Facility includes customary events of default, including, but not limited to, the failure to pay any interest, principal or fees when due, the failure to perform any covenant or agreement, inaccurate or false representations or warranties, insolvency or bankruptcy, change of control, the occurrence of certain ERISA events and judgment defaults.

We plan to use the proceeds from the Backstop Facility for general corporate purposes, including commercial paper backstop.

**Item 9.01 Financial Statements and Exhibits**

(c) Exhibits

10.1 Backstop Credit Agreement, dated as of October 19, 2007, by and among United Parcel Service, Inc., the banks, financial institutions and other lenders listed on the signature pages thereto, and Citibank, N.A., as administrative agent for the lenders.

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## 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 hereunto duly authorized.

| | |
|---|---|
| | UNITED PARCEL SERVICE, INC. |
| Date: October 23, 2007 | By: /s/ D. Scott Davis |
| | Name: D. Scott Davis |
| | Title: Vice Chairman and and Chief Financial Officer |

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**EXHIBIT INDEX**

10.1 Backstop Credit Agreement, dated as of October 19, 2007, by and among United Parcel Service, Inc., the banks, financial institutions and other lenders listed on the signature pages thereto, and Citibank, N.A., as administrative agent for the lenders.

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Cash-Settled Restricted Stock

The Company also maintains a cash-settled share based compensation plan for certain employees. Cash-settled restricted stock awards generally cliff vest after three years. A summary of the Company's unvested cash-settled restricted stock activity as of March 31, 2016, and changes during the three months ended March 31, 2016, is presented in the following table:

| Cash-Settled Restricted Stock | Shares | Weighted-Average Fair Value |
|---|---|---|
| Unvested at January 1, 2016 | 110,860 | $ 76.61 |
| Granted | 39,100 | 82.88 |
| Vested | (33,920 ) | 71.81 |
| Forfeited | (4,250 ) | 82.88 |
| Unvested at March 31, 2016 | 111,790 | $ 82.88 |

Dividend equivalents are paid on certain cash-settled restricted stock awards. Total compensation cost for cash-settled restricted stock is as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Cost of goods sold | $189 | $278 |
| Selling, general and administrative expenses | 500 | 440 |
| Total expense before income taxes | 689 | 718 |
| Income tax benefit | (98 ) | (116 ) |
| Total expense after income taxes | $591 | $602 |

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IDEX CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands except share data and where otherwise indicated)
(unaudited)

Performance Share Units
Weighted average performance share unit fair values and assumptions for the period specified are disclosed below. The performance share units are market condition awards and have been assessed at fair value on the date of grant using a Monte Carlo simulation model.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Weighted average fair value of performance share units | $111.42 | $95.07 |
| Dividend yield | —% | —% |
| Volatility | 17.99% | 19.14% |
| Risk-free forward interest rate | 0.89% | 1.01% |
| Expected life (in years) | 2.86 | 2.86 |

A summary of the Company's performance share unit activity as of March 31, 2016, and changes during the three months ended March 31, 2016, is presented in the following table:

| Performance Share Units | Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested at January 1, 2016 | 146,275 | $ 94.80 |
| Granted | 85,130 | 111.42 |
| Vested | — | — |
| Forfeited | (1,065 ) | 94.74 |
| Unvested at March 31, 2016 | 230,340 | $ 100.95 |

Performance share units that vested on December 31, 2015 resulted in 87,600 shares issued in February 2016.
Total compensation cost for performance share units is as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Cost of goods sold | $— | $— |
| Selling, general and administrative expenses | 1,681 | 1,342 |
| Total expense before income taxes | 1,681 | 1,342 |
| Income tax benefit | (535 ) | (430 ) |
| Total expense after income taxes | $1,146 | $912 |

The Company's policy is to recognize compensation cost on a straight-line basis, assuming forfeitures, over the requisite service period for the entire award. Classification of stock compensation cost within the Consolidated Statements of Operations is consistent with classification of cash compensation for the same employees.
As of March 31, 2016, there was $16.0 million of total unrecognized compensation cost related to stock options that is expected to be recognized over a weighted-average period of 1.6 years, $12.3 million of total unrecognized compensation cost related to restricted stock that is expected to be recognized over a weighted-average period of

1.2 years, and $11.5 million of total unrecognized compensation cost related to performance share units that is expected to be recognized over a weighted-average period of 1.2 years.

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IDEX CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands except share data and where otherwise indicated)
(unaudited)

16. 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 Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | U.S. | Non-U.S. | U.S. | Non-U.S. |
| Service cost | $294 | $ 299 | $375 | $ 381 |
| Interest cost | 747 | 350 | 938 | 435 |
| Expected return on plan assets | (1,175) | (219) | (1,248) | (276) |
| Net amortization | 827 | 238 | 824 | 459 |
| Net periodic benefit cost | $693 | $ 668 | $889 | $ 999 |

| | Other Postretirement Benefits Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Service cost | $ 132 | $ 169 |
| Interest cost | 174 | 209 |
| Net amortization | (154) | (108) |
| Net periodic benefit cost | $ 152 | $ 270 |

The Company previously disclosed in its financial statements for the year ended December 31, 2015, that it expected to contribute approximately $6.1 million to its defined benefit plans and $0.9 million to its other postretirement benefit plans in 2016. As of March 31, 2016, the Company now expects to contribute $5.4 million to its defined benefit plans and $0.9 million to its other postretirement benefit plans in 2016. The Company contributed a total of $0.7 million during the first three months of 2016 to fund these plans.

17. Legal Proceedings

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

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IDEX CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands except share data and where otherwise indicated)
(unaudited)

18. 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 decreased to $24.7 million in the three months ended March 31, 2016 from $26.9 million in the same period of 2015. The effective tax rate decreased to 26.6% for the three months ended March 31, 2016 compared to 29.0% in the same period of 2015 due to the early adoption of ASU 2016-09 and the related excess tax benefits now recognized as a reduction of income tax expense; the enactment of the Protecting Americans from Tax Hikes Act of 2015 on December 18, 2015 which, beginning in 2015, permanently extended the U.S. Research and Development credit; partially offset by the mix of global pre-tax income among jurisdictions.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. Due to the potential for resolution of federal, state and foreign examinations, and the expiration of various statutes of limitation, it is reasonably possible that the Company's gross unrecognized tax benefits balance may change within the next twelve months by a range of zero to $5.1 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statement Under the Private Securities Litigation Reform Act

This quarterly report on Form 10-Q, including the "Overview and Outlook" and the "Liquidity and Capital Resources" sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations, This report contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These statements may relate to, among other things, capital expenditures, acquisitions, cost reductions, cash flow, revenues, earnings, market conditions, global economies and operating improvements, and are indicated by words or phrases such as "anticipate," "estimate," "plans," "expects," "projects," "forecasts," "should," "could," "will," "mana believes," "the Company believes," "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 report. 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 order rates and IDEX's results, particularly in light of the low levels of order backlogs it typically maintains; its 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 and cost competitiveness; political and economic conditions in foreign countries in which the company operates; 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 management undertakes no obligation to publicly update them to reflect subsequent events or circumstances, except as may be required by law. Investors are cautioned not to rely unduly on forward-looking statements when evaluating the information presented here.

Overview and Outlook

IDEX is an applied solutions company specializing in fluid and metering technologies, health and science technologies, and fire, safety and other diversified products built to customers' specifications. IDEX's products are sold in niche markets to a wide range of industries throughout the world. Accordingly, IDEX's businesses are affected by levels of industrial activity and economic conditions in the U.S. and in other countries where it does 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 IDEX's products.

The Company has three reportable business segments: Fluid & Metering Technologies ("FMT"), Health & Science Technologies ("HST") and Fire & Safety/Diversified Products ("FSDP"). Within our three reportable segments, the Company maintains fifteen platforms where we will focus on organic growth and strategic acquisitions. Each of our fifteen platforms is also a reporting unit, where we annually test goodwill for impairment.

The Fluid & Metering Technologies segment contains the Energy (comprised of Corken, Faure Herman, Liquid Controls, SAMPI and Toptech), Valves (comprised of Alfa Valvole), Water (comprised of Pulsafeeder, Knight, ADS, IETG, and iPEK), Industrial (comprised of Richter, Viking, Aegis, Warren Rupp, and Trebor), and Agricultural platforms (comprised of Banjo). The Health & Science Technologies segment contains the IDEX Optics & Photonics (comprised of CVI Melles Griot, Semrock, and

AT Films), Scientific Fluidics (comprised of Eastern Plastics, Rheodyne, Sapphire Engineering, Upchurch, ERC, and CiDRA Precision Services), Material Processing Technologies (comprised of Quadro, Fitzpatrick, Microfluidics, and Matcon), Sealing Solutions (comprised of PPE, FTL, and Novotema), Micropump, and Gast platforms. The Fire & Safety/Diversified Products segment is comprised of the Dispensing, Rescue (comprised of Lukas, Vetter, Hurst Jaws of Life and Dinglee), Band-It, and Fire Suppression (comprised of Class 1, Hale, Akron Brass and Godiva) platforms.

The Fluid & Metering Technologies segment designs, produces and distributes positive displacement pumps, flow meters, injectors, and other fluid-handling pump modules and systems and provides flow monitoring and other services for the food, chemical, general industrial, water and wastewater, agricultural and energy industries.

The Health & Science Technologies segment designs, produces and distributes a wide range of precision fluidics, rotary lobe pumps, centrifugal and positive displacement pumps, roll compaction and drying systems used in beverage, food processing, pharmaceutical and cosmetics, pneumatic components and sealing solutions, very high precision, low-flow rate pumping solutions required in analytical instrumentation, clinical diagnostics and drug discovery, high performance molded and extruded, biocompatible medical devices and implantables, air compressors used in medical, dental and industrial applications, optical components and coatings for applications in the fields of scientific research, defense, biotechnology, aerospace, telecommunications and electronics manufacturing, laboratory and commercial equipment used in the production of micro and nano scale materials, precision photonic solutions used in life sciences, research and defense markets, and precision gear and peristaltic pump technologies that meet exacting original equipment manufacturer specifications.

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

Management’s primary measurements of segment performance are sales, operating income, and operating margin. In addition, due to the highly acquisitive nature of the Company, the determination of operating income includes amortization of acquired intangible assets and, as a result, management reviews depreciation and amortization as a percentage of sales. These measures are monitored by management and significant changes in operating results versus current trends in end markets and variances from forecasts are analyzed with segment management.

In this report, references to organic sales refers to sales from continuing operations calculated according to generally accepted accounting principles in the United States but excludes (1) sales from acquired businesses during the first twelve months of ownership and (2) the impact of foreign currency translation. The portion of sales attributable to foreign currency translation is calculated as the difference between (a) the period-to-period change in organic sales and (b) the period-to-period change in organic sales after applying prior period foreign exchange rates to the current year period. Management believes that reporting organic sales provides useful information to investors by helping identify underlying growth trends in our business and facilitating easier comparisons of our revenue performance with prior and future periods and to our peers. The Company excludes the effect of foreign currency translation from organic sales because foreign currency translation is not under management’s control, is subject to volatility and can obscure underlying business trends. The Company excludes the effect of acquisitions because the nature, size, and number of acquisitions can vary dramatically from period to period and between the Company and its peers and can also obscure underlying business trends and make comparisons of long-term performance difficult. In addition, this report references EBITDA. Given the acquisitive nature of the Company, management believes that EBITDA provides important information about the performance of the Company’s businesses by, among other matters, eliminating the impact of higher amortization expense at recently acquired businesses. Organic sales have been reconciled to Net Sales and EBITDA has been reconciled to Net income and Operating income in Item 2 under the heading “Non-GAAP Disclosures.”

The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures prepared in accordance with U.S. GAAP, and the financial results prepared in accordance with U.S. GAAP and the reconciliations from these results should be carefully evaluated.

Some of our key financial results for the three months ended March 31, 2016 are as follows:

- Sales of $502.6 million were flat; organic sales — excluding acquisitions and foreign currency translation — were down 3%.
- Operating income of $102.6 million increased 1%.
- Net income increased 3% to $68.1 million.
- EBITDA of $123.3 million was 25% of sales and covered interest expense by nearly 12 times.
- Diluted EPS of $0.89 increased 5 cents, or 6%.

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Given the Company's current outlook, we are projecting second quarter 2016 EPS in the range of $0.91 to $0.93 with full year 2016 EPS of $3.70 to $3.75. This guidance anticipates second quarter organic sales to be flat and includes a $5.4 million pre-tax inventory step-up charge related to the acquisition of Akron Brass.

Results of Operations

The following is a discussion and analysis of our results of operations for three month periods ended March 31, 2016 and 2015. Segment operating income and EBITDA excludes unallocated corporate operating expenses.

Consolidated Results in the Three Months Ended March 31, 2016 Compared with the Same Period of 2015

| (In thousands) | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Net sales | $502,572 | $502,198 |
| Operating income | 102,557 | 101,757 |
| Operating margin | 20.4 % | 20.3 % |

For the three months ended March 31, 2016, Fluid & Metering Technologies contributed 42% of sales, 44% of operating income and 43% of EBITDA; Health & Science Technologies contributed 37% of sales, 35% of operating income and 38% of EBITDA; and Fire & Safety/Diversified Products contributed 21% of sales, 21% of operating income and 19% of EBITDA. These percentages are calculated on the basis of total segment (and not total Company) sales, operating income and EBITDA.

Sales in the three months ended March 31, 2016 were $502.6 million, which was flat compared to the same period last year. This reflects a 3% decrease in organic sales, a 4% favorable impact from acquisitions (Alfa - June 2015; Novotema - June 2015; CPS - July 2015; and Akron Brass - March 2016) and 1% unfavorable foreign currency translation. Sales to customers outside the U.S. represented approximately 51% of total sales in the first three months of 2016, compared to 50% during the same period of 2015.

Gross profit of $223.3 million in the first three months of 2016 decreased $2.7 million, or 1%, from the same period in 2015. Gross margin of 44.4% in the first three months of 2016 decreased 60 basis points from 45.0% during the same period in 2015, primarily due to an inventory step-up charge related to the Akron Brass acquisition.

Selling, general and administrative expenses decreased to $120.8 million in the first three months of 2016 from $124.3 million during the same period of 2015. The change is due to $4.9 million of incremental costs from 2016 acquisitions, offset by benefits from prior period restructuring, cost controls and the $3.7 million reversal of contingent consideration from a 2015 acquisition. As a percentage of sales, selling, general and administrative expenses were 24.0% for the first three months of 2016, down 70 basis points compared to 24.7% during the same period of 2015.

Operating income and operating margin of $102.6 million and 20.4%, respectively, in the first three months of 2016 was up from the $101.8 million and 20.3%, respectively, recorded during the same period in 2015, primarily reflecting a reversal of contingent consideration related to a 2015 acquisition, partially offset by a charge for the inventory step-up related to the Akron Brass acquisition.

The 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 of $24.7 million for the first three months of 2016 decreased compared to $26.9 million recorded in the same period of 2015. The effective tax rate decreased to 26.6% for the first three months of 2016 compared to 29.0% in the same period of 2015 due to the early adoption of ASU 2016-09 and the related excess tax benefits now recognized as a reduction of income tax expense; the enactment of the Protecting Americans from Tax Hikes Act of 2015 on December 18, 2015 which, beginning in 2015, permanently extended the U.S. research and development credit; partially offset by the mix of global pre-tax income among jurisdictions.

Net income in the first three months of 2016 of $68.1 million increased from $66.0 million during the same period of 2015. Diluted earnings per share in the first three months of 2016 of $0.89 increased $0.05, or 6%, compared with the same period in 2015.

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Fluid & Metering Technologies Segment

| (In thousands) | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| Net sales | $211,843 | | $218,248 | |
| Operating income | 51,401 | | 55,898 | |
| Operating margin | 24.3 | % | 25.6 | % |

Sales of $211.8 million decreased $6.4 million, or 3%, in the first three months of 2016 compared with the same period of 2015. This reflects a 5% decrease in organic sales, a 3% favorable acquisition impact ( Alfa - June 2015) and a 1% unfavorable impact from foreign currency translation. In the first three months of 2016, sales decreased 8% domestically and increased 4% internationally compared to the same period in 2015. Sales to customers outside the U.S. were approximately 44% of total segment sales during the first three months of 2016 and 2015.

Sales within our Energy platform decreased in the first three months of 2016 compared to the same period of 2015 due to the continued depression of energy prices along with a soft mobile market, partially offset by strength within the aviation market. Sales within our Industrial platform decreased, compared to the first three months of 2015, due to declines in the North American industrial distribution primarily as a result of the depressed oil & gas market. Sales within our Agricultural platform decreased due to continued softness within the OEM markets. Water sales were up compared to the first three months of 2015 from an increase in municipal spending coupled with the mild winter. Sales in our Valve platform, which was created in the third quarter of 2015, increased as a result of the Alfa acquisition.

Operating income and operating margins of $51.4 million and 24.3%, respectively, in the first three months of 2016 were lower than the $55.9 million and 25.6%, respectively, recorded in the first three months of 2015, primarily due to lower volume related to the energy and agriculture businesses.

Health & Science Technologies Segment

| (In thousands) | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| Net sales | $186,343 | | $179,120 | |
| Operating income | 40,699 | | 37,457 | |
| Operating margin | 21.8 | % | 20.9 | % |

Sales of $186.3 million increased $7.2 million, or 4%, in the first three months of 2016 compared with the same period in 2015. This reflects a 2% increase in organic sales, a 3% favorable acquisition impact (Novotema - June 2015 and CPS - July 2015) and a 1% unfavorable impact from foreign currency translation. In the first three months of 2016, sales decreased 7% domestically and increased 14% internationally. Sales to customers outside the U.S. were approximately 58% of total segment sales in the first three months of 2016 compared with 54% during the same period in 2015.

Sales within our Material Processing Technologies platform increased compared to the first three months of 2015 due to a strength within our China and Southeast Asia markets, partially offset by a weak North American market. Sales within our Scientific Fluidics platform were up compared to the first three months of 2015 due strong demand in all primary end markets, the impact of the CPS acquisition, partially offset by the divestiture of the Ismatec product line. Sales within our Sealing Solutions platform increased compared to the first three months of 2015 due to the Novotema acquisition, partially offset by the weak heavy equipment market and the negative impact of declining energy prices. Sales within our Optics and Photonics platform increased compared to the first three months of 2015 due to stability within the semiconductor and laser optics end markets. Sales within our Gast platform decreased compared to the first three months of 2015 due to declines in the North American industrial distribution markets. Sales within our Micropump platform decreased compared to the first three months of 2015 as a result of a slowdown within the printing market as well as the industrial distribution market.

Operating income and operating margin of $40.7 million and 21.8%, respectively, in the first three months of 2016 were up from the $37.5 million and 20.9%, respectively, recorded in the same period of 2015, primarily due to higher volume and productivity improvements within the segment.

Fire & Safety/Diversified Products Segment

| (In thousands) | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Net sales | $104,618 | $106,622 |
| Operating income | 25,404 | 27,162 |
| Operating margin | 24.3 % | 25.5 % |

Sales of $104.6 million decreased $2.0 million, or 2%, in the first three months of 2016 compared with the same period in 2015. This reflects a 6% decline in organic revenue, a 5% favorable acquisition impact (Akron Brass - March 2016) and a 1% unfavorable impact from foreign currency translation. In the first three months of 2016, sales decreased 6% domestically and increased 2% internationally, compared with the same period in 2015. Sales to customers outside the U.S. were approximately 56% of total segment sales in the first three months of 2016 compared to 57% during the same period of 2015.

Sales within our Dispensing platform increased compared to the first three months of 2015 primarily driven by strength within Western Europe. Sales within our Band-It platform decreased compared to the first three months of 2015 primarily due to the decline in energy prices and the impact on upstream oil & gas sales, partially offset by strength within the automotive end markets. Sales within our Fire Suppression platform decreased compared to the first three months of 2015 due to non-recurring trailer sales, partially offset by the Akron Brass acquisition. Sales within our Rescue platform were flat as strength within the North American market was offset by softness in other areas of the world.

Operating income and operating margin of $25.4 million and 24.3%, respectively, in the first three months of 2016 was lower than the $27.2 million and 25.5%, respectively, recorded in the first three months of 2015 entirely due to the impact from the Akron Brass acquisition.

Liquidity and Capital Resources

Operating Activities

At March 31, 2016, the Company’s cash and cash equivalents totaled $358.4 million, of which $317.0 million was held outside of the United States. At March 31, 2016, working capital was $684.2 million and the current ratio was 3.3 to 1.

Cash flows from operating activities for the first three months of 2016 increased $21.0 million, or 42%, to $70.4 million compared to the first three months of 2015, due to improved working capital performance, lower bonus payments in the three months ended March 31, 2016 and the early adoption of ASU 2016-09 which no longer requires the excess tax benefit from share-based compensation to be shown as a reduction within operating activities.

Investing Activities

Cash flows used in investing activities for the first three months of 2016 increased $220.0 million to $230.1 million compared to the same period in 2015, primarily due the acquisition of Akron Brass.

Cash flows provided by operating activities were more than adequate to fund capital expenditures of $8.7 million and $10.1 million in the first three months of 2016 and 2015, respectively. Capital expenditures were generally for machinery and equipment that improved productivity, tooling, business system technology, replacement of equipment and investments in new facilities. Management believes the Company has sufficient capacity in its plants and equipment to meet expected needs for future growth.

Financing Activities

Cash flows provided by financing activities for the first three months of 2016 increased $206.5 million to $186.4 million compared to the same period of 2015, primarily as a result of increased borrowings to fund the Akron Brass acquisition, partially offset by lower common stock repurchases.

On June 23, 2015, the Company entered into the Credit Agreement along with certain of its subsidiaries, as Borrowers, Bank of America, N.A., as administrative agent, swing line lender and an issuer of letters of credit, with other agents party thereto. The Credit Agreement replaces the Company’s existing five-year, $700 million credit agreement, dated as of June 27, 2011, which was due to expire in June 27, 2016.

The Credit Agreement consists of the Revolving Facility, which is a $700.0 million unsecured, multi-currency bank credit facility expiring on June 23, 2020. At March 31, 2016, there were $450.0 million of outstanding borrowings under the Revolving Facility and outstanding letters of credit totaled approximately $7.6 million. The net available borrowing capacity under the Revolving Facility at March 31, 2016, was approximately $242.4 million. Borrowings under the Revolving Facility bear interest, at either an alternate base rate or an adjusted LIBOR rate plus, in each case, an applicable margin. Such applicable margin is based on the Company's senior, unsecured, long-term debt rating and can range from .005% to 1.50%. Based on the Company's credit rating at March 31, 2016, the applicable margin was 1.10%, resulting in an interest rate of 1.56% at March 31, 2016. Interest is payable (a) in the case of base rate loans, quarterly, and (b) in the case of LIBOR rate loans, on the maturity date of the borrowing, or quarterly from the effective date for borrowings exceeding three months. An annual Revolving Facility fee, also based on the Company's credit rating, is currently 15 basis points and is payable quarterly.

There are two key financial covenants that the Company is required to maintain in connection with the Revolving Facility, which requires a minimum interest coverage ratio of 3.0 to 1 and a maximum leverage ratio of 3.50 to 1. At March 31, 2016, the Company was in compliance with both of these financial covenants, as the Company's interest coverage ratio was 12.38 to 1 and the leverage ratio was 2.04 to 1. There are no financial covenants relating to the 4.5% Senior Notes or 4.2% Senior Notes; however, both are subject to cross-default provisions.

On December 1, 2015, the Company's Board of Directors approved a $300.0 million increase in the authorized level for repurchases of common stock. Repurchases under the program will be funded with future cash flow generation or borrowings available under the Revolving Facility. During the first three months of 2016, the Company purchased a total of 628 thousand shares at a cost of $45.8 million, of which $1.2 million was settled in April 2016. As of March 31, 2016, the amount of share repurchase authorization remaining is $589.2 million.

The Company believes current cash, cash from operations and cash available under the Revolving Facility will be sufficient to meet its operating cash requirements, planned capital expenditures, interest on all borrowings, pension and postretirement funding requirements, expected share repurchases and annual dividend payments to holders of the Company's stock for the remainder of 2016. Additionally, in the event that suitable businesses are available for acquisition upon acceptable terms, the Company may obtain all or a portion of the financing for these acquisitions through the incurrence of additional borrowings.

Non-GAAP Disclosures

Set forth below are reconciliations of EBITDA to the comparable measures of net income and operating income, as determined in accordance with U.S. GAAP. We have reconciled consolidated EBITDA to net income and segment EBITDA to segment operating income.

EBITDA means earnings before interest, income taxes, depreciation and amortization. Given the acquisitive nature of the Company, which results in a higher level of amortization expense at recently acquired businesses, management uses EBITDA as an internal operating metric to provide management with another representation of performance of businesses across our three segments and for enterprise valuation purposes. Management believes that EBITDA is useful to investors as an indicator of the strength and performance of the Company and a way to evaluate and compare operating performance and value companies within our industry. EBITDA is also used to calculate certain financial covenants, as discussed in Note 9 of the Notes to Consolidated Financial Statements in Part I, Item 1, "Financial Statements."

The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures prepared in accordance with U.S. GAAP, and the financial results prepared in accordance with U.S. GAAP and the reconciliations from these results should be carefully evaluated.

| Consolidated EBITDA Reconciliation (in thousands) | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Net income | $68,130 | $65,954 |
| + Income taxes | 24,682 | 26,929 |
| + Interest expense | 10,489 | 10,597 |
| + Depreciation and amortization | 19,957 | 18,510 |

| | | |
|---|---|---|
| EBITDA | $123,258 | $121,990 |
| | | |
| Net sales | $502,572 | $502,198 |
| EBITDA margin | 24.5 % | 24.3 % |

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| Segment EBITDA Reconciliation | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| (in thousands) | 2016 | | | 2015 | | |
| | FMT | HST | FSDP | FMT | HST | FSDP |
| Operating income | $51,401 | $40,699 | $25,404 | $55,898 | $37,457 | $27,162 |
| - Other (income) expense - net | (167) | (373) | (90) | (802) | (131) | (862) |
| + Depreciation and amortization | 7,256 | 10,861 | 1,482 | 6,361 | 10,208 | 1,532 |
| EBITDA | $58,824 | $51,933 | $26,976 | $63,061 | $47,796 | $29,556 |
| | | | | | | |
| Net sales | $211,843 | $186,343 | $104,618 | $218,248 | $179,120 | $106,622 |
| EBITDA margin | 27.8 % | 27.9 % | 25.8 % | 28.9 % | 26.7 % | 27.7 % |

| Organic Sales Reconciliation | Three Months Ended March 31, 2016 | | | |
|---|---|---|---|---|
| (in thousands) | FMT | HST | FSDP | IDEX |
| | | | | |
| Change in net sales | (3)% | 4 % | (2)% | — % |
| Less: Impact from acquisitions | 3 % | 3 % | 5 % | 4 % |
| Less: Impact from FX | (1)% | (1)% | (1)% | (1)% |
| Organic Sales | (5)% | 2 % | (6)% | (3)% |

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is subject to market risk associated with changes in foreign currency exchange rates and interest rates. The Company may, from time to time, enter into foreign currency forward contracts and interest rate swaps on its debt when it believes there is a financial advantage in doing so. A treasury risk management policy, adopted by the Board of Directors, provides for procedures and controls over derivative financial and commodity instruments, including foreign currency forward contracts and interest rate swaps. Under the policy, the Company does 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 foreign currency forward contracts and interest rate swaps on the Company's outstanding long-term debt.

Foreign Currency Exchange Rates

The Company's foreign currency exchange rate risk is limited principally to the Euro, British Pound, Canadian Dollar, Japanese Yen, Indian Rupee and Chinese Renminbi. The Company manages its foreign exchange risk principally through invoicing customers in the same currency as the source of products. The effect of transaction gains and losses is reported within other (income) expense-net on the Consolidated Statements of Operations.

Interest Rate Fluctuation

The Company's interest rate exposure is primarily related to the $1.1 billion of total debt outstanding at March 31, 2016. Approximately 41% of the debt, representing the amount drawn on the Revolving Facility at March 31, 2016, 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 $2.3 million annualized increase or decrease in interest expense and cash flows. The remaining debt is fixed rate debt.

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.

As required by Rule 13a-15(b) promulgated under the Securities Exchange Act, 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 as of March 31, 2016, 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.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company and five of its subsidiaries are presently 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. These components were acquired from third party suppliers, and were not manufactured by the Company or any of the defendant subsidiaries. To date, the majority 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 these settlements and legal costs, or how insurers may respond to claims that are tendered to them. Claims have been filed in jurisdictions throughout the United States. Most of the claims resolved to date have been dismissed without payment. The balance have been settled for various insignificant 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 the Company 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 flows.

The Company is also party to various other legal proceedings arising in the ordinary course of business, none of which are expected to have a material impact on its financial condition, results of operations or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information about the Company's purchases of its common stock during the quarter ended March 31, 2016:

| 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)] | Maximum Dollar Value that May Yet be Purchased Under the Plans or Programs[(1)] |
|---|---|---|---|---|
| January 1, 2016 to January 31, 2016 | 329,259 | $ 70.78 | 329,259 | $ 611,654,296 |
| February 1, 2016 to February 29, 2016 | 189,248 | $ 72.45 | 189,248 | $ 597,944,204 |
| March 1, 2016 to March 31, 2016 | 109,986 | $ 79.77 | 109,986 | $ 589,171,026 |
| Total | 628,493 | $ 72.86 | 628,493 | $ 589,171,026 |

(1) On December 1, 2015, the Company announced that its Board of Directors had increased the authorized level for repurchases of its common stock by $300.0 million. This followed the prior Board of Directors repurchase authorization of $400.0 million, announced by the Company on November 6, 2014. These authorizations have no expiration date.

Item 6. Exhibits.

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

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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

By: /s/ HEATH A. MITTS
Heath A. Mitts
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ MICHAEL J. YATES
Michael J. Yates
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Date: April 25, 2016

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EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 3.1 | Restated Certificate of Incorporation of IDEX Corporation (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 (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. 3.1 to the Current Report of IDEX Corporation on Form 8-K filed November 14, 2011, Commission File No. 1-10235) |
| 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) |
| 10.1 | Stock Purchase Agreement, dated February 4, 2016, by and among IDEX Corporation, Premier Farnell PLC, Celdis Limited, Premier Farnell Corp. and Akron Brass Holding Corp. (incorporated by reference to Exhibit No. 10.25 to the Annual Report of IDEX Corporation on Form 10-K for the fiscal year ended December 31, 2015, Commission File No. 1-10235) |
| 10.2 | Employment Agreement dated as of November 8, 2015 between IDEX Corporation and Andrew K. Silvernail (incorporated by reference to Exhibit No. 10.1 to the Current Report of IDEX Corporation on Form 8-K filed February 19, 2016, Commission File No. 1-10235) |
| *31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes Oxley Act of 2002 |
| *31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes Oxley Act of 2002 |
| *32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 |
| *32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 |
| *101 | The following financial information from IDEX Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 formatted in XBRL includes: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Earnings, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statement of Shareholders’ Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements. |

* Filed herewith

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