**AMETEK**

**2024 10-K**

1. **Business Overview**

AMETEK is a leading global manufacturer of electronic instruments and electromechanical devices with operations in North America, Europe, Asia, and South America. AMETEK’s products are marketed and sold worldwide through two operating groups: Electronic Instruments (“EIG”) and Electromechanical (“EMG”).

**EIG** is a leader in the design and manufacture of advanced instruments for the process, power and industrial, and aerospace markets. **EMG** is a differentiated supplier of precision motion control solutions, highly engineered medical components and devices, thermal management systems, specialty metals and electrical interconnects. Its end markets include aerospace and defense, medical, automation and other industrial markets.

1. **Competitive Advantage**
2. Significant Market Share. EIG has significant market positions in niche segments of the process, power and industrial, and aerospace markets. EMG holds significant positions in niche segments of the aerospace and defense, automation and medical markets.
3. Technological Advantage
4. Efficient and Flexible Manufacturing Operation

In its effort to achieve best-cost manufacturing, AMETEK has operating facilities, as of December 31, 2024, in China, Czechia, Malaysia, Mexico, and Serbia. These facilities offer proximity to customers and provide opportunities for increasing international sales. Acquisition is also a significant part of the business strategy.

1. Experience Management Team

AMETEK senior management has extensive industry experience and an average of approximately 23 years of AMETEK service.

1. **Business Strategy**

AMETEK Growth Model: High single-digit sales growth + double-digit EPS growth with 4 growth strategies.

1. Operational Excellence. Lean production, global sourcing, Design for Six Sigma, Value Engineering/Value Analysis, growth kaizens, and digitalization to drive lower operating costs and higher free cash flow margin.
2. Strategic Acquisition. Completed 14 acquisitions from 2020 to 2024, annualized sales totaling $1.4 bn.
3. Global & Market Expansion. AMETEK shows expanding international customer base, investments in global infrastructure, and attractive growth in the oversea markets. While Europe remains its largest overseas market, AMETEK has pursued growth opportunities worldwide, especially in key emerging markets.
4. New Product Development. Consistent investment in R&D.
5. **Products**
6. **EIG**

EIG is a leader in the design and manufacture of advanced analytical, test and measurement instruments for the process, aerospace, medical, research, power and industrial markets. It provides a growing range of instruments to the research and laboratory equipment, ultra-precision manufacturing, optics, medical, and test and measurement markets.

In 2024, 51% of EIG’s net sales were to customers outside the United States. At December 31, 2024, EIG had operating facilities in the United States, the United Kingdom, Germany, Canada, Denmark, Finland, France, Switzerland, Argentina, Austria, Serbia, and Mexico. EIG also shares operating facilities with EMG in China, Serbia, and Mexico.

* Process and Analytical Instrumentation Markets and Products (69% of sales)

Its instruments are used for precision measurement in a number of applications, including radiation detection, trace element and materials analysis, nanotechnology research, ultraprecise manufacturing, advanced optical metrology, and test and measurement

* Aerospace and Power Instrumentation Markets and Products (31% of sales)

These businesses produce power monitoring and metering instruments, uninterruptible power supply systems and programmable power supplies used in a wide range of industrial settings.

Approximately 6% of EIG’s 2024 net sales were made to its five largest customers. No single customer comprises more than 2% of net sales.

1. **EMG**

EMG is a leader in the design and manufacture of highly engineered medical components and devices, automation solutions, thermal management systems, specialty metals and electrical interconnects.

In 2024, 41% of EMG’s net sales were to customers outside the United States. At December 31, 2024, EMG had operating facilities in the United States, the United Kingdom, China, Germany, France, Italy, Poland, Mexico, Serbia, Czechia, Malaysia, and Taiwan. EMG also shares operating facilities with EIG in China, Serbia, and Mexico.

* Automation and Engineered Solutions Markets and Products

Automation and Engineered Solution sales represented 73% of EMG’s 2024 net sales. These products are used in a wide variety of high-precision automation applications, including semiconductor equipment, and laboratory and medical equipment.

* Aerospace Markets and Products

Aerospace sales represented 27% of EMG’s 2024 net sales. These businesses produce motor-blower systems and heat exchangers used in thermal management and other applications on a variety of military and commercial aircraft and military ground vehicles.

Approximately 14% of EMG’s 2024 net sales were made to its five largest customers. No single customer comprises greater than 4% of net sales.

1. **Competition**

In general, AMETEK’s markets are highly competitive with competition based on technology, performance, quality, service and price. In EIG’s markets, AMETEK believes it ranks as a leader in certain analytical measurement and control instruments, and power and industrial markets. EMG’s businesses compete with a number of companies in each of its markets.

1. **Risk Factors**
2. Our growth could suffer if the markets into which we sell our products and services decline, experience cyclicality, or a general downturn in the economy could adversely affect our business.

A downturn in the U.S. or global economy, and, in particular, in the aerospace and defense, oil and gas, process instrumentation or power markets could have an adverse effect on our business.

1. Foreign and domestic economic, political, legal, compliance and business factors could negatively affect our international sales and operations.

International sales for 2024 and 2023 represented 47.4% of our consolidated net sales. As a result of our growth strategy, we anticipate that the percentage of sales outside the United States will increase in the future. A disruption of our ability to obtain a supply of goods from these countries or a change in the cost to purchase, manufacture, or distribute these products could have an adverse effect on our sales and operations. Further, a strong dollar will adversely affect sales/force AME to lower prices.

1. A disruption in, shortage of, or price increases for, supply of our components and raw materials may adversely impact our operations.

We require substantial amounts of raw materials and purchase some parts and components, including semiconductor chips and other electronic components, from suppliers. Furthermore, certain items, including base metals and certain steel components, are available only from a limited number of suppliers and are subject to commodity market fluctuations. Shortages in raw materials or price increases therefore could affect the prices we charge, our operating costs and our competitive position

1. We operate in highly competitive industries, which may adversely affect our results of operations or ability to expand our business.

Although we believe EIG is a market leader, competition is strong and could intensify in the markets served by EIG. In the aerospace markets served by EIG, a limited number of companies compete on the basis of product quality, performance and innovation. EMG’s competition in specialty metal products stems from alternative materials and processes.

**Gebelli Pump Value & Water System Symposium, 28 Feb ‘25**

* On Acquisitions: Target 9% annual sales growth. 4% organic & 5% acquisitive. Want traditional-sized deals (i.e., Kerns, annual sales of 50 mln euro) + occasional larger deals (i.e., Paragon, for $2.24 bln). AME is able to expand its geographic presence (Kern is largely European-based). So, we have that ability to allow them to scale and really the ability to combine their product set with ours to provide a customer a broader solution.
* Able to raise the margin of companies acquired quickly, no decrease in return on capital over time by acquiring new businesses (no overpaying)
* On Business Markets: The Largest end market is medical/medtech, about 21% of sales. The next largest is aerospace/defense, 18% of sales. Power and Research (high-end instruments selling into a laboratory or a testing environment), 10% of sales each. Discrete automation, 10% of sales. Then semiconductor of about 6%, 7%, and energy or oil and gas at about 5%. And then below that, general industrial and miscellaneous markets.
* The strongest grower being the A&D market. Medtech is mixed (Paragon going through destocking over the last 18 months, medical component providers seeing their customer base work down excess inventory from supply chain prices). Power is solid. The markets generally have been good other than those areas that have seen that destocking over the last 18 months.
* On medical: some delay in government funding, probably being reassessed. Not lost businesses/competitive dynamics.
* we have a lot of different cycles from the viewpoint of we have many long-cycle businesses. I mentioned aerospace and defense, power, oil and gas. So, their backlog is out 6, 9, 12 months. So, a lot of that $3.4 billion backlog you quoted, which is about half of our sales, is longer term in nature.
* After five quarters of negative orders growth, we've seen two quarters in a row of positive organic orders growth. So, again, it speaks to a little bit of the stabilization we're seeing in some of those destocking markets starting to turn up
* However, still has high uncertainty on the macro environment. Will continue for a period of time.
* On Tariffs: Have a large number of businesses globally. They all have manufacturing facilities, US, UK, Europe, certainly the predominance of them. But we do have a number of what we call low-cost manufacturing centers throughout the world, a couple in Asia, couple in the Southeast, or a couple in Eastern Europe and two in Mexico. So, we have the capability for our businesses to produce locally there, a portion, or a majority if they want.
* Are able to pass tariff costs on through price increases. Pricing in the short term, maybe even the medium term depending, and then look to re-juggle or reallocate your production and sourcing as needed. If needed, it's not going to be a really large incremental cost to us to reallocate production.
* Light Capex company. 2% of sales. Largely maintenance Capex, some growth Capex.
* On cash deployment: most on M&A, not gonna change it. (historically, 75% if free cash) Second would be share buyback (when the management sees value dislocation). Third is dividend increase.
* Business model is uniquely decentralized: CEOs of respective companies operate their own businesses to deal with macro challenges
* 2% pricing increase amid 1.5% inflation. That 50 bps margins drive much of the 150 operating margin increase. Because is the No.1/2 player in a niche market, able to pass through cost increases (tariffs)
* M&A more focuses on secular growth opportunities, more durable growth

**AMETEK Q4 2023 Earnings Call Feb 4th, 2024**

* Acquired Paragon for over $2 bn.
* EMG continued to face normalization of inventory level of OME customers.
* EMG core margin up by 100 bps excluding the impact from acquisition.
* Vitality index at 29% (reflects sales from new products over the last three years). Vitality Index is strong if 20%-30%. Was 15% when started tracking.
* Steady transition into secular growth market and reduced exposure in cyclical market with acquisitions and NPD.
* Actual quarterly tax rates can differ dramatically, either positively or negatively from this full year estimated rate.
* Expect destocking to finish in the first half of 2024. The second half will be sound.
* Price was 5% in Q4, while inflation being at 3.5%. Will maintain a positive spread in 2024, though projecting lower inflation (3% vs. 2.5%)
* Overview of the segments:

1. Medtech: low single digit in 2023, expect low single digit in 2024
2. A&D: high single digit in 2023, expect high single digit in 2024
3. Power: low single digit in 2023, expect low to mid single digit in 2024
4. Automation & Engineered Solutions: Expect destocking in H1 2024, but overall low single digit in 2024, with a strong H2.

* Expect RD&E up modestly as a % of sales as the business expand in medtech. No big jumps.
* For Paragon: Expect most accretion to kick in in 2025, not 2024. First, inventory correction going on in the medtech market (consistent with other players in the market). Second half will be strong with NPD.
* Expect core margin for 2024 up 30 bps. Overall down 50 bps due to acquisition costs.
* Confident that Paragon will be a low double digit grower in the next few years.
* On supply chain: did a lot of to derisk from China pre-pandemic.

**AMETEK Q1 2024 Earnings Call, May 2nd 2024**

* Vitality index 25% in the first quarter, reflecting strong R&D
* AMETEK typically has 48% of our revenue and profits in the first half of the year and 52% of our revenue and profits in the second half of the year
* Pricing was 4%, inflation 3% in the quarter
* On tariffs: decentralized sourcing. For the US, it’s mostly Mexico, the Americas, and Europe. For Asia, a lot from Malaysia. For 9% sales in China, mostly sourced from China.
* if the deals meet our criteria, we could do over $4 billion of deals this year, and that would only take our leverage up to about 2.5 times: Excellent position for M&A

**AMETEK Q2 2024 Earnings Call, Aug 1st 2024**

* Continued headwind from destocking, lower than expected sales volumes
* Customers turning more cautious, leading to temporary delay in project spending
* Expect the inventory destocking and more cautious customer behavior to continue in the back half of the year, and thus downward revised outlook for the remainder of the year. Now believe demand within OEM customers base will remain subdued through the end of 2024.
* Growth is the strongest in Aero & Defense (in EIG)
* Vitality index is 24% for the quarter.
* Roughly 4% of sales reduction: 3 points are from Automation & Engineered Solutions, 1 point from EIG short-term project delays
* Business Segments walk-through: Expect process business to be flat/up low single digit for 2024; continue to expect high single digit growth for A&D despite shipment delay in Q2; power & industrial expect to be flat for the same reason as the process business; Automation & Engineered Solutions down mid single digit for 2024 for destocking
* Project delays are more associated with macro uncertainty (elections), a lesser problem compared to destocking.
* Price 3.5%, inflation 2.5% for the quarter.
* EIG superior margin driven by pricing, good product mix (from new product launches), and strongly performing acquisitions.
* EIG has a higher margin than EMG, as EIG sells directly to end users (aftermarket revenue stream) while EMG sells to OEM customers.
* EMG part of the business had core margins of over 25%. So they got some dilution there because of the acquisition and destocking and automation in our medical businesses.
* Tax rate expects to move back to 19%-20% range in 2025. Q4 2024 is an exception.
* Inventory will go back to the pre-pandemic level. Maybe a bit higher due to a more regional supply chain.

**AMETEK Q3 2024 Earnings Call, Oct 31st 2024**

* EMG orders were very strong in the quarter, growing 12% organically (inflection after quarters of destocking). Not in one area, across the board.
* Acquired Virtek, with annual revenue of $40 mln.
* Vitality index at 28%.
* Spent $60 mln on shares repurchase (371000 shares)
* Project delays continue to play out around EIG test and measurement businesses for macro uncertainties.
* Business walk-through: Process business organic sales declined low single digit; A&D up mid single digit organically; power & industrial down low single digit organically; Automation & Engineered Solutions down high single digit organically. Full year expectation remains unchanged for all businesses.
* One of AME’s two very large aerospace customers is struggling in various parts of their portfolio in production – resulting in some minor delays in A&D. But, the business has exposure over a wide range of customers, no overexposure to any single customers.
* Book-to-bill was above 1 for both segments
* Price/inflation is 3% vs. 2% (100 bps spread). May be 50 bps spread next year as inflation goes down.

**AMETEK Q4 2024 Earnings Call, Feb 2nd 2025**

* repurchased $155 million in shares during the quarter.
* Growth was the strongest in the A&D business
* EIG continues to experience project delays
* EMG continues to face destocking
* Acquired Kern. Kern has annual sales of approximately €50 million.
* For 2025, we expect both overall and organic sales to increase low-single digits on a percentage basis compared to 2024. Diluted earnings per share for the year are expected to be in the range of $7.02 to $7.18, up 3% to 5% compared to last year's results. For the first quarter, we anticipate overall sales to be roughly flat versus the prior year first quarter, with adjusted earnings of $1.67 to $1.69 per share, up 2% to 3% versus the prior year. (projects organic growth for the first quarter is flattish), EMG will have higher organic growth than EIG
* Pricing/inflation forecast for 2025: 2% vs. 1.5%
* $420 mln revenue for Paragon in 2024. Expect it to outgrow AMETEK in 2025.
* Looking at in excess of 20 to 30 bps of margin improvement, biased towards the second half.
* Growth of orders in the back half of 2025 may be pre-buy to get ahead of tariffs. An interesting risk to notice.
* On A&ES: Automation has bottomed. Medtech starts to see destock abating. Expect those two businesses to do better as we progress throughout the year.
* Expect A&D to grow mid single digit in 2025. A&D is the highest margin segment
* On Margin Excellence: positive price/costs, product mix, productivity. CEO cited margin improvement is AMETEK’s DNA and that ain’t gonna stop
* On Tariffs: supply chain is decoupled from China, largely a US manufacturer. Guidance does not take into account of a demand destruction. FX does not impact bottom line much.
* On EMG’s shrinking margin: automation business is highly profitable and suffered from decreased sales. (core margin down 100 bps) EMG operating margin decreased 120 bps organically due to declined organic sales, after taking into account of dilutive impact of acquisitions. Will rebound when destocking abates.
* Business walk-through: Process declined low-single-digits in the fourth quarter, the same delay it experienced in Q3. we expect organic sales for our Process businesses to be up low-single-digits for the full year 2025. A&D up mid single digit. Power & Industrial flat in the 4th quarter, expects it to continue to be flat in 2025. A&ES organic sales down high single digit in Q4. Expect organic sales to be up mid-single digits for the year 2025 with improving growth trends throughout the year.
* R&D&E $90 mln in 2024, expects $85 mln in 2025.
* Ways to look at vitality index: It's a way that we can look at the investments we're putting in and making sure we're adding value to our customers. It shows up in pricing also. We can get premium prices by adding features to products and providing new value to our customers that we weren't providing before.
* On M&A: very well-positioned. Could spend $5 bln in 2025 with only 2.5 Net Debt/EBITDA.

**AMETEK Q1 2025 Earnings Call, May 1st 2025**

* Excluding the dilutive impact from acquisitions, core margins were up 90 basis points in the quarter
* EIG core margins were an impressive 110 basis points, EMG core margins up 120 bps
* Vitality index at 26%
* have a $1.25 billion share repurchase authorization. Will be willing to repurchase shares opportunistically
* Reaffirm full-year guidance with tariffs mitigation initiatives (mainly pricing + production localization)
* Medtech OEM (where de-stock takes place) orders across the business up 25%. Paragon leads. Will have substantial growth in H2. Expect all the de-stock to be done in 2025
* Business walk-through: process business organic sales declined low-single digits. Now expect roughly flat for the full year. A&D organic sales up mid single digits. Continue to expect mid-single digits growth. Power business up low single digits, expect roughly flat for the full year. A&ES down low single digits, continue to expect mid single digits organic sales for the full year.
* On tariffs: limited exposure in China, only from the recently acquired businesses (paragon etc.) On Mexico, 98% compliant with USMCA rule. $100 mln direct impact from tariffs, $70 mln from China’s retaliatory actions due to 4% of export sales to China (higher-end instrumentation and optics business, higher margin businesses). $70 is very unpredictable, may or may not be able to ship in Q2.
* over the history of time, we've been buyers in up-markets and down-markets and we've been able to buy some of the best businesses, the best returns for our shareholders in down-markets (M&A)
* Full-year guidance now has more pricing vs. volume. Price covers inflationary costs for the quarter, a good positive spread. (no specific number)
* New round of tariffs creates opportunities for gaining new shares in the market, as many competitors (especially in process market) are not well-positioned as AMETEK.
* Looking at increasing rate of localization. Now 100 US plants 50 international ones. Expect more international plants to avoid tariff/supply chain issues.
* A&D is a long cycle business, with backlog that lasts 8-10 years. Still seeing strength in A&D, may be some weakness in declining US traveling volume (and thus reduced maintenance) but that is a very small piece of A&D and AMETEK is not seeing weakness currently.

**Additional Info**

* Strong dollar will impact top-line growth, but little effect on bottom line.
* EMG margin grows by 200 bps in 2022’s hyper inflation era: pricing between EMG and EIG are similar, but EMG’s higher margin businesses grew much faster
* We first started tracking the Vitality, it was in the mid-teens. And over the past 10 or 15 years, it got into the 20s and the mid-20s. And now, I'm just very pleased with the 27% Vitality. Clearly, our new product development process is working. We're developing products our customers want to buy. And at 27% of sales for our end markets, we think that's a really good number. (2022 Q3)
* Resistance to inflation: had 6% pricing growth vs. 5% inflation in 2022. Overall 6% volume growth + 6% pricing growth. Can push through tariffs if no recession.
* Automation business (highest margin business in EMG, part of MedTech) in EMG is going through destocking in Q2 2023 (most significant), explaining the decline in core margin for EMG. The dilutive impact of the acquisition explains another 300 bps margin decline.
* In 2016, the margin was particularly impacted by the upstream oil & gas market’s decline in sales. Oil prices fell from $141 to $45 in January 2016. The traditional cyclical oil & gas and metal business was 20% of AMETEK's sales (carrying high incremental margins). It is now 8% of overall sales (Q3 2022, presumably less now due to continued acquisitions). Healthcare increased from 10% to 15%, A&D from low to high teens, and automation from 7% to 12%. Demonstrating the shift from cyclical to secular markets.
* 94% of the business in the niche markets, with 40%+ contribution margin in EIG and 35%+ contribution margin for EMG. Acquisitions are often dilutive to AMETEK’s margin. Has a long history of improving the margins of the acquired businesses (average margins up 20% to 30% in the first year of ownership). Help with international sourcing and expansion to save costs.