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# EDITED TRANSCRIPT

AME - Q3 2014 Ametek Inc Earnings Call

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## OVERVIEW:

AME reported 3Q14 sales of \$1.03b, adjusted net income of \$152.5m and adjusted diluted EPS of \$0.62. Expects 2014 diluted EPS to be \$2.40-2.42. Expects 4Q14 diluted EPS to be approx. \$0.60-0.62.



## CORPORATE PARTICIPANTS

**Kevin Coleman** *AMETEK, Inc. - VP of IR*

**Frank Hermance** *AMETEK, Inc. - Chairman & CEO*

**Bob Mandos** *AMETEK, Inc. - EVP & CFO*

## CONFERENCE CALL PARTICIPANTS

**Allison Poliniak** *Wells Fargo Securities, LLC - Analyst*

**Mark Douglass** *Longbow Research - Analyst*

**Scott Graham** *Jefferies & Company - Analyst*

**Richard Eastman** *Robert W. Baird & Company, Inc. - Analyst*

## PRESENTATION

### Operator

Welcome to the AMETEK third-quarter 2014 earnings conference call.

(Operator Instructions)

As a reminder, this conference is being recorded Tuesday, October 28, 2014. I would now like to turn the conference over to Kevin Coleman, Vice President of Investor Relations. Please go ahead, sir.

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**Kevin Coleman - AMETEK, Inc. - VP of IR**

Thank you, Susie. Good morning, everyone. Welcome to AMETEK's third quarter earnings conference call.

Joining me this morning are Frank Hermance, Chairman and CEO; and Bob Mandos, Executive Vice President and Chief Financial Officer.

AMETEK's third quarter results were released earlier this morning. These results are available electronically on market systems and on our website at the investor section of [Ametek.com](http://Ametek.com).

A tape of today's call may be accessed until November 11 by calling 800-633-8284 and entering the confirmation code number 21736047. This conference call is also webcasted. It can be accessed at [ametek.com](http://ametek.com) and [streetevents.com](http://streetevents.com). The conference call will be archived on both of these sites.

I will remind you that any statements made by AMETEK during the call that are not historical in nature are to be considered forward-looking statements. As such, these statements are subject to change based on various risk factors and uncertainties that may cause actual results to differ significantly from expectations.

A detailed discussion of the risks and uncertainties that may affect our future results is contained in AMETEK's filings with the Securities and Exchange Commission. AMETEK disclaims any intention or obligation to update or revise any forward-looking statements. I will also refer you to the investor section of [ametek.com](http://ametek.com) for a reconciliation of any non-GAAP financial measures used during this conference call.

We will begin today with prepared remarks, and then we will open it up for questions. I'll now turn the meeting over to Frank.



**Frank Hermance** - AMETEK, Inc. - Chairman & CEO

Thank you, Kevin, and good morning, everyone.

AMETEK had an excellent third quarter, driven by strong execution of our four growth strategies. We established records for sales, operating income, net income, and diluted earnings per share in the quarter.

As expected, Zygo integration costs incurred in the quarter were \$13.7 million, or \$0.05 per diluted share. All Financial results on commentary on the call today will be on an adjusted basis, excluding these integration costs.

Now, onto the third quarter results. Sales in the quarter were very strong, up 16% to \$1.03 billion. Organic sales increased 3.5%, in line with our expectations, while acquisitions added 12.5% and currency was flat.

Operating income for the third quarter was also very strong, up 13% to \$231.8 million. Operating income margin in the quarter was 22.5%, compared to 23% in the third quarter of 2013. Excluding the dilutive impact on operating margins of recent acquisitions, AMETEK's operating margins in the quarter were 23.4%, up 40 basis points from the prior year.

Net income and diluted earnings per share were both up 19% over last year's third quarter to \$152.5 million and \$0.62, respectively, and diluted earnings per share were above the high end of our guidance range. Orders in the third quarter were \$1 billion, up 6% from the prior year, with 3% organic growth.

Operating cash flow in the third quarter was excellent, Up 18% to \$197 million. Operating working capital was also very strong at 17.8% of sales, down from last year's third quarter of 18.2%.

Turning our attention now to the individual operating groups. The Electronic Instruments Group had a great quarter, sales were up 26% to \$631.6 million on broad-based strength across our aerospace, process, and power and industrial businesses, plus the contributions from the recent acquisitions.

Organic sales were up 4%. Acquisitions added 22%, and foreign currency was flat during the quarter.

EIG's operating income increased 17% to \$162 million, and operating margins were 25.6%. Excluding the dilutive impact of operating margins of recent acquisitions, EIG's operating margin where 28% percent, up 10 basis points from last year's third quarter.

The Electromechanical Group also had a very strong quarter with excellent operating performance. Sales were up 3% to \$400.2 million, organic sales were up 2%, and foreign currency added 1%.

Growth was driven by strength in our precision motion control and engineered materials interconnect and packaging businesses. EMG's operating income increased 6% to \$82 million, and operating margins were 20.5%, up 60 basis points from last year's third quarter.

Now turning to four growth strategies of operational excellence, global and market expansion, new product development, and strategic acquisitions. First, I will touch on new product development.

We continue to increase our investment in RD&E to ensure our businesses are developing the right products to serve our customers end markets. In 2014, we expect to spend approximately \$210 million, a 17% increase over 2013.

Our CAMECA business continues to develop highly advanced elemental and isotopic microanalysis instrumentation for the high-end materials analysis market. In the third quarter they launched their latest generation in tomographic atom probes, the CAMECA leap 5000.

The leap 5000 is the only materials analysis technology currently available that offers both 3-D characterization and chemical composition analysis at the atomic scale. Improving on previous technology, the Leap 5000 has increased detection efficiency across a number of metals, semiconductors, and insulators, delivering improved compositional analysis and detection limits.

Our Taylor Hobson business, a leading provider of surface and form metrology instruments utilizing both contact and non-contact solutions, continues to expand their ultra-precision metrology product offering with the introduction of the Talyrond 500 H. This new project is a highly advanced metrology instrument used to analyze surface finish, roundness and contour for a use in a wide range of high volume precision manufacturing applications. The Talyrond 500, offering industry-leading speed, accuracy, and repeatability, uses Rotary vertical and horizontal measuring axes to duplicate a machine tools environment and exactly reproduce the work piece shape, enabling precise control of manufacturing processes.

Lastly, AMETEK's Chandler engineering business, which provides testing instrumentation for the upstream oil and gas market has launched the model 3300 in-line viscometer. This viscometer is used for real-time on-site viscosity measurements of fracturing fluids, an increasingly important measurement driving improved efficiency in the completion of oil and gas wells.

The model 3300 is ruggedized to withstand harsh field conditions, while providing operators with continuous real-time measurement of the viscosity and temperature of fracturing fluids. We are seeing strong command for this new viscometer. From an overall perspective, revenue from products introduced over the last three years was 23% of sales in the third quarter, up from 21% in last year's third quarter.

Now turning to our second strategy of global and market expansion. Global and market expansion continues to be an important driver for AMETEK's long-term growth, as we are increasingly expanding our presence in attractive higher growth market segments and geographic regions.

In the third quarter of 2014, international sales represented 53% of our total sales. We saw solid growth in the BRIC countries in the third quarter, with continued strong growth in China, where organic sales grew mid-teens on a percentage basis.

The growth in China was broad-based across our businesses, and reflects the benefits of our continued focus on expanding our sales, service, and distribution capabilities in this region. We will continue to make investments to develop and expand our global sales channels, service capabilities and manufacturing footprint in order to position our businesses to capitalize on the attractive long-term global growth opportunities.

Now turning to our third strategy of acquisitions. We continue to see great success with our acquisition strategy. Thus far in 2014, we have completed five acquisitions, deploying approximately \$575 million in capital and acquiring over \$285 million in revenue.

Over the last 15 months, we have acquired eight businesses, deployed approximately \$1 billion in capital, and acquired approximately \$460 million in revenue. Our acquisition pipeline remains strong and I expect you are going to hear from us, hopefully before year-end.

I will provide some background on our most recent acquisition, Amptek, which we completed in the third quarter. Amptek is a privately held manufacturer of instrumentation and detectors used to identify composition of materials using x-ray fluorescence. It's products are sold to OEMs that manufacture non-destructive testing devices to measure elemental composition in metal production, pharmaceutical products, electronics, and environmental samples.

Amptek is an excellent strategic acquisition, as it provides us with attractive sensor and detector technology, as well as strong research and development capabilities, which will help to accelerate future technology developments for our served market. They are headquartered in Bedford Massachusetts, and has annual sales of approximately \$30 million.

We're quite pleased with the pace of our acquisition activity over the last 15 months. More importantly, we are excited about the quality of the business we acquired during that time, and the great strategic fit of these businesses within AMETEK. The integration of these recent acquisitions has gone very well. We'll continue to capitalize on our strong core competency of acquiring and integrating high-quality businesses while looking to expand our presence in attractive market segments.



Lastly, I will touch on operational excellence. We continue to see excellent results from our various operational excellence initiatives. Our management teams and employees continue to do a great job driving operational improvement through their businesses by leveraging the numerous operational excellence tools we have in place throughout the company.

Operational excellence activities include lean manufacturing, Six sigma in our factory and back office operations, design for Six Sigma in our new product development efforts, global sourcing and strategic procurement initiatives, movement of production to low cost locales, and value engineering. Through our global sourcing and strategic procurement initiatives, we recognized \$19 million in savings in the third quarter, and have recognized approximately \$53 million in incremental savings thus far in 2014.

As a result of the continued strong efforts of our team, we expect approximately \$100 million in total cost savings in 2014 through our various operational excellence initiatives, including \$70 million in savings through our global sourcing and strategic procurement initiatives. This is an increase in total cost savings from our prior estimate of \$95 million.

Turning now to the outlook for the remainder of 2014. The global growth environment remains sluggish. For all of 2014, we continue to expect revenue to be up low double digits on a percentage basis from 2013, reflecting low to mid-single digit organic growth and the contribution from recent acquisitions.

Earnings for 2014 are expected to be in the range of \$2.40 to \$2.42 per diluted share, up 14% to 15% over 2013. We raised the low end of our previous guidance from \$2.37 to \$2.40 per diluted share.

Fourth quarter 2014 sales are expected to be up high single digits on a percentage basis from last year's fourth quarter, with organic growth up low to mid-single digits. We estimate our earnings to be approximately \$0.60 to \$0.62 per diluted share, including the additional interest expense associated with our recent private placement and expected foreign currency headwinds. This guidance represents a 9% to 13% increase over last year's fourth quarter.

So in summary, we delivered excellent results in the quarter. Our balance sheet remains strong, and we generate significant cash flow that provides us with plenty of liquidity to operate the business and pursue our acquisition strategy. Our excellent portfolio businesses and our focus on driving success through our four growth strategies should enable us to continue to deliver strong and consistent earnings growth.

Bob Mandos will now cover some the financial details, and then we will be happy to answer your questions. Bob?

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**Bob Mandos** - AMETEK, Inc. - EVP & CFO

Thank you, Frank.

As Frank noted, we had a great third quarter with strong overall results. I will provide some further details.

In the quarter, core growth from selling expenses was in line with core growth in sales. General and administrative expenses were 1.2% of sales versus 1.3% of sales in last year's third quarter.

In the quarter, as was contemplated in our guidance, were one-time events benefiting the tax line, which were largely offset by a related negative impact in other expense. For 2014, we expect our tax rate to be approximately 28% as a result of our ongoing international and state tax planning initiatives and the third quarter tax benefit as just highlighted. As we've said before actual quarterly tax rates can differ dramatically, either positively or negatively, from this full-year rate.

On the balance sheet, working capital, defined as receivables plus inventory less payables, was 17.8% of sales in the quarter versus 18.2% in last year's third quarter. Strong working capital management will remain a key priority.

Capital expenditures were \$18 million for the quarter. Full-year 2014 capital expenditures are expected to be approximately \$70 million.

Depreciation and amortization was \$37 million for the quarter. 2014 depreciation and amortization is expected to be approximately \$142 million.

Operating cash flow was \$197 million in the third quarter, up 18% over last year's third quarter. And free cash flow was \$179 million in the quarter, or 126% of net income, up 19% over last year's third quarter. For the full year, we expect free cash flow to be approximately 110% of net income.

Total debt was \$1.64 billion at September 30, up \$222 million from the 2013 year end, largely the result of the Zygo acquisition. Offsetting this debt was cash and cash equivalents of \$370 million, resulting in a net debt-to-capital ratio at September 30 of 26.8%.

At September 30 we had approximately \$1.2 billion of cash and existing credit facilities to fund our growth initiatives. This amount reflects the private placement agreement we entered into on September 30, to sell \$700 million in senior notes.

The initial private placement funding of \$500 million received on September 30 was used to pay down a revolver balance. The remaining funding of \$200 million will be received in 2015, with the proceeds expected to be used to pay down term debt due at that time.

The private placement had a weighted average interest rate of 3.88% and was well received by our lenders. It provides AMETEK with a larger financing capacity and increased flexibility to support our growth initiatives.

In summary, we had a very strong third quarter. We are well positioned for further growth, both organically and through acquisitions with a strong balance sheet and cash flows.

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**Kevin Coleman** - AMETEK, Inc. - VP of IR

Great. Thank you, Bob.

Susie, we are now happy to open it up for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Allison Poliniak, Wells Fargo.

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**Allison Poliniak** - Wells Fargo Securities, LLC - Analyst

Hi, guys. Good morning. Frank, just giving the changing dynamics in crude prices here, could you maybe walk us through how we should think about your energy-related businesses in this kind of environment?

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**Frank Hermance** - AMETEK, Inc. - Chairman & CEO

Sure, Allison. Obviously, the price of crude has come down. Yesterday it dipped for a while even below \$80 a barrel, but did end up above \$80 a barrel. If there is going to be any impact -- and I must say we have not seen any as of yet. I have talked to all of our energy-related businesses, and they have not seen anything yet in terms of any impact.

I think one way to look at the possible impact is to look at our upstream business. Our upstream business is about \$125 million of sales, so if less oil wells are going to be drilled, we could see some impact on that segment. But I think the very encouraging thing here, and you've heard me talk

to this over the last several quarters, is that there has been a rebalance in terms of our process businesses in general, where, as a result of recent acquisitions, as well as just the fact that the oil and gas business is a small part of the process businesses, our unrelated oil and gas businesses have been doing extremely well this year. And if we go back to last year, our oil and gas businesses were sort of a driver for the process growth; and as we entered this year, that was no longer true, actually even before this drop in oil prices.

There's been sort of a rebalance, and we're getting extremely good growth out of our ultra-precision technologies business, our material analysis business, and our measurement and calibration technologies business, which has rebalanced the process areas so that our growth remained good in the third quarter. It was up organically mid-single digits, and also with the acquisitions we have done, it was up actually 25% in the quarter. There could be some impact, but we don't believe it's going to be significant in terms of AMETEK's overall performance.

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**Allison Poliniak** - Wells Fargo Securities, LLC - Analyst

That's great. And then just turning to the vitality index that you talked about with new products, it's certainly been ticking up, which one would expect with your RD&E expense. But is there any way, I don't even know, to look at it -- acquisitions -- what you have done recently? Is that causing that number to tick up maybe a little bit more than we would have expected on an organic basis?

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**Frank Hermance** - AMETEK, Inc. - Chairman & CEO

Yes, I think that is a good analysis, Allison. There is no question that the acquisitions that we have done over the last couple of years are much more technology focused, and they are basically winning in the market based on technology. And their investment levels are a bit higher than what AMETEK has historically been, which is really inherent in our strategy to keep moving the level of differentiation of our businesses up that differentiation curve. And as a result, this vitality index continues to creep up. 23% is a pretty high number for any sort of industrial, multi-industry company.

It is obviously low with respect to full technology companies like, sort of on the west coast. But, in terms of our type of company, it's a very, very good number. We're going to continue to invest. We think it's the key reason why our profit margins are where they are.

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**Allison Poliniak** - Wells Fargo Securities, LLC - Analyst

Perfect. Thank you.

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**Operator**

Mark Douglass, Longbow Research.

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**Mark Douglass** - Longbow Research - Analyst

Good morning, gentlemen. Bob, housekeeping on payables?

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**Bob Mandos** - AMETEK, Inc. - EVP & CFO

Yes, \$382 million.

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**Mark Douglass** - Longbow Research - Analyst

\$382 million. Okay, thank you.

And, Frank, you said orders were up 3% organically?

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**Frank Hermance** - AMETEK, Inc. - Chairman & CEO

That is correct.

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**Mark Douglass** - Longbow Research - Analyst

What was your backlog?

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**Frank Hermance** - AMETEK, Inc. - Chairman & CEO

Backlog was \$1.22 billion, and that was up about \$75 million from the beginning of the year.

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**Mark Douglass** - Longbow Research - Analyst

Okay, thank you. Can you go through your walk on the different businesses (multiple speakers) and what you are expecting in 2014?

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**Frank Hermance** - AMETEK, Inc. - Chairman & CEO

Sure. I'd be glad to, Mark. Let's start with EIG; and I will start with EIG Aerospace. They had another really good quarter. Sales were up mid-single digits on a percentage basis, and that was driven by continued strength in both commercial aerospace, and our business and regional jet business.

The business and regional jet business benefited significantly from excellent growth in the mid- and high-end business jet, as well as the commercial helicopter markets. We have helicopter sales in that business and regional jet sort of segmentation. We expect continued strong performance in EIG Aerospace in the fourth quarter and for all of 2014, aerospace in EIG should be up mid-single digits.

Moving to process: Our process businesses had an excellent quarter. As I mentioned in response to Allison's question, overall sales were up about 25%. Organic sales were up mid-single digits on a percentage basis, driven by strong performance in ultra precision technologies, measurement and calibration technologies, and our material analysis businesses.

The overall growth benefited from the six recent acquisitions in this business, which are AMPTEK, Zygo, Lumphos, VTI Instruments, Creaform, and Controls Southeast. For the full year, we expect our process businesses to grow mid-teens overall, with organic growth up low- to mid-single digits.

And the last part of EIG, our power and industrial businesses, had really a great quarter. Overall sales were up 40% as a result of mid-single-digit organic growth, and the contributions from the acquisitions of Powervar and Teseq. Organic growth was strong across both the power and the industrial businesses. We're expecting overall sales for power and industrial to be up about 30% in 2014, with organic growth up low- to mid-single digits. So, if you take those three subsegments in EIG, for all of EIG we expect overall 2014 sales to be up high-teens on a percentage basis, with organic growth up low- to mid-single digits.

Moving to the other part of the Company in EMG: Our differentiated EMG businesses had a very good quarter, sales up mid-single digits on a percentage basis. We saw strong growth in our precision motion control and engineered materials interconnect and packaging businesses. And for all of 2014, we expect our differentiated EMG businesses to be up low- to mid-single digits.

And the last part of our Company, which is floor care and specialty motors: Sales in our floor care and specialty motors businesses were down mid-single digits in the quarter against a pretty difficult comparison from the prior year. And for all of 2014, we expect sales for this business to be roughly flat.





And if you sum those two parts of EMG, for all of EMG we're expecting overall growth to be low- to mid-single digits in 2014. And thus, if you take EIG and EMG, as I mentioned in my opening remarks, for AMETEK as a whole in 2014, we are expecting this low-double-digit sales growth, with organic growth up low- to mid-single digits. And that walks you through, Mark.

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**Mark Douglass** - Longbow Research - Analyst

Great. Thank you.

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**Frank Hermance** - AMETEK, Inc. - Chairman & CEO

You bet.

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**Operator**

Scott Graham, Jefferies & Company.

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**Scott Graham** - Jefferies & Company - Analyst

Hey, good morning, Frank, Bob, Kevin. I was wondering what the fourth-quarter impact of the private placement interest was versus what you had in your guidance before? That would be helpful.

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**Frank Hermance** - AMETEK, Inc. - Chairman & CEO

Yes, there's two things that were affected -- our estimates in the fourth quarter. One was the private placement, and that was about \$0.01. And the other was foreign exchange, because, as you know, the foreign exchange rates have moved quite considerably. Using the September 30 rates on foreign exchange, we basically have another \$0.01 of hurt in the quarter.

So, you take those \$0.02, which we really were not counting on having those issues, but we were able to overcome them with both some sales performance improvements, as well as improvements on the operational excellence side. As you noticed, we raised our guidance in terms of the amount of cost savings we're putting through the P&L from that \$95 million up to the \$100-million level. If it weren't for those two items, we would've been able to increase our guidance.

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**Scott Graham** - Jefferies & Company - Analyst

Yes, got it. My follow-up question is: You are kind of signaling that you are close to the altar on something, again, potentially for the fourth quarter. I was just wondering, Frank, if there is any possibility of getting a little bit more color on that, like which division you are looking at to add to, and if at all possible, is this sort of AMPTEK size? Is it Zygo size? Is it something in between?

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**Frank Hermance** - AMETEK, Inc. - Chairman & CEO

We're looking actually at a couple of different possibilities right now. And we are in active conversations, and I think within the next day we'll be in active due diligence on another business.

I am hesitant to give too much color on it, but I can tell you that both of these businesses do happen to be on the EIG side of the Business. And they're both really, really good businesses, but I just don't want to give any more color on these because obviously we are under confidentiality agreements in terms of these two deals.

I think that really the key message here, also, is that acquisitions are really a process at AMETEK, and that we are just continually doing this. Where other companies have been having difficulties over the course of the last, probably, two years, I think you notice or can notice that we have been able to do a large number of deals, and buy them at reasonable multiples even though we all know the pricing of deals has gone up.

And I think it really reflects the fact that we have a very, very solid process that we are continually looking at deals, continually filtering deals. And whether we close a deal in the fourth quarter -- we may or we may not -- if something doesn't go as we expect. But the point is: If we don't, we'll close something else in the first quarter. It's just a continual effort, and we're just going to keep doing this. We think it's the best way to deploy capital and get a return on that capital that will continue to push our stock price in a positive direction.

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**Scott Graham** - *Jefferies & Company - Analyst*

Thank you.

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**Frank Hermance** - *AMETEK, Inc. - Chairman & CEO*

You bet, Scott.

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**Operator**

(Operator Instructions)

Richard Eastman, Robert W. Baird.

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**Richard Eastman** - *Robert W. Baird & Company, Inc. - Analyst*

Yes, good morning, Frank. Could you just talk for a minute or two about geographic growth? You really flagged some impressive growth out of China. How did the other regions look on a core basis -- US, Europe -- against that 3.5% core growth rate?

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**Frank Hermance** - *AMETEK, Inc. - Chairman & CEO*

Sure, Richard. If you look around the world, the US was up about 5%, Europe was up about 1%, and Asia was up about 5%. If you looked outside of China -- China was actually up 17% organically. And if you look outside of China, in both Korea and Japan, we had some very difficult comparisons to last quarter. So, that's why that Asia growth is maybe a little bit lower than what you would expect, given our China performance.

The US continues to get a bit better, which is good. I believe that is the highest organic growth we have had in the US in a while. And Europe is a little bit weaker. And I think it generally reflects the economic situation that is going on in Europe.

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**Richard Eastman** - *Robert W. Baird & Company, Inc. - Analyst*

Does the Asian business, in general, and China in particular -- does AMETEK lead there with their EIG business?

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**Frank Hermance** - *AMETEK, Inc. - Chairman & CEO*

Yes, I would say the EIG businesses are definitely the leader. We have done a tremendous amount, and the team has really done some good work in continuing to expand our distribution channels there for the EIG businesses. But I must say that our EMG businesses are also starting to penetrate



quite significantly. Obviously, our floor care business has been there for a long time, and we are manufacturing products there for the floor care business.

But also our engineered materials interconnect and packaging businesses has a plant in Malaysia. And they are starting to have really good penetration in Asia. And also our precision motion control business, both through the acquisition of Dunker in Germany, which had substantial sales in Europe, as well as our original PMC business, which was predominantly US-based, has expanded quite well.

I think your comment is right that the leadership and the penetration came and is coming from EIG, but EMG is also starting to realize really good opportunities there. And as we look across the regions, even though there has been a lot in the press about slowing organic growth in Asia, those numbers are still a lot higher than any place else in the world, and therefore, we're going to continue to invest and continue to get our fair share of the business there.

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**Richard Eastman** - *Robert W. Baird & Company, Inc. - Analyst*

Okay. Just as a follow-up: Frank, when you look at the Business today, and obviously the intermediate-term kind of business environment is just very hazy. We have got this oil and gas noise out there. I noticed your EMIP business has perked up, which might be more of a later cycle business.

But how do you just get your arms around business conditions globally here? Do you feel we are kind of in this mid-cycle malaise a little bit? Or how do you -- are any of your businesses kind of picking up?

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**Frank Hermance** - *AMETEK, Inc. - Chairman & CEO*

That's a great question, Richard. And I think the best way to characterize it is -- if I look at the total global environment right now, I wouldn't use the word hazy. I think when -- went back in time, some of the downturns were what I would call hazy. Here, I think we know what is occurring. We know the US is getting better. We know there is substantial opportunities in the Far East, which we are capitalizing on. We know Europe is a bit weaker.

So, we're just going to capitalize on what we see in terms of that market -- markets -- and where we are investing. So, we are going to put more investment in the Far East. We're going to put more investment in the US. And we are not going to put quite as much in Europe.

And, yes, your question regarding specific businesses -- we have just tremendous balance in our businesses. And I think it is one of the advantages that AMETEK has had for many, many years, in that we are not really tied to any one segment significantly. Therefore, when oil and gas starts to shake a little bit, yes, that could have maybe a bit of a negative impact, but, heck, aerospace is doing just great when you have this huge backlog. Boeing and Airbus have eight-year backlogs.

We're doing tremendously well in the business and regional jet sector, and that sector really hasn't even come back, from a market viewpoint. So, that's one that we are starting to see accelerated growth, and have actually seen accelerated growth through our new product development activities, and we expect the market is going to start to turn up. And you are feeling some of that now.

Some of the reports in this quarter from some of the business jet manufacturers are starting to see some production go up. It's not going to be at the level, say, of 2007 in the near term, but the growth rates are really good. That's a part of our Business that I feel very, very good about.

Yes, to your point, the engineered materials, interconnect, and packaging business is definitely in a rebound mode. Our precision motion control business is doing extremely well, and they are growing at a nice clip.

So, I am not sitting here in what I call a hazy environment. I wish the growth worldwide was about 4 or 5 points higher. But you sort of deal with it, and it also plays to our strength on the operational excellence side when you don't have the 7% and 8% and 9% organic growth, you have to



get the earnings through operational excellence. We're pretty good at that, and we are just going to continue to make continued improvements in terms of the efficiency of the Business.

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**Richard Eastman** - *Robert W. Baird & Company, Inc. - Analyst*

Okay. And the environment seems to be strong enough here? Are you still generating kind of the 1.5 points to 2 points of price?

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**Frank Hermance** - *AMETEK, Inc. - Chairman & CEO*

Yes. (multiple speakers)

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**Richard Eastman** - *Robert W. Baird & Company, Inc. - Analyst*

So, that is still there as well. Okay, well, thank you so much.

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**Frank Hermance** - *AMETEK, Inc. - Chairman & CEO*

All right, Richard.

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**Operator**

Thank you. Mr. Coleman, there are no further questions at this time. I will now turn the call back to you. Please continue with your presentation or closing remarks.

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**Kevin Coleman** - *AMETEK, Inc. - VP of IR*

Great. Thank you, Susie. Thank you, everyone, for joining our call today. As a reminder, a replay of the call may be accessed at [Ametek.com](http://Ametek.com) and at [Streetevents.com](http://Streetevents.com). And as always, if there is any questions, I am available at 610-889-5247. Thanks again.

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**Operator**

Ladies and gentlemen, that does conclude the conference for today. We thank you for your participation, and ask that you please disconnect your lines. Have a great day.

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