

AMETEK INC/
Form 10-K
February 24, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 1-12981

AMETEK, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

14-1682544
(I.R.S. Employer Identification No.)

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1100 Cassatt Road

Berwyn, Pennsylvania
(Address of principal executive offices)

19312-1177
(Zip Code)

Registrant's telephone number, including area code: **(610) 647-2121**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.01 Par Value (voting)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$12.8 billion as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter.

The number of shares of the registrant's Common Stock outstanding as of January 30, 2015 was 241,068,392.

Documents Incorporated by Reference

Part III incorporates information by reference from the Proxy Statement for the Annual Meeting of Stockholders on May 6, 2015.

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AMETEK, Inc.

2014 Form 10-K Annual Report

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PART I

Item 1. Business
General Development of Business

AMETEK, Inc. ("AMETEK" or the "Company") is incorporated in Delaware. Its predecessor was originally incorporated in Delaware in 1930 under the name American Machine and Metals, Inc. AMETEK is a leading global manufacturer of electronic instruments and electromechanical devices with operations in North America, Europe, Asia and South America. AMETEK maintains its principal executive offices in suburban Philadelphia at 1100 Cassatt Road, Berwyn, Pennsylvania, 19312. Listed on the New York Stock Exchange (symbol: AME), the common stock of AMETEK is a component of the Standard and Poor's 500 and the Russell 1000 Indices.

Website Access to Information

AMETEK's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 are made available free of charge on the Company's website at www.ametek.com in the Investors' Financial News and Information section as soon as reasonably practicable after such material is electronically filed with, or furnished to, the U.S. Securities and Exchange Commission. AMETEK has posted free of charge on the investor information portion of its website its corporate governance guidelines, Board committee charters and codes of ethics. Those documents also are available in published form free of charge to any stockholder who requests them by writing to the Investor Relations Department at AMETEK, Inc., 1100 Cassatt Road, Berwyn, Pennsylvania, 19312.

Products and Services

AMETEK's products are marketed and sold worldwide through two operating groups: Electronic Instruments ("EIG") and Electromechanical ("EMG"). Electronic Instruments is a leader in the design and manufacture of advanced instruments for the process, aerospace, power and industrial markets. Electromechanical is a differentiated supplier of electrical interconnects, precision motion control solutions, specialty metals, thermal management systems, and floor care and specialty motors. Its end markets include aerospace and defense, medical, factory automation, mass transit, petrochemical and other industrial markets.

Competitive Strengths

Management believes AMETEK has significant competitive advantages that help strengthen and sustain its market positions. Those advantages include:

Significant Market Share. AMETEK maintains significant market shares in a number of targeted niche markets through its ability to produce and deliver high-quality products at competitive prices. EIG has significant market positions in niche segments of the process, aerospace, power and industrial instrument markets. EMG holds significant positions in niche segments of the aerospace and defense, precision motion control, factory automation, robotics, medical and mass transit markets.

Technological and Development Capabilities. AMETEK believes it has certain technological advantages over its competitors that allow it to maintain its leading market positions. Historically, it has demonstrated an ability to develop innovative new products that anticipate customer needs and to bring them to market successfully. It has consistently added to its investment in research, development and engineering and improved its new product development efforts with the adoption of Design for Six Sigma and Value Analysis/Value Engineering methodologies. These have improved the pace and quality of product innovation and resulted in the introduction of a steady stream of new products across all of AMETEK's lines of business.

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Efficient and Low-Cost Manufacturing Operations. Through its Operational Excellence initiatives, AMETEK has established a lean manufacturing platform for its businesses. In its effort to achieve best-cost manufacturing, AMETEK has relocated manufacturing and expanded plants in Brazil, China, the Czech Republic, Malaysia, Mexico, and Serbia. These plants offer proximity to customers and provide opportunities for increasing international sales. Acquisitions also have allowed AMETEK to reduce costs and achieve operating synergies by consolidating operations, product lines and distribution channels, benefitting both of AMETEK's operating groups.

Experienced Management Team. Another component of AMETEK's success is the strength of its management team and that team's commitment to improving Company performance. AMETEK senior management has extensive industry experience and an average of approximately 23 years of AMETEK service. The management team is focused on achieving results, building stockholder value and continually growing AMETEK. Individual performance is tied to financial results through Company-established stock ownership guidelines and equity incentive programs.

Business Strategy

AMETEK is committed to achieving earnings growth through the successful implementation of a Corporate Growth Plan. The goal of that plan is double-digit annual percentage growth in earnings per share over the business cycle and a superior return on total capital. In addition, other financial initiatives have or may be undertaken, including public and private debt or equity issuance, bank debt refinancing, local financing in certain foreign countries and share repurchases.

AMETEK's Corporate Growth Plan consists of four key strategies:

Operational Excellence. Operational Excellence is AMETEK's cornerstone strategy for improving profit margins and strengthening its competitive position across its businesses. Operational Excellence focuses on cost reductions, improvements in operating efficiencies and sustainable practices. It emphasizes team building and a participative management culture. AMETEK's Operational Excellence strategies include lean manufacturing, global sourcing, Design for Six Sigma and Value Engineering/Value Analysis. Each plays an important role in improving efficiency, enhancing the pace and quality of innovation and cost reduction. Operational Excellence initiatives have yielded lower operating and administrative costs, shortened manufacturing cycle times, higher cash flow from operations and increased customer satisfaction. It also has played a key role in achieving synergies from newly acquired companies.

Strategic Acquisitions. Acquisitions are a key to achieving the goals of AMETEK's Corporate Growth Plan. Since the beginning of 2010 through December 31, 2014, AMETEK has completed 26 acquisitions with annualized sales totaling approximately \$1.4 billion, including five acquisitions in 2014 (see *Recent Acquisitions*). AMETEK targets companies that offer the right strategic, technical and cultural fit. It seeks to acquire businesses in adjacent markets with complementary products and technologies. It also looks for businesses that provide attractive growth opportunities, often in new and emerging markets. Through these and prior acquisitions, AMETEK's management team has developed considerable skill in identifying, acquiring and integrating new businesses. As it has executed its acquisition strategy, AMETEK's mix of businesses has shifted toward those that are more highly differentiated and, therefore, offer better opportunities for growth and profitability.

Global & Market Expansion. AMETEK has experienced dramatic growth outside the United States, reflecting an expanding international customer base and the attractive growth potential of its businesses in overseas markets. Its largest presence outside the United States is in Europe, where it has operations in the United Kingdom, Germany, France, Denmark, Italy, the Czech Republic, Serbia, Romania, Austria, Switzerland and the Netherlands. While Europe remains its largest overseas market, AMETEK has pursued growth opportunities worldwide, especially in key emerging markets. It has grown sales in Latin America

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and Asia by building, acquiring and expanding manufacturing facilities in Reynosa, Mexico; Sao Paulo, Brazil; Shanghai, China; and Penang, Malaysia. AMETEK also has expanded its sales and service capabilities in China and enhanced its sales presence and engineering capabilities in India. Elsewhere in Asia and in the Middle East, it has expanded sales, service and technical support. Recently acquired businesses have further added to AMETEK's international presence. In recent years, AMETEK has acquired businesses with plants in Germany, Switzerland, the United Kingdom, Serbia and China as well as acquired domestically located businesses that derive a substantial portion of their revenues from global markets.

New Products. New products are essential to AMETEK's long-term growth. As a result, AMETEK has maintained a consistent investment in new product development and engineering. In 2014, AMETEK added to its highly differentiated product portfolio with a range of new products across each of its businesses. They included:

EDAX PRIAS, a ground-breaking imaging technique for users of scanning electron microscopes that provides them with unprecedented flexibility in conducting microstructural analysis;

Creaform Go!SCAN and HandySCAN 3D portable scanners that greatly expand the capabilities and ease of use of scanners for 3D printing and additive manufacturing applications;

JOFRA® ASC-400 portable signal calibrator that offers best-in-class accuracy and functionality for devices used to calibrate sensors and transmitters used in a wide range of industries;

Vision Research Phantom v2511 ultrahigh-speed digital camera that has the ability to capture a record 25,600 frames per second at full 1 megapixel resolution;

CAMECA LEAP 5000 atom probe, the latest advancement in tomographic atom probe technology and the only materials analysis technique able to provide 3D imaging and chemical composition analysis on the atomic scale;

Compact, higher efficiency and longer life Sunpower cryocooler that extends advanced cryogenic cooling into the mini cryocooler market;

Discus™ self-ventilating heat exchanger for cooling airborne and ground-based electronic and optical compartments without using contaminated external air;

NGI® (Next Generation Instrumentation) dashboard instruments for natural-gas fueled vehicles;

Cyclops L handheld non-contact thermometers that offer Bluetooth® connectivity and permit highly accurate, portable temperature measurement for industrial and environmental monitoring;

MINIVAP VPXpert portable vapor pressure tester that meets federally mandated requirements to vapor pressure test certain potentially volatile crude oil shipments and other liquids;

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SPECTRO Genesis condition monitoring system that provides cost-effective analysis of wear metals and other contaminants in lubricating oils;

Hunter Spring retractable medical cord reels that offer molded-in antibacterial protection;

JEMStar II high accuracy electrical revenue meter for electrical utility generation and transmission substations; and

Talyrond 500H surface finish and roundness measurement tool for ultraprecision manufacturing.

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2014 OVERVIEW

Operating Performance

In 2014, AMETEK achieved sales of \$4,022.0 million, an increase of 11.9% from 2013 and established records for orders, net sales, operating income, net income, diluted earnings per share and operating cash flow.

Financing

In the third quarter of 2014, AMETEK completed a private placement agreement to sell \$700 million in senior notes to a group of institutional investors. There are three funding dates for the senior notes. The first funding occurred in September 2014 for \$500 million, consisting of \$300 million in aggregate principal amount of 3.73% senior notes due September 2024, \$100 million in aggregate principal amount of 3.83% senior notes due September 2026 and \$100 million in aggregate principal amount of 3.98% senior notes due September 2029. The second funding date will be in June 2015 for \$50 million in aggregate principal amount of 3.91% senior notes due June 2025. The third funding date will be in August 2015 for \$150 million, consisting of \$100 million in aggregate principal amount of 3.96% senior notes due August 2025 and \$50 million in aggregate principal amount of 4.45% senior notes due August 2035. The senior notes will carry a weighted average interest rate of 3.88%. The proceeds from the first funding of the senior notes were used to pay down all domestic borrowings under AMETEK's revolving credit facility.

Recent Acquisitions

AMETEK spent \$573.6 million in cash, net of cash acquired, to acquire five businesses in 2014.

In January 2014, AMETEK acquired Teseq Group, a leading manufacturer of test and measurement instrumentation for electromagnetic compatibility (EMC) testing. Teseq is part of EIG.

In February 2014, AMETEK acquired VTI Instruments (VTI), a manufacturer of high precision test and measurement instrumentation. VTI is part of EIG.

In May 2014, AMETEK acquired Luphos GmbH. Luphos' core technology is used in the measurement of complex aspheric optical surfaces and other surfaces through non-contact methods. Luphos is part of EIG.

In June 2014, AMETEK acquired Zygo Corporation, a provider of optical metrology solutions, high-precision optics and optical assemblies used in a wide range of scientific, industrial and medical applications. Zygo is part of EIG.

In August 2014, AMETEK acquired Amptek, Inc., a manufacturer of instruments and detectors used to identify composition of materials using x-ray fluorescence technology. Amptek is part of EIG.

Financial Information About Reportable Segments, Foreign Operations and Export Sales

Information with respect to reportable segments and geographic areas is set forth in Note 15 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

AMETEK's international sales increased 10.7% to \$2,196.2 million in 2014. The increase in international sales resulted from recent acquisitions and includes the effect of foreign currency translation. AMETEK experienced increases in export sales of products manufactured in the United States, as well as increased sales from overseas operations. International sales represented 54.6% of consolidated net sales in 2014 compared with 55.2% in 2013.

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Description of Business

Described below are the products and markets of each reportable segment:

EIG

EIG is a leader in the design and manufacture of advanced instruments for the process, aerospace, power and industrial markets. Its growth is based on the four strategies outlined in AMETEK's Corporate Growth Plan. In many instances, its products differ from or are technologically superior to its competitors' products. It has achieved competitive advantage through continued investment in research, development and engineering to develop market leading products to serve their niche markets. It also has expanded its sales and service capabilities globally to serve its customers.

EIG is a leader in many of the specialized markets it serves. These include process control instruments for the oil and gas, petrochemical, pharmaceutical, semiconductor and factory automation industries. It provides a growing range of instruments to the laboratory equipment, ultraprecision manufacturing, medical, and test and measurement markets. It supplies the aerospace industry with aircraft and engine sensors, monitoring systems, power supplies, fuel and fluid measurement systems and data acquisition systems. It is a leader in power quality monitoring and metering, uninterruptible power systems, programmable power equipment, electromagnetic compatibility test equipment, sensors for gas turbines, and dashboard instruments for heavy trucks and other vehicles.

In 2014, 57% of EIG's net sales was to customers outside the United States. At December 31, 2014, EIG employed approximately 8,400 people, of whom approximately 1,500 were covered by collective bargaining agreements. EIG had 84 operating facilities: 51 in the United States, eight each in the United Kingdom and Germany, three in Canada, two each in China, France, Switzerland and Taiwan and one each in Argentina, Austria, Denmark, India, Japan and Mexico at December 31, 2014. EIG also shares operating facilities with EMG in Brazil, China and Mexico.

Process and Analytical Instrumentation Markets and Products

Process and analytical instrumentation sales represented 69% of EIG's 2014 net sales. These sales include process analyzers, emission monitors, spectrometers, elemental and surface analysis instruments, level, pressure and temperature sensors and transmitters, radiation measurement devices, level measurement devices, precision pumping systems, materials- and force-testing instruments, and contact and non-contact metrology products. Among the industries it serves are oil, gas and petrochemical refining, power generation, pharmaceutical manufacturing, specialty gas production, water and waste treatment, natural gas distribution, and semiconductor manufacturing. Its instruments are used for precision measurement in a number of applications, including radiation detection, trace element and materials analysis, nanotechnology research, ultraprecise manufacturing, and test and measurement.

Acquired in August 2014, Amptek provides x-ray detectors used in portable and laboratory instruments, electronics for nuclear and spaceflight instruments, and gamma-ray detectors for Homeland Security and nuclear emissions monitoring. It is a leader in x-ray fluorescence technology used to identify material composition in metal processing, environmental monitoring, petrochemical production, semiconductor manufacture, and research and development.

Acquired in June 2014, Zygo is a leader in non-contact metrology solutions, high-precision optics and optical assemblies used in a wide range of scientific, industrial, medical and bio-medical applications. Its products include high-precision topography and surface measurement instruments used in the manufacture of optical devices, medical implants, semiconductor wafers and precision machined components.

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Acquired in May 2014, Lumphos provides AMETEK with key non-contact metrology technology used to measure complex aspherical lenses and optical surfaces utilizing multi-wavelength laser interferometry metrology technology.

Acquired in February 2014, VTI manufactures high-precision test and measurement instruments. It is a leader in highly engineered products used to deliver integrated solutions for critical test and measurement applications. VTI's products include a wide range of signal conditioning and switching instruments, data acquisition solutions, and integrated test systems used in electrical and structural testing applications.

Acquired in October 2013, Creaform is a developer and innovator of portable 3D measurement technologies and a leader in engineering services used in 3D printing, reverse engineering and additive manufacturing.

Acquired in August 2013, Controls Southeast (CSI) offers custom-engineered, thermal management solutions for maintaining the temperature of liquids and gases in a broad range of industrial process applications.

Power and Industrial Instrumentation Markets and Products

Power and industrial instrumentation sales represented 23% of EIG's 2014 net sales. This business provides power monitoring and metering instruments, uninterruptible power supply systems and programmable power supplies used in a wide range of industrial settings. It is a leader in the design and manufacture of power measurement, quality monitoring and event recorders for use in power generation, transmission and distribution. It provides uninterruptible power supply systems, multifunction electric meters, annunciators, alarm monitoring systems and highly specialized communications equipment for smart grid applications. It also offers precision power supplies and power conditioning products and electrical immunity and EMC test equipment.

Acquired in January 2014, Teseq is a leader in test and measurement instruments used in EMC testing. It manufactures a broad line of conducted and radiated EMC compliance testing systems and radio-frequency amplifiers for a range of industries, including aerospace, automotive, consumer electronics, medical equipment, telecommunications and transportation.

Acquired in December 2013, Powervar leads in highly engineered power supply and conditioning products used to deliver reliable, high-quality power to critical applications, especially in the medical and life sciences industries.

Aerospace Instrumentation Markets and Products

Aerospace instrumentation sales represented 8% of EIG's 2014 net sales. AMETEK's aerospace products are designed to customer specifications and manufactured to stringent operational and reliability requirements. These products include airborne data systems, turbine engine temperature measurement products, vibration-monitoring systems, cockpit instruments and displays, fuel and fluid measurement products, sensors and switches. It serves all segments of the commercial and military aerospace market, including commercial airliners, business jets, regional aircraft and helicopters.

AMETEK operates in highly specialized aerospace market segments in which it has proven technological or manufacturing advantages versus its competition. Among its more significant competitive advantages is its 50-plus years' experience as an aerospace supplier. It has long-standing relationships with world's leading commercial and military aircraft, jet engine and original equipment manufacturers (OEMs) and aerospace system integrators. AMETEK also provides the commercial aerospace aftermarket with spare part sales and repair and overhaul services.

Customers

EIG is not dependent on any single customer such that the loss of that customer would have a material adverse effect on EIG's operations. Approximately 7% of EIG's 2014 net sales was made to its five largest customers.

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EMG

EMG is a differentiated supplier of electrical interconnects, precision motion control solutions, specialty metals, thermal management systems, and floor care and technical motors. Differentiated businesses, those that compete on performance rather than price, account for an increasing proportion of EMG's overall sales base. These businesses, which include EMG's electrical interconnects, precision motion controls, technical motors and specialty metals, represented 85% of EMG's net sales in 2014.

EMG is a leader in many of the niche markets in which it competes. These include its highly engineered electrical connectors and electronics packaging used in aerospace and defense, medical and industrial applications as well as its advanced technical motor and motion control products, which are used in a wide range of medical devices, office and business equipment, factory automation, robotics and other applications.

EMG supplies high-purity powdered metals, strip and foil, specialty clad metals and metal matrix composites. Its blowers and heat exchangers provide electronic cooling and environmental control for the aerospace and defense industries. Its motors are widely used in commercial appliances, fitness equipment, food and beverage machines, hydraulic pumps, industrial blowers and vacuum cleaners. Additionally, it operates a global network of aviation maintenance, repair and overhaul (MRO) facilities.

EMG designs and manufactures products that, in many instances, are significantly different from or technologically superior to competitors products. It has achieved competitive advantage through continued investment in research, development and engineering, cost reductions from operational improvements, acquisition synergies, improved supply chain management and production relocations to lower-cost locales.

In 2014, 51% of EMG's net sales was to customers outside the United States. At December 31, 2014, EMG employed approximately 6,800 people, of whom approximately 1,700 were covered by collective bargaining agreements. EMG had 64 operating facilities: 36 in the United States, ten in the United Kingdom, three each in China and France, two each in the Czech Republic, Germany, Italy and Mexico and one each in Brazil, Malaysia, Serbia and Taiwan at December 31, 2014.

Technical Motors and Systems Markets and Products

Technical motors and systems sales represented 53% of EMG's 2014 net sales. Technical motors and systems consist of precision motion control solutions, brushless motors, blowers and pumps, heat exchangers and other electromechanical systems. These products are used in aerospace and defense, semiconductor equipment, computer equipment, mass transit, medical equipment and power industries among others.

EMG produces 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. In addition, EMG provides the commercial and military aerospace industry with third-party MRO services on a global basis with facilities in the United States, Europe and Asia.

Engineered Materials, Interconnects and Packaging Markets and Products

Engineered materials, interconnects and packaging sales represented 32% of EMG's 2014 net sales. AMETEK is a leader in highly engineered electrical connectors and electronics packaging used to protect sensitive devices and mission-critical electronics. Its electrical connectors, terminals, headers and packaging are designed specifically for harsh environments and highly customized applications. In addition, AMETEK is an innovator and market leader in specialized metal powder, strip, wire and bonded products used in medical, aerospace and defense, telecommunications, automotive and general industrial applications.

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Floor care and Specialty Motor Markets and Products

Floor care and specialty motor sales represented 15% of EMG's 2014 net sales. Its motors and motor-blowers are used in a wide range of products, such as household, commercial and personal care appliances, fitness equipment, food and beverage machines, lawn and garden equipment, material handling equipment, hydraulic pumps, industrial blowers, vacuum cleaners, and other household and commercial floor care products.

Customers

EMG is not dependent on any single customer such that the loss of that customer would have a material adverse effect on EMG's operations. Approximately 8% of EMG's 2014 net sales was made to its five largest customers.

Marketing

AMETEK's marketing efforts generally are organized and carried out at the business unit level. EIG makes use of distributors and sales representatives to market its products along with direct sales for its more technically sophisticated products. Within aerospace, its specialized customer base of aircraft and jet engine manufacturers is served primarily by direct sales engineers. Given the technical nature of many of its products, as well as its significant worldwide market share, EMG conducts much of its domestic and international marketing activities through a direct sales force and makes some use of sales representatives and distributors, both in the United States and in other countries.

Competition

In general, most of 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 measuring and control instruments and in the U.S. heavy-vehicle and power instruments markets. It also is a major instrument and sensor supplier to commercial aviation. Competition is strong and may become intense for certain EIG products. In process and analytical instruments, numerous companies compete in each market on the basis of product quality, performance and innovation. In aerospace and power instruments, AMETEK competes with a number of diversified companies depending on the specific market segment.

EMG's differentiated businesses compete with a limited number of companies in each of its markets. Competition is generally based on product innovation, performance and price. There also is competition from alternative materials and processes.

Availability of Raw Materials

AMETEK's reportable segments obtain raw materials and supplies from a variety of sources and generally from more than one supplier. For EMG, however, certain items, including various base metals and certain steel components, are available from only a limited number of suppliers. AMETEK believes its sources and supplies of raw materials are adequate for its needs.

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Backlog and Seasonal Variations of Business

AMETEK's backlog of unfilled orders by reportable segment was as follows at December 31:

	2014	2013 (In millions)	2012
Electronic Instruments	\$ 623.2	\$ 550.6	\$ 526.5
Electromechanical	574.1	589.4	585.8
Total	\$ 1,197.3	\$ 1,140.0	\$ 1,112.3

The higher backlog at December 31, 2014 was due to the acquired backlog of 2014 acquisitions.

Of the total backlog of unfilled orders at December 31, 2014, approximately 90% is expected to be shipped by December 31, 2015. The Company believes that neither its business as a whole, nor either of its reportable segments, is subject to significant seasonal variations, although certain individual operations experience some seasonal variability.

Research, Development and Engineering

AMETEK is committed to, and has consistently invested in, research, development and engineering activities to design and develop new and improved products. Research, development and engineering costs before customer reimbursement were \$208.3 million, \$178.7 million and \$154.8 million in 2014, 2013 and 2012, respectively. Customer reimbursements in 2014, 2013 and 2012 were \$8.9 million, \$9.2 million and \$5.0 million, respectively. These amounts included net Company-funded research and development expenses of \$119.3 million, \$93.9 million and \$84.9 million in 2014, 2013 and 2012, respectively. All such expenditures were directed toward the development of new products and processes and the improvement of existing products and processes.

Environmental Matters

Information with respect to environmental matters is set forth in the section of Management's Discussion and Analysis of Financial Condition and Results of Operations entitled "Environmental Matters" and in Note 13 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Patents, Licenses and Trademarks

AMETEK owns numerous unexpired U.S. and foreign patents, including counterparts of its more important U.S. patents, in the major industrial countries of the world. It is a licensor or licensee under patent agreements of various types, and its products are marketed under various registered and unregistered U.S. and foreign trademarks and trade names. AMETEK, however, does not consider any single patent or trademark, or any group of them, essential either to its business as a whole or to either one of its reportable segments. The annual royalties received or paid under license agreements are not significant to either of its reportable segments or to AMETEK's overall operations.

Employees

At December 31, 2014, AMETEK employed approximately 15,400 people at its EIG, EMG and corporate operations, of whom approximately 3,200 employees were covered by collective bargaining agreements. AMETEK has one collective bargaining agreement that expires in 2015 that covers fewer than 100 employees. It expects no material adverse effects from the pending labor contract negotiations.

Working Capital Practices

AMETEK does not have extraordinary working capital requirements in either of its reportable segments. Its customers generally are billed at normal trade terms that may include extended payment provisions. Inventories are closely controlled and maintained at levels related to production cycles and normal delivery requirements of customers.

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Item 1A. Risk Factors

You should consider carefully the following risk factors and all other information contained in this Annual Report on Form 10-K and the documents we incorporate by reference in this Annual Report on Form 10-K. Any of the following risks could materially and adversely affect our business, financial condition, results of operations and cash flows.

A downturn in the economy generally or in the markets we serve could adversely affect our business.

Several of the industries in which we operate are cyclical in nature and therefore are affected by factors beyond our control. A downturn in the U.S. or global economy, and, in particular, in the aerospace and defense, process instrumentation or power markets could have an adverse effect on our business, financial condition and results of operations.

Our growth strategy includes strategic acquisitions. We may not be able to consummate future acquisitions or successfully integrate recent and future acquisitions.

A portion of our growth has been attributed to acquisitions of strategic businesses. Since the beginning of 2010, through December 31, 2014, we have completed 26 acquisitions. We plan to continue making strategic acquisitions to enhance our global market position and broaden our product offerings. Although we have been successful with our acquisition strategy in the past, our ability to successfully effectuate acquisitions will be dependent upon a number of factors, including:

Our ability to identify acceptable acquisition candidates;

The impact of increased competition for acquisitions, which may increase acquisition costs and affect our ability to consummate acquisitions on favorable terms and may result in us assuming a greater portion of the seller's liabilities;

Successfully integrating acquired businesses, including integrating the financial, technological and management processes, procedures and controls of the acquired businesses with those of our existing operations;

Adequate financing for acquisitions being available on terms acceptable to us;

U.S. and foreign competition laws and regulations affecting our ability to make certain acquisitions;

Unexpected losses of key employees, customers and suppliers of acquired businesses;

Mitigating assumed, contingent and unknown liabilities; and

Challenges in managing the increased scope, geographic diversity and complexity of our operations.

The process of integrating acquired businesses into our existing operations may result in unforeseen operating difficulties and may require additional financial resources and attention from management that would otherwise be available for the ongoing development or expansion of our existing operations. Furthermore, even if successfully integrated, the acquired business may not achieve the results we expected or produce expected benefits in the time frame planned. Failure to continue with our acquisition strategy and the successful integration of acquired businesses could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not properly execute, or realize anticipated cost savings or benefits from, our cost reduction initiatives.

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Our success is partly dependent upon properly executing, and realizing cost savings or other benefits from, our ongoing production and procurement initiatives, including the relocation of manufacturing operations to low-cost locales. These initiatives are primarily designed to make the company more efficient, which is necessary in the company's highly competitive industry. These initiatives are often complex, and a failure to implement them properly may, in addition to not meeting projected cost savings or benefits, adversely affect our business and operations.

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Our substantial international sales and operations are subject to customary risks associated with international operations.

International sales for 2014 and 2013 represented 54.6% and 55.2% of our consolidated net sales, respectively. As a result of our growth strategy, we anticipate that the percentage of sales outside the United States will increase in the future. Approximately half of our international sales are of products manufactured outside the United States. We have manufacturing operations in 18 countries outside the United States, with significant operations in China, the Czech Republic and Mexico. A prolonged disruption of our ability to obtain a supply of goods from these countries could have a material adverse effect on our operations. International operations are subject to the customary risks of operating in an international environment, including:

Potential imposition of trade or foreign exchange restrictions;

Overlap of different tax structures;

Unexpected changes in regulatory requirements;

Changes in tariffs and trade barriers;

the difficulty and/or costs of designing and implementing an effective control environment across diverse regions and employee bases;

Restrictions on currency repatriation;

General economic conditions;

Unstable political situations;

Nationalization of assets; and

Compliance with a wide variety of international and U.S. laws and regulatory requirements.

Furthermore, fluctuations in foreign currency exchange rates, including changes in the relative value of currencies in the countries where we operate, subject us to exchange rate exposure and may adversely affect our financial statements. For example, increased strength in the U.S. dollar will increase the effective price of our products sold overseas, which may adversely affect sales or require us to lower our prices. In addition, our consolidated financial statements are presented in U.S. dollars, and we must translate our assets, liabilities, sales and expenses into U.S. dollars for external reporting purposes. As a result, changes in the value of the U.S. dollar due to fluctuations in currency exchange rates or currency exchange controls may materially and negatively affect the value of these items in our consolidated financial statements, even if their value has not changed in their local currency.

Our international sales and operations may be adversely impacted by compliance with export laws.

We are required to comply with various import, export, export control and economic sanctions laws, which may affect our transactions with certain customers, business partners and other persons, including in certain cases dealings with or between our employees and subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies and in other circumstances, we may be required to obtain an export license before exporting a controlled item. In addition, failure to comply with

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any of these regulations could result in civil and criminal, monetary and non-monetary penalties, disruptions to our business, limitations on our ability to import and export products and services and damage to our reputation.

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Any inability to hire, train and retain a sufficient number of skilled officers and other employees could impede our ability to compete successfully.

If we cannot hire, train and retain a sufficient number of qualified employees, we may not be able to effectively integrate acquired businesses and realize anticipated results from those businesses, manage our expanding international operations and otherwise profitably grow our business. Even if we do hire and retain a sufficient number of employees, the expense necessary to attract and motivate these officers and employees may adversely affect our results of operations.

If we are unable to develop new products on a timely basis, it could adversely affect our business and prospects.

We believe that our future success depends, in part, on our ability to develop, on a timely basis, technologically advanced products that meet or exceed appropriate industry standards. Although we believe we have certain technological and other advantages over our competitors, maintaining such advantages will require us to continue investing in research and development and sales and marketing. There can be no assurance that we will have sufficient resources to make such investments, that we will be able to make the technological advances necessary to maintain such competitive advantages or that we can recover major research and development expenses. We are not currently aware of any emerging standards or new products which could render our existing products obsolete, although there can be no assurance that this will not occur or that we will be able to develop and successfully market new products.

Our technology is important to our success and our failure to protect this technology could put us at a competitive disadvantage.

Many of our products rely on proprietary technology; therefore we endeavor to protect our intellectual property rights through patents, copyrights, trade secrets, trademarks, confidentiality agreements and other contractual provisions. Despite our efforts to protect proprietary rights, unauthorized parties or competitors may copy or otherwise obtain and use our products or technology. In addition, our ability to protect and enforce our intellectual property rights may be limited in certain countries outside the U.S. Actions to enforce our rights may result in substantial costs and diversion of resources and we make no assurances that any such actions will be successful.

A shortage of, or price increases for, our raw materials could increase our operating costs.

While we manufacture certain parts and components used in our products, we require substantial amounts of raw materials and purchase some parts and components from suppliers. The availability and prices for raw materials, parts and components may be subject to curtailment or change due to, among other things, supplier's allocation to other purchasers, interruptions in production by suppliers, changes in exchange rates and prevailing price levels. In addition, 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, which could adversely affect our business, financial condition, results of operations and cash flows.

Certain environmental risks may cause us to be liable for costs associated with hazardous or toxic substance clean-up which may adversely affect our financial condition.

Our businesses, operations and facilities are subject to a number of federal, state, local and foreign environmental and occupational health and safety laws and regulations concerning, among other things, air emissions, discharges to waters and the use, manufacturing, generation, handling, storage, transportation and disposal of hazardous substances and wastes. Environmental risks are inherent in many of our manufacturing operations. Certain laws provide that a current or previous owner or operator of property may be liable for the

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costs of investigating, removing and remediating hazardous materials at such property, regardless of whether the owner or operator knew of, or was responsible for, the presence of such hazardous materials. In addition, the Comprehensive Environmental Response, Compensation and Liability Act generally imposes joint and several liability for clean-up costs, without regard to fault, on parties contributing hazardous substances to sites designated for clean-up under the Act. We have been named a potentially responsible party at several sites, which are the subject of government-mandated clean-ups. As the result of our ownership and operation of facilities that use, manufacture, store, handle and dispose of various hazardous materials, we may incur substantial costs for investigation, removal, remediation and capital expenditures related to compliance with environmental laws. While it is not possible to precisely quantify the potential financial impact of pending environmental matters, based on our experience to date, we believe that the outcome of these matters is not likely to have a material adverse effect on our financial position or future results of operations. In addition, new laws and regulations, new classification of hazardous materials, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that future environmental liabilities will not occur or that environmental damages due to prior or present practices will not result in future liabilities.

We are subject to numerous governmental regulations, which may be burdensome or lead to significant costs.

Our operations are subject to numerous federal, state, local and foreign governmental laws and regulations. In addition, existing laws and regulations may be revised or reinterpreted and new laws and regulations, including with respect to climate change, may be adopted or become applicable to us or customers for our products. We cannot predict the form any such new laws or regulations will take or the impact any of these laws and regulations will have on our business or operations.

We may be required to defend lawsuits or pay damages in connection with alleged or actual harm caused by our products.

We face an inherent business risk of exposure to product liability claims in the event that the use of our products is alleged to have resulted in harm to others or to property. For example, our operations expose us to potential liabilities for personal injury or death as a result of the failure of, for instance, an aircraft component that has been designed, manufactured or serviced by us. We may incur a significant liability if product liability lawsuits against us are successful. While we believe our current general liability and product liability insurance is adequate to protect us from future claims, we cannot assure that coverage will be adequate to cover all claims that may arise. Additionally, we may not be able to maintain insurance coverage in the future at an acceptable cost. Any liability not covered by insurance or for which third-party indemnification is not available could have a material adverse effect on our business, financial condition and results of operations.

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

Our markets are highly competitive. We compete, domestically and internationally, with individual producers, as well as with vertically integrated manufacturers, some of which have resources greater than we do. The principal elements of competition for our products are product technology, quality, service, distribution and price. EMG's competition in specialty metal products stems from alternative materials and processes. In the markets served by EIG, although we believe EIG is a market leader, competition is strong and could intensify. In the aerospace and heavy-vehicle markets served by EIG, a limited number of companies compete on the basis of product quality, performance and innovation. Our competitors may develop new or improve existing products that are superior to our products or may adapt more readily to new technologies or changing requirements of our customers. There can be no assurance that our business will not be adversely affected by increased competition in the markets in which it operates or that our products will be able to compete successfully with those of our competitors.

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Restrictions contained in our revolving credit facility and other debt agreements may limit our ability to incur additional indebtedness.

Our existing revolving credit facility and other debt agreements contain restrictive covenants, including restrictions on our ability to incur indebtedness. These restrictions could limit our ability to effectuate future acquisitions, limit our ability to pay dividends, limit our ability to make capital expenditures or restrict our financial flexibility. Our credit facility contains covenants requiring us to achieve certain financial and operating results and maintain compliance with specified financial ratios. Our ability to meet the financial covenants or requirements in our credit facility may be affected by events beyond our control, and we may not be able to satisfy such covenants and requirements. A breach of these covenants or our inability to comply with the financial ratios, tests or other restrictions contained in our facility could result in an event of default under this facility. Upon the occurrence of an event of default under our credit facility, and the expiration of any grace periods, the lenders could elect to declare all amounts outstanding under the facility, together with accrued interest, to be immediately due and payable. If this were to occur, our assets may not be sufficient to fully repay the amounts due under this facility or our other indebtedness.

Our business and financial performance may be adversely affected by information technology and other business disruptions.

Our facilities, supply chains, distribution systems and information technology systems may be impacted by natural or man-made disruptions, including information technology attacks or failures, threats to physical security, armed conflict, as well as damaging weather or other acts of nature, pandemics or other public health crises. For example, our information technology systems may be damaged, disru