



First Quarter Fiscal 2023 Earnings Call Presentation

November 4, 2022





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KEY Q1 FY23 MESSAGES

Q1 FY23 RESULTS & TRENDS

- Sixth consecutive quarter of record adjusted operating margin; 110 bps higher than the previous record; Four of five segments reported adjusted operating margin of at least 16%
- Solid execution on price realization and productivity actions withstand high inflation and foreign currency headwinds
- 7.3% YOY (fixed currency) organic growth, led by Specialty and Engraving Segments

GROWTH & MARGIN HIGHLIGHTS

- Fast growth market sales increased ~30% YOY to \$17 million in Q1 FY23 and are expected to increase over 35% from ~\$57M in FY22 to ~\$79M in FY23
- Total company backlog realizable in under one year ~ \$266 million, representing ~ 12% increase YOY
- Solar energy project with ENEL, which began in 2017, is progressing to plan and now in the pilot plant design phase

PRODUCTIVITY & FINANCE INITIATIVES

- Driving cost management through productivity and pricing actions
- Ongoing improvement in return on invested capital metrics, with annualized Q1 FY23 ROIC at ~12%, an increase of 160 bps YOY
- Repatriated ~ \$31M in FY22; expect to repatriate between \$30M to \$35M in FY23

STRONG FINANCIAL POSITION

- FCF of (\$8M) in Q1 FY23 primarily due to annual bonus payments, one-time legal settlement payment, and impact of supply chain inefficiencies. FCF conversion back to target level in Q2, with further improvements in the second half of FY23
- ~\$294M in available liquidity and net debt to adjusted EBITDA ratio of 0.7x
- Repurchased ~90,000 shares for ~\$8.4M in Q1 FY23; ~\$82.3M remaining on repurchase authorization
- Declared 233rd consecutive dividend, ~ 8% increase YOY

OUTLOOK

- In FY23, expect continued improvement in financial metrics; key investments focused on growth initiatives and capacity expansion
- In Q2 FY23, expect slightly higher revenue and similar operating margin as compared to Q1 FY23. Expect mid-high single digit organic growth (largely offset by currency headwinds) and moderate to significant increase in operating margin YOY



ELECTRONICS

YOY Comparison

\$ in 000's	Q1 FY23	Q1 FY22	% Change
Revenue	\$75,199	\$75,836	(0.8%)
Operating Income	\$18,141	\$18,273	(0.7%)
OI Margin	24.1%	24.1%	

Focus on Automation and Energy Efficiency

Magnetics: Components for smart conveyer system for manufacturing and warehouse automation



Sensors & Switching Technologies: Continue to see robust growth in high voltage and high isolation relays in renewable energy applications



Q1 FY23 Summary

- **YOY organic revenue growth of 4.3%** and 1.5% contribution from acquisitions, offset by a 6.6% impact from foreign exchange
- **Positive trends** in industrial applications, medical, power management and EV-related markets with some softness in white goods
- **Similar operating income YOY** with organic sales growth and productivity initiatives offsetting inflationary pressures and currency impact
- **New Business Opportunity funnel is currently at \$62M;** key contributors include magnetics components for Automation & Mil-Aero, sensors for Agriculture Equipment and relays for Electric Vehicle and Solar applications
- Sequentially, **backlog remains at similar levels**

Q2 FY23 Outlook

- Sequentially, **expect similar revenue** as relay and magnetic components growth in North America is offset by softness in Europe and China white goods end markets
- Expect **slight decline in operating margin** due to mix and higher growth investments
- **Solid NBO funnel** will continue to support growth going forward



ENGRAVING

YOY Comparison

\$ in 000's	Q1FY23	Q1FY22	% Change
Revenue	\$35,024	\$35,170	(0.4%)
Operating Income	\$5,854	\$4,874	20.1%
OI Margin	16.7%	13.9%	

Q1 FY23 Summary

- **YOY organic revenue growth of 7.9%** more than offset by 8.3% impact from currency
- **Operating income increased** due to read out of previously announced productivity actions in North America and Europe
- **Laneway sales of ~\$14.5M grew ~5.2%** YOY including positive trends in soft trim tools, laser engraving, and tool finishing

Innovative Texture Services Opening New Possibilities for Customers



Q2 FY23 Outlook

- Sequentially, expect similar revenue and a **slight decrease in operating margin** due to project mix
- Continued **growth in soft trim** demand in FY23 and expansion in Asia

- Ford's door speaker mold was laser engraved with an attractive carbon fiber texture
- Advanced laser technology created a rainbow-like reflection, without paint



SCIENTIFIC

YOY Comparison

\$ in 000's	Q1 FY23	Q1 FY22	% Change
Revenue	\$18,456	\$21,529	(14.3%)
Operating Income	\$3,723	\$4,508	(17.4%)
OI Margin	20.2%	20.9%	

Differentiated Product, Favorable Inventory Position Poised to Meet Growing Market Demand



NSF 45 certified med refrigerator

- **First to launch** products to meet the new NSF/NIST Vaccine Storage Standards in the industry
- **Product offering expanded** to doubled available sizes
- **Patent-pending design** is a differentiator
- **Favorable** inventory position has minimized supply chain impact
- Demand for NSF 45 Vaccine storage continues to grow with medical advancements

Q1 FY23 Summary

- **As expected, revenue decreased** due to lower demand associated with COVID-19 vaccine storage
- **Operating income decreased** due to lower volume, partially offset by price and productivity actions
- Increased R&D investment fueling a healthy **new product development pipeline**

Q2 FY3 Outlook

- Sequentially, expect **slight revenue increase and slightly lower to similar operating margin** primarily due to R&D investments and higher anticipated spend on advertising and tradeshows
- **Active pipeline** of new product development, further **expanding intellectual property portfolio**



ENGINEERING TECHNOLOGIES

YOY Comparison

\$ in 000's	Q1 FY23	Q1 FY22	% Change
Revenue	\$16,999	\$17,573	(3.3%)
Operating Income	\$1,865	\$899	107.5%
OI Margin	11.0%	5.1%	

New Space Market Development and Project Wins



Core stage fuel tank dome

- Developing products for large number of customers from established market leaders to innovative startups
- Winning new business in core fuel tank dome solution as well as adjacent rocket engine and structural components.

Q1 FY23 Summary

- **As expected, revenue decreased** reflecting timing of projects and the impact of foreign currency
- **Operating income increased** due to productivity and efficiency initiatives and the impact of a one-time project related charge in fiscal first quarter 2022 that did not repeat

Q2 FY23 Outlook

- Sequentially, expect a **moderate to significant increase in revenue** reflecting project phasing
- Expect **moderate to significant increase in operating margin** from additional volume and productivity initiatives



SPECIALTY SOLUTIONS

YOY Comparison

\$ in 000's	Q1 FY23	Q1 FY22	% Change
Revenue	\$34,922	\$25,502	36.9%
Operating Income	\$6,077	\$2,815	115.9%
OI Margin	17.4%	11.0%	

PROCON: New Helical Gear Pump



- Professional espresso shot and milk foam quality
- Helical Gear design requires 40% less energy than other pumps typically used in this application
- Potential additional segment penetration in cocktail equipment, RO, and flavor shots

Q1 FY23 Summary

- Revenue increased **\$9.4M or 36.9% YOY** due to **strong market demand** in Hydraulics business unit, price realization, and a favorable year-over-year comparison due to a labor work stoppage in two plants during fiscal first quarter 2022
- **Operating income increase** reflected price realization and volume increase

Q2 FY23 Outlook

- Sequentially, **expect revenue to slightly decrease** due to seasonality in the food service end market and **similar operating margin** as volume decline is offset by pricing and productivity actions
- Ongoing focus on **operational excellence** and **price realization** initiatives in FY23



Q1 FY23 SUMMARY

Standex International Corporation (In millions)	First Quarter Ended September 30			Comments
	2022	2021	Y/Y Δ%	
Net Sales	\$180.6	\$175.6	2.8%	Organic growth in Specialty and Engraving partially offset by decline in Scientific Organic growth: 7.3% Acquisitions: 0.6% F/X: -5.1%
Adjusted Operating Income	27.2	23.5	15.7%	
Interest expense	1.2	1.7	-31.0%	US R&D tax credit project and Europe tax planning activities
Tax rate	23.6%	25.0%		
Adjusted Net Income from continuing operations	19.1	16.3	17.0%	EPS growth despite inflation & F/X headwinds Repurchased ~90,000 shares in Q1 FY23
Adjusted EPS	\$1.60	\$1.34	19.4%	
Diluted Average Shares	12.0	12.1	-1.6%	
Percent of Revenues:	Q1/23	Q1/22	Y/Y Δ%	
Adjusted Operating Income	15.0%	13.4%	160 bps	Realization of price and productivity actions
Adjusted Net Income from continuing operations	10.6%	9.3%	130 bps	
Other Financial Data:				
EBITDA	32.3	30.5	5.7%	
Adjusted EBITDA	33.2	31.2	6.3%	
Margin	18.4%	17.8%	60 bps	
Free Cash Flow Data:				
Cash Provided by Continuing Operations	(2.7)	13.1	NM	Annual bonus payments, one-time legal settlement payment, and impact of supply chain inefficiencies
Capital expenditures	5.3	5.0	6.0%	
Free Cash Flow	(8.0)	8.1	NM	



Q1 FY23 SEGMENT SNAPSHOT

Segment Breakdown (in millions)	Q1/23	Q1/22	Y/Y Δ%	Comments
Net Sales by Segment				
Electronics	\$75.2	\$75.8	-0.8%	Organic growth: 4.3%; Acquisitions: 1.5%; F/X: -6.6%
Engraving	35.0	35.2	-0.4%	Organic growth: 7.9%; F/X: -8.3%
Scientific	18.5	21.5	-14.3%	Lower demand for COVID vaccine storage
Engineering Technologies	17.0	17.6	-3.3%	Organic growth: -0.9%; F/X: -2.4%
Specialty Solutions	34.9	25.5	36.9%	Organic growth: 39.3%; F/X: -2.4%
Total	180.6	175.6	2.8%	
Adjusted Income from Operations by Segment				
Electronics	18.1	18.3	-0.7%	Organic sales growth & productivity initiatives
Engraving	5.9	4.9	20.1%	Productivity actions, partially offset by F/X
Scientific	3.7	4.5	-17.4%	Lower volume, partially offset by price & productivity
Engineering Technologies	1.9	0.9	107.5%	Productivity and efficiency initiatives & favorable comp.
Specialty Solutions	6.1	2.8	115.9%	Price and volume increases
Corporate	(8.5)	(7.9)	7.8%	
Total Adjusted Income from Operations	27.2	23.5	15.7%	
Adjusted Operating Income Margin by Segment				
Electronics	24.1%	24.1%	0 bps	
Engraving	16.7%	13.9%	280 bps	
Scientific	20.2%	20.9%	-70 bps	
Engineering Technologies	11.0%	5.1%	590 bps	
Specialty Solutions	17.4%	11.0%	640 bps	
Total Adjusted Operating Income Margin	15.0%	13.4%	160 bps	



Q1 FY23 CAPITALIZATION

FAVORABLE LIQUIDITY PROFILE

- Net debt to adj. EBITDA of 0.7x
- Net debt to total capital of 16.3%
- ~\$294M of available liquidity
- No repatriation in Q1 FY23; expect to repatriate between \$30M to \$35M in FY23

CAPITAL SPENDING AND D&A

- \$5.3M of CAPEX in Q1 FY23 compared to \$5.0M in Q1 FY22
- CAPEX expected to be between \$35M to \$40M in FY23
- Expect depreciation between \$20.0M and \$21.0M in FY23
- Expect amortization between \$7.0M and \$9.0M in FY23

Standex International Corporation		
(In millions)	9/30/2022	6/30/2022
Debt including issuance costs	\$198.9	\$174.8
Cash	103.4	104.8
Net Debt	\$95.5	\$70.0
Net Debt to Capital Ratio	16.3%	12.3%
Funded Debt to Capital	28.8%	26.0%
Leverage Ratio per Bank Credit Agreement	1.16	0.98
TTM Adjusted EBITDA	\$131.0	\$129.1
Net Debt to Adjusted EBITDA	0.73x	0.54x

**STRONG BALANCE SHEET
AND SIGNIFICANT FINANCIAL
FLEXIBILITY**



KEY TAKEAWAYS

- Record adjusted operating margin in Q1 FY23 driven by continued business execution
 - Organic growth of 7.3%
 - Adjusted operating margin of 15.0% increased 110 bps over previous Q4 FY22 record
 - Adjusted EPS growth of 19.4%
- Expect continued improvement in financial metrics in FY23
- Early innings of the maturation of opportunities related to emerging, sustainable and secular global trends
- Strong pricing disciplines & OpEx actions driving consistent margin improvement
- Substantial financial flexibility provides optionality to execute on active pipeline of organic and inorganic growth opportunities



APPENDIX



Q1 FY23 REVENUE DRIVERS

Q1 FY23 YOY Change %	Electronics	Engraving	Scientific	Engineering Technologies	Specialty Solutions	Total
Organic	4.3%	7.9%	(14.3%)	(0.9%)	39.3%	7.3%
Divestiture	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisitions	1.5%	0.0%	0.0%	0.0%	0.0%	0.6%
Currency	(6.6%)	(8.3%)	0.0%	(2.4%)	(2.4%)	(5.1%)
Total	(0.8%)	(0.4%)	(14.3%)	(3.3%)	36.9%	2.8%



Q1 FY23 GAAP TO NON-GAAP INCOME BRIDGE

	Q1 FY23				Q1 FY22				% Change		
	Pre-tax Income	Tax	Net Income	EPS	Pre-tax Income	Tax	Net Income	EPS	Pre-tax Income	Net Income	EPS
Reported - GAAP	\$ 24.1	\$ (5.8)	\$ 18.3	\$ 1.53	\$ 21.1	\$ (5.3)	\$ 15.8	\$ 1.30	14.2%	15.8%	17.7%
Add:											
Restructuring charges	0.6	(0.1)	0.4	0.04	0.4	(0.1)	0.3	0.03			
Acquisition-related costs	0.3	(0.1)	0.2	0.02	0.2	(0.1)	0.2	0.01			
Less:											
Discrete tax Items	-	0.1	0.1	0.01	-	-	-	-			
Adjusted	\$ 25.0	\$ (5.9)	\$ 19.1	\$ 1.60	\$ 21.7	\$ (5.4)	\$ 16.3	\$ 1.34	14.8%	17.0%	19.4%

Diluted Shares 11,952 12,213

Note : Some totals will not foot due to rounding