UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2021

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

Commission File Number 001-07233

STANDEX INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	31-0596149
(State of incorporation)	*(IRS Employer Identification No.)*
23 Keewaydin Drive, Salem, New Hampshire *(Address of principal executive offices)*	03079 *(Zip Code)*

(603) 893-9701
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $1.50 Per Share	SXI	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of Registrant's Common Stock outstanding on February 1, 2022 was 12,235,330.

STANDEX INTERNATIONAL CORPORATION

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PART I. FINANCIAL INFORMATION
ITEM 1

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Balance Sheets

(In thousands, except per share data)	December 31, 2021	June 30, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 147,155	$ 136,367
Accounts receivable, less allowance for credit losses of $2,034 and $1,588 at December 31, 2021 and June 30, 2021, respectively	107,107	109,883
Inventories	102,223	91,862
Prepaid expenses and other current assets	28,869	23,504
Income taxes receivable	12,025	12,750
Total current assets	397,379	374,366
Property, plant, and equipment, net	129,242	133,373
Intangible assets, net	92,852	98,929
Goodwill	273,760	278,054
Deferred tax asset	7,851	9,566
Operating lease right-of-use asset	37,819	37,276
Other non-current assets	31,667	30,659
Total non-current assets	573,191	587,857
Total assets	$ 970,570	$ 962,223
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 75,254	$ 74,756
Accrued liabilities	53,941	61,717
Income taxes payable	8,815	7,236
Total current liabilities	138,010	143,709
Long-term debt	199,660	199,490
Operating lease long-term liabilities	30,114	29,041
Accrued pension and other non-current liabilities	79,336	83,558
Total non-current liabilities	309,110	312,089
Contingencies (Note 15)		
Stockholders' equity:		
Common stock, par value $1.50 per share, 60,000,000 shares authorized, 27,984,278 shares issued, 12,036,180 and 12,044,405 shares outstanding at December 31, 2021 and June 30, 2021	41,976	41,976
Additional paid-in capital	84,560	80,788
Retained earnings	877,158	852,489
Accumulated other comprehensive loss	(120,010)	(116,140)
Treasury shares: 15,948,098 and 15,939,873 shares at December 31, 2021 and June 30, 2021	(360,234)	(352,688)
Total stockholders' equity	523,450	506,425
Total liabilities and stockholders' equity	$ 970,570	$ 962,223

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands, except per share data)	2021	2020	2021	2020
Net sales	$ 185,709	$ 156,283	$ 361,319	$ 307,569
Cost of sales	116,937	98,267	226,310	194,816
Gross profit	68,772	58,016	135,009	112,753
Selling, general, and administrative expenses	43,531	40,199	86,283	79,069
Restructuring costs	843	509	1,283	1,996
Acquisition related costs	925	570	1,142	596
Other operating (income) expense, net	1,700	-	1,700	-
Total operating expenses	46,999	41,278	90,408	81,661
Income from operations	21,773	16,738	44,601	31,092
Interest expense	1,526	1,601	3,246	3,086
Other non-operating (income) expense, net	288	(60)	311	(231)
Income from continuing operations before income taxes	19,959	15,197	41,044	28,237
Provision for income taxes	4,929	3,189	10,193	5,885
Income from continuing operations	15,030	12,008	30,851	22,352
Income (loss) from discontinued operations, net of tax	(46)	(631)	(49)	(1,258)
Net income	$ 14,984	$ 11,377	$ 30,802	$ 21,094
Basic earnings (loss) per share:				
Continuing operations	$ 1.25	$ 0.98	$ 2.56	$ 1.83
Discontinued operations	-	(0.05)	-	(0.10)
Total	$ 1.25	$ 0.93	$ 2.56	$ 1.73
Diluted earnings (loss) per share:				
Continuing operations	$ 1.24	$ 0.98	$ 2.54	$ 1.82
Discontinued operations	-	(0.05)	-	(0.10)
Total	$ 1.24	$ 0.93	$ 2.54	$ 1.72
Weighted average number of shares:				
Basic	12,033	12,195	12,028	12,213
Diluted	12,138	12,270	12,144	12,277

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)

(In thousands)	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	Six Months Ended December 31, 2021	Six Months Ended December 31, 2020
Net income	$ 14,984	$ 11,377	$ 30,802	$ 21,094
Other comprehensive income (loss):				
Defined benefit pension plans:				
Actuarial gains (losses) and other changes in unrecognized costs, net of tax	$ 16	$ (204)	$ 101	$ (373)
Amortization of unrecognized costs, net of tax	1,105	1,269	2,217	2,535
Derivative instruments:				
Change in unrealized gains (losses), net of tax	1,451	361	1,609	(97)
Amortization of unrealized gains (losses) into interest expense, net of tax	593	394	1,528	844
Foreign currency translation gains (losses), net of tax	(6,909)	11,082	(9,325)	20,601
Other comprehensive income (loss), net of tax	$ (3,744)	$ 12,902	$ (3,870)	$ 23,510
Comprehensive income	$ 11,240	$ 24,279	$ 26,932	$ 44,604

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION AND SUBSIDIARIES
Unaudited Consolidated Statements of Stockholders' Equity

For the six month period ended December 31, 2021 (in thousands, except as specified)	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock Shares**	**Treasury Stock Amount**	**Total Stockholders' Equity**
Balance, June 30, 2021	$ 41,976	$ 80,788	$ 852,489	$ (116,140)	15,940	$ (352,688)	$ 506,425
Stock issued under incentive compensation plans and employee purchase plans	-	(853)	-	-	(89)	2,000	1,147
Stock-based compensation	-	4,625	-	-	-	-	4,625
Treasury stock acquired	-	-	-	-	97	(9,546)	(9,546)
Comprehensive income:							
Net income	-	-	30,802	-	-	-	30,802
Foreign currency translation adjustment	-	-	-	(9,325)	-	-	(9,325)
Pension, net of tax of $0.8 million	-	-	-	2,318	-	-	2,318
Change in fair value of derivatives, net of tax of $0.7 million	-	-	-	3,137	-	-	3,137
Dividends declared ($0.50 per share)	-	-	(6,133)	-	-	-	(6,133)
Balance, December 31, 2021	$ 41,976	$ 84,560	$ 877,158	$ (120,010)	15,948	$ (360,234)	$ 523,450

For the six month period ended December 31, 2020 (in thousands, except as specified)	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock Shares**	**Treasury Stock Amount**	**Total Stockholders' Equity**
Balance, June 30, 2020	$ 41,976	$ 72,752	$ 827,656	$ (147,659)	15,748	$ (333,093)	$ 461,632
Stock issued under incentive compensation plans and employee purchase plans	-	(492)	-	-	(69)	1,463	971
Stock-based compensation	-	4,288	-	-	-	-	4,288
Treasury stock acquired	-	-	-	-	124	(7,593)	(7,593)
Comprehensive income:							-
Net income	-	-	21,094	-	-	-	21,094
Foreign currency translation adjustment	-	-	-	20,601	-	-	20,601
Pension, net of tax of $0.7 million	-	-	-	2,162	-	-	2,162
Change in fair value of derivatives, net of tax of $0.2 million	-	-	-	747	-	-	747
Dividends declared ($0.46 per share)	-	-	(5,712)	-	-	-	(5,712)
Balance, December 31, 2020	$ 41,976	$ 76,548	$ 843,038	$ (124,149)	15,803	$ (339,223)	$ 498,190

STANDEX INTERNATIONAL CORPORATION AND SUBSIDIARIES
Unaudited Consolidated Statements of Stockholders' Equity

For the three month period ended December 31, 2021 (in thousands, except as specified)	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock Shares**	**Treasury Stock Amount**	**Total Stockholders' Equity**
Balance, September 30, 2021	$ 41,976	$ 82,065	$ 865,355	$ (116,266)	15,957	$ (360,400)	$ 512,730
Stock issued under incentive compensation plans and employee purchase plans	-	(41)	-	-	(9)	212	171
Stock-based compensation	-	2,536	-	-	-	-	2,536
Treasury stock acquired	-	-	-	-	-	(46)	(46)
Comprehensive income:							
Net income	-	-	14,984	-	-	-	14,984
Foreign currency translation adjustment	-	-	-	(6,909)	-	-	(6,909)
Pension, net of tax of $0.4 million	-	-	-	1,121	-	-	1,121
Change in fair value of derivatives, net of tax of $0.6 million	-	-	-	2,044	-	-	2,044
Dividends declared ($0.26 per share)	-	-	(3,181)	-	-	-	(3,181)
Balance, December 31, 2021	$ 41,976	$ 84,560	$ 877,158	$ (120,010)	15,948	$ (360,234)	$ 523,450
For the three month period ended December 31, 2020							
(in thousands, except as specified)							
Balance, September 30, 2020	$ 41,976	$ 74,035	$ 834,645	$ (137,051)	15,780	$ (337,037)	$ 476,568
Stock issued under incentive compensation plans and employee purchase plans	-	(20)	-	-	(14)	297	277
Stock-based compensation	-	2,533	-	-	-	-	2,533
Treasury stock acquired	-	-	-	-	37	(2,483)	(2,483)
Comprehensive income:							
Net income	-	-	11,377	-	-	-	11,377
Foreign currency translation adjustment	-	-	-	11,082	-	-	11,082
Pension, net of tax of $0.3 million	-	-	-	1,064	-	-	1,064
Change in fair value of derivatives, net of tax of $0.1 million	-	-	-	756	-	-	756
Dividends declared ($0.24 per share)	-	-	(2,984)	-	-	-	(2,984)
Balance, December 31, 2020	$ 41,976	$ 76,548	$ 843,038	$ (124,149)	15,803	$ (339,223)	$ 498,190

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands)	Six Months Ended December 31, 2021	2020
Cash flows from operating activities		
Net income	$ 30,802	$ 21,094
Income (loss) from discontinued operations	(49)	(1,258)
Income from continuing operations	30,851	22,352
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,222	16,521
Stock-based compensation	4,625	4,288
Non-cash portion of restructuring charge	337	(492)
Contributions to defined benefit plans	(104)	(4,880)
Changes in operating assets and liabilities, net	(14,232)	(6,281)
Net cash provided by operating activities - continuing operations	36,699	31,508
Net cash provided by (used in) operating activities - discontinued operations	(364)	2,254
Net cash provided by operating activities	36,335	33,762
Cash flows from investing activities		
Expenditures for property, plant, and equipment	(9,721)	(10,145)
Expenditures for acquisitions, net of cash acquired	-	(27,398)
Other investing activity	1,646	275
Net cash provided by (used in) investing activities	(8,075)	(37,268)
Cash flows from financing activities		
Proceeds from borrowings	-	17,000
Payments of debt	-	(17,000)
Contingent consideration payment	(1,167)	-
Activity under share-based payment plans	1,147	971
Purchases of treasury stock	(9,546)	(7,593)
Cash dividends paid	(6,019)	(5,624)
Net cash provided by (used in) financing activities	(15,585)	(12,246)
Effect of exchange rate changes on cash and cash equivalents	(1,887)	6,053
Net change in cash and cash equivalents	10,788	(9,699)
Cash and cash equivalents at beginning of year	136,367	118,809
Cash and cash equivalents at end of period	$ 147,155	$ 109,110
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	$ 2,561	$ 2,527
Income taxes, net of refunds	$ 7,944	$ 8,363

See notes to unaudited condensed consolidated financial statements

1) Management Statement

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the results of operations for the three and six months ended December 31, 2021 and 2020, the cash flows for the six months ended December 31, 2021 and 2020 and the financial position of Standex International Corporation ("Standex", the "Company", "we", "us", or "our"), at December 31, 2021. The interim results are not necessarily indicative of results for a full year. The following unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. The unaudited condensed consolidated financial statements and notes do not contain information which would substantially duplicate the disclosures contained in the audited annual consolidated financial statements and notes for the year ended June 30, 2021. The condensed consolidated balance sheet at June 30, 2021 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The financial statements contained herein should be read in conjunction with the Annual Report on Form 10-K and in particular the audited consolidated financial statements for the year ended June 30, 2021. Unless otherwise noted, references to years are to the Company's fiscal years. Currently our fiscal year end is June 30. For further clarity, our fiscal year 2022 includes the twelve-month period from July 1, 2021 to June 30, 2022.

The estimates and assumptions used in the preparation of the consolidated financial statements have considered the implications on the Company as a result of the COVID-19 pandemic and its related economic impacts. As a result of the COVID-19 pandemic, there is heightened volatility and uncertainty around supply chain performance, labor availability, and customer demand. However, the magnitude of such impact on the Company's business and its duration is uncertain. The Company is not aware of any specific event or circumstance that would require an update to its estimates or adjustments to the carrying value of its assets and liabilities as of December 31, 2021 and the issuance date of the Quarterly Report on Form 10-Q.

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. The Company evaluated subsequent events through the date and time its unaudited condensed consolidated financial statements were issued.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

There were no recently issued accounting pronouncements which are expected to have a material impact on the consolidated financial statements.

2) Acquisitions

The Company's recent acquisitions are strategically significant to the future growth prospects of the Company. At the time of the acquisition and December 31, 2021, the Company evaluated the significance of each acquisition on a standalone basis and in aggregate, considering both qualitative and quantitative factors.

During the first quarter of fiscal year 2021, the Company acquired Renco Electronics ("Renco"), a designer and manufacturer of customized standard magnetics components and products including transformers, inductors, chokes and coils for power and RF applications. Renco's end markets and customer base in areas such as consumer and industrial applications are highly complementary to our existing business with the potential to further expand key account relationships and capitalize on cross selling opportunities between the two companies. Renco operates one manufacturing facility in Florida and is supported by contract manufacturers in Asia. Renco's results are reported within our Electronics segment.

The Company paid $27.4 million in cash for all of the issued and outstanding equity interests of Renco Electronics. The purchase price was allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed based on a valuation of their fair values on the closing date. Goodwill recorded from this transaction is attributable to Renco's significant engineering and technical expertise in end markets supported by strong engineer-to-engineer relationships. In addition, Renco's end markets and customer base in areas such as consumer and industrial are highly complementary to the Company's existing business.

Intangible assets of $10.4 million consist primarily of $3.6 million for indefinite lived tradenames, and $6.8 million of customer relationships to be amortized over 12 years. The goodwill of $14.0 million created by the transaction is deductible for income tax purposes. The accounting for business combinations requires estimates and judgments regarding expectations for future cash flows of the acquired business, and the allocations of those cash flows to identifiable tangible and intangible assets, in determining the assets acquired and liabilities assumed. The fair values assigned to tangible and intangible assets acquired and liabilities assumed, including contingent consideration, are based on management's best estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques.

The components of the fair value of the Renco Electronics acquisition, including the final allocation of the purchase price are as follows (in thousands):

		Final Allocation
Fair value of business combination:		
Cash payments	$	29,613
Less, cash acquired		(2,207)
Fair value of contingent consideration		3,000
Total	$	30,406

		Final Allocation
Identifiable assets acquired and liabilities assumed:		
Other acquired assets	$	4,522
Inventories		5,446
Property, plant, & equipment		410
Identifiable intangible assets		10,400
Goodwill		13,991
Debt assumed		(712)
Liabilities assumed		(3,651)
Total	$	30,406

Acquisition Related Costs

Acquisition related costs include costs related to acquired businesses and other pending acquisitions. These costs consist of (i) deferred compensation arrangements and (ii) acquisition related professional service fees and expenses, including financial advisory, legal, accounting, and other outside services incurred in connection with acquisition activities, and regulatory matters related to acquired entities. These costs do not include purchase accounting expenses, which we define as acquired backlog and the step-up of inventory to fair value, or the amortization of the acquired intangible assets.

Acquisition related costs for the three months ended December 31, 2021, and 2020 were $0.9 million and $0.6 million, respectively. Acquisition related costs for the six months ended December 31, 2021, and 2020 were $1.1 million and $0.6 million, respectively.

3) Revenue From Contracts With Customers

Most of the Company's contracts have a single performance obligation which represents the product or service being sold to the customer. Some contracts include multiple performance obligations such as a product and the related installation and/or extended warranty. Additionally, most of the Company's contracts offer assurance type warranties in connection with the sale of a product to customers. Assurance type warranties provide a customer with assurance that the product complies with agreed-upon specifications. Assurance type warranties do not represent a separate performance obligation.

In general, the Company recognizes revenue at the point in time control transfers to its customer based on predetermined shipping terms. Revenue is recognized over time under certain long-term contracts within the Engineering Technologies and Engraving groups for highly customized customer products that have no alternative use and in which the contract specifies the Company has a right to payment for its costs, plus a reasonable margin. For products manufactured over time, the transfer of control is measured pro rata, based upon current estimates of costs to complete such contracts. Losses on contracts are fully recognized in the period in which the losses become determinable. Revisions in profit estimates are reflected on a cumulative basis in the period in which the basis for such revision becomes known.

Disaggregation of Revenue from Contracts with Customers

The following table presents revenue disaggregated by product line and segment (in thousands):

	Three Months Ended	
Revenue by Product Line	December 31, 2021	December 31, 2020
Electronics	$ 76,626	$ 60,156
Engraving Services	34,321	34,976
Engraving Products	2,323	2,974
Total Engraving	36,644	37,950
Scientific	24,636	17,893
Engineering Technologies	18,095	17,507
Hydraulics Cylinders and Systems	13,248	10,623
Merchandising & Display	8,422	6,041
Pumps	8,038	6,113
Total Specialty Solutions	29,708	22,777
Total revenue by product line	$ 185,709	$ 156,283

The following table presents revenue disaggregated by product line and segment (in thousands):

Revenue by Product Line	Six Months Ended December 31, 2021	Six Months Ended December 31, 2020
Electronics	$ 152,462	$ 115,427
Engraving Services	67,238	69,296
Engraving Products	4,576	5,055
Total Engraving	71,814	74,351
Scientific	46,165	34,556
Engineering Technologies	35,668	35,140
Hydraulics Cylinders and Systems	23,901	22,954
Merchandising & Display	15,110	13,239
Pumps	16,199	11,902
Total Specialty Solutions	55,210	48,095
Total revenue by product line	$ 361,319	$ 307,569

The following table presents revenue from continuing operations disaggregated by geography based on company's locations (in thousands):

Net sales	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	Six Months Ended December 31, 2021	Six Months Ended December 31, 2020
United States	$ 105,597	$ 91,392	$ 204,581	$ 183,506
Asia Pacific	42,145	30,610	79,401	57,474
EMEA (1)	34,877	30,364	70,878	59,182
Other Americas	3,090	3,917	6,459	7,407
Total	$ 185,709	$ 156,283	$ 361,319	$ 307,569

(1) EMEA consists primarily of Europe, Middle East and S. Africa.

The following table presents revenue from continuing operations disaggregated by timing of recognition (in thousands) for the three months ended:

Timing of Revenue Recognition	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Products and services transferred at a point in time	$ 175,616	$ 147,167
Products transferred over time	10,093	9,116
Net sales	$ 185,709	$ 156,283

Timing of Revenue Recognition	Six Months Ended December 31, 2021	Six Months Ended December 31, 2020
Products and services transferred at a point in time	$ 340,039	$ 290,638
Products transferred over time	21,280	16,931
Net Sales	$ 361,319	$ 307,569

Contract Balances

Contract assets represent sales recognized in excess of billings related to work completed but not yet shipped for which revenue is recognized over time. Contract assets are recorded as prepaid expenses and other current assets. Contract liabilities are customer deposits for which revenue has not been recognized. Current contract liabilities are recorded as accrued liabilities.

The timing of revenue recognition, invoicing and cash collections results in billed receivables, contract assets and contract liabilities on the consolidated balance sheets. When consideration is received from a customer prior to transferring goods or services to the customer under the terms of a contract, a contract liability is recorded. Contract liabilities are recognized as revenue after control of the goods and services are transferred to the customer and all revenue recognition criteria have been met.

The following table provides information about contract assets and liability balances (in thousands):

	Balance at Beginning of Period	Additions	Amount Recognized	Balance at End of Period
Six months ended December 31, 2021				
Contract assets:				
Prepaid expenses and other current assets	$ 15,013	$ 19,034	$ 14,678	$ 19,369
Contract liabilities:				
Customer deposits	471	6,472	6,691	252

	Balance at Beginning of Period	Additions	Amount Recognized	Balance at End of Period
Six months ended December 31, 2020				
Contract assets:				
Prepaid expenses and other current assets	$ 9,140	$ 13,774	$ 13,305	$ 9,609
Contract liabilities:				
Customer deposits	2,298	4,382	6,315	365

We recognized the following revenue which was included in the contract liability beginning balances (in thousands):

	December 31, 2021	
Revenue recognized in the period from:	**Three months ended**	**Six months ended**
Amounts included in the contract liability balance at the beginning of the period	$ 252	$ 471

	December 31, 2020	
Revenue recognized in the period from:	**Three months ended**	**Six months ended**
Amounts included in the contract liability balance at the beginning of the period	$ 1,418	$ 2,298

4) Fair Value Measurements

The financial instruments shown below are presented at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models may be applied.

Assets and liabilities recorded at fair value in the consolidated balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities and the methodologies used in valuation are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities. The Company's deferred compensation plan assets consist of shares in various mutual funds (investments are participant-directed) which invest in a broad portfolio of debt and equity securities. These assets are valued based on publicly quoted market prices for the funds' shares as of the balance sheet dates.

Level 2 – Inputs, other than quoted prices in an active market, that are observable either directly or indirectly through correlation with market data. For foreign exchange forward contracts and interest rate swaps, the Company values the instruments based on the market price of instruments with similar terms, which are based on spot and forward rates as of the balance sheet dates. The Company has considered the creditworthiness of counterparties in valuing all assets and liabilities.

Level 3 – Unobservable inputs based upon the Company's best estimate of what market participants would use in pricing the asset or liability.

There were no transfers of assets or liabilities between any levels of the fair value measurement hierarchy at December 31, 2021 and June 30, 2021. The Company's policy is to recognize transfers between levels as of the date they occur.

Cash and cash equivalents, accounts receivable, accounts payable, and debt are carried at cost, which approximates fair value.

The fair values of financial instruments were as follows (in thousands):

	December 31, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Marketable securities - deferred compensation plan	$ 3,809	$ 3,809	$ -	$ -
Foreign exchange contracts	9	-	9	-
Interest rate swaps	1,006	-	1,006	-
Liabilities				
Foreign exchange contracts	$ 40	$ -	40	$ -
Interest rate swaps	1,057	-	1,057	-
Contingent acquisition payments (a)	2,167	-	-	2,167

	June 30, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Marketable securities - deferred compensation plan	$ 2,988	$ 2,988	$ -	$ -
Foreign exchange contracts	255	-	255	-
Liabilities				
Foreign exchange contracts	$ 1,222	$ -	$ 1,222	$ -
Interest rate swaps	3,096	-	3,096	-
Contingent acquisition payments (a)	3,333	-	-	3,333

(a) The fair value of contingent consideration arrangements is determined based on the Company's evaluation as to the probability and amount of any contingent consideration that has been earned to date.

The financial liabilities based upon Level 3 inputs include contingent consideration arrangements relating to the acquisitions of Renco Electronics and GS Engineering. The Company is contractually obligated to pay contingent consideration payments to the Sellers of these businesses based on the achievement of certain criteria.

The Company is contractually obligated to pay contingent consideration to the sellers of GS Engineering in the event that certain revenue and gross margin targets are achieved during the five years following acquisition. The targets set in the GS Engineering stock purchase agreement were not met for the first or second year, which concluded in the fourth quarter of fiscal years 2020 and 2021, respectively. As of December 31, 2021, the Company could be required to pay up to $12.8 million for contingent consideration arrangements if the revenue and gross margin targets are met in fiscal years 2022 through 2024.

The Company is also obligated to pay contingent consideration to the sellers of Renco Electronics in the event that certain earnings targets are achieved during the three years following acquisition. Contingent acquisition payments are scheduled to be paid in periods through fiscal year 2024. During the first quarter of fiscal year 2022, the Company paid $1.2 million to the sellers as Renco exceeded the earnings targets during the first year of the measurement period. As of December 31, 2021, the Company could be required to pay up to an additional $2.2 million for contingent consideration arrangements if the earnings targets are met.

The Company has determined the fair value of the liabilities for the contingent consideration based on a probability-weighted discounted cash flow analysis. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement within the fair value hierarchy. The fair value of the contingent consideration liability associated with future payments was based on several factors, the most significant of which are the financial performance of the acquired businesses and the risk-adjusted discount rate for the fair value measurement.

The Company will update its assumptions each reporting period based on new developments and record such amounts at fair value based on the revised assumptions until the agreements expire.

5) Inventories

Inventories from continuing operations are comprised of the following (in thousands):

	December 31, 2021	June 30, 2021
Raw materials	$ 50,246	$ 47,000
Work in process	24,121	22,539
Finished goods	27,856	22,323
Total	$ 102,223	$ 91,862

Distribution costs associated with the sale of inventory, which are recorded as a component of selling, general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations were $4.9 million and $2.9 million for the three months ended December 31, 2021 and 2020, respectively. Distribution costs were $8.6 million and $5.4 million for the six months ended December 31, 2021 and 2020, respectively.

6) Goodwill

Changes to goodwill by segment during the period were as follows (in thousands):

	June 30, 2021	Translation Adjustment	December 31, 2021
Electronics	$ 144,832	$ (3,620)	$ 141,212
Engraving	77,378	(443)	76,935
Scientific	15,454	-	15,454
Engineering Technologies	37,085	(231)	36,854
Specialty Solutions	3,305	-	3,305
Total	$ 278,054	$ (4,294)	$ 273,760

7) Warranty Reserves

The expected cost associated with warranty obligations on our products is recorded as a component of cost of sales when the revenue is recognized. The Company's estimate of warranty cost is based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Since warranty estimates are forecasts based on the best available information, claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable.

The changes in warranty reserves from continuing operations, which are recorded as a component of accrued liabilities were as follows (in thousands):

	December 31, 2021	June 30, 2021
Balance at beginning of year	$ 2,086	$ 1,781
Acquisitions and other charges	(62)	68
Warranty expense	326	2,007
Warranty claims	(582)	(1,770)
Balance at end of period	$ 1,768	$ 2,086

8) Debt

Long-term debt is comprised of the following (in thousands):

	December 31, 2021	June 30, 2021
Bank credit agreements	$ 200,000	$ 200,000
Total funded debt	200,000	200,000
Issuance cost	(340)	(510)
Total long-term debt	$ 199,660	$ 199,490

Bank Credit Agreements

During the second quarter of fiscal year 2019, the Company entered into a five-year Amended and Restated Credit Agreement ("Credit Facility", or "facility"). The facility has a borrowing limit of $500 million, which can be increased by an amount of up to $250 million, in accordance with specified conditions contained in the agreement. The facility also includes a $10 million sublimit for swing line loans and a $35 million sublimit for letters of credit.

At December 31, 2021, the Company had standby letters of credit outstanding, primarily for insurance purposes, of $6.1 million and had the ability to borrow $281.2 million under the facility. Funds borrowed under the facility may be used for the repayment of debt, working capital, capital expenditures, acquisitions (so long as certain conditions, including a specified funded debt to EBITDA leverage ratio is maintained), and other general corporate purposes. The facility contains customary representations, warranties and restrictive covenants, as well as specific financial covenants which the Company was compliant with as of December 31, 2021. At December 31, 2021, the carrying value of the current borrowings approximate fair value.

9) Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	December 31, 2021	June 30, 2021
Payroll and employee benefits	$ 23,321	$ 32,550
Workers' compensation	2,193	2,118
Warranty reserves	1,768	2,086
Fair value of derivatives	1,097	4,318
Operating lease current liability	7,456	7,933
Other	18,106	12,712
Total	$ 53,941	$ 61,717

10) Derivative Financial Instruments

The Company is exposed to market risks from changes in interest rates, commodity prices and changes in foreign currency rates. The Company selectively uses derivative financial instruments in order to manage certain of these risks. Information about the Company's derivative financial instruments is as follows:

Interest Rate Swaps

From time to time as dictated by market opportunities, the Company enters into interest rate swap agreements designed to manage exposure to interest rates on the Company's variable rate indebtedness. The Company recognizes all derivatives on its balance sheet at fair value. The Company has designated its interest rate swap agreements, including those that may be forward-dated, as cash flow hedges, and changes in the fair value of the swaps are recognized in other comprehensive income until the hedged items are recognized in earnings. Hedge ineffectiveness, if any, associated with the swaps will be reported by the Company in interest expense.

The Company's effective swap agreements convert the base borrowing rate on $200 million of debt due under our revolving credit agreement from a variable rate equal to 1 month LIBOR to a weighted average fixed rate of 1.27% at December 31, 2021. The fair value of the swaps, recognized in accrued liabilities and in other comprehensive income, is as follows (in thousands, except percentages):

Effective Date	Notional Amount	Fixed Interest Rate	Maturity	December 31, 2021	June 30, 2021
May 24, 2017	25,000	1.88%	April 24, 2022	$ (146)	$ (374)
August 6, 2018	25,000	2.83%	August 6, 2023	(911)	(1,401)
March 23, 2020	100,000	0.91%	March 23, 2025	641	(907)
April 24, 2020	25,000	0.88%	April 24, 2025	200	(192)
May 24, 2020	25,000	0.91%	March 24, 2025	165	(222)
				$ (51)	$ (3,096)

The Company reported no losses for the three and six months ended December 31, 2021, as a result of hedge ineffectiveness. Future changes in these swap arrangements, including termination of the agreements, may result in a reclassification of any gain or loss reported in accumulated other comprehensive income (loss) into earnings as an adjustment to interest expense. Accumulated other comprehensive income (loss) related to these instruments is being amortized into interest expense concurrent with the hedged exposure.

Foreign Exchange Contracts

Forward foreign currency exchange contracts are used to limit the impact of currency fluctuations on certain anticipated foreign cash flows, such as collections from customers and loan payments between subsidiaries. The Company enters into such contracts for hedging purposes only. The Company has designated certain of these currency contracts as hedges, and changes in the fair value of these contracts are recognized in other comprehensive income until the hedged items are recognized in earnings. Hedge ineffectiveness, if any, associated with these contracts will be reported in net income. At December 31, 2021 and June 30, 2021, the Company had outstanding forward contracts related to hedges of intercompany loans with net unrealized losses of less than $0.1 million and losses of $1.0 million, respectively, which approximate the unrealized gains and losses on the related loans. The contracts have maturity dates ranging from fiscal year 2022 to 2024, which correspond to the related intercompany loans.

The notional amounts of the Company's forward contracts, by currency, are as follows (in thousands):

Currency	December 31, 2021	June 30, 2021
USD	-	987
EUR	5,750	5,750
SGD	6,800	21,836
CAD	20,600	20,600

The table below presents the fair value of derivative financial instruments as well as their classification on the balance sheet (in thousands):

	Asset Derivatives			
	December 31, 2021		June 30, 2021	
Derivative designated as hedging instruments	Balance Sheet Line Item	Fair Value	Balance Sheet Line Item	Fair Value
Interest rate swaps	Prepaid expenses and other current assets	$ 1,006		$ -
Foreign exchange contracts	Prepaid expenses and other current assets	9	Prepaid expenses and other current assets	255
		$ 1,015		$ 255

	Liability Derivatives			
	December 31, 2021		June 30, 2021	
Derivative designated as hedging instruments	**Balance Sheet Line Item**	**Fair Value**	**Balance Sheet Line Item**	**Fair Value**
Interest rate swaps	Accrued liabilities	$ 1,057	Accrued liabilities	$ 3,096
Foreign exchange contracts	Accrued liabilities	40	Accrued liabilities	1,222
		$ 1,097		$ 4,318

The table below presents the amount of gain (loss) recognized in comprehensive income on our derivative financial instruments (effective portion) designated as hedging instruments and their classification within comprehensive income for the periods ended (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	**2020**	**2021**	**2020**
Interest rate swaps	$ 1,901	$ (24)	$ 1,840	$ (481)
Foreign exchange contracts	18	380	222	266
	$ 1,919	$ 356	$ 2,062	$ (215)

The table below presents the amount reclassified from accumulated other comprehensive income (loss) to net income for the periods ended (in thousands):

Details about Accumulated Other Comprehensive Income (Loss) Components	**Three Months Ended December 31,**		**Six Months Ended December 31,**		**Affected line item in the Unaudited Condensed Statements of Operations**
	2021	**2020**	**2021**	**2020**	
Interest rate swaps	$ 602	$ 572	$ 1,204	$ 1,128	Interest expense
Foreign exchange contracts	137	(38)	619	(7)	Other non-operating (income) expense, net
	$ 739	$ 534	$ 1,823	$ 1,121	

11) Retirement Benefits

The Company has defined benefit pension plans covering certain current and former employees both inside and outside of the U.S. The Company's pension plan for U.S. employees is frozen for substantially all participants and has been replaced with a defined contribution benefit plan.

Net periodic benefit cost for the Company's U.S. and Foreign pension benefit plans for the periods ended consisted of the following components (in thousands):

	U.S. Plans		Non-U.S. Plans	
	Three Months Ended December 31,		Three Months Ended December 31,	
	2021	**2020**	**2021**	**2020**
Service cost	$ 1	$ 1	$ 59	$ 55
Interest cost	1,830	1,860	195	178
Expected return on plan assets	(3,259)	(3,253)	(217)	(155)
Recognized net actuarial loss	1,383	1,483	86	186
Amortization of prior service cost	-	-	(1)	(1)
Net periodic benefit cost	$ (45)	$ 91	$ 122	$ 263

	U.S. Plans				Non-U.S. Plans			
	Six Months Ended December 31,				Six Months Ended December 31,			
	2021		2020		2021		2020	
Service cost	$	2	$	2	$	122	$	110
Interest cost		3,660		3,720		385		354
Expected return on plan assets		(6,519)		(6,506)		(428)		(307)
Recognized net actuarial loss		2,767		2,967		170		369
Amortization of prior service cost		-		-		(2)		(2)
Net periodic benefit cost	$	(90)	$	183	$	247	$	524

The following table sets forth the amounts recognized for the Company's defined benefit pension plans (in thousands):

Amounts recognized in the consolidated balance sheets consist of:	December 31, 2021		June 30, 2021	
Prepaid benefit cost	$	5,584	$	5,661
Current liabilities		(591)		(517)
Non-current liabilities		(44,048)		(47,425)
Net amount recognized	$	(39,055)	$	(42,281)

The contributions made to defined benefit plans are presented below along with remaining contributions to be made for fiscal year 2022 (in thousands):

	Fiscal Year 2022				Fiscal Year 2021				Remaining	
Contributions to defined benefit plans	Three Months Ended December 31, 2021		Six Months Ended December 31, 2021		Three Months Ended December 31, 2020		Six Months Ended December 31, 2020		Contributions FY 2022	
United States, funded plan	$	-	$	-	$	4,776	$	4,776	$	-
United States, unfunded plan		52		104		52		104		107
United Kingdom		-		-		-		-		-
Germany, unfunded plan		-		-		-		-		283
Ireland		-		-		-		-		66
	$	52	$	104	$	4,828	$	4,880	$	456

12) Income Taxes

The Company's effective tax rate from continuing operations for the second quarter of fiscal year 2022 and for the six months of the fiscal year ending June 30, 2022 was 24.7% and 24.8%, respectively compared with 21.0% and 24.8% for the prior year quarter and prior year period, respectively. The tax rate was impacted in the current period by the following items: (i) a discrete tax benefit related to equity compensation, (ii) the jurisdictional mix of earnings, (iii) foreign withholding taxes, and (iv) reduction of global intangible low-taxed income.

13) Earnings Per Share

The following table sets forth a reconciliation of the number of shares (in thousands) used in the computation of basic and diluted earnings per share:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Basic - Average shares outstanding	12,033	12,195	12,028	12,213
Dilutive effect of unvested, restricted stock awards	105	75	116	64
Diluted - Average shares outstanding	12,138	12,270	12,144	12,277

Earnings available to common stockholders are the same for computing both basic and diluted earnings per share. There were no outstanding instruments that had an anti-dilutive effect at December 31, 2021. There were 10,658 outstanding instruments that had an anti-dilutive effect at December 31, 2020.

Performance stock units of 143,233 and 130,461 for the six months ended December 31, 2021 and 2020, respectively, are excluded from the diluted earnings per share calculation as the performance criteria have not been met.

14) Accumulated Other Comprehensive Income (Loss)

The components of the Company's accumulated other comprehensive income (loss) are as follows (in thousands):

	December 31, 2021	June 30, 2021
Foreign currency translation adjustment	$ (30,569)	$ (21,244)
Unrealized pension losses, net of tax	(90,054)	(92,372)
Unrealized gains (losses) on derivative instruments, net of tax	613	(2,524)
Total	$ (120,010)	$ (116,140)

15) Contingencies

From time to time, the Company is subject to various claims and legal proceedings, including claims related to environmental remediation, either asserted or unasserted, that arise in the ordinary course of business. While the outcome of these proceedings and claims cannot be predicted with certainty, the Company's management does not believe that the outcome of any of the currently existing legal matters will have a material impact on the Company's consolidated financial position, results of operations or cash flow. The Company accrues for losses related to a claim or litigation when the Company's management considers a potential loss probable and can reasonably estimate such potential loss.

Litigation

In the second quarter of fiscal year 2019, a lawsuit was filed against Standex Electronics, Inc. ("Electronics"), a wholly owned subsidiary of the Company, by Miniature Precision Components, Inc. ("MPC"), a customer, seeking damages in connection with allegedly faulty sensors designed and manufactured by Electronics. The subject sensors were incorporated by MPC into a subassembly sold by MPC to its customer, an automotive manufacturer. MPC alleges that the sensors incorrectly activated a diagnostic code in vehicles for which MPC's customer issued a service bulletin, resulting in significant warranty costs for MPC. In the litigation, which is pending in the U.S. District Court for the Eastern District of Wisconsin, MPC seeks indemnification from Electronics for its costs. Electronics has numerous defenses to MPC's claims. Trial for this case is currently scheduled for July 2022. During the second quarter of fiscal year 2022, the Company engaged in unsuccessful mediation with MPC, during which the Company offered to settle the matter in order to avoid the inherent risk of litigation as well as the cost of diverting internal resources. As a result, the Company has recorded $1.7 million as accrued liabilities related to this litigation. Based upon developments to date, the Company believes that the range of any reasonably possible loss, in excess of amounts accrued, would be between $0 and $6.3 million. The estimated range of reasonably possible loss is based upon currently available information and is subject to significant judgement and a variety of assumptions and known and unknown uncertainties.

16) Industry Segment Information

The Company has five reportable segments organized around the types of products sold:

- Electronics – manufactures and sells electronic components for applications throughout the end user market spectrum;
- Engraving – provides mold texturizing, slush molding tools, project management and design services, roll engraving, hygiene product tooling, low observation vents for stealth aircraft, and process machinery for a number of industries;
- Scientific – sells specialty temperature-controlled equipment for the medical, scientific, pharmaceutical, biotech and industrial markets;
- Engineering Technologies – provides net and near net formed single-source customized solutions in the manufacture of engineered components for the aviation, aerospace, defense, energy, industrial, medical, marine, oil and gas, and manned and unmanned space markets;
- Specialty Solutions – an aggregation of three operating segments that manufacture and sell refrigerated, heated and dry merchandizing display cases, custom fluid pump solutions, and single and double acting telescopic and piston rod hydraulic cylinders.

Net sales and income (loss) from continuing operations by segment were as follows (in thousands):

	Three Months Ended December 31,			
	Net Sales		Income from Operations	
	2021	2020	2021	2020
Industry segment:				
Electronics	$ 76,626	$ 60,156	$ 17,157	$ 9,962
Engraving	36,644	37,950	5,204	6,501
Scientific	24,636	17,893	5,490	4,234
Engineering Technologies	18,095	17,507	2,314	1,363
Specialty Solutions	29,708	22,777	3,738	3,211
Corporate	-	-	(8,662)	(7,454)
Restructuring costs	-	-	(843)	(509)
Acquisition related costs	-	-	(925)	(570)
Other operating income (expense), net	-	-	(1,700)	-
Sub-total	$ 185,709	$ 156,283	$ 21,773	$ 16,738
Interest expense			1,526	1,601
Other non-operating (income) expense			288	(60)
Income from continuing operations before income taxes			$ 19,959	$ 15,197

	Six Months Ended December 31,			
	Net Sales		Income from Operations	
	2021	2020	2021	2020
Industry segment:				
Electronics	$ 152,462	$ 115,427	$ 35,430	$ 18,497
Engraving	71,814	74,351	10,078	12,374
Scientific	46,165	34,556	9,998	8,310
Engineering Technologies	35,668	35,140	3,213	1,831
Specialty Solutions	55,210	48,095	6,553	7,117
Corporate	-	-	(16,546)	(14,445)
Restructuring costs	-	-	(1,283)	(1,996)
Acquisition related costs	-	-	(1,142)	(596)
Other operating income (expense), net	-	-	(1,700)	-
Sub-total	$ 361,319	$ 307,569	$ 44,601	$ 31,092
Interest expense			3,246	3,086
Other non-operating (income) expense			311	(231)
Income from continuing operations before income taxes			$ 41,044	$ 28,237

Net sales include only transactions with unaffiliated customers and include no intersegment sales. Income (loss) from operations by segment excludes interest expense and other non-operating (income) expense.

17) Restructuring

The Company has undertaken a number of initiatives that have resulted in severance, restructuring, and related charges.

2022 Restructuring Initiatives

The Company continues to focus its efforts to reduce cost and improve productivity across its businesses, particularly through headcount reductions, facility closures, and consolidations. Restructuring expenses primarily related to headcount reductions and other cost saving initiatives. The Company expects the 2022 restructuring activities to be completed by 2023.

Prior Year Restructuring Initiatives

Restructuring expenses primarily related to headcount reductions and facility rationalization within our Specialty Solutions segment. The Company also incurred restructuring expenses related to third party assistance with analysis and implementation of these activities. The Company expects the prior year restructuring activities to be completed by 2022.

A summary of charges by initiative is as follows (in thousands):

	Three Months Ended December 31, 2021			Six Months Ended December 31, 2021		
Fiscal Year 2022	**Involuntary Employee Severance and Benefit Costs**	**Other**	**Total**	**Involuntary Employee Severance and Benefit Costs**	**Other**	**Total**
Current year initiatives	$ 296	$ 547	$ 843	$ 671	$ 612	$ 1,283

	Three Months Ended December 31, 2020			Six Months Ended December 31, 2020		
Fiscal Year 2021	**Involuntary Employee Severance and Benefit Costs**	**Other**	**Total**	**Involuntary Employee Severance and Benefit Costs**	**Other**	**Total**
Current year initiatives	$ 222	$ 201	$ 423	$ 463	$ 362	$ 825
Prior year initiatives	82	4	86	894	277	1,171
	$ 304	$ 205	$ 509	$ 1,357	$ 639	$ 1,996

Activity in the reserve related to the initiatives is as follows (in thousands):

Current Year Initiatives	**Involuntary Employee Severance and Benefit Costs**	**Other**	**Total**
Restructuring liabilities at June 30, 2021	$ -	$ -	$ -
Additions and adjustments	671	612	1,283
Payments	(578)	(319)	(897)
Restructuring liabilities at December 31, 2021	$ 93	$ 293	$ 386

Prior Year Initiatives	Involuntary Employee Severance and Benefit Costs	Other	Total
Restructuring liabilities at June 30, 2021	$ 39	$ 10	$ 49
Additions and adjustments	-	-	-
Payments	(39)	(10)	(49)
Restructuring liabilities at December 31, 2021	$ -	$ -	$ -

Prior Year Initiatives	Involuntary Employee Severance and Benefit Costs	Other	Total
Restructuring liabilities at June 30, 2020	$ 520	$ 18	$ 538
Additions and adjustments	1,356	640	1,996
Payments	(1,830)	(658)	(2,488)
Restructuring liabilities at December 31, 2020	$ 46	$ -	$ 46

The Company’s total restructuring expenses by segment are as follows (in thousands):

	Three Months Ended December 31, 2021			Six Months Ended December 31, 2021		
	Involuntary Employee Severance and Benefit Costs	Other	Total	Involuntary Employee Severance and Benefit Costs	Other	Total
Electronics	$ 72	$ 18	$ 90	$ 72	$ 18	$ 90
Engraving	169	465	634	453	530	983
Engineering Technologies	50	-	50	141	-	141
Specialty Solutions	-	64	64	-	64	64
Corporate	5	-	5	5	-	5
	$ 296	$ 547	$ 843	$ 671	$ 612	$ 1,283

	Three Months Ended December 31, 2020			Six Months Ended December 31, 2020		
	Involuntary Employee Severance and Benefit Costs	Other	Total	Involuntary Employee Severance and Benefit Costs	Other	Total
Electronics	$ 82	$ -	$ 82	$ 251	$ 5	$ 256
Engraving	190	201	391	280	348	628
Engineering Technologies	2	-	2	37	-	37
Specialty Solutions	-	4	4	673	286	959
Corporate	30	-	30	116	-	116
	$ 304	$ 205	$ 509	$ 1,357	$ 639	$ 1,996

Restructuring expense is expected to be approximately $1.1 million for the remainder of fiscal year 2022.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements contained in this Quarterly Report that are not based on historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as "should," "could," "may," "will," "expect," "believe," "estimate," "anticipate," "intend," "continue," or similar terms or variations of those terms or the negative of those terms. There are many factors that affect the Company's business and the results of its operations and that may cause the actual results of operations in future periods to differ materially from those currently expected or anticipated. These factors include, but are not limited to: the impact of pandemics such as the current coronavirus on employees, our supply chain, and the demand for our products and services around the world; materially adverse or unanticipated legal judgments, fines, penalties or settlements; conditions in the financial and banking markets, including fluctuations in exchange rates and the inability to repatriate foreign cash; domestic and international economic conditions, including the impact, length and degree of economic downturns on the customers and markets we serve and more specifically conditions in the automotive, construction, aerospace, defense, transportation, food service equipment, consumer appliance, energy, oil and gas and general industrial markets; lower-cost competition; the relative mix of products which impact margins and operating efficiencies in certain of our businesses; the impact of higher raw material and component costs, particularly steel, certain materials used in electronics parts, petroleum based products, and refrigeration components; the impact of higher transportation and logistics costs, especially with respect to transportation of goods from Asia; the impact of inflation on the costs of providing our products and services; an inability to realize the expected cost savings from restructuring activities including effective completion of plant consolidations, cost reduction efforts including procurement savings and productivity enhancements, capital management improvements, strategic capital expenditures, and the implementation of lean enterprise manufacturing techniques; the potential for losses associated with the exit from or divestiture of businesses that are no longer strategic or no longer meet our growth and return expectations; the inability to achieve the savings expected from global sourcing of raw materials and diversification efforts in emerging markets; the impact on cost structure and on economic conditions as a result of actual and threatened increases in trade tariffs; the inability to attain expected benefits from acquisitions and the inability to effectively consummate and integrate such acquisitions and achieve synergies envisioned by the Company; market acceptance of our products; our ability to design, introduce and sell new products and related product components; the ability to redesign certain of our products to continue meeting evolving regulatory requirements; the impact of delays initiated by our customers; our ability to increase manufacturing production to meet demand including as a result of labor shortages; and potential changes to future pension funding requirements. In addition, any forward-looking statements represent management's estimates only as of the day made and should not be relied upon as representing management's estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, the Company and management specifically disclaim any obligation to do so, even if management's estimates change.

Overview

We are a diversified industrial manufacturer with leading positions in a variety of products and services that are used in diverse commercial and industrial markets. We have seven operating segments aggregated into five reportable segments: Electronics, Engraving, Scientific, Engineering Technologies, and Specialty Solutions. Three operating segments are aggregated into Specialty Solutions. Our segments differentiate themselves by collaborating with our customers in order to develop and deliver custom solutions or engineered components that solve problems for our customers or otherwise meet their needs (a business model we refer to as "Customer Intimacy"). Overall management, strategic development and financial control are led by the executive staff at our corporate headquarters located in Salem, New Hampshire.

Our long-term strategy is to enhance shareholder value by building larger, more profitable focused industrial platforms through our Standex Value Creation System that assists management in meeting specific corporate and business unit financial and strategic performance goals in order to create, improve, and enhance shareholder value. In so doing, we expect to focus our financial assets and managerial resources on our higher growth and operating margin businesses while considering divestiture of those businesses that we feel are not strategic or do not meet our growth and return expectations.

The Standex Value Creation System is a methodology which provides standard work and consistent tools used throughout the Company in order to achieve our organization's goals. The Standex Value Creation System employs four components: Balanced Performance Plan, Growth Disciplines, Operational Excellence, and Talent Management. The Balanced Performance Plan process aligns annual goals throughout the Company and provides a standard reporting, management and review process. It is focused on setting, tracking and reviewing annual and quarterly targets that support our short and long-term goals. The Growth Disciplines use a standard playbook of tools and processes including market maps, market tests and growth laneways to identify, explore and execute on opportunities that expand the business organically and through acquisitions. Operational Excellence also employs a standard playbook of tools and processes, based on Lean, to improve operating execution (effectiveness), eliminate waste (efficiency) and thereby improve profitability, cash flow and customer satisfaction. Finally, Talent Management is an organizational development process that provides recruitment, training, development, and succession planning for employees throughout our worldwide organization. Through the use of our Standex Value Creation System, we have developed a balanced approach to value creation. We intend to continue investing acquisition capital in high margin and growth businesses, and we will continue to support all of our businesses as they enhance value through deployment of the Standex Valuation Creation System.

It is our objective to grow larger and more profitable business units through both organic initiatives and acquisitions. We seek to identify and implement organic growth initiatives such as new product development, geographic expansion, the introduction of products and technologies into new markets, key accounts and strategic sales channel partners, and the introduction of new technologies into existing markets. Also, we have a long-term objective to create sizable business platforms by adding strategically aligned or "bolt on" acquisitions to strengthen the individual businesses, create both sales and cost synergies with our core business platforms, and accelerate their growth and margin improvement. We look to create both sales and cost synergies within our core business platforms, accelerate growth and improve margins. We have a particular focus on identifying and investing in opportunities that complement our products and will increase the global presence and capabilities of our businesses. From time to time, we have divested, and likely will continue to divest, businesses that we feel are not strategic or do not meet our growth and return expectations.

As part of our ongoing strategy:

- In the third quarter of fiscal year 2021, we divested Enginetics Corporation ("Enginetics") our jet engine components business reported within our Engineering Technologies segment, to Enjet Aero, LLC, a privately-held aerospace engine component manufacturing company. This divestiture allows us to focus on the higher growth and margin opportunities of our core spin forming solutions business that serves the space, commercial aviation and defense end markets. We received $11.7 million cash consideration and recorded a loss on the sale of $14.6 million in the Consolidated Financial Statements.

- In the first quarter of fiscal year 2021, we acquired Renco Electronics ("Renco"), a designer and manufacturer of customized standard magnetics components and products including transformers, inductors, chokes and coils for power and RF applications. Renco's end markets and customer base in areas such as consumer and industrial applications are highly complementary to our existing business with the potential to further expand key account relationships and capitalize on cross selling opportunities. Renco operates one manufacturing facility in Florida and is supported by contract manufacturers in Asia. Renco's results are reported within our Electronics segment.

As a result of our portfolio moves over the past several years, we have transformed Standex to a company with a more focused group of businesses selling customized solutions to high value end markets via a compelling customer value proposition. The narrowing of the portfolio allows for greater management focus on driving operational disciplines and positions us well to continue benefitting from the economic rebound associated with the emergence from the end of the COVID-19 crisis and to use our cash flow from operations to invest selectively in our ongoing pipeline of organic and inorganic opportunities.

We develop "Customer Intimacy" by utilizing the Standex Growth Disciplines to partner with our customers in order to develop and deliver custom solutions or engineered components. By partnering with our customers during long-term product development cycles, we become an extension of their development teams. Through this Partner, Solve, Deliver® approach, we are able to secure our position as a preferred long-term solution provider for our products and components. This strategy results in increased sales and operating margins that enhance shareholder returns.

Standex Operational Excellence drives continuous improvement in the efficiency of our businesses, both on the shop floor and in the office environment. We recognize that our businesses are competing in a global economy that requires us to improve our competitive position. We have deployed a number of management competencies to drive improvements in the cost structure of our business units including operational excellence through lean enterprise, the use of low-cost manufacturing facilities, the consolidation of manufacturing facilities to achieve economies of scale and leveraging of fixed infrastructure costs, alternate sourcing to achieve procurement cost reductions, and capital improvements to increase productivity.

The Company's strong historical cash flow has been a cornerstone for funding our capital allocation strategy. We use cash flow generated from operations to fund investments in capital assets to upgrade our facilities, improve productivity and lower costs, invest in the strategic growth programs described above, including organic growth and acquisitions, and to return cash to our shareholders through payment of dividends and stock buybacks.

Restructuring expenses reflect costs associated with our efforts of continuously improving operational efficiency and expanding globally in order to remain competitive in our end user markets. We incur costs for actions to size our businesses to a level appropriate for current economic conditions, improve our cost structure, enhance our competitive position and increase operating margins. Such expenses include costs for moving facilities to locations that allow for lower fixed and variable costs, external consultants who provide additional expertise starting up plants after relocation, downsizing operations because of changing economic conditions, and other costs resulting from asset redeployment decisions. Shutdown costs include severance, benefits, stay bonuses, lease and contract terminations, asset write-downs, costs of moving fixed assets, and moving and relocation costs. Vacant facility costs include maintenance, utilities, property taxes and other costs.

Because of the diversity of the Company's businesses, end user markets and geographic locations, management does not use specific external indices to predict the future performance of the Company, other than general information about broad macroeconomic trends. Each of our individual business units serves niche markets and attempts to identify trends other than general business and economic conditions which are specific to its business and which could impact its performance. Those units report pertinent information to senior management, which uses it to the extent relevant to assess the future performance of the Company. A description of any such material trends is described below in the applicable segment analysis.

We monitor a number of key performance indicators ("KPIs") including net sales, income from operations, backlog, effective income tax rate, gross profit margin, and operating cash flow. A discussion of these KPIs is included below. We may also supplement the discussion of these KPIs by identifying the impact of foreign exchange rates, acquisitions, and other significant items when they have a material impact on a specific KPI.

We believe the discussion of these items provides enhanced information to investors by disclosing their impact on the overall trend which provides a clearer comparative view of the KPI, as applicable. For discussion of the impact of foreign exchange rates on KPIs, we calculate the impact as the difference between the current period KPI calculated at the current period exchange rate as compared to the KPI calculated at the historical exchange rate for the prior period. For discussion of the impact of acquisitions, we isolate the effect on the KPI amount that would have existed regardless of such acquisition. Sales resulting from synergies between the acquisition and existing operations of the Company are considered organic growth for the purposes of our discussion.

Unless otherwise noted, references to years are to fiscal years.

Impact of COVID-19 Pandemic on the Company

Given the global nature of our business and the number of our facilities worldwide, we continue to be impacted globally by COVID-19 related issues. We have taken effective action around the world to protect our health and safety, continue to serve our customers, support our communities and manage our cash flows. Our priority was and remains the health and safety of all of our employees. Each of our facilities is following safe practices as defined in their local jurisdictions as well as sharing experiences and innovative ways of overcoming challenges brought on by the crisis during updates with global site leaders. We are rigorously following health protocols in our plants, including changing work cell configurations and revising shift schedules when appropriate, in order to do our best to maintain operations. Initially, we experienced revenue reductions in many of our businesses due to the impact that the pandemic had on our customers. Conversely, public and private sector responses to COVID-19 vaccine distribution, especially in the United States, have also resulted in increased sales of scientific refrigeration equipment to customers within our Scientific reporting segment. More recently we have been impacted by (i) supply chain shortages and increased costs associated with the well-documented global logistics issues and (ii) labor shortages, especially in North America.

We exited the second quarter of fiscal year 2022 with $147.2 million in cash and $199.7 million of borrowings under our revolving credit facility. Our leverage ratio covenant, as defined in our revolving credit agreement, was 1.20 to 1 and allowed us the capacity to borrow an additional $281.2 million at December 31, 2021. We believe that we have sufficient liquidity around the world and access to financing to execute on our short and long-term strategic plans.

Finally, we continue to monitor our ability to participate in any governmental assistance programs available to us in each of our global locations and participate in these programs as available and appropriate.

Results from Continuing Operations

(In thousands, except percentages)	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	Six Months Ended December 31, 2021	Six Months Ended December 31, 2020
Net sales	$ 185,709	$ 156,283	$ 361,319	$ 307,569
Gross profit margin	37.0%	37.1%	37.4%	36.7%
Income from operations	21,773	16,738	44,601	31,092

(In thousands)	Three Months Ended December 31, 2021	Six Months Ended December 31, 2021
Net sales, prior year period	$ 156,283	$ 307,569
Components of change in sales:		
Organic sales change	32,016	57,623
Effect of business divestitures	(2,302)	(5,338)
Effect of exchange rates	(288)	1,465
Net sales, current period	$ 185,709	$ 361,319

Net sales increased in the second quarter of fiscal year 2022 by $29.4 million or 18.8% when compared to the prior year quarter. Organic sales increased $32.0 million or 20.5%, primarily due to pricing actions and strong demand in our Electronics and Scientific segments, while foreign currency had a $0.3 million or 0.2% negative impact on sales. Sales in the prior year quarter included revenue of $2.3 million related to our divested Enginetics business.

Net sales increased in the six months ended December 31, 2021 by $53.8 million or 17.5% when compared to the prior year period. Organic sales increased $57.6 million or 18.7%, primarily due to pricing actions and strong demand in our Electronics and Scientific segments, while foreign currency had a $1.5 million or 0.5% positive impact on sales. Sales in the prior year period included revenue of $5.4 million related to our divested Enginetics business.

Gross Profit Margin

Our gross margin for the second quarter of fiscal year 2022 was 37.0%, which slightly declined from the prior year quarter's gross margin of 37.1%. This decline is primarily the result of project mix, and raw material and ocean freight cost headwinds, offset by organic sales increases and price and productivity initiatives across our segments.

Our gross margin for six months ended December 31, 2021 was 37.4%, which increased from the prior year quarter's gross margin of 36.7%. This increase is a result of organic sales increases and price and productivity initiatives, partially offset by raw material and ocean freight cost headwinds, a one-time project related charge at Engineering Technologies in the first quarter, along with production decreases due to a temporary work stoppage in our Specialty Solutions segment which was resolved during the first quarter.

Selling, General, and Administrative Expenses

Selling, General, and Administrative ("SG&A") expenses for the second quarter of fiscal year 2022 were $43.5 million, or 23.4% of sales, compared to $40.2 million, or 25.7% of sales, during the prior year quarter. SG&A expenses during the quarter were impacted by increased distribution expense of approximately $2.1 million associated with higher organic sales volume in the quarter, as well as increases in research and development costs and compensation related accruals.

SG&A expenses for the six months ended December 31, 2021 were $86.3 million, or 23.9% of sales, compared to $79.1 million, or 25.7% of sales, during the six months ended December 31, 2020. SG&A expenses during the period were impacted by increased distribution expense of approximately $3.3 million associated with higher organic sales volume in the six months ended December 31, 2021, increases in research and development costs and compensation related accruals.

Restructuring Charges

We incurred restructuring expenses of $0.8 million in the second quarter of fiscal year 2022 and $1.3 million for the six months ended December 31, 2021, primarily related to productivity improvements and global headcount reductions within our Engraving segment.

We expect to incur restructuring costs of approximately $1.1 million throughout the remainder of fiscal year 2022 as we continue to focus our efforts to reduce cost and improve productivity across our businesses, particularly through headcount reductions and productivity initiatives.

Acquisition Related Expenses

We incurred acquisition related expenses of $0.9 million in the second quarter of fiscal year 2022 and $1.1 million for the six months ended December 31, 2021. Acquisition related expenses typically consist of due diligence, integration, and valuation expenses incurred in connection with recent or pending acquisitions.

Income from Operations

Income from operations for the second quarter of fiscal year 2022 was $21.8 million, compared to $16.7 million during the prior year quarter. The increase of $5.1 million, or 30.1%, is primarily due to organic sales growth, productivity and cost savings initiatives, offset by increases in material costs.

Income from operations for the six months ended December 31, 2021 was $44.6 million, compared to $31.1 million during the prior year quarter. The increase of $13.5 million, or 43.4%, is primarily due to organic sales growth, productivity and cost savings initiatives, offset by increases in material costs.

Interest Expense

Interest expense for the second quarter of fiscal year 2022 was $1.5 million, a 4.7% decrease from interest expense of $1.6 million during the prior year quarter. Interest expense for the six months ended December 31, 2021 was $3.2 million, a 5.2% increase from interest expense of $3.1 million during the prior year. Our effective interest rate in the second quarter of fiscal year 2022 was 2.62%.

Income Taxes

Our effective tax rate from continuing operations for the second quarter of fiscal year 2022 and for the six months of the fiscal year ending June 30, 2022 was 24.7% and 24.8%, respectively compared with 21.0% and 24.8% for the prior year quarter and prior year period, respectively. The tax rate was impacted in the current period by the following items: (i) a discrete tax benefit related to equity compensation, (ii) the jurisdictional mix of earnings, (iii) foreign withholding taxes, and (iv) reduction of global intangible low-taxed income.

Backlog

Backlog includes all active or open orders for goods and services. Backlog also includes any future deliveries based on executed customer contracts, so long as such deliveries are based on agreed upon delivery schedules. Backlog orders are not necessarily an indicator of future sales levels because of variations in lead times and customer production demand pull systems, with the exception of Engineering Technologies. Customers may delay delivery of products or cancel orders prior to shipment, subject to possible cancellation penalties. Due to the nature of long-term agreements in the Engineering Technologies segment, the timing of orders and delivery dates can vary considerably resulting in significant backlog changes from one period to another.

	As of December 31, 2021		As of December 31, 2020	
	Total Backlog	Backlog under 1 year	Total Backlog	Backlog under 1 year
Electronics	$ 153,080	$ 143,485	$ 77,243	$ 76,190
Engraving	26,260	20,666	23,194	15,710
Scientific	7,973	7,973	9,849	9,849
Engineering Technologies	58,532	46,681	87,984	56,495
Specialty Solutions	48,590	45,377	17,746	14,262
Total	$ 294,435	$ 264,182	$ 216,016	$ 172,506

Total backlog realizable under one year increased $91.7 million, or 53.1%, to $264.2 million at December 31, 2021 from $172.5 million at December 31, 2020. Electronics backlog increased 98% in all geographic markets in response to the beginning of the global recovery from the pandemic and new business opportunities. Backlog declines in the Engineering Technologies segment are primarily due to the divestiture of Enginetics and the weakening demand in the commercial aviation sector due to COVID-19 pandemic related slowdowns in that industry.

Changes in backlog under one year are as follows (in thousands):

(In thousands)		As of December 31, 2021
Backlog under 1 year, prior year period	$	172,506
Components of change in backlog:		
Organic change		106,226
Effect of divestiture		(14,550)
Backlog under 1 year, current period	$	264,182

Segment Analysis

Overall

Looking forward to the remainder of fiscal year 2022, we expect to be well positioned to build on fiscal year 2021 and the six months ended December 31, 2021 momentum, with anticipated year over year improvement in key financial metrics, supported by orders growth and productivity initiatives.

In general for fiscal year 2022, we continue to expect:

- continued end market strength in reed switch and relay products as well as growth in magnetics in our Electronics segment;
- an increase in soft trim demand in our Engraving segment;
- a decline in demand for COVID-19 related vaccine storage in our Scientific segment;
- continued strength in the commercial aviation market and growth in the space market in our Engineering Technologies segment; and
- continued recovery in the food service market in our Specialty Solutions segment.

Electronics Group

(In thousands, except percentages)	Three Months Ended December 31, 2021		2020		% Change	Six Months Ended December 31, 2021		2020		% Change
Net sales	$	76,626	$	60,156	27.4%	$	152,462	$	115,427	32.1%
Income from operations		17,157		9,962	72.2%		35,430		18,497	91.5%
Operating income margin		22.4%		16.6%			23.2%		16.0%	

Net sales in the second quarter of fiscal year 2022 increased $16.5 million, or 27.4%, when compared to the prior year quarter. Organic sales increased by $16.8 million or 27.9%, reflecting a broad-based geographical recovery with a strengthening in demand for all product groups including relays in renewable energy and electric vehicle applications as well as reed switch demand in transportation end markets and the impacts of pricing actions. The foreign currency impact decreased sales by $0.3 million, or 0.5%.

Income from operations in the second quarter of fiscal year 2022 increased by $7.2 million, or 72.2%, when compared to the prior year quarter. The operating income increase was the result of organic sales growth, various price actions and cost saving initiatives, partially offset by material and freight cost increases.

Net sales in the six months ended December 31, 2021 increased $37.0 million, or 32.1%, when compared to the prior year period. Organic sales increased by $36.7 million or 31.8%, reflecting a broad-based geographical recovery with a strengthening in demand for all product groups including relays in renewable energy and electric vehicle applications as well as reed switch demand in transportation end markets and the impact of pricing actions. The foreign currency impact increased sales by $0.3 million, or 0.2%.

Income from operations in the six months ended December 31, 2021 increased by $16.9 million, or 91.5% when compared to the prior year period. The operating income increase was the result of organic sales growth, various price actions and cost saving initiatives, partially offset by material cost increases.

Sequentially during the third quarter of fiscal year 2022, we expect a slight increase in revenue and operating margin mostly due to positive end market demand and associated operating leverage.

Engraving Group

(In thousands, except percentages)	Three Months Ended December 31, 2021	2020	% Change	Six Months Ended December 31, 2021	2020	% Change
Net sales	$ 36,644	$ 37,950	(3.4%)	$ 71,814	$ 74,351	(3.4%)
Income from operations	5,204	6,501	(20.0%)	10,078	12,374	(18.6%)
Operating income margin	14.2%	17.1%		14.0%	16.6%	

Net sales in the second quarter of fiscal year 2022 decreased by $1.3 million, or 3.4%, when compared to the prior year quarter. Organic sales decreased by $1.4 million, or 3.8%, as a result of timing of projects and geographic mix. The sales decline was offset by foreign exchange impacts of $0.1 million, or 0.3%.

Income from operations in the second quarter of fiscal year 2022 decreased by $1.3 million, when compared to the prior year quarter. Operating income declined during the quarter reflecting the timing of projects and geographic mix.

Net sales in the six months ended December 31, 2021 decreased by $2.5 million, or 3.4%, when compared to the prior year period. Organic sales decreased by $3.7 million, or 5.0% as a result of timing of projects. The sales decline was offset by foreign exchange impacts of $1.1 million, or 1.5%.

Income from operations in the six months ended December 31, 2021 decreased by $2.3 million, when compared to the prior year period. Operating income decreased during the period due to the volume decline, partially offset by productivity initiatives.

Sequentially during the third quarter of fiscal year 2022, we expect revenue and operating margin to be similar due to a decrease in project work in Asia, associated with the Chinese New Year, offset by contribution from projects in Europe and growth in soft trim sales.

Scientific

(In thousands, except percentages)	Three Months Ended December 31, 2021	2020	% Change	Six Months Ended December 31, 2021	2020	% Change
Net sales	$ 24,636	$ 17,893	37.7%	$ 46,165	$ 34,556	33.6%
Income from operations	5,490	4,234	29.7%	9,998	8,310	20.3%
Operating income margin	22.3%	23.7%		21.7%	24.0%	

Net sales in the second quarter of fiscal year 2022 and for the six month period ended December 31, 2021 increased by $6.7 million and $11.6 million, respectively, when compared to the prior year quarter and year to date periods. The net sales increase reflects overall growth in end markets, such as pharmaceutical channels, clinical settings, and academic laboratories, including continued strong demand for cold storage surrounding COVID-19 vaccine distribution and the general market recovery as well as pricing actions.

Income from operations in the second quarter of fiscal year 2022 and for the six month period ended December 31, 2021 increased $1.3 million and $1.7 million, respectively, when compared to the prior year quarter and year to date periods. The increase reflects revenue growth and pricing actions partially offset by higher freight costs and investments in new product development.

Sequentially during the third quarter of fiscal year 2022, we expect a moderate decline in revenue and operating margin due to lower volume.

Engineering Technologies Group

(In thousands, except percentages)	Three Months Ended December 31, 2021	2020	% Change	Six Months Ended December 31, 2021	2020	% Change
Net sales	$ 18,095	$ 17,507	3.4%	$ 35,668	$ 35,140	1.5%
Income from operations	2,314	1,363	69.8%	3,213	1,831	75.5%
Operating income margin	12.8%	7.8%		9.0%	5.2%	

Net sales in the second quarter of fiscal year 2022 increased by $0.6 million, or 3.4%, compared to the prior year quarter. Sales in the prior year quarter included revenue of $2.3 million related to our divested Enginetics business. Excluding the impact of the divestiture, sales increased $2.9 million or 19.0% primarily due to recovering demand in the commercial aviation industry and growth in the power generation end market.

Income from operations increased in the second quarter of fiscal year 2022 compared to the prior year period primarily due to recovery in commercial aviation end markets, along with the absences of losses associated with the Enginetics business.

Net sales in the six months ended December 31, 2021 increased by $0.5 million, or 1.5%, compared to the prior year period. Sales in the prior year period included revenue of $5.4 million related to our divested Enginetics business. Excluding the impact of the divestiture, sales increased $5.9 million primarily due to recovering demand in the commercial aviation industry, growth in the power generation end market, along with an increase in sales into the space end market, particularly related to commercialization of space.

Income from operations increased in the six months ended December 31, 2021 compared to the prior year period primarily due to productivity and cost savings measures implemented during the pandemic and maintained as economic activity resumed along with the absences of losses associated with the Enginetics business, offset by a $1.1 million one-time project-related charge during the first quarter.

Sequentially during the third quarter of fiscal year 2022, we expect revenue to remain similar or slightly higher due to strength in the space and medical end markets. Operating margin is expected to increase slightly to moderately due to end market strength and ongoing productivity initiatives.

Specialty Solutions Group

(In thousands, except percentages)	Three Months Ended December 31, 2021	2020	% Change	Six Months Ended December 31, 2021	2020	% Change
Net sales	$ 29,708	$ 22,777	30.4%	$ 55,210	$ 48,095	14.8%
Income from operations	3,738	3,211	16.4%	6,553	7,117	(7.9%)
Operating income margin	12.6%	14.1%		11.9%	14.8%	

Net sales in the second quarter of fiscal year 2022 increased $6.9 million or 30.4% when compared to the prior year quarter. Organic sales increased $7.1 million, or 30.0%. Increased sales volume is primarily due to positive trends in food services, specialty retail and refuse end markets, as well as various pricing actions.

Income from operations increased $0.5 million or 16.4% in the second quarter of fiscal year 2022 when compared to the prior year quarter primarily as a result of volume and pricing actions, partially offset by higher labor costs, raw material and ocean freight costs.

Net sales in the six months ended December 31, 2021 increased $7.1 million or 14.8% when compared to the prior year period. Organic sales increased $7.3 million, or 15.2%. Increased sales volume is primarily due to a continued recovery in the Pumps and Merchandising businesses and pricing actions, partially offset by the impact of a temporary work stoppage which was resolved during the first quarter.

Income from operations decreased $0.6 million or 7.9% in the six months ended December 31, 2021 when compared to the prior year period primarily as a result of higher costs of labor, including a temporary work stoppage in the first quarter and higher raw material and ocean freight costs, partially offset by pricing actions.

Sequentially during the third quarter of fiscal year 2022, we expect a slight to moderate revenue and operating margin increase reflecting strength in backlog and end market trends.

Corporate and Other

(In thousands, except percentages)	Three Months Ended December 31, 2021		Three Months Ended December 31, 2020		% Change	Six Months Ended December 31, 2021		Six Months Ended December 31, 2020		% Change
Income (loss) from operations:										
Corporate	$	(8,662)	$	(7,454)	16.2%	$	(16,546)	$	(14,445)	14.5%
Restructuring		(843)		(509)	65.6%		(1,283)		(1,996)	(35.7%)
Acquisition related costs		(925)		(570)	62.3%		(1,142)		(596)	91.6%
Other income (expense), net		(1,700)		-	100.0%		(1,700)		-	100.0%

Corporate expenses in the second quarter of fiscal year 2022 increased by 16.2% when compared to the prior year quarter. The increase reflects increases in employee related compensation and research and development costs.

Corporate expenses in the six months ended December 31, 2021 increased by 14.5% when compared to the prior year period. The increase reflects increases in employee related compensation and research and development costs.

The restructuring and acquisition related costs have been discussed above in the Company Overview. The increase in other expenses reflects a $1.7 million litigation accrual in the second quarter of fiscal year 2022.

Discontinued Operations

In pursuing our business strategy, the Company may divest certain businesses. Future divestitures may be classified as discontinued operations based on their strategic significance to the Company. Net loss from discontinued operations was $0.0 million and $0.6 million for the three months ended December 31, 2021 and December 31, 2020 respectively. Net loss from discontinued operations was $0.0 million and $1.3 million for the six months ended December 31, 2021 and December 31, 2020 respectively.

Liquidity and Capital Resources

At December 31, 2021, our total cash balance was $147.2 million, of which $100.0 million was held by foreign subsidiaries. During the second quarter and in the first six months of fiscal year 2022, we repatriated $15.9 million to the United States from our foreign subsidiaries. We expect to repatriate between $15.0 million and $20.0 million during the second half of fiscal year 2022, however, the amount and timing of cash repatriation during the fiscal year will be dependent upon each business unit's operational needs including requirements to fund working capital, capital expenditures, and jurisdictional tax payments. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences or be subject to capital controls; however, those balances are generally available without legal restrictions to fund ordinary business operations.

Net cash provided by continuing operating activities for the six months ended December 31, 2021, was $36.7 million compared to net cash provided by continuing operating activities of $31.5 million in the prior year. We generated $20.2 million from income statement activities and used $14.3 million of cash to fund working capital and other balance sheet increases. Cash flow used in investing activities for the six months ended December 31, 2021 totaled $8.1 million and primarily consisted of $9.7 million used for capital expenditures and $1.6 million generated by sales of property, plant, and equipment. Cash used by financing activities for the six months ended December 31, 2021 was $15.6 million and consisted primarily of purchases of stock of $9.5 million, cash paid for dividends of $6.0 million, and contingent consideration payments due to the seller of the Renco business of $1.2 million.

During the second quarter of fiscal year 2019, we entered into a five-year Amended and Restated Credit Agreement ("credit agreement", or "facility") with a borrowing limit of $500 million. The facility can be increased by an amount of up to $250 million, in accordance with specified conditions contained in the agreement. The facility also includes a $10 million sublimit for swing line loans and a $35 million sublimit for letters of credit.

Under the terms of the Credit Facility, we pay a variable rate of interest and a commitment fee on borrowed amounts as well as a commitment fee on unused amounts under the facility. The amount of the commitment fee depends upon both the undrawn amount remaining available under the facility and the Company's funded debt to EBITDA (as defined in the agreement) ratio at the last day of each quarter. As our funded debt to EBITDA ratio increases, the commitment fee increases.

Funds borrowed under the facility may be used for the repayment of debt, working capital, capital expenditures, acquisitions (so long as certain conditions, including a specified funded debt to EBITDA leverage ratio is maintained), and other general corporate purposes. As of December 31, 2021, the Company used $6.1 million against the letter of credit sub-facility and had the ability to borrow $281.2 million under the facility based on our current trailing twelve-month EBITDA. The facility contains customary representations, warranties and restrictive covenants, as well as specific financial covenants. The Company's current financial covenants under the facility are as follows:

Interest Coverage Ratio - The Company is required to maintain a ratio of Earnings Before Interest and Taxes, as Adjusted ("Adjusted EBIT per the Credit Facility"), to interest expense for the trailing twelve months of at least 2.75:1. Adjusted EBIT per the Credit Facility specifically excludes extraordinary and certain other defined items such as cash restructuring and acquisition related charges up to the lower of $20.0 million or 10% of EBITDA. The facility also allows for unlimited non-cash charges including purchase accounting and goodwill adjustments. At December 31, 2021, the Company's Interest Coverage Ratio was 14.7.

Leverage Ratio - The Company's ratio of funded debt to trailing twelve month Adjusted EBITDA per the Credit Facility, calculated as Adjusted EBIT per the Credit Facility plus depreciation and amortization, may not exceed 3.5:1. Under certain circumstances in connection with a Material Acquisition (as defined in the Facility), the Facility allows for the leverage ratio to go as high as 4.0:1 for a four-fiscal quarter period. At December 31, 2021, the Company's Leverage Ratio was 1.20.

As of December 31, 2021, we had borrowings under our facility of $200.0 million. In order to manage our interest rate exposure on these borrowings, we are party to $200.0 million of active floating to fixed rate swaps. These swaps convert our interest payments from LIBOR to a weighted average fixed rate of 1.27%. The effective rate of interest for our outstanding borrowings, including the impact of the interest rate swaps, was 2.62%.

Our primary cash requirements in addition to day-to-day operating needs include interest payments, capital expenditures, acquisitions, share repurchases, and dividends. Our primary sources of cash for these requirements are cash flows from continuing operations and borrowings under the facility. We expect fiscal year 2022 capital spending to be between $25.0 million and $30.0 million which includes amounts not spent in fiscal year 2021. We also expect that fiscal year 2022 depreciation and amortization expense will be an estimated $21.0 million and $12.0 million, respectively.

The following table sets forth our capitalization:

(In thousands)	December 31, 2021	June 30, 2021
Long-term debt	$ 199,660	$ 199,490
Less cash and cash equivalents	(147,155)	(136,367)
Net debt	52,505	63,123
Stockholders' equity	523,450	506,425
Total capitalization	$ 575,955	$ 569,548

We sponsor a number of defined benefit and defined contribution retirement plans. The U.S. pension plan is frozen for substantially all participants. We have evaluated the current and long-term cash requirements of these plans, and our existing sources of liquidity are expected to be sufficient to cover required contributions under ERISA and other governing regulations.

The fair value of the Company's U.S. defined benefit pension plan assets was $211.5 million at December 31, 2021, as compared to $212.6 million at the most recent measurement date, which occurred as of June 30, 2021. The next measurement date to determine plan assets and benefit obligations will be on June 30, 2022.

The Company expects to pay $0.5 million in contributions to its defined benefit plans during the remainder of fiscal year 2022. Contributions of $0.1 million and $0.1 million were made during the three and six months ended December 31, 2021 compared to $4.8 million and $4.9 million during the three and six months ended December 31, 2020, respectively. The Company does not expect to make additional contributions during fiscal year 2022 to its U.S. defined benefit plan. The Company expects to make contributions during fiscal year 2022 of $0.1 million and $0.3 million to its unfunded defined benefit plans in the U.S. and Germany, respectively. Any subsequent plan contributions will depend on the results of future actuarial valuations.

We have an insurance program in place to fund supplemental retirement income benefits for four retired executives. Current executives and new hires are not eligible for this program. At December 31, 2021, the underlying policies had a cash surrender value of $10.6 million and are reported net of loans of $9.1 million for which we have the legal right of offset, these amounts are reported net on our balance sheet.

Other Matters

Inflation – Certain of our expenses, such as wages and benefits, occupancy costs, freight and equipment repair and replacement, are subject to normal inflationary pressures. Inflation for medical costs can impact both our employee benefit costs as well as our reserves for workers' compensation claims. We monitor the inflationary rate and make adjustments to reserves whenever it is deemed necessary. Our ability to control worker compensation insurance medical cost inflation is dependent upon our ability to manage claims and purchase insurance coverage to limit the maximum exposure for us. Each of our segments is subject to the effects of changing raw material costs caused by the underlying commodity price movements. We have experienced price fluctuations for a number of materials including rhodium, steel, and other metal commodities. These materials are some of the key elements in the products manufactured in these segments. Wherever possible, we will implement price increases to offset the impact of changing prices. The ultimate acceptance of these price increases will be impacted by our affected divisions' respective competitors and the timing of their price increases. In general, we do not enter into purchase contracts that extend beyond one operating cycle. While Standex considers our relationship with our suppliers to be good, there can be no assurances that we will not experience any supply shortage.

Foreign Currency Translation – Our primary functional currencies used by our non-U.S. subsidiaries are the Euro, British Pound Sterling (Pound), Japanese (Yen), and Chinese (Yuan).

Defined Benefit Pension Plans – We record expenses related to these plans based upon various actuarial assumptions such as discount rates, mortality rates, and assumed rates of returns. The Company's pension plan is frozen for substantially all eligible U.S. employees and participants in the plan ceased accruing future benefits.

Environmental Matters – To the best of our knowledge, we believe that we are presently in substantial compliance with all existing applicable environmental laws and regulations and do not anticipate any instances of non-compliance that will have a material effect on our future capital expenditures, earnings or competitive position.

Seasonality – We are a diversified business with generally low levels of seasonality.

Employee Relations – The Company has labor agreements with several union locals in the United States and several European employees belong to European trade unions.

Critical Accounting Policies

The condensed consolidated financial statements include the accounts of Standex International Corporation and all of its subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying condensed consolidated financial statements. Although we believe that materially different amounts would not be reported due to the accounting policies adopted, the application of certain accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Our Annual Report on Form 10-K for the year ended June 30, 2021 lists a number of accounting policies which we believe to be the most critical.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

We are exposed to market risks from changes in interest rates, commodity prices and changes in foreign currency exchange. To reduce these risks, we selectively use, from time to time, financial instruments and other proactive management techniques. We have internal policies and procedures that place financial instruments under the direction of the Treasurer and restrict all derivative transactions to those intended for hedging purposes only. The use of financial instruments for trading purposes (except for certain investments in connection with the non-qualified defined contribution plan) or speculation is strictly prohibited. The Company has no majority-owned subsidiaries that are excluded from the consolidated financial statements. Further, we have no interests in or relationships with any special purpose entities.

Exchange Rate Risk

We are exposed to both transactional risk and translation risk associated with exchange rates. The transactional risk is mitigated, in large part, by natural hedges developed with locally denominated debt service on intercompany accounts. We also mitigate certain of our foreign currency exchange rate risks by entering into forward foreign currency contracts from time to time. The contracts are used as a hedge against anticipated foreign cash flows, such as loan payments, customer remittances, and materials purchases, and are not used for trading or speculative purposes. The fair values of the forward foreign currency exchange contracts are sensitive to changes in foreign currency exchange rates, as an adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts. However, any such losses or gains would generally be offset by corresponding gains and losses, respectively, on the related hedged asset or liability. At December 31, 2021 the fair value, in the aggregate, of the Company's open foreign exchange contracts was a liability of less than $0.1 million.

Our primary translation risk is with the Euro, British Pound Sterling, Peso, Japanese Yen and Chinese Yuan. A hypothetical 10% appreciation or depreciation of the value of any these foreign currencies to the U.S. Dollar at December 31, 2021, would not result in a material change in our operations, financial position, or cash flows. We hedge our most significant foreign currency translation risks primarily through cross currency swaps and other instruments, as appropriate.

Interest Rate Risk

The Company's effective interest rate on borrowings was 2.62% at December 31, 2021. Our interest rate exposure is limited primarily to interest rate changes on our variable rate borrowings and is mitigated by our use of interest rate swap agreements to modify our exposure to interest rate movements. At December 31, 2021, we have $200.0 million of active floating to fixed rate swaps with terms ranging from one to four years. These swaps convert our interest payments from LIBOR to a weighted average rate of 1.27%. At December 31, 2021 the fair value, in the aggregate, of the Company's interest rate swaps was liabilities of $0.1 million. A 25-basis point increase in interest rates would not change our annual interest expense as all of our outstanding debt is currently converted to fixed rate debts by means of interest rate swaps.

Concentration of Credit Risk

We have a diversified customer base. As such, the risk associated with concentration of credit risk is inherently minimized. As of December 31, 2021, no one customer accounted for more than 5% of our consolidated outstanding receivables or of our sales.

Commodity Prices

The Company is exposed to fluctuating market prices for all commodities used in its manufacturing processes. Each of our segments is subject to the effects of changing raw material costs caused by the underlying commodity price movements. In general, we do not enter into purchase contracts that extend beyond one operating cycle. While Standex considers our relationship with our suppliers to be good, there can be no assurances that we will not experience any supply shortage.

The Engineering Technologies, Specialty Solutions, and Electronics segments are all sensitive to price increases for steel and aluminum products, other metal commodities such as rhodium and copper, and petroleum-based products. We have experienced price fluctuations for a number of materials including rhodium, steel, and other metal commodities. These materials are some of the key elements in the products manufactured in these segments. Wherever possible, we will implement price increases to offset the impact of changing prices. The ultimate acceptance of these price increases, if implemented, will be impacted by our affected divisions' respective competitors and the timing of their price increases.

ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this Report, the management of the Company, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”)). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2021 in ensuring that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms, and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There was no change in the Company's internal control over financial reporting during the quarterly period ended December 31, 2021 that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 5. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) The following table provides information about purchases by the Company of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities(1)
Quarter Ended December 31, 2021

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or appropriate dollar value) of shares (or units) that may yet be purchased under the plans or programs
October 1 - October 31, 2021	418	$ 101.30	418	$ 12,526
November 1 - November 30, 2021	29	113.14	29	12,522
December 1 - December 31, 2021	-	-	-	12,522
Total	447	$ 102.07	447	$ 12,522

(1) The Company has a Stock Buyback Program (the "Program") which was originally announced on January 30, 1985 and most recently amended on April 26, 2016. Under the Program, the Company was authorized to repurchase up to an aggregate of $100 million of its shares. Under the program, purchases may be made from time to time on the open market, including through 10b5-1 trading plans, or through privately negotiated transactions, block transactions, or other techniques in accordance with prevailing market conditions and the requirements of the Securities and Exchange Commission. The Board's authorization is open-ended and does not establish a timeframe for the purchases. The Company is not obligated to acquire a particular number of shares, and the program may be discontinued at any time at the Company's discretion.

ITEM 6. EXHIBITS

(a) Exhibits

10.1	Employment Agreement dated July 1, 2021 between the Company and Flavio Maschera
31.1	Principal Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Principal Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Principal Executive Officer and Principal Financial Officer Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from this Quarterly Report on Form 10-Q, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

ALL OTHER ITEMS ARE INAPPLICABLE

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STANDEX INTERNATIONAL CORPORATION

Date:	February 4, 2022	/s/ ADEMIR SARCEVIC Ademir Sarcevic Vice President/Chief Financial Officer (Principal Financial & Accounting Officer)
Date:	February 4, 2022	/s/ SEAN C. VALASHINAS Sean C. Valashinas Vice President/Chief Accounting Officer/Assistant Treasurer