September 10, 2021

Dear Fellow Shareholders,

We have just ended a fiscal year like no other. It began in the depths of pandemic lockdowns with great uncertainty about the outlook in our end markets and ended with one of the strongest quarters in the company's history. Resilience and adaptability, long hallmarks of Standex, were vital in navigating this difficult period with great success.

Facing the realities of the pandemic, our first concern was our employees' safety. We took immediate and effective company-wide actions to provide safe work environments and assure continuity for our customers. I am proud of the dedication and resilience of our employees and the high degree of collaboration and coordination among our global teams. I am especially proud to point out that amid the turbulence caused by the pandemic, our global safety metric reached a new, record low Total Reportable Incident Rate at a world-class level of 0.39.

With the dramatic decline in our markets at the beginning of the pandemic and the uncertain economic outlook, we took a cautious stance, reducing costs and delaying investments. A notable exception was in our Scientific business, where we aggressively built up our inventory to support the expected growth in demand for vaccine storage units. The expected business began to arrive in November. We were prepared to meet the surge of customer demand and proud to play a direct role in supporting the vaccine rollout in the United States.

As the year progressed, our businesses saw their end markets strengthen, some gradually, some quickly. In combination with operational improvements and excellent execution, results strengthened quarter after quarter. As a result, we had a year that exceeded our original expectations. We closed with a fourth quarter that delivered 13.3% adjusted operating margin - the highest in the company's history, with record backlogs as we look to FY22.

We anticipate exciting developments in FY22. Our efforts to better position our businesses to grow will continue to show. Our presence in electric vehicles and renewable energy will continue to grow. Increases in R&D spending in recent years will bring a record number of new products to market across our businesses. Toward this end, last month, we created a new position, the Chief Innovation and Technology Officer. In addition to bringing to market renewable energy technologies that have been developed the last three years in our Engraving business, this position will accelerate deployment of our deep technical and applications expertise to meet customer needs in emerging growth markets such as renewable energy, electric vehicles, smart grid and functional surfaces.

Driving Portfolio Towards Higher Growth and Margin Platforms

Our strategy is to become a more focused, high-performing industrial operating company. We pursue this by building platforms from businesses with compelling customer value propositions that serve attractive, growing end markets. We reinforce our businesses with an effective management process - the Value Creation System – and support them with judicious capital allocation.

In fiscal year 2021, we divested a small product line from our Engineering Technologies business that no longer met our strategic criteria. In July, we also acquired Renco Electronics, which exposed us to new end markets and brought an accomplished applications engineering team and a new sales channel. The business had a solid first year with Standex, exceeding our internal expectations. Most encouraging, we rapidly saw significant sales synergies, as our teams learned they could cross-sell each other's capabilities, solving a broader range of problems for our customers. The combination of these two portfolio moves improved the growth rate and asset efficiency of the corporation.

The GDP+ process is our growth management process. In the year, we saw a record level of sales to new applications in Electronics, a first-ever patent issued to our Scientific business, and growth of laneway sales from $53M to $55M. Our development activity accelerated in the year, and we have several new products planned for release in fiscal year 2022. It may seem counterintuitive, but during periods when our markets are down, our customers are working on new products, collaborating with our design teams on the new applications that will drive sales growth in the coming years.

The Operational Excellence process drives continuous improvement processes through our businesses, applying standard work and LEAN principles. At the beginning of the downturn, we took actions to control costs and improve productivity across the enterprise. Our corporate ops team rolled out standard scorecards across all businesses to help drive visibility to operational performance and oversaw site-level transformation plans to deliver our annual productivity plan. These actions laid the groundwork for the steady improvement we saw throughout the year as adjusted profit margins improved from 9.0% in the fourth quarter of last year to a record high 13.3% in the most recent quarter. We also developed an environmental baseline scorecard that will be used to embark on a materiality assessment to enhance our existing ESG framework.

Our talent development processes create an environment where our employees can use their unique talents to make a difference, working on important projects in a productive environment. We were pleased that internal fill rate remained steady at 59% for senior roles; our long term goal remains 70%. In a business based on competing with Customer Intimacy, a productive culture of collaboration that enables our teams to solve problems and seize opportunities effectively is essential. This year, we revised our employee survey process to go beyond a traditional engagement focus and take a deeper look at culture. A critical insight from this year's survey was to make greater use of the collaborative kaizen process when rolling out initiatives that span the corporation.

Solid Financial Position Supporting Disciplined and Opportunistic Capital Allocation

Our robust balance sheet only strengthened during the year. In fiscal 2021, our increasing profitability and years-long focus on improving working capital turns helped deliver free cash flow of over 100% of net income. We also declared our 228th consecutive quarterly dividend and continued to execute on our share repurchase program. Finally, we ended the fiscal year with a net debt to EBITDA ratio of 0.57, and an available borrowing capacity of approximately $250 million.

Standex's capital allocation approach remains disciplined and balanced, while our financial flexibility allows us to support attractive organic and inorganic growth opportunities.

Looking Ahead

As we enter fiscal 2022, our 67th year in business, the corporation has never been in better condition. Our portfolio consists of businesses with strong market positions and track records of attractive margins and cash generation. Record backlogs indicate our end markets are strong and that customers increasingly turn to us to solve their application needs. We hope to report a dynamic and profitable year.

Thank you to our customers and shareholders for your continued collaboration and support.

Finally, I offer my heartfelt thanks to our dedicated employees, who continue to persevere through the pandemic to meet the needs of our customers. Our business begins and ends with you, and it is a great pleasure to work together.

Sincerely,

David Dunbar
Chairman, President & CEO