Second Quarter Fiscal 2020 Conference Call

Standex

February 4, 2020

SXI LISTED NYSE

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2Q20 Highlights

SEGMENT PERFORMANCE

- Engraving: margin increase sequentially and YOY on flat sales; improved N.A. performance
- Electronics: results similar to 1Q20 as expected; impacted by lower Asia demand and material inflation
- Engineering Technologies: improved margins and continued strength in aviation and defense
- Hydraulics: solid expense control/favorable product mix; sales decline YOY reflects customer reduction in inventory levels
- Food Service: favorable mix/productivity; strong Scientific margins, improved Refrigeration performance

POSITIONING PORTFOLIO FOR HIGHER GROWTH & MARGIN

- 2Q20 laneway revenues were $33.4 million; 17% increase YOY
- Electronics NBO's continued to strengthen; 6% increase in N.A. funnel YTD in FY20
- GS acquisition yielding opportunities for soft shell introductions across the global Mold-Tech footprint
- Definitive agreement to acquire Torotel, a leader in custom high reliability magnetics assemblies; expanding capabilities and customer value proposition, expected to close in February

PRODUCTIVITY INITIATIVES CONTINUE

- $3.8M in annualized savings from restructuring efforts in Engraving and Electronics now flowing through the P&L
- Addressing materials inflation in Electronics through changes in reed switch production and material substitution
- ETG margin improvements driven by ongoing productivity improvements in manufacturing processes and favorable mix as new platform parts continue to ramp
- New VP Operations joining Standex in late February

FINANCIAL FLEXIBILITY

- TTM net debt to Adjusted EBITDA of 0.8x at 2Q20
- Working capital turns increased 0.4x year-over year to 5.1x
- Generated free cash flow of $9.9 million in 2Q20 compared to $7.7 million in 2Q19; over 25% YOY increase
- Repatriated ~$12 million from foreign subsidiaries YTD; expect to repatriate ~$35 million in FY20
- ~ $195 million of available liquidity post Torotel closing

Engraving

$ in 000's	2Q20	2Q19	% Change
Revenue	$38,256	$38,485	-0.6%
Operating Income	$6,916	$6,849	1.0%
OI Margin	18.1%	17.9%	

Laser Engraving and Welding Process

2Q Summary

- Sales softness reflected timing of customer automotive programs balanced with laneway growth and contribution from GS Engineering acquisition
- Laneway growth of 22% YOY to $22.4M including nickel shell, laser and tool finishing
- Margin improvement of 100 basis points sequentially and 20 basis points YOY reflecting improved operating discipline and cost savings from prior restructuring actions

Outlook

- Expect improvement in 3Q20 YOY due to increased new automotive model roll-outs, GS Engineering contribution and leverage from recent cost restructuring
- Continue growth momentum for new technology laneways: soft trims, laser engraving and tool finishing
- Emphasis on operational execution; e.g., standardized ERP tools to support regional ops teams

Electronics

$ in 000's	2Q20	2Q19	% Change
Revenue	$45,834	$52,700	-13.0%
Operating Income	$7,776	$10,376	-25.1%
OI Margin	17.0%	19.7%	

Battery monitoring and power management for electric or hybrid vehicles

2Q Summary

- Sales decline reflected weaker end markets in Asia and distributor de-stocking; although both appear to be moderating
- Positive trends for applications in the defense and utility end market (e.g., smart grid)
- Operating income declined YOY primarily due to the impact of volume deleveraging and material inflation in Asia reed switch operation
- Operating margin sequentially ~flat supported by cost actions implemented in FY20

Outlook

- Expect sales volume to increase slightly sequentially
- N.A. NBO funnel has increased 6% YTD in FY20 to $53M
- Continued focus on productivity and cost initiatives; e.g. changes in reed switch production

Engineering Technologies

$ in 000s	2Q20	2Q19	% Change
Revenue	$26,495	$23,568	+12.4%
Operating Income	$3,422	$2,061	+66.0%
OI Margin	12.9%	8.7%	

Multi axis machining of a single piece, spin formed lipskin

2Q Summary

- Volume leverage associated with core markets of Aviation, Space and Defense
- Backlog to be delivered in under one year increased 17% YOY
- Ongoing momentum in manufacturing productivity improvements; e.g. reducing level of scrap/rework material as well as increased machine utilization levels

Outlook

- In 3Q20 expect revenue for the segment to decrease YOY due to the timing of projects in backlog
- Operating income in 3Q20 expected to increase YOY driven by continued growth of new platform parts, productivity and cost efficiency initiatives

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Hydraulics

$ in 000s	2Q20	2Q19	% Change
Revenue	$11,316	$12,116	-6.6%
Operating Income	$1,818	$1,929	-5.8%
OI Margin	16.1%	15.9%	

Refuse Truck – New technology Pack Eject cylinders with TCP coatings

2Q Summary

- Sales decrease reflects customers reducing existing inventory levels as well as slowdown in dump truck market partially offset by positive refuse market trends
- YOY margin increase reflecting solid expense management and favorable product mix
- New applications, such as the new pack eject cylinder continued to ramp

Outlook

- Expect revenue and operating income to decrease YOY in 3Q20 reflecting customer de-stocking as well as the end of tariff relief on select products
- Reallocating capacity to highest value opportunities; aftermarket sales and new business opportunities

Food Service Equipment Group

$ in 000s	2Q20	2Q19	% Change
Revenue	$68,684	$68,653	0.1%
Operating Income	$6,773	$5,190	30.5%
OI Margin	9.9%	7.6%	

Italian glass self-serve display merchandiser

2Q Summary
- Relatively flat demand across the group
- Increase in operating income largely due to improved Refrigeration contribution
- Scientific business continues to provide significant margin contribution to the Group

Outlook
- Expect 3Q20 Food Service Group sales to be relatively flat YOY reflecting growth in Scientific with Refrigeration Group and Pump sales slightly down
- Expect 3Q20 operating income to increase YOY driven by productivity improvements and a continued shift to differentiated products

2Q20 Financial Summary

($ in M's)		2Q20	2Q19	YOY	Comments
Revenue		$190.6	$195.5	-2.5%	**Components of revenue increase:** Organic -3.0% Acquisitions +0.8% F/X impact of -0.4%
Gross Margin		34.9%	34.2%	+70 bps	
Adj. Gross Margin		34.9%	34.3%	+60 bps	Sales mix & productivity improvements
Adj. Operating Income		$19.3	$21.3	-9.3%	Increased YOY corporate expense
	Margin %	10.1%	10.9%	-80 bps	
Adj. EBITDA		$27.2	$28.7	-5.2%	
	Margin %	14.3%	14.7%	-40 bps	
Net, Interest Expense		$1.9	$3.1	-38.3%	
	Tax Rate %	24.0%	28.4%	+440 bps	
Adj. Net Income		$12.8	$12.5	2.4%	
	Margin %	6.7%	6.4%	+30 bps	
Adj. EPS		$1.03	$0.98	5.1%	Lower interest expense & favorable tax rate

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2Q20 Revenue Drivers

Q2 2020 YOY Change %	Engraving	Electronics	Engineering Technologies	Hydraulics	Food Service	Total
Organic	-2.7%	-13.6%	12.9%	-6.6%	0.3%	-3.0%
Acquisitions	4.2%	0.0%	0.0%	0.0%	0.0%	0.8%
Currency	-2.2%	0.6%	-0.5%	0.0%	-0.2%	-0.4%
Total	-0.6%	-13.0%	12.4%	-6.6%	0.1%	-2.5%

Strength at Engineering Technologies
Electronics Impacted by Asia Market Slowdown

2Q20 Free Cash Flow

AS REPORTED ($M)	Q2 FY 2020	Q2 FY 2019
Net cash provided by operating activities, as reported	$ 13.5	$ 16.4
Less: Capital Expenditures	(3.6)	(8.7)
Free operating cash flow	$ 9.9	$ 7.7

- Net cash from continuing ops decreased YOY primarily due to an earnout payment associated with a prior acquisition which is now complete
- Working capital management continued to improve
- Capital expenditures decreased YOY reflecting timing of projects

Solid Free Cash Flow Generation

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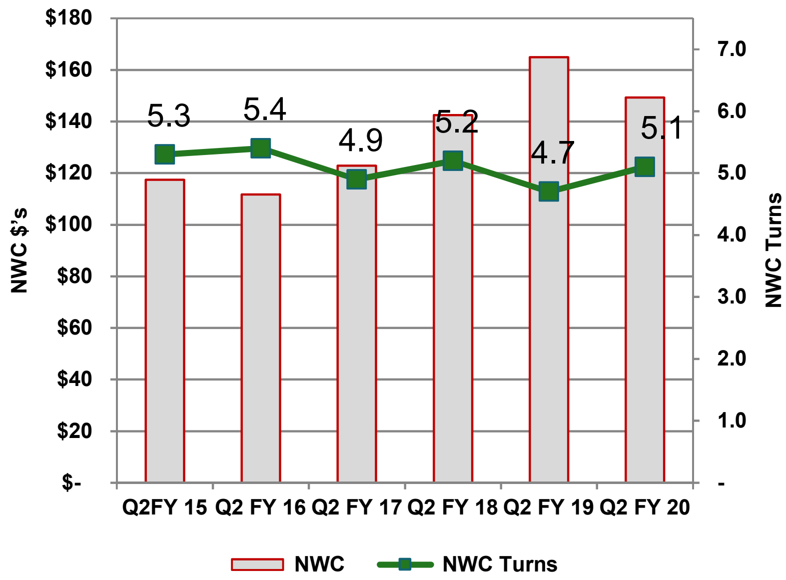
2Q20 Working Capital Trends



	Q2 FY 20 Actual	Q2 FY 19 Actual
A/R	110,087	111,864
DSO	51	52
Inventory	108,513	109,423
Inventory Turns	4.8	4.6
A/P	(69,737)	(56,460)
DPO	44	35
Net Working Capital	148,863	164,827
W/Cap Turns	5.1	4.7

Note: FY19 restated ex-Cooking

Note: All periods exclude divested Cooking Solutions

Working capital turns of 5.1x increased from 4.7x a year ago

- Continued focused collection efforts and accounts payable management
- Inventory turns increased from 4.6x to 4.8x
- DPO increased by 9 days YOY

Operational Execution Driving Working Capital Improvement

2Q20 Capitalization

Favorable Liquidity Profile

- Net debt to adj. EBITDA of 0.8x
- Net debt to total capital of 15.2%
- ~$195M of available liquidity post Torotel

Capital Spending

- Approximately $3.6M of CAPEX in the quarter compared to $8.7M in 2Q19
- Fine tuning FY20 CAPEX to between $30M - $32M compared to prior $31M - $34M
- Depreciation of $25M - $26M in FY20
- Amortization expected to be $8.5M - $9.5M

(in $M)	2Q20 12/31/2019		1Q20 9/30/2019	
Debt (with-issuance costs)	187.0		188.9	
Cash	98.9		90.2	
Net Debt	88.1		98.7	
Net Debt to Capital Ratio	15.2%		17.3%	
Funded Debt to Capital	27.6%		28.5%	
Leverage Ratio per Bank Credit Agreement	1.22	x	1.22	x
TTM Adjusted EBITDA as Reported	108.6		110.1	
Adjusted EBITDA to Net Debt	0.81	x	0.90	x

- Net debt to capital at 15.2% vs prior quarter of 17.3%
- TTM EBITDA to funded debt at 1.2x, Adjusted EBITDA to funded debt at 0.8x
- Repatriated $2.7M in 2Q20 and $11.9M FY20 YTD; expect to repatriate $35M in FY20

Balance Sheet Well Positioned for Organic Growth Investments and Acquisitions

Key Takeaways

1. In 3Q20, Standex expects total revenue to be similar to the third quarter of 2019. Operating income is expected to be sequentially similar to slightly better than 2Q20 with a significant improvement year-over-year as the benefits of cost reduction actions are more fully leveraged.

2. Ongoing focus on productivity improvements and cost reduction initiatives to drive margin improvement

3. Focusing portfolio on higher growth and return opportunities and extending our competitive advantages

4. Substantial financial flexibility for disciplined capital allocation across active pipeline of organic growth and acquisition opportunities

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Q&A

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APPENDIX

2Q20 GAAP to Non-GAAP Bridge

	Q2 FY20				Q2 FY19				% Change		
	Pre-tax Income	Tax	Net Income	EPS	Pre-tax Income	Tax	Net Income	EPS	Pre-tax Income	Net Income	EPS
Reported - GAAP	**$ 15.3**	**$ (2.9)**	**$ 12.4**	**$ 1.00**	**$ 16.3**	**$ (3.9)**	**$ 12.5**	**$ 0.98**	**-6.2%**	**-0.5%**	**2.0%**
Add:											
Restructuring Charges	0.7	(0.2)	0.5	0.04	0.2	(0.1)	0.1	0.01			
Purchase Accounting	-	-	-	-	0.1	(0.0)	0.0	-			
Acquisition-related costs	0.8	(0.2)	0.6	0.05	0.9	(0.2)	0.6	0.05			
Less:											
Discrete Tax Items	$ -	(0.7)	$ (0.7)	$ (0.06)	$ -	(0.8)	$ (0.8)	$ (0.06)			
Adjusted	**$ 16.8**	**$ (4.0)**	**$ 12.8**	**$ 1.03**	**$ 17.4**	**$ (4.9)**	**$ 12.5**	**$ 0.98**	**-3.5%**	**2.4%**	**5.1%**
Diluted Shares				12,455				12,685			

GAAP 2nd Quarter Net Income $12.4M versus Prior Year at $12.5M
Non-GAAP Net Income $12.8M versus Prior Year at $12.5M
GAAP EPS increased 2.0%; Non-GAAP EPS up 5.1%

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