



# **Fiscal First Quarter 2022 Conference Call Presentation**

November 5, 2021

# Safe Harbor Statement

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# Key Q1 FY22 Messages

## Q1 FY22 RESULTS & TRENDS

- Consolidated organic revenue growth ~ 17% YOY complemented by 13.4% adjusted operating margin, a 250 bps YOY increase; second consecutive quarter of highest quarterly consolidated margin in SXI history
- Electronics revenue increased ~ 37% YOY reflecting broad-based geographical recovery, demand for relays in renewable energy and electric vehicle applications; positive trends in transportation, appliance, test & measurement and distribution end markets
- Scientific revenue increased ~ 29% YOY driven by broad end market strength

## POSITIONING FOR HIGHER GROWTH & MARGIN

- Sequentially, ~ 12% increase in total company backlog realizable under one year with strength particularly at the Electronics, Specialty Solutions, and Engraving segments
- First year sales from new business opportunities in Electronics forecasted to be \$19M in FY22; Broad-based strength across all major geographic areas and business units
- Blood Bank refrigerator and Plasma freezer new product introduction at Scientific segment

## PRODUCTIVITY & FINANCE INITIATIVES

- Driving manufacturing and supply chain productivity initiatives including new lean programs and mitigating inflationary trends through price realization and value engineering
- Strong working capital management; W/C turns of 5.6x represented a 33% YOY increase
- Continued progress mitigating material inflation through changes in reed switch production/material substitution; on track to substantially complete by the end of FY22

## STRONG FINANCIAL POSITION

- Free cash flow of ~ \$8M in Q1 FY22, a \$3.7M increase YOY reflecting improvement in working capital metrics
- ~\$267M in available liquidity and net debt to adjusted EBITDA ratio of 0.58x
- Declared 229<sup>th</sup> consecutive dividend ~ 8% increase YOY; repurchased ~ 97,000 shares in Q1 FY22
- Expect to repatriate \$35M in cash in FY22

## FY22 OUTLOOK

- In FY22 expect stronger financial performance YOY reflecting positive demand trends, further leveraging of productivity initiatives, and significantly strengthened operating profile
- In Q2 FY22, expect revenue and operating margin to increase slightly compared to Q1 FY22
- Revenue and operating margin are expected to increase significantly YOY in Q2 FY22

# Electronics

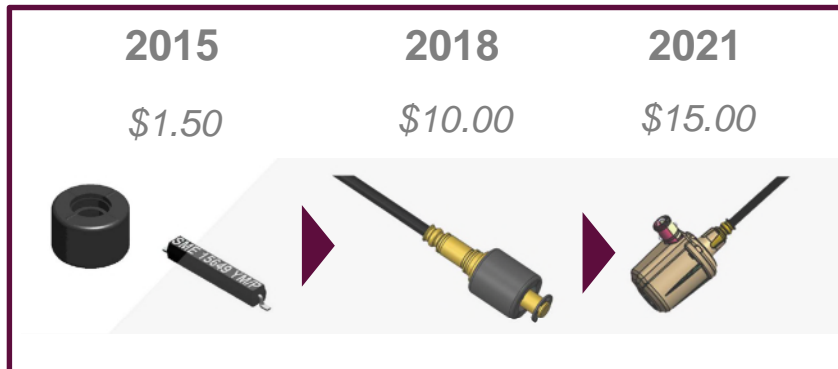
## YOY Comparison

\$ in 000's	Q1 FY22	Q1 FY21	% Change
Revenue	\$75,836	\$55,271	37.2%
Operating Income*	\$18,273	\$9,123	100.2%
OI Margin	24.1%	16.5%	

\*Q1 FY21 operating income excludes \$0.6M of purchase accounting expenses associated with Renco Electronics.

## Customer Intimacy = higher-value solutions

Climbing value chain from component to full sensor assemblies



## Q1 FY22 Summary

- **Organic revenue growth of approximately \$19.9M or 36.1% YOY** increase with continued broad-based geographical recovery and demand for relays in solar and electric vehicle applications
- **Positive trends** in transportation, appliance, test & measurement and distribution end markets
- **Operating income increase** reflected operating leverage due to revenue growth and productivity initiatives, partially offset by increased raw material and freight cost
- **New Business Opportunity funnel has grown to \$61M** and is expected to generate sales of ~\$19M in FY22; positive trends including electric and heavy-duty vehicles, defense, industrial and aerospace end markets
- Sequentially, **backlog realizable under a year increased by 11%** in Q1 FY22

## Q2 FY22 Outlook

- Sequentially, **expect revenue and operating margin to slightly decrease** reflecting a lower number of production/shipping days and product mix
- **Continued strong demand** in reed switches and reed relay market; military-aerospace programs ramping up for magnetics products

# Engraving

## YOY Comparison

\$ in 000's	Q1 FY22	Q1 FY21	% Change
Revenue	\$35,170	\$36,401	-3.4%
Operating Income*	\$4,874	\$5,873	-17.0%
OI Margin	13.9%	16.1%	

## Proprietary technology and faster lead time fuel Soft Trim growth in China



- Global project supplied tools to the Tesla China Model Y
- Standex process significantly faster than competitors

## Q1 FY22 Summary

- **Revenue and operating income decrease** reflected the timing of projects and geographic mix, partially offset by productivity actions
- **Laneway sales at ~\$14.9M or up ~ 27% YoY**, including positive trends in soft trim tools, laser engraving, and tool finishing
- Sequentially, **backlog realizable under a year increased \$5.9M** or approximately 44% in Q1 FY22

## Q2 FY22 Outlook

- Sequentially, **expect a slight sequential increase in revenue and operating margin** due to the timing of projects, regional mix, demand for soft trim tooling, and impact of productivity initiatives

# Scientific

## YOY Comparison

\$ in 000's	Q1 FY22	Q1 FY21	% Change
Revenue	\$21,529	\$16,663	29.2%
Operating Income*	\$4,508	\$4,076	10.6%
OI Margin	20.9%	24.5%	

## New Blood Bank and Plasma products



- New product category for Standex
- Blood Bank Refrigerators and Plasma freezer
- Leveraging expertise in life science and refrigeration regulatory compliance
- Meets extensive regulatory and industry requirements

## Q1 FY22 Summary

- **Revenue increase** reflecting positive trends at retail pharmacies, clinical laboratories, and academic institutions
- **Received \$9.6M in orders** to replace installed base pharmacy refrigerators for shipment in first half of FY22
- **Operating income increase** reflected volume growth and pricing initiatives offset with investments to support future growth opportunities and higher freight costs
- Sequentially, **backlog realizable under a year increased \$1.6M** or approximately 27% in Q1 FY22

## Q2 FY22 Outlook

- Expect **revenue and operating margin to be sequentially similar** reflecting continued demand for vaccine storage and pricing actions, partially offset by increased freight costs
- **Launching new Blood and Plasma products** with active pipeline of additional new product development projects

# Engineering Technologies

## YOY Comparison

\$ in 000's	Q1 FY22	Q1 FY21	% Change
Revenue	\$17,573	\$17,633	-0.3%
Operating Income*	\$899	\$469	91.7%
OI Margin	5.1%	2.7%	

## Increasing international opportunities

Bulkhead assembly



Nose cone adjacent products



## Q1 FY22 Summary

- **Revenue was similar YOY** reflecting positive trends in the space end market offset by the recent divestiture of the Enginetics business
- **Operating income increased** due to product mix and ongoing productivity initiatives offset by a \$1.1M one-time project-related charge

## Q2 FY22 Outlook

- **Expect revenue to be sequentially similar** with positive commercial aviation and defense trends partially offset by project timing in the space end market
- **Expect significant increase in operating margin** due to project mix, productivity initiatives, and absence of the one-time project-related charge
- **Pursing active new business opportunity pipeline** in space and aviation sectors

# Specialty Solutions

## YOY Comparison

\$ in 000's	Q1 FY22	Q1 FY21	% Change
Revenue	\$25,502	\$25,318	0.7%
Operating Income*	\$2,815	\$3,906	-27.9%
OI Margin	11.0%	15.4%	

## Federal launches new Vision Series



- Product developed through GDP+ growth process
- Modern styling with more viewable product area
- Holds more product with a smaller footprint
- Quieter and performs at higher temperature and humidity

## Q1 FY22 Summary

- **Revenue was similar YoY reflecting end market recovery** particularly in food service markets offset by impact of prior work stoppage which has been resolved
- **Operating income decrease** reflected impact of a prior work stoppage and material inflation partially offset by price and productivity actions
- Sequentially, **backlog realizable under a year increased \$8.7M** or approximately 33% in Q1 FY22

## Q2 FY22 Outlook

- Sequentially, **expect a moderate increase in revenue and operating margin** due to execution on a strong backlog position and the absence of the financial impact of the prior work stoppage
- Seeking to **recover material inflation** through pricing actions



# Q1 FY22 Income Statement Summary

(\$ in M's)	Q1 FY22	Q1 FY21	YOY	Comments
<b>Revenue</b>	<b>\$175.6</b>	<b>\$151.3</b>	<b>16.1%</b>	Organic growth at Electronics and Scientific partially offset by Enginetics divestiture and Engraving project timing Organic revenue: 16.9% YOY Divestiture-related: -2.0% F/X impact: 1.2%
<b>Adj. Operating Income</b>	<b>\$23.5</b>	<b>\$16.5</b>	<b>42.7%</b>	Operating leverage associated with increased sales and productivity initiatives partially offset by one-time ETG project charge and impact of work stoppage at Specialty Solutions which has been resolved
<i>Margin %</i>	<b>13.4%</b>	<b>10.9%</b>	<b>+250 bps</b>	
<b>Adj. EBITDA</b>	<b>\$31.2</b>	<b>\$24.8</b>	<b>25.6%</b>	
<i>Margin %</i>	<b>17.8%</b>	<b>16.4%</b>	<b>+140 bps</b>	
<b>Net, Interest Expense</b>	<b>\$1.7</b>	<b>\$1.5</b>	<b>15.9%</b>	
<i>Tax Rate %</i>	<b>25.0%</b>	<b>22.0%</b>	<b>300 bps</b>	
<b>Adj. Net Income</b>	<b>\$16.3</b>	<b>\$11.8</b>	<b>38.0%</b>	
<i>Margin %</i>	<b>9.3%</b>	<b>7.8%</b>	<b>+150 bps</b>	
<b>Adj. EPS</b>	<b>\$1.34</b>	<b>\$0.96</b>	<b>39.6%</b>	
<b>Shares Outstanding</b>	<b>12.1</b>	<b>12.3</b>	<b>-1.1%</b>	Repurchased 97,000 shares in Q1 FY22

# Q1 FY22 Free Cash Flow

AS REPORTED (\$M)

**Net cash provided by operating activities, as reported**

Less: Capital Expenditures

**Free operating cash flow**

	<b>Q1 FY 22</b>	<b>Q1 FY 21</b>
	<u>          </u>	<u>          </u>
	\$ 13.1	\$ 9.2
	(5.0)	(4.8)
	<u>          </u>	<u>          </u>
	\$ 8.1	\$ 4.4

Solid Working Capital Execution and Consistent Cash Generation

# Q1 FY22 Capitalization

## Favorable Liquidity Profile

- Net debt to adj. EBITDA of 0.58x
- Net debt to total capital of 11.8%
- 13.7x interest coverage ratio
- ~\$267M of available liquidity
- Expect to repatriate \$35M in FY22

## Capital Spending and D&A

- \$5.0M of CAPEX in Q1 FY22 compared to \$4.8M in Q1 FY21
- CAPEX expected to be between \$25M to \$30M in FY22
- Expect depreciation of ~ \$21M in FY22
- Amortization expected to be ~ \$12M in FY22

(\$ in M)	9/30/2021	6/30/2021
<b>Debt including issuance costs</b>	\$199.6	\$199.5
Cash	130.7	136.4
<b>Net Debt</b>	\$68.9	\$63.1
<b>Net Debt to Capital Ratio</b>	11.8%	11.4%
Funded Debt to Capital	28.1%	28.3%
Leverage Ratio per Bank Credit Agreement	1.24	1.31
TTM Adjusted EBITDA	\$118.4	\$111.6
<b>Net Debt to Adjusted EBITDA</b>	0.58x	0.57x

Strong Balance Sheet and Significant Liquidity

# Key Takeaways

**1**

**In FY22, we expect stronger financial performance reflecting positive demand trends, ongoing productivity initiatives and continued execution on our growth strategy**

**2**

**We have an active pipeline of growth opportunities with continued expansion in our new business opportunity funnel and new product introductions**

**3**

**We are driving manufacturing and supply chain productivity with actions as new lean programs and mitigating inflationary trends through price realization and cost consolidation efforts**

**4**

**Our strong balance sheet and liquidity position is supported by consistent free cash flow generation; focused on opportunistic and disciplined capital allocation**

**5**

**Our portfolio of high-quality businesses complemented by deep technical and applications expertise provides clients with innovative solutions and compelling customer value propositions**

# Q&A

# APPENDIX

# Q1 FY22 Revenue Drivers

<b>Q1 FY22 YOY Change %</b>	<b>Electronics</b>	<b>Engraving</b>	<b>Scientific</b>	<b>Engineering Technologies</b>	<b>Specialty Solutions</b>	<b>Total</b>
Organic	36.1%	(6.2%)	29.2%	16.4%	0.7%	16.9%
Divestiture	0.0%	0.0%	0.0%	(17.2%)	0.0%	(2.0%)
Acquisitions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Currency	1.1%	2.8%	0.0%	0.5%	0.1%	1.2%
<b>Total</b>	<b>37.2%</b>	<b>(3.4%)</b>	<b>29.2%</b>	<b>(0.3%)</b>	<b>0.8%</b>	<b>16.1%</b>

# Q1 FY22 GAAP to Non-GAAP Income Bridge

	Q1 FY22				Q1 FY21				% Change		
	Pre-tax Income	Tax	Net Income	EPS	Pre-tax Income	Tax	Net Income	EPS	Pre-tax Income	Net Income	EPS
<b>Reported - GAAP</b>	\$ 21.1	\$ (5.3)	\$ 15.8	\$ 1.30	\$ 13.0	\$ (2.7)	\$ 10.3	\$ 0.84	61.7%	52.9%	54.8%
<b>Add:</b>											
Restructuring Charges	0.4	(0.1)	0.3	0.03	1.5	(0.3)	1.2	0.10			
Purchase Accounting	-	-	-	-	0.6	(0.1)	0.5	0.04			
Acquisition-related costs	0.2	(0.1)	0.2	0.01	0.0	(0.0)	0.0	-			
<b>Less:</b>											
Discrete Tax Items*	-	-	-	-	-	(0.2)	(0.2)	(0.02)			
<b>Adjusted</b>	<b>\$ 21.7</b>	<b>\$ (5.4)</b>	<b>\$ 16.3</b>	<b>\$ 1.34</b>	<b>\$ 15.1</b>	<b>\$ (3.3)</b>	<b>\$ 11.8</b>	<b>\$ 0.96</b>	<b>43.5%</b>	<b>38.0%</b>	<b>39.6%</b>
Diluted Shares	12,149				12,281						

Note : Some totals will not foot due to rounding

Q1 FY21 Non-GAAP Net Income of \$16.3M versus Prior Year at \$11.8M  
Non-GAAP EPS grew 39.6% YOY