



# Fourth Quarter Fiscal 2022 Earnings Call Presentation

August 5, 2022





# SAFE HARBOR STATEMENT

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# KEY Q4 FY22 MESSAGES

## Q4 & FY22 RESULTS & TRENDS

- Fifth consecutive quarter of highest adjusted quarterly margin in SXI history with 13.9% in Q4 FY22, 60 bps YOY and 10 bps sequential increase; All five segments reported adjusted operating margin of at least 15% in Q4 FY22
- Solid sales and adjusted operating income growth YOY in Q4 FY22, despite impact of COVID-19 lockdown in China; continued execution on price realization and productivity actions
- FY22 organic revenue and adjusted operating income increased ~15% and ~28% YOY, respectively

## GROWTH & MARGIN HIGHLIGHTS

- Sales from fast growth markets contributed \$59M, ~50% YOY increase, in FY22; strength in electric vehicles, green energy, and the commercialization of space
- Electronics and Scientific have more than doubled sales and earnings since FY17
- Solar energy project progressing with process design for pilot plants
- Total company backlog realizable in under one year ended at ~ \$256 million, representing ~ 22% increase YOY

## PRODUCTIVITY & FINANCE INITIATIVES

- Driving cost management through productivity and pricing actions
- Return on invested capital of 11.1% in FY22, increased 210 bps YOY
- Repatriated ~\$10M from foreign subsidiaries in Q4 and ~ \$31M in FY22; expect to repatriate between \$30M to \$35M in FY23

## STRONG FINANCIAL POSITION

- Free cash flow of ~ \$19M in Q4 FY22, ~\$313M in available liquidity and net debt to adjusted EBITDA ratio of 0.5x
- Repurchased 107,314 shares for ~ \$10M in Q4 FY22; ~ \$91M remaining on repurchase authorization
- Declared 232nd consecutive dividend, ~ 8% increase YOY

## OUTLOOK

- In FY23, expect continued improvement in financial metrics; key investments focused on growth initiatives and capacity expansion
- In Q1 FY23, expect revenue and operating margin to increase YOY and be similar to Q4 FY22
- Electric vehicles, renewable energy, commercial aviation, and defense end markets remain strong, while food service equipment has recovered to pre-COVID levels



# ELECTRONICS

## YOY Comparison

\$ in 000's	Q4 FY22	Q4 FY21	% Change
Revenue	\$71,939	\$72,844	-1.2%
Adj. Operating Income*	\$16,208	\$15,739	3.0%
Adj. OI Margin*	22.5%	21.6%	

\*Excludes purchase accounting expenses of \$0.4 million associated with Sensor Solutions in Q4 FY22

## Electrification Driving Future Growth

**Magnetic:** Transformer to monitor multiple lines and balance loads as part of grid optimization



**Sensors:** Isolation relays (KT24) for new hyperchargers at fast charging stations for Electric Vehicles in Europe



## Q4 FY22 Summary

- **Revenue decreased 1.2% YOY** reflecting 2.5% organic growth and a 2.1% acquisition contribution offset by 5.8% F/X impact.
- **China lockdown** held back ~\$6M in sales while **end market trends remained favorable** including demand for renewable energy and electric vehicles
- **Adjusted operating income increased 3%** reflecting **price realization** and read out of **productivity actions**
- **Backlog**, realizable under one year increased **26% YOY to \$149M**, sequentially similar to Q3 FY22; book to bill ratio of 1.2

## Q1 FY23 Outlook

- Sequentially, **expect a moderate increase in revenue** due to positive end market demand and some recovery of sales deferred due to lockdown in China
- **Slight increase in operating margin** due to sales increase partially offset by product mix
- **New business opportunity funnel is currently at \$61M**; positive trends in electric vehicles, solar, mil-aero, and semi-conductor markets



# ENGRAVING

## YOY Comparison

\$ in 000's	Q4 FY22	Q4 FY21	% Change
Revenue	\$37,218	\$36,639	1.6%
Operating Income	\$6,019	\$5,626	7.0%
OI Margin	16.2%	15.4%	

## Leveraging Global Network to Penetrate Non-Auto End Markets



Our unique Architexture process of Design, Verify and Produce (DVP) coupled with our proprietary Rapid Texture Prototyping (RTP) quickly turns digital concepts into physical patterns reducing customer lead times

## Q4 FY22 Summary

- **Revenue increased 1.6% YOY** reflecting **7.1% organic growth** from favorable project timing and increased soft trim sales, partially offset by 5.5% F/X impact
- **Laneway sales of ~ \$56.4M grew 8.5% YOY** including positive trends in soft trim tools, laser engraving, and tool finishing
- **Operating income increased** due to higher revenue and impact of productivity and efficiency actions
- **Executing on \$2M** in annualized cost saving actions

## Q1 FY23 Outlook

- **Expect slight sequential decrease in revenue and operating margin** due to project timing and mix, partially offset by cost saving actions currently underway
- Expect continued **growth in soft trim** demand in FY23



# SCIENTIFIC

## YOY Comparison

\$ in 000's	Q4 FY22	Q4 FY21	% Change
Revenue	\$18,771	\$20,645	-9.1%
Operating Income	\$3,708	\$4,127	-10.2%
OI Margin	19.8%	20.0%	

## Significant Expansion in New Product Introductions



### FY22 New product launches included:

- Meeting the newest vaccine storage standards, certified to NSF 456
- Patent pending technology for superior temperature uniformity and recovery
- New FDA Regulated product family of Blood Bank and Plasma
- Flammable Storage and Hazardous Location models with the highest industry performance in temperature uniformity and recovery



## Q4 FY22 Summary

- **As expected, revenue decreased** due to lower demand associated with COVID-19 vaccine storage partially offset by continued strength in pharmaceutical, clinical laboratories, and academic institution end markets
- **Operating income decreased** due to lower volume and higher materials and freight cost, partially offset by pricing and productivity actions
- Increased R&D investment leading to innovations **and new product launches**

## Q1 FY23 Outlook

- Sequentially, expect **slight revenue and operating margin decrease** due to lower COVID vaccine storage demand
- **Active pipeline** of new product development, further **expanding intellectual property portfolio**





# ENGINEERING TECHNOLOGIES

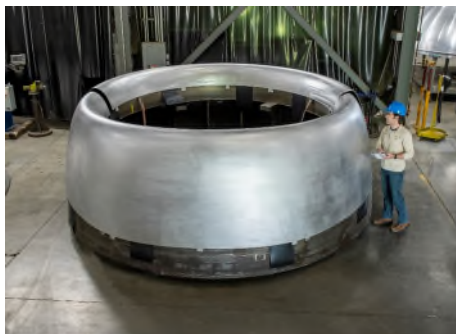
## YOY Comparison

\$ in 000's	Q4 FY22	Q4 FY21	% Change
Revenue	\$21,559	\$20,471	5.3%
Operating Income	\$3,236	\$3,088	4.8%
OI Margin	15.0%	15.1%	

## Advancing Technology in Commercial Aviation



Current Narrow Body Lipskin



Wide Body Extended Leg Lipskin Prototype

Extended leg lipskin increases laminar flow yielding improved fuel efficiency, supports customer zero emissions goals.

## Q4 FY22 Summary

- **Revenue increase** reflecting continued growth in commercial aviation and energy end markets
- **Operating income increased** due to volume growth and project mix

## Q1 FY23 Outlook

- Sequentially, expect a **moderate to significant decrease in revenue** reflecting timing of projects
- **Slight decrease in operating margin** with productivity initiatives mostly offsetting impact of volume decrease
- Sequentially, in Q2 FY23, **expect significant increase in revenue and operating margin** due to an increased level of project activity



# SPECIALTY SOLUTIONS

## YOY Comparison

\$ in 000's	Q4 FY22	Q4 FY21	% Change
Revenue	\$35,252	\$25,836	36.4%
Operating Income	\$5,394	\$2,990	80.4%
OI Margin	15.3%	11.6%	

## Expanding Federal product line



- Expanded product line for milk merchandiser
- Smaller footprint – takes up less space for more flexibility
- Uses standard 120V outlet – no special wiring required
- Customizable look

## Q4 FY22 Summary

- **Revenue increased \$9.4M or 36.4% YOY due to continued recovery** in end markets
- **Operating income increase** reflected volume increase, pricing and efficiency actions

## Q1 FY23 Outlook

- Sequentially, **expect revenue to be similar** due to stable end market demand trends
- **Moderate improvement in operating margin** due to continued read out of pricing and productivity initiatives
- Ongoing focus on **operational excellence** and **price realization** initiatives in **FY23**





## Q4 FY22 INCOME STATEMENT SUMMARY

(\$ in M's)	Q4 FY22	Q4 FY21	YOY	Comments
Revenue	\$184.7	\$176.4	4.7%	Strength at Specialty Solutions partially offset by China COVID-19 lockdown impact on Electronics sales (~\$6M)  Organic revenue: +7.8% Acquisition-related: +0.9% F/X:-3.9%
Adj. Operating Income	\$25.7	\$23.5	9.2%	Operating leverage associated with increased sales, pricing, and productivity initiatives
Margin %	13.9%	13.3%	+ 60 bps	
Adj. EBITDA	\$32.5	\$31.5	3.1%	Reflects geographic mix of earnings
Margin %	17.6%	17.9%	-30 bps	
Net, Interest Expense	\$1.4	\$1.6	-12.5%	Lower borrowings
Tax Rate %	22.0%	20.7%	+ 130 bps	
Adj. Net Income	\$18.6	\$17.1		Reflects geographic mix of earnings
Margin %	10.1%	9.7%	+ 40 bps	
Adj. EPS	\$1.54	\$1.40	10.0%	
Shares Outstanding	12.0	12.2	-1.5%	Repurchased 107,314 shares in Q4 FY22



## Q4 FY22 FREE CASH FLOW

AS REPORTED (\$M)	<u>Q4</u> <u>FY 22</u>	<u>Q4</u> <u>FY 21</u>
Net cash provided by operating activities, as reported	\$ 29.5	\$ 32.5
Less: Capital Expenditures	<u>(10.8)</u>	<u>(6.1)</u>
Free operating cash flow	\$18.8	\$26.4

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**CONSISTENT CASH  
GENERATION ADDING TO  
FINANCIAL STRENGTH**



# Q4 FY22 CAPITALIZATION

## FAVORABLE LIQUIDITY PROFILE

- Net debt to adj. EBITDA of 0.5x
- Net debt to total capital of 12.3%
- ~16.0 interest coverage ratio
- ~\$313M of available liquidity
- Repatriated ~\$10M in Q4 FY22; expect to repatriate between \$30M to \$35M in FY22

## CAPITAL SPENDING AND D&A

- \$10.8M of CAPEX in Q4 FY22 compared to \$6.1M in Q4 FY21
- CAPEX expected to be between \$35M to \$40M in FY23
- Expect depreciation between \$20.0M and \$21.0M in FY23
- Expect amortization between \$7.0M and \$9.0M in FY23

(\$ in M)

	6/30/2022	3/31/2022
<b>Debt including issuance costs</b>	\$174.8	\$199.7
Cash	104.8	133.9
<b>Net Debt</b>	\$70.0	\$65.8
<b>Net Debt to Capital Ratio</b>	12.3%	11.2%
Funded Debt to Capital	26.0%	27.5%
Leverage Ratio per Bank Credit Agreement	0.98	1.15
TTM Adjusted EBITDA	\$129.1	\$128.6
<b>Net Debt to Adjusted EBITDA</b>	0.54x	0.52x

**STRONG BALANCE SHEET  
AND SIGNIFICANT FINANCIAL  
FLEXIBILITY**



# KEY TAKEAWAYS

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- Record financial performance in FY22 driven by significant transformation of Standex's operating profile and solid business execution
  - Organic growth of 14.7%
  - Adjusted operating margin of 13.7% increased 170 bps, highest in company history
  - ROIC of 11.1%, 210 bps improvement
  - EPS growth of 27%
- Expect continued improvement in financial metrics in FY23
- Favorably aligned with emerging and sustainable global trends in end markets such as renewable energy, electric vehicles, and commercialization of space
- Deep funnel of productivity, price realization and strategic sourcing initiatives offsetting inflation and supply chain environment pressures
- Strong balance sheet and consistent cash flow generation; substantial financial flexibility to execute on active pipeline of organic and inorganic growth opportunities



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# APPENDIX



## Q4 FY22 Revenue Drivers

<b>Q4 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	2.5%	7.1%	(9.1%)	6.3%	38.3%	7.8%
Divestiture	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisitions	2.1%	0.0%	0.0%	0.0%	0.0%	0.9%
Currency	(5.8%)	(5.5%)	0.0%	(1.0%)	(1.9%)	(3.9%)
Total	(1.2)%	1.6%	(9.1%)	5.3%	36.4%	4.8%



## Total Year FY22 Revenue Drivers

<b>FY22 YTD YOY Change %</b>	<b>Electronics</b>	<b>Engraving</b>	<b>Scientific</b>	<b>Engineering Technologies</b>	<b>Specialty Solutions</b>	<b>Total</b>
Organic	22.2%	0.6%	5.6%	15.8%	22.7%	14.7%
Divestiture	0.0%	0.0%	0.0%	(12.2%)	0.0%	(1.4%)
Acquisitions	0.8%	0.0%	0.0%	0.0%	0.0%	0.3%
Currency	(2.8%)	(1.1%)	0.0%	(0.2%)	(0.9%)	(1.5%)
Total	20.2%	(0.5%)	5.6%	3.4%	21.8%	12.1%





# Q4 FY22 GAAP to Non-GAAP Income Bridge

	Q4 FY22				Q4 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>	\$ 17.4	\$ (4.1)	\$ 13.2	\$ 1.10	\$ 20.4	\$ (6.0)	\$ 14.4	\$ 1.18	-15.1%	-8.4%	-6.8%
<b>Add:</b>											
Restructuring charges	1.9	(0.4)	1.5	0.12	1.0	(0.2)	0.8	0.06			
Purchase accounting	0.4	(0.1)	0.3	0.03	-	-	-	-			
Acquisition-related costs	-	-	-	-	0.1	(0.0)	0.1	0.01			
Loss on Enginetics Sale	-	-	-	-	-	-	-	-			
Litigation charge	4.0	(0.9)	3.1	0.26	-	-	-	-			
<b>Less:</b>											
Discrete tax Items	-	0.4	0.4	0.03	-	1.8	1.8	0.15			
<b>Adjusted</b>	<b>\$ 23.7</b>	<b>\$ (5.1)</b>	<b>\$ 18.6</b>	<b>\$ 1.54</b>	<b>\$ 21.5</b>	<b>\$ (4.5)</b>	<b>\$ 17.1</b>	<b>\$ 1.40</b>	<b>10.3%</b>	<b>8.9%</b>	<b>10.0%</b>
Diluted Shares	12,033				12,213						

Note : Some totals will not foot due to rounding

(\*) Adjustments to exclude discrete income tax items primarily related to divestitures

Q4 FY22 Non-GAAP Net Income of \$18.6M versus Prior Year at \$17.1M  
Non-GAAP EPS grew 10% YOY