

Standex

Standex International



Fourth-Quarter and Fiscal Year 2009 Conference Call

August 20, 2009

SXI
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NYSE

Overview

- Roger Fix – President & Chief Executive Officer

Financial Review

- Tom DeByle – Chief Financial Officer

Fourth Quarter 2009 Segment Results and Outlook

- Roger Fix – President & Chief Executive Officer

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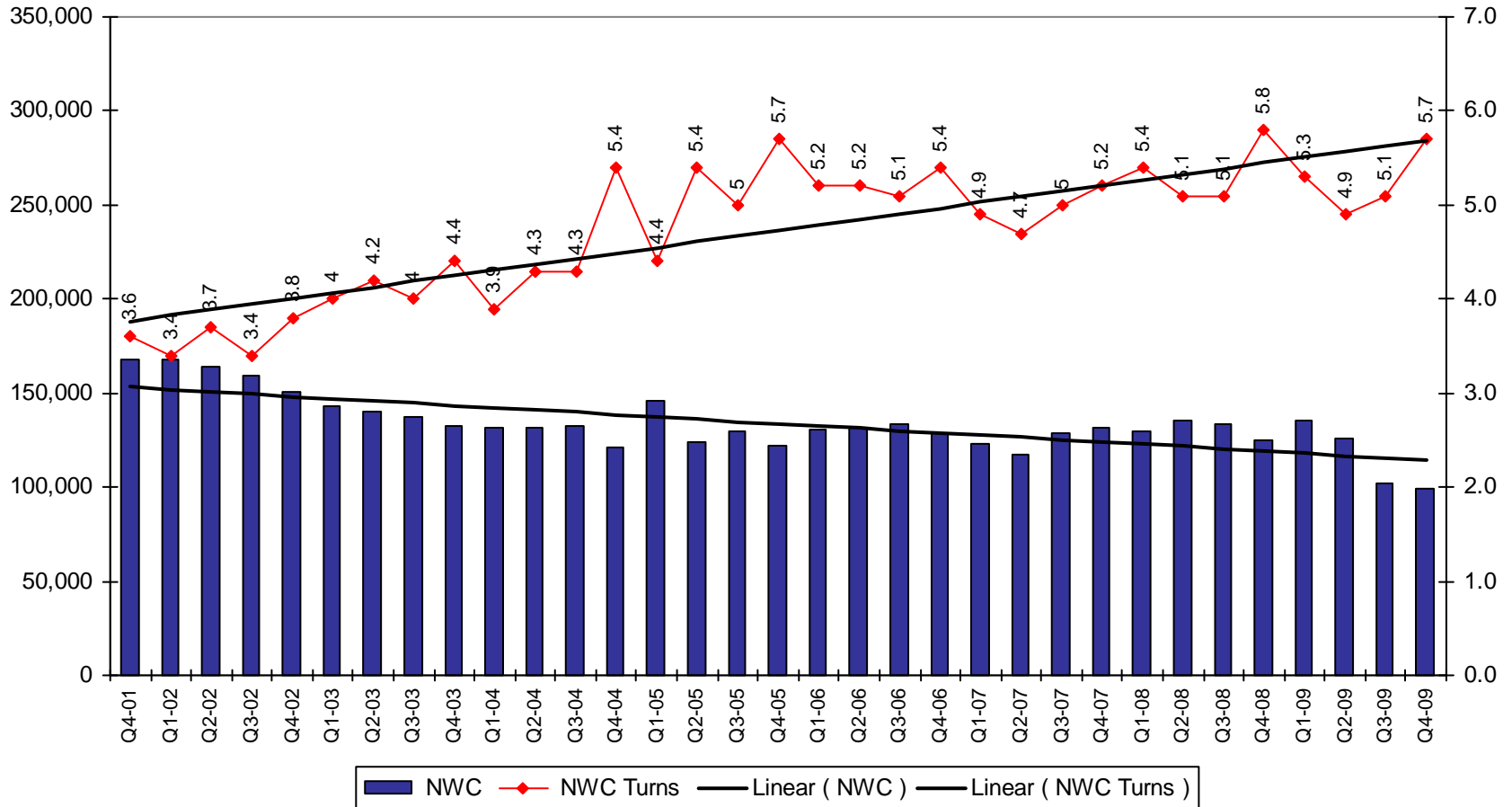
Cost reduction initiatives & productivity enhancements result in profit margin improvement, despite sales decline

- **Signs indicate we may have found low point of recession's impact on sales volume**
- **Improved bottom-line margins on 23% sales decline**
 - **Operating Income -8.0% yoy**
 - **Operating Income Margin + 100bps**
 - **Operating Income without restructuring -1.0% yoy**
 - **Operating Margin without restructuring +160bps**
 - **EPS 46 cents versus 47 cents in prior year**
- **Working Capital turns 5.7 versus record 5.8 in Q408**

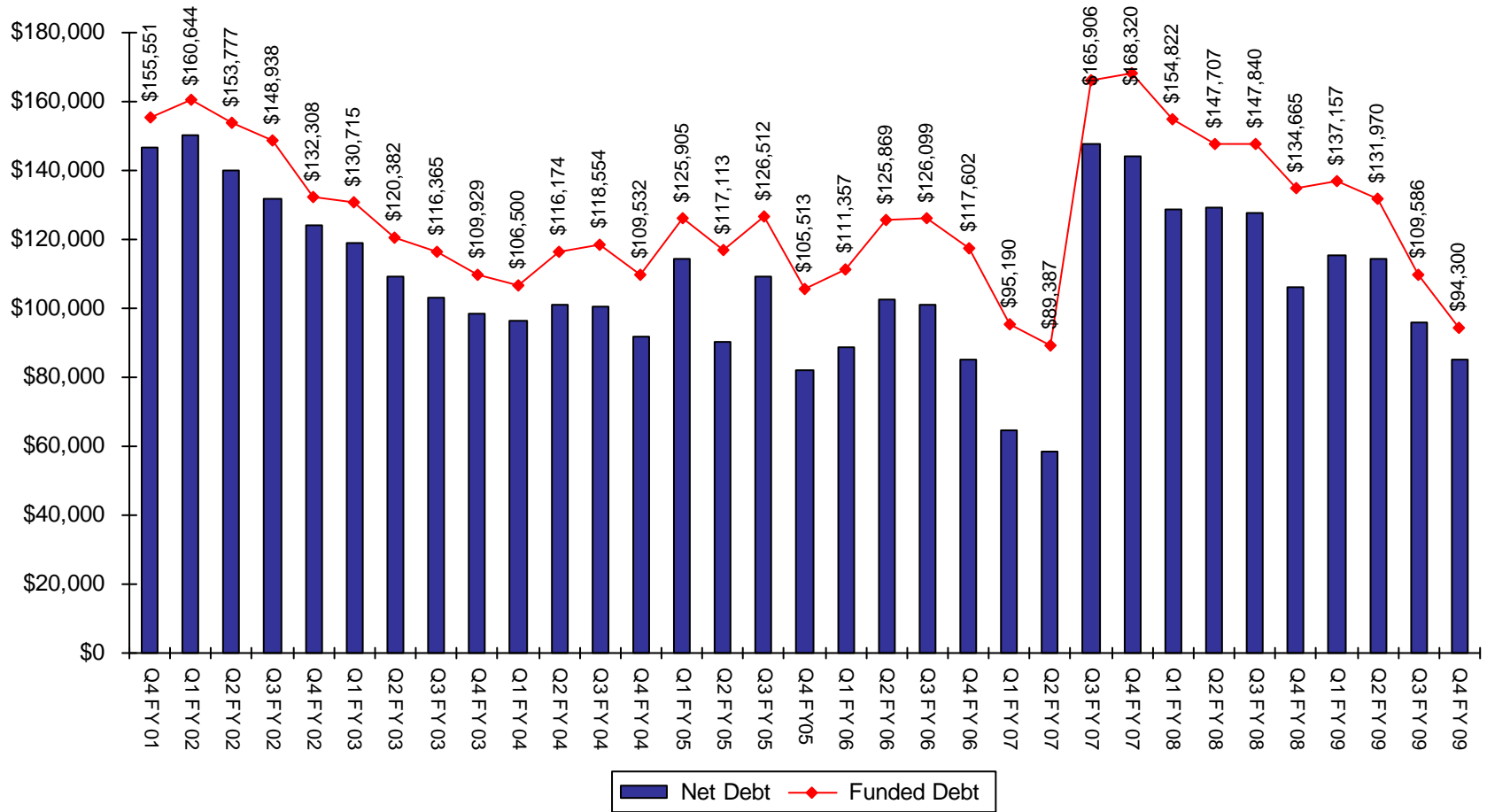
Company wide effort to reduce costs yielded \$36 million in sustainable annualized cost savings

- **Headcount reductions**
 - 260 salaried and indirect labor positions eliminated
 - ~\$14M in cost savings annually
- **Procurement and productivity savings**
 - ~\$12M in cost savings
- **Plant consolidations**
 - 8 plant consolidations completed in FY09
 - ~\$10M in cost savings annually

\$15.5M of benefit in FY09 and additional \$20.5M in FY10



Net Debt & Funded Debt



**Generated Free Operating Cash Flow of \$34.2M
and reduced total debt by \$40.4M**

Standex drove strong year-over-year margin improvement despite significant reduction in sales volumes

	Q4 FY09	Q4 FY08	Delta
Sales	\$ 139.911 M	\$ 180.774 M	-22.60%
Operating Income	\$ 9.228 M	\$ 10.032 M	-8.01%
Operating Income Margin	6.60%	5.55%	+105 bps
Operating Income excl Restructuring	\$ 10.300 M	\$ 10.408 M	-1.04%
Operating Income Margin excl Restructuring	7.36%	5.76%	+160 bps
EBITDA	\$ 12.396 M	\$ 15.630 M	-20.69%
EBITDA %	8.86%	8.65%	+21 bps
EBITDA w/o Restructuring	\$ 13.468 M	\$ 16.006 M	-15.86%
EBITDA %w/o Restructuring	9.63%	8.85%	+78 bps

Solid profit performance in recessionary environment

	Quarter		Full Year	
	Q4 FY 2009	Q4 FY 2008	FY 2009	FY 2008
EPS Continuing Operations as Reported	\$ 0.46	\$ 0.47	\$ (0.15)	\$ 1.55
<u>Add Non-Recurring Items</u>				
Restructuring Charges	\$ 0.06	\$ 0.02	\$ 0.41	\$ 0.03
Goodwill Impairment			\$ 1.61	
<u>Less: Non-Recurring Items</u>				
Life Insurance			\$ (0.09)	
Write Down of Deferred Tax Liability (Q3)			\$ (0.14)	
Tax positions effectively settled (Q4)	\$ (0.07)		\$ (0.07)	
Non-GAAP EPS Continuing Operations	\$ 0.45	\$ 0.49	\$ 1.57	\$ 1.58

Excellent Working Capital Mgmt & Debt Reduction

Net working capital decreased by \$3.5 million in the quarter; WC Turns at 5.7, slightly below record of 5.8 on significantly lower volume

(\$, in thousands)

	06/30/09	Versus Prior Quarter		Versus Prior Year	
		03/31/09	Increase (Decrease)	06/30/08	Increase (Decrease)
Net Receivables	\$ 81,893	\$ 73,973	\$ 7,920	\$ 103,055	\$ (21,162)
Days Sales Outstanding	54	52	2	52	2
Inventories	\$ 75,634	\$ 87,584	\$ (11,950)	\$ 87,619	\$ (11,985)
Turns	4.8	4.3	0.5	5.5	(0.7)
Total Accounts Payable	\$ (58,802)	\$ (59,357)	\$ 555	\$ (66,174)	\$ 7,372
DPO	45	46	(1)	40	5
Net Working Capital	\$ 98,725	\$ 102,200	\$ (3,475)	\$ 124,500	\$ (25,775)
% to Revenue	17.6%	19.5%	1.9%	17.2%	0.4%
Working Capital Turns	5.7	5.1	0.6	5.8	(0.1)
Net Debt	\$ 85,316	\$ 95,371	\$ (10,055)	\$ 106,008	\$ (20,692)
Debt to Capital	32.6%	33.2%	-0.6%	32.2%	0.4%

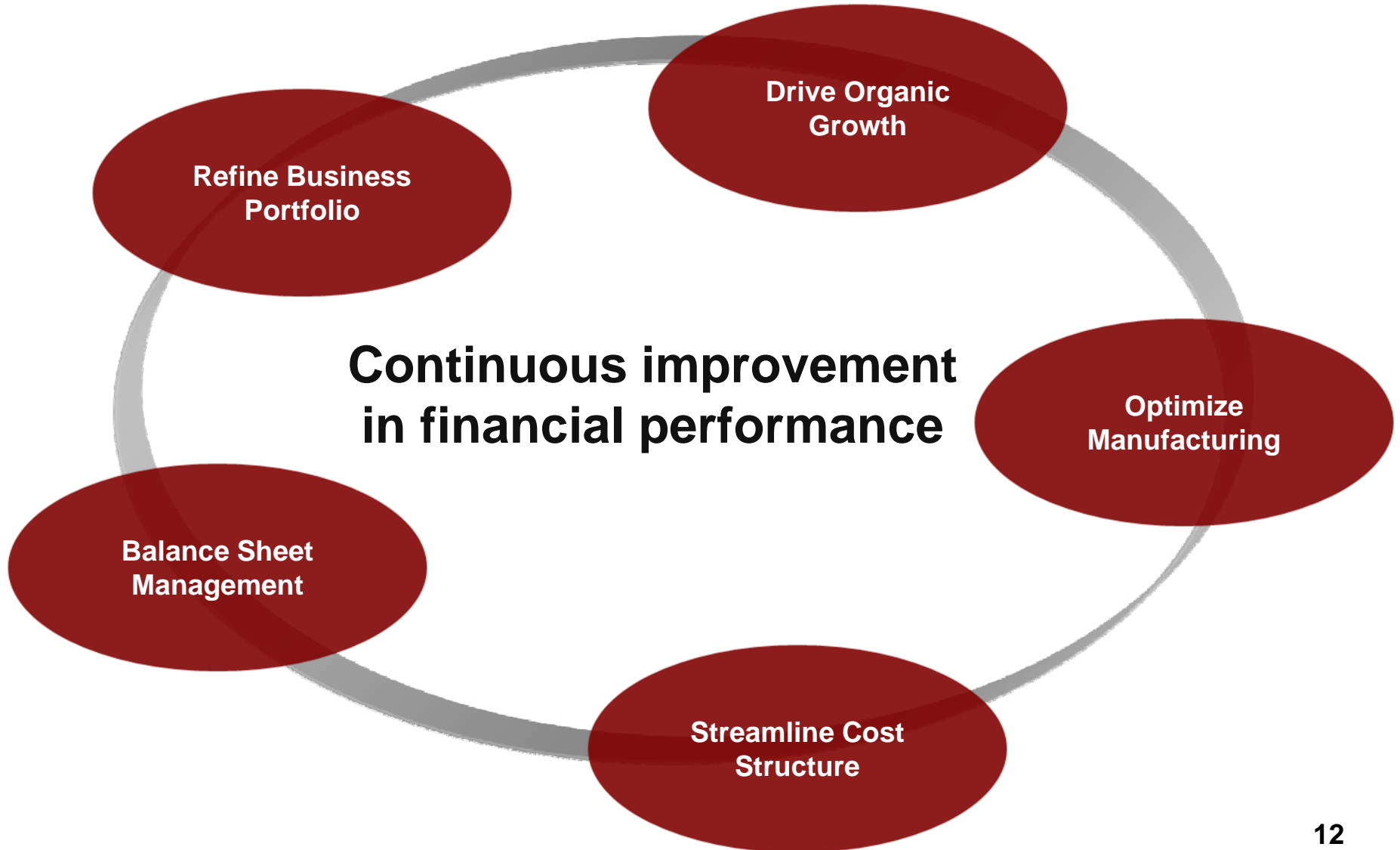
**Generated \$13.4M of free operating cash flow in Q4;
\$34.2M in fiscal 2009**

(\$, in thousands)

	Q4 FY 09	FY 2009
Cash from Operating Activities	\$ 13,560	\$ 39,444
Cash CAPEX	\$ (210)	\$ (5,238)
Free Operating Cash Flow	\$ 13,350	\$ 34,206
Net Income	\$ 5,677	\$ (5,405)
Impairment		\$ 21,339
Adjusted Net Income	\$ 5,677	\$ 15,934
Conversion of Free Operating Cash Flow	235.2%	214.7%

\$2.5M in interest expense savings expected in FY 2010

	6/30/2009	3/31/2009	6/30/2008
Revolver (LIBOR + Matrix)	\$ 91,000	\$ 92,000	\$ 88,500
Revenue Bond	\$ 3,300	\$ 3,300	\$ 3,300
Private Placement Rate 5.94%		\$ 14,286	\$ 17,857
Private Placement Rate 6.80%			\$ 25,000
Total Debt	\$ 94,300	\$ 109,586	\$ 134,657
Debt Reduction		\$ 15,286	\$ 40,357



Refine
Business
Portfolio

Drive Organic
Growth

Optimize
Manufacturing

Streamline
Cost
Structure

Balance Sheet
Management

- **Build larger, more profitable operating groups**
- **Divest non-strategic businesses at opportune time**
- **Acquire complementary businesses that bring synergistic advantages to core platforms**
- **Seek strategic bolt-on acquisitions that fill-in product or geographic gaps**

40% of revenues were non-strategic in 2001

Company divested businesses with ~\$193M in revenue¹

<u>Divestiture</u>	<u>Industry</u>	<u>Fiscal Year</u>
Coors/Mason	Fine China and Candles	2003
Jarvis Caster	Caster Wheels	2004
James Burn	Double Loop Wire Binding Products	2005
USECO	Patient Feeding Systems	2005
Standex Direct	Mail Order Citrus Fruit	2006
Standard Pub	Religious Book Publisher	2007
Berean	Christian Book Store	2007

¹ in full year before divestiture

Invested in strategic acquisitions to strengthen core platforms

Acquired businesses added ~\$190M in sales

<u>Acquisition</u>	<u>Segment</u>	<u>Fiscal Year</u>
ATC Frost	Electronics	2001
Cin Tran	Electronics	2003
Magnetico	Electronics	2004
BG Labs	Electronics	2009
Millennium Molds	Engraving	2003
IR International	Engraving	2003
Dornbusch	Engraving	2003
Innovent	Engraving	2006
Carolina Roll Engraving	Engraving	2008
Nor Lake	Food Service	2004
Kool Star	Food Service	2006
American Food Service	Food Service	2007
AAI	Food Service	2007

Refine
Business
Portfolio

**Drive Organic
Growth**

Optimize
Manufacturing

Streamline
Cost
Structure

Balance Sheet
Management

- **Capitalize on sales synergies**
- **Expand into new geographic markets**
- **Increase market share through new product introductions and applications and technology development**
- **Enhance sales penetration with strategic end user accounts and channel partners**

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- **Eight plants closed in 2009 resulting in annual savings of \$10M**
- **50% reduction in floor space resulting from Dallas APW Wyott and Bakers Pride consolidations into Nogales**
- **By the end of calendar 2009:**
 - **250 direct and indirect employees in Nogales**
 - **16% of annual FSEG volume produced in Nogales**
 - **Nogales will be approx. 80% occupied**
- **Shared facilities where multiple business units can leverage common roof line and overhead structure**

Four Food Service Brands Currently Operating in Nogales Facility



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- **\$36M of sustainable annualized cost reductions implemented in FY09**
 - **~\$14M in headcount reductions**
 - **~\$12M in procurement and productivity savings**
 - **~\$10M in plant consolidations**

Refine
Business
Portfolio

Drive Organic
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Optimize
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Cost
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**Balance Sheet
Management**

FY09 Accomplishments:

- **Improve working capital**
 - **Reduced working capital by \$25.8M**
- **Limit capital expenditures**
 - **CapEx at \$5.7 million**
- **Generate free operating cash flow**
 - **\$34.2 million in FY 2009**
- **Reduce net debt**
 - **Total debt decreased by \$40 million**

Fourth-Quarter FY09 Operational Segment Review

Q4'09 ('000s)	\$	Δ% (yoy)
Revenues	\$86,536	-12.4%
Operating Income	\$10,591	+41.9%

- **Cost reductions, productivity improvements and lean enterprise drove dramatic bottom-line improvement**
 - **YOY operating income margins are up 468 basis points**
- **Refrigeration Solutions Group set record OI levels in Q4**
 - “Cold” side sales less affected than “Hot” side due to higher exposure to recession-resistant chains
 - Taking share as competition faces disruptions
- **Greater “Hot” side penetration into key dealer buying groups**
- **Cross-selling across the Food Service Equipment Group**

Organic Growth Through Sales Synergies and Expanding into New Markets

**Leverage established relationship
with AAI & YUM!**



**Nor-Lake approved for Pizza Hut
in Canada; Significant projects in
pipeline for YUM!**

**Cooking Solutions sales team
effectively identified cross-selling
opportunity**



**Secured large countertop
merchandising products deal in
the convenience store segment
with Chevron**

**Entered new scientific market
with NorLake acquisition**



**Increased sales to higher-margin
markets (i.e. scientific);
MasterBilt penetrating blood
plasma market**

Q4'09 ('000s)	\$	Δ% (yoy)
Revenues	\$17,492	-26.7%
Operating Income	\$1,179	-60.7%

- **Sales primarily affected by lower international demand**
- **Op. Income in N. America benefited from three plant consolidations, cost reductions and productivity improvements**
- **Chrysler bankruptcy caused temporary project delays**
- **Expect benefits from new Chrysler/Fiat relationship**

Strategic Execution: Roll-Out New Technologies

Standex Engraving Introduced New Engraving Technologies to Capture a Greater Percentage of OEM business for Auto Interiors

- **New proprietary engraving techniques introduced in Q309:**
 - **Slush-moulding**
 - **Laser engraving of elastomeric-covered rolls**
- **One-stop-shop for texturizing needs**
- **Significantly reduces lead times and costs**
- **Provides greater design harmonization for global auto OEMs**
- **European customers booked \$1+M to ship in FY 2010**
- **New technology introduction to North American OEMs in Q4 well-received**
- **Provides access to non-automotive markets**

Q4'09 ('000s)	\$	Δ% (yoy)
Revenues	\$12,195	-31.0%
Operating Income	\$2,229	-30.0%

- **Difficult comparison with Q408 due to lumpy delivery schedules and one-off contract settlement in aerospace market**
- **NASA contract temporarily delayed due to technical issue; expect shipments late Q1/early Q2 FY 2010**
- **Margins affected by lower percentage of higher-margin aerospace sales**
- **Energy, aerospace and aviation markets remain robust**

Q4'09 ('000s)	\$	Δ% (yoy)
Revenues	\$12,123	-45.2%
Operating Income	\$167	-93.3%

- **Weakness in housing and automotive sectors negatively affected the electronics business**
- **Electronics has significantly lower cost structure with world-class manufacturing capabilities**
- **Prolonged weakness in hydraulics in N. America and export markets due to continued downturn**
- **Pursuing non-traditional business and new geographic markets**

- ✓ **Consolidation of Electronics Canadian facility completed in Q4**
- ✓ **Consolidation of BG Labs into Cincinnati facility initiated in Q4**
 - ~\$500K in incremental savings per year
- ✓ **Three-tier manufacturing in place**
 - Prototyping/initial manufacturing at Cincinnati; low-cost manufacturing in China & Mexico
 - Manufacturing structure ideal for electronics life-cycle

Standex now positioned to provide deep breadth of engineering and manufacturing capabilities to Electronics customers

Standex Electronics Launched New Magnetic Reed Switch Product Line to Drive Top-Line Growth and Penetrate Higher-Margin Markets

- **Launched new line of higher-margin magnetic reed switches in Q4**
- **Taking share in reed switch market by providing unique product features and performance**
- **Targeting the medical device market**
- **Optimistic about potential contributions to revenue in 2H10**

Q4'09 ('000s)	\$	Δ% (yoy)
Revenues	\$11,522	-37.2%
Operating Income	\$202	N/A

- **Year-over-year decline in housing starts affecting sales**
- **Relative stability in housing starts may signal bottom of market**
- **Reduced cost structure to achieve profitability on lower sales volume**
- **New flex duct product attracting wholesalers to switch to ADP and drive incremental share gains**

- **Believe sales volume has hit low point in recession**
- **Cost reductions that provide \$36M in sustainable annual cost savings now in place**
- **Cost structure enables Company to achieve good profit levels at low sales levels and achieve significant margin growth as markets recover**
- **Continued to strengthen balance sheet through focus on WC improvement, cash conservation and debt reduction**
- **Standex continues to invest in growth initiatives to take market share and outperform competition when markets rebound**
- **Focus is to execute on the Standex business strategy to drive continuous improvement in financial performance**

Q & A Session