

# STANDEX REPORTS THIRD-QUARTER 2017 FINANCIAL RESULTS

**Achieves 4.1% Sales Increase YOY; GAAP EPS Down 34.1% while Non-GAAP EPS increases 6.5%**  
**Posts Strong Organic Growth in Engraving, Engineering Technologies and Electronics**  
**Closes on the Strategic Acquisition of OKI Sensor Device Corporation, and Integration Proceeding to Plan**

SALEM, N.H.--([BUSINESS WIRE](#))--Standex International Corporation (**NYSE:SXI**) today reported financial results for the third quarter of fiscal year 2017.

## Third-Quarter Fiscal 2017 Results

- Net sales increased 4.1% to \$184.7 million from \$177.5 million in the third quarter of fiscal 2016. Organic sales increased 2.9%, foreign exchange had a negative effect of 0.9%, acquisitions contributed positive 4.3%, and the U.S. Roll, Plate and Machinery (RPM) divestiture had a negative effect of 2.3%, year over year.
- Income from operations was \$11.4 million, compared with \$17.2 million in the third quarter of fiscal 2016. Net income from continuing operations was \$7.6 million, or \$0.60 per diluted share, including tax-effected costs of \$4.1 million of acquisition-related costs and \$0.7 million of restructuring charges. This compares with third-quarter fiscal 2016 net income from continuing operations of \$11.6 million, or \$0.91 per diluted share, including tax-effected \$0.3 million of restructuring charges and a \$0.2 million benefit from the sales of the RPM business. Excluding the aforementioned items from both periods, non-GAAP net income from continuing operations was \$12.4 million, or \$0.98 per diluted share, compared with \$11.7 million, or \$0.92 per diluted share, in the prior-year period.
- Net working capital (defined as accounts receivable plus inventories less accounts payable) was \$159.2 million at the end of the third quarter of fiscal 2017, compared with \$144.6 million a year earlier. Working capital at the end of the quarter was impacted by \$10.1 million of working capital acquired in connection with the acquisition of the OKI Sensor Device business. Working capital turns were 5.0 in the third quarter of fiscal 2017, excluding the March 31<sup>st</sup> impact of the OKI acquisition, and 4.9 in the year-earlier quarter.
- The Company closed the quarter with net debt (defined as debt less cash) of \$127.4 million, compared with a net cash position of \$7.4 million a year ago.

A reconciliation of net income, earnings per share and net income from continuing operations from reported GAAP amounts to non-GAAP amounts is included later in this release.

## Management Comments

“Increased demand and growth laneway sales drove the top line in Electronics, Engraving and Engineering Technologies,” said President and Chief Executive Officer David Dunbar. “Momentum is building in these businesses as the Standex Value Creation System takes hold. Increased sales in Food Service were driven by the recent acquisition of Horizon Scientific. Demand for Refrigeration was strong during the quarter, however we were not able to capitalize on the increased orders and backlog due to operational difficulties tied to the introduction of new foam for our walk-in freezer panels in one of our facilities. During the quarter we completed the acquisition of the OKI Sensor Device Corporation and the integration is going well. This is a very well run operation, it accelerates our strategy to grow the Electronics group in Asia, and we are excited by opportunities from this business.”

## Segment Review

Food Service Equipment sales increased 5.4% year over year. Organic growth declined 3.2%, while the Horizon Scientific acquisition contributed 8.8%. Operating income declined by 12.3%.

“In Refrigeration, we are seeing a strong increase in demand for cabinets and walk-ins as large chains and

national accounts begin to ramp up spending as expected” said Dunbar. “In early April, we resolved production issues and began shipping the new freezer panels. At the same time, with a double-digit increase in backlog during the quarter, we expect good sales growth in Refrigeration during the fourth quarter.”

“Sales were down approximately 8.5% in Cooking Solutions as a result of non-recurring prior-year roll-outs, proactive rationalization of low margin products, and slower sales to select major dealers,” said Dunbar. “Even with the top-line softness, gross margin was flat versus the prior year due to our continued focus on operational improvements. Specialty Solutions Group sales increased by 4.9%, with strong volume in the beverage and merchandising segments, partly driven by new products.”

Engraving sales decreased 10.7% year over year, with a 5.5% organic sales increase, a 14.2% negative effect from the RPM divestiture, and a negative foreign exchange impact of 2.1%. Operating income was up 13.2% compared with last year and up 18.7% adjusted without RPM.

“Mold texturizing sales increased 9.9% in North America as new auto platform launches accelerated as we had anticipated,” said Dunbar. “Sales in Asia grew 24.9% due to increased automotive launches and strong demand for non-automotive services in Korea and China. European sales increased modestly compared with the prior year. Growth laneways including our Architecture design centers, and nickel shell and laser technologies, continue to be well received and we expect them to have an increasing contribution to revenues. We anticipate continued momentum into the fourth quarter with growth in all regions.”

Engineering Technologies sales increased 22.3% year-over-year, and operating income increased 40.0%.

“We saw good growth across most Engineering Technologies end markets in the third quarter, including the continued ramp up of long-term aviation deliveries,” said Dunbar. “Sales in the Space market increased by \$2.2 million from the prior-year quarter due to demand in the unmanned segment of the market. Energy market sales increased by \$2.8 million compared with the prior-year quarter due to improved market conditions in both Power Generation and Oil and Gas. Aviation sales increased by \$0.8 million from the prior year due to increased sales for engine components and structural hardware (lipskins). Sales in the Defense market were down \$1.2 million due to project timing for deliverables in the Nuclear market. Going forward, we are focused on ramping up the aviation programs for next-generation aircraft and completing our previously announced facility consolidation and manufacturing layout redesign to improve efficiencies. We anticipate continued strong growth in the fourth quarter in both the Space and Aviation markets.”

Electronics sales were up 8% year-over-year. Organic growth contributed 10%, partially offset by a negative currency effect of 2.0%. Operating income was up 23.5%.

“We are driving excellent operating leverage from good organic sales growth in the Electronics segment,” said Dunbar. “Sales in North America increased 6.6% driven by sensors and transformers,” said Dunbar. “In Europe, sales were up 10.7% due to automotive and electric utility applications. Sales in Asia increased 21.1% as a result of strong demand for home appliance sensors. We completed a key strategic acquisition for Standex with the OKI Sensor Device acquisition (now named Standex Electronics Japan) at the end of March. The acquisition opens up key Asian markets for Standex Electronics. The integration is on track, and the teams are motivated and coming together well. Looking forward, we anticipate growth in the fourth quarter due to strong momentum in all geographic regions and the continued success of our growth

laneways.”

Hydraulics reported a 10.2% year-over-year sales decline, and operating income declined 16.6%.

“The sales decrease in Hydraulics is primarily the result of softness in the North American dump truck, dump trailer and refuse markets,” said Dunbar. “While the lower revenue had a deleveraging effect on operating income, we maintained a strong EBIT margin of 15.9% as a result of our operational excellence initiatives. Looking ahead, we anticipate a pickup in the dump truck and dump trailer markets as we enter the spring construction season and plans for infrastructure investments become clear. In addition, our new pack eject cylinder product has been gaining traction with our customers and we expect this to contribute to sales growth in the refuse market.”

## **Business Outlook**

“We expect higher year-over-year Refrigeration sales in the fourth quarter as we are seeing increasing orders and higher backlog in that business,” said Dunbar. “We also anticipate the strong momentum to continue in Engraving, Engineering Technologies and Electronics. In Hydraulics, the end market conditions are fundamentally solid and we anticipate a near-term pick up. As we look to the future, our balance sheet is well positioned to fund CAPEX, organic growth and acquisitions as we continue to deploy the Standex Value Creation System.”

## **Conference Call Details**

Standex will host a conference call for investors today, May 2, 2017 at 10:00 a.m. ET. On the call, David Dunbar, President and CEO, and Thomas DeByle, CFO, will review the Company’s financial results and business and operating highlights. Investors interested in listening to the webcast and viewing the slide presentation should log on to the “Investors” section of Standex’s website under the subheading, “Webcasts and Presentations”, located at [www.standex.com](http://www.standex.com). A replay of the webcast will also be available on the Company’s web site shortly after the conclusion of the presentation. To listen to the playback, please dial (800) 585-8367 in the U.S. or (404) 537-3406 internationally; the passcode is 11269187. The webcast replay also can be accessed in the “Investor Relations” section of the Company’s website, located at [www.standex.com](http://www.standex.com).

## **Use of Non-GAAP Financial Measures**

In addition to the financial measures prepared in accordance with generally accepted accounting principles (“GAAP”), the Company uses certain non-GAAP financial measures, including non-GAAP income from operations, non-GAAP net income from continuing operations, free operating cash flow, EBITDA (earnings before interest, taxes, depreciation and amortization) and adjusted earnings per share. The attached financial tables reconcile non-GAAP measures used in this press release to the most directly comparable GAAP measures. The Company believes that the use of non-GAAP measures including the impact of restructuring charges, results of assets held for sale, and acquisition costs help investors to obtain a better understanding of our operating results and future prospects, consistent with how management measures and forecasts the Company’s performance, especially when comparing such results to previous periods. An understanding of the impact in a particular quarter of specific restructuring costs, acquisition expenses, or other gains and losses, on net income (absolute as well as on a per-share basis), operating income or

EBITDA can give management and investors additional insight into core financial performance, especially when compared to quarters in which such items had a greater or lesser effect, or no effect. Non-GAAP measures should be considered in addition to, and not as a replacement for, the corresponding GAAP measures, and may not be comparable to similarly titled measures reported by other companies.

**About Standex**

Standex International Corporation is a multi-industry manufacturer in five broad business segments: Food Service Equipment, Engineering Technologies, Engraving, Electronics, and Hydraulics with operations in the United States, Europe, Canada, Australia, Singapore, Mexico, Brazil, Argentina, Turkey, South Africa, India and China. For additional information, visit the Company's website at <http://standex.com/>.

**Safe Harbor Language**

Statements in this news release include, or may be based upon, management's current expectations, estimates and/or projections about Standex's markets and industries. These statements are forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Actual results may materially differ from those indicated by such forward-looking statements as a result of certain risks, uncertainties and assumptions that are difficult to predict. Among the factors that could cause actual results to differ are the impact of implementation of government regulations and programs affecting our businesses, unanticipated legal judgments, fines or settlements, uncertainty in conditions in the financial and banking markets, general domestic and international economy including more specifically economic conditions in the oil and gas market, the impact of foreign exchange, increases in raw material costs, the ability to substitute less expensive alternative raw materials, changes in the heavy construction vehicle market, the ability to continue to successfully implement productivity improvements, market acceptance of our products, our ability to design, introduce and sell new products and related product components, the ability to redesign certain of our products to continue meeting evolving regulatory requirements, the impact of delays initiated by our customers, our ability to increase manufacturing production to meet demand, increase market share, access new markets, introduce new products, enhance our presence in strategic channels, the successful expansion and automation of manufacturing capabilities and diversification efforts in emerging markets, the ability to continue to achieve cost savings through lean manufacturing, cost reduction activities, and low cost sourcing, effective completion of plant consolidations, successful completion and integration of acquisitions and the other factors discussed in the Annual Report of Standex on Form 10-K for the fiscal year ending June 30, 2016, which is on file with the Securities and Exchange Commission, and any subsequent periodic reports filed by the Company with the Securities and Exchange Commission. In addition, any forward-looking statements represent management's estimates only as of the day made and should not be relied upon as representing management's estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, the Company and management specifically disclaim any obligation to do so, even if management's estimates change.

<b>Standex International Corporation</b>
<b>Consolidated Statement of Operations</b>
<b>(Unaudited)</b>

	Three Months Ended				Nine Months Ended			
	March 31,				March 31,			
(In thousands, except per share data)	2017		2016		2017		2016	
Net sales	\$	184,715	\$	177,465	\$	538,169	\$	557,811
Cost of sales		123,367		118,827		358,152		372,386
Gross profit		61,348		58,638		180,017		185,425
Selling, general and administrative expenses		43,472		41,087		125,578		125,713
Acquisition relate costs		5,422		-		6,925		-
Restructuring costs		1,019		391		3,077		3,387
Income from operations		11,435		17,160		44,437		56,325
Interest expense		953		807		2,499		2,182
Other (income) expense, net		(52 )		115		(819 )		(369 )
Total		901		922		1,680		1,813
Income from continuing operations before income taxes		10,534		16,238		42,757		54,512
Provision for income taxes		2,890		4,667		10,904		14,354
Net income from continuing operations		7,644		11,571		31,853		40,158
Income (loss) from discontinued operations, net of tax		1		(55 )		(43 )		(290 )
Net income	\$	7,645	\$	11,516	\$	31,810	\$	39,868
<i>Basic earnings per share:</i>								
Income from continuing operations	\$	0.60	\$	0.91	\$	2.51	\$	3.17
Income (loss) from discontinued operations		-		-		-		(0.02 )
Total	\$	0.60	\$	0.91	\$	2.51	\$	3.15
<i>Diluted earnings per share:</i>								

Income from continuing operations	\$ 0.60	\$ 0.91	\$ 2.50	\$ 3.14
Income (loss) from discontinued operations	-	-	-	(0.02 )
Total	\$ 0.60	\$ 0.91	\$ 2.50	\$ 3.12
<i>Average Shares Outstanding</i>				
Basic	12,664	12,697	12,667	12,681
Diluted	12,751	12,768	12,765	12,776

**Standex International Corporation**

**Condensed Consolidated Balance Sheets**

**(Unaudited)**

	<b>March 31,</b>	<b>June 30,</b>
(In thousands)	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 87,953	\$ 121,988
Accounts receivable, net	113,894	103,974
Inventories	119,384	105,402
Prepaid expenses and other current assets	8,284	4,784
Income taxes receivable	4,027	1,325
Deferred tax asset	15,136	16,013
Current assets - Available for sale	-	2,363
Total current assets	348,678	355,849
Property, plant, equipment, net		
Intangible assets, net	125,670	106,686
Goodwill	108,373	40,412
Deferred tax asset	237,751	157,354
Other non-current assets	2,089	11,361
Total non-current assets	25,415	18,795
Total assets	\$ 847,976	\$ 690,457

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable	\$	74,077	\$	77,099
Accrued liabilities		53,125		50,785
Income taxes payable		6,256		4,695
Current liabilities -Available for sale		-		1,528
Total current liabilities		133,458		134,107
Long-term debt				
Accrued pension and other non-current liabilities		215,388		92,114
Total non-current liabilities		110,918		94,277
Stockholders' equity:				
Common stock		41,976		41,976
Additional paid-in capital		56,178		52,374
Retained earnings		703,918		678,002
Accumulated other comprehensive loss		(123,455 )		(117,975 )
Treasury shares		(290,405 )		(284,418 )
Total stockholders' equity		388,212		369,959
Total liabilities and stockholders' equity				
	\$	847,976	\$	690,457

## Standex International Corporation and Subsidiaries

### Statements of Consolidated Cash Flows

(Unaudited)

(In thousands)	Nine Months Ended			
	March 31,			
	2017		2016	
<b>Cash Flows from Operating Activities</b>				
Net income	\$	31,810	\$	39,868
Loss from discontinued operations		(43 )		(290 )
Income from continuing operations		31,853		40,158

Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization		13,824		13,317	
Stock-based compensation		3,915		3,777	
Non-cash portion of restructuring charge		227		1,512	
Excess tax benefit from share-based payment activity		(593)	)	(795)	)
Contributions to defined benefit plans		(962)	)	(963)	)
Net changes in operating assets and liabilities		(17,381)	)	(9,710)	)
Net cash provided by operating activities - continuing operations		30,883		47,296	
Net cash provided by (used in) operating activities - discontinued operations		(458)	)	(748)	)
Net cash provided by (used in) operating activities		30,425		46,548	
<b>Cash Flows from Investing Activities</b>					
Expenditures for property, plant and equipment		(17,824)	)	(13,264)	)
Expenditures for acquisitions, net of cash acquired		(153,814)	)	(13,700)	)
Proceeds from sale of real estate and equipment		129		259	
Proceeds from disposal of a business		534		-	
Other investing activities		(377)	)	(417)	)
Net cash (used in) investing activities from continuing operations		(171,352)	)	(27,122)	)
Net cash (used in) investing activities from discontinued operations		-		2,803	
Net cash (used in) investing activities		(171,352)	)	(24,319)	)
<b>Cash Flows from Financing Activities</b>					
Proceeds from borrowings		250,000		58,000	
Payments of debt		(127,000)	)	(54,000)	)
Activity under share-based payment plans		715		816	
Excess tax benefit from share-based payment activity		593		795	
Purchase of treasury stock		(7,406)	)	(3,167)	)
Cash dividends paid		(5,826)	)	(5,071)	)
Net cash provided by (used in) financing activities from continuing operations		111,076		(2,627)	)
Effect of exchange rate changes on cash		(4,184)	)	(2,329)	)
Net changes in cash and cash equivalents		(34,035)	)	17,273	
Cash and cash equivalents at beginning of year		121,988		96,128	
Cash and cash equivalents at end of period		\$ 87,953		\$ 113,401	



<i>Adjusted income from operations and adjusted net income from continuing operations:</i>										
<b>Income from operations, as reported</b>	\$	11,435	\$	17,160	-33.4%	\$	44,437	\$	56,325	-21.1%
Adjustments:										
Restructuring charges		1,019		391			3,077		3,387	
RPM activity		-		(248)			-		(520)	
Purchase Accounting		-		-			1,086		423	
Acquisition-related costs		5,422		-			6,925		-	
<b>Adjusted income from operations</b>	\$	17,876	\$	17,303	3.3%	\$	55,525	\$	59,615	-6.9%
Interest and other income (expense), net		(901)		(922)			(1,680)		(1,813)	
Provision for income taxes		(2,890)		(4,667)			(10,904)		(14,354)	
Discrete and other tax items		-		-			(467)		(721)	
Tax impact of above adjustments		(1,700)		(38)			(2,927)		(878)	
<b>Net income from continuing operations, as adjusted</b>	\$	12,385	\$	11,676	6.1%	\$	39,547	\$	41,849	-5.5%
<i>EBITDA and Adjusted EBITDA:</i>										
<b>Net income from continuing operations, as reported</b>	\$	7,644	\$	11,571		\$	31,853	\$	40,158	
Add back:										
Provision for income taxes		2,890		4,667			10,904		14,354	
Interest expense		953		807			2,499		2,182	
Depreciation and amortization		4,781		4,513			13,824		13,317	
<b>EBITDA</b>	\$	16,268	\$	21,558	-24.5%	\$	59,080	\$	70,011	-15.6%
Adjustments:										
Restructuring charges		1,019		391			3,077		3,387	
RPM EBIT		-		(248)			-		(520)	
RPB DA		-		(130)			-		(385)	

Purchase accounting		-	-		1,086	423	
Acquisition-related costs		5,422	-		6,925	-	
<b>Adjusted EBITDA</b>	\$	22,709	\$ 21,571	5.3%	\$ 70,168	\$ 72,916	-3.8%
<i>Free operating cash flow:</i>							
<b>Net cash provided by operating activities - continuing operations, as reported</b>	\$	10,617	\$ 16,429		\$ 30,883	\$ 47,296	
Less: Capital expenditures		(5,483)	(4,540)		(17,824)	(13,264)	
<b>Free operating cash flow</b>	\$	5,134	\$ 11,889		\$ 13,059	\$ 34,032	
Net income from continuing operations		7,644	11,571		31,853	40,158	
<b>Conversion of free operating cash flow</b>		67.2%	102.7%		41.0%	84.7%	

## Standex International Corporation

### Reconciliation of GAAP to Non-GAAP Financial Measures

(Unaudited)

	Three Months Ended			Nine Months Ended		
	March 31,			March 31,		
<i>Adjusted earnings per share from continuing operations</i>	2017	2016	% Change	2017	2016	% Change
<b>Diluted earnings per share from continuing operations, as reported</b>	\$ 0.60	\$ 0.91	-34.1%	\$ 2.50	\$ 3.14	-20.4%
Adjustments:						
Restructuring charges	0.06	0.02		0.18	0.19	
RPM Activity	-	(0.01)		-	(0.03)	
Purchase accounting	-	-		0.06	0.02	
Acquisition-related costs	0.32	-		0.41	-	
Discrete and other tax items	-	-		(0.04)	(0.06)	
<b>Diluted earnings per share from continuing operations, as adjusted</b>	\$ 0.98	\$ 0.92	6.5%	\$ 3.11	\$ 3.26	-4.6%

# Contact:

Standex International Corporation

Thomas DeByle, 603-893-9701

CFO

[InvestorRelations@Standex.com](mailto:InvestorRelations@Standex.com)

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<https://ir.standex.com/2017-05-02-Standex-Reports-Third-Quarter-2017-Financial-Results>