

# STANDEX REPORTS FOURTH-QUARTER AND FULL-YEAR 2017 FINANCIAL RESULTS

**Achieves 12% Sales Increase and 4.4% Organic Growth for Q4**  
**Q4 GAAP Operating Income Increases 46.9% and Non-GAAP Operating Income Grows 16.5%**  
**Q4 GAAP EPS Up 18.1% while Non-GAAP EPS Increases 6.9%**  
**Engraving, Engineering Technologies and Electronics Report Organic Sales Growth**

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

## Fourth-Quarter Fiscal 2017 Results

- Net sales increased 12.0% year over year to \$217.1 million with organic sales up 4.4%. Foreign exchange had a negative effect of 0.9%, acquisitions contributed positive 10.7%, and the U.S. Roll, Plate and Machinery (“RPM”) divestiture had a negative effect of 2.2%.
- Income from operations was \$20.6 million, compared with \$14.0 million in the fourth quarter of fiscal 2016. Net income from continuing operations was \$14.1 million, or \$1.11 per diluted share, including tax-effected \$0.7 million of acquisition-related costs, \$2.0 million of restructuring charges, and \$1.5 million of purchase accounting expenses offset by a \$0.5 million gain from the sale of real estate. This compares with fourth-quarter fiscal 2016 net income from continuing operations of \$12.1 million, or \$0.94 per diluted share, including tax-effected \$4.5 million of charges related to the sale of the RPM business, a \$0.1 million loss on the sale of real estate, and \$0.6 million of restructuring charges, all offset by \$0.3 million of discrete tax benefits and \$0.2 million of income related to RPM activity. Excluding the aforementioned items from both periods, non-GAAP net income from continuing operations was \$17.9 million, or \$1.40 per diluted share, compared with \$16.8 million, or \$1.31 per diluted share, in the prior-year period.
- Net working capital (defined as accounts receivable plus inventories less accounts payable) was \$150.0 million at the end of the fourth quarter of fiscal 2017, compared with \$132.3 million a year earlier. Working capital turns were 5.8 in the fourth quarter of fiscal 2017 and 5.9 in the year-earlier quarter.
- The Company closed the quarter with net debt (defined as debt less cash) of \$103.4 million, compared with a net cash position of \$29.9 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

“We ended fiscal 2017 with a strong fourth quarter in which we reported organic growth from the Electronics, Engraving and Engineering Technologies segments,” said President and Chief Executive Officer David Dunbar. “Food Service Growth was driven by the acquisition of Horizon Scientific, which continues to perform very well. The integration and performance of our Japanese electronics business is also progressing well and we continue to be enthusiastic about the opportunities for this business and our Electronics segment overall. Our bottom-line results outpaced top-line growth in the quarter as a result of volume leverage and our operational excellence and Standex Value Creation System initiatives.”

## Segment Review

Food Service Equipment sales increased 7.9% year over year. Organic growth declined 0.7%, while the Horizon Scientific acquisition contributed 8.7%. Operating income declined by 14.9%.

“In Refrigeration, revenue increased 5.3% due to sales to the drug retail and dollar store segments, and backlog is at an all-time high as spending from national accounts continues to ramp up,” said Dunbar.

“However, the margins on the sales of the standard products in our backlog are lower than they have historically been. We are seeing increased pricing pressure on standard products, driven by a higher portion of sales through lower margin channels.

“In Cooking Solutions, sales were down 10.3%, primarily due to the proactive rationalization of low margin products, which were about \$1.2 million in the quarter. In addition, we had softer sales to select major dealers, and a difficult comparison versus prior year as a result of roll out timing.

“Our Horizon Scientific acquisition had another strong quarter with Standex, and it continues to perform above our expectations. Specialty Solutions also is performing well with our beverage pump business growing year over year for the sixth consecutive quarter.

Engraving sales decreased 7.5% year over year, with a 9.1% organic sales increase, offset by a 14.1% negative effect from the RPM divestiture, and a negative foreign exchange impact of 2.5%. Operating income was down 18.1% compared with last year and down 13.8% adjusted without RPM.

“Mold texturizing sales were up more than 20% in the Asia Pacific region as OEMs ramped up new model introductions, and North America and Europe increased over 10% with new program launches fueling growth,” said Dunbar. “Margins were down year over year due to growth laneway investments in laser, nickel shell and tool finishing, which were not fully utilized in the quarter.

“After the close of the quarter we announced the acquisition of Italy-based Piazza Rosa Group, a leading provider of mold and tool treatment and finishing services for the automotive and consumer products markets. Piazza Rosa’s services are highly complementary to our capabilities and provide us with an opportunity to drive sales and profitability by offering additional value to our customers around the globe. Looking forward to fiscal 2018, we plan to capitalize on what is expected to be a record year for new automotive model introductions. In addition, we are working to increase growth laneway sales in all regions.”

Engineering Technologies sales increased 26.0% year over year, and operating income increased 2.7%.

“We saw good growth across most Engineering Technologies end markets in the fourth quarter, including the continued ramp up of long-term aviation deliveries in our new state-of-the-art facility,” said Dunbar. “Sales in the Space market increased by \$3.3 million from the prior-year quarter and Defense grew \$1.7 million on higher Navy sales. In addition, we obtained approval from a key customer to begin shipping aviation components in the U.K. Going forward, we are focused on completing key space development programs and ramping up to deliver on long-term aviation programs for next-generation aircraft.”

Electronics sales were up 40.1% year over year. Organic growth contributed 4.1% and the effect of the Japanese acquisition added 38.5%. Operating income was up 49.1%.

“The year-over-year sales increase was driven by the Standex Electronics Japan acquisition, which is performing very well,” said Dunbar. “European sales increased by double digits, as a result of demand from the Military/Aerospace, Appliance, Industrial and Auto markets. Sensor and reed relay sales both grew high single digits in the quarter. Looking forward, we are focused on capitalizing on new magnetic business opportunities, where activity has been robust. We also are implementing a sales structure to secure Asia Pacific sensor opportunities and leverage the success of our growth laneways and strong momentum in the

base business.”

Hydraulics reported a 10.7% year-over-year sales decline, and operating income decreased 21%.

“The 10.7% sales decrease in Hydraulics is primarily the result of softness in the North American dump truck and dump trailer markets,” said Dunbar. “While lower revenue had a deleveraging effect on operating income, we maintained a strong EBIT margin of 17.5% as a result of our operational excellence initiatives. We are optimistic for a positive fiscal 2018 in Hydraulics as a result of our strong project pipeline.”

## **Business Outlook**

“As we enter fiscal 2018, we expect strong momentum to continue in Engraving, Engineering Technologies and Electronics. In Hydraulics, our markets are fundamentally sound and we plan to capitalize on our healthy pipeline of growth opportunities. In Food Service, we are taking organizational structure and plant optimization actions in those businesses that sell standard products to enable them to grow margins and better compete on cost, delivery and quality. In the new fiscal year, we will continue to deploy the Standex Value Creation System to drive shareholder value as we achieve our vision of become an operating company with higher value businesses serving attractive markets that are differentiated and have good growth prospects.”

## **Conference Call Details**

Standex will host a conference call for investors today, August 28, 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 69782247. 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



	June 30, (unaudited)			June 30,		
(In thousands, except per share data)	2017	2016	2017	2016		
Net sales	\$ 217,089	\$ 193,775	\$ 755,258	\$ 751,586		
Cost of sales	144,352	126,947	502,504	499,333		
Gross profit	72,737	66,828	252,754	252,253		
Selling, general and administrative expenses	48,482	44,506	174,060	170,219		
Restructuring costs	2,748	845	5,825	4,232		
Acquisition related costs	918	-	7,843	-		
Other operating (income) expense, net	-	7,458	-	7,458		
Income from operations	20,589	14,019	65,026	70,344		
Interest expense	1,544	689	4,043	2,871		
Other non-operating (income) expense, net	(130)	(683)	(949)	(1,052)		
Total	1,414	6	3,094	1,819		
Income from continuing operations before income taxes	19,175	14,013	61,932	68,525		
Provision for income taxes	5,044	1,941	15,355	16,295		
Net income from continuing operations	14,131	12,072	46,577	52,230		
Income (loss) from discontinued operations, net of tax	11	116	(32)	(174)		
Net income	\$ 14,142	\$ 12,188	\$ 46,545	\$ 52,056		
<i>Basic earnings per share:</i>						
Income from continuing operations	\$ 1.12	\$ 0.95	\$ 3.68	\$ 4.12		
Income (loss) from discontinued operations	-	0.01	-	(0.01)		
Total	\$ 1.12	\$ 0.96	\$ 3.68	\$ 4.11		
<i>Diluted earnings per share:</i>						
Income from continuing operations	\$ 1.11	\$ 0.94	\$ 3.65	\$ 4.09		
Income (loss) from discontinued operations	-	0.01	-	(0.01)		

Total	\$ 1.11	\$ 0.95	\$ 3.65	\$ 4.08
<i>Average Shares Outstanding</i>				
Basic	12,663	12,688	12,666	12,682
Diluted	12,757	12,793	12,768	12,784

During the fourth quarter of fiscal 2017, we adopted Accounting Standards Update (ASU) 2016-09 requiring the recognition of excess tax benefits as a component of income tax expense which were historically recognized in equity. As the ASU requires a prospective adoption, our Q1-Q3 2017 results have been recast to allocate \$0.6M of the overall benefit to the applicable periods. The Q4 2017 impact was immaterial to that quarter's results

<b>Standex International Corporation</b>				
<b>Consolidated Balance Sheets</b>				
		<b>June 30,</b>		<b>June 30,</b>
(In thousands)		<b>2017</b>		<b>2016</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$	88,566	\$	121,988
Accounts receivable, net		127,060		103,974
Inventories		119,401		105,402
Prepaid expenses and other current assets		8,397		4,784
Income taxes receivable		2,469		1,325
Deferred tax asset		14,991		16,013
Assets held for sale		-		2,363
Total current assets		360,884		355,849
Property, plant, equipment, net		133,160		106,686
Intangible assets, net		102,503		40,412
Goodwill		242,690		157,354
Deferred tax asset		1,135		11,361
Other non-current assets		27,304		18,795
Total non-current assets		506,792		334,608

Total assets	\$	867,676	\$	690,457
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable	\$	96,487	\$	77,099
Accrued liabilities		58,694		50,785
Income taxes payable		4,783		4,695
Liabilities held for sale		-		1,528
Total current liabilities		159,964		134,107
Long-term debt				
Accrued pension and other non-current liabilities		191,976		92,114
Total non-current liabilities		107,072		94,277
Stockholders' equity:				
Common stock		41,976		41,976
Additional paid-in capital		56,783		52,374
Retained earnings		716,605		678,002
Accumulated other comprehensive loss		(115,938)		(117,975)
Treasury shares		(290,762)		(284,418)
Total stockholders' equity		408,664		369,959
Total liabilities and stockholders' equity	\$	867,676	\$	690,457

<b>Standex International Corporation and Subsidiaries</b>				
<b>Statements of Consolidated Cash Flows</b>				
			<b>Year Ended</b>	
			<b>June 30,</b>	
(In thousands)			<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities</b>				
Net income	\$	46,545	\$	52,056
Income (loss) from discontinued operations		(32)		(174)

Income from continuing operations		46,577	52,230
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		20,315	17,953
Stock-based compensation		5,023	5,089
Non-cash portion of restructuring charge		1,414	2,323
Loss on assets held for sale		-	7,267
Disposal of real estate and equipment		(652)	191
Excess tax benefit from share-based payment activity		-	(795)
Contributions to defined benefit plans		(1,443)	(1,320)
Net changes in operating assets and liabilities		(7,201)	(1,717)
Net cash provided by operating activities - continuing operations		64,033	81,221
Net cash provided by (used in) operating activities - discontinued operations		(594)	(897)
Net cash provided by (used in) operating activities		63,439	80,324
<b>Cash Flows from Investing Activities</b>			
Expenditures for property, plant and equipment		(26,448)	(17,851)
Expenditures for acquisitions, net of cash acquired		(153,815)	(13,700)
Proceeds from sale of real estate and equipment		1,106	383
Other investing activities		106	(417)
Net cash (used in) investing activities from continuing operations		(179,051)	(31,585)
Net cash (used in) investing activities from discontinued operations		-	2,803
Net cash (used in) investing activities		(179,051)	(28,782)
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		263,700	65,000
Payments of debt		(164,200)	(75,000)
Stock issued under employee stock option and purchase plans		848	942
Excess tax benefit from share-based payment activity		-	795
Purchase of treasury stock		(7,806)	(5,636)
Cash dividends paid		(7,852)	(6,846)
Net cash provided by (used in) financing activities		84,690	(20,745)
Effect of exchange rate changes on cash		(2,500)	(4,937)
Net changes in cash and cash equivalents		(33,422)	25,860
Cash and cash equivalents at beginning of year		121,988	96,128
Cash and cash equivalents at end of period		\$ 88,566	\$ 121,988



	Three Months Ended				Year Ended			
	June 30,				June 30,			
(In thousands, except percentages)	2017	2016	% Change	2017	2016	% Change		
<i>Adjusted income from operations and adjusted net income from continuing operations:</i>								
<b>Income from operations, as reported</b>	\$ 20,589	\$ 14,019	46.9%	\$ 65,026	\$ 70,344	-7.6%		
Adjustments:								
Restructuring charges	2,748	845		5,825	4,232			
(Gain) / Loss on Sale of Real Estate	(652)	191		(652)	191			
Sale of RPM	-	7,267		-	7,267			
RPM EBIT	-	(339)		-	(860)			
Acquisition-related costs	918	-		7,843	-			
Purchase accounting expenses	1,998	-		3,084	423			
<b>Adjusted income from operations</b>	\$ 25,601	\$ 21,983	16.5%	\$ 81,126	\$ 81,597	-0.6%		
Interest and other income (expense), net	(1,414)	(6)		(3,094)	(1,819)			
Provision for income taxes	(5,044)	(1,941)		(15,355)	(16,295)			
Discrete tax items	-	(317)		(475)	(1,038)			
Tax impact of above adjustments	(1,283)	(2,909)		(4,122)	(3,729)			
<b>Net income from continuing operations, as adjusted</b>	\$ 17,860	\$ 16,810	6.2%	\$ 58,080	\$ 58,716	-1.1%		
<i>EBITDA and Adjusted EBITDA:</i>								
<b>Net income from continuing operations, as reported</b>	\$ 14,131	\$ 12,072		\$ 46,577	\$ 52,230			
Add back:								
Provision for income taxes	5,044	1,941		15,355	16,295			
Interest expense	1,544	689		4,043	2,871			



	June 30,			June 30,			
<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>	\$ 1.11	\$ 0.94	18.1%	\$ 3.65	\$ 4.09	-10.8%	
Adjustments:							
Restructuring charges	0.16	0.05		0.34	0.24		
(Gain) / Loss on Sale of Real Estate	(0.04)	0.01		(0.04)	0.01		
Sale of RPM	-	0.35		-	0.35		
RPM activity	-	(0.02)		-	(0.04)		
Acquisition-related costs	0.05	-		0.46	-		
Purchase accounting	0.12	-		0.18	0.02		
Discrete tax items	-	(0.02)		(0.04)	(0.08)		
<b>Diluted earnings per share from continuing operations, as adjusted</b>	\$ 1.40	\$ 1.31	6.9%	\$ 4.55	\$ 4.59	-0.9%	

During the fourth quarter of fiscal 2017, we adopted Accounting Standards Update (ASU) 2016-09 requiring the recognition of excess tax benefits as a component of income tax expense which were historically recognized in equity. As the ASU requires a prospective adoption, our Q1-Q3 2017 results have been recast to allocate \$0.6M of the overall benefit to the applicable periods. The Q4 2017 impact was immaterial to that quarter's results

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<https://ir.standex.com/2017-08-28-Standex-Reports-Fourth-Quarter-and-Full-Year-2017-Financial-Results>