

# STANDEX REPORTS FIRST QUARTER 2020 FINANCIAL RESULTS

- **Strength in Engineering Technologies, Hydraulics and Scientific**
- **Laneway Growth Revenues Increased 12% Year-Over-Year in 1Q20**
- **Working Capital Initiatives Continue To Drive Improved Free Cash Flow Metrics**
- **Restructuring On Plan for \$3.8 million in Annualized Savings By End of 2Q20**

SALEM, N.H., Nov. 5, 2019 /[PRNewswire](#)/ -- [Standex International Corporation](#) (**NYSE: SXI**) today reported financial results for the first quarter of fiscal year 2020 ending September 30, 2019.

<b>Summary Financial Results - Total Standex</b>			
<b>(\$M except EPS and Dividends)</b>	<b><u>1Q20</u></b>	<b><u>1Q19</u></b>	<b>Change</b>
Net Sales	\$196.4	\$193.1	1.7%
Operating Income	\$18.4	\$22.6	-18.6%
Net Income from Continuing Ops	\$12.5	\$14.4	-13.3%
EBITDA	\$27.7	\$29.1	-4.7%
EBITDA margin	14.1%	15.1%	-100 bps
Adjusted EBITDA	\$27.6	\$30.7	-10.1%
Adjusted EBITDA margin	14.1%	15.9%	-180 bps
Diluted EPS	\$1.00	\$1.12	-10.7%
Adjusted EPS	0.97	1.21	-19.8%
Declared Dividends per share	0.22	0.20	10.0%
1Q Free Cash Flow	\$1.3	(\$10.0)	NM
Net Debt to Adjusted EBITDA	0.9x	1.6x	-43.8%

\*First quarter of fiscal 2019 results have been adjusted to reflect the disposition of the Cooking Solutions Group on April 1, 2019.

## ***First Quarter Fiscal 2020 Results***

"First quarter results were in line with our previously communicated expectations. Performance in

Engineering Technologies, Hydraulics and Scientific remained strong. The Engraving segment reported a significant sequential margin increase from the previous quarter on a modest sales gain. Macro-economic headwinds continued to impact results, particularly in the Electronics segment. Our cost restructuring efforts are on plan and we continue to identify additional productivity initiatives that will be implemented in fiscal 2020. Finally, our working capital metrics improved resulting in a favorable free cash flow comparison year-over-year," commented President and Chief Executive Officer David Dunbar.

"From an organic growth perspective, laneway sales revenue increased 12% year-over-year to \$16.6 million as our new offerings continue to resonate with customers. We are also benefitting from the successful integration and performance of our recent acquisitions, GS Engineering and Agile Magnetics, as we continue to leverage our Standex Value Creation model.

"Our financial position remains strong with net debt to Adjusted EBITDA of under 1x and approximately \$250 million in available liquidity. Working capital metrics improved in all of our business segments this quarter. Working capital turns increased 90 basis points to 5.4x, and importantly, we generated free cash flow of \$1.3 million in the first quarter which historically has been a negative quarter for us.

"In summary, despite the challenges we are experiencing from the macro environment that is impacting some of our end markets, we continue to make progress in transforming our higher margin businesses into significant platforms. Our ongoing focus on company-wide productivity enhancements provides further opportunity to drive profitable growth. In addition, our financial strength positions us well to invest in an active pipeline of high return internal projects and attractive acquisition opportunities. Our capital allocation approach will remain disciplined and balanced as we pursue these new opportunities," concluded Mr. Dunbar.

### **Outlook**

In the second fiscal quarter of 2020, the Company expects its financial performance to be similar to first quarter results. For the third fiscal quarter, the expectation is for a sequential and year-over-year improvement in both revenue and operating income.

The Company's outlook assumes continued weakness in the Electronics segment particularly in Asia, improved Engraving segment performance, and continued growth in the Engineering Technologies and Scientific businesses. As the previously announced restructuring contributes at its full run rate, the Company expects to further leverage its cost structure in the third quarter.

### **First Quarter Segment Operating Performance**

#### **Engraving (20% of sales; 23% of segment operating income)**

	<b><u>1Q20</u></b>	<b><u>1Q19</u></b>	<b><u>% Change</u></b>
Engraving (\$M)			
Net sales	\$38.4	\$36.0	6.8%

Operating Income	6.5	7.5	-13.4%
Operating Margin	17.0%	21.0%	
Adj. Operating Income*	6.5	8.0	-18.3%
Adj. Operating Margin*	17.0%	22.2%	

\* 1Q19 excludes \$0.5 million of purchase accounting expenses.

Overall sales grew 6.8% with contributions from recent acquisitions more than offsetting an organic decline of 5.5% and the 2.4% negative impact of foreign currency. Although declining year-over-year, segment margin increased over 300 basis points sequentially compared to 4Q19 and reflected the improved performance primarily in our North American operations as well as contribution from growth laneways in lasers and tool finishing. The decrease in adjusted operating income of \$1.5 million year-over-year was largely due to the lower level of new roll-outs in the automotive sector and acquisition-related, non-cash amortization expense.

In second quarter fiscal 2020, Standex expects year-over-year improvement due to increased automotive model roll-outs, continued contribution from the GS Engineering acquisition and completion of the restructuring actions announced in 3Q19.

#### **Electronics (24% of sales; 28% of segment operating income)**

	<b><u>1Q20</u></b>	<b><u>1Q19</u></b>	<b><u>% Change</u></b>
Electronics (\$M)			
Net sales	\$46.6	\$51.5	-9.4%
Operating Income	8.1	12.8	-36.7%
<i>Operating Margin</i>	17.4%	24.9%	

The 9.4% decline in sales was primarily due to continued lower demand in the Company's end markets such as automotive as well as distributor de-stocking. The sales decline was mostly focused within the reed switch and sensor markets in Asia and was partially offset by growth in our magnetics business. The 36.7% decrease in operating income year-over-year reflected lower sales volume and the impact of material inflation.

In 2Q20, the Company expects Electronics sales volume to decline year-over-year, although be sequentially similar to first quarter revenue levels, as the aforementioned end market weakness and material inflation issues continue to impact results. The segment continues to build a very strong and broad-based pipeline of new business opportunities that is expected to have a

sequentially increasing contribution in fiscal 2020. Aside from previously announced cost saving measures, Standex is pursuing additional productivity and cost efficiency initiatives.

**Engineering Technologies (12% of sales; 11% of segment operating income)**

	<b><u>1Q20</u></b>	<b><u>1Q19</u></b>	<b><u>% Change</u></b>
Engineering (\$M)			
Net sales	\$24.6	\$20.8	18.6%
Operating Income	3.4	1.8	89.2%
<i>Operating Margin</i>	13.6%	8.5%	

Engineering Technologies revenue grew 18.6% over 1Q19 with continued strength in Aviation, Space and Defense. Operating income increased 89.2% year-over-year as the segment successfully leveraged both the volume growth and ongoing productivity improvements in manufacturing processes and efficiency initiatives.

Standex expects revenue and operating income growth year-over-year to continue in 2Q20 driven by continued favorable end-market strength in its core markets and additional productivity improvements.

**Hydraulics (7% of sales; 9% of segment operating income)**

	<b><u>1Q20</u></b>	<b><u>1Q19</u></b>	<b><u>% Change</u></b>
Hydraulics (\$M)			
Net sales	\$13.7	\$12.5	9.7%
Operating Income	2.5	1.6	59.6%
<i>Operating Margin</i>	18.4%	12.6%	

Sales for the Hydraulics segment increased 9.7% year-over-year due to continued strong OEM demand, particularly in the North American refuse market. Income from operations increased 59.6% year-over-year due to the combination of volume leverage and the impact of ongoing efficiency initiatives.

In 2Q20 the Company expects Hydraulics revenue to stay flat and operating income to improve slightly year-over-year. Standex continues to focus on growing its aftermarket presence from its current level of approximately 15% of segment revenue.

## **Food Service Equipment (37% of sales; 29% of segment operating income)**

	<b><u>1Q20</u></b>	<b><u>1Q19</u></b>	<b><u>% Change</u></b>
Food Service (\$M)			
Net sales	\$73.0	\$72.3	0.9%
Operating Income	8.4	6.7	25.6%
<i>Operating Margin</i>	11.5%	9.2%	

The increase in sales reflected growth in Scientific and Merchandising primarily due to demand in retail channels offset by lower sales in the Refrigeration and Pumps segments. The 25.6% increase in operating income was due to both overall higher product volume in Scientific and favorable product mix at Merchandising.

The Company expects that commercial refrigeration sales will be lower year-over-year in 2Q20 as finished goods inventory levels are further rebuilt to meet customer demand following the warehouse facility fire in 4Q19. In 2Q20, Standex also expects continued strength in Scientific end markets.

### **Capital Allocation**

- **Capital Expenditures:** In first quarter fiscal 2020 Standex's cash capital expenditures were \$7.0 million compared to \$7.5 million in the first fiscal quarter of 2019. The Company revised its expectation for fiscal 2020 capital spending to be between approximately \$31 to \$34 million from \$33 to \$34 million.
- **Dividends:** On October 24, the Company declared a quarterly cash dividend of \$0.22 per share, a 10% year-over-year increase. The dividend will be payable on November 26, 2019 to shareholders of record November 12, 2019.

### **Balance Sheet and Cash Flow Highlights**

- **Net Debt:** Standex had net debt of \$98.7 million at September 30, 2019 compared to \$104.5 million at the end of the fiscal fourth quarter in 2019. Net debt consisted primarily of long-term debt of \$190 million and cash and equivalents of \$90.2 million of which \$76.9 million was held by foreign subsidiaries. Standex repatriated \$9.2 million in 1Q20 and expects to repatriate \$35 million in total in fiscal 2020. The Company's net debt to Adjusted EBITDA leverage ratio was 0.9x at the end of first fiscal quarter 2020.
- **Cash Flow:** Net cash provided by continuing operating activities for the three months ended September 30, 2019 was \$8.3 million compared to net cash used by continuing operating activities of \$2.6 million in the prior year. Cash provided by operating activities reflected improved working capital management driven by focused collection efforts and improved inventory turns and accounts payable management.

The Company generated free cash flow after capital expenditures of \$1.3 million compared to negative free cash flow of \$10.0 million in 1Q19.

### ***Conference Call Details***

Standex will host a conference call for investors tomorrow, November 6, 2019 at 8:30 a.m. ET. On the call, David Dunbar, President and CEO, and Ademir Sarcevic, 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, "Events and Presentations", located at [www.standex.com](http://www.standex.com).

To listen to the teleconference playback, please dial (877) 344-7529 in the U.S. or (412) 317-0088 internationally; the passcode is 10136152. The audio playback via phone will be available through November 13, 2019. A replay of the webcast will also be available on the Company's website shortly after the conclusion of the presentation online. 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 adjusted income from operations, non-GAAP adjusted net income from continuing operations, free operating cash flow, EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted EBITDA, adjusted EBITDA to net debt, 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, purchase accounting, insurance recoveries, discrete tax events, and acquisition costs help investors to obtain a better understanding of our operating results and 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: Engraving, Electronics, Engineering Technologies, Hydraulics, and Food Service Equipment with operations in the United States, Europe, Canada, Japan, Singapore, Mexico, Brazil, Turkey, South Africa, India and China. For additional information, visit the Company's website at <http://standex.com/>.

**Standex International Corporation**

**Consolidated Statement of Operations**

(In thousands, except per share data)	Three Months Ended	
	September 30,	
	2019	2018
Net sales	\$ 196,438	\$ 193,080
Cost of sales	128,154	123,828
Gross profit	68,284	69,252
Selling, general and administrative expenses	48,675	45,472
Restructuring costs	1,479	447
Acquisition related costs	734	688
Other operating (income) expense, net	(1,045)	-
Income from operations	18,441	22,645
Interest expense	2,121	2,244
Other (income) expense, net	(916)	201
Total	1,205	2,445
Income from continuing operations before income taxes	17,236	20,200
Provision for income taxes	4,786	5,842
Net income from continuing operations	12,450	14,358
Income (loss) from discontinued operations, net of tax	(11)	1,499
Net income	\$ 12,439	\$ 15,857
<i>Basic earnings per share:</i>		
Income from continuing operations	\$ 1.01	\$ 1.13
Income (loss) from discontinued operations	-	0.12

Total	\$ <u>1.01</u>	\$ <u>1.25</u>
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*Diluted earnings per share:*

Income from continuing operations	\$ 1.00	\$ 1.12
Income (loss) from discontinued operations	-	0.12
Total	\$ <u>1.00</u>	\$ <u>1.24</u>

*Average Shares Outstanding*

Basic	12,345	12,716
Diluted	12,403	12,808

**Standex International Corporation**  
**Condensed Consolidated Balance Sheets**

	<b>September 30,</b>	<b>June 30,</b>
(In thousands)	<b>2019</b>	<b>2019</b>

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 90,244	\$ 93,145
Accounts receivable, net	114,038	119,589
Inventories	98,359	88,645
Prepaid expenses and other current assets	20,297	30,872
Income taxes receivable	1,444	1,622
Total current assets	<u>324,382</u>	<u>333,873</u>

Property, plant, equipment, net	147,408	148,024
Intangible assets, net	114,854	118,660
Goodwill	281,149	281,503



Deferred tax asset	12,853	14,140
Operating lease right of use asset	42,079	-
Other non-current assets	26,567	25,689
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Total non-current assets	624,910	588,016
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Total assets	\$ 949,292	\$ 921,889
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## **LIABILITIES AND STOCKHOLDERS' EQUITY**

### Current liabilities:

Accounts payable	\$ 66,651	\$ 72,603
Accrued liabilities	63,631	62,648
Income taxes payable	4,306	5,744
Current Liabilities- Discontinued Operations	124	620
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Total current liabilities	134,712	141,615
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Long-term debt	188,895	197,610
Operating lease long term liabilities	34,192	-
Accrued pension and other non-current liabilities	118,572	118,351
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Total non-current liabilities	341,659	315,961
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### Stockholders' equity:

Common stock	41,976	41,976
Additional paid-in capital	68,196	65,515
Retained earnings	828,226	818,282
Accumulated other comprehensive loss	(141,549)	(137,278)
Treasury shares	(323,928)	(324,182)
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Total stockholders' equity	472,921	464,313
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Total liabilities and stockholders' equity	\$ 949,292	\$ 921,889
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**Standex International Corporation and Subsidiaries**

**Statements of Consolidated Cash Flows**

**Three Months Ended**

**September 30,**

(In thousands)

**2019**

**2018**

**Cash Flows from Operating Activities**

Net income	\$ 12,439	\$ 15,857
Income (loss) from discontinued operations	(11)	1,499
Income from continuing operations	12,450	14,358
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,380	6,655
Stock-based compensation	2,757	2,157
Non-cash portion of restructuring charge	(122)	13
Life insurance benefit	(1,302)	-
Contributions to defined benefit plans	(241)	(252)
Net changes in operating assets and liabilities	(13,607)	(25,502)
Net cash provided by operating activities - continuing operations	8,315	(2,571)
Net cash provided by (used in) operating activities - discontinued operations	99	3,560
Net cash provided by (used in) operating activities	8,414	989

**Cash Flows from Investing Activities**

Expenditures for property, plant and equipment	(7,034)	(7,465)
Expenditures for acquisitions, net of cash acquired	-	(96,828)
Proceeds from insurance recovery	9,000	-
Other investing activities	376	2,332
Net cash (used in) investing activities continuing operations	2,342	(101,961)
Net cash provided by investing activities- discontinued operations	-	(232)

Net cash (used in) investing activities	2,342	(102,193)
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowings	25,700	139,500
Payments of debt	(34,500)	(34,000)
Activity under share-based payment plans	949	652
Purchase of treasury stock	(771)	(837)
Cash dividends paid	(2,463)	(2,287)
Net cash provided by (used in) financing activities	(11,085)	103,028
Effect of exchange rate changes on cash	(2,572)	(2,156)
Net changes in cash and cash equivalents	(2,901)	(332)
Cash and cash equivalents at beginning of year	93,145	109,602
Cash and cash equivalents at end of period	\$ 90,244	\$ 109,270

## Standex International Corporation

### Selected Segment Data

(In thousands)	Three Months Ended	
	September 30,	
	2019	2018
<b><u>Net Sales</u></b>		
Engraving	\$ 38,431	\$ 35,979
Electronics	46,617	51,450
Engineering Technologies	24,644	20,784
Hydraulics	13,749	12,536
Food Service Equipment	72,997	72,331
Total	\$ 196,438	\$ 193,080

**Income from operations**

Engraving	\$ 6,537	\$ 7,547
Electronics	8,099	12,787
Engineering Technologies	3,359	1,775
Hydraulics	2,527	1,583
Food Service Equipment	8,372	6,668
Corporate	(9,285)	(6,580)
Restructuring	(1,479)	(447)
Acquisition Related Costs	(734)	(688)
Other operating (income) expense, net	1,045	-
Total Operating Income, as reported	<u>\$ 18,441</u>	<u>\$ 22,645</u>

**Standex International Corporation****Reconciliation of GAAP to Non-GAAP Financial Measures**

	<b>Three Months Ended</b>		
	<b>September 30,</b>		
(In thousands, except percentages)	<b>2019</b>	<b>2018</b>	<b>% Change</b>
<i>Adjusted income from operations and adjusted net income from continuing operations:</i>			
<b>Income from operations, as reported</b>	\$ 18,441	\$ 22,645	-18.6%
Adjustments:			
Restructuring charges	1,479	447	
Acquisition-related costs	734	688	
Fire insurance recovery	(1,045)	-	
Purchase accounting expenses	-	456	
<b>Adjusted income from operations</b>	<u>\$ 19,609</u>	<u>\$ 24,236</u>	<u>-19.1%</u>
Interest and other income (expense), net	(1,205)	(2,445)	

Life insurance benefit	(1,302)	-	
Provision for income taxes	(4,786)	(5,842)	
Tax impact of above adjustments	(325)	(460)	
<b>Net income from continuing operations, as adjusted</b>	<b>\$ 11,991</b>	<b>\$ 15,489</b>	<b>-22.6%</b>

*EBITDA and Adjusted EBITDA:*

<b>Net income from continuing operations, as reported</b>	<b>\$ 12,450</b>	<b>\$ 14,358</b>	
Add back:			
Provision for income taxes	4,786	5,842	
Interest expense	2,121	2,244	
Depreciation and amortization	8,380	6,655	
<b>EBITDA</b>	<b>\$ 27,737</b>	<b>\$ 29,099</b>	<b>-4.7%</b>

Adjustments:

Restructuring charges	1,479	447	
Acquisition-related costs	734	688	
Fire insurance recovery	(1,045)	-	
Life insurance benefit	(1,302)	-	
Purchase accounting expenses	-	456	
<b>Adjusted EBITDA</b>	<b>\$ 27,603</b>	<b>\$ 30,690</b>	<b>-10.1%</b>

*Free operating cash flow:*

<b>Net cash provided by operating activities - continuing operations, as reported</b>	<b>\$ 8,315</b>	<b>\$ (2,571)</b>	
Less: Capital expenditures	(7,034)	(7,465)	
<b>Free operating cash flow</b>	<b>\$ 1,281</b>	<b>\$ (10,036)</b>	
Net income from continuing operations	12,450	14,358	
<b>Conversion of free operating cash flow</b>	<b>10.3%</b>	<b>NM</b>	

## Reconciliation of GAAP to Non-GAAP Financial Measures

	Three Months Ended		
	September 30,		
			%
<i>Adjusted earnings per share from continuing operations</i>	<b>2019</b>	<b>2018</b>	<b>Change</b>
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<b>Diluted earnings per share from continuing operations, as reported</b>	\$ 1.00	\$ 1.12	-10.7%
	<hr/>	<hr/>	<hr/>
Adjustments:			
Restructuring charges	0.09	0.02	
Acquisition-related costs	0.04	0.04	
Fire insurance recovery	(0.06)	-	
Life insurance benefit	(0.10)	-	
Purchase accounting expenses	-	0.03	
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<b>Diluted earnings per share from continuing operations, as adjusted</b>	\$ 0.97	\$ 1.21	-19.8%
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SOURCE Standex International Corporation

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<https://ir.standex.com/2019-11-05-Standex-Reports-First-Quarter-2020-Financial-Results>