

STANDEX REPORTS FISCAL FOURTH QUARTER 2021 FINANCIAL RESULTS

- Benefits of Portfolio Transformation Strategy Contributing to Solid Operating Performance and Margin Expansion
- Strong Financial Results Driven by Favorable Sequential Trends at Electronics, Engineering Technologies, and Engraving
- Robust Free Cash Flow Generation Further Strengthening Significant Financial Flexibility
- Well-Positioned to Build on Fiscal 2021 Momentum; Expect Continued Improvement in Key Financial Metrics in Fiscal 2022, Supported by Orders Growth and Productivity Initiatives

SALEM, N.H., Aug. 12, 2021 /PRNewswire/ -- [Standex International Corporation](#) (NYSE: SXI) today reported financial results for the fourth quarter of fiscal year 2021 ending June 30, 2021.

Summary Financial Results - Total Standex					
(\$M except EPS and Dividends)	4Q21	4Q20	3Q21	Y/Y	Q/Q
Net Sales	\$176.4	\$139.4	\$172.2	26.6%	2.4%
Operating Income - GAAP	\$22.4	\$10.1	\$5.7	121.4%	296.8%
Operating Income - Adjusted	\$23.5	\$12.1	\$21.0	94.0%	11.9%
Operating Margin - Adjusted	13.3%	8.7%	12.2%	+460 bps	+110 bps
Net Income from Continuing Ops - GAAP	\$14.4	\$6.1	\$1.8	136.7%	720.9%
Net Income from Continuing Ops - Adjusted	\$17.1	\$8.0	\$14.6	113.3%	17.2%
EBITDA	\$30.4	\$18.6	\$13.7	63.8%	122.6%
EBITDA margin	17.2%	13.3%	7.9%	+390 bps	+930 bps
Adjusted EBITDA	\$31.5	\$20.6	\$29.0	53.2%	8.5%
Adjusted EBITDA margin	17.9%	14.8%	16.9%	+310 bps	+100 bps
Diluted EPS - GAAP	\$1.18	\$0.50	\$0.14	136.0%	742.9%
Diluted EPS - Adjusted	\$1.40	\$0.65	\$1.19	115.4%	17.6%
Dividends per share	\$0.24	\$0.22	\$0.24	9.1%	0.0%
Free Cash Flow	\$26.4	\$19.5	\$12.4	35.5%	113.4%
Net Debt to EBITDA	0.6x	0.8x	0.8x	-29.6%	-30.5%

Fourth Quarter Fiscal 2021 Results

Commenting on the quarter's results, President and Chief Executive Officer David Dunbar said, "We completed a very successful fiscal 2021 with strong fourth quarter results and solid execution on our growth strategy. Our Electronics, Engineering Technologies, and Engraving segments all reported meaningful sequential margin improvement. These trends were complemented by robust free cash flow generation further adding to our substantial financial flexibility. We expect stronger financial results in fiscal 2022 reflecting positive demand trends, further leveraging of our productivity initiatives, and our significantly strengthened operating profile.

"The transformation of our portfolio around businesses with attractive growth and margin profiles, as well as strong customer value propositions, was evident in the quarter on several fronts. From a revenue perspective, four of our five segments reported year-over-year growth led by the Electronics and Scientific segments. Total company backlog realizable in under one year increased approximately 19% compared to fiscal third quarter 2021."

"Our deep technical and applications expertise and innovative solutions continue to resonate with customers. For example, at our Engraving segment, we recently delivered prototype modules to support projects in the renewable energy sector for a global energy company. We are very excited about the potential opportunity to further scale up our production to support this client's plans and expand our range of organic growth opportunities," continued Mr. Dunbar.

"In addition, our consolidated adjusted operating margin of 12% in fiscal 2021 represented a ninety-basis point increase year-over-year, and our fourth quarter margin of 13.3% is the highest quarterly margin that Standex has ever reported, despite experiencing a

work stoppage in Specialty Solutions plants during the fourth quarter. This work stoppage has since been resolved but did have a moderate impact on our fourth quarter financial results in this segment. In fiscal 2022, we have a healthy pipeline of productivity and efficiency initiatives which will provide further margin opportunity. In particular, our focus on mitigating material inflation and improving our cost position in the Electronics segment through changes in reed switch production and material substitution are expected to be substantially complete by the end of fiscal 2022.

"We also had a very strong quarter for cash generation reflecting solid working capital management. We reported free cash flow of approximately \$26 million, a nearly 36% year-over-year increase, and generated a free cash flow to GAAP net income conversion rate of 118% in fiscal 2021. At year-end, the Company had approximately \$245 million in available liquidity and a net debt to adjusted EBITDA ratio of approximately 0.57x. We continued to repatriate cash in the quarter bringing the total to \$38 million in fiscal 2021, slightly ahead of our initial guidance. For fiscal 2022, we expect to repatriate between \$30 million and \$35 million.

"We are entering fiscal 2022 well-positioned for improved financial performance as we continue to build on our portfolio of high-quality businesses. We expect positive trends in end markets such as electric vehicles, renewable energy, and smart grid. In addition, there are new business opportunities in the space and aviation sectors complemented by ongoing company-wide new product development efforts. Our consistent free cash flow generation and significant financial strength provide a strong foundation for future growth," concluded Dunbar.

Outlook

In fiscal first quarter 2022, the Company expects a slight decrease in revenue, but similar operating margin compared to fiscal fourth quarter 2021. Revenue and operating margin will increase year-over-year compared to fiscal first quarter 2021.

Compared to fiscal fourth quarter 2021, the Company expects a slight increase in Electronics and Specialty segment revenue with continued broad-based end market strength and growth in these segments. Revenue in the Engraving and Engineering Technologies segments is expected to have a slight to moderate decrease due to the timing of projects. The Scientific segment is expected to have a moderate revenue decrease due to lower demand for COVID-19 vaccine storage refrigeration units.

Fourth Quarter Segment Operating Performance

Electronics (41% of sales; 50% of segment operating income)

	<u>4Q21</u>	<u>4Q20</u>	<u>% Change</u>
Electronics (\$M)			
Revenue	\$72.8	\$44.8	62.7%
Operating Income	15.7	5.9	168.8%
Operating Margin	21.6%	13.1%	

Revenue increased \$28.0 million or 62.7% year-over-year reflecting a 42.2% organic growth rate with approximately \$1.9 million of the total revenue increase or 4.2% related to foreign exchange. Organic revenue growth was due to a continued broad-based geographical recovery as well as increased demand for relays in solar and electric vehicle applications. The recent Renco acquisition contributed revenue of \$7.3 million or approximately 26% of the increase in year-over-year segment revenue growth.

Operating income increased approximately \$9.9 million or 168.8% year-over-year which reflected operating leverage associated with revenue growth, profit contribution from Renco and pricing and productivity initiatives.

In fiscal first quarter 2022, the company expects a slight increase in revenue and a moderate operating margin increase reflecting continued end market strength compared to fiscal fourth quarter 2021.

Engraving (21% of sales; 18% of segment operating income)

	<u>4Q21</u>	<u>4Q20</u>	<u>% Change</u>
Engraving (\$M)			
Revenue	\$36.6	\$31.6	15.9%
Operating Income	5.6	2.6	119.0%
Operating Margin	15.4%	8.1%	

Revenue increased approximately \$5.0 million or 15.9% year-over-year with operating income growth of approximately \$3.1 million or 119% year-over-year reflecting a favorable geographic mix, timing of projects, and increased soft trim product demand leveraged over segment productivity and cost initiatives.

In fiscal first quarter 2022, the Company expects a slight to moderate revenue and operating margin decrease compared to fiscal

fourth quarter 2021, primarily due to the timing of projects and regional mix.

Scientific (12% of sales; 13% of segment operating income)

	4Q21	4Q20	% Change
Scientific (\$M)			
Revenue	\$20.6	\$12.7	62.7%
Operating Income	4.1	2.8	48.7%
Operating Margin	20.0%	21.9%	

Revenue increased approximately \$8.0 million or 62.7% year-over-year reflecting positive trends at pharmaceutical channels, clinical laboratories, and academic institutions primarily attributable to demand for COVID-19 vaccine storage compared to fourth quarter fiscal 2020.

Operating income increased \$1.4 million or 48.7% year-over-year, reflecting the volume increase balanced with investments to support future growth opportunities and higher freight costs.

In fiscal first quarter 2022, the Company expects a moderate sequential decrease in revenue and slight decline in margin reflecting lower demand for COVID-19 vaccine storage refrigeration and increased freight costs partially offset by pricing actions.

Engineering Technologies (11% of sales; 10% of segment operating income)

	4Q21	4Q20	% Change
Engineering Technologies (\$M)			
Revenue	\$20.5	\$26.2	-21.8%
Operating Income	3.1	4.1	-25.6%
Operating Margin	15.1%	15.8%	

On a year-over-year basis, revenue decreased \$5.7 million or 21.8% and operating income was \$1.1 million lower, representing a 25.6% decrease. This primarily reflected the absence of the recently divested Enginetics business which contributed \$3.6 million in revenue to fiscal fourth quarter 2020 and the economic impact of COVID-19 on this segment's end markets.

On a sequential basis, operating margin increased to 15.1% compared to 6.2% in fiscal third quarter 2021 reflecting a continued broad-based sequential end market recovery and favorable mix complemented by ongoing productivity initiatives.

In fiscal first quarter 2022, the Company expects a slight to moderate decrease in revenue and operating margin reflecting the timing of projects.

Specialty Solutions (15% of sales; 9% of segment operating income)

	4Q21	4Q20	% Change
Specialty Solutions (\$M)			
Revenue	\$25.8	\$24.1	7.1%
Operating Income	3.0	3.7	-18.7%
Operating Margin	11.6%	15.2%	

On a year-over-year basis, Specialty Solutions revenue increased approximately \$1.7 million or 7.1% as its end markets, particularly in food service and specialty retail continued to recover. Operating income decreased \$0.7 million or 18.7%. This reflected the impact of a work stoppage in the segment's plants and material inflation which the Company is seeking to recover through pricing actions.

In fiscal first quarter 2022, the Company expects a slight sequential increase in revenue and operating margin primarily due to growth in Merchandising and Pumps businesses partially offset by the impact of a prior work stoppage at one of the plants.

Balance Sheet and Cash Flow Highlights

- **Net Debt:** Standex had net debt of \$63.1 million at June 30, 2021 compared to \$82.1 million at the end of the fiscal third quarter of 2021 and \$80.3 million at the end of fiscal 2020. Net debt for the fourth quarter of 2021 consisted primarily of long-term debt of \$200 million and cash and equivalents of \$136.4 million of which \$92.2 million was held by foreign subsidiaries.

Standex repatriated approximately \$6.8 million in fiscal fourth quarter 2021 and \$37.6 million in fiscal 2021. The company expects to repatriate between \$30 million and \$35 million in fiscal 2022. The Company's net debt to adjusted EBITDA leverage ratio was approximately 0.57x

at the end of the fiscal fourth quarter 2021.

- **Cash Flow:** Net cash provided by continuing operating activities for the three months ended June 30, 2021 was \$32.5 million compared to net cash provided by continuing operating activities of \$25.2 million in the prior year. The Company generated free cash flow after capital expenditures of \$26.4 million compared to free cash flow of \$19.5 million in the fiscal fourth quarter of 2020. The year-over-year increase is primarily a result of improvement in working capital metrics.

Capital Allocation

- **Share Repurchase:** During the fiscal fourth quarter, the Company repurchased approximately 50,000 shares for \$5.0 million. There is approximately \$22 million remaining under the Board's current share repurchase authorization.
- **Capital Expenditures:** In fiscal fourth quarter 2021, Standex's capital expenditures were \$6.1 million compared to \$5.7 million in the fiscal fourth quarter of 2020. Investments were focused on maintenance, safety, and the Company's highest priority growth initiatives. The Company expects fiscal year 2022 capital expenditures to be between \$25 million and \$30 million compared to \$21.5 million in fiscal 2021.
- **Dividends:** On July 22, 2021, the Company declared a quarterly cash dividend of \$0.24 per share, a 9% year-over-year increase. The dividend is payable on August 25, 2021 to shareholders of record on August 2, 2021.

Conference Call Details

Standex will host a conference call for investors tomorrow, August 13, 2021 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.

A replay of the webcast will also be available on the Company's website shortly after the conclusion of the presentation online through August 13, 2022. To listen to the teleconference playback, please dial (877) 344-7529 in the U.S. or (412) 317-0088 internationally; the passcode is 10158341. The audio playback via phone will be available through August 20, 2021. The webcast replay can be accessed in the "Investor Relations" section of the Company's website, located at 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, loss on sale of a business unit, 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: Electronics, Engraving, Scientific, Engineering Technologies, and Specialty Solutions 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/>.

Forward-Looking Statements

Statements contained in this Press Release that are not based on historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as "should," "could," "may," "will," "expect," "believe," "estimate," "anticipate," "intend," "continue," or similar terms or variations of those terms or the negative of those terms. There are many factors that affect the Company's business and the results of its operations and that may cause the actual results of operations in future periods to differ materially from those currently expected or anticipated. These factors include, but are not limited to: the impact of pandemics such as the current coronavirus on employees, our supply chain, and the demand for our products and services around the world; materially adverse or unanticipated legal judgments, fines, penalties or settlements; conditions in the financial and banking markets, including fluctuations in exchange rates and the inability to repatriate foreign cash; domestic and international economic conditions, including the impact, length and degree of economic downturns on the customers and markets we serve and more specifically conditions in the automotive, construction, aerospace, transportation, food service equipment, consumer appliance, energy, oil and gas and general industrial markets; lower-cost competition; the relative mix of products which impact margins and operating efficiencies in certain of our businesses; the impact of higher raw material and component costs, particularly steel, certain materials used in electronics parts, petroleum based products, and refrigeration components; an inability to realize the expected cost savings from restructuring activities including effective completion of plant consolidations, cost reduction efforts including procurement savings and productivity

Income (loss) from continuing operations	\$	1.20	\$	0.50	\$	3.17	\$	3.33
Income (loss) from discontinued operations		(0.04)		(0.35)		(0.17)		(1.69)
Total	\$	1.16	\$	0.15	\$	3.00	\$	1.64
<i>Diluted earnings per share:</i>								
Income (loss) from continuing operations	\$	1.18	\$	0.50	\$	3.14	\$	3.31
Income (loss) from discontinued operations		(0.04)		(0.35)		(0.17)		(1.68)
Total	\$	1.14	\$	0.15	\$	2.97	\$	1.63
<i>Average Shares Outstanding</i>								
Basic		12,068		12,249		12,156		12,324
Diluted		12,213		12,281		12,258		12,387

Standex International Corporation					
Condensed Consolidated Balance Sheets					
(unaudited)					
		June 30,		June 30,	
(In thousands)		2021		2020	
ASSETS					
Current assets:					
Cash and cash equivalents	\$	136,367	\$	118,809	
Accounts receivable, net		109,883		98,157	
Inventories		91,862		85,031	
Prepaid expenses and other current assets		23,504		18,870	
Income taxes receivable		12,750		8,194	
Current assets- Discontinued Operations		-		2,936	
Total current assets		374,366		331,997	
Property, plant, equipment, net		133,373		132,533	
Intangible assets, net		98,929		106,412	
Goodwill		278,054		271,221	
Deferred tax asset		9,566		17,322	
Operating lease right-of-use asset		37,276		44,788	
Other non-current assets		30,659		26,605	
Total non-current assets		587,857		598,881	
Total assets	\$	962,223	\$	930,878	

LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$	74,756	\$	54,910
Accrued liabilities		61,717		60,539
Income taxes payable		7,236		7,428
Total current liabilities		143,709		122,877
Long-term debt		199,490		199,150
Operating lease long-term liabilities		29,041		36,293
Accrued pension and other non-current liabilities		83,558		110,926
Total non-current liabilities		312,089		346,369
Stockholders' equity:				
Common stock		41,976		41,976
Additional paid-in capital		80,788		72,752
Retained earnings		852,489		827,656
Accumulated other comprehensive loss		(116,140)		(147,659)
Treasury shares		(352,688)		(333,093)
Total stockholders' equity		506,425		461,632
Total liabilities and stockholders' equity	\$	962,223	\$	930,878

Standex International Corporation and Subsidiaries					
Statements of Consolidated Cash Flows					
(unaudited)					
		Year Ended			
		June 30,			
(In thousands)		2021		2020	
Cash Flows from Operating Activities					
Net income	\$	36,473	\$	20,188	
Income (loss) from discontinued operations		(2,070)		(20,826)	
Income from continuing operations		38,543		41,014	
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization		33,241		32,294	
Stock-based compensation		8,368		7,026	
Non-cash portion of restructuring charge		(489)		386	
Gain from extinguishment of debt - PPP loan		(713)		-	

Loss on sale of business		14,624		-
Life insurance benefit		-		(1,302)
Contributions to defined benefit plans		(8,120)		(4,040)
Net changes in operating assets and liabilities		(3,588)		(20,701)
Net cash provided by operating activities - continuing operations		81,866		54,677
Net cash provided by (used in) operating activities - discontinued operations		1,716		(7,435)
Net cash provided by (used in) operating activities		83,582		47,242
Cash Flows from Investing Activities				
Expenditures for property, plant and equipment		(21,752)		(21,521)
Expenditures for acquisitions, net of cash acquired		(27,406)		(622)
Proceeds from sale of business		11,678		-
Other investing activities		(1,611)		1,523
Net cash (used in) investing activities from continuing operations		(39,091)		(20,620)
Net cash provided by investing activities from discontinued operations		-		20,003
Net cash (used in) investing activities		(39,091)		(617)
Cash Flows from Financing Activities				
Proceeds from borrowings		(17,000)		106,500
Payments of debt		17,000		(105,300)
Contingent consideration payment		(356)		(872)
Activity under share-based payment plans		1,273		1,738
Purchase of treasury stock		(21,200)		(10,437)
Cash dividends paid		(11,449)		(10,606)
Net cash provided by (used in) financing activities		(31,732)		(18,977)
Effect of exchange rate changes on cash		4,799		(1,984)
Net changes in cash and cash equivalents		17,558		25,664
Cash and cash equivalents at beginning of year		118,809		93,145
Cash and cash equivalents at end of period	\$	136,367	\$	118,809

Standex International Corporation							
Selected Segment Data							
(unaudited)							
	Three Months Ended				Year Ended		
	June 30,				June 30,		
(In thousands)	2021		2020		2021		2020
Net Sales							
Electronics	\$	72,844	\$	44,773	\$	253,369	\$ 185,294
Engraving		36,639		31,618		147,016	143,736

Scientific		20,645		12,689		79,421		57,523
Engineering Technologies		20,471		26,178		75,562		104,047
Specialty Solutions		25,836		24,128		100,864		113,935
Total	\$	<u>176,435</u>	\$	<u>139,386</u>	\$	<u>656,232</u>	\$	<u>604,535</u>
Income from operations								
Electronics	\$	15,739	\$	5,856	\$	46,600	\$	29,749
Engraving		5,626		2,569		22,510		20,493
Scientific		4,127		2,775		18,240		13,740
Engineering Technologies		3,088		4,149		6,164		14,027
Specialty Solutions		2,990		3,678		14,358		18,546
Restructuring		(1,000)		(1,877)		(3,478)		(4,669)
Acquisition Related Costs		(81)		(110)		(931)		(1,759)
Loss on Sale of Business		-		-		(14,624)		-
Corporate		(8,067)		(6,911)		(29,674)		(29,599)
Total	\$	<u>22,422</u>	\$	<u>10,129</u>	\$	<u>59,165</u>	\$	<u>60,528</u>

Standex International Corporation									
Reconciliation of GAAP to Non-GAAP Financial Measures									
(unaudited)									
				Three Months Ended			Year Ended		
				June 30,			June 30,		
(In thousands, except percentages)				2021	2020	% Change	2021	2020	% Change
<i>Adjusted income from operations and adjusted net income from continuing operations:</i>									
Net Sales				\$ 176,435	\$ 139,386	26.6%	\$ 656,232	\$ 604,535	8.6%
Income from operations, as reported				\$ 22,422	\$ 10,129	121.4%	\$ 59,165	\$ 60,528	-2.3%
Income from operations margin				12.7%	7.3%		9.0%	10.0%	
Adjustments:									
Restructuring charges				1,000	1,877		3,478	4,669	
Acquisition-related costs				81	110		931	1,759	
Loss on sale of business				-	-		14,624	-	
Property insurance deductible				-	-		-	-	
Purchase accounting expenses				-	-		592	-	
Adjusted income from operations				\$ 23,503	\$ 12,116	94.0%	\$ 78,790	\$ 66,956	17.7%
Adjusted income from operations margin				13.3%	8.7%		12.0%	11.1%	
Interest and other income (expense), net				(1,989)	(1,199)		(6,465)	(6,454)	
Life insurance benefit				-	-			(1,302)	

Restructuring charges		0.06	0.12		0.22	0.28				
Acquisition-related costs		0.01	0.01		0.06	0.10				
Loss on sale of business		-	-		1.01	-				
Life insurance benefit		-	-		-	(0.11)				
Discrete tax items		0.15	0.02		0.13	(0.09)				
Purchase accounting expenses		-	-		0.04	-				
Diluted earnings per share from continuing operations, as adjusted	\$	1.40	\$	0.65	115.4%	\$	4.60	\$	3.49	31.8%

SOURCE Standex International Corporation

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<https://ir.standex.com/2021-08-12-Standex-Reports-Fiscal-Fourth-Quarter-2021-Financial-Results>