

# Second Quarter Fiscal 2024

## Earnings Call Presentation

February 2, 2024



# SAFE HARBOR STATEMENT



Statements contained in this Quarterly Report 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 and other global crises or catastrophic events 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, defense, 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; the impact of higher transportation and logistics costs, especially with respect to transportation of goods from Asia; the impact of inflation on the costs of providing our products and services; 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 enhancements, capital management improvements, strategic capital expenditures, and the implementation of lean enterprise manufacturing techniques; the potential for losses associated with the exit from or divestiture of businesses that are no longer strategic or no longer meet our growth and return expectations; the inability to achieve the savings expected from global sourcing of raw materials and diversification efforts in emerging markets; the impact on cost structure and on economic conditions as a result of actual and threatened increases in trade tariffs; the inability to attain expected benefits from acquisitions and the inability to effectively consummate and integrate such acquisitions and achieve synergies envisioned by the Company; 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 including as a result of labor shortages; the impact on our operations of any successful cybersecurity attacks; and potential changes to future pension funding requirements. 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.

# KEY Q2 FY24 MESSAGES



## SALES PROFILE

- Fast growth market sales increased ~14% YOY to \$21 million in Q2 FY24
- Organic decline of ~7.4% primarily due to project timing in the Engineering Technologies Segment and transitory market softness; anticipate market conditions to improve in fiscal fourth quarter 2024
- Expect to complete acquisition of Sanyu Switch Co., Ltd during fiscal third quarter 2024

## OPERATING PERFORMANCE

- Record adjusted gross margin of 40.3%
- Adjusted operating margin of 16.1%; 11th consecutive quarterly record
- FCF generation of \$19.5M in Q2 FY24; Record year-to-date FCF generation
- Ongoing focus on return on invested capital with annualized Q2 FY24 ROIC of 12.3%
- Reached targets from the original long term (3-5 years) financial outlook established in February 2021

## OUTLOOK

- In Q3 FY24, on a sequential basis, expect slightly higher sales and slightly lower adjusted operating margin primarily due to one time stock compensation charge
- In Q4 FY24, on a sequential basis, expect meaningfully higher sales and continued improvement in adjusted operating margin
- Reaffirm long term financial outlook (by FY28) of high-single-digits organic growth, adj. operating margin of >19%, ROIC >15%, and FCF conversion at ~100% of GAAP net income

# STANDEX PERFORMANCE OVER 10 YEARS



## 10 Year Value Creation

*Market Cap grew from \$665M to \$1,800M*

Share Price vs. Indices	Jan 2014 – Jan 2024
Russell 2000	~75%
SXI	~160%
S&P 500	~175%

Standex appreciation more than 2x Russell 2000

Standex appreciation in line with large cap S&P 500

## Financial Performance

	10 Years Ago	Current
Sales	\$705.1 (TTM)	\$735.8 (TTM)
Gross Margin*	33.4% (Q2 14)	40.3% (Q2 24)
Op Income*	9.3% (Q2 14)	16.1% (Q2 24)
EPS*	\$3.66 (TTM)	\$6.93 (TTM)

\* Presented on an adjusted basis

# DELIVERED BY STEADY EXECUTION OF OUR STRATEGY



## Strategy as communicated 10 years ago:

- Become an **Operating Company** composed of larger strategic business platforms with defensible **competitive advantage** serving **growing end markets**
- Develop and deploy **standard management process**
- Platform businesses have a profitability potential of **15% Operating Income**
- Become an **employer of choice** to attract best talent

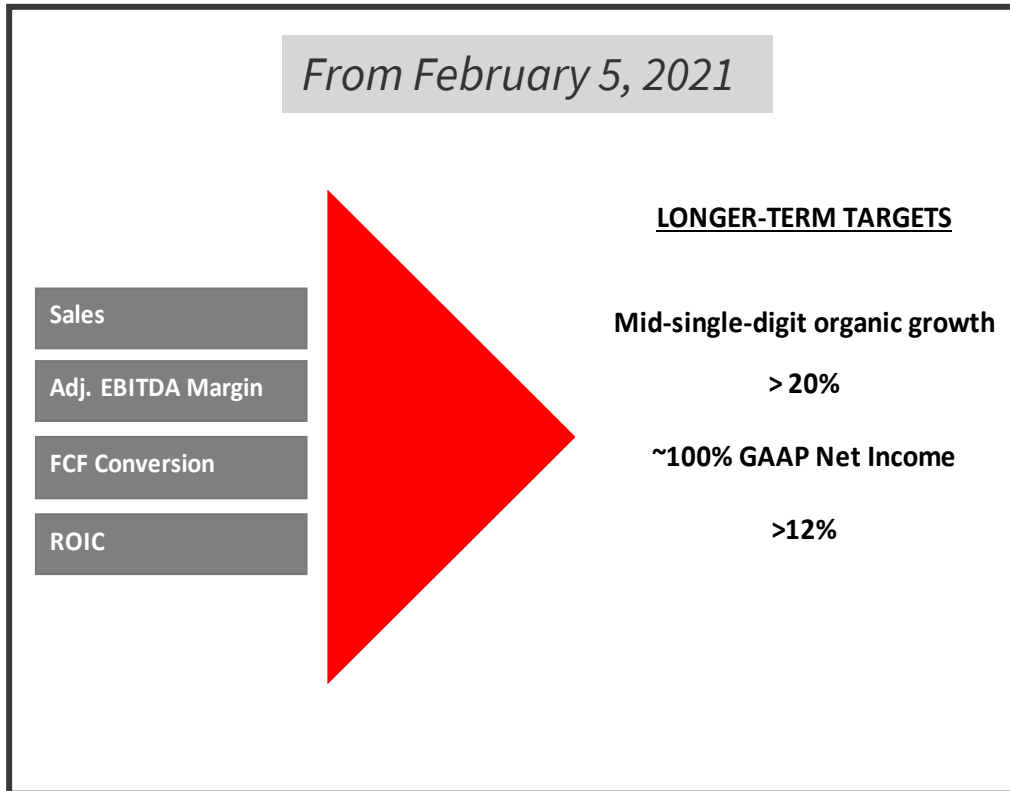
KEY PERFORMANCE INDICATORS	10 YEARS AGO	CURRENT
Number of Businesses	15	6
% Sales in Markets Growing > 5%	12%	36%
Adj. Gross Margin (indicator of competitive advantage)	33.4%	40.3%
R&D Spending as a % of Sales	0.6%	2.9%
Lowest Adjusted Operating Income Business	3%	15.2%
% Management Positions Filled Internally	<>35%	<>70%

**Steadfast Execution of Our Strategy Transformed the Company**

# IN FEB. 2021 WE ANNOUNCED 3 TO 5 YEAR TARGETS



Which we have essentially met...



**Now, three years later our recent performance**

Three Year CAGR: ~6%

Q2 24 Adj. EBITDA: ~19.6%

Three Year avg FCF: ~93%

Q2 24 Annualized ROIC: ~12.3%

**Quality Businesses and Mature Management Process Operating at a Higher Level**

# NOW APPLYING OURSELVES TO OUR NEXT TARGETS



## UPDATED LONGER-TERM TARGETS (by FY28)

Sales	> \$1B (High-single-digit organic growth)
Adj. Operating Margin *	> 19%
FCF Conversion	~100% GAAP Net Income
ROIC **	> 15%

- Continue to execute the same strategy
- Continue to strengthen our **standard management process** with more repetitions
- Strengthen organic growth capabilities to become **Industrial Growth** company
  - Increase R&D spending to <> 3.5%
  - Ramp new product sales
  - Deepen presence in faster growing markets

*\* Adjusted figures exclude the impact of restructuring charges, purchase accounting, insurance recoveries, discrete tax events, gain or loss on sale of a business unit, acquisition costs, and other special one-time items*

*\*\* ROIC target does not include impact of future acquisitions*

**We are Well Positioned to Deliver on Our Long-Term Targets**

# Q2 FY24 SUMMARY



Standex International Corporation (\$ in millions)	Second Quarter Ended December 31			Comments
	Q2 FY24	Q2 FY23	Y/Y Δ%	
<b>Net sales</b>	<b>178.4</b>	<b>187.8</b>	<b>-5.0%</b>	Organic growth: (7.4%) Acquisitions/Divestitures: 1.8% F/X: 0.6%
<b>Adjusted operating income</b>	<b>28.7</b>	<b>28.6</b>	<b>0.3%</b>	
Interest expense	1.0	1.6	-34.9%	
Non-Op Expense / (Income)	0.6	(0.1)	NM	
Provision for income taxes	6.0	6.4	-6.3%	
<b>Adjusted net income from continuing operations</b>	<b>21.1</b>	<b>20.7</b>	<b>1.9%</b>	
<b>Adjusted EPS</b>	<b>1.78</b>	<b>1.74</b>	<b>2.3%</b>	
Diluted average shares	11.9	11.9	-0.5%	Repurchased ~33,500 shares in Q2 FY24
<b>Percent of Revenues:</b>	<b>Q2 FY24</b>	<b>Q2 FY23</b>	<b>Y/Y Δ%</b>	
<b>Adjusted operating income</b>	<b>16.1%</b>	<b>15.2%</b>	<b>90 bps</b>	Realization of price and productivity actions
Adjusted net income from continuing operations	11.8%	11.0%	80 bps	
<b>Free Cash Flow Data:</b>				
<b>Cash provided by continuing operations</b>	<b>23.8</b>	<b>29.8</b>	<b>-20.3%</b>	
Capital expenditures	4.3	5.8	-26.3%	
<b>Free cash flow</b>	<b>19.5</b>	<b>24.0</b>	<b>-18.8%</b>	Record YTD FCF generation

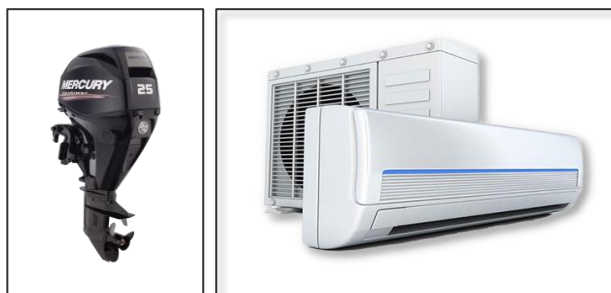
Note: In millions, except percentages and EPS; Some totals will not foot due to rounding



## YOY Comparison

\$ in millions	Q2 FY24	Q2 FY23	% Change
Revenue	79.4	72.6	9.5%
GAAP Operating Income	15.9	17.0	-6.6%
GAAP OI Margin %	20.0%	23.4%	
Adjusted Operating Income*	16.2	17.0	-4.8%
Adjusted OI Margin %*	20.3%	23.4%	

\*Excludes purchase accounting expenses of \$0.3M associated with Minntronix in Q2 FY24



## Q2 FY24 Summary

- Revenue increased approximately \$6.9 million or 9.5% YOY reflecting a 14.7% benefit from the recent Minntronix acquisition and a 0.5% benefit from FX, partially offset by an organic decline of 5.7%
- Organic decline of 5.7% YOY reflecting continued softness in appliances and general industrial end markets in China and Europe, partially offset by increased sales into fast growth end markets
- Adjusted operating income decreased due to lower organic sales and product mix

## Q3 FY24 Outlook

- New business opportunity funnel increased 30% YOY and is currently at \$76M, driven by 13% organic growth and contribution from Minntronix acquisition
- Sequentially, expect slightly to moderately higher revenue, depending on pending Sanyu acquisition, and slightly higher operating margin
- Anticipate general market conditions to improve in fiscal fourth quarter 2024

# ENGRAVING



## YOY Comparison

\$ in millions	Q2 FY24	Q2 FY23	% Change
Revenue	40.8	37.7	8.4%
Operating Income	8.9	6.4	39.8%
OI Margin %	21.8%	16.9%	



# SCIENTIFIC

## YOY Comparison

\$ in millions	Q2 FY24	Q2 FY23	% Change
Revenue	16.3	19.3	-15.6%
Operating Income	4.2	4.2	2.0%
OI Margin %	26.1%	21.6%	



## Q2 FY24 Summary

- YOY organic revenue growth of 6.7%, solid demand in Europe
- Operating income increased 39.8% due to organic growth and continued realization of productivity actions

## Q3 FY24 Outlook

- Sequentially, expect meaningfully lower revenue and operating margin due to seasonal impact of Chinese New Year holiday and fewer new platform rollouts planned in North America

## Q2 FY24 Summary

- Revenue decrease reflects lower demand for COVID vaccine storage units from retail pharmacies, slightly offset by an increase in new product sales
- Operating income remained relatively flat as lower freight costs and productivity initiatives offset impact of lower volume
- Increased R&D investment fueling a healthy new product development pipeline

## Q3 FY24 Outlook

- Sequentially, expect slightly higher revenue and similar to slightly higher operating margin

# ENGINEERING TECHNOLOGIES



## YOY Comparison

\$ in millions	Q2 FY24	Q2 FY23	% Change
Revenue	19.9	24.2	-17.8%
Operating Income	3.4	3.7	-9.0%
OI Margin %	17.1%	15.5%	



# SPECIALTY SOLUTIONS

## YOY Comparison

\$ in millions	Q2 FY24	Q2 FY23	% Change
Revenue	22.0	34.1	-35.5%
Operating Income	4.0	5.7	-30.6%
OI Margin %	18.1%	16.8%	



## Q2 FY24 Summary

- YOY organic decline driven by project timing
- Operating income decrease reflects lower volume and higher R&D expenses, mostly offset by pricing and productivity initiatives

## Q3 FY24 Outlook

- Sequentially, expect similar revenue reflecting improvement across most end markets, offset by lower defense sales caused by delays in government funding, and similar to slightly lower operating margin
- Expect significant sequential growth in the fiscal fourth quarter due to more favorable project timing

## Q2 FY24 Summary

- Revenue decreased reflecting the impact of the Procon divestiture and an organic decline in Hydraulics from an industry-wide chassis shortage
- Operating income decreased due to the impact of the Procon divestiture and less sales in Hydraulics

## Q3 FY24 Outlook

- Sequentially, expect slightly to moderately higher revenue and operating margin due to improved demand in the Hydraulics business

# Q2 FY24 CAPITALIZATION



<b>Standex International Corporation</b> (\$ in millions)	<b>12/31/2023</b>	<b>9/30/2023</b>
<b>Debt including issuance costs</b>	<b>148.7</b>	<b>148.6</b>
Cash	142.4	126.8
<b>Net (Cash) Debt</b>	<b>6.2</b>	<b>21.7</b>
<b>Net Debt to Capital Ratio</b>	<b>1.0%</b>	<b>3.5%</b>
Funded Debt to Capital	19.5%	20.1%
Leverage Ratio per Bank Credit Agreement	0.65	0.64
TTM Adjusted EBITDA	141.3	142.0
<b>Net Debt to Adjusted EBITDA</b>	<b>0.0x</b>	<b>0.2x</b>

**STRONG BALANCE SHEET AND  
SIGNIFICANT FINANCIAL  
FLEXIBILITY**

## CAPITAL SPENDING AND D&A

- \$4.3M of CAPEX in Q2 FY24 compared to \$5.8M in Q2 FY23
- CAPEX expected to be between \$25M to \$30M in FY24
- Expect depreciation between \$22.0M and \$25.0M in FY24
- Expect amortization between \$8.0M and \$10.0M in FY24

## FAVORABLE LIQUIDITY PROFILE

- Net debt to adj. EBITDA of 0.0x
- Net debt to total capital of 1.0%
- ~\$347M of available liquidity

# KEY TAKEAWAYS

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## ▪ Q2 FY24 highlights:

- Fast Growth market sales grew by ~14%
- Unfavorable project timing in Engineered Technologies segment and transitory market softness impacting top line; Expect improved market conditions in fiscal fourth quarter 2024
- Record adjusted gross margin of 40.3% increased 180 bps YOY
- Record adjusted operating margin of 16.1% increased 90 bps YOY
- Adjusted EPS of \$1.78 increased 2.3% YOY
- Free Cash Flow of \$19.5 million

- **Eleven consecutive quarters of record adjusted operating margin prove our ability to expand margin and grow earnings and adapt to changing macro conditions**
- **Sales from fast growth markets continues to grow; on track to long-term target by FY28 of \$200 million plus**
- **Growth prospects and competitive position provide confidence in reaching our long-term organic growth and profit potential**
- **Strong balance sheet allows us to pursue an active pipeline of organic and inorganic growth opportunities**
- **Reaffirm long term financial outlook (by FY28) of high-single-digits organic growth, adj. operating margin of >19%, ROIC >15%, and FCF conversion at ~100% of GAAP net income**



# APPENDIX

# Q2 FY24 SEGMENT SNAPSHOT



Segment Breakdown (\$ in millions)	Q2 FY24	Q2 FY23	Y/Y Δ%	Comments
<b>Net Sales by Segment</b>				
Electronics	79.4	72.6	9.5%	Organic decline of 5.7%; Acquisitions: 14.7%; F/X: 0.5%
Engraving	40.8	37.7	8.4%	Organic growth of 6.7%; F/X: 1.7%
Scientific	16.3	19.3	-15.6%	Organic decline of 15.6%
Engineering Technologies	19.9	24.2	-17.8%	Organic decline of 18.1%; F/X: 0.3%
Specialty Solutions	22.0	34.1	-35.5%	Organic decline of 14.6%; Divestiture: -20.9%
<b>Total</b>	<b>178.4</b>	<b>187.8</b>	<b>-5.0%</b>	
<b>Adjusted Income from Operations by Segment</b>				
Electronics	16.2	17.0	-4.8%	Lower sales/product mix, partially offset by Minntronix/pricing/productivity
Engraving	8.9	6.4	39.8%	Higher volume and realization of productivity actions
Scientific	4.2	4.2	2.0%	Lower freight cost and productivity offset lower volume
Engineering Technologies	3.4	3.7	-9.0%	Lower volume and higher R&D expenses, offset by pricing and productivity
Specialty Solutions	4.0	5.7	-30.6%	Impact of Procon divestiture and lower volume in Hydraulics
Corporate	(8.0)	(8.4)	-4.4%	
<b>Total Adjusted Income from Operations</b>	<b>28.7</b>	<b>28.6</b>	<b>0.3%</b>	
<b>Adjusted Operating Income Margin by Segment</b>				
Electronics	20.3%	23.4%	-310 bps	
Engraving	21.8%	16.9%	490 bps	
Scientific	26.1%	21.6%	450 bps	
Engineering Technologies	17.1%	15.5%	160 bps	
Specialty Solutions	18.1%	16.8%	130 bps	
<b>Total Adjusted Operating Income Margin</b>	<b>16.1%</b>	<b>15.2%</b>	<b>90 bps</b>	

Note: Some totals will not foot due to rounding

# Q2 FY24 REVENUE DRIVERS



Q2 FY24 YOY Change %	Electronics	Engraving	Scientific	Engineering Technologies	Specialty Solutions	Total
Organic	(5.7%)	6.7%	(15.6%)	(18.1%)	(14.6%)	-7.4%
Divestiture	0.0%	0.0%	0.0%	0.0%	(20.9%)	(3.8%)
Acquisitions	14.7%	0.0%	0.0%	0.0%	0.0%	5.7%
Currency	0.5%	1.7%	0.0%	0.3%	0.0%	0.6%
Total	9.5%	8.4%	(15.6%)	(17.8%)	(35.5%)	(5.0%)

*Note: Some totals will not foot due to rounding*



# Q2 FY24 GAAP TO NON-GAAP INCOME BRIDGE



Standex International Corporation	Q2 FY24				Q2 FY23				% Change		
	Pre-tax Income	Tax	Net Income	EPS	Pre-tax Income	Tax	Net Income	EPS	Pre-tax Income	Net Income	EPS
<b>Reported - GAAP</b>	\$24.5	\$(5.4)	\$19.1	\$1.61	\$26.3	\$(6.2)	\$20.1	\$1.69	-7.0	-5.0	-4.7
<b>Add:</b>											
Restructuring charges	1.4	(0.3)	1.1	0.09	0.5	(0.1)	0.4	0.03			
Purchase accounting	0.3	(0.1)	0.2	0.02	-	-	-	-			
Acquisition-related costs	1.2	(0.3)	0.9	0.08	0.2	(0.0)	0.1	0.01			
Foreign currency related (gain) loss on acquisition & divestiture activities	(0.3)	-	(0.3)	(0.02)	-	-	-	-			
<b>Less:</b>											
Discrete tax items	-	-	-	-	-	-	-	-			
<b>Adjusted</b>	\$27.1	\$(6.0)	\$21.0	\$1.78	\$27.1	\$(6.4)	\$20.7	\$1.74	-0.2	1.6	2.3
Diluted Shares				11,858				11,917			
Note: In millions, except percentages and EPS; Some totals will not foot due to rounding											