

# Third Quarter Fiscal 2024

## Earnings Call Presentation

May 3, 2024

 **Standex**

# 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 Q3 FY24 MESSAGES



## SALES PROFILE

- Fast growth market sales increased ~9% YOY to \$26 million in Q3 FY24
- Organic decline of ~5.7% primarily due to transitory market softness
- Completed acquisition of Sanyu Switch Co., Ltd, expanding our relay offerings

## OPERATING PERFORMANCE

- Adjusted gross margin of 39.0%, Up 50 bps Year-on-Year
- Adjusted operating margin of 15.4%; Includes 70 bps Charge from One-Time Stock Compensation
- Record Q3 FCF generation of \$19.3M; Record year-to-date FCF generation
- Ongoing focus on return on invested capital with annualized Q3 FY24 ROIC of 12.3%

## OUTLOOK

- In Q4 FY24, on a sequential basis, expect slightly to moderately higher sales and adjusted operating margin
- In FY25, expect return to organic growth rates in line with long term financial objectives based on key customer inputs and order trends
- Reaffirm long term financial outlook (by FY28) of high-single-digit organic growth, adj. operating margin of >19%, ROIC >15%, and FCF conversion at ~100% of GAAP net income



## ■ **Transitory conditions abating**

- Reed switch orders have traditionally been a leading indicator in our businesses and orders have now begun to improve sequentially
- Orders increasing in Europe and also in Appliances and Consumer
- Large Customers in semiconductor, smart grid and automation indicate orders expected to improve in second half of CY 2024

## ■ **Growth initiatives continue to gain traction**

- Expect sales into “fast growth markets” to grow to ~20% of segment sales in FY24
- NBO funnel increased 26% YOY in Q3 24 and grew 10% organically
- We are in the early stages of bringing new products to market, with new product sales small but growing nicely
- Continued increase in R&D investments laying groundwork for multiple new product releases in FY25

# Q3 FY24 SUMMARY



Standex International Corporation (\$ in millions)	Third Quarter Ended March 31			Comments
	Q3 FY24	Q3 FY23	Y/Y Δ%	
<b>Net sales</b>	<b>177.3</b>	<b>184.3</b>	<b>-3.8%</b>	Organic growth: (5.7%) Acquisitions/Divestitures: 2.7% F/X: (0.9%)
<b>Adjusted operating income</b>	<b>27.3</b>	<b>27.9</b>	<b>-2.2%</b>	
Interest expense	0.9	1.4	-32.9%	
Non-Op Expense / (Income)	0.0	0.7	NM	
Non-GAAP provision for income taxes	5.7	6.2	-7.9%	
<b>Adjusted net income from continuing operations</b>	<b>20.7</b>	<b>19.6</b>	<b>5.4%</b>	
<b>Adjusted EPS</b>	<b>1.75</b>	<b>1.65</b>	<b>6.1%</b>	
Diluted average shares	11.8	11.9	-0.4%	Repurchased ~34,000 shares in Q3 FY24
<b>Percent of Revenues:</b>	<b>Q3 FY24</b>	<b>Q3 FY23</b>	<b>Y/Y Δ%</b>	
<b>Adjusted operating income</b>	<b>15.4%</b>	<b>15.2%</b>	<b>20 bps</b>	Includes 70 bps by one-time stock comp. charge
Adjusted net income from continuing operations	11.7%	10.7%	100 bps	
<b>Free Cash Flow Data:</b>				
<b>Cash provided by continuing operations</b>	<b>24.4</b>	<b>23.3</b>	<b>4.7%</b>	
Capital expenditures	5.2	5.6	-7.9%	
<b>Free cash flow</b>	<b>19.3</b>	<b>17.6</b>	<b>9.2%</b>	Record Q3 FCF generation

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

## YOY Comparison

\$ in millions	Q3 FY24	Q3 FY23	% Change
Revenue	80.4	78.2	2.8%
GAAP Operating Income	15.7	17.0	-7.9%
GAAP OI Margin %	19.5%	21.8%	
Adjusted Operating Income*	16.5	17.0	-3.1%
Adjusted OI Margin %*	20.5%	21.8%	

\*Excludes purchase accounting expenses of \$0.8M associated with Sanyu and Minntronix in Q3 FY24

**High levels of automation drive quality and efficiency in switch production**



## Q3 FY24 Summary

- Revenue increased approximately \$2.2 million or 2.8% YOY reflecting a 13.5% benefit from the recent acquisitions, partially offset by a foreign currency impact of 1.3% and an organic decline of 9.3%
- Organic decline of 9.3% 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 product mix, partially offset by recent acquisitions and productivity initiatives

## Q4 FY24 Outlook

- New business opportunity funnel increased 26% YOY and is currently at \$78M, driven by 10% organic growth and contribution from Minntronix acquisition
- Sequentially, expect similar revenue and slightly lower to similar adjusted operating margin due to unfavorable mix
- Anticipate general market conditions to improve in fiscal year 2025 based on key customer inputs and improving order trends

# ENGRAVING



## YOY Comparison

\$ in millions	Q3 FY24	Q3 FY23	% Change
Revenue	36.3	36.9	-1.7%
Operating Income	6.3	5.4	16.9%
OI Margin %	17.2%	14.5%	

Hybrid laser engraving increases speed and efficiency



# SCIENTIFIC

## YOY Comparison

\$ in millions	Q3 FY24	Q3 FY23	% Change
Revenue	16.9	18.9	-10.4%
Operating Income	4.9	4.6	7.3%
OI Margin %	28.9%	24.1%	

Cross utilization of common platform drives efficiencies across product families



## Q3 FY24 Summary

- Organic decline of 0.2% YOY due to slower demand in North America
- Operating income increased 16.9% due to continued realization of productivity actions

## Q4 FY24 Outlook

- Sequentially, expect slightly lower revenue and slightly to moderately lower operating margin due to unfavorable project timing in North America and Europe

## Q3 FY24 Summary

- Revenue decrease reflects general market softness, particularly from retail pharmacies
- Operating income increased 7.3% as lower freight costs and productivity initiatives more than offset impact of lower volume
- Increased R&D investment fueling a healthy new product development pipeline

## Q4 FY24 Outlook

- Sequentially, expect slightly higher revenue and similar operating margin

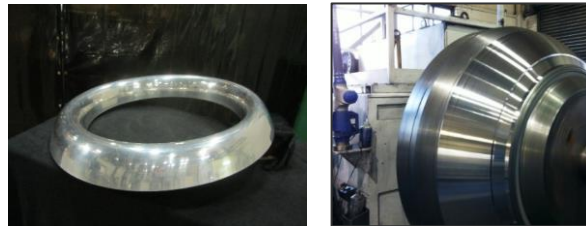
# ENGINEERING TECHNOLOGIES



## YOY Comparison

\$ in millions	Q3 FY24	Q3 FY23	% Change
Revenue	20.1	18.1	11.3%
Operating Income	3.5	2.4	49.9%
OI Margin %	17.5%	13.0%	

**Digitally controlled spin forming machines drive productivity**



# SPECIALTY SOLUTIONS

## YOY Comparison

\$ in millions	Q3 FY24	Q3 FY23	% Change
Revenue	23.5	32.3	-27.1%
Operating Income	4.7	7.2	-34.7%
OI Margin %	19.9%	22.2%	

**Modular design approach, simplified standard design, and less connections drive efficiencies in Display Merchandising**



## Q3 FY24 Summary

- YOY organic growth of 11.3% driven by improvement in aviation end markets, partially offset by lower defense sales
- Operating income increase reflects leverage on higher aviation sales and pricing and productivity initiatives, partially offset by investments in research and development

## Q4 FY24 Outlook

- Sequentially, expect moderately to significantly higher revenue and moderately higher operating margin due to favorable project timing

## Q3 FY24 Summary

- Revenue decreased 27.1% reflecting the impact of the Procon divestiture and normalization in Display Merchandising, partially offset by organic growth in Hydraulics
- Operating income decreased due to the impact of the Procon divestiture and less sales in Display Merchandising, partially offset by higher sales in Hydraulics

## Q4 FY24 Outlook

- Sequentially, expect moderately higher revenue and operating margin due to improved end market demand and leverage on higher sales



# Q3 FY24 CAPITALIZATION



<b>Standex International Corporation</b> (\$ in millions)	<b>3/31/2024</b>	<b>12/31/2023</b>
<b>Debt including issuance costs</b>	<b>148.8</b>	<b>148.7</b>
Cash	138.8	142.4
<b>Net (Cash) Debt</b>	<b>10.0</b>	<b>6.2</b>
<b>Net Debt to Capital Ratio</b>	<b>1.6%</b>	<b>1.0%</b>
Funded Debt to Capital	19.5%	19.5%
Leverage Ratio per Bank Credit Agreement	0.63	0.65
TTM Adjusted EBITDA	141.3	141.3
<b>Net Debt to Adjusted EBITDA</b>	<b>0.1x</b>	<b>0.0x</b>

**STRONG BALANCE SHEET AND  
SIGNIFICANT FINANCIAL  
FLEXIBILITY**

## CAPITAL SPENDING AND D&A

- \$5.2M of CAPEX in Q3 FY24 compared to \$5.6M in Q3 FY23
- CAPEX expected to be between \$28M to \$32M in FY24
- Expect depreciation between \$20.0M and \$22.0M in FY24
- Expect amortization between \$8.0M and \$9.0M in FY24

## FAVORABLE LIQUIDITY PROFILE

- Net debt to adj. EBITDA of 0.1x
- Net debt to total capital of 1.6%
- ~\$347M of available liquidity

# KEY TAKEAWAYS



## ▪ Q3 FY24 highlights:

- Fast Growth market sales grew by ~9%
- Transitory market softness continued to impact top line; Expect improved market conditions in fiscal year 2025
- Adjusted gross margin of 39.0% increased 50 bps YOY
- Adjusted operating margin of 15.4% increased 20 bps YOY
- Adjusted EPS of \$1.75 increased 6.1% YOY
- Record Q3 Free Cash Flow of \$19.3 million

- **Excluding one-time charge related to stock compensation, adjusted operating margin would have been similar to our record Q2 FY24 performance**
- **Remain confident in long-term secular trends within fast growth end markets; on track to long-term target by FY28 of \$200 million plus**
- **Continue to invest in engineering capabilities that enable new product development and new applications in fast growth end markets and other markets with growth potential**
- **Strong balance sheet allows us to prudently assess an active pipeline of organic and inorganic growth opportunities**
- **In FY25, expect return to organic growth rates in line with long term financial objectives**
- **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

# STANDEX FINANCIAL FRAMEWORK



## LONGER-TERM TARGETS (by FY28)

Sales > \$1B (High-single-digit organic growth)

Adj. Operating Margin \* > 19%

FCF Conversion ~100% GAAP Net Income

ROIC \*\* > 15%

## EXPECT SALES TO EXCEED \$1 BILLION WITHIN 5 YEARS

*\* 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*

# Q3 FY24 SEGMENT SNAPSHOT



Segment Breakdown (\$ in millions)	Q3 FY24	Q3 FY23	Y/Y Δ%	Comments
<b>Net Sales by Segment</b>				
Electronics	80.4	78.2	2.8%	Organic decline of 9.3%; Acquisitions: 13.5%; F/X: -1.3%
Engraving	36.3	36.9	-1.7%	Organic decline of 0.2%; F/X: -1.5%
Scientific	16.9	18.9	-10.4%	Organic decline of 10.4%
Engineering Technologies	20.1	18.1	11.3%	Organic growth of 11.3%
Specialty Solutions	23.5	32.3	-27.1%	Organic decline of 10.0%; Divestiture: -17.1%
<b>Total</b>	<b>177.3</b>	<b>184.3</b>	<b>-3.8%</b>	
<b>Adjusted Income from Operations by Segment</b>				
Electronics	16.5	17.0	-3.1%	Product mix, partially offset by acquisitions and productivity initiatives
Engraving	6.3	5.4	16.9%	Realization of productivity actions
Scientific	4.9	4.6	7.3%	Lower freight cost and productivity more than offset lower volume
Engineering Technologies	3.5	2.4	49.9%	Higher sales & pricing/productivity initiatives, partially offset by R&D inv.
Specialty Solutions	4.7	7.2	-34.7%	Divestiture & less volume in DM, offset by higher volume in Hydraulics
Corporate	(8.6)	(8.7)	-1.1%	
<b>Total Adjusted Income from Operations</b>	<b>27.3</b>	<b>27.9</b>	<b>-2.2%</b>	
<b>Adjusted Operating Income Margin by Segment</b>				
Electronics	20.5%	21.8%	-130 bps	
Engraving	17.2%	14.5%	270 bps	
Scientific	28.9%	24.1%	480 bps	
Engineering Technologies	17.5%	13.0%	450 bps	
Specialty Solutions	19.9%	22.2%	-230 bps	
<b>Total Adjusted Operating Income Margin</b>	<b>15.4%</b>	<b>15.2%</b>	<b>20 bps</b>	

Note: Some totals will not foot due to rounding

# Q3 FY24 REVENUE DRIVERS



Q3 FY24 YOY Change %	Electronics	Engraving	Scientific	Engineering Technologies	Specialty Solutions	Total
Organic	(9.3%)	(0.2%)	(10.4%)	11.3%	(10.0%)	(5.7%)
Divestiture	0.0%	0.0%	0.0%	0.0%	(17.1%)	(3.0%)
Acquisitions	13.5%	0.0%	0.0%	0.0%	0.0%	5.7%
Currency	(1.3%)	(1.5%)	0.0%	0.0%	0.0%	(0.9%)
Total	2.8%	(1.7%)	(10.4%)	11.3%	(27.1%)	(3.8%)

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

# Q3 FY24 GAAP TO NON-GAAP INCOME BRIDGE



Standex International Corporation	Q3 FY24				Q3 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>	\$20.3	\$(4.3)	\$15.9	\$1.35	\$86.4	\$(5.8)	\$80.6	\$6.77	-76.5	-80.2	-80.1
<b>Add:</b>											
Restructuring charges	4.0	(0.9)	3.1	0.26	2.2	(0.5)	1.7	0.14			
Purchase accounting	0.8	(0.2)	0.6	0.05	-	-	-	-			
Acquisition-related costs	0.5	(0.1)	0.4	0.04	0.0	(0.0)	0.0	-			
Gain on Procon sale	-	-	-	-	(62.1)	-	(62.1)	(5.22)			
Environmental remediation	0.1	(0.0)	0.1	0.01	0.3	(0.1)	0.2	0.02			
Foreign currency related (gain) loss on acquisition & divestiture activities	0.6	(0.1)	0.5	0.04	-	-	-	-			
Litigation charge	-	-	-	-	(1.0)	0.2	(0.8)	(0.06)			
<b>Less:</b>											
Discrete tax items	-	-	-	-	-	-	-	-			
<b>Adjusted</b>	<b>\$26.3</b>	<b>\$(5.7)</b>	<b>\$20.7</b>	<b>\$1.75</b>	<b>\$25.8</b>	<b>\$(6.2)</b>	<b>\$19.6</b>	<b>\$1.65</b>	<b>2.2</b>	<b>5.4</b>	<b>6.1</b>
Diluted Shares				11,849				11,895			

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