

# Baird Industrial Conference SXI Investor Presentation



Q1 FY 18



# Safe Harbor Statement

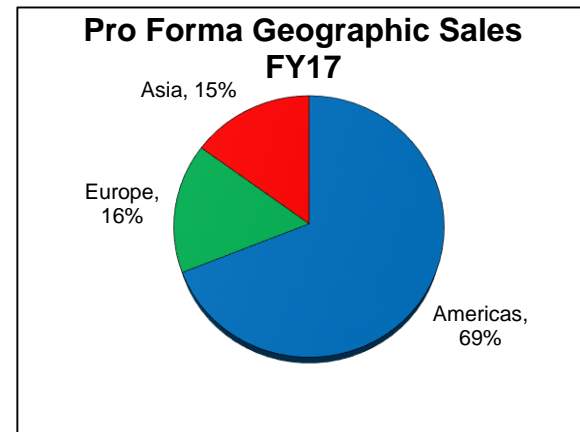
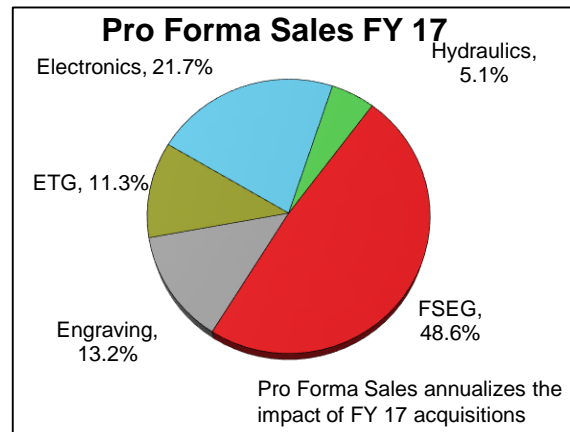
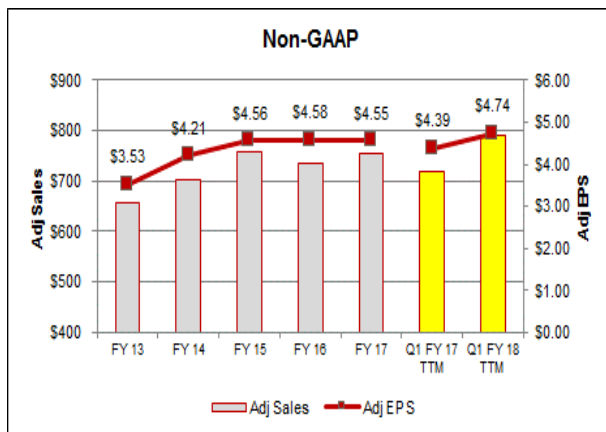
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# Standex International Investment Highlights (NYSE: SXI)

- A diversified industrial company with a long track record of financial performance
  - 1955: Mini conglomerate of entrepreneurial deal makers, a portfolio of unrelated businesses
  - 2000: Begin restructuring, consolidation, pay down debt, focus on five best industrial businesses
  - 2014: Began laying foundation to become a true industrial operating company
    - **Growth Discipline Processes** – standard processes to identify and exploit growth opportunities
    - **Operational Excellence** - continuous improvement using lean tools
    - **Talent Management** – leadership development, succession planning
    - **Balanced Performance Plan** – target setting and management oversight
- Balanced sources of value creation with growth and margin expansion potential
  - Differentiated businesses deliver customized solutions in attractive, growing niche markets
  - Restructuring plan in Food Service Equipment standards products
- Track record of successful acquisitions
  - Disciplined selection, valuation and integration process
  - An active and large funnel of bolt on opportunities to build our best businesses
- History of operating as a profitable company
  - Consecutive quarterly dividends since going public in 1964
  - Consistent cash flow and strict focus on working capital management
  - Strong balance sheet for organic and acquisition growth

## Multi-Industry Manufacturer in Five Broad Segments

Fiscal Year End June 30



TTM Q1 FY 18	Food Service Equipment*	Engraving*	Engineering Technologies	Electronics*	Hydraulics	Corporate* & Non-Operating	TTM Q1 FY 18
Sales	\$391,383	\$112,042	\$92,052	\$152,854	\$41,706		\$790,037
Adj EBIT	\$35,458	\$25,811	\$9,333	\$33,424	\$6,434	(\$24,018)	\$86,442
EBIT %	9.1%	23.0%	10.1%	21.9%	15.4%		10.9%
Adj EBITDA	\$40,857	\$29,386	\$15,324	\$40,178	\$7,162	(\$23,653)	\$109,254
EBITDA %	10.4%	26.2%	16.6%	26.3%	17.2%		13.8%

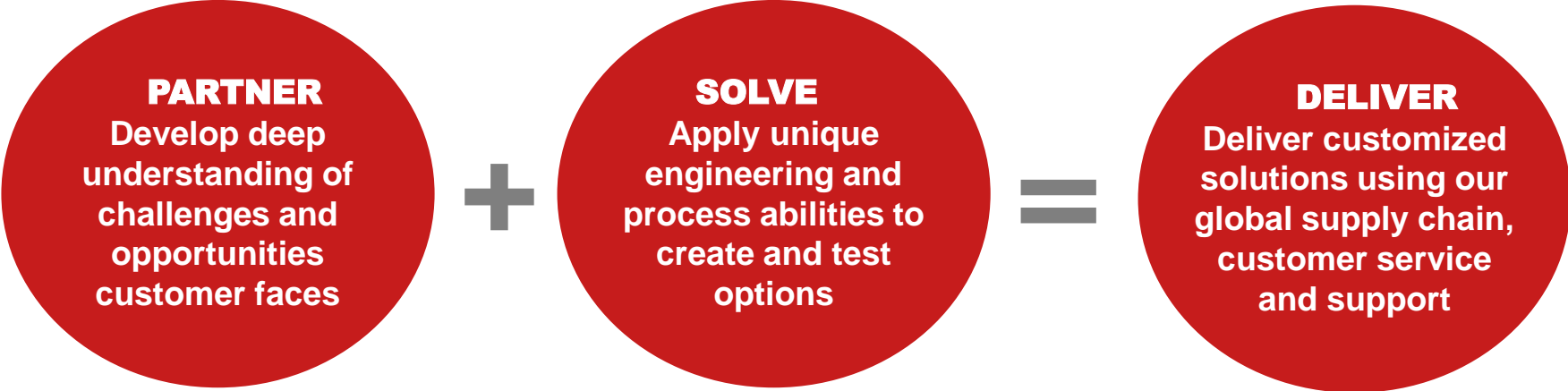
\* Excludes purchase accounting adjustments, land sales and acquisition related costs



# Standex Operating Model

*How We Compete in the Marketplace*

Common Thread Driving Growth at Standex is  
“Customer Intimacy”



# Electronics, Reed Switches Application

## Challenge

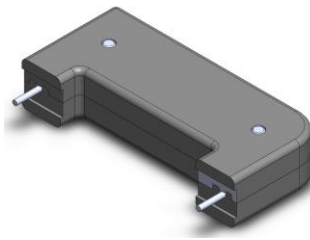
- Component to provide a zero power consumption on/off switch for a consumer wireless charger, deliver a custom engineered solution within tight launch schedule for already designed product

## Solutions

- Custom packaged reed switch for wireless charger in a board mount PCB housing
- Creative energy efficient solution that fit within already defined space constraints and overall product footprint
- Leveraged global supply network between US based engineering and China manufacturing to deliver a high value solution

## Results

- Production early CY 2018, 1M pcs at approximately \$0.50 USD each
- FY18 Impact \$100K+, FY19 impact \$500K+



		Market Segments		
		1	2	3
Product or Technology	A	Segment A1	Segment A2	Segment A3
	B	Segment B1	Segment B2	Segment B3
	C	Segment C1	Segment C2	Segment C3

### Market Test

- Rapid inexpensive process to test hypotheses and evaluate segment attractiveness
- Returns Go, No-Go or Next Test

### Growth Laneway

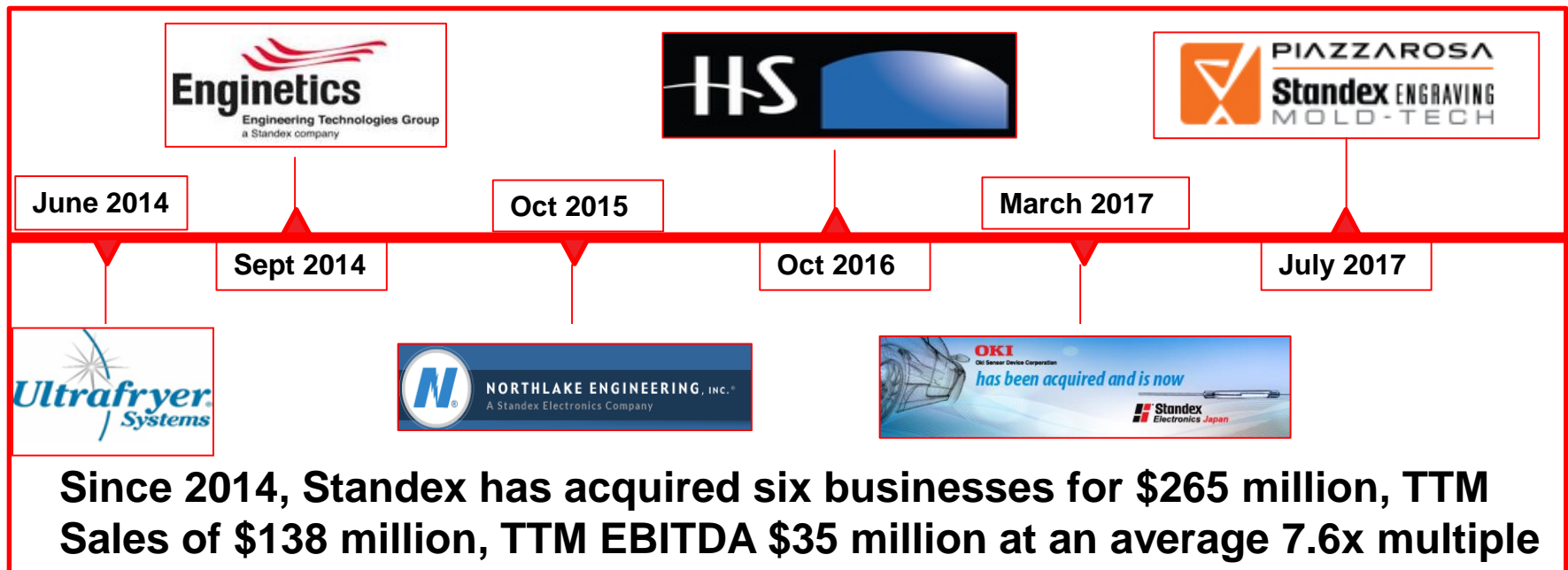
- A “Go” result graduates to a growth laneway
- Dedicated leadership, specific kpis and regular reviews
- New product development, channel strategy, acquisition

### FY2017 Results

- 12 Market Tests
- Growth Laneways drove \$26 million sales, 2x 2016
- Completed three acquisitions

# Track Record of Successful Acquisitions

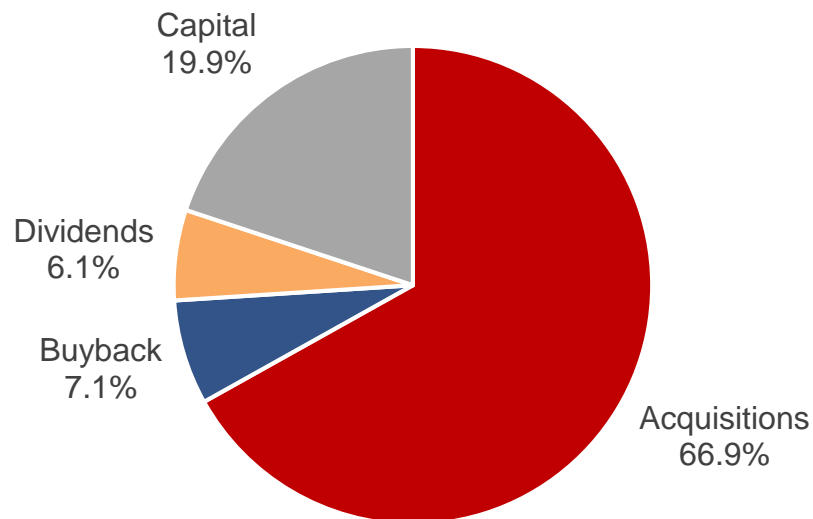
- Bolt-ons to expand strategic platforms – complementary products, services or market coverage
- Clearly defined synergy opportunities
- Strong cultural and strategic fit between businesses
- Disciplined valuation modeling
- Internally led processes





# Capital Allocation History

FY15 - FY17



## SXI's prioritization of cash

Goal: Stay investment grade  
1.5x to 3.0x leverage

- 1: Maintenance Capital – keep lights on  
↓ *If cash remains...*
- 2: Growth Capital – IRR  $\geq 15\%$ , target < 2 year payback  
↓ *If cash remains...*
- 3: Pay down debt if highly levered  
↓ *If cash remains, apply to best remaining use...*
- 4: Acquisitions – EPS accretive in 1<sup>st</sup> year, IRR  $\geq 15\%$   
↓ *If cash remains...*
- 5: Return cash to shareholders in the form of increasing dividend or share buyback

*Prioritization based on current market and business conditions*

	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>
Acquisitions	\$ 57,149	\$ 13,700	\$ 153,815
Buyback	\$ 10,356	\$ 5,636	\$ 7,806
Dividends	\$ 5,820	\$ 6,846	\$ 7,852
Capital	\$ 22,561	\$ 17,851	\$ 26,448
<b>Total</b>	<b>\$ 95,886</b>	<b>\$ 44,033</b>	<b>\$ 195,921</b>

Dividend Payout Ratio	10.5%	13.1%	16.9%
Dividend Yield	0.6%	0.7%	0.7%
Quarterly Dividend per share	\$ 0.12	\$ 0.14	\$ 0.16
CAPEX % of Sales	2.9%	2.4%	3.5%

# Key Financial Objectives

***Five long-term  
financial objectives  
3-5 Years***

1. Top-line performance:
  - Organic growth at GDP +2% per year
  - Acquisition-driven growth of +3% per year
2. Growth of EPS from continuing ops, ex-special items, +8% per year
3. Exceed +15% overall company EBITDA
4. Free cash flow conversion of 100% or more
  - Working capital turns average 6.0 or better
5. Increasing returns on invested capital