



September 12, 2018

Dear Fellow Shareholders,

Fiscal Year 2018 was an important year for Standex. We made continued progress in our evolution from a portfolio company to an operating company of profitable niche businesses. We continue to build out the Value Creation System as a management process adapted to our business' current and future needs. In 2018, our Electronics, Engraving and Hydraulics businesses identified and capitalized on growth opportunities in their markets by executing the Growth Discipline Process. Operational improvements in Engineering Technologies have positioned this group to benefit from long-term aviation growth cycles. Additionally, we are beginning to see operating and margin improvements from the restructuring initiatives in our Food Service business. As a result, we delivered both sales and EPS growth in FY 2018, and we enter FY 2019 with strong momentum.

Financial Highlights

To briefly summarize our financial results in FY 2018, we delivered sales growth of 15%, with 5.2% organic growth overall and double-digit organic growth in Engraving, Electronics and Hydraulics. Operating income increased 18.8% year-over-year with EBIT margin growing from 8.6% in FY 2017 to 9.8% in FY 2018. GAAP EPS decreased 21% to \$2.86 primarily due to discrete tax items related to the U.S. tax reform passed late in Q2. Adjusted EPS grew 12.7% to \$5.13, notably the first time in Standex's 60 year history that the company's adjusted EPS has been greater than \$5 per share.

Strategic Highlights

We advanced several of our strategic initiatives in 2018. Notably:

- **Our Value Creation System, the standard management process across all Standex businesses, has continued to yield results.** Our *Growth Discipline Process* delivered \$36 million of sales from growth laneways in 2018, a more than 50% increase compared with last year. In *Talent Development*, where we are guided by our commitment to develop our own talent and promote from within, the internal succession rate for management positions once again increased.
- **Delivering growth through acquisition activity is a key component of our strategy and we made excellent progress on this front in fiscal year 2018.** Throughout the year we were successful in leveraging the value of the recently acquired Piazza Rosa and Standex Electronics Japan, as well as Horizon Scientific. In addition, we are excited about our recent addition of Tenibac-Graphion to the Engraving group. We remain

dedicated to building a pipeline of credible prospects that have the potential to enhance our growth goals. We are actively evaluating a robust funnel of high-value opportunities in high-growth industries. With a strong balance sheet and track record of integration success, we are well-positioned to benefit from further M&A growth.

- **Our continuing actions to improve margins are beginning to deliver results.** These steps include the restructuring programs that were implemented in our Food Service refrigeration and cooking businesses to optimize our cost structure and improve our customer service. Due to these efforts, we reported a 70-basis point margin improvement in our Food Service segment during the fourth quarter, and we expect positive momentum as we progress in Fiscal 2019. In Engineering Technologies, although sales and margins were challenged throughout the year due to delays in the ramp up of various aviation programs, we are optimistic that the operational improvements we have made in the business will yield results and position the Engineering Technologies group to grow profitably, as OEMs increase aircraft production.
- And finally, **Safety, which is a top priority for our organization, is an area where we saw steady improvements throughout the year.** Our organization-wide focus yielded improvements that exceeded our incident rate reduction target for the year. I am very proud of our collective efforts to make every Standex facility a model for safe workplace practices.

Poised For A Strong 2019

We are entering 2019 with strong momentum, exposure to a diverse set of attractive end markets, solid performance in our growth businesses and restructuring improvements that are beginning to yield results. Thanks to the hardworking, innovative and agile employees of Standex and their commitment to deploy the Standex Value Creation System, we are progressing in our mission for Standex: to be a best-in-class operating company that builds shareholder value. Without our employees' dedication, we would not be able to deliver on our promises.

We thank our customers, suppliers and shareholders for your continued partnership and support. We are confident that we are on the right path to achieve, and exceed, our long-term strategic and financial goals. It remains my great pleasure and privilege to lead this company as we pursue the many opportunities that lie ahead for Standex.

Sincerely,



David Dunbar
President, CEO
Chair, Board of Directors
Standex International Corporation