



# Fourth Quarter Fiscal 2023

## Earnings Call Presentation

August 4, 2023

 **Standex**

# SAFE HARBOR STATEMENT



Statements contained in this presentation 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,” “intends,” “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; the impact of higher transportation and logistics costs, especially with respect to transportation of goods from Asia; 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; 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 Q4 FY23 MESSAGES



## GROWTH PROFILE

- Organic growth of ~ 7.8%; led by Engraving and Electronics with double digits organic growth YOY
- Fast growth market sales increased ~67% YOY to \$24 million in Q4 FY23. Fast growth market sales expected to increase >20% from \$83M in FY23 to >\$100M in FY24
- Acquired Minntronix for \$30M in cash. Expands Electronics' Engineering Capability, Key Customer Account Access, and exposure to 5G infrastructure

## OPERATING PERFORMANCE

- Adjusted operating margin ~15.4%; 9th consecutive quarterly record; Record margin in FY23
- FCF generation of ~\$32.8M in Q4 FY23, up ~75% YOY; Record FCF in FY23
- Ongoing focus on return on invested capital with FY23 ROIC ~12.4%, up 130 bps YOY

## OUTLOOK

- In fiscal year 2024, expect high single digit sales growth; Expect continued margin expansion in FY24 ahead of the long-term financial outlook
- In Q1 FY24, on a YOY basis, expect slight increase in sales and a moderate increase in adjusted operating margin. On a sequential basis, expect slightly lower sales and similar to slightly higher 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

# Minntronix Acquisition Highlights



## Overview

- Headquarters in Watertown, South Dakota
- Wide applications across Cable Fiber, Smart Meters, Industrial Control and Lighting, Electric Vehicles, and Home Security markets
- Competes on “Customer Intimacy,” with long term relationships with key accounts
- Key accounts in 5G, smart grid, and industrial automation
- Brings engineering team with application and industry knowledge that complements our current teams

## Products

- Transformers and Inductors
- Current Sensors
- RF Coils and Magnetics
- EMC Chokes, Filters



## Transaction Summary

- Purchase price of \$30 million
- Valuation at ~8.5x multiple of LTM June 2023 EBITDA
- Immediately accretive to EPS
- Double digit ROIC in year one
- Represents effective use of proceeds from Procon divestiture
- More than replaces Procon sales and operating income in year 1 with potential for further upside

**Expands Engineering Capability - Key Customer Account Access - Fast Growth Markets**

# Q4 FY23 SUMMARY



Standex International Corporation (\$ in millions)	Fourth Quarter Ended June 30			Comments
	Q4 FY23	Q4 FY22	Y/Y Δ%	
<b>Net sales</b>	<b>188.3</b>	<b>184.7</b>	<b>1.9%</b>	Organic growth: 7.8% Acquisitions/Divestitures: -5.0% F/X: -0.8%
<b>Adjusted operating income</b>	<b>29.1</b>	<b>25.7</b>	<b>13.2%</b>	
Interest expense	1.2	1.4	-11.0%	
Provision for income taxes	7.0	4.1	69.9%	
<b>Adjusted net income from continuing operations</b>	<b>21.2</b>	<b>18.6</b>	<b>13.7%</b>	
<b>Adjusted EPS</b>	<b>1.76</b>	<b>1.54</b>	<b>14.3%</b>	
Diluted average shares	12.0	12.0	-0.2%	Repurchased ~50,900 shares in Q4 FY23
<b>Percent of Revenues:</b>	<b>Q4 FY23</b>	<b>Q4 FY22</b>	<b>Y/Y Δ%</b>	
<b>Adjusted operating income</b>	<b>15.4%</b>	<b>13.9%</b>	<b>150 bps</b>	Realization of price and productivity actions
Adjusted net income from continuing operations	11.3%	10.0%	130 bps	
<b>Free Cash Flow Data:</b>				
<b>Cash provided by continuing operations</b>	<b>40.4</b>	<b>29.5</b>	<b>37.0%</b>	
Capital expenditures	7.6	10.8	-29.1%	
<b>Free cash flow</b>	<b>32.8</b>	<b>18.7</b>	<b>74.8%</b>	Cash conversion of ~158% of GAAP Net Income

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

## YOY Comparison

\$ in millions	Q4 FY23	Q4 FY22	% Change
Revenue	79.9	71.9	11.1%
GAAP Operating Income	16.8	15.8	6.4%
GAAP OI Margin %	21.0%	22.0%	
Adjusted Operating Income*	16.8	16.2	3.8%
Adjusted OI Margin %*	21.0%	22.5%	

\*Excludes purchase accounting expenses of \$0.4M associated with Sensor Solutions in Q4 FY22



## Q4 FY23 Summary

- Organic revenue growth of 12.3% YOY driven by strength of fast growth end markets, partially offset by a slow recovery in China and Europe and foreign exchange impact of 1.2%
- Strengthening trends in industrial automation, power management, renewable energy technologies, and EV-related applications
- Adjusted operating income increased due to higher volume and realization of pricing and productivity initiatives, partially offset by unfavorable mix and inflation

## Q1 FY24 Outlook

- Sequentially, expect slightly higher revenue due to Minntronix acquisition and increased sales into fast growth markets, partially offset by continued slow recovery in China and Europe
- Similar operating margin reflecting similar product mix as in the fourth quarter FY23
- New business opportunity funnel increased 10% YOY and is currently at \$67M; positive trends in electric vehicles, solar, mil-aero, and semiconductor markets

# ENGRAVING



## YOY Comparison

\$ in millions	Q4 FY23	Q4 FY22	% Change
Revenue	42.4	37.2	14.0%
Operating Income	7.9	6.0	30.9%
OI Margin %	18.6%	16.2%	



# SCIENTIFIC

## YOY Comparison

\$ in millions	Q4 FY23	Q4 FY22	% Change
Revenue	18.3	18.8	-2.6%
Operating Income	4.7	3.7	25.7%
OI Margin %	25.5%	19.8%	



## Q4 FY23 Summary

- Strong YOY organic revenue growth of 15.5%, driven by strong demand in Europe and growth in soft trim applications in Asia, partially offset by foreign exchange impact
- Operating income increased due to higher sales and realization of productivity actions

## Q1 FY24 Outlook

- Sequentially, expect slightly lower revenue, reflecting timing of customer projects, and slightly higher operating margin

## Q4 FY23 Summary

- Revenue decreased YOY as higher sales into research and academic end markets were more than offset by lower demand for COVID vaccine storage units
- Operating income increased due to lower freight cost and realization of productivity actions
- Increased R&D investment fueling a healthy new product development pipeline

## Q1 FY24 Outlook

- Sequentially, expect similar revenue and operating margin

# ENGINEERING TECHNOLOGIES



## YOY Comparison

\$ in millions	Q4 FY23	Q4 FY22	% Change
Revenue	21.8	21.6	1.3%
Operating Income	3.1	3.2	-4.4%
OI Margin %	14.2%	15.0%	



# SPECIALTY SOLUTIONS

## YOY Comparison

\$ in millions	Q4 FY23	Q4 FY22	% Change
Revenue	25.9	35.3	-26.6%
Operating Income	6.4	5.4	19.1%
OI Margin %	24.8%	15.3%	



## Q4 FY23 Summary

- Revenue increased slightly YOY
- Operating income decreased reflecting an increase in the number of new platform development projects, mostly offset by productivity and efficiency initiatives

## Q1 FY24 Outlook

- Sequentially, expect a significant decrease in revenue reflecting timing of projects and a slight to moderate decrease in operating margin
- The long-term demand remains robust; current backlog and new platform development funnel to provide solid foundation for growth in 2H FY24 and beyond

## Q4 FY23 Summary

- On a pro-forma basis, excluding impact of Procon divestiture, revenue decreased \$0.6 million or 2.1% year-on-year
- Operating income increased due to higher sales in Display Merchandising (driven by new product introductions) and operational improvements & aftermarket focus in Hydraulics

## Q1 FY24 Outlook

- Sequentially, expect a slight decrease in revenue and operating margin



# Q4 FY23 CAPITALIZATION



<b>Standex International Corporation</b> (\$ in millions)	<b>6/30/2023</b>	<b>3/31/2023</b>
<b>Debt including issuance costs</b>	<b>173.4</b>	<b>173.3</b>
Cash	195.7	175.3
<b>Net (Cash) Debt</b>	<b>(22.3)</b>	<b>(2.0)</b>
<b>Net Debt to Capital Ratio</b>	<b>-3.8%</b>	<b>-0.3%</b>
Funded Debt to Capital	22.2%	22.3%
Leverage Ratio per Bank Credit Agreement	0.84	0.89
TTM Adjusted EBITDA	139.5	135.8
<b>Net Debt to Adjusted EBITDA</b>	<b>-0.2x</b>	<b>0.0x</b>

**STRONG BALANCE SHEET AND  
SIGNIFICANT FINANCIAL  
FLEXIBILITY**

## CAPITAL SPENDING AND D&A

- \$7.6M of CAPEX in Q4 FY23 compared to \$10.8M in Q4 FY22
- CAPEX expected to be between \$35M to \$40M in FY24
- Expect depreciation between \$22.0M and \$24.0M in FY24
- Expect amortization between \$8.0M and \$10.0M in FY24

## FAVORABLE LIQUIDITY PROFILE

- Net debt to adj. EBITDA of -0.2x
- Net debt to total capital of -3.8%
- ~\$372M of available liquidity

# KEY TAKEAWAYS



- **Record financial performance in FY23 driven by operational execution and evolution of fast growth end markets**
  - Organic growth of 5.7%
  - Fast Growth market sales grew by ~44%
  - Record gross margin of 38.5% increased 170 bps YOY
  - Record adjusted operating margin of 15.2% increased 150 bps YOY
  - Record adjusted EPS of \$6.70 increased 14.1% YOY
  - Record Free Cash Flow of \$66.5 million increased 22.6% YOY
- **In fiscal year 2024, expect high single digit sales growth; Expect continued margin expansion in FY24 ahead of the long-term financial outlook**
- **Sustainable secular global trends are an increasing source of growth as measured in our “fast growth markets”**
- **Regional presence, strong customer relationships and disciplined approach to pricing and productivity provide protection from supply chain challenges and inflation**
- **Strong balance sheet allows us to pursue an active pipeline of organic and inorganic growth opportunities**



# APPENDIX

# STANDEX FINANCIAL FRAMEWORK



## 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%

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

- Prior longer-term targets (January 2021) were mid-single-digit organic sales growth, adjusted EBITDA margin >20%, FCF conversion of ~100% of GAAP net income and ROIC >12%
- Expect to reach our previous targets of >20% adjusted EBITDA margin and ROIC >12% within the next fiscal year
- R&D expected to represent over 3% of total sales by FY28
- Projections exclude potential investments, revenue, and profits related to our solar energy project with ENEL
- Long-term target for ROIC applies to our current portfolio of businesses and excludes the impact of potential acquisitions
- 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 litigation costs.

# Q4 FY23 SEGMENT SNAPSHOT



## Segment Breakdown

(\$ in millions)

	Q4 FY23	Q4 FY22	Y/Y Δ%	Comments
<b>Net Sales by Segment</b>				
Electronics	79.9	71.9	11.1%	Organic growth: 12.3%; F/X: -1.2%
Engraving	42.4	37.2	14.0%	Organic growth: 15.5%; F/X: -1.4%
Scientific	18.3	18.8	-2.6%	Higher sales in research & academics offset by lower COVID storage
Engineering Technologies	21.8	21.6	1.3%	Organic growth: 1.3%
Specialty Solutions	25.9	35.3	-26.6%	Organic growth: -1.6%; Divestiture: -25.1%
<b>Total</b>	<b>188.3</b>	<b>184.7</b>	<b>1.9%</b>	
<b>Adjusted Income from Operations by Segment</b>				
Electronics	16.8	16.2	3.8%	Higher sales & operational improvements, mostly offset by unfavorable mix
Engraving	7.9	6.0	30.9%	Higher sales and realization of productivity actions
Scientific	4.7	3.7	25.7%	Lower freight cost and realization of productivity actions
Engineering Technologies	3.1	3.2	-4.4%	Higher mix of development projects mostly offset by productivity actions
Specialty Solutions	6.4	5.4	19.1%	Higher sales in Display Merchandising and operational improvements
Corporate	(9.8)	(8.9)	10.4%	
<b>Total Adjusted Income from Operations</b>	<b>29.1</b>	<b>25.7</b>	<b>13.2%</b>	
<b>Adjusted Operating Income Margin by Segment</b>				
Electronics	21.0%	22.5%	-150 bps	
Engraving	18.6%	16.2%	240 bps	
Scientific	25.5%	19.8%	570 bps	
Engineering Technologies	14.2%	15.0%	-80 bps	
Specialty Solutions	24.8%	15.3%	950 bps	
<b>Total Adjusted Operating Income Margin</b>	<b>15.4%</b>	<b>13.9%</b>	<b>150 bps</b>	

Note: Some totals will not foot due to rounding

# Q4 FY23 REVENUE DRIVERS



Q4 FY23 YOY Change %	Electronics	Engraving	Scientific	Engineering Technologies	Specialty Solutions	Total
Organic	12.3%	15.5%	(2.6%)	1.3%	(1.6%)	7.8%
Divestiture	0.0%	0.0%	0.0%	0.0%	(25.1%)	(5.0%)
Acquisitions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Currency	(1.2%)	(1.4%)	0.0%	0.0%	0.0%	(0.8%)
Total	11.1%	14.0%	(2.6%)	1.3%	(26.6%)	1.9%

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

# FY23 SEGMENT SNAPSHOT



Segment Breakdown (\$ in millions)	FY23	FY22	Y/Y Δ%	Comments
<b>Net Sales by Segment</b>				
Electronics	305.9	304.3	0.5%	Organic growth: 4.5%; Acquisitions: 0.6%; F/X: -4.6%
Engraving	152.1	146.3	4.0%	Organic growth: 9.8%; F/X: -5.8%
Scientific	74.9	83.9	-10.6%	Higher sales in research & academics offset by lower COVID storage
Engineering Technologies	81.1	78.1	3.8%	Organic growth: 5.4%; F/X: -1.6%
Specialty Solutions	127.1	122.8	3.5%	Organic growth: 13.6%; Divestiture: -10.1%
<b>Total</b>	<b>741.0</b>	<b>735.3</b>	<b>0.8%</b>	
<b>Adjusted Income from Operations by Segment</b>				
Electronics	69.0	70.9	-2.7%	Pricing and operational improvements, mostly offset by unfavorable mix
Engraving	25.5	21.8	16.7%	Higher sales and realization of productivity actions
Scientific	17.1	17.9	-4.2%	Lower sales partially offset by lower freight cost and productivity actions
Engineering Technologies	11.1	8.8	25.9%	Productivity initiatives, partially offset by new platform development projects
Specialty Solutions	25.4	15.6	62.8%	Higher sales in Display Merchandising, pricing, and operational improvements
Corporate	(35.2)	(34.4)	2.2%	
<b>Total Adjusted Income from Operations</b>	<b>112.8</b>	<b>100.5</b>	<b>12.2%</b>	
<b>Adjusted Operating Income Margin by Segment</b>				
Electronics	22.6%	23.3%	-70 bps	
Engraving	16.7%	14.9%	180 bps	
Scientific	22.8%	21.3%	150 bps	
Engineering Technologies	13.6%	11.2%	240 bps	
Specialty Solutions	20.0%	12.7%	730 bps	
<b>Total Adjusted Operating Income Margin</b>	<b>15.2%</b>	<b>13.7%</b>	<b>150 bps</b>	

Note: Some totals will not foot due to rounding

# TOTAL YEAR FY23 REVENUE DRIVERS



<b>FY23 YTD YOY Change %</b>	<b>Electronics</b>	<b>Engraving</b>	<b>Scientific</b>	<b>Engineering Technologies</b>	<b>Specialty Solutions</b>	<b>Total</b>
Organic	4.5%	9.8%	(10.6%)	5.3%	13.6%	5.7%
Divestiture	0.0%	0.0%	0.0%	0.0%	(10.1%)	(1.8%)
Acquisitions	0.6%	0.0%	0.0%	0.0%	0.0%	0.3%
Currency	(4.6%)	(5.8%)	0.0%	(1.6%)	0.0%	(3.4%)
<b>Total</b>	<b>0.5%</b>	<b>4.0%</b>	<b>(10.6%)</b>	<b>3.8%</b>	<b>3.5%</b>	<b>0.8%</b>

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



# Q4 FY23 GAAP TO NON-GAAP INCOME BRIDGE



Standex International Corporation	Q4 FY23				Q4 FY22				% 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>	\$27.2	\$(7.0)	\$20.2	\$1.68	\$17.4	\$(4.1)	\$13.2	\$1.10	56.8	52.7	52.7
<b>Add:</b>											
Restructuring charges	0.5	(0.1)	0.4	0.03	1.9	(0.4)	1.5	0.12			
Purchase accounting	-	-	-	-	0.4	(0.1)	0.3	0.03			
Acquisition-related costs	0.1	(0.0)	0.1	-	-	-	-	-			
Environmental remediation	-	-	-	-	-	-	-	-			
Litigation charge	-	-	-	-	4.0	(0.9)	3.1	0.26			
<b>Less:</b>											
Discrete tax items	-	-	-	-	-	0.4	0.4	0.03			
<b>Adjusted</b>	<b>\$27.8</b>	<b>\$(6.6)</b>	<b>\$21.2</b>	<b>\$1.76</b>	<b>\$23.7</b>	<b>\$(5.1)</b>	<b>\$18.6</b>	<b>\$1.54</b>	<b>17.0</b>	<b>13.9</b>	<b>14.3</b>
Diluted Shares				12,009				12,033			

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