Standex

September 8, 2023

Dear Fellow Shareholders,

I am nearing my 10th anniversary as CEO of Standex International, an appropriate milestone to review progress and reassess our direction. I am pleased to say we are making meaningful progress. We have been executing a strategy to evolve from a holding company to a high-performance industrial operating company. We successfully completed the lion's share of our portfolio work with strategic divestitures from 2019 to 2021. This left a stable of high-quality businesses that allowed our management teams to focus on operating disciplines, our "Value Creation System" and delivering results.

How are we doing? Fiscal Year 2023 results delivered organic growth of 5.7%, and record levels of gross margin and adjusted operating margin – the highest in the history of the company and in line with best-in-class peers. To put it in perspective, in the ten years from July 1, 2013, to June 30, 2023, gross margin increased from 32.4% to a record 38.5% and adjusted operating margin[1] increased from 9.9% to 15.2%. At the same time, R&D expenses on new products increased from 0.6% to 2.3%. In that same ten-year period, an investment in Standex increased in value by 268% exceeding the Russell 2000 increase of 205% and just below the S&P 500 increase of 285%.

In the course of the year, we also gained the confidence to increase our long-term financial expectations. After our second quarter, we recognized that our performance was ahead of pace relative to the expectations we communicated in 2021, so in February we updated and raised them. We now believe that by our 2028 fiscal year we will achieve $1B in sales, 19% in adjusted operating margin[1], and 15% ROIC. This is due to continued improvements in our operating disciplines, increased levels of new product development, and our perspective that sales into the "fast-growth markets" will increase from $83 million to over $200 million. These markets include Smart Grid technologies and power management components for Renewable Energy and Electric Vehicles.

In each of our five segments, we believe our work matters and it makes a difference to our customers and to the world around us. We are problem solvers, and our businesses work with customers to address the world's greatest challenges and seize the most attractive opportunities. A common denominator across our businesses is how we compete - a model we call "Customer Intimacy" reflecting that we work in close collaboration with customers to develop custom solutions to develop their next-generation product offerings. This way of operating creates long-term growth momentum as one successful project leads to the next and the next, forging a strong and durable relationship with our customers.

We continue to make progress in articulating our ESG strategy, understanding our impact on the broader world, and identifying and mitigating longer-term risks to our company. Our operations are predominantly assembly and service operations with a light environmental footprint. We have a track record of continually engaging and collaborating with employees to create a culture and environment where anyone walking through our doors senses they are in a place where they can thrive and grow. Standex has a history of effective governance, and we will continue employing recommended governance practices.

Reflecting this properly in various ESG rating systems is a large and long-term project. We have taken a practical approach guided by a materiality assessment to first focus on those activities that both improve business results and improve our ESG ratings, for example setting site-by-site targets to reduce energy consumption. We recently completed an analysis to calculate our Scope I and II GHG emissions. The result for our 2022 operations of 30.1 tCO2e pre-revenue (mUSD) confirms our light impact by placing our GHG impact below the median of peer industrial companies.

At the core of our success and longevity is a great workforce. Standex employees are customer-focused problem solvers who collaborate, innovate, and create an exciting and rewarding work environment. We place a priority on continuously improving our already strong culture and making Standex an employer of choice in an increasingly competitive labor market. In our annual engagement survey, we had a record 82% participation rate, and I was pleased (but not surprised) to see our engagement scores in line with high-performance industrial companies.

As it stands at the beginning of our fiscal year 2024, we have a portfolio of high-performing businesses and we have implemented operating disciplines that are delivering results in line with well-run industrial peers. The next leg to our value creation story is to accelerate our organic growth.

Every year we identify process improvements to strengthen Standex in a lasting way. We think of it as building "process muscle." In FY 24 we will be adding new process muscle to strengthen our organic growth abilities, specifically within new product development. All businesses are implementing common stage-gate processes to manage their new product development funnels. All leaders in the company have strategic objectives in their bonuses tied to delivering growth. We have begun a monthly growth review with all businesses. The board of directors has formed an Innovation and Technology committee to provide more oversight to this important initiative.

The leaders and employees of Standex have done an excellent job navigating the transformation from a holding company into a high-performing industrial company. We will apply the same agility, innovation, and persistence to add robust organic growth abilities to our already strong company.

I sincerely appreciate the support of all our shareholders and the invaluable insight many of you provide throughout the year. On behalf of all the employees of Standex and our board of directors, thank you. We look forward to delivering value for many years into the future.

President/Chariman/CEO

[1] GAAP operating margin for FY 23 was 23.1%. The non-GAAP measure of adjusted operating margin excludes the impact of restructuring charges, purchase accounting, insurance recoveries, gain or loss on sale of a business unit, acquisition costs, and litigation costs.