

# First Quarter Fiscal 2024

## Earnings Call Presentation

November 3, 2023



# 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 Q1 FY24 MESSAGES



## GROWTH PROFILE

- Organic growth of ~2.5%; led by Engraving and Electronics with double digits organic growth YOY
- Fast growth market sales increased ~20% YOY to \$20 million in Q1 FY24. Fast growth market sales expected to reach ~\$100M in FY24
- Signed definitive agreement to acquire Sanyu Switch Co., Ltd; Designer and manufacturer of reed relays for test & measurement and other switching applications; Expands Electronics products portfolio, key customer account access, and engineering/manufacturing capabilities

## OPERATING PERFORMANCE

- Adjusted operating margin ~15.9%; 10th consecutive quarterly record; Record adjusted gross margin of 39.5%,
- FCF generation of ~\$12.1M in Q1 FY24; Highest ever FCF generation in fiscal first quarter
- Ongoing focus on return on invested capital with annualized Q1 FY24 ROIC ~12.7%, up 60 bps YOY

## OUTLOOK

- In Q2 FY24, 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

# Sanyu Switch Company Acquisition Highlights



## Overview

- Headquarters in Tokyo, Japan
- Designs and manufactures reed relays for test & measurement and other switching applications
- Competes on “Customer Intimacy,” with long term relationships with key accounts
- Complementary engineering and manufacturing capabilities
- Strengthens geographic footprint

## Products

- Reed relays
- Test sockets
- Testing systems for semiconductor and other electronics manufacturing
- Other switching applications

## Transaction Summary

- Purchase funded by Standex’s cash balance
- Valuation in line with historical multiples paid
- Immediately accretive to EPS
- Double digit ROIC in year one
- Expect transaction to close before January 31, 2024



**Further Strengthens Our Position in High Margin Relay Business**

# Q1 FY24 SUMMARY



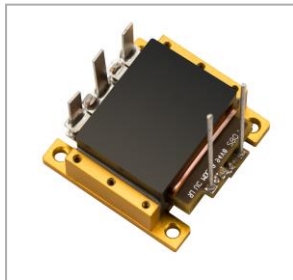
Standex International Corporation (\$ in millions)	First Quarter Ended September 30			Comments
	Q1 FY24	Q1 FY23	Y/Y Δ%	
<b>Net sales</b>	<b>184.8</b>	<b>180.6</b>	<b>2.3%</b>	Organic growth: 2.5% Acquisitions/Divestitures: (0.6%) F/X: 0.5%
<b>Adjusted operating income</b>	<b>29.4</b>	<b>27.2</b>	<b>8.2%</b>	
Interest expense	1.3	1.2	7.5%	
Provision for income taxes	5.9	5.8	2.3%	
<b>Adjusted net income from continuing operations</b>	<b>20.8</b>	<b>19.1</b>	<b>9.0%</b>	
<b>Adjusted EPS</b>	<b>1.74</b>	<b>1.60</b>	<b>8.7%</b>	
Diluted average shares	11.9	12.0	-0.2%	Repurchased ~140,000 shares in Q1 FY24
<b>Percent of Revenues:</b>	<b>Q1 FY24</b>	<b>Q1 FY23</b>	<b>Y/Y Δ%</b>	
<b>Adjusted operating income</b>	<b>15.9%</b>	<b>15.0%</b>	<b>90 bps</b>	Realization of price and productivity actions
Adjusted net income from continuing operations	11.3%	10.6%	70 bps	
<b>Free Cash Flow Data:</b>				
<b>Cash provided by continuing operations</b>	<b>16.4</b>	<b>(2.7)</b>	<b>NM</b>	
Capital expenditures	4.3	5.3	-17.6%	
<b>Free cash flow</b>	<b>12.1</b>	<b>(8.0)</b>	<b>NM</b>	Record FCF generation in fiscal first quarter

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

## YOY Comparison

\$ in millions	Q1 FY24	Q1 FY23	% Change
Revenue	81.7	75.2	8.6%
GAAP Operating Income	16.3	18.1	-10.0%
GAAP OI Margin %	20.0%	24.1%	
Adjusted Operating Income*	16.7	18.1	-8.1%
Adjusted OI Margin %*	20.4%	24.1%	

\*Excludes purchase accounting expenses of \$0.3M associated with Minntronix in Q1 FY24



**Ruggedized, highly custom power magnetics supporting demanding applications for future defense programs**



## Q1 FY24 Summary

- Revenue increased approximately \$6.5 million or 8.6% YOY reflecting a 10% impact from the recent Minntronix acquisition and a 0.4% benefit from FX, partially offset by an organic decline of 1.8%.
- Organic decline of 1.8% 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 lower organic sales and unfavorable mix

## Q2 FY24 Outlook

- As a response to current market conditions in China and Europe, implementing additional cost saving and productivity actions which are expected to yield \$7M in annualized cost savings
- New business opportunity funnel increased 10% YOY and is currently at \$72M; positive trends in mil-aero, power management, industrial automation, and solar end markets
- Sequentially, expect slightly lower revenue and similar operating margin

# ENGRAVING



## YOY Comparison

\$ in millions	Q1 FY24	Q1 FY23	% Change
Revenue	40.8	35.0	16.5%
Operating Income	7.6	5.9	29.7%
OI Margin %	18.6%	16.7%	



# SCIENTIFIC

## YOY Comparison

\$ in millions	Q1 FY24	Q1 FY23	% Change
Revenue	18.2	18.5	-1.4%
Operating Income	4.9	3.7	32.4%
OI Margin %	27.1%	20.2%	



## Q1 FY24 Summary

- Strong YOY organic revenue growth of 15.5%, driven by solid demand in Europe and growth in soft trim applications in Asia
- Operating income increased 29.7% due to organic growth and continue realization of productivity actions

## Q2 FY24 Outlook

- Sequentially, expect similar revenue and slightly higher operating margin with continued focus on driving operational efficiencies across the segment

## Q1 FY24 Summary

- Revenue decreased slightly YOY reflecting lower demand from retail pharmacies, mostly offset by higher sales into research and academic end markets
- Operating income increased due to lower freight costs and pricing initiatives
- Increased R&D investment fueling a healthy new product development pipeline

## Q2 FY24 Outlook

- Sequentially, expect similar revenue and operating margin

# ENGINEERING TECHNOLOGIES



## YOY Comparison

\$ in millions	Q1 FY24	Q1 FY23	% Change
Revenue	18.2	17.0	7.2%
Operating Income	3.0	1.9	61.8%
OI Margin %	16.6%	11.0%	



# SPECIALTY SOLUTIONS

## YOY Comparison

\$ in millions	Q1 FY24	Q1 FY23	% Change
Revenue	25.9	34.9	-25.9%
Operating Income	5.6	6.1	-7.6%
OI Margin %	21.7%	17.4%	



## Q1 FY24 Summary

- Solid YOY organic revenue growth of 6.1%, driven by more favorable project timing
- Operating income increase reflecting pricing and productivity initiatives, partially offset by an increase in the number of new platform development projects

## Q2 FY24 Outlook

- Sequentially, expect moderately higher revenue reflecting timing of projects and increased level of development activities and similar operating margin
- Current backlog and new platform development funnel to provide strong foundation for growth in 2H FY24 and beyond

## Q1 FY24 Summary

- On a pro-forma basis, excluding the impact of the Procon divestiture, revenue decreased \$0.4 million or 1.6% year-on-year
- Operating income decreased due to the impact of the Procon divestiture, partially offset by operational improvements in Display Merchandising and Hydraulics

## Q2 FY24 Outlook

- Sequentially, expect a slight decrease in revenue and operating margin due to fewer shipping days and seasonality in Display Merchandising



# Q1 FY24 CAPITALIZATION



<b>Standex International Corporation</b> (\$ in millions)	<b>9/30/2023</b>	<b>6/30/2023</b>
<b>Debt including issuance costs</b>	<b>148.6</b>	<b>173.4</b>
Cash	126.8	195.7
<b>Net (Cash) Debt</b>	<b>21.7</b>	<b>(22.3)</b>
<b>Net Debt to Capital Ratio</b>	<b>3.5%</b>	<b>-3.8%</b>
Funded Debt to Capital	20.1%	22.2%
Leverage Ratio per Bank Credit Agreement	0.64	0.84
TTM Adjusted EBITDA	142.0	139.5
<b>Net Debt to Adjusted EBITDA</b>	<b>0.2x</b>	<b>-0.2x</b>

**STRONG BALANCE SHEET AND  
SIGNIFICANT FINANCIAL  
FLEXIBILITY**

## CAPITAL SPENDING AND D&A

- \$4.3M of CAPEX in Q1 FY24 compared to \$5.3M in Q1 FY23
- CAPEX expected to be between \$30M to \$35M in FY24
- Expect depreciation between \$22.0M and \$25.0M 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 3.5%
- ~\$347M of available liquidity

# KEY TAKEAWAYS

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- **Solid Q1 FY24 results :**
  - Organic growth of ~2.5%
  - Fast Growth market sales grew by ~20%
  - Record adjusted gross margin of 39.5% increased 170 bps YOY
  - Record adjusted operating margin of 15.9% increased 90 bps YOY
  - Adjusted EPS of \$1.74 increased 8.7% YOY
  - Free Cash Flow of \$12.1 million, record in a fiscal first quarter
- **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 protects profitability and provides opportunity for continued margin improvements**
- **Strong balance sheet allows us to pursue an active pipeline of organic and inorganic growth opportunities**
- **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



## 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

*\* 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*

# Q1 FY24 SEGMENT SNAPSHOT



## Segment Breakdown

(\$ in millions)

	Q1 FY24	Q1 FY23	Y/Y $\Delta$ %	Comments
<b>Net Sales by Segment</b>				
Electronics	81.7	75.2	8.6%	Organic growth: -1.8%; Acquisitions: 10.0%; F/X: 0.4%
Engraving	40.8	35.0	16.5%	Organic growth: 15.5%; F/X: 1.0%
Scientific	18.2	18.5	-1.4%	Organic growth: -1.4%
Engineering Technologies	18.2	17.0	7.2%	Organic growth: 6.1%; F/X: 1.1%
Specialty Solutions	25.9	34.9	-25.9%	Organic growth: -1.2%; Divestiture: -24.7%
<b>Total</b>	<b>184.8</b>	<b>180.6</b>	<b>2.3%</b>	
<b>Adjusted Income from Operations by Segment</b>				
Electronics	16.7	18.1	-8.1%	Lower organic sales, unfavorable mix and unfavorable foreign currency
Engraving	7.6	5.9	29.7%	Higher volume and realization of productivity actions
Scientific	4.9	3.7	32.4%	Lower freight cost and pricing and productivity initiatives
Engineering Technologies	3.0	1.9	61.8%	Pricing and productivity initiatives, partially offset by R&D expenses
Specialty Solutions	5.6	6.1	-7.6%	Impact of Procon divestiture, partially offset by operational improvements
Corporate	(8.4)	(8.5)	-0.6%	
<b>Total Adjusted Income from Operations</b>	<b>29.4</b>	<b>27.2</b>	<b>8.2%</b>	
<b>Adjusted Operating Income Margin by Segment</b>				
Electronics	20.4%	24.1%	-370 bps	
Engraving	18.6%	16.7%	190 bps	
Scientific	27.1%	20.2%	690 bps	
Engineering Technologies	16.6%	11.0%	560 bps	
Specialty Solutions	21.7%	17.4%	430 bps	
<b>Total Adjusted Operating Income Margin</b>	<b>15.9%</b>	<b>15.0%</b>	<b>90 bps</b>	

Note: Some totals will not foot due to rounding

# Q1 FY24 REVENUE DRIVERS



Q1 FY24 YOY Change %	Electronics	Engraving	Scientific	Engineering Technologies	Specialty Solutions	Total
Organic	(1.8%)	15.5%	(1.4%)	6.1%	(1.2%)	2.5%
Divestiture	0.0%	0.0%	0.0%	0.0%	(24.7%)	(4.8%)
Acquisitions	10.0%	0.0%	0.0%	0.0%	0.0%	4.2%
Currency	0.4%	1.0%	0.0%	1.1%	0.0%	0.5%
Total	8.6%	16.5%	(1.4%)	7.2%	(25.9%)	2.3%

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

# Q1 FY24 GAAP TO NON-GAAP INCOME BRIDGE



Standex International Corporation	Q1 FY24				Q1 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>	<b>\$24.8</b>	<b>\$(5.9)</b>	<b>\$18.9</b>	<b>\$1.58</b>	<b>\$24.1</b>	<b>\$(5.8)</b>	<b>\$18.3</b>	<b>\$1.53</b>	<b>2.9</b>	<b>3.1</b>	<b>3.3</b>
<b>Add:</b>											
Restructuring charges	1.9	(0.5)	1.5	0.12	0.6	(0.1)	0.4	0.04			
Purchase accounting	0.3	(0.1)	0.3	0.02	-	-	-	-			
Acquisition-related costs	0.5	(0.1)	0.4	0.03	0.3	(0.1)	0.2	0.02			
Gain on Procon sale	(0.3)	-	(0.3)	(0.02)	-	-	-	-			
<b>Less:</b>											
Discrete tax items	-	0.1	0.1	0.01	-	0.1	0.1	0.01			
<b>Adjusted</b>	<b>\$27.3</b>	<b>\$(6.5)</b>	<b>\$20.8</b>	<b>\$1.74</b>	<b>\$25.0</b>	<b>\$(5.9)</b>	<b>\$19.1</b>	<b>\$1.60</b>	<b>9.3</b>	<b>9.0</b>	<b>8.7</b>
Diluted Shares				11,933				11,952			

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