Standex International (SXI)

Updated June 9th, 2022, by Thomas Richmond

Key Metrics

Current Price:	$94	**5 Year CAGR Estimate:**	10.2%	**Market Cap:**	$1.1 B
Fair Value Price:	$109	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date[1]:**	06/30/22
% Fair Value:	86%	**5 Year Valuation Multiple Estimate:**	3.1%	**Dividend Payment Date[1]:**	08/25/22
Dividend Yield:	1.1%	**5 Year Price Target**	$146	**Years Of Dividend Growth:**	12
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Buy

Overview & Current Events

Standex International (SXI) is a company that manufactures and sells various products in the US and internationally. The business operates through 5 segments: Electronics, Engraving, Scientific, Engineering Technologies, and Specialty Solutions, which make up 39%, 22%, 12%, 12%, and 15% of sales, respectively. The Electronics segment makes components that are used across a variety of end markets, Engraving sells engraving services to transportation, consumer, and industrial businesses, Scientific sells medical-grade refrigerators to medical and pharmaceutical businesses, Engineering Technologies sells aerospace components like fuel tanks and heat shields to aviation and space businesses, and Specialty Solutions sells products to construction and truck companies. All in all, the business sells a variety of industrial components across a diverse range of industries. In the past few years, the business has gone through a series of acquisitions and divestitures, aimed at bringing more profitable businesses into the company's portfolio. With the acquisition and divestitures of multiple businesses, the company restructured its segments from fiscal year 2019 to 2020, retiring Food Service Equipment and Hydraulics as historical segments, and reporting under Specialty Solutions and Scientific as new segments. The business's acquisitions are focused on divesting low margin businesses and acquiring high margin businesses that fit the company's core competencies.

On May 5th, 2022, Standex International reported Q3 2022 results for the period ending March 25th, 2022. The business earned $1.54 in adjusted earnings-per-share in the quarter, up 29.4% year-over-year, and revenue increased 9.9% year-over-year to $189.3 million led by ~23% year-over-year growth in Electronics and ~20% year-over-year growth in Specialty Solutions. The business expects to see a slight sequential decrease in revenue and operating margin in the upcoming fourth quarter, but they still expect that these results will represent a year-over-year increase. Adjusted operating margins increased by 160 basis points year-over-year to 13.8%, which made the third quarter the fourth consecutive quarter of the highest margins in SXI's history.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$3.67	$3.55	$3.90	$4.56	$4.59	$4.55	$5.17	$4.03	$3.49	$4.60	***$5.75***	***$7.69***
DPS	$0.27	$0.31	$0.38	$0.46	$0.54	$0.62	$0.70	$0.78	$0.86	$0.94	***$1.04***	***$1.53***
Shares	13	13	13	13	13	13	13	12	12	12	***12***	***12***

Over the past 5 years, the business has seen earnings-per-share grow at 4.8% annually. Management guides for $1.45 in earnings-per-share in Q4 of 2022, so for the full fiscal year 2022, we expect $5.75 in earnings per share. We forecast that the business will continue to grow earnings-per-share at 6% annually after 2022, which guides our 2027 earnings-per-share estimate of ~$7.69.

Over the past 9 years, the business has grown dividends at 14.9% annually, and over the past 5 years, the business has grown dividends at 10.9% annually. Over the next 5 years, we forecast that the business will grow dividends at 8% annually. As a reminder, Standex International has grown dividend payments for 12 consecutive years and has paid dividends for an impressive 57 consecutive years. We consider the business to have a strong dividend track record.

[1] Estimated Date.

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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	10.0	14.0	15.7	16.7	17.2	19.7	19.2	20.8	18.9	17.3	***16.3***	***19.0***
Avg. Yld.	0.7%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.9%	1.3%	1.2%	***1.1%***	***1.0%***

Over the past 5 years, Standex International has averaged a P/E ratio of 17.0, and over the past 9 years, the business has averaged a P/E of 19.2. We estimate that a P/E ratio of about 19 will be fair for the business over the intermediate term since we expect the business to grow earnings-per-share at a faster rate and the business is posting higher operating margins than ever before. Today, the stock offers a low but growing 1.1% dividend yield. While this is certainly a low dividend yield for investors that prioritize dividend income, growth investors might be interested in this stock, because earnings-per-share are expected to grow at 6% annually and dividends are expected to grow at 8% annually over the intermediate term. Additionally, the business has posted the highest operating margins in its history due to recent acquisitions and divestitures.

Safety, Quality, Competitive Advantage, & Recession Resiliency

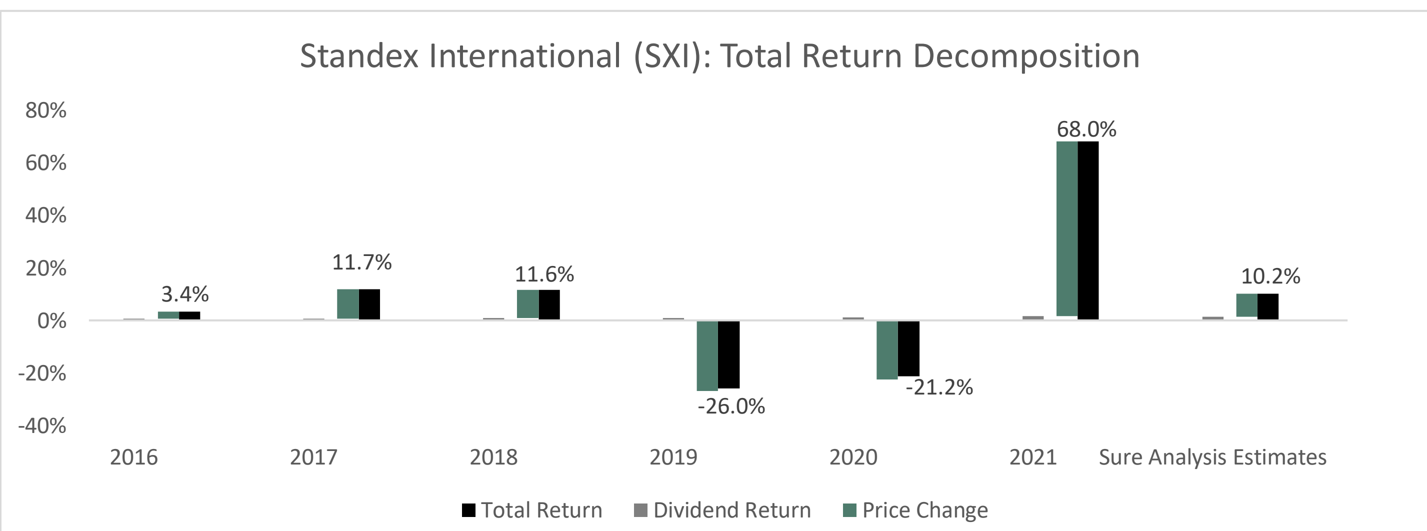
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	7%	9%	10%	10%	12%	14%	14%	19%	25%	20%	***18%***	***20%***

The business has averaged a very low payout ratio of 18.3% over the past 5 years. With the business's low payout ratio and impressive history, we expect the dividend to continue to be safe over the intermediate term. Additionally, the business has an excellent balance sheet, with $411 million in current assets ($134 million of that as cash) compared to $236 million in total debt.

Final Thoughts & Recommendation

Standex International offers investors an opportunity to invest in a growing diversified industrial business. Today, the business is seeing its highest operating margins in company history. At today's price, we rate this stock a Buy because total return prospects come in at 10.2% annually over the next five years, narrowly passing our 10% threshold. While this stock doesn't offer the highest dividend, the business is expected to continue to grow at a high rate and offers investors the opportunity to invest in a diversified industrial business.

Total Return Breakdown by Year



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Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	611	673	716	772	752	648	596	640	605	656
Gross Profit	202	218	238	247	252	216	226	235	215	241
Gross Margin	33.0%	32.4%	33.3%	32.1%	33.6%	33.3%	38.0%	36.7%	35.6%	36.8%
SG&A Exp.	141	154	166	166	170	145	141	150	148	163
D&A Exp.	13	15	15	17	18	18	25	29	32	33
Operating Profit	60	65	76	82	75	71	85	84	67	78
Op. Margin	9.9%	9.6%	10.6%	10.6%	9.9%	10.9%	14.3%	13.1%	11.1%	11.9%
Net Profit	31	45	43	55	52	47	37	68	20	36
Net Margin	5.1%	6.7%	6.0%	7.1%	6.9%	7.2%	6.1%	10.6%	3.3%	5.6%
Free Cash Flow	34	46	51	41	62	38	41	41	26	62
Income Tax	16	15	18	21	16	12	38	19	13	14

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	480	511	578	659	690	868	917	922	931	962
Cash & Equivalents	55	51	74	96	122	89	110	93	119	136
Acc. Receivable	99	98	108	110	104	127	120	103	98	110
Inventories	73	82	97	108	105	119	104	76	85	92
Goodwill & Int.	120	137	157	193	198	345	297	393	378	377
Total Liabilities	237	220	237	310	320	459	466	458	469	456
Accounts Payable	62	68	85	81	77	96	79	54	55	75
Long-Term Debt	50	50	45	102	92	192	194	198	199	199
Total Equity	243	291	341	349	370	409	451	464	462	506
LTD/E Ratio	0.21	0.17	0.13	0.29	0.25	0.47	0.43	0.43	0.43	0.39

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	6.5%	9.1%	7.9%	8.8%	7.7%	6.0%	4.1%	7.4%	2.2%	3.9%
Return on Equity	12.7%	16.8%	13.6%	15.9%	14.5%	12.0%	8.5%	14.8%	4.4%	7.5%
ROIC	10.5%	14.1%	11.8%	13.1%	11.4%	8.8%	5.9%	10.4%	3.1%	5.3%
Shares Out.	13	13	13	13	13	13	13	12	12	12
Revenue/Share	47.75	52.69	56.05	60.30	58.79	50.74	46.57	50.66	48.80	53.54
FCF/Share	2.65	3.61	4.03	3.24	4.89	2.97	3.23	3.23	2.08	5.04

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.