Standex International (SXI)

Updated September 25th, 2022, by Thomas Richmond

Key Metrics

Current Price:	$83	**5 Year CAGR Estimate:**	11.8%	**Market Cap:**	$1.0 B
Fair Value Price:	$119	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date[1]:**	11/05/22
% Fair Value:	69%	**5 Year Valuation Multiple Estimate:**	7.6%	**Dividend Payment Date[1]:**	11/25/22
Dividend Yield:	1.3%	**5 Year Price Target**	$138	**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' acquisitions are focused on divesting low margin businesses and acquiring high margin businesses that fit the company's core competencies.

On August 4th, 2022, Standex International reported Q4 2022 results for the period ending June 30th, 2022. The business earned $1.54 in adjusted earnings-per-share in the quarter, up 10% year-over-year, and revenue increased 4.7% year-over-year to $184.7 million, led by ~36% year-over-year growth in Specialty Solutions and ~5.3% year-over-year growth in Engineering Technologies. The business expects the Electronics segment to be the primary revenue driver for the first fiscal quarter of 2023. Adjusted operating margins increased by 60 basis points year-over-year to 13.9% and shares outstanding decreased 1.5% year-over-year, with the company buying back a little over 100,000 shares in the fourth quarter.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$3.55	$3.90	$4.56	$4.59	$4.55	$5.17	$4.03	$3.49	$4.60	$5.87	***$6.60***	***$7.65***
DPS	$0.31	$0.38	$0.46	$0.54	$0.62	$0.70	$0.78	$0.86	$0.94	$1.04	***$1.04***	***$1.53***
Shares	13	13	13	13	13	13	12	12	12	12	***12***	***12***

Over the past 5 years, the business has seen earnings-per-share grow at 7.7% annually. We expect the company to earn about $1.55 in earnings-per-share in Q1 of 2023, so for the full fiscal year 2023, we expect $6.60 in earnings-per-share. We forecast that the business will continue to grow earnings-per-share at 3% annually after 2023, which guides our 2028 earnings-per-share estimate of ~$7.65.

Over the past 9 years, the business has grown dividends at 14.4% 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.

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[1] Estimated Date.

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	14.0	15.7	16.7	17.2	19.7	19.2	20.8	18.9	17.3	15.6	***12.5***	***18.0***
Avg. Yld.	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.9%	1.3%	1.2%	1.1%	***1.3%***	***1.1%***

Over the past 5 years, Standex International has averaged a P/E ratio of 18.6, and over the past 9 years, the business has averaged a P/E of 17.5. We estimate that a P/E ratio of about 18 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 1.3% dividend yield. While this is certainly a low dividend yield for investors that prioritize dividend income, dividend growth investors might be interested in this stock, because 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

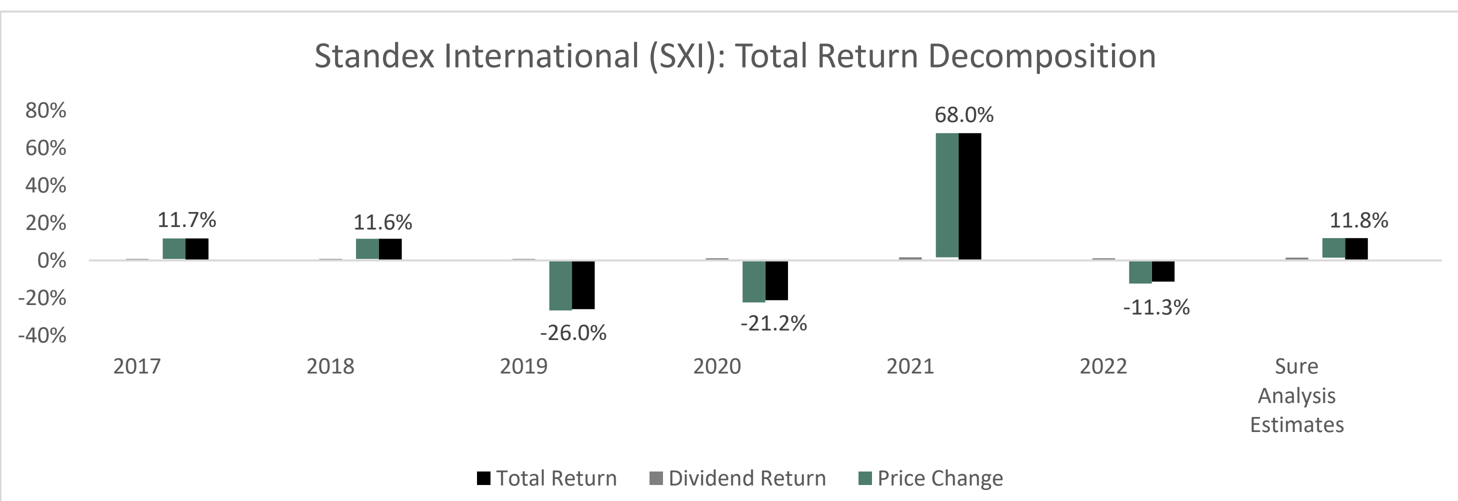
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	9%	10%	10%	12%	14%	14%	19%	25%	20%	18%	***16%***	***20%***

The business has averaged a very low payout ratio of 19.1% 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, and we think the dividend has ample room to grow. Additionally, the business has an excellent balance sheet, with $379 million in current assets (~$105 million of that as cash) compared to $206 million in total debt. We think the business has competitive advantages within its individual segments, where the company is the best in its niche. We believe the business has strong recession resiliency because revenues and earnings were able to swiftly recover after Covid.

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 11.8% annually over the next five years. 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	673	716	772	752	648	596	640	605	656	735
Gross Profit	218	238	247	252	216	226	235	215	241	270
Gross Margin	32.4%	33.3%	32.1%	33.6%	33.3%	38.0%	36.7%	35.6%	36.8%	36.7%
SG&A Exp.	154	166	166	170	145	141	150	148	163	170
D&A Exp.	15	15	17	18	18	25	29	32	33	30
Operating Profit	65	76	82	75	71	85	84	67	78	94
Op. Margin	9.6%	10.6%	10.6%	9.9%	10.9%	14.3%	13.1%	11.1%	11.9%	12.8%
Net Profit	45	43	55	52	47	37	68	20	36	61
Net Margin	6.7%	6.0%	7.1%	6.9%	7.2%	6.1%	10.6%	3.3%	5.6%	8.3%
Free Cash Flow	46	51	41	62	38	41	41	26	62	54
Income Tax	15	18	21	16	12	38	19	13	14	20

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	511	578	659	690	868	917	922	931	962	934
Cash & Equivalents	51	74	96	122	89	110	93	119	136	105
Acc. Receivable	98	108	110	104	127	120	103	98	110	117
Inventories	82	97	108	105	119	104	76	85	92	105
Goodwill & Int.	137	157	193	198	345	297	393	378	377	354
Total Liabilities	220	237	310	320	459	466	458	469	456	435
Accounts Payable	68	85	81	77	96	79	54	55	75	75
Long-Term Debt	50	45	102	92	192	194	198	199	199	175
Total Equity	291	341	349	370	409	451	464	462	506	499
LTD/E Ratio	0.17	0.13	0.29	0.25	0.47	0.43	0.43	0.43	0.39	0.35

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	9.1%	7.9%	8.8%	7.7%	6.0%	4.1%	7.4%	2.2%	3.9%	6.5%
Return on Equity	16.8%	13.6%	15.9%	14.5%	12.0%	8.5%	14.8%	4.4%	7.5%	12.2%
ROIC	14.1%	11.8%	13.1%	11.4%	8.8%	5.9%	10.4%	3.1%	5.3%	8.9%
Shares Out.	13	13	13	13	13	13	12	12	12	12
Revenue/Share	52.69	56.05	60.30	58.79	50.74	46.57	50.66	48.80	53.54	60.66
FCF/Share	3.61	4.03	3.24	4.89	2.97	3.23	3.23	2.08	5.04	4.44

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