Standex International (SXI)

Updated December 20th, 2022, by Quinn Mohammed

Key Metrics

Current Price:	$102	**5 Year CAGR Estimate:**	7.5%	**Market Cap:**	$1.2 B
Fair Value Price:	$120	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date[1]:**	02/10/23
% Fair Value:	85%	**5 Year Valuation Multiple Estimate:**	3.3%	**Dividend Payment Date[1]:**	02/25/23
Dividend Yield:	1.1%	**5 Year Price Target**	$139	**Years Of Dividend Growth:**	13
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Standex International (SXI) is a company that manufactures and sells various products in the U.S. and internationally. The business operates through 5 segments: Electronics, Engraving, Scientific, Engineering Technologies, and Specialty Solutions. 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. Lastly, 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.

On October 27th, 2022, Standex announced a 7.7% year-over-year dividend increase to $0.28 per share quarterly.

On November 4th, 2022, Standex International reported first quarter fiscal 2023 results for the period ending September 30th, 2022. Net sales increased 2.8% compared to the first quarter of fiscal 2022, to $180.6 million. Standex generated $1.60 in adjusted earnings per share in the quarter, up 19.4% year-over-year. Organic revenue grew by 7.3% driven by strength in Specialty and Engraving Solutions.

Adjusted operating margins achieved a new record and increased by 160 basis points year-over-year to 15.0%. In the quarter, Standex repurchased 90,368 shares for roughly $8.3 million.

Management forecasts the Engineering Technologies Group segment to be the primary revenue driver for the second fiscal quarter of 2023.

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	***$6.66***	***$7.72***
DPS	$0.31	$0.38	$0.46	$0.54	$0.62	$0.70	$0.78	$0.86	$0.94	$1.04	***$1.12***	***$1.65***
Shares	13	13	13	13	13	13	12	12	12	12	***12.0***	***12.0***

Over the past five and nine years, Standex has seen earnings-per-share grow at 5.2% and 5.7% annually, respectively. For the full fiscal year 2023, we expect $6.66 in earnings-per-share and forecast that the company will continue to grow earnings-per-share at 3% annually after 2023, which guides our 2028 earnings-per-share estimate of $7.72.

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' acquisition strategy revolves around divesting low margin businesses and acquiring high margin businesses that fit the company's core competencies.

[1] Estimated Date.

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.

Over the past five and nine years, the company has grown the dividend per share at 9.9% and 14.4% annually. Over the next 5 years, we forecast that the business will grow the dividend at 8% annually. Standex International has increased the dividend payment for 13 consecutive years and has paid dividends for an impressive 58 consecutive years.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	14.0	15.7	16.7	17.2	19.7	19.2	20.8	18.9	17.3	15.6	***15.3***	***18.0***
Avg. Yld.	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.9%	1.3%	1.2%	1.1%	***1.1%***	***1.2%***

Over the past five and nine years, Standex International has averaged a P/E ratio of 18.4 and 17.5, respectively. We estimate that a P/E ratio of about 18.0 is fair for the business as it posts record operating margins and strong earnings. Today, the stock offers a low but growing 1.1% dividend yield. While this is a low dividend yield for investors that prioritize dividend income, dividend growth investors may be interested in this stock as it has increased dividends by double-digits annually over the last nine years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

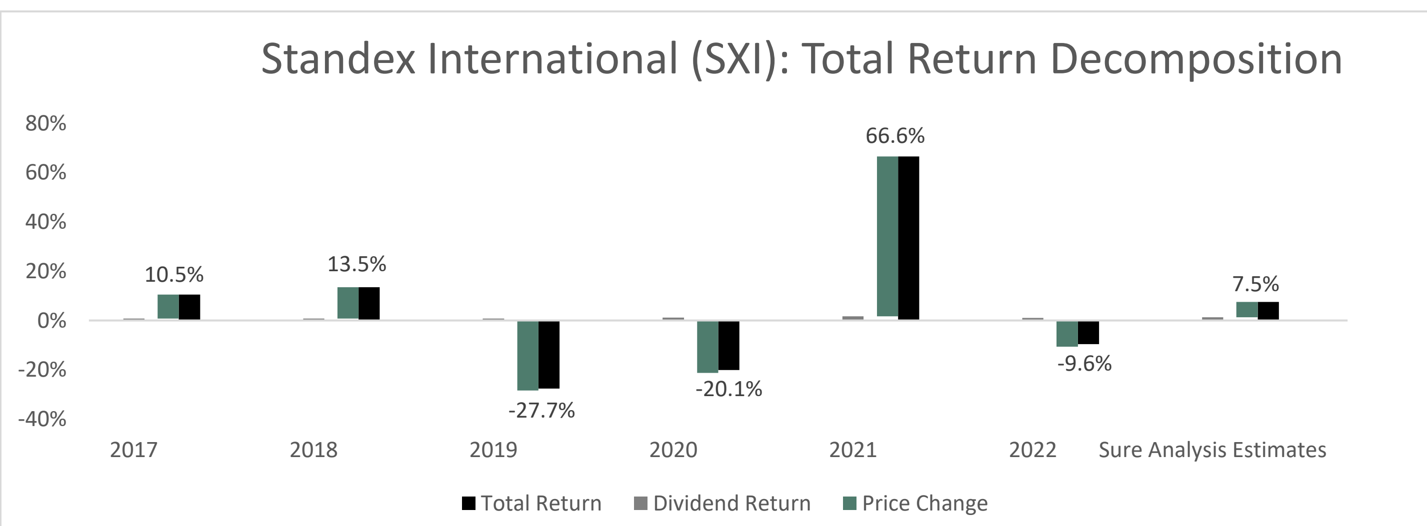
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	9%	10%	10%	12%	14%	14%	19%	25%	20%	18%	***17%***	***21%***

The business has averaged a very low payout ratio of 19% over the past 5 years. With the company's low payout ratio and strong history, we expect the dividend to continue to be safe over the intermediate term, and we believe the dividend has ample room to grow. Additionally, the business has an excellent balance sheet, with $385 million in current assets (~$103 million of that as cash) compared to $199 million in long-term 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 as revenues and earnings recovered swiftly following COVID.

Final Thoughts & Recommendation

Standex International is a growing diversified industrial business. Today, the company is seeing its highest operating margins in company history. Shares of Standex earn a hold rating and we forecast total annualized return prospects of 7.5%, driven by 3.0% earnings growth, a 1.1% dividend yield, and a positive impact from a potential valuation tailwind.

Total Return Breakdown by Year



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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.