Standex International (SXI)

Updated October 31st, 2024 by Quinn Mohammed

Key Metrics

Current Price:	$187	**5 Year CAGR Estimate:**	7.1%	**Market Cap:**	$2.3 B
Fair Value Price:	$145	**5 Year Growth Estimate:**	12.0%	**Ex-Dividend Date[1]:**	11/08/24
% Fair Value:	129%	**5 Year Valuation Multiple Estimate:**	-5.0%	**Dividend Payment Date[1]:**	11/22/24
Dividend Yield:	0.7%	**5 Year Price Target**	$256	**Years Of Dividend Growth:**	14
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 five 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 24th, 2024, Standex announced a 6.7% year-over-year dividend increase to $0.32 per share quarterly.

On July 31st, 2023, Standex announced it acquired Minntronix for $30 million in cash. Minntronix designs and manufactures magnetic components and products, such as transformers, inductors, current sensors, coils, chokes, and filters. This will expand Standex's presence in 5G, smart grid, and industrial automation.

In late February 2024, Standex completed its acquisition of Sanyu Switch Co., Ltd. It is a designer and manufacturer of reed relays, test sockets, and other electronics manufacturing and switch applications.

On October 29th, 2024, Standex announced it acquired Amran Instrument Transformers and Narayan Powertech Pvt. Ltd, manufacturers of low voltage and medium voltage instrument transformers, for a combined enterprise value of $462 million. It is the largest acquisition in Standex's history.

On October 29th, 2024, Standex International reported first quarter fiscal 2025 results for the period ending September 30th, 2024. Net sales decreased 7.7% compared to the first quarter of fiscal 2024, to $170.5 million. Standex generated $1.71 in adjusted earnings per share in the quarter, down 1.7% year-over-year. And its adjusted operating margin remained flat year-over-year at 15.9%.

During the quarter, Standex repurchased 24.81K of its shares for $4.4 million.

For Q2 of fiscal 2025, leadership expects Standex to generate moderately to significantly higher revenue, largely due to its recent acquisition of Amran/Narayan Group, and improved demand in Electronics and Specialty. In fiscal year 2025, Standex plans to release more than a dozen new products, which will bolster its earnings potential.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.56	$4.59	$4.55	$5.17	$4.03	$3.49	$4.60	$5.87	$6.70	$7.01	***$7.64***	***$13.46***
DPS	$0.46	$0.54	$0.62	$0.70	$0.78	$0.86	$0.94	$1.04	$1.12	$1.20	***$1.28***	***$1.88***
Shares	13.0	13.0	13.0	13.0	12.0	12.0	12.0	12.0	12.0	11.9	***11.8***	***11.5***

Over the past five and nine years, Standex has seen its earnings-per-share grow by 11.7% and 4.9% annually, respectively. For the full fiscal year 2025, we expect $7.64 in earnings-per-share and forecast that the company can grow its EPS at 12% annually after FY 2024, which guides our FY 2030 EPS estimate of $13.46.

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[1] Estimated Date.

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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 company's acquisition strategy revolves around divesting low margin businesses and acquiring high margin businesses that fit its core competencies (such as its recent acquisitions of Minntronix and Sanyu Switch Co.).

In fiscal year 2025, Standex is planning to release over 12 new products, which is impressive considering it release only 3 products in FY24 and 2 new products in FY23.

Over the past five and nine years, the company has increased its dividend per share by 7.5% and 12.8% annually. Over the next 5 years, we forecast that the business will grow the dividend at 8% annually. Standex International has increased its dividend payment for 14 consecutive years and has paid a dividend for an impressive 60 consecutive years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.7	17.2	19.7	19.2	20.8	18.9	17.3	15.6	19.0	23.8	***24.5***	***19.0***
Avg. Yld.	0.6%	0.7%	0.7%	0.7%	0.9%	1.3%	1.2%	1.1%	0.8%	0.7%	***0.7%***	***0.7%***

Over the past five and nine years, Standex International has averaged a P/E ratio of 18.3 and 18.0, respectively. We estimate that a P/E ratio of 19.0 is fair for the business as it posts record operating margins and strong earnings. As a result, shares appear to be overvalued. Today, the stock offers a low but growing 0.7% dividend yield.

Safety, Quality, Competitive Advantage, & Recession Resiliency

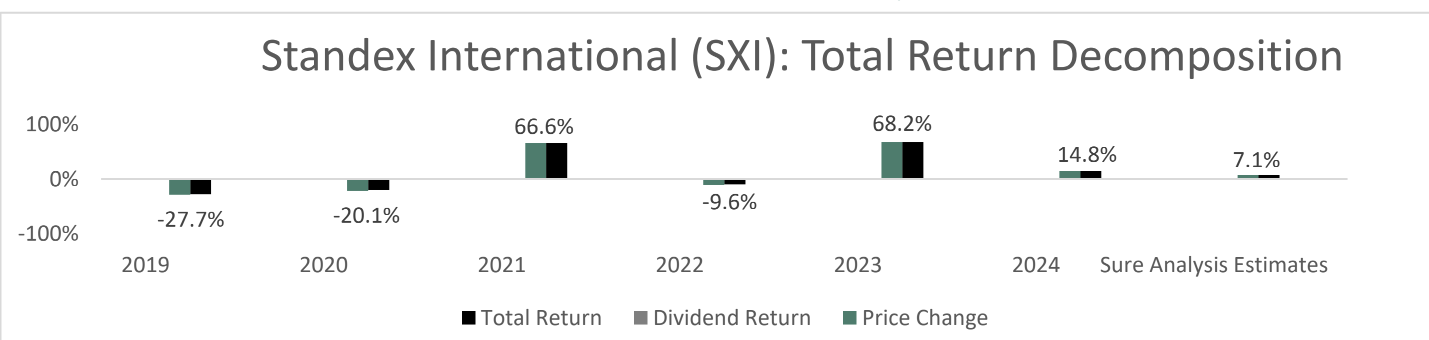
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	10%	12%	14%	14%	19%	25%	20%	18%	17%	17%	***17%***	***14%***

The business has averaged a very low payout ratio of 20% 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 $447 million in current assets (~$165 million of that as cash) compared to $149 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. We forecast total annualized return prospects of 7.1%, driven by 12.0% earnings-per-share growth and a 0.7% dividend yield, partly offset by -5.0% P/E multiple contraction. Standex earns a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	772	752	648	596	640	605	656	735	741	721
Gross Profit	247	252	216	226	235	215	241	270	285	282
Gross Margin	32.1%	33.6%	33.3%	38.0%	36.7%	35.6%	36.8%	36.7%	38.5%	39.1%
SG&A Exp.	166	170	145	141	150	148	163	170	172	170
D&A Exp.	17	18	18	25	29	32	33	30	28	28
Operating Profit	82	75	71	85	84	67	78	94	113	112
Op. Margin	10.6%	9.9%	10.9%	14.3%	13.1%	11.1%	11.9%	12.8%	15.2%	15.6%
Net Profit	55	52	47	37	68	20	36	61	139	73
Net Margin	7.1%	6.9%	7.2%	6.1%	10.6%	3.3%	5.6%	8.3%	18.8%	10.1%
Free Cash Flow	41	62	38	41	41	26	62	54	67	72
Income Tax	21	16	12	38	19	13	14	20	25	22

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	659	690	868	917	922	931	962	934	1,025	1,005
Cash & Equivalents	96	122	89	110	93	119	136	105	196	154
Acc. Receivable	110	104	127	120	103	98	110	117	123	121
Inventories	108	105	119	104	76	85	92	105	99	87
Goodwill & Int.	193	198	345	297	393	378	377	354	340	360
Total Liabilities	310	320	459	466	458	469	456	435	417	384
Accounts Payable	81	77	96	79	54	55	75	75	69	63
Long-Term Debt	102	92	192	194	198	199	199	175	173	149
Total Equity	349	370	409	451	464	462	506	499	607	622
LTD/E Ratio	0.29	0.25	0.47	0.43	0.43	0.43	0.39	0.35	0.29	0.24

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.8%	7.7%	6.0%	4.1%	7.4%	2.2%	3.9%	6.5%	14.2%	7.2%
Return on Equity	15.9%	14.5%	12.0%	8.5%	14.8%	4.4%	7.5%	12.2%	25.1%	11.9%
ROIC	13.1%	11.4%	8.8%	5.9%	10.4%	3.1%	5.3%	8.9%	19.1%	9.4%
Shares Out.	13	13	13	13	12	12	12	12	12	12
Revenue/Share	60.30	58.79	50.74	46.57	50.66	48.80	53.54	60.66	61.71	60.54
FCF/Share	3.24	4.89	2.97	3.23	3.23	2.08	5.04	4.44	5.54	6.08

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