

Standard Motor Products, Inc.

3rd Quarter 2022

Earnings Call | October 28, 2022



Safe Harbor – Forward Looking Statements

You should be aware that except for historical information, the matters discussed herein are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements, including projections and anticipated levels of future performance, are based on current information and assumptions and involve risks and uncertainties which may cause actual results to differ materially from those discussed herein. Further, the COVID-19 pandemic and resulting supply chain disruption has caused our business and industry to experience significant volatility, uncertainty, and economic disruption, and could continue to impact our future sales and profitability as described in our quarterly and annual reports filed with the SEC. You are urged to review all of our filings with the SEC and our press releases from time to time for details of these risks and uncertainties.

In addition, please see our press release issued on October 28, 2022 for factors that could cause future performance to vary from the expectations expressed or implied by the forward-looking statements herein and for certain reconciliations of GAAP to non-GAAP results.

❖ Welcome & Introduction

Tony Cristello, VP Investor Relations

❖ Overview & Market Trends

Eric Sills, CEO

❖ Operations & Supply Chain Update

Jim Burke, COO

❖ Financial Results & Balance Sheet

Nathan Iles, CFO

❖ Wrap-up

Eric Sills, CEO

❖ Q&A

All

Q3 & YTD 2022 P&L Summary⁽¹⁾

(In millions, except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,				NINE MONTHS ENDED SEPTEMBER 30,							
	2022		2021		2022		2021					
<u>Engine Management</u>												
Revenue	\$	251.7		\$	247.2		\$	732.9		\$	692.4	
Gross Margin		66.0	26.2%		66.9	27.1%		193.9	26.5%		199.5	28.8%
Selling, General & Administrative		42.7	17.0%		38.7	15.7%		122.8	16.7%		109.7	15.8%
Operating Income	\$	23.3	9.2%	\$	28.2	11.4%	\$	71.1	9.7%	\$	89.8	13.0%
<u>Temperature Control</u>												
Revenue	\$	123.0		\$	119.1		\$	318.7		\$	288.0	
Gross Margin		35.4	28.8%		33.8	28.4%		86.0	27.0%		78.5	27.2%
Selling, General & Administrative		21.1	17.2%		17.1	14.4%		54.3	17.0%		45.0	15.6%
Operating Income	\$	14.3	11.6%	\$	16.7	14.0%	\$	31.7	10.0%	\$	33.5	11.6%
<u>Consolidated Results</u>												
Revenue	\$	381.4		\$	370.3		\$	1,063.6		\$	988.9	
Gross Margin		106.8	28.0%		105.4	28.5%		293.0	27.5%		288.5	29.2%
Selling, General & Administrative		73.2	19.2%		65.9	17.8%		204.6	19.2%		181.9	18.4%
Operating Income	\$	33.6	8.8%	\$	39.5	10.7%	\$	88.4	8.3%	\$	106.6	10.8%
Net Earnings from Continuing Operations	\$	22.9		\$	29.7		\$	64.3		\$	80.4	
Diluted Earnings per Share	\$	1.05		\$	1.32		\$	2.90		\$	3.54	
Adjusted EBITDA	\$	42.1	11.0%	\$	47.4	12.8%	\$	114.3	10.7%	\$	129.0	13.0%

⁽¹⁾ All operating results provided except for revenues are on a non-GAAP basis. See financial statements in earnings release for complete GAAP results.

Balance Sheet & Cash Flow Highlights

(In millions)

	<u>SEPTEMBER 30, 2022</u>	<u>DECEMBER 31, 2021</u>
<u>Working Capital Stats</u>		
Accounts Receivable, Net	\$ 230.4	\$ 180.6
Inventories	\$ 534.3	\$ 468.8
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SEPTEMBER 30,		
	<u>2022</u>	<u>2021</u>
<u>Cash Flow Stats (YTD)</u>		
Operating cash flows	\$ (75.5)	\$ 79.1
Capex	\$ (19.5)	\$ (19.4)
M&A	\$ -	\$ (124.7)
Dividends	\$ (17.6)	\$ (16.7)
Share repurchases	\$ (29.7)	\$ (26.5)
Net Change in Debt	\$ 141.5	\$ 121.9
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	<u>SEPTEMBER 30, 2022</u>	<u>DECEMBER 31, 2021</u>
<u>Debt & Leverage</u>		
Total debt	\$ 269.5	\$ 128.4
Cash	\$ 17.5	\$ 21.8
Net debt	\$ 252.0	\$ 106.7
LTM Adjusted EBITDA	\$ 147.1	\$ 161.8
Leverage ratio	1.7x	0.7x
Remaining borrowing capacity	\$ 227.9	\$ 122.1
Total Liquidity	\$ 245.4	\$ 143.9



Q&A Session

Appendix



Reconciliation of GAAP and Non-GAAP Measures

(In thousands, except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
<u>EARNINGS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO SMP</u>				
GAAP EARNINGS FROM CONTINUING OPERATIONS	\$ 23,140	\$ 29,172	\$ 64,494	\$ 79,331
RESTRUCTURING AND INTEGRATION EXPENSES	-	166	44	166
ONE-TIME ACQUISITION COSTS	-	851	-	1,606
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	(249)	(259)	(249)	(259)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	-	(265)	(11)	(461)
NON-GAAP EARNINGS FROM CONTINUING OPERATIONS	<u>\$ 22,891</u>	<u>\$ 29,665</u>	<u>\$ 64,278</u>	<u>\$ 80,383</u>
<u>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO SMP</u>				
GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 1.06	\$ 1.29	\$ 2.91	\$ 3.50
RESTRUCTURING AND INTEGRATION EXPENSES	-	0.01	-	-
ONE-TIME ACQUISITION COSTS	-	0.04	-	0.07
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	(0.01)	(0.01)	(0.01)	(0.01)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	-	(0.01)	-	(0.02)
NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	<u>\$ 1.05</u>	<u>\$ 1.32</u>	<u>\$ 2.90</u>	<u>\$ 3.54</u>

Reconciliation of GAAP and Non-GAAP Measures

(In thousands, except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		LAST TWELVE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,
	2022	2021	2022	2021			
	(Unaudited)		(Unaudited)		(Unaudited)		
OPERATING INCOME							
GAAP OPERATING INCOME	\$ 33,615	\$ 38,538	\$ 88,423	\$ 104,787			
RESTRUCTURING AND INTEGRATION EXPENSES	-	166	44	166			
ONE-TIME ACQUISITION COSTS	-	851	-	1,606			
OTHER (INCOME) EXPENSE, NET	(30)	(8)	(43)	(8)			
NON-GAAP OPERATING INCOME	\$ 33,585	\$ 39,547	\$ 88,424	\$ 106,551			
EBITDA WITHOUT SPECIAL ITEMS							
GAAP EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	\$ 31,472	\$ 38,666	\$ 87,030	\$ 105,678	\$ 111,817	\$ 136,264	\$ 130,465
DEPRECIATION AND AMORTIZATION	7,002	7,060	20,895	20,160	27,978	27,170	27,243
INTEREST EXPENSE	3,656	652	6,282	1,356	6,954	1,577	2,028
EBITDA	42,130	46,378	114,207	127,194	146,749	165,011	159,736
RESTRUCTURING AND INTEGRATION EXPENSES	-	166	44	166	270	166	392
ONE-TIME ACQUISITION COSTS	-	851	-	1,606	105	1,606	1,711
INTANGIBLE ASSET IMPAIRMENT	-	-	-	-	-	2,600	-
SPECIAL ITEMS	-	1,017	44	1,772	375	4,372	2,103
EBITDA WITHOUT SPECIAL ITEMS	\$ 42,130	\$ 47,395	\$ 114,251	\$ 128,966	\$ 147,124	\$ 169,383	\$ 161,839

MANAGEMENT BELIEVES THAT NON-GAAP EARNINGS FROM CONTINUING OPERATIONS AND NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS WHICH ARE ATTRIBUTABLE TO SMP, AND NON-GAAP OPERATING INCOME AND EBITDA WITHOUT SPECIAL ITEMS, EACH OF WHICH ARE NON-GAAP MEASUREMENTS AND ARE ADJUSTED FOR SPECIAL ITEMS, ARE MEANINGFUL TO INVESTORS BECAUSE THEY PROVIDE A VIEW OF THE COMPANY WITH RESPECT TO ONGOING OPERATING RESULTS. SPECIAL ITEMS REPRESENT SIGNIFICANT CHARGES OR CREDITS THAT ARE IMPORTANT TO AN UNDERSTANDING OF THE COMPANY'S OVERALL OPERATING RESULTS IN THE PERIODS PRESENTED. SUCH NON-GAAP MEASUREMENTS ARE NOT RECOGNIZED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND SHOULD NOT BE VIEWED AS AN ALTERNATIVE TO GAAP MEASURES OF PERFORMANCE.