

# Standard Motor Products, Inc.

Annual Meeting of Shareholders

May 17<sup>th</sup>, 2018





## AGENDA

- Larry Sills – Executive Chairman
  - Introduction
- Eric Sills – Director, CEO & President
  - Industry and Business Overview
  - Strategic Initiatives
- Jim Burke – EVP Finance & CFO
  - 2017 Results
  - Q1 2018 Results
- Q & A





# Forward Looking Statements

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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. You are urged to review our filings with the SEC and our press releases from time to time for details of these risks and uncertainties.

# Industry and Business Overview





# SMP Snapshot



## 99 Years in Business

- Founded 1919
- \$1.12 Billion 2017 Sales
- 4,200 Employees Worldwide



**LAWRENCE I. SILLS**  
Executive Chairman  
Board of Directors



**ERIC P. SILLS**  
Director, CEO  
and President



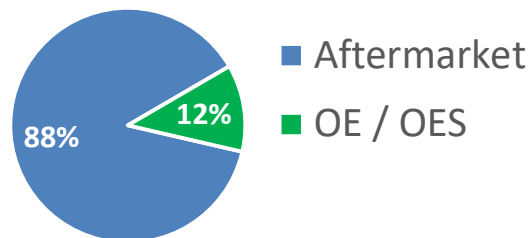
**JAMES J. BURKE**  
EVP Finance and  
Chief Financial Officer



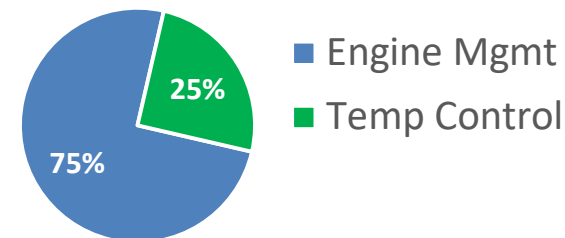
**DALE BURKS**  
EVP and Chief  
Commercial Officer

## 2017 Sales Breakdown

### Sales by Market



### Sales by Product Line



## Major Product Categories

### Engine Management

- Ignition Products
- Emissions Products
- Fuel Delivery
- Vehicle Electronics
- Wire & Cable

### Temperature Control

- A/C Compressors
- Other A/C System Components
- Engine Cooling Products
- Blower & Radiator Fan Motors
- Window Lift Motors



# SMP Snapshot



## Professionally Recognized Brands



## Significant Supplier to All Major Distributors

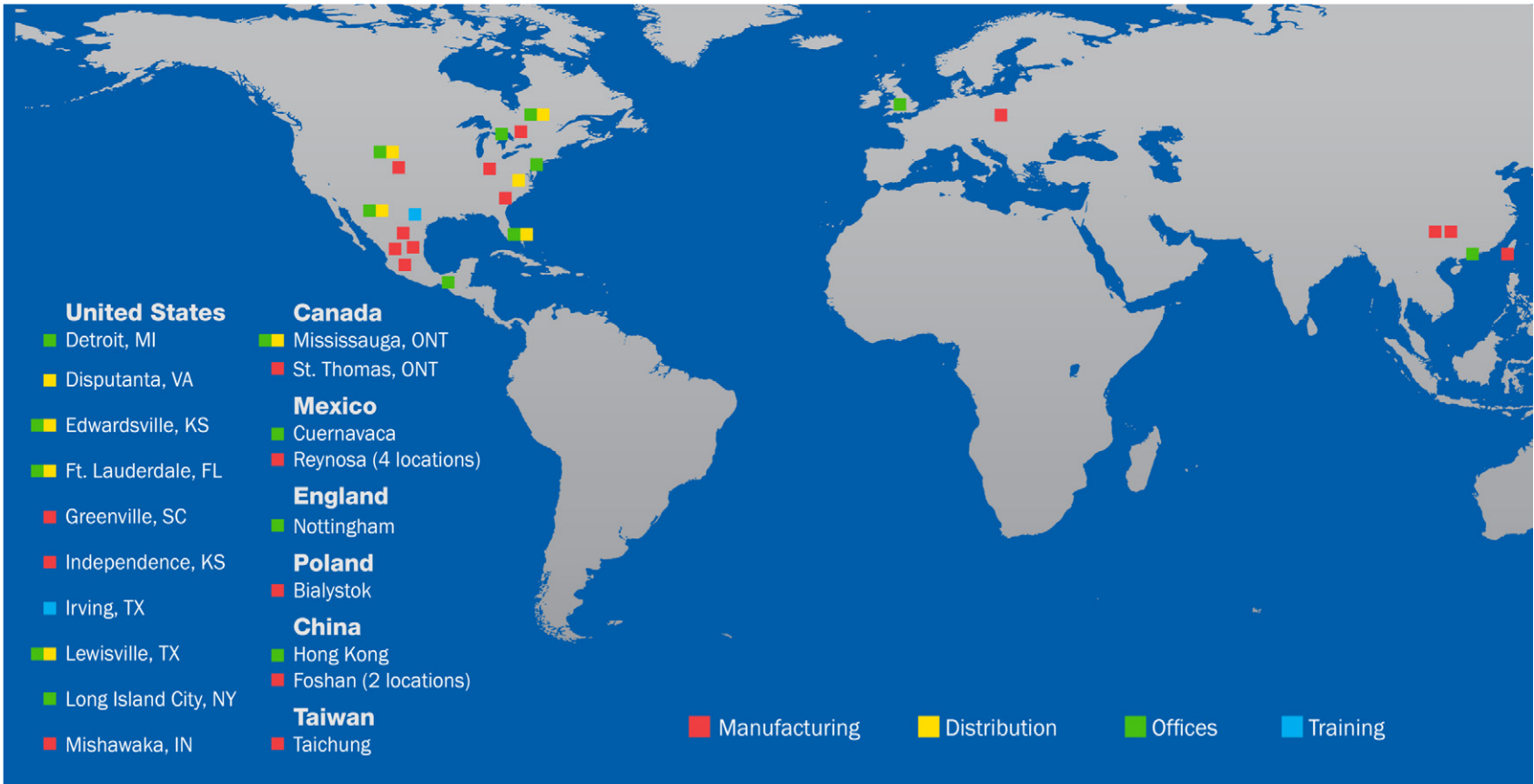




# SMP Facilities – Worldwide



## Global Footprint



3 Million sq. ft. • 12 Manufacturing Plants • 5 Distribution Centers • 9 Offices

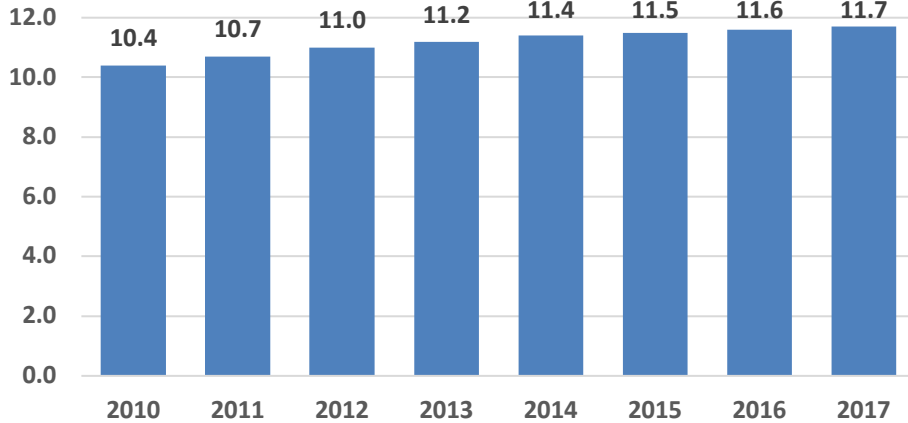


# Favorable Industry Trends



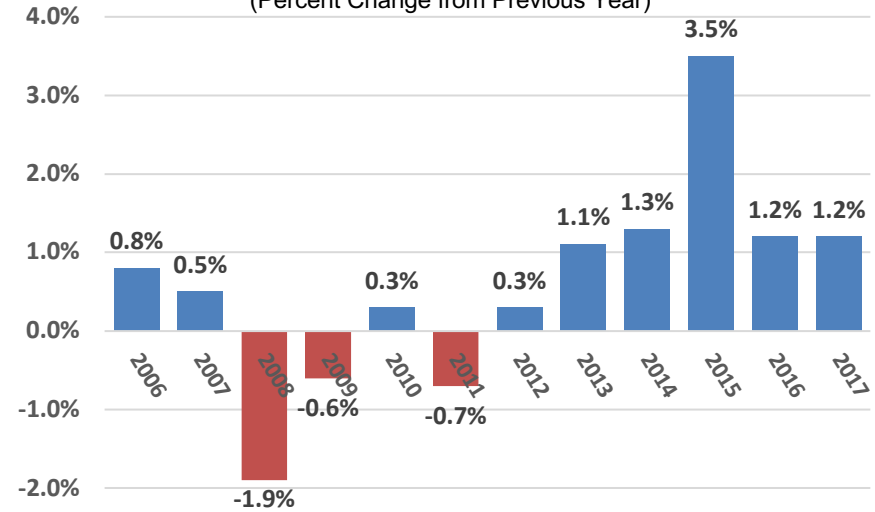
## Vehicle Population Continues to Age

Average Age of Cars and Light Trucks

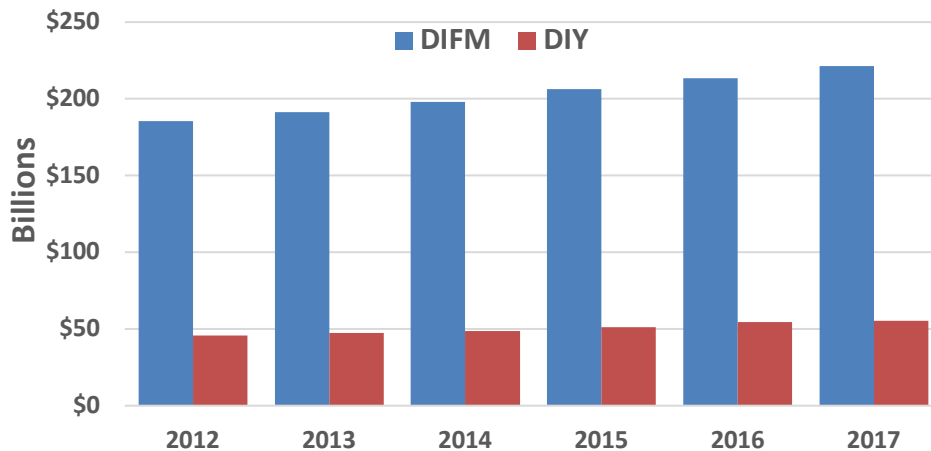


## Miles Driven is Increasing

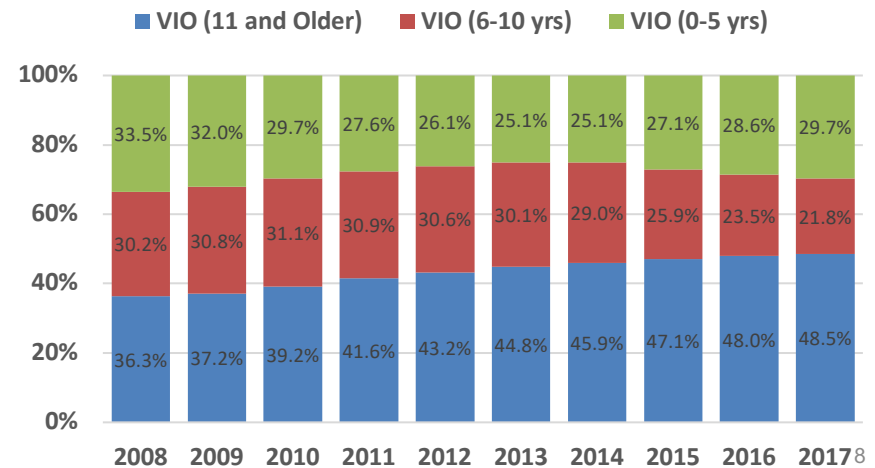
Annual Miles Driven, 2006-2017  
(Percent Change from Previous Year)



## DIFM Revenue Continues to Grow



## Age Mix of Vehicles





# Strategy Overview





# Strategic Objectives



## Premium Value Proposition

- **External programs that provide real value to our customers**
  - Best-in-class full-line, full-service supplier of premium engine management and temperature control products

## Drive for Continuous Improvement

- **Internal programs that make us a stronger company**
  - Investment in increased manufacturing
  - Increase in low-cost footprint
  - Global sourcing without compromise to quality

## Successful Growth Programs

- **Strategic expansion of our business**
  - Complementary product lines
  - Complementary markets, geographies and channels
  - Strategic acquisitions

## Return to Shareholders

- Dividend Increase
- Treasury Stock Buyback Program

# **SMP**® **CORE STRATEGY**

**To be the best full-line, full-service supplier of premium engine management and temperature control products**

## **The SMP Value Proposition**

**Our suite of products and services is designed to provide all the needed support for our customers and the technicians who install our parts**

**Premium Quality  
Products**

**Premium  
Brands**

**Full-Line  
Coverage**

**Supply Chain  
Excellence**

**Field Sales  
Support**

**Marketing  
Support**

**World-Class  
Training**

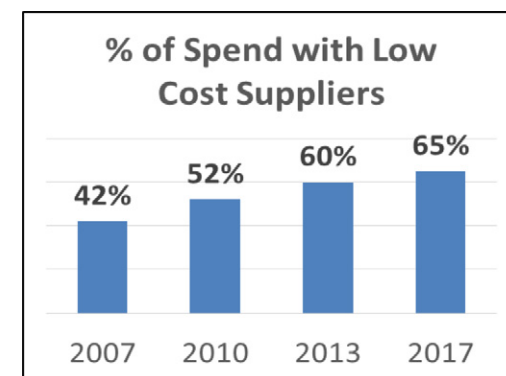
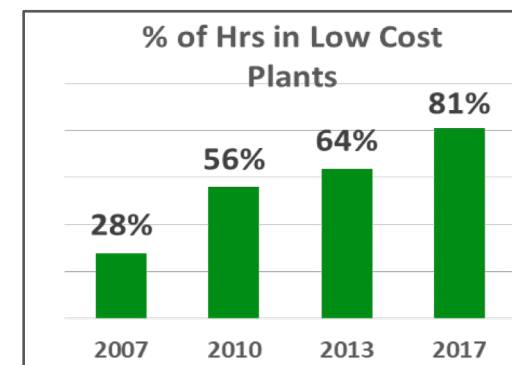
**Basic  
Manufacturing**



# Drive for Continuous Improvement



- Increased Manufacturing
  - Engineering resources up >30% from 2013
  - 80% of capital budget for tooling projects
  - Acquisitions: a great “shortcut”
- Low Cost Manufacturing
  - Closure of Grapevine and Orlando
  - China expansion
  - Integration of General Cable
- Low Cost Sourcing
  - Hong Kong Engineering & Sourcing Office
  - Rigorous U.S. product qualification





# Successful Growth Programs



## Complementary Product Lines - Examples

- Diesel / Turbochargers
  - The most comprehensive diesel / turbo program in the industry
  - Significant program expansion into Medium/HD trucks
- Electronic Throttle Bodies (ETB)
  - 100% NEW (Not Reman) with the best coverage in the aftermarket
  - Basic ETB manufacturing in Reynosa facility
- Variable Valve Timing (VVT) Components
  - Most complete VVT Solenoids / Sprockets coverage in industry
  - Basic manufacturing and high-tech testing in Poland facility
- Tire Pressure Monitoring Systems (TPMS)
  - SMP TPMS sensors are now NSF registered
- NG (Natural Gas) Injectors
  - Compressed or Liquid NG injectors mfr'd at our Greenville, SC facility
- NEW Mass Air Flow (MAF) Sensors
  - Only supplier offering 'OE or Better' quality in full line NEW MAF program
  - SMP difference: 100% calibrated and computer-tested for precise output





# Successful Growth Programs



## Strategic Acquisitions

- Ten Acquisitions in Recent Years
- Primary Focus
  - Bolt-on: acquire competitors
  - Vertical integration: acquire suppliers
  - New but related business
- Rationale
  - Demonstrable synergies with minimal risk
  - Contributes to other strategic objectives
    - Growth and diversification
    - Increased / low-cost manufacturing
  - Provides enhanced value to our customers
    - Helps with Full-Line, Full-Service model
    - Economies of scale allows further investment
    - Helps address part complexity / SKU proliferation

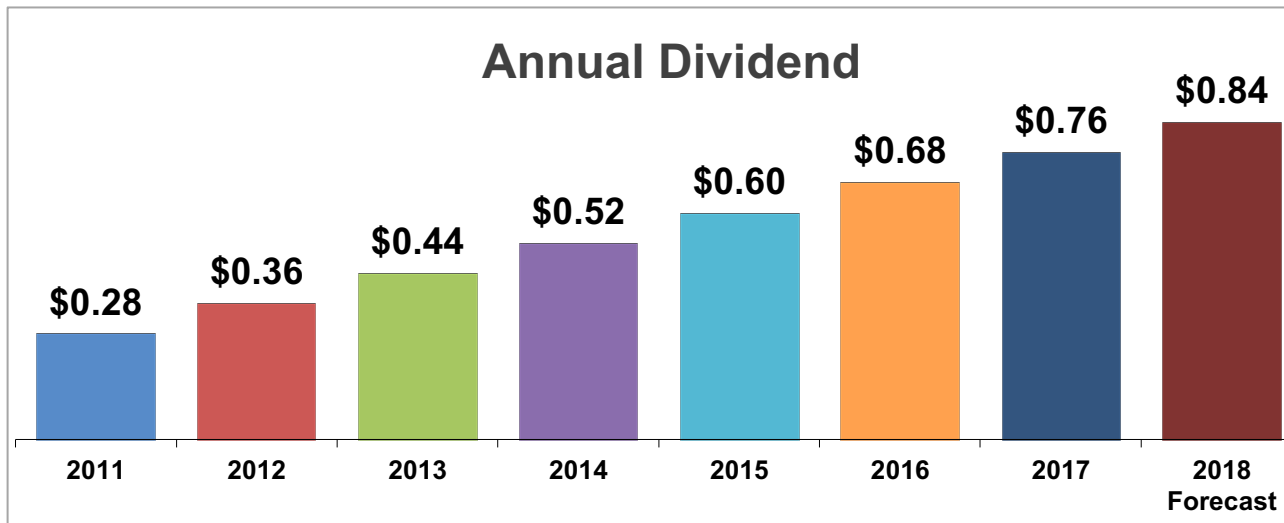




# Return to Shareholders



## Dividend Increase



2018 Note: \$0.84 based on quarterly dividend of \$0.21 announced Feb 2018

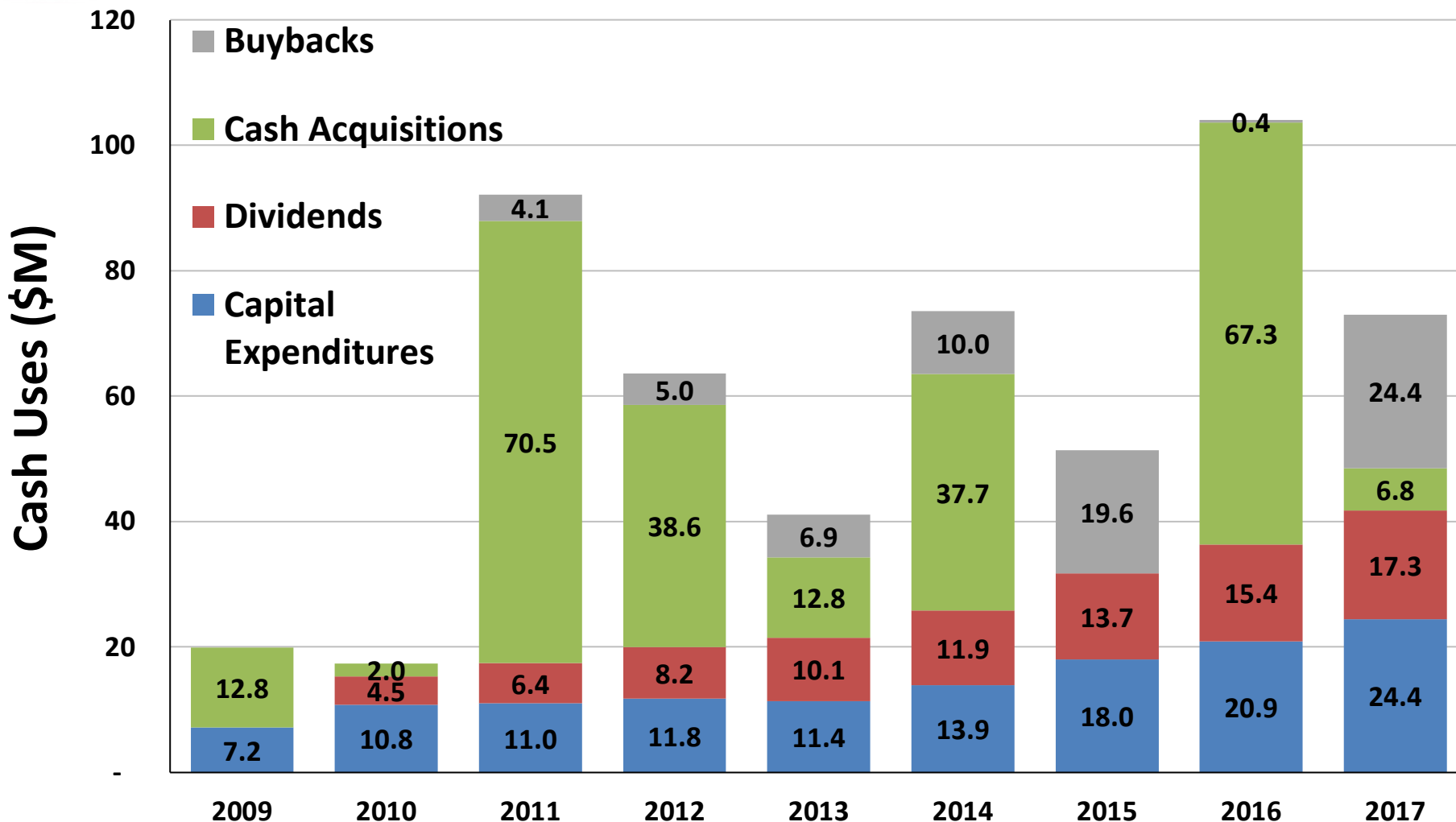
## Treasury Stock Buyback Program

Year	Spend	Shares	Avg. Price
2011	\$4.1M	322,250	\$12.84
2012	\$5.0M	380,777	\$13.13
2013	\$6.9M	209,973	\$32.69
2014	\$10.0M	284,284	\$35.18
2015/16	\$20.0M	561,926	\$35.59
2017/18*	\$30.0M	652,067	\$46.01

\* Through May 17, 2018



# SMP Cash Utilization



## Uses of Cash:

	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Invest for Growth</b> (Capex + M&A)	100%	74%	89%	79%	59%	70%	35%	85%	43%
<b>Return to Investors</b> (Buybacks + Dividends)	0%	26%	11%	21%	41%	30%	65%	15%	57%



# March 2018 YTD Results

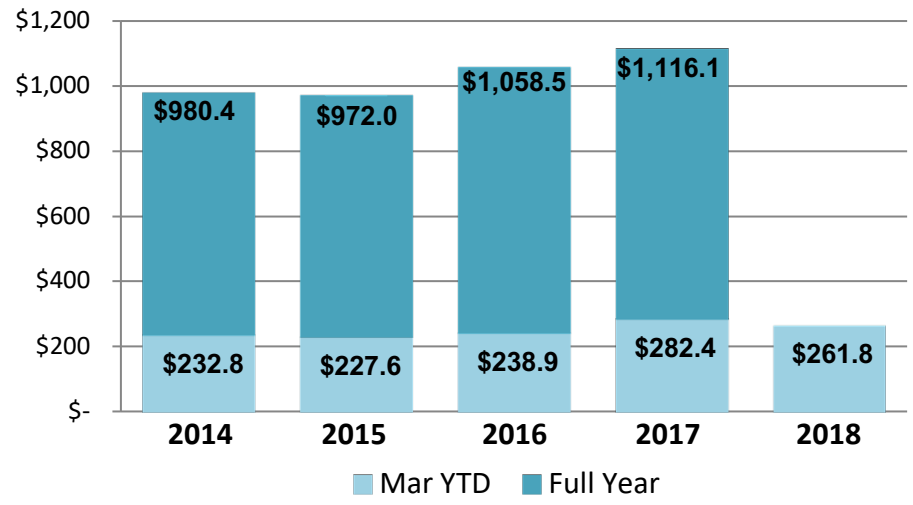




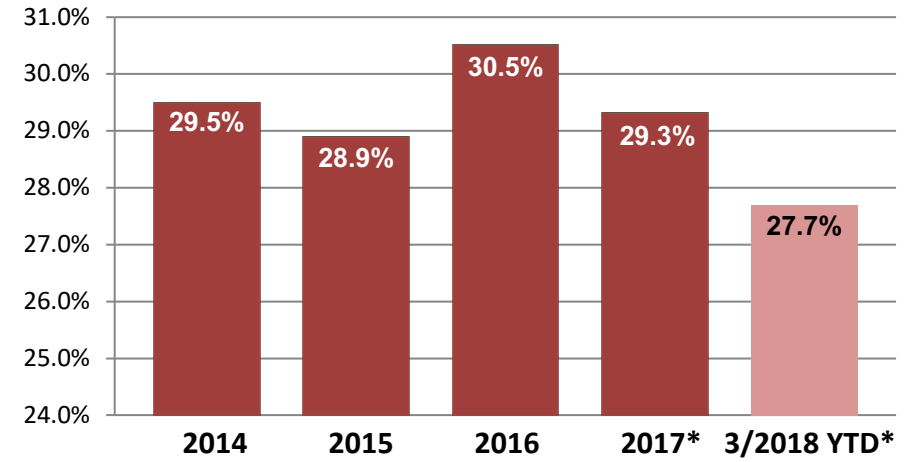
# 5 Year Performance Measures



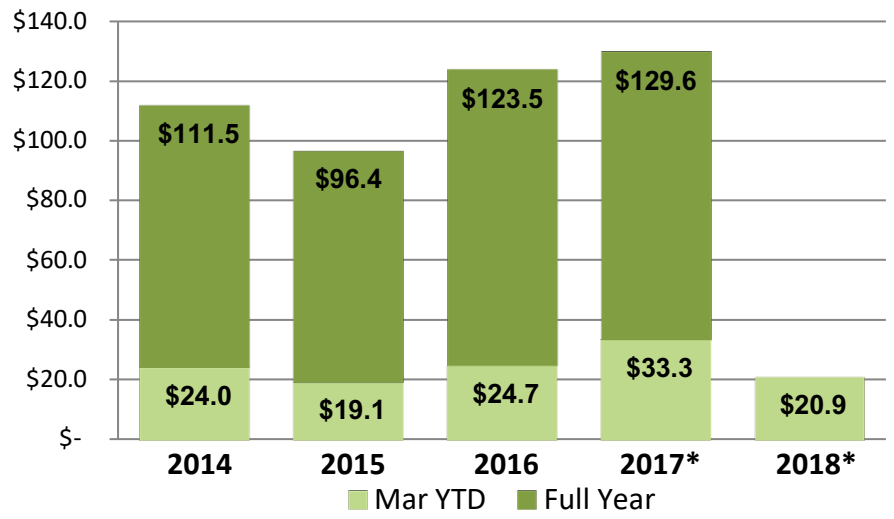
## Consolidated Net Sales (\$M)



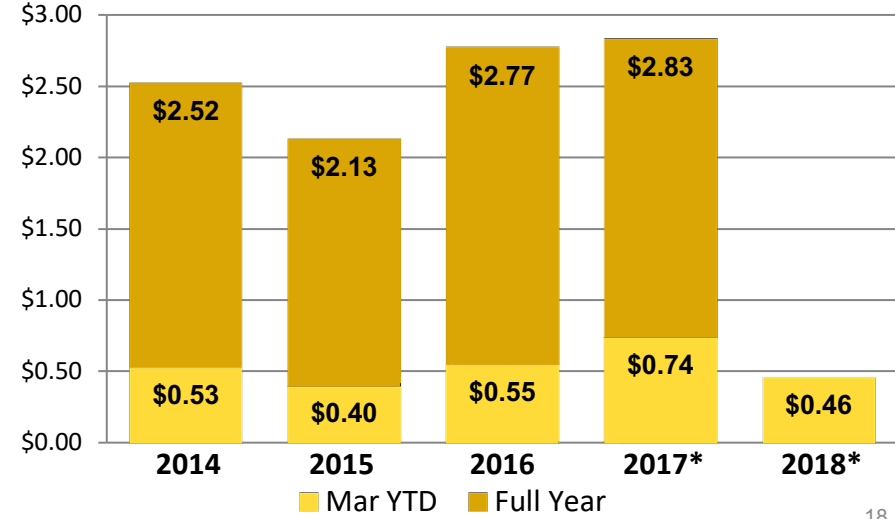
## Gross Margin



## EBITDA (w/o Special Items) (\$M)



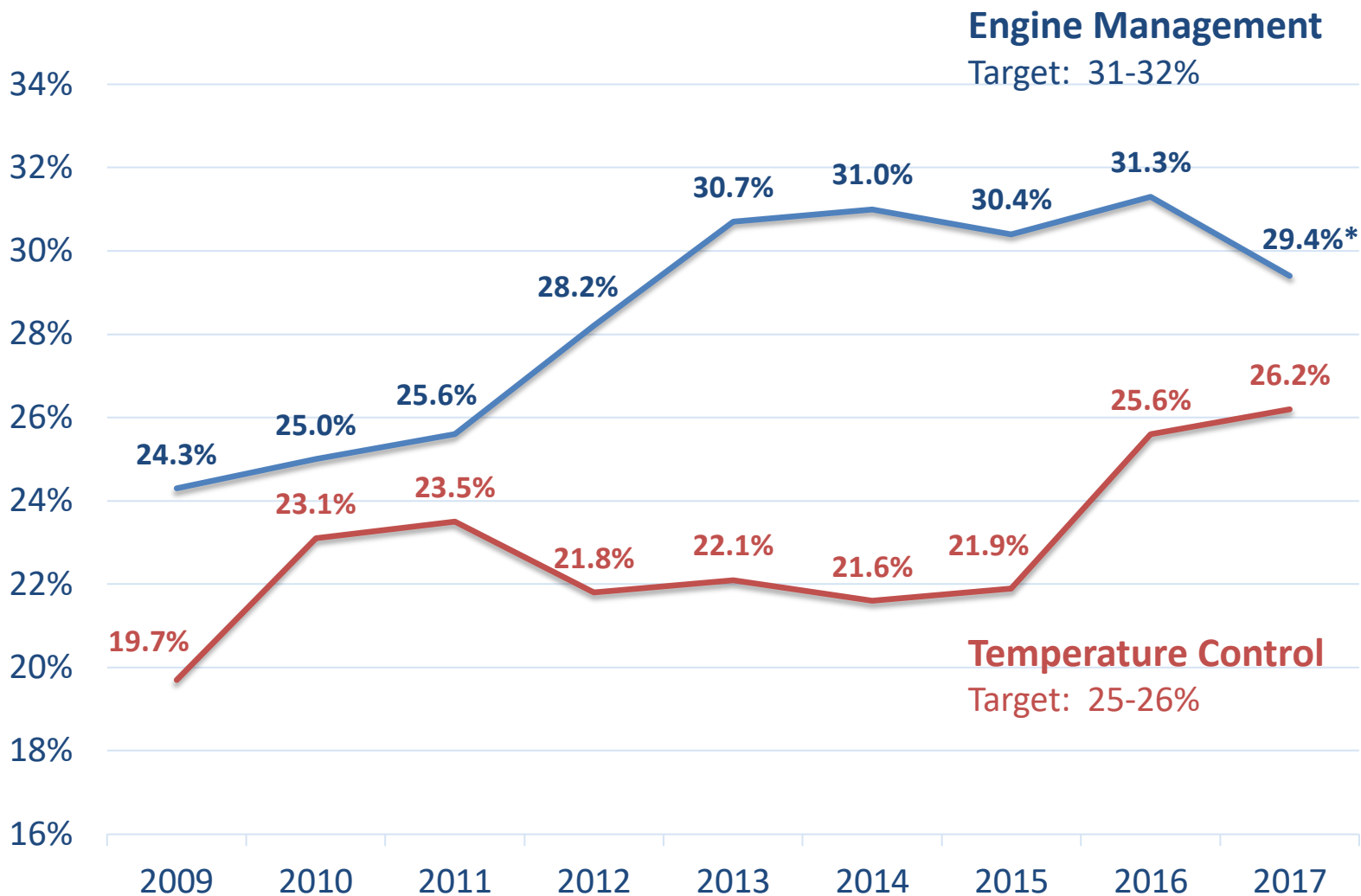
## Diluted EPS (w/o Special Items)



\* Due to one-time acquisition integration costs



# Substantial Gross Margin Improvement



\* Due to one-time acquisition integration costs



# Q1 2018 Income Statement Non-GAAP

(\$ in millions)

	<u>Q1 2018</u>		<u>Q1 2017</u>	
	<u>Amount</u>	<u>% of Sales</u>	<u>Amount</u>	<u>% of Sales</u>
Net Sales	\$ 261.8	100.0%	\$ 282.4	100.0%
Gross Profit	72.6	27.7%	84.1	29.8%
SG&A Expenses	57.7	22.0%	57.4	20.3%
Operating Profit	14.9	5.7%	26.7	9.5%
Other Income/(Loss)	(0.0)		0.9	
Interest Expense	0.6		0.5	
Income Taxes	3.7		10.0	
Earnings from Continuing Ops.	<u>\$ 10.5</u>		<u>\$ 17.1</u>	
Diluted Earnings Per Share: Continuing Operations	<u>\$ 0.46</u>		<u>\$ 0.74</u>	
<i>Diluted Shares (000's)</i>	22,967		23,314	



# Condensed Balance Sheet



Actual Q1 2018, Q1 2017 (\$ in millions)

	Dollars		Ratios	
	2018	2017	2018	2017
Cash and Equivalents	\$ 26.2	\$ 15.6		
Accounts Receivable/DSO	160.6	180.2	51	53
Inventory/Turns	329.8	331.8	2.3	2.5
Unreturned Customer Inventory	18.7	-		
Other Assets	310.9	301.8		
<b>Total Assets</b>	<b>\$ 846.2</b>	<b>\$ 829.4</b>		
Current Liabilities	\$ 242.6	\$ 245.8		
Total Debt/Debt to Cap Ratio	95.9	82.2	17.3%	15.2%
Other Liabilities	48.1	43.8		
<b>Total Liabilities</b>	<b>\$ 386.7</b>	<b>\$ 371.8</b>		
Equity/Debt to Equity Ratio	459.5	457.6	0.21	0.18
<b>Total Liabilities and Equity</b>	<b>\$ 846.2</b>	<b>\$ 829.4</b>		



# Condensed Statement of Cash Flows

(IN MILLIONS)

	March YTD		Full Year
	2018	2017	2017
NET INCOME	\$8.0	\$15.7	\$38.0
DEPRECIATION & AMORTIZATION	6.0	5.6	23.9
ACCOUNTS RECEIVABLE	(20.4)	(45.3)	(5.1)
INVENTORY	(3.4)	(19.3)	(13.9)
ACCOUNTS PAYABLE	10.7	13.7	(7.2)
OTHER OPERATING ACTIVITIES	(7.1)	2.8	28.9
<b>OPERATING CASH FLOW</b>	<b>(6.2)</b>	<b>(26.9)</b>	<b>64.6</b>
CAPITAL EXPENDITURES	(6.9)	(3.2)	(24.4)
ACQUISITIONS	(6.5)	0.0	(6.8)
NET BORROWINGS (PAYMENTS)	34.1	27.2	6.3
DIVIDENDS	(4.7)	(4.3)	(17.3)
REPURCHASE OF COMMON STOCK	(3.2)	(1.3)	(24.4)
OTHER CHANGES	2.3	4.3	(0.4)
<b>NET CHANGE IN CASH</b>	<b>\$ 8.9</b>	<b>\$ (4.2)</b>	<b>\$ (2.5)</b>
<b>FREE CASH FLOW</b>	<b>\$ (17.8)</b>	<b>\$ (34.5)</b>	<b>\$ 22.9</b>



# Reconciliation of GAAP and Non-GAAP Measures



(\$ in thousands, except per share amounts)

	THREE MONTHS MARCH 31,				
	2018	2017	2016	2015	2014
			(Unaudited)		
<b><u>EARNINGS FROM CONTINUING OPERATIONS</u></b>					
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 8,597</b>	<b>\$ 16,367</b>	<b>\$ 12,656</b>	<b>\$ 9,339</b>	<b>\$ 12,407</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	2,836	1,547	241	57	171
GAIN FROM SALE OF BUILDINGS	(218)	(262)	(262)	(262)	(262)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(681)	(514)	9	82	37
<b>NON-GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 10,534</b>	<b>\$ 17,138</b>	<b>\$ 12,644</b>	<b>\$ 9,216</b>	<b>\$ 12,353</b>
<b><u>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</u></b>					
<b>GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>\$ 0.37</b>	<b>\$ 0.70</b>	<b>\$ 0.55</b>	<b>\$ 0.40</b>	<b>\$ 0.53</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	0.12	0.07	0.01	-	0.01
GAIN FROM SALE OF BUILDINGS	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(0.02)	(0.02)	-	0.01	-
<b>NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>\$ 0.46</b>	<b>\$ 0.74</b>	<b>\$ 0.55</b>	<b>\$ 0.40</b>	<b>\$ 0.53</b>

MANAGEMENT BELIEVES THAT EARNINGS FROM CONTINUING OPERATIONS AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS, 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.



# Reconciliation of GAAP and Non-GAAP Measures (cont'd)



(\$ in thousands)

	THREE MONTHS MARCH 31,				
	2018	2017	2016 (Unaudited)	2015	2014
<b>EBITDA WITHOUT SPECIAL ITEMS</b>					
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES</b>	<b>\$ 11,644</b>	<b>\$ 25,874</b>	<b>\$ 20,041</b>	<b>\$ 14,640</b>	<b>\$ 19,684</b>
DEPRECIATION & AMORTIZATION	6,016	5,631	4,373	4,288	4,084
INTEREST EXPENSE	632	468	311	426	308
<b>EBITDA</b>	<b>18,292</b>	<b>31,973</b>	<b>24,725</b>	<b>19,354</b>	<b>24,076</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	2,836	1,547	241	57	171
GAIN FROM SALE OF BUILDINGS	(218)	(262)	(262)	(262)	(262)
<b>SPECIAL ITEMS</b>	<b>2,618</b>	<b>1,285</b>	<b>(21)</b>	<b>(205)</b>	<b>(91)</b>
<b>EBITDA WITHOUT SPECIAL ITEMS</b>	<b>\$ 20,910</b>	<b>\$ 33,258</b>	<b>\$ 24,704</b>	<b>\$ 19,149</b>	<b>\$ 23,985</b>
<b>TOTAL DEBT</b>	<b>\$ 95,922</b>	<b>\$ 82,200</b>	<b>\$ 49,656</b>	<b>\$ 71,761</b>	<b>\$ 33,066</b>
<b>DEBT TO EBITDA RATIO (TTM)</b>	<b>0.8:1</b>	<b>0.6:1</b>	<b>0.5:1</b>	<b>0.7:1</b>	<b>0.3:1</b>

MANAGEMENT BELIEVES THAT EBITDA WITHOUT SPECIAL ITEMS, WHICH IS A NON-GAAP MEASUREMENT, IS MEANINGFUL TO INVESTORS BECAUSE IT PROVIDES 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.



# Questions?

