

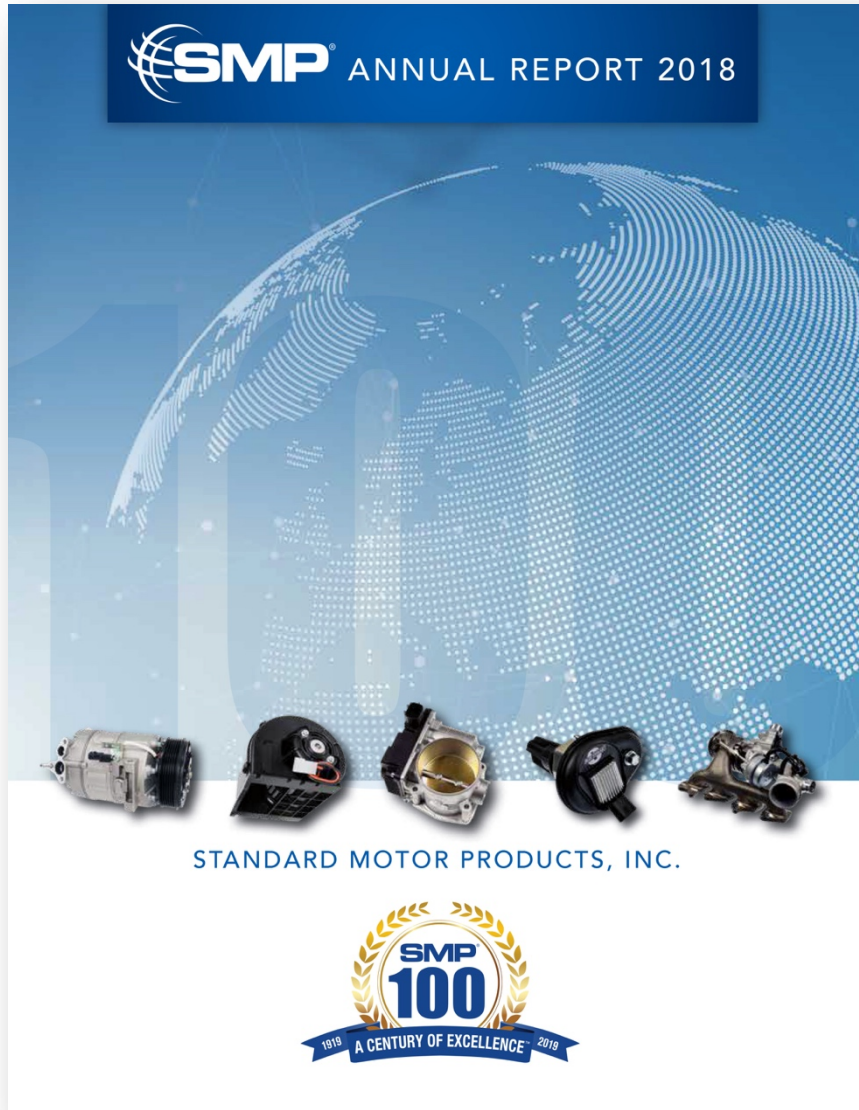
# Standard Motor Products, Inc.

## Q2 2019 Investor Presentation





# 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. 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



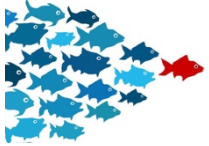


# Why Invest in SMP?

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Longstanding business led by experienced management team



Leader in engine management and temp control aftermarket



Significant share of stable industry with positive outlook



Proven strategy for long-term outperformance



Superior shareholder returns



Financial results demonstrate success



# SMP Snapshot

## 100 Years in Business

- Founded 1919
- \$1.1 Billion 2018 Sales
- 4,400 Employees Worldwide



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



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



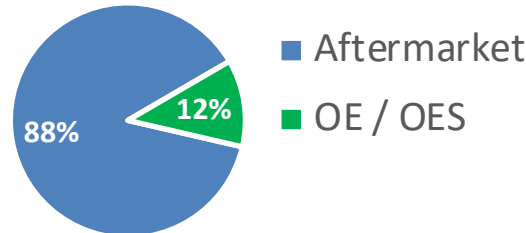
**JAMES J. BURKE**  
Chief Operating  
Officer



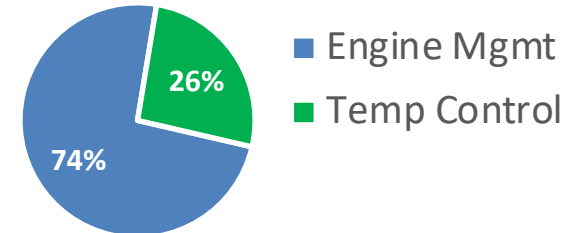
**DALE BURKS**  
EVP and Chief  
Commercial Officer

## 2018 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



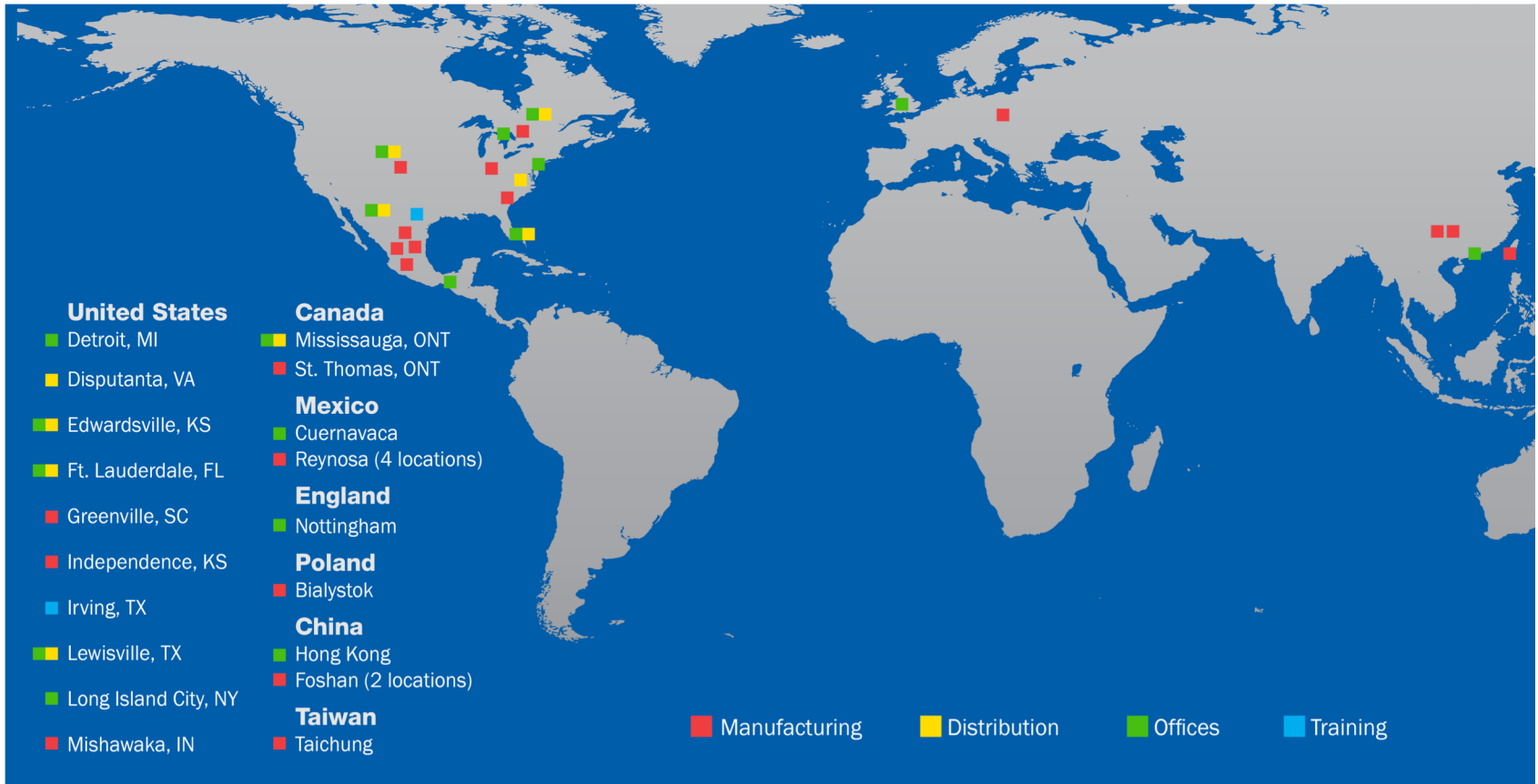
## Significant Supplier to All Major Distributors





# SMP Facilities – Worldwide

## Global Footprint



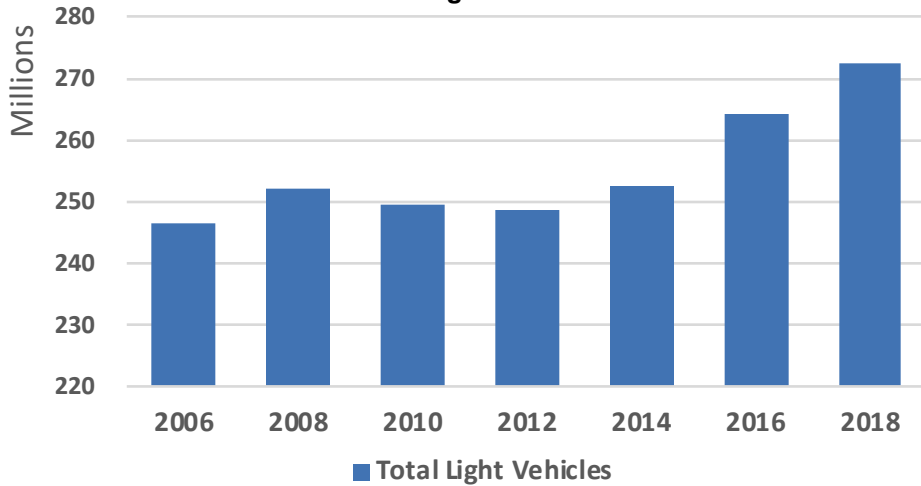
3 Million sq. ft. • 12 Manufacturing Plants • 5 Distribution Centers • 9 Offices



# Favorable Industry Trends

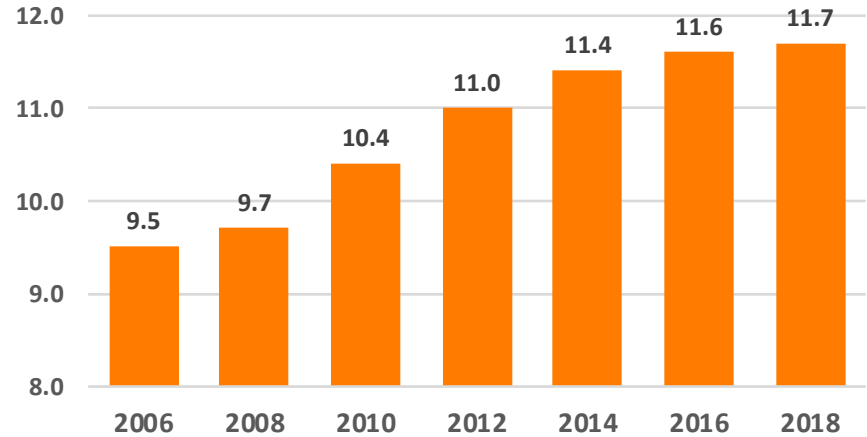
## Vehicle Population is increasing

U.S. Light Vehicle Parc



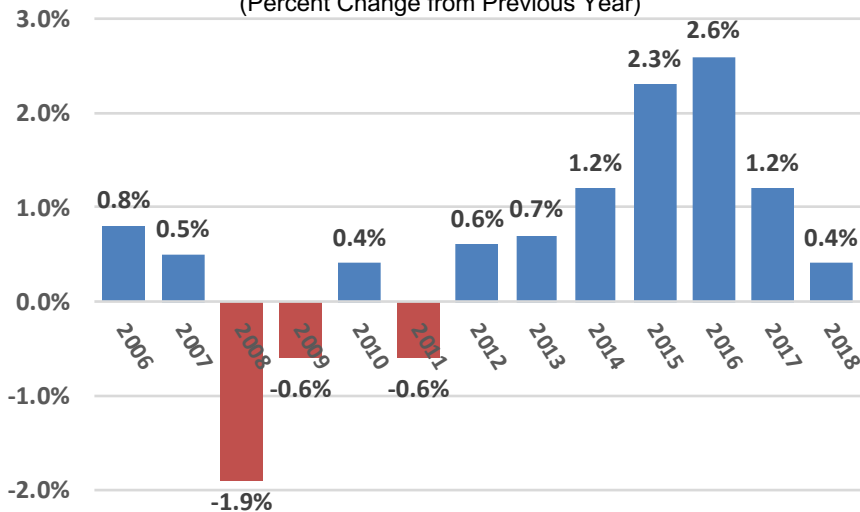
## Vehicle population continues to age

Average Age of Cars and Light Trucks

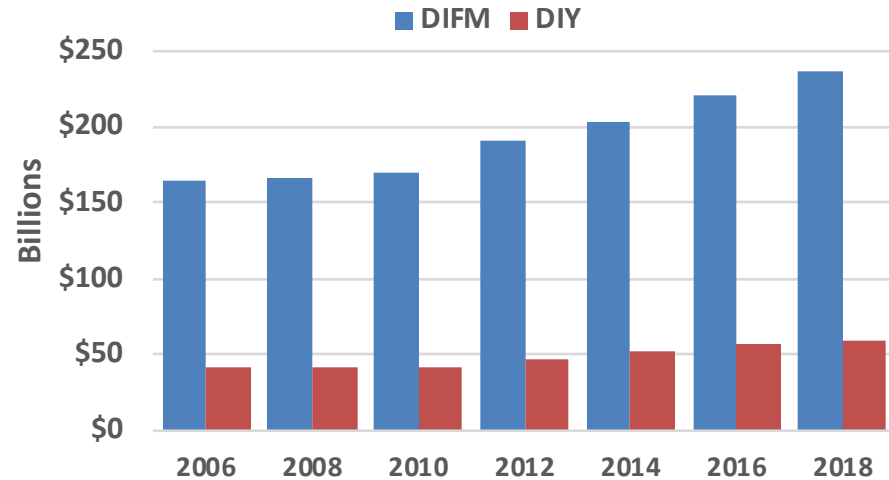


## Miles Driven is Increasing

Annual Miles Driven, 2006-2018  
(Percent Change from Previous Year)



## DIFM Revenue Continues to Grow





# 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**

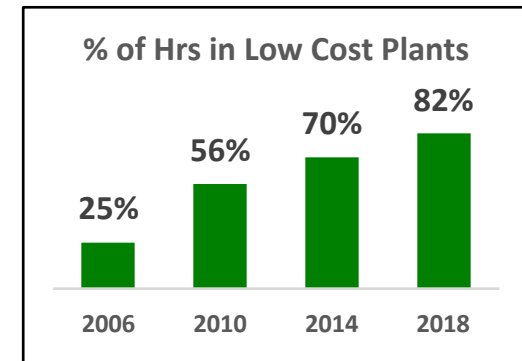
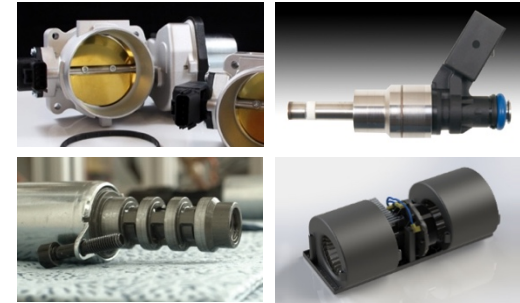
**World-Class  
Training**

**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
  - Integration of Pollak (2019)
- Low Cost Sourcing
  - Hong Kong Engineering & Sourcing Office
  - Rigorous U.S. product qualification



## Committed to Growing Technology Categories

- Electronic Throttle Bodies (ETB) – Basic manufacturing in Reynosa
- EGT / ETS (Exhaust Gas Temperature) – Manufactured in Bialystok
- Anti-lock Brake (ABS) Sensors – 4 per vehicle; 2400+ SKUs
- TPMS – NSF registered, an aftermarket exclusive
- Evaporative Emissions Components (EVAP) – 1,000+ SKUs
- ADAS Components – Market leader in ADAS
- Interior Switches – 10,000 engine, multi-function, & driver-operated switches
- Brushless Motors (BLDC) – Modular electronics adaptable to various models
- Thermostat Assemblies and Housings – improved design over the OE
- Water Outlets – Industry leading catalog and coverage
- Blend Door Actuators – Multiple functionality with up to six per vehicle



## Strategic Acquisitions

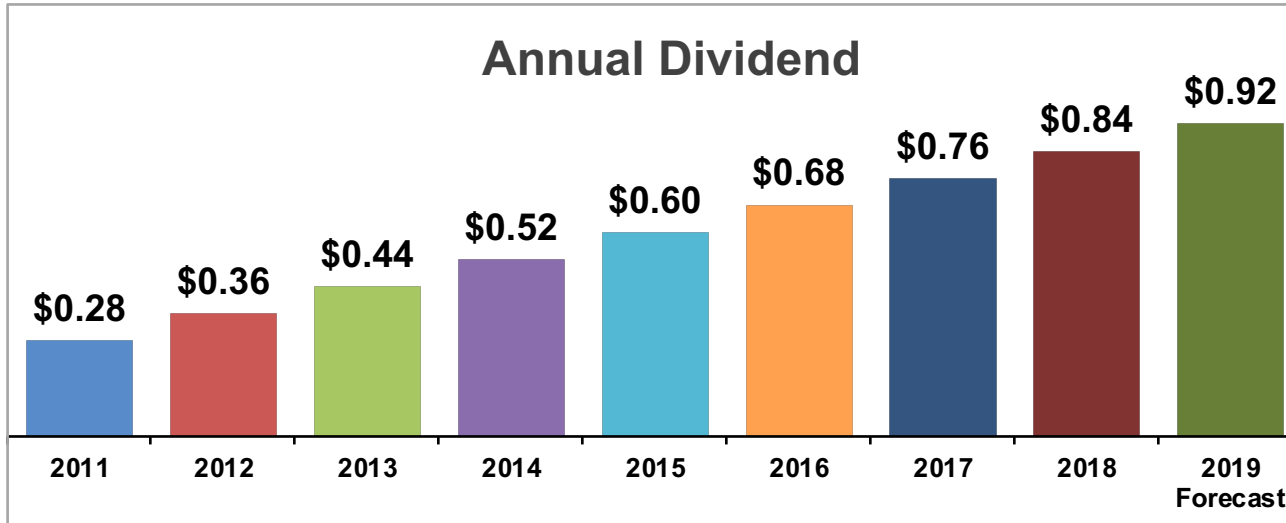
- Eleven Acquisitions in Recent Years
- Primary Focus
  - Bolt-on: acquire competitors
  - Vertical integration: acquire suppliers
  - New but related business
- Rationale
  - Demonstrable synergies with minimal risk
  - Contributes to other strategic objectives
    - Growth and diversification / OES and Heavy Duty
    - 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



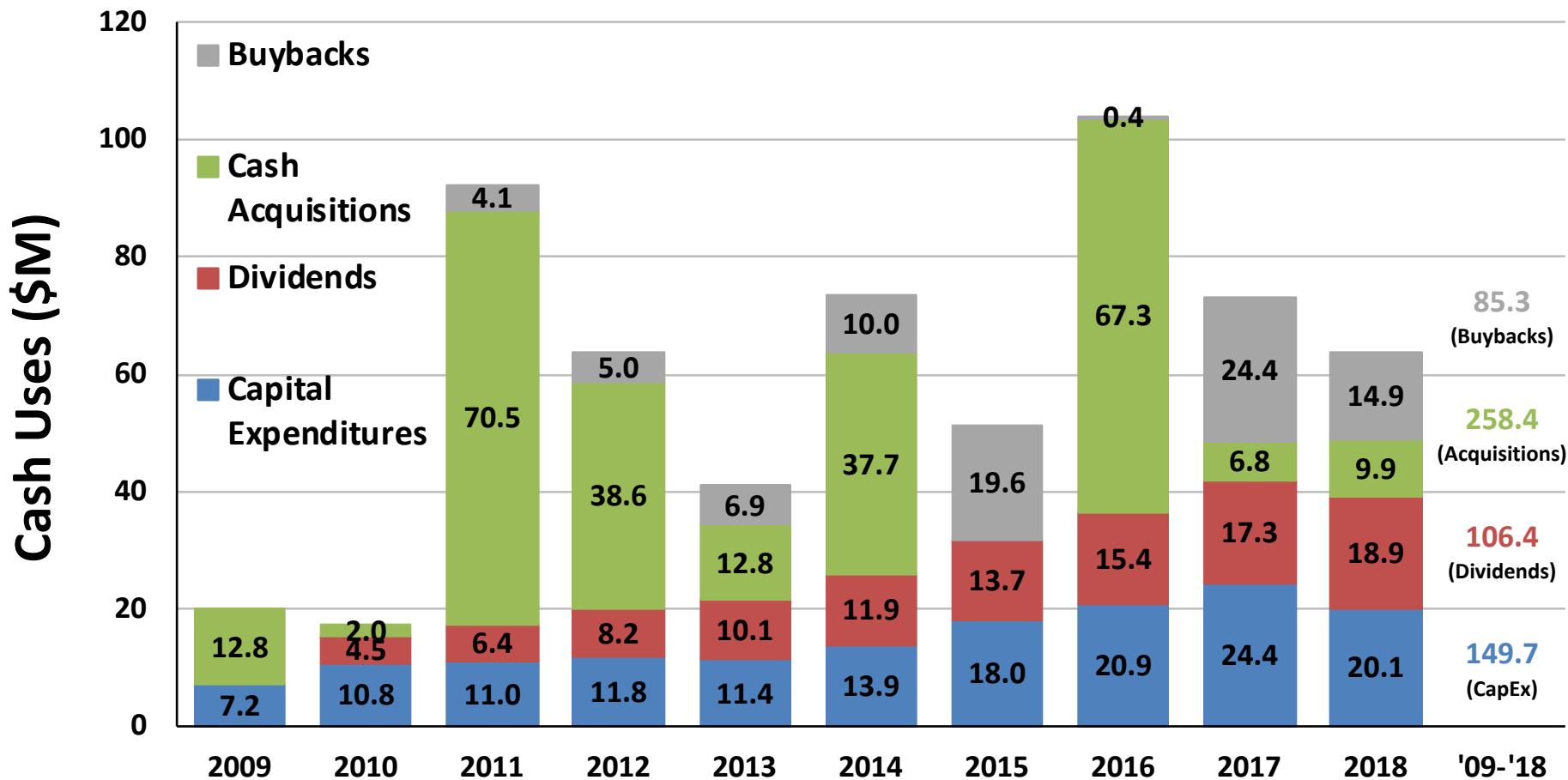
2019 Note: \$0.92 based on quarterly dividend of \$0.23 announced Feb 2019

## 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	\$39.3M	853,551	\$46.00
6/30/19 YTD	<u>\$10.7M</u>	<u>221,748</u>	\$48.43
2011 – 6/30/19	\$96.0M	2,834,509	



# SMP Cash Utilization



<b>Total Cash Usage</b>	<b>20.0</b>	<b>17.3</b>	<b>92.0</b>	<b>63.6</b>	<b>41.2</b>	<b>73.5</b>	<b>51.3</b>	<b>104.0</b>	<b>72.9</b>	<b>63.8</b>	<b>599.8</b>
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Uses of Cash:											
Invest for Growth (Capex + M&A)	100%	74%	89%	79%	59%	70%	35%	85%	43%	47%	68%
Return to Investors (Buybacks + Dividends)	0%	26%	11%	21%	41%	30%	65%	15%	57%	53%	32%



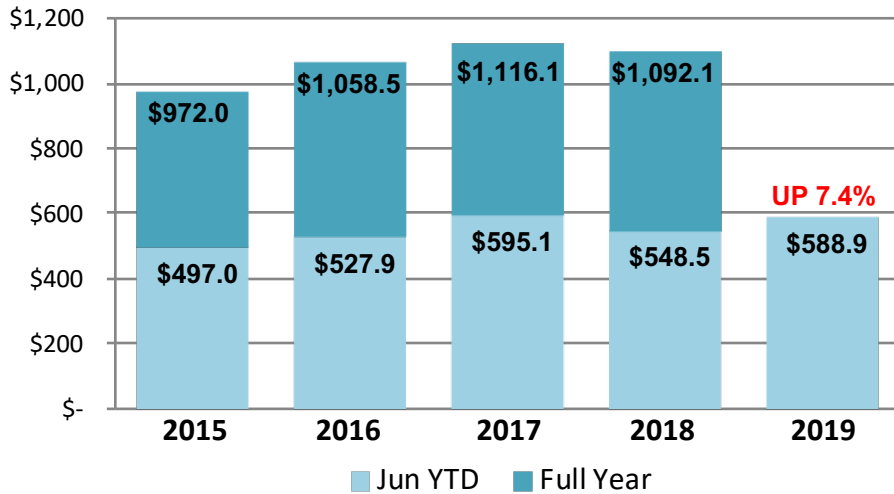
# June 2019 YTD Results



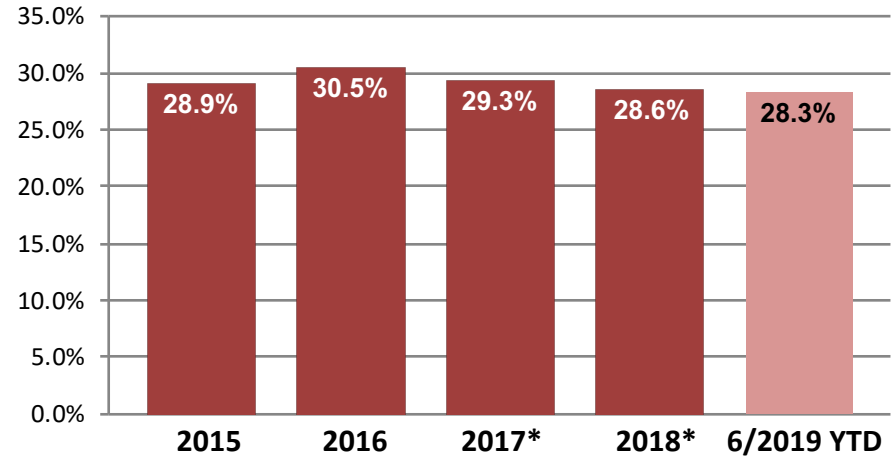


# Year-Over-Year Performance Measures

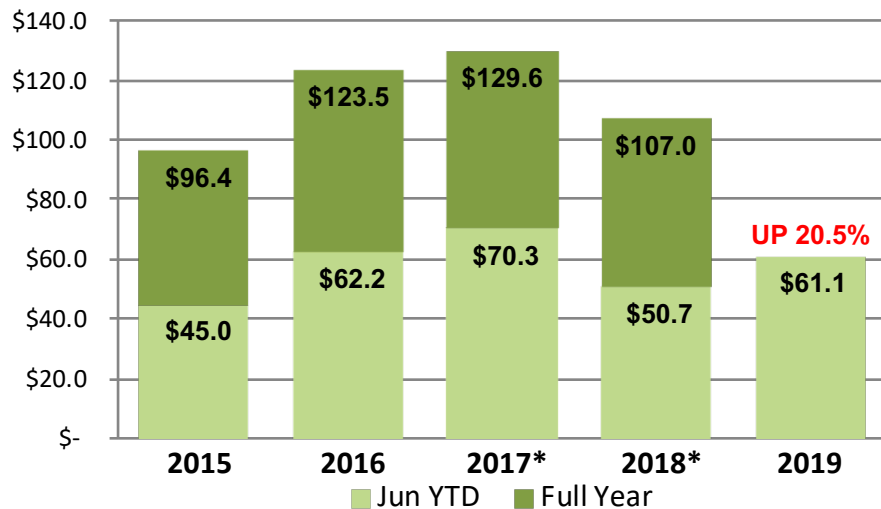
## Consolidated Net Sales (\$M)



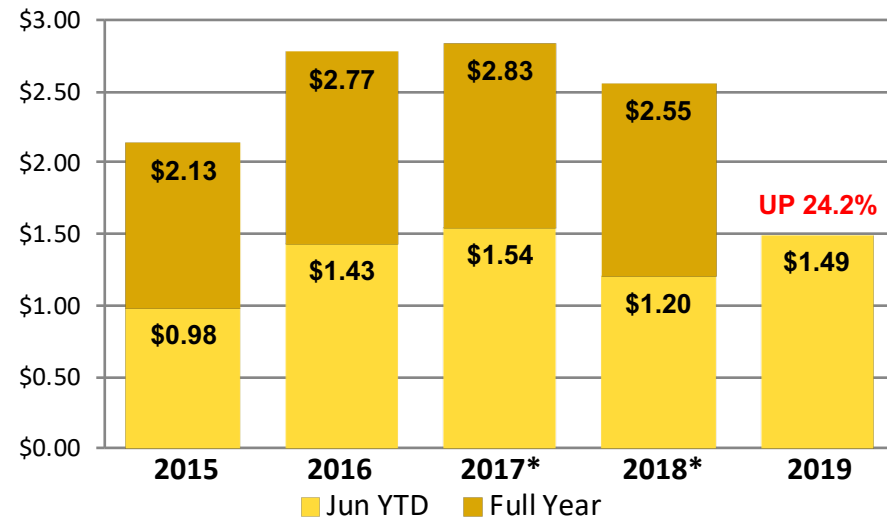
## Gross Margin



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



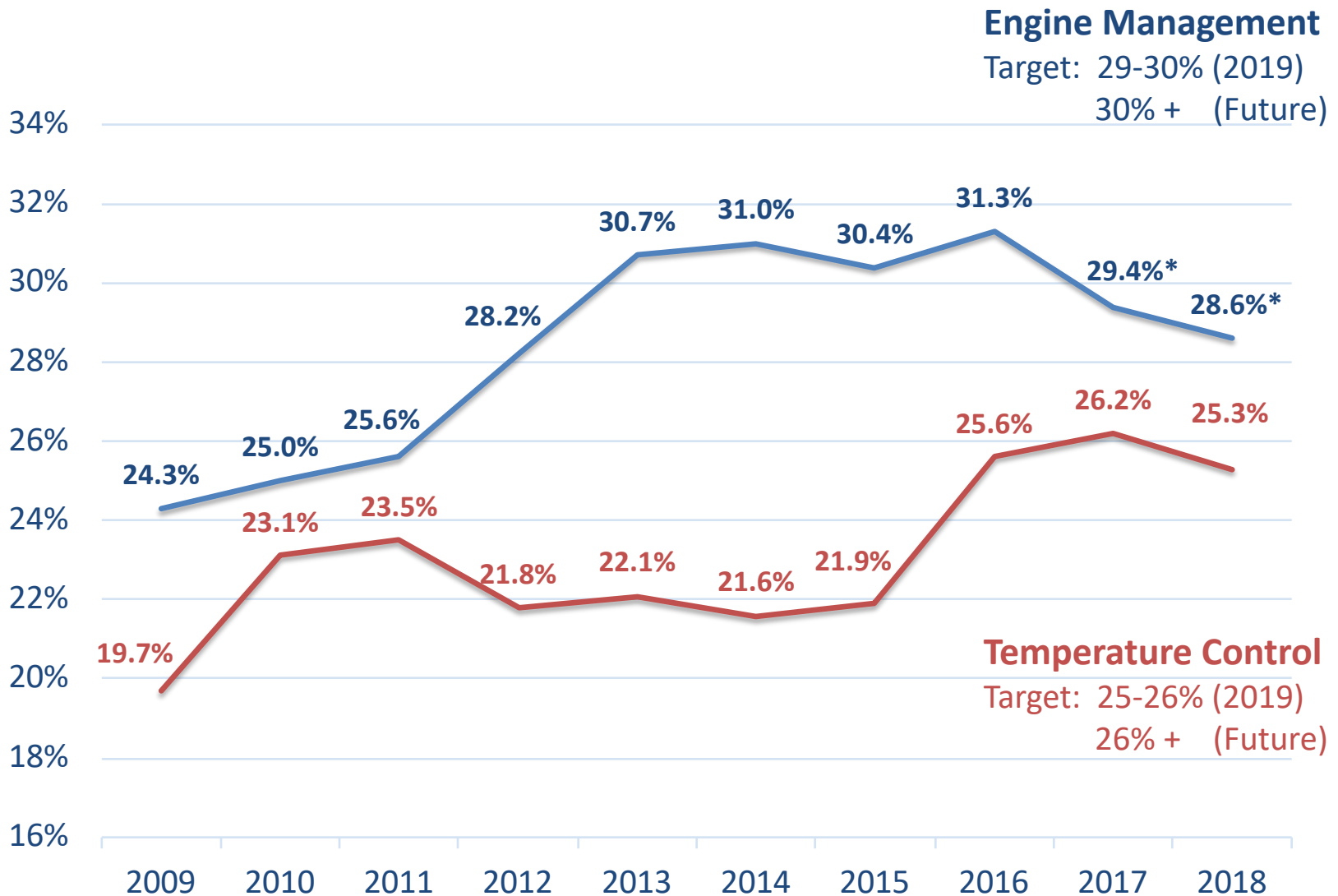
## Diluted EPS (w/o Special Items)



\* Includes Wire Integration Costs Incurred From Nogales to Reynosa Move



# Substantial Gross Margin Improvement



\* Includes Wire Integration Costs Incurred From Nogales to Reynosa Move



# Income Statement Non-GAAP

(\$ in millions)

	<u>June 2019 YTD</u>		<u>June 2018 YTD</u>	
	<u>Amount</u>	<u>% of Sales</u>	<u>Amount</u>	<u>% of Sales</u>
Net Sales	\$ 588.9	100.0%	\$ 548.5	100.0%
Gross Profit	166.9	28.3%	153.9	28.1%
SG&A Expenses	120.6	20.4%	115.5	21.1%
Operating Profit	46.3	7.9%	38.4	7.0%
Other Income/(Loss)	2.1		0.5	
Interest Expense	2.8		1.9	
Income Taxes	11.5		9.5	
Earnings from Continuing Ops.	<u>\$ 34.1</u>		<u>\$ 27.5</u>	
Diluted Earnings Per Share: Continuing Operations	<u>\$ 1.49</u>		<u>\$ 1.20</u>	
<i>Diluted Shares (000's)</i>	22,857		22,962	



# Condensed Balance Sheet

*Actual Q2 2019, Q2 2018 (\$ in millions)*

	Dollars		Ratios	
	2019	2018	2019	2018
Cash and Equivalents	\$ 17.4	\$ 18.6		
Accounts Receivable/DSO	179.4	173.9	51	54
Inventory/Turns	375.3	331.5	2.3	2.3
Unreturned Customer Inventory	18.7	18.2		
Other Assets	378.7	309.7		
<b>Total Assets</b>	<b>\$ 969.5</b>	<b>\$ 851.9</b>		
Current Liabilities	\$ 258.9	\$ 248.0		
Total Debt/Debt to Cap Ratio	135.2	93.7	21.8%	16.8%
Other Liabilities	90.1	47.8		
<b>Total Liabilities</b>	<b>\$ 484.2</b>	<b>\$ 389.5</b>		
Equity/Debt to Equity Ratio	485.3	462.4	0.28	0.20
<b>Total Liabilities and Equity</b>	<b>\$ 969.5</b>	<b>\$ 851.9</b>		

\* Jan 1, 2019 Added \$38M in Offsetting Operating Lease Right-Of-Use-Assets and Liabilities



# Condensed Statement of Cash Flows

(IN MILLIONS)	June YTD		Full Year
	2019	2018	2018
NET INCOME	\$31.6	\$23.9	\$43.0
DEPRECIATION & AMORTIZATION	12.7	11.7	24.1
ACCOUNTS RECEIVABLE	(26.6)	(34.5)	(13.7)
INVENTORY	(19.7)	(6.7)	(30.2)
ACCOUNTS PAYABLE	(7.0)	15.7	16.9
OTHER OPERATING ACTIVITIES	(10.5)	(5.9)	30.2
<b>OPERATING CASH FLOW</b>	<b>(19.5)</b>	<b>4.2</b>	<b>70.3</b>
CAPITAL EXPENDITURES	(7.6)	(11.3)	(20.1)
ACQUISITIONS	(38.4)	(8.6)	(9.9)
NET BORROWINGS (PAYMENTS)	86.0	32.3	(12.2)
DIVIDENDS	(10.3)	(9.4)	(18.9)
REPURCHASE OF COMMON STOCK	(10.7)	(7.6)	(14.9)
OTHER CHANGES	6.8	1.7	(0.5)
<b>NET CHANGE IN CASH</b>	<b>\$ 6.3</b>	<b>\$ 1.3</b>	<b>\$ (6.2)</b>
<b>FREE CASH FLOW</b>	<b>\$ (37.4)</b>	<b>\$ (16.6)</b>	<b>\$ 31.3</b>

# Appendix





# Reconciliation of GAAP and Non-GAAP Measures

(\$ in thousands, except per share amounts)

	SIX MONTHS ENDED JUNE 30,				
	2019	2018	2017	2016	2015
			(Unaudited)		
<b><u>EARNINGS FROM CONTINUING OPERATIONS</u></b>					
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 33,659</b>	<b>\$ 25,424</b>	<b>\$ 34,628</b>	<b>\$ 32,518</b>	<b>\$ 23,147</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	644	3,067	2,782	1,012	31
GAIN FROM SALE OF BUILDINGS	-	(218)	(524)	(524)	(524)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(168)	(741)	(903)	(196)	196
<b>NON-GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 34,135</b>	<b>\$ 27,532</b>	<b>\$ 35,983</b>	<b>\$ 32,810</b>	<b>\$ 22,850</b>
<b><u>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</u></b>					
<b>GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>\$ 1.47</b>	<b>\$ 1.11</b>	<b>\$ 1.48</b>	<b>\$ 1.41</b>	<b>\$ 1.00</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	0.03	0.13	0.12	0.04	-
GAIN FROM SALE OF BUILDINGS	-	(0.01)	(0.02)	(0.02)	(0.02)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(0.01)	(0.03)	(0.04)	-	-
<b>NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>\$ 1.49</b>	<b>\$ 1.20</b>	<b>\$ 1.54</b>	<b>\$ 1.43</b>	<b>\$ 0.98</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)

	SIX MONTHS ENDED JUNE 30,				
	2019	2018	2017 (Unaudited)	2016	2015
<b><u>EBITDA WITHOUT SPECIAL ITEMS</u></b>					
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES</b>	<b>\$ 44,931</b>	<b>\$ 34,223</b>	<b>\$ 55,561</b>	<b>\$ 51,756</b>	<b>\$ 36,020</b>
DEPRECIATION & AMORTIZATION	12,744	11,706	11,316	9,269	8,552
INTEREST EXPENSE	2,811	1,883	1,190	705	906
<b>EBITDA</b>	<b>60,486</b>	<b>47,812</b>	<b>68,067</b>	<b>61,730</b>	<b>45,478</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	644	3,067	2,782	1,012	31
GAIN FROM SALE OF BUILDINGS	-	(218)	(524)	(524)	(524)
<b>SPECIAL ITEMS</b>	<b>644</b>	<b>2,849</b>	<b>2,258</b>	<b>488</b>	<b>(493)</b>
<b>EBITDA WITHOUT SPECIAL ITEMS</b>	<b>\$ 61,130</b>	<b>\$ 50,661</b>	<b>\$ 70,325</b>	<b>\$ 62,218</b>	<b>\$ 44,985</b>
<b>TOTAL DEBT</b>	<b>\$ 135,238</b>	<b>\$ 93,731</b>	<b>\$ 79,093</b>	<b>\$ 100,180</b>	<b>\$ 53,054</b>
<b>DEBT TO EBITDA RATIO (TTM)</b>	<b>1.2:1</b>	<b>0.9:1</b>	<b>0.6:1</b>	<b>0.9:1</b>	<b>0.5:1</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.



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

(\$ in thousands, except per share amounts)

EARNINGS FROM CONTINUING OPERATIONS	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 20,555</b>	<b>\$ 16,827</b>	<b>\$ 33,659</b>	<b>\$ 25,424</b>
RESTRUCTURING AND INTEGRATION EXPENSES	644	231	644	3,067
GAIN FROM SALE OF BUILDINGS	-	-	-	(218)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(168)	(60)	(168)	(741)
<b>NON-GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 21,031</b>	<b>\$ 16,998</b>	<b>\$ 34,135</b>	<b>\$ 27,532</b>
<b>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>				
GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 0.90	\$ 0.73	\$ 1.47	\$ 1.11
RESTRUCTURING AND INTEGRATION EXPENSES	0.03	0.01	0.03	0.13
GAIN FROM SALE OF BUILDINGS	-	-	-	(0.01)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(0.01)	-	(0.01)	(0.03)
<b>NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>\$ 0.92</b>	<b>\$ 0.74</b>	<b>\$ 1.49</b>	<b>\$ 1.20</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.

# Thank You

