

Standard Motor Products, Inc.

Q4 2019 Investor Presentation

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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

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Why Invest in SMP?



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

101 Years in Business



- Founded 1919
- \$1.1 Billion 2019 Sales
- 4,200 Employees Worldwide



LAWRENCE I. SILLS
*Executive Chairman
Board of Directors*



ERIC P. SILLS
*Director, CEO
and President*



JAMES J. BURKE
*Chief Operating
Officer*



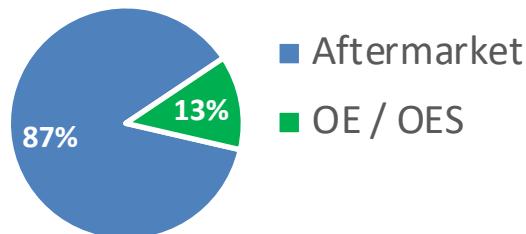
DALE BURKS
*EVP and Chief
Commercial Officer*



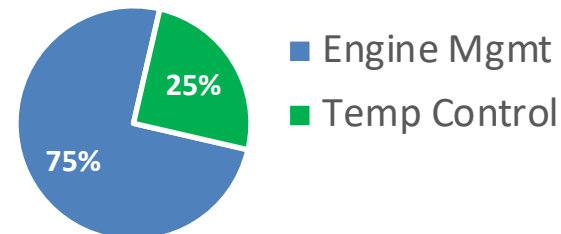
NATHAN ILES
*Chief Financial
Officer*

2019 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

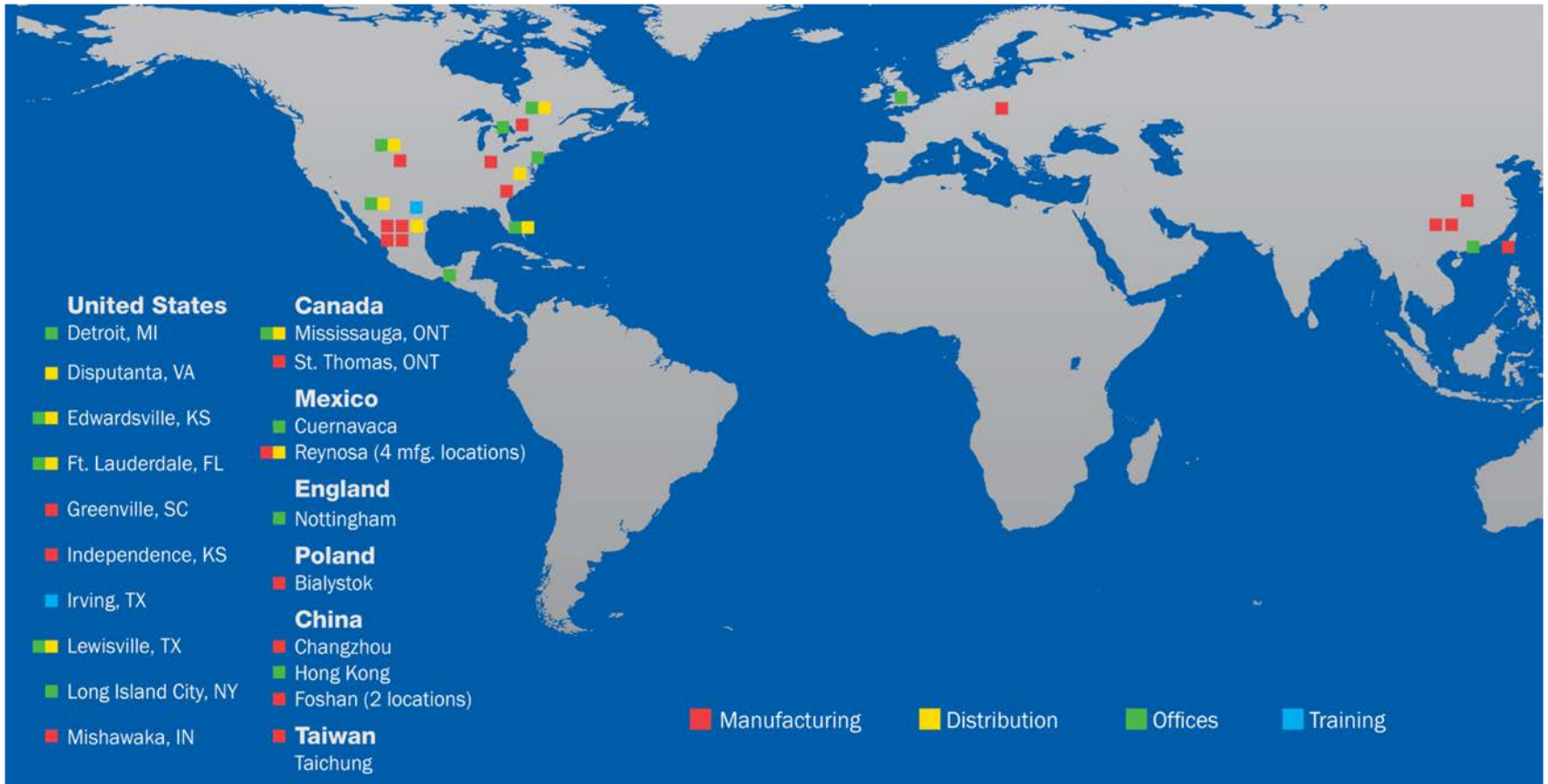
Professionally Recognized Brands



Significant Supplier to All Major Distributors



Global Footprint

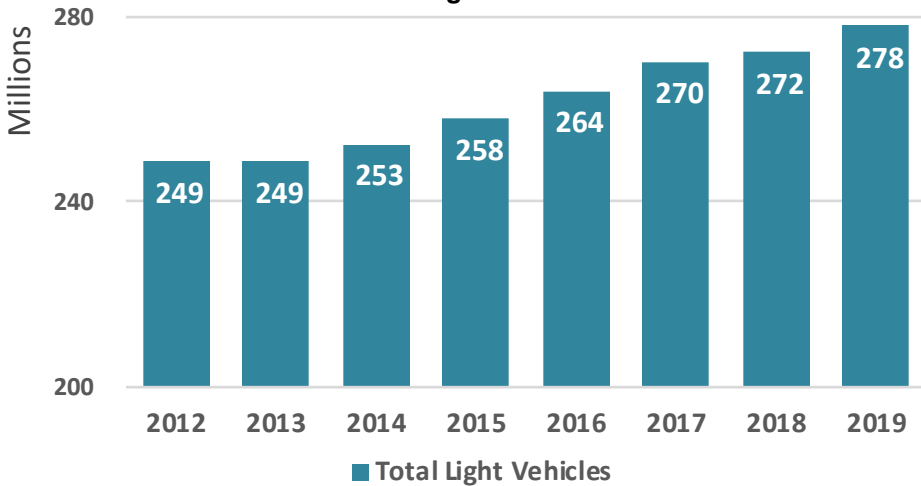


3 Million sq. ft. • 13 Manufacturing Plants • 6 Distribution Centers • 9 Offices

Favorable Industry Trends

Vehicle Population is increasing

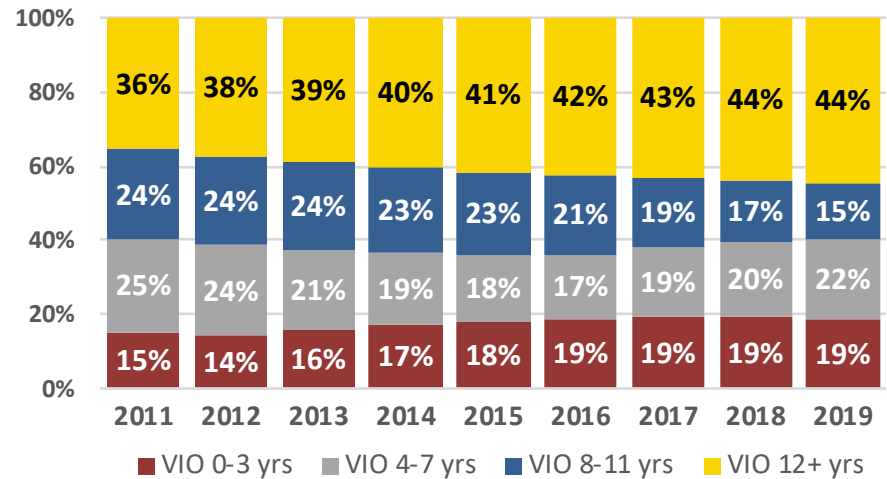
U.S. Light Vehicle Parc



Source: IHS Markit

12-Years+ vehicles continues to grow

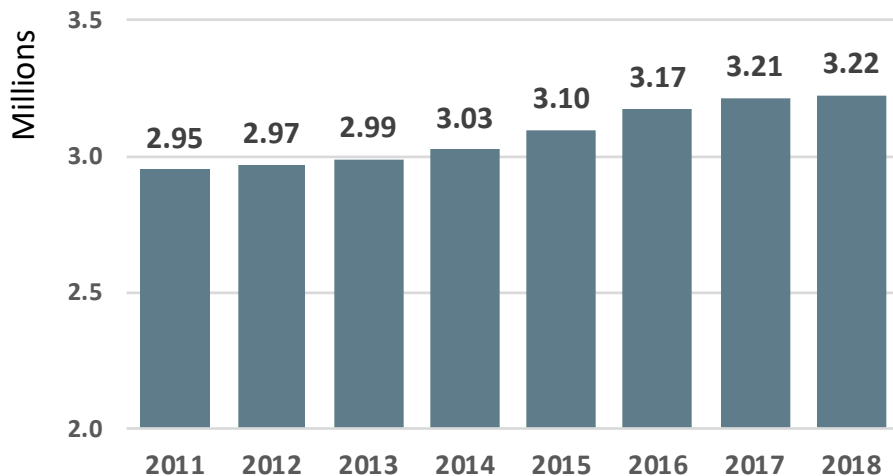
Age Mix of Vehicles – Year Range Categories



Source: IHS Markit

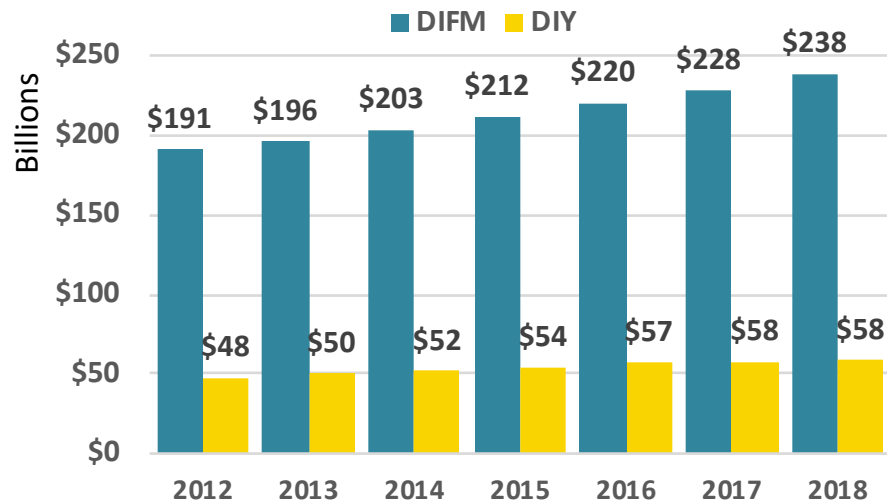
Miles Driven is Increasing

Annual Miles Driven, 2011-2018



Source: U.S. Department of Transportation / Federal Highway Administration

DIFM Revenue Continues to Grow



Source: Auto Care Association / Modern Tire Dealer

Strategy Overview

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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**

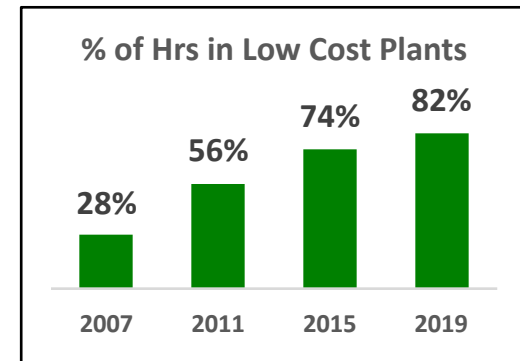
**Basic
Manufacturing**

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 (Gwo Yng, FGD, CYJ)
 - Integration of General Cable
 - Integration of Pollak (2019)

- Low Cost Sourcing
 - Hong Kong Engineering & Sourcing Office
 - Rigorous U.S. product qualification



Successful Growth Programs

Committed to Growing Technology Categories

- GDI High Pressure Pumps – First to manufacture in aftermarket
- ETB / ETB Kits – Gaskets Included, Manufactured in Mexico
- EVAP Components – Manufactured in Independence and Greenville
- Active Grill Shutters – Initial offering 12 units – CAPA Certified
- Battery Management – Battery Current Sensors 100+ SKUs / 35M VIO
- EGT / ETS – Manufactured in Bialystok
- Diesel Nitrogen Oxide (NOx) Sensors – High failure OE part
- ADAS Components – Market leader in ADAS, 30+ new categories targeted
- Accelerator Pedal Sensors – Manufacturing in Mexico
- Air Door Actuators – High OE-failure component, 300+ SKUs
- Brushless Motors (BLDC) – Modular electronics adaptable to various models
- Thermostat Assemblies and Housings – Improved design over the OE
- Water Outlets – Industry-leading coverage
- TCD Electric Compressors – for HEV and ICE vehicles



Successful Growth Programs

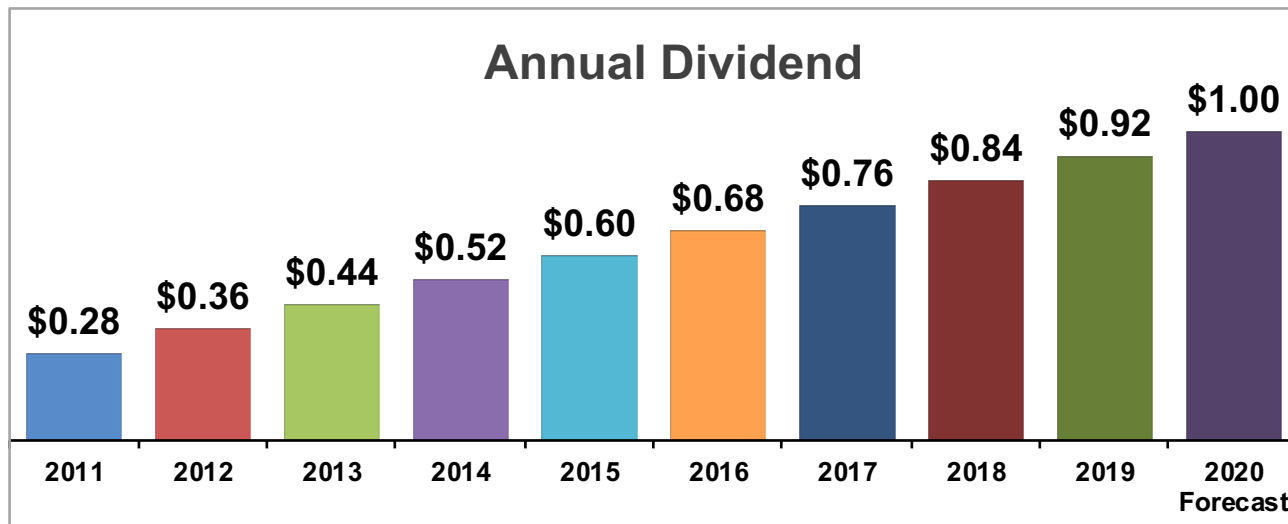
Strategic Acquisitions

- 12 Acquisitions in Recent Years
- Primary Focus
 - Bolt-on: acquire competitors
 - Vertical integration: acquire suppliers
 - New but related business
- Rationale
 - Provides enhanced value to our customers
 - Helps with Full-Line, Full-Service model
 - Rapid entry to new technologies
 - Economies of scale allows further investment
 - Helps address part complexity / SKU proliferation

		2011
		2012
		2013
		2014
		2014
		2016
		2017
		2019
		2019

Return to Shareholders

Dividend Increase

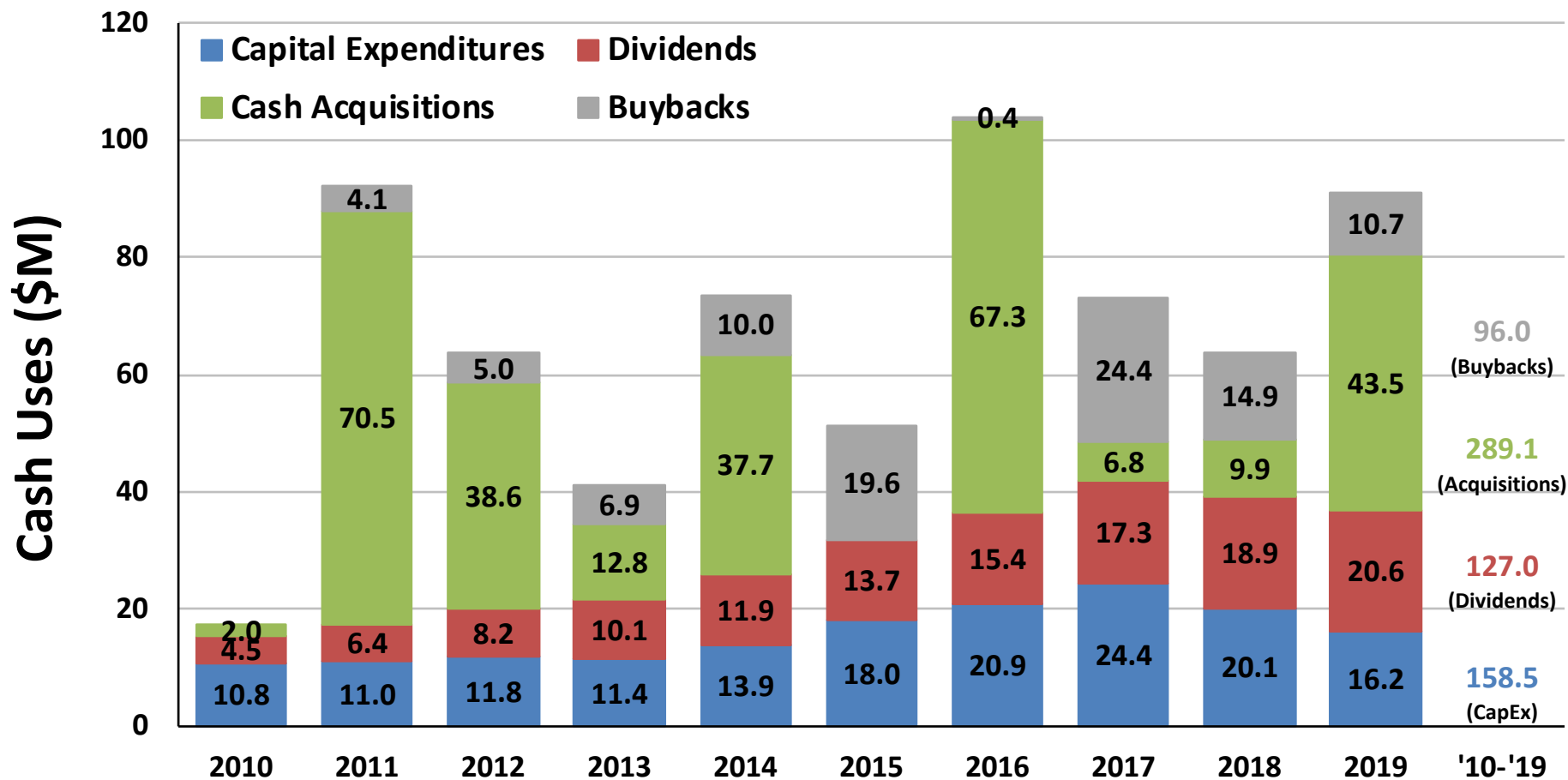


2020 Note: \$1.00 based on quarterly dividend of \$0.25 announced Feb 2020

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
2019	<u>\$10.7M</u>	<u>221,748</u>	\$48.43
2011 – 2019	\$96.0M	2,834,509	

SMP Cash Utilization



Total Cash Usage	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	'10-'19
	17.3	92.0	63.6	41.2	73.5	51.3	104.0	72.9	63.8	91.0	670.6

Uses of Cash:											
Invest for Growth (Capex + M&A)	74%	89%	79%	59%	70%	35%	85%	43%	47%	66%	67%
Return to Investors (Buybacks + Dividends)	26%	11%	21%	41%	30%	65%	15%	57%	53%	34%	33%

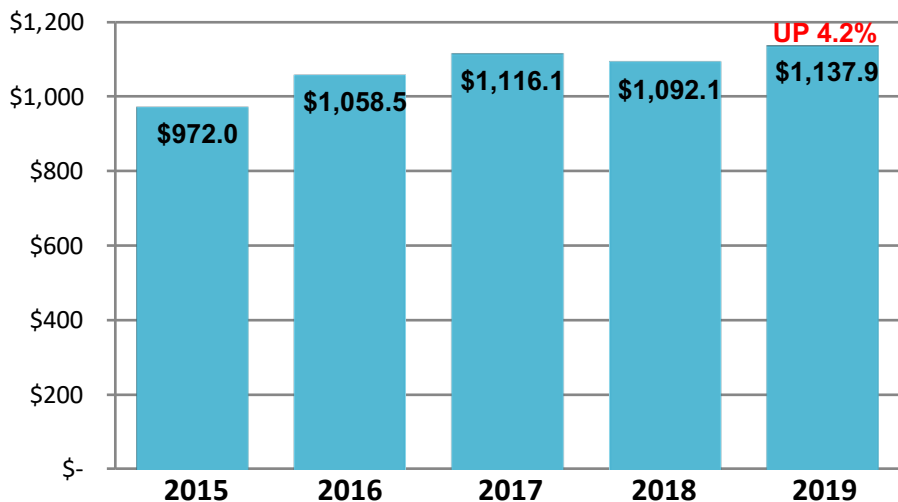
December 2019 YTD Results

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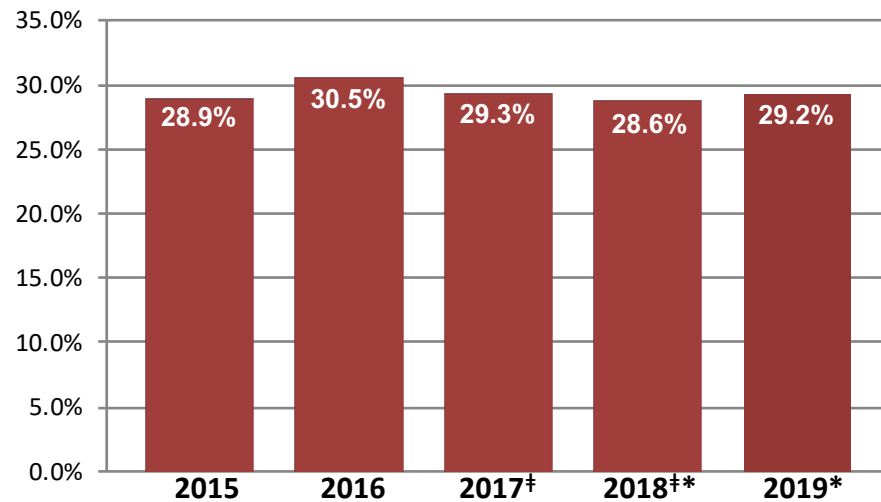


Year-Over-Year Performance Measures

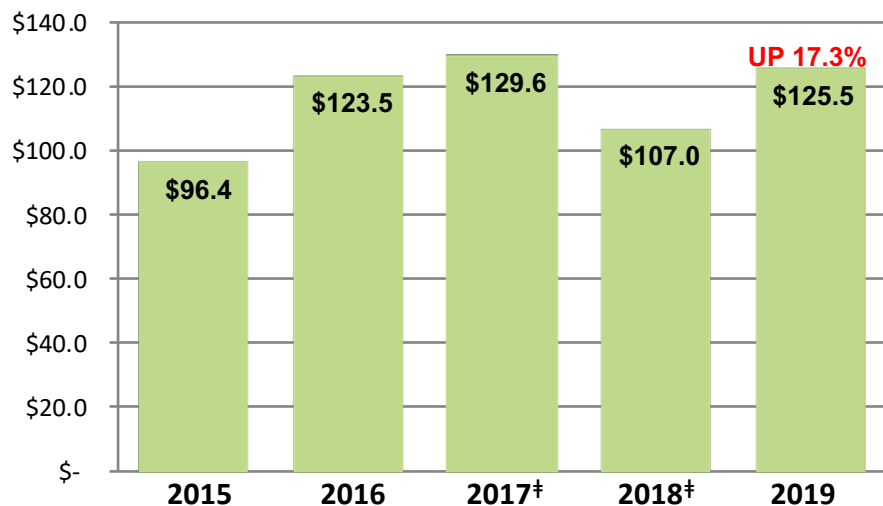
Consolidated Net Sales (\$M)



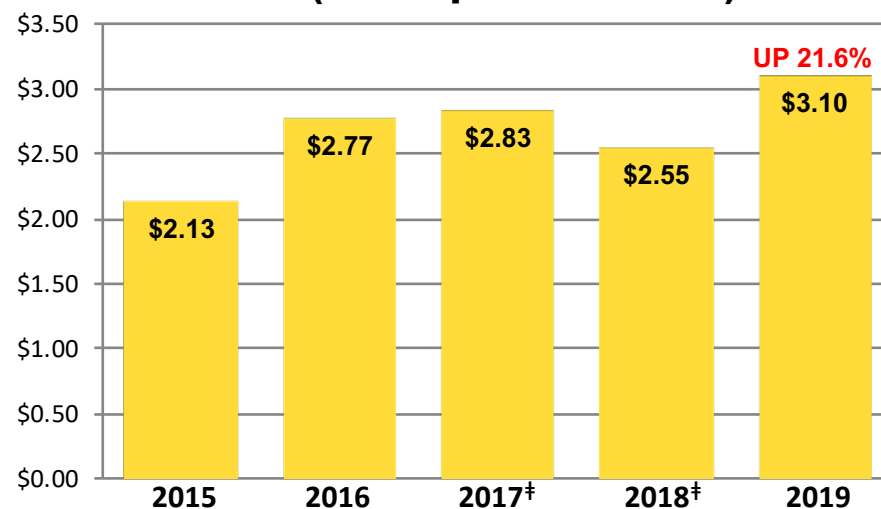
Gross Margin



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



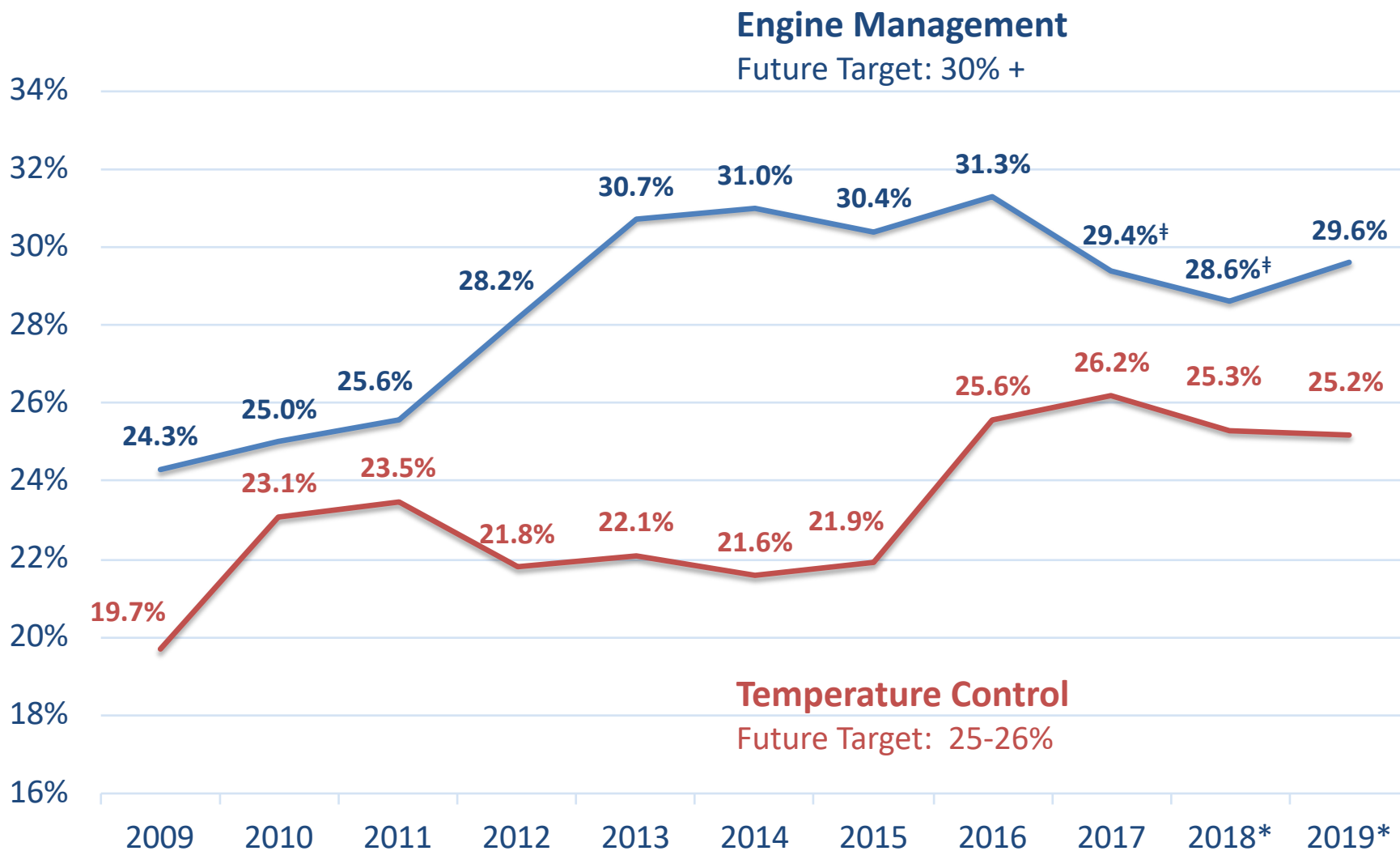
Diluted EPS (w/o Special Items)



† Includes Wire Integration Costs Incurred From Nogales to Reynosa Move

* Includes Slight Dampening Effect on Margins as a Result of Tariffs

Substantial Gross Margin Improvement



‡ Includes Wire Integration Costs Incurred From Nogales to Reynosa Move

* Includes Slight Dampening Effect on Margins as a Result of Tariffs

Income Statement Non-GAAP

(\$ in millions)

	<u>December 2019 YTD</u>		<u>December 2018 YTD</u>	
	<u>Amount</u>	<u>% of Sales</u>	<u>Amount</u>	<u>% of Sales</u>
Net Sales	\$ 1,137.9	100.0%	\$ 1,092.1	100.0%
Gross Profit	331.8	29.2%	312.8	28.6%
SG&A Expenses	234.7	20.5%	231.3	21.2%
Operating Profit	97.1	8.5%	81.5	7.5%
Other Income/(Loss)	2.6		1.4	
Interest Expense	5.3		4.0	
Income Taxes	23.6		20.4	
Earnings from Continuing Ops.	<u>\$ 70.8</u>		<u>\$ 58.5</u>	
Diluted Earnings Per Share: Continuing Operations	<u>\$ 3.10</u>		<u>\$ 2.55</u>	
<i>Diluted Shares (000's)</i>	22,818		22,932	

Condensed Balance Sheet

Actual Q4 2019, Q4 2018 (\$ in millions)

	Dollars		Ratios	
	2019	2018	2019	2018
Cash and Equivalents	\$ 10.4	\$ 11.1		
Accounts Receivable/DSO	135.5	157.5	51	57
Inventory/Turns	368.2	349.8	2.2	2.4
Unreturned Customer Inventory	19.7	20.5		
Other Assets	378.9	304.2		
Total Assets	\$ 912.7	\$ 843.1		
Current Liabilities	\$ 252.5	\$ 263.5		
Total Debt/Debt to Cap Ratio	57.0	49.2	10.2%	9.5%
Other Liabilities	99.0	63.2		
Total Liabilities	\$ 408.5	\$ 375.9		
Equity/Debt to Equity Ratio	504.2	467.2	0.11	0.11
Total Liabilities and Equity	\$ 912.7	\$ 843.1		

Condensed Statement of Cash Flows

<i>(IN MILLIONS)</i>	December YTD	
	2019	2018
NET INCOME	\$57.9	\$43.0
DEPRECIATION & AMORTIZATION	25.8	24.1
ACCOUNTS RECEIVABLE	17.9	(13.7)
INVENTORY	(17.9)	(30.2)
ACCOUNTS PAYABLE	(1.9)	16.9
OTHER OPERATING ACTIVITIES	(4.9)	30.2
OPERATING CASH FLOW	76.9	70.3
CAPITAL EXPENDITURES	(16.2)	(20.1)
ACQUISITIONS	(43.5)	(9.9)
NET BORROWINGS (PAYMENTS)	7.9	(12.2)
DIVIDENDS	(20.6)	(18.9)
REPURCHASE OF COMMON STOCK	(10.7)	(14.9)
OTHER CHANGES	5.4	(0.5)
NET CHANGE IN CASH	\$ (0.8)	\$ (6.2)
FREE CASH FLOW	\$ 40.2	\$ 31.3

Appendix

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Reconciliation of GAAP and Non-GAAP Measures

(\$ in thousands, except per share amounts)

	TWELVE MONTHS ENDED DECEMBER 31,				
	2019	2018	2017	2016	2015
	(Unaudited)				
<u>EARNINGS FROM CONTINUING OPERATIONS</u>					
GAAP EARNINGS FROM CONTINUING OPERATIONS	\$ 69,051	\$ 56,854	\$ 43,630	\$ 62,412	\$ 48,120
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	2,585	4,510	6,173	3,957	(134)
CUSTOMER BANKRUPTCY CHARGE	-	-	-	-	3,514
IMPAIRMENT OF OUR INVESTMENT IN ORANGE ELECTRONICS CO., LTD	-	1,683	1,815	-	-
IMPACT OF TAX CUTS AND JOBS ACT	-	-	17,515	-	-
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	(144)	(144)	(463)	(235)	(571)
GAIN FROM SALE OF BUILDINGS	-	(4,158)	(1,048)	(1,048)	(1,048)
DEFERRED FINANCING FEE WRITE-OFF	-	-	-	-	773
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(673)	(250)	(2,050)	(1,164)	(1,243)
NON-GAAP EARNINGS FROM CONTINUING OPERATIONS	\$ 70,819	\$ 58,495	\$ 65,572	\$ 63,922	\$ 49,411
<u>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</u>					
GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 3.03	\$ 2.48	\$ 1.88	\$ 2.70	\$ 2.08
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	0.11	0.20	0.27	0.17	(0.01)
CUSTOMER BANKRUPTCY CHARGE	-	-	-	-	0.15
IMPAIRMENT OF OUR INVESTMENT IN ORANGE ELECTRONICS CO., LTD	-	0.07	0.08	-	-
IMPACT OF TAX CUTS AND JOBS ACT	-	-	0.75	-	-
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	(0.01)	(0.01)	(0.02)	(0.01)	(0.03)
GAIN FROM SALE OF BUILDINGS	-	(0.18)	(0.04)	(0.04)	(0.04)
DEFERRED FINANCING FEE WRITE-OFF	-	-	-	-	0.03
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(0.03)	(0.01)	(0.09)	(0.05)	(0.05)
NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 3.10	\$ 2.55	\$ 2.83	\$ 2.77	\$ 2.13

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)

	TWELVE MONTHS ENDED DECEMBER 31,				
	2019	2018	2017	2016	2015
			(Unaudited)		
<u>EBITDA WITHOUT SPECIAL ITEMS</u>					
GAAP EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	\$ 91,796	\$ 76,831	\$ 96,442	\$ 98,570	\$ 74,103
DEPRECIATION & AMORTIZATION	25,809	24,104	23,916	20,457	17,637
INTEREST EXPENSE	5,286	4,026	2,329	1,556	1,537
EBITDA	122,891	104,961	122,687	120,583	93,277
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	2,585	4,510	6,173	3,957	(134)
CUSTOMER BANKRUPTCY CHARGE	-	-	-	-	3,514
IMPAIRMENT OF OUR INVESTMENT IN ORANGE ELECTRONICS CO., LTD	-	1,683	1,815	-	-
GAIN FROM SALE OF BUILDINGS	-	(4,158)	(1,048)	(1,048)	(1,048)
DEFERRED FINANCING FEE WRITE-OFF	-	-	-	-	773
SPECIAL ITEMS	2,585	2,035	6,940	2,909	3,105
EBITDA WITHOUT SPECIAL ITEMS	\$ 125,476	\$ 106,996	\$ 129,627	\$ 123,492	\$ 96,382
TOTAL DEBT	\$ 57,045	\$ 49,219	\$ 61,778	\$ 54,975	\$ 47,505
DEBT TO EBITDA RATIO (TTM)	0.5:1	0.5:1	0.5:1	0.4:1	0.5:1

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 DECEMBER 31,		TWELVE MONTHS ENDED DECEMBER 31,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
GAAP EARNINGS FROM CONTINUING OPERATIONS	\$ 12,738	\$ 12,157	\$ 69,051	\$ 56,854
RESTRUCTURING AND INTEGRATION EXPENSES	1,116	1,437	2,585	4,510
IMPAIRMENT OF OUR INVESTMENT IN ORANGE ELECTRONICS CO., LTD	-	1,683	-	1,683
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	-	-	(144)	(144)
GAIN FROM SALE OF BUILDINGS	-	(3,940)	-	(4,158)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(291)	492	(673)	(250)
NON-GAAP EARNINGS FROM CONTINUING OPERATIONS	\$ 13,563	\$ 11,829	\$ 70,819	\$ 58,495
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS				
GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 0.56	\$ 0.53	\$ 3.03	\$ 2.48
RESTRUCTURING AND INTEGRATION EXPENSES	0.05	0.06	0.11	0.20
IMPAIRMENT OF OUR INVESTMENT IN ORANGE ELECTRONICS CO., LTD	-	0.07	-	0.07
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	-	-	(0.01)	(0.01)
GAIN FROM SALE OF BUILDINGS	-	(0.17)	-	(0.18)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(0.02)	0.03	(0.03)	(0.01)
NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 0.59	\$ 0.52	\$ 3.10	\$ 2.55

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

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