

# Standard Motor Products, Inc.

## Q2 2020 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. Further, the current COVID-19 pandemic 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 10-Q as of June 30, 2020 and filed with the SEC on July 30, 2020. You are urged to review this filing, and all of our filings, with the SEC and our press releases from time to time for details of these risks and uncertainties.

# Industry and Business Overview

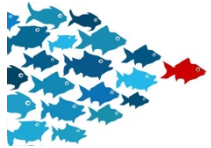
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# Why Invest in SMP?



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*



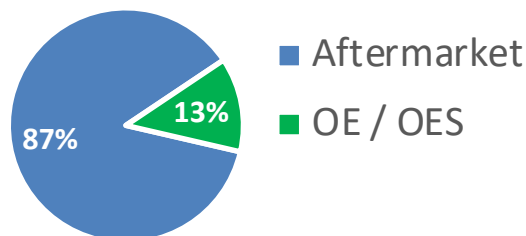
**DALE BURKS**  
*EVP and Chief  
Commercial Officer*



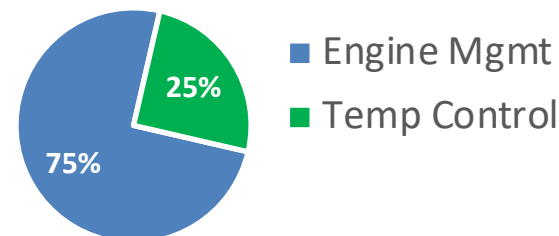
**NATHAN ILES**  
*Chief Financial  
Officer*

## 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

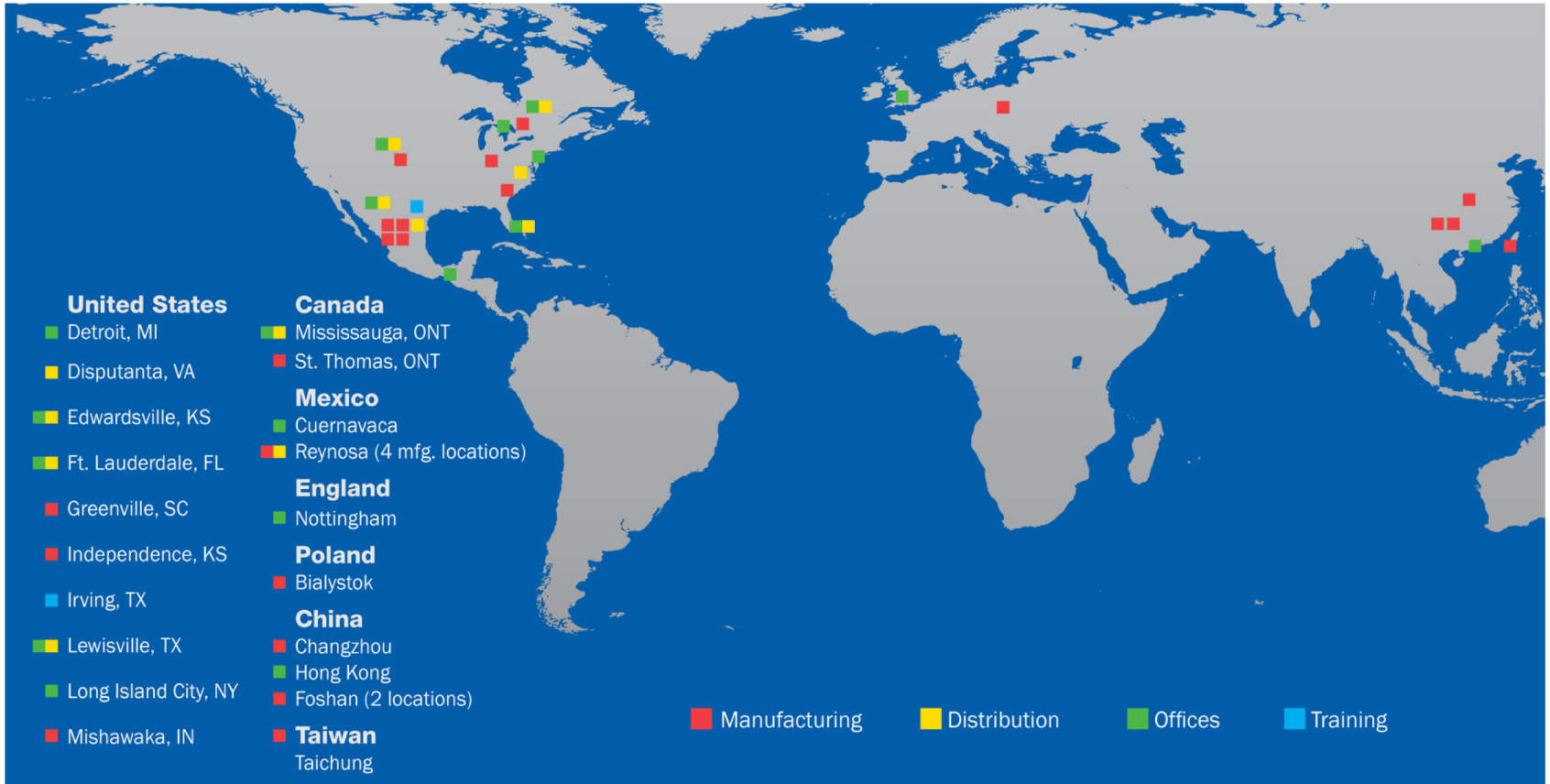
## Professionally Recognized Brands



## Significant Supplier to All Major Distributors



## Global Footprint

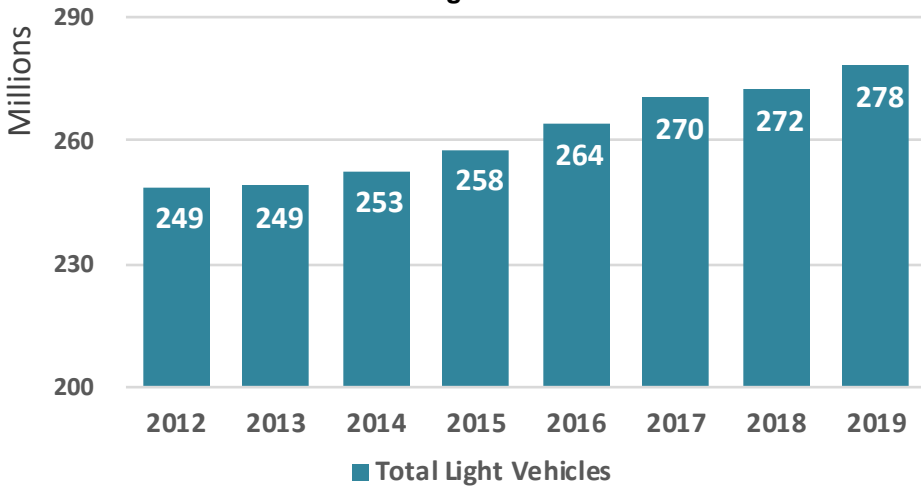


3 Million sq. ft. • 13 Manufacturing Plants • 6 Distribution Centers • 9 Offices

# Favorable Industry Trends

## Vehicle Population is increasing

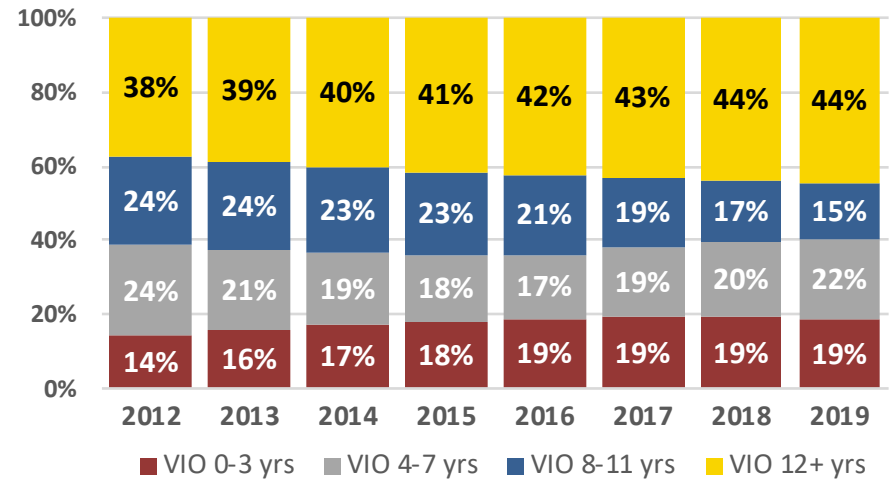
U.S. Light Vehicle Parc



Source: IHS Markit

## 12-Years+ vehicles continues to grow

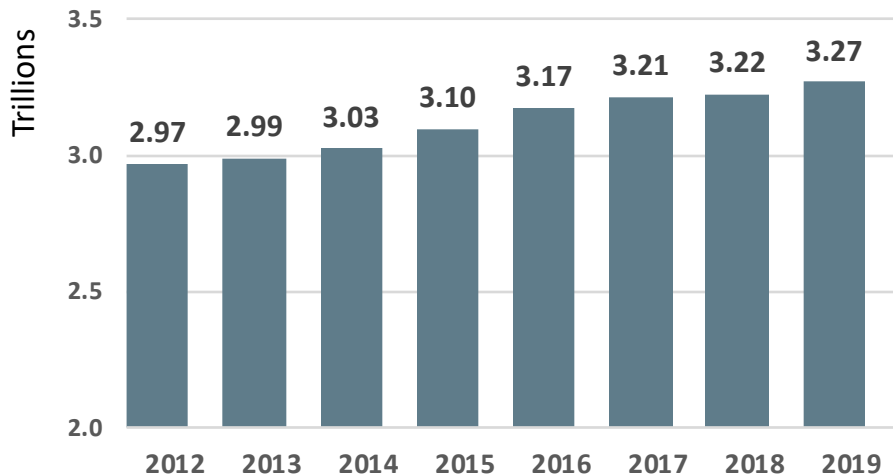
Age Mix of Vehicles – Year Range Categories



Source: IHS Markit

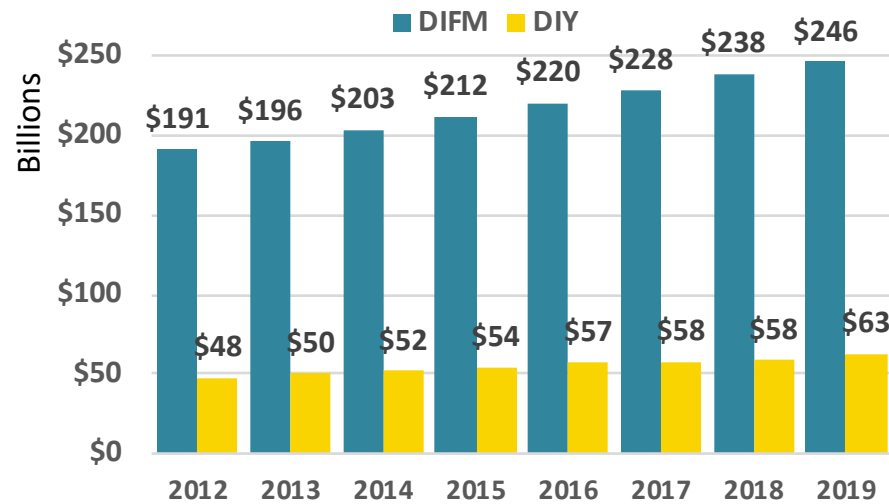
## Miles Driven is Increasing

Annual Miles Driven, 2012-2019



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

- Quarterly dividends
- 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**

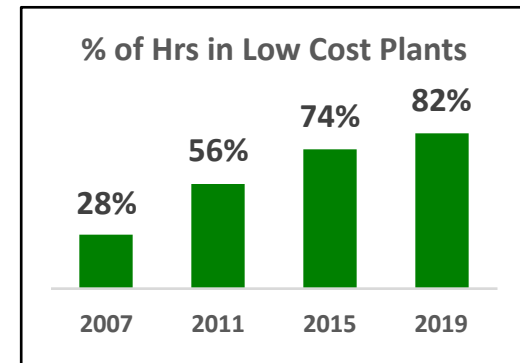
**Marketing  
Support**

**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
  - Operations in Mexico & Poland
  - 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



### Air Management & Emissions / Fuel

- **EVAP Components** – manufactured in Independence and Greenville
- **Active Grill Shutters** – expanded line, CAPA certified
- **ETB / ETB Kits** – gaskets included, manufactured in Mexico

### Ignition & Electrical

- **Battery Management** – battery current sensors 100+ SKUs
- **EGT / ETS** – manufactured in Bialystok
- **Diesel NOx Sensors** – expanded offering, high failure OE part
- **ADAS Components** – market leader with 30+ new categories targeted

### Temperature Control

- **Air Door Actuators** – 300+ SKUs, high failure OE component
- **Brushless Motors (BLDC)** – adaptable modular electronics
- **Thermostat Assemblies and Housings** – improved design over the OE
- **Water Outlets** – industry-leading coverage
- **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



2016



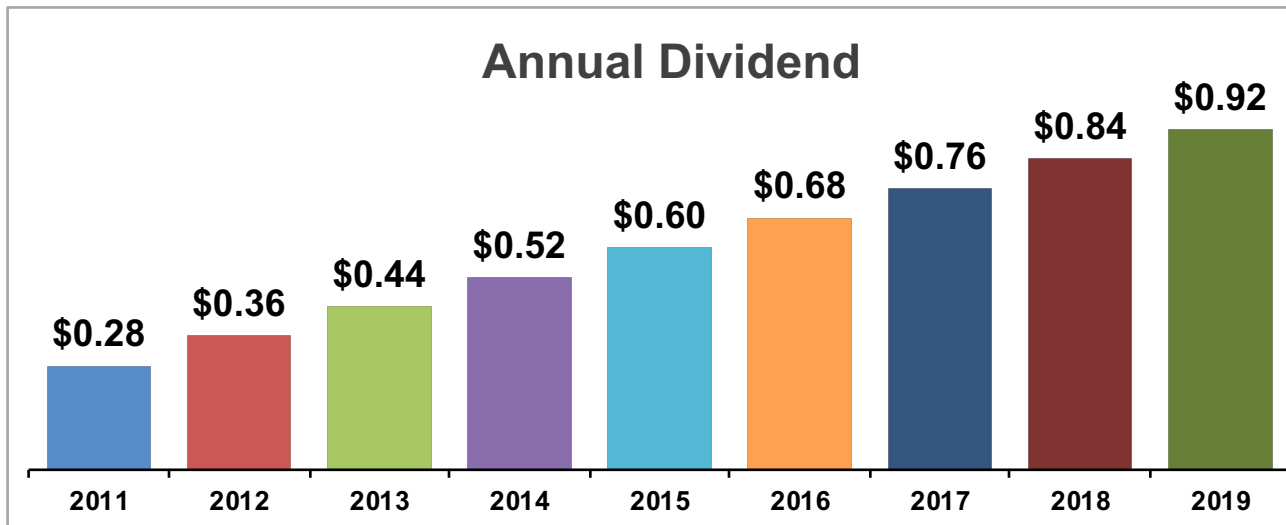
2017



2019

# Return to Shareholders

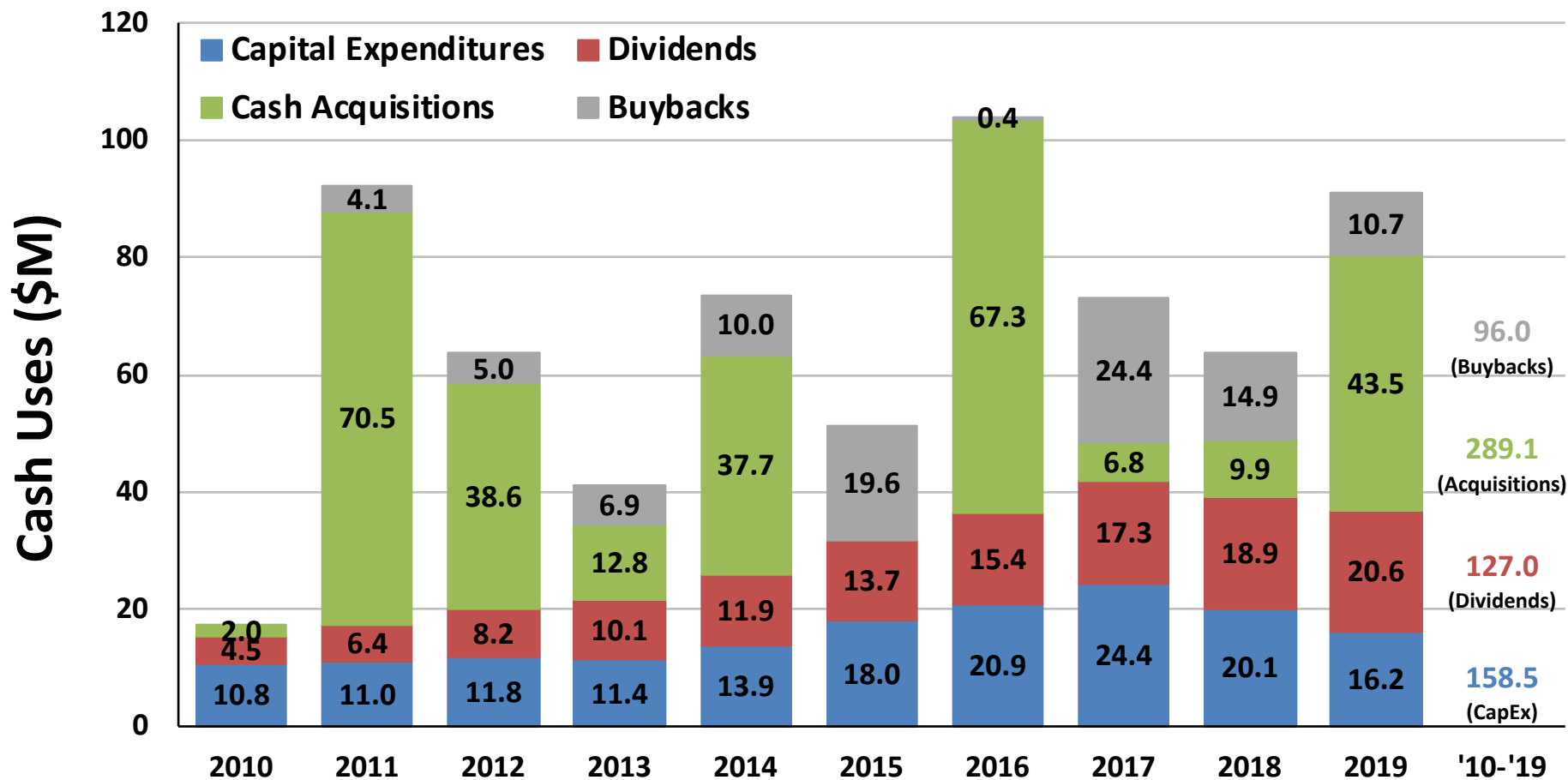
## Dividend Increase



## 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:	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	'10-'19
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%



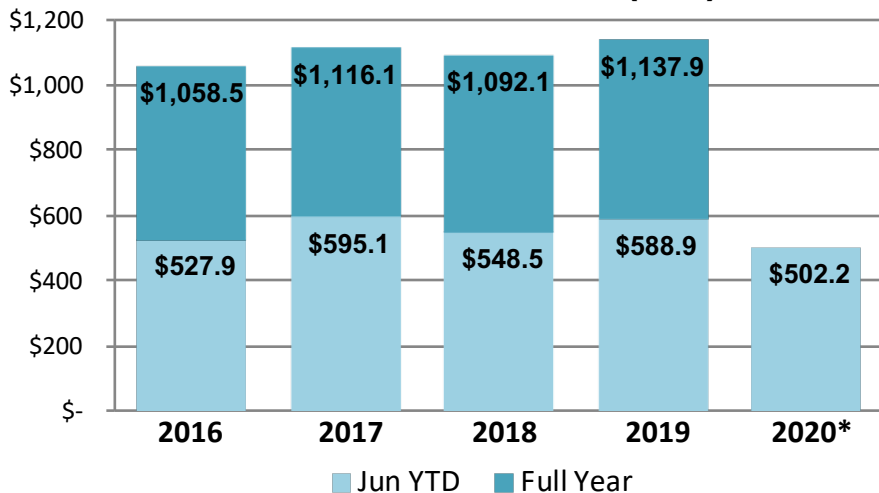
# June 2020 YTD Results

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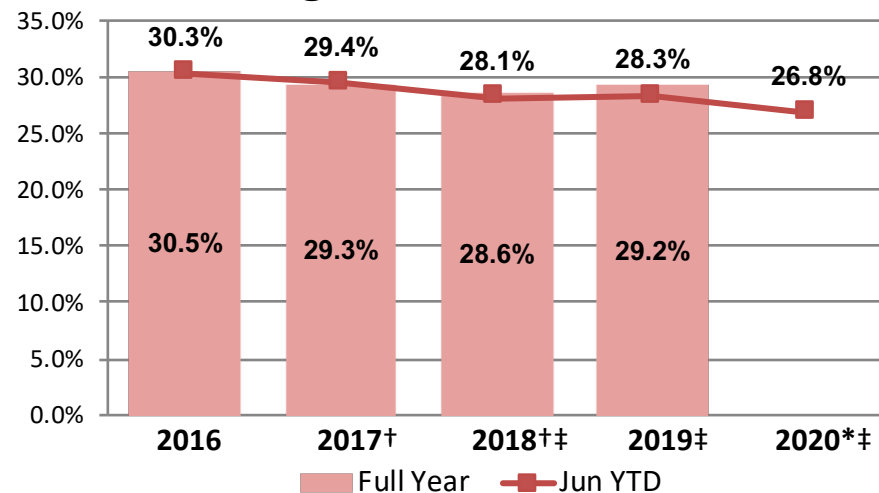


# Year-Over-Year Performance Measures

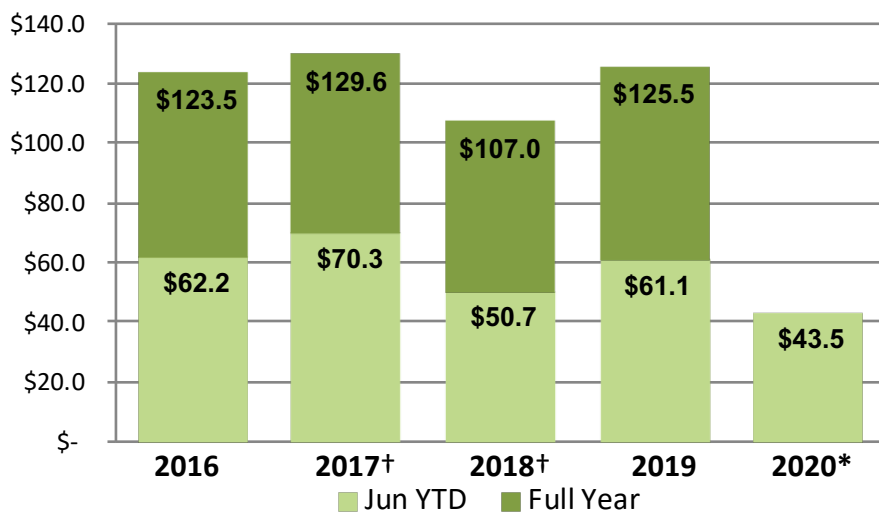
## Consolidated Net Sales (\$M)



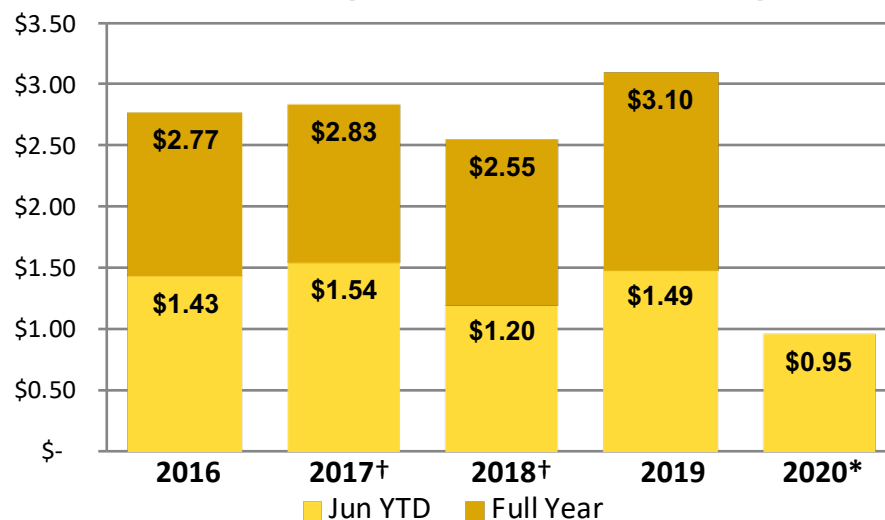
## Gross Margin



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



## Diluted EPS (w/o Special Items)

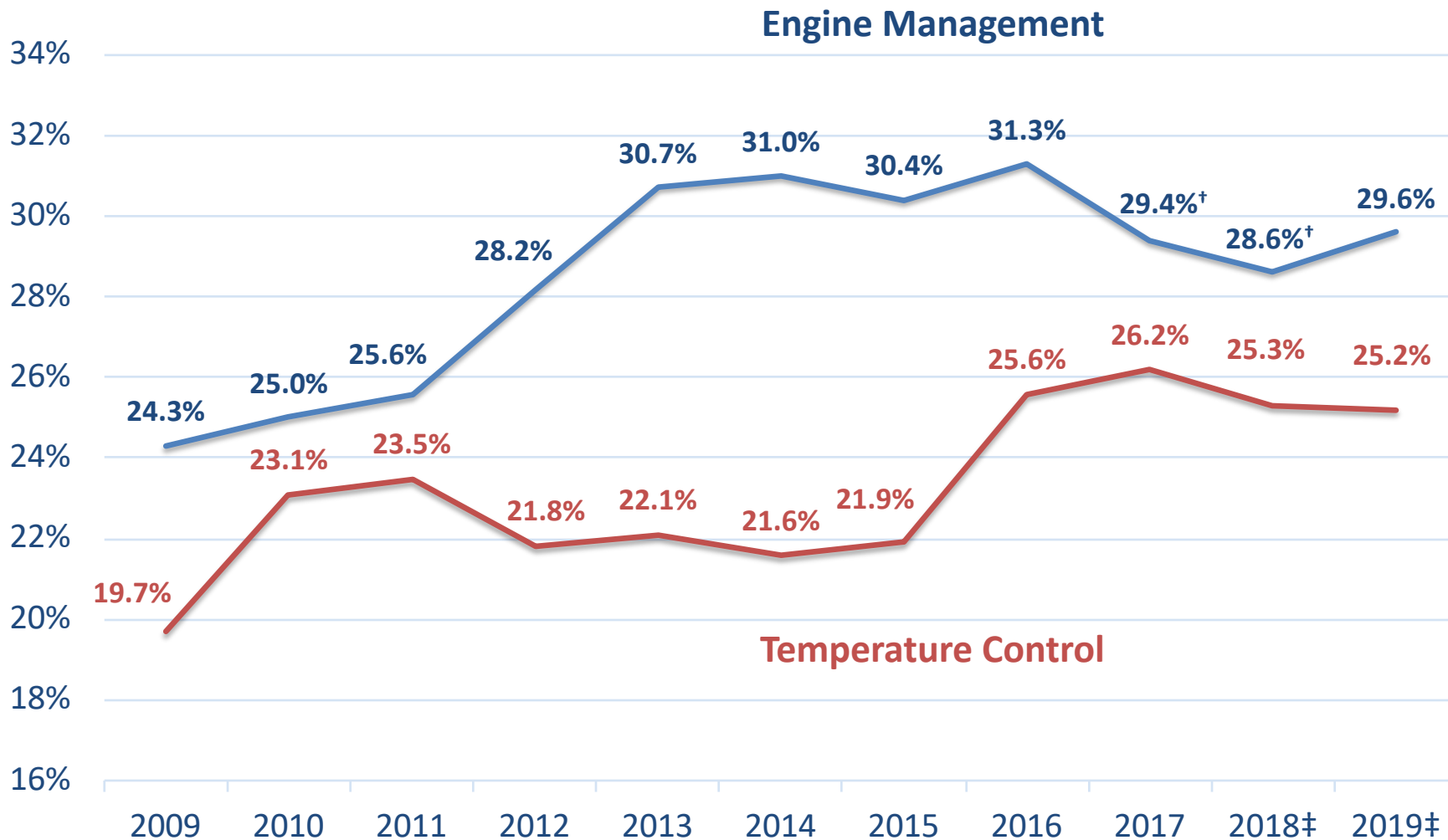


\* Results Impacted by Sales Declines from COVID-19 Pandemic

† 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>June 2020 YTD</u>		<u>June 2019 YTD</u>	
	<u>Amount</u>	<u>% of Sales</u>	<u>Amount</u>	<u>% of Sales</u>
Net Sales	\$ 502.2	100.0%	\$ 588.9	100.0%
Gross Profit	134.8	26.8%	166.9	28.3%
SG&A Expenses	104.2	20.6%	120.6	20.5%
Operating Profit	30.6	6.1%	46.3	7.9%
Other Income/(Loss)	0.1		2.1	
Interest Expense	1.6		2.8	
Income Taxes	7.5		11.5	
Earnings from Continuing Ops.	<u>\$ 21.6</u>		<u>\$ 34.1</u>	
Diluted Earnings Per Share: Continuing Operations	<u>\$ 0.95</u>		<u>\$ 1.49</u>	
<i>Diluted Shares (000's)</i>	22,794		22,857	



# Condensed Balance Sheet

Actual Q2 2020, Q2 2019 (\$ in millions)

	Dollars		Ratios	
	2020	2019	2020	2019
Cash and Equivalents	\$ 22.5	\$ 17.4		
Accounts Receivable/DSO	184.5	179.4	57	51
Inventory/Turns	353.3	375.3	2.1	2.3
Unreturned Customer Inventory	18.9	18.7		
Other Assets	365.6	378.7		
<b>Total Assets</b>	<b>\$ 944.8</b>	<b>\$ 969.5</b>		
Current Liabilities	\$ 246.5	\$ 258.9		
Total Debt/Debt to Cap Ratio	91.2	135.2	15.2%	21.8%
Other Liabilities	96.4	90.1		
<b>Total Liabilities</b>	<b>\$ 434.1</b>	<b>\$ 484.2</b>		
Equity/Debt to Equity Ratio	510.7	485.3	0.18	0.28
<b>Total Liabilities and Equity</b>	<b>\$ 944.8</b>	<b>\$ 969.5</b>		

# Condensed Statement of Cash Flows

<i>(IN MILLIONS)</i>	June YTD		Full Year
	2020	2019	2019
NET INCOME	\$19.6	\$31.6	\$57.9
DEPRECIATION & AMORTIZATION	12.9	12.7	25.8
ACCOUNTS RECEIVABLE	(51.3)	(26.6)	17.9
INVENTORY	12.7	(19.7)	(17.9)
ACCOUNTS PAYABLE	(21.8)	(7.0)	(1.9)
OTHER OPERATING ACTIVITIES	27.0	(10.5)	(4.9)
<b>OPERATING CASH FLOW</b>	<b>(0.9)</b>	<b>(19.5)</b>	<b>76.9</b>
CAPITAL EXPENDITURES	(9.0)	(7.6)	(16.2)
ACQUISITIONS	0.0	(38.4)	(43.5)
NET BORROWINGS (PAYMENTS)	34.3	86.0	7.9
DIVIDENDS	(5.6)	(10.3)	(20.6)
REPURCHASE OF COMMON STOCK	(8.7)	(10.7)	(10.7)
OTHER CHANGES	2.0	6.8	5.4
<b>NET CHANGE IN CASH</b>	<b>\$ 12.1</b>	<b>\$ 6.3</b>	<b>\$ (0.8)</b>
<b>FREE CASH FLOW</b>	<b>\$ (15.5)</b>	<b>\$ (37.4)</b>	<b>\$ 40.2</b>

# Appendix

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# Reconciliation of GAAP and Non-GAAP Measures

(\$ in thousands, except per share amounts)

	SIX MONTHS JUNE 30,				
	2020	2019	2018	2017	2016
			(Unaudited)		
<b><u>EARNINGS FROM CONTINUING OPERATIONS</u></b>					
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 21,463</b>	<b>\$ 33,659</b>	<b>\$ 25,424</b>	<b>\$ 34,628</b>	<b>\$ 32,518</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	214	644	3,067	2,782	1,012
GAIN FROM SALE OF BUILDINGS	-	-	(218)	(524)	(524)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(56)	(168)	(741)	(903)	(196)
<b>NON-GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 21,621</b>	<b>\$ 34,135</b>	<b>\$ 27,532</b>	<b>\$ 35,983</b>	<b>\$ 32,810</b>
<b><u>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</u></b>					
<b>GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>\$ 0.94</b>	<b>\$ 1.47</b>	<b>\$ 1.11</b>	<b>\$ 1.48</b>	<b>\$ 1.41</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	0.01	0.03	0.13	0.12	0.04
GAIN FROM SALE OF BUILDINGS	-	-	(0.01)	(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>\$ 0.95</b>	<b>\$ 1.49</b>	<b>\$ 1.20</b>	<b>\$ 1.54</b>	<b>\$ 1.43</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 JUNE 30,				
	2020	2019	2018	2017	2016
			(Unaudited)		
<b><u>EBITDA WITHOUT SPECIAL ITEMS</u></b>					
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES</b>	<b>\$ 28,777</b>	<b>\$ 44,931</b>	<b>\$ 34,223</b>	<b>\$ 55,561</b>	<b>\$ 51,756</b>
DEPRECIATION & AMORTIZATION	12,877	12,744	11,706	11,316	9,269
INTEREST EXPENSE	1,645	2,811	1,883	1,190	705
<b>EBITDA</b>	<b>43,299</b>	<b>60,486</b>	<b>47,812</b>	<b>68,067</b>	<b>61,730</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	214	644	3,067	2,782	1,012
GAIN FROM SALE OF BUILDINGS	-	-	(218)	(524)	(524)
<b>SPECIAL ITEMS</b>	<b>214</b>	<b>644</b>	<b>2,849</b>	<b>2,258</b>	<b>488</b>
<b>EBITDA WITHOUT SPECIAL ITEMS</b>	<b>\$ 43,513</b>	<b>\$ 61,130</b>	<b>\$ 50,661</b>	<b>\$ 70,325</b>	<b>\$ 62,218</b>
<b>TOTAL DEBT</b>	<b>\$ 91,192</b>	<b>\$ 135,238</b>	<b>\$ 93,731</b>	<b>\$ 79,093</b>	<b>\$ 100,180</b>
<b>DEBT TO EBITDA RATIO (TTM)</b>	<b>0.8:1</b>	<b>1.2:1</b>	<b>0.9:1</b>	<b>0.6:1</b>	<b>0.9:1</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,	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 11,842</b>	<b>\$ 20,555</b>	<b>\$ 21,463</b>	<b>\$ 33,659</b>
RESTRUCTURING AND INTEGRATION EXPENSES	9	644	214	644
GAIN FROM SALE OF BUILDINGS	-	-	-	-
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(2)	(168)	(56)	(168)
<b>NON-GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 11,849</b>	<b>\$ 21,031</b>	<b>\$ 21,621</b>	<b>\$ 34,135</b>
<b>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>				
GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 0.52	\$ 0.90	\$ 0.94	\$ 1.47
RESTRUCTURING AND INTEGRATION EXPENSES	-	0.03	0.01	0.03
GAIN FROM SALE OF BUILDINGS	-	-	-	-
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	-	(0.01)	-	(0.01)
<b>NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>\$ 0.52</b>	<b>\$ 0.92</b>	<b>\$ 0.95</b>	<b>\$ 1.49</b>

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# Thank You

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