

Standard Motor Products, Inc.

Q4 2020 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. 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 quarterly reports on Form 10-Q and filed with the SEC in 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



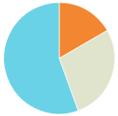
Why Invest in SMP?



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

102 Years in Business



- Founded 1919
- \$1.1 Billion 2020 Sales
- 4,300 Employees Worldwide



LAWRENCE I. SILLS
Chairman of the Board



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

2020 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

Professionally Recognized Brands



ECHLIN

BWD

STANDARD Diesel



OEM
ORIGINAL ENGINE MANAGEMENT

Intermotor
Genuine Import Parts



Belden

GA
by **ESMP**
SORENSEN

Pollak

FOUR SEASONS
Quality, Coverage, Service

ACI WINDOW DOOR
COMPONENTS

HAYDEN
AUTOMOTIVE

PRO SOURCE
HEATER CORES



Significant Supplier to All Major Distributors

O'Reilly AUTO PARTS
PROFESSIONAL PARTS PEOPLE



Advance
Auto Parts

AutoZone

AutoPlus **Pep Boys**

Federated
Auto Parts

The GROUP
AUTOMOTIVE PARTS SERVICES GROUP

pronto
THE SMART CHOICE FOR AUTO PARTS

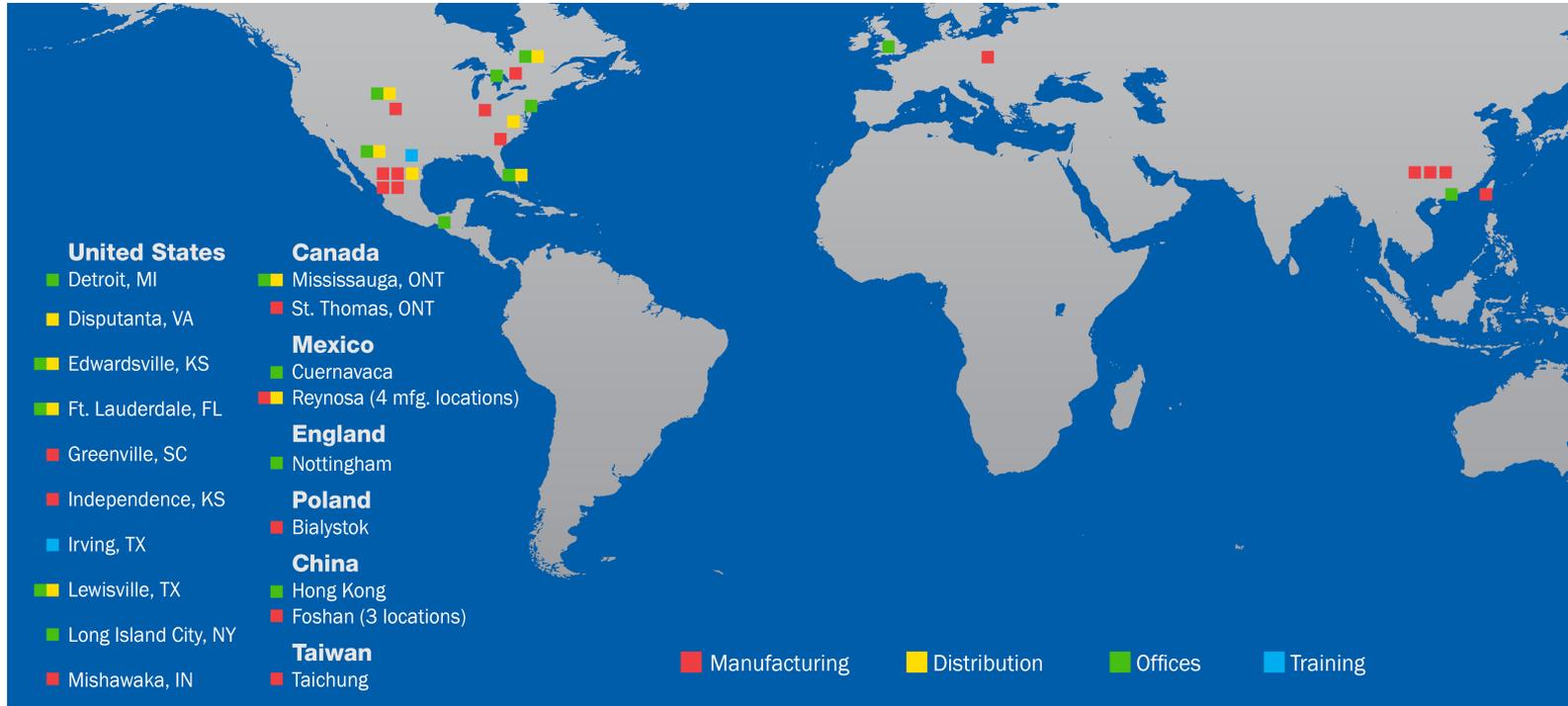


LORDCO
AUTO PARTS



AUTOMOTIVE
DISTRIBUTION
NETWORK

Auto Value **BUMPER TO BUMPER**



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

Favorable Industry Trends

Vehicle Population is increasing

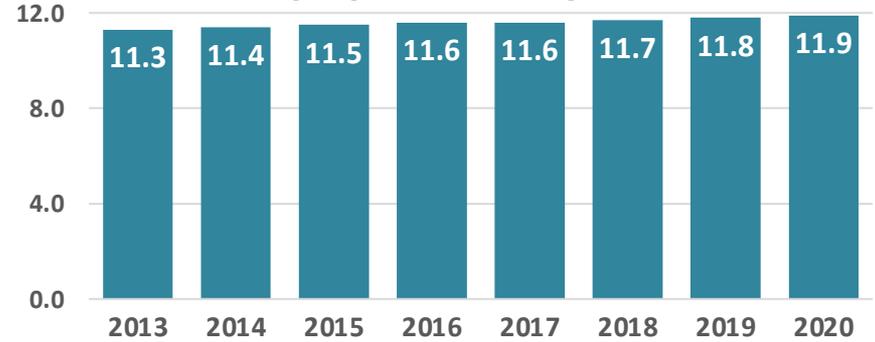
U.S. Light Vehicle Parc



Source: IHS Markit

The car parc continues to get older

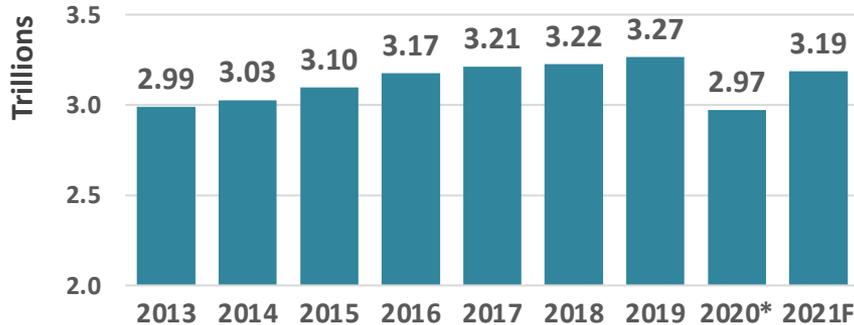
Average Age of Cars and Light Trucks



Source: IHS Markit

Miles Driven is Increasing*

Annual Miles Driven, 2013-2021



*Annualized July 2020. Source: USDOT, Jeffries, | 2021F Source: U.S. Energy Information Administration

DIFM Revenue Continues to Grow*



Source: Auto Care Association / Modern Tire Dealer

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

- 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**

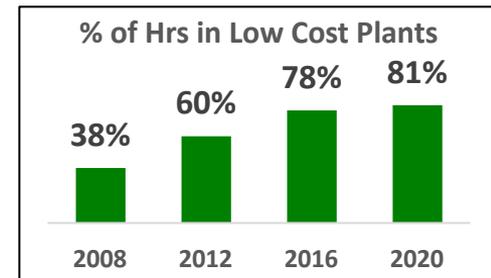
**Marketing
Support**

**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)
 - Synergies from acquisition integration
- Low Cost Sourcing
 - Hong Kong Engineering & Sourcing Office
 - Rigorous U.S. product qualification



Successful Growth Programs

ADVANCED ICE CATEGORIES

- **VVT Components**
 - 500+ SKUs, Manuf. Bialystok
- **EVAP Components**
 - Manuf. Independence & Greenville
- **EGT / ETS / EGRT**
 - Manufactured in Bialystok, Poland
- **Active Grill Shutters**
 - Expanded line, CAPA certified
- **Electronic Throttle Bodies & Kits**
 - Manufactured in Mexico
- **Diesel NOx Sensors**
 - Expanded offering
- **Turbochargers**
 - 100+ SKUs and growing

BEYOND ICE CATEGORIES

- **Battery Management**
 - Battery Current Sensors
 - Power Distribution
- **Actuators**
 - Door Lock, Trunk Release, 4WD
- **Switches**
 - Body Control, Multi-function, Driver-Operated
- **Sensors**
 - ABS/Traction Control, Speed, Position, Temperature
- **ADAS Components**
 - Leader 300+ SKUs, 220M VIO
 - Blind Spot Detection, Cruise Control Distance, Park Assist Sensors
 - Lane Departure, Park Assist Cameras

TEMPERATURE CONTROL

- **ECV Compressors**
 - 250+ SKUs
 - 10.3M VIO by 2021
- **Brushless Motors (BLDC)**
 - Adaptable modular electronics
 - Manufactured in Canada
- **Electric Compressors**
 - For BEV, HEV & ICE vehicles
 - High growth category
- **High Voltage Battery Cooling**
 - Electric Water Pumps
 - Compressors
 - Fans

Committed to Growing Technology Categories

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

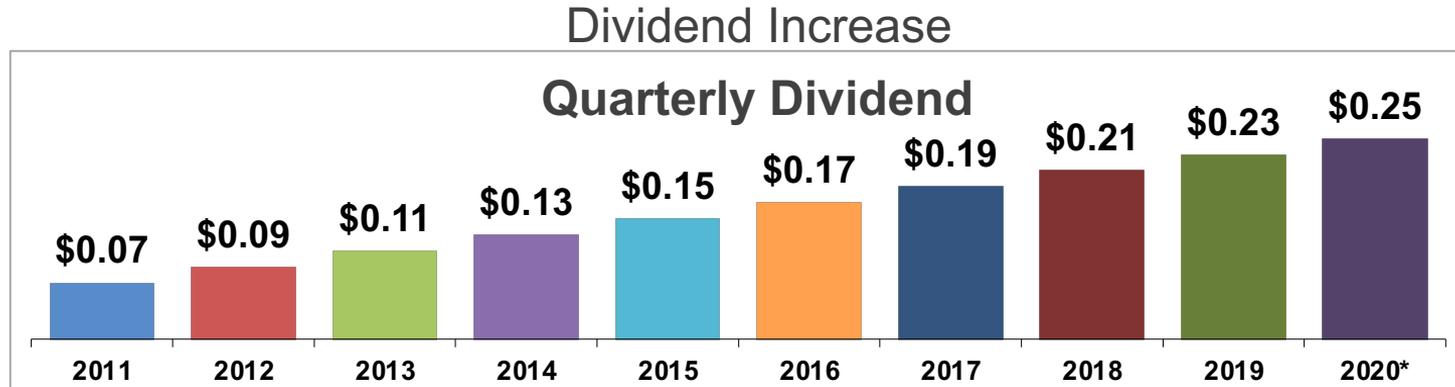


2017



2019

Return to Shareholders

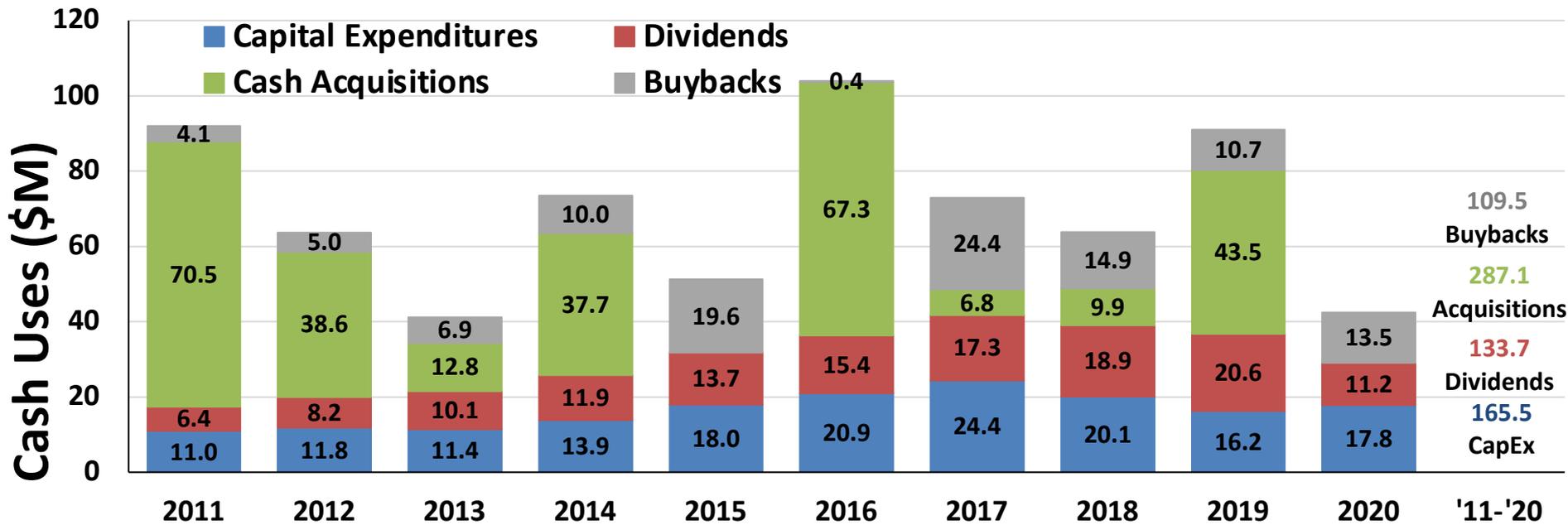


* Dividend paid out for two quarters only due to COVID-19 pandemic

Treasury Stock Buyback Program

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011 - 2020
Spend (\$000's)	\$4,136	\$4,999	\$6,864	\$10,000	\$19,623	\$377	\$24,376	\$14,886	\$10,738	\$13,482	\$109,481
Shares (000's)	322	381	210	284	552	10	531	323	222	324	3,159
Avg. Price	\$12.84	\$13.13	\$32.69	\$35.18	\$35.56	\$37.24	\$45.92	\$46.12	\$48.43	\$41.63	\$34.66

SMP Cash Utilization



Total Cash Usage	92.0	63.6	41.2	73.5	51.3	104.0	72.9	63.8	91.0	42.5	695.8
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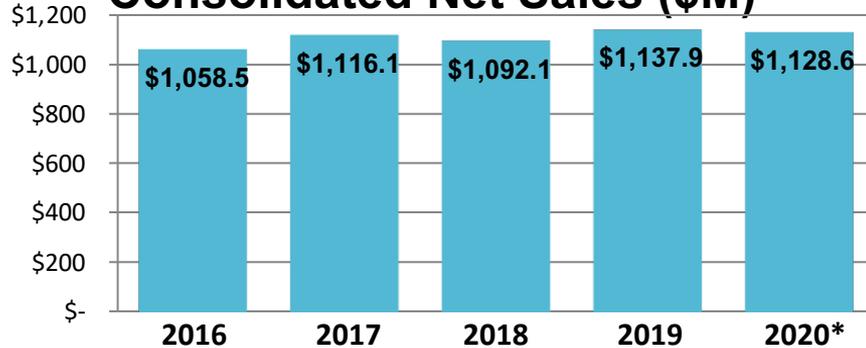
Uses of Cash:											
Invest for Growth (Capex + M&A)	89%	79%	59%	70%	35%	85%	43%	47%	66%	42%	65%
Return to Investors (Buybacks + Dividends)	11%	21%	41%	30%	65%	15%	57%	53%	34%	58%	35%

December 2020 YTD Results

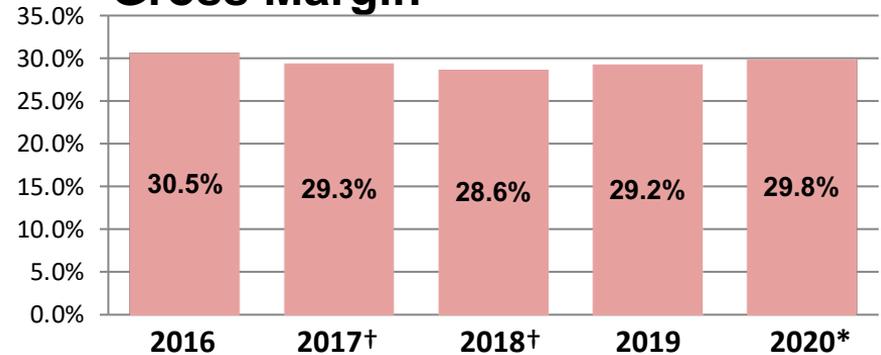


Year-Over-Year Performance Measures

Consolidated Net Sales (\$M)



Gross Margin



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



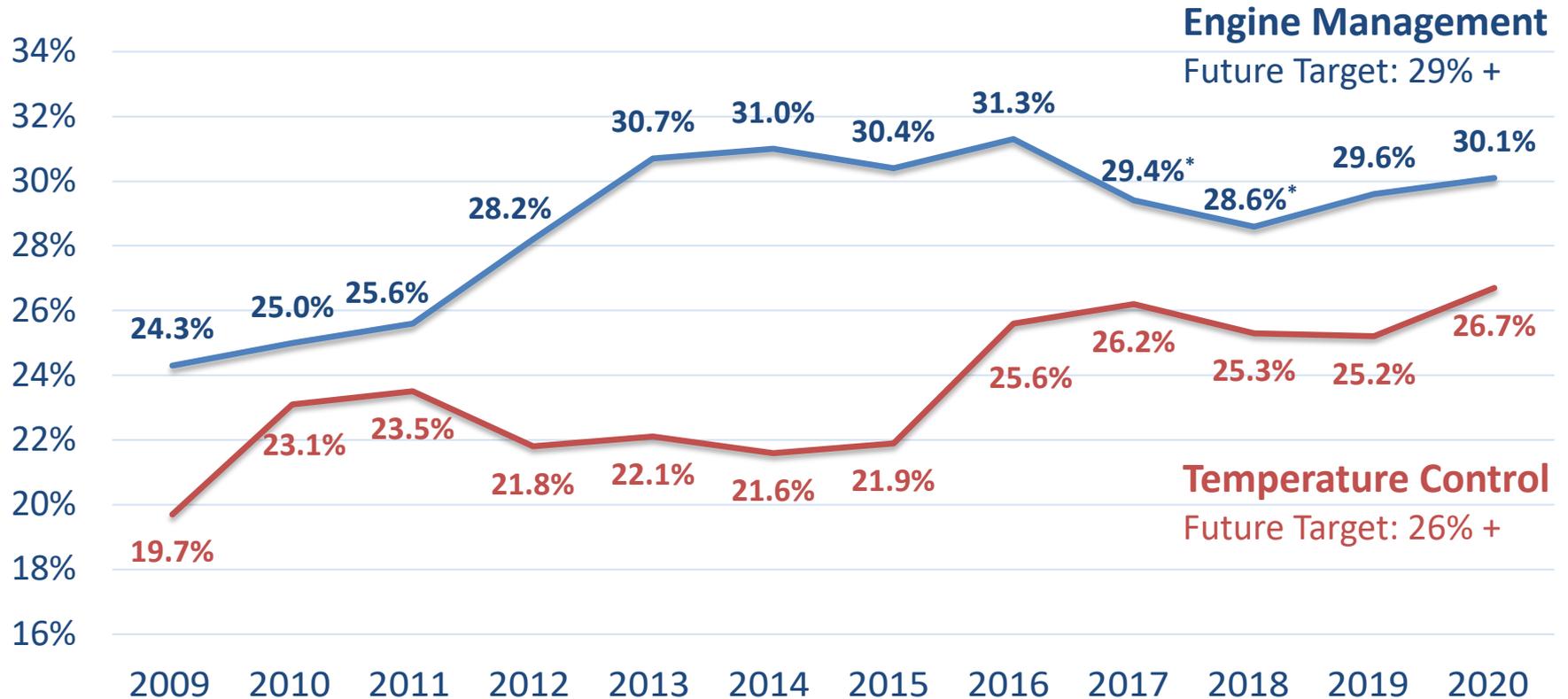
Diluted EPS (w/o Special Items)



* Results Impacted by Sales Declines from COVID-19 Pandemic

† 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>December 2020 YTD</u>		<u>December 2019 YTD</u>	
	<u>Amount</u>	<u>% of Sales</u>	<u>Amount</u>	<u>% of Sales</u>
Net Sales	\$ 1,128.6	100.0%	\$ 1,137.9	100.0%
Gross Profit	336.7	29.8%	331.8	29.2%
SG&A Expenses	<u>224.7</u>	<u>19.8%</u>	<u>234.7</u>	<u>20.6%</u>
Operating Profit	112.0	9.9%	97.1	8.5%
Other Income/(Loss)	0.8		2.6	
Interest Expense	2.3		5.3	
Income Taxes	<u>28.1</u>		<u>23.6</u>	
Earnings from Continuing Ops.	<u>\$ 82.4</u>		<u>\$ 70.8</u>	
Diluted Earnings Per Share:				
Continuing Operations	<u>\$ 3.61</u>		<u>\$ 3.10</u>	
<i>Diluted Shares (000's)</i>	22,826		22,818	

Condensed Balance Sheet

Actual Q4 2020, Q4 2019 (\$ in millions)

	Dollars		Ratios	
	2020	2019	2020	2019
Cash and Equivalents	\$ 19.5	\$ 10.4		
Accounts Receivable/DSO	198.0	126.6	68	48
Inventory/Turns	345.5	368.2	2.3	2.2
Unreturned Customer Inventory	19.6	19.7		
Other Assets	373.9	379.0		
Total Assets	<u>\$ 956.5</u>	<u>\$ 903.9</u>		
Current Liabilities	\$ 292.5	\$ 243.7		
Total Debt/Debt to Cap Ratio	10.2	57.0	1.8%	10.2%
Other Liabilities	103.6	99.0		
Total Liabilities	<u>\$ 406.3</u>	<u>\$ 399.7</u>		
Equity/Debt to Equity Ratio	550.2	504.2	0.02	0.11
Total Liabilities and Equity	<u>\$ 956.5</u>	<u>\$ 903.9</u>		

Condensed Statement of Cash Flows

<i>(IN MILLIONS)</i>	Decemembr YTD	
	2020	2019
NET INCOME	\$57.4	\$57.9
DEPRECIATION & AMORTIZATION	26.3	25.8
ACCOUNTS RECEIVABLE	(71.9)	2.8
INVENTORY	18.0	(17.9)
ACCOUNTS PAYABLE	7.4	(1.9)
OTHER OPERATING ACTIVITIES	60.7	10.2
OPERATING CASH FLOW	97.9	76.9
CAPITAL EXPENDITURES	(17.8)	(16.2)
ACQUISITIONS	0.0	(43.5)
NET BORROWINGS (PAYMENTS)	(46.7)	7.9
DIVIDENDS	(11.2)	(20.6)
REPURCHASE OF COMMON STOCK	(13.5)	(10.7)
OTHER CHANGES	0.4	5.4
NET CHANGE IN CASH	\$ 9.1	\$ (0.8)
<i>FREE CASH FLOW</i>	\$ 68.9	\$ 40.2

Appendix





Reconciliation of GAAP and Non-GAAP Measures

(\$ in thousands, except per share amounts)

	TWELVE MONTHS DECEMBER 31,				
	2020	2019	2018	2017	2016
	(Unaudited)				
<u>EARNINGS FROM CONTINUING OPERATIONS</u>					
GAAP EARNINGS FROM CONTINUING OPERATIONS	\$ 80,417	\$ 69,051	\$ 56,854	\$ 43,630	\$ 62,412
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	464	2,585	4,510	6,173	3,957
IMPAIRMENT OF OUR INVESTMENT IN ORANGE ELECTRONICS CO., LTD	-	-	1,683	1,815	-
INTANGIBLE ASSET IMPAIRMENT	2,600	-	-	-	-
IMPACT OF TAX CUTS AND JOBS ACT	-	-	-	17,515	-
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	(235)	(144)	(144)	(463)	(235)
GAIN FROM SALE OF BUILDINGS	-	-	(4,158)	(1,048)	(1,048)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(797)	(673)	(250)	(2,050)	(1,164)
NON-GAAP EARNINGS FROM CONTINUING OPERATIONS	\$ 82,449	\$ 70,819	\$ 58,495	\$ 65,572	\$ 63,922
<u>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</u>					
GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 3.52	\$ 3.03	\$ 2.48	\$ 1.88	\$ 2.70
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	0.02	0.11	0.20	0.27	0.17
IMPAIRMENT OF OUR INVESTMENT IN ORANGE ELECTRONICS CO., LTD	-	-	0.07	0.08	-
INTANGIBLE ASSET IMPAIRMENT	0.11	-	-	-	-
IMPACT OF TAX CUTS AND JOBS ACT	-	-	-	0.75	-
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)
GAIN FROM SALE OF BUILDINGS	-	-	(0.18)	(0.04)	(0.04)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(0.03)	(0.03)	(0.01)	(0.09)	(0.05)
NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 3.61	\$ 3.10	\$ 2.55	\$ 2.83	\$ 2.77

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 DECEMBER 31,				
	2020	2019	2018	2017	2016
	(Unaudited)				
<u>EBITDA WITHOUT SPECIAL ITEMS</u>					
GAAP EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	\$ 107,379	\$ 91,796	\$ 76,831	\$ 96,442	\$ 98,570
DEPRECIATION & AMORTIZATION	26,323	25,809	24,104	23,916	20,457
INTEREST EXPENSE	2,328	5,286	4,026	2,329	1,556
EBITDA	136,030	122,891	104,961	122,687	120,583
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	464	2,585	4,510	6,173	3,957
IMPAIRMENT OF OUR INVESTMENT IN ORANGE ELECTRONICS CO., LTD	-	-	1,683	1,815	-
INTANGIBLE ASSET IMPAIRMENT	2,600	-	-	-	-
GAIN FROM SALE OF BUILDINGS	-	-	(4,158)	(1,048)	(1,048)
SPECIAL ITEMS	3,064	2,585	2,035	6,940	2,909
EBITDA WITHOUT SPECIAL ITEMS	\$ 139,094	\$ 125,476	\$ 106,996	\$ 129,627	\$ 123,492
TOTAL DEBT	\$ 10,232	\$ 57,045	\$ 49,219	\$ 61,778	\$ 54,975
DEBT TO EBITDA RATIO (TTM)	0.1:1	0.5:1	0.5:1	0.5:1	0.4:1

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)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	DECEMBER 31,		DECEMBER 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
EARNINGS FROM CONTINUING OPERATIONS				
GAAP EARNINGS FROM CONTINUING OPERATIONS	\$ 22,742	\$ 12,738	\$ 80,417	\$ 69,051
RESTRUCTURING AND INTEGRATION EXPENSES	-	1,116	464	2,585
INTANGIBLE ASSET IMPAIRMENT	2,600	-	2,600	-
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	-	-	(235)	(144)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(676)	(291)	(797)	(673)
NON-GAAP EARNINGS FROM CONTINUING OPERATIONS	\$ 24,666	\$ 13,563	\$ 82,449	\$ 70,819
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS				
GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 1.00	\$ 0.56	\$ 3.52	\$ 3.03
RESTRUCTURING AND INTEGRATION EXPENSES	-	0.05	0.02	0.11
INTANGIBLE ASSET IMPAIRMENT	0.11	-	0.11	-
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	-	-	(0.01)	(0.01)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(0.03)	(0.02)	(0.03)	(0.03)
NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 1.08	\$ 0.59	\$ 3.61	\$ 3.10

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

