

# Standard Motor Products, Inc.

Q1 2022 Investor Presentation



# Forward Looking Statements

You should be aware that except for historical information, the matters discussed here in 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 and annual reports filed with the SEC. You are urged to review 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



Successful growth programs



Commitment to Corporate Social Responsibility



Superior shareholder returns



Financial results demonstrate success

## 102 Years in Business



- Founded 1919
- \$1.3 Billion 2021 Sales
- 5,000 Employees Worldwide



**LAWRENCE I. SILLS**  
*Chairman of the Board*



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



**JAMES J. BURKE**  
*Chief Operating Officer*

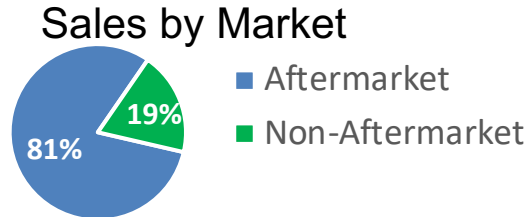


**DALE BURKS**  
*EVP and Chief Commercial Officer*

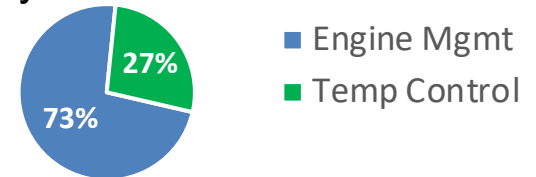


**NATHAN ILES**  
*Chief Financial Officer*

## 2021 Sales Breakdown



## 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  
Quality & Comfort Experts

**HAYDEN**  
AUTOMOTIVE

**PRO SOURCE**  
HEATER CORES



## Significant Supplier to All Major Aftermarket 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**

# SMP Facilities – Global Footprint

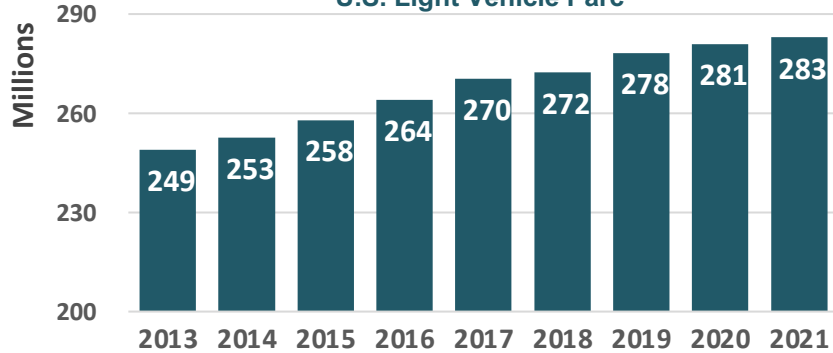


3.3 Million sq. ft. • 18 Manufacturing Plants • 7 Distribution Centers • 11 Offices

# Favorable Aftermarket Industry Trends

## Vehicle Population shows positive trend

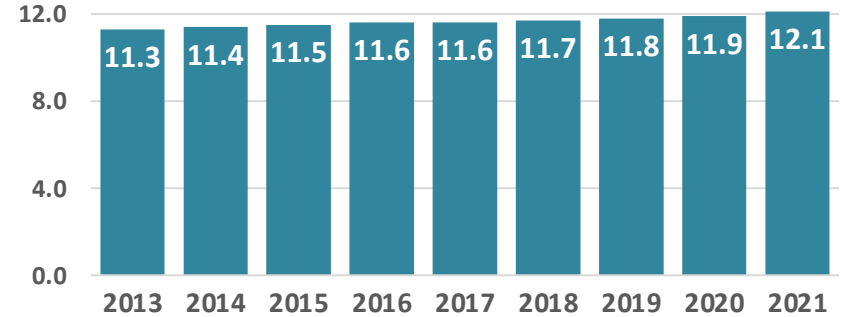
U.S. Light Vehicle Parc



Source: Auto Care Association / IHS Markit

## The car parc continues to get older

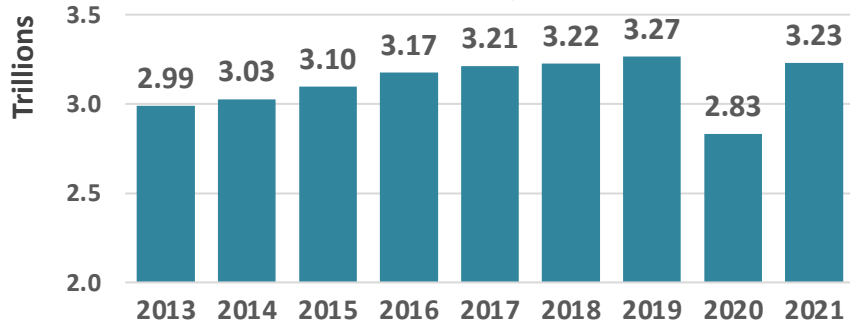
Average Age of Cars and Light Trucks



Source: Auto Care Association / IHS Markit

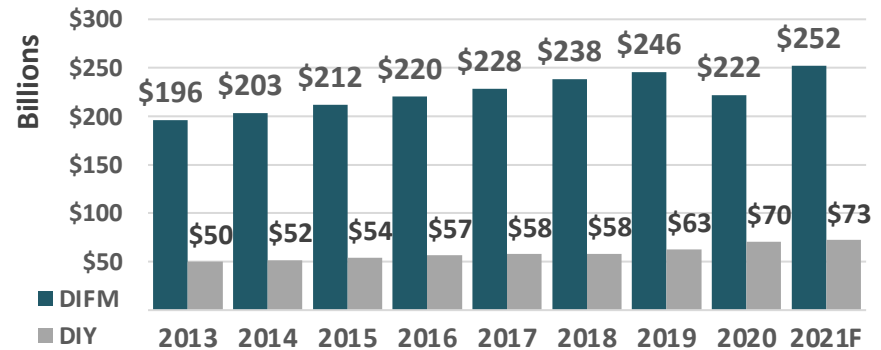
## Miles Driven is expected to rebound

Annual Miles Driven, 2013-2021



Source: USDOT

## DIFM Revenue continues to grow



Source: Auto Care Association / Modern Tire Dealer



# Strategy Overview



# Strategic Objectives

## Core Value Proposition

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

## Successful Growth Programs

- ***Strategic expansion of our business***
  - Growth in complementary specialized original equipment market
  - Complementary products, markets, geographies and channels
  - Strategic acquisitions

## Drive for Continuous Improvement

- ***Internal programs that make us a stronger company***
  - Investment in increased manufacturing
  - Optimization of supply chain footprint
  - Commitment to ongoing ESG and DE&I initiatives

## 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**

## 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

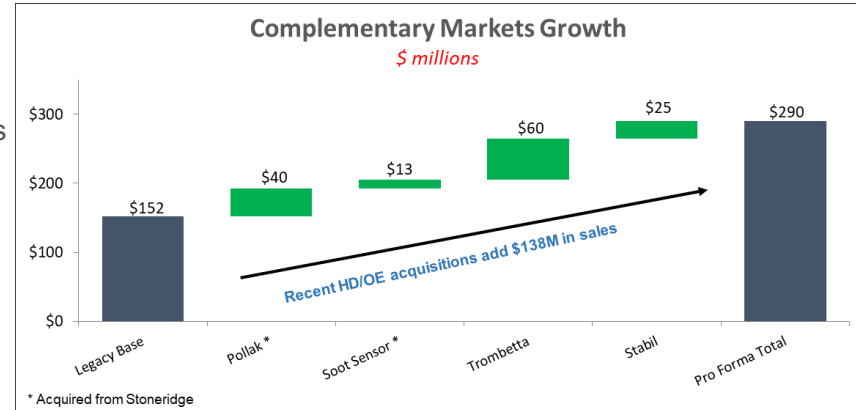
- **Power Management**
  - Battery Current Sensors
  - Power Distribution
  - Contactors, H-Bridge Controllers
- **Switches, Sensors & Actuators**
  - Body Control, Multi-function, Driver-Operated Switches
  - ABS/Traction Control, Speed, Position, Temperature Sensors
  - Lock, Trunk Release, 4WD Actuators
- **Communications**
  - LCD Displays, Gyro Inclinometer
- **ADAS Components (400+ SKUs)**
  - Blind Spot Detection, Cruise Control Distance, Park Assist Sensors
  - Lane Departure, Park Assist Cameras

## TEMPERATURE CONTROL

- **ECV Compressors**
  - 250+ SKUs; 10M+ VIO
- **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
- **I/O Modules for HCU**
  - Heater Control Units I/O Modules for electric buses

# Growth in Specialized Markets

- Complementary growth
  - SMP has served major Specialized & Heavy Duty customers for years
  - Recent focus on Commercial & Off-road growth
  - Products and technologies will be used in the aftermarket
- Strategic Diversification
  - Channel will be >20% of total sales in 2022
  - Scale better leverages existing footprint for growth
- Product Portfolio Enhancement
  - Non-powertrain related products
  - Parts for electric vehicles
  - Alternative energy programs

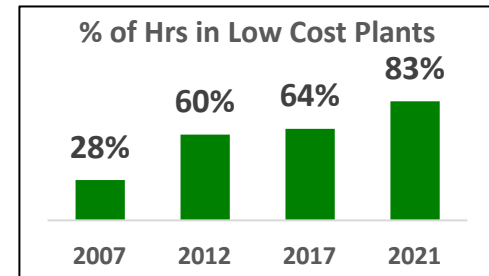


- 15 Acquisitions in Recent Years
- Primary Focus
  - Bolt-on: acquire competitors
  - Vertical integration: acquire suppliers
  - New but related business
- Rationale
  - Helps with Full-Line, Full-Service model
  - Helps address part complexity / SKU proliferation
  - Rapid entry into new technologies
  - Growth into complementary products and markets

		2011	
		2012	
		2013	
			2014
		2016	
		2017	
		2019	
			2021

# Drive for Continuous Improvement

- Increased Manufacturing
  - Engineering resources up >30% from 2013
  - 80% of capital budget for tooling projects
  - Acquisitions: a great “shortcut”
- Optimized Supply Chain Footprint
  - Operations in Mexico & Poland
  - China expansion (Gwo Yng, FGD, CYJ)
  - Strategic North American distribution
- Low Cost Sourcing
  - Hong Kong Engineering & Sourcing Office
  - Rigorous U.S. product qualification



- SMP is committed to ongoing ESG and DE&I initiatives
- We believe in being a good corporate citizen
- We are committed to our company, our employees, our shareholders, our business partners, and communities
- Some highlights from our recent Sustainability Report released in 2022 include:

## Environmental

- Ambition to achieve net-zero by 2050
- Established Scope 1 + Scope 2 GHG emission reduction targets
- Expanded product offering to reduce emissions and improve fuel economy
- Transitioning sales fleet to hybrid vehicles

## Social

- Increased diversity in hiring and promotion of our workforce
- Safety protocols leading to low incidence of injuries
- Financial support of community organizations, scholarship providers and Ukrainian refugees
- Employee development programs

## Governance

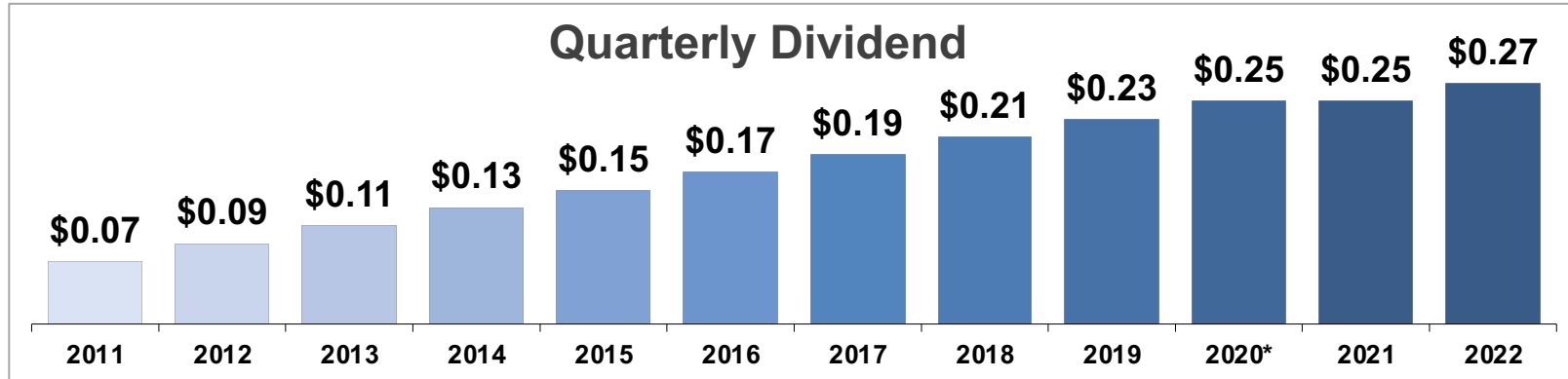
- Board of Directors oversight of ESG strategy
- Increased diversity of our Board of Directors
- Code of Ethics enforces a culture of compliance
- Independently run whistle-blower hotline
- Stock ownership guidelines align with shareholder interests





# Return to Shareholders

## Dividend Increase

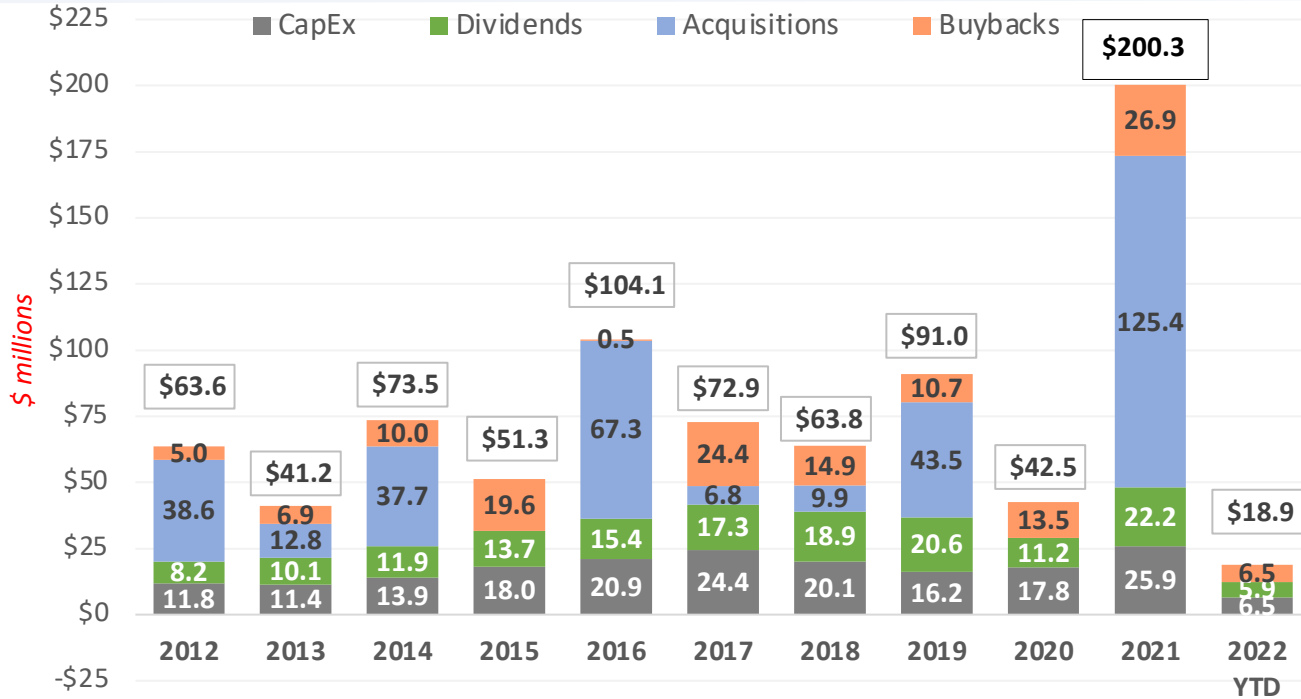


\* Dividend paid out for two quarters only due to COVID-19 pandemic

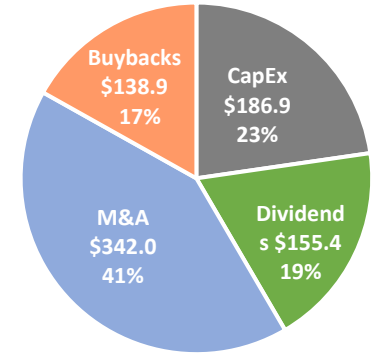
## Treasury Stock Buyback Program

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 YTD	2011 - 2022 YTD
<b>Spend</b> (\$000's)	\$4,136	\$4,999	\$6,864	\$10,000	\$19,623	\$377	\$24,376	\$14,886	\$10,738	\$13,482	\$26,862	\$6,851	\$143,194
<b>Shares</b> (000's)	322	381	210	284	552	10	531	323	222	324	622	150	3931
<b>Ave. Price</b>	\$12.85	\$13.13	\$32.69	\$35.18	\$35.56	\$37.24	\$45.92	\$46.12	\$48.43	\$43.41	\$43.17	\$45.54	\$36.43

# SMP Cash Utilization



## Total Utilization



## Total invested for:

**Growth = 64%**

**Shareholder Returns = 36%**

### Cash Allocation %

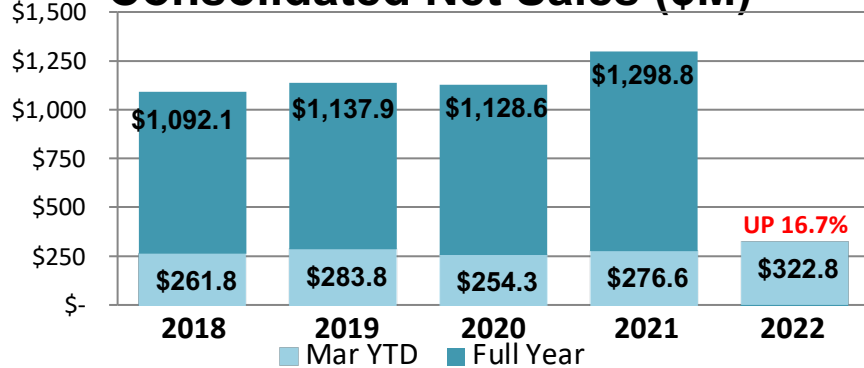
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Invest for Growth (Capex / M&A)	79%	59%	70%	35%	85%	43%	47%	66%	42%	76%	34%
Shareholder Return (Dividends / Buybacks)	21%	41%	30%	65%	15%	57%	53%	34%	58%	24%	66%

# March 2022 YTD Results

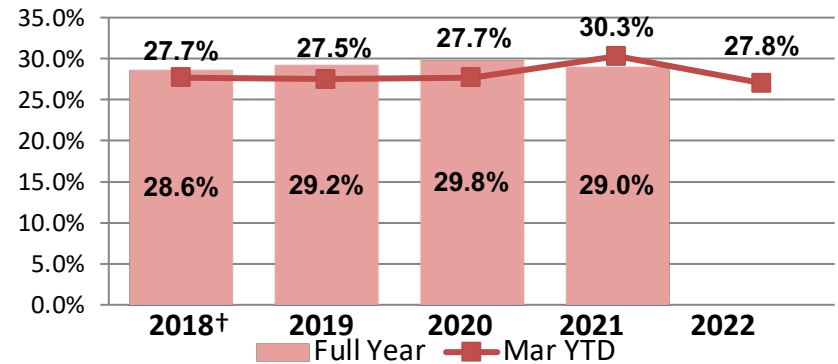


# Year-Over-Year Performance Measures

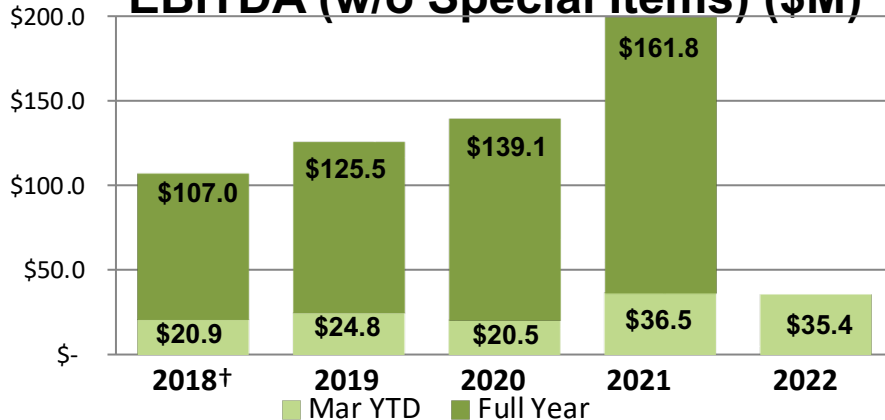
## Consolidated Net Sales (\$M)



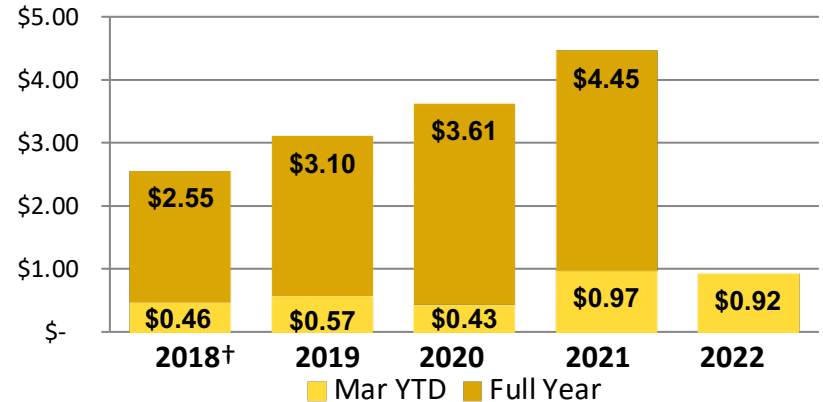
## Gross Margin



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

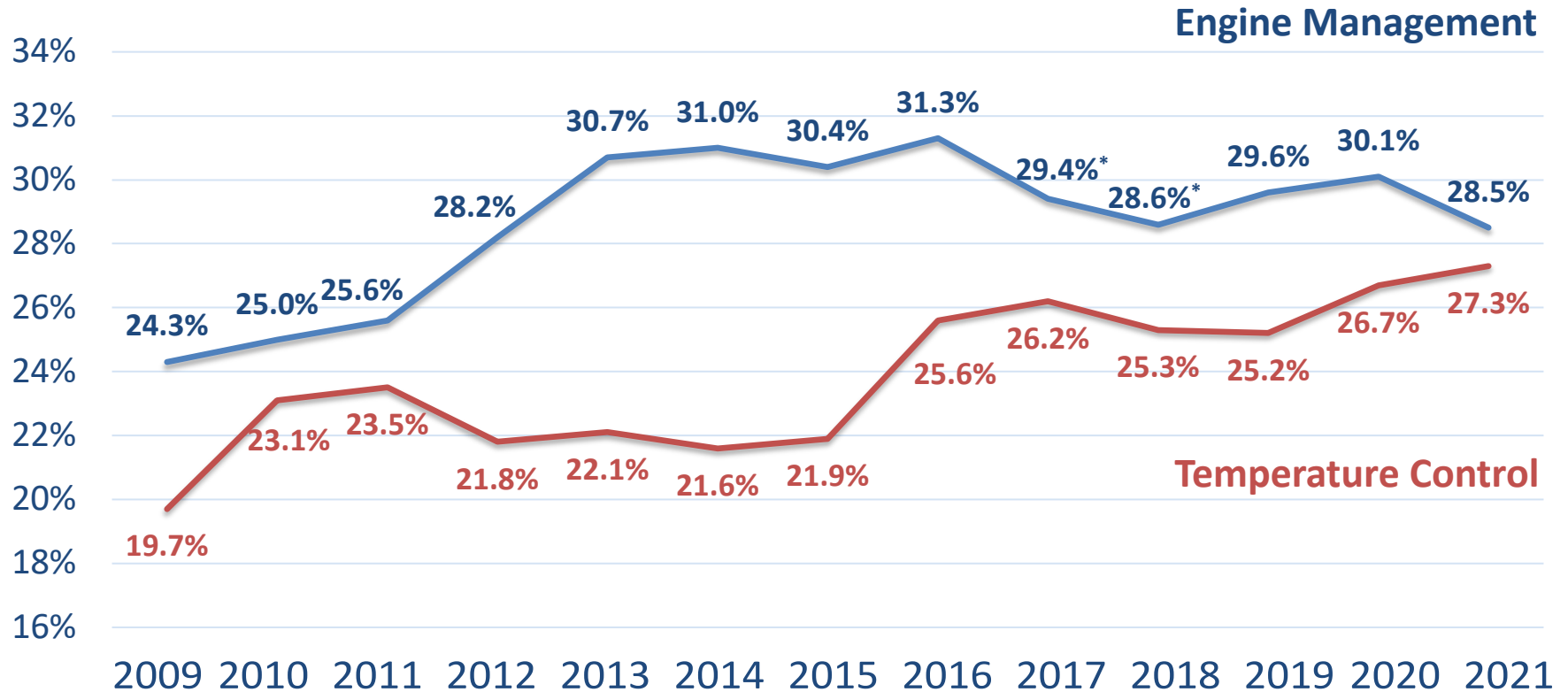


## Diluted EPS (w/o Special Items)



<sup>†</sup> 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>March 2022 YTD</u>		<u>March 2021 YTD</u>		<u>March 2020 YTD</u>	
	<u>Amount</u>	<u>% of Sales</u>	<u>Amount</u>	<u>% of Sales</u>	<u>Amount</u>	<u>% of Sales</u>
Net Sales	\$ 322.8	100.0%	\$ 276.6	100.0%	\$ 254.3	100.0%
Gross Profit	89.8	27.8%	83.8	30.3%	70.4	27.7%
SG&A Expenses	62.8	19.5%	54.5	19.7%	55.9	22.0%
Operating Profit	27.0	8.3%	29.3	10.6%	14.5	5.7%
Other Income/(Loss)	1.4		0.6		(0.5)	
Interest Expense	0.8		0.2		0.9	
Income Taxes	7.0		7.6		3.3	
Earnings from Continuing Ops.	<u>\$ 20.6</u>		<u>\$ 22.2</u>		<u>\$ 9.8</u>	
Diluted Earnings Per Share: Continuing Operations	<u>\$ 0.91</u>		<u>\$ 0.97</u>		<u>\$ 0.43</u>	
<i>Diluted Shares (000's)</i>	22,478		22,766		22,869	

# Condensed Balance Sheet

	Dollars		Ratios	
	2022	2021	2022	2021
Cash and Equivalents	\$ 20.0	\$ 17.1		
Accounts Receivable/DSO	225.3	174.1	57	54
Inventory/Turns	534.4	390.9	2.2	2.3
Unreturned Customer Inventory	22.2	21.1		
Other Assets	508.5	373.3		
Total Assets	<u>\$ 1,310.4</u>	<u>\$ 976.5</u>		
Current Liabilities	\$ 329.4	\$ 270.9		
Total Debt/Debt to Cap Ratio	248.7	42.6	28.5%	7.1%
Other Liabilities	109.4	106.0		
Total Liabilities	<u>\$ 687.5</u>	<u>\$ 419.5</u>		
Equity/Debt to Equity Ratio	622.9	556.9	0.40	0.08
Total Liabilities and Equity	<u>\$ 1,310.4</u>	<u>\$ 976.5</u>		

# Condensed Statement of Cash Flows

<i>(IN MILLIONS)</i>	March YTD		Full Year
	2022	2021	2021
NET INCOME	\$19.4	\$21.0	\$91.0
DEPRECIATION & AMORTIZATION	7.0	6.5	27.2
ACCOUNTS RECEIVABLE	(44.7)	23.5	28.5
INVENTORY	(67.7)	(46.3)	(107.6)
ACCOUNTS PAYABLE	1.9	8.4	33.0
OTHER OPERATING ACTIVITIES	(19.9)	(24.6)	13.5
<b>OPERATING CASH FLOW</b>	<b>(104.0)</b>	<b>(11.4)</b>	<b>85.6</b>
CAPITAL EXPENDITURES	(6.4)	(5.0)	(25.9)
ACQUISITIONS	0.0	(2.1)	(125.4)
NET BORROWINGS (PAYMENTS)	120.3	32.4	118.3
DIVIDENDS	(5.9)	(5.6)	(22.2)
REPURCHASE OF COMMON STOCK	(6.5)	(11.1)	(26.9)
OTHER CHANGES	0.7	0.3	(1.2)
<b>NET CHANGE IN CASH</b>	<b>\$ (1.8)</b>	<b>\$ (2.4)</b>	<b>\$ 2.3</b>
<b>FREE CASH FLOW</b>	<b>\$ (116.3)</b>	<b>\$ (22.0)</b>	<b>\$ 37.5</b>



# Appendix





# Reconciliation of GAAP and Non-GAAP Measures

(\$ in thousands, except per share amounts)

	THREE MONTHS MARCH 31,				
	2022	2021	2020	2019	2018
	(Unaudited)				
<b><u>EARNINGS FROM CONTINUING OPERATIONS</u></b>					
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 20,562</b>	<b>\$ 22,164</b>	<b>\$ 9,621</b>	<b>\$ 13,104</b>	<b>\$ 8,597</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	41	-	205	-	2,836
GAIN FROM SALE OF BUILDINGS	-	-	-	-	(218)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(11)	-	(53)	-	(681)
<b>NON-GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 20,592</b>	<b>\$ 22,164</b>	<b>\$ 9,773</b>	<b>\$ 13,104</b>	<b>\$ 10,534</b>
<b><u>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</u></b>					
<b>GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>\$ 0.91</b>	<b>\$ 0.97</b>	<b>\$ 0.42</b>	<b>\$ 0.57</b>	<b>\$ 0.37</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	0.01	-	0.01	-	0.12
GAIN FROM SALE OF BUILDINGS	-	-	-	-	(0.01)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	-	-	-	-	(0.02)
<b>NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPS</b>	<b>\$ 0.92</b>	<b>\$ 0.97</b>	<b>\$ 0.43</b>	<b>\$ 0.57</b>	<b>\$ 0.46</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,				
	2022	2021	2020 (Unaudited)	2019	2018
<b>EBITDA WITHOUT SPECIAL ITEMS ATTRIBUTABLE TO SMP</b>					
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES</b>	<b>\$ 27,559</b>	<b>\$ 29,751</b>	<b>\$ 12,926</b>	<b>\$ 17,514</b>	<b>\$ 11,644</b>
DEPRECIATION & AMORTIZATION	6,952	6,514	6,539	6,178	6,016
INTEREST EXPENSE	805	209	873	1,089	632
<b>EBITDA</b>	<b>35,316</b>	<b>36,474</b>	<b>20,338</b>	<b>24,781</b>	<b>18,292</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	41	-	205	-	2,836
GAIN FROM SALE OF BUILDINGS	-	-	-	-	(218)
<b>SPECIAL ITEMS</b>	<b>41</b>	<b>-</b>	<b>205</b>	<b>-</b>	<b>2,618</b>
<b>EBITDA WITHOUT SPECIAL ITEMS</b>	<b>\$ 35,357</b>	<b>\$ 36,474</b>	<b>\$ 20,543</b>	<b>\$ 24,781</b>	<b>\$ 20,910</b>
TOTAL DEBT	\$ 248,685	\$ 42,574	\$ 109,706	\$ 83,901	\$ 95,922
CASH	\$ 19,998	\$ 17,100	\$ 13,268	\$ 11,746	\$ 26,226
<b>NET DEBT</b>	<b>\$ 228,687</b>	<b>\$ 25,474</b>	<b>\$ 96,438</b>	<b>\$ 72,155</b>	<b>\$ 69,696</b>
<b>DEBT TO EBITDA RATIO (TTM)</b>	<b>1.4:1</b>	<b>0.2:1</b>	<b>0.8:1</b>	<b>0.7:1</b>	<b>0.6:1</b>

# Thank You

