

# Standard Motor Products, Inc.

Q3 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

## 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

## Professionally Recognized Brands



**ECHLIN**

**BWD**

**STANDARD Diesel**



**Intermotor**  
Genuine Import Parts



**Belden**



**Pollak**



**HAYDEN**  
AUTOMOTIVE



## Significant Supplier to All Major Distributors



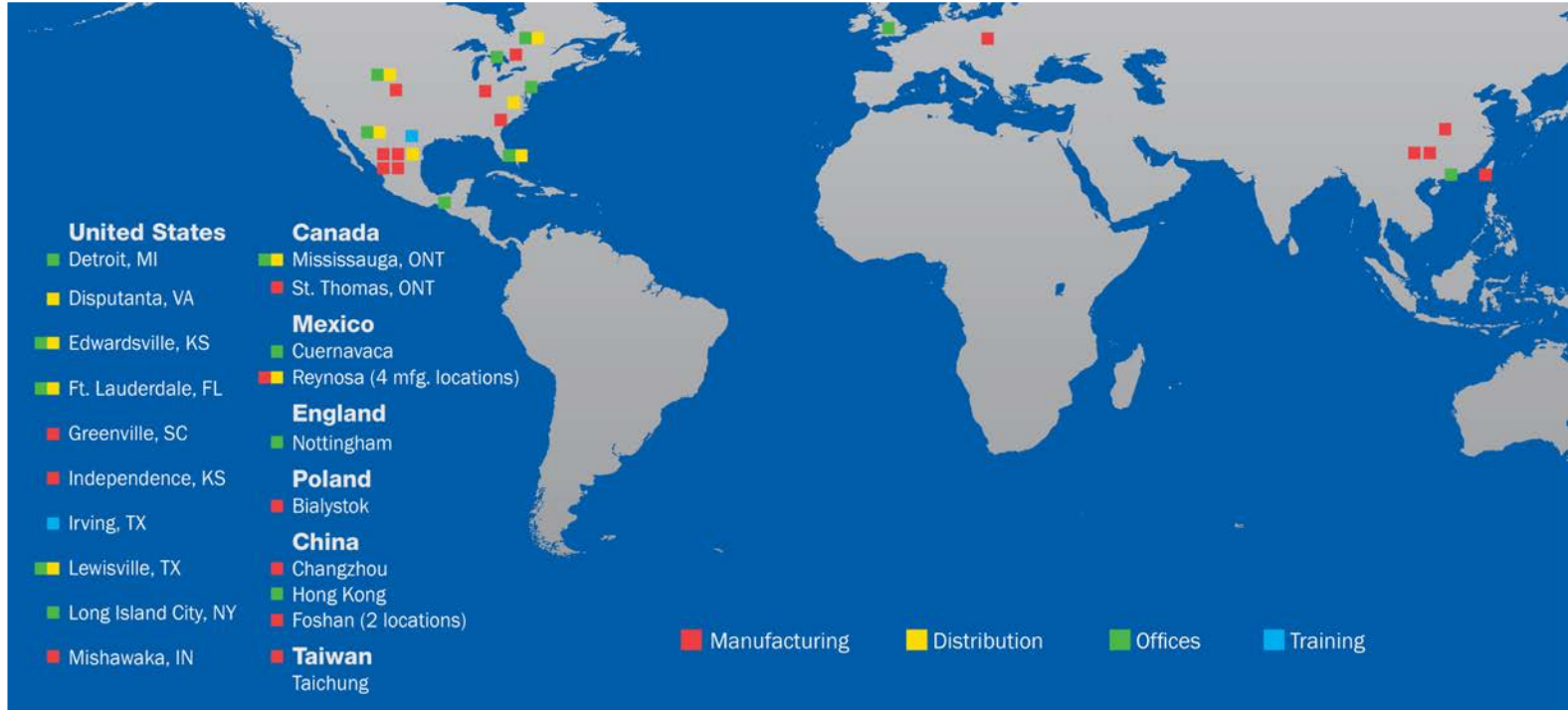
**AutoPlus. Pep Boys**



**LORDCO**  
AUTO PARTS



# SMP Facilities – Global Footprint

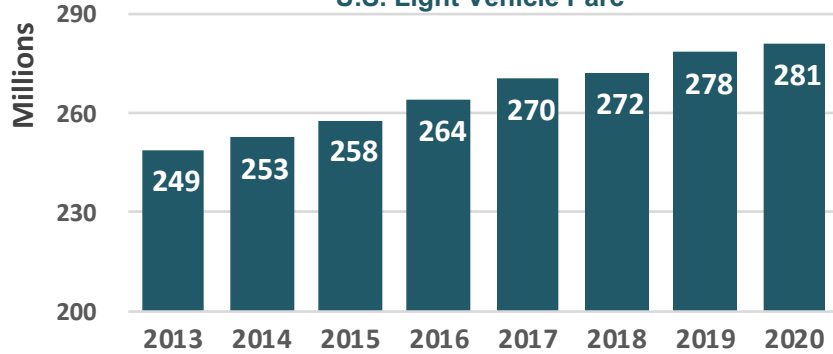


3 Million sq. ft. • 13 Manufacturing Plants • 6 Distribution Centers • 9 Offices

# Favorable Industry Trends

## Vehicle Population is increasing

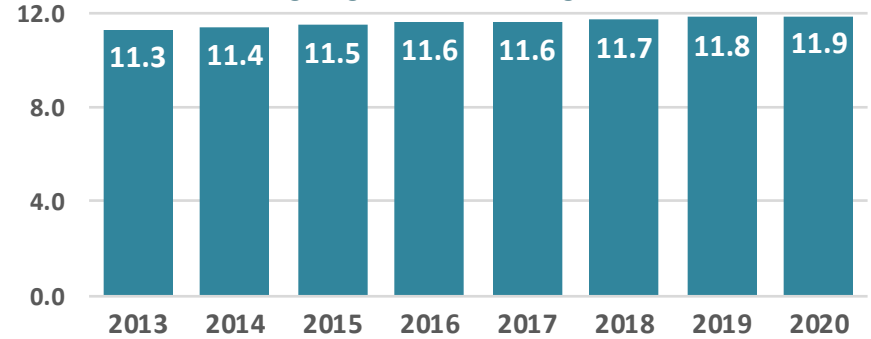
### U.S. Light Vehicle Parc



Source: IHS Markit

## The car parc continues to get older

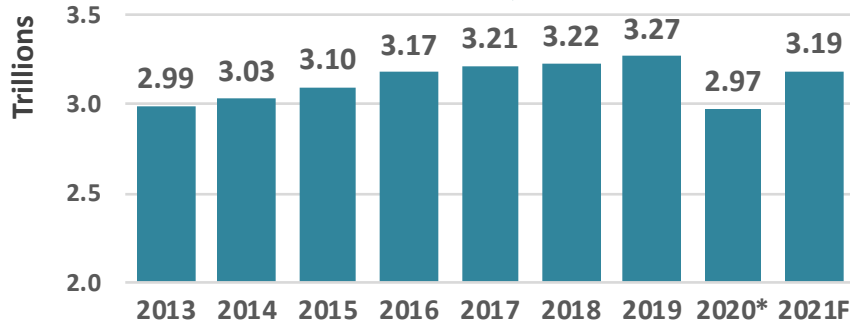
### Average Age of Cars and Light Trucks



Source: IHS Markit

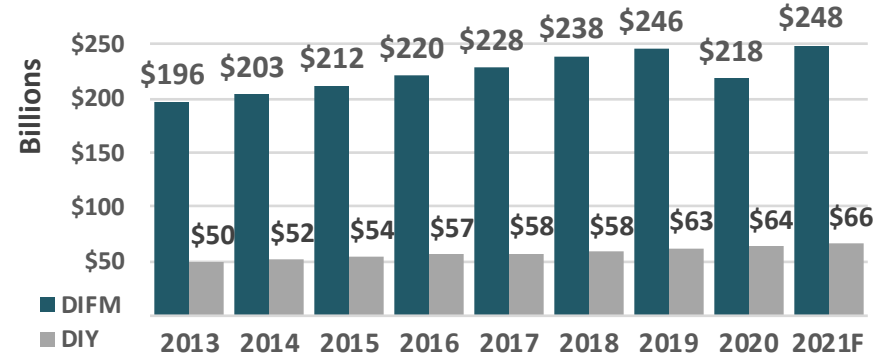
## Miles Driven is Increasing\*

### 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**

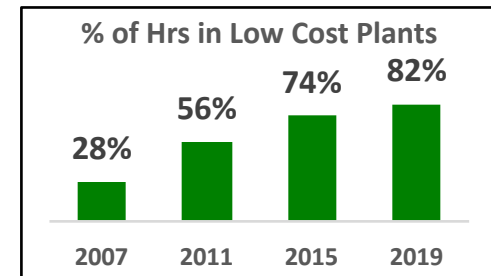
**Marketing  
Support**

**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)
  - Integration of General Cable
  - Integration of Pollak (2019)
- 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

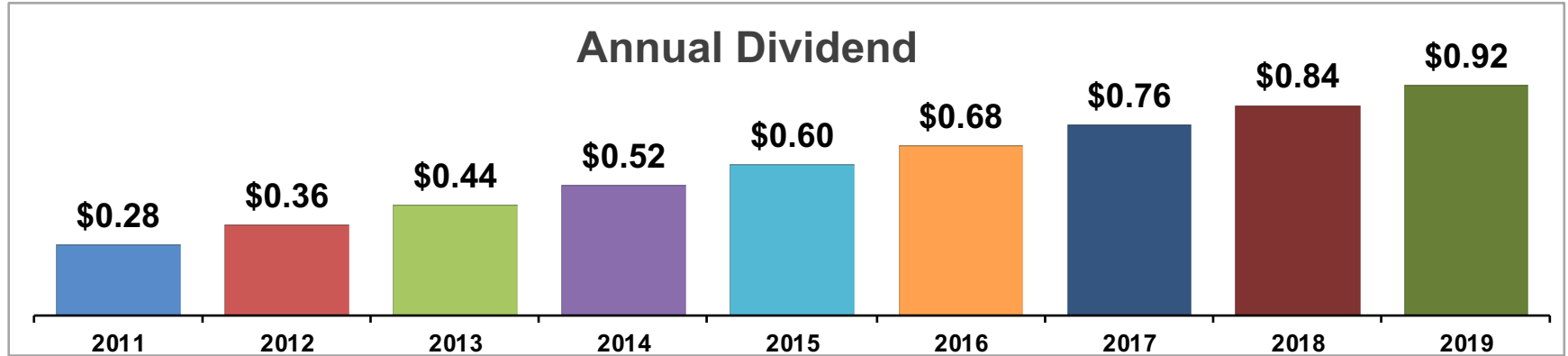
- 12 Acquisitions in Recent Years
- Primary Focus
  - Bolt-on: acquire competitors
  - Vertical integration: acquire suppliers
  - New but related business
- Rationale
  - Provides enhanced value to our customers
    - Helps with Full-Line, Full-Service model
    - Rapid entry to new technologies
  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

		2011	
		2012	
		2013	
			2014
		2016	
		2017	
		2019	

# Return to Shareholders

## Dividend Increase

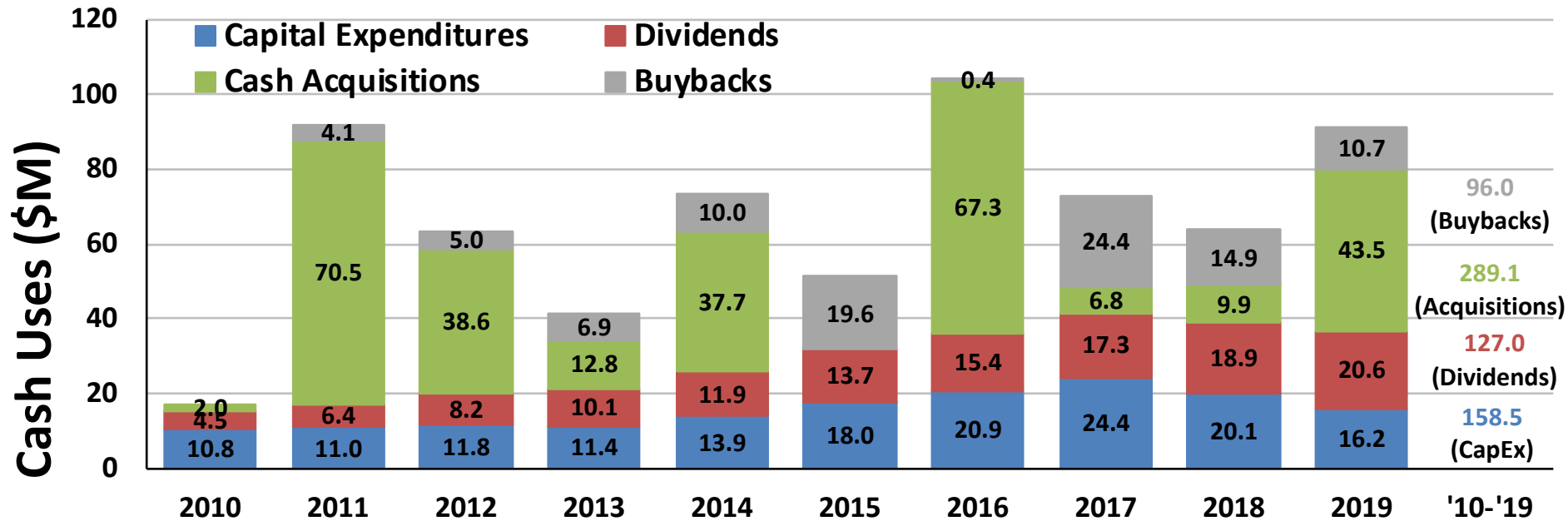
### Annual Dividend



## 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
<b>Uses of Cash:</b>											
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%

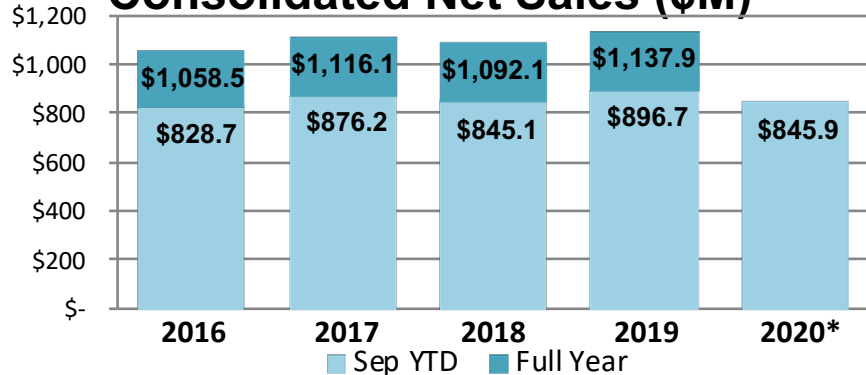


# September 2020 YTD Results

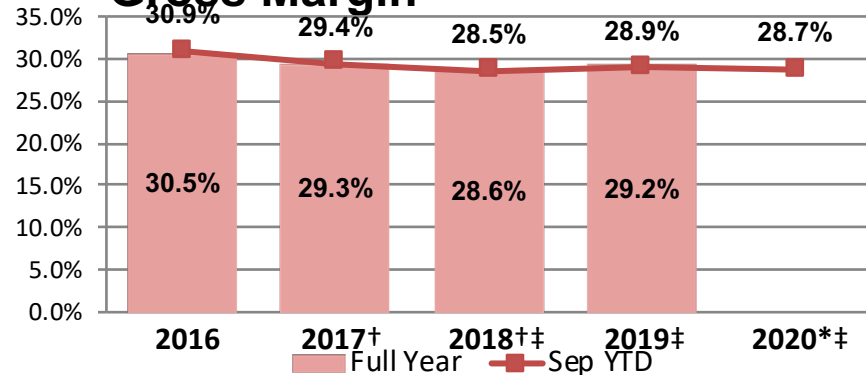


# Year-Over-Year Performance Measures

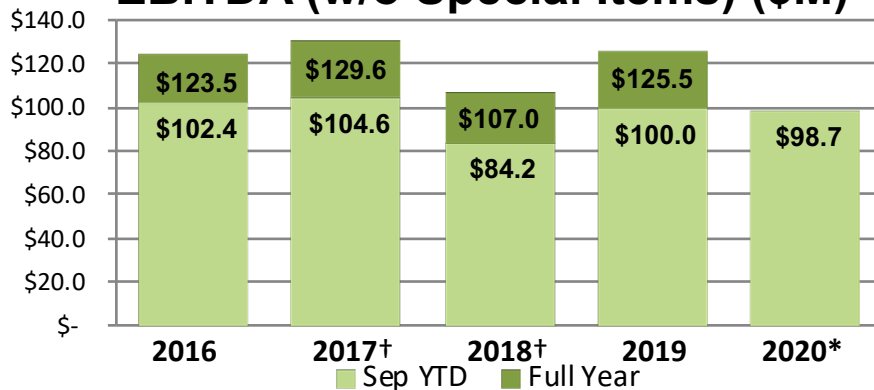
## Consolidated Net Sales (\$M)



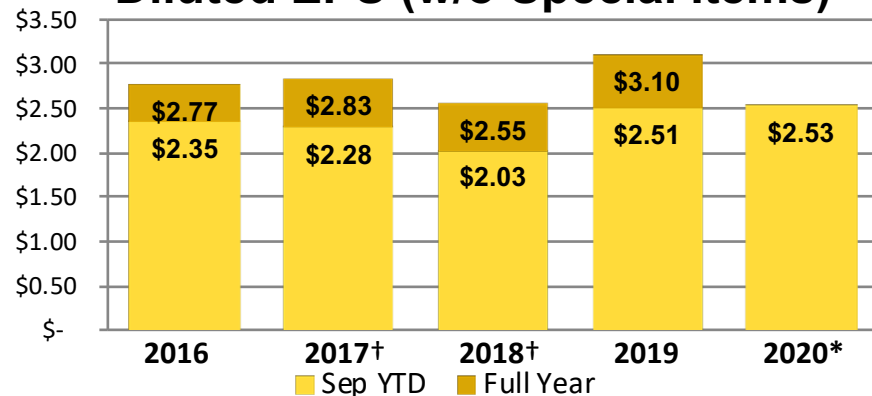
## Gross Margin



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



## Diluted EPS (w/o Special Items)

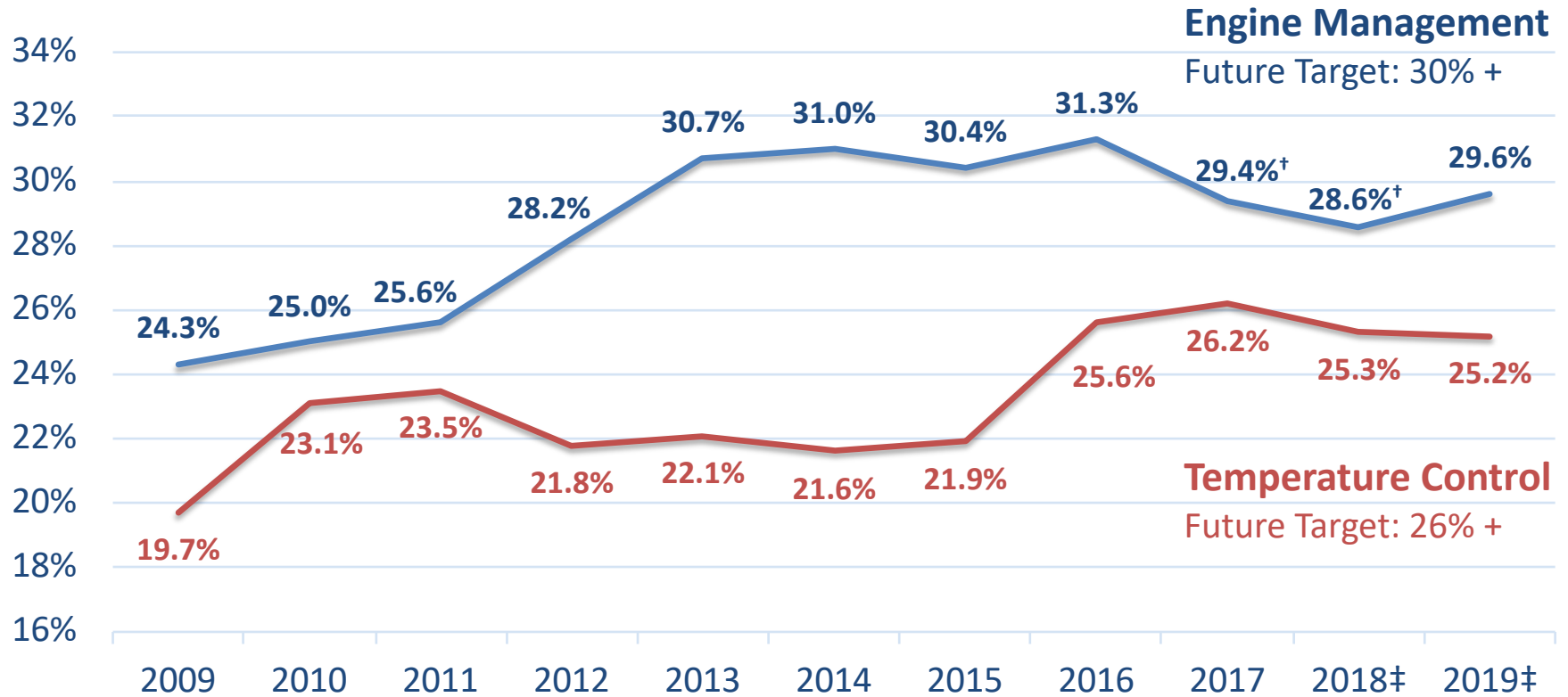


\* Results Impacted by Sales Declines from COVID-19 Pandemic

† Includes Wire Integration Costs Incurred From Nogales to Reynosa Move

‡ 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>September 2020 YTD</u>		<u>September 2019 YTD</u>	
	<u>Amount</u>	<u>% of Sales</u>	<u>Amount</u>	<u>% of Sales</u>
Net Sales	\$ 845.9	100.0%	\$ 896.7	100.0%
Gross Profit	242.5	28.7%	259.0	28.9%
SG&A Expenses	163.7	19.3%	180.5	20.1%
Operating Profit	78.8	9.3%	78.5	8.8%
Other Income/(Loss)	0.6		2.3	
Interest Expense	2.1		4.3	
Income Taxes	19.5		19.2	
Earnings from Continuing Ops.	<u>\$ 57.8</u>		<u>\$ 57.3</u>	
Diluted Earnings Per Share:				
Continuing Operations	<u>\$ 2.53</u>		<u>\$ 2.51</u>	
<i>Diluted Shares (000's)</i>	22,795		22,814	

# Condensed Balance Sheet

Actual Q3 2020, Q3 2019 (\$ in millions)

	Dollars		Ratios	
	2020	2019	2020	2019
Cash and Equivalents	\$ 16.8	\$ 13.3		
Accounts Receivable/DSO	238.0	169.0	60	50
Inventory/Turns	311.4	340.2	2.2	2.3
Unreturned Customer Inventory	20.0	20.3		
Other Assets	364.8	377.9		
Total Assets	<u>\$ 951.0</u>	<u>\$ 920.7</u>		
Current Liabilities	\$ 291.8	\$ 246.2		
Total Debt/Debt to Cap Ratio	12.1	83.6	2.2%	14.5%
Other Liabilities	102.2	96.8		
Total Liabilities	<u>\$ 406.1</u>	<u>\$ 426.6</u>		
Equity/Debt to Equity Ratio	<u>544.9</u>	<u>494.1</u>	0.02	0.17
Total Liabilities and Equity	<u>\$ 951.0</u>	<u>\$ 920.7</u>		

# Condensed Statement of Cash Flows

<i>(IN MILLIONS)</i>	September YTD		Full Year
	2020	2019	2019
NET INCOME	\$48.2	\$46.4	\$57.9
DEPRECIATION & AMORTIZATION	19.3	19.3	25.8
ACCOUNTS RECEIVABLE	(104.0)	(16.6)	17.9
INVENTORY	53.3	11.8	(17.9)
ACCOUNTS PAYABLE	(13.1)	(24.1)	(1.9)
OTHER OPERATING ACTIVITIES	74.9	6.3	(4.9)
<b>OPERATING CASH FLOW</b>	<b>78.6</b>	<b>43.1</b>	<b>76.9</b>
CAPITAL EXPENDITURES	(13.2)	(12.3)	(16.2)
ACQUISITIONS	0.0	(43.5)	(43.5)
NET BORROWINGS (PAYMENTS)	(44.9)	34.7	7.9
DIVIDENDS	(5.6)	(15.4)	(20.6)
REPURCHASE OF COMMON STOCK	(8.7)	(10.7)	(10.7)
OTHER CHANGES	0.2	6.2	5.4
<b>NET CHANGE IN CASH</b>	<b>\$ 6.4</b>	<b>\$ 2.1</b>	<b>\$ (0.8)</b>
<b><i>FREE CASH FLOW</i></b>	<b>\$ 59.8</b>	<b>\$ 15.3</b>	<b>\$ 40.2</b>

# Appendix





# Reconciliation of GAAP and Non-GAAP Measures

(\$ in thousands, except per share amounts)

	NINE MONTHS SEPTEMBER 30,				
	2020	2019	2018	2017	2016
	(Unaudited)				
<b><u>EARNINGS FROM CONTINUING OPERATIONS</u></b>					
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 57,675</b>	<b>\$ 56,313</b>	<b>\$ 44,697</b>	<b>\$ 51,736</b>	<b>\$ 53,573</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	464	1,469	3,073	3,914	2,127
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	(235)	(144)	(144)	(463)	(235)
GAIN FROM SALE OF BUILDINGS	-	-	(218)	(786)	(786)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(121)	(382)	(742)	(1,251)	(536)
<b>NON-GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 57,783</b>	<b>\$ 57,256</b>	<b>\$ 46,666</b>	<b>\$ 53,150</b>	<b>\$ 54,143</b>
<b><u>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</u></b>					
<b>GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>\$ 2.53</b>	<b>\$ 2.47</b>	<b>\$ 1.95</b>	<b>\$ 2.22</b>	<b>\$ 2.32</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	0.02	0.06	0.13	0.16	0.09
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)
GAIN FROM SALE OF BUILDINGS	-	-	(0.01)	(0.03)	(0.03)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(0.01)	(0.01)	(0.03)	(0.05)	(0.02)
<b>NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>\$ 2.53</b>	<b>\$ 2.51</b>	<b>\$ 2.03</b>	<b>\$ 2.28</b>	<b>\$ 2.35</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)

	NINE MONTHS SEPTEMBER 30,				
	2020	2019	2018 (Unaudited)	2017	2016
<b><u>EBITDA WITHOUT SPECIAL ITEMS</u></b>					
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES</b>	<b>\$ 76,793</b>	<b>\$ 74,952</b>	<b>\$ 60,498</b>	<b>\$ 82,204</b>	<b>\$ 85,037</b>
DEPRECIATION & AMORTIZATION	19,313	19,261	17,745	17,439	14,829
INTEREST EXPENSE	2,107	4,319	3,137	1,785	1,206
<b>EBITDA</b>	<b>98,213</b>	<b>98,532</b>	<b>81,380</b>	<b>101,428</b>	<b>101,072</b>
RESTRUCTURING AND INTEGRATION EXPENSES (INCOME)	464	1,469	3,073	3,914	2,127
GAIN FROM SALE OF BUILDINGS	-	-	(218)	(786)	(786)
<b>SPECIAL ITEMS</b>	<b>464</b>	<b>1,469</b>	<b>2,855</b>	<b>3,128</b>	<b>1,341</b>
<b>EBITDA WITHOUT SPECIAL ITEMS</b>	<b>\$ 98,677</b>	<b>\$ 100,001</b>	<b>\$ 84,235</b>	<b>\$ 104,556</b>	<b>\$ 102,413</b>
<b>TOTAL DEBT</b>	<b>\$ 12,099</b>	<b>\$ 83,568</b>	<b>\$ 51,006</b>	<b>\$ 73,137</b>	<b>\$ 70,178</b>
<b>DEBT TO EBITDA RATIO (TTM)</b>	<b>0.1:1</b>	<b>0.7:1</b>	<b>0.5:1</b>	<b>0.6:1</b>	<b>0.6:1</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)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
<b>EARNINGS FROM CONTINUING OPERATIONS</b>				
<b>GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 36,212</b>	<b>\$ 22,654</b>	<b>\$ 57,675</b>	<b>\$ 56,313</b>
RESTRUCTURING AND INTEGRATION EXPENSES	250	825	464	1,469
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	(235)	(144)	(235)	(144)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	(65)	(214)	(121)	(382)
<b>NON-GAAP EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 36,162</b>	<b>\$ 23,121</b>	<b>\$ 57,783</b>	<b>\$ 57,256</b>
<b>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>				
GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	\$ 1.59	\$ 1.00	\$ 2.53	\$ 2.47
RESTRUCTURING AND INTEGRATION EXPENSES	0.01	0.04	0.02	0.06
CERTAIN TAX CREDITS AND PRODUCTION DEDUCTIONS FINALIZED IN PERIOD	(0.01)	(0.01)	(0.01)	(0.01)
INCOME TAX EFFECT RELATED TO RECONCILING ITEMS	-	(0.01)	(0.01)	(0.01)
<b>NON-GAAP DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	<b>\$ 1.59</b>	<b>\$ 1.02</b>	<b>\$ 2.53</b>	<b>\$ 2.51</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

