STANDEX INTERNATIONAL CORP/DE/
Form 10-Q
May 02, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X]

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

[ ]

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-7233

STANDEX INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	31-0596149
(State of incorporation)	*(IRS Employer Identification No.)*

11 KEEWAYDIN DRIVE, SALEM, NEW HAMPSHIRE	03079
(Address of principal executive offices)	*(Zip Code)*

(603) 893-9701

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES [X] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]

Accelerated filer [X]

Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller Reporting Company [ ]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [X]

The number of shares of Registrant's Common Stock outstanding on April 29, 2014 was 12,774,636

STANDEX INTERNATIONAL CORPORATION

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1

STANDEX INTERNATIONAL CORPORATION

Unaudited Condensed Consolidated Balance Sheets

(In thousands, except per share data)	March 31, 2014	June 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 57,487	$ 51,064
Accounts receivable, net	100,802	102,268
Inventories	96,042	84,956
Prepaid expenses and other current assets	11,682	7,776
Income taxes receivable	2,991	-
Deferred tax asset	11,703	12,237
Total current assets	280,707	258,301
Property, plant, and equipment, net	98,748	95,020
Goodwill	113,056	111,905
Intangible assets, net	25,152	25,837
Deferred tax asset	1,103	-
Other non-current assets	22,509	19,510
Total non-current assets	260,568	252,272
Total assets	$ 541,275	$ 510,573
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 65,829	$ 69,854
Accrued expenses	47,811	46,981
Income taxes payable	4,917	1,638
Total current liabilities	118,557	118,473
Long-term debt	45,061	50,072
Accrued pension and other non-current liabilities	48,578	51,040

Total non-current liabilities		93,639		101,112
Stockholders' equity:				
Common stock, par value $1.50 per share - 60,000,000				
shares authorized, 27,984,278 issued, 12,622,719 and				
12,549,806 outstanding at March 31, 2014 and June 30, 2013		41,976		41,976
Additional paid-in capital		42,247		37,199
Retained earnings		575,251		546,031
Accumulated other comprehensive loss		(58,871)		(65,280)
Treasury shares (15,361,559 shares at March 31, 2014				
and 15,434,472 shares at June 30, 2013)		(271,524)		(268,938)
Total stockholders' equity		329,079		290,988
Total liabilities and stockholders' equity	$	541,275	$	510,573

See notes to unaudited condensed consolidated financial statements

2

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands, except per share data)	**2014**	**2013**	**2014**	**2013**
Net sales	$ 178,802	$ 165,970	$ 534,618	$517,985
Cost of sales	120,179	113,419	359,315	349,899
Gross profit	58,623	52,551	175,303	168,086
Selling, general, and administrative expenses	42,995	39,754	128,028	120,175
Restructuring costs	1,381	1,075	5,831	2,295
Other operating (income) expense, net	-	-	(1,962)	-
Total operating expenses	44,376	40,829	131,897	122,470
Income from operations	14,247	11,722	43,406	45,616
Interest expense	(557)	(643)	(1,709)	(1,869)
Other non-operating income (expense)	3,457	(209)	3,977	(79)
Income from continuing operations before income taxes	17,147	10,870	45,674	43,668
Provision for income taxes	3,938	1,199	11,709	11,046
Income from continuing operations	13,209	9,671	33,965	32,622
Income (loss) from discontinued operations, net of income taxes	11	(110)	(1,146)	(270)
Net income (loss)	$ 13,220	$ 9,561	$ 32,819	$ 32,352
Basic earnings (loss) per share:				
Continuing operations	$ 1.05	$ 0.77	$ 2.69	$ 2.60
Discontinued operations	-	(0.01)	(0.09)	(0.02)
Total	$ 1.05	$ 0.76	$ 2.60	$ 2.58

Diluted earnings (loss) per share:								
Continuing operations	$	1.04	$	0.76	$	2.66	$	2.55
Discontinued operations		-		(0.01)		(0.09)		(0.02)
Total	$	1.04	$	0.75	$	2.57	$	2.53
Cash dividends per share	$	0.10	$	0.08	$	0.28	$	0.23

See notes to unaudited condensed consolidated financial statements

3

STANDEX INTERNATIONAL CORPORATION

Unaudited Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	**2014**	**2013**	**2014**	**2013**
Net income (loss)	$ 13,220	$ 9,561	$ 32,819	$ 32,352
Other comprehensive income (loss):				
Defined benefit pension plans:				
Actuarial gains (losses) and other changes in unrecognized costs	$ (53)	$ 667	$ (811)	$ 278
Amortization of unrecognized costs	1,102	1,661	3,625	6,066
Derivative instruments:				
Change in unrealized gains and (losses)	(47)	(66)	(167)	(275)
Amortization of unrealized gains and (losses) into interest expense	252	261	774	786
Foreign currency translation adjustments	(945)	(3,717)	4,027	(491)
Other comprehensive income (loss) before tax	$ 309	$ (1,194)	$ 7,448	$ 6,364
Income tax provision (benefit):				
Defined benefit pension plans:				
Actuarial gains (losses) and other changes in unrecognized costs	$ 12	$ (167)	$ 479	$ (69)
Amortization of unrecognized costs	(388)	(600)	(1,287)	(2,211)
Derivative instruments:				
	18	25	63	104

Change in unrealized gains and (losses)				
Amortization of unrealized gains and (losses) into interest expense	(96)	(98)	(294)	(297)
Income tax provision benefit to other comprehensive income (loss)	$ (454)	$ (840)	$ (1,039)	$ (2,473)
Other comprehensive income (loss), net of tax	(145)	(2,034)	6,409	3,891
Comprehensive income (loss)	$ 13,075	$ 7,527	$ 39,228	$ 36,243

4

STANDEX INTERNATIONAL CORPORATION

Unaudited Condensed Consolidated Statements of Cash Flows

	Nine Months Ended March 31,	
(In thousands)	**2014**	**2013**
Cash flows from operating activities		
Net income	$ 32,819	$ 32,352
(Income) loss from discontinued operations	1,146	270
Income from continuing operations	33,965	32,622
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,283	11,626
Stock-based compensation	5,454	2,808
Non-cash portion of restructuring charge	3,755	-
Disposal of real estate and equipment	925	-
Life insurance benefit	(3,353)	-
Contributions to defined benefit plans	(1,093)	(4,161)
Net changes in operating assets and liabilities	(15,147)	(23,455)
Net cash provided by (used in) operating activities - continuing operations	35,789	19,440
Net cash (used in) operating activities - discontinued operations	(1,938)	(3,006)
Net cash provided by (used in) operating activities	33,851	16,434
Cash flows from investing activities		
Expenditures for property, plant, and equipment	(16,284)	(12,389)
Expenditures for acquisitions, net of cash acquired	-	(39,613)
Proceeds from sales of real estate and equipment	-	24
Other investing activity	617	(435)

Net cash (used in) investing activities		(15,667)		(52,413)
Cash flows from financing activities				
Borrowings on revolving credit facility		50,000		100,500
Payments of revolving credit facility		(55,000)		(80,723)
Short-term borrowings, net		-		326
Activity under share-based payment plans		353		206
Excess tax benefit from share-based payment activity		1,498		1,990
Purchases of treasury stock		(5,548)		(8,274)
Cash dividends paid		(3,529)		(2,887)
Net cash provided by (used in) financing activities		(12,226)		11,138
Effect of exchange rate changes on cash and cash equivalents		465		301
Net change in cash and cash equivalents		6,423		(24,540)
Cash and cash equivalents at beginning of year		51,064		54,749
Cash and cash equivalents at end of period	$	57,487	$	30,209

See notes to unaudited condensed consolidated financial statements

5

STANDEX INTERNATIONAL CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1)

Management Statement

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the results of operations for the three and nine months ended March 31, 2014 and 2013, the cash flows for the nine months ended March 31, 2014 and 2013 and the financial position of the Company at March 31, 2014. The interim results are not necessarily indicative of results for a full year. The unaudited condensed consolidated financial statements and notes do not contain information which would substantially duplicate the disclosures contained in the audited annual consolidated financial statements and notes for the year ended June 30, 2013. The condensed consolidated balance sheet at June 30, 2013 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The financial statements contained herein should be read in conjunction with the Annual Report on Form 10-K and in particular the audited consolidated financial statements for the year ended June 30, 2013. Unless otherwise noted, references to years are to the Company s fiscal years.

2)

Acquisition

In July 2012, the Company acquired Meder electronic AG (Meder), a German manufacturer of magnetic reed switch, reed relay, and reed sensor products. Meder, whose products and geographic markets are complementary to Standex Electronics, is reported under the Electronics Products Group. This investment substantially broadens the global footprint, product line offerings, and end-user markets of the Electronics segment.

The Company paid $43.2 million in cash for 100% of the equity of Meder. Acquired intangible assets of $8.2 million consist of $3.4 million of trademarks, which are indefinite-lived, and $4.8 million of customer relationships, which are amortized over a period of 10 years. Acquired goodwill of $12.1 million is not deductible for income tax purposes due to the nature of the transaction. The Company finalized the purchase price allocation during the quarter ended

December 31, 2012.

The components of the fair value of the Meder acquisition, including the initial allocation of the purchase price and subsequent measurement period adjustments, are as follows (in thousands):

	Meder Electronic	
Fair value of business combination:		
Cash payments	$	43,181
Less: cash acquired		(3,568)
Total	$	39,613
Identifiable assets acquired and liabilities assumed:		
Current Assets	$	20,246
Property, plant, and equipment		11,060
Identifiable intangible assets		8,200
Goodwill		12,063
Other non-current assets		222
Liabilities Assumed		(8,642)
Deferred taxes		(3,536)
Total	$	39,613

6

3)

Discontinued Operations

In pursuing our business strategy we have divested certain businesses and recorded activities of these businesses as discontinued operations. In December 2011, the Company entered into a plan to divest its Air Distribution Products (ADP) business unit in order to allow the Company to focus its financial assets and managerial resources on its remaining portfolio of businesses. On March 30, 2012, the Company completed the sale of the ADP business. During the first quarter of fiscal year 2014, the Company received notice that its obligations under a guarantee provided to the buyers of ADP were triggered as a result of its withdrawal from a multi-employer pension plan in which the Company previously participated. As a result, the Company recorded a charge of $1.2 million in excess of the value of the guarantee already recorded. The Company settled this obligation during the second quarter of 2014.

Assets and liabilities related to discontinued operations appear in the condensed consolidated balance sheets are as follows (in thousands):

	March 31, 2014		June 30, 2013	
Current assets	$	166	$	483
Other non-current assets		3,014		3,000
Accrued expenses		1,136		795
Accrued pension and other non-current liabilities		1,437		3,219

4)

Fair Value Measurements

The financial instruments shown below are presented at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models may be applied.

Assets and liabilities recorded at fair value in the consolidated balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities and the methodologies used in valuation are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities. The Company s deferred compensation plan assets consist of shares in various mutual funds (for the deferred compensation plan, investments are participant-directed) which invest in a broad portfolio of debt and equity securities. These assets are valued based on publicly quoted market prices for the funds shares as of the balance sheet dates.

Level 2 Inputs, other than quoted prices in an active market, that are observable either directly or indirectly through correlation with market data. For foreign exchange forward contracts and interest rate swaps, the Company values the instruments based on the market price of instruments with similar terms, which are based on spot and forward rates as of the balance sheet dates. The Company has considered the creditworthiness of counterparties in valuing all assets and liabilities.

Level 3 Unobservable inputs based upon the Company s best estimate of what market participants would use in pricing the asset or liability.

During the three and nine months ended March 31, 2014, there were no transfers of assets or liabilities between level 1 and level 2 of the fair value measurement hierarchy. The Company s policy is to recognize transfers between levels as of the date they occur.

Cash and cash equivalents, accounts receivable, and accounts payable are carried at cost, which approximates fair value.

	March 31, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Marketable securities - deferred compensation plan	$ 3,047	$ 3,047	$ -	$ -
Foreign exchange contracts	782	-	782	-
Liabilities				

Interest rate swaps	$	1,285	$	-	$	1,285	$	-
Foreign exchange contracts		2,691		-		2,691		-

	June 30, 2013							
		Total		Level 1		Level 2		Level 3
Assets								
Marketable securities - deferred compensation plan	$	2,478	$	2,478	$	-	$	-
Foreign exchange contracts		37		-		37		-
Liabilities								
Interest rate swaps	$	1,875	$	-	$	1,875	$	-
Foreign exchange contracts		1,443		-		1,443		-

Items presented at fair value at March 31, 2014 and June 30, 2013 consisted of the following (in thousands):

5)

Inventories

Inventories are comprised of the following (in thousands):

	March 31, 2014		June 30, 2013	
Raw materials	$	41,588	$	37,906
Work in process		26,726		24,112
Finished goods		27,728		22,938
Total	$	96,042	$	84,956

Distribution costs associated with the sale of inventory are recorded as a component of selling, general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations and were $4.6 million and $15.8 million for the three and nine months ended March 31, 2014 and $4.9 million and $15.9 million for the three and nine months ended March 31, 2013, respectively.

6)

Goodwill

Changes to goodwill during the nine months ended March 31, 2014 were as follows (in thousands):

	June 30, 2013			March 31, 2014	
	Gross	Accumulated Impairment	Net	Translation Adjustment	Net
Food Service Equipment Group	$ 63,729	$ (17,939)	$ 45,790	$ 6	$ 45,796
Engraving Group	20,614	-	20,614	135	20,749
Engineering Technologies Group	10,861	-	10,861	1,017	11,878
Electronics Products Group	31,582	-	31,582	(7)	31,575
Hydraulics Products Group	3,058	-	3,058	-	3,058
Total	$ 129,844	$ (17,939)	$ 111,905	$ 1,151	$ 113,056

7)

Intangible Assets

Intangible assets consist of the following (in thousands):

	Customer Relationships	Trademarks	Other	Total
March 31, 2014				
Cost	$ 33,249	$ 13,022	$ 2,760	$ 49,031
Accumulated amortization	(21,821)	-	(2,058)	(23,879)
Balance, March 31, 2014	$ 11,428	$ 13,022	$ 702	$ 25,152
June 30, 2013				

Cost	$	31,850	$	12,878	$	4,228	$	48,956
Accumulated amortization		(19,529)		-		(3,590)		(23,119)
Balance, June 30, 2013	$	12,321	$	12,878	$	638	$	25,837

Amortization expense for the three and nine months ended March 31, 2014 was $0.6 million and $2.0 million, respectively. Amortization expense for the three and nine months ended March 31, 2013 was $0.6 million and $2.0 million, respectively. At March 31, 2014, amortization expense is estimated to be $0.7 million in the remainder of 2014, $2.4 million in 2015, $1.9 million in 2016, $1.5 million in 2017, $1.4 million in 2018, and $4.2 million thereafter.

8)

Debt

As of March 31, 2014, the Company s debt is due as follows (in thousands):

Fiscal Year		
2014	$	8
2015		15
2016		15
2017		45,015
2018		8
Thereafter		-
	$	45,061

Bank Credit Agreements

The Company has in place a five-year $225 million unsecured Revolving Credit Facility (Credit Agreement , the facility), which expires in January 2017 and includes a letter of credit sub-facility with a limit of $30 million and a $100 million accordion feature. As of March 31, 2014 the Company has used $11.3 million against the letter of credit sub-facility. The Company had the ability to borrow $168.7 million under the facility.

At March 31, 2014, the carrying value of the current borrowings under the facility approximated fair value.

9) Derivative Financial Instruments

Interest Rate Swaps

From time to time as dictated by market opportunities, the Company enters into interest rate swap agreements designed to manage exposure to interest rates on the Company s variable rate indebtedness. The Company recognizes all derivatives on its balance sheet at fair value. The Company has designated its interest rate swap agreements, including those that are forward-dated, as cash flow hedges, and changes in the fair value of the swaps are recognized in other comprehensive income until the hedged items are recognized in earnings. Hedge ineffectiveness, if any, associated with the swaps will be reported by the Company in interest expense.

The Company s effective swap agreements convert the base borrowing rate on $45 million of debt due under our revolving credit agreement from a variable rate equal to LIBOR to a weighted average fixed rate of 2.40% at March 31, 2014. The fair value of the swaps recognized in accrued expenses and in other comprehensive income is as follows (in thousands, except percentages):

				Fair Value	
Effective Date	Notional Amount	Fixed Rate	Maturity	March 31, 2014	June 30, 2013
June 1, 2010	$ 5,000	2.495%	May 24, 2015	$ (135)	$ (205)
June 1, 2010	5,000	2.495%	May 24, 2015	(135)	(205)
June 8, 2010	10,000	2.395%	May 26, 2015	(258)	(389)
June 9, 2010	5,000	2.340%	May 26, 2015	(126)	(190)
June 18, 2010	5,000	2.380%	May 24, 2015	(129)	(194)
September 21, 2011	5,000	1.280%	September 21, 2013	-	(14)
September 21, 2011	5,000	1.595%	September 22, 2014	(37)	(83)
March 15, 2012	10,000	2.745%	March 15, 2016	(465)	(595)
				$ (1,285)	$ (1,875)

The Company reported no losses for the three and nine months ended March 31, 2014, as a result of hedge ineffectiveness. Future changes in these swap arrangements, including termination of the agreements, may result in a reclassification of any gain or loss reported in accumulated other comprehensive income (loss) into earnings as an adjustment to interest expense. Accumulated other comprehensive income (loss) related to these instruments is being amortized into interest expense concurrent with the hedged exposure.

Foreign Exchange Contracts

Forward foreign currency exchange contracts are used to limit the impact of currency fluctuations on certain anticipated foreign cash flows, such as foreign sales, foreign purchases of materials, and loan payments to and from subsidiaries. The Company enters into such contracts for hedging purposes only. For hedges of intercompany loan payments, the Company has not elected hedge accounting due to the general short-term nature and predictability of the transactions, and records derivative gains and losses directly to the statement of operations. At March 31, 2014 and June 30, 2013, the Company had outstanding forward contracts related to hedges of intercompany loans with net unrealized (losses) of ($1.9) million and ($1.4) million, respectively, which approximate the unrealized gains and losses on the related loans. The notional amounts of the Company s forward contracts, by currency, are as follows (in thousands):

	Notional Amount (in native currency)	
Currency	**March 31, 2014**	**June 30, 2013**
Euro	43,094	48,349
British Pound Sterling	2,000	2,580
Canadian Dollar	3,600	3,600
United States Dollar	1,139	-

The table below presents the fair value of derivative financial instruments as well as their classification on the balance sheet (in thousands):

	Assets Derivatives		
	March 31, 2014		June 30, 2013
Derivative designated as hedging instruments	**Balance Sheet**		**Balance Sheet**

	Line Item	Fair Value		Line Item	Fair Value	
Foreign exchange contracts	Other Assets	$	782	Other Assets	$	37

	Liability Derivatives					
	March 31, 2014			June 30, 2013		
Derivative designated as hedging instruments	Balance Sheet Line Item	Fair Value		Balance Sheet Line Item	Fair Value	
Interest rate swaps	Accrued Liabilities	$	1,285	Accrued Liabilities	$	1,875
Foreign exchange contracts	Accrued Liabilities		2,691	Accrued Liabilities		1,443
		$	3,976		$	3,318

The table below presents the amount of gain (loss) recognized in comprehensive income on our derivative financial instruments (effective portion) designated as hedging instruments and their classification within comprehensive income for the periods ended (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Interest rate swaps	$ (47)	$ (66)	$ (167)	$ (275)

The table below presents the amount reclassified from accumulated other comprehensive income (loss) to Net Income for the periods ended (in thousands):

Details about Accumulated Other Comprehensive Income (Loss) Components	Three Months Ended March 31,		Nine Months Ended March 31,		Affected line item in the Statements of Operations
	2014	2013	2014	2013	
Interest rate swaps	$ 252	$ 261	$ 774	$ 786	Interest expense

10)

Retirement Benefits

The Company has defined benefit pension plans covering certain current and former employees both inside and outside of the U.S.   The Company s pension plan for U.S. salaried employees was frozen as of December 31, 2007, and participants in the plan ceased accruing future benefits. The Company s pension plan was frozen for substantially all remaining participants as of July 31, 2013, and replaced with a defined contribution benefit plan.

Net Periodic Benefit Cost for the Company s U.S. and Foreign pension benefit plans for the three and nine months ended March 31, 2014 and 2013 consisted of the following components (in thousands):

	U.S. Plans Three Months Ended March 31,		Non-U.S. Plans Three Months Ended March 31,	
	2014	2013	2014	2013
Service cost	$ 49	$ 176	$ 12	$ 11
Interest cost	2,810	2,735	438	416
Expected return on plan assets	(3,378)	(3,698)	(391)	(333)
Recognized net actuarial loss	923	1,894	208	224
Amortization of prior service cost	14	26	-	(15)
Net periodic benefit cost	$ 418	$ 1,133	$ 267	$ 303

	U.S. Plans Nine Months Ended March 31,		Non-U.S. Plans Nine Months Ended March 31,	
	2014	2013	2014	2013
Service cost	$ 183	$ 527	$ 35	$ 31
Interest cost	8,430	8,206	1,282	1,258
Expected return on plan assets	(10,134)	(11,093)	(1,143)	(1,012)
Recognized net actuarial loss	3,018	5,683	608	681
Amortization of prior service cost	43	76	-	(43)
Net periodic benefit cost	$ 1,540	$ 3,399	$ 782	$ 915

The Company expects to pay $1.5 million in prescribed contributions to its U.K. defined benefit plan and other unfunded defined benefit plans in both the U.S. and Europe during fiscal year 2014. Contributions of $1.1 million and

$4.2 million were made during the nine months ended March 31, 2014 and 2013 respectively. Contributions in fiscal year 2013 included a $3.25 million voluntary contribution made in July 2012, retroactive to June 2012, in order to take advantage of legislation that allowed our U.S. plan to be 100% funded under Pension Protection Act rules at June 30, 2012.

11)

Income Taxes

The Company's effective tax rate for the three months ended March 31, 2014 was 23.0% compared with 11.0% for the three months ended March 31, 2013. The lower effective tax rate in 2013 is primarily due to non-recurring tax benefits recorded discreetly in the prior year.

The Company's effective tax rate for the nine months ended March 31, 2014 was 25.6% compared with 25.3% for the nine months ended March 31, 2013.

In September 2013, the U.S. Department of the Treasury and the Internal Revenue Service released final regulations relating to guidance on applying tax rules to amounts paid to acquire, produce, or improve tangible personal property as well as rules for materials and supplies. These final regulations will be effective for Standex's fiscal year ending June 30, 2015. The Company is currently assessing these rules and their impact to the financial statements, if any.

12)

Earnings Per Share

The following table sets forth a reconciliation of the number of shares (in thousands) used in the computation of basic and diluted earnings per share:

	Three Months Ended	Nine Months Ended

	March 31,		March 31,	
	2014	2013	2014	2013
Basic - Average shares outstanding	12,620	12,554	12,604	12,564
Effect of dilutive securities:				
Unvested stock awards	117	215	154	224
Diluted - Average shares outstanding	12,737	12,769	12,758	12,788

Earnings available to common stockholders are the same for computing both basic and diluted earnings per share. No options to purchase common stock were excluded as anti-dilutive from the calculation of diluted earnings per share for the three and nine months ended March 31, 2014 and 2013, respectively.

37,049 and 33,111 performance stock units are excluded from the diluted earnings per share calculation as the performance criteria have not been met for the nine months ended March 31, 2014 and 2013, respectively.

13)

Comprehensive Income (Loss)

The components of the Company s accumulated other comprehensive loss are as follows (in thousands):

	March 31, 2014		June 30, 2013	
Foreign currency translation adjustment	$	7,772	$	3,745
Unrealized pension losses, net of tax		(65,851)		(67,857)
Unrealized losses on derivative instruments, net of tax		(792)		(1,168)
Total	$	(58,871)	$	(65,280)

14)

Contingencies

In March, 2013, the Company entered into a settlement agreement to terminate the redhibition action that had been pending in Lafayette, Louisiana since August, 2008. The plaintiff, Ultra Pure Water Technologies, Inc. (Ultra Pure) had filed a suit against the Company seeking lost profit damages for alleged defects in Master-Bilt ice merchandisers that were sold to Master-Bilt s customer, which then sold them to Ultra Pure. A settlement was reached during trial. The terms of the settlement provide that all claims against the Company are dismissed with prejudice, in exchange for a payment of $6.0 million, of which the Company contributed $2.6 million, net of $3.4 million paid directly by insurers in the matter. The Company recorded a $2.6 million payment during the third quarter of fiscal year 2013 as a component of selling, general, and administrative expenses. No fault or liability on the part of the Company is admitted under the terms of the settlement. The court has approved the terms of the settlement.

From time to time, the Company is subject to various claims and legal proceedings, including claims related to environmental remediation, either asserted or unasserted, that arise in the ordinary course of business. While the outcome of these proceedings and claims cannot be predicted with certainty, the Company s management does not believe that the outcome of any of the currently existing legal matters will have a material impact on the Company s consolidated financial position, results of operations or cash flow. The Company accrues for losses related to a claim or litigation when the Company s management considers a potential loss probable and can reasonably estimate such potential loss.

15)

Industry Segment Information

The Company has determined that it has five reportable segments organized around the types of product sold:

Food Service Equipment Group an aggregation of seven operating segments that manufacture and sell commercial food service equipment.

Engraving Group provides mold texturizing, roll engraving and process machinery for a number of industries.

Engineering Technologies Group provides customized solutions in the fabrication and machining of engineered components for the aerospace, energy, aviation, medical, oil and gas, and general industrial markets.

Electronics Products Group manufacturing and selling of electronic components for applications throughout the end-user market spectrum.

Hydraulics Products Group manufacturing and selling of single- and double-acting telescopic and piston rod hydraulic cylinders.

Net sales and income (loss) from continuing operations by segment for the three months and nine months ended March 31, 2014 and 2013 were as follows (in thousands):

	Three Months Ended March 31,			
	Net Sales		Income from Operations	
	2014	2013	2014	2013
Segment:				
Food Service Equipment Group	$ 88,873	$ 86,606	$ 7,168	$ 5,287
Engraving Group	27,278	23,820	5,957	3,365
Engineering Technologies Group	22,347	19,584	4,296	3,411
Electronics Products Group	30,672	27,785	5,283	4,780
Hydraulics Products Group	9,632	8,175	1,477	1,437
Restructuring costs			(1,381)	(1,075)
Corporate			(8,553)	(5,483)
Sub-total	$ 178,802	$ 165,970	$ 14,247	$ 11,722
Interest expense			(557)	(643)
Other non-operating income			3,457	(209)
Income from continuing operations before income taxes			$ 17,147	$ 10,870

	Nine Months Ended March 31,			
	Net Sales		Income from Operations	
	2014	2013	2014	2013
Segment:				
Food Service Equipment Group	$ 287,290	$ 291,745	$ 23,388	$ 28,329
Engraving Group	80,689	70,839	16,550	12,393
Engineering Technologies Group	56,935	53,341	8,834	8,748
Electronics Products Group	85,277	80,518	14,813	11,969
Hydraulics Products Group	24,427	21,542	3,710	3,371
Restructuring costs			(5,831)	(2,295)
Other operating income (expense), net			1,962	-
Corporate			(20,020)	(16,899)
Sub-total	$ 534,618	$ 517,985	$ 43,406	$ 45,616

Interest expense	(1,709)	(1,869)
Other non-operating income	3,977	(79)
Income from continuing operations before income taxes	$ 45,674	$ 43,668

Net sales include only transactions with unaffiliated customers and include no intersegment sales. Income (loss) from operations by segment excludes interest expense and other non-operating income (expense).

16) Restructuring

The Company has undertaken cost reduction and facility consolidation initiatives that have resulted in severance, restructuring, and related charges. A summary of charges by initiative is as follows (in thousands):

	Three Months Ended March 31, 2014			Nine Months Ended March 31, 2014		
	Involuntary Employee Severance and Benefit Costs	Other	Total	Involuntary Employee Severance and Benefit Costs	Other	Total
2014 Restructuring initiatives	$ 637	$ 744	$ 1,381	$ 1,172	$ 4,587	$ 5,759
Prior year initiatives	-	-	-	72	-	72
	$ 637	$ 744	$ 1,381	$ 1,244	$ 4,587	$ 5,831

	Three Months Ended March 31, 2013			Nine Months Ended March 31, 2013		
	Involuntary Employee Severance	Other	Total	Involuntary Employee Severance and	Other	Total

	and Benefit Costs			Benefit Costs		
Prior year initiatives	$ 404	$ 671	$ 1,075	$ 1,004	$ 1,291	$ 2,295

2014 Restructuring Initiatives

On August 23, 2013 the Company announced a consolidation of its Cheyenne, Wyoming plant into its Mexico facility and other cooking solutions operations in North America. The Company expects to record a pre-tax restructuring charge related to the Food Service Equipment segment during fiscal 2014 in the range of $7.5 to $8.0 million, which includes a non-cash charge of $3.3 million related to the impairment of long-lived assets recorded during the first quarter of fiscal year 2014.

Activity in the reserves related to fiscal year 2014 restructuring initiatives is as follows (in thousands):

	Involuntary Employee Severance and Benefit Costs	Other	Total
Restructuring liabilities at June 30, 2013	$ -	$ -	$ -
Additions and adjustments	1,172	1,245	2,417
Payments	(759)	(1,245)	(2,004)
Restructuring liabilities at March 31, 2014	$ 413	$ -	$ 413

Prior Year Initiatives

Activity in the reserve related to the prior year restructuring initiatives is as follows (in thousands):

	Involuntary Employee Severance and Benefit Costs	Other	Total
Restructuring liabilities at June 30, 2013	$ 10	$ -	$ 10

Additions and adjustments	72	-	72
Payments	(82)	-	(82)
Restructuring liabilities at March 31, 2014	$ -	$ -	$ -

The Company s total restructuring expenses by segment are as follows (in thousands):

	Three Months Ended March 31, 2014			Nine Months Ended March 31, 2014		
	Involuntary Employee Severance and Benefit Costs	**Other**	**Total**	**Involuntary Employee Severance and Benefit Costs**	**Other**	**Total**
Food Service Equipment Group	$ 178	$ 722	$ 900	$ 452	4,518	$ 4,970
Engraving Technologies Group	460	$ 21	481	606	20	626
Electronics Products Group	-	$ -	-	187	48	235
	$ 638	$ 743	$ 381	$ 1,245	$ 4,586	$ 5,831

	Three Months Ended March 31, 2013			Nine Months Ended March 31, 2013		
	Involuntary Employee Severance and Benefit Costs	**Other**	**Total**	**Involuntary Employee Severance and Benefit Costs**	**Other**	**Total**
Food Service Equipment Group	$ 52	$ 2	$ 54	$ 180	$ 24	$ 204
Engineering Technologies Group	44	$ -	44	44	-	44
Engraving Technologies Group	181	$ 649	830	653	1,235	1,888
	127	$ 20	147	127	32	159

Electronics Products Group	$ 404	$ 671	$ 1,075	$ 1,004	$ 1,291	$ 2,295

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements contained in this Quarterly Report on Form 10-Q that are not based on historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as should, could, "may," will, expect," "believe," "estimate," "anticipate," intends, "continue," or similar terms or variations of those terms or the negative of those terms. There are many factors that affect the Company s business and the results of its operations and may cause the actual results of operations in future periods to differ materially from those currently expected or desired. These factors include, but are not limited to material adverse or unforeseen legal judgments, fines, penalties or settlements, conditions in the financial and banking markets, including fluctuations in exchange rates and the inability to repatriate foreign cash, general and international recessionary economic conditions, including the impact, length and degree of the current slow growth conditions on the customers and markets we serve and more specifically conditions in the food service equipment, automotive, construction, aerospace, energy, transportation and general industrial markets, lower-cost competition, the relative mix of products which impact margins and operating efficiencies, both domestic and foreign, in certain of our businesses, the impact of higher raw material and component costs, particularly steel, petroleum based products and refrigeration components, an inability to realize the expected cost savings from restructuring activities, effective completion of plant consolidations, cost reduction efforts, restructuring including procurement savings and productivity enhancements, capital management improvements, strategic capital expenditures, and the implementation of lean enterprise manufacturing techniques, the inability to achieve the savings expected from the sourcing of raw materials from and diversification efforts in emerging markets, the inability to attain expected benefits from strategic alliances or acquisitions and the inability to achieve synergies contemplated by the Company. Other factors that could impact the Company include changes to future pension funding requirements. In addition, any forward-looking statements represent management's estimates only as of the day made and should not be relied upon as representing management's estimates as of any *subsequent date. While the Company may elect to update forward-looking statements at some point in the future, the Company and management specifically disclaim any obligation to do so, even if management's estimates change.*

Overview

We are a leading manufacturer of a variety of products and services for diverse commercial and industrial market segments. We have five reportable segments: Food Service Equipment Group, (Food Service Equipment); Engraving Group, (Engraving); Engineering Technologies Group, (Engineering Technologies); Electronics Products Group, (Electronics); and the Hydraulics Products Group, (Hydraulics). Our business objective is to provide value-added, technology-driven solutions to our customers. Our strategic objective is to identify those businesses which are best able to meet our objectives and invest in them by taking advantage of organic growth and acquisition opportunities, enhancing our global footprint, and pursuing operational excellence in order to improve operating margins and working capital management.

Our business strategy emphasizes organic growth initiatives in addition to the completion of strategic acquisitions. The development and execution of top line initiatives that provide opportunities for market share gains is a top priority for each of our businesses. Our Company is engaged in strategic growth programs through capital investment in new product introductions, value engineering and performance enhancements for existing products, expanding of product offerings through private labeling and sourcing ag