

STANDEX INTERNATIONAL CORP/DE/
Form 10-Q
October 31, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 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
(State of incorporation)

31-0596149
(IRS Employer Identification No.)

11 KEEWAYDIN DRIVE, SALEM, NEW HAMPSHIRE

(Address of principal executive offices)

03079

(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 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 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

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

The number of shares of Registrant's Common Stock outstanding on October 27, 2014 was 12,754,028

STANDEX INTERNATIONAL CORPORATION

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PART I. FINANCIAL INFORMATION**ITEM 1**

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Balance Sheets

(In thousands, except per share data)	September 30, 2014		June 30, 2014	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$	71,983	\$	74,260
Accounts receivable, net		114,458		107,674
Inventories		111,491		97,065
Prepaid expenses and other current assets		7,592		7,034
Income taxes receivable		-		922
Deferred tax asset		13,072		12,981
Total current assets		318,596		299,936
Property, plant, and equipment, net		108,991		96,697
Intangible assets, net		40,789		31,490
Goodwill		156,278		125,965
Deferred tax asset		910		878
Other non-current assets		24,983		23,194
Total non-current assets		331,951		278,224
Total assets	\$	650,547	\$	578,160
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable	\$	70,998	\$	85,206
Accrued expenses		47,508		51,038
Income taxes payable		7,766		4,926
Total current liabilities		126,272		141,170
Long-term debt		125,049		45,056
		56,255		51,208

Accrued pension and other non-current liabilities		
Total non-current liabilities	181,304	96,264
Stockholders' equity:		
Common stock, par value \$1.50 per share - 60,000,000 shares authorized, 27,984,278 issued, 12,647,147 and 12,639,615 outstanding at September 30, 2014 and June 30, 2014	41,976	41,976
Additional paid-in capital	44,620	43,388
Retained earnings	597,285	584,014
Accumulated other comprehensive loss	(63,320)	(55,819)
Treasury shares (15,337,131 shares at September 30, 2014 and 15,344,663 shares at June 30, 2014)	(277,590)	(272,833)
Total stockholders' equity	342,971	340,726
Total liabilities and stockholders' equity	\$ 650,547	\$ 578,160

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended		September 30,	
(In thousands, except per share data)	2014		2013	
Net sales	\$	202,027	\$	178,140
Cost of sales		135,915		117,735
Gross profit		66,112		60,405
Selling, general, and administrative expenses		43,954		39,535
Restructuring costs		862		3,806
Other operating (income) expense, net		59		-
Total operating expenses		44,875		43,341
Income from operations		21,237		17,064
Interest expense		(643)		(560)
Other non-operating income (expense)		265		454
Income from continuing operations before income taxes		20,859		16,958
Provision for income taxes		5,932		4,610
Income from continuing operations		14,927		12,348
Income (loss) from discontinued operations, net of income taxes		(375)		(3,266)
Net income (loss)	\$	14,552	\$	9,082
Basic earnings (loss) per share:				
Continuing operations	\$	1.18	\$	0.98
Discontinued operations		(0.03)		(0.26)
Total	\$	1.15	\$	0.72
Diluted earnings (loss) per share:				
Continuing operations	\$	1.16	\$	0.97
Discontinued operations		(0.03)		(0.26)
Total	\$	1.13	\$	0.71

Cash dividends per share	\$	0.10	\$	0.08
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See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Statements of Comprehensive Income

Three Months Ended
September 30,

(In thousands)	2014	2013
Net income (loss)	\$ 14,552	\$ 9,082
Other comprehensive income (loss):		
Defined benefit pension plans:		
Actuarial gains (losses) and other changes in unrecognized costs	594	(956)
Amortization of unrecognized costs	1,185	1,423
Derivative instruments:		
Change in unrealized gains and (losses)	(2)	(90)
Amortization of unrealized gains and (losses) into interest expense	258	267
Foreign currency translation gains (losses)	(8,809)	4,529
Other comprehensive income (loss) before tax	(6,774)	5,173
Income tax provision (benefit):		
Defined benefit pension plans:		
Actuarial gains (losses) and other changes in unrecognized costs	(208)	567
Amortization of unrecognized costs	(421)	(509)
Derivative instruments:		
Change in unrealized gains and (losses)	1	34
Amortization of unrealized gains and (losses) into interest expense	(99)	(101)
Income tax (provision) benefit to other comprehensive income (loss)	(727)	(9)
Other comprehensive income (loss), net of tax	(7,501)	5,164
Comprehensive income (loss)	\$ 7,051	\$ 14,246

See notes to unaudited condensed consolidated

financial statements

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands)	Three Months Ended	
	September 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 14,552	\$ 9,082
(Income) loss from discontinued operations	375	3,266
Income from continuing operations	14,927	12,348
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,011	3,689
Stock-based compensation	1,045	849
Non-cash portion of restructuring charge	(249)	3,294
Contributions to defined benefit plans	(323)	(358)
Net changes in operating assets and liabilities	(30,370)	(18,528)
Net cash provided by (used in) operating activities - continuing operations	(10,959)	1,294
Net cash provided by (used in) operating activities - discontinued operations	117	(351)
Net cash provided by (used in) operating activities	(10,842)	943
Cash flows from investing activities		
Expenditures for property, plant, and equipment	(7,199)	(3,730)
Expenditures for acquisitions, net of cash acquired	(57,149)	-
Other investing activity	1,546	10
Net cash (used in) investing activities - continuing operations	(62,802)	(3,720)
	-	(520)

Net cash (used in) investing activities - discontinued operations				
Net cash (used in) investing activities		(62,802)		(4,240)
Cash flows from financing activities				
Borrowings on revolving credit facility		88,600		17,700
Payments of revolving credit facility		(8,600)		(17,700)
Activity under share-based payment plans		551		72
Excess tax benefit from share-based payment activity		1,308		1,470
Purchases of treasury stock		(6,427)		(3,045)
Cash dividends paid		(1,264)		(1,004)
Net cash provided by (used in) financing activities		74,168		(2,507)
Effect of exchange rate changes on cash and cash equivalents		(2,801)		795
Net change in cash and cash equivalents		(2,277)		(5,009)
Cash and cash equivalents at beginning of year		74,260		51,064
Cash and cash equivalents at end of period	\$	71,983	\$	46,055

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest	\$	473	\$	429
Income taxes, net of refunds	\$	1,049	\$	3,280

See notes to unaudited condensed consolidated financial statements

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 months ended September 30, 2014 and 2013, the cash flows for the three months ended September 30, 2014 and 2013 and the financial position of Standex International Corporation (Standex or the Company), at September 30, 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, 2014. The condensed consolidated balance sheet at June 30, 2014 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, 2014. There have been no changes to our Summary of Accounting Policies subsequent to June 30, 2014. Unless otherwise noted, references to years are to the Company's fiscal years.

2)

Acquisition

On September 4, 2014, the Company acquired Enginetics Corporation (Enginetics), a leading producer of aircraft engine components for all major aircraft platforms. This investment complements our Engineering Technologies Group and allows us to provide broader solutions to the aviation market.

The Company paid \$55.0 million in cash for 100% of the outstanding stock of MPE Aeroengines Inc, of which Enginetics is a wholly owned subsidiary and has preliminarily recorded intangible assets of \$10.6 million, consisting of \$9.1 million of customer relationships which are expected to be amortized over a period of fifteen years and \$1.5 million of trademarks which are indefinite-lived. Acquired goodwill of \$32.8 million is not deductible for income tax purposes due to the nature of the transaction. The Company anticipates finalizing the purchase price allocation, primarily as it relates to acquired intangible assets, during the quarter ending December 31, 2014.

The components of the fair value of the Enginetics acquisition, including the preliminary allocation of the purchase price at September 30, 2014, are as follows (in thousands):

Enginetics		Preliminary Allocation
Fair value of business combination:		
Cash payments	\$	55,021
Less: cash acquired		(113)
Total	\$	54,908
Identifiable assets acquired and liabilities assumed:		
Current Assets	\$	12,350
Property, plant, and equipment		8,881
Identifiable intangible assets		10,600
Goodwill		32,797
Other non-current assets		158

Liabilities Assumed		(2,826)
Deferred taxes		(7,052)
Total	\$	54,908

On June 20, 2014, the Company acquired all of the outstanding stock of Ultrafryer Systems, Inc. (Ultrafryer), a producer of commercial deep fryers for restaurant and commercial installations. This investment complements our Food Service Equipment Group s product line and allows us to provide broader solutions to restaurant chains and commercial food service installations.

The Company paid \$23.0 million in cash for 100% of the stock of Ultrafryer and has recorded intangible assets of \$7.6 million, consisting of \$2.4 million of trademarks which are indefinite-lived, \$4.9 million of customer relationships, and \$0.3 million of other intangible assets which are expected to be amortized over a period of fifteen and three to five years, respectively. Acquired goodwill of \$11.0 million is not deductible for income tax purposes due to the nature of the transaction.

The components of the fair value of the Ultrafryer acquisition, including the preliminary allocation of the purchase price and subsequent measurement periods adjustments, related to the purchase of land and building, at September 30, 2014, are as follows (in thousands):

Ultrafryer	Preliminary Allocation		Adjustments		Final	
Fair value of business combination:						
Cash payments	\$	20,745	\$	2,241	\$	22,986
Less: cash acquired		(20)		-		(20)
Total	\$	20,725	\$	2,241	\$	22,966
Identifiable assets acquired and liabilities assumed						
Current Assets	\$	5,871	\$	50	\$	5,921
Property, plant, and equipment		1,259		2,100		3,359
Identifiable intangible assets		7,612		-		7,612

Goodwill		10,930		91		11,021
Liabilities assumed		(1,733)		-		(1,733)
Deferred taxes		(3,214)		-		(3,214)
Total	\$	20,725	\$	2,241	\$	22,966

3)

Discontinued Operations

In pursuing our business strategy we have divested certain businesses and recorded activities of these businesses as discontinued operations.

In June 2014, the Company divested the American Foodservice Company, a manufacturer of custom design and fabrication of counter systems and cabinets, in our Food Service Equipment Group segment. In connection with this sale, the Company received proceeds of \$3.1 million and recorded a net loss on disposal of \$3.2 million.

During 2014, the Company received notice that its obligations under a guarantee provided to the buyer of the previously announced divested Air Distribution Products Group (ADP), were triggered as a result of the buyer's withdrawal from both of the multi-employer pension plans in which ADP previously participated. As a result, during fiscal 2014 the Company recorded charges of \$1.6 million, in excess of the value of the guarantee

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previously recorded in order to fully settle these obligations, of which \$1.2 million was recorded in the first quarter of fiscal 2014, and \$0.4 million was incurred in the fourth quarter of 2014.

Discontinued operations for the three months ended September 30, 2014 and 2013 are as follows (in thousands):

	Three Months Ended		September 30,	
	2014		2013	
Net sales	\$	-	\$	5,463
Pre-tax earnings		(521)		(4,636)
(Provision) benefit for taxes		146		1,370
Net earnings (loss) from discontinued operations	\$	(375)	\$	(3,266)

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

	September 30, 2014		June 30,	
			2014	
Current assets	\$	-	\$	199
Other non-current assets		3,014		3,014
Accrued expenses		1,860		2,340
Accrued pension and other non-current liabilities		1,571		1,791

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 months ended September 30, 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.

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

	September 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities - deferred compensation plan	\$ 3,187	\$ 3,187	\$ -	\$ -
Foreign exchange contracts	104	-	104	-
Liabilities				
Interest rate swaps	\$ 804	\$ -	\$ 804	\$ -
Foreign exchange contracts	448	-	448	-

	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities - deferred compensation plan	\$ 3,114	\$ 3,114	\$ -	\$ -
Foreign exchange contracts	356	-	356	-

Liabilities

Interest rate swaps	\$	1,061	\$	-	\$	1,061	\$	-
Foreign exchange contracts		1,552		-		1,552		-

5)

Inventories

Inventories are comprised of the following (in thousands):

		September 30, 2014		June 30, 2014
Raw materials	\$	50,119	\$	44,273
Work in process		30,124		24,551
Finished goods		31,248		28,241
Total	\$	111,491	\$	97,065

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 were \$6.4 million and \$5.5 million for the three months ended September 30, 2014 and 2013, respectively.

6)

Goodwill

Changes to goodwill during the three months ended September 30, 2014 were as follows (in thousands):

	June 30, 2014	Acquisitions	Translation Adjustment	September 30, 2014
Food Service Equipment Group	\$ 56,731	\$ 91	\$ (5)	\$ 56,817
Engraving Group	20,716	-	(194)	20,522
Engineering Technologies Group	12,188	32,797	(625)	44,360
Electronics Products Group	33,272	-	(1,751)	31,521
Hydraulics Products Group	3,058	-	-	3,058
Total	\$ 125,965	\$ 32,888	\$ (2,575)	\$ 156,278

7)

Intangible Assets

Intangible assets consist of the following (in thousands):

	Customer Relationships	Trademarks	Other	Total
September 30, 2014				
Cost	\$ 44,422	\$ 15,810	\$ 4,044	\$ 64,276
Accumulated amortization	(21,341)	-	(2,146)	(23,487)
Balance, September 30, 2014	\$ 23,081	\$ 15,810	\$ 1,898	\$ 40,789
June 30, 2014				
Cost	\$ 36,145	\$ 14,508	\$ 4,061	\$ 54,714
Accumulated amortization	(21,137)	-	(2,087)	(23,224)
Balance, June 30, 2014	\$ 15,008	\$ 14,508	\$ 1,974	\$ 31,490

Amortization expense for the three months ended September 30, 2014 and 2013 were both \$0.7 million. At September 30, 2014, amortization expense is estimated to be \$2.1 million for the remainder of 2015, \$3.1 million in 2016, \$2.9 million in 2017, \$2.7 million in 2018, \$2.5 million in 2019, and \$10.3 million thereafter.

8)

Warranties

The expected cost associated with warranty obligations on our products is recorded when the revenue is recognized. The Company's estimate of warranty cost is based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Since warranty estimates are forecasts based on the best available information, claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable.

The changes in warranty reserve, which are recorded as a component of accrued liabilities, for the three months ended September 30, 2014 and year ended June 30, 2014 were as follows (in thousands):

		September 30, 2014		June 30, 2014
Balance at beginning of year	\$	6,941	\$	6,782
		-		
Acquisitions				274
Warranty expense		1,525		3,937
Warranty claims		(1,360)		(4,052)
Balance at end of period	\$	7,106	\$	6,941

9)

Debt

As of September 30, 2014, the Company's debt is due as follows (in thousands):

Fiscal Year

2015	\$	14
2016		14
2017		125,014
2018		7
2019		-
Thereafter		-
	\$	125,049

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 September 30, 2014 the Company has used \$9.7 million against the letter of credit sub-facility and had the ability to borrow \$90.3 million under the Facility.

At September 30, 2014, the carrying value of the current borrowings under the facility approximates fair value.

10)

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 \$40 million of debt due under our revolving credit agreement from a variable rate equal to LIBOR to a weighted average fixed rate of 2.50% at September 30, 2014. The fair value of the swaps recognized in accrued expenses and in other comprehensive income is as follows (in thousands, except percentages):

Effective Date	Notional Amount	Fixed Rate	Maturity	Fair Value	
				September 30, 2014	June 30, 2014
June 1, 2010	\$ 5,000	2.495%	May 24, 2015	\$ (79)	\$ (108)
June 1, 2010	5,000	2.495%	May 24, 2015	(79)	(108)
June 8, 2010	10,000	2.395%	May 26, 2015	(150)	(206)
June 9, 2010	5,000	2.340%	May 26, 2015	(73)	(100)
June 18, 2010	5,000	2.380%	May 24, 2015	(75)	(103)
September 21, 2011	5,000	1.280%	September 21, 2013	-	-
September 21, 2011	5,000	1.595%	September 22, 2014	-	(18)
March 15, 2012	10,000	2.745%	March 15, 2016	(348)	(418)
				\$ (804)	\$ (1,061)

The Company reported no losses for the three months ended September 30, 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 September 30, 2014 and June 30, 2014, the Company had outstanding forward contracts related to hedges of intercompany loans with net unrealized (losses) of (\$0.3) million and (\$1.2) 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:

Currency	Notional Amount (in native currency)	
	September 30, 2014	June 30, 2014
Euro	21,011,032	24,289,064
British Pound Sterling	2,190,362	3,600,000
Canadian Dollar	-	3,975,192

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

Derivative designated as hedging instruments	Asset Derivatives			
	September 30, 2014		June 30, 2014	
	Balance Sheet Line Item	Fair Value	Balance Sheet Line Item	Fair Value
Foreign exchange contracts	Other Assets	\$ 104	Other Assets	\$ 356

Liability Derivatives

Derivative designated as hedging instruments	September 30, 2014		June 30, 2014	
	Balance		Balance	
	Sheet	Fair Value	Sheet	Fair Value
	Line Item		Line Item	
Interest rate swaps	Accrued Liabilities	\$ 804	Accrued Liabilities	\$ 1,061
Foreign exchange contracts	Accrued Liabilities	448	Accrued Liabilities	1,552
		\$ 1,252		\$ 2,613

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	
	September 30,	
	2014	2013
Interest rate swaps	\$ (2)	\$ (90)

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		Affected line item in the Statements of Operations
	September 30,		
	2014	2013	
Interest rate swaps	\$ 258	\$ 267	Interest expense

11)

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. employees is frozen for substantially all participants and has been 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 months ended September 30, 2014 and 2013 consisted of the following components (in thousands):

	U.S. Plans		Non-U.S. Plans	
	Three Months Ended		Three Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Service cost	\$ 53	\$ 85	\$ 12	\$ 11
Interest cost	2,619	2,810	432	414
Expected return on plan assets	(3,489)	(3,378)	(392)	(370)
Recognized net actuarial loss	986	1,172	200	196
Amortization of prior service cost	14	15	(15)	-
Net periodic benefit cost	\$ 183	\$ 704	\$ 237	\$ 251

The Company expects to pay \$1.7 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 2015. Contributions of \$0.3 million and \$0.4 million were made during the three months ended September 30, 2014 and 2013, respectively.

12)

Income Taxes

The Company's effective tax rate from continuing operations for the first quarter of 2015 was 28.4% compared with 27.2% for the prior year quarter. The higher effective tax rate in 2015 is primarily due to a greater proportion of U.S. based income, which is taxed at a higher rate.

13)

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	
	September 30,	
	2014	2013
Basic - Average shares outstanding	12,652	12,573
Effect of dilutive securities:		
Unvested stock awards	181	196
Diluted - Average shares outstanding	12,833	12,769

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 months ended September 30, 2014 and 2013, respectively.

Performance stock units of 31,199 and 35,514 for the three months ended September 30, 2014 and 2013, respectively, are excluded from the diluted earnings per share calculation as the performance criteria have not been met.

14)

Comprehensive Income (Loss)

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

	September 30, 2014		June 30, 2014	
Foreign currency translation adjustment	\$	991	\$	9,800
Unrealized pension losses, net of tax		(63,818)		(64,968)
Unrealized losses on derivative instruments, net of tax		(493)		(651)
Total	\$	(63,320)	\$	(55,819)

15)

Contingencies

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.

16)

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 ended September 30, 2014 and 2013 were as follows (in thousands):

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	Three Months Ended September 30,			
	Net Sales		Income from Operations	
Segment:	2014	2013	2014	2013
Food Service Equipment Group	\$ 113,833	\$ 99,911	\$ 11,673	\$ 11,969
Engraving Group	28,088	25,027	6,943	4,773
Engineering Technologies Group	20,119	17,265	2,220	2,082
Electronics Products Group	29,470	28,144	5,546	5,138
Hydraulics Products Group	10,517	7,793	1,722	1,174
Restructuring costs			(862)	(3,806)
				-
Other operating income (expense), net			(59)	
Corporate			(5,946)	(4,266)
Sub-total	\$ 202,027	\$ 178,140	\$ 21,237	\$ 17,064
Interest expense			(643)	(560)
Other non-operating income			265	454
Income from continuing operations before income taxes			\$ 20,859	\$ 16,958

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).

The Company's identifiable assets at September 30, 2014 and June 30, 2014 are as follows (in thousands):

	September 30, 2014	June 30, 2014
Food Service Equipment Group	\$ 226,403	\$ 214,674
Engraving Group	102,106	101,106
Engineering Technologies Group	141,578	75,591
Electronics Products Group	98,571	103,699
Hydraulics Products Group	17,882	16,410

Corporate & Other		64,007		66,680
Total	\$	650,547	\$	578,160

17)

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):

Fiscal 2015	Three Months Ended September 30, 2014			
	Involuntary Employee Severance and Benefit Costs		Other	Total
Restructuring initiatives	\$ 34	\$	3	\$ 37
Prior year initiatives	125		700	825
	\$ 159	\$	703	\$ 862

15

Three Months Ended
September 30, 2013

Fiscal 2014	Involuntary Employee Severance and Benefit Costs		Other		Total
Restructuring initiatives	\$	351	\$	3,383	\$ 3,734
Prior year initiatives		72		-	72
	\$	423	\$	3,383	\$ 3,806

2015 Restructuring Initiatives

The Company has continued to focus on our efforts to reduce cost and improve productivity across our businesses, particularly through headcount reductions in the Engraving Group during the first quarter primarily in Europe. Restructuring expenses related to all 2015 initiatives are expected to be \$3.8 million, of which less than \$0.1 million was incurred during the first quarter.

Activity in the reserves related to fiscal year 2015 restructuring initiatives is as follows (in thousands):

	Involuntary Employee Severance and Benefit Costs		Other		Total
Restructuring liabilities at June 30, 2014	\$	-	\$	-	-
Additions and adjustments		34		3	37
Payments		(22)		(3)	(25)
Restructuring liabilities at September 30, 2014	\$	12	\$	-	\$ 12

Prior Year Initiatives

The Company previously announced a consolidation of our Food Service Equipment Group Cheyenne, Wyoming plant into its Mexico facility. During the first quarter of fiscal year 2014 we recorded a non-cash expense of \$3.3 million related to the impairment of long-lived assets in Cheyenne. During fiscal year 2015, restructuring expenses related to this initiative are expected to be \$1.3 million, of which \$0.8 million was incurred during the first quarter of 2015 and the cumulative expense related to this initiative is \$10.8 million.

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, 2014	\$ 555	\$ -	\$ 555
Additions and adjustments	125	700	825
Payments	(441)	(645)	(1,086)
Restructuring liabilities at September 30, 2014	\$ 239	\$ 55	\$ 294

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

**Three Months Ended
September 30, 2014**

	Involuntary Employee Severance and Benefit Costs	Other	Total
Food Service Equipment Group	\$ 114	\$ 561	\$ 675
Engraving Technologies Group	34	3	37
Electronics Products Group	11	139	150
	\$ 159	\$ 703	\$ 862

**Three Months Ended
September 30, 2013**

	Involuntary Employee Severance and Benefit Costs	Other	Total
Food Service Equipment Group	\$ 18	\$ 3,328	\$ 3,346
Engraving Technologies Group	245	7	252
Electronics Products Group	160	48	208
	\$ 423	\$ 3,383	\$ 3,806

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 markets. We have five reportable segments: Food Service Equipment Group, Engraving Group, Engineering Technologies Group, Electronics Products Group, and the Hydraulics Products Group.

Our business objective has several primary components.

-

It is our objective to grow larger and more profitable business units through both organic initiatives and acquisitions. On an ongoing basis we identify and implement organic growth initiatives such as new product development, geographic expansion, introduction of products and technologies into new markets and applications and leveraging of sales synergies between business units, key accounts and strategic sales channel partners. Also, we utilize strategically aligned or bolt on acquisitions to create both sales and cost synergies with our core business platforms to accelerate their growth and margin improvement. There is a particular focus on identifying and investing in opportunities that complement our products and will increase the global presence and capabilities of our businesses. From time to time we have divested businesses that we felt were not strategic or did not meet our growth and return expectations.

-

We create Customer Intimacy by partnering with our customers in order to develop and deliver customer solutions or engineered products that provide higher levels of value-added technology-driven solutions to our customers. This relationship generally provides us with the ability to sustain sales and profit growth over time and provide operating margins that enhance shareholder returns. Further, we have made a priority in developing new sales channels and leveraging strategic customer relationships.

-

We focus on operational excellence through continuous improvement in the cost structure of our businesses and recognize that our businesses are competing in a global economy that requires that we constantly strive to improve our competitive position. We have deployed a number of management competencies including lean enterprise, the use of low cost manufacturing facilities in countries such as Mexico, and China, the consolidation of manufacturing facilities to achieve economies of scale and leveraging of fixed infrastructure costs, alternate sourcing to achieve procurement cost reductions, and capital improvements to increase shop floor productivity, which drives improvements in the cost structure of our business units.

-

Our capital allocation strategy is to use cash flow generated from operations to fund the strategic growth programs described above, including acquisitions, dividends, and capital investments for organic growth and cost reductions. We recognize that cash flow is fundamental to our ability to invest in organic and acquisitive growth for our business units and return cash to our shareholders in the form of dividends to reflect the measure of quality from the earnings that we generate over time.

As part of this ongoing strategy, during the first quarter of fiscal year 2015, we acquired Enginetics Corporation, (Enginetics), a leading producer of aircraft engine components for all major aircraft platforms. This investment complements our Engineering Technologies Group and allows us to provide broader solutions to the aviation market. During June of 2014, we also acquired Ultrafryer Systems, Inc., (Ultrafryer), a manufacturer of high quality commercial deep fryers. This investment expanded our Food Service Equipment Group's cooking product line capabilities in restaurant chains and commercial food service institutions.

We continue to focus on our efforts to reduce cost and improve productivity across our businesses, particularly in the Food Service Equipment Group with the previously announced consolidation of operations in the Cooking Solutions Cheyenne, Wyoming plant into its Mexico facility. We continue to evaluate our products and production processes and expect to execute similar cost reductions and restructuring programs on an ongoing basis.

Our business units are actively engaged in initiating new product introductions, expansion of product offerings through private labeling and sourcing agreements, geographic expansion of sales coverage, the development of new sales channels, leveraging strategic customer relationships, development of energy efficient products, new applications for existing products and technology, and next generation products and services for our end-user markets.

Because of the diversity of the Company's businesses, end user markets and geographic locations, management does not use specific external indices to predict the future performance of the Company, other than general information about broad macroeconomic trends. Each of our individual business units serves niche markets and attempts to identify trends other than general business and economic conditions which are specific to their businesses and which could impact their performance. Those units report pertinent information to senior management, which uses it to the extent relevant to assess the future performance of the Company. A description of any such material trends is described below in the applicable segment analysis.

We monitor a number of key performance indicators (KPIs) including net sales, income from operations, backlog, effective income tax rate, and gross profit margin. A discussion of these KPIs is included within the narrative below.

We may also supplement these KPIs by identifying the impact of foreign exchange rates, acquisitions, and other significant items when they have a material impact on the discussed KPI. We believe that the disclosure of these items provides enhanced information to investors by indicating their impact on the overall trend in order to provide a clearer comparative view of the KPI where applicable. For discussion of the impact of foreign exchange rates on KPIs, the Company calculates the impact as the difference between the current period KPI calculated at the current period exchange rate as compared to the KPI calculated at the historical exchange rate for the prior period. For discussion of the impact of acquisitions, we isolate the effect to the KPI amount that would have existed regardless of our acquisition. Sales resulting from synergies between the acquisition and existing operations of the Company are considered organic growth for the purposes of our discussion.

Unless otherwise noted, references to years are to fiscal years.

Results from Continuing Operations

	Three Months Ended	
	September 30,	
(Dollar amounts in thousands)	2014	2013
Net sales	\$ 202,027	\$ 178,140
Gross profit margin	32.7%	33.9%
Income from operations	21,237	17,064
Backlog (realizable within 1 year)	168,636	120,790

	Three Months Ended	
	September 30, 2014	
(In thousands)		
Net sales, prior period	\$	178,140

Components of change in sales:

Effect of exchange rates		281
Effect of acquisitions		6,214
Organic sales change		17,392
Net sales, current period	\$	202,027

Net sales for the first quarter of 2015 increased \$23.9 million, or 13.4%, when compared to the prior year quarter. This change was due to organic sales increases at all segments and sales generated by the acquisitions of Ultrafryer and Enginetics.

Gross Profit Margin

Our gross margin for the first quarter of 2015 was 32.7% compared to the prior year quarter of 33.9%. Purchase accounting expenses related to inventory step up and backlog contributed to \$0.8 million or 0.4% of the gross margin decrease during the first quarter of 2015.

Selling, General, and Administrative Expenses

Selling, General, and Administrative Expenses for the first quarter of 2015 were \$44.0 million, or 21.8% of sales, compared to \$39.5 million, or 22.2% of sales, during the prior year quarter. The expense increase was partially driven by increased spending in distribution and selling expenses due to a 13% increase in sales volume, along with \$1.3 million of incremental expenses associated with the recent acquisitions.

Income from Operations

Income from operations for the first quarter of 2015 was \$21.2 million compared to \$17.1 million during the prior year quarter. The change is due to increased sales volume in the current year and first quarter of fiscal year 2014 impact of a \$3.3 million non-cash impairment charge associated with the closure of a Food Service facility located in Cheyenne, Wyoming.

Interest Expense

Interest expense for the first quarter of 2015 remained nearly flat at \$0.6 million. Increased borrowings associated with the Enginetics acquisition did not materially impact interest expense due to the timing of the transaction during the quarter.

Income Taxes

The Company's effective tax rate from continuing operations for the first quarter of 2015 was 28.4% compared with 27.2% for the prior year quarter. The higher effective tax rate in 2015 is primarily due to a greater proportion of U.S. based income, which is taxed at a higher rate.

Backlog

Backlog includes all active or open orders for goods and services that have a firm fixed customer purchase order with defined delivery dates. Backlog also includes any future deliveries based on executed customer contracts, so long as such deliveries are based on agreed upon delivery schedules. Backlog is not generally a significant factor in the Company's businesses because of our relatively short delivery periods and rapid inventory turnover with the exception of Engineering Technologies.

Backlog realizable within one year increased \$47.8 million, or 39.6%, to \$168.6 million at September 30, 2014 from \$120.8 million at September 30, 2013, partially a result of a \$28.9 million backlog associated with the recent acquisitions.

Segment Analysis

Food Service Equipment Group

	Three Months Ended		% Change
	September 30,		
(In thousands, except percentages)	2014	2013	
Net sales	\$ 113,833	\$ 99,911	13.9%
Income from operations	11,673	11,969	-2.5%
Operating income margin	10.3%	12.0%	

Net sales in the first quarter of fiscal year 2015 increased \$13.9 million, or 13.9%, when compared to the prior year quarter. The Refrigeration Solutions Group grew sales nearly 14% in the quarter as growth to the dollar store segment, the general dealer segment, and the impact of a beverage cooler rollout overcame some softness in the large chain segment and drug retail segment. The Cooking Solutions Group sales grew 17% in the quarter, 18.4% due to the acquisition of Ultrafryer offset by a 1.2% decline in base business sales. Strength in the North America and UK retail segments offset weakness in the general distribution segment. The general distribution sales weakness was driven by the delayed ramp-up of the Mexico plant following the Cheyenne, Wyoming factory consolidation project. Shipping levels out of the Mexico facility at the end of the quarter were back up to prior year levels. Our Specialty Solutions group grew at approximately 7% from the prior year, driven by sales from both our beverage pump business and specialty merchandising segments.

Income from operations, including \$0.4 million of purchase accounting expenses, for the first quarter of fiscal year 2015 decreased \$0.3 million, or 2.5%, when compared to the prior year quarter. The positive impact of the year over year volume increase was offset by \$0.4 million of purchase accounting expense and a combination of adverse product and customer mix changes, particularly in the Cooking Solutions Group. The effects of purchasing accounting were finalized during the first quarter and had a negative impact on operating income margins of Ultrafryer. Additionally, productivity was negatively impacted by disruptions related to the integration of Cooking Solutions product lines from Cheyenne, Wyoming into the Nogales, Mexico facility including increased scrap, expedited shipping, and overtime costs. These disruptions are expected to be resolved in fiscal year 2015 as the benefits of the factory consolidation are realized. In response to these margin challenges, the Group has implemented multiple productivity improvement actions, including cost reductions through capital investments, product redesign, and material cost reductions, coupled with selective price increases.

Engraving Group

(In thousands, except percentages)	Three Months Ended		
	September 30,		%
	2014	2013	Change
Net sales	\$ 28,088	\$ 25,027	12.2%
Income from operations	6,943	4,773	45.5%
Operating income margin	24.7%	19.1%	

Net sales for the first quarter of 2015 increased by \$3.1 million, or 12.2%, when compared to the prior year quarter. Original equipment manufacturers, (OEMs) mold texturizing sales in the Group remained strong worldwide. The Group experienced a decline in the roll, plate, and machinery business of 24.2%, where market conditions continue to be sluggish. China showed robust mold texturizing sales growth of 29.8% year over year and our Innovent business sales increased 40.6% as a result of good volume and product mix from major OEM diaper manufacturers. Emerging markets continue to be the focus of our growth strategy for the Engraving Group, where the expansion of Mold-Tech operations in Europe and Asia corresponds to the needs of our automotive customers.

Income from operations for the first quarter of 2015 increased by \$2.1 million, or 45.5%, when compared to the prior year quarter. Strong performance in the Mold-Tech businesses worldwide was offset, in part, by continued market sluggishness in the roll, plate and machinery business. With the success of our recently opened design hub in Manchester, England, we plan to open a second design hub in the United States to provide OEMs' design teams with rapid prototyping of their future automotive interior designs.

Engineering Technologies Group

(In thousands, except percentages)	Three Months Ended		% Change
	2014	2013	
	September 30,		
Net sales	\$ 20,119	\$ 17,265	16.5%
Income from operations	2,220	2,082	6.6%
Operating income margin	11.0%	12.1%	

Net sales for the first quarter of 2015 increased by \$2.9 million, or 16.5%, when compared to the prior year quarter. This increase includes the results of the Enginetics acquisition that closed on September 4, 2014. Excluding the impact of the acquisition, sales increased 3.2% compared to the prior year driven by sales to the space segment, primarily due to increased demand on launch vehicle development programs and the satellite launch segment, partially offset by declines in energy, defense, and oil and gas markets.

Income from operations for the first quarter of 2015 increased by \$0.1 million, or 6.6%, when compared to the prior year quarter. Income from operations improved due to higher volume and lower manufacturing costs in the U.S. that were partially offset by \$0.3 million of purchase accounting expense associated with inventory step-up and backlog, increased outsourcing costs, and an unfavorable product mix due to higher levels of low-margin product development work in space and aviation.

Electronics Products Group

(In thousands, except percentages)	Three Months Ended		
	September 30,		%
	2014	2013	Change
Net sales	\$ 29,470	\$ 28,144	4.7%
Income from operations	5,546	5,138	7.9%
Operating income margin	18.8%	18.3%	

Net sales in the first quarter fiscal year 2015 increased by \$1.3 million, or 4.7%, when compared to the prior year quarter. Much of the increase took place within the sensor and reed switch product line primarily in North America with modest improvement in Europe and Asia. Sales in various markets improved, particularly in transportation, appliance, contract manufacturing, and security.

Income from operations in the first quarter fiscal year 2015 increased \$0.4 million, or 7.9%, when compared to the prior year quarter. The improvement was driven by the increased sales as well as continued operational cost savings.

Hydraulics Products Group

(In thousands, except percentages)	Three Months Ended		% Change
	2014	2013	
	September 30,		
Net sales	\$ 10,517	\$ 7,793	35.0%
Income from operations	1,722	1,174	46.7%
Operating income margin	16.4%	15.1%	

Net sales in the first quarter of fiscal year 2015 increased \$2.7 million, or 35.0%, when compared to the prior year quarter. The increase is primarily due to organic growth of \$1.4 million from market share gains in the domestic U.S. refuse market and strengthening sales in our traditional North America dump truck and trailer markets. The market share gains in refuse are the result of new applications for both telescopic and rod cylinders. Recent customer wins in Australia, Europe, and South America also contributed to the strong top line in the quarter. We expect that our competitive position will continue to strengthen as shipment volume increases out of our Tianjin, China facility.

Income from operations in the first quarter of fiscal year 2015 increased \$0.5 million, or 46.7%, when compared to the prior year quarter. The increase to income from operations during the first quarter is primarily due to sales volume increases. Additionally our increased volume from our lower cost, Tianjin, China facility continues to have a positive effect on margins.

Corporate and Other

(In thousands, except percentages)	Three Months Ended		%
	September 30,		
	2014	2013	Change
Income (loss) from operations:			
Corporate	\$ (5,946)	\$(4,266)	39.4%
Restructuring	(862)	(3,806)	-77.4%
Other operating income (expense), net	(59)	-	

Corporate expenses in the first quarter of fiscal year 2015 increased by \$1.7 million, or 39.4%, when compared to the prior year quarter. Cost increases were partially due to increased outside consulting services related to growth initiatives, in addition to increased healthcare, and stock based compensation costs.

During the first quarter of fiscal year 2015 we incurred restructuring expenses of \$0.9 million, which were the result of restructuring charges primarily in Food Service Equipment related to the previously announced closure of the Cheyenne, Wyoming facility. In the first quarter of fiscal year 2014 we recorded a \$3.3 million non-cash impairment charge associated with the closure of our Cheyenne, Wyoming, Food Service Equipment facility.

Discontinued Operations

In pursuing our business strategy we have divested certain businesses and recorded activities of these businesses as discontinued operations. In June 2014, the Company divested the American Foodservice Company, (AFS) a manufacturer of custom design and fabrication of counter systems and cabinets, in our Food Service Equipment Group segment. AFS incurred a \$3.6 million loss due to operational issues in the first quarter of fiscal year 2014.

Discontinued operations for the three months ended September 30, 2014 and 2013 are as follows (in thousands):

	Three Months Ended		
	September 30,		
	2014		2013
Net sales	\$	-	\$ 5,463
Pre-tax earnings		(521)	(4,636)
(Provision) benefit for taxes		146	1,370
Net earnings (loss) from discontinued operations	\$	(375)	\$ (3,266)

Liquidity and Capital Resources

At September 30, 2014, our total cash balance was \$72.0 million, of which \$65.3 million was held by foreign subsidiaries. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences or be subject to capital controls; however, those balances are generally available without legal restrictions to fund ordinary business operations. Our current plans are not expected to require a repatriation of cash to fund our U.S. operations and as a result, we intend to indefinitely reinvest our foreign earnings to fund our overseas growth. If the undistributed earnings of our foreign subsidiaries are needed for operations in the United States we would be required to accrue and pay U.S. taxes upon repatriation.

Net cash used in operating activities from continuing operations for the three months ended September 30, 2014, was \$11.0 million compared to cash provided by operations of \$1.3 million the prior year. The decrease of \$12.3 million in cash provided by operating activities is primarily due to changes in net working capital

spending of \$13.6 million. Cash flow used in investing activities for the three months ended September 30, 2014, was \$62.8 million and consisted primarily of cash used to fund the acquisition of Enginetics for \$54.9 million, a subsequent \$2.2 million disbursement related to the Ultrafryer acquisition to purchase the land and building, and capital expenditures of \$7.2 million. Cash inflows related to financing activities for the three months ended September 30, 2014 were \$74.2 million and included net borrowings of \$80.0 million, employee stock repurchases of \$6.4 million, and cash paid for dividends of \$1.3 million.

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 September 30, 2014 the Company has used \$9.7 million against the letter of credit sub-facility and had the ability to borrow \$90.3 million under the Facility. The Credit Agreement contains customary representations, warranties and restrictive covenants, as well as specific financial covenants. The Company s current financial covenants under the facility are as follows:

Interest Coverage Ratio - The Company is required to maintain a ratio of Earnings Before Interest and Taxes, as Adjusted (Adjusted EBIT per the Credit Agreement), to interest expense for the trailing twelve months of at least 3:1. Adjusted EBIT per the Credit Agreement specifically excludes extraordinary and certain other defined items such as cash restructuring and acquisition-related charges up to \$2.0 million, and goodwill impairment. At September 30, 2014, the Company s Interest Coverage Ratio was 36.2:1.

Leverage Ratio - The Company s ratio of funded debt to trailing twelve month Adjusted EBITDA per the credit agreement, calculated as Adjusted EBIT per the Credit Agreement plus depreciation and amortization, may not exceed 3.5:1. At September 30, 2014, the Company s Leverage Ratio was 1.33:1.

As of September 30, 2014, we had borrowings under our facility of \$125 million and the effective rate of interest for outstanding borrowings under the facility was 2.07%. Funds borrowed under the facility may be used for the repayment of debt, working capital, capital expenditures, acquisitions (so long as certain conditions, including a specified funded debt to EBITDA leverage ratio is maintained), and other general corporate purposes.

Our primary cash requirements in addition to day-to-day operating needs include interest payments, capital expenditures, and dividends. Our primary sources of cash for these requirements are cash flows from continuing operations and borrowings under the facility. We expect to spend between \$24.0 and \$26.0 million on capital expenditures during 2015, and expect that depreciation and amortization expense will be between \$13.0 and \$14.0 million and \$2.5 and \$3.0 million, respectively.

In order to manage our interest rate exposure, we are party to \$40.0 million of floating to fixed rate swaps. These swaps convert our interest payments from LIBOR to a weighted average interest rate of 2.50%.

The following table sets forth our capitalization a September 30, 2014 and June 30, 2014:

(In thousands)	September 30,		June 30,	
	2014		2014	
Long-term debt	\$	125,049	\$	45,056
Less cash and cash equivalents		71,983		74,260
Net debt (cash)		53,066		(29,204)
Stockholders' equity		342,971		340,726
Total capitalization	\$	396,037	\$	311,522

We sponsor a number of defined benefit and defined contribution retirement plans. The U.S. pension plan is frozen for substantially all participants. We have evaluated the current and long-term cash requirements of these plans, and our existing sources of liquidity are expected to be sufficient to cover required contributions under ERISA and other governing regulations.

The fair value of the Company's U.S. defined benefit pension plan assets was \$209.8 million at September 30, 2014, as compared to \$216.0 million at the most recent measurement date, which occurred as of June 30, 2014. The next measurement date to determine plan assets and benefit obligations will be on June 30, 2015. As of September 30, 2014 we do not expect to make mandatory contributions to the U.S. defined benefit plan until 2019 and for our other defined benefit plans we expect to make \$1.7 million of prescribed contributions during 2015. Any subsequent plan contributions will depend on the results of future actuarial valuations.

We have an insurance program in place to fund supplemental retirement income benefits for six retired executives. Current executives and new hires are not eligible for this program. At September 30, 2014, the underlying policies have a cash surrender value of \$18.0 million, less policy loans of \$9.8 million. As we have the legal right of offset, these amounts are reported net on our balance sheet.

In connection with the divestiture of ADP, the Company remained the lessee of ADP's Philadelphia, PA facility and administrative offices, with the purchaser subleasing a fractional portion of the building at current market rates. Additionally, the Company remained an obligor on an additional facility lease that was assumed in full by the buyer. In connection with the transaction, the Company's aggregate obligation with respect to the leases is \$2.4 million, of which \$1.6 million was recorded as a liability at September 30, 2014. The buyer's obligations under the respective sublease and assumed lease are secured by a cross-default provision in the purchaser's promissory note for a portion of the purchase price which is secured by mortgages on the ADP real estate sold in the transaction. During fiscal year 2014, ADP provided notice of intent to terminate their obligation under the Philadelphia sublease beginning September 2014. We expect to sublet this building at the current market rate and do not expect to have additional changes related to this obligation.

Other Matters

Inflation Certain of our expenses, such as wages and benefits, occupancy costs and equipment repair and replacement, are subject to normal inflationary pressures. Inflation for medical costs can impact both our reserves for self-insured medical plans as well as our reserves for workers' compensation claims. We monitor the inflationary rate and make adjustments to reserves whenever it is deemed necessary. Our ability to manage medical cost inflation is dependent upon our ability to manage claims and purchase insurance coverage to limit the maximum exposure to us.

Foreign Currency Translation Our primary functional currencies used by our non-U.S. subsidiaries are the Euro, British Pound Sterling (Pound), Mexican (Peso), Chinese (Yuan) and Canadian dollar.

Environmental Matters To the best of our knowledge, we believe that we are presently in substantial compliance with all existing applicable environmental laws and regulations and do not anticipate any instances of non-compliance that will have a material effect on our future capital expenditures, earnings or competitive position.

Seasonality We are a diversified business with generally low levels of seasonality, however our fiscal third quarter is typically the period with the lowest level of activity.

Employee Relations The Company has labor agreements with a number of union locals in the United States and a number of European employees belong to European trade unions. There are three union contracts in the U.S. expiring during fourth quarter of fiscal year 2015.

Critical Accounting Policies

The condensed consolidated financial statements include the accounts of Standex International Corporation and all of its subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying condensed consolidated financial statements.

Although we believe that materially different amounts would not be reported due to the accounting policies adopted, the application of certain accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Our Annual Report on Form 10-K for the year ended June 30, 2014 lists a number of accounting policies which we believe to be the most critical.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

We are exposed to market risks from changes in interest rates, commodity prices and changes in foreign currency exchange. To reduce these risks, we selectively use, from time to time, financial instruments and other proactive management techniques. We have internal policies and procedures that place financial instruments under the direction of the Treasurer and restrict all derivative transactions to those intended for hedging purposes only. The use of financial instruments for trading purposes (except for certain investments in connection with the non-qualified defined contribution plan) or speculation is strictly prohibited. The Company has no majority-owned subsidiaries that are excluded from the consolidated financial statements. Further, we have no interests in or relationships with any special purpose entities.

Exchange Rate Risk

We are exposed to both transactional risk and translation risk associated with exchange rates. The transactional risk is mitigated, in large part, by natural hedges developed with locally denominated debt service on intercompany accounts. We also mitigate certain of our foreign currency exchange rate risk by entering into forward foreign currency contracts from time to time. The contracts are used as hedges against anticipated foreign cash flows, such as dividends and loan payments, and are not used for trading or speculative purposes. The fair values of the forward foreign currency exchange contracts are sensitive to changes in foreign currency exchange rates, as an adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts. However, any such losses or gains would generally be offset by corresponding gains and losses, respectively, on the related hedged asset or liability. At September 30, 2014, the aggregate fair value of the Company's open foreign exchange contracts is a liability of \$0.3 million.

Our primary translation risk is with the Euro, British Pound Sterling, Canadian Dollar, and Chinese Yuan. A hypothetical 10% appreciation or depreciation of the value of any of these foreign currencies to the U.S. Dollar at September 30, 2014, would not result in a material change in our operations, financial position, or cash flows. We do not hedge our translation risk. As a result, fluctuations in currency exchange rates can affect our stockholders' equity.

Interest Rate Risk

Our interest rate exposure is limited primarily to interest rate changes on our variable rate borrowings. From time to time, we use interest rate swap agreements to modify our exposure to interest rate movements. The Company's currently effective swap agreements convert our base borrowing rate on \$40.0 million of debt due under our Credit Agreement from a variable rate equal to LIBOR to a weighted average rate of 2.50% at September 30, 2014.

The Company's effective rate on variable-rate borrowings, including the impact of interest rate swaps, under the revolving credit agreement decreased from 3.87% at June 30, 2014 to 2.07% at September 30, 2014.

Concentration of Credit Risk

We have a diversified customer base. As such, the risk associated with concentration of credit risk is inherently low. As of September 30, 2014, no one customer accounted for more than 5% of our consolidated outstanding receivables or of our sales.

Commodity Prices

The Company is exposed to fluctuating market prices for all commodities used in its manufacturing processes. Each of our segments is subject to the effects of changing raw material costs caused by the underlying commodity price movements. In general, we do not enter into purchase contracts that extend beyond one operating cycle. While we consider our relationship with our suppliers to be good, there can be no assurances that we will not experience any supply shortage.

The Engineering Technologies, Food Service Equipment, Electronics Products, and Hydraulics Products Groups are all sensitive to price increases for steel products, other metal commodities and petroleum based products. In the past year, we have experienced price fluctuations for a number of materials including steel, copper wire, other metal commodities, refrigeration components and foam insulation. These materials are some of the key elements in the products manufactured in these segments. Wherever possible, we will implement price increases to offset the impact of changing prices. The ultimate acceptance of these price increases, if implemented, will be impacted by our affected divisions' respective competitors and the timing of their price increases.

ITEM 4.

CONTROLS AND PROCEDURES

At the end of the period covered by this Report, the management of the Company, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2014 in ensuring

that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

SEC guidance permits the exclusion of an evaluation of the effectiveness of a registrant's disclosure controls and procedures as they relate to the internal control over financial reporting for an acquired business during the first year following such acquisition. As discussed in Note 2 to the consolidated financial statements contained in this Report; (I) the Company acquired all of the outstanding stock of Ultrafryer Systems, Inc., (Ultrafryer) on June 20, 2014. Ultrafryer represents less than 2.4% of the Company's consolidated revenue for the period ended September 30, 2014 and approximately 4.3% of the Company's consolidated assets at September 30, 2014. Management's evaluation and conclusion as to the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2014 excludes any evaluation of the internal control over financial reporting of Ultrafryer. (II) the Company acquired all of the outstanding stock of MPE Aeroengines, Inc. including its wholly owned subsidiary Enginetics Corporation, (Enginetics) on September 4, 2014. Enginetics represents 1.1% of the Company's consolidated revenue for the period ended September 30, 2014 and approximately 10.0% of the Company's consolidated assets at September 30, 2014. Management's evaluation and conclusion as to the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2014 excludes any evaluation of the internal control over financial reporting of Enginetics.

There was no change in the Company's internal control over financial reporting during the quarterly period ended September 30, 2014 that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c)

The following table provides information about purchases by the Company of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities¹

Quarter Ended September 30, 2014

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or appropriate dollar value) of shares (or units) that may yet be purchased under the plans or programs
July 1 - July 31, 2014	647	\$ 74.45	647	485,942
August 1 - August 31, 2014	-	-	-	485,942
September 1 - September 30, 2014	85,792	74.36	85,792	400,150

Total	86,439	\$ 74.36	86,439	400,150
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(1)

The Company has a Stock Buyback Program (the Program) which was originally announced on January 30, 1985. Under the Program, the Company may repurchase its shares from time to time, either in the open market or through private transactions, whenever it appears prudent to do so. The Program has no expiration date, and the Company from time to time may authorize additional increases of share increments for buyback authority so as to maintain the Program. On August 20, 2013, the Company authorized 0.5 million shares for repurchase pursuant to its Program. All previously announced repurchases have been completed.

ITEM 6. EXHIBITS

(a)

Exhibits

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Stock Purchase Agreement dated August 10, 2014 among Standex International Corporation, as buyer, and the shareholders and optionholders of MPE Aeroengines, Inc. as sellers.

31.1

Principal Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2

Principal Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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Principal Executive Officer and Principal Financial Officer Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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The following materials from this Quarterly Report on Form 10-Q, formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Condensed Consolidated Financial Statements.

ALL OTHER ITEMS ARE INAPPLICABLE

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STANDEX INTERNATIONAL CORPORATION

Date: October 31, 2014

/s/ THOMAS D. DEBYLE

Thomas D. DeByle
Vice President/Chief Financial Officer
(Principal Financial & Accounting Officer)

Date: October 31, 2014

/s/ SEAN C. VALASHINAS

Sean C. Valashinas
Chief Accounting Officer/Assistant Treasurer

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