



Sidoti & Company

August 19, 2021



VEHICLE ACCESS SYSTEMS TECHNOLOGY



WITTE • STRATTEC • ADAC

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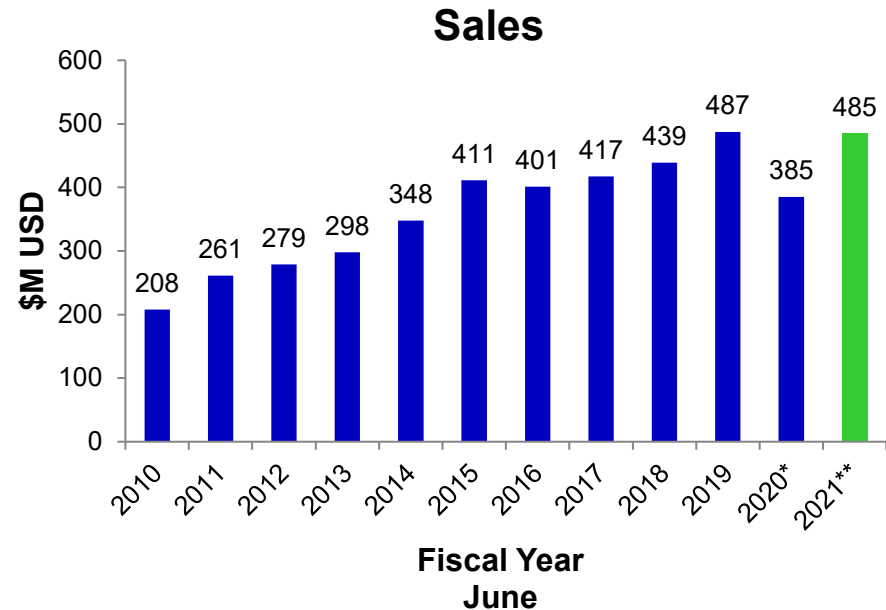
Frank J. Krejci

(CRAY' CHEE)

President & CEO

Background Information

- **Headquarters: Milwaukee, Wisconsin**
- **Established: 1908**
- **Formerly part of Briggs & Stratton Corporation**
- **Spun-off in February of 1995**
- **Independent, publicly traded (NASDAQ) STRT**
- **Employees: ~4,000**
- **Core Products:**
 - Power Liftgate and Sliding Door Mechanisms
 - Latches
 - Door Handles
 - Locksets (Keys, Fobs, Locks)
 - Ignition / Start Systems
 - Steering Column Locking Systems
- **VAST Global Partnership**



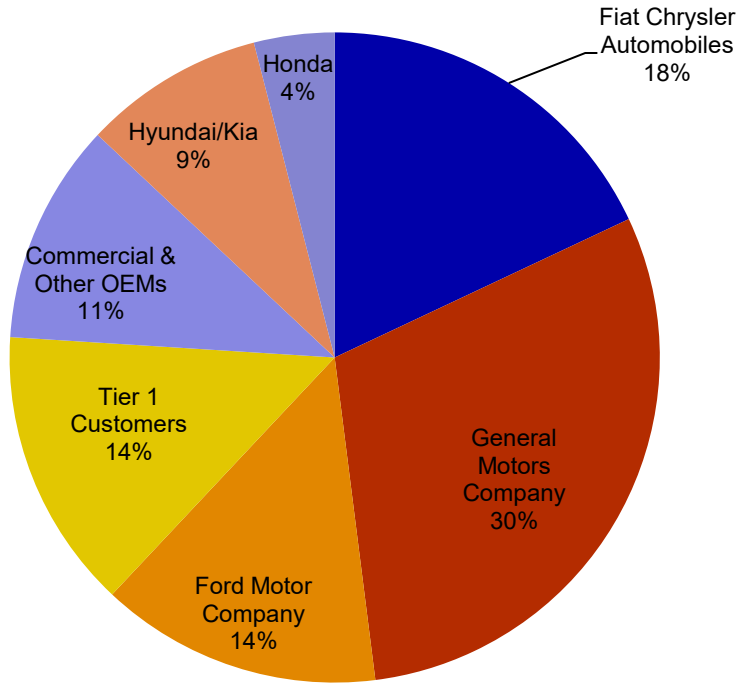
*FY 2020 was impacted by General Motor UAW strike that reduced sales by \$10 million and COVID-19 by \$78 million.

**FY 2021 sales impacted by semiconductor chip shortage



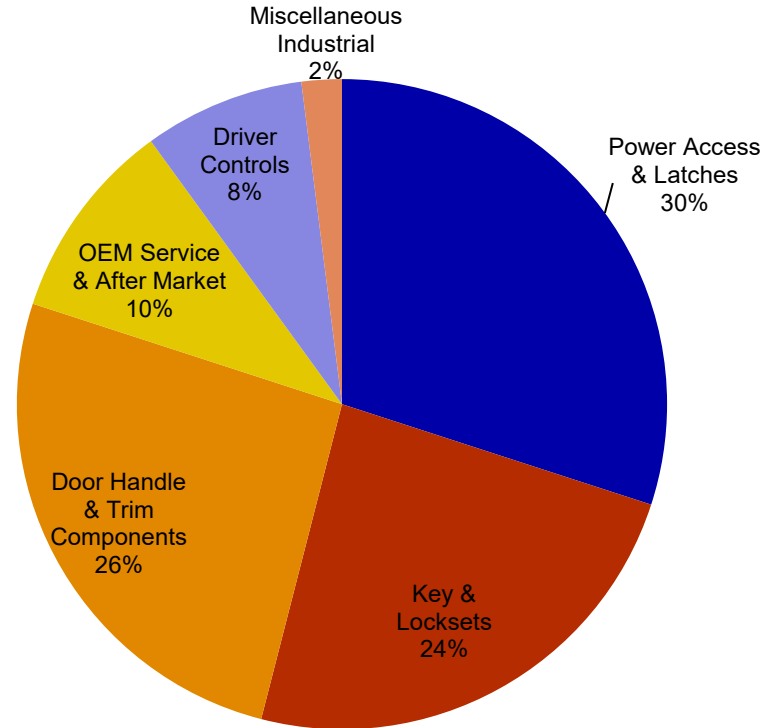
- Unique joint venture partnership (STRATTEC, Two Privately Held Companies - ADAC Automotive, and WITTE Automotive)
- Shared technology and complimentary products
- Joint investments outside of our home markets of North America and Europe (China, India, and Brazil)
- \$1.7 billion = Total sales of VAST Group (STRATTEC, WITTE, ADAC, VAST China unconsolidated)
- 18 Manufacturing sites
- 13 Engineering Centers
- Employment over 11,000

Customers



Fiscal Year 2021

Products



Fiscal Year 2021

NOTE: Tier 1's sell products primarily to General Motors, Fiat Chrysler and FORD

Milwaukee, WI

- STRATTEC Headquarters
- Manufacturing
- Engineering
- Testing



Auburn Hills, MI

- STRATTEC Power Access HQ
- STRATTEC Sales Office
- Engineering
- Program Management



El Paso, TX (Distribution)



ADAC STRATTEC de Mexico

- Injection Molding
- Door Handle Mfg and Painting

STRATTEC Mexico Operations - Juarez, Mexico

- Engineering
- Assembly
- Testing



Patrick J. Hansen

Senior Vice President & CFO

Financial Information

- Net Sales during the 4th Quarter ended June 2021 were \$110.1 million. **Customer sales demand** remains **strong** despite abnormally low dealer inventory. Our 4th Quarter and near term sales will be temporarily **impacted** by supplier part shortages in semiconductor chips and other raw materials.
- The 4th Quarter **gross profit margin** was impacted by lower sales, weaker U.S. Dollar exchange rates on our Mexican operations, and higher raw materials costs.
- **Capital spending** was **\$9 million** during fiscal year 2021 which is significantly lower than prior year spending for new business and capacity expansion. Going forward, capital spending will be maintenance and new customer programs and will be approximately \$12.0 million in fiscal year 2022.
- We have **\$65 million** of **credit facilities** available with BMO Harris Bank with current borrowings **outstanding** of **\$12.0 million** in our ADAC STRATTEC joint venture as of June 27, 2021. We **paid down \$23.0 million** during fiscal year 2021.
- Our overall **capital allocation strategy** is currently to use our excess operating cash flow to significantly **reduce** or **eliminate debt**.

Statements of Income

4th Quarter June 2021 & 2020 (in thousands of USD)



	Actual QTR June 2021	% of Net Sales	Actual QTR June 2020	% of Net Sales
Net Sales	\$ 110,057		\$ 42,117	
Cost of Goods Sold	94,805	86.1%	49,685	118.0%
Non Cash Compensation Expense	-	0.0%	215	0.5%
Gross Profit	15,252	13.9%	(7,783)	(18.5%)
Engineering, Selling, & Administrative Expenses	11,200	10.2%	8,197	19.5%
Non Cash Compensation Expense	-	0.0%	136	0.3%
Total Expense	11,200	10.2%	8,333	19.8%
Operating Income	4,052	3.7%	(16,116)	(38.3%)
Interest Expense	(43)	(0.0%)	(128)	(0.3%)
Gain (Loss) on Investment in VAST	716	0.7%	(601)	(1.4%)
Gain (Loss) on Investment in SAL	-	0.0%	337	0.8%
Gain -Pension Termination	-	0.0%	-	0.0%
Miscellaneous Income (Expense)	6	0.0%	693	1.6%
Income Before Income Tax	4,731	4.3%	(15,815)	(37.6%)
Income Tax Provision (Benefit)	390	0.4%	(3,460)	(8.2%)
Net Income	4,341	3.9%	(12,355)	(29.3%)
Less: Net Income Attributable to Non-Controlling Interest	(1,415)	-1.3%	1,853	4.4%
Net Income Attributable to STRATTEC	\$ 2,926	2.7%	\$ (10,502)	-24.9%
Weighted Average Shares	3,890		3,749	
Diluted Earnings Per Share	\$ 0.75		\$ (2.80)	
Adjusted Diluted Earnings Per Share	\$ 0.75		\$ (2.59)	



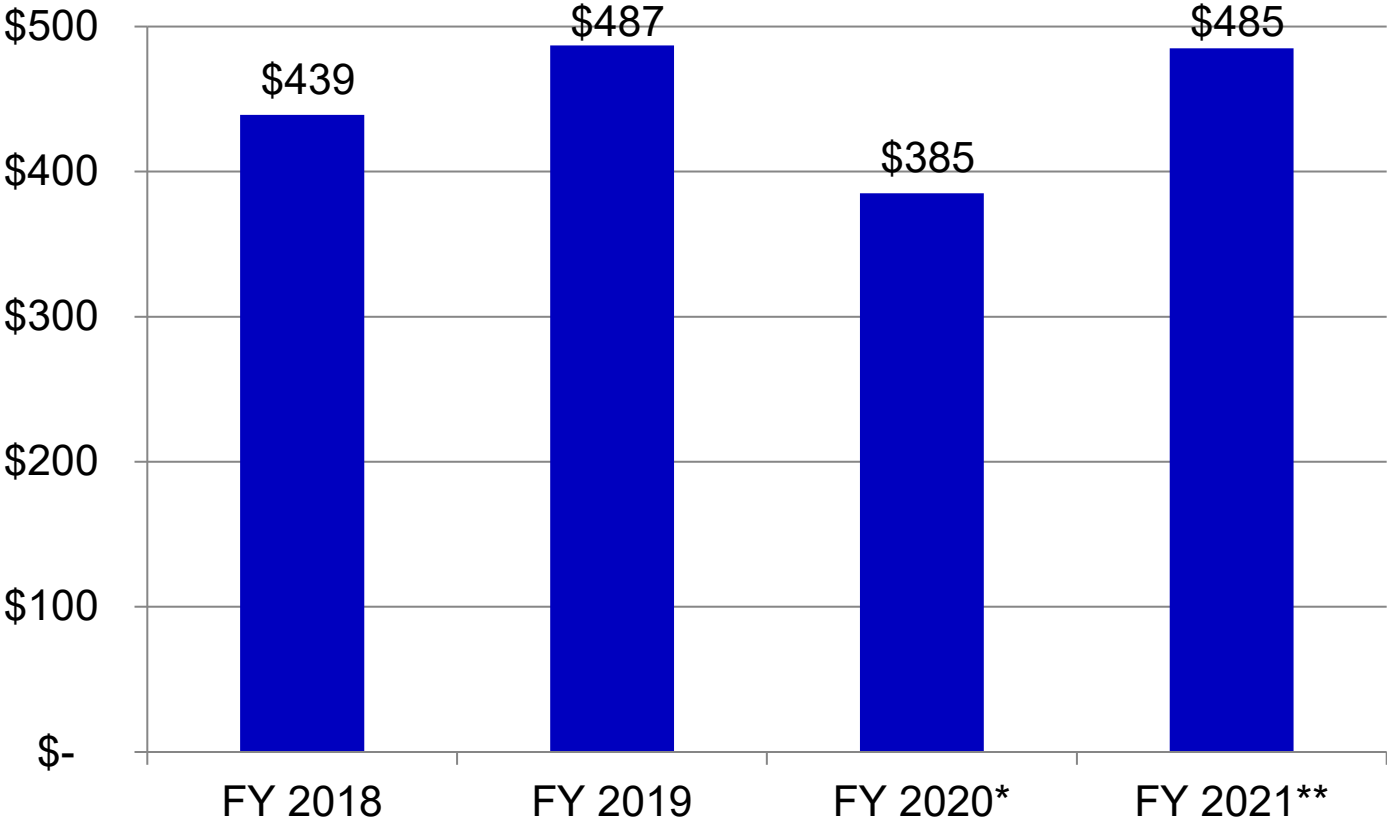
Income Statement YTD June 2021 & 2020 (in thousands of USD)



	Actual YTD June 2021	% of Net Sales	Actual YTD June 2020	% of Net Sales
Net Sales	\$ 485,295		\$ 385,300	
Cost of Goods Sold	406,637	83.8%	346,897	90.0%
Non Cash Compensation Expense	-	0.0%	2,957	0.8%
Gross Profit	78,658	16.2%	35,446	9.2%
Engineering, Selling, & Administrative Expenses	44,743	9.2%	42,241	11.0%
Non Cash Compensation Expense	-	0.0%	1,867	0.5%
Total Expense	44,743	9.2%	44,108	11.4%
Operating Income	33,915	7.0%	(8,662)	(2.2%)
Interest Expense	(302)	(0.1%)	(920)	(0.2%)
Gain (Loss) on Investment in VAST	2,560	0.5%	(565)	(0.1%)
Gain (Loss) on Investment in SAL	-	0.0%	356	0.1%
Miscellaneous Income (Expense)	(1,165)	(0.2%)	1,668	0.4%
Income Before Income Tax	35,008	7.2%	(8,123)	(2.1%)
Income Tax Provision (Benefit)	5,111	1.1%	(2,266)	(0.6%)
Net Income	29,897	6.2%	(5,857)	(1.5%)
Less: Net Income Attributable to Non-Controlling Interest	(7,365)	-1.5%	(1,748)	-0.5%
Net Income Attributable to STRATTEC	\$ 22,532	4.6%	\$ (7,605)	-2.0%
Weighted Average Shares	3,852		3,737	
Diluted Earnings Per Share	\$ 5.85		\$ (2.04)	
Adjusted Diluted Earnings Per Share	\$ 5.85		\$ (0.98)	



4 Year Sales History (in millions \$)



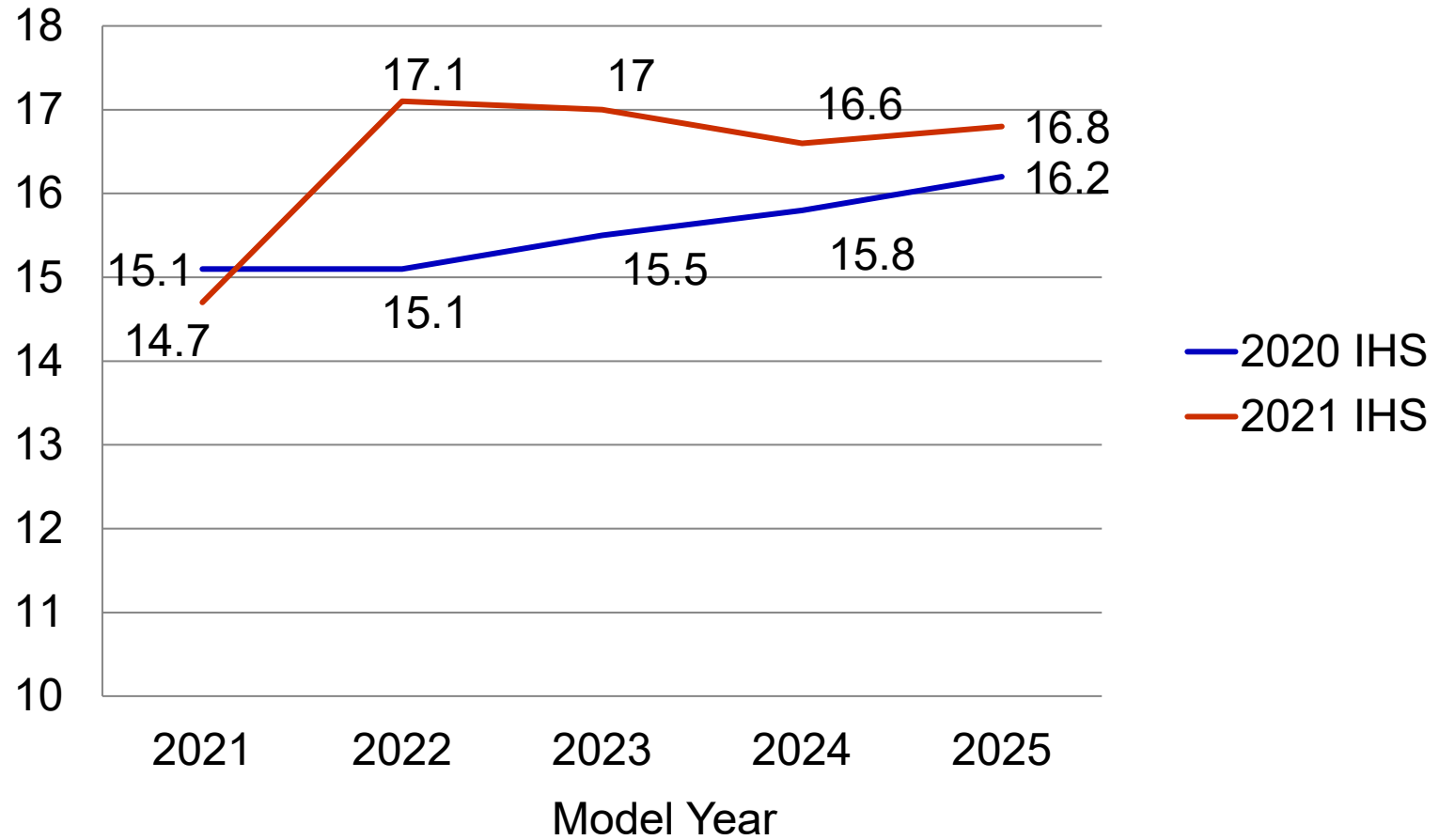
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** FY 2021 sales impacted by semiconductor chip shortage

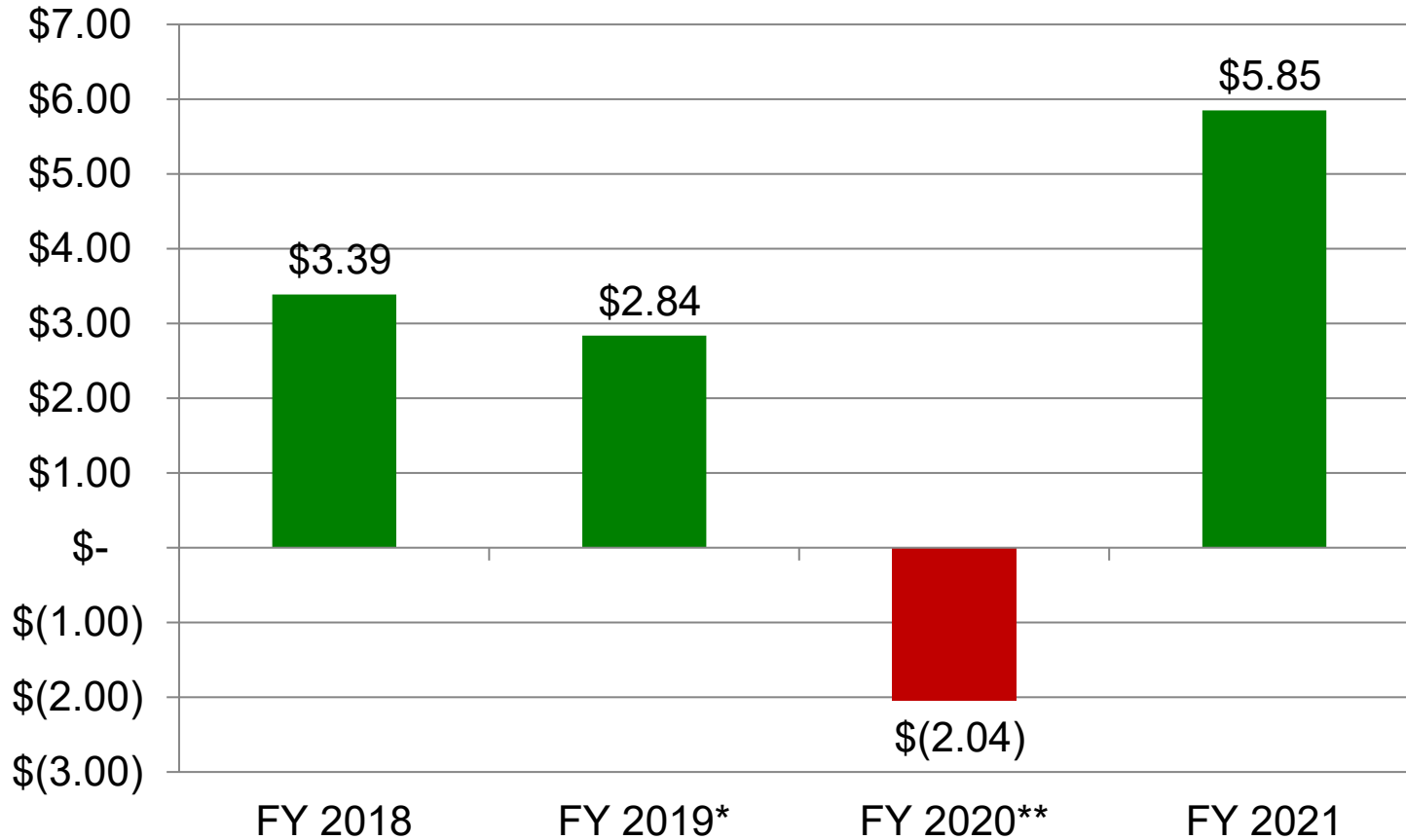


IHS Forecast Data North America Vehicle Build (in millions of vehicles)

July 2020 versus 2021

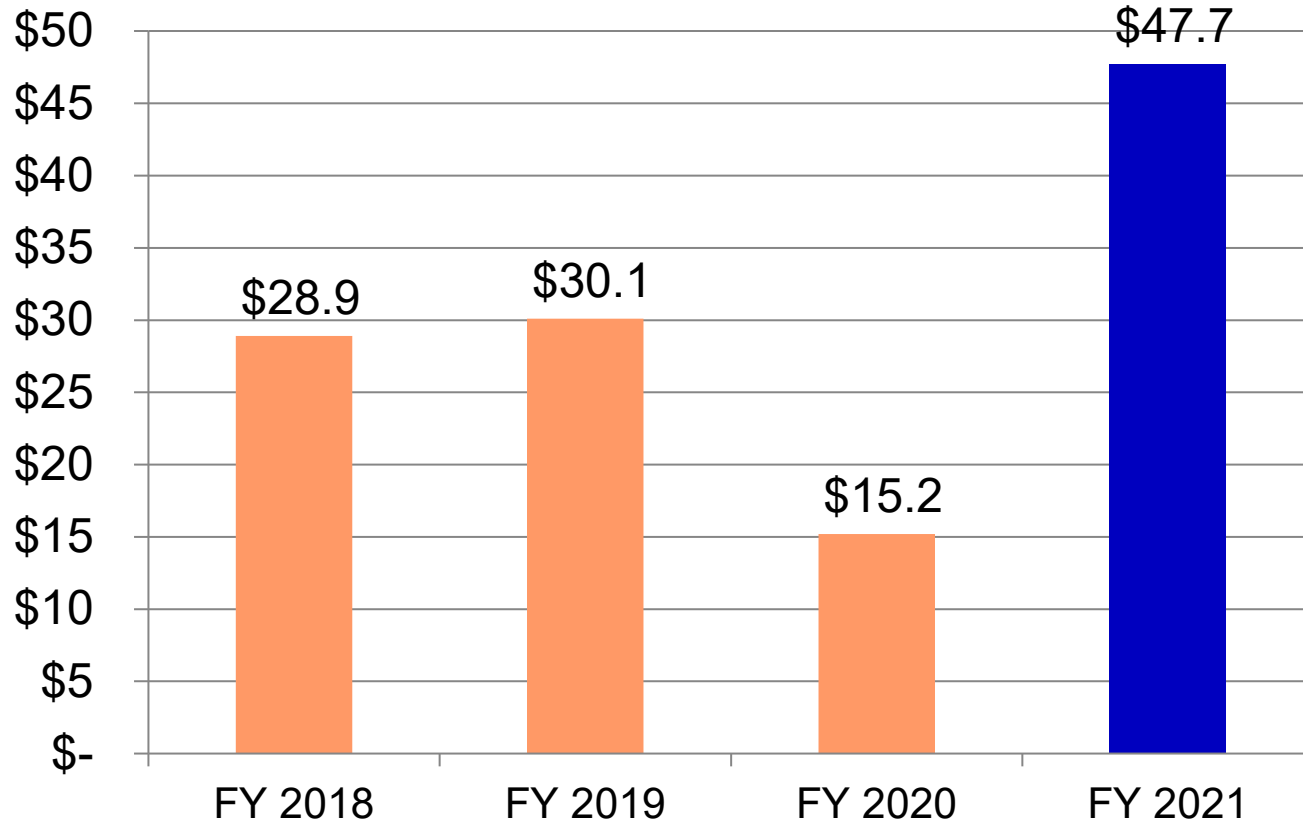


4 Year Adjusted EPS Summary



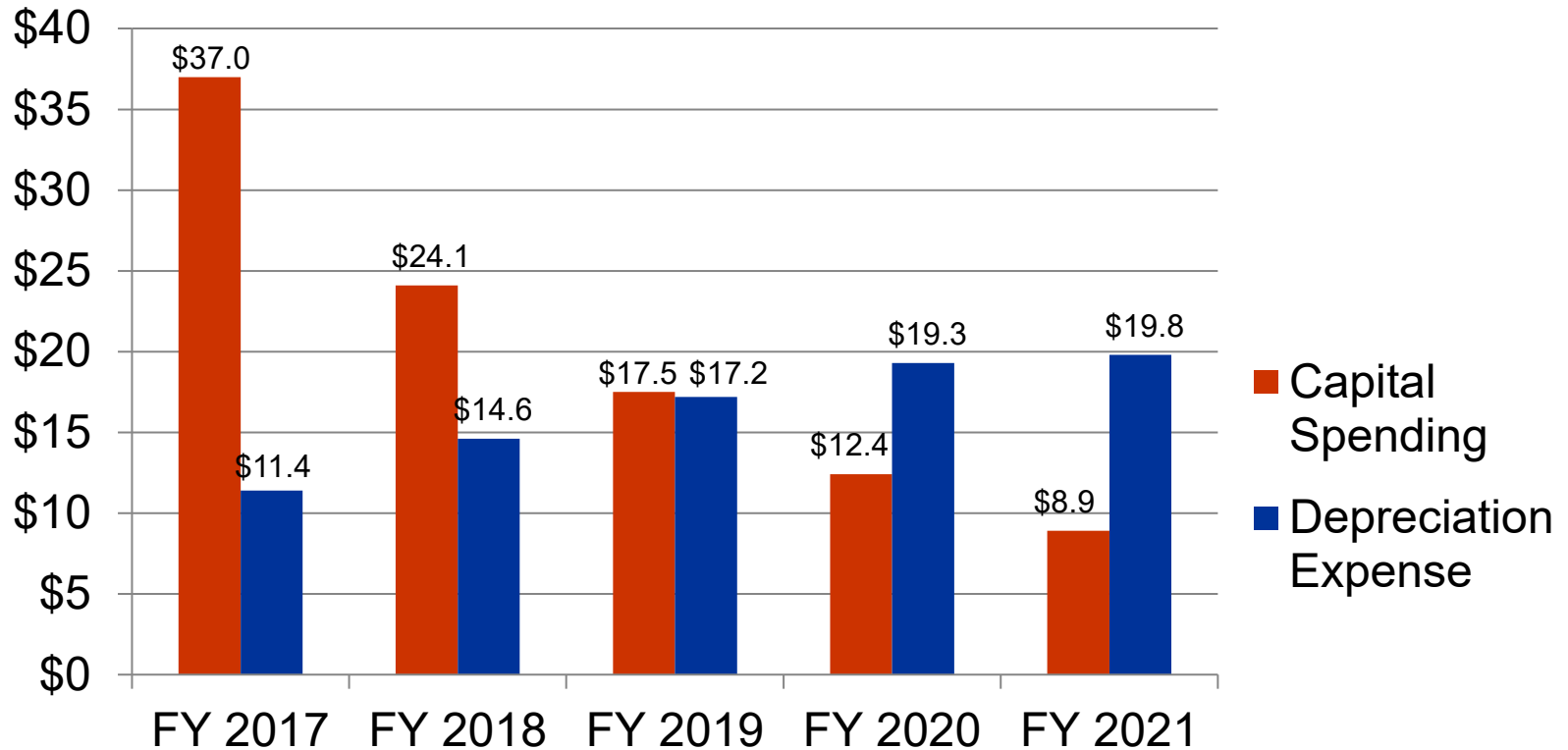
*Adjusted for Non-Cash Pension Settlement and compensation charges reduced EPS by \$7.40.

** Net Loss due to COVID-19 and non-cash compensation charge reduced EPS by \$0.99.



NOTE: The fiscal 2019 EBITDA was adjusted to add back the pre-tax/non-cash pension related settlement charge of \$36.0 million. Fiscal 2020 was adjusted for \$4.5 million of non-cash compensation expense related to the pension settlement.

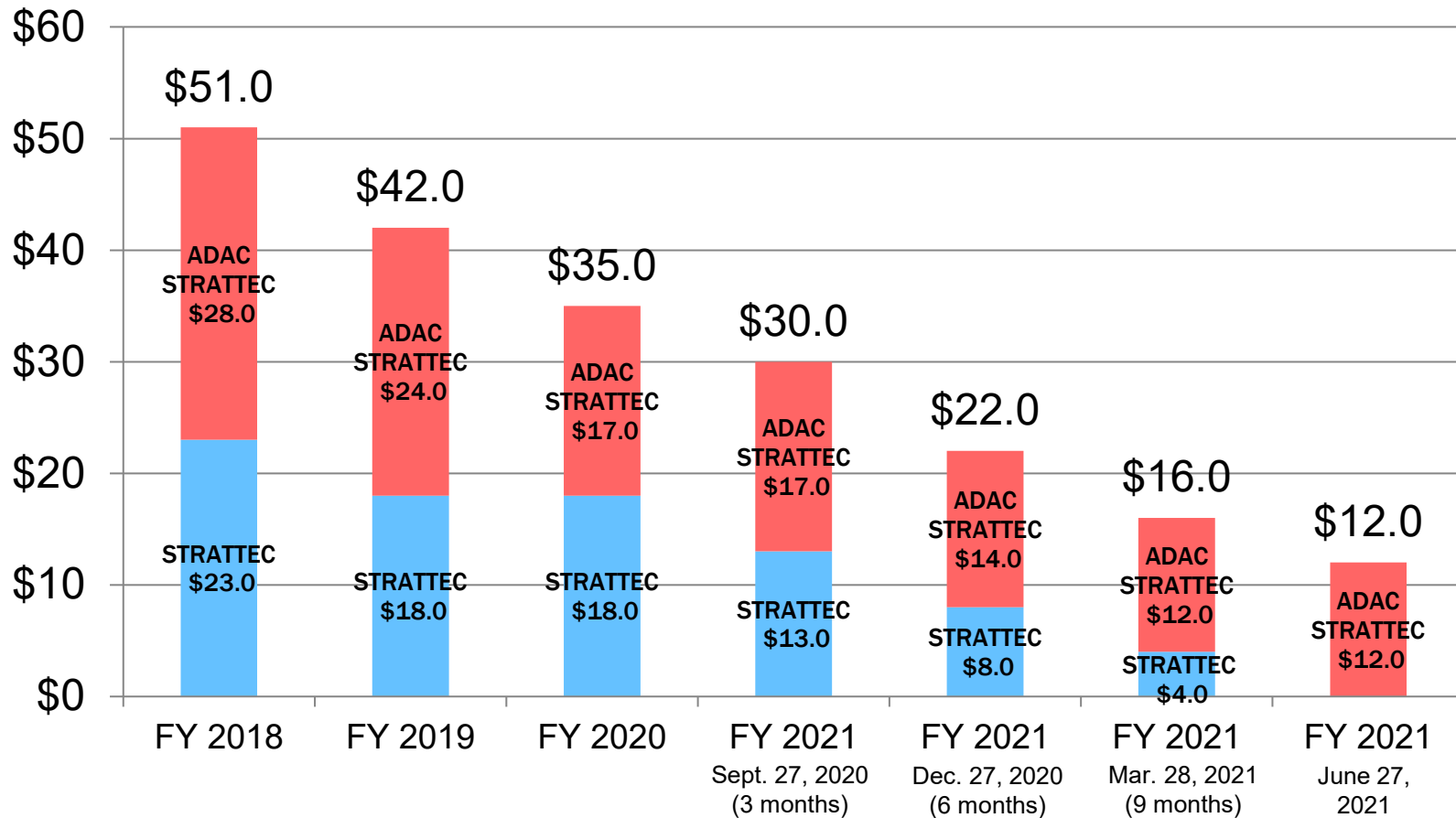
4 Fiscal Year End Capital Spending Depreciation Expense (in millions \$)



NOTE: FY 2017 STRATTEC spent \$24.0 million to construct the Leon, Mexico mold, paint and assembly facility for door handles

4 Fiscal Year End Debt Outstanding Summary

(in millions \$)



NOTE: ADAC STRATTEC LLC is a joint venture owned 51% by STRATTEC and 49% by ADAC Automotive.

Capitalization as of June 27, 2021, June 28, 2020, June 30, 2019 and July 1, 2018 (in millions \$)

	<u>June 27, 2021</u>	<u>June 28, 2020</u>	<u>June 30, 2019</u>	<u>July 1, 2018</u>
Total Debt	\$12.0	\$35.0	\$42.0	\$51.0
Less: Cash & Cash Equivalents	<u>(\$14.5)</u>	<u>(\$11.8)</u>	<u>(\$7.8)</u>	<u>(\$8.1)</u>
Total Net Debt (Cash)	(\$2.5)	\$23.2	\$34.2	\$42.9
Shareholder's Equity	\$181.6	\$152.2	\$163.4	\$162.2
Total Net Debt (Cash) as a % of Shareholder's Equity	(1.4%)	15.2%	20.9%	26.4%
Book Value per Share	\$47.2	\$40.7	\$44.5	\$43.8
NASDAQ Market Share Price	\$44.11	\$16.39	\$24.10	\$30.55

Frank J. Krejci

(CRAY' CHEE)

President & CEO

Product Information

Locksets & Keyfobs



Start Systems, Column Locks (mechanical and electrical)



Latch Products



Power Access Systems



- **Winner of two PACE awards in 2018 and 2019 and 2020 GM Innovation award (one of four awarded worldwide)**
- STRATTEC's innovation provided the Power Tailgate solution allowing GM to be first to market with this feature. This option has been the focus of GM's ad campaign targeted at Chevrolet being an innovation leader.



- Chevrolet Silverado option launched in 2019 with current consumer take rate in excess of 20%.
- Ford F-150 Pickup option launched September 2020.
- Opportunity for higher sales content and profitability when this option at Ford expands to the F-250 and the F-350 pickups in 12-18 months.



Vehicle Access Systems Technology

d/b/a

VAST Automotive Group





Founded 1899

HEADQUARTERS:

Velbert, Germany

Privately-held

EMPLOYEES: 4,000

LOCATIONS:

Germany, Czech Republic & Bulgaria



Founded 1908

HEADQUARTERS:

Milwaukee, Wisconsin, U.S.

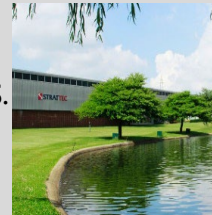
Publicly-traded

(STRTEC Nasdaq)

EMPLOYEES: 4,000

LOCATIONS:

United States & Mexico



Founded 1975

HEADQUARTERS:

Grand Rapids, Michigan, U.S.

Privately-held Company

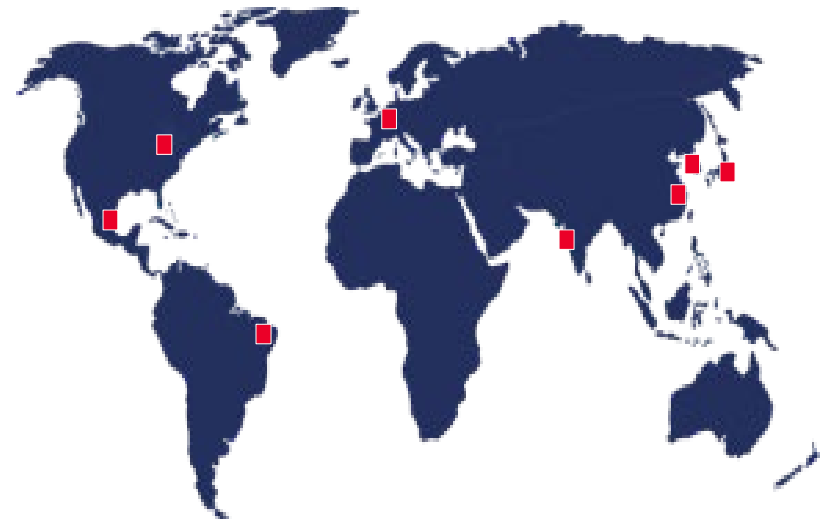
EMPLOYEES: 1,300

LOCATIONS:

United States & Mexico



The mission of **VAST** is to provide a global presence by sharing information, technology, & best-practices through executing strategies that anticipate development in global markets & support expectations of our targeted & strategic customers



- Significant growth in China with new paint and assembly facility is starting up in calendar years 2021 and 2022.
- VAST China's major customers are Volkswagen, General Motors, Volvo, and Ford.
- VAST China's sales in Fiscal Year 2021 was \$210.0 million US dollars.
- Fiscal year 2021 ended STRATTEC's 1/3 share of VAST LLC Net Income = \$2,560,000 or \$0.66 diluted EPS.

- Product Growth primarily in Power Access Products (Power End Gates with General Motors Chevrolet Silverado and FORD F-150 Pickup Trucks).
- Financially strong Balance Sheet & Cash Flow
- Defined Benefit Pension Obligation behind us
- Working to Improve Gross Profit Margins through Cost Reduction Activities and Improvements in Manufacturing Processes
- Low Cost Manufacturing in Mexico and opportunities to grow the Door Handle business in Mid Mexico
- Strong sales growth at the OEM customer level to fill the dealer inventories in short supply over the next couple of quarters, but dependent upon the flow of supply chain parts shortages in the near term.

Questions?

Appendix

Balance Sheet (June 2021, in thousands of USD)



	Actual June 27, 2021 <i>(Unaudited)</i>	Actual June 28, 2020
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 14,465	\$ 11,774
Accounts Receivable, net	69,902	41,955
Inventory	70,860	54,400
Other Current Assets	19,677	17,239
Total Current Assets	174,904	125,368
Investment in Joint Ventures	27,224	22,068
Other Long Term Assets	12,034	12,961
Property, Plant and Equipment, Net	96,401	105,148
	\$ 310,563	\$ 265,545
 LIABILITIES & SHAREHOLDERS' EQUITY:		
Current Liabilities:		
Accounts Payable	\$ 36,727	\$ 18,549
Other Current Liabilities	40,845	29,591
Total Current Liabilities	77,572	48,140
Accrued Pension and Post Retirement Obligations	2,933	1,956
Borrowings Under Credit Facility	12,000	35,000
Other Long-term Liabilities	4,625	5,008
Shareholder's Equity	334,058	309,991
Accumulated Other Comprehensive Loss	(16,797)	(22,113)
Less: Treasury Stock	(135,615)	(135,656)
Total STRATTEC SECURITY CORPORATION Shareholder's Equity	181,646	152,222
Non-Controlling Interest	31,787	23,219
Total Shareholder's Equity	213,433	175,441
	\$ 310,563	\$ 265,545



Cash Flow Statement

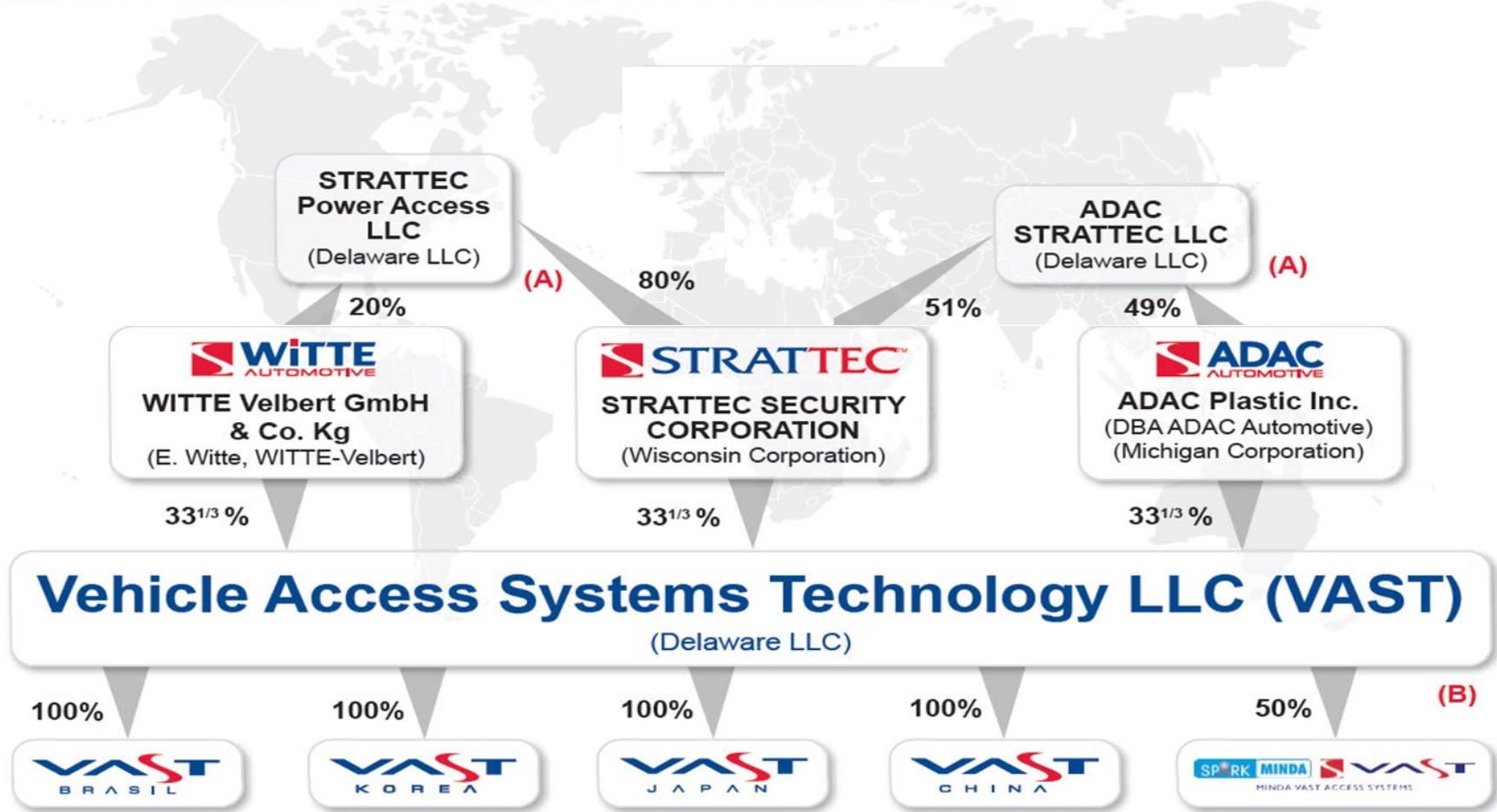
YTD June 2021 & 2020 (in thousands of USD)



	Actual YTD June 2021	Actual YTD June 2020
Cash Flows From Operating Activities:		
Net Income	\$ 29,897	\$ (5,857)
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation	19,786	19,329
Loss (Gain) on Investment in LLC	(2,560)	209
Loss (Gain) on Disposal of PP&E	1,421	369
Stock Option Compensation Expense	972	996
Foreign Currency Transaction Loss (Gain)	2,445	(1,982)
Unrealized (Gain) Loss on Peso Contracts	(723)	480
Pension (Experience Gain) Settlement Charge	65	(434)
Operating Leases	473	461
Non-cash Comp Exp-Excess Pension Assets	-	4,824
Deferred Tax Provision	1,473	(3,589)
Change in Operating Assets/Liabilities:		
Accounts Receivable	(27,744)	41,990
Inventory	(16,460)	(7,138)
Other Assets	(2,435)	(29)
Accounts Payable and Accrued Liabilities	28,540	(24,207)
Other, net	-	2
Net Cash From Operating Activities	<u>35,150</u>	<u>25,424</u>
Cash Flow From Investing Activities:		
Investment in VAST LLC	(100)	-
Capital Expenditures	(8,929)	(12,381)
Proceeds from Sale of PP&E	8	32
Net Cash From Investing Activities	<u>(9,021)</u>	<u>(12,349)</u>
Cash Flow From Financing Activities:		
Borrowings - Credit Facility	-	8,000
Repayments - Credit Facility	(23,000)	(15,000)
Dividends Paid to Non-Controlling Interest	(490)	(980)
Dividends Paid	-	(1,572)
Treasury Stock Reissued/Exercise of Stock Options	604	560
Net Cash From Financing Activities	<u>(22,886)</u>	<u>(8,992)</u>
Foreign Currency Impact on Cash	<u>(552)</u>	<u>(118)</u>
Net Change In Cash and Cash Equivalents	2,691	3,965
Cash and Cash Equivalents - Beginning	11,774	7,809
Cash and Cash Equivalents - Ending	<u>\$ 14,465</u>	<u>\$ 11,774</u>



STRATTEC Legal Ownership Structure including VAST:



(A) STRATTEC Entities consolidated with a non-controlling interest.

(B) Entities recorded by STRATTEC on the equity method of accounting via "Equity Earnings (Loss)"



- Milwaukee, Wisconsin- Founded 1908, Public Company 1995.



- Velbert, Germany – Founded 1899, Private



- Grand Rapids, Michigan– Founded 1975, Private



- 33% Ownership by STRATTEC (2001)



- 51% Ownership by STRATTEC (2006)

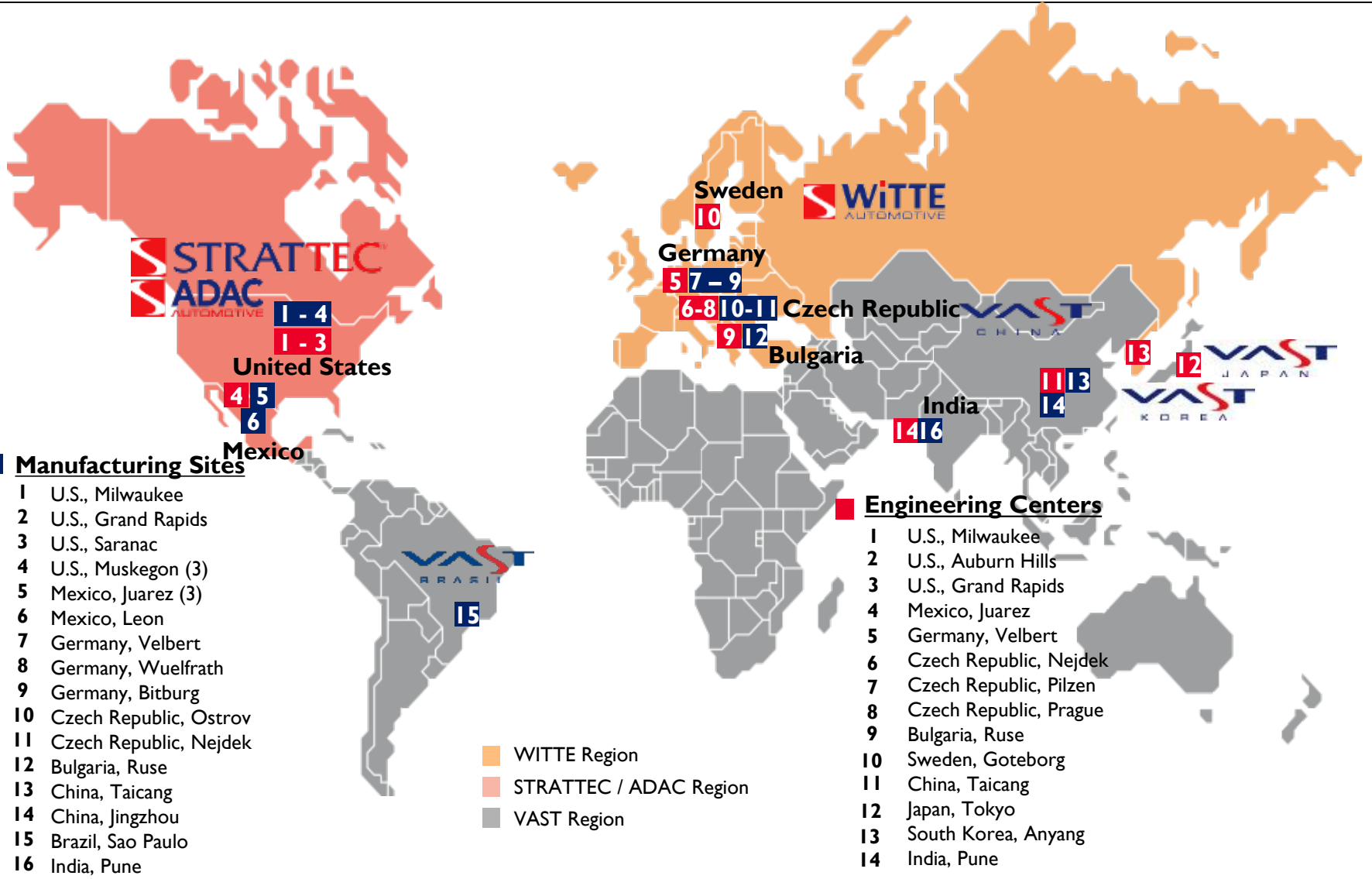


- 80% Ownership by STRATTEC (2008)



- 16.6% Ownership by STRATTEC (2015)







Passenger Vehicle Manufacturers



Commercial Vehicle Manufacturers



System Suppliers

