

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): August 11, 2022

**STRATTEC SECURITY
CORPORATION**

(Exact name of registrant as specified in charter)

Wisconsin

(State or other jurisdiction of incorporation)

0-25150

(Commission File Number)

39-1804239

(I.R.S. Employer I.D. Number)

3333 West Good Hope Road
Milwaukee, WI

(Address of Principal Executive Offices)

53209

(Zip Code)

(414) 247-3333

(Registrant's telephone number; including area code)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of exchange on which registered
Common stock, \$.01 par value	STRT	The Nasdaq Global Stock Market

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Section 2 – Financial Information

Item 2.02. Results of Operations and Financial Condition.

On August 11, 2021, STRATTEC SECURITY CORPORATION issued a press release (the "[Press Release](#)") announcing results for the fiscal fourth quarter and year ended July 3, 2022. A copy of the Press Release is attached as Exhibit 99.1 to this report. The attached Exhibit 99.1 is furnished pursuant to Item 2.02 of Form 8-K.

The information in this Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

Section 9 - Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[99.1](#) -- Press Release of STRATTEC SECURITY CORPORATION, issued August 11, 2022.
104 – Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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.

Date: August 11, 2022

STRATTEC SECURITY CORPORATION

By: /s/ Patrick J. Hansen

Patrick J. Hansen, Senior Vice President and
Chief Financial Officer

FOR RELEASE AT 3:00 PM CST

Contact: Pat Hansen
Senior Vice President and
Chief Financial Officer
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STRATTEC SECURITY CORPORATION
REPORTS FISCAL 2022 FOURTH QUARTER AND
FULL YEAR OPERATING RESULTS

Milwaukee, Wisconsin – August 11, 2022 -- STRATTEC SECURITY CORPORATION (NASDAQ:STRT) today reported operating results for the fiscal fourth quarter and full year ended July 3, 2022. The comparative current year fourth quarter operating results were negatively impacted by higher costs for raw materials and purchased components in our manufacturing operations, reductions in output at some of our OEM customers' assembly plants and the COVID-19 virus that temporarily shut down our VAST China operations which is further described in this press release.

Fourth Quarter Overview

Net sales for the Company's fourth quarter ended July 3, 2022 were \$123.1 million, compared to net sales of \$110.1 million for the fourth quarter ended June 27, 2021. The 2022 fiscal fourth quarter was a 14 week period while fiscal 2021's fourth quarter was the typical 13 week period. The impact of the additional week of customer shipments during the current year quarter increased net sales by approximately \$7.4 million over the prior year quarter. Net income for the current year quarterly period was \$391,000, compared to net income of \$2.9 million in the prior year fourth quarter. Diluted earnings per share for the current year quarterly period were \$0.10 compared to diluted earnings per share of \$0.75 in the prior year quarter. Despite higher sales levels in the current year quarter versus the prior year quarter, as noted above, our net income and diluted earnings per share were adversely impacted by higher costs for raw materials and purchased components in the current year quarter.

Full Year Earnings Overview

For the year ended July 3, 2022, the Company's net sales were \$452.3 million compared to net sales of \$485.3 million in the prior year period. Net income during the current year was \$7.0 million compared to net income of \$22.5 million in the prior year period. Diluted earnings per share were \$1.80 for the year ended July 3, 2022 compared to diluted earnings per share of \$5.85 during the prior year ended June 27, 2021.

Discussion of Quarterly Results

Net sales to each of our customers or customer groups in the current year quarter and prior year quarter were as follows (in thousands):

	Three Months Ended	
	July 3, 2022	June 27, 2021
General Motors Company	\$ 38,633	\$ 35,225
Stellantis / Fiat Chrysler Automobiles	20,598	15,710
Ford Motor Company	21,808	13,314
Tier 1 Customers	16,443	13,332
Commercial and Other OEM Customers	14,901	18,689
Hyundai / Kia	10,690	13,787
TOTAL	\$ 123,073	\$ 110,057

As mentioned previously, the current year quarter sales had one additional week of sales in comparison to the prior year quarter that totaled \$7.4 million. Notwithstanding that extra week of sales, the global semiconductor chip shortage and adverse issues impacting the availability of other raw materials and component parts arising from the Coronavirus (COVID-19) pandemic continue to adversely impact our OEM customers' output at their assembly plants, thereby reducing our potential sales.

Sales to General Motors in the current year quarter increased in comparison to the prior year quarter due to higher production volumes on the Chevrolet Silverado power tailgate and increased sales from several lock set product platforms with General Motors. Sales to Stellantis / Fiat Chrysler Automobiles increased in the current year quarter compared to the prior year quarter due to higher volumes on the Chrysler Pacifica for which we supply power sliding door components and other access control products. Sales to Ford Motor Company increased in the current year quarter compared to the prior year quarter due to higher production volumes on our lock set product platforms with Ford and increased production for the F-150 pick-up truck for which we supply power tailgate components. Sales to Tier 1 Customers increased in the current year quarter compared to the prior year quarter due to increased volumes on sales of our door handle product. Sales to Commercial and Other OEM Customers during the current year quarter decreased in comparison to the prior year quarter mainly due to decreases in our Aftermarket service keys business between quarters. These Commercial and Other OEM Customers, along with Tier1 Customers, primarily represent purchasers of vehicle access control products, such as latches, key fobs, driver controls, steering column locks and door handles that we have developed to complement our historic core business of locks and keys. Sales to Hyundai / Kia were lower in the current year quarter compared to the prior year quarter due to lower production volumes on the Kia Carnival and Hyundai Starex minivans for which we supply primarily power sliding door components.

Gross profit margins were 11.3 percent in the current year quarter compared to 13.9 percent in the prior year quarter. The decrease in gross profit margin in the current year quarter compared to the prior year quarter was primarily attributed to higher costs for production materials that impacted the gross profit margin by 340 basis points and the mandatory minimum wage increase enacted by the Mexican Government effective January 1, 2022. Partially offsetting the decreased gross profit margins between periods were improved manufacturing efficiencies both at our Milwaukee and Mexico production facilities, despite the ongoing supply chain disruptions described above, and lower expense provisions for accrual of bonuses under our incentive bonus plans.

Engineering, Selling and Administrative expenses overall were \$12.4 million in the current year quarter and \$11.2 million in the prior year quarter. As a percent of net sales in the current year quarter (14 weeks) these expenses were 10.1% percent compared to 10.2% in the prior year quarter (13 weeks).

Included in Other Income, Net in the current year quarter compared to the prior year quarter were the following items (in thousands of dollars):

	<u>July 3, 2022</u>	<u>June 27, 2021</u>
Equity (Loss) Earnings of VAST LLC Joint Venture	\$ (760)	\$ 716
(Loss) Gain on Rabbi Trust Assets	(243)	393
Net Foreign Currency Realized and		
Unrealized Transaction Gain (Loss)	358	(231)
Other (Expense) Income	(12)	(156)
	<u>\$ (657)</u>	<u>\$ 722</u>

The net loss at VAST LLC during the current year quarter related primarily to our VAST China operations being temporarily shut down due to COVID -19 restrictions enacted by the Chinese Government.

Frank Krejci, President & CEO commented: “We have dealt well with the things we could control. Unfortunately for our bottom line, there were significant factors which were out of our control like supply chains limiting customer production and spikes in material cost which we were forced to absorb. In addition, our operations in China were impacted by the aggressive shutdowns imposed by their government to combat the spread of COVID.

The negative impacts were reduced significantly through our cost controls and implementation of efficiency improvements. Those improvements are beginning to benefit us today and many will have a continuing long-term positive impact. Strategically, with our strong balance sheet, we have been able to make a significant investment in inventory levels to dampen problems from supply chain issues. Our financial position also allows us to focus on long-term decisions like investing in new opportunities while still remaining ready to deal with current market uncertainties.

We see continuing growth of our award-winning designs for the power tailgates on the Chevrolet Silverado and the Ford F150 pick-up trucks. As the Electric Vehicle market rapidly grows, we see opportunity for new product development as well as refined versions of much of our present product lines. We are pleased with the acceptance of our new product by our customers and the new business that has been awarded to us over the last year.

As we complete our first month of a new fiscal year, we are encouraged by the higher production schedules from our customers and their press releases anticipating continuing improvement in the industry during the last half of calendar year 2022”.

STRATTEC designs, develops, manufactures and markets automotive Access Control Products including mechanical locks and keys, electronically enhanced locks and keys, steering column and instrument panel ignition lock housings, latches, power sliding side door systems, power lift gate systems, power deck lid systems, door handles and related products. These products are provided to customers in North America, and on a global basis through a unique strategic relationship with WITTE Automotive of Velbert, Germany and ADAC Automotive of Grand Rapids, Michigan. Under this relationship, STRATTEC, WITTE and ADAC market each company’s products to global customers under the “VAST Automotive Group” brand name. STRATTEC’s history in the automotive business spans over 110 years.

Certain statements contained in this release contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words or phrases such as “anticipate,” “believe,” “could,” “expect,” “intend,” “may,” “planned,” “potential,” “should,” “will,” and “would.” Such forward-looking statements in this release are inherently subject to many uncertainties in the Company’s operations and business environment. These uncertainties include general economic conditions, in particular, relating to the automotive industry, consumer demand for the Company’s and its customers’ products, competitive and technological developments, customer purchasing actions, changes in warranty provisions and customer product recall policies, work stoppages at the Company or at the location of its key customers as a result of labor disputes, foreign currency fluctuations, uncertainties stemming from U.S. trade policies, tariffs and reactions to same from foreign countries, the volume and scope of product returns or customer cost reimbursement actions, adverse business and operational issues resulting from the global supply chain disruptions, the semiconductor chip shortages and the coronavirus pandemic, matters adversely impacting the timing and availability of material component parts and raw materials for the production of our products and the products of our customers and fluctuations in our costs of operation (including fluctuations in the cost of raw materials). Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date of this press release and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances occurring after the date of this release. In addition, such uncertainties and other operational matters are discussed further in the Company’s quarterly and annual filings with the Securities and Exchange Commission.

STRATTEC SECURITY CORPORATION
Condensed Results of Operations
(In Thousands except per share amounts)
(Unaudited)

	<i>Fourth Quarter Ended</i>		<i>Years Ended</i>	
	<u>July 3, 2022</u>	<u>June 27, 2021</u>	<u>July 3, 2022</u>	<u>June 27, 2021</u>
Net Sales	\$ 123,073	\$ 110,057	\$ 452,265	\$ 485,295
Cost of Goods Sold	<u>109,177</u>	<u>94,805</u>	<u>396,249</u>	<u>406,637</u>
Gross Profit	13,896	15,252	56,016	78,658
Engineering, Selling & Administrative Expenses	<u>12,436</u>	<u>11,200</u>	<u>47,119</u>	<u>44,743</u>
Income from Operations	1,460	4,052	8,897	33,915
Interest Expense	(62)	(43)	(221)	(302)
Other (Expense) Income, Net	<u>(657)</u>	<u>722</u>	<u>604</u>	<u>1,395</u>
Income before Provision for Income Taxes and Non- Controlling Interest	741	4,731	9,280	35,008
Provision for Income Taxes	<u>78</u>	<u>390</u>	<u>420</u>	<u>5,111</u>
Net Income	663	4,341	8,860	29,897
Net Income Attributable to Non-Controlling Interest	<u>272</u>	<u>1,415</u>	<u>1,828</u>	<u>7,365</u>
Net Income Attributable to STRATTEC SECURITY CORPORATION	<u>\$ 391</u>	<u>\$ 2,926</u>	<u>\$ 7,032</u>	<u>\$ 22,532</u>
Net Income Per Share:				
Basic	<u>\$ 0.10</u>	<u>\$ 0.77</u>	<u>\$ 1.82</u>	<u>\$ 5.95</u>
Diluted	<u>\$ 0.10</u>	<u>\$ 0.75</u>	<u>\$ 1.80</u>	<u>\$ 5.85</u>
Average Basic Shares Outstanding	3,876	3,805	3,861	3,788
Average Diluted Shares Outstanding	3,920	3,890	3,910	3,852
Other				
Capital Expenditures	\$ 4,781	\$ 2,528	\$ 14,188	\$ 8,929
Depreciation	\$ 4,655	\$ 5,056	\$ 19,379	\$ 19,786

STRATTEC SECURITY CORPORATION
Condensed Balance Sheet Data
(In Thousands)

	<u>July 3, 2022</u>	<u>June 27, 2021</u>
	<i>(Unaudited)</i>	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,774	\$ 14,465
Receivables, net	75,827	69,902
Inventories, net	80,482	70,860
Other current assets	23,149	19,677
Total Current Assets	188,232	174,904
Investment in Joint Ventures	26,344	27,224
Other Long Term Assets	12,375	12,034
Property, Plant and Equipment, Net	91,729	96,401
	\$ 318,680	\$ 310,563
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 43,950	\$ 36,727
Other	37,525	40,845
Total Current Liabilities	81,475	77,572
Accrued Pension and Post Retirement Obligations	1,722	2,933
Borrowings Under Credit Facility	11,000	12,000
Other Long-term Liabilities	4,070	4,625
Shareholders' Equity	343,103	334,058
Accumulated Other Comprehensive Loss	(18,657)	(16,797)
Less: Treasury Stock	(135,580)	(135,615)
Total STRATTEC SECURITY CORPORATION Shareholders' Equity	188,866	181,646
Non-Controlling Interest	31,547	31,787
Total Shareholders' Equity	220,413	213,433
	\$ 318,680	\$ 310,563

STRATTEC SECURITY CORPORATION
Condensed Cash Flow Statement Data
(In Thousands)
(Unaudited)

	<i>Fourth Quarter Ended</i>		<i>Years Ended</i>	
	<u>July 3, 2022</u>	<u>June 27, 2021</u>	<u>July 3, 2022</u>	<u>June 27, 2021</u>
Cash Flows from Operating Activities:				
Net Income	\$ 663	\$ 4,341	\$ 8,860	\$ 29,897
Adjustment to Reconcile Net Income to Cash (Used In) Provided By Operating Activities:				
Equity Loss (Earnings) in Joint Ventures	760	(716)	(181)	(2,560)
Depreciation	4,655	5,056	19,379	19,786
Foreign Currency Transaction (Gain) Loss	(313)	519	(237)	2,445
Unrealized Loss (Gain) on Peso				
Forward Contracts	116	(211)	(384)	(723)
Stock Based Compensation Expense	267	197	1,140	972
Loss on disposition of property, plant & equipment	39	-	192	1,421
Deferred Income taxes	(1,981)	1,473	(1,981)	1,473
Change in Operating Assets/Liabilities	(5,677)	(1,087)	(16,837)	(18,099)
Other, net	124	182	485	538
Net Cash (Used In) Provided By Operating Activities	(1,347)	9,754	10,436	35,150
Cash Flows from Investing Activities:				
Investment in Joint Ventures	(75)	-	(150)	(100)
Additions to Property, Plant and Equipment	(4,781)	(2,528)	(14,188)	(8,929)
Other	5	-	5	8
Net Cash Used in Investing Activities	(4,851)	(2,528)	(14,333)	(9,021)
Cash Flows from Financing Activities:				
Borrowings Under Credit Facility	2,000	-	13,000	-
Repayment of Borrowings Under Credit Facility	(3,000)	(4,000)	(14,000)	(23,000)
Dividends Paid to Non-Controlling Interests of Subsidiaries	(600)	-	(1,800)	(490)
Exercise of Stock Options and Employee Stock Purchases	24	19	908	604
Net Cash Used In Financing Activities	(1,576)	(3,981)	(1,892)	(22,886)
Effect of Foreign Currency Fluctuations on Cash	89	(115)	98	(552)
Net (Decrease) Increase in Cash & Cash Equivalents	(7,685)	3,130	(5,691)	2,691
Cash and Cash Equivalents:				
Beginning of Period	16,459	11,335	14,465	11,774
End of Period	<u>\$ 8,774</u>	<u>\$ 14,465</u>	<u>\$ 8,774</u>	<u>\$ 14,465</u>