



Sidoti & Company

November 14, 2019



VEHICLE ACCESS SYSTEMS TECHNOLOGY



WITTE • STRATTEC • ADAC

Patrick J. Hansen

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Disclosure for Presentation on November 14, 2019

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This presentation includes selected information regarding the Company’s business, operations and financial performance and is qualified in its entirety by the more complete information contained in the Company’s filings with the Securities and Exchange Commission and other public disclosures.

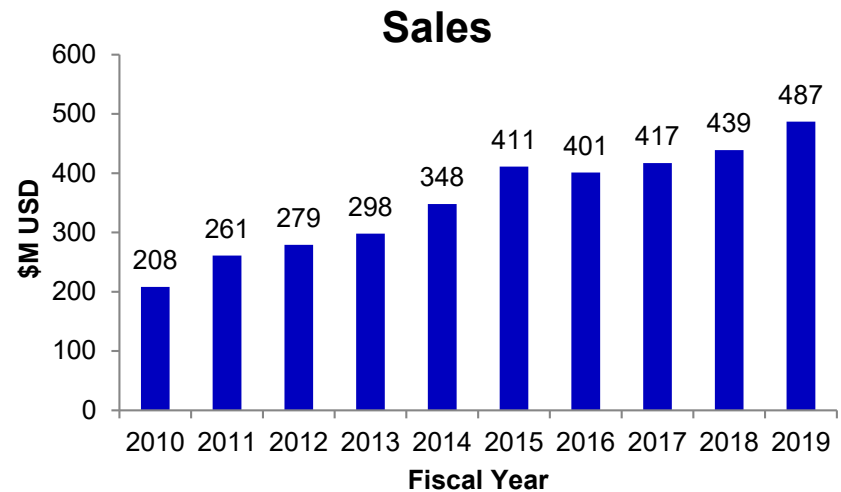
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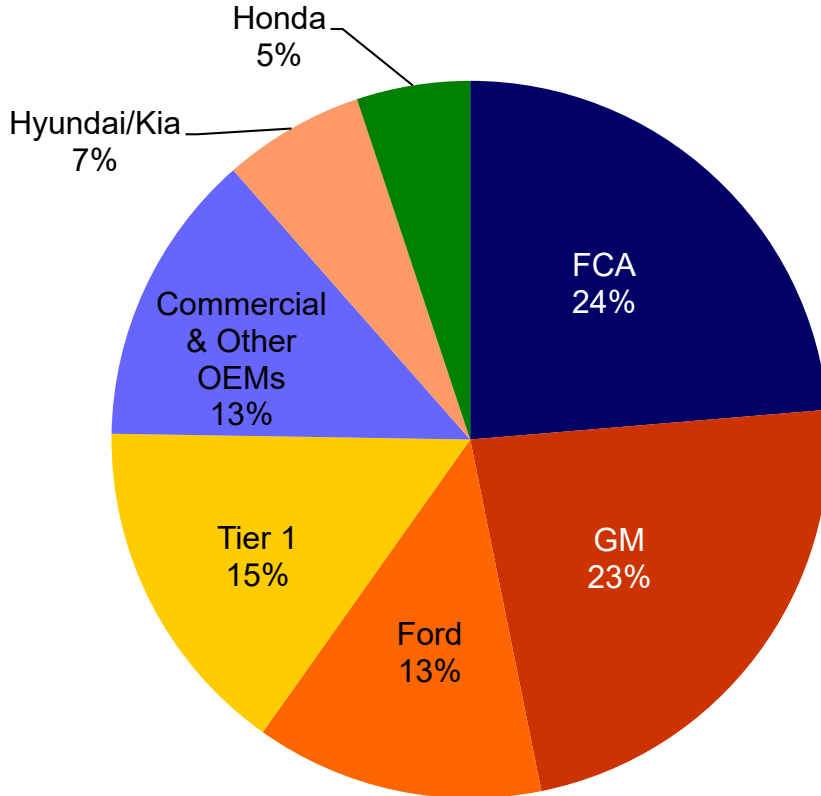


Background Information

- **Headquarters: Milwaukee, Wisconsin**
- **Established: 1908**
- **Employees: ~4,000**
- **Core Products:**
 - Locksets (Keys, Fobs, Locks)
 - Ignition / Start Systems
 - Steering Column Locking Systems
 - Power Liftgate and Sliding Door Mechanisms
 - Latches
 - Door Handles
- **STRATTEC Automotive Quality Certifications:**
 - TS16949:2002
 - ISO 14001:2004
 - ISO/TS 16949:2002
- **Formerly part of Briggs & Stratton Corporation**
- **Spun-off in February of 1995**
- **Independent, publicly traded (NASDAQ) STRT**

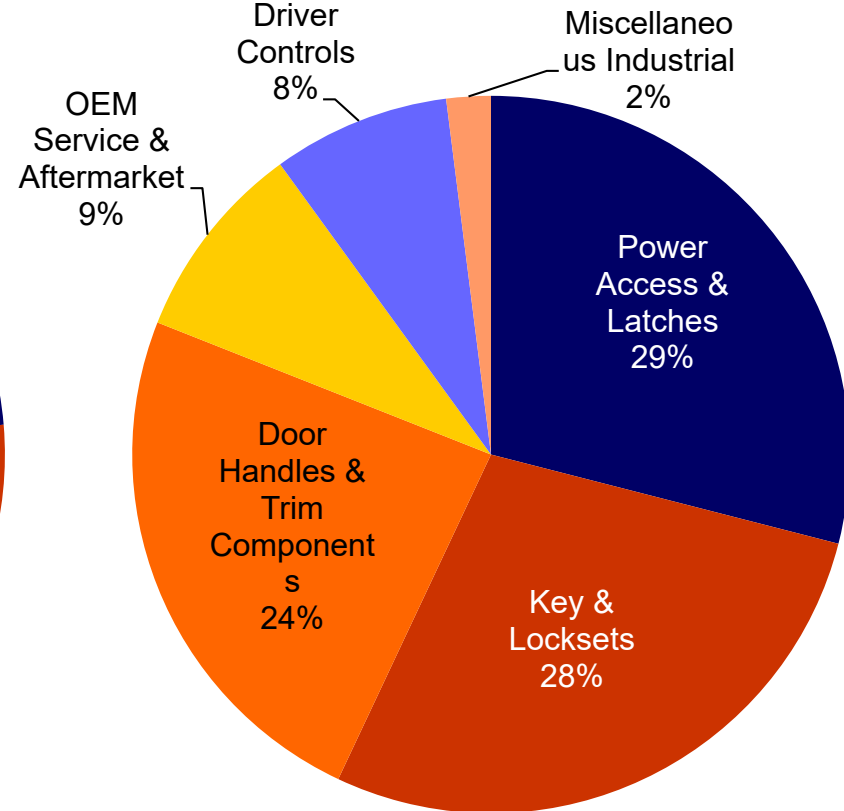


Customers



Fiscal Year 2019
Net Sales = \$487 million

Products



Fiscal Year 2019
Net Sales = \$487 million

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

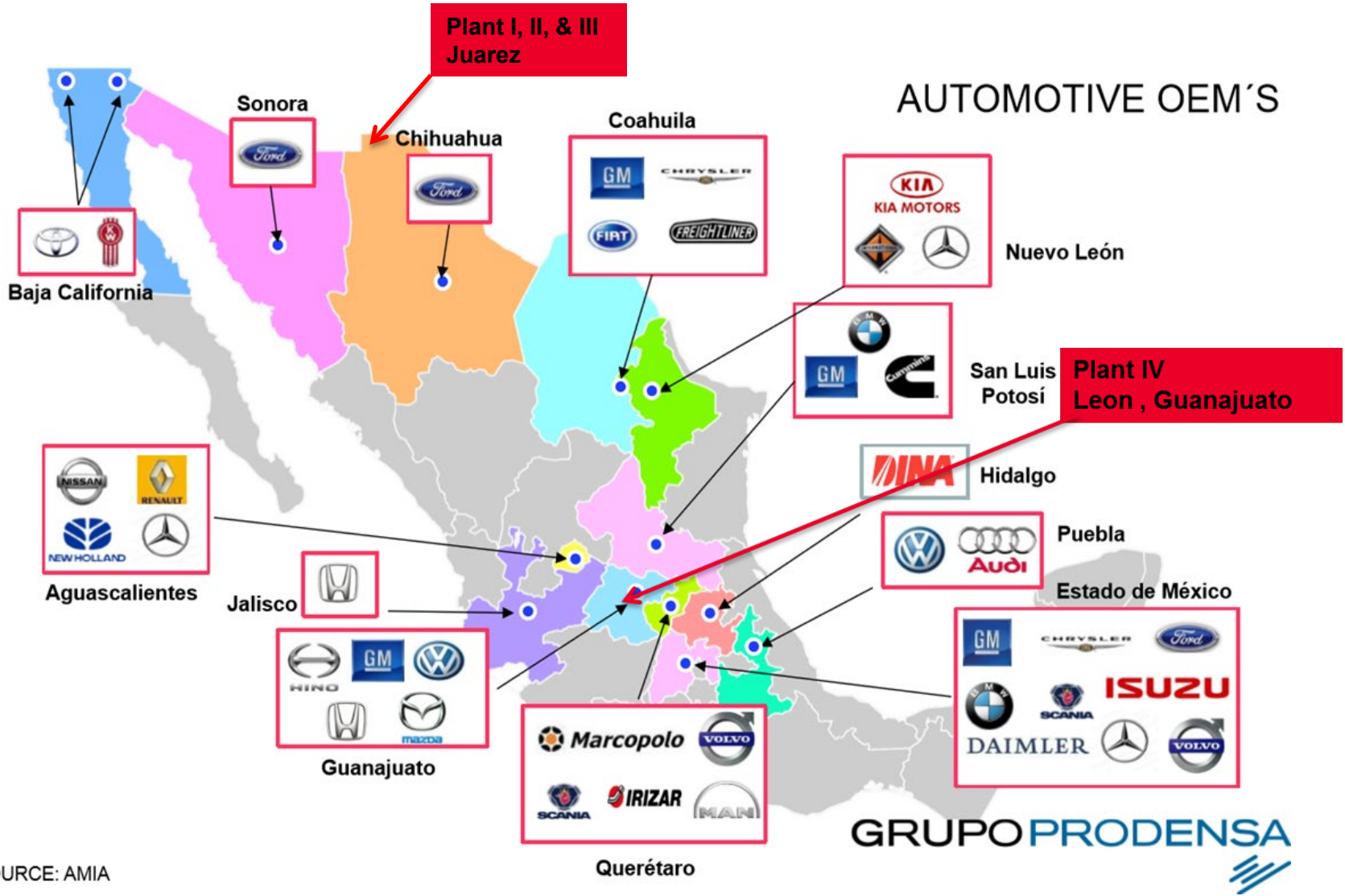
- Injection Molding
- Door Handle Mfg and Painting

STRATTEC Mexico Operations - Juarez, Mexico

- Engineering
- Assembly
- Testing



Mexico's Manufacturing Footprint



SOURCE: AMIA

Financial Information

Statements of Income

1st Qtr September 2019 & 2018 (in thousands of USD)



	Actual YTD Sept 2019	% of Net Sales	Actual YTD Sept 2018	% of Net Sales
Net Sales	\$ 119,962		\$ 117,159	
Cost of Goods Sold	102,710	85.6%	101,976	87.0%
Non Cash Compensation Expense	1,366	1.1%	-	0.0%
Gross Profit	15,886	13.2%	15,183	13.0%
Engineering Expense	6,709	5.6%	5,741	4.9%
Selling Expense	2,246	1.9%	2,048	1.7%
Administrative Expense	3,137	2.6%	3,242	2.8%
Non Cash Compensation Expense	862	0.7%	-	0.0%
Total Expense	12,954	10.8%	11,031	9.4%
Operating Income	2,932	2.4%	4,152	3.5%
Interest Income	-	0.0%	-	0.0%
Interest Expense	(340)	(0.3%)	(407)	(0.3%)
Gain (Loss) on Investment in VAST	487	0.4%	915	0.8%
Gain (Loss) on Investment in SAL	(3)	(0.0%)	(6)	(0.0%)
Miscellaneous Income (Expense)	(97)	(0.1%)	(245)	(0.2%)
Income Before Income Tax	2,979	2.5%	4,409	3.8%
Income Tax Provision (Benefit)	299	0.2%	(20)	(0.0%)
Net Income	2,680	2.2%	4,429	3.8%
Less: Net Income Attributable to Non-Controlling Interest	(1,436)	-1.2%	(962)	-0.8%
Net Income Attributable to STRATTEC (GAAP)	\$ 1,244	1.0%	\$ 3,467	3.0%
Adjusted Net Income Excluding Non Cash Compensation Expense and Tax Reform (Non GAAP)	\$ 2,948	2.5%	\$ 3,095	2.6%
Adjusted Diluted Earnings per Share (Non GAAP)	\$ 0.79		\$ 0.83	



Balance Sheet (September 2019, in thousands of USD)



	<u>September 29, 2019</u>	<u>June 30, 2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 11,241	\$ 7,809
Receivables, net	78,932	84,230
Inventories, net	51,500	47,262
Other current assets	<u>14,024</u>	<u>17,331</u>
Total Current Assets	155,697	156,632
Investment in Joint Ventures	23,216	23,528
Other Long Term Assets	18,908	14,456
Property, Plant and Equipment, Net	<u>115,978</u>	<u>118,120</u>
	<u>\$ 313,799</u>	<u>\$ 312,736</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 43,996	\$ 41,889
Other	<u>38,187</u>	<u>37,374</u>
Total Current Liabilities	82,183	79,263
Accrued Pension and Post Retirement Obligations	2,429	2,425
Borrowings Under Credit Facility	36,000	42,000
Other Long-term Liabilities	4,916	1,232
Shareholders' Equity	319,041	317,681
Accumulated Other Comprehensive Loss	(19,691)	(18,568)
Less: Treasury Stock	<u>(135,711)</u>	<u>(135,725)</u>
Total STRATTEC SECURITY		
CORPORATION Shareholders' Equity	163,639	163,388
Non-Controlling Interest	<u>24,632</u>	<u>24,428</u>
Total Shareholders' Equity	<u>188,271</u>	<u>187,816</u>
	<u>\$ 313,799</u>	<u>\$ 312,736</u>



Cash Flow Statement

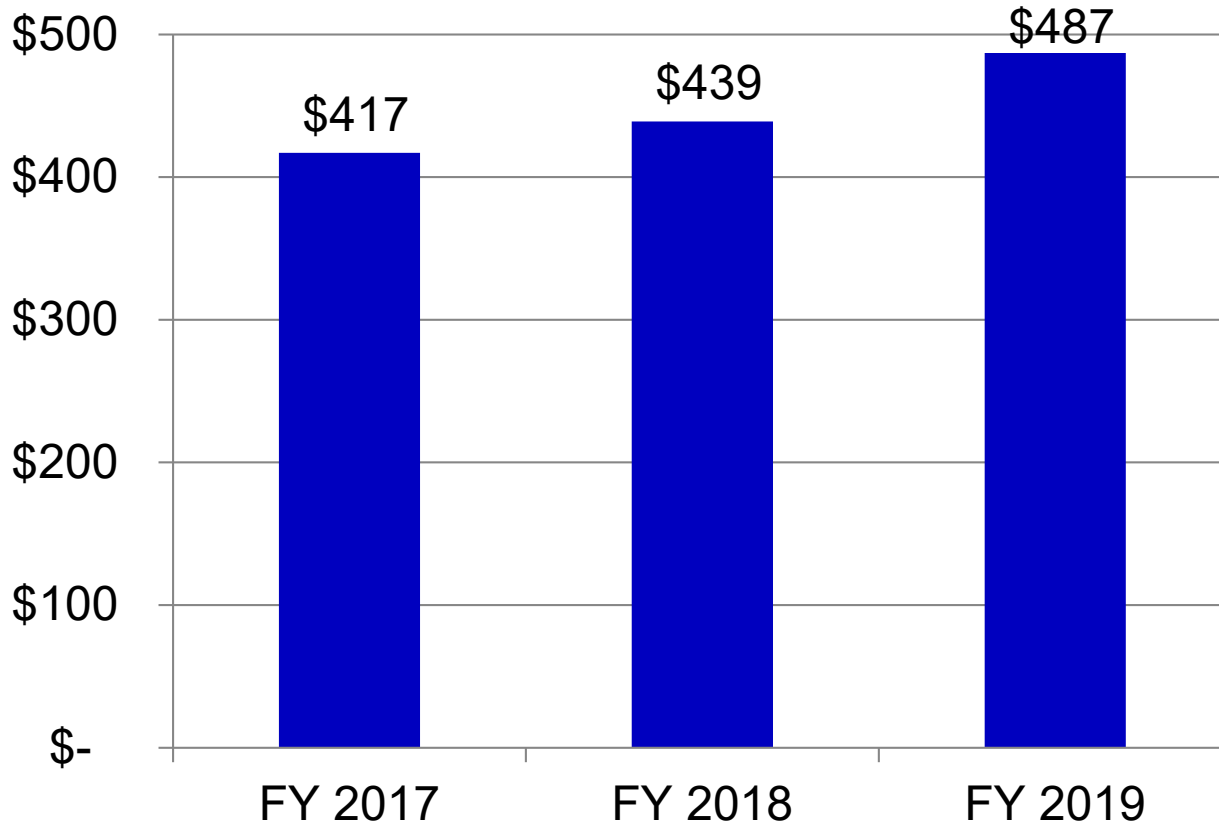
YTD September 2019 & 2018 (in thousands of USD)



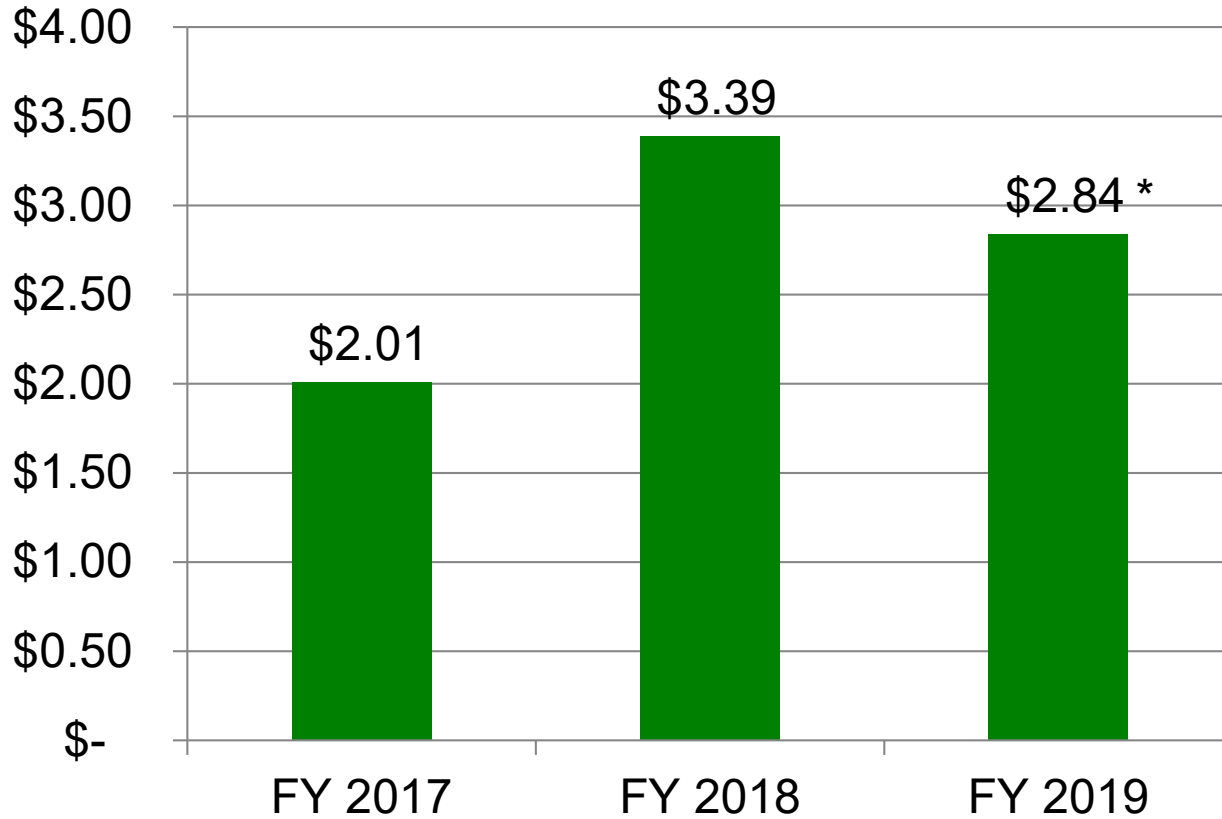
	<i>First Quarter Ended</i>	
	<u>September 29, 2019</u>	<u>September 30, 2018</u>
Cash Flows from Operating Activities:		
Net Income	\$ 2,680	\$ 4,429
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	4,733	4,047
Equity Earnings in Joint Ventures	(484)	(909)
Foreign Currency Transaction Loss	85	428
Unrealized Gain on Peso Forward Contracts	-	(225)
Stock Based Compensation Expense	413	385
Non-cash Compensation Expense	2,228	-
Deferred Income Taxes	(524)	(372)
Change in Operating Assets/Liabilities	5,638	14
Other, net	<u>239</u>	<u>-</u>
Net Cash Provided by Operating Activities	15,008	7,797
Cash Flows from Investing Activities:		
Additions to Property, Plant and Equipment	(4,298)	(3,969)
Proceeds Received on Sale of Property, Plant and Equipment	<u>15</u>	<u>-</u>
Net Cash Used in Investing Activities	(4,283)	(3,969)
Cash Flow from Financing Activities:		
Borrowings on Credit Facility	-	2,000
Repayment of Borrowings under Credit Facility	(6,000)	(2,000)
Dividends Paid to Non-Controlling Interest of Subsidiaries	(980)	(784)
Dividends Paid	(522)	(514)
Exercise of Stock Options and Employee Stock Purchases	<u>239</u>	<u>23</u>
Net Cash Used In Financing Activities	(7,263)	(1,275)
Foreign Currency Impact on Cash	<u>(30)</u>	<u>(298)</u>
Net Increase in Cash & Cash Equivalents	3,432	2,255
Cash and Cash Equivalents:		
Beginning of Period	<u>7,809</u>	<u>8,090</u>
End of Period	<u>\$11,241</u>	<u>\$10,345</u>



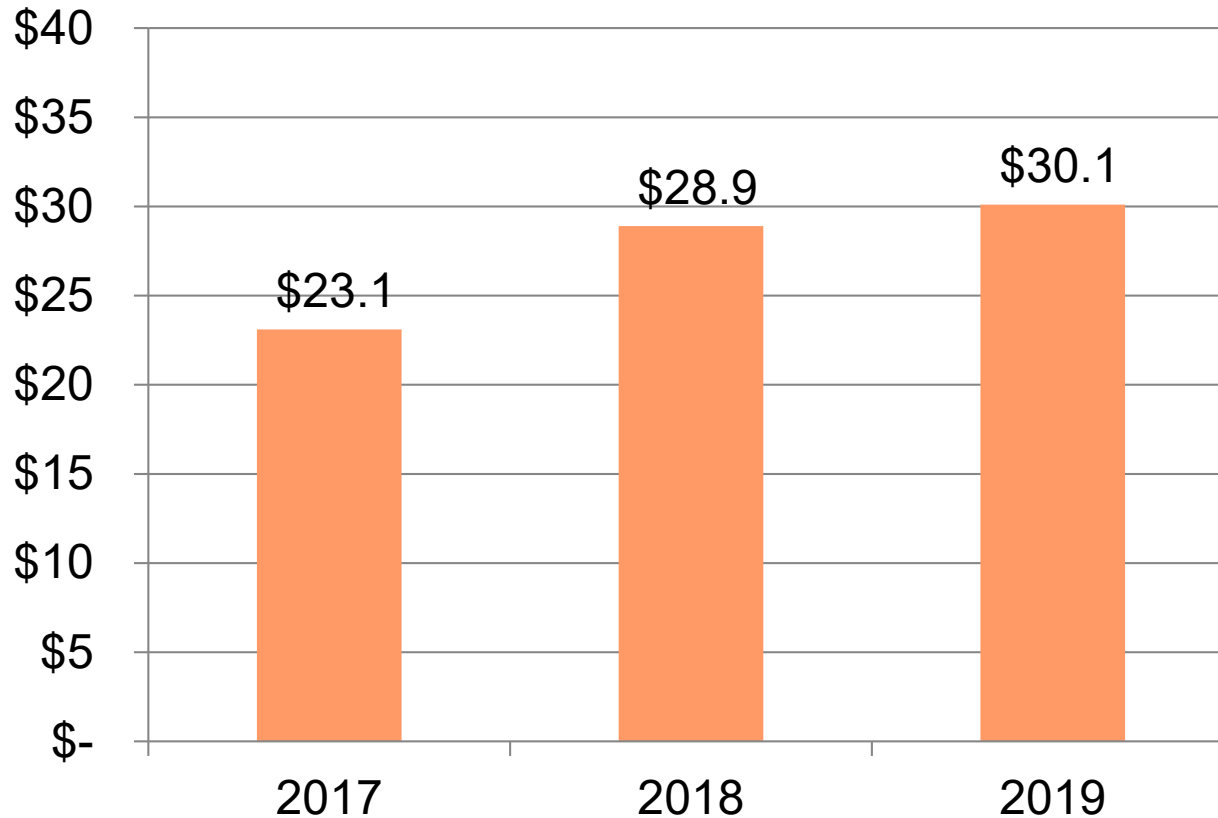
3 Year Net Sales Growth (in millions \$)



3 Year Adjusted EPS

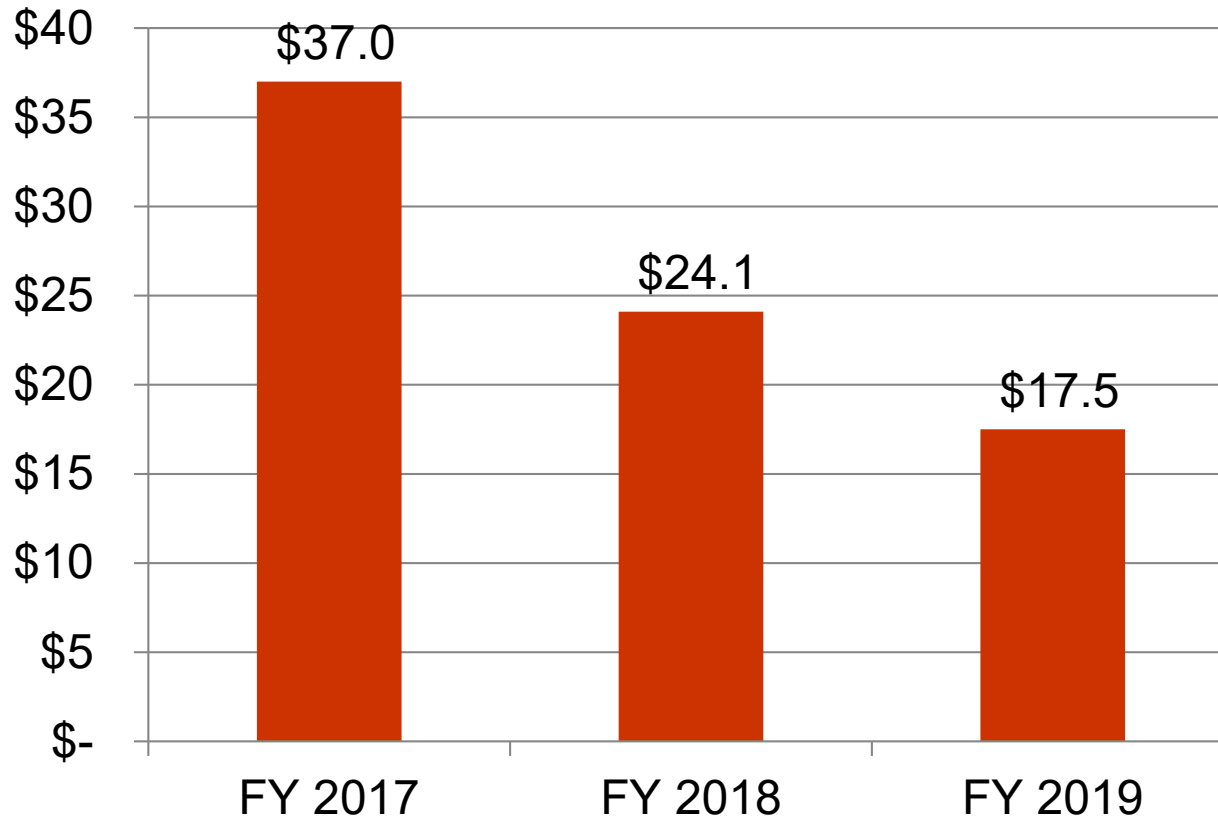


*Adjusted for Non-Cash Pension Settlement and compensation charges of \$36.0 million pre-tax.



NOTE: The fiscal 2019 EBITDA was adjusted to add back the pre-tax/non-cash pension settlement charge of \$31.8 million and non-cash compensation expense of \$4.2 million.

3 Year Capital Spending (in millions \$)



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

- During the 1st and 2nd quarters of fiscal 2020, STRATTEC had lost sales of \$10 million due to the strike at General Motors. During the 1st quarter we had \$4 million of lost sales with Chrysler due to Windsor Assembly Temporary Plant Shutdown.
- Capital spending will be in the \$15 million range during fiscal year 2020 compared to \$17.5 million in fiscal year 2019.
- STRATTEC Defined Benefit Pension Plan was terminated in fiscal year 2019 and \$4.4 million of non-cash compensation charges will flow through fiscal year 2020 and reduce diluted earnings per share by approximately \$0.92.
- We have \$65 million of credit facilities available with BMO Harris Bank with current borrowings outstanding of \$36.0 million as of September 29, 2019. Our capital allocation strategy is to continue to pay down on our credit facility over the next two years.

Product Information

Locksets & Keyfobs

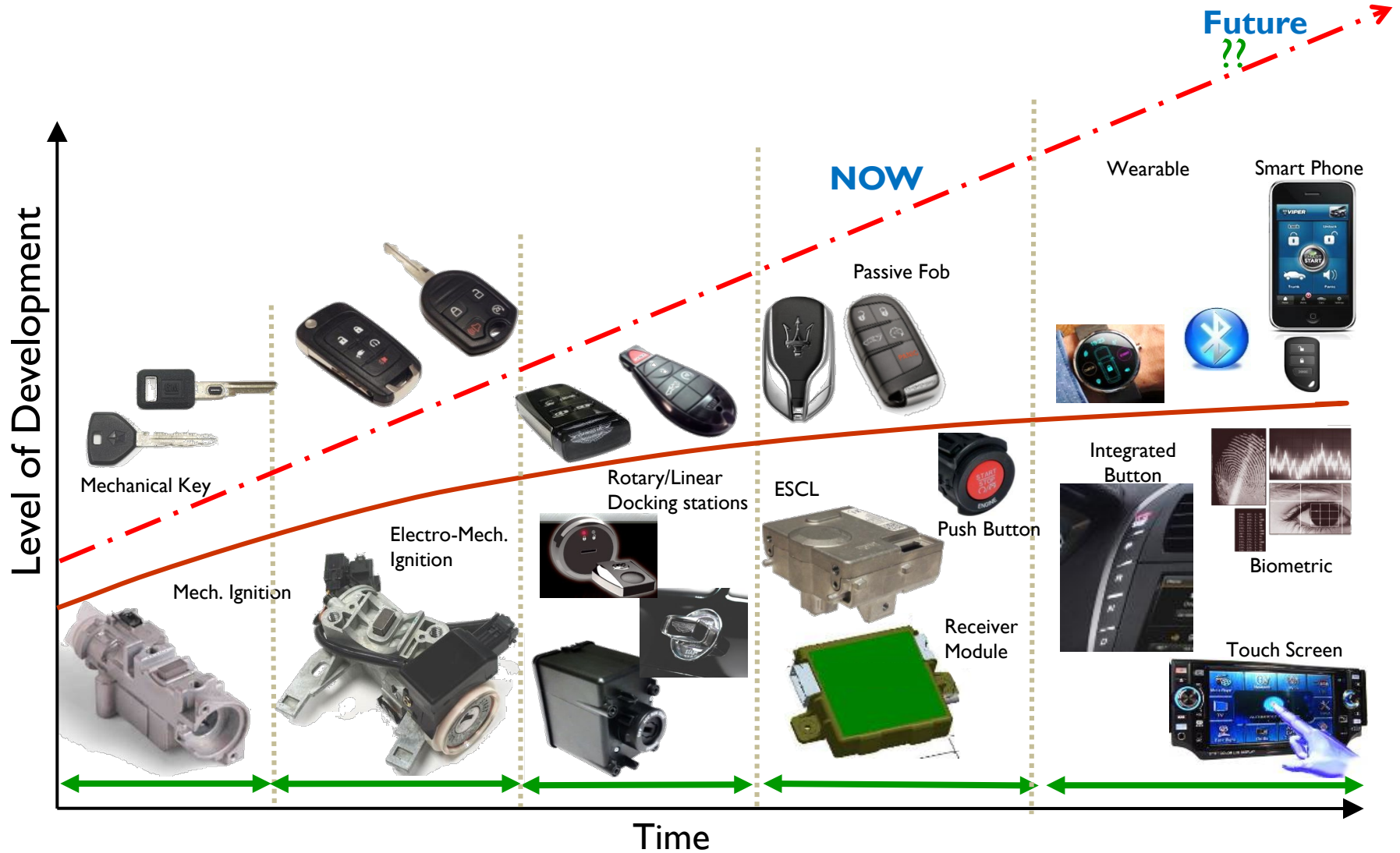


- RKE and Passive Fobs
- Immobilizer Keys
- Ignition Locks
- Door Locks
- Decklid Locks

Start Systems, Column Locks (mechanical and electrical)



- Column mounted
- Dash mounted
- Integrated electronics
 - Sensors
 - Solenoids
 - Ignition Switches
 - RFID Transceivers
 - Illuminated Bezels



Latch Products



- Liftgate Latches
- Decklid Latches
- 2nd row Seat Back Latches
- Tailgate Latches
- Tonneau Cover and Accessory Latches

Power Access Systems



- Power Swing Door
- Power Sliding Door Mechanisms
- Power Liftgate Mechanisms
- Power Decklid Mechanisms
- Power Tailgate Systems
- Power Running Board
- Electronic Control Modules

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.



THE INVIS-A-RISE™ POWER TAILGATE SYSTEM DEVELOPED BY STRATTEC POWER ACCESS IS A 'FIRST TO MARKET' POWER CLOSURE SYSTEM THAT POWER OPENS AND POWER CLOSES THE HEAVY TRUCK TAILGATE. THIS INNOVATION PROVIDES QUICK AND EASY ACCESS TO THE TRUCK BED AND PROVIDES ADDED CONVENIENCE FOR THE CONSUMER IN A GROWING TRUCK MARKET.

FIRST TO MARKET

POWER OPEN AND CLOSE

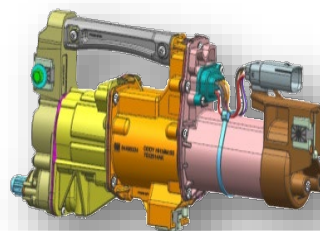
DESIGNED FOR RUGGED USE

LOW MANUAL EFFORTS

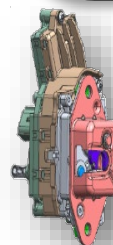
HIDDEN INSIDE TAILGATE

SMOOTH & QUIET OPERATION

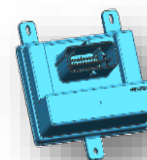
TAILGATE REMAINS REMOVABLE



Drive Unit



Power Latches



Electronic Control Module



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

(STRT Nasdaq)

EMPLOYEES: 4,000

LOCATIONS:

United States & Mexico



Founded 1975

HEADQUARTERS:

Grand Rapids, Michigan, U.S.

Privately-held Company

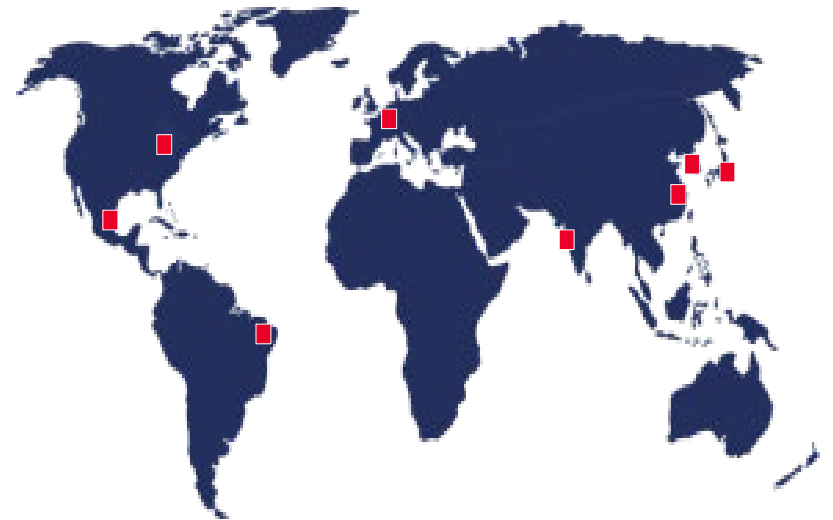
EMPLOYEES: 1,300

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





- 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)



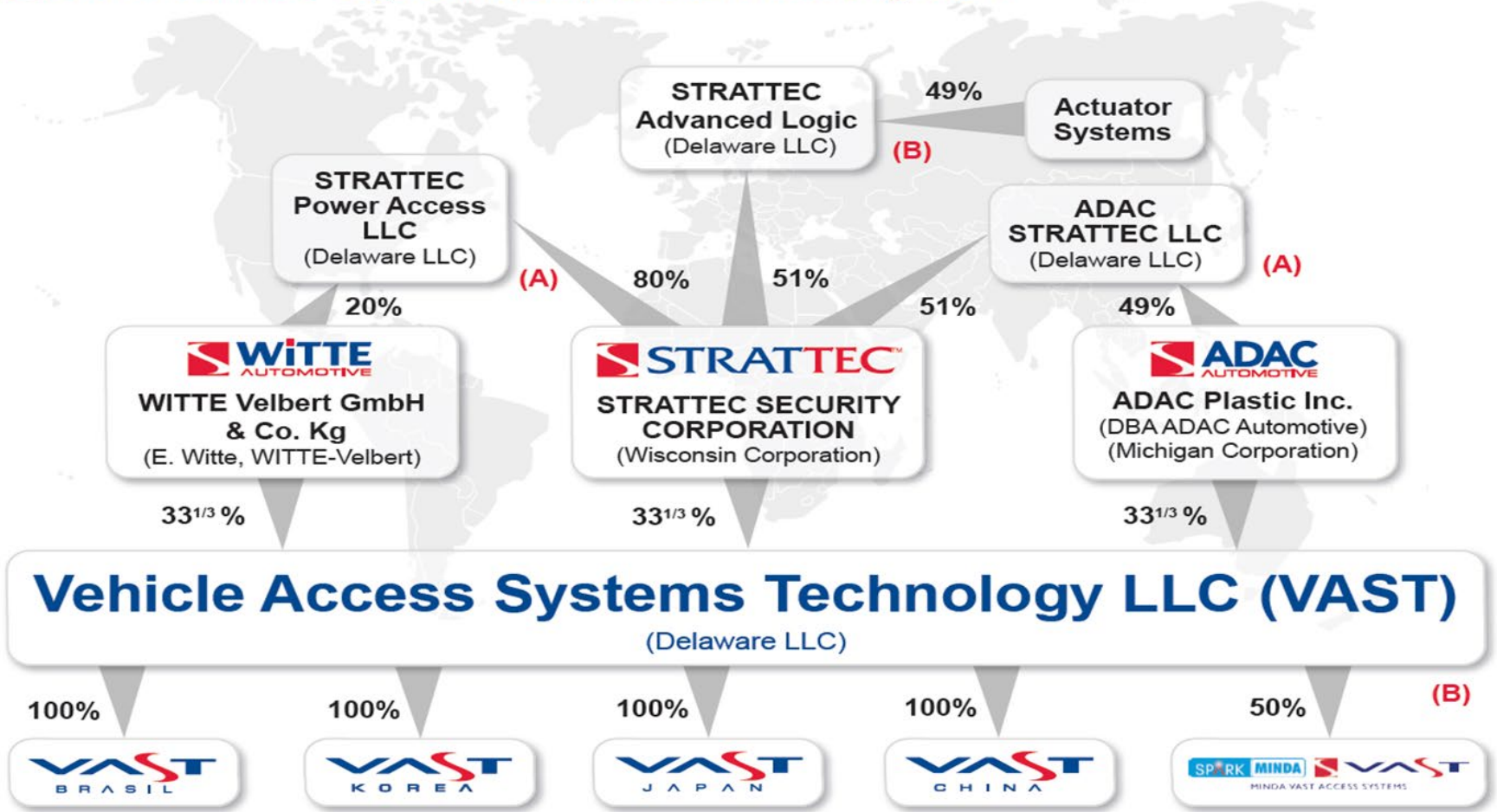
- 80% Ownership by STRATTEC (2008)



- 16.6% Ownership by STRATTEC (2015)

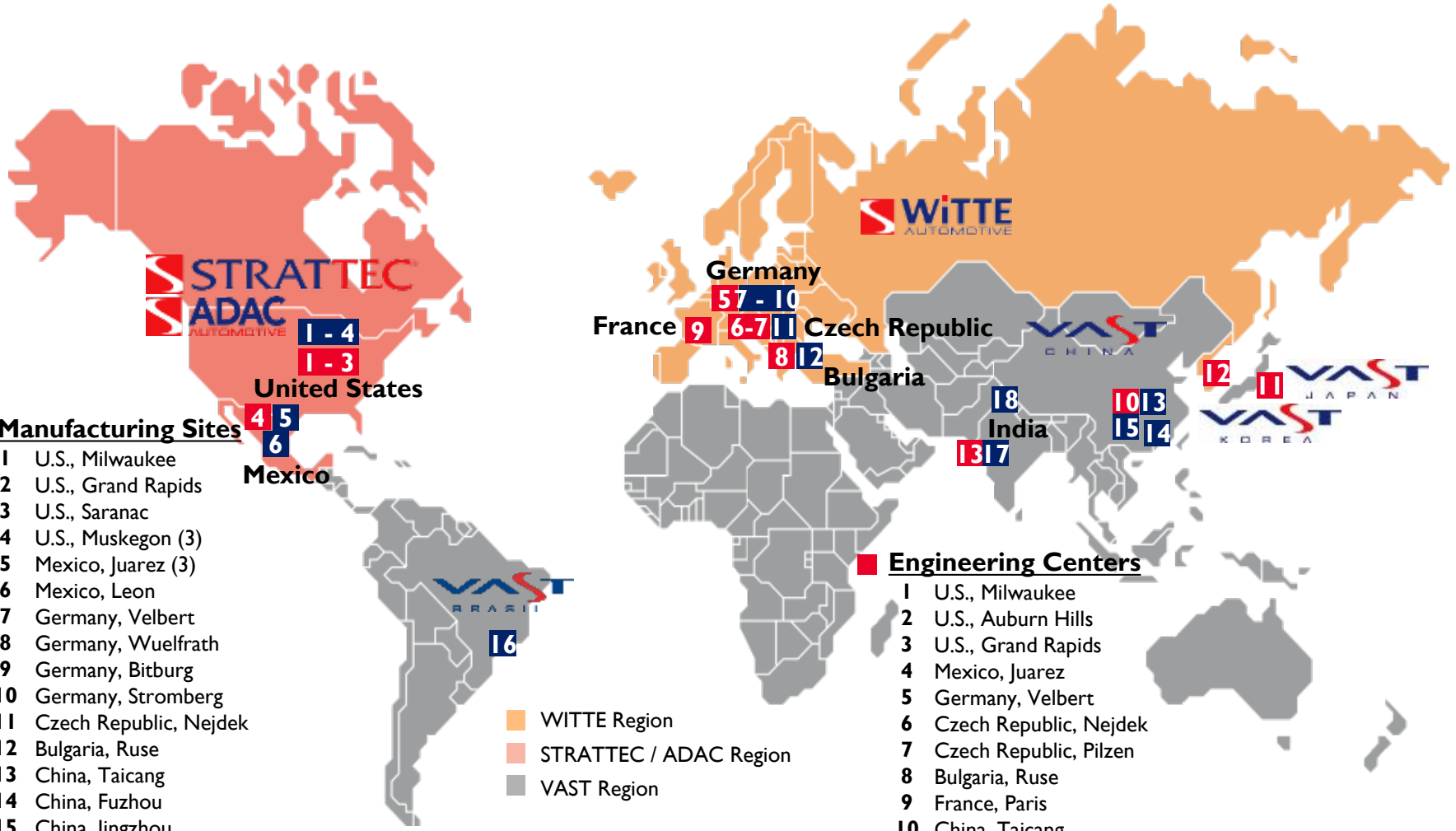


STRATTEC Legal Ownership Structure including VAST:



- (A) STRATTEC Entities consolidated with a non-controlling interest.
- (B) Entities recorded by STRATTEC on the equity method of accounting via "Equity Earnings (Loss)"

- \$1.7 billion + sales
- 18 Manufacturing sites
- 13 Engineering Centers
- Employment over 10,000
- Fiscal year 2019 STRATTEC's 1/3 share of VAST LLC
Net Income = \$2,655,000



Manufacturing Sites

- 1 U.S., Milwaukee
- 2 U.S., Grand Rapids
- 3 U.S., Saranac
- 4 U.S., Muskegon (3)
- 5 Mexico, Juarez (3)
- 6 Mexico, Leon
- 7 Germany, Velbert
- 8 Germany, Wuelfrath
- 9 Germany, Bitburg
- 10 Germany, Stromberg
- 11 Czech Republic, Nejdek
- 12 Bulgaria, Ruse
- 13 China, Taicang
- 14 China, Fuzhou
- 15 China, Jingzhou
- 16 Brazil, Sao Paulo
- 17 India, Pune
- 18 India, Delhi

Engineering Centers

- 1 U.S., Milwaukee
- 2 U.S., Auburn Hills
- 3 U.S., Grand Rapids
- 4 Mexico, Juarez
- 5 Germany, Velbert
- 6 Czech Republic, Nejdek
- 7 Czech Republic, Pilzen
- 8 Bulgaria, Ruse
- 9 France, Paris
- 10 China, Taicang
- 11 Japan, Tokyo
- 12 South Korea, Anyang
- 13 India, Pune

■ WITTE Region
■ STRATTEC / ADAC Region
■ VAST Region



Passenger Vehicle Manufacturers



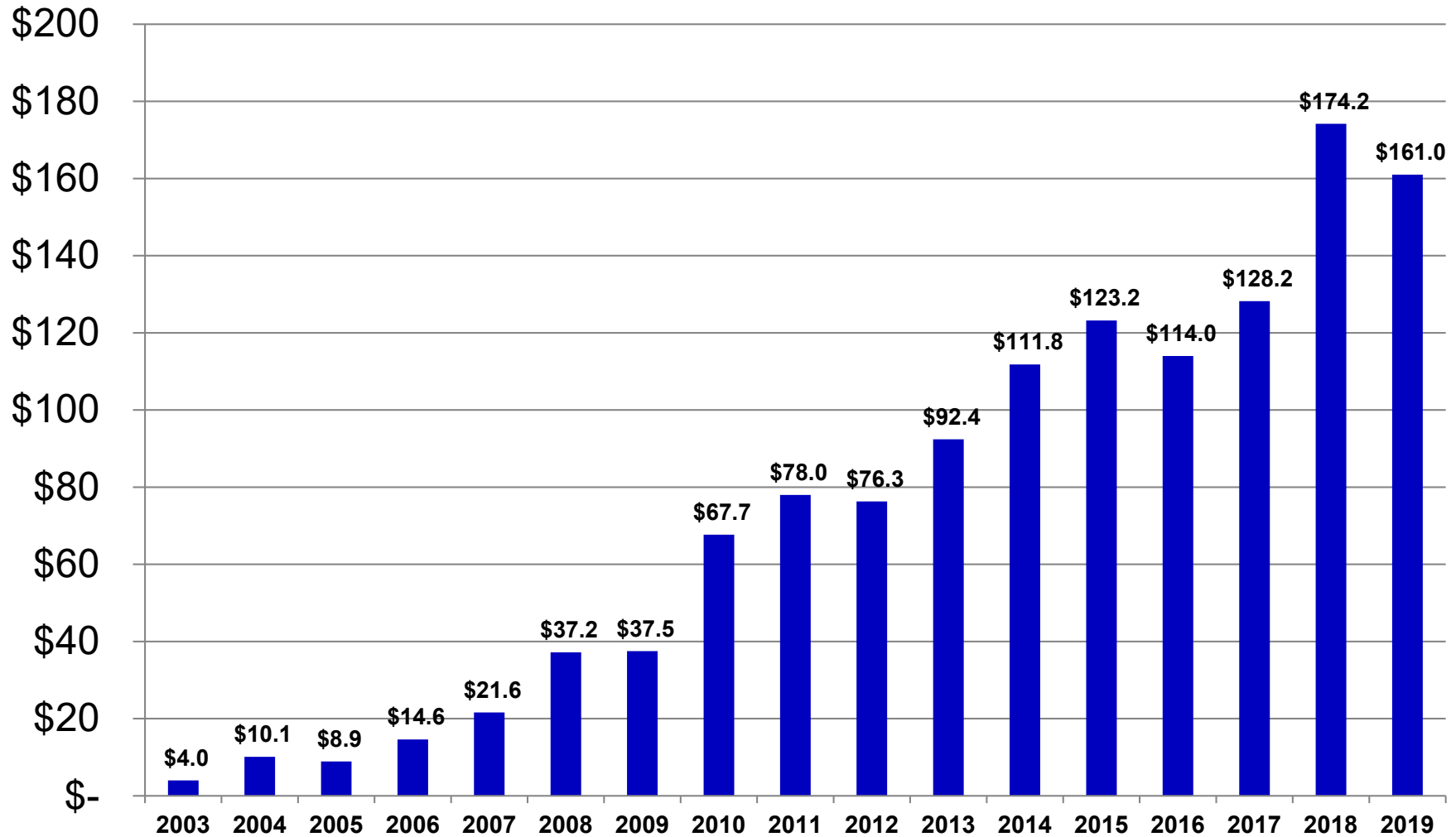
Commercial Vehicle Manufacturers



System Suppliers



In Millions
Of US Dollars



Product Strategy

- Latches (Existing)
- Locks and Keys (Existing)
- Door Handles (Existing)
- Keyless Engine Start Products (Existing)
- Power Access Products (New)
- Driver Control Electronic Steering Column Locks (ESCL)(New)

150,000 sq. ft. manufacturing facility in Taicang, China and currently building a similar facility in Jingzhou, China to open in 2020.



- International & Product Growth primarily in Power Access Products (Power End Gates with General Motors Chevrolet Silverado and FORD F-150 Pickup Trucks), Power Sliding Door (FORD Transit) and Door Handles (General Motors Trucks and SUV's)
- Strong Balance Sheet & Cash Flow with the 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

Questions?



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