



***Sidoti & Company***

**March 25, 2021**



VEHICLE ACCESS SYSTEMS TECHNOLOGY



WITTE • STRATTEC • ADAC

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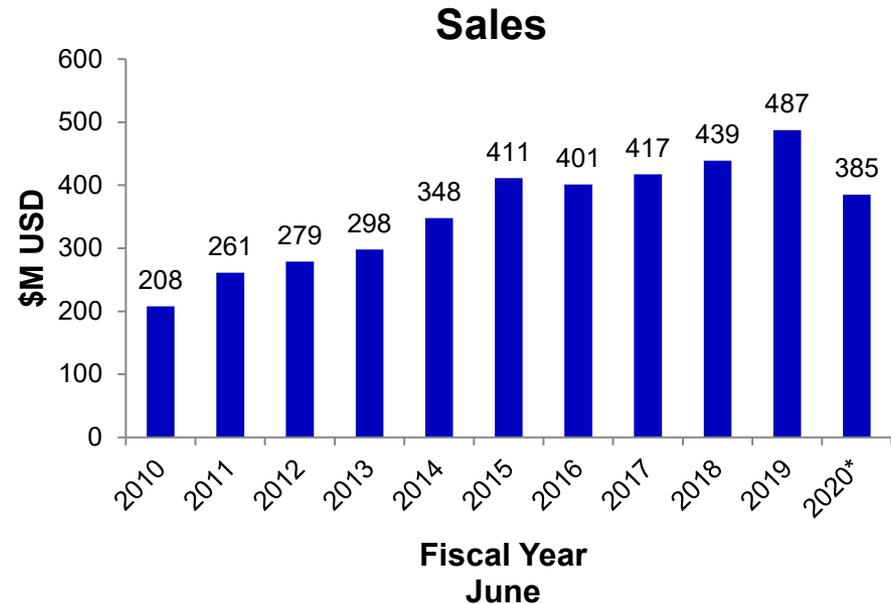
# Frank J. Krejci

(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**



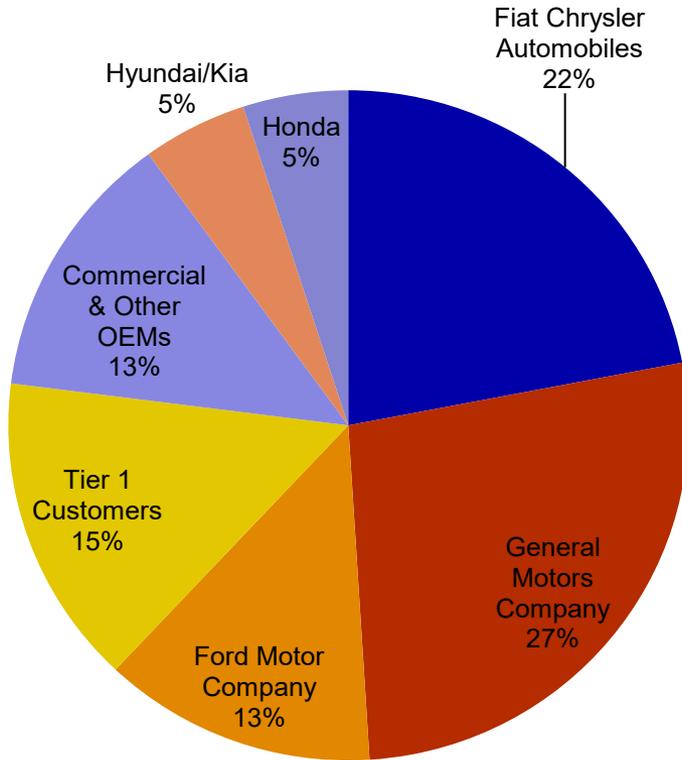
\*FY 2020 was impacted by General Motor UAW strike that reduced sales by \$10 million and COVID-19 by \$78 million.



- 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 + sales (STRATTEC, WITTE, ADAC, VAST China unconsolidated)
- 18 Manufacturing sites
- 13 Engineering Centers
- Employment over 11,000

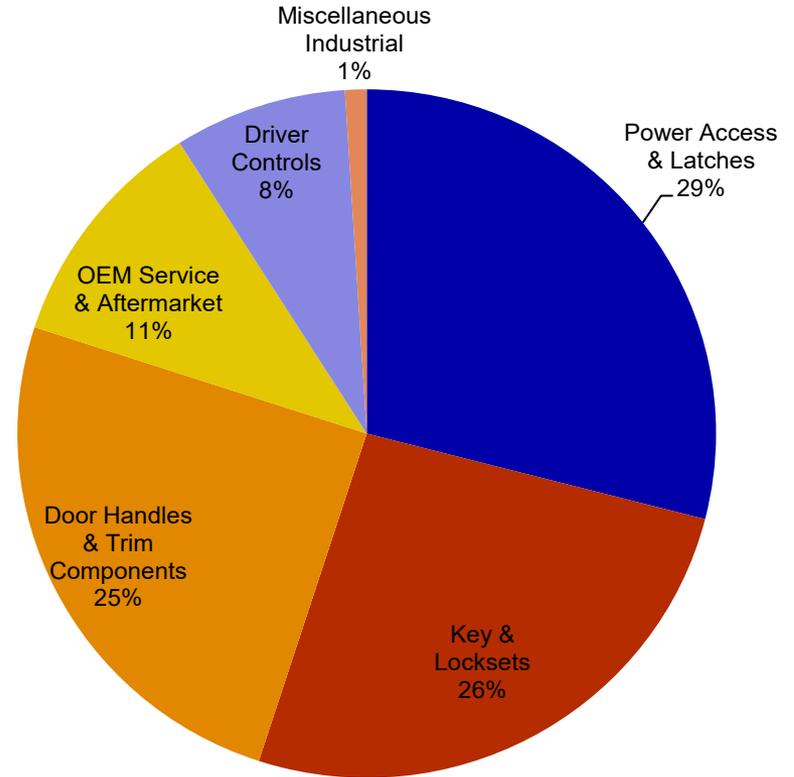
# Sales by Customers and Products

## Customers



**Fiscal Year 2020**  
**Net Sales = \$385 million**

## Products



**Fiscal Year 2020**  
**Net Sales = \$385 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

# Patrick J. Hansen

## Senior Vice President & CFO

# Financial Information

- Net Sales during the 2<sup>nd</sup> Quarter ended December 2020 were \$127.4 million. **Customer sales demand** will remain relatively **strong** during the upcoming third quarter as we continue to roll out the Ford F-150 power end gate, but will be **impacted** by supplier part shortages in electronic components and other raw materials.
- The **gross profit margin improvements** were primarily due to efficiency and cost reduction improvements implemented in our Milwaukee, WI and Mexican operations during the COVID-19 shutdown in the 4<sup>th</sup> quarter ending June 2020.
- **Capital spending** will be in the **\$12 million** range during fiscal year 2021 which is significantly lower than prior year spending. Going forward, capital spending will be maintenance and new customer programs.
- **STRATTEC Defined Benefit Pension Plan** (approximately \$100 million) was **terminated** in fiscal years 2019 and 2020. This Plan termination **removed** significant financial statement and future funding risk for STRATTEC going forward.
- We have **\$65 million** of **credit facilities** available with BMO Harris Bank with current borrowings **outstanding** of \$16.0 million as of March 25, 2021. We **paid down** \$19.0 million during fiscal year 2021.
- Our overall **capital allocation strategy** is use our excess operating cash flow to continue to pay down on our credit facility to significantly **reduce** or **eliminate debt**.
- The **quarterly dividend** was **suspended** during the 4<sup>th</sup> quarter of fiscal year 2020 to **preserve cash** along with permanent salaried headcount reduction, temporary layoffs and wage reductions.

# Statements of Income

## 2<sup>nd</sup> Quarter December 2020 & 2019 (in thousands of USD)

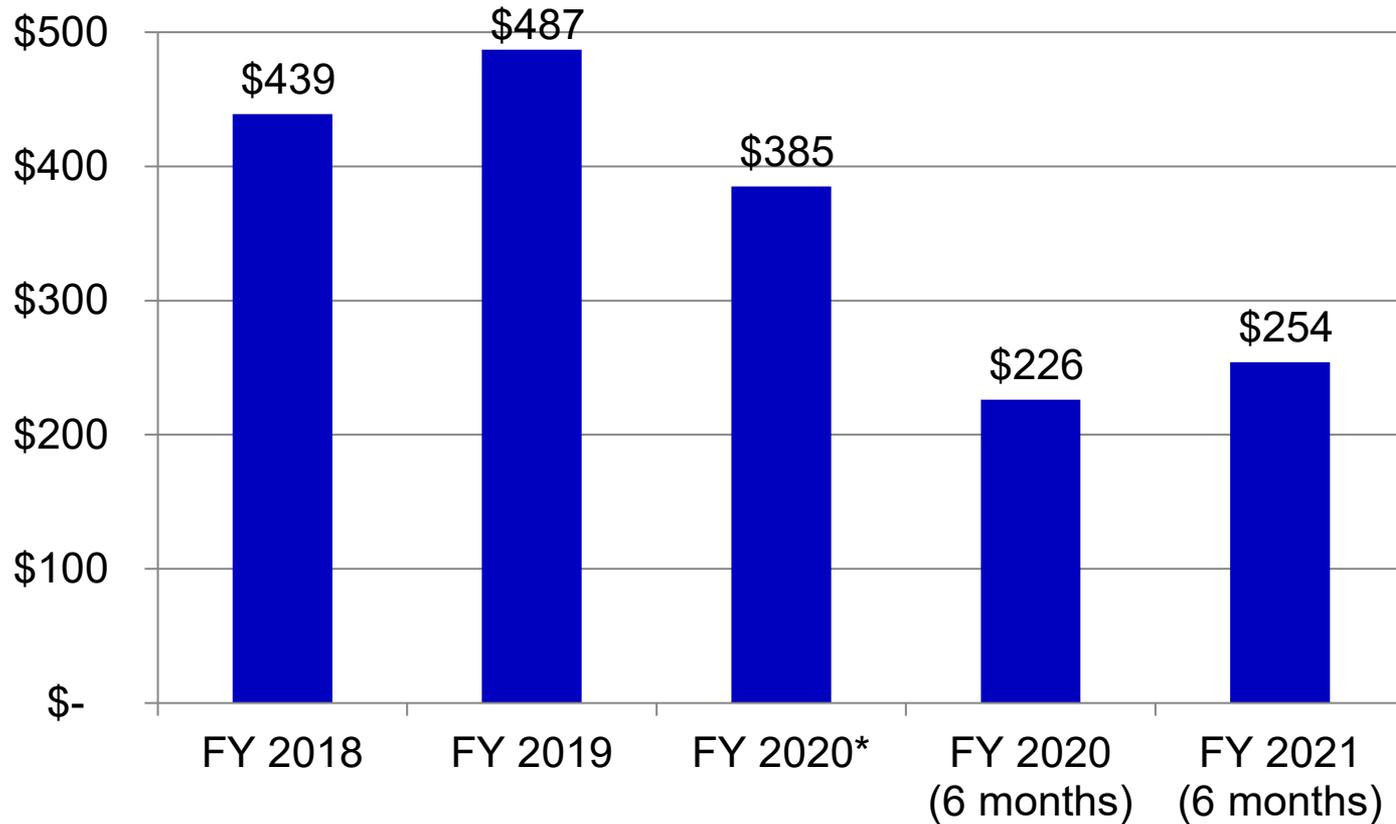


	Actual QTR Dec 2020	% of Net Sales	Actual QTR Dec 2019	% of Net Sales
Net Sales	\$ 127,360		\$ 106,283	
Cost of Goods Sold	105,119	82.5%	94,574	89.0%
Non Cash Compensation Expense	-	0.0%	1,376	1.3%
Gross Profit	22,241	17.5%	10,333	9.7%
Selling, Administrative, and Engineering Expense	10,302	8.1%	11,225	10.6%
*Non Cash Compensation Expense	-	0.0%	869	0.8%
Total Expense	10,302	8.1%	12,094	11.4%
Operating Income (Loss)	11,939	9.4%	(1,761)	(1.7%)
Interest Income	-	0.0%	-	0.0%
Interest Expense	(84)	(0.1%)	(248)	(0.2%)
Gain (Loss) on Investment in VAST	1,075	0.8%	496	0.5%
Miscellaneous Income (Expense)	(1,366)	(1.1%)	19	0.0%
Income Before Income Tax (Benefit)	11,564	9.1%	(1,494)	(1.4%)
Income Tax Provision (Benefit)	1,991	1.6%	(399)	(0.4%)
Net Income (Loss)	9,573	7.5%	(1,095)	(1.0%)
Less: Net Income Attributable to Non-Controlling Interest	(2,460)	-1.9%	(246)	-0.2%
Net Income (Loss) Attributable to STRATTEC	\$ 7,113	5.6%	\$ (1,341)	-1.3%
Weighted Average Shares	3,842		3,741	
Diluted Earnings Per Share	\$ 1.85		\$ (0.36)	
Adjusted Diluted Earnings Per Share	\$ 1.85		\$ 0.10	

**\*Non cash compensation charge relates to the termination of the pension plan which reduced diluted earnings per share \$0.46**

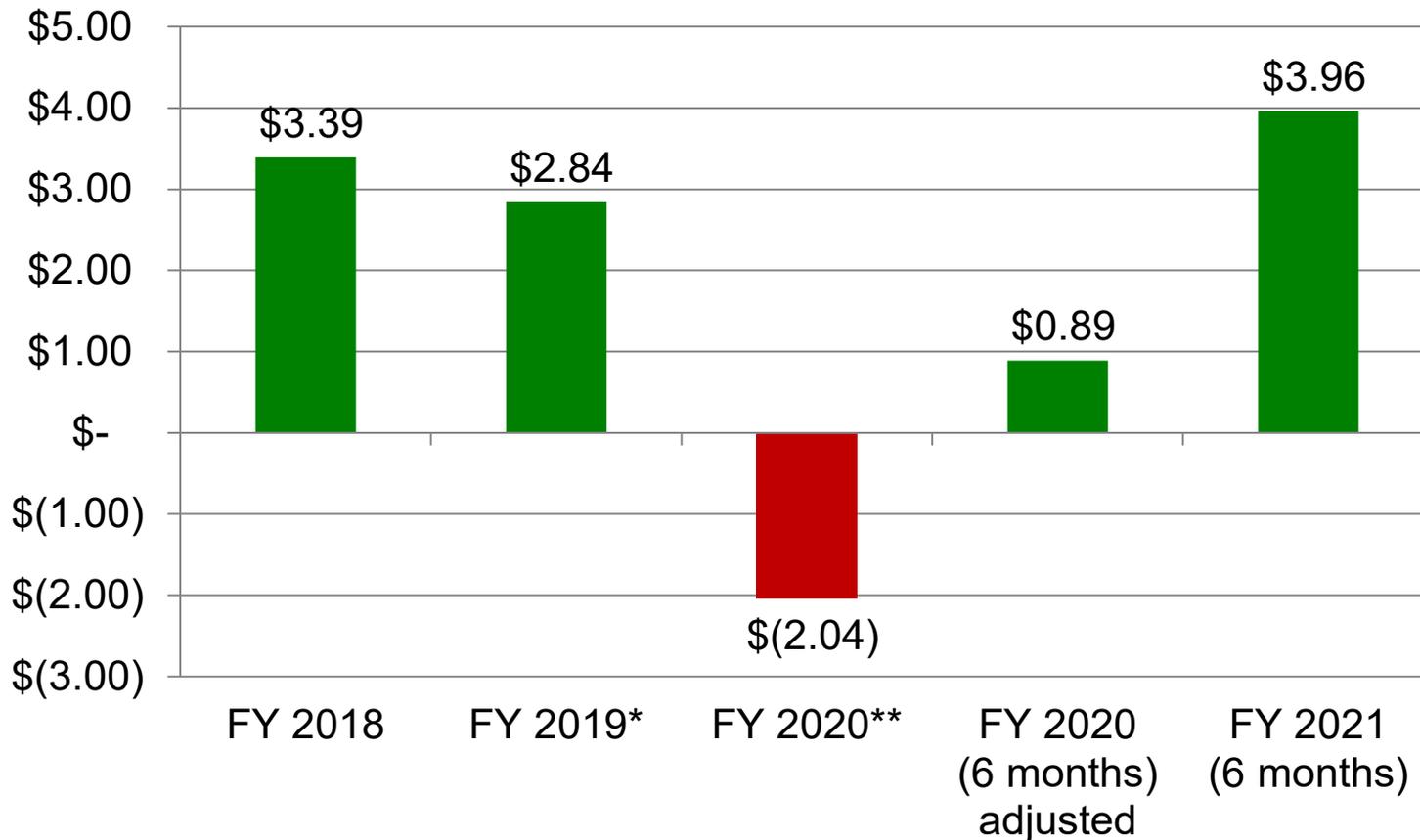


# 3 Year and Six Months Ended Fiscal 2021 Net Sales Growth (in millions \$)



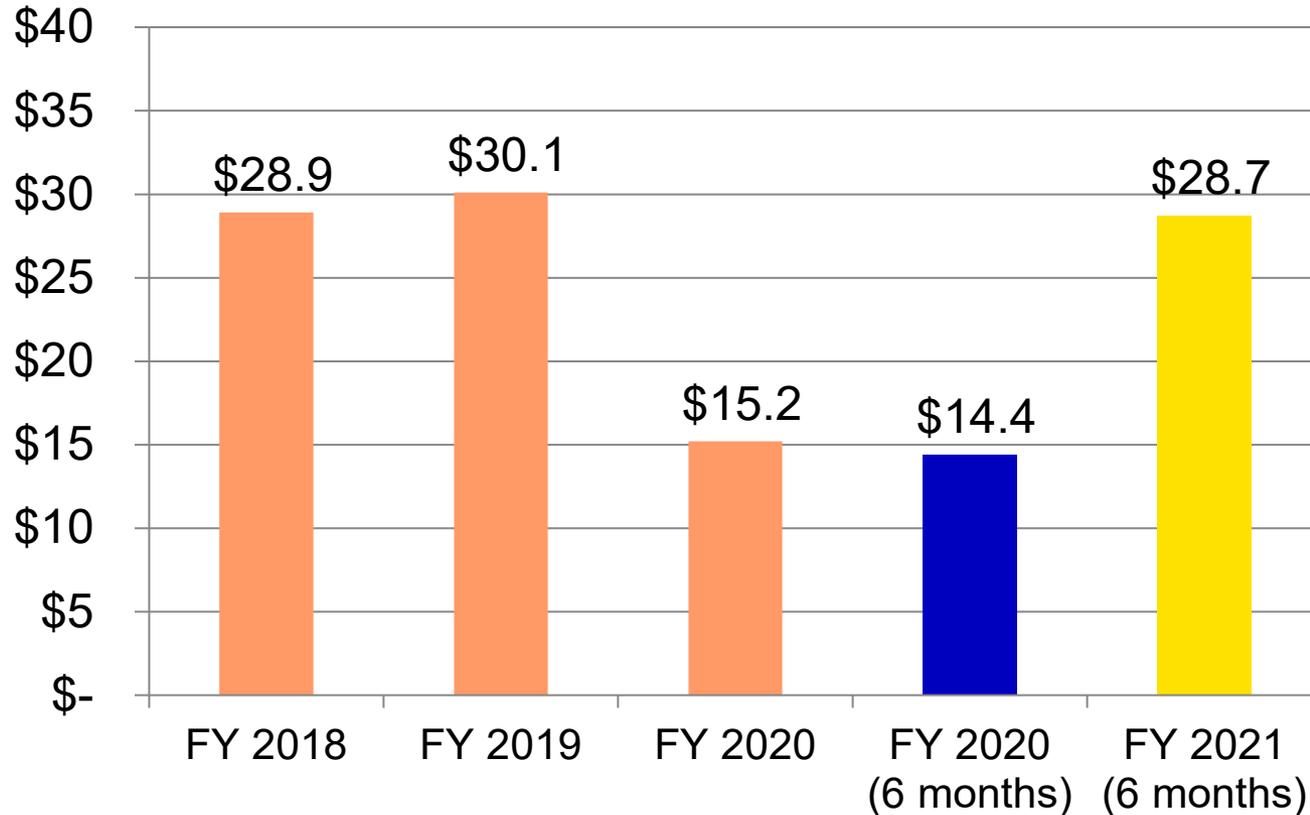
\*FY 2020 was impacted by General Motor UAW strike that reduced sales by \$10 million and COVID-19 by \$78 million.

# 3 Year Adjusted EPS and Six Months FY2021



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

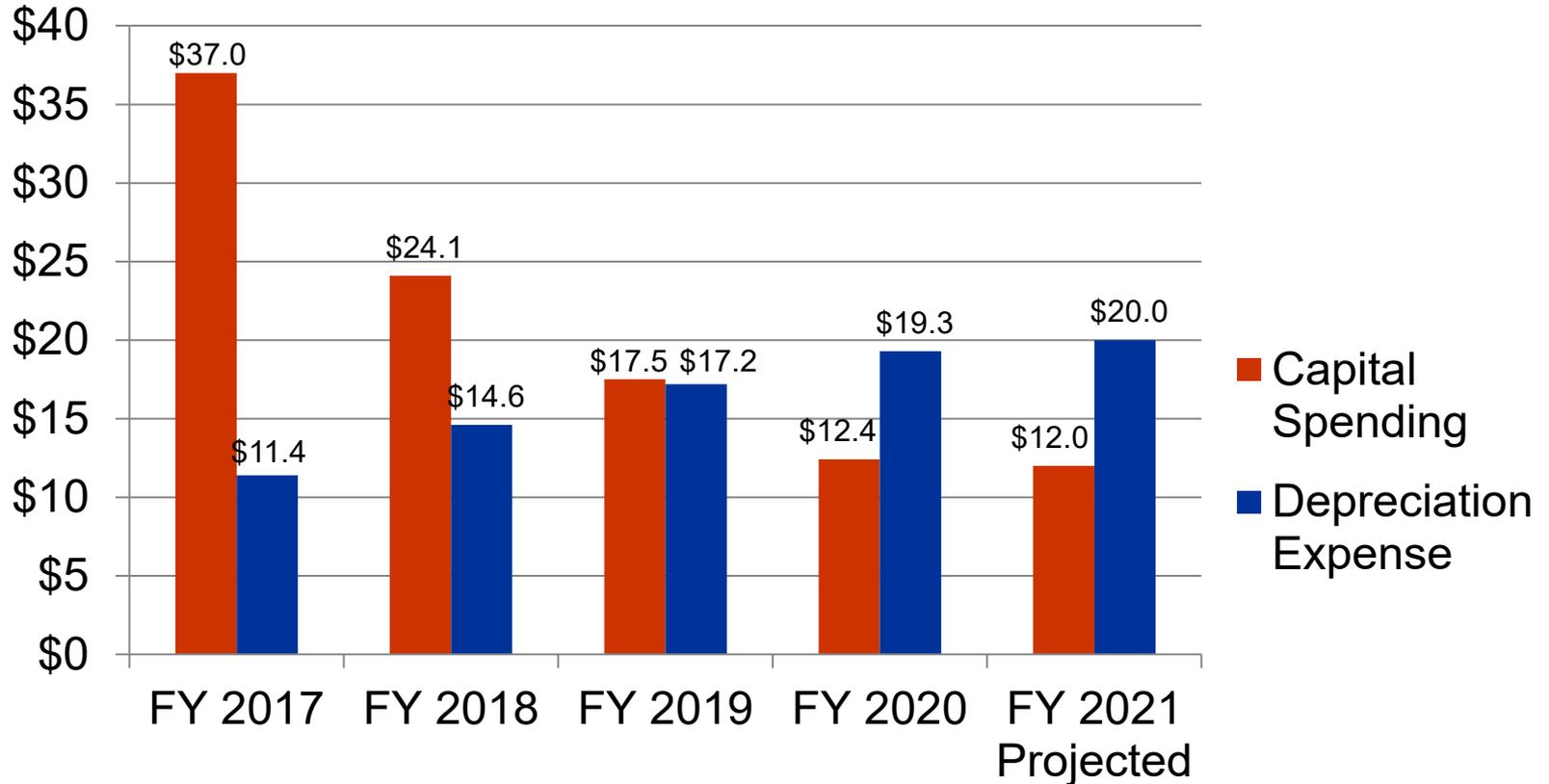
\*\* Net Loss due to COVID-19 and non-cash compensation charge \$4.8 million pre-tax.



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. Fiscal 2020 was adjusted for \$4.5 million of non-cash compensation expense and was lower due to COVID-19.

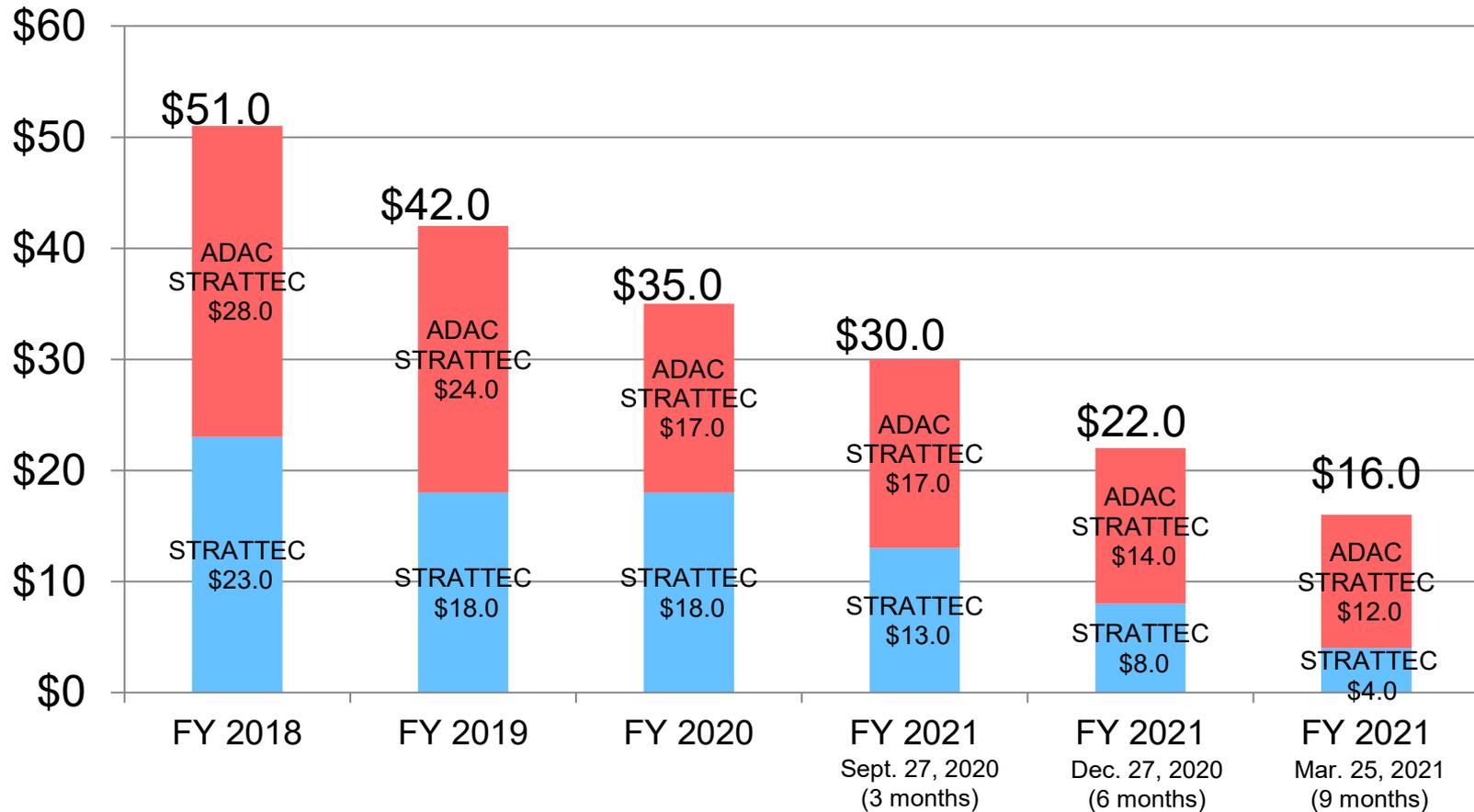
# 4 Fiscal Year End Capital Spending

## Depreciation Expense and Projected FY 2021 (in millions \$)



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

### 3 Fiscal Year End Debt Outstanding and as of December 27, 2020 (in millions \$)



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

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



	<u>December 27, 2020</u>	<u>June 28, 2020</u>	<u>June 30, 2019</u>	<u>July 1, 2018</u>
Total Debt	\$22.0	\$35.0	\$42.0	\$51.0
Less: Cash & Cash Equivalents	<u>(\$10.4)</u>	<u>(\$11.8)</u>	<u>(\$7.8)</u>	<u>(\$8.1)</u>
Total Net Debt	\$11.6	\$23.2	\$34.2	\$42.9
Shareholder's Equity	\$172.6	\$152.2	\$163.4	\$162.2
Total Net Debt as a % of Shareholder's Equity	6.7%	15.2%	20.9%	26.4%
Book Value per Share	\$45.2	\$40.7	\$44.5	\$43.8
NASDAQ Market Share Price	\$51.4	\$16.4	\$24.8	\$30.6



# 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 18-24 months.



# Vehicle Access **S**ystems **T**echnology

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

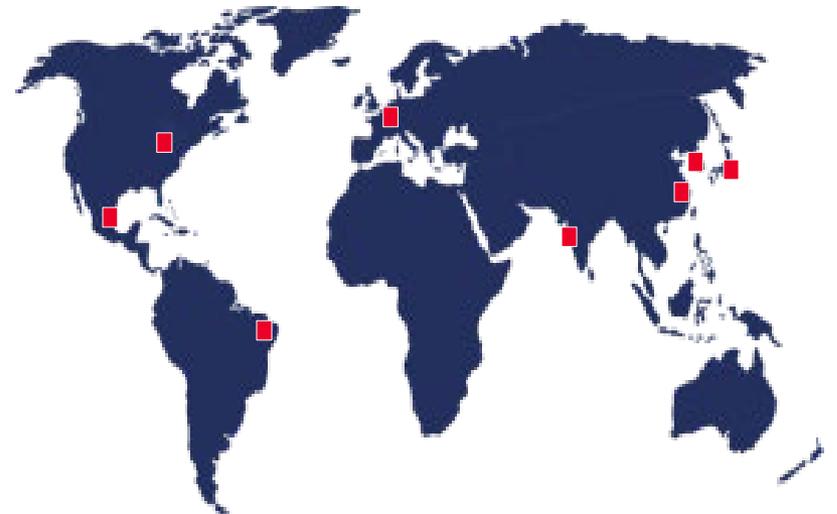
**EMPLOYEES:** 1,300

**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 2020 was \$152.0 million US dollars.
- Fiscal year 2021 six months ended STRATTEC's 1/3 share of VAST LLC Net Income = \$1,900,000 or \$0.50 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

# Questions?

# Appendix

# Income Statement YTD December 2020 & 2019 (in thousands of USD)



	Actual YTD Dec 2020	% of Net Sales	Actual YTD Dec 2019	% of Net Sales
Net Sales	\$ 253,594		\$ 226,245	
Cost of Goods Sold	208,842	82.4%	197,284	87.2%
Non Cash Compensation Expense	-	0.0%	2,742	1.2%
Gross Profit	44,752	17.6%	26,219	11.6%
Selling, Administrative, and Engineering Expense	21,616	8.5%	23,317	10.3%
*Non Cash Compensation Expense	-	0.0%	1,731	0.8%
Total Expense	21,616	8.5%	25,048	11.1%
Operating Income	23,136	9.1%	1,171	0.5%
Interest Income	-	0.0%	-	0.0%
Interest Expense	(196)	(0.1%)	(588)	(0.3%)
Gain (Loss) on Investment in VAST	1,900	0.7%	983	0.4%
Miscellaneous Income (Expense)	(1,626)	(0.6%)	(81)	(0.0%)
Income Before Income Tax	23,214	9.2%	1,485	0.7%
Income Tax Provision (Benefit)	3,568	1.4%	(100)	(0.0%)
Net Income	19,646	7.7%	1,585	0.7%
Less: Net Income Attributable to Non-Controlling Interest	(4,525)	-1.8%	(1,682)	-0.7%
Net Income Attributable to STRATTEC	\$ 15,121	6.0%	\$ (97)	0.0%
Weighted Average Shares	3,815		3,725	
Diluted Earnings Per Share	\$ 3.96		\$ (0.03)	
Adjusted Diluted Earnings Per Share	\$ 3.96		\$ 0.89	

***\*Non cash compensation relates to the termination of the pension plan which reduced earnings per share by \$0.92***



# Balance Sheet (December 2020, in thousands of USD)



	<u>December 27, 2020</u> <i>(Unaudited)</i>	<u>June 28, 2020</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 10,432	\$ 11,774
Receivables, net	85,796	41,955
Inventories, net	56,333	54,400
Other current assets	<u>13,348</u>	<u>17,239</u>
Total Current Assets	165,909	125,368
Investment in Joint Ventures	25,759	22,068
Other Long Term Assets	13,482	12,961
Property, Plant and Equipment, Net	<u>101,819</u>	<u>105,148</u>
	<u>\$ 306,969</u>	<u>\$ 265,545</u>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts Payable	\$ 39,148	\$ 18,549
Other	<u>37,507</u>	<u>29,591</u>
Total Current Liabilities	76,655	48,140
Accrued Pension and Post Retirement Obligations	1,980	1,956
Borrowings Under Credit Facility	22,000	35,000
Other Long-term Liabilities	4,861	5,008
Shareholders' Equity	325,706	309,991
Accumulated Other Comprehensive Loss	(17,492)	(22,113)
Less: Treasury Stock	<u>(135,629)</u>	<u>(135,656)</u>
Total STRATTEC SECURITY CORPORATION Shareholders' Equity	172,585	152,222
Non-Controlling Interest	<u>28,888</u>	<u>23,219</u>
Total Shareholders' Equity	<u>201,473</u>	<u>175,441</u>
	<u>\$ 306,969</u>	<u>\$ 265,545</u>



# Cash Flow Statement

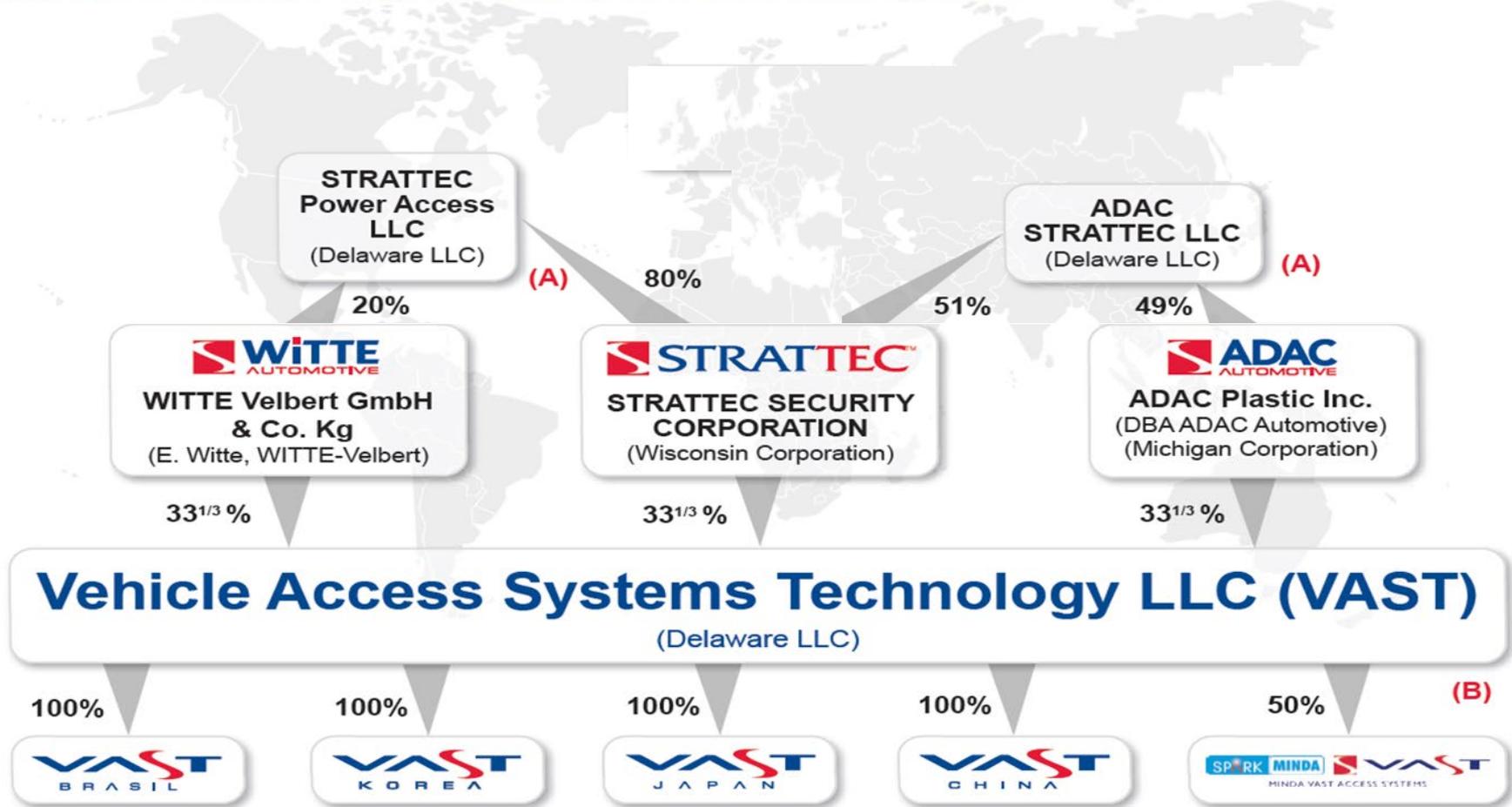
## YTD December 2020 & 2019 (in thousands of USD)



	Actual YTD Dec 2020	Actual YTD Dec 2019
Cash Flows From Operating Activities:		
Net Income (Loss)	\$ 19,646	\$ 1,585
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation	9,797	9,580
Loss (Gain) on Investment in LLC	(1,900)	(976)
Loss (Gain) on Disposal of PP&E	1,426	283
Stock Option Compensation Expense	582	624
Foreign Currency Transaction Loss (Gain)	2,312	448
Unrealized (Gain) Loss on Peso Contracts	(480)	-
Operating Leases	235	229
Non-cash Compensation Expense	-	4,473
Deferred Tax Provision	-	(1,032)
Change in Operating Assets/Liabilities:		
Accounts Receivable	(43,640)	18,387
Inventory	(1,933)	(5,249)
Other Assets	3,737	1,397
Accounts Payable and Accrued Liabilities	27,274	(9,057)
Other, net	-	(84)
Net Cash From Operating Activities	<u>17,056</u>	<u>20,608</u>
Cash Flow From Investing Activities:		
Investment in VAST LLC	(100)	-
Capital Expenditures	(4,593)	(7,384)
Proceeds from Sale of PP&E	3	15
Net Cash From Investing Activities	<u>(4,690)</u>	<u>(7,369)</u>
Cash Flow From Financing Activities:		
Borrowings - Credit Facility	-	-
Repayments - Credit Facility	(13,000)	(10,000)
Dividends Paid to Non-Controlling Interest	(490)	(980)
Dividends Paid	-	(1,047)
Purchase of Treasury Stock		
Treasury Stock Reissued/Exercise of Stock Options	40	519
Net Cash From Financing Activities	<u>(13,450)</u>	<u>(11,508)</u>
Foreign Currency Impact on Cash	<u>(258)</u>	<u>(255)</u>
Net Change In Cash and Cash Equivalents	(1,342)	1,476
Cash and Cash Equivalents - Beginning	<u>11,774</u>	<u>7,809</u>
Cash and Cash Equivalents - Ending	<u>\$ 10,432</u>	<u>\$ 9,285</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)

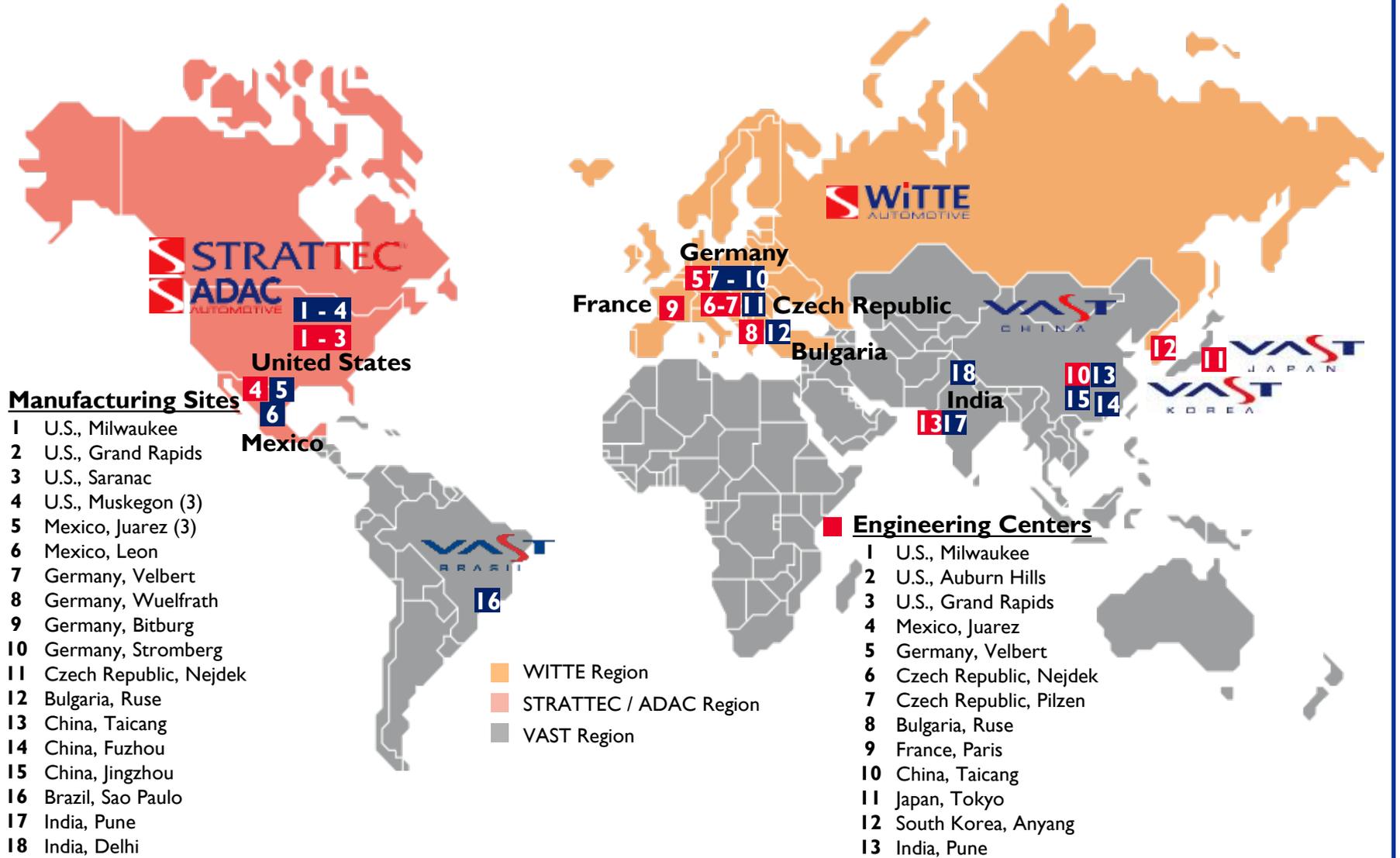


- 80% Ownership by STRATTEC (2008)



- 16.6% Ownership by STRATTEC (2015)







## Passenger Vehicle Manufacturers



## Commercial Vehicle Manufacturers



## System Suppliers

