

**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): November 4, 2024

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
Identification No.)

3333 West Good Hope Road, Milwaukee, Wisconsin 53209
(Address of Principal Executive Offices, and Zip Code)

(414) 247-3333
Registrant's Telephone Number, Including Area Code

(Former name or former address, if changed since last report)

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:

- Written communication 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 communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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 November 4, 2024, STRATTEC SECURITY CORPORATION (the “Company”) issued a press release (the “Press Release”) announcing results for the fiscal first quarter ended September 29, 2024. A copy of the Press Release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

Also on November 4, 2024, the Company first provided investors with a supplemental presentation regarding fiscal first quarter earnings and other current financial information, attached as Exhibit 99.2 hereto and incorporated by reference herein (the “Investor Presentation”).

Pursuant to General Instruction B.2 of Current Report on Form 8-K, the information in this Item 2.02 and Exhibits 99.1 and 99.2 are being furnished and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section. Furthermore, the information in this Item 2.02 and Exhibit 99.1 shall not be deemed to be incorporated by reference into the filings of STRATTEC under the Securities Act of 1933, as amended (the “Securities Act”), except as may be expressly set forth by specific reference in such filing.

Item 7.01 Regulation FD Disclosure.

As described in “Item 2.02 Results of Operations and Financial Condition” above, on November 4, 2024, the Company issued a Press Release announcing earnings results for the fiscal first quarter ended September 29, 2024 and an Investor Presentation containing supplemental fiscal first quarter earnings and other current financial information. The Press Release and Investor Presentation issued in connection with the announcement are attached as Exhibits 99.1 and 99.2 to this Current Report on Form 8-K.

Pursuant to General Instruction B.2 of Current Report on Form 8-K, the information in this Item 7.01 and Exhibits 99.1 and 99.2 are being furnished and shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Furthermore, the information in this Item 7.01 and Exhibits 99.1 and 99.2 shall not be deemed to be incorporated by reference into the filings of the Company under the Securities Act, except as may be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release of STRATTEC SECURITY CORPORATION, issued November 4, 2024
99.2	Investor Presentation
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 hereunto duly authorized.

STRATTEC SECURITY CORPORATION

By: /s/ Dennis P. Bowe
Dennis P. Bowe, Vice President and
Chief Financial Officer

Date: November 4, 2024

News Release

3333 West Good Hope Rd. • Milwaukee, Wisconsin 53209

IMMEDIATE RELEASE

STRATTEC SECURITY CORPORATION Reports Fiscal 2025 First Quarter Financial Results

- Generated cash from operations of \$11.3 million
- Reduced pre-production costs, primarily customer tooling, by \$6.9 million
- Grew revenue 2.7% year-over-year, reflecting ongoing pricing benefit and higher overall sales
- Achieved gross margin of 13.6% versus 13.8% in prior-year period (which included a 470 bps net benefit of one-time pricing)
- Rethinking product portfolio and identifying opportunities to optimize operational footprint and improve profitability

MILWAUKEE, WI, November 4, 2024 – STRATTEC SECURITY CORPORATION (Nasdaq: STRT) (“Company”), a leading provider of smart vehicle access, security and authorization solutions for the global automotive industry, reported financial results for its first quarter of fiscal year 2025, which ended September 29, 2024.

STRATTEC President and CEO Jennifer Slater said, “We delivered a solid quarter through improved pricing, favorable mix, and by providing innovative content on the right platforms. We are making headway on rethinking the STRATTEC business model including the evaluation of our product portfolio, determining an optimal operating and cost structure and developing a strategy to strengthen profitability and drive sustainability. We are in the very early stages of the process as we delve further into the operations to better understand the variability in performance of the business and what needs to change to provide more consistent, profitable results. We separately announced today the addition of a chief people officer, a new role for this organization of over 3,300 people. We also appointed a new chief commercial officer who brings a breadth of experience that incorporates the depth of knowledge required to grow revenue profitably. We expect to leverage the deep relationships we have with our customers and provide high quality, timely and value-added solutions for our mutual success.”

FY 2025 First Quarter Net Sales

(compared with prior-year period, except where otherwise noted)

(\$ in thousands)	Three Months Ended		Change	
	9/29/2024	10/1/2023	\$	%
Adjusted Net Sales Attributable to STRATTEC	\$ 139,052	\$ 127,406	\$ 11,646	9.1%
One-time retroactive pricing	-	8,000	(8,000)	-100.0%
Net Sales Attributable to STRATTEC	\$ 139,052	\$ 135,406	\$ 3,646	2.7%

See Reconciliation of Net Sales Attributable to STRATTEC and Adjusted Net Sales Attributable to STRATTEC on Page 8

Net sales attributable to STRATTEC were \$139.1 million, which included \$2.2 million of ongoing price increases to major customers made subsequent to last year’s first quarter. This compares with net sales of \$135.4 million in fiscal first quarter 2024, which included \$8.0 million in one-time retroactive price increases. Excluding that one-time pricing impact, adjusted net sales attributable to STRATTEC¹ increased by \$11.6 million, or 9.1%.

After taking into account the impact of ongoing price increases, the following summarizes noted changes to sales:

- Sales to Hyundai/Kia increased due to timing of customer demand for power door products

- Sales to Ford Motor Company grew from new tailgate latch content on the Ford F-Series pickups
- Sales to Commercial and Other OEM customers grew from new business with Aston Martin
- Sales to Stellantis declined primarily due to inventory destocking and lower production volumes

FY 2025 First Quarter Operation Review

(compared with prior-year period, except where otherwise noted)

Gross profit increased \$0.2 million to \$18.9 million. Gross margin was 13.6% compared with 13.8% in prior-year period (which included a 470 basis point benefit from one-time pricing).

Adjusted gross profit¹ and adjusted gross margin¹ improved as a result of favorable sales mix and change in foreign exchange (“FX”) rate of \$2.7 million, improved pricing of \$2.2 million, and \$1.3 million reduction in raw material and purchased component costs. The favorable change in FX provided a 190 basis point benefit to gross margin between quarterly periods. These benefits more than offset unfavorable impacts of \$1.4 million in higher Mexico manufacturing costs, \$0.7 million of accrual for short-term incentive bonus plans and \$0.4 million of expedited shipping costs.

(\$ in thousands)

	Three Months Ended	
	9/29/2024	10/1/2023
Gross profit	\$ 18,921	\$ 18,720
Add back (deduct):		
Retroactive pricing	-	(7,100)
Adjusted Gross Profit¹	\$ 18,921	\$ 11,620
Net sales	\$ 139,052	\$ 135,406
Adjusted Net Sales	\$ 139,052	\$ 127,406
Gross margin	13.6%	13.8%
Adjusted Gross Margin	13.6%	9.1%

See Reconciliation of Net Sales, Gross Profit and Gross Margin to non-GAAP Adjusted Net Sales, Adjusted Gross Profit and Adjusted Gross Margin on Page 8

Engineering, selling and administrative expenses increased \$1.2 million, or 9.9%, to \$13.9 million primarily due to increased accrual for short-term incentive plan compensation and organizational investments. As a result, operating income decreased \$1.0 million to \$5.1 million compared with the prior-year period. Last year’s first quarter benefited by \$7.1 million for the one-time pricing impact.

Net income attributable to STRATTEC was \$3.7 million compared with \$4.2 million last year. Diluted earnings per share were \$0.92 compared with \$1.05 last year. Adjusted net income attributable to STRATTEC¹ was \$3.7 million compared with a loss of \$0.6 million in last fiscal year’s first quarter. Adjusted diluted earnings per share was \$0.92 compared with a loss of \$0.14 in the prior-year period.

Balance Sheet and Liquidity

First quarter fiscal 2025 cash flow from operations was \$11.3 million, compared with operating cash used in operations of \$3.9 million in the prior year first quarter, primarily reflecting a reduction in working capital between periods. Capital expenditures in the first quarter of fiscal 2025 were \$2.1 million, compared with \$2.9 million for the first quarter of fiscal 2024.

¹ Adjusted net sales, adjusted gross profit, adjusted gross margin, adjusted net income attributable to STRATTEC and adjusted diluted earnings per share are non-GAAP financial measure. Further information can be found under “Non-GAAP Financial Measures” and the reconciliations of GAAP financial measures to non-GAAP financial measures that accompany this press release.

At September 29, 2024, STRATTEC had \$34.4 million in cash and cash equivalents, compared with \$25.4 million at June 30, 2024. Pre-production costs, which are primarily related to customer tooling, declined \$6.9 million. The Company's objective is to return the customer tooling balance to approximately \$10 million by the end of the fiscal year.

The Company's 51% joint venture subsidiary ADAC-STRATTEC LLC had \$13.0 million in debt, unchanged from the end of fiscal 2024. STRATTEC had \$40 million and ADAC-STRATTEC LLC had \$7 million in borrowing capacity as of September 29, 2024.

Webcast and Conference Call

The Company will host a conference call and webcast today to review the financial and operating results for the period ended September 29, 2024. A question-and-answer session will follow.

First Quarter Fiscal Year 2025 Conference Call

Date: Monday, November 4, 2024

Time: 4:45 p.m. Eastern Time

Phone: (201) 689-8470

Webcast and accompanying slide presentation: investors.strattec.com

A telephonic replay will be available from 8:00 p.m. ET on the day of the call through Monday, November 18, 2024. To listen to the archived call, dial (412) 317-6671 and enter replay PIN 13749209. The webcast replay will be available on the Investor Relations section of the Company's website investors.strattec.com, where a transcript will be posted once available.

About STRATTEC

STRATTEC is a leading global provider of advanced automotive access, security & authorization and select user interface solutions. With a history spanning over 110 years, STRATTEC has consistently been at the forefront of innovation in vehicle security, transitioning from mechanical to integrated electro-mechanical systems. The Company serves a broad range of customers, including leading automotive OEMs, offering power access solutions and advanced security systems that include door handles, lift gates, latches, and key fobs.

For more information on STRATTEC and its solutions, visit www.strattec.com.

Safe Harbor Statement

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 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, adverse business and operational issues resulting from the continuing effects of the coronavirus (COVID-19) pandemic, matters adversely impacting the timing and availability of component parts and raw materials needed 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.

Use of Non-GAAP Financial Metrics and Additional Financial Information

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, STRATTEC provides Adjusted Non-GAAP information as additional information for its operating results. References to Adjusted Non-GAAP information are to non-GAAP financial measures. These measures are not required by, in accordance with, or an alternative for, GAAP and may be different from non-GAAP financial measures used by other companies. STRATTEC's management uses these measures for reviewing the financial results of STRATTEC for budget planning purposes and for making operational and financial decisions. Management believes that providing these non-GAAP financial measures to investors, as a supplement to GAAP financial measures, help investors evaluate STRATTEC's core operating and financial performance and business trends consistent with how management evaluates such performance and trends.

Contact Information:

Investors:

Deborah K. Pawlowski
Alliance Advisors IR
Phone: 716-843-3908
Email: dpawlowski@allianceadvisors.com

FINANCIAL TABLES FOLLOW

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

	Three Months Ended	
	September 29, 2024	October 1, 2023
Net sales	\$ 139,052	\$ 135,406
Cost of goods sold	120,131	116,686
Gross profit	18,921	18,720
Engineering, selling and administrative expenses	13,858	12,614
Income from operations	5,063	6,106
Equity loss from joint ventures	—	(265)
Interest expense	(295)	(220)
Investment income	349	87
Other income, net	129	134
Income before provision for income taxes and non-controlling interest	5,246	5,842
Provision for income taxes	1,498	1,387
Net income	3,748	4,455
Net income attributable to non-controlling interest	45	290
Net income attributable to STRATTEC SECURITY CORPORATION	\$ 3,703	\$ 4,165
Earnings per share attributable to STRATTEC SECURITY CORPORATION:		
Basic	\$ 0.92	\$ 1.05
Diluted	\$ 0.92	\$ 1.05
Weighted Average shares outstanding:		
Basic	4,005	3,948
Diluted	4,046	3,974

STRATTEC SECURITY CORPORATION
Condensed Balance Sheet Data
(In thousands, except share amounts)
(Unaudited)

	<u>September 29, 2024</u>	<u>June 30, 2024</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 34,403	\$ 25,410
Receivables, net	102,266	99,297
Inventories:		
Finished products	18,540	19,833
Work in process	15,520	15,461
Purchased materials	49,734	46,355
Inventories, net	<u>83,794</u>	<u>81,649</u>
Pre-production costs	15,265	22,173
Value-added tax recoverable	20,624	19,684
Other current assets	<u>4,396</u>	<u>5,601</u>
Total current assets	260,748	253,814
Deferred income taxes	17,235	17,593
Other long-term assets	6,363	6,698
Net property, plant and equipment	<u>—</u>	<u>86,184</u>
	<u>\$ 366,867</u>	<u>\$ 364,289</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 59,461	\$ 54,911
Accrued Liabilities:		
Payroll and benefits	25,421	28,953
Value-added tax payable	10,982	9,970
Environmental	1,390	1,390
Warranty	10,698	10,695
Other	<u>11,619</u>	<u>12,369</u>
Total current liabilities	119,571	118,288
Borrowings under credit facilities – long-term	13,000	13,000
Accrued pension obligations	1,417	1,379
Accrued postretirement obligations	1,041	1,050
Other long-term liabilities	4,778	4,957
Shareholders' Equity:		
Common stock, authorized 18,000,000 shares, \$.01 par value, 7,624,120 issued shares at September 29, 2024 and 7,586,920 issued shares at June 30, 2024	76	76
Capital in excess of par value	101,218	101,024
Retained earnings	254,315	250,612
Accumulated other comprehensive loss	(17,104)	(15,689)
Less: treasury stock, at cost (3,597,715 shares at September 29, 2024 and 3,589,126 shares at June 30, 2024)	<u>(135,471)</u>	<u>(135,478)</u>
Total STRATTEC SECURITY CORPORATION shareholders' equity	203,034	200,545
Non-controlling interest	<u>24,026</u>	<u>25,070</u>
Total shareholders' equity	227,060	225,615
	<u>\$ 366,867</u>	<u>\$ 364,289</u>

STRATTEC SECURITY CORPORATION
Condensed Cash Flow Statement Data

(In Thousands)
(Unaudited)

	Three Months Ended	
	September 29, 2024	October 1, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,748	\$ 4,455
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,662	4,385
Foreign currency transaction gain	(1,005)	(226)
Unrealized loss on peso forward contracts	652	—
Stock-based compensation expense	188	505
Equity loss of joint ventures	—	265
Loss on settlement of pension obligation	283	—
Change in operating assets and liabilities:		
Receivables	(3,189)	2,333
Inventories	(2,145)	(3,770)
Other assets	5,881	(7,665)
Accounts payable and accrued liabilities	2,998	(4,054)
Other, net	264	(100)
Net cash provided by (used in) operating activities	11,337	(3,872)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of interest in joint ventures	—	2,000
Purchase of property, plant and equipment	(2,073)	(2,920)
Net cash used in investing activities	(2,073)	(920)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under credit facilities	3,000	2,000
Repayment of borrowings under credit facilities	(3,000)	(2,000)
Exercise of stock options and employee stock purchases	13	17
Net cash provided by financing activities	13	17
Foreign currency impact on cash	(284)	(131)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,993	(4,906)
CASH AND CASH EQUIVALENTS		
Beginning of period	25,410	20,571
End of period	<u>\$ 34,403</u>	<u>\$ 15,665</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	\$ 4,081	\$ 764
Interest	\$ 280	\$ 218
Non-cash investing activities:		
Change in capital expenditures in accounts payable	\$ (506)	\$ (193)

STRATTEC SECURITY CORPORATION
NON-GAAP FINANCIAL MEASURES

The following information provides definitions and reconciliations of the non-GAAP financial measures presented in this earnings release to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles (GAAP). The Company has provided this non-GAAP financial information, which is not calculated or presented in accordance with GAAP, as information supplemental and in addition to the financial measures presented in this earnings release that are calculated and presented in accordance with GAAP. Such non-GAAP financial measures should not be considered superior to, as a substitute for or alternative to, and should be considered in conjunction with, the GAAP financial measures presented in this earnings release. Adjusted net sales, adjusted gross profit, adjusted gross margin, adjusted net income attributable to STRATTEC and adjusted diluted earnings per share are not measures determined in accordance with GAAP and may not be comparable with net sales, adjusted gross profit, adjusted gross margin, adjusted net income and adjusted diluted earnings per share as used by other companies. Nevertheless, STRATTEC believes that providing these non-GAAP financial measures are important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's financial results to the historical periods' financial results.

Reconciliation of Net Sales to Adjusted Net Sales

(\$ in thousands)

	Three Months Ended	
	9/29/2024	10/1/2023
Net sales (GAAP)	\$ 139,052	\$ 135,406
One-time retroactive pricing from customers	-	(8,000)
Adjusted net sales	<u>\$ 139,052</u>	<u>\$ 127,406</u>

Reconciliation of Gross Profit to Adjusted Gross Profit

(\$ in thousands)

	Three Months Ended	
	9/29/2024	10/1/2023
Gross profit (GAAP)	\$ 18,921	\$ 18,720
One-time retroactive pricing from customers	-	(8,000)
One-time retroactive pricing to suppliers	-	900
Adjusted gross profit	<u>\$ 18,921</u>	<u>\$ 11,620</u>

Reconciliation of Gross Margin to Adjusted Gross Margin

	Three Months Ended	
	9/29/2024	10/1/2023
Gross margin (GAAP)	13.6%	13.8%
One-time retroactive pricing from customers		(5.4)
One-time retroactive pricing to suppliers	-	0.7
Adjusted gross margin	<u>13.6%</u>	<u>9.1%</u>

Reconciliation of Net Income Attributable to STRATTEC to Adjusted Net Income Attributable to STRATTEC

(\$ in thousands)

	Three Months Ended	
	9/29/2024	10/1/2023
Net income attributable to STRATTEC SECURITY CORPORATION (GAAP)	\$ 3,703	\$ 4,165
One-time retroactive pricing from customers	-	(8,000)
One-time retroactive pricing to suppliers	-	900
Non-controlling interest impact of retroactive pricing	-	1,014
Tax impact of retroactive pricing ⁽¹⁾	-	1,364
Adjusted net income attributable to STRATTEC SECURITY CORPORATION	<u>\$ 3,703</u>	<u>\$ (557)</u>

Reconciliation of Diluted Earnings Per Share to Adjusted Earnings Per Share

	Three Months Ended	
	9/29/2024	10/1/2023
Diluted earnings per share (GAAP)	\$ 0.92	\$ 1.05
One-time retroactive pricing from customers	-	(2.01)
One-time retroactive pricing to suppliers	-	0.23
Non-controlling interest impact of retroactive pricing	-	0.26
Tax impact of retroactive pricing ⁽¹⁾	-	0.34
Adjusted diluted earnings per share	<u>\$ 0.92</u>	<u>\$ (0.14)</u>

⁽¹⁾ The tax impact is calculated using the statutory tax rate for the impacted jurisdiction

Supplemental Information

Impact of Retroactive Pricing in Fiscal Year 2024

(\$ in thousands)

One-time Pricing Impact to:	Q1 FY2024	Q2 FY2024	Q3 FY2024	Q4 FY2024	FY 2024
Net Sales	\$ 8,000	\$ 1,600	NM ⁽¹⁾	NM	\$ 9,700
Cost of Goods Sold ⁽²⁾	(900)	(910)	-	-	(1,700)
Gross Profit	\$ 7,100	\$ 690	NM	NM	\$ 8,000
Gross Margin Contribution	4.7%	2.4%	NM	NM	1.3%

⁽¹⁾ Not meaningful

⁽²⁾ After factoring in impact of supplier one-time price increases



Q1 FY2025 Financial Results

November 4, 2024

Nasdaq: STRT

Jennifer Slater President and CEO

Dennis Bowe Vice President and Chief Financial Officer

www.strattec.com

Safe Harbor Statement



Safe Harbor Statement

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Use of Non-GAAP Financial Metrics and Additional Financial Information

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The Company has provided reconciliations of comparable GAAP to non-GAAP measures in the supplemental slides of this presentation.

STRATTEC Q1 FY2025

Highlights

- Strong cash generation of \$11.3 million
 - Included reduction in customer tooling balance
- Solid balance sheet
 - \$34.4 million in cash
 - \$13 million in JV debt (*STRT 51% owner*)
- Revenue up 2.7%, or 9.1% on adjusted net sales⁽¹⁾
 - Solid position on F-Series pickups
 - New products and content on Aston Martin
 - Launched content on new platform with leading EV OEM
- Gross margin of 13.6% vs. 13.8%
 - Current year quarter had 190 bps of favorable FX
 - PY quarter had 470 bps benefit of one-time pricing

(1) Adjusted net sales is a non-GAAP metric. See the reconciliation of GAAP to non-GAAP in the Supplemental tables included in this presentation.



Rethinking STRATTEC

Priorities for Transformation



Reimagine product portfolio

- What do customers want
- What has defensible market position
- What delivers on profits
- What defines future product road map

Improve operational efficiency

- Supply chain, inventory and operational process
- Optimizing operational footprint

Develop team and talent

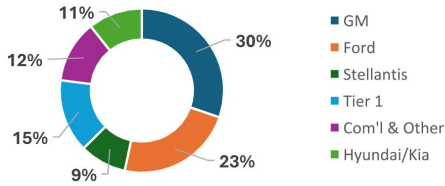
- Accountability and responsibility
- Added Chief People Officer
- Appointed new Chief Commercial Officer

Q1 FY25 Sales Increased 2.7% Y/Y

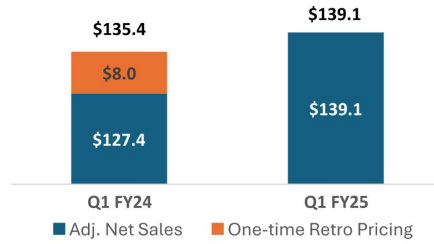


(\$ in millions; narrative compared with prior-year period unless otherwise noted)

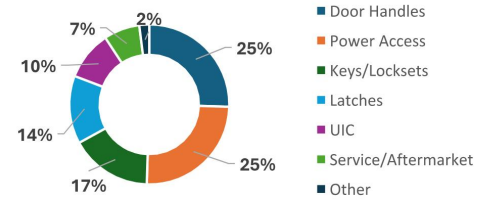
Q1 FY25 SALES BY CUSTOMER



NET SALES & ADJ. NET SALES⁽¹⁾



Q1 FY25 SALES BY PRODUCT



Q1 FY25 vs. Q1 FY24

- Up \$3.6 million, or 2.7%
- Net of \$8.0 million one-time pricing in prior quarter, sales improved \$11.6 million, or 9.1%
- Captured \$2.2 million of ongoing pricing

Customer Sales Changes

- Hyundai/Kia up \$6.5 million due to timing of demand for power doors
- Ford up 19% on new tailgate latch content on Ford F-Series pickups
- Stellantis down \$14.5 million: inventory destocking and lower production volumes

Product Sales Changes

- Growth in core products of door handles and power access
- Continued decline in keys & locksets



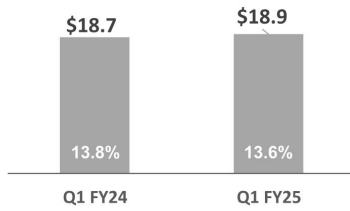
⁽¹⁾ Adjusted Net Sales is a non-GAAP metric. Refer to the reconciliation of GAAP to non-GAAP metrics in the supplemental tables of this presentation.

Q1 FY25 Gross Profit & Adj. Gross Profit⁽¹⁾

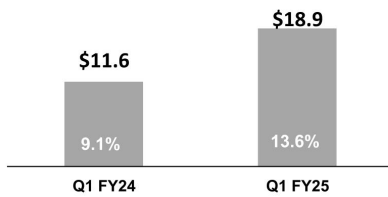


(\$ in millions; narrative compared with prior-year period unless otherwise noted)

GROSS PROFIT (QTR.)



ADJ. GROSS PROFIT (QTR.)⁽¹⁾



Q1 FY25 Gross Profit

- FX benefit of \$2.7 million in Q1 2025
 - 190 basis point benefit
- Also benefiting gross profit:
 - Favorable sales mix
 - \$2.2 million of ongoing price increases
 - \$1.3 million reduction in material costs
- Offsets included higher:
 - \$1.4 million in Mexico manufacturing costs
 - \$0.7 million incentive compensation
 - \$0.4 million in expedited freight costs

Adj. Gross Margin ⁽¹⁾

- 13.6% vs 9.1% in Q1 2024
 - 450 basis point expansion
- Adjusts for \$7.1 million one-time retroactive pricing benefit in PY period



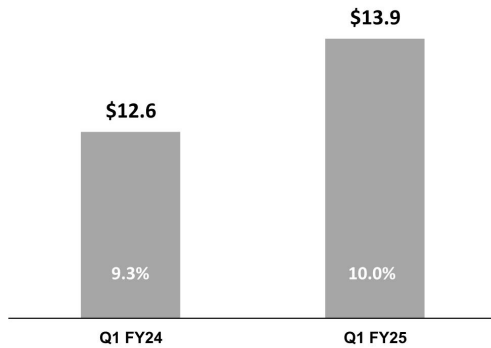
⁽¹⁾ Adjusted Gross Profit and Adjusted Gross Margin are non-GAAP metrics. Refer to the reconciliation of GAAP to non-GAAP metrics in the supplemental tables of this presentation.

Engineering, Selling & Administrative Expense



(\$ in millions; narrative compared with prior-year period unless otherwise noted)

ES&A⁽¹⁾ AND AS A % OF SALES



Q1 FY25 compared with Q1 FY24

- Up \$1.3 million to 10% of sales driven by:
 - \$0.8 million short-term incentive plan (PY period had no accrual for short-term incentive plan)
 - \$0.6 million executive transition costs

ES&A expenses are primarily fixed but can vary based on:

- Expected investments in operational improvements
- Temporary costs of professional services to drive the transformation
- Reduction in costs from streamlining and simplifying the business



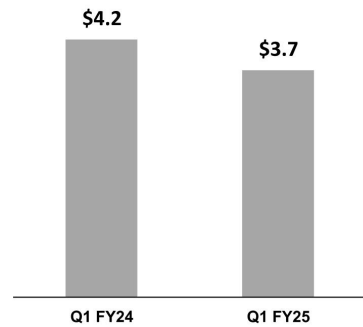
⁽¹⁾ Engineering, selling and administrative expenses

Q1 FY25 Net Income ⁽¹⁾ and Adj. Net Income ⁽²⁾



(\$ in millions except earnings per share data; narrative compared with prior-year period unless otherwise noted)

NET INCOME (QTR.)



Q1 FY24

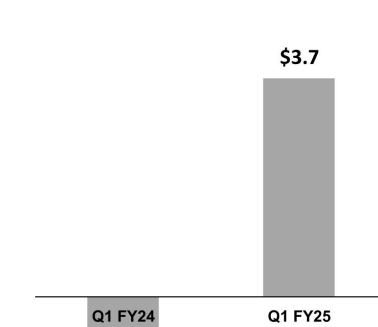
Q1 FY25

\$1.05

\$0.92

Diluted Earnings per Share

ADJ. NET INCOME (QTR.) ⁽²⁾



Q1 FY24

Q1 FY25

-\$0.6

\$(0.14)

\$0.92

Adjusted Diluted Earnings per Share

Q1 FY25 Net Income ⁽¹⁾

- Down \$0.5 million
 - \$0.5 million of investment and other income, net, partially offset the \$1.0 million decline in operating income

Q1 FY25 Adj. Net Income ⁽²⁾

- Up \$4.3 million, with adj. EPS increasing to \$0.92
 - Excludes \$8.0 million one-time retroactive pricing benefit in Q1 2024
 - Excludes \$0.9 million in retroactive pricing to suppliers
 - \$1.0 million adjustment for non-controlling interest impact of retroactive pricing



⁽¹⁾ Net Income Attributable to STRATTEC

⁽²⁾ Adjusted Net Income and Adjusted Diluted Earnings per Share are non-GAAP metrics. Refer to the reconciliation of GAAP to non-GAAP metrics in the supplemental tables of this presentation.

Strong Cash Generation



(\$ in millions; narrative compared with prior-year period unless otherwise noted)

CAPITALIZATION		
	September 29, 2024	June 30, 2024
Cash and cash equivalents	\$ 34.4	\$ 25.4
Total debt	13.0	13.0
Stockholders' equity	227.1	225.6
Total capitalization	\$ 240.1	\$ 238.6
Debt / total capitalization	5.4%	5.4%
TWELVE MONTHS ENDED		
	September 29, 2024	October 1, 2023
Net cash provided by operating activities	\$ 11.3	\$ (3.9)
CapEx	(2.1)	(2.9)
Free cash flow (FCF)*	\$ 9.3	\$ (6.8)

\$15.2 million increase in operating cash flow

- Improved operating performance
- Lower net working capital

Financial flexibility

- \$34.4 million in cash
- \$40 million revolver with no borrowings
- \$13 million on JV (ADAC-STRATTEC) revolver (at ~8.5% in 2024)

FY 2025 CapEx expectations

- ~\$15 million
- Supports new product programs, productivity enhancements and general equipment maintenance



*Free cash flow is a non-GAAP metric defined as cash flow from operations less capital expenditures (CapEx)



Nasdaq: STRT

Q1 FY2025 Financial Results

Supplemental Slides

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Reconciliations of Net Sales, Gross Profit and Gross Margin to non-GAAP



Reconciliation of Net Sales to Adjusted Net Sales

(\$ in thousands)

Net sales (GAAP)
One-time retroactive pricing from customers
Adjusted net sales

Three Months Ended	
9/29/2024	10/1/2023
\$ 139,052	\$ 135,406
-	(8,000)
<u>\$ 139,052</u>	<u>\$ 127,406</u>

Reconciliation of Gross Profit to Adjusted Gross Profit

(\$ in thousands)

Gross profit (GAAP)
One-time retroactive pricing from customers
One-time retroactive pricing to suppliers
Adjusted gross profit

Three Months Ended	
9/29/2024	10/1/2023
\$ 18,921	\$ 18,720
-	(8,000)
-	900
<u>\$ 18,921</u>	<u>\$ 11,620</u>

Reconciliation of Gross Margin to Adjusted Gross Margin

Gross margin (GAAP)
One-time retroactive pricing from customers
One-time retroactive pricing to suppliers
Adjusted gross margin

Three Months Ended	
9/29/2024	10/1/2023
13.6%	13.8%
-	(5.4)
-	0.7
<u>13.6%</u>	<u>9.1%</u>

NON-GAAP FINANCIAL MEASURES

The following information provides definitions and reconciliations of the non-GAAP financial measures presented in this earnings release to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles (GAAP). The Company has provided this non-GAAP financial information, which is not calculated or presented in accordance with GAAP, as information supplemental and in addition to the financial measures presented in this earnings release that are calculated and presented in accordance with GAAP. Such non-GAAP financial measures should not be considered superior to, as a substitute for or alternative to, and should be considered in conjunction with, the GAAP financial measures presented in this earnings release. Adjusted net sales, adjusted gross profit, adjusted gross margin, adjusted net income attributable to STRATTEC and adjusted diluted earnings per shares are not measures determined in accordance with GAAP and may not be comparable with net sales, adjusted gross profit, adjusted gross margin, adjusted net income and adjusted diluted earnings per share as used by other companies. Nevertheless, STRATTEC believes that providing these non-GAAP financial measures are important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's financial results to the historical periods' financial results.

Adjusted Net Income Reconciliation



Reconciliation of Net Income Attributable to STRATTEC to Adjusted Net Income Attributable to STRATTEC

(\$ in thousands)

	Three Months Ended	
	9/29/2024	10/1/2023
Net income attributable to STRATTEC SECURITY CORPORATION (GAAP)	\$ 3,703	\$ 4,165
One-time retroactive pricing from customers	-	(8,000)
One-time retroactive pricing to suppliers	-	900
Non-controlling interest impact of retroactive pricing	-	1,014
Tax impact of retroactive pricing ⁽¹⁾	-	1,364
Adjusted net income attributable to STRATTEC SECURITY CORPORATION	\$ 3,703	\$ (557)

Reconciliation of Diluted Earnings Per Share to Adjusted Earnings Per Share

	Three Months Ended	
	9/29/2024	10/1/2023
Diluted earnings per share (GAAP)	\$ 0.92	\$ 1.05
One-time retroactive pricing from customers	-	(2.01)
One-time retroactive pricing to suppliers	-	0.23
Non-controlling interest impact of retroactive pricing	-	0.26
Tax impact of retroactive pricing ⁽¹⁾	-	0.34
Adjusted diluted earnings per share	\$ 0.92	\$ (0.14)

⁽¹⁾ The tax impact is calculated using the statutory tax rate for the impacted jurisdiction

NON-GAAP FINANCIAL MEASURES

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Impact of Retroactive Pricing in Fiscal Year 2024



(\$ in thousands)

One-time Pricing Impact to:	Q1 FY2024	Q2 FY2024	Q3 FY2024	Q4 FY2024	FY 2024
Net Sales	\$ 8,000	\$ 1,600	NM(1)	NM	\$ 9,700
Cost of Goods Sold ⁽²⁾	(900)	(910)	-	-	(1,700)
Gross Profit	\$ 7,100	\$ 690	NM	NM	\$ 8,000
Gross Margin Contribution	4.7%	2.4%	NM	NM	1.3%

⁽¹⁾ Not meaningful

⁽²⁾ After factoring in impact of supplier one-time price increases



Nasdaq: STRT

Q1 FY2025 Financial Results

November 4, 2024

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