



Midwest IDEAS Conference

August 20, 2021



VEHICLE ACCESS SYSTEMS TECHNOLOGY



WITTE • STRATTEC • ADAC

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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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Presentations



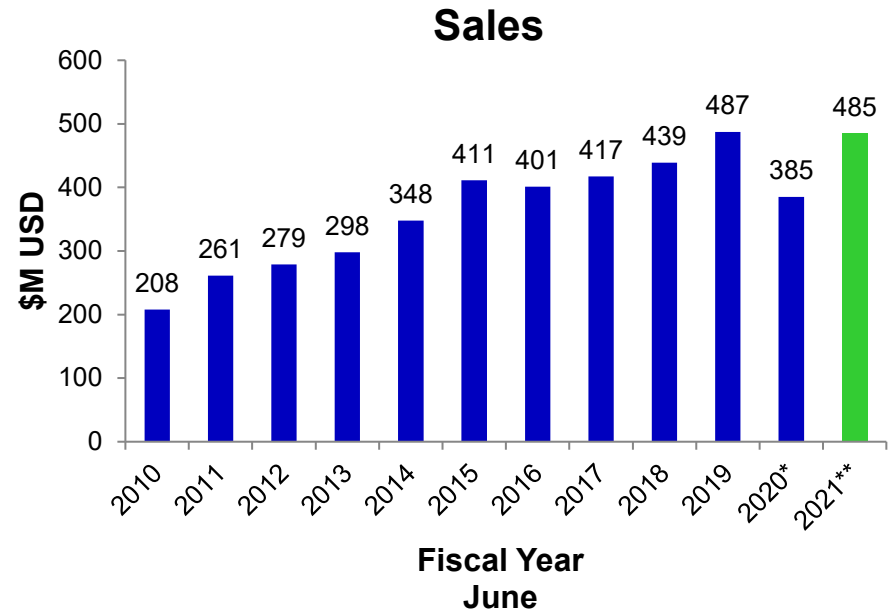
Frank J. Krejci

(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**



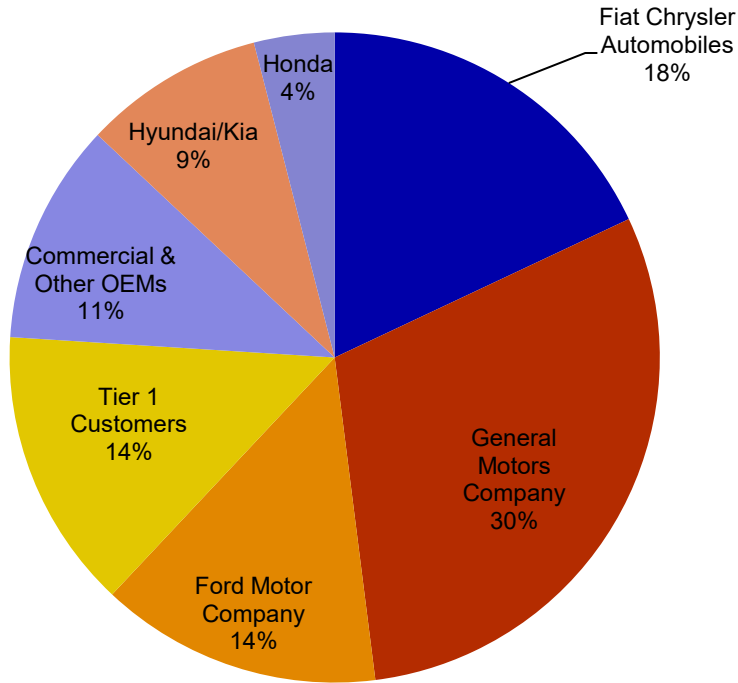
*FY 2020 was impacted by General Motor UAW strike that reduced sales by \$10 million and COVID-19 by \$78 million.

**FY 2021 sales impacted by semiconductor chip shortage



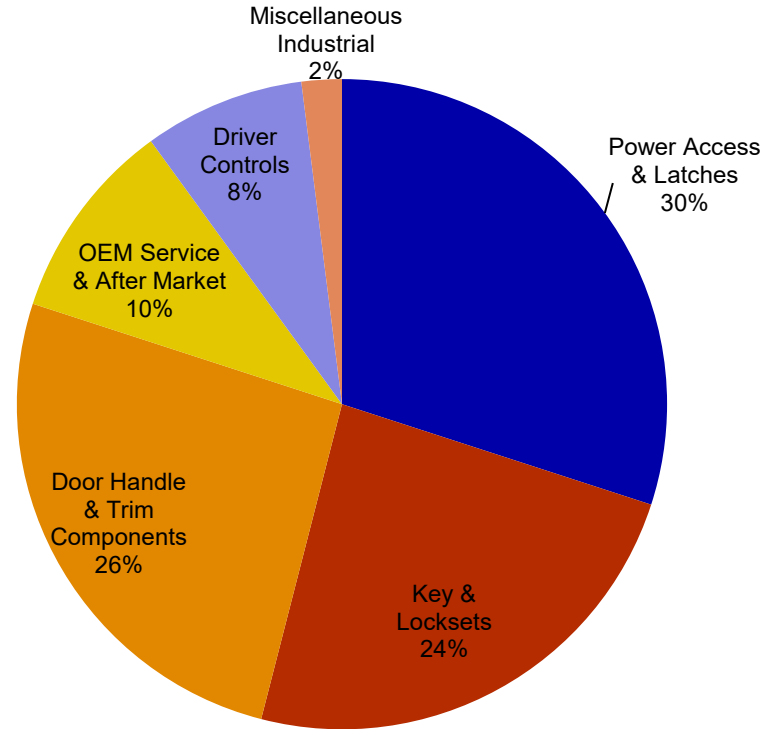
- Unique joint venture partnership (STRATTEC, Two Privately Held Companies - ADAC Automotive, and WITTE Automotive)
- Shared technology and complimentary products
- Joint investments outside of our home markets of North America and Europe (China, India, and Brazil)
- \$1.7 billion = Total sales of VAST 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) | |



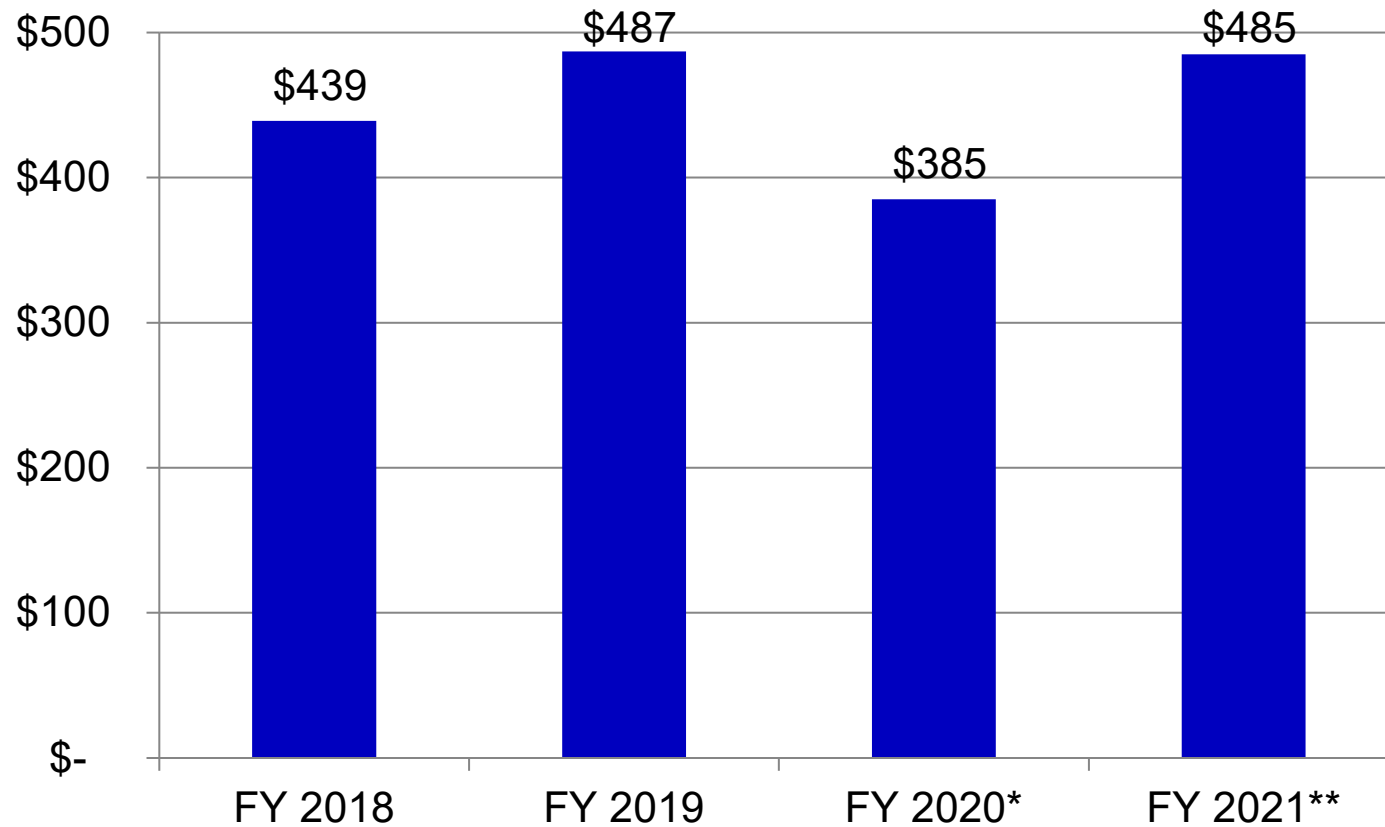
Income Statement YTD June 2021 & 2020 (in thousands of USD)



| | 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 \$)

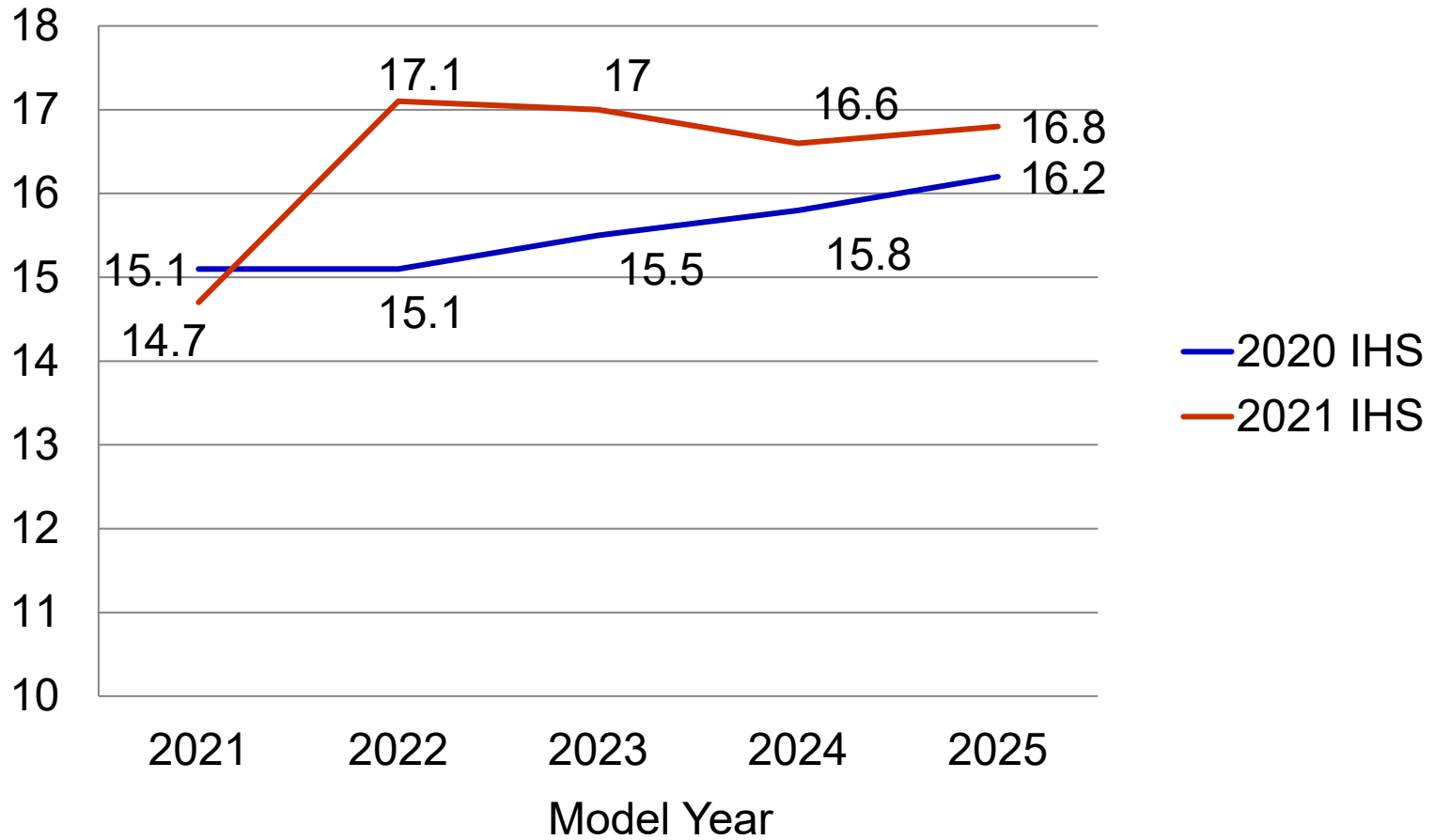


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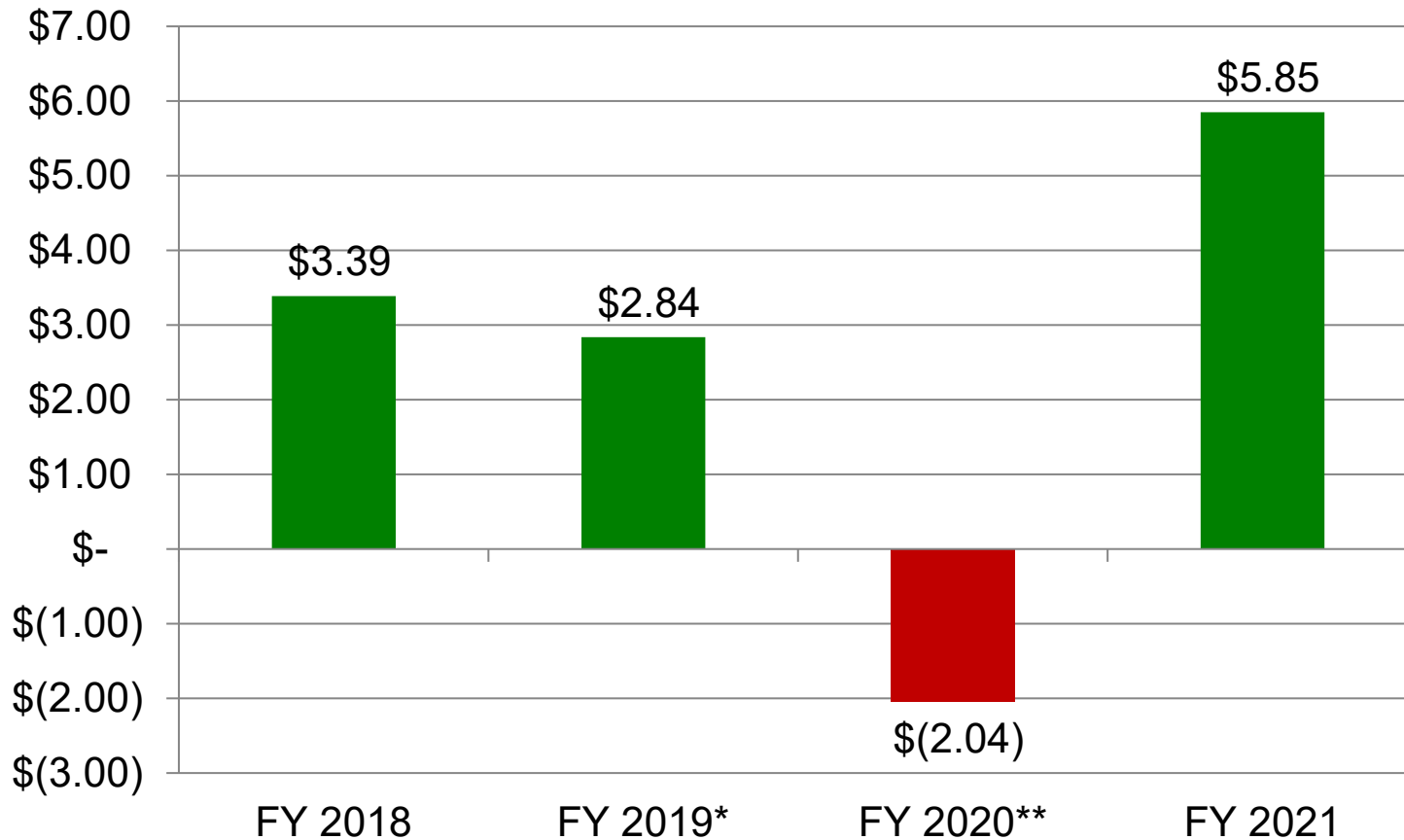
** FY 2021 sales impacted by semiconductor chip shortage

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

July 2020 versus 2021

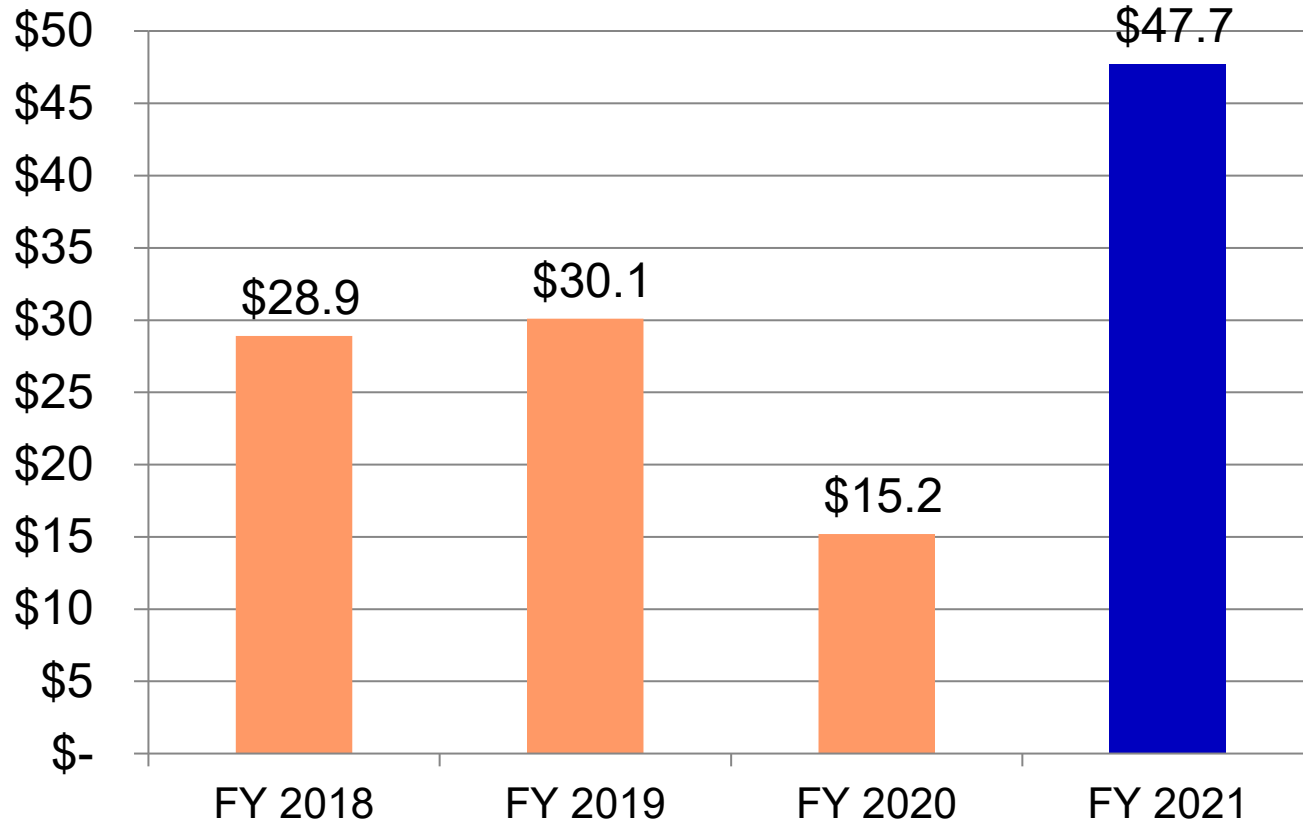


4 Year Adjusted EPS Summary



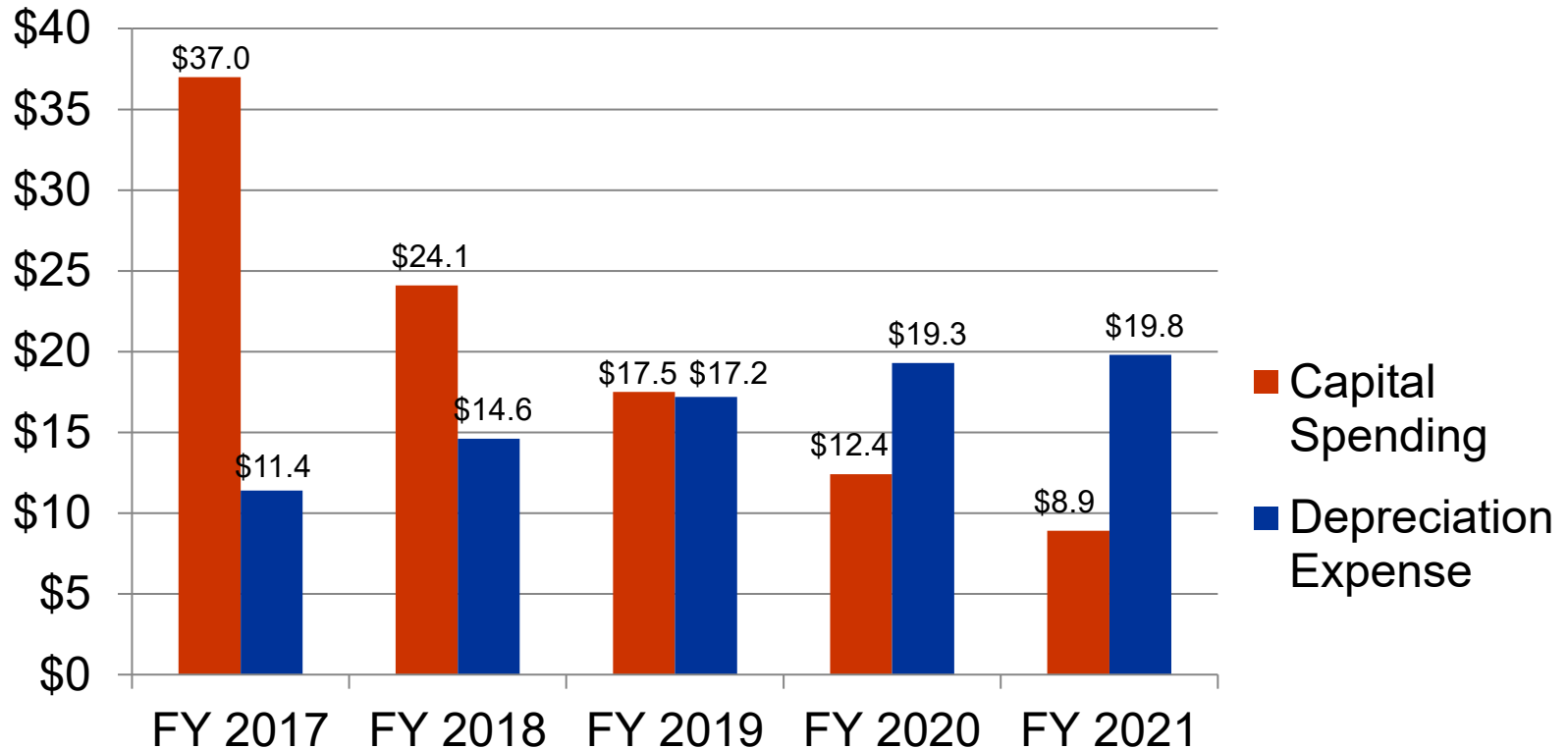
*Adjusted for Non-Cash Pension Settlement and compensation charges reduced EPS by \$7.40.

** 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.

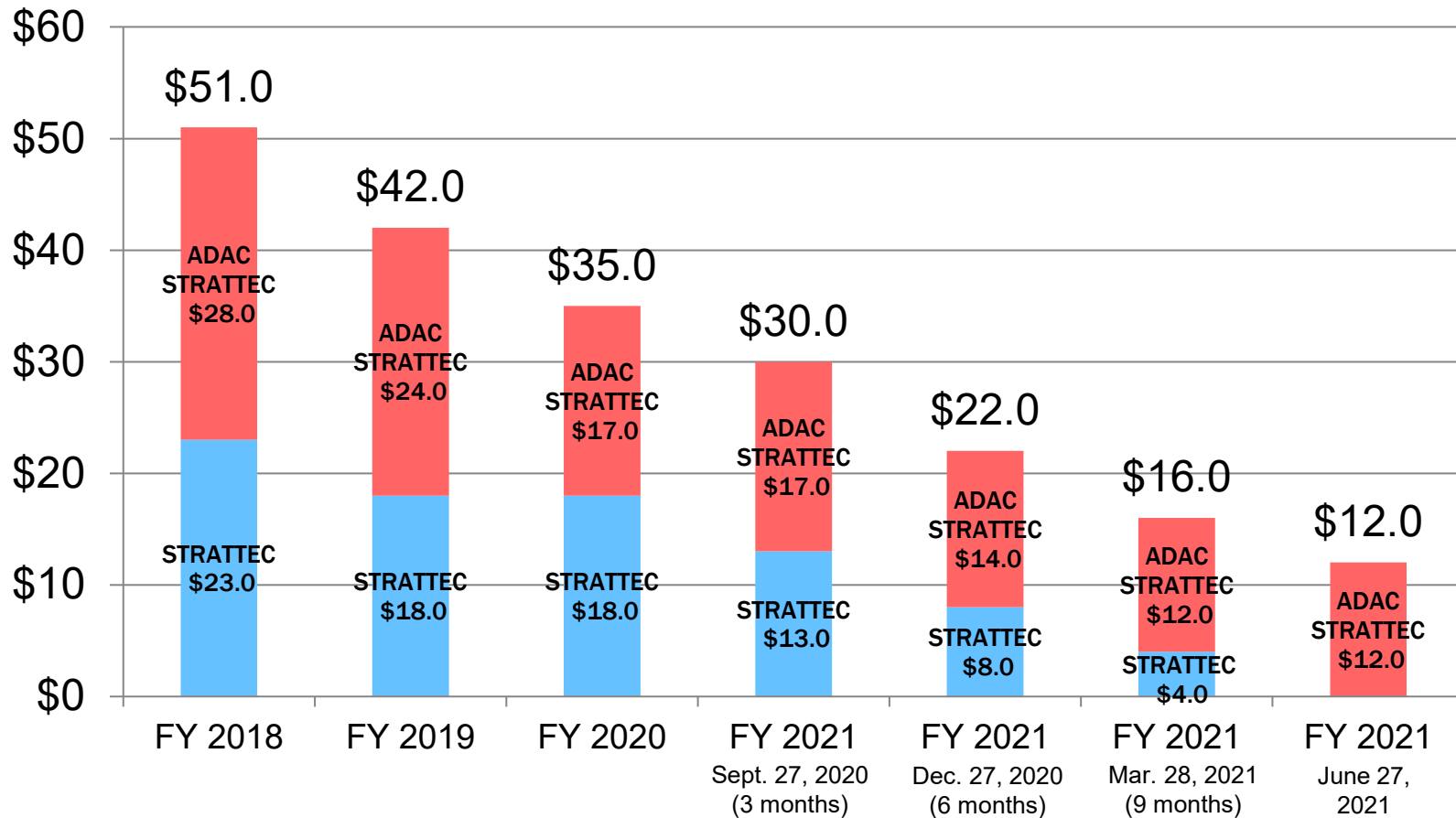
4 Fiscal Year End Capital Spending Depreciation Expense (in millions \$)



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

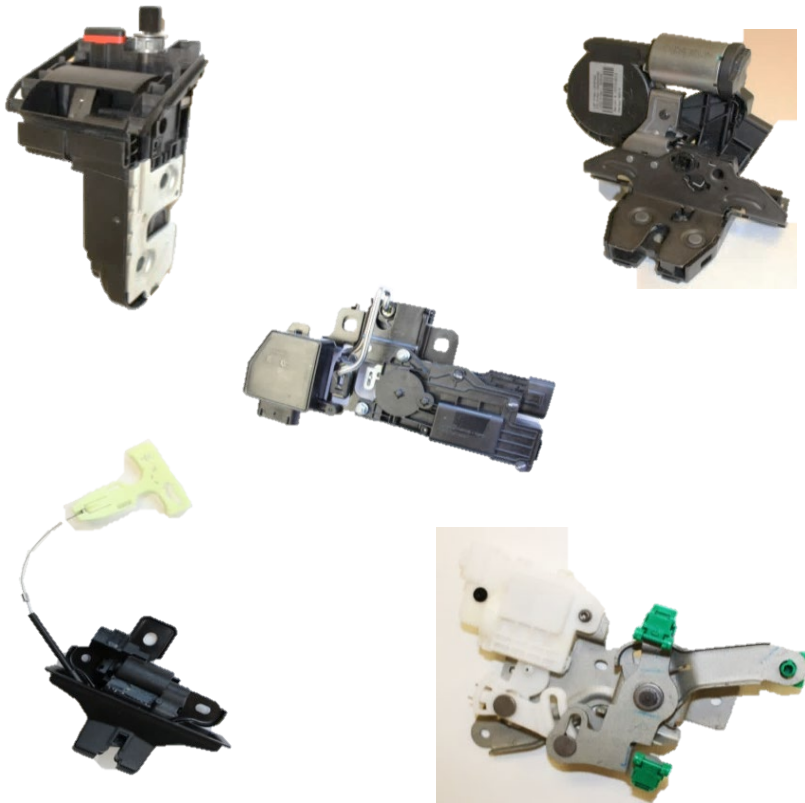
Locksets & Keyfobs



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

(STRT Nasdaq)

EMPLOYEES: 4,000

LOCATIONS: United

States & Mexico



Founded 1975

HEADQUARTERS:

Grand Rapids, Michigan,

U.S.

Privately-held Company

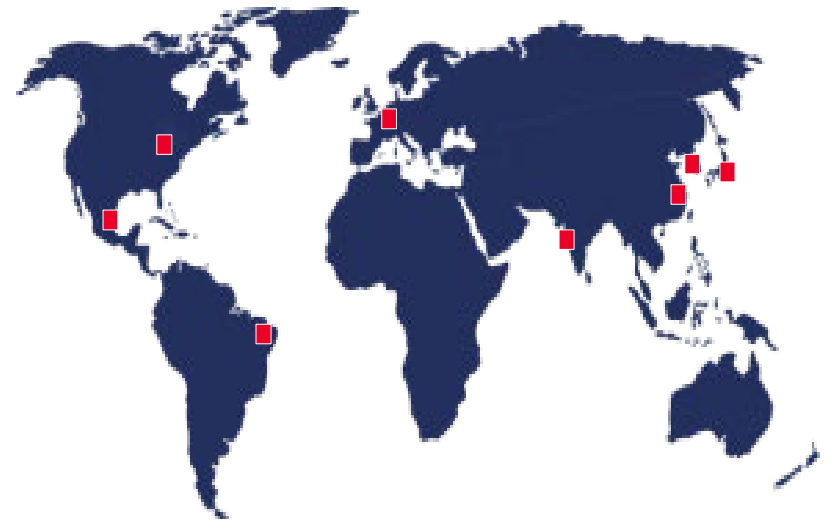
EMPLOYEES: 1,300

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



- 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

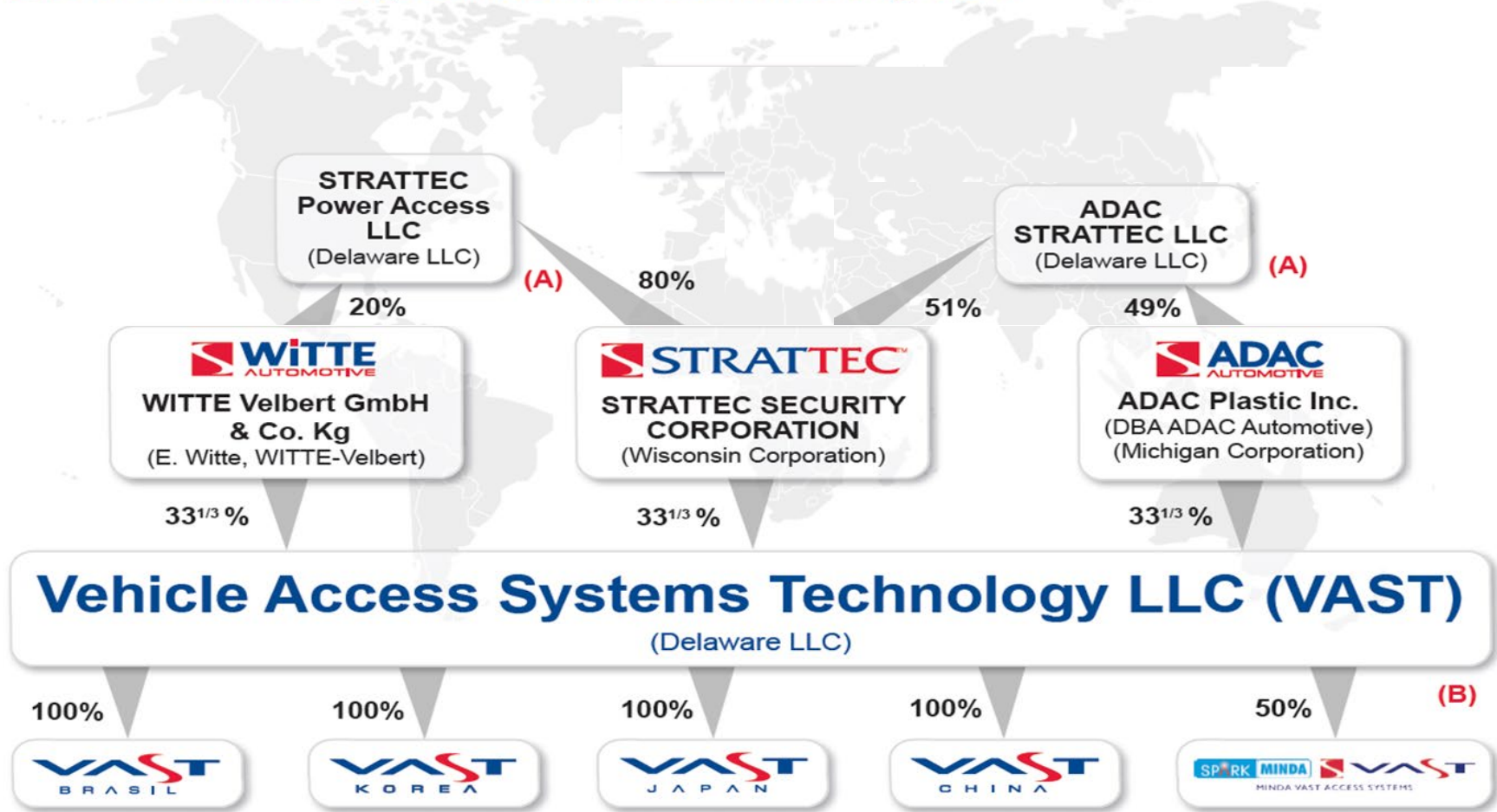
YTD June 2021 & 2020 (in thousands of USD)



| | 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)

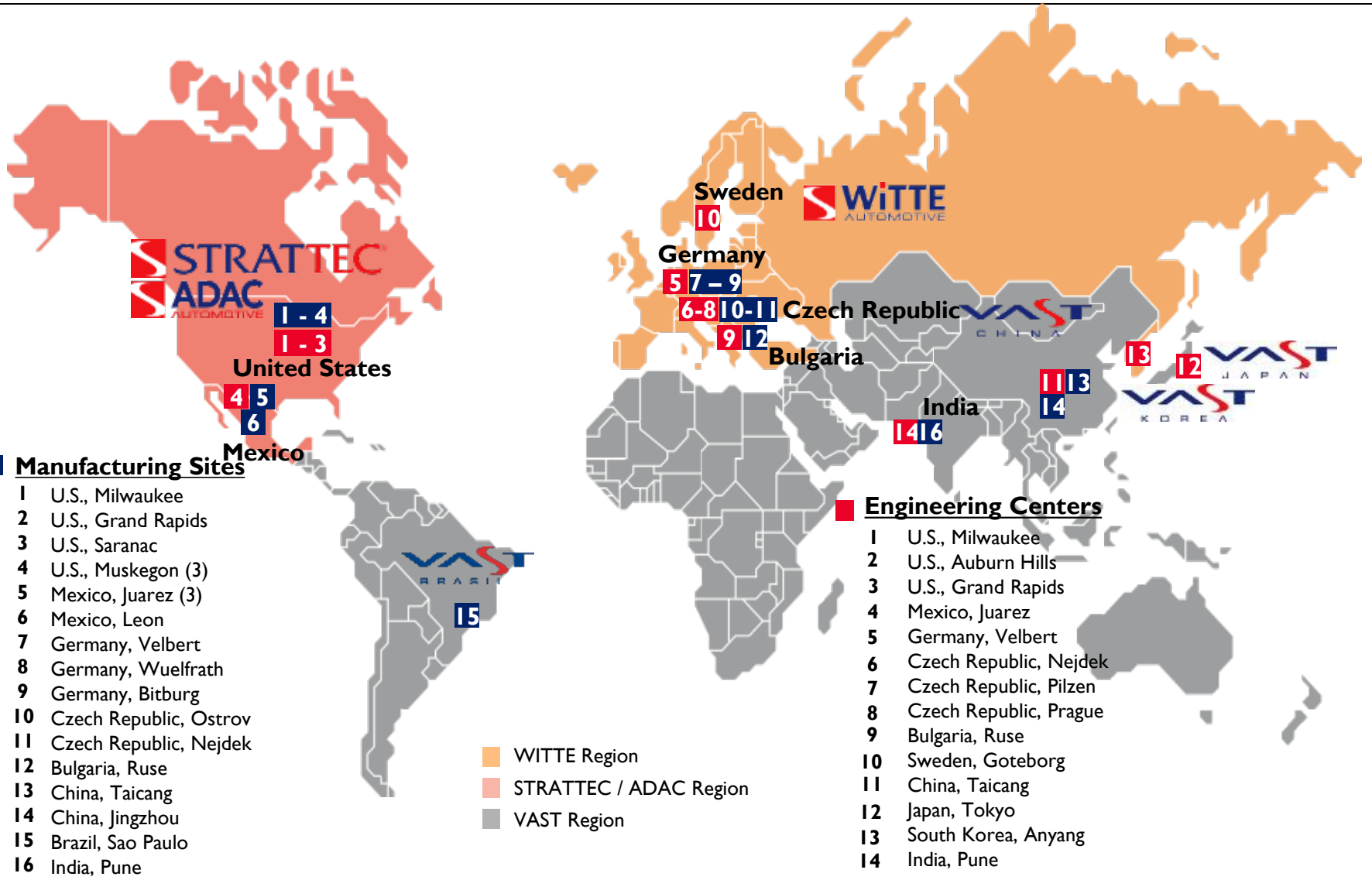


- 80% Ownership by STRATTEC (2008)



- 16.6% Ownership by STRATTEC (2015)







Passenger Vehicle Manufacturers



Commercial Vehicle Manufacturers



System Suppliers

