



***Sidoti & Company***

**June 30, 2020**



VEHICLE ACCESS SYSTEMS TECHNOLOGY



WITTE • STRATTEC • ADAC

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VEHICLE ACCESS SYSTEMS TECHNOLOGY



WITTE • STRATTEC • ADAC

# Frank J. Krejci

(CRAY' CHEE)

## President & CEO



VEHICLE ACCESS SYSTEMS TECHNOLOGY



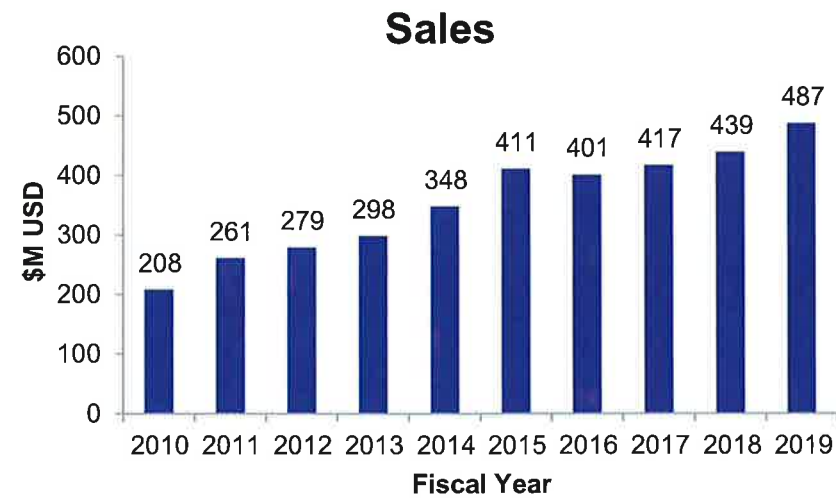
# Background Information



VEHICLE ACCESS SYSTEMS TECHNOLOGY



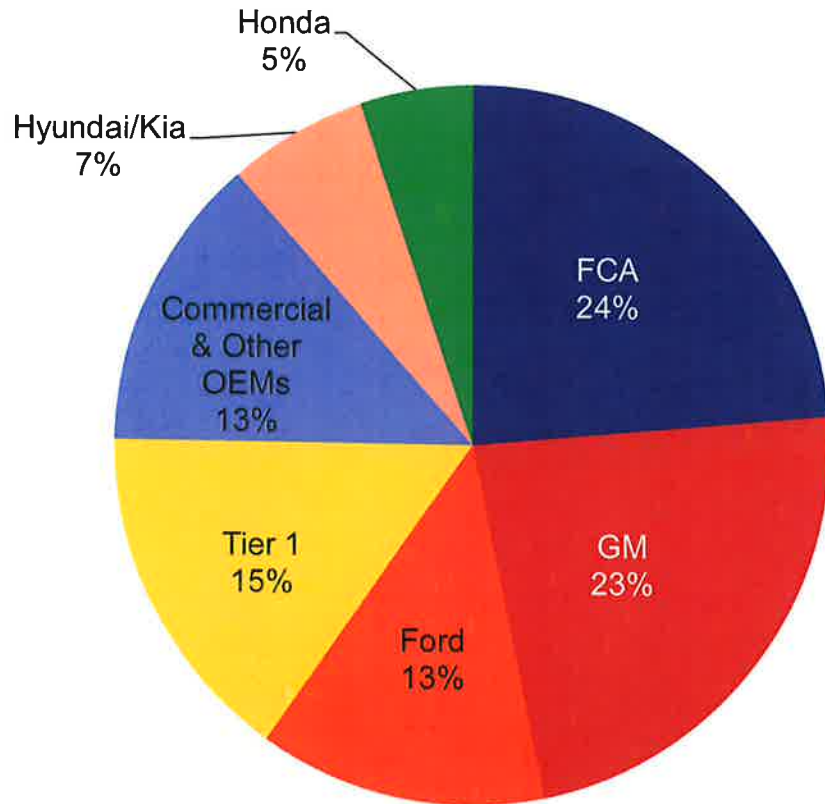
- **Headquarters: Milwaukee, Wisconsin**
- **Established: 1908**
- **Employees: ~4,000**
- **Core Products:**
  - Locksets (Keys, Fobs, Locks)
  - Ignition / Start Systems
  - Steering Column Locking Systems
  - Power Liftgate and Sliding Door Mechanisms
  - Latches
  - Door Handles
- **VAST Global Partnership**
- **Formerly part of Briggs & Stratton Corporation**
- **Spun-off in February of 1995**
- **Independent, publicly traded (NASDAQ) STRT**



# Sales by Customers and Products

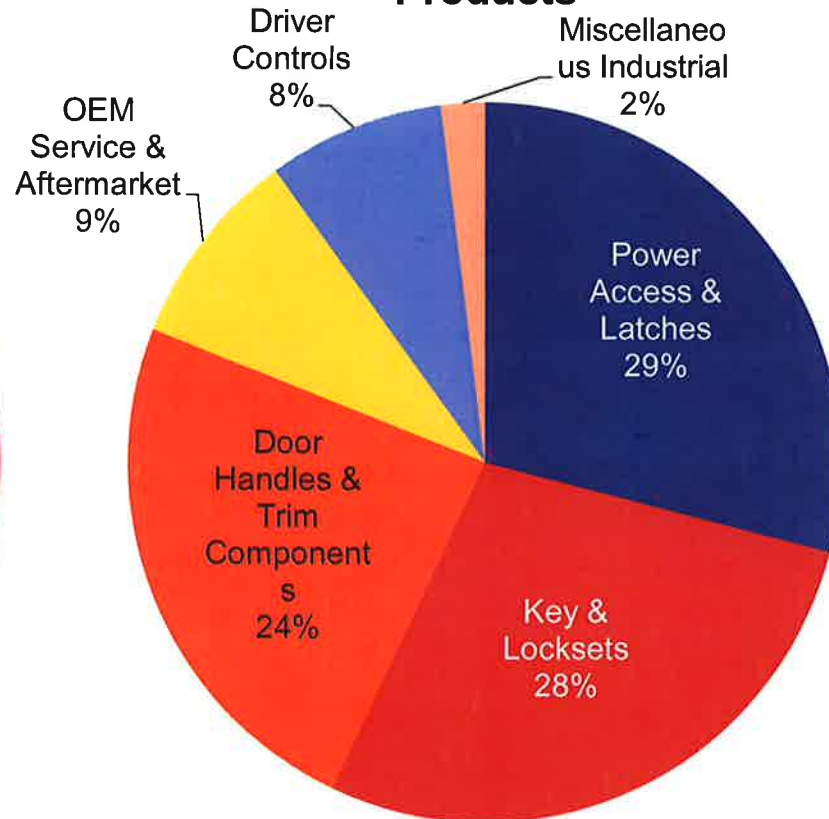


### Customers



**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**



# Facilities



## Milwaukee, WI

- STRATTEC Headquarters
- Manufacturing
- Engineering
- Testing



## Auburn Hills, MI

- STRATTEC Power Access HQ
- STRATTEC Sales Office
- Engineering
- Program Management



## El Paso, TX (Distribution)

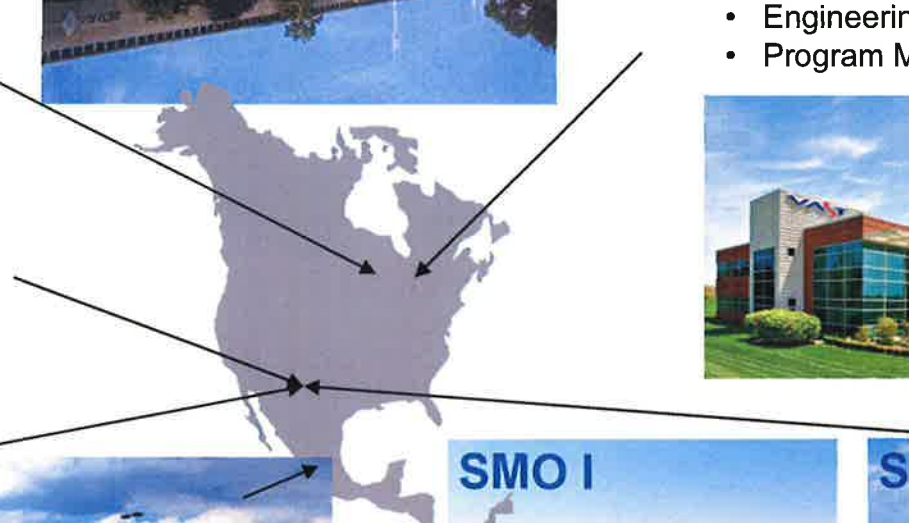


## ADAC STRATTEC de Mexico

- Injection Molding
- Door Handle Mfg and Painting

## STRATTEC Mexico Operations - Juarez, Mexico

- Engineering
- Assembly
- Testing



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# Patrick J. Hansen

## Senior Vice President & CFO



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# Financial Information

# Statements of Income

## 3<sup>rd</sup> Quarter March 2020 & 2019 (in thousands of USD)



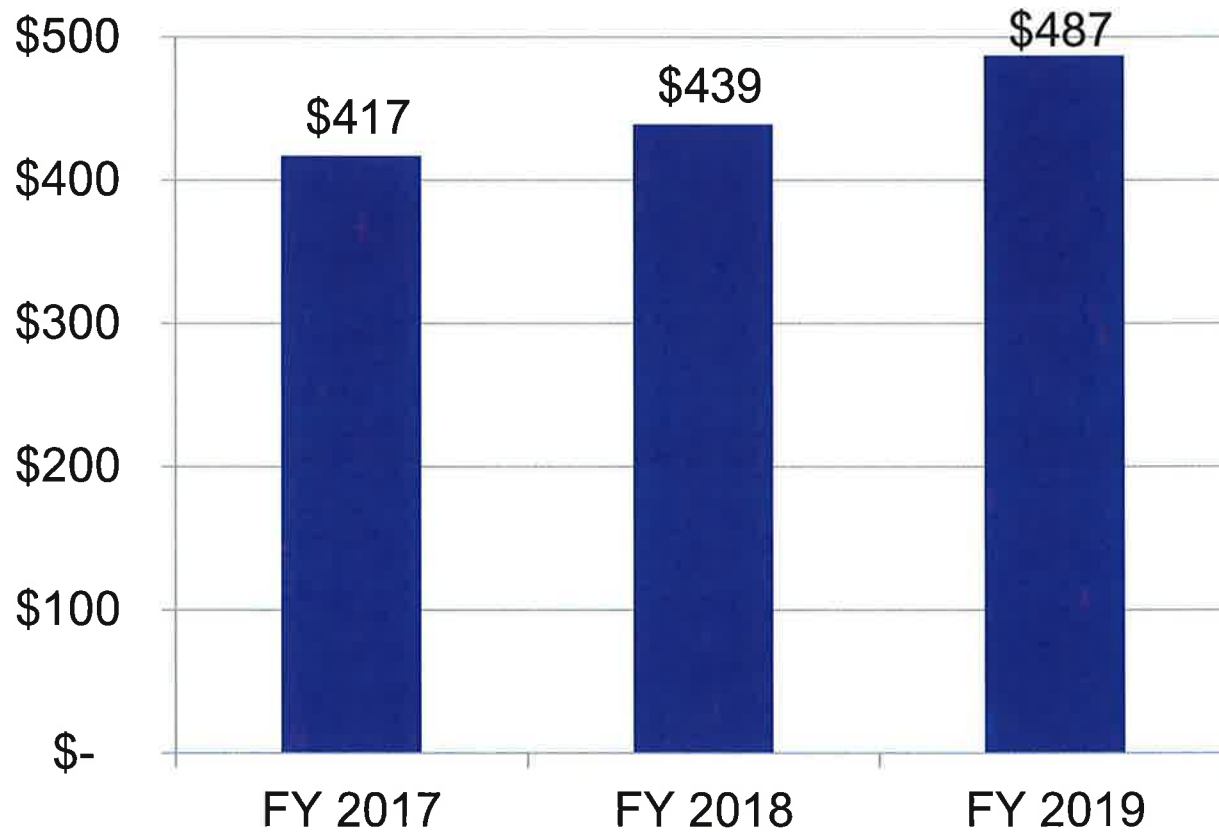
	Actual QTR Mar 2020	% of Net Sales	Actual QTR Mar 2019	% of Net Sales
Net Sales	\$ 116,938		\$ 128,230	
Cost of Goods Sold	99,928	85.5%	112,548	87.8%
Gross Profit	17,010	14.5%	15,682	12.2%
Engineering, Selling, & Administrative Expense	10,727	9.2%	11,721	9.1%
Total Expense	10,727	9.2%	11,721	9.1%
Operating Income	6,283	5.4%	3,961	3.1%
Interest Expense	(204)	(0.2%)	(413)	(0.3%)
Gain (Loss) on Investment in VAST	(947)	(0.8%)	25	0.0%
Miscellaneous Income (Expense)	1,075	0.9%	250	0.2%
Income Before Income Tax	6,207	5.3%	3,823	3.0%
Income Tax Provision (Benefit)	1,294	1.1%	786	0.6%
Net Income	4,913	4.2%	3,037	2.4%
Less: Net Income Attributable to Non-Controlling Interest	(1,919)	-1.6%	(1,307)	-1.0%
Net Income Attributable to STRATTEC	\$ 2,994	2.6%	\$ 1,730	1.3%
Weighted Average Shares	3,768		3,728	
Diluted Earnings Per Share	\$ 0.79		\$ 0.46	
Adjusted Diluted Earnings Per Share	\$ 0.79		\$ 0.46	



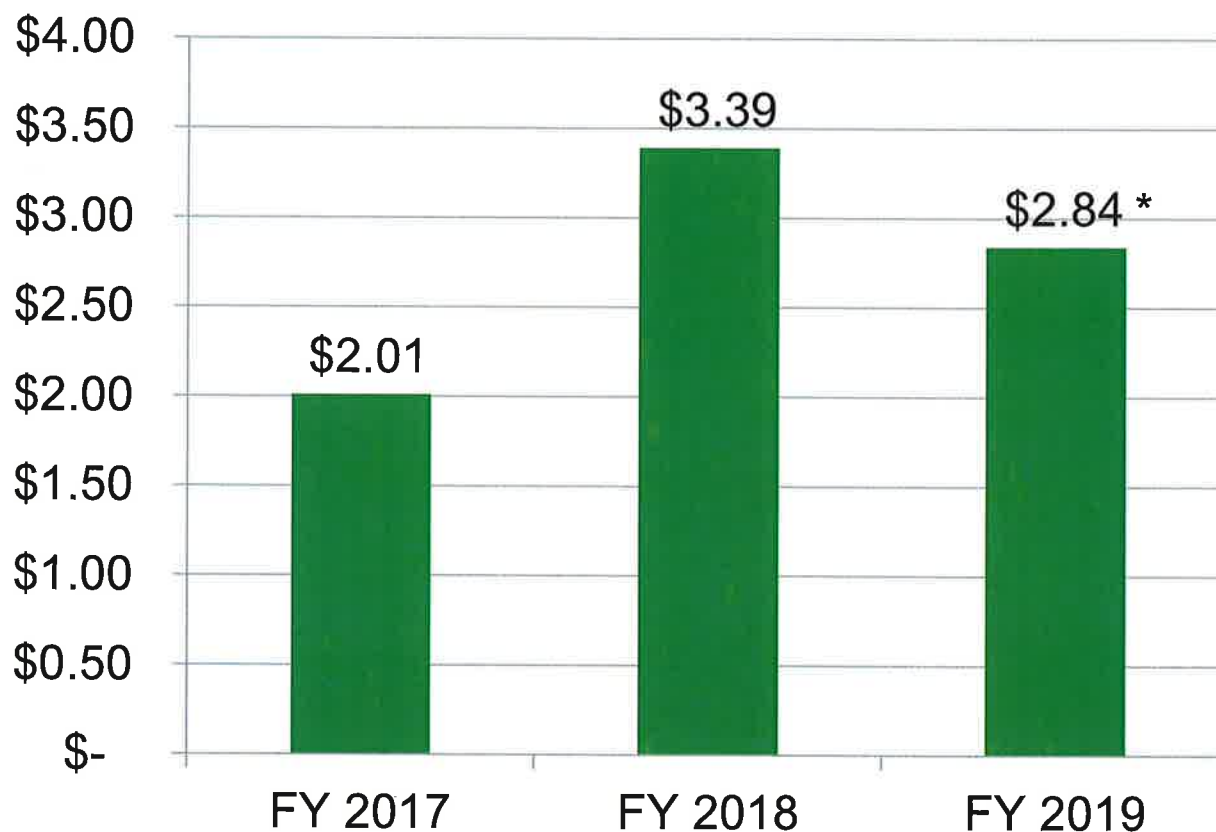
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# 3 Year Net Sales Growth (in millions \$)

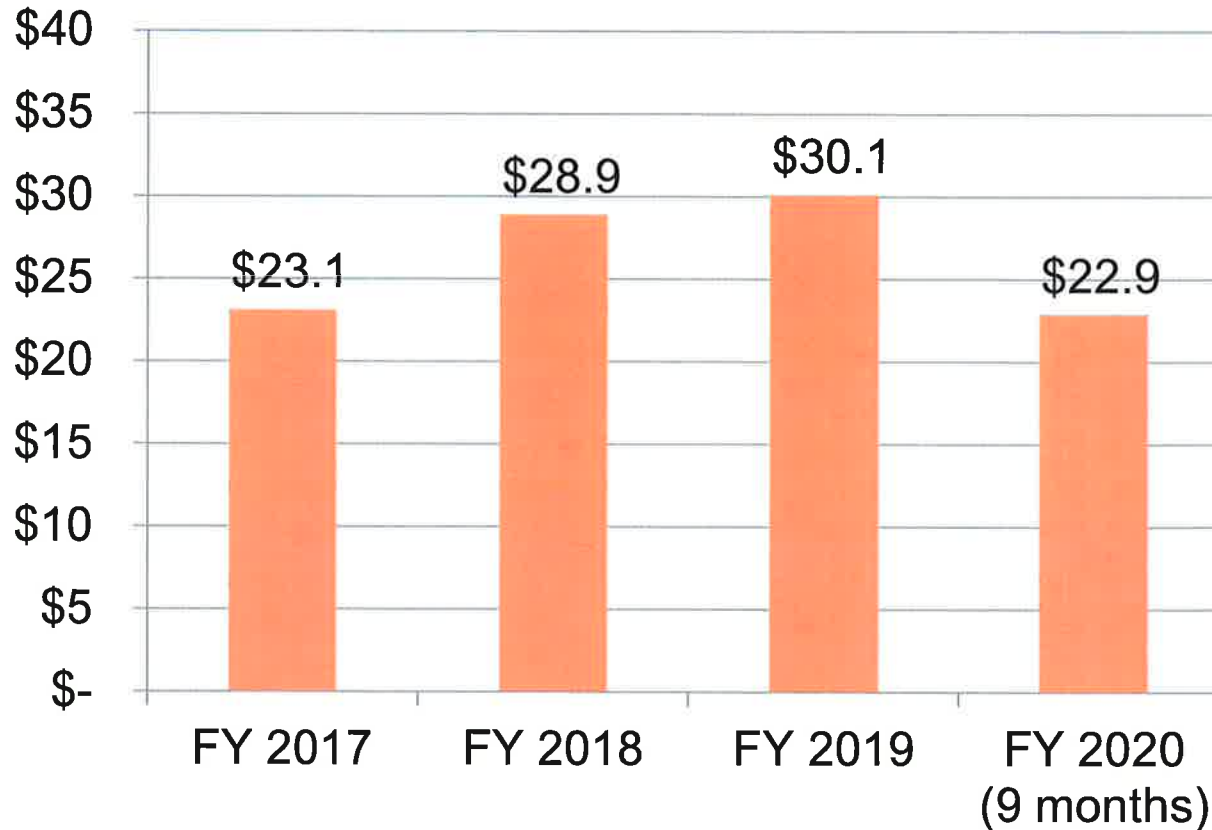


# 3 Year Adjusted EPS



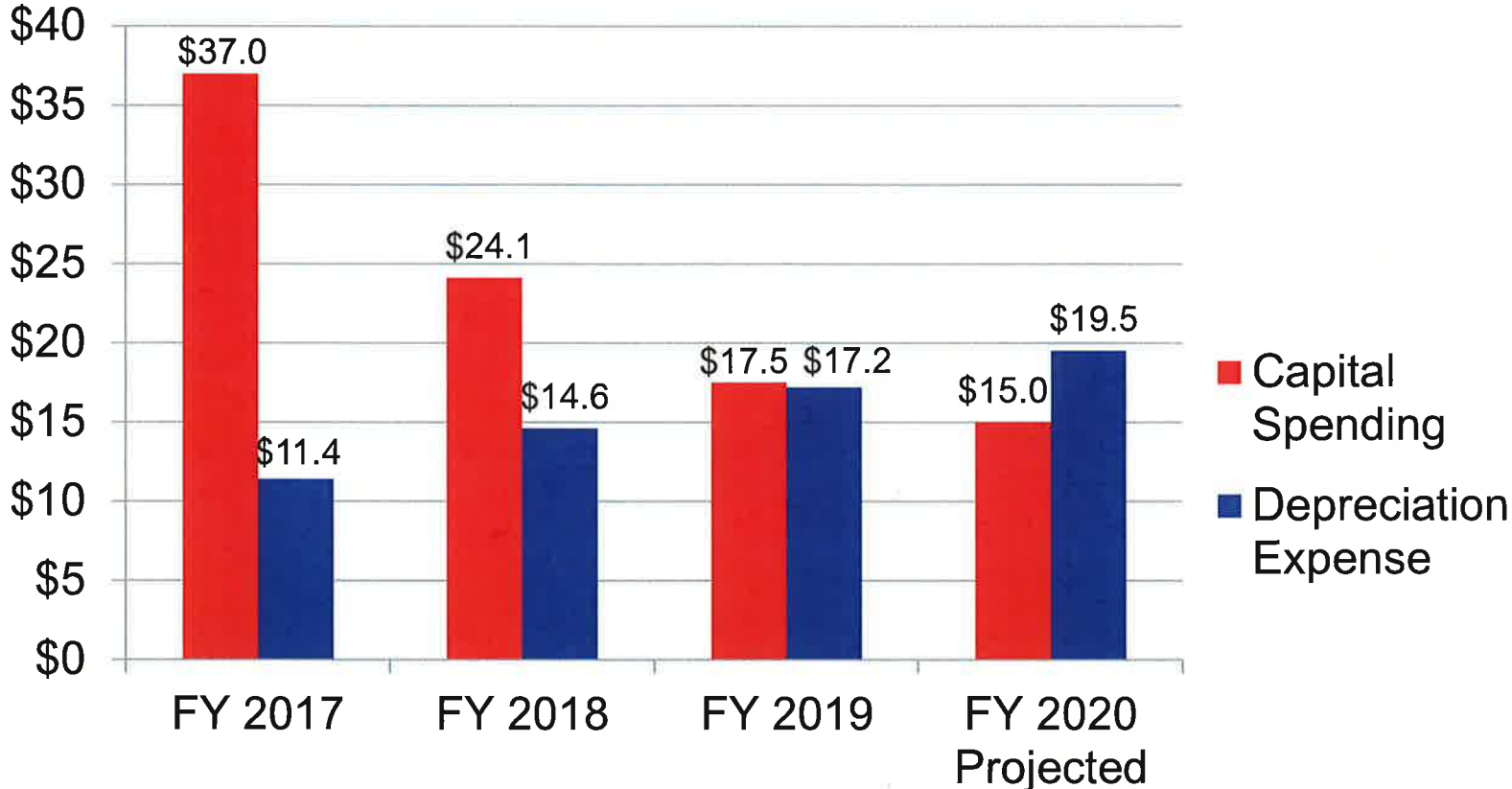
\*Adjusted for Non-Cash Pension Settlement and compensation charges of \$36.0 million pre-tax.

# 3 Year EBITDA Summary



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.

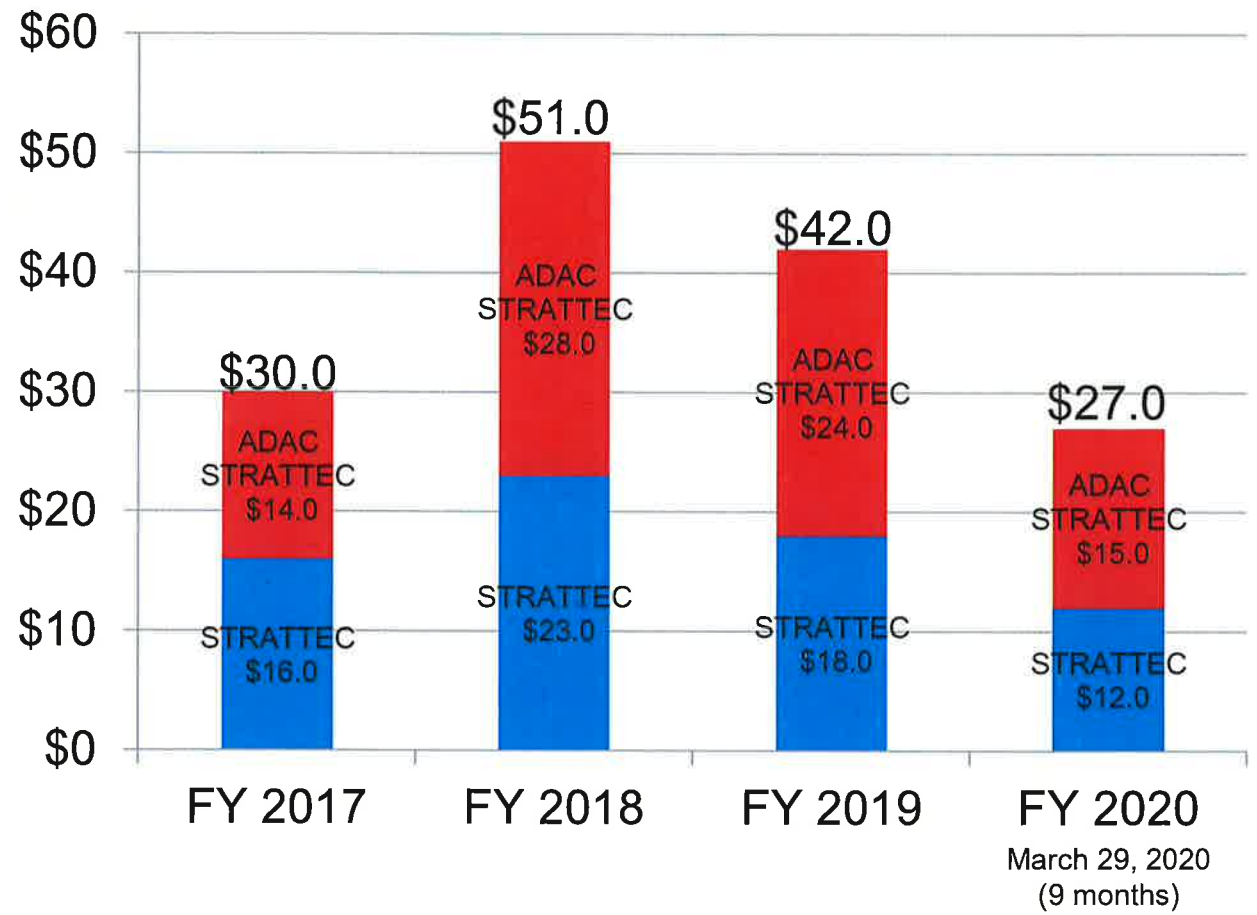
### 3 Fiscal Year End Capital Spending, Depreciation Expense and Projected FY 2020 (in millions \$)



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 as of March 29, 2020 (in millions \$)



# Capitalization as of March 29, 2020, June 30, 2019 and July 1, 2018 (in millions \$)

	<u>March 29, 2020</u>	<u>June 30, 2019</u>	<u>July 1, 2018</u>
Total Debt	\$27.0	\$42.0	\$51.0
Less: Cash & Cash Equivalents	<u>(\$10.2)</u>	<u>(\$7.8)</u>	<u>(\$8.1)</u>
Total Net Debt	\$16.8	\$34.2	\$42.9
Shareholders' Equity Attributable to STRATTEC	\$162.3	\$163.4	\$162.2
Total Net Debt as a % of Shareholders' Equity	10.4%	20.9%	26.4%
Book Value per Share	\$43.07	\$44.45	\$43.80
NASDAQ Market Share Price	\$14.50	\$24.80	\$30.55

- During the 1<sup>st</sup> and 2<sup>nd</sup> quarters of fiscal 2020, STRATTEC had lost sales of \$10 million due to the strike at General Motors. The impact of COVID -19 OEM Plant closures in the Third Quarter reduced sales by \$7 million.
- The impact of the OEM assembly plant closures during April 2020 and May 2020 will reduce net sales 50-60% in the current quarter due to COVID-19.
- Capital spending will be in the \$15 million range during fiscal year 2020 compared to \$17.5 million in fiscal year 2019. Going forward, capital spending will be approximately \$12 million.
- STRATTEC Defined Benefit Pension Plan was terminated in fiscal year 2019. This Plan termination removed significant financial statement risk for STRATTEC both on the balance sheet and income statement going forward.
- We have \$65 million of credit facilities available with BMO Harris Bank with current borrowings outstanding of \$27.0 million as of March 29, 2020.
- The Company will be increasing our borrowings during the next several quarters due to the impact of reduced sales from COVID-19 and subsequent sales ramp up for working capital requirements.
- Our overall capital allocation strategy is to continue to pay down on our credit facility over the next two to three years.
- The quarterly dividend was temporarily suspended during the 4<sup>th</sup> quarter to preserve cash. Similar action was done in 2009 during the “Great Recession”.

# Frank J. Krejci

(CRAY' CHEE)

## President & CEO



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# Product Information

## Locksets & Keyfobs



## Start Systems, Column Locks (mechanical and electrical)





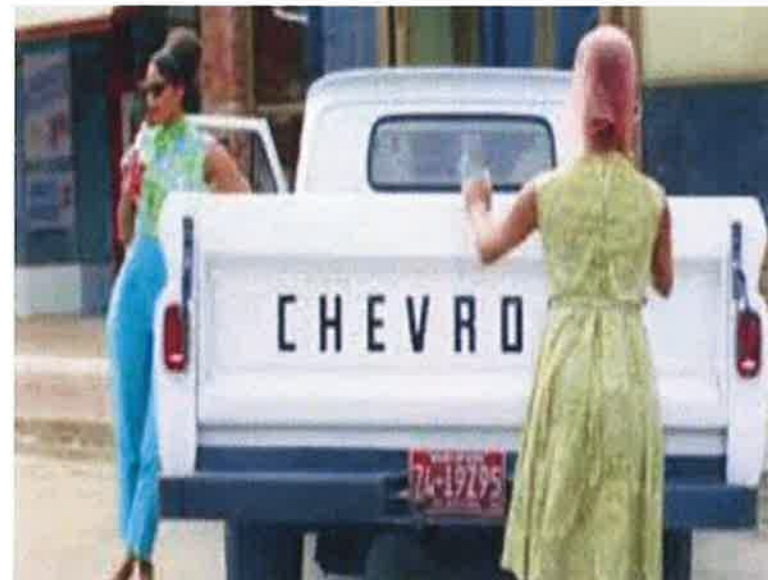
## Latch Products



## Power Access Systems



- 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.



- Winner of two PACE awards in 2018 and 2019 and GM Innovation award

- Chevrolet Silverado projected take rate 15%-20%
- Ford F-series Pickups projected take rate 15%-20%
- Opportunity for higher sales content if consumer acceptance is greater than 20%



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

d/b/a

VAST Automotive Group



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- Unique joint venture partnership (STRATTEC, ADAC, and WITTE)
- Shared technology
- Joint investments outside of our home markets of North America and Europe





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



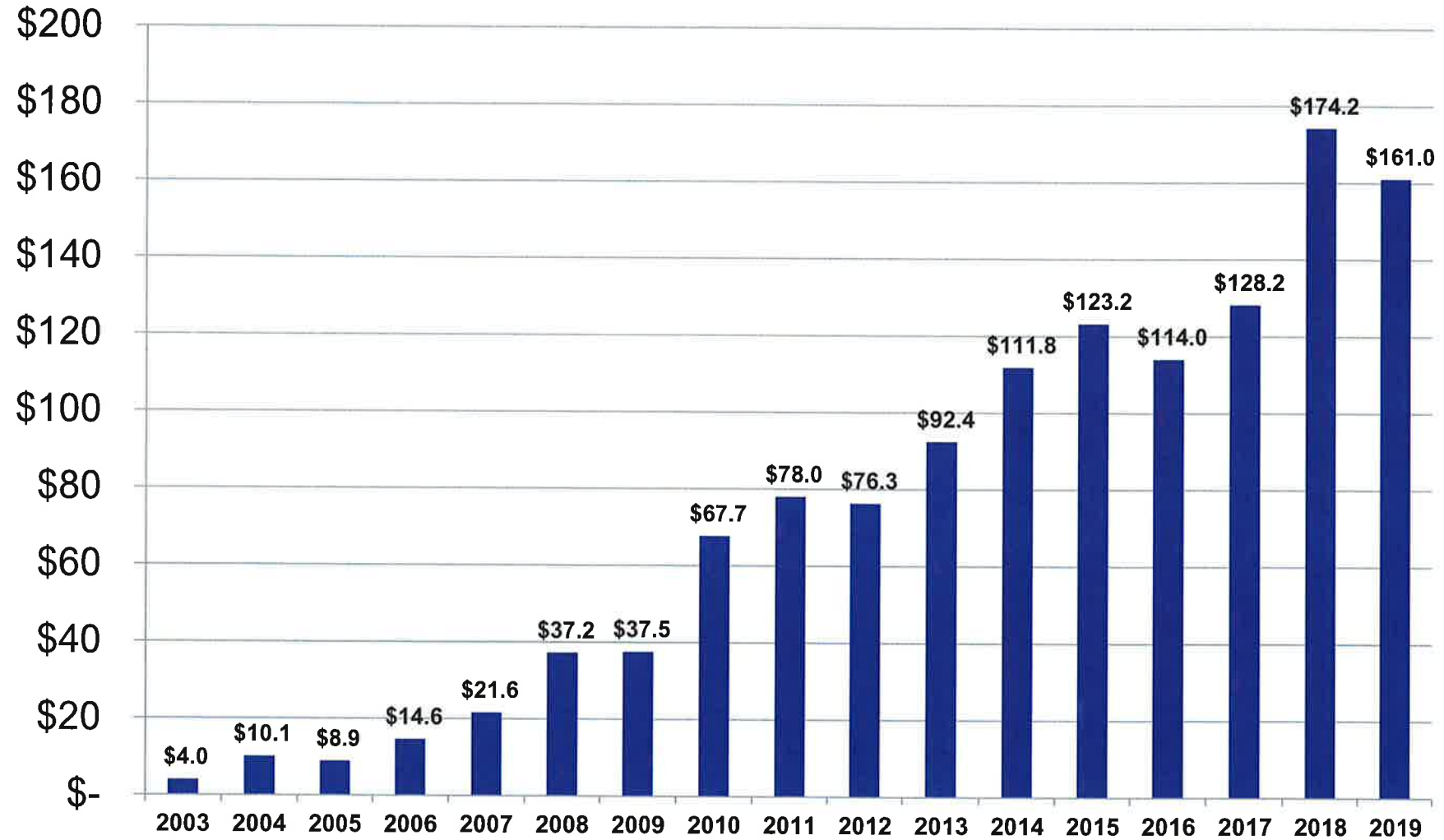
The mission of **VAST** is to provide a global presence by sharing information, technology, & best-practices through executing strategies that anticipate development in global markets & support expectations of our targeted & strategic customers





- \$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

In Millions  
Of US Dollars



- 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

# Statements of Income

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



	YTD Mar 2020	% of Net Sales	YTD Mar 2019	% of Net Sales
Net Sales	\$ 343,183		\$ 358,302	
Cost of Goods Sold	297,212	86.6%	314,701	87.8%
Non Cash Compensation Expense	2,742	0.8%	-	0.0%
Gross Profit	43,229	12.6%	43,601	12.2%
Engineering, Selling, & Administrative Expense	34,044	9.9%	33,222	9.3%
Non Cash Compensation Expense	1,731	0.5%	-	0.0%
Total Expense	35,775	10.4%	33,222	9.3%
Operating Income	7,454	2.2%	10,379	2.9%
Interest Expense	(792)	(0.2%)	(1,224)	(0.3%)
Gain (Loss) on Investment in VAST	36	0.0%	2,427	0.7%
Loss -Pension Termination	-	0.0%	(32,434)	(9.1%)
Miscellaneous Income (Expense)	994	0.3%	(274)	(0.1%)
Income Before Income Tax	7,692	2.2%	(21,126)	(5.9%)
Income Tax Provision (Benefit)	1,194	0.3%	(6,994)	(2.0%)
Net Income	6,498	1.9%	(14,132)	(3.9%)
Less: Net Income Attributable to Non-Controlling Interest	(3,601)	-1.0%	(2,835)	-0.8%
Net Income Attributable to STRATTEC	\$ 2,897	0.8%	\$ (16,967)	-4.7%
Weighted Average Shares	3,752		3,670	
Diluted Earnings Per Share	\$ 0.77		\$ (4.62)	
Adjusted Diluted Earnings Per Share	\$ 1.68		\$ 2.11	



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



	<u>March 29, 2020</u>	<u>June 30, 2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 10,173	\$ 7,809
Receivables, net	72,805	84,230
Inventories, net	58,348	47,262
Other Current Assets	<u>15,216</u>	<u>17,331</u>
Total Current Assets	156,542	156,632
Investment in Joint Ventures	23,190	23,528
Other Long Term Assets	10,363	14,456
Property, Plant and Equipment, net	<u>107,416</u>	<u>118,120</u>
	<u>\$ 297,511</u>	<u>\$ 312,736</u>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts Payable	\$ 43,104	\$ 41,889
Other	<u>32,968</u>	<u>37,374</u>
Total Current Liabilities	76,072	79,263
Accrued Pension and Post Retirement Obligations	2,403	2,425
Borrowings Under Credit Facility	27,000	42,000
Other Long-term Liabilities	4,781	1,232
Shareholders' Equity	320,289	317,681
Accumulated Other Comprehensive Loss	(22,270)	(18,568)
Less: Treasury Stock	<u>(135,676)</u>	<u>(135,725)</u>
Total STRATTEC SECURITY CORPORATION Shareholders' Equity	162,343	163,388
Non-Controlling Interest	<u>24,912</u>	<u>24,428</u>
Total Shareholders' Equity	187,255	187,816
	<u>\$ 297,511</u>	<u>\$ 312,736</u>



# Cash Flow Statement

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



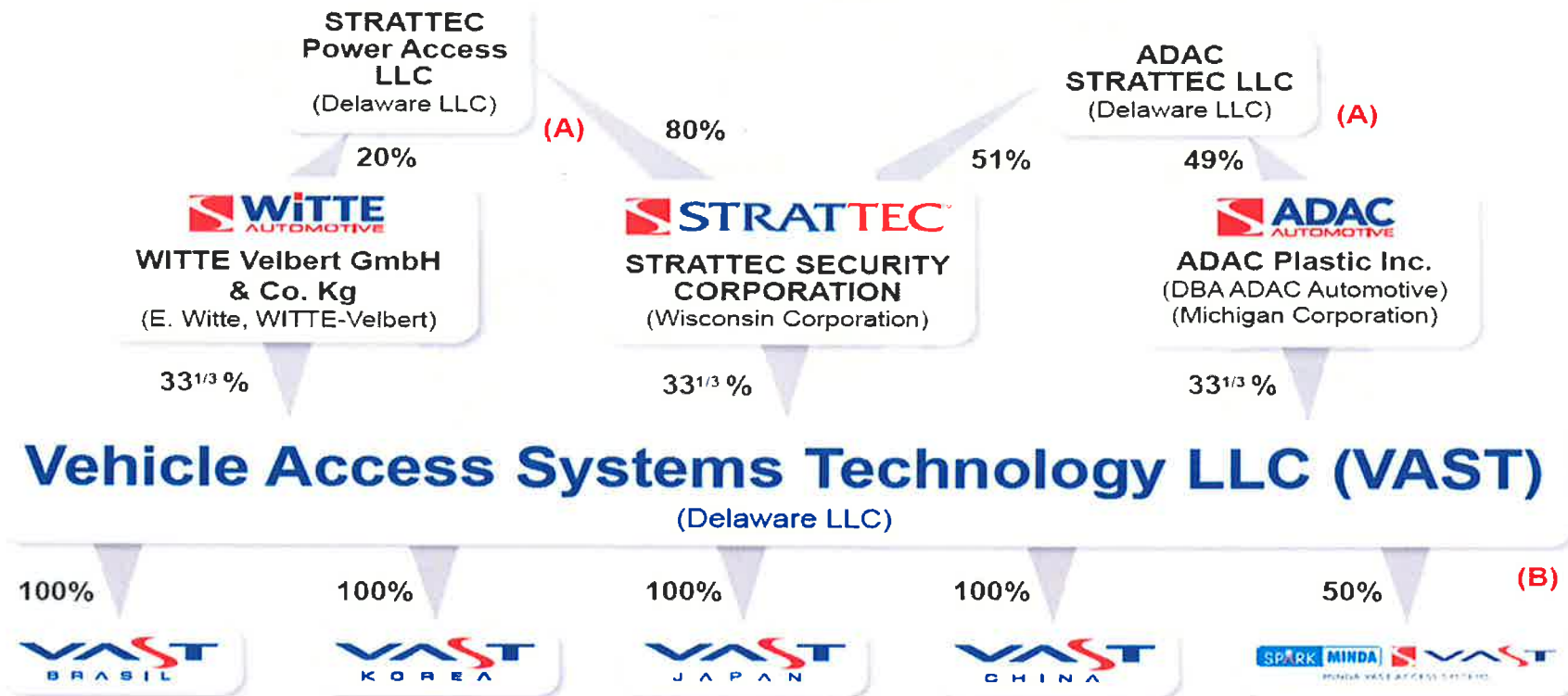
	YTD Mar 2020	YTD Mar 2019
<b>Cash Flows From Operating Activities:</b>		
Net Income (Loss)	\$ 6,498	\$ (14,132)
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation	14,349	12,543
Equity Earnings in Joint Ventures	(55)	(2,451)
Foreign Currency Transaction Loss (Gain)	(2,067)	261
Unrealized (Gain) Loss on Peso Contracts	1,048	(116)
Pension (Experience Gain) Settlement Charge	(84)	32,434
Stock Option Compensation Expense	789	867
Non-cash Comp Exp-Excess Pension Assets	4,473	-
Deferred Tax Provision	(1,032)	(8,131)
Change in Operating Assets/Liabilities	5,409	3,727
Other, net	606	(281)
<b>Net Cash From Operating Activities</b>	<b>29,934</b>	<b>24,721</b>
<b>Cash Flow From Investing Activities:</b>		
Additions to Property, Plant and Equipment	(10,307)	(13,750)
Proceeds Received on Sale of Property, Plant and Equipment	29	12
<b>Net Cash Used In Investing Activities</b>	<b>(10,278)</b>	<b>(13,738)</b>
<b>Cash Flow From Financing Activities:</b>		
Borrowings on Credit Facility	-	2,000
Repayments of Borrowings under Credit Facility	(15,000)	(9,000)
Dividends Paid to Non-Controlling Interest	(980)	(1,384)
Dividends Paid	(1,572)	(1,546)
Exercise of Stock Options and Employee Stock Purchases	543	244
<b>Net Cash From Financing Activities</b>	<b>(17,009)</b>	<b>(9,686)</b>
Foreign Currency Impact on Cash	(283)	(185)
<b>Net Change In Cash and Cash Equivalents</b>	<b>2,364</b>	<b>1,112</b>
Cash and Cash Equivalents - Beginning	7,809	8,090
Cash and Cash Equivalents - Ending	<u>\$ 10,173</u>	<u>\$ 9,202</u>



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**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)"



## VAST Formed: 2000



- 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)

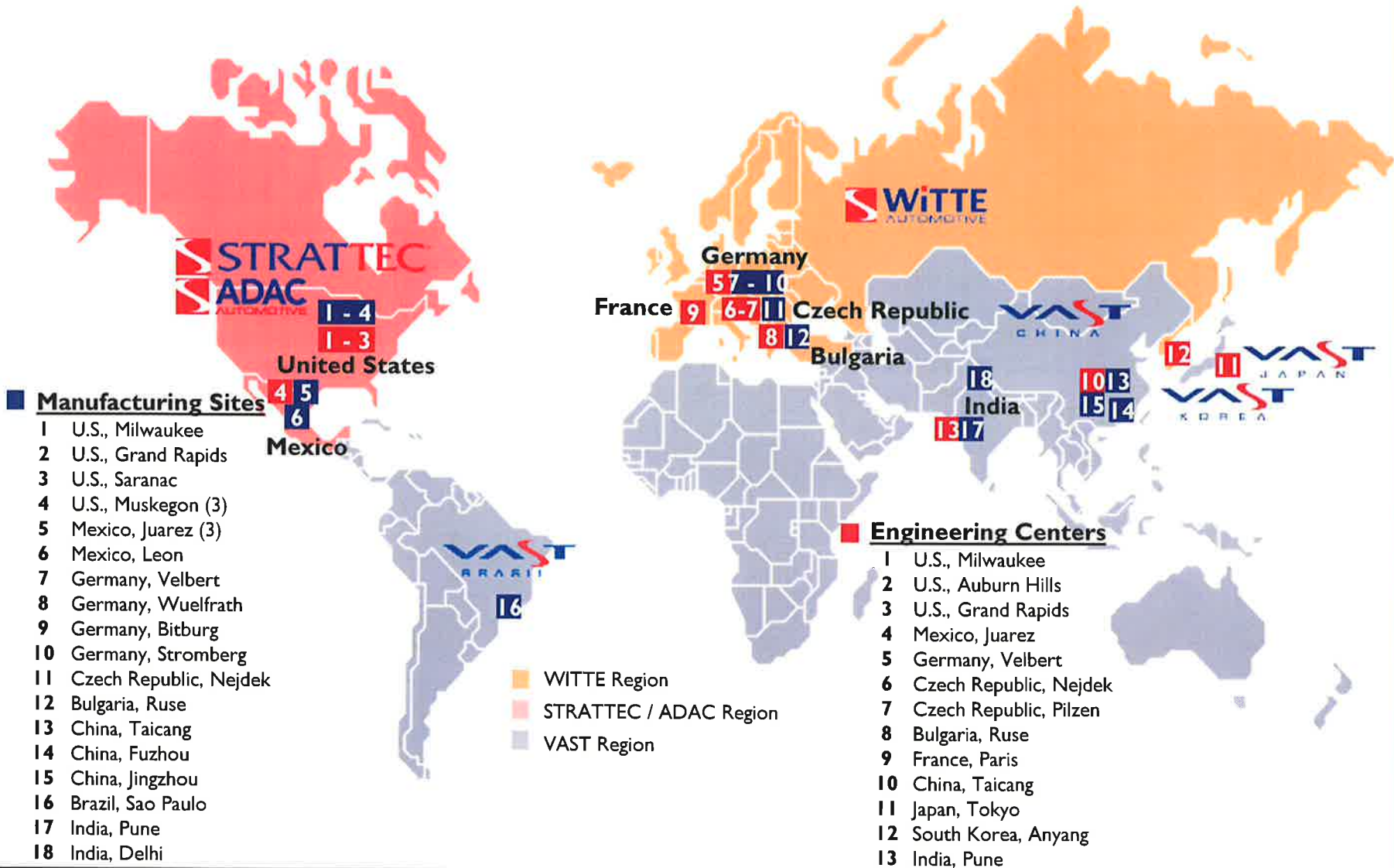


- 16.6% Ownership by STRATTEC (2015)



VEHICLE ACCESS SYSTEMS TECHNOLOGY









## Passenger Vehicle Manufacturers



## Commercial Vehicle Manufacturers



## System Suppliers

