



STRATTEC SECURITY CORPORATION Reports Fiscal 2015 Second Quarter Results

January 29, 2015

MILWAUKEE, Jan. 29, 2015 (GLOBE NEWSWIRE) -- STRATTEC SECURITY CORPORATION (Nasdaq:STRT) ("STRATTEC" or the "Company") today reported operating results for the fiscal second quarter ended December 28, 2014.

Net sales for the Company's second quarter ended December 28, 2014 were \$102.0 million, compared to net sales of \$81.5 million for the second quarter ended December 29, 2013. Net income for the current quarterly period was \$5.8 million, compared to net income of \$3.9 million in the prior year quarter. Diluted earnings per share for the current quarterly period were \$1.58 compared to diluted earnings per share of \$1.09 during the prior year quarter.

For the six months ended December 28, 2014, net sales were \$224.2 million compared to net sales of \$161.1 million during the prior year six month period. Net income during the current year six month period was \$15.1 million compared to net income of \$7.1 million during the prior year six month period. Diluted earnings per share were \$4.13 for the current year six month period ended December 28, 2014 compared to diluted earnings per share of \$2.00 for the prior year six month period ended December 29, 2013.

Net sales to each of our customers or customer groups in the current year quarter and prior year quarter were as follows (in millions):

	Three Months Ended	
	December 28, 2014	December 29, 2013
Chrysler Group LLC	\$ 32.8	\$ 28.7
General Motors Company	23.7	16.0
Ford Motor Company	11.6	11.3
Tier 1 Customers	17.1	15.2
Commercial and Other OEM Customers	8.9	8.6
Hyundai / Kia	7.9	1.7
TOTAL	\$ 102.0	\$ 81.5

The increase in sales to General Motors Company in the current year quarter was primarily attributed to incremental service parts sales of \$6 million. The service parts sales are expected to be at more normal levels during the third quarter and the remainder of our 2015 fiscal year. Higher vehicle production volumes, and greater product content on vehicle models for which we supply components that were introduced for the 2015 model year also contributed to the sales increase.

Increased sales to Chrysler Group LLC in the current year quarter were primarily due to higher customer vehicle production volumes and increased content on models for which we supply components. Sales to Ford Motor Company in the current year quarter were flat. Sales to Tier 1 Customers during the current year quarter increased in comparison to the prior year quarter. These customers primarily represent purchasers of vehicle access control products, such as latches, fobs, and driver controls, that we have developed in recent years to complement our historic core business of locks and keys. The increase in sales to Hyundai / Kia in the current year quarter was principally due to the continued ramp-up of a new model introduction for which we supply components.

Gross profit margins were 18.1 percent in the current year quarter compared to 19.6 percent in the prior year quarter. The benefits of higher customer production volumes and favorable Mexican Peso to U.S. Dollar exchange rate affecting our Mexican Operations were negatively impacted by an unfavorable product sales mix and higher costs associated with new product launches, thus adversely affecting our gross profit margin in the current year quarter.

Engineering, Selling and Administrative expenses as a percent of net sales in the current year quarter decreased to 10.3% from 11.4% in comparison to the prior year quarter.

Included in "Other Income, Net" in the current year quarter compared to the prior year quarter were the following items (in thousands of dollars):

	December 28, December 29,	
	2014	2013
Equity Earnings of VAST LLC Joint Venture	\$ 142	\$ 389
Equity Loss of NextLock LLC Joint Venture	(263)	(92)

Foreign Currency Transaction Gain (Loss)	1,635	(174)
Other	188	120
	<u>\$ 1,702</u>	<u>\$ 243</u>

Frank Krejci, President and CEO commented: "During the quarter, we continued to benefit from a strong automotive market and new product introductions that have resulted in growth of sales and profits compared to last year. We began moving into two purchased facilities to expand manufacturing capacity in Juarez, Mexico and to consolidate Detroit-area sales and engineering efforts in Auburn Hills, Michigan.

"For calendar year 2014, shareholders experienced a total return exceeding 85%. We are extremely pleased that our overall Company performance has been recognized and appreciated. Next month, STRATTEC will celebrate its 20th anniversary as an independent public company. During that time, we have evolved from a North American Company with a single product to a global Company with a family of access products. Recent efforts toward complimentary product diversification has further stimulated fresh thinking in our core business. We are encouraged that our associates, both hourly and salaried, have responded so positively to the strategic initiatives which have influenced our current positive results."

Outlook Going Forward

Chrysler has announced that they are planning an extended downtime or shutdown from February 16, 2015 through May, 24 2015 for their Windsor, Canada Assembly Plant in preparation of their changeover to the production of the new Chrysler minivan. In the event this shutdown does occur for the time period previously announced, the shutdown is expected to result in lost power access and lockset product sales estimated to be between \$15-\$17 million.

STRATTEC designs, develops, manufactures and markets automotive Access Control Products, including mechanical locks and keys, electronically enhanced locks and keys, steering column and instrument panel ignition lock housings, latches, power sliding side door systems, power lift gate systems, power deck lid systems, door handles and related products. These products are provided to customers in North America, and on a global basis through a unique strategic relationship with WITTE Automotive of Velbert, Germany and ADAC Automotive of Grand Rapids, Michigan. Under this relationship, STRATTEC, WITTE and ADAC market each member company's products to global customers under the "VAST" brand name. STRATTEC's history in the automotive business spans over 100 years.

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 in this release 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, foreign currency fluctuations, and fluctuations in costs of operations (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.

STRATTEC SECURITY CORPORATION

Results of Operations

(In Thousands except per share amounts)

(Unaudited)

	Second Quarter Ended		Six Months Ended	
	December 28, 2014	December 29, 2013	December 28, 2014	December 29, 2013
Net Sales	\$ 101,990	\$ 81,484	\$ 224,232	\$ 161,079
Cost of Goods Sold	<u>83,538</u>	<u>65,541</u>	<u>177,723</u>	<u>130,621</u>
Gross Profit	18,452	15,943	46,509	30,458
Engineering, Selling & Administrative Expenses	<u>10,490</u>	<u>9,250</u>	<u>23,677</u>	<u>18,720</u>
Income from Operations	7,962	6,693	22,832	11,738

Interest Income	43	21	65	27
Interest Expense	(11)	(15)	(22)	(29)
Other Income, Net	<u>1,702</u>	<u>243</u>	<u>2,680</u>	<u>816</u>
Income Before Provision for Income Taxes and Non-Controlling Interest	9,696	6,942	25,555	12,552
Provision for Income Taxes	<u>2,795</u>	<u>2,261</u>	<u>8,314</u>	<u>4,017</u>
Net Income	6,901	4,681	17,241	8,535
Net Income Attributable to Non-Controlling Interest	<u>(1,123)</u>	<u>(808)</u>	<u>(2,163)</u>	<u>(1,451)</u>
Net Income Attributable to STRATTEC SECURITY CORPORATION	<u>\$ 5,778</u>	<u>\$ 3,873</u>	<u>\$ 15,078</u>	<u>\$ 7,084</u>
Earnings Per Share:				
Basic	<u>\$ 1.62</u>	<u>\$ 1.11</u>	<u>\$ 4.25</u>	<u>\$ 2.05</u>
Diluted	<u>\$ 1.58</u>	<u>\$ 1.09</u>	<u>\$ 4.13</u>	<u>\$ 2.00</u>
Average Basic Shares Outstanding	3,518	3,413	3,507	3,397
Average Diluted Shares Outstanding	3,612	3,487	3,603	3,473
Other				
Capital Expenditures	\$ 9,992	\$ 3,574	\$ 16,955	\$ 6,450
Depreciation & Amortization	\$ 2,149	\$ 2,055	\$ 4,261	\$ 4,167

STRATTEC SECURITY CORPORATION

**Condensed Balance Sheet Data
(In Thousands)**

December 28, 2014 June 29, 2014
(Unaudited)

ASSETS

Current Assets:	\$ 19,843	\$ 19,756
Cash and cash equivalents	61,537	68,822
Receivables, net	38,893	30,502
Inventories, net	<u>16,143</u>	<u>16,559</u>

Other current assets	136,416	135,639
Total Current Assets	10,687	9,977
Investment in Joint Ventures	12,862	11,639
Other Long Term Assets	<u>67,275</u>	<u>55,781</u>
Property, Plant and Equipment, Net	<u>\$ 227,240</u>	<u>\$ 213,036</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts Payable	\$ 33,179	\$ 36,053
Other	<u>31,151</u>	<u>29,210</u>
Total Current Liabilities	64,330	65,263
Accrued Pension and Post Retirement Obligations	3,547	3,842
Borrowings Under Credit Facility	3,500	2,500
Deferred Income Taxes	5,184	5,127
Other Long-term Liabilities	1,440	1,401
Shareholders' Equity	297,257	281,623
Accumulated Other Comprehensive Loss	(22,562)	(20,198)
Less: Treasury Stock	<u>(135,912)</u>	<u>(135,919)</u>
Total STRATTEC SECURITY CORPORATION Shareholders' Equity	138,783	125,506
Non-Controlling Interest	<u>10,456</u>	<u>9,397</u>
Total Shareholders' Equity	<u>149,239</u>	<u>134,903</u>
	<u>\$ 227,240</u>	<u>\$ 213,036</u>

STRATTEC SECURITY CORPORATION

Condensed Cash Flow Statement Data

(In Thousands)

(Unaudited)

	Second Quarter Ended		Six Months Ended	
	December 28, 2014	December 29, 2013	December 28, 2014	December 29, 2013

Cash Flows from Operating Activities:

Net Income	\$ 6,901	\$ 4,681	\$ 17,241	\$ 8,535
Adjustments to Reconcile Net Income to				
Cash Provided by Operating Activities:				
Equity Loss (Earnings) in Joint Ventures	121	(297)	(69)	(591)
Depreciation and Amortization	2,149	2,055	4,261	4,167
Foreign Currency Transaction (Gain) Loss	(1,635)	174	(2,421)	(38)
Stock Based Compensation Expense	311	276	700	630
Change in Operating Assets/Liabilities	570	4,030	(2,185)	(6,010)
Other, net	<u>32</u>	<u>(12)</u>	<u>157</u>	<u>74</u>

Net Cash Provided by Operating Activities	8,449	10,907	17,684	6,767
Cash Flows from Investing Activities:				
Investment in Joint Ventures	(384)	--	(384)	--
Loan to Joint Venture	--	--	(215)	--
Additions to Property, Plant and Equipment	(9,992)	(3,574)	(16,955)	(6,450)
Proceeds from Sale of Property and Equipment	--	13	--	21
Net Cash Used in Investing Activities	(10,376)	(3,561)	(17,554)	(6,429)
Cash Flow from Financing Activities:				
Borrowings on Line of Credit Facility	--	--	1500	750
Payments on Line of Credit Facility	(500)	--	(500)	--
Dividends Paid to Non-Controlling Interest of Subsidiary	--	--	(882)	(984)
Dividends Paid	(427)	(384)	(854)	(764)
Exercise of Stock Options and Employee Stock Purchases	274	691	714	789
Net Cash (Used in) Provided by Financing Activities	(653)	307	(22)	(209)
Effect of Foreign Currency Fluctuations on Cash	(122)	(71)	(21)	(48)
Net (Decrease) Increase in Cash & Cash Equivalents	(2,702)	7,582	87	81
Cash and Cash Equivalents:				
Beginning of Period	22,545	12,806	19,756	20,307
End of Period	\$ 19,843	\$20,388	\$ 19,843	\$ 20,388

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