

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): April 25, 2019

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 I.D. Number)

3333 West Good Hope Road
Milwaukee, WI

(Address of Principal Executive Offices)

53209

(Zip Code)

(414) 247-3333

(Registrant's telephone number; including area code)

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 (*see* General Instruction A.2. below):

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

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 April 25, 2019, STRATTEC SECURITY CORPORATION issued a press release (the “Press Release”) announcing results for the fiscal third quarter ended March 31, 2019. A copy of the Press Release is attached as Exhibit 99.1 to this report. The attached Exhibit 99.1 is furnished pursuant to Item 2.02 of Form 8-K.

The information in this Form 8-K and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

Section 9 - Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[99.1](#) -- Press Release of STRATTEC SECURITY CORPORATION, issued April 25, 2019.

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 thereunto duly authorized.

Date: April 25, 2019

STRATTEC SECURITY CORPORATION

By: /s/ Patrick J. Hansen

Patrick J. Hansen, Senior Vice President and
Chief Financial Officer



FOR RELEASE AT 3:00 PM CST

Contact: Pat Hansen
Senior Vice President and
Chief Financial Officer
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STRATTEC SECURITY CORPORATION

REPORTS FISCAL 2019 THIRD QUARTER OPERATING RESULTS

Milwaukee, Wisconsin – April 25, 2019 -- STRATTEC SECURITY CORPORATION (NASDAQ:STRT) today reported operating results for the fiscal third quarter ended March 31, 2019.

Net sales for the Company's third quarter ended March 31, 2019 were \$128.2 million, compared to net sales of \$116.8 million for the third quarter ended April 1, 2018. Net income for the current year quarterly period was \$1.7 million, compared to net income of \$3.0 million in the prior year quarter. Diluted earnings per share for the current year quarterly period were \$0.46 compared to diluted earnings per share of \$0.80 in the prior year quarter.

For the nine months ended March 31, 2019, the Company's net sales were \$358.3 million compared to net sales of \$322.5 million in the prior year nine month period. Net loss during the current year nine month period was \$17.0 million compared to net income of \$8.3 million in the prior year nine month period. Diluted loss per share was \$4.62 for the nine month period ended March 31, 2019 compared to diluted earnings per share of \$2.24 during the nine month period ended April 1, 2018.

During the second quarter ended December 30, 2018, the Company completed a substantial portion of terminating the STRATTEC Pension Plan that was previously frozen on December 31, 2009. A non-cash pre-tax pension settlement charge of \$32.4 million was recorded during our second quarter ended December 30, 2018 that reduced diluted earnings per share by \$6.73, or \$24.8 million, on an after tax basis. Without the pension settlement charge adjusted diluted earnings per share for the nine months ended March 31, 2019 would have been \$2.11. See the following table for further explanation.

STRATTEC SECURITY CORPORATION

RECONCILIATION OF NON-GAAP PERFORMANCE MEASURES TO GAAP PERFORMANCE MEASURES

(in thousands, except share and earnings per share data)

	Nine Months Ended	
	March 31, 2019	April 1, 2018
	Unaudited	Unaudited
Net (loss) income (GAAP measure)	\$ (16,967)	\$ 8,307
Pension termination settlement charge, net of tax	24,812	-
Adjusted net income	\$ 7,845	\$ 8,307
Diluted (loss) earnings per share (GAAP measure)	\$ (4.62)	\$ 2.24
Pension termination settlement charge, net of tax	6.73	-
Adjusted diluted earnings per share	\$ 2.11	\$ 2.24

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

	Three Months Ended	
	March 31, 2019	April 1, 2018
Fiat Chrysler Automobiles	\$ 29,917	\$ 31,282
General Motors Company	30,969	22,417
Ford Motor Company	15,942	18,062
Tier 1 Customers	20,078	19,027
Commercial and Other OEM Customers	22,794	21,714
Hyundai / Kia	8,530	4,321
TOTAL	\$ 128,230	\$ 116,823

Sales to Fiat Chrysler Automobiles in the current year quarter decreased in comparison to the prior year quarter due to lower vehicle production volumes on the components we supply. The increase in sales to General Motors Company in the current year quarter compared to the prior year quarter related primarily to higher sales content on models for which we supply components, in particular power access products and latches. Sales to Ford Motor Company decreased in the current year quarter due to a combination of discontinued models and lower production volumes on the vehicles for which we supply components compared to the prior year quarter. Sales to Tier 1 Customers increased in the current year quarter due to higher sales of our door handle and component products. Sales to Commercial and Other OEM Customers during the current year quarter increased in comparison to the prior year quarter mainly due to increases in sales related to painted door handle programs for Volkswagen. These Commercial and Other OEM Customers, along with the Tier 1 Customers, primarily represent purchasers of vehicle access control products, such as latches, fobs, driver controls and door handles that we have developed in recent years to complement our historic core business of locks and keys. The increased sales to Hyundai / Kia in the current year quarter were principally due to higher levels of production of the Kia Sedona minivan for which we supply primarily power sliding door components.

Gross profit margins were 12.2 percent in the current year quarter compared to 13.0 percent in the prior year quarter. The decrease in gross profit margin in the current year quarter compared to the prior year quarter was attributed to an increase in the Mexican minimum wage for our Mexican workforce effective January 1, 2019 and higher than expected production costs at our door handle paint and assembly facility in Leon, Mexico. Also, positively impacting gross margins in the current year quarter was a favorable product sales mix in comparison to the prior year quarter.

Engineering, Selling and Administrative expenses overall were higher in the current year quarter, however as a percent of net sales were 9.1 percent compared to 9.3 percent in the prior year quarter. The increase in overall operating expenses in the current year quarter was primarily due to higher outside expenditures on new product development costs associated with utilizing third party vendors for a portion of our development work.

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

	<u>March 31, 2019</u>	<u>April 1, 2018</u>
Equity Earnings of VAST LLC Joint Venture	\$ 25	\$ 703
Equity Earnings (Loss) of STRATTEC Advanced Logic LLC Joint Venture	41	(84)
Net Foreign Currency Realized and Unrealized Transaction Gain (Loss)	(47)	122
Other	256	36
	<u>\$ 275</u>	<u>\$ 777</u>

The decrease in Other Income, Net in the current year quarter from the prior year quarter was primarily related to lower profitability at our VAST LLC China operation. We continue to invest in the growing China market with higher development costs for new programs and breaking ground for our new plant. It is in Jingzhou, China, which will give us added capacity, efficiencies and the advantage of a broader geographic footprint. Earnings were also impacted by a drop in sales which we believe was due to customers rebalancing inventories around the Chinese New Year holiday.

Frank Krejci, President & CEO commented: “I am disappointed to report lower earnings on higher sales this quarter compared to last year. Two reasons for the drop in profitability stand out. The Mexican government mandated doubling the minimum wage that was expected to be partially offset by tax benefits which did not happen. The other reason was lower sales in China, impacting our VAST LLC joint venture profitability.”

“While not reflected in earnings, after recent investments in supporting new business, operating cash flow improved significantly. As a result, our overall debt borrowings were reduced by \$7 million over the last nine months to \$44 million.”

“Shortly after the close of the quarter, our team at STRATTEC was honored as a winner of a PACE Award for innovation in the automotive industry. This is the second year in a row that we won, a remarkable feat given the number of companies eligible and the significant resources of some of the competition. The product which won this year’s PACE Award is a powered opening and closing tailgate which we successfully introduced for the Chevrolet Silverado pick-up. General Motors is now featuring it in commercials, hopefully growing demand within this important market segment.”

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 company's products to global customers under the "VAST Automotive Group" brand name. STRATTEC's history in the automotive business spans over 110 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, changes in warranty provisions and customer product recall policies, foreign currency fluctuations, 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.

Non-GAAP Financial Measures

This press release contains financial measures not prepared in accordance with generally accepted accounting principles (referred to as Non-GAAP), specifically “adjusted net income” and “adjusted diluted earnings per share.” “Adjusted net income” is defined as net (loss) income attributable to STRATTEC SECURITY CORPORATION shareholders excluding the pension termination settlement charge, net of tax. “Adjusted diluted earnings per share” is defined as “Adjusted net income” divided by average diluted shares of common stock outstanding. The Company believes that these Non-GAAP measures, when presented in conjunction with comparable GAAP measures, provide additional information for evaluating STRATTEC’s performance and are important measures by which STRATTEC’s management is able to assess the profitability and liquidity of STRATTEC’s business. These Non-GAAP measures should be considered in addition to, not as a substitute for or superior to, net income (loss) as a measure of operating performance. These Non-GAAP measures may be different than Non-GAAP financial measures used by other companies.

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

	<i>Third Quarter Ended</i>		<i>Nine Months Ended</i>	
	<u>March 31, 2019</u>	<u>April 1, 2018</u>	<u>March 31, 2019</u>	<u>April 1, 2018</u>
Net Sales	\$ 128,230	\$ 116,823	\$ 358,302	\$ 322,465
Cost of Goods Sold	<u>112,548</u>	<u>101,626</u>	<u>314,701</u>	<u>281,159</u>
Gross Profit	15,682	15,197	43,601	41,306
Engineering, Selling & Administrative Expenses	<u>11,721</u>	<u>10,839</u>	<u>33,222</u>	<u>31,033</u>
Income from Operations	3,961	4,358	10,379	10,273
Interest Income	-	1	-	8
Interest Expense	(413)	(305)	(1,224)	(761)
Pension Termination Settlement Charge	-	-	(32,434)	-
Other Income, Net	<u>275</u>	<u>777</u>	<u>2,153</u>	<u>3,472</u>
Income (Loss) before Provision (Benefit) for Income Taxes and Non-Controlling Interest	3,823	4,831	(21,126)	12,992
Provision (Benefit) for Income Taxes	<u>786</u>	<u>899</u>	<u>(6,994)</u>	<u>1,956</u>
Net Income (Loss)	3,037	3,932	(14,132)	11,036
Net Income Attributable to Non-Controlling Interest	<u>(1,307)</u>	<u>(963)</u>	<u>(2,835)</u>	<u>(2,729)</u>
Net Income (Loss) Attributable to STRATTEC SECURITY CORPORATION	<u>\$ 1,730</u>	<u>\$ 2,969</u>	<u>\$ (16,967)</u>	<u>\$ 8,307</u>
Earnings (Loss) Per Share:				
Basic	<u>\$ 0.47</u>	<u>\$ 0.82</u>	<u>\$ (4.62)</u>	<u>\$ 2.29</u>
Diluted	<u>\$ 0.46</u>	<u>\$ 0.80</u>	<u>\$ (4.62)</u>	<u>\$ 2.24</u>
Average Basic Shares Outstanding	3,684	3,634	3,670	3,625
Average Diluted Shares Outstanding	3,728	3,708	3,670	3,702
Other				
Capital Expenditures	\$ 4,148	\$ 5,033	\$ 13,550	\$ 19,382
Depreciation & Amortization	\$ 4,420	\$ 3,884	\$ 12,543	\$ 10,551

STRATTEC SECURITY CORPORATION**Condensed Balance Sheet Data
(In Thousands)**

	<u>March 31, 2019</u> <i>(Unaudited)</i>	<u>July 1, 2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 9,202	\$ 8,090
Receivables, net	87,847	73,832
Inventories, net	46,822	46,654
Other current assets	15,609	22,527
Total Current Assets	<u>159,480</u>	<u>151,103</u>
Investment in Joint Ventures	23,876	22,192
Other Long Term Assets	12,087	17,338
Property, Plant and Equipment, Net	117,841	116,542
	<u>\$ 313,284</u>	<u>\$ 307,175</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 46,207	\$ 38,439
Other	32,598	30,354
Total Current Liabilities	<u>78,805</u>	<u>68,793</u>
Accrued Pension and Post Retirement Obligations	2,322	2,379
Borrowings Under Credit Facility	44,000	51,000
Other Long-term Liabilities	831	1,757
Shareholders' Equity	317,984	331,375
Accumulated Other Comprehensive Loss	(17,737)	(33,439)
Less: Treasury Stock	(135,742)	(135,778)
Total STRATTEC SECURITY CORPORATION Shareholders' Equity	<u>164,505</u>	<u>162,158</u>
Non-Controlling Interest	22,821	21,088
Total Shareholders' Equity	<u>187,326</u>	<u>183,246</u>
	<u>\$ 313,284</u>	<u>\$ 307,175</u>

STRATTEC SECURITY CORPORATION
Condensed Cash Flow Statement Data
(In Thousands)
(Unaudited)

	<i>Third Quarter Ended</i>		<i>Nine Months Ended</i>	
	<u>March 31, 2019</u>	<u>April 1, 2018</u>	<u>March 31, 2019</u>	<u>April 1, 2018</u>
Cash Flows from Operating Activities:				
Net Income (Loss)	\$ 3,037	\$ 3,932	\$ (14,132)	\$ 11,036
Adjustment to Reconcile Net Income (Loss) to Cash Provided by Operating Activities:				
Equity Earnings in Joint Ventures	(66)	(619)	(2,451)	(3,118)
Depreciation and Amortization	4,420	3,884	12,543	10,551
Foreign Currency Transaction Loss	192	592	261	173
Unrealized (Gain) Loss on Peso Forward Contracts	(23)	(392)	(116)	687
Stock Based Compensation Expense	241	250	867	871
Pension Settlement Charge	-	-	32,434	-
Deferred Income taxes	-	-	(8,131)	(1,710)
Change in Operating Assets/Liabilities	(2,805)	(4,972)	3,727	(14,744)
Other, net	<u>3</u>	<u>(11)</u>	<u>(281)</u>	<u>(44)</u>
Net Cash Provided by Operating Activities	4,999	2,664	24,721	3,702
Cash Flows from Investing Activities:				
Investment in Joint Ventures	(200)	(125)	(200)	(125)
Repayment of Loan to Joint Venture	-	150	-	300
Additions to Property, Plant and Equipment	(4,148)	(5,033)	(13,550)	(19,382)
Proceeds from Sale of Property, Plant and Equipment	-	10	12	12
Net Cash Used in Investing Activities	(4,348)	(4,998)	(13,738)	(19,195)
Cash Flows from Financing Activities:				
Borrowings Under Credit Facility	-	3,000	2,000	21,000
Repayment of Borrowings Under Credit Facility	(2,000)	(1,000)	(9,000)	(3,000)
Dividends Paid to Non-Controlling Interests of Subsidiaries	(400)	(200)	(1,384)	(2,217)
Dividends Paid	(517)	(508)	(1,546)	(1,525)
Exercise of Stock Options and Employee Stock Purchases	172	27	244	217
Net Cash (Used In) Provided by Financing Activities	(2,745)	1,319	(9,686)	14,475
Effect of Foreign Currency Fluctuations on Cash	<u>(77)</u>	<u>(333)</u>	<u>(185)</u>	<u>(306)</u>
Net (Decrease) Increase in Cash & Cash Equivalents	(2,171)	(1,348)	1,112	(1,324)
Cash and Cash Equivalents:				
Beginning of Period	<u>11,373</u>	<u>8,385</u>	<u>8,090</u>	<u>8,361</u>
End of Period	<u>\$ 9,202</u>	<u>\$ 7,037</u>	<u>\$ 9,202</u>	<u>\$ 7,037</u>