

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 21, 2022

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))

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

Title of each class	Trading symbol(s)	Name of 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 April 21, 2022, STRATTEC SECURITY CORPORATION issued a press release (the "[Press Release](#)") announcing results for the fiscal third quarter ended March 27, 2022. 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 21, 2022.

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 thereunto duly authorized.

Date: April 21, 2022

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
414-247-3435
www.strattec.com

**STRATTEC SECURITY CORPORATION
REPORTS FISCAL 2022 THIRD QUARTER OPERATING RESULTS**

Milwaukee, Wisconsin – April 21, 2022 -- STRATTEC SECURITY CORPORATION (NASDAQ:STRT) today reported operating results for the fiscal third quarter ended March 27, 2022.

Net sales for the Company's third quarter ended March 27, 2022 were \$115.9 million, compared to net sales of \$121.6 million for the third quarter ended March 28, 2021.

Net income for the current year quarterly period was \$3.1 million, compared to net income of \$4.5 million in the prior year quarter. Diluted earnings per share for the current year quarterly period were \$0.80 compared to diluted earnings per share of \$1.15 in the prior year quarter.

For the nine months ended March 27, 2022, the Company's net sales were \$329.2 million compared to net sales of \$375.2 million in the prior year nine month period.

Net income during the current year nine month period was \$6.6 million compared to net income of \$19.6 million in the prior year nine month period. Diluted earnings per share were \$1.70 for the nine month period ended March 27, 2022 compared to diluted earnings per share of \$5.11 during the nine month period ended March 28, 2021.

Net sales and profitability for both our current year quarter and for the year to date period continued to be impacted by supply chain shortages (including semiconductor chip shortages) that resulted in several of our customers shutting down certain plants and/or production lines for periods of time during our fiscal 2022.

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 27, 2022	March 28, 2021
Stellantis / Fiat Chrysler Automobiles	\$ 23,047	\$ 21,685
General Motors Company	34,738	34,544
Ford Motor Company	19,162	21,721
Tier 1 Customers	15,279	17,289
Commercial and Other OEM Customers	16,518	17,241
Hyundai / Kia	7,199	9,164
TOTAL	\$ 115,943	\$ 121,644

Sales to Stellantis / Fiat Chrysler Automobiles in the current year quarter increased in comparison to the prior year quarter due to higher production volumes on Chrysler Pacifica power sliding doors and for several lock set product platforms. Sales to General Motors Company in the current year quarter were flat compared to the prior year quarter. Sales to Ford Motor Company decreased in the current year quarter compared to the prior year quarter due primarily to lower production volumes on the F-150 pickup trucks. Sales to Tier 1 Customers decreased in the current year quarter compared to the prior year quarter primarily due to lower volumes on our driver control steering column lock products. Sales to Commercial and Other OEM Customers during the current year quarter decreased in comparison to the prior year quarter mainly due to decreases in sales related to door handle products sold to Volkswagen. These Commercial and Other OEM Customers, along with the Tier 1 Customers, primarily represent purchasers of vehicle access control products, such as latches, key fobs, driver controls, steering column locks and door handles that we have developed in recent years to complement our historic core business of locks and keys. The decreased sales to Hyundai / Kia in the current year quarter were principally due to lower levels of production on the Kia Carnival, formerly the Kia Sedona and Hyundai Starex minivans, for which we supply primarily power sliding door components.

Gross profit margins were 12.6 percent in the current year quarter compared to 15.3 percent in the prior year quarter. The decrease in gross profit margin in the current year quarter compared to the prior year quarter was primarily attributed to higher costs for raw material and purchased components and the mandatory minimum wage increase enacted by the Mexican Government effective January 1, 2022. Partially offsetting the decreased gross profit margins between periods were improved manufacturing efficiencies both at our Milwaukee and Mexico production facilities, despite the ongoing supply chain disruptions described above, and lower expense provisions for accrual of bonuses.

Engineering, Selling and Administrative expenses represented 9.7 percent in the current year quarter as a percent of net sales compared to 9.8 percent in the prior year quarter. The decrease in overall operating expenses in the current year quarter was primarily due to lower expense provisions for accrual of bonuses between quarters.

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

	March 27, 2022	March 28, 2021
Equity Earnings (Loss) of VAST LLC Joint Venture	\$ 577	\$ (56)
Net Foreign Currency Realized and Unrealized Transaction Gain	470	429
Other	(185)	26
	<u>\$ 862</u>	<u>\$ 399</u>

The increase in Other Income, Net in the current year quarter was primarily related to improved profitability in our VAST LLC China operation which had supply chain issues and extended OEM customer plant shutdowns associated with the coronavirus (COVID-19) pandemic in the prior year quarter. In addition, during the current year quarter VAST China's plant in Taicang experienced a fire in its painting facility. As a result, certain door handle and painting operations were subsequently transferred to VAST China's new Jingzhou facility that impacted the current quarter profitability.

The favorable tax provision in the current year quarter compared to the prior year quarter relates primarily to favorable tax adjustments from foreign tax credits.

Frank Krejci, President & CEO commented: "I am pleased with the efforts of our team over the last few quarters. We have effectively dealt with supply chain challenges and cut expenses to align with lower production volumes forced upon our customers. While facing inflationary material costs, we have implemented efficiency improvements to somewhat offset the spikes in costs. Those efficiency improvements will provide long term benefits for us.

Unfortunately, the challenges are not yet behind us. Our operations in China and their customers are now facing COVID lockdowns. Those lockdowns will impact supply chain challenges world-wide.

Despite the current challenges, we see good things on the horizon. Customer inventories are very low. There is excellent acceptance by consumers of our award-winning products like the power tailgates on pick-up trucks. There is significant opportunity with our product variations for the rapidly expanding electric vehicle market. We continue to win new business and use these production slowdowns as an opportunity to continue to improve our operations”.

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, 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 or customer cost reimbursement actions, adverse business and operational issues resulting from the global supply chain and semiconductor chip shortages and the coronavirus pandemic, matters adversely impacting the timing and availability of material component parts and raw materials 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.

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

	<i>Third Quarter Ended</i>		<i>Nine Months Ended</i>	
	March 27, 2022	March 28, 2021	March 27, 2022	March 28, 2021
Net Sales	\$ 115,943	\$ 121,644	\$ 329,192	\$ 375,238
Cost of Goods Sold	<u>101,305</u>	<u>102,990</u>	<u>287,072</u>	<u>311,832</u>
Gross Profit	14,638	18,654	42,120	63,406
Engineering, Selling & Administrative Expenses	<u>11,261</u>	<u>11,927</u>	<u>34,683</u>	<u>33,543</u>
Income from Operations	3,377	6,727	7,437	29,863
Interest Expense	(54)	(63)	(159)	(259)
Other Income, Net	<u>862</u>	<u>399</u>	<u>1,261</u>	<u>673</u>
Income before Provision for Income Taxes and Non-Controlling Interest	4,185	7,063	8,539	30,277
Provision for Income Taxes	<u>50</u>	<u>1,153</u>	<u>342</u>	<u>4,721</u>
Net Income	4,135	5,910	8,197	25,556
Net Income Attributable to Non-Controlling Interest	<u>(989)</u>	<u>(1,425)</u>	<u>(1,556)</u>	<u>(5,950)</u>
Net Income Attributable to STRATTEC SECURITY CORPORATION	<u>\$ 3,146</u>	<u>\$ 4,485</u>	<u>\$ 6,641</u>	<u>\$ 19,606</u>
Earnings (Loss) Per Share:				
Basic	<u>\$ 0.81</u>	<u>\$ 1.18</u>	<u>\$ 1.72</u>	<u>\$ 5.18</u>
Diluted	<u>\$ 0.80</u>	<u>\$ 1.15</u>	<u>\$ 1.70</u>	<u>\$ 5.11</u>
Average Basic Shares Outstanding	3,871	3,797	3,856	3,783
Average Diluted Shares Outstanding	3,916	3,886	3,906	3,839
Other				
Capital Expenditures	\$ 4,045	\$ 1,808	\$ 9,407	\$ 6,401
Depreciation	\$ 4,135	\$ 4,933	\$ 14,724	\$ 14,730

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

	March 27, 2022 <i>(Unaudited)</i>	June 27, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 16,459	\$ 14,465
Receivables, net	76,526	69,902
Inventories, net	73,310	70,860
Other current assets	23,422	19,677
Total Current Assets	189,717	174,904
Investment in Joint Ventures	28,405	27,224
Other Long-Term Assets	11,619	12,034
Property, Plant and Equipment, Net	91,423	96,401
	<u>\$ 321,164</u>	<u>\$ 310,563</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 43,513	\$ 36,727
Other	36,479	40,845
Total Current Liabilities	79,992	77,572
Accrued Pension and Post Retirement Obligations	2,937	2,933
Borrowings Under Credit Facility	12,000	12,000
Other Long-Term Liabilities	4,381	4,625
Shareholders' Equity	342,432	334,058
Accumulated Other Comprehensive Loss	(17,000)	(16,797)
Less: Treasury Stock	(135,591)	(135,615)
Total STRATTEC SECURITY CORPORATION Shareholders' Equity	189,841	181,646
Non-Controlling Interest	32,013	31,787
Total Shareholders' Equity	<u>221,854</u>	<u>213,433</u>
	<u>\$ 321,164</u>	<u>\$ 310,563</u>

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

	<i>Third Quarter Ended</i>		<i>Nine Months Ended</i>	
	March 27, 2022	March 28, 2021	March 27, 2022	March 28, 2021
Cash Flows from Operating Activities:				
Net Income	\$ 4,135	\$ 5,910	\$ 8,197	\$ 25,556
Adjustment to Reconcile Net Income to Cash Provided by Operating Activities:				
Equity (Earnings) Loss in Joint Ventures	(577)	56	(941)	(1,844)
Depreciation	4,756	4,933	14,724	14,730
Foreign Currency Transaction Loss (Gain)	319	(386)	76	1,926
Unrealized Gain on Peso Forward Contracts	(724)	(32)	(500)	(512)
Stock Based Compensation Expense	239	193	873	775
Loss (Gain) on disposition of property, plant & equipment	60	(5)	153	1,421
Change in Operating Assets/Liabilities	3,436	(2,450)	(11,160)	(17,012)
Other, net	121	121	361	356
Net Cash Provided by Operating Activities	11,765	8,340	11,783	25,396
Cash Flows from Investing Activities:				
Investment in Joint Ventures	(75)	-	(75)	(100)
Additions to Property, Plant and Equipment	(4,045)	(1,808)	(9,407)	(6,401)
Proceeds from Sale of Property, Plant and Equipment	-	5	-	8
Net Cash Used in Investing Activities	(4,120)	(1,803)	(9,482)	(6,493)
Cash Flows from Financing Activities:				
Borrowings Under Credit Facility	3,000	-	11,000	-
Repayment of Borrowings Under Credit Facility	(8,000)	(6,000)	(11,000)	(19,000)
Dividends Paid to Non-Controlling Interests of Subsidiaries	(600)	-	(1,200)	(490)
Dividends Paid	-	-	-	-
Exercise of Stock Options and Employee Stock Purchases	245	545	884	585
Net Cash Used In Financing Activities	(5,355)	(5,455)	(316)	(18,905)
Effect of Foreign Currency Fluctuations on Cash	98	(179)	9	(437)
Net Increase (Decrease) in Cash & Cash Equivalents	2,388	903	1,994	(439)
Cash and Cash Equivalents:				
Beginning of Period	14,071	10,432	14,465	11,774
End of Period	<u>\$ 16,459</u>	<u>\$ 11,335</u>	<u>\$ 16,459</u>	<u>\$ 11,335</u>