



Sidoti & Company

November 19, 2020



VEHICLE ACCESS SYSTEMS TECHNOLOGY



WITTE • STRATTEC • ADAC

Disclosure for Presentation on November 19, 2020

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may include expected future financial results, product offerings, global expansion, liquidity needs, financing ability, planned capital expenditures, management’s or the Company’s expectations and beliefs, and similar matters. The Company’s business, operations and financial performance are subject to certain risks and uncertainties, which could result in material differences in actual results from the Company’s current expectations. These risks and uncertainties include, but are not limited to, general economic conditions, in particular, relating to the automotive industry, customer demand for the Company’s and its customer’s products, competitive and technological developments, customer purchasing actions, foreign currency fluctuations and costs of operations. Such risks and uncertainties are discussed further in the Company’s filings with the Securities and Exchange Commission.

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.

All information in this presentation is as of November 19, 2020 and any distribution of this presentation after that date is not intended and will not be construed as updating or confirming such information. The company undertakes no obligation to update any information in this presentation to reflect subsequent events or circumstances.

This presentation can be found at:
www.strattec.com
Investor Relations
Presentations



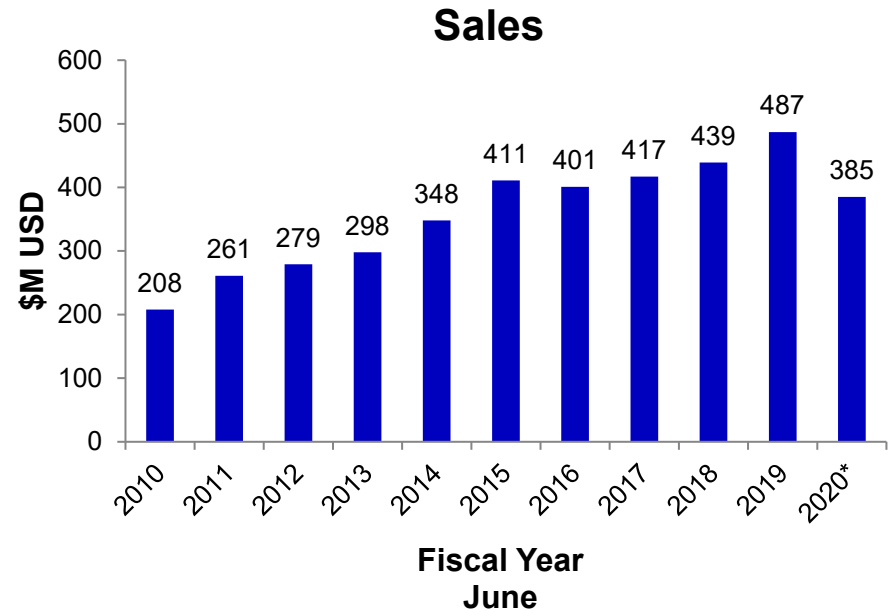
Frank J. Krejci

(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:**
 - Locksets (Keys, Fobs, Locks)
 - Ignition / Start Systems
 - Steering Column Locking Systems
 - Power Liftgate and Sliding Door Mechanisms
 - Latches
 - Door Handles
- **VAST Global Partnership**

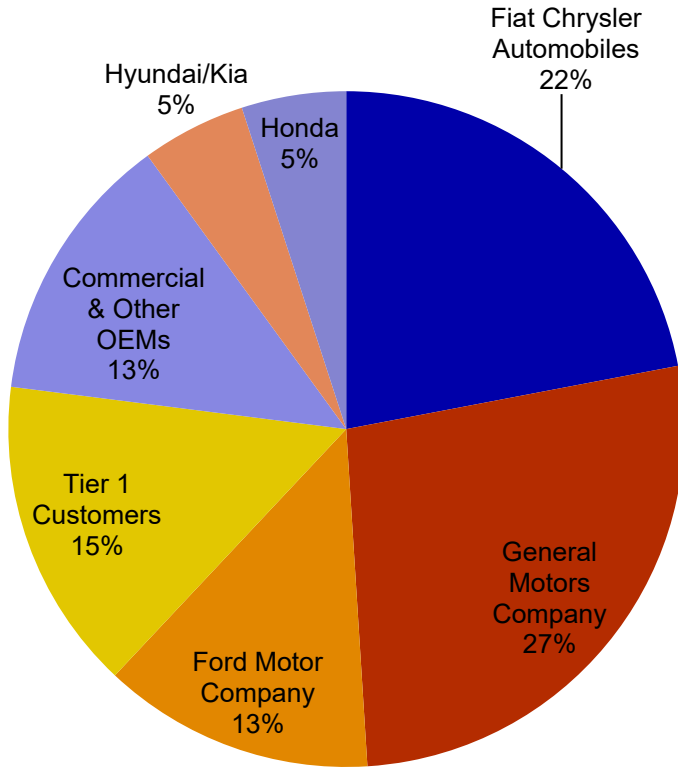


*FY 2020 was impacted by General Motor UAW strike that reduced sales by \$10 million and COVID-19 by \$78 million.



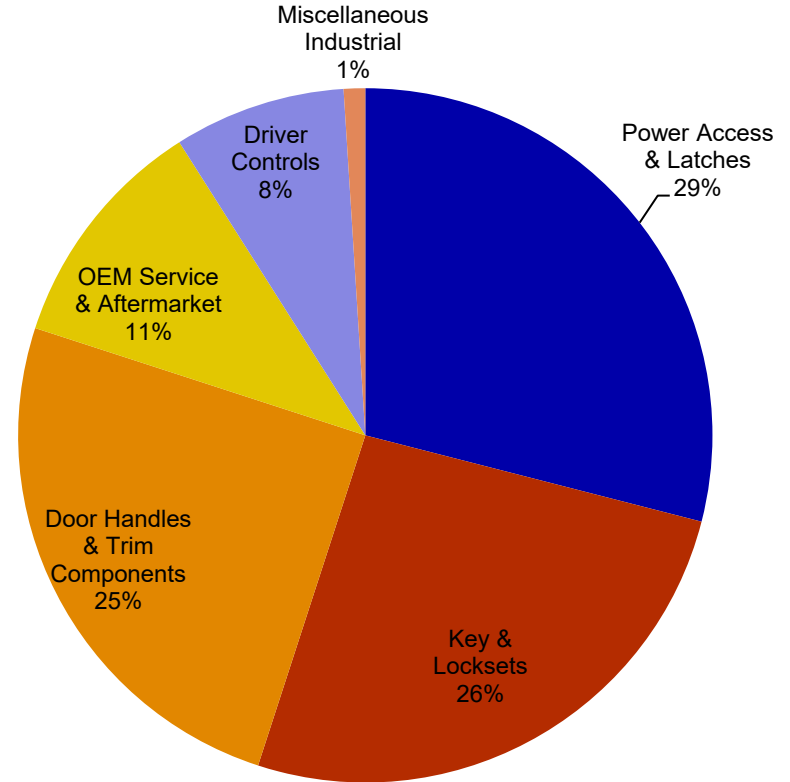
- Unique joint venture partnership (STRATTEC, ADAC, and WITTE)
- Shared technology
- Joint investments outside of our home markets of North America and Europe (China, India, and Brazil)
- \$1.7 billion + sales (STRATTEC, WITTE, ADAC, VAST China unconsolidated)
- 18 Manufacturing sites
- 13 Engineering Centers
- Employment over 10,000

Customers



Fiscal Year 2020
Net Sales = \$385 million

Products



Fiscal Year 2020
Net Sales = \$385 million

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 1st Quarter fiscal 2021 ended September 2020 were \$126.0 million. Net sales will remain strong during the upcoming second quarter as we continue to replenish low dealer inventories.
- The gross profit margin improvements were primarily due to efficiency and cost reduction improvements implemented in our Milwaukee, WI and Mexican operations during the COVID-19 shutdown in the 4th quarter ending June 2020.
- Capital spending will be in the \$12 million range during fiscal year 2021 which is significantly lower than prior year spending. Going forward, capital spending will be maintenance and new customer programs.
- STRATTEC Defined Benefit Pension Plan was terminated in fiscal years 2019 and 2020. This Plan termination removed significant financial statement and future funding 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 \$30.0 million as of September 27, 2020. We paid down \$5.0 million in the 1st quarter ended September 27, 2020.
- Our overall capital allocation strategy is use our excess operating cash flow to continue to pay down on our credit facility to significantly reduce or eliminate debt over the next two to three years.
- The quarterly dividend was temporarily suspended during the 4th quarter of fiscal year 2020 to preserve cash along with permanent salaried headcount, temporary layoffs and wage reductions.

Statements of Income

1st Quarter September 2020 & 2019 (in thousands of USD)

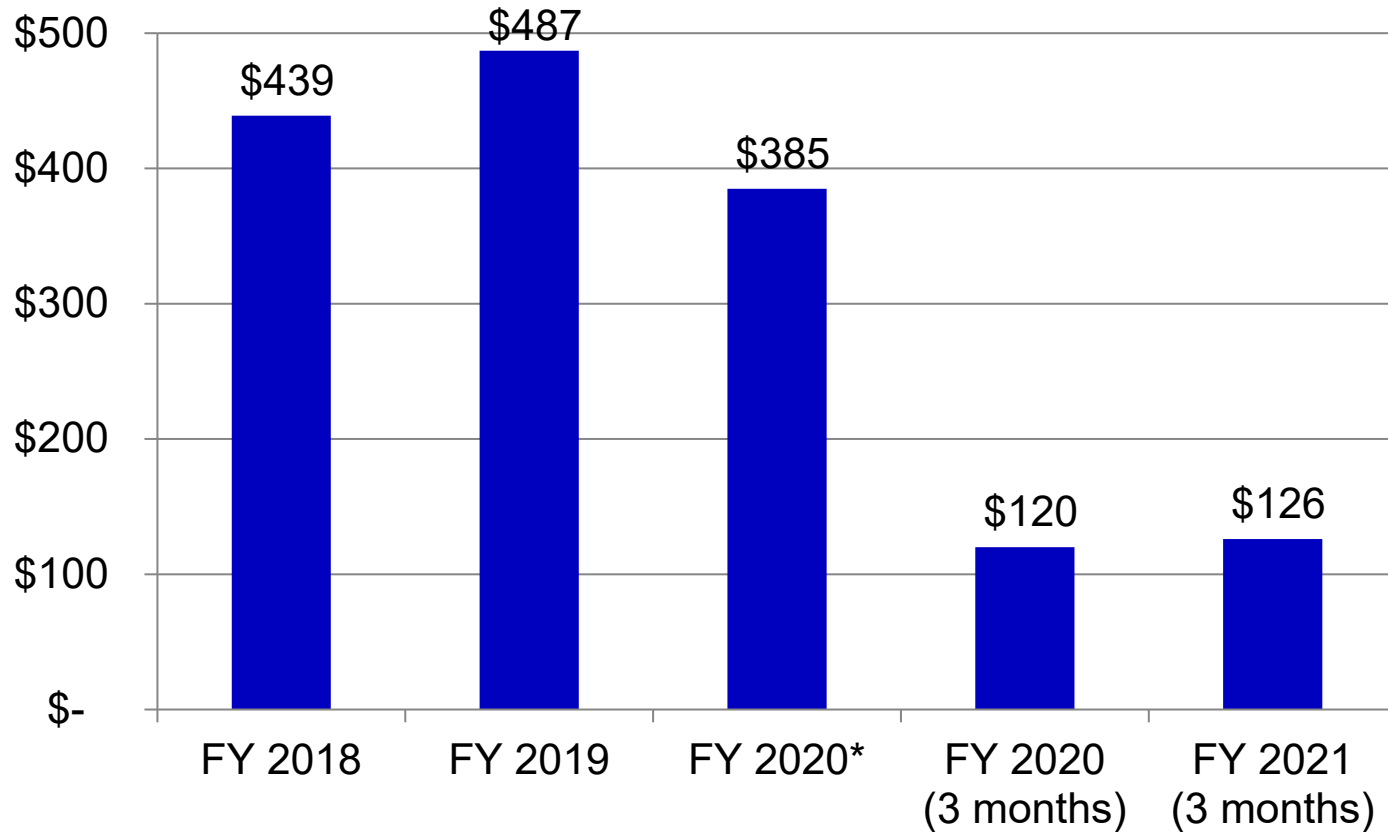


	Actual		Actual	
	QTR Sept. 2020	% of Net Sales	QTR Sept. 2019	% of Net Sales
Net Sales	\$ 126,234		\$ 119,962	
Cost of Goods Sold	103,723	82.2%	102,710	85.6%
Non-Cash Compensation Expense	<u>0</u>	0%	<u>1,366</u>	1.1% *
Gross Profit	22,511	17.8%	15,886	13.3%
Engineering, Selling & Administrative Expenses	11,314	9.0%	12,092	9.6%
Non-Cash Compensation Expense	<u>0</u>	0%	<u>862</u>	0.7% *
Total Expense	<u>11,314</u>	9.0%	<u>12,954</u>	10.3%
Income from Operations	11,197	8.9%	2,932	2.3%
Interest Expense	(112)	-0.1%	(340)	-0.3%
Gain(Loss) on Investment in VAST	<u>565</u>	0.4%	<u>387</u>	0.3%
Income Before Income Tax	11,650	9.2%	2,979	2.4%
Income Tax Provision (Benefit)	<u>1,577</u>	1.2%	<u>299</u>	0.2%
Net Income	10,073	8.0%	2,680	2.1%
Less: Net Income Attributable to Non-Controlling Interest	<u>(2,065)</u>	-1.6%	<u>(1,436)</u>	-1.1%
Net Income Attributable to STRATTEC	<u>\$ 8,008</u>	6.3%	<u>\$ 1,244</u>	1.0%
Weighted Average Shares	3,760		3,659	
Diluted Earnings Per Share	<u>\$ 2.11</u>		<u>\$ 0.33</u>	
Adjusted Diluted Earnings Per Share	<u>\$ 2.11</u>		<u>\$ 0.79</u>	*

*Non cash compensation charge relates to the termination of the pension plan which reduced diluted earnings per share \$.46

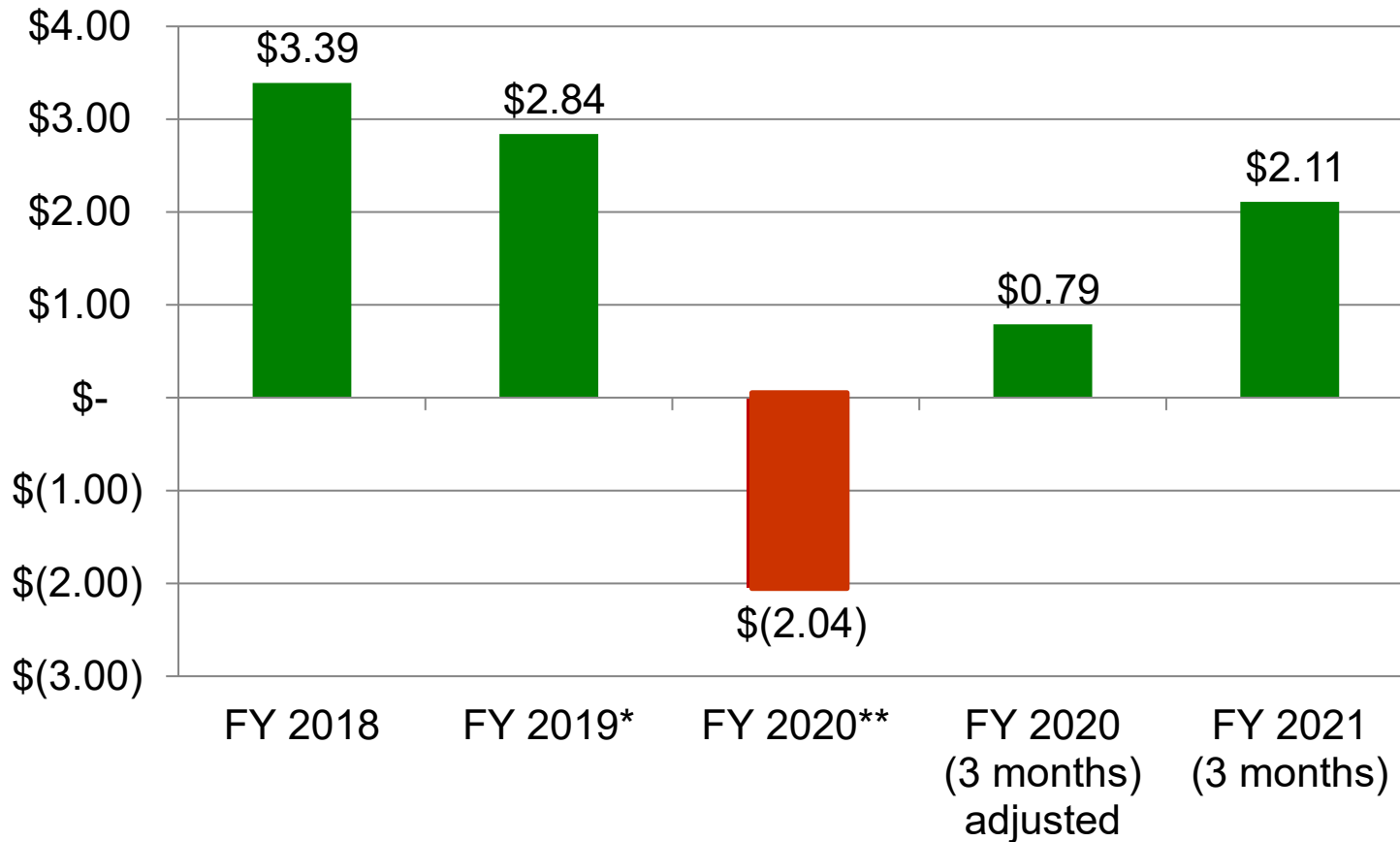


3 Year Net Sales Growth (in millions \$)



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

3 Year Adjusted EPS and 1st Quarter FY2021

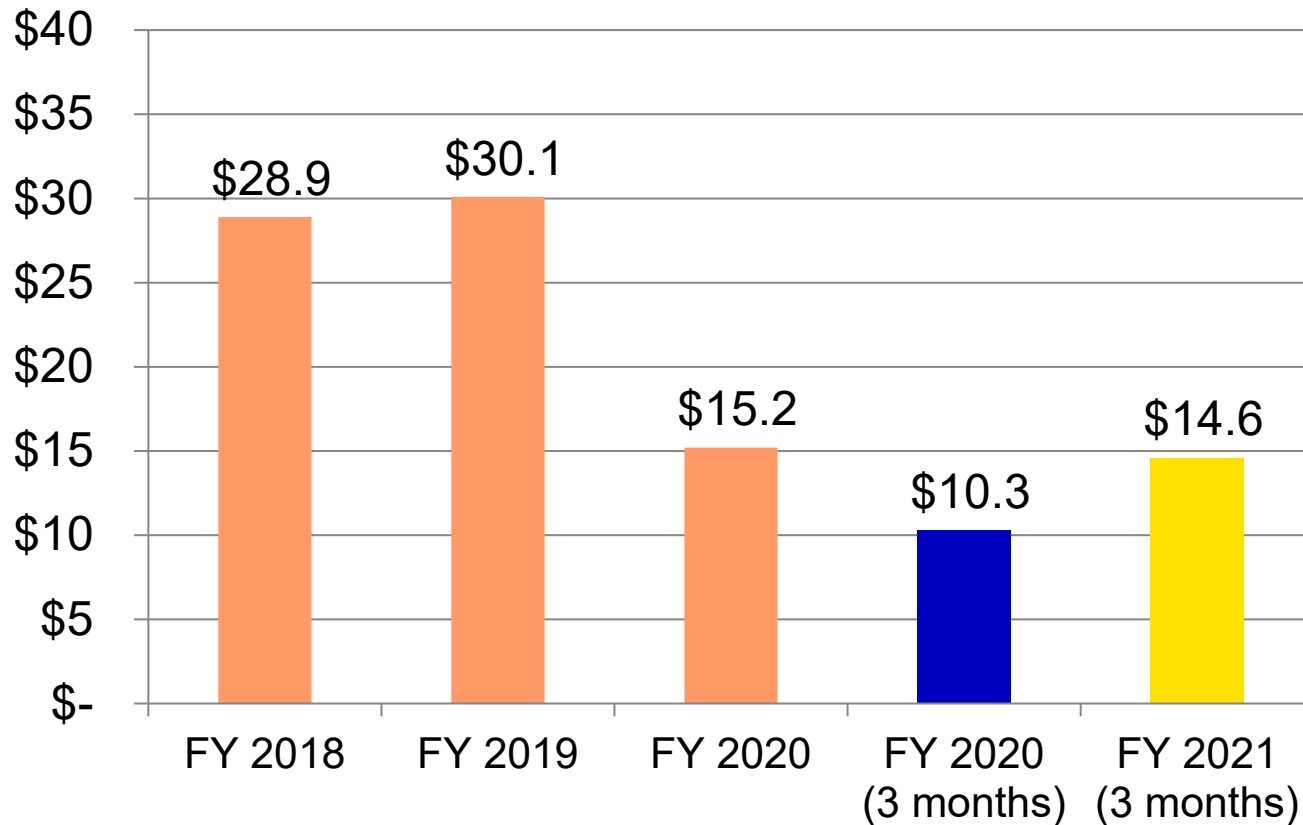


*Adjusted for Non-Cash Pension Settlement and compensation charges of \$36.0 million pre-tax.

** Net Loss due to COVID-19 and non-cash compensation charge \$4.8 million pre-tax.



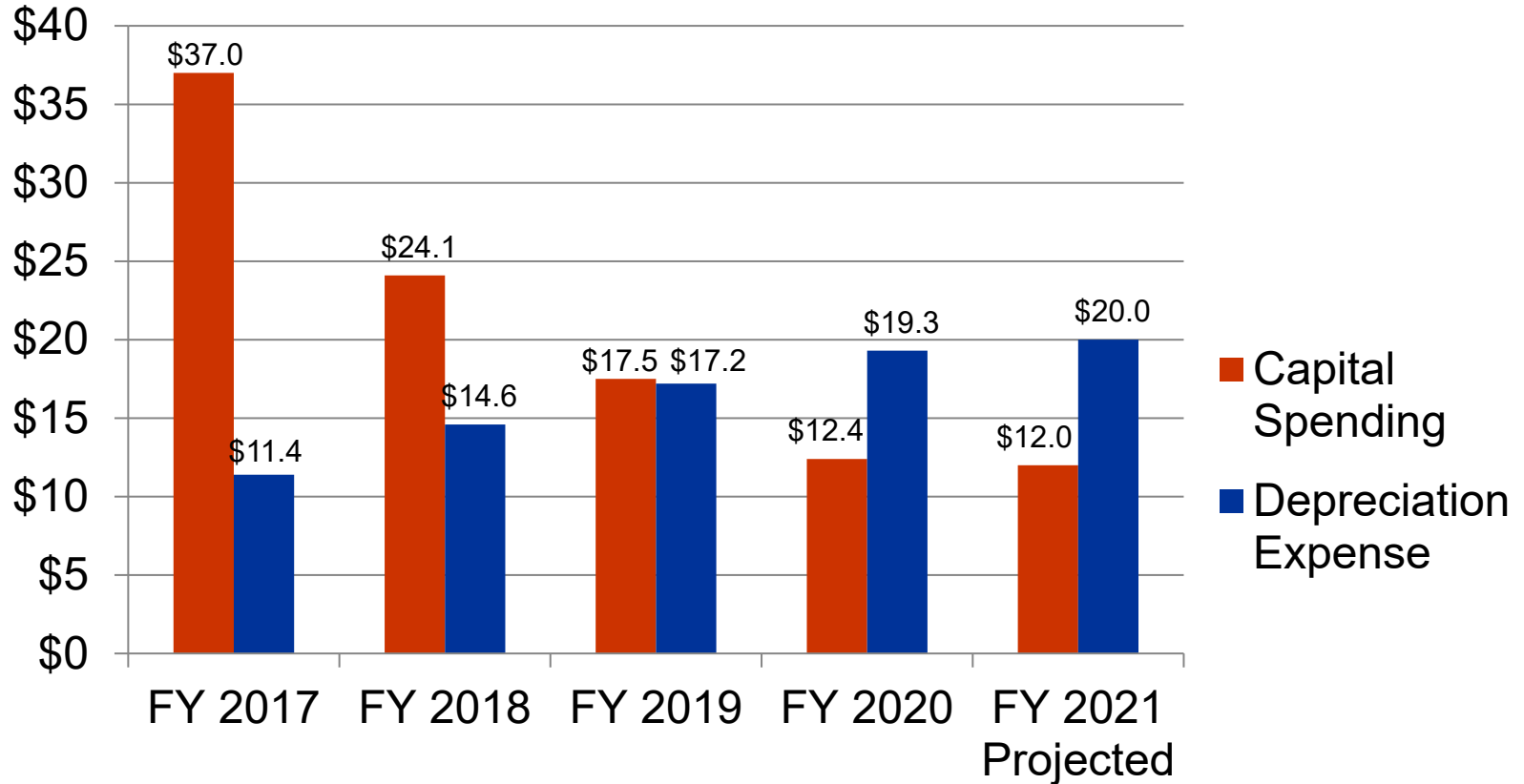
3 Year and 3 Month EBITDA Summary



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 and was lower due to COVID-19.

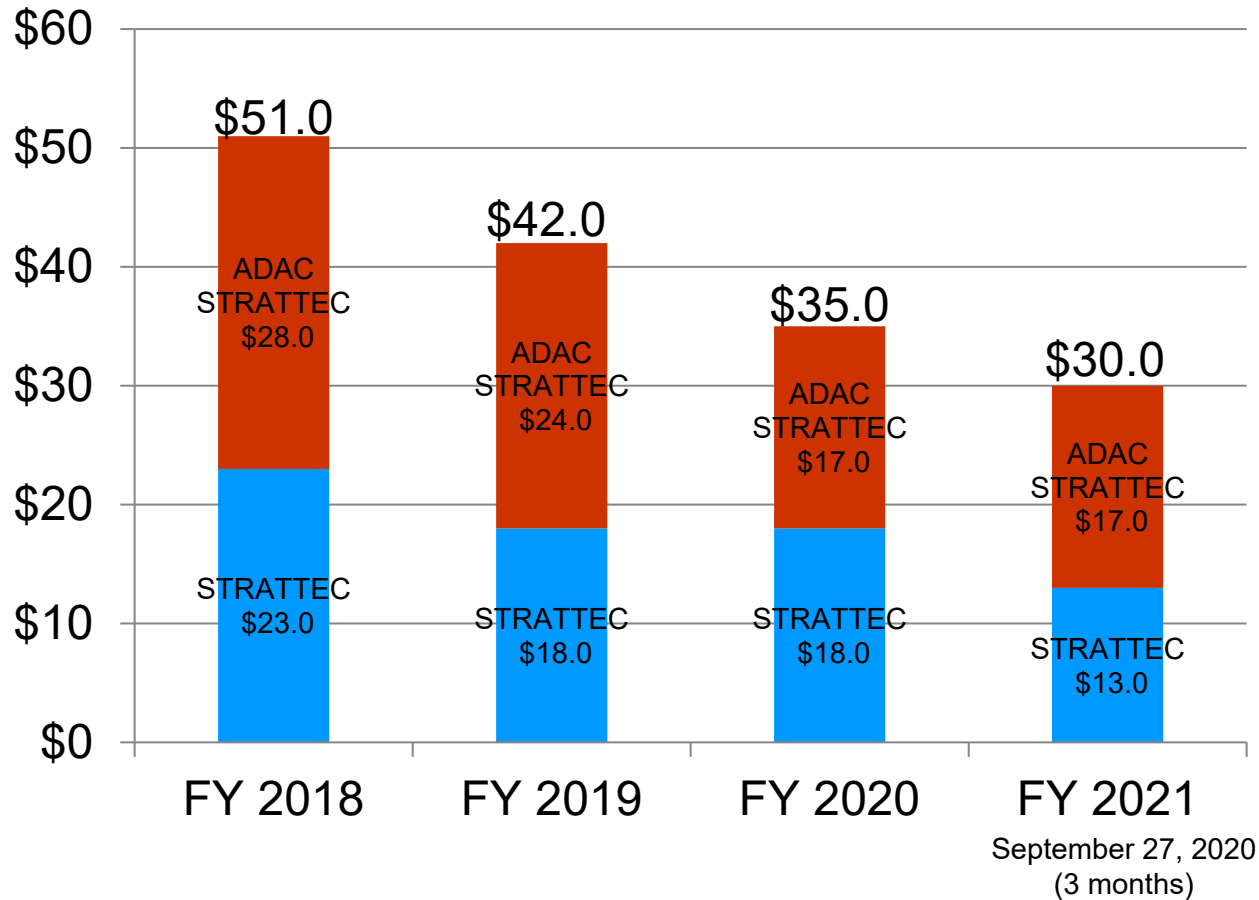
4 Fiscal Year End Capital Spending

Depreciation Expense and Projected FY 2021 (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 and as of September 27, 2020 (in millions \$)



Capitalization as of September 27, 2020, June 28, 2020, June 30, 2019 and July 1, 2018 (in millions \$)



	<u>September 27, 2020</u>	<u>June 28, 2020</u>	<u>June 30, 2019</u>	<u>July 1, 2018</u>
Total Debt	\$30.0	\$35.0	\$42.0	\$51.0
Less: Cash & Cash Equivalents	<u>(\$12.0)</u>	<u>(\$11.8)</u>	<u>(\$7.8)</u>	<u>(\$8.1)</u>
Total Net Debt	\$18.0	\$23.2	\$34.2	\$42.9
Shareholder's Equity	\$161.9	\$152.2	\$163.4	\$162.2
Total Net Debt as a % of Shareholder's Equity	11.1%	15.2%	20.9%	26.4%
Book Value per Share	\$42.7	\$40.7	\$44.5	\$43.8
NASDAQ Market Share Price	\$19.7	\$16.4	\$24.8	\$30.6



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 projected consumer take rate 15%-20% at the time of product launch September 2019.
Current take rate is in excess of 20%.
- Ford F-series Pickups projected consumer take rate 15%-20% at the time of product launch September 2020.
- Opportunity for higher sales content and profitability if consumer acceptance of this option is greater than 20%



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

(STRTEC Nasdaq)

EMPLOYEES: 4,000

LOCATIONS:

United States & Mexico



Founded 1975

HEADQUARTERS:

Grand Rapids, Michigan, U.S.

Privately-held Company

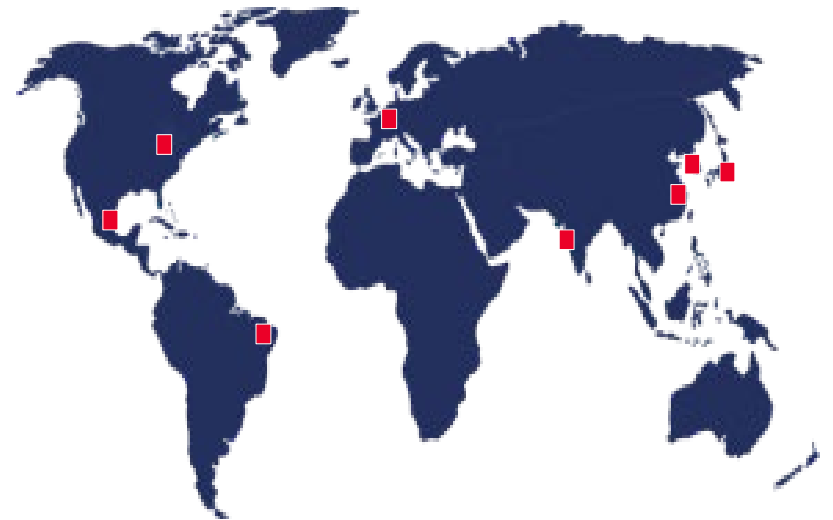
EMPLOYEES: 1,300

LOCATIONS:

United States & Mexico

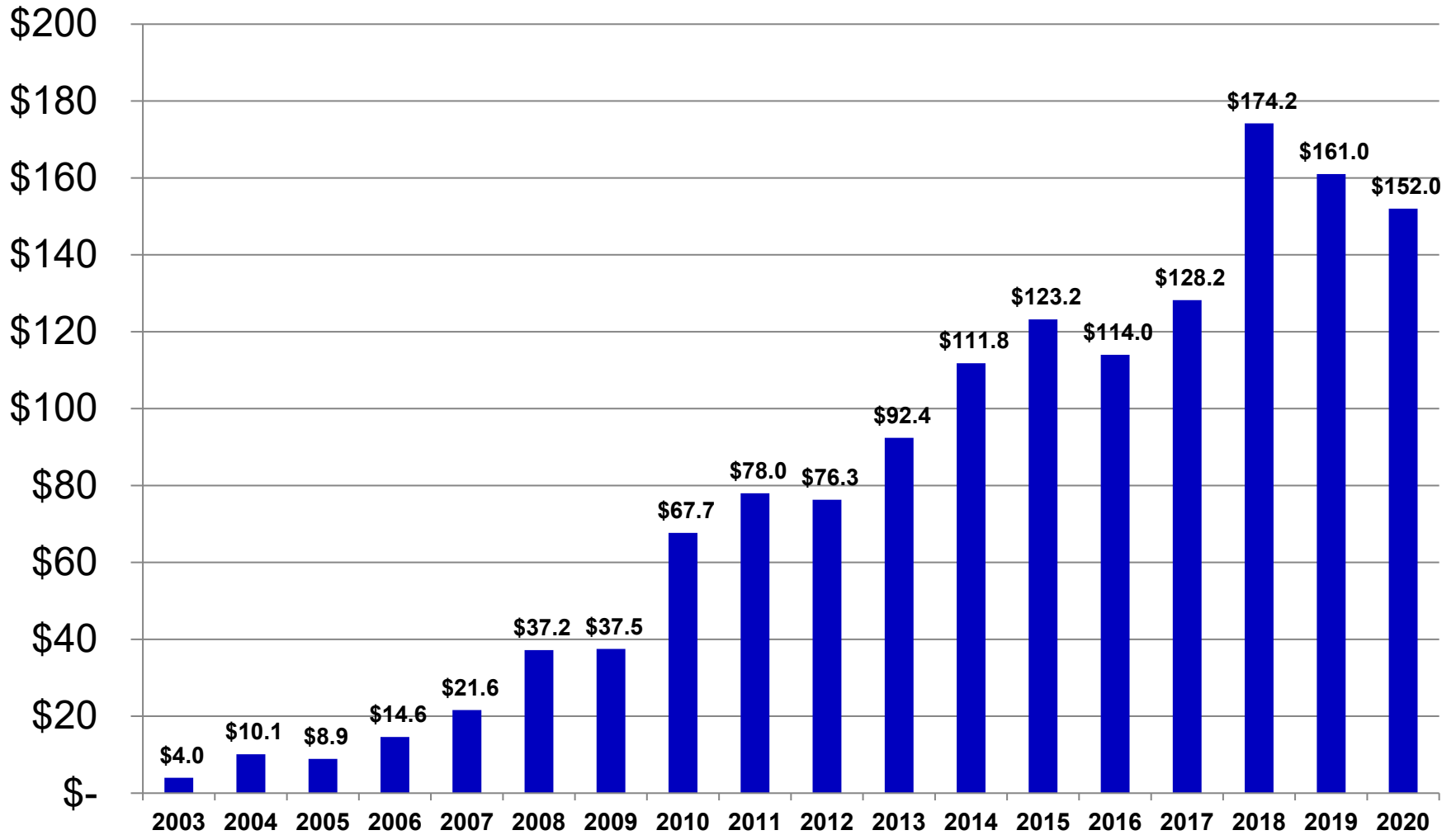


The mission of **VAST** is to provide a global presence by sharing information, technology, & best-practices through executing strategies that anticipate development in global markets & support expectations of our targeted & strategic customers



- VAST China is a strategic market for VAST with significant growth in the future when our Jingzhou, China paint and assembly facility is past its startup phase in calendar years 2021 and 2022.
- VAST China's major customers are Volkswagen, General Motors, Volvo, and Ford with additional opportunities to expand their customer base in the future.
- Fiscal year 2019 STRATTEC's 1/3 share of VAST LLC Net Income = \$2,655,000
- Fiscal year 2020 STRATTEC's 1/3 share of VAST LLC Net Loss = \$565,000 due to COVID-19 and our share Minda VAST impairment charge of \$667,000

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

Balance Sheet (September 2020, in thousands of USD)



	<u>September 27, 2020</u> <i>(Unaudited)</i>	<u>June 28, 2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 11,983	\$ 11,774
Receivables, net	79,764	41,955
Inventories, net	51,673	54,400
Other current assets	<u>17,527</u>	<u>17,239</u>
Total Current Assets	160,947	125,368
Investment in Joint Ventures	23,723	22,068
Other Long Term Assets	12,949	12,961
Property, Plant and Equipment, Net	<u>102,610</u>	<u>105,148</u>
	<u>\$ 300,229</u>	<u>\$ 265,545</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 40,809	\$ 18,549
Other	<u>35,494</u>	<u>29,591</u>
Total Current Liabilities	76,303	48,140
Accrued Pension and Post Retirement Obligations	1,961	1,956
Borrowings Under Credit Facility	30,000	35,000
Other Long-term Liabilities	4,945	5,008
Shareholders' Equity	318,210	309,991
Accumulated Other Comprehensive Loss	(20,665)	(22,113)
Less: Treasury Stock	<u>(135,640)</u>	<u>(135,656)</u>
Total STRATTEC SECURITY CORPORATION Shareholders' Equity	161,905	152,222
Non-Controlling Interest	<u>25,115</u>	<u>23,219</u>
Total Shareholders' Equity	<u>187,020</u>	<u>175,441</u>
	<u>\$ 300,229</u>	<u>\$ 265,545</u>



Cash Flow Statement

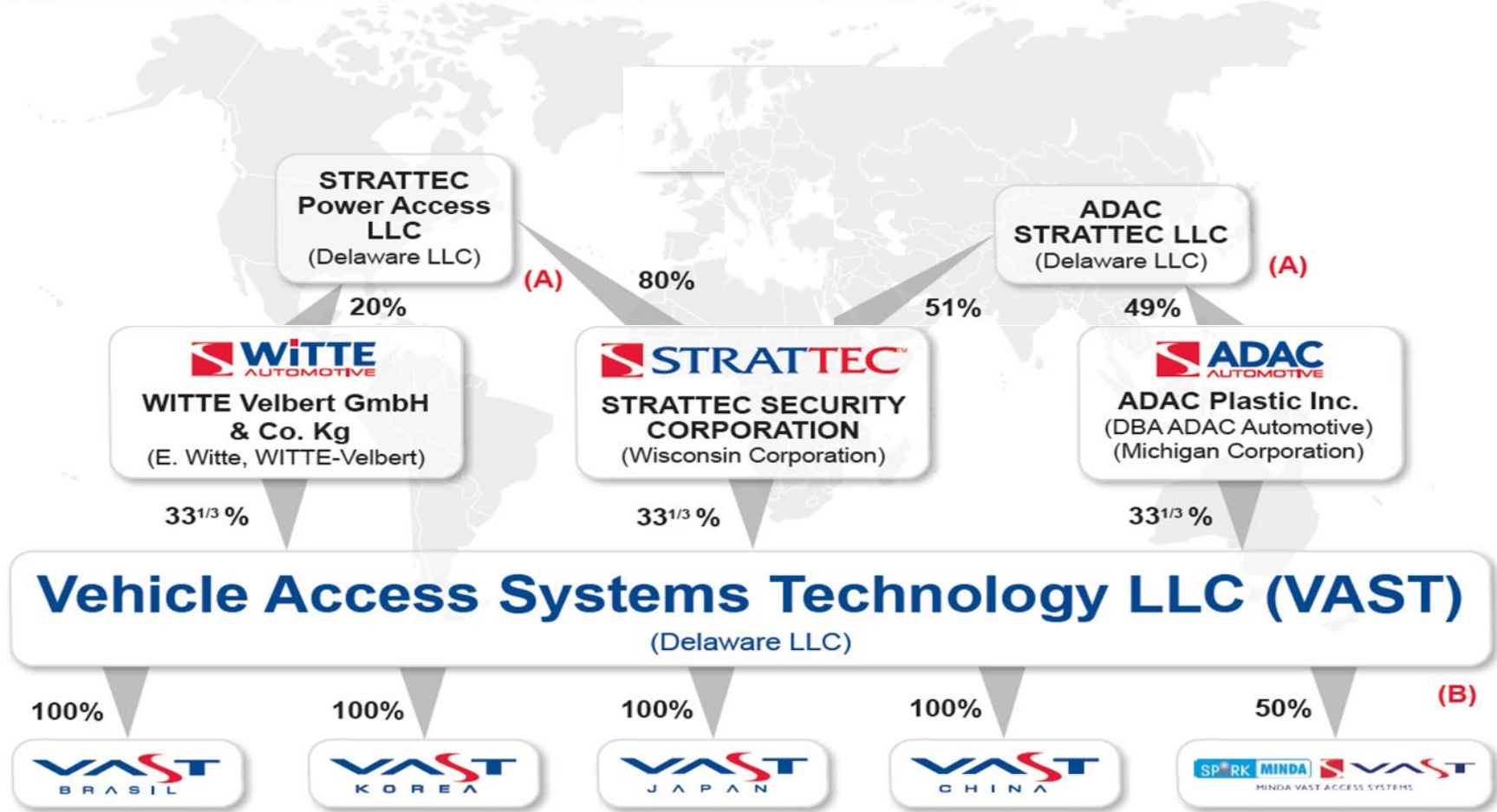
YTD September 2020 & 2019 (in thousands of USD)



	YTD Sept 2020	YTD Sept 2019
Cash Flows From Operating Activities:		
Net Income	\$ 10,073	\$ 2,680
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation	4,885	4,733
Loss (Gain) on Investment in LLC	(825)	(484)
Loss (Gain) on Disposal of PP&E	223	195
Stock Option Compensation Expense	208	413
Foreign Currency Transaction Loss (Gain)	399	85
Unrealized (Gain) Loss on Peso Contracts	(335)	-
Operating Leases	116	46
Non-cash Comp Exp-Excess Pension Assets	-	2,228
Deferred Tax Provision	-	(524)
Change in Operating Assets/Liabilities:		
Accounts Receivable	(37,796)	4,952
Inventory	2,727	(4,238)
Other Assets	(288)	3,240
Accounts Payable and Accrued Liabilities	27,914	1,684
Other, net	<u>(1)</u>	<u>(2)</u>
Net Cash From Operating Activities	7,300	15,008
Cash Flow From Investing Activities:		
Investment in VAST LLC	-	-
Repayment of Loan from Joint Venture	-	-
Loan to Joint Venture	-	-
Capital Expenditures	(1,514)	(4,298)
Proceeds from Sale of PP&E	<u>3</u>	<u>15</u>
Net Cash From Investing Activities	(1,511)	(4,283)
Cash Flow From Financing Activities:		
Borrowings - Credit Facility	-	-
Repayments - Credit Facility	(5,000)	(6,000)
Dividends Paid to Non-Controlling Interest	(490)	(980)
Dividends Paid	-	(522)
Treasury Stock Reissued/Exercise of Stock Options	<u>19</u>	<u>239</u>
Net Cash From Financing Activities	<u>(5,471)</u>	<u>(7,263)</u>
Foreign Currency Impact on Cash	<u>(109)</u>	<u>(30)</u>
Net Change In Cash and Cash Equivalents	209	3,432
Cash and Cash Equivalents - Beginning	<u>11,774</u>	<u>7,809</u>
Cash and Cash Equivalents - Ending	<u>\$ 11,983</u>	<u>\$ 11,241</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)

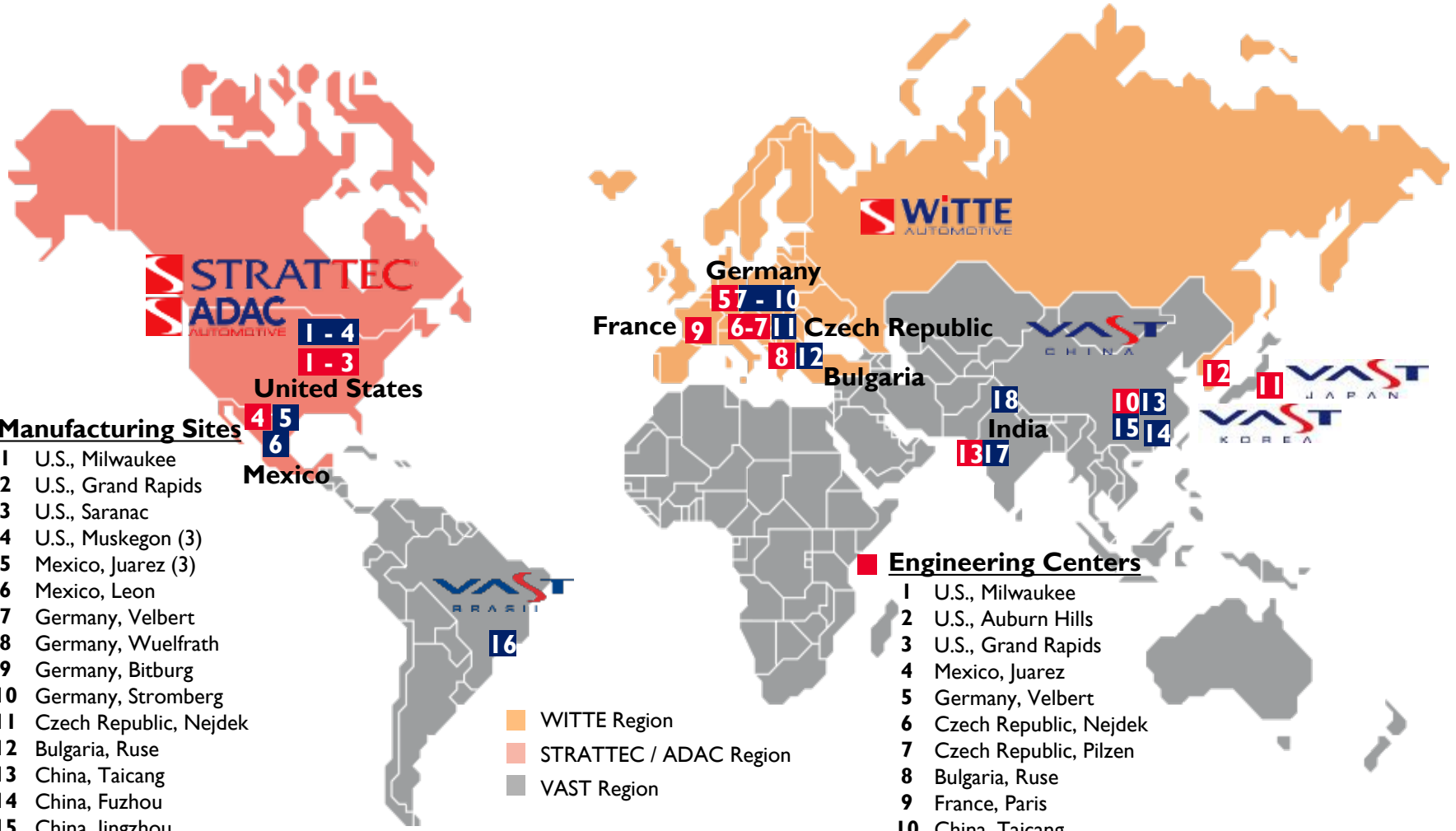


- 80% Ownership by STRATTEC (2008)



- 16.6% Ownership by STRATTEC (2015)





Manufacturing Sites

- 1 U.S., Milwaukee
- 2 U.S., Grand Rapids
- 3 U.S., Saranac
- 4 U.S., Muskegon (3)
- 5 Mexico, Juarez (3)
- 6 Mexico, Leon
- 7 Germany, Velbert
- 8 Germany, Wuelfrath
- 9 Germany, Bitburg
- 10 Germany, Stromberg
- 11 Czech Republic, Nejdek
- 12 Bulgaria, Ruse
- 13 China, Taicang
- 14 China, Fuzhou
- 15 China, Jingzhou
- 16 Brazil, Sao Paulo
- 17 India, Pune
- 18 India, Delhi

Engineering Centers

- 1 U.S., Milwaukee
- 2 U.S., Auburn Hills
- 3 U.S., Grand Rapids
- 4 Mexico, Juarez
- 5 Germany, Velbert
- 6 Czech Republic, Nejdek
- 7 Czech Republic, Pilzen
- 8 Bulgaria, Ruse
- 9 France, Paris
- 10 China, Taicang
- 11 Japan, Tokyo
- 12 South Korea, Anyang
- 13 India, Pune

■ WITTE Region
■ STRATTEC / ADAC Region
■ VAST Region



Passenger Vehicle Manufacturers



Commercial Vehicle Manufacturers



System Suppliers

