

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 30, 2025

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to

Commission File Number 0-25150

STRATTEC SECURITY CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Wisconsin
(State of Incorporation)

39-1804239
(I.R.S. Employer Identification No.)

3333 West Good Hope Road, Milwaukee, WI 53209
(Address of Principal Executive Offices)

(414) 247-3333
(Registrant's Telephone Number, Including Area Code)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of exchange on which registered</u>
Common stock, \$.01 par value	STRT	The Nasdaq Global Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common stock, par value \$0.01 per share: 4,168,104 shares outstanding as of April 29, 2025 (which number includes all restricted shares previously awarded that have not vested as of such date).

STRATTEC SECURITY CORPORATION
FORM 10-Q
March 30, 2025

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PROSPECTIVE INFORMATION

A number of the matters and subject areas discussed in this Form 10-Q 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,” or the negative of these terms or words of similar meaning. These statements 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 discussed in this Form 10-Q. The discussion of such matters and subject areas contained herein is qualified by the inherent risks and uncertainties surrounding future expectations generally, and also may materially differ from the Company’s actual future experience.

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, including:

- an uncertain economic environment and inflationary conditions coupled with the cyclical nature of the automotive industry may adversely affect global vehicle production and demand for our products;
- we operate in a highly competitive market and technological developments within our sphere of offerings are rapidly evolving;
- changes in customer purchasing actions, warranty provisions and product recall policies could adversely affect our business, results of operations and financial condition;
- work stoppages within our operations or at the location of our key customers as a result of labor disputes could adversely impact our business, results of operations and financial condition;
- labor cost inflation or unionization efforts in Mexico, coupled with a shortage of skilled laborers in the United States, could increase our manufacturing expenses and impact production efficiency;
- changes in tariffs or international trade policies could adversely affect our results, particularly with respect to goods imported into the United States or produced under U.S. trade agreements such as the USMCA;
- delays and restrictions impacting the import of goods and components stemming from heightened security procedures or changes in policies implemented by the U.S. Government related to U.S.-Mexico border crossings could have a negative effect on our business;
- an increase in the volume and scope of product returns or customer cost reimbursement actions could adversely impact our business, results of operations and financial condition;
- our ability to manage changes in the costs of operations, warranty claims, adverse business and operational issues could be affected by a material global supply chain and logistics disruption;
- future shortages in the supply of semiconductor chips and other matters adversely impacting the timing, availability and costs of material component parts and raw materials for the production of our products could adversely affect our business, results of operations and financial condition;
- macroeconomic and geopolitical conditions, including regional conflicts, could adversely affect our business, results of operations and financial condition;
- interruptions to our information security management systems and cybersecurity incidents could adversely affect our business, results of operations and financial condition;

and other matters described in the section titled “Risk Factors” in the Company’s Form 10-K report filed on September 5, 2024 with the Securities and Exchange Commission (“SEC”) for the year ended June 30, 2024 (the “Annual Report”).

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 Form 10-Q 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 Form 10-Q.

Part I. Financial Information

Item 1 Financial Statements

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Income and Comprehensive Income
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 30, 2025	March 31, 2024	March 30, 2025	March 31, 2024
Net sales	\$ 144,082	\$ 140,773	\$ 413,053	\$ 394,711
Cost of goods sold	120,977	126,089	353,876	347,810
Gross profit	23,105	14,684	59,177	46,901
Engineering, selling and administrative expenses	16,020	12,725	44,895	38,778
Income from operations	7,085	1,959	14,282	8,123
Interest expense	(243)	(222)	(795)	(661)
Investment income	529	143	1,286	337
Other (expense) income, net	(16)	(208)	(369)	759
Income before provision for income taxes and non-controlling interest	7,355	1,672	14,404	8,558
Provision for income taxes	1,644	546	3,547	2,197
Net income	5,711	1,126	10,857	6,361
Net income (loss) attributable to non- controlling interest	315	(380)	439	(332)
Net income attributable to STRATTEC SECURITY CORPORATION	<u>\$ 5,396</u>	<u>\$ 1,506</u>	<u>\$ 10,418</u>	<u>\$ 6,693</u>
Comprehensive income:				
Net income	\$ 5,711	\$ 1,126	\$ 10,857	\$ 6,361
Pension and postretirement plans, net of tax	36	46	328	139
Currency translation adjustments	(77)	1,043	(4,082)	1,408
Other comprehensive income, net of tax	(41)	1,089	(3,754)	1,547
Comprehensive income	5,670	2,215	7,103	7,908
Comprehensive income (loss) attributable to non-controlling interest	283	36	(1,168)	226
Comprehensive income attributable to STRATTEC SECURITY CORPORATION	<u>\$ 5,387</u>	<u>\$ 2,179</u>	<u>\$ 8,271</u>	<u>\$ 7,682</u>
Earnings per share attributable to STRATTEC SECURITY CORPORATION:				
Basic	<u>\$ 1.34</u>	<u>\$ 0.38</u>	<u>\$ 2.59</u>	<u>\$ 1.69</u>
Diluted	<u>\$ 1.32</u>	<u>\$ 0.37</u>	<u>\$ 2.56</u>	<u>\$ 1.67</u>
Weighted Average shares outstanding:				
Basic	4,039	3,988	4,026	3,971
Diluted	4,085	4,017	4,067	3,996

The accompanying notes are an integral part of these Condensed Consolidated Statements of Income and Comprehensive Income.

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In Thousands, Except Share Amounts)
(Unaudited)

	March 30, 2025	June 30, 2024
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 62,106	\$ 25,410
Receivables, net	109,160	99,297
Inventories:		
Finished products	14,563	19,833
Work in process	12,228	15,461
Purchased materials	48,800	46,355
Inventories, net	75,591	81,649
Pre-production costs	9,740	22,173
Value-added tax recoverable	22,342	19,684
Other current assets	8,276	5,601
Total current assets	287,215	253,814
Deferred income taxes	17,084	17,593
Other long-term assets	5,277	6,698
Net property, plant and equipment	77,816	86,184
	<u>\$ 387,392</u>	<u>\$ 364,289</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 72,582	\$ 54,911
Accrued Liabilities:		
Payroll and benefits	19,431	28,953
Value-added tax payable	10,844	9,970
Environmental	1,390	1,390
Warranty	10,745	10,695
Other current liabilities	8,312	12,369
Total current liabilities	123,304	118,288
Borrowings under credit facilities	13,000	13,000
Postemployment obligations	12,076	2,429
Other long-term liabilities	4,411	4,957
Shareholders' Equity:		
Common stock, authorized 18,000,000 shares, \$.01 par value, 7,635,883 issued shares at March 30, 2025 and 7,586,920 issued shares at June 30, 2024	76	76
Capital in excess of par value	102,888	101,024
Retained earnings	261,030	250,612
Accumulated other comprehensive loss	(17,836)	(15,689)
Less: treasury stock, at cost (3,596,918 shares at March 30, 2025 and 3,598,126 shares at June 30, 2024)	(135,459)	(135,478)
Total STRATTEC SECURITY CORPORATION shareholders' equity	210,699	200,545
Non-controlling interest	23,902	25,070
Total shareholders' equity	<u>234,601</u>	<u>225,615</u>
	<u>\$ 387,392</u>	<u>\$ 364,289</u>

The accompanying notes are an integral part of these Condensed Consolidated Balance Sheets.

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Nine Months Ended	
	March 30, 2025	March 31, 2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 10,857	\$ 6,361
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	10,952	12,774
Foreign currency transaction (gain) loss	(1,052)	126
Unrealized loss (gain) on peso forward contracts	231	(604)
Stock-based compensation expense	1,839	1,224
Loss on settlement of postemployment obligation	283	—
Change in operating assets and liabilities:		
Receivables	(10,237)	(7,507)
Inventories	6,058	(1,015)
Prepaid and other assets	5,994	(16,898)
Accounts payable	16,730	(7,102)
Accrued liabilities	(948)	4,747
Other, net	794	671
Net cash provided by (used in) operating activities	41,501	(7,223)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of interest in joint ventures	—	2,000
Purchase of property, plant and equipment	(4,160)	(6,065)
Net cash used in investing activities	(4,160)	(4,065)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under credit facilities	3,000	2,000
Repayment of borrowings under credit facilities	(3,000)	(2,000)
Employee stock purchases	44	55
Net cash provided by financing activities	44	55
Foreign currency impact on cash	(689)	256
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,696	(10,977)
CASH AND CASH EQUIVALENTS		
Beginning of period	25,410	20,571
End of period	<u>\$ 62,106</u>	<u>\$ 9,594</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	\$ 9,135	\$ 3,177
Interest	\$ 731	\$ 659
Non-cash investing activities:		
Change in capital expenditures in accounts payable	\$ 726	\$ (264)

The accompanying notes are an integral part of these Condensed Consolidated Statements of Cash Flows.

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

STRATTEC SECURITY CORPORATION (the "Company" or "STRATTEC"), headquartered in Milwaukee, Wisconsin, is a leading global provider of advanced automotive access, security, and select user interface solutions. Products include power access solutions such as automated lift gates and power doors, door handles, engineered latches, key fobs, advanced security systems, steering wheel controls, and electronic shifters. While the Company serves major automotive OEMs globally, the majority of sales are to the three largest automobile original equipment manufacturers ("OEMs") in North America.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial reporting and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated balance sheet data as of June 30, 2024 was derived from the Company's audited financial statements but does not include all disclosures required by GAAP. For additional information, including the Company's significant accounting policies, refer to the consolidated financial statements and related footnotes in the Annual Report.

In the opinion of management, all adjustments considered necessary for a fair statement of financial results have been made. Such adjustments consist of only those of a normal recurring nature. Operating results for the three and nine months ended March 30, 2025 are not necessarily indicative of the results that may be expected for the entire fiscal year ending June 29, 2025. The condensed consolidated financial statements include the results of all wholly owned subsidiaries, as well as the results of a majority owned joint venture.

NOTE 2. RECENTLY ISSUED ACCOUNTING STANDARDS

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses including segment expenses that are regularly provided to the chief operating decision maker. For the Company, the annual disclosure requirements of this ASU are effective for fiscal years beginning after December 15, 2023 (fiscal 2025), while the interim reporting requirements are applicable in fiscal 2026. The amendments within this ASU are required to be applied retrospectively to all prior periods presented in the financial statements. Adoption of this ASU will result in additional disclosure, but it will not impact the Company's consolidated financial position, results of operations or cash flows.

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU is intended to enhance the transparency and decision usefulness of income tax disclosures to provide information to better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. For the Company, this ASU is effective for annual periods beginning after December 15, 2024 (fiscal 2026). The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. This ASU requires more detailed information about specified categories of expenses (purchases of inventory, employee compensation, depreciation, intangible asset amortization and depletion) included in certain expense captions presented on the face of the income statement. The ASU is effective for fiscal years beginning after December 15, 2026 (fiscal 2028) and for interim periods beginning after December 15, 2027 (fiscal 2029). The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

NOTE 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company generates revenue from the production of products sold to OEMs, or Tier 1 suppliers at the direction of the OEM, under long-term supply agreements supporting new vehicle production. Such agreements also require related production of service parts subsequent to the initial vehicle production periods. Additionally, the Company generates revenue from the production of products sold in aftermarket service channels.

Revenue by product category and by customer are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	March 30, 2025	March 31, 2024	March 30, 2025	March 31, 2024
Power access solutions	\$ 36,654	\$ 34,552	\$ 101,926	\$ 90,769
Door handles & exterior trim	35,337	35,796	103,572	98,465
Keys & locksets	27,817	25,973	70,905	80,885
Latches	18,944	18,976	55,763	49,249
User interface controls	12,817	12,462	40,647	34,476
Aftermarket & OE service	9,980	9,909	32,619	32,612
Other	2,533	3,105	7,621	8,255
	<u>\$ 144,082</u>	<u>\$ 140,773</u>	<u>\$ 413,053</u>	<u>\$ 394,711</u>

	Three Months Ended		Nine Months Ended	
	March 30, 2025	March 31, 2024	March 30, 2025	March 31, 2024
General Motors Company	\$ 40,920	\$ 42,713	\$ 122,630	\$ 119,735
Ford Motor Company	32,538	30,794	93,631	82,337
Stellantis	20,956	18,461	45,448	58,958
Hyundai Motor Group (including Kia)	13,919	13,155	42,852	33,205
Tier 1 Customers	19,724	20,916	58,397	57,093
All Other Customers	16,025	14,734	50,095	43,383
	<u>\$ 144,082</u>	<u>\$ 140,773</u>	<u>\$ 413,053</u>	<u>\$ 394,711</u>

NOTE 4. PRE-PRODUCTION COSTS

The Company incurs customer-owned tooling and engineering development pre-production costs. Pre-production costs for which reimbursement is contractually guaranteed by the customer are accumulated on the balance sheet and are then billed upon formal acceptance by the customer of products produced with the individual tools or upon customer approval of the completed engineering development. To the extent that the costs exceed expected reimbursement from the customer, expense is recognized. Costs for tooling that the Company owns are capitalized and depreciated over the estimated useful lives of the tools.

NOTE 5. VALUE-ADDED TAX

The Company's Mexican subsidiaries are subject to value-added tax ("VAT"). VAT is paid on goods and services and collected on sales. A VAT certification generally allows for relief from VAT tax for temporarily imported goods. A temporary suspension of our VAT tax certification during the second quarter of fiscal 2024 has resulted in an elevated value-added tax recoverable, as VAT was required to be paid on all components temporarily imported into Mexico for periods in which the certification was suspended. Such periods are now subject to an audit by the Mexican tax authority before VAT refunds will be received.

NOTE 6. DERIVATIVE INSTRUMENTS

The Company owns and operates manufacturing operations in Mexico. As a result, a portion of manufacturing costs are incurred in Mexican pesos, which causes earnings and cash flows to fluctuate due to changes in the U.S. dollar/Mexican peso exchange rate. During both fiscal 2025 and 2024, the Company entered into contracts with Bank of Montreal that provide for monthly Mexican peso currency forward contracts for a portion of peso denominated operating costs. The objective in entering into currency forward contracts is to minimize earnings volatility resulting from changes in foreign currency exchange rates. The Mexican peso forward contracts are not designated as hedges. As a result, all currency forward contracts are recognized in the accompanying condensed consolidated financial statements at fair value and changes in the fair value are reported in earnings as part of Other (Expense) Income, net.

The following table quantifies the outstanding forward contracts as of March 30, 2025 (in thousands, except with respect to the average forward contractual exchange rate):

	<u>Effective Dates</u>	<u>Notional Amount</u>	<u>Average Forward Contractual Exchange Rate</u>	<u>Fair Market Value</u>
Buy MXP/Sell USD	April 7, 2025 - August 18, 2025	\$ 15,000	20.03	\$ (423)
Buy MXP/Sell USD	April 7, 2025 – March 17, 2026	10,163	21.41	191
		<u>\$ 25,163</u>	<u>20.59</u>	<u>\$ (232)</u>

NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company assesses the inputs used to measure the fair value of financial assets and liabilities using a three-tier hierarchy. Level 1 inputs include unadjusted quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing an asset or liability.

The fair value of the Company's cash and cash equivalents, accounts receivable, financial assets held in a Rabbi Trust, accounts payable and variable rate borrowings under the credit agreements approximated book value at both March 30, 2025 and June 30, 2024 due to their short-term nature and the fact that the interest rates approximated market rates. The fair value of all Mexican peso forward contracts were based on quoted inactive market prices and therefore classified as Level 2 within the valuation hierarchy.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of March 30, 2025 and June 30, 2024 (in thousands):

	<u>March 30, 2025</u>	<u>June 30, 2024</u>
Land and improvements	\$ 6,280	\$ 6,697
Buildings and improvements	37,601	39,927
Machinery and equipment	234,012	258,622
	<u>277,893</u>	<u>305,246</u>
Less: accumulated depreciation	<u>(200,077)</u>	<u>(219,062)</u>
	<u>\$ 77,816</u>	<u>\$ 86,184</u>

NOTE 9. RESTRUCTURING

In an effort to optimize its cost structure, the Company has initiated actions to reduce its headcount. The total cost of these actions was \$0.8 million and \$1.1 million for the three and nine months ended March 30, 2025. All accrued severance will be paid in the next 12 months. Restructuring expense is reported in the accompanying condensed consolidated Statements of Income and Comprehensive Income as part of Engineering, Selling and Administrative Expenses.

Changes in the restructuring reserve were as follows (in thousands):

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 30, 2025</u>	<u>March 31, 2024</u>	<u>March 30, 2025</u>	<u>March 31, 2024</u>
Balance, beginning of period	\$ 265	\$ —	\$ —	\$ —
Restructuring charge	809	—	1,074	—
Reclassification from postemployment obligations	782	—	782	—
Payments	(1,278)	—	(1,278)	—
Balance, end of period	<u>\$ 578</u>	<u>\$ —</u>	<u>\$ 578</u>	<u>\$ —</u>

NOTE 10. CREDIT FACILITIES

The Company has a \$40 million secured revolving credit facility (the “STRATTEC Credit Facility”) with BMO Harris Bank N.A., while the joint venture has a \$20 million secured revolving credit facility (the “ADAC-STRATTEC Credit Facility”) with BMO Harris Bank N.A., which is guaranteed by the Company. The credit facilities both expire August 1, 2026. Borrowings under both credit facilities are secured by U.S. cash balances, accounts receivable, inventory, and fixed assets located in the U.S. Interest on borrowings under the STRATTEC Credit Facility were at varying rates based, at our option, on the bank's prime rate or SOFR plus 1.35% prior to September 5, 2023 and SOFR plus 1.85% subsequent to September 5, 2023. Interest on borrowings under the ADAC-STRATTEC Credit Facility were at varying rates based, at our option, on the bank's prime rate with no interest rate margin through May 30, 2024 and a 2% interest rate margin subsequent to May 30, 2024 or SOFR plus 1.35% prior to May 30, 2024 and SOFR plus 3.10% subsequent to May 30, 2024. Both credit facilities contain a restrictive financial covenant that requires the applicable borrower to maintain a minimum net worth level. The ADAC-STRATTEC Credit Facility includes an additional restrictive financial covenant that requires the maintenance of a minimum fixed charge coverage ratio. As of March 30, 2025, the Company was in compliance with all financial covenants.

Outstanding borrowings under the credit facilities were as follows (in thousands):

	March 30, 2025	June 30, 2024
STRATTEC Credit Facility	\$ —	\$ —
ADAC-STRATTEC Credit Facility	13,000	13,000
	<u>\$ 13,000</u>	<u>\$ 13,000</u>

Average outstanding borrowings and the weighted average interest rate under each credit facility referenced above were as follows (in thousands):

	Nine Months Ended			
	Average Outstanding Borrowings		Weighted Average Interest Rate	
	March 30, 2025	March 31, 2024	March 30, 2025	March 31, 2024
STRATTEC Credit Facility	\$ —	\$ 44	—%	8.5%
ADAC-STRATTEC Credit Facility	\$ 13,245	\$ 13,000	7.9%	6.7%

NOTE 11. COMMITMENTS AND CONTINGENCIES

From time to time the Company is subject to various legal actions and claims incidental to our business, including those arising out of alleged defects, alleged breaches of contracts, product warranties, intellectual property matters and employment related matters. The Company believes that the outcome of such matters will not have a material adverse impact on the consolidated financial position, results of operations or cash flows.

NOTE 12. WARRANTY

The Company has a warranty reserve related to known and potential exposure to warranty claims in the event products fail to perform as expected and in the event the Company may be required to participate in the repair costs incurred by customers for such products. The estimation of the warranty reserve involves judgment and estimates and is based on an analysis of historical warranty data as well as current trends and information. Changes in the warranty reserve were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	March 30, 2025	March 31, 2024	March 30, 2025	March 31, 2024
Balance, beginning of period	\$ 10,946	\$ 9,083	\$ 10,695	\$ 9,725
Provision charged to expense	284	276	1,253	323
Payments	(485)	(454)	(1,203)	(1,143)
Balance, end of period	<u>\$ 10,745</u>	<u>\$ 8,905</u>	<u>\$ 10,745</u>	<u>\$ 8,905</u>

NOTE 13. SHAREHOLDERS' EQUITY

A summary of activity impacting shareholders' equity follows (in thousands):

	Three and Nine Months Ended March 30, 2025						
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interest	Total Shareholders' Equity
Balance, June 30, 2024	\$ 76	\$ 101,024	\$ 250,612	\$ (15,689)	\$ (135,478)	\$ 25,070	\$ 225,615
Net income	—	—	3,703	—	—	45	3,748
Translation adjustments	—	—	—	(1,671)	—	(1,089)	(2,760)
Stock based compensation	—	188	—	—	—	—	188
Pension and postretirement adjustment, net of tax	—	—	—	256	—	—	256
Employee stock purchases	—	6	—	—	7	—	13
Balance, September 29, 2024	\$ 76	\$ 101,218	\$ 254,315	\$ (17,104)	\$ (135,471)	\$ 24,026	\$ 227,060
Net income	—	—	1,319	—	—	79	1,398
Translation adjustments	—	—	—	(759)	—	(486)	(1,245)
Stock based compensation	—	891	—	—	—	—	891
Pension and postretirement adjustment, net of tax	—	—	—	36	—	—	36
Employee stock purchases	—	9	—	—	6	—	15
Balance, December 29, 2024	\$ 76	\$ 102,118	\$ 255,634	\$ (17,827)	\$ (135,465)	\$ 23,619	\$ 228,155
Net income	—	—	5,396	—	—	315	5,711
Translation adjustments	—	—	—	(45)	—	(32)	(77)
Stock based compensation	—	760	—	—	—	—	760
Pension and postretirement adjustment, net of tax	—	—	—	36	—	—	36
Employee stock purchases	—	10	—	—	6	—	16
Balance, March 30, 2025	\$ 76	\$ 102,888	\$ 261,030	\$ (17,836)	\$ (135,459)	\$ 23,902	\$ 234,601

	Three and Nine Months Ended March 31, 2024						
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interest	Total Shareholders' Equity
Balance, July 2, 2023	\$ 75	\$ 100,309	\$ 234,299	\$ (14,194)	\$ (135,526)	\$ 26,061	\$ 211,024
Net income	—	—	4,165	—	—	290	4,455
Translation adjustments	—	—	—	(379)	—	(270)	(649)
Purchase of SPA non-controlling interest	—	(97)	—	—	—	—	(97)
Stock based compensation	—	505	—	—	—	—	505
Pension and postretirement adjustment, net of tax	—	—	—	46	—	—	46
Employee stock purchases	1	4	—	—	12	—	17
Balance, October 1, 2023	\$ 76	\$ 100,721	\$ 238,464	\$ (14,527)	\$ (135,514)	\$ 26,081	\$ 215,301
Net income	—	—	1,022	—	—	(242)	780
Translation adjustments	—	—	—	602	—	412	1,014
Stock based compensation	—	479	—	—	—	—	479
Pension and postretirement adjustment, net of tax	—	—	—	47	—	—	47
Employee stock purchases	—	7	—	—	13	—	20
Balance, December 31, 2023	\$ 76	\$ 101,207	\$ 239,486	\$ (13,878)	\$ (135,501)	\$ 26,251	\$ 217,641
Net income	—	—	1,506	—	—	(380)	1,126
Translation adjustments	—	—	—	627	—	416	1,043
Stock based compensation	—	240	—	—	—	—	240
Pension and postretirement adjustment, net of tax	—	—	—	46	—	—	46
Employee stock purchases	—	6	—	—	12	—	18
Balance, March 31, 2024	\$ 76	\$ 101,453	\$ 240,992	\$ (13,205)	\$ (135,489)	\$ 26,287	\$ 220,114

NOTE 14. OTHER (EXPENSE) INCOME, NET

Other (expense) income, net included in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	March 30, 2025	March 31, 2024	March 30, 2025	March 31, 2024
Foreign currency transaction (loss) gain	\$ (141)	\$ (475)	\$ 1,052	\$ (126)
Realized and unrealized gain (loss) on peso forward contracts, net	377	265	(927)	1,091
Pension and postretirement plans cost	(283)	(99)	(726)	(296)
Rabbi trust (loss) gain on investments	(1)	83	76	186
Other	32	18	156	(96)
	<u>\$ (16)</u>	<u>\$ (208)</u>	<u>\$ (369)</u>	<u>\$ 759</u>

NOTE 15. INCOME TAXES

The Company's income tax expense and effective tax rate for the three and nine month periods ended March 30, 2025 and March 31, 2024 were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	March 30, 2025	March 31, 2024	March 30, 2025	March 31, 2024
Income before provision for income taxes and non-controlling interest	\$ 7,355	\$ 1,672	\$ 14,404	\$ 8,558
Provision for income taxes	\$ 1,644	\$ 546	\$ 3,547	\$ 2,197
Effective tax rate	22.4%	32.7%	24.6%	25.7%

The Company is subject to income taxes in the United States and foreign jurisdictions, primarily Mexico. The effective tax rate for the three month period ended March 31, 2024 was impacted by a shift in our global earnings mix. The Company's income tax positions are based on interpretations of income tax laws and rulings in each of the jurisdictions that the Company operates. Interim income tax expense is determined based on an estimate of the overall annual effective income tax rate which can vary due to the relationship of foreign and domestic earnings, state taxes and available deductions, credits and discrete items.

NOTE 16. EARNINGS PER SHARE

A reconciliation of the components of the basic and diluted per-share computations follows (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	March 30, 2025	March 31, 2024	March 30, 2025	March 31, 2024
Net income attributable to STRATTEC SECURITY CORPORATION	\$ 5,396	\$ 1,506	\$ 10,418	\$ 6,693
Basic weighted-average shares outstanding	4,039	3,988	4,026	3,971
Effect of dilutive securities - employee stock compensation plan	46	29	41	25
Diluted weighted-average shares outstanding	<u>4,085</u>	<u>4,017</u>	<u>4,067</u>	<u>3,996</u>
Net earnings per share:				
Basic	\$ 1.34	\$ 0.38	\$ 2.59	\$ 1.69
Diluted	\$ 1.32	\$ 0.37	\$ 2.56	\$ 1.67
Anti-dilutive shares excluded from the effect of dilutive securities	—	8,270	1,730	26,145

NOTE 17. RELATED PARTY

The Company owns 51% of a joint venture with ADAC Automotive (“ADAC”), which was formed in fiscal year 2007 to support customers with door handle and exterior trim demand from injection molding and assembly operations in Mexico. The joint venture’s financial results are consolidated with the financial results of the Company. The following tables summarize the related party transactions that arise as a result of the joint venture operating agreement (in thousands):

	Three Months Ended		Nine Months Ended	
	March 30, 2025	March 31, 2024	March 30, 2025	March 31, 2024
Management fee expense	\$ 2,488	\$ 2,514	\$ 7,284	\$ 6,918
Net sales to ADAC	\$ 1,604	\$ 2,460	\$ 5,227	\$ 7,315

	March 30, 2025	June 30, 2024
	Accounts receivable from ADAC	\$ 754
Accounts payable to ADAC	\$ 6,538	\$ 1,679

NOTE 18. STOCK-BASED COMPENSATION

The Company has granted service-based restricted stock awards (“RSAs”) and performance stock units (“PSUs”) to employees and non-employee directors under the STRATTEC SECURITY CORPORATION 2024 Equity Incentive Plan (“2024 Equity Incentive Plan”). Prior to October 2024, stock options and RSAs were granted under the Amended and Restated STRATTEC SECURITY CORPORATION Stock Incentive Plan (“Stock Incentive Plan”). Awards granted under the 2024 Equity Incentive Plan that expire or are canceled without delivery of shares become available for re-issuance. No additional grants will be made under the Stock Incentive Plan.

The number of shares of the Company’s common stock authorized under the 2024 Equity Incentive Plan is 550,000. As of March 30, 2025, there were 435,742 shares available for future awards. No stock options were outstanding as of March 30, 2025.

Restricted Stock Awards

Shares of restricted stock granted under approved plans have voting rights, earn dividends and vest over a pre-determined period of time, up to three years from the date of grant. The fair value of restricted stock awards are based on the closing stock price on the date of grant. A summary of RSA activity follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested balance, June 30, 2024	79,325	\$ 27.21
Granted	115,302	39.31
Vested	(48,963)	31.16
Forfeited	(16,525)	31.26
Nonvested balance, March 30, 2025	129,139	\$ 36.00

As of March 30, 2025, there was \$3.3 million of unrecognized compensation cost related to unvested restricted stock awards, which will be expensed over the remaining vesting period of approximately 1.2 years.

Performance Stock Units

As of March 30, 2025, 16,878 PSUs were outstanding which may be earned based on the achievement of certain financial metrics over the three year period ending June 27, 2027. The PSUs will vest ranging from 0% (for performance below threshold) to 200% (for performance above target) and continued employment. The fair value of PSUs was based on the closing stock price on the date of grant. The PSUs earn dividend equivalents during the vesting period while compensation expense is recognized over the service period when it is probable that the performance criteria will be met. As of March 30, 2025, there was \$555,000 of unrecognized compensation cost related to unvested PSUs, which will be expensed over the remaining vesting period of approximately 2.2 years.

NOTE 19. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables summarize the changes in accumulated other comprehensive loss (“AOCL”) (in thousands):

	Three Months Ended March 30, 2025		
	Foreign Currency Translation Adjustments	Retirement and Postretirement Benefit Plans	Total
Balance, December 29, 2024	\$ 17,146	\$ 681	\$ 17,827
Other comprehensive loss before reclassifications	77	—	77
Income tax	—	—	-
Net other comprehensive loss before reclassifications	77	—	77
Reclassifications:			
Unrecognized net loss	—	(46)	(46)
Income tax	—	10	10
Net reclassifications	—	(36)	(36)
Other comprehensive loss (income)	77	(36)	41
Other comprehensive loss attributable to non-controlling interest	32	—	32
Balance, March 30, 2025	<u>\$ 17,191</u>	<u>\$ 645</u>	<u>\$ 17,836</u>

	Three Months Ended March 31, 2024		
	Foreign Currency Translation Adjustments	Retirement and Postretirement Benefit Plans	Total
Balance, December 31, 2023	\$ 12,805	\$ 1,073	\$ 13,878
Other comprehensive income before reclassifications	(1,043)	—	(1,043)
Net other comprehensive income before reclassifications	(1,043)	—	(1,043)
Reclassifications:			
Unrecognized net loss	—	(61)	(61)
Income tax	—	15	15
Net reclassifications	—	(46)	(46)
Other comprehensive income	(1,043)	(46)	(1,089)
Other comprehensive income attributable to non-controlling interest	(416)	—	(416)
Balance, March 31, 2024	<u>\$ 12,178</u>	<u>\$ 1,027</u>	<u>\$ 13,205</u>

	Nine Months Ended March 30, 2024		
	Foreign Currency Translation Adjustments	Retirement and Postretirement Benefit Plans	Total
Balance, June 30, 2024	\$ 14,716	\$ 973	\$ 15,689
Other comprehensive loss before reclassifications	4,082	—	4,082
Income tax	—	—	-
Net other comprehensive loss before reclassifications	4,082	—	4,082
Reclassifications:			
Unrecognized net loss	—	(421)	(421)
Income tax	—	93	93
Net reclassifications	—	(328)	(328)
Other comprehensive loss (income)	4,082	(328)	3,754
Other comprehensive loss attributable to non-controlling interest	1,607	—	1,607
Balance, March 30, 2025	<u>\$ 17,191</u>	<u>\$ 645</u>	<u>\$ 17,836</u>

Nine Months Ended March 31, 2024

	Foreign Currency Translation Adjustments	Retirement and Postretirement Benefit Plans	Total
Balance, July 2, 2023	\$ 13,028	\$ 1,166	\$ 14,194
Other comprehensive income before reclassifications	(1,408)	—	(1,408)
Net other comprehensive income before reclassifications	(1,408)	—	(1,408)
Reclassifications:			
Unrecognized net loss	—	(182)	(182)
Income tax	—	43	43
Net reclassifications	—	(139)	(139)
Other comprehensive income	(1,408)	(139)	(1,547)
Other comprehensive income attributable to non-controlling interest	(558)	—	(558)
Balance, March 31, 2024	<u>\$ 12,178</u>	<u>\$ 1,027</u>	<u>\$ 13,205</u>

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis should be read in conjunction with STRATTEC SECURITY CORPORATION's accompanying Condensed Consolidated Financial Statements and Notes thereto and its Annual Report. Unless otherwise indicated, all references to quarters and years refer to fiscal quarters and fiscal years.

Business Overview

With a history spanning over 110 years, STRATTEC has consistently been at the forefront of innovation in vehicle security, transitioning from mechanical to integrated electro-mechanical systems. Our largest customers are three leading automotive OEMs in North America, but we also provide products to other OEMs around the world. Our offering is comprised of products primarily related to vehicle power access, security and authorization and select user interface controls. Vehicle and power access solutions include power sliding doors, tailgates and lift gate systems, as well as power deck lid systems. We also design and manufacture highly-engineered latches and door handles. Security and authorization products are comprised of mechanical and electronically enhanced locks and keys, fobs, passive entry passive start systems, steering column and instrument panel ignition lock housings and related solutions. We established our leading market position within North American automotive customers initially with our legacy mechanical locks and keys. We built upon that reputation with our engineering expertise in security and vehicle access, our flexible and responsive service and our deep relationships with our customers.

Current Business Update

In conjunction with a change in leadership in 2024, we are in the process of developing a strategy to strengthen the Company's profitability and deliver sustainable sales growth. We expect to improve our business with upgraded systems and processes and a focus on productivity and efficiencies in our manufacturing operations. We are reviewing our product portfolio, focusing on improving our working capital management and modernizing our support functions. We believe this optimized cost structure will allow us to capitalize on our technical engineering expertise, market leading positions and strong customer relationships to generate innovative solutions and predictable sales growth with new and existing customers.

Volatility in the North American automotive industry is driven by supply chain disruptions, global inflation, thinning labor availability, rising global commodity costs and a changing global trade and geopolitical climate. These macro conditions, coupled with changes in production volumes by OEMs in response to new vehicle consumer demand impact our sales and profitability levels. Based on recent third party industry projections, it is expected that North American light vehicle production will be flat over the next several years with fiscal 2026 OEM production levels forecasted to be down approximately 6-8%, with a recovery in fiscal 2027 and 2028. Lower near term North American light vehicle production estimates, which are subject to change, are a result of recent tariff uncertainties and related demand impacts. Despite short term market softening, we have delivered 5% year-to-date sales growth, the result of new program launches, pricing actions and increased volumes on the platforms we serve.

The United States government has recently announced additional tariffs on goods imported into the U.S. from numerous countries, with certain exemptions such as USMCA-compliant imports. In response, multiple nations have countered with reciprocal tariffs and other actions. Like other automotive suppliers, we source raw materials and components from a global supply chain with final assembly for our products completed in our Mexico operations. We ship approximately 65% of our sales (majority of which are USMCA compliant) to customer production sites in the United States, with the balance shipped to other countries. We continue to monitor the dynamic global trade environment and are taking actions to mitigate the cost impact of additional tariffs and understand any associated changes in customer demand and production build schedules. Prior to any mitigation efforts, we estimate that the annual impact of the incremental tariffs is a \$9-\$12 million increase in our cost of goods sold. Mitigation actions include, but are not limited to, changes in our global supply chain, pass through of costs to customers and changes in our logistics processes. However, our inability to enact these, and other mitigation actions, may have a material adverse impact on sales, earnings and liquidity (refer to Part II, Item 1A. Risk Factors in this Form 10-Q).

Given our operations in Mexico, our financial results are impacted by labor inflation, the result of government mandated minimum wages, and we have exposure to changes in foreign currency exchange rates. We strive to mitigate the impact of these cost increases through supply chain and manufacturing efficiencies, strategic pricing and peso forward contracts. During fiscal 2025 we have taken actions to improve our cost structure, including the elimination of a shift in our Milwaukee operations and a restructuring of our Mexico operations. The restructuring activities are expected to generate approximately \$5 million of annual cost reductions.

During the balance of fiscal 2025, we are focused on mitigating the impact of the additional tariffs, executing new initiatives to improve our cost structure, driving cash flow through improved asset and working capital utilization and securing new platforms to solidify future sales growth.

Analysis of Results of Operations

Three months ended March 30, 2025 (third quarter fiscal 2025) compared with the three months ended March 31, 2024 (third quarter fiscal 2024)

Third quarter fiscal 2025 net sales were \$144.1 million, an increase of \$3.3 million (2.3%) compared to the prior year third quarter. Net sales increased due to \$2.5 million of price increases, favorable mix of \$2.2 million and net new program launches of \$1.6 million, which more than offset \$3.0 million in lower sales volumes on existing platforms. Net sales to our customers in the third quarter were as follows (in millions):

	Three Months Ended			
	March 30, 2025	March 31, 2024	\$ Change	% Change
General Motors Company	\$ 40.9	\$ 42.7	\$ (1.8)	(4.2%)
Ford Motor Company	32.5	30.8	1.7	5.5
Stellantis	21.0	18.5	2.5	13.5
Hyundai Motor Group (including Kia)	13.9	13.2	0.7	5.3
Tier 1 Customers	19.7	20.9	(1.2)	(5.7)
All Other Customers	16.1	14.7	1.4	9.5
	<u>\$ 144.1</u>	<u>\$ 140.8</u>	<u>\$ 3.3</u>	<u>2.4%</u>

Meaningful drivers of the change in net sales for key customers are as follows:

- General Motors Company net sales decreased 4% due to reduced shipments across all product categories, partially offset by the launch of a door handle program for the Equinox platform.
- Ford Motor Company net sales grew 6% due to increased shipments and both increased content per platform and higher value content related to power tailgate and related latch products.
- Stellantis net sales increased 14% primarily due to new key and lockset content on the Dodge Ram Heavy Duty truck platform.
- Hyundai Motor Group net sales increased 5% due to higher demand and inventory destocking in the prior year for power access products on the Hyundai Staria platform.
- Tier 1 customer sales decreased 6% due to reduced shipments of door handle products.

Third quarter fiscal 2025 gross profit was \$23.1 million, compared to \$14.7 million in the comparable prior year period. Gross profit margin improved year-over-year from 10.4% to 16.0% as a result of the strengthening of the US dollar, pricing actions, favorable product mix and improved leverage of our fixed cost structure.

	Three Months Ended			
	March 30, 2025		March 31, 2024	
	Millions of Dollars	Percent of Net Sales	Millions of Dollars	Percent of Net Sales
Direct material costs	\$ 78.7	54.6%	\$ 79.8	56.7%
Labor and overhead costs	42.3	29.0	46.3	32.9
Cost of goods sold	<u>\$ 121.0</u>	<u>84.0%</u>	<u>\$ 126.1</u>	<u>89.6%</u>
Gross Profit	<u>\$ 23.1</u>	<u>16.0%</u>	<u>\$ 14.7</u>	<u>10.4%</u>

Material costs decreased \$1.1 million year-over-year on lower production levels and favorable product mix. Labor and overhead costs decreased \$4.0 million year-over-year reflecting a \$4.4 million benefit from changes in foreign currency exchange rates and a \$1.1 million net reduction in manufacturing labor costs from lower headcount and related fringe benefit costs. Favorable changes in foreign currency exchange rates and lower labor costs more than offset the \$1.3 million impact of merit and government mandated minimum wages increases in our Mexico operations and the \$0.8 million increase in tariffs resulting from recent changes in U.S. regulations.

Engineering, selling and administrative expenses were \$16.0 million in the third quarter of fiscal 2025, compared to \$12.7 million in the prior year period. Increased expenses included \$1.1 million of business transformation and restructuring costs, \$1.2 million of incremental equity compensation and annual bonus expense and higher third party engineering spend of \$0.4 million reflecting the timing of development projects.

Interest expense relates to outstanding borrowings under our joint venture credit facility and was \$0.2 million in the current and prior year quarter.

Investment income increased to \$0.5 million in the third quarter from \$0.1 million in the prior year reflecting increased levels of cash and cash equivalents, which are invested in overnight money market funds.

Other expense, net was \$0.02 million in the third quarter compared to \$0.2 million in the prior year. The reduction was primarily due to changes in foreign currency exchange rates and gains or losses on peso forward contracts.

The effective income tax rate was 22.4% and 32.7% for the third quarter of fiscal 2025 and 2024, respectively. The effective tax rate for the third quarter of fiscal 2024 was impacted by a shift in our global earnings mix. The effective tax rate for both periods exceeds the U.S. federal statutory rate primarily because of the foreign rate differential, state income taxes, limitations on the utilization of foreign tax credits, non-deductible items and discrete items.

Nine months ended March 30, 2025 compared with the nine months ended March 31, 2024

Net sales in the nine months of fiscal 2025 were \$413.1 million, an increase of \$18.4 million, or 4.7% compared to the prior year period. Net sales growth was driven by \$17.0 million of net new program launches as well as favorable mix. Additionally, higher production volumes on certain existing platforms and customer inventory builds increased sales by \$3.0 million. Higher sales and \$6.1 million of accretive pricing more than offset the benefit from the prior year period which had \$9.9 million of one-time retroactive pricing recoveries. Net sales to our customers in the first nine months of fiscal 2025 were as follows (in millions):

	Nine Months Ended			
	March 30, 2025	March 31, 2024	\$ Change	% Change
General Motors Company	\$ 122.6	\$ 119.7	\$ 2.9	2.4%
Ford Motor Company	93.6	82.3	11.3	13.7
Stellantis	45.5	59.0	(13.5)	(22.9)
Hyundai Motor Group (including Kia)	42.9	33.2	9.7	29.2
Tier 1 Customers	58.4	57.1	1.3	2.3
All Other Customers	50.1	43.4	6.7	15.4
	<u>\$ 413.1</u>	<u>\$ 394.7</u>	<u>\$ 18.4</u>	<u>4.7%</u>

Meaningful drivers of the change in net sales for key customers are as follows:

- General Motors Company net sales increased 2% primarily due to overall volume increases for full size SUVs and pickups as well as new door handle volume for the Equinox EV, which were partially offset by several key and lockset programs ending.
- Ford Motor Company net sales grew 14% mostly due to increased volumes and new tailgate and power end gate content on the Ford F-Series and Super Duty trucks.
- Stellantis net sales declined 23% due to the combination of lower vehicle production volumes for several programs and the end of several passenger car programs, partially offset by new content on the Dodge Ram Heavy Duty truck platform.
- Hyundai Motor Group net sales increased 29% due to higher demand for power sliding door products and an increase in OEM inventory levels.

Gross profit was \$59.2 million in the first nine months of fiscal 2025, compared to \$46.9 million in the comparable prior year period. Despite favorable one-time pricing recoveries in the prior year, gross profit margin improved year-over-year from 11.9% to 14.3% as a result of the strengthening of the US dollar, pricing actions and improved leverage of our fixed cost structure on higher sales volumes.

	Nine Months Ended			
	March 30, 2025		March 31, 2024	
	Millions of Dollars	Percent of Net Sales	Millions of Dollars	Percent of Net Sales
Direct material costs	\$ 229.3	55.5%	\$ 220.4	55.8%
Labor and overhead costs	124.6	30.2	127.4	32.3
Cost of goods sold	<u>\$ 353.9</u>	<u>85.7%</u>	<u>\$ 347.8</u>	<u>88.1%</u>
Gross Profit	<u>\$ 59.2</u>	<u>14.3%</u>	<u>\$ 46.9</u>	<u>11.9%</u>

Material costs increased \$8.9 million year-over-year on higher production levels. Labor and overhead costs decreased \$2.8 million year-over-year. Excluding the \$10.6 million benefit from changes in foreign currency exchange rates, conversion costs increased \$7.8 million due to higher sales volumes, a \$3.1 million increase in Mexico labor costs, \$1.2 million in increased tariff costs and increased provisions for annual bonus expense of \$1.4 million, offset by a \$1.8 million reduction in depreciation expense.

Engineering, selling and administrative expenses were \$44.9 million in the first nine months of fiscal 2025, compared to \$38.8 million in the prior year period. Increased expenses include additional executive transition costs of \$1.1 million, \$0.6 million of incremental equity compensation expense, increased annual bonus provision of \$2.3 million and \$1.1 million of restructuring charges. These cost increases were partially offset by lower third party engineering spend of \$0.6 million.

Interest expense relates to outstanding borrowings under our joint venture credit facility and was \$0.8 million and \$0.7 million in the current year period and prior year period, respectively.

Investment income increased to \$1.3 million in the current year period from \$0.3 million in the prior year period reflecting increased levels of cash and cash equivalents, which are invested in overnight money market funds.

Other expense, net was \$0.4 million in the current year period compared to other income, net of \$0.8 million in the prior year. The change was primarily due to changes in foreign currency exchange rates and gains or losses on peso forward contracts.

The effective income tax rate was 24.6% and 25.7% for the current year and prior year period, respectively. The effective tax rate for both periods exceeds the U.S. federal statutory rate primarily because of the foreign rate differential, state income taxes, limitations on the utilization of foreign tax credits, non-deductible items and discrete items.

Liquidity and Capital Resources

At March 30, 2025, we had \$62.1 million of cash and cash equivalents, of which \$2.0 million was held by our foreign subsidiaries and \$60.1 million was held domestically. Excess cash is held in money market funds. The following table summarizes our cash flows provided by (used in) operating, investing and financing activities (in millions):

	Nine Months Ended	
	March 30, 2025	March 31, 2024
	Cash provided by operating activities	\$ 41.5
Cash used in investing activities	(4.2)	(4.1)
Cash provided by financing activities	0.1	—
Effect of exchange rate changes on cash	(0.7)	0.3
Net increase (decrease) in cash and cash equivalents	<u>\$ 36.7</u>	<u>\$ (11.0)</u>

Cash flow from operations was \$41.5 million for the nine months of fiscal 2025, compared to a use of cash from operations in the prior year period. Fiscal 2025 year-to-date cash flow from operations is the result of cash earnings and a \$17.5 million reduction in working capital, including reduced purchasing and inventory levels on higher sales, recovery of pre-production costs and extended payment terms with our suppliers.

Net cash used in investing activities was \$4.2 million during the first nine months of fiscal 2025 compared to \$4.1 million in the prior year period. Capital expenditures to support new customer programs upgrades to our IT hardware and network environment and replacement and automation of manufacturing equipment were \$4.2 million in the current year period compared to \$6.1 million in the prior year period. The prior year also included \$2.0 million in proceeds received from the sale of our interest in a previous joint venture.

Net cash provided by financing activities resulted from the sale of common stock under our employee stock purchase plan. In addition, during the first nine months of fiscal 2025, we borrowed and repaid amounts under the joint venture revolving credit agreement for short term cash requirements.

At March 30, 2025, there were no borrowings outstanding under the \$40.0 million STRATTEC revolving credit agreement and \$13.0 million outstanding under the \$20.0 million joint venture revolving credit agreement. The Company was in compliance with all covenants under its credit facilities at March 30, 2025. We believe that the revolving credit line, combined with our existing cash and anticipated operating cash flows will be adequate to meet operating, debt service and capital expenditure funding requirements for the foreseeable future.

Primary Working Capital Management

We use primary working capital as a percentage of sales (PWC %) as a key metric of working capital management. We define this metric as the sum of net accounts receivable and net inventory less accounts payable, divided by the past three months sales annualized. The following table shows a comparison of primary working capital (dollars in millions):

	March 30, 2025	PWC %	June 30, 2024	PWC %
Accounts Receivable, net	\$ 109	19%	\$ 99	17%
Inventory, net	76	13%	82	14%
Accounts payable	(73)	(13%)	(55)	(10%)
Net primary working capital	<u>\$ 112</u>	<u>19%</u>	<u>\$ 126</u>	<u>22%</u>

Despite higher accounts receivable on increased sales, a \$6.1 million reduction in inventory levels and a \$16.7 million increase in accounts payable drove the improvement in PWC% to 19% at the end of the third quarter of fiscal 2025.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4 Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed in the Company’s reports filed or submitted under the Exchange Act, are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act are accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures were effective at reaching a level of reasonable assurance. It should be noted that in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures. We have designed our disclosure controls and procedures to reach a level of reasonable assurance of achieving the desired control objectives.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II

Other Information

Item 1. Legal Proceedings

In the normal course of business, we may be involved in various legal proceedings from time to time. We do not believe we are currently involved in any claim or action the ultimate disposition of which would have a material adverse effect on our financial statements.

Item 1A. Risk Factors

An investment in our Common Stock involves risks. Before making an investment decision, you should carefully consider all of the information in this Quarterly Report, including the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Condensed Consolidated Financial Statements and related notes. In addition, you should carefully consider the risks and uncertainties described in the section entitled “Risk Factors” in our Annual Report. If any of the identified risks are realized, our business, financial condition and operating results could be materially and adversely affected. In that case, the trading price of our Common Stock may decline. In addition, other risks of which we are currently unaware, or which we currently do not view as material, could have a material adverse effect on our business, financial condition and operating results. As of the date of this Quarterly Report, we are providing the following update to the “Business Risks – Cross-border or Tariffs” risk factor contained in our Annual Report.

Business Risks

Cross-border Trade Issues or Tariffs – Our operations are impacted by international or cross-border trade dynamics, particularly the import and export of products and goods into and out of the United States and trade tensions among nations. The shipping of goods across national borders is often more expensive and complicated than domestic shipping. Customs and duty procedures and reviews, including duty-free thresholds in various key markets, the application of tariffs, and security-related governmental processes at international borders, may increase costs, discourage cross-border purchases, delay transit and create shipping uncertainties. The imposition of non-tariff barriers, including localized content rules and government procurement restrictions, may further limit our ability to operate efficiently across borders.

We manufacture our products in Mexico and rely on a global supply chain to deliver raw materials and components that we need to manufacture our products. Our business benefits from certain free trade agreements, such as the United States-Mexico-Canada Agreement. However, recent shifts in trade policy have resulted in new or higher tariffs on goods imported from numerous countries, and some countries have imposed retaliatory tariffs on imports from the United States, which has created meaningful uncertainty. These changes may result in significantly increased production costs, pricing volatility and administrative complexity in determining country-of-origin compliance for automotive components.

Changes in U.S. trade relations with foreign countries involved in our business, including but not limited to Mexico, Canada, China, and European countries, could have a material effect on global economic conditions and significantly decrease global trade, which could adversely impact our production costs, purchased material costs, ability to compete, customer demand, short-term vehicle production levels and relationships with suppliers and customers. Should universal tariffs be implemented as initially announced in April 2025, we anticipate a significant adverse impact on our future costs, which could reduce profitability on certain of our products and have a material adverse effect on our results of operations, financial condition and cash flows. The ultimate impact of changes to tariffs and trade barriers will depend on various factors, including the timing, amount, scope and nature of any tariffs and trade barriers that are implemented. Refer to Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q for further discussion of the impact of these tariffs.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Unregistered Sales of Equity Securities

There were no equity securities of STRATTEC SECURITY CORPORATION sold by STRATTEC SECURITY CORPORATION during the nine months ended March 30, 2025 that were not registered under the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

Our Board of Directors authorized a stock repurchase program on October 16, 1996. The Board of Directors has periodically increased the number of shares authorized for repurchase under the program, most recently in August 2008. The program currently authorizes the repurchase of up to 3,839,395 shares of our common stock from time to time with consideration given to the market price of the common shares, the nature of other investment opportunities, cash flows from operations, general economic conditions and other relevant considerations, directly or through brokers or agents, and has no expiration date. Over the life of the repurchase program through March 30, 2025, a total of 3,655,322 shares have been repurchased at a cost of approximately \$136.4 million. No shares were repurchased during the nine month period ended March 30, 2025.

Item 3. Defaults Upon Senior Securities—None

Item 4. Mine Safety Disclosures—None

Item 5. Other Information—

(c) Trading Plans.

During the fiscal quarter ended March 30, 2025, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6 Exhibits

(a) Exhibits

- 3.1 [Amended and Restated Articles of Incorporation of the Company \(Incorporated by reference from Exhibit 3.1 to the Form 10-K filed on September 7, 2017\).](#)
- 3.2 [Amendment to Amended and Restated Articles of Incorporation of the Company \(Incorporated by reference from Exhibit 3.1 to the Form 10-Q report filed on November 7, 2019\).](#)
- 3.3 [Amendment to Amended and Restated Articles of Incorporation of the Company \(Incorporated by reference from Exhibit 3.1 to the Form 8-K report filed on October 21, 2021\).](#)
- 3.4 [Amendment to Amended and Restated Articles of Incorporation of the Company \(Incorporated by reference from Exhibit 3.1 to the Current Report on Form 8-K filed on October 23, 2024\).](#)
- 3.5 [Amended By-Laws of the Company \(Incorporated by reference from Exhibit 3.2 to the Current Report on Form 8-K filed on October 23, 2024\).](#)
- 31.1** [Rule 13a-14\(a\) Certification of Jennifer L. Slater, Chief Executive Officer](#)
- 31.2** [Rule 13a-14\(a\) Certification of Matthew Pauli, Chief Financial Officer](#)
- 32⁽¹⁾ [18 U.S.C. Section 1350 Certifications](#)
- 101 The following materials from STRATTEC SECURITY CORPORATION's Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2025 formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) Condensed Consolidated Statements of Income and Comprehensive Income; (ii) Condensed Consolidated Balance Sheets; (iii) Condensed Consolidated Statements of Cash Flows; and (iv) Notes to Condensed Consolidated Financial Statements. XBRL Instance Document – the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 104 The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended March 30, 2025, formatted in Inline XBRL (included in Exhibit 101).

** Filed herewith

⁽¹⁾ This certification is not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

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.

STRATTEC SECURITY CORPORATION (Registrant)

Date: May 9, 2025

By: /s/ Matthew Pauli

Matthew Pauli
Senior Vice President,
Chief Financial Officer,
Treasurer and Secretary
(Principal Accounting and Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jennifer L. Slater, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STRATTEC SECURITY CORPORATION;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2025

/s/ Jennifer L. Slater
Jennifer L. Slater,
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew Pauli, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STRATTEC SECURITY CORPORATION;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2025

/s/ Matthew Pauli
Matthew Pauli,
Chief Financial Officer

**Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of STRATTEC SECURITY CORPORATION (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 30, 2025 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2025

/s/ Jennifer L. Slater
Jennifer L. Slater,
Chief Executive Officer

Dated: May 9, 2025

/s/ Matthew Pauli
Matthew Pauli,
Chief Financial Officer

This certification is made solely for purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.
