



***Sidoti & Company***

**May 19, 2021**



VEHICLE ACCESS SYSTEMS TECHNOLOGY



WITTE • STRATTEC • ADAC

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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.

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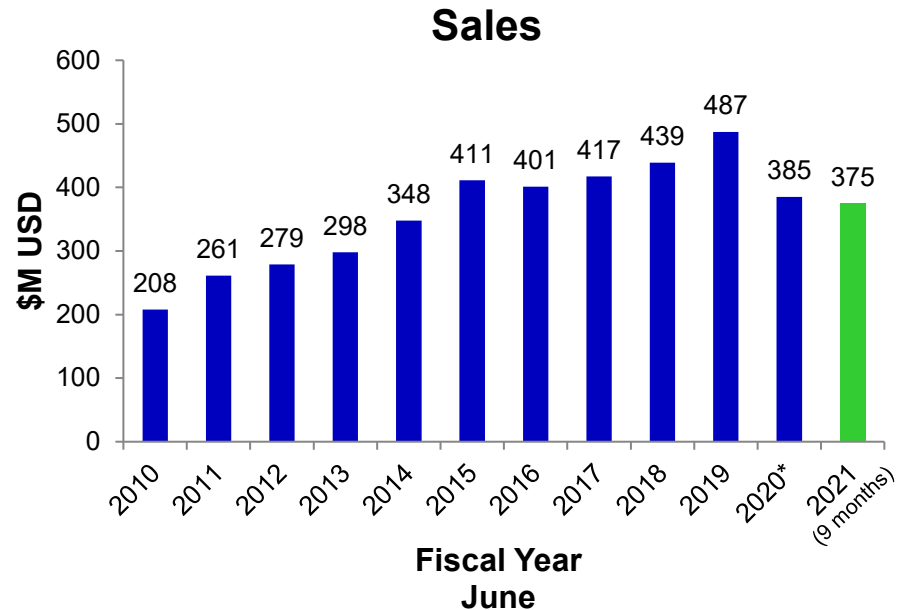
# Frank J. Krejci

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

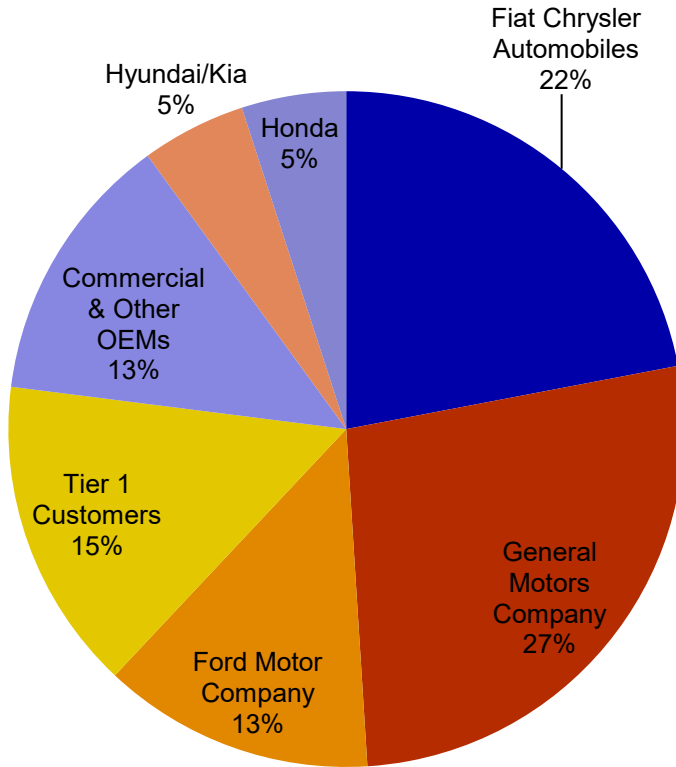


\*FY 2020 was impacted by General Motor UAW strike that reduced sales by \$10 million and COVID-19 by \$78 million.



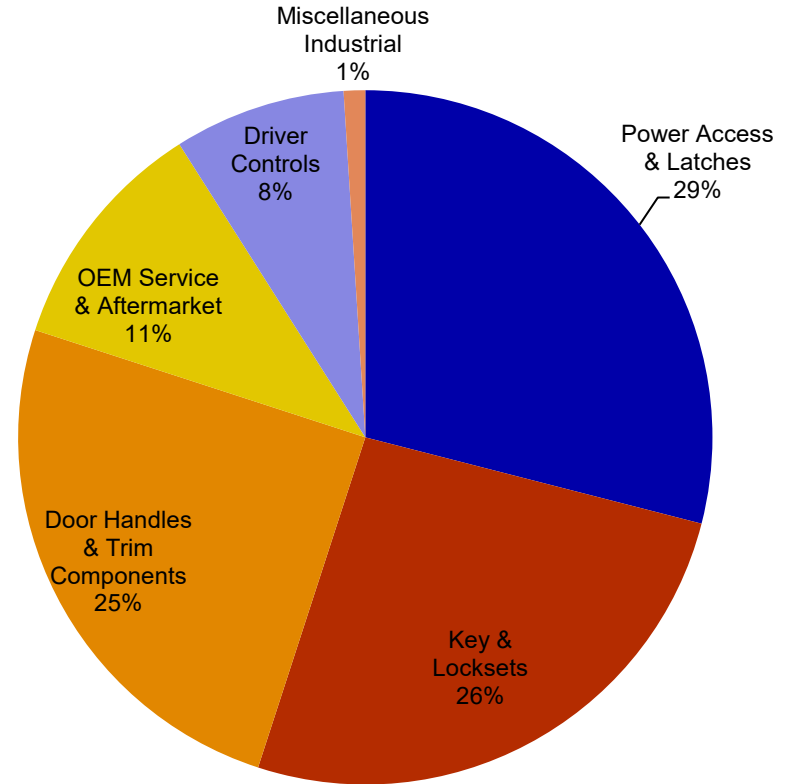
- Unique joint venture partnership (STRATTEC, Two Privately Held Companies - ADAC Automotive, and WITTE Automotive)
- Shared technology and complimentary products
- Joint investments outside of our home markets of North America and Europe (China, India, and Brazil)
- \$1.7 billion = Total sales of VAST Group (STRATTEC, WITTE, ADAC, VAST China unconsolidated)
- 18 Manufacturing sites
- 13 Engineering Centers
- Employment over 11,000

## Customers



Fiscal Year 2020

## Products



Fiscal Year 2020

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 3<sup>rd</sup> Quarter ended March 2020 were \$121.6 million. **Customer sales demand** remains **strong** despite abnormally low dealer inventory. Upcoming sales will be temporarily **impacted** by supplier part shortages in electronic components and other raw materials.
- The **gross profit margin improvements** were primarily due to efficiency and cost reduction improvements as well as new business launches.
- **Capital spending** will be in the **\$10 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** (approximately \$100 million) was **terminated** and **removed** significant financial statement and future funding risk for STRATTEC going forward.
- We have **\$65 million** of **credit facilities** available with BMO Harris Bank with current borrowings **outstanding** of **\$12.0 million** as of May 19, 2021. We **paid down \$23.0 million** during fiscal year 2021.
- Our overall **capital allocation strategy** is use our excess operating cash flow to significantly **reduce** or **eliminate debt**.
- The **quarterly dividend** was **suspended** May 2020 to **preserve cash** along with permanent salaried headcount reduction, temporary layoffs and wage reductions.

# Statements of Income

## 3<sup>rd</sup> Quarter March 2021 & 2020 (in thousands of USD)



	Actual 3rd QTR Mar 2021	% of Net Sales	Actual 3rd QTR Mar 2020	% of Net Sales
Net Sales	\$ 121,644	100.0%	\$ 116,938	100.0%
Cost of Goods Sold	102,990	84.7%	99,928	85.5%
Non Cash Compensation Expense	-	0.0%	-	0.0%
Gross Profit	18,654	15.3%	17,010	14.5%
Engineering, Selling, & Administrative Expenses	11,927	9.8%	10,727	9.2%
Non Cash Compensation Expense	-	0.0%	-	0.0%
Total Expense	11,927	9.8%	10,727	9.2%
Income from Operations	6,727	5.5%	6,283	5.4%
Interest Expense	(63)	-0.1%	(204)	-0.2%
Gain(Loss) on Investment in VAST	(56)	0.0%	(947)	-0.8%
Miscellaneous Expense	455		1,075	0.9%
Income Before Income Tax	7,063	5.8%	6,207	5.3%
Income Tax Provision (Benefit)	1,153	0.9%	1,294	1.1%
Net Income	5,910	4.9%	4,913	4.2%
Less: Net Income Attributable to Non-Controlling Interest	(1,425)	-1.2%	(1,919)	-1.6%
Net Income Attributable to STRATTEC	<u>\$ 4,485</u>	3.7%	<u>\$ 2,994</u>	2.6%
Weighted Average Shares	3,886		3,768	
Diluted Earnings Per Share	<u>\$ 1.15</u>		<u>\$ 0.79</u>	
Adjusted Diluted Earnings Per Share	<u>\$ 1.15</u>		<u>\$ 0.79</u>	



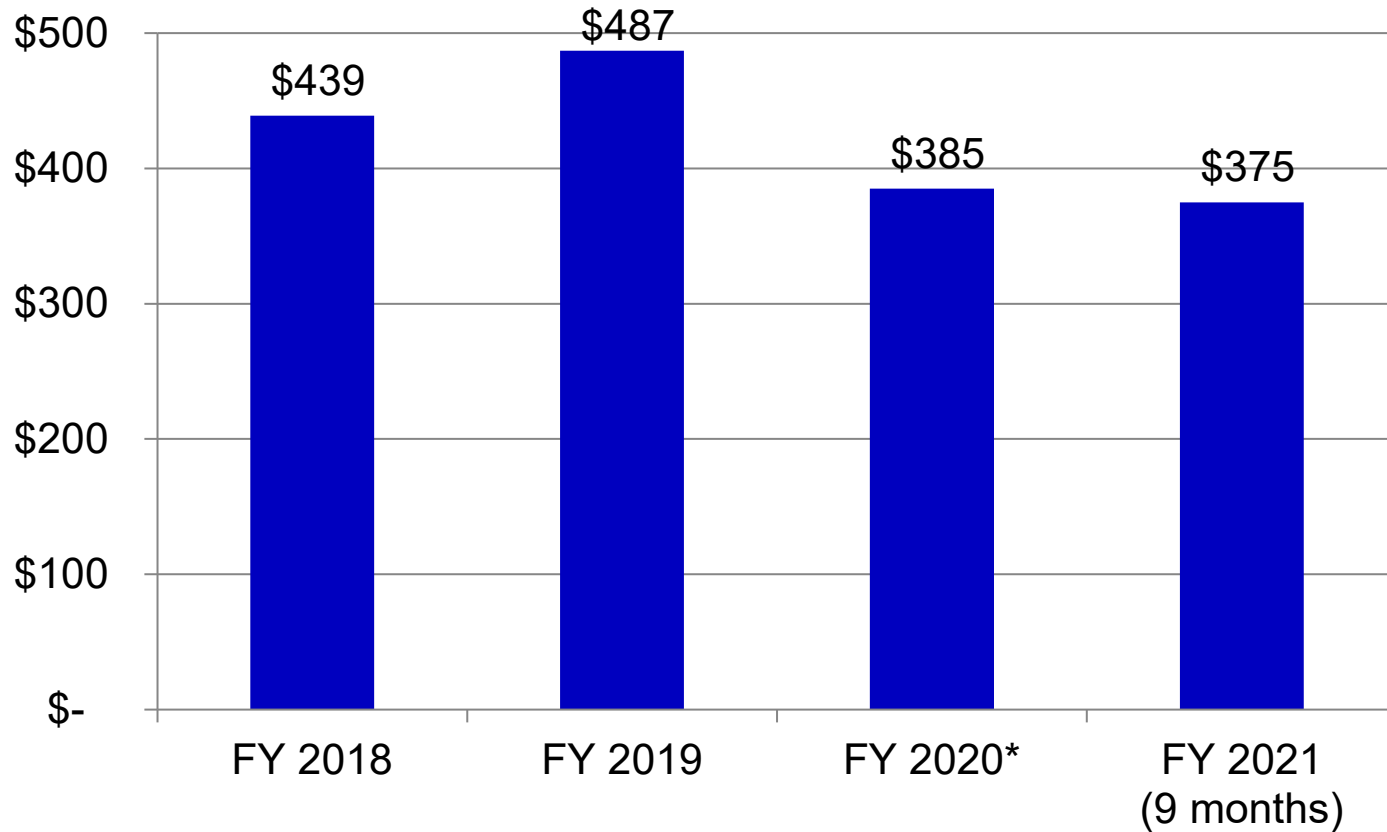
# Income Statement YTD March 2021 & 2020 (in thousands of USD)



	Actual		Actual	
	YTD Mar 2021	% of Net Sales	YTD Mar 2020	% of Net Sales
Net Sales	\$ 375,239	100.0%	\$ 343,183	100.0%
Cost of Goods Sold	311,832	83.1%	297,212	86.6%
Non Cash Compensation Expense	-	0.0%	2,742	0.8%
Gross Profit	63,407	16.9%	43,229	12.6%
Engineering, Selling, & Administrative Expenses	33,543	8.9%	34,044	9.9%
Non Cash Compensation Expense	-		1,731	0.5%
Total Expense	33,543	8.9%	35,775	10.4%
Income from Operations	29,864	8.0%	7,454	2.2%
Interest Expense	(259)	-0.1%	(792)	-0.2%
Gain(Loss) on Investment in VAST	1,844	0.5%	36	0.0%
Miscellaneous Expense	(1,171)		994	0.3%
Income Before Income Tax	30,278	8.1%	7,692	2.2%
Income Tax Provision (Benefit)	4,721	1.3%	1,194	0.3%
Net Income	25,557	6.8%	6,498	1.9%
Less: Net Income Attributable to Non-Controlling Interest	(5,950)	-1.6%	(3,601)	-1.0%
Net Income Attributable to STRATTEC	<u>\$ 19,607</u>	5.2%	<u>\$ 2,897</u>	0.8%
Weighted Average Shares	3,839		3,752	
Diluted Earnings Per Share	<u>\$ 5.11</u>		<u>\$ 0.77</u>	
Adjusted Diluted Earnings Per Share	<u>\$ 5.11</u>		<u>\$ 1.68</u>	

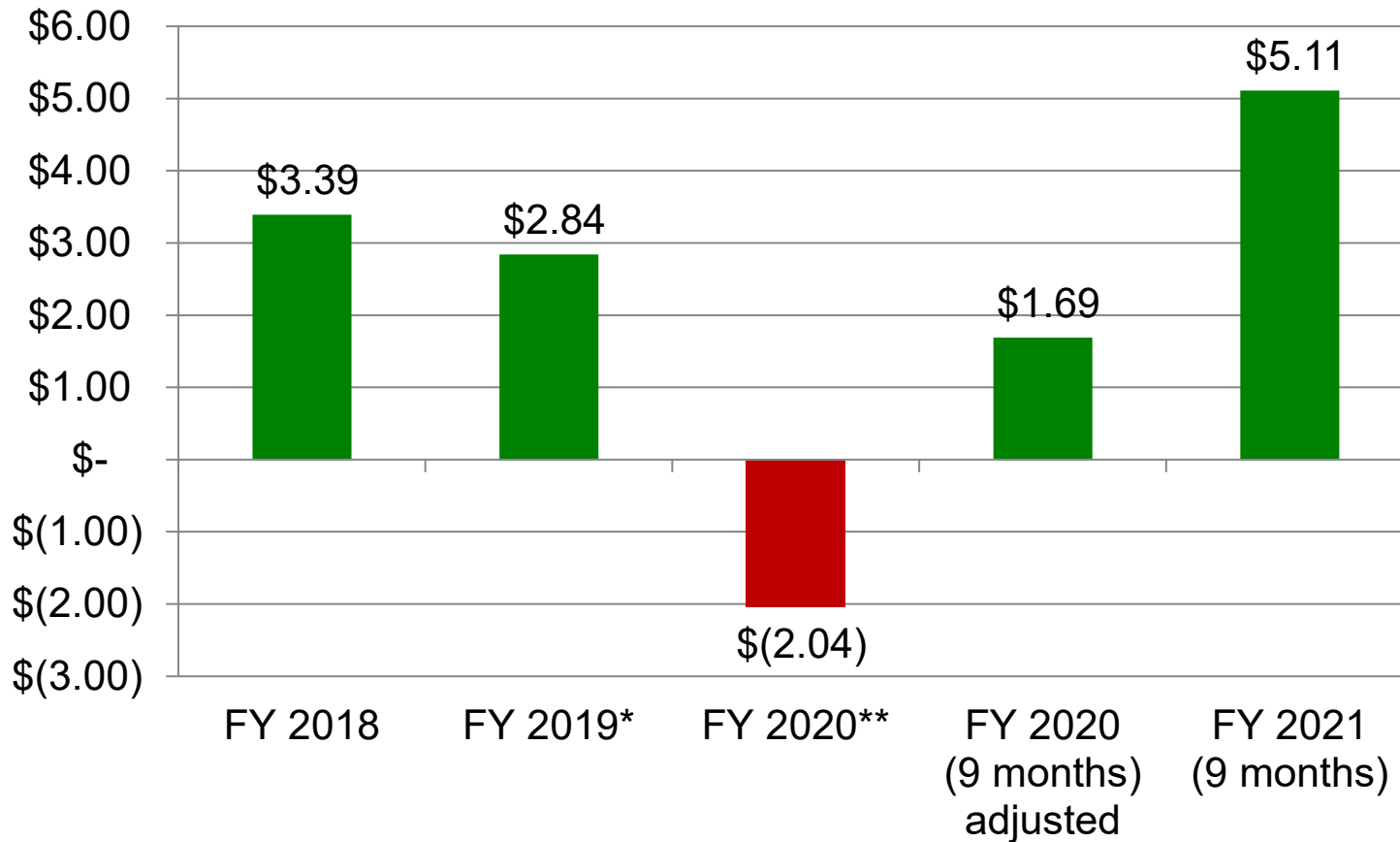


# 3 Year and Nine Months Ended Fiscal 2021 Net Sales Growth (in millions \$)



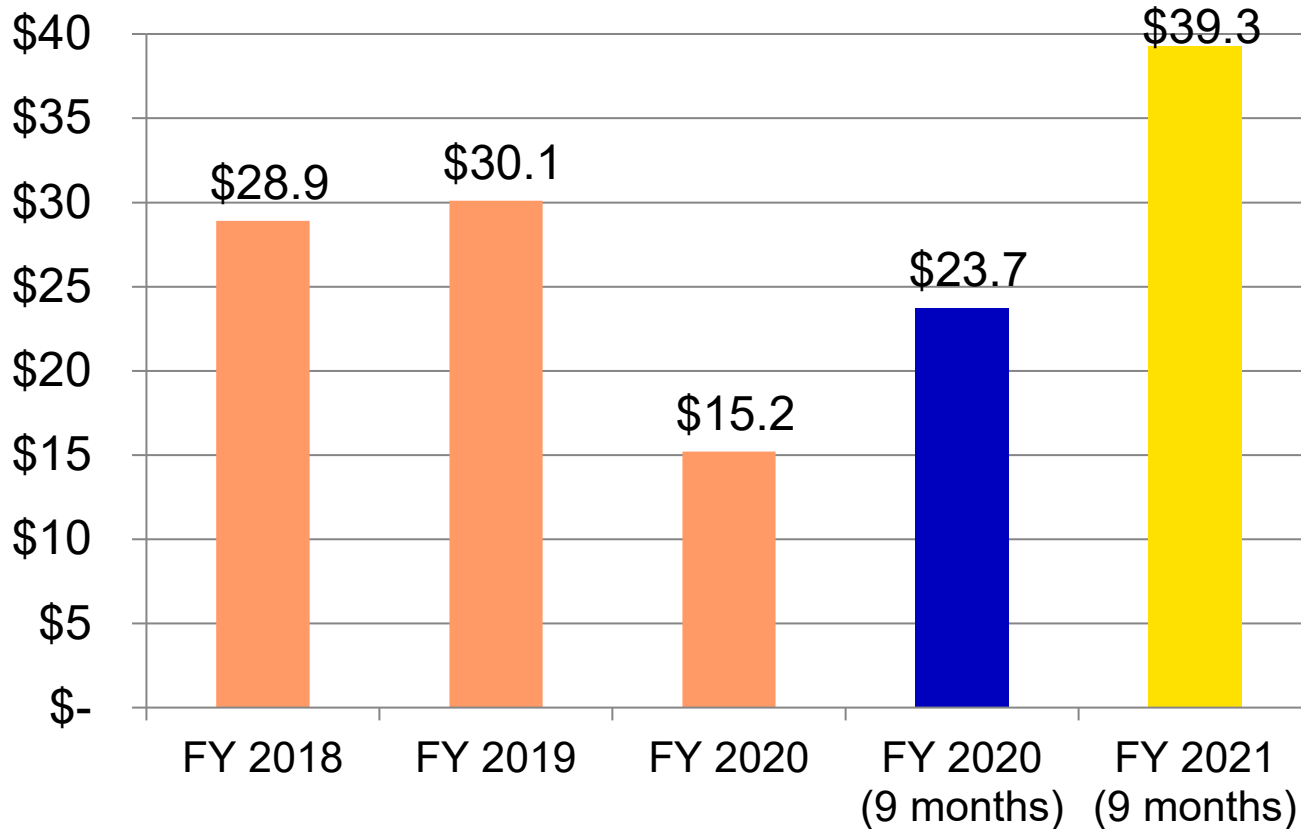
\*FY 2020 was impacted by General Motor UAW strike that reduced sales by \$10 million and COVID-19 by \$78 million.





\*Adjusted for Non-Cash Pension Settlement and compensation charges reduced EPS by \$7.40.

\*\* Net Loss due to COVID-19 and non-cash compensation charge reduced EPS by \$0.99.

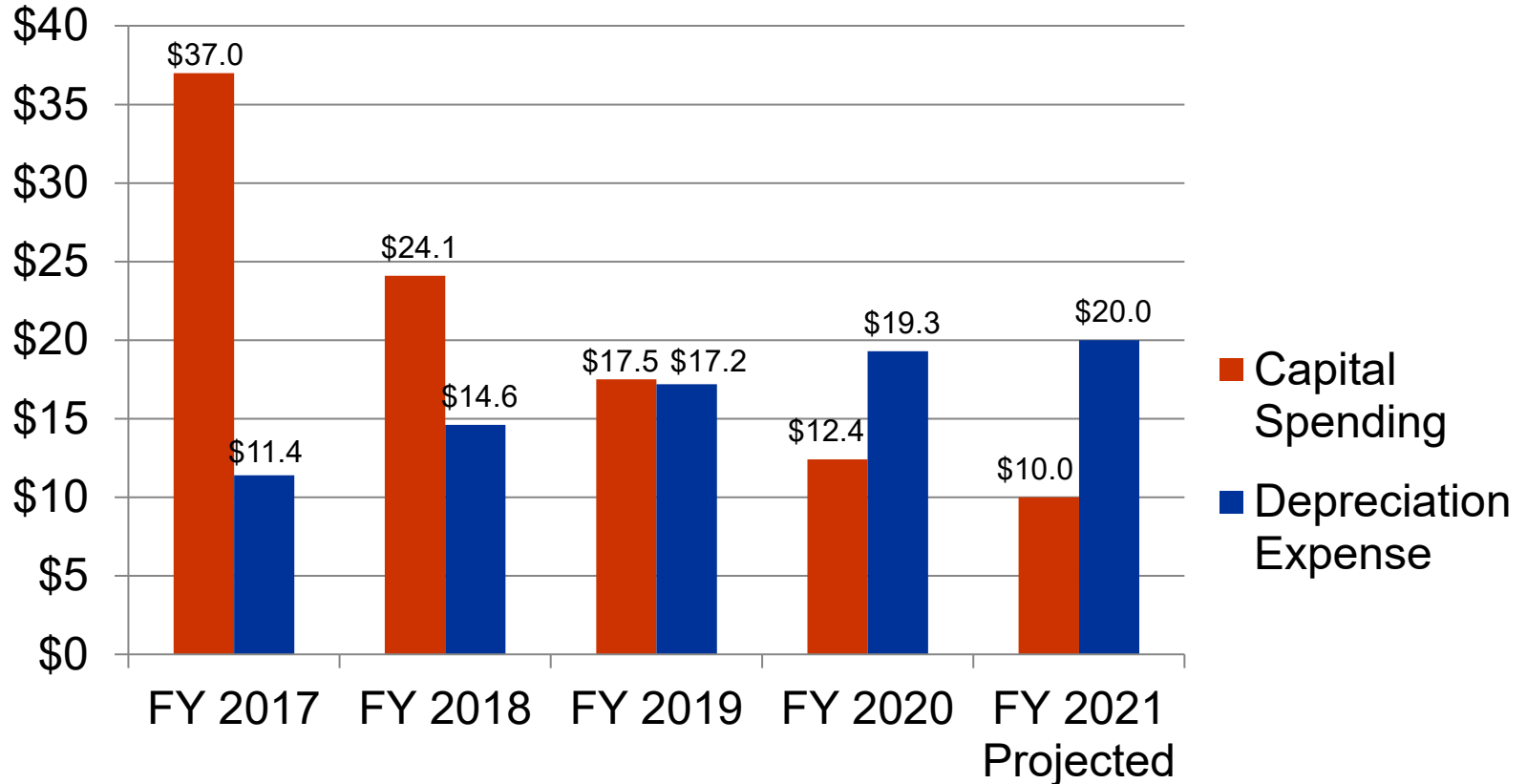


NOTE: The fiscal 2019 EBITDA was adjusted to add back the pre-tax/non-cash pension related settlement charge of \$36.0 million. Fiscal 2020 was adjusted for \$4.5 million of non-cash compensation expense related to the pension settlement.



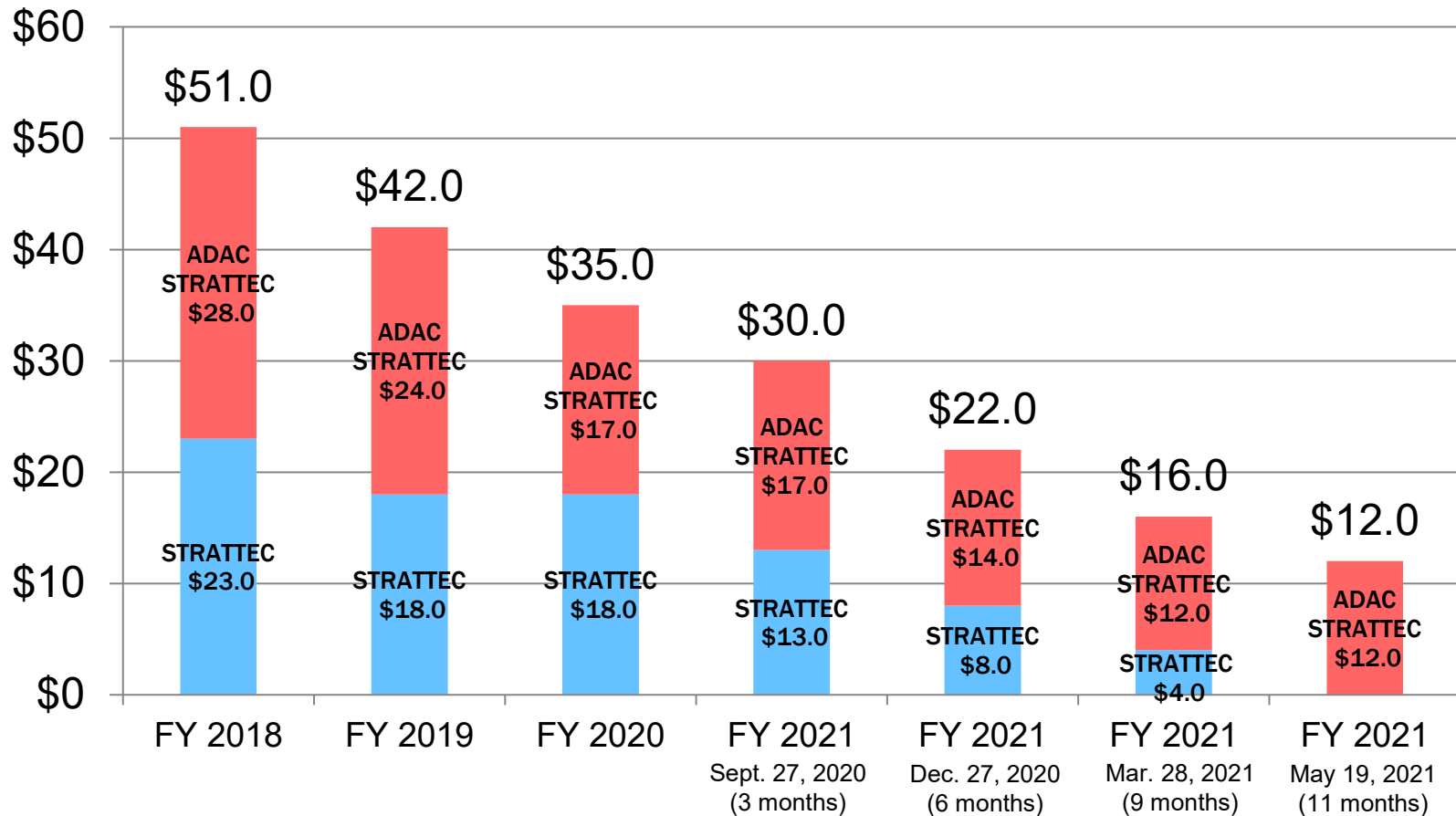
# 4 Fiscal Year End Capital Spending

## 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 May 20, 2021 (in millions \$)



NOTE: ADAC STRATTEC LLC is a joint venture owned 51% by STRATTEC and 49% by ADAC Automotive.

## Capitalization as of March 28, 2021, June 28, 2020, June 30, 2019 and July 1, 2018 (in millions \$)

	<u>March 28, 2021</u>	<u>June 28, 2020</u>	<u>June 30, 2019</u>	<u>July 1, 2018</u>
Total Debt	\$16.0	\$35.0	\$42.0	\$51.0
Less: Cash & Cash Equivalents	<u>(\$11.3)</u>	<u>(\$11.8)</u>	<u>(\$7.8)</u>	<u>(\$8.1)</u>
Total Net Debt	\$4.7	\$23.2	\$34.2	\$42.9
Shareholder's Equity	\$177.6	\$152.2	\$163.4	\$162.2
Total Net Debt as a % of Shareholder's Equity	2.6%	15.2%	20.9%	26.4%
Book Value per Share	\$45.7	\$40.7	\$44.5	\$43.8
NASDAQ Market Share Price	\$44.57	\$16.39	\$24.10	\$30.55

# Frank J. Krejci

(CRAY' CHEE)

## President & CEO

# Product Information

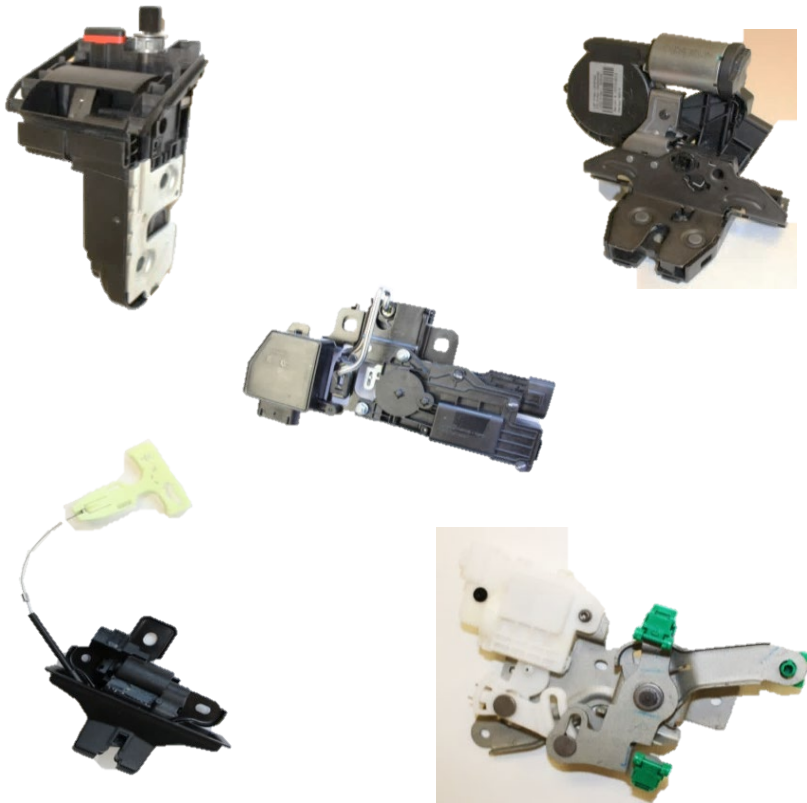
## Locksets & Keyfobs



## 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 option launched in 2019 with current consumer take rate in excess of 20%.
- Ford F-150 Pickup option launched September 2020.
- Opportunity for higher sales content and profitability when this option at Ford expands to the F-250 and the F-350 pickups in 18-24 months.



# 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.

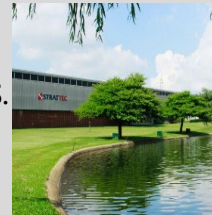
Publicly-traded

(STRTEC Nasdaq)

**EMPLOYEES:** 4,000

**LOCATIONS:**

United States & Mexico



Founded 1975

**HEADQUARTERS:**

Grand Rapids, Michigan, U.S.

U.S.

Privately-held Company

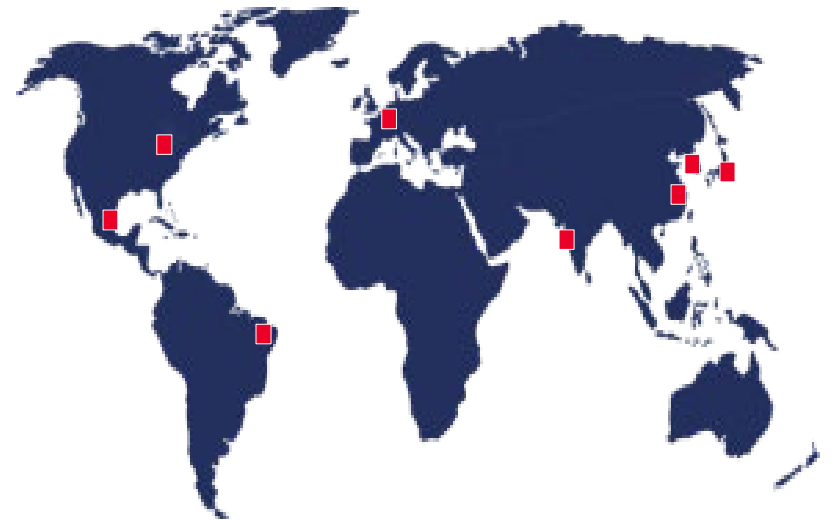
**EMPLOYEES:** 1,300

**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



- Significant growth in China with new paint and assembly facility is starting up in calendar years 2021 and 2022.
- VAST China's major customers are Volkswagen, General Motors, Volvo, and Ford.
- VAST China's sales in Fiscal Year 2020 was \$152.0 million US dollars.
- Fiscal year 2021 nine months ended STRATTEC's 1/3 share of VAST LLC Net Income = \$1,844,000 or \$0.48 diluted EPS.

- 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
- Strong sales growth at the OEM customer level to fill the dealer inventories in short supply over the next couple of quarters, but dependent upon the flow of supply chain parts shortages in the near term.

# Questions?

# Appendix

# Balance Sheet (March 2021, in thousands of USD)



	Actual March 28, 2021 <i>(Unaudited)</i>	Actual June 28, 2020
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 11,335	\$ 11,774
Accounts Receivable, net	81,304	41,955
Inventory	58,330	54,400
Other Current Assets	18,051	17,239
Total Current Assets	169,020	125,368
Investment in Joint Ventures	26,051	22,068
Other Long Term Assets	13,390	12,961
Property, Plant and Equipment, Net	97,263	105,148
	\$ 305,724	\$ 265,545
 <b>LIABILITIES &amp; SHAREHOLDERS' EQUITY:</b>		
Current Liabilities:		
Accounts Payable	\$ 36,250	\$ 18,549
Other Current Liabilities	39,248	29,591
Total Current Liabilities	75,498	48,140
Accrued Pension and Post Retirement Obligations	1,944	1,956
Borrowings Under Credit Facility	16,000	35,000
Other Long-term Liabilities	4,788	5,008
Shareholder's Equity	330,923	309,991
Accumulated Other Comprehensive Loss	(17,711)	(22,113)
Less: Treasury Stock	(135,622)	(135,656)
Total STRATTEC SECURITY CORPORATION Shareholder's Equity	177,590	152,222
Non-Controlling Interest	29,904	23,219
Total Shareholder's Equity	207,494	175,441
	\$ 305,724	\$ 265,545





# Cash Flow Statement

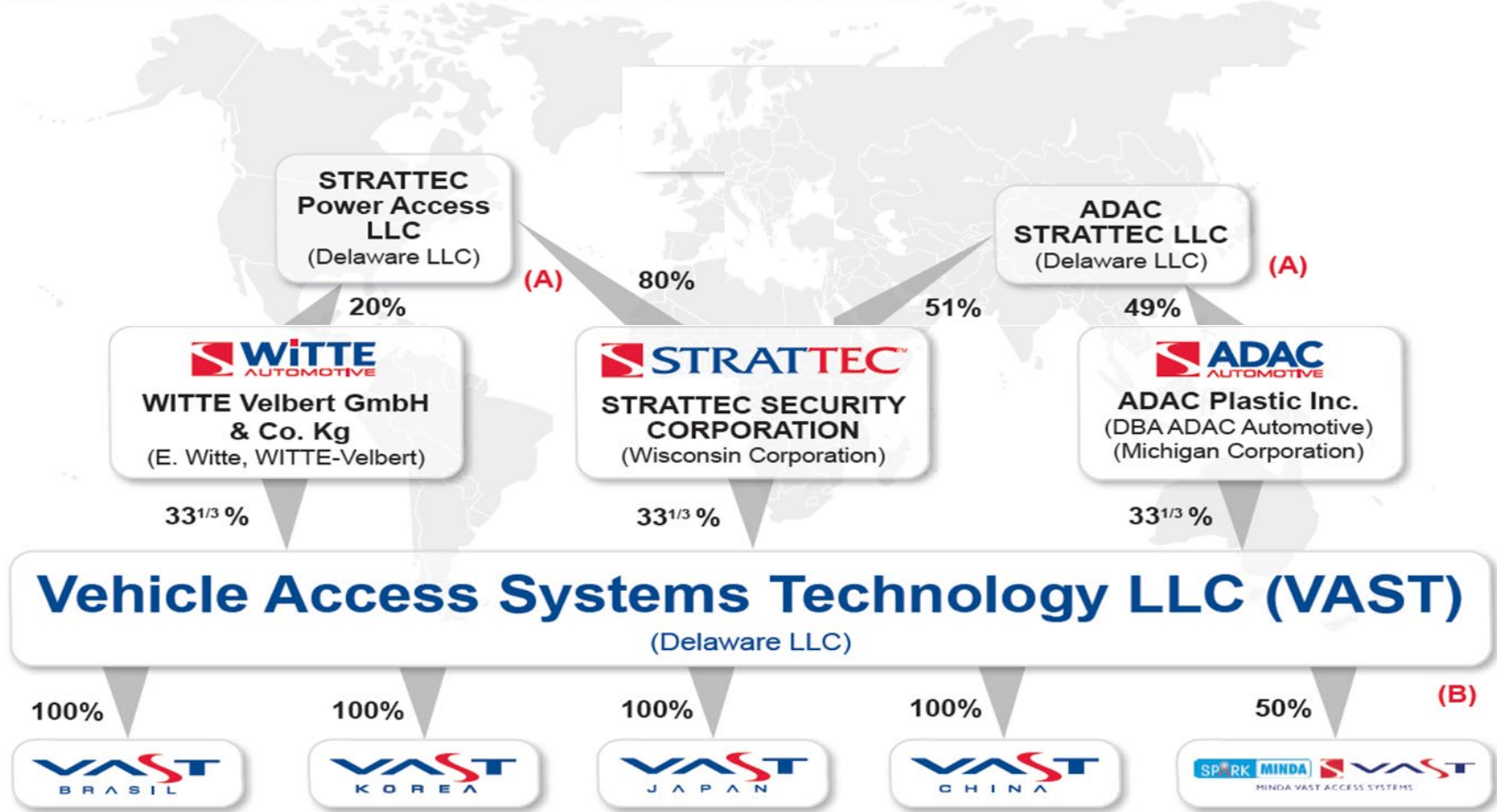
## YTD March 2021 & 2020 (in thousands of USD)



	Actual YTD Mar 2021	Actual YTD Mar 2020
Cash Flows From Operating Activities:		
Net Income (Loss)	\$ 25,556	\$ 6,498
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation	14,730	14,349
Loss (Gain) on Investment in LLC	(1,844)	(55)
Loss (Gain) on Disposal of PP&E	1,421	270
Stock Option Compensation Expense	775	789
Foreign Currency Transaction Loss (Gain)	1,926	(2,067)
Unrealized (Gain) Loss on Peso Contracts	(512)	1,048
Pension (Experience Gain) Settlement Charge	-	(84)
Operating Leases	354	346
Non-cash Comp Exp-Excess Pension Assets	-	4,473
Deferred Tax Provision	-	(1,032)
Change in Operating Assets/Liabilities:		
Accounts Receivable	(39,176)	11,014
Inventory	(3,930)	(11,086)
Other Assets	(1,119)	1,798
Accounts Payable and Accrued Liabilities	27,213	3,683
Other, net	<u>2</u>	<u>(10)</u>
Net Cash From Operating Activities	25,396	29,934
Cash Flow From Investing Activities:		
Investment in VAST LLC	(100)	-
Capital Expenditures	(6,401)	(10,307)
Proceeds from Sale of PP&E	<u>8</u>	<u>29</u>
Net Cash From Investing Activities	(6,493)	(10,278)
Cash Flow From Financing Activities:		
Borrowings - Credit Facility	-	-
Repayments - Credit Facility	(19,000)	(15,000)
Dividends Paid to Non-Controlling Interest	(490)	(980)
Dividends Paid	-	(1,572)
Treasury Stock Reissued/Exercise of Stock Options	<u>585</u>	<u>543</u>
Net Cash From Financing Activities	<u>(18,905)</u>	<u>(17,009)</u>
Foreign Currency Impact on Cash	<u>(437)</u>	<u>(283)</u>
Net Change In Cash and Cash Equivalents	(439)	2,364
Cash and Cash Equivalents - Beginning	<u>11,774</u>	<u>7,809</u>
Cash and Cash Equivalents - Ending	<u>\$ 11,335</u>	<u>\$ 10,173</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)

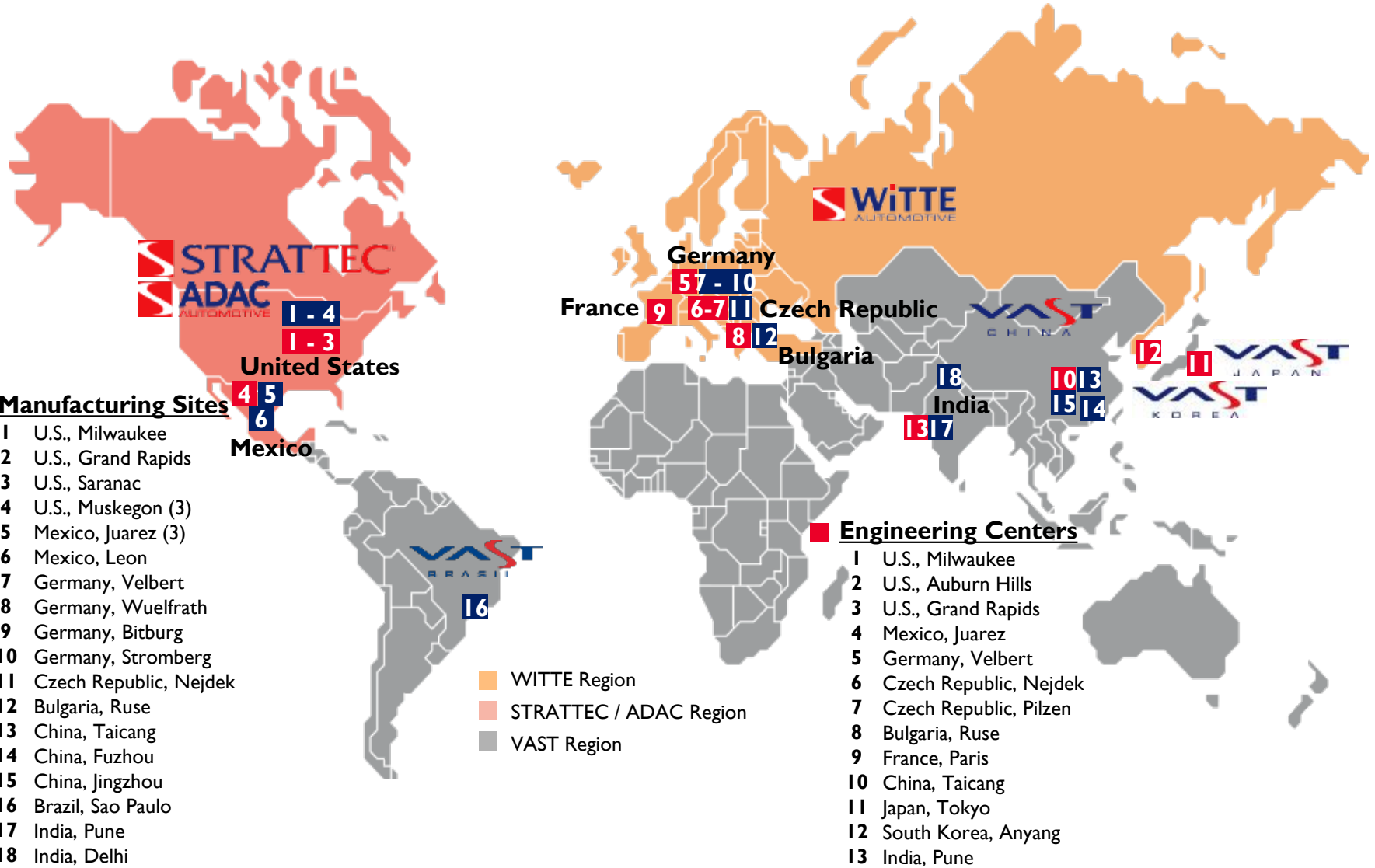


- 80% Ownership by STRATTEC (2008)



- 16.6% Ownership by STRATTEC (2015)







## Passenger Vehicle Manufacturers



## Commercial Vehicle Manufacturers



## System Suppliers

