



Drexel Hamilton

November 12, 2015



VEHICLE ACCESS SYSTEMS TECHNOLOGY



WITTE • STRATTEC • ADAC

Patrick J. Hansen

Senior Vice President & CFO

Disclosure for Presentation on November 12, 2015

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Presentations



	Fiscal Year Ended June <u>2015</u>	Fiscal Year Ended June <u>2014</u>
Net Sales	\$411,475	\$348,419
Gross Profit	\$72,660	\$65,798
	17.7%	18.9%
Operating Expenses	\$41,534	\$39,274
	10.1%	11.3%
Net Income	\$20,654	\$16,424
Diluted Earnings Per Share	\$5.66	\$4.59

- **Sales Increase Attributed to:**
 - Incremental Service Sales from General Motor = \$34 million
 - Launch of the New Kia Sedona Minivan = \$23 million
 - Lost Sales due to the temporary shutdown of Fiat Chrysler Windsor Assembly plant for the minivan = \$18 million.
 - Remaining \$24 million Increase Related to North American Vehicle Production Growth and Product Growth in Latches, Driver Controls and Door Handle Components
- **Gross Margin Reduction Due to:**
 - New Product Launch Costs, Higher Warranty Provisions and Premium Freight Costs
 - Offset by Favorable Product Sales Mix and Foreign Currency Exchange Gains

1st Quarter, FY '16 Results

(000's except per share amounts)



	<u>September 2015</u>	<u>September 2014</u>
Net Sales	\$ 96,513	\$ 122,242
Gross Profit	\$ 16,499 17.1%	\$ 28,057 23.0%
Operating Expenses	\$ 10,574 11.0%	\$ 13,187 10.8%
Net Income	\$ 3,273	\$ 9,300
Diluted Earnings Per Share	\$.90	\$ 2.55



VEHICLE ACCESS SYSTEMS TECHNOLOGY



- **Sales Decrease Attributed to:**
 - Prior Year First Quarter included Incremental Service Sales from General Motor = \$28 million
- **Gross Margin Decline Attributed to:**
 - Unfavorable Product Sales Mix (primarily service sales)
 - Offset by Lower Product Launch Costs and Lower Bonus Provisions in the Current Quarter Compared to the Prior Year Quarter

Outlook Going Forward

- Based on current customer orders we anticipate approximately \$102 million in sales in our 2nd quarter of fiscal year 2016 compared to \$102 million in the prior year quarter. NOTE: Last year's second quarter had \$6 million of incremental service sales with General Motors.
- Capital spending will be in the \$15 million range during fiscal year 2016 compared to \$26 million in fiscal year 2015. Increased capital spending in fiscal year 2015 was due to purchasing a Sales and Engineer Technical Center in Michigan and a third manufacturing facility in Juarez, Mexico.
- STRATTEC Defined Benefit Pension Plan was frozen effective December 31, 2009. Anticipate Plan contributions in fiscal 2016 of \$3.0 million which is consistent with fiscal 2015.

	June 30	June 30
	<u>2015</u>	<u>2014</u>
Plan Benefit Obligation	\$99.3	\$97.4
Plan Assets	<u>\$105.5</u>	<u>\$104.3</u>
Over Funded Status	\$6.2	\$6.9

- The Company is in the process of implementing a full plan termination that could take 18-24 months to complete.
- As of September 27, 2015, the Company had approximately of \$20 million of cash or \$5/share and anticipated funding the above requirements primarily from current operating cash flows.
- We have \$40 million of credit facilities available with BMO Harris Bank with current borrowings outstanding of \$6.5 million.

Frank J. Krejci

(CRAY' CHEE)

President & CEO



Engines



Swan



Locks



Ugly Duckling

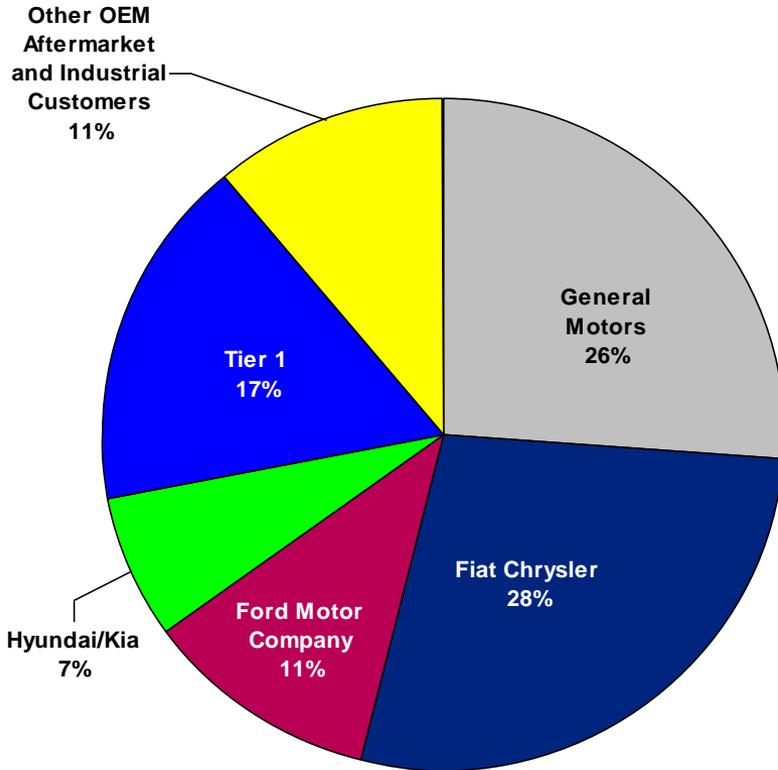
- **Mechanical to electronic products (named Chrysler Supplier of Year in electronics category)**
- **Global footprint created at minimal cost**
- **Single product (locks & keys) to family of vehicle access products**
- **Redefined business as access products:
Security and Motion Control**
- **In process of terminating frozen Defined Benefit Pension Plan to strengthen balance sheet**
- **Profit Sharing by all employees based on EVA**

Milwaukee, WI - 420 Employees (330,000 sq. ft.)
Headquarters, Engineering, Parts Manufacturing

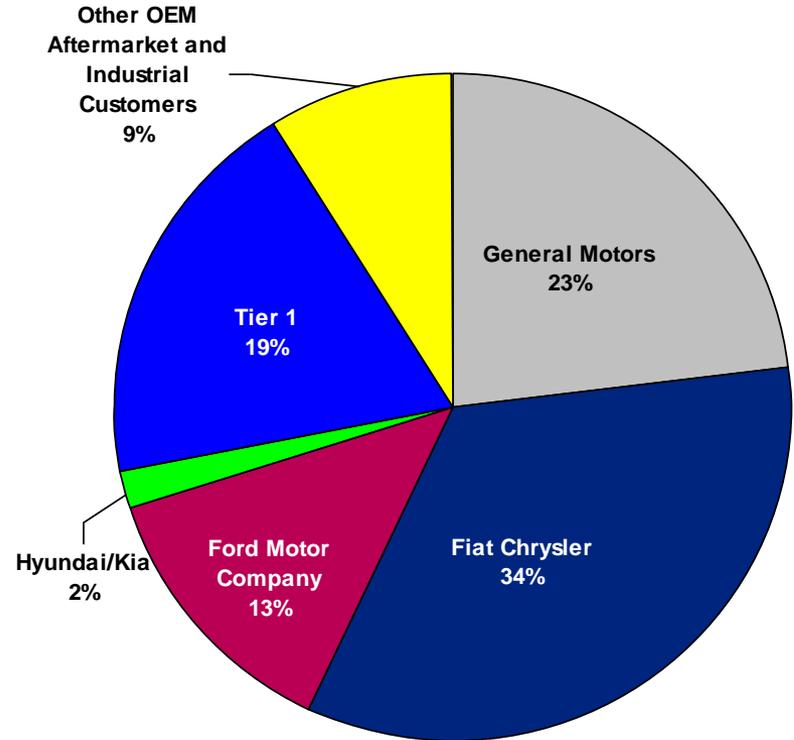
Juarez, Mexico - 2,890 Employees (325,000 sq. ft.)
3 Facilities – Assembly, Key Finishing
& Plastic Injection Molding

El Paso, Texas - 30 Employees (90,000 sq. ft.)
Distribution

Troy, Michigan - 60 Employees (65,000 sq. ft.)
Sales, Engineering, and Prototyping



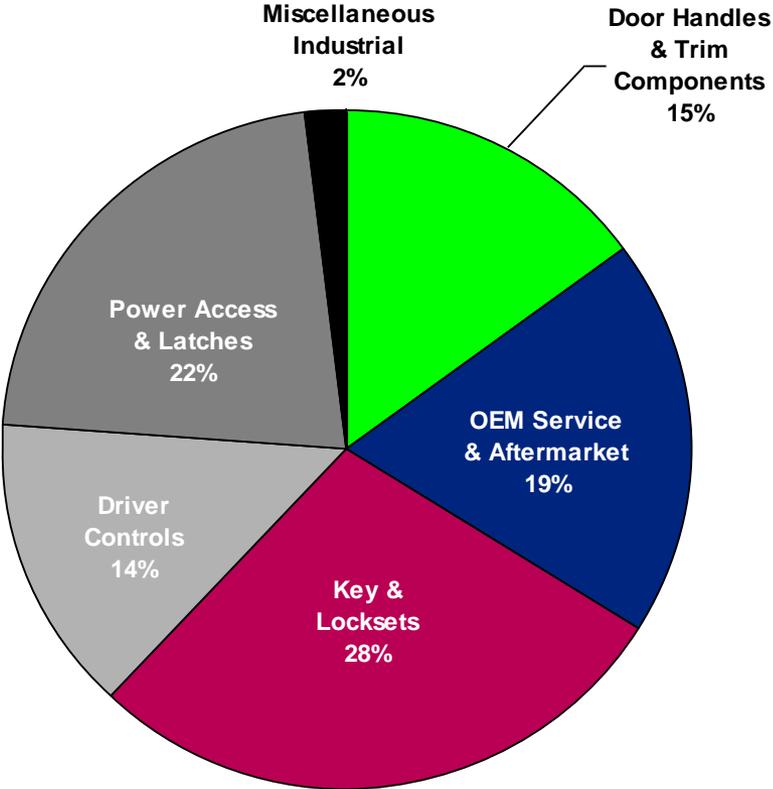
Fiscal Year 2015
Net Sales = \$411 million



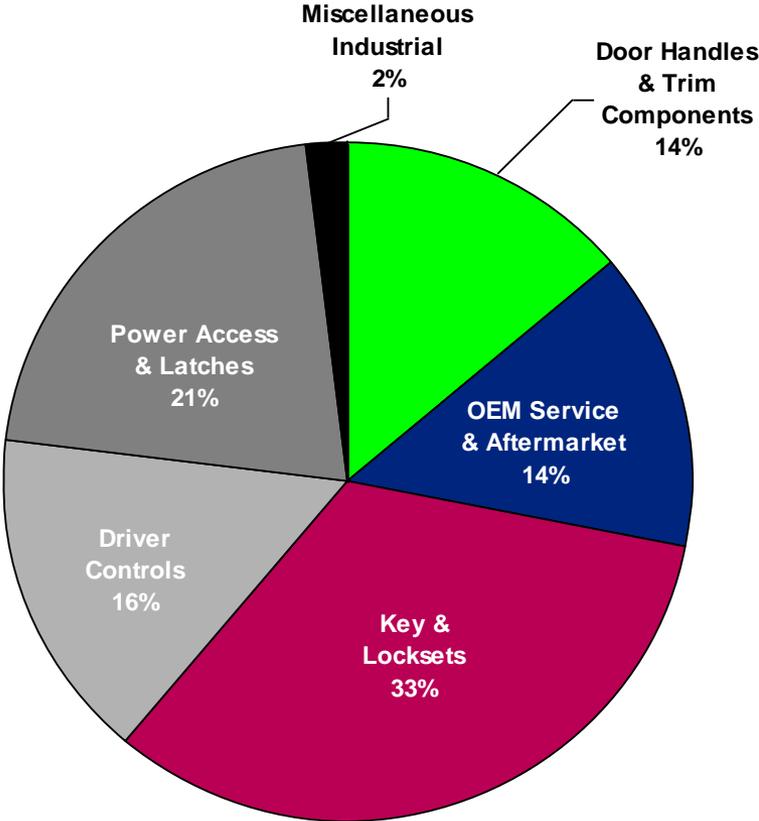
Fiscal Year 2014
Net Sales = \$348 million

Tier 1's sell products primarily to General Motors, Fiat Chrysler and FORD

Sales by Products



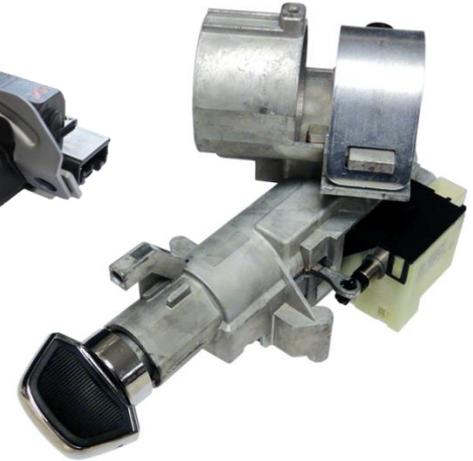
Fiscal Year 2015
Net Sales = \$411 million



Fiscal Year 2014
Net Sales = \$348 million

Access Products Portfolio

- Locks & Keys
- Power Doors
- Handles
- Latches
- Steering Column Security
- Fobs
- Push Button Start
- Aftermarket Products





Vehicle **A**ccess **S**ystems **T**echnology



 -Milwaukee, Wisconsin- Spun off 1995, Public

 - Velbert, Germany – Founded 1899, Private

 - Grand Rapids, Michigan– Founded 1975, Private

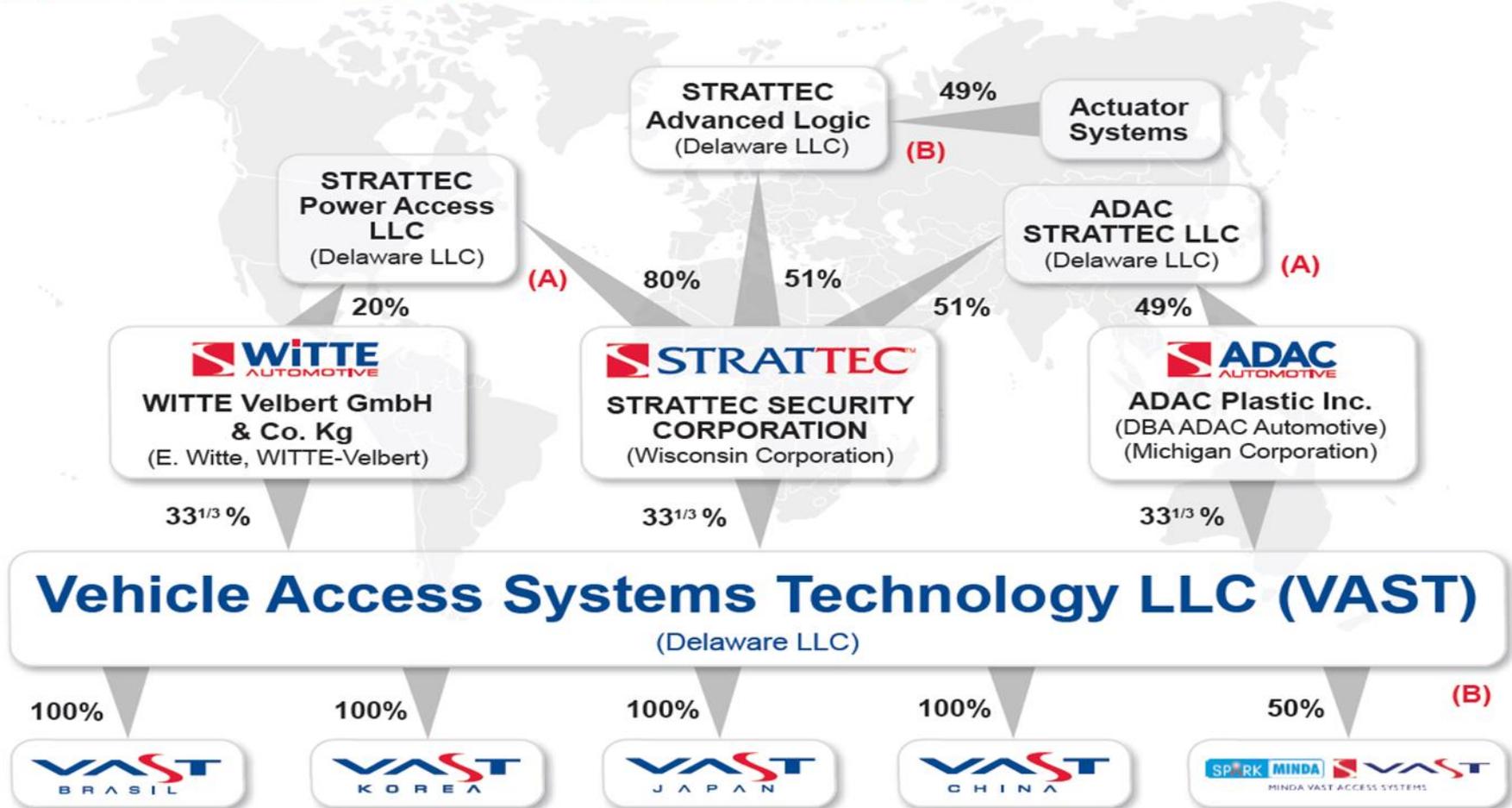
 - 33% Ownership by STRATTEC (2001)

 - 51% Ownership by STRATTEC (2006)

 - 80% Ownership by STRATTEC (2008)

 - 16.6% Ownership by STRATTEC (2015)
MINDA-VAST ACCESS SYSTEMS

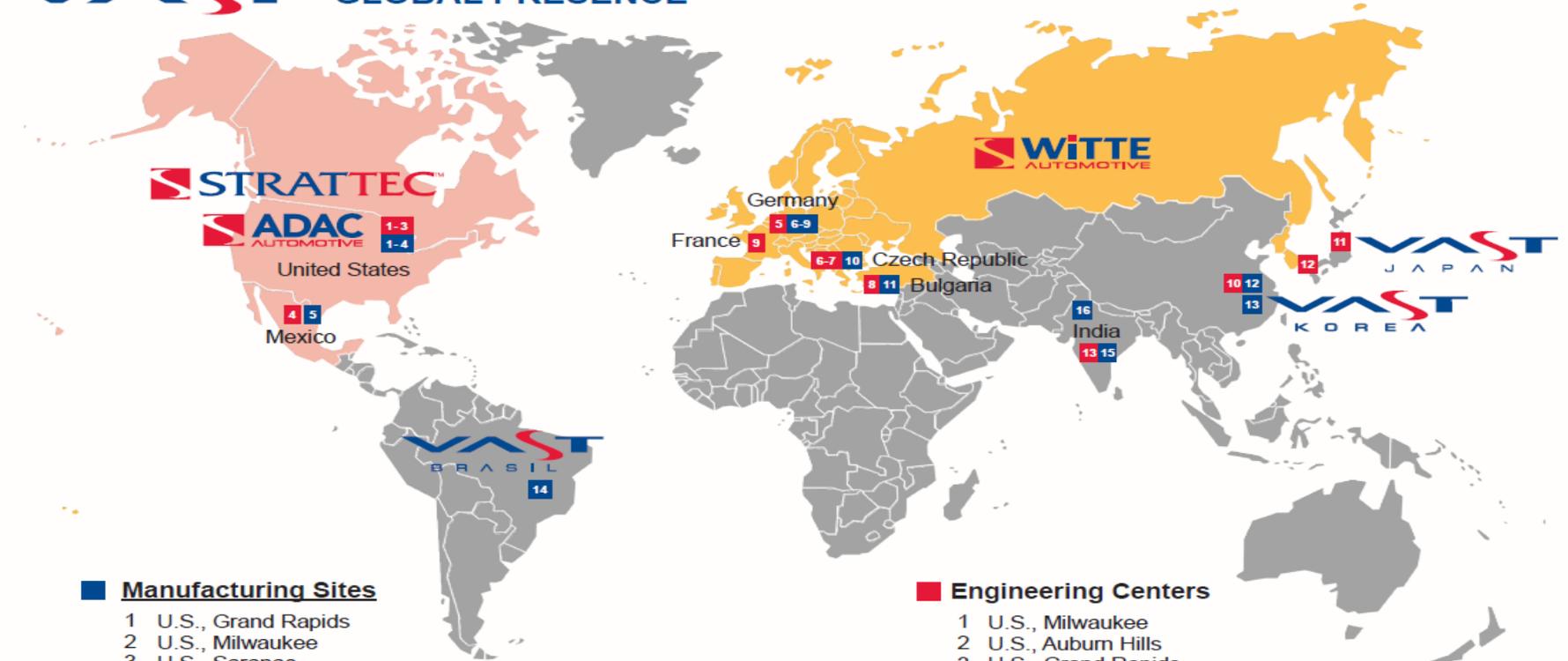
STRATTEC™ Legal Ownership Structure including VAST:



(A) STRATTEC Entities consolidated with a non-controlling interest.

(B) Entities recorded by STRATTEC on the equity method of accounting via “Equity Earnings (Loss)”

- \$1.5 billion + sales
- 16 Manufacturing sites
- 13 Engineering Centers
- Employment over 9,200
- Fiscal year 2015 STRATTEC's 1/3 share of VAST LLC Net Income= \$1,251,000

GLOBAL PRESENCE

Manufacturing Sites

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

- STRATTEC / ADAC Region
- WITTE Region
- VAST Region

Engineering Centers

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



Passenger Vehicle Manufacturers



Commercial Vehicle Manufacturers

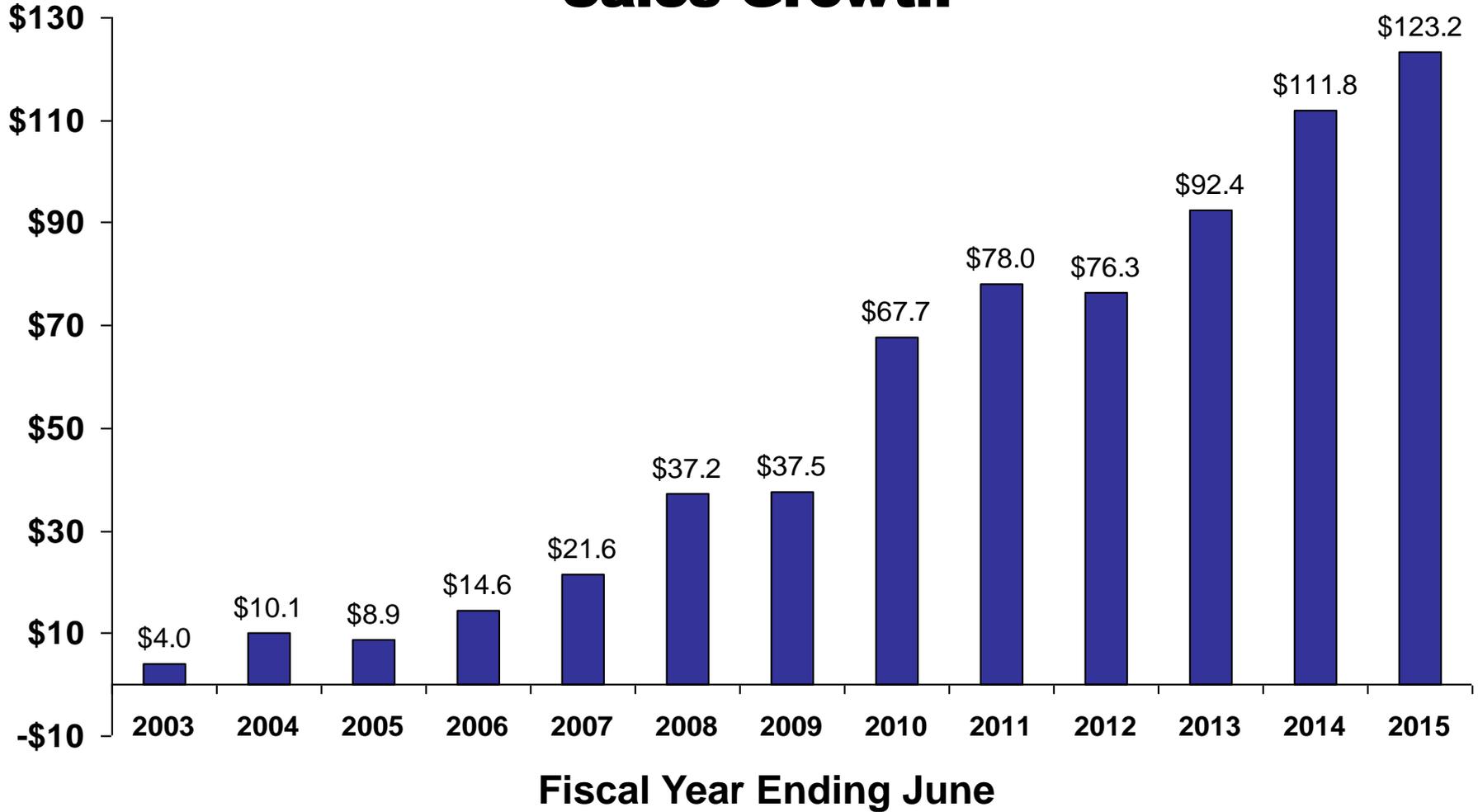


System Suppliers



In Millions
Of US Dollars

Sales Growth



Diversification



- **Diversification**
 - Bridgewood Advisors searching for acquisitions and partnerships
 - Security Products
 - Motion Control Products
 - Vertical Integration along with market diversification
 - Aftermarket
 - Strattec Component Solutions (contract manufacturing)



Precision Zinc Die Casting

Also: Plating, Stamping & Assembly

- Contract manufacturing using automotive quality standards
- Excellent EVA by leveraging human & physical capital

STRATTEC Advanced Logic (formerly NextLock) – Biometric Security



**Residential
& Hospitality**



**Instant
Prototype Kit**



**Home Automation &
Ultimately Automotive**



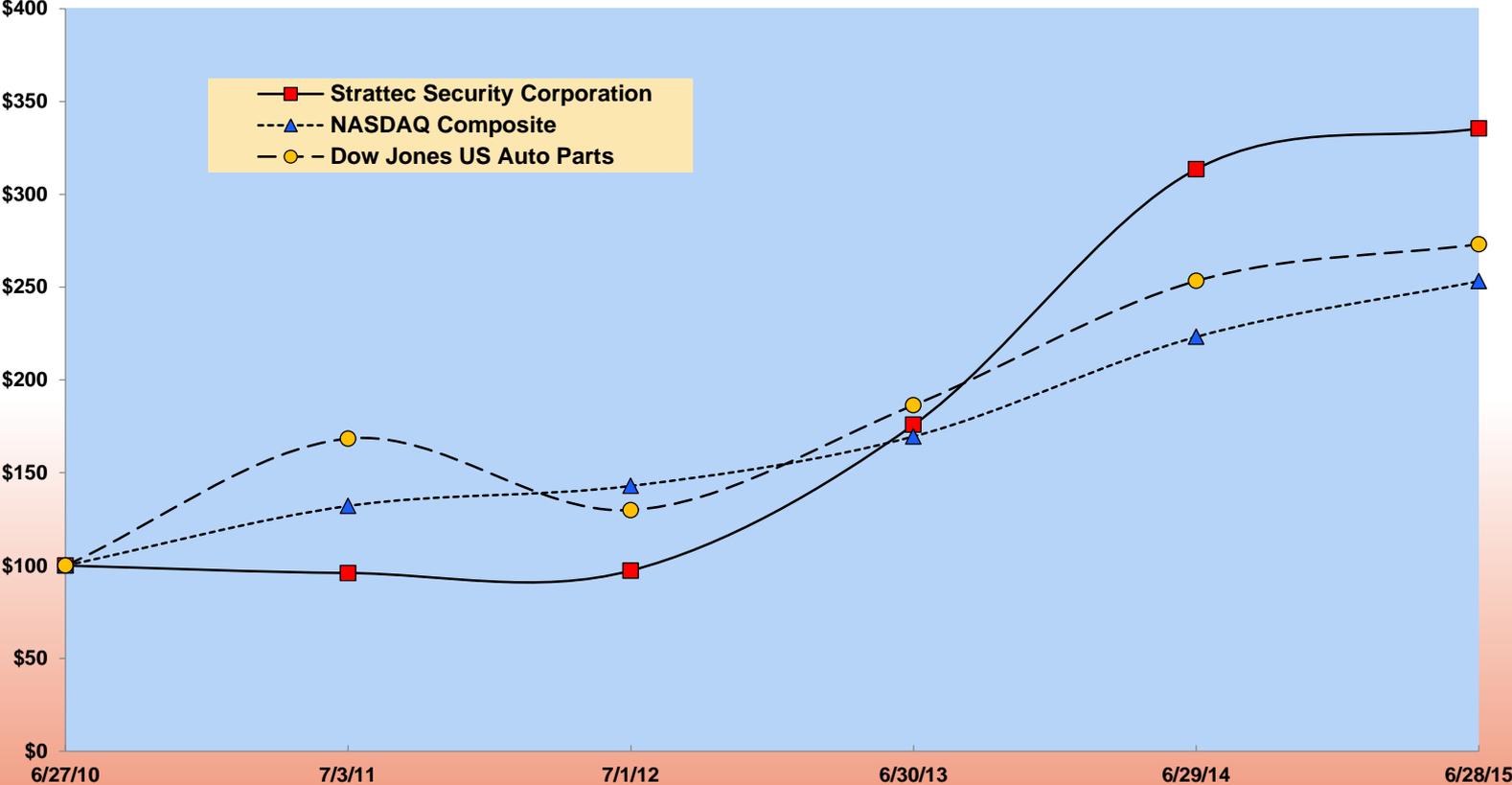
**Office & High
Security**



- Record Sales and Profits for Fiscal Year 2015
- Fully Funded Pension as of June 30, 2015
- Added to Russell 2000 in July 2014
- #1 Performing Stock in Wisconsin for Calendar Year 2014
- Westinghouse Security- Exclusive brand name rights
- Ford Rotunda Supplier of the Year in 2015 and 2014, Chrysler Supplier of the Year in Electronics 2013 and VAST Partners awarded Supplier of Year for General Motors and Volkswagen in 2013
- National Wellness Award from United Health Care – 3rd Year in a Row

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Strattec Security Corporation, the NASDAQ Composite Index and the Dow Jones US Auto Parts Index



STRATTEC'S KEY FINANCIAL METRIC IS ECONOMIC VALUE ADDED (EVA) FOR BOTH OUR SHAREHOLDERS AND OUR EMPLOYEES

	Fiscal <u>2015</u>
Average Capital Employed	\$120,742
	<u>X 10%</u>
Cost of Capital	\$ 12,074
Net Operating Profit After Tax (NOPAT)	\$ 18,557
Less: Cost of Capital	<u>(12,074)</u>
FY '15 EVA	<u><u>\$ 6,483</u></u>
NOPAT RETURN ON CAPITAL EMPLOYED	15.4%

STRATTEC

Fiscal Year 30-Jun	SALES \$ Millions	EPS	EVA \$000	Stock Price	
				Low	High
2010	\$208	\$1.04	(\$4,929)	\$13	\$28
2011	\$261	\$1.63	(\$3,719)	\$20	\$38
2012	\$279	\$2.64	\$579	\$19	\$27
2013	\$298	\$2.72	\$2,597	\$20	\$42
2014	\$348	\$4.59	\$6,313	\$35	\$78
2015	\$411	\$5.66	\$6,483	\$57	\$110

- International & Product Growth
- Strong Balance Sheet & Cash Flow
- Diversification Initiatives

Questions?



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VEHICLE ACCESS SYSTEMS TECHNOLOGY



WITTE • STRATTEC • ADAC

Management Team

Board of Directors

- **Harold Stratton**
- **Thomas Florsheim**
Weyco Group
- **Michael Koss**
Koss Corporation
- **David Zimmer**
- **Frank Krejci**

Relevant Experience

Chairman and Former CEO

Acquisitions

Electronics

Automotive

Current CEO

Management Team

<u>Executive Team</u>	<u>Age</u>	<u>Years with STRATTEC</u>
Pat Hansen <i>Senior Vice President and CFO</i>	56	20
Rolando Guillot <i>VP Mexico Operations</i>	47	25
Brian Reetz <i>Vice President Security Products</i>	57	30
Richard Messina <i>Vice President-Global Sales and Access Controls Products</i>	50	7