



Q1 FY2025 Financial Results

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Nasdaq: STRT

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www.strattec.com

Safe Harbor Statement



Safe Harbor Statement

Certain statements contained in this presentation contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words or phrases such as “anticipate,” “believe,” “could,” “expect,” “intend,” “may,” “planned,” “potential,” “should,” “will,” and “would.” Such forward-looking statements are inherently subject to many uncertainties in the Company’s operations and business environment. These uncertainties include general economic conditions, in particular, relating to the automotive industry, consumer demand for the Company’s and its customers’ products, competitive and technological developments, customer purchasing actions, changes in warranty provisions and customer product recall policies, work stoppages at the Company or at the location of its key customers as a result of labor disputes, foreign currency fluctuations, uncertainties stemming from U.S. trade policies, tariffs and reactions to same from foreign countries, the volume and scope of product returns, adverse business and operational issues resulting from the continuing effects of the coronavirus (COVID-19) pandemic, matters adversely impacting the timing and availability of component parts and raw materials needed for the production of our products and the products of our customers and fluctuations in our costs of operation (including fluctuations in the cost of raw materials). Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date of this presentation 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 presentation. In addition, such uncertainties and other operational matters are discussed further in the Company’s quarterly and annual filings with the Securities and Exchange Commission.

Use of Non-GAAP Financial Metrics and Additional Financial Information

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, STRATTEC provides Adjusted Non-GAAP information as additional information for its operating results. References to Adjusted Non-GAAP information are to non-GAAP financial measures. These measures are not required by, in accordance with, or an alternative for, GAAP and may be different from non-GAAP financial measures used by other companies. STRATTEC’s management uses these measures for reviewing the financial results of STRATTEC for budget planning purposes and for making operational and financial decisions. Management believes that providing these non-GAAP financial measures to investors, as a supplement to GAAP financial measures, help investors evaluate STRATTEC’s core operating and financial performance and business trends consistent with how management evaluates such performance and trends. Additionally, management believes these measures facilitate comparisons with the core operating and financial results and business trends of competitors and other companies.

The Company has provided reconciliations of comparable GAAP to non-GAAP measures in the supplemental slides of this presentation.

STRATTEC Q1 FY2025

Highlights

- Strong cash generation of \$11.3 million
 - Included reduction in customer tooling balance
- Solid balance sheet
 - \$34.4 million in cash
 - \$13 million in JV debt (*STRT 51% owner*)
- Revenue up 2.7%, or 9.1% on adjusted net sales⁽¹⁾
 - Solid position on F-Series pickups
 - New products and content on Aston Martin
 - Launched content on new platform with leading EV OEM
- Gross margin of 13.6% vs. 13.8%
 - Current year quarter had 190 bps of favorable FX
 - PY quarter had 470 bps benefit of one-time pricing

(1) Adjusted net sales is a non-GAAP metric. See the reconciliation of GAAP to non-GAAP in the Supplemental tables included in this presentation.

Rethinking STRATTEC

Priorities for Transformation



Reimagine product portfolio

- What do customers want
- What has defensible market position
- What delivers on profits
- What defines future product road map

Improve operational efficiency

- Supply chain, inventory and operational process
- Optimizing operational footprint

Develop team and talent

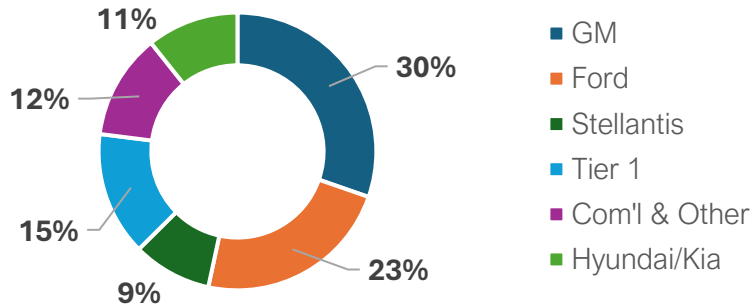
- Accountability and responsibility
- Added Chief People Officer
- Appointed new Chief Commercial Officer

Q1 FY25 Sales Increased 2.7% Y/Y

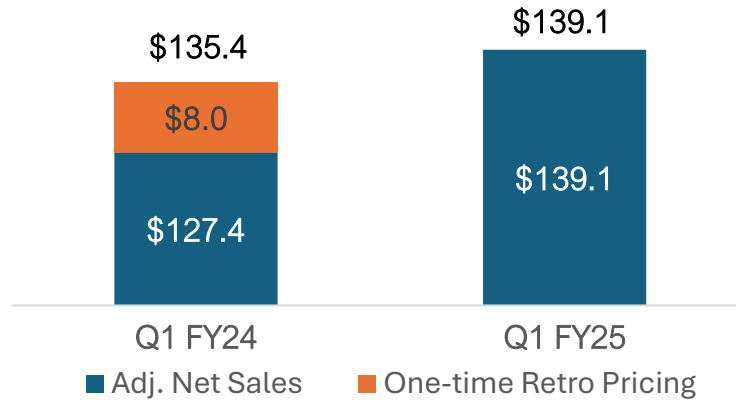


(\$ in millions; narrative compared with prior-year period unless otherwise noted)

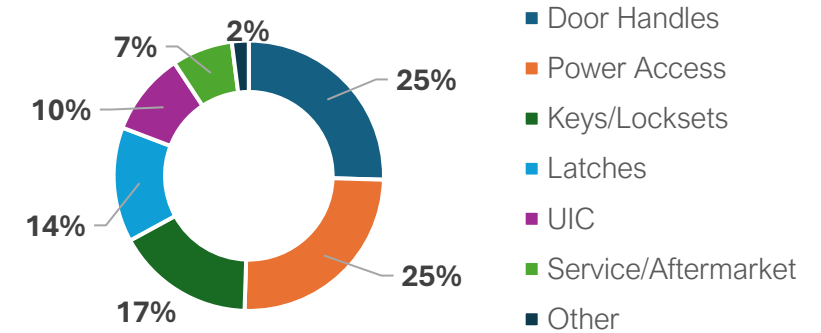
Q1 FY25 SALES BY CUSTOMER



NET SALES & ADJ. NET SALES⁽¹⁾



Q1 FY25 SALES BY PRODUCT



Q1 FY25 vs. Q1 FY24

- Up \$3.6 million, or 2.7%
- Net of \$8.0 million one-time pricing in prior quarter, sales improved \$11.6 million, or 9.1%
- Captured \$2.2 million of ongoing pricing

Customer Sales Changes

- Hyundai/Kia up \$6.5 million due to timing of demand for power doors
- Ford up 19% on new tailgate latch content on Ford F-Series pickups
- Stellantis down \$14.5 million: inventory destocking and lower production volumes

Product Sales Changes

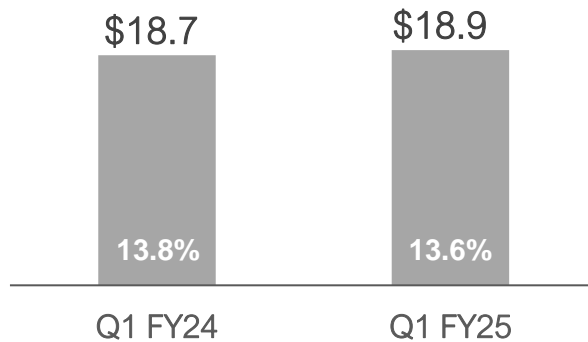
- Growth in core products of door handles and power access
- Continued decline in keys & locksets

Q1 FY25 Gross Profit & Adj. Gross Profit⁽¹⁾

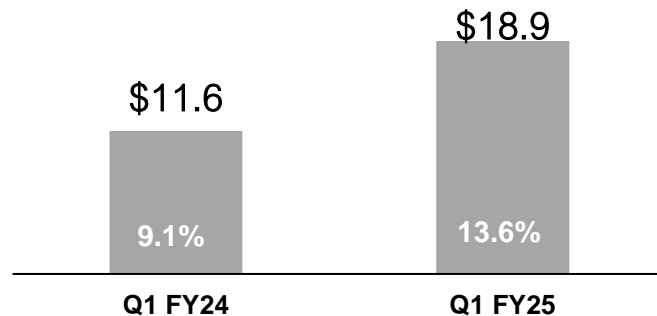


(\$ in millions; narrative compared with prior-year period unless otherwise noted)

GROSS PROFIT (QTR.)



ADJ. GROSS PROFIT (QTR.) ⁽¹⁾



Q1 FY25 Gross Profit

- FX benefit of \$2.7 million in Q1 2025
 - 190 basis point benefit
- Also benefiting gross profit:
 - Favorable sales mix
 - \$2.2 million of ongoing price increases
 - \$1.3 million reduction in material costs
- Offsets included higher:
 - \$1.4 million in Mexico manufacturing costs
 - \$0.7 million incentive compensation
 - \$0.4 million in expedited freight costs

Adj. Gross Margin ⁽¹⁾

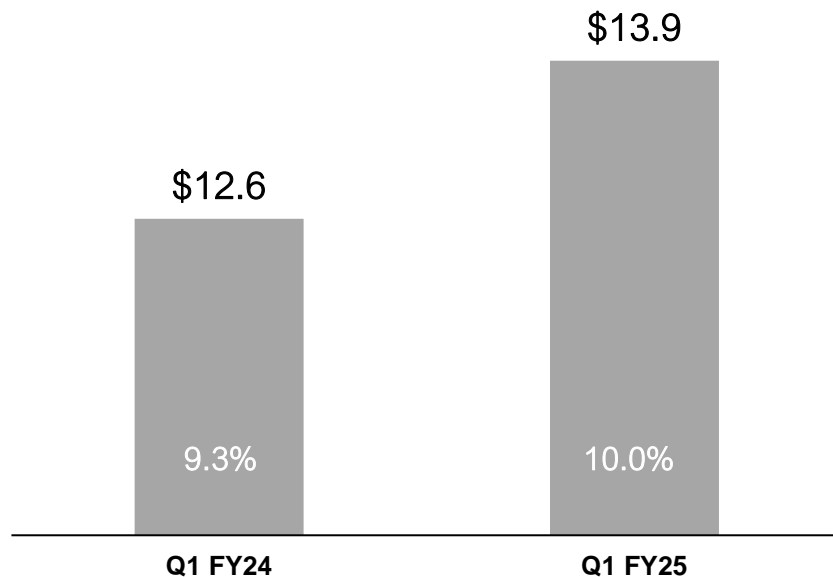
- 13.6% vs 9.1% in Q1 2024
 - 450 basis point expansion
- Adjusts for \$7.1 million one-time retroactive pricing benefit in PY period

Engineering, Selling & Administrative Expense



(\$ in millions; narrative compared with prior-year period unless otherwise noted)

ES&A⁽¹⁾ AND AS A % OF SALES



Q1 FY25 compared with Q1 FY24

- Up \$1.3 million to 10% of sales driven by:
 - \$0.8 million short-term incentive plan (PY period had no accrual for short-term incentive plan)
 - \$0.6 million executive transition costs

ES&A expenses are primarily fixed but can vary based on:

- Expected investments in operational improvements
- Temporary costs of professional services to drive the transformation
- Reduction in costs from streamlining and simplifying the business

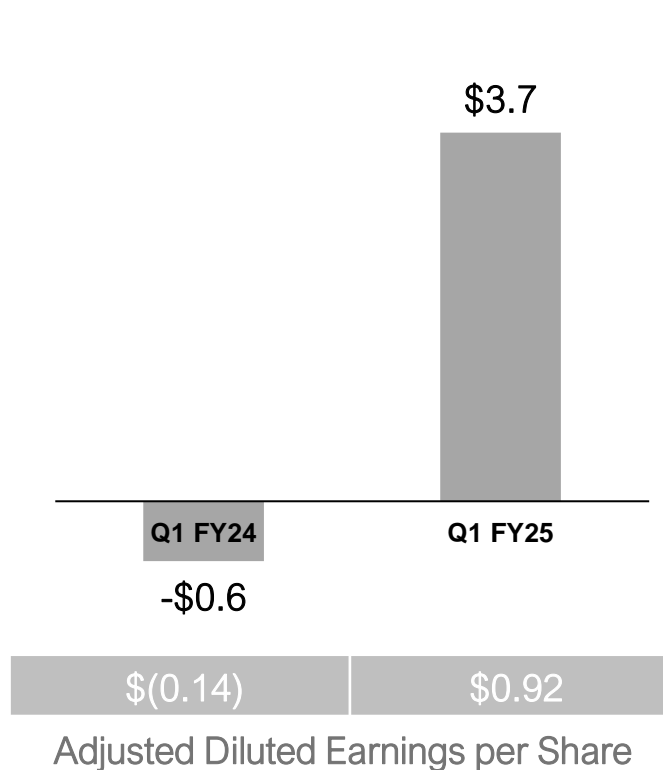
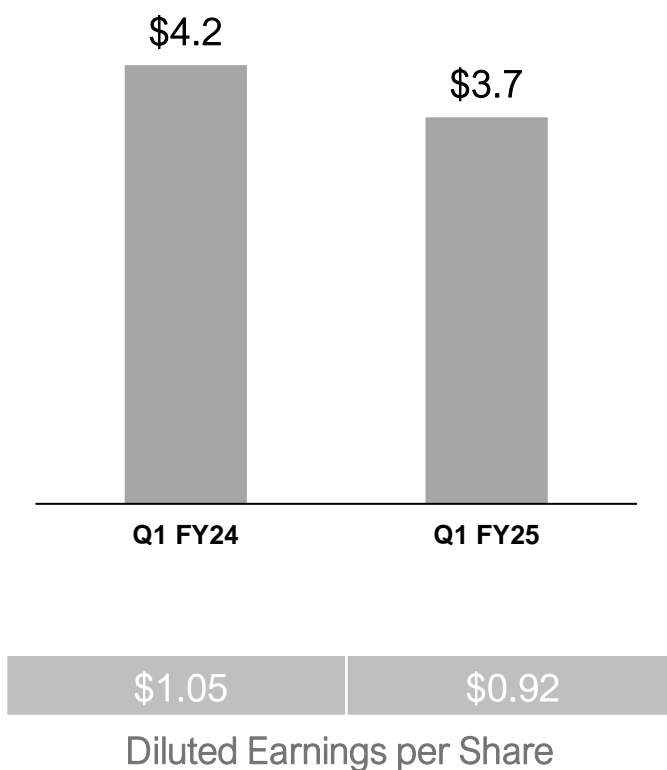
Q1 FY25 Net Income ⁽¹⁾ and Adj. Net Income ⁽²⁾



(\$ in millions except earnings per share data; narrative compared with prior-year period unless otherwise noted)

NET INCOME (QTR.)

ADJ. NET INCOME (QTR) ⁽²⁾



Q1 FY25 Net Income ⁽¹⁾

- Down \$0.5 million
 - \$0.5 million of investment and other income, net, partially offset the \$1.0 million decline in operating income

Q1 FY25 Adj. Net Income ⁽²⁾

- Up \$4.3 million, with adj. EPS increasing to \$0.92
 - Excludes \$8.0 million one-time retroactive pricing benefit in Q1 2024
 - Excludes \$0.9 million in retroactive pricing to suppliers
 - \$1.0 million adjustment for non-controlling interest impact of retroactive pricing

⁽¹⁾ Net Income Attributable to STRATTEC

⁽²⁾ Adjusted Net Income and Adjusted Diluted Earnings per Share are non-GAAP metrics. Refer to the reconciliation of GAAP to non-GAAP metrics in the supplemental tables of this presentation.

Strong Cash Generation



(\$ in millions; narrative compared with prior-year period unless otherwise noted)

CAPITALIZATION		
	September 29, 2024	June 30, 2024
Cash and cash equivalents	\$ 34.4	\$ 25.4
Total debt	13.0	13.0
Stockholders' equity	227.1	225.6
Total capitalization	\$ 240.1	\$ 238.6
Debt / total capitalization	5.4%	5.4%

	TWELVE MONTHS ENDED	
	September 29, 2024	October 1, 2023
Net cash provided by operating activities	\$ 11.3	\$ (3.9)
CapEx	(2.1)	(2.9)
Free cash flow (FCF)*	\$ 9.3	\$ (6.8)

\$15.2 million increase in operating cash flow

- Improved operating performance
- Lower net working capital

Financial flexibility

- \$34.4 million in cash
- \$40 million revolver with no borrowings
- \$13 million on JV (ADAC-STRATTEC) revolver (at ~8.5% in 2024)

FY 2025 CapEx expectations

- ~\$15 million
- Supports new product programs, productivity enhancements and general equipment maintenance



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Supplemental Slides

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Reconciliations of Net Sales, Gross Profit and Gross Margin to non-GAAP



Reconciliation of Net Sales to Adjusted Net Sales

(\$ in thousands)

Net sales (GAAP)
One-time retroactive pricing from customers
Adjusted net sales

Three Months Ended	
9/29/2024	10/1/2023
\$ 139,052	\$ 135,406
-	(8,000)
<u>\$ 139,052</u>	<u>\$ 127,406</u>

Reconciliation of Gross Profit to Adjusted Gross Profit

(\$ in thousands)

Gross profit (GAAP)
One-time retroactive pricing from customers
One-time retroactive pricing to suppliers
Adjusted gross profit

Three Months Ended	
9/29/2024	10/1/2023
\$ 18,921	\$ 18,720
-	(8,000)
-	900
<u>\$ 18,921</u>	<u>\$ 11,620</u>

Reconciliation of Gross Margin to Adjusted Gross Margin

Gross margin (GAAP)
One-time retroactive pricing from customers
One-time retroactive pricing to suppliers
Adjusted gross margin

Three Months Ended	
9/29/2024	10/1/2023
13.6%	13.8%
-	(5.4)
-	0.7
<u>13.6%</u>	<u>9.1%</u>

NON-GAAP FINANCIAL MEASURES

The following information provides definitions and reconciliations of the non-GAAP financial measures presented in this earnings release to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles (GAAP). The Company has provided this non-GAAP financial information, which is not calculated or presented in accordance with GAAP, as information supplemental and in addition to the financial measures presented in this earnings release that are calculated and presented in accordance with GAAP. Such non-GAAP financial measures should not be considered superior to, as a substitute for or alternative to, and should be considered in conjunction with, the GAAP financial measures presented in this earnings release. Adjusted net sales, adjusted gross profit, adjusted gross margin, adjusted net income attributable to STRATTEC and adjusted diluted earnings per share are not measures determined in accordance with GAAP and may not be comparable with net sales, adjusted gross profit, adjusted gross margin, adjusted net income and adjusted diluted earnings per share as used by other companies. Nevertheless, STRATTEC believes that providing these non-GAAP financial measures are important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's financial results to the historical periods' financial results.

Adjusted Net Income Reconciliation



Reconciliation of Net Income Attributable to STRATTEC to Adjusted Net Income Attributable to STRATTEC

(\$ in thousands)

	Three Months Ended	
	9/29/2024	10/1/2023
Net income attributable to STRATTEC SECURITY CORPORATION (GAAP)	\$ 3,703	\$ 4,165
One-time retroactive pricing from customers	-	(8,000)
One-time retroactive pricing to suppliers	-	900
Non-controlling interest impact of retroactive pricing	-	1,014
Tax impact of retroactive pricing ⁽¹⁾	-	1,364
Adjusted net income attributable to STRATTEC SECURITY CORPORATION	\$ 3,703	\$ (557)

Reconciliation of Diluted Earnings Per Share to Adjusted Earnings Per Share

	Three Months Ended	
	9/29/2024	10/1/2023
Diluted earnings per share (GAAP)	\$ 0.92	\$ 1.05
One-time retroactive pricing from customers	-	(2.01)
One-time retroactive pricing to suppliers	-	0.23
Non-controlling interest impact of retroactive pricing	-	0.26
Tax impact of retroactive pricing ⁽¹⁾	-	0.34
Adjusted diluted earnings per share	\$ 0.92	\$ (0.14)

⁽¹⁾ The tax impact is calculated using the statutory tax rate for the impacted jurisdiction

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Impact of Retroactive Pricing in Fiscal Year 2024



(\$ in thousands)

One-time Pricing Impact to:	Q1 FY2024	Q2 FY2024	Q3 FY2024	Q4 FY2024	FY 2024
Net Sales	\$ 8,000	\$ 1,600	NM(1)	NM	\$ 9,700
Cost of Goods Sold ⁽²⁾	(900)	(910)	-	-	(1,700)
Gross Profit	\$ 7,100	\$ 690	NM	NM	\$ 8,000
Gross Margin Contribution	4.7%	2.4%	NM	NM	1.3%

⁽¹⁾ Not meaningful

⁽²⁾ After factoring in impact of supplier one-time price increases



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