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 28, 2021

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	**39-1804239**
(State of Incorporation)	**(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:

Title of each class	Trading Symbol	Name of exchange on which registered
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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller Reporting Company	☒
Emerging growth company	☐		

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: 3,886,616 shares outstanding as of March 29, 2021 (which number includes all restricted shares previously awarded that have not vested as of such date).

STRATTEC SECURITY CORPORATION
FORM 10-Q
March 28, 2021

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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,” “would,” “expect,” “intend,” “may,” “planned,” “potential,” “should,” “will,” and “could,” 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. These risks and uncertainties include, but are not limited to, 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 customers’ 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, changes in the costs of operations, changes in the volume and scope of product returns and warranty claims, adverse business and operational issues resulting from the Coronavirus (COVID-19) pandemic, including matters adversely impacting the timing and availability of material component parts and raw materials for the production of our products and the products of our customers, or the continuation or worsening thereof and other matters described in the section titled “Risk Factors” in the Company’s Form 10-K report filed on September 3, 2020 with the Securities and Exchange Commission for the year ended June 28, 2020.

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.

Item 1 Financial Statements

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

	Three Months Ended		Nine Months Ended	
	March 28, 2021	March 29, 2020	March 28, 2021	March 29, 2020
Net sales	$ 121,644	$ 116,938	$ 375,238	$ 343,183
Cost of goods sold	102,990	99,928	311,832	299,954
Gross profit	18,654	17,010	63,406	43,229
Engineering, selling and administrative expenses	11,927	10,727	33,543	35,775
Income from operations	6,727	6,283	29,863	7,454
Equity (loss) earnings of joint ventures	(56)	(921)	1,844	55
Interest expense	(63)	(204)	(259)	(792)
Other income (expense), net	455	1,049	(1,171)	975
Income before provision for income taxes and non-controlling interest	7,063	6,207	30,277	7,692
Provision for income taxes	1,153	1,294	4,721	1,194
Net income	5,910	4,913	25,556	6,498
Net income attributable to non-controlling Interest	1,425	1,919	5,950	3,601
Net income attributable to STRATTEC SECURITY CORPORATION	$ 4,485	$ 2,994	$ 19,606	$ 2,897
Comprehensive income (loss):				
Net income	$ 5,910	$ 4,913	$ 25,556	$ 6,498
Pension and postretirement plans, net of tax	69	74	208	220
Currency translation adjustments	(697)	(6,245)	5,419	(6,059)
Other comprehensive (loss) income, net of tax	(628)	(6,171)	5,627	(5,839)
Comprehensive income (loss)	5,282	(1,258)	31,183	659
Comprehensive income (loss) attributable to non-controlling interest	1,016	(468)	7,175	1,464
Comprehensive income (loss) attributable to STRATTEC SECURITY CORPORATION	$ 4,266	$ (790)	$ 24,008	$ (805)
Earnings per share attributable to STRATTEC SECURITY CORPORATION:				
Basic	$ 1.18	$ 0.80	$ 5.18	$ 0.78
Diluted	$ 1.15	$ 0.79	$ 5.11	$ 0.77
Average shares outstanding:				
Basic	3,797	3,748	3,783	3,733
Diluted	3,886	3,768	3,839	3,752
Cash dividends declared per share	$ —	$ 0.14	$ —	$ 0.42

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

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

	March 28, 2021	June 28, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 11,335	$ 11,774
Receivables, net	81,304	41,955
Inventories:		
Finished products	16,709	13,142
Work in process	13,546	11,815
Purchased materials	33,478	34,333
Excess and obsolete reserve	(5,403)	(4,890)
Inventories, net	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
Deferred Income Taxes	6,494	6,490
Other long-term assets	6,896	6,471
Property, plant and equipment	266,346	266,216
Less: accumulated depreciation	(169,083)	(161,068)
Net property, plant and equipment	97,263	105,148
	$ 305,724	$ 265,545
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 36,250	$ 18,549
Accrued Liabilities:		
Payroll and benefits	21,474	13,498
Environmental	1,390	1,259
Warranty	8,273	8,500
Other	8,111	6,334
Total current liabilities	75,498	48,140
Borrowings under credit facilities	16,000	35,000
Accrued pension obligations	1,322	1,255
Accrued postretirement obligations	622	701
Other long-term liabilities	4,788	5,008
Shareholders' Equity:		
Common stock, authorized 12,000,000 shares, $.01 par value, 7,411,717 issued shares at March 28, 2021 and 7,358,812 issued shares at June 28, 2020	74	74
Capital in excess of par value	99,303	97,977
Retained earnings	231,546	211,940
Accumulated other comprehensive loss	(17,711)	(22,113)
Less: treasury stock, at cost (3,607,076 shares at March 28, 2021 and 3,609,193 shares at June 28, 2020)	(135,622)	(135,656)
Total STRATTEC SECURITY CORPORATION shareholders' equity	177,590	152,222
Non-controlling interest	29,904	23,219
Total shareholders' equity	207,494	175,441
	$ 305,724	$ 265,545

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 28, 2021	March 29, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 25,556	$ 6,498
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	14,730	14,349
Foreign currency transaction loss (gain)	1,926	(2,067)
Loss on disposal of property, plant and equipment	1,421	270
Unrealized (gain) loss on peso forward contracts	(512)	1,048
Stock based compensation expense	775	789
Equity earnings of joint ventures	(1,844)	(55)
Non-cash compensation expense	—	4,473
Deferred income taxes	—	(1,032)
Change in operating assets and liabilities:		
Receivables	(39,176)	11,014
Inventories	(3,930)	(11,086)
Other assets	(1,119)	1,798
Accounts payable and accrued liabilities	27,213	3,683
Other, net	356	252
Net cash provided by operating activities	25,396	29,934
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in VAST LLC	(100)	—
Purchase of property, plant and equipment	(6,401)	(10,307)
Proceeds received on sale of property, plant and equipment	8	29
Net cash used in investing activities	(6,493)	(10,278)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowings under credit facility	(19,000)	(15,000)
Dividends paid to non-controlling interests of subsidiaries	(490)	(980)
Dividends paid	—	(1,572)
Exercise of stock options and employee stock purchases	585	543
Net cash used in financing activities	(18,905)	(17,009)
Foreign currency impact on cash	(437)	(283)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(439)	2,364
CASH AND CASH EQUIVALENTS		
Beginning of period	11,774	7,809
End of period	$ 11,335	$ 10,173
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	$ 3,701	$ 768
Interest	$ 276	$ 838
Non-cash investing activities:		
Change in capital expenditures in accounts payable	$ (873)	$ (1,318)

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

Basis of Financial Statements

STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets automotive access control products including mechanical locks and keys, electronically enhanced locks and keys, passive entry passive start systems (PEPS), steering column and instrument panel ignition lock housings, latches, power sliding door systems, power tailgate systems, power lift gate systems, power deck lid systems, door handles and related products for primarily North American automotive customers. We also supply global automotive manufacturers through a unique strategic relationship with WITTE Automotive ("WITTE") of Velbert, Germany, and ADAC Automotive ("ADAC") of Grand Rapids, Michigan. Under this relationship, STRATTEC, WITTE and ADAC market the products of each company to global customers under the "VAST Automotive Group" brand name (as more fully described herein). STRATTEC products are shipped to customer locations in the United States, Canada, Mexico, Europe, South America, Korea, China and India, and we, along with our VAST LLC partners, provide full service and aftermarket support for each VAST Automotive Group partner's products.

The accompanying condensed consolidated financial statements reflect the consolidated results of STRATTEC SECURITY CORPORATION, its wholly owned Mexican subsidiary, STRATTEC de Mexico, and its majority owned subsidiaries, ADAC-STRATTEC, LLC and STRATTEC POWER ACCESS LLC. STRATTEC SECURITY CORPORATION is located in Milwaukee, Wisconsin. STRATTEC de Mexico is located in Juarez, Mexico. ADAC-STRATTEC, LLC and STRATTEC POWER ACCESS LLC have operations in El Paso, Texas and Juarez and Leon, Mexico. Equity investments in Vehicle Access Systems Technology LLC ("VAST LLC"), for which we exercise significant influence but do not control and are not variable interest entities of STRATTEC, are accounted for using the equity method. VAST LLC consists primarily of four wholly owned subsidiaries in China, one wholly owned subsidiary in Brazil and one joint venture entity in India. The results of the VAST LLC foreign subsidiaries and joint venture are reported on a one-month lag basis. We have only one reporting segment.

In the opinion of management, the accompanying condensed consolidated balance sheets as of March 28, 2021 and June 28, 2020, which have been derived from our audited financial statements, and the related unaudited interim condensed consolidated financial statements included herein contain all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and in accordance with Rule 10-01 of Regulation S-X. All significant intercompany transactions have been eliminated.

Interim financial results are not necessarily indicative of operating results for an entire year. The information included in this Form 10-Q should be read in conjunction with the financial statements and notes thereto included in the STRATTEC SECURITY CORPORATION 2020 Form 10-K, which was filed with the Securities and Exchange Commission on September 3, 2020.

Risks and Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The coronavirus has since spread, and infections have been found in multiple countries around the world, including the United States. In March 2020, the World Health Organization recognized the COVID-19 outbreak as a pandemic based on the global spread of the disease, the severity of illnesses it causes and its effects on society. In response to the COVID-19 outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Accordingly, the COVID-19 outbreak has severely restricted the level of economic activity in many countries, and continues to adversely impact global economic activity, including with respect to customer purchasing actions and supply chain continuity and disruption.

STRATTEC's operating performance is subject to global economic conditions and levels of consumer spending specifically within the automotive industry. During the period from late March 2020 through mid-June 2020, the majority of our OEM customer assembly plant operations were completely closed including most of the supply chain. Additionally, during most of this same period, STRATTEC's Mexico facilities were closed as a result of the Mexican government's shutdown of non-essential businesses. Re-opening of our OEM customer facilities and our Mexico facilities began in June 2020, and the automotive industry continued to ramp-up throughout our nine-month fiscal period ended March 28, 2021 resulting in an increase in our net sales for this current fiscal nine-month period compared to our prior year period. While we expect increased sales over our prior year during our fourth fiscal quarter due to our customers' reduction in production schedules and their assembly plant closures during the period late March 2020 through mid-June 2020, such estimates are dependent on the severity of the ongoing impacts of COVID-19 and any worsening of the impact of the pandemic (including relating to potential restrictive operating measures imposed by governmental authorities) on society and specifically on the automotive industry and are also dependent upon any adverse lingering impact of COVID-19 on the continued sourcing of transponders and other critical supply chain components by us and our customers to meet expected production schedules.

The extent of the impact of the COVID-19 outbreak on our future operating results will depend on certain developments, including the duration, intensity and continued spread of the outbreak, regulatory and private sector responses, which may be precautionary, and the impact to our customers, workforce and suppliers, in particular our and customer supply chains when meeting production schedules, all of which are uncertain and cannot be predicted. These changing conditions may also affect the estimates and assumptions made by our management. Such estimates and assumptions affect, among other things, our long-lived asset valuations, equity investment valuation, assessment of our annual effective tax rate, valuation of deferred income taxes, assessment of excess and obsolete inventory reserves, and assessment of collectability of trade receivables.

New Accounting Standards

In June 2016, the FASB issued ASU 2016-13, *Financial instruments – Credit Losses*. This update revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. Originally, the update was effective for fiscal years, and for interim periods with those fiscal years, beginning after December 15, 2019, with early adoption permitted. In November 2019, the FASB issued ASU 2019-10, *Financial instruments – Credit Losses*, *Derivatives and Hedging Activities*, *and Leases*. This ASU defers the effective date of ASU 2016-13 for public companies that are considered smaller reporting companies as defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We are planning to adopt this standard in the first quarter of our fiscal 2024. We are currently evaluating the potential effects of adopting the new guidance on our consolidated financial statements.

In December 2019, the FASB issued an update to accounting for income taxes. The update enhances and simplifies various aspects of income tax accounting including hybrid tax regimes, tax basis step-up in goodwill obtained in a transaction that is not a business combination, separate financial statements of entities not subject to tax, the intraperiod tax allocation exception to the incremental approach, investment ownership changes from a subsidiary to an equity method investment and vice versa, interim-period accounting for enacted changes in tax law, and the year-to-date loss limitation in interim-period tax accounting. This accounting update is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. We do not expect that the adoption of this pronouncement will have a material impact on our consolidated financial statements.

Derivative Instruments

We own and operate manufacturing operations in Mexico. As a result, a portion of our manufacturing costs are incurred in Mexican pesos, which causes our earnings and cash flows to fluctuate due to changes in the U.S. dollar/Mexican peso exchange rate. We have contracts with Bank of Montreal that provide for monthly Mexican peso currency forward contracts for a portion of our estimated peso denominated operating costs. Our objective in entering into currency forward contracts from time to time is to minimize our earnings volatility resulting from changes in exchange rates affecting the U.S. dollar cost of our Mexican operations. The Mexican peso forward contracts are not used for speculative purposes and are not designated as hedges. As a result, all currency forward contracts are recognized in our accompanying condensed consolidated financial statements at fair value and changes in the fair value are reported in current earnings as part of Other Income (Expense), net.

The following table quantifies the outstanding Mexican peso forward contracts as of March 28, 2021 (thousands of dollars, except with respect to the average forward contractual exchange rate):

	Effective Dates	Notional Amount	Average Forward Contractual Exchange Rate	Fair Value
Buy MXP/Sell USD	April 13, 2021 - December 14, 2021	$ 5,000	21.05	$ 32

The fair market value of all outstanding Mexican peso forward contracts in the accompanying Condensed Consolidated Balance Sheets as of the dates specified was as follows (thousands of dollars):

	March 28, 2021	June 28, 2020
Not Designated as Hedging Instruments:		
Other Current Assets (Liabilities):		
Mexican Peso Forward Contracts	$ 32	$ (480)

The pre-tax effects of the Mexican peso forward contracts are included in Other Income (Expense), net on the accompanying Condensed Consolidated Statements of Income and Comprehensive Income (Loss) and consisted of the following for the periods indicated below (thousands of dollars):

	Three Months Ended		Nine Months Ended	
	March 28, 2021	March 29, 2020	March 28, 2021	March 29, 2020
Not Designated as Hedging Instruments:				
Realized Gain	$ 11	$ —	$ 87	$ —
Unrealized Gain (Loss)	$ 32	$ (1,048)	$ 512	$ (1,048)

Fair Value of Financial Instruments

The fair value of our cash and cash equivalents, accounts receivable, accounts payable and borrowings under our credit facilities approximated book value as of March 28, 2021 and June 28, 2020. Fair value is defined as the exchange price that would be received for an asset or paid for a liability (an exit price) in the principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of March 28, 2021 (in thousands):

	Fair Value Inputs		
	Level 1 Assets: Quoted Prices In Active Markets	Level 2 Assets: Observable Inputs Other Than Market Prices	Level 3 Assets: Unobservable Inputs
Assets:			
Rabbi Trust Assets:			
Stock Index Funds:			
Small Cap	$ 361	$ —	$ —
Mid Cap	350	—	—
Large Cap	700	—	—
International	1,039	—	—
Fixed Income Funds	953	—	—
Cash and Cash Equivalents	—	4	—
Mexican Peso Forward Contracts	—	32	—
Total Assets at Fair Value	$ 3,403	$ 36	$

The Rabbi Trust assets fund our Amended and Restated Supplemental Executive Retirement Plan and are included in Other Long-term Assets in the accompanying Condensed Consolidated Balance Sheets.

Investment in Joint Ventures and Majority Owned Subsidiaries

We participate in certain Alliance Agreements with WITTE Automotive ("WITTE") and ADAC Automotive ("ADAC"). WITTE, of Velbert, Germany, is a privately held automotive supplier. WITTE designs, manufactures and markets automotive components, including locks and keys, hood latches, rear compartment latches, seat back latches, door handles and specialty fasteners. WITTE's primary market for these products has been Europe. ADAC, of Grand Rapids, Michigan, is a privately held automotive supplier and manufactures engineered products, including door handles and other automotive trim parts, utilizing plastic injection molding, automated painting and various assembly processes.

The Alliance Agreements include a set of cross-licensing agreements for the manufacture, distribution and sale of WITTE products by STRATTEC and ADAC in North America, and the manufacture, distribution and sale of STRATTEC and ADAC products by WITTE in Europe. Additionally, a joint venture company, Vehicle Access Systems Technology LLC ("VAST LLC"), in which WITTE, STRATTEC and ADAC each hold a one-third interest, exists to seek opportunities to manufacture and sell each company's products in areas of the world outside of North America and Europe. As a result of these relationships, the entities involved purchase products from each other on an as needed basis to use as components in end products assembled and sold in their respective home markets. STRATTEC currently purchases such component parts from WITTE. These purchases totaled $286,000 and $606,000 during the three and nine month periods ended March 28, 2021, respectively, and $190,000 and $832,000 during the three and nine month periods ended March 29, 2020, respectively.

VAST LLC has investments in Sistema de Acesso Veicular Ltda, VAST Fuzhou, VAST Great Shanghai, VAST Shanghai Co., VAST Jingzhou Co. Ltd., and Minda-VAST Access Systems. Sistema de Acesso Veicular Ltda is located in Brazil and services customers in South America. VAST Fuzhou, VAST Great Shanghai, VAST Shanghai Co., and VAST Jingzhou Co. Ltd. (collectively known as VAST China), provide a base of operations to service each VAST partner's automotive customers in the Asian market. Minda-VAST Access Systems is based in Pune, India and is a 50:50 joint venture between VAST LLC and Minda Management Services Limited, an affiliate of both Minda Corporation Limited and Spark Minda, Ashok Minda Group of New Delhi, India (collectively "Minda"). Minda and its affiliates cater to the needs of all major car, motorcycle, commercial vehicle, tractor and off-road vehicle manufacturers in India. They are a leading manufacturer in the Indian marketplace of security & access products, handles, automotive safety, restraint systems, driver information and telematics systems for both OEMs and the aftermarket. VAST LLC also maintains branch offices in South Korea and Japan in support of customer sales and engineering requirements.

The VAST LLC investments are accounted for using the equity method of accounting and the results of the VAST LLC foreign subsidiaries and joint venture are reported on a one-month lag basis. The activities related to the VAST LLC foreign subsidiaries and joint venture resulted in equity earnings of joint ventures to STRATTEC of $1.8 million during the nine month period ended March 28, 2021 and $36,000 during the nine month period ended March 29, 2020. During the nine months ended March 28, 2021, capital contributions totaling $300,000 were made to VAST LLC for purposes of funding operations in Brazil. STRATTEC's portion of the capital contributions totaled $100,000. During the nine months ended March 29, 2020, no capital contributions were made to VAST LLC by any of the members.

ADAC-STRATTEC LLC, a Delaware limited liability company, was formed in fiscal year 2007 to support injection molding and door handle assembly operations in Mexico. ADAC-STRATTEC LLC was 51 percent owned by STRATTEC and 49 percent owned by ADAC for all periods presented in this report. An additional Mexican entity, ADAC-STRATTEC de Mexico, is wholly owned by ADAC-STRATTEC LLC. ADAC-STRATTEC LLC's financial results are consolidated with the financial results of STRATTEC and resulted in increased net sales and increased net income to STRATTEC of approximately $98.7 million and $3.4 million, respectively, during the nine month period ended March 28, 2021 and approximately $88.8 million and $2.6 million, respectively, during the nine month period ended March 29, 2020. ADAC charges ADAC STRATTEC LLC an engineering, research and design fee as well as a sales fee. Such fees are calculated as a percentage of net sales, are included in the consolidated results of STRATTEC, and totaled $2.1 million and $6.9 million in the three and nine month periods ended March 28, 2021, respectively, and $2.2 million and $6.2 million in the three and nine month periods ended March 29, 2020, respectively. Additionally, ADAC-STRATTEC LLC sells production parts to ADAC. Sales to ADAC are included in the consolidated results of STRATTEC and totaled $2.7 million and $9.1 million in the three and nine month periods ended March 28, 2021, respectively, and $3.5 million and $9.2 million in the three and nine month periods ended March 29, 2020, respectively.

STRATTEC POWER ACCESS LLC ("SPA") was formed in fiscal year 2009 to supply the North American portion of the power sliding door, lift gate and deck lid system access control products which were acquired from Delphi Corporation. SPA was 80 percent owned by STRATTEC and 20 percent owned by WITTE for all periods presented in this report. An additional Mexican entity, STRATTEC POWER ACCESS de Mexico, is wholly owned by SPA. The financial results of SPA are consolidated with the financial results of STRATTEC and resulted in increased net sales and increased net income to STRATTEC of approximately $72.0 million and $4.7 million, respectively, during the nine month period ended March 28, 2021 and increased net sales and decreased net income to STRATTEC of approximately $57.0 million and $167,000, respectively, during the nine month period ended March 29, 2020.

Equity (Loss) Earnings of Joint Ventures

As discussed above under Investment in Joint Ventures and Majority Owned Subsidiaries, we hold a one-third interest in a joint venture company, VAST LLC. Our investment in VAST LLC, for which we exercise significant influence but do not control and is not a variable interest entity of STRATTEC, is accounted for using the equity method. The results of the VAST LLC foreign subsidiaries and joint venture are reported on a one-month lag basis. We assess the impairment of equity investments whenever events or changes in circumstances indicate that a decrease in value of the investment has occurred that is other than temporary.

The following are summarized statements of operations for VAST LLC (in thousands):

	Three Months Ended		Nine Months Ended	
	March 28, 2021	March 29, 2020	March 28, 2021	March 29, 2020
Net Sales	$ 51,748	$ 30,490	$ 160,511	$ 117,537
Cost of Goods Sold	44,155	25,679	131,345	96,131
Gross Profit	7,593	4,811	29,166	21,406
Engineering, Selling and Administrative Expenses	7,684	7,524	22,936	21,528
(Loss) Income From Operations	(91)	(2,713)	6,230	(122)
Other Income (Expense), net	327	(424)	1,363	1,079
Income (Loss) before Provision for Income Taxes	236	(3,137)	7,593	957
Provision (Benefit) for Income Taxes	348	(294)	2,011	851
Net (Loss) Income	$ (112)	$ (2,843)	$ 5,582	$ 106
STRATTEC's Share of VAST LLC Net (Loss) Income	(37)	(947)	1,861	36
Intercompany Profit Elimination	(19)	—	(17)	—
STRATTEC’s Equity (Loss) Earnings of VAST LLC	$ (56)	$ (947)	$ 1,844	$ 36

We have sales of component parts to VAST LLC, purchases of component parts from VAST LLC, expenses charged to VAST LLC for engineering and accounting services and expenses charged to us from VAST LLC for general headquarters expenses. The following table summarizes these related party transactions with VAST LLC for the periods indicated below (in thousands):

	Three Months Ended		Nine Months Ended	
	March 28, 2021	March 29, 2020	March 28, 2021	March 29, 2020
Sales to VAST LLC	$ 1,059	$ 483	$ 3,273	$ 3,035
Purchases from VAST LLC	$ 139	$ 172	$ 340	$ 351
Expenses Charged to VAST LLC	$ 265	$ 686	$ 1,361	$ 2,036
Expenses Charged from VAST LLC	$ 302	$ 192	$ 953	$ 636

Leases

We have an operating lease for our El Paso, Texas finished goods and service parts distribution warehouse that has a current lease term through October 2023. This lease includes renewal terms that can extend the lease term for five additional years. For purposes of calculating operating lease obligations, we included the option to extend the lease as it is reasonably certain that we will exercise such option. The lease does not contain material residual value guarantees or restrictive covenants. Operating lease expense is recognized on a straight-line basis over the lease term.

As the lease does not provide an implicit rate, we used our incremental borrowing rate at lease commencement to determine the present value of our lease payments. The incremental borrowing rate is an entity-specific rate which represents the rate of interest we would pay to borrow over a similar term with similar payments.

The operating lease asset and obligation related to our El Paso warehouse lease included in the accompanying Condensed Consolidated Balance Sheets are presented below (in thousands):

	March 28, 2021
Right-of Use Asset Under Operating Lease:	
Other Long-Term Assets	$ 3,490
Lease Obligation Under Operating Lease:	
Current Liabilities: Accrued Liabilities: Other	$ 366
Other Long-Term Liabilities	3,124
	$ 3,490

Future minimum lease payments, by our fiscal year, including options to extend that are reasonably certain to be exercised, under this non-cancelable lease are as follows as of March 28, 2021 (in thousands):

2021 (for the remaining three months)	$	119
2022		484
2023		497
2024		509
2025		522
Thereafter		1,834
Total Future Minimum Lease Payments		3,965
Less: Imputed Interest		(475)
Total Lease Obligations	$	3,490

Cash flow information related to the operating lease is shown below (in thousands):

	Nine Months Ended March 28, 2021	
Operating Cash Flows:		
Cash Paid Related to Operating Lease Obligation	$	354

The weighted average lease term and discount rate for the El Paso, Texas operating lease are shown below:

	March 28, 2021
Weighted Average Remaining Lease Term (in years)	7.6
Weighted Average Discount Rate	3.3%

Operating lease expense for the three and nine month periods ended March 28, 2021 totaled $119,000 and $354,000, respectively. Operating lease expense for the three and nine month periods ended March 29, 2020 totaled $116,000 and $345,000, respectively.

Credit Facilities

STRATTEC has a $40 million secured revolving credit facility (the “STRATTEC Credit Facility”) with BMO Harris Bank N.A. ADAC-STRATTEC LLC has a $25 million secured revolving credit facility (the “ADAC-STRATTEC Credit Facility”) with BMO Harris Bank N.A., which is guaranteed by STRATTEC. The credit facilities both expire August 1, 2022. Borrowings under either credit facility are secured by our U.S. cash balances, accounts receivable, inventory, and fixed assets. Interest on borrowings under the STRATTEC Credit Facility is at varying rates based, at our option, on the London Interbank Offering Rate (“LIBOR”) plus 1.0 percent or the bank’s prime rate. Interest on borrowings under the ADAC-STRATTEC Credit Facility is at varying rates based, at our option, on LIBOR plus 1.25 percent or the bank’s prime rate. 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 28, 2021, we were in compliance with all financial covenants required by these credit facilities.

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

	March 28, 2021		June 28, 2020	
STRATTEC Credit Facility	$	4,000	$	18,000
ADAC-STRATTEC Credit Facility		12,000		17,000
	$	16,000	$	35,000

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

	Nine Months Ended			
	Average Outstanding Borrowings		Weighted Average Interest Rate	
	March 28, 2021	March 29, 2020	March 28, 2021	March 29, 2020
STRATTEC Credit Facility	$ 11,436	$ 13,799	1.2%	2.9%
ADAC-STRATTEC Credit Facility	$ 15,000	$ 20,062	1.4%	3.2%

Commitments and Contingencies

We are from time to time 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. It is our opinion that the outcome of such matters will not have a material adverse impact on our consolidated financial position, results of operations or cash flows. With respect to warranty matters, although we cannot ensure that future costs of warranty claims by customers will not be material, we believe our established reserves are adequate to cover potential warranty settlements.

In 1995, we recorded a provision for estimated costs to remediate an environmental contamination site at our Milwaukee facility. The facility was contaminated by a solvent spill, which occurred in 1985, from a former above ground solvent storage tank located on the east side of the facility. The reserve was originally established based on third party estimates to adequately cover the cost for active remediation of the contamination. Due to changing technology and related costs associated with active remediation of the contamination, in fiscal years 2010, 2016, and 2021, we obtained updated third party estimates of projected costs to adequately cover the cost for active remediation of this contamination and adjusted the reserve as needed. We monitor and evaluate the site with the use of these groundwater monitoring wells. An environmental consultant samples these wells one or two times a year to determine the status of the contamination and the potential for remediation of the contamination by natural attenuation, the dissipation of the contamination over time to concentrations below applicable standards. If such sampling evidences a sufficient degree of and trend toward natural attenuation of the contamination at the site, we may be able to obtain a closure letter from the regulatory authorities resolving the issue without the need for active remediation. If a sufficient degree and trend toward natural attenuation is not evidenced by sampling, a more active form of remediation beyond natural attenuation may be required. The sampling has not yet satisfied all of the requirements for closure by natural attenuation. As a result, sampling continues and the reserve remains at an amount to reflect our estimated cost of active remediation. The reserve is not measured on a discounted basis. We believe, based on findings-to-date and known environmental regulations, that the environmental reserve of $1.4 million at March 28, 2021 is adequate.

Shareholders' Equity

A summary of activity impacting shareholders' equity for the three and nine month periods ended March 28, 2021 and March 29, 2020 were as follows (in thousands):

	Three Months Ended March 28, 2021						
	Total Shareholders' Equity	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interest
Balance, December 27, 2020	$ 201,473	$ 74	$ 98,571	$ 227,061	$ (17,492)	$ (135,629)	$ 28,888
Net Income	5,910	—	—	4,485	—	—	1,425
Translation Adjustments	(697)	—	—	—	(288)	—	(409)
Stock Based Compensation	193	—	193	—	—	—	—
Pension and Postretirement Adjustment, Net of Tax	69	—	—	—	69	—	—
Stock Option Exercises	526	—	526	—	—	—	—
Employee Stock Purchases	20	—	13	—	—	7	—
Balance, March 28, 2021	$ 207,494	$ 74	$ 99,303	$ 231,546	$ (17,711)	$ (135,622)	$ 29,904

	Three Months Ended March 29, 2020						
	Total Shareholders' Equity	**Common Stock**	**Capital in Excess of Par Value**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Non-Controlling Interest**
Balance, December 29, 2019	$ 188,849	$ 74	$ 97,601	$ 219,973	$ (18,486)	$ (135,693)	$ 25,380
Net Income	4,913	—	—	2,994	—	—	1,919
Dividend Declared	(525)	—	—	(525)	—	—	—
Translation Adjustments	(6,245)	—	—	—	(3,858)	—	(2,387)
Stock Based Compensation	165	—	165	—	—	—	—
Pension and Postretirement Adjustment, Net of Tax	74	—	—	—	74	—	—
Employee Stock Purchases	24	—	7	—	—	17	—
Balance, March 29, 2020	$ 187,255	$ 74	$ 97,773	$ 222,442	$ (22,270)	$ (135,676)	$ 24,912

	Nine Months Ended March 28, 2021						
	Total Shareholders' Equity	**Common Stock**	**Capital in Excess of Par Value**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Non-Controlling Interest**
Balance, June 28,2020	$ 175,441	$ 74	$ 97,977	$ 211,940	$ (22,113)	$ (135,656)	$ 23,219
Net Income	25,556	—	—	19,606	—	—	5,950
Dividend Declared – Non-controlling Interests of Subsidiaries	(490)	—	—	—	—	—	(490)
Translation Adjustments	5,419	—	—	—	4,194	—	1,225
Stock Based Compensation	775	—	775	—	—	—	—
Pension and Postretirement Adjustment, Net of Tax	208	—	—	—	208	—	—
Stock Option Exercises	526	—	526	—	—	—	—
Employee Stock Purchases	59	—	25	—	—	34	—
Balance, March 28, 2021	$ 207,494	$ 74	$ 99,303	$ 231,546	$ (17,711)	$ (135,622)	$ 29,904

	Nine Months Ended March 29, 2020						
	Total Shareholders' Equity	**Common Stock**	**Capital in Excess of Par Value**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Non-Controlling Interest**
Balance, June 30, 2019	$ 187,816	$ 73	$ 96,491	$ 221,117	$ (18,568)	$ (135,725)	$ 24,428
Net Income	6,498	—	—	2,897	—	—	3,601
Dividend Declared	(1,572)	—	—	(1,572)	—	—	—
Dividend Declared – Non-controlling Interests of Subsidiaries	(980)	—	—	—	—	—	(980)
Translation Adjustments	(6,059)	—	—	—	(3,922)	—	(2,137)
Stock Based Compensation	789	—	789	—	—	—	—
Pension and Postretirement Adjustment, Net of Tax	220	—	—	—	220	—	—
Stock Option Exercises	478	1	477	—	—	—	—
Employee Stock Purchases	65	—	16	—	—	49	—
Balance, March 29, 2020	$ 187,255	$ 74	$ 97,773	$ 222,442	$ (22,270)	$ (135,676)	$ 24,912

Revenue from Contracts with Customers

We generate revenue from the production of parts sold to automotive and light-truck Original Equipment Manufacturers ("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, we generate revenue from the production of parts sold in aftermarket service channels and to non-automotive commercial customers.

Contract Balances:

We have no material contract assets as of March 28, 2021. Contract liability balances primarily include discounts recognized as a reduction in sales at the point of revenue recognition, but which will be applied by the customer agreement after the end of the reporting period. Contract liability balances are included in Other Accrued Liabilities in the accompanying Condensed Consolidated Balance Sheets. The activity related to contract liability balances during the nine month period ended March 28, 2021 was as follows (thousands of dollars):

Balance, June 28, 2020	$ 373
Discounts Recorded as a Reduction in Sales	222
Payments of Discounts to Customers	(337)
Other	(140)
Balance, March 28, 2021	$ 118

Revenue by Product Group and Customer:

Revenue by product group for the periods presented was as follows (thousands of dollars):

	Three Months Ended		Nine Months Ended	
	March 28, 2021	March 29, 2020	March 28, 2021	March 29, 2020
Door Handles & Exterior Trim	$ 29,790	$ 31,296	$ 98,694	$ 88,818
Keys & Locksets	28,616	30,186	91,488	91,832
Power Access	26,209	21,259	72,039	56,979
Latches	13,125	13,685	41,303	40,656
Aftermarket & OE Service	10,969	11,141	34,077	34,189
Driver Controls	10,822	7,549	31,144	25,310
Other	2,113	1,822	6,493	5,399
	$ 121,644	$ 116,938	$ 375,238	$ 343,183

Revenue by customer or customer group for the periods presented was as follows (thousands of dollars):

	Three Months Ended		Nine Months Ended	
	March 28, 2021	March 29, 2020	March 28, 2021	March 29, 2020
General Motors Company	$ 34,543	$ 31,656	$ 111,322	$ 90,899
Fiat Chrysler Automobiles	21,685	26,050	69,919	78,686
Ford Motor Company	21,722	15,462	54,356	46,527
Commercial and Other OEM Customers	17,241	20,184	58,272	62,950
Tier 1 Customers	17,289	17,495	53,444	50,026
Hyundai / Kia	9,164	6,091	27,925	14,095
	$ 121,644	$ 116,938	$ 375,238	$ 343,183

Other Income (Expense), net

Net other income (expense) included in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income (Loss) primarily included foreign currency transaction gains and losses, realized and unrealized gains on our Mexican peso currency forward contracts, net periodic pension and postretirement benefit costs, other than the service cost component, related to our Supplemental Executive Retirement Plan ("SERP") and postretirement plans and Rabbi Trust gains and losses. Foreign currency transaction gains and losses resulted from activity associated with foreign denominated assets held by our Mexican subsidiaries. We entered into the Mexican Peso currency forward contracts described above to minimize earnings volatility resulting from changes in exchange rates affecting the U.S. dollar cost of our Mexican operations. Unrealized gains and losses on the peso forward contracts recognized as a result of mark-to-market adjustments as of March 28, 2021 may or may not be realized in future periods, depending on the actual Mexican peso to U.S. dollar exchange rates experienced during the balance of the contract period. The Rabbi Trust assets fund our Amended and Restated Supplemental Executive Retirement Plan. The investments held in this Trust are considered trading securities.

The impact of these items for each of the periods presented was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	March 28, 2021	March 29, 2020	March 28, 2021	March 29, 2020
Foreign Currency Transaction Gain (loss)	$ 386	$ 2,515	$ (1,926)	$ 2,067
Unrealized Gain (Loss) on Peso Forward Contracts	32	(1,048)	512	(1,048)
Realized Gain on Peso Forward Contracts	11	—	87	—
Pension and Postretirement Plans Cost	(106)	(118)	(314)	(352)
Rabbi Trust Gain (Loss)	154	(550)	472	(365)
Other	(22)	250	(2)	673
	$ 455	$ 1,049	$ (1,171)	$ 975

Income Taxes

Our effective tax rate was 16.3% and 20.8% for the three months ended March 28, 2021 and March 29, 2020, respectively. Our effective tax rate was 15.6% and 15.5% for the nine months ended March 28, 2021 and March 29, 2020, respectively. Effective July 20, 2020, the U.S Treasury Department finalized and enacted previously proposed regulations regarding the Global Intangible Low Taxed Income (GILTI) tax provisions of the Tax Cuts and Jobs Act of 2017 (TCJA). Prior to this enactment, GILTI represented a significant U.S. income tax on our foreign earnings during fiscal 2020. With the enactment of these final regulations, we are now eligible for an exclusion from GILTI since we meet the provisions for the GILTI High-Tax exception included in the final regulations. In addition, the enactment of the new regulations and our eligibility for the GILTI High-Tax exception are retroactive to the original enactment of the GILTI tax provision, which includes our 2020 fiscal year. As a result of the newly enacted regulations, we recorded an income tax benefit of $675,000 during the nine month period ended March 28, 2021. During the nine month period ended March 29, 2020, our effective tax rate was impacted by the discrete impact of the non-cash compensation expense, as discussed under Pension and Postretirement Benefits below. Our effective tax rate differs from the statutory tax rate due to the GILTI provisions, our available R&D tax credit and the non-controlling interest portion of our pre-tax income. The non-controlling interest impacts the effective tax rate as ADAC-STRATTEC LLC and STRATTEC POWER ACCESS LLC entities are taxed as partnerships for U.S. tax purposes.

Earnings Per Share

Basic earnings per share is computed on the basis of the weighted average number of shares of common stock outstanding during the applicable period. Diluted earnings per share is computed on the basis of the weighted average number of shares of common stock plus the potential dilutive common shares outstanding during the applicable period using the treasury stock method. Potential dilutive common shares include outstanding stock options and unvested restricted stock awards.

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

	Three Months Ended					
	March 28, 2021			March 29, 2020		
	Net Income	Shares	Per-Share Amount	Net Income	Shares	Per-Share Amount
Basic Earnings Per Share	$ 4,485	3,797	$ 1.18	$ 2,994	3,748	$ 0.80
Stock Option and Restricted Stock Awards	—	89		—	20	
Diluted Earnings Per Share	$ 4,485	3,886	$ 1.15	$ 2,994	3,768	$ 0.79

	Nine Months Ended					
	March 28, 2021			March 29, 2020		
	Net Income	Shares	Per-Share Amount	Net Income	Shares	Per-Share Amount
Basic Earnings Per Share	$ 19,606	3,783	$ 5.18	$ 2,897	3,733	$ 0.78
Stock Option and Restricted Stock Awards	—	56		—	19	
Diluted Earnings Per Share	$ 19,606	3,839	$ 5.11	$ 2,897	3,752	$ 0.77

The calculation of earnings per share excluded 9,010 and 111,060 share-based payment awards as of March 28, 2021 and March 29, 2020, respectively, because their inclusion would have been anti-dilutive.

Stock-based Compensation

We maintain an omnibus stock incentive plan. This plan provides for the granting of stock options, shares of restricted stock and stock appreciation rights. As of March 28, 2021, the Board of Directors had designated 2 million shares of common stock available for the grant of awards under the plan. Remaining shares available to be granted under the plan as of March 28, 2021 were 219,084. Awards that expire or are canceled without delivery of shares become available for re-issuance under the plan. We issue new shares of common stock to satisfy stock option exercises.

Nonqualified and incentive stock options and shares of restricted stock have been granted to our officers, outside directors and specified associates under our stock incentive plan. Stock options granted under the plan may not be issued with an exercise price less than the fair market value of the common stock on the date the option is granted. Stock options become exercisable as determined at the date of grant by the Compensation Committee of the Board of Directors. The options expire 10 years after the grant date unless an earlier expiration date is set at the time of grant. The options vest 1 to 4 years after the date of grant as determined by the Compensation Committee of the Board of Directors. Shares of restricted stock granted under the plan are subject to vesting criteria determined by the Compensation Committee of the Board of Directors at the time the shares are granted and have a minimum vesting period of one year from the date of grant. Unvested restricted shares granted have voting rights, regardless of whether the shares are vested or unvested, but only have the right to receive cash dividends after such shares become vested. Restricted stock grants vest 1 to 5 years after the date of grant as determined by the Compensation Committee of the Board of Directors.

The fair value of each stock option grant was estimated as of the date of grant using the Black-Scholes pricing model. The fair value of each restricted stock grant was based on the market price of the underlying common stock as of the date of grant. The resulting compensation cost for fixed awards with graded vesting schedules is amortized on a straight line basis over the vesting period for the entire award.

A summary of stock option activity under our stock incentive plan for the nine months ended March 28, 2021 follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, June 28, 2020	90,860	$ 35.88		
Exercised	18,236	$ 28.85		
Outstanding, March 28, 2021	72,624	$ 37.65	1.7	$ 819
Exercisable, March 28, 2021	72,624	$ 37.65	1.7	$ 819

The intrinsic value of stock options exercised and the fair value of stock options that vested during the three and nine month periods presented below were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	March 28, 2021	March 29, 2020	March 28, 2021	March 29, 2020
Intrinsic Value of Options Exercised	$ 555	$ —	$ 555	$ 120
Fair Value of Stock Options Vesting	$ —	$ —	$ —	$ —

No options were granted during the nine month periods ended March 28, 2021 or March 29, 2020.

A summary of restricted stock activity under our stock incentive plan for the nine months ended March 28, 2021 follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested Balance, June 28, 2020	69,394	$ 30.59
Granted	48,300	$ 21.20
Vested	(34,669)	$ 34.95
Forfeited	(1,050)	$ 22.84
Nonvested Balance, March 28, 2021	81,975	$ 23.31

As of March 28, 2021, all compensation cost related to outstanding stock options granted under our omnibus stock incentive plan has been recognized. As of March 28, 2021, there was approximately $1.0 million of total unrecognized compensation cost related to unvested restricted stock grants outstanding under the plan. This cost is expected to be recognized over a remaining weighted average period of 1 year. Total unrecognized compensation cost will be adjusted for any future changes in estimated and actual forfeitures of awards granted under our omnibus stock incentive plan.

Pension and Postretirement Benefits

We had a qualified, noncontributory defined benefit pension plan ("Qualified Pension Plan") covering substantially all U.S. associates employed by us prior to January 1, 2010. Effective December 31, 2009, the Board of Directors amended the Qualified Pension Plan to freeze benefit accruals and future eligibility. The Board of Directors subsequently approved proceeding with the termination of the Qualified Pension Plan. During the quarter ended December 30, 2018, we completed a substantial portion of terminating the Qualified Pension Plan. In connection with the termination of the Qualified Pension Plan, distributions from the Qualified Pension Plan trust were made during the three month period ended December 30, 2018 to participants who elected lump-sum distributions. Additionally, during the three months ended December 30, 2018, we entered into an agreement with an insurance company to purchase from us, through a series of annuity contracts, our remaining obligations under the Qualified Pension Plan and, as a result, we settled the remaining obligations under the plan for the remaining participants utilizing funds available in the Qualified Pension Plan trust. No additional cash contributions to the trust were required to settle the pension obligations. As a result of these actions, a non-cash pre-tax settlement charge of $31.9 million was recorded during fiscal 2019. A non-cash compensation expense charge of $4.2 million was also recorded during fiscal 2019 related to the future transfer of the excess assets in the Qualified Pension Plan to a STRATTEC defined contribution plan for subsequent pay-out to eligible STRATTEC employees based on a plan approved by the Board of Directors in June 2019. An additional $4.8 million non-cash compensation expense charge related to the final transfer and pay-out of the excess Qualified Pension Plan assets was recorded during our fiscal 2020, of which $2.3 million of non-cash compensation expense was recorded during the three month period ended December 29, 2019 and $4.5 million of non-cash compensation expense was recorded during the six month period ended December 29, 2019. During fiscal 2020, the excess Qualified Pension Plan assets were transferred to our defined contribution plan and distributed to eligible STRATTEC employees, which completed the full termination of the Qualified Pension Plan.

We have a noncontributory Supplemental Executive Retirement Plan ("SERP"), which is a nonqualified defined benefit plan. The SERP is funded through a Rabbi Trust with TMI Trust Company. Under the SERP, as amended December 31, 2013, participants received an accrued lump-sum benefit as of December 31, 2013, which was credited to each participant's account. Subsequent to December 31, 2013, each eligible participant receives a supplemental retirement benefit equal to the foregoing lump sum benefit, plus an annual benefit accrual equal to 8 percent of the participant's base salary and cash bonus, plus annual credited interest on the participant's account balance. All then current participants as of December 31, 2013 are fully vested in their account balances with any new individuals participating in the SERP effective on or after January 1, 2014 being subject to a five year vesting period. The SERP, which is considered a nonqualified defined benefit plan under applicable rules and regulations of the Internal Revenue Code, will continue to be funded through use of a Rabbi Trust to hold investment assets to be used in part to fund any future required lump sum benefit payments to participants. The Rabbi Trust assets had a value of $3.4 million at March 28, 2021 and $2.6 million at June 28, 2020 and are included in Other Long-Term Assets in the accompanying Condensed Consolidated Balance Sheets.

We also sponsor a postretirement health care plan for all U.S. associates hired prior to June 1, 2001. The expected cost of retiree health care benefits is recognized during the years the associates who are covered under the plan render service. Effective January 1, 2010, an amendment to the postretirement health care plan limited the benefit for future eligible retirees to $4,000 per plan year and the benefit is further subject to a maximum five year coverage period based on the associate's retirement date and age. The postretirement health care plan is unfunded.

The service cost component of the net periodic benefit costs under these plans is allocated between Cost of Goods Sold and Engineering, Selling and Administrative Expenses while the remaining components of the net periodic benefit costs are included in Other Income (Expense), net in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income (Loss).

The following table summarizes the net periodic benefit cost recognized for each of the periods indicated under these plans (in thousands):

	SERP Benefits Three Months Ended		Postretirement Benefits Three Months Ended	
	March 28, 2021	March 29, 2020	March 28, 2021	March 29, 2020
Service Cost	$ 16	$ 19	$ 3	$ 3
Interest Cost	10	16	4	6
Amortization of Prior Service Credit	—	—	(2)	(7)
Amortization of Unrecognized Net Loss	3	4	91	99
Net Periodic Benefit Cost	$ 29	$ 39	$ 96	$ 101

	SERP Benefits Nine Months Ended		Postretirement Benefits Nine Months Ended	
	March 28, 2021	March 29, 2020	March 28, 2021	March 29, 2020
Service Cost	$ 47	$ 56	$ 10	$ 9
Interest Cost	31	46	12	19
Amortization of Prior Service Credit	—	—	(6)	(22)
Amortization of Unrecognized Net Loss	8	11	269	298
Net Periodic Benefit Cost	$ 86	$ 113	$ 285	$ 304

Accumulated Other Comprehensive Loss

The following tables summarize the changes in accumulated other comprehensive loss ("AOCL") for each period presented (in thousands):

	Three Months Ended March 28, 2021		
	Foreign Currency Translation Adjustments	Retirement and Postretirement Benefit Plans	Total
Balance, December 27, 2020	$ 15,654	$ 1,838	$ 17,492
Other Comprehensive Loss Before Reclassifications	697	—	697
Net Other Comprehensive Loss Before Reclassifications	697	—	697
Reclassifications:			
Prior Service Credits (A)	—	2	2
Unrecognized Net Loss (A)	—	(94)	(94)
Total Reclassifications Before Tax	—	(92)	(92)
Income Tax	—	23	23
Net Reclassifications	—	(69)	(69)
Other Comprehensive Loss (Income)	697	(69)	628
Other Comprehensive Loss Attributable to Non-Controlling Interest	409	—	409
Balance, March 28, 2021	$ 15,942	$ 1,769	$ 17,711

	Three Months Ended March 29, 2020		
	Foreign Currency Translation Adjustments	Retirement and Postretirement Benefit Plans	Total
Balance, December 29, 2019	$ 16,381	$ 2,105	$ 18,486
Other Comprehensive Loss Before Reclassifications	6,245	—	6,245
Net Other Comprehensive Loss Before Reclassifications	6,245	—	6,245
Reclassifications:			
Prior Service Credits (A)	—	7	7
Unrecognized Net Loss (A)	—	(103)	(103)
Total Reclassifications Before Tax	—	(96)	(96)
Income Tax	—	22	22
Net Reclassifications	—	(74)	(74)
Other Comprehensive Loss (Income)	6,245	(74)	6,171
Other Comprehensive Loss Attributable to Non-Controlling Interest	2,387	—	2,387
Balance, March 29, 2020	$ 20,239	$ 2,031	$ 22,270

	Nine Months Ended March 28, 2021		
	Foreign Currency Translation Adjustments	Retirement and Postretirement Benefit Plans	Total
Balance, June 28, 2020	$ 20,136	$ 1,977	$ 22,113
Other Comprehensive Income Before Reclassifications	(5,419)	—	(5,419)
Net Other Comprehensive Income Before Reclassifications	(5,419)	—	(5,419)
Reclassifications:			
Prior Service Credits (A)	—	6	6
Unrecognized Net Loss (A)	—	(277)	(277)
Total Reclassifications Before Tax	—	(271)	(271)
Income Tax	—	63	63
Net Reclassifications	—	(208)	(208)
Other Comprehensive Income	(5,419)	(208)	(5,627)
Other Comprehensive Income Attributable to Non-Controlling Interest	(1,225)	—	(1,225)
Balance, March 28, 2021	$ 15,942	$ 1,769	$ 17,711

	Nine Months Ended March 29, 2020		
	Foreign Currency Translation Adjustments	Retirement and Postretirement Benefit Plans	Total
Balance, June 30, 2019	$ 16,317	$ 2,251	$ 18,568
Other Comprehensive Loss Before Reclassifications	6,059	—	6,059
Net Other Comprehensive Loss Before Reclassifications	6,059	—	6,059
Reclassifications:			
Prior Service Credits (A)	—	22	22
Unrecognized Net Loss (A)	—	(309)	(309)
Total Reclassifications Before Tax	—	(287)	(287)
Income Tax	—	67	67
Net Reclassifications	—	(220)	(220)
Other Comprehensive Loss (Income)	6,059	(220)	5,839
Other Comprehensive Loss Attributable to Non-Controlling Interest	2,137	—	2,137
Balance, March 29, 2020	$ 20,239	$ 2,031	$ 22,270

(A) Amounts reclassified are included in the computation of net periodic benefit cost, which is included in Other Income (Expense), net in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income (Loss). See Pension and Postretirement Benefits note to these Notes to Condensed Consolidated Financial Statements above.

Item 2

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 2020 Form 10-K, which was filed with the Securities and Exchange Commission on September 3, 2020. Unless otherwise indicated, all references to quarters and years refer to fiscal quarters and fiscal years.

Outlook

Refer to discussion of Risks and Uncertainties included in the Notes to Condensed Consolidated Financial Statements beginning on page 6 of this Form 10-Q.

During the fourth quarter of our fiscal year ended June 2020, we responded to the COVID-19 pandemic and the temporary OEM customer plant shutdowns by implementing a permanent reduction in our salaried workforce, instituting temporary layoffs, reducing working hours, allowing (and in some cases encouraging) remote working from home, temporarily suspending our quarterly cash dividend, delaying capital expenditures and eliminating nonessential operating costs, all to preserve cash flow. In addition, during the fourth quarter of the prior fiscal year, we produced additional finished goods inventory in anticipation of our OEM customers pipeline fill to their dealers once vehicle production began starting up in June 2020.

During the nine month period ended March 28, 2021, the Company experienced a strong sales recovery as our customers ramped up vehicle production as they restarted their assembly plant operations in order to replenish low inventory levels at the dealers. Likewise, our manufacturing operations in Milwaukee, WI and in Mexico ramped up production to meet this increased sales demand. However, these actions were hampered earlier by requirements imposed by the Mexican Government at our Mexican facilities that continued to limit operating capacity in Mexico due to COVID-19 during the first half of the 2021 fiscal year. Now we are being impacted by supply chain shortages of critical electronic component parts and certain raw materials which may in the future impact our ability to meet customer sales demand depending upon fluctuations in our customers' production order levels.

The sales outlook over the next few quarters appears strong as our customers continue to restock dealer inventories, which are in short supply. However, this sales demand going forward is contingent on the impact of the supply chain part shortages referenced above and the ongoing severity of the COVID-19 pandemic, including any potential worsening thereof, on the North American and overall global economy.

Analysis of Results of Operations

Three months ended March 28, 2021 compared to the three months ended March 29, 2020

	Three Months Ended	
	March 28, 2021	March 29, 2020
Net Sales (in millions)	$ 121.6	$ 116.9

Net sales to each of our customers or customer groups in the current year quarter and prior year quarter were as follows (in millions):

	Three Months Ended	
	March 28, 2021	March 29, 2020
General Motors Company	$ 34.5	$ 31.7
Fiat Chrysler Automobiles	21.7	26.0
Ford Motor Company	21.7	15.4
Commercial and Other OEM Customers	17.2	20.2
Tier 1 Customers	17.3	17.5
Hyundai / Kia	9.2	6.1
	$ 121.6	$ 116.9

The increase in sales to General Motors Company in the current year quarter as compared to the prior year quarter was attributed to higher sales content on models for which we supply components, and in particular for power access and door handle products. Sales to Fiat Chrysler Automobiles (FCA) decreased in the current year quarter as compared to the prior year quarter due to lower vehicle production volumes of the vehicles for which we supply components, in particular related to Chrysler minivans. The Dodge Grand Caravan minivan went out of production during July 2020. Sales to Ford Motor Company increased in the current year quarter as compared to the prior year quarter due to higher product content, and in particular for the new power tailgate program on the F-150 pickup trucks. Sales to Tier 1 customers were flat in the current year quarter compared to the prior year quarter. Sales to Commercial and Other OEM Customers during the current year quarter decreased in comparison to the prior year quarter due to decreases in sales related to door handle products and power access products sold to Honda of America Manufacturing, Inc. and related to reductions in sales of door handle products to Volkswagon. These Commercial and Other OEM Customers, along with Tier 1 Customers, primarily represent purchasers of vehicle access control products, such as latches, key fobs, driver controls, steering column locks and door handles, that we have developed in recent years to complement our historic core business of locks and keys. The increased sales to Hyundai / Kia in the current year quarter as compared to the prior year quarter were due to higher levels of production on their recently launched new Kia Sedona and Hyundai Starex minivans for which we supply primarily power sliding door components.

	Three Months Ended	
	March 28, 2021	March 29, 2020
Cost of Goods Sold (in millions)	$ 103.0	$ 99.9

Direct material costs are the most significant component of our cost of goods sold and comprised $66.5 million or 64.6 percent of our cost of goods sold in the current year quarter compared to $65.6 million or 65.7 percent of our cost of goods sold in the prior year quarter. The increase in our direct material costs between these quarters of $900,000 or 1.4 percent was due to increased sales volumes in the current year quarter as compared to the prior year quarter. Our direct material costs as a percentage of our cost of goods sold in the current year quarter was relatively consistent with the prior year quarter.

The remaining components of our cost of goods sold consist of labor and overhead costs which increased $2.2 million or 6.4 percent to $36.5 million in the current year quarter from $34.3 million in the prior year quarter. The increase resulted from an increase in the variable portion of our labor and overhead costs as a result of the increase in sales volumes in the current year quarter as compared to the prior year quarter, and an increase of approximately $1.5 million in expense provisions for the accrual of bonuses under our incentive bonus plan between quarters, and an increase in the Mexican minimum wage for our Mexican workforce effective January 1, 2021, which wage increases cost approximately $1.0 million in the current year quarter as compared to the prior year quarter. These unfavorable impacts were partially offset by cost improvements implemented at our Milwaukee, WI and Mexico facilities in response to the COVID-19 pandemic, along with a favorable Mexican peso to U.S. dollar exchange rate affecting our operations in Mexico. The U.S. dollar value of our Mexican operations was favorably impacted by approximately $770,000 in the current year quarter as compared to the prior year quarter due to a favorable Mexican peso to U.S. dollar exchange rate between these quarterly periods. The average U.S. dollar / Mexican peso exchange rate increased to approximately 20.54 pesos to the dollar in the current year quarter from approximately 19.78 pesos to the dollar in the prior year quarter.

	Three Months Ended	
	March 28, 2021	March 29, 2020
Gross Profit (in millions)	$ 18.7	$ 17.0
Gross Profit as a percentage of net sales	15.3%	14.5%

Gross profit dollars increased in the current year quarter as compared to the prior year quarter as a result of an increase in sales between periods, which was partially offset by an increase in cost of goods sold between periods, as discussed above. Gross profit as a percentage of net sales increased between periods. The increase was due to increased sales, cost improvements implemented at our Milwaukee and Mexico production facilities in the current year quarter as compared to the prior year quarter, and a favorable Mexican peso to U.S. dollar exchange rate affecting our operations in Mexico, all of which were partially offset by an increase in expense provisions for the accrual of bonuses under our incentive bonus plan and increases in Mexico wages resulting from a January 1, 2021 minimum wage increase, all as discussed above.

Engineering, selling and administrative expenses in the current year quarter and prior year quarter were as follows:

	Three Months Ended	
	March 28, 2021	March 29, 2020
Expenses (in millions)	$ 11.9	$ 10.7
Expenses as a percentage of net sales	9.8%	9.2%

Engineering, selling and administrative expenses in the current year quarter increased in comparison to the prior year quarter due to an increase of approximately $980,000 in expense provisions for the accrual of bonuses under our incentive bonus plan between quarters.

Income from operations was $6.7 million in the current year quarter compared to $6.3 million in the prior year quarter due to an increase in gross profit margin dollars which was partially offset by an increase in engineering, selling and administrative expenses between quarters, all as discussed above.

The equity loss of joint ventures was $56,000 in the current year quarter compared to equity loss of joint ventures of $921,000 in the prior year quarter. This improvement resulted from improved profitability in our VAST China operation, which had extended OEM customer plant shutdowns associated with the COVID-19 pandemic in the prior year quarter. VAST China's profitability in the current year period was partially offset by startup costs for their new plant in Jingzhou, China and by costs associated with the closure of our VAST China plant in Fuzhou, China, which operations were consolidated into the new Jingzhou facility. We continue to believe these actions will give VAST China added capacity, greater operating efficiencies and a broader geographic footprint in the China market going forward. VAST LLC, including VAST China, is a crucial part of our global strategy and we anticipate that it will contribute to our overall long term sales growth as the China market continues to expand. Our VAST LLC joint ventures in India and Brazil continue to report losses due to our limited amount of business in both regions.

Included in Other Income (Expense), net in the current year quarter and prior year quarter were the following items (in thousands):

	Three Months Ended	
	March 28, 2021	March 29, 2020
Foreign Currency Transaction Gain	$ 386	$ 2,515
Unrealized Gain (Loss) on Peso Forward Contracts	32	(1,048)
Realized Gain on Peso Forward Contracts	11	—
Pension and Postretirement Plans Cost	(106)	(118)
Rabbi Trust Gain (Loss)	154	(550)
Other	(22)	250
	$ 455	$ 1,049

Foreign currency transaction gains during the current year quarter and prior year quarter resulted from activity associated with foreign denominated assets held by our Mexican subsidiaries. We have historically entered into the Mexican peso currency forward contracts to minimize earnings volatility resulting from changes in exchange rates affecting the U.S. dollar cost of our Mexican operations. Unrealized gains and losses on the peso forward contracts recognized as a result of mark-to-market adjustments as of March 28, 2021 may or may not be realized in future periods, depending on the actual Mexican peso to U.S. dollar exchange rates experienced during the balance of the contract period. Pension and postretirement plan impacts include the components of net periodic benefit cost other than the service cost component. Our Rabbi Trust assets fund our Amended and Restated Supplemental Executive Retirement Plan. The investments held in the Trust are considered trading securities.

Our effective tax rate was 16.3% and 20.8% for the three months ended March 28, 2021 and March 29, 2020, respectively. Effective July 20, 2020, the U.S Treasury Department finalized and enacted previously proposed regulations regarding the Global Intangible Low Taxed Income (GILTI) tax provisions of the Tax Cuts and Jobs Act of 2017 (TCJA). Prior to this enactment, GILTI represented a significant U.S. income tax on our foreign earnings during fiscal 2020. With the enactment of these final regulations, we are now eligible for an exclusion from GILTI since we meet the provisions for the GILTI High-Tax exception included in the final regulations. Our effective tax rate differs from the statutory tax rate due to the GILTI provisions, our available R&D tax credit and the non-controlling interest portion of our pre-tax income. The non-controlling interest impacts the effective tax rate as ADAC-STRATTEC LLC and STRATTEC POWER ACCESS LLC entities are taxed as partnerships for U.S. tax purposes.

Nine months ended March 28, 2021 compared to the nine months ended March 29, 2020

	Nine Months Ended	
	March 28, 2021	March 29, 2020
Net Sales (in millions)	$ 375.2	$ 343.2

Net sales to each of our customers or customer groups in the current year period and prior year period were as follows (in millions):

	Nine Months Ended	
	March 28, 2021	March 29, 2020
General Motors Company	$ 111.3	$ 90.9
Fiat Chrysler Automobiles	69.9	78.7
Ford Motor Company	54.4	46.5
Commercial and Other OEM Customers	58.3	63.0
Tier 1 Customers	53.4	50.0
Hyundai / Kia	27.9	14.1
	$ 375.2	$ 343.2

The increase in sales to General Motors Company in the current year period as compared to the prior year period was attributed to higher production volumes and content on models for which we supply components, and in particular for power access and door handle products. The impact of the UAW strike reduced net sales by an estimated $10 million in the prior year period. Sales to Fiat Chrysler Automobiles (FCA) decreased in the current year period as compared to the prior year period due lower vehicle production volumes of the vehicles for which we supply components, in particular related to Chrysler minivans. The Dodge Grand Caravan minivan went out of production during July 2020. Sales to Ford Motor Company increased in the current year period as compared to the prior year period due to higher product content, and in particular for the new power tailgate program on the F-150 pickup trucks starting during the quarter ended December 27, 2020. Sales to Tier 1 customers increased in the current year period in comparison to the prior year period as a result of higher sales volume on product ultimately used on General Motors and FCA type vehicles. Sales to Commercial and Other OEM Customers during the current year period decreased in comparison to the prior year period due to decreases in sales related to door handle products and power access products sold to Honda of America Manufacturing, Inc. and related to reductions in sales of door handle products to Volkswagon. These Commercial and Other OEM Customers, along with Tier 1 Customers, primarily represent purchasers of vehicle access control products, such as latches, key fobs, driver controls, steering column locks and door handles, that we have developed in recent years to complement our historic core business of locks and keys. The increased sales to Hyundai / Kia in the current year period as compared to the prior year period were due to higher levels of production on their recently launched new Kia Sedona and Hyundai Starex minivans for which we supply primarily power sliding door components.

	Nine Months Ended	
	March 28, 2021	March 29, 2020
Cost of Goods Sold (in millions)	$ 311.8	$ 300.0

Direct material costs are the most significant component of our cost of goods sold and comprised $208.4 million or 66.8 percent of our cost of goods sold in the current year period compared to $193.7 million or 64.6 percent of our cost of goods sold in the prior year period. The increase in our direct material costs between these periods of $14.7 million or 7.6 percent was due to increased sales volumes in the current year period as compared to the prior year period and increased obsolescence costs in the current year period resulting from the discontinuance of a customer program. The increase in our direct material costs as a percentage of our cost of goods sold in the current year period as compared to the prior year period was due to reduced labor and overhead costs between periods as discussed below.

The remaining components of our cost of goods sold consist of labor and overhead costs which decreased $2.9 million or 2.7 percent to $103.4 million in the current year period from $106.3 million in the prior year period. The current year period included a loss on disposal of property, plant and equipment of $1.4 million compared to $270,000 in the prior year period. The prior year period costs included a $2.7 million non-cash compensation expense charge related to the transfer of excess Qualified Pension Plan assets as described under Pension and Postretirement Benefits within Notes to Condensed Consolidated Financial Statements included elsewhere herein. Additionally, labor and overhead costs in the current year period were favorably impacted by cost improvements implemented at our Milwaukee, WI and Mexico facilities in response to the COVID-19 pandemic, along with a favorable Mexican peso to U.S. dollar exchange rate affecting our operations in Mexico. These favorable impacts were partially offset by an increase in the variable portion of our labor and overhead costs as a result of the increase in sales volumes in the current year period as compared to the prior year period, an increase of approximately $3.1 million in expense provisions for the accrual of bonuses under our incentive bonus plan between periods, and a $1.0 million increase in Mexico wages and benefits resulting from a January 1, 2021 minimum wage increase. The U.S. dollar value of our Mexican operations was favorably impacted by approximately $4.2 million in the current year period as compared to the prior year period due to a favorable Mexican peso to U.S. dollar exchange rate between these year-to-date periods. The average U.S. dollar / Mexican peso exchange rate increased to approximately 21.17 pesos to the dollar in the current year period from approximately 19.57 pesos to the dollar in the prior year period.

	Nine Months Ended	
	March 28, 2021	March 29, 2020
Gross Profit (in millions)	$ 63.4	$ 43.2
Gross Profit as a percentage of net sales	16.9%	12.6%

Gross profit dollars increased in the current year period as compared to the prior year period as a result of an increase in sales between periods, which was partially offset by an increase in cost of goods sold between periods, as discussed above. Gross profit as a percentage of net sales increased between periods. The increase was due to the prior year period non-cash compensation expense charge as well as cost improvements implemented at our Milwaukee and Mexico production facilities in the current year period as compared to the prior year period and a favorable Mexican peso to U.S. dollar exchange rate affecting our operations in Mexico, all of which were partially offset by an increase in expense provisions for the accrual of bonuses under our incentive bonus plan and increases in Mexico wages resulting from a January 1, 2021 minimum wage increase, all as discussed above.

Engineering, selling and administrative expenses in the current year period and prior year period were as follows:

	Nine Months Ended	
	March 28, 2021	March 29, 2020
Expenses (in millions)	$ 33.5	$ 35.8
Expenses as a percentage of net sales	8.9%	10.4%

Engineering, selling and administrative expenses in the current year period decreased in comparison to the prior year period due to a customer reimbursement of engineering development costs previously incurred in prior year periods of $1.5 million, which reimbursement was agreed to in the current year period, lower new product development costs, a temporary reduction in salary work force wages, permanent layoffs, and improved operating expense management in the current year period as compared to the prior year period. Additionally, the prior year period costs included a $1.7 million non-cash compensation expense charge related to the transfer of excess Qualified Pension Plan assets as described under Pension and Postretirement Benefits within Notes to Condensed Consolidated Financial Statements included elsewhere herein. These favorable impacts were partially offset by an increase of approximately $2.3 million in expense provisions for the accrual of bonuses under our incentive bonus plan between periods.

Income from operations was $29.9 million in the current year period compared to $7.5 million in the prior year period due to an increase in gross profit margin dollars and a decrease in engineering, selling and administrative expenses between periods, all as discussed above.

The equity earnings of joint ventures was $1.8 million in the current year period compared to $55,000 in the prior year period. Higher profitability from our VAST LLC joint venture was due to higher net sales and improved profitability in our VAST China operation between periods. This improvement resulted from improved profitability in our VAST China operation, which had extended OEM customer plant shutdowns associated with the COVID-19 pandemic in the prior year period. VAST China’s profitability in the current year period was partially offset by startup costs for their new plant in Jingzhou, China and by costs associated with the closure of our VAST China plant in Fuzhou, China, which operations were consolidated into the new Jingzhou facility. We continue to believe these actions will give VAST China added capacity, greater operating efficiencies and a broader geographic footprint in the China market going forward. VAST LLC, including VAST China, is a crucial part of our global strategy and we anticipate that it will contribute to our overall long term sales growth as the China market continues to expand. Our VAST LLC joint ventures in India and Brazil continue to report losses due to our limited amount of business in both regions.

Included in Other Income (Expense), net in the current year period and prior year period were the following items (in thousands):

	Nine Months Ended	
	March 28, 2021	March 29, 2020
Foreign Currency Transaction (Loss) Gain	$ (1,926)	$ 2,067
Unrealized Gain (Loss) on Peso Forward Contracts	512	(1,048)
Realized Gain on Peso Forward Contracts	87	—
Pension and Postretirement Plans Cost	(314)	(352)
Rabbi Trust Gain (Loss)	472	(365)
Other	(2)	673
	$ (1,171)	$ 975

Foreign currency transaction gains (losses) during the current year period and prior year period resulted from activity associated with foreign denominated assets held by our Mexican subsidiaries. We entered into the Mexican peso currency forward contracts to minimize earnings volatility resulting from changes in exchange rates affecting the U.S. dollar cost of our Mexican operations. Unrealized gains and losses on the peso forward contracts recognized as a result of mark-to-market adjustments as of March 28, 2021 may or may not be realized in future periods, depending on the actual Mexican peso to U.S. dollar exchange rates experienced during the balance of the contract period. Pension and postretirement plan impacts include the components of net periodic benefit cost other than the service cost component. Our Rabbi Trust assets fund our Amended and Restated Supplemental Executive Retirement Plan. The investments held in the Trust are considered trading securities.

Our effective tax rate was 15.6% and 15.5% for the nine months ended March 28, 2021 and March 29, 2020, respectively. Effective July 20, 2020, the U.S Treasury Department finalized and enacted previously proposed regulations regarding the Global Intangible Low Taxed Income (GILTI) tax provisions of the Tax Cuts and Jobs Act of 2017 (TCJA). Prior to this enactment, GILTI represented a significant U.S. income tax on our foreign earnings during fiscal 2020. With the enactment of these final regulations, we are now eligible for an exclusion from GILTI since we meet the provisions for the GILTI High-Tax exception included in the final regulations. In addition, the enactment of the new regulations and our eligibility for the GILTI High-Tax exception are retroactive to the original enactment of the GILTI tax provision, which includes our 2020 fiscal year. As a result of the newly enacted regulations, we recorded an income tax benefit of $675,000 during the nine month period ended March 28, 2021. During the nine month period ended March 28, 2020, our effective tax rate was impacted by the discrete impact of the non-cash compensation expense, as discussed above under Pension and Postretirement Benefits within Notes to Condensed Consolidated Financial Statements included elsewhere herein. Our effective tax rate differs from the statutory tax rate due to the GILTI provisions, our available R&D tax credit and the non-controlling interest portion of our pre-tax income. The non-controlling interest impacts the effective tax rate as ADAC-STRATTEC LLC and STRATTEC POWER ACCESS LLC entities are taxed as partnerships for U.S. tax purposes.

Liquidity and Capital Resources

Working Capital (in millions)

	March 28, 2021	June 28, 2020
Current Assets	$ 169.0	$ 125.4
Current Liabilities	75.5	48.1
Working Capital	$ 93.5	$ 77.3

Outstanding Receivable Balances from Major Customers

Our primary source of cash flow is from our major customers, which include Fiat Chrysler Automobiles, General Motors Company and Ford Motor Company. As of the date of filing this Form 10-Q with the Securities and Exchange Commission, all of our major customers are making payments on their outstanding accounts receivable in accordance with the payment terms included on their purchase orders. A summary of our outstanding receivable balances from our major customers as of March 28, 2021 was as follows (in millions):

General Motors Company	$	20.6
Fiat Chrysler Automobiles	$	13.6
Ford Motor Company	$	14.9

Cash Balances in Mexico

We earn a portion of our operating income in Mexico. As of March 28, 2021, $1.6 million of our $11.3 million cash and cash equivalents balance was held in Mexico. These funds are available for repatriation as deemed necessary.

Cash Flow Analysis (in millions)

	Nine Months Ended	
	March 28, 2021	March 29, 2020
Cash Flows from (in millions):		
Operating Activities	$ 25.4	$ 29.9
Investing Activities	$ (6.5)	$ (10.3)
Financing Activities	$ (18.9)	$ (17.0)

The decrease in cash provided by operating activities between periods is due to a net increase in our working capital requirements between periods of approximately $22.4 million which was mostly offset by improvement in our financial results between periods. The net increase in our working capital requirements between periods was made up of the following working capital changes (in millions):

	Increase (Decrease) in Working Capital Requirements		
	Nine Months Ended		
	March 28, 2021	March 29, 2020	Change
Accounts Receivable	$ 39.2	$ (11.0)	$ 50.2
Inventory	$ 3.9	$ 11.1	$ (7.2)
Other Assets	$ 1.1	$ (1.8)	$ 2.9
Accounts Payable and Accrued Liabilities	$ (27.2)	$ (3.7)	$ (23.5)

The period over period change in the accounts receivable balances is the result of the amount and timing of sales during each period. The increase in accounts receivable balances during the current year period and the reduction in accounts payable during the prior year period reflected reduced sales levels from the end of March 2020 through June 2020, which reduction was primarily due to our OEM customers reducing production schedules and closing their assembly plants due to the COVID-19 outbreak. The period over period change in inventory reflected an increase in inventory balances during both the current year period and the prior year period. The current year period increase was due to an inventory build-up as of March 2021 while our OEM customers experienced assembly plant shut-downs during late March 2021 due to certain part shortages. The prior year period increase was due to an inventory build-up resulting from our OEM customers reducing production schedules and closing their assembly plants during late March 2020 due to COVID-19. The period over period change in other assets reflected an increase in our other assets balances in the current year period and a reduction in our other assets balances in the prior year period, which changes were driven by changes in customer tooling balances. Customer tooling balances consisted of costs incurred for the development of tooling that will be directly reimbursed by our customer whose parts are produced from the tool. The change in customer tooling balances each year was the result of the timing of tooling development spending required to meet customer production requirements and related customer billing for tooling cost reimbursement. The period over period change in accounts payable and accrued liability balances was primarily the result of an increase in accounts payable balances during the current year period. Accounts payable balances were significantly reduced as of June 2020 due to the impact of COVID-19 and the lower production levels stemming from that impact. Accounts payable balances increased as of March 2021 as our business had ramped-up throughout the nine-month period along with business in the automotive industry in general. Accounts payable balances reflect the timing of purchases and payments with our vendors based on normal, established payment terms.

Net cash used by investing activities of $6.5 million during the current year period and $10.3 million during the prior year period were the result of capital expenditures made in support of requirements for new product programs and the upgrade and replacement of existing equipment. Net cash used by investment activities during the current year period also included an investment in our VAST LLC joint venture of $100,000. The investment was made for the purpose of funding general operating expenses for Sistema de Acesso Veicular Ltda, our Brazilian joint venture.

Net cash used in financing activities during the current year period of $18.9 million included repayments of borrowings under credit facilities of $19.0 million and $490,000 of dividend payments to non-controlling interests in our subsidiaries, partially offset by $585,000 received for the exercise of stock options under our stock incentive plan and purchases under our employee stock purchase plan. Net cash used in financing activities of $17.0 million during the prior year period included repayments of borrowings under credit facilities of $15.0 million, $1.6 million of regular quarterly dividend payments to shareholders and $980,000 of dividend payments to non-controlling interests in our subsidiaries, partially offset by $543,000 received for the exercise of stock options under our stock incentive plan and purchases under our employee stock purchase plan.

VAST LLC Cash Requirements

We currently anticipate that VAST China has adequate debt facilities in place over the next fiscal year to cover the future operating and capital requirements of its business. During the nine months ended March 28, 2021, capital contributions totaling $300,000 were made to VAST LLC for purposes of funding operations in Brazil. STRATTEC's portion of the capital contribution totaled $100,000. No capital contributions were made to VAST LLC during the nine months ended March 29, 2020. Due to economic conditions in Brazil, we anticipate Sistema de Acesso Veicular Ltda may require an additional capital contribution of approximately $300,000 collectively by all VAST LLC partners to fund operations during the remaining of our fiscal year 2021. STRATTEC's remaining portion of these capital contributions is anticipated to be $100,000. During the nine month periods ended March 28, 2021 and March 29, 2020, VAST LLC made no capital contributions to Minda-VAST Access Systems. Due to Minda-VAST Access System recently experiencing losses and due to the COVID-19 outbreak, future capital contributions may be required.

Future Capital Expenditures

We anticipate capital expenditures will be approximately $10 million in total in fiscal 2021, of which $6.4 million has been made through March 28, 2021, in support of requirements for new product programs and the upgrade and replacement of existing equipment.

Stock Repurchase Program

Our Board of Directors has authorized a stock repurchase program to buy back outstanding shares of our common stock. Shares authorized for buy back under the program totaled 3,839,395 at March 28, 2021. A total of 3,655,322 shares have been repurchased over the life of the program through March 28, 2021, at a cost of approximately $136.4 million. No shares were repurchased during the nine month periods ended March 28, 2021 or March 29, 2020. Additional repurchases may occur from time to time and are expected to continue to be funded by cash flow from operations and current cash balances. Based on the current economic environment and our preference to conserve cash for other uses, we anticipate modest or no stock repurchase activity for the remainder of fiscal year 2021.

Credit Facilities

STRATTEC has a $40 million secured revolving credit facility (the "STRATTEC Credit Facility") with BMO Harris Bank N.A. ADAC-STRATTEC LLC has a $25 million secured revolving credit facility (the "ADAC-STRATTEC Credit Facility") with BMO Harris Bank N.A., which is guaranteed by STRATTEC. The credit facilities both expire August 1, 2022. Borrowings under either credit facility are secured by our U.S. cash balances, accounts receivable, inventory, and fixed assets located in the U.S. Interest on borrowings under the STRATTEC Credit Facility is at varying rates based, at our option, on the London Interbank Offering Rate ("LIBOR") plus 1.0 percent or the bank's prime rate. Interest on borrowings under the ADAC-STRATTEC Credit Facility is at varying rates based, at our option, on LIBOR plus 1.25 percent or the bank's prime rate. 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 28, 2021, we were in compliance with all financial covenants required by these credit facilities. Outstanding borrowings under the STRATTEC Credit Facility totaled $4.0 million at March 28, 2021 and $18 million at June 28, 2020. The average outstanding borrowings and weighted average interest rate on the STRATTEC Credit Facility loans were approximately $11.4 million and 1.2 percent, respectively, during the nine months ended March 28, 2021. Outstanding borrowings under the ADAC-STRATTEC Credit Facility totaled $12.0 million at March 28, 2021 and $17.0 million at June 28, 2020. The average outstanding borrowings and weighted average interest rate on the ADAC-STRATTEC Credit Facility loans were approximately $15.0 million and 1.4 percent, respectively, during the nine months ended March 28, 2021.

Inflation and Other Changes in Prices

Inflation Related Items: Over the past several years, we have been impacted by rising health care costs, which have increased our cost of associate medical coverage. A portion of these increases have been offset by plan design changes and associate wellness initiatives. We have also been impacted by fluctuations in the market price of metals (zinc, steel, brass, nickel silver and aluminum) and inflation in Mexico, which impacts the U. S. dollar costs of our Mexican operations. We have negotiated raw material price adjustment clauses with certain, but not all, of our customers to offset some of the market price fluctuations in the cost of zinc. We have from time to time entered into contracts with Bank of Montreal that provide for bi-weekly and monthly Mexican peso currency forward contracts for a portion of our estimated peso denominated operating costs to minimize our earnings volatility resulting from changes in exchange rates affecting the U.S. dollar cost of our Mexican operations. Refer to discussion under Notes to Condensed Consolidated Financial Statements: Derivative Instruments included elsewhere herein.

Joint Ventures and Majority Owned Subsidiaries

Refer to the discussion of Investment in Joint Ventures and Majority Owned Subsidiaries and discussion of Equity (Loss) Earnings of Joint Ventures included elsewhere in Notes to Condensed Consolidated Financial Statements within this Form 10-Q.

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 was no change 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

There have been no material changes to the risk factors disclosed in our Form 10-K as filed with the Securities and Exchange Commission on September 3, 2020.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds—

Our Board of Directors authorized a stock repurchase program on October 16, 1996, and the program was publicly announced on October 17, 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, directly or through brokers or agents, and has no expiration date. Over the life of the repurchase program through March 28, 2021, 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 28, 2021.

Item 3 Defaults Upon Senior Securities—None

Item 4 Mine Safety Disclosures—None

Item 5 Other Information—None

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	Amended By-laws of the Company (Incorporated by reference from Exhibit 99.3 to the Form 8-K filed on October 7, 2005.)
10.1	STRATTEC SECURITY CORPORATION EMPLOYEE STOCK PURCHASE PLAN (Amended effective as of February 22, 2021)
31.1	Rule 13a-14(a) Certification for Frank J. Krejci, President and Chief Executive Officer
31.2	Rule 13a-14(a) Certification for Patrick J. Hansen, 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 28, 2021 formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) Condensed Consolidated Statements of Income and Comprehensive Income (Loss); (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 28, 2021, formatted in Inline XBRL (included in Exhibit 101).

(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 6, 2021

By: /s/ Patrick J. Hansen
Patrick J. Hansen
Senior Vice President,
Chief Financial Officer,
Treasurer and Secretary
(Principal Accounting and Financial Officer)

Exhibit 10.1

STRATTEC SECURITY CORPORATION
EMPLOYEE STOCK PURCHASE PLAN
(Amended effective as of February 22, 2021)

1. Purpose. The purpose of the Plan is to give each eligible employee of STRATTEC SECURITY CORPORATION (the "Company") and its participating subsidiaries the opportunity to acquire an ownership interest in the Company by providing such eligible employees with a convenient mechanism to purchase the Company's Common Stock, $.01 par value per share (the "Common Stock"). The Company believes that stock ownership among employees more closely aligns the interests of the Company's employees and shareholders.

2. Eligibility. All United States employees of the Company or any of its participating subsidiaries who, on a regular basis, work at least 30 hours per week are eligible to participate in the Plan. Notwithstanding the foregoing, no director or officer of the Company who is subject to the provisions of section 16 of the Securities Exchange Act of 1934, as amended, may participate in the Plan. To enroll, an eligible employee must submit an Enrollment Form to the Company's Benefits Department. Participation in the Plan will commence as soon as practicable after the Enrollment Form is delivered to the Benefits Department. Enrollment in the Plan is strictly voluntary on the part of the participants.

3. Authorized Stock. The maximum number of shares of the Common Stock which may be issued pursuant to the Plan is 100,000 shares.

4. Contributions. Under the Plan, a participant may contribute any even dollar amount to the Plan, subject to a minimum contribution of $10 per pay period and a maximum contribution of $5,200 per calendar year. Contributions by participating employees shall be made through payroll deduction on an after-tax basis. Accordingly, a participant's net pay will be reduced by the amount the participant elects to contribute to the Plan. A participant may increase (subject to the maximum permitted contribution) or decrease (subject to the minimum permitted contribution) the amount of his or her contribution under the Plan by delivering an Employee Participation Change Form to the Company's Benefits Department. The change in contribution amount will be effective as soon as practicable after the Change Form is delivered to the Benefits Department. No interest is paid or any amounts contributed by a participant.

5. Administration of the Plan. Equiniti Trust Company (the "Agent") administers the Plan, keeps records, produces and makes account statements available online to participants and performs other duties relating to the Plan as are directed by the Company from time to time. The Agent assures safe keeping because it acts as custodian of shares held in the Plan. Certificates for such shares are not issued to participants. Regular statements of account provide simplified recordkeeping. The Agent may establish procedures for communications with participants relating to the Plan which may be electronic, by telephone or in writing, and may establish such other procedures for the administration of the Plan as may be appropriate. If the Agent is terminated or ceases to act as Agent under the Plan, its successor will be designated by the Company and participants will be promptly notified of the change.

6. Purchase of Stock. All amounts contributed will be used by the Agent to purchase Common Stock directly from the Company on the last day of each month (each, a "Purchase Date"). The purchase price for each share of Common Stock will be the average of the highest and lowest reported sales prices of a share of the Common Stock on the Nasdaq Stock Market (or such other securities exchange or over-the-counter market on which the Common Stock is then traded) on the applicable Purchase Date. If the Purchase Date is not a trading day, the purchase price will be the closing price of the Common Stock on the most recent previous trading day. The number of shares any participant may purchase and hold in his or her account is unrestricted, subject to the limitations defined under section 4 above and provided that the maximum number of shares of Common Stock purchased by all participants shall not exceed the number of shares authorized for issuance under the Plan.

7. Participant Accounts. The Agent will maintain an account in the name of each participant. Each month the participant's account will be credited with the number of full and fractional shares allocable to the participant on the basis of the participant's contribution. Fractional shares will be computed to three decimal places.

8. Reports to Participants. Participant account statements related to holdings of Common Stock under this Plan can be viewed, downloaded and printed online at any time. Statements show the number of shares of Common Stock purchased for his or her account and the total number of shares in the participant’s account.

9. Expenses. The Company will bear the entire cost of administration of the Plan. Except as otherwise provided herein, participants are responsible for brokerage fees if they choose to have the Agent sell their shares under the Plan.

10. Issuance of Stock. Shares of Common Stock purchased under the Plan will initially be registered in the name of the Agent for the benefit of the participants and will remain in the Agent's custody. Participants may receive the shares of Common Stock purchased under the Plan, or the cash value thereof, in accordance with procedures adopted and implemented by the Company and the Agent from time to time consistent with the terms of the Plan and applicable law.

11. Dividends. Any dividends received in cash on Common Stock held by the Agent will be credited to the account of each participant on the basis of the number of shares in the participant's account on the record date of the dividend. All such cash dividends will be used to buy additional Common Stock on the next Purchase Date. Any such dividend will represent taxable income to each participant, and the Company will, therefore, be required to report to the federal government and to each participant the value of such dividends credited to the participant each calendar year.

Any dividends received in stock on Common Stock held by the Agent will be credited to the account of each participant on the basis of the number of shares in the participant's account on the record date of the stock dividend. All participants will also be notified of the amount and taxability, if any, of all such dividends.

12. Shareholder Rights. Participants will receive copies of all notices to shareholders, proxy statements and other notices and reports distributed from time to time by the Company to its shareholders. Shares held by the Agent for the account of participants will be voted in accordance with each participant's written proxy instructions.

13. Sale of Stock from the Plan. A participant may direct the Agent to sell all or any portion of the full shares held in his or her account. In order to sell shares, a participant must submit a share sale request pursuant to such procedures as may be established by the Agent. The Agent will sell the shares as soon as reasonably practicable following the Agent's receipt of a participant's share sale request. A participant who directs the Agent to sell shares will be charged for the brokerage fees incurred by the Agent in connection with the sale. SELLING PARTICIPANTS SHOULD BE AWARE THAT COMMON STOCK PRICES MAY FALL DURING THE PERIOD BETWEEN RECEIPT OF A SHARE SALE REQUEST BY THE AGENT AND THE SALE TRANSACTIONS. THIS RISK SHOULD BE EVALUATED BY THE PARTICIPANT AND IS A RISK THAT IS BORNE SOLELY BY THE PARTICIPANT.

14. Withdrawal from the Plan. If a participant ceases to be an employee of the Company or one of its participating subsidiaries (a "Terminated Participant"), his or her participation in the Plan will automatically terminate. At such time, the Terminated Participant may receive the shares of Common Stock purchased under the Plan, or the cash value thereof, in accordance with procedures adopted and implemented by the Company and the Agent from time to time consistent with the terms of the Plan and applicable law.

15. No Right to Continued Employment. Participation in the Plan shall in no way be construed as a guaranty of continued employment with the Company or any of its subsidiaries. All employees of the Company and its subsidiaries, unless they have a written employment agreement specifying different terms, are at-will employees and may be terminated by the Company or any such subsidiary at any time with or without cause.

16. Plan Term and Amendments. The Plan will continue until terminated by action of the Board of Directors of the Company or when all Common Stock to be offered under the Plan has been issued. The Board presently intends to continue the Plan so long as a substantial number of employees remain interested and participate. The Board of Directors of the Company may from time to time amend the Plan.

Exhibit 31.1

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

I, Frank J. Krejci, 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 6, 2021

/s/ Frank J. Krejci
Frank J. Krejci,
Chief Executive Officer

Exhibit 31.2

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

I, Patrick J. Hansen, 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 6, 2021

/s/ Patrick J. Hansen
Patrick J. Hansen,
Chief Financial Officer

Exhibit 32

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 28, 2021 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 6, 2021

/s/ Frank J. Krejci
Frank J. Krejci,
Chief Executive Officer

Dated: May 6, 2021

/s/ Patrick J. Hansen
Patrick J. Hansen,
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.