



STRATTEC Shareholder Letter

Fiscal 2021

Dear STRATTEC Shareholder,

It is appropriate to first thank our Associates for their commitment and their willingness to continually adapt to a rapidly changing business environment. This year will be remembered for what we accomplished during challenging times and how we have laid the foundation for a promising future. We end this year with a sense of pride, a sense of accomplishment and a sense of hope.

We are very proud of our progress this year especially with COVID related issues and supply chain constraints impacting both us and our customers. We had:

Diluted EPS of \$5.85, a record for our 26 year history as an independent public company

Diluted EPS of \$5.11 for our first 9 months before shortages slowed industry production

Debt was reduced by \$23 million to a positive net cash/debt balance

Added efficiencies and greater utilization of new plants in Mexico and China grew profitability

We generated \$35.2 million of Free Operating Cash Flow, which equals the net cash provided by operating activities as shown on our consolidated statement of cash flows for fiscal 2021

Book value per share grew to \$47.20

A stock price which more than doubled in the fiscal year

Our pace of earnings slowed in the last quarter because of supply chain shortages of semiconductors, which forced the temporary shutdowns of our customers' assembly plants, thus reducing our fiscal 2021 sales. It is particularly disappointing given the growing acceptance of our award winning power tailgates for the Chevrolet Silverado and the Ford F150 pick-up trucks.

After more than two decades of forming the VAST partnership, the ongoing collaboration with our VAST partners, WITTE Automotive and ADAC Automotive, continue to create benefits and opportunities for us.

Our operations in China are bouncing back from the pandemic. Our new manufacturing facility in Jingzhou, China will provide us with both capacity for new business and improved efficiencies. Our operations in India are still seeing softer business, but they have done a very nice job of adjusting their cost structure through the pandemic.

Through cost cutting, strong earnings and suspension of our dividend, we have paid down significant amounts of debt. We now have more cash than we have debt. While we believe we are financially capable of reinstating the dividend, we have chosen to remain conservative with cash at the present time. Our strong balance sheet will be strategically valuable as we deal with ever changing market challenges and find ways to invest in our future through internal R&D, plus potential new partnerships and acquisitions.

As we move into the year ahead, it will begin with supply chain challenges and material cost inflation. It may be short term. It may be long term. In either case we are prepared to address these challenges. Whatever happens, the drastically reduced vehicle inventories at dealers should bode well for a future of filling the pipeline. In addition, as the industry moves toward Electric Vehicles, we welcome the new opportunities that are becoming available to STRATTEC.

We are grateful for the continued support of our shareholders during these uncertain times and are very pleased to be able to deliver record results.

Thank you.

Frank Krejci

President & CEO

STRATTEC SECURITY CORPORATION