



STRATTEC SECURITY CORPORATION (STRT)

COVID Resurgence And Ongoing Supply Chain Constraints Temper Our Profit Expectations; Maintain \$65 Price Target

	F2020	F2021	F2022E		F2023E	
			OLD	NEW	OLD	NEW
Sep.	\$0.79	\$2.11	\$0.03A		\$1.74	\$1.71
Dec.	0.10	1.85	0.76	0.66	1.51	1.52
Mar.	0.79	1.15	1.38	1.25	1.69	1.65
June	(2.59)	0.77	1.79	1.76	1.57	1.62
EPS (FY)	(\$2.04)	\$5.85	\$3.95	\$3.70	\$6.52	\$6.49
EPS (Cal.)	\$2.16	\$2.71	\$6.42	\$6.24		
P/E (FY)				10.1x		5.7x
P/E (Cal.)				6.0x		

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. F2021 excludes \$1.12 in one-time charges. F2020-F2023E include \$0.27 in annual stock-based compensation. Sum of quarterly data may not equal full-year total due to rounding and/or changes in share count. NC = Not covered by Sidoti & Company, LLC.

Year	F2014	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Rev.(Mil.)	\$348.4	\$411.5	\$401.4	\$417.3	\$439.2	\$487.0	\$385.3	\$485.3	\$468.7	\$523.6
GAAP EPS	\$4.68	\$5.73	\$2.51	\$1.96	\$3.32	(\$4.53)	(\$2.04)	\$5.85	\$3.70	\$6.49

Description: STRATTEC Security Corporation (www.strattec.com) designs, develops and manufactures automotive locks and keys, steering column and ignition locks, latches, sliding doors, door handles and power liftgates sold auto OEMs and their suppliers. The company was founded in 1908 and headquarters are in Milwaukee, WI.

- While indications are that production is resuming in the automotive sector, we have tempered the slope of STRATTEC's recovery due to ongoing supply-chain issues and a resurgence of a COVID-19 variant.
- We reset our revenue and earnings estimates and now look for EPS of \$3.70 (from \$3.95) and \$6.49 (from \$6.52) in F2022 and F2023, respectively.
- In our view, the current climate may temper enthusiasm to reinstate the dividend until there is better clarity as to the operating environment. Still, we project the company will reinstate the dividend (was \$0.56 per share annually) by early F2023.
- The ongoing weak environment has also resulted in net debt being added to the balance sheet in 1Q:F22 but we look for debt repayment to resume, resulting in net cash of \$33.2 million (\$8.26 per share) by the end of F2023.
- We maintain our \$65 price target, which is based on 10x our revised F2023 EPS estimate of \$6.49 (was \$6.52). Our Moderately Risky rating reflects STRATTEC's cyclicality and small float, offset by its well-established operating history, solid balance sheet and good cash flow.

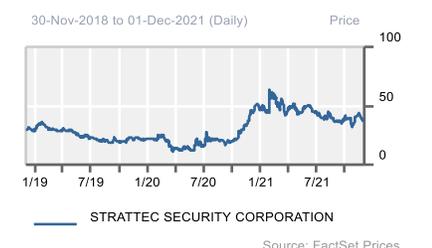
STRATTEC's revenue profile is largely predicated on the gyrations of the ground vehicle market. The company makes door locks, keys and handles (52% of F2020 revenue). Keys have evolved from single-sided ignition keys to remote entry to remote start products. This evolution was spurred, in part, to circumvent car theft and provide convenience to the vehicle owner. STRATTEC has led the technological change from keys to imbedded chips, to electric boards in key fob transponders and maintained a 40% North American market share in keys and locks. Moreover, other advancements in technology led to power access systems for sliding doors and lift gates (about 17% of revenue). The company also makes latches (12%) and drive controls (7%). Replacement sales (about 11% of revenue) generate the highest margins.

We adjust our estimates to reflect an anticipated uneven automotive recovery in the near term but project a more normalized operating environment emerging in F2023. Following this catch-up phase, we allow for a continued, albeit less disruptive production environment by 4Q:F22. Management has indicated that shipping trends are improved in

NR
Price Target: \$65
Price: \$37.30
Risk Rating: M

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Key Statistics	
Analysts Covering	1
Market Cap (Mil)	\$150
Enterprise Value	\$187
52-Week Range (NASDAQ)	67-32
5-Year EPS CAGR	15%
Avg. Daily Trading Volume	15,000
Shares Out (Mil)	3.954
Float Shares (Mil)	3.708
Insider Ownership	5%
Institutional Holdings	95%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (F2023E)	\$4.62
FCF Yield (F2023E)	12.4%
Net Cash Per Share (F2023E)	\$8.26
Price to Book Value	0.8x
Return on Equity (F2023E)	10.6%
Total Debt to Capital	10%
Interest Coverage Ratio	8.9x
Short Interest %	0.5%
Short Interest Days To Cover	0.8
Russell 2000	2,206
Russell 2000 - Last 12 Months	17.0%
STRT - Last 12 Months	-16.0%



October. We think there is ample pent-up demand which will eventually allow for a robust recovery that may last 12-18 months until we reach equilibrium. As such, we have reset our revenue expectations to \$468.7 million (from \$478.5 million) and to \$523 million (from \$525.0 million) in F2022 and F2023, respectively. As a result, we reset our earnings estimates and now look for EPS of EPS of \$3.70 (from \$3.95) and \$6.49 (from \$6.52) in F2022 and F2023, respectively.

Deleveraging stalled in the most recent quarter. STRATTEC had put a premium on debt repayment in recent years. Facility expansion put net debt at a high of \$42.9 million (\$11.58 per share) at the close of F2018; since then, excess cash has been used to reduce debt. At the end of 3Q:F20, STRT held just \$16.8 million (\$4.47 per share) in net debt. However, because of the pandemic, STRT borrowed from credit facilities to fund operations and suspended its dividend in May 2020. In F2021, the company repaid \$23 million in debt, putting net cash at \$2.5 million (or \$0.63 per share) at the end of 4Q:21. However, as we opened F2022, the company added net \$5 million in debt. A vast majority of this debt is associated with its JVs. As such, repayment may be stalled until global conditions improve. All told, we model STRATTEC builds cash resulting in projected net cash position of \$32.3 million (\$8.26 per share) by the end of F2023. At that rate, we expect the company to be able to reinstate the dividend by early F2023. Any further prolonging of normalized global auto production may push this process, while better conditions could result in a one-time special dividend (which similarly occurred in 2008).

Valuation	We maintain our \$65 price target on STRT shares. STRT has a limited trading history with forward estimates. The stock traded at about 10.7x forward EPS in the last ten years, when such estimates were available. We project a sharp profit recovery as pent-up demand is addressed and the company benefits from better utilization and product mix. Our main concerns are uneven production schedules and the slope of the recovery beyond customer restocking. We maintain a valuation multiple of 10x on the shares (modestly below its 10-year historical average). Our \$65 price target remains unchanged and is based on 10x our revised F2023 EPS estimate of \$6.49 (was \$6.52). Our Moderately Risky rating reflects STRATTEC's cyclical nature and small float, offset by its well-established operating history, solid balance sheet and good cash flow.		
Key Risks	Cyclicality of automotive market	Pricing of new awards	Post-recession consumer sentiment

STRATTEC SECURITY CORPORATION

Table 1. STRATTEC Security Corp. Income Statement (\$ in thousands, except per share data)

	F2020A	Sept.A	Dec.A	Mar.A	JuneA	F2021A	Sept.A	Dec.	Mar.	June	F2022E	Sept.	Dec.	Mar.	June	F2023E
Keys & Locksets	\$101,666	\$34,091	\$30,136	\$28,616	\$23,729	\$116,572	\$22,159	\$23,506	\$30,047	\$32,700	\$108,412	\$32,131	\$29,383	\$31,549	\$30,527	\$123,590
Door Handles & Trim	98,168	32,736	34,813	29,790	28,879	126,218	24,552	28,547	30,982	33,302	117,383	33,145	32,829	32,221	34,448	132,642
Power Access	63,829	20,620	25,210	26,209	23,206	95,245	22,342	25,462	26,471	23,827	98,102	27,927	28,008	27,795	28,107	111,837
Latches	45,295	13,835	14,343	13,125	9,908	51,211	11,068	12,909	13,256	11,418	48,650	13,282	13,038	14,317	13,852	54,489
Aftermarket & OE Service	40,742	13,137	9,971	10,969	13,061	47,138	9,853	10,569	11,517	14,727	46,667	11,823	11,626	12,324	13,460	49,233
Drive Controls	29,649	9,787	10,535	10,822	8,887	40,031	8,319	8,955	11,147	12,411	40,832	10,399	10,298	11,258	10,714	42,669
Other	5,951	2,028	2,352	2,113	2,387	8,880	2,048	2,328	2,007	2,318	8,702	2,069	2,352	1,907	2,810	9,138
Net sales	\$385,300	\$126,234	\$127,360	\$121,644	\$110,057	\$485,295	\$100,341	\$112,276	\$125,427	\$130,704	\$468,748	\$130,776	\$127,533	\$131,370	\$133,918	\$523,597
Cost of sales	346,897	103,723	105,119	102,990	94,805	406,637	87,792	96,557	105,672	109,586	399,608	109,459	107,128	110,351	112,360	439,298
Gross profit	\$38,403	22,511	22,241	18,654	15,252	\$78,658	12,549	15,719	19,755	21,118	\$69,140	21,316	20,405	21,019	21,558	\$84,299
Selling, dev. & admin.	42,241	11,314	10,302	11,927	11,200	44,743	12,121	11,789	11,916	10,112	45,937	11,770	11,988	11,823	12,590	48,171
Operating income	(3,838)	11,197	11,939	6,727	4,052	33,915	428	3,930	7,839	11,006	23,203	9,547	8,417	9,196	8,968	28,347
Depr. & amort.	19,250	4,885	4,912	4,933	5,056	19,786	5,057	4,875	4,875	4,693	19,500	4,875	4,875	4,875	4,875	19,500
EBITDA	15,412	16,082	16,851	11,660	9,108	53,701	\$0.70	8,805	12,714	15,699	42,703	14,422	13,292	14,071	13,843	55,628
Joint Venture earnings/other	206	565	(291)	399	722	1,395	(121)	561	627	807	1,875	981	956	985	1,004	3,927
Interest expense	(920)	(112)	(84)	(63)	(43)	(302)	(48)	(40)	(60)	(67)	(215)	(124)	(124)	(124)	(124)	(495)
Other income	1,253	-	-	-	75	-	-	-	-	-	-	-	-	-	-	-
Income (Loss) before taxes	(3,299)	11,650	11,564	7,063	4,806	35,008	259	4,451	8,406	11,747	24,863	10,404	9,250	10,057	9,849	39,560
Provision (Benefit) for taxes	(1,642)	1,577	1,991	1,153	390	5,111	37	801	1,513	2,124	4,475	1,873	1,665	1,810	1,773	7,121
Net inc. (cont. ops)	(1,657)	10,073	9,573	5,910	4,416	29,897	222	3,650	6,893	9,623	20,388	8,531	7,585	8,247	8,076	32,439
Minority interest	1,748	2,065	2,460	1,425	1,415	7,365	121	1,068	2,018	2,760	5,967	1,873	1,665	1,810	1,773	7,121
Net inc., shareholders	(3,405)	8,008	7,113	4,485	3,001	22,532	101	2,582	4,876	6,862	14,421	6,658	5,920	6,437	6,303	25,319
Nonrecurring items	(4,200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Diluted shares (thou)	3,737	3,788	3,842	3,886	3,890	3,852	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900
Nonrecurring items per share	(1.12)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP EPS (Loss)	(\$2.04)	\$2.11	\$1.85	\$1.15	\$0.77	\$5.85	\$0.03	\$0.66	\$1.25	\$1.76	\$3.70	\$1.71	\$1.52	\$1.65	\$1.62	\$6.49
Adjusted EPS (Loss)	(\$0.91)	\$2.11	\$1.85	\$1.15	\$0.77	\$5.85	\$0.03	\$0.66	\$1.25	\$1.76	\$3.70	\$1.71	\$1.52	\$1.65	\$1.62	\$6.49
Yr.-to-vr. rate of change																
Total revenue	-20.9%	5.2%	19.8%	4.0%	161.3%	26.0%	-20.5%	-11.8%	3.1%	18.8%	-3.4%	30.3%	13.6%	4.7%	2.5%	11.7%
Gross profit	-36.3%	30.5%	89.9%	9.7%	NM	104.8%	-44.3%	-29.3%	5.9%	38.5%	-12.1%	69.9%	29.8%	6.4%	2.1%	21.9%
Operating income	-125.9%	NM	NM	7.1%	NM	-983.7%	-96.2%	-67.1%	16.5%	171.6%	-31.6%	NM	114.2%	17.3%	-18.5%	55.7%
EBITDA	-51.8%	62.6%	216.1%	4.0%	NM	248.4%	-100.0%	-47.7%	9.0%	72.4%	-20.5%	NM	51.0%	10.7%	-11.8%	30.3%
Net income	-111.1%	NM	NM	20.3%	NM	-1904.3%	-97.8%	-61.9%	16.6%	117.9%	-31.8%	NM	107.8%	19.6%	-16.1%	59.1%
EPS	-132.1%	NM	NM	45.3%	NM	-742.0%	-98.8%	-64.2%	8.3%	128.1%	-36.8%	NM	129.3%	32.0%	-8.1%	75.6%
Margin analysis																
Gross profit	10.0%	17.8%	17.5%	15.3%	13.9%	16.2%	12.5%	14.0%	15.8%	16.2%	14.8%	16.3%	16.0%	16.0%	16.1%	16.1%
SG&A	11.0%	9.0%	8.1%	9.8%	10.2%	9.2%	12.1%	10.5%	9.5%	7.7%	9.8%	9.0%	9.4%	9.0%	9.4%	9.2%
Operating margin	-1.0%	8.9%	9.4%	5.5%	3.7%	7.0%	0.4%	3.5%	6.3%	8.4%	4.9%	7.3%	6.6%	7.0%	6.7%	5.4%
EBITDA margin	4.0%	12.7%	13.2%	9.6%	8.3%	11.1%	0.0%	7.8%	10.1%	12.0%	9.1%	11.0%	10.4%	10.7%	10.3%	10.6%
Pretax margin	-0.9%	9.2%	9.1%	5.8%	4.4%	7.2%	0.3%	4.0%	6.7%	9.0%	5.3%	8.0%	7.3%	7.7%	7.4%	7.6%
Effective tax rate	49.8%	13.5%	17.2%	16.3%	8.1%	14.6%	14.3%	18.0%	18.0%	18.1%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Net margin	-0.9%	6.3%	5.6%	3.7%	2.7%	4.6%	0.1%	2.3%	3.9%	5.3%	3.1%	5.1%	4.6%	4.9%	4.7%	4.8%

Sources: Company data; Sidoti & Company, LLC estimates.

STRATTEC SECURITY CORPORATION

Table 2. STRATTEC Security Corp. Cash Flow Statement (\$ in thousands, except per shar data)

	<u>Sept.A</u>	<u>Dec.A</u>	<u>Mar.A</u>	<u>JuneA</u>	<u>F2020A</u>	<u>Sept.A</u>	<u>Dec.A</u>	<u>Mar.A</u>	<u>F2021A</u>	<u>Sept.A</u>	<u>F2022E</u>	<u>F2023E</u>
Operating sources												
Net income	\$2,680	(\$1,095)	\$4,913	(\$12,355)	(\$5,857)	\$10,073	\$9,573	\$5,910	\$29,897	\$222	\$20,388	\$32,439
Depreciation & amortization	4,733	4,847	4,769	4,980	19,329	4,885	4,912	4,933	19,786	5,057	19,500	19,500
Other	<u>1,718</u>	<u>1,819</u>	<u>(381)</u>	<u>(1,849)</u>	<u>1,307</u>	<u>(553)</u>	<u>2,493</u>	<u>(174)</u>	<u>3,028</u>	<u>606</u>	<u>(2,000)</u>	<u>(2,000)</u>
Total	9,131	5,571	9,301	(9,224)	14,779	14,405	16,978	10,669	52,711	5,885	37,888	49,939
Operating uses												
Accounts receivable	4,952	13,435	(7,373)	30,976	41,990	(37,796)	(5,844)	4,464	(27,744)	(15,659)	(3,077)	(11,389)
Inventory	(4,238)	(1,011)	(5,837)	3,948	(7,138)	2,727	(4,660)	(1,997)	(16,460)	127	(7,733)	(8,454)
Other current assets	3,240	(1,843)	401	(1,827)	(29)	(288)	4,025	(4,856)	(2,435)	-	(533)	(1,217)
Non-debt current liabilities	<u>1,923</u>	<u>(10,552)</u>	<u>12,834</u>	<u>(28,383)</u>	<u>(24,178)</u>	<u>28,252</u>	<u>(743)</u>	<u>60</u>	<u>29,078</u>	<u>-</u>	<u>(2,319)</u>	<u>2,137</u>
Total	5,877	29	25	4,714	10,645	(7,105)	(7,222)	(2,329)	(17,561)	(15,532)	(13,663)	(18,923)
Operating cash flow												
	15,008	5,600	9,326	(4,510)	25,424	7,300	9,756	8,340	35,150	(9,647)	24,225	31,016
YTD cash operating activity	15,008	20,608	29,934	25,424		7,300	17,056	25,396		(9,647)		
Investing activities												
Capital expenditures	(4,298)	(3,086)	(2,923)	(2,074)	(12,381)	(1,514)	(3,079)	(1,808)	(8,929)	(2,789)	(11,000)	(13,000)
Asset sales	15	-	14	3	32	3	-	5	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100)</u>	<u>-</u>	<u>(92)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	(4,283)	(3,086)	(2,909)	(2,071)	(12,349)	(1,511)	(3,179)	(1,803)	(9,021)	(2,789)	(11,000)	(13,000)
YTD Investing	(4,283)	(7,369)	(10,278)	(12,349)	(12,349)	(1,511)	(4,690)	(6,493)	(9,021)	(2,789)	(11,000)	(13,000)
Financing activities												
Proceeds from S-T debt, net	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from L-T debt, net	(6,000)	(4,000)	(5,000)	8,000	(7,000)	(5,000)	(8,000)	(6,000)	(23,000)	5,000	(2,500)	(2,500)
Proceeds from common financing, net	239	280	24	17	560	19	21	545	604	619	-	-
Other	(980)	-	-	-	(980)	(490)	-	-	(490)	-	-	-
Dividends paid	<u>(522)</u>	<u>(525)</u>	<u>(525)</u>	<u>-</u>	<u>(1,572)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(600)</u>	<u>-</u>	<u>(1,480)</u>
	(7,263)	(4,245)	(5,501)	8,017	(8,992)	(5,471)	(7,979)	(5,455)	(22,886)	5,019	(2,500)	(3,980)
YTD Financing	(7,263)	(11,508)	(17,009)	(8,992)	(8,992)	(5,471)	(13,450)	(18,905)	(22,886)	5,019	(2,500)	(3,980)
Exchange rate	(30)	(225)	(28)	165	(118)	(109)	(149)	(179)	(552)	(24)	-	-
Beginning cash & equivalents	\$7,809	11,241	9,285	10,173	7,809	\$11,774	11,983	10,432	11,774	\$14,465	14,465	25,190
Cash flow	3,432	(1,956)	888	1,601	3,965	209	(1,551)	903	2,691	(7,441)	10,725	14,036
Ending cash & equivalents	11,241	9,285	10,173	11,774	\$11,774	11,983	10,432	11,335	\$14,465	7,024	\$25,190	\$39,226
GAAP free cash flow												
	\$10,710	\$2,514	\$6,403	(\$6,584)	\$13,043	\$5,786	\$6,677	\$6,532	\$26,221	(\$12,436)	\$13,225	\$18,016
Free cash flow margin	8.9%	2.4%	5.5%	-1.5%	3.4%	4.6%	5.2%	5.4%	5.4%	-3.2%	2.8%	3.4%
GAAP free cash flow/share	\$2.87	\$0.67	\$1.70	(\$1.78)	\$3.49	\$1.53	\$1.74	\$1.68	\$6.81	(\$3.32)	\$3.39	\$4.62

Sources: Company data; Sidoti & Company, LLC estimates.

STRATTEC SECURITY CORPORATION

Table 3. STRATTEC Security Corp. Balance Sheet (\$ in thousands, except per share data)

	<u>Sept.A</u>	<u>Dec.A</u>	<u>Mar.A</u>	<u>F2020A</u>	<u>Sept.A</u>	<u>Dec.A</u>	<u>Mar.A</u>	<u>F2021A</u>	<u>Sept.A</u>	<u>F2022E</u>	<u>F2023E</u>
Assets											
Current Assets:											
Cash and equivalents	\$11,241	\$9,285	\$10,173	\$11,774	\$11,983	\$10,432	\$11,335	\$14,465	\$7,024	\$25,190	\$39,226
Receivables	78,932	65,893	72,805	41,955	79,764	85,796	81,304	69,902	66,614	72,979	84,368
Inventory	51,500	52,511	58,348	54,400	51,673	56,333	58,330	70,860	77,707	78,593	87,047
Other current assets	<u>14,024</u>	<u>15,789</u>	<u>15,216</u>	<u>17,239</u>	<u>17,527</u>	<u>13,348</u>	<u>18,051</u>	<u>19,677</u>	<u>24,295</u>	<u>20,210</u>	<u>21,427</u>
Total current assets	155,697	143,478	156,542	125,368	160,947	165,909	169,020	174,904	175,640	196,972	232,068
Equipment, net	115,978	115,040	107,416	105,148	102,610	101,819	97,263	96,401	94,213	85,534	78,097
Investment in Joint Ventures	23,216	24,058	23,190	22,068	23,723	25,759	26,051	27,224	26,617	16,841	16,740
Other	<u>18,908</u>	<u>11,003</u>	<u>10,363</u>	<u>12,961</u>	<u>12,949</u>	<u>13,482</u>	<u>13,390</u>	<u>12,034</u>	<u>11,874</u>	<u>7,859</u>	<u>6,160</u>
Total Assets	\$313,799	\$293,579	\$297,511	\$265,545	\$300,229	\$306,969	\$305,724	\$310,563	\$308,344	\$307,207	\$333,065
Liabilities & Shareholders Equity											
Current Liabilities											
Current port. L-T Debt	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	43,996	31,693	43,104	18,549	40,809	39,148	36,250	36,727	34,533	34,806	41,515
Payroll and benefits	20,366	15,624	13,549	13,498	16,314	19,169	21,474	22,483		11,228	13,392
Accrued expenses	<u>17,821</u>	<u>18,116</u>	<u>19,419</u>	<u>16,093</u>	<u>19,180</u>	<u>18,338</u>	<u>17,774</u>	<u>18,362</u>	<u>35,901</u>	<u>17,964</u>	<u>13,392</u>
Total current liabilities	82,183	65,433	76,072	48,140	76,303	76,655	75,498	77,572	70,434	63,997	68,298
Long-term debt	36,000	32,000	27,000	35,000	30,000	22,000	16,000	12,000	17,000	9,500	7,000
Accrued pension liability	1,693	1,723	1,754	1,956	1,961	1,980	1,944	2,933	2,923	2,246	2,678
Other	5,652	5,574	5,430	5,008	4,945	4,861	4,788	4,625	4,548	4,491	5,357
Minority int.	24,632	25,380	24,912	23,319	25,115	28,888	29,904	31,787	31,158	32,000	32,000
Shareholders' Equity	<u>188,271</u>	<u>188,849</u>	<u>187,255</u>	<u>175,441</u>	<u>187,020</u>	<u>201,473</u>	<u>207,494</u>	<u>213,433</u>	<u>182,281</u>	<u>226,974</u>	<u>249,732</u>
Total Liab. & Sh. Eq.	\$313,799	\$293,579	\$297,511	\$265,545	\$300,229	\$306,969	\$305,724	\$310,563	\$308,344	\$307,207	\$333,065
Current ratio	1.9	2.2	2.1	2.6	2.1	2.2	2.2	2.3	2.5	3.1	3.4
Total debt to capital	16.1%	14.5%	12.6%	16.6%	13.8%	9.8%	7.2%	5.3%	8.5%	4.0%	2.7%
Book value / share	\$50.50	\$50.48	\$49.70	\$46.80	\$49.37	\$52.44	\$53.40	\$54.87	\$46.74	\$58.20	\$64.03
Tangible BV / share	\$38.82	\$40.76	\$40.33	\$37.12	\$39.32	\$41.41	\$42.25	\$43.60	\$39.91	\$47.98	\$54.25
Return on average equity	8.0%	6.5%	7.5%	-0.9%	-0.8%	6.9%	7.2%	15.4%	2.5%	9.3%	10.0%
Return on average. assets	4.8%	4.0%	4.6%	-0.6%	1.2%	4.4%	4.7%	10.4%	-3.1%	6.6%	7.4%
Asset turnover	1.6x	1.6x	1.6x	1.3x	1.4x	1.4x	1.4x	1.7x	1.1x	1.8x	1.6x
Receivable turnover (days)	59	60	58	60	60	62	63	42	80	47	55
Inventory days	46	51	53	53	127	137	143	56	20	68	69
Net cash	(\$24,759)	(\$22,715)	(\$16,827)	(\$23,226)	(\$18,017)	(\$11,568)	(\$4,665)	\$2,465	(\$9,976)	\$15,690	\$32,226
Net cash/debt share	(\$6.64)	(\$6.07)	(\$4.47)	(\$6.20)	(\$4.76)	(\$3.01)	(\$1.20)	\$0.63	(\$2.56)	\$4.02	\$8.26

Sources: Company data; Sidoti & Company, LLC estimates.

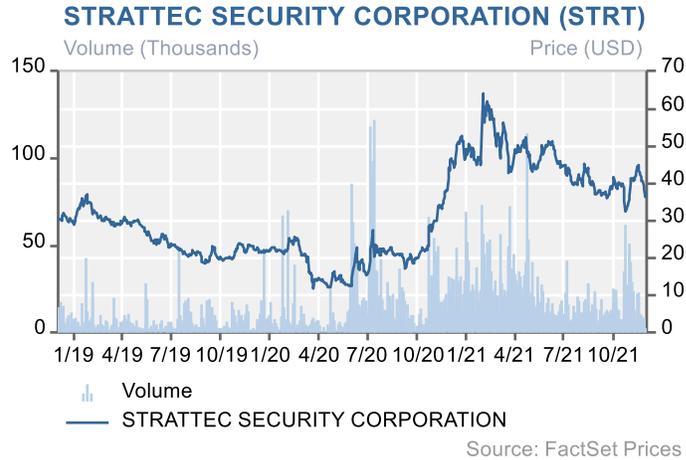
Appendix
Required Disclosures

Required Disclosures

STRATTEC SECURITY CORPORATION (STRT-\$37.30) NR Price Target: \$65 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	1/30/20	22.1	NR	38	M
PT	3/12/20	20.4		35	
PT	4/1/20	14.5		32	
Rating	5/22/20	22.1	Suspended	32	
Initiation	6/25/20	16	NR	42	M
PT	11/24/20	37.9		53	
PT	1/26/21	47.1		53	
PT	1/29/21	45		67	
PT	3/30/21	44.6		67	
PT	4/19/21	51.4		67	
PT	4/23/21	52.6		71	
PT	5/20/21	47.6		71	
PT	8/3/21	41.3		71	
PT	8/6/21	39.1		68	
PT	9/8/21	38.1		65	
PT	10/19/21	39.9		65	
PT	10/22/21	38.8		65	



Valuation	We maintain our \$65 price target on STRT shares. STRT has a limited trading history with forward estimates. The stock traded at about 10.7x forward EPS in the last ten years, when such estimates were available. We project a sharp profit recovery as pent-up demand is addressed and the company benefits from better utilization and product mix. Our main concerns are uneven production schedules and the slope of the recovery beyond customer restocking. We maintain a valuation multiple of 10x on the shares (modestly below its 10-year historical average). Our \$65 price target remains unchanged and is based on 10x our revised F2023 EPS estimate of \$6.49 (was \$6.52). Our Moderately Risky rating reflects STRATTEC's cyclical nature and small float, offset by its well-established operating history, solid balance sheet and good cash flow.		
Key Risks	Cyclical nature of automotive market	Pricing of new awards	Post-recession consumer sentiment

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