Dear STRATTEC Shareholders,

FINANCIAL MARKET PERFORMANCE

During fiscal 2019, we were very disappointed to see our shareholders suffer a negative return of 22%, after including the benefit of dividends, as a result of our year end stock price dropping from $30.59 to $23.22.

A portion of the drop in our stock price may be explained by our Earnings Per Share decreasing from $3.32 in FY18 to an adjusted $2.84 EPS in FY19 after the non-cash impact of pension termination accounting. However, at the same time other valuation ratios have changed. Our multiple of EDITDA dropped from 3.9 to 2.9, our valuation as a percentage of book value dropped from 70% to 53% and our Price / Earnings ratio dropped from 9.2 to 8.2. All of this happened while our cash flow from operations increased from $6.9 million during fiscal 2018 to $29.9 million for fiscal 2019, we paid down debt by $9 million and we reduced capital expenditures to their lowest level in 5 years. Five out of our six largest institutional investors increased their positions in STRATTEC stock. The one institution which decreased its position, decreased the number of shares it holds by less than 1%.

OPERATIONS

While EBITDA increased with sales during fiscal 2019, an additional $2.5 million of depreciation expense depressed our fiscal 2019 earnings. Better utilization of our new capital equipment is an important focus for us this next year and beyond. Formal improvement programs with this focus were launched during the middle of fiscal 2019 and are beginning to show some impact. In addition, since the end of the fiscal year, we have made personnel reductions and are doing a review of product line and market strategies to increase our profitability and margins.

In looking at our fiscal 2019 results, two items stand out and account for a significant amount of our decline in profitability from fiscal 2018. First, a 15% drop in the Chinese auto market significantly impacted volumes and profits in our VAST subsidiary. Secondly, the Mexican government doubled the minimum wage, which had a ripple effect on our wage rates. The offsetting tax benefits promised by the Mexican government in connection with doubling the minimum wage rate have not yet come to fruition.

The Leon, Mexico plant, which was opened in late 2017, is making progress in the efficient production of painted door handles. We expect to see continued improvement as operational performance is enacted and additional volume is realized, especially with components for the General Motors truck and SUV programs we produce there.

With the current talk of tariffs and trade wars, it is certainly a concern which may negatively impact overall market volumes. How it may specifically impact our primary customers is difficult to predict. Whatever happens in the overall market, any negative impacts on STRATTEC will be tempered somewhat by our increase in content per vehicle from business that we have won over the last few years.

INNOVATION

Winning a PACE Award for innovation in the automotive industry two years in a row is a very significant accomplishment that few others have achieved. The few that have back to back wins in recent history have been much larger companies with many more product divisions than STRATTEC.

In 2018, we won the award for an innovative power lift gate on the Honda Odyssey minivan. It had no visible power struts. The advantages were many: a cleaner look, no obstructions for loading and less chance of failure due to exposure to rain, ice and snow.

This year's award was presented to us for launching the first-to-market power tailgate for the Chevrolet Silverado pick-up truck. This product allows the consumer to both lower and raise their tailgate automatically. It is a new market segment with very significant growth potential. Its importance is clearly obvious by the fact that it has been featured on Silverado TV commercials.

We continue to see many future opportunities in offering more power assisted products. Convenience continues to be an increasing expectation by customers. It also appears that power doors, which automatically open and close will find new uses in the longer term development of autonomous vehicles. This business will play an important role in the future success of STRATTEC and VAST.

VAST

In this unique partnership and global joint venture with WITTE Automotive of Germany and ADAC Automotive of Michigan, we continue to find ways to better collaborate with each other both globally and in our own respective home markets. Global profits were negatively impacted this past year when the auto markets in China and India experienced declines of 15% or more instead of their normal rapid rate of growth.

RISK REDUCTION

Last year, our pension assets and obligations were in balance at about $100 million. Unlike many companies, STRATTEC did not have large unfunded pension liabilities on its balance sheet. We recognized that potential fluctuations in our projected pension benefit obligations or our pension asset values could have a significant impact on our financial condition and results, particularly since the pension liability was larger than the current market cap of the entire company. Therefore, we completed a multi-year effort to shift all of the pension plan risk to an insurance company by buying annuities and making lump sum payments to participants who chose that option. This was accomplished without having to make additional contributions to the pension fund.

Unfortunately, the benefits of this pension risk elimination are overshadowed by the non-cash pension termination accounting charges against our earnings. Similarly, we expect to incur additional non-cash accounting settlement charges against our earnings related to completion of the termination of the pension plan during the first two quarter of fiscal 2020 by a total of approximately $4.2 million.

SUMMARY

In February 2020, STRATTEC will celebrate its 25th anniversary of becoming a stand-alone public company after spinning off from Briggs & Stratton. At that time, we had one product line of locks and keys in one geographical region, North America. Since then, we have made significant progress in expanding our product lines and global geographic footprint with much more opportunity ahead of us as evidenced by winning the PACE Award for our technologically advanced product in the strong pick-up truck market.

Our near term objectives focus on: 1) controlling costs; 2) achieving greater utilization of invested assets through planned growth with our customers; 3) continuing to increase operating cash flow and profitability; and 4) accelerating our pace of paying down debt.

Thank you to our Customers, our Directors, our VAST partners and our Associates for your efforts and to our long term Shareholders, we sincerely appreciate your interest and support.

Sincerely,

Frank Krejci

President & CEO