

STRATTEC SECURITY CORP

Form 10-Q

May 09, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 1, 2012

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)

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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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company

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: 3,303,196 shares outstanding as of April 1, 2012

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STRATTEC SECURITY CORPORATION

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April 1, 2012

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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 discussions of such matters and subject areas are 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, foreign currency fluctuations, fluctuations in costs of operations (including fluctuations in the cost of raw materials) and other matters described under Risk Factors in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Form 10-Q and in the section titled Risk Factors in the Company's Form 10-K report filed with the Securities and Exchange Commission for the year ended July 3, 2011.

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.

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Item 1 Financial Statements

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income

(In Thousands, Except Per Share Amounts; Unaudited)

	Three Months Ended		Nine Months Ended	
	April 1, 2012	March 27, 2011	April 1, 2012	March 27, 2011
Net sales	\$ 70,608	\$ 65,650	\$ 202,871	\$ 186,711
Cost of goods sold	57,556	56,531	167,075	157,466
Gross profit	13,052	9,119	35,796	29,245
Engineering, selling and administrative expenses	8,720	7,953	24,907	24,436
Income from operations	4,332	1,166	10,889	4,809
Interest income	15	36	47	84
Equity (loss) earnings of joint ventures	(140)	197	(452)	1,000
Interest expense related parties	(19)	(38)	(73)	(134)
Other income (expense), net	662	(357)	297	(101)
Income before provision for income taxes	4,850	1,004	10,708	5,658
Provision for income taxes	1,136	262	2,717	1,394
Net income	3,714	742	7,991	4,264
Net income attributed to non-controlling interest	(986)	(687)	(2,433)	(1,544)
Net income attributable to STRATTEC SECURITY CORPORATION	\$ 2,728	\$ 55	\$ 5,558	\$ 2,720
Comprehensive Income:				
Net income	\$ 3,714	\$ 742	\$ 7,991	\$ 4,264
Change in cumulative translation adjustments, net	1,371	595	(1,274)	1,125
Comprehensive income	5,085	1,337	6,717	5,389
Comprehensive income attributed to non-controlling interest	(1,025)	(700)	(2,391)	(1,566)
Comprehensive income attributable to STRATTEC SECURITY CORPORATION	\$ 4,060	\$ 637	\$ 4,326	\$ 3,823
Earnings Per Share:				
Basic	\$ 0.83	\$ 0.02	\$ 1.68	\$ 0.83
Diluted	\$ 0.82	\$ 0.02	\$ 1.67	\$ 0.82
Average Shares Outstanding:				
Basic	3,303	3,286	3,299	3,284
Diluted	3,333	3,339	3,329	3,322
Cash dividends declared per share	\$ 0.10	\$	\$ 0.30	\$ 1.20

The accompanying notes are an integral part of these condensed consolidated statements of operations and comprehensive income.

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STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In Thousands, Except Share Amounts)

	April 1, 2012 (Unaudited)	July 3, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,664	\$ 17,250
Receivables, net	41,591	39,649
Inventories-		
Finished products	7,435	5,899
Work in process	5,737	5,557
Purchased materials	11,191	11,879
Excess and obsolete reserve	(1,304)	(1,200)
Inventories, net	23,059	22,135
Other current assets	17,366	15,368
Total current assets	97,680	94,402
Deferred income taxes	3,667	3,639
Investment in joint ventures	8,890	7,276
Loan to joint venture		1,500
Other long-term assets	560	635
Property, plant and equipment	148,831	141,364
Less: accumulated depreciation	(104,406)	(100,728)
Net property, plant and equipment	44,425	40,636
	\$155,222	\$ 148,088
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 24,373	\$ 22,851
Loans from related parties	1,000	1,850
Accrued Liabilities:		
Payroll and benefits	14,921	15,546
Environmental reserve	1,442	1,478
Warranty	4,323	3,856
Other	7,189	5,407
Total current liabilities	53,248	50,988
Accrued pension obligations	2,659	3,447
Accrued postretirement obligations	2,755	3,589
Other long-term liabilities	85	
Shareholders Equity:		
Common stock, authorized 12,000,000 shares, \$.01 par value, issued 6,932,457 shares at April 1, 2012 and 6,920,557 shares at July 3, 2011	69	69
Capital in excess of par value	80,438	79,767
Retained earnings	168,690	164,138
Accumulated other comprehensive loss	(22,982)	(21,750)

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Less: treasury stock, at cost (3,629,261 shares at April 1, 2012 and 3,631,079 shares at July 3, 2011)	(135,980)	(136,009)
Total STRATTEC SECURITY CORPORATION shareholders' equity	90,235	86,215
Non-controlling interest	6,240	3,849
Total shareholders' equity	96,475	90,064
	\$ 155,222	\$ 148,088

The accompanying notes are an integral part of these condensed consolidated balance sheets.

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STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In Thousands)

(Unaudited)

	Nine Months Ended	
	April 1, 2012	March 27, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,991	\$ 4,264
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,083	4,904
Foreign currency transaction (gain) loss	(907)	558
Stock based compensation expense	622	453
Equity loss (earnings) of joint ventures	452	(1,000)
Unrealized loss on foreign currency option contracts	542	114
Change in operating assets and liabilities:		
Receivables	(2,263)	(6,276)