

STRATTEC SECURITY CORP
Form 10-Q
April 30, 2008

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 30, 2008

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
(State of Incorporation)

39-1804239
(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
X 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 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 X Non-accelerated filer ___ 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 X

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: 3,463,305 shares outstanding as of March 30, 2008.

STRATTEC SECURITY CORPORATION
FORM 10-Q
December 30, 2007

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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," "will" and "could." 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, customer demand for the Company's and its customers' products, competitive and technological developments, customer purchasing actions, foreign currency fluctuations, costs of operations and other matters described under the caption "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 1, 2007.

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
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 30, 2008	April 1, 2007	March 30, 2008	April 1, 2007
Net sales	\$ 38,428	\$ 45,647	\$ 121,075	\$ 121,610
Cost of goods sold	32,161	37,293	99,508	102,934
Gross profit	6,267	8,354	21,567	18,676
Engineering, selling and administrative expenses	6,109	4,974	17,740	14,882
Income from operations	158	3,380	3,827	3,794
Interest income	617	879	2,344	2,706
Other income (expense), net	(58)	341	408	490
Minority interest	(48)	25	70	25
Income before provision for income taxes	669	4,625	6,649	7,015
Provision for income taxes	223	1,711	2,461	2,266
Net income	\$ 446	\$ 2,914	\$ 4,188	\$ 4,749
Earnings per share:				
Basic	\$ 0.13	\$ 0.82	\$ 1.20	\$ 1.33
Diluted	\$ 0.13	\$ 0.82	\$ 1.19	\$ 1.33
Average Shares Outstanding:				
Basic	3,476	3,537	3,500	3,558
Diluted	3,482	3,541	3,506	3,561
Cash dividends per share	\$ 0.15	-	\$ 1.45	-

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

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Amounts)

	March 30, 2008 (Unaudited)	July 1, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 59,130	\$ 65,491
Receivables, net	20,892	26,890
Inventories-		
Finished products	3,653	2,660
Work in process	5,330	4,522
Purchased materials	5,390	4,813
LIFO adjustment	(4,329)	(4,829)
Total inventories	10,044	7,166
Other current assets	14,690	13,017
Total current assets	104,756	112,564
Deferred income taxes	1,890	2,117
Investment in joint ventures	3,456	2,813
Prepaid pension obligations	7,730	4,385
Other long-term assets	31	41
Property, plant and equipment	120,650	112,920
Less: accumulated depreciation	(90,801)	(86,394)
Net property, plant and equipment	29,849	26,526
	\$ 147,712	\$ 148,446
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 16,121	\$ 16,575
Accrued Liabilities:		
Payroll and benefits	6,745	6,280
Environmental reserve	2,648	2,655
Other	7,096	5,971
Total current liabilities	32,610	31,481
Accrued pension obligations	3,097	2,855
Accrued postretirement obligations	10,583	10,576
Minority interest	813	574
Shareholders' Equity:		
Common stock, authorized 12,000,000 shares, \$.01 par value, issued 6,887,757 shares at March 30, 2008 and July 1, 2007	69	69
Capital in excess of par value	78,762	78,122
Retained earnings	164,975	165,928
Accumulated other comprehensive loss	(14,054)	(14,341)
Less: treasury stock, at cost (3,424,452 shares at March 30, 2008 and 3,368,619 shares at July 1, 2007)	(129,143)	(126,818)
Total shareholders' equity	100,609	102,960
	\$ 147,712	\$ 148,446

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)

	Nine Months Ended	
	March	April 1,
	30,	2007
	2008	2007
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,188	\$ 4,749
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest	(111)	(25)
Depreciation and amortization	5,161	5,216
Tax benefit from stock based compensation	11	13
Stock based compensation expense	616	566
Change in operating assets and liabilities:		
Receivables	6,013	(346)
Inventories	(2,878)	677
Other assets	(4,736)	(6,174)
Accounts payable and accrued liabilities	3	(449)
Other, net	(368)	(47)
Net cash provided by operating activities	7,899	4,180
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in joint ventures	-	(100)
Purchase of property, plant and equipment	(8,487)	(3,645)
Proceeds received on sale of property, plant and equipment	-	21
Net cash used in investing activities	(8,487)	(3,724)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	(2,334)	(3,922)
Dividends paid	(4,609)	-
Exercise of stock options and employee stock purchases	21	99
Loan from minority interest	800	-
Contribution from minority interest	349	274
Net cash used in financing activities	(5,773)	(3,549)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,361)	(3,093)
CASH AND CASH EQUIVALENTS		
Beginning of period	65,491	65,712
End of period	\$ 59,130	\$ 62,619
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	\$ 2,814	\$ 2,848
Interest		