

STRATTEC SECURITY CORP

Form 10-Q

February 07, 2013

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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 December 30, 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 (I.R.S. Employer  
Incorporation) 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: 3,318,640 shares outstanding as of December 30, 2012

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STRATTEC SECURITY CORPORATION

FORM 10-Q

December 30, 2012

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<b>PROSPECTIVE INFORMATION</b>	

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 in the section titled "Risk Factors" in the Company's Form 10-K report filed on September 6, 2012 with the Securities and Exchange Commission for the year ended July 1, 2012.

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		Six Months Ended	
	December 30, 2012	January 1, 2012	December 30, 2012	January 1, 2012
Net sales	\$ 72,243	\$ 65,886	\$ 143,050	\$ 132,263
Cost of goods sold	59,936	54,646	117,030	109,519
<b>Gross profit</b>	<b>12,307</b>	<b>11,240</b>	<b>26,020</b>	<b>22,744</b>
Engineering, selling and administrative expenses	8,481	7,979	17,601	16,187
<b>Income from operations</b>	<b>3,826</b>	<b>3,261</b>	<b>8,419</b>	<b>6,557</b>
Interest income	10	15	13	32
Equity loss of joint ventures	(99)	(192)	(111)	(312)
Interest expense	(10)	(23)	(15)	(54)
Other income (expense), net	187	503	169	(365)
<b>Income before provision for income taxes</b>	<b>3,914</b>	<b>3,564</b>	<b>8,475</b>	<b>5,858</b>
Provision for income taxes	1,074	1,260	2,320	1,581
<b>Net income</b>	<b>2,840</b>	<b>2,304</b>	<b>6,155</b>	<b>4,277</b>
Net income attributed to non-controlling interest	446	756	1,091	1,447
<b>Net income attributable to STRATTEC SECURITY CORPORATION</b>	<b>\$ 2,394</b>	<b>\$ 1,548</b>	<b>\$ 5,064</b>	<b>\$ 2,830</b>
<b>Comprehensive Income:</b>				
Net income	\$ 2,840	\$ 2,304	\$ 6,155	\$ 4,277
Change in cumulative translation adjustments, net	(46)	304	686	(2,645)
<b>Comprehensive income</b>	<b>2,794</b>	<b>2,608</b>	<b>6,841</b>	<b>1,632</b>
Comprehensive income attributed to non-controlling interest	437	755	1,107	1,366
<b>Comprehensive income attributable to STRATTEC SECURITY CORPORATION</b>	<b>\$ 2,357</b>	<b>\$ 1,853</b>	<b>\$ 5,734</b>	<b>\$ 266</b>
<b>Earnings Per Share:</b>				
Basic	\$ 0.71	\$ 0.47	\$ 1.50	\$ 0.86
Diluted	\$ 0.70	\$ 0.47	\$ 1.48	\$ 0.85
<b>Average Shares Outstanding:</b>				
Basic	3,317	3,301	3,313	3,298
Diluted	3,353	3,329	3,346	3,328
<b>Cash dividends declared per share</b>	<b>\$ 0.30</b>	<b>\$ 0.10</b>	<b>\$ 0.40</b>	<b>\$ 0.20</b>

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)

	December 30, 2012 (Unaudited)	July 1, 2012
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 18,569	\$ 17,487
Receivables, net	40,709	44,496
Inventories		
Finished products	8,774	5,313
Work in process	6,203	5,659
Purchased materials	12,987	11,564
Excess and obsolete reserve	(1,428)	(1,300)
Inventories, net	26,536	21,236
Other current assets	16,195	18,072
Total current assets	102,009	101,291
Deferred income taxes	9,735	9,742
Investment in joint ventures	8,400	8,139
Other long-term assets	486	536
Property, plant and equipment	157,164	152,014
Less: accumulated depreciation	(108,879)	(105,684)
Net property, plant and equipment	48,285	46,330
	\$168,915	\$ 166,038
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 22,483	\$ 24,149
Borrowings under credit facility	2,250	
Accrued Liabilities:		
Payroll and benefits	16,056	19,233
Environmental reserve	1,421	1,436
Warranty	4,992	4,958
Other	8,254	7,197
Total current liabilities	55,456	56,973
Accrued pension obligations	18,006	18,202
Accrued postretirement obligations	3,149	3,465
Shareholders' Equity:		
Common stock, authorized 12,000,000 shares, \$.01 par value, issued 6,946,357 shares at December 30, 2012 and 6,932,457 shares at July 1, 2012	69	69
Capital in excess of par value	81,151	80,621
Retained earnings	175,304	171,590
Accumulated other comprehensive loss	(35,087)	(35,757)
Less: treasury stock, at cost (3,627,717 shares at December 30, 2012 and 3,628,673 shares at July 1, 2012)	(135,955)	(135,971)

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Total STRATTEC SECURITY CORPORATION shareholders' equity	85,482	80,552
Non-controlling interest	6,822	6,846
Total shareholders' equity	92,304	87,398
	\$ 168,915	\$ 166,038

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)

	Six Months Ended	
	December 30,	January 1,
	2012	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 6,155	\$ 4,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,531	3,331
Foreign currency transaction loss (gain)	313	(1,605)
Stock based compensation expense	470	371
Equity loss of joint ventures	111	312
Unrealized (gain) loss on foreign currency option contracts	(349)	1,716
Change in operating assets and liabilities:		
Receivables	3,689	4,172
Inventories	(5,300)	(1,170)
Other assets	1,953	