

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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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 |
| Gross profit | 12,307 | 11,240 | 26,020 | 22,744 |
| Engineering, selling and administrative expenses | 8,481 | 7,979 | 17,601 | 16,187 |
| Income from operations | 3,826 | 3,261 | 8,419 | 6,557 |
| 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) |
| Income before provision for income taxes | 3,914 | 3,564 | 8,475 | 5,858 |
| Provision for income taxes | 1,074 | 1,260 | 2,320 | 1,581 |
| Net income | 2,840 | 2,304 | 6,155 | 4,277 |
| Net income attributed to non-controlling interest | 446 | 756 | 1,091 | 1,447 |
| Net income attributable to STRATTEC SECURITY CORPORATION | \$ 2,394 | \$ 1,548 | \$ 5,064 | \$ 2,830 |
| Comprehensive Income: | | | | |
| Net income | \$ 2,840 | \$ 2,304 | \$ 6,155 | \$ 4,277 |
| Change in cumulative translation adjustments, net | (46) | 304 | 686 | (2,645) |
| Comprehensive income | 2,794 | 2,608 | 6,841 | 1,632 |
| Comprehensive income attributed to non-controlling interest | 437 | 755 | 1,107 | 1,366 |
| Comprehensive income attributable to STRATTEC SECURITY CORPORATION | \$ 2,357 | \$ 1,853 | \$ 5,734 | \$ 266 |
| Earnings Per Share: | | | | |
| Basic | \$ 0.71 | \$ 0.47 | \$ 1.50 | \$ 0.86 |
| Diluted | \$ 0.70 | \$ 0.47 | \$ 1.48 | \$ 0.85 |
| Average Shares Outstanding: | | | | |
| Basic | 3,317 | 3,301 | 3,313 | 3,298 |
| Diluted | 3,353 | 3,329 | 3,346 | 3,328 |
| Cash dividends declared per share | \$ 0.30 | \$ 0.10 | \$ 0.40 | \$ 0.20 |

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)

| | December 30, 2012 (Unaudited) | July 1, 2012 |
|--|-------------------------------------|-----------------|
| ASSETS | | |
| 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 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| 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 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| 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 | |