

STRATTEC SECURITY CORP

Form 10-Q

November 08, 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 September 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
(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 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: 3,314,458 shares outstanding as of September 30, 2012

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STRATTEC SECURITY CORPORATION

FORM 10-Q

September 30, 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 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, 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 (Loss)

(In Thousands, Except Per Share Amounts)

(Unaudited)

	Three Months Ended	
	September 30, 2012	October 2, 2011
Net sales	\$ 70,807	\$ 66,377
Cost of goods sold	57,094	54,873
Gross profit	13,713	11,504
Engineering, selling and administrative expenses	9,120	8,208
Income from operations	4,593	3,296
Interest income	3	17
Equity loss of joint ventures	(12)	(120)
Interest expense	(5)	(31)
Other expense, net	(18)	(868)
Income before provision for income taxes	4,561	2,294
Provision for income taxes	1,246	321
Net income	3,315	1,973
Net income attributed to non-controlling interest	645	691
Net income attributable to STRATTEC SECURITY CORPORATION	\$ 2,670	\$ 1,282
Comprehensive Income (Loss):		
Net income	\$ 3,315	\$ 1,973
Change in cumulative translation adjustments, net	732	(2,949)
Comprehensive income (loss)	4,047	(976)
Comprehensive income attributed to non-controlling interest	670	611
Comprehensive income (loss) attributable to STRATTEC SECURITY CORPORATION	\$ 3,377	\$ (1,587)
Earnings per share:		
Basic	\$ 0.79	\$ 0.39
Diluted	\$ 0.78	\$ 0.39
Average shares outstanding:		
Basic	3,309	3,294
Diluted	3,340	3,326
Cash dividends declared per share	\$ 0.10	\$ 0.10

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

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STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In Thousands, Except Share Amounts)

	September 30, 2012 (Unaudited)	July 1, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 16,274	\$ 17,487
Receivables, net	45,051	44,496
Inventories		
Finished products	7,545	5,313
Work in process	6,242	5,659
Purchased materials	12,995	11,564
Excess and obsolete reserve	(1,300)	(1,300)
Inventories, net	25,482	21,236
Other current assets	17,053	18,072
Total current assets	103,860	101,291
Deferred income taxes	9,742	9,742
Investment in joint ventures	8,352	8,139
Other long-term assets	511	536
Property, plant and equipment	154,955	152,014
Less: accumulated depreciation	(107,341)	(105,684)
Net property, plant and equipment	47,614	46,330
	\$ 170,079	\$ 166,038
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 26,253	\$ 24,149
Borrowings under credit facility	1,500	
Accrued Liabilities:		
Payroll and benefits	15,373	19,233
Environmental reserve	1,431	1,436
Warranty	5,284	4,958
Other	7,920	7,197
Total current liabilities	57,761	56,973
Accrued pension obligations	18,979	18,202
Accrued postretirement obligations	3,264	3,465
Shareholders' Equity:		
Common stock, authorized 12,000,000 shares, \$.01 par value, issued 6,942,557 shares at September 30, 2012 and 6,932,457 shares at July 1, 2012	69	69
Capital in excess of par value	80,708	80,621
Retained earnings	173,924	171,590
Accumulated other comprehensive loss	(35,050)	(35,757)
Less: treasury stock, at cost (3,628,099 shares at September 30, 2012 and 3,628,673 shares at July 1, 2012)	(135,961)	(135,971)

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Total STRATTEC SECURITY CORPORATION shareholders' equity	83,690	80,552
Non-controlling interest	6,385	6,846
Total shareholders' equity	90,075	87,398
	\$ 170,079	\$ 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)

	Three Months Ended	
	September 30, 2012	October 2, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,315	\$ 1,973
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,758	1,652
Foreign currency transaction loss (gain)	455	(1,699)
Stock based compensation expense	76	174
Equity loss of joint ventures	12	120
Unrealized (gain) loss on foreign currency option contracts	(311)	2,305
Change in operating assets and liabilities:		
Receivables	(413)	(2,207)
Inventories	(4,246)	(2,177)
Other assets	1,116	(696)
Accounts payable and accrued liabilities	(29)	331
Other, net	(30)	16
Net cash provided by (used in) operating activities	1,703	(208)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in joint ventures	(200)	
Purchase of property, plant and equipment	(2,711)	(3,492)
Proceeds received on sale of property, plant and equipment	30	
Net cash used in investing activities	(2,881)	(3,492)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under credit facility	1,500	
Dividends paid to non-controlling interests of subsidiaries	(1,131)	
Dividends paid	(336)	(335)
Exercise of stock options and employee stock purchases	19	16
Repayment of loan from related parties		(400)
Net cash provided by (used in) financing activities	52	(719)
Foreign currency impact on cash	(87)	357
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,213)	(4,062)
CASH AND CASH EQUIVALENTS		
Beginning of period	17,487	17,250
End of period	\$ 16,274	\$ 13,188
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	\$ 168	\$ 527
Interest paid	12	42

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

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STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

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