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, 2001

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 | 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 X 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: 4,066,185 shares outstanding as of April 1, 2001.



STRATTEC SECURITY CORPORATION

FORM 10-Q

April 1, 2001

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Part II - OTHER INFORMATION







Item 1 Financial Statements

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

| Three Months Ended | | Nine Months Ended | |
|---|---|---|---|
| April 1, | March 26, | April 1, | March 26, |

| | 2001 | 2000 | 2001 | 2000 |
|---|---|---|---|---|
| | (unaudited) | | (unaudited) | |
| Net sales | $48,179 | $54,539 | $150,588 | $160,932 |
| Cost of goods sold | 38,696 | 42,551 | 119,781 | 125,507 |
| Gross profit | 9,483 | 11,988 | 30,807 | 35,425 |
| Engineering, selling and administrative expenses | 5,182 | 4,847 | 14,872 | 14,630 |
| Income from operations | 4,301 | 7,141 | 15,935 | 20,795 |
| Interest income | 138 | 146 | 521 | 825 |
| Interest expense | - | - | - | - |
| Other expense, net | (227) | (91) | (403) | (240) |
| Income before provision for income taxes | 4,212 | 7,196 | 16,053 | 21,380 |
| Provision for income taxes | 1,601 | 2,806 | 6,132 | 8,338 |
| Net income | $2,611 | $4,390 | $9,921 | $13,042 |
| Earnings per share: | | | | |
| Basic | $0.61 | $0.94 | $2.26 | $2.57 |
| Diluted | $0.60 | $0.91 | $2.21 | $2.50 |

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





# STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS
## (In Thousands)

| | April 1, 2001 | July 2, 2000 |
|---|---|---|
| ASSETS | (unaudited) | |
| Current Assets: | | |
| Cash and cash equivalents | $7,978 | $13,915 |
| Receivables, net | 27,225 | 28,731 |
| Inventories- | | |
| Finished products | 4,634 | 3,630 |
| Work in process | 9,313 | 12,374 |
| Raw materials | 681 | 1,054 |
| LIFO adjustment | (2,445) | (2,716) |
| Total inventories | 12,183 | 14,342 |
| Customer tooling in progress | 2,054 | 4,248 |
| Other current assets | 6,093 | 5,365 |
| Total current assets | 55,533 | 66,601 |
| Property, plant and equipment | 95,148 | 89,912 |
| Less: accumulated depreciation | (52,309) | (47,531) |
| Net property, plant and equipment | 42,839 | 42,381 |
| | $98,372 | $108,982 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | $14,117 | $19,694 |
| Environmental | 2,755 | 2,770 |
| Other accrued liabilities | 8,601 | 11,637 |
| Total current liabilities | 25,473 | 34,101 |
| Deferred income taxes | 299 | 299 |

| | | |
|---|---|---|
| Accrued pension and postretirement obligations | 15,145 | 14,132 |
| Shareholders' equity: | | |
| Common stock, authorized 12,000,000 shares $.01 par value, issued 6,175,942 shares at April 1, 2001, and 6,120,788 shares at July 2, 2000 | 62 | 61 |
| Capital in excess of par value | 49,081 | 47,924 |
| Retained earnings | 77,885 | 67,964 |
| Cumulative translation adjustments | (2,036) | (2,239) |
| Less: treasury stock, at cost (2,109,757 shares at April 1, 2001 and 1,668,179 shares at July 2, 2000) | (67,537) | (53,260) |
| Total shareholders' equity | 57,455 | 60,450 |
| | $98,372 | $108,982 |

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





# STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

| | Nine Months Ended | |
|---|---|---|
| | April 1, 2001 | March 26, 2000 |
| | (unaudited) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $9,921 | $13,042 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 5,906 | 5,648 |
| Change in operating assets and liabilities: | | |
| Decrease in receivables | 1,556 | 4,064 |
| (Increase) decrease in inventories | 2,158 | (1,102) |
| (Increase) decrease in other assets | 1,531 | (1,108) |
| Increase (decrease) in accounts payable and accrued liabilities | (7,727) | 645 |
| Tax benefit from options exercised | 293 | 390 |
| Other, net | 387 | 342 |
| Net cash provided by operating activities | 14,025 | 21,921 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to property, plant and equipment | (6,552) | (6,020) |
| Net cash used in investing activities | (6,552) | (6,020) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Purchase of treasury stock | (14,312) | (36,594) |
| Exercise of stock options | 902 | 1,311 |
| Net cash used in financing activities | (13,410) | (35,283) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (5,937) | (19,382) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of period | 13,915 | 28,611 |
| End of period | $7,978 | $9,229 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Income taxes paid | $5,633 | $8,217 |
| Interest paid | - | - |

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

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF FINANCIAL STATEMENTS

STRATTEC SECURITY CORPORATION (the "Company") designs, develops, manufactures and markets mechanical locks, electro-mechanical locks and related access security products for major automotive manufacturers. The accompanying financial statements reflect the consolidated results of the Company, its wholly owned Mexican subsidiary, and its foreign sales corporation.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments which are of a normal recurring nature, necessary to present fairly the financial position as of April 1, 2001, and the results of operations and cash flows for the period then ended. All significant intercompany transactions have been eliminated. Interim financial results are not necessarily indicative of operating results for an entire year.

Certain amounts previously reported have been reclassified to conform to the April 1, 2001 presentation.

EARNINGS PER SHARE (EPS)

A reconciliation of the components of the basic and diluted per-share computations follows (in thousands, except per share amounts):

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | April 1, 2001 | | | March 26, 2000 | | |
| | Net Income | Shares | Per-Share Amount | Net Income | Shares | Per-Share Amount |
| Basic Earnings Per Share | $9,921 | 4,397 | $2.26 | $13,042 | 5,068 | $2.57 |
| Stock Options | | 95 | | | 151 | |
| Diluted Earnings Per Share | $9,921 | 4,492 | $2.21 | $13,042 | 5,219 | $2.50 |

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | April 1, 2001 | | | March 26, 2000 | | |
| | Net Income | Shares | Per-Share Amount | Net Income | Shares | Per-Share Amount |
| Basic Earnings Per Share | $2,611 | 4,297 | $0.61 | $4,390 | 4,667 | $0.94 |
| Stock Options | | 85 | | | 141 | |
| Diluted Earnings Per Share | $2,611 | 4,382 | $0.60 | $4,390 | 4,808 | $0.91 |

Options to purchase 342,910 shares of common stock at prices ranging from $31.98 to $45.79 per share and 163,623 shares of common stock at prices ranging from $35.79 to $45.79 per share were outstanding as of April 1, 2001, and March 26, 2000, respectively, but were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares.

COMPREHENSIVE INCOME

The following table presents the Company's comprehensive income (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | April 1, 2001 | March 26, 2000 | April 1, 2001 | March 26, 2000 |
| Net Income | $2,611 | $4,390 | $9,921 | $13,042 |
| Change in Cumulative Translation Adjustments, net | 119 | 118 | 203 | 143 |

| | | | | |
|---|---|---|---|---|
| Total Comprehensive Income | $2,730 | $4,508 | $10,124 | $13,185 |
| | ====== | ====== | ======= | ======= |





Item 2

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following Management's Discussion and Analysis should be read in conjunction with the Company's accompanying Financial Statements and Notes thereto and the Company's 2000 Annual Report. Unless otherwise indicated, all references to years refer to fiscal years.

Analysis of Results of Operations

Three months ended April 1, 2001 compared to the three months ended March 26, 2000

Net sales for the three months ended April 1, 2001, were $48.2 million compared to net sales of $54.5 million for the three months ended March 26, 2000. Sales to the Company's largest customers overall decreased in the current quarter compared to the record prior year quarter levels, with General Motors Corporation at $13.9 million compared to $15.9 million, Delphi Automotive Systems at $6.1 million compared to $7.6 million, DaimlerChrysler Corporation at $8.2 million compared to $8.9 million, and Ford Motor Company at $10.8 million compared to $13.4 million. Sales to Mitsubishi Motor Manufacturing of America, Inc. increased during the current quarter to $2.7 million compared to $2.3 million in the prior year quarter due to the Company's increased market share of Mitsubishi lockset requirements.

Gross profit as a percentage of net sales was 19.7 percent in the current quarter compared to 22.0 percent in the prior year quarter. The lower gross margin is the result of several factors including a charge of $225,000 to cover severance and separation costs related to a realignment of the Company's human resources and the effects of customer plant shutdowns which resulted in a 20 percent reduction in the production of vehicles the Company supplies. Additional items impacting the gross margin include a reduction in inventory levels of approximately $6.5 million in comparison to the prior year quarter resulting in less favorable absorption of manufacturing costs and increased U.S. dollar costs at the Company's Mexico assembly facility. The inflation rate in Mexico for the 12 months ended April 1, 2001, was approximately 7% while the U.S. dollar/Mexican peso exchange rate increased slightly to approximately 9.63 in the current quarter from approximately 9.40 in the prior year quarter.

Engineering, selling and administrative expenses were $5.2 million in the current quarter compared to $4.8 million in the prior year quarter. The increase is primarily the result of a $225,000 human resources realignment charge included in the current quarter.

Income from operations was $4.3 million in the current quarter, compared to $7.1 million in the prior year quarter. The decrease is the result of the reduced sales and a reduction in the gross profit margin as previously discussed.

The effective income tax rate for the current quarter was 38.0 percent compared to 39.0 percent in the prior year quarter. The decrease is due to a decrease in the state effective tax rate. The overall effective rate differs from the federal statutory tax rate primarily due to the effects of state income taxes.





Nine months ended April 1, 2001 compared to the nine months ended March 26, 2000

Net sales for the nine months ended April 1, 2001, were $150.6 million compared to net sales of $160.9 million for the nine months ended March 26, 2000. Sales to the Company's largest customers overall decreased in the nine months ended April 1, 2001, compared to the record prior year period levels, with General Motors Corporation at $44.5 million compared to $50.0 million, Delphi Automotive Systems at $20.0 million compared to $22.6 million, DaimlerChrysler Corporation at $24.1 million compared to $25.1 million, and Ford Motor Company at $33.5 million compared to $38.6 million. Sales to Mitsubishi Motor Manufacturing of America, Inc. increased during the current period to $9.5 million compared to $6.4 million in the prior year period due to the Company's increased market share of Mitsubishi lockset requirements.

Gross profit as a percentage of net sales was 20.5 percent in the nine months ended April 1, 2001, compared to 22.0 percent in the prior year period. The lower gross margin is the result of several factors including a charge of $225,000 to cover severance and separation costs related to a realignment of the Company's human resources and reduced production volumes resulting from customer plant shutdowns and an overall decline in automotive production. Additional items impacting the gross margin include a reduction in inventory levels in comparison to the prior year period resulting in less favorable absorption of manufacturing costs, an increase in the cost of zinc, and increased U.S. dollar costs at the Company's Mexico assembly facility. The cost of zinc per pound, which the Company uses at a rate of approximately 1 million pounds per month, increased to an average of $.58 in the nine months ended April 1, 2001, compared to an average of $.55 in the prior year period. The inflation rate in Mexico for the 12 months ended April 1, 2001, was approximately 7% while the U.S. dollar/Mexican peso exchange rate increased slightly between periods to 9.50 in the current period from 9.42 in the prior year period.

Engineering, selling and administrative expenses were $14.9 million in the current period compared to $14.6 million in the prior year period. The increase is primarily the result of a $225,000 human resources realignment charge included in the quarter ended April 1, 2001.

Income from operations was $15.9 million in the nine months ended April 1, 2001, compared to $20.8 million in the prior year period. The decrease is the result of the reduced sales and a reduction in the gross profit margin as previously discussed.

The effective income tax rate for the current period was 38.2 percent compared to 39.0 percent in the prior year period. The decrease is due to a decrease in the state effective tax rate. The overall effective rate differs from the federal statutory tax rate primarily due to the effects of state income taxes.

Liquidity and Capital Resources

The Company generated cash from operating activities of $14.0 million in the nine months ended April 1, 2001. In the nine months ended March 26, 2000, the Company generated $21.9 million in cash from operating activities. The decreased generation of cash is primarily due to lower income levels and a reduction in accounts payable due to reduced inventory levels.

Accounts receivable of $27.2 million at April 1, 2001, is relatively consistent with the July 2, 2000 balance of $28.7 million. Inventories decreased by approximately $2.2 million at April 1, 2001, as compared to July 2, 2000. The inventory reduction is the result of decreased demand from the Company's customers as well as process and system improvements resulting in improved inventory management.

Capital expenditures during the nine months ended April 1, 2001, were $6.6 million compared to $6.0 million during the nine months ended March 26, 2000. The Company anticipates that capital expenditures will be approximately $9 million in 2001, primarily in support of requirements for new product programs and the upgrade and replacement of existing equipment.





The Board of Directors of the Company has authorized a stock repurchase program to buy back up to 2,389,395 outstanding shares of common stock. A total of 2,119,526 shares have been repurchased as of April 1, 2001, at a cost of approximately $67.7 million. Additional repurchases may occur from time to time. Funding for the repurchases was provided by cash flow from operations and to a lesser extent from borrowings under existing credit facilities.

The Company has a $25 million unsecured, revolving credit facility (the "Credit Facility") which expires October 2001. There were no outstanding borrowings under the Credit Facility at April 1, 2001. Interest on borrowings under the Credit Facility are at varying rates based, at the Company's option, on the London Interbank Offering Rate, the Federal Funds Rate, or the bank's prime rate. The credit facility contains various restrictive covenants including covenants that require the Company to maintain minimum levels for certain financial ratios such as tangible net worth, ratio of indebtedness to tangible net worth and fixed charge coverage. The Company believes that the Credit Facility will be adequate, along with cash flow from operations, to meet its anticipated capital expenditure, working capital and operating expenditure requirements.

Inflationary pressures have not significantly impacted the Company over the last several years, except for zinc and Mexican assembly operations as noted elsewhere in this Management's Discussion and Analysis.

Mexican Operations

The Company has assembly operations in Juarez, Mexico. Since December 28, 1998, the functional currency of the Mexican operation has been the Mexican peso. The effects of currency fluctuations result in adjustments to the U.S. dollar value of the Company's net assets and to the equity accounts in accordance with Statement of Financial Accounting Standard (SFAS) No. 52, "Foreign Currency Translation."

Other

On November 28, 2000, the Company signed certain alliance agreements with E. WiTTE Verwaltungsgesellschaft GMBH, and its operating unit, WiTTE-Velbert GmbH & Co. KG ("WiTTE"). WiTTE, of Velbert, Germany, is a privately held, QS 9000 and VDA 6.1 certified automotive supplier with sales of over DM300 million in their last fiscal year. WiTTE designs, manufactures and markets components including locks and keys, hood latches, rear compartment latches, seat back latches, door handles and specialty fasteners. WiTTE's primary market for these products has been Europe. The WiTTE-STRATTEC alliance provides a set of cross-licensing agreements for the manufacture, distribution and sale of WiTTE products by the Company in North America, and the manufacture, distribution and sale of the Company's products by WiTTE in Europe. Additionally, a joint venture company ("WiTTE-STRATTEC LLC") in which each company holds a 50 percent interest has been established to seek opportunities to manufacture and sell both companies' products in other areas of the world outside of North America and Europe. These activities did not have a material impact on the April 1, 2001, financial statements.

Forward Looking Statements

A number of the matters and subject areas discussed in this Form 10-Q that are not historical or current facts deal with potential future circumstances and developments. These 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 the Company's Management Discussion and Analysis of Results of Operations and Financial Condition. The discussions of such matters and subject areas are qualified by the inherent risk 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 customer's products, competitive and technological developments, foreign currency fluctuations and costs of operations.

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.

Item 3  Quantitative and Qualitative Disclosures About Market Risk

The Company does not utilize financial instruments for trading purposes and holds no derivative financial instruments which would expose the Company to significant market risk. The Company has not had outstanding borrowings since December 1997. The Company has been in an investment position since this time and expects to remain in an investment position for the foreseeable future. There is therefore no significant exposure to market risk for changes in interest rates. The Company is subject to foreign currency exchange rate exposure related to the Mexican assembly operations.





Part II

Other Information

Item 1 Legal Proceedings - None

Item 2 Changes in Securities and Use of Proceeds - None

Item 3 Defaults Upon Senior Securities - None

Item 4 Submission of Matters to a Vote of Security Holders - None

Item 5 Other Information - None

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits

3.1* Amended and Restated Articles of Incorporation of the Company
3.2* By-Laws of the Company
4.1* Rights Agreement dated as of February 6, 1995 between the Company and Firstar Trust Company, as Rights Agent

(b) Reports on Form 8-K - None

* Incorporated by reference to Amendment No. 2 to the Company's Form 10 filed on February 6, 1995.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STRATTEC SECURITY CORPORATION (Registrant)

Date: May 8, 2001

By /S/ Patrick J. Hansen

Patrick J. Hansen
Vice President,
Chief Financial Officer,
Treasurer and Secretary
(Principal Accounting and Financial Officer)