

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 October 1, 2000

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: 4,471,454 shares outstanding as of October 1, 2000.

STRATTEC SECURITY CORPORATION

FORM 10-Q

October 1, 2000

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Item 1 Financial Statements

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

	Three Months Ended	
	October 1, 2000	September 26, 1999
	(unaudited)	
Net sales	\$ 52,421	\$ 49,667
Cost of goods sold	41,083	38,979

Gross profit	11,338	10,688
Engineering, selling and administrative expenses	5,033	4,888
Income from operations	6,305	5,800
Interest income	193	388
Other expense, net	(187)	(108)
Income before provision for income taxes	6,311	6,080
Provision for income taxes	2,430	2,372
Net income	\$ 3,881	\$ 3,708
Earnings per share:		
Basic	\$.87	\$.67
Diluted	\$.85	\$.65

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

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

	October 1, 2000 (unaudited)	July 2, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 13,847	\$ 13,915
Receivables, net	29,174	28,731
Inventories-		
Finished products	5,687	3,630
Work in process	13,602	12,374
Raw materials	1,242	1,054
LIFO adjustment	(2,685)	(2,716)
Total inventories	17,846	14,342
Customer tooling in progress	1,160	4,248
Other current assets	5,383	5,365
Total current assets	67,410	66,601
Property, plant and equipment	90,649	89,912
Less: accumulated depreciation	48,696	47,531
Net property, plant and equipment	41,953	42,381
	\$ 109,363	\$ 108,982
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 18,311	\$ 19,694
Environmental	2,767	2,770
Other accrued liabilities	8,588	11,637
Total current liabilities	29,666	34,101
Deferred Income Taxes	299	299
Accrued pension and postretirement obligations	14,455	14,132
Shareholders' equity:		
Common stock, authorized 12,000,000 shares \$.01 par value, issued 6,138,802 shares at October 1, 2000, and 6,120,788 shares at July 2, 2000	61	61

Capital in excess of par value	48,320	47,924
Retained earnings	71,845	67,964
Accumulated other comprehensive loss	(2,036)	(2,239)
Less: treasury stock, at cost (1,667,348 shares at October 1, 2000 and 1,668,179 shares at July 2, 2000)	(53,247)	(53,260)
	-----	-----
Total shareholders' equity	64,943	60,450
	-----	-----
	\$ 109,363	\$ 108,982
	=====	=====

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

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

	Three Months Ended	
	October 1, 2000	September 26, 1999

	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,881	\$ 3,708
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,904	1,843
Change in operating assets and liabilities:		
(Increase) decrease in receivables	(390)	4,553
Increase in inventories	(3,504)	(1,876)
(Increase) decrease in other assets	3,131	(201)
Decrease in accounts payable and accrued liabilities	(4,220)	(4,887)
Exercise of stock options - tax benefit	108	172
Other, net	238	59
	-----	-----
Net cash provided by operating activities	1,148	3,371
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(1,518)	(1,807)
	-----	-----
Net cash used in investing activities	(1,518)	(1,807)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	--	(4,778)
Exercise of stock options	302	530
	-----	-----
Net cash provided by (used in) financing activities	302	(4,248)
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(68)	(2,684)
CASH AND CASH EQUIVALENTS		
Beginning of period	13,915	28,611
	-----	-----
End of period	\$ 13,847	\$ 25,927
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	\$ 661	\$ 386
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 October 1, 2000, 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 October 1, 2000 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):

	Three Months Ended					
	October 1, 2000			September 26, 1999		
	Net Income	Shares	Per-Share Amount	Net Income	Shares	Per-Share Amount
Basic Earnings Per Share	\$3,881	4,479	\$0.87 =====	\$3,708	5,511	\$0.67 =====
Stock Options		103			160	
Diluted Earnings Per Share	\$3,881	4,582	\$0.85 =====	\$3,708	5,671	\$0.65 =====

Options to purchase the following shares of common stock were outstanding as of each date indicated 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:

Period Ended	Shares	Exercise Price
October 1, 2000	80,000	\$45.79
	80,000	\$43.07
	78,623	\$37.88
	5,000	\$35.97
September 26, 1999	80,000	\$45.79
	78,623	\$37.88
	5,000	\$35.97

COMPREHENSIVE INCOME

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

	Three Months Ended	
	October 1, 2000	September 26, 1999
	-----	-----
Net Income	\$3,881	\$3,708
Change in Cumulative Translation Adjustments, net	203	84
	-----	-----

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 October 1, 2000 compared to the three months ended September 26, 1999

Net sales for the three months ended October 1, 2000 were \$52.4 million, a increase of 5 percent compared to net sales of \$49.7 million for the three months ended September 26, 1999. Sales to the Company's largest customers overall increased in the current quarter compared to the prior year quarter, with Mitsubishi Motor Manufacturing of America, Inc. increasing 95 percent, and DaimlerChrysler Corporation increasing 7 percent. Sales to General Motors Corporation, Delphi Automotive Systems Corporation and Ford Motor Company were flat with the prior year quarter. The impact of the Firestone tire recall on Ford Explorer and Ranger pickup truck production during the current year quarter reduced sales to the Ford Motor Company by an estimated \$500,000. However, product mix and content changes for the remainder of the Ford Motor Company products supplied by the Company offset this reduction. Sales to the Company's Industrial and Service Products customers increased, primarily with sales of the Company's new Vehicle Access Control Systems (VACS) product into the delivery van market.

Gross profit as a percentage of net sales was 21.6 percent in the current quarter compared to 21.5 percent in the prior year quarter. Gross profit margins were comparable with the prior year quarter, despite the impact of higher raw material costs, primarily zinc, as well as continued wage inflation in Mexico combined with an unfavorable Mexican peso to U.S. dollar exchange rate. The cost of zinc, which the Company uses at a rate of approximately 1 million pounds per month, averaged approximately \$.60 in the current quarter compared to approximately \$.52 in the prior year quarter. The inflation rate in Mexico for the 12 months ended October 1 2000 was approximately 9 percent while the U.S. dollar/Mexican peso exchange remained flat between quarters at approximately 9.35.

Engineering, selling and administrative expenses were \$5.0 million in the current quarter which is consistent with the prior year quarter.

Income from operations was \$6.3 million in the current quarter, compared to \$5.8 million in the prior year quarter. The increased income from operations was primarily due to the increase in sales as previously discussed above.

The effective income tax rate for the current quarter was 38.5 percent compared to 39 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.

Liquidity and Capital Resources

The Company generated cash from operating activities of \$1.0 million in the three months ended October 1, 2000 compared to \$3.2 million in the three months ended September 26, 1999. The decreased generation of cash is primarily due to the collection of significant billings for customer tooling in the prior year quarter.

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Accounts receivable of \$29.2 million at October 1, 2000 is consistent with the balance at July 2, 2000. Inventories increased by approximately \$3.5 million at October 1, 2000, as compared to July 2, 2000 in support of 2001 model year changeovers and startup.

Capital expenditures during the three months ended October 1, 2000 were \$1.5 million compared to \$1.8 million during the three months ended September 26, 1999. The Company anticipates that capital expenditures will be approximately \$10 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. A total of 1,675,710 shares have been repurchased as of October 1, 2000, at a cost of approximately \$53.4 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 October 1, 2000. 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.

The Company has not been significantly impacted by inflationary pressures 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 October 19, 1999, the Company announced that it had signed a Memorandum of Understanding with E. WitTE Verwaltungsgesellschaft GMBH, and its operating unit, WitTE-Velbert GmbH & Co. KG ("WitTE"), which details the intent to form a strategic alliance and joint venture. 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 proposed WitTE-STRATTEC alliance provides 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 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. These activities did not have a material impact on the October 1, 2000, financial statements.

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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 customers' 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.

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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 Firststar Trust Company, as Rights Agent
- 27 Financial Data Schedule

(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: November 3, 2000

By /S/ Patrick J. Hansen

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

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