

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 September 30, 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  NO

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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: 4,107,878 shares outstanding as of  
September 30, 2001.

STRATTEC SECURITY CORPORATION

FORM 10-Q

September 30, 2001

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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	
	September 30, 2001	October 1, 2000
	(unaudited)	
Net sales	\$ 49,455	\$ 52,421
Cost of goods sold	39,373	41,118
Gross profit	10,082	11,303
Engineering, selling and administrative expenses	4,768	5,033

Income from operations	5,314	6,270
Interest income	155	193
Other income (expense), net	331	(152)
	-----	-----
Income before provision for income taxes	5,800	6,311
Provision for income taxes	2,146	2,430
	-----	-----
Net income	<u>\$3,654</u>	<u>\$3,881</u>
Earnings per share:		
Basic	<u>\$ .90</u>	<u>\$ .87</u>
Diluted	<u>\$ .88</u>	<u>\$ .85</u>

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)

	September 30, 2001	July 1, 2001
	----- (unaudited)	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$24,317	\$ 15,298
Receivables, net	25,225	27,189
Inventories-		
Finished products	3,922	1,737
Work in process	10,089	8,456
Raw materials	532	594
LIFO adjustment	(2,184)	(2,182)
	-----	-----
Total inventories	12,359	8,605
Customer tooling in progress	1,432	2,588
Other current assets	6,337	5,987
	-----	-----
Total current assets	69,670	59,667
Deferred Income Taxes	130	130
Property, plant and equipment	96,608	96,108
Less: accumulated depreciation	56,038	54,257
	-----	-----
Net property, plant and equipment	40,570	41,851
	-----	-----
	<u>\$110,370</u>	<u>\$101,648</u>
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$18,276	\$ 14,178
Environmental	2,739	2,749
Other accrued liabilities	9,173	9,566
	-----	-----
Total current liabilities	30,188	26,493
Accrued Pension and Postretirement Obligations	15,683	15,145
Shareholders' equity:		
Common stock, authorized 12,000,000 shares \$.01 par value, issued 6,314,168 shares at September 30, 2001, and 6,195,889 shares at July 1, 2001	63	62
Capital in excess of par value	52,714	49,545
Retained earnings	84,644	80,990
Accumulated other comprehensive loss	(2,088)	(1,749)
Less: treasury stock, at cost (2,206,290 shares at September 30, 2001 and 2,149,800 shares at July 1, 2001)	(70,834)	(68,838)
	-----	-----
Total shareholders' equity	64,499	60,010
	-----	-----
	<u>\$110,370</u>	<u>\$101,648</u>
	=====	=====

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	
	September 30, 2001	October 1, 2000
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,654	\$ 3,881
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,068	1,904
Change in operating assets and liabilities:		
(Increase) decrease in receivables	1,902	(390)
Increase in inventories	(3,754)	(3,504)
Decrease in other assets	713	3,131
Increase (decrease) in accounts payable and accrued liabilities	4,394	(4,220)
Tax benefit from options exercised	520	108
Other, net	(240)	238
Net cash provided by operating activities	9,257	1,148
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(892)	(1,518)
Net cash used in investing activities	(892)	(1,518)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	(2,004)	-
Exercise of stock options	2,658	302
Net cash provided by financing activities	654	302
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,019	(68)
CASH AND CASH EQUIVALENTS		
Beginning of period	15,298	13,915
End of period	\$24,317	\$13,847
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	\$450	\$ 661
Interest paid	-	-

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

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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-control products for North American and global 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 September 30, 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 September 30, 2001 presentation. These financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in the Company's 2001 Annual Report.

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					
	September 30, 2001			October 1, 2000		
	Net Income	Shares	Per-Share Amount	Net Income	Shares	Per-Share Amount
Basic Earnings Per Share	\$3,654	4,081	\$0.90	\$3,881	4,479	\$0.87
Stock Options		72			103	
Diluted Earnings Per Share	\$3,654	4,153	\$0.88	\$3,881	4,582	\$0.85

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
September 30, 2001	80,000	\$45.79
	80,000	\$45.44
	80,000	\$43.07
	78,623	\$37.88
	5,000	\$35.97
October 1, 2000	80,000	\$45.79
	80,000	\$43.07
	78,623	\$37.88
	5,000	\$35.97

COMPREHENSIVE INCOME

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

	Three Months Ended	
	September 30, 2001	October 1, 2000
Net Income	\$3,654	\$3,881
Change in Cumulative Translation Adjustments, net	(339)	203
Total Comprehensive Income	\$3,315	\$4,084

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 2001 Annual Report. Unless otherwise indicated, all references to years refer to fiscal years.

Analysis of Results of Operations

Three months ended September 30, 2001 compared to the three months ended October 1, 2000

Net sales for the three months ended September 30, 2001 were \$49.5 million, a decrease of 6 percent compared to net sales of \$52.4 million for the three months ended October 1, 2000. Sales to the Company's largest customers overall decreased in the current quarter compared to the prior year quarter. The largest sales decreases were attributed to Mitsubishi Motor Manufacturing of America, Inc. at \$2.7 million compared to \$3.8 million, and Ford Motor Company at \$8.9 million compared to \$11.6 million. Sales to DaimlerChrysler Corporation increased to \$8.7 million compared to \$7.8 million. Sales to General Motors Corporation increased slightly to \$15.7 million compared to \$15.6 million, and sales to Delphi Automotive Systems Corporation increased to \$7.1 million compared to \$7.0 million in the prior year quarter.

Gross profit as a percentage of net sales was 20.4 percent in the current quarter compared to 21.6 percent in the prior year quarter. The decline in the gross profit margin was primarily attributed to additional costs incurred during the early part of the current quarter to expedite past due orders and rebuild inventories depleted during the June 2001 strike at the Milwaukee facility.

Engineering, selling and administrative expenses were \$4.8 million in the current quarter, compared to \$5.0 million in the prior year quarter. The reduction is primarily the result of decreased salary and fringe benefit costs as a result of the March 2001 human resources realignment.

Income from operations was \$5.3 million in the current quarter, compared to \$6.3 million in the prior year quarter. The decreased income from operations was primarily due to the decrease in sales and the decrease in the gross profit margin as discussed above.

The effective income tax rate for the current quarter was 37.0 percent compared to 38.5 percent in the prior year quarter. The decrease is due to an increase in the foreign sales benefit. 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 \$9.3 million in the three months ended September 30, 2001 compared to \$1.1 million in the three months ended October 1, 2000. The increased generation of cash is primarily due to an increase in accounts payable in the current quarter, which is the result of the timing of purchases and payments.

Accounts receivable decreased \$2.0 million to \$25.2 million at September 30, 2001 compared to \$27.2 million at July 1, 2001. The decrease is due to the collection of billings for customer tooling in the current quarter. Inventories increased by approximately \$3.8 million at September 30, 2001, as compared to July 1, 2001 as the result of an effort to rebuild inventories depleted during the June 2001 strike at the Milwaukee facility.

Capital expenditures during the three months ended September 30, 2001 were \$892,000 compared to \$1.5 million during the three months ended October 1, 2000. The Company anticipates that capital expenditures will be approximately \$8

million in 2002, 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 2,639,395 outstanding shares. A total of 2,232,026 shares have been repurchased as of September 30, 2001, at a cost of approximately \$71.5 million. During the quarter ended September 30, 2001, 57,000 shares were repurchased at a cost of approximately \$2.0 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 \$50.0 million unsecured, revolving credit facility (the "Credit Facility"), of which \$30 million expires October 31, 2002 and \$20 million expires October 31, 2003. There were no outstanding borrowings under the Credit Facility at September 30, 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.

The Company has not been significantly impacted by inflationary pressures over the last several years, except for fluctuations in the market price of zinc, which the company uses at a rate of approximately 1 million pounds per month, and inflation in Mexico, which impacts the US dollar costs of the Mexican assembly operations.

#### 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 DM313 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 September 30, 2001, financial statements.

#### Forward Looking Statements

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," "could," "expect," "intend," "may," "planned," "potential," "should," "will," and "could." 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's Discussion and Analysis.

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, customer demand for the Company's and its customer's products, competitive and technological developments, customer purchasing actions, 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 occurring after the date of this Form 10-Q.

### 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

(b) Reports on Form 8-K - None

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\* 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 9, 2001

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