FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 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 1-8174

DUCOMMUN INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	95-0693330
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification No.

111 West Ocean Boulevard, Suite 900, Long Beach, California 90802

(Address of principal executive offices) (Zip Code)

(562) 624-0800

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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. As of March 31, 2001, there were outstanding 9,637,593 shares of common stock.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

DUCOMMUN INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 2001	December 31, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 140	$ 100
Accounts receivable (less allowance for doubtful accounts of $1,123 and $1,161)	26,071	20,844
Inventories	32,111	32,240
Deferred income taxes	3,370	3,624
Prepaid income taxes	134	134
Other current assets	3,554	3,326
Total Current Assets	65,380	60,268
Property and Equipment, Net	50,186	49,579
Deferred Income Taxes	165	165
Excess of Cost Over Net Assets Acquired (Net of Accumulated Amortization of $11,074 and $10,355)	38,337	39,056
Other Assets	1,272	1,296
	$ 155,340	$ 150,364
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 1,419	$ 1,409
Accounts payable	12,349	11,552
Accrued liabilities	16,553	15,904
Total Current Liabilities	30,321	28,865
Long-Term Debt, Less Current Portion	18,705	18,245
Deferred Income Taxes	2,409	2,409
Other Long-Term Liabilities	1,316	1,316
Total Liabilities	52,751	50,835
Commitments and Contingencies		
Shareholders' Equity:		
Common stock -- $.01 par value; authorized 35,000,000 shares; issued 9,747,493 shares in 2001 and 9,714,357 shares in 2000	97	97
Additional paid-in capital	36,708	36,673
Retained earnings	67,014	63,989
Less common stock held in treasury -- 109,900 shares in 2001 and 2000	(1,230)	(1,230)
Total Shareholders' Equity	102,589	99,529
	$ 155,340	$ 150,364

See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	For Three Months Ended March 31, 2001	For Three Months Ended April 1, 2000
Net Sales	$ 48,461	$ 39,854
Operating Costs and Expenses:		
Cost of goods sold	36,007	27,683
Selling, general and administrative expenses	6,476	6,226
Goodwill amortization expense	719	719
Total Operating Costs and Expenses	43,202	34,628
Operating Income	5,259	5,226
Interest Expense	(380)	(500)
Income Before Taxes	4,879	4,726
Income Tax Expense	(1,854)	(1,796)
Net Income	$ 3,025	$ 2,930
Earnings Per Share:		
Basic earnings per share	$ .31	$ .30
Diluted earnings per share	.31	.30
Weighted Average Number of Common Shares Outstanding:		
Basic	9,614	9,609
Diluted	9,718	9,719

See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For Three Months Ended	
	March 31, 2001	April 1, 2000
Cash Flows from Operating Activities:		
Net Income	$ 3,025	$ 2,930
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation and amortization	2,294	2,208
Deferred income tax provision	254	343
Income tax benefit related to the exercise of nonqualified stock options	70	579
Changes in Assets and Liabilities:		
Accounts receivable	(5,227)	280
Inventories	129	(2,379)
Prepaid income taxes	--	834
Other assets	(204)	38
Accounts payable	797	470
Accrued and other liabilities	649	(481)
Net Cash Provided by Operating Activities	1,787	4,822
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(2,182)	(1,130)
Net Cash Used in Investing Activities	(2,182)	(1,130)
Cash Flows from Financing Activities:		
Net Borrowings (Repayment) of Long-Term Debt	470	(2,881)
Purchase of Common Stock for Treasury	--	(174)
Net (Payments) Related to Stock Options Exercised	(35)	(705)
Net Cash Provided by (Used in) Financing Activities	435	(3,760)
Net Increase (Decrease) in Cash and Cash Equivalents	40	(68)
Cash and Cash Equivalents - Beginning of Period	100	138
Cash and Cash Equivalents - End of Period	$ 140	$ 70
Supplemental Disclosures of Cash Flow Information:		
Interest Expense Paid	$ 370	$ 403
Income Taxes Paid	$ 1,119	$ 38

See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The consolidated balance sheets, consolidated statements of income and consolidated statements of cash flows are unaudited as of and for the three months ended March 31, 2001 and April 1, 2000. The financial information included in the quarterly report should be read in conjunction with the Company's consolidated financial statements and the related notes thereto included in its annual report to shareholders for the year ended December 31, 2000.

Note 2. Certain amounts and disclosures included in the consolidated financial statements required management to make estimates which could differ from actual results.

Note 3. Earnings Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding in each period. Diluted earnings per share is computed by dividing income available to common shareholders plus income associated with dilutive securities by the weighted average number of common shares outstanding plus any potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock in each period. For the three months ended March 31, 2001 and April 1, 2000, income available to common shareholders was $3,025,000 and $2,930,000, respectively. The weighted average number of common shares outstanding for the three months ended March 31, 2001 and April 1, 2000 were 9,614,000 and 9,609,000, respectively, and the dilutive shares associated with stock options were 104,000 and 110,000, respectively.

Note 4. Long-term debt is summarized as follows:

	(In thousands)	
	March 31, 2001	December 31, 2000
Bank credit agreement	$14,900	$14,300
Term and real estate loans	3,549	3,679
Notes and other liabilities for acquisitions	1,675	1,675
Total debt	20,124	19,654
Less current portion	1,419	1,409
Total long-term debt	$18,705	$18,245

In September 2000, the Company signed a new $100,000,000 revolving credit facility with a group of banks. The agreement provides for a $100,000,000 unsecured revolving credit line declining to $60,000,000 at maturity on September 30, 2005. Interest is payable monthly on the outstanding borrowings based on the bank's prime rate plus a spread based on the leverage ratio of the Company calculated at the end of each fiscal quarter (8.00% at March 31, 2001). A Eurodollar pricing option is also available to the Company for terms of up to six months at the Eurodollar rate plus a spread based on the leverage ratio of the Company calculated at the end of each fiscal quarter (6.80% at March 31, 2001). At March 31, 2001, the Company had $85,100,000 of unused lines of credit, after deducting $14,900,000 of loans outstanding. The credit agreement includes minimum interest coverage, maximum leverage, minimum EBITDA and minimum net worth covenants, an unused commitment fee based on the leverage ratio (0.25% per annum at March 31, 2001), and limitations on future dispositions of property, repurchases of common stock, outside indebtedness, capital expenditures and acquisitions.

Note 5. Shareholders' Equity

Since 1998, the Company's Board of Directors has authorized the repurchase of up to $30,000,000 of its common stock. During 1998, 1999 and 2000, the Company repurchased in the open market 1,918,962 shares of its common stock for a total of $25,296,000, and cancelled 1,809,062 shares of treasury stock. The Company did not repurchase any of its common stock during the three months ended March 31, 2001.

Note 6. Commitments and Contingencies

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of chemical milling services for the aerospace industry. Aerochem has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at its El Mirage, California facility (the "Site"). Aerochem expects to spend approximately $1 million for future investigation and corrective action at the Site, and the Company has established a provision for such costs. However, the Company's ultimate liability in connection with the Site will depend upon a number of factors, including changes in existing laws and regulations, and the design and cost of the construction, operation and maintenance of the correction action.

Com Dev Consulting Ltd. ("Com Dev") has filed a complaint against the Company and certain of its officers relating to the sale by the Company of the capital stock of its wireless communications subsidiary, 3dbm, Inc. ("3dbm") to Com Dev in August 1998. The complaint seeks recovery of damages in excess of $10,000,000, restitution of the $17,250,000 purchase price paid for 3dbm and recovery of punitive damages, costs and attorneys' fees. The Company intends to vigorously defend the matter. While it is not feasible to predict the outcome of this matter, the Company presently believes that the final resolution of the matter will not have a material adverse effect on its consolidated financial position or results of operations. However, because of the nature and inherent uncertainties of litigation, should the outcome of this matter be unfavorable, the Company may be required to pay damages and other expenses, which could have a material adverse effect on its consolidated financial position and results of operations.

In the normal course of business, Ducommun and its subsidiaries are defendants in certain other litigation, claims and inquiries, including matters relating to environmental laws. In addition, the Company makes various commitments and incurs contingent liabilities. While it is not feasible to predict the outcome of these matters, the Company does not presently expect that any sum it may be required to pay in connection with these matters would have a material adverse effect on its consolidated financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL STATEMENT PRESENTATION

The interim financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of the Company, necessary for a fair presentation of the results for the interim periods presented.

RESULTS OF OPERATIONS

First Quarter of 2001 Compared to First Quarter of 2000

Net sales increased 22% to $48,461,000 in the first quarter of 2001. The increase of approximately $9,000,000 in sales resulted primarily from an increase in the Company's commercial sales to the Boeing 777 and Regional Jet programs and higher military sales to the C-17 program.

The Company had substantial sales to Boeing, Lockheed Martin and Raytheon. During the first quarters of 2001 and 2000, sales to Boeing were approximately $17,814,000 and $14,546,000, respectively; sales to Lockheed Martin were approximately $3,843,000 and $3,469,000, respectively; and sales to Raytheon were approximately $4,243,000 and $2,997,000, respectively. The sales relating to Boeing, Lockheed Martin and Raytheon are diversified over a number of different commercial, space and military programs.

At March 31, 2001, backlog believed to be firm was approximately $243,000,000 compared to $238,600,000 at December 31, 2000 and $205,400,000 at April 1, 2000. Approximately $88,000,000 of backlog is expected to be delivered during the remainder of 2001.

Gross profit, as a percentage of sales, was 25.7% for the first quarter of 2001 compared to 30.5% in 2000. This decrease was primarily the result of changes in sales mix, pricing pressures from customers and higher production costs.

Selling, general and administrative expenses, as a percentage of sales, were 13.4% for the first quarter of 2001 compared to 15.6% in 2000. This decrease as a percentage of sales was primarily the result of higher sales volume partially offset by an increase in related period costs.

Interest expense decreased to $380,000 in the first quarter of 2001 compared to $500,000 for 2000. The decrease in interest expense was primarily due to lower debt levels and interest rates in 2001 compared to 2000.

Income tax expense increased to $1,854,000 in the first quarter of 2001 compared to $1,796,000 for 2000. The increase in income tax expense was primarily due to the increase in income before taxes. Cash paid for income taxes was $1,119,000 in the first quarter of 2001, compared to $38,000 in 2000. Taxes prepaid by the Company during 1999 resulted in lower cash paid for income taxes during the first quarter of 2000. Net income for the first quarter of 2001 was $3,025,000, or $0.31 diluted earnings per share, compared to $2,930,000, or $0.30 diluted earnings per share, in 2000.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flow from operating activities for the three months ended March 31, 2001 was $1,787,000, compared to $4,822,000 for the three months ended April 1, 2000. The decrease in cash flow from operating activities resulted principally from an increase in accounts receivable, partially offset by an increase in accounts payable and accrued and other liabilities. During the first three months of 2001, the Company had net borrowings of $470,000, and spent $2,182,000 on capital expenditures. The Company continues to depend on operating cash flow and the availability of its bank line of credit to provide short-term liquidity. Cash from operations and bank borrowing capacity are expected to provide sufficient liquidity to meet the Company's obligations during 2001. The Company's bank credit agreement provides for a $100,000,000 unsecured revolving credit line declining to $60,000,000 at maturity on September 30, 2005. At March 31, 2001, the Company had $85,100,000 of unused lines of credit, after deducting $14,900,000 of loans outstanding. See Note 4 to the Notes to Consolidated Financial Statements.

The Company spent $2,182,000 on capital expenditures during the first three months of 2001 and expects to spend less than $10,000,000 in the aggregate for capital expenditures in 2001. The Company plans to continue to make substantial capital expenditures for manufacturing equipment and facilities to support long-term contracts for both commercial and military aircraft and space programs.

Since 1998, the Company's Board of Directors has authorized the repurchase of up to $30,000,000 of its common stock. During 1998, 1999 and 2000, the Company repurchased in the open market 1,918,962 shares of its common stock for a total of $25,296,000. No repurchases of common stock were made by the Company during the first quarter of 2001, however, repurchases may be made from time to time on the open market at prevailing prices.

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of chemical milling services for the aerospace industry. Aerochem has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at its El Mirage, California facility (the "Site"). Aerochem expects to spend approximately $1 million for future investigation and corrective action at the Site, and the Company has established a provision for such costs. However, the Company's ultimate liability in connection with the Site will depend upon a number of factors, including changes in existing laws and regulations, and the design and cost of the construction, operation and maintenance of the correction action.

Com Dev Consulting Ltd. ("Com Dev") has filed a complaint against the Company and certain of its officers relating to the sale by the Company of the capital stock of its wireless communications subsidiary, 3dbm, Inc. ("3dbm") to Com Dev in August 1998. The complaint seeks recovery of damages in excess of $10,000,000, restitution of the $17,250,000 purchase price paid for 3dbm and recovery of punitive damages, costs and attorneys' fees. The Company intends to vigorously defend the matter. While it is not feasible to predict the outcome of this matter, the Company presently believes that the final resolution of the matter will not have a material adverse effect on its consolidated financial position or results of operations. However, because of the nature and inherent uncertainties of litigation, should the outcome of this matter be unfavorable, the Company may be required to pay damages and other expenses, which could have a material adverse effect on its consolidated financial position and results of operations.

In the normal course of business, Ducommun and its subsidiaries are defendants in certain other litigation, claims and inquiries, including matters relating to environmental laws. In addition, the Company makes various commitments and incurs contingent liabilities. While it is not feasible to predict the outcome of these matters, the Company does not presently expect that any sum it may be required to pay in connection with these matters would have a material adverse effect on its consolidated financial position or results of operations.

FUTURE ACCOUNTING REQUIREMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," and SFAS No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities" - an amendment of FASB Statement No. 133, became effective for the Company in the first quarter 2001. The adoption of SFAS 133 did not have a material effect on the Company's financial position, results of operations or cash flow.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Any forward-looking statements made in this Form 10-Q involve risks and uncertainties. The Company's future financial results could differ materially from those anticipated due to the Company's dependence on conditions in the airline industry, the level of new commercial aircraft orders, the production rate for Boeing commercial aircraft, the C-17 and the Space Shuttle programs, the level of defense spending, competitive pricing pressures, technology and product development risks and uncertainties, product performance, risks associated with acquisitions and dispositions of businesses by the Company, increasing consolidation of customers and suppliers in the aerospace industry, availability of raw materials and components from suppliers, the outcome of the lawsuit brought by Com Dev, and other factors beyond the Company's control.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Not applicable.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

In October 1999, Com Dev Consulting Ltd. ("Com Dev") filed a complaint in the United States District Court against the Company and certain of its officers relating to the sale of the capital stock of 3dbm, Inc. ("3dbm") by the Company to Com Dev in August 1998. On February 3, 2000, the United States District Court dismissed the complaint without prejudice. On April 7, 2000, Com Dev filed another complaint in California Superior Court against the Company and certain of its officers relating to the sale of the capital stock of 3dbm by the Company to Com Dev. The complaint seeks recovery of damages in excess of $10,000,000, restitution of the $17,250,000 purchase price paid for 3dbm, and recovery of punitive damages, costs and attorneys' fees. A jury trial of the lawsuit is currently scheduled to begin on April 23, 2001. The Company intends to vigorously defend the matter. While it is not feasible to predict the outcome of this matter, the Company presently believes that the final resolution of the matter will not have a material adverse effect on its consolidated financial position or results of operations. However, because of the nature and inherent uncertainties of litigation, should the outcome of this matter be unfavorable, the Company may be required to pay damages and other expenses, which could have a material adverse effect on its consolidated financial position and results of operations.

During the first quarter of 2001, the trial of the lawsuit by Com Dev was continued, and a new trial date has not been set.

Item 6. Exhibits and Reports on Form 8-K.

(a) No exhibits are filed with this report.

(b) No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURES

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.

DUCOMMUN INCORPORATED

(Registrant)

By: /s/ James S. Heiser

James S. Heiser
Vice President, Chief Financial
Officer and General Counsel
(Duly Authorized Officer of the
Registrant)

By: /s/ Samuel D. Williams

Samuel D. Williams
Vice President and Controller
(Chief Accounting Officer of
the Registrant)

Date: April 25, 2001