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 July 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 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 July 1, 2000, there were outstanding 9,679,198 shares of common stock.

DUCOMMUN INCORPORATED

FORM 10-Q

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

DUCOMMUN INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	July 1, 2000	December 31, 1999
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 116	$ 138
Accounts receivable (less allowance for doubtful accounts of $474 and $153)	22,820	20,022
Inventories	30,482	26,347
Deferred income taxes	2,243	2,698
Prepaid income taxes	676	1,864
Other current assets	3,364	3,335
Total Current Assets	59,701	54,404
Property and Equipment, Net	46,075	44,689
Excess of Cost Over Net Assets Acquired (Net of Accumulated Amortization of $8,942 and $7,504)	40,457	41,895
Other Assets	814	814
	$ 147,047	$ 141,802
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt (Note 4)	$ 1,390	$ 1,496
Accounts payable	9,334	8,135
Accrued liabilities	15,375	14,911
Total Current Liabilities	26,099	24,542
Long-Term Debt, Less Current Portion (Note 4)	23,846	26,344
Deferred Income Taxes	2,174	2,174
Other Long-Term Liabilities	903	900
Total Liabilities	53,022	53,960
Commitments and Contingencies (Note 6)		
Shareholders' Equity:		
Common stock -- $.01 par value; authorized 35,000,000 shares; issued 9,698,598 shares in 2000 and 10,423,810 shares in 1999	97	104
Additional paid-in capital	36,643	45,597
Retained earnings	57,459	51,269
Less common stock held in treasury -- 19,400 shares in 2000 and 855,300 shares in 1999	(174)	(9,128)
Total Shareholders' Equity	94,025	87,842
	$ 147,047	$ 141,802

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 July 1, 2000	For Three Months Ended July 3, 1999
Net Sales	$ 42,439	$ 36,470
Operating Costs and Expenses:		
Cost of goods sold	30,199	24,878
Selling, general and administrative expenses	5,783	5,347
Goodwill amortization expense	719	469
Total Operating Costs and Expenses	36,701	30,694
Operating Income	5,738	5,776
Interest Expense	(479)	(129)
Income Before Taxes	5,259	5,647
Income Tax Expense	(1,999)	(2,258)
Net Income	$ 3,260	$ 3,389
Earnings Per Share:		
Basic earnings per share	$ .34	$ .33
Diluted earnings per share	.33	.32
Weighted Average Number of Common Shares Outstanding:		
Basic earnings per share	9,655	10,374
Diluted earnings per share	9,760	10,697

See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	For Six Months Ended July 1, 2000	For Six Months Ended July 3, 1999
Net Sales	$ 82,293	$ 71,007
Operating Costs and Expenses:		
Cost of goods sold	57,882	48,652
Selling, general and administrative expenses	12,008	10,375
Goodwill amortization expense	1,439	836
Total Operating Costs and Expenses	71,329	59,863
Operating Income	10,964	11,144
Interest Expense	(979)	(154)
Income Before Taxes	9,985	10,990
Income Tax Expense	(3,795)	(4,396)
Net Income	$ 6,190	$ 6,594
Earnings Per Share:		
Basic earnings per share	$ .64	$ .63
Diluted earnings per share	.64	.61
Weighted Average Number of Common Shares Outstanding:		
Basic earnings per share	9,632	10,392
Diluted earnings per share	9,728	10,727

See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For Six Months Ended	
	July 1, 2000	July 3, 1999
Cash Flows from Operating Activities:		
Net Income	$ 6,190	$ 6,594
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	4,450	3,495
Deferred income tax provision	455	165
Changes in Assets and Liabilities, Net		
Accounts receivable	(2,798)	2,829
Inventories	(4,135)	(1,729)
Prepaid income taxes	1,188	60
Other assets	(29)	(954)
Accounts payable	1,199	(139)
Accrued and other liabilities	467	(2,656)
Net Cash Provided by Operating Activities	6,987	7,665
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(4,398)	(3,600)
Acquisition	--	(10,096)
Net Cash Used in Investing Activities	(4,398)	(13,696)
Cash Flows from Financing Activities:		
Net Repayment of Long-Term Debt	(2,604)	(1,139)
Purchase of Common Stock	(174)	(911)
Other	167	80
Net Cash Used in Financing Activities	(2,611)	(1,970)
Net Decrease in Cash and Cash Equivalents	(22)	(8,001)
Cash and Cash Equivalents, Beginning of Period	138	9,066
Cash and Cash Equivalents, End of Period	$ 116	$ 1,065
Supplemental Disclosures of Cash Flows Information:		
Interest Expense Paid	$ 1,061	$ 452
Income Taxes Paid	$ 1,471	$ 4,980

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 and six months ended July 1, 2000 and July 3, 1999. 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, 1999.

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 stock options by the weighted average number of common shares outstanding plus any potential dilution that could occur if stock options were exercised or converted into common stock in each period. For the three months ended July 1, 2000 and July 3, 1999, income available to common shareholders was $3,260,000 and $3,389,000, respectively. The weighted average number of common shares outstanding for the three months ended July 1, 2000 and July 3, 1999 were 9,655,000 and 10,374,000 and the dilutive shares associated with stock options were 105,000 and 323,000, respectively. For the six months ended July 1, 2000 and July 3, 1999, income available to common shareholders was $6,190,000 and $6,594,000, respectively. The weighted average number of common shares outstanding for the six months ended July 1, 2000 and July 3, 1999 were 9,632,000 and 10,392,000 and the dilutive shares associated with stock options were 96,000 and 335,000, respectively.

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

	(In Thousands) July 1, 2000	December 31, 1999
Bank credit agreement	$19,630	$20,990
Term and real estate loans	3,931	4,175
Notes and other liabilities for acquisitions	1,675	2,675
Total debt	25,236	27,840
Less current portion	1,390	1,496
Total long-term debt	$23,846	$26,344

The Company's bank credit agreement provides for a $40,000,000 unsecured revolving credit line with an expiration date of July 1, 2002. Interest is payable monthly on the outstanding borrowings based on the bank's prime rate (9.50% at July 1, 2000) minus 0.25%. 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 (1.00% at July 1, 2000). At July 1, 2000, the Company had $20,370,000 of unused lines of credit, after deducting $19,630,000 of loans outstanding. The credit agreement includes fixed charge coverage and maximum leverage ratios, an unused commitment fee of .125%, and limitations on future dividend payments and outside indebtedness.

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 and 1999, the Company repurchased in the open market 1,809,062 shares of its common stock for a total of $24,066,000, and cancelled 953,762 shares of treasury stock. During the first six months of 2000, the Company repurchased in the open market 19,400 shares of its common stock for a total of $174,000 and cancelled 855,300 shares of treasury stock.

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.

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 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.

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.

Note 7. Acquisitions

In November 1999, the Company, through a wholly-owned subsidiary, acquired the assets and assumed certain liabilities of Parsons Precision Products, Inc. ("Parsons") for $22,073,000 in cash. Parsons is a leading manufacturer of complex titanium hot-formed subassemblies and components for commercial and military aerospace applications. In April 1999, the Company acquired the capital stock of Sheet Metal Specialties Company ("SMS") for $10,096,000 in cash, net of cash acquired and payments of other liabilities of SMS, and a $1,500,000 note. SMS is a manufacturer of subassemblies for commercial and military aerospace applications.

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.

ACQUISITIONS

In November 1999, the Company, through a wholly-owned subsidiary, acquired the assets and assumed certain liabilities of Parsons Precision Products, Inc. ("Parsons") for $22,073,000 in cash. Parsons is a leading manufacturer of complex titanium hot-formed subassemblies and components for commercial and military aerospace applications. In April 1999, the Company acquired the capital stock of Sheet Metal Specialties Company ("SMS") for $10,096,000 in cash, net of cash acquired and payments of other liabilities of SMS, and a $1,500,000 note. SMS is a manufacturer of subassemblies for commercial and military aerospace applications.

RESULTS OF OPERATIONS

Second Quarter of 2000 Compared to Second Quarter of 1999

Net sales increased 16% to $42,439,000 in the second quarter of 2000. The increase was due primarily to sales in the second quarter of 2000 from the Parsons acquisition, as well as sales from the new contract at AHF-Ducommun for the C-17 fuselage panels. Excluding the Parsons acquisition, sales increased 7% in the second quarter of 2000 from the comparable period in 1999.

The Company had substantial sales to Boeing, Raytheon and Lockheed Martin. During the second quarters of 2000 and 1999, sales to Boeing were approximately $14,727,000 and $9,887,000, respectively; sales to Raytheon were approximately $5,036,000 and $2,136,000, respectively; and sales to Lockheed Martin were approximately $3,003,000 and $4,462,000, respectively. The sales relating to Boeing, Raytheon and Lockheed Martin are diversified over a number of different commercial, space and military programs.

Gross profit, as a percentage of sales, was 28.8% for the second quarter of 2000 compared to 31.8% in 1999. This decrease was primarily the result of changes in sales mix in the airline seating business, pricing pressures from customers and production costs for new programs.

Selling, general and administrative expenses, as a percentage of sales, were 13.6% for the second quarter of 2000 compared to 14.7% in 1999. The decrease in these expenses as a percentage of sales was primarily the result of the benefit of higher sales volume, partially offset by an increase in related variable period costs and higher personnel costs.

Interest expense increased to $479,000 in the second quarter of 2000 compared to $129,000 for 1999. The increase in interest expense was primarily due to higher debt levels.

Income tax expense decreased to $1,999,000 in the second quarter of 2000 compared to $2,258,000 for 1999. The decrease in income tax expense was primarily due to the decrease in income before taxes and an effective income tax rate of 38% for 2000 compared to 40% for 1999. The decrease in the tax rate was primarily due to certain tax credits that became available to the Company. Cash paid for income taxes was $1,433,000 in the second quarter of 2000, compared to $4,841,000 in 1999. Net income for the second quarter of 2000 was $3,260,000, or $0.33 per diluted share, compared to $3,389,000, or $0.32 per diluted share, in 1999. Diluted earnings per share rose 3% on a year to year basis, despite a decline in net income, due to a reduction of approximately 937,000 in average diluted shares outstanding as a result of the Company's stock repurchase program.

Six Months of 2000 Compared to Six Months of 1999

Net sales increased 16% to $82,293,000 in the first six months of 2000. The increase was due primarily to increased sales in the first six months of 2000 from the SMS and Parsons acquisitions, as well as sales from the new contract at AHF-Ducommun for the C-17 fuselage panels. Excluding acquisitions, sales increased 4% in the first six months of 2000 from the comparable period in 1999.

The Company had substantial sales to Boeing, Raytheon and Lockheed Martin. During the first six months of 2000 and 1999, sales to Boeing were approximately $29,273,000 and $20,396,000, respectively; sales to Raytheon were approximately $8,033,000 and $4,502,000, respectively; and sales to Lockheed Martin were approximately $6,472,000 and $7,847,000, respectively. The sales relating to Boeing, Raytheon and Lockheed Martin are diversified over a number of different commercial, space and military programs.

At July 1, 2000, backlog believed to be firm was approximately $229,700,000 compared to $213,100,000 at December 31, 1999. Approximately $53,000,000 of backlog is expected to be delivered during 2000. In April 2000 the Company announced that its AHF-Ducommun subsidiary signed the largest contract in the Company's history with Boeing-Long Beach valued at $49,000,000 to produce fuselage skin panels for the C-17 aircraft. Performance under the contract began in the first quarter of 2000 and is expected to continue through 2003. In addition, AHF-Ducommun has signed an option contract with Boeing-Long Beach for the production of C-17 fuselage skin panels for the period 2003 - 2007. The option contract, if fully exercised by Boeing, is valued at $62,000,000. In July 2000 the Company announced that its Brice Manufacturing subsidiary had been approved by Airbus Industrie to offer the B1000 OEM passenger seat as Buyer Furnished Equipment for all Airbus single aisle aircraft programs.

Gross profit, as a percentage of sales, was 29.7% for the first six months of 2000 compared to 31.5% in 1999. This decrease was primarily the result of changes in sales mix in the airline seating business, pricing pressures from customers and production costs for new programs.

Selling, general and administrative expenses, as a percentage of sales, were 14.6% for the first six months of 2000 compared to 14.6% in 1999. The benefits of higher sales volume were offset by increases in related variable costs and higher personnel costs.

Interest expense increased to $979,000 in the first six months of 2000 compared to $154,000 for 1999. The increase in interest expense was primarily due to higher debt levels.

Income tax expense decreased to $3,795,000 in the first quarter of 2000 compared to $4,396,000 for 1999. The decrease in income tax expense was primarily due to the decrease in income before taxes and an effective income tax rate of 38% for 2000 compared to 40% for 1999. The decrease in the tax rate was primarily due to certain tax credits that became available to the Company. Cash paid for income taxes was $1,471,000 in the first six months of 2000, compared to $4,980,000 in 1999. Net income for the first six months of 2000 was $6,190,000, or $0.64 per diluted share, compared to $6,594,000, or $0.61 per diluted share, in 1999. Diluted earnings per share rose 5% on a year to year basis, despite a decline in net income, due to a reduction of approximately 999,000 in average diluted shares outstanding as a result of the Company's stock repurchase program.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flows from operating activities for the six months ended July 1, 2000 was $6,987,000, compared to $7,665,000 for the six months ended July 3, 1999. During the first six months of 2000, the Company spent $2,604,000 to repay principal on its outstanding bank borrowings, promissory notes, and term and commercial real estate loans, $4,398,000 on capital expenditures and $174,000 to repurchase shares of the Company's common stock. 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 2000. The Company's bank credit agreement provides for a $40,000,000 unsecured revolving credit line with an expiration date of July 1, 2002. At July 1, 2000, the Company had $20,370,000 of unused lines of credit, after deducting $19,630,000 of loans outstanding. See Note 4 to the Notes to Consolidated Financial Statements.

The Company spent $4,398,000 on capital expenditures during the first six months of 2000 and expects to spend less than $14,000,000 in the aggregate for capital expenditures in 2000. These expenditures are expected to place the Company in a favorable competitive position among aerospace subcontractors, and to allow the Company to take advantage of the off-load requirements from its customers. In connection with the C-17 contract signed by the Company's AHF-Ducommun subsidiary, AHF-Ducommun is acquiring a 1,500-ton stretch press and a 5-axis CNC Torres router with a flexible pogo positioning system. AHF-Ducommun also is in the process of completing a 185,000 square foot building addition to support the C-17 contract as well as other off-load opportunities from its customers.

Since 1998, the Company's Board of Directors has authorized the repurchase of up to $30,000,000 of its common stock. During 1998 and 1999, the Company repurchased in the open market 1,809,062 shares of its common stock for a total of $24,066,000, and cancelled 953,762 shares of treasury stock. During the first six months of 2000, the Company repurchased in the open market 19,400 shares of its common stock for a total of $174,000 and cancelled 855,300 shares of treasury stock. Repurchases will 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.

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 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.

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 will become effective for the Company in 2001. The adoption of SFAS 133 is not expected to 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 the Space Shuttle and other space 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, 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.

Com Dev Consulting Ltd. has filed a complaint, against the Company and certain officers of the Company in connection with the sale of the capital stock of 3dbm by the Company to Com Dev in August 1998. See the Company's quarterly report on Form 10-Q for the period ended April 1, 2000.

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

The following exhibits are filed with this report.

(a) 27 Financial Data Schedule

(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: July 24, 2000

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
27	Financial Data Schedule

5
1,000

6-MOS
DEC-31-2000
JAN-01-2000
JUL-01-2000
116
0
23,294
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0.64