UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES 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: **0-23804**

Simpson Manufacturing Co., Inc.
(Exact name of registrant as specified in its charter)

Delaware	**94-3196943**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4120 Dublin Boulevard, Suite 400, Dublin, CA 94568
(Address of principal executive offices)

(Registrant's telephone number, including area code): **(925) 560-9000**

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 ______

The number of shares of the Registrant's Common Stock outstanding as of March 31, 2001: **12,084,713**

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	March 31, (Unaudited) 2001	March 31, (Unaudited) 2000	December 31, 2000
ASSETS			
Current assets			
Cash and cash equivalents	$ 41,784,481	$ 45,551,211	$ 59,417,658
Trade accounts receivable, net	58,975,024	52,893,480	45,584,186
Inventories	93,635,319	76,898,347	85,269,695
Deferred income taxes	5,956,712	5,684,187	5,420,091
Other current assets	3,811,698	2,156,309	5,040,017
Total current assets	204,163,234	183,183,534	200,731,647
Property, plant and equipment, net	69,648,429	60,662,207	63,822,513
Investments	343,605	363,646	354,414
Other noncurrent assets	23,413,149	12,255,670	14,660,979
Total assets	$ 297,568,417	$ 256,465,057	$ 279,569,553
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Notes payable and current portion of long-term debt	$ 2,866,842	$ 487,549	$ 335,754
Trade accounts payable	13,207,540	10,192,763	14,630,941
Accrued liabilities	8,427,641	7,436,206	9,373,007
Income taxes payable	3,031,096	7,482,869	–
Accrued profit sharing trust contributions	5,038,061	1,135,525	3,929,043
Accrued cash profit sharing and commissions	4,099,837	4,808,670	2,979,060
Accrued workers' compensation	1,475,764	1,445,764	1,475,764
Total current liabilities	38,146,781	32,989,346	32,723,569
Long-term debt, net of current portion	4,565,881	2,398,651	2,069,028
Deferred income taxes and long-term liabilities	206,372	423,932	341,600
Total liabilities	42,919,034	35,811,929	35,134,197
Minority interest in consolidated subsidiaries	456,874	1,804,040	754,278
Commitments and contingencies (Notes 5 and 6)			
Stockholders' equity			
Common stock	44,297,473	44,901,418	40,968,501
Retained earnings	213,881,694	174,833,245	204,901,540
Accumulated other comprehensive income	(3,986,658)	(885,575)	(2,188,963)
Total stockholders' equity	254,192,509	218,849,088	243,681,078
Total liabilities and stockholders' equity	$ 297,568,417	$ 256,465,057	$ 279,569,553

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

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Net sales	$ 94,823,953	$ 84,615,539
Cost of sales	57,687,565	50,779,161
Gross profit	37,136,388	33,836,378
Operating expenses:		
Selling	10,779,049	8,553,122
General and administrative	11,893,980	10,648,327
	22,673,029	19,201,449
Income from operations	14,463,359	14,634,929
Interest income, net	460,277	643,875
Income before income taxes	14,923,636	15,278,804
Provision for income taxes	6,240,886	6,186,316
Minority interest	(297,404)	(195,960)
Net income	$ 8,980,154	$ 9,288,448
Net income per common share		
Basic	$ 0.75	$ 0.77
Diluted	$ 0.73	$ 0.76
Number of shares outstanding		
Basic	12,037,073	12,020,446
Diluted	12,277,485	12,277,453

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Net income	$ 8,980,154	$ 9,288,448
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	(1,797,695)	(300,653)
Comprehensive income	$ 7,128,459	$ 8,987,795

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

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Cash flows from operating activities		
Net income	$ 8,980,154	$ 9,288,448
Adjustments to reconcile net income to net cash used in operating activities:		
Gain on sale of capital equipment	(13,231)	(1,700)
Depreciation and amortization	4,061,496	3,248,640
Minority interest	(297,404)	(195,960)
Deferred income taxes and long-term liabilities	(249,358)	(472,402)
Noncash compensation related to stock plans	137,700	–
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	(12,627,922)	(10,571,756)
Inventories	(3,608,389)	(5,742,118)
Trade accounts payable	(3,732,705)	(2,519,618)
Income taxes payable	7,260,210	4,179,992
Accrued profit sharing trust contributions	1,117,647	(2,367,051)
Accrued cash profit sharing and commissions	1,121,057	276,818
Other current assets	(677,364)	(869,220)
Accrued liabilities	(1,381,804)	(356,846)
Accrued workers' compensation	–	100,000
Other noncurrent assets	(1,651,658)	(623,264)
Total adjustments	(10,541,725)	(15,914,485)
Net cash used in operating activities	(1,561,571)	(6,626,037)
Cash flows from investing activities		
Capital expenditures	(5,139,277)	(2,548,553)
Asset acquisitions, net of cash acquired	(13,489,924)	(54,698)
Proceeds from sale of equipment	743	8,376
Net cash used in investing activities	(18,628,458)	(2,594,875)
Cash flows from financing activities		
Issuance of debt	1,324,928	149,785
Repayment of debt	(53,714)	(15,551)
Issuance of common stock	1,399,816	127,618
Net cash provided by financing activities	2,671,030	261,852
Effect of exchange rate changes on cash	(114,178)	661
Net decrease in cash and cash equivalents	(17,633,177)	(8,958,399)
Cash and cash equivalents at beginning of period	59,417,658	54,509,610
Cash and cash equivalents at end of period	$ 41,784,481	$ 45,551,211

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

Simpson Manufacturing Co., Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

Interim Period Reporting

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and footnotes required by accounting principles generally accepted in the United States of America have been condensed or omitted. These interim statements should be read in conjunction with the consolidated financial statements and the notes thereto included in Simpson Manufacturing Co., Inc.'s (the "Company's") 2000 Annual Report on Form 10-K (the "2000 Annual Report").

The unaudited quarterly condensed consolidated financial statements have been prepared on the same basis as the audited annual consolidated financial statements, and in the opinion of management, contain all adjustments (consisting of only normal recurring adjustments, except for the change in accounting for inventory described in Note 3) necessary to present fairly the financial information set forth therein, in accordance with accounting principles generally accepted in the United States of America. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The Company's quarterly results may be subject to fluctuations. As a result, the Company believes the results of operations for the interim periods are not necessarily indicative of the results to be expected for any future period.

Net Income Per Common Share

Basic net income per common share is computed based upon the weighted average number of common shares outstanding. Common equivalent shares, using the treasury stock method, are included in the diluted per-share calculations for all periods when the effect of their inclusion is dilutive.

The following is a reconciliation of basic earnings per share ("EPS") to diluted EPS:

	Three Months Ended March 31, 2001			**Three Months Ended March 31, 2000**		
	Income	**Shares**	**Per Share**	**Income**	**Shares**	**Per Share**
Basic EPS						
Income available to common stockholders	$ 8,980,154	12,037,073	$ 0.75	$ 9,288,448	12,020,446	$ 0.77
Effect of Dilutive Securities						
Stock options	–	240,412	(0.02)	–	257,007	(0.01)
Diluted EPS						
Income available to common stockholders	$ 8,980,154	12,277,485	$ 0.73	$ 9,288,448	12,277,453	$ 0.76

Adoption of Statements of Financial Accounting Standards

In January 2001, the Company adopted Financial Accounting Standards Board ("FASB") statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. The adoption of this standard by the Company has not had a material effect on its financial position as of March 31, 2001, or results of operations for the period then ended.

Reclassifications

Certain prior period amounts have been reclassified to conform to the 2001 presentation with no effect on net income or retained earnings as previously reported.

2. Trade Accounts Receivable

Trade accounts receivable consist of the following:

	At March 31,		At December 31,
	2001	2000	2000
Trade accounts receivable	$ 60,999,878	$ 54,461,542	$ 47,119,344
Allowance for doubtful accounts	(1,480,256)	(1,088,601)	(1,201,289)
Allowance for sales discounts	(544,598)	(479,461)	(333,869)
	$ 58,975,024	$ 52,893,480	$ 45,584,186

3. Inventories

The components of inventories consist of the following:

	At March 31,		At December 31,
	2001	2000	2000
Raw materials	$ 27,777,313	$ 23,993,755	$ 26,979,866
In-process products	14,428,555	8,589,328	10,882,721
Finished products	51,429,451	44,315,264	47,407,108
	$ 93,635,319	$ 76,898,347	$ 85,269,695

Effective January 1, 2001, the Company changed its method of valuing inventories from the last-in, first-out (“LIFO”) method to the first-in, first-out (“FIFO”) method. The Company believes that the new method is preferable because the FIFO method more effectively allocates fixed overhead costs in times of increased production and, therefore more closely matches current costs and revenues. In addition, the adoption of the FIFO method will enhance the comparability of the Company’s financial statements by changing to the predominant method utilized in its industry and conforms all of the Company’s inventories to the same accounting method. The Company has applied this change retroactively by restating its financial statements as required by Accounting Principles Board No. 20, “Accounting Changes,” which has resulted in a one time decrease in previously reported retained earnings of $900,119 as of March 31, 2000, and a one time increase in previously reported retained earnings of $89,837 as of December 31, 2000. The effect of the change in accounting principle for the three months ended March 31, 2001 and 2000, was immaterial.

4. Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following:

	At March 31,		At December 31,
	2001	2000	2000
Land	$ 5,390,349	$ 4,311,743	$ 4,454,322
Buildings and site improvements	33,114,721	26,715,204	27,634,848
Leasehold improvements	4,912,450	3,938,741	4,042,063
Machinery and equipment	90,008,699	81,968,262	88,221,556
	133,426,219	116,933,950	124,352,789
Less accumulated depreciation and amortization	(72,177,268)	(61,783,333)	(69,293,151)
	61,248,951	55,150,617	55,059,638
Capital projects in progress	8,399,478	5,511,590	8,762,875
	$ 69,648,429	$ 60,662,207	$ 63,822,513

5. Debt

Outstanding debt at March 31, 2001 and 2000, and December 31, 2000, and the available credit at March 31, 2001, consisted of the following:

	Available Credit at March 31, 2001	Debt Outstanding at March 31, 2001	Debt Outstanding at March 31, 2000	Debt Outstanding at December 31, 2000
Revolving line of credit, interest at bank's reference rate (at March 31, 2001, the bank's reference rate was 8.00%), expires November 2001	$ 12,137,345	$ –	$ –	$ –
Revolving term commitment, interest at bank's prime rate less 0.50% (at March 31, 2001, the bank's prime rate less 0.50% was 7.50%), expires September 2002	8,213,673	–	–	–
Revolving line of credit, interest rate at the bank's base rate of interest plus 2% (at March 31, 2001, the bank's base rate plus 2% was 7.25%), expires July 2001	359,749	–	–	–
Revolving line of credit, interest rate at 6.45%, expires June 2001	863,793	2,402,179	–	–
Term loan, fixed interest rate of 5.3%, expires September 2006	–	120,668	148,651	119,028
Term loan, interest at LIBOR plus 1.375% (at March 31, 2001, LIBOR plus 1.375% was 6.4588%), expires May 2008	–	2,250,000	2,550,000	2,250,000
Term loan, interest at 5.65%, expires June 2013	–	829,770	–	–
Term loan, interest at 6.23%, expires June 2018	–	993,395	–	–
Term loan, interest at 5.70%, expires December 2009	–	821,454	–	–
Standby letter of credit facilities	2,648,982	–	–	–
Other notes payable and long-term debt	–	15,257	187,549	35,754
	24,223,542	7,432,723	2,886,200	2,404,782
Less current portion	–	(2,866,842)	(487,549)	(335,754)
	24,223,542	$ 4,565,881	$ 2,398,651	$ 2,069,028
Standby letters of credit issued and outstanding	(2,648,982)			
	$ 21,574,560			

As of March 31, 2001, the Company had three outstanding standby letters of credit. Two of these letters of credit, in the aggregate amount of $1,972,655, are used to support the Company's self-insured workers' compensation insurance requirements. The third, in the amount of $676,327, is used to guarantee performance on the Company's leased facility in the United Kingdom. Other notes payable represent debt associated with foreign businesses.

6. Commitments and Contingencies

Note 9 to the consolidated financial statements in the Company's 2000 Annual Report provides information concerning commitments and contingencies. From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business.

7. Segment Information

The Company is organized into two primary segments. The segments are defined by types of products manufactured, marketed and distributed to the Company's customers. The two product segments are connector products and venting products. These segments are differentiated in several ways, including the types of materials used, the production process, the distribution channels used and the applications in which the products are used. Transactions between the two segments were immaterial for each of the periods presented.

The following table illustrates certain measurements used by management to assess the performance of the segments described above as of or for the three months ended:

	Three Months Ended March 31,	
	2001	**2000**
Net Sales		
Connector products	$ 79,339,000	$ 69,515,000
Venting products	15,485,000	15,101,000
Total	$ 94,824,000	$ 84,616,000
Income from Operations		
Connector products	$ 12,833,000	$ 12,552,000
Venting products	1,962,000	2,152,000
All other	(332,000)	(69,000)
Total	$ 14,463,000	$ 14,635,000

	At March 31,		At December 31,
	2001	**2000**	**2000**
Total Assets			
Connector products	$204,717,000	$164,769,000	$171,150,000
Venting products	43,897,000	43,049,000	44,071,000
All other	48,954,000	48,647,000	64,348,000
Total	$297,568,000	$256,465,000	$279,569,000

Cash collected by the Company's subsidiaries is routinely transferred into the Company's cash management accounts and, therefore, has been included in the total assets of the segment entitled "All other." Cash and cash equivalent balances in this segment were approximately $39,333,000, $41,172,000 and $54,183,000 as of March 31, 2001 and 2000, and December 31, 2000, respectively.

8. Acquisition

In January 2001, the Company's subsidiary, Simpson Strong-tie International, Inc., acquired 100% of the shares of BMF Bygningsbeslag A/S ("BMF") of Denmark for approximately $14.0 million in cash with an additional amount of approximately $1.2 million contingent upon future operating performance.

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

Certain matters discussed below are forward-looking statements that involve risks and uncertainties, certain of which are discussed in this report and in other reports filed by the Company with the Securities and Exchange Commission. Actual results might differ materially from results suggested by any forward-looking statements in this report.

The following is a discussion and analysis of the consolidated financial condition and results of operations for the Company for the three months ended March 31, 2001 and 2000. The following should be read in conjunction with the interim Condensed Consolidated Financial Statements and related Notes appearing elsewhere herein.

Results of Operations for the Three Months Ended March 31, 2001, Compared with the Three Months Ended March 31, 2000

Net sales increased 12.1% in the first quarter of 2001 as compared to the first quarter of 2000. Most of the sales growth occurred in California and as a result of the acquisition of BMF Bygningsbeslag A/S in Denmark in January 2001. Simpson Strong-Tie's first quarter sales increased 14.1% over the same quarter last year, while Simpson Dura-Vent's sales increased 2.5%. Contractor distributors were the fastest growing Strong-Tie connector sales channel. The sales increase was broad based across most of Simpson Strong-Tie's major product lines. Strong-Wall and Anchor Systems product lines had the highest growth rates in sales. Sales of Simpson Dura-Vent's Direct-Vent products decreased compared to the first quarter of 2000, while sales of its chimney and pellet vent product lines increased.

Income from operations decreased 1.2% from $14,634,929 in the first quarter of 2000 to $14,463,359 in the first quarter of 2001 and gross margins decreased from 40.0% in the first quarter of 2000 to 39.2% in the first quarter of 2001. The decrease in gross margin was primarily due to the lower margins associated with BMF as well as higher fixed overhead costs. Selling expenses increased 26.0% from $8,553,122 in the first quarter of 2000 to $10,779,049 in the first quarter of 2001. The increase was primarily due to higher personnel costs related to the increase in the number of sales and merchandising personnel, particularly the additional sales personnel at BMF and those associated with the Anchoring Systems product line, as well as increased promotional expenses. General and administrative expenses increased 11.7% from $10,648,327 in the first quarter of 2000 to $11,893,980 in the first quarter of 2001. This increase was primarily due to the addition of administrative personnel and higher administrative costs related to the acquisition of BMF, Anchor Tiedown Systems in the third quarter of 2000, Masterset Fastening Systems, Inc. in the fourth quarter of 2000, and the operations of Keybuilder.com, LLC. Partially offsetting this increase was a decrease in cash profit sharing. The tax rate was 41.8% in the first quarter of 2001, an increase from 40.5% in the first quarter of 2000.

Liquidity and Sources of Capital

As of March 31, 2001, working capital was $166.0 million as compared to $150.2 million at March 31, 2000, and $168.0 million at December 31, 2000. The primary components of the change in working capital from December 31, 2000, included the decrease in cash and cash equivalents of $17.6 million, principally as a result of the BMF acquisition, offset by increases in the Company's trade accounts receivable and inventories totaling approximately $21.8 million, primarily due to higher sales levels and acquired inventories. In addition, increases in income taxes payable and assumed notes payable, together totaling approximately $5.6 million, also contributed. The balance of the change in working capital was due to the fluctuation of various other asset and liability accounts. The working capital change and changes in noncurrent assets and liabilities combined with net income and noncash expenses, primarily depreciation and amortization, totaling approximately $13.0 million, resulted in net cash used in operating activities of approximately $1.6 million. As of March 31, 2001, the Company had unused credit facilities available of approximately $21.6 million.

The Company used approximately $18.6 million in its investing activities, primarily to acquire BMF and to purchase the capital equipment and property needed to expand its capacity. The Company plans to continue this expansion throughout the remainder of the year.

The Company's financing activities provided net cash of approximately $2.7 million, primarily from the issuance of stock through the exercise of stock options by its employees and through the issuance of debt to support its working capital needs in Denmark.

The Company believes that cash generated by operations and borrowings available under its existing credit agreements, will be sufficient for the Company's working capital needs and planned capital expenditures through the remainder of 2001. Depending on the Company's future growth and possible acquisitions, it may become necessary to secure additional sources of financing.

The Company believes that the effect of inflation on the Company has not been material in recent years, as inflation rates have remained relatively low.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business.

Item 2. Changes in Securities.

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.

11. Statements re computation of earnings per share
18. Letter re change in accounting principles

b. Reports on Form 8-K

Report on Form 8-K, dated January 11, 2001, reporting under Item 5 that the Company acquired 100% of the shares of BMF Bygningsbeslag A/S.

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.

Simpson Manufacturing Co., Inc.
(Registrant)

DATE: May 14, 2001

By /s/Michael J. Herbert
Michael J. Herbert
Chief Financial Officer
(principal accounting and financial officer)

Simpson Manufacturing Co., Inc. and Subsidiaries
Computation of Earnings Per Common Share
(Unaudited)

Exhibit 11

Basic Earnings per Share

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Weighted average number of common shares outstanding	12,037,073	12,020,446
Net income	$ 8,980,154	$ 9,288,448
Basic net income per share	$ 0.75	$ 0.77

Simpson Manufacturing Co., Inc. and Subsidiaries
Computation of Earnings Per Common Share
(Unaudited)

Exhibit 11 (continued)

Diluted Earnings per Share

	Three Months Ended March 31,	
	2001	**2000**
Weighted average number of common shares outstanding	12,037,073	12,020,446
Shares issuable pursuant to employee stock option plans, less shares assumed repurchased at the average fair value during the period	236,359	253,381
Shares issuable pursuant to the independent director stock option plan, less shares assumed repurchased at the average fair value during the period	4,053	3,626
Number of shares for computation of diluted net income per share	12,277,485	12,277,453
Net income	$ 8,980,154	$ 9,288,448
Diluted net income per share	$ 0.73	$ 0.76

Simpson Manufacturing Co., Inc. and Subsidiaries
Change in Accounting Principle

Exhibit 18

April 19, 2001

Board of Directors
Simpson Manufacturing Co., Inc.
4120 Dublin Boulevard, Suite 400
Dublin, CA 94568

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to your Form 10-Q filing pursuant to Item 601 of Regulation S-K.

We have been provided a copy of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2001. Note 3 therein describes a change in accounting principle from LIFO inventory accounting method to FIFO inventory accounting method. It should be understood that the preferability of one acceptable method of accounting over another for inventory accounting has not been addressed in any authoritative accounting literature, and in expressing our concurrence below we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-Q, and our discussions with management as to their judgment about the relevant business planning factors relating to the change, we concur with management that such change represents, in the Company's circumstances, the adoption of a preferable accounting principle in conformity with Accounting Principles Board Opinion No. 20.

We have not audited any financial statements of the Company as of any date or for any period subsequent to December 31, 2000. Accordingly, our comments are subject to change upon completion of an audit of the consolidated financial statements covering the period of the accounting change.

Very truly yours,

/s/PricewaterhouseCoopers LLP

San Francisco, California