

ESCALADE INC
Form 10-Q
May 04, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 OR 15 (d) of the Securities Exchange Act of 1934

For the quarter ended March 21, 2009 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 0-6966

ESCALADE, INCORPORATED

(Exact name of registrant as specified in its charter)

Indiana
(State of incorporation)

13-2739290
(I.R.S. EIN)

817 Maxwell Ave, Evansville, Indiana
(Address of principal executive office)

47711
(Zip Code)

812-467-4449
(Registrant's Telephone Number)

Securities registered pursuant to Section 12(b) of the Act

Common Stock, No Par Value
(Title of Class)

The NASDAQ Stock Market LLC
(Name of Exchange on Which Registered)

Securities registered pursuant to section 12(g) of the Act: NONE

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer
(do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12 b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Class	Outstanding at April 14, 2009
Common, no par value	12,616,042

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS
ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(All amounts in thousands except share information)

	March 21, 2009 (Unaudited)	March 22, 2008 (Unaudited)	December 27, 2008 (Audited)
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 4,562	\$ 3,693	\$ 3,617
Receivables, less allowance of \$1,275; \$1,023; and \$1,114; respectively	22,915	23,781	27,178
Inventories	31,010	37,991	29,860
Prepaid expenses	1,461	2,797	1,254
Assets held for sale	3,325		3,325
Deferred income tax benefit	2,060	1,611	2,015
Income tax receivable	5,155	1,831	5,327
TOTAL CURRENT ASSETS	70,488	71,704	72,576
Property, plant and equipment, net	20,409	22,200	20,209
Intangible assets	18,591	20,633	19,153
Goodwill	25,543	26,281	25,811
Investments	8,897	12,165	8,129
Interest rate swap		27	
Deferred income tax benefit	723		723
Other assets	952	1,764	1,100
	\$ 145,603	\$ 154,774	\$ 147,701
LIABILITIES AND STOCKHOLDERS EQUITY			
Current Liabilities:			
Notes payable	\$	\$ 11,764	\$ 46,525
Trade accounts payable	3,144	3,078	3,272
Accrued liabilities	15,251	20,389	16,698
Income tax payable	992		1,239
TOTAL CURRENT LIABILITIES	19,387	35,231	67,734
Other Liabilities:			
Long-term debt	46,244	29,029	
Other non-current income tax liability		118	
Deferred income tax liability		589	
Deferred compensation	1,203	1,099	1,177
TOTAL LIABILITIES	66,834	66,066	68,911
Stockholders equity:			
Preferred stock:			
Authorized 1,000,000 shares; no par value, none issued			
Common stock:			
Authorized 30,000,000 shares; no par value, issued and outstanding	12,616,042;		
12,697,586; and 12,616,042; shares respectively	12,616	12,698	12,616
Retained earnings	62,726	69,481	63,050
Accumulated other comprehensive income	3,427	6,529	3,124

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	78,769	88,708	78,790
	\$ 145,603	\$ 154,774	\$ 147,701

See notes to Consolidated Condensed Financial Statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(All amounts in thousands, except per share amounts) (Unaudited)

	Three Months Ended	
	March 21, 2009	March 22, 2008
Net sales	\$ 24,958	\$ 29,166
Costs, expenses and other income:		
Cost of products sold	17,096	20,743
Selling, general and administrative expenses	8,023	9,042
Amortization	467	437
Operating loss	(628)	(1,056)
Interest expense, net	(242)	(487)
Other income	184	162
Loss before income taxes	(686)	(1,381)
Provision for income tax benefit	247	533
Net loss	\$ (439)	\$ (848)
Per share data:		
Basic loss per share	\$ (0.03)	\$ (0.07)
Diluted loss per share	\$ (0.03)	\$ (0.07)
Cash dividend paid	\$	\$ 0.25

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

Net loss	\$ (439)	\$ (848)
Unrealized loss on marketable equity securities available for sale, net of tax benefit of \$20 and \$218, respectively	(30)	(330)
Foreign currency translation adjustment	333	1,053
Unrealized loss on interest rate swap agreement, net of tax of \$0 and \$11, respectively		(17)
Comprehensive loss	\$ (136)	\$ (142)

See notes to Consolidated Condensed Financial Statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(All amounts in thousands) (Unaudited)

	Three Months Ended	
	March 21, 2009	March 22, 2008
Operating Activities:		
Net loss	\$ (439)	\$ (848)
Depreciation and amortization	1,194	1,225
Loss (Gain) on disposal of property and equipment	13	(8)
Employee stock-based compensation	115	153
Adjustments necessary to reconcile net income (loss) to net cash used by operating activities	1,201	(3,042)
Net cash provided (used) by operating activities	2,084	(2,520)
Investing Activities:		
Purchase of property and equipment	(1,054)	(2,268)
Proceeds from sale of property and equipment		22
Net cash used by investing activities	(1,054)	(2,246)
Financing Activities:		
Net increase (decrease) in notes payable	(281)	8,625
Proceeds from exercise of stock options		313
Purchase of common stock		(195)
Director compensation		11
Dividends paid		(3,175)
Net cash provided (used) by financing activities	(281)	5,579
Effect of exchange rate changes on cash	196	72
Net increase in cash and cash equivalents	945	885
Cash and cash equivalents, beginning of period	3,617	2,808
Cash and cash equivalents, end of period	\$ 4,562	\$ 3,693

See notes to Consolidated Condensed Financial Statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Note A Summary of Significant Accounting Policies

Presentation of Consolidated Condensed Financial Statements The significant accounting policies followed by the Company and its wholly owned subsidiaries for interim financial reporting are consistent with the accounting policies followed for annual financial reporting. All adjustments that are of a normal recurring nature and are in the opinion of management necessary for a fair statement of the results for the periods reported have been included in the accompanying consolidated condensed financial statements. The consolidated condensed balance sheet of the Company as of December 27, 2008 has been derived from the audited consolidated balance sheet of the Company as of that date. Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K annual report for 2008 filed with the Securities and Exchange Commission.

Note B - Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to the current year financial statement presentation. These reclassifications had no effect on net earnings.

Note C - Seasonal Aspects

The results of operations for the three-month periods ended March 21, 2009 and March 22, 2008 are not necessarily indicative of the results to be expected for the full year.

Note D - Inventories

(All amounts in thousands)	March 21, 2009	March 22, 2008	December 27, 2008
Raw materials	\$ 11,148	\$ 9,588	\$ 9,540
Work in progress	2,599	6,497	4,506
Finished goods	17,263	21,906	15,814
	\$ 31,010	\$ 37,991	\$ 29,860

Note E Notes Payable

On April 30, 2009 the Company signed a loan agreement with JP Morgan Chase Bank, N.A. (Chase) for a senior secured revolving credit facility in the maximum amount up to \$50,000,000 and through Chase London Branch, as senior secured revolving credit facility in the maximum amount of 3,000,000 Euro upon certain terms and conditions. The credit facility has a maturity date of May 31, 2010. A portion of the credit facility not in excess of \$3,500,000 is available for the issuance of commercial or standby letters of credit to be issued by Chase.

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Note F Income Taxes

The provision for income taxes was computed based on financial statement income. In accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48), which became effective for the Company on December 31, 2006, the Company has recorded the following changes in uncertain tax positions:

In Thousands	Quarter Ended	
	March 21, 2009	March 22, 2008
Beginning Balance	\$ 954	\$ 118
Additions for current year tax positions		
Additions for prior year tax positions		
Settlements		
Reductions Settlements		
Reductions for prior year tax positions		
Ending Balance	\$ 954	\$ 118

Note G Fair Values of Financial Instruments

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (Statement No. 157) which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This became effective for the Company on December 30, 2007. The Company holds one type of financial asset subject to valuation under Statement No. 157: marketable equity securities available for sale. The Company does not have any liabilities subject to valuation under Statement 157. Fair values as of March 21, 2009 were calculated as follows:

(All amounts in thousands)	Balance at March 21, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant unobservable Inputs (Level 3)
Marketable equity securities available for sale	\$			