

ESCALADE INC  
Form 10-Q  
October 26, 2007

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**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 October 6, 2007  
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)

**812-467-1334**  
(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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 October 24, 2007
Common, no par value	12,671,846

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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)

	October 6, 2007	October 7, 2006	December 30, 2006
	(Unaudited)	(Unaudited)	(Audited)
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 9,623	\$ 339	\$ 3,829
Receivables, less allowance of \$1,333; \$2,391; and \$1,559; respectively	46,780	49,517	33,590
Inventories	39,336	40,426	32,232
Prepaid expenses	2,487	2,409	2,085
Deferred income tax benefit	969	1,287	733
Income tax receivable		684	2,001
<b>TOTAL CURRENT ASSETS</b>	<b>99,195</b>	<b>94,662</b>	<b>74,470</b>
Property, plant and equipment, net	20,206	20,290	20,657
Intangible assets	20,911	20,895	20,608
Goodwill	25,485	24,708	25,027
Investments	10,325	7,790	9,011
Interest rate swap	107	273	239
Other assets	1,065	2,029	703
	<b>\$ 177,294</b>	<b>\$ 170,647</b>	<b>\$ 150,715</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
Current liabilities:			
Notes payable	\$ 23,749	\$ 24,534	\$ 10,336
Current portion of long-term debt	3,479		
Trade accounts payable	6,867	10,071	3,350
Accrued liabilities	26,162	24,940	27,659
Income tax payable	366		
<b>TOTAL CURRENT LIABILITIES</b>	<b>60,623</b>	<b>59,545</b>	<b>41,345</b>
Other Liabilities:			
Long-term debt	27,700	28,020	22,609
Deferred compensation	1,055	1,025	1,046
	<b>89,378</b>	<b>88,590</b>	<b>65,000</b>
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 12,671,846; 13,029,769; and 13,039,457; respectively	12,672	13,030	13,039
Retained earnings	70,516	66,530	69,194
Accumulated other comprehensive income	4,728	2,497	3,482

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	<u>87,916</u>		<u>82,057</u>		<u>85,715</u>
	\$ 177,294		\$ 170,647		\$ 150,715

See notes to Consolidated Condensed Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	October 6, 2007	October 7, 2006	October 6, 2007	October 7, 2006
Net sales	\$ 60,687	\$ 65,583	\$ 144,684	\$ 147,332
Costs, expenses and other income:				
Cost of products sold	45,086	49,023	100,997	104,684
Selling, general and administrative expenses	9,509	10,650	30,047	31,434
Operating income	6,092	5,910	13,640	11,214
Interest expense, net	(714)	(862)	(2,183)	(1,926)
Other income (expense)	595	(310)	(472)	(565)
Income before income taxes	5,973	4,738	10,985	8,723
Provision for income taxes	2,842	1,746	4,322	2,819
Net income	\$ 3,131	\$ 2,992	\$ 6,663	\$ 5,904
Per Share Data:				
Basic earnings per share	\$ 0.24	\$ 0.23	\$ 0.51	\$ 0.45
Diluted earnings per share	\$ 0.24	\$ 0.23	\$ 0.51	\$ 0.45
Cash dividend paid			\$ 0.22	\$ 0.20

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Net income	\$ 3,131	\$ 2,992	\$ 6,663	\$ 5,904
Unrealized gain on securities, net of tax of \$(20), \$(111), \$(220) and \$(36), respectively	31	168	338	55
Foreign currency translation adjustment	205	395	989	1,432
Unrealized gain (loss) on interest rate swap agreement, net of tax of \$17, \$21, \$56 and \$(40), respectively	(26)	(32)	(86)	60
Comprehensive income	\$ 3,341	\$ 3,523	\$ 7,904	\$ 7,451

See notes to Consolidated Condensed Financial Statements.

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

	Nine Months Ended	
	October 6, 2007	October 7, 2006
<b>Operating Activities:</b>		
Net income	\$ 6,663	\$ 5,904
Depreciation and amortization	4,214	4,553
Adjustments necessary to reconcile net income to net cash used by operating activities	(15,530)	(13,083)
<b>Net cash used by operating activities</b>	<b>(4,653)</b>	<b>(2,626)</b>
<b>Investing Activities:</b>		
Purchase of property and equipment	(1,378)	(1,903)
Proceeds from asset disposition	175	
Retirement of Life Insurance Policies	306	
Acquisition of assets	(3,623)	(28,619)
<b>Net cash used by investing activities</b>	<b>(4,520)</b>	<b>(30,522)</b>
<b>Financing Activities:</b>		
Net increase in notes payable	21,982	32,898
Proceeds from exercise of stock options	140	1,288
Director fees paid by issuing stock	133	141
Purchase of common stock	(3,401)	(1,376)
Dividends paid	(2,866)	(2,604)
<b>Net cash provided by financing activities</b>	<b>15,988</b>	<b>30,347</b>
Effect of exchange rate changes on cash	(1,021)	123
Net increase (decrease) in cash and cash equivalents	5,794	(2,678)
Cash and cash equivalents, beginning of period	3,829	3,017
<b>Cash and cash equivalents, end of period</b>	<b>\$ 9,623</b>	<b>\$ 339</b>

See notes to Consolidated Condensed Financial Statements.

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ESCALADE, INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

### Note A Summary of Significant Accounting Policies

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*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 30, 2006 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 2006 filed with the Securities and Exchange Commission.

*Accounting Standards Implemented in 2007* Effective December 31, 2006, Escalade adopted FIN 48 which clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109, Accounting for Income Taxes (SFAS 109). See Note E for information relating to the implementation of this interpretation and other required disclosures pertaining to uncertain tax positions.

*Accounting Standards to Be Implemented* In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 (SFAS 159). This statement permits companies to choose to measure many financial instruments and certain other items at fair value. SFAS 159 requires additional disclosures related to the fair value measurements included in the financial statements. This statement is effective on December 30, 2007 for Escalade and the company is currently in the process of evaluating the impact of this statement on the consolidated financial statements.

### Note B Seasonal Aspects

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The results of operations for the nine month periods ended October 6, 2007 and October 7, 2006 are not necessarily indicative of the results to be expected for the full year.

### Note C Inventories

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(All amounts in thousands)	October 6, 2007	October 7, 2006	December 30, 2006
Raw materials	\$		