

Escalade Inc. (symbol ESCA)

Company Profile

Escalade, Inc. manufactures and distributes sporting goods and provides information security and print finishing products. It operates through two segments: Sporting Goods and Information Security & Print Finishing. The Sports Goods segment manufactures, imports, and distributes widely recognized sporting goods brands in family recreation, fitness, training, and hunting products through traditional department stores, mass merchandise retailers, and sporting goods specific retailers. This segment's products consists of home entertainment products such as table tennis tables and accessories; basketball goals; pool tables and accessories; outdoor playsets; soccer and hockey tables; archery equipment and accessories; and fitness, arcade and darting products. Brands include *Goalrilla*, *Bear*, *Mizerak*, *Prince*, *Head*, *Minnesota Fats*, and *PingPong*, amongst others.

The Information Security & Print Finishing segment is focused on addressing information security issues, including the decommissioning or destruction of data stored on optical, solid state, magnetic, and traditional media such as paper to meet the increasingly strict security standards. This segment's products consist of high-security data shredders, disintegrators and deguassers, and office machinery used in the office and graphic arts environment. Brands include *Intimus* and *Martin Yale*.

Financials

ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited, In Thousands Except Per Share Amounts)

	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	October	October	October	October	October	October
	5, 2013	6, 2012	5, 2013	6, 2012	5, 2013	6, 2012
NET SALES	\$ 38,482	\$ 34,206	\$ 117,305	\$ 106,800	\$ 158,094	\$ 143,468
OPERATING EXPENSES						
Cost of goods sold	26,945	23,249	79,210	72,943	109,440	99,141
Selling and administrative	7,748	7,466	24,646	23,729	32,287	33,607
Goodwill intangible asset impairment charges	--	13,362	--	13,362	22	13,362
Amortization	<u>544</u>	<u>516</u>	<u>1,819</u>	<u>1,722</u>	<u>2,343</u>	<u>2,073</u>
OPERATING INCOME (LOSS)	3,245	(10,387)	11,630	(4,956)	14,002	(4,715)
OTHER INCOME (EXPENSE)						
Interest expense	(176)	(144)	(596)	(490)	(708)	(654)
Other income	931	919	867	1,331	2,567	3,029
Equity method investment impairment	<u>--</u>	<u>(382)</u>	<u>--</u>	<u>(382)</u>	<u>--</u>	<u>(382)</u>
INCOME (LOSS) BEFORE INCOME TAXES	4,000	(9,994)	11,901	(4,497)	15,861	(2,722)
PROVISION FOR INCOME TAXES	<u>1,487</u>	<u>1,509</u>	<u>5,146</u>	<u>4,343</u>	<u>5,194</u>	<u>3,984</u>
NET INCOME (LOSS)	<u>\$ 2,513</u>	<u>\$ (11,503)</u>	<u>\$ 6,755</u>	<u>\$ (8,840)</u>	<u>\$ 10,667</u>	<u>\$ (6,706)</u>
PER SHARE DATA						
Basic earnings (loss) per share	<u>\$ 0.19</u>	<u>\$ (0.86)</u>	<u>\$ 0.50</u>	<u>\$ (0.67)</u>	<u>\$ 0.79</u>	<u>\$ (0.51)</u>
Diluted earnings (loss) per share	<u>\$ 0.18</u>	<u>\$ (0.85)</u>	<u>\$ 0.50</u>	<u>\$ (0.66)</u>	<u>\$ 0.78</u>	<u>\$ (0.51)</u>
Average shares outstanding	13,520	13,391	13,484	13,189	13,470	13,115

CONSOLIDATED CONDENSED BALANCE SHEET

(In Thousands)

	October 5, 2013 (Unaudited)	December 29, 2012 (Audited)	October 6, 2012 (Unaudited)
ASSETS			
Current assets	\$ 82,055	\$ 70,965	\$ 72,369
Property, plant & equipment – net	14,744	12,281	12,095
Other assets	29,794	30,477	27,706
Goodwill	<u>12,017</u>	<u>12,017</u>	<u>12,017</u>
Total	\$ 138,610	\$ 125,740	\$ 124,187
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities	\$ 44,193	\$ 38,309	\$ 40,662
Other liabilities	8,970	6,974	6,223
Stockholders' equity	<u>85,447</u>	<u>80,457</u>	<u>77,302</u>
Total	\$ 138,610	\$ 125,740	\$ 124,187

Current Valuation

ESCA

	ESCA	Industry Avg	S&P 500	ESCA 5Y Avg*
Price/Earnings	15.0	33.4	17.9	9.4
Price/Book	1.9	2.6	2.5	0.9
Price/Sales	1.0	2.5	1.6	0.6
Price/Cash Flow	41.5	6.3	10.8	25.1
Dividend Yield %	2.9	1.5	2.3	

Key stats and ratios

	Q4 (Oct '13)	2012
Net profit margin	6.53%	-3.34%
Operating margin	8.43%	-2.01%
EBITD margin	-	10.25%
Return on average assets	7.52%	-3.85%
Return on average equity	11.98%	-5.87%

Recent News

President's Message – February, 2014

The momentum at Escalade keeps building as we achieved a second straight year of "double-digit" increase in top line revenue and earnings. Our focus on profitable growth has resulted in a 10% sales increase and 21% net income growth (when adjusted for accelerated depreciation in 2011 and impairment of goodwill and intangible assets in 2012). Our goal is to build on this momentum by delivering outstanding results again in 2013 and beyond.

Our balanced strategy of Product Innovation and Brand Marketing has proved to be an effective and sustainable approach to build core categories in our business. The Sporting Goods segment, anchored by formidable brands such as Bear Archery, Goalrilla, and Stiga, achieved record performance in 2013 including 16% sales growth and 41% increase in net income. We continue to increase our investments in new product development and brand building activities to build the foundation for future growth. Customer Services undergirds our strategy as we strive to set new standards in delighting our distributors, dealers, and consumers. I am pleased to say this approach to our business is working well and we are confident it will drive even greater future results.

EVANSVILLE, Ind., Nov. 14, 2013 /PRNewswire/ -- Escalade, Inc. (Nasdaq: [ESCA](#)) today announced the acquisition of the indoor games business of DMI Sports, marketers of Arachnid®, Nodor® and Winmau® darting, Prince® and Head® table tennis and Minnesota Fats® billiards. The DMI Sports indoor games business will become part of Escalade Sports, a wholly owned subsidiary of Escalade, Incorporated, one of America's leading manufacturers of table tennis, darting, billiards, game tables, basketball systems, archery and fitness products.

The acquisition will help Escalade Sports apply technologies and innovations of its newly acquired brands and trade names to its existing portfolio of products. The deal will also enable the Company to offer a broader array of premium darting, table tennis and billiards brands to its retail partners.

"We are pleased to announce the addition of these premium darting, table tennis and billiard brands to the Escalade Sports family of products," said Robert J. Keller, President & Chief Executive Officer of Escalade, Inc. "This acquisition will serve as a great benefit to our retail partners as it strengthens our existing product lines while offering our consumers a wider assortment of premium product options within these categories."

EVANSVILLE, Ind., Nov. 4, 2013 /PRNewswire/ -- Escalade, Incorporated announced that revenues for the third quarter of 2013 were up 13% over the same quarter in the prior year. Year to date revenues have increased 10% over the same period in the prior year.

The Company generated net income for the quarter of \$2.5 million, or \$0.19 basic earnings per share compared to net loss of \$(11.5) million or \$(0.86) basic earnings per share for the same quarter in 2012. For the first nine months

of 2013, net income is \$6.8 million or \$0.50 basic earnings per share, while the first nine months of 2012 showed a net loss of \$(8.8) million with \$(0.67) basic earnings per share. In the third quarter of 2012, the Company recorded a goodwill impairment of \$13.2 million, other intangible impairment of \$0.2 million both in the Information Security and Print Finishing segment and a \$0.4 million impairment on an equity method investment. Without the impact of goodwill and other intangible asset impairments and equity method investment impairment losses in 2012, basic earnings per share would have been \$0.16 and \$0.36 for the first three and nine months of 2012.

Revenues from the Sporting Goods business were up 23% for the quarter and 20% for the first nine months of 2013, compared to the same periods in the prior year. Management expects strong sales in the Sporting Goods segment through the remainder of the year, although sales growth may be somewhat less than in previous quarters.

Revenues from the Information Security and Print Finishing business decreased 19% and 18% for the third quarter and first nine months of 2013, respectively, compared to the same periods in the prior year. Excluding the effects of changes in the currency exchange rates, revenues decreased 27% and 19%, for the third quarter and first nine months of 2013, respectively. Contributing to the decrease in revenue is a reduction in government spending along with increased competition. The Information Security and Print Finishing segment represents 19% and 26% of year to date revenues for 2013 and 2012, respectively.

"We are pleased with third quarter revenue growth of 13% resulting in a 12% net income increase, excluding the effect of impairments last year. For the first nine months of 2013, revenue has increased 10%, led by the Sporting Goods segment growth of 20%," stated Robert J. Keller, President and Chief Executive Officer of Escalade, Inc.

"This growth in revenue and earnings is a result of strong product placement and sell through with our retailers."