

LACROSSE FOOTWEAR INC
Form 10-Q
August 04, 2004

UNITED STATES
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 quarterly period ended June 26, 2004

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 **0-238001**

LaCrosse Footwear, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin

39-1446816

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**18550 NE Riverside Parkway
Portland, Oregon 97230**

(Address of principal executive offices)
(Zip Code)

(503) 766-1010

(Registrant's telephone number, including area code)

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 an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

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

Common Stock, \$.01 par value, outstanding as of July 30, 2004: 5,890,724 shares

LaCrosse Footwear, Inc.

Edgar Filing: LACROSSE FOOTWEAR INC - Form 10-Q

Form 10-Q Index

For the Quarter Ended June 26, 2004

	<u>Page</u>
PART I	Financial Information
Item 1.	Condensed Consolidated Balance Sheets 3
	Condensed Consolidated Statements of Operations 4
	Condensed Consolidated Statements of Cash Flows 5
	Notes to Condensed Consolidated Financial Statements 6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 11
Item 3.	Quantitative and Qualitative Disclosures About Market Risk 18
Item 4.	Controls and Procedures 18
PART II	Other Information
Item 1.	Legal Proceedings 19
Item 4.	Submission of Matters to a Vote of Security Holders 19
Item 6.	Exhibits and Reports on Form 8-K 20
Signatures	21
Exhibit Index	22

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

**LACROSSE FOOTWEAR, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share data)

**June 26,
2004**

**December 31,
2003**

(Unaudited)

Assets

Edgar Filing: LACROSSE FOOTWEAR INC - Form 10-Q

	June 26, 2004	December 31, 2003
Current Assets:		
Cash and cash equivalents	\$ --	\$ --
Trade accounts receivable, net	12,358	13,412
Inventories (2)	21,629	24,042
Prepaid expenses, deferred tax assets and other	1,616	1,415
Total current assets	35,603	38,869
Property and equipment, net	4,350	4,644
Goodwill	10,753	10,753
Other assets	1,040	975
Total assets	\$ 51,746	\$ 55,241
 Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term obligations	\$ --	\$ 2,219
Notes payable, bank (7)	3,423	5,319
Accounts payable	2,795	2,727
Accrued expenses (1) (5)	2,416	2,851
Total current liabilities	8,634	13,116
Compensation and benefits (6)	3,459	3,501
Deferred tax liability	865	748
Total liabilities	12,958	17,365
Shareholders' Equity:		
Common stock, par value \$.01 per share, authorized 50,000,000 shares; issued 6,717,627 shares	67	67
Additional paid-in capital	26,346	26,430
Accumulated other comprehensive loss	(1,215)	(1,215)
Retained earnings	18,259	17,401
Less cost of 826,923 and 842,454 shares of treasury stock	(4,669)	(4,807)
Total shareholders' equity	38,788	37,876
Total liabilities and shareholders' equity	\$ 51,746	\$ 55,241

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

Edgar Filing: LACROSSE FOOTWEAR INC - Form 10-Q

(In thousands, except per share data)
(Unaudited)

	Quarter Ended		First Half Ended	
	June 26, 2004	June 28, 2003	June 26, 2004	June 28, 2003
Net sales	\$ 18,600	\$ 18,588	\$ 42,326	\$ 38,462
Cost of goods sold	12,630	12,981	29,123	26,869
Gross profit	5,970	5,607	13,203	11,593
Selling and administrative expenses	6,057	5,410	12,054	11,739
Operating income (loss)	(87)	197	1,149	(146)
Non-operating income (expense):				
Interest expense	(125)	(229)	(289)	(520)
Miscellaneous	(25)	36	(2)	21
	(150)	(193)	(291)	(499)
Income (loss) before income taxes	(237)	4	858	(645)
Provision for income taxes (3)	--	--	--	--
Net income (loss)	\$ (237)	\$ 4	\$ 858	\$ (645)
Net income (loss) per common share:				
Basic	\$ (0.04)	\$ --	\$ 0.15	\$ (0.11)
Diluted	\$ (0.04)	\$ --	\$ 0.14	\$ (0.11)
Weighted average shares outstanding:				
Basic	5,886	5,874	5,882	5,874
Diluted	5,886	5,892	6,065	5,874

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

Edgar Filing: LACROSSE FOOTWEAR INC - Form 10-Q

(In thousands)

(Unaudited)

	First Half Ended	
	June 26, 2004	June 28, 2003
Cash flows from operating activities		
Net income (loss)	\$ 858	\$ (645)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	791	855
Other	87	117
Changes in assets and liabilities:		
Trade accounts receivable	1,054	2,839
Inventories	2,413	(1,573)
Refundable income taxes	--	2,888
Accounts payable	68	(1,410)
Accrued expenses and other	(558)	(1,033)
Net cash provided by operating activities	4,713	2,038
Cash flows from investing activities		
Capital expenditures	(519)	(589)
Proceeds from sale of property and equipment	75	23
Other	--	1
Net cash used in investing activities	(444)	(565)
Cash flows from financing activities		
Net payments on short-term borrowings	(1,896)	(67)
Principal payments on long-term obligations	(2,219)	(1,406)
Payment of deferred financing costs	(208)	--
Proceeds from exercise of stock options	54	--
Net cash used in financing activities	(4,269)	(1,473)
Net increase (decrease) in cash and cash equivalents	--	--
Cash and cash equivalents:		
Beginning	--	--
Ending	\$ --	\$ --
Supplemental information		
Cash payments (refunds) of:		
Interest	\$ 341	\$ 726
Income taxes	\$ --	\$ (2,888)

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

LACROSSE FOOTWEAR, INC. AND SUBSIDIARY**Notes to Condensed Consolidated Financial Statements
(Unaudited)****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Presentation and Use of Estimates**

LaCrosse Footwear, Inc. is referred to as we, us, our or Company in this report. We have prepared these unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, we have condensed or omitted certain information and footnote disclosures. In our opinion, these financial statements include all normal recurring adjustments necessary to present fairly the results for the interim periods shown.

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions which affect the amounts of assets, liabilities, revenue and expenses we have reported and our disclosure of contingent assets and liabilities at the date of the financial statements. The results of the interim periods are not necessarily indicative of the results for the full year. You should read these condensed consolidated financial statements in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2003.

We report our quarterly interim financial information based on 13-week periods.

b. Principles of Consolidation

The consolidated financial statements include the accounts of LaCrosse Footwear, Inc. and our wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

c. Revenue Recognition

Revenue is recognized at the time products are shipped to customers. Revenue is recorded net of estimated discounts and returns. Amounts billed to customers relating to shipping and handling are classified as revenue. Costs incurred for shipping and handling are classified as cost of goods sold.

d. Product Warranties

Our standard warranties require us to repair or replace defective products at no cost to the consumer. We estimate the costs that may be incurred under our basic limited warranty and record a liability in the amount of such costs at the time product revenue is recognized. Factors that affect our warranty liability include the number of units sold, historical and anticipated rates of warranty claims, and cost per claim. We periodically assess the adequacy of the recorded warranty liabilities and adjust the amounts as necessary. We utilize historical trends and information received from customers to assist in determining the appropriate loss reserve levels.

Edgar Filing: LACROSSE FOOTWEAR INC - Form 10-Q

Changes in our warranty liability during the quarters and first half ended June 26, 2004 and June 28, 2003 are as follows:

(In thousands)

	For the Quarter Ended		For the First Half Ended	
	June 26, 2004	June 28, 2003	June 26, 2004	June 28, 2003
Balance, beginning	\$ 802	\$ 996	\$ 852	\$ 999
Accruals for products sold	328	464	915	1,124
Costs incurred	(330)	(464)	(967)	(1,127)
Balance, ending	\$ 800	\$ 996	\$ 800	\$ 996

e. Net Income (Loss) Per Common Share

Basic earnings per common share excludes all dilution and is computed using the weighted average number of common shares outstanding during the period. The diluted earnings per common share calculation assumes that all stock options or other arrangements to issue common stock (common stock equivalents) were exercised or converted into common stock at the beginning of the period, unless their effect would be anti-dilutive.

f. Employee Stock-Based Compensation

At June 26, 2004, we had stock-based employee compensation plans, which are described in more detail in Note 4 to these condensed consolidated financial statements. We account for those plans under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees and have adopted the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation and SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. No stock-based employee compensation cost is reflected in the condensed consolidated statements of operations, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the grant date. The following table illustrates the effect on net income (loss) and net income (loss) per common share if we had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

(In Thousands, except for per share data)

	For the Quarter Ended		For the First Half Ended	
	June 26, 2004	June 28, 2003	June 26, 2004	June 28, 2003
Net income (loss) - as reported	\$ (237)	\$ 4	\$ 858	\$ (645)
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards	(111)	(43)	(216)	(84)
Pro forma net income (loss)	\$ (348)	\$ (39)	\$ 642	\$ (729)
Income (loss) per common share:				
Basic as reported	\$ (0.04)	\$ --	\$ 0.15	\$ (0.11)
Diluted as reported	\$ (0.04)	\$ --	\$ 0.14	\$ (0.11)
Basic pro forma	\$ (0.06)	\$ (0.01)	\$ 0.11	\$ (0.12)
Diluted pro forma	\$ (0.06)	\$ (0.01)	\$ 0.11	\$ (0.12)

The above pro forma effects on net income (loss) and net income (loss) per common share are not likely to be representative of the effects on reported net income (loss) for future years because options vest over several years and additional awards generally are made each year.

g. Recently Issued Accounting Standards

In December 2003, the FASB revised SFAS No. 132, Employers Disclosures about Pensions and Other Postretirement Benefits . The revisions include requiring public companies to include additional disclosures regarding descriptions of the types of plan assets, investment strategies, measurement dates, plan obligations, cash flows, and components of net periodic benefit cost recognized in interim periods. The June 26, 2004 condensed consolidated financial statements and related notes include the enhanced interim disclosures (See Note 6).

2. INVENTORIES

Inventories are comprised of the following:

(In thousands)

	June 26, 2004	December 31, 2003
Raw materials	\$ 1,898	\$ 1,539
Work in process	179	177