

DIXIE GROUP INC  
Form 10-Q  
August 08, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

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: 0-2585

THE DIXIE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Tennessee

62-0183370

(State or other jurisdiction of incorporation or organization)

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

104 Nowlin Lane, Suite 101, Chattanooga, TN 37421

(423) 510-7000

(Address of principal executive offices) (zip code)

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)  Yes  No

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The number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date.

Class	Outstanding as of July 23, 2012
Common Stock, \$3 Par Value	12,156,590 shares
Class B Common Stock, \$3 Par Value	952,784 shares
Class C Common Stock, \$3 Par Value	0 shares

THE DIXIE GROUP, INC.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## THE DIXIE GROUP, INC.

## CONSOLIDATED CONDENSED BALANCE SHEETS

(dollars in thousands, except share data)

	June 30, 2012 (Unaudited)	December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$240	\$298
Receivables, net	30,850	29,173
Inventories	72,940	63,939
Deferred income taxes	5,291	5,860
Other current assets	2,074	1,729
<b>TOTAL CURRENT ASSETS</b>	<b>111,395</b>	<b>100,999</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>185,536</b>	<b>183,816</b>
Less accumulated depreciation and amortization	(120,926)	(116,275)
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>64,610</b>	<b>67,541</b>
<b>OTHER ASSETS</b>	<b>14,139</b>	<b>14,403</b>
<b>TOTAL ASSETS</b>	<b>\$190,144</b>	<b>\$182,943</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$16,575	\$14,668
Accrued expenses	16,495	17,185
Current portion of long-term debt	2,227	2,729
<b>TOTAL CURRENT LIABILITIES</b>	<b>35,297</b>	<b>34,582</b>
<b>LONG-TERM DEBT</b>		
Senior indebtedness	60,732	52,806
Mortgage note payable	9,772	10,141
Equipment notes payable	2,034	2,061
Capital lease obligations	800	349
<b>TOTAL LONG-TERM DEBT</b>	<b>73,338</b>	<b>65,357</b>
<b>DEFERRED INCOME TAXES</b>	<b>3,687</b>	<b>4,804</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>13,941</b>	<b>13,815</b>
<b>TOTAL LIABILITIES</b>	<b>126,263</b>	<b>118,558</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	—	—
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock (\$3 par value per share): Authorized 80,000,000 shares, issued - 16,170,030 shares for 2012 and 15,998,937 shares for 2011	48,510	47,997
Class B Common Stock (\$3 par value per share): Authorized 16,000,000 shares, issued - 952,784 shares for 2012 and 882,644 shares for 2011	2,858	2,648
Additional paid-in capital	137,825	138,118

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Accumulated deficit	(66,378	)	(65,764	)
Accumulated other comprehensive loss	(254	)	(88	)
	122,561		122,911	
Less Common Stock in treasury at cost - 4,013,440 shares for 2012 and 3,976,396 shares for 2011	(58,680	)	(58,526	)
TOTAL STOCKHOLDERS' EQUITY	63,881		64,385	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$190,144		\$182,943	

See accompanying notes to the consolidated condensed financial statements.

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THE DIXIE GROUP, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(UNAUDITED)

(dollars in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
NET SALES	\$66,566	\$69,200	\$129,416	\$135,154
Cost of sales	50,847	52,477	97,995	101,861
GROSS PROFIT	15,719	16,723	31,421	33,293
Selling and administrative expenses	15,683	14,944	30,745	30,337
Other operating (income) expense, net	76	42	96	(450)
Facility consolidation and severance expenses, net	—	(563)	—	(563)
OPERATING INCOME (LOSS)	(40)	2,300	580	3,969
Interest expense	762	900	1,488	1,832
Other (income) expense, net	(95)	10	(92)	(6)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES	(707)	1,390	(816)	2,143
Income tax provision (benefit)	(303)	582	(308)	691
INCOME (LOSS) FROM CONTINUING OPERATIONS	(404)	808	(508)	1,452
Loss from discontinued operations, net of tax	(29)	(42)	(106)	(62)
NET INCOME (LOSS)	\$(433)	\$766	\$(614)	\$1,390
BASIC EARNINGS (LOSS) PER SHARE:				
Continuing operations	\$(0.03)	\$0.06	\$(0.04)	\$0.11
Discontinued operations	—	—	(0.01)	—
Net income (loss)	\$(0.03)	\$0.06	\$(0.05)	\$0.11
BASIC SHARES OUTSTANDING	12,633	12,596	12,619	12,574
DILUTED EARNINGS (LOSS) PER SHARE:				
Continuing operations	\$(0.03)	\$0.06	\$(0.04)	\$0.11
Discontinued operations	—	—	(0.01)	—
Net income (loss)	\$(0.03)	\$0.06	\$(0.05)	\$0.11
DILUTED SHARES OUTSTANDING	12,633	12,648	12,619	12,624
DIVIDENDS PER SHARE:				
Common Stock	—	—	—	—
Class B Common Stock	—	—	—	—

See accompanying notes to the consolidated condensed financial statements.

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THE DIXIE GROUP, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)  
(dollars in thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
NET INCOME (LOSS)	\$(433 )	\$766	\$(614 )	\$1,390
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Unrealized loss on interest rate swaps	(241 )	(161 )	(321 )	(132 )
Reclassification of loss into earnings from interest rate swaps	24	85	48	172
Amortization of unrealized loss on dedesignated interest rate swaps	73	—	147	—
Reclassification of net actuarial gain into earnings from postretirement benefit plans	(6 )	(4 )	(12 )	(9 )
Reclassification of prior service credits into earnings from postretirement benefit plans	(14 )	(14 )	(28 )	(28 )
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(164 )	(94 )	(166 )	3
COMPREHENSIVE INCOME (LOSS)	\$(597 )	\$672	\$(780 )	\$1,393

See accompanying notes to the consolidated condensed financial statements.

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THE DIXIE GROUP, INC.  
 CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)  
 (dollars in thousands)

	Six Months Ended	
	June 30, 2012	July 2, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) from continuing operations	\$ (508)	) \$ 1,452
Loss from discontinued operations	(106)	) (62)
Net income (loss)	(614)	) 1,390
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	4,782	4,879
Change in deferred income taxes	(446)	) 530
Net gain on property, plant and equipment disposals	—	(2)
Stock-based compensation expense	415	373