

DIXIE GROUP INC
Form 10-Q
November 04, 2009

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

Form 10-Q

(Mark One)

S

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

For the quarterly period
ended: September 26, 2009

or

o

**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)

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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. S Yes o 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). o Yes o 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. (Check one):

Large accelerated filer o

Accelerated filer

S

(Do not
check if a
smaller
reporting

Non-accelerated filer o company)

Smaller reporting company o

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

o Yes S No

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

Class
Common Stock, \$3 Par Value

Outstanding as of October 23, 2009
11,920,483 shares

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| | |
|-------------------------------------|----------------|
| Class B Common Stock, \$3 Par Value | 858,447 shares |
| Class C Common Stock, \$3 Par Value | 0 shares |

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

THE DIXIE GROUP, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(dollars in thousands)

| | Sept. 26, 2009 (Unaudited) | Dec. 27, 2008 |
|-------------------------------------------------------------------------------------------------|----------------------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 102 | \$ 113 |
| Receivables (less allowance for doubtful accounts of \$1,213 for 2009 and \$961 for 2008) | 25,102 | 32,976 |
| Inventories | 59,153 | 75,167 |
| Other current assets | 5,063 | 5,893 |
| TOTAL CURRENT ASSETS | 89,420 | 114,149 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land and improvements | 6,088 | 6,088 |
| Buildings and improvements | 47,536 | 46,892 |
| Machinery and equipment | 128,742 | 131,297 |
| | 182,366 | 184,277 |
| Less accumulated depreciation and amortization | (98,179) | (90,217) |
| NET PROPERTY, PLANT AND EQUIPMENT | 84,187 | 94,060 |
| OTHER ASSETS | | |
| Goodwill | --- | 33,406 |
| Other long-term assets | 12,672 | 11,048 |
| TOTAL OTHER ASSETS | 12,672 | 44,454 |
| TOTAL ASSETS | \$ 186,279 | \$ 252,663 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 10,026 | \$ 11,335 |
| Accrued expenses | 13,389 | 16,356 |
| Current portion of long-term debt | 8,959 | 8,832 |
| TOTAL CURRENT LIABILITIES | 32,374 | 36,523 |

LONG-TERM DEBT

| | | |
|-------------------------------------|---------------|--------|
| Senior indebtedness | 55,303 | 68,549 |
| Capital lease obligations | 791 | 1,806 |
| Convertible subordinated debentures | 12,162 | 14,662 |
| TOTAL LONG-TERM DEBT | 68,256 | 85,017 |

| | | |
|-------------------------------|---------------|--------|
| DEFERRED INCOME TAXES | 3,450 | 10,713 |
| OTHER LONG-TERM LIABILITIES | 11,660 | 12,822 |
| COMMITMENTS AND CONTINGENCIES | --- | --- |

STOCKHOLDERS' EQUITY

| | | |
|---------------------------------------------------|-------------------|-------------------|
| Common Stock (\$3 par value per share): | | |
| Authorized 80,000,000 shares, | | |
| issued - 15,843,942 shares for 2009 and | | |
| 15,840,374 shares for 2008 | 47,532 | 47,521 |
| Class B Common Stock (\$3 par value per share): | | |
| Authorized 16,000,000 | | |
| shares, issued - 858,447 shares for 2009 and | | |
| 862,915 shares for 2008 | 2,575 | 2,589 |
| Additional paid-in capital | 136,405 | 136,015 |
| Accumulated deficit | (57,458) | (18,840) |
| Accumulated other comprehensive loss | (186) | (509) |
| | 128,868 | 166,776 |
| Less Common Stock in treasury at cost - 3,923,459 | | |
| shares for 2009 and 4,086,546 shares for 2008 | (58,329) | (59,188) |
| TOTAL STOCKHOLDERS' EQUITY | 70,539 | 107,588 |
| TOTAL LIABILITIES AND STOCKHOLDERS' | | |
| EQUITY | \$ 186,279 | \$ 252,663 |

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 | | Nine Months Ended | |
|-----------------------------------------------|--------------------|-------------------|-------------------|-------------------|
| | Sept. 26, 2009 | Sept. 27, 2008 | Sept. 26, 2009 | Sept. 27, 2008 |
| Net sales | \$ 50,487 | \$ 72,917 | \$ 150,698 | \$ 220,794 |
| Cost of sales | 36,911 | 54,029 | 113,166 | 158,796 |
| Gross profit | 13,576 | 18,888 | 37,532 | 61,998 |
| Selling and administrative expenses | 14,857 | 18,733 | 45,338 | 56,754 |
| Other operating income | (212) | (56) | (560) | (292) |
| Other operating expense | 79 | 178 | 384 | 546 |
| Facility consolidation and severance expenses | 563 | --- | 2,295 | --- |
| Impairment of goodwill | --- | --- | 31,406 | --- |
| Operating income (loss) | (1,711) | 33 | (41,331) | 4,990 |
| Interest expense | 1,347 | 1,483 | 4,243 | 4,414 |
| Other income | (20) | (165) | (339) | (348) |

| | | | | |
|-----------------------------------------------------------------------------|----------------|---------|-----------------|-----|
| Other expense | 146 | 5 | 167 | 31 |
| Income (loss) from continuing operations before taxes | (3,184) | (1,290) | (45,402) | 893 |
| Income tax provision (benefit) | (1,167) | (558) | (6,960) | 260 |
| Income (loss) from continuing operations | (2,017) | (732) | (38,442) | 633 |
| Income (loss) from discontinued operations, net of tax | 23 | (101) | (176) | |