

DIXIE GROUP INC  
Form 10-Q  
August 07, 2008

**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: **June 28, 2008**

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)

**Tennessee**

(State or other jurisdiction of incorporation  
or organization)

**62-0183370**

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

**104 Nowlin Lane, Suite 101,  
Chattanooga, TN**

**37421**

**(423) 510-7000**

Edgar Filing: DIXIE GROUP INC - Form 10-Q

(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 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. (Check one):

Large accelerated filer o Accelerated filer S Non-accelerated filer 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                               | Outstanding as of July 21, 2008 |
|-------------------------------------|---------------------------------|
| Common Stock, \$3 Par Value         | 11,937,811 shares               |
| Class B Common Stock, \$3 Par Value | 869,909 shares                  |
| Class C Common Stock, \$3 Par Value | 0 shares                        |





**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****THE DIXIE GROUP, INC.****CONSOLIDATED CONDENSED BALANCE SHEETS****(dollars in thousands)**

|   | <b>(Unaudited)<br/>June 28,<br/>2008</b> | December<br>29,<br>2007 |
|---|--|-------------------------|
| <b>ASSETS</b>   |  |                         |
| <b>CURRENT ASSETS</b>   |  |                         |
| Cash and cash equivalents   | \$ 162                                   | \$ 427                  |
| Accounts receivable (less allowance for doubtful accounts of<br>\$738 for 2008 and<br>\$676 for 2007) | 34,931                                   | 32,868                  |
| Inventories   | 79,300                                   | 75,928                  |
| Other current assets  | 10,333                                   | 7,742                   |
| TOTAL CURRENT ASSETS  | <b>124,726</b>                           | 116,965                 |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>  |  |                         |
| Land and improvements   | 6,088                                    | 6,075                   |
| Buildings and improvements  | 46,405                                   | 45,890                  |
| Machinery and equipment   | 132,567                                  | 128,968                 |
|   | <b>185,060</b>                           | 180,933                 |
| Less accumulated depreciation and amortization  | (84,809)                                 | (78,555)                |
| NET PROPERTY, PLANT AND<br>EQUIPMENT  | <b>100,251</b>                           | 102,378                 |
| <b>OTHER ASSETS</b>   |  |                         |
| Goodwill  | 56,635                                   | 56,743                  |
| Other long-term assets  | 14,973                                   | 14,152                  |
| TOTAL OTHER ASSETS  | <b>71,608</b>                            | 70,895                  |
| <b>TOTAL ASSETS</b>   | <b>\$ 296,585</b>                        | \$ 290,238              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |  |                         |
| <b>CURRENT LIABILITIES</b>  |  |                         |
| Accounts payable  | \$ 13,738                                | \$ 11,492               |
| Accrued expenses  | 20,344                                   | 21,242                  |
| Current portion of long-term debt   | 8,972                                    | 8,817                   |
| TOTAL CURRENT LIABILITIES   | <b>43,054</b>                            | 41,551                  |

|  |                   |                   |
|--|-------------------|-------------------|
| LONG-TERM DEBT   |                   |                   |
| Senior indebtedness  | <b>68,085</b>     | 60,119            |
| Capital lease obligations  | <b>1,816</b>      | 2,547             |
| Convertible subordinated debentures  | <b>14,662</b>     | 17,162            |
| <b>TOTAL LONG-TERM DEBT</b>  | <b>84,563</b>     | 79,828            |
| <b>DEFERRED INCOME TAXES</b>   | <b>11,875</b>     | 11,726            |
| <b>OTHER LONG-TERM LIABILITIES</b>   | <b>14,862</b>     | 15,019            |
| <b>COMMITMENTS AND CONTINGENCIES</b>   | <b>---</b>        | <b>---</b>        |
| STOCKHOLDERS' EQUITY   |                   |                   |
| Common Stock (\$3 par value per share): authorized 80,000,000 shares, issued - |                   |                   |
| 15,828,380 shares for 2008 and 15,673,714 shares for 2007                      | <b>47,485</b>     | 47,021            |
| Class B Common Stock (\$3 par value per share): authorized 16,000,000 shares,  |                   |                   |
| issued - 869,909 for 2008 and 835,908 shares for 2007                          | <b>2,610</b>      | 2,508             |
| Additional paid-in capital   | <b>135,354</b>    | 135,449           |
| Retained earnings  | <b>13,862</b>     | 12,563            |
| Accumulated other comprehensive income   | <b>561</b>        | 230               |
|  | <b>199,872</b>    | 197,771           |
| Less Common Stock in treasury at cost - 3,806,899 shares for 2008 and          |                   |                   |
| 3,556,252 shares for 2007  | <b>(57,641)</b>   | (55,657)          |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>  | <b>142,231</b>    | 142,114           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                              | <b>\$ 296,585</b> | <b>\$ 290,238</b> |

See accompanying notes to the consolidated condensed financial statements.

[Return to Table of Contents](#)

**THE DIXIE GROUP, INC.****CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS****(UNAUDITED)****(dollars in thousands, except per share data)**

|   | Three Months Ended       |                  | Six Months Ended         |                  |
|---|--------------------------|------------------|--------------------------|------------------|
|   | <b>June 28,<br/>2008</b> | June 30,<br>2007 | <b>June 28,<br/>2008</b> | June 30,<br>2007 |
| Net sales   | \$ <b>77,155</b>         | \$ 84,403        | \$ <b>147,877</b>        | \$ 158,893       |
| Cost of sales                                     | <b>54,602</b>            | 58,140           | <b>104,767</b>           | 110,811          |
| Gross profit                                      | <b>22,553</b>            | 26,263           | <b>43,110</b>            | 48,082           |
| Selling and administrative expenses               | <b>19,078</b>            | 20,543           | <b>38,021</b>            | 40,321           |
| Other operating income                            | <b>(88)</b>              | (82)             | <b>(236)</b>             | (110)            |
| Other operating expense                           | <b>181</b>               | 144              | <b>368</b>               | 269              |
| Operating income                                  | <b>3,382</b>             | 5,658            | <b>4,957</b>             | 7,602            |
| Interest expense                                  | <b>1,454</b>             | 1,669            | <b>2,930</b>             | 3,226            |
| Other income                                      | <b>(121)</b>             | (22)             | <b>(182)</b>             | (37)             |
| Other expense                                     | <b>17</b>                | 13               | <b>26</b>                | 31               |
| Income from continuing operations<br>before taxes | <b>2,032</b>             | 3,998            | <b>2,183</b>             | 4,382            |
| Income tax provision                              | <b>749</b>               | 1,442            | <b>818</b>               | 1,589            |
| Income from continuing operations                 | <b>1,283</b>             | 2,556            |                          |                  |