

LA-Z-BOY INC
Form 10-Q
February 18, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004
FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
FOR QUARTERLY PERIOD ENDED JANUARY 25, 2014
COMMISSION FILE NUMBER 1-9656

LA-Z-BOY INCORPORATED

(Exact name of registrant as specified in its charter)

MICHIGAN (State or other jurisdiction of incorporation or organization)	38-0751137 (I.R.S. Employer Identification No.)
1284 North Telegraph Road, Monroe, Michigan (Address of principal executive offices)	48162-3390 (Zip Code)

Registrant's telephone number, including area code (734) 242-1444

None

(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 corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 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, a non-accelerated filer or a smaller reporting company. See the definitions 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 Smaller reporting company

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

Yes

No

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

Class	Outstanding at February 11, 2014
Common Shares, \$1.00 par value	52,338,032

LA-Z-BOY INCORPORATED
FORM 10-Q THIRD QUARTER OF FISCAL 2014

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PART I – FINANCIAL INFORMATION (UNAUDITED)

ITEM 1. FINANCIAL STATEMENTS

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF INCOME

(Unaudited, amounts in thousands, except per share data)	Third Quarter Ended	
	1/25/14	1/26/13
Sales	\$350,375	\$340,211
Cost of sales	228,186	227,956
Gross profit	122,189	112,255
Selling, general and administrative expense	96,740	89,443
Operating income	25,449	22,812
Interest expense	142	148
Interest income	183	198
Other income (expense), net	849	2,401
Income from continuing operations before income taxes	26,339	25,263
Income tax expense	8,751	8,391
Income from continuing operations	17,588	16,872
Income (loss) from discontinued operations, net of tax	(717)	291
Net income	16,871	17,163
Net income attributable to noncontrolling interests	(388)	(99)
Net income attributable to La-Z-Boy Incorporated	\$16,483	\$17,064
Net income attributable to La-Z-Boy Incorporated:		
Income from continuing operations attributable to La-Z-Boy Incorporated	\$17,200	\$16,773
Income (loss) from discontinued operations	(717)	291
Net income attributable to La-Z-Boy Incorporated	\$16,483	\$17,064
Basic average shares	52,516	52,431
Basic net income attributable to La-Z-Boy Incorporated per share:		
Income from continuing operations attributable to La-Z-Boy Incorporated	\$0.33	\$0.31
Income (loss) from discontinued operations	(0.02)	0.01
Basic net income attributable to La-Z-Boy Incorporated per share	\$0.31	\$0.32
Diluted average shares	53,226	53,401
Diluted net income attributable to La-Z-Boy Incorporated per share:		
Income from continuing operations attributable to La-Z-Boy Incorporated	\$0.32	\$0.31
Income (loss) from discontinued operations	(0.01)	0.01
Diluted net income attributable to La-Z-Boy Incorporated per share	\$0.31	\$0.32
Dividends declared per share	\$0.06	\$0.04

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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CONSOLIDATED STATEMENT OF INCOME

(Unaudited, amounts in thousands, except per share data)	Nine Months Ended	
	1/25/14	1/26/13
Sales	\$ 1,017,692	\$ 945,848
Cost of sales	670,011	646,038
Gross profit	347,681	299,810
Selling, general and administrative expense	281,767	259,111
Operating income	65,914	40,699
Interest expense	411	512
Interest income	539	435
Other income (expense), net	1,107	2,515
Income from continuing operations before income taxes	67,149	43,137
Income tax expense	22,462	14,912
Income from continuing operations	44,687	28,225
Income (loss) from discontinued operations, net of tax	(864) 465
Net income	43,823	28,690
Net income attributable to noncontrolling interests	(1,006) (609
Net income attributable to La-Z-Boy Incorporated	\$42,817	\$28,081
Net income attributable to La-Z-Boy Incorporated:		
Income from continuing operations attributable to La-Z-Boy Incorporated	\$43,681	\$27,616
Income (loss) from discontinued operations	(864) 465
Net income attributable to La-Z-Boy Incorporated	\$42,817	\$28,081
Basic average shares		
	52,465	52,327
Basic net income attributable to La-Z-Boy Incorporated per share:		
Income from continuing operations attributable to La-Z-Boy Incorporated	\$0.83	\$0.52
Income (loss) from discontinued operations	(0.02) 0.01
Basic net income attributable to La-Z-Boy Incorporated per share	\$0.81	\$0.53
Diluted average shares		
	53,379	53,201
Diluted net income attributable to La-Z-Boy Incorporated per share:		
Income from continuing operations attributable to La-Z-Boy Incorporated	\$0.81	\$0.51
Income (loss) from discontinued operations	(0.01) 0.01
Diluted net income attributable to La-Z-Boy Incorporated per share	\$0.80	\$0.52
Dividends declared per share	\$0.14	\$0.04

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LA-Z-BOY INCORPORATED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third Quarter	
	Ended	
(Unaudited, amounts in thousands)	1/25/14	1/26/13
Net income	\$16,871	\$17,163
Other comprehensive income (loss)		
Currency translation adjustment	(1,224)	302
Change in fair value of cash flow hedges, net of tax	(165)	43
Net unrealized losses on marketable securities, net of tax	(104)	(1,973)
Net pension amortization, net of tax	547	470
Total other comprehensive income (loss)	(946)	(1,158)
Total comprehensive income before allocation to noncontrolling interests	15,925	16,005
Comprehensive (income) loss attributable to noncontrolling interests	23	(277)
Comprehensive income attributable to La-Z-Boy Incorporated	\$15,948	\$15,728

	Nine Months	
	Ended	
(Unaudited, amounts in thousands)	1/25/14	1/26/13
Net income	\$43,823	\$28,690
Other comprehensive income (loss)		
Currency translation adjustment	(2,530)	1,252
Change in fair value of cash flow hedges, net of tax	(529)	145
Net unrealized gains (losses) on marketable securities, net of tax	540	(2,504)
Net pension amortization, net of tax	1,642	1,416
Total other comprehensive income (loss)	(877)	309
Total comprehensive income before allocation to noncontrolling interests	42,946	28,999
Comprehensive income attributable to noncontrolling interests	(145)	(793)
Comprehensive income attributable to La-Z-Boy Incorporated	\$42,801	\$28,206

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CONSOLIDATED BALANCE SHEET

(Unaudited, amounts in thousands)	1/25/14	4/27/13
Current assets		
Cash and equivalents	\$ 140,112	\$ 131,085
Restricted cash	12,566	12,686
Receivables, net of allowance of \$12,706 at 1/25/14 and \$21,607 at 4/27/13	151,917	160,005
Inventories, net	159,586	146,343
Deferred income taxes – current	19,174	20,640
Business held for sale	8,923	—
Other current assets	27,797	30,121
Total current assets	520,075	500,880
Property, plant and equipment, net	122,422	118,060
Goodwill	13,923	12,837
Other intangible assets	5,931	4,838
Deferred income taxes – long-term	33,927	30,572
Other long-term assets, net	67,923	53,184
Total assets	\$764,201	\$720,371
Current liabilities		
Current portion of long-term debt	\$7,574	\$513
Accounts payable	53,814	50,542
Business held for sale	2,653	—
Accrued expenses and other current liabilities	99,841	99,108
Total current liabilities	163,882	150,163
Long-term debt	345	7,576
Other long-term liabilities	80,652	70,664
Contingencies and commitments	—	—
Shareholders' equity		
Preferred shares – 5,000 authorized; none issued	—	—
Common shares, \$1 par value – 150,000 authorized; 52,419 outstanding at 1/25/14 and 52,392 outstanding at 4/27/13	52,419	52,392
Capital in excess of par value	254,403	241,888
Retained earnings	240,628	226,044
Accumulated other comprehensive loss	(35,512)	(35,496)
Total La-Z-Boy Incorporated shareholders' equity	511,938	484,828
Noncontrolling interests	7,384	7,140
Total equity	519,322	491,968
Total liabilities and equity	\$764,201	\$720,371

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LA-Z-BOY INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended	
(Unaudited, amounts in thousands)	1/25/14	1/26/13
Cash flows from operating activities		
Net income	\$43,823	\$28,690
Adjustments to reconcile net income to cash provided by (used for) operating activities		