JOHNSON OUTDOORS INC
Form 10-K
December 05, 2014

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

# FORM 10-K

[ X ] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 3, 2014

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 0-16255

JOHNSON OUTDOORS INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Wisconsin | 39-1536083 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

555 Main Street, Racine, Wisconsin 53403
(Address of principal executive offices, including zip code)

(262) 631-6600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Exchange on Which Registered |
|---|---|
| Class A Common Stock, $.05 par value per share | NASDAQ Global MarketSM |

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.Yes [ ] No [ X ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.Yes [ ] No [ X ]

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 [ X ] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ X ] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. [ X ]

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 (Check one):

Large Accelerated Filer [ ]
Accelerated Filer [X]
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 [ X ]

As of November 28, 2014, 8,769,426 shares of Class A and 1,212,382 shares of Class B common stock of the registrant were outstanding. The aggregate market value of voting and non-voting common stock of the registrant held by nonaffiliates of the registrant was approximately $118,650,000 on March 28, 2014 (the last business day preceding the registrant's most recently completed fiscal second quarter) based on approximately 4,740,000 shares of Class A common stock held by nonaffiliates as of such date. For purposes of this calculation only, shares of all voting stock are deemed to have a market value of $25.03 per share, the closing price of the Class A common stock as reported on the NASDAQ Global MarketSM on March 28, 2014. Shares of common stock held by any executive officer or director of the registrant (including all shares beneficially owned by the Johnson Family) have been excluded from this computation because such persons may be deemed to be affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2015 Annual Meeting of the Shareholders of the Registrant are incorporated by reference into Part III of this report.

As used in this report, the terms "we," "us," "our," "Johnson Outdoors" and the "Company" mean Johnson Outdoors Inc. and i subsidiaries collectively, unless the context indicates another meaning.

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Forward Looking Statements

Certain matters discussed in this Form 10-K are "forward-looking statements," and the Company intends these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and is including this statement for purposes of those safe harbor provisions. These forward-looking statements can generally be identified as such because they include phrases such as the Company "expects," "believes," "anticipates," "intends" or other words of similar meaning. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which could cause actual results or outcomes to differ materially from those currently anticipated.

Factors that could affect actual results or outcomes include the matters described under the caption "Risk Factors" in Item 1A of this report and the following:  changes in economic conditions, consumer confidence levels and discretionary spending patterns in key markets; the Company's success in implementing its strategic plan, including its targeted sales growth platforms and focus on innovation; litigation costs related to actions of and disputes with third parties, including competitors; the Company's continued success in working capital management and cost-structure reductions; the Company's ongoing success in meeting financial covenants in its credit agreements with its lenders; the

Company’s success in integrating strategic acquisitions; the risk of future writedowns of goodwill or other long-lived assets; the ability of the Company's customers to meet payment obligations; movements in foreign currencies, interest rates or commodity costs; fluctuations in the prices of raw materials or the availability of raw materials used by the Company; the success of the Company’s suppliers and customers; the ability of the Company to deploy its capital successfully; unanticipated outcomes related to outsourcing certain manufacturing processes; unanticipated outcomes related to litigation matters; and adverse weather conditions. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made as of the date of this filing. The Company assumes no obligation, and disclaims any obligation, to update such forward-looking statements to reflect subsequent events or circumstances.

Trademarks
We have registered the following trademarks, which may be used in this report: Minn Kota®, Cannon®, Humminbird®, LakeMaster®, Silva®, Eureka!®, Jetboil®, Old Town®, Ocean Kayak™, Necky®, Extrasport®, Carlisle®, SCUBAPRO®, UWATEC® and SUBGEAR®.

PART I

ITEMBUSINESS
1.

Johnson Outdoors is a leading global manufacturer and marketer of branded seasonal, outdoor recreation products used primarily for fishing from a boat, diving, paddling, hiking and camping. The Company's portfolio of well-known consumer brands has attained leading market positions due to continuous innovation, marketing excellence, product performance and quality. Company values and culture support innovation in all areas, promoting and leveraging best practices and synergies within and across its subsidiaries to advance the Company's strategic vision set by executive management and approved by the Board of Directors. The Company is controlled by Helen P. Johnson-Leipold (Chairman and Chief Executive Officer), members of her family and related entities.

The Company was incorporated in Wisconsin in 1987 as successor to various businesses.

Marine Electronics

The Company's Marine Electronic segment key brands are: Minn Kota battery-powered fishing motors for quiet trolling or primary propulsion, marine battery chargers and shallow water anchors; Humminbird sonar and GPS equipment for fishfinding, navigation and marine cartography; and Cannon downriggers for controlled-depth fishing.

Marine Electronics brands and related accessories are sold across the globe, with approximately 85% of sales coming from North America through large outdoor specialty retailers, such as Bass Pro Shops and Cabela's; large retail store chains; marine products distributors; original equipment manufacturers (OEM) of boat brands such as Tracker, Skeeter and Ranger; and internet retailers and distributors. Markets outside of North America are accessed through a network of international distributors.

Marine Electronics has achieved market share gains by focusing on product innovation, quality products and effective marketing. Such consumer marketing and promotion activities include: product placements on fishing-related television shows; print advertising and editorial coverage in outdoor, general interest and sport magazines; professional angler and tournament sponsorships; packaging and point-of-purchase materials and offers to increase consumer appeal and sales; branded websites; social media networks; and online promotions.

Outdoor Equipment

The Company's Outdoor Equipment segment key brands are: Eureka! consumer, commercial and military tents and accessories, sleeping bags, camping furniture and other recreational camping products; Jetboil portable outdoor cooking systems; and Silva field compasses.

Eureka! consumer tents, sleeping bags, camping furniture and other recreational camping products are mid- to high-price range products sold in the U.S. and Canada through independent sales representatives, primarily to camping and backpacking specialty stores, sporting goods stores, catalog and mail order houses and through internet retailers. Marketing of the Company's tents, sleeping bags and other recreational camping products is focused on building the Eureka! brand name and establishing the Company as a leader in tent design and innovation. The

Company’s camping tents and sleeping bags are produced by third party manufacturing sources in Asia. Eureka! camping products are sold under license in Japan, Australia and Europe.

Eureka! commercial tents include party tents and accessories, sold primarily to general rental stores, and other commercial tents and accessories sold directly to tent erectors. The Company’s commercial tent products range from 10’x10’ canopies to 120’ wide pole tents and other large scale frame structures and are primarily manufactured by the Company at the Company’s Binghamton, New York location.

Commercial tent accessories include lighting systems, interior lining options, and mounting brackets that allow the interior of the tents to be customized to suit the occasion. The Company believes there is a niche market for commercial tents outfitted with common, easy to use accessories.

Eureka! also designs and manufactures large, heavy-duty tents and lightweight backpacking tents for the military at its Binghamton, New York location. Tents produced for military use in the last twelve months include modular general purpose tents, rapid deployment shelters and various lightweight one and two person tents. The Company manufactures military tent accessories like fabric floors and insulated thermal liners and is also a subcontract manufacturer for other providers of military tents.

Jetboil portable outdoor cooking systems are sold in the U.S. and Canada through independent sales representatives, primarily to camping and backpacking specialty stores, sporting goods stores, catalog and mail order houses and through internet retailers. Marketing of Jetboil systems is focused on building brand awareness and leadership in product features and innovation. Jetboil products are produced at both the Company's operating location in Manchester, New Hampshire and by third party manufacturing sources in Asia. Jetboil camping products are sold in approximately 30 countries around the world.

Silva field compasses are manufactured by the Company and marketed exclusively in North America where the Company owns Silva trademark rights.

Watercraft

The Company's Watercraft segment designs and markets Necky high performance sea touring kayaks; sit on top Ocean Kayaks; and Old Town canoes and kayaks for family recreation, touring, angling and tripping. With the exception of Necky fiberglass boats and Old Town wooden canoes, these brands are manufactured at the Company's facility in Old Town, Maine.

The Company uses a rotational molding process for manufacturing mid- to high-end polyethylene kayaks and canoes. The Company uses a thermoform molding process in the manufacturing of lower priced models. The Company's United States warehouse and distribution center for all of its Watercraft brands is also located in Old Town, Maine.

Watercraft accessory brands, including Extrasport personal flotation devices and Carlisle branded paddles, are produced primarily by third party sources located in North America and Asia.

The Company's kayaks, canoes and accessories are sold through multiple channels in the U.S., Europe and the Pacific Basin with an emphasis on independent specialty retailers and large outdoor retailers such as REI, L.L. Bean, Academy and Cabela's. The Company has a network of distributors who sell Company products outside of North America.

The Company's Watercraft business competes in the mid- to high-end of the product category by introducing product innovations, creating quality products and by focusing on the product-specific needs of each marketing channel. Consumer marketing and promotion activities include: print advertising and editorial coverage in outdoor, general interest and sport magazines; direct marketing; branded websites and social media networks.

Diving

The Company manufactures and markets underwater diving products for recreational divers, which it sells and distributes under the SCUBAPRO and SUBGEAR brand names.

The Company markets a complete line of underwater diving and snorkeling equipment, including regulators, buoyancy compensators, dive computers and gauges, wetsuits, masks, fins, snorkels and accessories. SCUBAPRO diving equipment is marketed to the premium segment and high performance technical diving market whereas SUBGEAR products are marketed to the mid-tier price point. Products are sold via select distribution to independent specialty dive stores worldwide. These specialty dive stores sell the Company’s products over the counter as well as through their own websites. In addition, they generally provide a wide range of services to divers, including regular maintenance, product repair, diving education and travel programs. The Company also sells diving gear to dive training centers, resorts, search and rescue units and armed forces around the world.

The Company focuses on maintaining and extending the SCUBAPRO brand as the market leader in innovation and quality. The SCUBAPRO brand is positioned to incorporate the Company's latest innovations and advanced features. The SUBGEAR brand benefits from sharing SCUBAPRO's experienced research and development teams. This two brand strategy and product positioning is driven by product feature, as well as by product differentiation, price point and design. SUBGEAR is a full line brand with an emphasis on life support and an even broader range of soft goods for the global market. SCUBAPRO and SUBGEAR brands have been extended to include dive computers which had previously been marketed under the UWATEC brand.

The Company's consumer communication focuses on building brand awareness and highlighting exclusive product features and consumer benefits of the SCUBAPRO and SUBGEAR product lines. The Company's communication and distribution strategies reinforce the SCUBAPRO brand's position as the industry's quality and innovation leader. The Company markets its equipment in diving magazines, via websites, social media and through information and displays in dive specialty stores. SUBGEAR'S full line of dive equipment and accessories compete in the mid-market on the basis of quality and performance.

The Company manufactures regulators, dive computers, gauges, and instruments at its Italian and Indonesian facilities. The Company sources buoyancy compensators, neoprene goods, plastic products, proprietary materials, and other components from third parties.

Financial Information for Business Segments

As noted above, the Company has four reportable business segments. See Note 12 to the consolidated financial statements included elsewhere in this report for financial information concerning each business segment.

International Operations

See Note 12 to the consolidated financial statements included elsewhere in this report for financial information regarding the Company's domestic and international operations. See Note 1, subheading "Foreign Operations and Related Derivative Financial Instruments," to the consolidated financial statements included elsewhere in this report for information regarding risks related to the Company's foreign operations.

Research and Development

The Company commits significant resources to new product research and development in each of its business segments. Marine Electronics conducts its product research, design, engineering and software development activities at its locations in Mankato and Little Falls, Minnesota; Alpharetta, Georgia; and Eufaula, Alabama. Diving maintains research and development facilities in Zurich, Switzerland and Casarza Ligure, Italy. Research and development activities for Watercraft are performed in Old Town, Maine. Product research, design and innovation for Outdoor Equipment products are conducted at the Company's Binghamton, New York and Manchester, New Hampshire locations.

The Company expenses research and development costs as incurred, except for software development for new electronics products and bathymetry data collection and processing. These costs are capitalized once technological feasibility is established and then amortized over the expected useful life of the software or database. The amounts expensed by the Company in connection with research and development activities for each of the last three fiscal years are set forth in the Company's Consolidated Statements of Operations included elsewhere in this report.

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Industry and Competitive Environment

The Company believes its products compete favorably on the basis of product innovation, product performance and marketing support and, to a lesser extent, price.

Marine Electronics:  Minn Kota's main competitors in the electric trolling motors business are Motor Guide®, owned by Brunswick Corporation, and private label branded motors sourced primarily from manufacturers in Asia.  Competition in this business is focused on technological innovation, product quality and durability as well as product benefits and features for fishing.

The primary competitors in the marine battery charging business are Dual Pro™, owned by Pro Charging Systems, and various Pro Mariner™ products, owned by Power Products, LLC.  Competition in this business is based on charging time, reliability and battery protection.  The primary competitor in shallow water anchors is Power Pole®, owned by JL Marine Systems.  Competition in this business is based on secure positioning, speed of deployment and quiet operation.

Humminbird's main competitors in the market for on-boat electronics used in deep water (i.e. the Great Lakes of the United States and the world's oceans) are Raymarine®, Simrad, Furuno and Garmin™.  Lowrance™ and Garmin are Humminbird's primary competitors for products used on freshwater inland lakes.  Competition in this business is primarily focused on the quality of sonar imaging and display, easy to use graphical interfaces as well as the integration of mapping and GPS technology.  The primary competitors in the marine cartography market are Navionics® and Jeppesen®.  Competition in this business focuses primarily on quality of data and quantity of available charts for inland lakes and ocean shoreline.

Cannon's main competitors in the downrigger market are Big Jon Sports®, Walker and Scotty®. Competition in this business primarily focuses on ease of operation, speed and durability.

Outdoor Equipment:  The Company's outdoor equipment brands and products compete in the sporting goods and specialty segments of the outdoor equipment market. Competitive brands with a strong position in the sporting goods channel include Coleman and private label brands. The Company also competes with specialty companies such as Kelty®, The North Face® and Marmot® on the basis of materials and innovative designs for consumers who want performance products priced at a value.

The Company's portable outdoor cooking systems compete in the specialty and higher end performance backpacking and camping markets.  The primary competitor in portable outdoor cooking systems is MSR® which is owned by Cascade Designs®.  Competition in this market is based on product size and weight, ease of use, reliability and performance.

The Company's competitors in the commercial tent market include Anchor Industries and Aztec for tension, frame and canopy tents.  Competition in the commercial tent business is based on price, quality, structure, styling, ease of installation and technical support.

The Company sells military tents to prime vendors and third party distributors who hold supply contracts primarily with the U.S. Government.  Such supply contracts can be for commercial off-the-shelf products in addition to products required to be built to unique specifications.  Competitors in the military tent business include HDT®, DHS Systems, Alaska Structures®, Camel, Outdoor Venture, and Diamond Brand.

Watercraft:  The Company primarily competes in this segment in the kayak and canoe product categories of the paddlesports market. The Company's main competitors in this market are Confluence Outdoor, Pelican, Wenonah

Canoe, Jackson Kayak and Legacy Paddlesports™, each of which competes on the basis of their product's design, performance, quality and price.

Diving: The main competitors in the Diving segment include Aqua Lung International, Suunto®, Atomic, Oceanic, Cressi and Mares®. Competitive advantage in the life support product category of this segment, which consists of regulators, dive computers, and buoyancy compensators, is a function of product innovation, performance, quality and safety.

Competition in the general diving product category of fins, masks, snorkels and wetsuits is characterized by low barriers to entry and numerous competitors who compete on the basis of product innovation, performance, quality and price.

Backlog

Unfilled orders for future delivery of products totaled approximately $34 million at October 3, 2014. For the majority of its products, the Company's businesses do not receive significant orders in advance of expected shipment dates.

Employees

At October 3, 2014, the Company had approximately 1,100 regular, full-time employees. The Company considers its employee relations to be excellent. Temporary employees are utilized primarily to manage peaks in the seasonal manufacturing of products.

Patents, Trademarks and Proprietary Rights

The Company holds various patents for sonar, diving products and electric motors, amongst other products, and regularly files applications for patents. The Company has numerous trademarks and trade names which it considers important to its business, many of which are noted in this report. Historically, the Company has vigorously defended its intellectual property rights and expects to continue to do so.

Supply Chain and Sourcing of Materials

The Company manufactures some products that use parts or materials that, due to geographical distance, limited supplier capacity or availability or competing demands for such parts or materials, are only available in a cost effective manner from a single vendor or require the Company to place orders several months in advance of required delivery.

The Company attempts to mitigate product availability and these supply chain risks when possible through the purchase of safety stock, use of forecast-based supply contracts, and, to a lesser extent, with just in time inventory deliveries or supplier-owned inventory located close to the Company's manufacturing locations. The Company strives to balance the businesses' need to maintain adequate inventory levels with the cost of holding such inventory by manufacturing to forecast for high volume products, utilizing build-to-order strategies wherever possible, and by having contract-manufactured products delivered to customers directly from the supplier. The Company also seeks to manage its inventory through on-going product design and logistical initiatives with its suppliers to reduce lead times.

As most military contracts require utilization of domestic suppliers, the Company is limited to key vendors for materials used in its military tent business.

A significant driver of the delivered cost of the Company's watercraft products is fuel prices. The Company seeks to mitigate this cost through negotiated fuel surcharge rates with its shipping firms and by optimizing the loads and routing of its deliveries to customers.

Seasonality

The Company's products are outdoor recreation-related, which results in seasonal variations in sales and profitability. This seasonal variability is due to customers' increasing their inventories in the quarters ending March and June, the primary selling season for the Company's outdoor recreation products, with lower inventory volumes during the quarters ending September and December. The Company mitigates the seasonality of its businesses somewhat by encouraging customers to purchase and take delivery of products more evenly through the year. The following table shows, for the past three fiscal years, the total net sales and operating profit or loss of the Company for each quarter, as a percentage of the total year.

| | Year Ended | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2012 | |
| Quarter Ended | Net Sales | Operating Profit | Net Sales | Operating Profit | Net Sales | Operating Profit |
| December | 19% | -17% | 21% | 6% | 19% | -17% |
| March | 29% | 69% | 31% | 49% | 31% | 65% |
| June | 32% | 56% | 30% | 63% | 31% | 66% |
| September | 20% | -8% | 18% | -18% | 19% | -14% |
| | 100% | 100% | 100% | 100% | 100% | 100% |

Environment and Climate Change

The Company is subject to various supranational, federal, state and local environmental laws, ordinances, regulations, and other requirements of governmental authorities. We believe we comply with such laws and regulations. Expenditures on environmental compliance have not had, and we believe in the future, will not have, a material effect on the Company's capital expenditures, earnings or competitive position. We do not believe that any direct or indirect consequences of legislation related to climate change will have a material effect on our operating costs, facilities or products.

Available Information

The Company maintains a website at www.johnsonoutdoors.com. On its website, the Company makes available, free of charge, its Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as soon as reasonably practical after the reports have been electronically filed or furnished to the Securities and Exchange Commission. In addition, the Company makes available on its website, free of charge, its (a) proxy statement for its annual meeting of shareholders; (b) Code of Business Conduct; (c) Code of Ethics for its Chief Executive Officer and Senior Financial and Accounting Officers; and (d) the charters for the following committees of the Board of Directors: Audit; Compensation; Nominating and Corporate Governance; and Executive. Except as specifically provided herein, the Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K. This report includes all material information about the Company that is included on the Company's website and is otherwise required to be included in this report. Copies of any materials the Company files with the Securities and Exchange Commission (SEC) can also be obtained free of charge through the SEC's website at www.sec.gov. The SEC's Public Reference Room can be contacted at 100 F Street, N.E., Washington, D.C. 20549, or by calling 1 (800) 732-0330.

ITEM 1A. RISK FACTORS

The risks described below are not the only risks we face. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our future business operations. If any of the events or circumstances described in the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. In such cases, the trading price of our common stock could decline.

Our net sales and profitability depend on our ability to continue to conceive, design and market products that appeal to our consumers.

Our business depends on our ability to continue to conceive, design, manufacture and market new products and upon continued market acceptance of our product offering. Rapidly changing consumer preferences and trends make it difficult to predict how long consumer demand for our existing products will continue or what new products will be successful. A decline in consumer demand for our products, our failure to develop new products on a timely basis in anticipation of changing consumer preferences or the failure of our new products to achieve and sustain consumer acceptance could reduce our net sales and profitability.

Competition in our markets could reduce our net sales and profitability.

We operate in highly competitive markets. We compete with several large domestic and foreign companies such as Brunswick, Lowrance, Garmin, Confluence Outdoor and Aqua Lung International, with private label products sold by many of our retail customers and with other producers of outdoor recreation products. Some of our competitors have longer operating histories, stronger brand recognition and greater financial, technical, marketing and other resources than us. In addition, we may face competition from new participants in our markets because some of the outdoor recreation product industries have limited barriers to entry. We experience price competition for our products, and competition for shelf space at retailers, all of which may increase in the future. If we cannot compete in our product markets successfully in the future, our net sales and profitability will likely decline.

General economic conditions affect the Company’s results.

Our revenues are affected by economic conditions and consumer confidence worldwide, but especially in the United States and Europe.  In times of economic uncertainty, consumers tend to defer expenditures for discretionary items, which affects demand for our products.  Moreover, our businesses are cyclical in nature, and their success is impacted by general economic conditions and specific economic conditions affecting the regions and markets we serve, the overall level of consumer confidence in the economy and discretionary income levels.  Any substantial deterioration in general economic conditions that diminish consumer confidence or discretionary income can reduce our sales and adversely affect our financial results.  Moreover, declining economic conditions create the potential for future impairments of goodwill and other intangible and long-lived assets that may negatively impact our financial condition and results of operations.  The impact of weak consumer credit markets, corporate restructurings, layoffs, prolonged high unemployment rates, declines in the value of investments and residential real estate, higher fuel prices and increases in federal and state taxation all can negatively affect our operating results.

Intellectual property disputes relating to our products could increase our costs.

Our industry is susceptible to litigation regarding patent infringement and infringement of other intellectual property rights. We could be either a plaintiff or a defendant in trademark, patent and/or other intellectual property infringement or misappropriation claims and claims of breach of license from time to time. The prosecution or defense of any intellectual property litigation is both costly and disruptive of the time and resources of our management and product development teams, even if the claim or defense against us is without merit. We could also be required to pay substantial damages or settlement costs to resolve intellectual property litigation. The scope of any patent or other intellectual property to which we have or may obtain rights may not prevent others from developing and selling competing products. The validity and breadth of claims covered in patents and other intellectual property involve complex legal and factual questions, and the resolution of such claims may be highly uncertain, lengthy and expensive. In addition, our patents or other intellectual property may be held invalid upon challenge, or others may claim that we have improperly or invalidly sought patent or other intellectual property protection for our technology, thus exposing us to direct or counter claims in any patent or intellectual property proceeding.

Furthermore, we may rely on trade secret law to protect technologies and proprietary information that we cannot or have chosen not to patent. Trade secrets, however, are difficult to protect. Although we attempt to maintain protection through confidentiality agreements with necessary personnel, contractors and consultants, we cannot guarantee that such contracts will not be breached. In the event of a breach of a confidentiality agreement or the divulgence of proprietary information, we may not have adequate legal remedies to maintain our trade secret protection. Litigation to determine the scope of intellectual property rights, even if ultimately successful, could be costly and could divert management’s attention away from the Company’s business. Any of these negative events could adversely affect our profitability or operating results.

Product recalls and other claims could affect our financial position and results of operations.

As a manufacturer and distributor of consumer products, we could be required to repurchase or recall one or more of our products if they are found to be unsafe or defective. A repurchase or recall of our products could be costly to us and could damage the reputation of our brands. If we were required to remove, or we voluntarily removed, our products from the market, our reputation could be tarnished and we might have large quantities of finished products that we could not sell. As a result, product recalls could have a material adverse effect on our business, results of operations and financial condition.

Impairment charges could impact our future financial position and results of operations.

We test our goodwill and other long-lived assets for impairment on an annual basis or when an event occurs that might reduce the fair value of the reporting unit or applicable asset or group of assets below its carrying value. Various uncertainties, including significant adverse changes in business climate, adverse actions by regulators, unanticipated competition, loss of key customers, a downturn in the economy or in discretionary income levels or changes in consumer preferences could impact the expected cash flows to be generated by an asset or group of assets, and may result in an impairment of those assets. Although any such impairment charge would be a non-cash expense, any impairment of our assets could materially increase our expenses and reduce our profitability. We recorded impairment charges totaling $8,475 in the year ended October 3, 2014.

Sales of our products are seasonal, which causes our operating results to vary from quarter to quarter.

Sales of our products are seasonal. Historically, our net sales and profitability have peaked in our second and third fiscal quarters due to the buying patterns of our customers for our products. Seasonal variations in operating results may also cause us to increase our debt levels and interest expense primarily in the second and third fiscal quarters as we fund our working capital requirements.

The trading price of shares of our common stock fluctuates and investors in our common stock may experience substantial losses.

The trading price of our common stock has been volatile and may continue to be volatile in the future. The trading price of our common stock could decline or fluctuate in response to a variety of factors, including:

- the timing of our announcements or those of our competitors concerning significant product developments, acquisitions or financial performance;
- fluctuation in our quarterly operating results;
- substantial sales of our common stock;
- general stock market conditions; or
- other economic or external factors.

You may be unable to sell your stock at or above your purchase price.

A limited number of our shareholders can exert significant influence over the Company.

As of November 28, 2014, Helen P. Johnson-Leipold, members of her family and related entities (hereinafter the Johnson Family), held approximately 77% of the voting power of both classes of our common stock taken as a whole. This voting power would permit these shareholders, if they chose to act together, to exert significant influence over the outcome of shareholder votes, including votes concerning the election of directors, by-law amendments, possible mergers, corporate control contests and other significant corporate transactions. Moreover, certain members of the Johnson Family have entered into a voting trust agreement covering approximately 96% of our outstanding class B common shares. This voting trust agreement permits these shareholders, if they continue to choose to act together, to exert significant influence over the outcome of shareholder votes, including votes concerning the election of directors, by-law amendments, possible mergers, corporate control contests and other significant corporate transactions.

We may experience difficulties in integrating strategic acquisitions.

We have, as part of our strategy, historically pursued strategic acquisitions. The pursuit of future growth through acquisitions, involves significant risks that could have a material adverse effect on our business. Risks associated with integrating strategic acquisitions include:

- the acquired business may experience losses which could adversely affect our profitability;
- unanticipated costs relating to the integration of acquired businesses may increase our expenses and reduce our profitability;
- the possible failure to obtain any necessary consents to the transfer of licenses or other material agreements of the acquired company;
- the possible failure to maintain customer, licensor and other relationships of the acquired company after the closing of the transaction with the acquired company;
- difficulties in achieving planned cost savings and synergies may increase our expenses;
- diversion of our management’s attention could impair their ability to effectively manage our other business operations;
- unanticipated management or operational problems or liabilities may adversely affect our profitability and financial condition; and/or
- breaches of the representations or warranties or other violations of the contractual obligations required by the acquisition agreement of other parties to the acquisition transaction and any contractual remedies related thereto may not adequately protect or compensate us.

We are dependent upon certain key members of management.

Our success will depend to a significant degree on the abilities and efforts of our senior management. Moreover, our success depends on our ability to attract, retain and motivate qualified management, marketing, technical and sales personnel. These people are in high demand and often have competing employment opportunities. The labor market for skilled employees is highly competitive and we may lose key employees or be forced to increase their compensation to retain these people. Employee turnover could significantly increase our recruitment, training and other related employee costs. The loss of key personnel, or the failure to attract qualified personnel, could have a material adverse effect on our business, financial condition or results of operations.

Sources of and fluctuations in market prices of raw materials can affect our operating results.

The primary raw materials we use in manufacturing our products are metals, resins and packaging materials. These materials are generally available from a number of suppliers, but we have chosen to concentrate our sourcing with a limited number of vendors for each commodity or purchased component. We believe our sources of raw materials are reliable and adequate for our needs. However, the development of future sourcing issues related to the availability of these materials as well as significant fluctuations in the market prices of these materials may have an adverse effect on our financial results.

Our profitability is also affected by significant fluctuations in the prices of the raw materials we use in our products, including the effect of fluctuations in foreign currency exchange rates on raw materials and purchased components. We may not be able to pass along any price increases in our raw materials or other component costs to our customers. As a result, an increase in the cost of raw materials, labor or other costs associated with the manufacturing of our products could increase our costs of sales and reduce our gross margins.

Financial distress in supply chain and shortage of raw materials or components of supply.

Deteriorating industry conditions can adversely affect our supply base. Lower production levels at our major customers, volatility in certain raw material and energy costs and the global credit market crisis resulted in severe financial distress among many companies within our supply base, including higher levels of suppliers seeking receivership or bankruptcy protection or, in some cases, ceasing to conduct operations. The potential continuation or renewal of this financial distress within our supply base and/or our suppliers’ inability to obtain credit from lending institutions could lead to commercial disputes and possible supply chain interruptions to our business. In addition, the potential for future and/or continued adverse industry conditions may require us to provide financial assistance or other measures to ensure uninterrupted production of key components or materials used in the production of our products. The continuation or renewal of these industry conditions could have a material adverse effect on our existing and future revenues and net income.

Additionally, in the event of catastrophic acts of nature such as fires, tsunamis, hurricanes and earthquakes or a rapid increase in production demands, either we or our customers or other suppliers may experience supply shortages of raw materials or components. This could be caused by a number of factors, including a lack of production line capacity or manpower or working capital constraints. In order to manage and reduce the costs of purchased goods and services, we and others within our industry have been rationalizing and consolidating our supply base. As a result, there is greater dependence on fewer sources of supply for certain components and materials used in our products, which could increase the possibility of a supply shortage of any particular component. If we or one of our own suppliers experience a supply shortage, we may become unable to produce the affected products if we cannot procure the components from another source. Such production interruptions could impede a ramp-up in production and could have a material adverse effect on our business, results of operations and financial condition.

We consider the production capacities and financial condition of suppliers in our selection process, and expect that they will meet our delivery requirements.  However, there can be no assurance that strong demand, capacity limitations, shortages of raw materials, labor disputes or other problems will not result in any shortages or delays in the supply of components to us.

Currency exchange rate fluctuations could adversely affect the Company's results.

We have significant foreign operations, for which the functional currencies are denominated primarily in euros, Swiss francs, Hong Kong dollars, Japanese yen and Canadian dollars. As the values of the currencies of the foreign countries in which we have operations increase or decrease relative to the U.S. dollar, the sales, expenses, profits, losses, assets and liabilities of our foreign operations, as reported in our consolidated financial statements, increase or decrease, accordingly. Approximately 21% of our revenues for the year ended October 3, 2014 were denominated in currencies other than the U.S. dollar. Approximately 9% were denominated in euros and approximately 7% were denominated in Canadian dollars with the remaining 5% denominated in various other foreign currencies. We may mitigate a portion of the impact of fluctuations in certain foreign currencies on our operations through the purchase of foreign currency swaps, forward contracts and options to hedge known commitments denominated in foreign currencies or to reduce the risk of changes in foreign currency exchange rates on foreign currency borrowings.

Because we rely on foreign suppliers and we sell products in foreign markets, we are susceptible to numerous international business risks that could increase our costs or disrupt the supply of our products.

Our international operations subject us to risks, including:

- economic and political instability;
- restrictive actions by foreign governments;
- opportunity costs and reputational damage related to the presence of counterfeit versions of the Company's products in such foreign markets;
- greater difficulty enforcing intellectual property rights and weaker laws protecting intellectual property rights;
- changes in import duties or import or export restrictions;
- timely shipping of product and unloading of product, including the timely rail/truck delivery to our warehouses and/or a customer's warehouse of our products;
- complications in complying with the laws and policies of the United States affecting the importation of goods, including duties, quotas and taxes;
- required compliance with U.S. laws that impact the Company's operations in foreign jurisdictions that don't impact local operating companies; and
- complications in complying with trade and foreign tax laws.

Any of these risks, including the cost of compliance with trade and foreign tax laws, could disrupt the supply of our products or increase our expenses. In particular, the uncertainty regarding the ability of certain European countries to continue to service their sovereign debt obligations and the related financial restructuring efforts by European governments may cause the value of several European currencies, including the euro, to fluctuate, which may adversely affect our non-U.S. dollar sales and earnings. As we have manufacturing operations in Italy, a significant disruption of the political or financial systems there could put these manufacturing operations at risk, which could ultimately adversely affect our profitability or operating results.

We may be subject to disruptions or failures in our information technology systems and network infrastructures that could have a material adverse effect on our business.

We rely on the efficient and uninterrupted operation of complex information technology systems and network infrastructures to operate our business. We also hold data in various data center facilities upon which our business depends. A disruption, infiltration or failure of our information technology systems or any of our data centers as a result of software or hardware malfunctions, system implementations or upgrades, computer viruses, third-party security breaches, employee error, theft or misuse, malfeasance, power disruptions, natural disasters or accidents could cause breaches of data security, loss of intellectual property and critical data and the release and misappropriation of sensitive competitive information. Any of these events could result in the loss of key information, impair our production and supply chain processes, harm our competitive position, damage our reputation with customers, cause us to incur significant costs to remedy any damages and ultimately materially and adversely affect our business, results of operations and financial condition. While we have implemented a number of protective measures, such measures may not be adequate or implemented properly to prevent or fully address the adverse effect of such events.

The inability to successfully defend claims from taxing authorities could adversely affect our financial condition, results of operations and cash flows.

We conduct business in many countries, which requires us to interpret the income tax laws and rulings in each of those taxing jurisdictions. Due to the subjectivity of tax laws in or between those jurisdictions, as well as the subjectivity of factual interpretations, our estimates of income tax liabilities may differ from actual payments or assessments. Claims from taxing authorities related to these differences could have an adverse impact on our financial condition, results of operations and cash flows.

We are subject to environmental, safety and human rights regulations.

We are subject to supranational, federal, state, local and foreign laws and other legal requirements related to the generation, storage, transport, treatment and disposal of materials as a result of our manufacturing and assembly operations. These laws include the Resource Conservation and Recovery Act (as amended), the Clean Air Act (as amended) and the Comprehensive Environmental Response, Compensation and Liability Act (as amended). Risk of environmental liability and changes associated with maintaining compliance with environmental laws is inherent in the nature of our business and there is no assurance that material liabilities or changes would not arise.

The Company is also subject to the requirement of Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and SEC rules related thereto to conduct due diligence and disclose and report on whether certain minerals and metals, known as “conflict minerals,” are contained in the Company’s products and whether they originate from the Democratic Republic of Congo (“DRC”) and adjoining countries. Among other things, compliance with this rule could adversely affect the sourcing, availability and pricing of such materials if they are found to be used in the manufacture of the Company’s products, and this in turn could affect the costs associated with the Company’s products. As there may be only a limited number of suppliers offering “conflict free” conflict minerals, we cannot be sure that we will be able to obtain going forward the necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices. Moreover, since the Company’s supply chain structure is complex, management may have difficulty verifying the origin of these materials and if they exist within the Company’s products and, as a result, the Company may be unable to certify that its products are DRC conflict mineral free. Also, we may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins of all conflict minerals used in our products through the procedures we may implement.

We rely on our credit facilities to provide us with sufficient working capital to operate our business.

Historically, we have relied upon our existing credit facilities to provide us with adequate working capital to operate our business. If our lenders reduce or terminate our access to amounts under our credit facilities, we may not have sufficient capital to fund our working capital needs and/or we may need to secure additional capital or financing to fund our working capital requirements or to repay outstanding debt under our credit facilities. We can make no assurance that we will be successful in ensuring our availability of amounts under our credit facilities or in connection with raising additional capital and that any amount, if raised, will be sufficient to meet our cash flow requirements. If we are not able to maintain our borrowing availability under our credit facilities and/or raise additional capital when needed, we may be forced to sharply curtail our efforts to manufacture and promote the sale of our products or to curtail our operations. Ultimately, we may be forced to cease operations.

Our debt covenants may limit our ability to complete acquisitions, incur debt, make investments, sell assets, merge or complete other significant transactions.

Our credit facilities and certain other of our debt instruments include limitations on a number of our activities, including our ability to:

- incur additional debt;
- create liens on our assets or make guarantees;
- make certain investments or loans;
- pay dividends; or
- dispose of or sell assets, make acquisitions above certain amounts or enter into a merger or similar transaction.

Our credit facilities also contain a number of financial covenants. The restrictive covenants in our credit facilities may limit our ability to engage in acts that may be in our best long term interests. A breach of any of the restrictive covenants in our credit facilities could result in a default under these facilities. If a default occurs, the lenders under our credit facilities may elect to declare all outstanding borrowings, together with accrued interest, to be immediately due and payable, to terminate any commitments they have to provide further borrowings and to exercise any other rights they have under the facilities or applicable law.

Our shares of common stock are thinly traded and our stock price may be volatile.

Because our common stock is thinly traded, its market price may fluctuate significantly more than the stock market in general or the stock prices of similar companies, which are exchanged, listed or quoted on NASDAQ. We believe there are approximately 4,760,000 shares of our Class A common stock held by non-affiliates as of November 28, 2014. Thus, our common stock will be less liquid than the stock of companies with broader public ownership, and as a result, the trading price for our shares of common stock may be more volatile. Among other things, trading of a relatively small volume of our common stock may have a greater impact on the trading price for our stock than would be the case if our public float were larger.

Our business is susceptible to adverse weather conditions or events.

Our success is in part affected by adverse weather conditions, including fires, floods, tornados, severe cold and other natural disasters. Such events have the tendency to create fluctuations in demand for our products which may impact our borrowing costs, increase our expenses and reduce our profitability. Moreover, our profitability is affected by our ability to successfully manage our inventory levels and demand for our products, which, in part depends upon the efficient operation of our production and delivery systems. These systems are vulnerable to damage or interruption from the aforementioned natural disasters. Such natural disasters could adversely impact our ability to meet delivery requirements of our customers, which may result in our need to incur extra costs to expedite production and delivery of product to meet customer demand. Any of these events could negatively impact our profitability.

ITEMUNRESOLVED STAFF COMMENTS
1A.

Not Applicable

ITEMPROPERTIES
2.

The Company maintains leased and owned manufacturing, warehousing, distribution and office facilities throughout the world. The Company believes that its facilities are well maintained and have capacity adequate to meet its current needs.

See Note 5 to the consolidated financial statements included elsewhere in this report for a discussion of the Company's lease obligations.

As of October 3, 2014, the Company's principal manufacturing (identified with an asterisk) and other locations are:

Alpharetta, Georgia (Marine Electronics)
Antibes, France (Diving)
Barcelona, Spain (Diving)
Batam, Indonesia* (Diving and Outdoor Equipment)

Binghamton, New York* (Outdoor Equipment)
Brussels, Belgium (Diving)
Burlington, Ontario, Canada (Marine Electronics, Outdoor Equipment, Watercraft)
Casarza Ligure, Italy* (Diving)
Chai Wan, Hong Kong (Diving)

Chatswood, Australia (Diving)
El Cajon, California (Diving)
Eufaula, Alabama* (Marine Electronics)
Little Falls, Minnesota* (Marine Electronics)
Manchester, New Hampshire* (Outdoor Equipment)
Mankato, Minnesota* (Marine Electronics)
Mexicali, Mexico* (Marine Electronics)
Old Town, Maine* (Watercraft)
Wendelstein, Germany (Diving)
Yokahama, Japan (Diving)
Zurich, Switzerland (Diving)

The Company's corporate headquarters is located in a leased facility in Racine, Wisconsin.

ITEMLEGAL PROCEEDINGS
3.

See Note 13 to the consolidated financial statements included elsewhere in this report for a discussion of legal proceedings.

ITEMMINE SAFETY DISCLOSURES
4.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Certain information with respect to this item is included in Notes 9 and 10 to the Company's consolidated financial statements included elsewhere in this report. The Company's Class A common stock is traded on the NASDAQ Global MarketSM under the symbol: JOUT. There is no public market for the Company's Class B common stock. However, the Class B common stock is convertible at all times at the option of the holder into shares of Class A common stock on a share for share basis. As of November 28, 2014, the Company had 642 holders of record of its Class A common stock and 27 holders of record of its Class B common stock. We believe the number of beneficial owners of our Class A common stock on that date was substantially greater.

A summary of the high and low closing prices for the Company's Class A common stock during each quarter of the years ended October 3, 2014, September 27, 2013 and September 28, 2012 and is as follows:

| | First Quarter | | | Second Quarter | | | Third Quarter | | | Fourth Quarter | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| Stock prices: | | | | | | | | | | | | |
| High | $28.70 | $21.75 | $18.75 | $28.37 | $23.84 | $19.19 | $26.36 | $25.03 | $20.60 | $27.10 | $27.03 | $21.72 |
| Low | 25.26 | 18.63 | 13.73 | 21.57 | 19.92 | 15.35 | 19.82 | 22.43 | 15.60 | 22.47 | 24.75 | 20.16 |

Dividends

The Company's Articles of Incorporation provide that no dividend, other than a dividend payable in shares of the Company's common stock, may be declared or paid upon the Class B common stock unless such dividend is declared or paid upon both classes of common stock. Whenever a dividend (other than a dividend payable in shares of Company common stock) is declared or paid upon any shares of Class B common stock, at the same time there must be declared and paid a dividend on the shares of Class A common stock equal in value to 110% of the amount per share of the dividend declared and paid on the shares of Class B common stock. Whenever a dividend is payable in shares of Company common stock, such dividend must be declared or paid at the same rate on the Class A common stock and the Class B common stock.

Pursuant to the Company's revolving credit agreement dated September 16, 2013, the Company is limited in the amount of restricted payments (primarily dividends and repurchases of common stock) made during each fiscal year. The Company may declare, and pay, dividends in accordance with historical practices, but in no event may the aggregate amount of all dividends or repurchases of common stock exceed $10 million in any fiscal year.

On October 8, 2013, the Company's Board of Directors declared a cash dividend of $0.075 per share of Class A common stock and $0.068 per share of Class B common stock payable on November 7, 2013 to shareholders of record on October 24, 2013. The Company continued paying quarterly dividends of $0.075 per share of Class A common stock and $0.068 per share of Class B common stock for each of the four quarters of 2014 ($0.30 per Class A share and $0.27 per Class B share on an annualized basis). Cash dividends paid in 2014 totaled $2,955 and dividends payable of $739 was included in current liabilities at October 3, 2014.

While the Board of Directors of the Company presently intends to continue the payment of regular quarterly cash dividends on the Company's common stock, they monitor and evaluate the Company's dividend practice quarterly and may elect to increase, decrease or not pay a dividend at any time. The Company's ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and debt covenants in its loan agreements.

Total Shareholder Return

The graph below compares on a cumulative basis the yearly percentage change since October 2, 2009 in the total return (assuming reinvestment of dividends) to shareholders on the Class A common stock with (a) the total return (assuming reinvestment of dividends) on The NASDAQ Stock Market-U.S. Index; (b) the total return (assuming reinvestment of dividends) on the Russell 2000 Index; and (c) the total return (assuming reinvestment of dividends) on a self-constructed peer group index. The Company's peer group consists of Arctic Cat Inc., Black Diamond Inc., Brunswick Corporation, Callaway Golf Company, Escalade Inc., Garmin Ltd., Jarden Corp., Marine Products Corporation, Nautilus, Inc. and Quiksilver Inc. The graph assumes $100 was invested on October 2, 2009 in the Company's Class A common stock, The NASDAQ Stock Market-U.S. Index, the Russell 2000 Index and the peer group index.

* $100 invested on October 2, 2009 in stock or index, including reinvestment of dividends.
Indexes calculated on a mid-month basis

| | 10/2/2009 | 10/1/2010 | 9/30/2011 | 9/28/2012 | 9/27/2013 | 10/3/2014 |
|---|---|---|---|---|---|---|
| Johnson Outdoors Inc. | $ 100.0 | $ 140.1 | $ 169.0 | $ 235.1 | $ 292.3 | $ 286.9 |
| NASDAQ Composite | 100.0 | 116.8 | 120.1 | 156.8 | 193.0 | 231.3 |
| Russell 2000 Index | 100.0 | 118.5 | 113.8 | 150.1 | 195.3 | 203.6 |
| Peer Group | 100.0 | 106.9 | 106.0 | 162.2 | 215.9 | 235.2 |

The information in this section titled "Total Shareholder Return" shall not be deemed to be "soliciting material" or "filed" with the Securities and Exchange Commission or subject to Regulation 14A or 14C promulgated by the Securities and Exchange Commission or subject to the liabilities of section 18 of the Securities Exchange Act of 1934, as amended, and this information shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data, which should be read along with the Company's consolidated financial statements and the notes to those statements and with "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" included in or referred to elsewhere in this report. The operating results for the years ended October 3, 2014, September 27, 2013 and September 28, 2012 and the balance sheet data as of October 3, 2014 and September 27, 2013, are derived from the Company's audited consolidated financial statements included elsewhere herein. The operating results for the years ended September 30, 2011 and October 1, 2010, and the balance sheet data as of September 28, 2012, September 30, 2011 and October 1, 2010 are derived from the Company's audited consolidated financial statements which are not included in this report. The historical results are not necessarily indicative of results to be expected for future periods.

| (thousands, except per share data) | October 3 2014 | September 27 2013 | September 28 2012 | September 30 2011 | October 1 2010 |
|---|---|---|---|---|---|
| OPERATING RESULTS | | | | | |
| Net sales | $425,410 | $426,461 | $412,292 | $407,422 | $382,432 |
| Gross profit | 168,613 | 171,049 | 164,322 | 163,135 | 153,523 |
| Impairment losses | 8,475 | - | - | - | - |
| Litigation settlement | - | - | (3,500) | - | - |
| Operating expenses | 143,447 | 145,458 | 146,409 | 145,465 | 138,969 |
| Operating profit | 16,691 | 25,591 | 21,413 | 17,670 | 14,554 |
| Interest expense | 788 | 1,285 | 2,258 | 3,220 | 5,057 |
| Other (income) expense, net | (1,519) | (354) | (771) | 2,200 | 305 |
| Income before income taxes | 17,422 | 24,660 | 19,926 | 12,250 | 9,192 |
| Income tax expense (benefit) | 8,299 | 5,333 | 9,792 | (20,394) | 2,653 |
| Net income | $9,123 | $19,327 | $10,134 | $32,644 | $6,539 |
| Weighted average common shares - Dilutive | 9,635 | 9,523 | 9,379 | 9,287 | 9,267 |
| Net income per common share - Diluted: | | | | | |
| Class A | $0.90 | $1.95 | $1.03 | $3.36 | $0.68 |
| Class B | 0.90 | 1.95 | 1.03 | 3.36 | 0.68 |
| Dividends declared, per common share: | | | | | |
| Class A | $0.38 | $- | $- | $- | $- |
| Class B | 0.34 | - | - | - | - |

| (thousands, except per share data) | October 3 2014 | September 27 2013 | September 28 2012 | September 30 2011 | October 1 2010 |
|---|---|---|---|---|---|
| BALANCE SHEET DATA | | | | | |
| Current assets | $197,550 | $188,572 | $182,952 | $176,445 | $160,128 |
| Total assets | 288,626 | 288,350 | 263,632 | 259,356 | 226,756 |
| Current liabilities | 60,232 | 63,372 | 58,967 | 65,000 | 67,015 |
| Long-term debt, less current maturities | 7,431 | 7,794 | 8,334 | 11,478 | 14,939 |
| Total debt | 7,791 | 8,333 | 8,860 | 14,972 | 23,810 |
| Shareholders' equity | 198,458 | 197,668 | 173,604 | 163,525 | 126,369 |

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise stated, all monetary amounts in this Management's Discussion and Analysis of Financial Condition and Results of Operations, other than per share amounts, are stated in thousands.

Executive Overview

The Company designs, manufactures and markets high quality recreational products for the outdoor enthusiast. Through a combination of innovative products, strong marketing, a talented and passionate workforce and efficient distribution, the Company seeks to set itself apart from the competition. Its subsidiaries operate as a network that promotes innovation and leverages best practices and synergies, following the strategic vision set by executive management and approved by the Company's Board of Directors.

Highlights

Due primarily to harsh, prolonged winter weather conditions across much of North America during the first half of its fiscal year, the Company experienced a significant shift in the pacing of customer orders. The Company's full fiscal 2014 revenues declined by less than 0.5% versus the prior year thanks to a strong second half which increased over the same prior year period by 7% nearly offsetting the year over year decline in the first half of the fiscal year. Operating profit in the current year fell $8,900, or 35%, compared to last year and was significantly impacted by $8,475 of non-cash impairment charges recognized in the third quarter of fiscal 2014 related to certain intangible assets in the Outdoor Equipment segment. These charges were offset in part by the $1,600 cash recovery from the Jetboil indemnity escrow which is described in greater detail herein.

Results of Operations

Summary consolidated financial results from continuing operations for the fiscal years presented were as follows:

| (thousands, except per share data) | 2014 | 2013 | 2012 |
|---|---|---|---|
| Net sales | $425,410 | $426,461 | $412,292 |
| Gross profit | 168,613 | 171,049 | 164,322 |
| Operating expenses | 151,922 | 145,458 | 146,409 |
| Operating profit | 16,691 | 25,591 | 21,413 |
| Interest expense | 788 | 1,285 | 2,258 |
| Other (income) expense, net | (1,519) | (354) | (771) |
| Income tax expense (benefit) | 8,299 | 5,333 | 9,792 |
| Net income | 9,123 | 19,327 | 10,134 |

The Company's internal and external sales and operating profit (loss) by business segment for each of the three most recent completed fiscal years were as follows:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Net sales: | | | |
| Marine Electronics | $249,561 | $247,744 | $231,234 |
| Outdoor Equipment | 47,443 | 44,223 | 35,328 |
| Watercraft | 49,492 | 50,858 | 58,201 |
| Diving | 79,559 | 84,536 | 87,995 |

| | | | |
|---|---|---|---|
| Other / Eliminations | (645 ) | (900 ) | (466 ) |
| | $425,410 | $426,461 | $412,292 |

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Operating profit (loss): | | | |
| Marine Electronics | $ 30,722 | $ 32,172 | $ 25,230 |
| Outdoor Equipment | (3,726) | 2,180 | 2,831 |
| Watercraft | 210 | (2,116) | (408) |
| Diving | 3,596 | 5,694 | 6,408 |
| Other / Eliminations | (14,111) | (12,339) | (12,648) |
| | $ 16,691 | $ 25,591 | $ 21,413 |

See Note 12 to the Consolidated Financial Statements included elsewhere in this report for the definition of segment net sales and operating profit.

Fiscal 2014 vs. Fiscal 2013

Net Sales

Net sales in 2014 decreased by under one half of one percent to $425,410 compared to $426,461 in 2013. While the first half of the year lagged the prior year by 7%, due in large part to extreme cold weather conditions across much of North America, the second half of the year increased by 7% as the weather improved and the Company saw strong demand for its new products across most of its businesses.

Net sales for the Marine Electronics business increased by $1,817, or 1% during 2014. The uptick from fiscal 2013 was driven primarily by exceptional new product performance in the latter part of the fiscal year and growth in the Minn Kota product line.

Outdoor Equipment net sales increased $3,220, or 7%, in 2014 as a result of a full twelve months of sales for Jetboil versus 10.5 months in the prior year as well as a 14% increase in military tent sales year over year.

The Watercraft business experienced a decrease in net sales of 3%, due primarily to our decision to exit unprofitable international markets.

Net sales for the Diving business declined $4,977, or 6%, year-over-year, due primarily to delays in new product shipments and weak diving markets in our key regions.

Cost of Sales

Cost of sales was $256,797, or 60.4% of net sales, on a consolidated basis for the year ended October 3, 2014 compared to $255,412 or 59.9% of net sales, in the prior year. With the exception of resin prices in the Watercraft segment, costs of raw materials and components increased only slightly over the prior year while modest increases in labor rates were nearly offset by process improvements in each of the business segments.

Gross Profit

Gross profit of $168,613 was 39.6% of net sales on a consolidated basis for the year ended October 3, 2014 compared to $171,049 or 40.1% of net sales in the prior year.

Gross profit in the Marine Electronics business decreased by $262 from the prior year despite the 1% increase in net sales due primarily to new pricing strategies which were implemented to enhance the Company’s competitive position.

Outdoor Equipment gross profit increased by $1,464 from 2013 due primarily to the increase in sales volume and improved efficiencies particularly related to the integration of Jetboil.

Gross profit in the Watercraft segment was $101 lower than 2013 levels due primarily to the increase in resin prices and lower sales volumes, which were nearly offset by a favorable sales mix due to the segment's de-emphasis on low-margin products.

The $3,592 decrease in gross profit of the Diving segment was driven primarily by the 6% reduction in sales volume noted above.

Operating Expenses

Operating expenses overall increased from the prior year by $6,464. The increase was significantly driven by the $8,475 impairment charge related to Jetboil intangible assets as well as higher health care costs, offset in part by a $1,600 cash recovery from the Jetboil indemnity escrow, lower restructuring charges in the Watercraft segment and lower incentive compensation expense.

Operating expenses for the Marine Electronics segment increased by $1,188 from 2013 levels. The increase was due mainly to higher sales volume related costs and higher professional services expense in the current year.

Outdoor Equipment operating expenses increased by $7,371 from the prior year due primarily to $8,475 of impairment charges recognized on Jetboil intangible assets, which was partially offset by a $1,600 cash recovery from the Jetboil indemnity claim. See further discussion of the valuation of the Jetboil intangible assets at Note 18 to our accompanying consolidated financial statements included elsewhere herein.

In the Watercraft segment, operating expenses decreased $2,427 from fiscal 2013 due primarily to lower restructuring costs related to our decision to exit international markets and lower infrastructure costs resulting from those efforts.

Operating expenses for the Diving business decreased by $1,494, or 4%, year over year due primarily to cost containment efforts in light of lower sales volumes.

Operating Results

The Company's operating profit was $16,691 in 2014 compared to an operating profit of $25,591 in fiscal 2013. Marine Electronics operating profit decreased by $1,450 to $30,722 from $32,172 in the prior year. The operating loss for Outdoor Equipment was $3,726 compared to operating profit of $2,180 in the prior year due primarily to $6,875 of impairment charges on certain Jetboil intangible assets, net of indemnity escrow recoveries related to the acquisition, which were recognized in the third quarter. Excluding the effect of these charges, operating profit for this segment would have been $969 higher than in the prior year. Despite a slight decline in net sales year over year, operating results for the Watercraft business increased by $2,326 to a profit of $210 in fiscal 2014. Operating profit for the Diving business declined $2,098 from fiscal 2013 to $3,596 in 2014.

Other Income and Expenses

Interest expense of $788 decreased from the prior year by $497, due largely to lower interest rates and lower principal balances. Interest income was approximately $100 in both years. Net other income of $1,434 in fiscal 2014 increased from fiscal 2013 by $1,171. The current year other income included currency gains of $427 and market gains and dividends of $965 on deferred compensation plan assets. In the prior year, this line item included $929 of currency losses which were more than offset by market gains and dividends of $1,265 on the deferred compensation plan assets. The dividends and market gains and losses on deferred compensation plan assets recognized in the Consolidated Statement of Operations in Other (income) expense, net are offset as deferred compensation expense in our Operating expenses.

Pretax Income and Income Taxes

The Company realized pretax income of $17,422 in fiscal 2014 compared to $24,660 in fiscal 2013. The Company recorded income tax expense of $8,299 in 2014, which equated to an effective tax rate of 47.6%, compared to $5,333 in 2013, which equated to an effective tax rate of 21.6%. The 2013 tax expense reflects the net reduction of the Company's deferred tax asset valuation allowance. See further discussion of the deferred tax asset valuation allowance in Note 6 to the Consolidated Financial Statements found elsewhere in this report.

Net Income

The Company recognized net income of $9,123, or $0.90 per diluted common share in fiscal 2014 compared to $19,327 in fiscal 2013, or $1.95 per diluted common share, based on the factors discussed above.

Fiscal 2013 vs. Fiscal 2012

Net Sales
Net sales in fiscal 2013 increased 3.4% to $426,461 compared to $412,292 in fiscal 2012. The increase was driven primarily by the success of the Marine Electronics business and incremental sales from the acquisition of Jetboil, which more than offset declining sales in Diving and Watercraft.

Net sales for the Marine Electronics business increased by $16,510, or 7.1% during fiscal 2013. Innovative products such as Minn Kota's i-Pilot wireless GPS trolling system and i-Pilot Link automatic boat control helped fuel the growth year-over-year.

Outdoor Equipment net sales increased $8,895, or 25.2%, in 2013 as a result of the acquisition of Jetboil, which was offset in part by declines in the consumer camping market and in U.S. military spending.

The Watercraft business experienced a decrease in net sales of 12.6%, or $7,343, due primarily to a de-emphasis on low-margin products and our decision to exit international markets.

Net sales for the Diving business declined $3,459, or 3.9%, year-over-year, due primarily to continued economic turmoil in the southern European and Middle Eastern markets.

Cost of Sales
Cost of sales was $255,412, or 59.9% of net sales on a consolidated basis for the year ended September 27, 2013 compared to $247,970 or 60.1% of net sales in fiscal 2012 Costs of raw materials and components increased only slightly over 2012 while modest increases in labor rates were more than offset by process improvements in each of the business segments.

Gross Profit
Gross profit of $171,049 was 40.1% of net sales on a consolidated basis for the year ended September 27, 2013 compared to $164,322 or 39.9% of net sales for fiscal 2012.

Gross profit in the Marine Electronics business increased by $6,658 from fiscal 2012 due primarily to the 7.1% increase in sales volume.

Outdoor Equipment gross profit increased by $2,704 from fiscal 2012 due to the acquisition of Jetboil which was offset in part by reductions in gross profit in the consumer and military tent businesses driven by decreased sales volume.

Gross profit in the Watercraft segment was $1,537 lower than fiscal 2012 levels due primarily to the 12.6% decline in sales volume offset in part by favorable mix resulting from the de-emphasis on low-margin products during the year.

The $1,062 decrease in gross profit of the Diving segment was driven primarily by the 3.9% reduction in sales volume noted above offset in part by the effect of price increases.

Operating Expenses
Operating expenses overall increased from the prior year by $2,549. The increase was driven by a $3,500 favorable settlement with an insurance carrier that was recognized as an expense reduction in fiscal 2012 and the addition of Jetboil operating expenses in fiscal 2013, which increases were offset in part by decreases in bad debt expense, health care costs and legal expense in fiscal 2013.

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Operating expenses for the Marine Electronics segment decreased by $285 from 2012 levels. The decrease was due mainly to the closure of the Italian sales office at the end of fiscal 2012 and lower legal costs in fiscal 2013, offset in part by higher volume driven expenses.

Outdoor Equipment operating expenses increased by $3,355 from fiscal 2012 due to the Jetboil acquisition which increase was partially offset by the additional recovery of flood related losses from 2011 in fiscal 2013.

The Watercraft business saw an increase in operating expenses of $171 from fiscal 2012, due primarily to the favorable insurance settlement of $3,500 recognized as a reduction to operating expense in fiscal 2012 and higher restructuring costs in fiscal 2013, which were nearly offset by lower infrastructure costs in fiscal 2013 due to European and U.S. restructuring efforts. See further discussion of the impact of the insurance settlement at Note 13 to the Consolidated Financial Statements included elsewhere in this report.

Operating expenses for the Diving business decreased by $348 year over year due primarily to the favorable impact of currency translation.

Operating Results
The Company’s operating profit was $25,591 in fiscal 2013 compared to an operating profit of $21,413 in fiscal 2012. Marine Electronics operating profit increased by $6,942 to $32,172 from $25,230 in fiscal 2012. Despite the addition of Jetboil, Outdoor Equipment operating profit declined year over year by $651 to $2,180. The Watercraft business incurred an operating loss in fiscal 2013 of $2,116, compared to a loss of $408 in fiscal 2012. Diving operating profit declined $714 from $6,408 in fiscal 2012 to $5,694 in 2013.

Other Income and Expenses
Interest expense of $1,285 decreased from fiscal 2012 by $973, due largely to lower interest rates and lower expense related to the amortization of deferred losses on interest rate swaps. Interest income was approximately $100 in both years. Net other income of $263 in fiscal 2013 decreased from fiscal 2012 net other income of $631. Fiscal 2013 other income included currency losses of $929 which were more than offset by market gains and dividends of $1,265 on deferred compensation plan assets. In fiscal 2012, this line item included $213 of currency losses and market gains and dividends of $1,320 on the deferred compensation plan assets. The dividends and market gains and losses on deferred compensation plan assets recognized in Other Income and Expense are offset as deferred compensation expense in Operating Expenses.

Pretax Income and Income Taxes
The Company realized pretax income of $24,660 in fiscal 2013 compared to $19,926 in fiscal 2012. The Company recorded income tax expense of $5,333 in fiscal 2013, which equated to an effective tax rate of 21.6% for fiscal 2013, compared to $9,792 in fiscal 2012, which equated to an effective tax rate of 49.1% for fiscal 2012. The fiscal 2013 tax expense reflects the net reduction of the Company’s deferred tax asset valuation allowance. See further discussion of the deferred tax asset valuation allowance in Note 6 to the Consolidated Financial Statements found elsewhere in this report.

Net Income
The Company recognized net income of $19,327, or $1.95 per diluted common share in fiscal 2013 compared to $10,134 in fiscal 2012, or $1.03 per diluted common share, based on the factors discussed above.

Financial Condition, Liquidity and Capital Resources

The Company’s cash flows from operating, investing and financing activities, as reflected in the accompanying Consolidated Statements of Cash Flows, are summarized in the following table:

| | Year Ended | | |
|---|---|---|---|
| (thousands) | October 3 2014 | September 27 2013 | September 28 2012 |
| Cash provided by (used for): | | | |
| Operating activities | $33,218 | $30,003 | $31,764 |
| Investing activities | (11,887) | (31,753) | (10,789) |
| Financing activities | (3,498) | (1,041) | (5,256) |
| Effect of foreign currency rate changes on cash | (2,734) | (419) | (1,329) |
| Increase (Decrease) in cash and cash equivalents | $15,099 | $(3,210) | $14,390 |

Operating Activities

The following table sets forth the Company's working capital position at the end of each of the years shown:

| (thousands, except share data) | October 3 2014 | September 27 2013 |
|---|---|---|
| Current assets | $ 197,550 | $ 188,572 |
| Current liabilities | 60,232 | 63,372 |
| Working capital | $ 137,318 | 125,200 |
| Current ratio | 3.3:1 | 3:1 |

Cash flows provided by operations totaled $33,218, $30,003 and $31,764 in fiscal 2014, 2013 and 2012, respectively. The increase in operating cash flow over the prior year was driven largely by net changes in operating assets. Although net income declined versus the prior year, that change was significantly impacted by non-cash impairment charges recognized in the current year on certain Jetboil intangible assets of $8,475.

Depreciation and amortization charges were $10,863, $10,070 and $11,882 in fiscal 2014, 2013 and 2012, respectively.

Investing Activities

Cash flows used for investing activities were $11,887, $31,753 and $10,789 in fiscal 2014, 2013 and 2012, respectively. The purchase of Jetboil in fiscal 2013 used cash of $15,420. Expenditures for property, plant and equipment were $13,263, $16,333 and $12,032 in fiscal 2014, 2013 and 2012, respectively. In general, the Company's ongoing capital expenditures are primarily related to tooling for new products and facilities and information systems improvements.

Financing Activities

The following table sets forth the Company's debt and capital structure at the end of the past two fiscal years:

| (thousands, except share data) | 2014 | 2013 |
|---|---|---|
| Current debt | $ 360 | $ 539 |
| Long-term debt | 7,431 | 7,794 |
| Total debt | 7,791 | 8,333 |
| Shareholders' equity | 198,458 | 197,668 |
| Total capitalization | $ 206,249 | 206,001 |
| Total debt to total capitalization | 4 % | 4 % |

Cash flows used for financing activities totaled $3,498 in fiscal 2014 compared to $1,041 in 2013 and $5,256 in 2012. Payments on long-term debt were $538, $528 and $6,112 in fiscal 2014, 2013 and 2012, respectively. The Company had current maturities of its long-term debt of $360 and $539 as of October 3, 2014 and September 27, 2013, respectively, and no outstanding borrowings on its revolving credit facilities as of the end of either fiscal year. The Company had outstanding borrowings on long-term debt (net of current maturities) of $7,431 and $7,794 as of October 3, 2014 and September 27, 2013, respectively.

The Company's term loans have a maturity date of September 29, 2029. Each term loan requires monthly payments of principal and interest. Interest on the aggregate outstanding amount of the term loans is based on the prime rate plus an applicable margin. The interest rate in effect on the term loans was 5.25% at October 3, 2014 and September 27, 2013.

The term loans are guaranteed in part under the United States Department of Agriculture Rural Development program and are secured with a first priority lien on land, buildings, machinery and equipment of the Company's domestic subsidiaries and a second lien on working capital and certain patents and trademarks of the Company and its subsidiaries. Any proceeds from the sale of secured property are first applied against the related term loans and then against the Revolvers (as defined below).

The aggregate term loan borrowings are subject to a pre-payment penalty. The penalty is currently 5% of the pre-payment amount, and the penalty will decrease by 1% annually on the anniversary date of the effective date of the loan agreement.

On September 16, 2013, the Company and certain of its subsidiaries entered into a new credit facility with PNC Bank National Association and certain other lenders which terminated the Amended Revolving Credit and Security agreement with PNC Bank National Association and the other lenders named therein, dated as of November 16, 2010. The new credit facility consists of a Revolving Credit Agreement dated September 16, 2013 among the Company, certain of the Company's subsidiaries, PNC Bank, National Association, as lender and as administrative agent and the other lenders named therein (the "Revolving Credit Agreement" or "Revolver"). The Revolver has a 60 month term and provides for borrowing of up to an aggregate principal amount not to exceed $90,000 with an accordion feature that gives the Company the option to increase the maximum seasonal financing availability subject to the conditions of the Revolving Credit Agreement and subject to the approval of the lenders. The Revolver imposes a seasonal borrowing limit such that borrowing may not exceed $60,000 from the period June 30th through October 31st of each year under the agreement.

The interest rate on the Revolver resets each quarter and is based on LIBOR plus an applicable margin. The applicable margin ranges from 1.25 percent to 2.00 percent and is dependent on the Company's leverage ratio for the trailing twelve month period. The interest rate on the Revolver at October 3, 2014 and September 27, 2013 was approximately 1.4%.

The Revolver is secured with a first priority lien on working capital assets and certain patents and trademarks of the Company and its subsidiaries and a second priority lien on land, buildings, machinery and equipment of the Company's domestic subsidiaries. The Revolving Credit Agreement limits asset or stock acquisitions to no more than $20,000 in the event that the Company's consolidated leverage ratio is greater than 2.5 times. No limits are imposed if the Company's consolidated leverage ratio is less than 2.5 times and the remaining borrowing availability under the Revolver is greater than $10,000 at the time of the acquisition. The Revolving Credit Agreement limits the amount of restricted payments (primarily dividends and repurchases of common stock) made during each fiscal year. The Company may declare, and pay, dividends in accordance with historical practices, but in no event may the aggregate amount of all dividends or repurchases of common stock exceed $10,000 in any fiscal year. The Revolving Credit Agreement includes maximum leverage ratio and minimum interest coverage ratio limitations.

Concurrent with the execution of the Revolving Credit Agreement described above, Johnson Outdoors Canada Inc. repaid and terminated its Amended Revolving Credit and Security Agreement with PNC Bank Canada Branch dated as of November 16, 2010.

As of October 3, 2014, the Company held approximately $60,135 of cash and cash equivalents in bank accounts in foreign jurisdictions.

Contractual Obligations and Off Balance Sheet Arrangements

The Company has contractual obligations and commitments to make future payments under its existing credit facilities, including interest, operating leases and open purchase orders. The following schedule details these significant contractual obligations at October 3, 2014.

| | Total | Less than 1 year | 2-3 years | 4-5 years | After 5 years |
|---|---|---|---|---|---|
| Long-term debt | $ 7,791 | $ 360 | $ 757 | $ 842 | $ 5,832 |
| Operating lease obligations | 22,694 | 6,284 | 7,376 | 4,039 | 4,995 |
| Open purchase orders | 47,544 | 47,544 | - | - | - |
| Contractually obligated interest payments | 3,481 | 400 | 744 | 659 | 1,678 |
| Total contractual obligations | $ 81,510 | $ 54,588 | $ 8,877 | $ 5,540 | $ 12,505 |

The Company utilizes letters of credit primarily as security for the payment of future claims under its workers' compensation insurance. Letters of credit outstanding at October 3, 2014 were $691 compared to $846 on September 27, 2013 and were included in the Company's total loan availability.  The Company had no unsecured revolving credit facilities at its foreign subsidiaries as of October 3, 2014 or September 27, 2013.

The Company has no other off-balance sheet arrangements.

The Company anticipates making contributions to its defined benefit pension plans of $663 through October 2, 2015.

Market Risk Management

Foreign Exchange Risk

The Company has significant foreign operations, for which the functional currencies are denominated primarily in euros, Swiss francs, Hong Kong dollars, Japanese yen and Canadian dollars. As the values of the currencies of the foreign countries in which the Company has operations increase or decrease relative to the U.S. dollar, the sales, expenses, profits, losses, assets and liabilities of the Company's foreign operations, as reported in the Company's consolidated financial statements, increase or decrease, accordingly.  Approximately 21% of the Company's revenues for the fiscal year ended October 3, 2014 were denominated in currencies other than the U.S. dollar.  Approximately 9% were denominated in euros and approximately 7% were denominated in Canadian dollars, with the remaining 5% denominated in various other foreign currencies.  Changes in foreign currency exchange rates can cause unexpected financial losses or cash flow needs.

The Company mitigates the impact on its operating results of a portion of the fluctuations in certain foreign currencies through the use of foreign currency forward contracts.  Foreign currency forward contracts enable the Company to lock in the foreign currency exchange rate for a fixed amount of currency to be paid or received on a specified date in the future. The Company uses such foreign currency forward contracts to mitigate the risk associated with changes in foreign currency exchange rates on financial instruments and known commitments denominated in foreign currencies.

Interest Rate Risk

The Company operates in a seasonal business and experiences significant fluctuations in operating cash flow as working capital needs increase in advance of the Company's primary selling and cash generation season, and decline as accounts receivable are collected and cash is accumulated or debt is repaid.  The Company's goal in managing its interest rate risk is to maintain a mix of floating rate and fixed rate debt such that permanent non-equity capital needs are largely funded with long term fixed rate debt and seasonal working capital needs are funded with short term floating rate debt.

Commodities

Certain components used in the Company’s products are exposed to commodity price changes. The Company manages this risk through instruments such as purchase orders and non-cancelable supply contracts. Primary commodity price exposures include costs associated with metals, resins and packaging materials.

Impact of Inflation

The Company anticipates that changing costs of basic raw materials may impact future operating costs and, accordingly, the prices of its products. The Company is involved in continuing programs to mitigate the impact of cost increases through changes in product design and identification of sourcing and manufacturing efficiencies. Price increases and, in certain situations, price decreases are implemented for individual products, when appropriate.

The Company’s results of operations and financial condition are presented based on historical cost. The Company does not believe that inflation has significantly affected its results of operations.

Sensitivity to Changes in Value

The estimates that follow are intended to measure the maximum potential fair value or earnings the Company could lose in one year from adverse changes in market interest rates. The calculations are not intended to represent actual losses in fair value or earnings that the Company expects to incur. The estimates do not consider favorable changes in market rates. The table below presents the estimated maximum potential loss in fair value and annual income before income taxes from a 100 basis point movement in interest rates on the Company's term loans outstanding at October 3, 2014:

| | Estimated Impact on | |
|---|---|---|
| (thousands) | Fair Value | Income Before Income Taxes |
| Interest rate instruments | $ - | $ 81 |

Critical Accounting Estimates

The Company’s management discussion and analysis of its financial condition and results of operations are based upon the Company’s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of its assets, liabilities, sales and expenses, and related footnote disclosures. On an on-going basis, the Company evaluates its estimates for product returns, bad debts, inventories, long lived assets and goodwill, income taxes, warranty obligations, pensions and other post-retirement benefits, litigation and other subjective matters impacting the financial statements. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. Management has discussed these policies with the Audit Committee of the Company’s Board of Directors.

Allowance for Doubtful Accounts

Allowances for doubtful accounts are estimated by the individual operating companies based on estimates of losses related to customer accounts receivable balances. Estimates are developed by using standard quantitative measures based on historical losses, adjusting for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss. The establishment of reserves requires the use of judgment and assumptions regarding the potential for losses on receivable balances. Though the Company considers these balances adequate and proper, changes in economic conditions in specific markets in which the Company operates and any specific customer collection issues the Company identifies could have a favorable or unfavorable effect on required reserve balances.

Inventories

The Company values inventory at the lower of cost (determined using the first-in first-out method) or market. Management’s judgment is required to determine the reserve for obsolete or excess inventory. Inventory on hand may exceed future demand either because the product is outdated or because the amount on hand is more than will be used to meet future needs. Inventory reserves are estimated by the individual operating companies using standard quantitative measures based on criteria established by the Company. The Company also considers current forecast plans, as well as market and industry conditions in establishing reserve levels. Though the Company considers these reserve balances to be adequate, changes in economic conditions, customer inventory levels or competitive conditions could have a favorable or unfavorable effect on required reserve balances.

Deferred Taxes

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event the Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Likewise, should the Company determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made.  See further discussion of the impact of the adjustment to the deferred tax asset valuation allowance at Note 6 to the consolidated financial statements included elsewhere in this report.

Goodwill and Other Intangible Assets Impairment

Goodwill and indefinite-lived intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired.  Generally, annual impairment tests are performed by the Company in the fourth quarter of each fiscal year.

In assessing the recoverability of the Company's goodwill, the Company estimates the fair value of the businesses to which the goodwill relates.  Fair value is estimated using a discounted cash flow analysis.  If the fair value of a reporting unit exceeds its net book value, no impairment exists. When fair value is less than the carrying value of the net assets and related goodwill, an impairment test is performed to measure and recognize the amount of the impairment loss, if any.  The Company recognized goodwill impairment charges of $6,475 in 2014.  See further discussion at Note 18 to the consolidated financial statements included elsewhere in this report.

The discounted cash flow analysis used to estimate fair value requires a number of key estimates and assumptions.  The Company estimates the future cash flows of the reporting units based on historical and forecasted revenues and operating costs and applies a discount rate to the estimated future cash flows for purposes of the valuation.  This discount rate is based on the estimated weighted average cost of capital, which includes certain assumptions made by management such as market capital structure, market betas, the risk-free rate of return and estimated costs of borrowing.  Changes in these key estimates and assumptions, or in other assumptions used in this process, could materially affect our impairment analysis in a given year.

In assessing the recoverability of the Company's other indefinite lived intangible assets, the Company estimates the fair value of the various intangible assets.  The fair value of trademarks and patents is estimated using the relief from royalty method.  If the fair value of an intangible asset exceeds its net book value, no impairment exists. When fair value is less than the carrying value of the intangible asset, an impairment loss is recognized for the amount of the difference.  The Company recognized impairment charges of $2,000 on indefinite lived intangible assets in 2014.  See further discussion at Note 18 to the consolidated financial statements included elsewhere in this report.

A number of factors, many of which the Company has no ability to control, could affect its financial condition, operating results and business prospects and could cause actual results to differ from the estimates and assumptions that the Company uses in preparing its financial statements. These factors include: a prolonged global economic crisis, a significant decrease in demand for the Company's products, a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator and successful efforts by the Company's competitors to gain market share.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

We evaluate long-lived assets for impairment whenever events or changes in circumstances, such as unplanned negative cash flow indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future undiscounted cash flows expected to be generated by the asset group. If such assets are determined to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Application of alternative assumptions, such as changes in the estimate of future cash flows, could produce significantly different results. Because of the significance of the judgments and estimation processes, it is likely that materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change.

Warranties

The Company accrues a warranty reserve for estimated costs to provide warranty services. Warranty reserves are estimated by the individual operating companies using standard quantitative measures based on criteria established by the Company. Estimates of costs to service its warranty obligations are based on historical experience, expectation of future conditions and known product issues. To the extent the Company experiences increased warranty claim activity or increased costs associated with servicing those claims, revisions to the estimated warranty reserve would be required. The Company engages in product quality programs and processes, including monitoring and evaluating the quality of its suppliers, to help minimize warranty obligations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information with respect to this item is included in Management’s Discussion and Analysis of Financial Condition and Results of Operations under the heading “Market Risk Management.”

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information with respect to this item is included in the Company’s consolidated financial statements attached to this report on pages F-1 to F-40.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that the information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation as of October 3, 2014, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of October 3, 2014 at reaching a level of reasonable assurance. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has designed its disclosure controls and procedures to reach a level of reasonable assurance of achieving the desired control objectives.

The report of management required under this Item 9A is included on page F-2 of the Company's Consolidated Financial Statements attached to this Report under the heading "Management's Report on Internal Control over Financial Reporting" and is incorporated herein by reference.

(b) Changes in Internal Control over Financial Reporting.

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(c) Attestation Report of Independent Registered Public Accounting Firm

McGladrey LLP, the independent registered public accounting firm who audited the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting, which is contained in the Company's consolidated financial statements under the heading "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting."

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to this item is incorporated herein by reference to the discussion under the headings "Proposal 1: Election of Directors," "Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance-Director Nominations" and "Audit Committee Matters – Audit Committee Financial Expert" in the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission on or before January 31, 2015. Information regarding the Company's Code of Business Ethics is incorporated herein by reference to the discussion under "Corporate Governance Matters – Employee Code of Conduct and Code of Ethics and Procedures for Reporting of Accounting Concerns" in the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission on or before January 31, 2015.

The Audit Committee of the Company's Board of Directors is an "audit committee" for purposes of Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Terry E. London (Chairman), Thomas F. Pyle, Jr. and Edward F. Lang.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to this item is incorporated herein by reference to the discussion under the headings "Directors Compensation" and "Executive Compensation" in the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission on or before January 31, 2015.

The information incorporated by reference from "Report of the Compensation Committee" in the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission on or before January 31, 2015, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to this item is incorporated herein by reference to the discussion under the heading “Stock Ownership of Management and Others” in the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission on or before January 31, 2015.

Equity Compensation Plan Information

The following table summarizes share information, as of October 3, 2014, for the Company’s equity compensation plans, including the Johnson Outdoors Inc. 2003 and 2012 Non-Employee Director Stock Ownership Plans, the Johnson Outdoors Inc. 2010 Long-Term Stock Incentive Plan and the Johnson Outdoors Inc. 2009 Employee Stock Purchase Plan. All of these plans have been approved by the Company’s shareholders.

| Plan Category | Number of Common Shares to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights | Weighted-average Exercise Price of Outstanding Options, Warrants and Rights | Number of Common Shares Available for Future Issuance Under Equity Compensation Plans |
|---|---|---|---|
| 2010 Long-Term Stock Incentive Plan | - | $ - | 672,724 |
| 2012 Non-Employee Director Stock Ownership Plan | 10,792 | - | 32,608 |
| 2003 Non-Employee Director Stock Ownership Plan | 9,216 | 17.07 | - |
| 2009 Employee Stock Purchase Plan | - | - | 28,197 |
| Total All Plans | 20,008 | 17.07 | 733,529 |

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information with respect to this item is incorporated herein by reference to the discussion under the heading “Certain Relationships and Related Transactions” in the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission on or before January 31, 2015. Information regarding director independence is incorporated by reference to the discussions under “Corporate Governance Matters-Director Independence” in the Company’s Proxy Statement for the 2015 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission on or before January 31, 2015.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to this item is incorporated herein by reference to the discussion under the heading “Audit Committee Matters – Fees of Independent Registered Public Accounting Firm” in the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission on or before January 31, 2015.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this report:

Financial Statements

Included in Item 8 of Part II of this report are the following:

- Reports of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets – October 3, 2014 and September 27, 2013
- Consolidated Statements of Operations – Years ended October 3, 2014, September 27, 2013 and September 28, 2012
- Consolidated Statements of Comprehensive Income - Years ended October 3, 2014, September 27, 2013 and September 28, 2012
- Consolidated Statements of Shareholders' Equity – Years ended October 3, 2014, September 27, 2013 and September 28, 2012
- Consolidated Statements of Cash Flows – Years ended October 3, 2014, September 27, 2013 and September 28, 2012
- Notes to Consolidated Financial Statements

Exhibits

See Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Racine and State of Wisconsin, on the 5th day of December 2014.

JOHNSON OUTDOORS INC.
(Registrant)

By /s/ Helen P. Johnson-Leipold
Helen P. Johnson-Leipold
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 5th day of December 2014.

| | |
|---|---|
| /s/ Helen P. Johnson-Leipold<br>(Helen P. Johnson-Leipold) | Chairman and Chief Executive Officer<br>and Director<br>(Principal Executive Officer) |
| /s/ Thomas F. Pyle, Jr.<br>(Thomas F. Pyle, Jr.) | Vice Chairman of the Board<br>and Lead Outside Director |
| /s/ Terry E. London<br>(Terry E. London) | Director |
| /s/ John M. Fahey, Jr.<br>(John M. Fahey, Jr.) | Director |
| /s/ W. Lee McCollum<br>(W. Lee McCollum) | Director |
| /s/ Edward F. Lang)<br>(Edward F. Lang) | Director |
| /s/ Katherine Button Bell<br>(Katherine Button Bell) | Director |
| /s/ Richard (“Casey”) Sheahan<br>(Richard (“Casey”) Sheahan) | Director |
| /s/ David W. Johnson<br>(David W. Johnson) | Vice President and Chief Financial Officer<br>(Principal Financial and Accounting<br>Officer) |

EXHIBIT INDEX

| Exhibit | Title |
|---|---|
| 2 | Agreement and Plan of Merger, dated October 28, 2004, by and between JO Acquisition Corp. and Johnson Outdoors Inc. (Filed as Exhibit 2 to the Company's Form 8-K dated October 28, 2004 and incorporated herein by reference.) |
| 3.1 | Articles of Incorporation of the Company as amended through February 17, 2000. (Filed as Exhibit 3.1(a) to the Company's Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.) |
| 3.2 | Bylaws of the Company as amended and restated through December 6, 2010. (Filed as Exhibit 3.2 to the Company's Form 10-K for the year ended October 1, 2010 and incorporated herein by reference.) |
| 4.1 | Note Agreement dated October 1, 1995. (Filed as Exhibit 4.1 to the Company's Form 10-Q for the quarter ended December 29, 1995 and incorporated herein by reference.) |
| 4.2 | First Amendment dated October 11, 1996 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.3 to the Company's Form 10-Q for the quarter ended December 27, 1996 and incorporated herein by reference.) |
| 4.3 | Second Amendment dated September 30, 1997 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.8 to the Company's Form 10-K for the year ended October 1, 1997 and incorporated herein by reference.) |
| 4.4 | Third Amendment dated October 1, 1997 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.9 to the Company's Form 10-K for the year ended October 1, 1997 and incorporated herein by reference.) |
| 4.5 | Fourth Amendment dated January 10, 2000 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.9 to the Company's Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.) |
| 4.6 | Fifth Amendment dated December 13, 2001 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.6 to the Company's Form 10-K for the year ended October 3, 2003 and incorporated herein by reference.) |
| 4.7 | Consent and Amendment dated September 6, 2002 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.7 to the Company's Form 10-K for the year ended October 3, 2003 and incorporated herein by reference.) |
| 4.8 | Note Agreement dated as of September 15, 1997. (Filed as Exhibit 4.15 to the Company's Form 10-K for the year ended October 1, 1997 and incorporated herein by reference.) |
| 4.9 | First Amendment dated January 10, 2000 to Note Agreement dated September 15, 1997. (Filed as Exhibit 4.10 to the Company's Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.) |
| 4.10 | Second Amendment dated |