

NAUTILUS, INC.
Form 10-Q
August 08, 2008
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008

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: 000-25867

NAUTILUS, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: NAUTILUS, INC. - Form 10-Q

Washington
(State or other jurisdiction of
incorporation or organization)

94-3002667
(I.R.S. Employer

Identification No.)

16400 S.E. Nautilus Drive

Vancouver, Washington 98683

(Address of principal executive offices, including zip code)

(360) 859-2900

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer 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

Number of shares of issuer's common stock outstanding as of July 31, 2008: 30,614,336

Table of Contents

NAUTILUS, INC.

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1. <u>Financial Statements (Unaudited)</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	25
Item 4. <u>Controls and Procedures</u>	26
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	26
Item 1A. <u>Risk Factors</u>	27
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	27
Item 6. <u>Exhibits</u>	28
<u>Signatures</u>	29
<u>Exhibit Index</u>	30

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****NAUTILUS, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited, in thousands)**

	June 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,433	\$ 7,911
Trade receivables, net of allowance of \$4,763 and \$4,490, respectively	54,617	88,311
Inventories	62,277	58,910
Prepaid expenses and other current assets	8,451	17,820
Income taxes receivable	15,522	11,382
Assets of discontinued operations		73,771
Deferred tax assets	10,633	18,615
Total current assets	155,933	276,720
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$63,368 and \$59,673, respectively	39,138	42,291
GOODWILL	32,656	32,743
OTHER INTANGIBLES AND OTHER ASSETS, net	43,284	39,086
TOTAL ASSETS	\$ 271,011	\$ 390,840
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 35,232	\$ 43,993
Accrued liabilities	38,406	37,601
Short-term borrowings	397	79,000
Customer deposits	2,402	2,925
Liabilities of discontinued operations		15,867
Total current liabilities	76,437	179,386
NON-CURRENT LIABILITIES	4,857	6,919
NON-CURRENT DEFERRED TAX LIABILITIES	3,578	5,123
LONG-TERM TAXES PAYABLE	3,621	2,958
TOTAL LIABILITIES	88,493	194,386
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDERS EQUITY:		
Common stock no par value, 75,000 shares authorized, 31,232 and 31,557 shares respectively, issued and outstanding	4,158	4,346
Retained earnings	169,784	185,021
Accumulated other comprehensive income	8,576	7,087
Total stockholders equity	182,518	196,454

Edgar Filing: NAUTILUS, INC. - Form 10-Q

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 271,011	\$ 390,840
---	------------	------------

See notes to consolidated financial statements

Table of Contents

NAUTILUS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
NET SALES	\$ 95,564	\$ 102,534	\$ 225,165	\$ 239,507
COST OF SALES	61,630	64,305	135,306	138,763
Gross profit	33,934	38,229	89,859	100,744
OPERATING EXPENSES:				
Selling and marketing	31,484	40,854	73,714	88,416
General and administrative	14,896	11,476	34,706	22,886
Research and development	1,961	2,638	4,166	5,426
Litigation settlement		(18,300)		(18,300)
Total operating expenses	48,341	36,668	112,586	98,428
OPERATING INCOME (LOSS)	(14,407)	1,561	(22,727)	2,316
OTHER INCOME (EXPENSE):				
Interest income	11	83	90	153
Interest expense	(93)	(871)	(1,330)	(1,751)
Other income, net	132	429	175	524
Total other income (expense)	50	(359)	(1,065)	(1,074)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(14,357)	1,202	(23,792)	1,242
INCOME TAX EXPENSE (BENEFIT)	(4,722)	531	(7,276)	597
INCOME (LOSS) FROM CONTINUING OPERATIONS	(9,635)	671	(16,516)	645
DISCONTINUED OPERATIONS:				
Income from discontinued operations	640	700	3,016	4,680
Income tax expense (benefit) from discontinued operations	(118)	261	1,737	1,753
INCOME FROM DISCONTINUED OPERATIONS, net of tax	758	439	1,279	2,927
NET INCOME (LOSS)	\$ (8,877)	\$ 1,110	\$ (15,237)	\$ 3,572
EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS:				
BASIC	\$ (0.30)	\$ 0.02	\$ (0.52)	\$ 0.02
DILUTED	\$ (0.30)	\$ 0.02	\$ (0.52)	\$ 0.02
EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS:				
BASIC	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.09
DILUTED	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.09
EARNINGS (LOSS) PER SHARE:				
BASIC	\$ (0.28)	\$ 0.04	\$ (0.48)	\$ 0.11
DILUTED	\$ (0.28)	\$ 0.04	\$ (0.48)	\$ 0.11
WEIGHTED AVERAGE SHARES OUTSTANDING:				
BASIC	31,582	31,545	31,569	31,527

Edgar Filing: NAUTILUS, INC. - Form 10-Q

DILUTED	31,582	31,685	31,569	31,707
---------	--------	--------	--------	--------

See notes to consolidated financial statements.

Table of Contents

NAUTILUS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

(In Thousands)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders Equity
	Shares	Amount			
BALANCES at JANUARY 1, 2007	31,482	\$ 1,026	\$ 251,418	\$ 4,190	\$ 256,634
Net loss			(55,613)		(55,613)
Foreign currency translation adjustment				2,897	2,897
Comprehensive loss					(52,716)
Dividends paid \$0.30 per share			(9,465)		(9,465)
Cumulative change from adoption of FIN 48			(1,319)		(1,319)
Share-based compensation expense		2,679			2,679
Restricted stock released	12				
Options exercised	63	756			756
Stock option income tax deficiencies		(115)			(115)
BALANCES at DECEMBER 31, 2007	31,557	4,346	185,021	7,087	196,454
Net loss			(15,237)		(15,237)
Foreign currency translation adjustment				1,489	1,489
Comprehensive loss					(13,748)
Share-based compensation expense		2,006			2,006
Options exercised	90	563			563
Stock Repurchases	(415)	(2,209)			(2,209)
Stock option income tax deficiencies		(548)			(548)
BALANCES at JUNE 30, 2008	31,232	\$ 4,158			