

JOHNSON OUTDOORS INC
Form 10-Q
February 06, 2015

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

FORM 10-Q

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

For the quarterly period ended January 2, 2015

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
(State or other jurisdiction of
incorporation or organization)

39-1536083
(I.R.S. Employer Identification No.)

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

(262) 631-6600
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one): Large accelerated filer Accelerated filer Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [] No [X]

As of January 30, 2015, 8,790,733 shares of Class A and 1,212,382 shares of Class B common stock of the Registrant were outstanding.

JOHNSON OUTDOORS INC.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

JOHNSON OUTDOORS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

| | Three Months Ended | |
|--|--------------------|------------|
| | January 2 | December |
| (thousands, except per share data) | 2015 | 2013 |
| Net sales | \$70,822 | \$79,100 |
| Cost of sales | 43,488 | 49,171 |
| Gross profit | 27,334 | 29,929 |
| Operating expenses: | | |
| Marketing and selling | 18,499 | 18,972 |
| Administrative management, finance and information systems | 11,911 | 10,018 |
| Research and development | 4,255 | 3,847 |
| Total operating expenses | 34,665 | 32,837 |
| Operating loss | (7,331) | (2,908) |
| Interest income | (22) | (31) |
| Interest expense | 187 | 202 |
| Other income, net | (572) | (159) |
| Loss before income taxes | (6,924) | (2,920) |
| Income tax benefit | (2,730) | (727) |
| Net loss | \$(4,194) | \$(2,193) |
| Weighted average common shares - Basic: | | |
| Class A | 8,469 | 8,362 |
| Class B | 1,212 | 1,212 |
| Participating securities | 310 | 371 |
| Dilutive stock options and restricted stock units | - | - |
| Weighted average common shares - Dilutive | 9,991 | 9,945 |
| Net loss per common share - Basic: | | |
| Class A | \$(0.42) | \$(0.22) |
| Class B | \$(0.42) | \$(0.22) |
| Net loss per common share - Diluted: | | |
| Class A | \$(0.42) | \$(0.22) |
| Class B | \$(0.42) | \$(0.22) |
| Dividends declared per common share: | | |
| Class A | \$0.08 | \$0.15 |
| Class B | \$0.07 | \$0.14 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

JOHNSON OUTDOORS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

| | Three Months Ended | |
|---|--------------------|------------------------|
| | January 2 2015 | December 27 2013 |
| (thousands, except per share data) | | |
| Comprehensive loss: | | |
| Net loss | \$(4,194) | \$(2,193) |
| Other comprehensive (loss) income: | | |
| Foreign currency translation (loss) gain | (3,554) | 124 |
| Change in pension plans, net of tax of \$0 and \$63, respectively | 85 | 104 |
| Total other comprehensive (loss) income | (3,469) | 228 |
| Total comprehensive loss | \$(7,663) | \$(1,965) |

The accompanying notes are an integral part of the condensed consolidated financial statements.

JOHNSON OUTDOORS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

| (thousands, except share data) | January 2 2015 | October 3 2014 | December 27 2013 |
|--|-------------------|-------------------|------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$57,553 | \$70,793 | \$45,944 |
| Accounts receivable, net | 57,254 | 44,452 | 62,982 |
| Inventories | 82,429 | 66,341 | 87,653 |
| Deferred income taxes | 8,305 | 8,360 | 8,598 |
| Other current assets | 10,692 | 7,604 | 6,018 |
| Total current assets | 216,233 | 197,550 | 211,195 |
| Property, plant and equipment, net of accumulated depreciation of \$109,915, \$108,668 and \$105,031, respectively | 45,130 | 46,100 | 44,443 |
| Deferred income taxes | 4,695 | 5,353 | 7,955 |
| Goodwill | 14,295 | 14,416 | 21,036 |
| Other intangible assets, net | 12,297 | 12,518 | 14,987 |
| Other assets | 13,271 | 12,689 | 13,270 |
| Total assets | \$305,921 | \$288,626 | \$312,886 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Short-term debt | \$- | \$- | \$- |
| Current maturities of long-term debt | 354 | 360 | 470 |
| Accounts payable | 33,239 | 27,896 | 30,163 |
| Accrued liabilities: | | | |
| Salaries, wages and benefits | 10,887 | 14,780 | 11,808 |
| Accrued warranty | 3,539 | 4,078 | 4,439 |
| Income taxes payable | 343 | 833 | 994 |
| Other | 12,862 | 12,285 | 12,511 |
| Total current liabilities | 61,224 | 60,232 | 60,385 |
| Long-term debt, less current maturities | 32,082 | 7,431 | 37,960 |
| Deferred income taxes | 1,327 | 1,133 | 1,112 |
| Retirement benefits | 8,626 | 7,804 | 6,245 |
| Other liabilities | 13,164 | 13,568 | 13,161 |
| Total liabilities | 116,423 | 90,168 | 118,863 |
| Shareholders' equity: | | | |
| Preferred stock: none issued | - | - | - |
| Common stock: | | | |
| Class A shares issued and outstanding: | 439 | 439 | 438 |
| January 2, 2015: 8,790,733 | | | |
| October 3, 2014: 8,769,426 | | | |
| December 27, 2013: 8,750,149 | | | |
| Class B shares issued and outstanding: | 61 | 61 | 61 |
| January 2, 2015: 1,212,382 | | | |
| October 3, 2014: 1,212,382 | | | |

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| | | | |
|--|-----------|-----------|-----------|
| December 27, 2013: 1,212,420 | | | |
| Capital in excess of par value | 67,828 | 67,882 | 65,810 |
| Retained earnings | 112,637 | 117,573 | 108,476 |
| Accumulated other comprehensive income | 9,309 | 12,778 | 19,594 |
| Treasury stock at cost, shares of Class A common stock: 28,118, 11,203 and 14,511, respectively | (776) | (275) | (356) |
| Total shareholders' equity | 189,498 | 198,458 | 194,023 |
| Total liabilities and shareholders' equity | \$305,921 | \$288,626 | \$312,886 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

JOHNSON OUTDOORS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| | Three Months Ended | |
|--|--------------------|------------|
| | January 2 | December |
| (thousands) | 2015 | 2013 |
| CASH USED FOR OPERATING ACTIVITIES | | |
| Net loss | \$(4,194) | \$(2,193) |
| Adjustments to reconcile net loss to net cash used for operating activities: | | |
| Depreciation | 2,599 | 2,273 |
| Amortization of intangible assets | 214 | 116 |
| Amortization of deferred financing costs | 31 | 29 |
| Stock based compensation | 464 | 395 |
| Deferred income taxes | 679 | (776) |
| Change in operating assets and liabilities: | | |
| Accounts receivable, net | (13,304) | (19,002) |
| Inventories, net | (16,931) | (11,265) |
| Accounts payable and accrued liabilities | 1,516 | (3,678) |
| Other current assets | (3,187) | (1,481) |
| Other non-current assets | 7 | (1,068) |
| Other long-term liabilities | 52 | 1,165 |
| Other, net | (96) | 77 |
| | (32,150) | (35,408) |
| CASH USED FOR INVESTING ACTIVITIES | | |
| Capital expenditures | (1,753) | (3,355) |
| | (1,753) | (3,355) |
| CASH PROVIDED BY FINANCING ACTIVITIES | | |
| Net borrowings from short-term notes payable and revolving credit lines | 24,740 | 30,233 |
| Principal payments on senior notes and other long-term debt | (95) | (136) |
| Deferred financing costs paid to lenders | - | (18) |
| Common stock transactions | (564) | 38 |
| Dividends paid | (741) | (737) |
| Purchases of treasury stock | (501) | (638) |
| | 22,839 | 28,742 |
| Effect of foreign currency rate changes on cash | (2,176) | 271 |
| Decrease in cash and cash equivalents | (13,240) | (9,750) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of period | 70,793 | 55,694 |
| End of period | \$57,553 | \$45,944 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

JOHNSON OUTDOORS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1 BASIS OF PRESENTATION

The condensed consolidated financial statements included herein are unaudited. In the opinion of management, these statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the financial position of Johnson Outdoors Inc. and subsidiaries (collectively, the "Company") as of January 2, 2015 and December 27, 2013, and their results of operations and cash flows for the three month periods then ended. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2014 which was filed with the Securities and Exchange Commission on December 5, 2014.

Due to seasonal variations and other factors, the results of operations for the three months ended January 2, 2015 are not necessarily indicative of the results to be expected for the Company's full 2015 fiscal year. See "Seasonality" in the Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein for additional information.

All monetary amounts, other than share and per share amounts, are stated in thousands.

2 ACCOUNTS RECEIVABLE

Accounts receivable are stated net of allowances for doubtful accounts of \$2,608, \$2,665 and \$3,325 as of the periods ended January 2, 2015, October 3, 2014 and December 27, 2013, respectively. The increase in net accounts receivable to \$57,254 as of January 2, 2015 from \$44,452 as of October 3, 2014 is attributable to the seasonal nature of the Company's business. The determination of the allowance for doubtful accounts is based on a combination of factors. In circumstances where specific collection concerns on a receivable exist, a reserve is established to value the affected account receivable at an amount the Company believes will be collected. For all other customers, the Company recognizes allowances for doubtful accounts based on historical experience of bad debts as a percent of accounts receivable outstanding for each business unit. Uncollectible accounts are written off against the allowance for doubtful accounts after collection efforts have been exhausted. The Company typically does not require collateral on its accounts receivable.

3 EARNINGS PER SHARE ("EPS")

Net income or loss per share of Class A common stock and Class B common stock is computed using the two-class method. Grants of restricted stock which receive non-forfeitable dividends are classified as participating securities and are required to be included as part of the basic weighted average share calculation under the two-class method.

Holders of Class A common stock are entitled to cash dividends equal to 110% of all dividends declared and paid on each share of Class B common stock. The Company grants shares of unvested restricted stock in the form of Class A shares, which carry the same distribution rights as the Class A common stock described above. As such, the undistributed earnings for each period are allocated to each class of common stock based on the proportionate share of the amount of cash dividends that each such class is entitled to receive.

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Basic EPS

Basic net income or loss per share is computed by dividing net income or loss allocated to Class A common stock and Class B common stock by the weighted-average number of shares of Class A common stock and Class B common stock outstanding, respectively. In periods with cumulative year to date net income and undistributed income, the undistributed income for each period is allocated to each class of common stock based on the proportionate share of the amount of cash dividends that each such class is entitled to receive. In periods where there is a cumulative year to date net loss or no undistributed income because distributions through dividends exceed net income, Class B shares are treated as anti-dilutive and, therefore, net losses are allocated equally on a per share basis among all participating securities.

For the three month periods ended January 2, 2015 and December 27, 2013, basic loss per share for Class A and Class B shares has been presented using the two class method described above and is the same due to the cumulative net losses incurred during each of those periods.

Diluted EPS

Diluted net income per share is computed by dividing allocated net income by the weighted-average number of common shares outstanding, adjusted for the effect of dilutive stock options, restricted stock units (“stock units” or “units”) and non-vested restricted stock. Anti-dilutive stock options, units and non-vested stock are excluded from the calculation of diluted EPS. The computation of diluted net income per share of Class A common stock assumes that Class B common stock is converted into Class A common stock. Therefore, diluted net income per share is the same for both Class A and Class B common shares. In periods where the Company reports a net loss, the effect of anti-dilutive stock options and units is excluded and diluted loss per share is equal to basic loss per share.

For the three month periods ended January 2, 2015 and December 27, 2013, the effects of stock options and non-vested restricted stock units are excluded from the diluted loss per share calculation as their inclusion would have been anti-dilutive.

Stock options that could potentially dilute earnings per share in the future which were not included in the fully diluted computation because they would have been anti-dilutive were 9,216 and 13,116 for the three month periods ended January 2, 2015 and December 27, 2013, respectively. Non-vested stock that could potentially dilute earnings per share in the future which were not included in the fully diluted computation because they would have been anti-dilutive totaled 278,659 and 319,632 for the three months ended January 2, 2015 and December 27, 2013, respectively. Restricted stock units that could potentially dilute earnings per share in the future which were not included in the fully diluted computation because they would have been anti-dilutive were 10,792 and 6,600 for the three months ended January 2, 2015 and December 27, 2013, respectively.

4 STOCK-BASED COMPENSATION AND STOCK OWNERSHIP PLANS

The Company’s current stock ownership plans allow for issuance of stock options to acquire shares of Class A common stock by key executives and non-employee directors. Current plans also allow for issuance of shares of restricted stock, restricted stock units or stock appreciation rights in lieu of stock options.

Under the Company’s 2010 Long-Term Stock Incentive Plan and the 2012 Non-Employee Director Stock Ownership Plan (the only two plans where shares remain available for equity incentive awards) there were 667,110 shares of the Company’s Class A common stock available for future grant to key executives and non-employee directors at January 2, 2015.

Stock Options

All Company stock options have been granted at a price not less than fair market value at the date of grant and all outstanding options are currently exercisable. Stock options generally have a term of 10 years.

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All of the Company's stock options outstanding are fully vested, with no further compensation expense to be recorded. There were no grants of stock options during either of the three month periods ended January 2, 2015 or December 27, 2013.

A summary of stock option activity for the three months ended January 2, 2015 related to the Company's stock ownership plans is shown below:

| | Shares | Weighted Average Exercise Price | Aggregate Intrinsic Value | Weighted Average Remaining Contractual Term (Years) |
|--|--------|---------------------------------------|---------------------------------|---|
| Outstanding and exercisable at October 3, 2014 | 9,216 | \$ 17.07 | | |
| Exercised | - | - | | |
| Cancelled | - | - | | |
| Outstanding and exercisable at January 2, 2015 | 9,216 | 17.07 | \$127 | 0.6 |

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price of \$30.88 as of January 2, 2015, which would have been received by the option holders had those option holders exercised their stock options as of that date.

The Company received cash proceeds from stock option exercises totaling \$0 and \$38 for the three month periods ending January 2, 2015 and December 27, 2013, respectively. The fair value of the stock received upon exercise of such options at their date of exercise during the three month periods ended January 2, 2015 and December 27, 2013 was \$0 and \$52, respectively.

Non-vested Stock

All shares of non-vested stock awarded by the Company have been granted at their fair market value on the date of grant and vest either immediately or within five years after the grant date. The fair value at date of grant is based on the number of shares granted and the average of the Company's high and low Class A common stock price on the date of grant or, if the Company's Class A shares did not trade on the date of grant, the average of the Company's high and low Class A common stock price on the last preceding date on which the Company's Class A shares traded.

A summary of non-vested stock activity for the three months ended January 2, 2015 related to the Company's stock ownership plans is as follows:

| | Shares | Weighted Average Grant Price |
|-------------------------------------|-----------|------------------------------------|
| Non-vested stock at October 3, 2014 | 319,632 | \$17.10 |
| Non-vested stock grants | 38,222 | 30.05 |
| Non-vested stock cancelled | - | - |
| Restricted stock vested | (79,195) | 11.22 |
| Non-vested stock at January 2, 2015 | 278,659 | 20.55 |

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Non-vested stock grantees may elect to reimburse the Company for withholding taxes due as a result of the vesting of shares by tendering a portion of the vested shares back to the Company. Shares tendered back to the Company were 16,915 and 24,719 during the three month periods ended January 2, 2015 and December 27, 2013, respectively.

Stock compensation expense, net of forfeitures, related to non-vested stock was \$403 and \$357 for the three month periods ended January 2, 2015 and December 27, 2013, respectively. Unrecognized compensation cost related to non-vested stock as of January 2, 2015 was \$2,854, which amount will be amortized to expense through November 2018 or adjusted for changes in future estimated or actual forfeitures.

The fair value of restricted stock vested during the three month periods ended January 2, 2015 and December 27, 2013 was \$2,346 and \$2,961, respectively.

Restricted Stock Units

All restricted stock units awarded by the Company have been granted at their fair market value on the date of grant and vest within one year after the grant date. The fair value at date of grant is based on the number of units granted and the average of the Company's high and low Class A common stock trading price on the date of grant or, if the Company's Class A shares did not trade on the date of grant, the average of the Company's high and low Class A common stock trading price on the last preceding date on which the Company's Class A shares traded. There were 10,792 restricted stock units unvested and outstanding as of January 2, 2015 with a weighted average grant date fair value of \$22.71. There were 6,600 restricted stock units unvested and outstanding as of December 27, 2013 with a weighted average grant date fair value of \$22.73.

No restricted stock units were granted during either of the three month periods ended January 2, 2015 or December 27, 2013.

Stock compensation expense, net of forfeitures, related to restricted stock units was \$61 for the three months ended January 2, 2015 and \$38 for the three month period ended December 27, 2013. Unrecognized compensation cost related to non-vested restricted stock units as of January 2, 2015 was \$82, which amount will be amortized to expense through September 2015 or adjusted for changes in future estimated or actual forfeitures.

The Company recognized an income tax benefit on stock-based compensation expense of \$176 and \$150 for the three month periods ended January 2, 2015 and December 27, 2013, respectively. The Company recognized an income tax benefit on exercises of stock options and the vesting of non-vested restricted stock of \$518 and \$0 for the three month periods ended January 2, 2015 and December 27, 2013, respectively.

Employees' Stock Purchase Plan

The Company's shareholders have adopted the Johnson Outdoors Inc. 2009 Employees' Stock Purchase Plan which provides for the issuance of shares of Class A common stock at a purchase price of not less than 85% of the fair market value of such shares on the date of grant or at the end of the offering period, whichever is lower.

The Company did not issue any shares under the Employees' Stock Purchase Plan during either of the three month periods ended January 2, 2015 and December 27, 2013.

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5 PENSION PLANS

The Company has non-contributory defined benefit pension plans covering certain of its U.S. employees. Retirement benefits are generally provided based on the employees' years of service and average earnings. Normal retirement age is 65, with provisions for earlier retirement.

The components of net periodic benefit cost related to Company sponsored defined benefit plans for the three month periods ended January 2, 2015 and December 27, 2013 were as follows:

| | Three Months Ended | |
|--|--------------------|---------------------|
| | January 2 2015 | December 27 2013 |
| Components of net periodic benefit cost: | | |
| Service cost | \$ - | \$ - |
| Interest on projected benefit obligation | 269 | 249 |
| Less estimated return on plan assets | 274 | 244 |
| Amortization of unrecognized losses | 85 | 167 |
| | \$ 80 | \$ 172 |

6 INCOME TAXES

For the three months ended January 2, 2015 and December 27, 2013, the Company's loss before income taxes, income tax benefit and effective income tax rate were as follows:

| (thousands, except tax rate data) | Three Months Ended | |
|-----------------------------------|--------------------|---------------------|
| | January 2 2015 | December 27 2013 |
| Loss before income taxes | \$ (6,924) | \$ (2,920) |
| Income tax benefit | \$ (2,730) | \$ (727) |
| Effective income tax rate | 39.4 % | 24.9 % |

The Company's interim reporting for income taxes is based upon adjusting its effective tax rate each quarter to be consistent with the estimated annual effective tax rates in the tax jurisdictions in which the Company operates. Using this effective tax rate methodology, the Company applies an estimated annual income tax rate to its year to date ordinary earnings to derive its income tax provision for each quarter.

The change in the Company's effective tax rate for the three months ended January 2, 2015 versus the prior year period was primarily due to the impact of current period increased domestic losses and valuation allowances in certain foreign locations for which no tax expense or benefit is recognized.

Variances in income or loss for entities that have a valuation allowance, primarily in non-US tax jurisdictions, will drive fluctuations in the effective tax rate. The impact of the Company's operations in these foreign locations is removed from overall effective tax rate methodology and recorded directly based on year to date results for the year for which no tax expense or benefit can be recognized. The tax jurisdictions that have a valuation allowance for the periods ended January 2, 2015 and December 27, 2013 were:

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| January 2 2015 | December 27 2013 |
|-------------------|---------------------|
| Japan | Japan |
| France | France |
| Indonesia | Indonesia |
| Italy | Italy |
| Netherlands | Netherlands |
| New Zealand | New Zealand |
| Spain | Spain |
| | United Kingdom |

The Company regularly assesses the adequacy of its provisions for income tax contingencies in accordance with the applicable authoritative guidance on accounting for income taxes. As a result, the Company may adjust the reserves for unrecognized tax benefits due to the impact of new facts and developments, such as changes to interpretations of relevant tax law, assessments from taxing authorities, settlements with taxing authorities and lapses of statutes of limitation. The Company's 2015 fiscal year tax expense is anticipated to include approximately \$500 related to uncertain income tax positions.

In accordance with its accounting policy, the Company recognizes accrued interest and penalties related to unrecognized benefits as a component of income tax expense. The Company is projecting accrued interest of \$150 related to uncertain income tax positions for the fiscal year ending October 2, 2015.

The Company files income tax returns, including returns for its subsidiaries, with federal, state, local and foreign taxing jurisdictions. The Company is currently undergoing income tax examinations in Italy and Germany. As of the date of this report, the following tax years remain subject to examination by the respective tax jurisdictions:

| Jurisdiction | Fiscal Years |
|---------------|--------------|
| United States | 2011-2014 |
| Canada | 2010-2014 |
| France | 2010-2014 |
| Germany | 2009-2014 |
| Italy | 2009-2014 |
| Japan | 2012-2014 |
| Switzerland | 2004-2014 |

7 INVENTORIES

Inventories at the end of the respective periods consisted of the following:

| | January 2 2015 | October 3 2014 | December 27 2013 |
|-----------------|-------------------|-------------------|------------------------|
| Raw materials | \$34,744 | \$27,295 | \$33,780 |
| Work in process | 251 | 72 | 344 |
| Finished goods | 47,434 | 38,974 | 53,529 |
| | \$82,429 | \$66,341 | \$87,653 |

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8 GOODWILL

The changes in goodwill during the three months ended January 2, 2015 and December 27, 2013 were as follows:

| | January 2 2015 | December 27 2013 |
|--|-------------------|---------------------|
| Balance at beginning of period | \$ 14,416 | \$ 21,053 |
| Amount attributable to movements in foreign currency rates | (121) | (17) |
| Balance at end of period | \$ 14,295 | \$ 21,036 |

9 WARRANTIES

The Company provides warranties on certain of its products as they are sold. The following table summarizes the Company's warranty activity for the three months ended January 2, 2015 and December 27, 2013.

| | January 2 2015 | December 27 2013 |
|--|-------------------|---------------------|
| Balance at beginning of period | \$ 4,078 | \$ 5,214 |
| Expense accruals for warranties issued during the period | 789 | 822 |
| Less current period warranty claims paid | 1,328 | 1,597 |
| Balance at end of period | \$ 3,539 | \$ 4,439 |

10 RESTRUCTURING

On July 11, 2012, the Company announced plans to restructure certain operations related to its Watercraft segment. Specifically, the Company restructured its product sales and distribution in Europe and consolidated all of its U.S. operations at a single location in Old Town, Maine. The Company believes this plan will enhance the competitiveness and profit potential of its Watercraft business. This action resulted in the closure of two sales offices in the U.K. and France, the closure of a marketing and R&D facility in Bellingham, Washington and the elimination of approximately 24 positions in the U.S. and Europe. The related charges are included in the "Administrative management, finance and information systems" line in the Company's accompanying Condensed Consolidated Statements of Operations in the Watercraft segment. The planned actions related to this restructuring were completed in fiscal 2013 and the total cost of this restructuring was approximately \$2,500.

Changes in the accrual related to this restructuring project for the three month period ended January 2, 2015 were as follows:

| | Employee Termination Costs | Contract Exit Costs | Other Exit Costs | Total |
|---|----------------------------------|------------------------|---------------------|-------|
| Accrued restructuring liabilities as of October 3, 2014 | 1 | 14 | 26 | 41 |
| Activity during the period ended January 2, 2015: | | | | |
| Charges (credits) to earnings | - | - | - | - |
| Settlement payments | (1) | (14) | (26) | (41) |
| Accrued restructuring liabilities as of January 2, 2015 | \$ - | \$- | \$- | \$- |

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11 CONTINGENCIES

The Company is subject to various legal actions and proceedings in the normal course of business, including those related to commercial disputes, product liability, intellectual property and environmental matters. The Company is insured against loss for certain of these matters. Although litigation is subject to many uncertainties and the ultimate exposure with respect to these matters cannot be ascertained, management does not believe the final outcome of any pending litigation will have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

12 INDEBTEDNESS

Debt was comprised of the following at January 2, 2015, October 3, 2014, and December 27, 2013:

| | January 2 2015 | October 3 2014 | December 27 2013 |
|--|-------------------|-------------------|------------------------|
| Term loans | \$7,696 | \$7,781 | \$8,060 |
| Revolvers | 24,740 | - | 30,234 |
| Other | - | 10 | 136 |
| Total debt | 32,436 | 7,791 | 38,430 |
| Less current portion of long term debt | 354 | 360 | 470 |
| Less short term debt | - | - | - |
| Total long-term debt | \$32,082 | \$7,431 | \$37,960 |

Term Loans

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 each of January 2, 2015 and December 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 Company's term loans include covenants related to its current ratio, debt to net worth ratio, fixed charge ratio, minimum net worth and capital expenditures.

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.

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Revolvers

On September 16, 2013, the Company and certain of its subsidiaries entered into a credit facility with PNC Bank National Association and certain other lenders. This 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 an expiration date of September 16, 2018 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 borrowings 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 each of January 2, 2015 and December 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. Under the terms of the Revolver, the Company is required to comply with certain financial and non-financial covenants. 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 restricts the Company's ability to incur additional debt and includes maximum leverage ratio and minimum interest coverage ratio covenants.

Other Borrowings

The Company had no unsecured revolving credit facilities at its foreign subsidiaries as of January 2, 2015 or December 27, 2013. The Company utilizes letters of credit primarily as security for the payment of future claims under its workers' compensation insurance, which totaled \$655 and \$811 at January 2, 2015 and December 27, 2013, respectively. The Company had no unsecured lines of credit as of January 2, 2015 or December 27, 2013.

Aggregate scheduled maturities of long-term debt as of January 2, 2015, for the remainder of fiscal 2015 and subsequent fiscal years, were as follows:

| | |
|-------------|----------|
| Fiscal Year | |
| 2015 | \$267 |
| 2016 | 368 |
| 2017 | 389 |
| 2018 | 25,150 |
| 2019 | 432 |
| Thereafter | 5,830 |
| Total | \$32,436 |

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Balances carried on the Revolver not in excess of the seasonal borrowing limit may be repaid at the Company's discretion at any time through the maturity date. Accordingly, this balance has been classified as long term on our accompanying financial statements.

Interest paid for the three month periods ended January 2, 2015 and December 27, 2013 was \$156 and \$138, respectively.

Based on the borrowing rates currently available to the Company for debt with similar terms and maturities, the fair value of the Company's long-term debt as of January 2, 2015 and December 27, 2013 approximated its carrying value.

13 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The following disclosures describe the Company's objectives in using derivative instruments, the business purpose or context for using derivative instruments, and how the Company believes the use of derivative instruments helps achieve the stated objectives. In addition, the following disclosures describe the effects of the Company's use of derivative instruments and hedging activities on its financial statements.

Foreign Exchange Risk

The Company has significant foreign operations, for which the functional currencies are denominated primarily in euros, Swiss francs, Japanese yen, Hong Kong dollars 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 20% of the Company's revenues for the three month period ended January 2, 2015 were denominated in currencies other than the U.S. dollar. Approximately 10% were denominated in euros, 4% were denominated in Canadian dollars and 3% were denominated in Hong Kong dollars, with the remaining revenues denominated in various other foreign currencies. Changes in foreign currency exchange rates can cause unexpected financial losses or cash flow needs.

The Company may mitigate 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 to be paid or received for a fixed amount of currency at a specified date in the future. The Company may use such foreign currency forward contracts to mitigate the risk associated with changes in foreign currency exchange rates on financial instruments and known commitments, including commitments for inventory purchases, denominated in foreign currencies. As of January 2, 2015 and December 27, 2013, the Company held no foreign currency forward contracts.

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 or cash and cash equivalents on hand.

The Company held no interest rate swap contracts during the three month periods ended January 2, 2015 and December 27, 2013 and as of January 2, 2015, the Company was unhedged with respect to interest rate risk on its floating rate debt.

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14 FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established based on three levels of inputs, of which the first two are considered observable and the last unobservable.

Level 1 - Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets or liabilities.

Level 2 - Inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. These are typically obtained from readily-available pricing sources for comparable instruments.

Level 3 - Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity's own assumptions of the data that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

The carrying amounts of cash, cash equivalents, accounts receivable, and accounts payable approximated their fair values at January 2, 2015, October 3, 2014 and December 27, 2013 due to the short term maturities of these instruments. When indicators of impairment are present, the Company may be required to value certain long-lived assets such as property, plant, and equipment, and other intangibles at their fair value.

Valuation Techniques

Rabbi Trust Assets

Rabbi trust assets are classified as trading securities and are comprised of marketable debt and equity securities that are marked to fair value based on unadjusted quoted prices in active markets. The rabbi trust assets are used to fund amounts the Company owes to certain officers and other employees under the Company's non-qualified deferred compensation plan. The mark to market adjustments are recorded in "Other expense (income), net" in the accompanying Condensed Consolidated Statements of Operations.

Goodwill and Other Intangible Assets

In assessing the recoverability of the Company's goodwill and other indefinite lived intangible assets, the Company estimates the future discounted cash flows of the businesses to which such goodwill and intangibles relate. When estimated future discounted cash flows are 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. In determining estimated future cash flows, the Company makes assumptions regarding anticipated financial position, future earnings, and other factors to determine the fair value of the respective assets. This calculation is highly sensitive to changes in key assumptions and could result in a future impairment charge. The Company will continue to evaluate whether circumstances and events have changed to the extent that they require the Company to conduct an interim test of goodwill. In particular, if the Company's business units do not achieve short term revenue and gross margin goals, an interim impairment test may be triggered which could result in a goodwill impairment charge in future periods.

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The following table summarizes the Company's financial assets measured at fair value as of January 2, 2015:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------|----------|---------|---------|----------|
| Assets: | | | | |
| Rabbi trust assets | \$11,567 | \$- | \$- | \$11,567 |

The following table summarizes the Company's financial assets measured at fair value as of October 3, 2014:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------|----------|---------|---------|----------|
| Assets: | | | | |
| Rabbi trust assets | \$10,933 | \$- | \$- | \$10,933 |

The following table summarizes the Company's financial assets measured at fair value as of December 27, 2013:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------|----------|---------|---------|----------|
| Assets: | | | | |
| Rabbi trust assets | \$10,024 | \$- | \$- | \$10,024 |

The effect of changes in the fair value of financial instruments on the accompanying Condensed Consolidated Statements

of Operations for the three month periods ended January 2, 2015 and December 27, 2013 was:

| | Location of (income) loss recognized in Statement of Operations | Three Months Ended January 2 2015 | December 27 2013 |
|--------------------|---|---|------------------------|
| Rabbi trust assets | Other expense (income), net | \$118 | \$(392) |

There were no assets and liabilities measured at fair value on a non-recurring basis in periods subsequent to their initial recognition for either of the three month periods ended January 2, 2015 or December 27, 2013.

15 NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued authoritative guidance under ASU 2014-09, Revenue from Contracts with Customers, which supersedes existing revenue recognition requirements and provides a new comprehensive revenue recognition model. The underlying principle of the new standard requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects to receive in exchange for those goods or services. This ASU will be adopted by the Company during the first quarter of fiscal 2018. The Company is currently evaluating the impact that this standard will have on the consolidated financial statements.

16 SEGMENTS OF BUSINESS

The Company conducts its worldwide operations through separate business units, each of which represents major product lines. Operations are conducted in the United States and various foreign countries, primarily in Europe, Canada and the Pacific Basin. The Company had no single customer that represented more than 10% of its total net sales during either of the three month periods ended January 2, 2015 or December 27, 2013.

Net sales and operating profit include both sales to customers, as reported in the Company's accompanying Condensed Consolidated Statements of Operations, and interunit transfers, which are priced to recover cost plus an appropriate profit margin. Total assets represent assets that are used in the Company's operations in each business segment at the end of the periods presented.

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A summary of the Company's operations by business unit is presented below:

| | Three Months Ended | | |
|-------------------------------|--------------------|---------------------|-------------------|
| | January 2 2015 | December 27 2013 | October 3 2014 |
| Net sales: | | | |
| Marine Electronics: | | | |
| Unaffiliated customers | \$ 43,529 | \$ 48,173 | |
| Interunit transfers | 14 | 12 | |
| Outdoor Equipment: | | | |
| Unaffiliated customers | 6,373 | 8,378 | |
| Interunit transfers | 9 | 5 | |
| Watercraft: | | | |
| Unaffiliated customers | 5,448 | 5,425 | |
| Interunit transfers | 7 | 24 | |
| Diving | | | |
| Unaffiliated customers | 15,429 | 17,058 | |
| Interunit transfers | 85 | 266 | |
| Other / Corporate | 43 | 66 | |
| Eliminations | (115) | (307) | |
| Total | \$ 70,822 | \$ 79,100 | |
| Operating profit (loss): | | | |
| Marine Electronics | \$ (1,587) | \$ 2,332 | |
| Outdoor Equipment | (345) | (188) | |
| Watercraft | (1,026) | (1,636) | |
| Diving | (336) | 149 | |
| Other / Corporate | (4,037) | (3,565) | |
| | \$ (7,331) | \$ (2,908) | |
| Total assets (end of period): | | | |
| Marine Electronics | \$ 136,022 | \$ 140,140 | \$ 111,411 |
| Outdoor Equipment | 32,800 | 41,986 | 32,033 |
| Watercraft | 23,293 | 28,379 | 20,367 |
| Diving | 65,984 | 72,593 | 64,933 |
| Other / Corporate | 47,822 | 29,788 | 59,882 |
| | \$ 305,921 | \$ 312,886 | \$ 288,626 |

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17 ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in Accumulated Other Comprehensive Income (AOCI) by component, net of tax, for the three months ended January 2, 2015 were as follows:

| (thousands) | Foreign Currency Translation Adjustment | Unamortized Loss on Defined Benefit Pension Plans | Accumulated Other Comprehensive Income (Loss) |
|--|---|---|--|
| Balance at October 3, 2014 | \$ 18,424 | \$ (5,646) | \$ 12,778 |
| Other comprehensive income before reclassifications | (3,554) | - | (3,554) |
| Amounts reclassified from accumulated other comprehensive income | - | 85 | 85 |
| Tax effects | - | - | - |
| Balance at January 2, 2015 | \$ 14,870 | \$ (5,561) | \$ 9,309 |

The changes in AOCI by component, net of tax, for the three months ended December 27, 2013 were as follows:

| (thousands) | Foreign Currency Translation Adjustment | Unamortized Loss on Defined Benefit Pension Plans | Accumulated Other Comprehensive Income (Loss) |
|--|---|---|--|
| Balance at September 27, 2013 | \$ 23,789 | \$ (4,423) | \$ 19,366 |
| Other comprehensive income before reclassifications | 124 | - | 124 |
| Amounts reclassified from accumulated other comprehensive income | - | 167 | 167 |
| Tax effects | - | (63) | (63) |
| Balance at December 27, 2013 | \$ 23,913 | \$ (4,319) | \$ 19,594 |

The reclassifications out of AOCI for the three month period ended January 2, 2015 were as follows:

| (thousands) | Statement of Operations Presentation | |
|---|---|-----------------------------------|
| Unamortized loss on defined benefit pension plans | | |
| Amortization of loss | \$ 85 | Cost of sales / Operating expense |
| Tax effects | - | Income tax expense |
| Total reclassifications for the period | \$ 85 | |

The reclassifications out of AOCI for the three months ended December 27, 2013 were as follows:

| (thousands) | Statement of Operations Presentation | |
|--|---|-----------------------------------|
| Unamortized loss on defined benefit pension plans: | | |
| Amortization of loss | \$ 167 | Cost of sales / Operating expense |
| Tax effects | (63) | Income tax expense |

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Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") includes comments and analysis relating to the results of operations and financial condition of Johnson Outdoors Inc. and its subsidiaries (collectively, the "Company") as of and for the three month periods ended January 2, 2015 and December 27, 2013. All monetary amounts, other than share and per share amounts, are stated in thousands.

Our MD&A is presented in the following sections:

- Forward Looking Statements
- Trademarks
- Overview
- Results of Operations
- Liquidity and Financial Condition
- Contractual Obligations and Off Balance Sheet Arrangements
- Critical Accounting Policies and Estimates

This discussion should be read in conjunction with the Condensed Consolidated Financial Statements and related notes that immediately precede this section, as well as the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2014 which was filed with the Securities and Exchange Commission on December 5, 2014.

Forward Looking Statements

Certain matters discussed in this Form 10-Q 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 the Company's Form 10-K which was filed with the Securities and Exchange Commission on December 5, 2014 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 and matters related to the Company's intellectual property rights; the Company's continued success in its working capital management and cost-structure reductions; the Company's ongoing success in meeting financial covenants in its credit arrangements 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.

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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® and SUBGEAR®.

Overview

The Company is a leading global manufacturer and marketer of branded seasonal outdoor recreation products used primarily for fishing, diving, paddling 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. The Company's 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 Company's Board of Directors. The Company is controlled by Helen P. Johnson-Leipold, the Company's Chairman and Chief Executive Officer, members of her family and related entities.

Highlights

Net sales of \$70,822 for the first fiscal quarter of 2015 decreased by 10% from the same period in the prior year. The decline year over year was due in large part to promotions run on end of life product in the prior year period. In addition, the timing of orders and challenging economic conditions across international markets also contributed to the year over year decline.

Seasonality

The Company's business is seasonal in nature. The first fiscal quarter falls prior to the Company's primary selling season for its outdoor recreation products. The table below sets forth a historical view of the Company's seasonality during the last three fiscal years.

| Quarter Ended | 2014 | | | | Year Ended 2013 | | | | 2012 | | | |
|---------------|-----------|---|------------------|---|--------------------|---|------------------|---|-----------|---|------------------|---|
| | 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 | % |

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Results of Operations

The Company's net sales and operating profit (loss) by segment for the periods shown below were as follows:

| | Three Months Ended | |
|--------------------------|--------------------|---------------------|
| | January 2 2015 | December 27 2013 |
| Net sales: | | |
| Marine Electronics | \$ 43,543 | \$ 48,185 |
| Outdoor Equipment | 6,382 | 8,383 |
| Watercraft | 5,455 | 5,449 |
| Diving | 15,514 | 17,324 |
| Other / Eliminations | (72) | (241) |
| Total | \$ 70,822 | \$ 79,100 |
| Operating profit (loss): | | |
| Marine Electronics | \$ (1,587) | \$ 2,332 |
| Outdoor Equipment | (345) | (188) |
| Watercraft | (1,026) | (1,636) |
| Diving | (336) | 149 |
| Other / Eliminations | (4,037) | (3,565) |
| Total | \$ (7,331) | \$ (2,908) |

See "Note 16 – Segments of Business" of the notes to the accompanying Condensed Consolidated Financial Statements for the definition of segment net sales and operating profit.

Net Sales

Consolidated net sales for the three months ended January 2, 2015 were \$70,822, a decrease of \$8,278, or 10%, compared to \$79,100 for the three months ended December 27, 2013. Currency translation had a 1.6% unfavorable impact on net sales in the current year quarter compared to the prior year quarter.

Net sales for the three months ended January 2, 2015 for the Marine Electronics business were \$43,543, down \$4,642, or 10%, from \$48,185 during the first three months of the prior year. Continued growth in Minn Kota® sales was not enough to offset declines in Humminbird® resulting from non-repeating Black Friday promotions which were run in the prior year first fiscal quarter, as well as competitive pricing actions and changes in terms on international orders in the current year quarter.

Net sales for the Outdoor Equipment business were \$6,382 for the current year to date period, a decrease of \$2,001, or 24%, from the prior year net sales during the same period of \$8,383. The decrease was driven primarily by a shift in pacing of international orders and changes to timing of sales programs for consumer camping products.

Net sales for the first three months of fiscal 2015 for the Watercraft business were \$5,455, an increase of \$6, compared to \$5,449 in the prior year period. Growth in the US offset anticipated declines in international sales due to last year's global restructuring actions, which were designed to improve the long-term profitability of this business segment.

Diving net sales were \$15,514 for the three months ended January 2, 2015 versus \$17,324 for the three months ended December 27, 2013, a decrease of \$1,810, or 10%. Unfavorable currency translation and continued weakness in European markets were the primary drivers of the decline.

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Cost of Sales

Cost of sales for the three months ended January 2, 2015 was \$43,488, a decrease of \$5,683 from the same prior year period. The decrease versus the prior year period was driven primarily by lower sales volume in the current year to date period as material and labor costs remained fairly stable between the periods.

Gross Profit Margin

Gross profit as a percentage of net sales increased from 37.8% in the prior year to date period to 38.6% during the three months ended January 2, 2015. Fewer sales closeout promotions in the current year drove the increase in gross profit as a percentage of sales in the current year fiscal quarter.

Operating Expenses

Operating expenses were \$34,665 for the three months ended January 2, 2015 compared to \$32,837 in the prior year three month period. This \$1,828 increase was driven primarily by a \$2,500 increase in legal expense in the current year quarter that the Company incurred in connection with the litigation commenced by the Company against a competitor relating to infringement of its patented Side Imaging® sonar technology. The Company expects to incur a similar amount of additional litigation expense related to this matter during its 2015 fiscal second quarter.

Operating Loss

Operating loss on a consolidated basis for the three months ended January 2, 2015 was \$7,331 compared to an operating loss of \$2,908 in the prior year period, a decrease of \$4,423. Lower sales volume for the three months ended January 2, 2015 occurring as a result of the factors described above in addition to the legal expenses incurred in connection with the litigation described above in the current year were the primary drivers of the decline in operating profit year over year.

Interest

For the three months ended January 2, 2015, interest expense totaled \$187 compared to \$202 for the three months ended December 27, 2013.

Interest income for each of the three month periods ended January 2, 2015 and December 27, 2013 was less than \$100.

Other Income, net

Other income, net for the three months ended January 2, 2015 was \$572 compared to \$159 for the three months ended December 27, 2013. For the three months ended January 2, 2015, foreign currency exchange gains were \$232 compared to losses of \$321 for the three months ended December 27, 2013. Net investment gains and earnings on the assets related to the Company's non-qualified deferred compensation plan were \$315 in the three month period ended January 2, 2015 compared to \$568 in the three month period ended December 27, 2013.

Income Tax Expense

The Company's provision for income taxes is based upon estimated annual effective tax rates in the tax jurisdictions in which the Company operates. The effective tax rate for the three months ended January 2, 2015 was 39.4%, compared to 24.9% in the corresponding period of the prior year.

The increase in the Company's effective tax rate for the three months ended January 2, 2015 versus the prior year period was primarily due to the impact of increased domestic losses in the current period compared to the prior year period.

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Net Loss

Net loss for the three months ended January 2, 2015 was \$4,194 or \$(0.42) per diluted common class A and B share, compared to a net loss of \$2,193, or \$(0.22) per diluted common class A and B share, for the corresponding period of the prior year.

Liquidity and Financial Condition

Cash, net of debt, was \$25,117 as of January 2, 2015 compared to \$7,514 as of December 27, 2013. The Company's debt to total capitalization ratio was 15% as of January 2, 2015 compared to 17% as of December 27, 2013. The Company's total debt balance was \$32,436 as of January 2, 2015 compared to \$38,430 as of December 27, 2013. See "Note 12 – Indebtedness" in the notes to the Company's accompanying condensed consolidated financial statements for further discussion.

Accounts receivable, net of allowance for doubtful accounts, were \$57,254 as of January 2, 2015, a decrease of \$5,728 compared to \$62,982 as of December 27, 2013. The decrease from the prior year was due primarily to the decrease in sales volume in the current year quarter.

Inventories, net of inventory reserves, were \$82,429 as of January 2, 2015, a decrease of \$5,224 compared to \$87,653 as of December 27, 2013.

Accounts payable were \$33,239 at January 2, 2015, an increase of \$3,076 compared to \$30,163 as of December 27, 2013. The increase was driven primarily by more effective payable strategies and business mix.

The Company's cash flow from operating, investing and financing activities, as reflected in the Company's accompanying Condensed Consolidated Statements of Cash Flows, is summarized in the following table:

| (thousands) | Three Months Ended | |
|---|--------------------|---------------------|
| | January 2 2015 | December 27 2013 |
| Cash provided by (used for): | | |
| Operating activities | \$ (32,150) | \$ (35,408) |
| Investing activities | (1,753) | (3,355) |
| Financing activities | 22,839 | 28,742 |
| Effect of foreign currency rate changes on cash | (2,176) | 271 |
| Decrease in cash and cash equivalents | \$ (13,240) | \$ (9,750) |

Operating Activities

Cash used for operations totaled \$32,150 for the three months ended January 2, 2015 compared with \$35,408 during the corresponding period of the prior fiscal year. This change was driven primarily by the increase in accounts payable outstanding in the current quarter versus a decrease in the prior year quarter offset in part by lower net income in the current year quarter.

Amortization of deferred financing costs, depreciation and other amortization charges were \$2,844 for the three month period ended January 2, 2015 compared to \$2,418 for the corresponding period of the prior year.

Investing Activities

Cash used for investing activities, which all consisted of cash usage for capital expenditures, totaled \$1,753 for the three months ended January 2, 2015 and \$3,355 for the corresponding period of the prior year. The Company's recurring investments are made primarily for software development and tooling for new products and enhancements on existing products. Any additional expenditures in fiscal 2015 are expected to be funded by working capital or existing credit facilities.

JOHNSON OUTDOORS INC.

Financing Activities

Cash flows provided by financing activities totaled \$22,839 for the three months ended January 2, 2015 compared to cash flows provided by financing activities of \$28,742 for the three month period ended December 27, 2013. The Company made principal payments on senior notes and other long-term debt of \$95 during the three month period ended January 2, 2015. For the three month period ended December 27, 2013, the Company made principal payments on senior notes and other long-term debt of \$136.

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 January 2, 2015 and December 27, 2013.

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 credit facility with PNC Bank National Association and certain other lenders. This 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 an expiration date of September 16, 2018 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 borrowings may not exceed \$60,000 from the period June 30th through October 31st of each year under the agreement. Balances carried on the Revolving Credit Agreement of \$60,000 or less may be repaid at the Company's discretion at any time through the maturity date. Accordingly, this balance has been classified as long term as of January 2, 2015 and December 27, 2013.

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% to 2.00% and is dependent on the Company's leverage ratio for the trailing twelve month period. The interest rate on the Revolver at each of January 2, 2015 and December 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. Under the terms of the Revolver, the Company is required to comply with certain financial and non-financial covenants. 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 restricts the Company's ability to incur additional debt and includes maximum leverage ratio and minimum interest coverage ratio covenants.

As of January 2, 2015 the Company held approximately \$56,814 of cash and cash equivalents in bank accounts in foreign taxing jurisdictions.

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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 existing at January 2, 2015.

| | Total | Less than 1 year | 2-3 years | 4-5 years | After 5 years |
|---|----------|---------------------|-----------|-----------|------------------|
| Long-term debt | \$32,436 | \$267 | \$757 | \$25,582 | \$5,830 |
| Operating lease obligations | 21,123 | 4,713 | 7,376 | 4,039 | 4,995 |
| Open purchase orders | - | - | - | - | - |
| Contractually obligated interest payments | 4,722 | 563 | 1,446 | 1,010 | 1,703 |
| Total contractual obligations | \$58,281 | \$5,543 | \$9,579 | \$30,631 | \$12,528 |

The Company utilizes letters of credit primarily as security for the payment of future claims under its workers compensation insurance. Letters of credit outstanding were \$655 and \$811 at January 2, 2015 and December 27, 2013, respectively.

The Company anticipates making contributions of \$542 to its defined benefit pension plans through the end of fiscal 2015.

The Company has no other off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The Company's critical accounting policies and estimates are identified in the Company's Annual Report on Form 10-K for the fiscal year ending October 3, 2014 in Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "Critical Accounting Estimates." There were no significant changes to the Company's critical accounting policies and estimates during the three months ended January 2, 2015.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risk is limited to fluctuations in raw material commodity prices, interest rate fluctuations on borrowings under our secured credit facilities and foreign currency exchange rate risk associated with our foreign operations. We do not utilize financial instruments for trading purposes.

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 20% of the Company's revenues for the three month period ended January 2, 2015 were denominated in currencies other than the U.S. dollar. Approximately 10% were denominated in euros, approximately 4% in Canadian dollars and approximately 3% in Hong Kong dollars, with the remaining revenues denominated in various other foreign currencies. Changes in foreign currency exchange rates can cause unexpected financial losses or cash flow needs. The Company may mitigate 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 to be paid or received for a fixed amount of currency at a specified date in the future. The Company may use such foreign currency forward contracts to mitigate the risk associated with changes in foreign currency exchange rates on financial instruments and known commitments, including commitments for inventory purchases, denominated in foreign currencies. As of January 2, 2015 and December 27, 2013, the Company held no foreign currency forward contracts.

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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 or cash and cash equivalents on hand.

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 outstanding interest bearing debt at January 2, 2015:

| (thousands) | Estimated Impact on | |
|---------------------------|---------------------|-------------------------------|
| | Fair Value | Income Before Income Taxes |
| Interest rate instruments | \$ - | \$ 328 |

Item 4. 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, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act, 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 Exchange Act 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. As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the 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 this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective at reaching a level of reasonable assurance. It should be noted that 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.

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

JOHNSON OUTDOORS INC.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of business, we may be involved in various legal proceedings from time to time. Except as noted below, we do not believe we are currently involved in any litigation involving amounts deemed to be material to the business or financial condition of the Company.

Johnson Outdoors Inc. and Johnson Outdoors Marine Electronics, Inc. v. Garmin International, Inc., Garmin North America, Inc. and Garmin USA, Inc. (Civil Action No.: 2:14-cv-683); In the Matter of Certain Marine Sonar Imaging Systems, Products Containing the Same and Components Thereof (ITC Investigation No. 337-TA-926).

The Company and Johnson Outdoors Marine Electronics, Inc. are plaintiffs in a suit in the United States District Court for the Middle District of Alabama, Northern Division, Civil Action No.: 2:14-cv-683, against Garmin International, Inc. and Garmin USA, Inc. (collectively, "Garmin") alleging infringement of U.S. Patents 7,652,952 ("the '952 patent"); 7,710,825 ("the '825 patent"); and 7,755,974 ("the '974 patent").

On August 15, 2014, Garmin answered and filed counterclaims against the Company and Johnson Outdoors Marine Electronics, Inc., seeking a declaratory judgment that the '952, '825 and '974 patents are not infringed, and are invalid and/or unenforceable. On December 9, 2014, Garmin filed another counterclaim alleging an antitrust violation under Section 2 of the Sherman Act, 15 U.S.C. § 2, seeking treble damages against the Company and Johnson Outdoors Marine Electronics, Inc. The Company believes that the counterclaims by Garmin are without merit and intends to vigorously defend them. In that regard, on January 15, 2015, the Company and Johnson Outdoors Marine Electronics, Inc. moved to dismiss the antitrust counterclaim on several grounds.

The Company and Johnson Outdoors Marine Electronics have also filed a complaint with the United States International Trade Commission ("ITC"), Investigation No. 337-TA-926, against Respondents Garmin International, Inc., Garmin North America, Inc., Garmin USA, Inc. and Garmin Corporation alleging a violation of Section 337 of the Tariff Act of 1930, as amended, to block the importation of one or more products. Respondents have responded by asserting that the '952, '825, and '974 patents are not infringed, and are invalid and/or unenforceable.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our Form 10-K as filed with the Securities and Exchange Commission on December 5, 2014.

Item 6. Exhibits

See Exhibit Index to this Form 10-Q report.

SIGNATURES

Pursuant to the requirements 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.

JOHNSON OUTDOORS INC.

Signatures Dated: February 6, 2015

/s/ Helen P. Johnson-Leipold
Helen P. Johnson-Leipold
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ David W. Johnson
David W. Johnson
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

JOHNSON OUTDOORS INC.
Exhibit Index to Quarterly Report on Form 10-Q

| Exhibit Number | Description |
|----------------|--|
| 31.1 | Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 (1) | Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following materials from Johnson Outdoors Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended January 2, 2015 formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Comprehensive Income; (iv) Condensed Consolidated Statements of Cash Flows; and (v) Notes to Condensed Consolidated Financial Statements |

(1) This certification is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.