

LA-Z-BOY INC
Form 10-Q
August 17, 2010

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

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
FOR QUARTERLY PERIOD ENDED JULY 24, 2010
COMMISSION FILE NUMBER 1-9656

LA-Z-BOY INCORPORATED
(Exact name of registrant as specified in its charter)

MICHIGAN
(State or other jurisdiction of incorporation or organization)

38-0751137
(I.R.S. Employer Identification No.)

1284 North Telegraph Road, Monroe, Michigan
(Address of principal executive offices)

48162-3390
(Zip Code)

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

None

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Edgar Filing: LA-Z-BOY INC - Form 10-Q

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

| Class | Outstanding at August 10, 2010 |
|---------------------------------|--------------------------------|
| Common Shares, \$1.00 par value | 51,830,174 |

LA-Z-BOY INCORPORATED
FORM 10-Q FIRST QUARTER OF FISCAL 2011

TABLE OF CONTENTS

| | Page Number(s) |
|---|--|
| PART I Financial Information (Unaudited) | |
| Item 1. | Financial Statements |
| | Consolidated Statement of Operations 3 |
| | Consolidated Balance Sheet 4 |
| | Consolidated Statement of Cash Flows 5 |
| | Consolidated Statement of Changes in Equity 6 |
| | Notes to Consolidated Financial Statements 7 |
| | Note 1. Basis of Presentation 7 |
| | Note 2. Interim Results 8 |
| | Note 3. Inventories 8 |
| | Note 4. Pension Plans 8 |
| | Note 5. Financial Guarantees and Product Warranties 8 |
| | Note 6. Stock-Based Compensation 9 |
| | Note 7. Total Comprehensive Income (Loss) 9 |
| | Note 8. Segment Information 10 |
| | Note 9. Restructuring 10 |
| | Note 10. Income Taxes 11 |
| | Note 11. Variable Interest Entities 11 |
| | Note 12. Earnings per Share 12 |
| | Note 13. Fair Value Measurements 13 |
| | Note 14. Hedging Activities 14 |
| | Note 15. Recent Accounting Pronouncements 15 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations 16 |
| | Cautionary Statement Concerning Forward-Looking Statements 16 |
| | Introduction 16 |
| | Results of Operations 18 |
| | Restructuring 20 |
| | Liquidity and Capital Resources 21 |
| | Critical Accounting Policies 23 |
| | Regulatory Developments 23 |
| | Recent Accounting Pronouncements 24 |
| | Business Outlook 24 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk 24 |
| Item 4. | Controls and Procedures 24 |
| PART II Other Information | |
| Item 1A. | Risk Factors 25 |
| Item 6. | Exhibits 25 |

PART I
FINANCIAL INFORMATION
Item 1. Financial Statements

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS

| (Unaudited, amounts in thousands, except per share data) | First Quarter Ended | |
|---|---------------------|------------|
| | 07/24/10 | 07/25/09 |
| Sales | \$ 263,313 | \$ 262,671 |
| Cost of sales | | |
| Cost of goods sold | 190,175 | 181,559 |
| Restructuring | (21) | 736 |
| Total cost of sales | 190,154 | 182,295 |
| Gross profit | 73,159 | 80,376 |
| Selling, general and administrative | 74,045 | 77,612 |
| Restructuring | 165 | 301 |
| Operating income (loss) | (1,051) | 2,463 |
| Interest expense | 590 | 980 |
| Interest income | 243 | 276 |
| Other income, net | 351 | 711 |
| Earnings (loss) before income taxes | (1,047) | 2,470 |
| Income tax (benefit) expense | (468) | 439 |
| Net income (loss) | (579) | 2,031 |
| Net (income) loss attributable to noncontrolling interests | 384 | (48) |
| Net income (loss) attributable to La-Z-Boy Incorporated | \$ (195) | \$ 1,983 |
| Basic average shares | 51,785 | 51,479 |
| Basic net income (loss) attributable to La-Z-Boy Incorporated per share | \$ — | \$ 0.04 |
| Diluted average shares | 51,785 | 51,479 |
| Diluted net income (loss) attributable to La-Z-Boy Incorporated per share | \$ — | \$ 0.04 |

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

LA-Z-BOY INCORPORATED
CONSOLIDATED BALANCE SHEET

| (Unaudited, amounts in thousands) | 07/24/10 | 04/24/10 |
|--|-------------------|-------------------|
| Current assets | | |
| Cash and equivalents | \$ 93,133 | \$ 108,421 |
| Receivables, net of allowance of \$21,414 at 07/24/10 and \$20,258 at 04/24/10 | 150,302 | 165,038 |
| Inventories, net | 138,952 | 134,187 |
| Deferred income taxes – current | 2,305 | 2,305 |
| Other current assets | 17,403 | 18,159 |
| Total current assets | 402,095 | 428,110 |
| Property, plant and equipment, net | 133,482 | 138,857 |
| Trade names | 3,100 | 3,100 |
| Deferred income taxes – long-term | 442 | 458 |
| Other long-term assets | 34,923 | 38,293 |
| Total assets | \$ 574,042 | \$ 608,818 |
| Current liabilities | | |
| Current portion of long-term debt | \$ 5,223 | \$ 1,066 |
| Accounts payable | 43,299 | 54,718 |
| Accrued expenses and other current liabilities | 73,805 | 91,496 |
| Total current liabilities | 122,327 | 147,280 |
| Long-term debt | 40,540 | 46,917 |
| Other long-term liabilities | 66,887 | 68,381 |
| Contingencies and commitments | — | — |
| Equity | | |
| La-Z-Boy Incorporated shareholders' equity: | | |
| Common shares, \$1 par value | 51,823 | 51,770 |
| Capital in excess of par value | 202,937 | 201,873 |
| Retained earnings | 109,155 | 108,707 |
| Accumulated other comprehensive loss | (20,606) | (20,251) |
| Total La-Z-Boy Incorporated shareholders' equity | 343,309 | 342,099 |
| Noncontrolling interests | 979 | 4,141 |
| Total equity | 344,288 | 346,240 |
| Total liabilities and equity | \$ 574,042 | \$ 608,818 |

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

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS

| (Unaudited, amounts in thousands) | First Quarter Ended | |
|--|---------------------|-----------|
| | 07/24/10 | 07/25/09 |
| Cash flows from operating activities | | |
| Net income (loss) | \$ (579) | \$ 2,031 |
| Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities | | |
| (Gain) loss on sale of assets | 27 | (13) |
| Restructuring | 144 | 1,037 |
| Provision for doubtful accounts | 914 | 2,362 |
| Depreciation and amortization | 5,806 | 6,275 |
| Stock-based compensation expense | 1,027 | 1,007 |
| Change in receivables | 16,985 | 8,898 |
| Change in inventories | (9,332) | (2,098) |
| Change in other assets | (19) | (4,665) |
| Change in payables | (10,667) | (2,326) |
| Change in other liabilities | (16,259) | 1,269 |
| Change in deferred taxes | 37 | 8 |
| Total adjustments | (11,337) | 11,754 |
| Net cash provided by (used for) operating activities | (11,916) | 13,785 |
| Cash flows from investing activities | | |
| Proceeds from disposals of assets | 22 | 1,686 |
| Capital expenditures | (2,436) | (1,439) |
| Purchases of investments | (4,333) | (1,199) |
| Proceeds from sales of investments | 4,353 | 2,664 |
| Change in restricted cash | — | 17,007 |
| Change in other long-term assets | (13) | (15) |
| Net cash provided by (used for) investing activities | (2,407) | 18,704 |
| Cash flows from financing activities | | |
| Proceeds from debt | 10,238 | 10,460 |
| Payments on debt | (10,566) | (22,159) |
| Stock issued from stock plans | 24 | — |
| Net cash used for financing activities | (304) | (11,699) |
| Effect of exchange rate changes on cash and equivalents | (29) | 179 |
| Change in cash and equivalents | (14,656) | 20,969 |
| Cash reduction upon deconsolidation of VIE | (632) | — |
| Cash and equivalents at beginning of period | 108,421 | 17,364 |
| Cash and equivalents at end of period | \$ 93,133 | \$ 38,333 |
| Cash paid (net of refunds) during period – income taxes | \$ 2,461 | \$ 266 |
| Cash paid during period – interest | \$ 537 | \$ 725 |

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

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (Unaudited, amounts in thousands) | Common Shares | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Compre- hensive Loss | Non- Controlling Interests | Total |
|---|------------------|--------------------------------------|----------------------|---|----------------------------------|------------|
| At April 25, 2009 | \$ 51,478 | \$ 205,945 | \$ 67,431 | \$ (22,559) | \$ 4,137 | \$ 306,432 |
| Comprehensive income | | | | | | |
| Net income (loss) | | | 32,538 | | (487) | |
| Unrealized gain on marketable securities arising during the period | | | | 2,685 | | |