JOHNSON OUTDOORS INC
Form 10-Q
February 03, 2017

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 December 30, 2016

OR

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

For the transition period from _____ to _____

Commission file number 0-16255

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

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

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

(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

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

As of January 27, 2017, 8,771,151 shares of Class A and 1,212,006 shares of Class B common stock of the Registrant were outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

JOHNSON OUTDOORS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended	
	December 30	January 1
(thousands, except per share data)	2016	2016
Net sales	$ 93,729	$ 85,298
Cost of sales	57,164	51,999
Gross profit	36,565	33,299
Operating expenses:		
Marketing and selling	20,822	19,999
Administrative management, finance and information systems	10,561	10,154
Research and development	4,710	4,046
Total operating expenses	36,093	34,199
Operating profit (loss)	472	(900)
Interest income	(23)	(8)
Interest expense	486	190
Other expense (income), net	54	(563)
Loss before income taxes	(45)	(519)
Income tax (benefit) expense	(4,101)	15
Net income (loss)	$ 4,056	$ (534)
Weighted average common shares - Basic:		
Class A	8,633	8,582
Class B	1,212	1,212
Participating securities	29	187
Weighted average common shares - Dilutive	9,874	9,981
Net income (loss) per common share - Basic:		
Class A	$ 0.41	$ (0.05)
Class B	$ 0.37	$ (0.05)
Net income (loss) per common share - Diluted:		
Class A	$ 0.40	$ (0.05)
Class B	$ 0.40	$ (0.05)
Dividends declared per common share:		
Class A	$ 0.09	$ 0.08
Class B	$ 0.08	$ 0.07

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

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

	Three Months Ended	
	December 30	January 1
(thousands, except per share data)	2016	2016
Comprehensive income:		
Net income (loss)	$4,056	$ (534)
Other comprehensive income (loss):		
Foreign currency translation loss	(3,747)	(1,777)
Change in pension plans, net of tax of $54 and $59, respectively	88	96
Total other comprehensive loss	(3,659)	(1,681)
Total comprehensive income (loss)	$397	$ (2,215)

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

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CONDENSED CONSOLIDATED BALANCE SHEETS

(thousands, except share data)	December 30 2016 unaudited	September 30 2016 audited	January 1 2016 unaudited
ASSETS			
Current assets:			
Cash and cash equivalents	$ 51,860	$ 87,294	$49,356
Accounts receivable, net	72,349	41,522	66,057
Inventories	76,037	68,397	93,898
Other current assets	4,819	4,755	5,324
Total current assets	205,065	201,968	214,635
Property, plant and equipment, net of accumulated depreciation of $125,286, $123,921 and $119,171, respectively	48,544	48,998	45,296
Deferred income taxes	22,745	19,063	16,457
Goodwill	11,170	11,196	19,624
Other intangible assets, net	14,060	14,462	11,470
Other assets	14,883	14,592	13,992
Total assets	$ 316,467	$ 310,279	$321,474
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current maturities of long-term debt	$ -	$ 381	$366
Accounts payable	32,033	24,521	35,055
Accrued liabilities:			
Salaries, wages and benefits	12,171	17,396	11,398
Accrued warranty	4,781	4,326	4,258
Income taxes payable	1,055	1,691	2,953
Accrued discounts and returns	6,116	7,074	4,857
Other	12,159	12,265	11,181
Total current liabilities	68,315	67,654	70,068
Long-term debt, less current maturities	13,001	7,008	31,230
Deferred income taxes	1,147	1,216	1,161
Retirement benefits	12,527	12,699	9,979
Other liabilities	14,641	14,206	13,954
Total liabilities	109,631	102,783	126,392
Shareholders' equity:			
Common stock:			
Class A shares issued and outstanding: December 30, 2016: 8,773,175 September 30, 2016: 8,778,028 January 1, 2016: 8,805,489	443	441	441
Class B shares issued and outstanding: December 30, 2016: 1,212,006 September 30, 2016: 1,212,006 January 1, 2016: 1,212,382	61	61	61
Capital in excess of par value	71,554	71,127	69,751
Retained earnings	138,571	135,405	123,846

Accumulated other comprehensive income (loss)	(1,305)	2,354	1,956
Treasury stock at cost, shares of Class A common stock: 79,071, 64,323 and 37,015, respectively	(2,488)	(1,892)	(973)
Total shareholders' equity	206,836	207,496	195,082
Total liabilities and shareholders' equity	$ 316,467	$ 310,279	$321,474

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended December	
	30	January 1
(thousands)	2016	2016
CASH USED FOR OPERATING ACTIVITIES		
Net income (loss)	$4,056	$(534)
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Depreciation	2,821	2,620
Amortization of intangible assets	302	215
Amortization of deferred financing costs	217	31
Stock based compensation	504	501
Deferred income taxes	(4,198)	(651)
Change in operating assets and liabilities:		
Accounts receivable, net	(31,355)	(21,496)
Inventories, net	(8,631)	(14,200)
Accounts payable and accrued liabilities	1,801	598
Other current assets	(140)	(452)
Other non-current assets	17	22
Other long-term liabilities	3	(157)
Other, net	277	(54)
	(34,326)	(33,557)
CASH USED FOR INVESTING ACTIVITIES		
Payments for purchase of businesses	-	(5,250)
Capital expenditures	(2,666)	(2,547)
	(2,666)	(7,797)
CASH PROVIDED BY FINANCING ACTIVITIES		
Net borrowings from revolving credit lines	12,730	23,911
Principal payments on term loans and other long-term debt	(7,099)	(60)
Common stock transactions	-	97
Dividends paid	(890)	(790)
Purchases of treasury stock	(664)	(476)
	4,077	22,682
Effect of foreign currency rate changes on cash	(2,519)	(1,131)
Decrease in cash and cash equivalents	(35,434)	(19,803)
CASH AND CASH EQUIVALENTS		
Beginning of period	87,294	69,159
End of period	$51,860	$49,356
Supplemental Disclosure:		
Cash paid for taxes	$644	$1,629
Cash paid for interest	290	135

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

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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 December 30, 2016 and January 1, 2016, 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 September 30, 2016 which was filed with the Securities and Exchange Commission on December 13, 2016 with the Securities and Exchange Commission.

Effective with the first fiscal quarter of 2017, the Company has renamed its business segments to better reflect the outdoor lifestyle focus of the Company's brands. The Company's segments will be referred to as Fishing (formerly Marine Electronics), Camping (formerly Outdoor Equipment), Watercraft Recreation (formerly Watercraft) and Diving (unchanged). There is no change in the composition of the Company's segments.

Due to seasonal variations and other factors, the results of operations for the three months ended December 30, 2016 are not necessarily indicative of the results to be expected for the Company's full 2017 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 $1,924, $2,182 and $2,354 as of December 30, 2016, September 30, 2016 and January 1, 2016, respectively. The increase in net accounts receivable to $72,349 as of December 30, 2016 from $41,522 as of September 30, 2016 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 about 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 segment. 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 period ended December 30, 2016, basic income per share for the Class A and Class B shares has been presented using the two class method and reflects the allocation of undistributed income described above. For the three-month period ended January 1, 2016, basic loss per share is the same for both Class A and Class B shares, reflecting the allocation of the net loss under the two class method described above.

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 both classes.

For the three-month period ended December 30, 2016, diluted net income per share reflects the effect of dilutive restricted stock units and assumes the conversion of Class B common stock into Class A common stock. For the three-month period ended January 1, 2016, the effects of non-vested restricted stock units are excluded from the diluted loss per share calculation as their inclusion would have been anti-dilutive.

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 95,068 and 183,830 for the three months ended December 30, 2016 and January 1, 2016, 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 0 and 41,722 for the three month periods ended December 30, 2016 and January 1, 2016, 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 future equity incentive awards) there were a total of 560,244 shares of the Company's Class A common stock available for future grant to key executives and

non-employee directors at December 30, 2016.

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Non-vested Stock

All shares of non-vested stock awarded by the Company have been granted in the form of shares of Class A common stock at their fair market value on the date of grant and vest within two to 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 December 30, 2016 related to the Company's stock ownership plans is as follows:

	Shares	Weighted Average Grant Price
Non-vested stock at September 30, 2016	162,472	$ 24.49
Non-vested stock grants	8,846	43.12
Restricted stock vested	(76,250)	20.54
Non-vested stock at December 30, 2016	95,068	27.68

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 17,832 and 19,973 during the three month periods ended December 30, 2016 and January 1, 2016, respectively.

Stock compensation expense, net of forfeitures, related to non-vested stock was $283 and $371 for the three month periods ended December 30, 2016 and January 1, 2016, respectively. Unrecognized compensation cost related to non-vested stock as of December 30, 2016 was $1,390, which amount will be amortized to expense through November 2020 or adjusted for changes in future estimated or actual forfeitures.

The fair value of restricted stock vested during the three month periods ended December 30, 2016 and January 1, 2016 was $3,219 and $2,349, respectively.

Restricted Stock Units

All restricted stock units (RSUs) awarded by the Company have been granted in the form of shares of Class A common stock at their fair market value on the date of grant and vest within one or three years 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.

A summary of RSU activity for the quarter ended December 30, 2016 follows:

	Number of RSUs	Weighted Average Grant Price
RSUs at September 30, 2016	46,411	$ 23.62
RSUs granted	20,627	42.67
RSUs vested	(2,010)	22.39
RSUs at December 30, 2016	65,028	29.70

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Stock compensation expense, net of forfeitures, related to restricted stock units was $221 for the three months ended December 30, 2016 and $130 for the three months ended January 1, 2016 Unrecognized compensation cost related to non-vested restricted stock units as of December 30, 2016 was $1,311, which amount will be amortized to expense through September 2019 or adjusted for changes in future estimated or actual forfeitures.

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.

During the three month periods ended December 30, 2016 and January 1, 2016, the Company issued no shares of Class A common stock in connection with the Employees' Stock Purchase Plan.

5PENSION 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 December 30, 2016 and January 1, 2016 were as follows:

	Three Months Ended	
	December 30 2016	January 1 2016
Components of net periodic benefit cost:		
Service cost	$ -	$ -
Interest on projected benefit obligation	284	277
Less estimated return on plan assets	274	299
Amortization of unrecognized losses	142	155
Net periodic benefit cost	$ 152	$ 133

6INCOME TAXES

For the three months ended December 30, 2016 and January 1, 2016, the Company's earnings before income taxes, income tax expense and effective income tax rate were as follows:

	Three Months Ended	
(thousands, except tax rate data)	December 30 2016	January 1 2016
Loss before income taxes	$(45)	$ (519)
Income tax (benefit) expense	(4,101)	15
Effective income tax rate	9113.3%	-2.9%

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The change in the Company's effective tax rate for the three months ended December 30, 2016 versus the prior year period was primarily due to the impact of a foreign tax credit net tax benefit of about $4,200 generated by the repatriation of approximately $22,000 in the period from foreign jurisdictions into the U.S. Also, the Company recorded tax benefit of $397 realized from the exercise of the share-based payment arrangements during the three-month period ended December 30, 2016. See "Note 14 – New Accounting Pronouncements" in the notes to the Company's accompanying condensed consolidated financial statements for further discussion.

Adverse changes in profitability and financial outlook in both the U.S. and/or foreign jurisdictions or changes in the Company's geographic footprint may require changes in valuation allowances in order to reduce the Company's deferred tax assets. Such changes may drive fluctuations in the effective tax rate. The impact of the Company's operations in jurisdictions where a valuation allowance is assessed, primarily in the foreign locations, is removed from the 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 December 30, 2016 and January 1, 2016 were:

December 30 2016	January 1 2016
Australia	Australia
Austria	France
France	Italy
Indonesia	Japan
Italy	Netherlands
Japan	New Zealand
Netherlands	Spain
New Zealand	Switzerland
Spain	
Switzerland	

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 changes in its assumptions or as a result 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 2017 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 $250 related to uncertain income tax positions for the fiscal year ending September 29, 2017.

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, France, Germany and Indonesia. As of the date of this report, the following tax years remain open to examination by the respective tax jurisdictions:

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Jurisdiction	Fiscal Years
United States	2013-2016
Canada	2012-2016
France	2012-2016
Germany	2009-2016
Italy	2011-2016
Japan	2013-2016
Switzerland	2006-2016

7 INVENTORIES

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

	December 30 2016	September 30 2016	January 1 2016
Raw materials	$ 33,170	$ 26,379	$ 35,496
Work in process	307	34	203
Finished goods	42,560	41,984	58,199
	$ 76,037	$ 68,397	$ 93,898

8 GOODWILL

The changes in goodwill during the three months ended December 30, 2016 and January 1, 2016 were as follows:

	December 30 2016	January 1 2016
Balance at beginning of period	$ 11,196	$ 14,292
Acquisitions	-	5,385
Amount attributable to movements in foreign currency rates	(26)	(53)
Balance at end of period	$ 11,170	$ 19,624

The Company evaluates the carrying value of goodwill on an annual basis or more frequently when events and circumstances warrant such an evaluation. See Note 17 below for a discussion of Company acquisitions and their impact on increasing the Company's goodwill balance during the periods presented herein.

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 December 30, 2016 and January 1, 2016.

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	December 30 2016	January 1 2016
Balance at beginning of period	$ 4,326	$ 4,301
Expense accruals for warranties issued during the period	1,448	1,128
Less current period warranty claims paid	993	1,171
Balance at end of period	$ 4,781	$ 4,258

10 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 regulatory 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.

11 INDEBTEDNESS

Debt was comprised of the following at December 30, 2016, September 30, 2016, and January 1, 2016:

	December 30 2016	September 30 2016	January 1 2016
Term loans	$ -	$ 7,098	$ 7,371
Revolvers	12,730	-	23,942
Other	271	291	283
Total debt	13,001	7,389	31,596
Less current portion of long term debt	-	381	366
Less short term debt	-	-	-
Total long-term debt	$ 13,001	$ 7,008	$ 31,230

Term Loans
On October 24, 2016 the Company repaid its outstanding term loans with Ridgestone Bank totaling $7,068. The early repayment of these loans resulted in payment of a 3% pre-payment penalty. The Company's term loans had a maturity date of September 29, 2029. The interest rate in effect on the term loans was 5.50% at the date of repayment.

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% 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 December 30, 2016 and January 1, 2016 was approximately 2.0% and 1.7%, respectively.

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 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 December 30, 2016 or January 1, 2016. The Company utilizes letters of credit primarily as security for the payment of future claims under its workers' compensation insurance, which totaled approximately $392 and $682 at December 30, 2016 and January 1, 2016, respectively. The Company had no unsecured lines of credit as of December 30, 2016 or January 1, 2016.

Aggregate scheduled maturities of long-term debt as of December 30, 2016, for the remainder of fiscal 2017 and subsequent fiscal years, were as follows:

Fiscal Year	
2017	$-
2018	12,730
2019	-
2020	271
2021	-
Thereafter	-
Total	$13,001

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.

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 December 30, 2016, September 30, 2016 and January 1, 2016 approximated its carrying value.

12 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.

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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 16% of the Company's revenues for the three month period ended December 30, 2016 were denominated in currencies other than the U.S. dollar. Approximately 7% were denominated in euros, 5% were denominated in Canadian dollars and 2% were denominated in Hong Kong dollars, with the remaining revenues denominated in various other foreign currencies. Changes in foreign currency exchange rates can cause the Company to experience 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 December 30, 2016 and January 1, 2016, the Company held no foreign currency forward contracts.

13 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 December 30, 2016, September 30, 2016 and January 1, 2016 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.

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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.

The following table summarizes the Company's financial assets measured at fair value as of December 30, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
Rabbi trust assets	$13,172	$ -	$ -	$13,172

The following table summarizes the Company's financial assets measured at fair value as of September 30, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
Rabbi trust assets	$12,637	$ -	$ -	$12,637

The following table summarizes the Company's financial assets measured at fair value as of January 1, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
Rabbi trust assets	$12,142	$ -	$ -	$12,142

The effect of changes in the fair value of financial instruments on the Condensed Consolidated Statements of Operations for the three month periods ended December 30, 2016 and January 1, 2016 was:

	Location of (income) loss recognized in Statement of Operations	Three Months Ended December 30 2016	January 1 2016
Rabbi trust assets	Other (income) expense, net	$ 202	$ 63

There were no assets or 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 December 30, 2016 or January 1, 2016.

14NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. The Company intends to adopt this ASU during the first quarter of fiscal 2018 and is currently evaluating the impact that this standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The amendments in this update will increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This amendment is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is evaluating the effect, if any, of this standard on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. Excess tax benefits for share-based payments will be recorded as a reduction of income taxes and reflected in operating cash flows upon the adoption of this ASU. Excess tax benefits are recorded in equity and as financing activity under the current rules. The guidance will be effective for annual reporting periods beginning after December 15, 2016 and interim periods within those fiscal years with early adoption permitted. The Company elected to adopt this accounting standard on a prospective basis at the beginning of the first quarter of fiscal 2017. See “Note 6 – Income Taxes” in the notes to the Company’s accompanying condensed consolidated financial statements for further details concerning the adoption of this standard.

15 SEGMENTS OF BUSINESS

Effective with the first fiscal quarter of 2017, the Company has renamed its business segments to better reflect the outdoor lifestyle focus of the Company’s brands. The Company’s segments will be referred to as Fishing (formerly Marine Electronics), Camping (formerly Outdoor Equipment), Watercraft Recreation (formerly Watercraft) and Diving (unchanged). There is no change in the composition of the Company’s segments.

The Company conducts its worldwide operations through separate business segments, 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. During the three month period ended December 30, 2016 there was no single customer that represented more than 10% of the Company’s total net sales. The Company had net sales to one customer of its Fishing, Camping and Watercraft Recreation segments during the quarter ended January 1, 2016 that represented approximately $12,000 of its consolidated revenues.

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 segment is presented below:

	Three Months Ended		
	December 30 2016	January 1 2016	September 30 2016
Net sales:			
Fishing (f.k.a Marine Electronics):			
Unaffiliated customers	$67,050	$58,558	
Interunit transfers	21	42	
Camping (f.k.a. Outdoor Equipment):			
Unaffiliated customers	5,728	6,306	
Interunit transfers	7	8	
Watercraft Recreation (f.k.a Watercraft):			
Unaffiliated customers	6,208	6,373	
Interunit transfers	9	5	
Diving			
Unaffiliated customers	14,703	14,009	
Interunit transfers	190	283	
Other / Corporate	40	52	
Eliminations	(227)	(338)	
Total	$93,729	$85,298	
Operating profit (loss):			
Fishing	$7,193	$5,695	
Camping	(772)	(202)	
Watercraft Recreation	(798)	(535)	
Diving	(1,061)	(1,874)	
Other / Corporate	(4,090)	(3,984)	
	$472	$(900)	
Total assets (end of period):			
Fishing	$151,978	$153,785	$ 118,357
Camping	27,096	32,311	28,249
Watercraft Recreation	23,270	23,760	19,693
Diving	58,566	68,058	77,195
Other / Corporate	55,557	43,560	66,785
	$316,467	$321,474	$ 310,279

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16 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in Accumulated Other Comprehensive Income ("AOCI") by component, net of tax, for the three months ended December 30, 2016 were as follows:

	Foreign Currency Translation Adjustment	Unamortized Loss on Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)

Balance at September 30, 2016	$ 10,525	$ (8,171)	$ 2,354
Other comprehensive loss before reclassifications	(3,747)	-	(3,747)
Amounts reclassified from accumulated other comprehensive income	-	142	142
Tax effects	-	(54)	(54)
Balance at December 30, 2016	$ 6,778	$ (8,083)	$ (1,305)

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The changes in AOCI by component, net of tax, for the three months ended January 1, 2016 were as follows:

	Foreign Currency Translation Adjustment	Unamortized Loss on Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance at October 2, 2015	$ 10,253	$ (6,616)	$ 3,637
Other comprehensive loss before reclassifications	(1,777)	-	(1,777)
Amounts reclassified from accumulated other comprehensive income	-	155	155
Tax effects	-	(59)	(59)
Balance at January 1, 2016	$ 8,476	$ (6,520)	$ 1,956

The reclassifications out of AOCI for the three months ended December 30, 2016 were as follows:

		Statement of Operations Presentation
Unamortized loss on defined benefit pension plans		
Amortization of loss	$142	Cost of sales / Operating expense
Tax effects	(54)	Income tax expense
Total reclassifications for the period	$88	

The reclassifications out of AOCI for the three months ended January 1, 2016 were as follows:

		Statement of Operations Presentation
Unamortized loss on defined benefit pension plans:		
Amortization of loss	$155	Cost of sales / Operating expense
Tax effects	(59)	Income tax expense
Total reclassifications for the period	$96	

17. ACQUISITIONS

Acquisition of SeaBear

On October 27, 2015, the Company acquired all of the outstanding common stock of SeaBear GmbH (“SeaBear”) and related assets in a purchase transaction with SeaBear’s sole shareholder (the “Seller”). SeaBear, founded and based in Graz, Austria, specializes in the development of underwater instrumentation through unique application of existing, new and emerging technologies.

The acquisition cost was funded with existing cash and credit facilities. Approximately $1,115 of the purchase price was paid into a segregated escrow account which was set aside to fund potential indemnity claims that may be made by the Company against the Seller in connection with the inaccuracy of certain representations and warranties made by the Seller or related to the breach or nonperformance of certain other actions, agreements or conditions related to the acquisition, for a period of 18 months from the acquisition date. The Company cannot estimate the probability or likelihood of bringing such an indemnity claim against the Seller or any related costs at this time. Under certain circumstances, if government grants made to SeaBear prior to the closing are required to be repaid, the repayment will be funded by the escrow account. The remaining escrow balance, if any, net of any indemnity claim or grant

repayment then pending, will be released to the Seller once the 18 month period has lapsed.

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The Company believed that sales of SeaBear's innovative diving technology could be expanded through the Company's global marketing and distribution networks. The SeaBear acquisition is included in the Company's Diving segment. Goodwill of $2,219, which represents the excess of the purchase price over the net tangible and intangible assets acquired, is not deductible for tax purposes.

During the quarter ended July 1, 2016, the Company re-evaluated its projections for its Diving reporting unit as a result of deteriorating business conditions. As a result, the Company performed an impairment test on the goodwill of the Diving reporting unit, including the goodwill acquired in the SeaBear acquisition, and determined an impairment charge of $6,197 was required thereby reducing the carrying value of goodwill reported in the Diving segment (including the portion attributable to the SeaBear acquisition) to $0.

Acquisition of Northport

On April 4, 2016, the Company acquired substantially all of the assets of Northport Systems, Inc. ("Northport") in a purchase transaction with Northport and its owners (collectively, the "Seller"). Northport, based in Toronto, Canada, specializes in the development and application of unique digital cartography technologies and web, e-commerce and data solutions for fishing and marine markets.

The acquisition cost for the Northport assets was funded with existing cash and credit facilities. Approximately $500 of the purchase price was paid into a segregated escrow account which was set aside to fund potential indemnity claims that may be made by the Company against the Seller in connection with the inaccuracy of certain representations and warranties made by the Seller or related to the breach or nonperformance of certain other actions, agreements or conditions related to the acquisition, for a period of 24 months from the acquisition date. The Company cannot estimate the probability or likelihood of bringing such an indemnity claim against the Seller or any related costs at this time. The remaining escrow balance, if any, net of any indemnity claim then pending, will be released to the Seller once the 24 month period has lapsed. Approximately $250 of the purchase price was in the form of contingent consideration which requires the Seller to meet certain conditions prior to the release of such funds.

The Company believes that Northport will bring new cartography capabilities, which can broaden the Company's innovation horizon and accelerate speed-to-market of new products in this segment. The Northport acquisition is included in the Company's Fishing segment. Goodwill of $827, which represents the excess of the purchase price over the net tangible and intangible assets acquired, is deductible for tax purposes. The goodwill resulting from this acquisition reflects the strong cash flow expected from the acquisition due primarily to expected expanded distribution and growth of Humminbird marine electronics and cartography.

Purchase Price Allocation

Pro forma results of operations for these acquisitions have not been presented because they are not material to the Company's combined and consolidated results of operations, either individually or in the aggregate.

The following table presents the aggregate purchase price allocation for the Company's acquisitions described above:

Recognized amounts of identifiable assets acquired and liabilities assumed	
Accounts receivable	$ 66
Inventories	197
Other current assets	40
Property, plant and equipment	27
Identifiable intangible assets	6,706

Less, accounts payable and accruals	350
Less, long term liabilities	580
Total identifiable net assets	6,106
Goodwill	3,046
Net assets acquired	$ 9,152

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The values assigned in the acquisitions described above to finite lived intangible assets were as follows:

Description	Amount	Useful Life (yrs)
Developed technologies	$ 6,131	7.6
Non-compete agreements	575	5

Developed technologies were valued using the discounted cash flow method. Under this method, the after-tax direct cash flows expected to be generated by the technologies were discounted over their remaining useful lives, net of contributions of other assets to those cash flows. The discount rates used were commensurate with the inherent risks associated with each type of asset and the level and timing of cash flows appropriately reflect market participant assumptions. We valued base product technology that generates cash flows from sales of the existing products using the income approach, specifically the multi-period excess earnings method which calculates the value based on the risk-adjusted present value of the cash flows specific to the products, allowing for a reasonable return.

Non-compete agreements were valued using the comparative income differential method based on the estimated negative impact that could occur in the absence of the restrictions enforced by the agreements.

The weighted average useful life at the dates of acquisition of total amortizable intangible assets acquired was approximately 7.5 years.

Transaction costs of $301 were recognized during the three months ended January 1, 2016.

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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 December 30, 2016 and January 1, 2016. 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 September 30, 2016 which was filed with the Securities and Exchange Commission on December 13, 2016.

Effective with the first fiscal quarter of 2017, the Company has renamed its business segments to better reflect the outdoor lifestyle focus of the Company's brands. The Company's segments will be referred to as Fishing (formerly Marine Electronics), Camping (formerly Outdoor Equipment), Watercraft Recreation (formerly Watercraft) and Diving (unchanged). There is no change in the composition of the Company's segments.

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 13, 2016 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, innovation focus and digital presence; 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®, Silva®, Eureka!®, Jetboil®, Old Town®, Ocean Kayakä, Necky®, Extrasport®, Carlisle®, and SCUBAPRO®.

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 $93,729 for the first quarter of fiscal 2017 increased by 10% from the same period in the prior year due primarily to an exceptionally strong quarter for the Fishing business. Operating income for the quarter also compared favorably increasing by $1,372 over the prior year first quarter. Net income for the current quarter was affected significantly by a tax benefit of about $4,200 driven by the repatriation of approximately $22,000 to the U.S. from foreign jurisdictions. This benefit, fully recognized in the first quarter of fiscal 2017, results in a very large effective tax rate on the small pre-tax loss.

Seasonality

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

	Fiscal Year					
	2016		2015		2014	
Quarter Ended	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	Operating Profit
December	20 %	-4 %	16 %	-41 %	19 %	-17 %
March	31 %	66 %	31 %	43 %	29 %	69 %
June	32 %	59 %	33 %	92 %	32 %	56 %
September	17 %	-21 %	20 %	6 %	20 %	-8 %
	100%	100 %	100%	100 %	100%	100 %

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Results of Operations

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

	Three Months Ended	
	December 30 2016	January 1 2016
Net sales:		
Fishing (f.k.a Marine Electronics)	$ 67,071	$ 58,600
Camping (f.k.a Outdoor Equipment)	5,735	6,314
Watercraft Recreation (f.k.a Watercraft)	6,217	6,378
Diving	14,893	14,292
Other / Eliminations	(187)	(286)
Total	$ 93,729	$ 85,298
Operating profit (loss):		
Fishing	$ 7,193	$ 5,695
Camping	(772)	(202)
Watercraft Recreation	(798)	(535)
Diving	(1,061)	(1,874)
Other / Eliminations	(4,090)	(3,984)
Total	$ 472	$ (900)

See "Note 15 – 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 December 30, 2016 were $93,729, an increase of $8,431, or 10%, compared to $85,298 for the three months ended January 1, 2016.

Net sales for the three months ended December 30, 2016 for the Fishing business were $67,071, up $8,471, or 15%, from $58,600 during the first fiscal quarter of the prior year. The increase was driven by growth in the Minn Kota® brand related to successful new product sales including sales of new electric steer trolling motors with redesigned i-Pilot and i-Pilot Link systems and the new Ultrex trolling motor.

Net sales for the Camping business were $5,735 for the first quarter of the current fiscal year, a decrease of $579, or 9%, from the prior year net sales during the same period of $6,314. Increases in government tent sales during the current year quarter were more than offset by decreases in Jetboil sales during this same quarter.

Net sales for the first quarter of fiscal 2017 for the Watercraft Recreation business were $6,217 a decrease of $161, or 3%, compared to $6,378 in the prior year period due primarily to a change in the timing of orders between quarters.

Diving net sales were $14,893 for the three months ended December 30, 2016 versus $14,292 for the three months ended January 1, 2016, an increase of $601, or 4%. The increase was driven in part by improved computer sales versus the prior year quarter and sales of the new HYDROS PRO buoyancy compensator which began shipping during the fiscal 2017 first quarter. Favorable foreign currency translation impacted Diving's sales by less than 1% versus the prior year's first fiscal quarter.

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Cost of Sales

Cost of sales for the three months ended December 30, 2016 was $57,164 compared to $51,999 for the three months ended January 1, 2016. The increase year over year was driven entirely by higher sales volume.

Gross Profit Margin

For the three months ended December 30, 2016, gross profit as a percentage of net sales was 39.0% compared to 39.0% in the three month period ended January 1, 2016.

Operating Expenses

Operating expenses were $36,093 for the three months ended December 30, 2016 compared to $34,199 for the three months ended January 1, 2016. The increase of $1,894 was primarily due to higher sales volume related expenses between quarters and increased spending in research and development during the first quarter of fiscal 2017.

Operating Profit (Loss)

Operating profit on a consolidated basis for the three month period ended December 30, 2016 was $472 compared to an operating loss of $900 in the first quarter of the prior fiscal year. The improvement year over year was driven primarily by the increased sales volume between quarters.

Interest

For the three months ended December 30, 2016, interest expense was $486 compared to $190 in the three months ended January 1, 2016. The increase in expense year over year was due primarily to the write-off of deferred financing costs and a 3% pre-payment penalty triggered by the $7,068 prepayment of the Company’s term loans during the first quarter of 2017.

Interest income for each of the three month periods ended December 30, 2016 and January 1, 2016 was less than $100.

Other Expense (Income), net

Other expense was $54 for the three months ended December 30, 2016 compared to other income of $563 in the prior year period. For the three months ended December 30, 2016, foreign currency exchange losses were $175 compared to gains of $264 for the three months ended January 1, 2016. Investment gains and earnings on the assets related to the Company’s non-qualified deferred compensation plan were $105 in the three month period ended December 30, 2016 compared to investment gains and earnings of $294 in the three month period ended January 1, 2016.

Income Tax (Benefit) 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 month period ended December 30, 2016 was approximately 9000%, compared to -2.9% in the corresponding period of the prior year.

The change in the Company’s effective tax rate for the three month period ended December 30, 2016 versus the prior year period was primarily due to the impact of a foreign tax credit net tax benefit of roughly $4,200 generated by the

repatriation of approximately $22,000 to the U.S. from foreign jurisdictions in the period. The Company does not intend or foresee a need to repatriate the remaining undistributed foreign earnings and considers these earnings indefinitely reinvested in the foreign subsidiaries.

Net Income (Loss)

Net income for the three months ended December 30, 2016 was $4,056, or $0.40 per diluted common class A and B share compared to a net loss of $534, or $0.05 per diluted common class A and B share, for the first quarter of the prior fiscal year.

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Liquidity and Financial Condition

Cash, net of debt, was $38,859 as of December 30, 2016, compared to net cash of $17,760 as of January 1, 2016. The Company's debt to total capitalization ratio was 6% as of December 30, 2016 and 14% as of January 1, 2016. The Company's total debt balance was $13,001 as of December 30, 2016 compared to $31,596 as of January 1, 2016. See "Note 11 – 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 $72,349 as of December 30, 2016, an increase of $6,292 compared to $66,057 as of January 1, 2016. The increase is due in large part to the increase in sales for products sold in the Fishing segment between quarters.

Inventories, net of inventory reserves, were $76,037 as of December 30, 2016, a decrease of $17,861, compared to $93,898 as of January 1, 2016. The decrease in inventory was due in large part to decreases in Fishing inventory between these dates.

Accounts payable were $32,033 at December 30, 2016 compared to $35,055 as of January 1, 2016.

The Company's cash flows 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:

	Three Months Ended December	
	30	January 1
(thousands)	2016	2016
Cash (used for) provided by:		
Operating activities	$(34,326)	$(33,557)
Investing activities	(2,666)	(7,797)
Financing activities	4,077	22,682
Effect of foreign currency rate changes on cash	(2,519)	(1,131)
Decrease in cash and cash equivalents	$(35,434)	$(19,803)

Operating Activities

Cash used for operations totaled $34,326 for the three months ended December 30, 2016 compared with cash used for operations of $33,557 during the corresponding period of the prior fiscal year. The increase in net income in the current year quarter was more than offset by changes in accounts receivable and deferred taxes between periods.

Amortization of deferred financing costs, depreciation and other amortization charges were $3,340 for the three month period ended December 30, 2016 compared to $2,866 for the corresponding period of the prior year. The increase over the prior year reflects the write-off of deferred financing costs related to the repayment of the Company's term loans during the first quarter of 2017.

Investing Activities

Cash used for investing activities totaled $2,666 and $7,797 for the three months ended December 30, 2016 and January 1, 2016, respectively. The prior year first fiscal quarter included acquisitions of $5,250. The remaining $2,547 and the entire $2,666 for the first fiscal quarter of the current year consisted of cash usage for capital

expenditures net of any proceeds from sales of property, plant and equipment. 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 2017 are expected to be funded by working capital or existing credit facilities.

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Financing Activities

Cash flows provided by financing activities totaled $4,077 for the three months ended December 30, 2016 compared to $22,682 for the three month period ended January 1, 2016.

On October 24, 2016 the Company repaid its outstanding term loans with Ridgestone Bank totaling $7,068. The early repayment of these loans resulted in payment of a 3% pre-payment penalty. The Company's term loans had a maturity date of September 29, 2029. The interest rate in effect on the term loans was 5.50% at the date of repayment.

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.

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 December 30, 2016 and January 1, 2016 was approximately 2.0% and 1.7%, respectively.

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 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 December 30, 2016 the Company held approximately $49,077 of cash and cash equivalents in bank accounts in foreign taxing jurisdictions.

Contractual Obligations and Off Balance Sheet Arrangements

The Company has contractual obligations and commitments to make future payments under its existing credit facilities, including interest, operating leases and open purchase orders. The following schedule details these significant contractual obligations existing at December 30, 2016.

	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Long-term debt	$13,001	$ -	$ 12,730	$ 271	$ -
Operating lease obligations	26,624	4,544	9,617	7,858	4,605
Open purchase orders	94,800	94,800	-	-	-
Contractually obligated interest payments	604	258	346	-	-
Total contractual obligations	$135,029	$ 99,602	$ 22,693	$ 8,129	$ 4,605

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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 approximately $392 and $682 at December 30, 2016 and January 1, 2016, respectively.

The Company anticipates making contributions of $565 to its defined benefit pension plans during the remainder of fiscal 2017.

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 September 30, 2016 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 December 30, 2016.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's 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. The Company does 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 16% of the Company's revenues for the three month period ended December 30, 2016 were denominated in currencies other than the U.S. dollar. Approximately 7% were denominated in euros, approximately 5% in Canadian dollars and approximately 2% 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 December 30, 2016 and January 1, 2016, 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.

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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 December 30, 2016:

	Estimated Impact on Fair	
(thousands)	Value	Income Before Income Taxes
Interest rate instruments	$ -	$ 127

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.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of business, the Company may be involved in various legal proceedings from time to time. We do not believe we are currently involved in any claim or action the ultimate disposition of which would have a material adverse effect on our financial statements.

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 13, 2016 with the Securities and Exchange Commission.

Item 6. Exhibits

See Exhibit Index to this Form 10-Q report.

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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 3, 2017

/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)

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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 December 30, 2016 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 (Loss); (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.