

NAUTILUS, INC.
Form 10-Q
November 03, 2016

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 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: 001-31321

NAUTILUS,
INC.
(Exact name
of Registrant
as specified
in its
charter)

Washington 94-3002667
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

17750 S.E. 6th Way
Vancouver, Washington 98683
(Address of principal executive offices, including zip code)

(360) 859-2900
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(do not check if a 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

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

The number of shares outstanding of the registrant's common stock as of October 31, 2016 was 31,129,383 shares.

NAUTILUS, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NAUTILUS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited and in thousands)

	As of	
	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$31,169	\$ 30,778
Available-for-sale securities	28,081	29,998
Trade receivables, net of allowances of \$102 and \$918	31,266	45,155
Inventories	49,238	42,729
Prepays and other current assets	6,993	6,888
Income taxes receivable	5,836	439
Deferred income tax assets	—	8,904
Total current assets	152,583	164,891
Property, plant and equipment, net	18,046	16,764
Goodwill	60,516	60,470
Other intangible assets, net	70,616	73,354
Other assets	558	433
Total assets	\$302,319	\$ 315,912
Liabilities and Shareholders' Equity		
Trade payables	\$44,781	\$ 61,745
Accrued liabilities	9,379	13,027
Warranty obligations	3,773	4,753
Note payable, current portion, net of unamortized debt issuance costs of \$7 and \$7	15,993	15,993
Total current liabilities	73,926	95,518
Warranty obligations, non-current	4,047	3,792
Income taxes payable, non-current	2,342	4,116
Deferred income tax liabilities, non-current	13,382	18,380
Other long-term liabilities	2,994	3,144
Note payable, non-current, net of unamortized debt issuance costs of \$23 and \$29	51,977	63,971
Total liabilities	148,668	188,921
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Common stock - no par value, 75,000 shares authorized, 31,129 and 31,005 shares issued and outstanding	5,004	796
Retained earnings	150,090	127,522
Accumulated other comprehensive loss	(1,443)	(1,327)
Total shareholders' equity	153,651	126,991
Total liabilities and shareholders' equity	\$302,319	\$ 315,912

See accompanying Notes to Condensed Consolidated Financial Statements.

NAUTILUS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited and in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net sales	\$80,818	\$70,690	\$280,275	\$226,624
Cost of sales	41,601	34,481	132,852	105,870
Gross profit	39,217	36,209	147,423	120,754
Operating expenses:				
Selling and marketing	21,394	21,742	81,284	70,193
General and administrative	6,177	5,505	21,611	15,376
Research and development	3,435	2,573	10,444	7,259
Total operating expenses	31,006	29,820	113,339	92,828
Operating income	8,211	6,389	34,084	27,926
Other income (expense):				
Interest income	60	61	182	164
Interest expense	(489) (6) (1,469) (17
Other, net	211	(15) (49) (412
Total other income (expense), net	(218) 40	(1,336) (265
Income from continuing operations before income taxes	7,993	6,429	32,748	27,661
Income tax expense	148	2,556		