

ESCALADE[®] inc.



Annual Report 2019

Chairman's Message to Shareholders

March 25, 2020

Fellow Shareholders,

Escalade's financial performance in 2019 was very disappointing.

Adjusted Earnings per Share declined 29.2%

Operating Margin was 5.1%

Return on Assets was 4.9%

Return on Equity was 5.7%

These results are unacceptable for any healthy business, even more so for a company like Escalade that has strong brands and leading market positions in stable categories.

While some of the low level of profitability can be attributed to investments in new businesses that should pay off in the future, the fact remains that our company did not perform anywhere close to its potential or to the level that you should expect from us.

The good news is that we own high quality brands whose reputations have been built over decades; a talented, dedicated, and passionate team of employees who are driven to win; and a strong balance sheet that protects us and give us the ability to take advantage of opportunities to improve our returns.

However, there is much work to be done. It will not be easy, it will not be fast, and there will be bumps in the road. But your board and management team are taking decisive action and making the changes necessary to achieve our goals to provide strong returns to shareholders and to create an environment where our employees can prosper and contribute to their communities.

Our products bring families and friends together to create happy memories. Unfortunately, our financial performance and the resultant share price may have done the opposite for our shareholders. We are taking the steps to change that.

Here are just a few of the great assets we will use to turn things around.

USW – A Little Gem

You may not even know that we own US Weight, a relatively small manufacturer of niche products that are produced in Olney, IL. Larry Mitchell and his team have quietly built a highly successful specialty producer of blow molded and injection molded products that range from tractor weights to crowd control stanchions and plastic chain to fitness products like The Step®.

Through a relentless process of product improvement, cost control, and embracing change, the USW team is the model of entrepreneurial spirit within a larger organization. Our plans include taking advantage of opportunities to gain distribution and expand into adjacent categories.

Victory Tailgate – On Demand Customization sold Direct to the Consumer

Acquired in late 2018, Victory Tailgate is a classic American success story. Scott Sims started making Cornhole games in his garage in 2008. The fixed assets of his business consisted of a 16 ounce hammer and a circular saw. While hundreds, if not thousands, of other people did the same thing, Scott had a vision for something greater. On a shoestring, he built a higher volume manufacturing process, created the category leading web store, and negotiated license deals with over 600 colleges and major professional sports leagues including the NFL, NBA, Major League Baseball, the NHL, Nascar, and many more.

Today, Victory can receive an order one day, produce it the next, and ship it the third day. Anyone visiting www.VictoryTailgate.com can custom build their order by choosing from a variety of current and vintage logos, mixing teams if they live in a “house divided”, or create their own design to celebrate a wedding, graduation, or milestone birthday. Victory can help with virtually any event or passion that is meaningful to the shopper.

Combining Victory’s experience, ecommerce expertise, proprietary manufacturing techniques, and licenses with Escalade’s broad range of products, sourcing capabilities, and retail partnerships truly does create an opportunity to make 1 plus 1 equal 3. During 2019, our first full year of ownership, we incurred a substantial loss due to poor execution on our part. That has been corrected with a new organization structure that places full authority, responsibility, and accountability with Scott and his team in Orlando, FL. For 2020 we plan to eliminate the losses and set the foundation for future growth and profitability. The early signs are encouraging.

Fred Bear – The Iconic Archer

The archery industry has gone through a cycle of boom and bust over the last 10 years. Possibly driven by the popularity of the Hunger Games, the entire archery industry enjoyed an unprecedented run of extraordinary growth until 2014 and has been nursing a hangover ever since. Several companies in the industry have shut their doors and the rest are suffering as they fight over the smaller sales base and try to get their cost structures in line with the reality of current industry conditions.

While our brand, Bear Archery, has not been immune, we have one of the best-known, most trusted names in the industry. Fred Bear’s legacy is strong and resonates with the core customer for bowhunting equipment and supplies. Neil Byce III, whose father was Fred Bear’s personal bowyer, recently celebrated 40 years of service to the company and leads the team manufacturing modern compound and beautiful traditional recurve bows in our Gainesville

Florida factory. Bear bows are not the cheapest, nor the most expensive bows you can buy—our goal is to simply to offer the most performance and value for each price point.

As the archery industry consolidates, Escalade is in a good position to gain market share and take advantage of opportunities to expand our product offering. Beyond industry consolidation, we have opportunities to grow in the popular crossbow category, continue our expansion in bowfishing, and further enhance our leading Trophy Ridge® accessories business.

Cue & Case – Billiard Dealer’s Best Friend

If you are not a billiard dealer, you’ve likely never heard of Cue & Case®. If you are, you probably keep the 240 page Cue & Case catalog close at hand. Everything from Chalk to Billiard Room Furniture; and, of course, hundreds of Cues and Cases. Jamie and Wes Bond along with their team of experienced billiard accessory experts can help any dealer maximize their store’s assortment and profitability.

The billiard industry has ebbed and flowed over the decades. Current industry sales have stabilized at a fraction of the level before the housing crisis. We cannot predict when the interest in billiards will return to prior levels. But, our team at Cue & Case can now offer the full range of Escalade indoor games to satisfy the needs of families to create enjoyable recreational activities in their home. Whether it is traditional billiards, Stiga® Table Tennis, Atomic® Foosball, Air Hockey or Shuffleboards tables, indoor basketball shootout games, or custom Victory canvas wall art for the game room, we can provide a wide range of fun activities for the home.

Leading Brands in Outdoor Sports and Indoor Games

Escalade owns some of the leading brands in several well-established categories.

Basketball – Goalrilla™, Goalsetter®, Goliath®, and Silverback® dominate each price point in premium inground residential goals. If you want a basketball goal that will give great performance, increase the value of your home, and stand the test of time-- look no further. The first Goalrilla or Goalsetter in a neighborhood sells the second, and the third, and so on.

Pickleball – Onix® is the leading performance paddle and Dura® is ball of choice for tournaments. Pickleball has been called the fastest growing sport in America and Escalade has high quality products for everyone from the recreational player to the leading professionals.

Table Tennis – Stiga is one of the most recognized brands in the table tennis industry. Escalade has a deep and long-standing relationship with Stiga Sports AB which is based in Sweden. While we sold our 50% ownership interest in 2018, we have retained distribution rights for table tennis in the recreation market in North America and have opportunities to further enhance our relationship which would provide mutual benefits to Stiga and Escalade.

Darting – Escalade owns and distributes the top brands in darting. Unicorn®, Accudart®, Arachnid®, Nodor®, and Winmau® Boards, darts, and accessories for steel tip and soft tip enthusiasts. Our new Prodigy Smart Bristle Board combines the traditional performance of authentic steel tip play along with patent pending automatic scoring technology, a mobile app, and WiFi connectivity.

Ben Tremont, General Manager of Sports and Nick Martin, General Manager of Games have a lot on their plate to manage such a wide range of brands in a variety of categories. Their success is a testament to their deep knowledge and passion, along with that of their teammates.

As this goes to press, our nation, and the world, face a tough battle with the coronavirus. By the time you read these words, hopefully we will have developed some ability to prevent the spread and treat those affected. Over its 93-year history Escalade and its predecessors have survived the great depression, world war, terrorist attacks, stock market crashes, and more. Today we are taking the precautions to protect our workforce while continuing to serve our customers and respond to the changing landscape.

Looking ahead, the Escalade board, in concert with the management team, is committed to working together to improve the financial performance of our company and produce an appropriate return on your investment.

Specifically, we are focused on further deepening our knowledge of and connection with consumers to drive innovation that motivates them to engage in healthy, fun activities with their family and friends. Our categories are mature and stable. That does not mean they cannot grow. As leaders in our categories, it is up to us increase the size of the pie. As leaders, we can and should increase our market share.

We will also continue our journey of serving our consumers where and how they want to shop. Local independent stores, big box chains, buy online and pick up at a store, or buy online and ship to the home; we can and will continue to make our trusted brands available however you want to buy.

Our associates are passionate about our sports and activities, they are devoted to efficiently manufacturing these products, and they know how to provide the right items to the right channels to reach the right consumers. We will give them the authority and make sure they have the resources they need to succeed. And we will hold each and every one of us accountable for reaching our individual objectives that support the overall corporate goals.

We know that we must, and we are all working together to improve our key profitability metrics- operating margin, return on assets, earnings per share. When we do that, we believe the share price will follow.

On behalf of the 468 associates at Escalade, we thank you for your patience and support and look forward to repaying the favor with improved performance. I am confident we will succeed.

Sincerely,

A handwritten signature in blue ink, appearing to read "Walter P. Glazer, Jr.", written in a cursive style.

Walter P. Glazer, Jr.
Chairman of the Board

ESCALADE BRANDS



Premium Basketball Systems and Training Equipment



Basketball Systems and Accessories



Basketball Systems and Accessories



Basketball Systems and Accessories



Hunting and Target Bows and Accessories



Premium Archery Accessories



Bowfishing Equipment and Accessories



Hunting Broadheads



Hunting Broadheads



Crossbows and Accessories



Premium Archery Accessories



Table Tennis Tables and Accessories



Darts, Dartboards, and Accessories



Darts, Dartboards, and Accessories



Quality Outdoor Games



Premium Tailgate Games



Premium Outdoor Games



Pickleball Paddles and Accessories



Pickleballs



Aerobic Step Products



Vinyl Weight Sets, Canopy Weights, and Crowd Control



Indoor and Outdoor Games



Premium Soccer and Air-Powered Hockey Tables



Premium Game Tables



Soccer and Hockey Tables, Shootouts, and Accessories



Premium Fitness and Strength Training Equipment



Premium Athletic Training Equipment



Premium Yoga Fitness Products



Billiard Tables and Accessories



Premium Billiard Cues



Premium Billiard Cues and Accessories



Premium Billiard Cues and Accessories



Premium Billiard Cues and Accessories



Premium Game Tables Furniture and Lighting



Premium Redwood Play Systems



Table Tennis Tables and Accessories



Premium Trampoline Systems



Premium Darts, Dartboards, and Accessories



Darts, Dartboards, and Accessories



Premium Bristle Dartboards

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

Form 10-K

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

For the Fiscal Year Ended December 28, 2019

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 0-6966

ESCALADE, INCORPORATED

(Exact name of registrant as specified in its charter)

Indiana (State of incorporation)	13-2739290 (I.R.S. EIN)
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817 Maxwell Ave, Evansville, Indiana (Address of Principal Executive Office)	47711 (Zip Code)
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812-467-4449
(Registrant's Telephone Number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of Exchange on which registered</u>
Common Stock, No Par Value	ESCA	The NASDAQ Stock Market LLC

Securities registered pursuant to section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>
	Emerging growth company <input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Aggregate market value of common stock held by nonaffiliates of the registrant as of July 13, 2019 based on the closing sale price as reported on the NASDAQ Global Market: \$121,962,334.

The number of shares of Registrant's common stock (no par value) outstanding as of February 14, 2020: 14,072,877.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on May 13, 2020 are incorporated by reference into Part III of this Report, which Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year covered by this Form 10-K.

ESCALADE, INCORPORATED AND SUBSIDIARIES

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Part I

ITEM 1—BUSINESS

General

Escalade, Incorporated (Escalade, the Company, we, us or our) operates in one business segment: Sporting Goods (Escalade Sports). Escalade and its predecessors have more than 80 years of manufacturing and selling experience in this industry.

Sporting Goods

Headquartered in Evansville, Indiana, Escalade Sports manufactures, imports, and distributes widely recognized sporting goods brands in basketball goals, archery, indoor and outdoor game recreation and fitness products through major sporting goods retailers, specialty dealers, key on-line retailers, traditional department stores and mass merchants. Escalade is a leader in table tennis tables, residential in-ground basketball goals and in archery bows. Some of the Company's most recognized brands, owned or distributed, include:

<u>Product Category</u>	<u>Brand Names</u>
Archery	Bear® Archery, Trophy Ridge®, Whisker Biscuit®, Cajun Bowfishing™, Karnage™, Fletcher™, Rocket®, SIK®, BearX™
Table Tennis	STIGA®, Ping-Pong®
Basketball Goals	Goalrilla™, Goaliath®, Silverback®, Hoopstar®, Goalsetter®
Trampoline	Vuly™
Play Systems	Woodplay®, Childlife®
Fitness	The STEP®, USWeight™, Lifeline®, Kettleworx®, Natural Fitness™, PER4M®
Game Tables (Hockey and Soccer)	Atomic®, American Legend®, HJ Scott®, Triumph™ Sports
Billiard Accessories	Mizerak®, Lucasi®, PureX®, Rage®, Players®, Cue&Case®
Darting	Unicorn®, Accudart®, Arachnid®, Nodor®, Winmau®
Outdoor Games	Zume Games®, Pickleball Now®, Onix®, Viva Sol®, Triumph™ Sports, Victory Tailgate®, DURA™

During 2019, 2018 and 2017, the Company had one customer, Amazon.com, Inc., that accounted for approximately 21%, 19% and 18%, respectively of the Company's revenues. During 2019, 2018 and 2017 the Company had another customer, Dick's Sporting Goods, which accounted for approximately 13%, 13% and 17%, respectively, of the Company's revenues.

As of December 28, 2019, the Company had approximately 27% and 18% of its total accounts receivable with Amazon.com, Inc. and Dick's Sporting Goods, respectively. As of December 29, 2018, the Company had approximately 24% and 14% of its total accounts receivable with Amazon.com, Inc. and Dick's Sporting Goods, respectively.

Escalade Sports manufactures in the USA and Mexico and imports product from Asia, where the Company utilizes a number of contract manufacturers.

Certain products produced by Escalade Sports are subject to regulation by the Consumer Product Safety Commission. The Company believes it is in material compliance with all applicable regulations.

Marketing and Product Development

The Company makes a substantial investment in product development and brand marketing to differentiate its product line from its competition. We conduct market research and development efforts to design products which satisfy existing and emerging consumer needs. The Company markets directly to the consumer or end-user as well as through its retail partners in the form of advertising and other promotional allowances.

Competition

Escalade is subject to competition with various manufacturers in each product line. The Company is not aware of any other single company that is engaged in the same product lines as Escalade or that produces the same range of products as Escalade. Nonetheless, competition exists for many Escalade products. Some competitors are larger and have substantially greater resources than the Company. Escalade believes that its long-term success depends on its ability to strengthen its relationship with existing customers, attract new customers and develop new products that satisfy the quality and price requirements of sporting goods customers.

Licenses, Trademarks and Brand Names

The Company has an agreement and contract with STIGA Sports AB for the exclusive right and license to distribute and produce table tennis equipment under the brand name STIGA® for North America. The Company also owns several registered trademarks and brand names including but not limited to Goalrilla™, Goalsetter®, Bear® Archery, Ping-Pong®, The Step®, Lifeline® and Woodplay®.

Backlog and Seasonality

Sales are based primarily on standard purchase orders and in most cases, orders are shipped within the same month received. Unshipped orders at the end of the fiscal year (backlog) were not material and therefore are not an indicator of future results. Due to diversity in product categories, revenues have not been seasonal and are not expected to be so in the future.

Employees

The number of employees at December 28, 2019 and December 29, 2018 were as follows:

	2019	2018
Sporting Goods		
USA	365	416
Mexico	84	97
Asia	19	18
Total	<u>468</u>	<u>531</u>

The I.U.E./C.W.A. (United Electrical Communication Workers of America, AFL-CIO) represents hourly rated employees at the Escalade Sports' Evansville, Indiana distribution center. There were approximately 31 covered employees at December 28, 2019. A five year labor contract was negotiated and renewed in May 2016 and expires on May 1, 2021.

Sources of Supplies

Raw materials for Escalade's various product lines consist of, but are not limited to, wood, steel, aluminum, plastics, fiberglass and packaging. Escalade relies upon suppliers in various countries and upon various third party Asian manufacturers for many of its products. The Company believes that these sources will continue to provide adequate supplies as needed and that all other materials needed for the Company's various operations are available in adequate quantities from a variety of domestic and foreign sources. From time to time, Escalade may experience disruptions in its supply chain due to circumstances beyond its control, such as the 2020 outbreak of the coronavirus, which disruptions could adversely impact Escalade until shifting to alternative sources or until operations return to normal.

SEC Reports

The Company's Internet site (www.escaladeinc.com) makes available free of charge to all interested parties the Company's annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and all amendments to those reports, as well as all other reports and schedules filed electronically with the Securities and Exchange Commission (the Commission), as soon as reasonably practicable after such material is electronically filed with or furnished to the Commission. Interested parties may also find reports, proxy and information statements and other information on issuers that file electronically with the Commission at the Commission's Internet site at www.sec.gov.

ITEM 1A—RISK FACTORS

Operating results may be impacted by changes in the economy that influence business and consumer spending.

Operating results are directly impacted by the health of the North American and to a lesser extent, European and Asian economies. We cannot predict how robust the economy will be or whether or not it will be sustained. If the economic recovery slows, or if the economy experiences a prolonged period of decelerating or negative growth, the Company's results of operations may be negatively impacted. In general, the Company's sales depend on discretionary spending by consumers. Business and financial performance may be adversely affected by current and future economic conditions, including unemployment levels, energy costs, interest rates, recession, inflation, the impact of natural disasters and terrorist activities, and other matters that influence business and consumer spending.

Fluctuation in economic conditions could prevent the Company from accurately forecasting demand for its products which could adversely affect its operating results or market share.

Fluctuation in economic conditions and market instability in the United States and globally makes it difficult for the Company, customers and suppliers to accurately forecast future product demand trends, which could cause the Company to produce excess products that can increase inventory carrying costs and result in obsolete inventory. Alternatively, this forecasting difficulty could cause a shortage of products, or materials used in products, that could result in an inability to satisfy demand for products and a loss of market share.

Markets are highly competitive which could limit the Company's growth and reduce profitability.

The market for sporting goods is highly fragmented and intensely competitive. A majority of the Company's products are in markets that are experiencing low growth rates. Escalade competes with a variety of regional, national and international manufacturers for customers, employees, products, services and other important aspects of the business. The Company has historically sold a large percentage of its sporting goods products to mass merchandisers and has increasingly attempted to expand sales to specialty retailer and dealer markets and to on-line retailers. In addition to competition for sales into those distribution channels, vendors also must compete in sporting goods with large format sporting goods stores, traditional sporting goods stores and chains, warehouse clubs, discount stores and department stores. Competition from on-line retailers may also impact sales. Some of the current and potential competitors are larger than Escalade and have substantially greater financial resources that may be devoted to sourcing, promoting and selling their products, and may discount prices more heavily than the Company can afford.

If the Company is unable to predict or effectively react to changes in consumer demand, it may lose customers and sales may decline.

Success depends in part on the ability to anticipate and respond in a timely manner to changing consumer demand and preferences regarding sporting goods. Products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. The Company often makes commitments to manufacture products months in advance of the proposed delivery to customers. If Escalade misjudges the market for products, sales may decline significantly. The Company may have to take

significant inventory markdowns on unpopular products that are overproduced and/or miss opportunities for other products that may rise in popularity, both of which could have a negative impact on profitability. A major shift in consumer demand away from sporting goods products could also have a material adverse effect on the Company's business, results of operations and financial condition.

The Company derives a substantial portion of its revenue from a few significant customers and loss of any of these customers could materially affect our results of operations and financial condition.

The Company has two major customers, each of which accounted for more than ten percent of consolidated gross sales and more than ten percent of total accounts receivable. The Company also has several other large customers, none of which represent more than ten percent of consolidated gross sales, and historically has derived substantial revenues from these customers. Our customers continue to experience industry consolidation, which increases our risk that we may be unable to find sufficient alternative customers. The Company needs to continue to expand its customer base to minimize the effects of the loss of any single customer in the future. If sales to one or more of the large customers would be lost or materially reduced, there can be no assurance that the Company will be able to replace such revenues, which could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's customers may experience financial difficulties that could result in losses to the Company.

From time to time, one or more of the Company's customers have experienced, are experiencing, or may in the future experience financial difficulties that impair their ability to pay all amounts owed to the Company. In such instances, the customer may file bankruptcy or take other actions to restructure the amounts owed to secured and unsecured creditors, including unsecured trade creditors such as the Company. When this occurs, the Company may not be able to collect the full amount owed to it by the customer, and in severe situations may have to write off all or a substantial portion of those customer receivables. Any significant resulting losses incurred by the Company relating to these or other customers could have a material adverse effect on the Company's business, results of operation, and financial condition.

Quarterly operating results are subject to fluctuation.

Operating results have fluctuated from quarter to quarter in the past, and the Company expects that they will continue to do so in the future. Factors that could cause these quarterly fluctuations include the following: international, national and local general economic and market conditions; the size and growth of the overall sporting goods markets; intense competition among manufacturers, marketers, distributors and sellers of products; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products and sports; seasonal demand for products; adverse weather conditions that may create fluctuations in demand for certain of our products; the size, timing and mix of purchases of products; fluctuations and difficulty in forecasting operating results; ability to sustain, manage or forecast growth and inventories; new product development and introduction; ability to secure and protect trademarks, patents and other intellectual property; performance and reliability of products; customer service; the loss of significant customers or suppliers; dependence on distributors; business disruptions; disruptions or delays in our supply chain, including potential disruptions or delays arising from political unrest, war, labor strikes, natural disasters, and public health crises such as the coronavirus pandemic; increased costs of freight and transportation to meet delivery deadlines; changes in business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation: exchange rates, import duties, tariffs, quotas and political and economic instability; changes in government regulations; any liability and other claims asserted against the Company; ability to attract and retain qualified personnel; and other factors referenced or incorporated by reference in this Form 10-K and any other filings with the Securities and Exchange Commission.

The Company may pursue strategic acquisitions, divestitures, or investments and the failure of a strategic transaction to produce anticipated results or the inability to fully integrate an acquired company could have an adverse impact on the Company's business.

The Company has made acquisitions of complementary companies or businesses, which have been part of the strategic plan, and may continue to pursue acquisitions in the future from time to time. Acquisitions may result in difficulties in assimilating acquired companies, and may result in the diversion of capital and management's attention from other business issues and opportunities. The Company may not be able to successfully integrate operations that it acquires, including personnel, financial systems, distribution, and operating procedures. If the Company fails to successfully integrate acquisitions, the Company's business could suffer. In addition, acquisitions may result in the incurrence of debt, contingent liabilities, amortization expense or write-offs of goodwill or other intangibles, any of which could affect the Company's financial position. The Company also has sometimes divested or discontinued certain operations, assets, and products that did not perform to the Company's expectations or no longer fit with the Company's strategic objectives. Divestitures may result in gains, losses, contingent liabilities, write-offs, tax consequences, or other related costs and expenses that could affect the Company's financial position. Escalade will consider acquisitions, divestitures, and investments in the future, one or more of which, individually or in the aggregate, could be material to the Company's overall business, operations or financial position.

Growth may strain resources, which could adversely affect the Company's business and financial performance.

The Company has grown in the past through strategic acquisitions, and continues to make acquisitions in its Sporting Goods business. Our growth strategy also depends on our ability to grow our e-commerce business. Growth places additional demands on management and operational systems. If the Company is not successful in continuing to support operational and financial systems, expanding the management team and increasing and effectively managing customers and suppliers, growth may result in operational inefficiencies and ineffective management of the Company's business, which could adversely affect its business and financial performance.

The Company's ability to operate and expand business and to respond to changing business and economic conditions will be dependent upon the availability of adequate capital.

The rate of expansion will also depend on the availability of adequate capital, which in turn will depend in large part on cash flow generated by the business and the availability of equity and debt capital. The Company can make no assurances that it will be able to obtain equity or debt capital on acceptable terms or at all. Our current senior secured revolving credit facility contains provisions that limit our ability to incur additional indebtedness or make substantial asset sales, which might otherwise be used to finance our operations. In the event of our insolvency, liquidation, dissolution or reorganization, the lenders under our senior secured revolving credit facility would be entitled to payment in full from our assets before distributions, if any, to our stockholders.

The Company could suffer if it fails to attract and retain skilled management and key personnel.

The Company's success depends in large part on its ability to attract and retain highly qualified management executives and key personnel. Significant competition for qualified candidates exists in the Company's business lines and geographic locations. If the Company is not able to hire and retain its executives and key personnel, or if the compensation costs required to attract and retain such individuals becomes more expensive, the Company may suffer adverse consequences to its business, operations, and financial condition.

The Company is currently in the process of seeking a new Chief Executive Officer, which creates uncertainty, and the transition may result in some disruption to the Company.

In November, 2019, the Company and its current Chief Executive Officer, David L. Fetherman, announced that Mr. Fetherman is retiring from all positions with the Company. Although Mr. Fetherman has agreed to continue to serve as the Company's Chief Executive Officer until his successor has been hired and starts employment with the Company, the transition of leadership may result in some disruption to the Company's ordinary course of operations. The process of seeking a new Chief Executive Officer requires substantial effort and time of the Company's Board of Directors and other executives, which may divert attention from other matters. In addition, pending the hiring of a new Chief Executive Officer and that individual integrating himself or herself into the Company, the Company's officers and employees may be uncertain as to the effects of the change in leadership on the Company, the Company's customers and suppliers, and themselves.

The Company's business may be adversely affected by the actions of and risks associated with third-party suppliers.

The raw materials that the Company purchases for manufacturing operations and many of the products that it sells are sourced from a wide variety of third-party suppliers. The Company cannot control the supply, design, function or cost of many of the products that are offered for sale and are dependent on the availability and pricing of key materials and products. Disruptions in the availability of raw materials used in production of these products may adversely affect sales and result in customer dissatisfaction. In addition, global sourcing of many of the products sold is an important factor in the Company's financial performance. The ability to find qualified suppliers and to access products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced outside the United States. Political instability, financial instability of suppliers, merchandise quality issues, trade restrictions, tariffs, currency exchange rates, transport capacity and costs, inflation and other factors relating to foreign trade are beyond the Company's control.

Historically, instability in the political and economic environments of the countries in which the Company or its suppliers obtain products and raw materials has not had a material adverse effect on operations. However, the Company cannot predict the effect that future changes in economic or political conditions in the United States and in such foreign countries may have on operations. In the event of disruptions or delays in supply due to economic or political conditions, such disruptions or delays could adversely affect results of operations unless and until alternative supply arrangements could be made. In addition, products and materials purchased from alternative sources may be of lesser quality or more expensive than the products and materials currently purchased abroad.

Deterioration in relationships with suppliers or in the financial condition of suppliers could adversely affect liquidity, results of operations and financial position.

Access to materials, parts and supplies is dependent upon close relationships with suppliers and the ability to purchase products from the principal suppliers on competitive terms. The Company does not enter into long-term supply contracts with these suppliers, and has no current plans to do so in the future. These suppliers are not required to sell to the Company and are free to change the prices and other terms. Any deterioration or change in the relationships with or in the financial condition of the Company's significant suppliers could have an adverse impact on its ability to procure materials and parts necessary to produce products for sale and distribution. If any of the significant suppliers terminated or significantly curtailed its relationship with the Company or ceased operations, the Company would be forced to expand relationships with other suppliers, seek out new relationships with new suppliers or risk a loss in market share due to diminished product offerings and availability. Any change in one or more of these suppliers' willingness or ability to continue to supply the Company with their products could have an adverse impact on the Company's liquidity, results of operations and financial position.

Disruptions to our supply chain could have an adverse impact on our operations.

Many of the Company's products are manufactured outside the United States. Those products must be transported by third parties over large geographic distances. Delays in the shipment or delivery of our products could occur due to work stoppages, port strikes, lack of availability of transportation, and other factors beyond the Company's control. If the Company experiences any significant disruption in its supply chain for any reason, such as the recent coronavirus pandemic, the Company may be unable to satisfy customer demand for our products resulting in lost sales. Such delays could impair our ability to timely and efficiently deliver our products, and could adversely impact our operating results.

The Company may be subject to product warranty claims that require the replacement or repair of the product sold. Such warranty claims could adversely affect the Company's financial position and relationships with its customers.

The Company manufactures and/or distributes a variety of products. From time to time, such products may contain manufacturing defects or design flaws that are not detected prior to sale, particularly as to new product introductions or upon design changes to existing products. The failure to identify and correct manufacturing defects and product design issues prior to the sale of those products could result in product warranty claims that result in costs to replace or repair any such defective products. Because many of the Company's products are sold to retailers for broad consumer distribution and/or to customers who buy in large quantities, the costs associated with product warranty claims could have a material adverse effect on the Company's results of operations and financial position. Product warranty claims also could cause customer dissatisfaction that may have a material adverse effect on the Company's reputation and on the Company's relationships with its customers, which may result in lost or reduced sales.

The Company may be subject to various types of litigation and the Company's insurance may not be sufficient to cover damages related to those claims.

From time to time the Company or its subsidiaries may be involved in lawsuits or other claims arising in the course of business, including those related to product liability, consumer protection, employment, intellectual property, torts and other matters. In addition, it may be subject to lawsuits relating to the design, manufacture or distribution of its products. The Company may be subject to lawsuits resulting from injuries associated with the use of sporting goods equipment that it sells and information security and print finishing products that it sold prior to divesting that business. The Company may incur losses relating to these claims or the defense of these claims. There is a risk that claims or liabilities will exceed the Company's insurance coverage. In addition, the Company may be unable to retain adequate liability insurance in the future. Further, the Company is subject to regulation by the Consumer Product Safety Commission and similar state regulatory agencies. If the Company fails to comply with government and industry safety standards, it may be subject to claims, lawsuits, fines, product recalls and adverse publicity that could have a material adverse effect on the Company's business, results of operations and financial condition.

Intellectual property rights are valuable, and any inability to protect them could reduce the value of products.

The Company obtains patents, trademarks and copyrights for intellectual property, which represent important assets to the Company. If the Company fails to adequately protect intellectual property through patents, trademarks and copyrights, its intellectual property rights may be misappropriated by others, invalidated or challenged, and our competitors could duplicate the Company's products or may otherwise limit any competitive design or manufacturing advantages. The Company believes that success is likely to depend upon continued innovation, technical expertise, marketing skills and customer support and services rather than on legal protection of intellectual property rights. However, the Company intends to aggressively assert its intellectual property rights when necessary.

The expiration or termination of our material trademarks, brand names and licensing agreements could have a material adverse effect on the Company's business.

The Company has invested substantial resources in developing and marketing the Company's brands and products over many years. The expiration or termination of one or more of the Company's material trademarks, patents or licensing agreements could result in the loss of such intellectual property. In such event, the Company may not be able to recoup its investments in, and continue to benefit from the affected brand names or products. The loss of such intellectual property and related rights could have a material adverse effect on the Company.

The Company is subject to risks associated with laws and regulations related to health, safety and environmental protection.

Products, and the production and distribution of products, are subject to a variety of laws and regulations relating to health, safety and environmental protection. Laws and regulations relating to health, safety and environmental protection have been passed in several jurisdictions in which the Company operates in the United States and abroad. Although the Company does not anticipate any material adverse effects based on the nature of operations and the thrust of such laws, there is no assurance such existing laws or future laws will not have a material adverse effect on the Company's business, results of operations and financial condition.

International operations expose the Company to the unique risks inherent in foreign operations.

The Company has manufacturing operations in Mexico and sources many of its products and raw materials from China and other Asian countries. Foreign operations encounter risks similar to those faced by U.S. operations, as well as risks inherent in foreign operations, such as local customs and regulatory constraints, control over product quality and content, foreign trade policies, competitive conditions, foreign currency fluctuations and unstable political and economic conditions. Additionally, our international operations may be adversely affected by political events, domestic or international terrorist events and hostilities or complications due to natural, nuclear or other disasters. For instance, recent government changes in Mexico have yielded requirements that call for increases in minimum wages at the border as well as the interior of Mexico. In addition, the ongoing coronavirus outbreak emanating from China at the beginning of 2020 has resulted in increased travel restrictions and extended shutdown of certain businesses in the region. These or any further political or governmental developments or health concerns in Mexico, China or other countries in which the Company conducts business could result in social, economic and labor instability. These uncertainties could have a material adverse effect on the continuity of the Company's operations and on the Company's income and profitability.

The Company could be adversely affected by changes in currency exchange rates and/or the value of the United States dollar.

The Company is exposed to risks related to the effects of changes in foreign currency exchange rates and the value of the United States dollar. Changes in currency exchange rates and the value of the United States dollar can have a significant impact on earnings. While the Company carefully watches fluctuations in currency exchange rates, these types of changes can have material adverse effects on the Company's business, results of operations and financial condition.

Failure to improve and maintain the quality of internal controls over financial reporting could materially and adversely affect the ability to provide timely and accurate financial information, which could harm the Company's reputation and share price.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting for the Company to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Management cannot be certain that weaknesses and deficiencies in internal controls will not arise or be

identified or that the Company will be able to correct and maintain adequate controls over financial processes and reporting in the future. Any failure to maintain adequate controls, to adequately implement required new or improved controls, or to successfully and timely integrate acquired businesses into the Company's financial reporting and internal controls could harm operating results or cause failure to meet reporting obligations in a timely and accurate manner. Ineffective internal controls over financial reporting could also cause investors to lose confidence in reported financial information, which could adversely affect the trading price of the Company's common stock.

Disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. However, management, including the Chief Executive Officer and Chief Financial Officer, does not expect that disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Problems with the Company's information system software or hardware could disrupt operations and negatively impact financial results and materially adversely affect the Company's business operations.

The Company relies on a suite of applications and third-party software to receive and process customer orders and for the core of its manufacturing, distribution, and accounting systems. These systems, if not functioning properly, could disrupt its operations, including the Company's ability to receive and ship orders and to process financial information or engage in similar normal business activities. Any material disruption, malfunction, cyber-attack or other similar problems in or with these systems could negatively impact our financial results and materially adversely affect our business operations.

Breaches of data or technology security could damage the Company's reputation, cause the Company to incur additional expense, expose the Company to litigation, and adversely affect the Company's business.

A breach of our data or technology security could result in an unauthorized transfer or release of Company proprietary, employee, customer and other Company related information, or the loss of valuable business data or technology, that could cause a disruption in our business. Hackers are increasingly sophisticated and operate large scale and complex cyber security attacks. In the event of such an attack, we may expend significant capital and other resources to protect against, respond to, and/or alleviate problems caused by a breach. Such an event could also result in unwanted negative media attention, damage to the Company's reputation, damage to our customers, and result in lost sales and lawsuits. The Company also must comply with increasingly complex regulatory cyber security and privacy standards, which can be costly and negatively impact the Company's profitability.

The preparation of the Company's financial statements requires the use of estimates that may vary from actual results.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make significant estimates that may affect financial statements. Due to the inherent nature of making estimates, actual results may vary substantially from such estimates, which could materially adversely affect the Company's business, results of operations and financial condition. For more information on the Company's critical accounting estimates, please see the Critical Accounting Estimates section of this Form 10-K.

Changes in accounting standards could impact reported earnings and financial condition.

The accounting standard setters, including the Financial Accounting Standards Board and the Securities and Exchange Commission, periodically change the financial accounting and reporting standards that govern the preparation of the Company's consolidated financial statements. These changes can be hard to predict and apply and can materially affect how the Company records and reports its financial condition and results of operations. In some cases, the Company could be required to apply a new or revised standard retrospectively, which may result in the restatement of prior period financial statements.

The Company's effective tax rate may fluctuate.

The Company is a multi-channel provider of sporting goods. As a result, the Company's effective tax rate is derived from a combination of applicable tax rates in the various countries, states and other jurisdictions in which the Company operates. In addition to the effects of the 2017 U.S. Tax Reforms, the effective tax rate may be lower or higher than its tax rates have been in the past due to numerous factors, including the sources of income, any agreement with taxing authorities in various jurisdictions, the tax filing positions taken in various jurisdictions and changes in the political environment in the jurisdictions in which the Company operates. The Company bases estimates of an effective tax rate at any given point in time upon a calculated mix of the tax rates applicable to the Company and to estimates of the amount of business likely to be done in any given jurisdiction. The loss of one or more agreements with taxing jurisdictions, a change in the mix of business from year to year and from country to country, changes in rules related to accounting for income taxes, changes in tax laws and any of the multiple jurisdictions in which the Company operates, or adverse outcomes from tax audits that the Company may be subject to in any of the jurisdictions in which the Company operates, could result in an unfavorable change in the effective tax rate which could have an adverse effect on the Company's business and results of operations.

The market price of the Company's common stock is likely to be highly volatile as the stock market in general can be highly volatile.

The public trading of the Company's common stock is based on many factors which could cause fluctuation in the Company's stock price. These factors may include, among other things:

- General economic and market conditions;
- Actual or anticipated variations in quarterly operating results;
- Limited research coverage by securities analysts;
- Relatively low market capitalization resulting in low trading volume in the Company's stock;
- If securities analysts provide coverage, our inability to meet or exceed securities analysts' estimates or expectations;
- Conditions or trends in the Company's industries;
- Changes in the market valuations of other companies in the Company's industries;
- Announcements by the Company or the Company's competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives;
- Capital commitments;
- Additions or departures of key personnel;
- Tariffs, quotas, customs, import and export restrictions, and other trade barriers;
- Global events, including acts or threats of war or terrorism, international conflicts, political instability, natural disasters, and public health crises;
- Sales and repurchases of the Company's common stock; and
- The ability to maintain listing of the Company's common stock on the NASDAQ Global Market.

Many of these factors are beyond the Company's control. These factors may cause the market price of the Company's common stock to decline, regardless of operating performance.

If we are unable to pay quarterly dividends at intended levels, our reputation and stock price may be harmed.

Our quarterly cash dividend is currently \$0.125 per common share. The dividend program requires the use of a portion of our cash flow. Our ability to pay dividends will depend on our ability to generate sufficient cash flows from operations in the future. This ability may be subject to certain economic, financial, competitive and other factors that are beyond our control. Our Board of Directors (Board) may, at its discretion, increase or decrease the intended level of dividends or entirely discontinue the payment of dividends at any time. Any failure to pay dividends after we have announced our intention to do so may negatively impact our reputation, investor confidence in us and negatively impact our stock price.

Unauthorized disclosure of sensitive or confidential customer information could harm the Company's business and its standing with its customers.

Through sales and marketing activities, the Company collects and stores certain information that customers provide to purchase products or services or otherwise communicate and interact with the Company. Despite instituted safeguards for the protection of such information, the Company cannot be certain that all of its systems are entirely free from vulnerability to attack. Computer hackers may attempt to penetrate the Company's network security and, if successful, misappropriate confidential customer or business information. In addition, an employee, a contractor or other third party with whom the Company does business may attempt to circumvent the Company's security measures in order to obtain such information or inadvertently cause a breach involving such information. Loss of customer or business information could disrupt operations, damage the Company's reputation, and expose the Company to claims from customers, financial institutions, payment card associations and other persons, any of which could have an adverse effect on the Company's business, results of operations and financial condition. In addition, compliance with tougher privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes.

Terrorist attacks, acts of war, natural disasters, and public health crises may seriously harm the Company's business.

Among the chief uncertainties facing the nation and the world and, as a result, our business, is the instability and conflict in the Middle East and uncertainties regarding North Korea, Russia, China and other Asian and European countries. Obviously, no one can predict with certainty what the overall economic impact will be as a result of these circumstances. Terrorist attacks may cause damage or disruption to the Company, employees, facilities and customers, which could significantly impact net sales, costs and expenses and financial condition. The potential for future terrorist attacks, the national and international responses to terrorist attacks, and other acts of war and hostility may cause greater uncertainty and cause business to suffer in ways the Company currently cannot predict.

In addition, any natural disaster or other serious disruption to one of the Company's manufacturing or distribution sites due to fire, tornado, earthquake or other natural disasters in countries where the Company conducts business, or political unrest, war, labor strikes, work stoppages or public health crises, such as outbreaks of the coronavirus in countries where our suppliers are located could result in the disruption of the Company's shipments and supply chain of products and raw materials. Due to the recent outbreak of the coronavirus originating in Wuhan, China, certain of our product shipments from China may be delayed. Although we are monitoring the situation, the Company cannot predict whether, for how long, or the extent to which the outbreak may disrupt the Company's supply chain, manufacturing operations, and/or product shipments. Any significant disruption resulting from similar events on a large scale or over a prolonged period could cause significant delays until the Company would be able to resume normal operations or shift to other third party suppliers, if needed. There can be no assurance that alternative capacity could be obtained on favorable terms, if at all, and could negatively affect the Company's sales and profitability.

New laws, policies, regulations, rulemaking and oversight, as well as changes to those currently in effect, could adversely impact our earnings, cash flows and operations.

Our assets and operations are subject to regulation and oversight by federal, state, and local regulatory authorities. Legislative changes, as well as regulatory actions taken by these agencies, have the potential to adversely affect our profitability. In addition, a certain degree of regulatory uncertainty is created by the U.S. political climate. It remains unclear specifically what the current presidential administration and Congress may do with respect to future policies and regulations that may affect us. Regulation affects many aspects of our business and extends to such matters as (i) federal, state, and local taxation; (ii) rates (which include tax, commodity, surcharges and fuel); (iii) the integrity, safety and security of facilities and operations; (iv) the acquisition of other businesses; (v) the acquisition, extension, disposition or abandonment of services or facilities; (vi) reporting and information requirements; and (vii) the maintenance of accounts and records.

Failure to sustain a continuing economic recovery in the United States and elsewhere could have a substantial adverse effect on our business.

Our business is tied to general economic and industry conditions as demand for sporting goods depends largely on the strength of the economy, employment levels, consumer confidence levels and the availability and cost of credit. These factors have had and could continue to have a substantial impact on our business.

Certain political developments in recent years have provided increased economic uncertainty. The United Kingdom formally exited the European Union on January 31, 2020 ("Brexit"), and is now in a transition period until the end of 2020 to negotiate a new trade agreement with the European Union. Although the Company may not be directly impacted by Brexit, the absence of a future trade deal could subject the rest of the world to tariffs and duties set by the World Trade Organization, resulting in higher import costs on the Company's products and raw materials. In addition, political conflicts in the U.S. could result in economic and trade policy actions that would impact economic conditions in various countries, the cost of importing into the U.S. and the competitive landscape of our customers, suppliers and competitors.

Adverse global economic conditions could also cause our customers and suppliers to experience severe economic constraints in the future, including bankruptcy, which could have a material adverse impact on our financial position and results of operations.

The Company's business is subject to risks associated with sourcing and manufacturing outside of the United States, and risks arising from tariffs and/or international trade wars.

The Company imports many of its raw materials and finished goods from countries outside of the United States, including but not limited to China and Mexico. The Company's ability to import products in a timely and cost-effective manner may be affected by conditions, such as labor disputes, political unrest, and security requirements of the U.S. and other countries that could delay importation of products or require us to locate alternative sources. Our import operations are subject to complex custom laws, regulations, tax requirements, and trade regulations, such as tariffs set by governments through mutual agreements or bilateral actions. Recent changes in U.S. tariffs on goods imported into the U.S., particularly goods from China, have increased the cost of goods purchased by the Company and the ongoing adverse effects of such tariffs potentially could become even more severe. The overall effect of these risks is that our costs may increase, which in turn may result in lower profitability if we are unable to offset such increases through higher prices, and/or that we may suffer a decline in sales if our customers do not accept price increases.

The United States, Mexico and Canada recently signed the United States-Mexico-Canada Agreement ("USMCA"), the successor agreement to the North American Free Trade Agreement ("NAFTA"). It is expected that the USMCA will become effective by January 1, 2021. The United States also recently signed a "Phase 1" trade agreement with China. It remains unclear what the U.S. administration or foreign governments, including China, will or will not do with respect to tariffs, the USMCA or other international trade agreements and policies. A trade war, other governmental action related to tariffs or international trade agreements, changes in U.S. social, political, regulatory and economic conditions or in laws and policies

governing foreign trade, manufacturing, development and investment in the territories and countries where we currently manufacture and sell products or any resulting negative sentiments towards the United States could materially adversely affect the Company's business, financial condition, operating results and cash flows.

Substantially all of our import operations are subject to customs and tax requirements as well as trade regulations, such as tariffs and quotas set by governments through mutual agreements or bilateral actions. In addition, the countries in which our products are manufactured or imported may from time to time impose additional quotas, duties, tariffs or other restrictions on our imports or adversely modify existing restrictions. Adverse changes in these import costs and restrictions, or our suppliers' failure to comply with customs regulations or similar laws, could harm our business. In this regard, possible changes in U.S. policies and the potential effects of Brexit have introduced greater uncertainty with respect to future tax and trade regulations. Changes in tax policy or trade regulations, such as the disallowance of tax deductions on imported merchandise or the imposition of new tariffs on imported products, could have a material adverse effect on our business and results of operations.

Our operations are also subject to the effects of international trade agreements and regulations that impose requirements that could adversely affect our business, such as setting quotas on products that may be imported from a particular country.

These risks are not exhaustive.

Other sections of this Form 10-K may include additional factors which could adversely impact the Company's business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all risk factors, nor can the Company assess the impact of all factors on business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

At December 28, 2019, the Company owned or operated from the following locations:

Location	Square Footage	Owned or Leased	Use
Evansville, Indiana, USA	523,000	Owned	Distribution; sales and marketing; engineering; administration
Rosarito, Mexico	174,700	Owned	Manufacturing and distribution
Gainesville, Florida, USA	154,200	Owned	Manufacturing and distribution
Olney, Illinois, USA	108,500	Leased	Manufacturing and distribution
Orlando, Florida, USA	50,018	Leased	Marketing; manufacturing and distribution
Orlando, Florida, USA	10,587	Leased	Manufacturing and distribution
Jacksonville, Florida, USA	2,287	Leased	Sales and marketing
Shanghai, China	3,225	Leased	Sales and sourcing

The Company believes that its facilities are in satisfactory and suitable condition for their respective operations. The Company also believes that it is in material compliance with all applicable environmental regulations and is not subject to any proceeding by any federal, state or local authorities regarding such matters. The Company provides regular maintenance and service on its plants and machinery as required.

ITEM 3—LEGAL PROCEEDINGS

The Company is involved in litigation arising in the normal course of its business, but the Company does not believe that the disposition or ultimate resolution of such claims or lawsuits will have a material adverse effect on the business or financial condition of the Company.

The Company is not aware of any probable or levied penalties against the Company relating to the American Jobs Creation Act.

ITEM 4—MINE SAFETY DISCLOSURES

Not applicable.

Part II

ITEM 5—MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded under the symbol "ESCA" on the NASDAQ Global Market. As of February 14, 2020, there were approximately 118 stockholders of record of our common stock, although there is a significantly larger number of beneficial owners of our common stock.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Share purchases prior to 10/5/2019 under the current repurchase program.	1,175,020	\$9.18	1,175,020	\$ 2,182,190
Fourth quarter purchases:				
10/6/2019 – 11/2/2019	26,307	\$10.85	1,201,327	\$ 1,896,710
11/3/2019 – 11/30/2019	14,991	\$10.91	1,216,318	\$ 1,733,156
12/1/2019 – 12/28/2019	39,272	\$10.37	1,255,590	\$ 1,326,098
Total share purchases under the current program	1,255,590	\$9.27	1,255,590	\$ 1,326,098

The Company has one stock repurchase program which was established in February 2003 by the Board of Directors and which initially authorized management to expend up to \$3,000,000 to repurchase shares on the open market as well as in private negotiated transactions. In February 2005, February 2006, August 2007 and February 2008 the Board of Directors increased the remaining balance on this plan to its original level of \$3,000,000. In September 2019, the Board of Directors increased the stock repurchase program from \$3,000,000 to \$5,000,000. From its inception date through December 28, 2019, the Company has repurchased 1,255,590 shares of its common stock under this repurchase program for an aggregate price of \$11,640,730. The repurchase program has no termination date and there have been no share repurchases that were not part of a publicly announced program.

ITEM 6—SELECTED FINANCIAL DATA [Not Required]

ITEM 7—MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following section should be read in conjunction with Item 1: Business; Item 1A: Risk Factors; and Item 8: Financial Statements and Supplementary Data.

Forward-Looking Statements

This report contains forward-looking statements relating to present or future trends or factors that are subject to risks and uncertainties. These risks include, but are not limited to: the impact of competitive products and pricing; product demand and market acceptance; new product development; Escalade's ability to achieve its business objectives, especially with respect to its Sporting Goods business on which it has chosen to focus; Escalade's ability to successfully achieve the anticipated results of strategic transactions, including the integration of the operations of acquired assets and businesses and of divestitures or discontinuances of certain operations, assets, brands, and products; the continuation and development of key customer, supplier, licensing and other business relationships; the ability to successfully negotiate the shifting retail environment and changes in consumer buying habits; the financial health of our customers; disruptions or delays in our supply chain, including potential disruptions or delays arising from political unrest, war, labor strikes, natural disasters, and public health crises such as the coronavirus pandemic; Escalade's ability to control costs; Escalade's ability to successfully implement actions to lessen the potential impacts of tariffs and other trade restrictions applicable to our products and raw materials, including impacts on the costs of producing our goods, importing products and materials into our markets for sale, and on the pricing of our products; general economic conditions; fluctuation in operating results; changes in foreign currency exchange rates; changes in the securities markets; Escalade's ability to obtain financing and to maintain compliance with the terms of such financing; the availability, integration and effective operation of information systems and other technology, and the potential interruption of such systems or technology; risks related to data security of privacy breaches; and other risks detailed from time to time in Escalade's filings with the Securities and Exchange Commission. Escalade's future financial performance could differ materially from the expectations of management contained herein. Escalade undertakes no obligation to release revisions to these forward-looking statements after the date of this report.

Overview

Escalade, Incorporated (Escalade, the Company, we, us or our) is focused on growing its Sporting Goods segment through organic growth of existing categories, strategic acquisitions, and new product development. The Sporting Goods segment competes in a variety of categories including basketball goals, archery, indoor and outdoor game recreation and fitness products. Strong brands and on-going investment in product development provide a solid foundation for building customer loyalty and continued growth.

Within the sporting goods industry, the Company has successfully built a robust market presence in several niche markets. This strategy is heavily dependent on expanding our customer base, barriers to entry, strong brands, excellent customer service and a commitment to innovation. A key strategic advantage is the Company's established relationships with major customers that allow the Company to bring new products to market in a cost-effective manner while maintaining a diversified portfolio of products to meet the demands of consumers. In addition to strategic customer relations, the Company has substantial manufacturing and import experience that enable it to be a low-cost supplier.

To enhance growth opportunities, the Company has focused on promoting new product innovation and development and brand marketing. In addition, the Company has embarked on a strategy of acquiring companies or product lines that complement or expand the Company's existing product lines or provide expansion into new or emerging categories in sporting goods. A key objective is the acquisition of product lines with barriers to entry that the Company can take to market through its established distribution channels

or through new market channels. Significant synergies are achieved through assimilation of acquired product lines into the existing Company structure.

In 2017, the Company acquired Lifeline Products, LLC, a fitness leader of over 40 years, providing products used for bodyweight, progressive variable resistance and functional training. In 2018, the Company acquired Victory Tailgate, LLC, a brand known for its premium licensed and custom tailgating games. These and other acquisitions strengthen the Company's leadership in various product categories, while providing exciting new opportunities within the sports licensing and customization space. The Company also sometimes divests or discontinues certain operations, assets, and products that do not perform to the Company's expectations or no longer fit with the Company's strategic objectives.

Management believes that key indicators in measuring the success of these strategies are revenue growth, earnings growth, new product introductions, and the expansion of channels of distribution. The following table sets forth the annual percentage change in revenues and net income over the past three years:

	2019	2018	2017
Net revenue			
Sporting Goods	2.7%	(0.9%)	3.3%
Total	2.7%	(0.9%)	3.3%
Net income			
Sporting Goods	(39.2%)	14.4%	(1.7%)
Total	(64.5%)	45.4%	22.3%

Results of Operations

The following schedule sets forth certain consolidated statement of operations data as a percentage of net revenue:

	2019	2018	2017
Net revenue	100.0%	100.0%	100.0%
Cost of products sold	76.5%	74.4%	74.8%
Gross margin	23.5%	25.6%	25.2%
Selling, administrative and general expenses	17.6%	16.9%	16.1%
Amortization	0.8%	0.8%	0.9%
Operating income	5.1%	7.9%	8.2%

Revenue and Gross Margin

Net revenue increased 2.7% in 2019 compared to 2018.

The overall gross margin percentage decreased to 23.5% in 2019 compared with 25.6% in 2018 due primarily to customer allowances, lower factory utilization, tariffs and sales mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) were \$31.6 million in 2019 compared to \$29.8 million in 2018, an increase of \$1.8 million or 6.1%. SG&A increased due to operating costs associated with Victory Tailgate, which was acquired during the fourth quarter of 2018 and an investment in basketball players. SG&A as a percent of sales is 17.6% in 2019 compared with 16.9% in 2018.

Other Income

During 2018, the Company recognized a \$13.0 million gain in other income on the sale of our 50% owned equity method investment, Stiga, a Swedish entity. Equity in earnings of affiliates was \$0.1 million in 2018.

Provision for Income Taxes

The effective tax rate for 2019 and 2018 was 18.8% and 22.7%, respectively. The 2019 effective tax rate is lower than the statutory rate primarily due to the federal benefit of state income taxes and federal income tax credits. The 2018 effective tax rate was higher than the statutory rate primarily due to the impact of state income taxes and additional provisional expenses booked relative to the 2017 U.S. Tax Reforms signed into law on December 22, 2017 making significant changes to the Internal Revenue Code. Specifically, 2018 included the impact of the Section 965 Transition Tax paid on the untaxed foreign earnings of a controlled foreign corporation as if those earnings had been repatriated to the United States.

Sporting Goods

Net revenues, operating income, and net income for the Sporting Goods segment for the three years ended December 28, 2019 were as follows:

<u>In Thousands</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net revenue	\$180,541	\$175,780	\$177,333
Operating income	8,611	13,999	15,600
Net income	5,997	9,869	8,626

Net revenue increased 2.7% in 2019 compared to 2018.

The gross margin ratio in 2019 was 23.5% compared to 25.6% in 2018. The decrease was primarily due to increased customer allowances, lower factory utilization, tariffs and sales mix. Operating income, as a percentage of net revenue, decreased to 4.8% in 2019 compared to 8.0% in 2018.

Financial Condition and Liquidity

The current ratio, a basic measure of liquidity (current assets divided by current liabilities), for 2019 was 4.8, compared to 5.3 in 2018. Receivable levels decreased to \$35.5 million in 2019 compared with \$40.7 million in 2018 and net inventory increased \$3.2 million to \$42.3 million in 2019 from \$39.1 million in 2018.

The Company's working capital requirements are primarily funded through cash flows from operations and revolving credit agreements with its bank. During 2019, the Company's maximum borrowings under its primary revolving credit lines and overdraft facility totaled \$10.5 million compared to \$24.2 million in 2018. The overall effective interest rate in 2019 was 8.7% compared to the effective rate of 4.9% in 2018. Proceeds from the sale of the Company's 50% interest in Stiga were used to pay off outstanding debt, including the repayment of the Company's outstanding term loan facility during 2018. Total long-term debt at the end of the Company's 2019 fiscal year was zero.

On January 21, 2019, the Company entered into an Amended and Restated Credit Agreement ("2019 Restated Credit Agreement") with its issuing bank, JPMorgan Chase Bank, N.A. ("Chase"), and the other lenders identified in the 2019 Restated Credit Agreement (collectively, the "Lender"). Under the terms of the 2019 Restated Credit Agreement, the Lender has made available to the Company a senior revolving credit facility with increased maximum availability of \$50.0 million. The maturity date was extended to January 31, 2022. In addition to the increased borrowing amount and extended maturity date, other significant changes reflected in the 2019 Restated Credit Agreement include: more favorable interest rate provisions; increases in borrowing base availability; releases of existing mortgages on the Company's real property; and increasing to \$25.0 million the total consideration that the Company may use for acquisitions without obtaining the Lender's consent, as long as no event of default exists.

Operating cash flows were used to fund acquisitions, to pay shareholder dividends, and to fund stock repurchases.

In 2020, the Company estimates capital expenditures to be approximately \$2.9 million.

The Company believes that cash generated from its projected 2020 operations and the commitment of borrowings from its primary lender will provide it with sufficient cash flows for its operations.

It is possible that if economic conditions deteriorate, this could have adverse effects on the Company's ability to operate profitably during fiscal year 2020. To the extent that occurs, management will pursue cost reduction initiatives and consider realignment of its infrastructure in an effort to match the Company's overhead and cost structure with the sales level dictated by current market conditions.

New Accounting Pronouncements

Refer to Note 1 to the consolidated financial statements under the sub-heading "New Accounting Pronouncements".

Off Balance Sheet Financing Arrangements

The Company has no financing arrangements that are not recorded on the Company's balance sheet.

Contractual Obligations

The following schedule summarizes the Company's material contractual obligations as of December 28, 2019:

<u>Amounts in thousands</u>	<u>Total</u>	<u>2020</u>	<u>2021 – 2022</u>	<u>2023 – 2024</u>	<u>Thereafter</u>
Debt	\$ -	\$ -	\$ -	\$ -	\$ --
Future interest payments	-	-	-	-	--
Operating leases	1,207	715	448	44	--
Minimum payments under purchase, royalty and license agreements	3,724	1,662	1,522	540	--
Total	\$ 4,931	\$ 2,377	\$ 1,970	\$ 584	\$ --

Critical Accounting Estimates

The methods, estimates and judgments used in applying the Company's accounting policies have a significant impact on the results reported in its financial statements. Some of these accounting policies require difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. The most critical accounting estimates are described below and in the Notes to the Consolidated Financial Statements.

Product Warranty

The Company provides limited warranties on certain of its products for varying periods. Generally, the warranty periods range from 90 days to one year. However, some products carry extended warranties of three-year, five-year, seven-year, ten-year, fifteen-year, and lifetime warranties. The Company records an accrued liability and reduction in sales for estimated future warranty claims based upon historical experience and management's estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the accrued liability and sales in the current year. To the extent there are product defects in current products that are unknown to management and do not fall within historical defect rates, the product warranty reserve could be understated and the Company could be required to accrue additional product warranty costs thus negatively affecting gross margin.

Inventory Valuation Reserves

The Company evaluates inventory for obsolescence and excess quantities based on demand forecasts over specified time frames, usually one year. The demand forecast is based on historical usage, sales forecasts and current as well as anticipated market conditions. All amounts in excess of the demand forecast are deemed to be potentially excess or obsolete and a reserve is established based on the anticipated net realizable value. To the extent that demand forecasts are greater than actual demand and the Company fails to reduce manufacturing output accordingly, the Company could be required to record additional inventory reserves which would have a negative impact on gross margin.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due between 30 and 60 days after the issuance of the invoice. Accounts are considered delinquent when more than 90 days past due. Delinquent receivables are reserved or written off based on individual credit evaluation and specific circumstances of the customer. To the extent that actual bad debt losses exceed the allowance recorded by the Company, additional reserves would be required which would increase selling, general and administrative costs.

Customer Allowances

Customer allowances are common practice in the industries in which the Company operates. These agreements are typically in the form of advertising subsidies, volume rebates and catalog allowances and are accounted for as a reduction to gross sales. The Company reviews such allowances on an ongoing basis and accruals are adjusted, if necessary, as additional information becomes available.

Impairment of Goodwill

The Company reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable, in accordance with guidance in Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 350, *Intangibles – Goodwill and Other*. A qualitative assessment is first performed to determine if the fair value of the reporting unit is "more likely than not" less than the carrying value. If so, we proceed to step one of the two-step goodwill impairment test, in which the fair value of the reporting unit is compared to its carrying value. If not, then performance of the second step of the goodwill impairment test is not necessary. If the carrying value of goodwill exceeds the implied estimated fair value calculated in the second step, an impairment charge to current operations is recorded to reduce the carrying value to the implied estimated fair value.

If the second step of the goodwill impairment testing is required, the Company establishes fair value by using an income approach or a combination of a market approach and an income approach. The market approach uses the guideline-companies method to estimate the fair value of a reporting unit based on reported sales of publicly-held entities engaged in the same or a similar business as the reporting unit. The income approach uses the discounted cash flow method to estimate the fair value of a reporting unit by calculating the present value of the expected future cash flows of the reporting unit. The discount rate is based on a weighted average cost of capital determined using publicly-available interest rate information on the valuation date and data regarding equity, size and country-specific risk premiums/decrements compiled and published by a commercial source. The Company uses assumptions about expected future operating performance in determining estimates of those cash flows, which may differ from actual cash flows.

The Company has one reporting unit that is identical to our operating segment, Sporting Goods. Of the total recorded goodwill of \$26.7 million at December 28, 2019, the entire amount was allocated to the Escalade Sports reporting unit. The results of the qualitative impairment assessment of the Escalade Sports reporting unit indicated that it was not "more likely than not" that the fair value of the reporting unit was less than the carrying value as of December 28, 2019.

Long Lived Assets

The Company evaluates the recoverability of certain long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Estimates of future cash flows used to test recoverability of long-lived assets include separately identifiable undiscounted cash flows expected to arise from the use and eventual disposition of the assets. Where estimated future cash flows are less than the carrying value of the assets, impairment losses are recognized based on the amount by which the carrying value exceeds the fair value of the assets.

Non-Marketable Equity Method Investment

The Company had a minority equity position in a company strategically related to the Company's business, but did not have control over this company. The accounting method employed was dependent on the level of ownership and degree of influence the Company can exert on operations. Where the equity interest was less than 20% and the degree of influence was not significant, the cost method of accounting is employed. Where the equity interest was greater than 20% but not more than 50%, the equity method of accounting is utilized. Under the equity method, the Company's proportionate share of net income was recorded in equity in earnings of affiliates on the consolidated statements of operations. The proportionate share of net income was \$0.1 million and \$1.6 million in 2018 and 2017, respectively. Total cash dividends received from this equity investment amounted to \$2,323 thousand and \$2,168 thousand in 2018 and 2017, respectively. On May 17, 2018, the company completed the sale of its 50% interest for \$33.7 million, resulting in a gain on sale of \$13.0 million. In conjunction with the sale, the Company entered into a new license agreement with Stiga for the licensing rights to manufacture, market, promote, sell and distribute Stiga-branded table tennis hobby products in the United States, Mexico and Canada. The Company has had the licensing rights for such products since 1995 pursuant to an existing license agreement that expired December 31, 2018. The new license agreement went into effect on January 1, 2019.

Effect of Inflation

The Company cannot accurately determine the precise effects of inflation. The Company attempts to pass on increased costs and expenses through price increases when necessary. The Company is working on reducing expenses; improving manufacturing technologies; and redesigning products to keep these costs under control.

Capital Expenditures

As of December 28, 2019, the Company had no material commitments for capital expenditures. In 2020, the Company estimates capital expenditures to be approximately \$2.9 million.

ITEM 7A — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK [Not Required]

ITEM 8 — FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by Item 8 are set forth in Part IV, Item 15.

ITEM 9 — CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A — CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Escalade maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rules 13a-15(e) and 15d-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, could 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. Also, the Company has investments in certain unconsolidated entities. As the Company does not control or manage these entities, its disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those it maintains with respect to its consolidated subsidiaries.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Escalade's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Escalade's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting of the Company includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions of the Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error or circumvention through collusion or improper overriding of controls. Therefore, even those internal control systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The management of Escalade assessed the effectiveness of the Company's internal control over financial reporting as of December 28, 2019. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework* (published in 2013) and implemented a process to monitor and assess both the design and operating effectiveness of the Company's internal controls.

Based on this assessment, management believes that, as of December 28, 2019, the Company's internal control over financial reporting was effective.

This annual report on Form 10-K includes an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report regarding internal control over financial reporting is subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission. In addition, this report by management regarding internal control over financial reporting is specifically not incorporated by reference into any other filing by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

/s/ David L. Fetherman, Chief Executive Officer /s/ Stephen R. Wawrin, Chief Financial Officer

Changes in Internal Control over Financial Reporting

Management of the Company has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, changes in the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the fourth quarter of 2019. In connection with such evaluation, there have been no changes to the Company's internal control over financial reporting that occurred since the beginning of the Company's fourth quarter of 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B — OTHER INFORMATION

None.

Part III

ITEM 10 — DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required under this item with respect to Directors and Executive Officers is contained in the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on May 13, 2020 under the captions "Certain Beneficial Owners," "Election of Directors," "Executive Officers of the Registrant," "Board of Directors, Its Committees, Meetings and Functions," and "Delinquent Section 16(a) Reports," if applicable, and is incorporated herein by reference.

ITEM 11— EXECUTIVE COMPENSATION

Information required under this item is contained in the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on May 13, 2020 under the captions "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation," "Report of the Compensation Committee" and "Executive Compensation" and is incorporated herein by reference, except that the information required by Item 407(e)(5) of Regulation S-K which appears under the caption "Report of the Compensation Committee" is specifically not incorporated by reference into this Form 10-K or into any other filing by the registrant under the Securities Act of 1933 or the Securities Exchange Act of 1934.

ITEM 12—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Except for the information required by Item 201(d) of Regulation S-K, which is included below, information required by this item is contained in the registrant's proxy statement relating to its annual meeting of stockholders scheduled to be held on May 13, 2020 under the captions "Certain Beneficial Owners" and "Election of Directors" and is incorporated herein by reference.

Equity Compensation Plan Information

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (2)</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans</u>
Equity compensation plans approved by security holders (1)	20,000	\$ 14.39	1,377,026
Equity compensation plans not approved by security holders	--	--	--
Total	<u>20,000</u>		<u>1,377,026</u>

(1) These plans include the Escalade, Incorporated 2007 Incentive Plan, including an additional 1,500,000 shares added under a 2012 amendment to the Escalade 2007 Incentive Plan, and the Escalade, Incorporated 2017 Incentive Plan. All plans were approved by stockholders at Escalade's Annual Meetings of Stockholders in 2007, 2012, and 2017, respectively.

(2) Does not include 128,636 shares subject to outstanding, unvested restricted stock awards.

ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 407(a) of Regulation S-K is contained in the registrant’s proxy statement relating to its annual meeting of stockholders to be held on May 13, 2020 under the captions “Election of Directors” and “Board of Directors, Its Committees, Meetings and Functions” and is incorporated herein by reference. The information required by Item 404 of Regulation S-K is contained in the registrant’s proxy statement relating to its annual meeting of stockholders scheduled to be held on May 13, 2020 under the caption “Certain Relationships and Related Person Transactions” and is incorporated herein by reference.

ITEM 14 — PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is contained in the registrant’s proxy statement relating to its annual meeting of stockholders scheduled to be held on May 13, 2020 under the caption “Principal Accounting Firm Fees” and is incorporated herein by reference.

Part IV

ITEM 15—EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(A) Documents filed as a part of this report:

(1) Financial Statements

Reports of Independent Registered Public Accounting Firm

Consolidated financial statements of Escalade, Incorporated and subsidiaries:

Consolidated balance sheets—December 28, 2019 and December 29, 2018

Consolidated statements of operations—fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017

Consolidated statements of comprehensive income—fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017

Consolidated statements of stockholders’ equity—fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017

Consolidated statements of cash flows—fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017

Notes to consolidated financial statements

All other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the consolidated financial statements or notes thereto.

(3) Exhibits

3.1 Articles of Incorporation of Escalade, Incorporated (a)

3.2 Amended By-Laws of Escalade, Incorporated (f)

10.1 Amended and Restated Credit Agreement dated as of January 21, 2019 among Escalade, Incorporated, Indian Industries, Inc., each of their domestic subsidiaries, and JPMorgan Chase Bank, N.A., as Administrative Agent (without exhibits and schedules, which Escalade has determined are not material) (b)

10.2 First Amendment dated as of September 3, 2019 to Amended and Restated Credit Agreement dated as of January 21, 2019 among Escalade, Incorporated, Indian Industries, Inc., each of their domestic subsidiaries, and JPMorgan Chase Bank, N.A., as Administrative Agent (k)

10.3 Pledge and Security Agreement dated as of January 21, 2019 among Escalade, Incorporated, Indian Industries, Inc., each of their domestic subsidiaries, and JPMorgan Chase Bank, N.A., as Administrative Agent (without exhibits and schedules, which Escalade has determined are not material) (c)

(4) **Executive Compensation Plans and Arrangements**

- 10.4 Escalade, Incorporated 2007 Incentive Plan, as amended, incorporated by reference herein from Annex 1 and 2 to the Registrant's 2012 Definitive Proxy Statement (e)
 - 10.5 Escalade, Incorporated 2017 Incentive Plan, incorporated by reference herein from Annex 1 to the Registrant's 2017 Definitive Proxy Statement (i)
 - 10.6 Form of Stock Option Award Agreement utilized in Stock Option grants to employees pursuant to the Escalade, Incorporated 2017 Incentive Plan (d)
 - 10.7 Form of Stock Option Award Agreement utilized in Stock Option grants to Directors pursuant to the Escalade, Incorporated 2017 Incentive Plan (d)
 - 10.8 Form of Restricted Stock Unit Agreement utilized in Restricted Stock Unit grants to employees pursuant to the Escalade Incorporated 2017 Incentive Plan (d)
 - 10.9 Form of Restricted Stock Unit Agreement utilized in Restricted Stock Unit grants to Directors pursuant to the Escalade, Incorporated 2017 Incentive Plan (d)
 - 10.10 Executive Severance agreement, dated June 9, 2016 between David L. Fetherman and Escalade, Inc. (h)
 - 10.11 Amendment No. 1 dated June 25, 2019 to Executive Severance agreement, dated June 9, 2016 between David L. Fetherman and Escalade, Inc. (j)
 - 10.12 Agreement and Release dated November 21, 2019 between David L. Fetherman and Escalade, Inc (l)
 - 21 Subsidiaries of the Registrant
 - 23.1 Consent of BKD, LLP
 - 31.1 Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification
 - 31.2 Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification
 - 32.1 Chief Executive Officer Section 1350 Certification
 - 32.2 Chief Financial Officer Section 1350 Certification
 - 101.Cal XBRL Taxonomy Extension Calculation Linkbase Document
 - 101.Def XBRL Taxonomy Extension Definition Linkbase Document
 - 101.Lab XBRL Taxonomy Extension Label Linkbase Document
 - 101.Pre XBRL Taxonomy Extension Presentation Linkbase Document
 - 101.Ins XBRL Instance Document
 - 101.Sch XBRL Taxonomy Extension Schema Document
- (a) Incorporated by reference from the Company's 2007 First Quarter Report on Form 10-Q
 - (b) Incorporated by reference from the Company's Form 8-K/A filed on February 1, 2019. The 2019 Amended and Restated Credit Agreement supersedes the 2016 Credit Agreement with JPMorgan Chase Bank, N.A. previously entered into by the Company and Indian Industries, Inc. The domestic subsidiaries of the Company and Indian Industries are parties to the 2019 Amended and Restated Credit Agreement as subsidiary guarantors, which supersedes the Unlimited Continuing Guarantees previously entered into by those subsidiaries.
 - (c) Incorporated by reference from the Company's Form 8-K filed on January 25, 2019. The 2019 Pledge and Security Agreement supersedes the pledge agreements previously entered into by the Company, Indian Industries, Inc. and their domestic subsidiaries
 - (d) Incorporated by reference from the Company's Form 10-K for the fiscal year ended December 30, 2017 and filed on February 27, 2018
 - (e) Incorporated by reference from the Company's 2012 Proxy Statement
 - (f) Incorporated by reference from the Company's 2014 First Quarter Report on Form 10-Q filed on April 22, 2014
 - (g) Incorporated by reference from the Company's 2016 First Quarter Form 10-Q filed on April 15, 2016
 - (h) Incorporated by reference from the Company's Form 8-K filed on June 13, 2016
 - (i) Incorporated by reference from the Company's 2017 Proxy Statement
 - (j) Incorporated by reference from the Company's Form 8-K filed on June 25, 2019
 - (k) Incorporated by reference from the Company's Form 8-K filed on September 3, 2019
 - (l) Incorporated by reference from the Company's Form 8-K filed on November 21, 2019

ITEM 16—FORM 10-K SUMMARY

None.

ESCALADE, INCORPORATED AND SUBSIDIARIES

Index to Financial Statements

The following consolidated financial statements of the Registrant and its subsidiaries and Independent Accountants' Reports are submitted herewith:

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Reports of Independent Registered Public Accounting Firms

Audit Committee, Board of Directors and Stockholders
Escalade, Incorporated
Evansville, Indiana

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Escalade, Incorporated as of December 28, 2019, and December 29, 2018, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 28, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Escalade, Incorporated as of December 28, 2019 and December 29, 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 28, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), Escalade, Incorporated's internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 21, 2020, expressed an unqualified opinion on the effectiveness of Escalade, Incorporated's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of Escalade, Incorporated's management. Our responsibility is to express an opinion on Escalade, Incorporated's consolidated financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to Escalade, Incorporated in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as Escalade, Incorporated's auditor since 1977.

/s/ BKD, LLP

Evansville, Indiana
February 21, 2020



Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
Escalade, Incorporated
Evansville, Indiana

Opinion on the Internal Control Over Financial Reporting

We have audited Escalade, Incorporated's internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, Escalade, Incorporated maintained, in all material respects, effective internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of Escalade, Incorporated and our report dated February 21, 2020, expressed an unqualified opinion thereon.

Basis for Opinion

Escalade, Incorporated's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on Escalade, Incorporated's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to Escalade, Incorporated in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Escalade, Incorporated; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Escalade, Incorporated are being made only in accordance with authorizations of management and directors of Escalade, Incorporated; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Escalade, Incorporated's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BKD, LLP

Evansville, Indiana
February 21, 2020

ESCALADE, INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets

All Amounts in Thousands Except Share Information	December 28, 2019	December 29, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,882	\$ 2,824
Receivables, less allowances of \$483 and \$532; respectively	35,450	40,682
Inventories	42,269	39,122
Prepaid expenses	3,151	4,151
Prepaid income tax	163	1,082
Other current assets	-	2
TOTAL CURRENT ASSETS	86,915	87,863
Property, plant and equipment, net	15,111	15,498
Operating lease right-of-use assets	1,080	-
Intangible assets	18,847	19,785
Goodwill	26,749	26,381
Other assets	77	-
TOTAL ASSETS	\$148,779	\$149,527
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Note payable	\$ 135	\$ -
Trade accounts payable	7,765	5,631
Accrued liabilities	9,689	11,072
Current operating lease liabilities	621	-
TOTAL CURRENT LIABILITIES	18,210	16,703
Long-term debt	-	-
Deferred income tax liability	3,537	3,409
Operating lease liabilities	475	-
Other liabilities	387	1,094
TOTAL LIABILITIES	22,609	21,206
Commitments and contingencies	--	--
Stockholders' equity:		
Preferred stock		
Authorized: 1,000,000 shares, no par value, none issued		
Common stock		
Authorized: 30,000,000 shares, no par value		
Issued and outstanding: 2019 —14,214,777 shares, 2018 —14,438,824 shares	14,215	14,439
Retained earnings	111,955	113,882
TOTAL STOCKHOLDERS' EQUITY	126,170	128,321
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$148,779	\$149,527

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Operations

All Amounts in Thousands Except Per Share Data	Years Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Net Sales	\$180,541	\$175,780	\$177,333
Costs and Expenses			
Cost of products sold	138,181	130,750	132,606
Selling, administrative and general expenses	31,616	29,807	28,548
Amortization	1,469	1,406	1,579
Operating Income	9,275	13,817	14,600
Other Income (Expense)			
Interest expense	(356)	(427)	(804)
Equity in earnings of affiliates	--	121	1,634
Gain on sale of equity method investment (includes (\$3,729) of accumulated other comprehensive loss reclassification from foreign currency translation adjustment)	--	13,020	--
Gain on bargain purchase	--	--	256
Other income (expense)	15	(89)	(169)
Income Before Income Taxes	8,934	26,442	15,517
Provision for Income Taxes	1,676	6,000	1,456
Net Income	\$ 7,258	\$ 20,442	\$ 14,061
Earnings Per Share Data:			
Basic earnings per share	\$ 0.50	\$ 1.42	\$ 0.98
Diluted earnings per share	\$ 0.50	\$ 1.41	\$ 0.98

See notes to consolidated financial statements.

Escalade, Incorporated and Subsidiaries
Consolidated Statements of Comprehensive Income

All Amounts in Thousands	Years Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Net Income	\$ 7,258	\$ 20,442	\$ 14,061
Foreign currency translation adjustment before reclassifications	-	(1,119)	1,670
Amounts reclassified from comprehensive income due to divestiture of equity investment	-	3,729	-
Comprehensive Income	\$ 7,258	\$ 23,052	\$ 15,731

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

All Amounts in Thousands	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount			
Balances at December 31, 2016	14,305	\$14,305	\$91,688	\$ (4,280)	\$101,713
Other comprehensive income				1,670	1,670
Net income			14,061		14,061
Expense of stock options and restricted stock units			522		522
Exercise of stock options	28	28	131		159
Settlement of restricted stock units	26	26	(26)		--
Dividends declared			(6,607)		(6,607)
Stock issued to directors as compensation	13	13	139		152
Balances at December 30, 2017	14,372	\$14,372	\$99,908	\$ (2,610)	\$111,670
Other comprehensive income				2,610	2,610
Net income			20,442		20,442
Expense of stock options and restricted stock units			604		604
Exercise of stock options	9	9	45		54
Settlement of restricted stock units	47	47	(47)		--
Dividends declared			(7,215)		(7,215)
Stock issued to directors as compensation	12	12	154		166
Purchase of stock	(1)	(1)	(9)		(10)
Balances at December 29, 2018	14,439	\$14,439	\$113,882	\$ -	\$128,321
Net income			7,258		7,258
Expense of stock options and restricted stock units			513		513
Exercise of stock options	10	10	108		118
Settlement of restricted stock units	29	29	(29)		--
Dividends declared			(7,204)		(7,204)
Stock issued to directors as compensation	9	9	93		102
Purchase of stock	(272)	(272)	(2,666)		(2,938)
Balances at December 28, 2019	14,215	\$14,215	\$111,955	\$ -	\$126,170

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows

All Amounts in Thousands	Years Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Operating Activities:			
Net Income	\$ 7,258	\$ 20,442	\$ 14,061
Reconciling adjustments:			
Depreciation and amortization	4,031	3,857	3,910
Provision for doubtful accounts	322	155	775
Stock option and restricted stock unit expense	513	604	522
Equity in net income of joint venture investments	--	(121)	(1,634)
Deferred income taxes	128	940	(2,947)
Gain on sale of equity method investment	--	(13,020)	--
Gain on insurance proceeds received for damage to property	--	(377)	--
Gain on bargain purchase	--	--	(256)
Loss (gain) on disposals of assets	7	--	(5)
Dividends received from equity method investments	--	2,323	2,168
Changes in			
Accounts receivable	4,911	(1,140)	(3,366)
Inventories	(3,147)	(3,359)	(468)
Prepays and other assets	1,971	194	(507)
Accounts payable and accrued expenses	44	(3,992)	1,110
Net cash provided by operating activities	16,038	6,506	13,363
Investing Activities:			
Purchase of property and equipment	(2,185)	(2,818)	(2,745)
Acquisitions	(765)	(7,169)	(1,450)
Proceeds from sale of equity investment	--	33,705	--
Insurance proceeds received for damage to property	--	1,154	--
Proceeds from sale of property and equipment	4	--	5
Net cash provided by (used in) investing activities	(2,946)	24,872	(4,190)
Financing Activities:			
Dividends paid	(7,204)	(7,215)	(6,607)
Proceeds from issuance of long-term debt	77,502	28,024	56,713
Payments on long-term debt	(77,502)	(51,145)	(59,031)
Proceeds from exercise of stock options	118	54	159
Deferred financing fees	(112)	--	--
Purchase of stock	(2,938)	(10)	--
Director stock compensation	102	166	152
Net cash used in financing activities	(10,034)	(30,126)	(8,614)
Increase in Cash and Cash Equivalents	3,058	1,252	559
Cash and Cash Equivalents, beginning of year	2,824	1,572	1,013
Cash and Cash Equivalents, end of year	\$5,882	\$2,824	\$1,572
Supplemental Cash Flows Information			
Interest paid	\$ 346	\$ 423	\$ 792
Income taxes paid	\$1,383	\$4,844	\$3,816
Information regarding the Company's acquisitions in 2019, 2018 and 2017 are as follows:			
Fair value of assets acquired	\$ 900	\$9,285	\$2,018
Cash paid for assets	(765)	(7,169)	(1,450)
Consideration of holdback provision	--	286	--
Note payable for deferred purchase price obligation	(135)	--	--
Liabilities assumed	\$ --	\$2,402	\$ 568

See notes to consolidated financial statements.

Note 1 — Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Escalade, Incorporated and its wholly-owned subsidiaries (Escalade, the Company, we, us or our) are engaged in the manufacture and sale of sporting goods products. The Company is headquartered in Evansville, Indiana and has manufacturing facilities in the United States of America and Mexico. The Company sells products to customers primarily in North America with minimal sales throughout the remainder of the world.

Principles of Consolidation

The consolidated financial statements include the accounts of Escalade, Incorporated and its wholly-owned subsidiaries. All material inter-company accounts and transactions have been eliminated.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The books and records of subsidiaries located in foreign countries are maintained according to generally accepted accounting principles in those countries. Upon consolidation, the Company evaluates the differences in accounting principles and determines whether adjustments are necessary to convert the foreign financial statements to the accounting principles upon which the consolidated financial statements are based. As a result of this evaluation no material adjustments were identified.

Fiscal Year End

The Company's fiscal year is a 52 or 53 week period ending on the last Saturday in December. Fiscal year 2019 was 52 weeks long, ending December 28, 2019. Fiscal year 2018 was 52 weeks long, ending December 29, 2018. Fiscal year 2017 was 52 weeks long, ending on December 30, 2017.

Cash and Cash Equivalents

Highly liquid financial instruments with insignificant interest rate risk and with original maturities of three months or less are classified as cash and cash equivalents. Cash and cash equivalent balances may at times be in excess of federally insured limits. The Company maintains its cash and cash equivalent balances at high-credit quality financial institutions.

Accounts Receivable

Revenue from the sale of the Company's products is recognized when obligations under the terms of a contract with our customer are satisfied; generally this occurs with the transfer of control of our goods at a point in time based on shipping terms and transfer of title. Accounts receivable are stated at the amount billed to customers. Interest and late charges billed to customers are not material and, because collection is uncertain, are not recognized until collected and are therefore not included in accounts receivable. The Company provides an allowance for doubtful accounts which is described in Note 2 – Certain Significant Estimates.

Inventories

Inventory cost is computed on a currently adjusted standard cost basis (which approximates actual cost on a current average or first-in, first-out basis). Work in process and finished goods inventory are determined to be saleable based on a demand forecast within a specific time horizon, generally one year or less. Inventory in excess of saleable amounts is reserved, and the remaining inventory is valued at the lower of cost or net realizable value. This inventory valuation reserve totaled \$786 thousand and \$456 thousand at fiscal year-end 2019 and 2018, respectively. Inventories, net of the valuation reserve, at fiscal year-ends were as follows:

In Thousands	2019	2018
Raw materials	\$3,186	\$3,622
Work in process	2,177	2,892
Finished goods	36,906	32,608
	<u>\$42,269</u>	<u>\$39,122</u>

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation and amortization are computed for financial reporting purposes principally using the straight-line method over the following estimated useful lives: buildings, 20-30 years; leasehold improvements, term of the lease; machinery and equipment, 5-15 years; and tooling, dies and molds, 2-5 years. Property, plant and equipment consist of the following:

In Thousands	2019	2018
Land	\$ 1,943	\$ 1,943
Buildings and leasehold improvements	16,831	16,768
Machinery and equipment	24,721	27,458
Total cost	43,495	46,169
Accumulated depreciation and amortization	(28,384)	(30,671)
	\$ 15,111	\$ 15,498

The Company evaluates the recoverability of certain long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Estimates of future cash flows used to test recoverability of long-lived assets include separately identifiable undiscounted cash flows expected to arise from the use and eventual disposition of the assets. Where estimated future cash flows are less than the carrying value of the assets, impairment losses are recognized based on the amount by which the carrying value exceeds the fair value of the assets. No asset impairment was recognized during the years ended 2019, 2018, or 2017.

Investments

Non-Marketable Equity Investment: The Company had an equity position in a company that strategically related to the Company's business, but the Company did not have control over that entity. The accounting method employed was dependent on the level of ownership and degree of influence the Company could exert on operations. Where the equity interest was less than 20% and the degree of influence was not significant, the cost method of accounting was employed. Where the equity interest was greater than 20% but not more than 50%, the equity method of accounting was utilized. Under the equity method, the Company's proportionate share of net income was recorded in equity in earnings of affiliates on the consolidated statement of operations. The proportionate share of net income was \$0.1 million and \$1.6 million in 2018 and 2017, respectively. Total cash dividends received from this equity investment amounted to \$2,323 thousand and \$2,168 thousand in 2018 and 2017, respectively. The Company considered whether the fair value of its equity investment declined below its carrying value whenever adverse events or changes in circumstances indicated that recorded values may not be recoverable. If the Company considered any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and overall health of the investments' industry), a write-down was recorded to estimated fair value.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over fair value of net tangible and identifiable intangible assets of acquired businesses. Intangible assets consist of patents, consulting agreements, non-compete agreements, customer lists, developed technology, license agreements, and trademarks. Goodwill is deemed to have an indefinite life and is not amortized, but is subject to impairment testing annually in accordance with guidance included in FASB ASC 350, *Intangibles – Goodwill and Other*. Other intangible assets are amortized using the straight-line method over the following lives: license agreements, 17 years; developed technology, 5 years; trademarks, 20 years to indefinite life; consulting agreements, the life of the agreement; customer lists, 3 to 14 years; non-compete agreements, the lesser of the term or 5 years; and patents, the lesser of the remaining life or 5 to 15 years.

The Company reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable, in accordance with guidance in FASB ASC 350, *Intangibles – Goodwill and Other*. A qualitative assessment is first performed to determine if the fair value of the reporting unit is "more likely than not" less than the carrying value. If so, we proceed to step one of the two-step goodwill impairment test, in which the fair value of the reporting unit is compared to its carrying value. If not, then performance of the second step of the goodwill impairment test is not necessary. If the carrying value of goodwill exceeds the implied estimated fair value calculated in the second step, an impairment charge to current operations is recorded to reduce the carrying value to the implied estimated fair value.

Employee Incentive Plan

During 2017, the Company approved an incentive plan explained in Note 10. The Company accounts for this plan under the recognition and measurement principles of FASB ASC 718, *Equity Based Payments*.

Foreign Currency Translation

The functional currency for the foreign operations of Escalade is the U.S. dollar. Gains or losses resulting from foreign currency transactions are included in selling, general and administrative expense in the Consolidated Statements of Operations and were insignificant in fiscal years 2019, 2018, and 2017.

Cost of Products Sold

Cost of products sold is comprised of those costs directly associated with or allocated to the products sold and include materials, labor and factory overhead.

Other Income (Loss)

The components of Other Income (Loss) are as follows:

In Thousands	2019	2018	2017
Other income (loss)	\$ 15	(\$89)	(\$169)
	<u>\$ 15</u>	<u>(\$89)</u>	<u>(\$169)</u>

Provision for Income Taxes

Income tax in the consolidated statement of operations includes deferred income tax provisions or benefits for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes. A valuation allowance is established if it is more likely than not that a deferred tax asset will not be realized.

Research and Development

Research and development costs are charged to expense as incurred. Research and development costs incurred during 2019, 2018 and 2017 were approximately \$1.6 million, \$1.5 million, and \$1.6 million, respectively.

New Accounting Pronouncements and Changes in Accounting Principles Standards Adopted:

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842), which supersedes ASC 840, Leases. 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. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current GAAP. ASU 2016-02 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases will be substantially similar to the classification criteria for distinguishing between capital leases and operating leases under prior GAAP. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The guidance permits a practical expedient with regards to initial adoption, allowing adopters the option to apply the new leases standard prospectively at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Under this expedient, comparative periods presented in the financial statements in which the new lease standard is adopted, will continue to be presented in accordance with prior GAAP.

The Company adopted this standard on December 30, 2018 using the prospective application method practical expedient. The adoption of this standard had an immaterial impact on our consolidated balance sheet, recognizing a ROU asset and lease liability of \$985 thousand. Refer to Note 4 for disclosure requirements related to this standard.

New Accounting Standards to be Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This amendment requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in earlier recognition of credit losses. The amendments are effective in fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. We do not expect the standard to have a material impact on our consolidated financial statements. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*. This amendment delays the effective dates of specific ASUs, including ASU 2016-13 by one year.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. These amendments eliminate Step 2 from the goodwill impairment test. The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments are effective for annual impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The provisions of the amendment should be adopted on a prospective basis. Adoption of this standard will not have a material impact on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes. This guidance will be effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Note 2 — Certain Significant Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments are evaluated on an ongoing basis and are based on experience; current and expected future conditions; third party evaluations; and various other assumptions believed reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and liabilities. Actual results may differ from the estimates and assumptions used in the financial statements and related notes.

Listed below are certain significant estimates and assumptions related to the preparation of the consolidated financial statements:

Goodwill and Intangible Assets

The Company reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable, in accordance with guidance in FASB ASC 350, Intangibles – Goodwill and Other. A qualitative assessment is first performed to determine if the fair value of the reporting unit is "more likely than not" less than the carrying value. If so, we proceed to step one of the two-step goodwill impairment test, in which the fair value of the reporting unit is compared to its carrying value. If not, then performance of the second step of the goodwill impairment test is not necessary. If the carrying value of goodwill exceeds the implied estimated fair value calculated in the second step, an impairment charge to current operations is recorded to reduce the carrying value to the implied estimated fair value.

Other intangible assets are amortized using the straight-line method over the following lives: license agreements, 17 years; developed technology, 5 years; trademarks, 20 years to indefinite life; consulting agreements, the life of the agreement; customer lists, 3 to 14 years; non-compete agreements, the lesser of the term or 5 years; and patents, the lesser of the remaining life or 5 to 15 years.

Indefinite-lived intangible assets are reviewed for impairment annually, or whenever events or changes in circumstances indicate the carrying amount of an intangible asset may not be recoverable.

There are inherent assumptions and judgments required in the analysis of goodwill and intangible impairment.

Product Warranty

The Company provides limited warranties on certain of its products, for varying periods. Generally, the warranty periods range from 90 days to one year. However, some products carry extended warranties of three-year, five-year, seven-year, ten-year, fifteen-year, and lifetime warranties. The Company records an accrued liability and reduction in sales for estimated future warranty claims based upon historical experience and management's estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the accrued liability and sales in the current year. Changes in product warranty were as follows:

<u>In Thousands</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 702	\$ 691	\$ 876
Additions	1,736	1,448	1,036
Deductions	(1,750)	(1,437)	(1,221)
Ending balance	<u>\$ 688</u>	<u>\$ 702</u>	<u>\$ 691</u>

Inventory Valuation Reserves

The Company evaluates inventory for obsolescence and excess quantities based on demand forecasts based on specified time frames; usually one year. The demand forecast is based on historical usage, sales forecasts and current as well as anticipated market conditions. All amounts in excess of the demand forecast are deemed to be excess or obsolete and a reserve is established based on the anticipated net realizable value. Changes in inventory valuation reserves were as follows:

<u>In Thousands</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 456	\$ 504	\$ 415
Additions	756	383	288
Deductions	(426)	(431)	(199)
Ending balance	<u>\$ 786</u>	<u>\$ 456</u>	<u>\$ 504</u>

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due between 30 and 60 days after the issuance of the invoice. Accounts are considered delinquent when more than 90 days past due. Delinquent receivables are reserved or written off based on individual credit evaluation and specific circumstances of the customer. Changes in allowance for doubtful accounts were as follows:

In Thousands	2019	2018	2017
Beginning balance	\$ 532	\$ 623	\$ 910
Additions	322	155	775
Deductions	(371)	(246)	(1,062)
Ending balance	\$ 483	\$ 532	\$ 623

Customer Allowances

Customer allowances are common practice in the industries in which the Company operates. These agreements are typically in the form of advertising subsidies, volume rebates and catalog allowances and are accounted for as a reduction to gross sales. The Company reviews such allowances on an ongoing basis and accruals are adjusted, if necessary, as additional information becomes available. Changes in customer allowances for advertising subsidies, volume rebates and catalog allowances were as follows:

In Thousands	2019	2018	2017
Beginning balance	\$ 1,550	\$ 3,357	\$ 2,777
Additions	7,292	6,575	6,608
Deductions	(7,550)	(8,382)	(6,028)
Ending balance	\$ 1,292	\$ 1,550	\$ 3,357

Note 3 — Accrued Liabilities

Accrued liabilities consist of the following:

In Thousands	2019	2018
Employee compensation	\$ 1,917	\$ 2,858
Customer related allowances and accruals	4,876	4,627
Other accrued items	2,896	3,587
	\$ 9,689	\$ 11,072

Note 4 — Leases

We have operating leases for office, manufacturing and distribution facilities as well as for certain equipment. Our leases have remaining lease terms of 1 year to 5 years. As of December 28, 2019, the Company has not entered into any lease arrangements classified as a finance lease.

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, current operating lease liabilities and operating lease liabilities on our consolidated balance sheet. The Company has elected an accounting policy to not recognize short-term leases (one year or less) on the balance sheet. The Company also elected the package of practical expedients which applies to leases that commenced before the adoption date. By electing the package of practical expedients, the Company did not need to reassess the following; whether any existing contracts are or contain leases, the lease classification for any existing leases and initial direct costs for any existing leases.

ROU assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. When the implicit rate of the lease is not provided or cannot be determined, we use our incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise those options. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Components of lease expense and other information as follows:

<u>All Amounts in Thousands</u>	Twelve Months Ended December 28, 2019
Lease Expense	
Operating Lease Cost	\$826
Short-term Lease Cost	446
Variable Lease Cost	<u>244</u>
Total Operating Lease Cost	\$1,516
Operating Lease – Operating Cash Flows	\$755
New ROU Assets – Operating Leases	\$867

Other information about lease amounts recognized in our consolidated financial statements is summarized as follows:

	<u>Period Ended December 28, 2019</u>
Weighted Average Remaining Lease Term – Operating Leases	1.98 years
Weighted Average Discount Rate – Operating Leases	5.00%

Future minimum lease payments under non-cancellable leases as of December 28, 2019 were as follows:

<u>All Amounts in Thousands</u>	
Year 1	\$658
Year 2	378
Year 3	70
Year 4	31
Year 5	13
Thereafter	<u>-</u>
Total future minimum lease payments	1,150
Less imputed interest	<u>(54)</u>
Total	<u>\$1,096</u>
Reported as of December 28, 2019	
Current operating lease liabilities	621
Long-term operating lease liabilities	<u>475</u>
Total	<u>\$1,096</u>

Note 5 — Acquired Intangible Assets and Goodwill

The carrying basis and accumulated amortization of recognized intangible assets are summarized in the following table:

In Thousands	2019		2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	24,515	23,689	24,515	23,506
Non-compete agreements	2,749	2,702	2,749	2,625
Customer list	14,317	5,575	13,963	4,520
Trademarks	8,359	143	8,181	124
Developed technology	475	111	475	16
License agreements	700	48	700	7
	<u>51,115</u>	<u>32,268</u>	<u>50,583</u>	<u>30,798</u>

Amortization expense was \$1.5 million, \$1.4 million and \$1.6 million for 2019, 2018 and 2017, respectively.

Estimated future amortization expense is summarized in the following table:

In Thousands	2020	2021	2022	2023	2024	Thereafter
Sporting Goods	1,437	1,388	1,368	1,290	1,165	4,415

All goodwill is allocated to the operating segment of the business. The changes in the carrying amount of goodwill were:

In Thousands	Sporting Goods
Balance at December 30, 2017	\$21,548
Acquisition	<u>4,833</u>
Balance at December 29, 2018	\$26,381
Acquisition	<u>368</u>
Balance at December 28, 2019	<u>\$26,749</u>

The Company reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable, in accordance with guidance in FASB ASC 350, *Intangibles – Goodwill and Other*. A qualitative assessment is first performed to determine if the fair value of the reporting unit is “more likely than not” less than the carrying value. If so, we proceed to step one of the two-step goodwill impairment test, in which the fair value of the reporting unit is compared to its carrying value. If not, then performance of the second step of the goodwill impairment test is not necessary. If the carrying value of goodwill exceeds the implied estimated fair value calculated in the second step, an impairment charge to current operations is recorded to reduce the carrying value to the implied estimated fair value.

Note 6 — Equity Interest Investments

The Company had a 50% interest in a joint venture, Stiga Sports AB (Stiga). The joint venture was accounted for under the equity method of accounting. Stiga, located in Sweden, is a global sporting goods company producing table tennis equipment, snow sleds and game products. The Company entered into a share purchase agreement for the private sale of the Company's 50% interest in the Stiga joint venture. On May 17, 2018, the Company completed the sale of its 50% interest for \$33.7 million, resulting in a gain on sale of \$13.0 million. In conjunction with the sale, the Company entered into a new license agreement with Stiga for the licensing rights to manufacture, market, promote, sell and distribute Stiga-branded table tennis hobby products in the United States, Mexico and Canada. The Company has had the licensing rights for such products since 1995 pursuant to an existing license agreement that expired December 31, 2018. The new license agreement went into effect on January 1, 2019.

Financial information for Stiga reflected in the table below has been translated from local currency to U.S. dollars using average exchange rates for income statement amounts. The Company's 50% portion of net income for Stiga for the period from December 31, 2017 through May 17, 2018 is \$121 thousand. The Company's 50% portion of net income for Stiga for the year ended December 30, 2017 was \$1.6 million. For each of the years ended December 29, 2018 and December 30, 2017, the Company paid royalties to Stiga in the amount of \$0.4 million. For the year ended December 28, 2019, the Company paid royalties to Stiga in the amount of \$0.5 million.

In accordance with Rule 4-08(g) of Regulation S-X, summarized financial information for Stiga Sports AB statements of operations for the period from December 31, 2017 through May 17, 2018 and for the year ended December 31, 2017 is as follows:

	Period from December 31, 2017 through May 17, 2018		2017
Net sales	\$ 12,978	\$ 46,296	
Gross profit	6,019	21,427	
Net income	241	3,268	

Note 7 — Borrowings

On January 21, 2019, the Company entered into an Amended and Restated Credit Agreement ("2019 Restated Credit Agreement") with the Lender. Under the terms of the 2019 Restated Credit Agreement, the Lender has made available to the Company a senior revolving credit facility with increased maximum availability of \$50.0 million. The maturity date was extended to January 31, 2022. In addition to the increased borrowing amount and extended maturity date, other significant changes reflected in the 2019 Restated Credit Agreement include: more favorable interest rate provisions; increases in borrowing base availability; releases of existing mortgages on the Company's real property; and increasing to \$25.0 million the total consideration that the Company may use for acquisitions without obtaining the Lender's consent, as long as no event of default exists.

The 2019 Restated Credit Agreement allows Escalade to request the issuance of letters of credit of up to \$5.0 million. Each loan will bear interest at the Adjusted LIBO Rate for the interest period in effect plus the Applicable Rate. Applicable Rate means the applicable rate per annum set forth below, based upon Escalade's Funded Debt to Adjusted Ratio as of the most recent determination date:

<u>Funded Debt to EBITDA Ratio</u>	<u>Revolving Eurodollar Borrowing</u>	<u>ABR Revolving Borrowing</u>	<u>Letter of Credit Fee</u>	<u>Commitment Fee</u>
<u>Category 1</u> Greater than or equal to 2.50 to 1.0	2.00%	-0-	2.00%	0.30%
<u>Category 2</u> Greater than or equal to 1.50 to 1.0 but less than 2.50 to 1.0	1.75%	(.25%)	1.75%	0.30%
<u>Category 3</u> Less than 1.50 to 1.0	1.50%	(.50%)	1.50%	0.30%

The Applicable Rate shall be determined as of the end of each quarter based upon the Company's annual or quarterly consolidated financial statements and shall be effective during the period commencing the date of delivery to the agent.

Indebtedness under the 2019 Restated Credit Agreement continues to be collateralized by liens on all of the present and future equity of each of the Company's and Indian Industries' domestic subsidiaries and substantially all of the assets of their respective assets pursuant to the Pledge and Security Agreement dated January 25, 2019 by and among the Company, Indian Industries, their domestic subsidiaries, and Chase. The 2019 Pledge and Security Agreement supersedes the pledge and security agreements previously entered into by the Company, Indian Industries, and their domestic subsidiaries. In addition, each direct and indirect domestic subsidiary of the Company and Indian Industries, Inc. continues to unconditionally guarantee all of the indebtedness of Escalade arising under the 2019 Restated Credit Agreement pursuant to the terms thereof. The subsidiary guarantees arising under the 2019 Restated Credit Agreement supersede the unlimited continuing guaranty agreements previously entered into by such domestic subsidiaries.

As of December 28, 2019, the Company did not have any borrowings outstanding under the 2019 Restated Credit Agreement.

Note 8 — Earnings Per Share

The shares used in the computation of the Company's basic and diluted earnings per common share are as follows:

In Thousands	2019	2018	2017
Weighted average common shares outstanding	14,407	14,422	14,352
Dilutive effect of stock options and restricted stock units	32	55	39
Weighted average common shares outstanding, assuming dilution	14,439	14,477	14,391
Number of anti-dilutive stock options and unvested restricted stock units	80	70	58

Weighted average common shares outstanding, assuming dilution, includes the incremental shares that would be issued upon the assumed exercise of stock options outstanding.

Note 9 — Employee Benefit Plans

The Company has an employee profit-sharing salary reduction plan, pursuant to the provisions of Section 401(k) of the Internal Revenue Code, for all employees. The Company's contribution is a matching percentage of the employee contribution as determined by the Board of Directors annually. The Company's expense for the plan was \$816 thousand, \$715 thousand and \$695 thousand for 2019, 2018 and 2017, respectively.

Note 10 — Stock Compensation Plans

In May 2017, Shareholders approved the Escalade, Incorporated 2017 Incentive Plan (2017 Incentive Plan), which is an incentive plan for key employees, directors and consultants with various equity-based incentives as described in the plan document. The 2017 Incentive Plan is a replacement for the 2007 Incentive Plan, which expired at the end of April 2017. All options issued and outstanding under the expired plans will remain in effect until exercised, expired or forfeited.

The 2017 Incentive Plan is administered by the Board of Directors or a committee thereof, which is authorized to determine, among other things, the key employees, directors or consultants who will receive awards under the plan, the amount and type of award, exercise prices or performance criteria, if applicable, and vesting schedules. Under the original terms of the plan and subject to various restrictions contained in the plan document, the total number of shares of common stock which may be issued pursuant to awards under the Plan may not exceed 1,661,598.

Restricted Stock Units

During 2019, and pursuant to the 2017 Incentive Plan, in lieu of cash payments of director fees, the Company awarded to certain directors 8,839 shares of common stock. In 2019, the Company awarded 11,400 restricted stock units to directors and 35,900 restricted stock units to employees. The restricted stock units awarded to directors time vest over two years (one-half one year from grant date and one-half two years from grant date) provided that the director is still a director of the Company at the vesting date. Director restricted stock units are subject to forfeiture, except for termination of services as a result of retirement, death or disability, if on the vesting date the director no longer holds a position with the Company. The 2019 restricted stock units awarded to employees are subject to a three year cliff vesting schedule, which means that these restricted stock units will fully vest, if at all, three years from the grant date provided that the employee is still employed by the Company on the vesting date. In addition, vesting of certain of the restricted stock units is subject to the Company meeting certain conditions based on Return on Equity and Adjusted EBITDA.

A summary of restricted stock unit activity is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested stock units as of December 30, 2017	103,076	\$11.92
Granted	74,528	12.39
Vested	(47,358)	12.34
Forfeited	(4,259)	11.65
Non-vested stock units as of December 29, 2018	125,987	\$12.05
Granted	47,300	11.54
Vested	(28,888)	12.40
Forfeited	(15,763)	12.08
Non-vested stock units as of December 28, 2019	128,636	\$11.78

When vesting is dependent on certain market criteria, the fair value of restricted stock units is determined by the use of Monte Carlo techniques. The market price of the Company's stock on the grant date is used to value restricted stock units where vesting is not contingent on market criteria. In 2019, 2018, and 2017 the Company recognized \$505 thousand, \$591 thousand, and \$504 thousand respectively in compensation expense related to restricted stock units and as of December 28, 2019 and December 29, 2018, there was \$622 thousand and \$754 thousand respectively, of unrecognized compensation expense related to restricted stock units.

Stock Options

Total compensation expense recorded in the statements of operations for 2019, 2018 and 2017 relating to stock options was \$8 thousand, \$13 thousand and \$18 thousand, respectively. As of December 28, 2019 and December 29, 2018, there was \$5 thousand and \$13 thousand respectively, of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 1.0 years. No stock options were awarded during 2019, 2018 or 2017.

The following table summarizes option activity for each of the three years ended 2019:

	Incentive Stock Options		Director Stock Options	
	Granted	Outstanding	Granted	Outstanding
2019	--	20,000	--	--
2018	--	20,000	--	15,000
2017	--	29,250	--	15,000

The following table summarizes stock option transactions for the three years ended 2019:

	2019		2018		2017	
	Shares	Option Price	Shares	Option Price	Shares	Option Price
Outstanding at beginning of year	35,000	\$11.86 to \$14.39	44,250	\$5.85 to \$14.39	72,375	\$5.28 to \$14.39
Issued during year	--	--	--	--	--	--
Canceled or expired	(5,000)	\$11.86	--	--	--	--
Exercised during year	(10,000)	\$11.86	(9,250)	\$5.85	(28,125)	\$5.28 to \$5.85
Outstanding at end of year	<u>20,000</u>	\$14.39	<u>35,000</u>	\$11.86 to \$14.39	<u>44,250</u>	\$5.85 to \$14.39
Exercisable at end of year	6,666		15,000		24,250	
Weighted-average fair value of options granted during the year	--		--		--	

The total intrinsic value of options exercised was \$0.0 million, \$0.1 million and \$0.2 million for 2019, 2018 and 2017, respectively.

The following table summarizes information about stock options outstanding at December 28, 2019:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
\$14.39	20,000	2.17 years	\$ 14.39	6,666	\$ 14.39

During the year ended December 28, 2019, the following activity occurred under the Company's stock option plan:

	Number of Options	Weighted Average Grant Date Fair Value
Nonvested balance, beginning of year	20,000	\$ 2.52
Granted	--	--
Vested	(6,666)	\$ 2.52
Forfeited	--	--
Nonvested balance, end of year	<u>13,334</u>	<u>\$ 2.52</u>

Note 11 — Other Comprehensive Loss

The components of other comprehensive loss were as follows:

<u>In Thousands</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Change in foreign currency translation adjustment before reclassifications	--	\$ (1,119)	\$1,670
Amounts reclassified from comprehensive income due to a divestiture of equity investment	--	3,729	--

The components of accumulated other comprehensive loss, net of tax, were as follows:

<u>In Thousands</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Foreign currency translation adjustment	\$ --	\$ --	\$ (2,610)

Note 12 — Provision for Taxes

Income before taxes and the provision for taxes consisted of the following:

<u>In Thousands</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Income before taxes:	\$ 8,934	\$ 26,442	\$ 15,517
Provision (benefit) for taxes:			
Current			
Federal	\$ 1,419	\$ 4,574	\$ 4,191
State	129	486	212
	<u>1,548</u>	<u>5,060</u>	<u>4,403</u>
Deferred			
Federal	367	591	(2,441)
State	(239)	349	(506)
	<u>128</u>	<u>940</u>	<u>(2,947)</u>
	<u>\$ 1,676</u>	<u>\$ 6,000</u>	<u>\$ 1,456</u>

The provision for income taxes was computed based on financial statement income. A reconciliation of the provision for income taxes to the amount computed using the statutory rate follows:

<u>In Thousands</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Income tax at statutory rate	\$ 1,876	\$ 5,553	\$ 5,431
Increase (decrease) in income tax resulting from			
State tax expense, net of federal effect	(86)	660	(191)
Federal true-ups	(60)	(23)	193
Federal tax credits	(93)	(115)	(242)
Effect of foreign tax rates	--	(304)	(399)
Valuation allowances (state and foreign)	--	(150)	(148)
Captive insurance earnings	--	(263)	(128)
Incentive stock options	(1)	(9)	(22)
Tax Cuts & Jobs Act of 2017	--	588	(2,986)
Other	40	63	(52)
Recorded provision for income taxes	<u>\$ 1,676</u>	<u>\$ 6,000</u>	<u>\$ 1,456</u>

The provision for income taxes was computed based on financial statement income. In accordance with FASB ASC 740, the Company does not have any uncertain tax positions as of and for the years ended December 28, 2019 and December 29, 2018. Interest costs and penalties related to income taxes are classified as interest expense and selling, general and administrative costs, respectively in the Company's financial statements. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and multiple state and foreign jurisdictions. The Company is subject to future examinations by federal, state and other tax authorities for all years after 2015.

The Company also has state, net of federal benefit, research tax credit carryforwards of \$346 thousand as of December 28, 2019. The state research tax credit carryforwards begin to expire in 2021.

During the year ended December 30, 2017, the Company calculated its best estimate of the impact of the Tax Cuts and Jobs Act of 2017 and as a result, recorded \$3.0 million of income tax benefits. During the year ended December 29, 2018, the Company continued its work to determine the amount of accumulated foreign earnings and the corresponding foreign tax credit. Based on the work completed, the Company recorded \$0.6 million in income tax expense. We do not expect any further changes or adjustments to be made for the accumulated foreign earnings and corresponding foreign tax credit.

At December 28, 2019, the Company had domestic federal income taxes payable of \$41 thousand, domestic income taxes receivable of \$204 thousand and a transition tax payable of \$387 thousand recorded. At December 29, 2018, the Company had domestic federal income taxes receivable of \$943 thousand, domestic state income taxes receivable of \$139 thousand, and transition tax payable of \$1.1 million recorded.

The components of the net deferred tax liabilities are as follows:

In Thousands	2019	2018
Assets		
Employee benefits	\$ 55	\$ 30
Valuation reserves	779	615
Stock based compensation	208	179
Federal and state credits	347	297
Net operating loss carry forward	--	1
Total assets	1,389	1,122
Liabilities		
Property and equipment	(470)	(532)
Goodwill and intangible assets	(4,278)	(3,812)
Prepaid insurance	(178)	(187)
Total liabilities	(4,926)	(4,531)
Valuation Allowance		
Beginning balance	--	(160)
Decrease during period	--	160
Ending balance	--	--
	\$ (3,537)	\$ (3,409)

Deferred tax assets (liabilities) are included in the consolidated balance sheets as follows:

In Thousands	2019	2018
Deferred income tax asset - current	\$ --	\$ --
Deferred income tax asset (liability) – long-term	(3,537)	(3,409)
	\$ (3,537)	\$ (3,409)

The Company has utilized all state net operating losses during the year ended December 28, 2019.

Note 13 — Operating Segment and Geographic Information

The following table presents certain operating segment information.

In Thousands	2019	2018	2017
Sporting Goods			
Net revenue	\$ 180,541	\$ 175,780	\$ 177,333
Operating income	8,611	13,999	15,600
Interest expense	358	427	975
Provision for taxes	2,272	3,739	6,134
Net income	5,997	9,869	8,626
Identifiable assets	141,167	142,490	130,388
Depreciation & amortization	4,031	3,857	3,910
Capital expenditures	2,185	2,818	2,745
All Other			
Net revenue	--	--	--
Operating income (loss)	664	(182)	(1,000)
Interest expense (income)	(2)	--	(171)
Provision (benefit) for taxes	(596)	2,261	(4,678)
Net income	1,261	10,573	5,435
Identifiable assets	7,612	7,037	25,717
Non-marketable equity investments (equity method)	--	--	20,278
Depreciation & amortization	--	--	--
Capital expenditures	--	--	--
Total			
Net revenue	180,541	175,780	177,333
Operating income	9,275	13,817	14,600
Interest expense	356	427	804
Provision for taxes	1,676	6,000	1,456
Net income	7,258	20,442	14,061
Identifiable assets	148,779	149,527	156,105
Non-marketable equity investments (equity method)	--	--	20,278
Depreciation & amortization	4,031	3,857	3,910
Capital expenditures	2,185	2,818	2,745

Each operating segment is individually managed and has separate financial results that are reviewed by the Company's management. There were no changes to the composition of segments in 2019. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

The Sporting Goods segment consists of home entertainment products such as table tennis tables and accessories; basketball goals; pool tables and accessories; outdoor playsets; soccer and hockey tables; archery equipment and accessories; and fitness, arcade and darting products. Customers include retailers, dealers and wholesalers located throughout North America, Europe and the rest of the world.

All Other consist of general and administrative expenses not specifically related to the operating business segments and included investment income from equity investments.

Interest expense is allocated to operating segments based on working capital usage and the provision for taxes is allocated based on a combined federal and state statutory rate of 27.5% adjusted for actual taxes on foreign income. Permanent tax adjustments and timing differences are included in the all other segment.

Identifiable assets are principally those assets used in each segment. The assets in the all other segment are principally cash and cash equivalents; deferred tax assets; and investments.

During 2019, 2018 and 2017, the Company had one customer, Amazon.com, Inc., that accounted for approximately 21%, 19% and 18%, respectively of the Company's revenues. During 2019, 2018 and 2017 the Company had another customer, Dick's Sporting Goods, which accounted for approximately 13%, 13% and 17%, respectively, of the Company's revenues.

As of December 28, 2019, the Company had approximately 27% and 18% of its total accounts receivable with Amazon.com, Inc. and Dick's Sporting Goods, respectively. As of December 29, 2018, the Company had approximately 24% and 14% of its total accounts receivable with Amazon.com, Inc. and Dick's Sporting Goods, respectively.

As of December 28, 2019, approximately 31 employees of the Company's labor force were covered by a collective bargaining agreement that expires May 1, 2021.

Raw materials for Escalade's various product lines consist of wood, tempered glass, particle board, standard grades of steel and steel tubing, aluminum, engineering plastics, fiberglass and packaging materials. Escalade relies upon domestic, Mexico, and Asian suppliers for these materials and upon various Asian manufacturers for many of its products.

Net sales are attributed to country based on location of customer. Net sales by geographic region/country were as follows:

In Thousands	2019	2018	2017
North America	\$ 178,069	\$ 172,656	\$ 175,065
Europe	1,001	965	974
Other	1,471	2,159	1,294
	\$ 180,541	\$ 175,780	\$ 177,333

Identified assets by geographic region/country were as follows:

In Thousands	2019	2018	2017
North America	\$ 148,779	\$ 149,527	\$ 156,105
Europe	--	--	--
	\$ 148,779	\$ 149,527	\$ 156,105

Note 14 — Summary of Quarterly Results

In thousands, except per share data (unaudited)	March 23	July 13	October 5	December 28
2019				
Net Sales	\$ 32,102	\$ 55,639	\$ 45,756	\$ 47,044
Operating Income	394	2,471	2,899	3,511
Net income	267	1,876	2,540	2,575
Basic Earnings Per Share Data:	\$ 0.02	\$ 0.13	\$ 0.18	\$ 0.18
Diluted Earnings Per Share Data:	\$ 0.02	\$ 0.13	\$ 0.18	\$ 0.18

In thousands, except per share data (unaudited)	March 24	July 14	October 6	December 29
2018				
Net Sales	\$ 32,149	\$ 48,684	\$ 43,955	\$ 50,992
Operating Income	1,715	1,951	5,134	5,017
Net income	1,216	12,071	3,575	3,580
Basic Earnings Per Share Data:	\$ 0.08	\$ 0.84	\$ 0.25	\$ 0.25
Diluted Earnings Per Share Data:	\$ 0.08	\$ 0.84	\$ 0.25	\$ 0.25

Note 15 — Acquisitions

All of the Company's acquisitions have been accounted for using the purchase method of accounting.

2019

During 2019, the Company acquired Dura Pickleball, a brand known for being the official ball of the US Open Pickleball Championships, Tournament of Champions, and the USA National Pickleball Championships for a total consideration of cash and note payable to seller of \$900 thousand.

2018

During 2018, the Company acquired Victory Tailgate, LLC, a brand known for its premium licensed and custom tailgating games for total consideration of cash of approximately \$7.2 million, subject to adjustments for working capital and consideration of holdback provision.

The consideration paid by the Company for this acquisition was allocated to the assets acquired, net of the liabilities assumed, based upon their estimated fair values as of the date of the acquisition. The excess of the purchase price over the estimated fair value of the assets acquired, net of the estimated fair value of the liabilities assumed, was recorded as goodwill. The allocation of the purchase price, including values assigned to assets, liabilities and the amount of goodwill and intangible assets are represented in the table below.

In thousands

Assets acquired and liabilities assumed:

Cash	\$ 94
Accounts receivable	252
Inventories	603
Other assets	2,003
Goodwill	4,833
Intangible assets	1,500
Accounts payable	(2,088)
Other liabilities	(314)
	<u>\$ 6,883</u>
Consideration of holdback provision	286
	<u><u>\$7,169</u></u>

2017

During 2017, the Company acquired certain assets and liabilities through two acquisitions. Total consideration paid for the acquisitions was \$1.5 million. The consideration paid by the company for these acquisitions was allocated to the assets acquired, net of the liabilities assumed, based upon their estimated fair values as of the date of the acquisition.

ASC 805 requires that when fair value of the net assets acquired exceeds the purchase price, resulting in a bargain purchase, the acquirer must reassess the reasonableness of the values assigned to all of the net assets acquired, liabilities assumed and consideration transferred. The Company has performed such assessment and has concluded that the values assigned appear to be reasonable. The following table summarizes the allocation of the purchase price for the acquisition that resulted in a bargain purchase:

<u>In thousands</u>	
Accounts receivable, net	\$ 852
Inventories, net	737
Other assets	64
Intangible assets	413
Total fair value of assets acquired	<u>2,066</u>
Total liabilities assumed	<u>(563)</u>
Net assets acquired	1,503
Total consideration paid	<u>(1,101)</u>
Gain before deferred income tax liability	402
Income tax liability – deferred	<u>(146)</u>
Gain on bargain purchase	<u>\$ 256</u>

Note 16 — Commitments and Contingencies

The Company is involved in litigation arising in the normal course of its business. The Company does not believe that the disposition or ultimate resolution of existing claims or lawsuits will have a material adverse effect on the business or financial condition of the Company.

The Company has entered into various agreements whereby it is required to make royalty and license payments. At December 28, 2019, the Company had future estimated minimum non-cancelable royalty and license payments as follows:

<u>In Thousands</u>	<u>Amount</u>
2020	\$ 1,662
2021	845
2022	677
2023	540
2024	--
Thereafter	--
	<u>\$ 3,724</u>

Note 17 — Fair Values of Financial Instruments

The following methods were used to estimate the fair value of all financial instruments recognized in the accompanying balance sheets at amounts other than fair values.

Cash and Cash Equivalents and Time Deposits

Fair values of cash and cash equivalents approximate cost due to the short period of time to maturity.

Notes Payable and Long-term Debt

The Company believes the carrying value of short-term debt, including current portion of long-term debt, and long-term debt adequately reflects the fair value of these instruments.

The following table presents estimated fair values of the Company's financial instruments in accordance with FASB ASC 825 at December 28, 2019 and December 29, 2018.

Fair Value Measurements Using

2019		Quoted Prices in	Significant Other	Significant
In Thousands	Fair Value	Active Markets	Observable	Unobservable
		for Identical	Inputs (Level 2)	Inputs (Level 3)
		Assets (Level 1)		
Financial assets				
Cash and cash equivalents	\$ 5,882	\$ 5,882	\$ --	\$ --

Fair Value Measurements Using

2018		Quoted Prices in	Significant Other	Significant
In Thousands	Fair Value	Active Markets	Observable	Unobservable
		for Identical	Inputs (Level 2)	Inputs (Level 3)
		Assets (Level 1)		
Financial assets				
Cash and cash equivalents	\$ 2,824	\$ 2,824	\$ --	\$ --

Note 18 — Revenue from Contracts with Customers

Revenue Recognition – Effective December 31, 2017, we adopted ASC 606. The adoption of this standard did not impact the timing of revenue recognition for customer sales. Revenue is recognized when obligations under the terms of a contract with our customer are satisfied; generally this occurs with the transfer of control of our goods at a point in time based on shipping terms and transfer of title. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue.

Gross-to-net sales adjustments – We recognize revenue net of various sales adjustments to arrive at net sales as reported on the statement of operations. These adjustments are referred to as gross-to-net sales adjustments and primarily fall into one of three categories; returns, warranties and customer allowances.

Returns – The Company records an accrued liability and reduction in sales for estimated product returns based upon historical experience. An accrued liability and reduction in sales is also recorded for approved return authorizations that have been communicated by the customer.

Warranties – Limited warranties are provided on certain products for varying periods. We record an accrued liability and reduction in sales for estimated future warranty claims based upon historical experience and management’s estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the accrued liability and sales in the current year.

Customer Allowances – Customer allowances are common practice in the industries in which the Company operates. These agreements are typically in the form of advertising subsidies, volume rebates and catalog allowances and are accounted for as a reduction to gross sales. The Company reviews such allowances on an ongoing basis and accruals are adjusted, if necessary, as additional information becomes available.

Disaggregation of Revenue – We generate revenue from the sale of widely recognized sporting goods brands in basketball goals, archery, indoor and outdoor game recreation and fitness products. These products are sold through multiple sales channels that include; mass merchants, specialty dealers, key on-line retailers (“E-commerce”) and international. The following table depicts the disaggregation of revenue according to sales channel:

All Amounts in Thousands	Years Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Gross Sales by Channel:			
Mass Merchants	\$66,428	\$68,196	\$80,539
Specialty Dealers	53,878	59,211	56,862
E-commerce	74,029	58,026	50,431
International	6,562	8,533	7,545
Other	2,475	1,828	402
Total Gross Sales	<u>203,372</u>	<u>195,794</u>	<u>195,779</u>
Less: Gross-to-Net Sales Adjustments			
Returns	5,415	5,085	4,729
Warranties	1,736	1,448	1,036
Customer Allowances	15,680	13,481	12,681
Total Gross-to-Net Sales Adjustments	<u>22,831</u>	<u>20,014</u>	<u>18,446</u>
Total Net Sales	<u>\$180,541</u>	<u>\$175,780</u>	<u>\$177,333</u>

Contract Balances – The following table provides information on changes in our contract liability balances during the twelve month periods ended December 28, 2019, December 29, 2018 and December 30, 2017. The contract liability recorded during the twelve month periods ended December 29, 2018 is related to a lump sum payment received for consulting services to be provided over the next year. The contract liability was amortized, and revenues recognized, evenly over the year. At December 29, 2018, the contract liability balance was \$413 and was reported within Accrued liabilities in our Consolidated Balance Sheet. During the year ended December 28, 2019, the liability was fully amortized.

All Amounts in Thousands	Years Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Increase due to cash received, excluding amounts recognized as revenue during the period	\$ -	\$ 413	\$ -
Revenue recognized that was included in the contract liability balance at the beginning of the period	(413)	-	-
Increase in contract liability during the period	<u>\$ -</u>	<u>\$ 413</u>	<u>\$ -</u>

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

ESCALADE, INCORPORATED

By:

/s/ David L. Fetherman

February 21, 2020

David L. Fetherman

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Walter P. Glazer, Jr.

Chairman and Director

February 21, 2020

Walter P. Glazer, Jr.

/s/ Richard D. White

Director

February 21, 2020

Richard D. White

/s/ Edward E. Williams

Director

February 21, 2020

Edward E. Williams

/s/ Richard Baalman, Jr.

Director

February 21, 2020

Richard Baalman, Jr.

/s/ Patrick Griffin

Director

February 21, 2020

Patrick Griffin

/s/ David L. Fetherman

Director and President and Chief
Executive Officer (Principal
Executive Officer)

February 21, 2020

David L. Fetherman

/s/ Stephen R. Wawrin

Vice President and Chief Financial
Officer (Principal Financial and
Accounting Officer)

February 21, 2020

Stephen R. Wawrin

Exhibit 21**ESCALADE, INCORPORATED AND SUBSIDIARIES****List of Subsidiaries at December 28, 2019**

	State of or Other Jurisdiction of Incorporation	Percent of Voting Securities Owned by Parent
Parent		
Escalade, Incorporated	Indiana, USA	
Subsidiaries (1)		
Indian Industries, Inc.	Indiana, USA	100%
U.S. Weight, Inc.	Illinois, USA	100%
Lifeline Products, LLC	Illinois, USA	100%
Harvard Sports, Inc.	California, USA	100%
Harvard California, S. DE R.L. C.V.	B.C. Mexico	100%
Bear Archery, Inc.	Florida, USA	100%
Escalade Sports Playground, Inc.	North Carolina, USA	100%
Escalade Sports (Shanghai) Co., Ltd.	China	100%
Wedcor Holdings, Inc.	Indiana, USA	100%
EIM Company, Inc.	Nevada, USA	100%
SOP Services, Inc.	Nevada, USA	100%
Escalade Insurance, Inc.	Nevada, USA	100%
Goalsetter Systems, Inc.	Iowa, USA	100%
Victory Tailgate, LLC	Florida, USA	100%
Victory Made, LLC	Florida, USA	100%

(1) Each subsidiary Company has been included in Consolidated Financial Statements for all periods following its acquisition. See Notes to Consolidated Financial Statements.

Exhibit 23.1

Independent Registered Public Accounting Firm Consent

We consent to the incorporation by reference in the registration statement of Escalade, Incorporated on Form S-8 (File Nos. 333-142756, 333-183322 and 333-218340) of our report dated February 21, 2020, on our audits of the consolidated financial statements of Escalade, Incorporated as of December 28, 2019, and December 29, 2018, and for each of the three years in the period ended December 28, 2019, which report is included in this Annual Report on Form 10-K.

/s/ BKD, LLP

BKD, LLP

Evansville, Indiana

February 21, 2020

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, David L. Fetherman, certify that:

1. I have reviewed this annual report on Form 10-K of Escalade, Incorporated;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2020

/s/ David L. Fetherman
David L. Fetherman
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Stephen R. Wawrin, certify that:

1. I have reviewed this annual report on Form 10-K of Escalade, Incorporated;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2020

/s/ Stephen R. Wawrin
Stephen R. Wawrin
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Escalade, Incorporated (the Company) on Form 10-K for the period ending December 28, 2019 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David L. Fetherman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ David L. Fetherman

David L. Fetherman
Chief Executive Officer
February 21, 2020

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Escalade, Incorporated (the Company) on Form 10-K for the period ending December 28, 2019 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Stephen R. Wawrin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stephen R. Wawrin

Stephen R. Wawrin
Chief Financial Officer
February 21, 2020

Directors and Executive Officers

Walter P. Glazer, Jr
Chairman of the Board

Executive Officers

David L. Fetherman President Chief Executive Officer Director	Stephen R. Wawrin Vice President Chief Financial Officer Corporate Secretary	Patrick J. Griffin Vice President, Corporate Development & Investor Relations Director
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Outside Directors

Walter P. Glazer, Jr Founder and CEO of Speedball Art Products Company Audit Committee	Richard D. White CEO of Aeolus Capital Group, Ltd. Audit Committee Compensation Committee	Edward E. Williams President of Ballast Tools, Inc. Audit Committee Compensation Committee, Chairman	Richard F. Baalman, Jr President of Bramm, Inc. Audit Committee, Chairman Compensation Committee
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Subsidiaries

Escalade Sports Group:

Indian Industries, Inc.
d/b/a Escalade Sports
Harvard Sports, Inc.
U.S. Weight, Inc.
Bear Archery, Inc.
Escalade Sports Playground, Inc.
Harvard California, S.DE R.L. DE C.V.
Escalade Sports (Shanghai) Co., Ltd.
Goalsetter Systems, Inc.
Lifeline Products, LLC
Victory Tailgate, LLC
Victory Made, LLC

817 Maxwell Avenue
Evansville, IN 47711

Other:

EIM Company, Inc.
SOP Services, Inc.
Escalade Insurance, Inc.
Wedcor Holdings, Inc.

Investor Data

For investor information or data, please
contact:

Escalade, Incorporated
817 Maxwell Avenue
Evansville, IN 47711
Tel: 812-467-4449
Website: www.escaladeinc.com

Independent Accountants:

BKD, LLP
Evansville, Indiana

Information about stock certificates,
changing an address, consolidating
accounts, transferring ownership or other
stock matters can be obtained from:

Broadridge Corporate Issuer Solutions,
Inc.
P.O. Box 1342
Brentwood, NY 11717
Tel: 877-830-4936
Website: www.broadridge.com

The Company's annual shareholder meeting will
be held at 1:00 pm (Central Daylight Savings
Time) on May 13, 2020 at the Corporate offices
located at
817 Maxwell Avenue
Evansville, IN 47711

Escalade, Incorporated
817 Maxwell Avenue
Evansville, Indiana 47711
812.467.1358