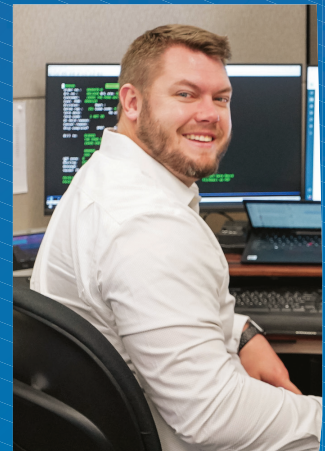
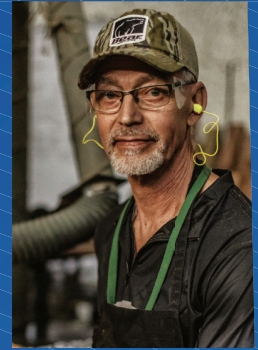


**ESCALADE<sup>®</sup>**  
I N C.



**2022 ANNUAL REPORT**



We Are  
**ESCALADE**<sup>®</sup>

# MESSAGE TO OUR SHAREHOLDERS

Fellow Shareholders-

Have you ever tried to lift a barbell with all the weight on one end? That image describes 2022 for Escalade. After an incredible first quarter when your company earned \$.49 per share, nearly equal to the \$.50 per share earned during the full year of 2019, our teams were faced with trying to balance the bar and lift the heavy end as high as they could. The invasion of Ukraine, inflation surpassing 7%, the Federal Reserve's seven interest rate hikes beginning in March, and a shift in consumer spending from goods to services all made that job difficult.

Nonetheless, 2022 was the 3rd best year in our company's history, surpassed only by the Covid-fueled record years in 2020 and 2021. The challenge, and our focus, is managing a safe landing, navigating an economic contraction, and setting the foundation for growth when normal economic conditions return.

The key initiatives we will be focusing on in 2023 are:

**Increasing Market Share.** It is difficult to gain share when markets are expanding rapidly. Supply constraints limit production, new competitors enter the market with grand claims, buyers become less discriminating as they chase any available supply. This describes fitness and recreation products during the pandemic in 2020 and 2021. And pickleball today.

The flip side is that when things return to normal, the strong can gain share and cement a leadership position. Supply becomes available at lower prices, Johnny-come-lately competitors fold their tents, and buyers can take their time to research and select high quality brands and products that offer lasting value.

That is not to say that gaining market share is easy. The battles are fought store by store, aisle by aisle, online order by online order. At Escalade we have a proven team that is delivering great programs for our retail partners, compelling digital content, and products that drive consumer purchases.

We have gained share in many areas and will continue to focus on taking a bigger piece of the pie. This is critically important as overall consumer spending on goods moderates from the artificially boosted demand in recent years.

**Innovative Consumer Driven Product Development.** The most important tool our sales and marketing professionals can use is great products that consumers crave. As leaders in most of our categories, it is incumbent upon us to develop innovative products that expand the size of the pie.

Our new Onix® Malice, Malice DB, and Mayhem pickleball paddles not only provide substantial benefits to players, but they also have patented construction that is unique to Onix. New Evoke Premier Pro Raw Carbon and Evoke Premier CT-16 paddles expand the best-selling Onix Evoke product line.

The American Cornhole League® (ACL) transformed cornhole from a backyard game into a legitimate sport that can be seen on major networks such as ESPN and CBS. They created an entire industry around supporting cornhole players with a ranking system and tournaments for every level in every region. ACL runs 25,000 tournaments, awards over \$4.5 million in prize money, and has over 250,000 registered players. They worked with us to develop a comprehensive retail program which will launch this fall through Academy Sports + Outdoors®. Everyone will now have the opportunity to play with Rec, Comp, or Professional boards and bags, just like the celebrities and professional cornhole players they see on TV.

Bear Archery® continues to innovate and develop new products that hit the sweet spot of delivering more performance per dollar at the key price points. The new Bear Execute compound bow takes us into the higher end while the new Legend XR RTH gives archers more performance than ever at \$559.

**Cost Control - not Cost Cutting.** Escalade has a long-standing and strong culture around expense control and conservative spending. While cost cutting and layoffs are all the rage right now, our mantra is to practice cost control so we don't have to resort to cost cutting. While we don't have a lot of easy, excessive costs to reduce we are redoubling our efforts in 2023 to seek out and eliminate waste.

An important tenet of cost control is to direct where to invest and increase spending. And in that vein, we are continuing to support our brands in key areas that will help us gain market share and drive future growth. Key among those are consumer engagement, new product development, and production efficiency.

**Inventory and Asset Management.** We've talked about this before and still have too much inventory. While we made great progress in the fourth quarter of 2022, reducing inventory by \$13 million, some of that was due to deliveries of committed goods being delayed into the new year. We will continue to focus on right-sizing our inventories and improving overall working capital utilization. Return on Assets is an important measure we use throughout our organization to track our progress and performance. We have clear goals and have built our incentive compensation program around achievement of superior return on assets.

**TSR.** Total Shareholder Return is the ultimate yardstick of performance. All of the initiatives above, and all of the activities we undertake to support these initiatives are designed to generate superior long-term total returns for our shareholders.

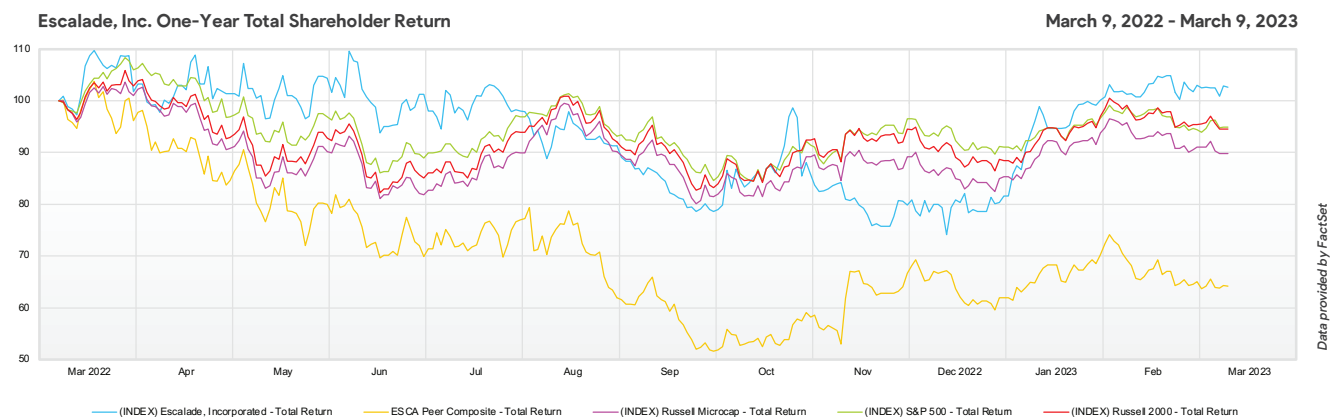
Total returns come from an increase in the share price combined with dividends paid out. For Escalade, the

dividend we have regularly paid every quarter for over 10 years has been an important contributor to TSR.

As we Escalade shareholders know well, our small cap, relatively illiquid shares can be volatile and unpredictable, sometimes stretching far below or above intrinsic value. As a result, the entry point and the presumed exit measuring point can have a big impact on the rate of return from the stock price. The consistent, historically increasing dividend provides a bit of steady effect on returns over time.

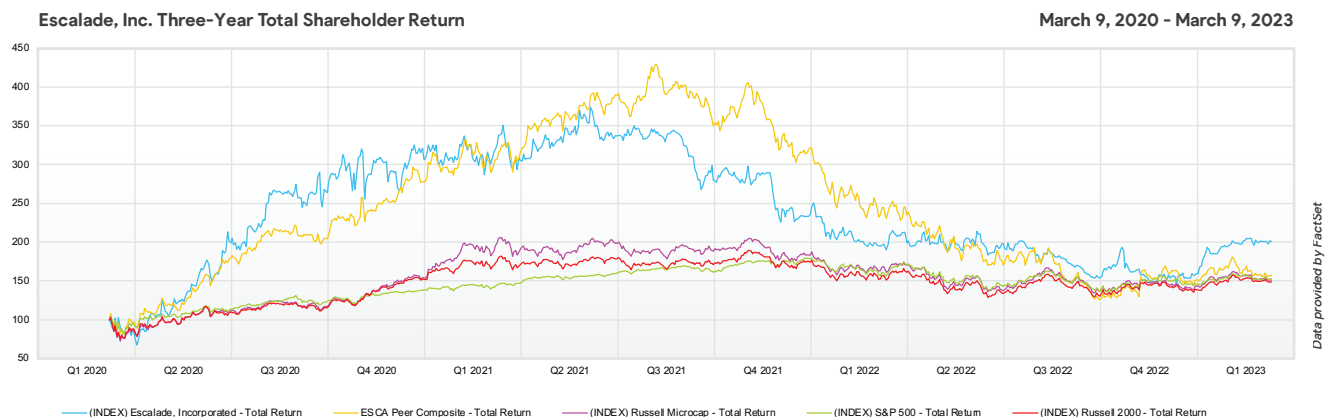
We measure our total shareholder return against our peers to gain perspective on how we are managing the specific and unique factors that impact our industry. We also measure against the Russell 2000 and Russell Microcap indices which are comprised of smaller public companies. Additionally, we compare against the S&P 500 since that represents the broad-based alternative for stock market investors. Finally, we evaluate our TSR vs. each of the benchmarks over 1, 3, 10, and 25 year periods.

For the full period, Escalade (ESCA) closely matched the broad market indices and significantly outperformed our peer group.



For three years, which covers the Covid bump and return toward normal, Escalade shares outperformed all of our benchmarks, which is a tribute to our people who did an

amazing job responding to the rapid increase in demand during the pandemic as well as managing through the Covid hangover.

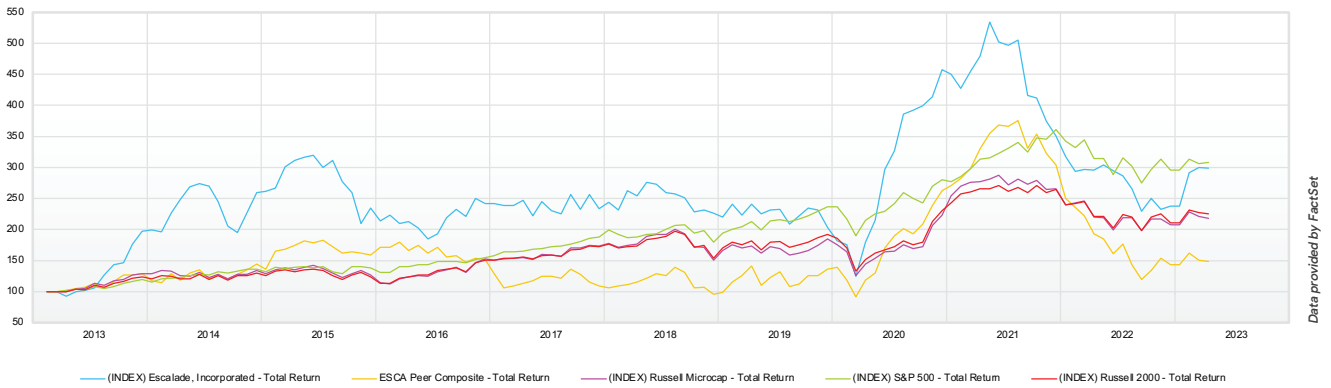


Over ten years, a period in which large cap stocks have been market leaders, the S&P 500 has outperformed the smaller cap indices. Escalade was able to nearly match the S&P

over 10 years with some ups and downs, but has markedly outperformed our peer group and small cap stocks in general.

Escalade, Inc. Ten-Year Total Shareholder Return

March 9, 2013 - March 9, 2023

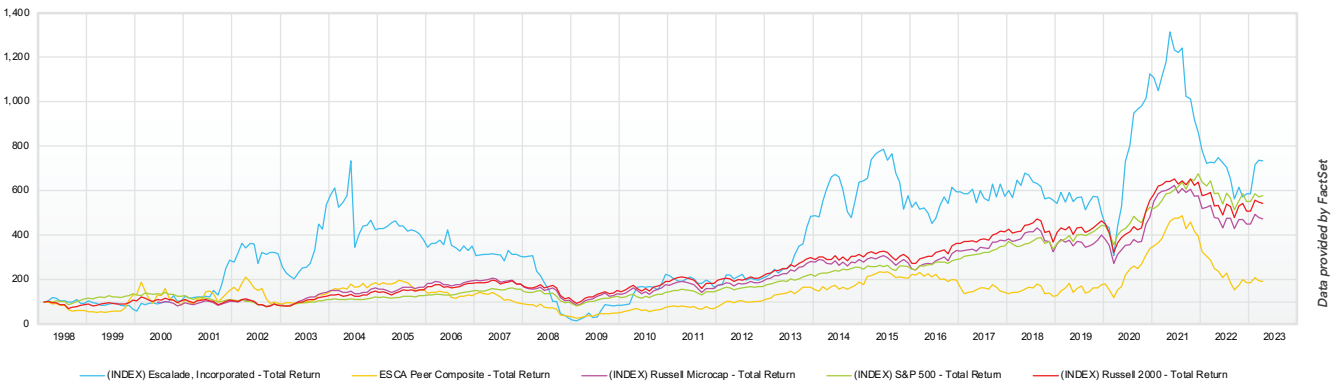


Over 25 years, which includes a few business cycles and various downturns and crises, Escalade has provided superior total return to shareholders. Comparing ourselves to a peer group is difficult since our peers have come and gone over two and a half decades. But over those years Escalade generated an 8.67% annual return, while the S&P 500

produced 7.32% annually. How important is the 1.35% extra that the Escalade shareholders earned? A \$10,000 investment grows to \$54,481 at 7.32% compounded annually and \$79,936 when compounded at 8.67%. So, 1.35% annually results in nearly 50% more capital after 25 years.

Escalade, Inc. Twenty-Five Year Total Shareholder Return

March 9, 1998 - March 9, 2023



We celebrated 100 years in business during 2022 and will mark 50 years as a public company in 2023. While it is important to salute these milestones and note the superior shareholder returns Escalade has generated, we are focused on the future; committed to delivering superior returns, creating fun products that bring families and friends together, providing meaningful careers, and supporting our communities.

We thank you for your support as we navigate the challenges and opportunities that lie ahead.

Sincerely,

Walter P. Glazer, Jr.  
Chairman, Chief Executive Officer, and President  
Escalade Inc.

## 2022 FINANCIAL HIGHLIGHTS

**\$313.8 MILLION IN TOTAL REVENUE**

**23.5%** GROSS PROFIT MARGIN

**11.8%**

RETURN ON EQUITY

**\$18 MILLION**  
NET INCOME

**6.5%**

RETURN ON ASSETS



\*Diluted earnings per share

**7.1%**

ANNUAL DIVIDEND INCREASE

**ESCA**

**\$10.18**

CLOSING PRICE  
12.31.2022

## ESCALADE, INC.

### FIVE YEAR HISTORICAL SUMMARY (Company Data \$ in thousands)

	2022	2021	2020	2019	2018*
<b>COMPANY DATA</b>					
NET SALES	313,757	313,612	273,649	180,541	175,780
OPERATING INCOME	26,315	31,896	33,032	9,275	13,817
NET INCOME	17,989	24,405	25,934	7,258	10,377*
INTEREST EXPENSE	3,780	1,510	250	356	42
DEPRECIATION AND AMORTIZATION	6,063	4,835	4,016	4,031	3,857
EBITDA**	32,457	36,894	37,188	13,821	13,423*
CAPITAL EXPENDITURES	2,111	9,696	5,455	2,185	2,818
DIVIDENDS	8,154	7,693	7,466	7,204	7,215
ACQUISITIONS	35,757	-	15,581	765	7,169
SHARE REPURCHASES	-	10,434	6,739	2,938	10
SHAREHOLDERS' EQUITY	158,475	146,615	139,156	126,170	128,321
TOTAL DEBT	94,881	57,539	30,073	135	-
WORKING CAPITAL	149,257	122,862	99,326	68,705	71,160
SHARES OUTSTANDING (DILUTED)	13,689	13,866	14,225	14,439	14,477

### PER SHARE DATA (DILUTED)

NET INCOME	\$1.31	\$1.76	\$1.82	\$0.50	\$0.72*
BOOK VALUE	\$11.58	\$10.57	\$9.78	\$8.74	\$8.86
NASDAQ LAST PRICE (CALENDAR YEAR)	\$10.18	\$15.79	\$21.17	\$9.83	\$11.45
DIVIDEND	\$0.60	\$0.55	\$0.52	\$0.50	\$0.50

### FINANCIAL & ANALYTICAL DATA

NET PROFIT MARGIN	5.7%	7.8%	9.5%	4.0%	5.9%*
RETURN ON ASSETS (AVG)	6.5%	10.3%	14.0%	4.9%	6.8%*
RETURN ON EQUITY (AVG)	11.8%	17.1%	19.5%	5.7%	8.6%*
CURRENT RATIO	4.8	3.5	3.2	4.8	5.3
WORKING CAPITAL / NET SALES	47.6%	39.2%	36.3%	38.1%	40.5%
DEBT / EQUITY	59.9%	39.2%	21.6%	0.1%	0.0%

\*Excludes \$13.0 million gain recognized on the sale of our 50% owned equity method investment, Stiga, a Swedish entity.

\*\*Earnings before interest, tax, depreciation & amortization.

## OUR BRANDS & CATEGORIES



### OUTDOOR GAMES

Escalade's brands of outdoor games bring families and friends together and keep the action going all day long. Whether at the beach, at a barbecue or in the backyard, our products invite everyone to get in the game.

### BASKETBALL

To brag on our own skills a moment, we're the No. 1 market leader in high-end residential basketball. In other words, we dominate the driveway. That's because our in-ground, wall-mounted and portable hoops are designed to stand up to countless hours of shooting drills or winner-take-all rounds of H-O-R-S-E.

### PLAYGROUND

The innovation Escalade is known for becomes "funnovation" when applied to wide-angle slides, climbing ladders, retractable telescopes and more.

### PICKLEBALL

Get out of the kitchen and serve up an ace with Onix Pickleball. Escalade has built the leading brand in paddles, balls, and accessories for the fastest growing sport in North America. That's because we've been a key player in this sport with the funny name since before its popularity began to soar.

### ARCHERY

Our knowledge and passion for the sport spans nine decades. Today, everything is different and nothing has changed. We remain a market leader, crafting the high-quality, high-performance archery bows and accessories that field and target archers trust.



THE ORIGINAL  
**PING-PONG**<sup>®</sup>  
SINCE 1901



**STIGA**<sup>®</sup>

**CUE & CASE**<sup>®</sup>  
BILLIARD ACCESSORIES



**unicorn**<sup>®</sup>



**AMERICAN  
HERITAGE**  
BILLIARDS



**PUREX**  
TECHNOLOGY



LUCASI  
CUSTOM + HYBRID



**FOWLING**<sup>™</sup>



**Arachnid**<sup>®</sup>

THE **STEP**<sup>®</sup>

**USWEIGHT**<sup>®</sup>  
\* WEIGHTS MADE IN THE USA \*

**WINMAU**<sup>®</sup>

## INDOOR GAMES

Staying in isn't boring thanks to indoor game equipment and game room table sets, from arcade classics to family favorites. This equipment is worth its weight in cool points helping consumers take their game rooms to the next level.

## DARTING

Aim for more. Popular from pubs to professional tournaments, darting is the ultimate game. Escalade serves the sport with a wide variety of globally recognized brands, making it the No. 1 market leader in the category.

## TABLE TENNIS

With Stiga & Ping-Pong under our brand umbrella, we serve the entire universe of table tennis enthusiasts and needs, from friendly game room matches to club and league play to professional tournaments.

## BILLIARDS

When it comes to billiards, we run the table. Our top of the line billiards' brands give Escalade a competitive edge in providing customers and consumers with the ultimate billiards experience.

## FITNESS

Whether leveling up a home gym or setting up in one corner of a bedroom, our gear fits the space and the workout. Everything you need. No excuses.

## WATER SPORTS

Get on the water with RAVE Sports - the originator of the inflatable water trampoline. From bouncers and accessories, towables, stand up paddle boards, water skis and wakeboards, pool toys, and more, RAVE makes innovative and high-quality products that provide serious water sports fun for the whole family.



# CELEBRATING 100 YEARS

## OUR JOURNEY SO FAR

<p><b>1922</b> • The Williams Manufacturing Company founded by brothers Forest, Paul, and A. Graves Williams - Portsmouth, OH</p> <p><b>1922</b> • Indian Archery Corporation announces the move into new corporate headquarters at 817 Maxwell Avenue where we remain today</p> <p><b>1940</b> • Martin Yale Industries founded by Martin and Yale Blanc - Chicago, IL</p> <p><b>1942</b> • Indian Archery acquired by Robert Orr, Bob Griffin, Jim McNeely, and Joseph Derr</p>	<p><b>1949</b> • Indian Industries merged with Gutherie May &amp; Company, a leading home and shopping center builder, through a share exchange. The objective was to support growth through acquisitions. The merger was later reversed with another share exchange</p> <p><b>1966</b> • Martin Yale Industries merges with the Williams Manufacturing Company which subsequently becomes a publicly traded company</p>	<p><b>1970</b> • Indian Industries enters into Cal-Dene joint venture to manufacture table tennis tables in Indiana and California</p> <p><b>1972</b> • The Williams Manufacturing operations discontinued</p> <p><b>1972</b> • Escalade, Inc., The Life-Style Corporation, formed and listed on NASDAQ (ESCA)</p> <p><b>1973</b> • Indian Industries, Inc. merges with the Williams Manufacturing Company</p> <p><b>1973</b> • Signed license agreement with Evenflo Companies to utilize Spalding brand for sporting goods products including basketball goals, table tennis, and darting</p>	<p><b>1976</b> • Introduction of Harvard basketball backboards, goals, and poles</p> <p><b>1977</b> • Acquisition of table tennis &amp; billiards assets of the IDEAL Toy Company</p> <p><b>1977</b> • Acquisition of Crown Recreation, Inc. and later renamed Harvard Sports, Inc.</p> <p><b>1979</b> • Divestiture of Martin Yale's hobby and leisure product lines</p> <p><b>1980</b> • Acquisition of Harvard Table Tennis Inc. owners of the Harvard &amp; Ping Pong brands</p>	<p><b>1982</b> • Escalade successfully completes a secondary offering of 600,000 shares of its common stock led by Oppenheimer &amp; Co.</p> <p><b>1982</b> • Escalade announces plan for the expansion and modernization of its Evansville facility at 817 Maxwell Avenue</p> <p><b>1986</b> • Acquisition of Gais America graphic arts assets</p>	<p><b>1987</b> • Escalade International, Ltd. established in Swansea, Wales to distribute sporting goods and fitness equipment in Europe and the Middle East</p> <p><b>1987</b> • Acquisition of Marcy</p> <p><b>1988</b> • Acquisition of business machine division of Swingline, Inc.</p> <p><b>1988</b> • Martin Yale moves its headquarters from Chicago, Illinois to Wabash, Indiana and builds a new production facility there</p>	<p><b>1989</b> • Acquisition of Data-Link postage assets</p> <p><b>1992</b> • Acquisition of Master Products Manufacturing, Inc.</p> <p><b>1994</b> • Purchase of 37.5% of Stiga Table Tennis</p> <p><b>1994</b> • Acquisition of Goalrilla</p> <p><b>1999</b> • Acquisition of Mead Hatcher computer and media-related assets</p>
<p><b>1922</b> • Indian Archery &amp; Toy Corporation founded by H.M. Brading - Evansville, IN</p> <p><b>1927</b> • Indian Archery &amp; Toy Company changes its name to Indian Archery Corporation and experiments with new product lines including plastic skis and skateboards</p> <p><b>1961</b> • Williams Manufacturing launches "Williams Plus" strategic plan to strengthen its footwear business, through innovation, diversify into high growth areas, and become a publicly traded company</p>	<p><b>1966</b> • Indian Archery acquires Kunkel Industries, a manufacturer of golf carts, and changes its name to Indian Industries, Inc.</p> <p><b>1970</b> • Williams Manufacturing launches "Williams Plus" strategic plan to strengthen its footwear business, through innovation, diversify into high growth areas, and become a publicly traded company</p>	<p><b>1973</b> • Escalade, Inc., The Life-Style Corporation, formed and listed on NASDAQ (ESCA)</p> <p><b>1973</b> • Indian Industries, Inc. merges with the Williams Manufacturing Company</p> <p><b>1973</b> • Signed license agreement with Evenflo Companies to utilize Spalding brand for sporting goods products including basketball goals, table tennis, and darting</p>	<p><b>1977</b> • Acquisition of table tennis &amp; billiards assets of the IDEAL Toy Company</p> <p><b>1977</b> • Acquisition of Crown Recreation, Inc. and later renamed Harvard Sports, Inc.</p> <p><b>1979</b> • Divestiture of Martin Yale's hobby and leisure product lines</p> <p><b>1980</b> • Acquisition of Harvard Table Tennis Inc. owners of the Harvard &amp; Ping Pong brands</p>	<p><b>1982</b> • Escalade successfully completes a secondary offering of 600,000 shares of its common stock led by Oppenheimer &amp; Co.</p> <p><b>1982</b> • Escalade announces plan for the expansion and modernization of its Evansville facility at 817 Maxwell Avenue</p> <p><b>1986</b> • Acquisition of Gais America graphic arts assets</p>	<p><b>1987</b> • Escalade International, Ltd. established in Swansea, Wales to distribute sporting goods and fitness equipment in Europe and the Middle East</p> <p><b>1987</b> • Acquisition of Marcy</p> <p><b>1988</b> • Acquisition of business machine division of Swingline, Inc.</p> <p><b>1988</b> • Martin Yale moves its headquarters from Chicago, Illinois to Wabash, Indiana and builds a new production facility there</p>	<p><b>1989</b> • Acquisition of Data-Link postage assets</p> <p><b>1992</b> • Acquisition of Master Products Manufacturing, Inc.</p> <p><b>1994</b> • Purchase of 37.5% of Stiga Table Tennis</p> <p><b>1994</b> • Acquisition of Goalrilla</p> <p><b>1999</b> • Acquisition of Mead Hatcher computer and media-related assets</p>

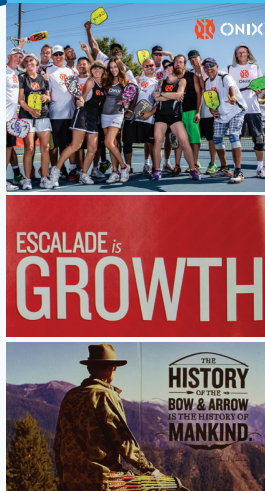
# 1980s



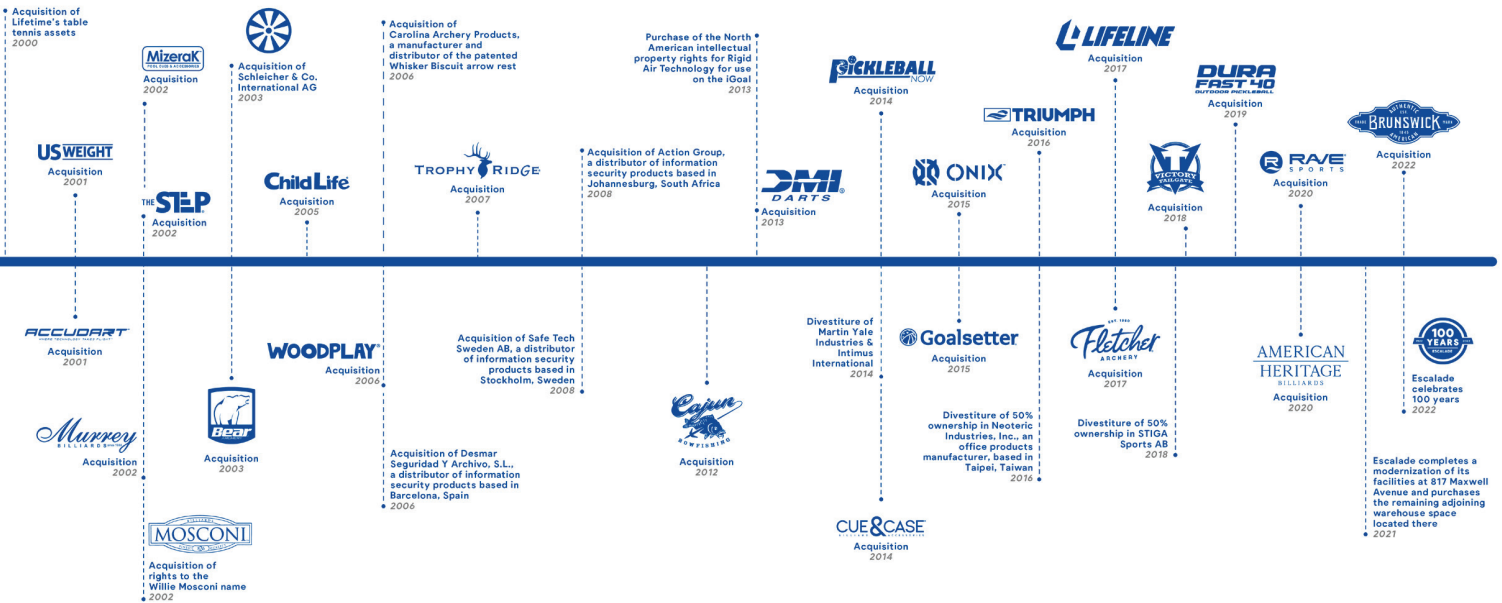
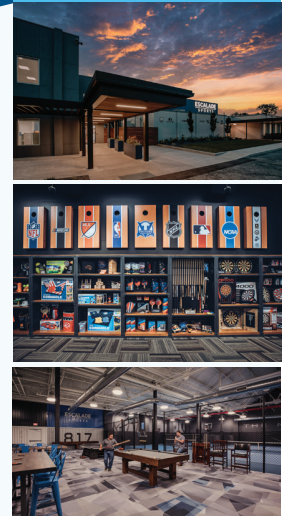
# 1990s



# 2010s



# 2020s



# STRATEGIC PARTNERSHIPS



Since its founding in 2005, ONIX Pickleball has dedicated its mission to growing the sport at a professional level. Over the course of last year, the brand continued its investment with tournament sponsorships and key partnerships. ONIX partnered with the Professional Pickleball Association (PPA Tour) to serve as an official sponsor and have the official ball during the first three-letter television network event. The Dura Fast-40 is the leading tournament ball on the pro circuits. ONIX also continues to giveback yearly in Paddle with a Purpose campaign. During October's Breast Cancer Awareness Month, \$10,000 of sales of pink products are donated to IWIN (Indiana Women in Need) to aid families impacted by breast cancer.

ONIX is also proud to sponsor athletes at the top of their games traveling the country showcasing our equipment and brand including pro players Matt Wright, Lucy Kovalova, and Callie Jo Smith, as well as many others.



Goalrilla Basketball released a sports documentary titled "Transform the Court: A Torrey Craig Story" featuring professional basketball player Torrey Craig. The documentary follows Torrey's tumultuous journey to the NBA and his desire to give back to his hometown of Great Falls, South Carolina. Goalrilla donated four DC72E1, 72" in-ground basketball goals to Torrey's hometown basketball court and documented the process of renovating his beloved court. Throughout the documentary, Torrey tells his personal story of adversity, dedication, and manifestation of his dreams to play basketball at the highest level.



Escalade Sports and the American Cornhole League (ACL), the worldwide governing body for professional, competitive and recreational cornhole, announced a long-term licensing partnership. This agreement provides Escalade Sports with the rights to make, sell, and distribute ACL PRO™, ACL COMP™, and ACL REC™ products to its expansive list of retail partners. Beginning August 2023, consumers will be able to purchase officially licensed boards and bags at participating retailers.

**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 31, 2022

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)
-------------------------------------	----------------------------

817 Maxwell Ave, Evansville, Indiana (Address of Principal Executive Office)	47711 (Zip Code)
---	---------------------

812-467-1358

(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   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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 check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.  
Yes  No

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to 240.10D-1(b). Yes  No

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

Aggregate market value of common stock held by nonaffiliates of the registrant as of July 9, 2022 based on the closing sale price as reported on the NASDAQ Global Market: \$128,651,418.

The number of shares of Registrant's common stock (no par value) outstanding as of February 17, 2023: 13,612,457.

## 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 10, 2023 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 95 years of manufacturing and selling experience in this industry.

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™, Goalsetter®, Goaliath®, Silverback®, Hoopstar®
Pickleball	Onix®, DURA®, Pickleball Now®
Play Systems	Woodplay®, Childlife®, Jack & June®
Fitness	The STEP®, Lifeline®, Kettleworx®, Natural Fitness®, PER4M®, USW®
Safety	US WEIGHT™
Game Tables (Hockey and Soccer)	Triumph™ Sports, Atomic®, American Legend®, HJ Scott®, Air Hockey®
Water Sports	RAVE®
Billiard Tables and Accessories	American Heritage Billiards®, Brunswick Billiards®, Gold Crown®, Centennial®, Cue&Case®, Lucasi®, Mizerak®, PureX®, Rage®, Players®, Minnesota Fats®, Mosconi™
Darting	Unicorn®, Winmau®, Arachnid®, Accudart®, Nodor®
Outdoor Games	Victory Tailgate®, Triumph™ Sports, Zume Games®, ACL®

During 2022, 2021 and 2020, the Company had one customer that accounted for approximately 23%, 21% and 23%, respectively of the Company's revenues. During 2022, 2021 and 2020 the Company had another customer which accounted for approximately 12%, 11% and 13%, respectively, of the Company's revenues.

As of December 31, 2022, the Company had approximately 28% of its total accounts receivable with one customer. As of December 25, 2021, the Company had approximately 24%, 17% and 10% of its total accounts receivable with that same customer and two other customers, respectively.

Escalade Sports currently 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.



## **Business Development**

The Company is the successor to The Williams Manufacturing Company, founded in 1922, an Ohio-based manufacturer and retailer of women's and children's footwear, and to the Indian Archery and Toy Corp., founded in 1927, an Evansville, Indiana-based manufacturer of archery equipment, badminton sets, and darts. In the 1960's, Indian Archery entered the table tennis manufacturing business and changed its name to Indian Industries, Inc. Williams Manufacturing and Indian Industries operated independently of each other until a series of transactions in the early 1970's. In 1972, Williams Manufacturing acquired Martin-Yale Industries, Inc., an Illinois-based manufacturer of office and graphic arts products, and crafts and toys. In 1973, Williams Manufacturing acquired both Indian Industries and Harvard Table Tennis, Inc., a Massachusetts-based manufacturer of table tennis accessories. The resulting enterprise, renamed as Escalade, Incorporated, became a diversified manufacturer of sporting goods, recreational products, office products, graphic arts products, hobby and craft items, toys, and footwear.

In the following decades, Escalade continued to diversify its product lines through acquisitions and organic growth, including increasing its manufacturing capabilities for table tennis tables, pool tables, basketball backboards, goals, and poles, and related accessories. In order to focus on areas of potential growth, Escalade also has divested certain product lines and businesses over the years. Most notably, Escalade exited the footwear and toy businesses in the 1970's and ultimately completed its exit from the office products and graphic arts businesses in 2014. Such divestitures have resulted in Escalade now focusing 100% on its Sporting Goods business segment. Escalade's Sporting Goods segment competes in a variety of product categories including basketball goals, archery, billiards, indoor and outdoor games, recreational, fitness, and related products.

Core components of Escalade's business development and growth strategy have been, and continue to be, investing in product innovation, developing strong brand names, and making strategic acquisitions. Escalade's strategic acquisitions include, among others, its acquisitions of: the table tennis and pool table assets of the Ideal Toy Company in 1977 and of Harvard Sports, Inc. in 1980; the home exercise equipment business of Marcy Fitness Products, Inc. in 1989; the high quality basketball system assets of Zue Corporation, including the Goalrilla™ brand in 1999; the table tennis assets of Lifetime Products, Inc. in 2000; the darting assets of Accudart in 2001; the filled vinyl weight assets and manufacturing business of U.S. Weight, Inc. in 2001; the assets of North American Archery Group, including the Bear® Archery brand in 2003; the residential playground systems businesses of ChildLife, Inc. in 2005 and of Woodplay in 2006; and the archery assets of Carolina Archery Products in 2006, of Trophy Ridge, LLC in 2007, and of Cajun Archery in 2012. Escalade entered the pickleball product category through acquisitions of Pickleball Now and Onix Sports in 2014 and 2015, expanded its billiard accessory business with the acquisition of Cue&Case Sales, Inc. in 2014, and expanded its basketball distribution and domestic sourcing by acquiring Goalsetter Systems, Inc. in 2015. In 2016, Escalade acquired the assets of Triumph Sports USA, a leader in the indoor and outdoor games categories, in 2017 acquired the assets of Lifeline Fitness, Inc., a leader in the fitness industry, in 2018 acquired Victory Tailgate, a manufacturer of premium licensed and custom tailgating games, in 2020 acquired the billiard table, game room and recreational product lines of American Heritage Billiards, and in 2020 also acquired the assets of RAVE Sports, providing entry into the water recreational products category. Most recently, in January 2022, Escalade acquired the assets of the Brunswick Billiards® business from Life Fitness, LLC, which complemented the Company's existing portfolio of billiards brands and other offerings in the Company's indoor recreation market.

For more information regarding Escalade's business development and strategies for growth, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview."

## **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, to be a reliable source of products to timely supply customers with their needs, and to 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®, Brunswick Billiards®, 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 31, 2022 and December 25, 2021 were as follows:

	2022	2021
Sporting Goods		
USA	473	546
Mexico	90	103
Asia	30	27
Total	593	676

Of Escalade's 593 employees at December 31, 2022, 584 were full time employees and 9 were part time employees. 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 31, 2022. A labor contract was negotiated and renewed in May 2021 and expires on January 31, 2025.

## 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 outbreak of the coronavirus or other public health crises and limited availability of shipping containers and other third party logistics, which disruptions could adversely impact Escalade currently and in the future. To alleviate these concerns, Escalade continues to accelerate its timing for placing orders with its suppliers and continues its efforts to develop other potential sources of products and raw materials. In recent years, Escalade has increased its sourcing of some products and raw materials from Brazil and Vietnam. Escalade's acquisition of the Brunswick Billiards® business may open additional sourcing opportunities.

## SEC Reports

The Company's Internet site ([www.escaladeinc.com](http://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](http://www.sec.gov).

## ITEM 1A—RISK FACTORS

### OPERATIONAL RISKS TO THE COMPANY AND OUR BUSINESS

*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 has been experiencing higher inventory levels, which adversely impacts the Company's operating results.*

In response to supply chain issues and other factors, the Company accelerated its product purchases to meet expected demand. Although the Company endeavors to accurately predict changes in customer demands and consumer spending patterns with respect to the Company's products, demand for products can change significantly between the time inventory is ordered and the date of sale. While the Company continues to experience product demand in excess of historical levels, the Company's inventories throughout 2022 were higher than desired. In some instances, product was received after the peak sales season had occurred, thereby further contributing to above normal inventory levels. Accordingly, increased costs associated with inventory adversely impacted the Company's operating results in 2022 and may continue to do so until inventories are optimized.

***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 and information systems, cybersecurity measures, 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, including continued expansion and development of our own direct to consumer e-commerce distribution channel. 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 its 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 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 in the Company's 2022 fiscal year. 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, including sales of new product offerings to existing customers, in order 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.

***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. Price increases in raw materials adversely impacted the Company's net income in fiscal year 2022. 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 the Company or any of the significant suppliers terminated or significantly curtailed its relationship with a significant supplier or the Company, respectively, or if a significant supplier 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. The Company continues to experience increased shipping costs for products obtained from overseas due to a shortage of available shipping containers. If the Company experiences any significant disruption in its supply chain or sharply rising costs, for any reason, such as the coronavirus pandemic, the Company may be unable to satisfy customer demand for our products resulting in lost sales. Such delays and increased costs could impair our ability to timely and efficiently deliver our products, and could adversely impact our operating results.

***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, including its brand names, 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, branding, 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.

***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.

***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.

***Cybersecurity breaches or other data security incidents could result in unauthorized access, theft, modification, or destruction of Company assets, including bank accounts, intellectual property, and confidential information, which may adversely affect the Company's business.***

The Company has experienced an increase in cybersecurity threats and attempts to breach the Company's security networks. The techniques used to conduct cyber attacks, including phishing, hacking, and malicious software, are increasingly sophisticated and the sources and targets of these attacks change frequently. Cyber attacks may not be recognized until after attacks have been launched successfully or have been in place for a period of time. From time to time, the Company has been, and likely will continue to be, the target of cyber and other security threats. To the Company's knowledge, the Company has not experienced a significant cybersecurity breach that had a material impact on the Company's business or operating results, although there can be no assurance that the Company's efforts to maintain the security of the Company's information technology networks and related systems will be effective or that attempted security breaches will not be damaging in the future. The Company maintains cyber liability insurance, however, such insurance may not be sufficient to cover the financial, legal, business or reputational losses that could result from a breach of the Company's systems.

***The Company's business involves the potential for product recalls, warranty liability, product liability, and other claims against us, which could adversely affect our reputation, earnings and financial condition.***

As a manufacturer, marketer and distributor of consumer products, the Company is subject to the United States Consumer Products Safety Act of 1972, as amended by the Consumer Product Safety Improvement Act of 2008, which empowers the Consumer Products Safety Commission ("CPSC") to recall or exclude from the market products that are found to be unsafe or hazardous. Although recalls of our products have been infrequent, the Company's subsidiaries voluntarily recalled the Ping Pong Avenger table tennis table in 2021 due to concerns that it could create a potential fall risk to consumers and certain Goalsetter wall-mounted basketball goals in 2022 that could detach and fall to the ground unexpectedly if not installed correctly. Notwithstanding that we extensively and rigorously test our products, there can be no assurance we will be able to detect, prevent, or fix all defects and safety concerns. Under certain circumstances, the CPSC could require us to repurchase or recall additional products, even if we disagree with the defect determination or have data that shows the actual safety risk to be nominal. Any repurchase or recall of our products, monetary judgment, fine or other penalty could be costly and damaging to our reputation and/or adversely affect our brands. Furthermore, the occurrence of any material defects in our products could expose us to liability for warranty claims in excess of our current reserves, and/or to product liability claims that could exceed the limits of our insurance coverage, to the extent coverage may exist. If our warranty reserves and/or insurance coverage are inadequate to cover future warranty claims and/or potential product liability claims, our financial condition and operating results may be harmed.

***The Company may be subject to various types of litigation, and our insurance may not be sufficient to cover damages related to those claims.***

From time-to-time the Company may be involved in lawsuits or other claims arising in the ordinary course of business, including those related to product liability, consumer protection, employment, intellectual property, tort, privacy and data protection, and other matters. The Company may incur losses relating to claims filed against it, including costs associated with defending against such claims, and there is risk that any such claims or liabilities will exceed its insurance coverage, or affect the Company's ability to retain adequate liability insurance in the future. Even if a claim is unsuccessful or is not fully pursued, the negative publicity surrounding any such assertions could adversely affect the Company's reputation. Due to the inherent uncertainties of litigation and other claims, we cannot accurately predict the ultimate outcome of any such matters.

***Unseasonable or extreme weather conditions, alone or together with natural disasters, as well as other catastrophic events, could adversely affect the Company's business and results of operations.***

Unseasonable or extreme weather conditions, natural disasters and other catastrophic events could negatively impact consumer shopping patterns, consumer confidence and disposable income, or otherwise could have a negative effect on the company's financial performance. The Company's business is susceptible to unseasonable weather conditions, particularly as it relates to sports equipment and recreational outdoor products, which could lead to lost sales or greater than expected markdowns. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could reduce demand for a portion of the Company's inventory and thereby reduce sales and profitability. In addition, extreme weather conditions, natural disasters and other catastrophic events could damage or destroy our facilities, cause staffing shortages or make it difficult for customers to travel to stores and dealers where the Company's products are sold. Such events and circumstances could negatively affect the Company's business and results of operations from time to time.



***The COVID-19 pandemic continues to affect the Company's business. Additional factors could exacerbate such consequences and/or cause materially adverse effects.***

While the COVID-19 pandemic did not materially adversely affect the Company's financial results and business operations in the Company's fiscal year ended December 31, 2022, economic and health conditions in the United States and across most of the globe changed rapidly during 2020, 2021 and 2022. Demand for the Company's products increased substantially in fiscal years 2020, 2021 and 2022 compared to pre-pandemic sales. Such increased demand may not continue. Although the Company has largely resumed normal operations, continuing impacts of the pandemic may result in future business and manufacturing disruption, inventory shortages, delivery delays, and reduced sales and operations, any of which could materially affect our business, financial condition, and results of operations.

***The Company cannot predict the long-term impact of the COVID-19 pandemic on its customers, suppliers, vendors, and other business partners.***

The COVID-19 pandemic has affected the Company's customers, suppliers, vendors, and other business partners, but the Company is not able to predict the ultimate consequences that will result therefrom. Although the Company's largest customer performed well throughout the pandemic, it remains to be seen if consumer demand for online purchasers will continue unabated and/or permanently change the way in which consumers make purchasing decisions. The Company's second largest customer and many of the Company's other mass merchant customers experienced increased online orders and reduced foot traffic into their physical stores. In general, many retailers experienced severe financial difficulties and bankruptcies. If those trends persist over the long-term, the Company's strategies in distributing and marketing its products may need to change accordingly. If the Company's sales channels are substantially impaired for an extended period of time or fail to adapt to changing consumer preferences, the Company's sales will be materially reduced.

***The ultimate magnitude of the COVID-19 pandemic is unpredictable, volatile and uncertain.***

The COVID-19 pandemic created significant public health concerns and economic disruption and may continue to do so indefinitely. We cannot predict the full impact of the pandemic nor can we predict with any certainty whether and to what degree the disruptions caused by the pandemic and reactions thereto will continue. Much is still unknown, including the duration and severity of the pandemic, the amount of time it may take for more normalized economic activity to resume, future government actions that may be taken, the effects on the Company's customers and suppliers, including their ability to pay for our products, the effects on operations of the Company's logistics providers, and the impact on the ability of the Company's employees to work and travel. Continuing and potential new governmental actions may further cause the Company to modify its business operations or otherwise adversely impact the Company. While the Company has taken numerous steps to mitigate the potential negative effects of the COVID-19 pandemic, there can be no assurance that the Company will be able to respond quickly enough or appropriately to circumstances that may change rapidly and/or that are outside of our control. The long-term impact of the pandemic on the Company's business is unknown and ultimately could result in material adverse effects on the Company's business, financial performance 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 (such as the COVID 19 pandemic);
- 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 and/or inclusion in market indices such as the Russell 2000.

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 \$0.15 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.

## **RISKS OF INTERNATIONAL OPERATIONS**

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

The Company sources many of its products and raw materials from Mexico, Brazil, China, Vietnam 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, complications due to natural, nuclear or other disasters, or public health crises. 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, beginning in 2020 and continuing into 2021 and 2022, the coronavirus outbreak has resulted in increased travel restrictions and extended shutdown of certain businesses in Mexico, China and other countries in which the Company does business or has suppliers. These or any further political or governmental developments or health concerns in locations 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'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 public health crises, 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. 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 have entered into the United States-Mexico-Canada Agreement ("USMCA"), the successor agreement to the North American Free Trade Agreement ("NAFTA") which became effective on July 1, 2020. In January 2020, the United States entered into a "Phase 1" trade agreement with China. The Phase 1 agreement expired December 31, 2021 and has not been extended or replaced. Trade negotiations between the United States and China regarding a potential new trade agreement have not progressed and prospects for a new agreement are highly uncertain. Accordingly, it remains unclear what the U.S. administration or foreign governments, including China, specifically 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.

***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.

## **LEGAL, TAX, ACCOUNTING AND REGULATORY RISKS**

***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.

***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, Congress and the courts may do with respect to future policies, regulations and legal decisions 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) environmental, social and governance issues that could impact the way we conduct our business; (v) the acquisition of other businesses; (vi) the acquisition, extension, disposition or abandonment of services or facilities; (vii) reporting and information requirements; and (viii) the maintenance of accounts and records.

***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.

## **MACROECONOMIC AND GENERAL BUSINESS RISKS**

***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 economic recovery is slow to occur, 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, public health crisis, 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 and/or purchase 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.

***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.

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.

***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.

***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. Although we have continued to obtain product shipments from China and other countries notwithstanding the coronavirus pandemic, product shipments from China and/or other countries may be delayed in the future. Although we are monitoring the situation and have adapted our ordering practices in our attempt to minimize the effects of potential disruptions, the Company cannot predict whether, for how long, or the extent to which the pandemic 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.

*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 31, 2022, the Company owned or operated from the following locations:

<b>Location</b>	<b>Square Footage</b>	<b>Owned or Leased</b>	<b>Use</b>
Evansville, Indiana, USA	771,000	Owned	Distribution; sales and marketing; engineering; administration
Rosarito, Mexico	161,139	Owned	Manufacturing and distribution
Gainesville, Florida, USA	154,200	Owned	Manufacturing and distribution
Orlando, Florida, USA	143,000	Leased	Marketing; manufacturing and distribution
Bristol, WI, USA	118,350	Owned	Distribution; sales and marketing; engineering
Olney, Illinois, USA	108,500	Owned	Distribution; sales and marketing; engineering; manufacturing
Olney, Illinois, USA	30,000	Owned	Distribution
Eagan, MN, USA	41,600	Leased	Distribution; sales and marketing; engineering
Shanghai, China	6,674	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. As of December 31, 2022, our Rosarito, Mexico location, including land, buildings and long-lived assets, were classified as assets held for sale.

#### **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 17, 2023, there were approximately 97 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 10/1/2022 under the current repurchase program.	2,153,132	\$13.38	2,153,132	\$ 4,153,252
Fourth quarter purchases:				
10/2/2022 – 10/29/2022	None	None	No Change	No Change
10/30/2022 – 11/26/2022	None	None	No Change	No Change
11/27/2022 – 12/31/2022	None	None	No Change	No Change
Total share purchases under the current program	2,153,132	\$13.38	2,153,132	\$ 4,153,252

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. In December 2020, the Board of Directors increased the stock repurchase program to \$15,000,000. From its inception date through December 31, 2022, the Company has repurchased 2,153,132 shares of its common stock under this repurchase program for an aggregate price of \$28,812,686. 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—[RESERVED]

### 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: specific and overall impacts of the COVID-19 global pandemic on Escalade's financial condition and results of operations; 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; Escalade's ability to develop and implement our own direct to consumer e-commerce distribution channel; Escalade's 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 business operations, including without limitation disruptions or delays in our supply chain, arising from political unrest, war, labor strikes, natural disasters, public health crises such as the coronavirus pandemic, and other events and circumstances beyond our control; 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, including inflationary pressures; fluctuation in operating results; changes in foreign currency exchange rates; changes in the securities markets; continued listing of the Company's common stock on the NASDAQ Global Market; the Company's inclusion or exclusion from certain market indices; 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; the potential impact of actual or perceived defects in, or safety of, our products, including any impact of product recalls or legal or regulatory claims, proceedings or investigations involving our products; risks related to data security or privacy breaches; the potential impact of regulatory claims, proceedings or investigations involving our products; 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 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 reliable and 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 October 2020, the Company acquired the assets of the billiard table, game room, and recreational product lines of American Heritage Billiards, including the related intellectual property. In December 2020, the Company acquired substantially all of the business and assets of Revel Match LLC, dba RAVE Sports, a brand known for its innovative and high-quality water recreation products. In January 2022, the Company acquired the assets of the Brunswick Billiards® business, complementing its existing portfolio of billiards brands and other offerings in the Company’s indoor recreation market. These and other acquisitions strengthen the Company’s leadership in various product categories, while providing exciting new opportunities within the growing water sports market. 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:

	2022	2021	2020
Net revenue			
Sporting Goods	0.1%	14.6%	51.6%
Total	0.1%	14.6%	51.6%
Net income			
Sporting Goods	(26.4%)	(7.3%)	293.9%
Total	(26.3%)	(5.9%)	257.3%

As the impact of the COVID-19 pandemic evolves and may be waning, the Company continues to respond to the challenges and opportunities arising from the pandemic. Even though the pandemic may not have had a material adverse direct effect on the Company, the pandemic’s effects on the global supply chain, higher freight and materials costs, supplier product delays, workforce availability and labor costs have caused operational challenges for the Company. The ultimate extent of the effects of the COVID-19 pandemic on the Company is highly uncertain and will depend on future developments, and such effects could exist for an extended period of time. Consumer demand for the Company’s products may be slowing due to additional factors such as general economic conditions, inflation, recessionary fears, rising interest rates, changes in the housing market and declining consumer confidence. Management cannot predict the full impact of these factors on the Company. Due to the above circumstances and as described generally in this Form 10-K, the Company’s results of operations for the 2022 fiscal year are not necessarily indicative of the results to be expected for fiscal year 2023.

## Results of Operations

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

	2022	2021	2020
Net revenue	100.0%	100.0%	100.0%
Cost of products sold	76.5%	75.4%	72.7%
Gross margin	23.5%	24.6%	27.3%
Selling, administrative and general expenses	14.3%	13.8%	14.7%
Amortization	0.8%	0.6%	0.5%
Operating income	8.4%	10.2%	12.1%

## Revenue and Gross Margin

Net revenue increased 0.1% in 2022 compared to 2021. The Company recognized increased sales due to the Brunswick Billiards acquisition completed in January 2022 and increases in pickleball and indoor games categories due to category growth and market share gains. These increases were partially offset with lower sales in our outdoor categories including archery, basketball, games, water sports and playground.

The overall gross margin decreased to 23.5% in 2022 compared with 24.6% in 2021. Gross margins were unfavorably impacted by increased logistics expenses associated with ongoing inventory handling and storage costs.

## *Selling, General and Administrative Expenses*

Selling, general and administrative expenses (SG&A) were \$44.8 million in 2022 compared to \$43.4 million in 2021, an increase of \$1.4 million or 3.2%. The increase in SG&A is attributable to the Brunswick Billiards acquisition completed in 2022. SG&A as a percent of sales is 14.3% in 2022 compared with 13.8% in 2021.

## *Provision for Income Taxes*

The effective tax rate for 2022 and 2021 was 20.5% and 20.1%, respectively. The 2022 effective tax rate is slightly lower than the federal statutory rate primarily due to the captive insurance premiums being tax exempt, with federal income tax credits helping to offset the impact of the state taxes and lower the statutory rate. The 2021 effective tax rate is slightly lower than the federal statutory rate primarily due to the captive insurance premiums being tax exempt, with federal income tax credits helping to offset the impact of the state taxes and lower the statutory rate.

## Sporting Goods

Net revenues, operating income, and net income for the Sporting Goods segment for the three years ended December 31, 2022 were as follows:

In Thousands	2022	2021	2020
Net revenue	\$313,757	\$313,612	\$273,649
Operating income	25,925	31,534	32,685
Net income	16,117	21,892	23,625

Net revenue increased 0.1% in 2022 compared to 2021.

Gross margin in 2022 was 23.5% compared to 24.6% in 2021. Gross margins were unfavorably impacted by increased logistics expenses associated with ongoing inventory handling and storage costs. Operating income, as a percentage of net revenue, decreased to 8.3% in 2022 compared to 10.1% in 2021.

## Financial Condition and Liquidity

The current ratio, a basic measure of liquidity (current assets divided by current liabilities), for 2022 was 4.8, compared to 3.5 in 2021. Receivable levels decreased to \$57.4 million in 2022 compared with \$66.0 million in 2021 and net inventory increased \$29.5 million to \$121.9 million in 2022 from \$92.4 million in 2021, due partially to the acquisition of Brunswick Billiards. Trade accounts payable and accrued liabilities decreased \$9.5 million to \$30.7 million from \$40.2 million in 2021.

The Company's working capital requirements are primarily funded through cash flows from operations and revolving credit agreements with its bank. During 2022, the Company's maximum borrowings under its primary revolving credit lines and overdraft facility totaled \$113.8 million compared to \$69.2 million in 2021. The overall effective interest rate in 2022 was 3.8% compared to the effective rate of 2.9% in 2021. Total debt at the end of the Company's 2022 fiscal year was \$94.9 million.

On January 21, 2022, the Company and its wholly owned subsidiary, Indian Industries, Inc. (“Indian”), entered into an Amended and Restated Credit Agreement (the “2022 Restated Credit Agreement”) with its issuing bank, JPMorgan Chase Bank, N.A. (“Chase”), and the other lenders identified in the Restated Credit Agreement (collectively, the “Lenders”). The 2022 Restated Credit Agreement amended and restated the Amended and Restated Credit Agreement dated as of January 21, 2019, as amended, in its entirety, and continues the existing Company’s credit facilities which have been in place since April 30, 2009. The Company’s indebtedness under the 2022 Restated Credit Agreement continues to be collateralized by liens on all of the present and future equity of each of the Company’s domestic subsidiaries and substantially all of the assets of the Company (excluding real estate). Under the terms of the 2022 Restated Credit Agreement, Old National Bank was added as a Lender. The Lenders have now made available to Escalade and Indian a senior revolving credit facility with increased maximum availability of \$65.0 million (the “Revolving Facility”), up from \$50.0 million, plus an accordion feature that would allow borrowings up to \$90.0 million under the Revolving Facility subject to certain terms and conditions. The maturity date of the revolving credit facility was extended to January 21, 2027. The Company may prepay the Revolving Facility, in whole or in part, and reborrow prior to the revolving loan maturity date. The 2022 Restated Credit Agreement further extended the maturity date for the existing \$50.0 million term loan facility to January 21, 2027.

In addition to the increased borrowing amount and extended maturity date, the 2022 Restated Credit Agreement provided a \$7.5 million swingline commitment by Chase, replaced LIBOR with the replacement benchmark secured overnight financing rate, and adjusted certain financial covenants relating to the fixed charge coverage ratio.

On July 18, 2022, the Company entered into the First Amendment to the 2022 Restated Credit Agreement. Under the terms of the First Amendment, the Lender increased the maximum availability under the senior revolving credit facility from \$65.0 million to \$75.0 million pursuant to the accordion feature in the 2022 Restated Credit Agreement. The First Amendment also adjusted the funded debt to EBITDA ratio financial covenant to 3:00 to 1:00 as of the end of the Company’s third and fourth fiscal quarters of 2022.

On October 26, 2022, the Company entered into the Second Amendment (“Second Amendment”) to the 2022 Restated Credit Agreement. Under the terms of the Second Amendment, the Lender increased the maximum availability under the senior revolving credit facility from \$75.0 million to \$90.0 million pursuant to the accordion feature in the 2022 Restated Credit Agreement. The Second Amendment adjusted the funded debt to EBITDA ratio financial covenant to 3:25 to 1:00 as of the end of the Company’s third and fourth fiscal quarters of 2022 and 3:00 to 1:00 as of the end of the Company’s first fiscal quarter of 2023. The Second Amendment also modified the EBITDA definition to permit add-backs of a) up to \$2.0 million for disposition related expenses; and b) up to \$2.0 million for unusual or non-recurring expenses which are incurred prior to the end of fiscal year 2023 and which are subject to the approval of the Administrative Agent.

As of December 31, 2022, the outstanding principal amount of the term loan was \$39.9 million and total amount drawn under the Revolving Facility was \$55.0 million.

Cash flows from operations and revolving credit agreements were used to fund acquisitions, to pay shareholder dividends, and to fund stock repurchases.

In 2023, the Company estimates capital expenditures to be approximately \$3.7 million.

The Company believes that cash generated from its projected 2023 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 2023. 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”.

## Contractual Obligations

The following schedule summarizes the Company’s material contractual obligations as of December 31, 2022:

Amounts in thousands	Total	2023	2024 – 2025	2026 – 2027	Thereafter
Debt(1)	\$94,881	\$7,143	\$14,286	\$73,452	\$ --
Future interest payments(1)	13,582	3,488	6,158	3,936	--
Operating leases	12,053	1,454	2,769	2,560	5,270
Minimum payments under purchase, royalty and license agreements	4,567	898	1,145	1,219	1,305
Total	<u>\$125,083</u>	<u>\$ 12,983</u>	<u>\$ 24,358</u>	<u>\$ 81,167</u>	<u>\$ 6,575</u>

Note:

(1) Assumes that the Company will not increase borrowings under its long-term credit agreements and that the effective interest rate experienced in 2022 of 3.8% will continue for the life of the agreements.

## 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 30 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 a quantitative assessment, in which the fair value of the reporting unit is compared to its carrying value. If the carrying value of goodwill exceeds the fair value, an impairment charge to current operations is recorded to reduce the carrying value to the fair value.

If a quantitative assessment of 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 \$42.3 million at December 31, 2022, 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 31, 2022.

### ***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.

### ***Capital Expenditures***

As of December 31, 2022, the Company had no material commitments for capital expenditures. In 2023, the Company estimates capital expenditures to be approximately \$3.7 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.

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 31, 2022. 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 31, 2022, 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/ Walter P. Glazer, Jr., 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 2022. 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 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **ITEM 9B — OTHER INFORMATION**

None.

#### **ITEM 9C — DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.**

Not applicable.



### 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 10, 2023 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 10, 2023 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 10, 2023 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)	--	--	996,461
Equity compensation plans not approved by security holders	--	--	--
Total	<u>--</u>		<u>996,461</u>

(1) The maximum number of shares that can be awarded under the Escalade, Incorporated 2017 Incentive Plan is 1,661,598. The plan was approved by stockholders at Escalade's Annual Meetings of Stockholders in 2017.

(2) Does not include 252,029 shares subject to outstanding, unvested restricted stock unit 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 10, 2023 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 10, 2023 under the caption “Certain Relationships and Related Person Transactions” and is incorporated herein by reference.

## **ITEM 14 — PRINCIPAL ACCOUNTING FEES AND SERVICES**

The Company’s independent registered accounting firm is FORVIS, LLP, formerly BKD, LLP; Evansville, IN; PCAOB ID: 686. 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 10, 2023 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 31, 2022 and December 25, 2021  
Consolidated statements of operations—fiscal years ended December 31, 2022, December 25, 2021, and December 26, 2020  
Consolidated statements of stockholders’ equity—fiscal years ended December 31, 2022, December 25, 2021, and December 26, 2020  
Consolidated statements of cash flows—fiscal years ended December 31, 2022, December 25, 2021, and December 26, 2020  
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**

- 2.1 Asset Purchase Agreement dated December 30, 2021, by and between Indian Industries, Inc. d/b/a Escalade Sports and Life Fitness, LLC (without exhibits and schedules, which Escalade has determined are not material) (h)
- 3.1 Articles of Incorporation of Escalade, Incorporated (a)
- 3.2 Amended By-Laws of Escalade, Incorporated (c)
- 10.1 Amended and Restated Credit Agreement dated as of January 21, 2022 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) (i)
- 10.2 Amended and Restated Pledge and Security Agreement dated as of January 21, 2022 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) (i)
- 10.3 First Amendment dated July 18, 2022 to the Amended and Restated Credit Agreement dated as of January 21, 2022 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) (d)

- 10.4 Second Amendment dated October 26, 2022 to the Amended and Restated Credit Agreement dated as of January 21, 2022 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) (f)

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

- 10.5 Escalade, Incorporated 2017 Incentive Plan, incorporated by reference herein from Annex 1 to the Registrant's 2017 Definitive Proxy Statement (e)
- 10.6 Form of Stock Option Award Agreement utilized in Stock Option grants to employees pursuant to the Escalade, Incorporated 2017 Incentive Plan (b)
- 10.7 Form of Stock Option Award Agreement utilized in Stock Option grants to Directors pursuant to the Escalade, Incorporated 2017 Incentive Plan (b)
- 10.8 Form of Restricted Stock Unit Agreement utilized in Restricted Stock Unit grants to employees pursuant to the Escalade Incorporated 2017 Incentive Plan (b)
- 10.9 Form of Restricted Stock Unit Agreement utilized in Restricted Stock Unit grants to Directors pursuant to the Escalade, Incorporated 2017 Incentive Plan (b)
- 10.10 Offer Letter dated December 20, 2021 by and between Walter P. Glazer, Jr. and Escalade, Incorporated (g)
- 21 Subsidiaries of the Registrant
- 23.1 Consent of FORVIS, 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 Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.Def Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.Lab Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.Pre Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 101.Ins Inline XBRL Instance Document
- 101.Sch Inline XBRL Taxonomy Extension Schema Document
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
- (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 10-K for the fiscal year ended December 30, 2017 and filed on February 27, 2018
- (c) Incorporated by reference from the Company's 2022 Third Quarter Report on Form 10-Q filed on October 27, 2022
- (d) Incorporated by reference from the Company's Form 8-K filed on July 21, 2022
- (e) Incorporated by reference from the Company's 2017 Proxy Statement
- (f) Incorporated by reference from the Company's Form 8-K filed on October 27, 2022
- (g) Incorporated by reference from the Company's Form 8-K filed on December 23, 2021
- (h) Incorporated by reference from the Company's Form 8-K filed on January 3, 2022
- (i) Incorporated by reference from the Company's Form 8-K filed on January 24, 2022

**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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## Report of Independent Registered Public Accounting Firm

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 31, 2022, and December 25, 2021, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2022, 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 31, 2022, and December 25, 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, 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 31, 2022, 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 24, 2023, expressed an unqualified opinion thereon.

### Basis for Opinion

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

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### **Customer Allowances**

As more fully described in Note 16 within the consolidated financial statements, revenue is recognized net of various sales adjustments, which includes estimated customer allowances for advertising subsidies, volume rebates and catalog allowances. Escalade, Incorporated reviews such allowances on an ongoing basis and accruals are adjusted based on the information within the customer agreements. These estimated sales adjustments are included as part of *Net Sales* on the consolidated statement of operations. At December 31, 2022, the total accrued for these customer allowances was \$4,504,000 and was presented as part of accrued liabilities on the consolidated balance sheet.

The principal consideration for our determination that performing procedures relating to these accruals is a critical audit matter was the significant judgment by management to estimate the accruals due to the complexity of the process involved in developing the accruals. The volume of the customer contracts containing allowance agreements is significant, some customers are granted multiple types of allowances and contract terms can change frequently. Management obtains the amount of sales subject to the allowances and the various allowances taken by customers over time from its accounting system. All of this in turn led to a high degree of auditor judgment and subjectivity in performing procedures and evaluating management's process for developing the accruals.

We identified the estimated sales allowances as a critical audit matter. The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of controls, including those related to technology, over the estimated sales allowances, including data completeness and accuracy and the potential for management bias in the estimation process;
- Testing the completeness and accuracy of the underlying data used to estimate the accrual by agreeing the sales data used in the calculation to reports that were reconciled to the financial statements, reconciling the various allowance percentages to signed customer contracts, tracing the allowance amounts used by the various customers during the year to supporting documentation and comparing the estimated allowances at the end of each reporting period to actual results that occurred during subsequent reporting periods;
- Testing the clerical accuracy of the individual customer allowances computed by management and agreeing the total of all estimated allowances to the respective accounts on the financial statements.

### **Assumptions Used in Estimating Goodwill and Intangible Assets Associated with Business Combinations**

As described in Note 13 to the consolidated financial statements, Escalade, Incorporated consummated the acquisition of the assets constituting the Brunswick Billiards business of Life Fitness, LLC during the year ended December 31, 2022, resulting in the expansion of Escalade, Incorporated's operating product lines and additional goodwill of \$9,631,000 and additional intangible assets of \$12,900,000 being recognized on Escalade Incorporated's consolidated balance sheet. As part of this acquisition, management assessed that the acquisition qualified as a business combination and all identifiable assets and liabilities acquired were recorded at fair value as part of the purchase price allocation as of the acquisition date. The identification and valuation of such acquired assets and assumed liabilities requires management to exercise significant judgment and consider the use of outside vendors to estimate the fair value allocations.

We identified the consummated acquisition and the valuation of acquired assets and assumed liabilities a critical audit matter. Auditing the acquired balance sheet and acquisition related considerations involved a high degree of subjectivity in evaluating management's operational assumptions of the newly acquired division, fair value estimates, purchase price allocations and assessing the appropriateness of outside vendor valuation models.

The primary procedures we performed to address this critical audit matter included:

- Obtaining and reviewing the executed Asset Purchase Agreement documents to gain an understanding of the underlying terms of the consummated acquisition;
- Testing the design and operating effectiveness of controls over the acquisition accounting, including cut-off procedures performed, asset/liability identification considerations made, and the completeness and accuracy of the balance sheet acquired and related fair value purchase price allocations made to identified assets and liabilities assumed;
- Obtaining and reviewing all significant outside vendor valuation estimates and challenging management's review of the appropriateness of the valuations assessed/allocated to assets acquired and liabilities assumed; including but not limited to, testing all critical inputs, assumptions applied and valuation models utilized by the outside vendors;
- Utilizing internal valuation specialists to assist with testing the related fair value purchase price allocations made to identified assets acquired and liabilities assumed;
- Testing the goodwill calculation resulting from the acquisition consummated, being the difference between the total net consideration paid and the fair value of the net assets acquired; and
- Reviewing and evaluating the adequacy of the disclosures made in the notes of Escalade Incorporated's SEC filings.

/s/ FORVIS, LLP  
(Formerly, BKD, LLP)

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

Evansville, Indiana  
February 24, 2023

## 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 31, 2022, 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 31, 2022, 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 as of December 31, 2022 and for each of the three years in the period ended December 31, 2022 and our report dated February 24, 2023, expressed an unqualified opinion on those financial statements.

### 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 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 reliable 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 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 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 the company'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/ FORVIS, LLP  
(Formerly, BKD, LLP)

Evansville, Indiana  
February 24, 2023



**ESCALADE, INCORPORATED AND SUBSIDIARIES**  
**Consolidated Balance Sheets**

All Amounts in Thousands Except Share Information	December 31, 2022	December 25, 2021
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 3,967	\$ 4,374
Receivables, less allowances of \$492 and \$457; respectively	57,419	65,991
Inventories	121,870	92,382
Prepaid expenses	4,942	7,569
Prepaid income tax	--	739
<b>TOTAL CURRENT ASSETS</b>	<b>188,198</b>	<b>171,055</b>
Property, plant and equipment, net	24,751	24,936
Assets held for sale	2,823	--
Operating lease right-of-use assets	9,100	2,210
Intangible assets	31,120	20,778
Goodwill	42,326	32,695
Other assets	400	124
<b>TOTAL ASSETS</b>	<b>\$298,718</b>	<b>\$251,798</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 7,143	\$ 7,143
Trade accounts payable	9,414	15,847
Accrued liabilities	21,320	24,385
Income tax payable	71	--
Current operating lease liabilities	993	818
<b>TOTAL CURRENT LIABILITIES</b>	<b>38,941</b>	<b>48,193</b>
Long-term debt	87,738	50,396
Deferred income tax liability	4,516	4,759
Operating lease liabilities	8,641	1,387
Other liabilities	407	448
<b>TOTAL LIABILITIES</b>	<b>140,243</b>	<b>105,183</b>
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: 2022 —13,594,407 shares, 2021 —13,493,332 shares	13,594	13,493
Retained earnings	144,881	133,122
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>158,475</b>	<b>146,615</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$298,718</b>	<b>\$251,798</b>

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 31, 2022	December 25, 2021	December 26, 2020
Net Sales	\$313,757	\$313,612	\$273,649
Costs and Expenses			
Cost of products sold	240,118	236,482	198,822
Selling, administrative and general expenses	44,765	43,367	40,315
Amortization	2,559	1,867	1,480
Operating Income	26,315	31,896	33,032
Other Income (Expense)			
Interest expense	(3,780)	(1,510)	(250)
Other income (expense)	79	163	140
Income Before Income Taxes	22,614	30,549	32,922
Provision for Income Taxes	4,625	6,144	6,988
Net Income	\$ 17,989	\$ 24,405	\$ 25,934
Earnings Per Share Data:			
Basic earnings per share	\$ 1.33	\$ 1.78	\$ 1.84
Diluted earnings per share	\$ 1.31	\$ 1.76	\$ 1.82

See notes to consolidated financial statements.

**ESCALADE, INCORPORATED AND SUBSIDIARIES**  
**Consolidated Statements of Stockholders' Equity**

All Amounts in Thousands	Common Stock		Retained Earnings	Total
	Shares	Amount		
<b>Balances at December 28, 2019</b>	14,215	\$14,215	\$111,955	\$126,170
Net income			25,934	25,934
Expense of stock options and restricted stock units			1,016	1,016
Exercise of stock options	10	10	134	144
Settlement of restricted stock units	55	55	(55)	--
Issuance of restricted stock awards	35	35	(35)	--
Dividends declared			(7,466)	(7,466)
Stock issued to directors as compensation	10	10	87	97
Purchase of stock	(406)	(406)	(6,333)	(6,739)
<b>Balances at December 26, 2020</b>	13,919	\$13,919	\$125,237	\$139,156
Net income			24,405	24,405
Expense of stock options and restricted stock units			902	902
Exercise of stock options	10	10	134	144
Settlement of restricted stock units	50	50	(50)	--
Dividends declared			(7,693)	(7,693)
Stock issued to directors as compensation	6	6	129	135
Purchase of stock	(492)	(492)	(9,942)	(10,434)
<b>Balances at December 25, 2021</b>	13,493	\$13,493	\$133,122	\$146,615
Net income			17,989	17,989
Expense of stock options and restricted stock units			1,974	1,974
Settlement of restricted stock units	97	97	(97)	--
Dividends declared			(8,154)	(8,154)
Stock issued to directors as compensation	4	4	47	51
<b>Balances at December 31, 2022</b>	13,594	\$13,594	\$144,881	\$158,475

See notes to consolidated financial statements.

**ESCALADE, INCORPORATED AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**

All Amounts in Thousands	Years Ended		
	December 31, 2022	December 25, 2021	December 26, 2020
<b>Operating Activities:</b>			
Net Income	\$ 17,989	\$ 24,405	\$ 25,934
Reconciling adjustments:			
Depreciation and amortization	6,063	4,835	4,016
Provision for doubtful accounts	108	(408)	473
Stock option and restricted stock unit expense	1,974	902	1,016
Deferred income taxes	(244)	567	656
Loss (gain) on disposals of assets	(22)	(19)	(2)
Changes in			
Accounts receivable	9,738	(301)	(29,905)
Inventories	(15,847)	(19,894)	(26,422)
Prepays and other assets	3,433	(4,163)	(42)
Accounts payable and accrued expenses	(14,668)	(4,985)	26,909
Net cash provided by operating activities	8,524	939	2,633
<b>Investing Activities:</b>			
Purchase of property and equipment	(2,111)	(9,696)	(5,455)
Acquisitions	(35,757)	--	(15,446)
Payment on note payable related to an acquisition	--	--	(135)
Proceeds from sale of property and equipment	40	43	4
Net cash used in investing activities	(37,828)	(9,653)	(21,032)
<b>Financing Activities:</b>			
Dividends paid	(8,154)	(7,693)	(7,466)
Proceeds from issuance of long-term debt	197,369	232,065	84,044
Payments on long-term debt	(160,027)	(204,601)	(53,971)
Proceeds from exercise of stock options	--	144	144
Deferred financing fees	(342)	(33)	(87)
Purchase of stock	--	(10,434)	(6,739)
Director stock compensation	51	135	97
Net cash provided by financing activities	28,897	9,583	16,022
Increase (decrease) in Cash and Cash Equivalents	(407)	869	(2,377)
Cash and Cash Equivalents, beginning of year	4,374	3,505	5,882
Cash and Cash Equivalents, end of year	\$3,967	\$4,374	\$3,505
<b>Supplemental Cash Flows Information</b>			
Interest paid	\$ 3,867	\$ 1,433	\$ 205
Income taxes paid	\$ 4,144	\$ 6,284	\$ 6,205
Information regarding the Company's acquisitions in 2022 and 2020 are as follows:			
Fair value of assets acquired	\$41,496	\$--	\$16,277
Cash paid for assets	(35,757)	--	(15,446)
Liabilities assumed	\$ 5,739	\$ --	\$ 831

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 currently 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***

Through and including December 31, 2022, the Company's fiscal year was a 52 or 53 week period ending on the last Saturday in December. Fiscal year 2022 was 53 weeks long, ending December 31, 2022. Fiscal year 2021 was 52 weeks long, ending December 25, 2021. Fiscal year 2020 was 52 weeks long, ending on December 26, 2020.

On August 10, 2022, Escalade's Board of Directors approved a change in its fiscal year end from the last Saturday in December of each year to December 31 of each year. Escalade's fiscal quarters will end on March 31, June 30, and September 30. The fiscal year change is effective beginning with Escalade's 2023 fiscal calendar, which began on January 1, 2023. Consistent with SEC guidance, no transition report is required in connection with the change in Escalade's fiscal year end. Following the filing of this Form 10-K for the year ended December 31, 2022, the new fiscal year will take effect from January 1, 2023 to December 31, 2023.

### ***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. Book overdrafts that result from outstanding checks in excess of our bank balance are reclassified to accrued liabilities. As of December 31, 2022, the Company reclassified \$6.9 million of book overdrafts to accrued liabilities. As of December 25, 2021, the Company reclassified \$4.7 million of book overdrafts to accrued liabilities.

### ***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 \$1,568 thousand and \$748 thousand at fiscal year-end 2022 and 2021, respectively.

Inventories, net of the valuation reserve, at fiscal year-ends were as follows:

In Thousands	2022	2021
Raw materials	\$7,789	\$9,142
Work in process	3,478	3,529
Finished goods	110,603	79,711
	\$121,870	\$92,382

### ***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	2022	2021
Land	\$ 1,306	\$ 2,255
Buildings and leasehold improvements	27,406	24,175
Machinery and equipment	27,497	31,853
Total cost	56,209	58,283
Accumulated depreciation and amortization	(31,458)	(33,347)
	\$ 24,751	\$ 24,936

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 2022, 2021, or 2020.

We classify assets as held for sale when our management approves and commits to a formal plan of sale that is probable of being completed within one (1) year. Assets designated as held for sale are recorded at the lower of their current carrying value or their fair market value, less costs to sell, beginning in the period in which the assets meet the criteria to be classified as held for sale.

### ***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 15 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 a quantitative assessment, in which the fair value of the reporting unit is compared to its carrying value. If the carrying value of goodwill exceeds the fair value, an impairment charge to current operations is recorded to reduce the carrying value to the fair value. 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 31, 2022 and December 25, 2021.

### ***Employee Incentive Plan***

During 2017, the Company approved an incentive plan explained in Note 9. The Company accounts for this plan under the recognition and measurement principles of FASB ASC 718, *Equity Based Payments*.

### ***Foreign Currency***

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 2022, 2021, and 2020.

### ***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.

### ***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. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company accounts for uncertainty in tax positions by recognizing in its financial statements the impact of a tax position only if that position is more likely than not of being sustained.

### ***Research and Development***

Research and development costs are charged to expense as incurred. Research and development costs incurred during 2022, 2021 and 2020 were approximately \$2.7 million, \$2.0 million, and \$1.5 million, respectively.

### ***New Accounting Pronouncements and Changes in Accounting Principles***

#### ***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. 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. Amendments in ASU 2016-13 are effective in fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The Company will adopt this ASU within the annual reporting period ending December 31, 2023. The Company is currently assessing the impact of adopting this standard, but based upon its preliminary assessment, does not expect the adoption of this guidance to have a material impact on its 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 a quantitative assessment, in which the fair value of the reporting unit is compared to its carrying value. If the carrying value of goodwill exceeds the fair value, an impairment charge to current operations is recorded to reduce the carrying value to the 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 15 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 30 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:

In Thousands	2022	2021	2020
Beginning balance	\$ 1,119	\$ 962	\$ 688
Additions	2,472	2,487	1,648
Deductions	(2,578)	(2,330)	(1,374)
Ending balance	\$ 1,013	\$ 1,119	\$ 962

***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 potentially excess or obsolete and a reserve is established based on the anticipated net realizable value. Changes in inventory valuation reserves were as follows:

In Thousands	2022	2021	2020
Beginning balance	\$ 748	\$ 697	\$ 786
Additions	1,083	446	831
Deductions	(263)	(395)	(920)
Ending balance	\$ 1,568	\$ 748	\$ 697

***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	2022	2021	2020
Beginning balance	\$ 457	\$ 896	\$ 483
Additions (Reductions)	108	(408)	473
Deductions	(73)	(31)	(60)
Ending balance	\$ 492	\$ 457	\$ 896

#### ***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	2022	2021	2020
Beginning balance	\$ 2,340	\$ 2,296	\$ 1,292
Additions	11,627	12,930	11,940
Deductions	(12,326)	(12,886)	(10,936)
Ending balance	\$ 1,641	\$ 2,340	\$ 2,296

#### **Note 3 — Accrued Liabilities**

Accrued liabilities consist of the following:

In Thousands	2022	2021
Employee compensation	\$ 3,647	\$ 5,573
Customer co-op and volume allowances	1,641	2,340
Customer return accruals and other allowances	4,225	6,435
Other accrued items	11,807	10,037
	\$ 21,320	\$ 24,385

#### **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 9 years. As of December 31, 2022, 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 is as follows:

All Amounts in Thousands	Twelve Months Ended December 31, 2022	Twelve Months Ended December 25, 2021
Lease Expense		
Operating Lease Cost	\$1,481	\$1,489
Short-term Lease Cost	2,587	3,019
Variable Lease Cost	502	378
Total Operating Lease Cost	\$4,570	\$4,886
Operating Lease – Operating Cash Flows	\$860	\$1,347
New ROU Assets – Operating Leases (non-cash)	\$8,084	\$2,347

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

	Period Ended December 31, 2022	Period Ended December 25, 2021
Weighted Average Remaining Lease Term – Operating Leases	8.98 years	3.97 years
Weighted Average Discount Rate – Operating Leases	5.06%	5.00%

Future minimum lease payments under non-cancellable leases as of December 31, 2022 were as follows:

All Amounts in Thousands	
Year 1	\$1,454
Year 2	1,402
Year 3	1,367
Year 4	1,323
Year 5	1,237
Thereafter	5,270
Total future minimum lease payments	12,053
Less imputed interest	(2,419)
Total	\$9,634
Reported as of December 31, 2022	
Current operating lease liabilities	993
Long-term operating lease liabilities	8,641
Total	\$9,634

## 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	2022		2021	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	24,715	24,270	24,715	24,068
Non-compete agreements	2,749	2,749	2,749	2,749
Customer list	22,017	9,783	18,017	8,100
Trademarks	18,636	802	9,736	266
Developed technology	475	396	475	301
License agreements	700	172	700	130
	<u>69,292</u>	<u>38,172</u>	<u>56,392</u>	<u>35,614</u>

Amortization expense was \$2.6 million, \$1.9 million and \$1.5 million for 2022, 2021 and 2020, respectively.

Estimated future amortization expense is summarized in the following table:

### All Amounts in Thousands

2023	\$2,480
2024	2,356
2025	2,307
2026	2,259
2027	2,173
Thereafter	<u>11,761</u>
Subtotal	23,336
Indefinite-lived intangible asset balance	<u>7,784</u>
Total	<u>\$31,120</u>

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 26, 2020	\$32,695
Acquisition	<u>--</u>
Balance at December 25, 2021	\$32,695
Acquisition	<u>9,631</u>
Balance at December 31, 2022	<u>\$42,326</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 a quantitative assessment, in which the fair value of the reporting unit is compared to its carrying value. If the carrying value of goodwill exceeds the fair value, an impairment charge to current operations is recorded to reduce the carrying value to the fair value.

## Note 6 — Borrowings

On January 21, 2019, the Company entered into an Amended and Restated Credit Agreement (“2019 Restated Credit Agreement”) among the Company and its wholly owned subsidiary, Indian Industries, Inc. (“Indian”), each of their domestic subsidiaries, and JPMorgan Chase Bank, N.A., as Administrative Agent and as Lender (the “Lender”). Under the terms of the 2019 Restated Credit Agreement, the Lender made available to the Company a senior revolving credit facility with maximum availability of \$50.0 million having a maturity date of January 31, 2022. The 2019 Restated Credit Agreement also allowed Escalade to request the issuance of letters of credit of up to \$5.0 million.

On December 14, 2020, the Company entered into the Third Amendment dated as of December 14, 2020 (the “Third Amendment”) to the 2019 Restated Credit Agreement. Under the terms of the Third Amendment, the maximum availability under the senior revolving credit facility increased to \$75.0 million and the maturity date was extended to December 14, 2023. Other significant changes reflected in the Third Amendment included: increases in borrowing base availability if the Company’s funded debt to EBITDA ratio is less than 1.75 to 1:00; increasing to \$30.0 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; resetting the maximum authorized stock repurchases to \$15.0 million for the period commencing upon entry into the Third Amendment; increasing the interest rate on borrowings by twenty five basis points; increasing the unused facility fee by five basis points; and adding specific provisions and procedures for replacement of LIBOR if and when LIBOR would no longer be the benchmark for determining interest rates.

On July 7, 2021, the Company entered into the Fourth Amendment dated as of July 7, 2021 (the “Fourth Amendment”) to the 2019 Restated Credit Agreement. Under the terms of the Fourth Amendment, the Lender extended a \$50.0 million term loan to the Company and reduced the maximum availability under the senior revolving credit facility from \$75.0 million to \$50.0 million. The proceeds of the term loan were used to pay down the Company’s then-outstanding indebtedness under the revolving credit facility, with the balance of the term loan proceeds being available for general working capital purposes. The maturity date of the term loan was July 7, 2026 and the maturity date of the revolving credit facility likewise was extended to July 7, 2026.

On January 21, 2022, the Company entered into an Amended and Restated Credit Agreement (“2022 Restated Credit Agreement”) with its issuing bank, JP Morgan Chase Bank, N.A. (“Chase”), and the other lenders identified in the 2022 Restated Credit Agreement (collectively, the “Lenders”). Under the terms of the 2022 Restated Credit Agreement, Old National Bank was added as a Lender. The Lenders made available to the Company a senior revolving credit facility with increased maximum availability of \$65.0 million (the “Revolving Facility”), up from \$50.0 million, plus an accordion feature that would allow borrowings up to \$90.0 million under the Revolving Facility subject to certain terms and conditions. The maturity date of the revolving credit facility was extended to January 21, 2027. The Company may prepay the Revolving Facility, in whole or in part, and reborrow prior to the revolving loan maturity date. The Restated Credit Agreement further extended the maturity date for the term loan facility to January 21, 2027.

In addition to the increased borrowing amount and extended maturity date, the 2022 Restated Credit Agreement provided a \$7.5 million swingline commitment by Chase, replaced LIBOR with the replacement benchmark secured overnight financing rate, and adjusted certain financial covenants relating to the fixed charge coverage ratio.

On July 18, 2022, the Company entered into the First Amendment (the “First Amendment”) to the 2022 Restated Credit Agreement.

Under the terms of the First Amendment, the Lenders increased the maximum availability under the senior revolving credit facility from \$65.0 million to \$75.0 million pursuant to the accordion feature in the 2022 Restated Credit Agreement. The First Amendment also adjusted the funded debt to EBITDA ratio financial covenant to 3:00 to 1:00 as of the end of the Company’s third and fourth fiscal quarters of 2022.

On October 26, 2022, the Company entered into the Second Amendment (the “Second Amendment”) to the 2022 Restated Credit Agreement.

Under the terms of the Second Amendment, the Lenders increased the maximum availability under the senior revolving credit facility from \$75.0 million to \$90.0 million pursuant to the accordion feature in the 2022 Restated Credit Agreement. The Second Amendment adjusted the funded debt to EBITDA ratio financial covenant to 3:25 to 1:00 as of the end of the Company’s third and fourth fiscal quarters of 2022 and 3:00 to 1:00 as of the end of the Company’s first fiscal quarter of 2023. The Second Amendment also modified the EBITDA definition to permit add-backs of a) up to \$2.0 million for disposition related expenses; and b) up to \$2.0 million for unusual or non-recurring expenses which are incurred prior to the end of fiscal year 2023 and which are subject to the approval of the Administrative Agent.

Each loan will bear interest based on the applicable SOFR rate for the interest period in effect plus the Applicable Rate. From October 26, 2022 up to and including the fiscal quarter ending June 30, 2023, the applicable rate per annum is set forth below in Category 1. After the fiscal quarter ending June 30, 2023, the Applicable Rate shall be determined as of the end of each quarter 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 Commitment ABR Spread</u>	<u>Revolving Commitment Term Benchmark Spread</u>	<u>Letter of Credit Fee</u>	<u>Commitment Fee Rate</u>
<u>Category 1</u> Greater than or equal to 3.00 to 1.0	0.75%	2.50%	2.50%	0.35%
<u>Category 2</u> Greater than or equal to 2.50 to 1.0 but less than 3.00 to 1.0	0.25%	2.00%	2.00%	0.30%
<u>Category 3</u> Greater than or equal to 1.50 to 1.0 but less than 2.50 to 1.0	-0-	1.75%	1.75%	0.25%
<u>Category 4</u> Less than 1.50 to 1.0	(0.25%)	1.50%	1.50%	0.20%

The Applicable Rate is determined as of the end of each quarter based upon the Company’s annual or quarterly consolidated financial statements and is effective during the period commencing the date of delivery to the agent. The Company’s indebtedness under the 2022 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’s domestic subsidiaries and substantially all of the assets of the Company (excluding real estate). Each direct and indirect domestic subsidiary of the Company and Indian has secured its guaranty of indebtedness incurred under the revolving facility with a first priority security interest and lien on all of such subsidiary’s assets. The obligations, guarantees, liens and other interests granted by the Company, Indian, and their domestic subsidiaries continues in full force and effect.

### ***Long-Term Debt***

Long-term debt at fiscal year-ends was as follows:

In Thousands	2022	2021
Senior secured revolving credit facility of \$90.0 million with a maturity of January 21, 2027. The interest rate at December 31, 2022 was 6.92% and 3.00% at December 25, 2021.	\$ 55,000	\$ 10,515
Term loan of \$50.0 million with a maturity date of January 21, 2027. The interest rate at December 31, 2022 and December 25, 2021, was 2.97%.	39,881	47,024
	94,881	57,539
Current portion of long-term debt	(7,143)	(7,143)
	\$ 87,738	\$ 50,396

The Company makes monthly principal payments under the Term loan of \$595 thousand.

### **Note 7 — 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	2022	2021	2020
Weighted average common shares outstanding	13,572	13,747	14,096
Dilutive effect of stock options and restricted stock units	117	119	129
Weighted average common shares outstanding, assuming dilution	13,689	13,866	14,225
Number of anti-dilutive stock options and unvested restricted stock units	--	--	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 8 — 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 \$1,179 thousand, \$1,041 thousand and \$841 thousand for 2022, 2021 and 2020, respectively.

### **Note 9 — 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 Awards***

During 2022, and pursuant to the 2017 Incentive Plan, in lieu of cash payments of director fees, the Company awarded to certain directors 3,886 shares of common stock. In 2022, the Company awarded 20,000 restricted stock units to directors and 196,254 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 vest 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. All of the 2022 restricted stock units awarded to employees time vest over three years (one-third one year from grant, one-third two years from grant and one-third three years from grant) provided that the employee is still employed by the Company on the vesting date. The Company has elected to account for forfeitures when they actually occur.

A summary of restricted stock awards activity is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested stock units as of December 26, 2020	244,076	\$8.98
Granted	50,615	20.74
Vested	(84,887)	8.98
Forfeited	<u>(55,684)</u>	7.99
Non-vested stock units as of December 25, 2021	154,120	\$13.19
Granted	216,254	14.15
Vested	(97,189)	12.16
Forfeited	<u>(21,156)</u>	14.10
Non-vested stock units as of December 31, 2022	<u><u>252,029</u></u>	\$14.33

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 2022, 2021, and 2020 the Company recognized \$1,974 thousand, \$902 thousand, and \$1,011 thousand respectively in compensation expense related to restricted stock units and as of December 31, 2022 and December 25, 2021, there was \$1,415 thousand and \$629 thousand respectively, of unrecognized compensation expense related to restricted stock units.

### ***Stock Options***

Total compensation expense recorded in the statements of operations for 2022, 2021 and 2020 relating to stock options was zero, zero and \$5 thousand, respectively. No stock options were awarded during 2022, 2021 or 2020.

The following table summarizes option activity for each of the three years ended 2022:

	<u>Incentive Stock Options</u>		<u>Director Stock Options</u>	
	<u>Granted</u>	<u>Outstanding</u>	<u>Granted</u>	<u>Outstanding</u>
2022	--	--	--	--
2021	--	--	--	--
2020	--	10,000	--	--

The following table summarizes stock option transactions for the three years ended 2022:

	2022		2021		2020	
	Shares	Option Price	Shares	Option Price	Shares	Option Price
Outstanding at beginning of year	--	--	10,000	\$14.39	20,000	\$14.39
Issued during year	--	--	--	--	--	--
Canceled or expired	--	--	--	--	--	--
Exercised during year	--	--	(10,000)	\$14.39	(10,000)	\$14.39
Outstanding at end of year	--	--	--	--	10,000	\$14.39
Exercisable at end of year	--	--	--	--	10,000	--
Weighted-average fair value of options granted during the year	--	--	--	--	--	--

The total intrinsic value of options exercised was zero, zero and \$73 thousand 2022, 2021 and 2020, respectively.

There were no stock options outstanding at December 31, 2022.

#### Note 10 — Provision for Taxes

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

In Thousands	2022	2021	2020
Income before taxes:	\$ 22,614	\$ 30,549	\$ 32,922
Provision (benefit) for taxes:			
Current			
Federal	\$ 4,149	\$ 4,819	\$ 5,479
State	720	758	854
	<u>4,869</u>	<u>5,577</u>	<u>6,333</u>
Deferred			
Federal	(502)	408	665
State	258	159	(10)
	<u>(244)</u>	<u>567</u>	<u>655</u>
	<u>\$ 4,625</u>	<u>\$ 6,144</u>	<u>\$ 6,988</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:

In Thousands	2022	2021	2020
Income tax at statutory rate	\$ 4,749	\$ 6,415	\$ 6,914
Increase (decrease) in income tax resulting from			
State tax expense, net of federal effect	773	724	668
Federal true-ups	(49)	(38)	(103)
Federal tax credits	(413)	(251)	(114)
Captive insurance earnings	(478)	(456)	(443)
Incentive stock options	(18)	(214)	(4)
Other	61	(36)	70
Recorded provision for income taxes	<u>\$ 4,625</u>	<u>\$ 6,144</u>	<u>\$ 6,988</u>



The provision for income taxes was computed based on financial statement income. In accordance with FASB ASC 740, the Company has an uncertain tax position as of and for the years ended December 31, 2022 and December 25, 2021. 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 2018.

The Company has state, net of federal benefit, research tax credit carryforwards of \$351 thousand as of December 31, 2022. The state research tax credit carryforwards begin to expire in 2024. A valuation allowance has been established in the amount of \$351 thousand as of December 31, 2022 related to the state tax credit carryforwards, leaving an ending deferred, net of federal benefit, in the amount of zero. The increase in the valuation allowance relates to the decrease in the projected tax liability which would be offset by the credit carryforward. The valuation allowance is based on the historical results and estimated future results of the Company, as it is the judgment of management not all of these tax carryforward attributes will be realized before they begin to expire. In addition, the Company has foreign tax credit carryforwards of \$323 thousand, as of December 31, 2022.

At December 31, 2022, the Company had domestic federal income taxes payable of \$158 thousand, domestic state income taxes receivable of \$87 thousand, and transition tax payable of \$387 thousand recorded. At December 25, 2021, the Company had domestic federal income taxes receivable of \$631 thousand, domestic state income taxes receivable of \$108 thousand, and transition tax payable of \$387 thousand recorded.

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

In Thousands	2022	2021
<b>Assets</b>		
Valuation reserves	\$ 1,167	\$ 1,248
Stock based compensation	389	329
Federal and state credits	674	339
Lease obligation	2,252	515
Other	4	34
Capitalized research costs	605	--
Total assets	5,091	2,465
<b>Liabilities</b>		
Property and equipment	(1,502)	(1,474)
Goodwill and intangible assets	(5,347)	(4,973)
Lease – right of use asset	(2,127)	(517)
Prepaid insurance	(280)	(237)
Total liabilities	(9,256)	(7,201)
<b>Valuation Allowance</b>		
Beginning balance	(23)	(27)
(Increase) Decrease during period	(328)	4
Ending balance	(351)	(23)
	\$ (4,516)	\$ (4,759)

The following table reconciles the total amounts of unrecognized tax benefits:

In Thousands	2022	2021	2020
Balance at beginning of year	\$ 61	\$ 61	\$ --
Increases related to prior year tax positions	-	-	-
Decreases related to prior year tax positions	-	-	-
Increases related to current year tax positions	-	-	61
Settlements	-	-	-
Closure of tax years	(41)	-	-
Balance at end of year	<u>\$ 20</u>	<u>\$ 61</u>	<u>\$ 61</u>

The total amount of unrecognized tax benefits, net of federal income tax benefits, of \$16 thousand at December 31, 2022, and \$48 thousand at December 25, 2021, that if recognized, would affect the effective tax rate on income from continuing operations.

The Company had no accrued interest and penalties related to taxes, recognized as a liability, as of December 31, 2022.

The Company has assessed its risk associated with all tax return positions and believes its tax reserve estimate reflects its best estimate of the deductions and positions it will be able to sustain, or it may be willing to concede as part of a settlement. At this time, the Company does not anticipate any change in its tax reserves in the next twelve months. The Company will continue to monitor the progress and conclusion of all audits and will adjust its estimated liability as necessary.

## Note 11 — Operating Segment and Geographic Information

The following table presents certain operating segment information.

In Thousands	2022	2021	2020
<b>Sporting Goods</b>			
Net revenue	\$ 313,757	\$ 313,612	\$ 273,649
Operating income	25,925	31,534	32,685
Interest expense	3,780	1,510	250
Provision for taxes	6,106	8,295	8,951
Net income	16,117	21,892	23,625
Identifiable assets	286,417	241,547	211,253
Depreciation & amortization	6,063	4,835	4,016
Capital expenditures	2,111	9,696	5,455
<b>All Other</b>			
Net revenue	--	--	--
Operating income	390	362	347
Interest expense (income)	--	--	--
Provision (benefit) for taxes	(1,481)	(2,151)	(1,963)
Net income	1,872	2,513	2,309
Identifiable assets	12,301	10,251	9,452
Depreciation & amortization	--	--	--
Capital expenditures	--	--	--
<b>Total</b>			
Net revenue	313,757	313,612	273,649
Operating income	26,315	31,896	33,032
Interest expense	3,780	1,510	250
Provision for taxes	4,625	6,144	6,988
Net income	17,989	24,405	25,934
Identifiable assets	298,718	251,798	220,705
Depreciation & amortization	6,063	4,835	4,016
Capital expenditures	2,111	9,696	5,455

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 2022. 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; pickleball; pool tables and accessories; outdoor playsets; water sports; 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.

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; and prepaid assets.

The Company had net assets of \$14.8 million and \$15.8 million located in Mexico as of December 31, 2022 and December 25, 2021, respectively.

During 2022, 2021 and 2020, the Company had one customer that accounted for approximately 23%, 21% and 23%, respectively, of the Company's revenues. During 2022, 2021 and 2020 the Company had another customer which accounted for approximately 12%, 11% and 13%, respectively, of the Company's revenues.

As of December 31, 2022, the Company had approximately 28% of its total accounts receivable with one customer. As of December 25, 2021, the Company had approximately 24%, 17% and 10% of its total accounts receivable with that same customer and two other customers, respectively.

As of December 31, 2022, approximately 31 employees of the Company's labor force were covered by a collective bargaining agreement that expires on January 31, 2025.

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, Brazil, 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	2022	2021	2020
North America	\$ 307,318	\$ 309,211	\$ 270,173
Europe	3,036	2,153	1,555
Other	3,403	2,248	1,921
	<u>\$ 313,757</u>	<u>\$ 313,612</u>	<u>\$ 273,649</u>

#### Note 12 — Summary of Quarterly Results

In thousands, except per share data (unaudited)	March 19	July 9	October 1	December 31
<b>2022</b>				
Net Sales	\$ 72,380	\$ 94,337	\$ 74,904	\$ 72,136
Operating Income	9,023	8,189	4,220	4,883
Net income	6,654	5,673	2,958	2,704
Basic Earnings Per Share Data:	\$ 0.49	\$ 0.42	\$ 0.22	\$ 0.20
Diluted Earnings Per Share Data:	\$ 0.49	\$ 0.42	\$ 0.22	\$ 0.20
In thousands, except per share data (unaudited)	March 20	July 10	October 2	December 25
<b>2021</b>				
Net Sales	\$ 59,191	\$ 99,679	\$ 81,298	\$ 73,444
Operating Income	7,129	10,686	7,672	6,409
Net income	5,442	8,126	5,966	4,871
Basic Earnings Per Share Data:	\$ 0.39	\$ 0.59	\$ 0.44	\$ 0.36
Diluted Earnings Per Share Data:	\$ 0.39	\$ 0.58	\$ 0.43	\$ 0.36

## Note 13 — Acquisitions

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

### 2022

On January 21, 2022, the Company completed its acquisition of the assets constituting the Brunswick Billiards business of Life Fitness, LLC. The purchase price of the acquisition was \$35.8 million. Acquisition-related costs of \$134 thousand were incurred during the year ended December 31, 2022. The acquisition was funded by cash and the Company's revolving credit facility. The Company allocated the purchase price to the assets acquired, net of the liabilities assumed, based on their estimated fair value as of the date of the acquisition. The excess of the purchase price over the fair value of the assets acquired, net of the fair value of liabilities assumed, was recorded as goodwill. The recorded goodwill is deductible for tax purposes. 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:

<u>In thousands</u>	
Assets acquired and liabilities assumed:	
Accounts receivable, net	\$ 1,275
Inventories, net	13,641
Fixed assets, including building and land	4,049
Goodwill	9,631
Intangible assets	12,900
Accounts payable	(3,193)
Other liabilities	<u>(2,546)</u>
	<u>\$35,757</u>

### 2020

In October 2020, the Company acquired the assets of the billiard table, game room, and recreational product lines of American Heritage Billiards, including the related intellectual property. In December 2020, the Company acquired substantially all of the business and assets of Revel Match LLC, dba RAVE Sports, a brand known for its innovative and high-quality water recreation products. Total consideration paid for the acquisitions was \$15.4 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. 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 recorded goodwill is deductible for tax purposes. 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.

<u>In thousands</u>	
Assets acquired and liabilities assumed:	
Accounts receivable, net	\$ 399
Inventories, net	3,797
Other assets	936
Goodwill	5,946
Intangible assets	5,277
Accounts payable	(576)
Other liabilities	<u>(333)</u>
	<u>\$15,446</u>

#### Note 14 — 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 31, 2022, the Company had future estimated minimum non-cancelable royalty and license payments as follows:

<u>In Thousands</u>	<u>Amount</u>
2023	\$ 898
2024	566
2025	579
2026	599
2027	620
Thereafter	1,305
	<u>\$ 4,567</u>

#### Note 15 — 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 long-term debt, including the current portion of 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 31, 2022 and December 25, 2021.

<b>2022</b>	<b><u>Fair Value Measurements Using</u></b>			
	<b><u>Fair Value</u></b>	<b><u>Quoted Prices in</u></b>	<b><u>Significant Other</u></b>	<b><u>Significant</u></b>
<b><u>In Thousands</u></b>		<b><u>Active Markets</u></b>	<b><u>Observable</u></b>	<b><u>Unobservable</u></b>
		<b><u>for Identical</u></b>	<b><u>Inputs (Level 2)</u></b>	<b><u>Inputs (Level 3)</u></b>
		<b><u>Assets (Level 1)</u></b>		
Financial assets				
Cash and cash equivalents	\$ 3,967	\$ 3,967	\$ --	\$ --
Financial liabilities				
Current portion of long-term debt	\$7,143	\$ --	\$ 7,143	\$ --
Long-term debt	\$87,738	\$ --	\$87,738	\$ --

**Fair Value Measurements Using**

<b>2021</b>		<b>Quoted Prices in</b>	<b>Significant Other</b>	<b>Significant</b>
<b>In Thousands</b>	<b>Fair Value</b>	<b>Active Markets</b>	<b>Observable</b>	<b>Unobservable</b>
		<b>for Identical</b>	<b>Inputs (Level 2)</b>	<b>Inputs (Level 3)</b>
		<b>Assets (Level 1)</b>		
<b>Financial assets</b>				
Cash and cash equivalents	\$ 4,374	\$ 4,374	\$ --	\$ --
<b>Financial liabilities</b>				
Current portion of long-term debt	\$7,143	\$ --	\$ 7,143	\$ --
Long-term debt	\$50,396	\$ --	\$50,396	\$ --

**Note 16 — Revenue from Contracts with Customers**

**Revenue Recognition** – 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 31, 2022	December 25, 2021	December 26, 2020
Gross Sales by Channel:			
Mass Merchants	\$104,097	\$115,949	\$104,147
Specialty Dealers	98,954	96,166	80,419
E-commerce	119,401	119,550	109,297
International	16,183	11,337	8,226
Other	4,490	3,240	2,312
Total Gross Sales	<u>343,125</u>	<u>346,242</u>	<u>304,401</u>
Less: Gross-to-Net Sales Adjustments			
Returns	5,256	8,304	7,837
Warranties	2,472	2,488	1,648
Customer Allowances	21,640	21,838	21,267
Total Gross-to-Net Sales Adjustments	<u>29,368</u>	<u>32,630</u>	<u>30,752</u>
Total Net Sales	<u>\$313,757</u>	<u>\$313,612</u>	<u>\$273,649</u>

**Note 17 — Subsequent Events**

On February 21, 2023, the Company’s Board of Directors approved a plan to close the Company’s manufacturing facilities in Rosarito, Mexico and to dispose of those facilities. The strategic decision to cease the Company’s manufacturing operations in Mexico is part of the Company’s ongoing efforts to improve profitability and to drive operational efficiencies.



## 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/ Walter P. Glazer, Jr.

February 24, 2023

Walter P. Glazer, Jr.

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 and  
President and Chief Executive  
Officer

February 24, 2023

Walter P. Glazer, Jr.

/s/ Katherine F. Franklin

Director

February 24, 2023

Katherine F. Franklin

/s/ Edward E. Williams

Director

February 24, 2023

Edward E. Williams

/s/ Richard Baalman, Jr.

Director

February 24, 2023

Richard Baalman, Jr.

/s/ Anita Sehgal

Director

February 24, 2023

Anita Sehgal

/s/ Patrick Griffin

Director

February 24, 2023

Patrick Griffin

/s/ Stephen R. Wawrin

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

February 24, 2023

Stephen R. Wawrin

**Exhibit 21****ESCALADE, INCORPORATED AND SUBSIDIARIES****List of Subsidiaries at December 31, 2022**

	<b>State of or Other Jurisdiction of Incorporation</b>	<b>Percent of Voting Securities Owned by Parent</b>
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 No. 333-218340) of our report dated February 24, 2023, on our audits of the consolidated financial statements of Escalade, Incorporated as of December 31, 2022, and December 25, 2021, and for each of the three years in the period ended December 31, 2023, which report is included in this Annual Report on Form 10-K.

/s/ FORVIS, LLP  
FORVIS, LLP  
Evansville, Indiana  
February 24, 2023

## Exhibit 31.1

### CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Walter P. Glazer, Jr., 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 24, 2023

/s/ Walter P. Glazer, Jr.  
Walter P. Glazer, Jr.  
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 24, 2023

/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 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Walter P. Glazer, Jr, 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/ Walter P. Glazer, Jr.

Walter P. Glazer, Jr.  
Chief Executive Officer  
February 24, 2023

**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 31, 2022 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 24, 2023



Such a generous company! We have been so pleased by their heart and we will use them again in the future!

- Millie S.



I am very impressed with Escalade Sports! I have had nothing but positive experiences with them. From an Amazon order to ordering directly from them, everything has gone smoothly. I highly recommend their products!

- Harold M.



Great service, great people, great products. Pretty simple...

- Clark S.



Escalade Sports has phenomenal customer service. They are helpful, fast, kind and sent out quality products.

- Janice M.







# CORPORATE INFORMATION

## **CORPORATE HEADQUARTERS**

817 MAXWELL AVENUE  
EVANSVILLE, IN 47711  
812.467.1200  
ESCALADEINC.COM

## **COMMON STOCK LISTING**

NASDAQ  
(SYMBOL: ESCA)

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

FORVIS, LLP

## **TRANSFER AGENT**

BROADRIDGE CORPORATE ISSUE SOLUTIONS, INC.  
PO BOX 1342  
BRENTWOOD, NY 11717  
877.830.4936  
BROADRIDGE.COM

## **INVESTOR RELATIONS**

PATRICK GRIFFIN  
812.467.1358

*The Company's annual shareholder meeting will be held at 8:00 am (Central Daylight Savings Time) on May 10, 2023 at the Corporate offices located at 817 Maxwell Avenue Evansville, IN 47711*



**ESCALADE<sup>®</sup>**  

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[ESCALADEINC.COM](http://ESCALADEINC.COM)