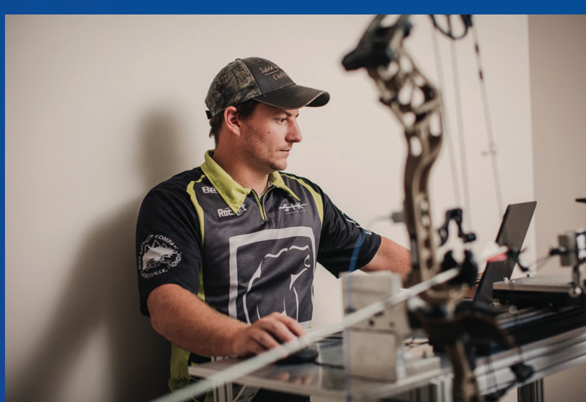
ESCALADE INC.

2021 ANNUAL REPORT

THE ESCALADE FAMILY

WORKING TOGETHER TO CREATE MEMORABLE MOMENTS



MESSAGE TO
OUR SHAREHOLDERS

One hundred years ago, the United States and the world were returning to normal after the Spanish Flu pandemic. The malaise and disenchantment following world war and a devastating pandemic soon gave way to a period of energy and economic growth in the Roaring '20s. 1922 also marked the formation of the company which became Escalade. From the Williams Shoe Company to Indian Archery and Toy to Martin Yale and beyond, Escalade's history is notable for our ability to pivot and adapt. I invite you to take a moment to review the timeline in this annual report—it is a remarkable 100-year journey with many twists and turns that brings us into 2022. We have deep respect for those before us who overcame challenges and pursued new opportunities for future success and helped set the stage for what has become Escalade today. With that comes a responsibility to build upon our foundation for the next 100 years.

2021 was both challenging and productive for our company. The worldwide supply chain issues challenged our teams, yet they worked together tirelessly and produced remarkable results. Net sales increased 14.6% on top of the 51.6% Covid fueled increase in 2020. While many areas, notably home fitness came back to trendline, Escalade was able to gain market share in several key areas during the year and continue to grow beyond Covid.

The enormous supply chain disruptions which became daily news were a challenge for nearly every company sourcing or producing consumer and industrial products. Demurrage, dwell times, detention, transloading—all terms normally limited to specialty trade journals and logistics specialists became daily conversation. Escalade's growth and market share gains are due, in large part, to the tireless, around the clock efforts of our professionals in sourcing, purchasing, manufacturing, logistics, distribution, and sales. It truly was a team effort to keep goods moving to serve our retail partners and consumers. As a company, we absorbed enormous costs to expedite, or merely secure space to move our goods. Escalade's philosophy is to manage costs, become more efficient, and to raise prices only as a last resort. In 2021 it became a matter of balancing the amount and timing of supply, the excess cost of moving goods, all with an understanding of consumer demand and price elasticity as we raised prices throughout the year.

Our cost of goods rose faster than we raised prices. Gross margin declined 275 basis points, yet we were able to generate a 3.1% increase in gross profit dollars due to the higher sales. I find this to be an acceptable trade-off as we intend to hold on to our market share gains while the supply/demand imbalance and commodity prices will be corrected over time through market forces.

Tight overhead cost control has been a hallmark of Escalade and 2021 was no exception. Selling, General & Administrative costs as a percentage of sales declined from 14.7% to 13.8%. We've likely taken that as far as it can go. Our plan going forward is to invest more to drive sales and higher gross margins.

On the bottom line, our diluted Earnings Per Share (EPS) declined 3% from $1.82 to $1.76. Our focus and objective is always to increase shareholder value, and one key measure is EPS. From that standpoint, 2021 was a disappointment. When considering that excess supply chain, currency exchange, and raw materials costs negatively impacted EPS by over 50 cents per share in 2021, the picture changes a bit. I am proud of the accomplishments of our 676 dedicated employees and inspired by their passion and commitment to serving our loyal customers.

We enter 2022 ready to take advantage of opportunities and overcome the challenges which will come our way. Among Escalade's advantages are our hybrid manufacturing/sourcing strategy, our decentralized organization with robust corporate support, our ability to invest capital to generate long term growth and profitability, and now our 100-year heritage.

HYBRID MANUFACTURING/SOURCING STRATEGY

While many consumer product companies closed their factories and moved all production offshore over the past 20+ years, Escalade chose to retain domestic manufacturing capability and balance that with importing when necessary. Today, we have the flexibility to produce in-house or to import as conditions dictate. In the current environment we are

bringing production back into our domestic manufacturing facilities. Specific onshoring examples include entry level compound archery bows
that we are moving back into our Gainesville, Florida factory and previously imported umbrella bases which will now be produced at US Weight in Olney, Illinois. Our Victory Tailgate production facility in Orlando, Florida continues to offer short run customized and licensed games with the ability to deliver in days which cannot be matched by offshore sourcing. Domestic production can be cost competitive and provides additional advantages of flexibility, quick response, and inventory control.

DECENTRALIZED ORGANIZATION

I wrote last year about our decentralized business units, their ability to make decisions close to the consumer, and the benefits they derive from Escalade's corporate subject matter experts and financial resources. Our business units delivered many great wins in 2021:

- We increased market share in Archery Bows, Indoor Games, Outdoor Games, and several other categories.
- We gained important distribution in Basketball and regained Table Tennis distribution against private label alternatives.
- Onix solidified its position as the leading authentic brand in the rapidly growing sport of Pickleball.
- We developed compelling new products in several areas, notably Playground, Archery Accessories, and American Heritage.
- Our newly acquired Rave water sports business saw substantial growth despite being held back by supply chain issues.
- And our Victory Tailgate business is preparing to move into new, expanded facilities in Orlando, FL that will support future growth.

CAPITAL ALLOCATION

We believe that prudent allocation of our shareholders' capital is one of our greatest responsibilities. We evaluate the relative merits of reinvestment in our current operations, returning capital to shareholders through cash dividends or share repurchases, acquisition and divestiture of businesses, and debt reduction. Over the past 5 years we have used each of these with the consistent goal of increasing shareholder value.

REINVESTMENT IN OUR CORE BUSINESS

Our highest priority is reinvesting in our existing businesses to protect our market position, to support growth, and to achieve greater efficiencies. During 2021 we invested $9.7 million of capital to support our current portfolio. Among the most significant projects, we:

- Increased our Evansville distribution center square footage 20% by building out vacant space we had acquired in 2020. During the year we prepared the structure, added warehouse racking, and relocated our high-speed package line. We own an additional 140,000 square feet of adjacent space for future expansion.
- Acquired our previously leased US Weight manufacturing facility in Olney, IL along with another nearby warehouse for our Lifeline Fitness business. During a period of rapidly rising warehouse rents, we have secured the home for these businesses and bought the buildings at a steep discount to replacement cost.
- Purchased $1.4 million in tooling and equipment to improve efficiency and expand capacity in our Gainesville FL and Olney IL production facilities.
- Invested nearly $1 million in IT, website, and related digital projects.

RETURNING CAPITAL TO SHAREHOLDERS

During 2021, we returned over $18 million to shareholders through $7.7 million in cash dividends and $10.4 million in share repurchases. This brings the three-year total to $42.5 million.

For the past ten years, we've provided steady, growing cash dividends to our shareholders. During 2021, we paid quarterly dividends of $0.14 per share for an annual rate of $0.56 per share. In March 2022, the Escalade Board approved a dividend increase to $0.15 for the first quarter, an increase of 7.1%.

Share repurchases are a tax efficient way to return capital to shareholders. Those who wish to raise cash can sell shares and pay capital gains tax rather than ordinary income tax rates. Those who do not sell find that their proportional ownership of Escalade has increased since each remaining share represents ownership of a slightly larger portion of the company.

During 2021 the company repurchased 491,618 shares—3.5% of the 13,919,380 shares outstanding at the beginning of the year. Over the past three years, we've repurchased 8.1% of our stock. Recent purchases were completed at prices well above the current price at the time of this writing in March 2022. This reflects a significant difference of opinion between your board and the stock market on the intrinsic value of Escalade. We'll know who was right when we look back in a few years.

ACQUISITIONS

Over the years, Escalade has bought many businesses and sold a few. Our General Managers and Corporate Development team are always on the lookout and evaluate dozens of opportunities every year. We have completed bolt-on acquisitions that fit within existing product lines and acquired platform companies in new, but adjacent businesses; bought successful companies and assets out of bankruptcy; acquired large, fully operational companies and small product lines. The common theme is businesses that fit our mission and will increase shareholder value.

While we made no acquisitions in 2021 it was a very busy year in corporate development. The beginning of the year was devoted to ensuring the successful integration of Rave Sports® which we acquired in December 2020 and the resurrection of American Heritage Billiards® which we acquired out of bankruptcy in October 2020. Both are progressing with long runways for continued growth and profitability.

The latter half of 2021 was devoted to analysis and negotiation toward an agreement to purchase Brunswick Billiards®. We signed a definitive agreement on December 30 and I'd like to personally thank our team members and their families who gave up much of the holiday season so we could complete this important addition to Escalade.

Brunswick Billiards was founded in 1845 and is a part of American history. Abraham Lincoln owned a Brunswick billiards table. In contemporary accounts he described himself as an avid, if not particularly skilled, billiards player who enjoyed the game and the benefits it provided him. We view ourselves as the steward of this great brand, and just like all our other great brands, we will invest, protect, and build upon the name and reputation of Brunswick Billiards.

DEBT REDUCTION

An excellent use of free cash flow can be to delever the balance sheet. Since Escalade sold it's 50% interest in Stiga AB in 2017, we've not had much debt. Now, with the Brunswick acquisition in 2022, share repurchases over the past three years, and our buildup of buffer inventories to help manage the slow and unreliable supply chain, we now have a healthy, but manageable level of debt. For the remainder of 2022, debt reduction will be a focus and excellent opportunity to increase shareholder value. Given any estimate of the total Enterprise Value of the company, each dollar of debt reduction becomes a dollar increase in equity value.

On the topic of debt, an important accomplishment during 2021 was negotiating a new credit agreement that shifted our borrowings from 100% floating rate to a structure that included a $50 million term note with a 2.97% fixed rate. As interest rates rise, we are locked in with this attractive fixed rate for five years. We also have substantial flexibility through an expanded revolving credit line. Our finance team did an excellent job working with our banks to accomplish this. We appreciate the support of JPMorgan Chase, our long-time banking partner and their professionals who know our business well. We've added a relationship with Old National, our hometown bank based in Evansville, IN and are happy that they are partnering with JPMorgan Chase to help facilitate Escalade's growth.

2022 AND BEYOND

As we look ahead, we are fortunate to be in categories that provide joy and satisfaction to so many people as they participate in healthy recreational and competitive activities. Trends in society should continue to benefit our businesses. Thank you for joining us on this journey to write the next chapter in Esclade's story.

Sincerely,

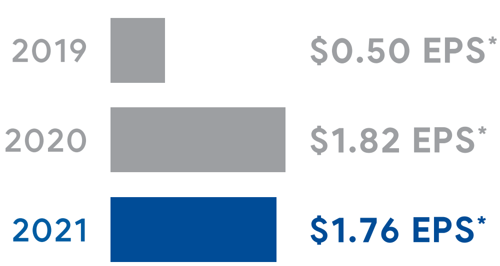
Walter P. Glazer, Jr.
Chairman, Interim Chief Executive Officer and President
Escalade Inc.

2021 FINANCIAL HIGHLIGHTS

$313.6 MILLION
IN TOTAL REVENUE

14.6% GROWTH

24.6% GROSS PROFIT MARGIN



*Diluted earnings per share

$24.4 MILLION
NET INCOME

10.3%
RETURN ON ASSETS

RETURN ON EQUITY
17.1%

SHARE REPURCHASES
$10.4 MILLION

ANNUAL DIVIDEND INCREASE
5.7%

ESCA CLOSING PRICE
12.31.2021
$15.79

ESCALADE, INC.

FIVE YEAR HISTORICAL SUMMARY *(Company Data $ in thousands)*

	2021	2020	2019	2018*	2017
COMPANY DATA					
NET SALES	313,612	273,649	180,541	175,780	177,333
OPERATING INCOME	31,896	33,032	9,275	13,817	14,600
NET INCOME	24,405	25,934	7,258	10,377*	14,061
INTEREST EXPENSE	1,510	250	356	427	804
DEPRECIATION AND AMORTIZATION	4,835	4,016	4,031	3,857	3,910
EBITDA**	37,796	38,204	13,834	18,311*	20,753
CAPITAL EXPENDITURES	9,696	5,455	2,185	2,818	2,745
DIVIDENDS	7,693	7,466	7,204	7,215	6,607
ACQUISITIONS	-	15,581	765	7,169	1,450
SHARE REPURCHASES	10,434	6,739	2,938	10	-
SHAREHOLDERS' EQUITY	146,615	139,156	126,170	128,321	111,670
TOTAL DEBT	57,539	30,073	135	-	23,121
WORKING CAPITAL	122,862	99,326	68,705	71,160	60,718
SHARES OUTSTANDING (DILUTED)	13,866	14,225	14,439	14,477	14,391

PER SHARE DATA *(DILUTED)*

	2021	2020	2019	2018*	2017
NET INCOME	$1.76	$1.82	$0.50	$0.72*	$0.98
BOOK VALUE	$10.57	$9.78	$8.74	$8.86	$7.76
NASDAQ LAST PRICE *(CALENDAR YEAR)*	$15.79	$21.17	$9.83	$11.45	$12.30
DIVIDEND	$0.55	$0.52	$0.50	$0.50	$0.46

FINANCIAL & ANALYTICAL DATA

	2021	2020	2019	2018*	2017
NET PROFIT MARGIN	7.8%	9.5%	4.0%	5.9%*	7.9%
RETURN ON ASSETS *(AVG)*	10.3%	14.0%	4.9%	6.8%*	9.2%
RETURN ON EQUITY *(AVG)*	17.1%	19.5%	5.7%	8.6%*	13.2%
CURRENT RATIO	3.5	3.2	4.8	5.3	4.1
WORKING CAPITAL / NET SALES	39.2%	36.3%	38.1%	40.5%	34.2%
DEBT / EQUITY	39.2%	21.6%	0.1%	0.0%	20.7%

*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.

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

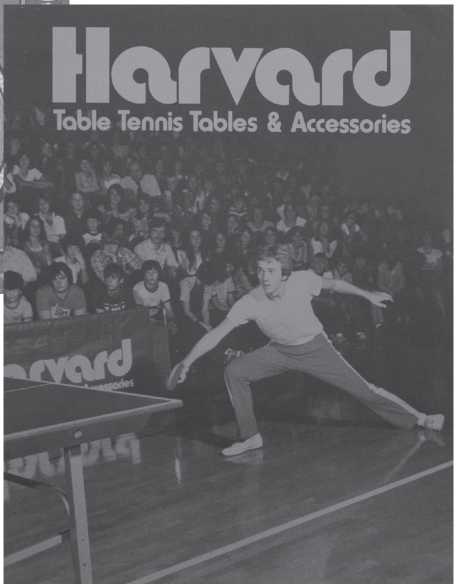
When it comes to billiards, we run the table. Our top of the line billiards' brands give Escalade a competitive edge in providing customers and consumers with the ultimate billiards experience.

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. Adding this business to our existing portfolio expands our powerful stable of outdoor and indoor recreational brands, positioning Escalade for continued revenue and profit growth.



ESCALADE HISTORY

The Williams Manufacturing Company founded by brothers Forest, Paul, and A. Graves Williams - *Portsmouth, OH*
1922

Indian Archery & Toy Corporation founded by H.M. Brading
- Evansville, IN
1927

Martin Yale Industries founded by Martin and Yale Blanc
- Chicago, IL
1940

Indian Archery & Toy Company changes its name to Indian Archery Corporation and experiments with new product lines including plastic skis and skateboards
1961

Indian Archery acquired by Robert Orr, Bob Griffin, Jim McNeely, and Joseph Derr
1962

Indian Archery Corporation announces the move into new corporate headquarters at 817 Maxwell Avenue where we remain today
1966

Indian Archery acquires Kunkel Industries, a manufacturer of golf carts, and changes its name to Indian Industries, Inc.
1966

Indian Industries merged with Gutherie May & 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
1969

Indian Industries enters into Cal-Dana joint venture to manufacture table tennis tables in Indiana and California
1970

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
1970

Matin Yale Industries merges with the Williams Manufacturing Company which subsequently becomes a publicly traded company
1972

Escalade, Inc., The Life-Style Corporation, formed and listed on NASDAQ (ESCA)
1973

Indian Industries, Inc. merges with the Williams Manufacturing Company
1973

Acquisition of Harvard TableTennis Inc. owners of the Harvard & Ping Pong brands
1973

The Williams Manufacturing operations discontinued
1976

Acquisition of table tennis & billiards assets of the IDEAL Toy Company
1977

Divestiture of Martin Yale's hobby and leisure product lines
1979

Acquisition of Crown Recreation, Inc. and later renamed Harvard Sports, Inc.
1980

Introduction of Harvard basketball backboards, goals, and poles
1982

Signed license agreement with Evenflo Companies to utilize Spalding brand for sporting goods products including basketball goals, table tennis, and darting
1985

Escalade announces plan for the expansion and modernization of its Evansville facility at 817 Maxwell Avenue
1986

Acquisition of Geiss America graphic arts assets
1986

Escalade successfully completes a secondary offering of 600,000 shares of its common stock led by Oppenheimer & Co.
1987

Acquisition of business machine division of Swingline, Inc
1988

Escalade begins manufacturing in Tijuana, Mexico through a maquiladora program
1989

MARCY Acquisition
1989

Martin Yale moves its headquarters from Chicago, Illinois to Wabash, Indiana and builds a new production facility there
1990

Purchase of 37.5% of Stiga Table Tennis
1991

Escalade International, Ltd. established in Swansea, Wales to distribute sporting goods and fitness equipment in Europe and the Middle East
1992

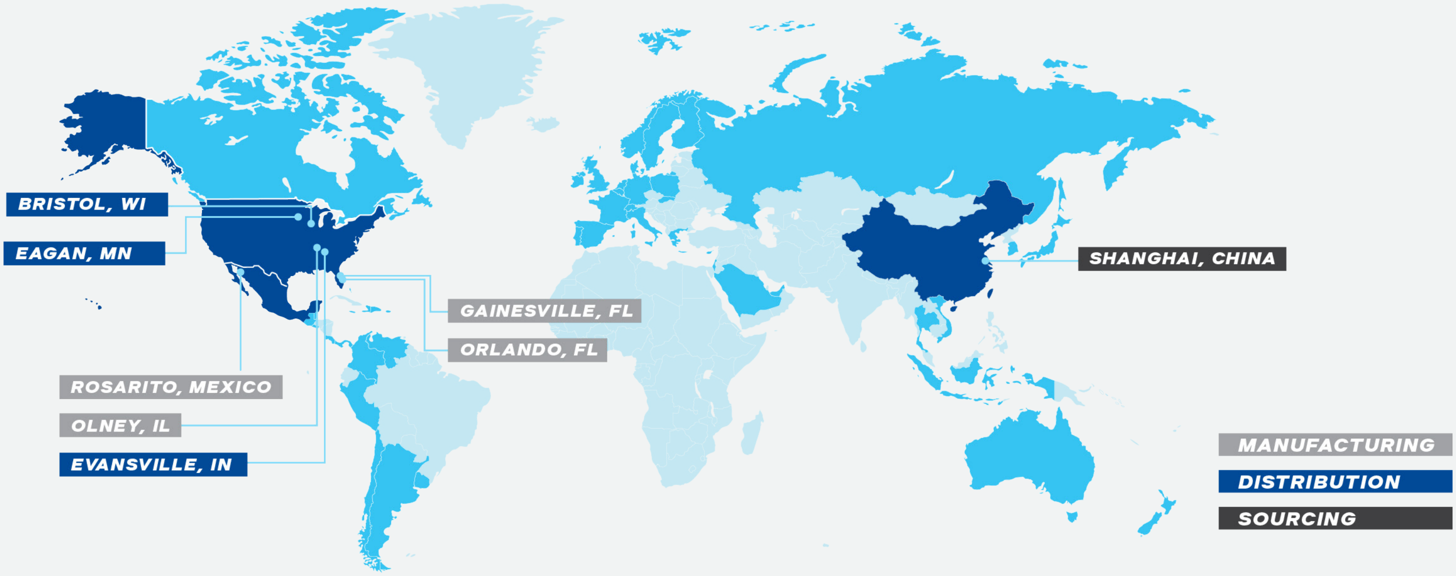
Acquisition of Data-Link postage assets
1994

Acquisition of Master Products Manufacturing, Inc.
1997

ESCALADE INC.

GLOBAL FOOTPRINT

WITH MANUFACTURING AND SOURCING FLEXIBILITY



Acquisition of Lifetime's table tennis assets
2000

Mizerak
Acquisition
2002

US WEIGHT
Acquisition
2001

THE STEP
Acquisition
2002

Accudart
Acquisition
2001

Murrey Billiards
Acquisition
2002

Goalrilla
Acquisition
1999

Acquisition of Mead Hatcher computer and media-related assets
1999

Acquisition of Schleicher & Co. International AG
2003

Child Life
Acquisition
2005

Bear
Acquisition
2003

Mosconi
Acquisition of rights to the Willie Mosconi name
2002

Acquisition of Carolina Archery Products, a manufacturer and distributor of the patented Whisker Biscuit arrow rest
2006

Trophy Ridge
Acquisition
2007

Woodplay
Acquisition
2006

Acquisition of Desmar Seguridad Y Archivo, S.L., a distributor of information security products based in Barcelona, Spain
2006

Purchase of the North American intellectual property rights for Rigid Air Technology for use on the iGoal
2013

Acquisition of Action Group, a distributor of information security products based in Johannesburg, South Africa
2008

DMI Darts
Acquisition
2013

Cajun Bowfishing
Acquisition
2012

Acquisition of Safe Tech Sweden AB, a distributor of information security products based in Stockholm, Sweden
2008

Pickleball Now
Acquisition
2014

Divestiture of Martin Yale Industries & Intimus International
2014

Cue&Case
Acquisition
2014

Onix
Acquisition
2015

Goalsetter
Acquisition
2015

Triumph
Acquisition
2016

Divestiture of 50% ownership in Neoteric Industries, Inc., an office products manufacturer, based in Taipei, Taiwan
2016

Lifeline
Acquisition
2017

Fletcher Archery
Acquisition
2017

Victory Tailgate
Acquisition
2018

Divestiture of 50% ownership in STIGA Sports AB
2018

Dura Fast 40 Outdoor Pickleball
Acquisition
2019

Rave Sports
Acquisition
2020

American Heritage Billiards
Acquisition
2020

Escalade completes a modernization of its facilities at 817 Maxwell Avenue and purchases the remaining adjoining warehouse space located there
2021

Brunswick
Acquisition
2022

Escalade announced and completed its acquisition of Brunswick Billiards in January, 2022. Brunswick Billiards is the largest and oldest provider of billiards tables, game tables, and game room furniture in the United States and has been the premier billiards brand since its founding in 1845. Having been involved in billiards since 1977, Escalade recognized the enduring strength of Brunswick Billiards and its great fit with Escalade's game room portfolio.

The Brunswick Billiards acquisition enables Escalade to expand its reach into the billiards and indoor recreation markets. Brunswick Billiards complements Escalade's portfolio of billiards brands including Cue & Case®, Lucasi®, Mizerak®, American Heritage®, and American Legend® as well as Escalade's broader offering in the indoor recreation market including Stiga® table tennis, Accudart® and Unicorn® darting, Atomic® game tables, and Victory Tailgate® licensed and customized games.

Brunswick Billiards is based in Bristol, Wisconsin and led by its General Manager John Kazik. We are combining our talented teams and creating an enduring world-class billiards business. We look forward to stewarding Brunswick Billiards into the future and nourishing Brunswick's lasting connection with generations of consumers who cherish the brand.

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

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 25, 2021
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:

Title of each class	Trading Symbol	Name of Exchange on which registered
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
Yes [ ] No [X]

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 [X]

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 [X] 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 [X] 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 [ ]	Accelerated filer [X]
Non-accelerated filer [ ]	Smaller reporting company [X]
	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. [X]

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

Aggregate market value of common stock held by nonaffiliates of the registrant as of July 10, 2021 based on the closing sale price as reported on the NASDAQ Global Market: $225,896,571.

The number of shares of Registrant's common stock (no par value) outstanding as of February 16, 2022: 13,493,332.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 26, 2022 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:

Product Category	Brand Names
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®
Safety	USWeight®
Game Tables (Hockey and Soccer)	Triumph™ Sports, Atomic®, American Legend®, HJ Scott®, Air Hockey®
Water Sports	RAVE Sports®
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®, Viva Sol®

During 2021, 2020 and 2019, the Company had one customer, Amazon.com, Inc., that accounted for approximately 21%, 23% and 21%, respectively of the Company's revenues. During 2021, 2020 and 2019 the Company had another customer, Dick's Sporting Goods, which accounted for approximately 11%, 13% and 13%, respectively, of the Company's revenues.

As of December 25, 2021, the Company had approximately 24%, 17% and 10% of its total accounts receivable with Amazon.com, Inc., Academy Sports and Outdoors, Inc. and Dick's Sporting Goods, respectively. As of December 26, 2020, the Company had approximately 26%, 14% and 11% of its total accounts receivable with Amazon.com, Inc., Academy Sports and Outdoors, Inc. and Dick's Sporting Goods, respectively.

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

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

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. Weights, 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. More recently, 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 acquired the assets of RAVE Sports, providing entry into the water recreational products category. On December 30, 2021, Escalade entered into an asset purchase agreement to acquire the assets of the Brunswick Billiards® business from Life Fitness, LLC. Escalade completed this acquisition on January 21, 2022, complementing its 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®, 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 25, 2021 and December 26, 2020 were as follows:

	2021	2020
Sporting Goods		
USA	546	523
Mexico	103	160
Asia	27	21
Total	676	704

Of Escalade's 676 employees at December 25, 2021, 670 were full time employees and 6 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 28 covered employees at December 25, 2021. 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) makes available free of charge to all interested parties the Company's annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and all amendments to those reports, as well as all other reports and schedules filed electronically with the Securities and Exchange Commission (the Commission), as soon as reasonably practicable after such material is electronically filed with or furnished to the Commission. Interested parties may also find reports, proxy and information statements and other information on issuers that file electronically with the Commission at the Commission's Internet site at www.sec.gov.

ITEM 1A—RISK FACTORS

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 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 2021 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 2021. 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 currently is experiencing 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 ongoing 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.

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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 $0.14 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 has manufacturing operations in Mexico and sources many of its products and raw materials from China and other Asian countries. Foreign operations encounter risks similar to those faced by U.S. operations, as well as risks inherent in foreign operations, such as local customs and regulatory constraints, control over product quality and content, foreign trade policies, competitive conditions, foreign currency fluctuations and unstable political and economic conditions. Additionally, our international operations may be adversely affected by political events, domestic or international terrorist events and hostilities, 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 ongoing 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 no new agreement has been entered into or appears imminent. 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.

COVID-19 PANDEMIC RISKS

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 25, 2021, economic and health conditions in the United States and across most of the globe changed rapidly during 2020 and 2021. Demand for the Company's products increased, substantially in fiscal year 2020 and remained strong in fiscal year 2021, most notably in our fitness products and also in basketball, playground, and indoor/outdoor games. Some of the increase in demand is likely due to consumers being required or encouraged by governmental authorities to stay at home, schools closures, employers requiring or allowing employees to work remotely and/or implementing furloughs and layoffs, and consumers deciding to spend more time at home due to health and other considerations. Such increased demand may not continue and/or demand may decrease from historical levels depending on the uncertain duration and severity of the COVID-19 pandemic, the length of time it takes for normal economic and operating conditions to resume or permanent changes if such conditions result from the pandemic, additional governmental actions that may be taken and/or extensions of time for restrictions that have been imposed or proposed to date, and numerous other uncertainties. During 2020, such restrictions at times caused the Company to shut down its Mexico production facilities, to limit its Gainesville, Florida facility to conduct only shipping and receiving operations but no manufacturing operations, to require all office staff to work remotely, and to change staffing of the Company's distribution center in Evansville, Indiana. Although the Company largely resumed normal operations in 2021, subject to increased health protocols having been implemented and easing of the pandemic at times, the pandemic continues to create uncertainty for the Company. The ongoing 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 ability of the Company's employees to work may be significantly impacted by the coronavirus.

The Company's employees are being affected by the COVID-19 pandemic. Although, the recent Omicron outbreak has increased absenteeism, the Company's operations have not been materially impacted. The effects of future variants could be more disruptive. Travel restrictions imposed by the U.S. government and of foreign countries, continue to limit, or in some cases such as China prohibit, normal business travel relating to the Company's internal operations and to our ongoing business relationships with our customers and suppliers. The health of the Company's workforce is of primary concern and the Company may need to continue indefinitely existing precautionary measures, and possibly enact additional measures, to help minimize the risk of our employees being exposed to the coronavirus. Further, our management team continues to focus on mitigating the adverse effects of the COVID-19 pandemic, which has required and will continue to require a large investment of time and resources across the entire Company, thereby potentially diverting their attention from other priorities that existed prior to the outbreak of the pandemic. If these conditions worsen, or last for a further extended period of time, the Company's ability to manage its business may be impaired, and operational risks, cybersecurity risks and other risks facing the Company even prior to the pandemic may be elevated.

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 is affecting the Company's customers, suppliers, vendors, and other business partners, but the Company is not able to assess the full extent of the current impact nor predict the ultimate consequences that will result therefrom. Although Amazon, the Company's largest customer, has 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. Dick's Sporting Goods, the Company's second largest customer, and many of the Company's other mass merchant customers have experienced increased online orders and reduced foot traffic into their physical stores. In general, many retailers are experiencing severe financial difficulties and bankruptcies. If those trends continue for the long-term, the Company's strategies in distributing and marketing its products will need to change accordingly. The Company's planning and efforts in recent years to position itself to ship many goods purchased on Amazon or other online sources direct to consumers and for the Company to make direct to consumer online sales may mitigate some, but not all, of the adverse effects resulting from changes in the businesses of the Company's resellers. 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 has created significant public health concerns and economic disruption and may continue to do so indefinitely. While the Company experienced substantial increases in sales and order activity in its 2020 and 2021 fiscal years compared to 2019, due in part to increased consumer demand for home recreational products during the pandemic, 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.

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 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 heath 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 25, 2021, the Company owned or operated from the following locations:

Location	Square Footage	Owned or Leased	Use
Evansville, Indiana, USA	771,000	Owned	Distribution; sales and marketing; engineering; administration
Rosarito, Mexico	174,700	Owned	Manufacturing and distribution
Gainesville, Florida, USA	154,200	Owned	Manufacturing and distribution
Olney, Illinois, USA	108,500	Owned	Distribution; sales and marketing; engineering; manufacturing
Olney, Illinois, USA	30,000	Owned	Distribution
Orlando, Florida, USA	33,645	Leased	Marketing; manufacturing and distribution
Orlando, Florida, USA	61,560	Leased	Manufacturing and distribution
Orlando, Florida, USA	10,587	Leased	Manufacturing and distribution
Eagan, MN, USA	41,600	Leased	Distribution; sales and marketing; engineering; administration
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.

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 16, 2022, 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 10/2/2021 under the current repurchase program.	2,084,585	$13.19	2,084,585	$ 5,475,786
Fourth quarter purchases:				
10/3/2021 – 10/30/2021	68,547	$19.29	2,153,132	$ 4,153,252
10/31/2021 – 11/27/2021	None	None	No Change	No Change
11/28/2021 – 12/25/2021	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 25, 2021, 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; Escalade's plans and expectations surrounding the transition to its new Chief Executive Officer and all potential related effects and consequences; 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; 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 and/or inclusion in market indices such as the Russell 2000; Escalade's ability to obtain financing and to maintain compliance with the terms of such financing; the availability, integration and effective operation of information systems and other technology, and the potential interruption of such systems or technology; risks related to data security of privacy breaches; and other risks detailed from time to time in Escalade's filings with the Securities and Exchange Commission. Escalade's future financial performance could differ materially from the expectations of management contained herein. Escalade undertakes no obligation to release revisions to these forward-looking statements after the date of this report.

Overview

Escalade, Incorporated (Escalade, the Company, we, us or our) is focused on growing its Sporting Goods segment through organic growth of existing categories, strategic acquisitions, and new product development. The Sporting Goods segment competes in a variety of categories including basketball goals, archery, indoor and outdoor 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 completed its acquisition of 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:

	2021	2020	2019
Net revenue			
Sporting Goods	14.6%	51.6%	2.7%
Total	14.6%	51.6%	2.7%
Net income			
Sporting Goods	(7.3%)	293.9%	(39.2%)
Total	(5.9%)	257.3%	(64.5%)

COVID-19 Pandemic

The emergence of the coronavirus (COVID-19) around the world, and particularly in the United States and China, continues to present significant risks to the Company, not all of which the Company is able to fully evaluate or even to foresee at the current time. Economic and health conditions in the United States and across most of the globe have changed rapidly during 2020 and 2021. Demand for the Company's products increased substantially in fiscal year 2020 and remained strong in fiscal year 2021, most notably in our fitness products, basketball, playground, and indoor/outdoor games. Some of the increase in demand is likely due to consumers being required or encouraged by governmental authorities to stay at home, schools closures, and employers requiring or allowing employees to work remotely and/or implementing furloughs and layoffs, and consumers deciding to spend more time at home due to health and other considerations. Such increased demand may not continue and/or demand may decrease from historical levels depending on the uncertain duration and severity of the COVID-19 pandemic, the length of time it takes for normal economic and operating conditions to resume or permanent changes if such conditions result from the pandemic, additional governmental actions that may be taken and/or extensions of time for restrictions that have been imposed or proposed to date, and numerous other uncertainties. Our revenue growth in prior quarterly or annual periods should not be relied upon as an indication of future performance.

In addition, increased customer demand for certain products presents challenges for the Company to anticipate and adjust inventory levels to meet such demand. So far, the Company has been able to obtain products from its suppliers on a timely basis. To alleviate the risks of incurring product outages, the Company has accelerated orders of certain products with a resulting increase in inventories. While the Company believes it is currently in strong financial condition, a substantial decrease in customer demand and/or slower payments by the Company's mass merchants, specialty dealers and other customers could adversely affect the Company's liquidity.

The COVID-19 pandemic continued to affect the Company's operations through the fourth quarter of 2021 and may continue to do so indefinitely thereafter. All of these factors may have far reaching impacts on the Company's business, operations, and financial results and conditions, directly and indirectly, including without limitation impacts on the health of the Company's management and employees, manufacturing, distribution, marketing and sales operations, customer and consumer behaviors, and on the overall economy. The scope and nature of these impacts, most of which are beyond the Company's control, continue to evolve and the outcomes are uncertain.

Due to the above circumstances and as described generally in this Form 10-K, the Company's results of operations for the fiscal year ended December 25, 2021 are not necessarily indicative of the results to be expected for fiscal year 2022. Management cannot predict the full impact of the COVID-19 pandemic on the Company's sales channels, supply chain, manufacturing and distribution nor to economic conditions generally, including the effects on consumer spending. 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 even after the pandemic might end.

Results of Operations

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

	2021	2020	2019
Net revenue	100.0%	100.0%	100.0%
Cost of products sold	75.4%	72.7%	76.5%
Gross margin	24.6%	27.3%	23.5%
Selling, administrative and general expenses	13.8%	14.7%	17.6%
Amortization	0.6%	0.5%	0.8%
Operating income	10.2%	12.1%	5.1%

Revenue and Gross Margin

Net revenue increased 14.6% in 2021 compared to 2020. The Company recognized increased sales primarily in their outdoor product categories, including archery and pickleball, due to category growth and market share gains.

The overall gross margin decreased to 24.6% in 2021 compared with 27.3% in 2020. Gross margins were unfavorably impacted by currency exchange rates and higher supply chain, raw material, and inventory carrying costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) were $43.4 million in 2021 compared to $40.3 million in 2020, an increase of $3.1 million or 7.6%. The increase in SG&A is in line with the growth of the business. SG&A as a percent of sales is 13.8% in 2021 compared with 14.7% in 2020.

Provision for Income Taxes

The effective tax rate for 2021 and 2020 was 20.1% and 21.2%, respectively. 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. The 2020 effective tax rate is slightly higher than the federal statutory rate primarily due to the impact of state taxes, 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 25, 2021 were as follows:

In Thousands	2021	2020	2019
Net revenue	$313,612	$273,649	$180,541
Operating income	31,534	32,685	8,611
Net income	21,892	23,625	5,997

Net revenue increased 14.6% in 2021 compared to 2020.

Gross margin in 2021 was 24.6% compared to 27.3% in 2020. Gross margins were unfavorably impacted by currency exchange rates and higher supply chain, raw material, and inventory carrying costs. Operating income, as a percentage of net revenue, decreased to 10.1% in 2021 compared to 11.9% in 2020.

Financial Condition and Liquidity

The current ratio, a basic measure of liquidity (current assets divided by current liabilities), for 2021 was 3.5, compared to 3.1 in 2020. Receivable levels increased to $66.0 million in 2021 compared with $65.3 million in 2020 and net inventory increased $19.9 million to $92.4 million in 2021 from $72.5 million in 2020. Trade accounts payable and accrued liabilities decreased $5.0 million to $40.2 million from $45.2 million in 2020.

The Company's working capital requirements are primarily funded through cash flows from operations and revolving credit agreements with its bank. During 2021, the Company's maximum borrowings under its primary revolving credit lines and overdraft facility totaled $69.2 million compared to $33.6 million in 2020. The overall effective interest rate in 2021 was 2.9% compared to the effective rate of 2.4% in 2020. Total debt at the end of the Company's 2021 fiscal year was $57.5 million.

On July 7, 2021, the Company and its wholly owned subsidiary, Indian Industries, Inc. ("Indian") entered into the Fourth Amendment dated as of July 7, 2021 (the "Fourth Amendment") to the Amended and Restated Credit Agreement dated as of January 21, 2019 (the "2019 Restated Credit Agreement") among the Company, Indian, each of their domestic subsidiaries, and Chase, as Administrative Agent and as Lender (the "Lender"). 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 Company may prepay the revolving credit facility, in whole or in part, and reborrow prior to the revolving loan maturity date.

On January 21, 2022, the Company and its wholly owned subsidiary, 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 amends and restates the 2019 Credit Agreement, 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 has been 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 term loan facility to January 21, 2027. As of January 21, 2022, the outstanding principal amount of the term loan was $46.4 million.

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

In 2022, the Company estimates capital expenditures to be approximately $4.5 million.

The Company believes that cash generated from its projected 2022 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 2022. 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 25, 2021:

Amounts in thousands	Total	2022	2023 – 2024	2025 – 2026	Thereafter
Debt(1)	$57,539	$7,143	$14,286	$36,110	$ --
Future interest payments(1)	5,511	1,586	2,543	1,382	--
Operating leases	2,442	891	753	601	197
Minimum payments under purchase, royalty and license agreements	5,417	960	1,354	1,178	1,925
Total	$ 70,909	$ 10,580	$ 18,936	$ 39,271	$ 2,122

Note:
(1) Assumes that the Company will not increase borrowings under its long-term credit agreements and that the effective interest rate experienced in 2021 of 2.9% will continue for the life of the agreements.

The contractual obligations table does not reflect the Restated Credit Agreement entered into by the Company on January 21, 2022. The impact of the Restated Credit Agreement is to increase future interest payments by $0.6 million and extending the debt maturity date from 2026 to 2027. Amounts in the table above also exclude legally binding minimum lease payments for a lease agreement that was signed, but had not yet commenced as of December 25, 2021, in the amount of $9.9 million.

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 implied estimated fair value calculated, an impairment charge to current operations is recorded to reduce the carrying value to the implied estimated 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 $32.7 million at December 25, 2021, 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 25, 2021.

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 25, 2021, the Company had no material commitments for capital expenditures. In 2022, the Company estimates capital expenditures to be approximately $4.5 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 25, 2021. 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 25, 2021, 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 2021. 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 2021 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 April 26, 2022 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 April 26, 2022 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 April 26, 2022 under the captions “Certain Beneficial Owners” and “Election of Directors” and is incorporated herein by reference.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (2)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders (1)	--	--	1,195,445
Equity compensation plans not approved by security holders	--	--	--
Total	--		1,195,445

(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 154,120 shares subject to outstanding, unvested restricted stock awards.

ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 407(a) of Regulation S-K is contained in the registrant's proxy statement relating to its annual meeting of stockholders to be held on April 26, 2022 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 April 26, 2022 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 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 April 26, 2022 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 25, 2021 and December 26, 2020
- Consolidated statements of operations—fiscal years ended December 25, 2021, December 26, 2020, and December 28, 2019
- Consolidated statements of stockholders' equity—fiscal years ended December 25, 2021, December 26, 2020, and December 28, 2019
- Consolidated statements of cash flows—fiscal years ended December 25, 2021, December 26, 2020, and December 28, 2019
- 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)

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

10.3 Escalade, Incorporated 2017 Incentive Plan, incorporated by reference herein from Annex 1 to the Registrant's 2017 Definitive Proxy Statement (e)

10.4 Form of Stock Option Award Agreement utilized in Stock Option grants to employees pursuant to the Escalade, Incorporated 2017 Incentive Plan (b)

10.5 Form of Stock Option Award Agreement utilized in Stock Option grants to Directors pursuant to the Escalade, Incorporated 2017 Incentive Plan (b)

10.6 Form of Restricted Stock Unit Agreement utilized in Restricted Stock Unit grants to employees pursuant to the Escalade Incorporated 2017 Incentive Plan (b)

10.7 Form of Restricted Stock Unit Agreement utilized in Restricted Stock Unit grants to Directors pursuant to the Escalade, Incorporated 2017 Incentive Plan (b)

10.8 Offer Letter dated March 30, 2020, by and between Scott J. Sincerbeaux and Escalade, Incorporated (d)

10.9 Executive Severance agreement, dated March 30, 2020 and effective as of April 27, 2020, between Scott J. Sincerbeaux and Escalade, Incorporated (d)

10.10 Waiver, Release, Non-Competition, Non-Solicitation and Non-Disclosure Agreement and Release entered into on March 4, 2021 by and between Scott J. Sincerbeaux and Escalade, Incorporated (f)

10.11 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 BKD, LLP

31.1 Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification

31.2 Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification

32.1 Chief Executive Officer Section 1350 Certification

32.2 Chief Financial Officer Section 1350 Certification

101.Cal 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 2014 First Quarter Report on Form 10-Q filed on April 22, 2014

(d) Incorporated by reference from the Company's Form 8-K filed on April 1, 2020

(e) Incorporated by reference from the Company's 2017 Proxy Statement

(f) Incorporated by reference from the Company's Form 8-K filed on March 8, 2021

(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:

BKD LLP
CPAs & Advisors

Reports of Independent Registered Public Accounting Firms

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Escalade, Incorporated as of December 25, 2021, and December 26, 2020, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 25, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Escalade, Incorporated as of December 25, 2021, and December 26, 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 25, 2021, 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 25, 2021, 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 22, 2022, expressed an unqualified opinion on the effectiveness of Escalade, Incorporated's internal control over financial reporting.

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 25, 2021, the total accrued for these customer allowances was $5,357,000 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.

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

/s/ BKD, LLP

Evansville, Indiana
February 22, 2022

BKD LLP
CPAs & Advisors

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 25, 2021, 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 25, 2021, based on criteria established in *Internal Control— Integrated Framework: (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements of Escalade, Incorporated and our report dated February 22, 2022, expressed an unqualified opinion thereon.

Basis for Opinion

Escalade, Incorporated's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on Escalade, Incorporated's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to Escalade, Incorporated in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. Securities and Exchange Commission and the PCAOB.

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

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

Definitions and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of 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/ BKD, LLP

Evansville, Indiana
February 22, 2022

ESCALADE, INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets

All Amounts in Thousands Except Share Information	December 25, 2021	December 26, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,374	$ 3,505
Receivables, less allowances of $457 and $896; respectively	65,991	65,280
Inventories	92,382	72,488
Prepaid expenses	7,569	4,068
Prepaid income tax	739	57
TOTAL CURRENT ASSETS	171,055	145,398
Property, plant and equipment, net	24,936	18,232
Operating lease right-of-use assets	2,210	1,608
Intangible assets	20,778	22,645
Goodwill	32,695	32,695
Other assets	124	127
TOTAL ASSETS	$251,798	$220,705
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 7,143	$ -
Trade accounts payable	15,847	20,947
Accrued liabilities	24,385	24,271
Current operating lease liabilities	818	854
TOTAL CURRENT LIABILITIES	48,193	46,072
Long-term debt	50,396	30,073
Deferred income tax liability	4,759	4,193
Operating lease liabilities	1,387	763
Other liabilities	448	448
TOTAL LIABILITIES	105,183	81,549
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: 2021 —13,493,332 shares, 2020 —13,919,380 shares	13,493	13,919
Retained earnings	133,122	125,237
TOTAL STOCKHOLDERS' EQUITY	146,615	139,156
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$251,798	$220,705

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Operations

	Years Ended		
All Amounts in Thousands Except Per Share Data	December 25, 2021	December 26, 2020	December 28, 2019
Net Sales	$313,612	$273,649	$180,541
Costs and Expenses			
Cost of products sold	236,482	198,822	138,181
Selling, administrative and general expenses	43,367	40,315	31,616
Amortization	1,867	1,480	1,469
Operating Income	31,896	33,032	9,275
Other Income (Expense)			
Interest expense	(1,510)	(250)	(356)
Other income (expense)	163	140	15
Income Before Income Taxes	30,549	32,922	8,934
Provision for Income Taxes	6,144	6,988	1,676
Net Income	$ 24,405	$ 25,934	$ 7,258
Earnings Per Share Data:			
Basic earnings per share	$ 1.78	$ 1.84	$ 0.50
Diluted earnings per share	$ 1.76	$ 1.82	$ 0.50

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

All Amounts in Thousands	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balances at December 29, 2018	14,439	$14,439	$113,882	$128,321
Net income			7,258	7,258
Expense of stock options and restricted stock units			513	513
Exercise of stock options	10	10	108	118
Settlement of restricted stock units	29	29	(29)	--
Dividends declared			(7,204)	(7,204)
Stock issued to directors as compensation	9	9	93	102
Purchase of stock	(272)	(272)	(2,666)	(2,938)
Balances at December 28, 2019	14,215	$14,215	$111,955	$126,170
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)
Balances at December 26, 2020	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)
Balances at December 25, 2021	13,493	$13,493	$133,122	$146,615

See notes to consolidated financial statements.

Escalade, Incorporated and Subsidiaries
Consolidated Statements of Cash Flows

All Amounts in Thousands	Years Ended December 25, 2021	December 26, 2020	December 28, 2019
Operating Activities:			
Net Income	$ 24,405	$ 25,934	$ 7,258
Reconciling adjustments:			
Depreciation and amortization	4,835	4,016	4,031
Provision for doubtful accounts	(408)	473	322
Stock option and restricted stock unit expense	902	1,016	513
Deferred income taxes	567	656	128
Loss (gain) on disposals of assets	(19)	(2)	7
Changes in			
Accounts receivable	(301)	(29,905)	4,911
Inventories	(19,894)	(26,422)	(3,147)
Prepaids and other assets	(4,163)	(42)	1,971
Accounts payable and accrued expenses	(4,985)	26,909	44
Net cash provided by operating activities	939	2,633	16,038
Investing Activities:			
Purchase of property and equipment	(9,696)	(5,455)	(2,185)
Acquisitions	--	(15,446)	(765)
Payment on note payable related to an acquisition	--	(135)	--
Proceeds from sale of property and equipment	43	4	4
Net cash used in investing activities	(9,653)	(21,032)	(2,946)
Financing Activities:			
Dividends paid	(7,693)	(7,466)	(7,204)
Proceeds from issuance of long-term debt	232,065	84,044	77,502
Payments on long-term debt	(204,601)	(53,971)	(77,502)
Proceeds from exercise of stock options	144	144	118
Deferred financing fees	(33)	(87)	(112)
Purchase of stock	(10,434)	(6,739)	(2,938)
Director stock compensation	135	97	102
Net cash provided by (used in) financing activities	9,583	16,022	(10,034)
Increase (decrease) in Cash and Cash Equivalents	869	(2,377)	3,058
Cash and Cash Equivalents, beginning of year	3,505	5,882	2,824
Cash and Cash Equivalents, end of year	$4,374	$3,505	$5,882
Supplemental Cash Flows Information			
Interest paid	$ 1,433	$ 205	$ 346
Income taxes paid	$ 6,284	$6,205	$1,383
Information regarding the Company's acquisitions in 2020 and 2019 are as follows:			
Fair value of assets acquired	$--	$16,277	$ 900
Cash paid for assets	--	(15,446)	(765)
Note payable for deferred purchase price obligation	--	--	(135)
Liabilities assumed	$ --	$ 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 has manufacturing facilities in the United States of America and Mexico. The Company sells products to customers primarily in North America with minimal sales throughout the remainder of the world.

Principles of Consolidation

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

Basis of Presentation

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

Fiscal Year End

The Company's fiscal year is a 52 or 53 week period ending on the last Saturday in December. Fiscal year 2021 was 52 weeks long, ending December 25, 2021. Fiscal year 2020 was 52 weeks long, ending on December 26, 2020. Fiscal year 2019 was 52 weeks long, ending December 28, 2019.

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 25, 2021, the Company reclassed $4.7 million of book overdrafts to accrued liabilities. As of December 26, 2020, the Company reclassed $5.0 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 $748 thousand and $697 thousand at fiscal year-end 2021 and 2020, respectively. Inventories, net of the valuation reserve, at fiscal year-ends were as follows:

In Thousands	2021	2020
Raw materials	$9,142	$9,121
Work in process	3,529	3,538
Finished goods	79,711	59,829
	$92,382	$72,488

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	2021	2020
Land	$ 2,255	$ 1,943
Buildings and leasehold improvements	24,175	18,798
Machinery and equipment	31,853	28,083
Total cost	58,283	48,824
Accumulated depreciation and amortization	(33,347)	(30,592)
	$ 24,936	$ 18,232

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 2021, 2020, or 2019.

Goodwill and Intangible Assets

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

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

Employee Incentive Plan

During 2017, the Company approved an incentive plan explained in Note 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 2021, 2020, and 2019.

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 2021, 2020 and 2019 were approximately $2.0 million, $1.5 million, and $1.6 million, respectively.

New Accounting Pronouncements and Changes in Accounting Principles

Standards Adopted:
In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, Income Taxes (Topic 740): Simplifying Accounting for Income Taxes, which removes certain exceptions to the general principles of Topic 740, Accounting for Income Taxes ("ASC 740") and is intended to improve consistency and simplify GAAP in several other areas of ASC 740 by clarifying and amending existing guidance. The Company adopted this standard on December 27, 2020 and the adoption did not have a material impact on its consolidated financial statements.

New Accounting Standards to be Adopted
In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This amendment requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in earlier recognition of credit losses. The amendments are effective in fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. We do not expect the standard to have a material impact on our consolidated financial statements. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates.* This amendment delays the effective dates of specific ASUs, including ASU 2016-13 by one year. Amendments in ASU 2016-13 are effective in fiscal years beginning after December 15, 2022, and interim periods within those fiscal years.

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 implied estimated fair value calculated, an impairment charge to current operations is recorded to reduce the carrying value to the implied estimated fair value.

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

Indefinite-lived intangible assets are reviewed for impairment annually, or whenever events or changes in circumstances indicate the carrying amount of an intangible asset may not be recoverable. There are inherent assumptions and judgments required in the analysis of goodwill and intangible impairment.

Product Warranty
The Company provides limited warranties on certain of its products, for varying periods. Generally, the warranty periods range from 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	2021	2020	2019
Beginning balance	$ 962	$ 688	$ 702
Additions	2,487	1,648	1,736
Deductions	(2,330)	(1,374)	(1,750)
Ending balance	$ 1,119	$ 962	$ 688

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	2021	2020	2019
Beginning balance	$ 697	$ 786	$ 456
Additions	446	831	756
Deductions	(395)	(920)	(426)
Ending balance	$ 748	$ 697	$ 786

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	2021	2020	2019
Beginning balance	$ 896	$ 483	$ 532
Additions (Reductions)	(408)	473	322
Deductions	(31)	(60)	(371)
Ending balance	$ 457	$ 896	$ 483

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	2021	2020	2019
Beginning balance	$ 2,296	$ 1,292	$ 1,550
Additions	12,930	11,940	7,292
Deductions	(12,886)	(10,936)	(7,550)
Ending balance	$ 2,340	$ 2,296	$ 1,292

Note 3 — Accrued Liabilities

Accrued liabilities consist of the following:

In Thousands	2021	2020
Employee compensation	$ 5,573	$ 7,685
Customer related allowances and accruals	8,775	7,532
Other accrued items	10,037	9,054
	$ 24,385	$ 24,271

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 6 years. As of December 25, 2021, 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 25, 2021	Twelve Months Ended December 26, 2020
Lease Expense		
Operating Lease Cost	$1,489	$828
Short-term Lease Cost	3,019	973
Variable Lease Cost	378	250
Total Operating Lease Cost	$4,886	$2,051
Operating Lease – Operating Cash Flows	$1,347	$762
New ROU Assets – Operating Leases (non-cash)	$2,347	$1,282

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

	Period Ended December 25, 2021	Period Ended December 26, 2020
Weighted Average Remaining Lease Term – Operating Leases	3.97 years	2.24 years
Weighted Average Discount Rate – Operating Leases	5.00%	5.00%

Future minimum lease payments under non-cancellable leases as of December 25, 2021 were as follows:

All Amounts in Thousands	
Year 1	$891
Year 2	412
Year 3	341
Year 4	312
Year 5	289
Thereafter	197
Total future minimum lease payments	2,442
Less imputed interest	(237)
Total	$2,205
Reported as of December 25, 2021	
Current operating lease liabilities	818
Long-term operating lease liabilities	1,387
Total	$2,205

As of December 25, 2021, we have entered into a lease for additional warehouse and operations which has not yet commenced. Although the location is currently under construction, we do not control the building during construction, and are thus not deemed to be the owner during construction. Amounts in the table above exclude legally binding minimum lease payments for the lease signed but not yet commenced of $9.9 million.

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	2021 Gross Carrying Amount	2021 Accumulated Amortization	2020 Gross Carrying Amount	2020 Accumulated Amortization
Patents	24,715	24,068	24,715	23,860
Non-compete agreements	2,749	2,749	2,749	2,749
Customer list	18,017	8,100	18,017	6,669
Trademarks	9,736	266	9,736	174
Developed technology	475	301	475	206
License agreements	700	130	700	89
	56,392	35,614	56,392	33,747

Amortization expense was $1.9 million, $1.5 million and $1.5 million for 2021, 2020 and 2019, respectively.

Estimated future amortization expense is summarized in the following table:

In Thousands	2022	2023	2024	2025	2026	Thereafter
Sporting Goods	1,847	1,769	1,644	1,595	1,547	4,592

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 28, 2019	$26,749
Acquisition	5,946
Balance at December 26, 2020	$32,695
Acquisition	--
Balance at December 25, 2021	$32,695

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 implied estimated fair value calculated, an impairment charge to current operations is recorded to reduce the carrying value to the implied estimated fair value.

Note 6 — Borrowings

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

The 2019 Restated Credit Agreement allows Escalade to request the issuance of letters of credit of up to $5.0 million.

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 dated as of January 21, 2019. Under the terms of the Third Amendment, the maximum availability under the senior revolving credit facility increased to $75.0 million, up from $50.0 million. The maturity date of the revolving credit facility was extended to December 14, 2023. In addition to the increased borrowing amount and extended maturity date, other significant changes reflected in the Third Amendment include: 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 more 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 and its wholly owned subsidiary, Indian Industries, Inc. ("Indian"), entered into the Fourth Amendment dated as of July 7, 2021 (the "Fourth Amendment") to the Amended and Restated Credit Agreement dated as of January 21, 2019 among the Company, Indian, each of their domestic subsidiaries, and JPMorgan Chase Bank, N.A., as Administrative Agent and as Lender (the "Lender"), as amended (the "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 are being used to pay down the Company's 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 is July 7, 2026 and the maturity date of the revolving credit facility likewise was extended to July 7, 2026. The Company may prepay the revolving credit facility, in whole or in part, and reborrow prior to the revolving loan maturity date.

Each loan will bear interest at the Adjusted LIBO Rate for the interest period in effect plus the Applicable Rate. Applicable Rate means the applicable rate per annum set forth below, based upon Escalade's Funded Debt to Adjusted Ratio as of the most recent determination date:

Funded Debt to EBITDA Ratio	Revolving Eurodollar Borrowing	ABR Revolving Borrowing	Letter of Credit Fee	Commitment Fee
Category 1 Greater than or equal to 2.50 to 1.0	2.25%	0.25%	2.25%	0.35%
Category 2 Greater than or equal to 1.50 to 1.0 but less than 2.50 to 1.0	2.00%	-0-	2.00%	0.35%
Category 3 Less than 1.50 to 1.0	1.75%	(0.25%)	1.75%	0.35%

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

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

Long-Term Debt

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

In Thousands	2021	2020
Senior secured revolving credit facility of $50.0 million with a maturity of July 7, 2026. The interest rate at December 25, 2021 was 3.00% and 2.15% at December 26, 2020.	$ 10,515	$ 30,073
Term loan of $50.0 million with a maturity date of July 7, 2026. The interest rate at December 25, 2021, was 2.97%.	47,024	--
	57,539	30,073
Current portion of long-term debt	(7,143)	--
	$ 50,396	$ 30,073

The Company makes monthly principal payments under the Term loan of $595 thousand. Maturities of long-term debt outstanding at December 25, 2021 are as follows: $7.1 million in 2022, $7.1 million in 2023, $7.1 million in 2024, $7.1 million in 2025 and $29.0 million in 2026.

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	2021	2020	2019
Weighted average common shares outstanding	13,747	14,096	14,407
Dilutive effect of stock options and restricted stock units	119	129	32
Weighted average common shares outstanding, assuming dilution	13,866	14,225	14,439
Number of anti-dilutive stock options and unvested restricted stock units	--	58	80

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 $1,041 thousand, $841 thousand and $816 thousand for 2021, 2020 and 2019, 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 2021, and pursuant to the 2017 Incentive Plan, in lieu of cash payments of director fees, the Company awarded to certain directors 5,683 shares of common stock. In 2021, the Company awarded 13,332 restricted stock units to directors and 37,283 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 2021 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.

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 28, 2019	128,636	$11.78
Granted	171,519	7.67
Vested	(56,079)	11.39
Forfeited	--	--
Non-vested stock units as of December 26, 2020	244,076	$8.98
Granted	50,615	20.74
Vested	(84,887)	8.98
Forfeited	(55,684)	7.99
Non-vested stock units as of December 25, 2021	154,120	$13.19

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 2021, 2020, and 2019 the Company recognized $902 thousand, $1,011 thousand, and $505 thousand respectively in compensation expense related to restricted stock units and as of December 25, 2021 and December 26, 2020, there was $629 thousand and $926 thousand respectively, of unrecognized compensation expense related to restricted stock units.

Stock Options

Total compensation expense recorded in the statements of operations for 2021, 2020 and 2019 relating to stock options was zero, $5 thousand and $8 thousand, respectively. No stock options were awarded during 2021, 2020 or 2019.

The following table summarizes option activity for each of the three years ended 2021:

	Incentive Stock Options		Director Stock Options	
	Granted	Outstanding	Granted	Outstanding
2021	--	--	--	--
2020	--	10,000	--	--
2019	--	20,000	--	--

The following table summarizes stock option transactions for the three years ended 2021:

	2021		2020		2019	
	Shares	Option Price	Shares	Option Price	Shares	Option Price
Outstanding at beginning of year	10,000	$14.39	20,000	$14.39	35,000	$11.86 to $14.39
Issued during year	--	--	--	--	--	--
Canceled or expired	--	--	--	--	(5,000)	$11.86
Exercised during year	(10,000)	$14.39	(10,000)	$14.39	(10,000)	$11.86
Outstanding at end of year	--	--	10,000	$14.39	20,000	$14.39
Exercisable at end of year	--		10,000		6,666	
Weighted-average fair value of options granted during the year	--		--		--	

The total intrinsic value of options exercised was zero, $73 thousand and zero for 2021, 2020 and 2019, respectively.

There were no stock options outstanding at December 25, 2021.

Note 10 — Provision for Taxes

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

In Thousands	2021	2020	2019
Income before taxes:	$ 30,549	$ 32,922	$ 8,934
Provision (benefit) for taxes:			
Current			
Federal	$ 4,819	$ 5,479	$ 1,419
State	758	854	129
	5,577	6,333	1,548
Deferred			
Federal	408	665	367
State	159	(10)	(239)
	567	655	128
	$ 6,144	$ 6,988	$ 1,676

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	2021	2020	2019
Income tax at statutory rate	$ 6,415	$ 6,914	$ 1,876
Increase (decrease) in income tax resulting from			
State tax expense, net of federal effect	724	668	(86)
Federal true-ups	(38)	(103)	(60)
Federal tax credits	(251)	(114)	(93)
Captive insurance earnings	(456)	(443)	--
Incentive stock options	(214)	(4)	(1)
Other	(36)	70	40
Recorded provision for income taxes	$ 6,144	$ 6,988	$ 1,676

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 25, 2021 and December 26, 2020. 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 2017.

The Company has state, net of federal benefit, research tax credit carryforwards of $244 thousand as of December 25, 2021. The state research tax credit carryforwards begin to expire in 2021. A valuation allowance has been established in the amount of $23 thousand as of December 25, 2021 related to the state tax credit carryforwards, leaving an ending deferred, net of federal benefit, in the amount of $221 thousand. The decrease in the valuation allowance relates to the statutory expiration of prior year credits. 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 $95 thousand, as of December 25, 2021.

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. At December 26, 2020, the Company had domestic federal income taxes receivable of $180 thousand, domestic state income taxes payable of $123 thousand, and transition tax payable of $387 thousand recorded.

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

In Thousands	2021	2020
Assets		
Valuation reserves	$ 1,248	$ 1,042
Stock based compensation	329	297
Federal and state credits	339	353
Lease obligation	515	378
Other	34	29
Net operating loss carry forward	--	2
Total assets	2,465	2,101
Liabilities		
Property and equipment	(1,474)	(1,024)
Goodwill and intangible assets	(4,973)	(4,685)
Lease – right of use asset	(517)	(376)
Prepaid insurance	(237)	(182)
Total liabilities	(7,201)	(6,267)
Valuation Allowance		
Beginning balance	(27)	--
(Increase) Decrease during period	4	(27)
Ending balance	(23)	(27)
	$ (4,759)	$ (4,193)

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

In Thousands	2021	2020	2019
Balance at beginning of year	$ 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	-	-	-
Balance at end of year	$ 61	$ 61	$ --

The total amount of unrecognized tax benefits, net of federal income tax benefits, of $48 thousand at December 25, 2021 and December 26, 2020, 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 25, 2021.

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	2021	2020	2019
Sporting Goods			
Net revenue	$ 313,612	$ 273,649	$ 180,541
Operating income	31,534	32,685	8,611
Interest expense	1,510	250	358
Provision for taxes	8,295	8,951	2,272
Net income	21,892	23,625	5,997
Identifiable assets	241,547	211,253	141,167
Depreciation & amortization	4,835	4,016	4,031
Capital expenditures	9,696	5,455	2,185
All Other			
Net revenue	--	--	--
Operating income	362	347	664
Interest expense (income)	--	--	(2)
Provision (benefit) for taxes	(2,151)	(1,963)	(596)
Net income	2,513	2,309	1,261
Identifiable assets	10,251	9,452	7,612
Depreciation & amortization	--	--	--
Capital expenditures	--	--	--
Total			
Net revenue	313,612	273,649	180,541
Operating income	31,896	33,032	9,275
Interest expense	1,510	250	356
Provision for taxes	6,144	6,988	1,676
Net income	24,405	25,934	7,258
Identifiable assets	251,798	220,705	148,779
Depreciation & amortization	4,835	4,016	4,031
Capital expenditures	9,696	5,455	2,185

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 2021. 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 deferred tax assets.

The Company had net assets of $15.8 million and $16.0 million located in Mexico as of December 25, 2021 and December 26, 2020, respectively.

During 2021, 2020 and 2019, the Company had one customer, Amazon.com, Inc., that accounted for approximately 21%, 23% and 21%, respectively of the Company's revenues. During 2021, 2020 and 2019 the Company had another customer, Dick's Sporting Goods, which accounted for approximately 11%, 13% and 13%, respectively, of the Company's revenues.

As of December 25, 2021, the Company had approximately 24%, 17% and 10% of its total accounts receivable with Amazon.com, Inc., Academy Sports and Outdoors, Inc. and Dick's Sporting Goods, respectively. As of December 26, 2020, the Company had approximately 26%, 14% and 11% of its total accounts receivable with Amazon.com, Inc., Academy Sports and Outdoors, Inc. and Dick's Sporting Goods, respectively.

As of December 25, 2021, approximately 28 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, 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	2021	2020	2019
North America	$ 309,211	$ 270,173	$ 178,069
Europe	2,153	1,555	1,001
Other	2,248	1,921	1,471
	$ 313,612	$ 273,649	$ 180,541

Note 12 — Summary of Quarterly Results

In thousands, except per share data (unaudited)	March 20	July 10	October 2	December 25
2021				
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

In thousands, except per share data (unaudited)	March 21	July 11	October 6	December 26
2020				
Net Sales	$ 37,289	$ 83,524	$ 78,069	$ 74,767
Operating Income	2,424	10,872	12,815	6,921
Net income	1,951	8,710	10,186	5,087
Basic Earnings Per Share Data:	$ 0.14	$ 0.62	$ 0.72	$ 0.36
Diluted Earnings Per Share Data:	$ 0.14	$ 0.61	$ 0.71	$ 0.36

Note 13 — Acquisitions

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

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.

In thousands	
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	(333)
	$15,446

2019

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

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 25, 2021, the Company had future estimated minimum non-cancelable royalty and license payments as follows:

In Thousands	Amount
2022	$ 960
2023	788
2024	566
2025	579
2026	599
Thereafter	1,925
	$ 5,417

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 25, 2021 and December 26, 2020.

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

2020 In Thousands	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	$ 3,505	$ 3,505	$ --	$ --
Financial liabilities				
Long-term debt	$30,073	$ --	$30,073	$ --

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:

	Years Ended		
All Amounts in Thousands	December 25, 2021	December 26, 2020	December 28, 2019
Gross Sales by Channel:			
Mass Merchants	$115,949	$104,147	$66,428
Specialty Dealers	96,166	80,419	53,878
E-commerce	119,550	109,297	74,029
International	11,337	8,226	6,562
Other	3,240	2,312	2,475
Total Gross Sales	346,242	304,401	203,372
Less: Gross-to-Net Sales Adjustments			
Returns	8,304	7,837	5,415
Warranties	2,488	1,648	1,736
Customer Allowances	21,838	21,267	15,680
Total Gross-to-Net Sales Adjustments	32,630	30,752	22,831
Total Net Sales	$313,612	$273,649	$180,541

Contract Balances – The following table provides information on changes in our contract liability balances during the twelve month periods ended December 25, 2021, December 26, 2020 and December 28, 2019.

	Years Ended		
All Amounts in Thousands	December 25, 2021	December 26, 2020	December 28, 2019
Increase due to cash received, excluding amounts recognized as revenue during the period	$ -	$ -	$ -
Revenue recognized that was included in the contract liability balance at the beginning of the period	-	-	(413)
Increase in contract liability during the period	$ -	$ -	$ -

Note 17 — Subsequent Events

On January 21, 2022, the Company completed its acquisition of the assets constituting the Brunswick Billiards business of Life Fitness, LLC. The estimated purchase price of the acquisition is $36.4 million, subject to final adjustment for net working capital as of the closing date. The acquisition was funded by cash and the Company's revolving credit facility. The Company has not yet finalized the purchase price or its final evaluation of the fair value of certain items.

On January 21, 2022, the Company entered into an Amended and Restated Credit Agreement ("Restated Credit Agreement") with its issuing bank, JP Morgan Chase Bank, N.A. ("Chase"), and the other lenders identified in the Restated Credit Agreement (collectively, the "Lender"). Under the terms of the Restated Credit Agreement, Old National Bank has been added as a Lender. The Lenders have now 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. As of January 21, 2022, the outstanding principal amount of the term loan is $46.4 million.

Each loan will bear interest at the Adjusted LIBO Rate for the interest period in effect plus the Applicable Rate. Applicable Rate means the applicable rate per annum set forth below, based upon Escalade's Funded Debt to Adjusted Ratio as of the most recent determination date:

Funded Debt to EBITDA Ratio	Revolving Commitment ABR Spread	Revolving Commitment Term Benchmark Spread	Letter of Credit Fee	Commitment Fee Rate
Category 1 Greater than or equal to 2.50 to 1.0	0.25%	2.00%	2.00%	0.30%
Category 2 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%
Category 3 Less than 1.50 to 1.0	(0.25%)	1.50%	1.50%	0.20%

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

In addition to the increased revolving borrowing amount and extended maturity dates, other significant changes reflected in the Restated Credit Agreement include: specifying that Indian's acquisition of the assets of the Brunswick Billiards business is a permitted acquisition; providing a $7.5 million swingline commitment by Chase; replacing LIBOR with the replacement benchmark secured overnight financing rate as previously contemplated; and adjustments to certain financial covenants relating to the fixed charge coverage ratio. Escalade's indebtedness under the Restated Credit Agreement continues to be collateralized by liens on all of the present and future equity of each of Escalade's domestic subsidiaries and substantially all of the assets of the Company (excluding real estate). Each direct and indirect domestic subsidiary of Escalade 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. Escalade, Indian and all of the domestic subsidiaries have entered into an Amended and Restated Pledge and Security Agreement dated January 21, 2022 in favor of the Lender to continue the existing liens, previously existing under the original pledge and security agreements entered into on April 30, 2009, as amended, and thereafter for subsidiaries created or acquired after that date. The obligations, guarantees, liens and other interests granted by Escalade, Indian, and their domestic subsidiaries continue in full force and effect.

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. Walter P. Glazer, Jr. President and Chief Executive Officer	February 22, 2022

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. Walter P. Glazer, Jr.	Chairman and Director and President and Chief Executive Officer	February 22, 2022
/s/ Katherine F. Franklin Katherine F. Franklin	Director	February 22, 2022
/s/ Edward E. Williams Edward E. Williams	Director	February 22, 2022
/s/ Richard Baalmann, Jr. Richard Baalmann, Jr.	Director	February 22, 2022
/s/ Patrick Griffin Patrick Griffin	Director	February 22, 2022
/s/ Stephen R. Wawrin Stephen R. Wawrin	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 22, 2022

Exhibit 21

ESCALADE, INCORPORATED AND SUBSIDIARIES

List of Subsidiaries at December 25, 2021

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

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

Exhibit 23.1

Independent Registered Public Accounting Firm Consent

We consent to the incorporation by reference in the registration statement of Escalade, Incorporated on Form S-8 (File No. 333-218340) of our report dated February 22, 2022, on our audits of the consolidated financial statements of Escalade, Incorporated as of December 25, 2021, and December 26, 2020, and for each of the three years in the period ended December 25, 2021, which report is included in this Annual Report on Form 10-K.

/s/ BKD, LLP
BKD, LLP
Evansville, Indiana
February 22, 2022

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 22, 2022

/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 22, 2022

/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 25, 2021 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 22, 2022

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 25, 2021 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 22, 2022

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
BKD, 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 April 26, 2022 at the Corporate offices located at 817 Maxwell Avenue Evansville, IN 47711


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