

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

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**FORM 8-K**

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**CURRENT REPORT**  
**Pursuant To Section 13 OR 15(d) Of The Securities Exchange Act Of 1934**

Date of Report (Date of earliest event reported): November 4, 2010



THE DIXIE GROUP

**THE DIXIE GROUP, INC.**

(Exact name of Registrant as specified in its charter)

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|  |   |   |
|--|---|---|
| <u>Tennessee</u><br>(State or other jurisdiction of incorporation)                                     | <u>0-2585</u><br>(Commission File Number) | <u>62-0183370</u><br>(I.R.S. Employer Identification No.) |
| <u>104 Nowlin Lane - Suite 101, Chattanooga, Tennessee</u><br>(Address of principal executive offices) | <u>37421</u><br>(zip code)                |   |

Registrant's telephone number, including area code (423) 510-7000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 7.01 Regulation FD Disclosure.**

The Dixie Group, Inc. released its third quarter earnings report on November 4, 2010.

The information attached as Exhibit 99.1 hereto supersedes the investor presentation previously furnished on Form 8-K dated July 28, 2010, and is being furnished pursuant to Item 7.01, and shall not be deemed to be "filed" for any purpose.

These updated investor presentation materials may be found on the Company's website at [www.thedixiegroup.com](http://www.thedixiegroup.com).

**Item 9.01 Financial Statements and Exhibits.**

- (c) Exhibits  
(99.1) Presentation Materials, November 4, 2010.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 4, 2010

**THE DIXIE GROUP, INC.**

/s/ Jon A. Faulkner  
Jon A. Faulkner  
Chief Financial Officer

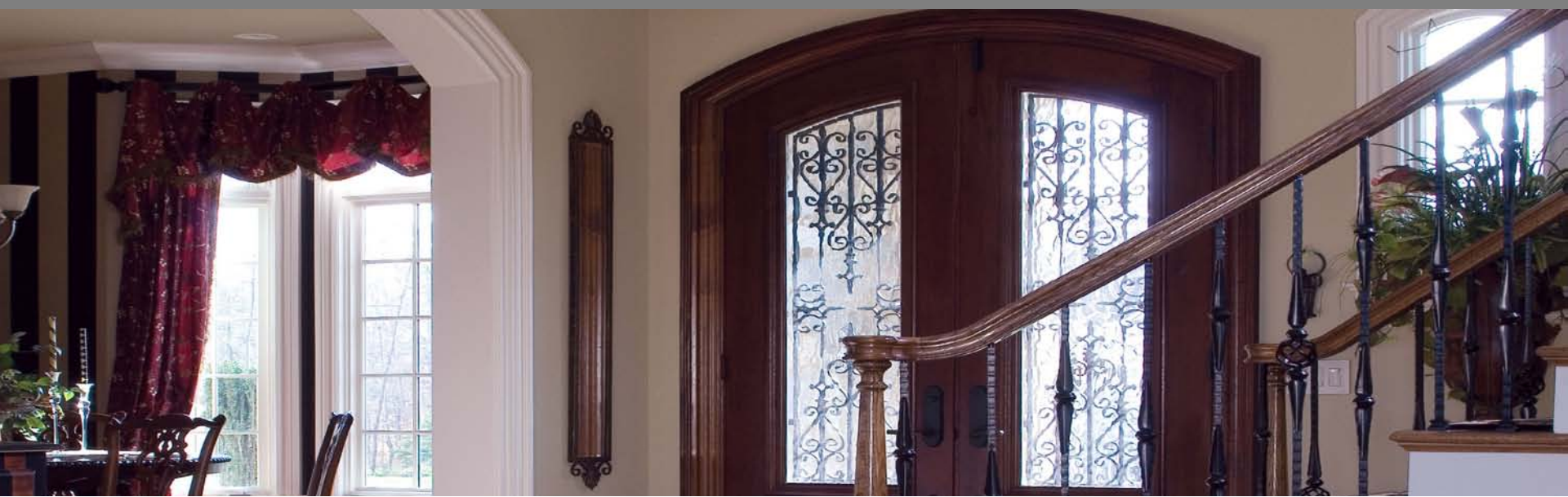


Exhibit 99.1

## Investor Presentation



THE DIXIE GROUP

October 2010



# Forward-Looking Statements



THE DIXIE GROUP

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- **Statements in this presentation which relate to the future, are subject to risk factors and uncertainties that could cause actual results to differ materially from those indicated in such forward-looking statements. Such factors include the levels of demand for the products produced by the Company. Other factors that could affect the Company's results include, but are not limited to, raw material and transportation costs related to petroleum prices, the cost and availability of capital, and general economic and competitive conditions related to the Company's business. Issues related to the availability and price of energy may adversely affect the Company's operations. Additional information regarding these and other factors and uncertainties may be found in the Company's filings with the Securities and Exchange Commission.**
- **General information set forth in this presentation concerning market conditions, sales data and trends in the U.S. carpet and rug markets are derived from various public and, in some cases, non-public sources. Although we believe such data and information to be accurate, we have not attempted to independently verify such information.**

# Dixie History



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- Began operations in 1920
- Entered floorcovering in 1993 and exited textiles in 1999 – now 100% floorcovering
- Eight floorcovering acquisitions in the '90's
- Exclusively focused on upper-end markets
- Traditionally we have outperformed the industry and expect to do so in the future

# Dixie Today



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- **Commitment to brands in the upper-end market with strong growth potential**



- **Diversified between Commercial and Residential markets**



- **Diversified customer base**
  - **Top 10 carpet customers – 11% of carpet sales**
  - **Top 20 carpet customers – 14% of carpet sales**



# The Industry

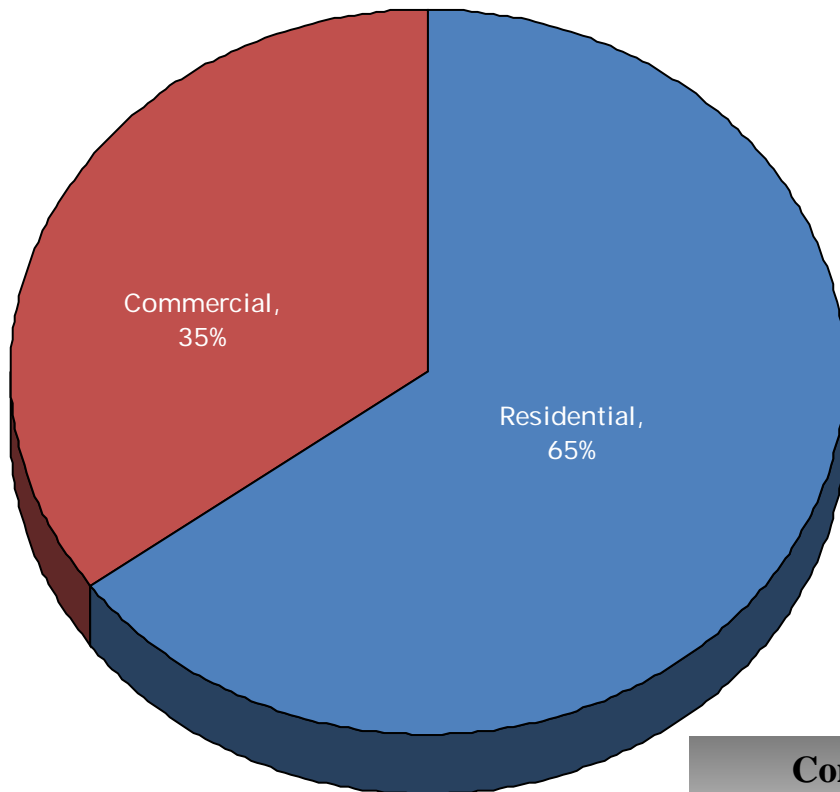


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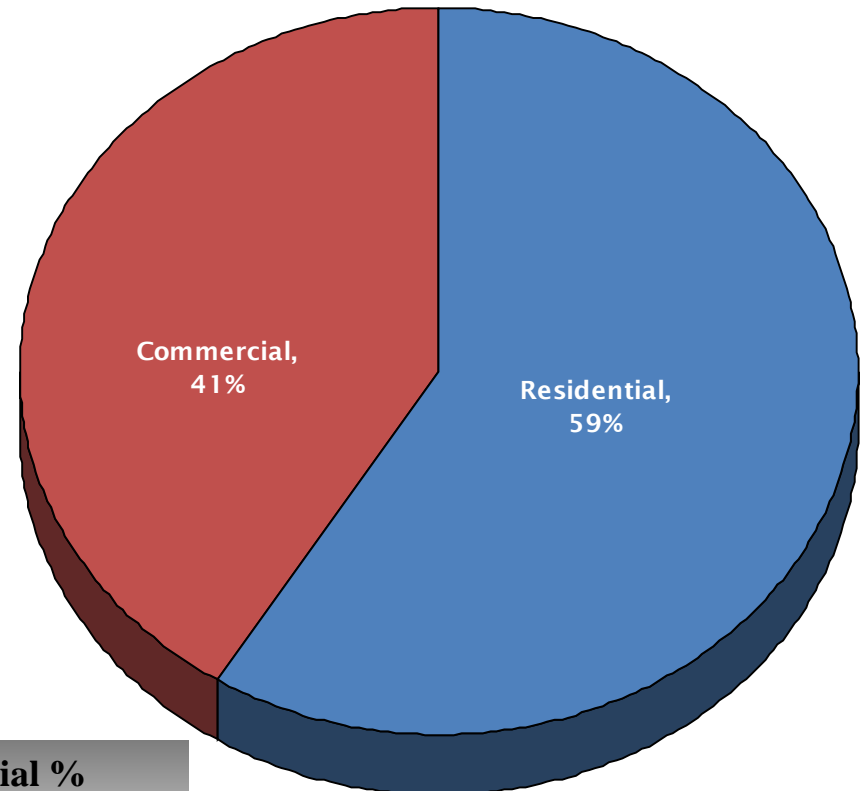
## 2006 Broadloom Carpet End Use

Sales \$10.19 Billion



## 2009 Broadloom Carpet End Use

Sales \$7.00 Billion



**Commercial %  
2001 – 2009  
From 32% to 42%**

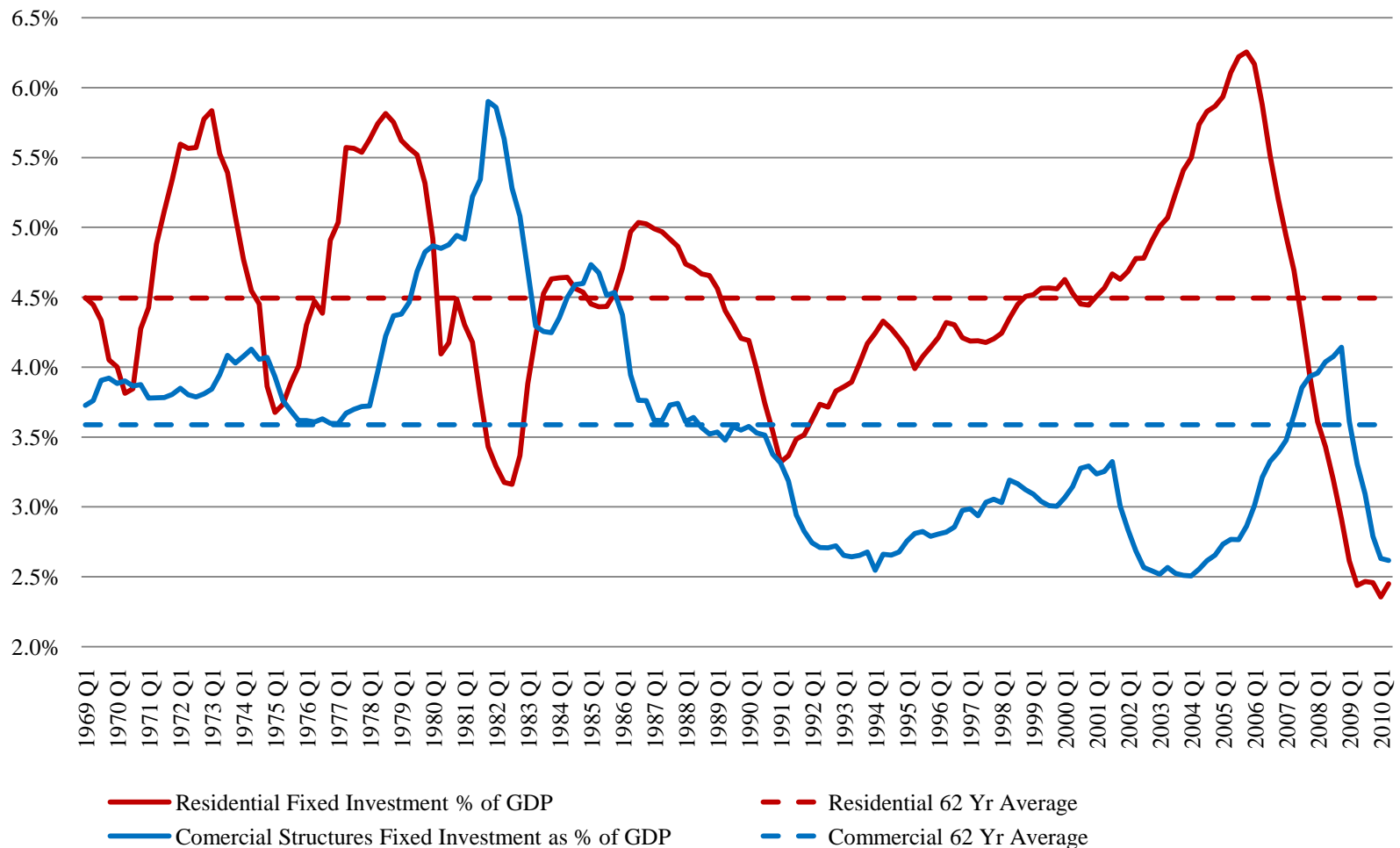
Source: CRI





## Fixed Investment as % of GDP

(U.S. Dept. of Commerce)



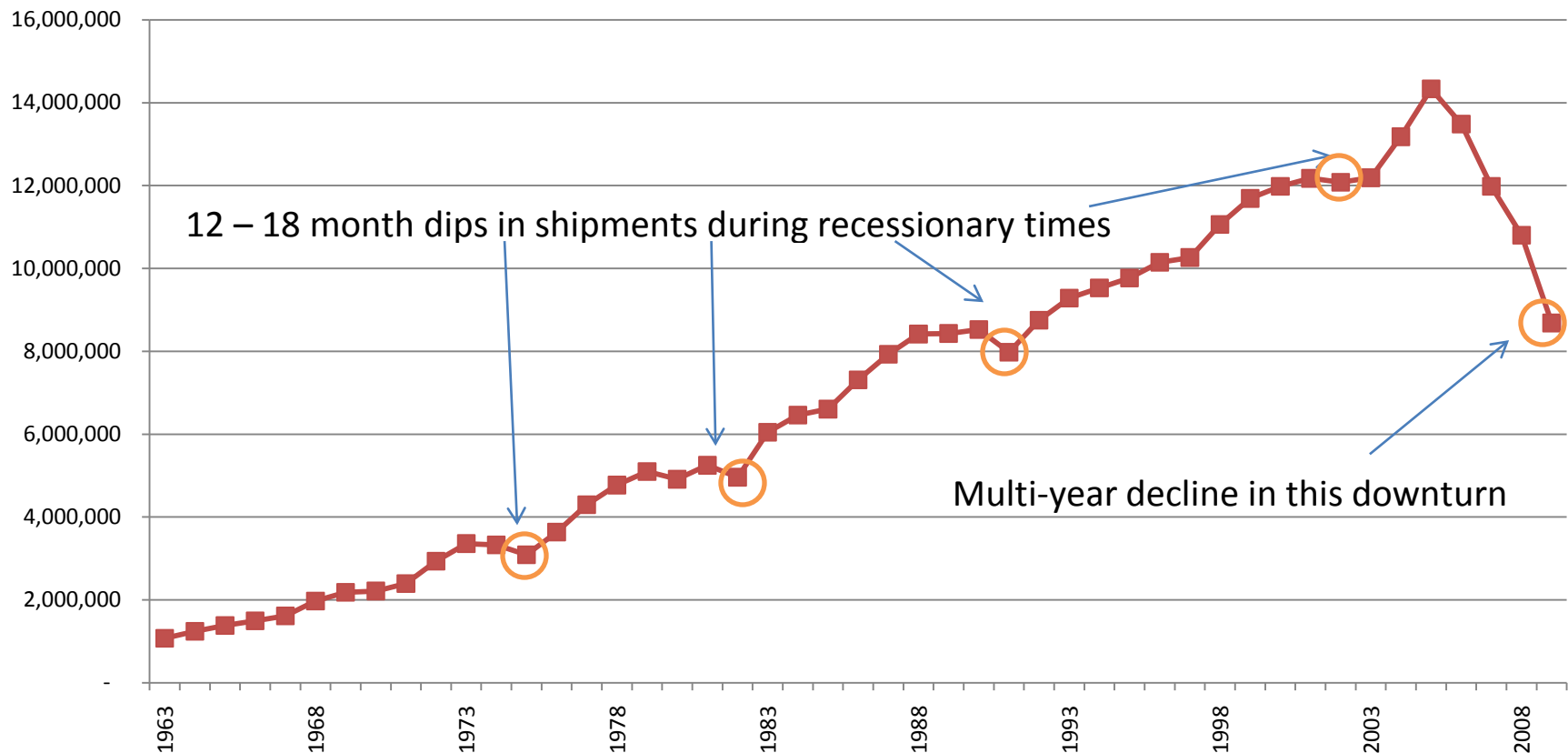
# The Industry



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## Value of U.S. Carpet & Rug Mill Shipments (\$ 000's)



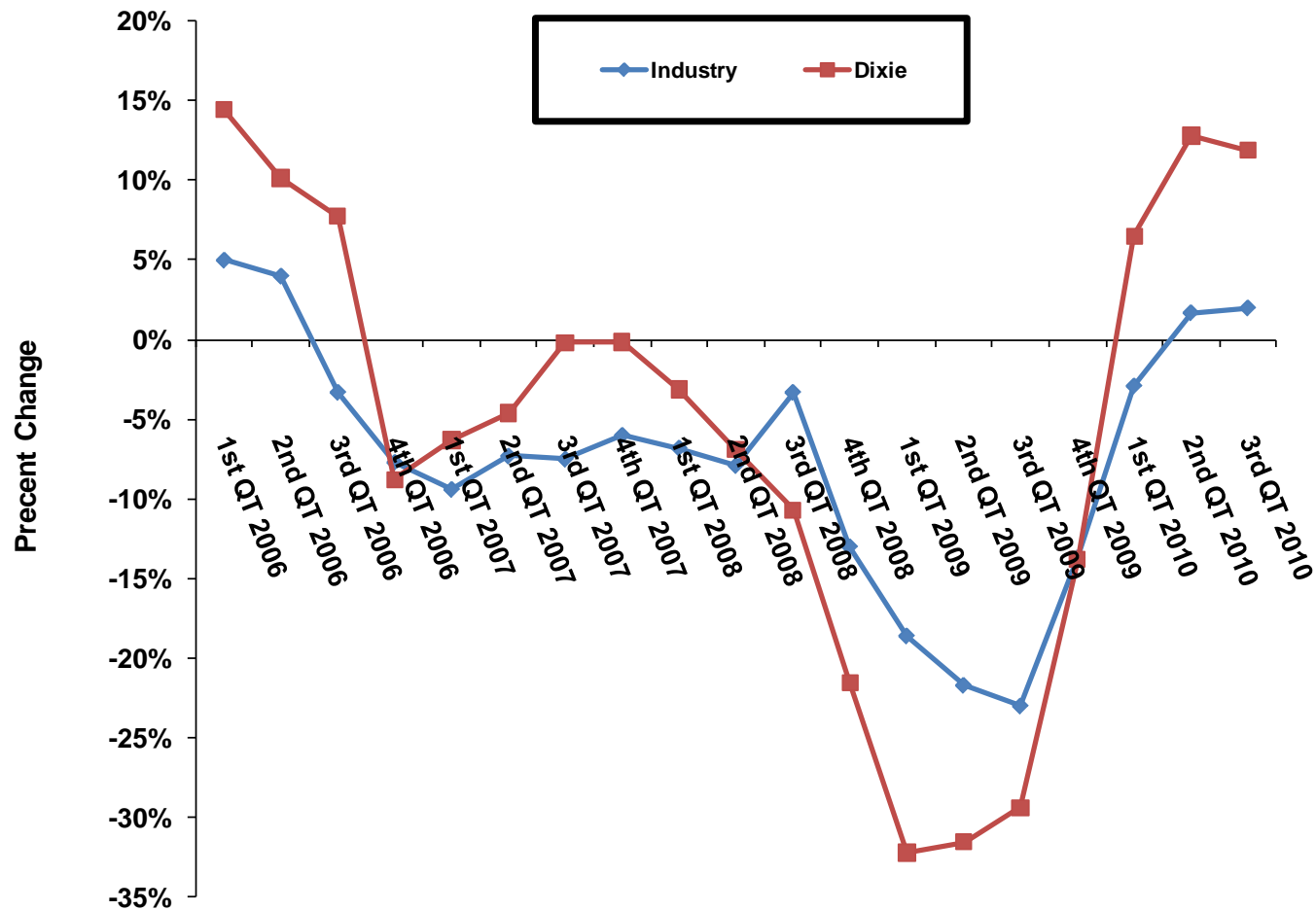
Source: U.S. Census Bureau & CRI Estimate

# Broadloom Sales Dollars % Change vs. Prior Yr Quarter



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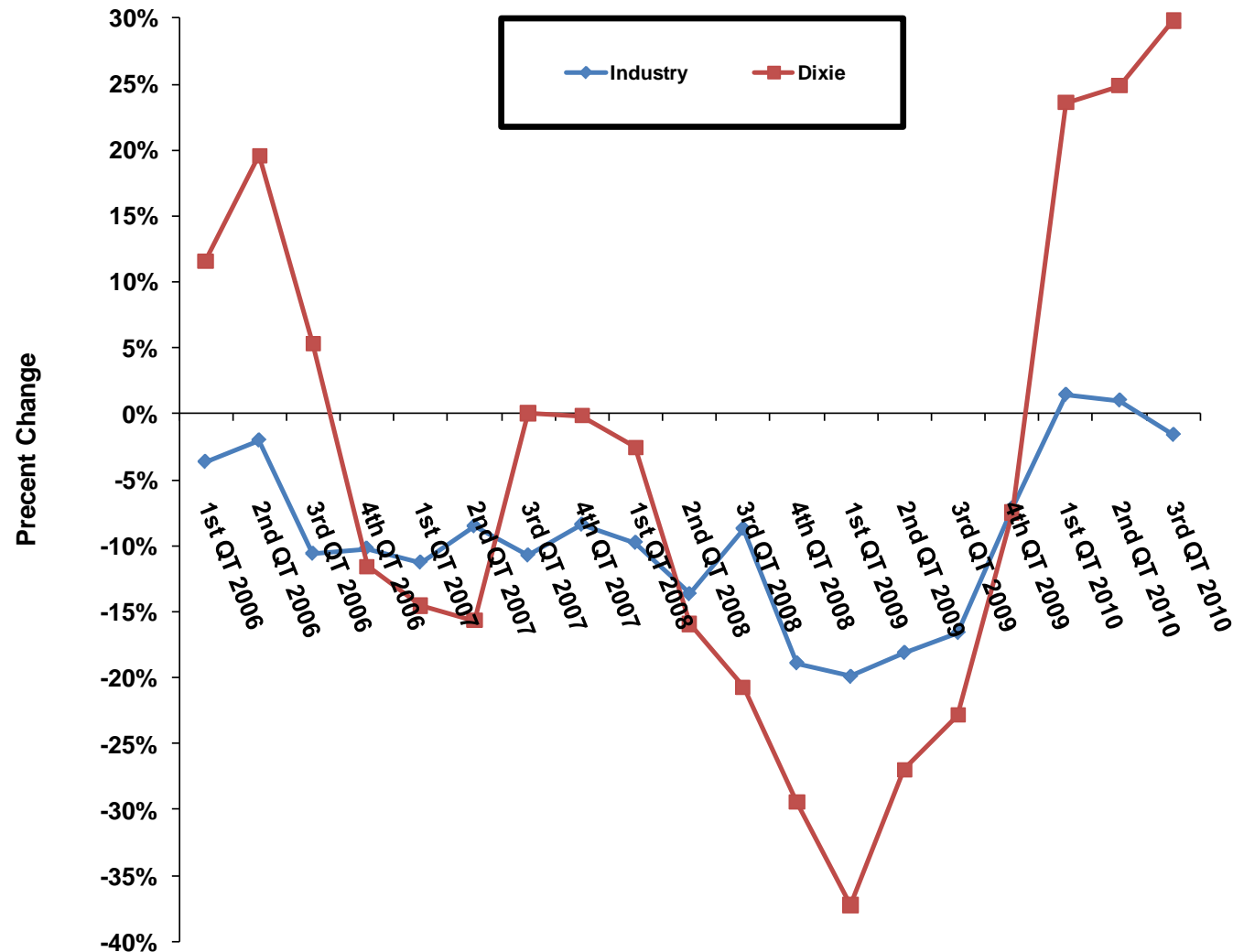


# Broadloom Square Yards % Change vs. Prior Yr Quarter



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# 2009 U.S. Carpet Manufacturers



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| Carpet & Rug Sales | Dollars in |       | % Total |
|--------------------|------------|-------|---------|
|                    | Millions   |       |         |
| Shaw               | \$         | 3,025 | 31.4%   |
| Mohawk             | \$         | 2,479 | 25.8%   |
| Beaulieu           | \$         | 857   | 8.9%    |
| Interface          | \$         | 423   | 4.4%    |
| The Dixie Group    | \$         | 199   | 2.1%    |
| Others             | \$         | 2,642 | 27.4%   |
| Total Industry     | \$         | 9,625 | 100.0%  |

# Dixie Group Carpet Sales

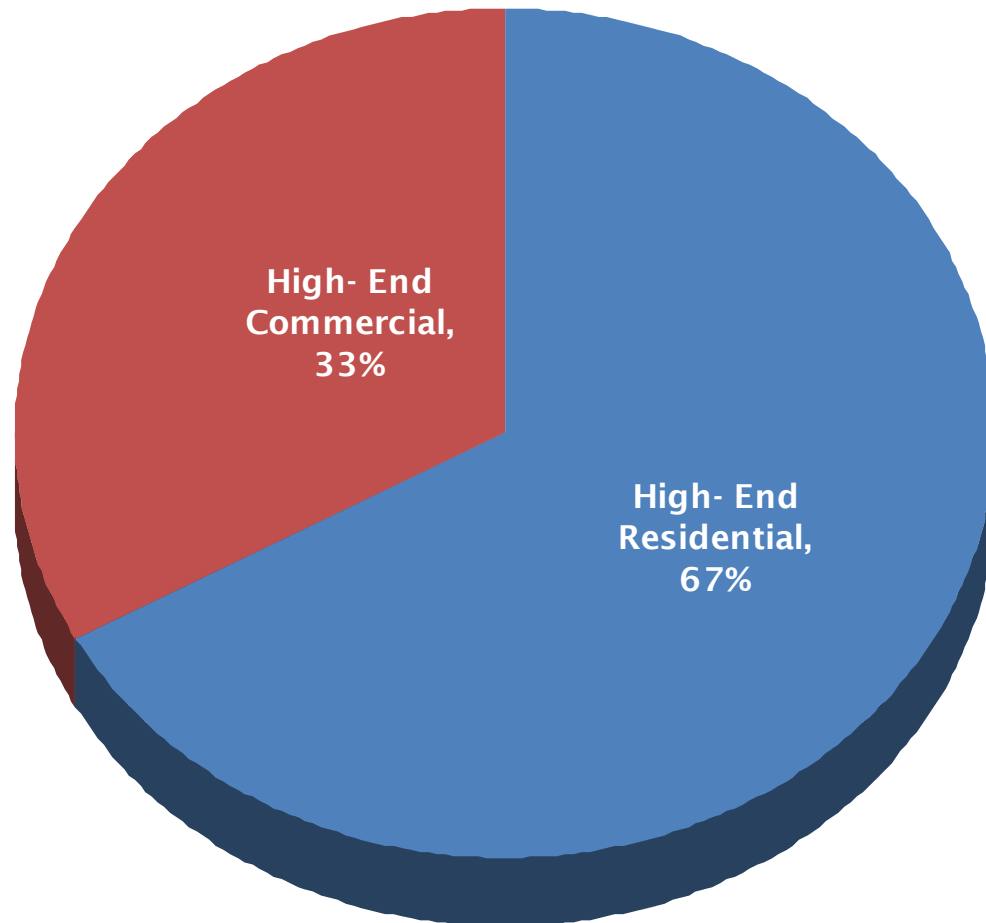


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## Dixie Carpet and Rug Sales by End Market

**Commercial %**  
**2001 – 2009**  
**From 29% to 38%**

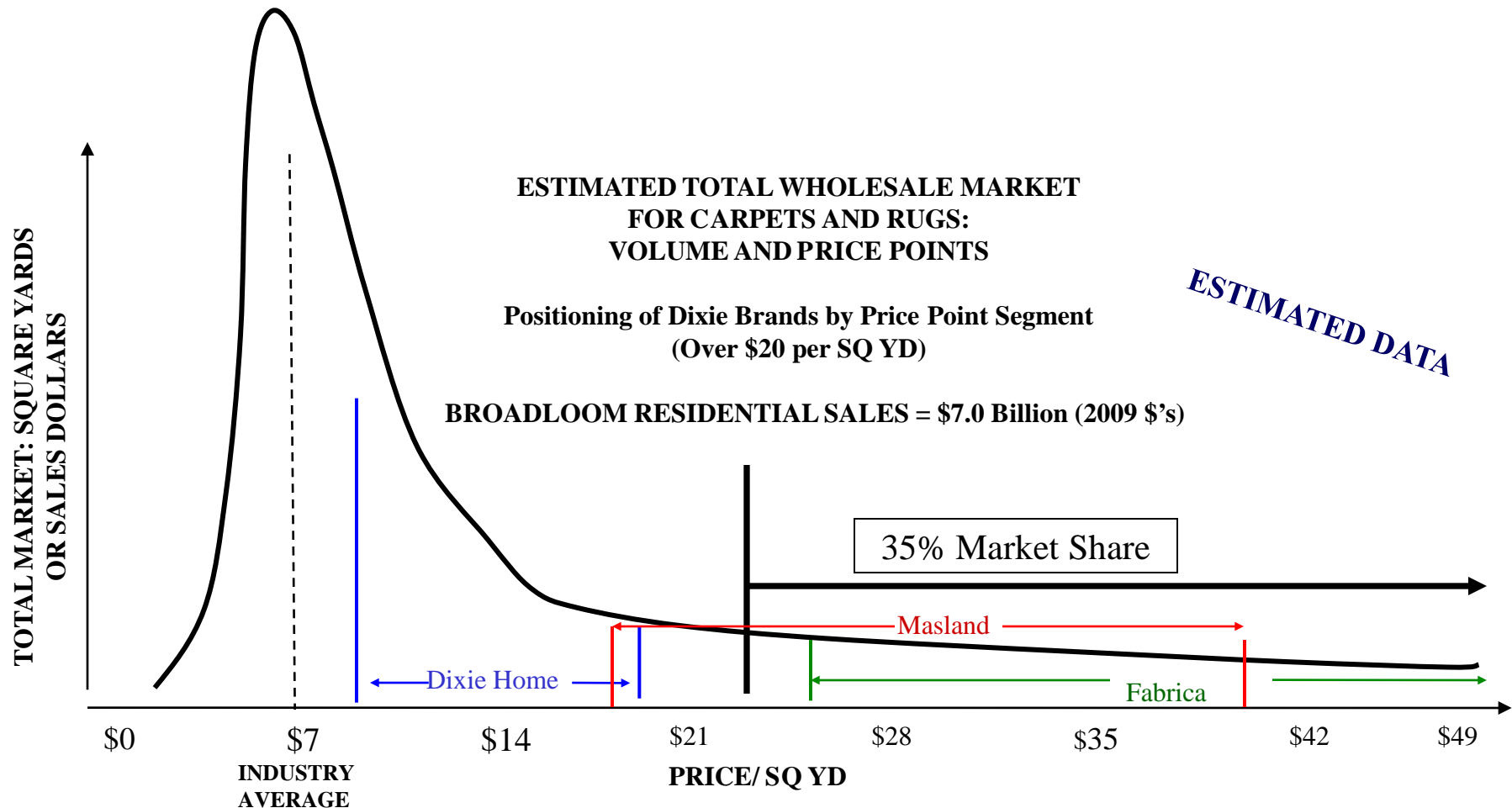


# Residential Positioning of The Dixie Group



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Note: Industry average price is based on sales reported through industry sources.



# Dixie High-End Residential Sales



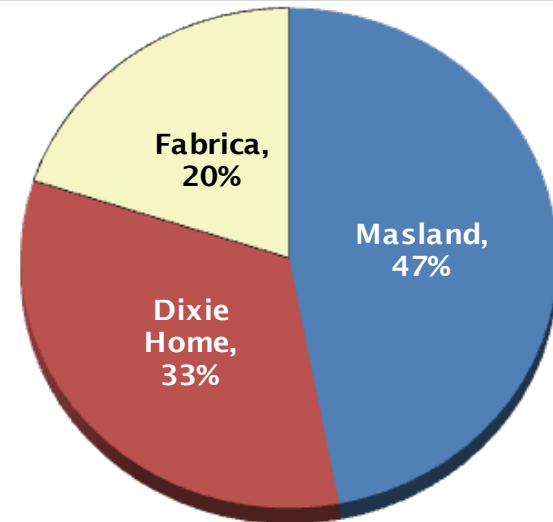
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**Year 2006**

**Fabrica,  
26%**

**Year 2009**



# Dixie High-End Residential Sales

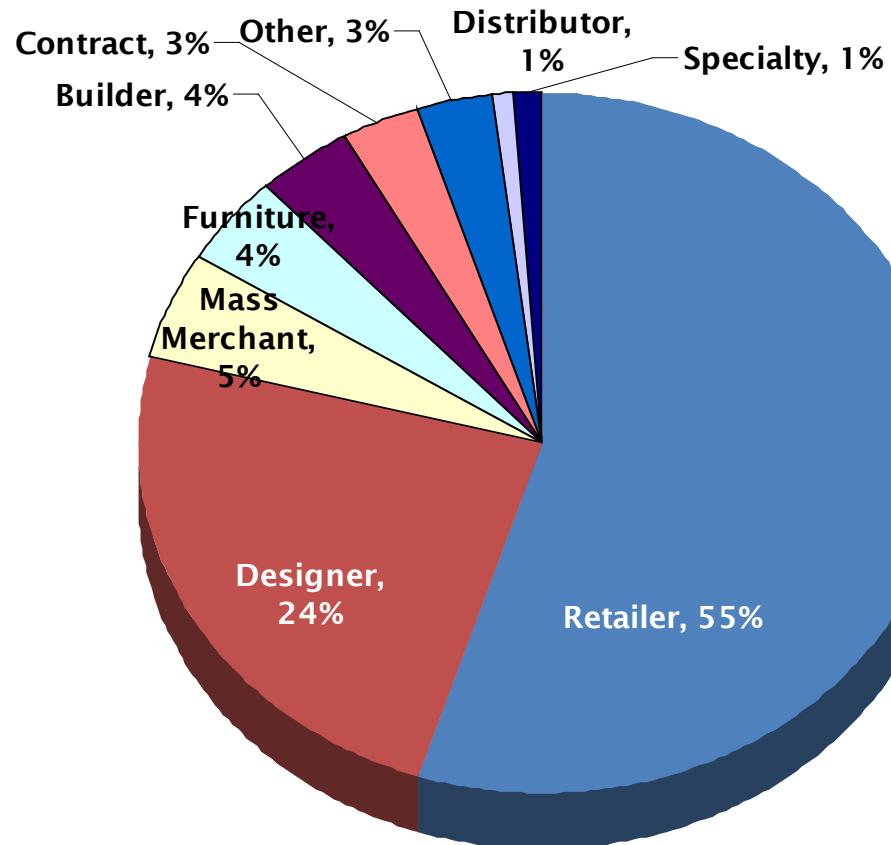


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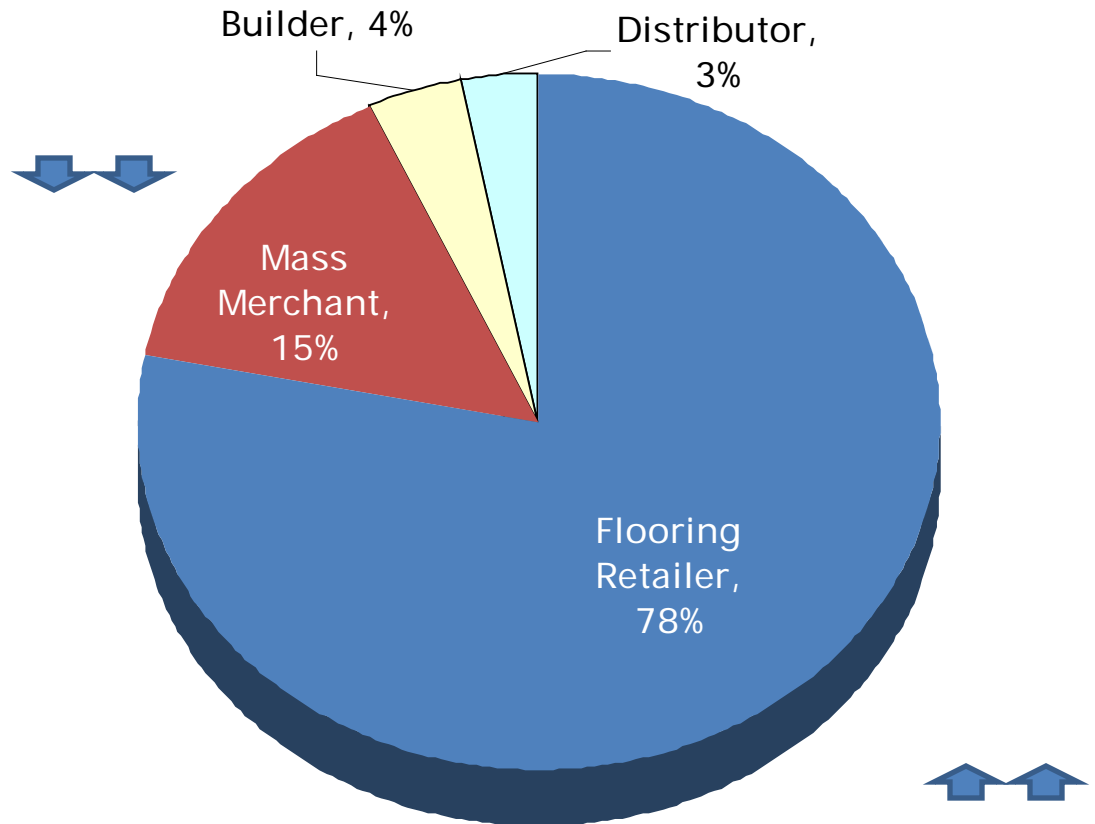


## Sales by Segment for 2009

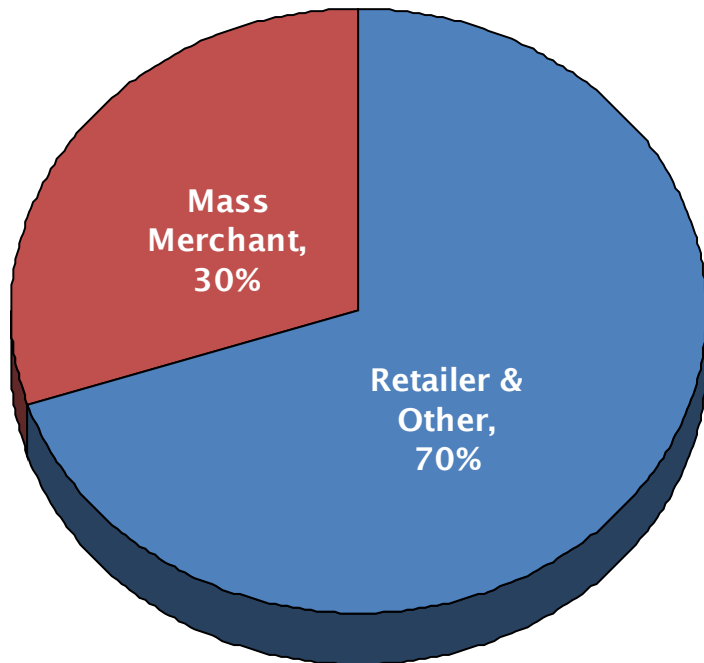




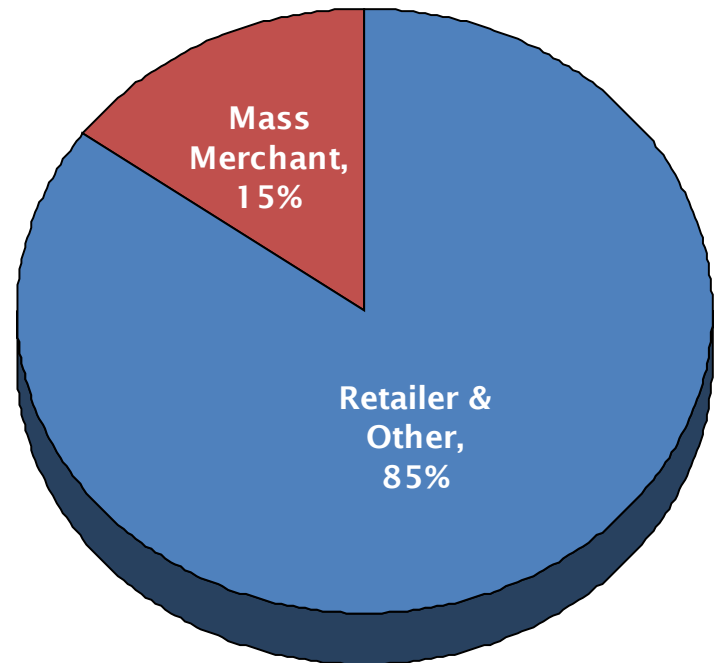
## Sales by Segment for 2009 (arrows versus 2006)



### Sales by Segment for 2006



### Sales by Segment for 2009



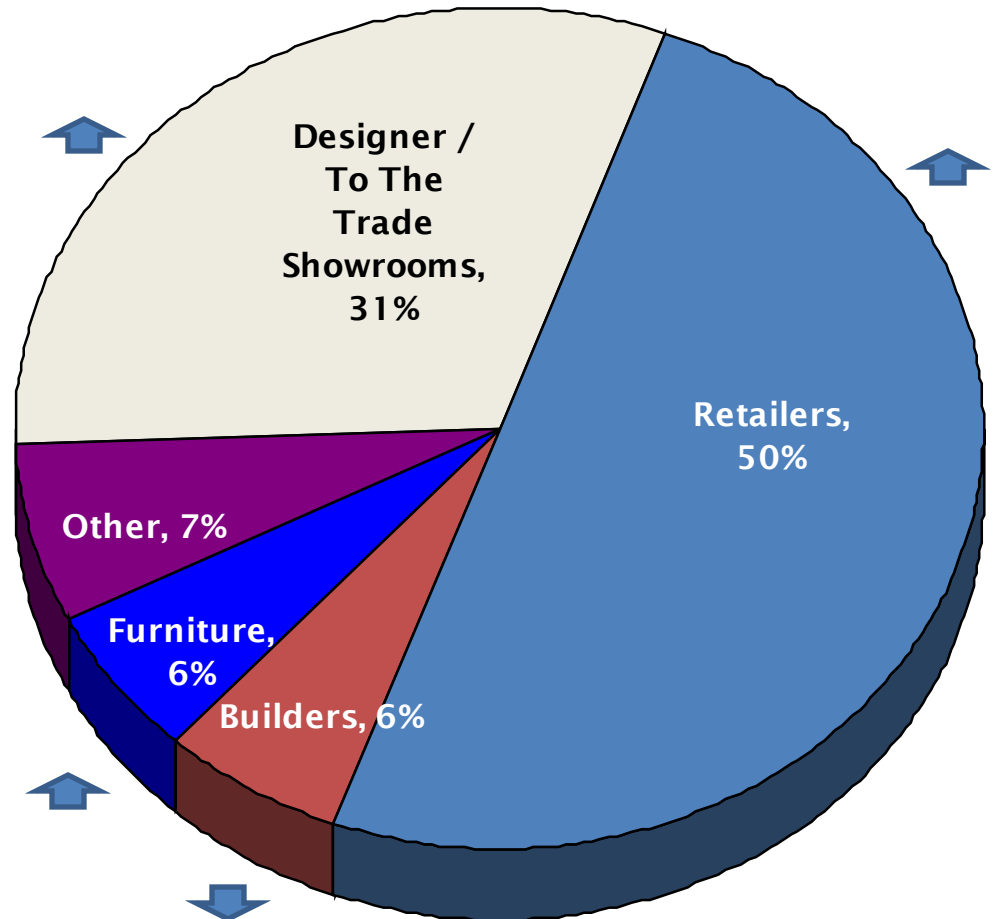




- **Well-styled moderate to upper priced residential broadloom line**
- **Dixie provides a “full line” to retailers**
- **Leverage needed by fiber suppliers for market access**
- **Selective distribution strategy attractive to retailers**
- **Growth initiatives**
  - **Stainmaster® “value” products**
  - **Durasilk (polyester) collection**



**Sales by Segment for 2009 (arrows versus 2006)**



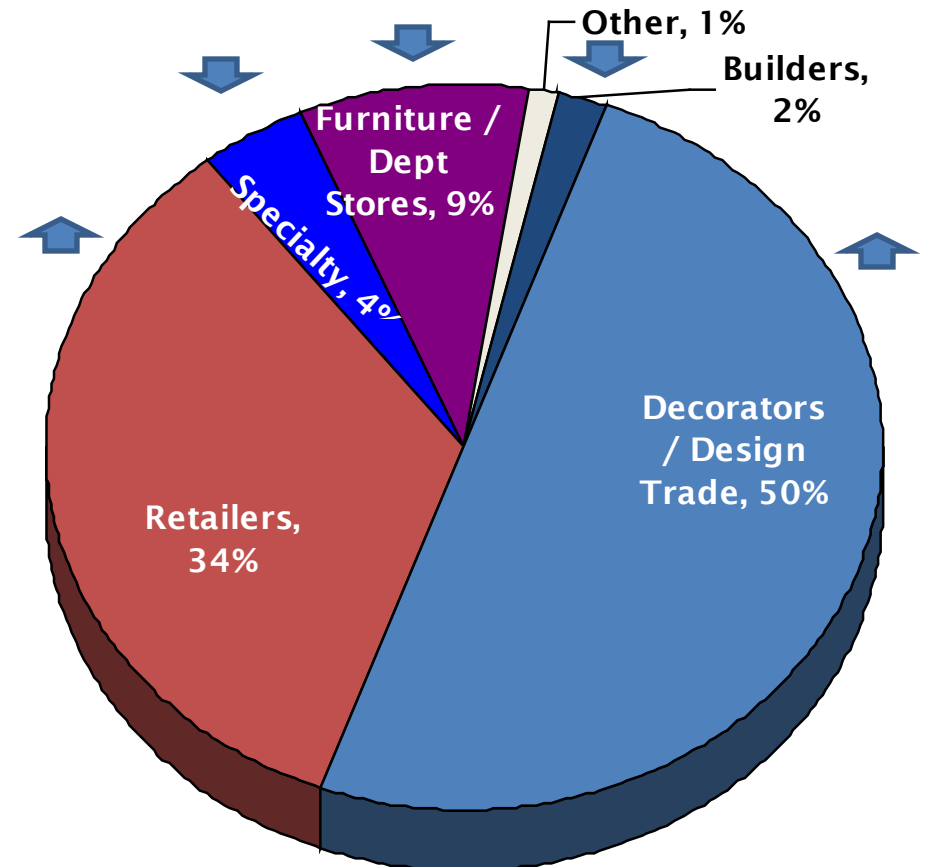


- **Leading high-end brand with reputation for innovative styling, design and color**
- **High-end retail / designer driven**
- **Hand crafted and imported rugs**
- **Growth initiative**
  - **New Stainmaster ® products for more volume orientated price points**
  - **Wool products introduced in '07**



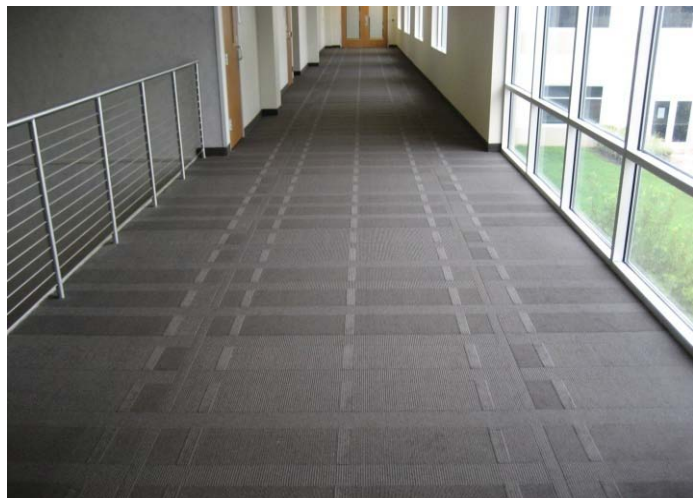


## Sales by Segment for 2009 (arrows versus 2006)

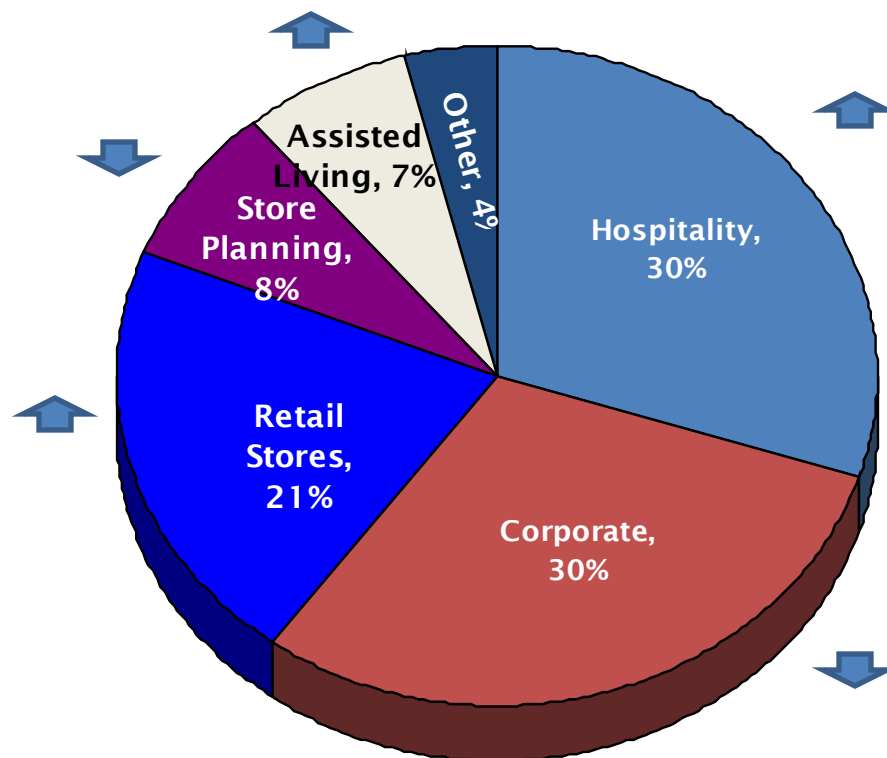




- **Premium high-end brand**
- **Designer focused**
- **Hand crafted and imported rugs**
- **Growth initiative**
  - **New products, heightened focus on retail penetration**
  - **Full service national supplier of wool to the designer trade with excellent service and support**



## Sales by Segment for 2009 (arrows versus 2006)



Channels: Interior Design Specifier and Commercial End User





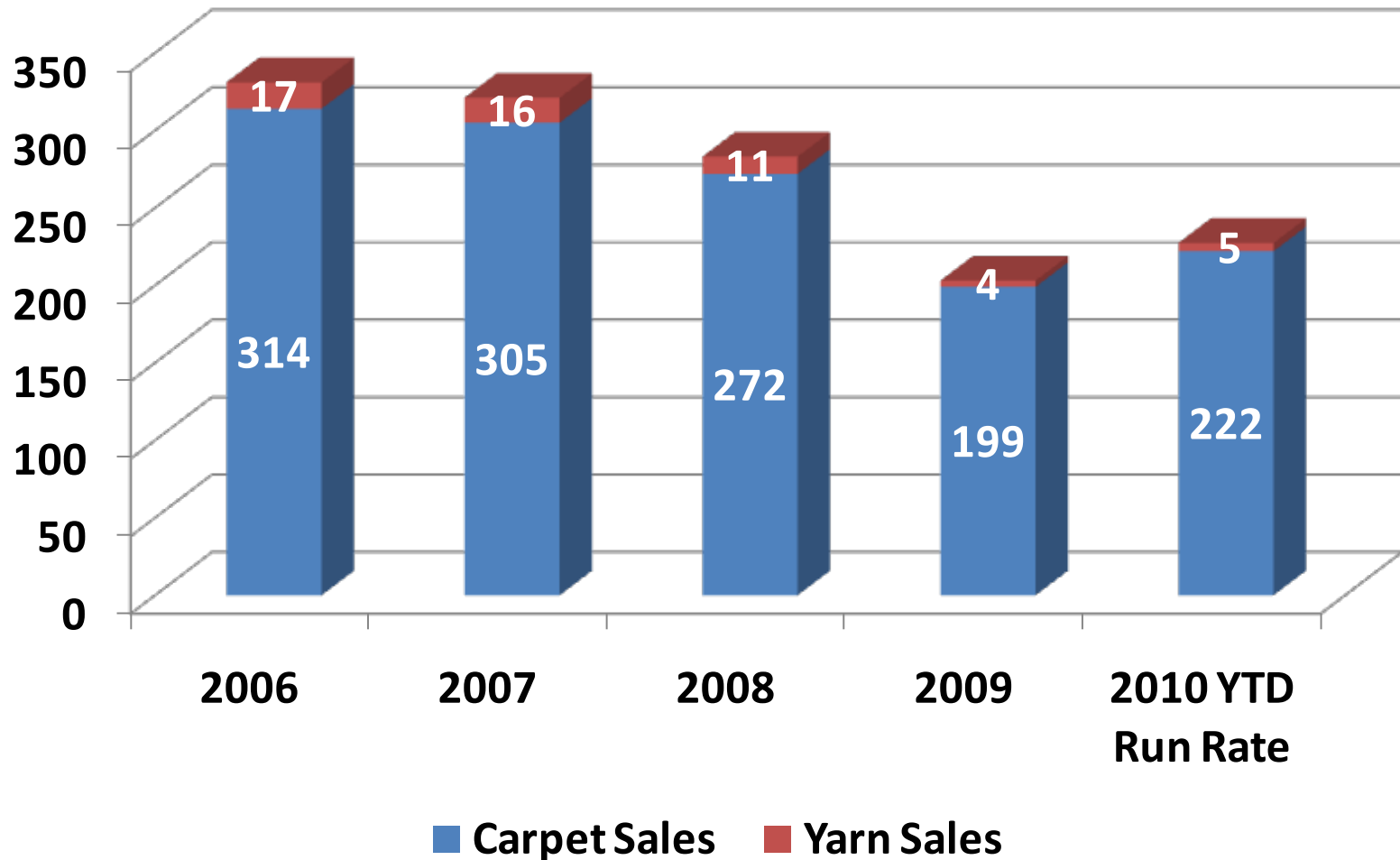
- **Premium brand in the commercial marketplace**
- **Designer focused**
- **Strong national account base**
  - Nordstrom's, Target, Sears, Olive Garden, Red Lobster, Victoria's Secret, Applebee's
- **Growth initiative**
  - Modular/carpet tile
  - Updated "*Energy Collection*"

# Dixie Sales Continuing Operations (\$ in millions)



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# Sales & Operating Income

(\$ in millions)



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|                                    | <u>Y 2006</u> | <u>Y 2007</u> | <u>Y 2008</u> | <u>Y 2009</u> | <u>YTD 2010</u> |
|------------------------------------|---------------|---------------|---------------|---------------|-----------------|
| Net Sales                          | 331.1         | 320.8         | 282.7         | 203.5         | 166.2           |
| Non-GAAP Adjusted Operating Income | 16.6          | 16.7          | 1.5           | (8.4)         | (3.5)           |
| Non-GAAP Adjusted EBITDA           | 28.1          | 29.7          | 15.3          | 5.1           | 5.3             |

- We have cut costs during the downturn to lower our break even point
- We have written off all of our goodwill
- We need to invest less than depreciation over the next several years

**Note: Non-GAAP reconciliation on slide 34**

# Quarterly Sales & Operating Income

(\$ in millions)



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|                                    | <u>Q1 2009</u> | <u>Q2 2009</u> | <u>Q3 2009</u> | <u>Q4 2009</u> | <u>Q1 2010</u> | <u>Q2 2010</u> | <u>Q3 2010</u> |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net Sales                          | 47.6           | 52.6           | 50.5           | 52.8           | 50.5           | 59.1           | 56.7           |
| Non-GAAP Adjusted Operating Income | (6.1)          | (0.3)          | (1.1)          | (0.7)          | (2.1)          | 0.2            | (1.6)          |
| Non-GAAP Adjusted EBITDA           | (2.6)          | 3.2            | 2.2            | 2.3            | 0.9            | 3.1            | 1.3            |

- First quarter is historically our lowest quarter in net sales
- We have maintained a positive adjusted EBITDA in the last 6 quarters
- Positive prior year comp's each quarter of 2010

**Note: Non-GAAP reconciliation on slide 35**



# Dixie Cost Structure



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- **Considering the following assumptions:**
  - **Our current mix, noting that we are sensitive to mix**
  - **Our current volume and cost structure**
  - **Our current pricing (the price increase fully felt in July)**
  
- **Our cost structure if you do the math implies that:**
  - **Our break even from continuing operations is between \$235 and \$245 million in sales, depending upon mix**
  - **Our pre-tax profit improves by approximately \$0.25 for every 1\$ above break even sales level**
  - **Our tax rate is 34%**
  - **Our EBITDA is \$15 million when Net Income from Continuing Operations is at a break even level**

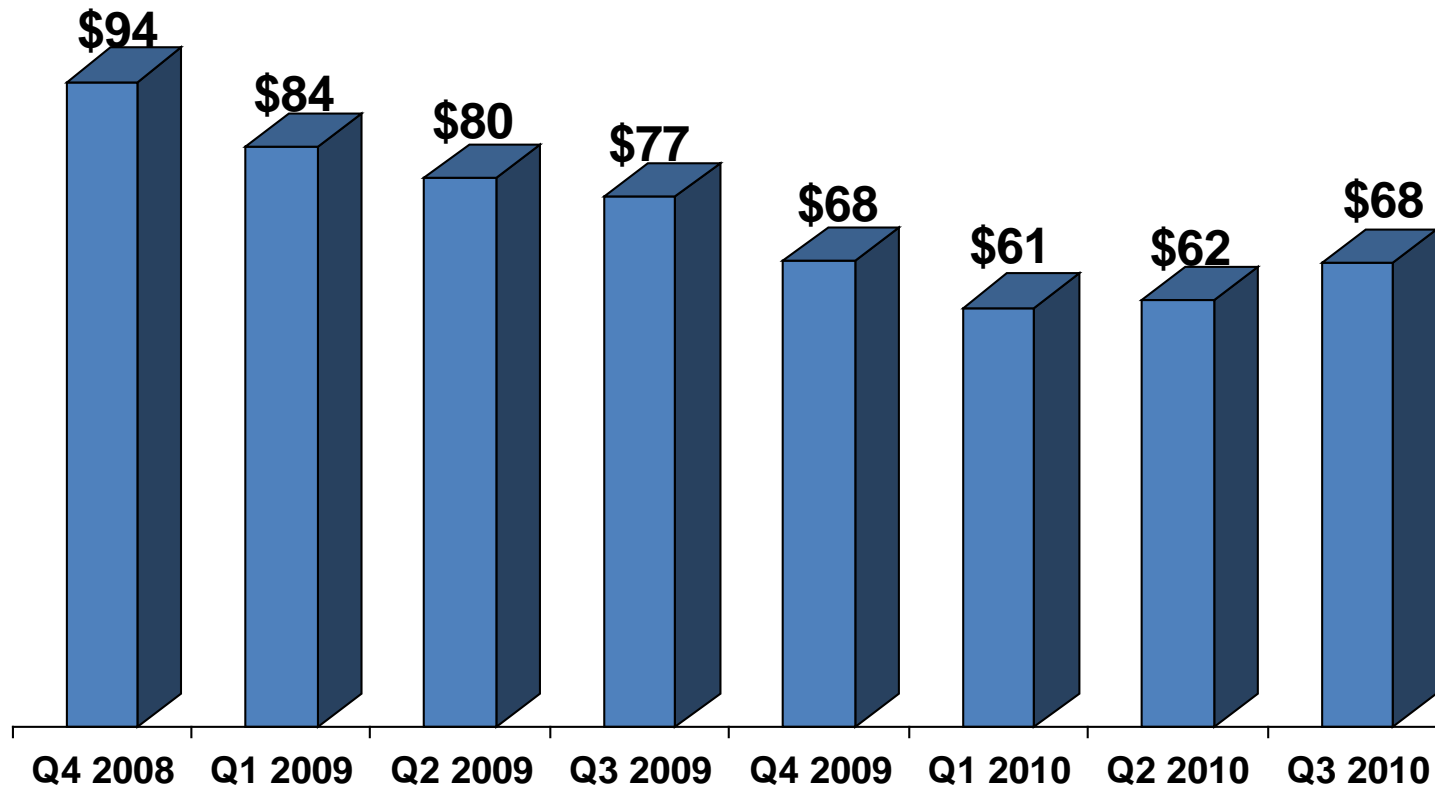
# Dixie Debt Levels

(\$ in millions)



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**We have reduced debt \$26 million since the beginning of 2008**

**Capital expenditures of \$2.5 million in 2010 versus depreciation and amortization of \$11.6 million**

# Dixie Capital Structure

(\$ in millions)



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|                       | September 25, 2010 | December 27, 2008 |
|-----------------------|--------------------|-------------------|
| Debt                  | 67.5               | 93.8              |
| Equity                | 62.9               | 107.6             |
| Capital               | 130.4              | 201.4             |
| Debt to Capital Ratio | 51.8%              | 46.6%             |

# Current Business Conditions



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- **The carpet industry is in recovery mode**
  - **Our carpet sales are up 11.9% Y/Y for the 3rd quarter**
    - **Industry up 2% Y/Y for the 3<sup>rd</sup> quarter**
    - **Our residential up 16% Y/Y, industry down 2%**
    - **Our commercial up 3% Y/Y, industry up 8%**
  - **Actions to consolidate facilities, make organizational changes and cut expenses have positioned us for a return to profitability**
  - **Raw material costs increased in 2010 but the industry has passed along price increases to cover those costs**

# Outlook



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- **Although the industry has experienced a difficult period, we are encouraged by:**
  - **Our shipments in the first five weeks of the 4<sup>th</sup> quarter are up over last year by 25% in both residential and commercial products**
  - **Positive market reception to our new products:**
    - **Masland and Fabrica Wool Collections**
    - **Masland Avenue – new technology with a woven look**
    - **Stainmaster “Value Line” of products**
    - **Modular / Carpet Tile**
  - **Successful realignment of our organizational structure**
  - **Have invested significantly in our capabilities for future growth**



Masland  
contract

DIXIE  
HOME 



T H E   D I X I E   G R O U P



FABRICA  
FINE CARPET & RUGS

Masland  
CARPETS & RUGS



# Non-GAAP Information



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## **Use of Non-GAAP Financial Information:**

**The Company believes that non-GAAP performance measures, which management uses in evaluating the Company's business, may provide users of the Company's financial information with additional meaningful bases for comparing the Company's current results and results in a prior period, as these measures reflect factors that are unique to one period relative to the comparable period. However, the non-GAAP performance measures should be viewed in addition to, not as an alternative for, the Company's reported results under accounting principles generally accepted in the United States.**

**The Company defines Adjusted Operating Income as Operating Income plus facility consolidation expenses and severance expenses, plus impairment of assets, plus impairment of goodwill. (Note 1)**

**The Company defines Adjusted EBIT as net income less income from discontinued operations, net of tax, plus taxes and plus interest. (Note 2)**

**The Company defines Adjusted EBTIDA as Adjusted EBIT plus depreciation and amortization, plus facility consolidation expenses and severance expenses, plus impairment of assets, plus impairment of goodwill and plus other (income) expense - net. (Note 3)**



| Adjusted Operating Income (Loss)                    |           |           |          |            |            |
|---|-----------|-----------|----------|------------|------------|
| (\$ in thousands)                                   | 2006      | 2007      | 2008     | 2009       | 2010 YTD   |
| Operating income (loss)                             | 16,558    | 16,724    | (28,396) | (45,323)   | (4,165)    |
| Plus: Facility consolidation and severance expenses | -         | -         | 2,317    | 4,091      | 637        |
| Plus: Impairment of assets                          | -         | -         | 4,478    | 1,459      | -          |
| Plus: Impairment of goodwill                        | -         | -         | 23,121   | 31,406     | -          |
| Non-GAAP Adjusted Operating Income (Loss) (Note 1)  | \$ 16,558 | \$ 16,724 | \$ 1,520 | \$ (8,367) | \$ (3,528) |

| Adjusted Earnings before Interest and Taxes (Adjusted EBIT)  |           |           |             |             |            |
|--|-----------|-----------|-------------|-------------|------------|
| (\$ in thousands)  | 2006      | 2007      | 2008        | 2009        | 2010 YTD   |
| Net income (loss) as reported                                | 7,703     | 6,266     | (31,403)    | (42,098)    | (5,170)    |
| Less: Income (loss) from discontinued operations, net of tax | (188)     | (512)     | (275)       | (280)       | (158)      |
| Plus: Taxes  | 1,781     | 3,693     | (2,907)     | (8,845)     | (2,661)    |
| Plus: Interest   | 7,213     | 6,347     | 5,965       | 5,521       | 3,221      |
| Non-GAAP Adjusted EBIT (Note 2)                              | \$ 16,885 | \$ 16,818 | \$ (28,070) | \$ (45,142) | \$ (4,452) |

| Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA) |           |           |           |          |          |
|---|-----------|-----------|-----------|----------|----------|
| (\$ in thousands)   | 2006      | 2007      | 2008      | 2009     | 2010 YTD |
| Non-GAAP Adjusted EBIT (from above)   | 16,885    | 16,818    | (28,070)  | (45,142) | (4,452)  |
| Plus: Depreciation and amortization   | 11,500    | 12,941    | 13,752    | 13,504   | 8,870    |
| Plus: Facility consolidation and severance expenses                                       | -         | -         | 2,317     | 4,091    | 637      |
| Plus: Impairment of assets  | -         | -         | 4,478     | 1,459    | -        |
| Plus: Impairment of goodwill  | -         | -         | 23,121    | 31,406   | -        |
| Plus: Other (income) expense - net  | (327)     | (94)      | (326)     | (181)    | 287      |
| Non-GAAP Adjusted EBITDA (Note 3)   | \$ 28,058 | \$ 29,665 | \$ 15,272 | \$ 5,137 | \$ 5,342 |

## Non-GAAP Financial Information:

| Adjusted Operating Income (Loss)                    |            |          |            |          |            |         |            |
|---|------------|----------|------------|----------|------------|---------|------------|
| (\$ in thousands)                                   | Q1 2009    | Q2 2009  | Q3 2009    | Q4 2009  | Q1 2010    | Q2 2010 | Q3 2010    |
| Operating income (loss)                             | (39,163)   | (458)    | (1,711)    | (3,992)  | (2,286)    | 59      | (1,937)    |
| Plus: Facility consolidation and severance expenses | 1,615      | 117      | 563        | 1,796    | 211        | 122     | 304        |
| Plus: Impairment of assets                          | -          | -        | -          | 1,459    | -          | -       | -          |
| Plus: Impairment of goodwill                        | 31,406     | -        | -          | -        | -          | -       | -          |
| Non-GAAP Adjusted Operating Income (Loss) (Note 1)  | \$ (6,142) | \$ (341) | \$ (1,148) | \$ (737) | \$ (2,075) | \$ 181  | \$ (1,633) |

| Adjusted Earnings before Interest and Taxes (EBIT)        |             |          |            |            |            |          |            |
|---|-------------|----------|------------|------------|------------|----------|------------|
| (\$ in thousands)   | Q1 2009     | Q2 2009  | Q3 2009    | Q4 2009    | Q1 2010    | Q2 2010  | Q3 2010    |
| Net income (loss) as reported                             | (35,557)    | (1,067)  | (1,994)    | (3,480)    | (2,529)    | (744)    | (1,897)    |
| Less: Income (loss) from discontinued operations, net tax | (116)       | (83)     | 23         | (104)      | (70)       | (60)     | (28)       |
| Plus: Taxes   | (4,923)     | (870)    | (1,167)    | (1,885)    | (1,060)    | (636)    | (965)      |
| Plus: Interest  | 1,486       | 1,410    | 1,347      | 1,278      | 1,235      | 1,082    | 904        |
| Non-GAAP Adjusted EBIT (Note 2)                           | \$ (38,878) | \$ (444) | \$ (1,837) | \$ (3,983) | \$ (2,284) | \$ (238) | \$ (1,930) |

| Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) |            |          |          |          |         |          |          |
|---|------------|----------|----------|----------|---------|----------|----------|
| (\$ in thousands)   | Q1 2009    | Q2 2009  | Q3 2009  | Q4 2009  | Q1 2010 | Q2 2010  | Q3 2010  |
| Non-GAAP Adjusted EBIT (from above)                                     | (38,878)   | (444)    | (1,837)  | (3,983)  | (2,284) | (238)    | (1,930)  |
| Plus: Depreciation and amortization                                     | 3,564      | 3,565    | 3,338    | 3,037    | 2,964   | 2,966    | 2,941    |
| Plus: Facility consolidation and severance expenses                     | 1,615      | 117      | 563      | 1,796    | 211     | 122      | 304      |
| Plus: Impairment of assets  | -          | -        | -        | 1,459    | -       | -        | -        |
| Plus: Impairment of goodwill  | 31,406     | -        | -        | -        | -       | -        | -        |
| Plus: Other (income) expense - net                                      | (285)      | (14)     | 126      | (9)      | (2)     | 297      | (7)      |
| Non-GAAP Adjusted EBITDA (Note 3)                                       | \$ (2,578) | \$ 3,224 | \$ 2,190 | \$ 2,300 | \$ 889  | \$ 3,147 | \$ 1,308 |

Due to rounding, totals of the quarterly information for each of the years reflected may not necessarily equal the annual totals.