

WOLVERINE WORLD WIDE INC /DE/  
Form 10-Q  
November 07, 2018

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

FORM 10-Q

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

For the quarterly period ended September 29, 2018

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-06024

WOLVERINE WORLD WIDE, INC.  
(Exact Name of Registrant as Specified in its Charter)

Delaware 38-1185150  
(State or Other Jurisdiction of (IRS Employer  
Incorporation or Organization) Identification No.)

9341 Courtland Drive N.E., Rockford, Michigan 49351  
(Address of Principal Executive Offices) (Zip Code)  
(616) 866-5500  
(Registrant’s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

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

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

There were 94,839,829 shares of common stock, \$1 par value, outstanding as of October 26, 2018.



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**FORWARD-LOOKING STATEMENTS**

This document contains “forward-looking statements,” which are statements relating to future, not past, events. In this context, forward-looking statements often address management’s current beliefs, assumptions, expectations, estimates and projections about future business and financial performance, national, regional or global political, economic and market conditions, and the Company itself. Such statements often contain words such as “anticipates,” “believes,” “estimates,” “expects,” “forecasts,” “intends,” “is likely,” “plans,” “predicts,” “projects,” “should,” “will,” variations of such words and similar expressions. Forward-looking statements, by their nature, address matters that are, to varying degrees, uncertain. Uncertainties that could cause the Company’s performance to differ materially from what is expressed in forward-looking statements include, but are not limited to, the following:

- changes in general economic conditions, employment rates, business conditions, interest rates, tax policies and other factors affecting consumer spending in the markets and regions in which the Company’s products are sold;
- the inability for any reason to effectively compete in global footwear, apparel and consumer-direct markets;
- the inability to maintain positive brand images and anticipate, understand and respond to changing footwear and apparel trends and consumer preferences;
- the inability to effectively manage inventory levels;
- increases or changes in duties, tariffs, quotas or applicable assessments in countries of import and export;
- foreign currency exchange rate fluctuations;
- currency restrictions;
- capacity constraints, production disruptions, quality issues, price increases or other risks associated with foreign sourcing;
- the cost and availability of raw materials, inventories, services and labor for contract manufacturers;
- labor disruptions;
- changes in relationships with, including the loss of, significant wholesale customers;
- risks related to the significant investment in, and performance of, the Company’s consumer-direct operations;
- risks related to expansion into new markets and complementary product categories as well as consumer-direct operations;
- the impact of seasonality and unpredictable weather conditions;
- changes in general economic conditions and/or the credit markets on the Company’s distributors, suppliers and retailers;
- increase in the Company’s effective tax rates;
- failure of licensees or distributors to meet planned annual sales goals or to make timely payments to the Company;
- the risks of doing business in developing countries and politically or economically volatile areas;
- the ability to secure and protect owned intellectual property or use licensed intellectual property;
- the impact of regulation, regulatory and legal proceedings and legal compliance risks, including compliance with federal, state and local laws and regulations relating to the protection of the environment, environmental remediation and other related costs, and litigation or other legal proceedings relating to the protection of the environment or environmental effects on human health;
- the potential breach of the Company’s databases, or those of its vendors, which contain certain personal information or payment card data;
- problems affecting the Company’s distribution system, including service interruptions at shipping and receiving ports;
- strategic actions, including new initiatives and ventures, acquisitions and dispositions, and the Company’s success in integrating acquired businesses, and implementing new initiatives and ventures;
- the risk of impairment to goodwill and other intangibles;
- the success of the Company’s restructuring and realignment initiatives; and
- changes in future pension funding requirements and pension expenses.

These uncertainties could cause a material difference between an actual outcome and a forward-looking statement. The uncertainties included here are not exhaustive and are described in more detail in Part I, Item 1A: “Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2017 (the “2017 Form 10-K”). Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a

prediction of actual results. The Company does not undertake an obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

## Consolidated Condensed Statements of Operations and Comprehensive Income

(Unaudited)

(In millions, except per share data)	Quarter Ended		Year-To-Date Ended		
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	
Revenue	\$558.6	\$ 581.3	\$1,659.6	\$ 1,771.4	
Cost of goods sold	326.5	349.4	965.4	1,070.8	
Restructuring costs	—	1.2	—	8.3	
Gross profit	232.1	230.7	694.2	692.3	
Selling, general and administrative expenses	161.6	170.5	488.6	523.8	
Restructuring and other related costs	—	23.0	—	65.6	
Environmental and other related costs	2.1	—	7.6	—	
Operating profit	68.4	37.2	198.0	102.9	
Other expenses:					
Interest expense, net	5.8	8.6	18.7	23.4	
Other expense (income), net	(1.3	) 1.5	(7.2	) 9.2	
Total other expenses	4.5	10.1	11.5	32.6	
Earnings before income taxes	63.9	27.1	186.5	70.3	
Income tax expense	5.0	4.3	25.5	10.2	
Net earnings	58.9	22.8	161.0	60.1	
Less: net earnings (loss) attributable to noncontrolling interests	0.1	(0.4	) 0.2	(0.5	)
Net earnings attributable to Wolverine World Wide, Inc.	\$58.8	\$ 23.2	\$160.8	\$ 60.6	
Net earnings per share (see Note 3):					
Basic	\$0.62	\$ 0.24	\$1.69	\$ 0.63	
Diluted	\$0.60	\$ 0.24	\$1.65	\$ 0.62	
Comprehensive income	\$60.8	\$ 27.6	\$163.3	\$ 68.0	
Less: comprehensive income (loss) attributable to noncontrolling interests	0.3	(0.4	) 0.4	—	
Comprehensive income attributable to Wolverine World Wide, Inc.	\$60.5	\$ 28.0	\$162.9	\$ 68.0	
Cash dividends declared per share	\$0.08	\$ 0.06	\$0.24	\$ 0.18	

See accompanying notes to consolidated condensed financial statements.

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## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

## Consolidated Condensed Balance Sheets

(Unaudited)

(In millions, except share data)	September 29, 2018	December 30, 2017	September 30, 2017
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 228.1	\$ 481.0	\$ 342.7
Accounts receivable, less allowances:			
September 29, 2018 – \$29.7			
December 30, 2017 – \$31.5			
September 30, 2017 – \$37.0	364.0	271.3	294.5
Inventories:			
Finished products, net	309.2	265.2	331.5
Raw materials and work-in-process, net	15.2	11.5	7.3
Total inventories	324.4	276.7	338.8
Prepaid expenses and other current assets	32.2	45.3	44.0
Total current assets	948.7	1,074.3	1,020.0
Property, plant and equipment:			
Gross cost	393.7	391.1	410.0
Accumulated depreciation	(262.3	) (254.4	) (267.8
Property, plant and equipment, net	131.4	136.7	142.2
Other assets:			
Goodwill	427.5	429.8	429.9
Indefinite-lived intangibles	604.5	604.5	673.1
Amortizable intangibles, net	73.1	77.0	78.5
Deferred income taxes	4.0	4.3	4.4
Other	79.9	72.4	70.6
Total other assets	1,189.0	1,188.0	1,256.5
Total assets	\$ 2,269.1	\$ 2,399.0	\$ 2,418.7

See accompanying notes to consolidated condensed financial statements.

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## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

## Consolidated Condensed Balance Sheets – continued

(Unaudited)

(In millions, except share data)	September 29, 2018	December 30, 2017	September 30, 2017
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 139.5	\$ 162.3	\$ 141.7
Accrued salaries and wages	32.2	40.0	36.2
Other accrued liabilities	124.4	122.0	100.1
Current maturities of long-term debt	60.0	37.5	48.8
Borrowings under revolving credit agreements and other short-term notes	1.5	0.5	3.7
Total current liabilities	357.6	362.3	330.5
Long-term debt, less current maturities	601.0	744.6	744.2
Accrued pension liabilities	81.2	142.2	133.8
Deferred income taxes	99.4	84.2	150.5
Other liabilities	67.6	110.5	49.6
Stockholders' equity:			
Wolverine World Wide, Inc. stockholders' equity:			
Common stock – par value \$1, authorized 320,000,000 shares; shares issued (including shares in treasury):			
September 29, 2018 – 107,587,377 shares			
December 30, 2017 – 106,405,449 shares			
September 30, 2017 – 105,956,497 shares	107.6	106.4	105.9
Additional paid-in capital	190.6	149.2	134.1
Retained earnings	1,138.3	992.2	1,058.4
Accumulated other comprehensive loss	(81.2	) (75.2	) (73.7
Cost of shares in treasury:			
September 29, 2018 – 12,746,435 shares			
December 30, 2017 – 10,345,141 shares			
September 30, 2017 – 10,347,476 shares	(299.0	) (223.0	) (223.0
Total Wolverine World Wide, Inc. stockholders' equity	1,056.3	949.6	1,001.7
Noncontrolling interest	6.0	5.6	8.4
Total stockholders' equity	1,062.3	955.2	1,010.1
Total liabilities and stockholders' equity	\$ 2,269.1	\$ 2,399.0	\$ 2,418.7
See accompanying notes to consolidated condensed financial statements.			



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WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

(Unaudited)

(In millions)	Year-To-Date Ended	
	September 30, 2018	September 30, 2017
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 161.0	\$ 60.1
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	22.6	28.0
Deferred income taxes	12.3	(13.2 )
Stock-based compensation expense	21.2	19.1
Pension contribution	(60.7 )	(11.1 )
Pension and SERP expense	4.0	11.2
Restructuring and other related costs		