

WOLVERINE WORLD WIDE INC /DE/
Form 10-Q
May 04, 2016

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 first twelve week accounting period ended March 26, 2016

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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 99,553,536 shares of common stock, \$1 par value, outstanding as of April 25, 2016.

Table of Contents

Table of Contents	
PART I <u>Financial Information</u>	<u>4</u>
Item 1. <u>Financial Statements</u>	<u>4</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>29</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>34</u>
Item 4. <u>Controls and Procedures</u>	<u>35</u>
PART II <u>Other Information</u>	<u>35</u>
Item 1A. <u>Risk Factors</u>	<u>35</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>35</u>
Item 6. <u>Exhibits</u>	<u>35</u>
<u>Signatures</u>	<u>36</u>

Table of Contents

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;
- currency fluctuations and 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 owned and contract manufacturers;
- labor disruptions;
- changes in relationships with, including the loss of, significant wholesale customers;
- the failure of the U.S. Department of Defense to exercise future purchase options or award new contracts, or the cancellation or modification of existing contracts by the Department of Defense or other military purchasers;
- risks related to the significant investment in, and performance of, the Company’s consumer-direct operations;
- risks related to the expanding 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 customers;
- 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;
- the inability to attract and retain executive managers and other key employees;
- 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 acquired intangibles;
- the success of the Company’s consumer-direct 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 January 2, 2016 (the “2015 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.

3

Table of Contents

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)	12 Weeks Ended	
	March 26, 2016	March 28, 2015
Revenue	\$577.6	\$ 631.4
Cost of goods sold	344.9	370.0
Restructuring costs	3.9	—
Gross profit	228.8	261.4
Selling, general and administrative expenses	184.1	198.8
Restructuring and impairment costs (gain)	10.7	(1.0)
Operating profit	34.0	63.6
Other expenses:		
Interest expense, net	8.5	9.5
Other income, net	(0.1)	(1.0)
Total other expenses	8.4	8.5
Earnings before income taxes	25.6	55.1
Income tax expense	8.0	15.0
Net earnings	17.6	40.1
Less: net earnings attributable to noncontrolling interest	0.2	—
Net earnings attributable to Wolverine World Wide, Inc.	\$17.4	\$ 40.1
Net earnings per share (see Note 3):		
Basic	\$0.18	\$ 0.40
Diluted	\$0.18	\$ 0.39
Comprehensive income	\$15.9	\$ 30.2
Less: comprehensive loss attributable to noncontrolling interest	(0.1)	(0.2)
Comprehensive income attributable to Wolverine World Wide, Inc.	\$16.0	\$ 30.4
Cash dividends declared per share	\$0.06	\$ 0.06

See accompanying notes to consolidated condensed financial statements.

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(Unaudited)

(In millions, except share data)	March 26, 2016	January 2, 2016	March 28, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 158.2	\$ 194.1	\$ 121.3
Accounts receivable, less allowances:			
March 26, 2016 – \$42.7			
January 2, 2016 – \$44.4			
March 28, 2015 – \$40.8	326.0	298.9	357.2
Inventories:			
Finished products, net	462.6	448.0	404.3
Raw materials and work-in-process, net	18.2	18.6	15.5
Total inventories	480.8	466.6	419.8
Deferred income taxes	—	—	27.9
Prepaid expenses and other current assets	40.3	54.2	61.9
Total current assets	1,005.3	1,013.8	988.1
Property, plant and equipment:			
Gross cost	440.5	431.5	420.3
Accumulated depreciation	(305.2)	(299.9)	(285.0)
Property, plant and equipment, net	135.3	131.6	