

**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 **October 1, 2022**

OR

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

For the transition period from _____ to _____

Commission File Number: **001-06024**

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

Delaware

(State or other jurisdiction of incorporation or organization)

38-1185150

(I.R.S. Employer Identification No.)

9341 Courtland Drive N.E., **Rockford**, **Michigan**

(Address of principal executive offices)

49351

(Zip Code)

(616) 866-5500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1 Par Value	WWW	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 78,755,075 shares of common stock, \$1 par value, outstanding as of October 24, 2022.

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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:

- the potential effects of the COVID-19 pandemic on the Company’s business, operations, financial results and liquidity;
- 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 direct-to-consumer 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;
- supply chain and capacity constraints, production disruptions, including reduction in operating hours, labor shortages, and facility closures resulting in production delays at the Company’s manufacturers due to disruption from the effects of the COVID-19 pandemic, quality issues, price increases or other risks associated with foreign sourcing;
- the cost, including the effect of inflationary pressures 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 direct-to-consumer operations;
- risks related to expansion into new markets and complementary product categories as well as direct-to-consumer operations;
- the impact of seasonality and unpredictable weather conditions;
- the impact of changes in general economic conditions and/or the credit markets on the Company’s manufacturers, distributors, suppliers, joint venture partners and wholesale customers;
- changes 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;
- risks of breach of the Company’s databases or other systems, or those of its vendors, which contain certain personal information, payment card data or proprietary information, due to cyberattack or other similar events;
- problems affecting the Company’s supply chain and 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, including *Sweaty Betty*[®], 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 undertaken from time to time; and
- changes in future pension funding requirements and pension expenses.

These or other 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 1, 2022 (the “2021 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.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Operations and Comprehensive Income
(Unaudited)

	Quarter Ended		Year-To-Date Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
<i>(In millions, except per share data)</i>				
Revenue	\$ 691.4	\$ 636.7	\$ 2,019.8	\$ 1,779.3
Cost of goods sold	413.6	361.9	1,173.6	1,011.8
Gross profit	277.8	274.8	846.2	767.5
Selling, general and administrative expenses	216.8	215.0	657.3	591.2
Gain on sale of trademarks	—	—	(90.0)	—
Environmental and other related costs, net of recoveries	2.2	17.3	32.6	11.9
Operating profit	58.8	42.5	246.3	164.4
Other expenses:				
Interest expense, net	12.5	9.6	31.3	28.9
Debt extinguishment and other costs	—	34.0	—	34.0
Other expense (income), net	2.7	(0.4)	2.2	2.5
Total other expense, net	15.2	43.2	33.5	65.4
Earnings (loss) before income taxes	43.6	(0.7)	212.8	99.0
Income tax expense	4.8	0.1	41.1	17.0
Net earnings (loss)	\$ 38.8	\$ (0.8)	\$ 171.7	\$ 82.0
Less: net loss attributable to noncontrolling interests	(0.2)	(0.8)	(1.6)	(1.2)
Net earnings attributable to Wolverine World Wide, Inc.	\$ 39.0	\$ —	\$ 173.3	\$ 83.2
Net earnings per share (see Note 3):				
Basic	\$ 0.49	\$ 0.00	\$ 2.12	\$ 0.99
Diluted	\$ 0.48	\$ 0.00	\$ 2.12	\$ 0.98
Comprehensive income (loss)	\$ 13.5	\$ (10.2)	\$ 110.1	\$ 84.2
Less: comprehensive loss attributable to noncontrolling interests	(0.6)	(0.7)	(2.4)	(1.2)
Comprehensive income (loss) attributable to Wolverine World Wide, Inc.	\$ 14.1	\$ (9.5)	\$ 112.5	\$ 85.4
Cash dividends declared per share	\$ 0.10	\$ 0.10	\$ 0.30	\$ 0.30

See accompanying notes to consolidated condensed financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Condensed Balance Sheets
(Unaudited)

(In millions, except share data)	October 1, 2022	January 1, 2022	October 2, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 136.4	\$ 161.7	\$ 183.6
Accounts receivable, less allowances of \$23.0, \$28.3 and \$27.4	440.0	319.6	362.6
Finished products, net	871.1	354.1	400.2
Raw materials and work-in-process, net	9.8	11.4	11.8
Total inventories	880.9	365.5	412.0
Prepaid expenses and other current assets	94.5	56.9	44.4
Total current assets	1,551.8	903.7	1,002.6
Property, plant and equipment, net of accumulated depreciation of \$228.4, \$219.1 and \$212.2	126.0	129.0	127.3
Lease right-of-use assets, net	165.0	138.2	134.7
Goodwill	526.5	556.6	555.5
Indefinite-lived intangibles	658.6	718.1	718.3
Amortizable intangibles, net	67.7	74.6	76.8
Deferred income taxes	0.8	1.8	1.9
Other assets	74.2	64.4	64.3
Total assets	<u>\$ 3,170.6</u>	<u>\$ 2,586.4</u>	<u>\$ 2,681.4</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 317.9	\$ 222.1	\$ 265.1
Accrued salaries and wages	26.5	41.7	39.1
Other accrued liabilities	203.4	222.5	193.5
Lease liabilities	33.5	38.3	34.4
Current maturities of long-term debt	10.0	10.0	10.0
Borrowings under revolving credit agreements	740.0	225.0	310.0
Total current liabilities	1,331.3	759.6	852.1
Long-term debt, less current maturities	725.2	731.8	704.4
Accrued pension liabilities	103.0	107.4	145.3
Deferred income taxes	116.4	118.9	121.2
Lease liabilities, noncurrent	147.5	118.2	117.9
Other liabilities	73.0	106.1	98.6
Stockholders' equity:			
Common stock – par value \$1, authorized 320,000,000 shares; 112,170,049, 111,632,094, and 111,538,349 shares issued	112.2	111.6	111.5
Additional paid-in capital	318.7	298.9	289.8
Retained earnings	1,277.1	1,128.2	1,151.2
Accumulated other comprehensive loss	(159.7)	(98.9)	(128.4)
Cost of shares in treasury; 33,414,974, 29,604,013, and 29,170,142 shares	(891.4)	(810.2)	(797.4)
Total Wolverine World Wide, Inc. stockholders' equity	656.9	629.6	626.7
Noncontrolling interest	17.3	14.8	15.2
Total stockholders' equity	674.2	644.4	641.9
Total liabilities and stockholders' equity	<u>\$ 3,170.6</u>	<u>\$ 2,586.4</u>	<u>\$ 2,681.4</u>

See accompanying notes to consolidated condensed financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Cash Flows
(Unaudited)

(In millions)	Year-To-Date Ended	
	October 1, 2022	October 2, 2021
OPERATING ACTIVITIES		
Net earnings	\$ 171.7	\$ 82.0
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	25.2	23.1
Deferred income taxes	2.5	(3.9)
Stock-based compensation expense	26.4	30.0
Pension and SERP expense	7.0	10.5
Debt extinguishment and other costs	—	5.6
Environmental and other related costs, net of cash payments and recoveries received	(35.8)	(8.5)
Gain on sale of trademarks	(90.0)	—
Other	(4.9)	(3.5)
Changes in operating assets and liabilities:		
Accounts receivable	(133.5)	(90.3)
Inventories	(533.5)	(124.6)
Other operating assets	(15.1)	7.7
Accounts payable	109.2	68.4
Income taxes payable	5.7	5.7
Other operating liabilities	(25.1)	14.8
Net cash provided by (used in) operating activities	(490.2)	17.0
INVESTING ACTIVITIES		
Business acquisition, net of cash acquired	—	(417.8)
Additions to property, plant and equipment	(23.5)	(10.0)
Investment in joint ventures	(2.8)	—
Proceeds from sale of trademarks	90.0	—
Other	4.5	(1.9)
Net cash provided by (used in) investing activities	68.2	(429.7)
FINANCING ACTIVITIES		
Payments under revolving credit agreements	(153.0)	(40.0)
Borrowings under revolving credit agreements	668.0	350.0
Borrowings of long-term debt	—	550.0
Payments on long-term debt	(7.5)	(557.5)
Payments of debt issuance and debt extinguishment costs	—	(7.4)
Cash dividends paid	(24.7)	(25.2)
Purchases of common stock for treasury	(81.3)	(26.9)
Employee taxes paid under stock-based compensation plans	(7.4)	(13.7)
Proceeds from the exercise of stock options	1.4	15.6
Contributions from noncontrolling interests	7.0	4.8
Net cash provided by financing activities	402.5	249.7
Effect of foreign exchange rate changes	(5.8)	(0.8)
Decrease in cash and cash equivalents	(25.3)	(163.8)
Cash and cash equivalents at beginning of the year	161.7	347.4
Cash and cash equivalents at end of the quarter	\$ 136.4	\$ 183.6

See accompanying notes to consolidated condensed financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Stockholders' Equity
(Unaudited)

	Wolverine World Wide, Inc. Stockholders' Equity						
(In millions, except share and per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non- controlling Interest	Total
Balance at July 3, 2021	\$ 111.4	\$ 278.4	\$ 1,159.6	\$ (118.9)	\$ (797.3)	\$ 15.9	\$ 649.1
Net earnings (loss)			—			(0.8)	(0.8)
Other comprehensive income (loss)				(9.5)		0.1	(9.4)
Shares issued, net of shares forfeited under stock incentive plans (18,229 shares)	—	(0.4)					(0.4)
Shares issued for stock options exercised, net (137,527 shares)	0.1	3.4					3.5
Stock-based compensation expense		8.4					8.4
Cash dividends declared (\$0.10 per share)			(8.4)				(8.4)
Purchases of shares under stock-based compensation plans (4,743 shares)					(0.1)		(0.1)
Balance at October 2, 2021	<u>\$ 111.5</u>	<u>\$ 289.8</u>	<u>\$ 1,151.2</u>	<u>\$ (128.4)</u>	<u>\$ (797.4)</u>	<u>\$ 15.2</u>	<u>\$ 641.9</u>
Balance at July 2, 2022	\$ 112.1	\$ 311.9	\$ 1,246.1	\$ (134.8)	\$ (891.4)	\$ 17.9	\$ 661.8
Net earnings (loss)			39.0			(0.2)	38.8
Other comprehensive loss				(24.9)		(0.4)	(25.3)
Shares issued, net of shares forfeited under stock incentive plans (20,672 shares)	0.1	(0.3)					(0.2)
Stock-based compensation expense		7.1					7.1
Cash dividends declared (\$0.10 per share)			(8.0)				(8.0)
Balance at October 1, 2022	<u>\$ 112.2</u>	<u>\$ 318.7</u>	<u>\$ 1,277.1</u>	<u>\$ (159.7)</u>	<u>\$ (891.4)</u>	<u>\$ 17.3</u>	<u>\$ 674.2</u>

See accompanying notes to consolidated condensed financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Stockholders' Equity
(Unaudited)

(In millions, except share and per share data)	Wolverine World Wide, Inc. Stockholders' Equity						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non- controlling Interest	Total
Balance at January 2, 2021	\$ 110.4	\$ 252.6	\$ 1,093.3	\$ (130.6)	\$ (764.3)	\$ 11.6	\$ 573.0
Net earnings (loss)			83.2			(1.2)	82.0
Other comprehensive income				2.2		—	2.2
Shares issued, net of shares forfeited under stock incentive plans (414,851 shares)	0.4	(7.8)					(7.4)
Shares issued for stock options exercised, net (696,729 shares)	0.7	15.0					15.7
Stock-based compensation expense		30.0					30.0
Cash dividends declared (\$0.30 per share)			(25.3)				(25.3)
Issuance of treasury shares (2,991 shares)		—			0.1		0.1
Purchase of common stock for treasury (716,027 shares)					(26.9)		(26.9)
Purchases of shares under stock-based compensation plans (171,832 shares)					(6.3)		(6.3)
Capital contribution from noncontrolling interest						4.8	4.8
Balance at October 2, 2021	<u>\$ 111.5</u>	<u>\$ 289.8</u>	<u>\$ 1,151.2</u>	<u>\$ (128.4)</u>	<u>\$ (797.4)</u>	<u>\$ 15.2</u>	<u>\$ 641.9</u>
Balance at January 1, 2022	\$ 111.6	\$ 298.9	\$ 1,128.2	\$ (98.9)	\$ (810.2)	\$ 14.8	\$ 644.4
Net earnings (loss)			173.3			(1.6)	171.7
Other comprehensive loss				(60.8)		(0.8)	(61.6)
Shares issued, net of shares forfeited under stock incentive plans (463,473 shares)	0.5	(8.0)					(7.5)
Shares issued for stock options exercised, net (74,482 shares)	0.1	1.4					1.5
Stock-based compensation expense		26.4					26.4
Cash dividends declared (\$0.30 per share)			(24.4)				(24.4)
Issuance of treasury shares (4,203 shares)		—			0.1		0.1
Purchase of common stock for treasury (3,815,164 shares)					(81.3)		(81.3)
Capital contribution from noncontrolling interest						7.0	7.0
Other						(2.1)	(2.1)
Balance at October 1, 2022	<u>\$ 112.2</u>	<u>\$ 318.7</u>	<u>\$ 1,277.1</u>	<u>\$ (159.7)</u>	<u>\$ (891.4)</u>	<u>\$ 17.3</u>	<u>\$ 674.2</u>

See accompanying notes to consolidated condensed financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION

Nature of Operations

Wolverine World Wide, Inc. (the "Company") is a leading designer, marketer and licensor of a broad range of quality casual footwear and apparel; performance outdoor and athletic footwear and apparel; kids' footwear; industrial work shoes, boots and apparel; and uniform shoes and boots. The Company's portfolio of owned and licensed brands includes: *Bates*[®], *Cat*[®], *Chaco*[®], *Harley-Davidson*[®], *Hush Puppies*[®], *Hytex*[®], *Keds*[®], *Merrell*[®], *Saucony*[®], *Sperry*[®], *Stride Rite*[®], *Sweaty Betty*[®] and *Wolverine*[®]. The Company's products are marketed worldwide through owned operations, through licensing and distribution arrangements with third parties, and joint ventures. The Company also operates retail stores and eCommerce sites to market both its own brands and branded footwear and apparel from other manufacturers, as well as a leathers division that markets *Wolverine Performance Leathers*[™].

On June 30, 2022, the Company sold the *Champion* trademarks for footwear in the United States and Canada to HanesBrand Inc., for \$90.0 million in cash. The Company recorded a gain of \$90.0 million associated with the transaction.

On August 2, 2021, the Company completed the acquisition of Lady Leisure InvestCo Limited (the "Acquired Company") for \$417.4 million, which is net of acquired cash of \$7.4 million. The Acquired Company owns the *Sweaty Betty*[®] brand and activewear business, a premium women's activewear brand. See Note 16 for further discussion.

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for a complete presentation of the financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included in the accompanying financial statements. For further information, refer to the consolidated financial statements and notes included in the Company's 2021 Form 10-K.

The COVID-19 pandemic, the duration and severity of which is subject to uncertainty, has had and continues to have, an impact on the Company's business. Management's estimates and assumptions used in the preparation of the Company's consolidated financial statements in accordance with U.S. GAAP take into account both current and expected potential future impacts of the COVID-19 pandemic on the Company's business based on available information. Actual results may differ materially from management's estimates.

Fiscal Year

The Company's fiscal year is the 52 or 53-week period that ends on the Saturday nearest to December 31. Fiscal years 2022 and 2021 each have 52 weeks. The Company reports its quarterly results of operations on the basis of 13-week quarters for each of the first three fiscal quarters and a 13 or 14-week period for the fiscal fourth quarter. References to particular years or quarters refer to the Company's fiscal years ended on the Saturday nearest to December 31 or the fiscal quarters within those years.

Seasonality

The Company experiences moderate fluctuations in sales volume during the year, as reflected in quarterly revenue. The Company expects current seasonal sales patterns to continue in future years. The Company also experiences some fluctuation in its levels of working capital, typically reflecting an increase in net working capital requirements near the end of the first and third fiscal quarters as inventory builds to support peak shipping periods. Historically, cash provided by operating activities is higher in the second half of the fiscal year due to collection of wholesale channel receivables and direct-to-consumer sales being higher during the holiday season. The Company meets its working capital requirements through internal operating cash flows and, as needed, borrowings under its revolving credit facility, as discussed in more detail under the caption "Liquidity and Capital Resources" in Item 2: "Management's Discussion and Analysis of Financial Condition and Results of Operations". The Company's working capital could also be impacted by other events, including the COVID-19 pandemic or other events.

2. NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board (“FASB”) has issued the following Accounting Standards Update (“ASU”) that the Company has not yet adopted. The following is a summary of the new standard.

Standard	Description	Effect on the Financial Statements or Other Significant Matters
ASU 2020-04, Reference Rate Reform (Topic 848); Facilitation of the Effects of Reference Rate Reform on Financial Reporting (as amended by ASU 2021-01)	Provides practical expedients for contract modifications and certain hedging relationships associated with the transition from reference rates that are expected to be discontinued. This guidance is applicable for the Company’s borrowing instruments under the amended senior credit facility, which use LIBOR as a reference rate, and is available for adoption effective immediately but is only available through December 31, 2022.	The Company is evaluating the impact of the new standard on its consolidated financial statements.

3. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share.

(In millions, except per share data)	Quarter Ended		Year-To-Date Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Numerator:				
Net earnings attributable to Wolverine World Wide, Inc.	\$ 39.0	\$ —	\$ 173.3	\$ 83.2
Adjustment for earnings allocated to non-vested restricted common stock	(0.8)	(0.2)	(3.4)	(1.4)
Net earnings (loss) used in calculating basic and diluted earnings per share	\$ 38.2	\$ (0.2)	\$ 169.9	\$ 81.8
Denominator:				
Weighted average shares outstanding	78.7	82.3	80.0	82.5
Adjustment for non-vested restricted common stock	—	—	—	(0.1)
Shares used in calculating basic earnings per share	78.7	82.3	80.0	82.4
Effect of dilutive stock options	0.2	—	0.2	1.0
Shares used in calculating diluted earnings per share	78.9	82.3	80.2	83.4
Net earnings per share:				
Basic	\$ 0.49	\$ 0.00	\$ 2.12	\$ 0.99
Diluted	\$ 0.48	\$ 0.00	\$ 2.12	\$ 0.98

For the quarter and year-to-date ended October 1, 2022, 1,422,302 and 1,126,353 outstanding stock options, respectively, have not been included in the denominator for the computation of diluted earnings per share because they were anti-dilutive.

For the quarter and year-to-date ended October 2, 2021, 494,447 and 576,081 outstanding stock options, respectively, have not been included in the denominator for the computation of diluted earnings per share because they were anti-dilutive.

4. GOODWILL AND INDEFINITE-LIVED INTANGIBLES

The changes in the carrying amount of goodwill are as follows:

(In millions)	Year-To-Date Ended	
	October 1, 2022	October 2, 2021
Goodwill balance at beginning of the year	\$ 556.6	\$ 442.4
Acquisition of a business (see Note 16)	—	117.4
Foreign currency translation effects	(30.1)	(4.3)
Goodwill balance at end of the quarter	\$ 526.5	\$ 555.5

The Company's indefinite-lived intangible assets, which comprise trade names and trademarks, totaled \$658.6 million, \$718.1 million, and \$718.3 million as of October 1, 2022, January 1, 2022, and October 2, 2021, respectively. The carrying values of the Company's *Sperry*[®] and *Sweaty Betty*[®] trade names were \$296.0 million and \$276.3 million, respectively, as of October 1, 2022. Based on the interim impairment assessment as of October 1, 2022, it was determined that there were no triggering events indicating impairment of the Company's goodwill and indefinite-lived intangible assets. The risk of future non-cash impairment for the *Sperry*[®] and *Sweaty Betty*[®] trade names is dependent on whether actual results differ from the key assumptions used in the determination of the trade name's fair value, such as revenue growth, earnings before interest, taxes, depreciation and amortization ("EBITDA") margin, discount rate, and assumed tax rate, or if macroeconomic conditions deteriorate and adversely affect the values of the Company's *Sperry*[®] and *Sweaty Betty*[®] trade names.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue Recognition and Performance Obligations

The Company provides disaggregated revenue by sales channel, including the wholesale and direct-to-consumer sales channels, reconciled to the Company's reportable segments. The wholesale channel includes royalty revenues due to the similarity in the Company's oversight and management, customer base, the performance obligation (footwear and apparel goods) and point in time completion of the performance obligation. The direct-to-consumer sales channel includes sales from the Company's owned retail stores and from the Company's owned eCommerce sites.

(In millions)	Quarter Ended October 1, 2022			Quarter Ended October 2, 2021		
	Wholesale	Direct-to-Consumer	Total	Wholesale	Direct-to-Consumer	Total
Wolverine Michigan Group	\$ 322.5	\$ 67.7	\$ 390.2	\$ 263.2	\$ 61.6	\$ 324.8
Wolverine Boston Group	191.0	56.7	247.7	202.7	56.1	258.8
Other	18.1	35.4	53.5	17.9	35.2	53.1
Total	\$ 531.6	\$ 159.8	\$ 691.4	\$ 483.8	\$ 152.9	\$ 636.7

(In millions)	Year-To-Date Ended October 1, 2022			Year-To-Date Ended October 2, 2021		
	Wholesale	Direct-to-Consumer	Total	Wholesale	Direct-to-Consumer	Total
Wolverine Michigan Group	\$ 920.3	\$ 188.9	\$ 1,109.2	\$ 779.6	\$ 197.3	\$ 976.9
Wolverine Boston Group	556.8	157.1	713.9	548.0	169.7	717.7
Other	75.3	121.4	196.7	47.3	37.4	84.7
Total	\$ 1,552.4	\$ 467.4	\$ 2,019.8	\$ 1,374.9	\$ 404.4	\$ 1,779.3

The Company has agreements to license symbolic intellectual property with minimum guarantees or fixed consideration. The Company was due \$12.9 million of remaining fixed transaction price under its license agreements as of October 1, 2022, which it expects to recognize per the terms of its contracts over the course of time through December 2026. The Company has elected to omit the remaining variable consideration under its license agreements given the Company recognizes revenue equal to what it has the right to invoice and that amount corresponds directly with the value to the customer of the Company's performance to date.

Reserves for Variable Consideration

Revenue is recorded at the net sales price ("transaction price"), which includes estimates of variable consideration for which reserves are established. Components of variable consideration include trade discounts and allowances, product returns, customer markdowns, customer rebates and other sales incentives relating to the sale of the Company's products. These reserves, as detailed below, are based on the amounts earned, or to be claimed on the related sales. These estimates take into consideration a range of possible outcomes, which are probability-weighted in accordance with the expected value method for relevant factors such as current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which it is entitled based on the terms of the respective underlying contracts. Revenue recognized during the fiscal periods presented related to the Company's contract liabilities was nominal.

The Company's contract balances are as follows:

(In millions)	October 1, 2022	January 1, 2022	October 2, 2021
Product returns reserve	\$ 11.6	\$ 16.6	\$ 14.5
Customer markdowns reserve	2.2	2.3	2.9
Other sales incentives reserve	3.7	3.4	4.5
Customer rebates liability	18.2	17.0	16.6
Customer advances liability	5.3	6.8	5.2

The amount of variable consideration included in the transaction price may be constrained and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized under the contract will not occur in a future period. Actual amounts of consideration ultimately received may differ from initial estimates. If actual results in the future vary from initial estimates, the Company subsequently adjusts these estimates, which affects net revenue and earnings in the period such variances become known.

6. DEBT

Total debt consists of the following obligations:

(In millions)	October 1, 2022	January 1, 2022	October 2, 2021
Term Facility, due October 21, 2026	\$ 192.5	\$ 200.0	\$ —
Term Loan A, due December 6, 2023	—	—	172.5
Senior Notes, 4.000% interest, due August 15, 2029	550.0	550.0	550.0
Borrowings under revolving credit agreements	740.0	225.0	310.0
Unamortized deferred financing costs	(7.3)	(8.2)	(8.1)
Total debt	<u>\$ 1,475.2</u>	<u>\$ 966.8</u>	<u>\$ 1,024.4</u>

On October 21, 2021, the Company entered into a 2021 Replacement Facility Amendment and Reaffirmation Agreement (the "Amendment") of its credit facility (as amended and restated, the "Credit Agreement"). The Amendment amended and restated the prior credit agreement to, among other things: (i) provide for a term loan A facility (the "Term Facility") in an aggregate principal amount of \$200.0 million, which replaced the existing term loan A; (ii) provide for an increased revolving credit facility (the "Revolving Facility" and, together with the Term Facility, the "Senior Credit Facilities") with total commitments of \$1.0 billion, an increase of \$200.0 million from the existing Revolving Facility; and (iii) set the LIBOR floor to 0.000%, a decrease of 0.750% from the existing Senior Credit Facilities. The maturity date of the loans under the Senior Credit Facilities was extended to October 21, 2026. The Amendment provides for a debt capacity of up to an aggregate debt amount (including outstanding term loan principal and revolver commitment amounts in addition to permitted incremental debt) not to exceed \$2.0 billion unless certain specified conditions set forth in the Credit Agreement are met.

The Term Facility requires quarterly principal payments with a balloon payment due on October 21, 2026. The scheduled principal payments due under the Term Facility over the next 12 months total \$10.0 million as of October 1, 2022 and are recorded as current maturities of long-term debt on the consolidated condensed balance sheets.

The Revolving Facility allows the Company to borrow up to an aggregate amount of \$1.0 billion. The Revolving Facility also includes a \$100.0 million swingline subfacility and a \$50.0 million letter of credit subfacility. The Company had outstanding letters of credit under the Revolving Facility of \$5.6 million, \$5.8 million and \$5.9 million as of October 1, 2022, January 1, 2022 and October 2, 2021, respectively. These outstanding letters of credit reduce the borrowing capacity under the Revolving Facility.

The interest rates applicable to amounts outstanding under Term Facility and to U.S. dollar denominated amounts outstanding under the Revolving Facility are, at the Company's option, either (1) the Alternate Base Rate plus an Applicable Margin as determined by the Company's Consolidated Leverage Ratio, within a range of 0.125% to 1.000%, or (2) the Eurocurrency Rate plus an Applicable Margin as determined by the Company's Consolidated Leverage Ratio, within a range of 1.125% to 2.000% (all capitalized terms used in this sentence are as defined in the Credit Agreement). At October 1, 2022, the Term Facility and the Revolving Facility had a weighted-average interest rate of 3.81%.

The obligations of the Company pursuant to the Credit Agreement are guaranteed by substantially all of the Company’s material domestic subsidiaries and secured by substantially all of the personal and real property of the Company and its material domestic subsidiaries, subject to certain exceptions.

The Senior Credit Facilities also contain certain affirmative and negative covenants, including covenants that limit the ability of the Company and its Restricted Subsidiaries to, among other things: incur or guarantee indebtedness; incur liens; pay dividends or repurchase stock; enter into transactions with affiliates; consummate asset sales, acquisitions or mergers; prepay certain other indebtedness; or make investments, as well as covenants restricting the activities of certain foreign subsidiaries of the Company that hold intellectual property related assets. Further, the Senior Credit Facilities require compliance with the following financial covenants: a maximum Consolidated Leverage Ratio and a minimum Consolidated Interest Coverage Ratio (all capitalized terms used in this paragraph are as defined in the Senior Credit Facilities). As of October 1, 2022, the Company was in compliance with all covenants and performance ratios under the Senior Credit Facilities.

On August 26, 2021, the Company issued \$550.0 million aggregate principal debt amount of 4.000% senior notes due on August 15, 2029. Related interest payments are due semi-annually beginning February 15, 2022. The senior notes are guaranteed by substantially all of the Company’s domestic subsidiaries. The proceeds from the senior notes were used to extinguish the Company’s \$250.0 million senior notes due on September 1, 2026 and \$300.0 million senior notes due on May 15, 2025. The Company incurred \$34.0 million of debt extinguishment and other costs in connection with the extinguishment of the senior notes, of which \$28.4 million is related to redemption premiums and \$5.6 million is related to the write-off of capitalized financing fees.

The Company has a foreign revolving credit facility with aggregate available borrowings of \$2.0 million that are uncommitted and, therefore, each borrowing against the facility is subject to approval by the lender. There were no borrowings against this facility as of October 1, 2022, January 1, 2022 and October 2, 2021.

The Company included in interest expense the amortization of deferred financing costs of \$0.5 million and \$1.5 million for the quarter and year-to-date ended October 1, 2022, respectively. The Company included in interest expense the amortization of deferred financing costs of \$0.6 million and \$1.9 million for the quarter and year-to-date ended October 2, 2021, respectively.

7. LEASES

The following is a summary of the Company’s lease cost.

(In millions)	Quarter Ended		Year-To-Date Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Operating lease cost	\$ 8.6	\$ 9.0	\$ 26.4	\$ 25.1
Variable lease cost	3.8	3.3	11.4	9.4
Short-term lease cost	0.6	0.3	2.2	0.8
Sublease income	(2.0)	(1.5)	(6.2)	(4.8)
Total lease cost	\$ 11.0	\$ 11.1	\$ 33.8	\$ 30.5

The following is a summary of the Company’s supplemental cash flow information related to leases.

(In millions)	Quarter Ended		Year-To-Date Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Cash paid for operating lease liabilities	\$ 11.1	\$ 9.8	\$ 30.3	\$ 27.9
Operating lease assets obtained in exchange for lease liabilities	9.7	0.4	59.0	3.8

The Company did not enter into any real estate leases with commencement dates subsequent to October 1, 2022.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes foreign currency forward exchange contracts designated as cash flow hedges to manage the volatility associated primarily with U.S. dollar inventory purchases made by non-U.S. wholesale operations in the normal course of business. These foreign currency forward exchange hedge contracts extended out to a maximum of 524 days, 538 days, and 538 days as of October 1, 2022, January 1, 2022 and October 2, 2021, respectively. If, in the future, the foreign exchange contracts are determined not to be highly effective or are terminated before their contractual termination dates, the Company would

remove the hedge designation from those contracts and reclassify into earnings the unrealized gains or losses that would otherwise be included in accumulated other comprehensive income (loss) within stockholders' equity.

The Company also utilizes foreign currency forward exchange contracts that are not designated as hedging instruments to manage foreign currency transaction exposure. Foreign currency derivatives not designated as hedging instruments are offset by foreign exchange gains or losses resulting from the underlying exposures of foreign currency denominated assets and liabilities.

The Company has an interest rate swap arrangement, which unless otherwise terminated, will mature on May 30, 2025. This agreement, which exchanges floating rate interest payments for fixed rate interest payments over the life of the agreement without the exchange of the underlying notional amounts, has been designated as a cash flow hedge of the underlying debt. The notional amount of the interest rate swap arrangement is used to measure interest to be paid or received and does not represent the amount of exposure to credit loss. The differential paid or received on the interest rate swap arrangement is recognized as interest expense, net. In accordance with FASB Accounting Standards Codification ("ASC") Topic 815, *Derivatives and Hedging*, the Company has formally documented the relationship between the interest rate swap and the variable rate borrowing, as well as its risk management objective and strategy for undertaking the hedge transactions. This process included linking the derivative to the specific liability or asset on the balance sheet. The Company also assessed at the inception of the hedge, and continues to assess on an ongoing basis, whether the derivative used in the hedging transaction is highly effective in offsetting changes in the cash flows of the hedged item.

The Company had a cross currency swap to minimize the impact of exchange rate fluctuations which matured on September 1, 2021. Changes in fair value related to movements in the foreign currency exchange spot rate were recorded in accumulated other comprehensive income (loss), offsetting the currency translation adjustment related to the underlying net investment that was also recorded in accumulated other comprehensive income (loss). All other changes in fair value were recorded in interest expense.

The notional amounts of the Company's derivative instruments are as follows:

<u>(Dollars in millions)</u>	October 1, 2022	January 1, 2022	October 2, 2021
Foreign exchange hedge contracts	\$ 376.3	\$ 296.7	\$ 297.1
Foreign exchange non-hedge contracts	—	—	4.1
Interest rate swap	240.6	311.3	—

The recorded fair values of the Company's derivative instruments are as follows:

<u>(In millions)</u>	October 1, 2022	January 1, 2022	October 2, 2021
Financial assets:			
Foreign exchange hedge contracts	\$ 32.3	\$ 5.9	\$ 4.9
Interest rate swap	7.2	—	—
Financial liabilities:			
Foreign exchange hedge contracts	\$ —	\$ (1.0)	\$ (1.0)
Interest rate swap	—	(0.1)	—

9. STOCK-BASED COMPENSATION

The Company recognized compensation expense of \$7.1 million and \$26.4 million, and related income tax benefits of \$1.4 million and \$5.1 million, for grants under its stock-based compensation plans for the quarter and year-to-date ended October 1, 2022, respectively. The Company recognized compensation expense of \$8.4 million and \$30.0 million, and related income tax benefits of \$1.7 million and \$5.9 million, for grants under its stock-based compensation plans for the quarter and year-to-date ended October 2, 2021, respectively.

The Company grants restricted stock or units ("restricted awards"), performance-based restricted stock or units ("performance awards") and stock options under its stock-based compensation plans.

The Company granted restricted awards and performance awards as follows:

(In millions)	Year-To-Date Ended October 1, 2022		Year-To-Date Ended October 2, 2021	
	Company Shares Issued	Weighted-Average Grant Date Fair Value	Company Shares Issued	Weighted-Average Grant Date Fair Value
Restricted Awards	965,341	\$ 26.06	613,716	\$ 34.77
Performance Awards	393,647	\$ 29.90	625,750	\$ 35.73

10. RETIREMENT PLANS

The following is a summary of net pension and Supplemental Executive Retirement Plan (“SERP”) expense recognized by the Company.

(In millions)	Quarter Ended		Year-To-Date Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Service cost pertaining to benefits earned during the period	\$ 1.3	\$ 1.7	\$ 4.0	\$ 5.2
Interest cost on projected benefit obligations	3.3	3.2	9.9	9.6
Expected return on pension assets	(5.1)	(4.8)	(15.4)	(14.6)
Net amortization loss	2.9	3.4	8.5	10.3
Net pension expense	\$ 2.4	\$ 3.5	\$ 7.0	\$ 10.5

The non-service cost components of net pension expense is recorded in the Other expense (income), net line item on the consolidated condensed statements of operations and comprehensive income.

11. INCOME TAXES

The Company maintains management and operational activities in overseas subsidiaries, and its foreign earnings are taxed at rates that are different than the U.S. federal statutory income tax rate. A significant amount of the Company’s earnings are generated by its Canadian, European and Asian subsidiaries and, to a lesser extent, in jurisdictions that are not subject to income tax.

The Company intends to permanently reinvest all non-cash undistributed earnings outside of the U.S. and has therefore not established a deferred tax liability on that amount of foreign unremitted earnings. However, if these non-cash undistributed earnings were repatriated, the Company would be required to accrue and pay applicable U.S. taxes and withholding taxes payable to various countries. It is not practicable to estimate the amount of the deferred tax liability associated with these non-cash unremitted earnings due to the complexity of the hypothetical calculation.

The Company’s effective tax rates for the quarter and year-to-date ended October 1, 2022 were 10.9% and 19.3%, respectively. The Company’s effective tax rates for the quarter and year-to-date ended October 2, 2021 were (11.6)% and 17.1%, respectively. The increase in the effective tax rate for the quarter-to-date period is due to the discrete tax benefits in the prior year had a greater impact due to the lower pretax income in the prior year resulting in a lower effective tax rate. The increase in the effective tax rate for the year-to-date period is due to lower discrete tax benefits in the current year compared to the prior year.

The Company is subject to periodic audits by U.S. federal, state, local and non-U.S. tax authorities. Currently, the Company is undergoing routine periodic audits in both U.S. federal, state, local and non-U.S. tax jurisdictions. It is reasonably possible that the amounts of unrecognized tax benefits could change in the next 12 months as a result of the audits; however, any payment of tax is not expected to be significant to the consolidated condensed financial statements. The Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2017 in the majority of tax jurisdictions.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) represents net earnings and any revenue, expenses, gains and losses that, under U.S. GAAP, are excluded from net earnings and recognized directly as a component of stockholders' equity.

The change in accumulated other comprehensive income (loss) during the quarters ended October 1, 2022 and October 2, 2021 is as follows:

(In millions)	Foreign currency translation	Derivatives	Pension	Total
Balance at July 3, 2021	\$ (35.9)	\$ (14.9)	\$ (68.1)	\$ (118.9)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	(16.9)	3.1	—	(13.8)
Amounts reclassified from accumulated other comprehensive income (loss)	—	2.0 ⁽²⁾	3.4 ⁽³⁾	5.4
Income tax expense (benefit)	—	(0.5)	(0.6)	(1.1)
Net reclassifications	—	1.5	2.8	4.3
Net current-period other comprehensive income (loss) ⁽¹⁾	(16.9)	4.6	2.8	(9.5)
Balance at October 2, 2021	<u>\$ (52.8)</u>	<u>\$ (10.3)</u>	<u>\$ (65.3)</u>	<u>\$ (128.4)</u>
Balance at July 2, 2022	\$ (115.9)	\$ 9.8	\$ (28.7)	\$ (134.8)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	(40.9)	17.4	—	(23.5)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(4.7) ⁽²⁾	2.9 ⁽³⁾	(1.8)
Income tax expense (benefit)	—	1.1	(0.7)	0.4
Net reclassifications	—	(3.6)	2.2	(1.4)
Net current-period other comprehensive income (loss) ⁽¹⁾	(40.9)	13.8	2.2	(24.9)
Balance at October 1, 2022	<u>\$ (156.8)</u>	<u>\$ 23.6</u>	<u>\$ (26.5)</u>	<u>\$ (159.7)</u>

⁽¹⁾ Other comprehensive income (loss) is reported net of taxes and noncontrolling interest.

⁽²⁾ Amounts related to foreign currency derivatives are included in cost of goods sold. Amounts related to foreign currency derivatives that are no longer deemed to be highly effective are included in other income. Amounts related to the interest rate swap and the cross-currency swap are included in interest expense.

⁽³⁾ Amounts reclassified are included in the computation of net pension expense.

The change in accumulated other comprehensive income (loss) during the year-to-dates ended October 1, 2022 and October 2, 2021 is as follows:

(In millions)	Foreign currency translation	Derivatives	Pension	Total
Balance at January 2, 2021	\$ (36.8)	\$ (20.3)	\$ (73.5)	\$ (130.6)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	(16.0)	6.3	—	(9.7)
Amounts reclassified from accumulated other comprehensive income (loss)	—	5.0 ⁽²⁾	10.3 ⁽³⁾	15.3
Income tax expense (benefit)	—	(1.3)	(2.1)	(3.4)
Net reclassifications	—	3.7	8.2	11.9
Net current-period other comprehensive income (loss) ⁽¹⁾	(16.0)	10.0	8.2	2.2
Balance at October 2, 2021	<u>\$ (52.8)</u>	<u>\$ (10.3)</u>	<u>\$ (65.3)</u>	<u>\$ (128.4)</u>
Balance at January 1, 2022	\$ (56.8)	\$ (8.9)	\$ (33.2)	\$ (98.9)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	(100.0)	39.1	—	(60.9)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(8.7) ⁽²⁾	8.5 ⁽³⁾	(0.2)
Income tax expense (benefit)	—	2.1	(1.8)	0.3
Net reclassifications	—	(6.6)	6.7	0.1
Net current-period other comprehensive income (loss) ⁽¹⁾	(100.0)	32.5	6.7	(60.8)
Balance at October 1, 2022	<u>\$ (156.8)</u>	<u>\$ 23.6</u>	<u>\$ (26.5)</u>	<u>\$ (159.7)</u>

- (1) Other comprehensive income (loss) is reported net of taxes and noncontrolling interest.
- (2) Amounts related to foreign currency derivatives are included in cost of goods sold. Amounts related to foreign currency derivatives that are no longer deemed to be highly effective are included in other income. Amounts related to the interest rate swap and the cross-currency swap are included in interest expense.
- (3) Amounts reclassified are included in the computation of net pension expense.

13. FAIR VALUE MEASUREMENTS

The Company measures certain financial assets and liabilities at fair value on a recurring basis. For additional information regarding the Company's fair value policies, refer to Note 1 in the Company's 2021 Form 10-K.

Recurring Fair Value Measurements

The following table sets forth financial assets and liabilities measured at fair value in the consolidated condensed balance sheets and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy.

(In millions)	Fair Value Measurements		
	Quoted Prices With Other Observable Inputs (Level 2)		
	October 1, 2022	January 1, 2022	October 2, 2021
Financial assets:			
Derivatives	\$ 39.5	\$ 5.9	\$ 4.9
Financial liabilities:			
Derivatives	\$ —	\$ (1.1)	\$ (1.0)

The fair value of foreign currency forward exchange contracts represents the estimated receipts or payments necessary to terminate the contracts. The interest rate swap was valued based on the current forward rates of the future cash flows. The fair value of the cross-currency swap was determined using the current forward rates and changes in the spot rate.

Fair Value Disclosures

The Company's financial instruments that are not recorded at fair value consist of cash and cash equivalents, accounts and notes receivable, accounts payable, borrowings under revolving credit agreements and other short-term and long-term debt. The carrying amount of these financial instruments is historical cost, which approximates fair value, except for the debt. The carrying value and the fair value of the Company's debt are as follows:

(In millions)	October 1, 2022	January 1, 2022	October 2, 2021
Carrying value	\$ 1,475.2	\$ 966.8	\$ 1,024.4
Fair value	1,355.2	960.6	1,042.5

The fair value of the fixed rate debt was based on third-party quotes (Level 2). The fair value of the variable rate debt was calculated by discounting the future cash flows to its present value using a discount rate based on the risk-free rate of the same maturity (Level 3).

14. LITIGATION AND CONTINGENCIES

Litigation

The Company operated a leather tannery in Rockford, Michigan from the early 1900s through 2009 (the "Tannery"). The Company also owns a parcel on House Street in Plainfield Township that the Company used for the disposal of Tannery byproducts until about 1970 (the "House Street" site). Beginning in the late 1950s, the Company used 3M Company's Scotchgard™ in its processing of certain leathers at the Tannery. Until 2002 when 3M Company changed its Scotchgard™ formula, Tannery byproducts disposed of by the Company at the House Street site and other locations may have contained PFOA and/or PFOS, two chemicals in the family of compounds known as per- and polyfluoroalkyl substances (together, "PFAS"). PFOA and PFOS help provide non-stick, stain-resistant, and water-resistant qualities, and were used for many decades in commercial products like firefighting foams and metal plating, and in common consumer items like food wrappers, microwave popcorn bags, pizza boxes, Teflon™, carpets and Scotchgard™.

In May 2016, the Environmental Protection Agency (“EPA”) announced a lifetime health advisory level of 70 parts per trillion (“ppt”) combined for PFOA and PFOS, which the EPA reduced in June 2022 to 0.004 ppt and 0.02 ppt for PFOA and PFOS, respectively. In January 2018, the Michigan Department of Environmental Quality (“MDEQ”, now known as the Michigan Department of Environment, Great Lakes, and Energy (“EGLE”)) enacted a drinking water criterion of 70 ppt combined for PFOA and PFOS, which set an official state standard for acceptable concentrations of these contaminants in groundwater used for drinking water purposes. On August 3, 2020, Michigan changed the standards for PFOA and PFOS in drinking water to 8 and 16 ppt, respectively, and set standards for four other PFAS substances.

Civil and Regulatory Actions of EGLE and EPA

On January 10, 2018, EGLE filed a civil action against the Company in the U.S. District Court for the Western District of Michigan under the federal Resource Conservation and Recovery Act of 1976 (“RCRA”) and Parts 201 and 31 of the Michigan Natural Resources and Environmental Protection Act (“NREPA”) alleging that the Company’s past and present handling, storage, treatment, transportation and/or disposal of solid waste at the Company’s properties has resulted in releases of PFAS at levels exceeding applicable Michigan cleanup criteria for PFOA and PFOS (the “EGLE Action”). Plainfield and Algoma Townships intervened in the EGLE Action alleging claims under RCRA, NREPA, the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”) and common law nuisance.

On February 3, 2020, the parties entered into a consent decree resolving the EGLE Action, which was approved by U.S. District Judge Janet T. Neff on February 19, 2020 (the “Consent Decree”). Under the Consent Decree, the Company agreed to pay for an extension of Plainfield Township’s municipal water system to more than 1,000 properties in Plainfield and Algoma Townships, subject to an aggregate cap of \$69.5 million. The Company also agreed to continue maintaining water filters for certain homeowners, resample certain residential wells for PFAS, continue remediation at the Company’s Tannery property and House Street site, and conduct further investigations and monitoring to assess the presence of PFAS in area groundwater. The Company’s activities under the Consent Decree are not materially impacted by either the drinking water standards that became effective on August 3, 2020, or the EPA’s revised advisory levels issued in June 2022.

On December 19, 2018, the Company filed a third-party complaint against 3M Company seeking, among other things, recovery of the Company’s remediation and other costs incurred in defense of the EGLE Action (“the 3M Action”). On June 20, 2019, the 3M Company filed a counterclaim against the Company in response to the 3M Action, seeking, among other things, contractual and common law indemnity and contribution under CERCLA and Part 201 of NREPA. On February 20, 2020, the Company and 3M Company entered into a settlement agreement resolving the 3M Action, under which 3M Company paid the Company a lump sum amount of \$55.0 million during the first quarter of 2020.

On January 10, 2018, the EPA entered a Unilateral Administrative Order (the “Order”) under Section 106(a) of CERCLA, 42 U.S.C. § 9606(a) with an effective date of February 1, 2018. The Order pertained to specified removal actions at the Company’s Tannery and House Street sites, including certain time critical removal actions subsequently identified in an April 29, 2019 letter from the EPA, to abate the actual or threatened release of hazardous substances at or from the sites. On October 28, 2019, the EPA and the Company entered into an Administrative Settlement and Order on Consent (“AOC”) that supersedes the Order and addresses the agreed-upon removal actions outlined in the Order. The Company has completed the activities required by the AOC, and is awaiting the final review and determination from the EPA.

The Company discusses its reserve for remediation costs in the environmental liabilities section below.

Individual and Class Action Litigation

Beginning in late 2017, individual lawsuits and three putative class action lawsuits were filed against the Company that raise a variety of claims, including claims related to property, remediation, and human health effects. The three putative class action lawsuits were subsequently refiled in the U.S. District Court for the Western District of Michigan as a single consolidated putative class action lawsuit. 3M Company has been named as a co-defendant in the individual lawsuits and consolidated putative class action lawsuit. In addition, the current owner of a former landfill and gravel mining operation sued the Company seeking damages and cost recovery for property damage allegedly caused by the Company’s disposal of tannery waste containing PFAS (this suit collectively with the individual lawsuits and putative class action, the “Litigation Matters”).

On September 27, 2021, the Company and 3M Company entered into a non-binding term sheet outlining proposed settlement terms with the law firm representing certain of the plaintiffs in the individual lawsuits included in the Litigation Matters, and on January 11, 2022, the Company and 3M Company entered into a master settlement agreement with the law firm representing certain of the plaintiffs in the individual lawsuits included in the Litigation Matters, and each of these plaintiffs subsequently agreed to participate in the settlement. Such plaintiffs’ lawsuits were dismissed with prejudice on or around April 25, 2022.

On December 9, 2021, the Company and 3M Company reached a settlement in principle to resolve certain of the remaining individual lawsuits included in the Litigation Matters, and the parties entered into definitive settlement agreements in March.

2022. These plaintiffs’ lawsuits were dismissed with prejudice on June 14, 2022. The last remaining individual action was dismissed without prejudice on June 24, 2022.

In addition, in September 2022, the parties to the putative class action filed a motion for preliminary approval of a proposed class action settlement seeking to resolve the putative class action plaintiffs’ claims (the “Motion for Preliminary Approval”). On September 19, 2022, the court granted the Motion for Preliminary Approval and scheduled a final approval hearing regarding the settlement for March 29, 2023.

Only one of the Litigation Matters, the lawsuit filed by the current owner of a former landfill and gravel mining operations, remains pending in Michigan state court, and it is in the discovery and motions stages of litigation.

For certain of the Litigation Matters described above and as a result of developments during the first three quarters of 2022, the Company increased its accrual by \$37.8 million since January 1, 2022 and made related payments of \$50.1 million. As of October 1, 2022, the Company had recorded liabilities of \$37.8 million for certain of the Litigation Matters described above which are recorded as other accrued liabilities in the consolidated condensed balance sheets. At the current quarter ended, the Company has determined a potential liability is not probable with respect to the one remaining Litigation Matter that is still pending.

In December 2018, the Company filed a lawsuit against certain of its historic liability insurers, seeking to compel them to provide a defense against the Litigation Matters on the Company's behalf and coverage for remediation efforts undertaken by, and indemnity provided by, the Company. The Company recognized certain recoveries from legacy insurance policies in 2022 and 2021, and continues pursuing additional recoveries through the lawsuit.

Other Litigation

The Company is also involved in litigation incidental to its business and is a party to legal actions and claims, including, but not limited to, those related to employment, intellectual property, and other environmental matters. Some of the legal proceedings include claims for compensatory as well as punitive damages. While the final outcome of these matters cannot be predicted with certainty, considering, among other things, the meritorious legal defenses available to the Company and reserves for liabilities that the Company has recorded, along with applicable insurance, it is management’s opinion that the outcome of these items are not expected to have a material adverse effect on the Company’s consolidated financial position, results of operations or cash flows.

Environmental Liabilities

The following is a summary of the activity with respect to the environmental remediation reserve established by the Company:

(In millions)	Year-To-Date Ended	
	October 1, 2022	October 2, 2021
Remediation liability at beginning of the year	\$ 85.7	\$ 101.8
Amounts paid	(21.3)	(21.1)
Remediation liability at the end of the quarter	\$ 64.4	\$ 80.7

The reserve balance as of October 1, 2022 includes \$30.9 million that is expected to be paid within the next twelve months and is recorded as a current obligation in other accrued liabilities, with the remaining \$33.5 million expected to be paid over the course of up to 25 years, recorded in other liabilities.

The Company's remediation activity at the Tannery property, House Street site and other relevant disposal sites is ongoing. Although the Consent Decree has made near-term costs more clear, it is difficult to estimate the long-term cost of environmental compliance and remediation given the uncertainties regarding the interpretation and enforcement of applicable environmental laws and regulations, the extent of environmental contamination and the existence of alternative cleanup methods. Future developments may occur that could materially change the Company’s current cost estimates, including, but not limited to: (i) changes in the information available regarding the environmental impact of the Company’s operations and products; (ii) changes in environmental regulations, changes in permissible levels of specific compounds in drinking water sources, or changes in enforcement theories and policies, including efforts to recover natural resource damages; (iii) new and evolving analytical and remediation techniques; (iv) changes to the form of remediation; (v) success in allocating liability to other potentially responsible parties; and (vi) the financial viability of other potentially responsible parties and third-party indemnitors. For locations at which remediation activity is largely ongoing, the Company cannot estimate a possible loss or range of loss in excess of the associated established reserves for the reasons described above. The Company adjusts recorded liabilities as further information develops or circumstances change.

Minimum Royalties and Advertising Commitments

The Company has future minimum royalty and advertising obligations due under the terms of certain licenses held by the Company. These minimum future obligations for the fiscal periods subsequent to October 1, 2022 are as follows:

(In millions)	2022	2023	2024	2025	2026	Thereafter
Minimum royalties	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Minimum advertising	\$ —	\$ 3.9	\$ 3.9	\$ 4.2	\$ 4.3	\$ —

Minimum royalties are based on both fixed obligations and assumptions regarding the Consumer Price Index. Royalty obligations in excess of minimum requirements are based upon future sales levels. In accordance with these agreements, the Company incurred royalty expense of \$0.7 million and \$1.9 million for the quarter and year-to-date ended October 1, 2022, respectively. For the quarter and year-to-date ended October 2, 2021, the Company incurred royalty expense in accordance with these agreements of \$0.6 million and \$1.7 million, respectively.

The terms of certain license agreements also require the Company to make advertising expenditures based on the level of sales of the licensed products. In accordance with these agreements, the Company incurred advertising expense of \$1.9 million and \$4.8 million for the quarter and year-to-date ended October 1, 2022, respectively. For the quarter and year-to-date ended October 2, 2021, the Company incurred advertising expense in accordance with these agreements of \$1.4 million and \$4.1 million, respectively.

15. BUSINESS SEGMENTS

The Company's portfolio of brands is organized into the following two operating segments, which the Company has determined to be reportable segments.

- **Wolverine Michigan Group**, consisting of *Merrell*[®] footwear and apparel, *Cat*[®] footwear, *Wolverine*[®] footwear and apparel, *Chaco*[®] footwear, *Hush Puppies*[®] footwear and apparel, *Bates*[®] uniform footwear, *Harley-Davidson*[®] footwear and *Hytest*[®] safety footwear; and
- **Wolverine Boston Group**, consisting of *Sperry*[®] footwear, *Saucony*[®] footwear and apparel, *Keds*[®] footwear, and the Kids' footwear business, which includes the *Stride Rite*[®] licensed business, as well as Kids' footwear offerings from *Saucony*[®], *Sperry*[®], *Keds*[®], *Merrell*[®], *Hush Puppies*[®] and *Cat*[®].

The Company also reports "Other" and "Corporate" categories. The Other category consists of the *Sweaty Betty*[®] activewear business, the Company's leather marketing operations, sourcing operations that include third-party commission revenues and multi-branded direct-to-consumer retail stores. The Corporate category consists of the *Champion* trademarks gain in 2022 and unallocated corporate expenses, such as corporate employee costs, costs related to the COVID-19 pandemic and environmental and other related costs.

The reportable segments are engaged in designing, manufacturing, sourcing, marketing, licensing and distributing branded footwear, apparel and accessories. Revenue for the reportable segments includes revenue from the sale of branded footwear, apparel and accessories to third-party customers; revenue from third-party licensees and distributors; and revenue from the Company's direct-to-consumer businesses. The Company's reportable segments are determined based on how the Company internally reports and evaluates financial information used to make operating decisions.

On November 9, 2022, the Company announced changes to its reportable segments as a result of changes in how its Chief Operating Decision Maker, the Company's Chief Executive Officer, allocates resources to and assesses performance of the Company's operating segments. Changes to the Company's segment reporting will be reflected in the financial statements for the year ended December 31, 2022. The Company's reportable segments will be Active, Work and Lifestyle.

Company management uses various financial measures to evaluate the performance of the reportable segments. The following is a summary of certain key financial measures for each reportable segment.

(In millions)	Quarter Ended		Year-to-Date Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Revenue:				
Wolverine Michigan Group	\$ 390.2	\$ 324.8	\$ 1,109.2	\$ 976.9
Wolverine Boston Group	247.7	258.8	713.9	717.7
Other	53.5	53.1	196.7	84.7
Total	\$ 691.4	\$ 636.7	\$ 2,019.8	\$ 1,779.3
Segment operating profit (loss):				
Wolverine Michigan Group	\$ 72.3	\$ 61.3	\$ 219.7	\$ 196.0
Wolverine Boston Group	32.2	44.1	101.3	125.2
Other	(5.2)	2.4	(5.6)	3.9
Corporate	(40.5)	(65.3)	(69.1)	(160.7)
Operating profit	58.8	42.5	246.3	164.4
Interest expense, net	12.5	9.6	\$ 31.3	\$ 28.9
Debt extinguishment and other costs	—	34.0	—	34.0
Other expense (income), net	2.7	(0.4)	\$ 2.2	\$ 2.5
Earnings (loss) before income taxes	\$ 43.6	\$ (0.7)	\$ 212.8	\$ 99.0

(In millions)	October 1, 2022	January 1, 2022	October 2, 2021
Total assets:			
Wolverine Michigan Group	\$ 1,071.3	\$ 651.9	\$ 692.5
Wolverine Boston Group	1,369.3	1,123.6	1,162.4
Other	536.7	606.2	599.6
Corporate	193.3	204.7	226.9
Total	\$ 3,170.6	\$ 2,586.4	\$ 2,681.4
Goodwill:			
Wolverine Michigan Group	\$ 141.0	\$ 145.1	\$ 145.2
Wolverine Boston Group	290.7	296.2	296.4
Other	94.8	115.3	113.9
Total	\$ 526.5	\$ 556.6	\$ 555.5

16. BUSINESS ACQUISITIONS

On July 31, 2021, the Company entered into a definitive agreement to acquire 100% of the outstanding shares of Lady of Leisure InvestCo Limited. The acquisition was completed on August 2, 2021 for \$417.4 million, which is net of acquired cash of \$7.4 million. The Acquired Company owns the *Sweaty Betty*[®] brand and activewear business. The acquisition was funded with cash on hand and borrowings under the Company's Revolving Facility.

Sweaty Betty[®] is a premium women's activewear brand that distributes a wide array of innovative on-trend tops, bottoms, swimwear, outerwear, and accessories around the world, mainly through direct-to-consumer channels. The *Sweaty Betty*[®] acquisition is part of the Company's strategic shift over the last several years from a traditional footwear wholesaler to a consumer-obsessed, digital-focused growth company. The acquisition also aligns with the Company's strategic growth plan to focus on expanding the Company's digital and international footprint, and building the brand portfolio beyond footwear.

Sweaty Betty[®] contributed net revenue of \$37.8 million and \$138.7 million and net loss of \$5.0 million and \$5.6 million to the Company for the quarter and year-to-date ended October 1, 2022, respectively. The *Sweaty Betty*[®] operating results are included in the Other category for segment reporting purposes.

The Company recognized acquisition-related transaction costs of \$7.5 million, all of which were recognized in fiscal year 2021 in the selling, general and administrative expenses line item in the Consolidated Statement of Operations. These costs represent investment banking fees, legal and professional fees, transaction fees, and consulting fees associated with the acquisition.

The Company accounted for the acquisition following FASB ASC Topic 805, *Business Combinations*, and the related assets acquired and liabilities assumed were recorded at fair value on the acquisition date. The aggregate purchase price was allocated to the major categories of assets acquired and liabilities assumed based upon their respective fair values at the acquisition date using primarily Level 2 and Level 3 inputs. The Level 2 and Level 3 valuation inputs include an estimate of future cash flows and discount rates. The *Sweaty Betty*[®] trademark, which is estimated to have an indefinite life, has been valued at \$346.4 million using the multi-period excess earnings method. The multi-period excess earnings method requires the use of significant estimates and assumptions, including but not limited to, future revenues, growth rates, EBITDA margin, tax rates and a discount rate. The purchase price allocation was finalized during the quarter ended July 2, 2022.

The following table summarizes the purchase price allocation to the assets acquired and liabilities assumed at the acquisition date:

<u>(In millions)</u>	Fair Value
Accounts receivable	\$ 3.6
Inventories	48.4
Prepaid expenses and other current assets	5.3
Property, plant and equipment	10.0
Lease right-of-use assets	7.0
Goodwill	118.9
Intangibles	355.0
Other assets	0.6
Total assets acquired	548.8
Accounts payable	13.1
Accrued salaries and wages	6.0
Other accrued liabilities	14.3
Lease liabilities	7.0
Deferred income taxes	91.0
Total liabilities assumed	131.4
Net assets acquired	\$ 417.4

Goodwill is the result of expected synergies and the Company's ability to grow the *Sweaty Betty*[®] brand, as well as the acquired assembled workforce. All of the goodwill is presented within the Other category for segment reporting purposes and within the *Sweaty Betty*[®] reporting unit and will not be deductible for income tax purposes.

Intangible assets acquired in the acquisition were valued as follows:

<u>(In millions)</u>	Intangible Asset	Useful life
Trade name and trademark	\$ 346.4	Indefinite
Customer relationship	7.2	18 years
Backlog	1.0	5 months
Customer list	0.4	3 years
Total intangible assets acquired	\$ 355.0	

The following unaudited pro forma summary presents consolidated information of the Company as if the acquisition of *Sweaty Betty*[®] occurred at the beginning of fiscal 2020. The pro forma information is not necessarily indicative of the results that would have actually been obtained if the acquisition had occurred at the beginning of the periods presented or that may be attained in the future. These pro forma amounts have been calculated after including the historical *Sweaty Betty*[®] operating results in the

Company's consolidated results, and reflecting the following adjustments: fair value adjustments for intangible assets and adjustments reflecting historical interest expense. The adjustments have been applied with related tax effects.

<u>(In millions)</u>	Quarter Ended	Year-to Date Ended
	October 2, 2021	October 2, 2021
Net revenue	\$ 659.7	\$ 1,916.7
Net earnings attributable to Wolverine World Wide, Inc.	\$ 7.9	\$ 91.5

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the Company’s results of operations and liquidity and capital resources. This section should be read in conjunction with the Company’s consolidated condensed financial statements and related notes included elsewhere in this Quarterly Report.

BUSINESS OVERVIEW

The Company is a leading global designer, marketer and licensor of branded footwear, apparel and accessories. The Company’s vision statement is “**to build a family of the most admired performance and lifestyle brands on earth,**” and the Company seeks to fulfill this vision by offering innovative products and compelling brand propositions; complementing its footwear brands with strong apparel and accessories offerings; expanding its global direct-to-consumer footprint; and delivering supply chain excellence.

The Company’s brands are marketed in approximately 170 countries and territories at October 1, 2022, including through owned operations in the U.S., Canada, the United Kingdom and certain countries in continental Europe and Asia Pacific. In other regions (Latin America, portions of Europe and Asia Pacific, the Middle East and Africa), the Company relies on a network of third-party distributors, licensees and joint ventures. At October 1, 2022, the Company operated 146 retail stores in the U.S., Europe and Canada and 63 direct-to-consumer eCommerce sites.

On July 31, 2021, the Company entered into a definitive agreement to acquire 100% of the outstanding shares of Lady Leisure InvestCo Limited (the “Acquired Company”). The acquisition was completed on August 2, 2021 for \$417.4 million, which is net of acquired cash of \$7.4 million. The Acquired Company owns the *Sweaty Betty*[®] brand and activewear business, a premium women’s activewear brand. The acquisition was funded with cash on hand and borrowings under the Company’s revolving credit facility.

Known Trends Impacting Our Business

Macroeconomic conditions, supply chain disruptions and the COVID-19 pandemic continue to have an impact on the Company’s business results. During fiscal 2021 and the first half of fiscal 2022, disruption in the global supply chain due to vessel shortages, labor and container shortages, and U.S. port congestion resulted in transportation delays that interrupted the flow of the Company’s inventory and delayed shipments to wholesale partners. As a result, the Company planned fiscal 2022 product purchases based on the assumption that extended inventory transit times would continue through the year. However, during the third quarter of 2022, inventory transit times improved ahead of plan, resulting in challenges managing the timing of inventory flow. As of October 1, 2022, the Company had \$280.9 million of inventory in-transit, including inventory arriving earlier than expected and not yet able to be processed due to processing capacity pressures at the Company’s distribution centers. As a result, the Company’s inventory levels are currently elevated compared to the prior year quarter-ended. The Company increased promotional activity in the third quarter of fiscal 2022 and expects this increased level of promotional activity to continue during the fourth quarter to reduce inventory levels. The Company incurred higher logistics costs, including freight and labor costs, during the first three quarters of 2022 as a result of the supply chain disruption as well as inflationary pressures.

The Company expects cost increases due to inflationary pressures to continue to adversely impact the Company’s results during the fourth quarter. The Company implemented selective price increases by brand and product to partially offset the effects of inflation on the Company’s financial results. The Company expects to continue to evaluate future pricing of its products. In addition to inflationary headwinds, the strengthening of the U.S. dollar relative to other major currencies also negatively impacted the Company’s financial results in the third quarter of 2022.

The Company continues to monitor the ongoing impacts of the COVID-19 pandemic as well as guidance from international and domestic governmental authorities, including developments that are outside the Company’s control. These developments and other potential impacts of the COVID-19 pandemic, such as new or prolonged factory closures and other adverse impacts on the global supply chain affecting the planned delivery of the Company’s inventory, could materially adversely impact revenue growth as well as profitability in future periods.

In March 2022, the Company temporarily suspended all business operations in Russia due to the Russia-Ukraine conflict. The Company has no assets or employees in Russia or Ukraine. The Company’s business operations in Russia represent less than 1 percent of revenue. For a more complete discussion of the risks the Company encounters in our business, please refer to Item 1A, “Risk Factors” in the Company’s 2021 Form 10-K.

2022 FINANCIAL OVERVIEW

- Revenue was \$691.4 million for the third quarter of 2022, representing an increase of 8.6% compared to the third quarter of 2021.

- Gross margin was 40.2% in the third quarter of 2022 compared to 43.2% in the third quarter of 2021.
- The effective tax rates in the third quarters of 2022 and 2021 were 10.9% and (11.6)%, respectively.
- Diluted earnings per share for the third quarter of 2022 was \$0.48 per share compared to \$0.00 per share for the third quarter of 2021.
- The Company declared cash dividends of \$0.10 per share in the third quarters of both 2022 and 2021.
- Cash flow used in operating activities was \$490.2 million for the first three quarters of 2022 compared to cash flow provided by operating activities of \$17.0 million for the first three quarters of 2021.
- Compared to the third quarter of 2021, inventory increased \$468.9 million, or 113.8%.

RESULTS OF OPERATIONS

(In millions, except per share data)	Quarter Ended			Year-To-Date Ended		
	October 1, 2022	October 2, 2021	Percent Change	October 1, 2022	October 2, 2021	Percent Change
Revenue	\$ 691.4	\$ 636.7	8.6 %	\$ 2,019.8	\$ 1,779.3	13.5 %
Cost of goods sold	413.6	361.9	14.3	1,173.6	1,011.8	16.0
Gross profit	277.8	274.8	1.1	846.2	767.5	10.3
Selling, general and administrative expenses	216.8	215.0	0.8	657.3	591.2	11.2
Gain on sale of trademarks	—	—	*	(90.0)	—	*
Environmental and other related costs, net of recoveries	2.2	17.3	(87.3)	32.6	11.9	173.9
Operating profit	58.8	42.5	38.4	246.3	164.4	49.8
Interest expense, net	12.5	9.6	30.2	31.3	28.9	8.3
Debt extinguishment and other costs	—	34.0	(100.0)	—	34.0	(100.0)
Other expense (income), net	2.7	(0.4)	775.0	2.2	2.5	(12.0)
Earnings (loss) before income taxes	43.6	(0.7)	*	212.8	99.0	114.9
Income tax expense	4.8	0.1	*	41.1	17.0	141.8
Net earnings (loss)	38.8	(0.8)	*	171.7	82.0	109.4
Less: net loss attributable to noncontrolling interests	(0.2)	(0.8)	75.0	(1.6)	(1.2)	(33.3)
Net earnings attributable to Wolverine World Wide, Inc.	\$ 39.0	\$ —	*	\$ 173.3	\$ 83.2	108.3 %
Diluted earnings per share	\$ 0.48	\$ 0.00	*	\$ 2.12	\$ 0.98	116.3 %

* Percentage change not meaningful

REVENUE

Revenue was \$691.4 million for the third quarter of 2022, representing an increase of 8.6% compared to the third quarter of 2021. The change in revenue reflected a \$65.4 million, or 20.1%, increase from the Michigan Group and a \$11.1 million, or 4.3%, decline from the Boston Group. The Michigan Group's revenue increase was primarily driven by increases of \$50.0 million from *Merrell*[®] and \$19.2 million from *Car*[®], partially offset by a decrease of \$3.1 million from *Bates*[®]. The Boston Group's revenue decline was primarily driven by a \$9.9 million decrease from *Sperry*[®]. Changes in foreign exchange rates decreased revenue by \$22.9 million during the third quarter of 2022. Direct-to-consumer revenue increased during the third quarter of 2022 by \$6.9 million, or 4.5%, compared to the third quarter of 2021.

Revenue was \$2,019.8 million for the first three quarters of 2022, representing an increase of 13.5% compared to the first three quarters of 2021. The change in revenue reflected a \$132.3 million, or 13.5%, increase from the Michigan Group, a \$3.8 million, or 0.5%, decline from the Boston Group and a 5.6% increase from *Sweaty Betty*[®] revenue of \$99.7 million. The Michigan Group's revenue increase was primarily driven by increases of \$72.7 million from *Merrell*[®], \$27.8 million from *Car*[®], \$13.8 million from *Wolverine*[®], \$12.9 million from *Chaco*[®], and \$9.9 million from *Hush Puppies*[®], partially offset by a decrease of \$7.5 million from *Bates*[®]. The Boston Group's revenue decline was primarily driven by decreases of \$10.1 million from *Sperry*[®] and \$7.7 million from *Keds*[®], partially offset by an increase of \$12.0 million from *Saucony*[®]. Changes in foreign exchange rates decreased revenue by \$48.2 million during the first three quarters of 2022. Direct-to-consumer revenue increased during the first three quarters of 2022 by \$63.0 million, or 15.6%, compared to the first three quarters of 2021, including a \$83.8 million, or 20.7%, contribution from the *Sweaty Betty*[®] acquisition.

GROSS MARGIN

Gross margin was 40.2% in the third quarter of 2022 compared to 43.2% in the third quarter of 2021. The gross margin decrease in the third quarter was driven by unfavorable outbound freight costs and increased promotional activity in the Company's direct-to-consumer channel (140 basis points) and unfavorable mix shift to the international channel (110 basis points).

Gross margin was 41.9% in the first three quarters of 2022 compared to 43.1% during the first three quarters of 2021. The gross margin decrease in the first three quarters of 2022 was driven by unfavorable volume and outbound freight costs in the Company's direct-to-consumer channel (120 basis points) and unfavorable mix shift to the international channel (80 basis points), partially offset by favorable product mix and average selling price across the Company's brands mainly attributable to *Merrell*[®] and *Cat*[®] (60 basis points) and the contribution from the *Sweaty Betty*[®] acquisition (40 basis points).

OPERATING EXPENSES

Operating expenses decreased \$13.3 million, from \$232.3 million in the third quarter of 2021 to \$219.0 million in the third quarter of 2022. The decrease was primarily driven by lower environmental and other related costs, net of insurance recoveries (\$15.1 million), lower acquisition costs (\$6.9 million), lower incentive compensation costs (\$4.2 million), lower distribution costs (\$1.3 million), and lower product development costs (\$1.2 million), partially offset by an increase due to higher advertising costs (\$6.2 million), higher selling costs (\$5.1 million), higher general and administrative costs (\$4.0 million), and *Sweaty Betty*[®] integration costs (\$0.5 million). Environmental and other related costs were \$2.2 million and \$17.8 million in the third quarter of 2022 and 2021, respectively.

Operating expenses decreased \$3.2 million, from \$603.1 million in the first three quarters of 2021 to \$599.9 million in the first three quarters of 2022. The decrease was primarily driven by the gain recorded on the sale of the *Champion* trademarks for footwear in the United States and Canada (\$90.0 million), lower incentive compensation costs (\$16.0 million), and lower acquisition costs (\$6.9 million), partially offset by an increase from *Sweaty Betty*[®] operating expenses (\$60.4 million), higher environmental and other related costs, net of insurance recoveries (\$20.7 million), higher selling costs (\$9.4 million), higher advertising costs (\$6.6 million), higher general and administrative costs (\$5.9 million), higher distribution costs (\$5.7 million), *Sweaty Betty*[®] integration costs (\$1.2 million), and higher product development costs (\$0.2 million). Environmental and other related costs were \$44.7 million and \$28.1 million in the first three quarters of 2022 and 2021, respectively.

INTEREST, OTHER AND INCOME TAXES

Net interest expense was \$12.5 million in the third quarter of 2022 compared to \$9.6 million in the third quarter of 2021. Net interest expense was \$31.3 million in the first three quarters of 2022 compared to \$28.9 million in the first three quarters of 2021. The increase in interest expense for both the quarter-to-date and year-to-date periods is due to higher average principal balances of variable rate debt, partially offset by lower average interest rates on the Company's outstanding debt. The Company redeemed and replaced the 6.375% senior notes due in 2025 and the 5.000% senior notes due in 2026 with the 4.000% senior notes in August 2021 due in 2029.

The Company incurred \$34.0 million of debt extinguishment and other costs in connection with the extinguishment of the \$250.0 million senior notes due on September 1, 2026 and \$300.0 million senior notes due on May 15, 2025 in the third quarter of 2021.

Other expense was \$2.7 million in the third quarter of 2022, compared to other income of \$0.4 million in the third quarter of 2021. Other expense was \$2.2 million in the first three quarters of 2022, compared to other expense of \$2.5 million in the first three quarters of 2021.

The effective tax rates in the third quarter of 2022 and 2021 were 10.9% and (11.6)%, respectively. The effective tax rates in the first three quarters of 2022 and 2021 were 19.3% and 17.1%, respectively. The increase in the effective tax rate for the quarter-to-date period is due to the discrete tax benefits in the prior year had a greater impact due to the lower pretax income in the prior year resulting in a lower effective tax rate. The increase in the effective tax rate for the year-to-date period is due to lower discrete tax benefits in the current year compared to the prior year.

REPORTABLE SEGMENTS

The Company's portfolio of brands is organized into the following two operating segments, which the Company has determined to be reportable segments.

- **Wolverine Michigan Group**, consisting of *Merrell*[®] footwear and apparel, *Cat*[®] footwear, *Wolverine*[®] footwear and apparel, *Chaco*[®] footwear, *Hush Puppies*[®] footwear and apparel, *Bates*[®] uniform footwear, *Harley-Davidson*[®] footwear and *Hytect*[®] safety footwear; and

- **Wolverine Boston Group**, consisting of *Sperry*[®] footwear, *Saucony*[®] footwear and apparel, *Keds*[®] footwear, and the Kids' footwear business, which includes the *Stride Rite*[®] licensed business, as well as Kids' footwear offerings from *Saucony*[®], *Sperry*[®], *Keds*[®], *Merrell*[®], *Hush Puppies*[®] and *Cat*[®].

The Company also reports "Other" and "Corporate" categories. The Other category consists of the *Sweaty Betty*[®] activewear business, the Company's leather marketing operations, sourcing operations that include third-party commission revenues and multi-branded direct-to-consumer retail stores. The Corporate category consists of the *Champion* trademarks gain in 2022 and unallocated corporate expenses, such as corporate employee costs, costs related the COVID-19 pandemic and environmental and other related costs.

On November 9, 2022, the Company announced changes to its reportable segments as a result of changes in how its Chief Operating Decision Maker, the Company's Chief Executive Officer, allocates resources to and assesses performance of the Company's operating segments. Changes to the Company's segment reporting will be reflected in the financial statements for the year ended December 31, 2022. The Company's reportable segments will be Active, Work and Lifestyle.

The reportable segment results are as follows:

(In millions)	Quarter Ended				Year-To-Date Ended			
	October 1, 2022	October 2, 2021	Change	Percent Change	October 1, 2022	October 2, 2021	Change	Percent Change
REVENUE								
Wolverine Michigan Group	\$ 390.2	\$ 324.8	\$ 65.4	20.1 %	\$ 1,109.2	\$ 976.9	\$ 132.3	13.5 %
Wolverine Boston Group	247.7	258.8	(11.1)	(4.3)%	713.9	717.7	(3.8)	(0.5)%
Other	53.5	53.1	0.4	0.8 %	196.7	84.7	112.0	132.2 %
Total	\$ 691.4	\$ 636.7	\$ 54.7	8.6 %	\$ 2,019.8	\$ 1,779.3	\$ 240.5	13.5 %
OPERATING PROFIT (LOSS)								
Wolverine Michigan Group	\$ 72.3	\$ 61.3	\$ 11.0	17.9 %	\$ 219.7	\$ 196.0	\$ 23.7	12.1 %
Wolverine Boston Group	32.2	44.1	(11.9)	(27.0)%	101.3	125.2	(23.9)	(19.1)%
Other	(5.2)	2.4	(7.6)	(316.7)%	(5.6)	3.9	(9.5)	(243.6)%
Corporate	(40.5)	(65.3)	24.8	38.0 %	(69.1)	(160.7)	91.6	57.0 %
Total	\$ 58.8	\$ 42.5	\$ 16.3	38.4 %	\$ 246.3	\$ 164.4	\$ 81.9	49.8 %

Further information regarding the reportable segments can be found in Note 15 to the consolidated condensed financial statements.

Wolverine Michigan Group

The Michigan Group's revenue increased \$65.4 million, or 20.1%, in the third quarter of 2022 compared to the third quarter of 2021. The revenue increase was primarily driven by increases of \$50.0 million from *Merrell*[®] and \$19.2 million from *Cat*[®], partially offset by a decrease of \$3.1 million from *Bates*[®]. The *Merrell*[®] increase was due to the strength of the hike product category, which includes the industry leading Moab franchise as well as strong performance across all regions, specifically the international channel. The *Cat*[®] increase was due to the strength of the life and work product categories in international markets. The *Bates*[®] decline was due to a reduction in military exchange customer revenue for domestically manufactured products.

The Michigan Group's revenue increased \$132.3 million, or 13.5% in the first three quarters of 2022 compared to the first three quarters of 2021. The revenue increase was primarily driven by increases of \$72.7 million from *Merrell*[®], \$27.8 million from *Cat*[®], \$13.8 million from *Wolverine*[®], \$12.9 million from *Chaco*[®], and \$9.9 million from *Hush Puppies*[®], partially offset by a decrease of \$7.5 million from *Bates*[®]. The *Merrell*[®] increase was due to the strength of the hike product category, which includes the industry leading Moab franchise, as well as strong performance across all regions, specifically the international channel. The *Cat*[®] increase was due to the strength of the life and work product categories and timing of shipments between periods. The *Wolverine*[®] increase was due to the strong performance of its core franchises which include Raider and Rancher, strength of the work product category, and expanded work footwear products. The *Chaco*[®] increase was the result of improved inventory positions in the current period versus the prior period which was negatively impacted by supply chain constraints. The *Hush Puppies*[®] increase was due to the launch of a strategic distribution partnership with DSW in North America and the strength of the brand's lifestyle head-to-toe product offering internationally, with a focus on casual, comfort and color. The *Bates*[®] decline was due to a reduction in military exchange customer revenue for domestically manufactured products.

The Michigan Group's operating profit increased \$11.0 million in the third quarter of 2022 compared to the third quarter of 2021. The operating profit increase was due to revenue increases, partially offset by a 270 basis point decrease in gross margin and a \$6.3 million increase in selling, general and administrative expenses. The Michigan Group's operating profit increased

\$23.7 million in the first three quarters of 2022 compared to the first three quarters of 2021. The operating profit increase was due to revenue increases, partially offset by a 160 basis point decrease in gross margin and a \$15.8 million increase in selling, general and administrative expenses. The decrease in gross margin in the current year periods was due to an unfavorable mix shift to the international third-party channel and unfavorable outbound freight costs and higher promotional activity in the Company’s direct-to-consumer channel. The increase in selling, general and administrative expenses in the current year periods was primarily due to higher advertising costs, labor and distribution costs, and employee costs.

Wolverine Boston Group

The Boston Group’s revenue decreased \$11.1 million, or 4.3%, during the third quarter of 2022 compared to the third quarter of 2021. The revenue decline was primarily driven by a decrease of \$9.9 million from *Sperry*®. The *Sperry*® decline was primarily driven by supply chain issues and softer consumer demand in both the U.S. wholesale and direct-to-consumer sales channels.

The Boston Group’s revenue decreased by \$3.8 million, or 0.5%, during the first three quarters of 2022 compared to the first three quarters of 2021. The revenue decline was primarily driven by a decrease of \$10.1 million from *Sperry*® and \$7.7 million from *Keds*®, partially offset by an increase of \$12.0 million from *Saucony*®. The *Sperry*® and *Keds*® declines were primarily driven by supply chain issues and softer consumer demand in both the U.S. wholesale and direct-to-consumer sales channels. The *Saucony*® increase was primarily driven by the strength and expanded sales of core technical road and trail product franchises which include the Ride, Guide, Kinvara, Triumph, Peregrine and Endorphin series.

The Boston Group’s operating profit decreased \$11.9 million in the third quarter of 2022 compared to the third quarter of 2021. The operating profit decrease was due to revenue decreases, a 130 basis point decrease in gross margin and a \$3.9 million increase in selling, general and administrative expenses. The Boston Group’s operating profit decreased \$23.9 million in the first three quarters of 2022 compared to the first three quarters of 2021. The operating profit decrease was due to revenue decreases, a 90 basis point decrease in gross margin and a \$15.5 million increase in selling, general, and administrative expenses. The decrease in gross margin in the current year periods was due to an unfavorable mix shift to the international third-party channel and unfavorable outbound freight costs and higher promotional activity in the Company’s direct-to-consumer channel. The increase in selling, general and administrative expenses in the current year periods was primarily due to higher advertising costs, labor and distribution costs, and employee costs.

Other

The Other category’s revenue increased \$0.4 million, or 0.8%, in the third quarter of 2022 compared to the third quarter of 2021. The revenue increase was primarily driven by a \$2.4 million increase in the performance leathers business, partially offset by a \$1.3 million decrease from *Sweaty Betty*®. The Other category’s revenue increased \$112.0 million, or 132.2%, during the first three quarters of 2022 compared to the first three quarters of 2021. The revenue increase was primarily driven by a \$99.7 million increase from *Sweaty Betty*® and a \$10.8 million increase in the performance leathers business.

Corporate

Corporate expenses decreased \$24.8 million in the third quarter of 2022 compared to the third quarter of 2021, primarily due to lower environmental and other related costs, net of insurance recoveries (\$15.1 million), lower acquisition costs (\$6.9 million), and lower incentive compensation costs (\$5.5 million), partially offset by higher employee costs (\$1.4 million).

Corporate expenses decreased \$91.6 million in the first three quarters of 2022 compared to the first three quarters of 2021, primarily due to the gain recorded on the sale of the *Champion* trademarks for footwear in the United States and Canada (\$90.0 million), lower acquisition costs (\$6.9 million), and lower incentive compensation costs (\$14.5 million), partially offset by higher environmental and other related costs, net of insurance recoveries (\$20.7 million) and higher employee costs (\$4.9 million).

LIQUIDITY AND CAPITAL RESOURCES

(In millions)	October 1, 2022	January 1, 2022	October 2, 2021
Cash and cash equivalents	\$ 136.4	\$ 161.7	\$ 183.6
Debt	1,475.2	966.8	1,024.4
Available revolving credit facility ⁽¹⁾	254.4	769.2	484.1

⁽¹⁾ Amounts are net of both borrowings, if any, and outstanding standby letters of credit in accordance with the terms of the revolving credit facility.

Liquidity

Cash and cash equivalents of \$136.4 million as of October 1, 2022 were \$47.2 million lower compared to October 2, 2021. The decrease is due primarily to the cash paid for share repurchases of \$94.0 million, cash dividends paid of \$33.0 million, cash used by operating activities of \$420.4 million and additions to property, plant and equipment of \$31.1 million, partially offset by borrowings less repayments of debt of \$450.0 million and cash received from the sale of the *Champion* trademark of \$90.0 million. The Company had \$254.4 million of borrowing capacity available under the revolving facility as of October 1, 2022. Cash and cash equivalents located in foreign jurisdictions totaled \$134.1 million as of October 1, 2022.

Cash flow from operating activities is expected to be sufficient to meet the Company's working capital needs for the foreseeable future. Any excess cash flow from operating activities is expected to be used to fund organic growth initiatives, reduce debt, pay dividends and for general corporate purposes.

The Company may purchase up to an additional \$366.5 million of shares under its existing common stock repurchase program which expires in September of 2023. The common stock repurchase program does not obligate the Company to acquire any particular amount of shares and may be suspended at any time. The Company repurchased \$81.3 million and \$26.9 million of shares in the first three quarters of 2022 and 2021, respectively.

A detailed discussion of environmental remediation costs is found in Note 14 to the consolidated condensed financial statements. The Company has established a reserve for estimated environmental remediation costs based upon an evaluation of currently available facts with respect to each individual site. As of October 1, 2022, the Company had a reserve of \$64.4 million, of which \$30.9 million is expected to be paid in the next 12 months and is recorded as a current obligation in other accrued liabilities, and the remaining \$33.5 million is recorded in other liabilities and is expected to be paid over the course of up to 25 years. The Company's remediation activity at its former Tannery site and sites where the Company disposed of Tannery byproducts is ongoing. It is difficult to estimate the cost of environmental compliance and remediation given the uncertainties regarding the interpretation and enforcement of applicable environmental laws and regulations, the extent of environmental contamination and the existence of alternative cleanup methods.

Note 14 to the consolidated condensed financial statements also includes a detailed discussion of environmental litigation matters. The Company increased its accrual by \$37.8 million since January 1, 2022 and made related payments of \$50.1 million with respect to certain of these matters, as discussed in Note 14.

Developments may occur that could materially change the Company's current cost estimates. The Company adjusts recorded liabilities as further information develops or circumstances change.

The future impact of the COVID-19 pandemic on the Company's statement of operations and cash flows remains uncertain. The actions the Company has taken and continues to take to improve the Company's liquidity are discussed above in this Item 2 and below under "Financing Arrangements."

Financing Arrangements

On October 21, 2021, the Company entered into a 2021 Replacement Facility Amendment and Reaffirmation Agreement (the "Amendment") of its existing credit facility (as amended and restated, the "Credit Agreement"). The Amendment amended and restated the prior credit agreement to, among other things: (i) provide for a term loan A facility (the "Term Facility") in an aggregate principal amount of \$200.0 million, which replaced the existing term loan A; (ii) provide for an increased revolving credit facility (the "Revolving Facility" and, together with the Term Facility, the "Senior Credit Facilities") with total commitments of \$1.0 billion, an increase of \$200.0 million from the existing Revolving Facility; and (iii) set the LIBOR floor to 0.000%, a decrease of 0.750% from the existing Senior Credit Facilities. The maturity date of the loans under the Senior Credit Facilities was extended to October 21, 2026. The Amendment provides for a debt capacity of up to an aggregate debt amount (including outstanding term loan principal and revolver commitment amounts in addition to permitted incremental debt) not to exceed \$2.0 billion unless certain specified conditions set forth in the Credit Agreement are met. The Term Facility requires quarterly principal payments with a balloon payment due on October 21, 2026.

On August 26, 2021, the Company issued \$550.0 million aggregate principal debt amount of 4.000% senior notes due on August 15, 2029. Related interest payments are due semi-annually beginning February 15, 2022. The senior notes are guaranteed by substantially all of the Company's domestic subsidiaries. The proceeds from the senior notes were used to extinguish the Company's \$250.0 million senior notes due on September 1, 2026 and \$300.0 million senior notes due on May 15, 2025.

As of October 1, 2022, the Company was in compliance with all covenants and performance ratios under the Senior Credit Facilities.

The Company's debt at October 1, 2022 totaled \$1,475.2 million compared to \$966.8 million at January 1, 2022. The increased debt position resulted from borrowings under the Revolving Facility to fund organic growth initiatives, pay dividends and for general corporate purposes.

Cash Flows

The following table summarizes cash flow activities:

(In millions)	Year-To-Date Ended	
	October 1, 2022	October 2, 2021
Net cash provided by (used in) operating activities	\$ (490.2)	\$ 17.0
Net cash provided by (used in) investing activities	68.2	(429.7)
Net cash provided by financing activities	402.5	249.7
Additions to property, plant and equipment	23.5	10.0
Depreciation and amortization	25.2	23.1

Operating Activities

The principal source of the Company's operating cash flow is net earnings, including cash receipts from the sale of the Company's products, net of costs of goods sold.

For the first three quarters of 2022, an increase in net working capital represented a use of cash of \$592.3 million. Working capital balances were unfavorably impacted by an increase in inventories of \$533.5 million, an increase in accounts receivable of \$133.5 million, a decrease in other operating liabilities of \$25.1 million and an increase in other operating assets of \$15.1 million, partially offset by an increase in accounts payable of \$109.2 million and an increase in income taxes payable of \$5.7 million. Operating cash flows included stock-based compensation expense adjustment of \$26.4 million, depreciation and amortization expense adjustment of \$25.2 million, pension expense adjustment of \$7.0 million, gain on sale of the *Champion* trademarks of \$90.0 million, and environmental and other related costs cash outflow of \$35.8 million.

Investing Activities

The Company made capital expenditures of \$23.5 million and \$10.0 million in the first three quarters of 2022 and 2021, respectively, for building improvements, eCommerce site enhancements, new retail store developments, distribution operations improvements and information system enhancements. The current year activity includes additional investment in the Company's China joint venture of \$2.8 million and proceeds received from the sale of the *Champion* trademarks of \$90.0 million.

Financing Activities

The current year activity includes net borrowings under the Revolving Facility of \$515.0 million. The Company paid \$7.5 million in principal payments associated with its financing arrangements during the first three quarters of 2022 and 2021, respectively. The Company paid \$7.4 million and \$13.7 million in the first three quarters of 2022 and 2021, respectively, in connection with shares or units withheld to pay employee taxes related to awards under stock incentive plans and received \$1.4 million and \$15.6 million in proceeds from the exercise of stock options in the first three quarters of 2022 and 2021, respectively. The Company settled repurchases in cash for \$81.3 million and \$26.9 million of its common stock during the first three quarters of 2022 and 2021, respectively. The Company received \$7.0 million and \$4.8 million in the first three quarters of 2022 and 2021, respectively, from noncontrolling owners of the Company's China joint venture to support the growth of the joint venture.

The Company declared cash dividends of \$0.30 per share during the first three quarters of 2022 and 2021. Dividends paid in the first three quarters of 2022 and 2021 totaled \$24.7 million and \$25.2 million, respectively. A quarterly dividend of \$0.10 per share was declared on November 2, 2022 to shareholders of record on January 2, 2023.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company's consolidated condensed financial statements, which have been prepared in accordance with U.S. GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates these estimates. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Historically, actual results have not been materially different from the Company's estimates. However, actual results may differ materially from these estimates under different assumptions or conditions.

The Company has identified the critical accounting policies used in determining estimates and assumptions in the amounts reported. For information regarding our critical accounting policies refer to Part II, Item 7: “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” in the Company’s 2021 Form 10-K. Management believes there have been no material changes in those critical accounting policies.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

The Company faces market risk to the extent that changes in foreign currency exchange rates affect the Company's foreign assets, liabilities and inventory purchase commitments. The Company manages these risks by attempting to denominate contractual and other foreign arrangements in U.S. dollars. The Company does not believe that there has been a material change in the nature of the Company's primary market risk exposures, including the categories of market risk to which the Company is exposed and the particular markets that present the primary risk of loss to the Company. As of the date of this Quarterly Report on Form 10-Q, the Company does not know of any material change in the near-term in the general nature of its primary market risk exposure.

Under the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 815, *Derivatives and Hedging*, the Company is required to recognize all derivatives on the balance sheet at fair value. Derivatives that are not qualifying hedges must be adjusted to fair value through earnings. If a derivative is a qualifying hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in accumulated other comprehensive income (loss) until the hedged item is recognized in earnings.

The Company conducts wholesale operations outside of the U.S. in Canada, continental Europe, United Kingdom, Colombia, Hong Kong, China and Mexico where the functional currencies are primarily the Canadian dollar, euro, British pound, Colombian peso, Hong Kong dollar, Chinese renminbi and Mexican peso, respectively. The Company utilizes foreign currency forward exchange contracts to manage the volatility associated primarily with U.S. dollar inventory purchases made by non-U.S. wholesale operations in the normal course of business as well as to manage foreign currency translation exposure. As of October 1, 2022 and October 2, 2021, the Company had outstanding forward currency exchange contracts to purchase primarily U.S. dollars in the amounts of \$376.3 million and \$297.1 million, respectively, with maturities ranging up to 524 and 538 days, respectively.

The Company also has sourcing locations in Asia, where financial statements reflect the U.S. dollar as the functional currency. However, operating costs are paid in the local currency. Revenue generated by the Company from third-party foreign licensees is calculated in the local currencies but paid in U.S. dollars. Accordingly, the Company's reported results are subject to foreign currency exposure for this stream of revenue and expenses. Any associated foreign currency gains or losses on the settlement of local currency amounts are reflected within the Company's consolidated condensed statement of operations and comprehensive income.

Assets and liabilities outside the U.S. are primarily located in the United Kingdom, Canada and the Netherlands. The Company's investments in foreign subsidiaries with a functional currency other than the U.S. dollar are generally considered long-term. As of October 1, 2022, a stronger U.S. dollar compared to certain foreign currencies decreased the value of these investments in net assets by \$100.0 million from their value as of January 1, 2022. As of October 2, 2021, a stronger U.S. dollar compared to certain foreign currencies decreased the value of these investments in net assets by \$16.0 million from their value as of January 2, 2021.

The Company is exposed to interest rate changes primarily as a result of interest expense on the term loan borrowings and any borrowings under the Revolving Facility. The Company's total variable-rate debt was \$932.5 million at October 1, 2022 and the Company held a forward dated interest rate swap agreement, denominated in U.S. dollars, that effectively converts \$240.6 million of this amount to fixed-rate debt.

The Company does not enter into contracts for speculative or trading purposes, nor is it a party to any leveraged derivative instruments.

ITEM 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on, and as of the time of such evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures, as defined in Securities Exchange Act Rule 13a-15(e), were effective as of the end of the period covered by this report. There have been no changes during the quarter ended October 1, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. Legal Proceedings**

The Company is involved in litigation and various legal matters arising in the normal course of business, including certain environmental compliance activities. For a discussion of legal matters, refer to Note 14 to the Company's consolidated condensed financial statements.

ITEM 1A. Risk Factors

There have been no material changes in the assessment of the Company's risk factors from those set forth in the Company's Annual Report on Form 10-K for the year ended January 1, 2022.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information regarding the Company's purchases of its own common stock during the third quarter of 2022.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Amount that May Yet Be Purchased Under the Plans or Programs
Period 7 (July 3, 2022 to August 6, 2022)				
Common Stock Repurchase Program ⁽¹⁾	—	\$ —	—	\$ 366,524,492
Employee Transactions ⁽²⁾	5,885	\$ 21.24	—	
Period 8 (August 7, 2022 to September 3, 2022)				
Common Stock Repurchase Program ⁽¹⁾	—	\$ —	—	\$ 366,524,492
Employee Transactions ⁽²⁾	—	\$ —	—	
Period 9 (September 4, 2022 to October 1, 2022)				
Common Stock Repurchase Program ⁽¹⁾	—	\$ —	—	\$ 366,524,492
Employee Transactions ⁽²⁾	—	\$ —	—	
Total for the Third Quarter Ended October 1, 2022				
Common Stock Repurchase Program ⁽¹⁾	—	\$ —	—	\$ 366,524,492
Employee Transactions ⁽²⁾	5,885	\$ 21.24	—	

⁽¹⁾ On September 11, 2019, the Company's Board of Directors approved a common stock repurchase program that authorized the repurchase of \$400.0 million of common stock over a four-year period, incremental to the \$113.4 million available as of that date for repurchases under the previous program. Since that date, the Company repurchased \$146.9 million of common stock. The annual amount of any stock repurchases is restricted under the terms of the Company's Senior Credit Facilities and senior notes indenture.

⁽²⁾ Employee transactions include: (1) shares delivered or attested to in satisfaction of the exercise price and/or tax withholding obligations by holders of employee stock options who exercised options, and (2) restricted shares and units withheld to offset statutory minimum tax withholding that occurs upon vesting of restricted shares and units. The Company's employee stock compensation plans provide that the shares delivered or attested to, or withheld, shall be valued at the closing price of the Company's common stock on the date the relevant transaction occurs.

ITEM 6. Exhibits

Exhibits filed as a part of this Form 10-Q are incorporated by reference herein.

Exhibit Number	Document
3.1	<u>Amended and Restated Certificate of Incorporation. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 24, 2014.</u>
3.2	<u>Amended and Restated By-laws. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 7, 2022.</u>
31.1	<u>Certification of Chairman, Chief Executive Officer and President under Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Senior Vice President, Chief Financial Officer and Treasurer under Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32	<u>Certification pursuant to 18 U.S.C. §1350.</u>
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2022, formatted in Inline XBRL: (i) Consolidated Condensed Statements of Operations and Comprehensive Income; (ii) Consolidated Condensed Balance Sheets; (iii) Consolidated Condensed Statements of Cash Flows; (iv) Consolidated Condensed Statements of Stockholders' Equity; and (v) Notes to Consolidated Condensed Financial Statements.
104	The cover page of the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2022, formatted in Inline XBRL (included in Exhibit 101).

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 thereunto duly authorized.

WOLVERINE WORLD WIDE, INC.

November 10, 2022

Date

/s/ Brendan L. Hoffman

Brendan L. Hoffman
President and Chief Executive Officer
(Principal Executive Officer and Duly Authorized Signatory for Registrant)

November 10, 2022

Date

/s/ Michael D. Stornant

Michael D. Stornant
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer and Duly Authorized Signatory for Registrant)

CERTIFICATION

I, Brendan L. Hoffman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wolverine World Wide, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 officer(s) 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 15d-15(f)) for the registrant and 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 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 officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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: November 10, 2022

/s/ Brendan L. Hoffman

Brendan L. Hoffman
President and Chief Executive Officer
Wolverine World Wide, Inc.

CERTIFICATION

I, Michael D. Stornant, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wolverine World Wide, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 officer(s) 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 15d-15(f)) for the registrant and 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 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 officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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: November 10, 2022

/s/ Michael D. Stornant

Michael D. Stornant

Executive Vice President, Chief Financial Officer and Treasurer
Wolverine World Wide, Inc.

CERTIFICATIONS

Solely for the purpose of complying with 18 U.S.C. § 1350, each of the undersigned hereby certifies in his capacity as an officer of Wolverine World Wide, Inc. (the "Company") that the Quarterly Report of the Company on Form 10-Q for the year-to-date ended October 1, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such report fairly presents, in all material respects, the financial condition of the Company at the end of such period and the results of operations of the Company for such period.

Date: November 10, 2022

/s/ Brendan L. Hoffman

Brendan L. Hoffman
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Michael D. Stornant

Michael D. Stornant
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)