

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the first twelve week accounting period ended March 26, 1994

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 1-6024

WOLVERINE WORLD WIDE, INC.

(Exact Name of Registrant as Specified in its Charter)

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

9341 Courtland Drive, Rockford, Michigan 49351
(Address of Principal Executive Offices) (Zip Code)

(616) 866-5500
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practical date.

There were 11,233,501 shares of Common Stock, \$1 par value, outstanding as of May 5, 1994 of which 681,780 shares are held as Treasury Stock.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WOLVERINE WORLD WIDE, INC. AND
SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS
(Thousands of dollars)

	March 26, 1994 (Unaudited)	Jan. 1, 1994 (Audited)	March 27, 1993 (Unaudited)
ASSETS			
CURRENT ASSETS			
Cash	\$ 3,160	\$ 3,730	\$ 2,887
Accounts receivable, less allowances (March 26, 1994 - \$3,242; Jan. 1, 1994 - \$3,411; March 27, 1993 - \$2,449)	55,145	62,362	52,585
Inventories:			
Finished products	53,196	39,169	44,369
Raw materials and work in process	31,131	31,387	27,711
	84,327	70,556	72,080
Other current assets	12,247	12,864	25,033
TOTAL CURRENT ASSETS	154,879	149,512	152,585
PROPERTY, PLANT & EQUIPMENT			
Gross assets	92,619	90,608	87,211
Allowances for depreciation	(60,101)	(58,985)	(56,906)
	32,518	31,623	30,305
OTHER ASSETS	26,322	24,581	24,215
TOTAL ASSETS	\$213,719	\$205,716	\$207,105

-2-

WOLVERINE WORLD WIDE, INC.
AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS - Continued
(Thousands of dollars)

	March 26, 1994 (Unaudited)	Jan. 1, 1994 (Audited)	March 27, 1993 (Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Notes payable to banks	\$ 1,980	\$ 1,948	\$ 12,078
Accounts payable and other accrued liabilities	36,293	31,626	31,103
Current maturities of long-term debt	4,720	4,732	4,461

TOTAL CURRENT LIABILITIES	42,993	38,306	47,642
LONG-TERM DEBT (less current maturities)	44,663	44,913	49,656
OTHER NONCURRENT LIABILITIES	9,772	9,747	8,916
STOCKHOLDERS' EQUITY			
Common Stock - par value \$1, authorized 25,000,000 shares; shares issued (including shares in treasury) (post-split):			
March 26, 1994 - 11,225,134			
Jan. 1, 1994 - 11,042,129			
March 27, 1993 - 10,862,801	11,225	7,622	7,502
Additional paid-in-capital	24,478	26,469	24,734
Retained earnings	87,855	86,986	77,012
Accumulated translation adjustments	341	398	351
Cost of shares in treasury:			
March 26, 1994 - 681,778			
Jan. 1, 1994 - 781,778			
March 27, 1993 - 781,252	(7,608)	(8,725)	(8,708)
TOTAL STOCKHOLDERS' EQUITY	116,291	112,750	100,891
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$213,719	\$205,716	\$207,105

See notes to consolidated condensed financial statements.

-3-

WOLVERINE WORLD WIDE, INC.
AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS
OF OPERATIONS

(Thousands of dollars, except per share data)
(Unaudited)

	Twelve Weeks Ended	
	March 26, 1994	March 27, 1993
Net sales and other operating income	\$ 68,537	\$ 65,859
Cost of products sold	46,733	46,668
Gross Profit	21,804	19,191
Selling and administrative expenses	19,010	17,134
Operating Profit	2,794	2,057
Other expenses (income):		
Interest expense	808	1,014
Interest income	(75)	(238)
Other - net	162	242
Earnings before income taxes	1,899	1,039

Income taxes	608	339
NET EARNINGS	\$ 1,291	\$ 700
Earnings per share:		
Primary	\$.12	\$.07
Fully diluted	\$.12	\$.07
Cash dividends per share	\$.04	\$.03
Shares used for earnings per share computation:		
Primary	10,742,155	10,303,557
Fully diluted	11,018,385	10,694,926

See notes to consolidated condensed financial statements.

-4-

WOLVERINE WORLD WIDE, INC.
AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS
OF CASH FLOWS
(Thousands of dollars)
(Unaudited)

	Twelve Weeks Ended	
	March 26, 1994	March 27, 1993
OPERATING ACTIVITIES		
Net earnings	\$ 1,291	\$ 700
Depreciation, amortization and other non- cash items	708	1,177
Changes in operating assets and liabilities:		
Accounts receivable	7,217	(1,075)
Inventories	(13,771)	(7,816)
Other current assets	617	4,546
Accounts payable and other accrued liabilities	4,667	890
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	729	(1,578)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	8,000	7,000
Payments of long-term debt	(7,012)	(1,305)
Payments of short-term borrowings	---	(4,299)
Cash dividends	(422)	(269)
Proceeds from shares issued under employee stock plans	1,478	331
Other	32	---
CASH PROVIDED BY FINANCING ACTIVITIES	2,076	1,458
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2,011)	(949)

Other	(1,364)	1,581
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(3,375)	632
INCREASE (DECREASE) IN CASH	(570)	512
Cash at beginning of period	3,730	2,375
CASH AT END OF PERIOD	\$ 3,160	\$ 2,887

() - Denotes reduction in cash.
See notes to consolidated condensed financial statements.

-5-

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

March 26, 1994

NOTE A - Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes included in the Company's annual report on Form 10-K for the fiscal year ended January 1, 1994.

NOTE B - Fluctuations

The Company's sales are seasonal, particularly in its major product line, Hush Puppies (Registered) shoes, which has two major and two minor introductions of new styles per year. Seasonal sales patterns and the fact that the fourth quarter has sixteen or seventeen weeks as compared to twelve weeks in each of the first three quarters cause significant differences in sales and earnings from quarter to quarter. These differences, however, follow a consistent pattern each year.

NOTE C - Common Stock

On March 10, 1994, the Company announced a 3-for-2 stock split on shares outstanding on March 21, 1994. All share and per share data have been retroactively adjusted for the increased shares resulting from the stock split.

NOTE D - Earnings Per Share

Primary earnings per share are computed based on the weighted average shares of common stock outstanding during each period assuming that the stock split described in Note C had been completed at the beginning of the earliest period presented. Common stock equivalents (stock options) are included in the computation of primary earnings per share. Fully diluted earnings per share are presented reflecting the assumed exercise of stock options and conversion of subordinated notes into common stock.

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

Results Of Operations - Comparisons Of First Quarter 1994 To First Quarter 1993

First quarter net sales of \$68.5 million for 1994 exceeded 1993 levels by \$2.7 million, a 4.1% increase. Strength in the Wolverine Brand division accounted for \$4.8 million of the sales increase with an additional increase of \$2.0 million being generated by the Tru-Stitch Footwear division. Wolverine Brand Durashock products continue to be well accepted in the marketplace and strong export shipments and expanded product offerings of Tru-Stitch have favorably effected sales volumes. These increases were offset by lower shipments by the Hush Puppies Company and the Bates Uniform Group. Hush Puppies shipments were down during the quarter due to the changes in warehousing and customer service support systems.

Gross margin as a percentage of net sales for the first quarter of 1994 was 31.8% versus the prior year level of 29.1%. Improved margins in the Wolverine Brand, Tru-Stitch and Global Operations Group were offset by reductions in the Hush Puppies Wholesale and Bates Divisions. The gross margin improvement reflects the strong performance of the manufacturing division and sourcing operations along with improved efficiencies at the Leather Division.

Selling and administrative costs totaling \$19.0 million were \$1.9 million higher than the first quarter 1993 levels, a 10.9% increase. Selling costs and advertising associated with the increased Wolverine Brand volume accounted for \$1.1 million of the change and \$.4 million was a result of conversion costs in the Hush Puppies distribution systems.

Interest expense of \$0.8 million reflects a decrease over 1993 levels by \$0.2 million, a 20.3% decrease.

Net earnings of \$1.3 million (\$.12 per share-post split) for the twelve weeks ended March 26, 1994 compares favorably to earnings of \$0.7 million (\$.07 per share-post split) for the respective period of 1993, as a result of the factors noted above.

Financial Condition, Liquidity and Capital Resources

Accounts receivable of \$55.1 million and inventories of \$84.3 million reflect an increase over the end of the first quarter of 1993 by \$2.6 million and \$12.2 million respectively. These increases are generally related to sales volume increases; however, a portion of the increase in inventory was caused by changes in warehousing and customer service support systems and the remainder was due to product demands on the Wolverine Work and Outdoor Footwear Group and the related manufacturing facilities.

Other current assets totaling \$12.2 million reflect a \$.6 million decrease from January 1, 1994 and a \$12.8 million decrease from March 27, 1993. The

decreases primarily reflect the change in deferred income taxes and disposition of the assets related to operations discontinued in prior years.

Total interest bearing debt of \$51.4 million on March 26, 1994 compares to \$51.6 million and \$66.2 million at January 1, 1994, and March 27, 1993, respectively. The Company's cash flow from future earnings and present credit facilities are expected to be sufficient to meet the Company's normal operating requirements.

The Company has an agreement in principle to refinance its senior notes at

less than the current interest rate on the notes. The financing is expected to be completed during the third quarter of fiscal 1994.

Dividends declared of \$.04 per share of common stock represents a 50% increased payout over the prior quarter due to the stock split. The dividend is payable May 12, 1994, to stockholders of record on April 27, 1994.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits. The following documents are filed as exhibits to this report on Form 10-Q:

Exhibit
Number

Document

- 4 (a) The Articles of Incorporation. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1988. Here incorporated by reference.
- 4 (b) Preferred Stock Purchase Rights. Previously filed as an exhibit to Amendment No. 1 to the Company's Form 8-A filed with the Securities and Exchange Commission on November 13, 1990. Here incorporated by reference.
- 4 (c) Credit Agreement dated as of March 11, 1993 with NBD Bank, N.A. as Agent. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1993. Here incorporated by reference.
- 4 (d) Note Purchase Agreement dated as of August 29, 1988, relating to 10.4% Senior Notes. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988. Here incorporated by reference.
- 8-
- 4 (e) First, Second, Third and Fourth Amendments to Note Purchase Agreement. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1993. Here incorporated by reference.
- 4 (f) The Registrant has several classes of long-term debt instruments outstanding in addition to that described in Exhibit 4(d) above. The amount of none of these classes of debt outstanding on June 19, 1993 exceeds 10% of the Registrant's total consolidated assets. The Registrant agrees to furnish copies of any agreement defining the rights of holders of any such long-term indebtedness to the Securities and Exchange Commission upon request.
- 10 (a) Stock Option Plan of 1979 and amendment. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1988. Here incorporated by reference.
- 10 (b) 1993 Stock Incentive Plan. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.
- 10 (c) 1988 Stock Option Plan. Previously filed as an exhibit to the Company's registration statement on Form S-8, filed July 21, 1988, Registration No. 33-23196. Here incorporated by reference.

- 10(d) Amended and Restated Directors Stock Option Plan. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.
- 10(e) Agreement dated July 24, 1992, between the Registrant and Thomas D. Gleason. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1993. Here incorporated by reference. The Company also incorporates by reference the description of Mr. Gleason's agreement under the caption "Employment Agreements, Termination Agreements and Change of Control Arrangements" contained in the definitive Proxy Statement of the Company dated March 22, 1994.
- 10(f) Employment Agreement dated April 27, 1993, between the Registrant and Geoffrey B. Bloom. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.
- 10(g) Executive Short-Term Incentive Plan for 1994. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.
- 10(h) Management Short-Term Incentive Plan for 1994. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.

-9-

- 10(i) Stock Option Loan Program. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1991. Here incorporated by reference.
- 10(j) Deferred Compensation Agreements with Disability Benefits. The form of agreement was previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1993. An updated participant schedule was filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.
- 10(k) Deferred Compensation Agreements without Disability Benefits. The form of agreement was previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1993. An updated participant schedule was filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.
- 10(l) Executive Long-Term Incentive (Three Year) Plans for the years 1991 to 1993 and 1992 to 1994. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1991. Here incorporated by reference.
- 10(m) Executive Long-Term Incentive (Three Year) Plan for the three year period 1993-1995. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.
- 10(n) Executive Long-Term Incentive (Three Year) Plan for the three-year period 1994-1996. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.
- 10(o) Termination of Employment and Change of Control Agreements. The form of agreement was previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1993. An updated participant schedule was filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.

10(p) Indemnification Agreements. The form of agreement was previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1993. An updated participant schedule was filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.

10(q) Supplemental Retirement Benefits. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988. Here incorporated by reference.

-10-

10(r) Benefit Trust Agreement dated May 19, 1987, and Amendments Number 1, 2 and 3 thereto. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1993. Here incorporated by reference.

10(s) Supplemental Director's Fee Arrangement dated April 27, 1993, between the Company and Phillip D. Matthews. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.

10(t) Retirement Agreement effective December 31, 1993, between the Company and Peter D. Panter. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.

10(u) 1984 Executive Incentive Stock Purchase Plan and amendment. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1988. Here incorporated by reference.

10(v) Asset Purchase Agreement dated January 29, 1993, concerning the sale of the Brooks Business. Previously filed as an exhibit to the Company's Form 8-K filed February 1, 1993. Here incorporated by reference.

10(w) Agreements relating to the sale of the assets of the three European Subsidiaries associated with the Brooks Business. Previously filed as exhibits to the Company's Form 8-K filed July 8, 1993. Here incorporated by reference.

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter for which this report is filed.

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.
AND SUBSIDIARIES

May 10, 1994
Date

/s/ Geoffrey B. Bloom
Geoffrey B. Bloom
President and Chief Executive Officer
(Duly Authorized Signatory for Registrant)

May 10, 1994
Date

/s/ Stephen L. Gulis, Jr.
Stephen L. Gulis, Jr.
Vice President and Chief Financial Officer
(Principal Financial Officer and Duly
Authorized Signatory of Registrant)