

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 second twelve week accounting period ended June 17, 1995

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  
(State or Other Jurisdiction of  
Incorporation or Organization)

38-1185150  
(I.R.S. Employer  
Identification No.)

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

49351  
(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 twelve (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 practicable date.

There were 16,988,951 shares of Common Stock, \$1 par value, outstanding as of July 12, 1995, of which 562,903 shares are held as Treasury Stock. The shares outstanding, excluding shares held in treasury, have been adjusted for the 3-for-2 stock split paid on May 15, 1995, on shares outstanding at the close of business on May 1, 1995.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS  
(Thousands of dollars)

	June 17, 1995 (Unaudited)	December 31, 1994 (Audited)	June 18, 1994 (Unaudited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,396	\$ 2,949	\$ 2,215
Accounts receivable, less allowances			
June 17, 1995 - \$4,961			
December 31, 1994 - \$3,959			
June 18, 1994 - \$3,975	73,317	70,669	61,953
Inventories:			
Finished products	70,942	48,637	55,594
Raw materials and work in process	38,917	30,388	30,936
	109,859	79,025	86,530
Other current assets	15,098	14,902	12,327
Net current assets of discontinued operations	1,403	991	3,327
TOTAL CURRENT ASSETS	202,073	168,536	166,352
PROPERTY, PLANT & EQUIPMENT			
Gross cost	102,215	97,028	94,335
Less accumulated depreciation	(64,258)	(61,680)	(60,759)
	37,957	35,348	33,576
OTHER ASSETS	23,841	26,267	27,140
TOTAL ASSETS	\$ 263,871	\$230,151	\$227,068

See notes to consolidated condensed financial statements.

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WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS - Continued  
(Thousands of dollars)

	June 17, 1995 (Unaudited)	December 31, 1994 (Audited)	June 18, 1994 (Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Notes payable to banks	\$ 2,881	\$ 1,432	\$ 5,225
Accounts payable and other accrued liabilities	40,626	41,284	38,315
Current maturities of long-term debt	120	304	4,719
TOTAL CURRENT LIABILITIES	43,627	43,020	48,259
LONG-TERM DEBT (less current maturities)	69,702	43,482	50,644
OTHER NONCURRENT LIABILITIES	10,950	11,125	9,828
STOCKHOLDERS' EQUITY			
Common Stock - par value \$1, authorized			

25,000,000 shares; shares issued (including shares in treasury):			
June 17, 1995 - 16,982,623 shares			
December 31, 1994 - 16,705,013 shares			
June 18, 1994 - 16,496,812 shares	16,983	11,315	11,240
Additional paid-in capital	21,651	25,004	24,561
Retained earnings	107,136	101,873	89,784
Accumulated translation adjustments	340	332	361
Cost of shares in treasury:			
June 17, 1995 - 562,645 shares			
December 31, 1994 - 533,992 shares			
June 18, 1994 - 681,817 shares	(6,518)	(6,000)	(7,609)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>139,592</b>	<b>132,524</b>	<b>118,337</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$263,871</b>	<b>\$230,151</b>	<b>\$227,068</b>

See notes to consolidated condensed financial statements.

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WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS  
OF OPERATIONS  
(Thousands of dollars, except per share data)  
(Unaudited)

	12 Weeks Ended		24 Weeks Ended	
	June 17, 1995	June 18, 1994	June 17, 1995	June 18, 1994
Net sales and other operating income	\$ 86,289	\$79,319	\$162,620	\$146,085
Cost of products sold	58,799	54,898	112,342	100,557
Gross margin	27,490	24,421	50,278	45,528
Selling and administrative expenses	21,172	19,423	40,085	37,652
Operating income	6,318	4,998	10,193	7,876
Other expenses (income):				
Interest expense	952	876	1,653	1,616
Interest income	(177)	(121)	(405)	(196)
Other - net	(104)	619	(321)	781
	671	1,374	927	2,201
Earnings from continuing operations before income taxes	5,647	3,624	9,266	5,675
Income taxes	1,750	1,161	2,872	1,821
Earnings from continuing operations	3,897	2,463	6,394	3,854
Loss from discontinued operations, net of income taxes	-	79	-	179
<b>NET EARNINGS</b>	<b>\$ 3,897</b>	<b>\$ 2,384</b>	<b>\$ 6,394</b>	<b>\$ 3,675</b>
Primary earnings (loss) per share:				
Continuing operations	\$ 0.23	\$ 0.15	\$ 0.38	\$ 0.24
Discontinued operations	-	(0.01)	-	(0.02)

Net earnings	\$ 0.23	\$ 0.14	\$ 0.38	\$ 0.22
Fully diluted earnings per share	\$ 0.23	\$ 0.14	\$ 0.38	\$ 0.22
Cash dividends per share	\$ 0.035	\$ 0.027	\$ 0.068	\$ 0.053

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Shares used for net earnings  
per share computation:

Primary	16,880,294	16,384,935	16,779,264	16,302,118
Fully diluted	16,880,294	16,534,935	16,823,293	16,559,262

See notes to consolidated condensed financial statements.

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(Thousands of dollars)  
(Unaudited)

	24 Weeks Ended	
	June 17, 1995	June 18, 1994
OPERATING ACTIVITIES		
Net earnings from continuing operations	\$ 6,394	\$ 3,853
Depreciation, amortization and other non-cash items	1,696	489
Loss from discontinued operations	-	(178)
Changes in operating assets and liabilities:		
Accounts receivable	(2,648)	414
Inventories	(30,834)	(19,302)
Other current assets	(608)	490
Accounts payable and other accrued liabilities	(658)	6,732
 NET CASH USED IN OPERATING ACTIVITIES	 (26,658)	 (7,502)
FINANCING ACTIVITIES		
Proceeds from long-term borrowings	38,181	15,981
Payments of long-term borrowings	(12,145)	(9,013)
Proceeds from short-term borrowings	3,449	4,388
Payments of short-term borrowings	(2,000)	(1,111)
Cash dividends	(1,131)	(877)
Proceeds from shares issued under employee stock plans	1,797	1,576
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 28,151	 10,944
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(5,187)	(3,727)
Other	3,141	(1,230)
 NET CASH USED IN INVESTING ACTIVITIES	 (2,046)	 (4,957)
 DECREASE IN CASH AND CASH EQUIVALENTS	 (553)	 (1,515)
Cash and cash equivalents at beginning of year	2,949	3,730
 CASH AND CASH EQUIVALENTS AT END OF SECOND QUARTER	 \$ 2,396	 \$ 2,215

( ) - Denotes reduction in cash and cash equivalents

See notes to consolidated condensed financial statements.

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WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
June 17, 1995

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 December 31, 1994. Certain amounts in 1994 have been reclassified to conform with the presentation used in 1995.

#### NOTE B - Fluctuations

The Company's sales are seasonal, particularly in its major divisions, Hush Puppies (registered trademark) and the Wolverine Footwear Group. 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. Also, on April 19, 1995, the Company announced an additional 3-for-2 stock split on shares outstanding on May 1, 1995. All share and per share data have been retroactively adjusted for the increased shares resulting from the stock splits.

#### 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 splits 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 and fully diluted earnings per share.

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

##### Results Of Operations - Comparison Of Second Quarter 1995 To Second Quarter 1994

Second quarter net sales of \$86.3 million for 1995 exceeded 1994 levels by \$7.0 million (an 8.8% increase), and 1995 year-to-date sales of \$162.6 million compares to \$146.1 million recorded for the comparable period of 1994. The strong performance of the Wolverine Footwear Group continued, accounting for \$5.4 million of the quarterly sales increase and \$14.9 million of the year-to-date increase. In addition, second quarter increases of \$3.2 million were generated by United States Department of Defense contracts, which helped offset a \$1.0 million decrease in the retail division, resulting from the retail repositioning conducted in 1994.

Gross margin as a percentage of net sales for the second quarter of 1995 was 31.9% compared to the prior year level of 30.8%. Year-to-date margin of 30.9% for 1995 compares to 31.2% for 1994. Improved margins were recorded in the Wolverine Footwear Group through increased licensing revenues and manufacturing and sourcing efficiencies. The gross margin improvement also reflects the strong performance of the leather division which reported an 11 percentage point margin increase. These improvements were offset by decreases in the Hush Puppies Wholesale Division, resulting from continuing margin pressures in the soft retail climate.

Selling and administrative costs totaling \$21.2 million for the second quarter of 1995 were \$1.8 million (9.0%) higher than the second quarter 1994 levels of \$19.4 million. Both years represent 24.5% of net sales, indicating that expense controls remain strong. Distribution costs associated with the increased sales volume and advertising and promotional investments in the Wolverine Footwear Group accounted for \$1.0 million of the increase. Year-to-date selling and administrative expenses of \$40.1 million (24.6% of net sales) is comparable to \$37.7 million (25.8% of net

sales) in 1994. The year-to-date increases are principally associated with advertising, promotional and distribution costs.

Interest expense for the second quarter of 1995 was \$1.0 million, compared to \$.9 million for the same period of 1994. Year-to-date interest expense for 1995 of \$1.7 million remains consistent with 1994 levels of \$1.6 million. The 1995 interest expense totals reflect a reduction in average borrowing cost offset by an increase in borrowings outstanding.

The effective income tax rate decreased in 1995 from 1994 levels (31.0% compared to 32.0%) for both the second quarter and year-to-date periods. The decrease was caused by a higher percentage of the pre-tax earnings being attributable to the non-taxable net earnings of foreign subsidiaries.

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Net earnings from continuing operations of \$3.9 million (\$.23 per share) for the twelve weeks ended June 17, 1995 compares favorably to earnings of \$2.5 million (\$.15 per share) for the respective period of 1994. Year-to-date earnings from continuing operations of \$6.4 million (\$.38 per share) in 1995 compares with earnings of \$3.9 million (\$.24 per share) for the same period of 1994. Increased earnings are primarily a result of the items noted above.

#### Financial Condition, Liquidity and Capital Resources

Accounts receivable of \$73.3 million at June 17, 1995 reflects an increase of \$11.4 million and \$2.6 million over the balance at June 18, 1994 and December 31, 1994, respectively. Inventories of \$109.9 million at June 17, 1995 reflects an increase of \$23.3 million and \$30.8 million over the balance at June 18, 1994 and December 31, 1994, respectively. The accounts receivable increase is related to the increased volume and timing differences in the second quarter shipping. The increased inventory levels are considered necessary to meet future demand in both wholesaling and manufacturing operations. However, aggressive inventory targets have been established for the third and fourth quarters to reduce inventories to levels which will be commensurate with the growth of the Company's wholesale businesses.

Other current assets totaling \$15.1 million at June 17, 1995 reflect a \$2.8 million increase from June 18, 1994 and a \$.2 million increase from December 31, 1994. The increases primarily reflect a change in the current portion of notes receivable.

Total interest bearing debt of \$72.7 million on June 17, 1995 compares to \$60.6 million and \$45.2 million at June 18, 1994 and December 31, 1994, respectively. The increase in debt since January 1, 1994 reflects the seasonal working capital requirements of the Company and the increase over June 18, 1994 reflects the additional investment in inventories for activities in the second half of 1995. The Company is currently examining its long term capital requirements as the growth of the Company will require increases in capital funding over the next several years. Long term opportunities are being evaluated to supplement cash flows from future earnings and to modify existing credit facilities to assure that the Company's future capital requirements can be met.

The Company issued \$30.0 million of senior debt during the third quarter of 1994 with an interest rate of 7.81% to replace \$21.4 million of existing 10.4% senior debt and to reduce balances outstanding under a revolving credit facility. Additionally, the long-term revolving debt scheduled to expire in June 1995 was renegotiated during 1994 to provide more favorable terms and conditions and was extended through June 1998.

The 1995 second quarter dividend declared of \$.035 per share of common stock represents a 29.6% increase over the \$.027 per share (post split)

declared for the second quarter of 1994. The dividend is payable August 1, 1995 to stockholders of record on July 3, 1995.

The Company's increased capital investment has resulted in a \$.8 million increase in depreciation expense for the year-to-date 1995 over the same period of 1994. Also included in other non-cash items in the statement of cash flows is a \$.5 million reduction of cash surrender value due to the collection of death benefits.

During the fourth quarter of 1994, the Company adopted a formal plan to withdraw from its Lamont's leased shoe department business, which resulted in a charge to 1994 fourth quarter earnings of \$1.2 million. The Company negotiated an early exit, which was executed on July 15, 1995.

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
3.1	Certificate of Incorporation, as amended. Previously filed as an Exhibit 4(a) to the Company's Quarterly Report on Form 10-Q for the period ended June 18, 1994. Here incorporated by reference.
3.2	Amended and Restated Bylaws. Previously filed as Exhibit 3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1994. Here incorporated by reference.
3.3	Amendment to Bylaws. Previously filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended March 25, 1995. Here incorporated by reference.
4.1	Certificate of Incorporation, as amended. See Exhibit 3.1 above.
4.2	Rights Agreement dated as of May 7, 1987, as amended and restated as of October 24, 1990. Previously filed with Amendment No. 1 to the Company's Form 8-A filed November 13, 1990. Here incorporated by reference. This agreement has been amended by the Second Amendment to Rights Agreement included as Exhibit 4.6 below.
4.3	Amended and Restated Credit Agreement dated as of October 13, 1994 with NBD Bank, N.A. as Agent. Previously filed as Exhibit 4(c) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994. Here incorporated by reference.

Exhibit Number	Document
4.4	Note Agreement dated as of August 1, 1994 relating to 7.81% Senior Notes. Previously filed as Exhibit 4(d) to the Company's Quarterly Report on Form 10-Q for the period ended September 10, 1994. Here incorporated by reference.
4.5	The Registrant has several classes of long-term debt instruments outstanding in addition to that described in Exhibit 4.4 above. The amount of none of these classes of debt exceeds 10% of the Company's total consolidated assets. The Company 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.



4.6 Second Amendment to Rights Agreement made as of October 28, 1994 (amending the Rights Agreement included as Exhibit 4.2 above). Previously filed as Exhibit 4(f) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994. Here incorporated by reference.

27 Financial Data Schedule.

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

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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

July 31, 1995  
Date

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

July 31, 1995  
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)

EXHIBIT INDEX

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4.6	Second Amendment to Rights Agreement made as of October 28, 1994 (amending the Rights Agreement included as Exhibit 4.2 above).

Previously filed as Exhibit 4(f) to the Company's Annual Report

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on Form 10-K for the fiscal year ended December 31, 1994. Here incorporated by reference.

27 Financial Data Schedule.

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<ARTICLE>	5
<LEGEND>	THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS OF WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES FOR THE PERIOD ENDED JUNE 17, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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