

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 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 23, 1996

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 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 18,408,358 shares of Common Stock, \$1 par value, outstanding as of April 15, 1996 of which 548,239 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 23,<br>1996<br>(UNAUDITED) | DECEMBER 30,<br>1995<br>(AUDITED) | MARCH 25,<br>1995<br>(UNAUDITED) |
|----------------------------------|-----------------------------------|----------------------------------|
|----------------------------------|-----------------------------------|----------------------------------|

ASSETS

CURRENT ASSETS

|   |           |           |           |
|---|-----------|-----------|-----------|
| Cash and cash equivalents                     | \$ 8,920  | \$ 27,088 | \$ 3,286  |
| Accounts receivable, less allowances          |           |           |           |
| March 23, 1996 - \$3,450                      |           |           |           |
| December 30, 1995 - \$3,407                   |           |           |           |
| March 25, 1995 - \$4,323                      | 78,746    | 83,392    | 64,299    |
| Inventories:                                  |           |           |           |
| Finished products                             | 65,167    | 45,814    | 64,218    |
| Raw materials and work in process             | 40,995    | 42,536    | 32,244    |
|   | 106,162   | 88,350    | 96,462    |
| Other current assets                          | 34,461    | 15,896    | 11,733    |
| Net current assets of discontinued operations | 26        | 149       | 2,066     |
| TOTAL CURRENT ASSETS                          | 228,315   | 214,875   | 177,846   |
| PROPERTY, PLANT & EQUIPMENT                   |           |           |           |
| Gross cost                                    | 112,473   | 109,731   | 99,543    |
| Less accumulated depreciation                 | 63,979    | 62,846    | 63,398    |
|   | 48,494    | 46,885    | 36,145    |
| OTHER ASSETS                                  | 22,389    | 21,794    | 25,769    |
| TOTAL ASSETS                                  | \$299,198 | \$283,554 | \$239,760 |

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)

|   | MARCH 23,<br>1996<br>(UNAUDITED) | DECEMBER 30,<br>1995<br>(AUDITED) | MARCH 25,<br>1995<br>(UNAUDITED) |
|---|----------------------------------|-----------------------------------|----------------------------------|
| LIABILITIES AND STOCKHOLDERS' EQUITY  |                                  |                                   |                                  |
| CURRENT LIABILITIES   |                                  |                                   |                                  |
| Notes payable to banks  | \$ 3,160                         | \$ 2,339                          | \$ 2,467                         |
| Accounts payable and other accrued liabilities  | 35,441                           | 35,224                            | 40,241                           |
| Current maturities of long-term debt  | 84                               | 84                                | 170                              |
| TOTAL CURRENT LIABILITIES   | 38,685                           | 37,647                            | 42,878                           |
| LONG-TERM DEBT (less current maturities)  | 42,569                           | 30,594                            | 52,701                           |
| OTHER NONCURRENT LIABILITIES  | 10,372                           | 11,099                            | 10,700                           |
| STOCKHOLDERS' EQUITY  |                                  |                                   |                                  |
| Common Stock - par value \$1, authorized 25,000,000 shares; shares issued (including shares in treasury): |                                  |                                   |                                  |
| March 23, 1996 - 18,865,844 shares  |                                  |                                   |                                  |
| December 30, 1995 - 18,782,580 shares   |                                  |                                   |                                  |

|  |           |           |           |
|--|-----------|-----------|-----------|
| March 25, 1995 - 16,740,362 shares         | 18,866    | 18,783    | 16,740    |
| Additional paid-in capital                 | 71,183    | 70,716    | 19,771    |
| Retained earnings                          | 126,248   | 123,593   | 103,803   |
| Accumulated translation adjustments        | (349)     | (324)     | 246       |
| Unearned compensation                      | (1,649)   | (1,827)   | (1,079)   |
| Cost of shares in treasury:                |           |           |           |
| March 23, 1996 - 548,239 shares            |           |           |           |
| December 30, 1995 - 547,913 shares         |           |           |           |
| March 25, 1995 - 533,992 shares            | (6,727)   | (6,727)   | (6,000)   |
| TOTAL STOCKHOLDERS' EQUITY                 | 207,572   | 204,214   | 133,481   |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$299,198 | \$283,554 | \$239,760 |

( ) - Denotes deduction.

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    |                   |
|---|-------------------|-------------------|
|   | MARCH 23,<br>1996 | MARCH 25,<br>1995 |
| NET SALES AND OTHER OPERATING INCOME                | \$ 83,842         | \$ 76,331         |
| Cost of products sold                               | 58,519            | 53,543            |
| GROSS MARGIN  | 25,323            | 22,788            |
| Selling and administrative expenses                 | 20,489            | 18,913            |
| OPERATING INCOME                                    | 4,834             | 3,875             |
| OTHER EXPENSES (INCOME):                            |                   |                   |
| Interest expense                                    | 626               | 701               |
| Interest income                                     | (407)             | (228)             |
| Other - net   | (323)             | (217)             |
|   | (104)             | 256               |
| EARNINGS BEFORE INCOME TAXES                        | 4,938             | 3,619             |
| Income taxes  | 1,545             | 1,122             |
| NET EARNINGS  | \$ 3,393          | \$ 2,497          |
| EARNINGS PER SHARE:                                 |                   |                   |
| Primary   | \$ .18            | \$ .15            |
| Fully diluted                                       | \$ .18            | \$ .15            |
| CASH DIVIDENDS PER SHARE                            | \$ .040           | \$ .033           |
| SHARES USED FOR NET EARNINGS PER SHARE COMPUTATION: |                   |                   |
| Primary   | 18,814,872        | 16,683,028        |
| Fully diluted                                       | 18,825,050        | 16,718,468        |

See notes to consolidated condensed financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES  
 CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
 (THOUSANDS OF DOLLARS)  
 (UNAUDITED)

|  | 12 WEEKS ENDED    |                   |
|--|-------------------|-------------------|
|  | MARCH 23,<br>1996 | MARCH 25,<br>1995 |
| <b>OPERATING ACTIVITIES</b>                              |                   |                   |
| Net earnings from continuing operations                  | \$ 3,393          | \$ 2,497          |
| Depreciation, amortization and other non-cash items      | (278)             | 657               |
| Changes in operating assets and liabilities:             |                   |                   |
| Accounts receivable                                      | 4,646             | 6,370             |
| Inventories  | (17,812)          | (17,437)          |
| Other current assets                                     | 4,308             | 2,094             |
| Accounts payable and other accrued liabilities           | 217               | (1,043)           |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>             | <b>(5,526)</b>    | <b>(6,862)</b>    |
| <b>FINANCING ACTIVITIES</b>                              |                   |                   |
| Proceeds from long-term borrowings                       | 12,000            | 12,090            |
| Payments of long-term borrowings                         | (25)              | (3,005)           |
| Proceeds from short-term borrowings                      | 821               | 3,035             |
| Payments of short-term borrowings                        |                   | (2,000)           |
| Cash dividends   | (738)             | (567)             |
| Proceeds from shares issued under employee stock plans   | 550               | 192               |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>         | <b>12,608</b>     | <b>9,745</b>      |
| <b>INVESTING ACTIVITIES</b>                              |                   |                   |
| Purchase of business product line                        | (22,750)          |                   |
| Additions to property, plant and equipment               | (3,127)           | (2,515)           |
| Other  | 627               | (31)              |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>             | <b>(25,250)</b>   | <b>(2,546)</b>    |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  | <b>(18,168)</b>   | <b>337</b>        |
| Cash and cash equivalents at beginning of year           | 27,088            | 2,949             |
| <b>CASH AND CASH EQUIVALENTS AT END OF FIRST QUARTER</b> | <b>\$ 8,920</b>   | <b>\$ 3,286</b>   |

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

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
 MARCH 23, 1996

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 30, 1995. Certain amounts in 1995 have been reclassified to conform with the presentation used in 1996.

#### NOTE B - FLUCTUATIONS

The Company's sales are seasonal, particularly in its major divisions, The Hush Puppies Company, The Wolverine Footwear Group and the Wolverine Slipper 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 - BUSINESS ACQUISITION

On March 22, 1996, the Company consummated the acquisition of certain net assets of the Hy-Test product line from The Florsheim Shoe Company. The purchase price at the closing date was \$22,750,000 in cash and is subject to change based on a review and agreement of both parties on the final closing balance sheet. The preliminary purchase price has not been allocated to the related assets and liabilities at March 23, 1996 and has been included in other current assets in the consolidated condensed balance sheet because the primary assets purchased were accounts receivable and inventories. A final purchase price allocation will be completed in future periods.

#### 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 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 FIRST QUARTER 1996 TO FIRST QUARTER 1995

First quarter net sales and other operating income of \$83.8 million for 1996 exceeded 1995 levels by \$7.5 million (a 9.8% increase). The Hush Puppies Wholesale Division recognized an increase of \$2.5 million or 10.6%, despite the continuing slow retail environment. The Wolverine Footwear Group continued its strong performance accounting for \$2.2 million of the increase in quarterly net sales and other operating income. Also, a sales increase in the first quarter 1996 was generated by United States Department of Defense contracts which helped to offset slight sales decreases in the Wolverine Leather Division and the Wolverine Slipper Group.

Gross margin as a percentage of net sales and other operating income for the first quarter of 1996 was 30.2% compared to the prior year level of 29.9%. Improved margins were recognized in the Wolverine Footwear Group through increased licensing revenues and manufacturing and sourcing efficiencies. The Hush Puppies Retail Division reported a 6.5 percentage point increase in gross margin due to lower promotional costs on key selling merchandise. These improvements were offset by a slight decline in the Wolverine Leather Division's performance, reporting a year-to-date \$.8 million gross margin decrease as a result of balancing production to reduced sales levels and erosion of pigskin procurement pricing margins. Decreases in the Hush Puppies Wholesale Division resulted from the continued soft retail climate which impacts both initial wholesale margins

and adjustments for retail promotional pricing requirements.

Selling and administrative costs totaling \$20.5 million for the first quarter of 1996 increased \$1.6 million over the 1995 first quarter levels of \$18.9 million. First quarter selling, advertising and distribution costs associated with the increased sales volume combined with advertising and promotional investments for the Wolverine Footwear Group accounted for \$1.2 million of the increase. As a percentage of sales, first quarter 1996 costs decreased .4% to 24.4% from the 24.8% for the first quarter of 1995, reflecting the effects of the cost controls. The Hush Puppies Wholesale Division's distribution costs continue to decrease, reflecting the implementation of the new incentive wage program designed to reduce costs through increased productivity.

Interest expense for the first quarter of 1996 was \$.6 million, compared to \$.7 million for the same period of 1995. The 1996 interest expense total reflects a decrease in borrowings outstanding. Interest income of \$.4 million in 1996 reflects an increase over the \$.2 million for the

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same period in 1995. The Company invested a portion of the funds from the equity offering in the fourth quarter of 1995 which resulted in both a decrease in borrowings and an increase in interest income.

The effective income tax rate on net earnings increased on a year-to-date basis to 31.3% in 1996 from 31.0% in 1995. The effective tax rate reflects the anticipated annualized rate for the Company giving consideration to the non-taxable net earnings of foreign subsidiaries.

Net earnings of \$3.4 million for the twelve weeks ended March 23, 1996 compared favorably to earnings of \$2.5 million for the respective period of 1995 (a 35.9% increase). Earnings per share of \$.18 for the first quarter 1996 compares to \$.15 for the same period 1995 (a 20.0% increase), reflecting the stock issuance from the equity offering. Increased earnings are primarily a result of the items noted above.

#### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Accounts receivable of \$78.7 million at March 23, 1996 reflect an increase of \$14.4 million and a decrease of \$4.6 million over the balances at March 25, 1995 and December 30, 1995, respectively. Inventories of \$106.2 million at March 23, 1996 reflect increases of \$9.7 million and \$17.8 million over the balances at March 25, 1995 and December 30, 1995, respectively. The increase in accounts receivable was directly related to increased volume. Inventories were increased to meet anticipated future demand in both wholesaling and manufacturing. First quarter footwear order backlogs increased 13% when compared to 1995, supporting the need for increased inventories.

Other current assets totaling \$34.5 million at March 23, 1996 included \$22.8 million of unallocated Hy-Test assets purchased the last day of the reporting period. The Hy-Test assets currently classified in other current assets will be reclassified upon the completion of the due diligence procedures on the closing balance sheet. Excluding the Hy-Test assets, other current assets were unchanged from March 25, 1995 and \$4.2 million lower than December 30, 1995 levels. The decrease was a result of the collection of the current portion of notes receivable from the 1992 disposition of the Brooks athletic footwear business.

Additions to property, plant and equipment of \$2.7 million in the first quarter of 1996 compares to \$2.5 million reported during the same period in 1995. The majority of these expenditures are related to the modernization of corporate facilities, expansion of warehouse facilities and purchases of manufacturing equipment necessary to continue to upgrade the Company's footwear and leather manufacturing facilities to respond to product demand

on a timely and cost-effective basis.

Short-term debt increased to \$3.2 million at March 23, 1996 compared to \$2.5 million at March 25, 1995 and \$2.3 million at December 30, 1995.

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Long-term debt, excluding current maturities, of \$42.6 million on March 23, 1996 compares to \$52.7 million and \$30.6 million at March 25, 1995 and December 30, 1995, respectively. The increases in debt since December 30, 1995 was a result of the seasonal working capital requirements of the Company. The decrease in long-term debt levels from March 25, 1995 is attributable to the pay down of the Company's revolving credit facility with funds generated by an equity offering discussed below.

It is expected that continued growth of the Company will require increases in capital funding over the next several years. The combination of cash flows from operations and available credit facilities are expected to be sufficient to meet future capital needs.

The 1996 first quarter dividend declared of \$.04 per share of common stock represents approximately a 20.0% increase over the \$.033 per share (post split) declared for the first quarter of 1995. The dividend is payable May 1, 1996 to stockholders of record on April 1, 1996. Additionally, shares issued under stock incentive plans provided cash of \$.6 million in 1996 compared to \$.2 million in 1995.

The Company further strengthened its financial position in 1995 through a successful public offering of 1,737,500 shares of common stock at \$29.875 per share. The \$48.9 million of net proceeds from this offering were used in part to reduce debt in the fourth quarter of 1995 and to acquire certain assets of the Hy-Test work, safety and occupational footwear business of The Florsheim Shoe Company for approximately \$22,750,000 at the end of the first quarter 1996.

#### INFLATION

Inflation has not had a significant effect on the Company over the past three years nor is it expected to have a significant effect in the foreseeable future. The Company continuously attempts to minimize the effect of inflation through cost reductions and improved productivity.

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#### 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 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 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 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.
- 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.

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27 Financial Data Schedule.

- (b) REPORTS ON FORM 8-K. No reports on Form 8-K have been filed during the period 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 7, 1996  
Date

/S/STEPHEN L. GULIS, JR.  
Stephen L. Gulis, Jr.  
Executive Vice President and Chief  
Financial Officer (Principal Financial  
Officer and Duly Authorized Signatory



of Registrant)

|                              |  |
|------------------------------|--|
| <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 MARCH 23, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. |
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