

WOLVERINE WORLD WIDE INC /DE/
Form 10-K
March 03, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended January 3, 2015

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 001-6024

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 N.E.,
Rockford, Michigan

(Address of principal executive offices)

49351
(Zip Code)

Registrant's telephone number, including area code (616) 866-5500

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

Title of each class

Name of each exchange on which registered
New York Stock Exchange

Common Stock, \$1 Par Value

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes
No

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant based on the closing price on the New York Stock Exchange on June 13, 2014, the last business day of the registrant's most recently completed second fiscal quarter: \$2,584,414,447. Number of shares outstanding of the registrant's Common Stock, \$1 par value as of February 27, 2015: 103,075,593.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the registrant's annual stockholders' meeting to be held April 22, 2015 are incorporated by reference into Part III of this report.

Table of Contents

Table of Contents

PART I

Item 1.	<u>Business</u>	<u>4</u>
Item 1A.	<u>Risk Factors</u>	<u>10</u>
Item 1B.	<u>Unresolved Staff Comments</u>	<u>18</u>
Item 2.	<u>Properties</u>	<u>18</u>
Item 3.	<u>Legal Proceedings</u>	<u>19</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>19</u>
Supplemental Item.	<u>Executive Officers of the Registrant</u>	<u>19</u>

PART II

Item 5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>20</u>
Item 6.	<u>Selected Financial Data</u>	<u>22</u>
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
Item 8.	<u>Financial Statements and Supplementary Data</u>	<u>33</u>
Item 9.	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>79</u>
Item 9A.	<u>Controls and Procedures</u>	<u>79</u>
Item 9B.	<u>Other Information</u>	<u>79</u>

PART III

Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	<u>79</u>
Item 11.	<u>Executive Compensation</u>	<u>80</u>
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>80</u>
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>81</u>
Item 14.	<u>Principal Accounting Fees and Services</u>	<u>81</u>

PART IV

Item 15.	<u>Exhibits, Financial Statement Schedules</u>	<u>82</u>
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SIGNATURES

		<u>83</u>
	<u>Appendix A: Financial Statement Schedule</u>	<u>A-1</u>
	<u>Exhibit Index</u>	<u>E-1</u>

Table of Contents

FORWARD-LOOKING STATEMENTS

This document contains “forward-looking statements,” which are statements relating to future, not past, events. In this context, forward-looking statements often address management’s current beliefs, assumptions, expectations, estimates and projections about future business and financial performance, national, regional or global political, economic and market conditions, and the Company itself. Such statements often contain words such as “anticipates,” “believes,” “estimates,” “expects,” “forecasts,” “intends,” “is likely,” “plans,” “predicts,” “projects,” “should,” “will,” variations of such similar expressions. Forward-looking statements, by their nature, address matters that are, to varying degrees, uncertain. Uncertainties that could cause the Company’s performance to differ materially from what is expressed in forward-looking statements include, but are not limited to, the following:

- changes in national, regional or global economic and market conditions;
- the impact of financial and credit markets on the Company, its suppliers and customers;
- changes in interest rates, tax laws, duties, tariffs, quotas or applicable assessments in countries of import and export;
- the impact of regulation, regulatory and legal proceedings and legal compliance risks;
- currency fluctuations;
- currency restrictions;
- changes in future pension funding requirements and pension expenses;
- the risk of impairment to goodwill and other acquired intangibles;
- 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;
- changes in consumer preferences, spending patterns, buying patterns, price sensitivity or demand for the Company’s products;
- risks related to the significant investment in, and performance of, the Company’s consumer-direct business;
- the impact of seasonality and unpredictable weather conditions;
- changes in relationships with, including the loss of, significant customers;
- the cancellation of orders for future delivery;
- the failure of the U.S. Department of Defense to exercise future purchase options or award new contracts, or the cancellation or modification of existing contracts by the Department of Defense or other military purchasers;
- the cost, availability and management of raw materials, inventories, services and labor for owned and contract manufacturers;
- problems affecting the Company’s distribution system, including service interruptions at shipping and receiving ports;
- the potential breach of the Company’s databases, or those of its vendors, which contain certain personal information or payment card data;
- the inability for any reason to effectively compete in global footwear, apparel and consumer-direct markets;
- strategic actions, including new initiatives and ventures, acquisitions and dispositions, and the Company’s success in integrating acquired businesses, and implementing new initiatives and ventures; and
- the success of the Company’s consumer-direct realignment initiatives.

These uncertainties could cause a material difference between an actual outcome and a forward-looking statement. The uncertainties included here are not exhaustive and are described in more detail in Part I, Item 1A: “Risk Factors” of this Annual Report on 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.

Table of Contents

PART I

Item 1. Business

General

Wolverine World Wide, Inc. (the "Company") is a leading designer, manufacturer and marketer of a broad range of quality casual footwear and apparel, performance outdoor and athletic footwear and apparel, children's footwear, industrial work boots and apparel, and uniform shoes and boots. The Company, a Delaware corporation, is the successor of a Michigan corporation of the same name, originally organized in 1906, which, in turn, was the successor of a footwear business established in Grand Rapids, Michigan in 1883. The Company's products are marketed worldwide in approximately 200 countries and territories through Company-owned wholesale and consumer-direct operations and through third-party licensees and distributors.

In October 2012, the Company acquired the Performance + Lifestyle business of Collective Brands, Inc. ("PLG" or the "PLG Acquisition"), which included the acquisition of the Sperry Top-Sider[®], Saucony[®], Stride Rite[®] and Keds[®] brands. The PLG acquisition nearly doubled the size of the Company. Today, the Company sources and markets a broad range of footwear styles, including shoes, boots and sandals under many recognizable brand names, including Bates[®], Cat[®], Chaco[®], Cushe[®], Harley-Davidson[®], Hush Puppies[®], HyTest[®], Keds[®], Merrell[®], Saucony[®], Sebago[®], Soft Style[®], Sperry Top-Sider[®], Stride Rite[®] and Wolverine[®]. The Company also markets Merrell[®] and Wolverine[®] brand apparel and accessories and licenses some of its brands for use on non-footwear products, including Hush Puppies[®] apparel, eyewear, watches, socks, handbags and plush toys; Wolverine[®] eyewear and gloves; Keds[®] apparel; Saucony[®] apparel; Sperry Top-Sider[®] apparel; and Stride Rite[®] apparel. Cat[®] is a registered trademark of Caterpillar, Inc. and Harley-Davidson[®] is a registered trademark of H-D U.S.A., LLC.

The Company's products generally feature contemporary styling with proprietary technologies designed to provide maximum comfort and performance. The Company believes that its primary competitive advantages are its well-recognized brand names, patented proprietary designs, diverse product offerings and comfort technologies, wide range of distribution channels and diversified manufacturing and sourcing base. The Company combines quality materials and skilled workmanship to produce footwear according to its specifications at both Company-owned and third-party manufacturing facilities. The Company's brands are sold at various price points targeting a wide range of consumers of casual, work, outdoor and athletic footwear and apparel.

The Company's portfolio of brands is organized into the following three operating segments, which the Company has determined are reportable operating segments:

• Lifestyle Group, consisting of Sperry Top-Sider[®] footwear and apparel, Stride Rite[®] footwear and apparel, Hush Puppies[®] footwear and apparel, Keds[®] footwear and apparel, and Soft Style[®] footwear;

• Performance Group, consisting of Merrell[®] footwear and apparel, Saucony[®] footwear and apparel, Chaco[®] footwear, and Cushe[®] footwear; and

• Heritage Group, consisting of Wolverine[®] footwear and apparel, Cat[®] footwear, Bates[®] uniform footwear, Sebago[®] footwear and apparel, Harley-Davidson[®] footwear, and HyTest[®] safety footwear.

The reportable segments are engaged in designing, manufacturing, sourcing, marketing, licensing and distributing branded footwear, apparel and accessories. Revenue of the operating segments includes revenue from the sale of branded footwear, apparel and accessories to third-party customers; royalty income from the licensing of the Company's trademarks; revenue from distribution arrangements with third-party distributors; and revenue from the Company's mono-branded consumer-direct businesses, including revenue from eCommerce websites.

The Company also reports "Other" and "Corporate" categories. The Other category consists of the Company's multi-brand consumer-direct business, leather marketing operations, and sourcing operations that include third-party commission revenues. The Corporate category consists of unallocated corporate expenses including acquisition-related transaction and integration costs and restructuring costs. The Company's operating segments are determined on the basis of how the Company internally reports and evaluates financial information used to make operating decisions.

The Company's Global Operations Group is responsible for manufacturing, sourcing, distribution, logistics and customer support. The Company directly sells its products in the United States ("U.S."), Canada and certain countries in Europe to a wide range of customers, including department stores, national chains, catalog retailers, specialty

retailers, mass merchants and internet retailers, and to governments and municipalities.

For financial information regarding the Company, see the consolidated financial statements and the accompanying notes, which are included in Item 8 of this Annual Report on Form 10-K. Financial information regarding the Company's reportable segments and other operating categories and financial information by geographic area is found in Note 15 to the consolidated financial statements of the Company which are included in Item 8 of this Annual Report on Form 10-K.

Table of Contents

The Company's operating segments and related brands are described in more detail below.

1. Lifestyle Group

Sperry Top-Sider®: Sperry Top-Sider® is a leading global nautical performance and lifestyle brand offering footwear, apparel and accessories to a broad range of consumers. The brand has been an American favorite since 1935 with the introduction of the industry's first boat shoe. Today, Sperry Top-Sider® remains the leader in the boat shoe category, but has also expanded its business into casuals, dress casuals, wet weather, boots and vulcanized product categories. Sperry Top-Sider® has evolved into a well-balanced, multi-category (footwear, apparel and accessories) and year-round lifestyle brand for men and women. Sperry Top-Sider® also offers sport-specific and athlete-tested performance footwear solutions for sailors, boaters, anglers and multi-water sports enthusiasts. The Advance Water Technologies™ product collection featuring ASV™ (Anti-Shock and Vibration), Grip X3 Technology™ and SON-R Technology® has allowed Sperry Top-Sider® to reinforce its position as an innovation leader in these categories. The brand is primarily distributed through leading premium and better lifestyle retailers, as well as through Company-owned specialty retail stores and website.

Stride Rite®: With a history dating back to 1919, Stride Rite® is an industry leader in children's footwear. Stride Rite® is focused on delivering the best possible footwear across a range of categories for children under nine years of age. All Stride Rite® products benefit from nearly a century of in-depth knowledge and understanding of how children walk and grow. Every new material and component is rigorously tested to ensure safety, proper fit and durability for children. Stride Rite® sells product under its own namesake brand, as well as children's footwear offerings from Saucony®, Sperry Top-Sider®, Keds®, Merrell® and select other footwear brands, through a network of Company-owned mall-based specialty retail stores and a consumer-direct website. Stride Rite® also distributes children's footwear through better department stores, independent retailers, sporting goods chains, mall specialty retailers, internet retailers and national family footwear stores.

Hush Puppies®: In 1958, Hush Puppies® introduced the world to shoes with casual style and an easygoing attitude made to relax in. The desire to create customers' "favorite pair of shoes" remains the measurement of success for Hush Puppies®. Inspired by its beloved basset hound icon, Hush Puppies® is easygoing and fun. Built-in comfort and fit features and proprietary technologies have made Hush Puppies® a brand well known for comfort. In addition to a wholesale and licensed footwear business, the Hush Puppies® brand is licensed to third parties engaged in the manufacturing, marketing and distribution of apparel, handbags, eyewear, socks, watches and plush toys sold around the world.

Keds®: Keds® is an authentic casual lifestyle brand with a foundation in canvas footwear. This iconic American brand was founded in 1916 with the introduction of the Champion® sneaker. The simple and chic design ignited a style revolution, from fashion icons to the girl next door. Today, Keds® is fueled by a passion for imagination, inspiring a new generation of girls to stay authentic, optimistic and brave. The brand targets teen girl consumers through an extensive collection of Champion® originals, as well as a wide assortment of fashion sneakers and slip-ons. The brand's product architecture consists of both core offerings and seasonal iterations featuring updated prints, patterns, materials and constructions.

Soft Style®: Soft Style® is a women's dress and casual footwear brand, with a combination of all-day comfort, trend-right details, feminine style and great value.

2. Performance Group

Merrell®: Merrell® footwear is designed to inspire and encourage participation in the outdoors. Known for quality, durability and comfort, Merrell® uses a variety of proprietary designs and technologies to create footwear with distinctive styling, performance and comfort features for use on the trail or in town. Merrell® footwear products offer a wide range of styles, from technical hiking and trail-inspired footwear to versatile lifestyle products for more casual outdoor adventures for men and women. Merrell® footwear products are sold primarily through outdoor specialty retailers, sporting goods chains, department stores, internet retailers and catalog retailers. Merrell® apparel extends the Merrell® commitment to an active outdoor lifestyle with a versatile line of apparel built for the summit or the street. Merrell® apparel features stylized lifestyle silhouettes built with the technical, high performance, weather fighting materials that consumers expect from a premium outdoor brand. Merrell® also markets accessories for men and women, including packs, bags and luggage.

Saucony®: Saucony® is a leading performance running brand with roots dating back to 1898. Saucony® targets both elite and casual runners through award winning design, innovation and performance technology. The brand is focused on meeting the biomechanical needs of runners while maximizing comfort and protection, bringing to market innovations such as: PowerGrid™ and PWRGRID+™ midsole technologies; Saucony® ComfortLite

Table of Contents

Sock Liner™, HydraMAX™ and ISO-Fit™ upper technologies; and iBR+™ and XT-900™ outsole material innovations.

Saucony® offers five categories of footwear products – technical, natural motion, race, trail and lifestyle "Originals". Saucony® also offers the Total Run System™, a complete line of performance running apparel. Through the Find Your Strong™ brand platform, Saucony® is strengthening connections with consumers and elevating the positioning of the brand. The brand's products are distributed primarily through leading run specialty and sporting goods retailers.

Chaco®: The Chaco® footwear line focuses primarily on performance sandals and closed-toe products for the outdoor enthusiast, including the Chaco® proprietary LUVSEAT™ footbed for premium comfort. The brand's products are distributed primarily through leading outdoor and footwear specialty retailers.

Cushe®: Cushe® is a lifestyle brand focusing on relaxed, design-led footwear with a Cushe® Mellow comfort story for active men and women. The Cushe® footwear business targets younger adult consumers with products ranging from sport casual to hanging sandals sold through better-grade retailers.

3. Heritage Group

Wolverine®: The Wolverine® brand offers high-quality boots and shoes that incorporate innovative technologies to deliver comfort and durability. The Wolverine® brand, in existence since 1883, markets footwear in three categories: (i) work and industrial; (ii) outdoor sport; and (iii) rugged casual. The development of DuraShocks®, MultiShox®, Wolverine Fusion® and Wolverine Compressor® technologies, as well as the development of the Contour Welt® line, allows the Wolverine® brand to offer a broad line of footwear with a focus on comfort. The Wolverine® work product line targets industrial workers and focuses on work boots and shoes with protective features such as toe caps, metatarsal guards and electrical hazard protection. The Wolverine® rugged casual and outdoor sport product lines incorporate DuraShocks®, Wolverine iCS® and other technologies and comfort features into products designed for casual and outdoor sport use. The brand's rugged casual line targets consumers that have active lifestyles. The outdoor sport line is designed to meet the needs of hunters, fishermen and other active outdoor sports enthusiasts. The brand also markets a line of work and rugged casual Wolverine® brand apparel, and licenses its Wolverine® brand for use on eyewear, gloves and socks.

Cat® Footwear: Cat® footwear comes from a world of industry and action. The Company is the exclusive global footwear licensee of Caterpillar, Inc., and for over two decades, Cat® footwear has been designing and engineering quality footwear that lives up to the hard-working reputation of the Caterpillar® brand. Cat® footwear originally created a small collection of rugged work boots designed to provide workers with comfort and durability that met the challenges of the worksite. Today, Cat® footwear offers a wide range of footwear, including work boots, casual shoes and women's fashion product - sold through a global distribution network. Cat®, Caterpillar®, Build For It®, "Caterpillar Yellow" and "Power Edge" are registered trademarks of Caterpillar, Inc.

Bates® Uniform Footwear: The Bates® brand is a leader in supplying footwear to military and civilian uniform wearers. Bates® utilizes DuraShocks®, Bates iCS®, Bates Endurance Performance System and other proprietary comfort technologies in the design of its footwear. Bates® supplies military footwear to the U.S. Department of Defense and the military branches of several foreign countries. Civilian uniform users include police officers, security and emergency medical services workers, and others in light industrial occupations. Bates® products are distributed through sporting goods chains, department stores, uniform specialty retailers and catalog retailers.

Sebago®: Established in 1946, Sebago® shares its New England heritage and tradition with those who inspire to make the journey with them. Sebago® creates timeless, handcrafted dress and casual products from quality materials, all with a sense of purpose and style. The original, handsewn Classic penny loafer and Docksides® boat shoe remain unchanged since first crafted by Sebago® decades ago. While embracing its heritage, Sebago® has a true passion for ta