WOLVERINE WORLD WIDE INC /DE/
Form 10-Q
July 24, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] 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 14, 2008

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	**38-1185150**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
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 X No __

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer __X__ Accelerated filer ___ Non-accelerated filer ___ Smaller reporting company ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ____ No _X_

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

There were 61,540,712 shares of Common Stock, $1 par value, outstanding as of July 18, 2008, of which 12,553,423 shares are held as Treasury Stock.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the footwear business, global economic conditions and the Company itself, including, without limitation, statements regarding the effect on earnings of a future hedge termination or determination of hedge ineffectiveness, expected length of time that stock options will remain outstanding, results of tax audits, the effect of litigation, the effect of the adoption of new accounting standards, timing or acceptance of new products, future progress toward achieving the Company's strategic growth plan, expected cash flows, expected share repurchase activity, the use of excess cash flows, future revenues, earnings and marketing, statements in Part I, Item 2 regarding the overview and the Company's financial condition, liquidity and capital resources and statements in Part I, Item 3 regarding market risk. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "is likely," "plans," "predicts," "projects," "should," "will," variations of such words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Risk Factors") that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements.

Risk Factors include, but are not limited to, uncertainties relating to changes in demand for the Company's products; changes in consumer preferences or spending patterns; the cost and availability of inventories, services, labor and equipment furnished to the Company; the cost and availability of contract manufacturers; the cost and availability of raw materials, including leather and petroleum-based materials; the cost of finished goods; energy costs; changes in planned consumer demand or at-once orders; customer order cancellations; the impact of competition and pricing by the Company's competitors; changes in government and regulatory policies; foreign currency fluctuation in valuations compared to the U.S. dollar; changes in monetary controls and valuations of the Chinese renminbi and the relative value to the U.S. dollar; changes in duty structures in countries of import and export; changes in interest rates, tax laws, duties, tariffs, quotas or applicable assessments; technological developments; changes in local, domestic or international economic and market conditions; the size and growth of footwear markets; service interruptions at shipping and receiving ports; changes in the amount, severity or timing of inclement weather; changes due to the growth of Internet commerce; popularity of particular designs and categories of footwear; the ability of the Company to manage and forecast its growth and inventories; the ability to secure and protect trademarks, patents and other intellectual property; integration of operations of newly acquired businesses; changes in business strategy or development plans; the Company's ability to adapt and compete in global apparel and accessory markets; customer acceptance of new initiatives; the ability to attract and retain qualified personnel; the ability to retain rights to brands licensed by the Company; loss of significant customers; relationships with international distributors and licensees; the Company's ability to meet at-once orders; the exercise of future purchase options by the U.S. Department of Defense on previously awarded contracts; the risk of doing business in developing countries and economically volatile areas; retail buying patterns; increased competition from private label brands; consolidation in the retail sector; and the acceptability of U.S. brands in international markets. Additionally, concerns regarding acts of terrorism, the war in Iraq and subsequent events have created significant global economic and political uncertainties that may have material and adverse effects on consumer demand, foreign sourcing of footwear, shipping and transportation, product imports and exports and the sale of products in foreign markets. These matters are representative of the Risk Factors that could cause a difference between an ultimate actual outcome and a forward-looking statement. Additional Risk Factors are identified in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2007, included in Item 1A. Historical operating results are not necessarily indicative of the results that may be expected in the future. The Risk Factors included here are not exhaustive. Other Risk Factors exist, and new Risk Factors emerge from time-to-time, that may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Furthermore, the Company undertakes no 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 Balance Sheets

(Thousands of dollars)

	June 14, 2008 (Unaudited)	December 29, 2007 (Audited)	June 16, 2007 (Unaudited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**$ 77,923**	$ 76,087	$ 77,036
Accounts receivable, less allowances			
June 14, 2008 - $14,442			
December 29, 2007 - $13,643			
June 16, 2007 - $14,100	**195,572**	179,934	173,437
Inventories:			
Finished products	**157,666**	148,925	167,729
Raw materials and work in process	**14,065**	16,927	17,014
	171,731	165,852	184,743
Deferred income taxes	**10,741**	11,909	9,569
Prepaid expenses and other current assets	**12,647**	11,859	15,274
TOTAL CURRENT ASSETS	**468,614**	445,641	460,059
PROPERTY, PLANT AND EQUIPMENT			
Gross cost	**292,977**	288,206	280,589
Less accumulated depreciation	**208,589**	202,789	193,931
	84,388	85,417	86,658
OTHER ASSETS			
Goodwill and other non-amortizable intangibles	**47,858**	48,509	47,584
Cash surrender value of life insurance	**33,735**	32,886	32,893
Pension assets	**19,110**	17,752	11,080
Other	**9,437**	8,173	8,408
	110,140	107,320	99,965
TOTAL ASSETS	**$ 663,142**	$ 638,378	$ 646,682

See notes to consolidated condensed financial statements

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets - continued

(Thousands of dollars, except share data)

	June 14, 2008 (Unaudited)	December 29, 2007 (Audited)	June 16, 2007 (Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	**$ 49,599**	$ 51,551	$ 53,768
Accrued salaries and wages	**14,185**	18,475	12,770
Other accrued liabilities	**57,563**	41,875	48,760
Current maturities of long-term debt	**10,725**	10,731	10,730
TOTAL CURRENT LIABILITIES	**132,072**	122,632	126,028
Long-term debt	**30,500**	-	10,735
Deferred compensation	**9,663**	10,204	9,806
Accrued pension liabilities	**26,147**	25,684	23,563
Other non-current liabilities	**1,091**	1,079	1,078
STOCKHOLDERS' EQUITY			
Common Stock - par value $1, authorized 160,000,000 shares; shares issued (including shares in treasury): June 14, 2008 - 61,589,455 shares; December 29, 2007 - 61,085,123 shares; June 16, 2007 - 60,953,153 shares	**61,589**	61,085	60,953
Additional paid-in capital	**57,619**	47,786	41,550
Retained earnings	**621,391**	591,706	547,499
Accumulated other comprehensive income	**22,133**	22,268	6,843
Cost of shares in treasury: June 14, 2008 - 11,916,265 shares; December 29, 2007 - 9,850,299 shares; June 16, 2007 - 7,459,842 shares	**(299,063)**	(244,066)	(181,373)
TOTAL STOCKHOLDERS' EQUITY	**463,669**	478,779	475,472
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 663,142**	$ 638,378	$ 646,682

( ) - Denotes deduction
See notes to consolidated condensed financial statements

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Operations

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

	12 Weeks Ended		24 Weeks Ended	
	June 14, 2008	**June 16, 2007**	**June 14, 2008**	**June 16, 2007**
Revenue	**$ 267,362**	$ 250,329	**$ 555,600**	$ 531,381
Cost of products sold	**164,963**	154,801	**331,640**	321,852
GROSS PROFIT	**102,399**	95,528	**223,960**	209,529
Selling, general and administrative expenses	**76,511**	71,962	**161,803**	153,297
OPERATING INCOME	**25,888**	23,566	**62,157**	56,232
Other expenses/(income):				
Interest expense	**678**	513	**1,164**	949
Interest income	**(376)**	(617)	**(799)**	(1,744)
Other - net	**312**	332	**879**	172
	614	228	**1,244**	(623)
EARNINGS BEFORE INCOME TAXES	**25,274**	23,338	**60,913**	56,855
Income taxes	**8,462**	7,820	**20,400**	19,047
NET EARNINGS	**$ 16,812**	$ 15,518	**$ 40,513**	$ 37,808
Net earnings per share:				
Basic	**$ 0.34**	$ 0.29	**$ 0.82**	$ 0.70
Diluted	**$ 0.33**	$ 0.28	**$ 0.79**	$ 0.67
Cash dividends per share	**$ 0.11**	$ 0.09	**$ 0.22**	$ 0.18
Shares used for net earnings per share				

computation:				
Basic	**49,015,455**	53,437,194	**49,400,747**	53,979,207
Diluted	**50,739,714**	55,448,399	**51,133,339**	56,054,622

See notes to consolidated condensed financial statements

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Statement of Stockholders' Equity

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

	24 Weeks Ended June 14, 2008
COMMON STOCK	
Balance at beginning of the year	$ 61,085
Common stock issued under stock incentive plans	**504**
Balance at end of the quarter	**$ 61,589**
ADDITIONAL PAID-IN CAPITAL	
Balance at beginning of the year	$ 47,786
Stock-based compensation expense	**3,913**
Common stock issued under stock incentive plans	**5,859**
Net change in notes receivable	**61**
Balance at end of the quarter	**$ 57,619**
RETAINED EARNINGS	
Balance at beginning of the year	$ 591,706
Net earnings	**40,513**
Cash dividends declared	**(10,828)**
Balance at end of the quarter	**$ 621,391**
ACCUMULATED OTHER COMPREHENSIVE INCOME	
Balance at beginning of the year	$ 22,268
Foreign currency translation adjustments	**(1,363)**
Change in fair value of foreign currency cash flow hedges, net of taxes	**1,228**
Balance at end of the quarter	**$ 22,133**
COST OF SHARES IN TREASURY	
Balance at beginning of the year	$ (244,066)
Repurchase of common stock for treasury (2,070,566 shares)	**(55,112)**
Issuance of treasury shares (4,600 shares)	**115**

Balance at end of the quarter	$	(299,063)
TOTAL STOCKHOLDERS' EQUITY AT END OF THE QUARTER	$	463,669

See notes to consolidated condensed financial statements

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

(Thousands of dollars)
(Unaudited)

	24 Weeks Ended	
	June 14, 2008	**June 16, 2007**
OPERATING ACTIVITIES		
Net earnings	**$ 40,513**	$ 37,808
Adjustments necessary to reconcile net earnings to net cash provided by operating activities:		
Depreciation	**8,552**	8,898
Amortization	**476**	513
Deferred income taxes	**100**	(224)
Stock-based compensation expense	**3,913**	4,158
Excess tax benefits from stock-based compensation	**(1,320)**	(2,177)
Pension	**(895)**	(27)
Other	**4,342**	750
Changes in operating assets and liabilities:		
Accounts receivable	**(16,413)**	(18,215)
Inventories	**(6,010)**	699
Other assets	**(689)**	(4)
Accounts payable and other liabilities	**7,578**	1,476
Net cash provided by operating activities	**40,147**	33,655
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(7,988)**	(7,498)
Other	**(2,766)**	(1,209)
Net cash used in investing activities	**(10,754)**	(8,707)
FINANCING ACTIVITIES		
Proceeds from long-term debt	**161,655**	10,641
Payments of long-term debt	**(131,160)**	(10,647)
Cash dividends paid	**(10,034)**	(9,036)
Purchase of common stock for treasury	**(54,292)**	(70,573)
Proceeds from shares issued under stock incentive plans	**4,287**	3,928
Excess tax benefits from stock-based compensation	**1,320**	2,177

Net cash used in financing activities	**(28,224)**	(73,510)
Effect of foreign exchange rate changes	**667**	935
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,836**	(47,627)
Cash and cash equivalents at beginning of the period	**76,087**	124,663
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**$ 77,923**	$ 77,036

( ) - 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
June 14, 2008 and June 16, 2007

1. Summary of Significant Accounting Policies

NATURE OF OPERATIONS
Wolverine World Wide, Inc. is a leading designer, manufacturer and marketer of a broad line of quality casual shoes, performance outdoor footwear, apparel, work shoes and boots, and uniform shoes and boots. The Company's global portfolio of owned and licensed brands includes: Bates®, Cat® Footwear, Harley-Davidson® Footwear, Hush Puppies®, HyTest®, Merrell®, Patagonia® Footwear, Sebago®, Stanley® Footgear and Wolverine®. Apparel and licensing programs are utilized to extend the Company's owned brands into product categories beyond footwear. The Company also operates a retail division to showcase its brands and branded footwear and apparel from other manufacturers, a tannery that produces Wolverine Performance Leathers™ and a pigskin procurement operation.

BASIS OF PRESENTATION
The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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 accounting principles generally accepted in the United States 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 footnotes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2007.

REVENUE RECOGNITION
Revenue is recognized on the sale of products manufactured or sourced by the Company when the related goods have been shipped, legal title has passed to the customer and collectibility is reasonably assured. Revenue generated through programs with licensees and distributors involving products bearing the Company's trademarks is recognized as earned according to stated contractual terms upon either the purchase or shipment of branded products by licensees and distributors.

The Company records provisions against gross revenue for estimated stock returns and cash discounts in the period when the related revenue is recorded. These estimates are based on factors that include, but are not limited to, historical stock returns, historical discounts taken and analysis of credit memorandum activity.

COST OF PRODUCTS SOLD
Cost of products sold for the Company's operations include the actual product costs, including inbound freight charges, purchasing, sourcing, inspection and receiving costs. Warehousing costs are included in selling, general and administrative expenses.

SEASONALITY
The Company's business is subject to seasonal influences and has twelve weeks in each of the first three quarters and sixteen or seventeen weeks in the fourth quarter. Both factors can cause significant differences in revenue, earnings and cash flows from quarter to quarter; however, the differences have followed a consistent pattern in previous years.

RECLASSIFICATIONS
Certain prior period amounts on the consolidated condensed financial statements have been reclassified to conform to

current period presentation. These reclassifications did not affect net earnings.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements - continued
June 14, 2008 and June 16, 2007

2. Earnings Per Share

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

	12 Weeks Ended		24 Weeks Ended	
	June 14, 2008	June 16, 2007	**June 14, 2008**	June 16, 2007
Weighted average shares outstanding	**49,571,763**	54,130,276	**49,969,742**	54,702,950
Adjustment for nonvested restricted common stock	**(556,308)**	(693,082)	**(568,995)**	(723,743)
Denominator for basic earnings per share	**49,015,455**	53,437,194	**49,400,747**	53,979,207
Effect of dilutive stock options	**1,397,164**	1,601,415	**1,354,986**	1,632,169
Adjustment for nonvested restricted common stock - treasury method	**327,095**	409,790	**377,606**	443,246
Denominator for diluted earnings per share	**50,739,714**	55,448,399	**51,133,339**	56,054,622

Options to purchase 1,171,885 and 1,167,874 shares of common stock for the 12 and 24 weeks ended June 14, 2008 and 614,713 and 473,567 shares for the 12 and 24 weeks ended June 16, 2007 have not been included in the denominator for the computation of diluted earnings per share because the related exercise prices were greater than the average market price for the period and, therefore, they were anti-dilutive.

3. Goodwill and Other Non-Amortizable Intangibles

The changes in the net carrying amounts of goodwill and trademarks are as follows (thousands of dollars):

	Goodwill	Trademarks	Total
Balance at June 16, 2007	$ 39,078	$ 8,506	$ 47,584
Intangibles acquired	-	430	430
Foreign currency translation effects	495	-	495
Balance at December 29, 2007	39,573	8,936	48,509
Intangibles acquired	**-**	**72**	**72**
Foreign currency translation effects	**(723)**	**-**	**(723)**