

WOLVERINE WORLD WIDE INC /DE/
Form 10-Q
November 07, 2018

UNITED STATES
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 quarterly period ended September 29, 2018

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 (IRS Employer
Incorporation or Organization) Identification No.)

9341 Courtland Drive N.E., 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 by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 94,839,829 shares of common stock, \$1 par value, outstanding as of October 26, 2018.

Table of Contents

Table of Contents	
PART I <u>Financial Information</u>	<u>4</u>
Item 1. <u>Financial Statements</u>	<u>4</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
Item 4. <u>Controls and Procedures</u>	<u>33</u>
PART II <u>Other Information</u>	<u>34</u>
Item 1A. <u>Risk Factors</u>	<u>34</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
Item 6. <u>Exhibits</u>	<u>35</u>
<u>Signatures</u>	<u>36</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 general economic conditions, employment rates, business conditions, interest rates, tax policies and other factors affecting consumer spending in the markets and regions in which the Company’s products are sold;
- the inability for any reason to effectively compete in global footwear, apparel and consumer-direct markets;
- the inability to maintain positive brand images and anticipate, understand and respond to changing footwear and apparel trends and consumer preferences;
- the inability to effectively manage inventory levels;
- increases or changes in duties, tariffs, quotas or applicable assessments in countries of import and export;
- foreign currency exchange rate fluctuations;
- currency restrictions;
- capacity constraints, production disruptions, quality issues, price increases or other risks associated with foreign sourcing;
- the cost and availability of raw materials, inventories, services and labor for contract manufacturers;
- labor disruptions;
- changes in relationships with, including the loss of, significant wholesale customers;
- risks related to the significant investment in, and performance of, the Company’s consumer-direct operations;
- risks related to expansion into new markets and complementary product categories as well as consumer-direct operations;
- the impact of seasonality and unpredictable weather conditions;
- changes in general economic conditions and/or the credit markets on the Company’s distributors, suppliers and retailers;
- increase in the Company’s effective tax rates;
- failure of licensees or distributors to meet planned annual sales goals or to make timely payments to the Company;
- 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;
- the impact of regulation, regulatory and legal proceedings and legal compliance risks, including compliance with federal, state and local laws and regulations relating to the protection of the environment, environmental remediation and other related costs, and litigation or other legal proceedings relating to the protection of the environment or environmental effects on human health;
- the potential breach of the Company’s databases, or those of its vendors, which contain certain personal information or payment card data;
- problems affecting the Company’s distribution system, including service interruptions at shipping and receiving ports;
- 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;
- the risk of impairment to goodwill and other intangibles;
- the success of the Company’s restructuring and realignment initiatives; and
- changes in future pension funding requirements and pension expenses.

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 the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2017 (the “2017 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.

3

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Operations and Comprehensive Income

(Unaudited)

(In millions, except per share data)	Quarter Ended		Year-To-Date Ended		
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	
Revenue	\$558.6	\$ 581.3	\$1,659.6	\$ 1,771.4	
Cost of goods sold	326.5	349.4	965.4	1,070.8	
Restructuring costs	—	1.2	—	8.3	
Gross profit	232.1	230.7	694.2	692.3	
Selling, general and administrative expenses	161.6	170.5	488.6	523.8	
Restructuring and other related costs	—	23.0	—	65.6	
Environmental and other related costs	2.1	—	7.6	—	
Operating profit	68.4	37.2	198.0	102.9	
Other expenses:					
Interest expense, net	5.8	8.6	18.7	23.4	
Other expense (income), net	(1.3	) 1.5	(7.2	) 9.2
Total other expenses	4.5	10.1	11.5	32.6	
Earnings before income taxes	63.9	27.1	186.5	70.3	
Income tax expense	5.0	4.3	25.5	10.2	
Net earnings	58.9	22.8	161.0	60.1	
Less: net earnings (loss) attributable to noncontrolling interests	0.1	(0.4) 0.2	(0.5)
Net earnings attributable to Wolverine World Wide, Inc.	\$58.8	\$ 23.2	\$160.8	\$ 60.6	
Net earnings per share (see Note 3):					
Basic	\$0.62	\$ 0.24	\$1.69	\$ 0.63	
Diluted	\$0.60	\$ 0.24	\$1.65	\$ 0.62	
Comprehensive income	\$60.8	\$ 27.6	\$163.3	\$ 68.0	
Less: comprehensive income (loss) attributable to noncontrolling interests	0.3	(0.4	) 0.4	—
Comprehensive income attributable to Wolverine World Wide, Inc.	\$60.5	\$ 28.0	\$162.9	\$ 68.0	
Cash dividends declared per share	\$0.08	\$ 0.06	\$0.24	\$ 0.18	

See accompanying notes to consolidated condensed financial statements.

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(Unaudited)

(In millions, except share data)	September 29, 2018	December 30, 2017	September 30, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 228.1	\$ 481.0	\$ 342.7
Accounts receivable, less allowances:			
September 29, 2018 – \$29.7			
December 30, 2017 – \$31.5			
September 30, 2017 – \$37.0	364.0	271.3	294.5
Inventories:			
Finished products, net	309.2	265.2	331.5
Raw materials and work-in-process, net	15.2	11.5	7.3
Total inventories	324.4	276.7	338.8
Prepaid expenses and other current assets	32.2	45.3	44.0
Total current assets	948.7	1,074.3	1,020.0
Property, plant and equipment:			
Gross cost	393.7	391.1	410.0
Accumulated depreciation	(262.3	) (254.4	) (267.8
Property, plant and equipment, net	131.4	136.7	142.2
Other assets:			
Goodwill	427.5	429.8	429.9
Indefinite-lived intangibles	604.5	604.5	673.1
Amortizable intangibles, net	73.1	77.0	78.5
Deferred income taxes	4.0	4.3	4.4
Other	79.9	72.4	70.6
Total other assets	1,189.0	1,188.0	1,256.5
Total assets	\$ 2,269.1	\$ 2,399.0	\$ 2,418.7

See accompanying notes to consolidated condensed financial statements.

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets – continued

(Unaudited)

(In millions, except share data)	September 29, 2018	December 30, 2017	September 30, 2017
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 139.5	\$ 162.3	\$ 141.7
Accrued salaries and wages	32.2	40.0	36.2
Other accrued liabilities	124.4	122.0	100.1
Current maturities of long-term debt	60.0	37.5	48.8
Borrowings under revolving credit agreements and other short-term notes	1.5	0.5	3.7
Total current liabilities	357.6	362.3	330.5
Long-term debt, less current maturities	601.0	744.6	744.2
Accrued pension liabilities	81.2	142.2	133.8
Deferred income taxes	99.4	84.2	150.5
Other liabilities	67.6	110.5	49.6
Stockholders' equity:			
Wolverine World Wide, Inc. stockholders' equity:			
Common stock – par value \$1, authorized 320,000,000 shares; shares issued (including shares in treasury):			
September 29, 2018 – 107,587,377 shares			
December 30, 2017 – 106,405,449 shares			
September 30, 2017 – 105,956,497 shares	107.6	106.4	105.9
Additional paid-in capital	190.6	149.2	134.1
Retained earnings	1,138.3	992.2	1,058.4
Accumulated other comprehensive loss	(81.2	) (75.2	) (73.7
Cost of shares in treasury:			
September 29, 2018 – 12,746,435 shares			
December 30, 2017 – 10,345,141 shares			
September 30, 2017 – 10,347,476 shares	(299.0	) (223.0	) (223.0
Total Wolverine World Wide, Inc. stockholders' equity	1,056.3	949.6	1,001.7
Noncontrolling interest	6.0	5.6	8.4
Total stockholders' equity	1,062.3	955.2	1,010.1
Total liabilities and stockholders' equity	\$ 2,269.1	\$ 2,399.0	\$ 2,418.7

See accompanying notes to consolidated condensed financial statements.

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

(Unaudited)

(In millions)	Year-To-Date Ended	
	September 30, 2018	September 30, 2017
OPERATING ACTIVITIES		
Net earnings	\$ 161.0	\$ 60.1
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	22.6	28.0
Deferred income taxes	12.3	(13.2)
Stock-based compensation expense	21.2	19.1
Pension contribution	(60.7)	(11.1)
Pension and SERP expense	4.0	11.2
Restructuring and other related costs	—	73.9
Cash payments related to restructuring costs	(4.8)	(58.9)
Environmental and other related costs, net of cash payments	(6.3)	—
Loss/(gain) on sale of a business and other assets	0.3	(7.0)
Other	6.5	(12.1)
Changes in operating assets and liabilities:		
Accounts receivable	(95.4)	(24.3)
Inventories	(49.2)	(15.1)
Other operating assets	(3.2)	1.9
Accounts payable	(21.8)	(10.0)
Income taxes payable	8.2	(1.1)
Other operating liabilities	(28.7)	8.1
Net cash provided by (used in) operating activities	(34.0)	49.5
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(15.3)	(28.7)
Proceeds from sale of a business and other assets	2.2	38.0
Other	(1.7)	(4.1)
Net cash provided by (used in) investing activities	(14.8)	5.2
FINANCING ACTIVITIES		
Net borrowings under revolving credit agreements and other short-term notes	1.0	0.3
Payments on long-term debt	(122.6)	(26.2)
Payments of debt issuance costs	—	(0.1)
Cash dividends paid	(21.0)	(17.4)
Purchases of common stock for treasury	(69.9)	(51.5)
Purchases of shares under employee stock plans	(8.1)	(5.2)
Proceeds from the exercise of stock options	23.2	11.9
Contributions from noncontrolling interests	—	0.8
Net cash used in financing activities	(197.4)	(87.4)
Effect of foreign exchange rate changes	(6.7)	5.6
Decrease in cash and cash equivalents	(252.9)	(27.1)
Cash and cash equivalents at beginning of the year	481.0	369.8
Cash and cash equivalents at end of the period	\$ 228.1	\$ 342.7

See accompanying notes to consolidated condensed financial statements.

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

Quarters Ended September 29, 2018 and September 30, 2017

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Wolverine World Wide, Inc. (the “Company”) is a leading designer, marketer and licensor of a broad range of quality casual footwear and apparel; performance outdoor and athletic footwear and apparel; children’s footwear; industrial work shoes, boots and apparel; and uniform shoes and boots. The Company’s portfolio of owned and licensed brands includes: Bates®, Cat®, Chaco®, Harley-Davidson®, Hush Puppies®, HyTest®, Keds®, Merrell®, Saucony®, Sperry®, Stride Rite® and Wolverine®. Licensing and distribution arrangements with third parties extend the global reach of the Company’s brand portfolio. The Company also operates a consumer-direct division to market both its own brands and branded footwear and apparel from other manufacturers, as well as a leathers division that markets Wolverine Performance Leathers™.

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP 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 2017 Form 10-K.

As described in Note 2, the Company adopted Accounting Standards Updates (“ASU”) 2017-07 at the beginning of the first quarter of 2018. As part of the adoption, the prior period non-service cost components of pension expense have been reclassified to other expense to conform with the new presentation. In addition, as described in Note 15, the Company realigned certain components within its operating segments during the first quarter of 2018. All prior period disclosures have been restated to reflect the new reportable operating segments.

Fiscal Year

The Company’s fiscal year is the 52 or 53-week period that ends on the Saturday nearest to December 31. Fiscal years 2018 and 2017 both have 52 weeks. The Company reports its quarterly results of operations on the basis of 13-week quarters for each of the first three fiscal quarters and a 13 or 14-week period for the fiscal fourth quarter. References to particular years or quarters refer to the Company’s fiscal years ended on the Saturday nearest to December 31 or the fiscal quarters within those years.

Revenue Recognition

Effective December 31, 2017, the Company adopted ASU 2014-09, Revenue from Contracts with Customers, using the modified retrospective method. Under the modified retrospective method, the impact of applying the standard is recognized as a cumulative effect on retained earnings. The adoption of ASU 2014-09 did not have a material impact on the Company’s consolidated financial position, results of operations, equity or cash flows as of the adoption date or for the year-to-date ended September 29, 2018. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. For additional information, refer to Note 6.

Cost of Goods Sold

Cost of goods sold includes the actual product costs, including inbound freight charges and certain outbound 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 that can cause significant differences in revenue, earnings and cash flows from quarter to quarter; however, the differences have followed a consistent pattern in recent years.

Table of Contents

2. NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board (“FASB”) issued the following ASUs that have been adopted by the Company during 2018. The following is a summary of the effect of adoption of these new standards.

Standard	Description	Effect on the Financial Statements or Other Significant Matters
ASU 2014-09, Revenue from Contracts with Customers (as amended by ASUs 2015-14, 2016-08, 2016-10, 2016-11, 2016-12, 2017-13 and 2017-14)	The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also amends the required disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.	The Company adopted the new revenue standard using the modified retrospective method at the beginning of the first quarter. The adoption of ASU 2014-09 did not have a material impact on the Company’s consolidated financial position, results of operations, equity or cash flows as of the adoption date or for the year-to-date ended September 29, 2018. See Note 6 for the impact of the adoption of this standard, as well as additional disclosures around the Company’s revenue from contracts with customers.
ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities	Enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This ASU addresses certain aspects of recognition, measurement, presentation and disclosure of financial statements.	The adoption of the new standard in 2018 did not have, nor does the Company believe it will have, a material impact on the accounting for its financial assets and financial liabilities.
ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	Sponsors of benefit plans are required to present service cost in the same line item or items as other current employee compensation costs, and present the remaining components of net benefit cost in one or more separate line items outside of income from operations, while also limiting the components of net benefit cost eligible to be capitalized to service cost.	The Company now presents non-service pension costs as a component of Other expense (income), net. Non-services costs of \$1.9 million and \$5.8 million for the quarter and year-to-date ended September 30, 2017, respectively, have been retrospectively adjusted from Selling, general and administrative expenses to Other expense (income) to conform with the new presentation.
ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities	Seeks to improve the transparency and understandability of information conveyed to financial statement users about an entity’s risk management activities and to reduce the complexity of and simplify the application of hedge accounting. This ASU eliminates the requirement to separately measure and report hedge ineffectiveness.	The Company reclassified \$0.2 million of unrecognized losses related to its cross currency swap from accumulated other comprehensive income to retained earnings. This reclassification was effective as of the beginning of 2018.
ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	Allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Adoption of this ASU will eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of	The Company reclassified \$7.9 million of stranded tax effects resulting from the Tax Cuts and Jobs Act related to its cross currency swap and unamortized actuarial losses related to its pension plans from accumulated other comprehensive income to retained earnings. This reclassification was effective as of the

information reported to financial statement beginning of 2018.
users.

Table of Contents

The FASB has issued the following ASUs that have not yet been adopted by the Company. The following is a summary of the planned adoption period and anticipated impact of adopting these new standards.

Standard	Description	Planned Period of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2016-02, Leases (as amended by ASU 2018-11)	The core principle is that a lessee shall recognize a lease liability in its statement of financial position for the present value of all future lease payments. A lessee would also recognize a right-of-use asset representing its right to use the underlying asset for the lease term. Under a new transition method, a reporting entity will apply the new lease requirements at the effective date and continue to report comparative periods presented in the financial statements in the period of adoption under current GAAP.	Q1 2019	Upon adoption in the first quarter of 2019, the Company will recognize a right-of-use asset and a lease liability for the present value of future minimum rental payments for its portfolio of operating leases. The Company does not expect a material impact to its results of operations or cash flows related to the adoption of this standard. The Company plans to adopt the new standard using the modified retrospective approach and elect the package of practical expedients for leases existing as of the transition date.
ASU 2016-13, Measurement of Credit Losses on Financial Instruments	Seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date by replacing the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates.	Q1 2020	The Company is evaluating the impacts of the new standard on its existing financial instruments, including trade receivables.

3. EARNINGS PER SHARE

The Company calculates earnings per share in accordance with FASB Accounting Standards Codification (“ASC”) Topic 260, Earnings Per Share (“ASC 260”). ASC 260 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. Under the guidance in ASC 260, the Company’s unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and must be included in the computation of earnings per share pursuant to the two-class method.

Table of Contents

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

(In millions, except per share data)	Quarter Ended		Year-To-Date Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Numerator:				
Net earnings attributable to Wolverine World Wide, Inc.	\$58.8	\$ 23.2	\$160.8	\$ 60.6
Adjustment for earnings allocated to non-vested restricted common stock	(1.2)	(0.5)	(3.4)	(1.3)
Net earnings used in calculating basic earnings per share	57.6	22.7	157.4	59.3
Adjustment for earnings reallocated from non-vested restricted common stock	—	—	0.1	—
Net earnings used in calculating diluted earnings per share	\$57.6	\$ 22.7	\$157.5	\$ 59.3
Denominator:				
Weighted average shares outstanding	94.9	96.1	95.2	96.6
Adjustment for non-vested restricted common stock	(1.7)	(2.1)	(1.8)	(2.2)
Shares used in calculating basic earnings per share	93.2	94.0	93.4	94.4
Effect of dilutive stock options	2.1	1.8	2.0	1.6
Shares used in calculating diluted earnings per share	95.3	95.8	95.4	96.0
Net earnings per share:				
Basic	\$0.62	\$ 0.24	\$1.69	\$ 0.63
Diluted	\$0.60	\$ 0.24	\$1.65	\$ 0.62

For the quarter and year-to-date ended September 29, 2018, options relating to 18,779 and 24,250 shares of common stock outstanding, respectively, have not been included in the denominator for the computation of diluted earnings per share because they were anti-dilutive.

For the quarter and year-to-date ended September 30, 2017, options relating to 1,006,123 and 1,804,594 shares of common stock outstanding, respectively, have not been included in the denominator for the computation of diluted earnings per share because they were anti-dilutive.

4. GOODWILL AND INDEFINITE-LIVED INTANGIBLES

The changes in the carrying amount of goodwill and indefinite-lived intangibles are as follows:

(In millions)	Goodwill	Indefinite-lived intangibles	Total
Balance at December 31, 2016	\$ 424.3	\$ 678.5	\$1,102.8
Sale of a business	—	(5.4)	(5.4)
Foreign currency translation effects	5.6	—	5.6
Balance at September 30, 2017	\$ 429.9	\$ 673.1	\$1,103.0
Balance at December 30, 2017	\$ 429.8	\$ 604.5	\$1,034.3
Foreign currency translation effects	(2.3)	—	(2.3)
Balance at September 29, 2018	\$ 427.5	\$ 604.5	\$1,032.0

In the fourth quarter of 2017, as a result of its annual impairment testing, the Company recognized a \$68.6 million impairment charge for the Sperry® trade name. If the operating results for Sperry® were to decline in future periods compared to current projections, the Company may need to record an additional non-cash impairment charge. The carrying value of the Company's Sperry® trade name indefinite-lived intangible asset was \$518.2 million as of September 29, 2018.

In the third quarter of 2017, the Company sold certain intangible assets related to its Sebago® brand. See Note 17 for additional information.

Table of Contents**5. ACCOUNTS RECEIVABLE**

The Company has an agreement with a financial institution to sell selected trade accounts receivable on a recurring, nonrecourse basis that expires in the fourth quarter of 2018. Under the agreement, up to \$150.0 million of accounts receivable may be sold to the financial institution and remain outstanding at any point in time. After the sale, the Company does not retain any interests in the accounts receivable and removes them from its consolidated condensed balance sheet, but continues to service and collect the outstanding accounts receivable on behalf of the financial institution. The Company recognizes a servicing asset or servicing liability, initially measured at fair value, each time it undertakes an obligation to service the accounts receivable under the agreement. The fair value of this obligation resulted in a nominal servicing liability for all periods presented. For receivables sold under the agreement, 90% of the stated amount is paid for in cash to the Company at the time of sale, with the remainder paid to the Company at the completion of the collection process. During the third quarter of 2018, the Company stopped selling accounts receivables under the agreement. The Company will continue to service the outstanding receivables until they are collected. The following is a summary of the stated amount of accounts receivable that was sold as well as fees charged by the financial institution.

(In millions)	Quarter Ended		Year-To-Date Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Accounts receivable sold	\$40.1	\$ 134.5	\$264.3	\$ 432.5
Fees charged	0.2	0.5	1.3	1.5

The fees charged are recorded in other expense. Net proceeds of this program are classified in operating activities in the consolidated condensed statements of cash flows. This program reduced the Company's accounts receivable by \$7.5 million, \$70.1 million and \$72.8 million as of September 29, 2018, December 30, 2017 and September 30, 2017, respectively.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS**Adoption of ASC Topic 606, "Revenue from Contracts with Customers"**

The Company has adopted ASU 2014-09, Revenue from Contracts with Customers, using the modified retrospective method applied to all contracts as of the date of application. The Company elected the practical expedient to not adjust customer consideration for the effects of a financing component given, at contract inception, the Company's customers are expected to pay for goods in one year or less. The Company also elected the practical expedient to expense costs associated with obtaining customer contracts given the associated performance obligation is less than one year. The Company has elected the practical expedient to treat shipping and handling activities that occur after control of the good transfers to the customer as fulfillment activities.

Revenue Recognition and Performance Obligations

Revenue is recognized upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration to be received in exchange for those goods or services. The Company identifies the performance obligation in the contract, determines the transaction price, allocates the transaction price to the performance obligations, and recognizes revenue upon completion of the performance obligation. Revenue is recognized net of variable consideration and any taxes collected from customers, which are subsequently remitted to governmental authorities.

Control of the Company's goods and services, and associated fixed revenue, are transferred to customers at a point in time. The Company's contract revenue consist of wholesale revenue and consumer-direct revenue. Wholesale revenue is recognized for products sourced by the Company when control transfers to the customer generally occurring upon the purchase, shipment or delivery of branded products by or to the customer. Consumer-direct includes eCommerce revenue that is recognized for products sourced by the Company when control transfers to the customer once the related goods have been shipped and retail store revenue recognized at time of sale. The point of purchase or shipment was evaluated to best represent when control transfers based on the Company's right of payment for the goods, the customer's legal title to the asset, the transfer of physical possession and the customer has the risks and rewards of the goods. Payment terms for the Company's revenue vary by sales channel. Standard credit terms apply to the Company's wholesale receivables, while payment is rendered at the time of sale within the consumer-direct channel.

The Company holds agreements to license symbolic intellectual property with minimum guarantees or fixed consideration. The Company recognizes the fixed consideration using time as an appropriate measure of progress and recognizes royalties only when cumulative royalties exceed the minimum guarantee. The Company believes time is the appropriate measure of progress and best represents a faithful depiction of the transfer of goods under the contract. The Company has \$47.4 million of remaining fixed transaction price under its license agreements as of September 29, 2018, which it expects to recognize per the terms of its contracts over the course of time through December 2024. The Company has elected to omit the remaining variable consideration under its

Table of Contents

license agreements given the Company recognizes revenue equal to what it has the right to invoice and that amount corresponds directly with the value to the customer of the Company's performance to date.

The Company provides disaggregated revenue by sales channel including the wholesale and consumer-direct sales channels reconciled to the Company's reportable operating segments. The wholesale channel includes royalty revenues given the similarity in the Company's oversight and management, customer base, the performance obligation (footwear and apparel goods) and point in time completion of the performance obligation.

(In millions)	Quarter Ended September 29, 2018			Year-To-Date Ended September 29, 2018		
	Wholesale	Consumer-Direct	Total	Wholesale	Consumer-Direct	Total
Wolverine Outdoor & Lifestyle Group	\$211.2	\$ 32.4	\$243.6	\$622.8	\$ 84.0	\$706.8
Wolverine Boston Group	183.7	30.9	214.6	577.3	87.4	664.7
Wolverine Heritage Group	79.9	4.2	84.1	219.4	11.5	230.9
Other	14.4	1.9	16.3	51.3	5.9	57.2
Total	\$489.2	\$ 69.4	\$558.6	\$1,470.8	\$ 188.8	\$1,659.6
(In millions)	Quarter Ended September 30, 2017			Year-To-Date Ended September 30, 2017		
	Wholesale	Consumer-Direct	Total	Wholesale	Consumer-Direct	Total
Wolverine Outdoor & Lifestyle Group	\$217.9	\$ 27.3	\$245.2	\$625.6	\$ 80.8	\$706.4
Wolverine Boston Group	192.7	30.9	223.6	628.0	130.3	758.3
Wolverine Heritage Group	86.5	2.7	89.2	231.6	7.4	239.0
Other	18.9	4.4	23.3	53.0	14.7	67.7
Total	\$516.0	\$ 65.3	\$581.3	\$1,538.2	\$ 233.2	\$1,771.4

Reserves for Variable Consideration

Revenue is recorded at the net sales price ("transaction price"), which includes estimates of variable consideration for which reserves are established. Components of variable consideration include product returns, customer markdowns, customer rebates and other sales incentives relating to the sale of the Company's products. These reserves, as detailed below, are based on the amounts earned, or to be claimed on the related sales. These estimates take into consideration a range of possible outcomes which are probability-weighted in accordance with the expected value method for relevant factors such as current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which it is entitled based on the terms of the respective underlying contracts. Revenue recognized during the year-to-date ended September 29, 2018, related to the Company's contract liabilities, was nominal.

The Company's contract balances are as follows:

(In millions)	September 29, 2018	December 30, 2017
Contract balances:		
Product returns reserve	\$ 13.7	\$ 12.6
Customer rebates liability	14.0	10.4
Customer markdowns reserve	4.9	6.4
Other sales incentives reserves	2.5	3.3
Customer advances liability	3.9	6.7

The amount of variable consideration which is included in the transaction price may be constrained, and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized under the contract will not occur in a future period. Actual amounts of consideration ultimately received may differ from initial estimates. If actual results in the future vary from initial estimates, the Company subsequently adjusts these estimates, which would affect net revenue and earnings in the period such variances become known.

Table of Contents**Product Returns**

Consistent with industry practice, the Company offers limited product return rights for damaged or other return scenarios. The Company estimates the amount of product sales that may be returned by customers and records this estimate as a reduction of revenue in the period the related product revenue is recognized, and a reduction to trade receivables, net on the consolidated condensed balance sheet. The Company believes there is sufficient current and historical information to record an estimate of the expected value of product returns although actual returns could differ from recorded amounts.

Rebates

The Company accrues for customer rebates related to customers who purchase required volumes or meet other criteria. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and an establishment of a current liability on the consolidated condensed balance sheet.

Markdowns

Markdowns represent the estimated reserve resulting from commitments to sell products to the Company's customers at prices lower than the list prices charged to customers who directly purchase the product from the Company. Customers charge the Company for the difference between what they pay for the product and the ultimate selling price to the end consumer. The reserve is established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and a reduction to trade receivables, net on the consolidated condensed balance sheet.

Other Sales Incentives

The Company accrues for other customer allowances for certain customers that purchase required volumes or meet other criteria. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and a reduction to trade receivables, net on the consolidated condensed balance sheet depending on the nature of the item.

Customer Advances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets), and customer advances (contract liabilities) on the consolidated condensed balance sheet. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, the Company sometimes receives advances from customers, before revenue is recognized, resulting in contract liabilities. Customer advances are recorded in the Other accrued liabilities line item on the consolidated condensed balance sheets.

7. DEBT

Total debt consists of the following obligations:

(In millions)	September 29, 2018	December 30, 2017	September 30, 2017
Term Loan A, due July 13, 2020	\$ 415.6	\$ 538.1	\$ 549.4
Senior Notes, 5.000% interest, due September 1, 2026	250.0	250.0	250.0
Borrowings under revolving credit agreements and other short-term notes	1.5	0.5	3.7
Capital lease obligation	0.4	0.5	0.5
Unamortized debt issuance costs	(5.0	) (6.5	) (6.9
Total debt	\$ 662.5	\$ 782.6	\$ 796.7

On September 15, 2016, the Company amended its credit agreement (as amended, the "Credit Agreement"). The Credit Agreement provided a \$588.8 million term loan facility ("Term Loan A") and a \$600.0 million revolving credit facility (the "Revolving Credit Facility"), both with maturity dates of July 13, 2020. The Credit Agreement's debt capacity is limited to an aggregate debt amount (including outstanding term loan principal and revolver commitment amounts in addition to permitted incremental debt) not to exceed \$1,750.0 million, unless certain specified conditions set forth in the Credit Agreement are met. Term Loan A requires quarterly principal payments with a balloon payment due on July 13, 2020. In addition to the scheduled quarterly principal payments, the Company made a \$100.0 million voluntary principal payment in the first quarter of 2018. The scheduled principal payments due over the next 12 months total \$60.0 million as of September 29, 2018 and are recorded as current maturities of long-term debt on the consolidated condensed balance sheet.

The Revolving Credit Facility allows the Company to borrow up to an aggregate amount of \$600.0 million, which includes a \$200.0 million foreign currency subfacility under which borrowings may be made, subject to certain conditions, in Canadian dollars, British pounds, euros, Hong Kong dollars, Swedish kronor, Swiss francs and such additional currencies as are determined

Table of Contents

in accordance with the Credit Agreement. The Revolving Credit Facility also includes a \$50.0 million swingline subfacility and a \$50.0 million letter of credit subfacility. The Company had outstanding letters of credit under the Revolving Credit Facility of \$2.5 million as of September 29, 2018, December 30, 2017 and September 30, 2017, respectively. These outstanding letters of credit reduce the borrowing capacity under the Revolving Credit Facility. The interest rates applicable to amounts outstanding under Term Loan A and to U.S. dollar denominated amounts outstanding under the Revolving Credit Facility will be, at the Company's option, either (1) the Alternate Base Rate plus an Applicable Margin as determined by the Company's Consolidated Leverage Ratio, within a range of 0.25% to 1.00%, or (2) the Eurocurrency Rate plus an Applicable Margin as determined by the Company's Consolidated Leverage Ratio, within a range of 1.25% to 2.00% (all capitalized terms used in this sentence are as defined in the Credit Agreement). The Company has an interest rate swap arrangement that reduces the Company's exposure to fluctuations in interest rates on its variable rate debt. At September 29, 2018, Term Loan A had a weighted-average interest rate of 3.36%.

The obligations of the Company pursuant to the Credit Agreement are guaranteed by substantially all of the Company's material domestic subsidiaries and secured by substantially all of the personal and real property of the Company and its material domestic subsidiaries, subject to certain exceptions.

The Credit Agreement also contains certain affirmative and negative covenants, including covenants that limit the ability of the Company and its Restricted Subsidiaries to, among other things: incur or guarantee indebtedness; incur liens; pay dividends or repurchase stock; enter into transactions with affiliates; consummate asset sales, acquisitions or mergers; prepay certain other indebtedness; or make investments, as well as covenants restricting the activities of certain foreign subsidiaries of the Company that hold intellectual property related assets. Further, the Credit Agreement requires compliance with the following financial covenants: a maximum Consolidated Leverage Ratio; a maximum Consolidated Secured Leverage Ratio; and a minimum Consolidated Interest Coverage Ratio (all capitalized terms used in this paragraph are as defined in the Credit Agreement). As of September 29, 2018, the Company was in compliance with all covenants and performance ratios under the Credit Agreement.

The Company has \$250.0 million of senior notes outstanding that are due on September 1, 2026 (the "Senior Notes"). The Senior Notes bear interest at 5.00% with the related interest payments due semi-annually. The Senior Notes are guaranteed by substantially all of the Company's domestic subsidiaries.

The Company has a foreign revolving credit facility with aggregate available borrowings of \$2.0 million that are uncommitted and, therefore, each borrowing against the facility is subject to approval by the lender. Borrowings against this facility were \$1.5 million as of September 29, 2018. During 2017, the facility had aggregate available borrowings of \$4.0 million, with amounts outstanding of \$0.5 million and \$3.6 million as of December 30, 2017 and September 30, 2017, respectively.

The Company has a capital lease obligation with payments scheduled to continue through February 2022.

The Company included in interest expense the amortization of deferred financing costs of \$0.6 million and \$2.2 million for the quarter and year-to-date ended September 29, 2018, respectively. The Company included in interest expense the amortization of deferred financing costs of \$0.7 million and \$2.1 million for the quarter and year-to-date ended September 30, 2017, respectively.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Company follows FASB ASC Topic 815, Derivatives and Hedging ("ASC 815") which requires that all derivative instruments be recorded on the consolidated condensed balance sheets at fair value by establishing criteria for designation and effectiveness of hedging relationships. The Company does not hold or issue financial instruments for trading purposes.

The Company utilizes foreign currency forward exchange contracts to manage the volatility associated primarily with U.S. dollar inventory purchases made by non-U.S. wholesale operations in the normal course of business. These foreign currency forward exchange hedge contracts extend out to a maximum of 545 days, 356 days and 363 days, as of September 29, 2018, December 30, 2017 and September 30, 2017, respectively. The Company also utilizes foreign currency forward exchange contracts that are not designated as hedging instruments to manage foreign currency translation exposure. Foreign currency derivatives not designated as hedging instruments are offset by foreign exchange gains or losses resulting from the underlying exposures of foreign currency denominated assets and

liabilities.

The Company has an interest rate swap arrangement, which unless otherwise terminated, will mature on July 13, 2020. This agreement, which exchanges floating rate for fixed rate interest payments over the life of the agreement without the exchange of the underlying notional amounts, has been designated as a cash flow hedge of the debt. The notional amount of the interest rate swap arrangement is used to measure interest to be paid or received and do not represent the amount of exposure to credit loss.

15

Table of Contents

The Company has a cross currency swap to minimize the impact of exchange rate fluctuations. The hedging instrument, which, unless otherwise terminated, will mature on September 1, 2021, has been designated as a hedge of a net investment in a foreign operation. The Company will pay 2.75% on the euro-denominated notional amount and receive 5.00% on the U.S. dollar notional amount, with an exchange of principal at maturity. Changes in fair value related to movements in the foreign currency exchange spot rate are recorded in accumulated other comprehensive income (loss) (“AOCI”), offsetting the currency translation adjustment related to the underlying net investment that is also recorded in AOCI. All other changes in fair value are recorded in interest expense.

The notional amounts of the Company’s derivative instruments are as follows:

(Dollars in millions)	September 29, 2018	December 30, 2017	September 30, 2017
-----------------------	-----------------------	----------------------	-----------------------

Foreign exchange contracts:

Hedge contracts	\$ 215.5	\$ 162.7	\$ 159.8
Non-hedge contracts	8.1	—	—
Interest rate swaps	376.1	446.9	464.0
Cross currency swap	95.8	106.4	106.4

The recorded fair values of the Company’s derivative instruments are as follows:

(In millions)	September 29, 2018	December 30, 2017	September 30, 2017
---------------	-----------------------	----------------------	-----------------------

Financial assets:

Foreign exchange contracts - hedge	\$ 3.9	\$ 0.3	\$ 0.2
Interest rate swaps	3.6	—	—

Financial liabilities:

Foreign exchange contracts - hedge	\$ (0.2)	\$ (5.0)	\$ (5.6)
Interest rate swaps	—	(0.3)	(3.0)
Cross currency swap	(12.1)	(13.8)	(11.8)

Hedge effectiveness on the foreign exchange contracts is evaluated by the hypothetical derivative method. Any hedge ineffectiveness is reported within the cost of goods sold line item in the consolidated condensed statements of operations. Hedge ineffectiveness was not material to the Company’s consolidated condensed financial statements for the year-to-date ended September 29, 2018 and September 30, 2017. If, in the future, the foreign exchange contracts are determined to be ineffective hedges or terminated before their contractual termination dates, the Company would be required to reclassify into earnings all or a portion of the unrealized amounts related to the cash flow hedges that are currently included in AOCI within stockholders’ equity.

The differential paid or received on the interest rate swap arrangements is recognized as interest expense. In accordance with ASC 815, the Company has formally documented the relationship between the interest rate swaps and the variable rate borrowings, as well as its risk management objective and strategy for undertaking the hedge transaction. This process included linking the derivative to the specific liability or asset on the balance sheet. The Company also assessed at the hedges’ inception, and continues to assess on an ongoing basis, whether the derivatives used in the hedging transaction are highly effective in offsetting changes in the cash flows of the hedged item. The effective portion of unrealized gains (losses) is deferred as a component of AOCI and will be recognized in earnings at the time the hedged item affects earnings. Any ineffective portion of the change in fair value will be immediately recognized as a component of interest expense. Hedge ineffectiveness was not material to the Company’s consolidated condensed financial statements for the year-to-date ended September 29, 2018 and September 30, 2017.

Hedge effectiveness on the cross currency swap is assessed using the spot method. In accordance with ASC 815, the Company has formally documented the relationship between the cross currency swap and the Company’s investment in its euro-denominated subsidiary, as well as its risk management objective and strategy for undertaking the hedge transaction. This process included linking the derivative to its net investment on the balance sheet. The Company also assessed at the hedges’ inception, and continues to assess on an ongoing basis, whether the derivative used in the hedging transaction is highly effective in offsetting changes in expected cash flows of the hedged item. The effective portion of unrealized gains (losses) is deferred as a component of AOCI and will be recognized in earnings at the time

the hedged item affects earnings. Any ineffective portion of the change in fair value will be immediately recognized as a component of interest expense. The Company's cross currency swap has remained effective since inception through the quarter ending September 29, 2018.

Table of Contents**9. STOCK-BASED COMPENSATION**

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of FASB ASC Topic 718, Compensation – Stock Compensation. The Company recognized compensation expense of \$7.0 million and \$21.2 million, and related income tax benefits of \$1.4 million and \$4.3 million, for grants under its stock-based compensation plans for the quarter and year-to-date ended September 29, 2018, respectively. The Company recognized compensation expense of \$6.1 million and \$19.1 million, and related income tax benefits of \$2.0 million and \$6.4 million, for grants under its stock-based compensation plans for the quarter and year-to-date ended September 30, 2017, respectively.

The Company grants restricted stock or units (“restricted awards”), performance-based restricted stock or units (“performance awards”) and stock options under its stock-based compensation plans.

During the year-to-date ended September 29, 2018, the Company issued 601,320 restricted awards at a weighted average grant date fair value of \$31.78 per award. During the year-to-date ended September 30, 2017, the Company issued 759,264 restricted awards at a weighted average grant date fair value of \$23.04 per award.

During the year-to-date ended September 29, 2018, the Company issued 384,657 performance awards at a weighted average grant date fair value of \$32.13 per award. During the year-to-date ended September 30, 2017, the Company issued 503,482 performance awards at a weighted average grant date fair value of \$25.17 per award.

10. RETIREMENT PLANS

The following is a summary of net pension and Supplemental Executive Retirement Plan (“SERP”) expense recognized by the Company.

(In millions)	Quarter Ended		Year-To-Date Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Service cost pertaining to benefits earned during the period	\$ 1.5	\$ 1.8	\$ 4.6	\$ 5.4
Interest cost on projected benefit obligations	4.1	4.5	12.4	13.3
Expected return on pension assets	(5.4)	(5.0)	(15.5)	(14.8)
Net amortization loss	0.8	2.4	2.5	7.3
Net pension expense	\$ 1.0	\$ 3.7	\$ 4.0	\$ 11.2

The non-service cost components of net pension expense is recorded in the Other expense (income), net line item on the consolidated condensed statements of operations and comprehensive income. The Company made contributions to its pension plans of \$60.7 million and \$11.1 million in first three quarters of 2018 and 2017, respectively.

11. INCOME TAXES

The Company maintains management and operational activities in overseas subsidiaries, and its foreign earnings are taxed at rates that are different than the U.S. federal statutory income tax rate. A significant amount of the Company’s earnings are generated by its Canadian, European and Asian subsidiaries and, to a lesser extent, in jurisdictions that are not subject to income tax.

On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) was enacted which significantly changes U.S. corporate income tax laws by, among other things, reducing the U.S. corporate income tax rate to 21% starting in 2018 and creating a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries. The amounts recorded in fiscal 2017 due to the enactment of the TCJA continue to be the Company's best estimate based on the current information and guidance available at this time and represent provisional estimates of the transition tax. As allowed under SAB 118, remeasurement of deferred tax accounts and deferred tax liability on future dividends associated with the TCJA, which was not significant, was finalized with the filing of the U.S. corporate tax return in October 2018.

As a result of the TCJA, the Company now intends to repatriate cash held in foreign jurisdictions and has recorded a deferred tax liability related to estimated state taxes and foreign withholding taxes on the future dividends received in the U.S. from the foreign subsidiaries. The Company intends to permanently reinvest all non-cash undistributed earnings outside of the U.S. However, if these non-cash undistributed earnings were repatriated, the Company would be required to accrue and pay applicable U.S. taxes and withholding taxes payable to various countries. It is not practicable to estimate the amount of the deferred tax liability associated with these non-cash unremitted earnings due

to the complexity of the hypothetical calculation.

17

Table of Contents

The Company's effective tax rates for the quarter and year-to-date ended September 29, 2018 were 7.8% and 13.7%, respectively. The Company's effective tax rates for the quarter and year-to-date ended September 30, 2017 were 15.9% and 14.6%, respectively. The lower effective tax rate in the current year periods reflects the positive net impact from one-time discrete items primarily due to voluntary pension contributions of \$60.0 million in 2018 that were deductible on the 2017 U.S. tax return. The contributions created a tax return deduction at 35% offset by a reduction of the associated deferred tax asset established at year end 2017 at 21% for a net tax benefit in 2018 of 14%. These discrete benefits were partially offset by a shift in income between tax jurisdictions with differing tax rates primarily associated with an increase in U.S. income compared to the prior year that included restructuring and impairment costs and organizational transformation costs. The tax increase resulting from the shift in income was partially offset by a lower U.S. corporate tax rate following enactment of the TCJA.

The Company is subject to periodic audits by domestic and foreign tax authorities. Currently, the Company is undergoing routine periodic audits in both domestic and foreign tax jurisdictions. It is reasonably possible that the amounts of unrecognized tax benefits could change in the next 12 months as a result of the audits; however, any payment of tax is not expected to be significant to the consolidated condensed financial statements.

The Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2014 in the majority of tax jurisdictions.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

AOCI represents net earnings and any revenue, expenses, gains and losses that, under U.S. GAAP, are excluded from net earnings and recognized directly as a component of stockholders' equity.

The change in accumulated other comprehensive income (loss) during the quarters ended September 29, 2018 and September 30, 2017 is as follows:

(In millions)	Foreign currency translation adjustments	Derivatives	Pension adjustments	Total
Balance of AOCI as of July 1, 2017	\$ (41.6)	\$ (9.7)	\$ (27.2)	\$(78.5)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	8.8	(5.4)	—	3.4
Amounts reclassified from AOCI	—	(0.1) ⁽²⁾	2.4 ⁽³⁾	2.3
Income tax expense (benefit)	—	(0.1)	(0.8)	(0.9)
Net reclassifications	—	(0.2)	1.6	1.4
Net current-period other comprehensive income (loss) ⁽¹⁾	8.8	(5.6)	1.6	4.8
Balance of AOCI as of September 30, 2017	\$ (32.8)	\$ (15.3)	\$ (25.6)	\$(73.7)
Balance of AOCI as of June 30, 2018	\$ (45.7)	\$ (4.0)	\$ (33.2)	\$(82.9)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	1.0	(0.2)	—	0.8
Amounts reclassified from AOCI	—	0.8 ⁽²⁾	0.8 ⁽³⁾	1.6
Income tax expense (benefit)	—	(0.5)	(0.2)	(0.7)
Net reclassifications	—	0.3	0.6	0.9
Net current-period other comprehensive income (loss) ⁽¹⁾	1.0	0.1	0.6	1.7
Balance of AOCI as of September 29, 2018	\$ (44.7)	\$ (3.9)	\$ (32.6)	\$(81.2)

⁽¹⁾ Other comprehensive income (loss) is reported net of taxes and noncontrolling interest.

⁽²⁾ Amounts related to foreign currency derivatives are included in cost of goods sold. Amounts related to interest rate swaps and the cross currency swap are included in interest expense.

⁽³⁾ Amounts reclassified are included in the computation of net pension expense.

Table of Contents

The change in accumulated other comprehensive income (loss) during the year-to-date ended September 29, 2018 and September 30, 2017 is as follows:

(In millions)	Foreign currency translation adjustments	Derivatives	Pension adjustments	Total
Balance of AOCI as of December 31, 2016	\$ (53.5)	\$ 2.8	\$ (30.4)	\$(81.1)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	20.7	(15.6)	—	5.1
Amounts reclassified from AOCI	—	(2.7)	7.3	4.6 ⁽³⁾
Income tax expense (benefit)	—	0.2	(2.5)	(2.3)
Net reclassifications	—	(2.5)	4.8	2.3
Net current-period other comprehensive income (loss) ⁽¹⁾	20.7	(18.1)	4.8	7.4
Balance of AOCI as of September 30, 2017	\$ (32.8)	\$ (15.3)	\$ (25.6)	\$(73.7)
Balance of AOCI as of December 30, 2017	\$ (32.7)	\$ (13.9)	\$ (28.6)	\$(75.2)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	(12.0)	7.4	—	(4.6)
Amounts reclassified from AOCI	—	6.7	2.5	9.2 ⁽³⁾
Income tax expense (benefit)	—	(2.0)	(0.5)	(2.5)
Net reclassifications	—	4.7	2.0	6.7
Net current-period other comprehensive income (loss) ⁽¹⁾	(12.0)	12.1	2.0	2.1
Reclassifications to retained earnings ⁽⁴⁾	—	(2.1)	(6.0)	(8.1)
Balance of AOCI as of September 29, 2018	\$ (44.7)	\$ (3.9)	\$ (32.6)	\$(81.2)

⁽¹⁾ Other comprehensive income (loss) is reported net of taxes and noncontrolling interest.

⁽²⁾ Amounts related to foreign currency derivatives are included in cost of goods sold. Amounts related to interest rate swaps and the cross currency swap are included in interest expense.

⁽³⁾ Amounts reclassified are included in the computation of net pension expense.

⁽⁴⁾ Amounts reclassified to retained earnings upon adoption of ASU 2017-12 and ASU 2018-02.

13. FAIR VALUE MEASUREMENTS

The Company follows FASB ASC Topic 820, Fair Value Measurements and Disclosures (“ASC 820”), which provides a consistent definition of fair value, focuses on exit price, prioritizes the use of market-based inputs over entity-specific inputs for measuring fair value and establishes a three-tier hierarchy for fair value measurements. ASC 820 requires fair value measurements to be classified and disclosed in one of the following three categories:

Level 1: Fair value is measured using quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Fair value is measured using either direct or indirect inputs, other than quoted prices included within Level 1, which are observable for similar assets or liabilities.

Level 3: Fair value is measured using valuation techniques in which one or more significant inputs are unobservable.

Table of Contents

Recurring Fair Value Measurements

The following table sets forth financial assets and liabilities measured at fair value in the consolidated condensed balance sheets and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy.

(In millions)	Fair Value Measurements		
	Quoted Prices With Other Observable		
	Inputs (Level 2)		
	September 29, 2018	December 30, 2017	September 30, 2017
Financial assets:			
Derivatives	\$7.5	\$ 0.3	\$ 0.2
Financial liabilities:			
Derivatives	\$(12.3)	\$(19.1)	\$(20.4)

The fair value of foreign currency forward exchange contracts represents the estimated receipts or payments necessary to terminate the contracts. The interest rate swaps are valued based on the current forward rates of the future cash flows. The fair value of the cross currency swap is determined using the current forward rates and changes in the spot rate.

Fair Value Disclosures

The Company's financial instruments that are not recorded at fair value consist of cash and cash equivalents, accounts and notes receivable, accounts payable, borrowings under revolving credit agreements and other short-term and long-term debt. The carrying amount of these financial instruments is historical cost, which approximates fair value, except for the debt. The carrying value and the fair value of the Company's debt, excluding capital leases, are as follows:

(In millions)	September 29, 2018	December 30, 2017	September 30, 2017
Carrying value	\$ 662.1	\$ 782.1	\$ 796.2
Fair value	668.7	802.5	815.2

The fair value of the fixed rate debt was based on third-party quotes (Level 2). The fair value of the variable rate debt was calculated by discounting the future cash flows to its present value using a discount rate based on the risk-free rate of the same maturity (Level 3).

14. LITIGATION AND CONTINGENCIES

Litigation

The Company operated a leather tannery in Rockford, Michigan from the early 1900s through 2009 (the "Tannery"). The Company also owns a parcel on House Street in Plainfield Township that the Company used for the disposal of Tannery byproducts until about 1970 (the "House Street" site). Beginning in the late 1950s, the Company used 3M Company's Scotchgard™ in its processing of certain leathers at the Tannery. Until 2002 when 3M changed its Scotchgard™ formula, Tannery byproducts disposed of by the Company at the House Street site and other locations may have contained PFOA and/or PFOS, two chemicals in the family of compounds known as per- and polyfluoroalkyl substances (together, "PFAS"). PFOA and PFOS help provide non-stick, stain-resistant, and water-resistant qualities, and were used for many decades in commercial products like firefighting foams and metal plating, and in common consumer items like food wrappers, microwave popcorn bags, pizza boxes, Teflon™, carpets, and Scotchgard™. The United States Centers for Disease Control and Prevention has concluded that studies of the health effects of PFOA and PFOS are "inconsistent and inconclusive," but in May 2016 the Environmental Protection Agency ("EPA") announced a lifetime health advisory level of 70 parts per trillion ("ppt") combined for PFOA and PFOS. Lifetime health advisories, while not enforceable, serve as guidance and are benchmarks for determining if concentrations of chemicals in tap water from public utilities are safe for public consumption. On January 9, 2018, the Michigan Department of Environmental Quality ("MDEQ") announced it developed a drinking water criterion of 70 ppt combined for PFOA and PFOS, which sets an official state standard for acceptable concentrations of these contaminants in groundwater used for drinking water purposes. This combined criterion took effect January 10, 2018.

The Company has been served with two regulatory actions including a civil action filed by the MDEQ under the federal Resource Conservation and Recovery Act of 1976 (“RCRA”), and a Unilateral Administrative Order issued by the EPA under the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”) Section 106. The Company has also been served with individual lawsuits and two putative class action lawsuits.

Table of Contents

Regulatory and Civil Actions of EPA and MDEQ

On January 10, 2018, the MDEQ filed a civil action against the Company under the federal RCRA alleging that the Company's past and present handling, storage, treatment, transportation and/or disposal of solid waste at the Company's properties has contributed to the disposal of solid wastes that was done in a way that resulted in releases of PFAS at levels that resulted in detections exceeding applicable Michigan cleanup criteria for PFOA and PFOS.

The MDEQ Action seeks to require the Company to investigate the location and extent of PFAS in the environment, develop and implement plans for the continued sampling and analysis of impacts to drinking water wells from PFAS released or disposed of by the Company, and provide alternative drinking water supplies to homes impacted by PFAS for which the Company is allegedly responsible. The MDEQ Action further seeks to require the Company to connect users of drinking water wells to municipal drinking water supplies to address allegedly unacceptable risks posed by a release or threat of release of PFAS attributable to the Company. The Company is working with the MDEQ to analyze the House Street and other relevant disposal sites, test nearby residential drinking water wells and coordinate communications to impacted homeowners. The Company's current remediation efforts have included, amongst other items, providing alternate drinking water to impacted homes, including bottled water and water filtration systems.

On January 10, 2018, the EPA entered a Unilateral Administrative Order (the "Order") under Section 106(a) of CERCLA, 42 U.S.C. § 9606(a). The effective date of the Order was February 1, 2018. The Order pertains to the Company's Tannery and House Street sites and directs the Company to conduct specified removal actions to abate actual or threatened releases of hazardous substances at or from the sites. On February 1, 2018, the Company filed its Notice of Intent to Comply with the EPA Order, which outlined the Company's position on certain aspects of the proposed Order. In its response, the Company has agreed to comply with the terms of the Order, but has identified inaccuracies and shortcomings in the Order that challenge the legal basis for the Order. Pursuant to the Order, in May and June of 2018, the Company submitted to the EPA its final removal work plans for performing the removal actions at the Tannery and House Street sites. The Company has also provided the EPA with other submittals required by the Order, including a Sampling and Analysis Plan, Health and Safety Plan, Quality Assurance Project Plan, monthly progress reports and other technical reports.

The Company discusses its reserve for remediation costs in the environmental liabilities section below.

Individual Litigation Actions

Individual lawsuits as well as two putative class action lawsuits have been filed against the Company that raise a variety of claims, including claims related to property, remediation, and human health effects. Assessing potential liability with respect to the putative class actions and individual lawsuits at this time, however, is difficult. There is minimal direct and relevant precedent for these types of claims related to PFAS. In addition, the science regarding the human health effects of PFAS exposure in the environment remains inconclusive and inconsistent, thereby creating additional uncertainties. Due to these factors, combined with the complexities and uncertainties of litigation, the Company is unable to conclude that adverse verdicts resulting from the class actions and individual actions are probable, and therefore no amounts are currently reserved for these claims. The Company intends to continue to vigorously defend itself against these claims.

Other Litigation

The Company is also involved in litigation incidental to its business and is a party to legal actions and claims, including, but not limited to, those related to employment and intellectual property. Some of the legal proceedings include claims for compensatory as well as punitive damages. While the final outcome of these matters cannot be predicted with certainty, considering, among other things, the meritorious legal defenses available and liabilities that have been recorded along with applicable insurance, it is management's opinion that the outcome of these items are not expected to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Environmental Liabilities

The Company has established a reserve for estimated environmental remediation costs based upon an evaluation of currently available facts with respect to each individual site. The Company incurred \$0.9 million of environmental remediation costs during the year-to-date ended September 29, 2018 and \$31.1 million during 2017, which net of payments, resulted in a reserve of \$23.4 million as of September 29, 2018. The reserve is comprised of \$11.5 million

that is expected to be paid in the next 12 months and is recorded as a current obligation in other accrued liabilities, with the remaining \$11.9 million recorded in other liabilities and is expected to be paid over the course of up to 30 years. The Company records liabilities for remediation costs on an undiscounted basis when they are probable and reasonably estimable, generally no later than the completion of feasibility studies or the Company's commitment to a plan of action. Liabilities for estimated costs of environmental remediation are based primarily upon third-party environmental studies, other internal analysis and the extent of the contamination and the nature of required remedial actions at

21

Table of Contents

each site. The Company expects that it will pay the amounts accrued over the periods of remediation for the applicable sites, currently ranging up to 30 years.

The Company's remediation activity at the Tannery and other sites where the Company disposed of Tannery byproducts is largely ongoing and in the early stages. It is difficult to estimate the cost of environmental compliance and remediation given the uncertainties regarding the interpretation and enforcement of applicable environmental laws and regulations, the extent of environmental contamination and the existence of alternative cleanup methods.

Developments may occur that could materially change the Company's current cost estimates, including, but not limited to: (i) changes in the information available regarding the environmental impact of the Company's operations and products; (ii) changes in environmental regulations, changes in permissible levels of specific compounds in drinking water sources, or changes in enforcement theories and policies, including efforts to recover natural resource damages; (iii) new and evolving analytical and remediation techniques; (iv) changes to the form of remediation; (v) success in allocating liability to other potentially responsible parties; and (vi) the financial viability of other potentially responsible parties and third-party indemnitors. For locations at which remediation activity is largely ongoing, the Company cannot estimate the possible costs or range of costs in excess of the associated established reserves for the reasons described above. The Company adjusts recorded liabilities as further information develops or circumstances change.

Minimum Royalties and Advertising Commitments

Minimum future royalty and advertising obligations for the fiscal periods subsequent to September 29, 2018 under the terms of certain licenses held by the Company are as follows:

(In millions)	2018	2019	2020	2021	2022	Thereafter
Minimum royalties	\$ —	\$ 1.5	\$ 1.5	\$ —	\$ —	—
Minimum advertising	0.7	3.1	3.2	3.3	3.4	7.0

Minimum royalties are based on both fixed obligations and assumptions regarding the Consumer Price Index. Royalty obligations in excess of minimum requirements are based upon future sales levels. In accordance with these agreements, the Company incurred royalty expense of \$0.6 million and \$1.7 million for the quarter and year-to-date ended September 29, 2018, respectively. For the quarter and year-to-date ended September 30, 2017, the Company incurred royalty expense, in accordance with these agreements, of \$0.7 million and \$1.8 million, respectively.

The terms of certain license agreements also require the Company to make advertising expenditures based on the level of sales of the licensed products. In accordance with these agreements, the Company incurred advertising expense of \$0.5 million and \$2.2 million for the quarter and year-to-date ended September 29, 2018, respectively. For the quarter and year-to-date ended September 30, 2017, the Company incurred advertising expense, in accordance with these agreements, of \$0.9 million and \$2.5 million, respectively.

15. BUSINESS SEGMENTS

The Company's portfolio of brands is organized into the following three operating segments, which the Company has determined to be reportable operating segments. During the first quarter of 2018, the Kids footwear business was realigned into the Wolverine Boston Group and the multi-brand consumer-direct component is now reported within the other category. All prior period disclosures have been restated to reflect these new reportable operating segments.

• **Wolverine Outdoor & Lifestyle Group**, consisting of Merrell® footwear and apparel, Cat® footwear, Hush Puppies® footwear and apparel, Chaco® footwear and Sebago® footwear and apparel;

• **Wolverine Boston Group**, consisting of Sperry® footwear and apparel, Saucony® footwear and apparel and Keds® footwear and apparel, and the Kids footwear business that includes the Stride Rite® licensed business, as well as kid's footwear offerings from Saucony®, Sperry®, Keds®, Merrell® and Hush Puppies®; and

• **Wolverine Heritage Group**, consisting of Wolverine® footwear and apparel, Bates® uniform footwear, 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 for the reportable operating segments includes revenue from the sale of branded footwear, apparel and accessories to third-party customers; revenue from third-party licensees and distributors; and revenue from the Company's consumer-direct businesses.

The Company also reports “Other” and “Corporate” categories. The Other category consists of the Company’s multi-branded consumer-direct retail stores, leather marketing operations and sourcing operations that include third-party commission revenues. The Corporate category consists of unallocated corporate expenses, including restructuring and other related costs, organizational transformation costs and environmental and other related costs. The Company’s operating segments are determined based on how

Table of Contents

the Company internally reports and evaluates financial information used to make operating decisions. The operating segment managers all report directly to the chief operating decision maker.

Company management uses various financial measures to evaluate the performance of the reportable operating segments. The following is a summary of certain key financial measures for the respective fiscal periods indicated.

(In millions)	Quarter Ended		Year-To-Date Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Revenue:				
Wolverine Outdoor & Lifestyle Group	\$243.6	\$ 245.2	\$706.8	\$ 706.4
Wolverine Boston Group	214.6	223.6	664.7	758.3
Wolverine Heritage Group	84.1	89.2	230.9	239.0
Other	16.3	23.3	57.2	67.7
Total	\$558.6	\$ 581.3	\$1,659.6	\$ 1,771.4
Operating profit (loss):				
Wolverine Outdoor & Lifestyle Group	\$52.8	\$ 53.3	\$152.7	\$ 148.2
Wolverine Boston Group	37.6	38.3	120.0	116.0
Wolverine Heritage Group	16.6	16.4	42.5	37.2
Other	0.4	1.9	2.9	3.9
Corporate	(39.0)	(72.7)	(120.1)	(202.4)
Total	\$68.4	\$ 37.2	\$198.0	\$ 102.9
(In millions)	September 29, 2018	December 30, 2017	September 30, 2017	
Total assets:				
Wolverine Outdoor & Lifestyle Group	\$ 492.7	\$ 420.4	\$ 472.0	
Wolverine Boston Group	1,264.1	1,245.0	1,341.1	
Wolverine Heritage Group	157.6	136.7	148.1	
Other	45.2	42.1	42.7	
Corporate	309.5	554.8	414.8	
Total	\$ 2,269.1	\$ 2,399.0	\$ 2,418.7	
Goodwill:				
Wolverine Outdoor & Lifestyle Group	\$ 127.9	\$ 128.8	\$ 128.6	
Wolverine Boston Group	283.1	284.5	284.8	
Wolverine Heritage Group	16.5	16.5	16.5	
Total	\$ 427.5	\$ 429.8	\$ 429.9	

16. RESTRUCTURING ACTIVITIES**2017 Plan**

Beginning in the second quarter of 2017, the Company implemented certain organizational changes and initiated the sale of certain assets and a change to the distribution model for certain brands (the "2017 Plan"). The Company completed the 2017 Plan during the fourth quarter of 2017. The Company expects annual pretax benefits of approximately \$11.0 million as a result of the 2017 Plan. Costs incurred related to the 2017 Plan have been recorded within the Corporate category. The cumulative costs incurred is \$11.3 million, with \$1.5 million recorded in the restructuring costs line item as a component of cost of goods sold, and \$9.8 million recorded in the restructuring and other related costs line item as a component of operating expenses.

Table of Contents

The following is a summary of the activity during the year-to-date ended September 29, 2018 and September 30, 2017, with respect to a reserve established by the Company in connection with the 2017 Plan, by category of costs.

(In millions)	Severance and employee related	Impairment of property and equipment	Costs associated with exit or disposal activities	Total
Balance at December 31, 2016	\$ —	\$ —	\$ —	\$—
Restructuring costs	3.8	1.6	1.1	6.5
Amounts paid	(1.7)	—	—	(1.7)
Charges against assets	—	(1.6)	(1.0)	(2.6)
Balance at September 30, 2017	\$ 2.1	\$ —	\$ 0.1	\$2.2
Balance at December 30, 2017	\$ 3.3	\$ —	\$ —	\$3.3
Amounts paid	(2.8)	—	—	(2.8)
Balance at September 29, 2018	\$ 0.5	\$ —	\$ —	\$0.5

2016 Plan

On October 6, 2016, the Board of Directors of the Company approved a realignment of the Company's consumer-direct operations (the "2016 Plan"), which resulted in the closure of certain retail stores. The Company closed 266 retail stores in connection with the 2016 Plan, which was completed during the fourth quarter of 2017. The Company expects annual pretax benefits of approximately \$20.0 million as a result of the 2016 Plan. Costs incurred related to the 2016 Plan have been recorded within the Corporate category. The cumulative costs incurred is \$75.1 million, with \$10.2 million recorded in the restructuring costs line item as a component of cost of goods sold, and \$64.9 million recorded in the restructuring and other related costs line item as a component of operating expenses. The following is a summary of the activity during the year-to-date ended September 29, 2018 and September 30, 2017, with respect to a reserve established by the Company in connection with the 2016 Plan, by category of costs.

(In millions)	Severance and employee related	Impairment of property and equipment	Costs associated with exit or disposal activities	Total
Balance at December 31, 2016	\$ 0.8	\$ —	\$ 1.2	\$2.0
Restructuring costs	3.2	8.0	55.6	66.8
Amounts paid	(3.8)	—	(50.7)	(54.5)
Charges against assets	—	(8.0)	(3.8)	(11.8)
Balance at September 30, 2017	\$ 0.2	\$ —	\$ 2.3	\$2.5
Balance at December 30, 2017	\$ 0.3	\$ —	\$ 1.4	\$1.7
Amounts paid	(0.3)	—	(1.1)	(1.4)
Balance at September 29, 2018	\$ —	\$ —	\$ 0.3	\$0.3

Other Restructuring Activities

During the year-to-date ended September 30, 2017, the Company recorded restructuring costs of \$1.3 million in connection with certain organizational changes. The costs associated with these restructuring activities were recorded within the Company's Corporate category in the restructuring and other related costs line item as a component of operating expenses.

Table of Contents

17. DIVESTITURES

In the third quarter of 2017, the Company entered into a global, multi-year licensing agreement of the Stride Rite® brand. As part of this agreement, the Company agreed to sell inventory and certain other assets and liabilities related to the Stride Rite® brand and provide certain transition services to the licensee. The Company received cash and other consideration of \$16.9 million for the sale of these assets and liabilities and recognized a gain of \$0.2 million, which is included in the selling, general and administrative expenses line item on the consolidated condensed statement of operations and comprehensive income. The assets and liabilities sold, which were included in the Wolverine Boston Group, are as follows:

(In millions)	Book Value
Inventory	\$17.1
Prepaid expenses and other current assets	1.4
Other accrued liabilities	(1.8)
Total assets and liabilities sold	\$16.7

In the third quarter of 2017, the Company sold certain intangible and other assets related to the Sebago® brand. As part of this agreement, the buyer acquired the intellectual property rights to design, manufacture and market all products under the Sebago® brand. The Company received \$14.3 million in the third quarter of 2017 and recognized a gain on sale of \$8.4 million, net of transaction costs, which is included in the selling, general and administrative expenses line item on the consolidated condensed statement of operations and comprehensive income. The assets sold, which were included in the Wolverine Outdoor & Lifestyle Group, are as follows:

(In millions)	Book Value
Indefinite-lived intangibles	5.4
Amortizable intangibles	0.2
Total assets sold	\$ 5.6

In the third quarter of 2017, the Company sold its Department of Defense contract business, which was comprised of an owned manufacturing facility, the transfer of employees and certain associated assets. The Company received cash and other consideration of \$7.8 million and recognized a loss on sale of \$1.6 million, net of transaction costs, which is included in the selling, general and administrative expenses line item on the consolidated condensed statement of operations and comprehensive income. The assets sold, which were included in the Wolverine Heritage Group and Other segment, are as follows:

(In millions)	Book Value
Inventory	\$ 5.6
Prepaid expenses and other current assets	0.5
Property, plant and equipment	3.0
Total assets sold	\$ 9.1

Table of Contents

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

The following is a discussion of the Company’s results of operations and liquidity and capital resources. This section should be read in conjunction with the Company’s consolidated condensed financial statements and related notes included elsewhere in this Quarterly Report.

OVERVIEW

BUSINESS OVERVIEW

The Company is a leading global designer, marketer and licensor of branded footwear, apparel and accessories. The Company’s vision statement is “to build a family of the most admired performance and lifestyle brands on earth.” The Company seeks to fulfill this vision by offering innovative products and compelling brand propositions; complementing its footwear brands with strong apparel and accessories offerings; expanding its global consumer-direct footprint; and delivering supply chain excellence.

The Company’s brands are marketed in approximately 200 countries and territories at September 29, 2018, including through owned operations in the U.S., Canada, the United Kingdom and certain countries in continental Europe and Asia Pacific. In other regions (Latin America, portions of Europe and Asia Pacific, the Middle East and Africa), the Company relies on a network of third-party distributors, licensees and joint ventures. At September 29, 2018, the Company operated 81 retail stores in the United States and Canada and 42 consumer-direct websites.

2018 FINANCIAL OVERVIEW

Revenue was \$558.6 million for the third quarter of 2018, representing a decline of 3.9% or \$22.7 million versus the third quarter of 2017. The change in revenue reflected a 0.7% decline from the Outdoor & Lifestyle Group, a 4.0% decline from the Boston Group, and a 5.7% decline from the Heritage Group. Items negatively impacting revenue included the closure of Company retail stores (\$7.5 million), the transition from a wholesale to a license business for the Stride Rite® brand (\$3.8 million), the divestiture of the Sebago® brand (\$6.9 million) and the exit of the Department of Defense business (\$7.2 million), partially offset by growth in the eCommerce channel and certain brands within the U.S. wholesale channel. Changes in foreign exchange rates decreased revenues by \$3.2 million for the third quarter of 2018.

Gross margin increased 190 basis points to 41.6% in the third quarter of 2018 versus the third quarter of 2017 driven by improved product mix, lower product costs, business model changes and lower restructuring costs.

The effective tax rate in the third quarter of 2018 was 7.8% and 15.9% in the third quarter of 2017. The lower effective tax rate in the third quarter of 2018 reflects the positive net impact from one-time discrete items, primarily a voluntary pension contribution of \$40.0 million and a lower U.S. corporate tax rate following enactment of the Tax Cuts and Jobs Act (“TCJA”). These benefits were partially offset by a shift in income between tax jurisdictions with differing tax rates primarily associated with an increase in U.S. income compared to the prior year that included restructuring and other related costs, impairment costs and organizational transformation costs.

Diluted earnings per share for the third quarter of 2018 and the third quarter of 2017 were \$0.60 per share and \$0.24 per share, respectively.

- Inventory declined \$14.4 million or 4.3% compared to the prior year, driven by portfolio changes listed above and a focused effort to reduce inventory levels across the Company.
- The Company declared cash dividends of \$0.08 per share in the third quarter of 2018 and \$0.06 per share in the third quarter of 2017.

Table of Contents

RESULTS OF OPERATIONS

(In millions, except per share data)	Quarter Ended			Year-To-Date Ended		
	September 2018	September 2017	Percent Change	September 2018	September 2017	Percent Change
Revenue	\$558.6	\$ 581.3	(3.9)%	\$1,659.6	\$ 1,771.4	(6.3)%
Cost of goods sold	326.5	349.4	(6.6)	965.4	1,070.8	(9.8)
Restructuring costs	—	1.2	(100.0)	—	8.3	(100.0)
Gross profit	232.1	230.7	0.6	694.2	692.3	0.3
Selling, general and administrative expenses	161.6	170.5	(5.2)	488.6	523.8	(6.7)
Restructuring and other related costs	—	23.0	(100.0)	—	65.6	(100.0)
Environmental and other related costs	2.1	—	—	7.6	—	—
Operating profit	68.4	37.2	83.9	198.0	102.9	92.4
Interest expense, net	5.8	8.6	(32.6)	18.7	23.4	(20.1)
Other expense (income), net	(1.3)	1.5	(186.7)	(7.2)	9.2	(178.3)
Earnings before income taxes	63.9	27.1	135.8	186.5	70.3	165.3
Income tax expense	5.0	4.3	16.3	25.5	10.2	150.0
Net earnings	58.9	22.8	158.3	161.0	60.1	167.9
Less: net earnings (loss) attributable to noncontrolling interests	0.1	(0.4)	125.0	0.2	(0.5)	140.0
Net earnings attributable to Wolverine World Wide, Inc.	\$58.8	\$ 23.2	153.4 %	\$ 160.8	\$ 60.6	165.3 %
Diluted earnings per share	\$0.60	\$ 0.24	150.0 %	\$ 1.65	\$ 0.62	166.1 %

REVENUE

Revenue was \$558.6 million for the third quarter of 2018, representing a decline of 3.9% versus the third quarter of 2017. The change in revenue reflected a 0.7% decrease from the Outdoor & Lifestyle Group, a 4.0% decrease from the Boston Group, a 5.7% decrease from the Heritage Group, and a 30.0% decrease from the Other category. Items that negatively impacted revenue included the closure of Company retail stores (\$7.5 million), the transition from a wholesale to a license business for the Stride Rite® brand (\$3.8 million), the divestiture of the Sebago® brand (\$6.9 million) and the exit of the Department of Defense business within the Bates® brand (\$7.2 million), partially offset by growth in the consumer-direct sales channel and certain brands within the wholesale channel. Changes in foreign exchange rates decreased revenues by \$3.2 million for the third quarter of 2018.

Revenue was \$1,659.6 million for the first three quarters of 2018, a decrease of 6.3% from the first three quarters of 2017. The change in revenue reflected growth of 0.1% from the Outdoor & Lifestyle Group, a 12.3% decline from the Boston Group, a 3.4% decline from the Heritage Group, and a 15.5% decline from the Other category. Items that negatively impacted revenue included the closure of Company retail stores (\$59.7 million), the transition from a wholesale to a license business for the Stride Rite® brand (\$46.0 million), the divestiture of the Sebago® brand (\$19.5 million) and the exit of the Department of Defense business within the Bates® brand (\$20.1 million). Changes in foreign exchange rates increased revenues by approximately \$8.3 million for the first three quarters of 2018.

GROSS MARGIN

Gross margin was 41.6% in the third quarter of 2018 compared to 39.7% in the third quarter of 2017. Gross margin was 41.8% for the first three quarters of 2018 compared to 39.1% in the first three quarters of 2017. The increase in the current year periods resulted from improved product mix, lower product costs, lower restructuring costs and lower inventory reserve requirements.

OPERATING EXPENSES

Operating expenses decreased \$29.8 million, from \$193.5 million in the third quarter of 2017 to \$163.7 million in the third quarter of 2018. The decrease was driven by lower restructuring and other related costs (\$23.0 million), lower costs driven by store closures (\$2.8 million), lower organizational transformation costs (\$7.0 million) and lower incentive compensation costs (\$3.9 million), partially offset by higher advertising costs (\$6.2 million) and higher

environmental and other related costs (\$2.1 million).

27

Table of Contents

Operating expenses decreased \$93.2 million, from \$589.4 million in the first three quarters of 2017 to \$496.2 million in the first three quarters of 2018. The decrease was driven by lower restructuring and other related costs (\$65.6 million), lower costs driven by store closures (\$32.0 million) and lower organizational transformation costs (\$15.0 million), partially offset by higher incentive compensation expenses (\$2.9 million), higher advertising costs (\$5.0 million) and higher environmental and other related costs (\$7.6 million).

INTEREST, OTHER AND INCOME TAXES

Net interest expense was \$5.8 million in the third quarter of 2018 compared to \$8.6 million in the third quarter of 2017. Net interest expense was \$18.7 million in the first three quarters of 2018 compared to \$23.4 million in the first three quarters of 2017. The decrease in net interest expense during both current year periods was driven by higher interest income and lower average debt principal balance.

Other income was \$1.3 million in the third quarter of 2018 compared to other expense of \$1.5 million in the third quarter of 2017. The other income in the third quarter of 2018 was driven by lower non-service pension costs (\$2.4 million). Other income was \$7.2 million in the first three quarters of 2018 compared to other expense of \$9.2 million in the first three quarters of 2017, driven by lower non-service pension costs (\$6.4 million), lower legal settlement costs (\$1.3 million) and a foreign currency remeasurement gain (\$5.9 million).

On December 22, 2017, the TCJA was enacted, which significantly changes U.S. corporate income tax laws by, among other things, reducing the U.S. corporate income tax rate to 21% beginning in 2018 and creating a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries.

The Company's effective tax rate was 7.8% in the third quarter of 2018, compared to 15.9% in the third quarter of 2017. The Company's effective tax rate was 13.7% in the first three quarters of 2018 compared to 14.6% in the first three quarters of 2017. The lower effective tax rate in the current year periods reflects the positive net impact from one-time discrete items primarily due to voluntary pension contributions of \$60.0 million in 2018 that were deductible on the 2017 U.S. tax return. The contributions created a tax return deduction at 35% offset by a reduction of the associated deferred tax asset established at year end 2017 at 21% for a net tax benefit in 2018 of 14%. These discrete benefits were partially offset by a shift in income between tax jurisdictions with differing tax rates primarily associated with an increase in U.S. income compared to the prior year that included restructuring and other related costs, impairment costs and organizational transformation costs. The tax increase resulting from the shift in income was partially offset by a lower U.S. corporate tax rate following enactment of the Tax Cuts and Jobs Act ("TCJA").

REPORTABLE OPERATING SEGMENTS

The Company's portfolio of brands is organized into the following three operating segments, which the Company has determined to be reportable operating segments. During the first quarter of 2018, the Kids footwear business was realigned into the Wolverine Boston Group and the multi-brand consumer-direct component is now reported within the Other category. All prior period disclosures have been restated to reflect these new reportable operating segments.

Wolverine Outdoor & Lifestyle Group, consisting of Merrell® footwear and apparel, Cat® footwear, Hush Puppies® footwear and apparel, Chaco® footwear and Sebago® footwear and apparel;

Wolverine Boston Group, consisting of Sperry® footwear and apparel, Saucony® footwear and apparel and Keds® footwear and apparel, and the Kids footwear business that includes the Stride Rite® licensed business, as well as kid's footwear offerings from Saucony®, Sperry®, Keds®, Merrell® and Hush Puppies®; and

Wolverine Heritage Group, consisting of Wolverine® footwear and apparel, Bates® uniform footwear, Harley-Davidson® footwear and HyTest® safety footwear.

The Company also reports "Other" and "Corporate" categories. The Other category consists of the Company's multi-branded consumer-direct retail stores, leather marketing operations and sourcing operations that include third-party commission revenues. The Corporate category consists of unallocated corporate expenses, including restructuring and other related costs, organizational transformation costs and environmental and other related costs.

Table of Contents

The reportable operating segment results are as follows:

(In millions)	Quarter Ended		Change	Percent Change	Year-To-Date Ended		Change	Percent Change
	September 2018	September 30, 2017			September 29, 2018	September 30, 2017		
REVENUE								
Wolverine Outdoor & Lifestyle Group	\$243.6	\$ 245.2	\$(1.6)	(0.7)%	\$706.8	\$706.4	\$0.4	0.1 %
Wolverine Boston Group	214.6	223.6	(9.0)	(4.0)	664.7	758.3	(93.6)	(12.3)
Wolverine Heritage Group	84.1	89.2	(5.1)	(5.7)	230.9	239.0	(8.1)	(3.4)
Other	16.3	23.3	(7.0)	(30.0)	57.2	67.7	(10.5)	(15.5)
Total	\$558.6	\$ 581.3	\$(22.7)	(3.9)%	\$1,659.6	\$1,771.4	\$(111.8)	(6.3)%

(In millions)	Quarter Ended		Change	Percent Change	Year-To-Date Ended		Change	Percent Change
	September 2018	September 30, 2017			September 29, 2018	September 30, 2017		
OPERATING PROFIT (LOSS)								
Wolverine Outdoor & Lifestyle Group	\$52.8	\$ 53.3	\$(0.5)	(0.9)%	\$152.7	\$ 148.2	\$4.5	3.0 %
Wolverine Boston Group	37.6	38.3	(0.7)	(1.8)	120.0	116.0	4.0	3.4
Wolverine Heritage Group	16.6	16.4	0.2	1.2	42.5	37.2	5.3	14.2
Other	0.4	1.9	(1.5)	(78.9)	2.9	3.9	(1.0)	(25.6)
Corporate	(39.0)	(72.7)	33.7	46.4	(120.1)	(202.4)	82.3	40.7
Total	\$68.4	\$ 37.2	\$31.2	83.9 %	\$198.0	\$ 102.9	\$95.1	92.4 %

OPERATING PROFIT (LOSS)

Wolverine Outdoor & Lifestyle Group	\$52.8	\$ 53.3	\$(0.5)	(0.9)%	\$152.7	\$ 148.2	\$4.5	3.0 %
Wolverine Boston Group	37.6	38.3	(0.7)	(1.8)	120.0	116.0	4.0	3.4
Wolverine Heritage Group	16.6	16.4	0.2	1.2	42.5	37.2	5.3	14.2
Other	0.4	1.9	(1.5)	(78.9)	2.9	3.9	(1.0)	(25.6)
Corporate	(39.0)	(72.7)	33.7	46.4	(120.1)	(202.4)	82.3	40.7
Total	\$68.4	\$ 37.2	\$31.2	83.9 %	\$198.0	\$ 102.9	\$95.1	92.4 %

Further information regarding the reportable operating segments can be found in Note 15 to the consolidated condensed financial statements.

Wolverine Outdoor & Lifestyle Group

The Outdoor & Lifestyle Group's revenue decreased \$1.6 million, or 0.7%, in the third quarter of 2018 compared to the third quarter of 2017. The change in revenue included \$6.9 million of lower revenues due to the divestiture of the Sebago® brand, partially offset by a mid-teens increase in the Cat® brand. The Outdoor & Lifestyle Group's revenue increased \$0.4 million, or 0.1%, in the first three quarters of 2018 compared to the first three quarters of 2017. The increase in revenues during the first three quarters of 2018 included a mid-single digit increase for Merrell®, inclusive of an \$8.4 million impact from the closure of retail stores, as well as a mid-single digit increase for Cat®, partially offset by \$19.5 million of lower revenues due to the divestiture of the Sebago® brand. The Merrell® revenue increase during the first three quarters of 2018 is the result of new product introductions, strong at-once business and strength in the Work and Outdoor Life categories. The Cat® increase in both current year periods is due to strength in the Work category.

The Outdoor & Lifestyle Group's operating profit decreased \$0.5 million, or 0.9%, in the third quarter of 2018 compared to the third quarter of 2017. The Outdoor & Lifestyle Group's operating profit increased \$4.5 million, or 3.0%, in the first three quarters of 2018 compared to the first three quarters of 2017, which reflects higher operating profit from Merrell® and Cat® due to higher revenue and gross margins.

Wolverine Boston Group

The Boston Group's revenue decreased \$9.0 million, or 4.0%, in the third quarter of 2018 compared to the third quarter of 2017. The revenue decrease included \$3.8 million related to the business model change for the Stride Rite® brand as well as \$4.1 million related to the closure of retail stores. The decrease in revenues also reflected a mid-single-digit revenue decline for Sperry® and a high-single-digit revenue decline for Saucony®, partially offset by mid-teens growth from Keds®. The Boston Group's revenue decreased \$93.6 million, or 12.3%, in the first three quarters of 2018 compared to the first three quarters of 2017. The revenue decrease included \$46.0 million related to the business model change for the Stride Rite® brand as well as \$43.8 million related to the closure of retail stores. The decrease in revenues also reflected a mid single-digit decrease for Sperry® and a high single-

Table of Contents

digit decrease for Saucony®, partially offset by high single-digit growth Keds®. The decline in both periods for Sperry was due to the closure of unprofitable stores, partially offset by growth in eCommerce. The Saucony® decrease in both periods was due to lower demand for products in the U.S. and Canada, partially offset by growth in Europe and eCommerce. The Keds® increase in both periods was driven by growth in Lifestyle and Premium categories and strong growth in eCommerce.

The Boston Group's operating profit decreased \$0.7 million, or 1.8%, in the third quarter of 2018 compared to the third quarter of 2017. The Boston Group's operating profit increased \$4.0 million, or 3.4% in the first three quarters of 2018 compared to the first three quarters of 2017. The increase in the first three quarters of 2018 was due to closure of unprofitable retail stores and higher operating profit from Keds® due to higher revenue and higher gross margins, partially offset by lower operating profit from Saucony® due to lower revenues.

Wolverine Heritage Group

The Heritage Group's revenue decreased \$5.1 million, or 5.7%, in the third quarter of 2018 compared to the third quarter of 2017. The decrease in revenues included \$7.2 million of lower revenues due to the exit of the Department of Defense business within the Bates® brand, partially offset by a low-teens increase for Wolverine®. The Heritage Group's revenue decreased \$8.1 million, or 3.4%, in the first three quarters of 2018 compared to the first three quarters of 2017. The decrease in revenues included \$20.1 million of lower revenues due to the exit of the Department of Defense business within the Bates® brand, partially offset by a high single-digit increase for Wolverine®.

The revenue increase for Wolverine® in both periods was attributable to higher demand within the U.S. market driven by growth in the Work category and apparel, and growth in the eCommerce channel.

The Heritage Group's operating profit increased \$0.2 million, or 1.2%, in the third quarter of 2018 compared to the third quarter of 2017. The Heritage Group's operating profit increased \$5.3 million, or 14.2%, in the first three quarters of 2018 compared to the first three quarters of 2017. The increase in both periods was driven by Wolverine® due to higher revenues and the exit of the Department of Defense business within the Bates® brand.

Other

The Other category's revenue decreased \$7.0 million, or 30.0%, in the third quarter of 2018 compared to the third quarter of 2017. The decrease reflected \$1.8 million of lower revenues from the closure of retail stores and decreased demand within the performance leathers business, partially offset by increased third-party sourcing commission revenue. The Other category's revenue decreased \$10.5 million, or 15.5%, in the first three quarters of 2018, compared to the first three quarters of 2017. The decrease reflected \$7.5 million of lower revenues from the closure of retail stores and decreased demand within the performance leathers business, partially offset by increased third-party sourcing commission revenue.

Corporate

Corporate expenses were \$39.0 million in the third quarter of 2018 compared to \$72.7 million in the third quarter of 2017. The \$33.7 million decrease was driven by lower restructuring and other related costs (\$24.2 million), lower organizational transformation costs (\$7.0 million), and lower incentive compensation expenses (\$3.9 million), partially offset by higher environmental and other related costs (\$2.1 million).

Corporate expenses were \$120.1 million in the first three quarters of 2018 compared to \$202.4 million in the first three quarters of 2017. The \$82.3 million decrease was driven by lower restructuring and other related costs (\$73.9 million) and lower organizational transformation costs (\$15.0 million), partially offset by higher incentive compensation expenses (\$2.9 million) and environmental and other related costs (\$7.6 million).

LIQUIDITY AND CAPITAL RESOURCES

(In millions)	September 29, 2018	December 30, 2017	September 30, 2017
Cash and cash equivalents	\$ 228.1	\$ 481.0	\$ 342.7
Debt ⁽¹⁾	662.5	782.6	796.7
Available revolving credit facility ⁽²⁾	597.5	597.5	597.5

⁽¹⁾ Debt includes capital lease obligations.

⁽²⁾ Amounts are net of both borrowings, if any, and outstanding standby letters of credit in accordance with the terms of the Revolving Credit Facility.

Table of Contents

(In millions)	Year-To-Date	
	Ended	September
	September	September
	29,	30, 2017
	2018	
Net cash provided by (used in) operating activities	\$(34.0)	\$ 49.5
Net cash provided by (used in) investing activities	(14.8)	5.2
Net cash used in financing activities	(197.4)	(87.4)
Additions to property, plant and equipment	15.3	28.7
Depreciation and amortization	22.6	28.0

Liquidity

Cash and cash equivalents of \$228.1 million as of September 29, 2018 were \$114.6 million lower compared to September 30, 2017. The decrease is due primarily to \$133.8 million of principal payments on Term Loan A, share repurchases of \$69.9 million, partially offset by cash provided by operating activities during the previous four quarters of \$119.2 million. The Company had \$597.5 million of borrowing capacity available under the Revolving Credit Facility as of September 29, 2018. Cash and cash equivalents located in foreign jurisdictions totaled \$62.2 million as of September 29, 2018.

Cash flow from operating activities, along with borrowings on the Revolving Credit Facility, if any, are expected to be sufficient to meet the Company's working capital needs for the foreseeable future. Any excess cash flow from operating activities are expected to be used to fund organic growth initiatives, reduce debt, pay dividends, repurchase the Company's common stock and pursue acquisitions.

As a result of the TCJA, the Company recorded a \$58.1 million expense during the fourth quarter of 2017 related to the taxation of unremitted earnings of non-U.S. subsidiaries, which is to be paid over eight years. The Company does not expect the remaining amounts to be paid to have a material impact on its current or future liquidity.

A detailed discussion of environmental remediation costs is found in Note 14 to the condensed consolidated financial statements. The Company has established a reserve for estimated environmental remediation costs based upon an evaluation of currently available facts with respect to each individual site. As of September 29, 2018, the Company has a reserve of \$23.4 million, of which, \$11.5 million is expected to be paid in the next 12 months and is recorded as a current obligation in other accrued liabilities with the remaining \$11.9 million recorded in other liabilities expected to be paid over the course of up to 30 years. The Company's remediation activity at its former Tannery site and sites where the Company disposed of Tannery byproducts is largely ongoing and in the early stages. It is difficult to estimate the cost of environmental compliance and remediation given the uncertainties regarding the interpretation and enforcement of applicable environmental laws and regulations, the extent of environmental contamination and the existence of alternative cleanup methods. Developments may occur that could materially change the Company's current cost estimates. The Company adjusts recorded liabilities as further information develops or circumstances change.

Operating Activities

The principal source of the Company's operating cash flow is net earnings, including cash receipts from the sale of the Company's products, net of costs of goods sold. The Company made contributions to its pension plans of \$60.7 million and \$11.1 million in first three quarters of 2018 and 2017, respectively.

For the first three quarters of 2018, an increase in net working capital represented a use of cash of \$190.1 million.

Working capital balances were unfavorably impacted by increases in accounts receivable of \$95.4 million and inventories of \$49.2 million and decreases in accounts payable of \$21.8 million and other operating liabilities of \$28.7 million. These changes in working capital balances reflect the seasonality of the Company's business as well as the Company's decision to decrease its sales of selected trade accounts receivable during the third quarter of 2018.

Investing Activities

The Company made capital expenditures of \$15.3 million and \$28.7 million in first three quarters of 2018 and 2017, respectively, driven by building improvements and information system enhancements. The higher expenditures in 2017 were due primarily to a new distribution center. The Company received cash proceeds of \$38.0 million related to

the the sale of a business and certain other assets and liabilities during the third quarter of 2017.

Financing Activities

As of September 29, 2018, the Company was in compliance with all covenants and performance ratios under the Credit Agreement.

31

Table of Contents

The Company's debt at September 29, 2018 totaled \$662.5 million compared to \$782.6 million at December 30, 2017. The decrease was due primarily to a \$100.0 million voluntary principal payment and scheduled principal payments on Term Loan A.

The Company repurchased \$69.9 million and \$42.3 million of shares in first three quarters of 2018 and 2017, respectively. The Company may purchase up to an additional \$132.4 million of shares under its existing common stock repurchase program that expires in 2020. The Company also acquired \$8.1 million of shares in first three quarters of 2018 in connection with employee transactions related to stock incentive plans.

The Company declared a cash dividend of \$0.08 per share and \$0.06 per share, or \$7.6 million and \$5.7 million, for the third quarters of 2018 and 2017, respectively. A quarterly dividend of \$0.08 per share was declared on November 1, 2018 to shareholders of record on January 2, 2019.

CRITICAL ACCOUNTING POLICIES

The preparation of the Company's consolidated financial statements, which have been prepared in accordance with U.S. GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates these estimates. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Historically, actual results have not been materially different from the Company's estimates. However, actual results may differ materially from these estimates under different assumptions or conditions.

The Company has identified the critical accounting policies used in determining estimates and assumptions in the amounts reported in its Management Discussion and Analysis of Financial Conditions and Results of Operations in its 2017 Form 10-K. Management believes there have been no material changes in those critical accounting policies.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

The Company faces market risk to the extent that changes in foreign currency exchange rates affect the Company's foreign assets, liabilities and inventory purchase commitments. The Company manages these risks by attempting to denominate contractual and other foreign arrangements in U.S. dollars. The Company does not believe that there has been a material change in the nature of the Company's primary market risk exposures, including the categories of market risk to which the Company is exposed and the particular markets that present the primary risk of loss to the Company. As of the date of this Quarterly Report on Form 10-Q, the Company does not know of any material change in the near-term in the general nature of its primary market risk exposure.

Under the provisions of FASB ASC 815, the Company is required to recognize all derivatives on the balance sheet at fair value. Derivatives that are not qualifying hedges must be adjusted to fair value through earnings. If a derivative is a qualifying hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in AOCI until the hedged item is recognized in earnings.

The Company conducts wholesale operations outside of the U.S. in Canada, continental Europe, United Kingdom, Colombia, Hong Kong, China and Mexico where the functional currencies are primarily the Canadian dollar, euro, British pound, Colombian peso, Hong Kong dollar, Chinese renminbi and Mexican peso, respectively. The Company utilizes foreign currency forward exchange contracts to manage the volatility associated primarily with U.S. dollar inventory purchases made by non-U.S. wholesale operations in the normal course of business as well as to manage foreign currency translation exposure. At September 29, 2018 and September 30, 2017, the Company had outstanding forward currency exchange contracts to purchase primarily U.S. dollars in the amounts of \$215.5 million and \$159.8 million, respectively, with maturities ranging up to 545 and 363 days, respectively.

The Company also has sourcing locations in Asia, where financial statements reflect the U.S. dollar as the functional currency. However, operating costs are paid in the local currency. Revenue generated by the Company from third-party foreign licensees is calculated in the local currencies, but paid in U.S. dollars. Accordingly, the Company's reported results are subject to foreign currency exposure for this stream of revenue and expenses. Any associated foreign currency gains or losses on the settlement of local currency amounts are reflected within the Company's consolidated condensed statement of operations.

Assets and liabilities outside the U.S. are primarily located in the United Kingdom, Canada and the Netherlands. The Company's investments in foreign subsidiaries with a functional currency other than the U.S. dollar are generally considered long-term. The Company has a cross currency swap which has been designated as a hedge of a net investment in a foreign operation. The hedge has a notional amount of \$95.8 million and will mature on September 1, 2021. At September 29, 2018, a stronger U.S. dollar compared to certain foreign currencies decreased the value of these investments in net assets by \$12.0 million from their value at

32

Table of Contents

December 30, 2017. At September 30, 2017, a weaker U.S. dollar compared to foreign currencies increased the value of these investments in net assets by \$20.7 million from their value at December 31, 2016.

The Company is exposed to interest rate changes primarily as a result of interest expense on borrowings used to finance acquisitions and working capital requirements. As of September 29, 2018, the Company had no outstanding borrowings and outstanding letters of credit of \$2.5 million under the Revolving Credit Facility and \$1.5 million in borrowings under foreign revolving credit agreements and other short-term notes. The Company's total variable-rate debt was \$417.1 million at September 29, 2018 and the Company held one interest rate swap agreement denominated in U.S. dollars that effectively converts \$376.1 million to fixed-rate debt.

The Company does not enter into contracts for speculative or trading purposes, nor is it a party to any leveraged derivative instruments.

ITEM 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on, and as of the time of such evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures, as defined in Securities Exchange Act Rule 13a-15(e), were effective as of the end of the period covered by this report. There have been no changes during the quarter ended September 29, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1A. Risk Factors

There have been no material changes in the assessment of the Company's risk factors from those set forth in its 2017 Form 10-K.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information regarding the Company's purchases of its own common stock during the third quarter of 2018.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Amount that May Yet Be Purchased Under the Plans or Programs
Period 7 (July 2, 2017 to August 5, 2017)				
Common Stock Repurchase Program ⁽¹⁾	—	\$ —	—	\$ 152,381,779
Employee Transactions ⁽²⁾	3,579	\$ 34.48	—	
Period 8 (August 6, 2017 to September 2, 2017)				
Common Stock Repurchase Program ⁽¹⁾	529,966	\$ 37.74	529,966	\$ 132,381,810
Employee Transactions ⁽²⁾	247	\$ 37.76	—	
Period 9 (September 3, 2017 to September 30, 2017)				
Common Stock Repurchase Program ⁽¹⁾	—	\$ —	—	\$ 132,381,810
Employee Transactions ⁽²⁾	—	\$ —	—	
Total for Quarter Ended September 29, 2018				
Common Stock Repurchase Program ⁽¹⁾	529,966	\$ 37.74	529,966	\$ 132,381,810
Employee Transactions ⁽²⁾	3,826	\$ 34.69	—	

(1) The Company's Board of Directors approved a common stock repurchase program on August 8, 2016 that authorizes the repurchase of up to \$300.0 million in common stock over a four-year period, although the annual amount of any stock repurchases are restricted under the terms of the Company's Credit Agreement and senior notes indenture.

Employee transactions include: (1) shares delivered or attested to in satisfaction of the exercise price and/or tax withholding obligations by holders of employee stock options who exercised options, and (2) restricted shares and units withheld to offset statutory minimum tax withholding that occurs upon vesting of restricted shares and units.

The Company's employee stock compensation plans provide that the shares delivered or attested to, or withheld, shall be valued at the closing price of the Company's common stock on the date the relevant transaction occurs.

Table of Contents

ITEM 6. Exhibits

Exhibits filed as a part of this Form 10-Q are incorporated by reference herein.

Exhibit Number	Document
3.1	<u>Amended and Restated Certificate of Incorporation. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 24, 2014.</u>
3.2	<u>Amended and Restated By-laws. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 19, 2015.</u>
31.1	<u>Certification of Chairman, Chief Executive Officer and President under Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Senior Vice President, Chief Financial Officer and Treasurer under Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32	<u>Certification pursuant to 18 U.S.C. §1350.</u>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

*Management contract or compensatory plan or arrangement.

Table of Contents

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.

November 7, 2018 /s/ Blake W. Krueger

Blake W. Krueger

Date Chairman, Chief Executive Officer and President

(Principal Executive Officer and Duly Authorized Signatory for Registrant)

November 7, 2018 /s/ Michael D. Stornant

Michael D. Stornant

Date Senior Vice President, Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer and Duly Authorized Signatory for Registrant)