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

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

For the fiscal year ended **December 28, 2019**

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

State or other jurisdiction of incorporation or organization

38-1185150

(I.R.S. Employer Identification No.)

9341 Courtland Drive N.E.

Rockford , Michigan

(Address of principal executive offices)

49351

(Zip Code)

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

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

Title of each class

Trading symbol

Name of each exchange on which registered

Common Stock, \$1 Par Value

WWW

New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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

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 Act). Yes No

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant based on the closing price on the New York Stock Exchange on June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter: \$2,285,790,560. Number of shares outstanding of the registrant's Common Stock, \$1 par value as of February 14, 2020: 81,929,364.



DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the registrant's annual stockholders' meeting expected to be held April 30, 2020 are incorporated by reference into Part III of this report.

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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 words, and 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 recent coronavirus outbreak;
- 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;
- increases 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, litigation or other legal proceedings relating to the protection of the environment or environmental effects on human health and settlements or other dispositions of such litigation or other legal proceedings;
- risks of breach of the Company’s databases or other systems, or those of its vendors, which contain certain personal information, payment card data or proprietary information, due to cyberattack or other causes;
- 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 undertaken from time to time; and
- changes in future pension funding requirements and pension expenses.

These or other uncertainties could cause a material difference between an actual outcome and a forward-looking statement. The uncertainties included here are not exhaustive and are described in more detail in Part I, Item 1A: “Risk Factors” of this Annual Report on Form 10-K. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Company does not undertake an obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

General

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, kids’ footwear, industrial work boots and apparel, and uniform shoes and boots. The Company, a Delaware corporation, is the successor of a Michigan corporation of the same name, originally organized in 1906, which, in turn, was the successor of a footwear business established in Grand Rapids, Michigan in 1883. The Company’s products are marketed worldwide in approximately 170 countries and territories through owned operations in the United States (“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.

Today, the Company sources and markets a broad range of footwear styles, including shoes, boots and sandals under many recognizable brand names, including *Bates*®, *Cat*®, *Chaco*®, *Harley-Davidson*®, *Hush Puppies*®, *Hytest*®, *Keds*®, *Merrell*®, *Saucony*®, *Sperry*® and *Wolverine*®. The Company licenses its *Stride Rite*® brand under a global license arrangement. The Company also markets *Merrell*® and *Wolverine*® brand apparel and accessories and licenses some of its brands for use on non-footwear products, including *Hush Puppies*® apparel, eyewear, watches, socks, handbags and plush toys; *Wolverine*® eyewear and gloves; *Keds*® apparel; *Saucony*® apparel and *Sperry*® apparel. *Cat*® is a registered trademark of Caterpillar Inc. and *Harley-Davidson*® is a registered trademark of H-D U.S.A., LLC.

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

The Company’s portfolio of brands is organized into the following two operating segments, which the Company has determined to be reportable operating segments.

- **Wolverine Michigan Group**, consisting of *Merrell*® footwear and apparel, *Cat*® footwear, *Wolverine*® footwear and apparel, *Chaco*® footwear, *Hush Puppies*® footwear and apparel, *Bates*® uniform footwear, *Harley-Davidson*® footwear and *Hytest*® safety footwear; and
- **Wolverine Boston Group**, consisting of *Sperry*® footwear and apparel, *Saucony*® footwear and apparel, *Keds*® footwear and apparel, and the Kids footwear business, which includes the *Stride Rite*® licensed business, as well as kids’ footwear offerings from *Saucony*®, *Sperry*®, *Keds*®, *Merrell*®, *Hush Puppies*® and *Cat*®.

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 distributors, licensees and joint ventures; 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 leather marketing operations, sourcing operations and multi-branded consumer-direct retail stores. The Corporate category consists of unallocated corporate expenses, organizational transformation costs, reorganization costs, restructuring and other related costs, impairment of intangible assets, environmental and other related costs, a foreign currency remeasurement gain recorded in the second quarter of fiscal 2018 and a pension settlement loss related to the Company’s purchase of pension annuity contracts in the fourth quarter of fiscal 2018. The Company’s operating segments are determined based on how 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. The Company’s Global Operations Group is responsible for sourcing, distribution, logistics and customer support.

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

1. Wolverine Michigan Group

Merrell®: *Merrell*® exists to give you all you really need to discover the simple yet profound power of the trail. We believe the trail is for everyone and our goal is to provide thoughtfully designed, rigorously tested products that over-deliver on performance, versatility and durability. The brand's slogan is "When you've got air in your lungs and good shoes on your feet, you've got everything you need." *Merrell*® designs and creates products (footwear, apparel and accessories) in strategic categories such as technical hiking, trail running, training, lifestyle and work for men, women and children. *Merrell*® footwear is sold in a variety of channels including outdoor

specialty, sporting goods and department stores, internet and catalog retailers, *Merrell®* retail stores and an eCommerce site. *Merrell®* apparel and accessories helps extend the brand to create a versatile line of apparel built for both performance and lifestyle. *Merrell®* also creates and markets a line of accessories including daypacks and duffels fit for adventure.

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

Wolverine®: The *Wolverine®* brand offers high-quality boots and shoes to deliver comfort and durability. The *Wolverine®* brand, in existence since 1883, markets footwear in the trade work, outdoor recreation, and lifestyle and heritage categories. The development of *DuraShocks®* and *EPX Anti-Fatigue®* technologies, as well as the development of the *Contour Welt®* line, allows the *Wolverine®* brand to offer a broad line of footwear with a focus on comfort. The *Wolverine®* work product line targets skilled trade workers and focuses on work boots and shoes with protective features such as toe caps, metatarsal guards and electrical hazard protection. The *Wolverine®* outdoor recreation product lines incorporate *DuraShocks®* and other technologies and comfort features into products designed for outdoor sport use and to meet the needs of hunters, fishermen and other active outdoor sports enthusiasts. The brand's lifestyle and heritage line targets consumers looking for rugged and well-crafted casual boots and shoes. The brand also markets a line of work and rugged casual *Wolverine®* brand apparel and socks, and licenses the *Wolverine®* brand for use on eyewear, gloves and base layers.

Chaco®: Chaco's whitewater heritage and 30-year history of outfitting rafting guides has helped cement its place in the high-performance footwear space. Every product *Chaco®* makes exists to connect life-loving explorers to the wonders of the world through all-terrain versatility, unmatched durability, and signature LUVSEAT™ footbed arch support. Consumers can demonstrate their own creativity and express themselves through the virtually limitless sandal customization options available through the MyChaco design program. The brand's products are distributed primarily through leading outdoor and footwear specialty retailers, as well as through an eCommerce site and other leading internet retailers.

Hush Puppies®: Launched in 1958, *Hush Puppies®* has a history of bringing color and optimism to a boring, brown shoe category. Today, *Hush Puppies®* exists to inspire our consumers to live life on the bright side. We believe that optimism is contagious and that by encouraging positivity we can help shape a better world. *Hush Puppies®* footwear is distributed through wholesale and licensed channels, and through an eCommerce site. In addition, the *Hush Puppies®* brand is licensed to third parties engaged in the manufacturing, marketing and distribution of apparel, handbags, eyewear, socks, watches and plush toys sold around the world. *Hush Puppies®*, with its basset hound icon, is one of the most well-known and loved brands worldwide.

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

Harley-Davidson® Footwear: Pursuant to a license arrangement with the Harley-Davidson Motor Company, Inc., the Company has footwear marketing and distribution rights for *Harley-Davidson®* branded footwear. *Harley-Davidson®* branded footwear products include motorcycle, casual, fashion, work and western footwear for men, women and kids. *Harley-Davidson®* footwear is sold globally through a network of independent *Harley-Davidson®* dealerships and other retail outlets. *Harley-Davidson®* is a registered trademark of H-D U.S.A., LLC.

Hytest® Safety Footwear: The *Hytest®* product line consists of high-quality work boots and shoes that incorporate various specialty safety features designed to protect against hazards of the workplace, including steel toe, composite toe, nano toe, metatarsal guards, electrical hazard protection, static dissipating and conductive footwear. *Hytest®* footwear is distributed primarily through a network of independently-owned *Shoemobile®* mobile truck retail outlets providing direct sales of the Company's occupational and work footwear brands to workers at industrial facilities and also through direct sales arrangements with large industrial customers.

2. **Wolverine Boston Group**

Sperry®: *Sperry®* is a leading global nautical performance and lifestyle brand offering footwear, apparel and accessories to a broad range of consumers. The brand has been an American favorite since 1935 with the introduction of the industry's first boat shoe. Today, *Sperry®* remains the leader in the boat shoe category, but has also expanded its business into casuals, dress casuals, wet weather, boots and vulcanized product categories. *Sperry®* has evolved into a well-balanced, multi-category (footwear, apparel and accessories) and year-round lifestyle brand for men and women. The Sperry core product lines have evolved from the A/O Boat Shoe to include Saltwater in Wet Weather and the CVO, Striper and Crest Vibe. The brand is primarily distributed through leading premium and better lifestyle retailers, as well as through *Sperry®* retail stores and an eCommerce site.

Saucony®: *Saucony®* is a purpose driven performance running brand with roots dating back to 1898. *Saucony®* targets both elite and casual runners through award winning design, innovation and performance technology. The brand is focused on meeting the functional biomechanical needs of runners while delivering on their emotional style needs as well. Saucony innovations include Powerrun+, a cushioning technology system; PWRFOAM midsole, PWRTRAC outsole, and FormFit, an adaptive fit system. *Saucony®* offers five categories of performance footwear products; Competition, Road, Trail, Tread and Walking; as well as the Originals lifestyle footwear inspired by *Saucony®* products of the 1970's to 2000's. *Saucony®* also offers a complete line of performance running apparel and select lifestyle apparel pieces. Through our Run For Good brand platform and charitable foundation, *Saucony®* is strengthening connections with consumers and elevating the positioning of the brand. The brand's products are distributed primarily through leading run specialty and sporting goods retailers, as well as *Saucony®* retail stores and an eCommerce site.

Keds®: *Keds®* is an authentic, casual lifestyle brand brought to life in 1916 with its simple, yet chic take on canvas footwear. Emerging from its popularity came the iconic *Champion®* sneaker, a shoe that soon ignited a style revolution, popularized by everyone from fashion icons to the girl next door. Today, *Keds®* remains a true American brand, rooted in female empowerment and fueled by a passion for inspiring a new generation of ladies. The brand's product architecture targets young women consumers with both core offerings and seasonal iterations featuring updated prints, patterns, materials and constructions on lace-up and slip-on silhouettes, all designed specifically for a woman's foot. *Keds®* continues to inspire loyalty through purposeful, innovative and classic, yet modernized footwear and its unwavering support for putting ladies first.

Kids Footwear: The Kids footwear business includes the *Stride Rite®* licensed business, as well as kids' footwear offerings from *Saucony®*, *Sperry®*, *Keds®*, *Merrell®*, *Hush Puppies®* and *Cat®*. With a history dating back to 1919, *Stride Rite®* is an industry leader in kids' footwear. The Company signed a multi-year license agreement in 2017 to license the *Stride Rite®* brand. Kids' footwear offerings from *Saucony®*, *Sperry®*, *Keds®*, *Merrell®*, *Hush Puppies®* and *Cat®* are distributed through premium and better lifestyle retailers, outdoor and sporting good retailers, as well as through an eCommerce site and by a license partner.

Other Businesses

In addition to its reportable segments, the Company operates a performance leather business, sourcing operations and a multi-brand consumer-direct business.

Wolverine Leathers Division - The Wolverine Leathers Division markets pigskin leather for use primarily in the footwear industry. The Company believes pigskin leather offers superior performance and other advantages over cowhide leather. The Company's waterproof and stain resistant leathers are featured in some of the Company's footwear lines and also sold to external footwear brands.

Sourcing Division - The sourcing division earns third-party commission revenue by providing consulting services related to product development, production control, quality assurance, materials procurement, compliance and other services.

Multi-brand Consumer-Direct Division - The multi-brand consumer-direct division includes retail stores that sell footwear and apparel from the Company's brand portfolio and other brands.

Marketing

The Company's marketing strategy is to develop brand-specific plans and related promotional materials that foster a consistent message for each of the Company's core brands across the globe. Each operating segment has dedicated marketing personnel who develop the marketing strategies for specific brands. Marketing campaigns and strategies vary by brand, but are generally designed to target consumers in order to increase awareness of, and affinity for, the Company's brands. The Company's advertisements typically emphasize fashion, comfort, quality, durability, functionality and other performance and lifestyle attributes of the

Company's brands and products. Components of brand-specific marketing plans vary and may include print and radio advertising, search engine optimization, social networking sites, event sponsorships, in-store point-of-purchase displays, promotional materials and sales and technical assistance.

In addition to the Company's internal marketing efforts, each brand provides its third-party licensees and distributors with creative direction, brand images and other materials to convey globally consistent brand messaging, including (i) direction on the categories of footwear and apparel to be promoted; (ii) photography and layouts; (iii) broadcast advertising, including commercials and film footage; (iv) point-of-purchase specifications, blueprints and packaging; (v) sales materials; and (vi) consulting services regarding retail store layout and design. The Company believes its brand names represent a competitive advantage, and the Company, along with its licensees and distributors, make significant marketing investments to promote and enhance the market position of its products and drive brand awareness.

Domestic Sales and Distribution

The Company uses a variety of means to support sales to a variety of domestic distribution channels:

- The Company uses a dedicated sales force and customer service team, third party sales representatives and point-of-purchase materials to support domestic sales.
- The Company maintains core in-stock inventories to service department stores, national chains, specialty retailers, catalog retailers, independent retailers, uniform outlets and its own consumer-direct business.
- The Company uses volume direct programs to ship products to retail customers and to provide products at competitive prices to service major retail, catalog, mass merchant and government customers.
- The Company also operates brick and mortar retail stores and eCommerce sites.

A broad distribution base insulates the Company from dependence on any one customer. No single customer accounted for more than 10% of the Company's consolidated revenue in fiscal 2019, 2018 or 2017.

International Operations and Global Licensing

The Company's foreign-sourced revenue is generated from a combination of (i) sales of branded footwear and apparel through the Company's owned operations in Canada, the United Kingdom and certain countries in continental Europe and Asia-Pacific; (ii) revenue from third-party distributors for certain markets and businesses; (iii) revenue from a network of third-party licensees; and (iv) revenue and income from joint ventures that market the Company's branded products in Mexico, Colombia and China. The Company's international owned operations are located in markets where the Company believes it can gain a strategic advantage by directly controlling the sale of its products into retail accounts. License and distribution arrangements enable the Company to generate sales in other markets without the capital commitment required to maintain related foreign operations, employees, inventories or localized marketing programs. The Company believes that joint ventures will provide it with a more meaningful ownership stake and near-term brand impact in fast-growing markets than its traditional licensee and distributor arrangements.

The Company continues to develop its international network of third-party licensees and distributors to market its branded products. The Company assists its licensees in designing products that are appropriate to each foreign market, yet consistent with global brand positioning. Pursuant to license or distribution agreements, third-party licensees and distributors either purchase goods directly from the Company and authorized third-party manufacturers or manufacture branded products themselves, consistent with Company standards. Distributors and licensees are responsible for independently marketing and distributing the Company's branded products in their respective territories, with product and marketing support from the Company.

Manufacturing and Sourcing

The Company directly controls the majority of the units of footwear and apparel sourced under the Company's brand names. The Company's licensees directly control the balance. Substantially all of the units sourced by the Company are procured from numerous third-party manufacturers in the Asia Pacific region. The Company maintains offices in the Asia Pacific region to develop and facilitate sourcing strategies. The Company has established guidelines for each of its third-party manufacturers in order to monitor product quality, labor practices and financial viability. The Company has adopted "Engagement Criteria for Partners and Sources," a policy that requires the Company's domestic and foreign manufacturers, licensees and distributors to use ethical business standards, comply with all applicable health and safety laws and regulations, commit to use environmentally safe practices, treat employees fairly with respect to wages, benefits and working conditions and not use child or prison labor. The Company's third-party sourcing strategy allows the Company to (i) benefit from lower manufacturing costs and state-of-the-art manufacturing facilities; (ii) source high quality raw materials from around the world; and (iii) avoid capital expenditures necessary for additional owned factories. The Company believes that its overall global manufacturing strategy provides the flexibility to properly balance the need for timely shipments, high quality products and competitive pricing.

The Company's principal raw material is quality leather, which it purchases from a select group of domestic and foreign suppliers. The widespread availability of common upper materials and specialty leathers eliminates reliance by the Company on a single supplier.

The Company currently purchases all of the raw pigskins used for its Wolverine Leathers Division from one domestic source, which has been a reliable and consistent supplier to the Company for over 50 years. Alternative sources of raw pigskin are available, but the Company believes these sources offer less advantageous pricing, quality and compatibility with the Company's processing method. The Company purchases all of its other raw materials and component parts from a variety of sources and does not believe that any of these sources are a dominant supplier.

Trademarks, Licenses and Patents

The Company holds a significant portfolio of registered and common law trademarks that identify its branded products and technologies. The Company's owned trademarks include *Hush Puppies*®, Dog Likeness (registered design trademark), *Wolverine*®, *Bates*®, *Chaco*®, *Soft Style*®, *Wolverine Fusion*®, *DuraShocks*®, *MultiShox*®, *Wolverine Compressor*®, *Wolverine ICS*®, *Hidden Tracks*®, *iTechnology*™, *Bounce*®, *Comfort Curve*®, *Hytest*®, *Merrell*®, M Circle Design (registered design trademark), *Continuum*®, *Q Form*®, *Sperry*®, *Saucony*®, *Stride Rite*® and *Keds*®. The Company's Wolverine Leathers Division markets its pigskin leathers under the trademarks *Wolverine Warrior Leather*®, *Weather Tight*® and *All Season Weather Leathers*™. The Company has footwear marketing and distribution rights under the *Cat*® and *Harley-Davidson*® trademarks pursuant to license arrangements with the respective trademark owners. The *Cat*® license has a term through December 31, 2024 and the *Harley-Davidson*® license has a term through December 31, 2022. Both licenses are subject to early termination for breach.

The Company believes that consumers identify its products by the Company's trademarks and that its trademarks are valuable assets. The Company has a policy of registering its primary trademarks and vigorously defending its trademarks against infringement or other threats whenever practicable. The Company also holds many design and utility patents, copyrights and various other proprietary rights. The Company protects its proprietary rights under applicable laws.

Order Backlog

At February 22, 2020, the Company had an order backlog of \$974 million, compared to an order backlog of \$964 million at February 23, 2019. Substantially all of the backlog as of February 22, 2020 relates to orders for products expected to ship in fiscal 2020. Orders in the backlog are subject to cancellation by customers and to changes in planned customer demand or at-once orders. The backlog at any particular time is affected by a number of factors, including seasonality, retail conditions, expected customer demand, product availability and the schedule for the manufacture and shipment of products. Accordingly, a comparison of backlog from period to period is not necessarily meaningful and may not be predictive of eventual actual shipments.

Seasonality

The Company experiences moderate fluctuations in sales volume during the year, as reflected in quarterly revenue. The Company expects current seasonal sales patterns to continue in future years. The Company also experiences some fluctuation in its levels of working capital, typically including an increase in net working capital requirements near the end of the first and third fiscal quarters. The Company meets its working capital requirements through internal operating cash flows and, as needed, the Revolving Credit Facility, as discussed in more detail under the caption "Liquidity and Capital Resources" in Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Competition

The Company markets its footwear and apparel lines in a highly competitive and fragmented environment. The Company competes with numerous domestic and international footwear marketers, some of whom are larger and have greater resources than the Company. Product performance and quality, including technological improvements, product identity, competitive pricing and ability to control costs and the ability to adapt to style changes are all important elements of competition in the footwear and apparel markets served by the Company. The footwear and apparel industries are subject to changes in consumer preferences. The Company strives to maintain its competitive position through promotions designed to increase brand awareness, manufacturing and sourcing efficiencies, and the style, comfort and value of its products. Future sales by the Company will be affected by its continued ability to sell its products at competitive prices and to meet shifts in consumer preferences.

Because of the lack of reliable published statistics, the Company is unable to state with certainty its competitive position in the overall footwear and apparel industries. The non-athletic footwear and apparel markets are highly fragmented and no one company has a dominant market position.

Environmental Matters

The Company uses and generates certain substances and wastes that are regulated or may be deemed hazardous to the environment under certain federal, state and local regulations. The Company works with foreign and domestic federal, state and local agencies

from time to time to resolve cleanup issues at various sites and other regulatory issues. Financial information regarding the Company's environmental remediation activities is found in Note 17 to our Consolidated Financial Statements.

Employees

As of December 28, 2019, the Company had approximately 4,000 domestic and foreign production, office and sales employees. The Company presently considers its employee relations to be good.

Available Information

Information about the Company, including the Company's Code of Business Conduct, Corporate Governance Guidelines, Director Independence Standards, Accounting and Finance Code of Ethics, Audit Committee Charter, Compensation Committee Charter and Governance Committee Charter, is available at its website at www.wolverineworldwide.com/investor-relations/corporate-governance. Printed copies of the documents listed above are available upon request, without charge, by writing to the Company at 9341 Courtland Drive, N.E., Rockford, Michigan 49351, Attention: General Counsel.

The Company also makes available on or through its website at www.wolverineworldwide.com/investor-relations, free of charge, the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports (along with certain other Company filings with the Securities and Exchange Commission ("SEC")), as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC. These materials are also accessible on the SEC's website at www.sec.gov.

Item 1A. Risk Factors

Risks Related to the Company's Business

Changes in general economic conditions and other factors affecting consumer spending could adversely affect the Company's sales, costs, operating results or financial position.

The Company's results of operations depend on factors affecting consumer disposable income and spending patterns. These factors include general economic conditions, employment rates, business conditions, interest rates and tax policy in each of the markets and regions in which the Company or its third-party distributors and licensees operates. Customers may defer or cancel purchases of the Company's products due to uncertainty about global, regional or local economic conditions, and how such conditions may impact them. Disposable income and consumer spending may decline due to recessionary economic cycles, high interest rates on consumer or business borrowings, restricted credit availability, inflation, high levels of unemployment or consumer debt, high tax rates, declines in consumer confidence or other factors. A decline in disposable income and consumer spending could adversely affect demand for the Company's products, which could adversely affect the Company's results of operations.

The Company operates in competitive industries and markets.

The Company competes with a large number of wholesalers, and retailers of footwear and apparel, and consumer-direct footwear and apparel companies. Many of the Company's competitors have greater resources and larger customer and consumer bases, are able, or elect, to sell their products at lower prices, or have greater financial, technical or marketing resources than the Company, particularly its competitors in the apparel and consumer-direct businesses. The Company's competitors may own more recognized brands; implement more effective marketing campaigns; adopt more aggressive pricing policies; make more attractive offers to potential employees, distribution partners and manufacturers; or respond more quickly to changes in consumer preferences. The Company's continued ability to sell its products at competitive prices and to meet shifts in consumer preferences quickly will affect its future sales. If the Company is unable to respond effectively to competitive pressures, its results of operations and financial position may be adversely affected.

The Company's operating results could be adversely affected if it is unable to maintain its brands' positive images with consumers or anticipate, understand and respond to changing footwear and apparel trends and consumer preferences.

Consumer preferences and, as a result, the popularity of particular designs and categories of footwear and apparel, generally change over time. The Company's success depends in part on its ability to maintain its brands' positive images, and the ability to anticipate, understand and respond to changing footwear and apparel trends and consumer preferences in a timely manner. The Company's efforts to maintain and improve its competitive position by monitoring and timely and appropriately responding to changes in consumer preferences, increasing brand awareness and enhancing the style, comfort and perceived value of its products may not be successful. If the Company is unable to maintain or enhance the images of its brands or if it is unable to timely and appropriately respond to changing consumer preferences and evolving footwear and apparel trends, consumers may consider its brands' images

to be outdated, associate its brands with styles that are no longer popular and decrease demand for its products. Such failures could result in reduced sales, excess inventory, trade name impairments, lower gross margin and other adverse impacts on the Company's operating results.

The Company's operating results depend on effectively managing inventory levels.

The Company's ability to effectively manage its inventories and accurately forecast demand are important factors in its operations. Inventory shortages can impede the Company's ability to meet demand, adversely affect the timing of shipments to customers and, consequently, adversely affect business relationships with retail customers, diminish brand loyalty and decrease sales.

Conversely, excess inventory can result in lower gross margins if the Company lowers prices in order to liquidate it. In addition, inventory may become obsolete as a result of changes in consumer preferences over time. The Company's business, results of operations and financial position could be adversely affected if it is unable to effectively manage its inventory.

Increases or changes in duties, quotas, tariffs and other trade restrictions could adversely impact the Company's sales and profitability.

All of the Company's products manufactured overseas and imported into the U.S., Canada, the European Union and other countries are subject to customs duties collected by customs authorities. The customs information submitted by the Company is routinely subject to review by customs authorities and any such review might result in the assessment of additional duties or penalties. Additional U.S. or foreign customs duties, quotas, tariffs, anti-dumping duties, safeguard measures, cargo restrictions, the loss of most favored nation trading status or other trade restrictions, including those due to changes in trade relations between the U.S. and other countries, may be imposed on the importation of the Company's products in the future. The imposition of such costs or restrictions in countries where the Company operates, as well as in countries where its third-party distributors and licensees operate, could result in increases in the cost of the Company's products generally and adversely affect its sales and profitability.

Foreign currency exchange rate fluctuations could adversely impact the Company's business.

Foreign currency exchange rate fluctuations affect the Company's revenue and profitability. Changes in foreign currency exchange rates may impact the Company's financial results positively or negatively in any given period, which may make it difficult to compare the Company's operating results from different periods. Foreign currency exchange rate fluctuations may also adversely impact third parties that manufacture the Company's products by increasing their costs of production and raw materials and making such costs more difficult to finance, thereby raising prices for the Company, its distributors and its licensees. The Company's hedging strategy may not successfully mitigate the Company's foreign currency exchange rate risk. For a more detailed discussion of the risks related to foreign currency exchange rate fluctuations, see Item 7A: "Quantitative and Qualitative Disclosures About Market Risk."

In addition, our foreign subsidiaries purchase products in U.S. dollars and the cost of those products will vary depending on the applicable foreign currency exchange rate, which will impact the price charged to customers. The Company's foreign distributors also purchase products in U.S. dollars and sell in local currencies, which impacts the price to foreign consumers and in turn, impacts the amount of royalties paid to the Company in U.S. dollars. As the U.S. dollar strengthens relative to foreign currencies, the Company's revenues and profits denominated in foreign currencies are reduced when converted into U.S. dollars and the Company's margins may be negatively impacted by the increase in product costs. The Company may seek to mitigate the negative impacts of foreign currency exchange rate fluctuations through price increases and further actions to reduce costs, but the Company may not be able to fully offset the impact, if at all. The Company's success depends, in part, on its ability to manage these various foreign currency impacts as changes in the value of the U.S. dollar relative to other currencies could have an adverse effect on the Company's business and results of operations.

Significant capacity constraints, production disruptions, quality issues, price increases and other risks associated with foreign sourcing could increase the Company's operating costs and adversely impact the Company's business and reputation.

The Company currently sources a substantial majority of its products from third-party manufacturers in foreign countries, predominantly in the Asia Pacific region. As is common in the footwear and apparel industry, the Company does not have long-term contracts with its third-party manufacturers. The Company may experience difficulties with such manufacturers, including reductions in the availability of production capacity, failures to meet production deadlines, failure to make products that meet applicable quality standards, or increases in manufacturing costs. The Company's future results depend partly on its ability to maintain its relationships with third-party manufacturers.

Foreign manufacturing is subject to a number of risks, including work stoppages, transportation delays and interruptions, political instability, foreign currency exchange rate fluctuations, changing economic conditions, expropriation, nationalization, the imposition of tariffs, import and export controls and other non-tariff barriers and changes in governmental policies. Various factors could significantly interfere with the Company's ability to source its products, including adverse developments in trade or political

relations with China or other countries where it sources its products, or a shift in these countries' manufacturing capacities away from footwear and apparel to other industries. Other adverse developments, such as the coronavirus outbreak discussed below, could cause significant production and shipping delays. Any of these events could have an adverse effect on the Company's business, results of operations and financial position and, in particular, on the Company's ability to meet customer demands and produce its products in a cost-effective manner.

The recent coronavirus outbreak could harm our business.

The recent outbreak of the coronavirus first identified in Wuhan, Hubei Province, China, could cause disruption to the Company's suppliers and manufacturers located in China and elsewhere. Such disruption may occur as a result of facility closings, worker absenteeism, quarantines or other travel or health-related restrictions as a result of the coronavirus outbreaks or concern over the coronavirus. If the Company's suppliers or manufacturers are so affected, the Company's supply chain could be disrupted and its product shipments could be delayed. The Company may not be able to find alternative manufacturers suppliers or delivery methods on a cost-effective basis or at all. Closed retail stores and reduced consumer traffic and spending within or outside of China if the virus continues to spread could adversely sales of the Company's products. If any of the foregoing occurs over a prolonged period, it could have an adverse effect on the Company's business, results of operations and financial position and, in particular, on the Company's ability to meet customer demands and produce its products in a cost-effective manner.

Increases in the cost of raw materials, labor and services could adversely affect the Company's results of operations.

The Company's ability to competitively price its products is dependent on the prices of commodities, such as cotton, leather, rubber, petroleum, cattle, pigskin hides, and other raw materials, used to make and transport its products, as well as the prices of equipment, labor, transportation and shipping, insurance and health care. The cost of commodities, equipment, services and materials is subject to change based on availability and general economic and market conditions that are difficult to predict. Various conditions, such as diseases affecting the availability of leather, affect the cost of the footwear marketed by the Company. Increases in costs for commodities, equipment, services and materials used in production could have a negative impact on the Company's results of operations and financial position.

The Company purchases pigskin hides for its leathers operations from a single domestic source pursuant to short-term contracts. If this source fails to continue to supply the Company with raw pigskin or supplies the Company with raw pigskin on less favorable terms, the Company's cost of raw materials for its leathers operations could increase and, as a result, have a negative impact on the Company's results of operations and financial position.

Labor disruptions could adversely affect the Company's business.

The Company's business depends on its ability to source and distribute products in a timely and cost-effective manner. Labor disputes at or that affect independent factories where the Company's goods are produced, shipping ports, tanneries, transportation carriers, retail stores or distribution centers create significant risks for the Company's business, particularly if these disputes result in work slowdowns, stoppages, lockouts, strikes or other disruptions. Any such disruption may have an adverse effect on the Company's business by potentially resulting in inventory shortages, delayed or canceled orders by customers and unanticipated inventory accumulation, and may negatively impact the Company's results of operations and financial position.

A significant reduction in wholesale customer purchases of the Company's products, wholesale customers seeking more favorable terms or failure of wholesale customers to pay for the Company's products in a timely manner could adversely affect the Company's business.

The Company's financial success depends on its wholesale customers continuing to purchase its products. The Company does not typically have long-term contracts with its wholesale customers. Sales to the Company's wholesale customers are generally on an order-to-order basis and are subject to rights of cancellation and rescheduling by the wholesale customers. Failure to fill wholesale customers' orders in a timely manner could harm the Company's relationships with its wholesale customers. Furthermore, if any of the Company's major wholesale customers experiences a significant downturn in its business, or fails to remain committed to the Company's products or brands, these wholesale customers may reduce or discontinue purchases from the Company, which could have an adverse effect on the Company's results of operations and financial position.

The Company sells its products to wholesale customers and extends credit based on an evaluation of each wholesale customer's financial condition. The financial difficulties of a wholesale customer could cause the Company to stop doing business with that wholesale customer or reduce its business with that wholesale customer. The Company's inability to collect from its wholesale customers or a cessation or reduction of sales to certain wholesale customers because of credit concerns could have an adverse effect on the Company's business, results of operations and financial position.

Retail consolidation could lead to fewer wholesale customers, wholesale customers seeking more favorable price, payment or other terms from the Company and a decrease in the number of stores that carry the Company's products. In addition, changes in

the channels of distribution, such as the continued growth of eCommerce and related competitive pressures, and the sale of private label products by major retailers, could have an adverse effect on the Company's results of operations and financial position.

The Company's consumer-direct operations have required, and will continue to require, a substantial investment and commitment of resources and are subject to numerous risks and uncertainties.

The Company's consumer-direct operations, including its brick and mortar locations as well as its eCommerce and mobile channels, have required substantial fixed investment in equipment and leasehold improvements, information systems, inventory and personnel. The Company has also made substantial operating lease commitments for retail space. Due to the high fixed-cost structure associated with the Company's brick and mortar consumer-direct operations, a decline in sales or the closure or poor performance of individual or multiple stores could result in significant lease termination costs, write-offs of equipment and leasehold improvements, and employee-related costs. The success of our consumer-direct operations also depends on the Company's ability to identify and adapt to changes in consumer spending patterns and retail shopping preferences, including the shift from brick and mortar to eCommerce and mobile channels, reductions in mall traffic, and the Company's ability to effectively develop its eCommerce and mobile channels. The Company's failure to successfully respond to these factors could adversely affect the Company's consumer-direct business, as well as damage its reputation and brands, and could have an adverse effect on the Company's results of operations and financial position.

Expanding the Company's brands into new markets and product categories and re-aligning its consumer-direct operations may be difficult and costly, and unsuccessful efforts to do so may adversely affect the Company's brands and business.

As part of the Company's growth strategy, it seeks to enhance the positioning of its brands, to extend its brands into complementary product categories and to expand geographically. The Company may not be able to successfully implement any or all of these growth strategies, and unsuccessful efforts to do so could have an adverse effect on its results of operations and financial position.

Part of the future growth and profitability of the Company's consumer-direct operations is significantly dependent on the Company successfully developing and maintaining its eCommerce and mobile platforms. The Company cannot be sure whether its eCommerce and mobile platforms will be successful.

Unseasonable or extreme weather conditions could adversely affect the Company's results of operations.

The Company markets and sells footwear and apparel suited for specific seasons, such as sandals and flats for the summer season and boots for the winter season. If the weather conditions for a particular season vary significantly from those typical for that season, such as an unusually cold and rainy summer or an unusually warm and dry winter, consumer demand for seasonally appropriate products could be adversely affected. Lower demand for seasonally appropriate products may result in excess inventory, forcing the Company to sell these products at significantly discounted prices, which would adversely affect the Company's results of operations. Conversely, if weather conditions permit the Company to sell seasonal products early in the season, this may reduce inventory levels needed to meet customers' needs later in that same season. Consequently, the Company's results of operations are dependent on future weather conditions and its ability to react to changes in weather conditions.

Extreme weather conditions can also adversely impact the Company's business, results of operations and financial position. If extreme weather events forced closures of, or disrupted operations at, distribution centers maintained by the Company or third parties, the Company could incur higher costs and experience longer lead times to distribute its products on a timely basis to the Company's retail stores, wholesale customers or eCommerce consumers. In addition, consumer traffic may be reduced as a result of extreme weather conditions and a decrease in shopping traffic could have an adverse effect on the Company's results of operations and financial position.

Changes in general economic conditions and/or the credit markets affecting our distributors, suppliers and retailers could adversely affect the Company's results of operations and financial position.

Changes in general economic conditions and/or the credit markets could have an adverse impact on the Company's future results of operations and financial position. Negative trends in global economic conditions may adversely impact the Company's third-party distributors', suppliers' and retailers' ability to meet their obligations to provide the Company with the materials and services it needs at the prices, terms or levels as such third-parties have historically, which could adversely impact the Company's ability to meet consumers' demands and, in turn, the Company's results of operations and financial position.

In addition, if the Company's third-party distributors, suppliers and retailers are not able to obtain financing on favorable terms, or at all, they may delay or cancel orders for the Company's products or fail to meet their obligations to the Company in a timely manner, either of which could adversely impact the Company's sales, cash flow and operating results.

An increase in the Company's effective tax rate or negative determinations by domestic or foreign tax authorities could have an adverse effect on the Company's results of operations and financial position.

A significant amount of the Company's earnings are generated by its Canadian, European and Asia Pacific subsidiaries and, to a lesser extent, in jurisdictions that are not subject to income tax. As a result, the Company's income tax expense has historically differed from the tax computed at the U.S. statutory income tax rate due to discrete items and because the Company did not provide for U.S. taxes on non-cash undistributed earnings that it intends to permanently reinvest in foreign operations. The Company's future effective tax rates could be unfavorably affected by a number of factors, including, but not limited to, changes in the tax rates in jurisdictions in which the Company generates income; changes in, or in the interpretation of, tax rules and regulations in the jurisdictions in which the Company does business; or decreases in the amount of earnings in countries with low statutory tax rates. An increase in the Company's effective tax rate could have an adverse effect on its results of operations and financial position.

In addition, the Company's income tax returns are subject to examination by the Internal Revenue Service and other domestic and foreign tax authorities. The Company regularly assesses the likelihood of outcomes resulting from these examinations to determine the adequacy of its provision for income taxes and establishes reserves for potential adjustments that may result from these examinations. The final determination of any of these examinations could have an adverse effect on the Company's results of operations and financial position.

Failure of the Company's third-party licensees and distributors to meet sales goals or to make timely payments on amounts owed to the Company could adversely affect the Company's financial performance.

In many international markets, independent third-party licensees or distributors sell the Company's products. Failure by the Company's licensees or distributors to meet planned annual sales goals or to make timely payments on amounts owed to the Company could have an adverse effect on the Company's business, results of operations and financial position. If a change in licensee or distributor becomes necessary, it may be difficult and costly to locate an acceptable substitute distributor or licensee and the Company may incur increased costs and experience substantial disruption and a resulting loss of sales and brand equity in the market where such licensee or distributor operates.

The Company's reputation and competitive position depend on its third-party manufacturers, distributors, licensees and others complying with applicable laws and ethical standards.

The Company cannot ensure that its independent contract manufacturers, third-party distributors, third-party licensees and others with which it does business comply with all applicable laws and ethical standards relating to working conditions and other matters. If a party with which the Company does business is found to have violated applicable laws or ethical standards, the Company could receive negative publicity that could damage its reputation, negatively affect the value of its brands and subject the Company to legal risks.

In addition, the Company relies on its third-party licensees to help preserve the value of the Company's brands. The Company's attempts to protect its brands through approval rights over design, production processes, quality, packaging, merchandising, distribution, advertising and promotion of its licensed products may not be successful as the Company cannot completely control the use by its licensees of its licensed brands. The misuse of a brand by a licensee could adversely affect the value of such brand.

Global political and economic uncertainty could adversely impact the Company's business.

The Company's products are marketed in approximately 170 countries and territories, and the Company sources a substantial majority of its products from foreign countries. Concerns regarding acts of terrorism or regional and international conflicts and concerns regarding public health threats, such as the coronavirus outbreak, may create significant global economic and political uncertainties that may have adverse effects on consumer demand, acceptance of U.S. brands in international markets, foreign sourcing of products, shipping and transportation, product imports and exports and the sale of products in foreign markets, any of which could adversely affect the Company's ability to source, manufacture, distribute and sell its products.

Further, geo-political events in the countries and territories in which the Company markets or sources its products could have an adverse effect on the Company's business. For example, in June 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union ("Brexit") and the United Kingdom withdrew from the European Union on January 31, 2020. The uncertainties regarding trading between the United Kingdom and the European Union following an eleven-month transition period, and the terms of the trade agreement to be negotiated during this period, once determined, could disrupt the free movement of goods, services, and people between the United Kingdom and the European Union, adversely impact investor and consumer confidence, decrease consumer discretionary spending, including on our products, and result in increased legal and regulatory complexities. Any of these effects, among others, could adversely affect our business, results of operations and financial condition.

In addition, an economic downturn, whether actual or perceived, a further decrease in economic growth rates or an otherwise uncertain economic outlook in China or any other market in which the Company operates could have an adverse effect on the

Company. The Company cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery, worldwide, in China or any other market in which the Company operates, or in its industry.

The Company is also subject to risks related to doing business in developing countries and economically volatile areas. These risks include social, political and economic instability; nationalization by local governmental authorities of the Company's, its distributors', or its licensees' assets and operations; slower payment of invoices; and restrictions on the Company's ability to repatriate foreign currency or receive payment of amounts owed by third-party distributors and licensees. In addition, commercial laws in these areas may not be well developed or consistently administered, and new unfavorable laws may be retroactively applied. Any of these risks could have an adverse impact on the Company's prospects and results of operations in these areas.

Global capital markets could enter a period of severe disruption and instability, which could have an adverse effect on debt and equity markets in the United States, which in turn could have a negative impact on the Company's business, financial condition and results of operations.

The U.S. and global capital markets have experienced periods of disruption characterized by the freezing of available credit, a lack of liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the broadly syndicated credit market, the failure of major financial institutions and general volatility in the financial markets. During these periods of disruption, general economic conditions deteriorated with adverse consequences for the broader financial and credit markets, and the availability of debt and equity capital for the market as a whole, and financial services firms in particular, was reduced significantly. These conditions may recur for a prolonged period of time or materially worsen in the future.

The Company may in the future have difficulty accessing capital, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels, European sovereign debt, Chinese economic slowdown or other global economic conditions could have an adverse effect on our business, financial condition and results of operations.

If the Company is unsuccessful in establishing and protecting its intellectual property, the value of its brands could be adversely affected.

The Company's ability to remain competitive depends upon its continued ability to secure and protect trademarks, patents and other intellectual property rights in the U.S. and internationally for all of the Company's lines of business. The Company relies on a combination of trade secret, patent, trademark, copyright and other laws, license agreements and other contractual provisions and technical measures to protect its intellectual property rights; however, some countries' laws do not protect intellectual property rights to the same extent U.S. laws do.

The Company's business could be significantly harmed if it is not able to protect its intellectual property or if a court found it to be infringing on other persons' intellectual property rights. Any intellectual property lawsuits or threatened lawsuits in which the Company is involved, either as a plaintiff or as a defendant, could cost the Company a significant amount of time and money and distract management's attention from operating the Company's business. If the Company does not prevail on any intellectual property claims, then the Company may have to change its manufacturing processes, products or trade names, any of which could reduce its profitability.

In addition, some of the Company's branded footwear operations are operated pursuant to licensing agreements with third-party trademark owners. These agreements are subject to early termination for breach. These agreements also expire by their terms and as the agreements expire, the Company may be forced to stop selling the related products. Expiration or early termination by the licensor of any of these license agreements could have an adverse effect on the Company's business, results of operations and financial position.

The Company's inability to attract and retain executive managers and other key employees, or the loss of one or more executive managers or other key employees, could adversely affect the Company's business.

The Company depends on its executive management and other key employees. In the footwear, apparel and consumer-direct markets, competition for key executive talent is intense and the Company's failure to identify, attract or retain executive managers or other key employees could adversely affect its business. The Company must offer and maintain competitive compensation packages to effectively recruit and retain such individuals. Further, the loss of one or more executive managers or other key employees, or the Company's failure to successfully implement succession planning, could adversely affect the Company's business, results of operations and financial position.

Changes in employment laws and regulations and other related changes may lead to higher employment and pension costs for the Company.

Changes in employment laws and regulations in the countries and territories in which the Company operates and other factors could increase the Company's overall employment costs. The Company's employment costs include costs relating to health care

and retirement benefits, including U.S.-based defined benefit pension plans. The annual cost of benefits can vary significantly depending on a number of factors, including changes in the assumed or actual rate of return on pension plan assets, a change in the discount rate or mortality assumptions used to determine the annual service cost related to the defined benefit plans, a change in the method or timing of meeting pension funding obligations and the rate of health care cost inflation. Increases in the Company's overall employment and pension costs could have an adverse effect on the Company's business, results of operations and financial position.

The Company's marketing programs, eCommerce initiatives and use of consumer information are governed by an evolving set of laws, industry standards and enforcement trends and unfavorable changes in those laws, standards or trends, or the Company's failure to comply with existing or future laws, could substantially harm the Company's business and results of operations.

The Company collects, maintains and uses data provided to it through its online activities and other consumer interactions in its business. The Company's current and future marketing programs depend on its ability to collect, maintain and use this information, and its ability to do so is subject to certain contractual restrictions in third party contracts as well as evolving international, federal and state laws, industry standards and enforcement trends. The Company strives to comply with all applicable laws and other legal obligations relating to privacy, data protection and consumer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, may conflict with other rules or may conflict with the Company's practices. If so, the Company may suffer damage to its reputation and be subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt the Company's reputation, force it to spend significant amounts to defend or change its practices, distract its management from operating the Company's business, increase its costs of doing business, and result in monetary liability.

In addition, as data privacy and marketing laws change, the Company may incur additional costs to ensure it remains in compliance. If applicable data privacy and marketing laws become more restrictive at the federal or state level, the Company's compliance costs may increase, the Company's ability to effectively engage customers via personalized marketing may decrease, its opportunities for growth may be curtailed by its compliance capabilities or reputational harm and its potential liability for security breaches may increase.

Because the Company processes and transmits payment card information, the Company is subject to the Payment Card Industry ("PCI") Data Security Standard (the "Standard"), and card brand operating rules ("Card Rules"). The Standard is a comprehensive set of requirements for enhancing payment account data security that was developed by the PCI Security Standards Council to help facilitate the broad adoption of consistent data security measures. The Company is required by payment card network rules to comply with the Standard, and the Company's failure to do so may result in fines or restrictions on its ability to accept payment cards. Under certain circumstances specified in the payment card network rules, the Company may be required to submit to periodic audits, self-assessments or other assessments of its compliance with the Standard. Such activities may reveal that the Company has failed to comply with the Standard. If an audit, self-assessment or other test determines that the Company needs to take steps to remediate any deficiencies, such remediation efforts may distract the Company's management team and require it to undertake costly and time consuming remediation efforts. In addition, even if the Company complies with the Standard, there is no assurance that it will be protected from a security breach. Further, changes in technology and processing procedures may result in changes in the Card Rules. Such changes may require the Company to make significant investments in operating systems and technology that may impact business. Failure to keep up with changes in technology could result in loss of business. Failure to comply with the Standard or Card Rules could result in losing certification under the PCI standards and an inability to process payments.

The Company is also subject to U.S. and international data privacy and cybersecurity laws and regulations, which may impose fines and penalties for noncompliance and may have an adverse effect on the Company's operations. For example, in 2016, the European Union formally adopted the General Data Protection Regulation ("GDPR"), which applied in all European Union member states effective May 25, 2018. GDPR introduces new data protection requirements in the European Union and substantial fines for breaches of the data protection rules. GDPR increases our responsibility and potential liability in relation to personal data that we collect, process and transfer, and we have put in place additional mechanisms to ensure compliance with the new data protection rules. Any failure to comply with these rules and related national laws of European Union member states, could lead to government enforcement actions and significant penalties against us, and could adversely affect our business, financial condition, cash flows and results of operations. In addition, California recently adopted the California Consumer Privacy Act ("CCPA"), which became effective January 1, 2020, and limits how we may collect and use personal data. The effects of the CCPA potentially are far-reaching and may require us to modify our data processing practices and policies and incur substantial compliance-related costs and expenses. Compliance with any of the foregoing laws and regulations can be costly. A violation of any laws or regulations relating to the collection or use of personal information could result in the imposition of fines against us.

Disruption of the Company's information technology systems could adversely affect the Company's business.

The Company's information technology systems are critical to the operations of its business. Any future material interruption, unauthorized access, impairment or loss of data integrity or malfunction of these systems could severely impact the Company's business, including delays in product fulfillment and reduced efficiency in operations. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems, or with maintenance or adequate support of existing systems, could disrupt or reduce the efficiency of the Company's operations. Disruption to the Company's information technology systems may be caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, denial-of-service attacks, computer viruses, physical or electronic break-ins, or similar events or disruptions. System redundancy may be ineffective or inadequate, and the Company's disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could prevent access to the Company's online services and preclude store transactions. System failures and disruptions could also impede the manufacturing and shipping of products, transactions processing and financial reporting. Additionally, the Company may be adversely affected if it is unable to improve, upgrade, maintain, and expand its technology systems.

The Company's and its vendors' databases containing personal information and payment card data of the Company's customers, employees and other third parties, could be breached, which could subject the Company to adverse publicity, litigation, fines and expenses. If the Company is unable to comply with bank and payment card industry standards, its operations could be adversely affected.

The protection of the Company's customer, associate and Company data is critically important to the Company. The Company relies on its networks, databases, systems and processes, as well as those of third parties such as vendors, to protect its proprietary information and information about its customers, employees and vendors. The Company's customers and associates have a high expectation that the Company will adequately safeguard and protect their sensitive personal information. The Company's operations have become increasingly centralized and dependent upon automated information technology processes. In addition, a portion of the Company's business operations is conducted electronically, increasing the risk of attack or interception that could cause loss or misuse of data, system failures or disruption of operations. If unauthorized parties gain access to these networks or databases, they may be able to steal, publish, delete or modify the Company's private and sensitive third-party or employee information. Improper activities by third parties, exploitation of encryption technology, new data-hacking tools and discoveries and other events or developments may result in a future compromise or breach of the Company's networks, payment card terminals or other payment systems. In particular, the techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often are not recognized until launched against a target; accordingly, the Company may be unable to anticipate these techniques or implement adequate preventative measures. Any failure to maintain the security of the Company's customers' sensitive information, or data belonging to it or its suppliers, could put it at a competitive disadvantage, result in deterioration of its customers' confidence in it, and subject it to potential litigation, liability, fines and penalties, resulting in a possible adverse impact on its financial condition and results of operations. While the Company maintains insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses and would not remedy damage to its reputation. In addition, employees may intentionally or inadvertently cause data or security breaches that result in unauthorized release of personal or confidential information. In such circumstances, the Company could be held liable to its customers, other parties or employees, be subject to regulatory or other actions for breaching privacy laws or failing to adequately protect such information or respond to a breach. This could result in costly investigations and litigation, civil or criminal penalties, operational changes and negative publicity that could adversely affect the Company's reputation and its results of operations and financial position. In addition, if the Company is unable to comply with bank and PCI security standards, it may be subject to fines, restrictions and expulsion from card acceptance programs, which could adversely affect the Company's consumer-direct operations.

If the Company encounters problems affecting its logistics and distribution systems, its ability to deliver its products to the market could be adversely affected.

The Company relies on owned or independently operated distribution facilities to transport, warehouse and ship products to its customers. The Company's logistics and distribution systems include computer-controlled and automated equipment, which may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, power interruptions or other system failures. Substantially all of the Company's products are distributed from a relatively small number of locations. Therefore, its operations could be interrupted by earthquakes, floods, fires or other natural disasters near its distribution centers, including coronavirus outbreak discussed above. The Company's business interruption insurance may not adequately protect the Company from the adverse effects that could be caused by significant disruptions affecting its distribution facilities, such as the long-term loss of customers or an erosion of brand image. In addition, the Company's distribution capacity depends upon the timely performance of services by third parties, including the transportation of products to and from the Company's distribution facilities. If the Company encounters problems affecting its distribution system, its results of operations and its ability to meet customer expectations, manage inventory, complete sales and achieve operating efficiencies could be adversely affected.

The Company's business depends on effective marketing, advertising and promotional programs.

Consumer traffic and demand for the Company's merchandise is influenced by the Company's advertising, marketing and promotional activities, the name recognition and reputation of its brands. Although the Company uses marketing, advertising and promotional programs to attract consumers through various media, including social media, database marketing and print, its competitors may spend more or use different approaches, which could provide them with a competitive advantage. The Company's promotional activity and other programs may not be effective, may be perceived negatively or could require increased expenditures, which could adversely impact the Company's business, results of operations and financial position.

The Company faces risks associated with its growth strategy and acquiring businesses.

The Company has expanded its products and markets in part through strategic acquisitions and it may continue to do so in the future, depending on its ability to identify and successfully pursue suitable acquisition candidates. Acquisitions involve numerous risks, including risks inherent in entering new markets in which the Company may not have prior experience; potential loss of significant customers or key personnel of the acquired business; not obtaining the expected benefits of the acquisition on a timely basis or at all; managing geographically-remote operations; and potential diversion of management's attention from other aspects of the Company's business operations. Acquisitions may also cause the Company to incur debt or result in dilutive issuances of its equity securities, write-offs of goodwill and substantial amortization expenses associated with other intangible assets. The Company may not be able to obtain financing for future acquisitions on favorable terms, making any such acquisitions more expensive. Any such financing may have terms that restrict the Company's operations. The Company may be unable to provide assurance that it will be able to successfully integrate the operations of any acquired businesses into its operations and achieve the expected benefits of any acquisitions. In addition, the Company may not consummate a potential acquisition for a variety of reasons, but it may nonetheless incur material costs in connection with an acquisition that it cannot recover. The failure to successfully integrate newly acquired businesses or achieve the expected benefits of strategic acquisitions in the future, or consummate a potential acquisition after incurring material costs, could have an adverse effect on the Company's business, results of operations and financial position.

Maintenance and growth of the Company's business depends upon the availability of adequate capital.

The maintenance and growth of the Company's business depends on the availability of adequate capital, which in turn depends in large part on cash flow generated by the Company's business and the availability of equity and debt financing. The Company cannot provide assurance that its operations will generate positive cash flow or that it will be able to obtain equity or debt financing on acceptable terms, or at all. Further, the Company cannot provide assurance that it will be able to finance any expansion plans.

An impairment of goodwill or other intangibles could have an adverse impact to the Company's results of operations.

The carrying value of goodwill represents the fair value of acquired businesses in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of other intangibles represents the fair value of trade names and other acquired intangibles as of the acquisition date. Goodwill and other acquired intangibles expected to contribute indefinitely to the Company's cash flows are not amortized but must be evaluated by the Company at least annually for impairment. If the carrying amounts of one or more of these assets are not recoverable based upon discounted cash flow and market-approach analyses, the carrying amounts of such assets are impaired by the estimated difference between the carrying value and estimated fair value. An impairment charge could adversely affect the Company's results of operations.

Changes in government regulation may increase the Company's costs of compliance and failure to comply with government regulations or other standards may adversely affect its brands and business.

The Company's business is affected by changes in government and regulatory policies in the U.S. and in foreign jurisdictions. New requirements relating to product safety and testing and new environmental requirements, as well as changes in tax laws, duties, tariffs and quotas, could have a negative impact on the Company's ability to produce and market footwear at competitive prices. Failure to comply with such regulations, as well as to comply with ethical, social, product, labor and environmental standards, could also jeopardize the Company's reputation and potentially lead to various adverse consumer actions, including boycotts. Any negative publicity about these types of concerns may reduce demand for the Company's products. Damage to the Company's reputation or loss of consumer confidence for any of these or other reasons could adversely affect the Company's results of operations, as well as require additional resources to rebuild its reputation and brand value.

The Company's operations are subject to environmental and workplace safety laws and regulations, and costs or claims related to these requirements could adversely affect the Company's business.

The Company's operations are subject to various federal, state and local laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air, soil and water, the management and disposal of solid and hazardous materials and wastes, employee exposure to hazards in the workplace, and the investigation and remediation of contamination resulting from releases of hazardous materials. Failure to comply with legal requirements could result in, among

other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Various third parties could also bring actions against the Company alleging health-related or other harm arising from non-compliance. The Company may incur investigation, remediation or other costs related to releases of hazardous materials or other environmental conditions at its currently or formerly owned or operated properties, regardless of whether such environmental conditions were created by the Company or a third-party, such as a prior owner or tenant. The Company has incurred, and continues to incur, costs to address soil and groundwater contamination at some locations. If such issues become more expensive to address, or if new issues arise, they could increase the Company's expenses, generate negative publicity, or otherwise adversely affect the Company.

The disruption, expense and potential liability associated with existing and future litigation against the Company could adversely affect its reputation, financial position or results of operations.

The Company may be named as a defendant from time to time in lawsuits and regulatory actions relating to its business. For example, regulatory actions, putative class actions lawsuits and individual lawsuits have been filed against the Company alleging claims relating to property damage, remediation and human health effects, among other claims, arising from the Company's operations, including its handling, storage, treatment, transportation and/or disposal of waste. These claims are discussed in more detail in Note 17 to the consolidated financial statements. Due to the inherent uncertainties of litigation and regulatory proceedings, the Company cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have an adverse impact on the Company's business, results of operations and financial position. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings are expensive and may require that the Company devote substantial resources and executive time to the defense of such proceedings.

Provisions of Delaware law and the Company's certificate of incorporation and bylaws could prevent or delay a change in control or change in management that could be beneficial to the Company's stockholders.

Provisions of the Delaware General Corporation Law, as well as the Company's certificate of incorporation and bylaws, could discourage, delay or prevent a merger, acquisition or other change in control of the Company that might benefit the Company's stockholders. These provisions are intended to provide the Company's Board of Directors with continuity and also serve to encourage negotiations between the Company's Board of Directors and any potential acquirer. Such provisions include a Board of Directors that is classified so that only one-third of directors stand for election each year. These provisions could also discourage proxy contests and make it more difficult for stockholders to replace the majority of the Company's directors and take other corporate actions that may be beneficial to the Company's stockholders.

There are risks, including stock market volatility, inherent in owning the Company's common stock.

The market price and volume of the Company's common stock have been, and may continue to be, subject to significant fluctuations. These fluctuations may arise from general stock market conditions, the impact of risk factors described in this Item 1A on the Company's results of operations and financial position, or a change in opinion in the market regarding the Company's business prospects or other factors, many of which may be outside the Company's immediate control. Changes in the amounts and frequency of share repurchases or dividends also could adversely affect the value of the Company's common stock.

The Company's quarterly sales and earnings may fluctuate, and the Company or securities analysts may not accurately estimate the Company's financial results, which may result in volatility in, or a decline in, the Company's stock price.

The Company's quarterly sales and earnings can vary due to a number of factors, many of which are beyond the Company's control, including the following:

- In the wholesale business, sales of footwear are dependent on orders from major customers, who may change delivery schedules, change the mix of products they order or cancel orders without penalty.
- Wholesale customers set the delivery schedule for shipments of the Company's products, which could cause shifts of sales between quarters.
- The Company's estimated annual tax rate is based on projections of our domestic and international operating results for the year, which the Company reviews and revises as necessary each quarter.
- The Company's earnings are also sensitive to a number of factors that are beyond the Company's control, including manufacturing and transportation costs, changes in product sales mix, geographic sales trends, weather conditions, customer demand, consumer sentiment and currency exchange rate fluctuations.

As a result of these specific and other general factors, the Company's operating results will vary from quarter to quarter and the results for any particular quarter may not be indicative of results for the full year. Any shortfall in sales or earnings from the levels expected by investors or securities analysts could cause a decrease in the trading price of the Company's common stock.

In addition, various securities analysts follow the Company's financial results and issue reports. These reports include information about the Company's historical financial results as well as the analysts' estimates of future performance. The analysts' estimates

are based upon their own opinions and are often different from the Company's estimates or expectations. If the Company's operating results are below the estimates or expectations of public market analysts and investors, the Company's stock price could decline.

The Company's current level of indebtedness could adversely affect the Company by decreasing business flexibility and increasing borrowing costs.

The Company's current level of indebtedness could adversely affect the Company by decreasing its business flexibility and increasing its borrowing costs. The Company has debt outstanding under a senior secured credit agreement ("Credit Agreement") and senior notes. The Credit Agreement and the indenture governing the senior notes contain customary restrictive covenants imposing operating and financial restrictions on the Company, including restrictions that may limit the Company's ability to engage in acts that may be in its long-term best interests. These covenants restrict the ability of the Company and certain of its 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. In addition, the restrictive covenants in the Credit Agreement require the Company to maintain specified financial ratios and satisfy other financial condition tests.

These restrictive covenants may limit the Company's ability to finance future operations or capital needs or to engage in other business activities. The Company's ability to comply with any financial covenants could be materially affected by events beyond its control and the Company may be unable to satisfy any such requirements. If the Company fails to comply with these covenants, it may need to seek waivers or amendments of such covenants, seek alternative or additional sources of financing or reduce its expenditures. The Company may be unable to obtain such waivers, amendments or alternative or additional financing on favorable terms or at all.

The Company's results of operations, financial position, and cash flows, and its ability to conduct business in international markets may be affected by legal, regulatory, political and economic risks.

The Company's ability to conduct business in new and existing international markets is subject to legal, regulatory, political and economic risks. These include:

- the burdens of complying with foreign laws and regulations, including trade and labor restrictions;
- compliance with U.S. and other countries' laws relating to foreign operations, including the U.S. Foreign Corrupt Practices Act ("FCPA"), which prohibits U.S. companies from making improper payments to foreign officials for the purpose of obtaining or retaining business;
- unexpected changes in regulatory requirements; and
- new tariffs or other barriers in some international markets, including China.

The Company is also subject to general political and economic risks in connection with our international operations, including:

- political instability, including due to Brexit, and terrorist attacks;
- differences in business culture;
- different laws governing relationships with employees and business partners;
- changes in diplomatic and trade relationships, including with China; and
- general economic fluctuations in specific countries or markets.

The Company cannot predict whether quotas, duties, taxes, or other similar restrictions will be imposed by the United States or foreign countries upon the import or export of our products in the future, or what effect any of these actions would have, if any, on the Company's business, financial condition or results of operations. Changes in regulatory, geopolitical, social or economic policies and other factors may have an adverse effect on the Company's business in the future or may require us to exit a particular market or significantly modify our current business practices.

The Company operates in many different international markets and could be adversely affected by violations of the FCPA and similar worldwide anti-corruption laws.

The FCPA and similar worldwide anti-corruption laws generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. The Company's internal policies mandate compliance with these anti-corruption laws. Despite training and compliance programs, the Company's internal control policies and procedures may not protect it from reckless or criminal acts committed by its employees or agents.

The Company's continued expansion internationally, including in developing countries, could increase the risk of FCPA violations in the future. Violations of these laws, or allegations of such violations, could disrupt the Company's business and result in an adverse effect on the results of operations or financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company operates its domestic administration, sales and marketing operations primarily from an owned facility of approximately 225,000 square feet in Rockford, Michigan, as well as a leased facility of approximately 136,000 square feet in Waltham, Massachusetts. The Company operates its distribution operations primarily through a leased distribution facility of approximately 720,000 square feet in Beaumont, California; an owned distribution facility of approximately 520,000 square feet in Louisville, Kentucky; a leased distribution center of approximately 460,000 square feet in Howard City, Michigan; a leased distribution center of approximately 342,000 square feet in Ontario, Canada and a leased distribution center of approximately 125,000 square feet in Heerhugowaard, Netherlands.

The Company also leases or owns offices, showrooms and other facilities throughout the U.S., Canada, the United Kingdom, continental Europe, Hong Kong and China to meet its operational requirements. In addition, the Company operates 96 retail stores primarily through leases with various third-party landlords in the U.S. that collectively occupying approximately 271,000 square feet. The Company believes that its current facilities are suitable and adequate to meet its current needs.

Item 3. Legal Proceedings

The Company is involved in litigation and various legal matters arising in the normal course of business, including certain environmental compliance activities. For a discussion of legal matters, see Note 17 to our Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

Not applicable.

Supplemental Item. Information about our Executive Officers

The following table lists the names and ages of the Executive Officers of the Company and their positions held with the Company as of January 31, 2020. The information provided below the table lists the business experience of each such Executive Officer for at least the past five years. All Executive Officers serve at the pleasure of the Board of Directors of the Company, or, if not appointed by the Board of Directors, at the pleasure of management.

Name	Age	Positions held with the Company
Kyle Hanson	54	Senior Vice President, General Counsel and Secretary
Michael Jepesen	60	President, Global Operations Group
Amy M. Klimek	46	Senior Vice President, Global Human Resources
Blake W. Krueger	66	Chairman of the Board, Chief Executive Officer and President
Todd Spaletto	48	President, Wolverine Michigan Group
Michael D. Stornant	53	Senior Vice President, Chief Financial Officer and Treasurer
James D. Zwiers	52	Executive Vice President

Kyle L. Hanson has served the Company as Senior Vice President, General Counsel and Secretary since June 2018. From March 2014 through June 2018, she was Vice President, General Counsel and Corporate Secretary at The Buckle, Inc., a publicly traded footwear and apparel retailer.

Michael Jepesen has served the Company as President, Global Operations Group since January 2012. From April 2016 through January 2019, he also served as President, Wolverine Heritage Group.

Amy M. Klimek has served the Company as Senior Vice President, Global Human Resources since May 2016. From October 2014 to May 2016, she served as Vice President of Human Resources.

Blake W. Krueger has served the Company as Chairman since January 2010 and as Chief Executive Officer and President since April 2007.

Todd Spaletto has served the Company as President, Wolverine Michigan Group since February 2019. From February 2017 through January 2019, he served as President of the Wolverine Outdoor & Lifestyle Group. From February 2011 to January 2017, he was President, Americas for The North Face, Inc., a supplier of outdoor apparel, equipment and footwear.

Michael D. Stornant has served the Company as Senior Vice President, Chief Financial Officer and Treasurer since June 2015. From January 2013 through June 2015, he served as Vice President, Corporate Finance.

James D. Zwiers has served the Company as Executive Vice President since February 2017. From February 2016 through February 2017, he served as President, Wolverine Outdoor & Lifestyle Group. From June 2014 through February 2016, he served as Senior Vice President and President, International Group.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

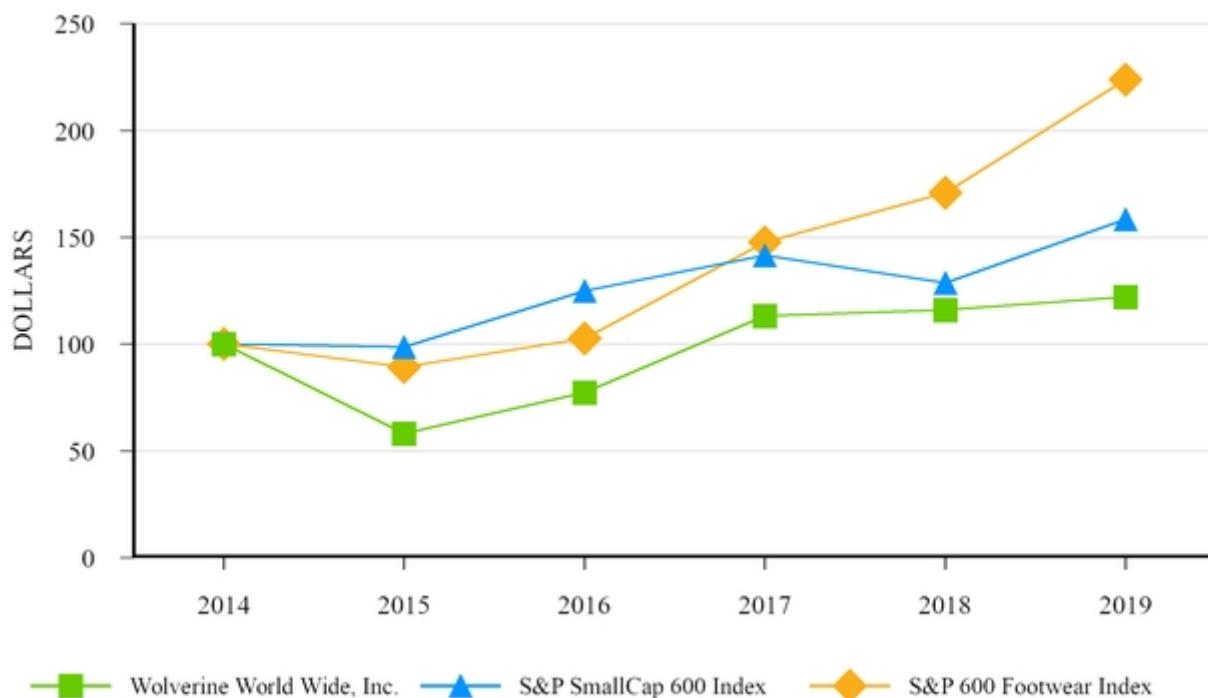
The Company's common stock is traded on the New York Stock Exchange under the symbol "WWW." The number of stockholders of record on February 14, 2020, was 816.

A quarterly dividend of \$0.10 per share was declared on February 5, 2020. The Company currently expects that comparable cash dividends will be paid in future quarters in fiscal 2020.

Stock Performance Graph

The following graph compares the five-year cumulative total stockholder return on the Company's common stock to the Standard & Poor's Small Cap 600 Index and the Standard & Poor's 600 Footwear Index, assuming an investment of \$100 at the beginning of the period indicated. The Company is part of both the Standard & Poor's Small Cap 600 Index and the Standard & Poor's 600 Footwear Index. This Stock Performance Graph shall not be deemed to be incorporated by reference into the Company's SEC filings and shall not constitute soliciting material or otherwise be considered filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Five-Year Cumulative Total Return Summary



The following table provides information regarding the Company's purchases of its own common stock during the fourth quarter of fiscal 2019.

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 10 (September 29, 2019 to November 2, 2019)					
Common Stock Repurchase Program ⁽¹⁾	184,003	\$ 26.90		184,003	\$ 508,440,465
Employee Transactions ⁽²⁾	7,023	\$ 27.64			
Period 11 (November 3, 2019 to November 30, 2019)					
Common Stock Repurchase Program ⁽¹⁾	—	\$ —		—	\$ 508,440,465
Employee Transactions ⁽²⁾	—	\$ —			
Period 12 (December 1, 2019 to December 28, 2019)					
Common Stock Repurchase Program ⁽¹⁾	—	\$ —		—	\$ 508,440,465
Employee Transactions ⁽²⁾	578	\$ 33.03			
Total for the fourth Quarter Ended December 28, 2019					
Common Stock Repurchase Program ⁽¹⁾	184,003	\$ 26.90		184,003	\$ 508,440,465
Employee Transactions ⁽²⁾	7,601	\$ 28.05			

- (1) On September 11, 2019, the Company's Board of Directors approved a new common stock repurchase program that authorizes the repurchase of \$400.0 million of common stock over a four-year period, incremental to the \$113.4 million that was remaining under the previous program. The annual amount of any stock repurchases is restricted under the terms of the Company's Credit Agreement and senior notes indenture.
- (2) 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.

Item 6. Selected Financial Data

Five-Year Operating and Financial Summary ⁽¹⁾

(In millions, except per share data)	Fiscal Year				
	2019	2018	2017	2016	2015
Summary of Operations					
Revenue	\$ 2,273.7	\$ 2,239.2	\$ 2,350.0	\$ 2,494.6	\$ 2,691.6
Net earnings attributable to Wolverine World Wide, Inc.	128.5	200.1	0.3	87.7	122.8
Net earnings per share of common stock:					
Basic net earnings ⁽²⁾	\$ 1.48	\$ 2.07	\$ —	\$ 0.90	\$ 1.22
Diluted net earnings ⁽²⁾	1.44	2.05	—	0.89	1.20
Cash dividends declared	0.40	0.32	0.24	0.24	0.24
Financial Position at Year-End					
Total assets	\$ 2,480.0	\$ 2,183.1	\$ 2,399.0	\$ 2,431.7	\$ 2,434.4
Debt	798.4	570.5	782.6	820.7	809.8

- (1) This summary should be read in conjunction with the consolidated financial statements and the related notes, which are included in Item 8 of this Annual Report on Form 10-K.
- (2) Basic earnings per share are based on the weighted average number of shares of common stock outstanding during the year after adjustment for unvested restricted common stock. Diluted earnings per share assume the exercise of dilutive stock options and the vesting of all outstanding restricted stock and units.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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**" and 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 170 countries and territories at December 28, 2019, 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 December 28, 2019, the Company operated 96 retail stores in the U.S. and Canada and 41 consumer-direct eCommerce sites.

2019 FINANCIAL OVERVIEW

- Revenue was \$2,273.7 million for fiscal 2019, representing an increase of 1.5% compared to the prior year's revenue of \$2,239.2 million. The increase reflects a 2.2% increase from the Michigan Group and a 1.7% increase from the Boston Group. Changes in foreign exchange rates decreased revenue by \$16.7 million during fiscal 2019.
- Gross margin for fiscal 2019 was 40.6%, a decrease of 50 basis points from fiscal 2018.
- The effective tax rate in fiscal 2019 was 11.7%, compared to 11.9% in fiscal 2018.
- Diluted earnings per share for fiscal 2019 was \$1.44, compared to \$2.05 for fiscal 2018.
- The Company declared cash dividends of \$0.40 per share in fiscal 2019 and \$0.32 per share in fiscal 2018.
- Net cash provided by operating activities was \$222.6 million in fiscal 2019.
- The Company executed \$319.2 million of share repurchases in fiscal 2019 at an average price of \$29.24 per share.

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 financial statements and related notes, which are included in Item 8 of this Annual Report on Form 10-K.

(In millions, except per share data)	Fiscal Year			Percent Change vs. Prior Year	
	2019	2018	2017	2019	2018
Revenue	\$ 2,273.7	\$ 2,239.2	\$ 2,350.0	1.5 %	(4.7)%
Cost of goods sold	1,349.9	1,317.9	1,426.6	2.4	(7.6)
Restructuring costs	—	—	9.0	—	(100.0)
Gross profit	923.8	921.3	914.4	0.3	0.8
Selling, general and administrative expenses	669.3	654.1	706.0	2.3	(7.4)
Restructuring and other related costs	—	—	72.9	—	(100.0)
Impairment of intangible assets	—	—	68.6	—	(100.0)
Environmental and other related costs	83.5	15.3	35.3	445.8	(56.7)
Operating profit	171.0	251.9	31.6	(32.1)	697.2
Interest expense, net	30.0	24.5	32.1	22.4	(23.7)
Debt extinguishment and other costs	—	0.6	—	(100.0)	—
Other expense (income), net	(4.9)	(0.6)	10.1	716.7	(105.9)
Earnings (loss) before income taxes	145.9	227.4	(10.6)	(35.8)	*
Income tax expense (benefit)	17.0	27.1	(9.9)	(37.3)	(373.7)
Net earnings (loss)	128.9	200.3	(0.7)	(35.6)	*
Less: net earnings (loss) attributable to noncontrolling interests	0.4	0.2	(1.0)	100.0	(120.0)
Net earnings attributable to Wolverine World Wide, Inc.	\$ 128.5	\$ 200.1	\$ 0.3	(35.8)%	*
Diluted earnings per share	\$ 1.44	\$ 2.05	\$ —	(29.8)%	— %

*Percentage change not meaningful

REVENUE

Revenue was \$2,273.7 million for fiscal 2019, representing an increase of 1.5% compared to the prior year's revenue of \$2,239.2 million. The increase reflected a 2.2% increase from the Michigan Group and a 1.7% increase from the Boston Group. The Michigan Group's revenue increase was driven by a high-single digit increase from *Merrell*® and a low-teens increase from *Cat*®, partially offset by low-teens decreases from *Chaco*® and *Hush Puppies*®. The Boston Group's revenue increase was due to a mid-single digit increase for *Sperry*® and a low-teens increase from *Keds*®, partially offset by a mid-single digit decline for *Saucony*®. International revenue represented 33.7%, 32.8% and 31.5% of total reported revenues in fiscal years 2019, 2018 and 2017, respectively. Changes in foreign exchange rates decreased revenue by \$16.7 million during fiscal 2019.

Revenue was \$2,239.2 million for fiscal 2018, representing a decrease of 4.7% compared to \$2,350.0 million in fiscal 2017. The decrease reflects the closure of retail stores (\$66.0 million), the change in business model for *Stride Rite*® (\$47.5 million), the divestiture of the *Sebago*® brand (\$26.0 million) and the sale of the Department of Defense contract business for *Bates*® (\$26.1 million), partially offset by significant growth in eCommerce across all brands (\$43.0 million). Changes in foreign exchange rates increased revenues by \$4.1 million in fiscal 2018.

GROSS MARGIN

For fiscal 2019, the Company's gross margin was 40.6%, compared to 41.1% in fiscal 2018. The gross margin decrease was driven by unfavorable product mix (35 basis points), business model changes for certain international wholesale customers (60 basis points) and additional close-out sales (35 basis points), partially offset by the acquisition of the *Saucony*® distributor in Italy (35 basis points), a higher mix of higher gross margin consumer-direct revenue (35 basis points) and reduced markdowns (15 basis points).

For fiscal 2018, the Company's gross margin was 41.1%, compared to 38.9% in fiscal 2017. The gross margin increase was driven by favorable product mix (70 basis points), divestitures and portfolio changes (75 basis points), store closures (20 basis points), lower restructuring and other related costs (40 basis points) and the favorable impact of foreign exchange (15 basis points).

OPERATING EXPENSES

Operating expenses increased \$83.4 million in fiscal 2019, to \$752.8 million. The increase was driven by higher environmental and other related costs (\$68.2 million), higher general and administration costs (\$15.7 million), higher distribution costs (\$7.5 million), higher reorganization costs (\$7.1 million) and higher selling expenses (\$4.6 million). These increases were partially offset by lower incentive compensation costs of \$16.7 million.

Operating expenses decreased \$213.4 million in fiscal 2018, to \$669.4 million. The decrease was driven by lower restructuring and other related costs (\$72.9 million), lower impairment of intangible assets (\$68.6 million), lower environmental and other related costs (\$20.0 million), lower transformation costs (\$37.7 million) and lower selling expenses (\$29.1 million) due to the closure of certain retail stores in fiscal 2017, partially offset by a higher investment in advertising (\$13.7 million) as part of the Company's growth agenda.

INTEREST, OTHER AND TAXES

Net interest expense was \$30.0 million in fiscal 2019 compared to \$24.5 million in fiscal 2018. The increase was driven by higher average debt principal balances due primarily to repurchases of the Company's stock and lower interest income. Net interest expense decreased from \$32.1 million in fiscal 2017 to \$24.5 million in fiscal 2018 due to a lower effective interest rate on the Company's debt, lower average debt principal balances and higher interest income.

The Company incurred \$0.6 million of debt extinguishment and other costs in connection with the refinancing of the Company's debt in the fourth quarter of fiscal 2018.

The effective tax rate in fiscal 2019 was 11.7%, compared to 11.9% in fiscal 2018. The lower effective tax rate in fiscal 2019 reflects the positive net impact from one-time discrete items combined with a shift in income between tax jurisdictions with differing tax rates, primarily associated with a decrease in U.S. income compared to the prior year due primarily to higher reorganization costs and environmental and other related costs.

The effective tax rate in fiscal 2018 was 11.9%, compared to 93.7% in fiscal 2017. The lower effective tax rate in fiscal 2018 reflects the positive net impact from one-time discrete items, primarily a voluntary pension contribution of \$60.0 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 due primarily to lower restructuring and other related costs, impairment of intangible assets and organizational transformation costs.

Other income was \$4.9 million in fiscal 2019 compared to \$0.6 million in fiscal 2018. The increase was driven by the inclusion of sublease income in 2019 due to the implementation of ASU 2016-02 during the first quarter of 2019 (\$4.0 million), the reclassification of the ineffective portion of unrealized gains on foreign currency hedges (\$1.2 million) in fiscal 2019 and a pension settlement loss recognized in fiscal 2018 (\$7.2 million), partially offset by a foreign currency remeasurement gain in fiscal 2018 (\$5.9 million).

REPORTABLE OPERATING SEGMENTS

The Company's portfolio of brands is organized into the following two operating segments, which the Company has determined to be reportable operating segments. During the first quarter of 2019, the brands that were formerly aligned with the Wolverine Outdoor & Lifestyle Group and Wolverine Heritage Group were realigned into a new operating segment, the Wolverine Michigan Group. The change was to align our brands under key leadership to best support innovation and efficiency. All prior period disclosures have been retrospectively adjusted to reflect these new reportable operating segments.

- **Wolverine Michigan Group**, consisting of *Merrell*® footwear and apparel, *Cat*® footwear, *Wolverine*® footwear and apparel, *Chaco*® footwear, *Hush Puppies*® footwear and apparel, *Bates*® uniform footwear, *Harley-Davidson*® footwear and *Hytest*® safety footwear; and
- **Wolverine Boston Group**, consisting of *Sperry*® footwear and apparel, *Saucony*® footwear and apparel, *Keds*® footwear and apparel, and the Kids footwear business, which includes the *Stride Rite*® licensed business, as well as kids' footwear offerings from *Saucony*®, *Sperry*®, *Keds*®, *Merrell*®, *Hush Puppies*® and *Cat*®.

The Company also reports "Other" and "Corporate" categories. The Other category consists of the Company's leather marketing operations, sourcing operations and multi-branded consumer-direct retail stores. The Corporate category consists of unallocated corporate expenses, organizational transformation costs, reorganization costs, restructuring and other related costs, impairment of intangible assets, environmental and other related costs, a foreign currency remeasurement gain recorded in the second quarter of fiscal 2018 and a pension settlement loss related to the Company's purchase of pension annuity contracts in the fourth quarter of fiscal 2018.

The reportable operating segment results for fiscal years 2019, 2018 and 2017 are as follows:

(In millions)	Fiscal Year			Percent Change	Fiscal Year			Percent Change
	2019	2018	Change		2018	2017	Change	
REVENUE								
Wolverine Michigan Group	\$ 1,299.7	\$ 1,272.2	\$ 27.5	2.2 %	\$ 1,272.2	\$ 1,267.8	\$ 4.4	0.3 %
Wolverine Boston Group	910.9	895.5	15.4	1.7 %	895.5	988.8	(93.3)	(9.4)%
Other	63.1	71.5	(8.4)	(11.7)%	71.5	93.4	(21.9)	(23.4)%
Total	<u>\$ 2,273.7</u>	<u>\$ 2,239.2</u>	<u>\$ 34.5</u>	<u>1.5 %</u>	<u>\$ 2,239.2</u>	<u>\$ 2,350.0</u>	<u>\$ (110.8)</u>	<u>(4.7)%</u>
OPERATING PROFIT (LOSS)								
Wolverine Michigan Group	\$ 244.8	\$ 257.6	\$ (12.8)	(5.0)%	\$ 257.6	\$ 243.7	\$ 13.9	5.7 %
Wolverine Boston Group	153.8	157.5	(3.7)	(2.3)%	157.5	153.6	3.9	2.5 %
Other	2.9	3.1	(0.2)	(6.5)%	3.1	5.2	(2.1)	(40.4)%
Corporate	(230.5)	(166.3)	(64.2)	38.6 %	(166.3)	(370.9)	204.6	(55.2)%
Total	<u>\$ 171.0</u>	<u>\$ 251.9</u>	<u>\$ (80.9)</u>	<u>(32.1)%</u>	<u>\$ 251.9</u>	<u>\$ 31.6</u>	<u>\$ 220.3</u>	<u>697.2 %</u>

Further information regarding the reportable operating segments can be found in Note 18 to the consolidated financial statements.

Wolverine Michigan Group

The Michigan Group's revenue increased \$27.5 million, or 2.2%, in fiscal 2019 compared to fiscal 2018. The increase was due to a high-single digit increase from *Merrell*® and a low-teens increase from *Cat*®, partially offset by low-teens decreases from *Chaco*® and *Hush Puppies*®. The *Merrell*® increase was due to growth in Asia Pacific, Europe and Latin America and strong eCommerce growth in the mid-twenties. The *Cat*® increase was due to strength in the Work category and business model changes for certain international customers. The *Chaco*® decline was due to high inventory levels at retailers and competitive pricing pressure on certain key sandal offerings. The *Hush Puppies*® decline was due to late deliveries of product and lower demand in the U.S. due to slow sell through at retail and declines in Canada, Europe and Latin America.

The Michigan Group's operating profit decreased \$12.8 million, or 5.0%, in fiscal 2019 compared to fiscal 2018. The decrease was due to a 140 basis point decline in gross margin and a \$6.5 million increase in selling, general and administrative costs. The gross margin decline was due to the bankruptcy of an international distributor, product mix, higher close-out sales and business model changes for certain international distributors. The increase in selling, general and administrative expenses was due to investments in eCommerce growth and new *Merrell*® stores.

The Michigan Group's revenue increased \$4.4 million, or 0.3%, in fiscal 2018 compared to fiscal 2017. The increase was due to mid-single digit growth in *Merrell*®, high-single digit growth from *Wolverine*® and mid-single digit growth in *Cat*®, partially offset by the divestiture of the *Sebago*® brand (\$26.0 million) and the sale of the Department of Defense contract business (\$26.1 million). The *Merrell*® revenue increase is the result of new product introductions, a strong at-once business, strength in the Hike, Work and Outdoor Life categories, and strong eCommerce growth that was partially offset by a \$9.2 million decline due to store closures in 2017. The *Wolverine*® increase was driven by a mid-forties increase in eCommerce and a mid-single digit increase in U.S. wholesale channel resulting from strength in the Work category. The *Cat*® increase is due to a business model change in certain international markets, as well as growth in the U.S.

The Michigan Group's operating profit increased \$13.9 million, or 5.7%, in fiscal 2018 compared to fiscal 2017. The operating profit increase was due to the revenue growth and improved operating margin from *Merrell*®, *Wolverine*® and *Cat*®. The *Merrell*® improvement resulted from better product mix and retail store closures in 2017, partially offset by planned investments in growth. The *Wolverine*® and *Cat*® improvements are due to lower product costs.

Wolverine Boston Group

The Boston Group's revenue increased \$15.4 million, or 1.7%, in fiscal 2019 compared to fiscal 2018. The increase was driven by a mid-single digit increase for *Sperry*® and a low-teens increase from *Keds*®, partially offset by a mid-single digit decline for *Saucony*®. The *Sperry*® increase was due to strong low-twenties eCommerce growth and new retail store openings, partially offset by a low-single digit decline in the U.S. wholesale market due to a decline in the Boat shoe category partially offset by increases in the Boot category. The *Keds*® increase was due to growth in the U.S. wholesale business and strong eCommerce growth in the thirties. The decrease for *Saucony*® was due to lower demand for products in the U.S. wholesale channel and in certain international third-party markets, partially offset by the acquisition of the *Saucony*® distributor in Italy and strong thirties eCommerce growth.

The Boston Group's operating profit decreased \$3.7 million, or 2.3%, in fiscal 2019 compared to fiscal 2018. The decrease was due to higher selling, general and administrative expense of \$13.5 million due to the acquisition of the *Saucony*® distributor in

Italy, new *Sperry*[®] stores and higher distribution and advertising costs related to eCommerce, partially offset by the group's higher revenue and gross margin improvement of 40 basis points.

The Boston Group's revenue decreased \$93.3 million, or 9.4%, in fiscal 2018 compared to fiscal 2017. The decrease was driven by the transition of the *Stride Rite*[®] brand to a licensing model (\$47.5 million) and the closure of retail stores (\$47.5 million) and a high-single digit decline for *Saucony*[®]. This was partially offset by a low-single digit increase for *Sperry*[®] wholesale and eCommerce channels and a mid-single digit increase for *Keds*[®] due to eCommerce growth. The *Saucony*[®] decrease was due to lower demand for products in the U.S. wholesale channel, partially offset by growth in Europe.

The Boston Group's operating profit increased \$3.9 million, or 2.5%, in fiscal 2018 compared to fiscal 2017. The increase was due to the closure of retail stores, higher operating profit for *Keds*[®] due to the higher revenue and higher gross margin and higher operating profit for *Sperry*[®] due to higher wholesale revenue. This was partially offset by lower operating profit from *Saucony*[®] due to lower revenues.

Other

The Other category's revenue decreased \$8.4 million, or 11.7%, in fiscal 2019 compared to fiscal 2018. The revenue decrease is due to lower third-party sourcing commission revenue, a high-twenties decline in multi-brand retail stores revenue due to conversions to a mono-brand format and a low-single digit decline in the performance leathers business.

The Other category's revenue decreased \$21.9 million, or 23.4%, in fiscal 2018 compared to fiscal 2017. The revenue decrease is due to a high-teens decline in the performance leathers business due to lower demand and the closure of multi-brand retail stores (\$9.3 million). The Other category's operating profit decreased \$2.1 million, or 40.4%, in fiscal 2018 compared to fiscal 2017, due to the performance leathers revenue decline.

Corporate

Corporate expenses increased \$64.2 million in fiscal 2019 compared to fiscal 2018 due to higher environmental and other related costs (\$68.2 million) and reorganization costs (\$7.1 million), partially offset by lower incentive compensation costs (\$16.7 million).

Corporate expenses decreased \$204.6 million in fiscal 2018 compared to fiscal 2017. Corporate expenses were impacted by the decrease in restructuring and other related costs (\$72.9 million), lower impairment of intangible assets (\$68.6 million), lower organizational transformation costs (\$37.7 million) and lower environmental and other related costs (\$20.0 million).

LIQUIDITY AND CAPITAL RESOURCES

(In millions)	Fiscal Year		
	2019	2018	2017
Cash and cash equivalents	\$ 180.6	\$ 143.1	\$ 481.0
Debt ⁽¹⁾	798.4	570.5	782.6
Available Revolving Credit Facility ⁽²⁾	434.3	672.5	597.5
Net cash provided by operating activities	222.6	97.5	202.7
Net cash used in investing activities	(61.5)	(22.2)	(1.0)
Net cash used in financing activities	(124.6)	(404.5)	(98.0)
Additions to property, plant and equipment	34.4	21.7	32.4
Depreciation and amortization	32.7	31.5	37.2

⁽¹⁾ Prior to 2019, Debt included capital lease obligations.

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

Liquidity

Cash and cash equivalents of \$180.6 million as of December 28, 2019 were \$37.5 million higher compared to December 29, 2018. The increase is due primarily to increased net borrowings under the Credit Agreement of \$227.5 million and cash provided by operating activities of \$222.6 million, partially offset by share repurchases of \$319.2 million, capital expenditures of \$34.4 million, cash dividends paid of \$33.6 million, a business acquisition of \$15.1 million, and investments in joint ventures of \$8.5 million. The Company had \$434.3 million of borrowing capacity available under the Revolving Credit Facility as of December 28, 2019. Cash and cash equivalents located in foreign jurisdictions totaled \$113.0 million as of December 28, 2019.

Cash flow from operating activities, along with additional 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 is expected to be used to fund organic growth initiatives, reduce debt, pay dividends, repurchase the Company's common stock and pursue acquisitions.

A detailed discussion of environmental remediation costs is found in Note 17 to our Consolidated Financial Statements. The Company has established a reserve for estimated environmental remediation costs based upon an evaluation of currently available facts, including the Consent Decree approved on February 19, 2020 discussed in Note 17, with respect to each individual site. As of December 28, 2019, the Company has a reserve of \$124.4 million, of which \$41.5 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 \$82.9 million recorded in other liabilities and expected to be paid over the course of up to 25 years. Separately, as result of a settlement with 3M Company, the Company will receive a \$55.0 million payment from 3M Company in fiscal 2020 as a partial recovery of these costs. The Company's remediation activity at its former Tannery site and sites where the Company disposed of Tannery byproducts is ongoing. 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. Future 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.

Cash from operations during fiscal 2019 was higher compared to fiscal 2018, due primarily to lower contributions to the Company's pension plans and increased collections of receivable accounts, offset partially by increased inventory investments during 2019 to support organic sales growth. During 2019, working capital drove a source of cash of \$2.7 million, which was driven by a decrease in accounts receivable of \$30.7 million and an increase in income taxes payable of \$3.6 million, partially offset by increases in inventories of \$23.8 million and other operating assets of \$5.4 million and a decrease in other operating liabilities of \$2.4 million.

Cash from operations during fiscal 2018 was lower compared to fiscal 2017, due primarily to the wind-down of an accounts receivable financing program, inventory investments at the end of 2018 to support organic sales growth and an increase in contributions to its pension plans. The Company made contributions to its pension plans of \$60.7 million and \$11.3 million in fiscal years 2018 and 2017 respectively. During 2018, working capital drove a use of cash of \$137.9 million, which was driven by increases in accounts receivable of \$95.0 million, inventories of \$44.5 million and other operating assets of \$17.8 million and a decrease in other operating liabilities of \$19.3 million. These changes were partially offset by an increase in accounts payable of \$40.6 million.

Investing Activities

The Company made capital expenditures of \$34.4 million, \$21.7 million and \$32.4 million in fiscal years 2019, 2018 and 2017, respectively. The increase in capital expenditures during fiscal 2019 compared to fiscal 2018 were due to office enhancements and new retail stores.

During fiscal 2019, the Company paid \$15.1 million related to a business acquisition and \$8.5 million related to investments in joint ventures. See Note 19 to our Consolidated Financial Statements for additional information regarding the acquisition. During fiscal 2017, the Company received proceeds of \$38.6 million related to the sale of a business and other assets.

Financing Activities

On December 6, 2018, the Company amended its credit agreement (as amended, the "Credit Agreement"). The Credit Agreement includes a \$200.0 million term loan facility ("Term Loan A") and a \$800.0 million Revolving Credit Facility, both with maturity dates of December 6, 2023. 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 December 6, 2023.

The Revolving Credit Facility allows the Company to borrow up to an aggregate amount of \$800.0 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 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 borrowings under the Revolving Credit Facility of \$360.0

million and outstanding letters of credit under the Revolving Credit Facility of \$5.7 million as of December 28, 2019. The outstanding letters of credit reduce the borrowing capacity under the Revolving Credit Facility.

As of December 28, 2019, 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's debt at December 28, 2019 totaled \$798.4 million, compared to \$570.5 million at December 29, 2018. The increase was due to borrowings on the Revolving Credit Facility of \$235.0 million less scheduled principal payments on Term Loan A of \$7.5 million.

The Company has a foreign revolving credit facility with aggregate available borrowings of \$4.0 million that are uncommitted and, therefore, each borrowing against the applicable facility is subject to approval by the lender. There were no borrowings against this facility at December 28, 2019.

The Company repurchased \$319.2 million, \$174.7 million and \$42.3 million of Company common stock in fiscal years 2019, 2018 and 2017, respectively, under stock repurchase plans. On September 11, 2019, the Company's Board of Directors approved a common stock repurchase program that authorized the repurchase of an additional \$400.0 million of common stock over a four year period. The Company has \$513.4 million available under its common stock repurchase program at December 28, 2019. In addition to the stock repurchase program activity, the Company acquired \$16.9 million, \$8.8 million and \$5.5 million of shares in fiscal years 2019, 2018 and 2017, respectively, in connection with shares or units withheld to pay employee taxes related to stock-based compensation plans.

The Company declared cash dividends of \$0.40 per share, \$0.32 per share, and \$0.24 per share in fiscal years 2019, 2018 and 2017, respectively. Dividends paid totaled \$33.6 million, \$28.6 million and \$23.0 million, for fiscal years 2019, 2018 and 2017, respectively. A quarterly dividend of \$0.10 per share was declared on February 5, 2020 to shareholders of record on April 1, 2020.

NEW ACCOUNTING STANDARDS

See Note 2 to our Consolidated Financial Statements for information related to new accounting standards.

CRITICAL ACCOUNTING POLICIES

The preparation of the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. ("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 following critical accounting policies used in determining estimates and assumptions in the amounts reported. Management believes that an understanding of these policies is important to an overall understanding of the Company's consolidated financial statements.

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 having 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.

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 trade discounts and allowances, product returns, customer markdowns, customer rebates and other sales incentives relating to the sale of the Company's products. These reserves 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 fiscal year ended December 28, 2019, related to the Company's contract liabilities, was nominal.

Allowance for Uncollectible Accounts

The Company maintains an allowance for uncollectible accounts receivable for estimated losses resulting from its customers' failure to make required payments. Company management evaluates the allowance for uncollectible accounts receivable based on a review of current customer status and historical collection experience.

Inventory

The Company values its inventory at the lower of cost or net realizable value. Cost is determined by the last-in, first out ("LIFO") method for certain domestic finished goods inventories. Cost is determined using the first-in, first-out ("FIFO") method for all raw materials, work-in-process and finished goods inventories in foreign countries and certain domestic finished goods inventories. The average cost of inventory is used for finished goods inventories of the Company's consumer-direct business. The Company has applied these inventory cost valuation methods consistently from year to year.

The Company reduces the carrying value of its inventories to the lower of cost or net realizable value for excess or obsolete inventories based upon assumptions about future demand and market conditions. If the Company were to determine that the estimated realizable value of its inventory is less than the carrying value of such inventory, the Company would provide a reserve for such difference as a charge to cost of sales. If actual market conditions are different from those projected, adjustments to those inventory reserves may be required. The adjustments would increase or decrease the Company's cost of sales and net income in the period in which they were realized or recorded. Inventory quantities are verified at various times throughout the year by performing physical inventory counts and subsequently comparing those results to perpetual inventory balances. If the Company determines that adjustments to the inventory quantities are appropriate, an adjustment to the Company's cost of goods sold and inventory is recorded in the period in which such determination was made.

Goodwill and Indefinite-Lived Intangibles

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to impairment tests at least annually. The Company reviews the carrying amounts of goodwill and indefinite-lived intangible assets by reporting unit at least annually, or when indicators of impairment are present, to determine if such assets may be impaired. If the carrying amounts of these assets are not recoverable based upon discounted cash flow and market approach analyses, the carrying amounts of such assets are reduced by the estimated difference between the carrying values and estimated fair values. The Company includes assumptions about expected future operating performance as part of a discounted cash flow analysis to estimate fair value.

For goodwill, if the estimated fair value of the reporting unit exceeds its carrying value, no further review is required. However, if the estimated fair value of the reporting unit is less than its carrying value, the Company performs the second step of the goodwill impairment test to determine the impairment charge, if any. The second step involves a hypothetical allocation of the estimated fair value of the reporting unit to its net tangible and intangible assets (excluding goodwill) as if the reporting unit were newly acquired, which results in an implied fair value of the goodwill. The amount of the impairment charge is the excess of the recorded goodwill over the implied fair value of the goodwill.

The Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. The Company would not be required to quantitatively determine the fair value of the indefinite-lived intangible unless the Company determines, based on the qualitative assessment, that it is more likely than not that its fair value is less than the carrying value. The Company may skip the qualitative assessment and quantitatively test indefinite-lived intangibles by comparison of the individual carrying values to the fair value. Future cash flows of the individual indefinite-lived intangible assets are used to measure their fair value after consideration by management of certain assumptions, such as forecasted growth rates and cost of capital, which are derived from internal projections and operating plans.

The Company performs its annual testing for goodwill and indefinite-lived intangible asset impairment at the beginning of the fourth quarter of the fiscal year for all reporting units. The Company did not recognize any impairment charges for goodwill during fiscal years 2019, 2018 and 2017. No impairment charges were recognized for the Company's intangible assets during fiscal years 2019 and 2018. In the fourth quarter of fiscal 2017, as a result of its annual impairment testing, the Company recorded a \$68.8 million impairment charge for the *Sperry*® trade name.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or an asset group may not be recoverable. Each impairment test is based on a comparison of the carrying amount of the asset or asset group to the future undiscounted net cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment amount to be recognized is the amount by which the carrying value of the assets exceeds their fair value. No impairment charges were recognized for the Company's long-lived assets during fiscal years 2019 and 2018. The Company recorded impairment charges of \$12.2 million during fiscal 2017, related to certain retail store assets where the estimated future cash flows did not support the net book value of the assets.

Environmental

The Company establishes a reserve for estimated environmental remediation costs based upon the evaluation of currently-available facts with respect to each individual site. The costs are recorded on an undiscounted basis when they are probable and reasonably estimable, generally no later than the completion of feasibility studies, the Company's commitment to a plan of action, or approval by regulatory agencies. 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 each site. The Company records adjustments to the estimated costs if there are changes in the scope of the required remediation activity, extent of contamination, governmental regulations or remediation technologies. Environmental costs relating to existing conditions caused by past operations that do not contribute to current or future revenues are expensed as incurred.

Assets related to potential recoveries from other responsible parties are recognized when a definitive agreement is reached and collection of cash is reasonably certain. Recoveries of covered losses under insurance policies are recognized only when realization of the claim is deemed probable.

Retirement Benefits

The determination of the obligation and expense for retirement benefits depends upon the selection of certain actuarial assumptions used in calculating such amounts. These assumptions include, among others, the discount rate, expected long-term rate of return on plan assets, mortality rates and rates of increase in compensation. These assumptions are reviewed with the Company's actuaries and updated annually based on relevant external and internal factors and information, including, but not limited to, long-term expected asset returns, rates of termination, regulatory requirements and plan changes.

The Company utilizes a bond matching calculation to determine the discount rate used to calculate its year-end pension liability and subsequent fiscal year pension expense. A hypothetical bond portfolio is created based on a presumed purchase of individual bonds to settle the plans' expected future benefit payments. The discount rate is the resulting yield of the hypothetical bond portfolio. The bonds selected are listed as high grade by at least two recognized ratings agency and are non-callable, currently purchasable and non-prepayable. The calculated discount rate was 3.60% at December 28, 2019, compared to 4.46% at December 29, 2018. Pension expense is also impacted by the expected long-term rate of return on plan assets, which the Company has determined to be 6.75% for fiscal 2020. This rate is based on both actual historical rates of return experienced by the pension assets and the long-term rate of return of a composite portfolio of equity and fixed income securities that reflects the approximate diversification of the pension assets.

Income Taxes

The Company maintains certain strategic management and operational activities in overseas subsidiaries, and its foreign earnings are taxed at rates that have generally been lower 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. Income tax audits associated with the allocation of this income and other complex issues may require an extended period of time to resolve and may result in income tax adjustments if changes to the income allocation are required between jurisdictions with different income tax rates. Because income tax adjustments in certain jurisdictions can be significant, the Company records accruals representing management's best estimate of the resolution of these matters. To the extent additional information becomes available, such accruals are adjusted to reflect the revised estimated outcome. The carrying value of the Company's deferred tax assets assumes that the Company will be able to generate sufficient taxable income in future years to utilize these deferred tax assets. If these assumptions change, the Company may be required to record valuation allowances against its gross deferred tax assets in future years, which would cause the Company to record additional income tax expense in its

consolidated statements of operations. Management evaluates the potential that the Company will be able to realize its gross deferred tax assets and assesses the need for valuation allowances on a quarterly basis.

On a periodic basis, the Company estimates the full year effective tax rate and records a quarterly income tax provision in accordance with the projected full year rate. As the fiscal year progresses, that estimate is refined based upon actual events and the distribution of earnings in each tax jurisdiction during the year. This continual estimation process periodically results in a change to the expected effective tax rate for the fiscal year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the revised anticipated annual rate.

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. and has, therefore not established a deferred tax liability on that amount of foreign unremitting earnings. 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 unremitting earnings due to the complexity of the hypothetical calculation.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of December 28, 2019.

CONTRACTUAL OBLIGATIONS

As of December 28, 2019, the Company had the following payments under contractual obligations due by period:

(In millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations ⁽¹⁾	\$ 929.1	\$ 400.7	\$ 66.6	\$ 191.0	\$ 270.8
Operating lease obligations	235.3	34.1	57.9	38.2	105.1
Purchase obligations ⁽²⁾	367.8	367.8	—	—	—
Supplemental Executive Retirement					
Plan	42.0	3.7	7.9	8.3	22.1
Deferred compensation	1.8	0.4	0.8	0.4	0.2
Dividends declared	9.0	9.0	—	—	—
Municipal water improvements ⁽³⁾	69.5	21.5	39.3	8.7	—
TCJA transition obligation	27.9	—	7.1	20.8	—
Minimum royalties	5.0	1.5	3.5	—	—
Minimum advertising	17.0	3.2	6.7	7.1	—
Total ⁽⁴⁾	\$ 1,704.4	\$ 841.9	\$ 189.8	\$ 274.5	\$ 398.2

⁽¹⁾ Includes principal and interest payments on the Company's long-term debt, net of the impact of interest rate swaps. Estimated future interest payments on outstanding debt obligations are based on interest rates as of December 28, 2019. Actual cash outflows may differ significantly due to changes in underlying interest rates. See Note 11 to our Consolidated Financial Statements for additional information on the Company's interest rate swaps.

⁽²⁾ Purchase obligations related primarily to inventory and capital expenditure commitments.

⁽³⁾ Under the terms of the approved Consent Decree, the Company is obligated to contribute towards the costs of extending municipal water lines, developing a replacement wellfield and making certain improvements to Plainfield Township's existing water treatment plant, all subject to an aggregate cap of \$69.5 million. Due to the uncertainty of the timing and amounts related to the Company's other environmental remediation costs, they have been excluded from this table. See Note 17 to our Consolidated Financial Statements for additional information.

⁽⁴⁾ The total amount of unrecognized tax benefits on the consolidated balance sheet at December 28, 2019 is \$6.9 million. At this time, the Company is unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months due to uncertainties in the timing of tax audit outcomes. As a result, this amount is not included in the table above.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, the Company's financial position and results of operations are routinely subject to a variety of risks, including market risk associated with interest rate movements on borrowings and investments and currency rate movements on non-U.S. dollar denominated assets, liabilities and cash flows. The Company regularly assesses these risks and has established policies and business practices that should mitigate a portion of the adverse effect of these and other potential exposures.

Foreign Exchange 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.

Under the provisions of FASB ASC Topic 815, *Derivatives and Hedging* ("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 accumulated other comprehensive income 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 December 28, 2019 and December 29, 2018, the Company had outstanding forward currency exchange contracts to purchase primarily U.S. dollars in the amounts of \$253.6 million and \$225.1 million, respectively, with maturities ranging up to 545 days.

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 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. At December 28, 2019, a weaker U.S. dollar compared to certain foreign currencies, increased the value of these investments in net assets by \$5.4 million from their value at December 29, 2018. At December 29, 2018, a stronger U.S. dollar compared to foreign currencies, decreased the value of these investments in net assets by \$20.3 million from their value at December 30, 2017. The Company has a cross currency swap, which has been designated as a hedge of a net investment in a foreign operation. The hedge had a notional amount of \$79.8 million as of December 28, 2019 and will mature on September 1, 2021.

Interest Rate Risk

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. The Company's total variable-rate debt was \$552.5 million at December 28, 2019 and the Company held two interest rate swap agreements, denominated in U.S. dollars that effectively converted \$355.8 million to fixed-rate debt. The interest rate swap derivative instruments are held and used by the Company as tools for managing interest rate risk. The counterparty to the swap instrument is a large financial institution that the Company believes is of high-quality creditworthiness. While the Company may be exposed to potential losses due to the credit risk of non-performance by this counterparty, such losses are not anticipated. The fair value of the interest rate swap was determined to be a net liability of \$1.8 million at the end of fiscal 2019. As of December 28, 2019, the weighted-average interest rate on the Company's variable-rate debt, net of the impact of the interest rate swap, was 3.08%. Based on the level of variable-rate debt outstanding as of that date, a 100 basis point increase in the weighted-average interest rate would have increased the Company's annual pre-tax interest expense by approximately \$2.0 million.

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

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WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

(In millions, except per share data)	Fiscal Year		
	2019	2018	2017
Revenue	\$ 2,273.7	\$ 2,239.2	\$ 2,350.0
Cost of goods sold	1,349.9	1,317.9	1,426.6
Restructuring costs	—	—	9.0
Gross profit	923.8	921.3	914.4
Selling, general and administrative expenses	669.3	654.1	706.0
Restructuring and other related costs	—	—	72.9
Impairment of intangible assets	—	—	68.6
Environmental and other related costs	83.5	15.3	35.3
Operating profit	171.0	251.9	31.6
Other expenses:			
Interest expense, net	30.0	24.5	32.1
Debt extinguishment and other costs	—	0.6	—
Other expense (income), net	(4.9)	(0.6)	10.1
Total other expenses	25.1	24.5	42.2
Earnings (loss) before income taxes	145.9	227.4	(10.6)
Income tax expense (benefit)	17.0	27.1	(9.9)
Net earnings (loss)	128.9	200.3	(0.7)
Less: net earnings (loss) attributable to noncontrolling interests	0.4	0.2	(1.0)
Net earnings attributable to Wolverine World Wide, Inc.	\$ 128.5	\$ 200.1	\$ 0.3
Net earnings per share (see Note 3):			
Basic	\$ 1.48	\$ 2.07	\$ —
Diluted	\$ 1.44	\$ 2.05	\$ —

See accompanying notes to consolidated financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

(In millions)	Fiscal Year		
	2019	2018	2017
Net earnings (loss)	\$ 128.9	\$ 200.3	\$ (0.7)
Other comprehensive income (loss) net of tax:			
Foreign currency translation adjustments	5.4	(20.5)	21.1
Unrealized gain (loss) on derivative instruments:			
Unrealized gain (loss) arising during the period, net of taxes of \$0.2, \$1.3 and \$(7.0)	0.9	14.4	(16.0)
Reclassification adjustments included in net earnings (loss), net of taxes of \$(2.2), \$1.3 and \$(0.3)	(7.6)	2.5	(0.7)
Pension adjustments:			
Net actuarial loss arising during the period, net of taxes of \$(3.9), \$(2.6) and \$(3.3)	(14.6)	(9.9)	(6.0)
Amortization of prior actuarial losses, net of taxes of \$0.5, \$0.7 and \$3.5	2.1	2.6	6.3
Curtailment gain arising during the period, net of taxes \$0.8 in 2017	—	—	1.5
Settlement loss, net of taxes of \$1.5 in 2018	—	5.7	—
Other comprehensive income (loss)	<u>(13.8)</u>	<u>(5.2)</u>	<u>6.2</u>
Less: other comprehensive income (loss) attributable to noncontrolling interests	—	(0.2)	0.3
Other comprehensive income (loss) attributable to Wolverine World Wide, Inc.	(13.8)	(5.0)	5.9
Comprehensive income	115.1	195.1	5.5
Less: comprehensive income (loss) attributable to noncontrolling interests	0.4	—	(0.7)
Comprehensive income attributable to Wolverine World Wide, Inc.	<u>\$ 114.7</u>	<u>\$ 195.1</u>	<u>\$ 6.2</u>

See accompanying notes to consolidated financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(In millions, except share data)	December 28, 2019	December 29, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 180.6	\$ 143.1
Accounts receivable, less allowances of \$26.7 and \$26.6	331.2	361.2
Inventories:		
Finished products, net	342.0	301.4
Raw materials and work-in-process, net	6.2	16.2
Total inventories	348.2	317.6
Prepaid expenses and other current assets	107.1	45.8
Total current assets	967.1	867.7
Property, plant and equipment:		
Gross cost	325.0	381.8
Accumulated depreciation	(184.0)	(250.9)
Property, plant and equipment, net	141.0	130.9
Lease right-of-use assets	160.8	—
Other assets:		
Goodwill	438.9	424.4
Indefinite-lived intangibles	604.5	604.5
Amortizable intangibles, net	77.8	71.9
Deferred income taxes	2.9	3.1
Other	87.0	80.6
Total other assets	1,211.1	1,184.5
Total assets	\$ 2,480.0	\$ 2,183.1

See accompanying notes to consolidated financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Balance Sheets – continued

(In millions, except share data)	December 28, 2019	December 29, 2018
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 202.1	\$ 202.3
Accrued salaries and wages	20.8	31.9
Other accrued liabilities	157.9	106.4
Lease liabilities	34.1	—
Current maturities of long-term debt	12.5	7.5
Borrowings under revolving credit agreements	360.0	125.0
Total current liabilities	787.4	473.1
Long-term debt, less current maturities	425.9	438.0
Accrued pension liabilities	109.7	92.0
Deferred income taxes	99.0	107.9
Lease liabilities, noncurrent	147.2	—
Other liabilities	132.4	80.5
Stockholders' equity		
Wolverine World Wide, Inc. stockholders' equity:		
Common stock – par value \$1, authorized 320,000,000 shares; 108,329,250 and 107,609,206 shares issued	108.3	107.6
Additional paid-in capital	233.4	201.4
Retained earnings	1,263.3	1,169.7
Accumulated other comprehensive loss	(102.1)	(88.3)
Cost of shares in treasury; 27,181,512 and 15,905,681 shares	(736.2)	(404.4)
Total Wolverine World Wide, Inc. stockholders' equity	766.7	986.0
Noncontrolling interest	11.7	5.6
Total stockholders' equity	778.4	991.6
Total liabilities and stockholders' equity	\$ 2,480.0	\$ 2,183.1

See accompanying notes to consolidated financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flow

(In millions)	Fiscal Year		
	2019	2018	2017
OPERATING ACTIVITIES			
Net earnings (loss)	\$ 128.9	\$ 200.3	\$ (0.7)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	32.7	31.5	37.2
Deferred income taxes	(9.0)	22.1	(75.8)
Stock-based compensation expense	24.5	31.2	25.4
Pension contribution	—	(60.7)	(11.3)
Pension and SERP expense	5.6	11.8	14.9
Debt extinguishment costs	—	0.6	—
Restructuring and other related costs	—	—	81.9
Cash payments related to restructuring costs	(0.3)	(5.1)	(64.8)
Impairment of intangible assets	—	—	68.6
Environmental and other related costs, net of cash payments	48.8	(6.1)	32.3
Loss/(gain) on sale of a business and other assets	—	0.3	(7.0)
Other	(11.3)	9.5	(11.3)
Changes in operating assets and liabilities:			
Accounts receivable	30.7	(95.0)	(2.7)
Inventories	(23.8)	(44.5)	45.4
Other operating assets	(5.4)	(17.8)	0.3
Accounts payable	—	40.6	11.2
Income taxes	3.6	(1.9)	46.1
Other operating liabilities	(2.4)	(19.3)	13.0
Net cash provided by operating activities	222.6	97.5	202.7
INVESTING ACTIVITIES			
Business acquisition, net of cash acquired	(15.1)	—	—
Additions to property, plant and equipment	(34.4)	(21.7)	(32.4)
Proceeds from sale of a business and other assets	—	2.2	38.6
Investment in joint ventures	(8.5)	—	(2.1)
Other	(3.5)	(2.7)	(5.1)
Net cash used in investing activities	(61.5)	(22.2)	(1.0)
FINANCING ACTIVITIES			
Net borrowings (payments) under revolving credit agreements	235.0	124.5	(2.6)
Borrowings of long-term debt	—	200.0	—
Payments on long-term debt	(7.5)	(538.2)	(37.5)
Payments of debt issuance and debt extinguishment costs	(0.3)	(2.7)	(0.1)
Cash dividends paid	(33.6)	(28.6)	(23.0)
Purchase of common stock for treasury	(319.2)	(174.7)	(51.5)
Employee taxes paid under stock-based compensation plans	(16.9)	(8.8)	(5.5)
Proceeds from the exercise of stock options	12.2	24.0	21.4
Contributions from noncontrolling interests	5.7	—	0.8
Net cash used in financing activities	(124.6)	(404.5)	(98.0)
Effect of foreign exchange rate changes	1.0	(8.7)	7.5
Increase (decrease) in cash and cash equivalents	37.5	(337.9)	111.2
Cash and cash equivalents at beginning of the year	143.1	481.0	369.8
Cash and cash equivalents at end of the year	\$ 180.6	\$ 143.1	\$ 481.0

See accompanying notes to consolidated financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flow – continued

(In millions)	Fiscal Year		
	2019	2018	2017
OTHER CASH FLOW INFORMATION			
Interest paid	\$ 32.4	\$ 29.0	\$ 31.5
Net income taxes paid	23.2	17.4	23.6
NON-CASH INVESTING AND FINANCING ACTIVITY			
Additions to property, plant and equipment not yet paid	0.8	1.3	0.8
Business acquisition not yet paid	5.5	—	—

See accompanying notes to consolidated financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

Wolverine World Wide, Inc. Stockholders' Equity							
(In millions, except share and per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-controlling Interest	Total
Balance at December 31, 2016	\$ 105.6	\$ 103.2	\$ 1,015.1	\$ (81.1)	\$ (176.3)	\$ 7.6	\$ 974.1
Net earnings (loss)			0.3			(1.0)	(0.7)
Other comprehensive income					5.9	0.3	6.2
Shares forfeited, net of shares issued under stock incentive plans (488,655 shares)	(0.5)	0.3					(0.2)
Shares issued for stock options exercised, net (1,247,064 shares)	1.3	20.1					21.4
Stock-based compensation expense			25.4				25.4
Cash dividends declared (\$0.24 per share)			(23.2)				(23.2)
Issuance of treasury shares (44,480 shares)			0.2			0.9	1.1
Purchase of common stock for treasury (1,639,732 shares)					(42.3)		(42.3)
Purchases of shares under stock-based compensation plans (227,464 shares)					(5.3)		(5.3)
Capital contribution from noncontrolling interests						0.8	0.8
Incremental investment in joint venture	\$ 106.4	\$ 149.2	\$ 992.2	\$ (75.2)	\$ (223.0)	\$ 5.6	\$ 955.2
Balance at December 30, 2017	<u>\$ 106.4</u>	<u>\$ 149.2</u>	<u>\$ 992.2</u>	<u>\$ (75.2)</u>	<u>\$ (223.0)</u>	<u>\$ 5.6</u>	<u>\$ 955.2</u>
Net earnings			200.1			0.2	200.3
Other comprehensive loss				(5.0)		(0.2)	(5.2)
Shares forfeited, net of shares issued under stock incentive plans (154,084 shares)	(0.2)	(1.7)					(1.9)
Shares issued for stock options exercised, net (1,357,841 shares)	1.4	22.6					24.0
Stock-based compensation expense			31.2				31.2
Cash dividends declared (\$0.32 per share)			(30.7)				(30.7)
Issuance of treasury shares (7,761 shares)			0.1			0.2	0.3
Purchase of common stock for treasury (5,349,262 shares)					(174.7)		(174.7)
Purchases of shares under stock-based compensation plans (219,039 shares)					(6.9)		(6.9)
Change in accounting principle	<u>\$ 107.6</u>	<u>\$ 201.4</u>	<u>\$ 1,169.7</u>	<u>8.1</u>	<u>(8.1)</u>	<u>\$ 5.6</u>	<u>—</u>
Balance at December 29, 2018	<u>\$ 107.6</u>	<u>\$ 201.4</u>	<u>\$ 1,169.7</u>	<u>\$ (88.3)</u>	<u>\$ (404.4)</u>	<u>\$ 5.6</u>	<u>\$ 991.6</u>

See accompanying notes to consolidated financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity – continued

(In millions, except share and per share data)	Wolverine World Wide, Inc. Stockholders' Equity						Non-controlling Interest	Total
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock			
Balance at December 29, 2018	\$ 107.6	\$ 201.4	\$ 1,169.7	\$ (88.3)	\$ (404.4)	\$ 5.6	\$ 991.6	
Net earnings			128.5			0.4	128.9	
Other comprehensive income (loss)				(13.8)		—	(13.8)	
Shares issued, net of shares forfeited under stock incentive plans (38,655 shares)	0.1	(4.2)				(4.1)		
Shares issued for stock options exercised, net (681,389 shares)	0.6	11.6					12.2	
Stock-based compensation expense			24.5				24.5	
Cash dividends declared (\$0.40 per share)			(34.9)				(34.9)	
Issuance of treasury shares (7,460 shares)	0.1				0.2		0.3	
Purchase of common stock for treasury (10,914,965 shares)					(319.2)		(319.2)	
Purchases of shares under stock-based compensation plans (368,326 shares)					(12.8)		(12.8)	
Capital contribution from noncontrolling interests						5.7	5.7	
Balance at December 28, 2019	<u>\$ 108.3</u>	<u>\$ 233.4</u>	<u>\$ 1,263.3</u>	<u>\$ (102.1)</u>	<u>\$ (736.2)</u>	<u>\$ 11.7</u>	<u>\$ 778.4</u>	

See accompanying notes to consolidated financial statements.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Fiscal Years 2019, 2018 and 2017

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; kids’ 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™*.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of Wolverine World Wide, Inc. and its majority-owned subsidiaries (collectively, the “Company”). All intercompany accounts and transactions have been eliminated in consolidation.

During the first quarter of 2019, the brands that were formerly aligned with the Wolverine Outdoor & Lifestyle Group and Wolverine Heritage Group were realigned into a new operating segment, the Wolverine Michigan Group. All prior period disclosures have been retrospectively adjusted to reflect these 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 2019, 2018 and 2017 all had 52 weeks.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*. 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.

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 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 shipment of goods, or point of purchase for retail store sales, 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 having the risks and rewards of the goods.

Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. Shipping and handling costs that are charged to and reimbursed by a customer are recognized as revenue, while the related expenses incurred by the Company are recorded as cost of goods sold. The Company has elected the practical expedient to treat shipping and handling activities that occur after control of the goods transfers to the customer as fulfillment activities.

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 timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets), and customer advances (contract liabilities) on the consolidated balance sheets. Generally, billing occurs subsequent to revenue recognition resulting in contract assets. See Note 6 for additional information.

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.

Advertising Costs

Advertising costs are expensed as incurred, except for certain materials that are expensed the first time that the advertising takes place. Advertising expenses were \$119.4 million, \$120.8 million and \$107.1 million for fiscal years 2019, 2018 and 2017, respectively. Prepaid advertising totaled \$3.7 million and \$1.5 million as of December 28, 2019 and December 29, 2018, respectively.

Cash Equivalents

Cash equivalents include highly liquid investments with an original maturity of three months or less. Cash equivalents are stated at cost, which approximates market.

Allowance for Uncollectible Accounts

The Company maintains an allowance for uncollectible accounts receivable for estimated losses resulting from its customers' failure to make required payments. Company management evaluates the allowance for uncollectible accounts receivable based on a review of current customer status and historical collection experience.

Inventories

The Company values its inventory at the lower of cost or net realizable value. Cost is determined by the LIFO method for certain domestic finished goods inventories. Cost is determined using the FIFO method for all raw materials, work-in-process and finished goods inventories in foreign countries and certain domestic finished goods inventories. The average cost of inventory is used for finished goods inventories of the Company's consumer-direct business. The Company has applied these inventory cost valuation methods consistently from year to year.

The Company reduces the carrying value of its inventories to the lower of cost or net realizable value for excess or obsolete inventories based upon assumptions about future demand and market conditions. If the Company were to determine that the estimated realizable value of its inventory is less than the carrying value of such inventory, the Company would provide a reserve for such difference as a charge to cost of sales. If actual market conditions are different from those projected, adjustments to those inventory reserves may be required. The adjustments would increase or decrease the Company's cost of sales and net income in the period in which they were realized or recorded. Inventory quantities are verified at various times throughout the year by performing physical inventory counts and subsequently comparing those results to perpetual inventory balances. If the Company determines that adjustments to the inventory quantities are appropriate, an adjustment to the Company's cost of goods sold and inventory is recorded in the period in which such determination was made.

Property, Plant and Equipment

Property, plant and equipment are stated on the basis of cost and include expenditures for buildings, leasehold improvements, furniture and fixtures, material handling systems, equipment and computer hardware and software. Normal repairs and maintenance are expensed as incurred. Depreciation of property, plant and equipment is computed using the straight-line method. The depreciable lives range from 14 to 20 years for buildings, from 5 to 15 years for leasehold improvements, from 3 to 10 years for furniture, fixtures and equipment and from 3 to 5 years for software.

Deferred Financing Costs

Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining commitments for financing that result in a closing of such financings for the Company. Deferred financing costs related to fixed term borrowings are recorded as a reduction of long-term debt in the consolidated balance sheet. Deferred financing costs related to revolving credit facilities are recorded as an other noncurrent asset in the consolidated balance sheet. These costs are amortized into earnings through interest expense over the terms of the respective agreements. Costs incurred in seeking financing transactions that do not close are expensed in the period in which it is determined that the financing will not close.

Goodwill and Other Intangibles

Goodwill represents the excess of the purchase price over the fair value of net tangible and identifiable intangible assets of acquired businesses. Indefinite-lived intangibles include trademarks and trade names. Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to impairment tests at least annually. The Company reviews the carrying amounts of goodwill and indefinite-lived intangible assets by reporting unit at least annually, or when indicators of impairment are present,

to determine if such assets may be impaired. The Company includes assumptions about expected future operating performance as part of a discounted cash flow analysis to estimate fair value. If the carrying value of these assets is not recoverable, based on the discounted cash flow analysis, management performs the next step, which compares the fair value of the reporting unit to the carrying value of the tangible and intangible net assets of the reporting units. Goodwill is considered impaired if the recorded value of the tangible and intangible net assets exceeds the fair value of the reporting unit.

The Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. The Company would not be required to quantitatively determine the fair value of the indefinite-lived intangible unless the Company determines, based on the qualitative assessment, that it is more likely than not that its fair value is less than the carrying value. The Company may skip the qualitative assessment and quantitatively test indefinite-lived intangibles by comparison of the individual carrying values to the fair values. Future cash flows of the individual indefinite-lived intangible assets are used to measure their fair value after consideration by management of certain assumptions, such as forecasted growth rates and cost of capital, which are derived from internal projections and operating plans.

The Company performs its annual testing for goodwill and indefinite-lived intangible asset impairment at the beginning of the fourth quarter of the fiscal year. See Note 4 for information related to the results of the Company's annual test.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or an asset group may not be recoverable. Each impairment test is based on a comparison of the carrying amount of the asset or asset group to the future undiscounted net cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment amount to be recognized is the amount by which the carrying value of the assets exceeds their fair value.

Environmental

The Company establishes a reserve for estimated environmental remediation costs based upon the evaluation of currently-available facts with respect to each individual site. The costs are recorded on an undiscounted basis when they are probable and reasonably estimable, generally no later than the completion of feasibility studies, the Company's commitment to a plan of action, or approval by regulatory agencies. 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 each site. The Company records adjustments to the estimated costs if there are changes in the scope of the required remediation activity, extent of contamination, governmental regulations or remediation technologies. Environmental costs relating to existing conditions caused by past operations that do not contribute to current or future revenues are expensed as incurred.

Assets related to potential recoveries from other responsible parties are recognized when a definitive agreement is reached and collection of cash is reasonably certain. Recoveries of covered losses under insurance policies are recognized only when realization of the claim is deemed probable.

Retirement Benefits

The determination of the obligation and expense for retirement benefits is dependent on the selection of certain actuarial assumptions used in calculating such amounts. These assumptions include, among others, the discount rate, expected long-term rate of return on plan assets, mortality rates and rates of increase in compensation. These assumptions are reviewed with the Company's actuaries and updated annually based on relevant external and internal factors and information, including, but not limited to, long-term expected asset returns, rates of termination, regulatory requirements and plan changes. See Note 13 for additional information. The Company has elected to measure its defined benefit plan assets and obligations as of December 31 of each year, regardless of the Company's actual fiscal year end date, which is the Saturday nearest to December 31.

Income Taxes

The provision for income taxes is based on the geographic dispersion of the earnings reported in the consolidated financial statements. A deferred income tax asset or liability is determined by applying currently-enacted tax laws and rates to the cumulative temporary differences between the carrying values of assets and liabilities for financial statement and income tax purposes.

The Company records an increase in liabilities for income tax accruals associated with tax benefits claimed on tax returns but not recognized for financial statement purposes (unrecognized tax benefits). The Company recognizes interest and penalties related to unrecognized tax benefits through interest expense and income tax expense, respectively.

Foreign Currency

For most of the Company's international subsidiaries, the local currency is the functional currency. Assets and liabilities of these subsidiaries are translated into U.S. dollars at the year-end exchange rate. Operating statement amounts are translated at average

exchange rates for each period. The cumulative translation adjustments resulting from changes in exchange rates are included in the consolidated balance sheets as a component of accumulated other comprehensive income (loss) in stockholders' equity. Transaction gains and losses are included in the consolidated statements of operations and were not material for fiscal years 2019, 2018 and 2017.

2. NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") issued the following ASUs that have been adopted by the Company during fiscal 2019. 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 2016-02, Leases (as amended by ASUs 2018-01, 2018-10, 2018-11, 2018-20 and 2019-01)	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 as of the effective date and continue to report comparative periods presented in the financial statements under GAAP in effect during the comparable periods.	The Company adopted ASU 2016-02 at the beginning of the first quarter using the modified retrospective approach and elected the package of practical expedients for its existing leases. The Company recognized a lease liability of \$178.1 million, which was equal to the present value of the future lease payments for its portfolio of operating leases. The Company recognized a right-of-use asset of \$157.3 million, which was equal to the lease liabilities adjusted for the balance of accrued rent and unamortized lease incentives as of the effective date. The adoption of ASU 2016-02 did not have a material impact on the Company's results of operations or cash flows. See Note 10 for additional information on the adoption of this standard and disclosures regarding the Company's leases.

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 2016-13, Measurement of Credit Losses on Financial Instruments (as amended by ASU 2018-19)	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 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, whether paid or unpaid, are participating securities and must be included in the computation of earnings per share pursuant to the two-class method.

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

(In millions, except per share data)	Fiscal Year		
	2019	2018	2017
Numerator:			
Net earnings attributable to Wolverine World Wide, Inc.	\$ 128.5	\$ 200.1	\$ 0.3
Less: net earnings attributed to participating share-based awards	(2.6)	(7.5)	—
Net earnings used to calculate basic earnings per share	125.9	192.6	0.3
Adjustment for earnings (loss) reallocated to participating share-based awards	0.1	1.8	(0.2)
Net earnings used to calculate diluted earnings per share	\$ 126.0	\$ 194.4	\$ 0.1
Denominator:			
Weighted average shares outstanding	85.7	94.8	96.4
Adjustment for unvested restricted common stock	(0.6)	(1.8)	(2.7)
Shares used to calculate basic earnings per share	85.1	93.0	93.7
Effect of dilutive share-based awards	2.1	2.0	1.7
Shares used to calculate diluted earnings per share	87.2	95.0	95.4
Net earnings per share:			
Basic	\$ 1.48	\$ 2.07	\$ —
Diluted	\$ 1.44	\$ 2.05	\$ —

For fiscal years 2019, 2018 and 2017, 133,505, 25,230 and 1,753,869 outstanding stock options, respectively, have not been included in the denominator for the computation of diluted earnings per share because they were anti-dilutive.

The Company has 2,000,000 authorized shares of \$1 par value preferred stock, none of which was issued or outstanding as of December 28, 2019 or December 29, 2018. The Company has designated 150,000 shares of preferred stock as Series A junior participating preferred stock and 500,000 shares of preferred stock as Series B junior participating preferred stock for possible future issuance.

The Company repurchased \$319.2 million, \$174.7 million and \$42.3 million of Company common stock in fiscal years 2019, 2018 and 2017, respectively, under stock repurchase plans. In addition to the stock repurchase program activity, the Company acquired \$16.9 million, \$8.8 million and \$5.5 million of shares in fiscal years 2019, 2018 and 2017, respectively, in connection with employee transactions related to stock incentive plans.

On February 11, 2019, the Company's Board of Directors approved a common stock repurchase program that authorizes the repurchase of an additional \$400.0 million of common stock over a four year period incremental to amounts remaining under the previous repurchase program. The annual amount of stock repurchases is restricted under the terms of the Company's Credit Agreement.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill are as follows:

(In millions)	Fiscal Year	
	2019	2018
Goodwill balance at beginning of the year	\$ 424.4	\$ 429.8
Acquisition of a business (see Note 19)	12.0	—
Foreign currency translation effects	2.5	(5.4)
Goodwill balance at end of the year	\$ 438.9	\$ 424.4

The Company did not recognize any impairment charges during fiscal years 2019, 2018 and 2017 for goodwill. The annual impairment testing indicated, for all reporting units tested quantitatively, that their fair values exceeded their respective carrying values. For the reporting units that the Company elected to test qualitatively, as is permitted under ASU 2011-08, *Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, the Company concluded it to be more likely than not that their estimated fair values are greater than their respective carrying values.

The Company's indefinite-lived intangible assets, which comprise trade names and trademarks, totaled \$604.5 million as of December 28, 2019 and December 29, 2018. No impairment charges were recognized for the Company's intangible assets during fiscal years 2019 and 2018. In the fourth quarter of fiscal 2017, as a result of its annual impairment testing, the Company recognized a \$68.6 million impairment charge for the *Sperry®* trade name. The risk of future impairment for the *Sperry®* trade name is dependent on key assumptions used in the determination of the trade name's fair value, such as revenue growth, operating profit and the discount rate. The carrying value of the Company's *Sperry®* trade name indefinite-lived intangible asset was \$518.2 as of December 28, 2019.

Amortizable intangible assets are amortized using the straight-line method over their estimated useful lives. The combined gross carrying values and accumulated amortization for these amortizable intangibles are as follows:

(In millions)	December 28, 2019			
	Gross carrying value	Accumulated amortization	Net	Average remaining life (years)
Customer relationships	\$ 113.3	\$ 38.8	\$ 74.5	13
Other	17.3	14.0	3.3	3
Total	<u>\$ 130.6</u>	<u>\$ 52.8</u>	<u>\$ 77.8</u>	

(In millions)	December 29, 2018			
	Gross carrying value	Accumulated amortization	Net	Average remaining life (years)
Customer relationships	\$ 100.5	\$ 31.7	\$ 68.8	14
Other	14.6	11.5	3.1	3
Total	<u>\$ 115.1</u>	<u>\$ 43.2</u>	<u>\$ 71.9</u>	

Amortization expense for these amortizable intangible assets was \$8.6 million, \$6.2 million and \$9.4 million for fiscal years 2019, 2018 and 2017, respectively. Estimated aggregate amortization expense for such intangibles for the fiscal years subsequent to December 28, 2019 is as follows:

(In millions)	2020	2021	2022	2023	2024
Amortization expense	\$ 6.9	\$ 6.6	\$ 6.4	\$ 6.1	\$ 5.9

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 fiscal 2020. 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 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. 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)	Fiscal Year		
	2019	2018	2017
Accounts receivable sold	\$ 42.7	\$ 264.3	\$ 558.3
Fees charged	0.2	1.3	2.1

The fees are recorded in the other expense (income), net line item on the consolidated statements of operations. Net proceeds of this program are classified in operating activities in the consolidated statements of cash flows. This program reduced the Company's accounts receivable by \$33.9 million and \$0 as of December 28, 2019 and December 29, 2018, respectively.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company provides disaggregated revenue for the wholesale and consumer-direct sales channels, which are reconciled to the Company's reportable operating segments. The wholesale channel includes royalty revenues, which operates in a similar manner due to similar oversight and management, customer base, the performance obligation (footwear and apparel goods) and point in time completion of the performance obligation.

(in millions)	Fiscal Year		
	2019	2018	2017
Wolverine Michigan Group:			
Wholesale	\$ 1,134.9	\$ 1,129.2	\$ 1,144.3
Consumer-direct	164.8	143.0	123.5
Total	<u>1,299.7</u>	<u>1,272.2</u>	<u>1,267.8</u>
Wolverine Boston Group:			
Wholesale	743.4	762.0	814.5
Consumer-direct	167.5	133.5	174.3
Total	<u>910.9</u>	<u>895.5</u>	<u>988.8</u>
Other:			
Wholesale	57.9	64.1	74.3
Consumer-direct	5.2	7.4	19.1
Total	<u>63.1</u>	<u>71.5</u>	<u>93.4</u>
Total revenue	\$ 2,273.7	\$ 2,239.2	\$ 2,350.0

The Company has agreements to license symbolic intellectual property with minimum guarantees and/or fixed consideration. Revenue is recognized under these contracts over the contractual term as 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 is due \$33.6 million of remaining fixed consideration under these license agreements as of December 28, 2019, which will be recognized over the remaining term of the contracts, which expire at various dates through 2024.

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 trade discounts and allowances, 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, the revenue recognized by the Company, net of 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 fiscal years 2019 and 2018, related to the Company's contract liabilities, was nominal.

The Company's contract balances are as follows:

(In millions)	December 28, 2019	December 29, 2018
	\$ 11.4	\$ 13.6
Product returns reserve	\$ 11.4	\$ 13.6
Customer markdowns reserve	4.4	4.0
Other sales incentives reserve	2.3	2.3
Customer rebates liability	12.0	12.8
Customer advances liability	7.2	3.8

The amount of variable consideration 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.

Product Returns

Consistent with industry practice, the Company offers limited product return rights for various 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 balance sheets. 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.

Customer 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 balance sheets.

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 balance sheets depending on the nature of the item.

Customer 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 balance sheets.

Customer Advances

The Company recognizes a liability for amounts received from customers before revenue is recognized. Customer advances are recognized as a current liability on the consolidated balance sheets.

7. INVENTORIES

The Company used the LIFO method to value inventories of \$81.2 million and \$61.1 million at December 28, 2019 and December 29, 2018, respectively. During fiscal years 2019 and 2018, a reduction in inventory quantities resulted in a liquidation of applicable LIFO inventory quantities carried at lower costs in prior years. This LIFO liquidation decreased cost of goods sold by \$0.4 million and \$4.6 million, respectively. If the FIFO method had been used, inventories would have been \$11.4 million and \$11.8 million higher than reported at December 28, 2019 and December 29, 2018, respectively.

8. DEBT

Total debt consists of the following obligations:

(In millions)	December 28, 2019	December 29, 2018
Term Loan A, due December 6, 2023	\$ 192.5	\$ 200.0
Senior Notes, 5.000% interest, due September 1, 2026	250.0	250.0
Borrowings under revolving credit agreements	360.0	125.0
Capital lease obligation	—	0.4
Unamortized deferred financing costs	(4.1)	(4.9)
Total debt	\$ 798.4	\$ 570.5

On December 6, 2018, the Company amended its credit agreement (as amended, the "Credit Agreement"). The Credit Agreement includes a \$200.0 million term loan facility ("Term Loan A") and an \$800.0 million Revolving Credit Facility, both with maturity dates of December 6, 2023. 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 December 6, 2023. The scheduled principal payments due over the next 12 months total \$12.5 million as of December 28, 2019 and are recorded as current maturities of long-term debt on the consolidated balance sheets.

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The Revolving Credit Facility allows the Company to borrow up to an aggregate amount of \$800.0 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 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 also had outstanding letters of credit under the Revolving Credit Facility of \$5.7 million and \$2.5 million as of December 28, 2019 and December 29, 2018, respectively. These outstanding borrowings and 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 0.125% to 0.750%, or (2) the Eurocurrency Rate plus an Applicable Margin as determined by the Company's Consolidated Leverage Ratio, within a range of 1.125% to 1.750% (all capitalized terms used in this sentence are as defined in the Credit Agreement). The Company has interest rate swap arrangements that reduce the Company's exposure to fluctuations in interest rates on its variable rate debt. At December 28, 2019, Term Loan A and the Revolving Credit Facility had weighted-average interest rates of 3.13% and 3.05%, respectively.

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 and a minimum Consolidated Interest Coverage Ratio (all capitalized terms used in this paragraph are as defined in the Credit Agreement). As of December 28, 2019, 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 \$4.0 million that are uncommitted and, therefore, each borrowing against the facility is subject to approval by the lender. As of December 28, 2019 and December 29, 2018 there were no borrowings against this credit facility.

Prior to fiscal 2019, the Company had a capital lease obligation. As a result of the adoption of ASU 2016-02, *Leases*, the capital lease is now classified as a financing lease and is no longer included in long term debt.

The Company included in interest expense the amortization of deferred financing costs of \$1.6 million, \$2.8 million, and \$2.8 million in fiscal years 2019, 2018 and 2017, respectively.

Annual maturities of debt, including capital leases, for the fiscal years subsequent to December 28, 2019 are as follows:

(In millions)	2020	2021	2022	2023	2024	Thereafter
Annual maturities of debt	\$ 372.5	\$ 10.0	\$ 10.0	\$ 160.0	\$ —	\$ 250.0

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

(In millions)	December 28, 2019	December 29, 2018
Land	\$ 3.9	\$ 3.9
Buildings and leasehold improvements	123.2	108.8
Furniture, fixtures and equipment	136.8	162.5
Software	61.1	106.6
Gross cost	325.0	381.8
Less: accumulated depreciation	184.0	250.9
Property, plant and equipment, net	\$ 141.0	\$ 130.9

Depreciation expense was \$24.1 million, \$25.3 million and \$27.8 million for fiscal years 2019, 2018 and 2017, respectively.

10. LEASES

The Company adopted ASU 2016-02, *Leases*, at the beginning of the first quarter of fiscal 2019 using the modified retrospective approach applied to all leases as of the date of application. The Company elected the package of practical expedients for leases existing as of the effective date under which it did not reassess whether contracts contain leases under the new definition of a lease, the lease classification or whether previously capitalized initial direct costs would qualify for capitalization under ASU 2016-02. In addition, the Company did not elect the hindsight practical expedient for considering judgments and estimates relating to its existing leases such as determining the remaining lease term.

Description of Leases

The Company's leases consist primarily of corporate offices, retail stores, distribution centers, showrooms, vehicles and office equipment. The Company leases assets in the normal course of business to meet its current and future needs while providing flexibility to its operations. The Company enters into contracts with third parties to lease specifically identified assets. Most of the Company's leases have contractually specified renewal periods. Most retail store leases have early termination clauses that the Company can elect if stipulated sales amounts are not achieved. The Company determines the lease term for each lease based on the terms of each contract and factors in renewal and early termination options if such options are reasonably certain to be exercised.

Accounting for Leases

Under FASB ASC Topic 842, *Leases*, the Company has elected the practical expedient to account for lease components and nonlease components associated with individual leases as a single lease component for all of its leases. In addition, the Company has elected to account for multiple lease components as a single lease component. The Company's leases may include variable lease costs such as payments based on changes to an index, payments based on a percentage of retail store sales, and maintenance, utilities, shared marketing or other service costs that are paid directly to the lessor under terms of the lease. The Company recognizes variable lease payments when the amounts are incurred and determinable. The Company has elected to account for leases of less than one year as short-term leases and accordingly does not recognize a right-of-use asset or lease liability for these leases. The Company recognizes rent expense on a straight-line basis over the lease term.

The Company subleases certain portions of leased offices and distribution centers that exceed the Company's current operational needs. Since the Company utilizes the majority of the leased space and retains the obligation to the lessor, the underlying leases continue to be accounted for as operating leases. Sublease income is recognized on a straight-line basis over the term of the sublease, and beginning in fiscal 2019, is recognized in other expense (income), net on the consolidated statements of operations.

The Company recognizes a lease liability in current and noncurrent liabilities equal to the present value of the fixed future lease payments using an incremental borrowing rate as of the commencement date of each lease. The incremental borrowing rate is based on interest rate that the Company would normally pay to borrow on a collateralized basis over a similar term and amount equal to the lease payments. The weighted-average discount rate for operating leases as of December 28, 2019 is 5.2%. The Company also recognizes a right-of-use asset, which is equal to the lease liability as of December 28, 2019 adjusted for the remaining balance of accrued rent and unamortized lease incentives.

The following is a summary of the Company's lease cost.

	Fiscal Year
	2019
(In millions)	
Operating lease cost	\$ 32.6
Variable lease cost	14.5
Short-term lease cost	1.2
Sublease income	(4.0)
Total lease cost	<u><u>\$ 44.3</u></u>

The weighted-average remaining lease term for operating leases as of December 28, 2019 is 10.1 years. Future undiscounted cash flows for operating leases for the fiscal periods subsequent to December 28, 2019 are as follows:

	Operating Leases
2020	\$ 34.1
2021	30.3
2022	27.6
2023	20.5
2024	17.7
Thereafter	105.1
Total future payments	235.3
Less: imputed interest	54.0
Recognized lease liability	<u><u>\$ 181.3</u></u>

The Company made cash payments of \$33.2 million for operating lease liabilities during fiscal 2019. During fiscal 2019, the Company entered into new or amended leases that resulted in the noncash recognition of right-of-use assets and lease liabilities of \$26.8 million. In addition, the Company entered into real estate leases which will commence subsequent to December 28, 2019 with future undiscounted rental payments of \$4.8 million. The Company has a financing lease with future payments of \$0.3 million and a remaining term of 2.1 years.

Rental expense under all operating leases, under the previous lease standard ASC 840 and consisting primarily of minimum rentals, totaled \$32.0 million and \$39.9 million in fiscal years 2018 and 2017, respectively. The Company recognized sublease income of \$2.8 million and \$1.9 million in fiscal years 2018 and 2017, respectively.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The Company follows ASC 815, which requires that all derivative instruments be recorded on the consolidated 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 designated as cash flow hedges 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 extended out to a maximum of 545 days and 524 days as of December 28, 2019 and December 29, 2018, respectively. When foreign exchange contracts are determined not to be highly effective or are terminated before their contractual termination dates, the Company would remove the hedge designation from those contracts and reclassify into earnings the unrealized gains or losses that would otherwise be included in accumulated other comprehensive income (loss) ("AOCI") within stockholders' equity. During fiscal 2019, the Company reclassified \$1.2 million to other income for foreign currency derivatives that were no longer deemed highly effective.

The Company also utilizes foreign currency forward exchange contracts that are not designated as hedging instruments to manage foreign currency transaction 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 two interest rate swap arrangements, which unless otherwise terminated, will mature on July 13, 2020 and December 6, 2023, respectively. These agreements, which exchange floating rate for fixed rate interest payments over the life of the agreements without the exchange of the underlying notional amounts, have been designated as cash flow hedges of the underlying debt. The notional amounts of the interest rate swap arrangements are used to measure interest to be paid or received and do not

represent the amount of exposure to credit loss. 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 borrowing, as well as its risk management objective and strategy for undertaking the hedge transactions. This process included linking the derivative to the specific liability or asset on the balance sheet. The Company also assessed at the inception of each hedge, and continues to assess on an ongoing basis, whether the derivatives used in the hedging transactions are highly effective in offsetting changes in the cash flows of the hedged item.

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 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. 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 hedge's inception, and continues to assess on an ongoing basis, whether the derivative used in the hedging transaction is highly effective in offsetting changes in the net investment in the foreign operations.

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

(Dollars in millions)	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Foreign exchange contracts:		
Hedge contracts	\$ 246.3	\$ 220.3
Non-hedge contracts	7.3	4.8
Interest rate swap	355.8	181.3
Cross currency swap	79.8	95.8

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

(In millions)	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Financial assets:		
Foreign exchange contracts - hedge	\$ 2.3	\$ 8.7
Interest rate swap	—	1.6
Financial liabilities:		
Foreign exchange contracts - hedge	\$ (1.8)	\$ —
Interest rate swap	(1.8)	—
Cross currency swap	(3.0)	(8.2)

12. STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of ASC Topic 718, *Compensation – Stock Compensation*. The Company recognized compensation expense of \$24.5 million, \$31.2 million and \$25.4 million and related income tax benefits of \$4.8 million, \$6.4 million and \$8.6 million for grants under its stock-based compensation plans in the statements of operations for fiscal years 2019, 2018 and 2017, respectively. The Company generally grants restricted stock or units ("Restricted Awards"), performance-based restricted stock or units ("Performance Awards") and stock options under its stock-based compensation plans.

As of December 28, 2019, the Company had 5,669,643 stock incentive units (stock options, stock appreciation rights, restricted stock, restricted stock units and common stock) available for issuance under the Stock Incentive Plan of 2016, as amended and restated ("Stock Plan"). Each stock option or stock appreciation right granted counts as 1.0 stock incentive unit. Stock options granted under the Stock Plan have an exercise price equal to the fair market value of the underlying stock on the grant date, expire no later than ten years from the grant date and generally vest over three years. All other awards granted, including Restricted Awards and Performance Awards, count as 2.6 stock incentive units for each share, restricted share or restricted stock unit granted. Restricted Awards issued under the Stock Plan are subject to certain restrictions, including a prohibition against any sale, transfer or other disposition by the officer or employee during the vesting period (except for certain transfers for estate planning purposes for certain officers), and a requirement to forfeit all or a certain portion of the award upon certain terminations of employment.

These restrictions typically lapse over a three- to four-year period from the date of the award. The Company has elected to recognize expense for these stock-based incentive plans ratably over the vesting term on a straight-line basis. Certain option and restricted awards provide for accelerated vesting under various scenarios, including retirement, death and disability, and upon a change in control of the Company. Awards issued to employees that meet the specified retirement age and service requirements are vested upon the employee's retirement in accordance with plan provisions and the applicable award agreements issued under the Stock Plan. The Company issues shares to plan participants upon exercise or vesting of stock-based incentive awards from either authorized, but unissued shares or treasury shares.

The Board of Directors awards an annual grant of Performance Awards to certain plan participants. The number of Performance Awards that will be earned (and eligible to vest) during the performance period will depend on the Company's level of success in achieving two specifically identified performance targets. Any portion of the Performance Awards that are not earned by the end of the three-year measurement period will be forfeited. The final determination of the number of Performance Awards to be issued in respect to an award is determined by the Compensation Committee of the Company's Board of Directors.

Restricted Awards and Performance Awards

A summary of the unvested Restricted Awards and Performance Awards is as follows:

	Restricted Awards	Weighted- Average Grant Date Fair Value	Performance Awards	Weighted- Average Grant Date Fair Value
Unvested at December 31, 2016	1,947,378	\$ 21.24	1,730,886	\$ 21.86
Granted	762,078	23.06	511,722	25.14
Vested	(445,939)	22.03	(173,894)	27.01
Forfeited	(238,445)	21.66	(378,046)	25.04
Unvested at December 30, 2017	2,025,072	\$ 21.70	1,690,668	\$ 21.54
Granted	609,276	31.81	384,657	35.10
Vested	(560,263)	22.93	(229,023)	26.64
Forfeited	(153,712)	23.81	(215,284)	26.18
Unvested at December 29, 2018	1,920,373	\$ 24.38	1,631,018	\$ 23.42
Granted	554,092	34.73	370,830	37.10
Vested	(681,938)	24.63	(654,021)	17.46
Forfeited	(173,611)	28.47	(220,725)	19.74
Unvested at December 28, 2019	<u>1,618,916</u>	<u>\$ 27.36</u>	<u>1,127,102</u>	<u>\$ 31.94</u>

As of December 28, 2019, there was \$19.9 million of unrecognized compensation expense related to unvested Restricted Awards, which is expected to be recognized over a weighted-average period of 1.5 years. The total fair value of Restricted Awards vested during the year ended December 28, 2019 was \$23.7 million. As of December 29, 2018, there was \$20.2 million of unrecognized compensation expense related to unvested Restricted Awards, which was expected to be recognized over a weighted-average period of 1.6 years. The total fair value of Restricted Awards vested during the year ended December 29, 2018 was \$17.4 million. As of December 30, 2017, there was \$18.3 million of unrecognized compensation expense related to unvested Restricted Awards, which was expected to be recognized over a weighted-average period of 1.8 years. The total fair value of Restricted Awards vested during the year ended December 30, 2017 was \$10.6 million.

As of December 28, 2019, there was \$4.5 million of unrecognized compensation expense related to unvested Performance Awards, which is expected to be recognized over a weighted-average period of 1.1 years. The total fair value of Performance Awards vested during the year ended December 28, 2019 was \$22.8 million. As of December 29, 2018, there was \$19.0 million of unrecognized compensation expense related to unvested Performance Awards, which was expected to be recognized over a weighted-average period of 1.7 years. The total fair value of Performance Awards vested during the year ended December 29, 2018 was \$7.3 million. As of December 30, 2017, there was \$16.9 million of unrecognized compensation expense related to unvested Performance Awards, which was expected to be recognized over a weighted-average period of 1.9 years. The total fair value of Performance Awards vested during the year ended December 30, 2017 was \$4.0 million.

Stock Options

The Company estimated the fair value of employee stock options on the date of grant using the Black-Scholes-Merton formula. The estimated weighted-average fair value for each option granted was \$9.07, \$8.20 and \$5.50 per share for fiscal years 2019, 2018 and 2017, respectively, with the following weighted-average assumptions.

	Fiscal Year		
	2019	2018	2017
Expected market price volatility ⁽¹⁾	29.6%	29.6%	29.3%
Risk-free interest rate ⁽²⁾	2.5%	2.5%	1.7%
Dividend yield ⁽³⁾	1.0%	0.8%	1.0%
Expected term ⁽⁴⁾	4 years	4 years	4 years

(1) Based on historical volatility of the Company's common stock. The expected volatility is based on the daily percentage change in the price of the stock over the four years prior to the grant.

(2) Represents the U.S. Treasury yield curve in effect for the expected term of the option at the time of grant.

(3) Represents the Company's estimated cash dividend yield for the expected term.

(4) Represents the period of time that options granted are expected to be outstanding. As part of the determination of the expected term, the Company concluded that all employee groups exhibit similar exercise and post-vesting termination behavior.

A summary of the stock option transactions is as follows:

	Shares Under Option	Weighted-Average Exercise Price	Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In millions)
Outstanding at December 31, 2016	7,493,662	\$ 19.55	6.4	\$ 28.7
Granted	93,274	23.85		
Exercised	(1,267,269)	17.15		
Canceled	(230,003)	21.37		
Outstanding at December 30, 2017	6,089,664	\$ 20.05	5.8	\$ 72.1
Granted	28,171	31.85		
Exercised	(1,359,387)	17.69		
Canceled	(56,446)	17.12		
Outstanding at December 29, 2018	4,702,002	\$ 20.83	5.2	\$ 54.5
Granted	25,471	34.81		
Exercised	(681,389)	17.87		
Canceled	(12,977)	23.97		
Outstanding at December 28, 2019	4,033,107	\$ 21.41	4.4	\$ 49.8
Unvested at December 28, 2019	(44,250)			
Exercisable at December 28, 2019	<u>3,988,857</u>	\$ 21.27	4.4	\$ 49.7

The total pretax intrinsic value of stock options exercised during fiscal years 2019, 2018 and 2017 was \$10.7 million, \$21.2 million and \$12.5 million, respectively. As of December 28, 2019, there was \$0.2 million of unrecognized compensation expense related to stock option grants expected to be recognized over a weighted-average period of 1.4 years. As of December 29, 2018 and December 30, 2017, there was \$0.4 million and \$1.8 million, respectively, of unrecognized compensation expense related to stock option awards expected to be recognized over a weighted-average period of 0.8 years and 1.0 years, respectively.

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price as of each fiscal year end, which would have been received by the option holders had all option holders exercised options, where the market price of the Company's stock was above the strike price ("in-the-money"), as of that date. The total number of in-the-money options exercisable as of December 28, 2019, based on the Company's closing stock price of \$33.74 per share, was 3,974,757 and the weighted-average exercise price was \$21.29 per share. As of December 29, 2018, 4,048,842 outstanding options were exercisable and in-the-money, with a weighted-average exercise price of \$21.09 per share.

13. RETIREMENT PLANS

The Company has two non-contributory, defined benefit pension plans that provide retirement benefits to less than half of its domestic employees. The Company's principal defined benefit pension plan, which is closed to new participants, provides benefits based on the employee's years of service and final average earnings. The second plan is closed to new participants and no longer accrue future benefits.

The Company has a Supplemental Executive Retirement Plan (the "SERP") for certain current and former employees that entitles a participating employee to receive payments from the Company following retirement based on the employee's years of service and final average earnings (as defined in the SERP). Under the SERP, the employees can elect early retirement with a corresponding reduction in benefits. The Company also has individual deferred compensation agreements with certain former employees that entitle those employees to receive payments from the Company following retirement, generally for the duration of their lives. The Company maintains life insurance policies with a cash surrender value of \$66.8 million at December 28, 2019 and \$64.4 million at December 29, 2018 that are intended to partially fund deferred compensation benefits under the SERP and deferred compensation agreements.

The Company has two defined contribution 401(k) plans covering substantially all domestic employees that provide for discretionary Company contributions based on the amount of participant deferrals. The Company recognized expense for its contributions to the defined contribution plans of \$5.2 million, \$4.5 million and \$4.2 million in fiscal years 2019, 2018 and 2017, respectively.

The Company also has certain defined contribution plans at foreign subsidiaries. Contributions to these plans were \$1.1 million, \$1.1 million and \$1.0 million in fiscal years 2019, 2018 and 2017, respectively. The Company also has a benefit plan at a foreign location that provides for retirement benefits based on years of service. The obligation recorded under this plan was \$0.9 million at December 28, 2019 and \$1.1 million at December 29, 2018 and was recognized as a deferred compensation liability on the consolidated balance sheets.

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The following summarizes the status of and changes in the Company's assets and related obligations for its pension plans (which include the Company's defined benefit pension plans and the SERP) for the fiscal years 2019 and 2018:

(In millions)	Fiscal Year	
	2019	2018
Change in projected benefit obligations:		
Projected benefit obligations at beginning of the year	\$ 348.8	\$ 443.4
Service cost pertaining to benefits earned during the year	5.5	6.3
Interest cost on projected benefit obligations	15.2	16.5
Actuarial loss (gain)	45.4	(31.6)
Benefits paid to plan participants	(13.9)	(19.2)
Settlement	—	(66.6)
Projected benefit obligations at end of the year	\$ 401.0	\$ 348.8
Change in fair value of pension assets:		
Fair value of pension assets at beginning of the year	\$ 254.4	\$ 299.6
Actual return (loss) on plan assets	44.7	(22.6)
Company contributions - pension	—	60.7
Company contributions - SERP	2.4	2.5
Benefits paid to plan participants	(13.9)	(19.2)
Settlement	—	(66.6)
Fair value of pension assets at end of the year	\$ 287.6	\$ 254.4
Funded status	\$ (113.4)	\$ (94.4)
Amounts recognized in the consolidated balance sheets:		
Noncurrent assets	\$ —	\$ 1.4
Current liabilities	(3.7)	(3.8)
Noncurrent liabilities	(109.7)	(92.0)
Net amount recognized	\$ (113.4)	\$ (94.4)
Funded status of pension plans and SERP (supplemental):		
Funded status of qualified defined benefit plans and SERP	\$ (113.4)	\$ (94.4)
Nonqualified trust assets (cash surrender value of life insurance) recorded in other assets and intended to satisfy the projected benefit obligation of unfunded SERP obligations	59.6	57.4
Net funded status of pension plans and SERP (supplemental)	\$ (53.8)	\$ (37.0)

Unrecognized net actuarial loss recognized in AOCI was \$61.4 million and \$44.6 million, and amounts net of tax were \$48.7 million and \$36.2 million, as of December 28, 2019 and December 29, 2018, respectively. The accumulated benefit obligations for all defined benefit pension plans and the SERP were \$378.4 million at December 28, 2019 and \$319.1 million at December 29, 2018. The actuarial loss included in accumulated other comprehensive loss and expected to be recognized in net periodic pension expense during 2020 is \$6.6 million.

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The following is a summary of net pension and SERP expense recognized by the Company:

(In millions)	Fiscal Year		
	2019	2018	2017
Service cost pertaining to benefits earned during the year	\$ 5.5	\$ 6.3	\$ 7.2
Interest cost on projected benefit obligations	15.2	16.5	17.7
Expected return on pension assets	(17.7)	(21.5)	(19.8)
Net amortization loss	2.6	3.3	9.8
Settlement loss	—	7.2	—
Net pension expense	\$ 5.6	\$ 11.8	\$ 14.9
Less: SERP expense	5.4	5.5	5.5
Qualified defined benefit pension plans expense	\$ 0.2	\$ 6.3	\$ 9.4

During fiscal 2018, the Company completed a pension annuity purchase, which settled \$66.6 million of projected benefit obligations. The Company recognized a settlement loss of \$7.2 million due to the annuity purchase.

The weighted-average actuarial assumptions used to determine the benefit obligation amounts and the net periodic benefit cost for the Company's pension and post-retirement plans are as follows:

	Fiscal Year	
	2019	2018
Weighted-average assumptions used to determine benefit obligations at fiscal year-end:		
Discount rate	3.60%	4.46%
Rate of compensation increase - pension	4.23%	3.82%
Rate of compensation increase - SERP	7.00%	7.00%
Weighted average assumptions used to determine net periodic benefit cost for the years ended:		
Discount rate	4.46%	3.80%
Expected long-term rate of return on plan assets	6.75%	7.00%
Rate of compensation increase - pension	3.82%	3.92%
Rate of compensation increase - SERP	7.00%	7.00%

Unrecognized net actuarial losses exceeding certain corridors are amortized over one of two amortization periods, based on each plan's election. The amortization period is either a five-year period, unless the minimum amortization method based on average remaining service periods produces a higher amortization; or, over the average remaining service period of participants expected to receive benefits. The Company utilizes a bond matching calculation to determine the discount rate. A hypothetical bond portfolio is created based on a presumed purchase of high-quality corporate bonds with maturities that match the plan's expected future cash outflows. The discount rate is the resulting yield of the hypothetical bond portfolio. The discount rate is used in the calculation of the year-end pension liability and the service and interest cost for the subsequent year.

The long-term rate of return is based on overall market expectations for a balanced portfolio with an asset mix similar to the Company's, utilizing historic returns for broad market and fixed income indices. The Company's investment policy for plan assets uses a blended approach of U.S. and foreign equities combined with U.S. fixed income investments. The target investment allocations as of December 28, 2019 were 57% in equity securities, 38% in fixed income securities and 5% in real estate investments. Within the equity and fixed income classifications, the investments are diversified. The Company's asset allocations by asset category and fair value measurement are as follows:

(In millions)	December 28, 2019		December 29, 2018	
	Total	% of Total	Total	% of Total
Equity securities	\$ 162.2 ¹	56.4%	\$ 138.2 ¹	54.4%
Fixed income securities	106.2 ¹	36.9%	98.0 ¹	38.5%
Real estate investments	16.9 ¹	5.9%	16.1 ¹	6.3%
Other	2.3 ²	0.8%	2.1 ²	0.8%
Fair value of plan assets	\$ 287.6	100.0%	\$ 254.4	100.0%

- ¹ In accordance with ASC 820, *Fair Value Measurement* ("ASC 820"), certain investments are measured at fair value using the net asset value per share as a practical expedient. These assets have not been classified in the fair value hierarchy.
- ² In accordance with ASC 820, investments have been measured using valuation techniques in which one or more significant inputs are unobservable (Level 3). See Note 16 for additional information.

The Company does not expect to make any contributions to its qualified defined benefit pension plans in fiscal 2020 and to make \$3.7 million in contributions to the SERP in fiscal 2020.

Expected benefit payments for the fiscal years subsequent to December 28, 2019 are as follows:

(In millions)	2020	2021	2022	2023	2024	2025-2029
Expected benefit payments	\$ 15.7	\$ 16.3	\$ 17.0	\$ 17.7	\$ 18.5	\$ 102.6

14. INCOME TAXES

The geographic components of earnings (loss) before income taxes are as follows:

(In millions)	Fiscal Year		
	2019	2018	2017
United States	\$ 79.3	\$ 159.2	\$ (78.2)
Foreign	66.6	68.2	67.6
Earnings (loss) before income taxes	\$ 145.9	\$ 227.4	\$ (10.6)

The provisions for income tax expense (benefit) consist of the following:

(In millions)	Fiscal Year		
	2019	2018	2017
Current expense:			
Federal	\$ 10.6	\$ 6.7	\$ 48.1
State	0.5	2.4	1.9
Foreign	12.5	10.9	14.0
Deferred expense (credit):			
Federal	(5.8)	2.1	(72.0)
State	(2.0)	3.3	(0.2)
Foreign	1.2	1.7	(1.7)
Income tax provision	\$ 17.0	\$ 27.1	\$ (9.9)

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A reconciliation of the Company's total income tax expense and the amount computed by applying the statutory federal income tax rate to earnings before income taxes is as follows:

(In millions)	Fiscal Year		
	2019	2018	2017
Income taxes at U.S. statutory rates of 21%, 21% and 35%	\$ 30.6	\$ 47.7	\$ (3.7)
State income taxes, net of federal income tax	0.5	2.8	(4.2)
(Nontaxable earnings) non-deductible losses of foreign affiliates:			
Cayman Islands	—	—	(3.5)
Other	(0.1)	(0.1)	(0.3)
Foreign earnings taxed at rates different from the U.S. statutory rate:			
Hong Kong	(8.5)	(10.8)	(17.3)
Other	2.8	(3.1)	3.5
Adjustments for uncertain tax positions	(1.0)	(1.4)	0.4
Change in valuation allowance	(0.2)	3.3	3.0
Change in state tax rates	(1.5)	1.9	0.1
Transition tax due to TCJA	—	(0.1)	58.1
Remeasurement of U.S. deferred taxes due to TCJA	—	—	(52.5)
Global Intangible Low Tax Income tax	2.1	3.7	—
Foreign Derived Intangible Income tax benefit	(4.4)	(6.8)	—
Non-deductible executive compensation	2.0	0.9	0.7
Permanent adjustments related to employee share based compensation	(5.1)	(3.8)	(1.9)
Deferred tax on future cash dividends	0.6	(0.9)	3.0
Other Permanent adjustments and non-deductible expenses	(0.6)	(6.7)	0.6
Other	(0.2)	0.5	4.1
Income tax provision	<u>\$ 17.0</u>	<u>\$ 27.1</u>	<u>\$ (9.9)</u>

Significant components of the Company's deferred income tax assets and liabilities are as follows:

(In millions)	December 28, 2019		December 29, 2018
Deferred income tax assets:			
Accounts receivable and inventory valuation allowances	\$ 5.7	\$ 4.9	
Deferred compensation accruals	4.0	6.9	
Accrued pension expense	25.3	21.6	
Stock-based compensation	14.5	16.9	
Net operating loss and foreign tax credit carryforwards	17.6	19.2	
Book over tax depreciation and amortization	0.5	0.8	
Tenant lease expenses	3.6	4.1	
Environmental reserve	15.4	5.0	
Other	5.1	5.8	
Total gross deferred income tax assets	<u>91.7</u>	<u>85.2</u>	
Less valuation allowance	<u>(17.6)</u>	<u>(17.8)</u>	
Net deferred income tax assets	<u>74.1</u>	<u>67.4</u>	
Deferred income tax liabilities:			
Intangible assets	(157.5)	(157.3)	
Tax over book depreciation and amortization	(8.6)	(8.3)	
Other	(4.1)	(6.6)	
Total deferred income tax liabilities	<u>(170.2)</u>	<u>(172.2)</u>	
Net deferred income tax liabilities	<u>\$ (96.1)</u>	<u>\$ (104.8)</u>	

The valuation allowance for deferred income tax assets as of December 28, 2019 and December 29, 2018 was \$17.6 million and \$17.8 million, respectively. The net decrease in the total valuation allowance during fiscal 2019 was \$0.2 million. The valuation allowance for both years is primarily related to U.S. state and local net operating loss carryforwards as well as a valuation allowance against state deferred tax assets for certain U.S. legal entities, foreign net operating loss carryforwards and tax credit carryforwards in foreign jurisdictions. The ultimate realization of the deferred tax assets depends on the generation of future taxable income in foreign jurisdictions as well as state and local tax jurisdictions. The current year change in the valuation allowance results in a decrease against the state deferred tax assets of \$0.5 million, an increase related to state net operating loss carryforward of \$1.3 million, and a net decrease relating to the foreign net operating losses and foreign tax credits and other deferred tax assets of \$1.0 million.

At December 28, 2019, the Company had foreign net operating loss carryforwards of \$27.3 million, which have expirations ranging from 2020 to an unlimited term during which they are available to offset future foreign taxable income. The Company had U.S. state net operating loss carryforwards and Internal Revenue Code section 163(j) interest expense carryforwards of \$161.4 million and \$10.4 million respectively, which have expirations ranging from 2022 to an unlimited term during which they are available to offset future state taxable income. The Company also had tax credit carryforwards in foreign jurisdictions of \$2.9 million, which are available for an unlimited carryforward period to offset future foreign taxes.

The following table summarizes the activity related to the Company's unrecognized tax benefits:

(In millions)	Fiscal Year	
	2019	2018
Unrecognized tax benefits at beginning of the year	\$ 7.9	\$ 9.3
Increases related to current year tax positions	1.6	0.8
Decreases related to prior year positions	(1.4)	(2.0)
Decreases relating to settlements with taxing authorities	(1.2)	—
Decrease due to lapse of statute	—	(0.2)
Unrecognized tax benefits at end of the year	<u>\$ 6.9</u>	<u>\$ 7.9</u>

The portion of the unrecognized tax benefits that, if recognized currently, would reduce the annual effective tax rate was \$6.5 million and \$7.1 million as of December 28, 2019 and December 29, 2018, respectively. The Company recognizes interest and penalties related to unrecognized tax benefits through interest expense and income tax expense, respectively. Interest accrued related to unrecognized tax benefits was \$1.5 million and \$2.4 million as of December 28, 2019 and December 29, 2018, respectively.

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 material to the consolidated financial statements. For the majority of tax jurisdictions, 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 2015.

The Company intends to repatriate cash held in foreign jurisdictions and as such has recorded a deferred tax liability related to additional state taxes and foreign withholding taxes on the future dividends received in the U.S. from the foreign subsidiaries of \$1.2 million and \$0.6 million for fiscal years 2019 and 2018, respectively. The Company intends to permanently reinvest all non-cash undistributed earnings outside of the U.S. and has, therefore, not established a deferred tax liability on the amount of non-cash foreign undistributed earnings of \$272.1 million at December 28, 2019. 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 unremitting earnings due to the complexity of the hypothetical calculation.

15. 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 fiscal years 2019 and 2018 is as follows:

(In millions)	Foreign currency translation adjustments	Derivatives	Pension adjustments	Total
Balance of AOCI as of December 30, 2017	\$ (32.7)	\$ (13.9)	\$ (28.6)	\$ (75.2)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	(20.3)	14.4	(9.9)	(15.8)
Amounts reclassified from accumulated other comprehensive income (loss)	—	3.8 ⁽²⁾	10.5 ⁽³⁾	14.3
Income tax (expense) benefit	—	(1.3)	(2.2)	(3.5)
Net reclassifications	—	2.5	8.3	10.8
Net current-period other comprehensive income (loss) ⁽¹⁾	(20.3)	16.9	(1.6)	(5.0)
Reclassifications to retained earnings ⁽⁴⁾	\$ —	\$ (2.1)	\$ (6.0)	\$ (8.1)
Balance of AOCI as of December 29, 2018	\$ (53.0)	\$ 0.9	\$ (36.2)	\$ (88.3)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	5.4	0.9	(14.6)	(8.3)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(9.8) ⁽²⁾	2.6 ⁽³⁾	(7.2)
Income tax (expense) benefit	—	2.2	(0.5)	1.7
Net reclassifications	—	(7.6)	2.1	(5.5)
Net current-period other comprehensive income (loss) ⁽¹⁾	5.4	(6.7)	(12.5)	(13.8)
Balance of AOCI as of December 28, 2019	<u><u>\$ (47.6)</u></u>	<u><u>\$ (5.8)</u></u>	<u><u>\$ (48.7)</u></u>	<u><u>\$ (102.1)</u></u>

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

- (2) Amounts related to foreign currency derivatives deemed to be highly effective are included in cost of goods sold. Amounts related to foreign currency derivatives that are no longer deemed to be highly effective are included in other income. 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, and includes \$7.2 million in fiscal 2018 related to a settlement loss.
- (4) Amounts reclassified to retained earnings upon adoption of ASU 2017-12 and ASU 2018-02.

16. 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.

Recurring Fair Value Measurements

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

	Fair Value Measurements	
	Quoted Prices With Other Observable Inputs (Level 2)	December 29, 2018
(In millions)	December 28, 2019	December 29, 2018
Financial assets:		
Derivatives	\$ 2.3	\$ 10.3
Financial liabilities:		
Derivatives	\$ (6.6)	\$ (8.2)

The fair value of foreign currency forward exchange contracts represents the estimated receipts or payments necessary to terminate the contracts. The two 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 are as follows:

(In millions)	December 28, 2019		December 29, 2018	
	\$	798.4	\$	570.1
Carrying value				
Fair value		817.6		566.8

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).

17. 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 Company 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. In January 2018, the Michigan Department of Environmental Quality ("MDEQ") enacted a drinking water criterion of 70 ppt combined for PFOA and PFOS, which set an official state standard for acceptable concentrations of these contaminants in groundwater used for drinking water purposes. On April 22, 2019, the MDEQ was reorganized into the Michigan Department of Environment, Great Lakes, and Energy ("EGLE").

The Company has been served with two regulatory actions including a civil action filed by the EGLE under the federal Resource Conservation and Recovery Act of 1976 ("RCRA"), Part 201 of the Michigan Natural Resources and Environmental Protection Act ("NREPA") and Part 31 of NREPA, 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 three putative class action lawsuits. The three putative class action lawsuits were subsequently refiled as a single consolidated putative class action lawsuit.

Civil and Regulatory Actions of EGLE and EPA

On January 10, 2018, EGLE filed a civil action against the Company in the U.S District Court for the Western District of Michigan under RCRA and Parts 201 and 31 of NREPA 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 "EGLE Action"). Plainfield and Algoma Townships intervened in the EGLE Action alleging claims under RCRA, CERCLA, Part 201 of NREPA, and common law nuisance.

On December 19, 2018, the Company filed a third-party complaint against 3M Company seeking, among other things, recovery of the Company's remediation and other costs incurred in defense of the EGLE Action ("the 3M Action"). On June 20, 2019, the 3M Company filed a counterclaim against the Company in response to the 3M Action, seeking, among other things, contractual and common law indemnity and contribution under CERCLA and Part 201 of NREPA. On February 3, 2020, the parties entered into a consent decree resolving the EGLE Action, which was approved by U.S. District Judge Janet T. Neff on February 19, 2020 (the "Consent Decree"). On February 20, 2020, the Company and 3M Company entered into a settlement agreement resolving the 3M Action, under which 3M Company will pay the Company a lump sum amount of \$55.0 million in fiscal 2020. The Company has recognized the \$55.0 million as a loss recovery partially offsetting the environmental remediation costs recorded in fiscal 2019 and is recorded in the prepaid expenses and other current assets line item on the consolidated balance sheets.

Under the Consent Decree, the Company will pay to extend Plainfield Township's municipal water system to more than 1,000 properties in Plainfield and Algoma Townships, subject to an aggregate cap of \$69.5 million. The Consent Decree also obligates the Company to continue maintaining water filters for certain homeowners, resample certain residential wells for PFAS, continue remediation at the Company's Tannery property and House Street site, and conduct further investigations and monitoring to the assess the presence of PFAS in area groundwater.

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 pertained to the Company's Tannery and House Street sites and directed the Company to conduct specified removal actions, including certain time critical removal actions subsequently identified in an April 29, 2019 letter from the EPA, to abate the actual or threatened release of hazardous substances at or from the sites. On October 28, 2019, the EPA and the Company entered into an Administrative Settlement and Order on Consent ("AOC") that supersedes the Order and addresses the agreed-upon removal actions outlined in the Order. The Company has already completed some of these activities and submitted work plans for completion of the remaining items.

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

Individual and Class Action Litigation

Individual lawsuits and three 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. The three putative class action lawsuits were subsequently refiled in the U.S. District Court for the Western District of Michigan as a single consolidated putative class action lawsuit. 3M Company, which sold Scotchgard containing PFAS to the Company, has been named as a co-defendant in the individual lawsuits and consolidated putative class action lawsuit. In addition, the current owner of a former landfill and gravel mining operation has sued the Company seeking damages and cost recovery for property damage allegedly caused by the Company's disposal of tannery waste containing PFAS (collectively with the individual lawsuits and putative class action, the "Litigation Matters").

Assessing potential liability with respect to the Litigation Matters at this time is difficult. The Litigation Matters are in various stages of discovery and related motions. In addition, there is minimal direct and relevant precedent for these types of claims related to PFAS, and 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 Litigation Matters are probable, and therefore no amounts are currently reserved for these claims. The Company intends to continue to vigorously defend itself against these claims.

In addition, in December 2018 the Company filed a lawsuit against certain of its historic liability insurers, seeking their participation in Wolverine's defense and remediation efforts. No estimated recoveries from legacy insurance policies have been recognized.

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 following is a summary of the activity with respect to the environmental remediation reserve established by the Company:

(In millions)	Fiscal Year	
	2019	2018
Remediation liability at beginning of the year	\$ 22.6	\$ 31.1
Changes in estimate	112.9	4.8
Amounts paid	(11.1)	(13.3)
Remediation liability at the end of the year	<u>\$ 124.4</u>	\$ 22.6

The reserve balance as of December 28, 2019 includes \$41.5 million that is expected to be paid within the next twelve months and is recorded as a current obligation in other accrued liabilities, with the remaining \$82.9 million expected to be paid over the course of up to 25 years, recorded in other liabilities.

The Company's remediation activity at the Tannery property, House Street site and other relevant disposal sites is ongoing. Although the recent Consent Decree has made near-term costs more clear, it is difficult to estimate the long-term 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. Future 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 a possible loss or range of loss 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

The Company has future minimum royalty and advertising obligations due under the terms of certain licenses held by the Company. These minimum future obligations for the fiscal years subsequent to December 28, 2019 are as follows:

(In millions)	2020	2021	2022	2023	2024	Thereafter
Minimum royalties	\$ 1.5	\$ 1.7	\$ 1.8	\$ —	\$ —	\$ —
Minimum advertising	3.2	3.3	3.4	3.5	3.6	—

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 \$2.3 million, \$2.2 million and \$2.3 million for fiscal years 2019, 2018 and 2017, 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 \$3.6 million, \$3.3 million and \$3.2 million for fiscal years 2019, 2018 and 2017, respectively.

18. BUSINESS SEGMENTS

The Company's portfolio of brands is organized into the following two operating segments, which the Company has determined to be reportable operating segments. During the first quarter of 2019, the brands that were formerly aligned with the Wolverine Outdoor & Lifestyle Group and Wolverine Heritage Group were realigned into a new operating segment, the Wolverine Michigan Group. The change was to align our brands under key leadership to best support innovation and efficiency. All prior period disclosures have been retrospectively adjusted to reflect these new reportable operating segments.

- **Wolverine Michigan Group**, consisting of *Merrell®* footwear and apparel, *Cat®* footwear, *Wolverine®* footwear and apparel, *Chaco®* footwear, *Hush Puppies®* footwear and apparel, *Bates®* uniform footwear, *Harley-Davidson®* footwear and *Hytest®* safety footwear; and

- **Wolverine Boston Group**, consisting of *Sperry*® footwear and apparel, *Saucony*® footwear and apparel, *Keds*® footwear and apparel, and the Kids footwear business, which includes the *Stride Rite*® licensed business, as well as kids' footwear offerings from *Saucony*®, *Sperry*®, *Keds*®, *Merrell*®, *Hush Puppies*® and *Cat*®.

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 leather marketing operations, sourcing operations that include third-party commission revenues and multi-branded consumer-direct retail stores. The Corporate category consists of unallocated corporate expenses, organizational transformation costs, reorganization costs, restructuring and other related costs, impairment of intangible assets, environmental and other related costs, a foreign currency remeasurement gain recorded in the second quarter of fiscal 2018 and a pension settlement loss related to the Company's purchase of pension annuity contracts in the fourth quarter of fiscal 2018. The Company's operating segments are determined based on how 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)	Fiscal Year		
	2019	2018	2017
Revenue:			
Wolverine Michigan Group	\$ 1,299.7	\$ 1,272.2	\$ 1,267.8
Wolverine Boston Group	910.9	895.5	988.8
Other	63.1	71.5	93.4
Total	<u>\$ 2,273.7</u>	<u>\$ 2,239.2</u>	<u>\$ 2,350.0</u>
Operating profit (loss):			
Wolverine Michigan Group	\$ 244.8	\$ 257.6	\$ 243.7
Wolverine Boston Group	153.8	157.5	153.6
Other	2.9	3.1	5.2
Corporate	(230.5)	(166.3)	(370.9)
Total	<u>\$ 171.0</u>	<u>\$ 251.9</u>	<u>\$ 31.6</u>
Depreciation and amortization expense:			
Wolverine Michigan Group	\$ 2.4	\$ 2.7	\$ 2.9
Wolverine Boston Group	3.3	3.3	3.7
Other	2.4	3.1	3.5
Corporate	24.6	22.4	27.1
Total	<u>\$ 32.7</u>	<u>\$ 31.5</u>	<u>\$ 37.2</u>
Capital expenditures:			
Wolverine Michigan Group	\$ 2.2	\$ 3.1	\$ 0.5
Wolverine Boston Group	5.7	1.2	1.6
Other	2.2	1.8	1.8
Corporate	24.3	15.6	28.5
Total	<u>\$ 34.4</u>	<u>\$ 21.7</u>	<u>\$ 32.4</u>

(In millions)	December 28, 2019	December 29, 2018
Total assets:		
Wolverine Michigan Group	\$ 773.8	\$ 626.8
Wolverine Boston Group	1,354.8	1,282.2
Other	38.4	50.0
Corporate	313.0	224.1
Total	\$ 2,480.0	\$ 2,183.1
Goodwill:		
Wolverine Michigan Group	\$ 144.4	\$ 143.8
Wolverine Boston Group	294.5	280.6
Total	\$ 438.9	\$ 424.4

Geographic dispersion of revenue from external customers, based on shipping destination is as follows:

(In millions)	Fiscal Year		
	2019	2018	2017
United States	\$ 1,507.9	\$ 1,505.2	\$ 1,608.7
Foreign:			
Europe, Middle East and Africa	343.1	325.7	322.4
Asia Pacific	193.7	186.0	189.4
Canada	117.9	116.7	121.2
Latin America	111.1	105.6	108.3
Total from foreign territories	765.8	734.0	741.3
Total revenue	\$ 2,273.7	\$ 2,239.2	\$ 2,350.0

The location of the Company's tangible long-lived assets, which comprises property, plant and equipment and lease right-of-use assets, is as follows:

(In millions)	December 28, 2019	December 29, 2018	December 30, 2017
United States	\$ 247.2	\$ 117.1	\$ 122.4
Foreign countries	54.6	13.8	14.3
Total	\$ 301.8	\$ 130.9	\$ 136.7

The Company does not believe that it is dependent upon any single customer because no customer accounts for more than 10% of consolidated revenue in any year.

During fiscal 2019, the Company sourced 100% of its footwear products and apparel and accessories from third-party suppliers, located primarily in the Asia Pacific region. While changes in suppliers could cause delays in manufacturing and a possible loss of sales, management believes that other suppliers could provide similar products on comparable terms.

19. BUSINESS ACQUISITIONS

On April 30, 2019, the Company acquired assets and assumed liabilities from Sportlab S.R.L. ("Sportlab"), the distributor of Saucony® footwear in Italy. Total purchase consideration of \$25.2 million includes cash paid, extinguishment of Sportlab's accounts payable balance that was due to the Company at the time of acquisition and contingent consideration. The contingent consideration was based on sales activity from the date of the acquisition through the end of fiscal 2019 and was paid in the first quarter of fiscal 2020. The detailed amounts of each component of the purchase consideration are as follows:

(In millions)	Purchase Consideration
Cash paid	\$ 15.1
Extinguishment of Sportlab's accounts payable balance	4.6
Contingent consideration	5.5
Total purchase consideration	\$ 25.2

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The Company accounted for the acquisition under the provisions of FASB ASC Topic 805, *Business Combinations*. The related assets acquired and liabilities assumed were recorded at fair value on the acquisition date. The operating results for the acquired *Saucony®* distribution business are included in the Company's consolidated results of operations beginning April 30, 2019, and are included in the Wolverine Boston Group reporting group for segment reporting purposes.

The final allocation of the purchase price as of December 28, 2019 was:

(In millions)	Final Valuation
Accounts receivable	\$ 1.8
Inventories	6.2
Goodwill	12.0
Amortizable intangibles	12.9
Total assets acquired	32.9
Deferred income taxes	3.2
Other liabilities	4.5
Total liabilities assumed	7.7
Net assets acquired	\$ 25.2

The excess of the purchase price over the fair value of the net assets acquired, amounting to \$12.0 million, was recorded as goodwill in the consolidated balance sheet and was assigned to the Wolverine Boston Group operating segment. The goodwill that was recognized is attributable to the efficiencies to be gained by integrating operations with the *Saucony®* distribution business purchased from Sportlab. Other intangible assets acquired include order backlog, valued at \$1.7 million, and customer relationship assets, valued at \$11.2 million, which had estimated useful lives at the acquisition date of 7 months and 14 years, respectively.

20. DIVESTITURES

In the third quarter of fiscal 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 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 statement of operations. The assets and liabilities sold, which were reported 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 fiscal 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 cash of \$14.3 million 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 statement of operations. The assets sold, which were reported in the Wolverine Michigan 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 fiscal 2017, the Company sold its Department of Defense contract business, which comprised an owned manufacturing facility, the transfer of employees and certain associated assets. The goodwill allocated to the sale of the business was nominal. The Company received cash 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 statement of operations. The assets sold, which were reported in the Wolverine Michigan Group and Other segments, 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	<u><u>\$ 9.1</u></u>

21. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The aggregate quarterly earnings per share amounts disclosed in the table below may not equal the annual per share amounts due to rounding and the fact that results for each quarter are calculated independently of the full fiscal year. The Company's unaudited quarterly results of operations are as follows:

(In millions, except per share data)	Fiscal 2019 Quarters Ended			
	March 30, 2019	June 29, 2019	September 28, 2019	December 28, 2019
Revenue	\$ 523.4	\$ 568.6	\$ 574.3	\$ 607.4
Gross profit	220.2	230.4	243.3	229.9
Net earnings (loss) attributable to Wolverine World Wide, Inc.	40.5	40.2	48.7	(0.9)
Net earnings (loss) per share:				
Basic	\$ 0.44	\$ 0.45	\$ 0.57	\$ (0.01)
Diluted	0.43	0.45	0.57	(0.01)

(In millions, except per share data)	Fiscal 2018 Quarters Ended			
	March 31, 2018	June 30, 2018	September 29, 2018	December 29, 2018
Revenue	\$ 534.1	\$ 566.9	\$ 558.6	\$ 579.6
Gross profit	227.9	234.2	232.1	227.1
Net earnings attributable to Wolverine World Wide, Inc.	46.7	55.3	58.8	39.3
Net earnings per share:				
Basic	\$ 0.49	\$ 0.58	\$ 0.62	\$ 0.39
Diluted	0.48	0.57	0.60	0.39

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Wolverine World Wide, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Wolverine World Wide, Inc. and subsidiaries (the Company) as of December 28, 2019 and December 29, 2018, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 28, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 28, 2019 and December 29, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 28, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 28, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 26, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of indefinite-lived intangibles

Description of the Matter

At December 28, 2019, the Company's indefinite-lived intangible assets were \$604.5 million, which included \$518.2 million for the Sperry trade name. As discussed in Notes 1 and 4 of the consolidated financial statements, indefinite-lived intangibles are tested for impairment at least annually.

Auditing management's annual impairment test for the Sperry trade name was complex and highly judgmental due to the significant estimation required in determining the fair value of the Sperry trade name indefinite-lived intangible asset. The fair value estimate was sensitive to significant assumptions such as future revenue growth and operating earnings, and the discount rate, which are affected by expectations about future market or economic conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's Sperry trade name impairment review process. This included controls over the significant assumptions described above and the completeness and accuracy of the data used in the fair value estimate.

To test the estimated fair value of the Sperry trade name, we performed audit procedures that included, among others, assessing the methodology and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We involved our valuation specialists to assist in our evaluation of the Company's model, valuation methodology and the discount rate. We also compared the significant assumptions used by management to current industry and economic trends, to the business model used by Sperry and other relevant factors. We assessed the historical accuracy of management's estimates and performed a sensitivity analysis of the significant assumptions to evaluate the change in the fair value of the trade name that would result from changes in the assumptions.

Loss contingencies for environmental matters

Description of the Matter

As discussed in Note 17, the Company recognized a loss contingency related to environmental matters on an undiscounted basis for \$124.4 million. Specifically, the Company was served with two regulatory actions filed by the Environmental Protection Agency ("EPA") and Michigan Department of Environment, Great Lakes, and Energy ("EGLE") in early 2018. The Company, EGLE and EPA entered into various settlement agreements, that address and outline the Company's required remedial actions. The Company believes it is probable that it will incur losses related to the required remediation actions and recognized a loss contingency for its estimate of the cost of the remedial actions.

Auditing management's accounting for and disclosure of loss contingencies from the environmental matters was especially challenging as evaluating the probability and amount of loss is highly subjective and requires significant judgment due in part to the uncertain nature and extent of the activities to complete the required remedial actions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the identification, evaluation and disclosure of these environmental matters, including the Company's assessment and measurement of the estimate of the probable liability.

To test the assessment of the probability of incurrence of a loss and the estimated loss, to the extent it was reasonably estimable, we performed audit procedures that included, among others, reviewing summaries of the proceedings and related correspondence with attorneys and environmental agencies, reviewing legal counsel confirmation letters, assessing scope and cost estimates of the Company's third-party environmental specialists used in determination of the reserve, utilizing internal environmental specialists to assist with assessing the cost estimate (by using all the information available) and searching for other publicly available information that might indicate new or contrary facts related to the matter.

/s/ Ernst & Young LLP

We have served as the Company's auditor since at least 1933, but we are unable to determine the specific year.

Grand Rapids, Michigan
February 26, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Wolverine World Wide, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Wolverine World Wide, Inc. and subsidiaries internal control over financial reporting as of December 28, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Wolverine World Wide, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 28, 2019, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Sportlab S.R.L. (Sportlab), which are included in the December 28, 2019 consolidated financial statements of the Company and constituted less than 2% of consolidated total assets and consolidated net sales as of, and for the year-ended, December 28, 2019. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Sportlab.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 28, 2019 and December 29, 2018, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 28, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 26, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
February 26, 2020

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure 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 were effective as of the end of the period covered by this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting as of December 28, 2019, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013 framework). The Company's management excluded Sportlab S.R.L., acquired on April 30, 2019, from its evaluation of internal control over financial reporting as of December 28, 2019. As of December 28, 2019, Sportlab S.R.L. represented less than 2% of our consolidated total assets and consolidated net sales for the annual period ended December 28, 2019. Based on that evaluation, management, including the Chief Executive Officer and Chief Financial Officer, concluded that internal control over financial reporting was effective as of December 28, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 28, 2019 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in its report, which is included in Item 8 of this Annual Report on Form 10-K and is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended December 28, 2019 that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by Item 10 is incorporated herein by reference to the Definitive Proxy Statement of the Company relating to the Annual Meeting of Stockholders of Wolverine World Wide, Inc. expected to be held on April 30, 2020. The Company intends to file such Definitive Proxy Statement with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

We have adopted a Code of Business Conduct that applies to all of our directors, officers and employees, including our principal executive, principal financial and principal accounting officers, or persons performing similar functions. Our Code of Business Conduct is posted on our website located at <http://www.wolverineworldwide.com/investor-relations/corporate-governance/>. We intend to disclose future amendments to certain provisions of the Code of Business Conduct, and waivers of the Code of Business Conduct granted to executive officers and directors, on the website within four business days following the date of the amendment or waiver.

Item 11. Executive Compensation

The information called for by Item 11 is incorporated herein by reference to the Definitive Proxy Statement referenced above in Item 10.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by Item 12 is incorporated herein by reference to the Definitive Proxy Statement referenced above in Item 10.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by Item 13 is incorporated herein by reference to the Definitive Proxy Statement referenced above in Item 10.

Item 14. Principal Accounting Fees and Services

The information called for by Item 14 is incorporated herein by reference to the Definitive Proxy Statement referenced above in Item 10.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) **Financial Statements** Included in Item 8

The following consolidated financial statements of Wolverine World Wide, Inc. and its subsidiaries are filed as a part of this report:

- Consolidated Statements of Operations for the Fiscal Years Ended December 28, 2019, December 29, 2018 and December 30, 2017.
- Consolidated Statements of Comprehensive Income for the Fiscal Years Ended December 28, 2019, December 29, 2018 and December 30, 2017.
- Consolidated Balance Sheets as of December 28, 2019 and December 29, 2018.
- Consolidated Statements of Cash Flows for the Fiscal Years Ended December 28, 2019, December 29, 2018 and December 30, 2017.
- Consolidated Statements of Stockholders' Equity for the Fiscal Years Ended December 28, 2019, December 29, 2018 and December 30, 2017.
- Notes to the Consolidated Financial Statements.
- Reports of Independent Registered Public Accounting Firm.

(2) **Financial Statement Schedules** Attached as Appendix A

The following consolidated financial statement schedule of Wolverine World Wide, Inc. and its subsidiaries is filed as a part of this report:

- Schedule II - Valuation and Qualifying Accounts.

All other schedules (I, III, IV, and V) for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(3) **Exhibits**

The following exhibits are filed with this Annual Report or incorporated by reference. The Company will furnish a copy of any exhibit listed below to any stockholder without charge upon written request to General Counsel and Secretary, 9341 Courtland Drive N.E., Rockford, Michigan 49351.

Exhibit Number	Document
3.1	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.
3.2	Amended and Restated By-laws. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 8, 2019.

Exhibit Number	Document
4.1	Description of the Registrant's Securities Registered Pursuant To Section 12 of The Securities Exchange Act of 1934.
4.2	Senior Notes Indenture, dated August 30, 2016, among Wolverine World Wide, Inc., the guarantors named therein, and Wells Fargo Bank, National Association. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 6, 2016.
4.3	Form of 5.000% Senior Note due 2026. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 6, 2016.
10.1	Amended and Restated Stock Incentive Plan of 2005.* Incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2009.
10.2	Amended and Restated Directors' Stock Option Plan.* Incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2009.
10.3	Amended and Restated Outside Directors' Deferred Compensation Plan.* Incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2007.
10.4	Amended and Restated Executive Short-Term Incentive Plan (Annual Bonus Plan).* Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed on March 28, 2017.
10.5	Wolverine World Wide, Inc. Amended and Restated Executive Short-Term Incentive Plan (Annual Bonus Plan).* Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2019.
10.6	Amended and Restated Stock Option Loan Program.* Incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2007.
10.7	Executive Severance Agreement.* Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 17, 2008. A participant schedule of current executive officers who are parties to this agreement is attached as Exhibit 10.7.
10.8	Executive Severance Agreement.* Incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. A participant schedule of current executive officers who are parties to this agreement is attached as Exhibit 10.8.
10.9	Form of Indemnification Agreement.* The Company has entered into an Indemnification Agreement with each director and certain executive officers. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 25, 2007. All executive officers and directors are parties to this agreement.
10.10	Amended and Restated Benefit Trust Agreement dated April 25, 2007.* Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 25, 2007.
10.11	Employees' Pension Plan (Restated as amended through December 29, 2017).* Incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2017.
10.12	Form of Non-Qualified Stock Option Agreement.* Incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2009.
10.13	Form of Non-Qualified Stock Option Agreement.* Incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2009.
10.14	2016 Form of Restricted Stock Agreement.* Incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016.
10.15	2016 Form of Non-Qualified Stock Option Agreement.* Incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016.
10.16	2017 Form of Restricted Stock Unit Agreement.* Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended April 1, 2017.
10.17	Form of Performance Stock Unit Award Agreement (2017 - 2019 performance period).* Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended April 1, 2017.
10.18	2018 Form of Restricted Stock Unit Agreement.* Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2018.
10.19	Form of Performance Restricted Stock Unit Agreement (2018 - 2020 performance period).* Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2018.

Exhibit Number	Document
10.21	Form of Performance Stock Unit Award Agreement (2019 - 2021 performance period).* Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 2019.
10.22	Separation Agreement between Wolverine World Wide, Inc. and Blake W. Krueger, dated as of March 13, 2008, as amended.* Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 22, 2008.
10.23	First Amendment to Separation Agreement between Wolverine World Wide, Inc. and Blake W. Krueger, dated as of December 11, 2008.* Incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2009.
10.24	409A Supplemental Executive Retirement Plan (2008 Restatement through First Amendment).* Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended April 1, 2017. A participant schedule of current executive officers who participate in this plan is attached as Exhibit 10.24.
10.25	Form of 409A Supplemental Retirement Plan Participation Agreement with Blake W. Krueger.* Incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2009.
10.26	Outside Directors' Deferred Compensation Plan.* Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 17, 2008.
10.27	Wolverine World Wide, Inc. Deferred Compensation Plan, Amended and Restated.* Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 13, 2018.
10.28	Stock Incentive Plan of 2010.* Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 filed on March 4, 2010.
10.29	Amended and Restated Stock Incentive Plan of 2013.* Incorporated by reference to Exhibit 10.38 to the Company's Form 10-K for the fiscal year ended December 28, 2013.
10.30	Wolverine World Wide, Inc. Stock Incentive Plan of 2016, as amended and restated.* Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed on March 27, 2018.
10.31	Sixth Amendment to the Wolverine Employees' Pension Plan.* Incorporated by reference to Exhibit 10.34 to the Company's Form 10-K for the fiscal year ended December 29, 2018.
10.32	Resolution of the Wolverine World Wide, Inc. Board of Directors Authorizing the Merger of the Wolverine Collectively Bargained Employees' Pension Plan and the Wolverine Employees' Pension Plan.
10.33	Credit Agreement, dated as of July 31, 2012, by and among Wolverine World Wide, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent and as a lender, J.P. Morgan Europe Limited, as foreign currency agent, Wells Fargo Bank, National Association, as syndication agent and as a lender, Fifth Third Bank as documentation agent and as a lender, and PNC Bank, National Association, as documentation agent and as a lender. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 1, 2012.
10.34	First Amendment to Credit Agreement, dated as of September 28, 2012, by and among Wolverine World Wide, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent and as a lender, J.P. Morgan Europe Limited, as foreign currency agent, Wells Fargo Bank, National Association, as syndication agent and as a lender, Fifth Third Bank as documentation agent and as a lender, and PNC Bank, National Association, as documentation agent and as a lender. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 4, 2012.
10.35	Second Amendment to the Credit Agreement, dated as of October 8, 2012, among Wolverine World Wide, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent and as a lender, J.P. Morgan Europe Limited, as foreign currency agent, Wells Fargo Bank, National Association, as syndication agent and as a lender, Fifth Third Bank, as documentation agent and as a lender, and PNC Bank, National Association, as documentation agent and as a lender. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 9, 2012.
10.36	Replacement Facility Amendment, dated as of October 10, 2013, to the Amended and Restated Credit Agreement among Wolverine World Wide, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A. as administrative agent. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 11, 2013.
10.37	Omnibus Amendment, dated as of December 19, 2014 to the Amended and Restated Credit Agreement dated as of October 10, 2013 among Wolverine World Wide, Inc., the lenders party thereto, Wells Fargo Bank, National Association, as syndication agent, Bank of America, N.A.,

Fifth Third Bank, PNC Bank, National Association, Sumitomo Mitsui Banking Corporation, Union Bank, N.A., And BBVA Compass Bank, as co-documentation agents, J.P. Morgan Europe Limited, as foreign currency agent, and JPMorgan Chase Bank, N.A., as administrative agent. Incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K filed on March 3, 2015.

Exhibit Number	Document
10.38	Receivables Purchase Agreement dated as of December 22, 2014, among Wolverine World Wide, Inc. and certain of its subsidiaries as sellers, and HSBC Bank USA, N.A. as purchaser. Incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-K filed on March 3, 2015.
10.39	Amendment to the Receivables Purchase Agreement, among Wolverine World Wide, Inc. and certain of its subsidiaries as sellers, and HSBC Bank USA, N.A. as purchaser, dated January 5, 2018. Incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2017.
10.40	Replacement Facility Amendment, dated as of July 13, 2015, among Wolverine World Wide, Inc., JP Morgan Chase Bank, N.A., as administrative agent and as a lender, J.P. Morgan Europe Limited, as foreign currency agent, Wells Fargo Bank, National Association and MUFG Union Bank, N.A., as co-syndication agents and lenders, and the other lenders party thereto. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 15, 2015.
10.41	First Amendment, dated September 15, 2016, to the Amended and Restated Credit Agreement, dated July 13, 2015, among Wolverine World Wide, Inc., as parent borrower, the several banks and other financial institutions or entities from time to time parties thereto, the several agents and other financial institutions or entities from time to time parties thereto, J.P. Morgan Europe Limited, as foreign currency agent, and JPMorgan Chase Bank, N.A., as administrative agent. Incorporated by reference to Exhibit 10.1 to the Company Current Report on Form 8-K, filed on September 19, 2016.
10.42	2018 Replacement Facility Amendment, dated as of December 6, 2018 among the Company, JP Morgan Chase Bank, N.A., as administrative agent and as a lender, Wells Fargo Bank, National Association, Bank of America, N.A. and HSBC Bank USA, N.A., as co-syndication agents and lenders, and the other lenders party thereto. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 11, 2018.
10.43	Consent Decree by and among Wolverine World Wide, Inc., the State of Michigan, Plainfield Charter Township, and Algoma Township. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 7, 2020.
21	Subsidiaries of Registrant.
23	Consent of Ernst & Young LLP.
31.1	Certification of Chairman, Chief Executive Officer and President under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Senior Vice President, Chief Financial Officer and Treasurer under Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. § 1350.
101	The following financial information from the Company's Annual Report on Form 10-K for the year ended December 28, 2019, formatted in Inline XBRL: (i) Consolidated Statements of Operations; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Balance Sheets; (iv) Consolidated Statements of Cash Flows; (v) Consolidated Statements of Stockholders' Equity; and (vi) Notes to Consolidated Financial Statements.
104	The cover page of the Company's Annual Report on Form 10-K for the year ended December 28, 2019, formatted in Inline XBRL (included in Exhibit 101).

* Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: February 26, 2020 By: /s/ Blake W. Krueger
Blake W. Krueger
Chairman, Chief Executive Officer and President (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Blake W. Krueger</u> Blake W. Krueger	Chairman, Chief Executive Officer and President (Principal Executive Officer)	February 26, 2020
<u>/s/ Michael D. Stornant</u> Michael D. Stornant	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	February 26, 2020
<u>/s/ Jeffrey M. Boromisa</u> Jeffrey M. Boromisa	Director	February 26, 2020
<u>/s/ Gina R. Boswell</u> Gina R. Boswell	Director	February 26, 2020
<u>/s/ Roxane Divol</u> Roxane Divol	Director	February 26, 2020
<u>/s/ William K. Gerber</u> William K. Gerber	Director	February 26, 2020
<u>/s/ David T. Kollat</u> David T. Kollat	Director	February 26, 2020
<u>/s/ Brenda J. Lauderback</u> Brenda J. Lauderback	Director	February 26, 2020
<u>/s/ Nicholas T. Long</u> Nicholas T. Long	Director	February 26, 2020
<u>/s/ David W. McCreight</u> David W. McCreight	Director	February 26, 2020
<u>/s/ Michael A. Volkema</u> Michael A. Volkema	Director	February 26, 2020

APPENDIX A
Schedule II - Valuation and Qualifying Accounts
Wolverine World Wide, Inc. and Subsidiaries

Column A (In millions)	Column B Balance at Beginning of Period	Column C		Column D (2) Charged to Other Accounts (Describe)	Column E Balance at End of Period			
		Additions (1) Charged to Costs and Expenses	Deductions (D)					
Fiscal Year Ended December 28, 2019								
Deducted from asset accounts:								
Allowance for doubtful accounts	\$ 9.5	\$ 16.3	—	\$ 13.7 (A)	\$ 12.1			
Allowance for sales returns	13.6	50.2	—	52.4 (B)	11.4			
Allowance for cash discounts	3.5	4.1	—	4.4 (C)	3.2			
Inventory valuation allowances	8.3	6.9	—	7.9 (D)	7.3			
Total	\$ 34.9	\$ 77.5	—	\$ 78.4	\$ 34.0			
Fiscal Year Ended December 29, 2018								
Deducted from asset accounts:								
Allowance for doubtful accounts	\$ 14.2	\$ 13.0	—	\$ 17.7 (A)	\$ 9.5			
Allowance for sales returns	12.6	53.8	—	52.8 (B)	13.6			
Allowance for cash discounts	4.7	7.7	—	8.9 (C)	3.5			
Inventory valuation allowances	11.5	6.1	—	9.3 (D)	8.3			
Total	\$ 43.0	\$ 80.6	—	\$ 88.7	\$ 34.9			
Fiscal Year Ended December 30, 2017								
Deducted from asset accounts:								
Allowance for doubtful accounts	\$ 17.2	\$ 18.1	—	\$ 21.1 (A)	\$ 14.2			
Allowance for sales returns	16.3	52.6	—	56.3 (B)	12.6			
Allowance for cash discounts	5.9	17.9	—	19.1 (C)	4.7			
Inventory valuation allowances	18.0	10.6	—	17.1 (D)	11.5			
Total	\$ 57.4	\$ 99.2	—	\$ 113.6	\$ 43.0			

(A) Accounts charged off, net of recoveries.

(B) Actual customer returns.

(C) Discounts given to customers.

(D) Adjustment upon disposal of related inventories.