

WOLVERINE WORLD WIDE INC /DE/
Form 10-Q
October 21, 2015

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

FORM 10-Q

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

For the third twelve week accounting period ended September 12, 2015

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

For the transition period from _____ to _____
Commission File Number: 001-06024

WOLVERINE WORLD WIDE, INC.
(Exact Name of Registrant as Specified in its Charter)

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

9341 Courtland Drive N.E., Rockford, Michigan 49351
(Address of Principal Executive Offices) (Zip Code)
(616) 866-5500
(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer Accelerated filer

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

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

Yes No

There were 102,889,460 shares of common stock, \$1 par value, outstanding as of October 9, 2015.

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

These uncertainties could cause a material difference between an actual outcome and a forward-looking statement.

The uncertainties included here are not exhaustive and are described in more detail in Part I, Item 1A: “Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended January 3, 2015 (the “2014 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.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Operations and Comprehensive Income

(Unaudited)

| (In millions, except per share data) | 12 Weeks Ended | | 36 Weeks Ended | |
|---|-----------------------|----------------------|-----------------------|----------------------|
| | September 12, 2015 | September 6, 2014 | September 12, 2015 | September 6, 2014 |
| Revenue | \$678.9 | \$711.1 | \$1,940.4 | \$1,952.2 |
| Cost of goods sold | 407.2 | 426.3 | 1,160.9 | 1,165.4 |
| Restructuring costs | — | 0.1 | — | 0.6 |
| Gross profit | 271.7 | 284.7 | 779.5 | 786.2 |
| Selling, general and administrative expenses | 191.0 | 186.8 | 584.9 | 568.1 |
| Acquisition-related integration costs | — | 2.3 | — | 6.4 |
| Restructuring and impairment costs | 4.8 | 8.0 | 7.5 | 11.4 |
| Operating profit | 75.9 | 87.6 | 187.1 | 200.3 |
| Other expenses: | | | | |
| Interest expense, net | 9.0 | 10.0 | 27.5 | 31.4 |
| Debt extinguishment costs | 1.6 | — | 1.6 | — |
| Other expense (income), net | 0.5 | (0.3 |) 1.3 | 0.5 |
| Total other expenses | 11.1 | 9.7 | 30.4 | 31.9 |
| Earnings before income taxes | 64.8 | 77.9 | 156.7 | 168.4 |
| Income taxes | 18.8 | 20.0 | 45.4 | 45.7 |
| Net earnings | 46.0 | 57.9 | 111.3 | 122.7 |
| Less: net earnings attributable to noncontrolling interest | 0.2 | 0.1 | 0.1 | 0.3 |
| Net earnings attributable to Wolverine World Wide, Inc. | \$45.8 | \$57.8 | \$111.2 | \$122.4 |
| Net earnings per share (see Note 3): | | | | |
| Basic | \$0.45 | \$0.58 | \$1.10 | \$1.22 |
| Diluted | \$0.44 | \$0.57 | \$1.08 | \$1.20 |
| Comprehensive income | \$32.8 | \$57.9 | \$91.4 | \$125.6 |
| Less: comprehensive (loss) income attributable to noncontrolling interest | (0.8 |) 0.1 | (1.2 |) 0.3 |
| Comprehensive income attributable to Wolverine World Wide, Inc. | \$33.6 | \$57.8 | \$92.6 | \$125.3 |
| Cash dividends declared per share | \$0.06 | \$0.06 | \$0.18 | \$0.18 |

See accompanying notes to consolidated condensed financial statements.

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WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(Unaudited)

| (In millions, except share data) | September 12, 2015 | January 3, 2015 | September 6, 2014 |
|---|-----------------------|--------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$196.4 | \$223.8 | \$231.5 |
| Accounts receivable, less allowances: | | | |
| September 12, 2015 – \$42.0 | | | |
| January 3, 2015 – \$41.0 | | | |
| September 6, 2014 – \$38.7 | 374.6 | 312.7 | 483.9 |
| Inventories: | | | |
| Finished products, net | 481.2 | 398.1 | 446.7 |
| Raw materials and work-in-process, net | 14.3 | 15.9 | 19.6 |
| Total inventories | 495.5 | 414.0 | 466.3 |
| Deferred income taxes | 28.0 | 28.1 | 27.2 |
| Prepaid expenses and other current assets | 39.7 | 63.6 | 40.1 |
| Total current assets | 1,134.2 | 1,042.2 | 1,249.0 |
| Property, plant and equipment: | | | |
| Gross cost | 439.0 | 415.3 | 425.8 |
| Accumulated depreciation | (294.7 |) (278.5 |) (284.3 |
| Property, plant and equipment, net | 144.3 | 136.8 | 141.5 |
| Other assets: | | | |
| Goodwill | 432.1 | 438.8 | 443.9 |
| Indefinite-lived intangibles | 687.9 | 690.5 | 690.5 |
| Amortizable intangibles, net | 101.8 | 112.1 | 116.8 |
| Deferred income taxes | 2.8 | 2.8 | 3.3 |
| Deferred financing costs, net | 14.8 | 16.5 | 19.1 |
| Other | 70.3 | 64.8 | 63.6 |
| Total other assets | 1,309.7 | 1,325.5 | 1,337.2 |
| Total assets | \$2,588.2 | \$2,504.5 | \$2,727.7 |

See accompanying notes to consolidated condensed financial statements.

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WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets – continued

(Unaudited)

| (In millions, except share data) | September 12, 2015 | January 3, 2015 | September 6, 2014 |
|--|-----------------------|--------------------|----------------------|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$183.1 | \$149.4 | \$162.3 |
| Accrued salaries and wages | 30.7 | 36.1 | 36.3 |
| Other accrued liabilities | 138.3 | 108.5 | 112.0 |
| Current maturities of long-term debt | 11.2 | 46.7 | 51.6 |
| Total current liabilities | 363.3 | 340.7 | 362.2 |
| Long-term debt, less current maturities | 814.4 | 854.1 | 1,045.0 |
| Accrued pension liabilities | 131.3 | 128.1 | 74.0 |
| Deferred income taxes | 219.6 | 217.0 | 253.8 |
| Other liabilities | 33.0 | 26.6 | 26.5 |
| Stockholders' equity: | | | |
| Wolverine World Wide, Inc. stockholders' equity: | | | |
| Common stock – par value \$1, authorized 320,000,000 shares; shares issued (including shares in treasury): | | | |
| September 12, 2015 – 103,973,830 shares | | | |
| January 3, 2015 – 102,253,150 shares | | | |
| September 6, 2014 – 102,050,349 shares | | | |
| Additional paid-in capital | 104.0 | 102.3 | 102.1 |
| Retained earnings | 73.2 | 40.1 | 30.2 |
| Accumulated other comprehensive loss | 945.2 | 852.2 | 847.6 |
| Cost of shares in treasury: | (68.1 |) (49.5 |) (6.3 |
| September 12, 2015 – 1,106,270 shares | | |) |
| January 3, 2015 – 416,812 shares | | | |
| September 6, 2014 – 411,016 shares | (31.0 |) (11.6 |) (11.5 |
| Total Wolverine World Wide, Inc. stockholders' equity | 1,023.3 | 933.5 | 962.1 |
| Noncontrolling interest | 3.3 | 4.5 | 4.1 |
| Total stockholders' equity | 1,026.6 | 938.0 | 966.2 |
| Total liabilities and stockholders' equity | \$2,588.2 | \$2,504.5 | \$2,727.7 |
| See accompanying notes to consolidated condensed financial statements. | | | |

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WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flow

(Unaudited)

| (In millions) | 36 Weeks Ended | |
|---|-----------------------|----------------------|
| | September 12, 2015 | September 6, 2014 |
| OPERATING ACTIVITIES | | |
| Net earnings | \$111.3 | \$122.7 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 32.8 | 37.1 |
| Deferred income taxes | (0.2) |) 0.3 |
| Stock-based compensation expense | 17.4 | 17.1 |
| Excess tax benefits from stock-based compensation | (4.5) |) (4.0) |
| Pension contribution | — | (2.4) |
| Pension and SERP expense | 19.3 | 8.9 |
| Debt extinguishment costs | 1.6 | — |
| Restructuring and impairment costs | 7.5 | 12.0 |
| Cash payments related to restructuring costs | (6.7) |) (1.0) |
| Other | (3.2) |) 5.2 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (68.3) |) (89.9) |
| Inventories | (91.7) |) (42.2) |
| Other operating assets | 29.0 | 7.1 |
| Accounts payable | 32.7 | 28.1 |
| Other operating liabilities | 32.8 | 15.7 |
| Net cash provided by operating activities | 109.8 | 114.7 |
| INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (28.6) |) (21.4) |
| Investment in joint venture | — | (0.7) |
| Other | (4.3) |) (2.2) |
| Net cash used in investing activities | (32.9) |) (24.3) |
| FINANCING ACTIVITIES | | |
| Borrowings of long-term debt | 450.0 | — |
| Payments on long-term debt | (525.2) |) (54.1) |
| Payments of debt issuance costs | (2.4) |) — |
| Cash dividends paid | (18.3) |) (18.0) |
| Purchase of common stock for treasury | (12.6) |) — |
| Purchases of shares under employee stock plans | (7.6) |) (10.1) |
| Proceeds from the exercise of stock options | 12.8 | 4.9 |
| Excess tax benefits from stock-based compensation | 4.5 | 4.0 |
| Net cash used in financing activities | (98.8) |) (73.3) |
| Effect of foreign exchange rate changes | (5.5) |) 0.2 |
| (Decrease) increase in cash and cash equivalents | (27.4) |) 17.3 |
| Cash and cash equivalents at beginning of the year | 223.8 | 214.2 |
| Cash and cash equivalents at end of the period | \$196.4 | \$231.5 |
| See accompanying notes to consolidated condensed financial statements. | | |

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WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

September 12, 2015 and September 6, 2014

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for a complete presentation of the financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included in the accompanying financial statements. For further information, refer to the consolidated financial statements and footnotes included in the Company’s 2014 Form 10-K.

Revenue Recognition

Revenue is recognized on the sale of products manufactured or sourced by the Company when the related goods have been shipped, legal title has passed to the customer and collectability is reasonably assured. Revenue generated through licensees and distributors involving products bearing the Company’s trademarks is recognized as earned according to stated contractual terms upon either the purchase or shipment of branded products by licensees and distributors. Retail store revenue is recognized at time of sale.

The Company records provisions for estimated sales returns and allowances at the time of sale based on historical rates of returns and allowances and specific identification of outstanding returns not yet received from customers. However, estimates of actual returns and allowances in any future period are inherently uncertain and actual returns and allowances may differ from these estimates. If actual or expected future returns and allowances were significantly greater or less than established reserves, a reduction or increase to net revenues would be recorded in the period this determination was made.

Cost of Goods Sold

Cost of goods sold includes the actual product costs, including inbound freight charges and certain outbound freight charges, purchasing, sourcing, inspection and receiving costs. Warehousing costs are included in selling, general and administrative expenses.

Seasonality

The Company’s business is subject to seasonal influences and the Company’s fiscal year has 12 weeks in each of the first three fiscal quarters and, depending on the fiscal calendar, 16 or 17 weeks in the fourth fiscal quarter. Both of these factors can cause significant differences in revenue, earnings and cash flows from quarter to quarter; however, the differences have followed a consistent pattern in recent years.

2. NEW ACCOUNTING STANDARDS

In May 2014, Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”) that updates the principles for recognizing revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU

2014-09 also amends the required disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The effective date of ASU 2014-09, after amendment by ASU 2015-14, Deferral of the Effective Date, is annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is evaluating the potential impacts of the new standard on its existing revenue recognition policies and procedures.

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In June 2014, FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (“ASU 2014-12”). ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. ASU 2014-12 is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company is evaluating the potential impacts of the new standard on its existing stock-based compensation plans.

In August 2014, FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”). ASU 2014-15 requires that an entity’s management evaluate whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016 and for interim periods thereafter. The Company does not expect the new standard to have a significant impact on its quarterly reporting process.

In April 2015, FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). In August 2015, FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (“ASU 2015-15”). ASU 2015-03 will require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the debt. ASU 2015-15 allows an entity to present debt issuance costs associated with a revolving line of credit arrangement as an asset, regardless of whether a balance is outstanding. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03 or ASU 2015-15. These ASU’s are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, with early adoption permitted. ASU 2015-03 will require the Company to reclassify its deferred financing costs associated with its long-term debt from other assets to long-term debt on a retrospective basis. The new standard will not affect the Company’s results of operations or cash flows.

In April 2015, FASB issued ASU 2015-04, Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets (“ASU 2015-04”). ASU 2015-04 allows employers with a fiscal year end that does not coincide with a calendar month end to make an accounting policy election to measure defined benefit plan assets and obligations as of the end of the month closest to their fiscal year end. ASU 2015-04 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Prospective application is required, and early adoption is permitted. The Company plans to adopt the new standard during its fourth quarter of fiscal 2015.

In July 2015, FASB issued ASU 2015-11, Simplifying the Measurement of Inventory (“ASU 2015-11”). ASU 2015-11 requires that an entity measure inventory at the lower of cost and net realizable value. This ASU does not apply to inventory measured using last-in, first-out. ASU 2015-11 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company does not expect the new standard to have a significant impact on its consolidated financial position, results of operations or cash flows.

3. EARNINGS PER SHARE

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

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

| (In millions, except per share data) | 12 Weeks Ended | | 36 Weeks Ended | |
|---|--------------------|-------------------|--------------------|-------------------|
| | September 12, 2015 | September 6, 2014 | September 12, 2015 | September 6, 2014 |
| Numerator: | | | | |
| Net earnings attributable to Wolverine World Wide, Inc. | \$45.8 | \$57.8 | \$111.2 | \$122.4 |
| Adjustment for earnings allocated to non-vested restricted common stock | (0.8 |) (1.1 |) (2.0 |) (2.3 |
| Net earnings used in calculating basic earnings per share | 45.0 | 56.7 | 109.2 | 120.1 |
| Adjustment for earnings reallocated from non-vested restricted common stock | — | — | 0.1 | 0.1 |
| Net earnings used in calculating diluted earnings per share | \$45.0 | \$56.7 | \$109.3 | \$120.2 |
| Denominator: | | | | |
| Weighted average shares outstanding | 103.0 | 101.6 | 102.9 | 101.3 |
| Adjustment for non-vested restricted common stock | (3.3 |) (3.3 |) (3.4) | (3.2) |
| Shares used in calculating basic earnings per share | 99.7 | 98.3 | 99.5 | 98.1 |
| Effect of dilutive stock options | 1.6 | 1.7 | 1.7 | 1.9 |
| Shares used in calculating diluted earnings per share | 101.3 | 100.0 | 101.2 | 100.0 |
| Net earnings per share: | | | | |
| Basic | \$0.45 | \$0.58 | \$1.10 | \$1.22 |
| Diluted | \$0.44 | \$0.57 | \$1.08 | \$1.20 |

For the 12 and 36 weeks ended September 12, 2015, options relating to 1,692,879 and 1,526,875 shares of common stock outstanding, respectively, have not been included in the denominator for the computation of diluted earnings per share because they were anti-dilutive.

For the 12 and 36 weeks ended September 6, 2014, options relating to 1,498,446 and 1,053,424 shares of common stock outstanding, respectively, have not been included in the denominator for the computation of diluted earnings per share because they were anti-dilutive.

4. GOODWILL AND INDEFINITE-LIVED INTANGIBLES

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

| (In millions) | Goodwill | Indefinite-lived intangibles | Total |
|--------------------------------------|----------|------------------------------|-----------|
| Balance at December 28, 2013 | \$445.3 | \$690.5 | \$1,135.8 |
| Foreign currency translation effects | (1.4 |) — | (1.4 |
| Balance at September 6, 2014 | \$443.9 | \$690.5 | \$1,134.4 |
| Balance at January 3, 2015 | \$438.8 | \$690.5 | \$1,129.3 |
| Impairment (see Note 14) | — | (2.6 |) (2.6 |
| Foreign currency translation effects | (6.7 |) — | (6.7 |
| Balance at September 12, 2015 | \$432.1 | \$687.9 | \$1,120.0 |

The operating results of the third quarter, along with the Company's outlook of future operating results have given rise to a reduction in the excess of fair value over the carrying value for the Stride Rite® trade name indefinite-lived intangible asset. To the extent that the operating results continue to decline, the Company may record a non-cash intangible asset impairment charge. The carrying value of the Company's Stride Rite® trade name indefinite-lived intangible asset was \$17.5 million as of September 12, 2015.

5. ACCOUNTS RECEIVABLE

During the fourth quarter of fiscal 2014, the Company executed a three-year agreement with a financial institution to sell selected trade accounts receivable on a recurring, nonrecourse basis. Under the agreement, up to \$200.0 million of accounts receivable

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may be sold to the financial institution and remain outstanding at any point in time. After the sale, the Company does not retain any interests in the accounts receivable and removes them from its consolidated condensed balance sheet, but continues to service and collect the outstanding accounts receivable on behalf of the financial institution. The Company recognizes a servicing asset or servicing liability, initially measured at fair value, each time it undertakes an obligation to service the accounts receivable under the agreement. The fair value of this obligation resulted in a nominal servicing liability at September 12, 2015 and January 3, 2015. 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. As of September 12, 2015 and January 3, 2015, this program had reduced the Company's accounts receivable by \$81.0 million and \$60.9 million, respectively. The Company sold a total of \$158.9 million and \$473.0 million of accounts receivable at their stated amounts, less a \$0.3 million and \$1.0 million fee charged by the financial institution, during the 12 and 36 weeks ended September 12, 2015, respectively. The fee is recorded in other expense. Net proceeds of this program are classified in operating activities in the consolidated condensed statements of cash flows.

6. DEBT

Total debt consists of the following obligations:

| (In millions) | September 12, 2015 | January 3, 2015 | September 6, 2014 |
|---|-----------------------|--------------------|----------------------|
| Term Loan A Facility, due July 13, 2020 | \$450.0 | \$525.2 | \$720.9 |
| Public Bonds, 6.125% interest, due October 15, 2020 | 375.0 | 375.0 | 375.0 |
| Capital lease obligation | 0.6 | 0.6 | 0.7 |
| Total debt | \$825.6 | \$900.8 | \$1,096.6 |

On July 13, 2015, the Company amended its credit agreement (as amended, the "Credit Agreement"). The amendment replaced the previous term loan facility and revolving credit facility with a new \$450.0 million Term Loan A Facility and a new \$500.0 million Revolving Credit Facility, and extended the maturity date of these facilities to July 13, 2020. The Credit Agreement's debt capacity is limited to an aggregate debt amount (including outstanding term loan principal and revolver commitment amounts in addition to permitted incremental debt) not to exceed \$1,425.0 million, unless certain specified conditions set forth in the Credit Agreement are met. The Company incurred \$1.6 million of debt extinguishment costs during the third quarter of fiscal 2015 in connection with the refinancing. These costs represent a write-off of previously capitalized deferred financing fees.

The Revolving Credit Facility allows the Company to borrow up to an aggregate amount of \$500.0 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 letters of credit under the Revolving Credit Facility of \$3.6 million, \$3.6 million and \$3.3 million as of September 12, 2015, January 3, 2015 and September 6, 2014, respectively. These outstanding letters of credit reduce the borrowing capacity under the Revolving Credit Facility.

The interest rates applicable to amounts outstanding under the Term Loan A Facility and to U.S. dollar denominated amounts outstanding under the Revolving Credit Facility will be, at the Company's option, either (1) the Alternate Base Rate plus an Applicable Margin as determined by the Company's Consolidated Leverage Ratio, within a range of 0.25% to 1.00%, or (2) the Eurocurrency Rate plus an Applicable Margin as determined by the Company's Consolidated Leverage Ratio, within a range of 1.25% to 2.00% (all capitalized terms used in this sentence are as defined in the Credit Agreement). The Company has two interest rate swap arrangements that reduce the Company's exposure to fluctuations in interest rates on its variable rate debt. At September 12, 2015, Term Loan A had a weighted-average interest rate of 2.15%.

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

The Credit Agreement also contains certain affirmative and negative covenants, including covenants that limit the ability of the Company and its Restricted Subsidiaries to, among other things: incur or guarantee indebtedness; incur liens; pay dividends or repurchase stock; enter into transactions with affiliates; consummate asset sales, acquisitions or mergers; prepay certain other indebtedness; or make investments, as well as covenants restricting the activities of certain foreign subsidiaries of the Company that hold intellectual property related assets. Further, the Credit Agreement requires compliance with the following financial covenants: a maximum Consolidated Leverage Ratio; a maximum Consolidated Secured Leverage Ratio; and a minimum Consolidated Interest Coverage Ratio (all capitalized terms used in this paragraph are as defined in the Credit Agreement). As of September 12, 2015, the Company was in compliance with all covenants and performance ratios under the Credit Agreement.

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The Company has \$375.0 million of senior notes outstanding that may be traded in the public market (the “Public Bonds”) that are due on October 15, 2020. The Public Bonds bear interest at 6.125% with the related interest payments due semi-annually. The Public Bonds are guaranteed by substantially all of the Company’s domestic subsidiaries. The Company has a \$5.0 million (or the equivalent amount in Chinese renminbi) revolving line of credit facility that is uncommitted and, therefore, each borrowing against the facility is subject to approval by the lender. There were no borrowings against this facility for all periods presented.

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

The Company included in interest expense the amortization of deferred financing costs of \$0.7 million and \$2.7 million for the 12 and 36 weeks ended September 12, 2015, respectively. The Company included in interest expense the amortization of deferred financing costs of \$1.0 million and \$2.9 million for the 12 and 36 weeks ended September 6, 2014, respectively.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) represents net earnings and any revenue, expenses, gains and losses that, under U.S. GAAP, are excluded from net earnings and recognized directly as a component of stockholders’ equity.

The change in accumulated other comprehensive income (loss) during the 12 weeks ended September 12, 2015 and September 6, 2014 is as follows:

| (In millions) | Foreign currency translation adjustments | Foreign exchange contracts | Interest rate swaps | Pension adjustments | Total |
|---|---|----------------------------------|---------------------------|------------------------|-----------|
| Balance of accumulated other comprehensive income (loss) as of June 14, 2014 | \$ 0.3 | \$0.5 | \$0.2 | \$ (7.3) | \$(6.3) |
| Other comprehensive income (loss) before reclassifications ⁽¹⁾ | (3.8) | 2.7 | — | — | (1.1) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | (0.2) ⁽²⁾ | — | 1.7 ⁽⁴⁾ | 1.5 |
| Income tax expense (benefit) | — | 0.1 | — | (0.5) | (0.4) |
| Net reclassifications | — | (0.1) | — | 1.2 | 1.1 |
| Net current-period other comprehensive income (loss) ⁽¹⁾ | (3.8) | 2.6 | — | 1.2 | — |
| Balance of accumulated other comprehensive income (loss) as of September 6, 2014 | \$ (3.5) | \$3.1 | \$0.2 | \$ (6.1) | \$(6.3) |
| Balance of accumulated other comprehensive income (loss) as of June 20, 2015 | \$ (26.1) | \$5.9 | \$(0.3) | \$ (35.4) | \$(55.9) |
| Other comprehensive income (loss) before reclassifications ⁽¹⁾ | (11.8) | 3.8 | (4.0) | — | (12.0) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | (6.6) ⁽²⁾ | 1.6 ⁽³⁾ | 4.8 ⁽⁴⁾ | (0.2) |
| Income tax expense (benefit) | — | 2.2 | (0.6) | (1.6) | — |
| Net reclassifications | — | (4.4) | 1.0 | 3.2 | (0.2) |
| Net current-period other comprehensive income (loss) ⁽¹⁾ | (11.8) | (0.6) | (3.0) | 3.2 | (12.2) |
| Balance of accumulated other comprehensive income (loss) as of September 12, 2015 | \$ (37.9) | \$5.3 | \$(3.3) | \$ (32.2) | \$(68.1) |

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

⁽²⁾ Amounts reclassified are included in cost of goods sold.

⁽³⁾ Amounts reclassified are included in interest expense.

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

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The change in accumulated other comprehensive income (loss) during the 36 weeks ended September 12, 2015 and September 6, 2014 is as follows:

| (In millions) | Foreign currency translation adjustments | Foreign exchange contracts | Interest rate swaps | Pension adjustments | Total |
|---|---|----------------------------------|---------------------------|------------------------|--------------------|
| Balance of accumulated other comprehensive income (loss) as of December 28, 2013 | \$ 0.5 | \$(0.8) | \$0.6 | \$ (9.5) | \$(9.2) |
| Other comprehensive income (loss) before reclassifications ⁽¹⁾ | (4.0) | 3.5 | (0.4) | — | (0.9) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 0.6 | ⁽²⁾ — | 5.2 | ⁽⁴⁾ 5.8 |
| Income tax expense (benefit) | — | (0.2) | — | (1.8) | (2.0) |
| Net reclassifications | — | 0.4 | — | 3.4 | 3.8 |
| Net current-period other comprehensive income (loss) ⁽¹⁾ | (4.0) | 3.9 | (0.4) | 3.4 | 2.9 |
| Balance of accumulated other comprehensive income (loss) as of September 6, 2014 | \$(3.5) | \$3.1 | \$0.2 | \$ (6.1) | \$(6.3) |
| Balance of accumulated other comprehensive income (loss) as of January 3, 2015 | \$(16.9) | \$8.6 | \$0.4 | \$ (41.6) | \$(49.5) |
| Other comprehensive income (loss) before reclassifications ⁽¹⁾ | (21.0) | 6.3 | (4.7) | — | (19.4) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | (14.0) | ⁽²⁾ 1.6 | ⁽³⁾ 14.5 | ⁽⁴⁾ 2.1 |
| Income tax expense (benefit) | — | 4.4 | (0.6) | (5.1) | (1.3) |
| Net reclassifications | — | (9.6) | 1.0 | 9.4 | 0.8 |
| Net current-period other comprehensive income (loss) ⁽¹⁾ | (21.0) | (3.3) | (3.7) | 9.4 | (18.6) |
| Balance of accumulated other comprehensive income (loss) as of September 12, 2015 | \$(37.9) | \$5.3 | \$(3.3) | \$ (32.2) | \$(68.1) |

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

⁽²⁾ Amounts reclassified are included in cost of goods sold.

⁽³⁾ Amounts reclassified are included in interest expense.

⁽⁴⁾ Amounts reclassified are included in the computation of net pension expense.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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.

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The Company's financial instruments consist of cash and cash equivalents, accounts and notes receivable, accounts payable, foreign currency forward exchange contracts, interest rate swap arrangements, borrowings under the Revolving Credit Facility and long-term debt. The carrying amount of the Company's financial instruments is historical cost, which approximates fair value, except for the interest rate swaps and foreign currency forward exchange contracts, which are carried at fair value. The carrying value and the fair value of the Company's long-term debt, excluding capital leases, are as follows:

| (In millions) | September 12, 2015 | January 3, 2015 | September 6, 2014 |
|----------------|-----------------------|-----------------|-------------------|
| Carrying value | \$825.0 | \$900.2 | \$1,095.9 |
| Fair value | 846.2 | 928.4 | 1,135.3 |

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).

The Company follows FASB ASC Topic 815, Derivatives and Hedging ("ASC 815"), which is intended to improve transparency in financial reporting and requires that all derivative instruments be recorded on the consolidated condensed balance sheets at fair value by establishing criteria for designation and effectiveness of hedging relationships. The Company 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.

The Company has two interest rate swap arrangements which exchange floating rate for fixed rate interest payments over the life of the agreements without the exchange of the underlying notional amounts. These derivative instruments, which, unless otherwise terminated, will mature on October 6, 2017 and July 13, 2020, have been designated as cash flow hedges of the 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 Company does not hold or issue financial instruments for trading purposes.

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

| | September 12, 2015 | January 3, 2015 | September 6, 2014 |
|-------------------------------|-----------------------|-----------------|-------------------|
| Foreign exchange contracts: | | | |
| Notional amount (in millions) | \$194.0 | \$141.6 | \$116.8 |
| Maturities (in days) | 356 | 336 | 336 |
| Interest rate swaps: | | | |
| Notional amount (in millions) | \$638.9 | \$405.4 | \$422.4 |

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

| (In millions) | Fair Value Measurements | | |
|--------------------------------------|--|-----------------|-------------------|
| | Quoted Prices With Other Observable Inputs (Level 2) | | |
| | September 12, 2015 | January 3, 2015 | September 6, 2014 |
| Financial assets: | | | |
| Foreign exchange contracts asset | \$3.7 | \$8.6 | \$4.5 |
| Interest rate swap asset | — | 0.6 | 0.4 |
| Financial liabilities: | | | |
| Foreign exchange contracts liability | 1.3 | — | 0.1 |
| Interest rate swap liability | 5.0 | — | — |

The fair value of the foreign currency forward exchange contracts represents the estimated receipts or payments necessary to terminate the contracts. Hedge effectiveness is evaluated by the hypothetical derivative method. Any hedge ineffectiveness is reported within the cost of goods sold line item in the consolidated condensed statements of

operations and comprehensive income. Hedge ineffectiveness was not material to the Company's consolidated condensed financial statements for the 36 weeks ended September 12, 2015 or September 6, 2014. If, in the future, the foreign exchange contracts are determined to be ineffective hedges or terminated before their contractual termination dates, the Company would be required to reclassify into earnings all or a portion of the unrealized amounts related to the cash flow hedges that are currently included in accumulated other comprehensive loss within stockholders' equity. The differential paid or received on the interest rate swap arrangements is recognized as interest expense. In accordance with ASC 815, the Company has formally documented the relationship between the interest rate swaps and the variable rate borrowings, as well as its risk management objective and strategy for undertaking the hedge transaction. This process included linking the derivative

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to the specific liability or asset 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 cash flows of the hedged item. The effective portion of unrealized gains (losses) is deferred as a component of accumulated other comprehensive loss and will be recognized in earnings at the time the hedged item affects earnings. Any ineffective portion of the change in fair value will be immediately recognized in earnings.

9. STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of FASB ASC Topic 718, Compensation – Stock Compensation (“ASC 718”). The Company recognized compensation expense of \$3.3 million and \$17.4 million, and related income tax benefits of \$1.0 million and \$5.7 million, for grants under its stock-based compensation plans for the 12 and 36 weeks ended September 12, 2015, respectively. The Company recognized compensation expense of \$5.9 million and \$17.1 million, and related income tax benefits of \$1.8 million and \$5.4 million, for grants under its stock-based compensation plans for the 12 and 36 weeks ended September 6, 2014.

Stock-based compensation expense recognized in the consolidated condensed statements of operations and comprehensive income is based on awards ultimately expected to vest and, as such, has been reduced for estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience. The Company estimated the fair value of employee stock options on the date of grant using the Black-Scholes model. The estimated weighted average fair value for each option granted during the 36 weeks ended September 12, 2015 and September 6, 2014 was \$6.37 and \$6.21, respectively, with the following weighted average assumptions:

| | 36 Weeks Ended | | | |
|---|-----------------------|----------------------|---|--|
| | September 12, 2015 | September 6, 2014 | | |
| Expected market price volatility ⁽¹⁾ | 28.8 | % 29.6 | % | |
| Risk-free interest rate ⁽²⁾ | 1.3 | % 1.2 | % | |
| Dividend yield ⁽³⁾ | 0.9 | % 0.9 | % | |
| Expected term ⁽⁴⁾ | 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.

The Company issued 292,885 and 241,965 shares of common stock in connection with new restricted stock grants made and the exercise of stock options during the 12 weeks ended September 12, 2015 and September 6, 2014, respectively. During the 12 weeks ended September 12, 2015 and September 6, 2014, the Company canceled 306,210 and 87,090 shares, respectively, of common stock issued under restricted stock awards as a result of forfeitures. The Company issued 2,230,891 and 1,601,989 shares of common stock in connection with new restricted stock grants made and the exercise of stock options during the 36 weeks ended September 12, 2015 and September 6, 2014, respectively. During the 36 weeks ended September 12, 2015 and September 6, 2014, the Company canceled 510,211 and 369,612 shares, respectively, of common stock issued under restricted stock awards as a result of forfeitures.

Table of Contents**10. RETIREMENT PLANS**

A summary of net pension and Supplemental Executive Retirement Plan expense recognized by the Company is as follows:

| (In millions) | 12 Weeks Ended | | 36 Weeks Ended | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | September 12, 2015 | September 6, 2014 | September 12, 2015 | September 6, 2014 |
| Service cost pertaining to benefits earned during the period | \$2.1 | \$1.7 | \$6.3 | \$5.0 |
| Interest cost on projected benefit obligations | 4.2 | 4.8 | 12.7 | 14.1 |
| Expected return on pension assets | (4.7 |) (5.2 |) (14.2 |) (15.4 |
| Net amortization loss | 4.8 | 1.7 | 14.5 | 5.2 |
| Net pension expense | \$6.4 | \$3.0 | \$19.3 | \$8.9 |

11. INCOME TAXES

The Company maintains certain strategic management and operational activities in overseas subsidiaries, and its foreign earnings are taxed at rates that are generally 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 Asia Pacific subsidiaries and, to a lesser extent, in other foreign jurisdictions that are not subject to income tax. The Company has not provided for U.S. taxes for earnings generated in foreign jurisdictions because it plans to reinvest these earnings indefinitely outside the U.S. However, if certain foreign earnings previously treated as permanently reinvested are repatriated, the additional U.S. tax liability could have a material adverse effect on the Company's after-tax results of operations, financial position and cash flows.

The Company's effective tax rate for the 12 weeks ended September 12, 2015 and September 6, 2014 was 29.0% and 25.7%, respectively. For the 36 weeks ended September 12, 2015 and September 6, 2014, the Company's effective tax rate was 29.0% and 27.1%, respectively. The higher effective tax rate in current year periods reflect a negative impact from discrete items and an increase in the current year U.S. state effective tax rate.

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

The Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2010 in the majority of tax jurisdictions.

12. LITIGATION AND CONTINGENCIES

The Company is involved in various environmental claims and other legal actions arising in the normal course of business. The environmental claims include sites where the U.S. Environmental Protection Agency has notified the Company that it is a potentially responsible party with respect to environmental remediation. These remediation claims are subject to ongoing environmental impact studies, assessment of remediation alternatives, allocation of costs between responsible parties and concurrence by regulatory authorities and have not yet advanced to a stage where the Company's liability is fixed. However, after taking into consideration legal counsel's evaluation of all actions and claims against the Company, it is management's opinion that the outcome of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company is also involved in routine non-environmental 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 will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

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Minimum future royalty and advertising obligations for the fiscal periods subsequent to September 12, 2015 under the terms of certain licenses held by the Company are as follows:

| (In millions) | 2015 | 2016 | 2017 | 2018 | 2019 | Thereafter |
|---------------------|-------|------|------|------|------|------------|
| Minimum royalties | \$0.4 | \$— | \$— | \$— | \$— | \$— |
| Minimum advertising | 2.9 | 3.1 | 3.2 | 3.3 | 3.4 | 10.9 |

Minimum royalties are based on both fixed obligations and assumptions regarding the Consumer Price Index. Royalty obligations in excess of minimum requirements are based upon future sales levels. In accordance with these agreements, the Company incurred royalty expense of \$0.5 million and \$0.6 million for the 12 weeks ended September 12, 2015 and September 6, 2014, respectively. For the 36 weeks ended September 12, 2015 and September 6, 2014, the Company incurred royalty expense, in accordance with these agreements, of \$1.4 million and \$1.7 million, respectively.

The terms of certain license agreements also require the Company to make advertising expenditures based on the level of sales of the licensed products. In accordance with these agreements, the Company incurred advertising expense of \$0.6 million and \$0.7 million for the 12 weeks ended September 12, 2015 and September 6, 2014, respectively. For the 36 weeks ended September 12, 2015 and September 6, 2014, the Company incurred advertising expense, in accordance with these agreements, of \$2.4 million and \$2.9 million, respectively.

13. BUSINESS SEGMENTS

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

Lifestyle Group, consisting of Sperry® footwear and apparel, Stride Rite® footwear and apparel, Hush Puppies® footwear and apparel, Keds® footwear and apparel and Soft Style® footwear;

Performance Group, consisting of Merrell® footwear and apparel, Saucony® footwear and apparel, Chaco® footwear and Cushe® footwear and includes Patagonia® footwear during fiscal 2014; and

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

The reportable segments are engaged in designing, manufacturing, sourcing, marketing, licensing and distributing branded footwear, apparel and accessories. Reported 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 mono-branded consumer-direct business.

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

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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) | 12 Weeks Ended | | 36 Weeks Ended | |
|--------------------------|-----------------------|-----------------------|-----------------------|----------------------|
| | September 12, 2015 | September 6, 2014 | September 12, 2015 | September 6, 2014 |
| Revenue: | | | | |
| Lifestyle Group | \$250.6 | \$277.9 | \$747.0 | \$780.0 |
| Performance Group | 249.1 | 257.1 | 715.8 | 717.1 |
| Heritage Group | 150.2 | 151.3 | 403.7 | 385.5 |
| Other | 29.0 | 24.8 | 73.9 | 69.6 |
| Total | \$678.9 | \$711.1 | \$1,940.4 | \$1,952.2 |
| Operating profit (loss): | | | | |
| Lifestyle Group | \$32.5 | \$45.6 | \$99.2 | \$109.5 |
| Performance Group | 54.3 | 59.2 | 148.9 | 153.0 |
| Heritage Group | 25.4 | 26.6 | 57.7 | 58.6 |
| Other | 1.1 | 0.3 | 2.3 | 1.5 |
| Corporate | (37.4 |) (44.1 |) (121.0 |) (122.3 |
| Total | \$75.9 | \$87.6 | \$187.1 | \$200.3 |
| (In millions) | | September 12, 2015 | January 3, 2015 | September 6, 2014 |
| Total assets: | | | | |
| Lifestyle Group | | \$1,393.5 | \$1,378.8 | \$1,453.8 |
| Performance Group | | 543.1 | 485.8 | 533.0 |
| Heritage Group | | 287.8 | 246.4 | 251.7 |
| Other | | 52.7 | 52.1 | 122.7 |
| Corporate | | 311.1 | 341.4 | 366.5 |
| Total | | \$2,588.2 | \$2,504.5 | \$2,727.7 |
| Goodwill: | | | | |
| Lifestyle Group | | \$317.4 | \$323.8 | \$327.8 |
| Performance Group | | 92.4 | 92.5 | 92.7 |
| Heritage Group | | 22.3 | 22.5 | 23.4 |
| Total | | \$432.1 | \$438.8 | \$443.9 |

14. RESTRUCTURING ACTIVITIES**2014 Plan**

On July 9, 2014, the Board of Directors of the Company approved a realignment of the Company's consumer-direct operations (the "2014 Plan"). As a part of the 2014 Plan, the Company intends to close approximately 120 retail stores by the end of 2015, consolidate certain consumer-direct support functions and implement certain other organizational changes. The Company currently estimates pretax charges related to the 2014 Plan will range from \$41.0 million to \$45.0 million compared to the original estimate of \$26.6 million to \$32.0 million. The increase in estimated costs is driven by the Company's expansion of the Plan to further consolidate its international operations and higher retail store exit costs. The Company estimates it will record the remaining charges through the first quarter of fiscal 2016 as it executes specific components of the 2014 Plan. Approximately \$11.0 million to \$14.0 million of this estimate represents non-cash charges. Once fully implemented, the Company expects annual pretax benefits of approximately \$12.5 million as a result of the 2014 Plan.

The Company closed 58 retail stores in connection with the 2014 Plan during fiscal 2014 and 17 retail stores during the 36 weeks ended September 12, 2015. The balance of the estimated 120 total store closures is expected to occur during the fourth quarter of fiscal 2015.

Costs related to the 2014 Plan have been recorded within the Corporate category in the restructuring and impairment costs line item as a component of operating expenses in the consolidated condensed statements of operations and

comprehensive income.

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The following is a summary of the activity during the 36 weeks ended September 12, 2015 and September 6, 2014, with respect to a reserve established by the Company in connection with the 2014 Plan, by category of costs.

| (In millions) | Severance and employee related | Impairment of property and equipment | Costs associated with exit or disposal activities | Total | |
|------------------------------------|-----------------------------------|--|---|--------|---|
| Balance at December 28, 2013 | \$— | \$— | \$— | \$— | |
| Restructuring costs | 1.0 | 5.0 | 1.4 | 7.4 | |
| Amounts paid | (0.3 |) — | — | (0.3 |) |
| Charges against assets | — | (5.0 |) (1.4 |) (6.4 |) |
| Balance at September 6, 2014 | \$0.7 | \$— | \$— | \$0.7 | |
| Balance at January 3, 2015 | \$1.0 | \$— | \$6.5 | \$7.5 | |
| Restructuring and impairment costs | 1.8 | 0.3 | | | |