

WWW Expects Back Half Earnings Lift

By JESSICA PALLAY

NEW YORK — Restructuring charges took a toll on Wolverine World Wide Inc.'s bottom line in the second quarter, but analysts were encouraged by the company's improved forecast.

The Rockford, Mich.-based firm last week raised its full-year earnings guidance and said it expects higher gross margins, improved cost management and restructuring benefits to kick in later this year.

"There's a range of possible outcomes on the top line, but the company has very good visibility into the drivers of gross margin and operating expenses for the second half of the year," explained Scott Krasik, an analyst at CL King & Associates. "Despite another couple quarters of expected revenue decline, [Wolverine] still feels confident they can get their earnings per share up."

For the second quarter, the company's Outdoor Group led the way again, reporting double-digit revenue growth after a slight decline during the first quarter. The group's largest brand, Merrell, posted a double-digit increase for the period and benefited from retailers' contraction in other brand assortments, Donald Grimes, Wolverine's CFO, said during a conference call.

"Merrell's increase in the quarter really didn't come from new doors and new distribution," Grimes said. "For the most part, it just came from excellent sell-throughs, primarily at our existing base."

Patagonia also experienced double-digit growth during the second quarter, while Chaco, which was acquired in January 2009, had a "strong start," according to the company.

The rest of Wolverine's portfolio, though, including the Hush Puppies, Heritage Brands and Wolverine Footwear groups, reported declines.

Jeff Mintz, a research analyst at Wedbush Morgan Securities, noted that "outside of Merrell, Wolverine doesn't have a growth driver of any significant size." Al-

though Merrell has done "extremely well and is one of only a handful of brands out here that are still growing," he explained, "[Wolverine's] other brands are not in that position."

Mintz also expressed concern with the company's full-year revenue guidance, which is expected to total between \$1.07 billion and \$1.12 billion, or \$1.12 billion to \$1.17 billion adjusted for the foreign-exchange impact, below prior forecasts.

"When they initially gave guidance, they were planning for a recovery in the second half of the year, and [now] they don't see the economy recovering as quickly as they had expected," said Mintz. "The issue is not specific to Wolverine, but it does make the point that it's not getting a lot better out there for the consumer."

Still, he continued, "Wolverine is doing a good job managing their business and controlling the things they can control."

The company last week reported a 53 percent drop in second-quarter profits to \$7.9 million, or 16 cents a diluted share, for the 12 weeks ended June 20.

Those results compare to a net income of \$16.8 million, or 33 cents a diluted share, for the year-ago period. However, adjusted for one-time restructuring charges of \$7.9 million, the company's second-quarter earnings registered at 27 cents a share, in line with estimates from analysts polled by Yahoo Finance.

Wolverine's revenues totaled \$246.4 million for the second quarter, down 8 percent from the same period a year ago.

For the first half of 2009, net earnings were \$18.4 million, or 38 cents a share, versus \$40.5 million, or 79 cents, from the first half of 2008. First-half revenues were \$501.8 million, down 10 percent from \$555.6 million a year ago.

Looking ahead, Wolverine now forecasts its full-year EPS to range from \$1.07 to \$1.25. Excluding restructuring charges, earnings will range from \$1.55 to \$1.73 a share, up from earlier estimates of \$1.50 to \$1.70.

Running

WHAT'S SELLING

Last week's hot product at retail.

Jack Rabbit Sports, New York

1. **Asics** 2140
2. **Brooks** Adrenaline
3. **Mizuno** Wave Rider (below)

On sale: Store at full price. "We've done a pretty good job phasing out the shoes that we're updating, so we haven't had to put much on sale," said Johanna Bjorken, Jack Rabbit's merchandise manager.



Runner's High 'n' Tri, Arlington Heights, Ill.

1. **Brooks** Adrenaline
2. **Asics** Gel-Kayano
3. **Newton** Gravity (below)

On sale: Store at full price.

"There's no need to put anything on sale," said storeowner Mark Rouse. "I'm very thankful for that."



Runners Soul, Spokane, Wash.

1. **Adidas** Supernova Sequence 2
2. **Saucony** Omni 8 (below)
3. **Brooks** Adrenaline

On sale: Some apparel is on sale, but shoes are full price. "Brooks is in our backyard — it's a Washington company. It just continues to chug along and be in our top three," said Nate Kinghorn, store manager.



Ninth Street Active Feet, Durham, N.C.

1. **Asics** 2140
2. **Brooks** Adrenaline (above, right)
3. **Saucony** ProGrid Guide

On sale: Store at full price. The best sellers at Ninth Street never go on sale, said owner Walter Cleary. So what is discounted? "Just some product that is no longer

being produced — shoes that have been updated with a newer style," Cleary said.



Fleet Feet Sports, Stockton, Calif.

1. **Brooks** Adrenaline
2. **Mizuno** Wave Inspire
3. **Asics** 2140 (below)

On sale: Store always has small selection of closeout shoes. "When the new version drops, you typically have a few pairs left that you put on sale just to clear out inventory," said storeowner Tony Vice.



Runners Roost, Lakewood, Colo.

1. **Brooks** Adrenaline
2. **Asics** 2140
3. **Saucony** ProGrid Guide 2

On sale: Store at full price. "We're seeing people get really excited about running and walking and hiking again," said President Sonya Estes. "They are coming in eager to buy the shoes."



Run On, Dallas

1. **Brooks** Adrenaline
2. **Asics** 2100 series
3. **New Balance** 769

On sale: Store at full price. "We really are targeting new runners," said Eric



Lindberg, marketing director. "With the economy the way it is, people want to invest in

something that makes them feel better — sometimes, that's running."