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

# FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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: 0-9068

# WEYCO GROUP, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| WISCONSIN | 39-0702200 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

333 W. Estabrook Boulevard
P. O. Box 1188
Milwaukee, Wisconsin 53201
(Address of principal executive offices)
(Zip Code)

(414) 908-1600
(Registrant's telephone number, including area code)

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 - $1.00 par value per share | WEYS | The Nasdaq Stock Market |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 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 __X__ 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 __X__ Non-Accelerated Filer ___ Smaller Reporting Company __X__ Emerging Growth Company ___

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

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

As of July 31, 2019, there were 9,978,790 shares of common stock outstanding.

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements.

The following unaudited consolidated condensed financial statements have been prepared by Weyco Group, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these consolidated condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K.

WEYCO GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | (Dollars in thousands) | |
| ASSETS: | | |
| Cash and cash equivalents | $ 9,681 | $ 22,973 |
| Marketable securities, at amortized cost | 10,820 | 1,525 |
| Accounts receivable, net | 39,275 | 51,533 |
| Income tax receivable | 649 | - |
| Inventories | 82,757 | 72,684 |
| Prepaid expenses and other current assets | 3,107 | 5,380 |
| Total current assets | 146,289 | 154,095 |
| | | |
| Marketable securities, at amortized cost | 17,966 | 18,702 |
| Deferred income tax benefits | 1,270 | 1,277 |
| Property, plant and equipment, net | 29,460 | 28,707 |
| Operating lease right-of-use assets | 23,280 | - |
| Goodwill | 11,112 | 11,112 |
| Trademarks | 32,868 | 32,868 |
| Other assets | 23,569 | 23,283 |
| Total assets | $ 285,814 | $ 270,044 |
| | | |
| LIABILITIES AND EQUITY: | | |
| Short-term borrowings | $ 12,001 | $ 5,840 |
| Accounts payable | 5,155 | 12,764 |
| Dividend payable | - | 2,308 |
| Operating lease liabilities | 7,878 | - |
| Accrued liabilities | 10,832 | 14,306 |
| Accrued income tax payable | - | 912 |
| Total current liabilities | 35,866 | 36,130 |
| | | |
| Deferred income tax liabilities | 3,738 | 3,724 |
| Long-term pension liability | 23,129 | 23,112 |
| Operating lease liabilities | 17,015 | - |
| Other long-term liabilities | 181 | 1,495 |
| Total liabilities | 79,929 | 64,461 |
| | | |
| Common stock | 10,002 | 10,057 |
| Capital in excess of par value | 65,141 | 64,263 |
| Reinvested earnings | 151,853 | 152,835 |
| Accumulated other comprehensive loss | (21,111) | (21,572) |
| Total equity | 205,885 | 205,583 |
| Total liabilities and equity | $ 285,814 | $ 270,044 |

*The accompanying notes to consolidated condensed financial statements (unaudited) are an integral part of these financial statements.*

WEYCO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME (UNAUDITED)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In thousands, except per share amounts) | | | |
| Net sales | $ 60,476 | $ 60,888 | $ 134,604 | $ 130,414 |
| Cost of sales | 36,073 | 37,182 | 81,437 | 80,083 |
| Gross earnings | 24,403 | 23,706 | 53,167 | 50,331 |
| Selling and administrative expenses | 22,539 | 21,759 | 46,157 | 44,817 |
| Earnings from operations | 1,864 | 1,947 | 7,010 | 5,514 |
| Interest income | 230 | 254 | 453 | 487 |
| Interest expense | (34) | - | (66) | - |
| Other expense, net | (128) | (176) | (253) | (219) |
| Earnings before provision for income taxes | 1,932 | 2,025 | 7,144 | 5,782 |
| Provision for income taxes | 418 | 502 | 1,662 | 1,443 |
| Net earnings | 1,514 | 1,523 | 5,482 | 4,339 |
| Net loss attributable to noncontrolling interest | - | (103) | - | (274) |
| Net earnings attributable to Weyco Group, Inc. | $ 1,514 | $ 1,626 | $ 5,482 | $ 4,613 |
| Weighted average shares outstanding | | | | |
| Basic | 9,938 | 10,214 | 9,943 | 10,194 |
| Diluted | 10,033 | 10,505 | 10,030 | 10,433 |
| Earnings per share | | | | |
| Basic | $ 0.15 | $ 0.16 | $ 0.55 | $ 0.45 |
| Diluted | $ 0.15 | $ 0.15 | $ 0.55 | $ 0.44 |
| Cash dividends declared (per share) | $ 0.24 | $ 0.23 | $ 0.47 | $ 0.45 |
| Comprehensive income | $ 1,737 | $ 650 | $ 5,943 | $ 3,465 |
| Comprehensive loss attributable to noncontrolling interest | - | (383) | - | (588) |
| Comprehensive income attributable to Weyco Group, Inc. | $ 1,737 | $ 1,033 | $ 5,943 | $ 4,053 |

*The accompanying notes to consolidated condensed financial statements (unaudited) are an integral part of these financial statements.*

WEYCO GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| | (Dollars in thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net earnings | $ 5,482 | $ 4,339 |
| Adjustments to reconcile net earnings to net cash provided by operating activities - | | |
| Depreciation | 1,650 | 1,905 |
| Amortization | 125 | 171 |
| Bad debt expense | 79 | 160 |
| Deferred income taxes | (61) | 841 |
| Net foreign currency transaction losses | 18 | 105 |
| Share-based compensation expense | 731 | 805 |
| Pension contribution | - | (3,000) |
| Pension expense | 523 | 426 |
| Increase in cash surrender value of life insurance | (115) | (115) |
| Changes in operating assets and liabilities - | | |
| Accounts receivable | 12,142 | 11,464 |
| Inventories | (10,065) | 3,714 |
| Prepaid expenses and other assets | 2,095 | 2,527 |
| Accounts payable | (7,612) | (3,008) |
| Accrued liabilities and other | (3,194) | (5,213) |
| Accrued income taxes | (1,558) | (1,111) |
| Net cash provided by operating activities | 240 | 14,010 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of marketable securities | (10,183) | (5,961) |
| Proceeds from maturities of marketable securities | 1,645 | 3,375 |
| Life insurance premiums paid | (155) | (155) |
| Purchases of property, plant and equipment | (2,414) | (491) |
| Net cash used for investing activities | (11,107) | (3,232) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash dividends paid | (6,978) | (6,836) |
| Cash dividends paid to noncontrolling interest of subsidiary | - | (88) |
| Shares purchased and retired | (1,828) | (6,589) |
| Net proceeds from stock options exercised | 161 | 4,048 |
| Taxes paid related to the net share settlement of equity awards | (5) | (611) |
| Proceeds from bank borrowings | 75,474 | - |
| Repayments of bank borrowings | (69,313) | - |
| Net cash used for financing activities | (2,489) | (10,076) |
| Effect of exchange rate changes on cash and cash equivalents | 64 | (157) |
| Net (decrease) increase in cash and cash equivalents | $ (13,292) | $ 545 |
| CASH AND CASH EQUIVALENTS at beginning of period | 22,973 | 23,453 |
| CASH AND CASH EQUIVALENTS at end of period | $ 9,681 | $ 23,998 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Income taxes paid, net of refunds | $ 3,112 | $ 1,927 |
| Interest paid | $ 66 | $ - |

*The accompanying notes to consolidated condensed financial statements (unaudited) are an integral part of these financial statements.*

NOTES:

1. Financial Statements

In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments necessary to present fairly the Company's financial position, results of operations and cash flows for the periods presented. All such adjustments are of a normal recurring nature. The results of operations for the three and six months ended June 30, 2019, may not necessarily be indicative of the results for the full year.

2. Recently Adopted Accounting Pronouncement

On January 1, 2019, the Company adopted Accounting Standards Update 2016-02, *Leases*, as amended (hereinafter referred to as "ASC 842"), which supersedes the lease accounting guidance under Topic 840. ASC 842 generally requires lessees to recognize lease liabilities and corresponding right-of-use ("ROU") assets on the balance sheet and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements. The Company adopted the new guidance using the modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application. The comparative information was not restated and continues to be reported in accordance with historical accounting under Topic 840. The Company elected to utilize certain practical expedients that were provided for transition relief. Accordingly, the Company did not reassess expired or existing contracts, lease classifications or related initial direct costs as part of its assessment process. Additionally, the Company elected not to apply the recognition requirements of ASC 842 to short-term leases.

The adoption of ASC 842 had a material impact on the Company's consolidated condensed balance sheet due to the recognition of ROU assets and lease liabilities. The Company recognized operating lease ROU assets and corresponding lease liabilities totaling $26.0 million and $27.8 million, respectively, on January 1, 2019. The operating lease ROU assets recorded on the adoption date were net of approximately $1.8 million in reclassifications of other accrued liabilities and long-term liabilities. The adoption did not impact the Company's beginning retained earnings, nor did it have a material impact on the Company's consolidated earnings or cash flows.

3. Update to Significant Accounting Policies

The Company adopted ASC 842 in the first quarter of 2019. As a result, the Company updated its significant accounting policies for leases, as discussed below. Refer to Note 2 for the impact of the adoption on the Company's consolidated condensed financial statements and Note 9 for additional information related to the Company's lease arrangements.

The Company leases retail shoe stores, primarily located in the U.S. and Australia, as well as several office and distribution facilities worldwide. The Company determines whether an arrangement is or contains a lease at contract inception. All of the Company's leases are classified as operating leases, which are included in the operating lease ROU assets and operating lease liabilities in the consolidated condensed balance sheets (unaudited). The Company has no finance leases.

ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement, as well as any variable rate payments that depend on an index, initially measured using the index at the lease commencement date. Lease terms may include options to renew when it is reasonably certain that the Company will exercise that option.

As the Company's leases generally do not provide an implicit rate, the Company used its incremental borrowing rate in determining the present value of lease payments. The incremental borrowing rate was a hypothetical rate based on an understanding of what the Company could borrow from a third-party lender, on a collateralized basis, over a similar term, and in an amount that approximates the value of the Company's future lease payments. The Company used a portfolio approach and applied a single discount rate to all of its leases.

Operating lease costs are recognized on a straight-line basis over the lease term and are included in selling and administrative expenses. Variable lease payments that do not depend on a rate or index, payments associated with non-lease components, and short-term rentals (leases with terms less than 12 months) are expensed as incurred.

4. Earnings Per Share

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

| | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|---|---|
| | (In thousands, except per share amounts) | | | |
| Numerator: | | | | |
| Net earnings attributable to Weyco Group, Inc. | $ 1,514 | $ 1,626 | $ 5,482 | $ 4,613 |
| Denominator: | | | | |
| Basic weighted average shares outstanding | 9,938 | 10,214 | 9,943 | 10,194 |
| Effect of dilutive securities: | | | | |
| Employee share-based awards | 95 | 291 | 87 | 239 |
| Diluted weighted average shares outstanding | 10,033 | 10,505 | 10,030 | 10,433 |
| Basic earnings per share | $ 0.15 | $ 0.16 | $ 0.55 | $ 0.45 |
| Diluted earnings per share | $ 0.15 | $ 0.15 | $ 0.55 | $ 0.44 |

Diluted weighted average shares outstanding for the three months ended June 30, 2019, excludes anti-dilutive stock options totaling approximately 346,000 shares of common stock at a weighted average price of $29.49. Diluted weighted average shares outstanding for the six months ended June 30, 2019, excludes anti-dilutive stock options totaling approximately 347,000 shares of common stock at a weighted average price of $29.50. There were no anti-dilutive stock options for the three months ended June 30, 2018. Diluted weighted average shares outstanding for the six months ended June 30, 2018, excludes anti-dilutive stock options totaling approximately 207,000 shares of common stock at a weighted average price of $27.94.

5. Investments

As noted in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, all of the Company's marketable securities are classified as held-to-maturity securities and reported at amortized cost pursuant to Accounting Standards Codification ("ASC") 320, Investments – Debt and Equity Securities, as the Company has the intent and ability to hold all investments to maturity.

Below is a summary of the amortized cost and estimated market values of the Company's marketable securities as of June 30, 2019, and December 31, 2018.

| | June 30, 2019 Amortized Cost | June 30, 2019 Market Value | December 31, 2018 Amortized Cost | December 31, 2018 Market Value |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Municipal bonds: | | | | |
| Current | $ 10,820 | $ 10,838 | $ 1,525 | $ 1,532 |
| Due from one through five years | 9,678 | 9,925 | 9,752 | 9,861 |
| Due from six through ten years | 5,032 | 5,397 | 6,239 | 6,433 |
| Due from eleven through twenty years | 3,256 | 3,422 | 2,711 | 2,713 |
| Total | $ 28,786 | $ 29,582 | $ 20,227 | $ 20,539 |

The unrealized gains and losses on marketable securities at June 30, 2019, and at December 31, 2018, were as follows:

| | June 30, 2019 Unrealized Gains | June 30, 2019 Unrealized Losses | December 31, 2018 Unrealized Gains | December 31, 2018 Unrealized Losses |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Municipal bonds | $ 796 | $ - | $ 388 | $ (76) |

The estimated market values provided are level 2 valuations as defined by Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820"). The Company reviewed its portfolio of investments as of June 30, 2019 and determined that no other-than-temporary market value impairment exists.

## 6. Intangible Assets

During the six months ended June 30, 2019, there were no changes in the carrying value of the Company's indefinite-lived intangible assets (goodwill and trademarks). The Company's amortizable intangible assets, which were included within other assets in the Consolidated Condensed Balance Sheets (unaudited), consisted of the following:

| | | June 30, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| | Weighted Average Life (Years) | Gross Carrying Amount | Accumulated Amortization | Net | Gross Carrying Amount | Accumulated Amortization | Net |
| | | | (Dollars in thousands) | | | (Dollars in thousands) | |
| Amortizable intangible assets | | | | | | | |
| Customer relationships | 15 | $ 3,500 | $ (1,944) | $ 1,556 | $ 3,500 | $ (1,828) | $ 1,672 |
| Total amortizable intangible assets | | $ 3,500 | $ (1,944) | $ 1,556 | $ 3,500 | $ (1,828) | $ 1,672 |

Amortization expense related to the intangible assets was approximately $58,000 in both the second quarters of 2019 and 2018. For the six months ended June 30, amortization expense related to the intangible assets was approximately $116,000 in 2019 and $117,000 in 2018.

## 7. Segment Information

The Company has two reportable segments: North American wholesale operations ("wholesale") and North American retail operations ("retail"). The chief operating decision maker, the Company's Chief Executive Officer, evaluates the performance of the Company's segments based on earnings from operations. Therefore, interest income or expense, other income or expense, and income taxes are not allocated to the segments. The "other" category in the tables below includes the Company's wholesale and retail operations in Australia, South Africa, Asia Pacific and Europe, which do not meet the criteria for separate reportable segment classification. Summarized segment data for the three and six months ended June 30, 2019 and 2018, was as follows:

| Three Months Ended June 30, | Wholesale | Retail | Other | Total |
|---|---|---|---|---|
| | | (Dollars in thousands) | | |
| 2019 | | | | |
| Product sales | $ 45,416 | $ 5,395 | $ 9,029 | $ 59,840 |
| Licensing revenues | 636 | - | - | 636 |
| Net sales | $ 46,052 | $ 5,395 | $ 9,029 | $ 60,476 |
| Earnings (loss) from operations | $ 2,212 | $ 401 | $ (749) | $ 1,864 |
| 2018 | | | | |
| Product sales | $ 45,167 | $ 4,624 | $ 10,625 | $ 60,416 |
| Licensing revenues | 472 | - | - | 472 |
| Net sales | $ 45,639 | $ 4,624 | $ 10,625 | $ 60,888 |
| Earnings (loss) from operations | $ 1,748 | $ 222 | $ (23) | $ 1,947 |

| Six Months Ended June 30, | Wholesale | Retail | Other | Total |
|---|---|---|---|---|
| | | (Dollars in thousands) | | |
| 2019 | | | | |
| Product sales | $ 104,190 | $ 10,966 | $ 18,105 | $ 133,261 |
| Licensing revenues | 1,343 | - | - | 1,343 |
| Net sales | $ 105,533 | $ 10,966 | $ 18,105 | $ 134,604 |
| Earnings (loss) from operations | $ 7,418 | $ 884 | $ (1,292) | $ 7,010 |
| 2018 | | | | |
| Product sales | $ 98,161 | $ 9,551 | $ 21,436 | $ 129,148 |
| Licensing revenues | 1,266 | - | - | 1,266 |
| Net sales | $ 99,427 | $ 9,551 | $ 21,436 | $ 130,414 |
| Earnings (loss) from operations | $ 5,139 | $ 428 | $ (53) | $ 5,514 |

## 8. Employee Retirement Plans

The components of the Company's net periodic pension cost were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (Dollars in thousands) | | | |
| Service cost | $ 128 | $ 151 | $ 231 | $ 301 |
| Interest cost | 624 | 549 | 1,230 | 1,098 |
| Expected return on plan assets | (625) | (646) | (1,251) | (1,292) |
| Net amortization and deferral | 167 | 159 | 313 | 319 |
| Net periodic pension cost | $ 294 | $ 213 | $ 523 | $ 426 |

The components of net periodic pension cost other than the service cost component were included in "other expense, net" in the Consolidated Condensed Statements of Earnings and Comprehensive Income (Unaudited).

## 9. Leases

The Company leases retail shoe stores, as well as several office and distribution facilities worldwide. The leases have original lease periods expiring between 2019 and 2033. Many leases include one or more options to renew. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of the Company's operating lease costs were as follows (dollars in thousands):

| | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2019 |
|---|---|---|
| Operating lease costs | $ 2,198 | $ 4,392 |
| Variable lease costs [(1)] | 34 | 43 |
| Total lease costs | $ 2,232 | $ 4,435 |

(1) Variable lease costs primarily include percentage rentals based upon sales in excess of specified amounts.

Short-term lease costs, which were excluded from the above table, are not material to the Company's financial statements.

The following is a schedule of maturities of operating lease liabilities as of June 30, 2019 (dollars in thousands):

| | Operating Leases |
|---|---|
| 2019, excluding the six months ended June 30, 2019 | $ 4,586 |
| 2020 | 8,085 |
| 2021 | 5,939 |
| 2022 | 3,411 |
| 2023 | 1,979 |
| Thereafter | 2,642 |
| Total lease payments | 26,642 |
| Less imputed interest | (1,749) |
| Present value of lease liabilities | 24,893 |

The operating lease liabilities are classified in the consolidated condensed balance sheet (unaudited) as follows (dollars in thousands):

| | June 30, 2019 |
|---|---|
| Operating lease liabilities - current | $ 7,878 |
| Operating lease liabilities - non-current | 17,015 |
| Total | $ 24,893 |

The Company determined the present value of its lease liabilities using a weighted-average discount rate of 4.25%. As of June 30, 2019, the Company's leases have a weighted-average remaining lease term of 5.85 years.

The future minimum rental commitments under operating leases in effect as of December 31, 2018 having non-cancelable lease terms in excess of one year, as determined in accordance with Topic 840 (prior to the adoption of ASC 842), were as follows (dollars in thousands):

| | Operating Leases |
|---|---|
| 2019 | $ 9,468 |
| 2020 | 7,529 |
| 2021 | 5,584 |
| 2022 | 3,278 |
| 2023 | 2,321 |
| Thereafter | 4,161 |
| Total | $ 32,341 |

Supplemental cash flow information related to the Company's operating leases is as follows (dollars in thousands):

| | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2019 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | $ 2,273 | $ 4,525 |
| Right-of-use assets obtained in exchange for new lease liabilities (noncash) | $ 973 | $ 27,002 |

## 10. Share-Based Compensation Plans

During the three and six months ended June 30, 2019, the Company recognized approximately $365,000 and $731,000, respectively, of compensation expense associated with stock option and restricted stock awards granted in years 2015 through 2019. During the three and six months ended June 30, 2018, the Company recognized approximately $454,000 and $805,000, respectively, of compensation expense associated with stock option and restricted stock awards granted in years 2014 through 2017.

The following table summarizes the Company's stock option activity for the six-month period ended June 30, 2019:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value* |
|---|---|---|---|---|
| Outstanding at December 31, 2018 | 1,173,620 | $ 27.96 | | |
| Granted | 2,500 | $ 28.77 | | |
| Exercised | (18,795) | $ 27.75 | | |
| Forfeited or expired | (2,750) | $ 31.94 | | |
| Outstanding at June 30, 2019 | 1,154,575 | $ 27.95 | 3.7 | $ 505,000 |
| Exercisable at June 30, 2019 | 673,092 | $ 26.89 | 1.9 | $ 284,000 |

* The aggregate intrinsic value of outstanding and exercisable stock options is defined as the difference between the market value of the Company's stock on June 28, 2019, the last trading day of the quarter, of $26.71 and the exercise price multiplied by the number of in-the-money outstanding and exercisable stock options.

The following table summarizes the Company's stock option exercise activity for the three and six months ended June 30, 2019 and 2018:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (Dollars in thousands) | | | |
| Total intrinsic value of stock options exercised | $ 77 | $ 2,549 | $ 88 | $ 3,050 |
| Net proceeds from stock option exercises | $ 154 | $ 1,164 | $ 161 | $ 4,048 |
| Income tax benefit from the exercise of stock options | $ 20 | $ 663 | $ 23 | $ 793 |

The following table summarizes the Company's restricted stock award activity for the six-month period ended June 30, 2019:

| | Shares of Restricted Stock | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value* |
|---|---|---|---|---|
| Non-vested at December 31, 2018 | 61,480 | $ 30.74 | | |
| Issued | 600 | 28.77 | | |
| Vested | - | - | | |
| Forfeited | - | - | | |
| Non-vested at June 30, 2019 | 62,080 | $ 30.72 | 2.2 | $ 1,658,000 |

* The aggregate intrinsic value of non-vested restricted stock was calculated using the market value of the Company's stock on June 28, 2019, the last trading day of the quarter, of $26.71 multiplied by the number of non-vested restricted shares outstanding.

## 11. Short-Term Borrowings

At June 30, 2019, the Company had a $60 million unsecured revolving line of credit with a bank expiring November 5, 2019. The line of credit bears interest at the London Interbank Offered Rate ("LIBOR") plus 0.75%. At June 30, 2019, outstanding borrowings were approximately $12.0 million at an interest rate of 3.15%. The highest balance on the line of credit during the six months ended June 30, 2019 was approximately $12.0 million.

## 12. Financial Instruments

At June 30, 2019, the Company had foreign exchange contracts outstanding to sell $5.0 million Canadian dollars at a price of approximately $3.8 million U.S. dollars. The Company's wholly-owned subsidiary, Florsheim Australia, had foreign exchange contracts outstanding to buy $3.1 million U.S. dollars at a price of approximately $4.4 million Australian dollars. Based on quarter-end exchange rates, there were no significant unrealized gains or losses on the outstanding contracts.

The Company determines the fair value of foreign exchange contracts based on the difference between the foreign currency contract rates and the widely available foreign currency rates as of the measurement date. The fair value measurements are based on observable market transactions, and thus represent a level 2 valuation as defined by ASC 820.

## 13. Comprehensive Income (Loss)

Comprehensive income for the three and six months ended June 30, 2019 and 2018, was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (Dollars in thousands) | | | |
| Net earnings | $ 1,514 | $ 1,523 | $ 5,482 | $ 4,339 |
| Foreign currency translation adjustments | 100 | (991) | 230 | (1,110) |
| Pension liability, net of tax of $44, $42, $82, and $83, respectively | 123 | 118 | 231 | 236 |
| Total comprehensive income | $ 1,737 | $ 650 | $ 5,943 | $ 3,465 |

The components of accumulated other comprehensive loss as recorded on the Consolidated Condensed Balance Sheets (Unaudited) were as follows:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | (Dollars in thousands) | |
| Foreign currency translation adjustments | $ (6,671) | $ (6,901) |
| Pension liability, net of tax | (14,440) | (14,671) |
| Total accumulated other comprehensive loss | $ (21,111) | $ (21,572) |

The following presents a tabular disclosure about changes in accumulated other comprehensive loss during the six months ended June 30, 2019:

| | Foreign Currency Translation Adjustments | Defined Benefit Pension Items | Total |
|---|---|---|---|
| Beginning balance, December 31, 2018 | $ (6,901) | $ (14,671) | $ (21,572) |
| Other comprehensive income before reclassifications | 230 | - | 230 |
| Amounts reclassified from accumulated other comprehensive loss | - | 231 | 231 |
| Net current period other comprehensive income | 230 | 231 | 461 |
| Ending balance, June 30, 2019 | $ (6,671) | $ (14,440) | $ (21,111) |

The following presents a tabular disclosure about reclassification adjustments out of accumulated other comprehensive loss during the six months ended June 30, 2019:

| | Amounts reclassified from accumulated other comprehensive loss for the six months ended June 30, 2019 | Affected line item in the statement where net income is presented |
|---|---|---|
| Amortization of defined benefit pension items | | |
| Prior service cost | $ (31) [1] | Other expense, net |
| Actuarial losses | 344 [1] | Other expense, net |
| Total before tax | 313 | |
| Tax benefit | (82) | |
| Net of tax | $ 231 | |

(1) These amounts were included in net periodic pension cost. See Note 8 for additional details.

## 14. Equity

The following table reconciles the Company's equity for the six months ended June 30, 2019:

| | Common Stock | Capital in Excess of Par Value | Reinvested Earnings | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Balance, December 31, 2018 | $ 10,057 | $ 64,263 | $ 152,835 | $ (21,572) |
| Net earnings | - | - | 3,968 | - |
| Foreign currency translation adjustments | - | - | - | 130 |
| Pension liability adjustment, net of tax | - | - | - | 108 |
| Cash dividends declared | - | - | (2,299) | - |
| Common stock issued under equity incentive plans, net of shares withheld for emloyee taxes and strike price | 1 | 6 | - | - |
| Issuance of restricted stock | 1 | (1) | - | - |
| Share-based compensation expense | - | 366 | - | - |
| Shares purchased and retired | (64) | - | (1,764) | - |
| Balance, March 31, 2019 | $ 9,995 | $ 64,634 | $ 152,740 | $ (21,334) |
| Net earnings | - | - | 1,514 | - |
| Foreign currency translation adjustments | - | - | - | 100 |
| Pension liability adjustment, net of tax | - | - | - | 123 |
| Cash dividends declared | - | - | (2,401) | - |
| Common stock issued under equity incentive plans, net of shares withheld for emloyee taxes and strike price | 7 | 142 | - | - |
| Share-based compensation expense | - | 365 | - | - |
| Balance, June 30, 2019 | $ 10,002 | $ 65,141 | $ 151,853 | $ (21,111) |

The following table reconciles the Company's equity for the six months ended June 30, 2018:

| | Common Stock | Capital in Excess of Par Value | Reinvested Earnings | Accumulated Other Comprehensive Loss | Noncontrolling Interest |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| Balance, December 31, 2017 | $ 10,162 | $ 55,884 | $ 150,350 | $ (17,859) | $ 7,122 |
| Net earnings | - | - | 2,987 | - | (171) |
| Foreign currency translation adjustments | - | - | - | (85) | (34) |
| Pension liability adjustment, net of tax | - | - | - | 118 | - |
| Cash dividends declared | - | - | (2,257) | - | - |
| Cash dividends paid to noncontrolling interest | - | - | - | - | (88) |
| Common stock issued under equity incentive plans, net of shares withheld for emloyee taxes and strike price | 108 | 2,776 | - | - | - |
| Restricted stock forfeited | (2) | 2 | - | - | - |
| Share-based compensation expense | - | 351 | - | - | - |
| Balance, March 31, 2018 | $ 10,268 | $ 59,013 | $ 151,080 | $ (17,826) | $ 6,829 |
| Net earnings | - | - | 1,626 | - | (103) |
| Foreign currency translation adjustments | - | - | - | (711) | (280) |
| Pension liability adjustment, net of tax | - | - | - | 118 | - |
| Cash dividends declared | - | - | (2,395) | - | - |
| Common stock issued under equity incentive plans, net of shares withheld for emloyee taxes and strike price | 89 | 463 | - | - | - |
| Issuance of restricted stock | 2 | (2) | - | - | - |
| Share-based compensation expense | - | 454 | - | - | - |
| Shares purchased and retired | (199) | - | (6,390) | - | - |
| Balance, June 30, 2018 | $ 10,160 | $ 59,928 | $ 143,921 | $ (18,419) | $ 6,446 |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to the Company's outlook for the future. These statements represent the Company's reasonable judgment with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially. Such statements can be identified by the use of words such as "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "is likely," "plans," "predicts," "projects," "should," "will," or variations of such words, and similar expressions. Forward-looking statements, by their nature, address matters that are, to varying degrees, uncertain. Therefore, the reader is cautioned that these forward-looking statements are subject to a number of risks, uncertainties or other factors that may cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to, the risk factors described under Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the year-ended December 31, 2018.

### GENERAL

The Company designs and markets quality and innovative footwear principally for men, but also for women and children, under a portfolio of well-recognized brand names including: Florsheim, Nunn Bush, Stacy Adams, BOGS, and Rafters. Inventory is purchased from third-party overseas manufacturers. The majority of foreign-sourced purchases are denominated in U.S. dollars.

The Company has two reportable segments, North American wholesale operations ("wholesale") and North American retail operations ("retail"). In the wholesale segment, the Company's products are sold to leading footwear, department, and specialty stores, as well as e-commerce retailers, primarily in the United States and Canada. The Company also has licensing agreements with third parties who sell its branded apparel, accessories and specialty footwear in the United States, as well as its footwear in Mexico and certain markets overseas. Licensing revenues are included in the Company's wholesale segment. The Company's retail segment consists of 9 brick and mortar retail stores and e-commerce businesses in the United States. Sales in retail outlets are made directly to consumers by Company employees.

The Company's "other" operations include the Company's wholesale and retail businesses in Australia, South Africa, Asia Pacific (collectively, "Florsheim Australia") and Europe ("Florsheim Europe"). The majority of the Company's operations are in the United States, and its results are primarily affected by the economic conditions and retail environment in the United States.

### EXECUTIVE OVERVIEW

#### Second Quarter Highlights

Consolidated net sales for the second quarter of 2019 were $60.5 million, down 1% compared to last year's second quarter net sales of $60.9 million. Earnings from operations were approximately $1.9 million in both the second quarters of 2019 and 2018. Consolidated net earnings attributable to Weyco Group, Inc. were $1.5 million in the second quarter of 2019, down 7% compared to $1.6 million in last year's second quarter. Diluted earnings per share were $0.15 per share in both the second quarters of 2019 and 2018.

Overall net sales were down $412,000 as compared to last year's second quarter. Wholesale net sales increased $413,000 primarily due to higher sales of the Florsheim and BOGS brands, partially offset by lower sales of the Nunn Bush and Stacy Adams brands. Retail net sales were up $771,000 for the quarter due mainly to higher sales on the Company's websites. However, these increases were more than offset by lower sales from the Company's other businesses. Other net sales were down $1.6 million for the quarter, primarily due to a 10% decline in net sales at Florsheim Australia, caused mainly by the translation of the weaker Australian currency into U.S. dollars.

Consolidated earnings from operations were approximately $1.9 million in both the second quarters of 2019 and 2018. Wholesale earnings from operations were up $464,000 for the quarter due mainly to higher sales and gross margins. Retail earnings from operations rose $179,000 for the quarter, driven by higher online sales volumes. However, these increases were entirely offset by operating losses from the Company's other businesses, mainly at Florsheim Australia. Florsheim Australia's operating losses deepened this quarter due to lower sales, lower overall gross margins, and higher operating costs.

On August 1, 2019, it was announced that the U.S. would impose an additional 10% tariff on certain categories of consumer goods exported from China, including footwear. As the Company sources a significant portion of its footwear from China, this tariff is expected to increase the overall cost of its footwear. While the Company intends to try to mitigate the overall impact of these cost increases through a combination of wholesale price increases and price reductions from its suppliers, the ultimate expected impact of the tariffs on the Company's gross margins, results of operations and overall financial statements is unknown at this time.

Year-to-Date Highlights

Consolidated net sales for the first half of 2019 were $134.6 million, up 3% from net sales of $130.4 million in the first half of 2018. Earnings from operations were $7.0 million in the first six months of 2019, up 27% compared to $5.5 million in the same period last year. Consolidated net earnings attributable to Weyco Group, Inc. were $5.5 million in the first six months of 2019, up 19% compared to $4.6 million in the same period last year. Diluted earnings per share to date in 2019 were $0.55 per share, as compared to $0.44 per share in the same period of 2018.

The increase in consolidated net sales came from the Company's wholesale and retail segments. Wholesale net sales increased $6.1 million due to higher sales of the Florsheim, BOGS and Stacy Adams brands, partially offset by lower sales of the Nunn Bush brand. Retail net sales increased $1.4 million for the year-to-date period due mainly to higher sales on the Company's websites. These increases were offset by lower sales from the Company's other businesses this year. Other net sales were down $3.3 million in the first half of 2019 primarily due to an 11% decline in net sales at Florsheim Australia, caused mainly by the translation of the weaker Australian currency into U.S. dollars.

The increase in consolidated earnings from operations was due to higher operating earnings in the wholesale and retail segments. Earnings from operations in the wholesale segment were up $2.3 million due primarily to higher sales and gross margins. Earnings from operations in the retail segment were up $456,000 due mainly to higher online sales volumes. These increases were partially offset by operating losses from the Company's other businesses, mainly at Florsheim Australia. Florsheim Australia's operating losses deepened in the first half of 2019 compared to the same period of 2018, due mainly to lower sales and lower overall gross margins.

Financial Position Highlights

At June 30, 2019, cash and marketable securities totaled $38.5 million and there was $12.0 of debt outstanding on the Company's revolving line of credit. During the first six months of 2019, the Company generated $240,000 of cash from operations and drew $6.2 million on the revolving line of credit. The Company paid dividends of $7.0 million and spent $1.8 million on purchases of Company stock. The Company also had $2.4 million of capital expenditures.

On January 1, 2019, the Company adopted the new accounting standard on leases (ASC 842). The adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities totaling $26.0 million and $27.8 million, respectively, as of the adoption date. The prior year comparative information has not been restated and continues to be reported in accordance with historical accounting under Topic 840.

## SEGMENT ANALYSIS

Net sales and earnings from operations for the Company's segments in the three and six months ended June 30, 2019 and 2018, were as follows:

| | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | % Change | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 | % Change |
|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | |
| **Net Sales** | | | | | | |
| North American Wholesale | $ 46,052 | $ 45,639 | 1% | $ 105,533 | $ 99,427 | 6% |
| North American Retail | 5,395 | 4,624 | 17% | 10,966 | 9,551 | 15% |
| Other | 9,029 | 10,625 | -15% | 18,105 | 21,436 | -16% |
| Total | $ 60,476 | $ 60,888 | -1% | $ 134,604 | $ 130,414 | 3% |
| **Earnings (Loss) from Operations** | | | | | | |
| North American Wholesale | $ 2,212 | $ 1,748 | 27% | $ 7,418 | $ 5,139 | 44% |
| North American Retail | 401 | 222 | 81% | 884 | 428 | 107% |
| Other | (749) | (23) | n/a | (1,292) | (53) | n/a |
| Total | $ 1,864 | $ 1,947 | -4% | $ 7,010 | $ 5,514 | 27% |

### North American Wholesale Segment

Net Sales

Net sales in the Company's North American wholesale segment for the three and six months ended June 30, 2019 and 2018, were as follows:

| | Three Months Ended June 30, | | % | Six Months Ended June 30, | | % |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Change | 2019 | 2018 | Change |
| | (Dollars in thousands) | | | (Dollars in thousands) | | |
| North American Wholesale Segment Net Sales | | | | | | |
| Stacy Adams | $ 14,685 | $ 15,561 | -6% | $ 35,653 | $ 35,049 | 2% |
| Nunn Bush | 9,160 | 11,498 | -20% | 20,754 | 23,852 | -13% |
| Florsheim | 17,293 | 15,171 | 14% | 36,109 | 30,225 | 19% |
| BOGS/Rafters | 4,267 | 2,888 | 48% | 11,658 | 8,903 | 31% |
| Other | 11 | 49 | -78% | 16 | 132 | -88% |
| Total North American Wholesale | $ 45,416 | $ 45,167 | 1% | $ 104,190 | $ 98,161 | 6% |
| Licensing | 636 | 472 | 35% | 1,343 | 1,266 | 6% |
| Total North American Wholesale Segment | $ 46,052 | $ 45,639 | 1% | $ 105,533 | $ 99,427 | 6% |

Net sales of the Stacy Adams brand were down for the quarter, mainly with department stores. Nunn Bush's second quarter net sales were down primarily with department stores and national shoe chains. For the first half of 2019, Nunn Bush's net sales were down mainly with department stores. Slower mall traffic across the U.S. continues to challenge the Company's sales volumes in the department store trade channel. Net sales of the Florsheim and BOGS/Rafters brands were up for the quarter and year-to-date periods, due to sales volume increases across most major distribution channels.

Licensing revenues consist of royalties earned on the sales of branded apparel, accessories and specialty footwear in the United States and on branded footwear in Mexico and certain overseas markets.

Earnings from Operations

Gross earnings for the North American wholesale segment were 35.1% of net sales in the second quarter of 2019, compared to 33.3% of net sales in last year's second quarter. For the six months ended June 30, 2019, wholesale gross earnings were 34.6% of net sales, as compared to 33.2% of net sales in 2018. Wholesale earnings from operations were $2.2 million for the three months ended June 30, 2019, up 27% compared to $1.7 million in the same period last year. For the six months ended June 30, 2019, earnings from operations for the wholesale segment were $7.4 million, up 44% from $5.1 million in the same period of 2018. The increases in wholesale earnings from operations for the quarter and year-to-date periods were primarily due to higher sales and gross margins. The improvement in gross margins mainly resulted from stable pricing from the Company's overseas suppliers and selective price increases.

The Company's cost of sales does not include distribution costs (e.g., receiving, inspection, warehousing, shipping, and handling costs). Wholesale distribution costs were $3.0 million for the second quarter of 2019 versus $3.1 million for the same period of 2018. For the six-month periods ended June 30, 2019 and 2018, wholesale distribution costs were $6.1 million and $6.2 million, respectively. These costs were included in selling and administrative expenses. The Company's gross earnings may not be comparable to other companies, as some companies may include distribution costs in cost of sales.

North American wholesale segment selling and administrative expenses include, and are primarily related to, distribution costs, salaries and commissions, advertising costs, employee benefit costs, and depreciation. Wholesale selling and administrative expenses were $13.9 million, or 30% of net sales, in the second quarter of 2019, compared to $13.5 million, or 30% of net sales, in the second quarter of 2018. For the six months ended June 30, wholesale selling and administrative expenses were $29.1 million in 2019 versus $27.8 million in 2018. As a percent of net sales, wholesale selling and administrative expenses were 28% in both the first half of 2019 and 2018.

### North American Retail Segment

Net Sales

Net sales in the Company's retail segment were up 17% for the quarter and 15% for the first half of 2019, compared to the same periods last year. Same store sales, which include U.S. e-commerce sales, were up 14% for both the quarter and year-to-date periods, compared to the same periods last year, primarily due to increased sales on the Company's websites.

Earnings from Operations

Retail gross earnings were 65.0% of net sales in the second quarter of 2019, compared to 65.8% of net sales in last year's second quarter. For the six months ended June 30, 2019, retail gross earnings were 65.1% of net sales, as compared to 65.2% of net sales in 2018. Selling and administrative expenses for the retail segment include, and are primarily related to, rent and occupancy costs, employee costs, advertising expense and freight. Retail selling and administrative expenses were $3.1 million, or 58% of net sales, in the second quarter of 2019 versus $2.8 million, or 61% of net sales, in last year's second quarter. For the six months ended June 30, 2019, retail selling and administrative expenses were $6.3 million, or 57% of net sales, as compared to $5.8 million, or 61% of net sales, in the first half of 2018. Retail earnings from operations increased $179,000 for the quarter and $456,000 for the first six months of 2019, compared to the same periods in 2018, due mainly to higher online sales.

Other

The Company's other businesses include its wholesale and retail operations of Florsheim Australia and Florsheim Europe. Net sales of the Company's other businesses were $9.0 million in the second quarter of 2019, down 15% compared to $10.6 million in last year's second quarter. For the six months ended June 30, 2019, other net sales were $18.1 million, down 16% from $21.4 million in the same period last year. The decreases in both periods were primarily due to lower net sales at Florsheim Australia, caused mainly by the translation of the weaker Australian currency into U.S. dollars this year. Florsheim Australia's net sales for the three and six months ended June 30 were down 10% and 11%, respectively, compared to the same periods last year. In local currency, Florsheim Australia's net sales were down 3% for both the quarter and year-to-date periods, with lower sales in both its wholesale and retail businesses.

Collectively, Florsheim Australia and Florsheim Europe had operating losses totaling $749,000 in the second quarter of 2019, compared to operating losses of $23,000 in the second quarter of 2018. This change was primarily due to lower sales, lower overall gross margins, and higher operating costs at Florsheim Australia. For the six months ended June 30, 2018, Florsheim Australia and Florsheim Europe had operating losses totaling $1.3 million, compared to operating losses of $53,000 in the same period last year. The year-over-year change was primarily due to lower operating earnings in Florsheim Australia's wholesale and retail businesses, resulting mainly from lower sales and gross margins.

Other income and expense

Interest income was $230,000 and $254,000 for the three months ended June 30, 2019 and 2018, respectively. For the six months ended June 30, interest income was $453,000 in 2019 and $487,000 in 2018. Interest expense rose $34,000 for the quarter and $66,000 for the year-to-date period, compared to the same periods last year, due to a higher average debt balance this year. The Company's effective tax rate for the quarter was 21.6%, compared to 24.8% for the same period of 2018. For the six months ended June 30, the Company's effective tax rate was 23.3% in 2019 versus 25.0% in 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are its cash, short-term marketable securities and its revolving line of credit. The Company generated $240,000 of cash from operating activities during the first six months of 2019, compared to $14.0 million in the same period of 2018. The decrease between years was primarily due to changes in operating assets and liabilities, principally inventory and accounts payable.

The Company paid cash dividends of $7.0 million and $6.9 million during the six months ended June 30, 2019 and 2018, respectively.

The Company continues to repurchase its common stock under its share repurchase program when the Company believes market conditions are favorable. During the first half of 2019, the Company repurchased 63,481 shares at a total cost of $1.8 million, all of which were repurchased in the first quarter. The Company did not repurchase any of its shares in the second quarter of 2019. As of June 30, 2019, the Company had the authority to repurchase approximately 602,000 shares under its previously announced stock repurchase program.

Capital expenditures were $2.4 million in the first six months of 2019, the majority of which was related to a construction project to expand the Company's office space in its corporate headquarters. Management estimates that capital expenditures for 2019 will be between $4.0 million and $5.0 million, including the $2.4 million expended to date.

At June 30, 2019, the Company had a $60 million unsecured revolving line of credit with a bank expiring November 5, 2019. The line of credit bears interest at LIBOR plus 0.75%. At June 30, 2019, outstanding borrowings were approximately $12.0 million at an interest rate of 3.15%. The highest balance on the line of credit during the first half of 2019 was approximately $12.0 million. The Company expects to renew this line of credit later this year, but cannot provide any assurances.

At June 30, 2019, approximately $2.1 million of cash and cash equivalents was held by the Company's foreign subsidiaries.

The Company will continue to evaluate the best uses for its available liquidity, including, among other uses, capital expenditures, continued stock repurchases and additional acquisitions.

The Company believes that available cash and marketable securities, cash provided by operations, and available borrowing facilities will provide adequate support for the cash needs of the business for at least one year, although there can be no assurances.

COMMITMENTS

Not applicable.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

### Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures designed to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission is recorded, processed, summarized and reported on a timely basis. The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in bringing to their attention on a timely basis material information relating to the Company required to be included in the Company's periodic filings under the Exchange Act. Such officers have also concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in accumulating and communicating information in a timely manner, allowing timely decisions regarding required disclosures.

There have been no significant changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

None

### Item 1A. Risk Factors.

There have been no material changes to the risk factors affecting the Company from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

### Item 6. Exhibits.

| Exhibit | Description | Incorporation Herein By Reference To | Filed Herewith |
| --- | --- | --- | --- |
| 31.1 | Certification of Chief Executive Officer | | X |
| 31.2 | Certification of Chief Financial Officer | | X |
| 32 | Section 906 Certification of Chief Executive Officer and Chief Financial Officer | | X |
| 101 | The following financial information from Weyco Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Condensed Balance Sheets (Unaudited); (ii) Consolidated Condensed Statements of Earnings and Comprehensive Income (Unaudited); (iii) Consolidated Condensed Statements of Cash Flows (Unaudited); and (iv) Notes to Consolidated Condensed Financial Statements, furnished herewith | | X |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WEYCO GROUP, INC.

Dated: August 8, 2019

/s/ John F. Wittkowske
John F. Wittkowske
Senior Vice President and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Thomas W. Florsheim, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Weyco Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: August 8, 2019

/s/ Thomas W. Florsheim, Jr.
Thomas W. Florsheim, Jr.
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, John F. Wittkowske, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Weyco Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: August 8, 2019

/s/ John F. Wittkowske
John F. Wittkowske
Chief Financial Officer

EXHIBIT 32

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

We, Thomas W. Florsheim, Jr., Chief Executive Officer, and John F. Wittkowske, Chief Financial Officer, of Weyco Group, Inc. each certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) The Periodic Report on Form 10-Q for the quarter ended June 30, 2019, (the “Periodic Report”) to which this statement is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and

(2) The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Weyco Group, Inc.

Dated: August 8, 2019

/s/ Thomas W. Florsheim, Jr.
Thomas W. Florsheim, Jr.
Chief Executive Officer

/s/ John F. Wittkowske
John F. Wittkowske
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in type form within the electronic version of this written statement required by Section 906, has been provided to Weyco Group, Inc. and will be retained by Weyco Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.