

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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: 0-9068

WEYCO GROUP, INC.

(Exact name of registrant as specified in its charter)

WISCONSIN

(State or other jurisdiction of incorporation or organization)

39-0702200

(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)

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 (Section 232.405 of this chapter) 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 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 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

As of April 30, 2015, there were 10,852,905 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)

| | March 31, 2015 | December 31, 2014 |
|---|-------------------|----------------------|
| (Dollars in thousands) | | |
| ASSETS: | | |
| Cash and cash equivalents | \$ 12,117 | \$ 12,499 |
| Marketable securities, at amortized cost | 5,844 | 5,914 |
| Accounts receivable, net | 55,748 | 55,100 |
| Inventories | 61,151 | 69,015 |
| Prepaid expenses and other current assets | 5,951 | 7,521 |
| Total current assets | 140,811 | 150,049 |
| Marketable securities, at amortized cost | 23,170 | 24,540 |
| Deferred income tax benefits | 2,152 | 1,999 |
| Property, plant and equipment, net | 33,112 | 33,694 |
| Goodwill | 11,112 | 11,112 |
| Trademarks | 34,748 | 34,748 |
| Other assets | 21,058 | 21,304 |
| Total assets | \$ 266,163 | \$ 277,446 |
| LIABILITIES AND EQUITY: | | |
| Short-term borrowings | \$ 6,621 | \$ 5,405 |
| Accounts payable | 6,799 | 15,657 |
| Dividend payable | - | 2,045 |
| Accrued liabilities | 14,265 | 12,752 |
| Accrued income tax payable | 1,371 | 151 |
| Deferred income tax liabilities | 2,019 | 1,747 |
| Total current liabilities | 31,075 | 37,757 |
| Long-term pension liability | 33,784 | 33,379 |
| Other long-term liabilities | 2,645 | 8,356 |
| Common stock | 10,851 | 10,821 |
| Capital in excess of par value | 40,772 | 37,966 |
| Reinvested earnings | 159,415 | 160,179 |
| Accumulated other comprehensive loss | (19,096) | (18,030) |
| Total Weyco Group, Inc. equity | 191,942 | 190,936 |
| Noncontrolling interest | 6,717 | 7,018 |
| Total equity | 198,659 | 197,954 |
| Total liabilities and equity | \$ 266,163 | \$ 277,446 |

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 March 31, | |
|---|--|-----------------|
| | 2015 | 2014 |
| | (In thousands, except per share amounts) | |
| Net sales | \$ 78,052 | \$ 74,929 |
| Cost of sales | 49,315 | 47,565 |
| Gross earnings | 28,737 | 27,364 |
| Selling and administrative expenses | 22,951 | 22,494 |
| Earnings from operations | 5,786 | 4,870 |
| Interest income | 260 | 289 |
| Interest expense | (18) | (42) |
| Other expense, net | (278) | (115) |
| Earnings before provision for income taxes | 5,750 | 5,002 |
| Provision for income taxes | 2,158 | 1,752 |
| Net earnings | 3,592 | 3,250 |
| Net (loss) earnings attributable to noncontrolling interest | (41) | 45 |
| Net earnings attributable to Weyco Group, Inc. | \$ 3,633 | \$ 3,205 |
| Weighted average shares outstanding | | |
| Basic | 10,770 | 10,833 |
| Diluted | 10,867 | 10,930 |
| Earnings per share | | |
| Basic | \$ 0.34 | \$ 0.30 |
| Diluted | \$ 0.33 | \$ 0.29 |
| Cash dividends declared (per share) | \$ 0.19 | \$ 0.18 |
| Comprehensive income | \$ 2,266 | \$ 3,454 |
| Comprehensive (loss) income attributable to noncontrolling interest | (301) | 207 |
| Comprehensive income attributable to Weyco Group, Inc. | \$ 2,567 | \$ 3,247 |

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)

| | Three Months Ended March 31, | |
|--|-------------------------------------|------------------|
| | 2015 | 2014 |
| | (Dollars in thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net earnings | \$ 3,592 | \$ 3,250 |
| Adjustments to reconcile net earnings to net cash provided by operating activities - | | |
| Depreciation | 734 | 953 |
| Amortization | 110 | 54 |
| Bad debt expense | 34 | 112 |
| Deferred income taxes | (55) | 7 |
| Net foreign currency transaction losses | 203 | 65 |
| Stock-based compensation | 360 | 338 |
| Pension expense | 937 | 678 |
| Increase in cash surrender value of life insurance | (135) | (135) |
| Changes in operating assets and liabilities - | | |
| Accounts receivable | (683) | (5,528) |
| Inventories | 7,822 | 13,422 |
| Prepaid expenses and other assets | 1,870 | 2,799 |
| Accounts payable | (8,841) | (7,551) |
| Accrued liabilities and other | (5,564) | (1,309) |
| Accrued income taxes | 1,218 | 1,146 |
| Net cash provided by operating activities | <u>1,602</u> | <u>8,301</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of marketable securities | (300) | (3,528) |
| Proceeds from maturities of marketable securities | 1,715 | 2,416 |
| Purchase of property, plant and equipment | (531) | (300) |
| Net cash provided by (used for) investing activities | <u>884</u> | <u>(1,412)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash dividends paid | (4,095) | (3,899) |
| Shares purchased and retired | (2,422) | (81) |
| Proceeds from stock options exercised | 2,149 | 165 |
| Proceeds from bank borrowings | 31,419 | 4,815 |
| Repayments of bank borrowings | (30,203) | (7,824) |
| Income tax benefits from stock-based compensation | 412 | 14 |
| Net cash used for financing activities | <u>(2,740)</u> | <u>(6,810)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (128) | 94 |
| Net (decrease) increase in cash and cash equivalents | <u>\$ (382)</u> | <u>\$ 173</u> |
| CASH AND CASH EQUIVALENTS at beginning of period | <u>12,499</u> | <u>15,969</u> |
| CASH AND CASH EQUIVALENTS at end of period | <u>\$ 12,117</u> | <u>\$ 16,142</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Income taxes paid, net of refunds | \$ 535 | \$ 490 |
| Interest paid | \$ 18 | \$ 30 |

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 month period ended March 31, 2015, are not necessarily indicative of the results for the full year.

2. Earnings Per Share

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

| | Three Months Ended March 31, | |
|--|--|-----------------|
| | 2015 | 2014 |
| | (In thousands, except per share amounts) | |
| Numerator: | | |
| Net earnings attributable to Weyco Group, Inc. | <u>\$ 3,633</u> | <u>\$ 3,205</u> |
| Denominator: | | |
| Basic weighted average shares outstanding | 10,770 | 10,833 |
| Effect of dilutive securities: | | |
| Employee stock-based awards | <u>97</u> | <u>97</u> |
| Diluted weighted average shares outstanding | <u>10,867</u> | <u>10,930</u> |
| Basic earnings per share | <u>\$ 0.34</u> | <u>\$ 0.30</u> |
| Diluted earnings per share | <u>\$ 0.33</u> | <u>\$ 0.29</u> |

Diluted weighted average shares outstanding for the three months ended March 31, 2015, exclude anti-dilutive stock options totaling 652,700 shares of common stock at a weighted average price of \$27.76. Diluted weighted average shares outstanding for the three months ended March 31, 2014, exclude anti-dilutive stock options totaling 331,800 shares of common stock at a weighted average price of \$28.50.

3. Investments

As noted in the Company's Annual Report on Form 10-K for the year-ended December 31, 2014, all of the Company's municipal bond investments are classified as held-to-maturity securities and reported at amortized cost pursuant to Accounting Standards Codification ("ASC") 320, *Investments – Debt and Equity Securities* ("ASC 320") as the Company has the intent and ability to hold all bond investments to maturity.

Below is a summary of the amortized cost and estimated market values of the Company's investment securities as of March 31, 2015, and December 31, 2014.

| | March 31, 2015 | | December 31, 2014 | |
|--------------------------------------|------------------------|---------------------|--------------------------|---------------------|
| | Amortized Cost | Market Value | Amortized Cost | Market Value |
| | (Dollars in thousands) | | | |
| Municipal bonds: | | | | |
| Current | \$ 5,844 | \$ 5,919 | \$ 5,914 | \$ 6,006 |
| Due from one through five years | 13,116 | 13,856 | 14,398 | 15,204 |
| Due from six through ten years | 8,957 | 9,366 | 9,337 | 9,711 |
| Due from eleven through twenty years | 1,097 | 1,069 | 805 | 762 |
| Total | <u>\$ 29,014</u> | <u>\$ 30,210</u> | <u>\$ 30,454</u> | <u>\$ 31,683</u> |

The unrealized gains and losses on investment securities at March 31, 2015, and at December 31, 2014, were as follows:

| | March 31, 2015 | | December 31, 2014 | |
|-----------------|------------------------|-------------------|-------------------|-------------------|
| | Unrealized Gains | Unrealized Losses | Unrealized Gains | Unrealized Losses |
| | (Dollars in thousands) | | | |
| Municipal bonds | \$ 1,245 | \$ (49) | \$ 1,279 | \$ (50) |

The estimated market values provided are level 2 valuations as defined by ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). The Company reviewed its portfolio of investments as of March 31, 2015, and determined that no other-than-temporary market value impairment exists.

4. Intangible Assets

The Company's indefinite-lived and amortizable intangible assets as recorded in the Consolidated Condensed Balance Sheets (Unaudited) consisted of the following as of March 31, 2015:

| | Weighted Average Life (Years) | March 31, 2015 | | |
|--|-------------------------------|-----------------------|--------------------------|------------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net |
| | | | | (Dollars in thousands) |
| Indefinite-lived intangible assets: | | | | |
| Goodwill | | \$ 11,112 | \$ - | \$ 11,112 |
| Trademarks | | 34,748 | - | 34,748 |
| Total indefinite-lived intangible assets | | <u>\$ 45,860</u> | <u>\$ -</u> | <u>\$ 45,860</u> |
| Amortizable intangible assets: | | | | |
| Non-compete agreement | 5 | \$ 200 | \$ (163) | \$ 37 |
| Customer relationships | 15 | 3,500 | (953) | 2,547 |
| Total amortizable intangible assets | | <u>\$ 3,700</u> | <u>\$ (1,116)</u> | <u>\$ 2,584</u> |

The Company's indefinite-lived and amortizable intangible assets as recorded in the Consolidated Condensed Balance Sheets (Unaudited) consisted of the following as of December 31, 2014:

| | Weighted Average Life (Years) | December 31, 2014 | | |
|--|-------------------------------|-----------------------|--------------------------|------------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net |
| | | | | (Dollars in thousands) |
| Indefinite-lived intangible assets: | | | | |
| Goodwill | | \$ 11,112 | \$ - | \$ 11,112 |
| Trademarks | | 34,748 | - | 34,748 |
| Total indefinite-lived intangible assets | | <u>\$ 45,860</u> | <u>\$ -</u> | <u>\$ 45,860</u> |
| Amortizable intangible assets: | | | | |
| Non-compete agreement | 5 | \$ 200 | \$ (153) | \$ 47 |
| Customer relationships | 15 | 3,500 | (894) | 2,606 |
| Total amortizable intangible assets | | <u>\$ 3,700</u> | <u>\$ (1,047)</u> | <u>\$ 2,653</u> |

The Company's amortizable intangible assets are included within other assets in the Consolidated Condensed Balance Sheets (Unaudited).

5. 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 its segments based on earnings from operations and accordingly, interest income or expense, other income or expense, and income taxes are not allocated to the segments. The “other” category in the table 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 months ended March 31, 2015 and 2014, was as follows:

| Three Months Ended March 31, | Wholesale | Retail | Other | Total |
|---------------------------------|------------------------|----------|-----------|-----------|
| | (Dollars in thousands) | | | |
| 2015 | | | | |
| Product sales | \$ 60,448 | \$ 4,920 | \$ 11,989 | \$ 77,357 |
| Licensing revenues | 695 | - | - | 695 |
| Net sales | \$ 61,143 | \$ 4,920 | \$ 11,989 | \$ 78,052 |
| Earnings from operations | \$ 4,811 | \$ 272 | \$ 703 | \$ 5,786 |
| 2014 | | | | |
| Product sales | \$ 56,061 | \$ 5,206 | \$ 13,013 | \$ 74,280 |
| Licensing revenues | 649 | - | - | 649 |
| Net sales | \$ 56,710 | \$ 5,206 | \$ 13,013 | \$ 74,929 |
| Earnings from operations | \$ 3,568 | \$ 418 | \$ 884 | \$ 4,870 |

6. Employee Retirement Plans

The components of the Company’s net pension expense were as follows:

| | Three Months Ended March 31, | |
|---|------------------------------|---------------|
| | 2015 | 2014 |
| | (Dollars in thousands) | |
| Benefits earned during the period | \$ 411 | \$ 391 |
| Interest cost on projected benefit obligation | 673 | 663 |
| Expected return on plan assets | (592) | (573) |
| Net amortization and deferral | 445 | 197 |
| Net pension expense | <u>\$ 937</u> | <u>\$ 678</u> |

7. Stock-Based Compensation Plans

During the three months ended March 31, 2015, the Company recognized approximately \$360,000 of compensation expense associated with stock option and restricted stock awards granted in the years 2011 through 2014. During the three months ended March 31, 2014, the Company recognized approximately \$338,000 of compensation expense associated with stock option and restricted stock awards granted in the years 2010 through 2013.

The following table summarizes the Company’s stock option activity for the three month period ended March 31, 2015:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value* |
|----------------------------------|------------------|--|---|----------------------------------|
| Outstanding at December 31, 2014 | 1,355,416 | \$ 25.36 | | |
| Exercised | (115,416) | \$ 18.62 | | |
| Forfeited or expired | (4,875) | \$ 26.60 | | |
| Outstanding at March 31, 2015 | <u>1,235,125</u> | <u>\$ 25.99</u> | <u>3.9</u> | <u>\$ 4,833,000</u> |
| Exercisable at March 31, 2015 | <u>488,418</u> | <u>\$ 24.85</u> | <u>2.6</u> | <u>\$ 2,469,000</u> |

* The aggregate intrinsic value of outstanding and exercisable stock options is defined as the difference between the closing price of the Company’s stock on March 31, 2015, the last trading day of the quarter, of \$29.90 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 months ended March 31, 2015 and 2014:

| | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2015 | 2014 |
| | (Dollars in thousands) | |
| Total intrinsic value of stock options exercised | \$ 1,057 | \$ 37 |
| Cash received from stock option exercises | \$ 2,149 | \$ 165 |
| Income tax benefit from the exercise of stock options | \$ 412 | \$ 14 |

The following table summarizes the Company's restricted stock award activity for the three month period ended March 31, 2015:

| | Shares of Restricted Stock | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value* |
|---------------------------------|---|---|--|---|
| Non-vested at December 31, 2014 | 54,050 | \$ 26.58 | | |
| Issued | - | - | | |
| Vested | - | - | | |
| Forfeited | - | - | | |
| Non-vested at March 31, 2015 | <u>54,050</u> | <u>\$ 26.58</u> | <u>2.7</u> | <u>\$ 1,616,000</u> |

* The aggregate intrinsic value of non-vested restricted stock was calculated using the closing price of the Company's stock on March 31, 2015, the last trading day of the quarter, of \$29.90 multiplied by the number of non-vested restricted shares outstanding.

8. Short-Term Borrowings

At March 31, 2015, the Company had a \$60 million unsecured revolving line of credit with a bank expiring November 5, 2015. The line of credit bears interest at LIBOR plus 0.75%. At March 31, 2015, outstanding borrowings were approximately \$6.6 million at an interest rate of 0.93%. The highest balance on the line of credit during the quarter was \$12.9 million.

9. Contingent Consideration

Contingent consideration is comprised of two contingent payments that the Company is obligated to pay the former shareholders of The Combs Company ("Bogs") related to the Company's acquisition of Bogs in 2011. The estimate of contingent consideration is formula-driven and is based on Bogs achieving certain levels of gross margin dollars between January 1, 2011, and December 31, 2015. The first contingent payment was due in 2013 and was paid on March 28, 2013, in the amount of \$1,270,000. The second payment is due in March 2016. In accordance with ASC 805, *Business Combinations* ("ASC 805"), the Company remeasures its estimate of the fair value of the contingent consideration at each reporting date. The change in fair value is recognized in earnings.

The Company's estimate of the fair value of the second contingent payment was approximately \$5.7 million as of March 31, 2015, and December 31, 2014. The entire balance was recorded within accrued liabilities as of March 31, 2015, and other long-term liabilities as of December 31, 2014, in the Consolidated Condensed Balance Sheets (Unaudited).

The fair value measurement of the contingent consideration is based on significant inputs not observed in the market and thus represents a level 3 valuation as defined by ASC 820.

10. Financial Instruments

At March 31, 2015, the Company had forward exchange contracts outstanding to sell \$5.5 million Canadian dollars at a price of approximately \$5.0 million U.S. dollars. Additionally, the Company's majority-owned subsidiary, Florsheim Australia, had forward exchange contracts outstanding to buy \$4.0 million U.S. dollars at a price of approximately \$4.9 million Australian dollars. Based on quarter-end exchange rates, there were no significant gains or losses on the outstanding contracts.

The Company determines the fair value of forward 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.

11. Comprehensive Income

Comprehensive income for the three months ended March 31, 2015 and 2014, was as follows:

| | Three Months Ended March 31, | |
|---|-------------------------------------|-----------------|
| | 2015 | 2014 |
| | (Dollars in thousands) | |
| Net earnings | \$ 3,592 | \$ 3,250 |
| Foreign currency translation adjustments | (1,597) | 84 |
| Pension liability, net of tax of \$174 and \$77, respectively | 271 | 120 |
| Total comprehensive income | <u>\$ 2,266</u> | <u>\$ 3,454</u> |

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

| | March 31, | December 31, |
|--|------------------------|---------------------|
| | 2015 | 2014 |
| | (Dollars in thousands) | |
| Foreign currency translation adjustments | \$ (4,231) | \$ (2,894) |
| Pension liability, net of tax | (14,865) | (15,136) |
| Total accumulated other comprehensive loss | <u>\$ (19,096)</u> | <u>\$ (18,030)</u> |

The following presents a tabular disclosure about changes in accumulated other comprehensive loss during the three months ended March 31, 2015:

| | Foreign Currency Translation Adjustments | Defined Benefit Pension Items | Total |
|--|---|--|--------------------|
| Beginning balance, December 31, 2014 | \$ (2,894) | \$ (15,136) | \$ (18,030) |
| Other comprehensive loss before reclassifications | (1,337) | - | (1,337) |
| Amounts reclassified from accumulated other comprehensive loss | - | 271 | 271 |
| Net current period other comprehensive (loss) income | (1,337) | 271 | (1,066) |
| Ending balance, March 31, 2015 | <u>\$ (4,231)</u> | <u>\$ (14,865)</u> | <u>\$ (19,096)</u> |

The following presents a tabular disclosure about reclassification adjustments out of accumulated other comprehensive loss during the three months ended March 31, 2015:

| | Amounts reclassified from accumulated other comprehensive loss for the three months ended March 31, 2015 | Affected line item in the statement where net income is presented |
|--|---|--|
| Amortization of defined benefit pension items | | |
| Prior service cost | \$ (28) | (1) |
| Actuarial losses | 473 | (1) |
| Total before tax | 445 | |
| Tax benefit | (174) | |
| Net of tax | <u>\$ 271</u> | |

(1) These amounts were included in the computation of net periodic pension cost. See Note 6 for additional details.

12. Equity

A reconciliation of the Company's equity for the three months ended March 31, 2015, is as follows:

| | <u>Common Stock</u> | <u>Capital in Excess of Par Value</u> | <u>Reinvested Earnings</u> | <u>Accumulated Other Comprehensive Loss</u> | <u>Noncontrolling Interest</u> |
|---|-------------------------|---|--------------------------------|---|------------------------------------|
| | (Dollars in thousands) | | | | |
| Balance, December 31, 2014 | \$ 10,821 | \$ 37,966 | \$ 160,179 | \$ (18,030) | \$ 7,018 |
| Net earnings | - | - | 3,633 | - | (41) |
| Foreign currency translation adjustments | - | - | - | (1,337) | (260) |
| Pension liability adjustment, net of tax | - | - | - | 271 | - |
| Cash dividends declared | - | - | (2,060) | - | - |
| Stock options exercised | 115 | 2,034 | - | - | - |
| Stock-based compensation expense | - | 360 | - | - | - |
| Income tax benefit from stock options exercised | - | 412 | - | - | - |
| Shares purchased and retired | (85) | - | (2,337) | - | - |
| Balance, March 31, 2015 | <u>\$ 10,851</u> | <u>\$ 40,772</u> | <u>\$ 159,415</u> | <u>\$ (19,096)</u> | <u>\$ 6,717</u> |

13. Subsequent Events

On May 5, 2015, the Company's Board of Directors authorized the repurchase of an additional 1.0 million shares of its common stock under its repurchase program, bringing the total available to purchase to approximately 1.2 million shares.

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. 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, 2014.

GENERAL

The Company designs and markets quality and innovative footwear for men, women and children under a portfolio of well-recognized brand names including: "Florsheim," "Nunn Bush," "Stacy Adams," "BOGS," "Rafters," and "Umi." 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, 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 consisted of 15 Company-owned retail stores and an internet business in the United States as of March 31, 2015. 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 the retail environment in the United States.

EXECUTIVE OVERVIEW

Sales and Earnings Highlights

Consolidated net sales for the first quarter of 2015 were \$78.1 million, up 4% over last year's first quarter net sales of \$74.9 million. Earnings from operations increased 19% to \$5.8 million this quarter, from \$4.9 million in the same period of 2014. Consolidated net earnings attributable to Weyco Group, Inc. rose 13% to \$3.6 million in the first quarter of 2015, from \$3.2 million in last year's first quarter. Diluted earnings per share increased to \$0.33 for the three months ended March 31, 2015, up from \$0.29 per share in the first quarter of 2014.

The majority of the increase in consolidated net sales came from the Company's wholesale segment. Wholesale net sales increased \$4.4 million this quarter, compared to the same period last year. This increase was primarily due to higher sales of the Stacy Adams, BOGS and Nunn Bush brands.

Consolidated earnings from operations were up \$916,000 for the quarter, compared to the same period last year, primarily due to the increase in wholesale net sales.

Financial Position Highlights

At March 31, 2015, cash and marketable securities totaled \$41.1 million and outstanding debt totaled \$6.6 million. At December 31, 2014, cash and marketable securities totaled \$43.0 million and outstanding debt totaled \$5.4 million. During the first three months of 2015, the Company collected \$2.1 million from stock option exercises, generated \$1.6 million in cash from operations, received net proceeds of \$1.4 million from maturities of marketable securities, and drew down \$1.2 million on its revolving line of credit. The Company paid dividends of \$4.1 million, spent \$2.4 million on purchases of Company stock and had \$531,000 in capital expenditures.

SEGMENT ANALYSIS

Net sales and earnings from operations for the Company's segments for the three months ended March 31, 2015 and 2014, were as follows:

| | Three Months Ended March 31, | | % Change |
|---------------------------------|------------------------------|------------------|-------------|
| | 2015 | 2014 | |
| | (Dollars in thousands) | | |
| Net Sales | | | |
| North American Wholesale | \$ 61,143 | \$ 56,710 | 8% |
| North American Retail | 4,920 | 5,206 | -5% |
| Other | 11,989 | 13,013 | -8% |
| Total | <u>\$ 78,052</u> | <u>\$ 74,929</u> | 4% |
| Earnings from Operations | | | |
| North American Wholesale | \$ 4,811 | \$ 3,568 | 35% |
| North American Retail | 272 | 418 | -35% |
| Other | 703 | 884 | -20% |
| Total | <u>\$ 5,786</u> | <u>\$ 4,870</u> | 19% |

North American Wholesale Segment

Net Sales

Net sales in the Company's North American wholesale segment for the three months ended March 31, 2015 and 2014, were as follows:

North American Wholesale Segment Net Sales

| | Three Months Ended March 31, | | % Change |
|--|------------------------------|------------------|-------------|
| | 2015 | 2014 | |
| | (Dollars in thousands) | | |
| North American Net Sales | | | |
| Stacy Adams | \$ 20,450 | \$ 17,761 | 15% |
| Nunn Bush | 17,369 | 16,612 | 5% |
| Florsheim | 12,604 | 12,998 | -3% |
| BOGS/Rafters | 9,344 | 7,767 | 20% |
| Umi | 681 | 923 | -26% |
| Total North American Wholesale | <u>\$ 60,448</u> | <u>\$ 56,061</u> | 8% |
| Licensing | 695 | 649 | 7% |
| Total North American Wholesale Segment | <u>\$ 61,143</u> | <u>\$ 56,710</u> | 8% |

The increase in Stacy Adams first quarter net sales was primarily due to sales volume increases in the modern dress shoe category across all major distribution channels. Net sales of the Nunn Bush brand were up due to increased sales with department stores and off-price retailers, partially offset by lower sales with national shoe chains. Florsheim's net sales were down mainly due to lower sales with department stores and off-price retailers. The increase in BOGS/Rafters net sales was primarily due to higher sales volumes of BOGS women's and children's boots in the U.S. and Canada.

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

Driven by higher sales volumes, earnings from operations in the North American wholesale segment increased 35% to \$4.8 million in the first quarter of 2015, from \$3.6 million in the same period last year. Wholesale gross earnings were \$19.0 million, or 31.0% of net sales, in the first quarter of 2015, compared with \$17.2 million, or 30.4% of net sales, in last year's first quarter.

The Company's cost of sales does not include distribution costs (e.g., receiving, inspection or warehousing costs). Distribution costs were \$2.8 million for each of the three-month periods ended March 31, 2015 and 2014. 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 23% of net sales in the first quarter of 2015 versus 24% in the same period last year.

North American Retail Segment

Net Sales

Net sales in the Company's North American retail segment were \$4.9 million in the first quarter of 2015, down 5% as compared to \$5.2 million in 2014. Same store sales, which include sales of both the U.S. internet business and brick and mortar stores, were down 1% for the quarter. The Company's U.S. internet sales were \$2.4 million and \$2.2 million for the three months ended March 31, 2015 and 2014, respectively. Sales at the Company's brick and mortar locations were \$2.5 million in the first quarter of 2015 and \$3.0 million in the same period of 2014. The decrease in sales was due to a 9% decrease in brick and mortar same store sales and the impact of two fewer stores operating in 2015 compared to 2014.

Earnings from Operations

Earnings from operations in the North American retail segment decreased 35% to \$272,000 in the first quarter of 2015, from \$418,000 in the first quarter of 2014. Retail gross earnings were 65.9% of net sales in the first quarter of 2015, up from 65.2% of net sales in 2014. Selling and administrative expenses for the retail segment include, and are primarily related to, rent and occupancy costs, employee costs and depreciation. Retail selling and administrative expenses were 60.3% of net sales in the first quarter of 2015 versus 57.2% in last year's first quarter. The decrease in retail earnings from operations was primarily due to lower net sales at the Company's brick and mortar stores.

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 \$12.0 million in the first quarter of 2015, down 8% as compared to \$13.0 million in 2014. This decrease resulted from the translation of local currency sales into U.S. dollars. The majority of the Company's other net sales were generated by Florsheim Australia. For the quarter ended March 31, 2015, Florsheim Australia's net sales were down 2% for the quarter; however, in local currency, its net sales were up 11%. This increase was due to higher sales volumes in both its retail businesses, where sales were up 11% (same store sales up 8%), and its wholesale businesses, where sales were up 12%. Florsheim Australia's net sales were negatively impacted by the weaker Australian dollar relative to the U.S. dollar in the first quarter of 2015, as compared to last year's first quarter. Florsheim Europe's net sales this quarter were down 9% in local currency and 25% in U.S. dollars, as compared to the first quarter of 2014.

Collectively, the operating earnings of the Company's other businesses were \$703,000 this quarter, down 20% as compared to \$884,000 in the first quarter of 2014. This decrease was primarily due to lower operating earnings at Florsheim Europe.

Other income and expense and taxes

Interest income for the first quarter of 2015 was down \$29,000 compared to the first quarter of 2014, due to a lower average investment balance this year compared to last year. Interest expense was down \$24,000 for the quarter, due to a lower average debt balance this year compared to last year.

The Company's effective tax rate for the quarter ended March 31, 2015, was 37.5% as compared to 35.0% for the same period of 2014. The higher effective tax rate this quarter was primarily due to a lower percentage of tax free municipal bond income relative to pretax earnings in the United States.

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 \$1.6 million of cash from operating activities during the first three months of 2015, compared to \$8.3 million in the same period one year ago. The decrease between years was primarily due to changes in operating assets and liabilities, and most significantly, in the inventory and accrued liabilities balances.

The Company paid cash dividends of \$4.1 million and \$3.9 million during the three months ended March 31, 2015 and 2014, 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 quarter of 2015, the Company repurchased 85,901 shares at a total cost of \$2.4 million. As of March 31, 2015, the Company had 244,998 shares available under its previously announced stock repurchase program. On May 5, 2015, the Company's Board of Directors authorized the repurchase of an additional 1.0 million shares of its common stock under its repurchase program, bringing the total available to purchase to approximately 1.2 million shares. See Part II, Item 2, "Unregistered Sales of Equity Securities and Use of Proceeds" below for more information.

Capital expenditures were \$531,000 in the first three months of 2015. Management estimates that annual capital expenditures for 2015 will be between \$2 million and \$3 million.

At March 31, 2015, the Company had a \$60 million unsecured revolving line of credit with a bank expiring November 5, 2015. The line of credit bears interest at LIBOR plus 0.75%. The Company borrowed a net of \$1.2 million on the line of credit during the first three months of 2015. At March 31, 2015, outstanding borrowings were \$6.6 million at an interest rate of 0.93%. The highest balance on the line of credit during the quarter was \$12.9 million.

The Company made a contingent consideration payment of \$1,270,000 in the first quarter of 2013. The second contingent consideration payment is due to the former shareholders of Bogs in March 2016. See Note 9 of the accompanying consolidated condensed financial statements.

As of March 31, 2015, 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

There were no material changes to the Company's contractual obligations during the quarter ended March 31, 2015, from those disclosed in the Company's Annual Report on Form 10-K for the year-ended December 31, 2014.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes from those reported in the Company's Annual Report on Form 10-K for the year-ended December 31, 2014.

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, 2014.

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

The table below presents information pursuant to Item 703(a) of Regulation S-K regarding the purchase of the Company's common stock by the Company in the three month period ended March 31, 2015.

| <u>Period</u> | <u>Total Number of Shares Purchased</u> | <u>Average Price Paid Per Share</u> | <u>Total Number of Shares Purchased as Part of the Publicly Announced Program</u> | <u>Maximum Number of Shares that May Yet Be Purchased Under the Program ⁽¹⁾</u> |
|----------------------|---|---|---|--|
| 1/1/2015 - 1/31/2015 | 8,492 | \$ 26.83 | 8,492 | 322,407 |
| 2/1/2015 - 2/28/2015 | 2,862 | \$ 26.85 | 2,862 | 319,545 |
| 3/1/2015 - 3/31/2015 | <u>74,547</u> | <u>\$ 28.40</u> | <u>74,547</u> | 244,998 |
| Total | 85,901 | \$ 28.20 | 85,901 | |

⁽¹⁾ In April 1998, the Company's Board of Directors first authorized a stock repurchase program to repurchase 1,500,000 shares of its common stock in open market transactions at prevailing prices. In April 2000 and again in May 2001, the Company's Board of Directors extended the stock repurchase program to cover the repurchase of 1,500,000 additional shares. In February 2009 and again in May 2015, the Board of Directors extended the stock repurchase program to cover the repurchase of 1,000,000 additional shares, bringing the total authorized since inception to 6,500,000 shares.

Item 6. Exhibits.

See the Exhibit Index included herewith for a listing of exhibits.

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: May 7, 2015

/s/ John F. Wittkowske

John F. Wittkowske

Senior Vice President and Chief Financial Officer

WEYCO GROUP, INC.
(THE "REGISTRANT")
(COMMISSION FILE NO. 0-9068)

EXHIBIT INDEX
TO
CURRENT REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED March 31, 2015

| <u>Exhibit</u> | <u>Description</u> | <u>Incorporation Herein By Reference</u> <u>To</u> | <u>Filed</u> <u>Herewith</u> |
|----------------|---|---|---------------------------------|
| 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 March 31, 2015 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Condensed Balance Sheets; (ii) Consolidated Condensed Statements of Earnings and Comprehensive Income; (iii) Consolidated Condensed Statements of Cash Flows; and (v) Notes to Consolidated Condensed Financial Statements, furnished herewith | | X |

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.

Date: May 7, 2015

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

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.

Date: May 7, 2015

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

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 March 31, 2015, (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: May 7, 2015

/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.