

WEYCO GROUP INC  
Form 10-Q  
August 04, 2006

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**FORM 10-Q**  
**SECURITIES & EXCHANGE COMMISSION**  
Washington, D. C. 20549

(Mark One)

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

For the quarterly period ended June 30, 2006

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)*

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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 July 24, 2006 the following shares were outstanding:

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Common Stock, \$1.00 par value	9,075,601	Shares
Class B Common Stock, \$1.00 par value	2,588,281	Shares

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PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

The condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. It is suggested that these 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 SUBSIDIARIESCONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,389,778	\$ 22,780,913
Marketable securities, at amortized cost	815,126	875,317
Accounts receivable, net	26,082,913	27,843,048
Accrued income tax receivable	1,011,655	
Inventories	37,624,461	38,548,602
Deferred income tax benefits	1,121,792	1,174,235
Prepaid expenses and other current assets	925,844	1,424,858
	<u>79,971,569</u>	<u>92,646,973</u>
Total current assets	79,971,569	92,646,973
MARKETABLE SECURITIES, at amortized cost	44,005,940	30,290,089
OTHER ASSETS	14,124,845	14,252,604
PLANT AND EQUIPMENT, net	43,475,823	42,283,678
Less Accumulated depreciation	15,879,941	14,842,916
	<u>27,595,882</u>	<u>27,440,762</u>
TRADEMARK	10,867,969	10,867,969
	<u>\$ 176,566,205</u>	<u>\$ 175,498,397</u>
<b>LIABILITIES &amp; SHAREHOLDERS INVESTMENT</b>		
CURRENT LIABILITIES:		
Short-term borrowings	\$ 9,518,076	\$ 9,552,504
Accounts payable	6,597,607	12,222,907
Dividend payable	1,044,713	810,241
Accrued liabilities	6,508,263	6,106,107
Accrued income taxes		1,221,423
	<u>23,668,659</u>	<u>29,913,182</u>
Total current liabilities	23,668,659	29,913,182
LONG-TERM PENSION LIABILITY	3,790,813	3,672,312
DEFERRED INCOME TAX LIABILITIES	5,161,206	5,344,702
SHAREHOLDERS INVESTMENT:		
Common stock	9,075,601	8,979,243
Class B common stock	2,588,281	2,595,031
Capital in excess of par value	5,310,176	3,437,697
Reinvested earnings	126,645,735	121,334,722
Accumulated other comprehensive income	325,734	221,508
	<u>143,945,527</u>	<u>136,568,201</u>
Total shareholders investment	143,945,527	136,568,201
	<u>\$ 176,566,205</u>	<u>\$ 175,498,397</u>

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

WEYCO GROUP, INC. AND SUBSIDIARIESCONSOLIDATED CONDENSED STATEMENTS OF EARNINGS  
FOR THE PERIODS ENDED JUNE 30, 2006 AND 2005 (UNAUDITED)

	<u>Three Months ended June 30</u>		<u>Six Months ended June 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
NET SALES	\$ 45,111,438	\$ 44,746,051	\$ 104,399,649	\$ 102,576,858
COST OF SALES	27,651,564	28,790,627	65,906,885	65,999,768
Gross earnings	17,459,874	15,955,424	38,492,764	36,577,090
SELLING AND ADMINISTRATIVE EXPENSES	11,975,701	11,353,366	24,802,329	23,565,649
Earnings from operations	5,484,173	4,602,058	13,690,435	13,011,441
INTEREST INCOME	517,849	267,231	979,708	412,536
INTEREST EXPENSE	(118,472)	(76,700)	(297,294)	(149,967)
OTHER INCOME (EXPENSE), net	8,742	(8,189)	3,472	(30,048)
Earnings before provision for income taxes	5,892,292	4,784,400	14,376,321	13,243,962
PROVISION FOR INCOME TAXES	2,250,000	1,755,000	5,425,000	5,015,000
Net earnings	\$ 3,642,292	\$ 3,029,400	\$ 8,951,321	\$ 8,228,962
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>				
Basic	11,612,051	11,569,353	11,596,254	11,543,730
Diluted	12,054,041	11,958,369	12,032,359	11,969,210
<b>EARNINGS PER SHARE</b>				
Basic	\$ .31	\$ .26	\$ .77	\$ .71
Diluted	\$ .30	\$ .25	\$ .74	\$ .69
CASH DIVIDENDS PER SHARE	\$ .09	\$ .07	\$ .16	\$ .125

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

WEYCO GROUP, INC. AND SUBSIDIARIESCONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005 (UNAUDITED)

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings	\$ 8,951,321	\$ 8,228,962
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	1,077,279	1,129,259
Amortization	34,164	22,918
Deferred income taxes	(131,053)	787,899
Pension expense	596,502	442,302
Loss (Gain) on sale of assets	13	(1,642)
Increase in cash surrender value of life insurance	(251,070)	(222,000)
Changes in operating assets and liabilities -		
Accounts receivable	1,760,135	4,492,871
Inventories	924,141	12,769,092
Prepays and other current assets	507,841	627,632
Accounts payable	(5,625,300)	1,637,395
Accrued liabilities and other	384,361	(3,413,868)
Accrued income taxes	(2,233,078)	(292,711)
	<u>5,995,256</u>	<u>26,208,109</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of marketable securities	(14,795,896)	(13,614,582)
Proceeds from maturities of marketable securities	1,106,072	2,071,654
Purchase of plant and equipment	(1,219,386)	(778,408)
Proceeds from sales of plant and equipment	996	4,587
	<u>(14,908,214)</u>	<u>(12,316,749)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash dividends paid	(1,620,493)	(1,264,542)
Shares purchased and retired	(1,875,593)	(1,288,822)
Proceeds from stock options exercised	1,195,489	1,303,249
Repayments under revolving credit agreement	(34,428)	(1,709,878)
Income tax benefit from the exercise of stock options	856,848	
	<u>(1,478,177)</u>	<u>(2,959,993)</u>
Net cash used for investing activities	<u>(14,908,214)</u>	<u>(12,316,749)</u>
Net cash used for financing activities	<u>(1,478,177)</u>	<u>(2,959,993)</u>
Net (decrease) increase in cash and cash equivalents	<u>(10,391,135)</u>	<u>10,931,367</u>
CASH AND CASH EQUIVALENTS at beginning of period	\$ 22,780,913	\$ 10,514,707
CASH AND CASH EQUIVALENTS at end of period	\$ 12,389,778	\$ 21,446,074