

WEYCO GROUP INC
Form 10-Q
November 02, 2006

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 September 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 October 31, 2006 the following shares were outstanding:

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Common Stock, \$1.00 par value	9,089,706	Shares
Class B Common Stock, \$1.00 par value	2,586,887	Shares

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>September 30, 2006</u>	<u>December 31, 2005</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,299,953	\$ 22,780,913
Marketable securities, at amortized cost	815,030	875,317
Accounts receivable, net	34,985,077	27,843,048
Inventories	47,039,922	38,548,602
Deferred income tax benefits	1,661,788	1,174,235
Prepaid expenses and other current assets	819,341	1,424,858
	<u>90,621,111</u>	<u>92,646,973</u>
Total current assets	90,621,111	92,646,973
MARKETABLE SECURITIES, at amortized cost	41,996,669	30,290,089
OTHER ASSETS	15,062,053	14,252,604
PLANT AND EQUIPMENT	44,578,858	42,283,678
Less Accumulated depreciation	16,481,462	14,842,916
	<u>28,097,396</u>	<u>27,440,762</u>
TRADEMARK	10,867,969	10,867,969
	<u>\$ 186,645,198</u>	<u>\$ 175,498,397</u>
LIABILITIES & SHAREHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Short-term borrowings	\$ 11,602,566	\$ 9,552,504
Accounts payable	8,288,311	12,222,907
Dividend payable	1,052,693	810,241
Accrued liabilities	7,482,685	6,106,107
Accrued income taxes	570,445	1,221,423
	<u>28,996,700</u>	<u>29,913,182</u>
Total current liabilities	28,996,700	29,913,182
LONG-TERM PENSION LIABILITY	3,850,063	3,672,312
DEFERRED INCOME TAX LIABILITIES	5,980,146	5,344,702
SHAREHOLDERS' INVESTMENT:		
Common stock	9,088,312	8,979,243
Class B common stock	2,588,281	2,595,031
Capital in excess of par value	6,213,679	3,437,697
Reinvested earnings	129,570,619	121,334,722
Accumulated other comprehensive income	357,398	221,508
	<u>147,818,289</u>	<u>136,568,201</u>
Total shareholders' investment	147,818,289	136,568,201
	<u>\$ 186,645,198</u>	<u>\$ 175,498,397</u>

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 SEPTEMBER 30, 2006 AND 2005 (UNAUDITED)

	Three Months ended September 30,		Nine Months ended September 30,	
	2006	2005	2006	2005
NET SALES	\$ 56,084,718	\$ 55,218,588	\$ 160,484,367	\$ 157,795,446
COST OF SALES	35,484,325	35,607,712	101,391,210	101,607,480
Gross earnings	20,600,393	19,610,876	59,093,157	56,187,966
SELLING AND ADMINISTRATIVE EXPENSES	12,744,934	11,959,191	37,547,263	35,524,839
Earnings from operations	7,855,459	7,651,685	21,545,894	20,663,127
INTEREST INCOME	488,670	298,428	1,468,378	710,964
INTEREST EXPENSE	(145,271)	(87,051)	(442,565)	(237,018)
OTHER INCOME (EXPENSE), net	(5,720)	4,260	(2,248)	(25,788)
Earnings before provision for income taxes	8,193,138	7,867,322	22,569,459	21,111,285
PROVISION FOR INCOME TAXES	3,025,000	3,045,000	8,450,000	8,060,000
Net earnings	\$ 5,168,138	\$ 4,822,322	\$ 14,119,459	\$ 13,051,285
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	11,675,238	11,575,788	11,621,084	11,555,307
Diluted	12,098,045	11,992,330	12,031,126	11,973,913
EARNINGS PER SHARE				
Basic	\$.44	\$.42	\$ 1.21	\$ 1.13
Diluted	\$.43	\$.40	\$ 1.17	\$ 1.09
CASH DIVIDENDS PER SHARE				
	\$.09	\$.07	\$.25	\$.195

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 NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005 (UNAUDITED)

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 14,119,459	\$ 13,051,285
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	1,604,725	1,693,347
Amortization	54,613	35,566
Deferred income taxes	147,891	507,444
Pension contribution	(1,000,000)	
Pension expense	894,753	663,453
Gain (loss) on sale of assets	13	(1,642)
Increase in cash surrender value of life insurance	(376,605)	(333,000)
Changes in operating assets and liabilities -		
Accounts receivable	(7,142,029)	(6,416,573)
Inventories	(8,491,320)	11,021,966
Prepays and other current assets	617,670	807,958
Accounts payable	(3,934,596)	2,315,548
Accrued liabilities and other	1,333,778	(2,406,293)
Accrued income taxes	(650,978)	753,994
	<u>(2,822,626)</u>	<u>21,693,053</u>
Net cash (used for) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of marketable securities	(17,813,020)	(17,615,427)
Proceeds from maturities of marketable securities	6,112,114	3,029,703
Purchase of plant and equipment	(2,245,677)	(1,086,860)
Proceeds from sales of plant and equipment	996	4,587
	<u>(13,945,587)</u>	<u>(15,667,997)</u>
Net cash used for investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(2,665,206)	(2,074,017)
Shares purchased and retired	(3,124,644)	(1,423,656)
Proceeds from stock options exercised	1,828,579	1,722,494
Net draws (repayments) under revolving credit agreement	2,050,062	(1,875,404)
Income tax benefit from the exercise of stock options	1,198,462	
	<u>(712,747)</u>	<u>(3,650,583)</u>
Net cash used for financing activities		
Net (decrease) increase in cash and cash equivalents	<u>(17,480,960)</u>	<u>2,374,473</u>
CASH AND CASH EQUIVALENTS at beginning of period	\$ 22,780,913	\$ 10,514,707