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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 our Annual Report on Form 10-K for the year-ended December 31, 2023, filed on March 14, 2024, which information is incorporated herein by reference. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

GENERALThe Company designs, markets, and distributes 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, Rafters, and Forsake. Inventory is purchased from third-party overseas manufacturers. Almost all of these foreign-sourced purchases are denominated in U.S. dollars. We have two reportable segments, North American wholesale operations (the "Wholesale") and North American retail operations (the "Retail"). In the Wholesale segment, our products are sold to leading footwear, department, and specialty stores, as well as e-commerce retailers, primarily in the United States and Canada. We also have licensing agreements with third parties who sell our branded apparel, accessories, and specialty footwear in the United States, as well as our footwear in Mexico and certain markets overseas. Licensing revenues are included in our Wholesale segment. Our Retail segment consists of e-commerce businesses and four brick-and-mortar retail stores in the United States. Retail sales are made directly to consumers on our websites, or by our employees in our stores. Our [other](#) operations include our wholesale and retail businesses in Australia, South Africa, and Asia Pacific (collectively, the "Florsheim Australia"). We ceased operations in the Asia Pacific region in 2023, and are in the final stages of winding down that business. The majority of our operations are in the United States and our results are primarily affected by the economic conditions and the retail environment in the United States.

EXECUTIVE OVERVIEWWholesale segment net sales were down 2% for the quarter. Despite the decrease, wholesale operating earnings improved because of higher gross margins. As we enter the second half of the year, many retailers remain conservative in their approach to future order bookings. However, we are encouraged by the strength of our at-once business, and believe we are well-positioned with the right inventory to leverage an uptick in consumer demand. Net sales attributable to our legacy businesses (comprised of our Stacy Adams, Nunn Bush, and Florsheim brands) increased slightly in the second quarter, with Florsheim and Nunn Bush up 3% and 8%, respectively, and Stacy Adams down 10%. The increase for Nunn Bush was partly due to a timing shift of shipments to a large retailer from third to second quarter. Our legacy brands face the challenge of maintaining a strong position in refined footwear while expanding their presence in the casual segment. The traditional dress and dress-casual footwear categories comprise a meaningful but shrinking market. While we remain committed to maximizing our leadership position in refined footwear, growth over the medium to long term is dependent on each brand's ability to navigate the casual lifestyle aesthetic that accelerated during the pandemic. From a product perspective, we are focused on introducing more hybrid and athleisure styles that appeal to today's consumer who places a premium on versatility and comfort. Our success in these categories is most evident on our websites: Nunn Bush and Florsheim now derive more than half of their direct-to-consumer sales volume from true casual and hybrid footwear. Stacy Adams, our most dress-oriented brand, has also started to make inroads selling hybrid footwear. As we move forward, we expect all three brands to benefit from a more balanced product offering.

Our BOGS business experienced a 33% decline in net sales for the quarter. As noted in previous quarters, the outdoor weather boot market has been affected by an oversaturation of inventory and two relatively mild winters. Retailers have spent the last eighteen months working to normalize their inventory levels. We are now seeing early signs of renewed wholesale demand in the U.S., as retailers evaluate their upcoming inventory needs. We remain cautiously optimistic as we approach the key Fall selling season. A current focus for BOGS is to enhance the brand's presence in the work-footwear category which is more of a year-round business. We are introducing lighter insulated boots with seamless construction suitable for use from September through May. These seamless construction boots offer more than twice the durability of traditional vulcanized boots and should serve as a significant differentiator as we expand our footprint in the Farm and Agriculture channel. Retail sales, which are mainly generated by our websites, were flat for the quarter. We are encountering a more price-sensitive, competitive environment. Nunn Bush and Stacy Adams experienced slight declines for the quarter that offset low, single-digit increases in BOGS and Florsheim. We continue to invest in our online platform as we believe this is an area of future growth. Sales at Florsheim Australia were down 23% for the quarter. Approximately half of the decrease was attributable to the closing of our Asia Pacific business in late 2023. Australia's results were also impacted by the loss of a sizeable wholesale customer, three fewer stores operating in the quarter compared to the same period last year, and a challenging environment at retail. Like their counterparts in the U.S., Australian consumers are facing inflationary pressures for basic everyday necessities and housing, leading to reduced spending on discretionary items, such as footwear and apparel. Additionally, we had three fewer stores in Australia in the second quarter of 2024 compared to the same period last year. We are focused on controlling our costs while working to turn around both our Australian retail and wholesale businesses.

Second Quarter HighlightsConsolidated net sales were \$63.9 million, down 5% compared to net sales of \$67.0 million in the second quarter of 2023. Consolidated gross earnings increased to 43.9% of net sales compared to 43.3% of net sales in last year's second quarter, due mainly to higher gross margins in our Wholesale segment. Earnings from operations totaled approximately \$6.7 million in both the second quarters of 2024 and 2023. Second-quarter 2024 net earnings were a record \$5.6 million, or \$0.59 per diluted share, up 15% over our previous record of \$4.9 million or \$0.50 per diluted share, last year. Year-To-Date HighlightsConsolidated net sales for the first half of 2024 were \$135.5 million, down 12% from \$153.3 million in 2023. Consolidated gross earnings increased to 44.4% of net sales in the first six months of 2024 versus 43.2% of net sales in the same period one year ago. The increase was due to higher gross margins in our Wholesale segment. Year-to-date earnings from operations totaled \$14.9 million, down 13% from record operating earnings of \$17.1 million in 2023. Our net earnings were \$12.3 million, or \$1.28 per diluted share, in the first six months of 2024, level with last year's net earnings in the same period. Financial Position Highlights At June 30, 2024, our cash and marketable securities totaled \$84.8 million and we had no debt outstanding on our \$40.0 million revolving line of credit. During the first six months of 2024, we generated \$17.7 million of cash from operations and used funds to pay \$7.2 million in dividends. We also repurchased \$0.5 million of our common stock and had \$0.3 million of capital expenditures during the period.

SEGMENT ANALYSISNet sales and earnings from operations for our segments for the three and six months ended June 30, 2024 and 2023, were as follows:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Wholesale	\$63.9 million	\$67.0 million	\$128.8 million	\$153.3 million
Retail	\$0.1 million	\$0.1 million	\$0.2 million	\$0.2 million
Other	\$0.8 million	\$0.8 million	\$1.5 million	\$1.5 million
Total	\$64.8 million	\$67.9 million	\$130.5 million	\$155.0 million

Wholesale segment net sales were down 2% compared to last year's second quarter, due to lower sales of the BOGS and Stacy Adams brands partially offset by higher sales of the Nunn Bush and Florsheim brands. For the six months ended June 30, 2024, wholesale net sales were down 12% compared to the first six months of 2023, with sales down across all our brands due to reduced consumer demand. Our BOGS brand experienced the largest decreases for the three and six-month periods, as outdoor retailers continue to be cautious with orders after a recent period of oversaturation of inventories in the outdoor boot market. We believe retailer inventory levels are starting to normalize and BOGS demand will improve as we enter the prime selling season for the brand in the second half of the year. Earnings from OperationsWholesale gross earnings were 38.2% of net sales in the second quarter of 2024 compared to 37.0% of net sales in last year's second quarter. For the six months ended June 30, wholesale gross earnings as a percent of net sales were 39.0% in 2024 and 37.7% in 2023. Gross margins improved for both the quarter and year-to-date periods as a result of lower inventory costs, primarily inbound freight. Freight costs stabilized beginning in the first half of 2022, but because of the large buildup of inventories in 2022, it was not until late 2023 that we sold through inventory with higher freight costs and were able to begin realizing the full benefit of the lower freight costs. A Wholesale selling and administrative expenses consist primarily of distribution costs, salaries and commissions, advertising costs, employee benefit costs, and depreciation. Wholesale selling and administrative expenses totaled \$13.4 million for the quarter compared to \$13.7 million in last year's second quarter, which constituted 27% of net sales in both periods. For the six months ended June 30, wholesale selling and administrative expenses were \$28.3 million, or 27% of net sales, in 2024, versus \$31.6 million, or 26% of net sales, in 2023. Wholesale operating earnings rose 8% to \$5.8 million for the quarter, from \$5.4 million in last year's second quarter, primarily due to the impact of higher gross margins. For the six months ended June 30, 2024, wholesale operating earnings were \$13.2 million, down 7% compared to \$14.2 million in the same period of 2023. The year-to-date decrease was due to lower sales partially offset by the higher gross margins this year. Our cost of sales does not include distribution costs (e.g., receiving, inspection, warehousing, shipping, and handling costs) which are included in selling and administrative expenses. Wholesale distribution costs were \$3.3 million and \$3.5 million in the second quarters of 2024 and 2023, respectively. For the six-month periods ended June 30, wholesale distribution costs were \$6.9 million in 2024 and \$7.7 million in 2023. North American Retail Segment Net SalesNet sales in our Retail segment, which were mainly generated by our e-commerce websites, were flat at \$7.6 million in both the second quarters of 2024 and 2023. For the six months ended June 30, retail net sales were a record \$17.4 million in 2024, up 5% over our previous record of \$16.6 million in 2023. The year-to-date increase was driven mainly by higher sales on the BOGS and Florsheim websites. Brick-and-mortar sales were down slightly for the three and six-month periods. Retail gross earnings as a percent of net sales were 67.5% and 66.2% in the second quarters of 2024 and 2023, respectively. For the six months ended June 30, retail gross earnings were 66.2% of net sales in both 2024 and 2023. Selling and administrative expenses for the Retail segment consist primarily of freight, advertising expense, employee costs, rent and occupancy costs. Retail selling and administrative expenses were \$4.4 million, or 58% of net sales, for the quarter compared to \$4.0 million, or 52% of net sales, in last year's second quarter. For the six months ended June 30, Retail selling and administrative expenses totaled \$9.5 million, or 55% of net sales, in 2024 versus \$8.6 million, or 52% of net sales, in 2023. The quarter and year-to-date increases were primarily due to higher web advertising and freight costs. This year's web advertising expenses increased largely due to the reallocation of certain expenditures historically charged to our Wholesale segment that primarily benefit our websites. Retail operating earnings were \$0.7 million for the quarter, down 35% from \$1.1 million in last year's second quarter. For the six months ended June 30, 2024, Retail operating earnings totaled \$2.0 million, down 15% compared to record operating earnings of \$2.4 million last year. The three and six-month earnings decreases were due to the higher web expenses this year. OtherOperating results reported in the [other](#) category historically included our retail and wholesale businesses in Australia, South Africa, and Asia Pacific (collectively, the "Florsheim Australia"). We ceased operations in the Asia Pacific region in 2023 and are in the final stages of winding down that business. As a result, the 2024 operating results of the [other](#) category primarily reflect that of Australia and South Africa. Net sales of Florsheim Australia were \$6.1 million in the second quarter of 2024, down 23% from \$7.9 million in the second quarter of 2023. For the year-to-date period, Florsheim Australia's net sales declined \$3.8 million, or 25%, from the same period one year ago. The quarter and year-to-date decreases were largely due to the closing of our Asia Pacific operations. Sales in Australia were also down due to three fewer retail stores operating during the quarter and year-to-date periods, compared to the same periods of 2023, the mid-year 2023 loss of a sizeable wholesale customer, and a challenging environment at retail. Florsheim Australia's gross earnings were 62.0% of net sales for the quarter and 62.4% of net sales in last year's second quarter. For the six months ended June 30, Florsheim Australia's gross earnings as a percent of net sales were 61.2% and 61.5% in 2024 and 2023, respectively. Florsheim Australia's operating earnings for the three-month period were \$0.2 million in 2024 and \$0.3 million in 2023. For the six months ended June 30, 2024, its operating losses totaled \$0.3 million, down from operating earnings of \$0.6 million in the same period one year ago. The three and six-month decreases were mainly due to lower sales this year. Other income and expenseInterest income totaled \$1.0 million in the second quarter of 2024 compared to \$0.2 million in last year's second quarter. For the six months ended June 30, interest income was \$1.9 million in 2024 and \$0.3 million in 2023. The increases in 2024 were due to interest earned on higher cash balances in the U.S. and Canada this year. Interest expense decreased \$0.1 million and \$0.5 million during the three and six months ended June 30, 2024, compared to the same periods of 2023. Last year's quarter and year-to-date interest expense was incurred on outstanding debt balances during those periods, which have since been paid off. Other expense, net, totaled \$0.1 million and \$0.2 million in the second quarters of 2024 and 2023, respectively. For the six months ended June 30, 2024, other expense, net, totaled \$0.2 million in 2024 and \$0.3 million in 2023. The effective income tax rates for the three months ended June 30, 2024 and 2023 were 25.1% and 26.2%, respectively. For the six months ended June 30, 2024 and 2023, the effective tax rate was 25.9% in both periods. The 2024 and 2023 effective tax rates differed from the federal rate of 21% primarily because of state taxes.

LIQUIDITY AND CAPITAL RESOURCESOur primary sources of liquidity are cash and our revolving line of credit. During the first six months of 2024, we generated \$17.7 million of cash from operations compared \$43.6 million in the same period one year ago. The decrease in 2024 was primarily due to changes in operating assets and liabilities, principally accounts receivable and inventory. We paid dividends totaling \$7.2 million and \$6.9 million in the first six months of 2024 and 2023, respectively. On August 6, 2024, our Board of Directors declared a cash dividend of \$0.26 per share to all shareholders of record on August 19, 2024, payable September 30, 2024. We repurchase our common stock under our share repurchase program when we believe market conditions are favorable. During the first six months of 2024, we repurchased 18,013 shares for a total cost of approximately \$0.5 million. As of June 30, 2024, there were 850,744 authorized shares available for repurchase under the program. See Part II, Item 2, [Unregistered Sales of Equity Securities and Use of Proceeds](#) below for more information. Capital expenditures totaled \$0.3 million in the first six months of 2024. A Management estimates that total capital expenditures for 2024 will be between \$1.0 million and \$3.0 million. At June 30, 2024, we had a \$40.0 million revolving line of credit with a bank that is secured by a lien against our general business assets, and expires on September 28, 2024. Outstanding advances on the line of credit bear interest at SOFR plus 125 basis points. Our line of credit agreement contains representations, warranties and covenants (including a minimum tangible net worth financial covenant) that are customary for a facility of this type. At June 30, 2024, there were no outstanding borrowings on the line of credit, and we were in compliance with all financial covenants. As of June 30, 2024, approximately \$5.4 million of cash and cash equivalents was held by our foreign subsidiaries. We will continue to evaluate the best uses for our available liquidity, including, among other uses, capital expenditures, continued stock repurchases and acquisitions. We believe that available cash, 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.

Quantitative and Qualitative Disclosures About Market RiskNot applicable.

Controls and ProceduresAttached as exhibits to this Quarterly Report are certifications of our Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), which are required in accordance with Rule 13a-14 of the Exchange Act. This "Controls and Procedures" section includes information concerning the controls and procedures evaluation referred to in the certifications and it should be read in conjunction with the certifications for a more complete understanding of the topics presented in the section titled [Evaluation of Disclosure Controls and Procedures](#). Evaluation of Disclosure Controls and ProceduresThe Company's management, with the participation of the CEO and CFO, conducted an evaluation of the effectiveness of the design and operation of the Company's [disclosure controls and procedures](#) (as such term is defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) (the "Disclosure Controls") as of June 30, 2024. A Our Disclosure Controls are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our Disclosure Controls are also designed to ensure that such information is accumulated and communicated to our management,

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