



2023 ANNUAL REPORT

WEYCOGROUP

FLORSHEIM • STACY ADAMS • NUNN BUSH • BOGS • FORSAKE

TO OUR SHAREHOLDERS

We are pleased with our overall financial performance in 2023. Our Company achieved record earnings by maintaining pricing integrity while taking a disciplined approach to expenses, despite falling short of prior year milestone-level record revenues.

Our 2023 wholesale sales decreased compared to peak sales in 2022, which were driven by retailer pipeline fill and pent-up consumer demand following historic supply chain delays. In 2023, the collective wholesale revenues of our Florsheim, Stacy Adams and Nunn Bush brands decreased 5% compared to 2022, while BOGS trailed prior year record sales by 31%. All our brands experienced softer demand, as consumer discretionary spending shifted from hard goods, including footwear and apparel, toward experiences and services. Retailers, in turn, became more cautious with orders in an effort to keep their inventories in line.

The change in retail dynamics was most striking in the outdoor market in 2023, impacting our BOGS brand. Given the spike in demand in outdoor categories in 2021 and the first half of 2022, retailers placed heavy orders with the expectation of strong consumer sell-throughs. Sales did not keep pace in the back half of 2022, and the outdoor trade channel entered 2023 with an inventory glut, and retailers slowed their buying considerably. For BOGS, with its significant winter boot business, the situation was exacerbated by unseasonably warm fall and winter weather, leading to the double-digit sales decrease in 2023 compared to 2022.

In 2023, our retail segment outperformed record sales and earnings of the previous year, due to the continuing growth of our e-commerce businesses. We achieved higher e-commerce sales across our legacy brands, led by Florsheim. We are especially proud of this accomplishment, as industry statistics indicate overall e-commerce sales of footwear were down for the year. We view our direct-to-consumer business as a growth opportunity and continue to invest in our e-commerce platform.

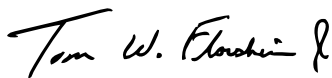
Results for our other businesses in Australia, Asia Pacific, and South Africa dampened in 2023, due to retail slowdowns and the loss of a significant wholesale account in Australia. Near the end of 2023, we exited our Asia Pacific business, and we are in the process of transitioning key wholesale customers to Australia.

Our balance sheet is strong, which allows us to invest in our brands and make strategic decisions for the long-term. We currently have strong cash balances and no outstanding debt. In 2023, we managed our inventories down to normalized levels from peak quantities at the end of 2022. We invested in our distribution center to increase the efficiency of our operations. We continue to review acquisition opportunities to enhance our portfolio of brands, and buy back our Company stock when market conditions are favorable.

Looking ahead to 2024, we expect softer demand for our products to continue in the first half of the year. We are working hard to secure orders in a tepid environment, and are encouraged by the strength of our men's brands as evidenced by our continuing solid sell-throughs at retail. We are optimistic that outdoor retailers will work through excess inventories by the back half of this year, benefitting BOGS' upcoming busy season.

In 2024 and beyond, we are excited to continue to move forward with a leaner post-pandemic structure after shedding unprofitable portions of our business in Europe, Asia, and our U.S. retail segment over the past several years. We are focused on maintaining our pricing integrity, controlling our costs, and continuing to find new ways to increase our operating efficiencies. With respect to our men's legacy brands, industry studies indicate post-pandemic gains in market share rankings of each of our three major brands in fashion footwear categories, and we continue to increase our penetration in casual and hybrid footwear categories. With BOGS, we continue to diversify our product assortment in favor of less weather-dependent styles. Overall, we are more focused than ever on our core brands, businesses, and competencies.

We thank you for your interest in and support of our Company.



Thomas W. Florsheim, Jr.
Chairman and Chief Executive Officer



John W. Florsheim
President and Chief Operating Officer

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

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2023, 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 000-09068

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, WI 53201

(Address of principal executive offices) (Zip Code)

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 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 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 Non-accelerated filer Smaller reporting company 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of the close of business on June 30, 2023, was \$156,202,000. This was based on the closing price of \$26.69 per share as reported by Nasdaq on June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter.

As of March 1, 2024, there were 9,507,365 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders scheduled for May 7, 2024, are incorporated by reference in Part III of this report.

WEYCO GROUP, INC.
Table of Contents to Annual Report on Form 10-K
Year Ended December 31, 2023

		Page
CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION		1
PART I.		
ITEM 1.	BUSINESS	2
ITEM 1A.	RISK FACTORS.	3
ITEM 1B.	UNRESOLVED STAFF COMMENTS	7
ITEM 1C.	CYBERSECURITY	7
ITEM 2.	PROPERTIES	8
ITEM 3.	LEGAL PROCEEDINGS	9
ITEM 4.	MINE SAFETY DISCLOSURES	9
	INFORMATION ABOUT EXECUTIVE OFFICERS	9
PART II.		
ITEM 5.	MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.....	10
ITEM 6.	RESERVED	10
ITEM 7.	MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	10
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	15
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	16
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.	43
ITEM 9A.	CONTROLS AND PROCEDURES	43
ITEM 9B.	OTHER INFORMATION	44
ITEM 9C.	DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS	44
PART III.		
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.....	44
ITEM 11.	EXECUTIVE COMPENSATION.....	44
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.....	45
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE ..	45
ITEM 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	45
PART IV.		
ITEM 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	45
ITEM 16.	FORM 10-K SUMMARY	47

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This report contains certain forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These statements represent our good faith 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,” “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 in this report under Item 1A, “Risk Factors.”

PART 1

ITEM 1 BUSINESS

The Company is a Wisconsin corporation incorporated in the year 1906 as Weyenberg Shoe Manufacturing Company. Effective April 25, 1990, the name of the corporation was changed to Weyco Group, Inc.

Weyco Group, Inc., and its subsidiaries (collectively, "we," "our," "us," and the "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. Trademarks we maintain on our brands are important to our business. Our products consist primarily of mid-priced leather dress shoes, casual footwear composed of man-made materials and leather, and outdoor boots, shoes, and sandals. Our footwear is available in a broad range of sizes and widths, primarily designed to meet the needs and desires of the general American population.

We purchase finished shoes from outside suppliers, primarily located in China and India, and we have recently begun contracting with suppliers located in Cambodia, Vietnam, and the Dominican Republic. Almost all of these foreign-sourced purchases are denominated in U.S. dollars. While we source from more than 80 suppliers, our two largest suppliers each accounted for more than 10% of our total inventory purchases in 2023. Costs from our suppliers have historically been relatively stable, although in recent years there have been upward cost pressures due to higher freight, labor, and material costs, as well as due to tariffs and other trade protection measures. Since the pandemic in 2020, there have been worldwide supply chain challenges that first caused inbound freight costs to increase, and more recently returned to just above pre-pandemic levels.

Our business is separated into two reportable segments – the North American wholesale segment ("Wholesale") and the North American retail segment ("Retail"). We also have other wholesale and retail businesses overseas in Australia, South Africa, and Asia Pacific (collectively, "Florsheim Australia"). However, we ceased operations in the Asia Pacific region in 2023, and are in the final stages of winding down this business.

Sales in our Wholesale segment, which include both wholesale sales and worldwide licensing revenues, constituted 79% and 81% of total net sales in 2023 and 2022, respectively. At Wholesale, our shoes are marketed by retailers throughout the United States and Canada in more than 10,000 shoe, clothing and department stores. In 2023 and 2022, no individual customer represented 10% or more of our total net sales. We employ traveling salespeople and independent sales representatives who sell our products to retail outlets. Shoes are shipped to these retailers primarily from our distribution center in Glendale, Wisconsin. In the men's footwear business, there is generally no identifiable seasonality, although new styles are historically developed and shown twice each year, in spring and fall. With the BOGS brand, its strong presence in the winter and outdoor boot category results in some seasonality; the majority of BOGS sales occur in the third and fourth quarters. Consistent with industry practices, we carry significant amounts of inventory to meet customer delivery requirements and periodically provide extended payment terms to customers. 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.

Sales in our Retail segment constituted 12% and 10% of total net sales in 2023 and 2022, respectively. The Retail segment consists of e-commerce businesses and four brick and mortar stores in the United States. Retail sales are made directly to consumers on our websites, or by our employees in our stores. We believe that the results of our Retail segment will continue to be driven by our e-commerce businesses, as we have a limited number of brick-and-mortar stores. We intend to continue to focus on investing in and growing our e-commerce businesses.

Sales of our other businesses constituted 9% of total net sales in both 2023 and 2022, respectively. These sales came from our wholesale and retail operations at Florsheim Australia.

As of December 31, 2023, we employed 608 persons worldwide, of whom 397 were full-time employees.

Brand recognition, price, quality, and service, are all important competitive factors in the shoe industry. We have a design department that continually reviews and updates product designs. Compliance with environmental and other government regulations historically has not had, and is not expected to have, a material impact on our results of operations, although there can be no assurances as to the future.

We make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements on Schedule 14A and all amendments to those reports upon written or telephone request. Investors can also access these reports through our website, www.weycogroup.com, as soon as reasonably practical after we file or furnish those reports to

the Securities and Exchange Commission (“SEC”). The contents of our website are not incorporated by reference and are not a part of this filing. Also available on our website are various documents relating to our corporate governance, including our Code of Business Ethics.

ITEM 1A RISK FACTORS

There are various factors that affect or might affect our business, results of operations and financial condition, many of which are beyond our control. The following is a description of some of the material factors that could materially and adversely affect our reputation, business, results of operations and financial condition.

Risk factors related to our operations

We rely on independent foreign sources of production and the availability of leather, rubber and other raw materials; a deterioration in our relationships, or other issues affecting such manufacturers and/or issues with the availability of raw materials could have unfavorable effects on our business.

We purchase all our products from independent foreign manufacturers, primarily in China and India. Although we believe that we have good working relationships with our manufacturers, we do not have long-term contracts with them. Thus, we could experience increases in manufacturing costs, disruptions in the timely supply of products or unanticipated reductions in manufacturing capacity, any of which could negatively impact our business, results of operations and financial condition. We can move production to different suppliers; however, the transition may not occur smoothly or quickly, or at the same cost, which could result in us missing customer delivery date requirements and, consequently, we could lose future orders and our reputation may be harmed.

Our use of foreign sources of production results in relatively long production and delivery lead times. Therefore, we typically forecast demand at least five months in advance. If our forecasts are wrong or there are significant changes in demand, it would result in a loss of sales if we do not have enough product on hand or in reduced margins if we have excess inventory that needs to be sold at discounted prices.

Our ability to import products in a timely and cost-effective manner may be affected by disruptions at U.S. or foreign ports or other transportation facilities, such as those due to labor disputes and work stoppages, political unrest, trade protection measures or trade wars, severe weather (climate change may increase the frequency and severity of severe weather conditions or events), outbreaks of infectious diseases, or security requirements in the United States and other countries. These issues could delay importation of products or require us to locate alternate ports or warehousing providers to avoid disruption to our customers. These alternatives may not be available on short notice or could result in higher transportation costs, which could have a material adverse impact on our overall profitability.

Our products depend on the availability of raw materials, especially leather and rubber. Any significant shortages of quantities or increases in the cost of leather or rubber would have an adverse effect on our business and results of operations, unless we were able to pass such costs along to our customers.

Additional risks associated with foreign sourcing that could negatively impact our business include adverse changes in foreign economic conditions, import regulations, restrictions on the transfer of funds, duties, tariffs, quotas and political or labor interruptions, foreign currency fluctuations, expropriation, and nationalization. It is difficult to predict the effects of current or future tariffs and other trade barriers and disputes, and our efforts to reduce the effects of tariffs through pricing and other measures may not be effective.

A disruption in our supply chain could adversely affect our profitability.

Most of our products for North American distribution are shipped to us via ocean freight carriers to ports primarily on the west coast of North America. Our reliance on ocean freight transportation for the delivery of our inventory exposes us to various inherent risks, including port congestion, severe weather conditions, labor issues, natural disasters, and terrorism, any of which could result in delivery delays and inefficiencies, increased costs and disruption of business. In 2021 and in the first half of 2022, our supply chain was disrupted by congestion throughout the supply chain, domestic port and warehousing delays, and container shortages, resulting in us incurring premium freight charges on a portion of our imports. In addition to these factors, global inflation has contributed to already higher incremental freight costs. Severe disruptions of the supply chain may force us to use more expensive methods to ship our products, and we may not be able to meet our customers’ delivery requirements, which may result in the loss of sales.

Any severe and prolonged disruption to ocean freight transportation could force us to rely on alternate and more expensive transportation systems. Efficient and timely inventory deliveries and proper inventory management are important factors in our operations. Extended delays and disruptions in shipments could result in changes in the availability of inventory, increased shipping costs, or missed sales that may materially adversely impact our business and results of operations.

Loss of the services of our top executives and an inability to effectively manage leadership transitions, could adversely affect the business.

Thomas W. Florsheim, Jr., our Chairman and Chief Executive Officer, and John W. Florsheim, our President, Chief Operating Officer and Assistant Secretary, each have a strong heritage within our Company and the footwear industry. They possess knowledge, relationships and reputations based on their lifetime exposure to and experience at our Company and the industry. The unexpected loss of either one or both of our top executives could have an adverse impact on our performance. A loss of the skills, industry knowledge, contacts, and expertise of any of our senior executives could cause a setback to our operating plan and strategy. In addition, transitions of important responsibilities to new individuals include the possibility of disruptions, which could negatively impact our business and results of operations.

If we fail to maintain effective internal control procedures over our financial reporting and disclosures, investor confidence may be adversely affected thereby affecting the value of our stock price.

We are required to maintain proper internal control over our financial reporting and adequate controls related to our disclosures. As defined in Rule 13a-15(f) under the Exchange Act, internal control over financial reporting is a process designed by, or under the supervision of the Chief Executive Officer and Chief Financial Officer, 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. If we fail to maintain adequate controls resulting in a material weakness in our internal control over financial reporting, and/or if we are unable to remediate a material weakness on a timely basis, our business, results of operations, financial condition and/or the value of our stock may be adversely impacted.

In 2023, we identified a material weakness in our internal control over financial reporting. Please see Item 9A of this Form 10-K for a full discussion of this item.

We may not be able to successfully integrate new brands and businesses.

We continue to look for acquisition opportunities. Those search efforts could be unsuccessful and costs could be incurred in any failed efforts. Further, if and when an acquisition occurs, we cannot guarantee that we will be able to successfully integrate the brand into our current operations, or that any acquired brand would achieve results in line with our historical performance or our specific expectations for the brand.

Risk factors related to our business and industry

Decreases in disposable income and general market volatility in the U.S. and global economy may adversely affect our Company.

Spending patterns in the footwear market, particularly those in the moderate-priced market in which a majority of our products compete, have historically been correlated with consumers' disposable income. As a result, the success of our Company is affected by changes in general economic conditions, especially in the United States. Factors affecting discretionary income for our consumers include, among others, gas and energy costs, inflation rates, employment rates, interest rates and taxation. Additionally, changes in the economy and consumer behavior generally impact the financial strength and buying patterns of retailers, which also affects our results. Volatile, unstable, or weak economic conditions, or a worsening of conditions, could adversely affect our sales volume and overall performance.

We are subject to risks related to operating in the retail environment that could adversely impact our business.

We are subject to risks associated with doing business in the retail environment, primarily in the United States. The U.S. retail industry has experienced a growing trend toward consolidation of large retailers. The merger of additional major retailers could result in us losing sales volume or increasing our concentration of business with a few large accounts, resulting in reduced bargaining power, which could increase pricing pressures and lower our margins.

We regularly assess our retail locations in the U.S. and overseas and have closed unprofitable retail locations and incurred costs related to such closures. Future closures could have a material adverse effect on our results.

As the popularity of online shopping for consumer goods continues to increase, our retail partners in the U.S. and abroad may experience decreased foot traffic, which could negatively impact their businesses. In addition, the COVID-19 pandemic caused a temporary decrease in foot traffic; other significant health pandemic or outbreaks of infectious diseases could also lead to a similar decrease in foot traffic. Decreases in foot traffic have, and in the future may, in turn, negatively impact our sales to those customers, and adversely affect our results of operations.

We operate in a highly competitive environment, which may result in lower prices and reduced profits.

The footwear market is extremely competitive. We compete with numerous manufacturers, distributors and retailers of men's, women's and children's shoes, some of which are larger and have substantially greater resources than we do. We compete with these companies primarily on the basis of brand recognition, price, quality, and service, all of which are important competitive factors in the shoe industry. Our ability to compete effectively depends upon these factors, as well as our ability to deliver new products at the best value for the consumer, maintain positive brand recognition, and obtain sufficient retail floor space and effective product presentation at retail. If we do not remain competitive, future prospects, results of operations and financial condition would decline.

Changes in fashion trends and consumer preferences could negatively impact the Company.

Our success is dependent upon our ability to accurately anticipate and respond to rapidly changing fashion trends and consumer preferences. For example, as a result of the COVID-19 pandemic, purchases of dress and other dress-casual footwear were negatively affected in 2020 through early 2022 as many consumers worked from home due to stay-at-home orders or otherwise, and social as well as other occasion-related events were cancelled. Failure to predict or effectively respond to trends or preferences could have an adverse impact on our sales volume and overall performance, as well as have a negative impact on our reputation.

We conduct business globally, which exposes us to the impact of foreign currency fluctuations as well as political, economic and social risks.

A portion of our revenues and expenses are denominated in currencies other than the U.S. dollar, with our primary exposures being to the Australian dollar and the Canadian dollar. We are therefore subject to foreign currency risks and foreign exchange exposure. Exchange rates can be volatile and could adversely impact our financial results.

We are exposed to other risks of doing business in foreign jurisdictions, including political, economic, or social instability, armed conflicts, acts of terrorism, civil unrest, changes in government policies and regulations, outbreaks of infectious diseases, severe weather events, natural disasters, and exposure to liabilities under anti-corruption laws (such as the U.S. Foreign Corrupt Practices Act). We are also exposed to risks relating to U.S. policy with respect to companies doing business in foreign jurisdictions. Additional legislation or other changes in the U.S. tax laws or interpretations could increase our U.S. income tax liability and adversely affect our after-tax profitability. Changes in tax policy or trade regulations, such as the disallowance of tax deductions on imported merchandise or the imposition of new tariffs on imported products, could have a material adverse effect on our business and results of operations.

In response to the ongoing military conflict between Russia and Ukraine, the U.S. and certain other countries imposed significant sanctions and export controls against Russia, Belarus and certain individuals and entities connected to Russian or Belarusian political, business, and financial organizations. The situation remains uncertain and it is difficult to predict the impact that the conflict and actions taken in response to it will have on our business. Our business may be impacted as a result of various factors, including inflation and actions taken to combat inflation, increased energy prices, a slowing U.S. economy, more ocean freight disruptions, increased cyber-attacks, and reduced consumer confidence.

Risk factors related to cybersecurity

We are dependent on information and communication systems to support our business and e-commerce sales. Significant interruptions could disrupt our business and damage our reputation.

We accept and fill the majority of our larger customers' orders through the use of Electronic Data Interchange (EDI), and we rely on our warehouse management system to efficiently process orders. Our corporate office relies on computer systems to efficiently process and record transactions. Significant interruptions in EDI, information and communication systems from power loss, telecommunications failure, malicious attacks, or computer system failure could significantly disrupt our business and operations, as well as damage our reputation. In addition, we sell footwear on our websites, and failures of our or other retailers' websites could adversely affect our sales, results, and reputation.

We are subject to the risk of data loss and security breaches, particularly in our retail segment and our e-commerce businesses.

We sell footwear in our retail stores and on our websites, and therefore we and/or our third-party credit card processors must process, store, and transmit large amounts of data, including personal information of our customers. Failure to prevent or mitigate data loss or other security breaches, including breaches of our technology and systems, could expose us or our customers to a risk of loss or misuse of such information, which could adversely affect our operating results, result in litigation or potential liability, and/or otherwise harm our business and/or reputation. Our technology and systems, as well as those of our partners have, and in the future may, become the target of cyberattacks. To our knowledge, we have not experienced a material breach; however, in order to address these risks, we have secured cyber insurance and use third party technology and systems to aid in safeguarding our data and systems, including, without limitation, encryption and authentication technology, content delivery to customers, back-office support, and other functions. Although we have developed systems and processes that are designed to protect customer information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third-party vendor, such measures cannot provide absolute security.

Risk factors related to environmental, social, and corporate governance (“ESG”)

We may be unable to complete ESG initiatives, in whole or in part, which could lead to less opportunity for us to have ESG investors and partners and could negatively impact ESG-focused investors when evaluating the Company.

There has been increased focus on ESG matters by consumers, investors, employees, and other stakeholders, as well as by governmental and non-governmental organizations. We have undertaken, and plan to continue undertaking, ESG initiatives. Any failure by us to meet our commitments, or loss of confidence on the part of customers, investors, employees, brand partners and other stakeholders as it relates to our ESG initiatives, could negatively impact our brands, business, financial condition, and our operating results. These impacts could be difficult and costly to overcome, even if such concerns were based on inaccurate or misleading information.

In addition, achieving our ESG initiatives may result in increased costs in our supply chain, fulfillment, or corporate business operations, and could deviate from our initial estimates and have a material adverse effect on our business and financial condition. In addition, standards and research regarding ESG initiatives could change and become more onerous both for the Company and our third-party suppliers and vendors to meet successfully. Evolving data and research could undermine or refute the Company’s current claims and beliefs that it has made in reliance on current research, which could also result in costs, a decrease in revenue, changes to projections or plans, and negative market perception that could have a material adverse effect on our business and financial condition.

A variety of organizations measure the performance of companies on such ESG topics, and the results of these assessments may be widely publicized. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of such ESG measures to their investment decisions. Topics considered in such assessments include, among others, the company’s efforts and impacts on climate change and human rights, ethics and compliance with laws, and the role of the company’s board of directors in supervising various sustainability issues. In light of investors’ increased focus on ESG matters, there can be no certainty that we will manage such issues successfully, or that we will successfully meet investors’ or society’s ESG expectations, which could have a material adverse effect on our business, financial condition and operating results.

Finally, while we may create and publish voluntary disclosures regarding ESG matters from time to time, many of the statements in those voluntary disclosures are based on hypothetical expectations and assumptions that may or may not be representative of current or actual risks or events or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved in measuring and reporting on many ESG matters.

Risk factors related to COVID-19 and other infectious diseases

Future public health emergencies, including a resurgence in the COVID-19 pandemic, could have a long duration and significant impacts that could adversely affect our operations, supply chain, distribution, and demand for our products, which could, in turn, have a material adverse effect on our business and results.

The COVID-19 pandemic had widespread, rapidly-evolving, and unpredicted impacts on global financial markets and business practices. As conditions fluctuated, governments responded by adjusting their restrictions and guidelines accordingly. The scope, nature, and duration of any future public health emergencies, including a resurgence in the COVID-19 pandemic, is uncertain. While the COVID-19 pandemic has subsided with the normalization of living with COVID-19 following the increase in accessibility to COVID-19 vaccines and antiviral treatments, the full impact of a future public health emergency or a resurgence of the COVID-19 pandemic on our business, financial condition, and results of operations is uncertain and will continue to depend on future developments, such as the ultimate duration and scope of the health emergency, its impact on our employees, customers and suppliers, the effectiveness and adoption of vaccines and therapeutics and the broader implications on the macro-economic environment. Such emergencies may cause or require us to take actions that alter our business operations as may be required by federal, state, or local authorities, or which we determine to be in the best interests of our employees, customers, suppliers, and shareholders.

Public health emergency-related factors that have impacted us, or may negatively impact, sales, gross margin and other results of operations in the future include, but are not limited to: limitations on the ability of our suppliers to obtain necessary raw materials and parts to manufacture, or procure from manufacturers, the products we sell; transportation delays and other logistical challenges resulting in longer lead times; limitations on the ability of our employees to perform their work due to illness or other disruptions caused by the pandemic, including local, state, or federal orders requiring employees to remain at home; labor shortages or an increase in the cost of labor; limitations on the ability of carriers to deliver our products to customers; limitations on the ability of our customers to purchase our products; and limitations on the ability of our customers to pay us on a timely basis.

The potential negative financial of a future public health emergency or a resurgence of the COVID-19 pandemic on our business and results of operations cannot be reasonably estimated but could be material and last for an extended period of time.

Risks related to financing, investment, and pension matters

Volatility and uncertainty in the U.S. and global credit markets could adversely affect our business.

U.S. and global financial markets have at times been unstable and unpredictable, which has generally resulted in tightened credit markets with heightened lending standards and terms. The ultimate impact on the U.S. and global financial markets of the Russian invasion of Ukraine cannot yet be predicted, and will depend on the severity and duration of the conflict and the sanctions imposed by the U.S. and other countries. Volatility and instability in the credit markets pose various risks to us, including, among others, a negative impact on retailer and consumer confidence, limits to our customers' access to credit markets and interference with the normal commercial relationships between us and our customers. Increased credit risks associated with the financial condition of some customers in the retail industry affects their level of purchases from us and the collectability of amounts owed to us, and in some cases, causes us to reduce or cease shipments to certain customers who no longer meet our credit requirements.

In addition, weak economic conditions and unstable and volatile financial markets could lead to certain of our customers experiencing cash flow problems, which may force them into higher default rates or to file for bankruptcy protection which may increase our bad debt expense or further negatively impact our business.

Interest rate volatility may increase the cost of financing. Our U.S. dollar variable rate debt currently uses the secured overnight financing rate ("SOFR") as a benchmark for determining interest rates. In connection with our line of credit amendment in September 2022, SOFR became the new benchmark interest rate and all London Interbank Offered Rate ("LIBOR") provisions were replaced with SOFR provisions.

Deterioration of the municipal bond market in general or of specific municipal bonds held by the Company or our pension plan may result in a material adverse effect on our financial condition, results of operations, and liquidity.

We maintain an investment portfolio consisting primarily of investment-grade municipal bond investments. Our investment policy only permits the purchase of investment-grade securities. Our investment portfolio totaled \$6.6 million as of December 31, 2023, or approximately 2% of total assets. If the value of municipal bonds in general or any of our municipal bond holdings deteriorate, the performance of our investment portfolio, financial condition, results of operations, and liquidity may be materially and adversely affected.

Risk factors related to our capital structure

The limited public float and trading volume for our Company's stock may have an adverse impact on the stock price or make it difficult to liquidate.

The Company's common stock is held by a relatively small number of shareholders. The Florsheim family and company insiders own more than 50% of the stock and one institutional shareholder holds a significant block. Other officers, directors, and members of management own stock or have the potential to own stock through previously granted stock options and restricted stock. Consequently, we have a relatively small public float and low average daily trading volume, which could affect a shareholder's ability to sell stock or the price at which it can be sold. In addition, future sales of substantial amounts of our common stock in the public market by large shareholders, or the perception that these sales could occur, may adversely impact the market price of the stock and the stock could be difficult for the shareholder to liquidate.

ITEM 1B UNRESOLVED STAFF COMMENTS

None

ITEM 1C CYBERSECURITY

Risk Management and Strategy

We face various cybersecurity risks and threats that could have a material adverse effect on our business, operations, financial performance, liquidity, and reputation. We have implemented processes and systems to identify, assess, and manage these risks and threats, as well as to prevent, detect, and respond to any cybersecurity incidents that may occur, which is integrated into our overall risk management process. We also have a comprehensive cybersecurity strategy, policy, and program that aligns with our business objectives and risk appetite. We regularly review and update our cybersecurity strategy, policy, and program to address the evolving nature and scope of cybersecurity risks and threats. In addition, we consider the cybersecurity practices of our third-party service providers, through a general security assessment and contractual requirements, as appropriate, before engaging them in order to help identify and mitigate cybersecurity risks associated with those providers.

We comply with various laws, regulations, standards, and guidance related to cybersecurity, such as the Sarbanes-Oxley Act of 2002, the Payment Card Industry Data Security Standard, the National Institute of Standards and Technology (“NIST”) Cybersecurity Framework and the SEC’s guidance on cybersecurity disclosures.

During the fiscal year ended December 31, 2023, we did not experience any cybersecurity incidents that materially impacted, or are reasonably likely to materially impact, our business strategy, results of operations or financial condition. Please refer to the risk factors described in this report under Item 1A, “Risk Factors,” for a discussion of the potential impacts of future cybersecurity events.

Our Information Technology (“IT”) security department, led by our Vice President of Information Systems (“IS”) and Distribution and overseen by our Director of IS, holds primary responsibility for assessing and managing cybersecurity threats. Our Vice President of IS and Distribution has more than 34 years of experience in IT and holds a bachelor’s degree in Management of IS; his in-depth knowledge and experience are instrumental in developing and executing our cybersecurity strategies. Our Director of IS has more than 20 years of experience in various IT and IS roles, and holds a bachelor’s degree in Accounting and Finance.

A team of IT Specialists (including a Cybersecurity Analyst) at our Company is tasked with monitoring cybersecurity and operational risks associated with information security and system disruption. This team employs measures aimed at protecting against, detecting, and responding to cybersecurity threats, and has implemented processes and procedures in line with our information security management system to bolster and advance resilient programs. This encompasses:

- Continuously developing and evaluating our program in accordance with the NIST Cybersecurity Framework. This Framework serves as a reference to aid in the identification, assessment, and mitigation of cybersecurity risks pertinent to our business operations.
- Engaging third-party IT security vendors to conduct ongoing assessments and monitoring of our networks and devices. Additionally, we routinely collaborate with assessors, consultants, and other third-party entities to review our cybersecurity program. These efforts aim to identify areas requiring sustained attention, enhancement, and alignment with regulatory requirements. Certifications held by our cybersecurity consultants include but are not limited to: CISSP, CISM, CCNP, and CMMC-RP.
- Conducting regular cybersecurity awareness training, which is available for all employees during which we provide seminars, presentations, and employee engagement activities designed to reinforce our employee information security training and enhance the culture and knowledge of cybersecurity risks among our employees.

Cybersecurity Governance

Our Audit Committee is provided with regular updates from management concerning cybersecurity developments, significant cybersecurity threats, risks and processes implemented to address these risks. Our Audit Committee receives presentations on cybersecurity topics from management as part of the Committee’s continuing education on topics that impact the Company. Furthermore, management informs the Audit Committee as deemed necessary, about any notable cybersecurity incidents.

ITEM 2 PROPERTIES

The following facilities were operated by the Company or its subsidiaries as of December 31, 2023:

<u>Location</u>	<u>Character</u>	<u>Owned/ Leased</u>	<u>Square Footage</u>	<u>% Utilized</u>
Glendale, Wisconsin ⁽¹⁾	Two story office and distribution center	Owned	1,100,000	90 %
Montreal, Canada ⁽¹⁾	Multistory office and distribution center	Owned ⁽³⁾	92,800	90 %
Surrey Hills, Victoria, Australia ⁽²⁾	Multistory office	Leased	9,800	100 %
Tottenham Victoria, Australia ⁽²⁾	Single story distribution center	Leased	47,500	100 %

⁽¹⁾ These properties are used principally by our North American wholesale segment.

⁽²⁾ These properties are used principally by our other businesses which are not reportable segments.

⁽³⁾ We own a 50% interest in this property. See Note 9 of the Notes to Consolidated Financial Statements.

In addition to the above-described offices and distribution facilities, we also operate offices, distribution facilities, and retail shoe stores under various rental agreements. All of these facilities are suitable and adequate for our current operations. See Note 7 of the Notes to Consolidated Financial Statements and Item 1, “Business”, above.

ITEM 3 LEGAL PROCEEDINGS

None

ITEM 4 MINE SAFETY DISCLOSURES

Not Applicable

INFORMATION ABOUT EXECUTIVE OFFICERS

The following individuals were executive officers of Company as of December 31, 2023:

<u>Name</u>	<u>Position</u>	<u>Age</u>
Thomas W. Florsheim, Jr. ⁽¹⁾	Chairman and Chief Executive Officer	65
John W. Florsheim ⁽¹⁾	President, Chief Operating Officer, and Assistant Secretary	60
Judy Anderson	Vice President, Chief Financial Officer and Secretary	56
Kate Destinon	Vice President, and President of Nunn Bush Brand	48
Jeff Douglass	Vice President, Marketing	42
Dustin Combs	Vice President, and President of BOGS and Rafters Brands	41
Brian Flannery	Vice President, and President of Stacy Adams Brand	62
Kevin Schiff	Vice President, and President of Florsheim Brand	55
George Sotiros	Vice President, Information Technology and Distribution	57
Damian Walton	Vice President, President of Florsheim Australia	50
Joshua Wisenthal	Vice President, and President of Weyco Canada	41
Allison Woss	Vice President, Supply Chain	51

⁽¹⁾ Thomas W. Florsheim, Jr. and John W. Florsheim are brothers, and Chairman Emeritus Thomas W. Florsheim is their father.

Thomas W. Florsheim, Jr. has served as Chairman and Chief Executive Officer since 2002.

John W. Florsheim has served as President, Chief Operating Officer, and Assistant Secretary since 2002.

Judy Anderson has served as Vice President, Chief Financial Officer, and Secretary since May 6, 2022. Prior to this role, Ms. Anderson served as Vice President of Finance and Treasurer since 2004.

Kate Destinon has served as a Vice President of the Company and President of the Nunn Bush Brand since January 1, 2021. Prior to this role, Ms. Destinon served as Vice President of Nunn Bush from 2019 to 2020.

Jeff Douglass has served as Vice President of Marketing since 2015.

Dustin Combs has served as a Vice President of the Company and President of the BOGS and Rafters Brands since 2015.

Brian Flannery has served as a Vice President of the Company and President of the Stacy Adams Brand since 2007.

Kevin Schiff has served as a Vice President of the Company and President of the Florsheim Brand since 2010.

George Sotiros has served as Vice President of Information Systems and Distribution since 2017.

Damian Walton has served as a Vice President of the Company and President of Florsheim Australia since January 7, 2019. Prior to this role, Mr. Walton served as Executive General Manager of Merchandise Planning at Myer, a national department store chain in Australia, for 3 years.

Joshua Wisenthal has served as a Vice President of the Company and President of Weyco Canada since January 1, 2022. Prior to this role, Mr. Wisenthal served as a Vice President of the Company and a manager of our legacy brands in Canada since 2014.

Allison Woss has served as Vice President of Supply Chain since 2016.

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Shares of our Company's common stock are traded on the Nasdaq Stock Market ("Nasdaq") under the symbol "WEYS." There were 91 holders of record of the Company's common stock as of March 1, 2024.

In 1998, our stock repurchase program was established and approved by the Board of Directors. On several occasions since the program's inception, our Board of Directors increased the number of shares authorized for repurchase under the program. In total, 8.5 million shares have been authorized for repurchase. The table below presents information regarding the repurchases of our common stock in the three-month period ended December 31, 2023.

<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</u>
10/01/2023 - 10/31/2023	13,723	\$ 25.88	13,723	889,943
11/01/2023 - 11/30/2023	21,186	\$ 25.68	21,186	868,757
12/01/2023 - 12/31/2023	—	\$ —	—	868,757
Total	34,909	\$ 25.76	34,909	

ITEM 6 RESERVED

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

We design, market, and distribute 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 ("Wholesale") and North American retail operations ("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, "Florsheim Australia"). However, we ceased operations in the Asia Pacific region in 2023, and are in the final stages of winding down this 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.

This discussion summarizes the significant factors affecting the consolidated operating results, financial position, and liquidity of our company for the two-year period ended December 31, 2023. This discussion should be read in conjunction with Item 8, "Financial Statements and Supplementary Data" below.

KNOWN TRENDS IMPACTING OUR BUSINESS

Macroeconomic pressures in the U.S. and the global economy have created a tepid retail environment. Following a period of unprecedented supply chain disruptions, retailers are being cautious with their inventory levels, which reduces wholesale customer orders. Additionally, consumers are currently spending more of their discretionary income on experiences and services and less on footwear and apparel. Looking ahead, we expect to face continued headwinds as a result of the challenging retail environment in the first half of 2024, but we continue to focus on building our backlogs and are optimistic that demand will improve in the back half of the year.

Post-pandemic disruptions in the supply chain in 2021 and the first half of 2022 affected the flow of our inventory into the U.S. over the past few years. In 2022, we brought in much of our inventory for the Spring 2023 selling season early based on the expectation that extended inventory transit times would last throughout much of 2022. As a result, our inventory was at peak levels at December 31, 2022. By the end of 2022, inventory transit times had improved and supply chain issues had subsided. In 2023, we managed our inventory down to more normalized levels.

EXECUTIVE OVERVIEW

We experienced a slowdown in sales in 2023, mainly as a result of lower wholesale shipments compared to record sales in 2022. Though sales were down, we achieved record operating and net earnings in 2023 by maintaining our pricing integrity while taking a disciplined approach to our expenses.

In our Wholesale segment, net sales of our BOGS brand were down 31% in 2023, compared to the prior year. Mild weather throughout the Fall and early Winter, in combination with an inventory glut in the outdoor market, led to the sales decline. We believe the outdoor boot market will remain challenging throughout 2024 as retailers continue to right size their inventories. With BOGS, we are focused on moving the business forward through product innovation with an emphasis on our BOGS seamless rubber boot construction. BOGS seamless construction is 30% lighter than comparable vulcanized rubber boots and over twice as durable as measured by the number of flexes our seamless boots can withstand without any sign of cracking. This year, we are expanding the number of seamless boots in our line across numerous price points. In addition to the expansion of our seamless collection, we are also introducing new non-insulated and lightly insulated footwear so the BOGS brand is less dependent on inclement weather.

Net sales of our legacy businesses (comprised of the Florsheim, Nunn Bush and Stacy Adams brands) were collectively down 5% for the year. At the brand level, Florsheim, Nunn Bush and Stacy Adams were down 4%, 2%, and 10%, respectively, for the year. The decline in sales of all three brands reflects a general slowdown in the market for dress and dress casual footwear. In addition, many of our retail partners have shifted to more of a “chase” strategy in order to maintain greater inventory flexibility. We see the decrease in our legacy shipments as part of a return to a normal business cycle after a period of heightened demand and supply chain delays. We anticipate this trend will continue through the first half of 2024. Our sell-throughs at retail remain solid, and we continue to diversify our product mix across all three brands to expand our casual and hybrid offerings.

In our Retail segment, sales were up 4% for the year, driven by growth in our e-commerce businesses. Overall, we believe we had strong direct consumer performance for the year, with a solid sales increase in 2023 as well as record retail operating earnings. We view our direct-to-consumer business as a growth opportunity and continue to invest in our online platform.

Florsheim Australia’s net sales in local currency were down 3% for the year. The loss of a significant wholesale account as well as soft consumer demand presented challenges in the Australian market. We anticipate headwinds through the first half of 2024 and are focused on reducing expenses while we assess opportunities to rekindle our growth. As previously disclosed, we closed our Asia Pacific operations in 2023. Going forward, certain significant wholesale accounts that were previously served by our Asia Pacific team will be picked up by Australian wholesale division.

Sales and Earnings Highlights

Consolidated net sales for 2023 were \$318.0 million, down 10% compared to \$351.7 million in 2022. Consolidated gross earnings as a percent of net sales were 44.9% and 41.1% in 2023 and 2022, respectively. Operating earnings were a record \$41.0 million, up 2% over our previous record of \$40.4 million, despite lower sales. Net earnings were a record \$30.2 million, or \$3.17 per diluted share, in 2023, up 2% compared to \$29.5 million, or \$3.07 per diluted share, in 2022.

Financial Position Highlights

At December 31, 2023, our cash and marketable securities totaled \$75.9 million and we had no debt outstanding on our \$40.0 million revolving line of credit. During 2023, we generated \$98.6 million of cash from operations, due mainly to net earnings and reductions in inventory levels. We used funds to pay \$9.3 million in dividends and to repurchase \$4.3 million of our stock during 2023. We also had \$3.3 million of capital expenditures.

SEGMENT ANALYSIS

Net sales and earnings from operations for our segments, as well as our “other” operations, in the years ended December 31, 2023 and 2022, were as follows:

	<u>Years ended December 31,</u>		<u>% Change</u>
	<u>2023</u>	<u>2022</u>	
	(Dollars in thousands)		
Net Sales			
North American Wholesale	\$ 250,400	\$ 283,235	(12)%
North American Retail	38,012	36,694	4 %
Other	29,636	31,808	(7)%
Total	<u>\$ 318,048</u>	<u>\$ 351,737</u>	<u>(10)%</u>
Earnings from Operations			
North American Wholesale	\$ 33,288	\$ 32,641	2 %
North American Retail	6,752	6,058	11 %
Other	984	1,666	(41)%
Total	<u>\$ 41,024</u>	<u>\$ 40,365</u>	<u>2 %</u>

North American Wholesale Segment

Wholesale Net Sales

Net sales in our Wholesale segment for the years ended December 31, 2023 and 2022, were as follows:

	<u>Years ended December 31,</u>		<u>% Change</u>
	<u>2023</u>	<u>2022</u>	
	(Dollars in thousands)		
North American Wholesale Net Sales			
Stacy Adams	\$ 56,027	\$ 62,284	(10)%
Nunn Bush	53,851	54,882	(2)%
Florsheim	87,731	91,682	(4)%
BOGS/Rafters	48,969	70,572	(31)%
Forsake	1,318	1,718	(23)%
Total North American Wholesale	<u>\$ 247,896</u>	<u>\$ 281,138</u>	<u>(12)%</u>
Licensing	2,504	2,097	19 %
Total North American Wholesale Segment	<u>\$ 250,400</u>	<u>\$ 283,235</u>	<u>(12)%</u>

Wholesale net sales were collectively down in 2023 due to lower demand following record growth in 2022. Sales across all our brands in 2022 were positively impacted by a combination of post-pandemic retailer pipeline fill and strong consumer demand. Our BOGS brand experienced the largest decrease for the year, compared to record sales for the brand in 2022, as orders were down amid the current saturation of product in the outdoor market, and due to the mild weather in the final months of 2023. Licensing revenues consist of royalties earned on sales of branded apparel, accessories, and specialty footwear in the United States and on branded footwear in Mexico and certain overseas markets. Licensing revenues increased in 2023, compared to 2022, in line with increased licensees’ sales of branded products.

Wholesale Earnings from Operations

Wholesale gross earnings as a percent of net sales were 39.7% in 2023 versus 35.6% in 2022. Gross margins improved as a result of increased selling prices and lower inventory costs, primarily inbound freight. Selling and administrative expenses for the wholesale segment consist primarily of distribution costs, salaries and commissions, advertising costs, employee benefit costs, and depreciation. Wholesale selling and administrative expenses were \$66.0 million and \$68.2 million in 2023 and 2022, respectively. The decrease in 2023 was primarily due to lower employee costs, mainly commission-based compensation. As a percent of net sales, wholesale selling and administrative expenses were 26% in 2023 and 24% in 2022. Wholesale operating earnings reached a record \$33.3 million in 2023, up 2% over our previous record of \$32.6 million in 2022, due to higher gross margins and lower selling and administrative expenses.

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 \$15.5 million and \$16.0 million for the years ended

December 31, 2023 and 2022, respectively. Our gross earnings may not be comparable to other companies, as some companies may include distribution costs in cost of sales.

North American Retail Segment

Retail Net Sales

Retail net sales were a record \$38.0 million in 2023, up 4% over our previous record of \$36.7 million in 2022. The increase was primarily due to higher sales on our legacy brands' websites, partially offset by lower sales on the BOGS' website. Sales at our four domestic brick and mortar stores were down 4% for the year.

Retail Earnings from Operations

Retail gross earnings as a percent of net sales were 65.9% in 2023 and 65.7% in 2022. 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 totaled \$18.3 million in 2023, or 48% of net sales, for the year compared to \$18.1 million, or 49% of net sales, in 2022. The Retail segment achieved record operating earnings of \$6.8 million in 2023, up 11% over \$6.1 million in 2022, due mainly to the increase in web sales.

Other

Our other operations consist of our retail and wholesale businesses in Australia, South Africa, and Asia Pacific (collectively, "Florsheim Australia"). However, we ceased operations in the Asia Pacific region in 2023, and are in the final stages of winding down this business. The winddown of our Asia-Pacific operations did not have a material impact on our full year 2023 consolidated results.

Other net sales totaled \$29.6 million in 2023 down 7% from \$31.8 million in 2022. In local currency, Florsheim Australia's net sales were down 3% for the year, due mainly to the mid-year loss of a sizeable wholesale customer in Australia, partially offset by higher sales across Florsheim Australia's retail businesses. Other gross earnings were 62.5% of net sales in 2023 versus 61.1% of net sales in 2022. Other operating earnings totaled \$1.0 million in 2023 and \$1.7 million in 2022, down mainly as a result of lower sales in Australia this year.

OTHER INCOME AND EXPENSE AND TAXES

Most of our interest and dividend income is generated by investments in marketable securities and money market mutual funds. Interest and dividend income totaled \$1.1 million and \$361,000 in 2023 and 2022, respectively. The increase in 2023 was due to more earnings on the higher cash balances this year. Interest expense was \$529,000 in 2023 and \$710,000 in 2022. The decrease in 2023 was due to less interest incurred as we paid off our debt during the year. Other expense, net, totaled \$738,000 in 2023 and \$277,000 in 2022. Other expense was up in 2023 due largely to an increase in the non-service cost components of pension expense, primarily interest cost, as a result of the higher interest rates this year. Last year's other expense included a \$894,000 pension settlement charge recorded in connection with a lump-sum benefit payment to a former executive of the Company.

Our effective tax rate was 26.1% in 2023 versus 25.7% in 2022. The current tax rate differs from the U.S. federal statutory rate of 21% due mainly to the impact of state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash, short-term investments, and short-term marketable securities, which aggregated \$69.5 million and \$18.4 million at December 31, 2023 and 2022, respectively, and our revolving line of credit. We generated \$98.6 million of cash from operations in 2023, and used \$29.9 million of cash in operations in 2022. Fluctuations in net cash from (used for) operating activities mainly resulted from changes in net earnings and operating assets and liabilities, most significantly, our inventory. Our inventory balance was \$74.9 million at December 31, 2023, down from \$128.0 million at December 31, 2022. We brought our inventories down in 2023 to a level that balances availability for in-season orders with better inventory turn.

Our capital expenditures were \$3.3 million and \$2.3 million in 2023 and 2022, respectively. This year's capital expenditures included costs related to equipment installed in our Glendale warehouse that automates the packing and labeling process of single pair orders. With the growth of our e-commerce and drop-ship businesses, gaining efficiency in this area allows us to give faster service with significant labor savings. Looking ahead, we expect capital expenditures will be between \$2.0 million and \$4.0 million in 2024.

We paid aggregate cash dividends of \$9.3 million and \$7.0 million in 2023 and 2022, respectively. The increase in 2023 was due to a timing difference in our quarterly dividend payment schedule; 2023 included four quarterly dividend payments, as our fourth quarter 2022 dividend was paid in early January 2023. 2022 included only three quarterly dividend payments, as our fourth quarter 2021 dividend was paid in late December 2021.

In December 2022, in accordance with the terms of our supplemental pension plan, we made a lump-sum benefit payment of \$4.3 million to a former executive of the Company.

We repurchase our common stock under our share repurchase program when we believe market conditions are favorable. In 2023, we purchased 170,422 shares at a total cost of \$4.3 million through our share repurchase program. In 2022, we purchased 171,397 shares at a total cost of \$4.2 million through our share repurchase program. As of December 31, 2023, there were 868,757 authorized shares remaining under the program.

On September 28, 2023, we amended our line of credit agreement. The amendment (“Amended Credit Agreement”) extended the maturity of our credit facility to September 28, 2024 and has a maximum available borrowing limit of \$40.0 million. Under the terms of the Amended Credit Agreement, amounts outstanding bear interest at the one-month term secured overnight financing rate (“SOFR”) plus 125 basis points. The Amended Credit Agreement is secured by a security interest in our general business assets, and contains customary representations, warranties, and covenants (including a minimum tangible net worth financial covenant) for a facility of this type. At December 31, 2023, there were no outstanding borrowings on the line of credit, and we were in compliance with all financial covenants. At December 31, 2022, outstanding borrowings on the line of credit were approximately \$31.1 million at an interest rate of 5.77%.

As of December 31, 2023, approximately \$5.9 million of cash and cash equivalents was held by our foreign subsidiaries.

We 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.

Off-Balance Sheet Arrangements

We do not utilize any special purpose entities or other off-balance sheet arrangements.

Critical Accounting Estimates

Our accounting policies are more fully described in Note 2 of the Notes to Consolidated Financial Statements. As disclosed in Note 2, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the consolidated financial statements. The following policies are considered by management to be the most critical in understanding the significant accounting estimates inherent in the preparation of our consolidated financial statements and the uncertainties that could impact our results of operations, financial position and cash flows.

Sales Returns, Sales Allowances and Doubtful Accounts

We record reserves and allowances (“reserves”) for sales returns, sales allowances and discounts, cooperative advertising, and accounts receivable balances that we believe will ultimately not be collected. The reserves are based on such factors as specific customer situations, historical experience, a review of the current aging status of customer receivables and current and expected economic conditions. The reserve for doubtful accounts includes a specific reserve for accounts identified as potentially uncollectible, plus an additional reserve for the balance of accounts, determined based on historical trends. We evaluate the reserves and the estimation process and adjust when appropriate. Apart from unprecedented write-offs that occurred during the COVID-19 pandemic, our historical write-offs against the reserves have been within our expectations. Future changes in reserves may be required if actual returns, discounts and bad debt activity varies from the original estimates. These changes could impact our results of operations, financial position, and cash flows.

Pension Plan Accounting

Our pension expense and corresponding obligation are determined on an actuarial basis and require certain actuarial assumptions. We believe the two most critical of these assumptions are the discount rate and the expected rate of return on plan assets. We evaluate actuarial assumptions annually on the measurement date (December 31) and make modifications based on such factors as market interest rates and historical asset performance. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions.

Discount Rate – Pension expense and projected benefit obligations both increase as the discount rate is reduced. See Note 12 of the Notes to Consolidated Financial Statements for discount rates used in determining pension expense for the years ended December 31, 2023 and 2022, and the funded status of the plans at December 31, 2023 and 2022. We use the spot-rate approach to determine the service and interest cost components of pension expense. Under the spot-rate approach, the service and interest costs were calculated by applying specific spot rates along the yield curve to the relevant projected cash flows, to provide a better estimate of future service and interest costs. A 0.5% decrease in the discount rate would have a nominal impact on annual pension expense, and would increase the projected benefit obligation by approximately \$2.7 million.

Expected Rate of Return – Pension expense increases as the expected rate of return on pension plan assets decreases. In estimating the expected return on plan assets, we consider the historical returns on plan assets and future expectations of asset returns. We utilized an expected rate of return on plan assets of 6.75% for both 2023 and 2022, respectively. This rate was based on our Company’s long-term investment policy of equity securities: 20% - 80%; fixed income securities: 20% - 80%; and other, principally cash: 0% - 20%. A 0.5% decrease in the expected return on plan assets would increase annual pension expense by approximately \$182,000.

Our unfunded benefit obligation was \$14.0 million and \$16.1 million at December 31, 2023 and 2022, respectively.

Recent Accounting Pronouncements

See Note 2 of the Notes to Consolidated Financial Statements.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

	<u>Page</u>
Report of Independent Registered Public Accounting Firm (PCAOB ID 23)	17
Consolidated Statements of Earnings	19
Consolidated Statements of Comprehensive Income	20
Consolidated Balance Sheets	21
Consolidated Statements of Equity	22
Consolidated Statements of Cash Flows	23
Notes to Consolidated Financial Statements	24

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders, Audit Committee and the Board of Directors of Weyco Group, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Weyco Group, Inc. (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of earnings, comprehensive income, equity and cash flows for the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO because a material weakness in internal control over financial reporting existed as of that date as the Company did not design and maintain information technology general controls (ITGCs) in the areas of user access and change management including segregation of duties for systems supporting certain internal control processes. As a result, automated and manual process controls dependent on those ITGCs were also not effective.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management’s Annual Report on Internal Control over Financial Reporting included in Item 9A of this Annual Report on Form 10-K. We considered this material weakness in determining the nature, timing, and extent of audit tests applied to our audit of the 2023 consolidated financial statements, and our opinion regarding the effectiveness of the Company’s internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures, as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in

accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. We determined that there are no critical audit matters.

/s/ Baker Tilly US, LLP

We have served as the Company's auditor since 2015.

Milwaukee, Wisconsin
March 14, 2024

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
	(In thousands, except per share amounts)	
Net sales	\$ 318,048	\$ 351,737
Cost of sales	<u>175,165</u>	<u>207,344</u>
Gross earnings	142,883	144,393
Selling and administrative expenses	<u>101,859</u>	<u>104,028</u>
Earnings from operations	41,024	40,365
Interest and dividend income	1,107	361
Interest expense	(529)	(710)
Other expense, net	<u>(738)</u>	<u>(277)</u>
Earnings before provision for income taxes	40,864	39,739
Provision for income taxes	<u>10,676</u>	<u>10,199</u>
Net earnings	<u>\$ 30,188</u>	<u>\$ 29,540</u>
Basic earnings per share	\$ 3.19	\$ 3.09
Diluted earnings per share	\$ 3.17	\$ 3.07

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
Net earnings	\$ 30,188	\$ 29,540
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	642	(1,813)
Pension liability adjustments	2,240	6,414
Other comprehensive income	2,882	4,601
Comprehensive income	\$ 33,070	\$ 34,141

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

CONSOLIDATED BALANCE SHEETS

At December 31, 2023 and 2022

	2023	2022
	(In thousands, except par value and share data)	
ASSETS:		
Cash and cash equivalents	\$ 69,312	\$ 16,876
Investments, at fair value	—	107
Marketable securities, at amortized cost	215	1,385
Accounts receivable, less allowances of \$2,510 and \$2,110, respectively	39,275	53,298
Income tax receivable	245	945
Inventories	74,890	127,976
Prepaid expenses and other current assets	6,172	5,870
Total current assets	<u>190,109</u>	<u>206,457</u>
Marketable securities, at amortized cost	6,354	7,123
Deferred income tax benefits	1,096	1,038
Property, plant and equipment, net	29,504	28,812
Operating lease right-of-use assets	12,520	13,428
Goodwill	12,317	12,317
Trademarks	33,168	33,618
Other assets	24,274	23,827
Total assets	<u>\$ 309,342</u>	<u>\$ 326,620</u>
LIABILITIES AND EQUITY:		
Short-term borrowings	\$ —	\$ 31,136
Accounts payable	8,845	14,946
Dividend payable	2,352	2,290
Operating lease liabilities	3,979	4,026
Accrued liabilities:		
Accrued compensation and employee benefits	7,071	6,680
Sales and advertising allowances	2,533	2,254
Taxes other than income taxes	1,012	1,025
Other	3,830	5,178
Total current liabilities	<u>29,622</u>	<u>67,535</u>
Deferred income tax liabilities	11,819	8,530
Long-term pension liability	13,412	15,523
Operating lease liabilities	9,531	10,661
Other long-term liabilities	465	466
Total liabilities	<u>64,849</u>	<u>102,715</u>
Commitments and contingencies (Note 15)		
Common stock, \$1.00 par value, authorized 24,000,000 shares in 2023 and 2022, issued and outstanding 9,496,729 shares in 2023 and 9,584,316 shares in 2022	9,497	9,584
Capital in excess of par value	71,661	70,475
Reinvested earnings	180,646	164,039
Accumulated other comprehensive loss	(17,311)	(20,193)
Total equity	<u>244,493</u>	<u>223,905</u>
Total liabilities and equity	<u>\$ 309,342</u>	<u>\$ 326,620</u>

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

CONSOLIDATED STATEMENTS OF EQUITY

For the years ended December 31, 2023 and 2022

(In thousands, except per share amounts)

	<u>Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Reinvested Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>
Balance, December 31, 2021	\$ 9,709	\$ 68,718	\$ 147,762	\$ (24,794)
Net earnings	—	—	29,540	—
Foreign currency translation adjustments	—	—	—	(1,813)
Pension liability adjustment (net of tax of \$2,254)	—	—	—	6,414
Cash dividends declared (\$0.96 per share)	—	—	(9,240)	—
Common stock issued under equity incentive plans, net of shares withheld for employee taxes and strike price	19	262	—	—
Issuance of restricted stock	28	(28)	—	—
Share-based compensation expense	—	1,523	—	—
Shares purchased and retired	(172)	—	(4,023)	—
Balance, December 31, 2022	\$ 9,584	\$ 70,475	\$ 164,039	\$ (20,193)
Net earnings	—	—	30,188	—
Foreign currency translation adjustments	—	—	—	642
Pension liability adjustment (net of tax of \$787)	—	—	—	2,240
Cash dividends declared (\$0.99 per share)	—	—	(9,413)	—
Common stock issued under equity incentive plans, net of shares withheld for employee taxes and strike price	57	(140)	—	—
Issuance of restricted stock	28	(28)	—	—
Restricted stock forfeited	(2)	2	—	—
Share-based compensation expense	—	1,352	—	—
Shares purchased and retired	(170)	—	(4,168)	—
Balance, December 31, 2023	\$ 9,497	\$ 71,661	\$ 180,646	\$ (17,311)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 30,188	\$ 29,540
Adjustments to reconcile net earnings to net cash provided by (used for) operating activities -		
Depreciation	2,579	2,485
Amortization	271	282
Bad debt expense	519	151
Deferred income taxes	2,462	1,297
Net foreign currency transaction losses	99	43
Share-based compensation expense	1,352	1,523
Pension settlement charge	—	894
Pension expense	1,293	178
Impairment of trademark	450	1,150
Loss on disposal of fixed assets	59	117
Gain from fair value remeasurement of contingent consideration	—	(857)
Increase in cash surrender value of life insurance	(684)	(690)
Changes in operating assets and liabilities -		
Accounts receivable	13,531	(282)
Inventories	53,047	(56,963)
Prepaid expenses and other assets	(358)	(1,429)
Accounts payable	(6,074)	(4,293)
Accrued liabilities and other	(982)	(2,553)
Accrued income taxes	879	(497)
Net cash provided by (used for) operating activities	<u>98,631</u>	<u>(29,904)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of marketable securities	1,960	1,719
Proceeds from sale of investment securities	107	8,049
Purchases of property, plant and equipment	(3,309)	(2,342)
Net cash (used for) provided by investing activities	<u>(1,242)</u>	<u>7,426</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(9,286)	(6,951)
Shares purchased and retired	(4,338)	(4,195)
Net proceeds from stock options exercised	103	293
Payment of contingent consideration	(500)	—
Taxes paid related to the net share settlement of equity awards	(186)	(12)
Proceeds from bank borrowings	70,060	120,608
Repayments of bank borrowings	(101,196)	(89,472)
Net cash (used for) provided by financing activities	<u>(45,343)</u>	<u>20,271</u>
Effect of exchange rate changes on cash and cash equivalents	390	(628)
Net increase (decrease) in cash and cash equivalents	<u>\$ 52,436</u>	<u>\$ (2,835)</u>
CASH AND CASH EQUIVALENTS at beginning of year	<u>16,876</u>	19,711
CASH AND CASH EQUIVALENTS at end of year	<u>\$ 69,312</u>	<u>\$ 16,876</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid, net of refunds	\$ 7,115	\$ 9,441
Interest paid	\$ 977	\$ 710

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

1. NATURE OF OPERATIONS

Weyco Group, Inc. (“we,” “our,” “us” and the “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. The majority of foreign-sourced purchases are denominated in U.S. dollars. We have two reportable segments, North American wholesale operations (“Wholesale”) and North American retail operations (“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. Our “other” operations include our wholesale and retail businesses in Australia, South Africa, and Asia Pacific (collectively, “Florsheim Australia”). As previously disclosed, we ceased operations in the Asia Pacific region in 2023, and are in the final stages of winding down this business. The majority of our operations are in the United States and our results are primarily affected by the economic conditions and retail environment in the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, and include all of our majority-owned subsidiaries after elimination of intercompany accounts and transactions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results specifically related to inventory reserves, realizability of deferred tax assets, goodwill and trademarks could materially differ from those estimates, which would impact the reported amounts and disclosures in the consolidated financial statements and accompanying notes.

Cash and Cash Equivalents - We consider all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. At December 31, 2023 and 2022, our cash and cash equivalents included investments in U.S. treasury bills, money market funds, and/or cash deposits at various banks. While we periodically have cash balances in excess of insured amounts, we have not experienced any losses on deposits in excess of insured amounts.

Investments - At December 31, 2023, we held investments in marketable securities (mainly tax-exempt municipal bonds). All of our 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 we have the intent and ability to hold all investments to maturity. See Note 4.

Accounts Receivable – Trade accounts receivable arise from the sale of products on unsecured trade credit terms. On a quarterly basis, we review all significant accounts with past due balances, as well as the collectability of other outstanding trade accounts receivable for possible write-off. It is our policy to write-off accounts receivable against the allowance account when receivables are deemed to be uncollectible. The allowance for doubtful accounts reflects our best estimate of probable losses in the accounts receivable balances. We determine the allowance based on known troubled accounts, historical experience and other evidence currently available.

Inventories - The majority of inventories are determined on a last-in, first-out (“LIFO”) basis. LIFO inventory is valued at the lower of cost or market. All other inventories are determined on a first-in, first-out basis (“FIFO”) basis, and are valued at the lower of cost or net realizable value. Inventory costs include the cost of shoes purchased from third-party manufacturers, as well as related freight and duty costs. We generally take title of product at the time of shipping. See Note 5.

Property, Plant and Equipment and Depreciation - Property, plant and equipment are stated at cost. Plant and equipment are depreciated using the straight-line method over their estimated useful lives as follows: buildings and improvements, 10 to 39 years; machinery and equipment, 3 to 15 years; furniture and fixtures, 5 to 15 years. For income tax reporting purposes, depreciation is calculated using applicable methods.

Impairment of Long-Lived Assets - Property, plant, equipment and operating lease right-of-use assets, along with other long-lived assets, are evaluated for impairment periodically whenever triggering events or indicators exist that the carrying values may not be fully recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its related estimated undiscounted future cash flows. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset, a loss is recognized for the difference between the fair value and carrying value of the asset. There were no impairment losses recorded on our long-lived assets in 2023 or 2022.

Leases - We lease retail shoe stores, as well as several office and distribution facilities worldwide. We determine whether an arrangement is or contains a lease at contract inception. All of our leases are classified as operating leases, which are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities in the consolidated balance sheets. We have no finance leases.

ROU assets and lease liabilities are recognized based on the present value of 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 we will exercise that option.

As our leases generally do not provide an implicit rate, our incremental borrowing rate is used to determine the present value of lease payments. The incremental borrowing rate was a hypothetical rate based on an understanding of what we 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 future lease payments at the lease commitment date.

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. See Note 7.

Goodwill - Goodwill represents the excess of the purchase price over fair value of identifiable net assets acquired from a business acquisition. Goodwill is not amortized, but is reviewed for impairment on an annual basis and between annual tests if indicators of impairment are present. Our goodwill resulted primarily from the 2011 acquisition of the BOGS and Rafters brands, and, to a lesser extent, the 2021 acquisition of the Forsake brand. See Note 8.

Intangible Assets (excluding Goodwill) - Other intangible assets consist of customer relationships and trademarks. Customer relationships are amortized over their estimated useful lives. Trademarks are not amortized, but are reviewed for impairment on an annual basis and between annual tests when an event occurs or circumstances change that indicates the carrying value may not be recoverable. During 2023 and 2022, we recorded impairment charges of \$0.5 million and \$1.2 million, respectively to write-down the carrying value of the Forsake trademark. These charges were recorded within selling and administrative expenses in the Consolidated Statements of Earnings. See Note 8.

Life Insurance – Life insurance policies are recorded at the amount that could be realized under the insurance contracts as of the balance sheet date. These assets are included within other assets in the Consolidated Balance Sheets. See Note 9.

Income Taxes - Deferred income taxes are provided on temporary differences arising from differences in the bases of assets and liabilities for income tax and financial reporting purposes. Deferred tax assets and liabilities are measured using enacted income tax rates in effect. Tax rate changes affecting deferred tax assets and liabilities are recognized in income at the enactment date. We record interest and penalties associated with unrecognized tax benefits within interest expense and provision for income taxes, respectively. See Note 14.

Revenue Recognition – Our revenue contracts represent a single performance obligation to sell our products to our customers. Sales are recorded at the time control of the product is transferred to customers in an amount that reflects the consideration we expect to receive in exchange for our products. Wholesale revenue is generally recognized upon shipment of the product, as that is when the customer obtains control of the promised goods. Shipping and handling activities that occur after control of the product transfers to the customer are treated as fulfillment activities, not as a separate performance obligation. Retail revenue is generated primarily from the sale of footwear to customers through our websites and at retail locations. For sales made through our websites, revenue is recognized upon shipment to the customer. For in-store sales, we recognize revenue at the point of sale. Sales taxes collected from website or retail sales are excluded from our reported net sales. Revenue from third-party licensing agreements is recognized in the period earned. Licensing revenues were \$2.5 million in 2023 and \$2.1 million in 2022.

All revenue is recorded net of estimated allowances for returns and discounts; these revenue offsets are accrued for at the time of sale. Our estimates of allowances for returns and discounts are based on such factors as specific customer situations, historical experience, and current and expected economic conditions. We evaluate the reserves and the estimation process and adjust when appropriate.

Generally, payments from customers are received within 90 days following the sale. Our contracts with customers do not have significant financing components or significant prepayment terms, and there is no non-cash consideration. We do not have unbilled revenue, and there are no contract assets and liabilities.

Shipping and Handling Fees - We classify shipping and handling fees billed to customers as sales. Shipping and handling expenses incurred by the Company are included in selling and administrative expenses in the Consolidated Statements of Earnings. See “*Selling and Administrative Expenses*” below.

Cost of Sales - Our cost of sales includes the cost of products and inbound freight and duty costs.

Selling and Administrative Expenses - Selling and administrative expenses primarily include salaries and commissions, advertising costs, employee benefit costs, distribution costs (e.g., receiving, inspection, warehousing, shipping, and handling costs), rent and depreciation. Consolidated distribution costs were \$21.9 million in 2023 and \$22.8 million in 2022.

Advertising Costs - Advertising costs are expensed as incurred. Total advertising costs were \$12.8 million and \$13.4 million in 2023 and 2022, respectively. Advertising expenses are included in selling and administrative expenses.

Foreign Currency Translations - We account for currency translations in accordance with ASC 830, *Foreign Currency Matters*. Our non-U.S. subsidiaries’ local currencies are the functional currencies under which the balance sheet accounts are translated into U.S. dollars at the rates of exchange in effect at fiscal year-end and income and expense accounts are translated at the weighted average rates of exchange in effect during the year. Translation adjustments resulting from this process are recognized as a separate component of accumulated other comprehensive loss, which is a component of equity.

Foreign Currency Transactions - Gains and losses from foreign currency transactions are included in other expense, net, in the Consolidated Statements of Earnings. Net foreign currency transaction gains and losses were not material to our financial statements in 2023 and 2022.

Financial Instruments – Our wholly-owned subsidiary, Florsheim Australia, had foreign exchange contracts outstanding to buy \$0.6 million U.S. dollars at a price of approximately \$0.9 million Australian dollars. These contracts expire in 2024.

Realized gains and losses on foreign exchange contracts are related to the purchase and sale of inventory and therefore are included in our net sales or cost of sales. In 2023 and 2022, realized gains and losses on foreign exchange contracts were not material to our financial statements.

Earnings Per Share - Basic earnings per share excludes any dilutive effects of restricted stock and options to purchase common stock. Diluted earnings per share includes any dilutive effects of restricted stock and options to purchase common stock. See Note 17.

Comprehensive Income – Comprehensive income includes net earnings and changes in accumulated other comprehensive loss. Comprehensive income is reported in the Consolidated Statements of Comprehensive Income. See Note 13 for more details regarding changes in accumulated other comprehensive loss.

Share-Based Compensation - At December 31, 2023, we had one share-based employee compensation plan, which is described more fully in Note 19. We account for this plan under the recognition and measurement principles of ASC 718, *Compensation – Stock Compensation*. Our policy is to estimate the fair market value of each option award granted on the date of grant using the Black-Scholes option pricing model. We estimate the fair value of each restricted stock award based on the fair market value of our Company’s stock price on the grant date. The resulting compensation cost for both the options and restricted stock is amortized on a straight-line basis over the vesting period of the respective awards.

Concentration of Credit Risk – There was one individual customer accounts receivable balance outstanding that represented approximately 18% of our gross accounts receivable balance at December 31, 2023. There was one individual customer accounts receivable balance outstanding that represented approximately 13% of our gross accounts receivable balance at December 31, 2022. There were no individual customers with sales above 10% of our total sales in 2023 and 2022.

Recently Adopted

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses: Measurements of Credit Losses on Financial Instruments*. This ASU modifies the measurement of expected credit losses of certain financial instruments, based on historical experience, current conditions, and reasonable forecasts, and applies to financial assets measured at amortized cost, including loans, held-to-maturity debt securities, net investments in leases, and trade accounts receivable as well as certain off-balance sheet credit exposures, such as loan commitments. The guidance must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to reinvested earnings in the period of adoption. We adopted this standard in first quarter of 2023. The adoption of this standard did not have a material impact our consolidated financial statements or related disclosures.

Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The objective of ASU 2023-07 is to require entities to provide enhanced disclosures on significant segment expenses. ASU 2023-07 is effective for public companies in annual periods beginning after December 15, 2023, and interim periods beginning after December 15, 2024. We are currently evaluating the impact that ASU 2023-07 will have on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The objective of ASU 2023-09 is to enhance disclosures related to income taxes, including specific thresholds for inclusion within the tabular disclosure of income tax rate reconciliation and specified information about income taxes paid. ASU 2023-09 is effective for public companies starting in annual periods beginning after December 15, 2024. We are currently evaluating the impact that ASU 2023-09 will have on our consolidated financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes the following three-level hierarchy for fair value measurements based upon the sources of data and assumptions used to develop the fair value measurements:

- Level 1 - unadjusted quoted market prices in active markets for identical assets or liabilities that are publicly accessible.
- Level 2 - quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs that reflect our assumptions, consistent with reasonably available assumptions made by other market participants.

The carrying amounts of all short-term financial instruments, except marketable securities and foreign exchange contracts, approximate fair value due to the short-term nature of those instruments. Marketable securities are carried at amortized cost. The fair value disclosures of marketable securities are Level 2 valuations as defined by ASC 820, consisting of quoted prices for identical or similar assets in markets that are not active. See Note 4. Foreign exchange contracts are carried at fair value. The fair value measurements of foreign exchange contracts are based on observable market transactions of spot and forward rates, and thus represent Level 2 valuations as defined by ASC 820.

4. INVESTMENTS

Below is a summary of the amortized cost and estimated market values of our marketable securities as of December 31, 2023 and 2022. The estimated market values provided are Level 2 valuations as defined by ASC 820.

	2023		2022	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(Dollars in thousands)			
Marketable securities:				
Current	\$ 215	\$ 215	\$ 1,385	\$ 1,381
Due from one through five years	3,518	3,592	3,977	3,950
Due from six through ten years	2,836	2,830	2,347	2,455
Due from eleven through twenty years	—	—	799	773
Total	<u>\$ 6,569</u>	<u>\$ 6,637</u>	<u>\$ 8,508</u>	<u>\$ 8,559</u>

The unrealized gains and losses on marketable securities at December 31, 2023 and 2022 were as follows:

	2023		2022	
	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses
	(Dollars in thousands)			
Marketable securities	\$ 118	\$ (50)	\$ 145	\$ (94)

At each reporting date, we review our investments to determine whether a decline in fair value below the amortized cost basis is other-than-temporary. To determine whether a decline in value is other-than-temporary, we consider all available evidence, including our overall financial condition, the severity and duration of the decline in fair value, and our intent and ability to hold the investment for a reasonable period of time sufficient for any forecasted recovery. If a decline in value is deemed other-than-temporary, we record a reduction in the carrying value to the estimated fair value. We reviewed our portfolio of investments as of December 31, 2023 and 2022 and determined that no other-than-temporary market value impairment exists.

At December 31, 2022, we also had \$0.1 million of cash invested in highly liquid taxable bond funds. These investments, which were classified as trading securities and reported at fair value, were liquidated in 2023. There were no significant gains or losses on these investments in 2023 or 2022.

5. INVENTORIES

At December 31, 2023 and 2022, inventories consisted of:

	2023	2022
		(Dollars in thousands)
Finished shoes	\$ 94,663	\$ 151,370
LIFO reserve	(19,773)	(23,394)
Total inventories	<u>\$ 74,890</u>	<u>\$ 127,976</u>

Finished shoes included inventory in-transit of \$16.7 million and \$33.2 million at December 31, 2023 and 2022, respectively. At December 31, 2023, approximately 91% of our inventories were valued by the LIFO method of accounting while approximately 9% were valued by the FIFO method of accounting. At December 31, 2022, approximately 94% of our inventories were valued by the LIFO method of accounting while approximately 6% were valued by the FIFO method of accounting.

During 2023, there were liquidations of LIFO inventory quantities carried at higher costs prevailing in prior years compared to the cost of fiscal 2023 purchases. The effect of these liquidations increased cost of sales by \$2.1 million. During 2022, there were no liquidations of LIFO inventory quantities carried at lower costs prevailing in prior years compared to the cost of fiscal 2022 purchases.

6. PROPERTY, PLANT AND EQUIPMENT, NET

At December 31, 2023 and 2022, property, plant and equipment consisted of:

	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
Land and land improvements	\$ 3,843	\$ 3,843
Buildings and improvements	32,204	32,204
Machinery and equipment	37,296	36,820
Retail fixtures and leasehold improvements	4,674	4,623
Construction in progress	<u>1,972</u>	<u>322</u>
Property, plant and equipment	79,989	77,812
Less: Accumulated depreciation	<u>(50,485)</u>	<u>(49,000)</u>
Property, plant and equipment, net	<u>\$ 29,504</u>	<u>\$ 28,812</u>

7. LEASES

We lease retail shoe stores, as well as several office and distribution facilities worldwide. The leases have original lease periods expiring between 2024 and 2029. Many leases include one or more options to renew. We do not assume renewals in our determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of our operating lease costs were as follows:

	Twelve Months Ended December 31,	
	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
Operating lease costs	\$ 4,912	\$ 5,233
Variable lease costs ⁽¹⁾	<u>201</u>	<u>1</u>
Total lease costs	<u>\$ 5,113</u>	<u>\$ 5,234</u>

⁽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 our financial statements.

The following is a schedule of maturities of operating lease liabilities as of December 31, 2023:

	<u>Operating Leases</u>
	(Dollars in thousands)
2024	\$ 4,342
2025	3,505
2026	3,090
2027	1,976
2028	946
Thereafter	<u>377</u>
Total lease payments	14,236
Less: imputed interest	<u>(726)</u>
Present value of lease liabilities	<u>\$ 13,510</u>

The operating lease liabilities were classified in the Consolidated Balance Sheets as follows:

	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
Operating lease liabilities - current	\$ 3,979	\$ 4,026
Operating lease liabilities - non-current	<u>9,531</u>	<u>10,661</u>
Total	<u>\$ 13,510</u>	<u>\$ 14,687</u>

We determined the present value of our lease liabilities using a weighted-average discount rate of 4.33%. As of December 31, 2023, our leases had a weighted-average remaining lease term of 3.7 years.

Supplemental cash flow information related to our operating leases is as follows:

	<u>Twelve Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
Cash paid for amounts included in the measurement of lease liabilities . .	\$ 4,878	\$ 4,732
Right-of-use assets obtained in exchange for new lease liabilities (noncash)	\$ 3,180	\$ 7,941

8. INTANGIBLE ASSETS

Our indefinite-lived intangible assets as recorded in the Consolidated Balance Sheets were as follows:

	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
Indefinite-lived intangibles:		
Goodwill	\$ 12,317	\$ 12,317
Trademarks	33,168	33,618
Total	<u>\$ 45,485</u>	<u>\$ 45,935</u>

We evaluate goodwill for impairment annually as of December 31 or more frequently when an event occurs or circumstances change that indicates the carrying value may not be recoverable. In 2023 and 2022, we completed qualitative assessments noting no indicators of impairment. Accordingly, we did not record goodwill impairment charges for any of our reporting units in 2023 or 2022.

We completed qualitative impairment assessments for all our trademarks, except the Forsake trademark, in 2023 and 2022, noting no indicators of impairment. For the Forsake trademark, we performed quantitative impairment tests in both 2023 and 2022, as we determined, in both years, that indicators were present that the trademark’s carrying value may not be recoverable. The impairment tests indicated that the carrying value of the Forsake trademark exceeded its fair value, primarily due to decreases in Forsake's sales projections in both years. Accordingly, we wrote down the carrying value of the Forsake trademark by \$0.5 million in 2023 and by \$1.2 million in 2022. The related impairment charges were recorded within selling and administrative expenses in the Consolidated Statements of Earnings.

Our amortizable intangible assets, which were included within other assets in the Consolidated Balance Sheets, consisted of the following:

	<u>Weighted</u> <u>Average</u> <u>Life (Years)</u>	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
		<u>Gross</u> <u>Carrying</u> <u>Amount</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u>	<u>Gross</u> <u>Carrying</u> <u>Amount</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u>
		(Dollars in thousands)			(Dollars in thousands)		
Amortizable intangible assets							
Customer relationships	15	\$ 3,500	\$ (2,994)	\$ 506	\$ 3,500	\$ (2,761)	\$ 739
Total amortizable intangible assets		<u>\$ 3,500</u>	<u>\$ (2,994)</u>	<u>\$ 506</u>	<u>\$ 3,500</u>	<u>\$ (2,761)</u>	<u>\$ 739</u>

Amortization expense related to the intangible assets was \$0.2 million in both 2023 and 2022. Excluding the impact of any future acquisitions, we anticipate future amortization expense will be \$0.2 million in both 2024 and 2025, and \$0.1 million in 2026.

9. OTHER ASSETS

Other assets included the following amounts at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
Cash surrender value of life insurance	\$ 20,568	\$ 19,884
Amortizable intangible assets, net (See Note 8)	506	739
Investment in real estate	1,909	1,926
Other	1,291	1,278
Total other assets	<u>\$ 24,274</u>	<u>\$ 23,827</u>

We have life insurance policies on five current and former executives. Upon death of the insured executives, the approximate benefit we would receive is \$21.9 million in aggregate as of December 31, 2023.

On May 1, 2013, we purchased a 50% interest in a building in Montreal, Canada for approximately \$3.2 million. The building, which is classified as an investment in real estate in the above table, serves as our Canadian office and distribution center. The purchase was accounted for as an equity-method investment under ASC 323, *Investments – Equity Method and Joint Ventures*, and continues to be accounted for under the equity method of accounting.

10. SHORT-TERM BORROWINGS

On September 28, 2023, we amended our line of credit agreement. The amendment (“Amended Credit Agreement”) extended the maturity of our credit facility to September 28, 2024 and has a maximum available borrowing limit of \$40.0 million. Under the terms of the Amended Credit Agreement, amounts outstanding bear interest at the one-month term secured overnight financing rate (“SOFR”) plus 125 basis points. The Amended Credit Agreement is secured by a security interest in our general business assets, and contains customary representations, warranties, and covenants (including a minimum tangible net worth financial covenant) for a facility of this type. At December 31, 2023, there were no outstanding borrowings on the line of credit, and we were in compliance with all financial covenants. At December 31, 2022, outstanding borrowings on the line of credit were approximately \$31.1 million at an interest rate of 5.77%.

11. CONTINGENT CONSIDERATION

The purchase price of our 2021 acquisition of Forsake included potential payments of future consideration that were contingent upon the achievement of certain milestones. As part of purchase accounting, a liability of \$1.3 million was recorded for the estimated fair value of the contingent consideration on the acquisition date. Thereafter, the fair value of the contingent consideration was remeasured at each reporting period. In 2022, we recorded gains of approximately \$0.9 million to write-down the fair value of the contingent consideration from \$1.3 million to \$0.5 million. These gains were recognized within selling and administrative expenses in the Consolidated Statements of Earnings. In early 2023, we reached an agreement with the former owners of Forsake to settle the contingent consideration liability for \$0.5 million, which was paid out in the first quarter of 2023.

12. EMPLOYEE RETIREMENT PLANS

We have a defined benefit pension plan which was frozen effective December 31, 2016. No benefits have been accrued under the plan subsequent to that date. We also have an unfunded supplemental pension plan for key executives. Retirement benefits are provided based on employees’ years of credited service and average earnings or stated amounts for years of service. Normal retirement age is 65 with provisions for earlier retirement. The plan also has provisions for disability and death benefits.

Our funding policy for the defined benefit pension plan is to make contributions to the plan such that all employees’ benefits will be fully provided by the time they retire. Plan assets are stated at fair value and consist primarily of equity securities and fixed income securities, mainly U.S. government and corporate obligations.

We follow ASC 715, *Compensation – Retirement Benefits*, which requires employers to recognize the funded status of defined benefit pension and other postretirement benefit plans as an asset or liability in their statements of financial position and to recognize changes in the funded status in the year in which the changes occur as a component of comprehensive income. In addition, ASC 715 requires employers to measure the funded status of their plans as of the date of their year-end statements of financial position. ASC 715 also requires additional disclosures regarding amounts included in accumulated other comprehensive loss.

Our pension plan's weighted average asset allocation at December 31, 2023 and 2022, by asset category, was as follows:

Asset Category:	<u>Plan Assets at December 31,</u>	
	<u>2023</u>	<u>2022</u>
Equity Securities	58 %	57 %
Fixed Income Securities	28 %	31 %
Other	14 %	12 %
Total	<u>100 %</u>	<u>100 %</u>

We have a Retirement Plan Committee, consisting of our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, to manage the operations and administration of all benefit plans and related trusts. The committee has an investment policy for the pension plan assets that establishes target asset allocation ranges for the above listed asset classes as follows: equity securities: 20% - 80%; fixed income securities: 20% - 80%; and other, principally cash: 0% - 20%. On a semi-annual basis, the committee reviews progress towards achieving the pension plan's performance objectives.

To develop the expected long-term rate of return on assets assumption, we considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of 6.75% as the long-term rate of return on assets assumptions for both 2023 and 2022.

The following discount rates were used to determine the funded status of the pension plans as of December 31, 2023 and 2022:

	<u>Defined Benefit Pension Plan</u>		<u>Supplemental Pension Plan</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Discount rate for determining funded status	5.15 %	5.41 %	5.16 %	5.44 %

The following is a reconciliation of the change in benefit obligation and plan assets of both the defined benefit pension plan and the unfunded supplemental pension plan for the years ended December 31, 2023 and 2022:

	<u>Defined Benefit Pension Plan</u>		<u>Supplemental Pension Plan</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)			
<i>Change in projected benefit obligation</i>				
Projected benefit obligation, beginning of year	\$ 39,609	\$ 52,507	\$ 12,372	\$ 20,343
Service cost	467	445	—	—
Interest cost	2,052	1,243	580	511
Plan settlement	—	—	—	(4,276)
Actuarial loss (gain)	916	(12,028)	(1,001)	(3,864)
Benefits paid	(2,633)	(2,558)	(342)	(342)
Projected benefit obligation, end of year	<u>\$ 40,411</u>	<u>\$ 39,609</u>	<u>\$ 11,609</u>	<u>\$ 12,372</u>
<i>Change in plan assets</i>				
Fair value of plan assets, beginning of year	\$ 35,927	\$ 44,582	\$ —	\$ —
Actual return on plan assets	5,214	(5,652)	—	—
Administrative expenses	(467)	(445)	—	—
Contributions	—	—	—	4,618
Plan settlement	—	—	—	(4,276)
Benefits paid	(2,633)	(2,558)	—	(342)
Fair value of plan assets, end of year	<u>\$ 38,041</u>	<u>\$ 35,927</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status of plan	<u>\$ (2,370)</u>	<u>\$ (3,682)</u>	<u>\$ (11,609)</u>	<u>\$ (12,372)</u>
<i>Amounts recognized in the consolidated balance sheets consist of:</i>				
Accrued liabilities - other	\$ —	\$ —	\$ (567)	\$ (531)
Long-term pension liability	(2,370)	(3,682)	(11,042)	(11,841)
Net amount recognized	<u>\$ (2,370)</u>	<u>\$ (3,682)</u>	<u>\$ (11,609)</u>	<u>\$ (12,372)</u>
<i>Amounts recognized in accumulated other comprehensive loss consist of:</i>				
Accumulated loss, net of income tax benefit of \$2,863, \$3,382, \$410, and \$672, respectively	\$ 8,150	\$ 9,629	\$ 1,168	\$ 1,914
Prior service cost, net of income tax benefit of \$0, \$0, \$13 and \$19, respectively	—	—	39	54
Net amount recognized	<u>\$ 8,150</u>	<u>\$ 9,629</u>	<u>\$ 1,207</u>	<u>\$ 1,968</u>

As noted above, benefit accruals under the pension plan were frozen, effective December 31, 2016. Therefore, the accumulated benefit obligation of the defined benefit pension plan and supplemental pension plan were equal to the respective plans' projected benefit obligations, as shown in the above table, at December 31, 2023 and 2022.

In December 2022, in accordance with the terms of the supplemental pension plan, we made a lump-sum benefit payment of \$4.3 million to a former executive of the Company using cash on hand. A pension settlement charge of \$0.9 million was recorded in 2022 as a result of this payment. This charge was recorded within "other expense, net" in the Consolidated Statements of Earnings.

Assumptions used in determining pension expense for the years ended December 31, 2023 and 2022 were:

	<u>Defined Benefit Pension Plan</u>		<u>Supplemental Pension Plan</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Discount rate for projected benefit obligation	5.41 %	2.83 %	5.44 %	2.86 %
Discount rate for determining interest cost	5.35 %	2.39 %	5.37 %	2.54 %
Long-term rate of return on plan assets	6.75 %	6.75 %	—	—

The components of pension expense for the years ended December 31, 2023 and 2022, were:

	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
Service cost.....	\$ 467	\$ 445
Interest cost.....	2,632	1,754
Expected return on plan assets	(2,301)	(2,896)
Pension settlement charge	—	894
Net amortization and deferral	495	875
Pension expense.....	<u>\$ 1,293</u>	<u>\$ 1,072</u>

The components of pension expense other than the service cost component were included in “other expense, net” in the Consolidated Statements of Earnings.

It is our intention to satisfy the minimum funding requirements and maintain at least an 80% funding percentage in our defined benefit retirement plan in future years. At this time, we expect that any cash contributions necessary to satisfy these requirements in 2024 would not be material.

Projected benefit payments for the plans at December 31, 2023, were estimated as follows:

	<u>Defined Benefit Pension Plan</u>	<u>Supplemental Pension Plan</u>
	(Dollars in thousands)	
2024.....	\$ 3,205	\$ 568
2025.....	\$ 3,120	\$ 628
2026.....	\$ 3,069	\$ 677
2027.....	\$ 3,075	\$ 730
2028.....	\$ 3,042	\$ 882
2029 - 2033.....	\$ 14,161	\$ 4,653

The following table summarizes the fair value of pension plan assets at December 31, 2023, by asset category within the fair value hierarchy (for further level information, see Note 3):

	December 31, 2023			Total
	Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	
	(Dollars in thousands)			
Common stocks.....	\$ 16,693	\$ -	\$ -	\$ 16,693
Preferred stocks.....	202	-	-	202
Exchange traded funds	5,129	-	-	5,129
Corporate obligations.....	-	4,160	-	4,160
Pooled fixed income funds.....	5,793	-	-	5,793
U.S. government securities	-	772	-	772
Cash and cash equivalents	5,292	-	-	5,292
Total	<u>\$ 33,109</u>	<u>\$ 4,932</u>	<u>\$ -</u>	<u>\$ 38,041</u>

The following table summarizes the fair value of pension plan assets at December 31, 2022, by asset category within the fair value hierarchy (for further level information, see Note 3):

	December 31, 2022			Total
	Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	
	(Dollars in thousands)			
Common stocks	\$ 14,170	\$ 1,567	\$ —	\$ 15,737
Preferred stocks	235	3	—	238
Exchange traded funds	4,656	—	—	4,656
Corporate obligations	—	4,778	—	4,778
State and municipal obligations	—	250	—	250
Pooled fixed income funds	5,541	—	—	5,541
U.S. government securities	—	158	—	158
Cash and cash equivalents	4,488	—	—	4,488
Subtotal	<u>\$ 29,090</u>	<u>\$ 6,756</u>	<u>\$ —</u>	<u>\$ 35,846</u>
Other assets ⁽¹⁾				81
Total				<u><u>\$ 35,927</u></u>

⁽¹⁾ This category represents trust receivables that are not leveled.

We also have a defined contribution plan covering substantially all employees. We contributed \$1.0 million to this plan in both 2023 and 2022, respectively.

13. COMPREHENSIVE INCOME

The components of accumulated other comprehensive loss as recorded in the Consolidated Balance Sheets were as follows:

	December 31, 2023	December 31, 2022
	(Dollars in thousands)	
Foreign currency translation adjustments	\$ (7,954)	\$ (8,596)
Pension liability, net of tax	(9,357)	(11,597)
Total accumulated other comprehensive loss	<u>\$ (17,311)</u>	<u>\$ (20,193)</u>

The following table shows changes in accumulated other comprehensive loss during the years ended December 31, 2023 and 2022 (dollars in thousands):

	Foreign Currency Translation Adjustments	Defined Benefit Pension Items	Total
Balance, December 31, 2021	\$ (6,783)	\$ (18,011)	\$ (24,794)
Other comprehensive (loss) income before reclassifications	(1,813)	5,767	3,954
Amounts reclassified from accumulated other comprehensive loss	—	647	647
Net current period other comprehensive (loss) income	(1,813)	6,414	4,601
Balance, December 31, 2022	<u>\$ (8,596)</u>	<u>\$ (11,597)</u>	<u>\$ (20,193)</u>
Other comprehensive income before reclassifications	642	1,874	2,516
Amounts reclassified from accumulated other comprehensive loss	—	366	366
Net current period other comprehensive income	642	2,240	2,882
Balance, December 31, 2023	<u>\$ (7,954)</u>	<u>\$ (9,357)</u>	<u>\$ (17,311)</u>

The following table shows reclassification adjustments out of accumulated other comprehensive loss during the years ended December 31, 2023 and 2022 (dollars in thousands):

	Amounts reclassified from accumulated other comprehensive loss for the year ended December 31,		Affected line item in the statement where net earnings is presented
	2023	2022	
Amortization of defined benefit pension items			
Prior service cost	\$ 20 ⁽¹⁾	\$ 6 ⁽¹⁾	Other expense, net
Actuarial losses	475 ⁽¹⁾	869 ⁽¹⁾	Other expense, net
Total before tax	495	875	
Tax benefit	(129)	(228)	
Net of tax	<u>\$ 366</u>	<u>\$ 647</u>	

⁽¹⁾ These amounts were included in the computation of pension expense. See Note 12 for additional details.

14. INCOME TAXES

The provision for income taxes included the following components for the years ended December 31, 2023 and 2022:

	2023	2022
	(Dollars in thousands)	
Current:		
Federal	\$ 5,859	\$ 6,263
State	1,839	1,934
Foreign	516	705
Total	8,214	8,902
Deferred	2,462	1,297
Total provision	<u>\$ 10,676</u>	<u>\$ 10,199</u>

The differences between the U.S. federal statutory income tax rate and our effective tax rate were as follows for the years ended December 31, 2023 and 2022:

	2023	2022
U.S. federal statutory income tax rate	21.0 %	21.0 %
State income taxes, net of federal tax benefit	4.1	2.9
Foreign income tax rate differences	0.3	0.7
Other	0.7	1.1
Effective tax rate	<u>26.1 %</u>	<u>25.7 %</u>

The foreign component of pretax earnings was \$2.8 million and \$4.6 million in 2023 and 2022, respectively.

The components of deferred taxes at December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
Deferred income tax assets:		
Accounts receivable reserves	\$ 385	\$ 284
Pension liability	3,635	4,174
Accrued liabilities	1,724	1,874
Operating lease liabilities	4,024	3,871
Foreign currency losses on intercompany loans	<u>58</u>	<u>54</u>
	<u>9,826</u>	<u>10,257</u>
Deferred income tax liabilities:		
Inventory and related reserves	(5,024)	(2,998)
Cash value of life insurance	(682)	(615)
Property, plant and equipment	(1,297)	(1,162)
Intangible assets	(9,639)	(9,112)
Prepaid expenses and other assets	(352)	(367)
Operating lease right-of-use assets	<u>(3,555)</u>	<u>(3,495)</u>
	<u>(20,549)</u>	<u>(17,749)</u>
Net deferred income tax liabilities	<u>\$ (10,723)</u>	<u>\$ (7,492)</u>

The net deferred income tax liabilities are classified in the Consolidated Balance Sheets as follows:

	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
Non-current deferred income tax benefits	\$ 1,096	\$ 1,038
Non-current deferred income tax liabilities	<u>(11,819)</u>	<u>(8,530)</u>
Net deferred income tax liabilities	<u>\$ (10,723)</u>	<u>\$ (7,492)</u>

Uncertain Tax Positions

We account for our uncertain tax positions in accordance with ASC 740, *Income Taxes* (“ASC 740”). ASC 740 provides that the tax effects from an uncertain tax position can be recognized in our consolidated financial statements only if the position is more likely than not of being sustained on audit, based on the technical merits of the position.

The following table summarizes the activity related to our unrecognized tax benefits:

	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
Unrecognized tax benefits balance at January 1,	\$ 305	\$ 155
Increases related to current year tax positions	366	228
Decreases due to lapsing of statute of limitations	<u>(63)</u>	<u>(78)</u>
Unrecognized tax benefits balance at December 31,	<u>\$ 608</u>	<u>\$ 305</u>

The unrecognized tax benefits at December 31, 2023 and 2022, each include \$30,000 of interest related to such positions. The unrecognized tax benefits, if ultimately recognized, would reduce our annual effective tax rate. The liabilities for potential interest are included in the Consolidated Balance Sheets at December 31, 2023 and 2022.

We file a U.S. federal income tax return, various U.S. state income tax returns and several foreign returns. In general, the 2019 through 2022 tax years remain subject to examination by those taxing authorities.

15. COMMITMENTS

At December 31, 2023, we had commitments to purchase \$41.2 million of inventory, all of which were due in less than one year.

16. SHARE REPURCHASE PROGRAM

In 1998, our share repurchase program was established. On several occasions since the program's inception, our Board of Directors increased the number of shares authorized for repurchase under the program. In total, 8.5 million shares have been authorized for repurchase.

In 2023, we purchased 170,422 shares at a total cost of \$4.3 million through our share repurchase program. In 2022, we purchased 171,397 shares at a total cost of \$4.2 million through our share repurchase program. As of December 31, 2023, there were 868,757 authorized shares remaining under the program.

17. EARNINGS PER SHARE

The following table sets forth the computations of basic and diluted earnings per share for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	(In thousands, except per share amounts)	
Numerator:		
Net earnings	<u>\$ 30,188</u>	<u>\$ 29,540</u>
Denominator:		
Basic weighted average shares outstanding	9,449	9,555
Effect of dilutive securities:		
Employee share-based awards	<u>86</u>	<u>69</u>
Diluted weighted average shares outstanding	<u>9,535</u>	<u>9,624</u>
Basic earnings per share	<u>\$ 3.19</u>	<u>\$ 3.09</u>
Diluted earnings per share	<u>\$ 3.17</u>	<u>\$ 3.07</u>

Diluted weighted average shares outstanding for 2023 exclude anti-dilutive share-based awards totaling 618,000 shares at a weighted average price of \$28.95. Diluted weighted average shares outstanding for 2022 exclude anti-dilutive share-based awards totaling 916,000 shares at a weighted average price of \$27.27.

Unvested restricted stock awards provide holders with dividend rights prior to vesting, however, such rights are forfeitable if the awards do not vest. As a result, unvested restricted stock awards are not participating securities and are excluded from the computation of earnings per share.

18. SEGMENT INFORMATION

We have two reportable segments: North American wholesale operations ("Wholesale") and North American retail operations ("Retail"). Our Chief Executive Officer evaluates the performance of our segments based on earnings from operations. Therefore, interest income or expense, other income or expense, and income taxes are not allocated to the segments. As of December 31, 2023, the "other" category in the table below included our wholesale and retail operations in Australia, South Africa, and Asia Pacific, which do not meet the criteria for separate reportable segment classification. We ceased operations in the Asia Pacific region in 2023, and are in the final stages of winding down this business.

In the Wholesale segment, shoes are marketed through more than 10,000 footwear, department and specialty stores, primarily in the United States and Canada. Licensing revenues are also included in our wholesale segment. We 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. In 2023 and 2022, there was no single customer with sales of 10% or more of our total sales.

In the Retail segment, we operate 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. Retail stores sell our branded footwear, primarily Florsheim, and accessories.

The accounting policies of the segments are the same as those described in Note 2, Summary of Significant Accounting Policies. Summarized segment data for the years ended December 31, 2023 and 2022 was as follows:

	<u>Wholesale</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
	(Dollars in thousands)			
2023				
Product sales.....	\$ 247,896	\$ 38,012	\$ 29,636	\$ 315,544
Licensing revenues.....	<u>2,504</u>	<u>—</u>	<u>—</u>	<u>2,504</u>
Net sales.....	250,400	38,012	29,636	318,048
Depreciation.....	1,942	7	630	2,579
Earnings from operations.....	33,288	6,752	984	41,024
Total assets.....	276,626	4,594	28,122	309,342
Capital expenditures.....	2,544	—	765	3,309
2022				
Product sales.....	\$ 281,138	\$ 36,694	\$ 31,808	\$ 349,640
Licensing revenues.....	<u>2,097</u>	<u>—</u>	<u>—</u>	<u>2,097</u>
Net sales.....	283,235	36,694	31,808	351,737
Depreciation.....	1,969	4	512	2,485
Earnings from operations.....	32,641	6,058	1,666	40,365
Total assets.....	292,262	5,460	28,898	326,620
Capital expenditures.....	882	12	1,448	2,342

All North American corporate office assets are included in the Wholesale segment. Transactions between segments primarily consist of sales between the Wholesale and Retail segments. Intersegment sales are valued at the cost of inventory plus an estimated cost to ship the products. Intersegment sales have been eliminated and are excluded from net sales in the above table.

Geographic Segments

Financial information relating to our business by geographic area was as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)	
<u>Net Sales</u>		
United States.....	\$ 266,515	\$ 292,441
Canada.....	21,897	27,488
Australia.....	23,012	25,196
Asia.....	4,143	3,472
South Africa.....	2,481	3,140
Total.....	<u>\$ 318,048</u>	<u>\$ 351,737</u>
<u>Long-Lived Assets</u>		
United States.....	\$ 75,274	\$ 76,530
Other.....	<u>14,650</u>	<u>14,310</u>
	<u>\$ 89,924</u>	<u>\$ 90,840</u>

Net sales attributed to geographic locations are based on the location of the assets producing the sales. Long-lived assets by geographic location consist of property, plant and equipment (net), operating lease ROU assets, goodwill, trademarks, investment in real estate and amortizable intangible assets.

19. SHARE-BASED COMPENSATION PLAN

At December 31, 2023 we had one share-based compensation plan, entitled the 2017 Incentive Plan (hereinafter, “the Plan”). Under the Plan, options to purchase common stock are granted to officers and key employees at exercise prices not less than the fair market value of our Company’s common stock on the date of the grant. We also grant restricted stock awards under the Plan. We issue new common stock to satisfy stock option exercises as well as the issuance of restricted stock awards.

Stock options and restricted stock awards were granted in both 2023 and 2022. Stock options and restricted stock awards are valued at fair market value based on the Company’s closing stock price on the date of grant. Stock options granted in 2023 and 2022 vest ratably

over five years and expire 10 years from the grant date. Restricted stock granted in 2023 and 2022 vests ratably over four years. As of December 31, 2023, there were approximately 92,000 shares remaining available for share-based awards under the Plan.

Stock option exercises can be net share settled such that we withhold shares with value equivalent to the exercise price of the stock option awards plus the employees' minimum statutory obligation for the applicable income and other employment taxes. The net share settlement has the effect of share repurchases by the Company as they reduce the number of shares that would have otherwise been issued. In 2023, approximately 430,000 shares were withheld, and were based on the value of the stock on the exercise dates. Total payments made by the Company for the employees' tax obligations to the taxing authorities were \$186,000 in 2023 and \$12,000 in 2022; such payments are generally reflected as a financing activity within the consolidated statements of cash flows.

In accordance with ASC 718, share-based compensation expense of approximately \$1.4 million and \$1.5 million was recognized in 2023 and 2022, respectively, for stock options and restricted stock awards granted since 2017. An estimate of forfeitures, based on historical data, was included in the calculation of share-based compensation.

At December 31, 2023, there was \$2.1 million of total unrecognized compensation cost related to non-vested stock options granted in the years 2019 through 2023 which is expected to be recognized over the weighted-average remaining vesting period of 3.7 years. At December 31, 2022, there was \$1.8 million of total unrecognized compensation cost related to non-vested stock options granted in the years 2018 through 2022 which was expected to be recognized over the weighted-average remaining vesting period of 3.7 years.

The following weighted-average assumptions were used to determine compensation expense related to stock options in 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Risk-free interest rate	4.31 %	3.08 %
Expected dividend yield	3.88 %	3.33 %
Expected term	8.0	8.0
Expected volatility	31.0 %	28.5 %

The risk-free interest rate is based on U.S. Treasury bonds with a remaining term equal to the expected term of the award. The expected dividend yield is based on our expected annual dividend as a percentage of the market value of our Company's common stock in the year of grant. The expected term of the stock options is determined using historical experience. The expected volatility is based upon historical stock prices over the most recent period equal to the expected term of the award.

The following tables summarize our stock option activity during the years ended December 31, 2023 and 2022:

Stock Options

	<u>Years ended December 31,</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
<i>Stock Options</i>				
Outstanding at beginning of year	1,345,369	\$ 25.83	1,279,833	\$ 25.44
Granted	149,200	25.79	143,500	28.83
Exercised	(487,331)	25.02	(60,914)	24.96
Forfeited or expired	(40,021)	26.31	(17,050)	24.79
Outstanding at end of year	<u>967,217</u>	<u>\$ 26.22</u>	<u>1,345,369</u>	<u>\$ 25.83</u>
Exercisable at end of year	<u>524,829</u>	<u>\$ 27.30</u>	<u>891,733</u>	<u>\$ 26.36</u>
Weighted average fair market value of options granted	<u>\$ 6.63</u>		<u>\$ 6.78</u>	
		<u>Weighted Average Remaining Contractual Life (in Years)</u>		<u>Aggregate Intrinsic Value</u>
Outstanding - December 31, 2023		6.7	\$	5,649,000
Exercisable - December 31, 2023		5.4	\$	2,804,000

The aggregate intrinsic value of outstanding and exercisable stock options is defined as the difference between the market value of our Company's common stock on December 29, 2023 of \$31.36 and the exercise price multiplied by the number of in-the-money outstanding and exercisable stock options.

Non-vested Stock Options

	Number of Options	Weighted Average Exercise Price	Weighted Average Fair Value
Non-vested - December 31, 2021	511,311	\$ 23.63	\$ 3.64
Granted	143,500	28.83	6.78
Vested	(189,375)	25.08	3.87
Forfeited	(11,800)	23.20	3.65
Non-vested - December 31, 2022	453,636	\$ 24.76	\$ 4.55
Granted	149,200	25.79	6.63
Vested	(147,128)	25.26	4.44
Forfeited	(13,320)	25.24	4.91
Non-vested - December 31, 2023	442,388	\$ 24.93	\$ 5.28

The following table summarizes information about outstanding and exercisable stock options at December 31, 2023:

	Options Outstanding			Options Exercisable	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
Range of Exercise Prices					
\$18.00	134,760	6.7	\$ 18.00	74,260	\$ 18.00
\$23.38 to \$25.79	432,695	7.8	\$ 24.43	160,415	\$ 23.65
\$27.94 to \$37.22	399,762	5.7	\$ 30.92	290,154	\$ 31.70
	967,217	6.7	\$ 26.22	524,829	\$ 27.30

The following table summarizes our stock option activity for the years ended December 31:

	2023	2022
	(Dollars in thousands)	
Total intrinsic value of stock options exercised	\$ 1,537	\$ 251
Net proceeds from stock option exercises	\$ 103	\$ 293
Income tax benefit from the exercise of stock options	\$ 400	\$ 65
Total fair value of stock options vested	\$ 653	\$ 734

Restricted Stock

The following table summarizes our restricted stock award activity during the years ended December 31, 2022 and 2023:

	Shares of Restricted Stock	Weighted Average Grant Date Fair Value
Non-vested - December 31, 2021	78,470	\$ 23.11
Issued	27,620	28.83
Vested	(34,282)	24.46
Forfeited	—	—
Non-vested - December 31, 2022	71,808	\$ 24.67
Issued	27,700	25.79
Vested	(28,243)	23.60
Forfeited	(2,175)	25.13
Non-vested - December 31, 2023	69,090	\$ 25.54

At December 31, 2023, we expected 69,090 shares of restricted stock to vest over a weighted-average remaining contractual term of 2.7 years. These shares had an aggregate intrinsic value of \$2.2 million at December 31, 2023. The aggregate intrinsic value was calculated using the market value of our Company's common stock on December 29, 2023 of \$31.36 multiplied by the number of non-vested restricted shares outstanding. The income tax benefit from the vesting of restricted stock for the years ended December 31 was \$188,000 in 2023 and \$247,000 in 2022.

20. VALUATION AND QUALIFYING ACCOUNTS

	Deducted from Assets		
	Doubtful Accounts	Returns and Allowances	Total
	(Dollars in thousands)		
BALANCE, DECEMBER 31, 2021	\$ 1,307	\$ 760	\$ 2,067
Add - Additions charged to earnings	151	5,584	5,735
Deduct - Charges for purposes for which reserves were established	(348)	(5,344)	(5,692)
BALANCE, DECEMBER 31, 2022	\$ 1,110	\$ 1,000	\$ 2,110
Add - Additions charged to earnings	519	5,115	5,634
Deduct - Charges for purposes for which reserves were established	(136)	(5,098)	(5,234)
BALANCE, DECEMBER 31, 2023	\$ 1,493	\$ 1,017	\$ 2,510

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A CONTROLS AND PROCEDURES

Attached as exhibits to this Annual Report are certifications of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“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 “Evaluation of Disclosure Controls and Procedures” below.

The attestation report of Baker Tilly US, LLP, our independent registered public accounting firm, regarding its audit of Weyco Group, Inc.’s internal control over financial reporting is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading “Report of Independent Registered Public Accounting Firm (PCAOB ID 23).” This section should be read in conjunction with the certifications of our CEO and CFO and the Baker Tilly US, LLP attestation report for a more complete understanding of the topics presented.

Evaluation of Disclosure Controls and Procedures

The 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)) (“Disclosure Controls”) as of the end of the period covered by this Annual Report. 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 Annual 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, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Based upon the controls evaluation, our CEO and CFO have concluded that as of the end of the period covered by this Annual Report, our Disclosure Controls were not effective due to a material weakness in internal control over financial reporting, described below.

Inherent Limitations on Effectiveness of Controls

The Company's management, including the CEO and CFO, does not expect that our Disclosure Controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of our controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control over Financial Reporting

Other than the material weakness described below, there have not been any changes in the Company’s internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f) during fiscal 2023 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide

reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed our internal control over financial reporting as of December 31, 2023, the end of our fiscal year. Management based our assessment on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. This assessment is supported by testing and monitoring performed by our Finance function.

Based on our assessment, management concluded that our internal control over financial reporting was not effective as of the end of the fiscal year 2023. We reviewed the results of management's assessment with the Audit Committee of our Board.

We determined a material weakness existed relating to the design, implementation, and monitoring of general information technology controls in the areas of program change management, user access, and segregation of duties for systems supporting certain internal control processes. Related controls are dependent upon the information derived from the information systems and therefore could have been adversely impacted.

With respect to the material weakness, our management, under the oversight of our Audit Committee, has begun evaluating and implementing measures designed to remediate the material weakness. These remediation measures have or will include implementing controls, procedures, and software relating to program change management, user access and segregation of duties for systems supporting the related internal control processes and developing monitoring controls and protocols that will allow us to timely assess the design and operating effectiveness of the new and redesigned controls. The Company plans to engage a third-party service provider to assist with the remediation of the material weakness and the implementation of the required controls.

We believe the above actions will be effective in remediating the material weakness described above and we will continue to devote time and attention to these remedial efforts. However, as we continue to evaluate and take actions to improve our internal control over financial reporting, we may take additional actions to address control deficiencies or modify certain of the remediation measures described above. Our remediation efforts will not be considered complete until the applicable controls operate for a sufficient period of time and our management has concluded, through testing, that these controls are operating effectively.

Reports of Independent Registered Public Accounting Firm

The attestation report from the Company's independent registered public accounting firm required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading "Report of Independent Registered Public Accounting Firm (PCAOB ID 23)."

ITEM 9B OTHER INFORMATION

- (a) None
- (b) During the three months ended December 31, 2023, no director or Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 9C DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item is set forth within Part I, "Information About Executive Officers" of this Annual Report on Form 10-K and within the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 7, 2024 (the "2024 Proxy Statement") in sections entitled "Proposal One: Election of Directors," "Delinquent Section 16(a) Reports," "Audit Committee," and "Code of Business Ethics," and is incorporated herein by reference.

ITEM 11 EXECUTIVE COMPENSATION

Information required by this Item is set forth in the Company's 2024 Proxy Statement in sections entitled "Summary Compensation Table," "Outstanding Equity Awards at December 31, 2023," "Pension Benefits," "Employment Contracts and Potential Payments Upon Termination or Change of Control," "Director Compensation," and "Pay Versus Performance," and is incorporated herein by reference.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is set forth in the Company's 2024 Proxy Statement in the sections entitled "Security Ownership of Management and Others" and "Equity Compensation Plan Information," and is incorporated herein by reference.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item is set forth in the Company's 2024 Proxy Statement in sections entitled "Transactions with Related Persons" and "Director Independence," and is incorporated herein by reference.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item is set forth in the Company's 2024 Proxy Statement in the section entitled "Audit and Non-Audit Fees," and is incorporated herein by reference.

PART IV

ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) Documents filed as part of this Annual Report on Form 10-K:
 - (1) Financial Statements - See the consolidated financial statements included in Part II, Item 8 "Financial Statements and Supplementary Data" in this 2023 Annual Report on Form 10-K.
 - (2) Financial Statement Schedules – Financial statement schedules have been omitted because information required in these schedules is included in the Notes to Consolidated Financial Statements.
- (b) List of Exhibits.

<u>Exhibit</u>	<u>Description</u>	<u>Incorporation Herein By Reference To</u>	<u>Filed Herewith</u>
3.1	Articles of Incorporation as Restated August 29, 1961, and Last Amended February 16, 2005	Exhibit 3.1 to Form 10-K for Year Ended December 31, 2004	
3.2	Bylaws of Weyco Group, Inc. as amended and restated as of March 9, 2021	Exhibit 3.1 to Form 8-K filed March 9, 2021	
4.1	Description of Securities of the Registrant	Exhibit 4.1 to Form 10-K for Year Ended December 31, 2019	
10.3*	Consulting Agreement - Thomas W. Florsheim, dated December 28, 2000	Exhibit 10.1 to Form 10-K for Year Ended December 31, 2001	
10.4*	Employment Agreement (Renewal) - Thomas W. Florsheim, Jr., dated January 1, 2023	Exhibit 10.4 to Form 10-K for Year Ended December 31, 2022	
10.5*	Employment Agreement (Renewal) - John W. Florsheim, dated January 1, 2023	Exhibit 10.5 to Form 10-K for Year Ended December 31, 2022	
10.6*	Excess Benefits Plan - Amended Effective as of January 1, 2008, and further Amended Effective December 31, 2016	Exhibit 10.8 to Form 10-K for Year Ended December 31, 2016	
10.7*	Pension Plan — Amended and Restated Effective January 1, 2006	Exhibit 10.7 to Form 10-K for Year Ended December 31, 2006	
10.7a*	Second Amendment to Weyco Group, Inc. Pension Plan, dated November 7, 2016	Exhibit 10.2 to Form 10-Q for the Quarter Ended September 30, 2016	
10.8*	Deferred Compensation Plan - Amended Effective as of January 1, 2008, and further Amended Effective December 31, 2016	Exhibit 10.10 to Form 10-K for Year Ended December 31, 2016	
10.9	Third Amendment to Credit Agreement, dated as of September 28, 2023	Exhibit 10.9 to Form 8-K filed September 29, 2023	
10.10	Third Amended and Restated Revolving Loan Note, dated September 28, 2023	Exhibit 10.10 to Form 8-K filed September 29, 2023	
10.11	Security Agreement with Associated Bank, dated November 4, 2020	Exhibit 10.3 to Form 10-Q for Quarter Ended September 30, 2020	

<u>Exhibit</u>	<u>Description</u>	<u>Incorporation Herein By Reference To</u>	<u>Filed Herewith</u>
10.15*	Weyco Group, Inc. 2017 Incentive Plan	Appendix A to the Registrant's Proxy Statement Schedule 14A for the Annual Meeting of Shareholders held on May 9, 2017	
10.15a*	Form of incentive stock option agreement for the Weyco Group, Inc. 2017 Incentive Plan	Exhibit 10.21a to Form 10-Q for Quarter Ended September 30, 2017	
10.15b*	Form of non-qualified stock option agreement for the Weyco Group, Inc. 2017 Incentive Plan	Exhibit 10.21b to Form 10-Q for Quarter Ended September 30, 2017	
10.15c*	Form of restricted stock agreement for the Weyco Group, Inc. 2017 Incentive Plan	Exhibit 10.21c to Form 10-Q for Quarter Ended September 30, 2017	
21	Subsidiaries of the Registrant		X
23.1	Consent of Independent Registered Public Accounting Firm		X
24	Power of Attorney	Signatures page	X
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
97	Weyco Group, Inc. Executive Officer Compensation Recovery Policy		X
101	The following financial information from Weyco Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2023 formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets as of December 31, 2023 and 2022; (ii) Consolidated Statements of Earnings for the years ended December 31, 2023 and 2022; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2023 and 2022; (iv) Consolidated Statements of Equity for the years ended December 31, 2023 and 2022; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022; (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and in detail.		X
104	The cover page from the Company's Annual Report on Form 10-K for the year-ended December 31, 2023, formatted in iXBRL (included in Exhibit 101).		X

* Management contract or compensatory plan or arrangement

ITEM 16 FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By /s/ Judy Anderson

March 14, 2024

Judy Anderson, Vice President, Chief Financial Officer and Secretary

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas W. Florsheim, Jr., John W. Florsheim, and Judy Anderson, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, as of March 14, 2024, by the following persons on behalf of the registrant and in the capacities indicated.

/s/ Thomas W. Florsheim

Thomas W. Florsheim, Director and Chairman Emeritus

/s/ Thomas W. Florsheim, Jr.

Thomas W. Florsheim, Jr., Chairman of the Board
and Chief Executive Officer (Principal Executive Officer)

/s/ John W. Florsheim

John W. Florsheim, President, Chief Operating Officer,
Assistant Secretary and Director

/s/ Judy Anderson

Judy Anderson, Vice President, Chief
Financial Officer and Secretary (Principal Financial Officer)

/s/ Robert D. Hanley

Robert D. Hanley, Director of Finance
(Principal Accounting Officer)

/s/ Tina Chang

Tina Chang, Director

/s/ Robert Feitler

Robert Feitler, Director

/s/ Cory L. Nettles

Cory L. Nettles, Director

/s/ Frederick P. Stratton, Jr.

Frederick P. Stratton, Jr., Director

WEYCO GROUP, INC.SUBSIDIARIES OF THE REGISTRANT

<u>Name of Company</u>	<u>Incorporated In</u>	<u>Subsidiary Of</u>
Weyco Investments, Inc.	Nevada	Weyco Group, Inc.
Weyco Sales, LLC	Wisconsin	Weyco Group, Inc.
Weyco Retail Corp.	Wisconsin	Weyco Group, Inc.
Florsheim Australia Pty Ltd	Australia	Weyco Group, Inc.
Florsheim South Africa Pty Ltd	South Africa	Florsheim Australia Pty Ltd

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements Nos. 333-198294 and 333-218516 on Form S-8 of our report dated March 14, 2024, relating to the consolidated financial statements of Weyco Group, Inc. and subsidiaries (the "Company") and the effectiveness of internal control over financial reporting, which appears in this annual report on Form 10-K for the year ended December 31, 2023.

/s/ Baker Tilly US, LLP

Milwaukee, Wisconsin
March 14, 2024

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K 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 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: March 14, 2024

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

CERTIFICATION

I, Judy Anderson, certify that:

1. I have reviewed this annual report on Form 10-K 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 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: March 14, 2024

/s/ Judy Anderson
Judy Anderson
Chief Financial Officer

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

We, Thomas W. Florsheim, Jr., Chief Executive Officer, and Judy Anderson, Chief Financial Officer of Weyco Group, Inc., each certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-K for the year ended December 31, 2023 (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: March 14, 2024

/s/ Thomas W. Florsheim, Jr.

Thomas W. Florsheim, Jr.
Chief Executive Officer

/s/ Judy Anderson

Judy Anderson
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.

[This Page Intentionally Left Blank]

DIRECTORS

Thomas W. Florsheim
Chairman Emeritus

Thomas W. Florsheim, Jr.
Chairman and Chief Executive Officer

John W. Florsheim
President, Chief Operating Officer and Assistant Secretary

Robert Feitler
Director

Tina Chang
Chairman of the Board and Chief Executive Officer,
SysLogic, Inc.

Cory L. Nettles
Managing Director, Generation Growth Capital, Inc.

Frederick P. Stratton, Jr.
Chairman Emeritus, Briggs and Stratton Corporation

EXECUTIVE OFFICERS

Thomas W. Florsheim, Jr.
Chairman and Chief Executive Officer

John W. Florsheim
President, Chief Operating Officer and Assistant Secretary

Judy Anderson
Vice President, Chief Financial Officer and Secretary

Dustin Combs
Vice President, and President of BOGS and Rafters Brands

Kate Destinon
Vice President, and President of Nunn Bush Brand

Jeff Douglass
Vice President, Marketing

Brian Flannery
Vice President, and President of Stacy Adams Brand

Kevin Schiff
Vice President, and President of Florsheim Brand

George Sotiros
Vice President, Information Technology and Distribution

Damian Walton
Vice President, and President of Florsheim Australia

Joshua Wisenthal
Vice President, and President of Weyco Canada

Allison Woss
Vice President, Supply Chain

OFFICERS

Riley Combs
Vice President Sales, BOGS and Rafters Brands

David Cook
Vice President, BOGS Marketing

Kurt Easter
Vice President Sales, Nunn Bush Brand

Cesar Geronimo
Vice President, BOGS Product Development

Beverly Goldberg
Vice President Sales, Florsheim Brand

DeAnna Osteen
Vice President, Human Resources

David Polansky
Vice President Sales, Stacy Adams Brand

Keven Ringgold
Vice President, Design

Maria Stavrides
Vice President, Weyco Canada

Sanjay Weerasooriya
Vice President, Chief Financial Officer of Florsheim Australia

Annual Meeting

Shareholders are invited to attend Weyco Group, Inc's 2023 Annual Meeting at 10:00 a.m. on May 7th, 2024 at the general offices of the Company: 333 West Estabrook Blvd, Glendale, Wisconsin 53212

Stock Exchange

The Company's Common Stock (symbol WEYS) is listed on the NASDAQ Stock Market (NASDAQ).

Transfer Agent and Registrar

Equiniti Trust Company, LLC
48 Wall Street, Floor 23
New York, New York 10005

Company Headquarters

Weyco Group, Inc.
333 West Estabrook Boulevard
Glendale, Wisconsin 53212
414.908.1600
www.weycogroup.com

FLORSHEIM

NUNN BUSH

STACY ADAMS

BOGS

RAFTERS

FORSAKE

WEYCO GROUP, INC.

333 WEST ESTABROOK BOULEVARD GLENDALE, WISCONSIN 53212

414.908.1600