

ROCKY BRANDS, INC.
Form 10-Q
April 29, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

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: **001-34382**

ROCKY BRANDS, INC.

(Exact name of registrant as specified in its charter)

Ohio 31-1364046
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

39 E. Canal Street, Nelsonville, Ohio 45764

(Address of Principal Executive Offices, Including Zip Code)

(740) 753-1951

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of April 22, 2016, 7,587,195 shares of Rocky Brands, Inc. common stock, no par value, were outstanding.

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ROCKY BRANDS, INC.

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PART I - FINANCIAL INFORMATION**ITEM 1 - FINANCIAL STATEMENTS****ROCKY BRANDS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2016 (Unaudited)	December 31, 2015	March 31, 2015 (Unaudited)
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$3,716,716	\$ 3,407,140	\$4,391,765
Trade receivables – net	38,253,999	44,549,207	54,271,919
Other receivables	597,343	583,479	618,179
Inventories	84,502,529	76,991,059	83,125,271
Income tax receivable	1,214,755	128,699	52,961
Deferred income taxes	1,031,818	1,031,818	1,291,907
Prepaid expenses	3,073,814	2,530,517	3,078,008
Total current assets	132,390,974	129,221,919	146,830,010
FIXED ASSETS – net	28,103,995	27,836,527	25,331,520
IDENTIFIED INTANGIBLES	36,514,458	36,547,873	36,649,003
OTHER ASSETS	253,621	258,812	277,305
TOTAL ASSETS	\$197,263,048	\$ 193,865,131	\$209,087,838
LIABILITIES AND SHAREHOLDERS' EQUITY:			
CURRENT LIABILITIES:			
Accounts payable	\$15,044,942	\$ 9,118,555	\$13,894,921
Accrued expenses:			
Salaries and wages	1,050,831	442,259	909,487
Taxes - other	462,277	533,220	439,220
Accrued freight	371,196	427,412	534,100
Commissions	345,825	378,191	505,585
Accrued duty	2,365,462	2,301,449	2,465,913
Other	1,490,356	1,547,130	1,173,185
Total current liabilities	21,130,889	14,748,216	19,922,411
LONG TERM DEBT	21,649,319	23,700,089	36,691,449

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DEFERRED INCOME TAXES	13,000,609	13,000,609	12,928,048
DEFERRED LIABILITIES	265,262	295,676	434,625
TOTAL LIABILITIES	56,046,079	51,744,590	69,976,533

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY:

Common stock, no par value;

25,000,000 shares authorized; issued and outstanding March 31,

2016 - 7,583,901; December 31, 2015 - 7,567,271 and March 31, 2015 - 7,559,725

71,004,499 70,882,392 70,566,065

Retained earnings 70,212,470 71,238,149 68,545,240

Total shareholders' equity 141,216,969 142,120,541 139,111,305

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY \$197,263,048 \$ 193,865,131 \$209,087,838

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY BRANDS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(UNAUDITED)**

	Three Months Ended March 31,	
	2016	2015
NET SALES	\$57,529,945	\$65,451,303
COST OF GOODS SOLD	38,619,053	43,479,993
GROSS MARGIN	18,910,892	21,971,310
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	19,131,894	19,567,947
INCOME (LOSS) FROM OPERATIONS	(221,002)	2,403,363
OTHER INCOME AND (EXPENSES):		
Interest expense, net	(135,976)	(165,076)
Other – net	67,528	(63,340)
Total other - net	(68,448)	(228,416)
INCOME (LOSS) BEFORE INCOME TAXES	(289,450)	2,174,947
INCOME TAX EXPENSE (BENEFIT)	(98,000)	761,000
COMPREHENSIVE INCOME (LOSS)	\$(191,450)	\$1,413,947
NET INCOME (LOSS) PER SHARE		
Basic	\$(0.03)	\$0.19
Diluted	\$(0.03)	\$0.19
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	7,583,170	7,559,343
Diluted	7,583,170	7,566,698

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY BRANDS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Three Months Ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$(191,450)	\$1,413,947
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,905,604	1,801,555
Gain on disposal of fixed assets	(16,053)	-
Stock compensation expense	122,107	102,479
Change in assets and liabilities		
Receivables	6,281,344	1,393,485
Inventories	(7,511,470)	2,111,771
Other current assets	(1,629,353)	(577,527)
Other assets	5,191	22,185
Accounts payable	5,870,933	(1,283,018)
Accrued and other liabilities	425,872	(4,103,858)
Net cash provided by operating activities	5,262,725	881,019
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(2,086,650)	(772,809)
Investment in trademarks and patents	-	(1,176)
Proceeds from sale of fixed assets	18,500	-
Net cash used in investing activities	(2,068,150)	(773,985)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facility	20,875,394	20,135,196
Repayments of revolving credit facility	(22,926,164)	(19,714,120)
Proceeds from stock option exercises	-	2,914
Dividends paid on common stock	(834,229)	(755,953)
Net cash used in financing activities	(2,884,999)	(331,963)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	309,576	(224,929)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,407,140	4,616,694

CASH AND CASH EQUIVALENTS,
END OF PERIOD

\$3,716,716 \$4,391,765

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY BRANDS, INC.

AND SUBSIDIARIES

**NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015**

1.INTERIM FINANCIAL REPORTING

In the opinion of management, the accompanying interim unaudited condensed consolidated financial statements reflect all adjustments that are necessary for a fair presentation of the financial results. All such adjustments reflected in the unaudited interim condensed consolidated financial statements are considered to be of a normal and recurring nature. The results of the operations for the three months ended March 31, 2016 and 2015 are not necessarily indicative of the results to be expected for the whole year. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2015.

2.TRADE RECEIVABLES

Trade receivables are presented net of the related allowance for uncollectible accounts of approximately \$833,000, \$820,000 and \$1,017,000 at March 31, 2016, December 31, 2015 and March 31, 2015, respectively. The allowance for uncollectible accounts is calculated based on the relative age and size of trade receivable balances. Our credit policy generally provides that trade receivables will be deemed uncollectible and written-off once we have pursued all reasonable efforts to collect on the account.

3.INVENTORIES

Inventories, net of reserves, are comprised of the following:

March 31,

March 31,

		December 31, 2015	2015
	2016 (Unaudited)		(Unaudited)
Raw materials	\$ 17,543,577	\$ 12,494,980	\$ 12,931,069
Work-in-process	920,773	1,155,837	877,162
Finished goods	66,038,179	63,340,242	69,317,040
Total	\$ 84,502,529	\$ 76,991,059	\$ 83,125,271

4.SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information is as follows:

	(Unaudited) Three Months Ended March 31,	
	2016	2015
Interest	\$ 117,947	\$ 155,196
Federal, state and local income taxes, net of refunds	\$ 988,056	