



2020 ANNUAL REPORT

WEYCOGROUP

FLORSHEIM • STACY ADAMS • NUNN BUSH • BOGS

TO OUR SHAREHOLDERS

The worldwide COVID-19 pandemic impacted every corner of our business and industry in 2020. We had some bright spots with our BOGS business, but our men's legacy brands were challenging. While there were many difficult decisions made, we maintained our focus on the long-term and are emerging more streamlined and flexible. After tough second and third quarters of 2020, we returned to profitability in the fourth quarter, which reflected increased demand in certain areas of our business as well as a reduction in our expenses, as we aligned costs with our lower sales volume.

Despite the pandemic, our Bogs business held up well during 2020, and we were pleased with how the business accelerated in the latter part of 2020, as consumers spent more time outdoors. Even with relatively modest precipitation in November and December across the country, demand for Bogs' product was very strong. While we entered the Fall with adequate inventory, there was a shortage of outdoor boots in the general market and we quickly sold through key programs to satisfy demand. We were able replenish a good portion of these programs in order to meet unexpected demand that occurred in early 2021. During 2020, Bogs also continued to diversify its product mix, selling more lightly-insulated and lifestyle-oriented product in the women's market, while also developing its men's occupational, work-related footwear.

Regarding our legacy brands, the business remains challenging. While we did see a slight lift in demand at the retail level toward the end of 2020, our wholesale partners reduced styles in dress and dress-casual footwear that are work or occasion oriented. We believe the normalization of our legacy business will be tied closely to the rollout of vaccinations and people returning to pre-pandemic activities; however, the timing is uncertain. While we are disappointed with the level of wholesale shipments across our legacy brands, there were some highlights. Casual and fashion boot sales were extremely good and we also are making significant progress toward introducing new casual footwear. The pandemic motivated us to accelerate change and commit to a rapid overhaul of our product mix. The new lines we are shipping this Spring as well as showcasing for customers for our Fall launch, offer a fresh, more relaxed take on our brands. While we anticipate increased demand for our traditional dress-oriented styles in the second half of the year, we are excited about our prospects to extend into lifestyle categories based on the favorable reception of new product we introduced during the pandemic.

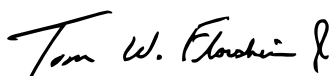
In terms of our U.S. retail segment, our focus remains on investing in and growing our e-commerce business. Our e-commerce business was up 9% for the year. Bogs drove the growth on the internet, with sales up 53% in the U.S. and nearly 80% in Canada as compared to 2019. As a result of the closing of unprofitable stores, we currently have only four active brick and mortar retail locations remaining. Accordingly, the future results of our U.S. retail segment will be driven by our more profitable e-commerce businesses. On a worldwide level, we continue to leverage the e-commerce platform we have built in the U.S. to other locations, including Canada, Australia, and New Zealand. We have seen success, with worldwide e-commerce sales up 18% for the year.

Our overseas business is still down significantly, but we are starting to see signs of economic recovery, especially in Australia. Australia has begun to increase the percentage of workers allowed in offices, and shopping malls and street stores are also seeing steady growth in consumer traffic. We have been able to exit a number of unprofitable stores as well as renegotiate retail leases on more favorable terms, and feel we are on a good path toward improved profitability in 2021 in Australia and New Zealand. In the Pacific Rim, our business remains limited as ongoing travel restrictions have reduced store traffic. The Florsheim Europe business has been unprofitable the last few years and we decided to close those operations, so we will be winding down the business in 2021.

Our balance sheet remains strong, which allows us to continue to invest in our brands and make strategic decisions for the long-term. We reduced our inventory levels to reflect current demand and have no outstanding debt. We are always looking for acquisition opportunities that would enhance our portfolio of brands and our Company. We continue to buy back our Company stock when market conditions are favorable.

As we look ahead to 2021, we believe that at least the first half of the year will continue to be impacted by the pandemic, but with the rollout of vaccines, we are hoping to see an improved retail environment and consequently, higher sales, in the second half of the year. With our new leaner operations, coupled with our strong balance sheet, we believe we are well-positioned for growth and profitability as conditions improve.

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, 2020, 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, if any, 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.

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, 2020, was \$128,949,000. This was based on the closing price of \$21.59 per share as reported by Nasdaq on June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter.

As of March 1, 2021, there were 9,737,350 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders scheduled for May 4, 2021, are incorporated by reference in Part III of this report.

WEYCO GROUP, INC.

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Year Ended December 31, 2020**

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CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION

This report contains certain forward-looking statements with respect to Weyco Group, Inc.'s (the "Company") outlook for the future. These statements represent the Company's reasonable 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," "is 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

Weyco Group, Inc. and its subsidiaries (the “Company”) engage in one line of business: the design and distribution of quality and innovative footwear. The Company designs and markets 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, and Rafter. Trademarks maintained by the Company on its brands are important to the business. The Company’s products consist primarily of mid-priced leather dress shoes and casual footwear composed of man-made materials or leather, as well as outdoor boots, shoes, and sandals. The Company’s footwear is available in a broad range of sizes and widths, primarily purchased to meet the needs and desires of the general American population.

The Company purchases finished shoes from outside suppliers, primarily located in China and India. Almost all of these foreign-sourced purchases are denominated in U.S. dollars. Costs from the Company’s suppliers have been relatively stable although, in recent years, there have been upward cost pressures due to higher labor, materials and freight costs, as well as due to tariffs and other trade protection measures. While there was some disruption in the Company’s supply chain in early 2020 as a result of the COVID-19 (coronavirus) pandemic, the Company’s distribution center and supply chain are fully operational.

The Company’s business is separated into two reportable segments — the North American wholesale segment (“wholesale”) and the North American retail segment (“retail”). The Company also has other wholesale and retail businesses overseas which include its businesses in Australia, South Africa and Asia Pacific (collectively, “Florsheim Australia”), and its wholesale and retail businesses in Europe (“Florsheim Europe”). In late 2020, the Company decided to close Florsheim Europe, which includes a small wholesale business and two retail stores. Total sales at Florsheim Europe were \$2.6 million in 2020. The closing of Florsheim Europe is not expected to have a material impact on the Company’s consolidated financial statements.

Sales of the Company’s wholesale segment, which include both wholesale sales and worldwide licensing revenues, constituted 78% and 80% of total net sales in 2020 and 2019, respectively. At wholesale, shoes are marketed throughout the United States and Canada in more than 10,000 shoe, clothing and department stores. In 2020 and 2019, no individual customer represented 10% or more of the Company’s total net sales. The Company employs traveling salespeople and independent sales representatives who sell the Company’s products to retail outlets. Shoes are shipped to these retailers primarily from the Company’s 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, which mainly sells winter and outdoor boots, there is seasonality in its business due to the nature of the product; the majority of BOGS sales occur in the third and fourth quarters. Consistent with industry practices, the Company carries significant amounts of inventory to meet customer delivery requirements and periodically provides extended payment terms to customers. The Company also has licensing agreements with third parties who sell its branded shoes outside of the United States, as well as licensing agreements with specialty shoe, apparel and accessory manufacturers in the United States.

Sales of the Company’s retail segment constituted 11% and 8% of total net sales in 2020 and 2019, 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 the consumer by Company employees. The Company believes that as a result of the reduction in brick and mortar stores, the future results of its U.S. retail segment will be driven by its more profitable e-commerce businesses. As a result, management intends to focus on investing in and growing the e-commerce businesses.

Sales of the Company’s other businesses constituted 11% and 12% of total net sales in 2020 in 2019, respectively. These sales relate to the Company’s wholesale and retail operations in Australia, South Africa, Asia Pacific and Europe.

Government-mandated shutdowns of non-essential businesses due to the COVID-19 (coronavirus) pandemic resulted in the majority of retailers in the U.S. temporarily closing their stores in mid-March 2020, with the majority of retailers, including the Company’s retail stores, remaining closed for a

majority of the second quarter. The Company's overseas business were also impacted by COVID-19. Due to government mandates in Australia, much of the country was subject to prolonged shutdowns in 2020.

As of December 31, 2020, the Company employed 556 persons worldwide, of whom 414 were full-time employees.

Price, quality, service and brand recognition are all important competitive factors in the shoe industry. The Company has a design department that continually reviews and updates product designs. Compliance with environmental and other government regulations historically have not had, and are not expected to have, a material adverse effect on the Company's results of operations, financial position or cash flows, although there can be no assurances.

The Company makes available, free of charge, copies of its 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 the Company's website, www.weycogroup.com, as soon as reasonably practical after the Company files or furnishes those reports to the Securities and Exchange Commission ("SEC"). The contents of the Company's website are not incorporated by reference and are not a part of this filing. Also available on the Company's website are various documents relating to the corporate governance of the Company, including its Code of Business Ethics.

ITEM 1A RISK FACTORS

There are various factors that affect the Company's business, results of operations and financial condition, many of which are beyond the Company's control. The following is a description of some of the material factors that might materially and adversely affect the Company's reputations, business, results of operations and financial condition.

Risk factors related to COVID-19 and other infectious diseases

The Company's business, results of operations and financial condition have been, and are expected to continue to be adversely affected by the effects of widespread public health epidemics, including the ongoing COVID-19 pandemic, that are beyond its control.

Outbreaks of infectious diseases, public health epidemics and other adverse public health developments in countries where the Company, its customers and its suppliers operate have, and are expected to continue to have, an adverse effect on its business, results of operations and financial condition. The worldwide outbreak of COVID-19 has adversely impacted, and is expected to continue to adversely affect, the Company's business. The nature and extent of the impact, including the effects on the global economy, are highly uncertain and beyond the Company's control. Uncertain factors relating to the COVID-19 pandemic include the duration, spread and severity of the virus, as well as the effectiveness of vaccines, and the effects of the COVID-19 pandemic on the Company's customers, vendors and suppliers, including any future bankruptcies of such parties. In addition, other factors include the actions, or perception of actions that may be taken, to contain or treat its impact, including declarations of states of emergency, business closures, manufacturing restrictions and a prolonged period of travel, commercial and/or other similar restrictions and limitations, including stay-at-home and similar orders.

As a result of the COVID-19 pandemic and the measures designed to contain its spread, the Company's sales have been, and are expected to continue to be, negatively impacted as a result of disruption in demand and changes in customer purchasing behaviors, as well as reduced foot traffic, which have had, and are expected to continue to have a material adverse effect on its business, results of operations and financial condition. Due to the economic impact of the pandemic, collection of accounts receivable has slowed, and the Company expects that trend to continue into 2021. The Company wrote off a net \$4.3 million of receivables during 2020 due to bankruptcy filings by two large customers. While the Company endeavors to actively manage receivables to secure payments and mitigate risk, and also monitors the financial health of its other customers, due to the pandemic or its related impact, additional customers could be in financial distress, which could cause the Company to experience other write-downs. The Company has reduced operating expenses where appropriate and continues to scrutinize its costs in light of decreased demand.

Due to the impact of the COVID-19 pandemic on the Company and macroeconomic conditions, the Company conducted impairment assessments of its goodwill and trademarks at each quarterly interim period in 2020, and again at December 31, 2020. While the results did not indicate that such assets were impaired, if the COVID-19 pandemic continues to have adverse effects on the Company and the global economy for an extended period, the Company could recognize impairment in a future period. There have been some disruptions in the Company's supply chain as a result of the pandemic however, the Company's distribution center and supply chain are currently fully operational. Additional disruptions may occur in the Company's supply chain as a result of facility closures, worker absenteeism, quarantines or other travel or health-related restrictions, which could delay the production of its products. The duration of the disruption to the Company's customers and to its supply chain, and related financial impact, cannot be estimated at this time. Should such disruption continue for an extended period of time, the impact could have a material adverse effect on the Company's business, results of operations and financial condition.

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 the Company.

Spending patterns in the footwear market, particularly those in the moderate-priced market in which a majority of the Company's products compete, have historically been correlated with consumers'

disposable income. As a result, the success of the Company is affected by changes in general economic conditions, especially in the United States. Factors affecting discretionary income for the moderate consumer include, among others, general business conditions, gas and energy costs, employment rates, consumer confidence, interest rates and taxation. Additionally, the economy and consumer behavior generally impact the financial strength and buying patterns of retailers, which can also affect the Company's results. Volatile, unstable or weak economic conditions, or a worsening of conditions, could adversely affect the Company's sales volume and overall performance.

The Company is subject to risks related to operating in the retail environment that could adversely impact the Company's business.

The Company is 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 the Company losing sales volume or increasing its concentration of business with a few large accounts, resulting in reduced bargaining power, which could increase pricing pressures and lower the Company's margins.

The Company regularly assesses its retail locations in the U.S. and overseas and, at times, including during fiscal 2020, has closed unprofitable retail locations and incurred costs related to such closures. Future closures could have a material adverse effect on results.

As the popularity of online shopping for consumer goods continues to increase, the Company's 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 has led, and is expected to continue to cause, a 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 the Company's sales to those customers, and adversely affect the Company's results of operations. As noted above, the bankruptcies of two large customers during 2020 led to write offs of a net \$4.3 million of receivables during 2020. The future bankruptcy of any of the Company's major retail partners would also negatively impact the Company's results of operations.

The Company operates in a highly competitive environment, which may result in lower prices and reduced profits.

The footwear market is extremely competitive. The Company competes 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 the Company. The Company competes with these companies primarily on the basis of price, quality, service and brand recognition, all of which are important competitive factors in the shoe industry. The Company's ability to maintain its competitive edge depends upon these factors, as well as its 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 the Company does not remain competitive, future prospects, results of operations and financial condition could decline.

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

The Company's success is dependent upon its 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 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 the Company's sales volume and overall performance, as well as have a negative impact on the Company's reputation.

The Company conducts business globally, which exposes it to the impact of foreign currency fluctuations as well as political, economic and social risks.

A portion of the Company's revenues and expenses are denominated in currencies other than the U.S. dollar, with its primary exposures being to the Australian dollar and the Canadian dollar. The

Company is therefore subject to foreign currency risks and foreign exchange exposure. Exchange rates can be volatile and could adversely impact the Company's financial results.

The Company is exposed to other risks of doing business in foreign jurisdictions, including political, economic or social instability, acts of terrorism, civil unrest, changes in government policies and regulations, outbreaks of infectious diseases (such as the COVID-19 pandemic), severe weather events, natural disasters, and exposure to liabilities under anti-corruption laws (such as the U.S. Foreign Corrupt Practices Act). The Company is 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 the Company's U.S. income tax liability and adversely affect the Company's 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 the Company's business and results of operations.

Additionally, the United Kingdom's (UK) exit from European Union (EU) membership has caused and may continue to cause significant volatility in global stock markets, currency exchange rate fluctuations and global economic uncertainty. Although negotiations continue between the UK and EU, it is currently unknown what the terms of the United Kingdom's future relationship with the EU will be, it is possible that there will be greater restrictions on imports and exports between the United Kingdom and EU and increased regulatory complexities. Any of these factors could adversely impact customer demand, the Company's relationships with customers and suppliers and its results of operations.

Risk factors related to our operations

The Company relies on independent foreign sources of production and the availability of leather, rubber and other raw materials; a deterioration in the Company's relationship with, or other issues affecting, such manufacturers and/or issues with the availability of raw materials could have unfavorable effects on the Company's business.

The Company purchases all of its products from independent foreign manufacturers, primarily in China and India. Although the Company believes that it has good working relationships with its manufacturers, the Company does not have long-term contracts with them. Thus, the Company 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 the Company's business, results of operations and financial condition. The Company has the ability to move production to different suppliers; however, the transition may not occur smoothly or quickly, which could result in the Company missing customer delivery date requirements and, consequently, the Company could lose future orders and its reputation may be harmed.

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

The Company's 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 the Company to locate alternative ports or warehousing providers to avoid disruption to its 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 the Company's overall profitability.

The Company's 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 the Company's business and results of operations, unless the Company was able to pass such costs along to its customers.

Additional risks associated with foreign sourcing that could negatively impact the Company's 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. For example, beginning in 2019, an additional tariff was imposed on leather footwear exported from China, where the Company sources a significant portion of its products. Although this tariff did not have a material adverse effect on the Company's results of operations due to various mitigation efforts, the imposition of additional tariffs on the Company's products could have a material adverse effect on the Company's future results of operations.

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

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

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

The Company continues 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, the Company cannot guarantee that it will be able to successfully integrate the brand into its current operations, or that any acquired brand would achieve results in line with the Company's historical performance or its specific expectations for the brand.

Risks related to financing, investment and pension matters

Volatility and uncertainty in the U.S. and global credit markets could adversely affect the Company's 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. Volatility and instability in the credit markets pose various risks to the Company, including, among others, a negative impact on retailer and consumer confidence, limits to the Company's customers' access to credit markets and interference with the normal commercial relationships between the Company and its customers. Increased credit risks associated with the financial condition of some customers in the retail industry affects their level of purchases from the Company and the collectability of amounts owed to the Company, and in some cases, causes the Company to reduce or cease shipments to certain customers who no longer meet the Company's credit requirements.

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

Interest rate volatility may increase the cost of financing. The Company's U.S. dollar variable rate debt currently uses London Interbank Offered Rate ("LIBOR") as a benchmark for determining interest rates. The Financial Conduct Authority in the United Kingdom intends to phase out LIBOR by the end of 2021. While the Company does not expect that the transition from LIBOR, including any legal or regulatory changes made in response to its future phase out, or the risks related to its discontinuance, will have a material effect on its financing costs, the ultimate future impact is uncertain.

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

The Company maintains an investment portfolio consisting primarily of investment-grade municipal bond investments. The Company's investment policy only permits the purchase of investment-grade securities. The Company's investment portfolio totaled \$15 million as of December 31, 2020, or approximately 6% of total assets. If the value of municipal bonds in general or any of the Company's municipal bond holdings deteriorate, the performance of the Company's investment portfolio, financial condition, results of operations, and liquidity may be materially and adversely affected.

Risks related to our defined benefit plan may adversely impact our results of operations and cash flow.

Significant changes in actual investment returns on defined benefit plan assets, discount rates, mortality assumptions and other factors could adversely affect the Company's results of operations and the amounts of contributions the Company must make to its defined benefit plan in future periods. As the Company marks-to-market its defined benefit plan assets and liabilities on an annual basis, large non-cash gains or losses could be recorded in the fourth quarter of each fiscal year. Generally accepted accounting principles in the U.S. require that the Company calculate income or expense for the plan using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Funding requirements for the Company's defined benefit plans are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to defined benefit funding obligations. For a discussion regarding the significant assumptions used to determine pension expense, refer to "Critical Accounting Policies" included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Risk factors related to cybersecurity

The Company is dependent on information and communication systems to support its business and e-commerce sales. Significant interruptions could disrupt its business and damage its reputation.

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

The Company, particularly its retail segment and its e-commerce businesses, is subject to the risk of data loss and security breaches.

The Company sells footwear in its retail stores and on its websites, and therefore the Company and/or its third-party credit card processors must process, store, and transmit large amounts of data, including personal information of its customers. Failure to prevent or mitigate data loss or other security breaches, including breaches of Company technology and systems, could expose the Company or its customers to a risk of loss or misuse of such information, adversely affect the Company's operating results, result in litigation or potential liability for the Company, and otherwise harm the Company's 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 this point, the Company has not experienced a material breach; however, in order to address these risks, the Company has secured cyber insurance and it uses third party technology and systems to aid in safeguarding the Company's data and systems, including, without limitation, encryption and authentication technology, content delivery to customers,

back-office support, and other functions. Although the Company has 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 our capital structure

The limited public float and trading volume for the 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 owns approximately 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, the Company has 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 the Company's 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 2 PROPERTIES

The following facilities were operated by the Company or its subsidiaries as of December 31, 2020:

<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	80%
Montreal, Canada ⁽¹⁾	Multistory office and distribution center	Owned ⁽³⁾	92,800	90%
Florence, Italy ⁽²⁾	Two story office and distribution center	Leased	15,100	100%
Fairfield Victoria, Australia ⁽²⁾	Office and distribution center	Leased	54,400	100%

- (1) These properties are used principally by the Company's North American wholesale segment.
- (2) These properties are used principally by the Company's other businesses which are not reportable segments.
- (3) The Company owns 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, the Company also operates offices, distribution facilities, and retail shoe stores under various rental agreements. All of these facilities are suitable and adequate for the Company's 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 OUR EXECUTIVE OFFICERS

The following individuals were executive officers of Company as of December 31, 2020:

Name	Position	Age
Thomas W. Florsheim, Jr. ⁽¹⁾	Chairman and Chief Executive Officer	62
John W. Florsheim ⁽¹⁾	President, Chief Operating Officer and Assistant Secretary	57
John F. Wittkowske ⁽²⁾	Senior Vice President, Chief Financial Officer and Secretary	61
Judy Anderson	Vice President, Finance and Treasurer	53
Kate Destinon ⁽³⁾	Vice President, and President of Nunn Bush Brand	45
Dustin Combs	Vice President, and President of BOGS and Rafters Brands	38
Brian Flannery	Vice President, and President of Stacy Adams Brand	59
Kevin Schiff	Vice President, and President of Florsheim Brand	52
George Sotiros ⁽²⁾	Vice President, Information Technology and Distribution	54
Allison Woss	Vice President, Supply Chain	48

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

(2) John F. Wittkowske and George Sotiros are brothers-in-law.

(3) Effective January 1, 2021, Kate Destinon was concurrently appointed as a Vice President of the Company, and the new President of Nunn Bush, replacing Mike Bernstein, who remains with the Company in a different role but is no longer considered an executive officer.

Thomas W. Florsheim, Jr. has served as Chairman and Chief Executive Officer for more than 5 years.

John W. Florsheim has served as President, Chief Operating Officer and Assistant Secretary for more than 5 years.

John F. Wittkowske has served as Senior Vice President, Chief Financial Officer and Secretary for more than 5 years.

Judy Anderson has served as Vice President of Finance and Treasurer for more than 5 years.

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, and Strategic Account Analyst for the Florsheim Brand from 2015 — 2018.

Dustin Combs has served as a Vice President of the Company and President of the BOGS and Rafters Brands for 5 years.

Brian Flannery has served as a Vice President of the Company and President of the Stacy Adams Brand for more than 5 years.

Kevin Schiff has served as a Vice President of the Company and President of the Florsheim Brand for more than 5 years.

George Sotiros has served as Vice President of Information Technology and Distribution since 2017. Prior to this role, Mr. Sotiros served as Vice President of Information Technology for more than 5 years.

Allison Woss has served as Vice President of Supply Chain since 2016. Prior to this role, Ms. Woss served as Vice President of Purchasing for more than 5 years.

PART II

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

The shares of the Company’s common stock are traded on the Nasdaq Stock Market (“Nasdaq”) under the symbol “WEYS.” There were 142 holders of record of the Company’s common stock as of March 1, 2021.

In 1998, the Company’s stock repurchase program was established and approved by the Board of Directors. On several occasions since the program’s inception, the Board of Directors has increased the number of shares authorized for repurchase under the program. In total, 7.5 million shares have been authorized for repurchase. The table below presents information regarding the repurchase of the Company’s common stock by the Company in the three-month period ended December 31, 2020.

<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>
10/01/2020 – 10/31/2020	23,655	\$15.97	23,655	359,092
11/01/2020 – 11/30/2020	7,523	\$16.40	7,523	351,569
12/01/2020 – 12/31/2020	15,789	\$16.33	15,789	335,780
Total	46,967	16.16	46,967	

ITEM 6 SELECTED FINANCIAL DATA

Not Applicable

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

GENERAL

The Company designs and markets quality and innovative footwear for men, women and children under a portfolio of well-recognized brand names, including: Florsheim, Nunn Bush, Stacy Adams, BOGS and Rafters. Inventory is purchased from third-party overseas manufacturers. The majority of foreign-sourced purchases are denominated in U.S. dollars. The Company has two reportable segments, North American wholesale operations (“wholesale”) and North American retail operations (“retail”). In the wholesale segment, the Company’s products are sold to leading footwear, department, and specialty stores, as well as e-commerce retailers, primarily in the United States and Canada. The Company also has licensing agreements with third parties who sell its branded apparel, accessories and specialty footwear in the United States, as well as its footwear in Mexico and certain markets overseas. Licensing revenues are included in the Company’s wholesale segment. The Company’s retail segment consisted of e-commerce businesses and five brick and mortar retail stores in the United States as of December 31, 2020, with such store base subsequently reduced to four stores in early 2021. Retail sales are made directly to consumers by Company employees. The Company’s “other” operations include the Company’s wholesale and retail businesses in Australia, South Africa, Asia Pacific (collectively, “Florsheim Australia”), and Europe (“Florsheim Europe”). The majority of the Company’s operations are in the United States, and its 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 the Company for the two-year period ended December 31, 2020. This discussion should be read in conjunction with Item 8, “Financial Statements and Supplementary Data” below.

EXECUTIVE OVERVIEW

The COVID-19 pandemic significantly impacted the Company's 2020 financial results, and has continued to affect its results into 2021. Government-mandated shutdowns of non-essential businesses resulted in the majority of retailers temporarily closing their stores in mid-March 2020, with the majority of retailers, including the Company's retail stores, remaining closed for a majority of the second quarter. While business recovery has been slow, the Company returned to profitability in the fourth quarter, which reflected increased demand in certain areas of the business as well as reductions in expenses as the Company aligned costs with its lower sales volume.

During 2020, BOGS continued to diversify its product mix, selling more lightly-insulated and lifestyle-oriented product in the women's market while also developing its men's occupational, work-related footwear. As a result, the BOGS brand performed well during 2020. After initial challenges during the beginning of the pandemic, the BOGS' business accelerated in the latter part of 2020 as consumers spent more time outdoors. Even with relatively modest precipitation in November and December 2020 across the country, demand for BOGS' product was very strong. While the Company entered Fall 2020 with adequate levels of inventory, BOGS quickly sold through key programs, as there was a shortage of outdoor boots in the general market to satisfy increasing demand. The Company has been able replenish a good portion of these programs in order to meet unexpected elevated demand in early 2021.

Regarding the Company's legacy brands (Florsheim, Stacy Adams, and Nunn Bush), the business environment remains challenging. As a result of the pandemic, the Company's wholesale partners reduced styles in dress and dress-casual footwear that are work or occasion oriented. Management believes the normalization of its legacy business is tied closely to the rollout of vaccinations and people returning to normal activities. The Company believes demand may increase as companies bring workers back to offices and people can be confident going to social events such as weddings and family celebrations; however, the timing is uncertain. While management is disappointed with the level of wholesale shipments across its legacy brands, there were some bright spots in the latter part of 2020. Casual and fashion boot sales were strong, and the Company made significant progress toward introducing new casual footwear. The pandemic motivated the Company to accelerate change and commit to a rapid overhaul of its product mix. The new lines the Company is shipping in Spring 2021, as well as showcasing for customers for its Fall launch, offer a fresh, more relaxed take of its legacy brands. While the Company anticipates increased demand for its traditional dress-oriented styles in the second half of 2021 (but cannot provide assurances), management is optimistic about its prospects to extend into lifestyle categories based on the favorable reception of new product introduced during the pandemic.

As a result of the economic impact of the pandemic, collection of accounts receivable has slowed, and the Company expects that trend to continue into 2021. Two of the Company's large wholesale customers filed for bankruptcy during 2020. J.C. Penney Company, Inc. and affiliated entities ("JCP") filed for bankruptcy in May 2020, and Tailored Brands, Inc. ("TB") filed for bankruptcy in August 2020. The Company wrote-off approximately \$4.3 million of receivables in connection with these bankruptcy filings. While the Company endeavors to actively manage receivables to secure payments and mitigate risk, and also monitors the financial health of its other customers, due to the pandemic and/or its related impact, additional customers could be in financial distress, which could cause the Company to experience other write-downs in the future.

In terms of the U.S. retail segment, management's focus is on investing in and growing its e-commerce businesses. The Company's North American e-commerce businesses rose 9% in 2020; BOGS drove this growth with e-commerce sales up 53% in the U.S. and nearly 80% in Canada, as compared to 2019. As a result of the closing of unprofitable stores, the Company currently has only four active brick and mortar retail locations. Accordingly, management believes that the future results of its U.S. retail segment will be driven by its more profitable e-commerce businesses. On a worldwide level, the Company continues to leverage the e-commerce platform it built in the U.S. to other locations including Canada, Australia, and New Zealand, and has seen success in doing so.

The Company's overseas businesses were down significantly in 2020, but management is starting to see signs of economic recovery, especially in Australia. Australia has begun to increase the percentage of workers allowed in offices, and shopping malls and street stores are seeing steady growth in consumer traffic. The Company has been able to exit a number of unprofitable stores as well as renegotiate retail leases on more favorable terms. In doing so, management believes the Company is on a good path toward improved profitability in 2021 in Australia and New Zealand. In the Pacific Rim, business remains limited as ongoing travel restrictions have reduced store traffic. In late 2020, management decided to close Florsheim Europe, which includes a small wholesale business and two retail stores. Total sales at Florsheim Europe were \$2.6 million in 2020. The Florsheim Europe business has been unprofitable the last few years, and management will be winding down this business in 2021.

Looking ahead to 2021, management believes that at least the first half of the year will continue to be impacted by the pandemic. With the rollout of vaccines, the Company is anticipating an improved retail environment and consequently, higher sales, in the second half of the year. With its new leaner operations, coupled with its strong balance sheet, management believes the Company is well-positioned for growth and profitability as conditions improve.

Sales and Earnings Highlights

Consolidated net sales were \$195.4 million in 2020, a decrease of 36% compared to \$304.0 million in 2019. Consolidated loss from operations totaled \$7.6 million in 2020, compared to earnings from operations of \$27.0 million in 2019. The Company's net loss totaled \$8.5 million in 2020 versus net earnings of \$20.9 million in 2019. Diluted loss per share was \$0.87 per share in 2020, compared to diluted earnings per share of \$2.10 in 2019.

Financial Position Highlights

At December 31, 2020, cash and marketable securities totaled \$47.5 million and there were no amounts outstanding on the Company's line of credit. During 2020, the Company generated \$40.0 million of cash from operations. The Company used funds to pay \$11.8 million in dividends, pay down \$7.0 million on its line of credit, and repurchase \$2.1 million of company stock. The Company also had \$3.4 million of capital expenditures in 2020.

SEGMENT ANALYSIS

Net sales and earnings (loss) from operations for the Company's segments, as well as its "other" operations, in the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>	<u>% Change</u>
	(Dollars in thousands)		
Net Sales			
North American Wholesale	\$152,186	\$242,127	-37%
North American Retail	21,499	25,231	-15%
Other	21,690	36,653	-41%
Total	<u>\$195,375</u>	<u>\$304,011</u>	<u>-36%</u>
Earnings (Loss) from Operations			
North American Wholesale	\$ 975	\$ 27,755	-96%
North American Retail	(1,073)	2,791	-138%
Other	(7,500)	(3,506)	-114%
Total	<u>\$ (7,598)</u>	<u>\$ 27,040</u>	<u>-128%</u>

North American Wholesale Segment

Wholesale Net Sales

Net sales in the Company's North American wholesale segment for the years ended December 31, 2020 and 2019, were as follows:

	Years ended December 31,		% Change
	2020	2019	
	(Dollars in thousands)		
North American Wholesale Net Sales			
Stacy Adams	\$ 31,997	\$ 66,863	-52%
Nunn Bush	29,741	45,886	-35%
Florsheim	40,011	76,261	-48%
BOGS/Rafters	49,263	50,057	-2%
Other	—	24	-100
Total North American Wholesale	<u>\$151,012</u>	<u>\$239,091</u>	<u>-37%</u>
Licensing	1,174	3,036	-61%
Total North American Wholesale Segment	<u>\$152,186</u>	<u>\$242,127</u>	<u>-37%</u>

As discussed in the "Executive Overview" above, net sales of the Stacy Adams, Nunn Bush, and Florsheim brands were down in 2020 primarily due to the effects of the pandemic. BOGS net sales were down slightly for the year; since BOGS is an outdoor footwear brand, its sales weren't as negatively impacted by the pandemic, as compared to the Company's other brands, due to consumers spending more time outside. 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 were down for the year, as compared to 2019, in line with reductions in licensees' sales of branded products.

Wholesale Earnings (Loss) from Operations

Gross earnings as a percent of net sales were 35.5% in 2020 versus 36.6% in 2019. The decrease in gross margins was largely due to additional costs related to the tariff on certain footwear imported from China, and higher overseas freight costs.

The North American wholesale segment's selling and administrative expenses include, and primarily consist of: distribution costs, salaries and commissions, advertising costs, employee benefit costs, and depreciation. Wholesale selling and administrative expenses were \$53.1 million, or 35% of net sales, in 2020, compared to \$61.0 million, or 25% of net sales, in 2019. Full year 2020 expenses included the write-off of a net \$4.3 million of receivables related to JCP and TB due to bankruptcy filings as a result of the impact of the pandemic, \$2.0 in employee costs related to restructuring and temporary closures, and \$0.2 in other related charges, partially offset by \$1.7 million of income from U.S. and Canada government wage subsidies. Additionally, the Company adjusted its advertising spending, which reduced 2020 selling and administrative expenses by \$5.2 million, as compared to 2019.

Earnings from operations were \$975,000 in 2020 compared to \$27.8 million in 2019. The decrease was primarily due to lower sales volumes and higher selling and administrative costs relative to sales.

The Company's cost of sales does not include distribution costs (e.g., receiving, inspection, warehousing, shipping, and handling costs). Wholesale distribution costs were \$11.7 million and \$13.1 million in the years ended December 31, 2020 and 2019, respectively. These costs were included in selling and administrative expenses. The Company's 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

Net sales were \$21.5 million in 2020, down 15% as compared to \$25.2 million in 2019. Same store sales, which includes e-commerce sales, decreased 8% for the year, due to a significant decline in brick-and-mortar same store sales resulting from the pandemic, partially offset by a 9% increase in e-commerce sales. There were three fewer domestic brick and mortar stores operating at December 31, 2020 than there were at December 31, 2019, due to the closing of unprofitable stores since last year. Stores are included in same store sales beginning in the store's 13th month of operations after its grand opening.

Retail Earnings (Loss) from Operations

Gross earnings as a percent of net sales were 64.8% in 2020 and 64.7% in 2019. Selling and administrative expenses for the retail segment include, and are primarily related to, rent and occupancy costs, employee costs, advertising expense and freight. Retail selling and administrative expenses were \$15.0 million in 2020 and \$13.5 million in 2019. As a percent of net sales, retail selling and administrative expenses were 70% in 2020 and 54% in 2019. Full year 2020 expenses included \$1.5 million in early lease termination charges, \$1.0 million for the impairment of retail store fixed assets, and \$0.3 million in employee costs related to restructuring and temporary closures, partially offset by \$0.2 million of income from government wage subsidies. Loss from operations totaled \$1.1 million in 2020 compared to earnings from operations of \$2.8 million in 2019. The decrease was due to lower sales volumes and higher selling and administrative expenses.

Other

The Company's other businesses include its wholesale and retail operations of Florsheim Australia and Florsheim Europe. Net sales of the Company's other businesses were \$21.7 million in 2020, down 41% compared to \$36.7 million in 2019. The decrease in 2020 was due to lower net sales at both Florsheim Australia and Florsheim Europe, resulting from the impact of the pandemic.

Collectively, Florsheim Australia and Florsheim Europe had a combined loss from operations totaling \$7.5 million in 2020 compared to a loss from operations of \$3.5 million last year. Operating losses deepened in 2020 primarily due to lower sales volumes and higher selling and administrative expenses relative to net sales. Selling and administrative expenses of the Company's other businesses included \$3.6 million in employee costs related to restructuring and temporary closures, \$2.1 million for the impairment of retail store fixed assets and operating lease right-of-use assets, \$1.1 million in reserves for obsolete and slow moving inventory due to COVID-19-related impacts, and \$0.3 million in related charges, partially offset by \$3.5 million of income from government wage and rent subsidies.

OTHER INCOME AND EXPENSE AND TAXES

The majority of the Company's interest income is generated by investments in marketable securities. Interest income was \$527,000 and \$823,000 in 2020 and 2019, respectively. The decrease in 2020 was primarily due to less interest earned on the lower investment balances this year as a result of maturities of marketable securities and lower interest rates. Interest expense declined to \$79,000 in 2020 from \$244,000 in 2019, due to the lower average debt balance this year. Other income totaled \$96,000 in 2020 versus other expense of \$535,000 in 2019. The decrease in expense was primarily due to a decrease in the non-service cost components of pension expense, resulting from lower interest expense and higher expected return on plan assets.

The Company's effective tax rate was (20.3)% in 2020 versus 22.9% in 2019. The Company's 2020 tax provision included \$2.0 million of tax expense related to deferred tax assets of the Company's foreign subsidiaries. The Company's 2020 effective tax rates were also impacted because it did not record an income tax benefit on foreign losses, and, in the U.S., the Company has the ability to carry back current year losses to a tax year when the U.S. federal statutory tax rate was 35% versus the current

tax rate of 21%, which is currently permitted under the U.S. Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").

LIQUIDITY & CAPITAL RESOURCES

The Company's primary sources of liquidity are its cash and short-term marketable securities, which aggregated \$34.7 million at December 31, 2020, and \$15.7 million at December 31, 2019, and its revolving line of credit. The Company generated \$40.0 million and \$9.4 million of cash from operations in 2020 and 2019, respectively. Fluctuations in net cash from operating activities have mainly resulted from changes in net earnings (loss) and operating assets and liabilities, and most significantly, the year-end inventory balances. The Company reduced its inventory levels during 2020 to align with sales. Specifically, the Company reduced its dress inventory levels in line with the current decrease in demand for this category as a result of the impact of the pandemic, which has led to more people working from home and few special occasion-related events.

The Company's capital expenditures were \$3.4 million and \$7.4 million in 2020 and 2019, respectively. In early 2020, the Company completed a project to expand its office space within its corporate headquarters. The Company expects capital expenditures will be between \$1.0 million and \$2.0 million in 2021.

The Company paid cash dividends of \$11.8 million and \$9.4 million in 2020 and 2019, respectively. The Company accelerated the timing of its January 2021 quarter dividend payment into 2020. The Company plans to resume its regularly quarterly dividend payment schedule in March 2021.

The Company continues to repurchase its common stock under its share repurchase program when the Company believes market conditions are favorable. In 2020, the Company repurchased 106,490 shares for a total cost of \$2.1 million. In 2019, the Company repurchased 222,740 shares for a total cost of \$5.6 million. At December 31, 2020, the Company had remaining authorization to repurchase up to 335,780 shares under the program.

At December 31, 2020, the Company had a \$30 million revolving line of credit with a bank that is secured by a lien against the Company's general corporate assets. The line of credit bears interest at LIBOR plus 1.35% and expires on November 4, 2021. The related credit agreement contains customary representations, warranties, and covenants (including a minimum tangible net worth financial covenant) for a facility of this type. At December 31, 2020, there were no amounts outstanding on the Company's line of credit. The highest balance on the line of credit during 2020 was \$8.5 million. At December 31, 2019, outstanding borrowings under a previous revolving line of credit with the Company's former bank were approximately \$7.0 million at an interest rate of 2.5%.

As of December 31, 2020, \$4.4 million of cash and cash equivalents was held by the Company's foreign subsidiaries.

The Company will continue to evaluate the best uses for its available liquidity, including, among other uses, capital expenditures, continued stock repurchases and additional acquisitions. The Company believes that available cash and 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

The Company does not utilize any special purpose entities or other off-balance sheet arrangements.

Critical Accounting Policies

The Company's 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 the Company's consolidated financial statements and the uncertainties that could impact the Company's results of operations, financial position and cash flows.

Sales Returns, Sales Allowances and Doubtful Accounts

The Company records reserves and allowances ("reserves") for sales returns, sales allowances and discounts, cooperative advertising, and accounts receivable balances that it believes 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. The Company evaluates the reserves and the estimation process and makes adjustments when appropriate. Prior to 2020, actual write-offs against the reserves had been within the Company's expectations. However, in 2020, the Company wrote down a net \$4.3 million of receivables due to bankruptcy filings by two large customers during the COVID-19 pandemic. Future changes in reserves may be required if actual returns, discounts and bad debt activity varies from the original estimates. These changes could impact the Company's results of operations, financial position and cash flows.

Pension Plan Accounting

The Company's pension expense and corresponding obligation are determined on an actuarial basis and require certain actuarial assumptions. Management believes the two most critical of these assumptions are the discount rate and the expected rate of return on plan assets. The Company evaluates its actuarial assumptions annually on the measurement date (December 31) and makes 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 obligation both increase as the discount rate is reduced. See Note 11 of the Notes to Consolidated Financial Statements for discount rates used in determining pension expense for the years ended December 31, 2020 and 2019, and the funded status of the plans at December 31, 2020 and 2019. The Company uses 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 \$5.2 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, the Company considers the historical returns on plan assets and future expectations of asset returns. The Company utilized an expected rate of return on plan assets of 7.00% for both 2020 and 2019. This rate was based on the 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 \$209,000.

The Company's unfunded benefit obligation was \$34.0 million and \$28.0 million at December 31, 2020 and 2019, respectively.

Goodwill and Trademarks

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. The Company's goodwill resulted from the 2011 acquisition of the BOGS and Rafters brands, and is assigned to its wholesale segment.

The Company evaluates 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. Given the substantial reduction in sales, reduced cash flow projections, and the decrease in the Company's market capitalization in 2020 due to the impact of the COVID-19 pandemic on macroeconomic conditions, the Company determined that potential impairment indicators were present and that quantitative impairment assessments were warranted for its goodwill and trademarks at each quarterly interim period in 2020, and again at December 31, 2020. No impairment charges were recorded on the Company's goodwill or trademarks during 2020.

In conducting the year-end goodwill impairment assessment, the estimated fair value of the Company's wholesale reporting unit was determined using a discounted cash flows analysis. The rate used to determine discounted cash flows was a rate that corresponds with the Company's weighted average cost of capital, adjusted for risk where appropriate. In determining the estimated future cash flows, current and future levels of income were considered as well as trends and market conditions. As of December 31, 2020, the fair value of the Company's wholesale reporting unit exceeded its carrying value by 37%; therefore, no impairment was recorded on the goodwill. There has never been an impairment recorded on this goodwill.

In evaluating trademarks, estimated fair values were determined using discounted cash flows and implied royalty rates. Based on the results of the trademark assessments, the Company concluded that the fair values of the trademarks substantially exceeded their respective carrying values. Therefore, no impairment was recorded on the Company's trademarks.

The Company can make no assurances that its goodwill or trademarks will not be impaired in the future. When preparing a discounted cash flow analysis, the Company makes a number of key estimates and assumptions regarding future cash flows and growth. The discount rate used is based on the Company's weighted average cost of capital, which includes assumptions such as market capital structure, market beta, risk-free rate of return, and estimated costs of borrowing. Changes in key estimates assumptions, and macroeconomic conditions, and/or continued deterioration of the Company's market capitalization and business, could lead to an impairment charge in a future period.

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

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining effective internal control over financial reporting for the Company. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013)*. Based on the assessment, the Company's management has concluded that, as of December 31, 2020, the Company's internal control over financial reporting was effective based on those criteria.

The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's independent registered public accounting firm has audited the Company's consolidated financial statements and the effectiveness of internal controls over financial reporting as of December 31, 2020 as stated in its report below.

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019 and the results of their operations and their cash flows for years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework: (2013)* issued by COSO.

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

The critical audit matters communicated below are matters arising from the current period audit of the consolidated 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 consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill Impairment Evaluation — Wholesale Reporting Unit — Refer to Notes 2 and 8 to the Consolidated Financial Statements

Critical Audit Matter Description

As described in Notes 2 and 8 to the consolidated financial statements, the Company's consolidated goodwill balance was \$11.1 million at December 31, 2020, which is allocated to the Company's wholesale reporting unit. Goodwill is tested for impairment at least annually, or more frequently as events occur or circumstances change, at the reporting unit level. In each of the first three quarters of fiscal year 2020, the Company assessed relevant events and circumstances and determined it was appropriate to perform a quantitative impairment test. In the fourth quarter of fiscal year 2020, the Company performed an annual quantitative impairment test. In performing the tests, management used both a guideline public company approach and a discounted cash flow approach to determine the estimated fair value of the wholesale reporting unit. The results of these two approaches were weighted at 30 percent and 70 percent, respectively. The determination of the fair value of the reporting unit requires management to make significant estimates and assumptions related to forecasts of future revenues, operating margins, annual growth rate and discount rates. As disclosed by management, changes in these assumptions could have a significant impact on the fair value of the reporting unit and the amount of any goodwill impairment charge.

Auditing management's goodwill impairment test was complex and highly judgmental due to the significant estimation required to determine the estimated fair value of the wholesale reporting unit. In particular, the fair value estimate was sensitive to changes in significant assumptions, such as changes in the Company's financial forecast, operating margins, annual growth rate and the discount rate, which are affected by expectations about future market or economic conditions, including uncertainty resulting from the COVID-19 pandemic.

How We Addressed the Matter in Our Audit

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of internal controls relating to the evaluation of the assumptions and inputs used to estimate the fair value of the Company's wholesale reporting unit, including controls addressing:

- Management’s review of the clerical accuracy and reasonableness of the prospective financial information used in the discounted cash flow analysis.
- Management’s evaluation of the key assumptions and inputs used by a third-party valuation specialist, including discount rate and market comparable entities, as well as the weighting assigned to each of the valuation methodologies used to determine fair value.
- Substantively testing, with the support of auditor employed valuation specialists, the appropriateness of the judgments and assumptions used in management’s estimation process for determining the fair value of the Company’s wholesale reporting unit including:
 - Testing the mathematical accuracy of the calculations performed, along with the completeness of the information used in the calculation.
 - Evaluating the appropriateness of the valuation methodologies used, as well as the weightings assigned to each, discount rate, annual growth rate, market comparable entities and overall reasonableness of the fair value calculation.
 - Comparing the significant assumptions used by management to current industry and economic trends, current and historical performance of the wholesale reporting unit, and other relevant factors.
 - Performing sensitivity analyses to evaluate the impact that changes in the significant assumptions used by management would have on the fair value of the reporting unit.

Trademark Impairment Assessment — Refer to Notes 2 and 8 to the Consolidated Financial Statements

Critical Audit Matter Description

As described in Notes 2 and 8 to the consolidated financial statements, the Company’s consolidated trademark balance was \$32.9 million at December 31, 2020, which is allocated to the Company’s two trademarks. Trademarks are tested for impairment at least annually, or more frequently as events occur or circumstances change, at the brand level. In each of the first three quarters of fiscal year 2020, the Company assessed relevant events and circumstances and determined it was appropriate to perform a quantitative impairment test. In the fourth quarter of fiscal year 2020, the Company performed an annual quantitative impairment test. The determination of the fair value of the trademark requires management to make significant estimates and assumptions related to forecasts of future revenue, discount rate, annual growth rate, capitalization rate and royalty rates. As disclosed by management, changes in these assumptions could have a significant impact on the fair value of the trademark and the amount of any trademark impairment charge.

Auditing management’s trademark impairment test was complex and highly judgmental due to the significant estimation required to determine the estimated fair value of trademarks. In particular, the fair value estimate was sensitive to changes in significant assumptions, such as changes in the Company’s financial forecast, discount rate, annual growth rate, capitalization rate and royalty rates, which are affected by expectations about future market or economic conditions, including uncertainty resulting from the COVID-19 pandemic.

How We Addressed the Matter in Our Audit

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of internal controls relating to the evaluation of the assumptions and inputs used to estimate the fair value of the Company’s trademarks including controls addressing:
 - Management’s review of the clerical accuracy and reasonableness of the prospective financial information used in the discounted cash flow analysis.

- Management's evaluation of the key assumptions and inputs including discount rate, annual growth rate, capitalization rate and royalty rates.

Substantively testing, with the support of auditor employed valuation specialists, the appropriateness of the judgments and assumptions used in management's estimation process for determining the fair value of the Company's trademarks including:

- Testing the mathematical accuracy of the calculations performed, along with the completeness and accuracy of the information used in the calculation.
- Evaluating the appropriateness of the valuation methodologies used, as well as the assumptions around discount rate, annual growth rate, capitalization rate, royalty rates and overall reasonableness of the fair value calculation.
- Comparing the significant assumptions used by management to current industry and economic trends, relevant peer company benchmarks, current and historical performance of the brands, and other relevant factors.
- Performing sensitivity analyses to evaluate the impact that changes in the significant assumptions used by management would have on the fair value of the trademarks.

/s/ Baker Tilly US, LLP

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

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)

Milwaukee, Wisconsin

March 12, 2021

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31, 2020 and 2019

	2020	2019
	(In thousands, except per share amounts)	
Net sales	\$195,375	\$304,011
Cost of sales	116,817	180,049
Gross earnings	78,558	123,962
Selling and administrative expenses	86,156	96,922
Earnings (loss) from operations	(7,598)	27,040
Interest income	527	823
Interest expense	(79)	(244)
Other income (expense), net	96	(535)
Earnings (loss) before provision for income taxes	(7,054)	27,084
Provision for income taxes	1,431	6,202
Net earnings (loss)	\$ (8,485)	\$ 20,882
Basic earnings (loss) per share	\$ (0.87)	\$ 2.11
Diluted earnings (loss) per share	\$ (0.87)	\$ 2.10

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
	(Dollars in thousands)	
Net earnings (loss)	\$ (8,485)	\$20,882
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	983	(132)
Pension liability adjustments	(4,452)	(2,832)
Other comprehensive loss	(3,469)	(2,964)
Comprehensive income (loss)	<u>\$(11,954)</u>	<u>\$17,918</u>

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

CONSOLIDATED BALANCE SHEETS

At December 31, 2020 and 2019

	2020	2019
	(In thousands, except par value and share data)	
ASSETS:		
Cash and cash equivalents	\$ 32,476	\$ 9,799
Marketable securities, at amortized cost	2,215	5,904
Accounts receivable, less allowances of \$2,666 and \$2,409, respectively	34,631	51,532
Income tax receivable	1,374	—
Inventories	59,025	86,713
Prepaid expenses and other current assets	4,610	6,047
Total current assets	<u>134,331</u>	<u>159,995</u>
Marketable securities, at amortized cost	12,800	15,814
Deferred income tax benefits	1,235	2,487
Property, plant and equipment, net	30,759	32,214
Operating lease right-of-use assets	9,613	18,753
Goodwill	11,112	11,112
Trademarks	32,868	32,868
Other assets	24,001	23,674
Total assets	<u>\$256,719</u>	<u>\$296,917</u>
LIABILITIES AND EQUITY:		
Short-term borrowings	\$ —	\$ 7,049
Accounts payable	8,444	12,455
Dividend payable	—	2,355
Operating lease liabilities	4,245	6,505
Accrued liabilities:		
Accrued compensation and employee benefits	4,019	5,894
Sales and advertising allowances	2,477	3,567
Taxes other than income taxes	1,123	1,026
Other	4,037	2,935
Accrued income tax payable	—	90
Total current liabilities	<u>24,345</u>	<u>41,876</u>
Deferred income tax liabilities	2,914	3,085
Long-term pension liability	33,534	27,523
Operating lease liabilities	7,734	14,110
Other long-term liabilities	267	329
Total liabilities	<u>68,794</u>	<u>86,923</u>
Commitments and contingencies (Note 14)		
Common stock, \$1.00 par value, authorized 24,000,000 shares in 2020 and 2019, issued and outstanding 9,797,204 shares in 2020 and 9,872,894 shares in 2019	9,797	9,873
Capital in excess of par value	67,178	65,832
Reinvested earnings	138,955	158,825
Accumulated other comprehensive loss	(28,005)	(24,536)
Total equity	<u>187,925</u>	<u>209,994</u>
Total liabilities and equity	<u>\$256,719</u>	<u>\$296,917</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, 2020 and 2019
(In thousands, except per share amounts)

	Common Stock	Capital in Excess of Par Value	Reinvested Earnings	Accumulated Other Comprehensive Loss
Balance, December 31, 2018	\$10,057	\$64,263	\$152,835	\$(21,572)
Net earnings	—	—	20,882	—
Foreign currency translation adjustments	—	—	—	(132)
Pension liability adjustment (net of tax of \$994)	—	—	—	(2,832)
Cash dividends declared (\$0.95 per share)	—	—	(9,466)	—
Common stock issued under equity incentive plans, net of shares withheld for employee taxes and strike price	8	148	—	—
Issuance of restricted stock	31	(31)	—	—
Share-based compensation expense	—	1,452	—	—
Shares purchased and retired	(223)	—	(5,426)	—
Balance, December 31, 2019	\$ 9,873	\$65,832	\$158,825	\$(24,536)
Net loss	—	—	(8,485)	—
Foreign currency translation adjustments	—	—	—	983
Pension liability adjustment (net of tax of \$1,564)	—	—	—	(4,452)
Cash dividends declared (\$0.96 per share)	—	—	(9,429)	—
Issuance of restricted stock	31	(31)	—	—
Share-based compensation expense	—	1,377	—	—
Shares purchased and retired	(107)	—	(1,956)	—
Balance, December 31, 2020	\$ 9,797	\$67,178	\$138,955	\$(28,005)

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (8,485)	\$ 20,882
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities -		
Depreciation	2,901	3,292
Amortization	316	194
Bad debt expense	5,289	122
Deferred income taxes	2,755	(869)
Net foreign currency transaction losses (gains)	98	(13)
Share-based compensation expense	1,377	1,452
Pension expense	397	1,047
Impairment of long-lived assets	3,055	259
Loss on disposal of fixed assets	111	330
Increase in cash surrender value of life insurance	(611)	(564)
Changes in operating assets and liabilities -		
Accounts receivable	11,397	(138)
Inventories	27,520	(14,042)
Prepaid expenses and other assets	1,281	(623)
Accounts payable	(4,149)	(315)
Accrued liabilities and other	(1,773)	(817)
Accrued income taxes	(1,498)	(810)
Net cash provided by operating activities	<u>39,981</u>	<u>9,387</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	—	(14,641)
Proceeds from maturities of marketable securities	6,680	13,250
Life insurance premiums paid	(155)	(155)
Purchases of property, plant and equipment	(3,368)	(7,392)
Net cash provided by (used for) investing activities	<u>3,157</u>	<u>(8,938)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(11,776)	(9,408)
Shares purchased and retired	(2,063)	(5,649)
Net proceeds from stock options exercised	—	161
Taxes paid related to the net share settlement of equity awards	—	(5)
Proceeds from bank borrowings	33,947	151,358
Repayments of bank borrowings	(40,996)	(150,149)
Net cash used for financing activities	<u>(20,888)</u>	<u>(13,692)</u>
Effect of exchange rate changes on cash and cash equivalents	427	69
Net increase (decrease) in cash and cash equivalents	<u>\$ 22,677</u>	<u>\$ (13,174)</u>
CASH AND CASH EQUIVALENTS at beginning of year	<u>9,799</u>	<u>22,973</u>
CASH AND CASH EQUIVALENTS at end of year	<u>\$ 32,476</u>	<u>\$ 9,799</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid, net of refunds	\$ 914	\$ 7,604
Interest paid	\$ 72	\$ 244

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

1. NATURE OF OPERATIONS

Weyco Group, Inc. (the “Company”) designs and markets 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, and Rafters. Inventory is purchased from third-party overseas manufacturers. The majority of foreign-sourced purchases are denominated in U.S. dollars. The Company has two reportable segments, North American wholesale operations (“wholesale”) and North American retail operations (“retail”). In the wholesale segment, the Company’s products are sold to leading footwear, department, and specialty stores, as well as e-commerce retailers, primarily in the United States and Canada. The Company also has licensing agreements with third parties who sell its branded apparel, accessories and specialty footwear in the United States, as well as its footwear in Mexico and certain markets overseas. Licensing revenues are included in the Company’s wholesale segment. The Company’s retail segment consisted of e-commerce businesses and five brick and mortar stores in the United States as of December 31, 2020 (subsequently reduced to four locations in early 2021). Retail sales are made directly to consumers by Company employees. The Company’s “other” operations include the Company’s wholesale and retail businesses in Australia, South Africa, Asia Pacific (collectively, “Florsheim Australia”) and Europe (“Florsheim Europe”). The majority of the Company’s operations are in the United States, and its results are primarily affected by the economic conditions and retail environment in the United States.

In late 2020, the Company decided to close Florsheim Europe, which includes a small wholesale business and two retail stores. Total sales at Florsheim Europe were \$2.6 million in 2020. The closing of Florsheim Europe is not expected to have a material impact on the Company’s consolidated financial statements.

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 the Company’s 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. The COVID-19 pandemic has had and continues to have a significant impact on the Company’s business. Management’s estimates and assumptions used in the preparation of the Company’s consolidated financial statements in accordance with U.S. GAAP, take into account both current and expected potential future impacts of the pandemic on the Company’s business based on available information. Actual results specifically related to inventory reserves, realizability of deferred tax assets, goodwill and trademarks could materially differ from those estimates.

Cash and Cash Equivalents — The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. At December 31, 2020 and 2019, the Company’s cash and cash equivalents included investments in U.S. treasury bills, money market accounts, and/or cash deposits at various banks. The Company periodically has cash balances in excess of insured amounts. The Company has not experienced any losses on deposits in excess of insured amounts.

Investments — All of the Company’s municipal bond investments are classified as held-to-maturity securities and reported at amortized cost pursuant to ASC 320, *Investments — Debt and Equity Securities*, as the Company has 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, the Company reviews all significant accounts with past due

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

balances, as well as the collectability of other outstanding trade accounts receivable for possible write-off. It is the Company's policy to write-off accounts receivable against the allowance account when receivables are deemed to be uncollectible. The allowance for doubtful accounts reflects the Company's best estimate of probable losses in the accounts receivable balances. The Company determines the allowance based on known troubled accounts, historical experience and other evidence currently available.

Two of the Company's large customers filed for bankruptcy during 2020. J.C. Penney Company, Inc. and affiliated entities ("JCP") filed for bankruptcy in May 2020, and Tailored Brands, Inc. ("TB") filed for bankruptcy in August 2020. The Company had outstanding receivable balances with JCP and TB totaling \$3.3 million and \$1.1 million, respectively, at the time of the bankruptcy filings. While the ultimate resolution of the bankruptcy proceedings and collectability of the receivables are not known, it was deemed likely the Company will incur losses with respect to all or a significant portion of these receivables, and therefore, wrote them off. In late 2020, the Company recovered approximately \$100,000 of the TB receivable.

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. The Company generally takes title to 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 primarily 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. As a result of the COVID-19 pandemic, the Company identified indicators of impairment for its retail stores worldwide. The Company performed undiscounted cash flow analyses over the long-lived assets of its retail stores and compared them to the carrying value of those assets. Based on these undiscounted cash flow analyses, the Company determined that certain long-lived assets had carrying values that exceeded their estimated undiscounted cash flows. As a result, the Company recognized \$1.9 million for the impairment of retail store fixed assets and \$1.2 million for the impairment of operating lease right-of-use assets during 2020. In 2019, impairment charges of \$259,000 were taken to write down the value of certain assets relating to other operations. These charges were recorded within selling and administrative expenses within the Consolidated Statements of Earnings.

Leases — The Company leases retail shoe stores, primarily located in the U.S. and Australia, as well as several office and distribution facilities worldwide. The Company determines whether an arrangement is or contains a lease at contract inception. All of the Company's leases are classified as operating leases, which are included in the operating lease right-of-use ("ROU") assets and operating lease liabilities in the consolidated balance sheets. The Company has no finance leases.

ROU assets and lease liabilities are recognized based on the present value of the 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

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 the Company will exercise that option.

As the Company's leases generally do not provide an implicit rate, the Company used its incremental borrowing rate in determining the present value of lease payments. The incremental borrowing rate was a hypothetical rate based on an understanding of what the Company 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 Company's future lease payments. The Company used a portfolio approach and applied a single discount rate to all of its leases.

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. The Company's goodwill resulted from the 2011 acquisition of the BOGS and Rafters brands, and is assigned to its wholesale segment. 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. 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 basis 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. The Company records interest and penalties associated with unrecognized tax benefits within interest expense and provision for income taxes, respectively. See Note 13.

Revenue Recognition — The Company's revenue contracts represent a single performance obligation to sell its products to its customers. Sales are recorded at the time control of the product is transferred to customers in an amount that reflects the consideration the Company expects to receive in exchange for the 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 the Company's websites and at retail locations. For sales made through the Company's websites, revenue is recognized upon shipment to the customer. For in-store sales, the Company recognizes revenue at the point of sale. Sales taxes collected from website or retail sales are excluded from the Company's reported net sales. Revenue from third-party licensing agreements is recognized in the period earned. Licensing revenues were \$1.2 million in 2020 and \$3.0 million in 2019.

All revenue is recorded net of estimated allowances for returns and discounts; these revenue offsets are accrued for at the time of sale. The Company's estimates of allowances for returns and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

discounts are based on such factors as specific customer situations, historical experience, and current and expected economic conditions. The Company evaluates the reserves and the estimation process and makes adjustments when appropriate.

Generally, payments from customers are received within 90 days following the sale. The Company's contracts with customers do not have significant financing components or significant prepayments from customers, and there is no non-cash consideration. The Company does not have unbilled revenue, and there are no contract assets and liabilities.

Shipping and Handling Fees — The Company classifies shipping and handling fees billed to customers as revenues. 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 — The Company's 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 \$14.8 million in 2020 and \$16.4 million in 2019.

Advertising Costs — Advertising costs are expensed as incurred. Total advertising costs were \$7.6 million and \$12.8 million in 2020 and 2019, respectively. Advertising expenses are primarily included in selling and administrative expenses.

Foreign Currency Translations — The Company accounts for currency translations in accordance with ASC 830, *Foreign Currency Matters*. The Company's 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 the Company's financial statements in 2020 and 2019.

Financial Instruments — At December 31, 2020, the Company had foreign exchange contracts outstanding to sell \$3.0 million Canadian dollars at a price of approximately \$2.3 million U.S. dollars. The Company's wholly-owned subsidiary, Florsheim Australia, had foreign exchange contracts outstanding to buy \$1.5 million U.S. dollars at a price of approximately \$2.1 Australian dollars. These contracts expire in 2021.

Realized gains and losses on foreign exchange contracts are related to the purchase and sale of inventory and therefore are included in the Company's net sales or cost of sales. In 2020 and 2019, realized gains and losses on foreign exchange contracts were not material to the Company's 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 16.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Comprehensive Income (Loss) — Comprehensive income (loss) includes net earnings (loss) and changes in accumulated other comprehensive loss. Comprehensive income (loss) is reported in the Consolidated Statements of Comprehensive Income. See Note 12 for more details regarding changes in accumulated other comprehensive loss.

Share-Based Compensation — At December 31, 2020, the Company had two share-based employee compensation plans, which are described more fully in Note 18. The Company accounts for these plans under the recognition and measurement principles of ASC 718, *Compensation — Stock Compensation*. The Company's 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. The Company estimates the fair value of each restricted stock award based on the fair market value of the 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 15% of the Company's gross accounts receivable balance at December 31, 2020. There was one individual customer accounts receivable balance outstanding that was 10% of the Company's gross accounts receivable balance at December 31, 2019. There were no individual customers with sales above 10% of the Company's total sales in 2020 and 2019.

New Accounting Pronouncements

Recently Adopted

In June 2016, the FASB issued ASU No. 2016-13 *Financial Instruments — Credit Losses (Topic 326)*, which amends the accounting for credit losses on purchased financial assets and available-for-sale debt securities with credit deterioration. This ASU requires the measurement of all expected credit losses for financial assets, including accounts receivables, held at the reporting date based upon current conditions, historical experience and reasonable forecasts. This ASU is effective for annual reporting periods beginning after December 15, 2019. The Company adopted ASU No. 2016-13 on January 1, 2020 and noted no significant changes to the Company's financial position or results of operations.

In August 2018, the FASB issued ASU 2018-14, *Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU 2018-14 modifies and clarifies the required disclosures for employers that sponsor defined benefit pension or other postretirement plans. These amendments remove disclosures that are no longer considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. ASU 2018-14 is effective for fiscal years ending after December 15, 2020, with early adoption permitted. The Company adopted ASU 2018-14 in the year ended December 31, 2020. Adoption of the new standard did not impact the Company's earnings or cash flows, as it only impacts disclosures.

In March 2020, the FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provided optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The adoption of this ASU did not have a material impact on our consolidated financial statements and related disclosures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12 *Simplifying the Accounting for Income Taxes*. This guidance removes certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. This guidance also clarifies and simplifies other areas of ASC 740. This ASU will be effective for the Company in the first quarter of 2021, with early adoption permitted. Certain amendments in this update must be applied on a prospective basis, certain amendments must be applied on a retrospective basis, and certain amendments must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings/(deficit) in the period of adoption. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

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 the Company's 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

4. INVESTMENTS

Below is a summary of the amortized cost and estimated market values of the Company's marketable securities as of December 31, 2020 and 2019. The estimated market values provided are Level 2 valuations as defined by ASC 820.

	2020		2019	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(Dollars in thousands)			
Municipal bonds:				
Current	\$ 2,215	\$ 2,249	\$ 5,904	\$ 5,915
Due from one through five years	7,420	7,830	8,336	8,621
Due from six through ten years	3,057	3,608	4,255	4,618
Due from eleven through twenty years	2,323	2,547	3,223	3,430
Total	<u>\$15,015</u>	<u>\$16,234</u>	<u>\$21,718</u>	<u>\$22,584</u>

The unrealized gains and losses on marketable securities at December 31, 2020 and 2019 were as follows:

	2020		2019	
	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses
	(Dollars in thousands)			
Municipal bonds	\$1,219	\$—	\$866	\$—

At each reporting date, the Company reviews its 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, the Company considers all available evidence, including the issuer's financial condition, the severity and duration of the decline in fair value, and the Company's 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, the Company records a reduction in the carrying value to the estimated fair value. The Company determined that no other-than-temporary impairment exists for the years ended December 31, 2020 and 2019.

5. INVENTORIES

At December 31, 2020 and 2019, inventories consisted of:

	2020	2019
	(Dollars in thousands)	
Finished shoes	\$ 78,158	\$105,340
LIFO reserve	(19,133)	(18,627)
Total inventories	<u>\$ 59,025</u>	<u>\$ 86,713</u>

Finished shoes included inventory in-transit of \$7.1 million and \$18.3 million at December 31, 2020 and 2019, respectively. At both December 31, 2020 and 2019, approximately 91% of the Company's inventories were valued by the LIFO method of accounting while approximately 9% were valued by the FIFO method of accounting. The Company reduced its inventory levels in 2020 in light of decreased demand resulting from the COVID-19 pandemic.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

5. INVENTORIES – (continued)

During 2020, there were liquidations of LIFO inventory quantities carried at lower costs prevailing in prior years compared to the cost of fiscal 2020 purchases; the effect of the liquidations decreased cost of sales by \$261,000. During 2019, there were liquidations of LIFO inventory quantities which resulted in immaterial decreases in cost of sales.

6. PROPERTY, PLANT AND EQUIPMENT, NET

At December 31, 2020 and 2019, property, plant and equipment consisted of:

	2020	2019
	(Dollars in thousands)	
Land and land improvements	\$ 3,793	\$ 3,793
Buildings and improvements	32,154	26,912
Machinery and equipment	36,380	34,032
Retail fixtures and leasehold improvements	3,830	10,112
Construction in progress	637	5,273
Property, plant and equipment	76,794	80,122
Less: Accumulated depreciation	(46,035)	(47,908)
Property, plant and equipment, net	<u>\$ 30,759</u>	<u>\$ 32,214</u>

In early 2020, the Company completed a project to expand its office space within its corporate headquarters. Costs related to this project were included in construction in progress as of December 31, 2019, and are now reflected in their respective asset classifications. The decrease in retail fixtures and leasehold improvements in 2020 was primarily due to the impairment of retail store fixed assets and the disposal of fixed assets in connection with the early closing of three unprofitable retail stores in the U.S. in the third quarter of 2020.

7. LEASES

The Company leases retail shoe stores, as well as several office and distribution facilities worldwide. The leases have original lease periods expiring between 2021 and 2030. Many leases include one or more options to renew. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of the Company's operating lease costs were as follows (dollars in thousands):

	Twelve Months Ended December 31,	
	2020	2019
Operating lease costs	\$6,714	\$8,592
Variable lease costs ⁽¹⁾	30	71
Total lease costs	<u>\$6,744</u>	<u>\$8,663</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 the Company's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

7. LEASES – (continued)

The following is a schedule of maturities of operating lease liabilities as of December 31, 2020 (dollars in thousands):

	<u>Operating Leases</u>
2021	\$ 4,562
2022	3,246
2023	2,126
2024	1,317
2025	632
Thereafter	<u>945</u>
Total lease payments	12,828
Less imputed interest	<u>(849)</u>
Present value of lease liabilities	<u>\$11,979</u>

The operating lease liabilities are classified in the consolidated balance sheets as follows (dollars in thousands):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Operating lease liabilities – current	\$ 4,245	\$ 6,505
Operating lease liabilities – non-current	<u>7,734</u>	<u>14,110</u>
Total	<u>\$11,979</u>	<u>\$20,615</u>

The Company determined the present value of its lease liabilities using a weighted-average discount rate of 4.25%. As of December 31, 2020, the Company's leases have a weighted-average remaining lease term of 3.8 years. The decrease in lease liabilities in 2020 was primarily due to the early closing of three unprofitable retail stores in the U.S. and lease expirations at Florsheim Australia.

Supplemental cash flow information related to the Company's operating leases is as follows (dollars in thousands):

	<u>Twelve Months Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash paid for amounts included in the measurement of lease liabilities	\$6,746	\$ 8,868
Right-of-use assets obtained in exchange for new lease liabilities (noncash)	\$ 216	\$28,263

8. INTANGIBLE ASSETS

The Company's indefinite-lived intangible assets as recorded in the Consolidated Balance Sheets consisted of the following as of December 31, 2020 and 2019 (in thousands):

	<u>Indefinite-Lived Intangible Assets</u>
Goodwill	\$11,112
Trademarks	<u>32,868</u>
Total	<u>\$43,980</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

8. INTANGIBLE ASSETS – (continued)

The Company evaluates 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. Given the substantial reduction in sales, reduced cash flow projections, and the decrease in the Company's market capitalization in 2020 due to the impact of the COVID-19 pandemic on macroeconomic conditions, the Company determined that potential impairment indicators were present and that impairment assessments were warranted for its goodwill and trademarks at each quarterly interim period in 2020, and again at December 31, 2020. No impairment charges were recorded on the Company's goodwill or trademarks during 2020.

In conducting the year-end goodwill impairment assessment, the estimated fair value of the Company's wholesale reporting unit was determined using a discounted cash flows analysis and market comparisons. As of December 31, 2020, the fair value of the Company's wholesale reporting unit exceeded its carrying value by 37%; therefore, no impairment was recorded on the goodwill. There has never been an impairment recorded on this goodwill.

In evaluating trademarks, estimated fair values were determined using discounted cash flows and implied royalty rates. Based on the results of the trademark assessments, the Company concluded that the fair values of the trademarks substantially exceeded their respective carrying values. Therefore, no impairment was recorded on the Company's trademarks.

The Company can make no assurances that its goodwill or trademarks will not be impaired in the future. When preparing a discounted cash flow analysis, the Company makes a number of key estimates and assumptions regarding future cash flows and growth. The discount rate used is based on the Company's weighted average cost of capital, which includes assumptions such as market capital structure, market beta, risk-free rate of return, and estimated costs of borrowing. Changes in key estimates assumptions, and macroeconomic conditions, and/or continued deterioration of the Company's market capitalization and business, could lead to an impairment charge in a future period.

The Company's amortizable intangible assets as recorded in the Consolidated Balance Sheets consisted of the following:

	Weighted Average Life (Years)	December 31, 2020			December 31, 2019		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
		(Dollars in thousands)			(Dollars in thousands)		
Amortizable intangible assets							
Customer relationships	15	\$3,500	\$(2,294)	\$1,206	\$3,500	\$(2,061)	\$1,439
Total amortizable intangible assets . . .		\$3,500	\$(2,294)	\$1,206	\$3,500	\$(2,061)	\$1,439

The amortizable intangible assets are included within other assets in the Consolidated Balance Sheets. See Note 9.

The Company recorded amortization expense for intangible assets of \$233,000 in 2020 and in 2019, respectively. Excluding the impact of any future acquisitions, the Company anticipates future amortization expense will be approximately \$233,000 in each of the years 2021 through 2025, and approximately \$40,000 thereafter.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

9. OTHER ASSETS

Other assets included the following amounts at December 31, 2020 and 2019:

	2020	2019
	(Dollars in thousands)	
Cash surrender value of life insurance	\$18,447	\$17,681
Amortizable intangible assets, net (See Note 8)	1,206	1,439
Investment in real estate	2,173	2,189
Other	2,175	2,365
Total other assets	<u>\$24,001</u>	<u>\$23,674</u>

The Company has five life insurance policies on current and former executives. Upon death of the insured executives, the approximate death benefit the Company would receive is \$18.2 million in aggregate as of December 31, 2020.

On May 1, 2013, the Company 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 the Company’s 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

At December 31, 2020, the Company had a \$30 million revolving line of credit with a bank that is secured by a lien against the Company’s general corporate assets. The line of credit bears interest at the LIBOR plus 1.35% and expires on November 4, 2021. The related credit agreement contains customary representations, warranties, and covenants (including a minimum tangible net worth financial covenant) for a facility of this type.

At December 31, 2020, there was no amounts outstanding on the Company’s line of credit. The highest balance on the current and prior line of credit during 2020 was \$8.5 million. At December 31, 2019, outstanding borrowings under a previous revolving line of credit with the Company’s former bank were approximately \$7.0 million at an interest rate of 2.5%.

11. EMPLOYEE RETIREMENT PLANS

The Company has a defined benefit pension plan covering substantially all employees, as well as 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. The plan closed to new participants as of August 1, 2011 and benefit accruals under the plan were frozen effective December 31, 2016.

The Company’s 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.

The Company follows 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 (loss). In addition, ASC 715 requires employers to measure the funded status of their plans as of the date of their year-end

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

11. EMPLOYEE RETIREMENT PLANS – (continued)

statements of financial position. ASC 715 also requires additional disclosures regarding amounts included in accumulated other comprehensive loss.

The Company's pension plan's weighted average asset allocation at December 31, 2020 and 2019, by asset category, was as follows:

	<u>Plan Assets at December 31,</u>	
	<u>2020</u>	<u>2019</u>
Asset Category:		
Equity Securities	59%	55%
Fixed Income Securities	32%	36%
Other	9%	9%
Total	<u>100%</u>	<u>100%</u>

The Company has a Retirement Plan Committee, consisting of the 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, the Company 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 the 7.00% long-term rate of return on assets assumption for both 2020 and 2019.

The following discount rates were used to determine the funded status of the pension plans as of December 31, 2020 and 2019:

	<u>Defined Benefit Pension Plan</u>		<u>Supplemental Pension Plan</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Discount rate for determining funded status	2.47%	3.35%	2.51%	3.38%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

11. EMPLOYEE RETIREMENT PLANS – (continued)

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, 2020 and 2019:

	Defined Benefit Pension Plan		Supplemental Pension Plan	
	2020	2019	2020	2019
	(Dollars in thousands)			
<i>Change in projected benefit obligation</i>				
Projected benefit obligation, beginning of year	\$ 50,552	\$45,010	\$ 18,460	\$ 15,891
Service cost	383	463	—	—
Interest cost	1,450	1,801	562	659
Actuarial loss	6,067	5,660	2,485	2,355
Benefits paid	(2,426)	(2,382)	(382)	(445)
Projected benefit obligation, end of year	<u>\$ 56,026</u>	<u>\$50,552</u>	<u>\$ 21,125</u>	<u>\$ 18,460</u>
<i>Change in plan assets</i>				
Fair value of plan assets, beginning of year	\$ 41,036	\$37,353	\$ —	\$ —
Actual return on plan assets	4,917	6,528	—	—
Administrative expenses	(383)	(463)	—	—
Contributions	—	—	382	445
Benefits paid	(2,426)	(2,382)	(382)	(445)
Fair value of plan assets, end of year	<u>\$ 43,144</u>	<u>\$41,036</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status of plan	<u>\$ (12,882)</u>	<u>\$ (9,516)</u>	<u>\$ (21,125)</u>	<u>\$ (18,460)</u>
<i>Amounts recognized in the consolidated balance sheets consist of:</i>				
Accrued liabilities – other	\$ —	\$ —	\$ (473)	\$ (453)
Long-term pension liability	(12,882)	(9,516)	(20,652)	(18,007)
Net amount recognized	<u>\$ (12,882)</u>	<u>\$ (9,516)</u>	<u>\$ (21,125)</u>	<u>\$ (18,460)</u>
<i>Amounts recognized in accumulated other comprehensive loss consist of:</i>				
Accumulated loss, net of income tax benefit of \$5,435, \$4,478, \$2,275 and \$1,684, respectively	\$ 15,468	\$12,745	\$ 6,475	\$ 4,792
Prior service cost (credit) net of income tax liability of \$0, \$0, \$4 and (\$12), respectively	—	—	12	(34)
Net amount recognized	<u>\$ 15,468</u>	<u>\$12,745</u>	<u>\$ 6,487</u>	<u>\$ 4,758</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, 2020 and 2019. The increase in the projected benefit obligations in 2020 was primarily due to a decrease in the discount rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

11. EMPLOYEE RETIREMENT PLANS – (continued)

Assumptions used in determining pension expense for the years ended December 31, 2020 and 2019 were:

	Defined Benefit Pension Plan		Supplemental Pension Plan	
	2020	2019	2020	2019
Discount rate for projected benefit obligation . . .	3.35%	4.38%	3.38%	4.42%
Discount rate for determining interest cost	2.92%	4.05%	3.07%	4.19%
Long-term rate of return on plan assets	7.00%	7.00%	—	—

The components of pension expense for the years ended December 31, 2020 and 2019, were:

	2020	2019
	(Dollars in thousands)	
Service cost	\$ 383	\$ 463
Interest cost	2,012	2,460
Expected return on plan assets	(2,761)	(2,502)
Net amortization and deferral	763	626
Pension expense	<u>\$ 397</u>	<u>\$ 1,047</u>

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

It is the Company’s intention to satisfy the minimum funding requirements and maintain at least an 80% funding percentage in its defined benefit retirement plan in future years. At this time, the Company expects that any cash contributions necessary to satisfy these requirements in 2021 would not be material.

Projected benefit payments for the plans at December 31, 2020, were estimated as follows:

	Defined Benefit Pension Plan	Supplemental Pension Plan
	(Dollars in thousands)	
2021	\$ 2,835	\$ 473
2022	\$ 2,826	\$ 525
2023	\$ 2,878	\$ 695
2024	\$ 2,892	\$ 766
2025	\$ 2,885	\$ 899
2026 – 2030	\$14,376	\$5,580

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

11. EMPLOYEE RETIREMENT PLANS – (continued)

The following table summarizes the fair value of the Company's pension plan assets at December 31, 2020, by asset category within the fair value hierarchy (for further level information, see Note 3):

	December 31, 2020			Total
	Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	
	(Dollars in thousands)			
Common stocks	\$17,194	\$2,196	\$—	\$19,390
Preferred stocks	245	27	—	272
Exchange traded funds	6,033	—	—	6,033
Corporate obligations	—	4,349	—	4,349
State and municipal obligations	—	821	—	821
Pooled fixed income funds	7,117	—	—	7,117
U.S. government securities	—	763	—	763
Marketable CD's	—	513	—	513
Cash and cash equivalents	3,817	—	—	3,817
Subtotal	<u>\$34,406</u>	<u>\$8,669</u>	<u>\$—</u>	<u>\$43,075</u>
Other assets ⁽¹⁾				69
Total				<u>\$43,144</u>

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

The following table summarizes the fair value of the Company's pension plan assets at December 31, 2019, by asset category within the fair value hierarchy (for further level information, see Note 3):

	December 31, 2019			Total
	Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	
	(Dollars in thousands)			
Common stocks	\$15,464	\$2,026	\$—	\$17,490
Preferred stocks	287	29	—	316
Exchange traded funds	5,213	—	—	5,213
Corporate obligations	—	4,626	—	4,626
State and municipal obligations	—	1,062	—	1,062
Pooled fixed income funds	7,598	—	—	7,598
U.S. government securities	—	364	—	364
Marketable CD's	—	806	—	806
Cash and cash equivalents	3,470	—	—	3,470
Subtotal	<u>\$32,032</u>	<u>\$8,913</u>	<u>\$—</u>	<u>\$40,945</u>
Other assets ⁽¹⁾				91
Total				<u>\$41,036</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

11. EMPLOYEE RETIREMENT PLANS – (continued)

The Company also has a defined contribution plan covering substantially all employees. The Company contributed \$875,000 and \$941,000 to the plan in 2020 and 2019, respectively.

12. COMPREHENSIVE INCOME (LOSS)

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

	2020	2019
	(Dollars in thousands)	
Foreign currency translation adjustments	\$ (6,050)	\$ (7,033)
Pension liability, net of tax	(21,955)	(17,503)
Total accumulated other comprehensive loss	<u>\$(28,005)</u>	<u>\$(24,536)</u>

The following presents a tabular disclosure about changes in accumulated other comprehensive loss (dollars in thousands):

	Foreign Currency Translation Adjustments	Defined Benefit Pension Items	Total
Balance, December 31, 2019	\$(7,033)	\$(17,503)	\$(24,536)
Other comprehensive income (loss) before reclassifications	983	(5,017)	(4,034)
Amounts reclassified from accumulated other comprehensive loss	—	565	565
Net current period other comprehensive income (loss)	983	(4,452)	(3,469)
Balance, December 31, 2020	<u>\$(6,050)</u>	<u>\$(21,955)</u>	<u>\$(28,005)</u>

The following presents a tabular disclosure about reclassification adjustments out of accumulated other comprehensive loss during the years ended December 31, 2020 and 2019 (dollars in thousands):

	Amounts reclassified from accumulated other comprehensive loss for the year ended December 31,		Affected line item in the statement where net income is presented
	2020	2019	
Amortization of defined benefit pension items			
Prior service cost	\$ (63)⁽¹⁾	\$ (63) ⁽¹⁾	Other income (expense), net
Actuarial losses	826⁽¹⁾	689 ⁽¹⁾	Other income (expense), net
Total before tax	763	626	
Tax benefit	(198)	(163)	
Net of tax	<u>\$ 565</u>	<u>\$ 463</u>	

(1) These amounts were included in the computation of pension expense. See Note 11 for additional details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

13. INCOME TAXES

The provision for income taxes included the following components for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	(Dollars in thousands)	
Current:		
Federal	\$(1,954)	\$4,784
State	(154)	1,510
Foreign	784	777
Total	(1,324)	7,071
Deferred	2,755	(869)
Total provision	<u>\$ 1,431</u>	<u>\$6,202</u>

The differences between the U.S. federal statutory income tax rate and the Company's effective tax rate were as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
U.S. federal statutory income tax rate	21.0%	21.0%
State income taxes, net of federal tax benefit	1.8	4.3
Non-taxable municipal bond interest	1.3	(0.4)
Net Operating Loss Carryback Under the CARES Act	10.4	—
Foreign income tax rate differences	(24.3)	—
Reversal of deferred tax assets on foreign net operating losses	(28.4)	—
Tax settlements	—	(1.2)
Share-based compensation	(1.0)	0.2
Other	(1.1)	(1.0)
Effective tax rate	<u>(20.3)%</u>	<u>22.9%</u>

The foreign component of pretax net earnings was a loss of \$5,552,000 and a loss of \$2,127,000 for 2020 and 2019, respectively.

In response to the global impacts of COVID-19 on U.S. companies and citizens, the U.S. government enacted the CARES Act on March 27, 2020. The CARES Act included several tax relief options for companies, including a five-year net operating loss carryback. The Company will carry back its 2020 net operating loss to 2015, when the statutory federal tax rate was 35%.

The Company's foreign subsidiaries, Florsheim Australia and Florsheim Europe, had net operating losses this year, and the Company determined it was more likely than not that current year tax benefits would not be realized, and recorded no current year tax provision for these entities, causing the majority of the negative foreign income tax rate differences noted above.

The Company determined it is more likely than not that \$2.0 million of deferred tax assets related to foreign tax carryforwards will not be realized, and reversed them in 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

13. INCOME TAXES – (continued)

The components of deferred taxes at December 31, 2020, and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
	(Dollars in thousands)	
Deferred income tax assets:		
Accounts receivable reserves	\$ 269	\$ 197
Pension liability	8,842	7,274
Accrued liabilities	1,720	1,794
Operating lease liabilities	2,716	4,475
Carryforward losses	—	1,727
Foreign currency losses on intercompany loans	58	39
	<u>13,605</u>	<u>15,506</u>
Deferred income tax liabilities:		
Inventory and related reserves	(3,149)	(2,795)
Cash value of life insurance	(485)	(431)
Property, plant and equipment	(1,285)	(1,195)
Intangible assets	(7,913)	(7,482)
Operating lease right-of-use assets	(2,087)	(3,960)
Prepaid expenses and other assets	(365)	(241)
	<u>(15,284)</u>	<u>(16,104)</u>
Net deferred income tax liabilities	<u>\$ (1,679)</u>	<u>\$ (598)</u>

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

	<u>2020</u>	<u>2019</u>
	(Dollars in thousands)	
Non-current deferred income tax benefits	\$ 1,235	\$ 2,487
Non-current deferred income tax liabilities	(2,914)	(3,085)
Net deferred income tax liabilities	<u>\$ (1,679)</u>	<u>\$ (598)</u>

Uncertain Tax Positions

The Company accounts for its 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 the Company’s 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 the Company’s unrecognized tax benefits:

	<u>2020</u>	<u>2019</u>
	(Dollars in thousands)	
Unrecognized tax benefits balance at January 1,	\$636	\$ 772
Increases related to current year tax positions	257	190
Decreases due to settlements of tax positions	—	(275)
Decreases due to lapsing of statute of limitations	(60)	(51)
Unrecognized tax benefits balance at December 31,	<u>\$833</u>	<u>\$ 636</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

13. INCOME TAXES – (continued)

The unrecognized tax benefits at December 31, 2020 and 2019, include \$155,000 and \$115,000, respectively, of interest related to such positions. The unrecognized tax benefits, if ultimately recognized, would reduce the Company's annual effective tax rate. The liabilities for potential interest are included in the Consolidated Balance Sheets at December 31, 2020 and 2019.

The Company files a U.S. federal income tax return, various U.S. state income tax returns and several foreign returns. In general, the 2017 through 2020 tax years remain subject to examination by those taxing authorities.

14. COMMITMENTS

At December 31, 2020, the Company had purchase commitments of \$43.2 million to purchase inventory, all of which were due in less than one year.

15. SHARE REPURCHASE PROGRAM

In 1998, the Company's share repurchase program was established. On several occasions since the program's inception, the Board of Directors has extended the number of shares authorized for repurchase under the program. In total, 7.5 million shares have been authorized for repurchase.

In 2020, the Company purchased 106,490 shares at a total cost of \$2.1 million through its share repurchase program. In 2019, the Company purchased 222,740 shares at a total cost of \$5.6 million through its share repurchase program. As of December 31, 2020, there were 335,780 authorized shares remaining under the program.

16. EARNINGS PER SHARE

The following table sets forth the computations of basic and diluted earnings per share for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	(In thousands, except per share amounts)	
Numerator:		
Net earnings (loss)	<u>\$(8,485)</u>	<u>\$20,882</u>
Denominator:		
Basic weighted average shares outstanding	9,757	9,904
Effect of dilutive securities:		
Employee share-based awards	—	49
Diluted weighted average shares outstanding	<u>9,757</u>	<u>9,953</u>
Basic earnings (loss) per share	<u>\$ (0.87)</u>	<u>\$ 2.11</u>
Diluted earnings (loss) per share	<u>\$ (0.87)</u>	<u>\$ 2.10</u>

The year ended December 31, 2020, resulted in a net loss, therefore there was no difference in the weighted average number of common shares for basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive. Diluted weighted average shares outstanding for 2020 exclude anti-dilutive share-based awards totaling 1,232,000 shares at a weighted average price of \$25.35. Diluted weighted average shares outstanding for 2019 excludes anti-dilutive share-based awards totaling 825,000 shares at a weighted average price of \$27.98.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

17. SEGMENT INFORMATION

The Company has two reportable segments: North American wholesale operations (“wholesale”) and North American retail operations (“retail”). The Company’s Chief Executive Officer, evaluates the performance of the Company’s segments based on earnings (loss) from operations. Therefore, interest income or expense, other income or expense, and income taxes are not allocated to the segments. The “other” category in the table below includes the Company’s wholesale and retail operations in Australia, South Africa, Asia Pacific and Europe, which do not meet the criteria for separate reportable segment classification.

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 the Company’s wholesale segment. The Company has licensing agreements with third parties who sell its branded apparel, accessories and specialty footwear in the United States, as well as its footwear in Mexico and certain markets overseas. In 2020 and 2019, there was no single customer with sales of 10% or more of the Company’s total sales.

In the retail segment, the Company operated e-commerce businesses and five brick and mortar retail stores in the United States at December 31, 2020. Retail sales are made directly to the consumer by Company employees. Retail stores sell the Company’s branded footwear, primarily Florsheim, and accessories.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies. Summarized segment data for the years ended December 31, 2020 and 2019 was as follows:

	Wholesale	Retail	Other	Total
	(Dollars in thousands)			
2020				
Product sales	\$151,012	\$21,499	\$21,690	\$194,201
Licensing revenues	1,174	—	—	1,174
Net sales	152,186	21,499	21,690	195,375
Depreciation	1,973	211	717	2,901
Earnings (loss) from operations	975 ⁽¹⁾	(1,073) ⁽²⁾	(7,500) ⁽³⁾	(7,598)
Total assets	222,255	7,374	27,090	256,719
Capital expenditures	3,095	30	243	3,368
2019				
Product sales	\$239,091	\$25,231	\$36,653	\$300,975
Licensing revenues	3,036	—	—	3,036
Net sales	242,127	25,231	36,653	304,011
Depreciation	2,088	315	889	3,292
Earnings (loss) from operations	27,755	2,791	(3,506)	27,040
Total assets	250,266	11,783	34,868	296,917
Capital expenditures	6,902	20	470	7,392

(1) Includes \$2.0 million in employee costs related to restructuring and temporary closures, \$4.3 million from two large customer receivable write-offs due to bankruptcies filed during the pandemic, and \$0.2 million in other related charges, partially offset by \$1.7 million of income from government wage subsidies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

17. SEGMENT INFORMATION – (continued)

- (2) Includes \$0.3 million in employee costs related to restructuring and temporary closures, \$1.0 million for the impairment of retail store fixed assets, and \$1.5 million in early lease termination charges, partially offset by \$0.2 million of income from government wage subsidies.
- (3) Includes \$3.6 million in employee costs related to restructuring and temporary closures, \$2.1 million for the impairment of retail store fixed assets and operating lease right-of-use assets, \$2.0 million in reserves for obsolete and slow-moving inventory due to COVID-19-related impacts, and \$0.3 million in related charges, partially offset by \$3.5 million of income from government wage and rent subsidies.

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 the Company's business by geographic area was as follows for the years ended December 31, 2020 and 2019:

	2020	2019
	(Dollars in thousands)	
<u>Net Sales</u>		
United States	\$155,955	\$245,073
Canada	17,730	22,285
Europe	2,600	6,223
Australia	15,252	22,459
Asia	1,969	5,085
South Africa	1,869	2,886
Total	\$195,375	\$304,011
<u>Long-Lived Assets</u>		
United States	\$ 77,975	\$ 81,603
Other	9,756	16,972
	\$ 87,731	\$ 98,575

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.

18. SHARE-BASED COMPENSATION PLANS

At December 31, 2020, the Company had two share-based compensation plans: the 2014 Incentive Plan and the 2017 Incentive Plan (collectively, "the Plans"). Awards are no longer granted under the 2014 Incentive Plan; however, awards previously granted under such plan continue in accordance with their terms. Options to purchase common stock were granted to officers and key employees at exercise prices not less than the fair market value of the Company's common stock on the date of the grant, and the Company also grants restricted stock awards. The Company issues 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 2020 and 2019. Stock options and restricted stock awards are valued at fair market value based on the Company's closing stock price on

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

18. SHARE-BASED COMPENSATION PLANS – (continued)

the date of grant. Stock options granted in 2020 and 2019 vest ratably over five years and expire 10 years from the grant date. Restricted stock granted in 2020 and 2019 vests ratably over four years. As of December 31, 2020, there were approximately 663,000 shares remaining available for share-based awards under the 2017 Incentive Plan.

Stock option exercises can be net share settled such that the Company withholds 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. No shares were withheld in 2020. In 2019, approximately 11,000 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 \$0 in 2020 and \$5,000 in 2019; such payments are 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 2020 and 2019, respectively, for stock options and restricted stock awards granted since 2015. An estimate of forfeitures, based on historical data, was included in the calculation of share-based compensation.

At December 31, 2020, there was \$1.5 million of total unrecognized compensation cost related to non-vested stock options granted in the years 2017 through 2020 which is expected to be recognized over the weighted-average remaining vesting period of 3.2 years. At December 31, 2019, there was \$1.7 million of total unrecognized compensation cost related to non-vested restricted stock awards granted in the years 2016 through 2019, which is expected to be recognized over the weighted-average remaining vesting period of 3.5 years.

The following weighted-average assumptions were used to determine compensation expense related to stock options in 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Risk-free interest rate	0.54%	1.55%
Expected dividend yield	5.33%	4.11%
Expected term	8.0	8.0
Expected volatility	26.4%	24.0%

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 the Company's expected annual dividend as a percentage of the market value of the 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

18. SHARE-BASED COMPENSATION PLANS – (continued)

The following tables summarize stock option activity under the Company's plans:

Stock Options

<i>Stock Options</i>	Years ended December 31,			
	2020		2019	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,176,770	\$27.14	1,173,620	\$27.96
Granted	188,600	18.00	192,650	23.45
Exercised	—	—	(18,795)	27.75
Forfeited or expired	(239,987)	27.09	(170,705)	28.56
Outstanding at end of year	1,125,383	\$25.62	1,176,770	\$27.14
Exercisable at end of year	640,012	\$26.77	703,030	\$26.71
Weighted average fair market value of options granted	\$ 2.01		\$ 3.32	

	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding – December 31, 2020	5.4	\$—
Exercisable – December 31, 2020	3.1	\$—

The aggregate intrinsic value of outstanding and exercisable stock options is defined as the difference between the market value of the Company's stock on December 31, 2020 of \$15.84 and the exercise price multiplied by the number of in-the-money outstanding and exercisable stock options. The respective exercise prices of all of the Company's outstanding stock operations were higher than the closing price of the Company's common stock as of December 31, 2020, therefore, the aggregate intrinsic value of the Company's stock options is zero.

Non-vested Stock Options

	Number of Options	Weighted Average Exercise Price	Weighted Average Fair Value
Non-vested – December 31, 2018	481,613	\$29.46	\$4.49
Granted	192,650	23.45	3.32
Vested	(193,838)	27.59	3.87
Forfeited	(6,685)	29.94	4.87
Non-vested – December 31, 2019	473,740	\$27.77	\$4.26
Granted	188,600	18.00	2.01
Vested	(165,824)	27.48	3.99
Forfeited	(11,145)	27.54	4.27
Non-vested – December 31, 2020	485,371	\$24.08	\$3.48

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

18. SHARE-BASED COMPENSATION PLANS – (continued)

The following table summarizes information about outstanding and exercisable stock options at December 31, 2020:

Range of Exercise Prices	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
\$18.00	188,600	9.7	\$18.00	—	\$ —
\$23.38 to \$25.86	623,050	3.4	\$24.93	477,884	\$25.40
\$27.04 to \$37.22	313,733	7.1	\$31.55	162,128	\$30.80
	<u>1,125,383</u>	<u>5.4</u>	<u>\$25.62</u>	<u>640,012</u>	<u>\$26.77</u>

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

	2020	2019
	(Dollars in thousands)	
Total intrinsic value of stock options exercised	\$ —	\$ 87
Net proceeds from stock option exercises	\$ —	\$161
Income tax benefit from the exercise of stock options	\$ —	\$ 23
Total fair value of stock options vested	\$661	\$750

Restricted Stock

The following table summarizes restricted stock award activity during the years ended December 31, 2019 and 2020:

	Shares of Restricted Stock	Weighted Average Grant Date Fair Value
Non-vested – December 31, 2018	61,480	\$30.74
Issued	31,000	23.48
Vested	(23,745)	29.10
Forfeited	—	—
Non-vested – December 31, 2019	68,735	\$28.04
Issued	30,800	18.00
Vested	(27,045)	28.04
Forfeited	—	—
Non-vested – December 31, 2020	<u>72,490</u>	<u>\$23.77</u>

At December 31, 2020, the Company expected 72,490 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 \$1.1 million at December 31, 2020. The aggregate intrinsic value was calculated using the market value of the Company's stock on December 31, 2020 of \$15.84 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 \$127,000 in 2020 and \$152,000 in 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

19. VALUATION AND QUALIFYING ACCOUNTS

	Deducted from Assets		
	Doubtful Accounts	Returns and Allowances	Total
	(Dollars in thousands)		
BALANCE, DECEMBER 31, 2018	\$ 951	\$ 1,335	\$ 2,286
Add – Additions charged to earnings	122	4,489	4,611
Deduct – Charges for purposes for which reserves were established	(87)	(4,401)	(4,488)
BALANCE, DECEMBER 31, 2019	<u>\$ 986</u>	<u>\$ 1,423</u>	<u>\$ 2,409</u>
Add – Additions charged to earnings	5,289	3,380	8,669
Deduct – Charges for purposes for which reserves were established	(4,850)	(3,562)	(8,412)
BALANCE, DECEMBER 31, 2020	<u>\$ 1,425</u>	<u>\$ 1,241</u>	<u>\$ 2,666</u>

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

None

ITEM 9A CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission is recorded, processed, summarized and reported on a timely basis. The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report (the "Evaluation Date"). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in bringing to their attention, on a timely basis, information relating to the Company required to be included in the Company's periodic filings under the Exchange Act.

Management's Report on Internal Control over Financial Reporting

The report of management required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading "Management's Report on Internal Control over Financial Reporting."

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."

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the quarter or year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B OTHER INFORMATION

None

PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item is set forth within Part I, "Information About the Company's 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 4, 2021 (the "2021 Proxy Statement") in sections entitled "Proposal One: Election of Directors," "Section 16(a) Reporting Delinquencies," "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 2021 Proxy Statement in sections entitled "Summary Compensation Table," "Outstanding Equity Awards at December 31, 2020," "Pension Benefits," "Employment Contracts and Potential Payments Upon Termination or Change of Control" and "Director Compensation," 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 2021 Proxy Statement in the section entitled "Security Ownership of Management and Others," and is incorporated herein by reference.

The following table provides information about the Company's equity compensation plans as of December 31, 2020:

<u>Plan Category</u>	<u>(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</u>
Equity compensation plans approved by shareholders	1,125,383	\$25.62	662,870
Equity compensation plans not approved by shareholders	—	—	—
Total	1,125,383	\$25.62	662,870

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item is set forth in the Company's 2021 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 2021 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 2020 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>
2.1	Stock Purchase Agreement, relating to The Combs Company dated March 2, 2011 by and among Weyco Group, Inc. and The Combs Company, d/b/a Bogs Footwear, William G. Combs and Sue Combs (excluding certain schedules and exhibits referred to in the agreement, which the registrant hereby agrees to furnish supplementally to the SEC upon request of the SEC)	Exhibit 2.1 to Form 8-K filed March 7, 2011	
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, 2020	Exhibit 10.4 to Form 10-K for Year Ended December 31, 2019	
10.5*	Employment Agreement (Renewal) – John W. Florsheim, dated January 1, 2020	Exhibit 10.5 to Form 10-K for Year Ended December 31, 2019	
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	Credit Agreement, dated as of November 4, 2020, between Weyco Group, Inc. and Associated Bank, National Association	Exhibit 10.1 to Form 10-Q for Quarter Ended September 30, 2020	
10.10	Revolving Loan Note, dated November 4, 2020, between Weyco Group, Inc. and Associated Bank, National Association	Exhibit 10.2 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>
10.11	Security Agreement with Associated Bank, dated November 4, 2020	Exhibit 10.3 to Form 10-Q for Quarter Ended September 30, 2020	
10.12*	Change of Control Agreement John Wittkowske, dated January 26, 1998 and restated December 22, 2008	Exhibit 10.14 to Form 10-K for Year Ended December 31, 2008	
10.14*	Weyco Group, Inc. 2014 Incentive Plan	Appendix A to the Registrant's Proxy Statement Schedule 14A for the Annual Meeting of Shareholders held on May 6, 2014	
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
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
101	The following financial information from Weyco Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2020 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2020 and 2019; (ii) Consolidated Statements of Earnings for the years ended December 31, 2020 and 2019; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2020 and 2019; (iv) Consolidated Statements of Equity for the years ended December 31, 2020 and 2019; (v) Consolidated Statements of Cash Flows for the years ended		X

<u>Exhibit</u>	<u>Description</u>	<u>Incorporation Herein By Reference To</u>	<u>Filed Herewith</u>
	December 31, 2020 and 2019; (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and in detail.		
104	The cover page from the Company's Annual Report on Form 10-K for the year-ended December 31, 2020, 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/John F. Wittkowske March 12, 2021
John F. Wittkowske, Senior 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 John F. Wittkowske, 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 12, 2021, by the following persons on behalf of the registrant and in the capacities indicated.

/s/ Thomas W. Florsheim
Thomas W. Florsheim, 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/ John F. Wittkowske
John F. Wittkowske, Senior Vice President, Chief
Financial Officer and Secretary (Principal Financial Officer)

/s/ Judy Anderson
Judy Anderson, Vice President, Finance and
Treasurer (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 Merger, Inc.	Wisconsin	Weyco Group, Inc.
Weyco Sales, LLC	Wisconsin	Weyco Group, Inc.
Weyco Retail Corp.	Wisconsin	Weyco Group, Inc.
Florsheim Shoes Europe S.r.l.	Italy	Weyco Group, Inc.
Florsheim Australia Pty Ltd	Australia	Weyco Group, Inc.
Florsheim South Africa Pty Ltd	South Africa	Florsheim Australia Pty Ltd
Florsheim Asia Pacific Ltd	Hong Kong	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 12, 2021, 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, 2020.

/s/ Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
March 12, 2021

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 12, 2021

/s/ Thomas W. Florsheim, Jr.

Thomas W. Florsheim, Jr.
Chief Executive Officer

CERTIFICATION

I, John F. Wittkowske, 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 12, 2021

/s/ John F. Wittkowske

John F. Wittkowske
Chief Financial Officer

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

We, Thomas W. Florsheim, Jr., Chief Executive Officer, and John F. Wittkowske, 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, 2020 (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 12, 2021

/s/ Thomas W. Florsheim, Jr.

Thomas W. Florsheim, Jr.
Chief Executive Officer

/s/ John F. Wittkowske

John F. Wittkowske
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.

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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
Chairman, Executive Committee

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

John F. Wittkowske
Senior Vice President, Chief Financial Officer and Secretary

Judy Anderson
Vice President, Finance and Treasurer

Kate Destinon
Vice President, and President of Nunn Bush Brand

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

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

Allison Woss
Vice President, Supply Chain

OFFICERS

Riley Combs
Vice President Sales, BOGS and Rafters Brands

David Cook
Vice President, BOGS Marketing

Jeff Douglass
Vice President, Marketing

Cesar Geronimo
Vice President, BOGS Product Development

Beverly Goldberg
Vice President Sales, Florsheim Brand

Al Jackson
Vice President, Customer Relations/Vendor Compliance

Kim Kesler
Vice President, Credit

Kevin Kious
Vice President Work Sales, BOGS 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

Joshua Wisenthal
Vice President Sales, Canada

Annual Meeting

Shareholders are invited to attend Weyco Group, Inc's 2020 Annual Meeting at 10:00 a.m. on May 4th, 2021 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

American Stock Transfer & Trust Company
6201 15th Avenue • Brooklyn, New York 11219

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

WEYCO GROUP, INC.

333 WEST ESTABROOK BOULEVARD GLENDALE, WISCONSIN 53212

414.908.1600