
Wolverine Claws Its Way to Growth

<http://www.fool.com/news/mft/2005/mft05042015.htm>

By Stephen D. Simpson, CFA
04/20/2005

When people think about **WolverineWorld Wide**([NYSE: WWW](#)), more often than not they think of the company's distinctive work shoes and boots -- tough, dependable, and well-made, but perhaps not the height of fashion. What people *don't* generally think about are the company's other lines, such as the casual and generally stylish Hush Puppies or the outdoor brands such as Merrell and Sebago.

In a refreshing break from other retail companies that whine about weather or gasoline prices, Wolverine simply delivered the goods for the [first quarter](#). Total sales were up about 9% on good outdoor brand sales and good performance from the Hush Puppies line, partially offset by lower revenue from co-branded products from **Caterpillar**([NYSE: CAT](#)) and **Harley-Davidson**([NYSE: HDI](#)) and lower sales to the Department of Defense.

Gross margins improved by 130 basis points from the year-ago quarter, and that dropped almost straight through to an improved operating margin as well. Consequently, operating income grew 27% for the quarter, net income grew 32%, and EPS climbed 35%.

Although the company declined to provide cash flow information for the first quarter, management reiterated its guidance for roughly \$75 million in operating cash flow for the full year. Assuming that trends in capital expenditures stay constant, [free cash flow](#) should come in around \$55 million for the year.

Wolverine management is already returning some of that cash to shareholders, buying almost \$8 million worth of stock in the quarter and hiking the dividend about 50% from last year.

Wolverine management should also be credited for running the balance sheet well. Increases in inventory were solely because of the outdoor group (the strongest-growing group at present) and days sales outstanding, and inventory turns improved by 8.8% and 6.3% respectively versus last year's period.

Many Fools have spoken well of partial competitor **Timberland**([NYSE: TBL](#)), and I certainly wouldn't cast aspersions on this footwear company. But that doesn't mean that Wolverine doesn't have something going for it as well. While Timberland does have better margins and returns on capital and a similar valuation, Wolverine seems to be on track improving its margins and returns, and if that trend continues, investors could find the shares to be a comfortable fit.

For more Foolishness on footwear:

- [Lacing Up Timberland](#)
- [Is Nike Hitting Its Prime?](#)
- [Brown Shoe Shuffle](#)
- [Rocky Shoes' Knockout Punch](#)

Fool contributor [Stephen Simpson](#) has no financial interest in any stocks mentioned (that means he's neither long nor short the shares), but he happily wears his Wolverine shoes.

