

January 12, 2009

**Key Metrics**

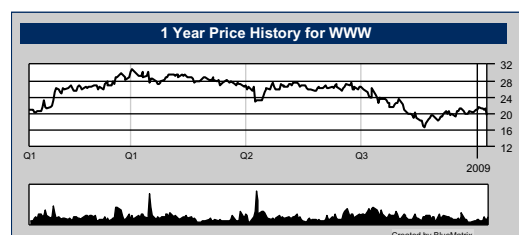
WWW - NYSE	\$19.65
Pricing Date	01/09/2009
Price Target	NA
52-Week Range	\$31.21-\$16.24
Shares Outstanding (mm)	48.9
Market Capitalization (\$mm)	\$960.9
3-Mo Average Daily Volume	585,046
Institutional Ownership	94%
Debt/Total Capital	15.0%
ROE	20.4%
Book Value/Share	\$9.25
Price/Book	2.1x
Dividend Yield	2.2%
LTM EBITDA Margin	13.74%

**EPS(\$)** FY: December

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q-Mar	0.39	--	0.46A	0.49E	0.41E
2Q-Jun	0.28	--	0.33A	0.36E	0.34E
3Q-Sep	0.54	--	0.62A	0.66E	0.64E
4Q-Dec	0.49	0.51E	0.41E	0.56E	0.51E
FY	1.70	1.92E	1.82E	2.07E	1.90E
P/E	11.6x		10.8x		10.3x

**Revenue(\$mm)**

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q-Mar	281.1	--	288.2A	300.0E	280.0E
2Q-Jun	250.3	--	267.4A	280.0E	270.0E
3Q-Sep	310.2	--	318.9A	335.0E	315.0E
4Q-Dec	357.4	365.0E	340.0E	385.0E	350.0E
FY	1,199.0	1,239.5E	1,214.5E	1,300.0E	1,215.0E



**Company Description:** Wolverine World Wide, Inc. ([www.wolverineworldwide.com](http://www.wolverineworldwide.com)) is a leading designer, manufacturer, and marketer of a broad line of quality casual shoes and rugged outdoor footwear.

## Wolverine World Wide, Inc.

### Rating: Hold

**Roughly \$18mm in Cost Cuts Targeted 2H09/2010; Growth Rates May Slow in 2009**

**Investment Highlights:**

- **Restructuring targeting annual pre-tax savings of between \$17mm to \$19mm, or roughly \$0.24 per share.** Wolverine World Wide announced a restructuring plan that includes the consolidation of key distribution/global operations functions, realignment of domestic manufacturing operations, alternative considerations for its company-owned leather business, and corporate cost reductions. Pre-tax 2009 charges are estimated to be between \$31mm to \$36mm with eventual annual cost saving benefits targeting \$17mm to \$19mm, or EPS of roughly \$0.24.
- **Footwear apparently not immune to current economic weakness: lowering FY08 and FY09 estimates.** Management indicated 4Q sales are expected to be "close to the bottom" of its fiscal year guidance of between \$1.22bn and \$1.24bn. While footwear appears to be faring somewhat better (data generated by SpendingPulse, an information service provided by Master Card's Advisor's, indicated footwear sales declined 13.5% Y/Y during the holidays versus 20% plus declines in other apparel categories) than other categories, it does not appear to be immune to current economic conditions and could continue into 2009. Accordingly, we are reducing our F4Q08 and FY09 sales estimates by \$25mm and \$85mm, respectively.
- **Benefits likely to develop in 2H09/FY10 - charges 1H loaded - reducing EPS estimates.** While pre-tax charges are expected to be heavily loaded toward 1H09, cost savings may not begin to materialize until 2H09 and into FY10. While some benefits should materialize in 2H09, we are reducing our FY09 EPS estimate by \$0.17 to account for expected reduced sales leverage. Our EPS estimates do not reflect expected charges.
- **Wolverine appears on-track to hit original FY guidance but may not achieve most recent targets.** Should our reduced estimates prove accurate, Wolverine would still fall in line with its initial FY08 EPS guidance released in January, 2008. We believe few companies will be able to make such a claim for 2008. However, current conditions may make it challenging for the company to hit current EPS targets, which were increased following both the 1Q08 and 3Q08 EPS result releases, in a range of \$1.87 to \$1.92.
- **Cost cutting could put EBIT margins near 13% in 2010; 2009 growth rates may slow.** Recently announced operating efficiency initiatives could propel Wolverine's EBIT margins closer to 13% by 2010, versus our 11.5% EBIT margin projection in FY08, however, current economic conditions could slow top and bottom line growth rates in 2009. We maintain our Hold rating on the shares.

EQUITY RESEARCH

## Wolverine Worldwide, Inc.

(In Millions, Except Per Share Data)

	FY 2006	Q1 Mar-07	Q2 Jun-07	Q3 Sep-07	Q4 Dec-07	FY 2007	Q1 Mar-08	Q2 Jun-08	Q3 Sep-08	Q4E Dec-08	FYE 2008	Q1E Mar-09	Q2E Jun-09	Q3E Sep-09	Q4E Dec-09	FYE 2009
<b>Sales</b>	<b>1141.9</b>	<b>281.1</b>	<b>250.3</b>	<b>310.2</b>	<b>357.4</b>	<b>1199.0</b>	<b>288.2</b>	<b>267.4</b>	<b>318.9</b>	<b>340.0</b>	<b>1214.5</b>	<b>280.0</b>	<b>270.0</b>	<b>315.0</b>	<b>350.0</b>	<b>1215.0</b>
<i>% Increase</i>	7.6%	6.9%	5.0%	3.8%	4.6%	5.0%	2.6%	6.8%	2.8%	-4.9%	1.3%	-2.9%	1.0%	-1.2%	2.9%	0.0%
Cost of Goods Sold	700.4	167.1	154.8	185.2	220.0	727.0	166.7	165.0	190.1	208.8	730.5	162.7	167.1	186.8	213.5	730.1
<i>As % Sales</i>	61.3%	59.4%	61.8%	59.7%	61.5%	60.6%	57.8%	61.7%	59.6%	61.4%	60.2%	58.1%	61.9%	59.3%	61.0%	60.1%
<i>% Increase</i>	6.8%	6.4%	4.6%	2.2%	2.8%	3.8%	-0.2%	6.6%	2.6%	-5.1%	0.5%	-2.4%	1.3%	-1.7%	2.3%	-0.1%
<b>Gross Profit</b>	<b>441.5</b>	<b>114.0</b>	<b>95.5</b>	<b>125.0</b>	<b>137.5</b>	<b>471.9</b>	<b>121.6</b>	<b>102.4</b>	<b>128.7</b>	<b>131.2</b>	<b>483.9</b>	<b>117.3</b>	<b>102.9</b>	<b>128.2</b>	<b>136.5</b>	<b>484.9</b>
<i>Margin</i>	38.7%	40.6%	38.2%	40.3%	38.5%	39.4%	42.2%	38.3%	40.4%	38.6%	39.8%	41.9%	38.1%	40.7%	39.0%	39.9%
<i>% Increase</i>	9.0%	7.7%	5.7%	6.3%	7.6%	6.9%	6.6%	7.2%	3.0%	-4.5%	2.5%	-3.5%	0.5%	-0.4%	4.0%	0.2%
SG&A	318.2	81.3	72.0	80.5	99.3	333.2	85.3	76.5	82.4	100.0	344.2	86.0	77.0	80.0	98.0	341.0
<i>As % Sales</i>	27.9%	28.9%	28.7%	26.0%	27.8%	27.8%	29.6%	28.6%	25.8%	29.4%	28.3%	30.7%	28.5%	25.4%	28.0%	28.1%
<i>% Increase</i>	9.0%	6.7%	4.7%	3.2%	4.3%	4.7%	4.9%	6.3%	2.3%	0.7%	3.3%	0.8%	0.6%	-2.9%	-2.0%	-0.9%
<b>Operating Profit</b>	<b>123.3</b>	<b>32.7</b>	<b>23.6</b>	<b>44.4</b>	<b>38.1</b>	<b>138.8</b>	<b>36.3</b>	<b>25.9</b>	<b>46.3</b>	<b>31.2</b>	<b>139.7</b>	<b>31.3</b>	<b>25.9</b>	<b>48.2</b>	<b>38.5</b>	<b>143.9</b>
<i>Margin</i>	10.8%	11.6%	9.4%	14.3%	10.7%	11.6%	12.6%	9.7%	14.5%	9.2%	11.5%	11.2%	9.6%	15.3%	11.0%	11.8%
<i>% Increase</i>	8.8%	10.3%	8.8%	12.5%	17.2%	12.6%	11.0%	9.9%	4.4%	-18.1%	0.7%	-13.6%	-0.1%	4.0%	23.2%	3.0%
Interest Expense	1.8	0.4	0.5	-0.2	0.3	1.1	0.1	0.3	0.3	0.3	1.0	0.3	0.3	0.3	0.3	1.2
Other Income	0.8	1.3	0.3	-0.3	-0.4	0.9	-0.6	-0.3	0.9	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
<b>Pretax Profit</b>	<b>122.3</b>	<b>33.5</b>	<b>23.3</b>	<b>44.3</b>	<b>37.4</b>	<b>138.6</b>	<b>35.6</b>	<b>25.3</b>	<b>46.9</b>	<b>30.9</b>	<b>138.7</b>	<b>31.0</b>	<b>25.6</b>	<b>47.9</b>	<b>38.2</b>	<b>142.7</b>
<i>Margin</i>	10.7%	11.9%	9.3%	14.3%	10.5%	11.6%	12.3%	9.5%	14.7%	9.1%	11.4%	11.1%	9.5%	15.2%	10.9%	11.7%
<i>% Increase</i>	9.9%	14.1%	9.5%	13.3%	15.2%	13.3%	6.1%	8.3%	5.8%	-17.2%	0.1%	-12.8%	1.2%	2.1%	23.5%	2.9%
Taxes(benefit)	38.6	11.2	7.8	14.8	11.8	45.7	11.9	8.5	15.7	10.4	46.5	10.4	8.6	16.0	12.8	47.8
<i>Rate</i>	31.6%	33.5%	33.5%	33.5%	31.5%	33.0%	33.6%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%
<b>Net Income--Oper.</b>	<b>83.6</b>	<b>22.3</b>	<b>15.5</b>	<b>29.5</b>	<b>25.6</b>	<b>92.9</b>	<b>23.6</b>	<b>16.8</b>	<b>31.2</b>	<b>20.6</b>	<b>92.2</b>	<b>20.6</b>	<b>17.0</b>	<b>31.9</b>	<b>25.4</b>	<b>94.9</b>
<i>Margin</i>	7.3%	7.9%	6.2%	9.5%	7.2%	7.7%	8.2%	6.3%	9.8%	6.1%	7.6%	7.4%	6.3%	10.1%	7.3%	7.8%
<i>% Increase</i>	12.3%	13.6%	9.0%	12.8%	8.3%	11.0%	6.1%	8.3%	5.8%	-19.6%	-0.7%	-12.7%	1.1%	2.1%	23.5%	2.9%
<b>EPS--Operations</b>	<b>1.47</b>	<b>0.39</b>	<b>0.28</b>	<b>0.54</b>	<b>0.49</b>	<b>1.70</b>	<b>0.46</b>	<b>0.33</b>	<b>0.62</b>	<b>0.41</b>	<b>1.82</b>	<b>0.41</b>	<b>0.34</b>	<b>0.64</b>	<b>0.51</b>	<b>1.90</b>
<i>% Increase</i>	15.8%	14.5%	11.6%	17.9%	17.2%	15.8%	16.7%	18.4%	14.7%	-15.2%	7.2%	-10.1%	2.6%	2.1%	23.5%	4.0%
Shares Out. Diluted	56.9	56.7	55.4	54.2	52.8	54.6	51.5	50.7	50.0	50.0	50.6	50.0	50.0	50.0	50.0	50.0

Source: Company reports and Morgan Joseph estimates

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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	57.60	32.65
HOLD [H]	40.00	32.35
SELL [S]	2.40	0.00

### Meaning of Ratings

- A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.
- B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.
- C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

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