WEYCO REPORTS THIRD QUARTER SALES AND EARNINGS

Milwaukee, Wisconsin---November 3, 2020---Weyco Group, Inc. (NASDAQ: WEYS) (the "Company") today announced financial results for the quarter ended September 30, 2020.

Third Quarter 2020 Review

- Net sales were \$53.2 million compared to third quarter 2019 net sales of \$82.5 million.
- Loss from operations totaled \$3.8 million compared to earnings from operations of \$8.5 million in the third quarter of 2019. Adjusted earnings from operations were \$3.6 million for the third quarter of 2020.
- Net loss totaled \$5.9 million, or (\$0.60) per diluted share, compared to net earnings of \$6.6 million, or \$0.66 per diluted share, in the third quarter of 2019. Adjusted net earnings were \$1.5 million, or \$0.16 per diluted share, for the third quarter of 2020.

Amounts referred to as "adjusted" are Non-GAAP and exclude items that are described under "Non-GAAP Adjustments" below and "Reconciliations of Non-GAAP Financial Measures" accompanying this release.

Third Quarter 2020 Segment Results

Net sales in the North American wholesale segment, which include North American wholesale sales and licensing revenues, were \$44.0 million in the third quarter of 2020 compared to \$67.8 million in the third quarter of 2019. BOGS third quarter net sales rose 6% as compared to last year due to higher sales in the farm, service, and industrial trade channel and with e-commerce retailers. Net sales of the Florsheim, Stacy Adams, and Nunn Bush brands were down 58%, 55%, and 32%, respectively, for the quarter, due mainly to the current decrease in demand for dress and dress-casual footwear as a result of the ongoing pandemic. Licensing revenues were \$224,000 for the quarter compared to \$630,000 in the third quarter of 2019, down in line with reductions in licensees' sales of branded products.

Gross earnings for the North American wholesale segment were 35.7% of net sales in the third quarter of 2020 compared to 35.9% of net sales in last year's third quarter. Earnings from operations for the wholesale segment were \$2.8 million in the third quarter of 2020 compared to \$9.5 million in the same period one year ago. Adjusted earnings from operations for the wholesale segment were \$4.7 million in the third quarter of 2020.

Net sales in the North American retail segment, which includes sales from the Company's Florsheim retail stores and its e-commerce businesses in the United States, were \$4.4 million in the third quarter of 2020 compared to \$5.2 million in the third quarter of 2019. The decrease between periods was partly due to closing three unprofitable retail stores during the quarter. E-commerce sales were up 16% for the quarter but were offset by a significant decline in brick-and-mortar same store sales, primarily due to reduced foot traffic as a result of the ongoing pandemic. Retail loss from operations totaled \$2.8 million for the third quarter of 2020, compared to earnings from operations of the \$365,000 for the third quarter of 2019. Adjusted loss from operations for the retail segment totaled \$184,000 for the third quarter of 2020.

Other

Other net sales, which include the wholesale and retail net sales of Florsheim Australia and Florsheim Europe, were \$4.8 million in the third quarter of 2020 compared to \$9.5 million in the third quarter of 2019. The decrease was due to lower net sales at both Florsheim Australia and Florsheim Europe, resulting from retail shutdowns and stay-at-home orders. Collectively, Florsheim Australia and Florsheim Europe had a combined loss from operations totaling \$3.8 million in the third quarter of 2020 compared to a loss from operations of \$1.4 million in last year's third quarter. Adjusted loss from operations for the Company's other operations was \$1.0 million for the third quarter of 2020.

"While our top-line continues to be challenged by the far-reaching effects of the COVID-19 pandemic, we are encouraged by the recent pick-up in orders we experienced in our wholesale business in August and September," stated Thomas W. Florsheim, Jr., the Company's Chairman and CEO. "Additionally, we are pleased with the strong performance of our e-commerce websites, which underscores the strength of our brands and continued consumer demand for our products. We have taken measures to right-size our cost structure across our organization, which allowed us to return to profitability in our wholesale business in the third quarter. We look forward to building upon this momentum as we move into the final months of the year."

On November 3, 2020, the Company's Board of Directors declared a cash dividend of \$0.24 per share to all shareholders of record on November 30, 2020, payable on January 4, 2021.

Non-GAAP Adjustments

Amounts referred to as "adjusted" exclude the following items for the third quarter of 2020:

- \$3.1 million pre-tax expense for the impairment of retail store fixed assets and operating lease right-of-use assets
- \$1.7 million pre-tax expense from employee costs related to restructuring and temporary closures
- \$1.5 million pre-tax expense from early lease termination charges
- \$1.1 million pre-tax expense from a customer receivable write-off due to a bankruptcy filed during the pandemic
- \$1.0 million pre-tax expense from reserves for obsolete and slow-moving inventory due to COVID-19 related impacts
- \$0.4 million pre-tax expense from other related charges
- \$1.4 million pre-tax income from government wage and rent subsidies
- \$2.0 million tax expense related to deferred tax assets of the Company's foreign subsidiaries

Reconciliations of amounts on a GAAP basis to the "adjusted" amounts are provided in the "Reconciliations of Non-GAAP Financial Measures" at the end of this release.

Use of Non-GAAP Financial Measures

In addition to GAAP financial measures, the Company presents the following non-GAAP financial measures: "adjusted earnings (loss) from operations," "adjusted net earnings," and "adjusted diluted earnings per share." Adjusted results exclude the impact of items that management of the Company believes affect the comparability of its consolidated financial statements in the periods presented. The Company believes that these non-GAAP measures are useful to investors and other users of its consolidated financial statements as an additional tool for evaluating operating performance. The Company believes they also provide a useful baseline for analyzing trends in its operations. Investors should not consider these non-GAAP measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. See "Reconciliations of Non-GAAP Financial Measures" accompanying this press release.

Conference Call Details

Weyco Group will host a conference call on November 4, 2020, at 11:00 a.m. Eastern Time to discuss the third quarter financial results in more detail. To participate in the call, you will first need to pre-register online. Pre-registration takes only a few minutes and you may pre-register at any time, including up to and after the call start time. To pre-register, please go to: <u>http://www.directeventreg.com/registration/event/8083903</u> The pre-registration process will provide the conference call phone number and a passcode required to enter the call. A replay will be available for one year beginning about two hours after the completion of the call at the following webcast link: <u>https://edge.media-server.com/mmc/p/e8y6fbwz</u> The conference call will also be available in the investor relations section of Weyco Group's website at <u>www.weycogroup.com</u>.

About Weyco Group

Weyco Group, Inc., 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. The Company's products can be found in leading footwear, department, and specialty stores, as well as on e-commerce websites worldwide. Weyco Group also operates Florsheim stores in the United States and Australia, as well as in a variety of international markets.

Forward-Looking Statements

This press release contains certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Various factors could cause the results of Weyco Group to be materially different from any future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the Company's ability to: (i) successfully market and sell its products in a highly competitive industry and in view of changing consumer trends, consumer acceptance of products and other factors affecting retail market conditions; (ii) procure its products from independent manufacturers; and (iii) other factors, including those detailed from time to time in Weyco Group's filings made with the SEC. With respect to the COVID-19 pandemic, numerous factors will determine the extent and length of the impact on the Company, including the extent and duration of the pandemic and its impact on the global economy; actions taken by governments, such as stay-at-home and similar orders that, among other effects, require retail store closures or limit foot traffic; the financial health of the Company's customers and business partners, including the effects of any bankruptcy proceedings by such parties; the performance/resiliency of the Company's supply chain; and the health and welfare of the Company's employees. Weyco Group undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

For more information, contact: John Wittkowske Senior Vice President and Chief Financial Officer 414-908-1880

WEYCO GROUP, INC. AND SUBSIDIARIES CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30,			Ni	ne Months End	ed Septe	September 30,			
	2020		2019			2020		2019		
	(In thousands, except per share amounts)									
Net sales	\$	53,178	\$	82,502	\$	133,408	\$	217,106		
Cost of sales		32,841		50,196		82,403		131,633		
Gross earnings		20,337		32,306		51,005		85,473		
Selling and administrative expenses		24,177		23,817		66,517		69,974		
Earnings (loss) from operations		(3,840)		8,489		(15,512)		15,499		
Interest income		121		210		408		663		
Interest expense		(6)		(96)		(59)		(162)		
Other income (expense), net		(8)		11		147		(242)		
Earnings (loss) before provision (benefit) for income taxes		(3,733)		8,614		(15,016)		15,758		
Provision (benefit) for income taxes		2,136		2,029		(1,426)		3,691		
Net earnings (loss)	\$	(5,869)	\$	6,585	\$	(13,590)	\$	12,067		
Weighted average shares outstanding										
Basic		9,756		9,912		9,760		9,933		
Diluted		9,756		9,929		9,760		9,996		
Earnings (loss) per share										
Basic	\$	(0.60)	\$	0.66	\$	(1.39)	\$	1.21		
Diluted	\$	(0.60)	\$	0.66	\$	(1.39)	\$	1.21		
Cash dividends declared (per share)	\$	0.24	\$	0.24	\$	0.72	\$	0.71		
Comprehensive income (loss)	\$	(4,976)	\$	5,990	\$	(13,383)	\$	11,933		

WEYCO GROUP, INC. AND SUBSIDIARIES CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

	· · · · · · · · · · · · · · · · · · ·	mber 30, 020	December 31, 2019		
		(Dollars in thou	sands)		
ASSETS:					
Cash and cash equivalents	\$	6,858 \$			
Marketable securities, at amortized cost		1,955	5,904		
Accounts receivable, net		39,463	51,532		
Income tax receivable		3,656	-		
Inventories		76,178	86,713		
Prepaid expenses and other current assets		3,284	6,047		
Total current assets		131,394	159,995		
Marketable securities, at amortized cost		13,703	15,814		
Deferred income tax benefits		773	2,487		
Property, plant and equipment, net		31,142	32,214		
Operating lease right-of-use assets		11,929	18,753		
Goodwill		11,112	11,112		
Trademarks		32,868	32,868		
Other assets		23,659	23,674		
Total assets	\$	256,580 \$	296,917		
LIABILITIES AND EQUITY:					
Short-term borrowings	\$	5,180 \$			
Accounts payable		6,312	12,455		
Dividend payable		-	2,355		
Operating lease liabilities		4,468	6,505		
Accrued liabilities		10,865	13,422		
Accrued income tax payable			90		
Total current liabilities		26,825	41,876		
Deferred income tax liabilities		3,226	3,085		
Long-term pension liability		27,009	27,523		
Operating lease liabilities		9,962	14,110		
Other long-term liabilities		263	329		
Total liabilities		67,285	86,923		
Common stock		9,844	9,873		
Capital in excess of par value		66,864	65,832		
Reinvested earnings		136,916	158,825		
Accumulated other comprehensive loss		(24,329)	(24,536)		
Total equity		189,295	209,994		
Total liabilities and equity	\$	256,580 \$	296,917		

WEYCO GROUP, INC. AND SUBSIDIARIES CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

Z200 Z019 CASH FLOWS FROM OPERATING ACTIVITES: (Dollars in Thousands) Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities - \$ (13,590) \$ 12,067 Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities - 234 133 Bad debt expense 5,102 1000 Deferred income taxes 1,854 (200) Net corring ourmercy transaction basses (gains) 37 (106) Stare-based compensation expense 1,063 1,102 Increase in cash surrender value of life insurance (250) (250) Charges in operating assets and labilities - 4,003 1,351 Accounts receivable 6,008 (5,413) Accounts receivable 6,039 (4,157) Accound sublities and other (3,449) (1,373) Accound sublities of marketable securities - (14,441) Proceeds from maturities of marketable securities - (14,441) Proceeds from stack options exercised - (14,441) Proceeds from stack options exercised - (16) </th <th></th> <th>Ν</th> <th colspan="3">Nine Months Ended September 30,</th>		Ν	Nine Months Ended September 30,		
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Net decrease in cash and cash equivalents\$(2,941)\$(13,918)CASH AND CASH EQUIVALENTS at beginning of period9,79922,973CASH AND CASH EQUIVALENTS at end of period\$6,858\$9,055SUPPLEMENTAL CASH FLOW INFORMATION: Income taxes paid, net of refunds\$638\$3,385					
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CASH AND CASH EQUIVALENTS at end of period \$ 6,858 \$ 9,055 SUPPLEMENTAL CASH FLOW INFORMATION: Income taxes paid, net of refunds \$ 638 \$ 3,385	Net decrease in cash and cash equivalents	Ψ	(2,341)	Ψ	(13,310)
SUPPLEMENTAL CASH FLOW INFORMATION: Income taxes paid, net of refunds \$ 638 \$ 3,385	CASH AND CASH EQUIVALENTS at beginning of period		9,799		22,973
Income taxes paid, net of refunds \$ 638 \$ 3,385	CASH AND CASH EQUIVALENTS at end of period	\$	6,858	\$	9,055
Income taxes paid, net of refunds \$ 638 \$ 3,385					
		*		<u>^</u>	0.005
Interest paid \$ 52 \$ 162					
	Interest paid	\$	52	\$	162

Reconciliations of Non-GAAP Financial Measures

The following table contains a reconciliation of GAAP Financial Measures to the Non-GAAP Financial Measures used by the Company in the discussion of its consolidated financial results for the three months ended September 30, 2020.

	Three Months Ended September 30, 2020					
	(GAAP			No	on-GAAP
	Measures				М	easures
	(As Reported)		Adju	ustments	(As Adjusted)	
		(In thousa	inds, ex	cept per share	amou	unts)
Earnings (loss) from operations	\$	(3,840)	\$	7,399 ⁽¹⁾	\$	3,559
Net earnings (loss)	\$	(5,869)	\$	7,386 ⁽²⁾	\$	1,517
Diluted earnings (loss) per share	\$	(0.60)	\$	0.76 ⁽³⁾	\$	0.16

- (1) Includes \$3.1 million for the impairment of retail store fixed assets and operating lease right-of-use assets, \$1.7 million in employee costs related to restructuring and temporary closures, \$1.5 million in early lease termination charges, \$1.1 million from a customer receivable write-off due to a bankruptcy filed during the pandemic, \$1.0 million in reserves for obsolete and slow-moving inventory due to COVID-19-related impacts, and \$0.4 million in other related charges, partially offset by \$1.4 million of income from government wage and rent subsidies.
- (2) Reflects the after-tax impact of the above-noted adjustments of \$5.4 million and \$2.0 million of tax expense related to deferred tax assets of the Company's foreign subsidiaries.
- ⁽³⁾ Reflects the per diluted share impact of the above-noted adjustments.

The following is a reconciliation of GAAP Financial Measures to the Non-GAAP Financial Measures used by the Company in the discussion of its segment financial results for the three months ended September 30, 2020.

	Three Months Ended September 30, 2020						
	(GAAP				No	n-GAAP
	Measures (As Reported)					Me	easures
			Adju	_	(As Adjusted)		
	(Dollars in thousands)						
Earnings (loss) from operations							
Wholesale	\$	2,752	\$	1,993	(1)	\$	4,745
Retail		(2,796)		2,612	(2)		(184)
Other		(3,796)		2,794	(3)		(1,002)
Total	\$	(3,840)	\$	7,399	-	\$	3,559

- (1) Adjustment includes \$1.1 million from a customer receivable write-off due to a bankruptcy filed during the pandemic, \$0.5 million in employee costs related to restructuring and temporary closures, \$0.5 million in reserves for obsolete and slow-moving inventory due to COVID-19-related impacts, and \$0.2 million in other related charges, partially offset by \$0.3 million of income from government wage subsidies.
- (2) Adjustment includes \$1.5 million in early lease termination charges, \$1.0 million for the impairment of retail store fixed assets, and \$0.1 million in employee costs related to restructuring and temporary closures.
- (3) Adjustment includes \$2.1 million for the impairment of retail store fixed assets and operating lease right-of-use assets, \$1.1 million in employee costs related to restructuring and temporary closures, \$0.5 million in reserves for obsolete and slow-moving inventory due to COVID-19-related impacts, and \$0.2 million in related charges, partially offset by \$1.1 million of income from government wage and rent subsidies.