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Wolverine World Wide, Inc. (WWW)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Wolverine Worldwide Third Quarter Fiscal 2026 Earnings Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Jared Filippone, Head of Investor Relations. You may now begin.

Jared Filippone

Head-Investor Relations, Wolverine World Wide, Inc.

Good morning, and welcome to our third quarter fiscal 2026 conference call. On the call today are Chris Hufnagel, President and Chief Executive Officer; and Taryn Miller, Chief Financial Officer.

Earlier this morning, we issued a press release announcing our financial results for the third quarter of 2026 and our updated outlook for fiscal year 2026. The press release and our third quarter investor presentation can be viewed on our Investor Relations website at investors.wolverineworldwide.com.

This morning's press release, investor presentation and comments made during today's earnings call include non-GAAP financial measures. These non-GAAP financial measures, including constant currency revenue growth rates and results excluding the benefit of IEEPA tariff refunds, are reconciled to the most directly comparable GAAP financial measures or the information needed to reconcile them is provided in our press release, investor presentation or remarks today.

I'd also like to remind you that statements describing the company's expectations, plans, predictions and projections such as those regarding the company's outlook for the fourth quarter and fiscal year 2026, the benefit of IEEPA tariff refunds, growth opportunities and trends expected to affect the company's future performance made during today's conference call are forward-looking statements under US securities laws. As a result, we must caution you that there are a number of factors that could cause actual results to differ materially from those described in the forward-looking statements.

Additional information about these important risk factors is contained in the forward-looking statements sections of this morning's press release and investor presentation, the Risk Factors section of our annual report on Form 10-K for fiscal 2025 and our subsequent SEC filings and press releases. Forward-looking statements speak only as of today, and we undertake no obligation to update them. All revenue growth rates will be cited on a constant currency basis unless otherwise stated.

With that, I will now turn the call over to Chris Hufnagel.

Christopher E. Hufnagel

President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

Thanks, Jared. Good morning, everyone, and thanks for joining us on today's call. In the third quarter, results exceeded our expectations. Revenue grew approximately 8%, our strongest quarter of growth this year, led by Saucony and Merrell, which were up 20% and 7% respectively. This growth, coupled with the healthier, more profitable business we built, delivered adjusted earnings per share of $0.79, which includes a $0.31 benefit from

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IEEPA tariff refunds received in the quarter. Excluding this benefit, adjusted earnings per share increased more than 30% compared to the prior year.

Year-to-date, consolidated revenue was up 7%. And excluding the benefit of the refunds, gross margin is flat year-over-year despite a meaningful tariff headwind. Adjusted operating margin has expanded 140 basis points and adjusted earnings per share are 27% better than last year. As a result of the strong performance of the business, the company is generating solid cash flow and now possesses a healthy balance sheet, further advancing our ability to drive greater shareholder return in the future.

Looking ahead, although pressure persists for consumers and the macroeconomic environment remains dynamic, we believe our brands are well-positioned, aligned with long-term consumer macro trends and focused on product categories that leverage our performance and innovation capabilities as a company, a result of this intentional, strategic decisions made over the last several years. And importantly, our brand-building model has proven to be effective, delivering eight consecutive quarters of top line growth. Bolstered by our stronger position, established strategies and disciplined execution coupled with the performance of the business year-to-date and our expectations for the closing weeks, we're raising our outlook for the year which Taryn will review in detail in a few minutes.

Before providing some color on our brand's performance in the third quarter, I want to take a step back to speak to our brand strategies and outline our building blocks for growth for Merrell, Saucony, Sweaty Betty and Wolverine. We expect Merrell, a leading performance footwear for the trail with significant runway in the broader outdoor lifestyle category, to continue to grow in alignment with our shareholder value creation model over time. The brand remains focused on modernizing the outside with faster, lighter, more versatile product for hiking and trail running. We also plan to scale its lifestyle business by leveraging its iconic performance franchises in materializations for everyday wear, continuing to elevate design and developing lifestyle distribution, including Tier 0 through Tier 2 specialty retail.

Finally, we believe Merrell's key city strategy is critical to cultivating broader global brand awareness and relevance through impactful activation of the brand's It Starts Outside platform. Saucony, expected to remain our fastest-growing brand, is positioned at the intersection of what continues to be two of the fastest-growing categories in footwear – performance and lifestyle running – both of which were up double digits in the third quarter.

To grow performance, the brand continues to prioritize innovation in its Endorphin collection and capturing the broader commercial opportunity with its Core 4 product franchises – the Ride, Guide, Hurricane and Triumph. We believe the brand has an opportunity to take share in run specialty and is underpenetrated in sporting goods. To expanse lifestyle business, Saucony plans to continue to thoughtfully deploy its deep product archive, disruptive collaboration and capsule strategies. It also intends to heighten attention on women with classic trend right silhouettes.

Similar to Merrell, the brand's proven key city strategy expected to continue to underpin its key growth initiatives – building awareness, strengthening affinity, engendering brand heat in the global marketplace. Sweaty Betty and Wolverine, we believe, will also contribute to our consolidated growth over time as they execute their new strategies rooted in our repeatable brand-building model. Sweaty Betty continues to elevate the brand through both differentiated positioning and a more diversified product offering powered by key icons.

The brand remains focused on strengthening its core UK direct-to-consumer business and expanding global distribution throughout Europe with specialty and sporting goods retailers, and in Asia-Pacific by partnering with

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our network of highly capable distributors. At the same time, Wolverine is making progress in executing a strategy to build on its leadership in the work boot category by elevating its position with performance, innovation and scaling Western, focused on more premium products and distribution, along with more focused demand creation efforts.

Now, before handing the call over to Taryn, I'd like to briefly review our brand's progress in the third quarter, beginning with Merrell. Merrell again delivered good revenue growth, up 7%, its ninth consecutive quarter of growth. Encouragingly, the brand's DTC trend improved relative to the first half of the year, posting a mid-single-digit revenue increase versus the prior year. Brand health also remained positive, with strong affinity and double-digit increases in consumer search interest globally, fueled in part by the brand's outside in the city activations in New York, London, Taipei, Montreal, Sydney, Santiago and Mexico City. Merrell strengthened its leadership in outdoor performance, taking significant share in the US hiking category, which itself grew again in the quarter. The brand's key product icons, the Moab and Moab Speed, fueled the gains and delivered meaningful growth.

In trail running, Merrell celebrated a significant achievement in August with Merrell Athlete Frédéric Tranchand wearing the Agility Peak 6 winning one of the premier events of the year, the OCC race that UTMB in Chamonix, placing Merrell at the top of the podium and one of the sport's biggest global stages. Looking ahead to next year, Merrell anticipates releasing the Moab Speed 3 in the first quarter, the latest version of one of its biggest franchises, to build on its momentum in the hiking.

In trail running, the brand plans to launch a new Adapt series with fresh innovation for both serious and casual trail runners. In lifestyle, its focus on elevating the product line and testing new distribution is starting to gain traction. Merrell also expects to deepen its cultural relevance by extending its key city strategy and expanding its authenticity activations through partnerships with Live Nation and the Sundance Film Festival. As Merrell continues to build on its leadership in performance footwear and realize progress in the broader outdoor lifestyle category, we see meaningful opportunity for continued global growth.

Moving to Saucony. Saucony grew 20%, its sixth quarter of double-digit growth in the last seven quarters. Like Merrell, Saucony saw an acceleration in DTC in the third quarter, driving a mid-teens revenue increase versus the prior year. In addition, brand momentum continued with strong consumer search interest around the world, particularly in markets benefiting from the brand's key city strategy execution in London, Paris, and Berlin.

Saucony expanded its performance business in the quarter through continued innovation in its Endorphin collection and by broadening its reach with its Core 4 product franchises. The Endorphin Azura remains on pace this year to be the biggest franchise launch in the brand's history, and the Endorphin Speed 6, introduced just a few weeks ago, has immediately become a top seller on saucony.com and selling through well at retail. While we did see some additional promotional activity in the broader US market in the category, Saucony actually saw declined promotions year-over-year overall.

During the quarter, the brand again sponsored the London 10K and Shoreditch Half Marathon, two key events that are part of its effective key city strategy execution in London. Saucony's lifestyle business continued strong growth in the quarter as well, with continuous increases behind the ProGrid Omni 9 and positive momentum for styles like the Guide 7 and Ride 1. Sell-through rates improved versus the prior year in the US and were strong in Europe. Collaborations and energy capsules aimed at thoughtfully stretching and entrenching the brand with key consumer segments continue to be a key element of Saucony's strategy.

In the last several months, the brand fueled credibility in culture and fashion via partnerships with Westside Gunn and Stan Birch, as well as Engage Women with the Evelynn World collaboration. The brand also introduced a

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host of compelling capsules, including its Space Cowboy, Daikanyama, and Glowaconstrictor collections. Across the board, these drops drove impressions, demand, and most importantly, cultural relevance and brand heat.

Looking ahead, Saucony anticipates launching an all-new Endorphin super shoe in 2027 that will be one of its most innovative products to-date, the Zenith, in addition to new models across its Endorphin collection and Core 4. In lifestyle, the brand plans to continue to leverage its deep product archive and fuel brand heat with strategic collaborations. The lifestyle team is doing a great job of bolstering the brand's offerings across not only streetwear and retro tech, but also fashion and classic silhouettes, cultivating greater relevance with women as well as men.

In 2027, Saucony expects to expand its key city strategy around the world, including into the US and Asia-Pacific. We expect Saucony to deliver another record top and bottom line year in 2026, following a record year last year. While I'm pleased with how far the brand has come in a few short years, I'm even more excited about where we can go from here.

In closing with Sweaty Betty and Wolverine, just as we've done with Merrell and Saucony, we remain focused on returning to sustainable quality growth for both Sweaty Betty and Wolverine. While we believe our strategy is solid and our execution is improving, as we shared previously, our results continue to be choppy and we don't expect our performance to be perfectly consistent in the near term.

In the third quarter, Sweaty Betty's revenue declined 7%, partially due to the reset of the US market initiated last year. Excluding the US, the brand was down 3%, as a tougher UK women's activewear market weighed on e-commerce while our stores fared better, posting low-single-digit growth in the quarter. Importantly, Sweaty Betty continued to strengthen the brand with its consumers, driving double-digit increases in search interest and significant uplift in social sentiment in the UK.

Sweaty Betty remains focused on diversifying its business across several dimensions, including product categories, regions, and distribution channels. In the quarter, pants and shorts continued to grow, and while outerwear faced an unseasonably warm transition into fall, the Motion Jacket franchise grew materially, powered by the Born for the Storm campaign.

The brand's priority for regional expansion, specifically Asia-Pacific, more than quadrupled revenue in the quarter, albeit on a still small base, opening a new store in Shanghai with a couple more doors slated to open in China yet this year.

The Wolverine brand, down 4% in the quarter, continues to work towards developing a cleaner, better segmented marketplace and elevating the brand's positioning as a leader in work boots in the US to create a foundation for sustainable growth going forward. The brand has strengthened its product pipeline this year with new collections and better innovation to support this effort.

This quarter, Wolverine launched the Reloader, expanding its Loader Collection, and earlier this year introduced the Wheatland and Western, both at more premium price points. The brand gained meaningful market share in all price tiers above $100. Importantly, the brand has made considerable progress in cleaning up the marketplace, working through slower-moving inventories and increasing average selling prices, both improved by mid-single digits year-to-date. Additionally, we've had significant reduction in planned promotional days in the marketplace for the first three quarters of the year.

All of the above puts pressure on the short-term results, but we believe are needed actions to run a better, more premium brand and return to consistent sustainable growth. Looking ahead, Wolverine expects a stronger year for

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new product innovation in 2027, including the all-new Raptor featuring TriGrip technology in the first quarter and what we believe could be a game-changing boot in the fourth quarter.

The brand also plans to continue to improve its demand creation efforts, once again partnering with Paramount+'s hit series Landman, sponsoring the Houston Rodeo, and amplifying its own Project Bootstrap platform by partnering with Meta's America (sic) [America's] Workforce Academy, a significant investment in training the skilled labor of tomorrow.

With that, I'd like to hand the call over to Taryn to take you through our results for the quarter and our updated outlook for the year. Taryn?

Taryn Miller

Chief Financial Officer, Wolverine World Wide, Inc.

Thank you, Chris, and welcome everyone. We delivered another strong quarter, exceeding our expectations for both revenue and profitability. Our performance reflects continued execution of our strategy with revenue growth, disciplined cost management, and structural improvements we've made across the business contributing to adjusted operating margin expansion.

We also continued to strengthen our balance sheet, with net debt down 26% from a year ago. The combination of improved profitability and stronger balance sheet provides us with the financial flexibility to continue investing in our brands and long-term growth opportunities. Building on our strong year-to-date performance, we're raising our full-year 2026 outlook.

I'll now take you through the highlights from our third quarter. Revenue of $505 million exceeded the high end of our outlook. driven primarily by better-than-expected performance in the Active Group, while the Work Group was slightly ahead of the expectations. Reported revenue growth was 7.5% compared to the prior year, or 7.7% on a constant currency basis.

The following channel segment and brand results are presented on a constant currency basis. Wholesale revenue increased 9%, led by international markets and supported by growth in the US. DTC revenue increased 2%, driven by the US.

Active Group revenue increased 10%, with both Merrell and Saucony ahead of expectations. Merrell revenue increased 7%, with balanced growth across wholesale and DTC, as well as the US and international markets. Merrell continues to see strong sell-through of its core franchises at retail, with DTC performance benefiting from continued momentum in the Moab 3.

Saucony revenue increased 20%, with double-digit growth in both wholesale and DTC and across performance and lifestyle. In performance run, the US and EMEA drove growth across channels aided by the continued success of the Endorphin Azura, which became a top 3 style on global DTC. Lifestyle growth was led by EMEA wholesale and DTC as Saucony's key-city strategy continues to fuel brand heat and strong sell-through.

Sweaty Betty revenue declined 7%, with the ongoing US reset accounting for roughly half the decline and a more promotional women's activewear market weighing on UK DTC performance. At the same time, we continue to diversify the brand's sources of growth with international wholesale revenue up double digits and further expansion beyond core leggings into a broader assortment.

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Work Group revenue increased 1%, largely driven by US wholesale, and was slightly ahead of our expectations. Performance across the portfolio was mixed, with growth in several brands more than offsetting a decline at Wolverine. While we've made progress, Wolverine's performance has been inconsistent and we recognize more work is needed to drive sustained improvement. We remain focused on Wolverine's core work offering, demand creation, and marketplace management to position the brand for sustained growth.

Consolidated gross margin was 54.6%, up 710 basis points from the prior year, including an approximate 640-basis-point benefit from IEEPA tariff refunds. Excluding the refund benefit, gross margin was 48.2%, up 70 basis points from the prior year and 80 basis points above our expectations.

Pricing and other tariff mitigation actions, a higher mix of full-price sales, and supply chain efficiencies more than offset an approximate 170-basis-point unmitigated tariff headwind and modest pressure from elevated oil prices on freight costs.

Adjusted operating margin was 17.8%, up 870 basis points from the prior year, including an approximate 640-basis-point benefit from IEEPA tariff refunds. Excluding the refund benefit, adjusted operating margin was 11.4%, up 230 basis points from the prior year and 100 basis points above our expectations, driven by stronger gross margin and continued operating leverage from revenue growth.

As a result, adjusted diluted earnings per share was $0.79, including an approximate $0.31 benefit from IEEPA tariff refunds and related interest. Excluding the refund benefit, adjusted diluted earnings per share of $0.48 was up 33% from last year and above our outlook of $0.42 to $0.45.

Net debt was $399 million, down $143 million versus last year, bringing our bank-defined leverage to 1.6 times. We ended the quarter with no borrowings outstanding on our revolver.

Turning to our outlook. Building on our strong year-to-date performance, we are raising our full-year 2026 outlook for revenue and profitability. We now expect revenue in the range of $2 billion to $2.01 billion, representing reported growth of approximately 7% at the midpoint compared to our prior outlook of $1.98 billion to $2 billion. Our updated outlook includes an estimated $15 million foreign currency benefit versus the prior year, compared to $14 million benefit in our prior outlook. On a constant currency basis and adjusted for the 53rd week in 2025, we now expect revenue growth of approximately 6.9% at the midpoint.

The following segment and brand outlook is on a constant currency basis. We continue to expect Active Group revenue to grow high-single digits and Work Group revenue to be approximately flat compared to 2025. At the brand level, we are maintaining our outlook for mid-teens growth at Saucony, mid-single-digit growth at Merrell, and a low-single-digit decline at Sweaty Betty. We now expect Wolverine revenue to decline low-single digits compared to our prior outlook of approximately flat, reflecting lower US wholesale sell-in as the brand continues its marketplace reset.

Turning to profitability, our updated full-year outlook reflects continued improvement in the business along with an approximate $35 million benefit from IEEPA tariff refunds and related interest received to-date. Our outlook does not assume any additional refunds. Gross margin is now expected to be approximately 48.7%, up 180 basis points from our prior outlook of approximately 46.9%. This includes an approximate 170-basis-point benefit from IEEPA tariff refunds.

Adjusted operating margin is now expected to be approximately 11.8%, up 190 basis points from our prior outlook of approximately 9.9%. This includes an approximate 170-basis benefit from tariff refunds. Interest and other

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expenses projected to be approximately $23 million, unchanged from our prior outlook. The effective tax rate is now projected to be approximately 19% compared to our prior outlook of approximately 18%, largely due to the tax impact of IEEPA tariff refunds. As a result, adjusted diluted earnings per share is now expected to be in the range of $1.95 to $1.99, including an approximate $0.32 benefit from tariff refunds and related interest compared to our prior outlook of $1.55 to $1.65.

Free cash flow is now expected to be in the range of $155 million to $170 million, up from our prior outlook of $115 million to $130 million. The increase reflects the tariff refunds and related interest received to-date as well as lower capital expenditures, now expected to be approximately $15 million compared to our prior outlook of approximately $20 million.

Moving to our fourth quarter outlook, revenue is expected to be in the range of $531 million to $541 million, up approximately 3.5% at the midpoint on a reported basis compared to the prior year. On a constant currency basis, revenue is expected to increase 4% at the midpoint, with Active Group expected to increase mid-single digits and Work Group expected to be approximately flat. Excluding the impact of the 53rd week last year, constant currency revenue growth is expected to be approximately 6.6% at the midpoint.

Gross margin is expected to be approximately 46.3%, down 70 basis points compared to last year, including an approximate 20-basis-point benefit from IEEPA tariff refunds. The year-over-year decline primarily reflects a difficult comparison to last year's fourth quarter when tariff mitigation actions more than offset incremental tariff costs. We also expect modestly higher tariff and freight costs this year.

Adjusted operating margin is expected to be approximately 11.6%, up 60 basis points compared to last year, as continued operating leverage and an approximate 20-basis-point benefit from IEEPA tariff refunds more than offset the gross margin headwinds. As a result, adjusted diluted earnings per share is expected to be in the range of $0.52 to $0.56 compared to $0.45 last year and includes an approximate $0.01 benefit from tariff refunds.

To summarize, our third quarter results and raised outlook reflect the continued progress we're making in executing our strategy. We're growing revenue, expanding profitability, and strengthening our balance sheet, providing greater flexibility to invest in our brand's long-term growth opportunities. While there's more work to do, we're encouraged by the strength of our performance and remain focused on delivering sustained profitable growth and creating long-term value for our shareholders.

With that, let me turn the call back to Chris before we open for questions.

Christopher E. Hufnagel

President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

Thanks, Taryn. Our team continues to execute with pace and distinction, leading to another quarter of better-than-anticipated results and the confidence to once again raise our outlook for the year. I continue to be encouraged by our transformation. Our brands are well positioned in the global marketplace, and our strategies are focused with clear building blocks for future growth. Our business is growing, profitable, and generating cash.

Our balance sheet is healthy, and our team is motivated, talented, and intently focused on building great products, telling amazing stories, and driving the business, all in the relentless pursuit to Make. Every Day. Better. As I said before, I believe the most important chapter is the next one. I'm looking forward to closing this year strong and continuing to build better brands and a better company in the year ahead.

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With that, thank you for taking the time to be with us this morning, and we're happy to take your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question is from the line of Dana Telsey with Telsey Group. Your line is now open. Please go ahead.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

We can't hear Dana.

Operator: Your next question is from the line of Ashley Owens with KeyBanc Capital Markets. Your line is now open. Please go ahead.

Ashley Owens
Analyst, KeyBanc Capital Markets, Inc.

Q

Hey, great. Thanks and good morning and congrats on the results. Maybe just to start, I guess, more broadly on Saucony in performance running kind of looking out into next year, we've obviously heard broadly that there's a lot of innovation coming into the category. And it's – as you talk with some of the run specialty accounts, especially as you kind of look to expand on the Endorphin and obviously Core 4, I would just be curious is it harder to win incremental shelf space just given that this category is growing? And then based on the forward order book, are you seeing Saucony earn more space with retailers or is that growth still primarily coming from better productivity within the existing footprint?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Thanks for the question. It is a great and growing category with a lot of great competitors. I think innovation in that category will always win. And I'm really pleased with the progress Saucony has made over the last handful of years, really working on the innovation pipeline and really focusing on the core assortment. Tip-of-spear product like the Endorphin and then obviously down to the Core 4. I actually got a chance to tour Run Specialty stores this past quarter, talking to the managers about the store and talking to consumers about what they're looking for.

Saucony brings something really special and unique, an authentic heritage brand that has a very fervent following and a unique proposition. I think the innovation this year has been very good, really led by the Azura, which we anticipate to be the biggest launch in the brand's history. I think I'm even more excited about the product pipeline for next year. New styles in the Endorphin, the Endorphin Zenith, which we think will be a game-changing shoe for us, and then updated styles to the Core 4.

So I think innovation is a key part of that, staying close to the consumer, paying attention to the competition, and then really working to activate a ground game to make sure that we're well represented in that channel. But the team has done a great job on the product front, and we continue to work hard with our specialty retail partners to make sure that Saucony shows up great day in and day out.

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Ashley Owens
Analyst, KeyBanc Capital Markets, Inc.

Q

Okay, great. Thanks for that. Just maybe two follow-ups, maybe to stick on Saucony really quickly, but you mentioned that you're going to be expanding that key city strategy into the US next year. I would just be curious as to what you think philosophically that looks like relative to what you've done in London and Paris, and if there are particular markets in the US where you think the brand is underpenetrated relative to awareness that you could, no pun intended, I guess, hit the ground running on.

And then just to – maybe on the gross margin guide here for the fourth quarter, Taryn, you called out that the underlying performance was quite a bit better than you expected in the third quarter. Are you carrying that better full-price and supply chain performance into 4Q, with the year-over-year decline just really being driven by tariffs for freight. Just help us unpack that a little bit more. Thanks.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Great. Thanks, Ashley. I'll cover the first one and I'll let Taryn cover the gross margin. Yeah, our key city strategy across the enterprise has been really successful and really pleased with the results and pleased to expand that. It really began in London with Saucony. And we continue to bear the fruits of those investments. And it's a combination of investing and then also really working to activate on the ground. I was in London just a week ago and Saucony shows up much differently in London today than we did just a couple of years ago, and we're taking the learnings from what we've done overseas and bringing that to the US.

So it's a combination of event sponsorships, the combination of enhanced marketing. It's working closely with our wholesale partners to make sure we show up great. And then honestly, it's really activating on the ground and really getting after just the cultural moment that Saucony is having. So we've been very pleased by the results and we're looking forward to expand that strategy for both Saucony and other brands moving forward.

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.

A

And Ashley, to your question on gross margins, as you commented about Q3 and the year-to-date performance, this improvement really highlights the structural progress we have made across the business, driven by product cost savings, healthier inventories. And we have the healthier inventories and more brand heat that leads to more full-price sales, while we've also been mitigating the higher tariffs. The year-over-year pressure in the fourth quarter is largely a comparison issue. And that is, if you'll recall, last year we moved quickly in June of 2025 to address the higher tariffs. And by the fourth quarter, those mitigation actions were temporarily outpacing the incremental tariff benefit. And that created – last year, we noted in the fourth quarter that we had approximate 80-basis-point benefit of the net tariff impact that we're now lapping.

Ashley Owens
Analyst, KeyBanc Capital Markets, Inc.

Q

All right. Understood. Thank you so much and best of luck for the holiday.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Thanks, Ashley.

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Operator: Your next question is from the line of Tom Nikic with Needham. Your line is now open. Please go ahead.

Tom Nikic
Analyst, Needham & Co. LLC

Q

Hey, good morning. Thanks for taking my question. Just realizing you're not really giving guidance for 2027, but as we look out to next year, is there any way we should think about freight costs or product costs or anything like that that might affect the margins of the company? Thanks.

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.

A

Thanks, Tom. As we look ahead into next year, we're focused on building on the momentum that we have this year while we're navigating the evolving external environment, particularly as it relates to consumer demand, tariffs, oil prices, as you called out, as well as foreign exchange. I think we have demonstrated that our ability to navigate those challenges and mitigate the higher costs through strategic pricing, sourcing actions, operational improvements, and we'll continue to leverage those as we move into 2026 with the focus on maintaining our competitiveness in the marketplace and driving growth.

I think as your specific question on oil prices, it was a modest headwind from higher oil prices in 2026, primarily through freight costs. If oil prices remain elevated, and we have seen movement in that, we'd expect continued pressure on the freight and monitoring the impacts that that might have more broadly, but that would be more of a second half. In total, like I said, I think I've been very pleased with how the team has navigated continuing to grow gross margins in the face of higher costs, and that's what we would remain focused on doing. But too soon to talk about any details on 2027. We'll have more to talk about that in February.

Tom Nikic
Analyst, Needham & Co. LLC

Q

Understood. And if I could follow-up on Saucony, obviously a lot of brand momentum there. We'd just love to hear what the conversations with the wholesale partners have been like. I know you talked in your prepared remarks about opportunities to gain shelf space and gain market share. Obviously, it's a very dynamic market and very promotional, but are the – despite maybe what some other brands are going through, are you seeing encouraging signals from the wholesale partners? And what's your level of confidence in the ability to gain shelf space over the next couple of years?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Yeah. Great. Thanks for the question. I had the privilege this quarter to travel the US and visit wholesale partners for Saucony. Also, I spent a week in London and then a week in China. So I got a good view of our brand across all three regions. And certainly the environment – there's been a lot to talk about the environment in general, the promotional nature. Specific in the US, Saucony was actually less promotional than the market in the third quarter. And I think that speaks to brand strength. It speaks to how we've worked to manage the channel. And we're encouraged by that.

I think they continue to talk about, and I think this is true, in any promotional environment, innovation continues to win. So we have to keep bringing newness and freshness and bring products that help our consumers make their lives better. Obviously, it remains a competitive market, but I think the work we've done over the past handful of years to really raise the brand, make it more premium, work to bring innovation, and then work to make sure that

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we're elevating the voice and having Saucony part of the cultural conversation has been important. So people remain optimistic about the brand in a competitive set. Obviously, it's a choppy environment, but I'm pleased with the brand sits, and I'm pleased with the visibility we have both as we finish the year and as we look into next year.

Tom Nikic
Analyst, Needham & Co. LLC

Q

Very helpful. Thanks so much, and best of luck this holiday season.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Thanks, Tom.

Operator: Your next question is from the line of Dana Telsey with Telsey Group. Your line is now open. Please go ahead.

Dana Lauren Telsey
Analyst, Telsey Advisory Group LLC

Q

Hi, good morning everyone, and congratulations on the progress and the results. As you think about the brands, whether it's Saucony or whether it's Merrell, the momentum that you've been having, how do you think of the outlook for next year and go forward, whether it's on product, whether it's on pricing, distribution, and maintaining the ability to continue grow DTC and wholesale? What do you see as the drivers? Is it category extension or new product innovation within existing categories? Thank you.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Great question, Dana. And I think honestly for those two brands, I think it's a little bit of both. I think the product pipelines for Merrell and Saucony look very good. I talked a little bit about what's coming new in the Endorphin, the updates to the Core 4. Merrell is going to launch the Moab Speed 3 in the first quarter of next year, which has become one of the biggest franchises in Merrell's portfolio. And the early feedback on how that looks and performs has been phenomenal. Moab – the classic Moab continues to grow, especially with her.

At the same time, I think both brands have ability to move into new product categories and drive growth as well along with new distribution, whether it's opening up sporting goods in a meaningful way in Saucony, whether it's opening lifestyle doors with Merrell. So I remain optimistic about all of those things, and it's really borne by the momentum that we've been able to generate. Consecutive quarters of growth in Merrell. We anticipate this year to be an all-time record year for Saucony. Both brands either holding or gaining share in very competitive markets. And that's just a US look.

I was in London last week and was really encouraged by how both brands showed up at retail there. And then we've already talked about our partner in China and the growth we've seen there. So it is certainly a choppy market. It is certainly dynamic. Every day there seems to be a curveball. But the work we've done over the past handful of years to really build new strategies and really focus on a product line and invest, invest back in these brands, specifically from a demand creation standpoint, or whether it's key cities or new tools and capabilities, I remain optimistic for their long-term prospects.

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Dana Lauren Telsey
Analyst, Telsey Advisory Group LLC

Q

Thank you.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Thanks, Dana.

Operator: Your next question is from the line of Laurent Vasilescu with BNP Paribas. Your line is now open. Please go ahead.

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

Q

Oh, good morning. Thanks for taking my question. I'm so sorry. Chris, can you hear me by chance?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

I can. Good. It's good to hear you, Laurent.

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

Q

Oh, yeah. Sorry. Sorry. There's someone – someone's dogs are barking in the background, so I apologize about that. I wanted to ask about Saucony DTC. I think you called out that it's growing double – it grew double digits this quarter. And I think you said at the same time that there's a pullback in oceans. So I'm curious to know what's driving the DTC growth, if you saw that both in US and international, and if that continues into the fourth quarter or in the coming quarters. And if that's the case, what's driving that, the underlying growth in DTC?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Yeah, saucony.com grew mid-teens in the quarter. And I think it's a combination of, A, us working to create better experiences for our consumers on our sites, and then obviously the product and bringing new innovation, more capsule collections, fresh drops. I think our messaging is better. I think all those things are leading to growth. So it was actually the best quarter of dot-com growth for Saucony year-to-date, which we're encouraged by. So DTC is an important part of the Wolverine Worldwide growth story. We're seeing sequential improvement quarter after quarter.

We've talked a lot about, about the reset we've worked to do there, both in how we chose to invest marketing dollars, at the same time the work we've done on becoming less promotional, and I think those things are beginning to bear some fruit. So DTC is important to us. At the same time, we want to work to grow both wholesale and our own channels. I think we have to take a view of where the consumer chooses to shop and how do we show up best for her across all those channels. But DTC is an important effort. Pleased by the progress we made in Saucony in the quarter and obviously working hard to deliver a very strong fourth quarter in what's the most important DTC quarter we have.

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Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

Q

Very helpful, and – yeah.

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.

A

Laurent, I would point out that we did have the 53rd week last year that was primarily DTC. So that will be a headwind for DTC, but in total, very pleased with the momentum we're seeing there.

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

Q

Yeah, thanks for the reminder on that. And then you have a very helpful slide called Shareholder Value Creation Model. I think this quarter it was reiterated mid to high-single digits, really on the margin front, which I think you've been asked different ways here. But the fact that you are guiding, it still says long-term 45%, 47%. If I take out the IEEPA benefit, you're kind of at the upper end of the range for fiscal year 2027 – 2026, excuse me. So, I mean, is this an indication, the fact that it was not updated, that we should think about potentially gross margins being under pressure for 2027? And on the flip side, it still says operating margins will be up mid-teens versus ex-IEEPA, I think this year it's around 10%. So if you could help us square away this slide as we think about relative to 2026. Thank you so much.

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.

A

Yeah, thanks for the question. As you point out on the gross margins on our full-year guide, we're encouraged by the progress we've made in gross margins. And in fact, when you look at our updated outlook of the 48.7%, including the 170-basis-point benefit from the IEEPA tariff refunds, that puts us at 47% at the high end of our guide. Given that performance, I think it's a reasonable question to ask whether our long-term gross margins should move higher. I'd say while we're pleased with the progress, I think it's premature to make that determination.

And you talked about tariffs, freight, higher oil. That said, I think where we are at the high end of the guide is structural improvement. So it's not a one-time benefit in there at that 47%, and that gives us the confidence in those underlying drivers being at the high end, and the confidence of our team and our ability to navigate the headwinds that we had to continue to create gross margin. I think as we look ahead, we're certainly not satisfied, and our objective is to continue to mitigate any dynamics as well as continue to improve the gross margin position.

On operating margin...

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

Q

Yeah.

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.

A

...what you'd also note, in addition to the gross margin being at the high end of the guide and the confidence of the structural improvements we've made there. On the operating margin, we're continuing to see leverage in the

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SG&A and continuing into the fourth quarter as well. So I think that the improvements of being able to continue to grow the top line – speaking of a lot of things Chris has been spinning on the call in terms of the top line momentum, as well as that continued strength in gross margin – combination of further improvements there as well as getting leverage in SG&A puts us on that path to the mid-teens aspiration.

Laurent Vasilescu
Analyst, BNP Paribas Securities Corp.

Q

Wonderful. Thank you very much, and best of luck with the rest of the quarter.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Thanks, Laurent.

Operator: Your next question is from the line of Peter McGoldrick with Stifel. Your line is now open. Please go ahead.

Peter McGoldrick
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Hey, guys. Thanks for taking my questions. I wanted to follow up on DTC. So it's encouraging to see the sequential improvement in the biggest brands, but that's still lagging the consolidated growth. So I was curious if you could help us think about squaring the sell-through at the point of sale in the wholesale footprint relative to the DTC trends, and then just like what we're seeing in the trends of traffic and conversion of full-price sales.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Yeah, sure. We are encouraged by the trend we're seeing in DTC, yet still acknowledge that we believe we can and should be better. We've talked a little bit about some of the DTC work that we've done. I think I'd step all the way back to – I think historically we haven't invested enough as an organization upper funnel marketing. And we made a very hard pivot over the last handful of years to really work hard at upper funnel investments, whether it's key city strategy or other tactics. And I think those things are working for us, which is proving out by the numbers that we're posting.

At the same time, when you make that structural shift in marketing dollars, it does put pressure on the dot-com business because we're moving money out of lower funnel conversion activity. At the same time, we're working to become less promotional as an organization and try to run more premium, more full-priced businesses. And generally, those metrics are all moving in the right direction for us across our dot-com platform.

And then last, I think we'll continue to work to invest in our dot-com platforms. We've talked a little bit about tools modernization. We're beginning to do that work. We'll begin to bring more brands online next year, which we think will – which will provide a benefit as we provide the consumer a better, seamless, more frictionless experience and to just build a better tool for us to use on the back end. So that's where we sit with DTC, but certainly encouraged by the progress in the quarter that we're seeing. But again like I said earlier we really want to show up as great brands across wherever the consumers choose to engage us, whether it's our own stores, whether it's our dot-com business, or whether it's in one of our many wholesale partners, we want to show up great across all of those places, and I think we're doing a better job as an organization today than we were before.

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Peter McGoldrick
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Appreciate that. And then I guess following up on that, just the becoming bigger brands and telling your story in a more meaningful way, that's not lost on the wholesale ecosystem. So can you help us think about, as we turn the calendar into 2027, the appetite for the Saucony and Merrell brands and what wholesale opportunity might look like as we think about door expansion and shelf space within doors where those brands already exist?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Yeah, great, great question. We've worked really hard to become better strategic partners to our key wholesale accounts. And that starts all the way from top discussions all the way down to our sales teams and winning the war on the floor each and every day. So we've worked hard on that, working to invest with them, working to earn a place on their shelf or on their table where we can sit next to the competition. I think we have made progress there across our most important wholesale accounts. We think we have to bring great differentiated segmented product to them that solves their consumers' problems and provide innovation and fit well against the competition. We think we have to tell great stories. We have to look great in their stores. Then we have to do a great job building our brand outside of their walls.

And then we have to be really strong brand managers. How do we manage price? How do we manage inventory? How do we think about segmentation and distribution? And I think we – I think as an organization, those muscles are getting stronger. And I think we're beginning to see that in the results. So we're very thankful for the wholesale partners for what they do and how we work with them. And we'll look forward to growing with them as we move forward.

Peter McGoldrick
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Excellent. Thank you.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Thanks, Peter.

Operator: Your next question is from the line of Mauricio Serna with UBS. Your line is now open. Please go ahead.

Mauricio Serna
Analyst, UBS Securities LLC

Q

Great. Good morning. Thanks for taking my questions. I wanted to start with Merrell. You talked about leveraging lifestyle. Could you elaborate a little bit more on how that initiative is going. I also noticed that you talked about a Tier 0, Tier 1 strategy. Any way that you could elaborate if that implies a certain amount of incremental doors over time? Thank you.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Yeah, great question, Mauricio. We're really pleased with the progress Merrell has made on the trail. We've got just gaining share quarter after quarter in the category, and we're pleased with the progress and the innovation we

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brought around the Moab and the Moab Speed and the Speed Strike and also the work we've done in trail. At the same time, we believe there is a broader outdoor lifestyle opportunity for us both in the products we build and the distribution that we show up in.

And we've really seen some really good green shoots as we've both introduced new styles like the Wrapt, at the same time taking existing platforms and doing new materializations with them, and then also really bringing heat from collaborations and partnerships. This last quarter, we just had the Harris Tweed drop, which sort of blew up on the Internet, taking some classic styles, the Chameleon, the Jungle Moc, and just bringing a great material and a great story. And we're seeing good progress there.

So it's a combination of both new styles into outdoor lifestyle, at the same time taking a Moab or Moab Speed and just coloring it differently, specifically for her. And one of the biggest upticks we've seen recently has been in the classic Moab with her. That has been a big effort for us to try to win with her. And when we do those things well, we can open up new distribution where you don't normally find us. And you're seeing us in Tier 0 through Tier 2 specialty accounts in places where you not historically have seen Merrell. So I'm pleased by the progress. It did take a lot of work, obviously a new approach from the product team, obviously a lot of work from our marketing team, and then I think our sales team has taken a really fresh approach to distribution and really worked hard to earn that shelf space. But certainly pleased with the progress. Merrell has just consistently delivered quarter after quarter for us. At the same time, we remain very optimistic about the broader outdoor lifestyle opportunity for the brand, specifically for her.

Mauricio Serna
Analyst, UBS Securities LLC

Q

Got it. And then just quick follow-up on gross margin. Could you talk about gross margin trends across the key brands? Just particularly interested in Saucony given how we continue to hear it's been a very elevated promotional environment.

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.

A

Yeah, I think, Mauricio, as it relates to the brands, we don't typically give the brand margins, but what I would say is when you look at the brand performance, and which you can note in our Q, in terms of Active Group, we're seeing improvements across the brands in terms of gross margin improvement. So that's why I said when I commented about being structural improvements, it's that combination of – there may not be – we're looking at supply chain, whether that be working with our partners, whether that be looking at a design for our consumer, whether that be looking at some of our transportation costs, as well as in the more full-price sales.

All the things that Chris has been talking about in terms of marketing activations, key city accelerations, innovation, all of those are giving the brand heat that leads to more full-price sales. And more full-price sales, certainly a component is promotions. But another component is less end of life. As we've been able to more effectively manage inventory, as we've been able to get the brand heat, we also have less of end of life or closeout. So all of those together in any one quarter, do you have all of them moving? Perhaps not. But over time, we're seeing multiple levers into – that gives us the confidence that we're maintaining that structural improvement in the gross margin. And each brand is doing that.

Mauricio Serna
Analyst, UBS Securities LLC

Q

Very helpful. Okay. Got it. Very helpful. Thank you so much.

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Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.
A

Thanks, Mauricio.

Operator: Your next question is from the line of Sam Poser with Williams Trading. Your line is now open. Please go ahead.

Sam Poser
Analyst, Williams Trading LLC
Q

Thank you. Good morning, everybody. Thank you for taking my questions. I have a handful about work and about Saucony and Merrell. Can you break out sort of the whole – the increases for wholesale and DTC for Saucony and Merrell both in the US and in the international markets so we can sort of triangulate the numbers better?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.
A

What exactly are you looking for, Sam? There's a lot there.

Sam Poser
Analyst, Williams Trading LLC
Q

Well, I'd like to know, like, so for instance, for total Saucony, what was – how much did wholesale increase? How much did DTC increase? And then how – what that was both in the international and the US market and the same thing for Merrell.

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.
A

Yeah, for whole – for Saucony, what we had shared was that both wholesale and DTC were up double digits. So growth across wholesale and DTC.

Sam Poser
Analyst, Williams Trading LLC
Q

And then in the – and then how did that differ both in the international markets versus the US?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.
A

International was stronger than the US, which means [indiscernible] (00:54:04)

Sam Poser
Analyst, Williams Trading LLC
Q

For both?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.
A

For both what? [indiscernible] (00:54:11)

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Sam Poser
Analyst, Williams Trading LLC
Q

The international increased more, but for DTC and for wholesale, or you said that DTC for Saucony grew because of the US growth. So I'm just trying to...

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.
A

It's more wholesale – more wholesale. So broadly speaking, Sam, for Saucony, we saw strong growth in both wholesale and DTC. From a regional perspective, on wholesale, international was stronger than the US, and DTC, we saw good growth in both.

Sam Poser
Analyst, Williams Trading LLC
Q

Okay. And for Merrell, the same question.

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.
A

Merrell, we saw balanced growth. It was balanced wholesale, DTC, international, US.

Sam Poser
Analyst, Williams Trading LLC
Q

Okay. Two more things. With the work brands, other than Wolverine, the increase that happened there, can you talk a little bit about those other brands and where that growth occurred like Cat...

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.
A

Yeah, for the work group in total, the better-performing brands were HYTEST and Bates.

Sam Poser
Analyst, Williams Trading LLC
Q

So that – and so that's – is that more military and like law enforcement related?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.
A

It's a little bit of work, a little bit of tactical.

Sam Poser
Analyst, Williams Trading LLC
Q

Okay. And then lastly, on Saucony, you had mentioned, I believe on the last call, that you were working on something with Sweaty Betty like some kind of for spring 2027. Can you give us an update on that, please?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.
A

Yeah, we're still planning a special apparel capsule drop in partnership with Sweaty Betty in the first half of 2027. No change [ph] to that condition (00:55:58).

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Sam Poser
Analyst, Williams Trading LLC

Q

And will that be mostly direct or will you share that with wholesale accounts as well?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Mostly direct to start. It'll be Saucony-branded product in partnership developed with the Sweaty Betty team.

Sam Poser
Analyst, Williams Trading LLC

Q

Okay. Thank you very much.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Thanks, Sam.

Operator: Your next question is from the line of Mitch Kummetz with Seaport Research Partners. Your line is now open. Please go ahead.

Mitch Kummetz
Analyst, Seaport Research Partners

Q

Yes. Thanks for taking my questions. Chris, I was hoping we could unpack Saucony Lifestyle a bit. You guys said it was up double digits in the quarter. Can you maybe break that out US versus international? Also in the US, if I'm not mistaken, door count, I believe, was down year-over-year for fall. So could you maybe talk about sell-through within US lifestyle? And then I guess it'd be lastly on lifestyle, can you talk a little bit about the demand that you're seeing kind of retro tech versus maybe classics? And then I also have a follow-up.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Sure. I'll see if I can remember all those. Saucony Lifestyle was stronger international than the US, which we expected. Door count second half of 2026 was flat with first half of 2026. We are gaining share in classic run, and we do believe we've got cleaner inventories than we did previously. So I think all the work that we did around that over the past year, I think those things are gaining traction. But certainly pleased overall with the lifestyle business. Obviously have learned a lot in that business and encouraged by where we can go from here.

Mitch Kummetz
Analyst, Seaport Research Partners

Q

And then I just wanted to reconcile the sales guide because the range is up $10 million, but then when you kind of look at your breakout by brands, the Wolverine piece is down a little bit from what it was. So something obviously went up or more than one thing went up. And I don't know if maybe like even though Saucony remains mid-teens, obviously mid-teens is a range, I don't know. Is there something that you're feeling better about now, brand-specific, in order to kind of explain why the sales guide went up when the Wolverine piece went down?

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.

A

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Yeah, the raise reflects the third quarter outperformance and continued strength in the largest brands, particularly Saucony. To your point, there's a range within mid-teens and to your point of comparing Wolverine and Saucony being a larger brand and the strength that we're seeing there within their range. And so it's really the combination of the third quarter outperformance in our largest brands, particularly Saucony. And to that point of the increase going beyond the third quarter reflects the balance of the year upbeat as well.

Mitch Kummetz
Analyst, Seaport Research Partners

Q

Got it. All right. Thank you.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Thanks, Mitch.

Operator: Your next question is from the line of Anna Andreeva with Piper Sandler. Your line is now open. Please go ahead.

Anna Andreeva
Analyst, Piper Sandler & Co.

Q

Great. Thank you so much for taking our question and nice results. Congrats, guys. We wanted to follow up on Merrell. Very solid and you said ahead of your guide but did moderate slightly sequentially. I think you mentioned strength in DTC. So were there any timing shifts in wholesale that we should be aware of? Any color on how sell-through performed either in the US or internationally? And Chris, I'm not sure if you mentioned with the hike category, what are you seeing there either in the US or globally?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Yeah, thanks, Anna. I appreciate the question. Really pleased with Merrell's performance in the quarter and in the year-to-date. Nothing extraordinary to report other than just a good consistent business that we built there. The hike category grew in the US again, low-single digits, which we're encouraged by. And Merrell's rate of gaining share actually accelerated in the quarter from the trailing 12-month trend. So sell-throughs continue to be good. Our core styles continue to be good. We've got 3 of the top 10 styles in the US today. And inventories are healthy in the channel, and we're encouraged by a healthy hike category in general. So, pleased with the way the team are executing, pleased that we've seen an improved trend in our own direct-to-consumer business at merrell.com, which has taken a lot of work. But we remain optimistic about Merrell's prospects both as we close the year and certainly as we move into next year.

Anna Andreeva
Analyst, Piper Sandler & Co.

Q

No, that sounds great. I guess looking at 4Q, the guidance for mid-singles does imply some moderation...

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Yeah.

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Anna Andreeva
Analyst, Piper Sandler & Co.

Q

...or the guidance for the year, moderation in 4Q. Is that conservatism from you guys or are you seeing anything quarter to date?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

There's three things I'll give you on the Merrell 4Q outlook. A, there's some timing shipments between international going from 4Q into 1Q, which is just a normal part of our business. So that's impacting it a little bit. We are transitioning, which I mentioned earlier, from the Moab Speed to the Moab Speed 3. So we're selling down the Speed 2 as wholesale partners plan to pick up the Moab Speed 3. We're also lapping a 53rd week. So...

Anna Andreeva
Analyst, Piper Sandler & Co.

Q

Okay.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

...Merrell is essentially largely on the way we forecast and expected it to play out, and we're right on pace with what we expected to happen.

Anna Andreeva
Analyst, Piper Sandler & Co.

Q

That's super helpful. I appreciate it. Chris, did you quantify the shipments from 4Q into 1Q?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

No, we didn't. We didn't put a number to it.

Anna Andreeva
Analyst, Piper Sandler & Co.

Q

Okay. And just the last one, if I may. Just on Wolverine, what are you seeing with the boot trend at the brand? Is the moderation you saw more a result of some of the internal execution or are you seeing external trend shifting away from boots?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

No, I think the work category is generally healthy. It was down a little bit last quarter, but it has been up a little bit the trailing 12 months. So the category is fine. I think we have the opportunity to really reset the Wolverine brand. And really, it's a privilege to be able to go do that work because we've got several growth engines working. And I think I'm encouraged by the steps that the team is taking in Wolverine brand. And it's everything from top to bottom. It's bringing new innovation to the product line. And I'm excited by some of the things that we're going to bring to market in 2027.

It certainly is cleaning up the marketplace and being more thoughtful on who we sell into, how we segment, how we distribute, what prices we're attacking. And then importantly, it's making sure we've got the right products in

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the right categories, whether it's Western or Wedges. And then importantly for us, I think really focused marketing investments, really work on that brand awareness and affinity, and then really activating the ground game. So I'm pleased with the team and the strategy we're working on. Obviously, we all want it to move faster, but I do think we're doing the right things to reset that business and build a platform for long-term sustainable growth.

Anna Andreeva
Analyst, Piper Sandler & Co.

Q

Awesome. Thank you so much and best of luck.

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

Thanks, Anna.

Operator: Your next question is from the line of Jonathan Komp with Baird. Your line is now open. Please go ahead.

Jonathan R. Komp
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Hi. Good morning. Thank you. I guess, Chris, just to follow up, as you sit here today considering the environment but also the pipeline that you have, is there anything that gives you a pause for the Active Group specifically about sustaining a high-single-digit-type growth rate into 2027 here?

Christopher E. Hufnagel
President, Chief Executive Officer & Director, Wolverine World Wide, Inc.

A

I'm really pleased by where both brands sit and the progress we've made across both brands. And it's not one category, it's not one channel, it's not one region. I'm pleased with the progress. I think the pipelines for both brands look very good going into 2027. I'm encouraged that we're either gaining or holding share in competitive markets. Both categories are healthy. Hike is healthy again. Run obviously is one of the healthiest categories that we operate in. And I'm really pleased by the progress we've made around the world.

Like I said, I've been able to travel quite a bit this quarter, but our brands are showing up much – much better today than they were just a couple of years ago. And our partners are enthused by the progress that we made. I've got full leadership teams in both moving at pace. And I think we're taking some momentum we built into 2027. So it is a dynamic environment, no doubt. We've got some great competitors each and every day. And certainly, there's pressure on the consumer. But sort of where we sit and what we see, we remain optimistic for the outlook for both brands.

Jonathan R. Komp
Analyst, Robert W. Baird & Co., Inc.

Q

That's great. And then, Chris or Taryn, just to follow up on capital allocation, you delevered the balance sheet, you raised the free cash flow guide today for this year, you haven't repurchased any stock at this point for 2026. So could you share any more thoughts just behind capital allocation, your thoughts or perspective from the board? Thank you.

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.

A

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Yeah, thanks for the question, Jon. Our capital allocation priorities remain consistent. First and foremost, we're focused on investing in our brands as well as the key capabilities to support the sustained growth. I mentioned earlier about the question on operating margin and that path, the progress that we have made there with the structural improvements and navigating headwinds. That leverage has come while we've continued to invest in marketing and key capabilities in the brand. So that continued – first and foremost, investing in brand's key capabilities to support the sustained growth.

We're also committed to maintaining a strong balance sheet and returning cash to shareholders through the dividend. With the progress we've made in reducing our debt and strengthening our balance sheet, we do have greater flexibility to consider additional opportunities to return capital to our shareholders, including share repurchases. So we'll continue to evaluate those opportunities with our board through the lens of a shareholder value creation and relative returns while maintaining that financial flexibility so we can continue to invest for sustained growth.

Jonathan R. Komp
Analyst, Robert W. Baird & Co., Inc.

Q

That's great. Thank you.

Taryn Miller
Chief Financial Officer, Wolverine World Wide, Inc.

A

Thanks, Jon.

Operator: This is the end of the Q&A session, and this concludes today's call. Thank you for attending. You may now disconnect.

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