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Wolverine World Wide, Inc. (WWW)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the Wolverine Worldwide Second 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 begin.

Jared Filippone

Head-Investor Relations, Wolverine World Wide, Inc.

Good morning, and welcome to our second 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 second quarter of 2026 and guidance for fiscal year 2026. The press release is available on many news sites and can be viewed on our Investor Relations website at investors.wolverineworldwide.com.

This morning's press release and comments made during today's earnings call include non-GAAP financial measures. These non-GAAP financial measures, including references to the ongoing business and constant currency revenue growth rates, were reconciled to the most comparable GAAP financial measures in attached tables within the body of the release or are on our Investor Relations website.

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 fiscal year 2026, 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. These important risk factors are identified in the company's SEC filings and in our press releases. 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 second quarter, our business results continue to track ahead of our expectations driven by the team's strong execution of our global brand-building model.

We delivered better-than-anticipated revenue growing 6% against double-digit growth last year with adjusted earnings per share growing 14%, reflecting healthy SG&A leverage while at the same time investing in our strategic priorities and key growth drivers.

Merrell and Saucony, representing approximately two-thirds of our business, continue to lead the way with revenue up 10% and 9% in the quarter, respectively.

We continue to make progress in building better brands, delivering compelling products, investing more in demand creation and telling better stories, managing the marketplace more effectively, all leading to elevating our brands' positions in their respective markets.

As a result, we're seeing the cumulative tangible effects of our consistent efforts. Across our portfolio, our brands generated increases in consumer interest and took market share in their key categories. And these gains in consumer demand are creating more consistent growth in the business with the company having now delivered seven consecutive quarters of year-over-year growth.

Given the strengthening of our brands, the solid results we drove in the first half, and the continued momentum we're seeing in the business, today, we're raising our guidance for the year, which Taryn will walk you through in a few minutes.

But before handing the call over to her, I'd like to share more on our brands, including the continued growth of Merrell and Saucony, as well as the progress, we're making in applying our playbook to set Sweaty Betty and Wolverine on a path to more consistent growth.

I'll start with Merrell. Merrell remains focused on modernizing the outside with faster, lighter, more versatile product design and elevated brand relevance. The brand's consistent execution of its strategy has resulted in sustained meaningful growth and market share gains, and these trends continued in the second quarter.

The brand delivered a double-digit increase in revenue with growth in all regions and outsized increases internationally where its key city strategy has helped amplify the brand's momentum.

Globally, Merrell's It Starts Outside marketing platform launched earlier this year is creating brand consistency and lifting purchase intent with our consumers. To extend the platform, the team executed a host of community activations as part of its Outside in the City series, redefining the outdoors in several key global cities, including London, Paris, and New York with more cities planned in the coming weeks.

Merrell once again had triple-digit basis point market share gains in the US hike category, now with three in the top 10 styles. The brand's key franchises, the Moab 3 and Moab Speed 2, are exceptionally healthy, each driving significant double-digit growth in the second quarter.

The iconic Moab 3 is respected on the trail and remains relevant with collaborations and re-materializations like the sought-after and sold-out Khakis collab and the recently dropped Jelly Pack.

In trail run, Merrell continues to entrench its position with its title sponsorship of the Skyrunner World Series composed of elite trail running races around the globe in locations such as China, Japan, France, Italy, Spain, Chile, Argentina, and right here in the US. Merrell-sponsored athletes currently claim seven spots in the top 15 men's and women's standings, including the top four ranked men in the series.

In the marketplace, the brand's premier franchise, the Agility Peak 6, continued to gain traction, up double-digits globally versus the previous model's comparable first season.

On the lifestyle side of the business, the Wrapt franchise continued to grow with additional silhouettes, more than doubling year-over-year at US retail. The brand also continues to enhance its lifestyle offering with trend-right styles like the Moab 2 Woven Slide, the low-profile Relay, and hybrid Mary Jane's on performance platforms, including the Moab Speed 2 and SpeedArc, all of which are selling well.

In June, the brand engaged influential partners at Paris Fashion Week as it continues to elevate its lifestyle profile globally and look to accelerate this side of the business in 2027. Merrell is performing well and the brand remains on track to deliver mid-single-digit growth this year.

Shifting to Saucony. We continue to believe that Saucony is uniquely positioned as a disruptive challenger brand at the intersection of two of the fastest growing categories in the market, performance and lifestyle running. In the second quarter, the brand drove solid growth in both categories around the world on top of 40% overall growth last year. Saucony's key city focus, which started in London a few years ago, continued to help fuel strong brand heat, consumer demand, and revenue growth, particularly in Europe.

In London, the brand held one of its own Maze Run Club races early this year, once again sponsored the London 10K last month, and plans to sponsor the Run Shoreditch Half Marathon this fall. In addition, Saucony has expanded its key city strategy to Berlin with sponsorship of the Berlin 10K a couple of months ago and a broader activation plan underway and then to Paris with The Maze race back in February and plans for a host of activations, a new Pioneer store, and title sponsorship of the Eiffel Tower 10K.

Creating tentpole moments by sponsoring race events that each reach a broad running audience flanked by a series of community activations, often in partnership with run clubs and key retail partners has proven to be an effective strategy.

Saucony's brand search interest was up meaningfully year-over-year in the first quarter globally with even faster growth in the UK. This past quarter, the search interest growth rate accelerated by almost 2 times globally and more than tripled in the UK, and France grew at an even significantly faster pace.

Sell-through trends in the EMEA region are also very strong, creating a healthy pull dynamic which we are actively managing to cultivate sustainable growth focusing on disciplined distribution and segmentation strategies. Because of these positive results, our key city playbook is now being adopted by some of our distribution partners around the world.

Our latest Saucony store opened in Hong Kong in the second quarter and there are already plans to activate in Istanbul and Bangkok this year with race sponsorship and Maze events, a store opening, and community activations on tap.

In the performance running category, Saucony gained market share at US run specialty in the quarter and showed well at the major marathons this spring, ranking in the top five most-worn brands at Boston and London, notably second among women at the Boston Marathon.

With the brand's Endorphin collection, its pinnacle offering for elite runners, Saucony launched a new version of its most innovative shoe, the Endorphin Elite 3, and plans to launch an all-new Endorphin model in 2027 that we believe will further elevate innovation performance for serious runners.

In Saucony's core four franchises, which are targeted towards the more casual runner, the brand introduced the new Triumph 24 and Hurricane 26 in the last couple of months and they are driving franchise growth on saucony.com and early selling with positive feedback from our wholesale partners.

Saucony also continues to fuel brand heat in its lifestyle business with compelling styles and thoughtfully selected collaborators who are helping develop the brand's relevance on several different dimensions.

In the second quarter, the brand dropped collaborations with Estudio Niksen, Greyson, two with Engineered Garments, and Minted New York, the last of which was launched in an event hosted at our Covent Garden Pioneer Store in London, generating exceptional brand energy.

Later this month, the brand plans to drop a highly anticipated collaboration with Westside Gunn, building on a partnership that continues to strengthen the brand's credibility in streetwear and culture.

In June, Saucony launched the Ride 1 as part of its extensive Paris Week Fashion (sic) [Paris Fashion Week] (00:10:00) presence, including a host of activations with influential collaborators, retailers, and consumers. The brand also introduced the Kinvara 1 and ProGrid Paramount in top-of-the-pyramid distribution while the ProGrid Omni 9 continued to drive growth globally.

Looking ahead, the brand continues to develop its lifestyle strategy, leveraging its deep and diverse product archive, developing sharpness behind streetwear and fashion, and thoughtfully cultivating greater relevance with women as well as men.

Finally, as we think about realizing Saucony's full potential, I believe that should include becoming a true head-to-toe run lifestyle brand. In close partnership with our Sweaty Betty product design and development team, we're developing a capsule apparel collection designed specifically for her that we plan to drop in our stores and online early next year. I'm excited for this test and leveraging the collective power of the company and what this opportunity could mean longer term for the Saucony brand.

The brand's momentum remains strong and we're raising our outlook for the brand to mid-teens growth for the year. I continue to believe that Saucony is well positioned and that the opportunity for the brand remains significant.

I'd now like to provide an update on the progress of Sweaty Betty and Wolverine, brands that we're focused on returning to sustained healthy growth through disciplined execution of clear strategies and implementing our proven brand growth playbook.

It's important to note that while we don't expect performance to be perfectly linear, we're encouraged by the recent progress we've made and the real results we've seen in the marketplace. Both brands are reestablishing their premium positions, driving meaningful increases in consumer interest and purchase intent, and beginning to deliver growth in key segments of their business.

Beginning with Sweaty Betty. Sweaty Betty is one of the original female activewear brands and focuses squarely on empowering women through fitness and beyond. Last year, we fully integrated this business into Wolverine Worldwide and developed a new strategic growth plan.

As part of this effort and as noted previously, we initiated an intentional and strategic reset of the US market in the third quarter of last year. As a result, the brand was down low-single-digits overall in the quarter, but encouragingly grew approximately 3% when excluding the impact of the market reset in the US.

The areas of the business that we've prioritized are responding positively and achieving growth in the quarter. The UK direct-to-consumer business grew mid-single-digits with continued increases in key categories like bottoms and outerwear.

We're seeing our investment in the brand's new store design lift performance as well with four refits completed so far this year. The expansion of wholesale and distribution partners in Europe and Asia-Pacific also continues to advance with revenue up strong double-digits and discussions for new partnerships progressing well.

During the quarter, the brand executed several activations to continue to strengthen its bold, rebellious voice in the marketplace. Its Born Sweaty, Go Shorty campaign increased purchase intent and helped drive strong revenue growth in the shorts category. The brand also effectively positioned itself relative to popular activities, including running with its Rule the Run event in April and racquet sports with its Powered by London Padel event in June and a Wimbledon event in July, all driving strong consumer engagement for the brand.

The Sweaty Betty brand is healthier today with a strong strategy in place and a determined team driving the business forward. We have more work to do, but I'm encouraged by our progress.

Finally, finishing with Wolverine. Wolverine is the number one work boot brand in the US and again added market share in the second quarter, its third consecutive quarter of gains. The brand grew revenue high-single-digits in the quarter and we continue to make good progress driving towards more consistent sustainable growth.

Wolverine is focused on managing a cleaner, more disciplined marketplace and elevating its positioning with consumers. Behind these efforts and a stronger product line, the brand continued to lift average selling prices and drive double-digit growth in key franchises at retail, including the Trade Wedge and Loader 2 and in western boots with the Rancher and Wheatland.

Recalibration of the marketplace to optimize assortments and inventory at key retailers is still ongoing, resulting in some expected choppiness and near-term volatility at retail. But inventory is continuing to get cleaner and our new distribution and segmentation strategies, while nascent, are sharper.

In the quarter, Wolverine also continued to build brand relevance by engaging consumers with more purpose-led and differentiated marketing. The brand's collaboration with Metallica Scholars introduced a limited-edition boot and workwear collection that benefited trades education and its American Dream contest launched a Made in the USA Loader 2 DuraShocks boot and celebrated 50 tradespeople in our 50 states. These initiatives and previous upper-funnel investments like the brand's partnership with the Paramount+ series Landman helped further accelerate growth of consumer interest in the quarter.

Work remains to get us to where I believe we should be, but Wolverine's new product innovation and designs are performing. The brand's marketing is reaching more consumers and cultivating greater emotional resonance, and the marketplace is responding.

Importantly, we've added some new talent to the brand and prioritized its place in the Work Group portfolio. I continue to be enthusiastic about the brand's opportunity looking ahead and what a growing and more profitable Wolverine brand and Work Group can deliver for the company.

Now, I'd like to hand the call over to Taryn Miller, our Chief Financial Officer, 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. Our second quarter results exceeded expectations and reflect the continued progress we're making across the business. The operating model we've built, combined with continued investment in our brands and capabilities, is strengthening the portfolio, improving profitability, and reinforcing our confidence in the long-term earnings potential of the company.

Merrell and Saucony drove the company's revenue growth in the quarter. Growth combined with disciplined cost management contributed to 80 basis points of adjusted operating margin expansion while further improving our balance sheet and financial flexibility. Given our strong first-half performance and continued execution across the business, we are raising our full year 2026 outlook.

I'll now take you through the highlights from our second quarter. Revenue of $506 million exceeded the high-end of our outlook, driven by better-than-expected performance in both the Active Group and Work Group. Reported revenue growth was 7% compared to the prior year, or 6% on a constant currency basis.

The following channel, segment, and brand performance is provided on a constant currency basis.

Wholesale revenue increased 8% compared to the prior year, reflecting strong international performance and continued growth in the US. DTC revenue was approximately flat versus the prior year. Active Group revenue increased 8% in the second quarter with performance across the segment exceeding our expectations.

Merrell revenue grew 10% in the quarter. Strong wholesale performance was driven by international markets and continued gains in the US. Ongoing strength in sell-through across core franchises and key accounts supported the brand's momentum. DTC revenue declined compared to the prior year, reflecting a deliberate shift in marketing investments towards upper-funnel brand-building activity.

Saucony revenue increased 9% in the quarter, building on 40% growth in the same quarter last year, driven by growth in both wholesale and DTC. Wholesale growth was led by international markets with continued gains in the US. The brand continues to build momentum across both performance and lifestyle categories, supported by ongoing marketing investments and new products that are resonating with consumers.

Sweaty Betty revenue declined 3% in the quarter, reflecting the planned and ongoing reset of its US business. The brand delivered another quarter of growth in UK DTC and international wholesale, reflecting encouraging consumer response to its broader product assortment.

Work Group revenue declined 2%, compared to the prior year, which was modestly ahead of expectations. Progress across the Work Group portfolio continues to vary by brand, but the actions underway to enhance product offerings and improve marketplace health are beginning to gain traction. While there's still more work to do, we are encouraged by the early results.

Consolidated gross margin was 46.5%, a decrease of 70 basis points from the prior year and 10 basis points above our expectations. Gross margin was pressured by an approximate 310 basis point unmitigated tariff headwind and a modest impact from elevated oil prices on freight costs, although mitigation actions offset most of the tariff impact.

Adjusted operating margin was 10%, an increase of 80 basis points compared to the prior year and 50 basis points above our expectations. Tariff related pressure on gross margin was more than offset by strong revenue growth and disciplined management of operating expenses.

As a result, adjusted diluted earnings per share increased 14% year-over-year to $0.40, compared to $0.35 in the prior year and above our outlook of $0.35 to $0.38. Net debt was $443 million, down $125 million versus last year.

Turning to our outlook for 2026, we are raising our full year outlook and now expect revenue to be in the range of $1.98 billion to $2 billion, representing reported growth of approximately 6.2% at the midpoint. This compares to our prior outlook of $1.96 billion to $1.985 billion.

Our foreign currency assumption is unchanged at an estimated $14 million benefit versus the prior year. As a reminder, the prior year included a 53rd week in the fourth quarter, which contributed approximately 70 basis points to full year 2025 revenue growth, primarily within our DTC business. On a constant currency basis and excluding the 53rd week in 2025, we now expect revenue to increase approximately 6.1% at the midpoint.

The following segment and brand outlook is on a constant currency basis. Active Group revenue is now expected to increase high-single-digits, up from our prior outlook of mid-single-digit growth. We continue to expect Work Group revenue to be approximately flat compared to 2025.

At the brand level, we're raising our outlook for Saucony to mid-teens growth, the high-end of our prior low-to-mid-teens range, reflecting the first half performance and continued momentum across categories. The investments we're making to build consumer demand are strengthening the brand's market position and driving durable growth.

Our outlook for the remaining brands is unchanged, with Merrell expected to grow mid-single-digits, Sweaty Betty expected to decline low-single-digits, and Wolverine expected to be approximately flat compared to 2025.

Gross margin is now expected to be approximately 46.9%, compared to our prior outlook of 46.4%. The improvement primarily reflects stronger marketplace execution, supply chain efficiencies, and modestly lower tariffs.

With respect to tariffs, our updated guidance assumes existing tariff rates remain in place for the balance of 2026. This assumption reduces the estimated unmitigated tariff impact by approximately $2 million, compared to our prior outlook.

While we continue to believe rates may ultimately return to IEEPA levels, the timing of any change remains uncertain. Our guidance excludes any potential refund related to the $36 million of IEEPA tariffs previously paid, which we continue to actively pursue.

Adjusted operating margin is now expected to be approximately 9.9%, compared to our prior outlook of 9.5%. Reflecting the higher gross margin and meaningful operating leverage for the year, while also making strategic investments in our brands and key capabilities.

Interest and other expense is projected to be approximately $23 million and the effective tax rate is projected to be approximately 18%, both unchanged from our prior outlook. As a result, adjusted diluted earnings per share is now expected to be in the range of $1.55 to $1.65 compared to our prior outlook of $1.43 to $1.58.

We are increasing our operating free cash flow outlook to $115 million to $130 million from $105 million to $120 million previously. We continue to expect capital expenditures of approximately $20 million.

Moving to our third quarter outlook, revenue is expected to be in the range of $495 million to $500 million, representing reported growth of approximately 5.8% at the midpoint compared to the prior year.

On a constant currency basis, revenue is expected to increase 6.5% at the midpoint. Active Group revenue is expected to increase high-single-digits, while the Work Group is expected to be approximately flat to the prior year.

Gross margin in the third quarter is expected to be approximately 47.4%, down 10 basis points compared to last year. This includes an approximate 180 basis point unmitigated tariff impact and a modest headwind from higher oil prices on freight costs with mitigation actions and other business initiatives offsetting the majority of those impacts.

Adjusted operating margin is expected to be approximately 10.4%, an increase of 130 basis points compared to last year with the improvement driven by revenue growth and disciplined cost management, which more than offset the impact of higher tariffs and elevated oil prices on gross margin. As a result, adjusted diluted earnings per share is expected to be in the range of $0.42 to $0.45, compared to $0.36 last year.

To summarize, our second quarter results reflect continued progress across the business led by the strong performance of Merrell and Saucony. We're improving profitability, strengthening our financial position, and seeing encouraging traction across the portfolio.

Our balance sheet is meaningfully stronger than it was two years ago. And while the external environment remains uncertain, our confidence in the business continues to grow. Our increased outlook for 2026 reflects both the strength of our first half results and the progress we're making across the portfolio.

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

Christopher E. Hufnagel

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

Thanks, Taryn. To close, I believe our brands are better positioned in the marketplace today, aligned well with consumer trends, and they are leaders and innovators in growing and attractive categories.

And importantly, they continue to get stronger each quarter around the world, both those that are already performing like Merrell and Saucony and those that are not yet as consistent as we want them to be. Our team is better, our strategies are more sound, our execution is sharper, and our brands and company are healthier. As a result, our business is better than we anticipated entering the year, giving us confidence to raise our guidance for 2026, another important chapter in our transformation story that's now become a growth story.

While our progress is encouraging, we believe the bigger opportunity is still ahead of us for the company, our team, our brands, and our shareholders, and everyone at Wolverine Worldwide remains focused to make every day better.

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] The first 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, thank you. Good morning. Could you maybe just share a little more insight what you're seeing in the running market in general from a standpoint of overall competitiveness and discounting?

And when you look to the second half implied guidance for Saucony, what's giving you confidence in the acceleration. Is it simply easier comparisons or are there other factors?

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

A

Sure. Thanks, Jon. Yeah, the run category is obviously a very attractive and growing category, and we're thrilled that we have one of the original running brands in Saucony performing the way it has and the trajectory we see. But certainly, fiercely competitive, and we've got great respect for the competition that's out there. At the same time, we think we've got a great team and fielding, I think, one of the strongest product pipelines that we've had. And it's good to – I think it's – we're in a good position.

As it relates to the acceleration in the back half, I think you did point out, good 9% growth in the second quarter on top of 40% growth last year and a little bit easier comparison going into the back half, but visibility remains good.

I think the important thing to note about Saucony is, it really is a global growth story. It is not just a US sector growth story. So really pleased by the progress we're seeing really around the world, the way our partners are leaning in, and the receptance that we've seen to both performance run and the lifestyle. So we remain bullish on Saucony, and I think the prospects for the brand remain bright.

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

Q

Yeah, that's great to hear. Thanks, Chris. And then maybe Taryn, just could you frame up how to think about the guidance rates for the year? The profit flow-through looks very strong. How much of that is slightly better tariff assumptions versus underlying improvements in the profitability? Thank you.

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

A

Yeah, thanks for the question. Regarding our gross margin and operating margin higher expectations, there's been no meaningful change to the tariff impact we've previously discussed. We said that we had previously estimated around a headwind of around [ph] $15 million (00:29:55) on the year. And that assumption is reduced by roughly $2 million, which really leans towards the – what we're seeing in terms – the bigger raise that we're seeing in terms of gross margin and operating margin versus our previous expectation it's the structural changes we're seeing in the business, really driven by the stronger revenue and seeing more full-price sales from healthier inventories and the supply chain efficiencies driving structural improvements in the business.

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

Q

That's great. Thanks again.

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

A

Thanks, Jon.

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, in your prepared remarks, you mentioned accelerating the Merrell lifestyle business in 2027. Can you just remind us what percent of Merrell is lifestyle? And can you talk a little bit about what opportunities you see for lifestyle particularly going into next year?

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

A

Yeah, it's a smaller portion of the performance sort of outdoor business for sure. But we certainly think about Merrell today as the broader outdoor lifestyle opportunity beyond the trail, and I think the team has worked really hard on that and I'm really pleased with the progress that we've seen. And I think you're sort of seeing some of that come through in our 1TRL efforts to sort of bridge that performance to lifestyle piece and then certainly, obviously legacy styles like the Jungle Moc which continue to grow.

But then importantly, the team being able to sort of tap into trend, seeing things like the Relay, the Wrapt collection, and then taking classic outdoor platforms like the Moab Speed and so forth and so on and making them in more lifestyle styles like our slides or just rematerializing and making them for everyday wear. I think you're seeing that show up importantly I think in our marketing as well, just how we're presenting the brand at merrell.com, how we show on our social feeds. And then I think the team's done a great job sort of bringing the outdoors to the city under the platform It Starts Outside.

So, the bigger opportunity beyond outdoor is certainly outdoor lifestyle. And I think that is going to be a key unlock and certainly as we think about Merrell's trajectory over the last handful of years, the market share gains, the consecutive quarters of growth, and the outlook we have, I think that's a piece to it.

Importantly, we have to open up appropriate distribution, and I think our sales team has done a nice job opening up new doors for us to show up where that product is sold and specifically where it's sold to her. So, really pleased by the progress in total and I think the greater lifestyle opportunity beyond the trail for Merrell.

But I can't discount the fact that we still are the leader in trail. Three of the top 10 styles for the first time in the last quarter came from Merrell and really extended our market share lead there by triple basis point gain again. So really pleased in total by the Merrell business and certainly the trajectory that we see.

Mitch Kummetz
Analyst, Seaport Research Partners

Q

And then on Saucony, I think you said in your prepared remarks that you gained share in US run. I believe that's an improvement over last quarter. If it is, maybe if you could address that.

And then as far as the back-half outlook for Saucony, it sounds like you're very confident there and you have good visibility. I think that on the lifestyle side, your door count in the back half is coming down. So can you maybe kind of address that in the context of the overall Saucony growth projection for the back half?

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

Sure, I'll answer the two specific questions that you have. You have a good memory. The run specialty share we did gain in Q2 and that was an improvement over Q1, which we are encouraged by. We anticipate second-half lifestyle doors to be approximately flat to first half, and no change from what we told you in February. And I certainly think the momentum we continue to see in Saucony is encouraging, not just here in the US but certainly around the world.

And I think back to Jon's earlier question, like the running category, I think brands that innovate and bring fresh new product to market, I think those are the brands that are winning. I think Saucony has done a great job, whether it's the Azura launch this year, which we anticipate will be the biggest single launch in the brand's history, to updating core four, the Triumph, the Hurricane. We have the new Endorphin Elite out, and I think the best fastest Endorphin is going to be coming out in 2027. So, brands that continue to innovate, I think, will continue to win. And we certainly remain bullish on the Saucony product pipeline and the way that team is driving the business.

Mitch Kummetz
Analyst, Seaport Research Partners
Q

Okay, great. Thanks. Good luck.

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

Thanks, Mitch.

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

Q

Hi, this is [ph] Lucas Cohen (00:34:42) on for Laurent. Thanks for taking our question. Just wanted to see if you could elaborate more on the deliberate DTC pullback for Merrell in the quarter. I know you highlighted some DTC strength in prior quarters, so just want to get some more context there.

And then, did the mix of Merrell full-price sale continue to improve in the quarter and is Merrell continuing to gain share in hike? I think you had mentioned last quarter that it gained share 12 of the prior 13 quarters in hike. Thank you.

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

Yeah, I'll try to remember those questions and maybe I'll go in reverse order. Triple-digit basis point gain for Merrell again, the number one leader in hike with three of the top 10 styles in the US today. And a lot of credit to that team on what they have done. As it relates to Merrell DTC, I would say in total across the portfolio, I think the underlying health of our brands and the performance globally continues to be strong. You're seeing that show up in brand health metrics, Google search interest and market share gains. And I think that is a credit to the work that the teams have done over the past couple of years.

As it relates to DTC, I think the story is a little bit different by brand. And for Merrell specifically, we're consciously moving marketing dollars up the funnel to work on awareness for the brand. That has always been sort of a lagging indicator for us. And I think our team in place is now more consistently moving those dollars up the funnel, which we think is in the long-term best interests of the brand globally. And I think you're seeing those things begin to tick through in those brand health metrics, which we think will help both our wholesale business and our DTC business.

But that conscious shift in marketing spend obviously puts some pressure on Merrell in the short term in direct-to-consumer. We think that will even out over time and we do think it is the best long-term interest. And I'm fortunate to be in a position where we can go make these decisions about our investments across the portfolio as different things are working to best manage the company and our brands for long-term sustainable growth that ties back to our value creation model.

So, we remain really optimistic about Merrell. We do know that the DTC business – we know that that we need to improve that. But I do think we're taking the right steps today to show longer-term improvement. So, we remain bullish on Merrell's global opportunity both here in the US and around the world as well as wholesale and our own channels. Thank you, [ph] Lucas (00:37:06).

Q

Thank you.

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

Yeah, thanks for taking my questions. I wanted to ask on the Saucony brand as we think about the upgraded outlook. You represented the global uptake of the brand. Can you point to the key regions of incremental international traction for Saucony?

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

A

Yeah, good question. We're really pleased by the progress in EMA and give a lot of credit to that team over there. Take everyone back to sort of February of 2024, that really was the start of our key city strategy and the company's key city efforts really started with Saucony in Europe, specifically in London. And we think three years sort of – moving three years past that, that really has helped elevate that brand and awareness and affinity in that market. And we're seeing a strong uptick there.

We led with performance run, both from a product standpoint and from an activation standpoint, really sort of doubling down on London, sponsoring London 10K, investing in run clubs. And that decision to really distort investments to London has really paid off. And now we're beginning to take those learnings to other cities, Paris and Berlin and beyond. And then we sort of followed run with lifestyle introduction. And we've learned from the US on how to roll that out, how we can win as we roll that out, and we're applying those learnings to the rest of the world. But certainly, if I think about regions that are again, Saucony in total is performing very well, standout regions would certainly be Europe.

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

Q

Excellent. And then on inventory. Inventory dollars decreased meaningfully on the books year-over-year compared to the go-forward revenue growth outlook in the back half. Can you help us think about the spread between inventory and the outlook and the quality of inventory on the books and ability to service the revenue that's in the back half outlook?

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

A

Yes, thank you for the question, Peter. At the end of the second quarter, as you noted, the inventory was down around 17% from the prior year. Overall, our inventory is in a healthy position. The year-over-year decline is – that's really a combination of timing factors and timing of receipts, as well as the continued benefits that we're seeing from our efforts to improve. We've talked about before our efforts to improve our inventory management and our productivity across the portfolio. So, the combination of timing as well as those initiatives that we've been taking to be more disciplined with our working capital are what you're seeing. To be specific to your question and important – we are confident we have, at the current inventory levels that we're at together with the planned receipts in the second half, they'll fully support the increased revenue outlook for 2026.

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

Q

Very helpful. 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 Sam Poser with Williams Trading. Your line is now open. Please go ahead.

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

A

Operator, we don't appear to have Sam.

Operator: Sam, are you there?

Sam Poser
Analyst, Williams Trading LLC

Q

Hi, sorry about that.

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

Mauricio Serna
Analyst, UBS Securities LLC

Q

Great. Good morning. Thanks for taking my questions. Maybe I wanted to ask about Saucony. You raised the guidance towards the higher end. Could you break that down? How does that – where's the guidance increase coming from when you look at the – like lifestyle versus performance segment? And just high level, could you talk about what you're seeing in the US in terms of like sell-through for both performance and lifestyle, and just in terms of like the full-price selling? And just also concerns on promotions, we heard that it's been like relatively highly promotional in the space, so I just was wondering if you were hearing anything or sorry, not hearing, seeing anything like that on your business. Thank you.

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

A

Yeah, certainly. Thanks, Mauricio. Yeah, I think our raise in Saucony sort of reflects both the delivery that we've had and certainly our outlook for the second half. And I think it's important: it is sort of broad-based growth. It's run and it is lifestyle, and we're seeing nice business, healthy business around the world. So, we remain optimistic.

With all of that said, it is a fiercely competitive space. We've got a tremendous number of great challengers. But I think brands that are bringing compelling, innovative product, packaging them with great stories, and then working hard in the ground game to win that battle on the floor, I think those brands will continue to win. And obviously, the gain and the improvement in market share gains this quarter versus last quarter gives us encouragement. What we're seeing at saucony.com gives us encouragement. And then importantly, just the feedback from our partners and what they're seeing and hearing.

So, and again, I think it's important, I know we focus a lot on the US business, but I think it's important to say that Saucony is a global growth story, which is why I'm glad I got the earlier question about Europe and the progress that we're seeing over there. So, it is broad-based. And I would say, I'd point to the diversification of Saucony's growth beyond one category, beyond one channel. The fact that we can grow performance run, the fact that we can grow lifestyle, the fact that we can grow globally, the fact that we can grow DTC and wholesale, I think that diversification is part of the brand growth story beyond just a few styles in a specific channel. So, we remain optimistic about the potential for Saucony. We think it remains great and it's our job to go chase that growth responsibly.

Mauricio Serna
Analyst, UBS Securities LLC

Q

Got it. Quick follow-up just on Merrell. Just given the strong performance in the second quarter, just wondering why there doesn't seem to be an increase in the revenue guide for that brand. And maybe could you unpack a little bit more like how much of the growth in the quarter would you attribute to like core hike versus lifestyle? And lastly, just a quick question for Taryn on the description of the gross margin increase outlook. You mentioned, referenced stronger marketplace execution. Could you explain a little bit more like what does that mean? Thank you.

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

A

I'll talk about Merrell first and then Taryn could hit the second point. Yeah, again, really encouraged by the progress that we have seen in Merrell. And again, it's important to note it's iconic pieces that we have breathed new life into, like the Moab 3 that continues to be just a dominant boot in the marketplace. It's the Moab Speed 2, which we introduced a few years ago and how important a franchise that that has become. And then, thoughtful segmentation distribution strategies and really managing the marketplace well. And again, it's not just a US story for Merrell. And we're seeing good upticks in performance across Europe as well and obviously we've got important businesses in Asia-Pacific with our partner out of Japan and obviously Xtep in China.

And so, I think both the performance outdoor piece as well the lifestyle piece give us encouragement. And then I would really point to what we anticipate to be a market – record marketing investment in the brand this year, too, around the new It Starts Outside platform that the team has developed. And seeing market share gains in Merrell continue, seeing very strong Google search interest globally for the Merrell brand, I think gives us confidence.

And it's important, this is – Merrell was the first brand to lead the company out of the turnaround in the back half of 2020, the first company to grow consecutive growth quarters and then a long string of market share gains, actually accelerating to triple digits in the quarter. And I think it's also important to note domestically in the US, that hike category had been under pressure for several years. We're actually beginning to see the hike category grow, and I think all of those things bode well for the outlook for Merrell. So, good first half; no change to the second half outlook. Now we're going to go execute.

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

And Mauricio, building on Jon's earlier question: when I talked about the more significant part of our – and majority of our increase in our margin outlook was due to structural or marketplace execution. To put more color on that, that's things like healthier inventories and brand heat that is driving more full-price sales. Chris just talked to investing in marketing and brands and capabilities; that is part of that brand heat that enables us to drive more full-price sales.

As well as product design optimization. So working with our supply chain teams and working with brands in terms of how they're driving cost efficiencies. As well as in the supply chain team, they look at logistics and their sourcing in terms of how we're driving savings. So, when I'm talking about structural or marketplace execution, it's really across the board in terms of getting those more full-price sales with the investments we're making in our brands and our capabilities, the supply chain working with the brands and with our teams in terms of driving efficiencies there as well.

Mauricio Serna Q
Analyst, UBS Securities LLC

Awesome. Thank you so much and congratulations on the results.

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

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

Can you hear me this time? Hello, can you hear me?

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

We can hear your dog.

Sam Poser
Analyst, Williams Trading LLC
Q

Oh, yeah. Sorry about that [indiscernible] (00:47:01). Sorry, just a follow-up question on the inventory. Was there a timing shift on inventory delivery?

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

Was there – I think you said was there a timing shift on inventory, that was part of it.

Sam Poser
Analyst, Williams Trading LLC
Q

[indiscernible] (00:47:16-00:47:23).

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

Operator, I'm sorry, we can't hear Sam, unfortunately.

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

Hi, great. Thanks and good morning. I know there's been a lot of talk on Merrell and Saucony, so maybe I'll focus on some of the other brands to start. But maybe just first on work: really encouraging to see the Wolverine brand returning to growth in the quarter. I was just hoping if you could discuss some of the brand-level improvement that really started to work in the quarter. And then with the work portfolio guided down for the balance of the year, could you just help us break that down brand by brand? Are you assuming that Wolverine brand is able to sustain improvements, and what's the biggest drag in that area of the portfolio today?

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

Sure. Thanks for the question. We are certainly encouraged by the progress we're seeing out of our Work Group and specifically Wolverine brand. I think a more thoughtful strategy, really focused on executing our global brand-building model: amazing products, great stories, and then driving the business.

Encouraged by the results in 2Q for Wolverine brand, at the same time, we acknowledge that there's more work to go do and we don't anticipate the results to be a perfectly linear moving out from here. So, there will be some choppiness both as we get that brand up and running again, the product line hits. And importantly we really address the channels and make sure the channels are clear and we've got the right product inside the right doors and importantly with the right activation.

But if I think about the global brand-building model and I think about our brand growth playbook which we've deployed with Merrell and Saucony, I think that the Wolverine brand is really focused on the right things. What is that innovation? What product are we bringing? What consumers are we targeting? And then how do we plan to sell that in and sell it through at wholesale? I think the marketing piece, some really good moves by that brand over the last handful of months. The partnership with Landman to really raise awareness and a lot of sort of on-the-ground activations taking place right now.

And then I think importantly just a very thoughtful segmentation and distribution strategy at US wholesale and getting back to that core work business. So, I think the brand is doing the right things. We're certainly pleased by the early results, some of the metrics that we're seeing beyond just the P&L: consumer interest and Google search interest. I think those things are positive. At the same time we acknowledge there's more work to go do. And we don't expect it to be a perfect linear path from here on out. But with all of that said, I remain enthusiastic about that team, the work that we're going to go do, and certainly what a healthier Wolverine brand and a healthy Work Group can mean for the greater portfolio.

Ashley Owens
Analyst, KeyBanc Capital Markets, Inc.

Q

Got it. And then on Sweaty Betty, with the UK DTC business now growing multiple quarters, you mentioned that international wholesale is strong. I would just be curious as to which strategy is working best today. And then just given the comments on the business growing if we exclude the US part of that, the reset started 3Q last year, I would just be curious at what point the reset becomes small enough that the underlying growth we're seeing internationally really begins to shine through.

And then maybe just quickly on Saucony to put a bow on things here, but with the mention of the lifestyle door count being flat, brand outlook moved up, is the implication there that you're seeing stronger productivity within the existing accounts in the back half? Thank you.

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

A

Yeah, great couple of questions there. I'll hit Sweaty Betty first. We really worked hard, really about a year ago this time on a strategy for that team, spent a lot of time in London with that leadership team and really came down to just a several key moves that we had to go do, and really sort of doubling down on we thought what was most important.

And that team has done that work and executed with great determination. And I'm encouraged by some of the early results. And we're seeing some improvements in our UK direct-to-consumer business. And that is a little bit of a challenged market right now just in general with that consumer, but pleased with the performance both at sweatybetty.com as well as in our stores.

I'm really pleased by the evolution of the product pipeline, diversifying beyond just a leggings business, more bottom silhouettes, mid-layers, the outerwear has been very good. And then really sort of taking back its rebellious voice and having a distinct point of view in a very competitive market. So, really well done there.

We finished the integration of Sweaty Betty into the Wolverine portfolio last year, and part of that was to plug their business into our international 3P market versus trying to go do it ourselves around the world. And that has sort of paid off with some early gains, and encouraged by some of the recent progress seen across Europe and into Asia-Pacific. And I'm excited about the prospects for what that can mean for that business as well. The US reset, that really began to happen in the third quarter of last year, and we will shortly lap that, which will provide some easier comparisons.

So I remain optimistic about where Sweaty Betty is, the improvements we've made. All of that said, they operate in an attractive yet fiercely competitive category and the UK market certainly has been under a little bit of pressure over the past handful of months. But optimistic about the new strategy, the early results that we're seeing. Every time I'm with that team I think the product gets better and better. And really pleased with the stories they're telling in the marketplace and I think that team does a good a job as anyone driving the business each day. So pleased with Sweaty Betty progress.

And as it relates to Saucony US lifestyle, we did talk about that – door counts are about where we had anticipated them to be when we spoke to you last. But encouragingly we are seeing the inventory in the channel begin to clear up and we are seeing those doors be more productive and that's an important piece. We want to run productive doors, we want to drive sell-through, we want to operate with a pull model and I think we're working hard to optimize that business.

And even with where that US lifestyle was the last couple of quarters, really pleased that we can post growth and certainly raise our outlook and our optimism for the back half of the year after what we've seen in the first half of the year.

Ashley Owens
Analyst, KeyBanc Capital Markets, Inc.

Q

Appreciate all the detail this morning. Thank you again for taking my questions.

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

A

Thanks so much.

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

Tom Nikic
Analyst, Needham & Co. LLC

Q

Hey, good morning. Thanks for taking my question. Want to ask another Saucony question. I guess when we think longer term about the opportunities for the brand, even with the strong performance over the last couple of years, it's still quite a bit smaller than a lot of other peers in the space, which would suggest there's quite a bit of runway for growth over the long run. Like where do you think the long-term opportunities lie? Is it shelf space gains? Is it door count increases? Is it category expansion? Would love to get some color there. Thanks.

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

A

Yeah, thanks for the question. And we agree with you. Even with the great performance of the Saucony team over the last handful of years, 2025 being a record year, we still view ourselves as a small challenger brand in a very attractive category. And that gives us both optimism and drive to go be bigger and better.

And I think Saucony possesses some amazing attributes, a century-old brand, one of the OGs, known for innovation, loved by serious elite runners. Known for bringing great products to market, at the same time has been able to tap into the intersection of performance run and lifestyle culture in a very special way, and doing it in a very sort of unique way, in an authentic way, and I give that team a lot of credit for what they've done.

So the ability to grow both performance run, more casual run, lifestyle run, and then sort of grow street and fashion, I think that is an amazing opportunity ahead of us. And we're not sitting back feeling good about what we've done the last couple of years. We look out and see what the opportunity can be. And importantly, it's not just a one-region story: we're seeing really strong pickups in markets like Europe, which I previously mentioned.

We have a great partner in China, an expert there who's helping us grow that business. I was in Tokyo a few months ago and saw Saucony on the streets in Harajuku and really gives us a lot of confidence. And I even mentioned today an apparel and accessories opportunity beyond just footwear, tapping into the Sweaty Betty team, tapping into the collective genius of the broader corporation to bring products to market.

So excited about what that opportunity can be. We're going to test that and learn and then go from there. So, I agree with your premise is that, despite the success we've had, it's still relatively small. I would agree with that. Certainly if you believe the total addressable market, the size of our competitors, it's our job to go chase that growth right now in a responsible way and that's what our team is heads-down trying to do.

Tom Nikic Q
Analyst, Needham & Co. LLC

Great. Thanks very much for taking my question and best of luck the rest of the year.

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

Thanks, Tom.

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

Dana Lauren Telsey Q
Analyst, Telsey Advisory Group LLC

Hi, good morning everyone and nice to see the progress. As you think of product, whether it's core versus innovation and newness, what should it be for each of the brands? Where do you expect it to go? And what does that mean from a price and margin standpoint? You mentioned apparel and other categories, does that become a bigger role given what you've learned from Sweaty Betty? Thank you.

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

Thanks, Dana. I think innovation is paramount in our business. Someone once told me if you got the right products, everything else matters; if you don't have the right product, nothing else matters, and I think that was true then and it's true now. So truly innovation is critically important. I would say it varies a little bit by the categories in which we play in.

I think there's a different expectation maybe in work versus outdoor versus run versus apparel like Sweaty Betty. But first and foremost, you have to bring great products that are driven by consumer insights that solve consumers' problems that are priced right and placed right within the marketplace.

And I think if you look at where we're winning today and not just Wolverine brands, but the broader category, it's sort of brands that can do that. Brands that bring great products that are visually distinctive, that help solve consumers' problems, that are placed right and priced right, I think those brands will continue to win in any environment.

I think too about our ability to grow and the responsibility to drive growth for the company. I would think about how we've shaped the portfolio over the past couple of years, and brands that we have divested of and brands that we've chosen to double down on. We chose brands that we thought would be aligned well with consumer and macro trends. And I think that is playing out. The categories in which we play in are some of the healthier categories in footwear and apparel today and that's where our brands and our company is focused.

And importantly, not only did we do that reshaping of the portfolio, we worked to distort resources towards what we thought were the highest, fastest value-adds first. And you can see sort of what Saucony has been able to do and how Merrell has been a fast follower. So at the same time all of that, I also think we've worked hard to make our brands more premium, bringing more innovation, telling better stories, placing them in the right doors and then I think we can talk about what price they can be placed at, and then obviously what the margin implications are.

As far as apparel and accessories, I do think that remains an opportunity for us. And I think we've learned a lot from what Sweaty Betty has brought to the business. And I certainly think Saucony has an opportunity to play there in a bigger way and leveraging the expertise of the Sweaty Betty brand to help a very good Saucony product team. I can't wait for that test to come live and hopefully there's something there that we can go chase to be another growth lever for the company and the brand moving forward.

Dana Lauren Telsey Q
Analyst, Telsey Advisory Group LLC

Thank you.

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

Thanks, Dana.

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

Anna Andreeva Q
Analyst, Piper Sandler & Co.

Great. Thank you so much for taking our questions and congrats, really nice results. We wanted to follow up on SG&A. Taryn, really tightly managed dollars up only 2% and 3Q guide assumes something similar. Just to double-check, were there any timing shifts within that and should we think that very low-single-digit growth is the right way to think about SG&A growth going forward? You mentioned higher freight, I'm not sure if you quantified that impact in 2Q and what should we expect for 3Q?

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

A

Yeah, thank you, Anna. The SG&A – I wouldn't call out any timing. If you look at the Q2 performance, the SG&A was really a reflection – the improvement there was driven by stronger revenue. So we were able to get leverage from the revenue beat flowing through in SG&A. So I wouldn't call out any timing as it relates to the second quarter performance.

When we look at the balance of the year, at the midpoint of our 2026 guidance, our implied SG&A as a percentage of revenue is largely consistent with what we said in May. And that reflects a decrease of around 130 bps to last year. And as we – consistent with what we said in February as well as what we said in May, is we're continuing to invest in our brands.

Chris talked about the growth-enabling capabilities: whether it be in marketing, the key city activations, digital initiatives. And so we do continue to invest in those areas and remain disciplined across the rest of the cost structure, and that is helping improve the profitability what we've seen year-to-date and expect for the balance of the year.

Anna Andreeva
Analyst, Piper Sandler & Co.

Q

That's super helpful...

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

A

We did not quantify – sorry, you asked about oil.

Anna Andreeva
Analyst, Piper Sandler & Co.

Q

Yeah.

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

A

I did – we didn't quantify it. It was – I would say, it's modest, is how I would describe it. Certainly, we would expect it to be a bit more in Q4 than in Q3, just given the revenue and the shipments particularly in e-commerce in the fourth quarter. But I wouldn't – I'd still describe it as modest.

Anna Andreeva
Analyst, Piper Sandler & Co.

Q

Okay, that makes a ton of sense. And just to Chris on the DTC versus wholesale dynamic across the brands. So DTC has been coming in more muted for a few quarters now and I know you've been focused on driving more of that full-price business. So that's been a headwind, but do you expect DTC to bounce back in the guide? And where are you with refocusing on full price across the brands at this stage? And thank you so much.

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

A

Yeah, thanks Anna, appreciate the question. Yeah, DTC is a significant focus for us these days and how we can get that business moving with the way the rest of the organization is. I think the story is a little bit different by brand. We're really pleased with the progress we've made in Saucony and seeing good growth in our DTC channel there. Sweaty Betty obviously is hampered by the US reset which we will very quickly lap.

And then we previously talked about Merrell. We are really focused on both being – working to become less promotional, having a higher full-price mix, and then telling more frequent, better stories in our online channels. At the same time, really being thoughtful about how we're spending money up and down the funnel and where we choose to spend that.

So, we acknowledge that there's more work to go do in DTC, but certainly I'm pleased with the progress overall in total, and I do think we're taking the right steps to get that business checking the way most of the rest of the company is checking. Obviously entering an important holiday selling season in the next few weeks as we work towards the end of the year. So we are very focused on improving the DTC performance overall, but at the same time really pleased with where our brands sit in general.

Anna Andreeva
Analyst, Piper Sandler & Co.

Q

I appreciate all the color. 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 Sam Poser with Williams Trading. Your line is now open. Please go ahead.

Sam Poser
Analyst, Williams Trading LLC

Q

Hello?

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

A

Hello?

Operator: Hi. We can hear you.

Sam Poser
Analyst, Williams Trading LLC

Q

Can you hear me? Can you hear me?

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

A

We can now.

Sam Poser
Analyst, Williams Trading LLC

Q

Okay. All right. I don't know what's going on. Anyway, just two questions or three questions. One, was – how much of the – was the international business better than you anticipated? And if so, did that – like help with the gross margin, did the mix of business by geography help your gross margin more? And is that anticipated to continue, if I'm – am I thinking about that right?

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

A

What was your second question on margins?

Sam Poser
Analyst, Williams Trading LLC

Q

Well, the mix of – your geographic mix of business, international is generally higher margins than domestic. So was the international business better than you anticipated, and how – if so how much of that helped the gross margin in the quarter and how much of that is built into the increase of the gross margin guidance for the year?

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

A

Yeah, and I appreciate the question. Geographic mix was as anticipated. So, I wouldn't call it a driver for Q2 nor for balance of year.

Sam Poser
Analyst, Williams Trading LLC

Q

Okay. And then secondly, your inventory levels, how much of that was a timing shift relative to something showed up on July 1 rather than June 30? And if we looked at inventories, let's say today, what would that – like what would it look like on a year-over-year basis?

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

A

Yeah, the timing shift – there's two pieces within the timing shift. There was a piece that related to last year, frankly, was one of them in terms of the receipt last year versus receipts this year. And then there was some between, what I would call to your point between, call it, June and July in terms of a delta. So the timing shift is across both of those components.

I think that what I want to stress, though, which I said earlier when Peter asked the questions, and we are confident that with the inventory that we have and that the inventory that we're receiving that we are supporting the higher growth. And to put a finer point on that: I've talked before about, for example, Wolverine, we had more work to do to get that inventory in a better place. That was one of the drivers of the decline we saw from the more efficient versus some of the more timing piece was more in Sweaty Betty and Merrell.

Saucony was not a driver of the decline in terms of the inventory. And when you think about where our raise is for the balance of the year on Saucony and the brands in total, we are confident we have the right inventory to meet that demand.

Sam Poser

Analyst, Williams Trading LLC

Q

Okay, thank you. And then lastly, Chris, with Merrell, what percent of sales is the lifestyle business now, and where do you see that going over the next few years?

Christopher E. Hufnagel

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

A

Yeah, good question. Lifestyle is approximately less than a quarter of the total business today. But we certainly see that as an opportunity for us. And I guess part of the pivot we're trying to make with that brand is obviously maintain our dominance on the trail. And I think that that's coming through in our market share gains and how we're seeing that business. At the same time, the broader outdoor lifestyle opportunity beyond the trail and then specifically with her, I want to make sure that I emphasize the focus that we can have a better split between him and her and what that opportunity presents for the brand.

So, I think there is ample opportunity if we can crack into that lifestyle piece in a more meaningful way and then certainly bring trend-right, color-right, priced-right products that solve problems for her and then make sure they show up in channels where she shops. And that's what I think the team is really focused on. So, optimistic both about protecting that core business which we've done a nice job of, and then a broader lifestyle opportunity, which I think provides a lot of runway for the business beyond where we are today.

Sam Poser

Analyst, Williams Trading LLC

Q

Just quick follow-up. The guidance and again the results in the second quarter, did the lifestyle growth, even though it's smaller, outpace the performance growth? Or, can you give us some breakdown there?

Christopher E. Hufnagel

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

A

I would say we saw a lot of strength in performance in the quarter. I think that came through in the market share gains. We talked about increases in the classic Moab 3. We talked about the Moab Speed 2 with three styles in the top 10. And certainly if you think about the broader Merrell business beyond just the US, it very much is a performance brand in many parts of – many other parts of the world. So pleased with the progress in Merrell in total, we believe there's a very strong opportunity in lifestyle, but the performance piece showed particular strength in the previous quarter.

Sam Poser

Analyst, Williams Trading LLC

Q

Thank you very much.

Christopher E. Hufnagel

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

A

Thank you, Sam.

Operator: We have reached the end of the Q&A session. This concludes today's call. Thank you for attending. You may now disconnect.