

ROCKY BRANDS, INC.
Form 10-Q
October 31, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _ to _

Commission file number: **001-34382**

ROCKY BRANDS, INC.

(Exact name of registrant as specified in its charter)

Ohio 31-1364046
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

39 E. Canal Street, Nelsonville, Ohio 45764

(Address of Principal Executive Offices, Including Zip Code)

(740) 753-1951

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer " Accelerated filer x Non-accelerated filer " Smaller reporting company "

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES " NO x

As of October 26, 2012, 7,503,568 shares of Rocky Brands, Inc. common stock, no par value, were outstanding.

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ROCKY BRANDS, INC.

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PART I - FINANCIAL INFORMATION**ITEM 1 - FINANCIAL STATEMENTS****ROCKY BRANDS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2012 (Unaudited)	December 31, 2011	September 30, 2011 (Unaudited)
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$3,509,973	\$3,650,291	\$3,330,196
Trade receivables – net	60,648,404	45,008,793	63,339,879
Other receivables	811,730	946,686	1,055,666
Inventories	73,028,601	65,019,048	78,887,067
Income tax receivable	-	1,164,664	-
Deferred income taxes	1,091,657	1,154,040	1,238,989
Prepaid expenses	2,122,697	2,561,941	2,822,954
Total current assets	141,213,062	119,505,463	150,674,751
FIXED ASSETS – net	24,396,719	23,557,102	23,572,687
IDENTIFIED INTANGIBLES	30,485,935	30,493,107	30,505,267
OTHER ASSETS	392,565	510,293	737,489
TOTAL ASSETS	\$196,488,281	\$174,065,965	\$205,490,194
LIABILITIES AND SHAREHOLDERS' EQUITY:			
CURRENT LIABILITIES:			
Accounts payable	\$13,366,846	\$5,696,363	\$11,054,561
Current maturities – long term debt	-	-	2,955
Accrued expenses:			
Salaries and wages	2,028,785	2,310,906	2,330,197
Taxes - other	498,437	609,992	420,082
Accrued freight	699,352	633,254	544,801
Commissions	649,537	709,201	606,048
Income taxes payable	1,676,590	-	1,916,316
Current portion of pension funding	-	-	3,348,035
Other	1,445,016	970,806	1,403,360
Total current liabilities	20,364,563	10,930,522	21,626,355

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LONG TERM DEBT – less current maturities	41,862,634	35,000,000	60,054,291
DEFERRED INCOME TAXES	10,765,962	10,987,395	9,521,852
DEFERRED LIABILITIES	406,323	488,437	535,937
TOTAL LIABILITIES	73,399,482	57,406,354	91,738,435

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY:

Common stock, no par value; 25,000,000 shares authorized; issued and outstanding September 30, 2012 - 7,503,568; December 31, 2011 - 7,489,995 and September 30, 2011 - 7,489,995	69,694,770	69,572,270	69,546,028
Accumulated other comprehensive loss	-	-	(2,608,298)
Retained earnings	53,394,029	47,087,341	46,814,029
Total shareholders' equity	123,088,799	116,659,611	113,751,759
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$196,488,281	\$174,065,965	\$205,490,194

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY BRANDS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(UNAUDITED)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
NET SALES	\$72,539,400	\$71,020,546	\$170,273,676	\$175,609,453
COST OF GOODS SOLD	46,356,820	45,430,389	110,717,388	110,136,023
GROSS MARGIN	26,182,580	25,590,157	59,556,288	65,473,430
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	18,244,196	18,026,065	49,879,981	53,108,445
INCOME FROM OPERATIONS	7,938,384	7,564,092	9,676,307	12,364,985
OTHER INCOME AND (EXPENSES):				
Interest expense, net	(192,249)	(252,858)	(467,202)	(760,844)
Other – net	138,757	106,033	143,038	153,442
Total other - net	(53,492)	(146,825)	(324,164)	(607,402)
INCOME BEFORE INCOME TAXES	7,884,892	7,417,267	9,352,143	11,757,583
INCOME TAX EXPENSE	2,517,455	2,205,000	3,045,455	3,724,000
NET INCOME	\$5,367,437	\$5,212,267	\$6,306,688	\$8,033,583
NET INCOME PER SHARE				
Basic	\$0.72	\$0.70	\$0.84	\$1.07
Diluted	\$0.72	\$0.70	\$0.84	\$1.07
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	7,503,568	7,489,995	7,503,469	7,485,529
Diluted	7,503,568	7,489,995	7,503,469	7,486,250
COMPREHENSIVE INCOME				
Net income	\$5,367,437	\$5,212,267	\$6,306,688	\$8,033,583
Other comprehensive income:				
Amortization of unrecognized transition obligation, service cost and net loss	-	73,564	-	220,692
TOTAL COMPREHENSIVE INCOME	\$5,367,437	\$5,285,831	\$6,306,688	\$8,254,275

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY BRANDS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$6,306,688	\$8,033,583
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	4,337,217	4,279,667
Deferred compensation and other	-	670,552
Deferred income taxes	(159,050)	126,279
(Gain) loss on disposal of fixed assets	(61,515)	37,320
Stock compensation expense	122,500	122,500
Change in assets and liabilities		
Receivables	(15,504,655)	(15,890,635)
Inventories	(8,009,553)	(20,034,511)
Other current assets	1,603,908	(1,029,102)
Other assets	117,728	485,223
Accounts payable	7,588,751	2,275,812
Accrued and other liabilities	1,681,444	574,398
Net cash used in operating activities	(1,976,537)	(20,348,914)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(5,111,209)	(6,020,945)
Investment in trademarks and patents	(30,104)	(46,098)
Proceeds from sale of fixed assets	114,898	50,767