

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 March 31, 2020

OR

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

Commission File Number: **001-34382**



ROCKY BRANDS, INC.

(Exact name of Registrant as specified in its charter)

Ohio

(State or other jurisdiction of incorporation or organization)

No. 31-1364046

(I.R.S. Employer Identification No.)

39 East Canal Street, Nelsonville, Ohio 45764
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(740) 753-9100**

Title of class	Trading symbol	Name of exchange on which registered
Common Stock – No Par Value	RCKY	Nasdaq

Indicate by checkmark 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 the filing requirements for at least the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 7,312,217 shares of the Registrant's Common Stock outstanding on April 30, 2020.

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PART 1 – FINANCIAL INFORMATION
ITEM 1 – FINANCIAL STATEMENTS

Rocky Brands, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share amounts)
(Unaudited)

	March 31, 2020	December 31, 2019	March 31, 2019
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 44,247	\$ 15,518	\$ 17,630
Trade receivables – net	33,277	45,585	41,161
Contract receivables	2,551	4,746	817
Other receivables	532	366	161
Inventories – net	77,214	76,731	69,905
Income tax receivable	-	150	348
Prepaid expenses	3,522	3,030	3,383
Total current assets	161,343	146,126	133,405
LEASED ASSETS	1,588	1,743	1,037
PROPERTY, PLANT & EQUIPMENT – net	28,434	27,423	23,438
IDENTIFIED INTANGIBLES – net	30,232	30,240	30,264
OTHER ASSETS	333	294	262
TOTAL ASSETS	\$ 221,930	\$ 205,826	\$ 188,406
LIABILITIES AND SHAREHOLDERS' EQUITY:			
CURRENT LIABILITIES:			
Accounts payable	\$ 17,933	\$ 15,776	\$ 17,271
Contract liabilities	2,551	4,746	817
Accrued expenses:			
Salaries and wages	1,204	3,044	1,518
Taxes - other	588	967	638
Accrued freight	282	867	455
Commissions	362	608	494
Accrued duty	4,041	3,824	2,124
Other	1,430	1,702	1,746
Total current liabilities	28,391	31,534	25,063
LONG TERM DEBT	20,000	-	-
LONG-TERM TAXES PAYABLE	169	169	169
LONG-TERM LEASE	1,031	1,158	517
DEFERRED INCOME TAXES	8,108	8,108	7,780
DEFERRED LIABILITIES	215	201	121
TOTAL LIABILITIES	57,914	41,170	33,650
SHAREHOLDERS' EQUITY:			
Common stock, no par value;			
25,000,000 shares authorized; issued and outstanding March 31, 2020 7,309,121; December 31, 2019 - 7,354,970 and March 31, 2019 - 7,391,660			
	67,195	67,993	68,849
Retained earnings	96,821	96,663	85,907
Total shareholders' equity	164,016	164,656	154,756
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 221,930	\$ 205,826	\$ 188,406

See Notes to Unaudited Condensed Consolidated Financial Statements

Rocky Brands, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	March 31,	
	2020	2019
NET SALES	\$ 55,720	\$ 65,929
COST OF GOODS SOLD	36,400	42,951
GROSS MARGIN	19,320	22,978
OPERATING EXPENSES	17,807	18,479
INCOME FROM OPERATIONS	1,513	4,499
OTHER INCOME (EXPENSES)	(9)	65
INCOME BEFORE INCOME TAXES	1,504	4,564
INCOME TAX EXPENSE	316	959
NET INCOME	\$ 1,188	\$ 3,605
INCOME PER SHARE		
Basic	\$ 0.16	\$ 0.49
Diluted	\$ 0.16	\$ 0.48
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	7,351	7,382
Diluted	7,386	7,434

See Notes to Unaudited Condensed Consolidated Financial Statements

Rocky Brands, Inc. and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(In thousands, except per share amounts)
(Unaudited)

	Common Stock and Additional Paid-in Capital Shares Outstanding	Amount	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
BALANCE - December 31, 2018	7,368	\$ 68,387	\$ -	\$ 83,188	\$ 151,575
THREE MONTHS ENDED MARCH 31, 2019					
Net income				\$ 3,605	\$ 3,605
Dividends paid on common stock (\$0.12 per share)				(886)	(886)
Repurchase of common stock	-	-			-
Stock issued for options exercised, including tax benefits	17	\$ 294			294
Stock compensation expense	6	168			168
BALANCE - March 31, 2019	7,391	\$ 68,849	\$ -	\$ 85,907	\$ 154,756
BALANCE - December 31, 2019					
BALANCE - December 31, 2019	7,355	\$ 67,993	\$ -	\$ 96,663	\$ 164,656
THREE MONTHS ENDED MARCH 31, 2020					
Net income				\$ 1,188	\$ 1,188
Dividends paid on common stock (\$0.14 per share)				(1,030)	(1,030)
Repurchase of common stock	(50)	\$ (1,000)			(1,000)
Stock issued for options exercised, including tax benefits	-	-			-
Stock compensation expense	4	202			202
BALANCE - March 31, 2020	7,309	\$ 67,195	\$ -	\$ 96,821	\$ 164,016

See Notes to Unaudited Condensed Consolidated Financial Statements

Rocky Brands, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,188	\$ 3,605
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,260	1,262
Stock compensation expense	202	168
Change in assets and liabilities:		
Receivables	14,486	2,030
Inventories	(483)	2,916
Other current assets	(1,757)	(2,530)
Other assets	(40)	(113)
Accounts payable	3,310	3,890
Accrued and other liabilities	(3,967)	(1,382)
Income taxes payable	(23)	-
Net cash provided by operating activities	<u>14,176</u>	<u>9,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(3,417)	(1,802)
Proceeds from sales of fixed assets	-	5
Net cash used in investing activities	<u>(3,417)</u>	<u>(1,797)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facility	20,000	-
Repayments on revolving credit facility	-	-
Proceeds from stock options	-	294
Repurchase of common stock	(1,000)	-
Dividends paid on common stock	(1,030)	(886)
Net cash provided by (used in) financing activities	<u>17,970</u>	<u>(592)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	28,729	7,457
CASH AND CASH EQUIVALENTS:		
BEGINNING OF PERIOD	<u>15,518</u>	<u>10,173</u>
END OF PERIOD	<u>\$ 44,247</u>	<u>\$ 17,630</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

Rocky Brands, Inc. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

We are a leading designer, manufacturer and marketer of premium quality footwear and apparel marketed under a portfolio of well recognized brand names including Rocky, Georgia Boot, Durango and Lehigh. Our brands have a long history of representing high quality, comfortable, functional and durable footwear and our products are organized around six target markets: outdoor, work, duty, commercial military, western and lifestyle. In addition, as part of our strategy of outfitting consumers from head-to-toe, we market complementary branded apparel and accessories that we believe leverage the strength and positioning of each of our brands.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments that are necessary for a fair presentation of the financial results. All such adjustments reflected in the unaudited condensed consolidated financial statements are considered to be of a normal and recurring nature. The results of operations for the three months ended March 31, 2020 and 2019 are not necessarily indicative of the results to be expected for the whole year. The December 31, 2019 condensed consolidated balance sheet data was derived from the audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). This Quarterly Report on Form 10-Q should be read in connection with our Annual Report on Form 10-K for the year ended December 31, 2019, which includes all disclosures required by GAAP.

2. ACCOUNTING STANDARDS UPDATES

Recently Issued Accounting Pronouncements

Rocky Brands, Inc. is currently evaluating the impact of certain Accounting Standards Updates ("ASU") on its Unaudited Condensed Consolidated Financial Statements or Notes to the Unaudited Condensed Consolidated Financial Statements:

Standard	Description	Anticipated Adoption Period	Effect on the financial statements or other significant matters
ASU 2016-13, Measurement of Credit Losses on Financial Instruments	The pronouncement seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date by replacing the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	Q1 2023 as long as we continue to qualify as a smaller reporting company	The Company is evaluating the impacts of the new standard on its existing financial instruments, including trade receivables.
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	This pronouncement is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application.	Q1 2021	The Company is evaluating the impacts of the new standard on its Unaudited Condensed Consolidated Financial Statements.

Accounting Standards Adopted in the Current Year

Standard	Description	Effect on the financial statements or other significant matters
ASU 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement	This pronouncement changes the fair value measurement disclosure requirements of ASC 820. The amendments in this ASU are the result of a broader disclosure project called FASB Concepts Statement, Conceptual Framework for Financial Reporting — Chapter 8: Notes to Financial Statements.	The Company adopted the new standard in Q1 2020 and the standard did not have a significant impact on its Unaudited Condensed Consolidated Financial Statements.

3. FAIR VALUE

Generally accepted accounting standards establish a framework for measuring fair value. The fair value accounting standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard clarifies how to measure fair value as permitted under other accounting pronouncements.

The fair value accounting standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. This standard also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The fair values of cash and cash equivalents, receivables, and payables approximated their carrying values because of the short-term nature of these instruments. Receivables consist primarily of amounts due from our customers, net of allowances, amounts due from employees (sales persons' advances in excess of commissions earned and employee travel advances); other customer receivables, net of allowances; and expected insurance recoveries. The carrying amounts of our long-term credit facility and other short-term financing obligations also approximate fair value, as they are comparable to the available financing in the marketplace during the year. The fair value of our revolving line of credit is categorized as Level 2.

Deferred Compensation Plan Assets and Liabilities

On December 14, 2018, our Board of Directors adopted the Rocky Brands, Inc. Executive Deferred Compensation Plan (the "Deferred Compensation Plan"), which became effective January 1, 2019. The Deferred Compensation Plan is an unfunded nonqualified deferred compensation plan in which certain executives are eligible to participate. The deferrals are held in a separate trust, which has been established for the administration of the Deferred Compensation Plan. The trust assets are recorded within prepaid expenses and other current assets in the accompanying consolidated balance sheets, with changes in the deferred compensation charged to operating expenses in the accompanying consolidated statements of operations. The fair value is based on unadjusted quoted market prices for the funds in active markets with sufficient volume and frequency (Level 1).

4. REVENUE

Nature of Performance Obligations

Our products are distributed through three distinct channels, which represent our business segments: Wholesale, Retail, and Military. In our Wholesale business, we distribute our products through a wide range of distribution channels representing over ten thousand retail store locations in the U.S., Canada, and internationally. Our Wholesale channels vary by product line and include sporting goods stores, outdoor specialty stores, online retailers, independent retailers, mass merchants, retail uniform stores, and specialty safety shoe stores. Our Retail business includes direct sales of our products to consumers through our e-commerce websites, our Rocky outlet store, and Lehigh business. We also sell footwear under the Rocky label to the U.S. Military.

Significant Accounting Policies and Judgements

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied; this generally occurs upon shipment of our product to our customer, which is when the transfer of control of our products passes to the customer. The duration of our arrangements with our customers are typically one year or less. Revenue is measured as the amount of consideration we expect to receive in exchange for the transfer of our products at a point in time and consists of either fixed or variable consideration or a combination of both.

Revenues from sales are recorded at the net sales price, which includes estimates of variable consideration for which reserves are established. Components of variable consideration include prompt payment discounts, volume rebates, and product returns. These reserves, as detailed below, are based on the amounts earned, or to be claimed on the related sales, and are classified as reductions of accounts receivable (if the amount is payable to the customer) or a current liability (if the amount is payable to a party other than a customer).

The amount of variable consideration which is included in the transaction price may be constrained, and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized under the contract will not occur in a future period. Our analyses also contemplated application of the constraint in accordance with the guidance, under which it determined a material reversal of revenue would not occur in a future period for the estimates detailed below as of March 31, 2020. Actual amounts of consideration ultimately received may differ from our estimates. If actual results in the future vary from our estimates, we will adjust these estimates, which would affect net revenue and earnings in the period such variances become known.

When a customer has a right to a prompt payment discount, we estimate the likelihood that the customer will earn the discount using historical data and adjust our estimate when the estimate of the likelihood that a customer will earn the discount changes or the consideration becomes fixed, whichever occurs earlier. The estimated amount of variable consideration is recognized as a credit to trade receivables and a reduction in revenue until the uncertainty of the variable consideration is alleviated. Because most of our customers have payment terms less than six months there is not a significant financing component in our contracts with customers.

When a customer is offered a rebate on purchases retroactively this is accounted for as variable consideration because the consideration for the current and past purchases is not fixed until it is known if the discount is earned. We estimate the expected discount the customer will earn at contract inception using historical data and projections and update our estimates when projections materially change or consideration becomes fixed. The estimated rebate is recognized as a credit to trade receivables and offset against revenue until the rebate is earned or the earning period has lapsed.

When a right of return is part of the arrangement with the customer, we estimate the expected returns based on an analysis using historical data. We adjust our estimate either when the most likely amount of consideration we expect to receive changes or when the consideration becomes fixed, whichever occurs earlier. Please see Notes 5 and 6 for additional information.

Trade receivables represent our right to unconditional payment that only relies on the passage of time.

Contract receivables represent contractual minimum payments required under non-cancellable contracts with the U.S. Military with a duration of one year or less.

Contract liabilities are performance obligations that we expect to satisfy or relieve within the next twelve months, advance consideration obtained prior to satisfying a performance obligation, or unconditional obligations to provide goods or services under non-cancellable contracts before the transfer of goods or services to the customer has occurred. Our contract liability represents unconditional obligations to provide goods under non-cancellable contracts with the U.S. Military.

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Items considered immaterial within the context of the contract are recognized as an expense.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue producing transaction, that are collected from customers, are excluded from revenue.

Costs associated with our manufacturer's warranty continue to be recognized as expense when the products are sold in accordance with guidance surrounding product warranties.

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in operating expenses.

Costs associated with obtaining a contract are expensed as incurred in accordance with the practical expedient in ASC 340-40 in instances where the amortization period is one year or less. We anticipate substantially all of our costs incurred to obtain a contract would be subject to this practical expedient.

Contract Balances

The following table provides information about contract liabilities from contracts with our customers.

	March 31,	December 31,	March 31,
	2020	2019	2019
	(\$ in thousands)		
Contract liabilities	\$ 2,551	\$ 4,746	\$ 817

Significant changes in the contract liabilities balance during the period are as follows:

	Contract liabilities
	(\$ in thousands)
Balance, December 31, 2019	\$ 4,746
Non-cancelable contracts with customers entered into during the period	663
Revenue recognized related to non-cancelable contracts with customers during the period	(2,858)
Balance, March 31, 2020	\$ 2,551

Disaggregation of Revenue

All revenues are recognized at a point in time when control of our products pass to the customer at point of shipment. Because all revenues are recognized at a point in time and are disaggregated by channel, our segment disclosures are consistent with ASC 606 disaggregation requirements. See Note 12 for segment disclosures.

5. TRADE RECEIVABLES

Trade receivables are presented net of the related allowance for uncollectible accounts of approximately \$262,000, \$952,000 and \$1,313,000 for the periods ending March 31, 2020, December 31, 2019 and March 31, 2019, respectively. We record the allowance based on historical experience, the age of the receivables, and identification of customer accounts that are likely to prove difficult to collect due to various criteria including pending bankruptcy. However, estimates of the allowance in any future period are inherently uncertain and actual allowances may differ from these estimates. If actual or expected future allowances were significantly greater or less than established reserves, a reduction or increase to bad debt expense would be recorded in the period this determination was made. Our credit policy generally provides that trade receivables will be deemed uncollectible and written-off once we have pursued all reasonable efforts to collect on the account.

In accordance with ASC 606, the return reserve liability netted against trade receivables was approximately \$838,000, \$1,050,000 and \$950,000 for the periods ending March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

6. INVENTORY

Inventories are comprised of the following:

(\$ in thousands)	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 12,634	\$ 12,466	\$ 13,103
Work-in-process	960	856	1,129
Finished goods	<u>63,620</u>	<u>63,409</u>	<u>55,673</u>
Total	<u>\$ 77,214</u>	<u>\$ 76,731</u>	<u>\$ 69,905</u>

In accordance with ASC 606, the return reserve asset included within inventories was approximately \$492,000, \$613,000 and \$572,000 for the periods ending March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

7. IDENTIFIED INTANGIBLE ASSETS

A schedule of identified intangible assets is as follows:

(\$ in thousands)	Gross Amount	Accumulated Amortization	Carrying Amount
<u>March 31, 2020</u>			
Trademarks			
Wholesale	\$ 27,192	-	\$ 27,192
Retail	2,900	-	2,900
Patents	895	\$ 755	140
Total Intangibles	<u>\$ 30,987</u>	<u>\$ 755</u>	<u>\$ 30,232</u>

	Gross Amount	Accumulated Amortization	Carrying Amount
<u>December 31, 2019</u>			
Trademarks			
Wholesale	\$ 27,192	-	\$ 27,192
Retail	2,900	-	2,900
Patents	895	\$ 747	148
Total Intangibles	<u>\$ 30,987</u>	<u>\$ 747</u>	<u>\$ 30,240</u>

	Gross Amount	Accumulated Amortization	Carrying Amount
<u>March 31, 2019</u>			
Trademarks			
Wholesale	\$ 27,192	-	\$ 27,192
Retail	2,900	-	2,900
Patents	895	\$ 723	172
Customer Relationships	-	-	-
Total Intangibles	<u>\$ 30,987</u>	<u>\$ 723</u>	<u>\$ 30,264</u>

The weighted average life for our patents is 3.6 years.

A schedule of approximate amortization expense related to finite-lived intangible assets for the three months ended March 31, 2020 and 2019 is as follows:

(\$ in thousands)	Three Months Ended March 31,	
	2020	2019
Amortization expense	<u>\$ 8</u>	<u>\$ 9</u>

A schedule of approximate expected amortization expense related to finite-lived intangible assets for the years ending December 31, is as follows:

(\$ in thousands)	Amortization Expense
2020	\$ 31
2021	26
2022	22
2023	20
2024	17
2025	12
2026+	20

8. LONG-TERM DEBT

On February 13, 2019, we entered into a Revolving Credit, Guaranty, and Security Agreement (“Credit Agreement”) with the Huntington National Bank (“Huntington”) as administrative agent. The Credit Agreement provides for a new senior secured asset-based revolving credit facility up to a principal amount of \$75 million, which includes a sublimit for the issuance of letters of credit up to \$7.5 million (the “Credit Facility”). The Credit Facility may be increased up to an additional \$25 million at our request and the lenders’ option, subject to customary conditions. The Credit Agreement matures on February 13, 2024.

Revolver Pricing Level	Average Excess Revolver Availability for Previous Quarter	Applicable Spread Rates for Eurodollar Rate Revolving Advances	Applicable Spread Rates for Domestic Rate Revolving Advances
I	\$ 25,000,000+	1.00 %	(0.50)%
II	\$ 17,500,000 to < 25,000,000	1.25 %	(0.50)%
III	\$ 10,000,000 to < 17,500,000	1.50 %	(0.25)%
IV	\$ < 10,000,000	1.75 %	0.00 %

The total amount available under our Credit Facility is subject to a borrowing base calculation based on various percentages of accounts receivable and inventory. As of March 31, 2020, we had total capacity of \$60.3 million.

As of March 31, 2020, we had \$20.0 million in outstanding borrowings against the Credit Facility with an effective rate of 1.92%. As of December 31, 2019 and March 31, 2019, respectively, we had no outstanding borrowings against our Credit Facility.

Credit Facility Covenants

Our Credit Facility contains restrictive covenants which require us to maintain a fixed charge coverage ratio. These restrictive covenants are only in effect upon a triggering event taking place. Our Credit Facility contains restrictions on the amount of dividends that may be paid. During the three months ended March 31, 2020 and 2019, there were no triggering events and the covenant was not in effect.

9. TAXES

We are subject to tax examinations in various taxing jurisdictions. The earliest years open for examination are as follows:

Taxing Authority Jurisdiction:	Earliest Exam Year
U.S. Federal	2016
Various U.S. States	2015
Puerto Rico (U.S. Territory)	2014
Canada	2014

Our policy is to accrue interest and penalties on any uncertain tax position as a component of income tax expense. No such expenses were recognized during the three months ended March 31, 2020 and 2019. We do not believe there will be any material changes in our uncertain tax positions over the next 12 months.

Accounting for uncertainty in income taxes requires financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise’s financial statements. Under this guidance, income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of the standard. We did not have any unrecognized tax benefits and there was no effect on our financial condition or results of operations.

Our estimated effective tax rate was 21.0% for the three months ended March 31, 2020 and 2019, respectively.

10. EARNINGS PER SHARE

Basic earnings per share (“EPS”) is computed by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding during each period. The diluted earnings per share computation includes common share equivalents, when dilutive.

A reconciliation of the shares used in the basic and diluted income per common share computation for the three months ended March 31, 2020 and 2019 is as follows:

	(shares in thousands)	Three Months Ended March 31,	
		2020	2019
Basic - weighted average shares outstanding		7,351	7,382
Dilutive restricted share units		-	3
Dilutive stock options		35	49
Diluted - weighted average shares outstanding		7,386	7,434
Anti-dilutive securities		151	75

11. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the three months ended March 31, 2020 and 2019 was as follows:

	(\$ in thousands)	Three Months Ended March 31,	
		2020	2019
Interest paid	\$	19	72
Federal, state, and local income taxes paid, net	\$	-	3,476
Change in contract receivables, net	\$	2,195	817
Change in contract liabilities, net	\$	(2,195)	(817)
Property, plant, and equipment purchases in accounts payable	\$	1,308	520

12. SEGMENT INFORMATION

We have identified three reportable segments: Wholesale, Retail and Military. Wholesale includes sales of footwear and accessories to several classifications of retailers, including sporting goods stores, outdoor specialty stores, online retailers, independent retailers, mass merchants, retail uniform stores, and specialty safety shoe stores. Our Retail business includes direct sales of our products to consumers through our e-commerce websites, our Rocky outlet store, and Lehigh business. Military includes sales to the U.S. Military. The following is a summary of segment results for the Wholesale, Retail, and Military segments for the three months ended March 31, 2020 and 2019.

(\$ in thousands)	Three Months Ended	
	March 31,	
	2020	2019
NET SALES:		
Wholesale	\$ 34,986	\$ 42,389
Retail	16,890	15,439
Military	3,844	8,101
Total Net Sales	\$ 55,720	\$ 65,929
GROSS MARGIN:		
Wholesale	\$ 11,241	\$ 14,375
Retail	7,454	6,675
Military	625	1,928
Total Gross Margin	\$ 19,320	\$ 22,978

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**OVERVIEW**

COVID-19- We are monitoring and responding to the evolving nature of the global novel coronavirus pandemic (“COVID-19” or “pandemic”) and its impact to our global business. We are experiencing multiple challenges related to the pandemic and these challenges are anticipated to have an effect on our overall business for the remainder of fiscal 2020. Our most significant impacts from COVID-19 relate to channel shifts and a decrease in production. Our manufacturing facilities are experiencing varying levels of production impacts, including reduced volumes due to a decrease in demand, planned implementation of additional worker health precautions, worker absenteeism and government mandated temporary COVID-19 closures. The health and safety of our team members is our top priority and to protect our employees, we are implementing all measures recommended by the Centers for Disease Control and Prevention (“CDC”). We will continue to proactively manage the Company and its operations through the pandemic, however we cannot predict the ultimate impact that COVID-19 will have on our short- and long-term demand at this time, as it will depend on, among other things, the severity and duration of the COVID-19 pandemic. Our liquidity is expected to be adequate to continue to run our operations and meet our obligations as they become due.

RESULTS OF OPERATIONS

The following tables set forth, for the periods indicated, information derived from our Unaudited Condensed Consolidated Financial Statements, expressed as a percentage of net sales. The discussion that follows each table should be read in conjunction with our Unaudited Condensed Consolidated Financial Statements as well as our annual report on 10-K for the year ended December 31, 2019.

	Three Months Ended	
	March 31,	
	2020	2019
Net sales	100.0 %	100.0 %
Cost of goods sold	65.3	65.1
Gross margin	34.7	34.9
Operating expenses	32.0	28.0
Income from operations	2.6 %	6.8 %

Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019

	Three Months Ended			
	March 31,			
(\$ in thousands)	2020	2019	Inc./ (Dec.)	Inc./ (Dec.)
NET SALES:				
Wholesale	\$ 34,986	\$ 42,389	\$ (7,403)	(17.5)%
Retail	16,890	15,439	1,451	9.4
Military	3,844	8,101	(4,257)	(52.5)
Total Net Sales	\$ 55,720	\$ 65,929	\$ (10,209)	(15.5)%

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Wholesale sales decreased due to some early softness from the pull forward on certain deliveries ahead of price increases that went into effect on January 1, 2020. We also experienced a decrease due to COVID-19, as several states announced closures of all non-essential businesses and implemented stay-at-home directives, which cut back planned deliveries and replenishment orders.

Retail sales increased primarily due to our direct to consumer e-commerce business which we believe is attributable to both recent investments aimed at increasing traffic and conversion rates as well as an increase in online shopping due to the COVID-19 crisis

Military sales decreased in part due to less scheduled orders in the first quarter of 2020 as well as due to a temporary closure of our manufacturing facility in Puerto Rico because of the COVID-19 crisis.

(\$ in thousands)	Three Months Ended		
	March 31,		
	2020	2019	Inc./ (Dec.)
GROSS MARGIN:			
Wholesale Margin \$'s	\$ 11,241	\$ 14,375	\$ (3,134)
Margin %	32.1 %	33.9 %	(1.8)%
Retail Margin \$'s	\$ 7,454	\$ 6,675	\$ 779
Margin %	44.1 %	43.2 %	0.9 %
Military Margin \$'s	\$ 625	\$ 1,928	\$ (1,303)
Margin %	16.3 %	23.8 %	(7.5)%
Total Margin \$'s	\$ 19,320	\$ 22,978	\$ (3,658)
Margin %	34.7 %	34.9 %	(0.2)%

Wholesale gross margin decreased year over year due to adjustments related to the overhead and payroll expenses incurred during the temporary closure of our manufacturing facilities due to COVID-19. These expenses were partially offset by the employee retention credit tied to the CARES Act of 2020. The net effect of these expenses and credits were approximately \$664,000. On an adjusted basis, 2020 first quarter margins were 33.8%.

Retail gross margin increased as a higher percentage of our total retail sales were tied to our direct to consumer business which carries higher margins than our Lehigh business.

Military gross margin decreased year over year due to adjustments related to the overhead and payroll expenses incurred during the temporary closure of our manufacturing facilities due to COVID-19. These expenses were partially offset by the employee retention credit tied to the CARES Act of 2020. The net effect of these expenses and credits were approximately \$324,000. On an adjusted basis, 2020 first quarter margins increased to 26.5% as we continued to see stronger initial margins and better efficiencies at our Puerto Rico facility.

(\$ in thousands)	Three Months Ended March 31,			
	2020	2019	Inc./ (Dec.)	Inc./ (Dec.)
OPERATING EXPENSES:				
Operating Expenses	\$ 17,807	\$ 18,479	\$ (672)	(3.6)%
% of Net Sales	32.0 %	28.0 %	4.0 %	

The increase in operating expenses as a percentage of was due to revenue shortfalls tied to the impact of COVID-19

(\$ in thousands)	Three Months Ended March 31,			
	2020	2019	Inc./ (Dec.)	Inc./ (Dec.)
INCOME TAXES:				
Income Tax Expense	\$ 316	\$ 959	\$ (643)	(67.0)%
Effective Tax Rate	21.0 %	21.0 %	- %	

The effective tax rate remained at 21.0% for the first three months of 2020 and 2019, respectively

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of liquidity have been our income from operations and borrowings under our credit facility and other indebtedness.

Over the last several years our principal uses of cash have been for working capital and capital expenditures to support our growth. Our working capital consists primarily of trade receivables and inventory, offset by accounts payable and accrued expenses. Our working capital fluctuates throughout the year as a result of our seasonal business cycle and business expansion and is generally lowest in the months of January through March of each year and highest during the months of May through October of each year. We typically utilize our revolving credit facility to fund our seasonal working capital requirements. As a result, balances on our revolving credit facility can fluctuate significantly throughout the year.

Our capital expenditures relate primarily to projects relating to our corporate offices, property, merchandising fixtures, molds and equipment associated with our manufacturing and distribution operations and for information technology. Capital expenditures were \$2.3 million and \$1.6 million for the three months ended March 31, 2020 and 2019, respectively.

We lease certain machinery, a shoe center, and manufacturing facilities under operating leases that generally provide for renewal options.

We believe that our credit facility coupled with cash generated from operations will provide sufficient liquidity to fund our operations for at least the next twelve months. Our continued liquidity, however, is contingent upon future operating performance, cash flows and our ability to meet financial covenants under our credit facility. For more information regarding our credit facility please see Note 8.

Cash Flows

	(\$ in millions)	Three Months Ended	
		March 31,	
		2020	2019
Operating activities	\$	14.1	\$ 9.8
Investing activities		(3.4)	(1.8)
Financing activities		18.0	(0.6)
Net change in cash and cash equivalents	\$	28.7	\$ 7.4

Operating Activities. Cash provided by operating activities was primarily impacted by an increase in accounts payable and decreases in accounts receivable for the three months ended March 31, 2020. Cash provided by operating activities was primarily impacted by an increase in accounts payable and decrease in accounts receivable and inventory, partially offset by decreases in accrued and other liabilities for the three months ended March 31, 2019.

Investing Activities. Cash used in investing activities primarily related to investments in molds and equipment associated with our manufacturing operations, for information technology and for improvements to our distribution facility for the three months ended March 31, 2020 and 2019.

Financing Activities. Cash used in financing activities was primarily related to proceeds from the revolving credit facility, partially offset by payments of dividends on our common stock for the three months ended March 31, 2020. Cash used in financing activities was primarily related to the payments of dividends on our common stock for the three months ended March 31, 2019.

Inflation

Our financial performance is influenced by factors such as higher raw material costs as well as higher salaries and employee benefits. Management attempts to minimize or offset the effects of inflation through increased selling prices, productivity improvements, and cost reductions. We were able to mitigate the effects of inflation during 2019 due to these factors. It is anticipated that any inflationary pressures during 2020 could be offset through possible price increases.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company's Unaudited Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates these estimates. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Historically, actual results have not been materially different from the Company's estimates. However, actual results may differ materially from these estimates under different assumptions or conditions.

We have identified the critical accounting policies used in determining estimates and assumptions in the amounts reported in our Management Discussion and Analysis of Financial Conditions and Results of Operations in our 2019 Form 10-K.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES REFORM ACT OF 1995

This report, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, which are intended to be covered by the safe harbors created thereby. Those statements include, but may not be limited to, all statements regarding our and management’s intent, belief, and expectations, such as statements concerning our future profitability and our operating and growth strategy. Words such as “believe,” “anticipate,” “expect,” “will,” “may,” “should,” “intend,” “plan,” “estimate,” “predict,” “potential,” “continue,” “strategy,” “future,” “likely,” “would,” “could” and similar expressions are intended to identify forward-looking statements. Investors are cautioned that forward-looking statements contained in this Quarterly Report on Form 10-Q and in other statements we make involve risk and uncertainties including, without limitations, dependence on sales forecasts, changes in consumer demand and expectations, seasonality, impact of weather, competition, reliance on suppliers, risks inherent to international trade, changing retail trends, the loss or disruption of our manufacturing and distribution operations, cybersecurity breaches or disruption of our digital systems, fluctuations in foreign currency exchange rates, economic changes, as well as other factors set forth under the caption “Item 1A, Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019 (filed March 6, 2020), and other factors detailed from time to time in our filings with the Securities and Exchange Commission. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate. Therefore, there can be no assurance that the forward-looking statements included herein will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. We assume no obligation to update any forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes to our market risk as disclosed in Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2019.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our management, with the participation of our chief executive officer and chief financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 and 15d-15 promulgated under the Exchange Act. Based upon this evaluation, our chief executive officer and our chief financial officer concluded that, as of March 31, 2020, our disclosure controls and procedures were (1) designed to ensure that material information relating to our Company is accumulated and made known to our management, including our chief executive officer and chief financial officer, in a timely manner, particularly during the period in which this report was being prepared, and (2) effective, in that they provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Management believes, however, that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Changes in Internal Controls There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended March 31, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1A - RISK FACTORS

The COVID-19 outbreak has had, and may continue to have, an adverse impact on our business, financial condition and results of operations.

The World Health Organization declared the novel coronavirus (COVID-19), first identified in Wuhan, China, a pandemic in March 2020. Our business, financial condition and results of operations have been and are expected to continue to be adversely affected by the COVID-19 outbreak. The COVID-19 outbreak has affected nearly all regions of the world, and preventative measures taken to contain or mitigate the outbreak have caused, and are continuing to cause, business slowdown or shutdown in affected areas. This has and could continue to negatively affect the global economy, including reduced consumer spending and disruption of manufacturing and global supply chains. We cannot predict the degree to which our business, financial condition and results of operations will be affected by the COVID-19 pandemic, and the effects could be material. Potential impacts to our business, financial condition and results of operations include:

- Disruption to our supplier and third party manufacturing partners and vendors and logistics providers, including through the effects of facility closures, reductions in operating hours, labor shortages, and changes in operating procedures;
- Disruption to our own manufacturing, distribution, and general office facilities and operations, including through the effects of facility closures, reductions in operating hours, labor shortages, and changes in operating procedures, including for additional cleaning and disinfection procedures;
- Closure or reduced operations of brick and mortar retail stores and reductions in customer traffic, which adversely affects our wholesale channel;
- Lower performance of customers in our wholesale channel, which may result in reduction or cancellation of future orders

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- Closure or reduced operations of manufacturing and other facilities and businesses served by our Lehigh Custom Fit business, resulting in reductions in future orders, which adversely affects our retail channel;
- Reductions in consumer spending due to macroeconomic conditions caused by the COVID-19 pandemic, including decreased disposable income and increased unemployment, which may result in decreased sales.

The further spread of COVID-19, and the requirements to take action to help limit the spread of the illness, will impact our ability to carry out our business as usual and may materially adversely impact global economic conditions, our business, results of operations and financial condition.

There have been no additional material changes to our risk factors as disclosed in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None.

Use of Proceeds

Not applicable.

The following table sets forth information concerning the Company's purchases of common stock for the periods indicated:

<u>Period</u>	<u>Total number of shares (or units) purchased (1)</u>	<u>Average price paid per share (or units)</u>	<u>Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (2)</u>
January 1, 2020 - January 31, 2020	-	-	\$ 7,500,000
February 1, 2020 - February 29, 2020	-	-	7,500,000
March 1, 2020 - March 31, 2020	50,381	\$ 19.85	6,500,013
Total	<u>50,381</u>	<u>\$ 19.85</u>	<u>\$ 6,500,013</u>

- (1) The reported shares were repurchased pursuant to the Company's publicly announced stock repurchase authorizations.
- (2) The number shown represents, as of the end of each period, the maximum number of shares (approximate dollar value) of Common Stock that may yet be purchased under publicly announced stock repurchase authorizations. The shares may be purchased, from time-to-time, depending on market conditions.

On February 28, 2020, the Company announced a \$7,500,000 share repurchase plan. The repurchase program terminates on February 28, 2021. This program is replacing the \$7,500,000 share repurchase plan that was announced on March 4, 2019 that expired on February 28, 2020.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1*	Certification Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Principal Executive Officer
31.2*	Certification Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Principal Financial Officer
32**	Section 1350 Certification of Principal Executive Officer/Principal Financial Officer .
101*	Attached as Exhibits 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 formatted in XBRL ("eXtensible Business Reporting Language"): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (vi) related notes to these financial statements.

* Filed with this Report.

** Furnished with this Report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 7, 2020

ROCKY BRANDS, INC.

By: /s/THOMAS D. ROBERTSON
Thomas D. Robertson
Executive Vice President, Chief Financial
Officer and Treasurer
(Principal Financial and Accounting Officer and
Duly Authorized Officer)

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) OF THE PRINCIPAL EXECUTIVE OFFICER

I, Jason Brooks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rocky Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting ; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ Jason Brooks

Jason Brooks

Chief Executive Officer (Principal Executive Officer)

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) OF THE PRINCIPAL FINANCIAL OFFICER

I, Tom Robertson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rocky Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ Thomas D. Robertson

Thomas D. Robertson
Executive Vice President, Chief Financial
Officer and Treasurer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO RULE 13a - 14(b) AND
SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE
UNITED STATES CODE AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Rocky Brands, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to Section 1350 of Title 18 of the United States Code as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jason Brooks

Jason Brooks
Chief Executive Officer (Principal Executive Officer)
May 7, 2020

/s/ Thomas D. Robertson

Thomas D. Robertson
Executive Vice President, Chief Financial Officer and
Treasurer
(Principal Financial and Accounting Officer)
May 7, 2020
