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 June 30, 2023

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	**No. 31-1364046**
(State or other jurisdiction of incorporation or organization)	(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 7,366,201 shares of the Registrant's Common Stock outstanding on July 31, 2023.

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ITEM 1 – FINANCIAL STATEMENTS

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

	June 30, 2023	December 31, 2022	June 30, 2022
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	$ 3,082	$ 5,719	$ 5,802
Trade receivables – net	72,566	94,953	115,794
Contract receivables	2,990	-	-
Other receivables	2,225	908	224
Inventories – net	218,327	235,400	287,817
Income tax receivable	3,494	-	6,360
Prepaid expenses	5,522	4,067	5,216
Total current assets	308,206	341,047	421,213
LEASED ASSETS	9,362	11,014	10,376
PROPERTY, PLANT & EQUIPMENT – net	54,032	57,359	61,352
GOODWILL	47,844	50,246	50,246
IDENTIFIED INTANGIBLES – net	114,019	121,782	124,740
OTHER ASSETS	1,049	942	911
TOTAL ASSETS	$ 534,512	$ 582,390	$ 668,838
LIABILITIES AND SHAREHOLDERS' EQUITY:			
CURRENT LIABILITIES:			
Accounts payable	$ 61,225	$ 69,686	$ 130,246
Contract liabilities	2,990	-	-
Current Portion of Long-Term Debt	4,625	3,250	3,250
Accrued expenses:			
Salaries and wages	2,791	1,253	4,869
Taxes – other	922	1,325	1,674
Accrued freight	2,491	2,413	2,290
Commissions	844	1,934	1,428
Accrued duty	6,377	6,764	12,144
Accrued interest	2,345	2,822	2,705
Income tax payable	-	1,172	-
Other	5,756	5,675	5,693
Total current liabilities	90,366	96,294	164,299
LONG-TERM DEBT	217,114	253,646	281,365
LONG-TERM TAXES PAYABLE	169	169	169
LONG-TERM LEASE	6,804	8,216	7,636
DEFERRED INCOME TAXES	8,006	8,006	10,293
DEFERRED LIABILITIES	1,325	586	609
TOTAL LIABILITIES	323,784	366,917	464,371
SHAREHOLDERS' EQUITY:			
Common stock, no par value;			
25,000,000 shares authorized; issued and outstanding June 30, 2023 - 7,354,060; December 31, 2022 - 7,339,011; June 30, 2022 - 7,313,075	70,400	69,752	68,680
Retained earnings	140,328	145,721	135,787
Total shareholders' equity	210,728	215,473	204,467
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 534,512	$ 582,390	$ 668,838

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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
NET SALES	$ 99,822	$ 162,039	$ 210,267	$ 329,063
COST OF GOODS SOLD	62,250	108,288	128,936	212,486
GROSS MARGIN	37,572	53,751	81,331	116,577
OPERATING EXPENSES	35,370	48,155	74,974	97,785
INCOME FROM OPERATIONS	2,202	5,596	6,357	18,792
INTEREST EXPENSE AND OTHER INCOME/(EXPENSE) – net	(5,630)	(4,323)	(10,294)	(8,230)
(LOSS) INCOME BEFORE INCOME TAX EXPENSE	(3,428)	1,273	(3,937)	10,562
INCOME TAX (BENEFIT) EXPENSE	(713)	353	(823)	2,304
NET (LOSS) INCOME	$ (2,715)	$ 920	$ (3,114)	$ 8,258
(LOSS) INCOME PER SHARE				
Basic	$ (0.37)	$ 0.13	$ (0.42)	$ 1.13
Diluted	$ (0.37)	$ 0.12	$ (0.42)	$ 1.12
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	7,354	7,313	7,350	7,310
Diluted	7,354	7,389	7,350	7,400

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, 2021	7,302	$ 68,061	$ -	$ 129,794	$ 197,855
SIX MONTHS ENDED JUNE 30, 2022					
Net income				$ 7,338	$ 7,338
Dividends paid on common stock ($0.155 per share)				(1,133)	(1,133)
Repurchase of common stock	-	-		-	-
Stock issued for options exercised, including tax benefits	7	$ 145		-	145
Stock compensation expense	2	248		-	248
BALANCE - March 31, 2022	7,311	$ 68,454	$ -	$ 135,999	$ 204,453
Net income				$ 920	$ 920
Dividends paid on common stock ($0.155 per share)				(1,132)	(1,132)
Repurchase of common stock	-	-		-	-
Stock issued for options exercised, including tax benefits	-	-		-	-
Stock compensation expense	2	$ 226		-	226
BALANCE - June 30, 2022	7,313	$ 68,680	-	$ 135,787	$ 204,467
BALANCE - December 31, 2022	7,339	$ 69,752	-	$ 145,721	$ 215,473
SIX MONTHS ENDED JUNE 30, 2023					
Net loss				$ (398)	$ (398)
Dividends paid on common stock ($0.155 per share)				(1,141)	(1,141)
Repurchase of common stock	-	-		-	-
Stock issued for options exercised, including tax benefits	1	$ 8		-	8
Stock compensation expense	7	347		-	347
BALANCE - March 31, 2023	7,347	$ 70,107	$ -	$ 144,182	$ 214,289
Net loss				$ (2,715)	$ (2,715)
Dividends paid on common stock ($0.155 per share)				(1,139)	(1,139)
Repurchase of common stock	-	-		-	-
Stock issued for options exercised, including tax benefits	-	-		-	-
Stock compensation expense	7	$ 293		-	293
BALANCE - June 30, 2023	7,354	$ 70,400	$ -	$ 140,328	$ 210,728

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (3,114)	$ 8,258
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,527	5,847
Amortization of debt issuance costs	427	427
Provision for bad debts	312	785
Loss on disposal of assets	240	1
Gain on sale of business	(1,341)	-
Stock compensation expense	640	474
Change in assets and liabilities:		
Receivables	22,458	10,247
Contract receivables	(2,990)	1,062
Inventories	10,908	(54,958)
Other current assets	(1,455)	343
Other assets	1,546	6
Accounts payable	(10,076)	13,541
Accrued and other liabilities	(1,828)	8,528
Income taxes	(4,588)	(2,066)
Contract liabilities	2,990	(1,062)
Net cash provided by (used in) operating activities	19,656	(8,567)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(1,738)	(3,565)
Proceeds from sale of business	17,300	-
Net cash provided by (used in) investing activities	15,562	(3,565)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facility	26,399	20,820
Repayments on revolving credit facility	(36,750)	(5,050)
Repayments on term loan	(25,232)	(1,625)
Proceeds from stock options	8	145
Dividends paid on common stock	(2,280)	(2,265)
Net cash (used in) provided by financing activities	(37,855)	12,025
DECREASE IN CASH AND CASH EQUIVALENTS	(2,637)	(107)
CASH AND CASH EQUIVALENTS:		
BEGINNING OF PERIOD	5,719	5,909
END OF PERIOD	$ 3,082	$ 5,802

See 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, Lehigh, The Original Muck Boot Company ("Muck"), XTRATUF and Ranger. 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, military and western. 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 normal and recurring nature. The results of operations for the three and six months ended June 30, 2023 and 2022 are not necessarily indicative of the results to be expected for the whole year. The December 31, 2022 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, 2022, which includes all disclosures required by GAAP.

2. ACCOUNTING STANDARDS UPDATES

Accounting Standards Adopted in the Current Year

Standard	Description	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.	We adopted the new standard in Q1 2023 and the standard has not had a significant impact on our Consolidated Financial Statements year to date.

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, 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 credit facilities is categorized as Level 2.

We hold assets and liabilities in a separate trust in connection with deferred compensation plans. The fair value of these assets is based on unadjusted quoted market prices for the funds in active markets with sufficient volume and frequency (Level 1).

4. SALE OF SERVUS BRAND AND RELATED ASSETS

On March 30, 2023, we completed the sale of the Servus brand and related assets to PQ Footwear, LLC and Petroquim S.R.L. (collectively "the Buyer"). Total consideration for this transaction was approximately $19.0 million, of which $17.3 million was received at closing. The remaining $1.7 million will be paid out in accordance with the purchase agreement. The sale of the Servus brand included the sale of inventory, fixed assets, customer relationships, tradenames, and goodwill, all of which related to our Wholesale segment. In connection with the sale of the Servus brand we also are licensing the rights to certain proprietary processes to the Buyer. We recorded a gain on the sale of Servus of approximately $1.3 million which is recorded within Interest Expense and Other Income/(Expense) - net on the accompanying unaudited condensed consolidated statement of operations for the six months ended June 30, 2023.

5. SALE OF NEOS BRAND AND RELATED ASSETS

On September 30, 2022, we completed the sale of the NEOS brand and related assets to certain entities controlled by SureWerx pursuant to terms of an asset purchase agreement dated September 30, 2022. Total consideration for this transaction was approximately $5.8 million, of which $5.5 million was received at closing. The remaining $0.3 million was deposited in escrow and will be managed and paid out in accordance with the terms of the asset purchase agreement and the escrow agreement. The sale of NEOS brand included the sale of inventory, fixed assets, customer relationships, tradenames, all of which related to our Wholesale segment.

6. REVENUE

Nature of Performance Obligations

Our products are distributed through three distinct channels, which represent our business segments: Wholesale, Retail, and Contract Manufacturing. In our Wholesale business, we distribute our products through a wide range of distribution channels representing over 10,000 retail store locations in the U.S., Canada, and internationally, mainly Europe. Our Wholesale channels vary by product line and include sporting goods stores, outdoor specialty stores, online retailers, marine stores, 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 Outdoor Gear Store, and Lehigh businesses. We also sell footwear under the Rocky Brands 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 June 30, 2023. 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 of 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. See Note 7 and Note 8 for additional information.

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

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

Current 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 and other customers.

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.

($ in thousands)	June 30, 2023	December 31, 2022	June 30, 2022
Contract liabilities	$ 2,990	$ -	$ -

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

($ in thousands)	Contract liabilities
Balance, December 31, 2022	-
Non-cancelable contracts with customers entered into during the period	$ 2,990
Revenue recognized related to non-cancelable contracts with customers during the period	-
Balance, June 30, 2023	$ 2,990

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 15 for segment disclosures.

7. TRADE RECEIVABLES

Trade receivables are presented net of the related allowance for uncollectible accounts of approximately $3.2 million, $3.5 million and $2.6 million at June 30, 2023, December 31, 2022 and June 30, 2022, respectively. We record the allowance based on a data-driven approach, including historical experience, the age of the receivables, receivable insurance status, 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 $1.7 million, $2.1 million and $1.3 million at June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

8. INVENTORY

Inventories are comprised of the following:

($ in thousands)	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	$ 17,671	$ 16,541	$ 22,214
Work-in-process	1,427	933	1,793
Finished goods	199,229	217,926	263,810
Total	$ 218,327	$ 235,400	$ 287,817

In accordance with ASC 606, the return reserve allowance included within inventories was approximately $1.0 million, $1.1 million and $0.7 million at June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

9. GOODWILL

Goodwill represents the excess of the purchase price over the fair value of net tangible and identifiable intangible assets of acquired businesses. Goodwill arose from our acquisition of the performance and lifestyle footwear business of Honeywell International Inc. on March 15, 2021 (the "Acquisition"). The Acquisition expanded our brand portfolio to include the Muck, XTRATUF, Servus (see Note 4), NEOS (See Note 5) and Ranger brands (the "Acquired Brands"). Goodwill largely consists of the workforce acquired, expected cost synergies and economies of scale resulting from the business combination. The amount of goodwill that is expected to be deductible for tax purposes is $47.0 million.

GAAP has established guidance for reporting information about a company's operating segments, including disclosures related to a company's products and services, geographic areas and major customers. We monitor and review our segment reporting structure in accordance with authoritative guidance to determine whether any changes have occurred that would impact our reportable segments, as well as our reporting units. As previously stated, our operations represent three reporting segments: Wholesale, Retail and Contract Manufacturing. Goodwill impairment analysis will be performed for our Wholesale and Retail reporting segments. There is no goodwill allocated to our Contract Manufacturing segment. Of total goodwill, $23.0 million was allocated to our Wholesale segment and $24.8 million was allocated to our Retail segment.

Goodwill is subject to impairment tests at least annually. We review the carrying amounts of goodwill by reporting unit at least annually, or when indicators of impairment are present, to determine if goodwill may be impaired. We include assumptions about the expected future operating performance as part of a discounted cash flow analysis to estimate fair value. If the carrying value of these assets is not recoverable, based on the discounted cash flow analysis, management compares the fair value of the assets to the carrying value. Goodwill is considered impaired if the recorded value exceeds the fair value.

We may first assess qualitative factors to determine whether it is more likely than not that the fair value of goodwill is less than its carrying value. We would not be required to quantitatively determine the fair value of goodwill unless we determine, based on the qualitative assessment, that it is more likely than not that its fair value is less than the carrying value. Future cash flows of the individual indefinite-lived intangible assets are used to measure their fair value after consideration of certain assumptions, such as forecasted growth rates and cost of capital, which are derived from internal projection and operating plans. We perform our annual testing for goodwill at the beginning of the fourth quarter of each fiscal year.

10. IDENTIFIED INTANGIBLE ASSETS

A schedule of identified intangible assets is as follows:

($ in thousands)	Gross Amount	Accumulated Amortization	Carrying Amount
June 30, 2023			
Trademarks			
Wholesale (1)	$ 69,439	-	$ 69,439
Retail	9,220	-	9,220
Patents	895	$ 836	59
Customer relationships (2)	41,659	6,358	35,301
Total Intangibles	$ 121,213	$ 7,194	$ 114,019

(1) Servus trademarks were reduced from approximately $2.5 million to zero at March 30, 2023 as a result of the sale of the Servus brand (see Note 4).

(2) Customer relationships relating to the Servus brand of approximately $4.3 million and related amortization of approximately $0.6 million was reduced to zero at March 30, 2023 as a result of the sale of the Servus brand (see Note 4).

($ in thousands)	Gross Amount	Accumulated Amortization	Carrying Amount
December 31, 2022			
Trademarks			
Wholesale (1)	$ 71,979	-	$ 71,979
Retail	9,220	-	9,220
Patents	895	$ 826	69
Customer relationships (2)	46,006	5,492	40,514
Total Intangibles	$ 128,100	$ 6,318	$ 121,782

(1) NEOS trademarks were reduced from approximately $0.6 million to zero at December 31, 2022 as a result of the sale of the NEOS brand (see Note 5).

(2) Customer relationships relating to the NEOS brand of approximately $0.9 million and related amortization of approximately $0.1 million was reduced to zero at December 31, 2022 as a result of the sale of the NEOS brand (see Note 5).

($ in thousands)	Gross Amount	Accumulated Amortization	Carrying Amount
June 30, 2022			
Trademarks			
Wholesale	$ 72,579	-	$ 72,579
Retail	9,220	-	9,220
Patents	895	$ 815	80
Customer relationships	46,900	4,039	42,861
Total Intangibles	$ 129,594	$ 4,854	$ 124,740

The weighted average life for our patents is 6.9 years.

A schedule of approximate amortization expense related to finite-lived intangible assets for the three and six months ended June 30, 2023 and 2022 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2023	2022	2023	2022
Amortization expense	$ 697	$ 788	$ 1,478	$ 1,575

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

($ in thousands)	Amortization Expense
2023	$ 1,394
2024	2,785
2025	2,781
2026	2,778
2027	2,776
2028	2,772
2029+	20,074

11.LONG-TERM DEBT

On March 15, 2021, we entered into a senior secured term loan facility ("Term Facility") with TCW Asset Management Company, LLC (TCW), as agent, for the lenders party thereto in the amount of $130 million. The Term Facility provided for quarterly payments of principal and bore interest of LIBOR plus 7.00% through June 30, 2021. After this date, interest is assessed quarterly based on our total leverage ratio. The total leverage ratio is calculated as (a) Total Debt to (b) EBITDA. If our total leverage ratio is greater than or equal to 3.50, the effective interest rate will be SOFR plus 7.50% (or at our option, Prime Rate plus 6.50%). If our total leverage ratio is less than 3.50 but greater than 3.00, the effective interest rate will be SOFR plus 7.00% (or at our option, Prime Rate plus 6.00%). If our total leverage ratio is less than 3.00, the effective interest rate will be SOFR plus 6.50% (or at our option, Prime Rate plus 5.50%). The Term Facility also has a SOFR floor rate of 1.00%. In June 2022, we entered into a second amendment with TCW to further amend our Term Facility to consent to the modifications in our borrowing capacity under the ABL Facility as described below, and to adjust certain pricing and prepayment terms, among other things. The second amendment also modified the interest index to provide the use of SOFR to calculate interest rather than LIBOR. The effective interest rate was increased to SOFR plus 7.50% through November 2022. In November 2022, the Term Facility was amended to increase the effective interest rate to SOFR plus 7.00% until June 2023 and to provide certain EBITDA adjustments with respect to financial covenants, among other things. In May 2023, we entered into a fourth amendment with TCW to further amend our Term Facility to provide certain EBITDA adjustments in respect of the financial covenants, adjust the method to calculate total debt, continue certain pricing terms, extend certain prepayment terms, and pay such lenders certain amendment fees, among other things.

Our Term Facility is collateralized by a second-lien on accounts receivable, inventory, cash and related assets and a first-lien on substantially all other assets. The Term Facility matures on March 15, 2026.

On March 15, 2021, we also entered into a senior secured asset-based credit facility ("ABL Facility") with Bank of America, N.A. ("Bank of America") as agent, for the lenders party thereto. The ABL Facility provides a new senior secured asset-based revolving credit facility up to a principal amount of $150 million, which includes a sub-limit for the issuance of letters of credit up to $5 million. The ABL Facility may be increased up to an additional $50 million at the Borrowers' request and the Lenders' option, subject to customary conditions. In June 2022, we further amended our ABL Facility to temporarily increase our borrowing capacity to $200 million through December 31, 2022, which thereafter will be reduced to $175 million. In November 2022, we entered into a third amendment to our ABL Facility to provide certain EBITDA adjustments with respect to our financial covenants. The ABL Facility includes a separate first in, last out (FILO) tranche, which allows the Company to borrow at higher advance rates on eligible accounts receivables and inventory balances. As of June 30, 2023, we had borrowing capacity of $26.9 million.

The ABL Facility is collateralized by a first-lien on accounts receivable, inventory, cash and related assets and a second-lien on substantially all other assets. The ABL Facility matures on March 15, 2026. Interest on the ABL Facility is based on the amount available to be borrowed as set forth on the following chart:

Revolver Pricing Level	Average Availability as a Percentage of Commitments	Base Rate	Term SOFR Loan	Base Rate for FILO	Term SOFR FILO Loans
I	> 66.7%	0.00%	1.25%	0.50%	1.75%
II	>33.3% and < or equal to 66.7%	0.00%	1.50%	0.50%	2.00%
III	< or equal to 33.3%	0.25%	1.75%	0.75%	2.25%

In connection with the Term Facility and ABL Facility, we had to pay certain fees that were capitalized and will be amortized over the life of each respective loan. In addition, the ABL Facility requires us to pay an annual collateral management fee in the amount of $75,000 due on each anniversary of the ABL Facility issuance date, until it matures.

Current and long-term debt consisted of the following:

($ in thousands)	June 30, 2023	December 31, 2022	June 30, 2022
Term Facility that matures in 2026 with an effective interest rate of 12.77%, 12.14% and 9.06% as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively	$ 91,100	$ 116,332	$ 125,938
ABL Facility that matures in 2026:			
SOFR borrowings with an effective interest rate of 5.06%, 5.47% and 3.88% as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively	130,213	140,000	155,726
Prime borrowings with an effective interest rate of 8.25%, 7.27% and 5.00% as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively	2,737	3,301	6,115
Total debt	224,050	259,633	287,779
Less: Unamortized debt issuance costs	(2,311)	(2,737)	(3,164)
Total debt, net of debt issuance costs	221,739	256,896	284,615
Less: Debt maturing within one year	(4,625)	(3,250)	(3,250)
Long-term debt	$ 217,114	$ 253,646	$ 281,365

Credit Facility Covenants

The Term Facility contains restrictive covenants which require us to maintain a maximum total leverage ratio and a minimum fixed charge coverage ratio, as defined in the Term Facility agreement. We are in compliance with all credit facility covenants as of June 30, 2023, December 31, 2022 and June 30, 2022.

Our ABL Facility contains a restrictive covenant which requires us to maintain a fixed charge coverage ratio upon a triggering event taking place (as defined in the ABL Facility agreement). During the three and six months ended June 30, 2023 and 2022, there were no triggering events and the covenant was not in effect.

Both the Term Facility and the ABL Facility contain restrictions on the amount of dividend payments.

12. TAXES

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

	Earliest Exam Year
Taxing Authority Jurisdiction:	
U.S. Federal	2019
Various U.S. States	2018
Puerto Rico (U.S. Territory)	2018
Canada	2018
China	2019
Mexico	2021
United Kingdom	2021
Australia	2021

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 and six months ended June 30, 2023 and 2022. 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 rates for the three and six months ended June 30, 2023 and 2022 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Effective Tax Rate	20.8%	27.7%	20.9%	21.8%

13. 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 and six months ended June 30, 2023 and 2022 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(shares in thousands)	2023	2022	2023	2022
Basic - weighted average shares outstanding	7,354	7,313	7,350	7,310
Dilutive stock options(1) (2)	-	76	-	90
Diluted - weighted average shares outstanding(1) (2)	7,354	7,389	7,350	7,400
Anti-dilutive securities	283	104	283	299

(1) Due to a loss for the three months ended June 30, 2023, zero dilutive stock options are included for the period because the effect would be antidilutive.

(2) Due to a loss for the six months ended June 30, 2023, zero dilutive stock options are included for the period because the effect would be antidilutive.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the six months ended June 30, 2023 and 2022 was as follows:

	Six Months Ended June 30,	
($ in thousands)	2023	2022
Interest paid	$ 4,244	$ 4,566
Federal, state, and local income taxes paid, net	$ 3,889	$ 4,047
Change in contract receivables, net	$ (2,990)	$ 1,062
Change in contract liabilities, net	$ 2,990	$ (1,062)
Property, plant, and equipment purchases in accounts payable	$ 1,114	$ 2,073

15. SEGMENT INFORMATION

We have identified three reportable segments: Wholesale, Retail and Contract Manufacturing. Our Wholesale segment includes sales of footwear and accessories to several classifications of retailers, including sporting goods stores, outdoor specialty stores, online retailers, marine stores, independent retailers, mass merchants, retail uniform stores, and specialty safety shoe stores. Our Retail segment includes direct sales of our products to consumers through our e-commerce websites, our Rocky Outdoor Gear Store, and Lehigh businesses. Our Contract Manufacturing segment includes sales to the U.S. Military, private label sales and any sales to customers in which we are contracted to manufacture or source a specific footwear product for a customer. The following is a summary of segment results for the Wholesale, Retail and Contract Manufacturing segments for the three and six months ended June 30, 2023 and 2022.

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2023	2022	2023	2022
NET SALES:				
Wholesale	$ 71,462	$ 131,155	$ 151,513	$ 265,116
Retail	25,082	26,015	54,592	54,641
Contract Manufacturing	3,278	4,869	4,162	9,306
Total Net Sales	$ 99,822	$ 162,039	$ 210,267	$ 329,063
GROSS MARGIN:				
Wholesale	$ 25,176	$ 40,509	$ 54,485	$ 88,768
Retail	12,219	12,730	26,598	26,578
Contract Manufacturing	177	512	248	1,231
Total Gross Margin	$ 37,572	$ 53,751	$ 81,331	$ 116,577

16. RESTRUCTURING CHARGES

In April 2023 and June 2022, we completed cost savings reviews aimed at operating efficiencies to better position us for profitable growth. We identified a number of operational synergies and cost savings opportunities, including a reduction in workforce. These restructuring charges are recorded within Operating Expenses on the accompanying unaudited condensed consolidated statement of operations.

During the six months ended June 30, 2023 and 2022, the following activity was recorded:

	Employee Severance, Benefits and Related Costs For the Six Months Ended June 30,	
($ in thousands)	2023	2022
Accrued expenses, beginning of period	$ 381	-
Restructuring charges	1,034	$ 1,201
Cash payments	(314)	(100)
Accrued expenses, end of period	$ 1,101	$ 1,101

17. COMMITMENTS AND CONTINGENCIES

Litigation

We are currently party to litigation with a manufacturing supplier. While it is not possible to predict the outcome of this litigation with certainty, we do not anticipate the resolution will have a material, adverse impact on our financial position. We believe that the likelihood of the resolution being materially adverse to our financial statements is remote and as such have not recorded any contingent liabilities within the accompanying Consolidated Financial Statements. In addition, we have not recorded any potential favorable resolution to the litigation due in accordance with ASC 450- 30, Gain Contingencies.

Gain Contingency

In June 2022, we became aware of a misclassification of Harmonized Tariff Schedule (HTS) codes filed with the U.S. Customs and Border Protection (U.S. Customs) on certain products imported into the U.S. associated with the Acquired Brands during 2021 and 2022. As a result of the misclassification of HTS codes we have paid duties in excess of the required amount. We are in the process of filing multiple post summary corrections with U.S. Customs to seek refunds of duties paid in excess of the correct HTS codes. We have the potential to recover th e total amount of overpaid duties resulting in a potential refund of approximately $7.7 million, of which we have received $3.2 million in refunds during the year ended December 31, 2022 and $1.9 million in refunds during the six months ended June 30, 2023. We are accounting for these post summary corrections as a gain contingency, and as such have not recorded these potential refunds within the accompanying unaudited condensed consolidated balance sheet due to uncertainty of collection. Refunds received will be recognized as a reduction to the cost of goods sold when, and if, the refunds are received.

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

OVERVIEW

During the second quarter of 2023, we experienced a decline in sales for our brands and an increase in gross margin as a percentage of net sales. The decline in net sales during the second quarter of 2023 was due to a difficult macroeconomic backdrop coupled with overall elevated inventory levels for many of our retail partners. In addition, distribution challenges in 2021 resulted in late delivery of Fall 2021 inventory into the first half of 2022, causing a spike in orders in the such year period and creating a difficult year-over-year comparison. Lastly, the first six months of 2022 included NEOS brand net sales, which we divested in the third quarter of 2022 as well as Servus brand net sales which we divested in first quarter 2023.

The increase in gross margin as a percentage of net sales was due to the realization of pricing actions taken in the second half of 2022. Furthermore, we saw a larger mix of Retail segment sales, which carry higher margins than our Wholesale and Contract Manufacturing segments, as well as lower in-bound logistics costs compared to the year ago period, which both in part attributed to the higher margins in the second quarter of 2023.

During the second quarter of 2023, we experienced a decrease in our operating expenses which was driven by a decrease in variable expenses associated with lower sales and improved distribution center efficiencies compared with the year ago period. In addition, we saw a decrease in discretionary spending and a leaner operating structure in the second quarter of 2023 compared to the year ago period.

We completed the sale of the Servus brand during the first quarter of 2023. The gain of approximately $1.3 million on the sale of Servus is recorded in Interest Expense and Other Income/(Expense) - net within the Unaudited Condensed Consolidated Statement of Operations for the six months ended June 30, 2023. The Servus brand was sold to allow us to focus on our more profitable core brands and allocate resources toward growth and development of additional opportunities with those brands moving forward.

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 Form 10-K for the year ended December 31, 2022.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	62.4	66.8	61.3	64.6
Gross margin	37.6	33.2	38.7	35.4
Operating expenses	35.4	29.7	35.7	29.7
Income from operations	2.2%	3.5%	3.0%	5.7%

Three Months Ended June 30, 2023 compared to Three Months Ended June 30, 2022

	Three Months Ended June 30,			
($ in thousands)	2023	2022	Inc./ (Dec.)	Inc./ (Dec.)
NET SALES:				
Wholesale	$ 71,462	$ 131,155	$ (59,693)	(45.5)%
Retail	25,082	26,015	(933)	(3.6)
Contract Manufacturing	3,278	4,869	(1,591)	(32.7)
Total Net Sales	$ 99,822	$ 162,039	$ (62,217)	(38.4)%

The decrease in Wholesale sales in the second quarter of 2023 was due to elevated inventory levels at our retail partners within our Wholesale channel and distribution challenges in 2021 resulting in the late delivery of Fall 2021 inventory into the first half of 2022, causing a spike in orders in such prior year period and creating a difficult year-over-year comparison.

The decrease in Retail net sales for the three months ended June 30, 2023 compared to the same period last year was primarily due to a decline in our branded e-Commerce and Marketplace businesses due to a difficult comparison with the prior year period. In the second quarter of 2022, our newly opened Reno distribution facility began shipping e-Commerce and Marketplace orders which had pent up demand.

Contract Manufacturing sales decreased in the second quarter of 2023 compared to the second quarter of 2022 due to the expiration of certain contracts with the U.S. Military.

($ in thousands)	Three Months Ended June 30, 2023	2022	Inc./ (Dec.)
GROSS MARGIN:			
Wholesale Margin $'s	$ 25,176	$ 40,509	$ (15,333)
Margin %	*35.2%*	*30.9%*	*4.3%*
Retail Margin $'s	$ 12,219	$ 12,730	$ (511)
Margin %	*48.7%*	*48.9%*	*(0.2)%*
Contract Manufacturing Margin $'s	$ 177	$ 512	$ (335)
Margin %	*5.4%*	*10.5%*	*(5.1)%*
Total Margin $'s	$ 37,572	$ 53,751	$ (16,179)
Margin %	*37.6%*	*33.2%*	*4.4%*

The increase in Wholesale gross margin as a percentage of net sales for the quarter ended June 30, 2023 compared to the year ago period was primarily due to the realization of pricing actions taken in the second half 2022 as well as lower in-bound logistics costs compared to the year ago period.

Retail gross margin as a percentage of net sales decreased slightly for the three months ended June 30, 2023 compared to the same period a year ago primarily due to the Lehigh business accounting for a larger percentage of Retail sales which carries lower margins.

Contract Manufacturing gross margin as a percentage of net sales decreased in the second quarter of 2023 compared to the second quarter of 2022 due to certain private label contracts that carried lower margins.

($ in thousands)	Three Months Ended June 30, 2023	2022	Inc./ (Dec.)	Inc./ (Dec.)
OPERATING EXPENSES:				
Operating Expenses	$ 35,370	$ 48,155	$ (12,785)	(26.5)%
% of Net Sales	*35.4%*	*29.7%*	*5.7%*	

On an adjusted basis to exclude $0.7 million of Acquisition-related amortization and $1.0 million of restructuring costs in the second quarter of 2023, and $1.2 million of restructuring costs and $0.9 million in Acquisition-related amortization and integration expenses in the second quarter of 2022, adjusted operating expenses were $33.6 million in the current year period and $46.0 million in the year ago period. The decrease in operating expenses in the second quarter of 2023 compared to the second quarter of 2022 was driven by a decrease in variable expenses associated with lower sales and improved distribution center efficiencies compared with the year ago period. In addition, we saw a decrease in discretionary spending and a leaner operating structure in the second quarter of 2023 compared to the year ago period. As a percentage of net sales, the increase in operating expenses was attributable to deleveraging topline sales compared to the year ago period.

($ in thousands)	Three Months Ended June 30, 2023	2022	Inc./ (Dec.)	Inc./ (Dec.)
INCOME TAXES:				
Income Tax (Benefit) Expense	$ (713)	$ 353	$ (1,066)	(302.0)%
Effective Tax Rate	*20.8*%	*27.7%*	*(6.9)*%	

The decrease in our effective tax rate in the second quarter of 2023 compared to the same year ago period was due to changes in our projected income generated from our international business for fiscal year 2023 compared to fiscal year 2022.

Six Months Ended June 30, 2023 compared to Six Months Ended June 30, 2022

($ in thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Inc./ (Dec.)	Inc./ (Dec.)
NET SALES:				
Wholesale	$ 151,513	$ 265,116	$ (113,603)	(42.9)%
Retail	54,592	54,641	(49)	(0.1)
Contract Manufacturing	4,162	9,306	(5,144)	(55.3)
Total Net Sales	$ 210,267	$ 329,063	$ (118,796)	(36.1)%

The decrease in Wholesale sales for the six months ended June 30, 2023 was due to elevated inventory levels at our retail partners within our Wholesale channel and a softer demand environment compared to the year ago period. In addition, distribution challenges in 2021 resulted in late delivery of Fall 2021 inventory into the first half of 2022, causing a spike in orders in the year ago period and creating a tough year-over-year comparison.

Retail net sales decreased for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to a decline in our branded e-Commerce and Marketplace businesses due to a difficult comparison with the prior year period. In the second quarter of 2022, our newly opened Reno distribution facility began shipping e-Commerce and Marketplace orders which had pent up demand.

The decrease in Contract Manufacturing sales for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 was due to the expiration of certain contracts with the U.S. Military.

($ in thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Inc./ (Dec.)
GROSS MARGIN:			
Wholesale Margin $'s	$ 54,485	$ 88,768	$ (34,283)
Margin %	*36.0%*	*33.5%*	*2.5%*
Retail Margin $'s	$ 26,598	$ 26,578	$ 20
Margin %	*48.7%*	*48.6%*	*0.1%*
Contract Manufacturing Margin $'s	$ 248	$ 1,231	$ (983)
Margin %	*6.0%*	*13.2%*	*(7.2)%*
Total Margin $'s	$ 81,331	$ 116,577	$ (35,246)
Margin %	*38.7%*	*35.4%*	*3.3%*

The increase in Wholesale gross margin as a percentage of net sales for the six months ended June 30, 2023 compared to the year ago period was due to realization of pricing actions taken in 2022 as well as lower in-bound logistics costs compared to the year ago period.

Retail gross margin as a percentage of net sales for the six months ended June 30, 2023 remained relatively consistent with the year ago period.

Contract Manufacturing gross margin as a percentage of net sales decreased for the six months ended June 30, 2023 compared to the same period a year ago due to certain private label contracts that carried lower margins.

($ in thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Inc./ (Dec.)	Inc./ (Dec.)
OPERATING EXPENSES:				
Operating Expenses	$ 74,974	$ 97,785	$ (22,811)	(23.3)%
% of Net Sales	*35.7%*	*29.7%*	*6.0%*	

On an adjusted basis to exclude $1.5 million of Acquisition-related amortization for the six months ended June 30, 2023 and $1.2 million of restructuring costs and $2.0 million in Acquisition-related amortization and integration expenses for the six months ended June 30, 2022, adjusted operating expenses were $73.5 million in the current year period and $94.6 million in the year ago period. The decrease in operating expenses for the six months ended June 30, 2023 was driven by a decrease in variable expenses associated with lower sales and improved distribution center efficiencies compared with the year ago period. In addition, we saw a decrease in discretionary spending and a leaner operating structure in the second quarter of 2023 compared to the year ago period. As a percentage of net sales, the increase in operating expenses is attributable to deleveraging topline sales compared to the year ago period.

($ in thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Inc./ (Dec.)	Inc./ (Dec.)
INCOME TAXES:				
Income Tax (Benefit) Expense	$ (823)	$ 2,304	$ (3,127)	(135.7)%
Effective Tax Rate	*20.9%*	*21.8%*	*(0.9)%*	

The decrease in our effective tax rate for the six months ended June 30, 2023 compared to the same year ago period was due to changes in our projected income generated from our international business for fiscal year 2023 compared to fiscal year 2022.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of liquidity have been our income from operations and income from the sale of Servus during the six months ended June 30, 2023.

During the six months ended June 30, 2023, our primary use of cash was payments on our credit facilities. Our working capital consists primarily of trade receivables and inventory, offset by short-term debt and accounts payable. 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 $5.5 million for the six months ended June 30, 2023 and 2022, respectively.

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

We believe that our ABL Facility, coupled with cash generated from operations will provide sufficient liquidity to fund our operations and debt obligations 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 see Note 11.

Cash Flows

	Six Months Ended June 30,	
($ in millions)	2023	2022
Operating activities	$ 19.7	$ (8.6)
Investing activities	15.6	(3.5)
Financing activities	(37.9)	12.0
Net change in cash and cash equivalents	$ (2.6)	$ (0.1)

Operating Activities. Cash provided by operating activities for the six months ended June 30, 2023 was primarily impacted by a decrease in inventory and trade receivables offset by a decrease in accounts payable. Cash used in operating activities for the six months ended June 30, 2022 was primarily used to purchase inventory.

Investing Activities. Cash provided by investing activities for the six months ended June 30, 2023 was primarily related to the sale of the Servus brand. See Note 4. Cash used in investing activities for the six months ended June 30, 2022 was primarily related to the purchase of investments in molds and equipment associated with our manufacturing operations, information technology, and improvements to our distribution facility.

Financing Activities. Cash used in financing activities for the six months ended June 30, 2023 was primarily related to payments on our revolving credit facility and term loan. Cash provided by financing activities for the six months ended June 30, 2022 was primarily related to proceeds on our revolving credit facility.

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 Annual Report on Form 10-K for the year ended December 31, 2022.

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," "likely," "would," "could" and similar expressions are intended to identify forward-looking statements. Investors are cautioned that forward-looking statements involve risk and uncertainties including, without limitations, dependence on sales forecasts, changes in consumer demand, 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, 2022 (filed March 10, 2023) and Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 (filed May 10, 2023), 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, 2022.

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 June 30, 2023, 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 have been no material changes 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 June 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II -- OTHER INFORMATION

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

Unregistered Sales of Equity Securities

None.

Use of Proceeds

Not applicable.

Our shareholder repurchase program expired on March 4, 2022.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1***	Fourth Amendment to the Loan and Security Agreement, date May 9, 2023, between the Company, TCW Asset Management Company LLC and other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report of Form 8-K dated May 9, 2023 and filed on May 10, 2023).
10.2***	Fourth Amendment to ABL Loan and Security Agreement, dated May 19, 2023, between the Company, Bank of America, N.A. and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 19, 2023 and filed on May 24, 2023.Fourth Amendment to ABL Loan and Security Agreement, dated May 19, 2023, between the Company, Bank of America, N.A. and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 19, 2023 and filed on May 24, 2023.
10.3*	Fifth Amendment to the Loan and Security Agreement, effective as of May 10, 2023, between the Company, TCW Asset Management Company LLC and other lenders party thereto.
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 June 30, 2023 formatted in Inline XBRL ("eXtensible Business Reporting Language"): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Shareholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) related notes to these financial statements.
104*	Cover Page Interactive Data File, formatted in Inline XBRL and contained in Exhibit 101

* Filed with this Report.
** Furnished with this Report.
*** Exhibits and schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant hereby undertakes to furnish copies of any of the omitted schedules or exhibits upon request of the U.S. Securities and Exchange Commission

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.

ROCKY BRANDS, INC.

Date: August 9, 2023

By: /s/ SARAH O'CONNOR
Sarah O'Connor
Senior Vice President Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer and Duly Authorized Officer)

FIFTH AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS FIFTH AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Agreement"), is made effective as of May 10, 2023 by and among **ROCKY BRANDS, INC.**, an Ohio corporation ("Parent"), **LIFESTYLE FOOTWEAR, INC.**, a Delaware corporation ("Lifestyle"), **ROCKY BRANDS US, LLC**, a Delaware limited liability company ("Rocky US"), **LEHIGH OUTFITTERS, LLC**, a Delaware limited liability company ("Lehigh"), **ROCKY OUTDOOR GEAR STORE, LLC**, an Ohio limited liability company ("Rocky Outdoor"), **US FOOTWEAR HOLDINGS LLC**, a Delaware limited liability company ("US Footwear"; Parent, Lifestyle, Rocky US, Lehigh, Rocky Outdoor and US Footwear, each, a "Borrower" and together, the "Borrowers"), the Lenders party hereto and **TCW ASSET MANAGEMENT COMPANY LLC**, as administrative agent for the Lenders (the "Agent").

PRELIMINARY STATEMENTS

WHEREAS, the Borrowers, the other Obligors from time to time party thereto, the Lenders from time to time party thereto, and the Agent are parties to that certain Loan and Security Agreement, dated as of March 15, 2021 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Existing Loan Agreement"; the Existing Loan Agreement, as amended hereby, the "Loan Agreement");

WHEREAS, Borrowers have requested that Agent and Lenders make certain amendments to the Existing Loan Agreement as set forth herein subject to the terms and conditions set forth herein;

WHEREAS, Agent and the Lenders party hereto are willing to make such amendments to the Existing Loan Agreement, in accordance with the terms of the Existing Loan Agreement and subject to the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Except as otherwise provided herein, all capitalized undefined terms used in this Agreement (including, without limitation, in the introductory paragraph and the preliminary statements hereto) shall have the meanings assigned thereto in the Loan Agreement.

2. Amendments to Loan Agreement. Subject to the satisfaction of the conditions precedent set forth in Section 3 below, and in reliance on the representations and warranties set forth in Section 4 below, Agent and the Lenders hereby agree that the Loan Agreement is hereby amended as follows:

(a) Section 1.1 of the Loan Agreement is hereby amended by adding the following defined term in appropriate alphabetical order as follows:

"2022 Excess Cash Flow Mandatory Prepayment Amount": shall have the meaning set forth in Section 2.3.4 hereof.

(b) Section 2.3.4. of the Loan Agreement is hereby amended and restated in its entirety as follows:

2.3.4. Subject to the provisions of the Intercreditor Agreement and the Fee Letter, on or before the date that is ten (10) Business Days following the date on which audited financial statements are required to be delivered pursuant to clause (a) of Section 10.1.2 hereof (the "Excess Cash Flow Due Date"), beginning with respect to the Fiscal Year ending December 31, 2021 and for each Fiscal Year thereafter, (x) if such financial statements demonstrate that the Total Leverage Ratio of the Obligors and their Subsidiaries as of the end of such Fiscal Year was greater than 2.50:1.0, Borrowers shall prepay the Loans in an amount equal to (1) 50% of Excess Cash Flow for such Fiscal Year, *minus* (2) voluntary prepayments of the Term Loans to the extent made during the applicable Fiscal Year of measurement (such amount not to be less than zero), (y) if such financial statements demonstrate that the Total Leverage Ratio of the Obligors and their Subsidiaries as of the end of such Fiscal Year was greater than 2.00:1.0 but less than or equal to 2.50:1.0, Borrowers shall prepay the Loans in an amount equal to (1) 25% of Excess Cash Flow for such Fiscal Year, *minus* (2) voluntary prepayments of the Term Loans to the extent made during the applicable Fiscal Year of measurement (such amount not to be less than zero), and (z) if such financial statements demonstrate that the Total Leverage Ratio of the Obligors and their Subsidiaries as of the end of such Fiscal Year was 2.00:1.0 or less, then no prepayment shall be required; provided that in the case of the Fiscal Year ending December 31, 2021, Borrowers shall only be obligated to prepay the Loans in an amount equal to the applicable percentage of the Excess Cash Flow of the Obligors and their Subsidiaries for the period commencing with the Closing Date and ending on December 31, 2021; provided further that in the case of the Fiscal Year ending December 31, 2022, Borrowers shall be obligated to prepay the Loans in an amount equal to $5,829,981 (the "2022 Excess Cash Flow Mandatory Prepayment Amount"), with at least of 50% of the 2022 Excess Cash Flow Mandatory Prepayment Amount due and payable by Borrowers on or before June 30, 2023 and the remaining portion of the 2022 Excess Cash Flow Mandatory Prepayment Amount due and payable by Borrowers on or before September 30 2023; provided further that, in the event Borrowers are unable to make any mandatory prepayment described in this Section 2.3.4 on any Excess Cash Flow Due Date (or, with respect to the 2022 Excess Cash Flow Mandatory Prepayment Amount, any such other date that such mandatory prepayment is due and payable) due the failure to satisfy the conditions in Section 10.2.8 of the Revolving Loan Agreement (as in effect on the date hereof) on such date, then Borrowers shall not be obligated to make such prepayment until, and shall make such prepayment on, the first date thereafter on which, before and after giving pro forma effect to such prepayment, Availability (as defined in the Revolving Loan Agreement on the date hereof) is greater than or equal to 10% of the Borrowing Base at such time. Such prepayments shall be applied to the Loans in accordance with Section 2.3.5 hereof.

3. Conditions to Effectiveness. Upon satisfaction of the following conditions precedent, this Agreement shall become effective as of May 10, 2023 (the "Fifth Amendment Effective Date"):

(a) Executed Agreement. Agent shall have received this Agreement executed by a Senior Officer of each Obligor.

(b) [reserved]

(c) Fees and Expenses. Agent shall have received from Borrowers all other outstanding fees and expenses required to be paid on or prior to the Fifth Amendment Effective Date and all fees and expenses incurred in connection with this Agreement required to be paid in accordance with the Loan Agreement.

(d) No Default. Immediately prior to and immediately after giving effect to this Agreement, no Default or Event of Default exists.

(e) Representations and Warranties. Immediately after giving effect to this Agreement (and deeming this Agreement to be a Loan Document), each of the representations and warranties contained in the Loan Agreement and the other Loan Documents is true and correct in all material respects (without duplication of any materiality qualifier contained therein), except to the extent such representations and warranties expressly relate to an earlier date (in which event such representations and warranties shall have been true and correct in all material respects (without duplication of any materiality qualifier contained therein) as of such earlier date).

4. Representations and Warranties. Each of the Obligors represents and warrants as follows:

(a) immediately after giving effect to this Agreement (and deeming this Agreement to be a Loan Document), each of the representations and warranties contained in the Loan Agreement and the other Loan Documents is true and correct in all material respects (without duplication of any materiality qualifier contained therein), except to the extent such representations and warranties expressly relate to an earlier date (in which event such representations and warranties shall have been true and correct in all material respects (without duplication of any materiality qualifier contained therein) as of such earlier date); and

(b) immediately prior to and immediately after giving effect to this Agreement, no Default or Event of Default exists.

5. [Reserved]

6. [Reserved]

7. Effect of this Agreement. Except as expressly provided herein, the Loan Agreement and the other Loan Documents shall remain unmodified and in full force and effect. Except as expressly set forth herein, this Agreement shall not be deemed (a) to be a waiver of, or consent to, a modification of or amendment of, any other term or condition of the Existing Loan Agreement or any other Loan Document, (b) to prejudice any other right or rights which the Agent or the Lenders may now have or may have in the future under or in connection with the Loan Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time, (c) to be a commitment or any other undertaking or expression of any willingness to engage in any further discussion with the Loan Parties or any other Person with respect to any waiver, amendment, modification or any other change to the Loan Agreement or the Loan Documents or any rights or remedies arising in favor of the Agent or the Lenders, or any of them, under or with respect to any such documents or (d) to be a waiver of, or consent to or a modification or amendment of, any other term or condition of any other agreement by and among any Loan Party, on the one hand, and the Agent and the Lenders, on the other hand. References in the Loan Agreement to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein", and "hereof") and in any Loan Document to "the Loan Agreement" or words of like import shall be deemed to be references to the Existing Loan Agreement as modified by this Agreement. This Agreement shall constitute a "Loan Document" under and as defined in the Loan Agreement.

8. Reaffirmations. Each Obligor (a) agrees that the transactions contemplated by this Agreement shall not limit or diminish the obligations of such Person under, or release such Person from its obligations under, the Loan Agreement and each Loan Document to which it is a party, (b) confirms, ratifies and reaffirms its obligations under the Loan Agreement and each Loan Document to which it is a party, and (c) agrees that the Loan Agreement and each Loan Document to which it is a party remain in full force and effect and are hereby ratified and confirmed.

9. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under Applicable Law. If any provision is found to be invalid under Applicable Law, it shall be ineffective only to the extent of such invalidity and the remaining provisions of this Agreement shall remain in full force and effect.

10. Counterparts; Electronic Execution. This Agreement may be in the form of an Electronic Record and may be executed using Electronic Signatures. An Electronic Signature on or associated with a Communication shall be valid and binding on each Obligor and other party thereto to the same extent as a manual, original signature, and any Communication entered into by Electronic Signature shall constitute their legal, valid and binding obligations, enforceable to the same extent as if a manually executed original signature were delivered to Agent. Any Communication may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Communication. The parties may use or accept manually signed paper Communications converted to electronic form (such as scanned into PDF), or electronically signed Communications converted into other formats, for transmission, delivery and/or retention. Agent and Lenders may, at their option, create one or more copies of any Communication in the form of an Electronic Copy which shall be deemed created in the ordinary course of the Person's business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity and enforceability as a paper record. Notwithstanding anything herein, Agent is under no obligation to accept an Electronic Signature in any form or in any format unless expressly agreed by it pursuant to procedures approved by it; provided (a) if Agent has agreed to accept such Electronic Signature, Agent and each Secured Party shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of an Obligor without further verification; and (b) upon the request by Agent or any Secured Party, an Electronic Signature shall be promptly followed by a manually executed counterpart. "Electronic Record" and "Electronic Signature" are used herein as defined in by 15 USC §7006.

11. Entirety. This Agreement (together with the Existing Loan Agreement) constitutes the entire agreement, and supersedes all prior understandings and agreements, among the parties relating to the subject matter thereof.

12. Governing Law; Etc. UNLESS EXPRESSLY PROVIDED IN ANY LOAN DOCUMENT, THIS AGREEMENT AND ALL CLAIMS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW PRINCIPLES EXCEPT FEDERAL LAWS RELATING TO NATIONAL BANKS.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed on the date first above written.

BORROWERS:

ROCKY BRANDS, INC.

By: /s/ SARAH O'CONNOR
Name: Sarah O'Connor
Title: Chief Financial Officer

LIFESTYLE FOOTWEAR, INC.

By: /s/ SARAH O'CONNOR
Name: Sarah O'Connor
Title: Chief Financial Officer

ROCKY BRANDS US, LLC

By: /s/ SARAH O'CONNOR
Name: Sarah O'Connor
Title: Chief Financial Officer

LEHIGH OUTFITTERS, LLC

By: /s/ SARAH O'CONNOR
Name: Sarah O'Connor
Title: Chief Financial Officer

ROCKY OUTDOOR GEAR STORE, LLC

By: /s/ SARAH O'CONNOR
Name: Sarah O'Connor
Title: Chief Financial Officer

US FOOTWEAR HOLDINGS LLC

By: /s/ SARAH O'CONNOR

Name: Sarah O'Connor

Title: Chief Financial Officer

<u>AGENT AND LENDERS</u>:

TCW ASSET MANAGEMENT COMPANY LLC, as Agent and as a Lender

By: /s/ SUZANNE GROSSO
Name: Suzanne Grosso
Title: Managing Director

TCW WV FINANCING LLC
By: TCW Asset Management Company LLC, its Collateral Manager

By: /s/ SUZANNE GROSSO
Name: Suzanne Grosso
Title: Managing Director

TCW SKYLINE LENDING L.P.
By: TCW Asset Management Company LLC, its Investment Advisor

By: /s/ SUZANNE GROSSO
Name: Suzanne Grosso
Title: Managing Director

TCW BRAZOS FUND LLC
By: TCW Asset Management Company LLC, its Investment Advisor

By: /s/ SUZANNE GROSSO
Name: Suzanne Grosso
Title: Managing Director

TCW DL VII FINANCING LLC
By: TCW Asset Management Company LLC, its Collateral Manager

By: /s/ SUZANNE GROSSO
Name: Suzanne Grosso
Title: Managing Director

TCW DIRECT LENDING STRUCTURED SOLUTIONS 2019 LLC
By: TCW Asset Management Company LLC, its Investment Manager

By: /s/ SUZANNE GROSSO
Name: Suzanne Grosso
Title: Managing Director

U.S. SPECIALTY INSURANCE COMPANY
By: TCW Asset Management Company LLC, its Investment Manager and Attorney-in-Fact

By: /s/ SUZANNE GROSSO
Name: Suzanne Grosso
Title: Managing Director

TMD DL HOLDINGS LLC
By: TCW Asset Management Company LLC, its Investment Manager and Attorney-in-Fact

By: /s/ SUZANNE GROSSO
Name: Suzanne Grosso
Title: Managing Director

SAFETY NATIONAL CASUALTY CORPORATION
By: TCW Asset Management Company LLC, its Investment Manager and Attorney-in-Fact

By: /s/ SUZANNE GROSSO
Name: Suzanne Grosso
Title: Managing Director

RELIANCE STANDARD LIFE INSURANCE COMPANY
By: TCW Asset Management Company LLC, its Investment Manager and Attorney-in-Fact

By: /s/ SUZANNE GROSSO
Name: Suzanne Grosso
Title: Managing Director

PHILADELPHIA INDEMNITY INSURANCE COMPANY
By: TCW Asset Management Company LLC, its Investment Manager and Attorney-in-Fact

By: /s/ SUZANNE GROSSO
Name: Suzanne Grosso
Title: Managing Director

THE OHIO CASUALTY INSURANCE COMPANY
By: Liberty Mutual Group Asset Management Inc., its Adviser

By: /s/ CHARLES MCCARTHY
Name: Charles McCarthy
Title: Vice President

SAFECO INSURANCE COMPANY OF AMERICA
By: Liberty Mutual Group Asset Management Inc., its Adviser

By: /s/ CHARLES MCCARTHY
Name: Charles McCarthy
Title: Vice President

LIBERTY MUTUAL INSURANCE COMPANY
By: Liberty Mutual Group Asset Management Inc., its Adviser

By: /s/ CHARLES MCCARTHY
Name: Charles McCarthy
Title: Vice President

CERBERUS C-1 LEVERED LLC

By: /s/ DANIEL E. WOLF
Name: Daniel E. Wolf
Title: Vice President

CERBERUS LOAN FUNDING XXVII L.P.
By: Cerberus LFGP XXVII, LLC
Its: General Partner

By: /s/ DANIEL E. WOLF
Name: Daniel E. Wolf
Title: Senior Managing Director

CERBERUS OFFSHORE LEVERED IV LLC

By: /s/ DANIEL E. WOLF
Name: Daniel E. Wolf
Title: Vice President

CERBERUS OFFSHORE UNLEVERED LOAN OPPORTUNITIES MASTER FUND IV, L.P.
By: Cerberus Offshore Unlevered Opportunities IV GP LLC
Its: General Partner

By: /s/ DANIEL E. WOLF
Name: Daniel E. Wolf
Title: Senior Managing Director

CERBERUS REDWOOD LEVERED B LLC

By: /s/ DANIEL E. WOLF
Name: Daniel E. Wolf
Title: Vice President

CERBERUS LOAN FUNDING XXXIX L.P.
By: Cerberus XXXIX, LLC
Its: General Partner

By: /s/ DANIEL E. WOLF
Name: Daniel E. Wolf
Title: Senior Managing Director

CERBERUS LOAN FUND XL, LLC
By: Cerberus Business Finance, Non-Member Manager

By: /s/ DANIEL E. WOLF
Name: Daniel E. Wolf
Title: Chief Executive Officer

Exhibit 31.1

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: August 9, 2023
/s/ Jason Brooks
Jason Brooks
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

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

I, Sarah O'Connor, 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: August 9, 2023
/s/ Sarah O'Connor
Sarah O'Connor
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 32

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 June 30, 2023 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)
August 9, 2023

/s/ Sarah O'Connor
Sarah O'Connor
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)
August 9, 2023