PROJECT OXFORD — INVESTMENT MEMO

Weyco Group, Inc. (NASDAQ: WEYS) · Illustrative independent-sponsor take-private

Prepared by Romanos Valeontis · Entry reference 31-Dec-2025 (FY2025 audited) · US$ in millions unless noted · Sample work product

3.9x	30%	5.5x	1.40x
GROSS MOIC (5-YR)	GROSS IRR	ENTRY EV/EBITDA	MIN DSCR (COVENANT 1.25X)

THESIS

Weyco is a debt-free, family-controlled footwear platform (Florsheim, Nunn Bush, Stacy Adams, BOGS) generating **$276.2m** revenue and **$32.2m** EBITDA at an ~12% margin on negligible capex (~0.6% of sales). The asset converts earnings to cash almost fully, supporting meaningful leverage. The opportunity is a classic lower-middle-market buyout: acquire a durable, under-levered cash generator at a sponsor-friendly **5.5x** ($176.9m EV), use modest debt the business can comfortably service, and compound equity through de-leveraging and a measured post-tariff margin recovery — **without** relying on multiple expansion.

SOURCES & USES ($M)

Sources		Uses	
Senior term loan	88.4	Enterprise value	176.9
Seller note	32.2	Cash to B/S	5.0
Mgmt rollover	6.6	Fees (2.5%)	4.4
Sponsor equity	59.1		
Total	**186.3**	**Total**	**186.3**

Entry leverage 3.75x EBITDA (2.75x senior + 1.0x seller). Public-market cross-check: ~$335m equity value ≈ 10.4x EBITDA, well above the entry mark — the sponsor case is struck on cash-flow value, not the public quote.

VALUE-CREATION BRIDGE ($M)

Driver	Equity value
EBITDA growth	83.6
Multiple expansion	0.0
Debt paydown / cash build	114.1
Less: transaction fees	(4.4)
Total value created	**193.3**

Returns are driven by de-leveraging and organic EBITDA growth. **Zero** value is assumed from multiple expansion (exit held flat at 5.5x) — a deliberately conservative stance.

RETURNS & CAPITAL STRUCTURE

Metric	Sponsor (gross)	Investor (net of promote)
Equity invested at close	65.7	—
Exit equity value (FY30, 5.5x)	258.9	—
MOIC	3.9x	3.2x
IRR (5-yr hold)	30%	30%

Distribution waterfall: return of capital → 8% preferred → 20% sponsor promote (tiering to 25% above 2.0x and 30% above 3.0x MOIC). Senior debt fully amortizes by exit via a 75% excess-cash-flow sweep; seller note is a standby bullet repaid at exit.

KEY RISKS & DILIGENCE

- **Tariffs.** Weyco paid ~$19.8m of IEEPA tariffs (2025–Q1'26), compressing gross margin from 45.3% to 43.2%. A Feb-2026 Supreme Court ruling invalidated those tariffs; the company has filed an $18.6m refund claim. **Upside optionality not modeled** — the base case assumes only partial margin recovery, leaving the refund and tariff normalization as un-underwritten upside.
- **Brand concentration / secular shift.** Dress footwear (Stacy Adams, Nunn Bush) faces a structural casualization trend; BOGS is weather-dependent. Florsheim (record sales) and hybrid/casual lines are the growth offset. Diligence: brand-level cohort and channel analysis.
- **Sourcing.** ~Two China suppliers each >10% of purchases. Diligence: supplier diversification roadmap (India/Vietnam/Cambodia already in motion).
- **Control / minimum cash.** Founder-family ownership >50% — rollover and transition terms are the gating deal item, not financing.

> **Recommendation.** Conditionally attractive at ≤5.5x. The deal clears a 1.40x minimum DSCR every year, returns a 3.9x / 30% gross on conservative (no-multiple-expansion) assumptions, and carries asymmetric upside from the tariff refund. Proceed to confirmatory diligence on brand cohorts, sourcing, and seller transition.