UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 1, 2023
OR

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

For the transition period from ________ to ________

Commission File Number 1-15583

DELTA APPAREL, INC.

(Exact name of registrant as specified in its charter)

Georgia	**58-2508794**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2750 Premier Parkway, Suite 100 Duluth, Georgia	**30097**
(Address of principal executive offices)	(Zip Code)

(678) 775-6900

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01	DLA	NYSE American

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ 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 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 Rule 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 ☑

As of April 28, 2023, there were outstanding 7,001,020 shares of the registrant's common stock, par value of $0.01 per share, which is the only class of outstanding common or voting stock of the registrant.

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

Delta Apparel, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Amounts in thousands, except share amounts and per share data)
(Unaudited)

	March 2023	September 2022
Assets		
Cash and cash equivalents	$ 625	$ 300
Accounts receivable, less allowances of $124 and $109, respectively	62,020	68,215
Other receivables	1,125	1,402
Income tax receivable	1,680	1,969
Inventories, net	243,167	248,538
Prepaid expenses and other current assets	4,096	2,755
Total current assets	312,713	323,179
Property, plant and equipment, net of accumulated depreciation of $114,569 and $108,565, respectively	70,739	74,109
Goodwill	37,897	37,897
Intangibles, net	22,834	24,026
Deferred income taxes	1,342	1,342
Operating lease assets	56,174	50,275
Equity method investment	9,036	9,886
Other assets	2,239	2,967
Total assets	$ 512,974	$ 523,681
Liabilities and Equity		
Liabilities:		
Accounts payable	$ 66,071	$ 83,553
Accrued expenses	18,581	27,414
Income taxes payable	671	379
Current portion of finance leases	8,843	8,163
Current portion of operating leases	8,861	8,876
Current portion of long-term debt	8,962	9,176
Total current liabilities	111,989	137,561
Long-term income taxes payable	2,131	2,841
Long-term finance leases	17,483	16,776
Long-term operating leases	48,804	42,721
Long-term debt	159,591	136,750
Deferred income taxes	337	4,310
Total liabilities	$ 340,335	$ 340,959
Shareholder's equity:		
Preferred stock - $0.01 par value, 2,000,000 shares authorized, none issued and outstanding	-	-
Common stock $0.01 par value, 15,000,000 authorized, 9,646,972 shares issued, and 7,001,020 and 6,915,663 shares outstanding as of March 2023 and September 2022, respectively	96	96
Additional paid-in capital	60,912	61,961
Retained earnings	156,043	166,600
Accumulated other comprehensive income	180	141
Treasury stock - 2,645,952 and 2,731,309 shares as of March 2023 and September 2022, respectively	(43,896)	(45,420)
Equity attributable to Delta Apparel, Inc.	173,335	183,378
Equity attributable to non-controlling interest	(696)	(656)
Total equity	172,639	182,722
Total liabilities and equity	$ 512,974	$ 523,681

See accompanying Notes to Condensed Consolidated Financial Statements.

Delta Apparel, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Amounts in thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 2023	March 2022	March 2023	March 2022
Net sales	$ 110,335	$ 131,698	$ 217,630	$ 242,444
Cost of goods sold	94,126	98,176	187,798	185,919
Gross profit	16,209	33,522	29,832	56,525
Selling, general and administrative expenses	19,298	19,714	38,168	37,197
Other expense (income), net	2,265	(533)	(356)	(929)
Operating (loss) income	(5,354)	14,341	(7,980)	20,257
Interest expense, net	3,723	1,801	6,613	3,399
(Loss) income before (benefit from) provision for income taxes	(9,077)	12,540	(14,593)	16,858
(Benefit from) provision for income taxes	(2,079)	2,414	(3,996)	3,062
Consolidated net (loss) income	(6,998)	10,126	(10,597)	13,796
Net (loss) income attributable to non-controlling interest	(6)	(11)	(40)	14
Net (loss) earnings attributable to shareholders	$ (6,992)	$ 10,137	$ (10,557)	$ 13,782
Basic (loss) income per share	$ (1.00)	$ 1.46	$ (1.51)	$ 1.98
Diluted (loss) income per share	$ (1.00)	$ 1.44	$ (1.51)	$ 1.95
Weighted average number of shares outstanding	7,001	6,953	6,978	6,976
Dilutive effect of stock awards	-	87	-	87
Weighted average number of shares assuming dilution	7,001	7,040	6,978	7,063

See accompanying Notes to Condensed Consolidated Financial Statements.

Delta Apparel, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive (Loss) Income
(Amounts in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 2023	March 2022	March 2023	March 2022
Net (loss) income attributable to shareholders	$ (6,992)	$ 10,137	$ (10,557)	$ 13,782
Other comprehensive (loss) gain related to unrealized (loss) gain on derivatives, net of income tax	(30)	381	39	593
Consolidated comprehensive (loss) income	$ (7,022)	$ 10,518	$ (10,518)	$ 14,375

See accompanying Notes to Condensed Consolidated Financial Statements.

Delta Apparel, Inc. and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(Amounts in thousands, except share amounts)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock Shares	Treasury Stock Amount	Non-Controlling Interest	Total
Balance as of September 2022	9,646,972	$ 96	$ 61,961	$ 166,600	$ 141	2,731,309	$ (45,420)	$ (656)	$ 182,722
Net loss	-	-	-	(3,565)	-	-	-	-	(3,565)
Other comprehensive income	-	-	-	-	69	-	-	-	69
Net loss attributable to non-controlling interest	-	-	-	-	-	-	-	(34)	(34)
Vested stock awards	-	-	(2,067)	-	-	(85,357)	1,524	-	(543)
Stock based compensation	-	-	665	-	-	-	-	-	665
Balance as of December 2022	9,646,972	$ 96	$ 60,559	$ 163,035	$ 210	2,645,952	$ (43,896)	$ (690)	$ 179,314
Net loss	-	-	-	(6,992)	-	-	-	-	(6,992)
Other comprehensive loss	-	-	-	-	(30)	-	-	-	(30)
Net loss attributable to non-controlling interest	-	-	-	-	-	-	-	(6)	(6)
Stock based compensation	-	-	353	-	-	-	-	-	353
Balance as of March 2023	9,646,972	$ 96	$ 60,912	$ 156,043	$ 180	2,645,952	$ (43,896)	$ (696)	$ 172,639

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Stock Shares	Treasury Stock Amount	Non-Controlling Interest	Total
Balance as of September 2021	9,646,972	$ 96	$ 60,831	$ 146,860	$ (786)	2,672,312	$ (42,149)	$ (658)	$ 164,194
Net income	-	-	-	3,645	-	-	-	-	3,645
Other comprehensive income	-	-	-	-	212	-	-	-	212
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	25	25
Purchase of common stock	-	-	-	-	-	74,232	(2,143)	-	(2,143)
Vested stock awards	-	-	(1,766)	-	-	(76,460)	674	-	(1,092)
Stock based compensation	-	-	140	-	-	-	-	-	140
Balance as of December 2021	9,646,972	$ 96	$ 59,205	$ 150,505	$ (574)	2,670,084	$ (43,618)	$ (633)	$ 164,981
Net income	-	-	-	10,137	-	-	-	-	10,137
Other comprehensive income	-	-	-	-	381	-	-	-	381
Net loss attributable to non-controlling interest	-	-	-	-	-	-	-	(11)	(11)
Purchase of common stock	-	-	-	-	-	28,015	(846)	-	(846)
Stock based compensation	-	-	714	-	-	-	-	-	714
Balance as of March 2022	9,646,972	$ 96	$ 59,919	$ 160,642	$ (193)	2,698,099	$ (44,464)	$ (644)	$ 175,356

See accompanying Notes to Condensed Consolidated Financial Statements.

Delta Apparel, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Amounts in thousands)
(Unaudited)

	Six Months Ended	
	March 2023	March 2022
Operating activities:		
Consolidated net (loss) earnings	$ (10,597)	$ 13,796
Adjustments to reconcile net (loss) earnings to net cash used in operating activities:		
Depreciation and amortization	7,642	7,434
Amortization of deferred financing fees	268	162
Change in inventory market reserves	(3,540)	1,290
(Benefit from) provision for deferred income taxes	(3,986)	583
Non-cash stock compensation	1,018	854
Loss on disposal of equipment	69	383
Loss on impairment of equipment	860	-
Other, net	(390)	(1,180)
Changes in operating assets and liabilities:		
Accounts receivable	6,472	(10,524)
Inventories	8,911	(37,278)
Prepaid expenses and other current assets	(1,609)	(66)
Other non-current assets	2,019	1,014
Accounts payable	(17,657)	11,742
Accrued expenses	(8,659)	(3,215)
Change in net operating lease liabilities	169	243
Income taxes	(129)	1,352
Other liabilities	-	(1,049)
Net cash used in operating activities	(19,139)	(14,459)
Investing activities:		
Purchases of property and equipment, net	(2,495)	(7,670)
Proceeds from sale of property and equipment	-	33
Proceeds from equipment under financed leases	4,417	-
Cash paid for intangible asset	-	(109)
Cash paid for business	-	(583)
Net cash provided by (used in) investing activities	1,922	(8,329)
Financing activities:		
Proceeds from long-term debt	254,103	265,034
Repayment of long-term debt	(231,476)	(243,483)
Repayment of capital financing	(4,543)	(3,630)
Repurchase of common stock	-	(2,989)
Payment of withholding taxes on stock awards	(542)	(1,092)
Net cash provided by financing activities	17,542	13,840
Net increase (decrease) in cash and cash equivalents	325	(8,948)
Cash and cash equivalents at beginning of period	300	9,376
Cash and cash equivalents at end of period	$ 625	$ 428
Supplemental cash flow information		
Finance lease assets exchanged for finance lease liabilities	$ 5,930	$ 5,379
Operating lease assets exchanged for operating lease liabilities	$ 10,991	$ 4,397

See accompanying Notes to Condensed Consolidated Financial Statements.

Delta Apparel, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note A— Description of Business and Basis of Presentation

Delta Apparel, Inc. (collectively with DTG2Go, LLC, Salt Life, LLC, M.J. Soffe, LLC, and other subsidiaries, "Delta Apparel," "we," "us," "our," or the "Company") is a vertically-integrated, international apparel company with approximately 7,000 employees worldwide. We design, manufacture, source, and market a diverse portfolio of core activewear and lifestyle apparel products under our primary brands of Salt Life®, Soffe®, and Delta. We are a market leader in the on-demand, digital print and fulfillment industry, bringing DTG2Go's proprietary technology and innovation to our customers' supply chains. We specialize in selling casual and athletic products through a variety of distribution channels and tiers, including outdoor and sporting goods retailers, independent and specialty stores, better department stores and mid-tier retailers, mass merchants, eRetailers, the U.S. military, and through our business-to-business digital platform. Our products are also made available direct-to-consumer on our ecommerce sites and in our branded retail stores. Our diversified go-to-market strategy allows us to capitalize on our strengths in providing activewear and lifestyle apparel products to a broad and evolving customer base whose shopping preferences may span multiple retail channels.

We design and internally manufacture the majority of our products, with more than 90% of the apparel units that we sell sewn in our own facilities. This allows us to offer a high degree of consistency and quality, leverage scale efficiencies, and react quickly to changes in trends within the marketplace. We have manufacturing operations located in the United States, El Salvador, Honduras, and Mexico, and we use domestic and foreign contractors as additional sources of production. Our distribution facilities are strategically located throughout the United States to better serve our customers with same-day shipping on our catalog products and weekly replenishments to retailers. We were incorporated in Georgia in 1999, and our headquarters is located in Duluth, Georgia. Our common stock trades on the NYSE American under the symbol "DLA."

We operate on a 52-53 week fiscal year ending on the Saturday closest to September 30. Our 2023 fiscal year is a 52-week year and will end on September 30, 2023 ("fiscal 2023"). Accordingly, this Quarterly Report on Form 10-Q presents our results for our second quarter of fiscal 2023. Our 2022 fiscal year was a 52-week year and ended on October 1, 2022 ("fiscal 2022").

For presentation purposes herein, all references to period ended relate to the following fiscal years and dates:

Period Ended	Fiscal Year	Date Ended
March 2022	Fiscal 2022	April 2, 2022
June 2022	Fiscal 2022	July 2, 2022
September 2022	Fiscal 2022	October 1, 2022
December 2022	Fiscal 2023	December 31, 2022
March 2023	Fiscal 2023	April 1, 2023

We prepared the accompanying interim Condensed Consolidated Financial Statements in accordance with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. We believe these Condensed Consolidated Financial Statements include all normal recurring adjustments considered necessary for a fair presentation. Operating results for the three and six months ended March 2023 are not necessarily indicative of the results that may be expected for our fiscal 2023. Although our various product lines are sold on a year-round basis, the demand for specific products or styles reflects some seasonality. By diversifying our product lines and go-to-market strategies over the years, we have reduced the overall seasonality of our business. Consumer demand for apparel is cyclical and dependent upon the overall level of demand for soft goods, which may or may not coincide with the overall level of discretionary consumer spending. These levels of demand change as regional, domestic and international economic conditions change. Therefore, the distribution of sales by quarter in fiscal 2023 may not be indicative of the distribution in future years. These Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and footnotes included in our Annual Report on Form 10-K for our fiscal 2022, filed with the United States Securities and Exchange Commission ("SEC").

Our Condensed Consolidated Financial Statements include the accounts of Delta Apparel and its wholly-owned and majority-owned domestic and foreign subsidiaries. We apply the equity method of accounting for our investment in 31% of the outstanding capital stock of a Honduran company. During the six months ended March 2023 and March 2022, we received dividends from this investment of $1.2 million and $1.1 million, respectively. Our Ceiba Textiles manufacturing facility is leased under an operating lease arrangement with this Honduran company. During the six months ended March 2023 and March 2022, we paid approximately $0.9 million under this arrangement.

We make available copies of materials we file with, or furnish to, the SEC free of charge at https://ir.deltaapparelinc.com. The information found on our website is not part of this, or any other, report that we file with, or furnish to, the SEC. In addition, we will provide upon request, at no cost, paper or electronic copies of our reports and other filings made with the SEC. Requests should be directed to: Investor Relations Department, Delta Apparel, Inc., 2750 Premiere Parkway, Suite 100, Duluth, Georgia 30097. Requests can also be made by telephone to 864-232-5200, or via email at investor.relations@deltaapparel.com.

Note B—Accounting Policies

Our accounting policies are consistent with those described in our Significant Accounting Policies in our Annual Report on Form 10-K for our fiscal 2022, filed with the SEC. See Note C for consideration of recently issued accounting standards.

Note C—New Accounting Standards

Standards Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires an entity to assess impairment of its financial instruments based on the entity's estimate of expected credit losses. Since the issuance of ASU 2016-13, the FASB released several amendments to improve and clarify the implementation guidance. These standards have been collectively codified within ASC Topic 326, *Credit Losses* ("ASC 326"). As a smaller reporting company as defined by the SEC, the provisions of ASC 326 are effective as of the beginning of our fiscal year 2024. We are currently evaluating the impacts of the provisions of ASC 326 on our financial condition, results of operations, cash flows, and disclosures.

Note D—Revenue Recognition

Our Condensed Consolidated Statements of Operations include revenue streams from retail sales at our branded retail stores; direct-to-consumer ecommerce sales on our consumer-facing websites; and sales from wholesale channels, which includes our business-to-business ecommerce sales and sales in our DTG2Go business. The table below identifies the amount and percentage of net sales by distribution channel (in thousands):

	Three Months Ended			
	March 2023		March 2022	
Retail	$ 3,157	3 %	$ 2,370	1 %
Direct-to-consumer ecommerce	1,509	1 %	710	1 %
Wholesale	105,669	96 %	128,618	98 %
Net sales	$ 110,335	100 %	$ 131,698	100 %

	Six Months Ended			
	March 2023		March 2022	
Retail	$ 6,611	3 %	$ 5,273	2 %
Direct-to-consumer ecommerce	2,672	1 %	2,054	1 %
Wholesale	208,347	96 %	235,117	97 %
Net sales	$ 217,630	100 %	$ 242,444	100 %

The table below provides net sales by reportable segment and the percentage of net sales by distribution channel for each reportable segment (in thousands):

	Three Months Ended March 2023			
	Net Sales	Retail	Direct-to-consumer ecommerce	Wholesale
Delta Group	$ 91,344	0.0 %	0.3 %	99.7 %
Salt Life Group	18,991	16.5 %	6.9 %	76.6 %
Total	$ 110,335			

	Three Months Ended March 2022			
	Net Sales	Retail	Direct-to-consumer ecommerce	Wholesale
Delta Group	$ 115,335	0.1 %	0.1 %	99.8 %
Salt Life Group	16,363	14.1 %	3.3 %	82.6 %
Total	$ 131,698			

	Six Months Ended March 2023			
	Net Sales	Retail	Direct-to-consumer ecommerce	Wholesale
Delta Group	$ 188,354	0.1 %	0.2 %	99.7 %
Salt Life Group	29,276	22.3 %	7.8 %	69.9 %
Total	$ 217,630			

	Six Months Ended March 2022			
	Net Sales	Retail	Direct-to-consumer ecommerce	Wholesale
Delta Group	$ 217,256	0.1 %	0.2 %	99.7 %
Salt Life Group	25,188	19.8 %	6.3 %	73.9 %
Total	$ 242,444			

Note E—Inventories

Inventories, net of reserves of $14.1 million and $17.7 million as of March 2023 and September 2022, respectively, consisted of the following (in thousands):

	March 2023	September 2022
Raw materials	$ 18,796	$ 22,603
Work in process	18,574	23,501
Finished goods	205,797	202,434
	$ 243,167	$ 248,538

Raw materials include finished yarn and direct materials for the Delta Group, undecorated garments for the DTG2Go business, and direct embellishment materials for the Salt Life Group.

Note F—Debt

Credit Facility

On May 10, 2016, we entered into a Fifth Amended and Restated Credit Agreement (as further amended, the "Amended Credit Agreement") with Wells Fargo Bank, National Association ("Wells Fargo"), as Administrative Agent, the Sole Lead Arranger and the Sole Book Runner, and the financial institutions named therein as Lenders, which are Wells Fargo, PNC Bank, and Regions Bank. Our subsidiaries M.J. Soffe, LLC, Culver City Clothing Company, Salt Life, LLC, and DTG2Go, LLC (collectively, the "Borrowers"), are co-borrowers under the Amended Credit Agreement. The Borrowers entered into amendments to the Amended Credit Agreement with Wells Fargo and the other lenders on November 27, 2017, March 9, 2018, October 8, 2018, November 19, 2019, April 27, 2020, August 28, 2020, June 2, 2022, January 3, 2023, February 3, 2023, and March 23, 2023.

On June 2, 2022, the Borrowers entered into the Seventh Amendment to the Fifth Amended and Restated Credit Agreement with Wells Fargo and the other lenders set forth therein (the "Seventh Amendment"). The Seventh Amendment, (i) removes LIBOR based borrowing and utilizes SOFR (Secured Overnight Financing Rate) as the primary pricing structure, (ii) amends the pricing structure based on SOFR plus a CSA (Credit Spread Adjustment) defined as 10 bps for 1 month and 15 bps for 3-month tenors, (iii) sets the SOFR floor to 0 bps, (iv) reloads the fair market value of real estate and intellectual property within the borrowing base calculation and resets their respective amortization schedules, (v) sets the maturity date to 5 years from the closing date, and (vi) updates the requirement for our Fixed Charge Coverage Ratio ("FCCR") for the preceding 12-month period to not be less than 1.0 (previously 1.1).

On January 3, 2023, the Borrowers entered into the Eighth Amendment to the Fifth Amended and Restated Credit Agreement with Wells Fargo and the other lenders set forth therein (the "Eighth Amendment"). The Eighth Amendment essentially clarifies the Amended Credit Agreement's provisions regarding the inclusion of eligible in-transit inventory in the borrowing base and amends the definition of Increased Reporting Event to include 12.5% of the lesser of the borrowing base and the maximum revolver amount as opposed to 12.5% of the line cap.

On February 3, 2023, the Borrowers entered into the Ninth Amendment to the Fifth Amended and Restated Credit Agreement with Wells Fargo and the other lenders set forth therein ("Ninth Amendment"). The Ninth Amendment adds an Accommodation Period beginning on the amendment date and continuing through the date following September 30, 2023, upon which Borrowers satisfy minimum availability thresholds and during which: (i) the minimum borrowing availability thresholds applicable to the Amended Credit Agreement are (a) through (and including) April 1, 2023, $7,500,000, (b) on and after April 2, 2023 through (and including) June 4, 2023, $9,000,000, (c) on and after June 5, 2023, through the date following September 30, 2023, upon which Borrowers satisfy minimum availability thresholds, $10,000,000; and (d) at all times thereafter, $0; (ii) the FCCR covenant is suspended; (iii) Borrowers must maintain specified minimum EBITDA levels for trailing three-month periods starting March 4, 2023; (iv) the Applicable Margin with respect to loans under the Amended Credit Agreement is increased by 50 basis points; and (v) a Cash Dominion Trigger Event occurs if availability is less than $2,000,000.

On March 23, 2023, the Borrowers entered into the Tenth Amendment to the Fifth Amended and Restated Credit Agreement with Wells Fargo and the other lenders set forth therein to account for specified costs and expenses in calculating EBITDA for purposes of the Amended Credit Agreement.

The Amended Credit Agreement allows us to borrow up to $170 million (subject to borrowing base limitations), including a maximum of $25 million in letters of credit. Provided that no event of default exists, we have the option to increase the maximum credit to $200 million (subject to borrowing base limitations), conditioned upon the Administrative Agent's ability to secure additional commitments and customary closing conditions. The Amended Credit Agreement contains a subjective acceleration clause and a "springing" lockbox arrangement (as defined in ASC 470, Debt) whereby remittances from customers will be forwarded to our general bank account and will not reduce the outstanding debt until and unless a specified event or an event of default occurs. We classify borrowings under the Amended Credit Agreement as long-term debt with consideration of current maturities.

As of March 2023, we had $153.1 million outstanding under our U.S. revolving credit facility at an average interest rate of 7.6%. Our cash on hand combined with the availability under the U.S. revolving credit facility totaled $12.8 million. At March 2023 and September 2022, there was $19.6 million and $24.9 million, respectively, of retained earnings free of restrictions to make cash dividend payments or stock repurchases to the extent permitted under our U.S. revolving credit facility.

Honduran Debt

Since March 2011, we have entered into term loans and a revolving credit facility with Banco Ficohsa, a Honduran bank, to finance investments in both the operations and capital expansion of our Honduran facilities. In December 2020, we entered into a new term loan and revolving credit facility with Banco Ficohsa, both with five-year terms, and simultaneously settled the prior term loans and revolving credit facility with outstanding balances at the time of settlement of $1.1 million and $9.5 million, respectively. Additionally, in May 2022, we entered into a new term loan with a five-year term with a principal amount of $3.7 million. These loans are secured by a first-priority lien on the assets of our Honduran operations and are not guaranteed by our U.S. entities. These loans are denominated in U.S. dollars, and the carrying value of the debt approximates its fair value. As the revolving credit facility permits us to re-borrow funds up to the amount repaid, subject to certain objective covenants, and we intend to re-borrow funds, subject to those covenants, the amounts borrowed are classified as long-term debt.

El Salvador Debt

In September 2022, we entered into a new term loan with a five-year term with a principal amount of $3.0 million with Banco Ficohsa, a Panamanian bank, to finance investments in our El Salvador operations. This loan is secured by a first-priority lien on the assets of our El Salvador operations and is not guaranteed by our U.S. entities. The loan is denominated in U.S. dollars, and the carrying value of the debt approximates its fair value. Information about this loan and the outstanding balance as of March 2023 is listed as part of the long-term debt schedule below.

Additional information about these loans and the outstanding balances as of March 2023 is as follows (in thousands):

		March 2023
Revolving credit facility with Banco Ficohsa, a Honduran bank, with interest at 7.9%, due August 2025	$	3,300
Term loan with Banco Ficohsa, a Honduran bank, interest at 7.75%, quarterly installments which began September 2021 and are due through December 2025		5,579
Term loan with Banco Ficohsa, a Honduran bank, interest at 7.75%, quarterly installments which began March 2023 and are due through May 2027		3,483
Term loan with Banco Ficohsa, a Panamanian bank, interest at the prevailing market rate within the Panamanian Banking Market, monthly installments which began October 2022 and are due through August 2027		2,754

Note G—Selling, General and Administrative Expense

We include in selling, general and administrative ("SG&A") expenses the costs incurred subsequent to the receipt of finished goods at our distribution facilities, such as the cost of stocking, warehousing, picking, packing, and shipping goods for delivery to our customers. Distribution costs included in SG&A expenses totaled $5.7 million and $5.6 million for the March 2023 and March 2022 quarters, respectively. Distribution costs included in SG&A expenses totaled $11.2 million for both the six-months ended March 2023 and 2022. In addition, SG&A expenses include costs related to sales associates, administrative personnel, advertising and marketing expenses, retail store build-outs, and other general and administrative expenses.

Note H—Stock-Based Compensation

On February 6, 2020, our shareholders approved the Delta Apparel, Inc. 2020 Stock Plan ("2020 Stock Plan") to replace the 2010 Stock Plan, which was previously re-approved by our shareholders on February 4, 2015, and was scheduled to expire by its terms on September 14, 2020. The 2020 Stock Plan is substantially similar in both form and substance to the 2010 Stock Plan. The purpose of the 2020 Stock Plan is to continue to give our Board of Directors and its Compensation Committee the ability to offer a variety of compensatory awards designed to enhance the Company's long-term success by encouraging stock ownership among its executives, key employees and directors. Under the 2020 Stock Plan, the Compensation Committee of our Board of Directors has the authority to determine the employees and directors to whom awards may be granted, and the size and type of each award and manner in which such awards will vest. The awards available under the plan consist of stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock, stock performance units, and other stock and cash awards. While employed by the Company or serving as a director, unvested awards become fully vested under certain circumstances as defined in the 2020 Stock Plan. Such circumstances include, but are not limited to, the participant's death or disability. The Compensation Committee is authorized to establish the terms and conditions of awards granted under the 2020 Stock Plan, to establish, amend and rescind any rules and regulations relating to the 2020 Stock Plan, and to make any other determinations that it deems necessary. Similar to the 2010 Stock Plan, the 2020 Stock Plan limits the number of shares that may be covered by awards to any participant in a given calendar year and also limits the aggregate awards of restricted stock, restricted stock units and performance stock granted in a given calendar year. Shares are generally issued from treasury stock upon the vesting of the restricted stock units, performance units or other awards under the 2020 Stock Plan.

Compensation expense is recorded within SG&A in our Condensed Consolidated Statements of Operations over the vesting periods. During the March 2023 and March 2022 quarters, we recognized $0.4 million and $0.9 million in stock-based compensation expense, respectively. Associated with this compensation cost are income tax benefits recognized of $0.2 million and $0.2 million, respectively, for each of the three-month periods ended March 2023 and March 2022. During the six-months ended March 2023 and March 2022, we recognized $1.0 million and $1.3 respectively, in stock-based compensation expense. Associated with the compensation cost are income tax benefits recognized of $0.3 million and $0.2 million, respectively, for each of the six-months periods ended March 2023 and March 2022.

During the December 2022 quarter, restricted stock units representing 105,000 shares of our common stock vested with the filing of our Annual Report on Form 10-K for fiscal 2022 and were issued in accordance with their respective agreements. Of these vested awards, all were payable in common stock.

During the December 2022 quarter, performance stock units and restricted stock units representing 5,000 and 18,000 shares of our common stock, respectively, were forfeited.

As of March 2023, there was $2.7 million of total unrecognized compensation cost related to unvested awards granted under the 2020 Stock Plan. This cost is expected to be recognized over a period of 2.7 years.

Note I—Purchase Contracts

We have entered into agreements, and have fixed prices, to purchase yarn, finished fabric, and finished apparel and headwear products. At March 2023, minimum payments under these contracts were as follows (in thousands):

Yarn	$	14,985
Finished fabric		4,102
Finished products		4,797
	$	23,884

Note J—Business Segments

Our operations are managed and reported in two segments, Delta Group and Salt Life Group, which reflect the manner in which the business is managed, and results are reviewed by the Chief Executive Officer, who is our chief operating decision maker.

The Delta Group is comprised of the following business units, which are primarily focused on core activewear styles: DTG2Go and Delta Activewear.

DTG2Go is a market leader in the on-demand, direct-to-garment digital print and fulfillment industry, bringing technology and innovation to the supply chains of our many customers. Our 'On-Demand DC' digital solution provides retailers and brands with immediate access to utilize DTG2Go's broad network of print and fulfillment facilities, while offering the scalability to integrate digital fulfillment within the customer's own distribution facilities. We use highly-automated factory processes and our proprietary software to deliver on-demand, digitally printed apparel direct to consumers on behalf of our customers. Via our seven digital fulfillment facilities throughout the United States, DTG2Go offers a robust digital supply chain, shipping custom graphic products within 24 to 48 hours to consumers in the United States and to over 100 countries worldwide. DTG2Go has made significant investments in its "digital-first" retail model providing digital graphic prints that meet the high-quality standards required for brands, retailers and intellectual property holders. Through integration with Delta Activewear, DTG2Go also services the eRetailer, ad-specialty, promotional and screen print marketplaces, among others.

Delta Activewear is a preferred supplier of activewear apparel to regional and global brands as well as direct to retail and wholesale markets. The Activewear business is organized around three key customer channels – Delta Direct, Global Brands, and Retail Direct – that are distinct in their go-to-market strategies and how their respective customer bases source their various apparel needs. Our Delta Direct channel services the screen print, promotional, and eRetailer markets as well as retail licensing customers that sell through to many mid-tier and mass market retailers. Delta Direct products include a broad portfolio of apparel and accessories under the Delta, Delta Platinum, and Soffe brands as well as sourced items from select third party brands. Our fashion basics line includes our Platinum Collection, which offers fresh, fashionable silhouettes with a luxurious look and feel, as well as versatile fleece offerings. We offer innovative apparel products, including the Delta Dri line of performance shirts built with moisture-wicking material to keep athletes dry and comfortable; ringspun garments with superior comfort, style and durability; and Delta Soft, a collection with an incredible feel and price. We also offer our heritage, mid- and heavier-weight Delta Pro Weight® and Magnum Weight® tee shirts.

The iconic Soffe brand offers activewear for spirit makers and record breakers and is widely known for the original "cheershort" with the signature roll-down waistband. Soffe carries a wide range of activewear for the entire family. Soffe's heritage is anchored in the military, and we continue to be a proud supplier to both active duty and veteran United States military personnel worldwide. The Soffe men's assortment features the tagline "anchored in the military, grounded in training" and offers everything from physical training gear certified by the respective branches of the military, classic base layers that include the favored 3-pack tees, and the iconic "ranger panty." Complementing the Delta and Soffe brand apparel, we offer our customers a broad range of product categories with nationally recognized brands including polos, outerwear, headwear, bags and other accessories. Our Soffe products are also available direct to consumers at www.soffe.com.

Our Global Brands channel serves as a key supply chain partner to large multi-national brands, major branded sportswear companies, trendy regional brands, and all branches of the United States armed forces, providing services ranging from custom product development to shipment of branded products with "retail-ready" value-added services including embellishment, hangtags, and ticketing.

Our Retail Direct channel serves brick and mortar and online retailers by providing our portfolio of Delta, Delta Platinum, and Soffe products directly to the retail locations and ecommerce fulfillment centers of a diversified customer base including sporting goods and outdoor retailers, specialty and resort shops, farm and fleet stores, department stores, and mid-tier retailers. As a key element of the integrated Delta Group segment, each of Activewear's primary channels offer a seamless solution for small-run decoration needs with on-demand digital print services, powered by DTG2Go.

The Salt Life Group is comprised of our Salt Life business, which is built on the authentic, aspirational Salt Life lifestyle brand that represents a passion for the ocean, the salt air, and, more importantly, a way of life and all it offers, from surfing, fishing, and diving to beach fun and sun-soaked relaxation. The Salt Life brand combines function and fashion with a tailored fit for the active lifestyles of those that "live the Salt Life." With increased worldwide appeal, Salt Life has continued to provide the cotton graphic tees and logo decals that originally drove awareness for the brand, and expanded into performance apparel, swimwear, board shorts, sunglasses, bags, and accessories. Consumers can also seamlessly experience the Salt Life brand through retail partners including surf shops, specialty stores, department stores, and outdoor merchants or by accessing our Salt Life ecommerce site at www.saltlife.com.

Our Chief Operating Decision Maker and management evaluate performance and allocate resources based on profit or loss from operations before interest, income taxes and special charges ("segment operating (loss) earnings"). Our segment operating (loss) earnings may not be comparable to similarly titled measures used by other companies. The accounting policies of our reportable segments are the same as those described in Note 2 in our Annual Report on Form 10-K for fiscal 2022, filed with the SEC. Intercompany transfers between operating segments are transacted at cost and have been eliminated within the segment amounts shown in the following table (in thousands).

	Three Months Ended		Six Months Ended	
	March 2023	March 2022	March 2023	March 2022
Segment net sales:				
Delta Group	$ 91,344	$ 115,335	$ 188,354	$ 217,256
Salt Life Group	18,991	16,363	29,276	25,188
Total net sales	$ 110,335	$ 131,698	$ 217,630	$ 242,444
Segment operating (loss) earnings:				
Delta Group	$ (7,487)	$ 14,417	$ (7,363)	$ 22,854
Salt Life Group	4,649	3,306	4,866	3,463
Total segment operating (loss) earnings	$ (2,838)	$ 17,723	$ (2,497)	$ 26,317

The following table reconciles the segment operating (loss) earnings to the consolidated (loss) earnings before (benefit from) provision for income taxes (in thousands):

	Three Months Ended		Six Months Ended	
	March 2023	March 2022	March 2023	March 2022
Segment operating (loss) earnings	$ (2,838)	$ 17,723	$ (2,497)	$ 26,317
Unallocated corporate expenses	2,516	3,382	5,483	6,060
Unallocated interest expense	3,723	1,801	6,613	3,399
Consolidated (loss) earnings before (benefit from) provision for income taxes	$ (9,077)	$ 12,540	$ (14,593)	$ 16,858

Note K—Income Taxes

The Tax Cuts and Jobs Act of 2017 enacted on December 22, 2017, significantly revised the U.S. corporate income tax code by, among other things, lowering federal corporate income tax rates, implementing a modified territorial tax system and imposing a repatriation tax ("transition tax") on deemed repatriated cumulative earnings of foreign subsidiaries which will be paid over eight years. In addition, new taxes were imposed related to foreign income, including a tax on global intangible low-taxed income ("GILTI") as well as a limitation on the deduction for business interest expense ("Section 163(j)"). GILTI is the excess of the shareholder's net controlled foreign corporations net tested income over the net deemed tangible income. GILTI income is eligible for a deduction of up to 50% of the income inclusion, but the deduction is limited to the amount of U.S. adjusted taxable income. The Section 163(j) limitation does not allow the amount of deductible interest to exceed the sum of the taxpayer's business interest income and 30% of the taxpayer's adjusted taxable income. We have included in our calculation of our effective tax rate the estimated impact of GILTI and Section 163(j). In addition, we have elected to account for the tax on GILTI as a period cost and, therefore, do not record deferred taxes related to GILTI on our foreign subsidiaries.

Our effective income tax rate on operations for the six-months ended March 2023 was 27.5% compared to a rate of 18.2% in the same period of the prior year, and an effective rate of 17.9% for fiscal 2022. We generally benefit from having income in foreign jurisdictions that are either exempt from income taxes or have tax rates that are lower than those in the United States. As such, changes in the mix of U.S. taxable income compared to profits in tax-free or lower-tax jurisdictions can have a significant impact on our overall effective tax rate. The current year tax rate decreased relative to prior periods due US losses expected to generate a US tax benefit.

Note L—Derivatives and Fair Value Measurements

From time to time, we may use interest rate swaps or other instruments to manage our interest rate exposure and reduce the impact of future interest rate changes. These financial instruments are not used for trading or speculative purposes. We have designated our interest rate swap contracts as cash flow hedges of our future interest payments. As a result, the gains and losses on the swap contracts are reported as a component of other comprehensive income and are reclassified into interest expense as the related interest payments are made. As of March 2023, all of our other comprehensive income was attributable to shareholders; none related to the non-controlling interest. Outstanding instruments as of March 2023 are as follows:

	Effective Date	Notional Amount	Fixed LIBOR Rate	Maturity Date
Interest Rate Swap	July 25, 2018	$20.0 million	3.18%	July 25, 2023

The following table summarizes the fair value and presentation in the Condensed Consolidated Balance Sheets for derivatives related to our interest swap agreements as of March 2023 and September 2022 (in thousands):

	March 2023	September 2022
Deferred tax assets	$ (60)	$ (48)
Other non-current liabilities	240	189
Accumulated other comprehensive income	$ 180	$ 141

From time to time, we may purchase cotton option contracts to economically hedge the risk related to market fluctuations in the cost of cotton used in our operations. We do not receive hedge accounting treatment for these derivatives. As such, the realized and unrealized gains and losses associated with them are recorded within cost of goods sold on the Condensed Consolidated Statement of Operations. No such cotton contracts were outstanding at March 2023 and September 2022.

ASC 820, Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Assets and liabilities measured at fair value are grouped in three levels. The levels prioritize the inputs used to measure the fair value of the assets or liabilities. These levels are:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are less active.

Level 3 – Unobservable inputs that are supported by little or no market activity for assets or liabilities and includes certain pricing models, discounted cash flow methodologies and similar techniques.

The following financial liabilities are measured at fair value on a recurring basis (in thousands):

		Fair Value Measurements Using		
Period Ended	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest Rate Swaps				
March 2023	$ 240	-	$ 240	-
September 2022	$ 189	-	$ 189	-

The fair value of the interest rate swap agreements was derived from a discounted cash flow analysis based on the terms of the contract and the forward interest rate curves adjusted for our credit risk, which fall in Level 2 of the fair value hierarchy. At March 2023 and September 2022, book value for fixed rate debt approximated fair value based on quoted market prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities (a Level 2 fair value measurement).

Note M—Legal Proceedings

At times, we are party to various legal claims, actions and complaints. We believe that, as a result of legal defenses, insurance arrangements, and indemnification provisions with parties believed to be financially capable, such actions should not have a material adverse effect on our operations, financial condition, or liquidity.

Note N—Repurchase of Common Stock

As of September 28, 2019, our Board of Directors authorized management to use up to $60.0 million to repurchase stock in open market transactions under our Stock Repurchase Program. We did not purchase any shares of our common stock during the March 2023 quarter. Through March 2023, we have purchased 3,735,114 shares of our common stock for an aggregate of $56.4 million under our Stock Repurchase Program since its inception. All purchases were made at the discretion of management and pursuant to the safe harbor provisions of SEC Rule 10b-18. As of March 2023, $ 3.6 million remained available for future purchases under our Stock Repurchase Program, which does not have an expiration date.

Note O—Goodwill and Intangible Assets

Components of intangible assets consist of the following (in thousands):

	March 2023			September 2022			
	Cost	Accumulated Amortization	Net Value	Cost	Accumulated Amortization	Net Value	Economic Life
Goodwill	$ 37,897	$ -	$ 37,897	$ 37,897	$ -	$ 37,897	N/A
Intangibles:							
Tradename/trademarks	$ 16,000	$ (5,117)	$ 10,883	$ 16,000	$ (4,851)	$ 11,149	20 – 30 yrs
Customer relationships	7,400	(3,583)	3,817	7,400	(3,213)	4,187	20 yrs
Technology	10,083	(3,059)	7,024	10,083	(2,610)	7,473	10 yrs
License agreements	2,100	(992)	1,108	2,100	(940)	1,160	15 – 30 yrs
Non-compete agreements	1,657	(1,655)	2	1,657	(1,600)	57	4 – 8.5 yrs
Total intangibles	$ 37,240	$ (14,406)	$ 22,834	$ 37,240	$ (13,214)	$ 24,026	

Goodwill represents the acquired goodwill net of the $0.6 million impairment losses recorded in fiscal year 2011. As of March 2023, the Delta Group segment assets include $18.0 million of goodwill, and the Salt Life Group segment assets include $19.9 million.

Depending on the type of intangible asset, amortization is recorded under cost of goods sold or selling, general and administrative expenses. Amortization expense for intangible assets for the March 2023 and March 2022 quarters was $0.6 million and $0.6 million, respectively. Amortization expense for the six-months ended March 2023 and March 2022 was $1.2 million and $1.2 million, respectively. Amortization expense is estimated to be approximately $1.4 million for the year ended September 2023, approximately $1.4 million for the year ended September 2024, and approximately $1.4 million for the years ended September 2025, 2026, and 2027.

Note P—Subsequent Events

None.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. We may from time to time make written or oral statements that are "forward-looking," including statements contained in this report and other filings with the SEC, in our press releases, and in other reports to our shareholders. All statements, other than statements of historical fact, which address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements. The words "plan", "estimate", "project", "forecast", "outlook", "anticipate", "expect", "intend", "remain", "seek", "believe", "may", "should" and similar expressions, and discussions of strategy or intentions, are intended to identify forward-looking statements.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current expectations and are necessarily dependent upon assumptions, estimates and data that we believe are reasonable and accurate but may be incorrect, incomplete or imprecise. Forward-looking statements are subject to a number of business risks and inherent uncertainties, any of which could cause actual results to differ materially from those set forth in or implied by the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in forward-looking statements include, among others, the following:

- the general U.S. and international economic conditions;
- the impact of the COVID-19 pandemic on our operations, financial condition, liquidity, and capital investments, including recent labor shortages, inventory constraints, and supply chain disruptions;
- significant interruptions or disruptions within our manufacturing, distribution or other operations;
- deterioration in the financial condition of our customers and suppliers and changes in the operations and strategies of our customers and suppliers;
- the volatility and uncertainty of cotton and other raw material prices and availability;
- the competitive conditions in the apparel industry;
- our ability to predict or react to changing consumer preferences or trends;
- our ability to successfully open and operate new retail stores in a timely and cost-effective manner;
- the ability to grow, achieve synergies and realize the expected profitability of acquisitions;
- changes in economic, political or social stability at our offshore locations or in areas in which we, or our suppliers or vendors, operate;
- our ability to attract and retain key management;
- the volatility and uncertainty of energy, fuel and related costs;
- material disruptions in our information systems related to our business operations;
- compromises of our data security;
- significant changes in our effective tax rate;
- significant litigation in either domestic or international jurisdictions;
- recalls, claims and negative publicity associated with product liability issues;
- the ability to protect our trademarks and other intellectual property;
- changes in international trade regulations;
- our ability to comply with trade regulations;
- changes in employment laws or regulations or our relationship with employees; or our ability to attract and retain employees;
- negative publicity resulting from violations of manufacturing standards or labor laws or unethical business practices by our suppliers or independent contractors;
- the inability of suppliers or other third-parties, including those providing key equipment, transportation, and other services, to perform their obligations or fulfill the terms of their contracts with us;
- restrictions on our ability to borrow capital or service our indebtedness;
- interest rate fluctuations increasing our obligations under our variable rate indebtedness;
- the ability to raise additional capital;
- the impairment of acquired intangible assets;
- foreign currency exchange rate fluctuations;
- the illiquidity of our shares; and
- price volatility in our shares and the general volatility of the stock market.

A detailed discussion of significant risk factors that have the potential to cause actual results to differ materially from our expectations is set forth in Part 1 under the subheading "Risk Factors" in our Annual Report on Form 10-K for fiscal 2022, filed with the SEC. Any forward-looking statements in this Quarterly Report on Form 10-Q do not purport to be predictions of future events or circumstances and may not be realized. Further, any forward-looking statements are made only as of the date of this Quarterly Report on Form 10-Q, and we do not undertake to publicly update or revise the forward-looking statements, except as required by the federal securities law.

Business Outlook

Our second quarter performance showcases the resiliency in our operating model and the versatility provided by our multiple market strategies. We were pleased to report double-digit revenue growth across three of our five channels, including record second quarter performance at Salt Life and DTG2Go with year-over-year sales growth of 16% and 19%, respectively, as well as double-digit sales growth in our Retail Direct channel.

Salt Life's success during the quarter spanned across all channels of distribution and consumer recognition of the brand continues to proliferate across the United States and internationally. Salt Life just recently opened its 23rd branded retail store and first in the state of New Jersey and plans to further expand its footprint in the northeast market later this year with its first locations in New York. Salt Life's wholesale channel continues to expand geographically, with approximately 1,800 retail doors spread across 48 states and other territories, and the www.saltlife.com eCommerce site receives orders from all 50 states.

Salt Life also entered the multi-billion dollar home furnishings market during the quarter through a license agreement for the Salt Life Home collection to be offered to consumers across the country. We expect the future royalty income generated by Salt Life's expanding license portfolio to serve as another primary revenue channel going forward.

DTG2Go's exceptional top line results during the quarter were accompanied by a strategic consolidation of more digital capacity into its locations integrated with our Delta Direct channel's vertical blank garment supply and the related closing of a single-purpose location acquired in connection with a prior acquisition. DTG2Go continues to enhance selling price strategies, make productivity gains, and grow sales outside of the December holiday quarter. DTG2Go's digital first strategy has been particularly instrumental in increasing sales throughout the year and we are seeing greater adoption of Delta Direct blank tees in that channel. In addition, the print quality and consistency on the first generation technology used in DTG2Go's digital first program is improving and DTG2Go continues to tailor its strategies and product offerings to meet the requirements of its key digital first customer base.

DTG2Go expects to launch an exciting new on-demand portal in the third fiscal quarter designed to allow customers to seamlessly submit orders for small run, quick reaction, and overflow replenishment orders. The portal will provide DTG2Go with another avenue to capitalize on the cost and speed limitations of traditional screenprint operations as well as the growing market for personalized on-demand apparel documenting consumer experiences and events.

In our Delta Direct channel, the well-publicized high inventory levels and lower demand across the blank tee industry continued to impact our business and drove overall sales below our expectations for the quarter. The retail license customer base selling into mid-tier and mass retail supply chains continues to be the primary area of softness in this channel.

We are also seeing indications of an over-inventoried supply chain in parts of our Global Brands channel where we provide custom decorated product to large brands and sportswear companies as well as all branches of the United States military, among others. While the high inventory levels among brands and retailers is currently pressuring our demand, we continue to see positive macrotrends from brand and retailer nearshore sourcing strategies targeting manufacturing and fulfillment platforms like ours in Central America.

The double-digit sales growth during the quarter in our Retail Direct channel, where we provide decorated, "retail ready" products to brick and mortar and e-commerce merchants, is indicative of the momentum we see in nearshoring strategies. This channel is one of several areas of our business, including Salt Life, DTG2Go, and Global Brands, where we sell decorated products directly to consumers or to customers adjacent to the consumer point-of-sale. Sales in these channels typically carry more consistent margins due to the decoration and other value-adding services they require, along with the potential to pass through raw material cost risks in selling prices. These channels are also more working capital friendly given they turn our inventory quicker. We plan to prioritize these sales opportunities as we look for more ways to optimize the return on our capital investments in the current high interest rate environment.

Looking ahead, we believe our decisive action throughout the last three quarters in calibrating our production levels to the lower demand for blank tees, moderating our inventory build, and streamlining our offshore manufacturing cost structure have us well-positioned to capitalize on upticks in demand and improve our operating results as we move through the second half of our fiscal year. We will continue to focus on incrementally reducing our inventory and debt levels in the coming quarters and believe we should see sequential improvement in our margins as we cycle through our higher-cost inventory through the back half of our fiscal year.

Results of Operations

Financial results included herein have been presented on a generally accepted accounting principles ("GAAP") basis.

Net sales were $110.3 million in the second quarter of fiscal 2023, a decrease of 16% compared to the prior year second quarter net sales of $131.7 million.

> Net sales in the Delta Group segment decreased 21% to $91.3 million in the second quarter of fiscal 2023 compared to $115.3 million in the prior year second quarter. Sales in our Delta Direct and Global Brands channels declined from the prior year period. This was offset by record second quarter DTG2Go sales, up 18% from prior year, and increased sales in our Retail Direct channel during the quarter. Net sales for the first six months of 2023 were $188.4 million, a 13% decline from the prior year period.
>
> The Salt Life Group segment's net sales for the second quarter of fiscal 2023 grew 16% and reached a second quarter record $19.0 million compared to $16.4 million in the prior year second quarter. The segment's growth was driven by increases in both our wholesale and direct to consumer channels. For the first six months of fiscal 2023, net sales in the Salt Life segment were $29.3 million, up 16% from prior year period net sales of $25.2 million.

Gross margins were 14.7% for the second quarter of fiscal 2023, declining from the prior year second quarter gross margin of 25.5%.

> Delta Group segment gross margins were 5.5% for the second quarter of fiscal 2023, a decline from prior year second quarter margins of 21.6%. Gross margins were primarily impacted by higher inventory costs from inflationary raw material and other input pricing in fiscal 2022 flowing through sales during the quarter. Plant curtailment costs of $0.9 million in the second quarter of fiscal 2023 also impacted gross margins, and second quarter gross margins adjusted for these costs were 6.5%. Gross margins for the first six months of fiscal 2023 declined from 19.9% in the prior year period to 6.8% of sales. Adjusted for $4.3 million of plant curtailment costs, gross margins for the six-months ended March 2023 were 9.1%.
>
> Salt Life Group segment gross margins improved to 59.0% in the second quarter of fiscal 2023, an improvement of 660 basis points compared to 52.4% in the prior year second quarter resulting from a favorable mix of sales, including increased direct-to-consumer sales through both our ecommerce and retail channels. For the first six months of fiscal year 2023, gross margins grew to 58.3% of sales from 52.7% in the prior year period.

Selling, general, and administrative expenses ("SG&A") were $19.3 million in the second quarter of fiscal 2023, or 17.5% of sales, compared to $19.7 million, or 15.0% of sales, in the prior year second quarter. The increase in SG&A as a percentage of sales was driven by the further expansion of Salt Life's branded retail store footprint and the deleveraging effect of overall lower sales relative to the prior year period. SG&A expenses for the first six months of fiscal 2023 were $38.2 million, or 17.5% of sales, compared to $37.2 million, or 15.3% of sales, and driven by fixed costs period-over-period compared to lower sales in the current year.

Other loss for the 2023 second fiscal quarter includes $1.6 million of expenses incurred in our Central American and Mexican manufacturing operations to better align our cost structure with market demand. We also incurred $0.9 million in expense in our DTG2Go business as we shifted the digital production capacity from our legacy, single-purpose Clearwater, Florida facility into our national footprint of dual-purpose facilities housing digital printing and blank garment distribution under one roof to advance our integrated on-demand model and further leverage the distinct competitive advantages it provides DTG2Go. In addition, the second fiscal quarter includes profits of $0.3 million related to our Honduran equity method investment. Other income for the second quarter of fiscal 2022 included a valuation change in our contingent consideration liabilities of $0.5 million, a loss on disposal of assets of $0.4 million, as well as profits related to our Honduran equity method investment of $0.3 million.

Other income for the first six months of fiscal includes a discrete gain of $2.5 million from the settlement of a commercial litigation matter recorded in the first quarter of fiscal 2023 as well as profits in our Honduran equity method investment, which were offset by the above-referenced costs incurred to better align our offshore manufacturing cost structure with market demand. Other income for the first six months of fiscal 2022 was $0.9 million, including profits related to our Honduran equity method investment and a valuation adjustment of our contingent consideration.

Operating loss in the second quarter of fiscal 2023 was $5.3 million, a decrease from the prior year second fiscal quarter operating profit of $14.4 million. For the first six months of fiscal year 2023, operating loss was $7.9 million, declining from the prior year operating income of $20.2 million.

The Delta Group segment experienced an operating loss of $7.5 million in the second quarter of fiscal 2023, or 8.2% of net sales, compared to operating income of $14.4 million, or 12.5% of net sales, in the prior year second quarter. The decline in operating profit was driven by lower gross margins. Operating loss was $7.4 million, or 3.9% of sales, for the first half of fiscal 2023, compared to operating income of $22.9 million, or 10.5% of sales in the prior year period.

The Salt Life Group segment earned operating income of $4.6 million in the second quarter of fiscal 2023, or 24.5% of net sales, compared to $3.3 million, or 20.2% of net sales, in the prior year second quarter. The increase in operating income as a percentage of sales was driven by improved gross margins. For the first six months of fiscal 2023, operating income improved by $1.4 million to $4.8 million.

Net interest expense for the second quarter of fiscal year 2023 was $3.7 million, and for the second quarter of fiscal year 2022 was $1.8 million. Net interest expense for the first six months of fiscal 2023 was $6.6 million compared to $3.4 million in the prior year first six months.

Our effective tax rate on operations for the six-month period ended March 2023 was 27.5%. This compares to an effective tax rate of 18.2% for the same period in the prior year and 17.9 % for the full fiscal year 2022. See Note K—Income taxes for more information.

Net loss attributable to shareholders for the second fiscal quarter of 2023 was $7.0 million, or $1.00 per diluted share, compared to net income of $10.1 million, or $1.44 per diluted share, in the prior year. Net loss attributable to shareholders for the first six months of fiscal 2023 was $10.6 million, or $1.51 per diluted share, compared to net income of $13.8 million, or $1.95 per diluted share, in the prior year.

Accounts receivable were $62.0 million at March 2023, compared to $68.2 million as of September 2022. Days sales outstanding ("DSO") as of March 2023 were 45 days compared to 52 days at September 2022.

Net inventory as of March 2023 was $243.2 million, a decrease of $5.4 million from September 2022 and an increase of $45.5 million from March 2022. The inventory value is higher than the prior year second quarter as a result of increased input costs; however, it represents a sequential decline from the December 2022 quarter as a result of production adjustments to align with demand during the second quarter of fiscal 2023.

Total net debt, including capital lease financing and cash on hand, was $194.3 million at March 2023, an increase of $23.7 million from September 2022. Cash on hand and availability under our U.S. revolving credit facility totaled $12.8 million at March 2023, a $21.9 million decrease from September 2022 principally driven by working capital needs due to reduced consumer demand impacting our customers as well as inflationary input costs.

Liquidity and Capital Resources

Operating Cash Flows

Operating activities resulted in a cash usage of $19.1 million for the six months ended March 2023 compared to $14.5 million of cash used in the prior year. The increase in cash used in operating cash flows in the current year is due to the timing of payments from customers and to vendors, in addition to the decreased earnings in the business in the first half of fiscal 2023.

Investing Cash Flows

Cash outflows for capital expenditures were $2.5 million during the first six months of 2023 compared to $7.7 million in the same period in the prior year. We currently expect to spend less on capital expenditures in 2023 compared to 2022, with our expenditures expected to focus on direct-to-consumer investments including new Salt Life retail store openings, information technology, and manufacturing efficiencies.

Financing Activities

During the six months ended March 2023, cash provided by financing activities was $17.5 million compared to $13.8 million in the prior year, primarily related to funding our operating activities, working capital needs, and certain capital investments offset by scheduled loan principal payments.

Future Liquidity and Capital Resources

See Note F – Debt to the Condensed Consolidated Financial Statements for a discussion of our various financing arrangements, including the terms of our revolving U.S. credit facility.

Our credit facility, as well as cash flows from operations, are intended to fund our day-to-day working capital needs, and along with capital lease financing arrangements, to fund our planned capital expenditures. However, any material deterioration in our results of operations may result in the loss of our ability to borrow under our U.S. revolving credit facility and to issue letters of credit to suppliers, or may cause the borrowing availability under that facility to be insufficient for our needs. Availability under our credit facility is primarily a function of the levels of our accounts receivable and inventory. A significant deterioration in our accounts receivable or inventory levels could restrict our ability to borrow additional funds or service our indebtedness. Our availability at March 2023 was above the minimum thresholds specified in our credit agreement, and we were compliant with the applicable EBITDA covenant minimum thresholds. We note that the execution of the Ninth Amendment to the Fifth Amended and Restated Credit Agreement suspended application of the FCCR covenant until the expiration of its Accommodation Period. Refer to Note F for further information.

Share Repurchase Program

The Company did not purchase any shares under our previously announced share repurchase program in the March 2023 quarter. The total amount repurchased during the life of the program is $56.4 million. At the end of the second quarter of fiscal 2023, the Company had $3.6 million of remaining repurchase capacity under its existing authorization.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which were prepared in accordance with U.S. GAAP. The preparation of our Condensed Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates and judgments on historical experience and various other factors that we believe 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. Actual results may differ from these estimates under different assumptions or conditions. The most significant estimates and assumptions relate to revenue recognition, accounts receivable and related reserves, inventory and related reserves, the carrying value of goodwill, and the accounting for income taxes.

A detailed discussion of critical accounting policies is contained in the Significant Accounting Policies included in Note 2 to the Audited Consolidated Financial Statements included in our Annual Report on Form 10-K for fiscal 2022, and there have been no changes in those policies since the filing of that Annual Report on Form 10-K with the SEC.

Environmental and Other Regulatory Matters

We are subject to various federal, state and local environmental laws and regulations concerning, among other things, wastewater discharges, storm water flows, air emissions and solid waste disposal. The labeling, distribution, importation, marketing, and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, Consumer Product Safety Commission and state attorneys general in the United States. Our international operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act (the "FCPA") and other anti-bribery laws applicable to our operations.

The environmental and other regulations applicable to our business are becoming increasingly stringent, and we incur capital and other expenditures annually to achieve compliance with these environmental standards and regulations. We currently do not expect that the amount of expenditures required to comply with these environmental standards or other regulatory matters will have a material adverse effect on our operations, financial condition or liquidity. There can be no assurance, however, that future changes in federal, state, or local regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional expenditures. Similarly, while we believe that we are currently in compliance with all applicable environmental and other regulatory requirements, the extent of our liability, if any, for past failures to comply with laws, regulations and permits applicable to our operations cannot be determined and could have a material adverse effect on our operations, financial condition and liquidity.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to reasonably assure that information required to be disclosed 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 requirements. 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, including our Chief Executive Officer and principal accounting officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and principal accounting officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report ("the Evaluation Date") and, based on their evaluation, our Chief Executive Officer and principal accounting officer have concluded that these controls and procedures were effective as of the Evaluation Date.

Changes in Internal Control Over Financial Reporting

There were no changes during the March 2023 quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note M—Legal Proceedings, in Part I, Item 1, which is incorporated herein by reference.

Item 1A. Risk Factors

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Repurchases of Common Stock

See Note N—Repurchase of Common Stock, Part I, in Item 1, which is incorporated herein by reference.

Item 5. Other Information

None

Item 6. Exhibits

Exhibits

10.1	Form of Restricted Stock Unit and Performance Unit Agreement
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Accounting Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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.

DELTA APPAREL, INC.
(Registrant)

Date May 4, 2023

By: /s/Nancy P. Bubanich
Nancy P. Bubanich
Chief Accounting Officer

DELTA APPAREL, INC. 2020 STOCK PLAN

RESTRICTED STOCK UNIT AND PERFORMANCE UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AND PERFORMANCE UNIT AWARD AGREEMENT (“Agreement”) by and between DELTA APPAREL, INC., a Georgia corporation (“Company”), and ___________________________ (“Participant”) is effective January 3, 2022.

WHEREAS, the Compensation Committee of the Board of Directors of the Company has, pursuant to the Delta Apparel, Inc. 2020 Stock Plan (“Plan”), made an Award of the grant of Restricted Stock Units and Performance Units of the Company to the Participant and authorized and directed the execution and delivery of this Agreement;

NOW THEREFORE, in consideration of the foregoing, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Participant hereby agree as follows. All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Plan.

Section 1. AWARD OF RESTRICTED STOCK UNITS AND PERFORMANCE UNITS

In consideration of the services performed and to be performed by the Participant, the Company hereby awards to the Participant under the Plan a total of **__,000** Restricted Stock Units under Section 8(c) of the Plan and a total of **__,000** Performance Units under Section 8(e) of the Plan, both of which are subject to the terms and conditions set forth in this Agreement and the Plan. The value of each Restricted Stock Unit and Performance Unit shall be determined and measured by the value of one share of stock of the Company.

Section 2. VESTING OF UNITS BASED ON SERVICE REQUIREMENTS

The Restricted Stock Unit grants are based on Service requirements and shall vest on the date on which the Company files with the Securities and Exchange Commission its Annual Report on Form 10-K for the Company's fiscal year ending _________________ ___, 202_ (“RSU Vesting Date”).

Notwithstanding the above, occurrence of any of the following events shall cause the immediate vesting of Restricted Stock Units:

(a) The death of the Participant;
(b) Disability of the Participant; or
(c) A Change in Control.

Except as otherwise set forth herein, the unvested portion of the Restricted Stock Unit Award shall be entirely forfeited by the Participant in the event that prior to vesting the Participant breaches any terms or conditions of the Plan, the Participant resigns from the Company, the Participant's employment with the Company is terminated for reasons other than death or Disability, or any conditions imposed upon vesting are not met.

Section 3. VESTING OF UNITS BASED ON PERFORMANCE REQUIREMENTS

The Performance Unit grants are based on the Company’s achievement of performance requirements and shall vest upon the later of the date the Board of Directors (or committee thereof, if applicable) certifies in writing that the Company achieved the following performance-based goals established by the Board of Directors (or committee thereof, if applicable) on a consolidated basis or the date on which the Company files with the Securities and Exchange Commission its Annual Report on Form 10-K for the Company's fiscal year ending __________________ ___, 202_ (“PSU Vesting Date”):

Granted Units Earned based on Return on Capital Employed	**Fiscal Year 202__ Return on Capital Employed Requirement**
Minimum 50%	5%
Par 100%	10%
Maximum 150%	15%

Performance Unit Awards shall be prorated between the Minimum and Maximum percentages based upon actual Return on Capital Employed results.

Return on Capital Employed shall mean an amount calculated by dividing the sum of Delta Apparel, Inc.'s consolidated earnings before interest and tax for the 202_ fiscal year by the sum of Delta Apparel, Inc.'s consolidated average annual capital employed for the 202_ fiscal year.

Notwithstanding the above, occurrence of any of the following events shall cause the immediate vesting at 100% of Performance Units:

(a) The death of the Participant;
(b) Disability of the Participant; or
(c) A Change in Control.

Except as otherwise set forth herein, the unvested portion of the Performance Unit Award shall be entirely forfeited by the Participant in the event that prior to vesting the Participant breaches any terms or conditions of the Plan, the Participant resigns from the Company, the Participant's employment with the Company is terminated for reasons other than death or Disability, or any conditions imposed upon vesting are not met.

Section 4. NON-TRANSFERABILITY OF RIGHTS

The Participant shall have no right to sell, transfer, pledge, assign or otherwise assign or hypothecate any of the Participant's rights under this Agreement or, until the portion of the Awards granted hereby covering the Restricted Stock Units and Performance Units shall vest, the Restricted Stock Units and Performance Units covered by the Award granted hereby, other than by will or the laws of descent and distribution, and such rights shall be exercisable during Participant's lifetime only by the Participant.

Section 5. PAYMENT UPON VESTING OF RESTRICTED STOCK UNITS AND PERFORMANCE UNITS

Subject to the terms and conditions of the Plan, the Company shall, as soon as practicable following the RSU Vesting Date (but no later than March 15 of the calendar year following the calendar year that includes such vesting date), deliver to you a number of Shares equal to one-half of the value of the aggregate number of Restricted Stock Units that became vested on the RSU Vesting Date and a cash payment equal to one-half of the value of the aggregate number of Restricted Stock Units that became vested on the RSU Vesting Date.

Subject to the terms and conditions of the Plan, the Company shall, as soon as practicable following the PSU Vesting Date (but no later than March 15 of the calendar year following the calendar year that includes such vesting date), deliver to you a number of Shares equal to one-half of the value of the aggregate number of Performance Units that became vested on the PSU Vesting Date and a cash payment equal to one-half of the value of the aggregate number of Performance Units that became vested on the PSU Vesting Date.

Upon payment by the Company, the respective Restricted Stock Units and Performance Units shall therewith be cancelled. The delivery of Shares and cash awards under this Section 5 shall be subject to applicable employment and income tax withholding and the terms of Section 7 herein.

Section 6. NO DIVIDEND OR VOTING RIGHTS

The Participant acknowledges that he or she shall be entitled to no dividend or voting rights with respect to the Restricted Stock Units or Performance Units.

Section 7. WITHHOLDING TAXES; SECTION 83(b) ELECTION

(a) No Shares will be payable upon the vesting of a Restricted Stock Unit or Performance Unit unless and until the Participant satisfies any Federal, state or local withholding tax obligation required by law to be withheld in respect of this Award. The Participant acknowledges and agrees that to satisfy any such tax obligation the Company may deduct and retain from the Shares payable upon vesting of the Restricted Stock Units or Performance Units such number of Shares as is equal in value to the Company's minimum statutory withholding obligations with respect to the income recognized by the Participant upon such vesting (based on minimum statutory withholding rates for Federal and state tax purposes, including payroll taxes, that are applicable to such income). The number of such Shares to be deducted and retained shall be based on the closing price of the Shares on the day prior to the applicable RSU Vesting Date or PSU Vesting Date.

(b) The Participant acknowledges that in the event an election under Section 83(b) of the Internal Revenue Code of 1986 is filed with respect to this Award, Participant must give a copy of the election to the Company within ten days after filing with the Internal Revenue Service.

Section 8. ENFORCEMENT; INCORPORATION OF PLAN PROVISIONS

The participant acknowledges receipt of the Delta Apparel, Inc. 2020 Stock Plan (the “Plan”). The Restricted Stock Units Award and Performance Units Award evidenced hereby are made under and pursuant to the Plan, and incorporated herein by reference, and the Awards are subject to all of the provisions thereof. Capitalized terms used herein without definition shall have the same meanings given such terms in the Plan. The Participant represents and warrants that he or she has read the Plan and is fully familiar with all the terms and conditions of the Plan and agrees to be bound thereby.

Section 9. MISCELLANEOUS

(a) No Representations or Warranties. Neither the Company nor the Committee or any of their representatives or agents has made any representations or warranties to the Participant with respect to the income tax or other consequences of the transactions contemplated by this Agreement, and the Participant is in no manner relying on the Company, the Committee or any of their representatives or agents for an assessment of such tax or other consequences.

(b) Employment. Nothing in this Agreement or in the Plan or in the making of the Award shall confer on the Participant any right to or guarantee of continued employment with the Company or any of its Subsidiaries or in any way limit the right of the Company or any of its Subsidiaries to terminate the employment of the Participant at any time.

(c) Investment. The Participant hereby agrees and represents that any Shares payable upon Vesting of the Restricted Stock Units or Performance Units shall be held for the Participant's own account for investment purposes only and not with a view of resale or distribution unless the Shares are registered under the Securities Act of 1933, as amended.

(d) Necessary Acts. The Participant and the Company hereby agree to perform any further acts and to execute and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement.

(e) Severability. The provisions of this Agreement are severable and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions, and any partially enforceable provision to the extent enforceable in any jurisdiction, shall nevertheless be binding and enforceable.

(f) Waiver. The waiver by the Company of a breach of any provision of this Agreement by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.

(g) Binding Effect; Applicable Law. This Agreement shall bind and inure to the benefit of the Company and its successors and assigns, and the Participant and any heir, legatee, or legal representative of the Participant. This Agreement shall be construed, administered and enforced in accordance with and subject to the terms of the Plan and the laws of the State of Georgia.

(h) Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding.

(i) Amendment. This Agreement may be amended by written agreement of the Participant and the Company, without the consent of any other person.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first hereinabove written.

DELTA APPAREL, INC.

By: ___________________________

PARTICIPANT

____

EXHIBIT 31.1
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert W. Humphreys, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Delta Apparel, 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 officer(s) 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 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 fiscal quarter in 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 officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2023

/s/ Robert W. Humphreys
Chairman and Chief Executive Officer

EXHIBIT 31.2
CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nancy Bubanich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Delta Apparel, 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 officer(s) 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 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;

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 fiscal quarter in 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 officer(s) 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 the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 4, 2023

/s/ Nancy P. Bubanich
Chief Accounting Officer

EXHIBIT 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Robert W. Humphreys, the Chief Executive Officer of Delta Apparel, Inc. (the "Company"), hereby certifies that to the best of his knowledge:

1. The Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2023, of the Company, as filed with the Securities and Exchange Commission on the date hereof (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.

Date: May 4, 2023

/s/ Robert W. Humphreys
Robert W. Humphreys
Chairman and Chief Executive Officer

This certification is being furnished solely to comply with the provisions of § 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the accompanying Report, including for purposes of Section 18 of the Exchange Act, or as a separate disclosure document. A signed original of this written certification required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written certification required by Section 906, has been provided to the Company and will be rendered by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF THE PRINCIPAL ACCOUNTING OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Nancy Bubanich, the Chief Accounting Officer of Delta Apparel, Inc. (the "Company"), hereby certifies that to the best of her knowledge:

1. The Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2023, of the Company, as filed with the Securities and Exchange Commission on the date hereof (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.

Date: May 4, 2023

/s/ Nancy P. Bubanich
Nancy P. Bubanich
Chief Accounting Officer

This certification is being furnished solely to comply with the provisions of § 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the accompanying Report, including for purposes of Section 18 of the Exchange Act, or as a separate disclosure document. A signed original of this written certification required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written certification required by Section 906, has been provided to the Company and will be rendered by the Company and furnished to the Securities and Exchange Commission or its staff upon request.