

**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 2, 2022  
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

(State or Other Jurisdiction of  
Incorporation or Organization)

58-2508794

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

2750 Premier Parkway, Suite 100  
Duluth, Georgia

(Address of principal executive offices)

30097

(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 25, 2022, there were outstanding 6,948,873 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 2022	September 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 428	\$ 9,376
Accounts receivable, less allowances of \$94 and \$251, respectively	77,401	66,973
Other receivables	857	761
Income tax receivable	-	356
Inventories, net	197,691	161,703
Prepaid expenses and other current assets	3,698	3,794
<b>Total current assets</b>	<b>280,075</b>	<b>242,963</b>
Property, plant and equipment, net of accumulated depreciation of \$103,453 and \$99,225, respectively	73,208	67,564
Goodwill	37,897	37,897
Intangibles, net	25,204	26,291
Deferred income taxes	1,069	1,854
Operating lease assets	45,785	45,279
Equity method investment	10,027	10,433
Other assets	2,079	2,007
<b>Total assets</b>	<b>\$ 475,344</b>	<b>\$ 434,288</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Accounts payable	\$ 66,226	\$ 52,936
Accrued expenses	24,435	29,949
Income taxes payable	1,754	379
Current portion of finance leases	7,447	6,621
Current portion of operating leases	8,377	8,509
Current portion of long-term debt	7,277	7,067
Current portion of contingent consideration	1,397	-
<b>Total current liabilities</b>	<b>116,913</b>	<b>105,461</b>
Long-term income taxes payable	2,841	3,220
Long-term finance leases	16,592	15,669
Long-term operating leases	39,427	38,546
Long-term debt	122,438	101,680
Long-term contingent consideration	-	1,897
Other non-current liabilities	1,777	3,621
<b>Total liabilities</b>	<b>\$ 299,988</b>	<b>\$ 270,094</b>
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 6,948,873 and 6,974,660 shares outstanding as of March 2022 and September 2021, respectively	96	96
Additional paid-in capital	59,919	60,831
Retained earnings	160,642	146,860
Accumulated other comprehensive loss	(193)	(786)
Treasury stock - 2,698,099 and 2,672,312 shares as of March 2022 and September 2021, respectively	(44,464)	(42,149)
<b>Equity attributable to Delta Apparel, Inc.</b>	<b>176,000</b>	<b>164,852</b>
Equity attributable to non-controlling interest	(644)	(658)
<b>Total equity</b>	<b>175,356</b>	<b>164,194</b>
<b>Total liabilities and equity</b>	<b>\$ 475,344</b>	<b>\$ 434,288</b>

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 2022	March 2021	March 2022	March 2021
Net sales	\$ 131,698	\$ 108,626	\$ 242,444	\$ 203,349
Cost of goods sold	98,176	83,816	185,919	158,250
Gross profit	33,522	24,810	56,525	45,099
Selling, general and administrative expenses	19,714	17,061	37,197	33,091
Other (income) loss, net	(533)	170	(929)	1,360
Operating income	14,341	7,579	20,257	10,648
Interest expense, net	1,801	1,837	3,399	3,491
Earnings before provision for income taxes	12,540	5,742	16,858	7,157
Provision for income taxes	2,414	1,441	3,062	2,013
Consolidated net earnings	10,126	4,301	13,796	5,144
Net (loss) income attributable to non-controlling interest	(11)	(97)	14	(137)
Net earnings attributable to shareholders	\$ 10,137	\$ 4,398	\$ 13,782	\$ 5,281
Basic earnings per share	\$ 1.46	\$ 0.63	\$ 1.98	\$ 0.76
Diluted earnings per share	\$ 1.44	\$ 0.62	\$ 1.95	\$ 0.75
Weighted average number of shares outstanding	6,953	6,975	6,976	6,947
Dilutive effect of stock awards	87	130	87	105
Weighted average number of shares assuming dilution	7,040	7,105	7,063	7,052

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	March 2022	March 2021	March 2022	March 2021
Net earnings attributable to shareholders	\$ 10,137	\$ 4,398	\$ 13,782	\$ 5,281
Other comprehensive income related to unrealized gain on derivatives, net of income tax	381	199	593	324
Consolidated comprehensive income	<u>\$ 10,518</u>	<u>\$ 4,597</u>	<u>\$ 14,375</u>	<u>\$ 5,605</u>

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		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Non- Controlling Interest	Total
	Shares	Amount				Shares	Amount		
Balance as of September 2020	9,646,972	\$ 96	\$ 61,005	\$ 126,564	\$ (1,322)	2,756,854	\$ (43,133)	\$ (524)	\$ 142,686
Net earnings	-	-	-	883	-	-	-	-	883
Other comprehensive income	-	-	-	-	125	-	-	-	125
Net loss attributable to non-controlling interest	-	-	-	-	-	-	-	(40)	(40)
Vested stock awards	-	-	(2,117)	-	-	(84,542)	984	-	(1,133)
Stock based compensation	-	-	676	-	-	-	-	-	676
Balance as of December 2020	9,646,972	\$ 96	\$ 59,564	\$ 127,447	\$ (1,197)	2,672,312	\$ (42,149)	\$ (564)	\$ 143,197
Net earnings	-	-	-	4,398	-	-	-	-	4,398
Other comprehensive income	-	-	-	-	199	-	-	-	199
Net loss attributable to non-controlling interest	-	-	-	-	-	-	-	(97)	(97)
Vested stock awards	-	-	-	-	-	-	-	-	-
Purchase of common stock	-	-	-	-	-	-	-	-	-
Stock based compensation	-	-	278	-	-	-	-	-	278
Balance as of March 2021	9,646,972	\$ 96	\$ 59,842	\$ 131,845	\$ (998)	2,672,312	\$ (42,149)	\$ (661)	\$ 147,975
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Non- Controlling Interest	Total
	Shares	Amount				Shares	Amount		
Balance as of September 2021	9,646,972	\$ 96	\$ 60,831	\$ 146,860	\$ (786)	2,672,312	\$ (42,149)	\$ (658)	\$ 164,194
Net earnings	-	-	-	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 earnings	-	-	-	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)

	<b>Six Months Ended</b>	
	<b>March 2022</b>	<b>March 2021</b>
<b>Operating activities:</b>		
Consolidated net earnings	\$ 13,796	\$ 5,144
<b>Adjustments to reconcile net earnings to net cash used in operating activities:</b>		
Depreciation and amortization	7,434	6,695
Amortization of deferred financing fees	162	162
Provision for inventory market reserves	1,290	533
Provision for deferred income taxes	583	826
Non-cash stock compensation	854	954
Loss (gain) on disposal of equipment	383	(2)
Other, net	(1,180)	(252)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, net	(10,524)	(5,487)
Inventories, net	(37,278)	(3,548)
Prepaid expenses and other current assets	(66)	(1,539)
Other non-current assets	1,014	404
Accounts payable	11,742	(2,373)
Accrued expenses	(3,215)	(1,808)
Net operating lease liabilities	243	470
Income taxes	1,352	721
Other liabilities	(1,049)	(145)
Net cash (used in) provided by operating activities	<u>(14,459)</u>	<u>755</u>
<b>Investing activities:</b>		
Purchases of property and equipment	(7,670)	(1,215)
Proceeds from equipment purchased under finance leases	33	2,312
Proceeds from sale of equipment	-	247
Cash paid for intangible asset	(109)	-
Cash paid for business	(583)	(1,679)
Net cash used in investing activities	<u>(8,329)</u>	<u>(335)</u>
<b>Financing activities:</b>		
Proceeds from long-term debt	265,034	224,729
Repayment of long-term debt	(243,483)	(221,993)
Repayment of finance lease obligations	(3,630)	(3,820)
Payment of contingent consideration	-	(2,110)
Repurchase of common stock	(2,989)	-
Payment of withholding taxes on stock awards	(1,092)	(1,133)
Net cash provided by (used in) financing activities	<u>13,840</u>	<u>(4,327)</u>
Net decrease in cash and cash equivalents	<u>(8,948)</u>	<u>(3,907)</u>
Cash and cash equivalents at beginning of period	9,376	16,458
Cash and cash equivalents at end of period	<u>\$ 428</u>	<u>\$ 12,551</u>
<b>Supplemental cash flow information</b>		
Finance lease assets exchanged for finance lease liabilities	\$ 5,379	\$ 11,818
Operating lease assets exchanged for operating lease liabilities	4,397	47

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 8,900 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 the supply chain of our customers. 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 and e-retailers, 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 distribution model allows us to capitalize on our strengths to provide our 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. More than 90% of the apparel units that we sell are sewn in our owned or leased 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 2022 fiscal year is a 52-week year and will end on October 1, 2022 ("fiscal 2022"). Accordingly, this Form 10-Q presents our second quarter of fiscal 2022. Our 2021 fiscal year was a 52-week year and ended on October 2, 2021 ("fiscal 2021").

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

<b>Period Ended</b>	<b>Fiscal Year</b>	<b>Date Ended</b>
March 2021	Fiscal 2021	April 3, 2021
June 2021	Fiscal 2021	July 3, 2021
September 2021	Fiscal 2021	October 2, 2021
December 2021	Fiscal 2022	January 1, 2022
March 2022	Fiscal 2022	April 2, 2022

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-month and six-month periods ended March 2022 are not necessarily indicative of the results that may be expected for our fiscal 2022. Although our various product lines are sold on a year-round basis, the demand for specific products or styles reflects some seasonality, with sales in our June quarter generally being the highest and sales in our December quarter generally being the lowest. 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 2021, 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 2022 and March 2021, we received dividends from the investment of \$1.1 million and \$0.3 million, respectively. Our Ceiba Textiles manufacturing facility is leased under an operating lease arrangement, with this Honduran company. During the six-months ended March 2022, we paid approximately \$0.9 million under this arrangement. Payments of approximately \$1.3 million were made during the six-months ended March 2021, which included payment of rent deferrals related to the June 2020 quarter as a result of the COVID pandemic.

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](mailto: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 2021, filed with the SEC. See Note C for consideration of recently issued accounting standards.

## **Note C—New Accounting Standards**

### Recently Adopted Standards

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which simplifies the accounting for income taxes, eliminates certain exceptions within Accounting Standards Codification (“ASC”) 740, Income Taxes, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective as of the beginning of our fiscal year 2022. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The impact of the adoption of provision of ASU 2019-12 did not have a material impact to our financial condition, results of operations, cash flows, and disclosures.

### 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.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional guidance for a limited period of time to ease potential accounting and financial reporting impacts of reference rate reform, including the expected transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. This new guidance includes temporary optional practical expedients and exceptions for applying U.S. GAAP to transactions affected by reference rate reform if certain criteria are met. These transactions include contract modifications, hedging relationships and the sale or transfer of debt securities classified as held-to-maturity. Entities may apply the provisions of the new standard at the beginning of the reporting period when the election is made. This guidance may be applied through December 31, 2022. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures and has yet to elect an adoption date.

**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 web sites; and sales from wholesale channels, which includes our business-to-business ecommerce and DTG2Go sales. The table below identifies the amount and percentage of net sales by distribution channel (in thousands):

	Three Months Ended			
	March 2022		March 2021	
Retail	\$ 2,370	1%	\$ 2,448	2%
Direct-to-consumer ecommerce	710	1%	1,475	1%
Wholesale	128,618	98%	104,703	97%
Net sales	<u>\$ 131,698</u>	<u>100%</u>	<u>\$ 108,626</u>	<u>100%</u>

  

	Six Months Ended			
	March 2022		March 2021	
Retail	\$ 5,273	2%	\$ 4,887	2%
Direct-to-consumer ecommerce	2,054	1%	3,283	2%
Wholesale	235,117	97%	195,179	96%
Net sales	<u>\$ 242,444</u>	<u>100%</u>	<u>\$ 203,349</u>	<u>100%</u>

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 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	<u>\$ 131,698</u>			

  

	Three Months Ended March 2021			
	Net Sales	Retail	Direct-to-consumer ecommerce	Wholesale
Delta Group	\$ 94,219	0.3%	0.2%	99.5%
Salt Life Group	14,407	15.1%	8.8%	76.1%
Total	<u>\$ 108,626</u>			

  

	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	<u>\$ 242,444</u>			

  

	Six Months Ended March 2021			
	Net Sales	Retail	Direct-to-consumer ecommerce	Wholesale
Delta Group	\$ 181,843	0.3%	0.2%	99.5%
Salt Life Group	21,506	20.5%	12.8%	66.7%
Total	<u>\$ 203,349</u>			

**Note E—Inventories**

Inventories, net of reserves of \$17.1 million and \$15.9 million as of March 2022 and September 2021, respectively, consisted of the following (in thousands):

	<u>March 2022</u>	<u>September 2021</u>
Raw materials	\$ 18,472	\$ 17,204
Work in process	22,294	20,954
Finished goods	156,925	123,545
	<u>\$ 197,691</u>	<u>\$ 161,703</u>

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, and August 28, 2020.

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* (“ASC 470”)) 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 2022, we had \$120.8 million outstanding under our U.S. revolving credit facility at an average interest rate of 3.2%. Our cash on hand combined with the availability under the U.S. credit facility totaled \$35.1 million. At March 2022 and September 2021 there was \$22.9 million and \$19.0 million, respectively, of retained earnings free of restrictions to make cash dividends or stock repurchases.

**Promissory Note**

On October 8, 2018, we acquired substantially all of the assets of Silk Screen Ink, Ltd. d/b/a SSI Digital Print Services. In conjunction with the acquisition, we issued a promissory note in the principal amount of \$7.0 million. The promissory note bore interest at 6% with quarterly installments, which began January 2, 2019, with the final installment due October 1, 2021. The final payment, in accordance with the promissory note agreement, was made during the three-months ended December 2021.

**Honduran Debt**

Since March 2011, we have entered into term loans and a revolving credit facility with Banco Ficohsa, a Honduran bank, to finance 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. Each of these new loans is secured by a first-priority lien on the assets of our Honduran operations and is 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 have been classified as long-term debt. Additional information about these loans and the outstanding balances as of March 2022 is as follows (in thousands):

	<u>March 2022</u>
Revolving credit facility established December 2020, interest at 7.25%, due August 2025	\$ 984
Term loan established December 2020, interest at 7.5%, quarterly installments beginning September 2021 through December 2025	7,607

**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 \$5.6 million and \$5.2 million for the March 2022 and 2021 quarters, respectively. Distribution costs included in SG&A expenses totaled \$11.2 million and \$10.4 million for the six-months ended March 2022 and 2021, respectively. In addition, SG&A expenses include costs related to sales associates, administrative personnel, advertising and marketing expenses 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 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. Unvested awards, while employed by the Company or servings as a director, 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 becoming disabled. 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 2022 and 2021 quarters, we recognized \$0.9 million and \$0.6 million in stock-based compensation expense, respectively. Associated with the compensation cost are income tax benefits recognized of \$0.2 million and \$0.1 million, respectively, for each of the three-month periods ended March 2022 and March 2021, respectively. During the six-months ended March 2022 and March 2021, we recognized \$1.3 million and \$1.5 million, respectively, in stock-based compensation expense. Associated with the compensation cost are income tax benefits recognized of \$0.2 million and \$0.4 million, respectively, for each of the six-months periods ended March 2022 and March 2021.

During the December 2021 quarter, performance stock units and restricted stock units representing 47,700 and 95,000 shares of our common stock, respectively, vested with the filing of our Annual Report on Form 10-K for fiscal 2021, and were issued in accordance with their respective agreements. Of these vested awards, 96,350 were payable in common stock and 46,350 were payable in cash.

During the December 2021 quarter, restrictive stock units representing 5,000 shares of our common stock were granted and are eligible to vest upon the filing of our Annual Report on Form 10-K for fiscal 2022 and are payable in common stock. During the December 2021 quarter, performance stock units and restrictive stock units representing 59,625 and 59,625 shares of our common stock, respectively, were granted and are eligible to vest upon the filing of our Annual Report for fiscal 2023. Of these shares, 64,625 are payable in common stock and 54,625 are payable in cash.

During the December 2021 quarter, restrictive stock units representing 13,000 shares of our common stock were granted and are eligible to vest upon the filing of our Annual Report on Form 10-K for fiscal 2024 and are payable in common stock.

During the March 2022 quarter, restrictive stock units representing 42,000 shares of our common stock were granted and are eligible to vest upon the filing of our Annual Report for fiscal 2023. Of these shares, 21,000 are payable in common stock and 21,000 are payable in cash.

During the March 2022 quarter, restrictive stock units representing 42,000 shares of our common stock were granted and are eligible to vest upon the filing of our Annual Report for fiscal 2024. Of these shares, 21,000 are payable in common stock and 21,000 are payable in cash.

As of March 2022, there was \$5.9 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 2022, minimum payments under these contracts were as follows (in thousands):

Yarn	\$	41,034
Finished fabric		11,206
Finished products		24,435
	\$	<u>76,675</u>

**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 our business units primarily focused on core activewear styles, and includes our DTG2Go and Delta Activewear business units. We are a market leader in the on-demand, direct-to-garment digital print and fulfillment industry, bringing technology and innovation to the supply chain of our many customers. 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. Our Activewear business is organized around key customer channels and how they source their various apparel needs. Delta Activewear is a preferred supplier of activewear apparel to regional and global brands, direct to retail and through wholesale markets. We offer a broad portfolio of apparel and accessories under the Delta, Delta Platinum, Soffe, and sourced-branded products that we distribute utilizing our network of fulfillment centers. Delta Direct services key channels, such as the screen print, promotional, and eRetailer channels as well as the retail licensing channel, whose customers sell through to many mid-tier and mass market retailers. In our Global Brands & Retail Direct business we serve our customers as their supply chain partner, from product development to shipment of their branded products, with the majority of products being sold with value-added services including embellishment, hangtags, and ticketing. We also serve retailers by providing our portfolio of products directly to their retail stores and through their ecommerce channels. We sell our products to a diversified audience, including sporting goods and outdoor retailers, specialty and resort shops, farm and fleet stores, department stores, and mid-tier retailers. We also service custom apparel to major branded sportswear companies, trendy regional brands, and all branches of the United States armed forces. We also offer our Soffe products direct to consumers at [www.soffe.com](http://www.soffe.com).

The Salt Life Group is comprised of our lifestyle brands focused on a broad range of apparel garments, headwear and related accessories to meet consumer preferences and fashion trends, and includes our Salt Life business unit. These products are sold through specialty and boutique shops, traditional department stores, and outdoor retailers, as well as direct-to-consumer through branded ecommerce sites and branded retail stores. Products in this segment are marketed under our lifestyle brands of Salt Life® as well as other labels.

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 earnings"). Our segment operating 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 2021, 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 2022	March 2021	March 2022	March 2021
<b>Segment net sales:</b>				
Delta Group	\$ 115,335	\$ 94,219	\$ 217,256	\$ 181,843
Salt Life Group	16,363	14,407	25,188	21,506
Total net sales	<u>\$ 131,698</u>	<u>\$ 108,626</u>	<u>\$ 242,444</u>	<u>\$ 203,349</u>
<b>Segment operating earnings:</b>				
Delta Group (1)	\$ 14,417	\$ 8,247	\$ 22,854	\$ 14,522
Salt Life Group	3,306	1,946	3,463	1,811
Total segment operating earnings	<u>\$ 17,723</u>	<u>\$ 10,193</u>	<u>\$ 26,317</u>	<u>\$ 16,333</u>

(1) In fiscal 2021, the Delta Group operating earnings included \$1.3 million of expense, reported within "Other loss (income), net", related to two catastrophic hurricanes that disrupted operations during the December 2020 quarter.

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

	Three Months Ended		Six Months Ended	
	March 2022	March 2021	March 2022	March 2021
Segment operating earnings	\$ 17,723	\$ 10,193	\$ 26,317	\$ 16,333
Unallocated corporate expenses	3,382	2,614	6,060	5,685
Unallocated interest expense	1,801	1,837	3,399	3,491
Consolidated earnings before provision for income taxes	<u>\$ 12,540</u>	<u>\$ 5,742</u>	<u>\$ 16,858</u>	<u>\$ 7,157</u>

**Note K—Income Taxes**

The Tax Cuts and Jobs Act of 2017 (the “New Tax Legislation”) was enacted on December 22, 2017, which 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 (“CFC”) 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). 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 2022 was 18.2% compared to a rate of 27.6% in the same period of the prior year, and an effective rate of 21.9% for fiscal 2021. 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.

**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 2022, all of our other comprehensive income was attributable to shareholders; none related to the non-controlling interest. Outstanding instruments as of March 2022 are as follows:

	<b>Effective Date</b>	<b>Notional Amount</b>	<b>Fixed LIBOR Rate</b>	<b>Maturity Date</b>
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 2022 and September 2021 (in thousands):

	<b>March 2022</b>	<b>September 2021</b>
Deferred tax assets	\$ 64	\$ 266
Other non-current liabilities	(257)	(1,052)
Accumulated other comprehensive loss	\$ (193)	\$ (786)

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 2022 and September 2021.

ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”), 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):

Period Ended	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Interest Rate Swaps</b>				
March 2022	\$ (257)	—	\$ (257)	—
September 2021	\$ (1,052)	—	\$ (1,052)	—
<b>Contingent Consideration</b>				
March 2022	\$ (1,397)	—	—	\$ (1,397)
September 2021	\$ (1,897)	—	—	\$ (1,897)

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 2022 and September 2021, book value for fixed rate debt approximates 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).

The DTG2Go acquisition purchase price consisted of additional payments contingent on the combined business's achievement of certain performance targets related to sales and earnings before interest, taxes, depreciation and amortization ("EBITDA") for the period from April 1, 2018, through September 29, 2018, as well as for our fiscal years 2019, 2020, 2021 and 2022. The valuation of the fair value of the contingent consideration is based upon projected results, which then are discounted to present value to derive the fair value. The fair value of the contingent consideration is sensitive to changes in our projected results and discount rates. As of March 2022, we estimate the fair value of contingent consideration to be \$1.4 million, a \$0.5 million decrease from September 2021 due to a change in projected results resulting in decreased estimated future earnout payments.

**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. During the March 2022 quarter, we purchased 28,015 shares of our common stock for an aggregate of \$0.8 million. Through March 2022, we have purchased 3,701,180 shares of our common stock for an aggregate of \$55.5 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 2022, \$4.5 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 2022			September 2021			Economic Life
	Cost	Accumulated Amortization	Net Value	Cost	Accumulated Amortization	Net Value	
Goodwill	\$ 37,897	\$ —	\$ 37,897	\$ 37,897	\$ —	\$ 37,897	N/A
<b>Intangibles:</b>							
Tradename/trademarks	\$ 16,000	\$ (4,584)	\$ 11,416	\$ 16,000	\$ (4,317)	\$ 11,683	20 – 30 yrs
Customer relationships	7,400	(2,843)	4,557	7,400	(2,473)	4,927	20 yrs
Technology	10,061	(2,160)	7,901	9,952	(1,715)	8,237	10 yrs
License agreements	2,100	(888)	1,212	2,100	(837)	1,263	15 – 30 yrs
Non-compete agreements	1,657	(1,539)	118	1,657	(1,476)	181	4 – 8.5 yrs
Total intangibles	\$ 37,218	\$ (12,014)	\$ 25,204	\$ 37,109	\$ (10,818)	\$ 26,291	

Goodwill represents the acquired goodwill net of the \$0.6 million impairment losses recorded in fiscal year 2011. As of March 2022, the Delta Group segment assets include \$18.0 million of goodwill, and the Salt Life 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 2022 and March 2021 quarters was \$0.6 million and \$0.4 million, respectively. Amortization for the six-months ended March 2022 and March 2021 was \$1.2 million and \$0.8 million, respectively. Amortization expense is estimated to be approximately \$2.3 million for the year ended September 2022, approximately \$2.2 million for the year ended September 2023, and approximately \$2.2 million for the years ended September 2024, 2025 and 2026.

On June 1, 2021, DTG2Go, LLC acquired specified net assets of Fan Print Inc., which primarily included its Autoscale.ai technology as well as immaterial net working capital. The costs to acquire the net assets were \$8.0 million, of which \$6.6 million was paid at closing through our existing U.S. credit facility and \$1.4 million will be paid in three installments, two installments in our third quarter of fiscal 2022 and one installment in our fourth quarter of fiscal 2022. The acquisition qualified as an asset acquisition in accordance with ASU 2017-01, *Clarifying the Definition of a Business*, as substantially all of the fair value of the net assets acquired or \$8.1 million were assigned to the technology intangible asset with an estimated economic life of 10 years. The acquisition cost also consists of additional payments contingent on the adjusted operating profits resulting from the Autoscale.ai technology for the period from June 1, 2021 through October 2, 2021, as well as for our fiscal years 2022 through 2026. These contingent earnout liabilities are recognized when the contingency is probable and reasonably estimable, which generally results in recognition, if earned, during the fourth quarter of each fiscal year and which would increase the value of the technology intangible asset.

**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 and government/social actions taken to contain its spread 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 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;
- negative publicity resulting from violations of manufacturing standards or labor laws or unethical business practices by our suppliers and independent contractors;
- the inability of suppliers or other third-parties, including those related to transportation, to 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 2021, 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 laws.

## Business Outlook

The results of our second quarter fiscal 2022 reflect a continuation of the solid performance we achieved in the first quarter of fiscal 2022, which we believe has been driven by strong consumer demand and our continued investment in manufacturing capacity and print equipment leading to increased output and overall operational efficiency. We have achieved double-digit year-over-year sales growth in both the Delta Group and Salt Life group segments. Most notably, our bottom line results have culminated in diluted earnings per share of \$1.44 which is more than double the prior year second quarter diluted earnings per share of \$0.62.

Our five focused go-to-market strategies and vertical supply chain are driving growth across all the channels we serve. Our Delta Group segment saw 22% sales growth over the prior year as a result of increased unit sales and value-added services. Driven by increased consumer demand, our Activewear business, comprised of Delta Direct and Global Brands & Retail Direct business, saw sales increase over the prior year second quarter. Our digital print business, DTG2Go, saw sales growth during the second quarter of fiscal 2022 over the prior year second quarter as well. DTG2Go's business model and proprietary digital print technology allows custom orders to be produced, packaged and shipped to the end consumer within 24 hours of order placement. Our continued investment in and increased implementation of digital print technology, including our proprietary technology, has improved our customer's experience, our inventory planning, and our ability to meet the demand of our customers, all of which we believe has led to DTG2Go's higher unit growth.

The Salt Life segment also outperformed the prior year second quarter with sales increasing by 14%. Our wholesale channel continued to demonstrate strength in the first half of 2022, and the Salt Life branded retail footprint was further expanded with the opening of two new locations during the quarter in Sarasota and Fort Lauderdale, Florida, bringing the number of retail doors to 16 locations across five states. Our recent Salt Life retail store location openings have continued to validate the strength of the Salt Life brand and our go-to-market strategy.

## Results of Operations

*Financial results included herein have been presented on a generally accepted accounting principles ("GAAP") basis and, in certain limited instances, we have presented our financial results on a GAAP and non-GAAP ("adjusted") basis, which is further described in the sections entitled "Non-GAAP Financial Measures."*

Net sales were \$131.7 million in the second quarter of fiscal 2022, an increase of 21% compared to the prior year second quarter net sales of \$108.6 million.

Net sales in the Delta Group segment grew 22% to \$115.3 million in the second quarter of fiscal 2022 compared to \$94.2 million in the prior year second quarter. Delta Direct and Global Brands & Retail Direct grew 24% from prior year. Net sales for the first six months of 2022 were \$217.3 million, a 19% improvement over the prior year.

The Salt Life Group segment second quarter fiscal 2022 revenue grew 14% to \$16.4 million compared to \$14.4 million in the prior year second quarter. The segment's growth was primarily driven by growth in our wholesale channel and retail stores. For the first six months of 2022, net sales were \$25.2 million, up over \$3.7 million from the prior year net sales of \$21.5 million.

Gross margins were 25.5% for the second quarter of fiscal 2022, increasing 270 basis points from the prior year second quarter gross margin of 22.8%.

The Delta Group segment gross margins were 21.6% for the second quarter of fiscal 2022, an improvement of 210 basis points from the prior year second quarter margins of 19.5%. Gross margins were primarily impacted by increased selling prices to offset increasing input costs, in addition to continued production efficiencies. Margins for the first six months of fiscal 2022 improved from 19.3% in prior year to 19.9% of sales.

The Salt Life Group segment gross margins improved to 52.4% in the second quarter of fiscal 2022, an improvement of 770 basis points compared to 44.7% in the prior year second quarter resulting from a favorable mix of sales, including increased Salt Life branded retail store sales. For the first six months of fiscal year 2022, gross margins grew to 52.7% of sales from 46.5% in prior year.

Selling, general, and administrative expenses ("SG&A") were \$19.7 million in the second quarter of fiscal 2022, or 15.0% of sales, compared to \$17.1 million, 15.7% of sales, in the prior year second quarter. The increase in SG&A expenses of \$2.6 million compared to prior year second quarter was primarily driven by higher variable selling costs. SG&A benefited from leveraging fixed costs against higher sales in the second quarter of fiscal 2022 as compared to the second quarter in the prior fiscal year. SG&A expenses for the first six months of 2022 were \$37.2 million, or 15.3% of sales, compared to \$33.1 million, or 16.3% of sales, in the prior year.

Other income for the 2022 and 2021 second fiscal quarters includes profits related to our Honduran equity method investment. Other income for the second fiscal quarter of 2022 also includes a valuation change in our contingent consideration liabilities of \$0.5 million and a loss on disposal of assets of \$0.4 million. The first six months of 2022 other income was \$0.9 million, including profits related to our Honduran equity method investment and a valuation adjustment of our contingent consideration. The first six months of 2021 other expense includes \$1.3 million of expenses related to the impact of two hurricanes that disrupted our Honduran manufacturing facilities in the December 2020 quarter in addition to \$0.4 million of long-lived asset impairment charges as the result of a strategic decision in the March 2021 quarter to exit branded Sofie retail stores.

Operating profit in the second quarter of fiscal 2022 increased to \$14.3 million. This is an increase of 87% over the prior year second fiscal quarter of \$7.6 million of operating profit. For the first six months of fiscal year 2022, operating income increased to \$20.3 million, up 69% from the prior year operating income, adjusted for \$1.3 million of hurricane-related expenses, of \$12.0 million.

The Delta Group segment had operating income of \$14.4 million in the second fiscal quarter of 2022, or 12.5% of net sales, compared to \$8.3 million, or 8.7% of net sales, in the prior year second quarter. The increase in operating profit was driven by improved gross margins. Operating income was \$22.9 million, or 10.5% of sales, for the first half of fiscal 2022, compared to \$15.9 million, or 8.7% of sales, in the prior year adjusted for \$1.3 million of hurricane-related disruption costs.

The Salt Life Group segment had operating income of \$3.3 million in the second fiscal quarter of 2022, or 20.2% of net sales, compared to \$2.0 million, or 14.2% of 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, operating income improved by \$1.5 million to \$3.4 million.

Net interest expense for the second quarters of fiscal year 2022 and 2021 was \$1.8 million. Net interest expense for the first six months of 2022 was \$3.4 million compared to \$3.5 million in the prior year first six months.

Our effective tax rate on operations for the six-month period ended March 2022 was 18.2%. This compares to an effective tax rate of 27.6% for the same period in the prior year and 21.9 % for the full fiscal year 2021. See Note K—Income taxes for more information.

Net income attributable to shareholders for the second fiscal quarter of 2022 were \$10.1 million, or \$1.44 per diluted share, compared to \$4.4 million, or \$0.62 per diluted share, in the prior year. Net income attributable to shareholders for the first six months of 2022 was \$13.8 million, or \$1.95 per diluted share, compared to \$5.3 million, or \$0.75 per diluted share, in the prior year. Adjusted for the \$1.1 million after-tax expense, or \$0.15 per diluted share, impact of the hurricane disruptions, net income attributable to shareholders for the first half of fiscal year 2021 was \$6.4 million, or \$0.90 per diluted share.

Accounts receivable were \$78.3 million at March 2022, compared to \$67.7 million as of September 2021. Days sales outstanding ("DSO") as of March 2022 were 48 days compared to 47 days at September 2021.

Net inventory as of March 2022 was \$197.7 million, an increase of \$36.0 million from September 2021 and \$49.2 million from March 2021. The inventory value is higher than both the prior second quarter and the fiscal year end as a result of increased production during the three and six-month periods due to record manufacturing levels in addition to higher input costs impacting materials, transportation and labor.

Total net debt, including capital lease financing and cash on hand, was \$153.3 million at March 2022, an increase of \$31.6 million from September 2021. Cash on hand and availability under our U.S. revolving credit facility totaled \$35.1 million at March 2022, a \$10.2 million decrease from September 2021 principally driven by investments in the business to support working capital needs and increased input costs due to inflationary pressures.

### Non-GAAP Financial Measures

We provide all information required in accordance with U.S. GAAP, but we believe that evaluating our ongoing operating results may be difficult if limited to reviewing only U.S. GAAP financial measures. In an effort to provide investors with additional information regarding our results, we also provide non-GAAP information that management believes is useful to investors. We discuss operating income, net income and earnings per diluted share performance measures that are, for comparison purposes, adjusted to eliminate items or results stemming from discrete events. We do this because management uses these measures in evaluating our underlying performance on a consistent basis across periods. We also believe these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of our ongoing performance. These non-GAAP measures have limitations as analytical tools, and securities analysts, investors and other interested parties should not consider any of these non-GAAP measures in isolation or as a substitute for analysis or our results as reported under U.S. GAAP. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

### Liquidity and Capital Resources

#### *Operating Cash Flows*

Operating activities resulted in a cash usage of \$14.5 million for the six months ended March 2022 compared to \$0.8 million of cash provided in the prior year. The decreased operating cash flows in the current year are due to a build in inventory as a result of increased input costs and manufacturing output. This was partially offset by increased earnings in the business and change in timing of payments to suppliers in the current period.

#### *Investing Cash Flows*

Cash outflows for capital expenditures were \$7.7 million during the first six months of 2022 compared to \$1.2 million in the same period in the prior year. During the six-months ended March 2022, there were \$5.4 million of capital expenditures financed under a capital lease arrangement. We anticipate our fiscal 2022 capital expenditures, including those financed under capital leases, to be approximately \$20 million for fiscal 2022 and to be focused primarily on our distribution expansion, digital print equipment, manufacturing equipment, information technology, and direct-to-consumer investments, including additional Salt Life retail store openings.

#### *Financing Activities*

During the six months ended March 2022, cash provided by financing activities was \$13.8 million and primarily related to fund 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 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. Additionally, a significant deterioration in our business results could cause our availability to fall below minimum thresholds, thereby requiring us to maintain the minimum FCCR specified in our credit agreement, which we may not be able to maintain. Moreover, our credit facility includes a financial covenant that if the availability under our credit facility falls below the amounts specified in our U.S. credit agreement, our fixed charge coverage ratio (FCCR) for the preceding 12-month period must not be less than 1.1 to 1.0. While our availability at March 2022 was above the minimum thresholds specified in our credit agreement, a significant deterioration in our business could cause our availability to fall below such thresholds, thereby requiring us to maintain the minimum FCCR specified in our credit agreement.

### Share Repurchase Program

In the second quarter of fiscal 2022 under the previously announced share repurchase program, the Company purchased 28,015 shares for \$0.8 million, bringing the total amount repurchased to \$55.5 million. At the end of the second quarter of fiscal 2022, the Company had \$4.5 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 2021, and there have been no changes in those policies since the filing of that Annual Report on Form 10-K with the SEC, except as disclosed in Note C—New Accounting Standards related to the adoption of the cloud computing standard.

### 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 Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of period covered by this quarterly report (“the Evaluation Date”) and, based on their evaluation, our Chief Executive Officer and Chief Financial 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 2022 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 [Employment Agreement between Delta Apparel, Inc and Matthew J. Miller dated April 4, 2022.](#)
- 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 Chief Financial 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 Chief Financial 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.

Date May 3, 2022

DELTA APPAREL, INC.  
(Registrant)

By: s/Simone Walsh  
Simone Walsh  
Chief Financial Officer

**EXHIBIT 10.1**  
**EMPLOYMENT AGREEMENT**

**THIS EMPLOYMENT AGREEMENT** (“Agreement”), dated and effective as of April 4, 2022, is by and between Delta Apparel, Inc., a Georgia corporation (“Company”), and MATTHEW J. MILLER (“Executive”).

WHEREAS, Executive and the Company desire to enter into a separate written agreement providing for the terms of Executive's employment by the Company during the Term (as defined below).

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Employment.** Executive agrees to be employed with the Company, and the Company agrees to employ Executive, during the Term and on the terms and conditions set forth in this Agreement. Executive agrees during the term of this Agreement to devote substantially all of Executive's business time, efforts, skills and abilities to the performance of Executive's duties to the Company and to the furtherance of the Company's business.

Executive's job title will be President, Delta Group, and Executive's duties will be those as are determined by the Company's Chief Executive Officer. The principal place of Executive's employment shall be the Company's offices currently located in Duluth, Georgia; recognizing that Executive will be required to travel on Company business, as business needs dictate.

2. **Compensation.**

- (a) **Base Salary.** During the term of Executive's employment with the Company pursuant to this Agreement, the Company shall pay to Executive as compensation for Executive's services an annual base salary of not less than \$450,000 (“Base Salary”). Executive's Base Salary will be payable in arrears in accordance with the Company's normal payroll procedures and will be reviewed annually and subject to upward adjustment from Executive's then-current base salary at the discretion of Executive's direct supervisor. Nothing in this Agreement entitles Executive to an annual base salary of more than the above-referenced Base Salary amount.
- (b) **FY22 Cash Bonus.** Unless Executive's employment with the Company is terminated, the Company shall pay to Executive a one-time cash bonus of \$200,000 as soon as practicable following the date the Company files with the U.S. Securities and Exchange Commission its annual report on Form 10-K for the Company's 2022 fiscal year ending October 1, 2022.
- (c) **Incentive Compensation.** During the term of this Agreement, Executive shall be entitled to participate in the Company's Short-Term Incentive Compensation Plan as in effect from time to time. Any cash compensation payable under this paragraph shall be referred to as “Incentive Compensation” in this Agreement. The Company reserves the right to amend and/or terminate its Short-Term Incentive Compensation Plan and nothing in this Agreement entitles Executive to any particular level of participation in the Company's Short-Term Incentive Compensation Plan. Notwithstanding anything to the contrary herein, Executive is entitled to the same level of participation as other similarly-situated Executives, and subject to approval of the annual incentive compensation plans and performance objectives for each of fiscal years 2023 and 2024 by the Company's Compensation Committee of the Board of Directors, the target Incentive Compensation is not less than \$400,000 for fiscal years 2023 and 2024 which will be adjusted up or down depending on the Company's actual EBIT for fiscal years 2023 and 2024 per the terms of the Delta Apparel, Inc. Short-Term Incentive Compensation Plan.
- (d) **Executive Fringe Benefits.** During the term of Executive's employment with the Company pursuant to this Agreement, Executive shall be entitled to receive such executive fringe benefits as are provided to the executives in comparable positions under any of the Company's plans and/or programs in effect from time to time for which Executive is eligible to participate and to participate in such other benefit programs as are customarily available to executives of the Company, including, without limitation, paid time off and life, health and disability benefits. Nothing herein will alter or affect the right of Company, consistent

**THIS AGREEMENT IS SUBJECT TO ARBITRATION**

with the applicable benefit plan documents, to alter, amend, or terminate such programs in its sole discretion at whatever time it chooses.

- (e) **Tax Withholding and Offset.** Executive's compensation is subject to such deductions and withholdings as are authorized by Executive or required by law and/or policies of the Company in effect from time to time. The Company, in its sole discretion, may offset any sum due from Executive to the Company (at the end of the term of this Agreement or otherwise) against any amount which would otherwise be due to the Executive to the maximum extent permitted by law.
  - (f) **Expense Reimbursements.** The Company shall pay or reimburse Executive for all reasonable business expenses incurred or paid by Executive in the course of performing Executive's duties hereunder, including, but not limited to, reasonable travel expenses for Executive. The Company's practice is to make such reimbursements on a monthly basis and, in any event, no later than the last day of the year immediately following the year in which Executive incurs the reimbursable expense. The amount of reimbursable expenses incurred in one taxable year shall not affect the expenses eligible for reimbursement in any other taxable year. No right to reimbursement is subject to liquidation or exchange for other benefits. As a condition to such payment or reimbursement, however, Executive shall maintain and provide to the Company reasonable documentation and receipts for such expenses.
3. **Term.** Unless sooner terminated pursuant to Section 4 of this Agreement, and subject to the provisions of Section 5 and 6 hereof, the term of this Agreement (the “Term”) shall commence as of April 25, 2022 and shall continue until December 31, 2024. Any employment of Executive by the Company following the expiration of the Term will be at-will and not subject to any termination benefits set forth herein.
  4. **Termination.** Notwithstanding the provisions of Section 3 hereof, but subject to the provisions of Section 5 hereof, Executive's employment shall terminate as follows:
    - (a) **Death.** Executive's employment shall terminate upon the death of Executive; provided, however, that the Company shall continue to pay (in accordance with its normal payroll procedures) the Base Salary to Executive's estate for a period of six

(6) months after the date of Executive's death if Executive is employed by the Company on the date of Executive's death.

- (b) **Termination for Cause.** The Company may terminate Executive's employment at any time for “Cause” (as hereinafter defined) by delivering a written



termination notice to Executive. For purposes of this Agreement, “Cause” shall mean any of the following: (i) Executive’s commission of fraud; (ii) Executive’s commission of embezzlement; (iii) Executive’s conviction of a felony; (iv) the willful or continued failure or refusal by Executive to perform and discharge Executive’s duties, responsibilities and obligations under this Agreement; (v) any act of moral turpitude or willful misconduct by Executive intended to result in personal enrichment of Executive at the expense of the Company, or any of its affiliates or which has a material adverse impact on the business or reputation of the Company or any of its affiliates (such determination to be made by the Company’s Chief Executive Officer in his or her reasonable judgment); (vi) gross negligence or intentional misconduct resulting in damage to the property, reputation or business of the Company; (vii) the ineligibility of Executive to perform Executive’s duties because of a ruling, directive or other action by any agency of the United States or any state of the United States having regulatory authority over the Company; or (viii) Executive’s failure to correct or cure any material breach of or default under this Agreement within thirty (30) days after receiving written notice of such breach or default from the Company.

- (c) **Termination Without Cause.** The Company may terminate Executive’s employment at any time for any or no reason by delivering thirty (30) days prior written termination notice to Executive. Upon providing notice of termination pursuant to this Paragraph, the Company may determine, in its sole discretion, the extent of Executive’s duties during the notice period. Executive shall be entitled to receive his Base Salary and benefits through the termination date, less applicable taxes and other deductions. Without in any way impacting either party’s rights or obligations under Section 4 below, if the Company does not intend to continue the employment relationship beyond the Term, the Company will provide Executive notice at least ninety (90) days before the conclusion of the Term.
- (d) **Termination by Executive.** Executive may terminate Executive’s employment at any time by delivering sixty (60) days prior written notice to the Company; provided, however, that the terms, conditions and benefits specified in Section 5 hereof shall apply or be payable to Executive only if such termination occurs as a result of a material breach by the Company of any provision of this Agreement for which the Executive provides written notice to the Company within ninety (90) days of the initial existence of the alleged material breach and which is not cured by the Company within thirty (30) days of Executive’s notice to the Company.
- (e) **Termination Following Disability.** In the event Executive becomes “disabled” (as defined below), the Company may terminate Executive’s employment by delivering a written termination notice to Executive. Notwithstanding the foregoing, Executive shall continue to receive Executive’s full Base Salary and benefits to which Executive is entitled under this Agreement for a period of six (6) months after the effective date of such termination. For purposes of this section, the Executive shall be considered disabled if the Executive (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three (3) months under the Company’s disability insurance policy and/or salary continuation policy as in effect on the date of such disability.
- (f) **Non-Disparagement.** Executive agrees that during and following the termination of Executive’s employment Executive will not publicly (or in a manner Executive reasonably should have expected to be made public) disparage or otherwise make negative comments regarding the Company, its employees or its affiliates, provided, however, that the foregoing shall in no way restrict the Executive from accurate and good faith responses to a legal subpoena or reporting any concerns that Executive may have to (i) any authority within the Company designated to receive complaints or concerns from employees, including, without limitation, the Company’s Board of Directors, Board of Managers or a committee thereof, or (ii) any regulator or other governmental authority with supervisory responsibility for the Company (including, without limitation, the Securities and Exchange Commission) or the Company’s independent auditors.

5. **Certain Termination Benefits.** Executive shall be entitled to certain enumerated post-termination benefits if and only if the following events occur:

- (i) the provisions of Section 6 do not apply;
- (ii) either the Company terminates Executive’s employment without Cause pursuant to Section 4(c) or does not extend the employment relationship beyond the Term, or Executive terminates Executive’s employment pursuant to Section 4(d) as a result of an uncured material breach by the Company of a material provision of this Agreement; and
- (iii) the Executive executes and delivers the release contemplated in Section (e) below, and any revocation period therein expires, on or before the 30<sup>th</sup> day after the date of Executive’s termination from employment,

then in such case the Company will provide Executive the benefits described in subsection (a) below and, if and to the extent that Executive is eligible to participate and has elected to participate in such plans, subsections (b) through (c) below.

- (a) **Base Salary and Incentive Compensation.** The Company shall pay to Executive (i) Executive’s Base Salary (as in effect as of the date of Executive’s termination) and (ii) Incentive Compensation (in an aggregate amount equal to the Incentive Compensation received by the Executive for the most recent fiscal year prior to Executive’s termination) as follows:

<b><u>Base Salary</u></b>	<b><u>Incentive Compensation</u></b>	<b><u>Payout Period</u></b>
12 months	100% of the Short-Term Incentive Compensation Plan award for the most recent full fiscal year prior to termination	12 months

To the extent permitted under Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and related Treasury Regulations, the sum of applicable Base Salary and Incentive Compensation shall be divided into equal monthly, semi-monthly or lesser payments and paid to the Executive over the applicable Payout Period shown in the table above, depending on the Executive’s years of service at the time of termination.

- (b) **Group Life and Disability Insurance.** If and to the extent that: (i) the Company’s plans in effect from time to time permit such coverage and Executive has elected and is participating in such coverage as of the date of Executive’s termination from employment; and (ii) it is permitted under Code Section 409A, the Company shall continue to provide Executive with group life and disability insurance coverage for the applicable Payout Period described above in (a) following termination at coverage levels and rates equal to those applicable to Executive immediately prior to such termination or, if different, as offered to other executive level employees during such applicable period.

- (c) Medical Insurance. Upon termination of employment, Executive shall be entitled to all COBRA continuation benefits available under the Company's group health plans to similarly situated employees. To the extent permitted under Code Section 409A and the terms of the applicable benefit plans, and to the extent Executive affirmatively elects to continue participation in the Company's group health plans under COBRA, during the Payout Period, the Company shall subsidize the amounts Executive is required to pay for such COBRA continuation benefits such that the Executive will only be required to pay the rates that active, similarly situated employees must pay for such benefits. Upon the expiration of such Payout Period, the Executive will be responsible for timely paying the full COBRA premiums for the remaining COBRA continuation period.
- (d) Offset. To the extent permitted by law, any benefits received by Executive in connection with any other employment accepted by Executive that are reasonably comparable, even if not necessarily as beneficial to Executive, to the fringe benefits then being provided by the Company pursuant to paragraphs (b) and (c) of this Section 5, shall be deemed to be the equivalent of such benefits, and shall terminate the Company's responsibility to continue providing the benefits then being provided by the Company pursuant to paragraphs (b) and (c) of this Section 5. The Company agrees that if Executive's employment with the

Company is terminated, Executive shall otherwise have no duty to mitigate damages to obtain the benefits set forth in this Section

5.

- (e) General Release. Acceptance by Executive of any amounts pursuant to this Section 5 shall constitute a full and complete release by Executive of any and all claims Executive may have against the Company, its officers, directors, employees or affiliates or its affiliates' officers, directors, or employees, including, but not limited to, claims Executive might have relating to Executive's employment with the Company and cessation thereof; provided, however, that there may properly be excluded from the scope of such general release the following: (i) claims that Executive may have against the Company for reimbursement of ordinary and necessary business expenses incurred by Executive during the course of Executive's employment; (ii) claims that may be made by the Executive for payment of Base Salary, bonuses, fringe benefits, stock upon vesting of incentive stock awards, stock upon exercise of stock options properly due to Executive, or other amounts or benefits due to Executive under this Agreement; (iii) claims respecting any matters for which the Executive is entitled to be indemnified under the Company's Articles of Incorporation, By-laws, similar organizational documents, or applicable law, respecting third party claims asserted or third party litigation pending or threatened against the Executive; and (iv) any claims prohibited by applicable law from being included in the release.

A condition to Executive's receipt of any amounts pursuant to this Section 5 shall be Executive's execution and delivery of a general release drafted by the Company as described above, and the expiration of any revocation period therein, on or before the 30<sup>th</sup> day after the date of Executive's termination from employment. In exchange for such release, the Company shall, if Executive's employment is terminated without Cause, provide a release to Executive, but only with respect to claims against Executive that Executive identifies in writing to the Company at the time of such termination and as otherwise reasonably acceptable to the Company.

#### 6. Effect of Change of Control.

- (a) If within one (1) year following a "Change of Control" (as hereinafter defined), Executive terminates Executive's employment with the Company for "Good Reason" (as hereinafter defined) or the Company or its successor terminates Executive's employment for any reason other than Cause, death or disability (as defined in Section 4(e)), the Company or its successor shall pay to Executive in a lump sum within thirty (30) days following Executive's termination of employment: (i) an amount equal to one times the Executive's Base Salary as of the date of termination; and (ii) the greater of an amount equal to one times the Executive's base incentive amount for the Incentive Compensation for fiscal year 2022 or an amount equal to the amount received by the Executive for the most recent fiscal year prior to Executive's termination. The Company shall also provide the Executive with out-placement assistance. In addition, to the extent permitted under Code Section 409A and the terms of the applicable benefit plans, and, with respect the Company's group health plans, to the extent Executive affirmatively elects to continue participation in such group health plans under COBRA, for the period equal to twelve (12) months from the date of termination, the Company shall continue to provide Executive with coverage under the Company's various benefit plans in which Executive participates at the time of termination at coverage levels and rates substantially equal to those applicable immediately prior to such termination. A condition to Executive's receipt of any amounts pursuant to this Section 6(a) shall be Executive's execution and delivery of a general release as described in Section 5(e) above, and the expiration of any revocation period therein, on or before the 30<sup>th</sup> day after the date of Executive's termination from employment.
- (b) "Change of Control" means, with respect to the Executive, a "change in the ownership of a corporation," a "change in the effective control of a corporation," or a "change in the ownership of a substantial portion of a corporation's assets" as defined below and further defined in and interpreted in accordance with Treasury Regulations Section 1.409A-3(i)(5) (which events are collectively referred to herein as "Change of Control events") after the date of this Agreement. To constitute a Change of Control with respect to Executive, the Change of Control event must involve and relate to a Change of Control of Delta Apparel, Inc.
- (i) A "change in the ownership of a corporation" occurs on the date that any one person, or more than one person acting as a group, acquires ownership of stock of the corporation that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of such corporation. However, if any one person, or more than one person acting as a group, is considered to own more than 50 percent of the total fair market value or total voting power of the stock of a corporation, the acquisition of additional stock by the same person or persons is not considered to cause a change in ownership of the corporation (or to cause a change in the effective control of the corporation (within the meaning of paragraph (ii) below)).
- (ii) Notwithstanding that a corporation has not undergone a change in ownership under paragraph (i) above, a "change in the effective control of a corporation" occurs on the date that either: (A) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the corporation possessing 35 percent or more of the total voting power of the stock of such corporation; or (B) A majority of members of Delta Apparel, Inc.'s Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of Delta Apparel, Inc.'s Board of Directors prior to the date of the appointment or election.
- (iii) A "change in the ownership of substantial portion of a corporation's assets" occurs on the date that any one person, or more than one person acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the corporation that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the corporation immediately

before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the corporation, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of paragraphs (i), (ii) and (iii) immediately above, the term corporation refers solely to the relevant corporation identified in the opening paragraph of this Section 6(b) for which no other corporation is a majority shareholder.

(c) "Good Reason" shall mean any of the following actions taken by the Company without Executive's written consent after a Change of Control:

- (i) the assignment to Executive by the Company of duties inconsistent with, or the reduction of the powers and functions associated with, Executive's position, duties, and responsibilities immediately prior to a Change of Control or Potential Change of Control (as defined below), or an adverse change in Executive's titles or offices as in effect immediately prior to a Change of Control or Potential Change of Control, or any removal of the Executive from or any failure to re-elect Executive to any of such positions, except in connection with the termination of Executive's employment for disability (as provided in Section 4(e)) or Cause or as a result of Executive's death, except to the extent that a change in duties relates to the elimination of responsibilities attendant to the Company or its parent company, as applicable, no longer being a publicly traded company;
- (ii) a reduction by the Company in the Executive's Base Salary as in effect on the date of a Change of Control or Potential

Change of Control, or as the same may be subsequently increased from time to time during the term of this Agreement;

- (iii) the Company shall require the Executive to be based anywhere other than at or within a 25-mile radius of the location where the Executive is based on the date of a Change of Control or Potential Change of Control, or if Executive agrees to such relocation, the Company fails to reimburse the Executive for moving and all other expenses reasonably incurred in connection with such move;

- (iv) a significant increase in Executive's required travel on behalf of the Company;

- (v) the Company shall fail to continue in effect any Company-sponsored plan or benefit that is in effect on the date of a Change of Control or Potential Change of Control (other than the Company's Incentive Stock Award Plan or the Company's Stock Option Plan) and pursuant to which Executive has received awards or benefits and is participating and that provides (A) incentive or bonus compensation, (B) fringe benefits such as paid time off, medical benefits, life insurance and accident insurance, (C) reimbursement for reasonable expenses incurred by the Executive in connection with the performance of duties with the Company, or (D) retirement benefits such as an Internal Revenue Code Section 401(k) plan, except to the extent that such plans taken as a whole are replaced with substantially comparable plans;

- (vi) any material breach by the Company of any provision of this Agreement for which the Executive provides written notice to the Company within ninety (90) days of the initial existence of the alleged material breach and which is not cured by the Company within thirty (30) days of Executive's notice to the Company; and

- (vii) any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company effected in accordance with the provisions of Section 12.

(d) "Potential Change of Control" shall mean the date, which must be within twelve (12) months preceding a Change of Control, as of which (i) the Company enters into an agreement the consummation of which, or the approval by shareholders of which, would constitute a Change of Control; (ii) proxies for the election of directors of Delta Apparel, Inc.'s Board of Directors are solicited by anyone other than Delta Apparel, Inc. which solicitation, if successful, would result in a Change of Control; (iii) any person (including, but not limited to, any individual, partnership, joint venture, corporation, association or trust) publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change of Control; or (iv) any other event occurs which is deemed to be a Potential Change of Control by Delta Apparel, Inc.'s Board of Directors and Delta Apparel, Inc.'s Board of Directors adopts a resolution to the effect that a Potential Change of Control has occurred.

(e) In the event that (i) Executive would otherwise be entitled to the compensation and benefits described in Section 5 or 6(a) hereof ("Compensation Payments"), and (ii) the Company determines, based upon the advice of tax counsel, that, as a result of such Compensation Payments and any other benefits or payments required to be taken into account under the Internal Revenue Code of 1986, as amended (the "Code"), Section 280G(b)(2) (collectively, "Parachute Payments"), any of such Parachute Payments would be reportable by the Company as an "excess parachute payment" under Code Section 280G, such Compensation Payments shall be reduced to the extent necessary to cause the aggregate present value (determined in accordance with Code Section 280G and applicable regulations promulgated thereunder) of the Executive's Parachute Payments to equal 2.99 times the "base amount" as defined in Code Section 280G(b)(3) with respect to such Executive. However, such reduction in the Compensation Payments shall be made only if, in the opinion of such tax counsel, it would result in a larger Parachute Payment to the Executive than payment of the unreduced Parachute Payments after deduction in each case of tax imposed on and payable by the Executive under Section 4999 of the Code ("Excise Tax"). The value of any non-cash benefits or any deferred payment or benefit for purposes of this paragraph shall be determined by a firm of independent auditors selected by the Company.

(f) The parties hereto agree that the payments provided under Section 6(a) above are reasonable compensation in light of Executive's services rendered to the Company and that neither party shall assert that the payment of such benefits constitutes an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code.

(g) Unless the Company determines that any Parachute Payments made hereunder must be reported as "excess parachute payments" in accordance with Section 6(e) above, neither party shall file any return taking the position that the payment of such benefits constitutes an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code.

7. **Non-Competition.** During the Term and for an additional period of time (i) beginning as of the earlier of the expiration of the Term or the termination of Executive's employment with the Company for any reason whatsoever, and (ii) extending for four (4) calendar months, Executive will not, directly or indirectly, compete with the Company by "Working" (as defined below) for a "Competing Business" (as defined below) in the "Restricted Territory" (as defined below). For purposes of Sections 7, 8 and 9 of this Agreement, "Company" shall be defined to include the Company as identified in the initial paragraph of this Agreement and all of such entity's parent companies, subsidiaries, affiliates and other related companies or entities.

"Working" shall be limited to employment for, contracting with, or otherwise providing direct or indirect assistance as a proprietor, partner, investor, shareholder (other than as a passive investor owning less than a 5% equity interest), director, officer, employee, consultant, independent contractor, or other similar capacity for or on Executive's own behalf, or for or on behalf of any other person, partnership, association, corporation or business entity of any type (collectively a "Person") that (i) is performed in a position that is the same or similar to any position that Executive held with the Company in the 24 months prior to the termination of Executive's employment with the Company; (ii) involves performing similar duties or services for such Person as Executive provided or performed for the Company in the 24 months prior to the termination of Executive's employment with the Company; or (iii) involves the sale of Products or products similar to the Products or the supervision of persons selling Products.

"Competing Business" shall be defined as any business that engages, in whole or in part, in the manufacturing, producing, sourcing, marketing, selling distributing, fulfilling and/or providing of (A) direct-to-garment printed apparel or other fabric-based items or products, (B) print-to-order, made-to-order or on-demand printed paper, poster, or sticker items/products, and/or (C) other promotional items or products.

"Products" shall be defined as (i) direct-to-garment printed apparel or other fabric-based items or products, print-to-order, made-to-order or on-demand printed paper, poster, or sticker items/products, and/or other promotional items or products that are either actively being manufactured, produced, sourced, marketed, sold, distributed, fulfilled and/or provided by the Company at the time that Executive is terminated from the Company or (ii) any items, products or goods that are subject to any confidential prospective business opportunity of the Company of which Executive is knowledgeable about or has responsibilities for pursuing or developing on behalf of the Company at the time that Executive is terminated from the Company.

"Restricted Territory" shall be limited to the following discrete, severable, geographic areas: (A) the United States of America and its territories, possessions and military bases and installations; (B) any country or other jurisdiction throughout the world where the Company's Products are sold, offered for sale and/or delivered as of the date hereof or where the Company licenses or otherwise permits the sale or delivery of Products as of the date hereof; (C) any country or other jurisdiction throughout the world where the Company applied for trademark registration or similar intellectual property rights with respect to any of its intellectual property assets as of the date hereof; and (D) if the foregoing subsections (A), (B) or (C) are finally determined to be too broad by a court of competent jurisdiction, the states throughout the United States where Products or services are sold, offered for sale, delivered and/or provided by the Company.

8. **Non-Solicitation of Employees, Customers and Vendors.** During the Term and for an additional period of one year that commences from the earlier of the expiration of the Term or the termination of Executive's employment with the Company for any reason whatsoever, Executive shall not, on Executive's own behalf or for or on behalf of any other Person: (a) solicit or hire any employee of the Company to join a Competing Business; (b) attempt to influence or induce any employee of the Company to leave the employment of the Company (other than through general advertisements not directed at any particular employee or group of employees); (c) use or disclose the names and addresses of the Company's employees; (d) Solicit any Customer of the Company for the purpose of (i) providing Products or services to such Customer that are competitive with the Products on behalf of a Competing Business; (ii) providing Products to a Customer in competition with the Company; (iii) diverting or attempting to divert from the Company the business of any Customer, including but not limited to any actions that cause such Customer to reduce the level or amount of Products provided by Company to such Customer; or (iv) otherwise intentionally interfering with the Company's business relationship with any Customer that would cause such Customer to cease doing business with the Company or reduce the amount of Products the Customer purchases from the Company; or (e) intentionally interfere with the Company's business relationships with its suppliers or vendors or take any other action that would cause such suppliers or vendors to cease doing business with the Company or reduce the amount of goods, materials or services a supplier or vendor provides to the Company.

"Customer" shall be limited to any Person to which the Company has sold Products, Solicited for the sale of Products or has plans or intentions to Solicit for the sale of Products. If the foregoing definition of "Customer" is finally determined to be too broad by a court of competent jurisdiction, the following definition of "Customer" will apply: any Person to which the Company has sold Products, Solicited for the sale of Products or has plans or intentions to Solicit for the sale of Products and (i) of whom Executive Solicited during Executive's employment with the Company; (ii) of whom employees of the Company supervised by Executive Solicited during Executive's employment with the Company; (iii) about whom Executive was exposed to Company Data or Trade Secrets in the ordinary course of business as a result of Executive's association with the Company; (iv) about whom Executive had access to the pricing, advertising and/or marketing schemes developed by Executive or the Company for such customer; or (v) with whom Executive had material contacts during Executive's employment with the Company.

"Solicit" shall mean directly or indirectly soliciting, working on a bid, influencing, contacting, contracting with, selling, accepting sales from, seeking sales or other business opportunities from, purchasing, buying, servicing, or other similar dealings with a Customer (or providing information or assistance to a Competing Business that would enable or help such Competing Business Solicit a Customer) as it relates to the purchase of Products (or material components of the Products) or the sale of the Products.

9. **Non-Disclosure of Company Data and Trade Secrets; Inventions.** The Company has a proprietary interest in Trade Secrets and Company Data that require secrecy.

(a) Except as may be necessary to perform Executive's duties for the Company, Executive shall hold Trade Secrets in confidence and shall not use, misappropriate, or divulge Trade Secrets of the Company at any time during the course of Executive's employment with the Company and after Executive's employment with the Company ends. Except as may be necessary to perform Executive's duties for the Company, Executive shall hold Company Data in confidence and shall not use, misappropriate, or divulge Company Data to any Person at any time during Executive's employment with the Company and for a period of five (5) years after Executive's employment with the Company ends.

(b) Nothing in this Agreement is intended to interfere with or discourage a good faith disclosure to any governmental entity related to a suspected violation of the law. Executive is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Executive will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a Trade Secret that: (A) is made: (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Company's Trade Secrets to the Executive's attorney and use the Trade Secret information in the court proceeding if the Executive: (A) files any document containing the Trade Secret under seal; and (B) does not disclose the Trade Secret, except pursuant to court order.

(c)“ Trade Secrets” and “Company Data”.

(i)“ Trade Secrets” are Company information, in any medium or form, including, but not limited to, (i) a formula, pattern, compilation, program, device, method, technique, product, system, or process, design, prototype, procedure, or code that (a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, the public or any other person who can obtain economic value from its disclosure or use, and (b) is the subject of Company efforts that are reasonable under the circumstances to maintain its secrecy; and/or (ii) any Company information that could otherwise come under the definition of Trade Secret under the South Carolina Trade Secrets Act, the federal Defend Trade Secrets Act or other applicable law in the jurisdiction where Executive works.

(ii)“ Company Data” is defined as information, in any medium or form, related to the Company’s business, products or services that (i) is competitively sensitive information; (ii) is important or valuable to the Company; (iii) is kept in confidence by the Company; (iv) becomes known to or exposed to Executive through Executive’s employment with the Company; and (v) does not fall within the definition of Trade Secret above.

(d) Inventions. Executive will promptly disclose to the Company in writing and assign and transfer to the Company: (i) all inventions and improvements, and all right, title and interest therein, made or conceived by Executive solely or jointly with others in the course of Executive’s employment or on the Company’s time or at its expense or using the Company’s material or facilities; and (ii) all inventions and improvements, and all right, title and interest therein, relating to the Company’s business made or conceived by Executive solely or jointly with others during the Executive’s employment with the Company.

#### 10. Remedies and Representations Relating to the Protective Covenants.

(a) In the event that Executive breaches any of the “Protective Covenants” (paragraphs 7, 8 or 9 hereof), the parties hereto recognize that irreparable damage will result to the Company. The parties therefore agree that the Company shall be entitled, in addition to any other remedies or damages available to it under the South Carolina Trade Secrets Act, the federal Defend Trade Secrets Act, or other statutory or common law, to obtain injunctive relief without bond in order to restrain the violation of such covenants by Executive. The prevailing party in any such action involving the Protective Covenants shall be liable to the Company for all of its costs and expenses, including, without limitation, reasonable attorney fees and expert witness fees.

(b) In addition to the remedies set forth above, and to the extent applicable, Company shall be entitled to receive from Executive the profits, if any, received by Executive upon exercise and/or sale of any Company granted stock options or incentive stock awards or upon the vesting of or lapse of the restrictions on any grant of any stock awards to the extent such options or rights were exercised, or such vesting occurred or restrictions lapsed, within the six-month period prior to the termination of Executive's employment

(c) If any court should construe any Protective Covenant, or any clause or portion of these Protective Covenants, to be too broad to prevent enforcement to its fullest extent, then such restrictions shall be enforced to the maximum extent that the court finds reasonable and enforceable. In the event that any of these provisions or any clause or portion of these provisions shall be held to be invalid or unenforceable, the remaining provisions, or any clause or portion of these provisions, hereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable provisions, or clauses or portions of these provisions, had not been included therein. If any provision, or any clause or portion of these Protective Covenants or in this Agreement is unlawful, against public policy, or otherwise declared void or unenforceable, such provision, or clause or portion of these provisions, shall be deemed excluded from this Agreement, which shall in all other respects remain in effect. Upon a determination that any provision, clause, portion of any provision, or portion of any clause of the Protective Covenants shall be held to be unlawful, against public policy, invalid, or otherwise void or unenforceable, the court may modify such provision, clause, portion of any provision, or portion of any clause and grant only the relief reasonably necessary to (i) protect Company’s legitimate business interest or interests and (ii) achieve the original intent of the parties to the extent possible.

(d) Executive acknowledges and confirms that the Protective Covenants contained in this Agreement (including without limitation the length of the term and geographic scope of the Protective Covenants) are reasonably necessary to protect the legitimate business interests of the Company, are not overbroad or unfair, and are not the result of overreaching, duress or coercion of any kind. Executive further acknowledges and confirms that the compensation paid to Executive for work done for and on behalf of the Company is sufficient, fair and reasonable and supports these covenants.

(e) The Protective Covenants may be enforced in a court of competent jurisdiction in Greenville County, South Carolina, and Executive agrees to submit to jurisdiction in Greenville County, South Carolina, whether or not Executive is then residing in South Carolina. In addition, the Company, in its sole discretion, may institute a proceeding in the location of Executive’s residence or where Executive is working to remedy a violation of this Agreement. Enforcement of the Protective Covenants is specifically excluded from the arbitration procedures set forth in this Agreement.

(f) Executive acknowledges that the obligations of this Agreement survive Executive’s termination of employment and, if relevant, any subsequent employment with the Company, no matter how such employment is ended or terminated. In the event that Executive breaches any of the Protective Covenants, the corresponding restricted period shall be extended by the amount of time Executive was in violation of the covenant.

#### 11. Compliance With Section 409A. To the extent a payment hereunder is, or shall become, subject to the application of Section 409A of the Code and related Treasury Regulations, the following shall apply:

(a) This Agreement is intended to comply with the requirements of Section 409A and the Treasury Regulations and other guidance issued thereunder, as in effect from time to time, and to avoid any additional tax thereunder. To the extent a provision of this Agreement is contrary to or fails to address the requirements of Code Section 409A and related Treasury Regulations, this Agreement shall be construed and administered as necessary to comply with such requirements to the extent allowed under applicable law and this Agreement is appropriately amended to comply with such requirements.

(b) The time or schedule of payment hereunder may be accelerated or delayed only upon such events and conditions as the Internal Revenue Service (“IRS”) may permit in generally applicable published regulatory or other guidance under Code Section 409A.

(c) For purposes of this Agreement, all references to “termination of employment” or similar phrases shall be construed to require a “separation from service” (as defined in Treasury Regulation Section 1.409A-1(h)).

(d) To the extent compliance with the requirements of Treasury Regulation Section 1.409A-3(i)(2) (or any successor provision) is necessary to avoid the application of an additional tax under Code Section 409A to payments due to Executive upon Executive’s separation from service at a time when Executive is determined to be a “specified employee” under Treasury Regulation Section 1.409A-1(i) and any stock of the Company or any of its affiliates or related entities is publicly traded on an established securities market or otherwise, then notwithstanding any other provision of this Agreement, any such payments that are otherwise due within six (6) months following Executive’s separation from service will be deferred without interest and paid to Executive in a lump sum immediately following that six (6) month period.

(e) Neither the Company nor its affiliates, subsidiaries or related entities, nor any of the Company's or such entities' directors, officers or agents will be liable to Executive or anyone else if the Internal Revenue Service or any court or other authority determines that any payments or benefits to be provided under this Agreement are subject to taxes, penalties or interest as a result of failing to comply with or be exempt from Section 409A.

## 12. Miscellaneous.

(a) Notices. Any notices, consents, demands, requests, approvals and other communications to be given under this Agreement by either party to the other must be in writing and must be either (i) personally delivered, (ii) mailed by registered or certified mail, postage prepaid with return receipt requested, or (iii) delivered by reputable overnight express delivery service or reputable same-day local courier service, with confirmed receipt, to the address set forth below, or to such other address as may be designated by the parties from time to time in accordance with this Section 13(a):

If to the Company:

Delta Apparel, Inc.

201 West McBee Avenue, Suite 320

Greenville, SC 29601

Attention: General Counsel

If to Executive:

Matthew J. Miller

844 Wellesley Drive NW

Atlanta, GA 30305

Notices delivered personally or by overnight express delivery service or by local courier service are deemed given as of actual receipt. Mailed notices are deemed given three (3) business days after mailing.

(b) Entire Agreement. This Agreement supersedes any and all other agreements, either oral or written, between the parties with respect to the subject matter of this Agreement as applicable to the Term and contains all of the covenants and agreements between the parties with respect to the subject matter of this Agreement as applicable to the Term.

(c) Modification. No change or modification of this Agreement is valid or binding upon the parties, nor will any waiver, termination or discharge of any term or condition of this Agreement be so binding, unless confirmed in writing and signed by the parties to this Agreement.

(d) Governing Law and Venue. This Agreement shall be governed by and construed and enforced in accordance with, the laws of the State of South Carolina without regard to the choice of law principles.

(e) Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for any purpose whatsoever.

(f) Costs. Except as otherwise specifically set forth herein, if any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, each party shall bear its own costs and expenses (including, without limitation, attorneys' fees); provided, however, that in the event Executive incurs costs or expenses in connection with successfully enforcing this Agreement following a Change of Control, the Company shall reimburse the Executive for all such reasonable costs and expenses (including, without limitation, attorneys' fees).

(g) Estate. If Executive dies prior to the expiration of the term of employment or during a period when monies are owing to Executive, any monies that may be due Executive from the Company under this Agreement as of the date of Executive's death shall be paid to Executive's estate as and when otherwise payable.

(h) Assignment. The rights, duties and benefits to Executive hereunder are personal to Executive, and no such right, duty or benefit may be assigned by Executive without the prior written consent of the Company. The rights and obligations of the Company shall inure to the benefit and be binding upon it and its successors and assigns, which assignment shall not require the consent of Executive. Company may assign this Agreement to any Person, including without limitation any parent company, affiliate or related company, at its discretion.

(i) Binding Effect. This Agreement is binding upon and shall inure to the benefit of the parties hereto, their respective executors, administrators, successors, personal representatives, heirs and assigns permitted under subsection 12(h) above.

(j) Third-Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person or entity (other than affiliates of the Company as provided herein) any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

(k) Waiver of Breach. The waiver by the Company or Executive of a breach of any provision of this Agreement by Executive or the Company may not operate or be construed as a waiver of any subsequent breach.

(l) Construction. The parties agree that this Agreement was freely negotiated among the parties and that Executive has had the opportunity to consult with an attorney in negotiating its terms. Accordingly, the parties agree that this Agreement shall not be construed in favor of any party or against any party. The parties further agree that the headings and subheadings are for convenience of the parties only and shall not be given effect in the construction of this Agreement.

### 13. Arbitration.

(a) Any legal claim (other than those excepted below) arising out of or in any way relating to this Agreement or Executive's employment or the termination of Executive's employment shall be subject to binding and final arbitration in Greenville County, South Carolina, pursuant to the Employment Arbitration Rules and Mediation Procedures of the American Arbitration Association, the cost of which shall be equally shared between the parties. Unless otherwise provided herein, the arbitration shall be conducted by a single arbitrator in accordance with the Employment Arbitration Rules and Mediation Procedures published by the American Arbitration Association. The arbitrator shall be selected by mutual agreement of the parties. If the parties cannot agree on an arbitrator within thirty (30) days after written request for arbitration is made by one party to the controversy, a neutral arbitrator shall be appointed according to the procedures set forth in the American Arbitration Association Employment Arbitration Rules and Mediation Procedures. In rendering the award, the arbitrator shall have the authority to resolve only the legal dispute between the parties, shall not have the authority to abridge or enlarge substantive rights or remedies available under existing law, and shall determine the rights and obligations of the parties according to the substantive and procedural laws of South Carolina. In addition, the arbitrator's decision and award shall be in writing and signed by the arbitrator, and accompanied by a concise written explanation of the basis of the award. The award rendered by the arbitrator shall be final and binding, and judgment on the award may be entered in any court having jurisdiction thereof. The arbitrator is authorized to award any party a sum deemed proper for the time, expense, and trouble of arbitration, including arbitration fees and attorneys' fees.

(b) Types of Claims. All legal claims brought by Executive against Company related to this Agreement, the employment relationship, terms and conditions of employment, and/or termination from employment are subject to this dispute resolution procedure. The above terms notwithstanding, any legal claim brought by Executive or Company for or relating to workers' compensation, unemployment compensation benefits, misappropriation of Company's Trade Secrets, breach or violation of the provisions of any confidentiality agreements or noncompete agreements or other restrictive covenants (including but not limited to the Protective Covenants), and claims alleging status or membership with regard to any employment benefit plan governed by the Employee Retirement Income Security Act, and/or charges filed with the National Labor Relations Board, U.S. Department of Labor, or Equal Employment Opportunity Commission, are not subject to this arbitration procedure.

(c) Class Action. Executive expressly agrees not to commence or file any class action, including any class arbitration against Company, or join or serve in any representative capacity in any class action, including class arbitration, against or involving the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Delta Apparel, Inc.

By: s/Robert W. Humphreys

Name: Robert W. Humphrey

Title: Chairman & Chief Executive Officer

"Executive"

By: s/Matthew J. Miller

Name: Matthew J. Miller

Title: President, Delta Group



**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 3, 2022

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

**EXHIBIT 31.2**  
**CERTIFICATION OF CHIEF FINANCIAL 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, Simone Walsh, 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 3, 2022

/s/ Simone Walsh  
Chief Financial 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 2, 2022, 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 3, 2022

/s/ Robert W. Humphrey  
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 CHIEF FINANCIAL 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, Simone Walsh, the Chief Financial 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 2, 2022, 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 3, 2022

/s/ Simone Walsh  
\_\_\_\_\_  
Simone Walsh  
Chief Financial 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.