

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 December 31, 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 58-2508794
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)
2750 Premier Parkway, Suite 100
Duluth, Georgia 30097
(Address of principal executive offices) (Zip Code)

(678) 775-6900

(Registrant's telephone number, including area code)

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

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

Table with 3 columns: Title of each class, Trading Symbol, Name of each exchange on which registered. Row 1: 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 January 27, 2023, there were outstanding 7,001,020 shares of the registrant's common stock, par value of \$0.01 per share, which is the only class of outstanding common or voting stock of the registrant.

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PART I. 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)

Assets	December 2022	September 2022
Cash and cash equivalents	\$ 327	\$ 300
Accounts receivable, less allowances of \$63 and \$109, respectively	57,755	68,215
Other receivables	2,396	1,402
Income tax receivable	1,363	1,969
Inventories, net	258,891	248,538
Prepaid expenses and other current assets	4,114	2,755
Total current assets	<u>324,846</u>	<u>323,179</u>
Property, plant and equipment, net of accumulated depreciation of \$111,194 and \$108,565, respectively	72,771	74,109
Goodwill	37,897	37,897
Intangibles, net	23,427	24,026
Deferred income taxes	1,342	1,342
Operating lease assets	49,313	50,275
Equity method investment	9,045	9,886
Other assets	2,800	2,967
Total assets	<u>\$ 521,441</u>	<u>\$ 523,681</u>
Liabilities and Equity		
Liabilities:		
Accounts payable	\$ 79,844	\$ 83,553
Accrued expenses	20,808	27,414
Income taxes payable	321	379
Current portion of finance leases	8,603	8,163
Current portion of operating leases	8,585	8,876
Current portion of long-term debt	9,514	9,176
Total current liabilities	<u>127,675</u>	<u>137,561</u>
Long-term income taxes payable	2,841	2,841
Long-term finance leases	18,465	16,776
Long-term operating leases	42,015	42,721
Long-term debt	148,899	136,750
Deferred income taxes	2,232	4,310
Total liabilities	<u>\$ 342,127</u>	<u>\$ 340,959</u>
Shareholder's equity:		
Preferred stock - \$0.01 par value, 2,000,000 shares authorized, none issued and outstanding	-	-
Common stock \$0.01 par value, 15,000,000 authorized, 9,646,972 shares issued, and 7,001,020 and 6,915,663 shares outstanding as of December 2022 and September 2022, respectively	96	96
Additional paid-in capital	60,559	61,961
Retained earnings	163,035	166,600
Accumulated other comprehensive income	210	141
Treasury stock - 2,645,952 and 2,731,309 shares as of December 2022 and September 2022, respectively	(43,896)	(45,420)
Equity attributable to Delta Apparel, Inc.	180,004	183,378
Equity attributable to non-controlling interest	(690)	(656)
Total equity	<u>179,314</u>	<u>182,722</u>
Total liabilities and equity	<u>\$ 521,441</u>	<u>\$ 523,681</u>

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	
	December 2022	December 2021
Net sales	\$ 107,295	\$ 110,746
Cost of goods sold	93,672	87,743
Gross profit	13,623	23,003
Selling, general and administrative expenses	18,870	17,482
Other (income), net	(2,621)	(395)
Operating (loss) income	(2,626)	5,916
Interest expense, net	2,890	1,598
(Loss) earnings before provision for income taxes	(5,516)	4,318
(Benefit from) provision for income taxes	(1,917)	648
Consolidated net (loss) earnings	(3,599)	3,670
Net (loss) income attributable to non-controlling interest	(34)	25
Net (loss) earnings attributable to shareholders	\$ (3,565)	\$ 3,645
Basic (loss) income per share	\$ (0.51)	\$ 0.52
Diluted (loss) income per share	\$ (0.51)	\$ 0.51
Weighted average number of shares outstanding	6,954	6,999
Dilutive effect of stock awards	-	86
Weighted average number of shares assuming dilution	6,954	7,085

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	<u>Three Months Ended</u>	
	<u>December 2022</u>	<u>December 2021</u>
Net (loss) income attributable to shareholders	\$ (3,565)	\$ 3,645
Other comprehensive income related to unrealized gain on derivatives, net of income tax	<u>69</u>	<u>212</u>
Consolidated comprehensive (loss) income	<u>\$ (3,496)</u>	<u>\$ 3,857</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	Treasury Stock		Non- Controlling Interest	Total
	Shares	Amount				Shares	Amount		
Balance as of September 2022	9,646,972	\$ 96	\$ 61,961	\$ 166,600	\$ 141	2,731,309	\$ (45,420)	\$ (656)	\$ 182,722
Net loss	-	-	-	(3,565)	-	-	-	-	(3,565)
Other comprehensive income	-	-	-	-	69	-	-	-	69
Net loss attributable to non-controlling interest	-	-	-	-	-	-	-	(34)	(34)
Purchase of common stock	-	-	-	-	-	-	-	-	-
Vested stock awards	-	-	(2,067)	-	-	(85,357)	1,524	-	(543)
Stock based compensation	-	-	665	-	-	-	-	-	665
Balance as of December 2022	9,646,972	\$ 96	\$ 60,559	\$ 163,035	\$ 210	2,645,952	\$ (43,896)	\$ (690)	\$ 179,314

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (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 income	-	-	-	3,645	-	-	-	-	3,645
Other comprehensive income	-	-	-	-	212	-	-	-	212
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	25	25
Purchase of common stock	-	-	-	-	-	74,232	(2,143)	-	(2,143)
Vested stock awards	-	-	(1,766)	-	-	(76,460)	674	-	(1,092)
Stock based compensation	-	-	140	-	-	-	-	-	140
Balance as of December 2021	9,646,972	\$ 96	\$ 59,205	\$ 150,505	\$ (574)	2,670,084	\$ (43,618)	\$ (633)	\$ 164,981

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	December 2022	December 2021
Operating activities:		
Consolidated net (loss) earnings	\$ (3,599)	\$ 3,670
Adjustments to reconcile net (loss) earnings to net cash used in operating activities:		
Depreciation and amortization	3,844	3,629
Amortization of deferred financing fees	84	81
(Benefit from) provision for deferred income taxes	(2,101)	754
Change in inventory market reserves	163	851
Non-cash stock compensation	665	140
Gain on disposal of equipment	58	2
Other, net	(89)	(390)
Changes in operating assets and liabilities:		
Accounts receivable	9,466	1,993
Inventories, net	(10,516)	(22,206)
Prepaid expenses and other current assets	(1,443)	(1,449)
Other non-current assets	1,188	699
Accounts payable	(3,723)	7,584
Accrued expenses	(5,030)	(7,572)
Net operating lease liabilities	(35)	206
Income taxes	(854)	(140)
Other liabilities	-	(1,050)
Net cash used in operating activities	<u>(11,922)</u>	<u>(13,198)</u>
Investing activities:		
Purchases of property and equipment, net	(2,081)	(1,822)
Proceeds from equipment under finance leases	4,417	-
Cash paid for intangible asset	-	(51)
Cash paid for business	-	(583)
Net cash provided by (used in) investing activities	<u>2,336</u>	<u>(2,456)</u>
Financing activities:		
Proceeds from long-term debt	133,918	138,543
Repayment of long-term debt	(121,431)	(121,293)
Repayment of capital financing	(2,332)	(1,783)
Repurchase of common stock	-	(1,718)
Payment of withholding taxes on stock awards	(542)	(1,092)
Net cash provided by financing activities	<u>9,613</u>	<u>12,657</u>
Net increase (decrease) in cash and cash equivalents	27	(2,997)
Cash and cash equivalents at beginning of period	<u>300</u>	<u>9,376</u>
Cash and cash equivalents at end of period	<u>\$ 327</u>	<u>\$ 6,379</u>
Supplemental cash flow information		
Finance lease assets exchanged for finance lease liabilities	\$ 4,461	\$ 20
Operating lease assets exchanged for operating lease liabilities	\$ 1,807	\$ 1,401

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 8,500 employees worldwide. We design, manufacture, source, and market a diverse portfolio of core activewear and lifestyle apparel products under our primary brands of Salt Life®, Soffe®, and Delta. We are a market leader in the on-demand, digital print and fulfillment industry, bringing DTG2Go's proprietary technology and innovation to our customers' supply chains. We specialize in selling casual and athletic products through a variety of distribution channels and tiers, including outdoor and sporting goods retailers, independent and specialty stores, better department stores and mid-tier retailers, mass merchants, eRetailers, the U.S. military, and through our business-to-business digital platform. Our products are also made available direct-to-consumer on our ecommerce sites and in our branded retail stores. Our diversified go-to-market strategy allows us to capitalize on our strengths in providing activewear and lifestyle apparel products to a broad and evolving customer base whose shopping preferences may span multiple retail channels.

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

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

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

Period Ended	Fiscal Year	Date Ended
December 2021	Fiscal 2022	January 1, 2022
March 2022	Fiscal 2022	April 2, 2022
June 2022	Fiscal 2022	July 2, 2022
September 2022	Fiscal 2022	October 1, 2022
December 2022	Fiscal 2023	December 31, 2022

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 months ended December 2022 are not necessarily indicative of the results that may be expected for our fiscal 2023. Although our various product lines are sold on a year-round basis, the demand for specific products or styles reflects some seasonality. By diversifying our product lines and go-to-market strategies over the years, we have reduced the overall seasonality of our business. Consumer demand for apparel is cyclical and dependent upon the overall level of demand for soft goods, which may or may not coincide with the overall level of discretionary consumer spending. These levels of demand change as regional, domestic and international economic conditions change. Therefore, the distribution of sales by quarter in fiscal 2023 may not be indicative of the distribution in future years. These Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and footnotes included in our Annual Report on Form 10-K for our fiscal 2022, filed with the United States Securities and Exchange Commission ("SEC").

Our Condensed Consolidated Financial Statements include the accounts of Delta Apparel and its wholly-owned and majority-owned domestic and foreign subsidiaries. We apply the equity method of accounting for our investment in 31% of the outstanding capital stock of a Honduran company. During the three months ended December 2022 and December 2021, we received dividends from this investment of \$0.9 million and \$0.6 million, respectively. Our Ceiba Textiles manufacturing facility is leased under an operating lease arrangement with this Honduran company. During the three months ended December 2022 and December 2021, we paid approximately \$0.4 million under this arrangement.

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

Note B—Accounting Policies

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

Note C—New Accounting Standards

Standards Not Yet Adopted

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

Note D—Revenue Recognition

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

	Three Months Ended			
	December 2022		December 2021	
Retail	\$ 3,455	3 %	\$ 2,903	3 %
Direct-to-consumer ecommerce	1,509	2 %	1,345	1 %
Wholesale	102,331	95 %	106,498	96 %
Net sales	\$ 107,295	100 %	\$ 110,746	100 %

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

	Three Months Ended December 2022			
	Net Sales	Retail	Direct-to-consumer ecommerce	Wholesale
Delta Group	\$ 97,010	0.1 %	0.2 %	99.7 %
Salt Life Group	10,285	33.0 %	12.7 %	54.3 %
Total	\$ 107,295			

	Three Months Ended December 2021			
	Net Sales	Retail	Direct-to-consumer ecommerce	Wholesale
Delta Group	\$ 101,921	0.2 %	0.3 %	99.5 %
Salt Life Group	8,825	30.4 %	12.0 %	57.6 %
Total	\$ 110,746			

Note E—Inventories

Inventories, net of reserves of \$17.8 million and \$17.7 million as of December 2022 and September 2022, respectively, consisted of the following (in thousands):

	December 2022	September 2022
Raw materials	\$ 22,166	\$ 22,603
Work in process	20,352	23,501
Finished goods	216,373	202,434
	\$ 258,891	\$ 248,538

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

Note F—Debt

Credit Facility

On May 10, 2016, we entered into a Fifth Amended and Restated Credit Agreement (as further amended, the "Amended Credit Agreement") with Wells Fargo Bank, National Association ("Wells Fargo"), as Administrative Agent, the Sole Lead Arranger and the Sole Book Runner, and the financial institutions named therein as Lenders, which are Wells Fargo, PNC Bank, and Regions Bank. Our subsidiaries M.J. Sofie, 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.

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

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 December 2022, we had \$142.3 million outstanding under our U.S. revolving credit facility at an average interest rate of 6.7%. Our cash on hand combined with the availability under the U.S. credit facility totaled \$27.2 million. At December 2022 and September 2022, there was \$23.1 million and \$24.9 million, respectively, of retained earnings free of restrictions to make cash dividends or stock repurchases.

See Note P—Subsequent Events for a discussion of the Eighth and Ninth Amendments to the Fifth Amended and Restated Credit Agreement entered into on January 3, 2023, and February 3, 2023, respectively.

Honduran Debt

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

El Salvador Debt

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

Additional information about these loans and the outstanding balances as of December 2022 is as follows (in thousands):

	December 2022
Revolving credit facility with Banco Ficohsa, a Honduran bank, interest at 7.25%, due August 2025	\$ 3,083
Term loan with Banco Ficohsa, a Honduran bank, interest at 7.5%, quarterly installments which began September 2021 and are due through December 2025	6,086
Term loan with Banco Ficohsa, a Honduran bank, interest at 7.5%, quarterly installments beginning March 2023 through May 2027	3,656
Term loan with Banco Ficohsa, a Panamanian bank, interest at the prevailing market rate within the Panamanian Banking Market, monthly installments which began October 2022 and are due through August 2027	2,878

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 \$5.4 million and \$5.5 million for the December 2022 and December 2021 quarters, respectively. In addition, SG&A expenses include costs related to sales associates, administrative personnel, advertising and marketing expenses, retail store build-outs, and other general and administrative expenses.

Note H—Stock-Based Compensation

On February 6, 2020, our shareholders approved the Delta Apparel, Inc. 2020 Stock Plan ("2020 Stock Plan") to replace the 2010 Stock Plan, which was previously 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 serving 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 disability. The Compensation Committee is authorized to establish the terms and conditions of awards granted under the 2020 Stock Plan, to establish, amend and rescind any rules and regulations relating to the 2020 Stock Plan, and to make any other determinations that it deems necessary. Similar to the 2010 Stock Plan, the 2020 Stock Plan limits the number of shares that may be covered by awards to any participant in a given calendar year and also limits the aggregate awards of restricted stock, restricted stock units and performance stock granted in a given calendar year. Shares are generally issued from treasury stock upon the vesting of the restricted stock units, performance units or other awards under the 2020 Stock Plan.

Compensation expense is recorded within SG&A in our Condensed Consolidated Statements of Operations over the vesting periods. During the December 2022 and December 2021 quarters, we recognized \$0.5 million and \$0.4 million in stock-based compensation expense, respectively. Associated with this compensation cost are income tax benefits recognized of \$0.2 million and \$0.1 million, respectively, for each of the three-month periods ended December 2022 and December 2021.

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

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

As of December 2022, there was \$3.3 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 1.9 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 December 2022, minimum payments under these contracts were as follows (in thousands):

Yarn	\$ 22,294
Finished fabric	4,435
Finished products	9,517
	<u>\$ 36,246</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 the following business units, which are primarily focused on core activewear styles: DTG2Go and Delta Activewear.

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

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

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

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

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

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

Our Chief Operating Decision Maker and management evaluate performance and allocate resources based on profit or loss from operations before interest, income taxes and special charges ("segment operating 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 2022, filed with the SEC. Intercompany transfers between operating segments are transacted at cost and have been eliminated within the segment amounts shown in the following table (in thousands).

	Three Months Ended	
	December 2022	December 2021
Segment net sales:		
Delta Group	\$ 97,010	\$ 101,921
Salt Life Group	10,285	8,825
Total net sales	<u>\$ 107,295</u>	<u>\$ 110,746</u>
Segment operating earnings:		
Delta Group	\$ 123	\$ 8,438
Salt Life Group	218	156
Total segment operating earnings	<u>\$ 341</u>	<u>\$ 8,594</u>

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

	Three Months Ended	
	December 2022	December 2021
Segment operating earnings	\$ 341	\$ 8,594
Unallocated corporate expenses	2,967	2,678
Unallocated interest expense	2,890	1,598
Consolidated (loss) income before provision for income taxes	<u>\$ (5,516)</u>	<u>\$ 4,318</u>

Note K—Income Taxes

The Tax Cuts and Jobs Act of 2017 (the “2017 Tax Legislation”) enacted on December 22, 2017, significantly revised the U.S. corporate income tax code by, among other things, lowering federal corporate income tax rates, implementing a modified territorial tax system and imposing a repatriation tax (“transition tax”) on deemed repatriated cumulative earnings of foreign subsidiaries which will be paid over eight years. In addition, new taxes were imposed related to foreign income, including a tax on global intangible low-taxed income (“GILTI”) as well as a limitation on the deduction for business interest expense (“Section 163(j)”). GILTI is the excess of the shareholder’s net controlled foreign corporations (“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). In addition, we have elected to account for the tax on GILTI as a period cost and, therefore, do not record deferred taxes related to GILTI on our foreign subsidiaries.

Our effective income tax rate on operations for the three-months ended December 2022 was 35.0% compared to a rate of 15.1% in the same period of the prior year, and an effective rate of 17.9% for fiscal 2022. We generally benefit from having income in foreign jurisdictions that are either exempt from income taxes or have tax rates that are lower than those in the United States. As such, changes in the mix of U.S. taxable income compared to profits in tax-free or lower-tax jurisdictions can have a significant impact on our overall effective tax rate.

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

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

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

	December 2022	September 2022
Deferred tax assets	\$ (70)	\$ (48)
Other non-current liabilities	280	189
Accumulated other comprehensive loss	<u>\$ 210</u>	<u>\$ 141</u>

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 December 2022 and September 2022.

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)
Interest Rate Swaps				
December 2022	\$ 280	-	\$ 280	-
September 2022	\$ 189	-	\$ 189	-

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

Note M—Legal Proceedings

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

Note N—Repurchase of Common Stock

As of September 28, 2019, our Board of Directors authorized management to use up to \$60.0 million to repurchase stock in open market transactions under our Stock Repurchase Program. We did not purchase any shares of our common stock during the December 2022 quarter. Through December 2022, we have purchased 3,735,114 shares of our common stock for an aggregate of \$56.4 million under our Stock Repurchase Program since its inception. All purchases were made at the discretion of management and pursuant to the safe harbor provisions of SEC Rule 10b-18. As of December 2022, \$3.6 million remained available for future purchases under our Stock Repurchase Program, which does not have an expiration date.

Note O—Goodwill and Intangible Assets

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

	December 2022			September 2022			Economic Life
	Cost	Accumulated Amortization	Net Value	Cost	Accumulated Amortization	Net Value	
Goodwill	\$ 37,897	\$ -	\$ 37,897	\$ 37,897	\$ -	\$ 37,897	N/A
Intangibles:							
Tradename/trademarks	\$ 16,000	\$ (4,984)	\$ 11,016	\$ 16,000	\$ (4,851)	\$ 11,149	20 – 30 yrs
Customer relationships	7,400	(3,398)	4,002	7,400	(3,213)	4,187	20 yrs
Technology	10,083	(2,834)	7,249	10,083	(2,610)	7,473	10 yrs
License agreements	2,100	(966)	1,134	2,100	(940)	1,160	15 – 30 yrs
Non-compete agreements	1,657	(1,631)	26	1,657	(1,600)	57	4 – 8.5 yrs
Total intangibles	\$ 37,240	\$ (13,813)	\$ 23,427	\$ 37,240	\$ (13,214)	\$ 24,026	

Goodwill represents the acquired goodwill net of the \$0.6 million impairment losses recorded in fiscal year 2011. As of December 2022, the Delta Group segment assets include \$18.0 million of goodwill, and the Salt Life Group segment assets include \$19.9 million.

Depending on the type of intangible asset, amortization is recorded under cost of goods sold or selling, general and administrative expenses. Amortization expense for intangible assets for the December 2022 and December 2021 quarters was \$0.6 million and \$0.6 million, respectively. Amortization expense is estimated to be approximately \$1.4 million for the year ended September 2023, approximately \$1.4 million for the year ended September 2024, and approximately \$1.4 million for the years ended September 2025, 2026, and 2027.

Note P—Subsequent Events

On January 3, 2023, Delta Apparel, Inc. and its subsidiaries, M.J. Soffe, LLC, Culver City Clothing Company (f/k/a Junkfood Clothing Company), Salt Life, LLC, and DTG2Go, LLC (f/k/a ArtGun, LLC) (collectively, the “Borrowers”) entered into an Eighth Amendment to the Fifth Amended and Restated Credit Agreement with Wells Fargo Bank (the “Agent”) and the other lenders set forth therein (the “Eighth Amendment”). The Eighth Amendment essentially clarifies the Amended Credit Agreement’s provisions regarding the inclusion of eligible in-transit inventory in the borrowing base and amends the definition of Increased Reporting Event to include 12.5% of the lesser of the borrowing base and the maximum revolver amount as opposed to 12.5% of the line cap.

On February 3, 2023, the Borrowers entered into a Ninth Amendment to the Fifth Amended and Restated Credit Agreement with the Agent and the other lenders set forth therein (the “Ninth Amendment”). The Ninth Amendment adds an Accommodation Period beginning on the amendment date and continuing through the date following September 30, 2023, upon which Borrowers satisfy minimum availability thresholds and during which: (i) the minimum borrowing availability thresholds applicable to the Amended Credit Agreement are (a) through (and including) April 1, 2023, \$7,500,000, (b) on and after April 2, 2023 through (and including) June 4, 2023, \$9,000,000, (c) on and after June 5, 2023, through the date following September 30, 2023, upon which Borrowers satisfy minimum availability thresholds, \$10,000,000; and (d) at all

times thereafter, \$0; (ii) the Fixed Charge Coverage Ratio ("FCCR") covenant is suspended; (iii) Borrowers must maintain specified minimum EBITDA levels for trailing three-month periods starting March 4, 2023; (iv) the Applicable Margin with respect to loans under the Amended Credit Agreement is increased by 50 basis points; and (v) a Cash Dominion Trigger Event occurs if availability is less than \$2,000,000. The Ninth Amendment also, among other things, (i) amends the FILO maximum amount calculation by reloading 5% of eligible accounts receivable (capped at \$3,000,000) and deferring the applicable amortization schedules to August 1, 2023; (ii) defers the monthly amortization payments for real estate, machinery and equipment, and intellectual property assets to August 1, 2023; (iii) requires weekly reporting of availability through the date following September 30, 2023, upon which Borrowers satisfy minimum availability thresholds; and (iv) prohibits certain restricted payments through the date following September 30, 2023, upon which Borrowers satisfy minimum availability thresholds.

The foregoing summary of the Eighth and Ninth Amendments and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the text of the Eighth and Ninth Amendments, which are filed herewith as Exhibits 10.1 and 10.2 to this Quarterly Report on Form 10-Q and which are incorporated herein by reference.

We expect the Eighth and Ninth Amendments will enhance our borrowing base and allow us to access more of our availability under the Amended Credit Agreement while easing the financial covenant restrictions for the remainder of fiscal 2023.

See Part II, Item 5. Other Information for additional detail regarding the Ninth Amendment.

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

Cautionary Note Regarding Forward-Looking Statements

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

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

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

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

Business Outlook

We were pleased to start our 2023 fiscal year with double-digit sales growth across four of our five go-to-market channels, including record sales and almost 20% growth in our DTG2Go digital print channels as well as record sales and 17% growth in our Salt Life lifestyle brand channel. Our topline performance this quarter further illustrates the resiliency of our multi-pronged business model, which allowed us to overcome the soft demand for basic tees impacting the mass retail supply chain and our Delta Direct channel for the last several quarters.

The milestone sales in our Delta Group segment's DTG2Go channel highlight the market's growing interest in our digital print and fulfillment strategies and its appreciation for the reduced working capital investment; lower inventory risk; faster order-to-ship cycle; replenishment and quick activation capability; unlimited color and design choice; and other benefits they provide. DTG2Go continues to effectively leverage two very unique advantages that differentiate it in the market – a multi-facility footprint facilitating one-to-two day shipping speed to 99% of United States consumers and priority access to our Delta Direct channel's low-cost vertical blank tee and fleece supply. DTG2Go's "Digital First" strategy continues to generate substantial new customer demand and we are encouraged with the productivity gains achieved on the new technology. Further improvements in machine efficiency, quality and production rates are necessary for us to realize our long-term objectives in this business.

Our Delta Group segment's Global Brands channel delivered double-digit sales growth for the quarter and continues to add value to the supply chains of multi-national, regional and major sportswear brands and the United States armed forces as a preferred supplier of custom decorated products. We also achieved double-digit growth in our Delta Group segment's Retail Direct channel where we provide decorated and "retail ready" products directly to the brick and mortar locations and eCommerce fulfillment centers of sporting goods and outdoor retailers, farm and fleet stores, department stores, and mid-tier and mass retailers.

The growth in our Global Brands and Retail Direct channels was accelerated by new business resulting from the Activewear industry's burgeoning emphasis on nearshore sourcing strategies like those offered by our vertical platform in Central America coupled with our ability to meet the service and compliance requirements of the world's leading brands and retailers. We expect the focus on U.S. proximity sourcing strategies to continue and believe that both of these channels are positioned to generate growth opportunities across our Delta Group segment overtime.

As expected, our Delta Group segment's results for the quarter were impacted by the reduced demand in the mass retail supply chain and the associated manufacturing shutdowns that we, like many across the industry, initiated to recalibrate output as well as elevated raw material, energy and labor costs. Although the price of cotton, one of our key raw materials, has moderated from last year's notable highs, that high-cost cotton continues to flow through our cost of sales due to production cadences and pressures margins accordingly. We expect to cycle through most of that higher-priced cotton in our second quarter and begin to see the benefit of lower input costs in our results as we progress through the second half of our fiscal year. We will continue to leverage the flexibility of our vertical manufacturing strategy until we see better equilibrium between inventories and demand and also focus on opportunities in higher margin areas of our Delta Direct channel outside of the mass retail supply ecosystem.

The momentum in our Salt Life Group segment continues with this quarter's record sales and excellent bottom line performance as it moves into its traditionally strong Spring selling season. The escalating growth across Salt Life's direct-to-consumer retail and eCommerce channels should continue as it expands its brick and mortar retail and digital footprints to keep pace with the brand's consumer base stretching across the country. Salt Life is targeting six to eight new store openings this fiscal year, including debut locations in New Jersey and Virginia, bringing its total store count to approximately 30 locations across nine states spanning the U.S. coastline from California to Florida to New Jersey.

Salt Life's consumer eCommerce site, www.saltlife.com, now ships to all 50 states, including significant order flows to states outside of the brand's traditional southeastern base, and its wholesale business also continues to expand. There are now approximately 1,800 customer retail doors across 48 states and foreign countries offering Salt Life products. We continue to see a tremendous runway for growth for the Salt Life brand across the United States and internationally.

Looking ahead, we will further rely on the versatility of our multiple go-to-market strategies and focus on organic growth through both new customer acquisition and expansion of existing relationships. We see outstanding opportunities deriving from our investments in DTG2Go's digital technology platform and Salt Life's authentic lifestyle brand positioning. Moreover, we are now seeing some welcome cost stabilization in our Delta Group segment and expect these trends to positively impact profitability as we progress throughout the year. Along the way, we will continue to prudently manage our working capital and expenses while pursuing opportunities generated by our diversified business model.

Results of Operations

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

Net sales were \$107.3 million in the first quarter of fiscal 2023, a decrease of 3.1% compared to the prior year first quarter net sales of \$110.7 million.

Net sales in the Delta Group segment declined 4.8% to \$97.0 million in the first quarter of fiscal 2023 compared to \$101.9 million in the prior year first quarter. We saw record first quarter sales in our DTG2Go business and growth in our Global Brands and Retail Direct channels, offset by diminished demand in the mass retail supply chain driving reduced sales in our Delta Direct channel.

The Salt Life Group segment first quarter fiscal 2023 revenue grew 16.5% to \$10.3 million compared to \$8.8 million in the prior year first quarter. The segment's record first quarter sales were driven by growth in both direct-to-consumer and wholesale channels.

Gross margins were 12.7% for the first quarter of fiscal 2023, declining 810 basis points from the prior year first quarter gross margin of 20.8%.

The Delta Group segment gross margins were 8.0% for the first quarter of fiscal 2023, a decline of 100 basis points from the prior year first quarter margins of 18.0%. Gross margins were primarily impacted by higher inventory costs from inflationary raw material and other input pricing in fiscal 2022 flowing through sales during the quarter, in addition to \$3.4 million in plant curtailment costs.

The Salt Life Group segment gross margins improved to 57.0% in the first quarter of fiscal 2023, an improvement of 370 basis points compared to 53.3% in the prior year first quarter resulting from a favorable mix of sales, including increased Salt Life branded retail store and eCommerce sales.

Selling, general, and administrative expenses ("SG&A") were \$18.9 million in the first quarter of fiscal 2023, or 17.6% of sales, compared to \$17.5 million, or 15.8% of sales, in the prior year first quarter. The increase in SG&A expenses of \$1.3 million compared to the prior year first quarter was primarily driven by higher selling costs driven by our expanded Salt Life retail footprint, in addition to increased distribution and administrative costs.

Other income for the 2023 and 2022 first fiscal quarters includes profits related to our Green Valley Industrial Park equity method investment. Additionally, in the first quarter of fiscal 2023, we recognized a discrete gain of \$2.5 million from the settlement of a commercial litigation matter.

Operating loss in the first quarter of fiscal 2023 was \$2.6 million. This compares to operating income of \$5.9 million in the prior year first fiscal quarter.

The Delta Group segment had operating income of \$0.1 million in the first fiscal quarter of 2023, or 0.1% of net sales, compared to \$8.4 million, or 8.3% of net sales, in the prior year first quarter. The decrease in operating profit was driven by declining gross margins due to increased inflationary costs and plant curtailment costs.

The Salt Life Group segment had operating income of \$0.3 million in the first fiscal quarter of 2023, or 2.5% of net sales, compared to \$0.1 million, or 1.5% of sales, in the prior year first quarter. The increase in operating profit was driven by higher sales volume and increased gross margins offset by higher selling and distribution costs.

Net interest expense for the first quarters of each of fiscal years 2023 and 2022 was \$2.9 million and \$1.6 million, respectively.

Our effective tax rate on operations for the three-month period ended December 2022 was 35.0%. This compares to an effective tax rate of 15.1% for the same period in the prior year and 17.9% for the full fiscal year 2022. Changes in the mix of U.S. taxable income compared to profits in tax-free or lower-tax jurisdictions drove this change in our effective tax rate.

Net loss attributable to shareholders for the first fiscal quarter of 2023 was \$3.6 million, or a loss of \$0.51 per diluted share, compared to net income of \$3.6 million, or \$0.51 per diluted share, in the prior year.

Accounts receivable were \$57.8 million at December 2022, compared to \$68.2 million as of September 2022. Days sales outstanding ("DSO") as of December 2022 were 47 days compared to 52 days at September 2022.

Net inventory as of December 2022 was \$258.9 million, an increase of \$10.4 million from September 2022 and \$75.8 million from December 2021. The increase from September 2022 stemmed primarily from timely Salt Life first quarter inventory deliveries compared to last year's supply chain delays pushing scheduled deliveries into the second quarter.

Total net debt, including capital lease financing and cash on hand, was \$185.2 million as of December 31, 2022, an increase of \$14.6 million from September 2022 and \$39 million from December 2021. Cash on hand and availability under the Company's U.S. revolving credit facility totaled \$27.2 million as of December 31, 2022, a decrease of \$7.5 million from September 2022 and \$5.8 million from December 2021, with the increase from September 2022 principally driven by investments in the business to support working capital needs.

Liquidity and Capital Resources

Operating Cash Flows

Operating activities resulted in a cash usage of \$11.9 million for the three months ended December 2022 compared to \$13.2 million of cash used in the prior year. The improvement in cash used in operating cash flows in the current year are due to the timing of payments from customers and to vendors, in addition to reduced inventory in the first quarter of fiscal 2023 compared to the prior year as a result of reduced customer demand.

Investing Cash Flows

Cash outflows for capital expenditures were \$2.1 million during the first three months of 2023 compared to \$1.8 million in the same period in the prior year. During the three-months ended June 2022, there were \$0.1 million of capital expenditures financed under a capital lease arrangement. We currently expect to spend less on capital expenditures in 2023 as compared to 2022, with our expenditures expected to focus on digital print equipment, information technology, manufacturing efficiency, and direct-to-consumer investments, including new Salt Life retail store openings.

Financing Activities

During the three months ended December 2022, cash provided by financing activities was \$9.6 million and primarily related to funding our operating activities, working capital needs, and certain capital investments offset by scheduled loan principal payments.

Future Liquidity and Capital Resources

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

Our credit facility, as well as cash flows from operations, are intended to fund our day-to-day working capital needs, and along with capital lease financing arrangements, to fund our planned capital expenditures. However, any material deterioration in our results of operations may result in the loss of our ability to borrow under our U.S. revolving credit facility and to issue letters of credit to suppliers, or may cause the borrowing availability under that facility to be insufficient for our needs. Availability under our credit facility is primarily a function of the levels of our accounts receivable and inventory. A significant deterioration in our accounts receivable or inventory levels could restrict our ability to borrow additional funds or service our indebtedness. 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. Refer to Item 5. Other Information for further information regarding our current financial covenants. While our availability at December 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

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

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which were prepared in accordance with U.S. GAAP. The preparation of our Condensed Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates and judgments on historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results

may differ from these estimates under different assumptions or conditions. The most significant estimates and assumptions relate to revenue recognition, accounts receivable and related reserves, inventory and related reserves, the carrying value of goodwill, and the accounting for income taxes.

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

Environmental and Other Regulatory Matters

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

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to reasonably assure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's requirements. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and principal accounting officer, as appropriate to allow timely decisions regarding required disclosure.

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

Changes in Internal Control Over Financial Reporting

There were no changes during the December 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

Ninth Amendment to the Fifth Amended and Restated Credit Agreement

On February 3, 2023, Delta Apparel, Inc. and its subsidiaries, M.J. Softe, LLC, Culver City Clothing Company (f/k/a Junkfood Clothing Company), Salt Life, LLC, and DTG2Go, LLC (f/k/a Art Gun, LLC) (collectively, the "Borrowers") entered into a Ninth Amendment to the Fifth Amended and Restated Credit Agreement with Wells Fargo Bank (the "Agent") and the other lenders set forth therein ("Ninth Amendment"). The Fifth Amended and Restated Credit Agreement, dated as of May 10, 2016, was filed as Exhibit 10.1 to Delta Apparel's Quarterly Report on Form 10-Q filed with the SEC on May 12, 2016. The First Amendment to the Amended Credit Agreement was filed as Exhibit 10.2.5 to Delta Apparel's Annual Report on Form 10-K filed with the SEC on November 28, 2017. The Consent and Second Amendment to the Amended Credit Agreement was filed as Exhibit 10.1 to Delta Apparel's Form 8-K filed with the SEC on March 13, 2018. The Consent and Third Amendment to the Amended Credit Agreement was filed as Exhibit 10.1 to Delta Apparel's Form 8-K filed with the SEC on October 9, 2018. The Consent and Fourth Amendment to the Amended Credit Agreement was filed as Exhibit 10.2.8 to Delta Apparel's Annual Report on Form 10-K filed with the SEC on November 21, 2019. The Fifth Amendment to the Amended Credit Agreement was filed as Exhibit 10.1 to Delta Apparel's Quarterly Report on Form 10-Q filed with the SEC on April 30, 2020. The Sixth Amendment to the Amended Credit Agreement was filed as Exhibit 10.1 to Delta Apparel's Form 8-K filed with the SEC on August 31, 2020. The Seventh Amendment to the Amended Credit Agreement was filed as Exhibit 10.1 to Delta Apparel's Form 8-K filed with the SEC on June 3, 2022.

The Ninth Amendment adds an Accommodation Period beginning on the amendment date and continuing through the date following September 30, 2023, upon which Borrowers satisfy minimum availability thresholds and during which: (i) the minimum borrowing availability thresholds applicable to the Amended Credit Agreement are (a) through (and including) April 1, 2023, \$7,500,000, (b) on and after April 2, 2023 through (and including) June 4, 2023, \$9,000,000, (c) on and after June 5, 2023, through the date following September 30, 2023, upon which Borrowers satisfy minimum availability thresholds, \$10,000,000; and (d) at all times thereafter, \$0; (ii) the Fixed Charge Coverage Ratio ("FCCR") covenant is suspended; (iii) Borrowers must maintain specified minimum EBITDA levels for trailing three-month periods starting March 4, 2023; (iv) the Applicable Margin with respect to loans under the Amended Credit Agreement is increased by 50 basis points; and (v) a Cash Dominion Trigger

Event occurs if availability is less than \$2,000,000. The Ninth Amendment also, among other things, (i) amends the FILO maximum amount calculation by reloading 5% of eligible accounts receivable (capped at \$3,000,000) and deferring the applicable amortization schedules to August 1, 2023; (ii) defers the monthly amortization payments for real estate, machinery and equipment, and intellectual property assets to August 1, 2023; (iii) requires weekly reporting of availability through the date following September 30, 2023, upon which Borrowers satisfy minimum availability thresholds; and (iv) prohibits certain restricted payments through the date following September 30, 2023, upon which Borrowers satisfy minimum availability thresholds.

We expect the Ninth Amendment will enhance our borrowing base and allow us to access more of our availability under the Amended Credit Agreement while easing the financial covenant restrictions for the remainder of fiscal 2023.

The foregoing summary of the Ninth Amendment and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the text of the Ninth Amendment, which is filed herewith as Exhibit 10.2 to this Quarterly Report on Form 10-Q and which is incorporated herein by reference.

Separate from the relationship related to the Amended Credit Agreement, as amended, certain lenders thereunder have engaged in, or may in the future engage in, transactions with, and perform services for, Delta Apparel, Inc. and/or its subsidiaries in the ordinary course of business.

Item 6. Exhibits

Exhibits

- 10.1 [Eighth Amendment to Fifth Amended and Restated Credit Agreement, dated January 3, 2023, among Delta Apparel, Inc., M.J. Softe, LLC, Culver City Clothing Company, Salt Life, LLC, and DTG2Go, LLC, and the financial institutions named therein as Lenders, and Wells Fargo Bank, National Association, as agent for Lenders.](#)
- 10.2 [Ninth Amendment to Fifth Amended and Restated Credit Agreement, dated February 3, 2023, among Delta Apparel, Inc., M.J. Softe, LLC, Culver City Clothing Company, Salt Life, LLC, and DTG2Go, LLC, and the financial institutions named therein as Lenders, and Wells Fargo Bank, National Association, as agent for Lenders.](#)
- 10.3 [Agreement dated December 7, 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 Principal Accounting Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of the Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase
- 104 Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

Date February 7, 2023

DELTA APPAREL, INC.
(Registrant)

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

**EIGHTH AMENDMENT TO
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT**

THIS EIGHTH AMENDMENT TO FIFTH AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is made and entered into on January 3, 2023, by and among DELTA APPAREL, INC., a Georgia corporation ("Delta"), M. J. SOFFE, LLC, a North Carolina limited liability company ("Soffe"), CULVER CITY CLOTHING CONWANY, a Georgia corporation ("Culver City"), SALT LIFE, LLC, a Georgia limited liability company ("Salt Life"), DTG2GO, LLC, a Georgia limited liability company ("DTG2GO"); Delta, Soffe, Culver City, Salt Life, and DTG2GO, each individually, a "Borrower" and, collectively, "Borrowers"; the parties to the Credit Agreement (as defined below) from time to time as Lenders (each individually, a "Lender" and collectively, "Lenders"); and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association ("Wells Fargo"), in its capacity as agent for Lenders (together with its successors in such capacity, "Agent").

Recitals:

Borrowers, Agent and Lenders are parties to a certain Fifth Amended and Restated Credit Agreement dated as of May 10, 2016 (as at any time amended, restated, modified or supplemented, the "Credit Agreement"), pursuant to which Agent and Lenders have made certain loans and other financial accommodations available to Borrowers.

The parties desire to amend the Credit Agreement as hereinafter set forth.

NOW, THEREFORE, for TEN DOLLARS (\$10.00) in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby severally acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. All capitalized terms used in this Amendment, unless otherwise defined herein, shall have the meaning ascribed to such terms in the Credit Agreement.

2. Amendments to Credit Agreement. The Credit Agreement is hereby amended as follows:

(a) By deleting the last paragraph in the definition of "Borrowing Base" set forth in Schedule I . 1 to the Credit Agreement, and by substituting the following in lieu thereof:

Notwithstanding anything to the contrary contained herein, (A) the portion of the Borrowing Base on any date calculated with reference to Eligible Real Property, Eligible Intellectual Property and Eligible Equipment collectively, shall not exceed (i) at any time prior to the first day of the fiscal month immediately following the Seventh Amendment Date, twenty percent (20%) of the Maximum Revolver Amount and (ii) at any time on and after the first day of the fiscal month immediately following the Seventh Amendment Date, twenty-five percent (25%) of the Maximum Revolver Amount, (B) the portion of the Borrowing Base on any date calculated with reference to Eligible In-Transit Inventory, shall not exceed \$6,000,000 at any time, and (C) the aggregate amount of Adjusted Revolver Usage based on Eligible Inventory consisting of yarn classified as work-in-process outstanding at any time shall not exceed \$2,500,000 at any time.

(b) By deleting the definitions of "Eligible In-Transit Inventory" and "Increased Reporting Event" set forth in Schedule 1.1 to the Credit Agreement and by substituting the following in lieu thereof:

"Eligible In-Transit Inventory" means those items of Inventory that do not qualify as Eligible Inventory solely because they are not in a location set forth on Schedule 4.23 or in transit among such locations and a Borrower does not have actual and exclusive possession thereof, but as to which,

(a) such Inventory is either

(1) the subject of a Qualified Import Letter of Credit and the applicable Letter of Credit has been drawn upon in full and the Issuing Bank has honored such drawing, or

(2) as determined by Agent in its Permitted Discretion, not subject to (i) any Person's right of reclamation, repudiation, stoppage in transit or diversion or (ii) any other right or claim of any other Person which is (or is capable of being) senior to, or pari passu with, the Lien of Agent or Agent determines that any Person's right or claim impairs, or interferes with, directly or indirectly, the ability of Agent to realize on, or reduces the amount that Agent may realize from the sale or other disposition of such Inventory,

(b) such Inventory currently is in transit (whether by vessel, air, or land) from a location outside of the continental United States to a location set forth on Schedule 4.23

(c) title to such Inventory has passed to a Borrower,

(d) such Inventory is insured against types of loss, damage, hazards, and risks, and in amounts, satisfactory to Agent in its Permitted Discretion,

(e) such Inventory either

(1) is the subject of a negotiable bill of lading governed by the laws of a state within the United States (x) that is consigned to Agent or one of its agents (either directly or by means of endorsements), (y) that was issued by the carrier respecting the subject Inventory, and (z) that either is (I) in the possession of Agent or a customs broker (in each case in the continental United States), or (II) the subject of a telefacsimile copy that Agent has received from the Issuing Bank which issued the applicable Letter of Credit and as to which Agent also has received a confirmation from such Issuing Bank that such document is in-transit by air-courier to Agent or a customs broker (in each case, in the continental United States), or

(2) is the subject of a negotiable cargo receipt governed by the laws of a state within the United States and is not the subject of a bill of lading (other than a negotiable bill of lading consigned to, and in the possession of, a consolidator or Agent, or their respective agents) and such negotiable cargo receipt is (x) consigned to Agent or one of its agents (either directly or by means of endorsements), (y) that was issued by a consolidator respecting the subject Inventory, (z) that either is (I) in the possession of Agent or a customs broker (in each case in the continental United States), or (II) the subject of a telefacsimile copy that Agent has received from the Issuing Bank which issued the applicable Letter of Credit and as to which Agent also has received a confirmation from such Issuing Bank that such document is in-transit by air-courier to Agent or a customs broker (in each case, in the continental United States),

(f) such Borrower has provided a certificate to Agent that certifies that, such Inventory meets all of Borrowers' representations and warranties contained in the Loan Documents concerning Eligible In-Transit Inventory, that it knows of no reason why such Inventory would not be accepted by such Borrower when it arrives in the continental United States and that the shipment as evidenced by the documents conforms to the related order documents, and

(g) such Inventory shall not have been in transit for more than fortyfive (45) days.

"Increased Reporting Event" means, at any time, Alternate Excess Availability is less than the greater of (a) 12.5% of the lesser of the Borrowing Base and the Maximum Revolver Amount, and (b) \$20,000,000 (such amount to be increased pro rata with the amount of any increase in the Commitments pursuant to Section 2.14).

3. Ratification and Reaffirmation. Each Borrower hereby ratifies and reaffirms the Obligations, each of the Loan Documents and all of such Borrower's covenants, duties, indebtedness and liabilities under the Loan Documents.

4. Acknowledgments and Stipulations. Each Borrower acknowledges and stipulates that the Credit Agreement and the other Loan Documents executed by such Borrower are legal, valid and binding obligations of such Borrower that are enforceable against such Borrower in accordance with the terms thereof; all of the Obligations are owing and payable without defense, offset or counterclaim (and to the extent there exists any such defense, offset or counterclaim on the date hereof, the same is hereby waived by such Borrower); the security interests and Liens granted by such Borrower in favor of Agent are duly perfected, first priority security interests and Liens; and, as of the opening of business on December 21, 2022, the unpaid principal amount of the Revolver Loans totaled \$144,579,131.18, and the undrawn face amount of all Letters of Credit totaled \$425,000.

5. Representations and Warranties. Each Borrower represents and warrants to Agent and Lenders, to induce Agent and Lenders to enter into this Amendment, that no Default or Event of Default exists on the date hereof; the execution, delivery and performance of this Amendment have been duly authorized by all requisite corporate action on the part of such Borrower and this Amendment has been duly executed and delivered by such Borrower; and all of the representations and warranties made by such Borrower in the Credit Agreement are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, as though made on and as of the date hereof (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date).

6. Reference to Credit Agreement. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement," "hereunder," or words of like import shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

7. Breach of Amendment. This Amendment shall be part of the Credit Agreement and a breach of any representation, warranty or covenant herein shall constitute an Event of Default.

8. Conditions Precedent. The effectiveness of the amendments contained in Section 2 hereof are subject to the satisfaction of each of the following conditions precedent, in form and substance satisfactory to Agent, unless satisfaction thereof is specifically waived in writing by Agent:

(a) Agent's receipt of duly executed counterparts of this Amendment;

(b) Agent's receipt of a certificate from the Secretary of each Loan Party attesting to the resolutions of such Loan Party's board of directors authorizing its execution, delivery, and performance of the Loan Documents to which it is a party;

(c) no Default or Event of Default shall exist both before and after giving pro forma effect to this Amendment; and

(d) the representations and warranties of each Borrower or its Subsidiaries contained in the Credit Agreement or in the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date of such extension of credit, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date).

9. Expenses of Agent. Borrowers agree to pay, on demand, all costs and expenses incurred by Agent in connection with the preparation, negotiation and execution of this Amendment and any other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without

limitation, the costs and fees of Agent's legal counsel and any taxes or expenses associated with or incurred in connection with any instrument or agreement referred to herein or contemplated hereby.

10. Effectiveness: Governing Law. This Amendment shall be effective upon acceptance by Agent and Lenders (notice of which acceptance is hereby waived), whereupon the same shall be governed by and construed in accordance with the internal laws of the State of Georgia.

11. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

12. No Novation etc. Except as otherwise expressly provided in this Amendment, nothing herein shall be deemed to amend or modify any provision of the Credit Agreement or any of the other Loan Documents, each of which shall remain in full force and effect. This Amendment is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction, and the Credit Agreement as herein modified shall continue in full force and effect.

13. Counterparts: Telecopied Signatures. This Amendment may be executed in any number of counterparts and by different parties to this Amendment on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

14. Further Assurances. Each Borrower agrees to take such further actions as Agent shall reasonably request from time to time in connection herewith to evidence or give effect to the amendments set forth herein or any of the transactions contemplated hereby.

15. Section Titles. Section titles and references used in this Amendment shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreements among the parties hereto.

16. Release of Claims. To induce Agent and Lenders to enter into this Amendment, each Borrower hereby releases, acquits and forever discharges Agent and Lenders, and all officers, directors, agents, employees, successors and assigns of Agent and Lenders, from any and all liabilities, claims, demands, actions or causes of action of any kind or nature (if there be any), whether absolute or contingent, disputed or undisputed, at law or in equity, or known or unknown, that such Borrower now has or ever had against Agent or any Lender arising under or in connection with any of the Loan Documents or otherwise. Each Borrower represents and warrants to Agent and Lenders that such Borrower has not transferred or assigned to any Person any claim that such Borrower ever had or claimed to have against Agent or any Lender.

17. Waiver of Jury Trial. To the fullest extent permitted by applicable law, the parties hereto each hereby waives the right to trial by jury in any action, suit, counterclaim or proceeding arising out of or related to this Amendment.

[Remainder of page intentionally left blank; signatures appear on following pages.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed under seal and delivered by their respective duly authorized officers on the date first written above.

BORROWERS:

DELTA APPAREL INC.

By: /s/ Nancy Bubanich
Name: Nancy Bubanich
Title: Chief Accounting Officer

M.J. SOFFE, LLC

By: /s/ Nancy Bubanich
Name: Nancy Bubanich
Title: Chief Accounting Officer

CULVER CITY CLOTHING COMPANY

By: /s/ Nancy Bubanich
Name: Nancy Bubanich
Title: Chief Accounting Officer

SALT LIFE, LLC

By: /s/ Nancy Bubanich
Name: Nancy Bubanich
Title: Chief Accounting Officer

DTG2GO, LLC

By: /s/ Nancy Bubanich
Name: Nancy Bubanich
Title: Chief Accounting Officer

[Signatures continue on the following page.]

AGENT:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Christopher M. Waterstreet
Name: Christopher M. Waterstreet
Title: Vice President

LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Christopher M. Waterstreet
Name: Christopher M. Waterstreet
Title: Vice President

[Signatures continue on the following page.]

REGIONS BANK:

By: /s/ Scott Martin
Name: Scott Martin
Title: Managing Director

PNC BANK, NATIONAL ASSOCIATION:

By: /s/ Doug Meckelburg
Name: Doug Meckelburg
Title:

**NINTH AMENDMENT
TO
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT**

THIS NINTH AMENDMENT TO FIFTH AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is made and entered into on February 3, 2023, by and among DELTA APPAREL, INC., a Georgia corporation ("Delta"), M. J. SOFFE, LLC, a North Carolina limited liability company ("Soffe"), CULVER CITY CLOTHING COMPANY, a Georgia corporation ("Culver City"), SALT LIFE, LLC, a Georgia limited liability company ("Salt Life"), DTG2GO, LLC, a Georgia limited liability company ("DTG2GO"); Delta, Soffe, Culver City, Salt Life, and DTG2GO, each individually, a "Borrower" and, collectively, "Borrowers"; the parties to the Credit Agreement (as defined below) from time to time as Lenders (each individually, a "Lender" and collectively, "Lenders"); and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association ("Wells Fargo"), in its capacity as agent for Lenders (together with its successors in such capacity, "Agent").

Recitals:

Borrowers, Agent and Lenders are parties to a certain Fifth Amended and Restated Credit Agreement dated as of May 10, 2016 (as at any time amended, restated, modified or supplemented, the "Credit Agreement"), pursuant to which Agent and Lenders have made certain loans and other financial accommodations available to Borrowers.

The parties desire to amend the Credit Agreement as hereinafter set forth.

NOW, THEREFORE, for TEN DOLLARS (\$10.00) in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby severally acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. **Definitions.** All capitalized terms used in this Amendment, unless otherwise defined herein, shall have the meaning ascribed to such terms in the Credit Agreement.

2. **Amendments to Credit Agreement.**

(a) **Certain Definitions.** Schedule 1.1 of the Credit Agreement is hereby amended to add, in addition to and not in limitation thereof, the following new definitions in the appropriate alphabetical order:

"Accommodation Period" means the period commencing upon the Ninth Amendment Date through and including the date upon which Agent has received from Borrowers, (a) a Borrowing Base Certificate as of the month ending September 30, 2023, evidencing that the Availability of Borrowers, as of the date of receipt of such Borrowing Base Certificate, is equal to or more than the greater of (i) seventeen and one-half percent (17.50%) of the lesser of (A) the Borrowing Base or (B) the Maximum Revolver Amount and (ii) \$25,000,000 or (b) a written request by Borrowers to Agent, at any time after receipt of such Borrowing Base Certificate, to terminate the Accommodation Period together with evidence that, as of the date of such written request, the Average Availability of Borrowers for the consecutive thirty (30) day period ending on such date of determination is more than the greater of such amounts specified in the foregoing clause (a). For purposes of this definition, Availability and Average Availability will be calculated without giving effect to the Availability Block.

"Availability Block" means, (a) on and after the Ninth Amendment Date through (and including) April 1, 2023, \$7,500,000, (b) on and after April 2, 2023 through (and including) June 4, 2023, \$9,000,000, (c) on and after June 5, 2023 through the date of (i) receipt by Agent of a Borrowing Base Certificate as of the month ending September 30, 2023, evidencing that the Availability (calculated for this purpose, without giving effect to the Availability Block) of Borrowers, as of the date of receipt of such Borrowing Base Certificate, is equal to or more than the greater of (A) seventeen and one-half percent (17.50%) of the lesser of (1) the Borrowing Base or (2) the Maximum Revolver Amount and (B) \$25,000,000, \$10,000,000 or (ii) a written request by Borrowers to Agent, at any time after receipt of such Borrowing Base Certificate, to reduce the Availability Block, together with evidence that, as of the date of such written request, the Average Availability of Borrowers for the consecutive thirty (30) day period ending on such date of determination is more than the greater of such amounts specified in the foregoing clause (c) and (d) at all times thereafter, \$0.

"Increased Interest Period" means on the first day of the Accommodation Period through and including the date after expiration of the Accommodation Period and upon which Borrowers have provided evidence, in form and substance acceptable to Agent, that as of the last day of any two (2) consecutive quarters, Borrowers have maintained a Fixed Charge Coverage Ratio greater than 1.00 to 1.00, in each case, for the trailing three (3) month period then ended.

"Ninth Amendment Date" means February 3, 2023.

"Ninth Amendment Fee Letter" means that certain fee letter, dated as of the Ninth Amendment Date, among Borrowers and Agent, in form and substance reasonably satisfactory to Agent.

"Non-Amortizing Period" means, with respect to the Borrowing Base, the period commencing on February 1, 2023 through and including July 31, 2023.

"Restricted Payment Accommodation Period" means the period commencing upon the Ninth Amendment Date through and including the date upon which Agent has received from Borrowers (a) a Borrowing Base Certificate as of the month ending September 30, 2023, evidencing that the Availability of Borrowers, as of the date of receipt of such Borrowing Base Certificate, is equal to or more than the greater of (i) twenty percent (20%) of the lesser of (A) the Borrowing Base or (B) the Maximum Revolver Amount and (ii) \$30,000,000 or (b) a written request by Borrowers to Agent, at any time after receipt of such Borrowing Base Certificate, to terminate the Restricted Payment Accommodation Period together with evidence that, as of the date of such written request, the Average Availability of Borrowers for the consecutive thirty (30) day period ending on such date of determination is more than the greater of such amounts specified in the foregoing clause (a). For purposes of this definition, Availability and Average Availability will be calculated without giving effect to the Availability Block.

thereof: (b) Restricted Payments. Section 6.7(c) of the Credit Agreement is amended to add the following new sentence at the end
 “Notwithstanding the foregoing or anything to the contrary contained herein, in no event shall any Restricted Payments be made during the Restricted Payment Accommodation Period.”

follows: (c) Fixed Charge Coverage Ratio. Section 7(a) of the Credit Agreement is hereby amended and restated in its entirety to read as

“(a) Fixed Charge Coverage Ratio. Commencing on the date on which a Financial Covenant Period begins and measured as of the end of the fiscal month immediately preceding the date on which a Financial Covenant Period first begins for which financial statements have been received by Agent in accordance with this Agreement (or, in the event such Financial Covenant Period is due to a Financial Covenant Trigger under clause (c) of the definition thereof, as of September 30, 2023) and as of each fiscal month end thereafter during such Financial Covenant Period, have a Fixed Charge Coverage Ratio, measured on a fiscal month-end basis, tested for the twelve fiscal (12) month period ending on such date, of not less than 1.00 to 1.00; ~~provided, that~~, the Fixed Charge Coverage Ratio hereunder shall not be tested prior to the month ending September 30, 2023; ~~provided, further, that~~, regardless of whether a Financial Covenant Period is in effect, Borrowers shall continue to submit, concurrently with the delivery of each Compliance Certificate required to be delivered hereunder, calculations with respect to such Fixed Charge Coverage Ratio.”

as follows: (d) EBITDA Performance to Plan. Section 7(b) of the Credit Agreement is hereby amended and restated in its entirety to read

“(b) EBITDA Performance to Plan. Commencing with the fiscal month ending March 4, 2023, and as of the last day of each month during the Accommodation Period, maintain EBITDA initially tested for the trailing one (1) month period then ended and thereafter building, by month, to a trailing three (3) month period of not less than the amount set forth below adjacent to such fiscal month end for such corresponding period then ended.

<u>Fiscal Month Ending</u>	<u>EBITDA</u>
March 4, 2023	\$1,326,000
April 1, 2023	\$3,757,000
May 6, 2023	\$5,250,000
June 3, 2023	\$4,449,000
July 1, 2023	\$3,128,000
August 5, 2023	\$3,049,000
September 2, 2023	\$4,907,000
September 30, 2023	\$7,521,000”

(e) Applicable Margin. The definition of Applicable Margin set forth in Schedule 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Applicable Margin” means, as of any date of determination and with respect to Base Rate Loans or SOFR Loans, as applicable, the applicable margin set forth in the following table that corresponds to the Alternate Average Excess Availability of Borrowers for the most recently completed fiscal quarter; provided, that for the period from the Seventh Amendment Date through and including June 30, 2022, the Applicable Margin shall be set at the margin in the row styled “Level II”; provided further, that any time an Event of Default has occurred and is continuing, the Applicable Margin shall be set at the margin in the row styled “Level III”:

Level	Alternate Average Excess Availability	Applicable Margin Relative to Base Rate Loans (the "Base Rate Margin")	Applicable Margin Relative to SOFR Loans (the "SOFR Margin")
I	≥ 66.67% of the Revolver Commitments	0.50% (or, during the Increased Interest Period, 1.00%)	1.50% (or, during the Increased Interest Period, 2.00%)
II	< 66.67% of the Revolver Commitments and ≥ 33% of the Revolver Commitments	0.75% (or, during the Increased Interest Period, 1.25%)	1.75% (or, during the Increased Interest Period, 2.25%)
III	< 33.33% of Revolver Commitments	1.00% (or, during the Increased Interest Period, 1.50%)	2.00% (or, during the Increased Interest Period, 2.50%)

The Applicable Margin shall be re-determined as of the first day of each fiscal quarter of Borrowers."

(f) **Borrowing Base.** The definition of Borrowing Base set forth in Schedule 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"**Borrowing Base**" means, as of any date of determination, the result of:

- (a) 85% of the amount of Eligible Accounts, less the amount, if any, of the Dilution Reserve, *plus*
- (b) the lesser of:
 - (i) \$102,000,000, or
 - (ii) the lesser of (A) sixty percent (60%) of the Value of Eligible Finished Goods Inventory, Eligible Raw Material Inventory, and Eligible In-Transit Inventory; or (B) eighty-five percent (85%) of the Net Orderly Liquidation Value of such Eligible Inventory, *plus*
- (c) seventy percent (70%) of the appraised fair market value (based on the most recent appraisal completed prior to the Seventh Amendment Date that is in form, contains assumptions and utilizes methods acceptable to Agent and that is performed by an appraiser acceptable to Agent) of Eligible Real Property of Borrowers, which amount shall be reduced on the first day of each fiscal month, by an amount equal to \$118,416.67; provided, that, no such reduction shall occur during the Non-Amortizing Period; plus
- (d) eighty-five percent (85%) multiplied by the Net Orderly Liquidation Value (based on the most recent appraisal completed prior to the Fourth Amendment Date that is in form, contains assumptions and utilizes methods acceptable to Agent and that is performed by an appraiser acceptable to Agent) of the Eligible Equipment of Borrowers, which amount shall be reduced on the first day of each fiscal month (excluding Borrowers' fiscal months ending each of May 2, 2020, May 30, 2020, June 27, 2020, August 1, 2020, August 29, 2020, October 3, 2020, November 7, 2020, January 2, 2021, February 6, 2021, March 6, 2021 and April 3, 2021), by an amount equal to \$37,632.74; provided, that, no such reduction shall occur during the Non-Amortizing Period; *plus*
- (e) the lesser of:
 - (i) twenty-five percent (25%) of the appraised fair market value (based on the most recent appraisal completed prior to the Fourth Amendment Date that is in form, contains assumptions and utilizes methods acceptable to Agent and that is performed by an appraiser acceptable to Agent) of the Eligible Intellectual Property of Borrowers, which amount shall be reduced on the first day of each fiscal month, by an amount equal to \$129,008.33; provided, that, no reduction shall occur during the Non-Amortizing Period; or
 - (ii) twenty-five percent (25%) of the appraised fair market value (based on the first appraisal completed after the Seventh Amendment Date that is in form, contains assumptions and utilizes methods acceptable to Agent and that is performed by an appraiser acceptable to Agent) of the Eligible Intellectual Property of Borrowers, which amount shall be reduced on the first day of each fiscal month, commencing on the first day of the first fiscal month beginning after Agent receives such appraisal by an amount equal to one-sixtieth of twenty-five percent (25%) of the appraised fair market value (based on such appraisal) of the Eligible Intellectual Property of Borrowers; provided, that, no reduction shall occur during the Non-Amortizing Period; *plus*
- (f) the FILO Formula Amount; *minus*
- (g) the aggregate amount of Receivable Reserves, Inventory Reserves, Bank Product Reserves, and other Reserves, if any, established by Agent under Section 2.1(c) of the Agreement, *minus*
- (h) the Availability Block.

Notwithstanding anything to the contrary contained herein, (A) the portion of the Borrowing Base on any date calculated with reference to Eligible Real Property, Eligible Intellectual Property and Eligible Equipment collectively, shall not exceed (i) at any time prior to the first day of the fiscal month immediately following the Seventh Amendment Date, twenty percent (20%) of the Maximum Revolver Amount and (ii) at any time on and after the first day of the fiscal month immediately following the Seventh Amendment Date, twenty-five percent (25%) of the Maximum Revolver

Amount, (B) the portion of the Borrowing Base on any date calculated with reference to Eligible In-Transit Inventory, shall not exceed \$6,000,000 at any time, and (C) the aggregate amount of Adjusted Revolver Usage based on Eligible Inventory consisting of yarn classified as work-in-process outstanding at any time shall not exceed \$2,500,000 at any time.”

(g) Cash Dominion Trigger Event. The definition of Cash Dominion Trigger Event set forth in Schedule 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Cash Dominion Trigger Event” means (a) during the Accommodation Period, (i) upon notice thereof from Agent to Borrower at the Agent’s sole discretion if Availability (calculated for this purpose, after giving effect to the Availability Block) of Borrowers is, at any time, less than \$2,000,000 or (ii) the occurrence of an Event of Default and (b) at all other times, (i) the occurrence of an Event of Default, or (ii) Agent’s reasonable determination that Availability (without giving effect to the FILO Formula Amount) is less than an amount equal to twelve and one-half percent (12.5%) of the lesser of (1) the Borrowing Base and (2) the Revolving Commitments.”

(h) FILO. The definition of FILO Maximum Amount set forth in Schedule 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“FILO Maximum Amount” means (a) on and after the Ninth Amendment Date through (and including) July 31, 2023, \$3,000,000, (b) on and after August 1, 2023, through (and including) October 31, 2023, \$2,750,000, (c) on and after November 1, 2023, through (and including) January 31, 2024, \$2,500,000, (d) on and after February 1, 2024 through (and including) April 30, 2024, \$2,250,000, (e) on and after May 1, 2024, through (and including) July 31, 2024, \$2,000,000, (f) on and after August 1, 2024 through (and including) October 31, 2024, \$1,750,000, (g) on and after November 1, 2024, through (and including) January 31, 2025, \$1,500,000, (h) on and after February 1, 2025, through (and including) April 30, 2025, \$1,250,000, (i) on and after May 1, 2025, through (and including) July 31, 2025, \$1,000,000, (j) on and after August 1, 2025, through (and including) October 31, 2025, \$750,000, (k) on and after November 1, 2025, through (and including) January 31, 2026, \$500,000, (l) on and after February 1, 2026, through (and including) April 30, 2026, \$250,000, and (m) at all times on and after May 1, 2026, \$0.”

(i) Financial Covenant Period. The definition of Financial Covenant Period set forth in Schedule 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Financial Covenant Period” means a period which shall commence on any date on which a Financial Covenant Trigger Event has occurred and shall continue until the date on which Agent has determined that no Financial Covenant Trigger Event exists or has existed for a period of sixty (60) consecutive days; provided, that, if a Financial Covenant Trigger Event occurs under clause (c) of the definition thereof, the Financial Covenant Period shall continue until the date thereafter on which Agent receives from Borrowers a written request to terminate the Financial Covenant Period together with evidence that, as of the date of such written request, the Average Availability of Borrowers for the consecutive thirty (30) day period ending on such date of determination is more than the greater of (a) seventeen and one-half percent (17.50%) of the lesser of (i) the Borrowing Base or (ii) the Maximum Revolver Amount and (b) \$25,000,000. For purposes of this definition, Average Availability will be calculated without giving effect to the Availability Block.”

(j) Financial Covenant Trigger Event. The definition of Financial Covenant Trigger Event set forth in Schedule 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Financial Covenant Trigger Event” means (a) any date on which Alternate Excess Availability (without giving effect, at any time, to the FILO Formula Amount) is less than 12.5% of the lesser of the Borrowing Base or the Maximum Revolver Amount, (b) any date on which an Event of Default has occurred or (c) September 30, 2023 but only if the Availability of Borrowers, as of the date on which Agent receives (and based on) the Borrowing Base Certificate for September 30, 2023, does not exceed the greater of (i) seventeen and one-half percent (17.50%) of the lesser of (A) the Borrowing Base or (B) the Maximum Revolver Amount and (ii) \$25,000,000. For purposes of this definition Availability will be calculated without giving effect to the Availability Block.”

(k) Collateral Reporting (Monthly). Clause (a) of the first row of Schedule 5.2 to the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“(a) [reserved].”

(l) Collateral Reporting (Weekly). The third row of Schedule 5.2 to the Credit Agreement is hereby deleted in its entirety and replaced with the third row as set forth on Exhibit A attached hereto.

3. **3. Ratification and Reaffirmation.** Each Borrower hereby ratifies and reaffirms the Obligations, each of the Loan Documents and all of such Borrower’s covenants, duties, indebtedness and liabilities under the Loan Documents.

4. **4. Acknowledgments and Stipulations.** Each Borrower acknowledges and stipulates that the Credit Agreement and the other Loan Documents executed by such Borrower are legal, valid and binding obligations of such Borrower that are enforceable against such Borrower in accordance with the terms thereof; all of the Obligations are owing and payable without defense, offset or counterclaim (and to the extent there exists any such defense, offset or counterclaim on the date hereof, the same is hereby waived by such Borrower); the security interests and Liens granted by such Borrower in favor of Agent are duly perfected, first priority security interests and Liens; and, as of the opening of business on February 3, 2023, the unpaid principal amount of the Revolver Loans totaled \$149,693,285.22, and the undrawn face

amount of all Letters of Credit totaled \$425,000

5. **5. Representations and Warranties.** Each Borrower represents and warrants to Agent and Lenders, to induce Agent and Lenders to enter into this Amendment, that no Default or Event of Default exists on the date hereof; the execution, delivery and performance of this Amendment have been duly authorized by all requisite corporate action on the part of such Borrower and this Amendment has been duly executed and delivered by such Borrower; and all of the representations and warranties made by such Borrower in the Credit Agreement are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, as though made on and as of the date hereof (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true

and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date).

6. **Reference to Credit Agreement.** Upon the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement,” “hereunder,” or words of like import shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

7. **Breach of Amendment.** This Amendment shall be part of the Credit Agreement and a breach of any representation, warranty or covenant herein shall constitute an Event of Default.

8. **Conditions Precedent.** The effectiveness of the amendments contained in Section 2 hereof are subject to the satisfaction of each of the following conditions precedent, in form and substance satisfactory to Agent, unless satisfaction thereof is specifically waived in writing by Agent:

(a) Agent's receipt of duly executed counterparts of this Amendment, the Ninth Amendment Fee Letter, and all instruments and documents to be entered into in connection herewith from the applicable Borrowers and Lenders;

(b) Agent's receipt of all fees and expenses due and owing under the Ninth Amendment Fee Letter;

(c) no Default or Event of Default shall exist both before and after giving pro forma effect to this Amendment;

(d) the representations and warranties of each Borrower or its Subsidiaries contained in the Credit Agreement or in the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date of such extension of credit, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date); and

9. **Post-Closing Covenant.** Borrowers agree that they shall permit (or, cause to be permitted), within ninety (90) days from the Ninth Amendment Date, the engagement and the scheduling of an appraisal of the Collateral in accordance with the terms and conditions of the Credit Agreement.

10. **Expenses of Agent.** Borrowers agree to pay, **on demand**, all costs and expenses incurred by Agent in connection with the preparation, negotiation and execution of this Amendment and any other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the costs and fees of Agent's legal counsel and any taxes or expenses associated with or incurred in connection with any instrument or agreement referred to herein or contemplated hereby.

11. **Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

12. **No Novation, etc.** Except as otherwise expressly provided in this Amendment, nothing herein shall be deemed to amend or modify any provision of the Credit Agreement or any of the other Loan Documents, each of which shall remain in full force and effect. This Amendment is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction, and the Credit Agreement as herein modified shall continue in full force and effect.

13. **Counterparts; Telecopied Signatures.** This Amendment may be executed in any number of counterparts and by different parties to this Amendment on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

14. **Further Assurances.** Each Borrower agrees to take such further actions as Agent shall reasonably request from time to time in connection herewith to evidence or give effect to the amendments set forth herein or any of the transactions contemplated hereby.

15. **Section Titles.** Section titles and references used in this Amendment shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreements among the parties hereto.

16. **Release of Claims.** To induce Agent and Lenders to enter into this Amendment, each Borrower hereby releases, acquits and forever discharges Agent and Lenders, and all officers, directors, agents, employees, successors and assigns of Agent and Lenders, from any and all liabilities, claims, demands, actions or causes of action of any kind or nature (if there be any), whether absolute or contingent, disputed or undisputed, at law or in equity, or known or unknown, that such Borrower now has or ever had against Agent or any Lender arising under or in connection with any of the Loan Documents or otherwise. Each Borrower represents and warrants to Agent and Lenders that such Borrower has not transferred or assigned to any Person any claim that such Borrower ever had or claimed to have against Agent or any Lender.

17. **Waiver of Jury Trial.** To the fullest extent permitted by applicable law, the parties hereto each hereby waives the right to trial by jury in any action, suit, counterclaim or proceeding arising out of or related to this Amendment.

[Remainder of page intentionally left blank; signatures appear on following pages.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed under seal and delivered by their respective duly authorized officers on the date first written above.

BORROWERS:

DELTA APPAREL, INC.

By: /s/ Nancy P. Bubanich
Name: **Nancy P. Bubanich**
Title: Chief Accounting Officer

M.J. SOFFE, LLC

By: /s/ Nancy P. Bubanich
Name: **Nancy P. Bubanich**
Title: Chief Accounting Officer

CULVER CITY CLOTHING COMPANY

By: /s/ Nancy P. Bubanich
Name: **Nancy P. Bubanich**
Title: Chief Accounting Officer

SALT LIFE, LLC

By: /s/ Nancy P. Bubanich
Name: **Nancy P. Bubanich**
Title: Chief Accounting Officer

DTG2GO, LLC

By: /s/ Nancy P. Bubanich
Name: **Nancy P. Bubanich**
Title: Chief Accounting Officer

[Signatures continue on the following page.]

AGENT:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Christopher Waterstreet
Name: **Christopher Waterstreet**
Title: Vice President

LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Christopher Waterstreet
Name: **Christopher Waterstreet**
Title: Vice President

[Signatures continue on the following page.]

REGIONS BANK

By: /s/ Scott Martin

Name: Scott Martin

Title: Managing Director

[Signatures continue on the following page.]

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Doug Meckelnburg
Name: Doug Meckelnburg
Title: Vice President

Exhibit A
To
Ninth Amendment
To
Fifth Amended and Restated Credit Agreement

Weekly (no later than Wednesday of each week)	<p>(a) an executed Borrowing Base Certificate, provided that, upon the date which Agent receives a Borrowing Base Certificate as of the month ending September 30, 2023, evidencing that the Availability (calculated for this purpose without giving effect to the Availability Block) of Borrowers, as of the date of receipt of such Borrowing Base Certificate, is equal to or more than the greater of (i) an amount equal to seventeen and one-half percent (17.5%) of the lesser of (A) the Borrowing Base or (B) Maximum Revolver Amount and (ii) \$25,000,000 or upon the date which Agent receives a written request by Borrowers to Agent, at any time after receipt of such Borrowing Base Certificate, to provide collateral report on monthly basis together with evidence that, as of the date of such written request, the Average Availability of Borrowers for the consecutive thirty (30) day period ending on such date of determination is more than the greater of such amounts specified in the foregoing clause (a). Borrowers shall deliver to Agent such calculations of the Borrowing Base and certification on a monthly basis (no later than the 20th day of each month) (the "<u>Decreased Reporting Event</u>"); provided, further, that if Availability at any time after the Decreased Reporting Event is less than an amount equal to the greater of (y) seventeen and one-half percent (17.5%) of the lesser of (1) the Borrowing Base or (2) Maximum Revolver Amount and (z) \$25,000,000, in Agent's discretion and at Agent's request, Borrowers shall deliver to Agent such calculations of the Borrowing Base and certification on a weekly basis until such time that Availability is greater than such amount, at which time the delivery requirements shall revert to a monthly basis,</p> <p>(b) a detailed aging, by total, of Borrowers' Accounts, together with a reconciliation and supporting documentation for any reconciling items noted (delivered electronically in an acceptable format, if Borrowers have implemented electronic reporting),</p> <p>(c) a weekly Account roll-forward, in a format acceptable to Agent in its discretion, tied to the beginning and ending account receivable balances of Borrowers' general ledger, and</p> <p>(d) a detailed calculation of those Accounts that are not eligible for the Borrowing Base, if Borrowers have not implemented electronic reporting.</p>
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Via E-Mail (rshanlever@hgrslaw.com)
Simone C. Walsh c/o Rebecca Shanlever
HALL, GILLIGAN, ROBERTS & SHANLEVER LLP

SEPARATION AGREEMENT

Dear Simone:

This Separation Agreement (the "Agreement") confirms various matters concerning your separation from employment so that no misunderstanding exists between you and the Company. Acceptance by you of the separation benefits detailed below requires your acceptance of all of the terms and conditions within this Agreement.

Your employment with Delta Apparel, Inc. ("Company") ended as of December 1, 2022 (the "Separation Date"). The Company will pay you your regular base wages earned through the Separation Date. Regular benefit contributions and taxes are deducted from these payments. Benefit information and information concerning your legal rights under such matters as COBRA will, as applicable, be provided to you separately. This Agreement will not affect your existing rights in your 401(k) account. However, the Company will not be required or obligated to make any contributions to your 401(k) account after the Separation Date.

I. Separation Benefits

The following separation benefits are being offered to you as an accommodation by the Company and are subject to receipt by the Company of a signed copy of this Agreement, which includes a Release of Claims (the "Release") and your agreement to reasonably and timely respond to the Company after today, upon the Company's request and for a period of six months, regarding any questions related to matters in which you were involved while an employee of the Company. In exchange for the Release contained in this Agreement and your compliance with the foregoing response obligations, the Company will provide you with separation benefits as follows:

1. Voluntarily Resignation from Employment. You have voluntarily resigned from your employment with the Company as of the Separation Date and as provided in the attached written notice of voluntary resignation, and the Company has waived the advance notice requirement provided in Section 4(d) of the November 30, 2021 Employment Agreement between you and the Company ("Employment Agreement"). You acknowledge and agree that you have voluntarily resigned from your employment with the Company on your own terms, that your resignation was not (and should not be construed as) a constructive discharge, that you were not coerced into resigning from your employment, and that your resignation is final and irrevocable on your part. You further agree and acknowledge that, during your employment, you did not report any discriminatory, harassing, retaliatory, or similarly inappropriate conduct or treatment in connection with your employment with the Company (including, but not limited to, in connection with your separation or the events leading to your separation) that has been based on or connected to any protected characteristic (including, but not limited to, race, color, religion, national origin, sex, age, disability, or any other characteristic protected by applicable law). Moreover, you agree and acknowledge that, during your employment, you did not experience any discriminatory, harassing, retaliatory, or similarly inappropriate conduct or treatment in connection with your employment with the Company (including, but not limited to, in connection with your separation or the events leading to your separation) that has been based on or connected to your age.
2. Monetary Separation Benefits. The Company will provide you with monetary separation benefits in the amount of Thirty Thousand Two Hundred Fifty and 00/100 Dollars (\$30,250). These monetary separation benefits will be paid in accordance with the Company's regular payroll cycle and all applicable taxes and deductions will be withheld.
3. Unemployment Compensation. The Company will not contest an unemployment compensation claim that you file or may file with the appropriate state unemployment agency relating to your separation from the Company.
4. Equity Compensation. Subject to the terms of the Delta Apparel, Inc. 2020 Stock Plan and the Restricted Stock Unit Award Agreement entered into between you and the Company effective December 15, 2021 (dated November 30, 2021) governing an award of five thousand (5,000) restricted stock units eligible to vest in connection with the Company's fiscal year ended October 1, 2022 ("Equity Award Agreement 1"), including but not limited to the employment and income tax withholding obligations therein, the Company will electronically deliver to you such shares, net of any shares deducted for tax withholding purposes, as soon as practical following the expiration of the revocation period referenced below.

II. Release of Claims & Agreement to Cooperate

In exchange for the above-referenced separation benefits, you, for yourself and your heirs, executors, administrators, legal representatives, successors and assigns, agree to and do hereby release, and forever discharge the Company, its subsidiaries, affiliates and related companies, as well as their respective directors, officers, employees, agents, predecessors, parent companies, subsidiaries, assigns, successors, affiliated entities, employee benefits plans, shareholders, and any other entities or individuals (collectively "Released Parties") with respect to any and all claims (which term is defined as including, but is not limited to, causes of action, suits, debts, sums of money, agreements, promises, damages, costs, losses, expenses and demands whatsoever, at law or in equity, or before any federal, state or local administrative agency, whether known or unknown, whether accrued or unaccrued, whether contingent or certain) which you now have, or any claims whatsoever which may hereafter arise or accrue on account of the events, circumstances or occurrences related to your employment with the Company and/or its parent companies, affiliates or subsidiaries up to and including the date that you sign this Agreement, or the termination of the employment relationship between you and the Company and/or its parent companies, affiliates or subsidiaries, including, without limitation, any claims for or under: (1) breach of contract, express or implied (including breach of the Employment Agreement, Equity Award Agreement 1, the Restricted Stock Unit and Performance Unit Award Agreement entered into between you and the Company effective December 15, 2021 (dated November 30, 2021) governing an award of five thousand (5,000) restricted stock units and five thousand (5,000) performance units eligible to vest in connection with the Company's fiscal year ending September 30, 2023, and/or the achievement of certain performance measures in connection therewith ("Equity Award Agreement 2"), and the Restricted Stock Unit Award Agreement entered into between you and the Company effective December 15, 2021 (dated November 30, 2021) governing an award of thirteen thousand (13,000) restricted stock units eligible to vest in connection with the Company's fiscal year ending September 28, 2024 ("Equity Award Agreement 3")); (2) Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, as well as any state employment discrimination laws; (3) the Americans with Disabilities Act of 1990 and any amendments thereto, including the ADA Amendments Act of 2008; (4) the Employee Retirement Income Security Act; (5) the False Claims Act (including the qui tam provision thereof); (6) the Occupational Safety and Health Act; (7) the Family and Medical Leave Act of 1993 or any similar leave law in Georgia or any other state; (8) intentional or negligent infliction of emotional distress or "outrage"; (9) defamation, libel or slander; (10) interference with employment and/or contractual relations or prospective business advantage; (11) wrongful or retaliatory discharge or wrongful termination in violation of public policy; (12) invasion of privacy; (13) breach of the implied covenant of good faith and fair dealing; (14) fraud; (15) Section 1981 of the Civil Rights Act of 1866, as amended; (16) Executive Orders 11246, 13496 and 11141; (17) the Equal Pay Act of 1963 or any amendments thereto; (18) the Consolidated Omnibus Budget Reconciliation Act of 1985; (19) the Rehabilitation Act of 1973; (20) the Sarbanes-Oxley Corporate Reform Act of 2002; (21) the Health Insurance Portability and Accountability Act of 1996; (22) the Lilly Ledbetter Fair Pay Act of 2009; (23) the Fair Credit Reporting Act; (24) claims arising under the United States and/or the constitutions of Georgia or any other state; (25) claims for wages and overtime pay, equity compensation, commissions, bonuses, or vacation pay under Georgia's wage payment, labor or similar laws, regulations and wage orders as well as any similar laws, regulations or wage orders in any other state; (26) any claims arising under any other federal, state or local law, statute, regulation, ordinance, treaty or law of any other type, or any other cause of action or theory of recovery arising by virtue of your employment relationship and/or affiliation with the Company or any public policy, tort or common law or any express or implied

contracts; (27) any claims for present or future effects of past events or actions; (28) any common law claims or claims founded in tort for negligence, negligent hiring, negligent training or negligent supervision, promissory estoppel, detrimental reliance, quantum meruit, unjust enrichment, breach of contract (oral, written or implied), or any other equitable basis or action; (29) claims that the Company treated or dealt with you unfairly; (30) the Age Discrimination in Employment Act of 1967 (29 U.S.C. 626) ("ADEA"); (31) the Delta Apparel, Inc. 2020 Stock Plan; and/or (32) the Delta Apparel, Inc. Short-Term Incentive Compensation Plan.

In connection with the foregoing, you acknowledge and agree that:

1. The Company has paid you all amounts due under the Employment Agreement other than your regular base wages earned through the Separation Date and any valid, reimbursable business expenses properly submitted by you for reimbursement pursuant to the Company's established policies and programs.
2. Your separation from employment with the Company is not a result of the Company's breach, material or otherwise, of any provision of the Employment Agreement.
3. You are not entitled to any of the post-termination benefits set forth in Section 2(c), 5 or Section 6 of the Employment Agreement.
4. Other than the above-referenced five thousand (5,000) restricted stock units awarded pursuant to Equity Award Agreement 1 and payable in shares of Delta Apparel, Inc. common stock in accordance with Equity Award Agreement 1 and Paragraph 4 of Section 1 Separation Benefits in exchange for the Release contained in this Agreement and your compliance with the foregoing response obligations, you are not entitled to any payment, share award or delivery, or other benefit or amount pursuant to Equity Award Agreement 1, Equity Award Agreement 2, Equity Award Agreement 3, the Delta Apparel, Inc. 2020 Stock Plan, the Delta Apparel, Inc. Short-Term Incentive Compensation Plan, or the Employment Agreement, including but not limited to Section 2(c) of the Employment Agreement.

Waiver of Rights or Claims under the ADEA

You specifically acknowledge that your waiver and release include, but are not limited to, claims under the ADEA. Specifically, you recognize and acknowledge that your waiver and release of rights and claims under the ADEA shall be considered knowing and voluntary due to the following: (i) your waiver and release of rights and claims under the ADEA is part of this written Release and Agreement between you, as employee, and the Company, as employer, and has been written in a manner which you understand; (ii) your waiver and release of rights and claims under the ADEA specifically includes any claims which could have been brought under the ADEA; (iii) you are not waiving or releasing any rights or claims under the ADEA that may arise after the date this Agreement is signed; (iv) you are waiving and releasing rights or claims under the ADEA only in exchange for the above-referenced separation benefits; (v) you have been advised in writing to consult with an attorney prior to agreeing to waive and release rights and claims under the ADEA; (vi) you hereby waive, on the advice of counsel, your right to have 21 days to consider agreeing to waive and release rights and claims under the ADEA; (vii) you shall have 7 days following the signing of this Agreement to revoke your waiver and release of rights and claims under the ADEA, and your waiver and release of rights and claims under the ADEA shall not become effective or enforceable until such revocation period has expired; and (viii) you understand that your revocation of your waiver and release of rights and claims under the ADEA must be in writing and received by the Company's Chief Administrative Officer at 201 W. McBee Avenue, Suite 320, Greenville, South Carolina 29601, within 7 days after your execution of this Agreement.

You acknowledge that this Agreement does not encompass the following: (i) any rights or claims that may arise after you sign this Agreement; (ii) any rights or claims that arise under any state's workers' compensation laws; (iii) any rights or claims prohibited by applicable law from being included in this Agreement; (iv) any rights or claims to enforce or to challenge the validity of this Agreement; and (v) any rights or claims to participate in any proceedings before an administrative agency responsible for enforcing labor and/or employment laws, e.g., the Equal Employment Opportunity Commission; you agree, however, to waive and release any right to receive any monetary award for any charge or action against the Released Parties from any proceedings before an administrative agency responsible for enforcing labor and/or employment laws. You further acknowledge that nothing in this Agreement (including the confidentiality and non-disparagement provisions) shall be construed to limit your right to participate in administrative proceedings, to provide information to an agency responsible for enforcing unemployment compensation laws, or to file an action to enforce or to challenge the validity of this Agreement.

III. Other Matters

You represent and agree that you have been paid and have received all paid or unpaid leave, compensation, wages, overtime, paid time off (excluding unused paid time off, vacation or sick pay, to which you are not entitled), bonuses, benefits and/or expense reimbursements to which you may be entitled and that no other amounts, except as provided in this Agreement, are due to you. Without waiving any prospective or retrospective rights under the Fair Labor Standards Act, you admit that you have received from the Company all rights and benefits, if any, due or potentially due to you pursuant to the Fair Labor Standards Act or similar Georgia law. You understand and acknowledge that it is the parties' intent to release all claims that can be legally released but no more than that.

You affirm that while you were employed with the Company, you had no known and unreported workplace injuries or occupational diseases and were not denied leave under the Family and Medical Leave Act of 1993 or any similar leave law in any other state.

You represent that you have not filed any civil actions or other suits, arbitration or other claims against the Company or any of the other Released Parties, and agree, to the full extent permitted by law, that you will not file civil actions or suits or arbitration or other claims against Company or any of the other Released Parties with respect to any claims that arose before and up to the date you sign this Agreement or any claim released herein. By signing this Agreement, you acknowledge that you have waived all of the claims described above against the Released Parties and acknowledge that you will not seek or accept any individual remedy or damages from any such party arising from any civil action that arises as of the execution of this Agreement. You agree that the Company or any of the other Released Parties would and will be entitled to summary judgment in any such action based, among other grounds, on this Agreement.

You agree that: (i) should you breach or fail to comply with any part of this Agreement, (ii) exercise your right hereunder to revoke your waiver and release of rights and claims under the ADEA, or (iii) challenge the enforceability of some or all of the language in this Agreement, the above-referenced consideration provided by the Company in Section 1 Separation Benefits consisting of giving you the opportunity to voluntarily resign from your employment with the Company and the Company's waiver of the advance notice requirements in Section 4(d) of the Employment Agreement may be invalidated in the Company's sole discretion. You also agree that should you breach or fail to comply with any part of this Agreement or exercise your right hereunder to revoke your waiver and release of rights and claims under the ADEA, the consideration to which you will be entitled under Paragraph 2 of Section 1 Separation Benefits shall be reduced to Ten Thousand and 00/100 Dollars (\$10,000), and all terms and conditions in this Agreement other than your waiver/release of claims under the ADEA shall remain fully binding and enforceable. Moreover, you agree that if a challenge is made to the enforceability of some or all of the language in this Agreement, and a suit, demand, or claim is brought by you against any Released Party, the Released Party will be entitled to a set-off in the full amount of payments made pursuant to this Agreement in any action brought.

You affirm that you have made the Company aware of each and every fact relating to any alleged wrongdoing or violations of laws, regulations, rules or mandatory standards or requirements by the Company, its affiliates, subsidiaries or related entities or the officers, directors, employees, agents and representatives of any such entities that you can recall at this time, and that you know of no facts whatsoever that relate in any way to any alleged wrongdoings or violations of laws, regulations,

rules or mandatory standards or requirements by the Company, its affiliates, subsidiaries or related entities or the officers, directors, employees, agents and representatives of any such entities, including but not limited to any violations of internal Company policies or procedures or any law or regulation.

You represent and warrant that you have not assigned, transferred or conveyed to any individual or entity any alleged right, claim or cause of action of any kind which is included within this Agreement and/or Release and that you are aware of no lien or other encumbrance on your rights, claims, and causes of action, and that you are entitled to receive from the Company payment of the proceeds due to you under the Agreement.

You agree to reasonably and timely respond to the Company after today, upon the Company's request and for a period of six months, regarding any questions related to matters in which you were involved while an employee of the Company.

You understand that should you violate this Agreement or threaten the same, the Company will be entitled to an injunction restraining you from such violation or threatened violation and will be entitled to recover the costs and attorneys' fees incurred in pursuing an injunction.

You acknowledge that, before signing this Agreement, you were given adequate time to consider this Agreement. You further acknowledge that: (i) you took advantage of that time to consider this Agreement before signing it; (ii) you carefully read this Agreement; (iii) you had the opportunity to consult with an attorney before agreeing to the terms of this Agreement and were hereby advised in writing to do so by the Company; (iv) you were, in fact, advised by counsel on the terms of the Agreement, which your counsel negotiated; (v) you fully understand what this Agreement means; and (vi) you are entering into this Agreement voluntarily, on the advice of counsel.

You affirm, covenant, and warrant that you are not a Medicare beneficiary and are not receiving, have not received in the past, will not have received at the time of payment under this Agreement, are not entitled to, are not eligible for, and have not applied for or sought Social Security Disability or Medicare benefits. If any statement in the preceding sentence is incorrect (for example, but not limited to, if you are a Medicare beneficiary, etc.), the following sentences (i.e., the remaining sentences of this paragraph) apply. You affirm, covenant, and warrant you have made no claim for illness or injury against, nor are you aware of any facts supporting any claim against, the Released Parties under which the Released Parties could be liable for medical expenses incurred by you before or after the execution of this Release. You know of no medical expenses that Medicare has paid and for which the Released Parties are or could be liable now or in the future. You agree and affirm that, to the best of your knowledge, no liens of any governmental entities, including those for Medicare conditional payments, exist. You will indemnify, defend, and hold the Released Parties harmless from Medicare claims, liens, damages, conditional payments, and rights to payment, if any, including attorneys' fees, and you further agree to waive any and all future private causes of action for damages under 42 U.S.C. § 1395y(b)(3)(A), et seq. The Company and you acknowledge and understand that any present or future action or decision by the Centers for Medicare & Medicaid Services or Medicare on this Release, or your eligibility or entitlement to Medicare or Medicare payments, will not render this release void or ineffective, or in any way affect the finality of this Release.

IV. Return of Company Property

You hereby certify that all Company property, such as files, data, keys, manuals, designs, artwork, etc. and including any customer related or vendor related information, product samples, product information, shipping, logistics or transportation information, technical information, any financial, accounting, sales, or purchase related information, and/or any other Company confidential information you have in your possession has been returned to the Company. In addition, you hereby certify that all Company information in your possession in electronic form, including any customer related or vendor related information, product or design information or materials, samples, shipping, logistics or transportation information, technical information, any financial, accounting, sales, or purchase related information, and/or any other Company confidential information has been returned to the Company.

V. Confidentiality and Non-Disparagement

Both parties to this Agreement agree not to disclose or publicize the existence or contents of this Agreement, including the amount of monetary payments and the Release, except (i) to prepare a party's income tax returns or financial records; (ii) to satisfy the requirements of applicable law or regulation; (iii) to comply with the lawful orders or processes of the courts; (iv) to enforce or comply with this Agreement; or (v) as otherwise may be agreed to in writing by both parties in advance of any disclosure. Notwithstanding the foregoing, the Company may disclose the existence or contents of this Agreement to the extent required by applicable securities laws or regulations, including but not limited to filing the Agreement with the United States Securities and Exchange Commission. You agree to avoid making any disparaging comments about any of the Released Parties, whether orally or in writing. For purposes of this Agreement, "disparage" means remarks, comments, or statements that impugn an individual's character, honesty, integrity, morality, business acumen, or abilities, where such comments relate to the individual's or entity's dealings with customers, vendors, or business partners. You agree to not disclose to anyone not expressly authorized by the Company any confidential information concerning the Company and its affiliates and subsidiaries, specifically including information concerning the Company's trade secrets, strategy, future plans, non-public sales and profit data, and financial condition; provided, however, that this Agreement does not prohibit or restrict you from initiating communications directly with, or responding to any inquiry from, or providing testimony before, any self-regulatory organization or state or federal regulatory authority, regarding this Agreement or its underlying facts or circumstances. Any cooperation provision in the Agreement does not require you to contact the Company regarding the subject matter of any such communications before engaging in such communications.

This Agreement sets forth the entire agreement between you and the Company regarding the subject matter of this Agreement. In the event of any conflict between the terms and conditions of this Agreement and those of Equity Award Agreement 1, Equity Award Agreement 2, Equity Award Agreement 3, the Delta Apparel, Inc. 2020 Stock Plan, the Delta Apparel, Inc. Short-Term Incentive Compensation Plan, the Employment Agreement, or any other agreement between you and the Company, the terms and conditions of this Agreement will govern. This Agreement may not be modified or cancelled in any manner except by a writing signed by both you and the Company's Chief Administrative Officer. You acknowledge that the Company has made no promises to you other than those in this Agreement. This Agreement binds your heirs, administrators, representatives, executors, successors, and assigns and will inure to the benefit of the Released Parties and their respective successors, agents, employees, and assigns. No statement in this Agreement, payment made pursuant to this Agreement or other participation or performance by the Company hereunder constitutes an admission of any violation of law or any wrongdoing whatsoever. The Company expressly denies any wrongdoing or violation of law.

This Agreement, including the nature, validity, and effect of this Agreement, will be governed by, construed, and enforced in accordance with the laws of the State of Georgia. If any provision of this Agreement is determined to be invalid or unenforceable, either in whole or in part, this Agreement shall be deemed amended to delete or modify any such invalid or unenforceable provisions and the remainder of the Agreement shall be given full force and effect. There shall be no waiver of any portion of this Agreement unless the waiver is evidenced in writing.

READ THIS AGREEMENT CAREFULLY AND CONSIDER ALL OF ITS PROVISIONS BEFORE SIGNING IT. THIS AGREEMENT INCLUDES A RELEASE OF KNOWN AND UNKNOWN CLAIMS. IF YOU WISH, YOU SHOULD CONSULT WITH YOUR ATTORNEY.

THIS AGREEMENT IS NOT EFFECTIVE UNLESS AND UNTIL SIGNED BY AN AUTHORIZED REPRESENTATIVE OF DELTA APPAREL, INC.

AGREED AND ACCEPTED:

DELTA APPAREL, INC.

By: /s/ Justin M. Grow
Title: EVP & Chief Administrative Officer
Date: December 7, 2022

/s/ Simone C. Walsh **December 7, 2022**

SIMONE C. WALSH **December 7, 2022**

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: February 7, 2023

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

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

I, Nancy Bubanich, certify that:

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

Date: February 7, 2023

/s/ Nancy P. Bubanich
Chief Accounting Officer

EXHIBIT 32.1

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

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

1. The Quarterly Report on Form 10-Q for the quarterly period ended July 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: February 7, 2023

/s/ Robert W. Humphreys

Robert W. Humphreys

Chairman and Chief Executive Officer

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

EXHIBIT 32.2

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

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

1. The Quarterly Report on Form 10-Q for the quarterly period ended July 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: February 7, 2023

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

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