



# Delta Apparel, Inc.

## Fiscal Year 2019 First Quarter Results Earnings Conference Call

### **Operator:**

Good afternoon to everyone participating in Delta Apparel's Fiscal 2019 First Quarter Earnings Conference Call. Joining us from Management are Bob Humphreys, Chairman and Chief Executive Officer, and Deb Merrill, Chief Financial Officer and President, Delta Group.

Before we begin, I would like to remind everyone that during the course of this conference call, projections or other forward-looking statements may be made by Delta Apparel's Executives. Such projections and statements suggest prediction and involve risk and uncertainty, and actual results may differ materially. Please refer to the periodic reports filed with the Securities and Exchange Commission, including the Company's most recent Form 10-K. This document identifies important factors that could cause actual results to differ materially from those contained in the projections or forward-looking statements.

Please note that any forward-looking statements are made only as of today and except as required by law, the Company does not commit to update or revise any forward-looking statements, even if it becomes apparent that any projected results will not be realized.

It's now my pleasure to turn things over to Delta's Chairman and Chief Executive Officer, Bob Humphreys. Please go ahead, sir.

### **Robert Humphreys:**

Good afternoon, and thank you for joining us on our fiscal 2019 first quarter earnings call. I will briefly discuss our business results along with a few key highlights that showcase why we believe Delta Apparel remains well-positioned for profitable future growth, and then turn the call over to our CFO, Deb Merrill, for a more detailed discussion of our financial results.

We are pleased to report a strong start to our new fiscal year, with overall sales surpassing \$101 million and year-over-year growth of 12.5%. Our Delta Group segment results were bolstered by triple-digit sales growth in our digital print business, DTG2Go, and our Salt Life Group segment performance was driven by double-digit sales growth in our Salt Life lifestyle brand.

Digging a little deeper into the segment results for the quarter, we achieved 12.5% sales growth in our Delta Group on the strength of 250% sales growth at DTG2Go. DTG2Go executed a strong holiday season during the quarter that followed what was a truly foundational year for our digital print business including multiple acquisitions and significant investment in new locations, manufacturing capacity and systems. This was the first holiday season that DTG2Go operated as single, integrated business with six locations across the country, and its holiday performance further solidified our operating model with customers seeking a flexible, multi-location manufacturing and fulfillment partner that can deliver high quality products on time.

Digital printing continues to revolutionize how garments are printed and delivered to the end-consumer and DTG2Go leads that trend through its seamless nationwide print and fulfillment network and state-of-

the-art production capacity exceeding 70,000 unique prints per day. In addition, DTG2Go differentiates itself from the rest of the market through its integration with Activewear's vertical platform and its reliable, low-cost supply of fashion and core basic garments, including not only t-shirts but also tanks, fleece and shorts.

Our belief in the digital print market as a huge, global opportunity continues to strengthen based on what we are seeing and we continue to take advantage of our market leadership position. We have more geographic expansion planned for this year that will increase DTG2Go's reach even further and facilitate one to two-day shipping to essentially all US consumers and one-day shipping to half of all US consumers. We enter the second quarter with good momentum to grow the DTG2Go business with existing customers and add new customers across multiple channels, including traditional screen printers, promotional product providers, brick and mortar retailers, large brands, and others outside of DTG2Go's traditional e-retailer channels. The recent success we've seen with a national brick and mortar retailer's adoption of the DTG2Go virtual inventory model is indicative of the white space we see for digital print for in store consumer purchases in addition to ecommerce purchases.

The numbers back up our enthusiasm for digital printing. We ended fiscal 2018 with DTG2Go revenues of approximately \$27 million and we are off to a fantastic start in the new fiscal year, more than doubling our first quarter business. We remain very confident that our DTG2Go business will quickly grow to \$100 million in revenue and generate healthy double-digit operating margins.

Turning to the other parts of our Delta Group segment, we were pleased to deliver solid first quarter results in line with our expectations in those businesses.

At Activewear we saw more growth in our Catalog business, which services customers across the full market spectrum including regional screen printers, promotional product suppliers and retail licensing channels, and offers products ranging from core basic tees to more fashion and performance tees, fleece and other garments. The first quarter was another period of strong double-digit gains for our fashion basics and Delta Platinum collections, which continue to become a larger piece of our overall Catalog sales.

Our Activewear team remains keenly focused on the development of new fashion basics products with on-trend color palettes, fabrics and silhouettes. As I mentioned on our last earnings call, we have moved many of these higher-margin products previously sourced from third parties onto our internal manufacturing platform to take advantage of cost efficiencies, shorter lead times and faster replenishment service to customers.

Our FunTees private label business continues to distinguish itself with high-quality garments and on-time delivery performance, and our view of the dynamics in the private label market remains favorable. FunTees also continues to expand its market reach into new channels of distribution, including direct-to-retail, and leverage other parts of the Delta Group platform, including the higher-margin Catalog fashion basics products and DTG2Go's digital print capabilities.

The investments we've made to offer brand partners a sophisticated, compliant sourcing strategy that gets their products to market faster and in retail-ready condition continues to give us a competitive advantage. Speed-to-market is something every customer wants and something we believe we are uniquely positioned to deliver through our manufacturing locations in the United States, Central America and Mexico. Our platform has the flexibility to provide a wide range of garments, all manner of printing and decoration, as well as packaging and retail preparation services, and we also have distribution centers strategically located throughout the United States that allow us to provide our customers with exactly what they want and, importantly, when they want it. In today's markets with their emphasis on "fast fashion" strategies, we believe this is a huge advantage that should only increase with the westward shift in supply chain dynamics we are seeing.

During the first quarter FunTees began shipping to several new customers that were on-boarded during our prior fiscal year and we expect to continue to expand the programs with these customers, as well as

add new customers, as the year progresses. Although our first half FunTees results are being impacted by the start-up costs associated with the transition to new customer programs, including shifts to more youth and infant garments, we anticipate a good year in FunTees in fiscal year 2019, with most of the growth and improved profitability occurring in the latter part of the year. Due to the relatively constant shifts in garment fabrications and silhouettes among our private label customers, which can result in vastly different average selling prices, revenue dollars is no longer the best indication of the true growth of the business. Rather, we look to units shipped as the more appropriate indicator. We anticipate FunTees to be shipping record unit output in our third fiscal quarter, and further expanding shipping output in our fourth quarter.

Finally within the Delta Group, our Softe brand turned in solid first quarter results, with sales growth across all major channels other than the military due to the usual fluctuations in that channel that we have often spoke about. Softe continues to capitalize on its strength in core athletic wear, and general market trends favoring heritage brands like Softe are also providing some welcome tailwinds and increasing consumer awareness of the brand. We see opportunities for growth across the Softe business, including some exciting new opportunities in the military channel. We are also targeting several new programs involving the iconic Softe shorts line as well as some opportunities to expand our door count with regional retailers. We're highly encouraged with the double-digit growth on Softe's B2C and B2B sites during the quarter. In addition, the Softe team's focus on cost structure enhancements and administrative efficiencies is gaining traction. Overall we see good things happening at Softe and we are optimistic that we will grow the business as this year unfolds.

Moving to the Salt Life Group, our Salt Life business achieved solid double-digit sales growth in the first quarter. The growth stemmed from increased sales of performance and other higher price point products along with higher sales per door from our wholesale partners and higher sales per square foot in our own Salt Life branded retail locations.

We were also pleased to see continued diversification in our sales mix at Salt Life, with sales of women's, youth and accessory categories becoming incrementally larger pieces of the overall picture. In addition, our sales momentum with recently on-boarded national retailers continues and successful tests with regional retailers in markets outside of Salt Life's traditionally strong markets give us even more confidence that the brand has a significant runway for growth. We also continue to focus on opportunities for the brand in international markets, which we see as a longer term growth driver.

The momentum in our direct-to-consumer channels at Salt Life continued during the quarter. We currently operate six brick-and-mortar locations, including three in Florida, two in California and one in Georgia. We expect to open multiple new stores within existing markets this year, including a new store in Orlando, Florida this spring. Over the next three years, our plans call for approximately 12 new branded retail stores, with a focus on expansion within existing geographic regions.

Our SaltLife.com e-commerce site delivered another quarter of double-digit growth along with increases in site traffic, shopper conversion and average order size. These are key indicators to us that the brand remains on a positive growth trajectory with both existing and new customers. With over two million annual visitors to the Saltlife.com site, we regularly ship to consumers in all 50 states. Interestingly, states outside of Salt Life's traditional southeastern market continue to make up the majority of the top 10 states from an e-commerce revenue perspective. This signals not only the broad appeal of the Salt Life lifestyle brand, but provides valuable insight into potential future retail locations. We believe we are on track to see our Salt Life e-commerce business grow by more than 20% in fiscal 2019, reaching sales of about \$5 million.

Our recent efforts to expand the Salt Life brand's lifestyle positioning continue to take shape. Sales of Salt Life Lager, the brand's craft beer, continue to grow, with expansion currently underway into several additional southeastern markets setting the stage for meaningful growth beyond its current 3,000 door placements across the state of Florida. In addition to providing a revenue stream, we firmly believe the distribution of Salt Life Lager enhances and expands the brand's consumer visibility. Retailer interest in the recently-introduced Salt Life ladies swimwear line has been encouraging and we look forward to a

positive consumer response this spring. Finally, we are excited about the third Salt Life Food Shack restaurant in Fernandina Beach, Florida, that recently opened and is having a fantastic start.

Looking at our e-commerce business from an overall perspective, we continue to focus on this area and our team delivered strong growth in the first quarter following what was another great year for our e-commerce sites in fiscal year 2018. Each of our sites grew double-digits in the first quarter, with sales on our B2B sites collectively up 30% and sales on our B2C sites collectively up nearly 10%. As we have discussed in the past, unlike many other eCommerce businesses that post strong top-line growth, our eCommerce sites remain profitable even after being fully-loaded with all related costs, and in many cases, are the most profitable sales channel we have for delivering our products.

To summarize, we are very pleased with our fiscal 2019 first quarter performance. We delivered broad-based double-digit sales growth and meaningful bottom-line gains. We are off to a great start in the new fiscal year and believe we remain well-positioned to compete and grow in today's dynamic retail environment. I'll now turn the discussion over to Deb to review our financial results in more detail.

**Deborah Merrill:**

Thank you, Bob.

As Bob mentioned, we delivered a strong start to the new fiscal year with double-digit top-line and even stronger profitability growth for the first quarter. We made significant progress on a number of fronts during the quarter and achieved solid results across the Delta Apparel platform. We were particularly pleased to see the growth acceleration in our DTG2Go digital print business and the robust performance of our Salt Life brand. We look forward to capitalizing on the many opportunities we see ahead for our Company.

I'll now provide details on our first quarter performance:

**Net sales** were \$101.7 million, up 12.5% from \$90.3 million in the first quarter of fiscal 2018. This growth was driven by a 13.5% increase in our Salt Life Group and a 12.5% increase in our Delta Group, which was led by the significant growth in our DTG2Go business.

**Gross profit** for the first quarter was up 13% to \$18.6 million and gross margins improved 20 basis points to 18.3% compared to 18.1% in the prior-year period. These results were driven by strong gross margins in our Salt Life Group primarily attributable to a favorable sales mix.

**SG&A** expenses as a percentage of overall sales were 16.5%, generally flat with the prior year first quarter.

**Operating income** was \$117 thousand compared to \$1.7 million in the prior year first quarter, with the decrease attributable to a discrete expense of \$2.5 million taken during the quarter in connection with the resolution of litigation stemming from The Sports Authority's March 2016 bankruptcy. Excluding that expense, operating income was \$2.6 million, up 49% from \$1.7 million in the prior year. Delta Group operating income was impacted by this litigation expense and came in at \$2.8 million, compared to \$4.4 million in the prior year first quarter. Excluding that expense, Delta Group operating income improved almost 19% to \$5.2 million. Salt Life Group operating income was \$0.4 million, up 58% from \$0.2 million in the prior year first quarter.

We experienced a **net loss** for the quarter of \$1.1 million, or \$0.17 per diluted share, which was an improvement over the prior year first quarter's loss of \$10 million, or \$1.37 per diluted share. Excluding the above-referenced \$2.5 million litigation expense, the Company achieved **earnings per diluted share** of \$0.14, a 75% increase over prior year earnings per share of \$0.08 after excluding a discrete provisional tax expense of \$10.6 million associated with United States tax reform legislation taken in the prior year period.

### **Turning now to the balance sheet.**

With regards to **CapEx**, our total spending for the quarter was \$1.8 million and principally related to additional equipment, direct-to-consumer and distribution initiatives, and IT system enhancements.

**Depreciation and amortization, including non-cash compensation**, was approximately \$3.6 million for the quarter.

Regarding our **share repurchase activity**, during the first quarter, we repurchased 92,148 shares of our common stock at an average price of \$18.57 per share for a total cost of approximately \$1.7 million. As of our quarter end, we had approximately \$10.6 million remaining approved for share repurchases under our program.

Finally, cash used by operations during our first fiscal quarter was \$4.0 million, a \$3.8 million improvement over the prior year.

**Total inventory** at the end of the quarter was \$187.7 million, up about \$13.1 million compared to the prior year primarily due to more units on hand from our recent digital print acquisitions as well as higher cost per unit inventory due to increases in raw materials and other inflationary pressures.

**Total debt**, including capital lease financing, at the end of the first quarter was \$134.1 million, up \$22.0 million from the end of the prior year first quarter due to our recent digital print acquisitions offset by the free cash flow generated from our operations.

Before turning the call back to Bob, I wanted to give some insight into our anticipated results for our second quarter. We are looking for our top line growth to continue, supported by strong increases in sales at DTG2Go and Salt Life. Gross margins expanded year-over-year in the first quarter, and while we expect sequential gross margin expansion in quarter 2, we do anticipate some year-over-year retraction as start-up costs associated with the customer program shifts in our Activewear business and higher cost inventory flows through our results. As a percent of sales, SG&A should be in-line with the prior year, resulting in operating margins lower than the prior year second quarter, but stronger than our first quarter operating margins. As we move past the second quarter, we do then anticipate profitability to accelerate in the second half to finish the year strong with solid overall top and bottom line growth

Now I'll turn the call back to Bob for his final comments.

### **Robert Humphreys:**

Thanks Deb.

We are off to a fantastic start to this fiscal year and believe we are well-positioned for growth with our diversified customer base spread across a wide range of distribution channels. Our core Activewear business continues to gain market share and provide a steady, profitable platform to support our various higher-growth endeavors. We've further solidified our industry-leading position in the digital print and fulfillment space with our DTG2Go business, and our Salt Life brand is expanding its consumer footprint and lifestyle positioning through new product categories as well as growth with national and regional retailers and in our own direct-to-consumer channels. This is an exciting time for Delta Apparel!

Before I close, I would like to thank all of our teams for their hard work and dedication to Delta Apparel. We now have approximately 7,800 associates spread across four countries and, above all else, they are the key drivers of our success as a company.

Operator, now I'd like to open up the call to any questions our participants might have.

### **Operator:**

Thank you. At this time if you do have a question that will be star, one on your phone. Again, star, one for questions. We'll go first to Dave King with ROTH Capital.

**Dave King:**

Thanks. Good evening Bob and Deb. I guess, first off on DTG2Go, do you have what SSI added in the quarter? Just to try to get a sense of kind of the organic growth there, and knowing that it's fully integrated now maybe if you don't have that, maybe the pro forma growth I guess just some context would be helpful. Thank you.

**Deborah Merrill:**

Yes. I would say similar to when we added on DTG2Go into the mix, because it is fully integrated, we really can't separate that out, but as we would take a look at the overall business and the size of the businesses, I mean we definitely had the addition of the DTG2Go acquisition, the SSI, and good, solid double-digit organic growth on those businesses. So, we feel like we've got exactly what we anticipated with the organic growth plus the addition of the acquisition.

**Dave King:**

Okay, that helps. Then, as you think about DTG2Go longer term, I think, Bob, you mentioned \$100 million in revenue and healthy double-digit operating margins over time. I guess just over what sort of timeframe do you expect to get there? How do you size up potential market opportunity? What is your market share now? How much share can you expect to get over time? I guess some help there would be appreciated?

**Robert Humphreys:**

Well, big picture, we think there's organic growth opportunities in the 20% plus range. It'll be sized to some degree, our ability to operate more printing facilities, on board customers, what have you.

As far as the size of the market, it's really a huge potential marketplace. If you just look at the amount of decorated tees that come into this country or are printed in this country, and the whole system's need for speed to market and customization, it really offers a great opportunity there. I think we're on-boarding a big national retailer right now, which is a intellectual breakthrough, I think, where they're going to have all of their customers assist people in stores, walking around with iPads and helping their consumers buy products online there in addition to a traditional e-commerce site that they would be operating. We just see a lot of opportunity for that to expand with these retailers then being able to offer a virtual inventory that I guess is the consumer very quickly without having shelves and shelves of a printed tees waiting to see what people choose to buy.

**Dave King:**

Well, that's great. (Inaudible) switching gears a bit on Softe, you talked about some of the nice growth that you have there and the opportunities going forward - if you think about the margin improvement potential there. I guess what's the right way to think about that? Then, now that you've consolidated that into the Delta Group, just how are you thinking about the potential for cost savings? How material could they be, if at all? Just some help there would be appreciated. Thanks.

**Robert Humphreys:**

Well, I'd say right now our growth outlook at Softe is accelerating from our thinking a year ago. We've gotten some good traction across most channels of distribution; they're all growing and did in the first quarter. Military was off a little bit, but we actually have a new program there that we're gearing up to and we'd anticipate maybe by next year some return to growth in the military distribution channel as well.

We're leveraging our sales forces across our business units and distribution. We're still targeting that low single-digit operating, fully absorbed operating margin over the next 12 to 24 months, but we'll keep working on it.

**Dave King:**

Okay. Then to be clear then it sounds like is that more from the top line or is that more from the bottom line cost improvement to get to that?

**Robert Humphreys:**

Yes. Well, it will be both. We have taken out further cost. Actually, we started that in the fourth quarter of Fiscal '18 and continued some in this quarter as well, but we are definitely getting more efficient from an administrative standpoint, from a shipping standpoint and from a selling call standpoint, which was—we talked about that probably eight or nine months ago that actually the Softe margins are pretty good compared to the rest of our Activewear business, but our cost of delivering product was much higher, so that's what we've really been focusing on and are definitely seeing some traction there.

**Dave King:**

Great to hear. Thanks for taking the questions.

**Robert Humphreys:**

Yes sir. Thank you.

**Deborah Merrill:**

Thank you.

**Operator:**

We'll hear next from Chris Colvin with Breach Inlet Capital.

**Chris Colvin:**

Thanks for taking my question. Back to, I think it was the first question, about organic growth. Just based on our math, we're getting the roughly 3% organic growth. Is that in the ballpark do you think?

**Deborah Merrill:**

No. On DTG2Go, I mean, we would peg that at about the 20% organic growth on top of the acquisition growth.

**Chris Colvin:**

I meant for the whole company.

**Deborah Merrill:**

Oh, I haven't done the math that way.

**Robert Humphreys:**

Yes. I mean it definitely varies by business unit and segment, some in the 20%, some in the mid-teens, some in the low single-digit. But I would say over—I would say overall, if you look at our full fiscal year and you took out acquisitions, we would expect to have in the high single-digit organic growth.

**Chris Colvin:**

Okay. So, real high single digits this quarter or that's the hope?

**Deborah Merrill:**

No. And again, I haven't looked at the math that way, but it would certainly appear based off of the buy business that it's higher than the 3% that you're calculating it to be during this quarter.

**Chris Colvin:**

Okay. Yes, we'll try to go offline and maybe get some more color. Then on gross margin, it was up I see slightly year-over-year, but it has historically been, over your last four years, you've only had two or three quarters, where it's been less than 20% margin, if I'm looking at the right numbers here. What was the reason that it was lower than maybe historically?

**Deborah Merrill:**

I think the principal reason of that is the higher cost of raw materials and other inflationary costs that we've been talking about over the last 18 months or so that are getting impacted in the business. Now, we are offsetting a lot of that with different price increases, but those don't always match up on a quarter-to-quarter basis. In addition, when you're looking at the first quarter, our first quarter margins typically are our lower overall margins just due to that being our seasonally slowest quarter in the fixed costs that we have in the business that then get absorbed by a lower selling—sales in the first quarter.

**Chris Colvin:**

Okay. Appreciate the color. Then on the DTG market, as you all continue to grow in that market, our understanding is Amazon also has been active in that market. Do you see them much, when you're, I guess, bidding on business, and how does your positioning compare to Amazon?

**Robert Humphreys:**

Well, I'd say, first of all, we don't bid on business in this market; we have a unique one-off platform across the country that's driven by sophisticated systems that help our partners manage their business. It's not where you're replying to a proposal to bid on the business. Then, obviously, Amazon is a large digital printer of products that they sell. Generally speaking, our customers are trying to compete with Amazon, either through their own e-commerce sites or through their retail stores or some combination thereof, and so generally, they're looking for partners outside of Amazon.

**Chris Colvin:**

Okay. That's helpful. On the Chinese tariffs, which who knows what's going to happen there, but our understanding I guess is have you received kind of any benefit from that? Is there any fear that could reverse or it's really had no impact? How should we view that in case China and the U.S. do come to some agreement?

**Robert Humphreys:**

Well, it is a complicated matter, no doubt about it. We'll have a little bit of headwinds on some of our Salt Life product that's sourced in China, depending how things ultimately fall out. Then I would say in general, major retailers and major international brands have been sourcing product from the hemisphere where it



is sold to end consumers. That's been going on for years as we've been talking about, and I would say if anything, the current scuffle over China tariffs is accelerating that. I think generally speaking, it's just adding fuel to the fire of more sourcing in this hemisphere for ultimate consumption by consumers in this hemisphere. We see that continuing and I don't see a big change in that one way or the other, depending on how this is resolved.

These brands are looking for closer to market, they're looking for labor compliance, environmental compliance, and ultimately consumers are more concerned about the workers, place of work, how they're treated, and that always bodes well for us.

**Chris Colvin:**

Okay. Thanks for the color. Very last question, I missed it. You had mentioned your reporting instead of revenue units, what was that in reference to?

**Deborah Merrill:**

Just in our FunTees business, because of the shift of the different types of programs and the price points of every unit, just looking at revenue in that private label business doesn't really give an indication of the growth of the business, but rather the units that we're selling is really a better indication of the growth in that business as we are having these major kinds of shifts in the different programs and flexibility that we're offering in that platform.

**Chris Colvin:**

Okay, got it. I appreciate the color there. Thanks so much for the questions and good job.

**Deborah Merrill:**

Thank you. Thank you.

**Operator:**

Again, that is star, one for other questions. We will move next to Jamie Wilen with Wilen Management.

**Jamie Wilen:**

Let's go back to Digital2Go for a second. You're looking for 20% growth. Is that the growth, just the industry growth of digital printing, or are you gaining markets and are you layering on top of that the retailers that you were picking up that really weren't in the digital printing business before where you're doing the servicing for them?

**Robert Humphreys:**

Yes, I think, Jamie, what's really happening now is people who are starting to participate in utilizing digital growth or digital print is really growing. If you went back a couple of years ago, while we were calling on retailers and telling them the value proposition that we could bring forward, our real business was with e-retailers, who were out there harvesting the consumer on their e-commerce site and matching up with us to be the back-end and produce that and ship it directly to that consumer. That business is still there and it's growing, but it's really just a tiny piece of the overall potential market for digital growth. So, while those people are still growing with us and we're adding new customers in that space, if you look at the big picture opportunity, it's really with all these other channels of distribution that we talked about – traditional retailers, current screen printers, promotional products, etc., etc., that as the cost per print goes down on

digital and consumers are more interested in specialized garments and retailers want less inventory that they own and are committed to, then it's just going to be a natural progression of more product printed digitally for its ultimate consumption by that consumer.

**Jamie Wilen:**

Within the Art Gun segment that you first had, you increased the percentage of garments that were Delta garments. Obviously, you'll print on just about anything, but as you look at the two acquisitions made in the last year, are there opportunities to add gross margin and operating margin by gaining a greater percentage of that business being Delta products? If so, where would that gross margin improvement go into - Delta products or the DTG2Go business?

**Robert Humphreys:**

Yes, there's definitely opportunity for a lot of growth. Some of those customers that were on these other platforms were spec'ing Delta Apparel garments and some were spec'ing others, and so we're fast at work to convert more that to our own product. That gross margin will end up on DTG2Go's books, the way we transfer our product, and the really important thing is besides it being a Delta Apparel garment, which we love and think is the best one out there for sure, it's just such a better time and economic model for our customer, because when you think about it, if they use our product and we're printing in one of our DCs, that product has already been shipped to our DC and that cost is a part of that product. But if it's a competitive product, it would ship to someone else's DC. Now you've got to go buy that product. It's got to come out of that DC, it's got to get shipped to our DC and it's got to get prepped. It's a completely additional step of non-value adding costs that just got added to that garment. That's something we've been fighting for 20 years now is how do we take non-value adding cost out of the supply chain, and this is just a great example of a step to do that.

**Jamie Wilen:**

Got you. I assume that the spring selling season, you can see pretty well out. I don't know how many months, but can you tell us what it looks like out there for the orders you've generated through retailers throughout the country?

**Robert Humphreys:**

Are you talking about just overall for Delta Apparel, Jamie, or a specific business?

**Jamie Wilen:**

Delta and Salt Life, especially.

**Robert Humphreys:**

Yes, we feel good about our backlog at Salt Life going into spring. We've probably gotten – not probably. We have more consumer engagement than we've ever had. We shipped more last quarter than we ever had for that quarter, and we've gotten January off to a strong start and have a larger backlog for spring shipments than we've ever had in that business. All the key indicators are there for further growth and we've had a lot of people clamoring to get Salt Life Beer in their state, and so we'll continue to roll that out at a mindful pace.

**Jamie Wilen:**

Okay. As far as the national retailers, you have a few. Have you expanded the doors or expanded what you're selling with them, and are there others in the near future that you may add in Salt Life?

**Robert Humphreys:**

Some of all of that. We do have several truly national retailers. Several of them are adding doors, additional doors for the spring. Several of them are going to give us in-store shops, which we're excited about and have been pushing for a couple of years now, so we'll be rolling some of those out in the spring. We have some new regional retailers. I say regional. They actually have a nationwide footprint but they're more focused in one region or another that have recently done tests with good success and are going to be starting some door rollouts in the spring and summer as well. We're continuing to get more business with the regional and national retailers.

We're probably to the point that we're not all that interested in adding a lot more new customers there. What we'd really like is to expand our space within these doors, have a real partnership to grow and expand our footprint, have better merchandising, better product displays in these stores versus being in five different retailers in the same mall.

**Jamie Wilen:**

Got you. Nice job fellows. Thank you.

**Robert Humphreys:**

Thanks.

**Deborah Merrill:**

Thanks.

**Operator:**

Again, that is star, one for any further question.

We have no other questions at this time. I'd like to turn it back to you all for closing remarks.

**Robert Humphreys:**

Okay, thank you all for your interest in our company and we look forward to updating you on our second quarter results here in just a few months. Thank you.

**Deborah Merrill:**

Thank you.

**Operator:**

That will conclude today's conference. Again, thank you all for joining us.