

RECONCILIATION OF GROSS MARGIN, OPERATING INCOME, AND NET INCOME TO NON-GAAP MEASURES ADJUSTED GROSS MARGIN, ADJUSTED OPERATING INCOME, AND ADJUSTED NET INCOME

Unaudited
(in thousands)

Reconciliation of Gross Margin to Adjusted Gross Margin – Unaudited

	Three Months Ending		Nine Months Ending	
	June 2023	June 2022	June 2023	June 2022
Gross Margin	\$ 13,935	\$ 30,693	\$ 43,768	\$ 87,219
Production Curtailment Costs ⁽¹⁾	3,340	-	7,589	-
Cotton Costs ⁽²⁾	6,906	-	22,027	-
Adjusted Gross Margin	<u>\$ 24,181</u>	<u>\$ 30,693</u>	<u>\$ 73,384</u>	<u>\$ 87,219</u>
	22.7%	24.2%	22.7%	23.6%

Reconciliation of Operating Income to Adjusted Operating Income – Unaudited

	Three Months Ending		Nine Months Ending	
	June 2023	June 2022	June 2023	June 2022
Operating (Loss) Income	\$ (4,461)	\$ 9,295	\$ (12,438)	\$ 29,553
Production Curtailment Costs ⁽¹⁾	3,340	-	7,589	-
Cotton Costs ⁽²⁾	6,906	-	22,027	-
Restructuring Costs ⁽³⁾	32	-	3,344	-
Adjusted Operating Income	<u>\$ 5,817</u>	<u>\$ 9,295</u>	<u>\$ 20,522</u>	<u>\$ 29,553</u>

Reconciliation of Net Income to Adjusted Net Income – Unaudited

	Three Months Ending		Nine Months Ending	
	June 2023	June 2022	June 2023	June 2022
Net (Loss) Income	\$ (6,287)	\$ 6,240	\$ (16,841)	\$ 20,023
Production Curtailment Costs ⁽¹⁾	3,340	-	7,589	-
Cotton Costs ⁽²⁾	6,906	-	22,027	-
Restructuring Costs ⁽³⁾	32	-	3,344	-
Tax Impact	(2,775)	-	(8,950)	-
Adjusted Net Income	<u>\$ 1,216</u>	<u>\$ 6,240</u>	<u>\$ 7,169</u>	<u>\$ 20,023</u>

Reconciliation of Delta Group Segment Gross Margin to Delta Group Segment Adjusted Gross Margin - Unaudited

	Three Months Ending		Nine Months Ending	
	June 2023	June 2022	June 2023	June 2022
Gross Margin	\$ 5,254	\$ 20,227	\$ 18,013	\$ 63,470
Production Curtailment Costs ⁽¹⁾	3,340	-	7,589	-
Cotton Costs ⁽²⁾	6,906	-	22,027	-
Adjusted Gross Margin	<u>\$ 15,500</u>	<u>\$ 20,227</u>	<u>\$ 47,629</u>	<u>\$ 63,470</u>
	17.4%	19.1%	17.2%	19.6%

Reconciliation of Delta Group Segment Operating Income to Delta Group Segment Adjusted Operating Income - Unaudited

	Three Months Ending		Nine Months Ending	
	June 2023	June 2022	June 2023	June 2022
Operating (Loss) Income	\$ (3,621)	\$ 10,701	\$ (10,979)	\$ 33,557
Production Curtailment Costs ⁽¹⁾	3,340	-	7,589	-
Cotton Costs ⁽²⁾	6,906	-	22,027	-
Restructuring Costs ⁽³⁾	32	-	3,344	-
Adjusted Operating Income	<u>\$ 6,657</u>	<u>\$ 10,701</u>	<u>\$ 21,981</u>	<u>\$ 33,557</u>
	7.5%	10.1%	7.9%	10.4%

⁽¹⁾ Production Curtailment Costs consist of unabsorbed fixed costs, temporary unemployment benefit payments, and other expense items resulting from the Company's decision to reduce production levels to better align with the significantly reduced demand across the activewear industry due to high inventory levels stemming from the heavy replenishment activity following pandemic-related supply chain challenges.

⁽²⁾ Cotton Costs consist of the amount of the cotton component of the Company's cost of sales in excess of the average price per pound of cotton over a recent 10-year period (\$0.78 per pound) as well as a reasonable estimate of the additional cost for what the industry refers to as "basis" typically required to be purchased in connection with the delivery of cotton (\$0.15 per pound). As such, Cotton Costs consist of the cotton component of the Company's cost of sales in excess of \$0.93 per pound.

⁽³⁾ Restructuring Costs consist of employee severance benefits paid in connection with the transition of our more expensive Mexico manufacturing capacity to our more efficient Central America manufacturing platform, employee severance benefits paid in connection with leadership restructuring, expenses incurred in connection with the closure of a legacy facility we acquired via acquisition and the absorption of the print capacity at that facility into our nationwide network of dual purpose digital print and blank garment distribution facilities, and additional cost items incurred from restructuring activities.