



Delta Apparel, Inc.

Fiscal 2021 Fourth Quarter and Year-End Earnings Conference Call

November 18, 2021

Operator

Thank you and good afternoon to everyone participating in Delta Apparel's Fiscal 2021 Fourth Quarter and Full Year 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'd 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 risks 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 and Form 10-Qs. These documents identify 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.

I'll now turn the call over to Delta's Chairman and Chief Executive Officer, Bob Humphreys.

Robert Humphreys

Good afternoon and thank you for your interest in Delta Apparel.

We are extremely pleased with our fourth quarter and full year performance, which outpaced our expectations, further showcased the strength of our strategic model to service diversified sales channels, and demonstrated the successful streamlining of our organization. We ended the fiscal year with strong momentum, including solid broad-based fourth quarter top line performance and margin expansion. As you saw in our press release this afternoon, we were very pleased to have delivered fourth quarter earnings of \$0.96 per share, exceeding the high end of our recently provided guidance range. We also delivered record full year results with a 7.5% operating margin on \$437 million in net sales, resulting in \$2.86 earnings per share.

I am incredibly proud of our entire organization's unwavering focus on our growth initiatives, their ability to quickly adapt in the current environment, and their dedication to the execution of our business goals, which enabled us to post these extraordinary results.

In our Activewear business, the streamlining of our organization has allowed us to remain nimble as we fluidly adapt to the needs of our diversified customer base. Our executive leadership, planning, sales force and customer service teams are all aligned to service the distinctive Delta Direct, Retail Direct and Global

Brands sales channels, which is a win-win for Delta Apparel and our customers. Across each channel our customers now have access to, and are purchasing, our entire portfolio of Delta, Delta Platinum, Softe, and sourced-branded products, along with our custom garments. As Deb will elaborate on shortly, we dedicated significant R&D to the DTG2Go business during the quarter setting the stage for accelerated utilization and growth across our distinct service channels. Our “digital-first” model, utilizing a full decoration platform has resulted in meaningful new brand, retailer and IP holders launching on our platform as we continue to strengthen our position with the most comprehensive on-demand, direct-to-garment apparel printing solution in the global market.

On-shore and near-shore strategies have become an integral component of brands’ and retailers’ sourcing plans driven by many factors, including changes in trade policies, speed to market, social, environmental and sustainability efforts, inflationary pressures and supply chain disruptions. We have seen an increased desire from existing and new customers who want to use Delta Activewear as their supply chain partner. Our western hemisphere manufacturing platform, with its broad product capabilities, coupled with our unparalleled service levels, provides customers the diversification and confidence they desire within their supply chain. It has been a challenging manufacturing environment with limited availability of raw materials. Our teams have tackled these industry challenges proactively and despite the headwinds, have successfully grown our manufacturing output to record levels. These higher outputs in the first half of fiscal 2022 should allow us to be in a stronger inventory position to service the spring business. We also expect to bring further capacity on line in the second half of fiscal 2022, providing additional flexibility of product capabilities for our customers.

We have seen great success with our lifestyle brand, Salt Life, with the level of consumer engagement at a record high! During fiscal 2021, the brand reached a milestone with 32% of its sales direct to consumers. Of this, over \$10 million was from consumers visiting our thirteen branded retail doors, with same store sales for those open a year ago growing 19% during the fourth quarter. We are seeing notable strength in our Estero and Destin locations in Florida, each of which generated over \$1.5 million in revenue and north of 30% operating margins for the year! We plan to open seven new stores in fiscal 2022 across Florida, South Carolina and Alabama, with continuing plans to open 6 to 8 new Salt Life owned and operated stores annually over the next several years.

Our marketing efforts designed to elevate the Salt Life brand appeal and drive increased engagement, are paying off. The Salt Life YouTube channel reached 5.2 million views in fiscal 2021 and we saw a 42% increase in the number of minutes our videos were watched. Further honing our efforts in this important media channel, beginning in September we introduced short segment videos designed to appeal to a broader audience. We produced 6 of these videos in fiscal 2021 and continue to produce new videos targeting 2 to 3 shows per week. Beyond YouTube, Salt Life’s social channel engagement grew nearly 90% in fiscal 2021 spanning Facebook, Instagram, and TikTok.

Salt Life’s online content portal, The Daily Salt, is a one-stop-shop for all things fishing, diving, and surfing. Since launching, we have expanded the content portal to include published articles featuring reviews of the best gear in the industry, how-to articles, exclusive sneak peeks from team member travel to amazing destinations around the world, salty-inspired recipes, and much more. Our newest branding initiative, Above and Below, is a Salt Life podcast hosted by professional surfer and Salt Life team member, Kieran Anderson. Each week Kieran sits down to discuss different aspects of living the Salt Life with an expert on the subject. Together, they dive into some of Salt Life’s favorite topics including epic fishing trips, stand up paddle training techniques, and the best places in the world to catch a wave. The podcast has proven to be a great way for us to connect with our audience and customers.

Overall as you can see, fiscal 2021 was an outstanding year for both the Delta Group and the Salt Life Group. We have built a strong foundation across our business segments and now, more than ever before, have significant opportunities for profitable top-line growth. Our performance highlights the benefits of our broad channels of distribution, the demand in the market for the unique products and services we offer, the efficiencies we can achieve with our vertically-integrated operations and the emotional connection our lifestyle brand, Salt Life, has with a broad range of consumers.

Let me now turn the call over to Deb Merrill who will review our fourth quarter and full year business highlights and financial results. I will then join back when we open the call up to questions.

Deb.

Deborah Merrill

Thank you, Bob. Let me echo Bob's comments, for both our Delta Group and Salt Life Group, fiscal 2021 was an outstanding year and we are entering fiscal 2022 with strong, positive momentum.

Adjusted for the extra week in last year's fourth quarter and despite extensive industry-wide supply chain and labor challenges this year, we registered strong top line growth of 6% in the fourth quarter, including Salt Life growth of 15% and Delta Group growth of 5%. We were particularly pleased with the completed integration of our Soffe brand into our Activewear business, our record level of manufacturing output, and the extraordinary growth we saw in Salt Life. As I mentioned on our last earnings call, our multi-year strategic initiatives have come to realization and our fourth quarter and full year results are a true testament to our ability to capitalize on these market opportunities.

Importantly, we enter fiscal 2022 a streamlined organization with the Delta Group segment operating as a fully integrated activewear business powered by our DTG2Go digital fulfillment solutions. Our activewear business is now organized around three key sales channels, Delta Direct, Retail Direct and Global Brands. Our leadership across the organization is fully aligned to servicing these channels offering the full breadth of our product offerings and capabilities. This is a powerful unlock for both Delta Apparel and our cross-channel customers.

As a reminder, in our Retail Direct and Global Brands sales channels, we are a supply chain partner to global brands from development of custom garments to shipment of their branded products with the majority of products being sold with value added services. We also serve retailers by providing our portfolio of Delta, Delta Platinum and Soffe products directly to the retail stores and through their e-commerce channels.

Our custom business achieved record sales in fiscal 2021, reaching \$127 million in sales. This is 48% growth from fiscal year 2020, but more importantly, 16% higher than its prior record sales level. We are seeing increased desire from existing and new customers interested in using our services, leveraging our broad product capabilities and unparalleled service levels. We are strategically building our manufacturing with additional capacity that is coming online in the back half of fiscal 2022 that should allow us to expand our programs with existing customers and onboard new customers that we are currently developing programs with, providing significant growth opportunities for Activewear in years to come.

During the fourth quarter, DTG2Go's eRetailer customers were challenged by many changes in social media policies, and most significantly the Apple iOS changes. The changes Apple made in iOS 14.5 — asking people if they wanted to opt-out of apps tracking them across the web — has caused significant issues for those who rely on Facebook ads to sustain their business. This, coupled with coming off of the significant sales increase from 2020, drove a decline of about \$5 million during the quarter for DTG2Go. While not the results we wanted for the quarter, we are extremely excited about the other initiatives we dedicated resources to, which we believe will have a significant positive impact in fiscal 2022 and beyond.

DTG2Go made significant investments in its "digital-first" retail model, ensuring digital graphic prints meet the high-quality standards required for brands, retailers and IP holders. We are most excited to bring this initiative to market, having invested during fiscal 2021 in our proprietary software, in new digital print equipment, and in R&D related to the setups, formulas, and processes needed to meet the unique aspects of servicing this sales channel. Our business started with eRetailers, the early adopters of digital print. Over the last several years we have worked diligently to expand the sales channels that digital print services. We have been saying that the big "unlock" of expanding the on-demand market was achieving

the retail quality and servicing standards making on-demand products indistinguishable from traditional products. We have made this breakthrough, and in the coming months will be excited to share with you the many new customers that we are launching on this elevated platform, including some of the largest IP license holders in the market.

Bob shared a lot regarding Salt Life's engagement with consumers. This drives strong direct-to-consumer sales for Salt Life, but also lifts the wholesale business as consumers seek Salt Life while shopping at department stores, outdoor retailers, resort shops and specialty stores. We are seeing record level prebooks for spring and summer 2022 products, with indications that the same will be true for fall 2022. The increase is broad-based with most wholesale customers booking stronger orders across the array of lifestyle products, with notable growth in our ladies' line, a strong indication the brand is successfully expanding overall appeal. With the strength of the wholesale business and the growth we are experiencing in our direct-to-consumer channels, we are extremely excited about Salt Life's growth potential in fiscal 2022 and beyond.

Now, I'll go through a more detailed review of our fourth quarter and full year financial results.

For the fourth quarter, net sales were \$114.7 million, a nearly 6% sales growth compared to the prior year on a comparable 13-week basis, with Delta Group up 5% and Salt Life Group up nearly 14%. Gross margins expanded in both business segments, coming in overall at 23.1% for the quarter. The 170 basis point higher gross margins were partially offset by slightly higher SG&A cost. Including the \$1.2 million benefit from the valuation adjustment, operating profits were \$10.1 million, or 8.8% of sales, a nearly 23% increase from \$8.3 million, or 7.1% of sales, in the prior year quarter. For the quarter, earnings were \$0.96 per diluted share, or \$0.02 higher than the top end of our recent guidance range.

For the full 2021 fiscal year, net sales increased nearly 15% to \$436.8 million, with 12.5% growth in the Delta Group and nearly 34% growth in the Salt Life Group over the prior year. As mentioned before, our Activewear custom business reached record levels this year, and our direct-to-consumer Salt Life business represented nearly 32% of Salt Life sales. Gross profit increased 49% to \$101.9 million, with gross margins improving 540 basis points to 23.3% of sales. Gross margins expanded in both business segments, with year-over-year improvement of 500 basis points in the Delta Group and 430 basis points in the Salt Life Group. SG&A expenses were \$70.7 million in fiscal year 2021, or 16.2% of sales, an improvement of 170 basis points from the prior year period. The stronger gross margins coupled with the leverage of SG&A expenses, resulted in \$32.8 million in operating profit, or 7.5% operating margins. On just under 7.1 million shares, earnings in fiscal 2021 was \$2.86 per diluted share, an all-time record for the Company.

Not only are we exiting fiscal 2021 with strong momentum, but also with a solid balance sheet. Net debt, including capital lease financing and cash on hand, was \$121.7 million at year end, or 2.5x EBITDA, the lowest leverage we have seen in recent history. Cash on hand and availability under our U.S. revolving credit facility totaled \$45.3 million, giving us a lot of flexibility to build back our inventory to support growth in fiscal 2022 and fund capital expenditures, while also giving us the flexibility to restart our share purchase program or initiate other actions to return value to shareholders.

We know what most of you are interested in is how we see fiscal 2022 shaping up. As you've heard from both Bob and I, we believe the opportunities the business has to grow its top line and further expand profitability are probably the most robust we have seen in our history. That being said, we are operating in a fluid economy and are contending with escalating inflation. Despite these headwinds, we remain cautiously optimistic that we should achieve solid broad-based top-line growth in each of our fiscal 2022 quarters, with the opportunity to see double-digit growth for the year. While higher raw material, labor and other costs will put pressure on gross margins, we have already implemented price increases at the beginning of the fiscal year to mitigate a portion of the higher operating costs, and will monitor the market closely as the year progresses to stay ahead of the inflationary pressures. In addition, we are working together with customers to further eliminate non value-added costs in the supply chain, which benefits both us and them. Overall, we expect top-line growth and operating profit expansion across all fiscal 2022 quarters – resulting in all-time record revenue and earnings per share!

And now, we will be glad to open up the call for any questions.

Operator

Our first question will come from Dana Telsey with Telsey Advisory Group.

Dana Telsey

Good afternoon, Deb and Bob. Great to hear the terrific results and the outlook for 2022. As you think about the inventory situation going forward, where are you in your ability to meet demand? How do you see the cadence of inventory building in terms of the supply? In terms of pricing, do you see adjustments in price that benefit the gross margin going forward, and how would you unpack that in terms of the levers? Thank you.

Deborah Merrill

Bob, do you want me to take that?

Robert Humphreys

Yes, why don't you at least start on that.

Deborah Merrill

Okay, sure. Dana, as far as our growth and our inventory levels for that, certainly we expect that as every quarter goes by our inventory should be improving. We saw our first increase in inventory levels up slightly in the September quarter, resulting from our record manufacturing output as we were ending our fiscal year. We did go through Fiscal 2021 inventory constrained, especially in our Delta Direct business. We do foresee that continuing to be constrained, at least in the first half of Fiscal 2022, but as we get towards spring and with the higher output from our manufacturing facilities in the first half of the year, we should be in a much stronger position with inventory at least to begin the spring selling season and have more opportunity, especially in that business from that.

As we also mentioned, we do have new equipment on order that is expected to arrive in our March quarter so that we can put further capacity online and give us more flexibility. That new capacity should service the new business we expect to be achieving in our Global Brands and Retail Direct business that we're developing programs right now for. Then also, further help the getting our inventories in line as we go through the back half of the year.

Dana Telsey

Thank you. Then on inflation, how do you see inflation and cotton prices? How is that changing in 2022 compared to what it was in 2021?

Deborah Merrill

Well, certainly we are continuing to see the hyperinflation that is in the marketplace. That hits across, obviously all of our raw materials, including our cotton and yarn prices, dyes and chemicals, freight cost, labor cost, so, kind of all aspects. We're seeing those inflationary pressures. I would say that we took actions during Fiscal 2021 to get ahead of those and ensure that our pricing was reflective of the higher costs that we were incurring. We've done price increases across all of our business units.

As we mentioned, we had to take further price increases that have already been in the market since the beginning of October. While it's challenging for everybody, we are keeping a close eye on the market and

on opportunities for us to find ways within our customers, with our customers, to reduce any non-value-added cost in the supply chain so that we're working together and partnering together to remove any cost that we can to benefit both of us, you know, while also operating throughout these times until we see things adjust in the overall global economy.

Dana Telsey

Got it.

Robert Humphreys

Dana, I might just add that prior to the pandemic, several quarters before that we started talking about the inflation that we were seeing in the supply chain of labor and chemicals and transportation costs. Obviously, we had a couple of quarter blip in that when the pandemic hit, but it is something that we have been seeing and dealing with for a couple of years now. Kind of interestingly, with the price increases that we have already put through our system, really t-shirt prices for blank tees are now only at about the same level as they were 20 years ago when we started Delta Apparel as a public company. You had some deflation. You had some changes in trade laws that reduced tariffs in the system, but t-shirt prices for what you're getting is still pretty modest in the overall apparel supply chain.

Dana Telsey

Thank you.

Operator

Thank you. Our next question will come from William Fogel with DV Advisors.

William Fogel

Hello and congratulations on a phenomenal quarter and a phenomenal year. Can you hear me?

Robert Humphreys

Thank you. Yes, yes, thank you.

William Fogel

Great, so I'm just putting some rough numbers together on next year and I need you to comment directly on these, but I get to EPS of first to \$4. This year it will be close to \$3. Your stock is trading at something like seven times earnings, in my projections of earnings next year. You've done phenomenally well operating the Company but ultimately, it doesn't matter unless the stock at some point reflects that. I know you've talked about buying back shares and other actions. I was wondering if you could remind us, what your current authorization is for share repurchases and what other actions might you be thinking about. Because for me, we've run into danger of getting hostilely acquired if your stock lingers at these levels. But anyway, maybe you could talk a little bit about how you plan to realize that value in the share price.

Robert Humphreys

Well, I would say obviously over the last four or five quarters, a lot of the actions that we would have normally been taken and have historically taken, we did put on hold really making sure we had liquidity to run our business and operate it. Then through our Safe Harbor program, that sometimes handcuffs us for a while before we can restart a share repurchase program. But I think after we get through with the filing of our K next week we will have cleared all those hurdles and so would expect to do so.

Deb, I believe we have about \$7.5 million currently authorized by our Board with more than double that through our lending agreements of capital that would be available for share repurchases, or dividends. If you look over our history, we've done both of those steps at times as we've tried to return money to our shareholders and also to get our share price to reflect its current valuation.

We're obviously aware of and not happy about our share price compared to what we think the intrinsic value of the Company is. We are a relatively thinly traded stock but what we have seen is over time, when we can use the full arsenal of things available to us that we can get our share price close to the value of the Company and we would expect to continue to take steps in the upcoming fiscal year to do that.

William Fogel

Okay, great. Obviously, we'd love to see a much larger share repurchase and you can do a reauthorization, of course, once you're done. But with the type of cash you're generating, I can't imagine anything better to do with that cash. You have a fundamental core value several times higher than the current stock price. But I'm also interested in talking about, you mentioned a breakthrough in DTG2Go. Can you tell us a little bit more about that and you said there's going to be some big announcements with new clients and such? Maybe you could give us a little more detail on what that exact breakthrough is. What's changed and when can we see these announcements?

Robert Humphreys

Yes, I'll let Deb speak to that but before we do, just let me one more thing on the valuation. We also did a fairly large Dutch tender early in our days, so as a public company. Anyway, we have a mindset, and our board has a mindset and support for us to take actions to get our share price where it reflects the value of the Company. Over the years, we've taken a lot of different steps in doing that and obviously have not only the liquidity but the borrowing power and confidence in our business plan to be more aggressive there.

Deb, I'll let you talk about DTG2Go and our opportunities there.

Deborah Merrill

Sure. Sure. Thank you and yes, we're most excited about the things that we have spent quite a bit of time and energy over the last year. Really, you know, 18 to 24 months on we've talked a lot about breakthrough and getting in and unlocking the sizeable opportunity in the marketplace. Once we can get the business operating at the service levels and the quality needed for retailers, brands, IP holders. What we did this past year and we've been working on it, but we've got our investments and our proprietary software that does allow us to use a full decoration model and ultimately create digital prints with a digital first model. Meaning, the prints off of a screen print and the prints off of a digital print are indistinguishable across the two of them. That's critical to unlocking the retail marketplace because ultimately, you want to be able to have the same shirts next to each other and be able to have them either be digitally printed or screen printed the traditional way.

We have partnered with a digital print equipment manufacturer that's in the marketplace and worked with them to create and have them develop equipment that can produce at the quality, as well as at the efficiencies needed to achieve this. Then coupled that with all of our R&D on set ups, processes, and things that will allow those prints to be at that quality and to match what the retail industry is used to. We have a number of customers that we have already launched on this, more that are in process of launching, and look forward to, over the course of the upcoming quarters, to be able to share those with you, once they've had the opportunity to do their launch and their announcements of their own programs.

William Fogel

Great, and are these programs likely to drive significant growth at DTG2Go this year? I know you had a little hiccup last quarter. Or are these just more in the initial stages? Then more along lines of what sort of growth do we expect from DTG2Go this year, or going into next year? I'm sorry.

Deborah Merrill

Sure, yes. Yes, good questions there. Yes, we believe wholeheartedly that these are significant programs that should be additive to overall growth in our DTG2Go business. Needle movers with the customers that we have partnered with to launch these new initiatives. Overall, we expect—and you're right, we did have some hiccups in it with our existing customer base on what we've been working on, but we would expect DTG2Go to be right back at growth levels that exceed the growth levels we've seen in the business in recent years. We've talked about that strong 20% growth rate in the business. We think with the breakthroughs that we've made, that those are certainly achievable and should be able to be exceeded.

William Fogel

Wow.

Robert Humphreys

I would point out that on several of those programs, we are currently shipping significant product. It's not to come. It has come.

William Fogel

That's great. That's great. It doesn't get much better than this. Just to your point before, I do fully support a large Dutch if you guys decide to do so. My final question is, a lot of people have been worried about commodity price increases but the way I see it, and you tell me what you think, is that these commodity price increases, and the shipping increases have dramatically strengthened your business because you're competing to a large extent against Asian textiles who have to absorb much higher commodity and shipping expenses than you do located in North America. I would think this phenomena would enable you to have very strong pricing power and to pick up share. Is my assumption correct or how do you think about that?

Robert Humphreys

Yes, I think you are thinking about that correctly, particularly in our Global Brands business and then just the supply of our product for the other markets we serve. What's happened is with the increase in freight cost now, this really brought Asian labor rates much closer to our cost when you get it back to North America, much closer to cost out of Central America. Obviously, much shorter lead time and a more robust supply chain and capability where retailers and consumers can make their final decision on what a product is going to look like closer to when the consumer is ultimately going to buy and receive that garment.

A tremendous shortening of the supply chain in time. Things we've been working on for decades in this industry and with our digital print capabilities. We've brought these several months lead times into several days now to the end consumer. Certainly, dramatic changes in all that and I think we're really just at the very early stages of people figuring out what that means for them and how it's going to change the business model.

William Fogel

Yes, and I don't think, I've talked to a number of investors. I don't think they understand that dynamic with you, so maybe if, yes, you spelled that out a little better and show. They don't understand that just tens of billions of dollars of apparel that is coming from Asia that you're now advantaged over, so these cost

increases are a great benefit to you and your supply chain versus and the shift is almost monumental when I look at the numbers. But anyway, congratulations. Thanks again and we'll talk soon.

Robert Humphreys

Okay, thank you.

Deborah Merrill

Thank you.

Operator

Thank you. Our next question will come from Jamie Wilen with Wilen Management.

James Wilen

Hi, I'll offer my congratulations on the quarter as well and follow up on the questions, the previous ones have answered which were all very good. One thing in the inventory world, your inventory levels are up about 10%. Is that all pricing or is part of that units?

Deborah Merrill

Yes, Jamie, I'll take that. It is about half in pricing and half in overall units. I would then further adjust to that that we have had increases in our raw materials and in our width, simply from us trying to maintain the raw materials that we need to have to keep it going. Then obviously, the certain delays in our in-transit which are certainly less than things coming from offshore, but we have had about a two-week further delay in our in-transit that has increased our overall in-transit inventory. Narrowing that down, you've got probably \$3 million or so that's coming from units in finished goods increases.

James Wilen

Okay, and the additional capacity you're adding, what percentage bump up in capacity will that be? I assume that's in one of the existing plants in Central America.

Deborah Merrill

Yes, that's correct. We are really increasing across the board, so it is textile capacity, it's the principle place where that is and that should add about another 10% or so to our textile capacity. Then in our sewing, that is across both our Honduran and El Salvador sewing and our decoration facility in El Salvador. We think that should both add value to us. We will be able to reduce some reliance on sourced fabric that we've had to have here while we're waiting for these next expansion capabilities, so bringing a bit more of that inhouse that we have been previously sourcing. Again, that should further enhance our overall profitability on those products.

James Wilen

Got you. On the Salt Life side, you mentioned about a couple of stores doing \$1.5 million, with north of 30% operating margins, which is rather incredible. Obviously, you're taking that to add 40% more stores in the next year. What is the secret sauce that you have now achieved to saying okay, we can get these operating margins and now we're ready to take a major expansion this year and next in our own Salt Life stores? What have you done over the last year or two that you've realized now we've got it?

Robert Humphreys

I'd say analytics more than anything. We did bring in help to—our first several stores were marketing initiatives, getting the brand known on the West Coast. We had the one in Jacksonville, where Salt Life started, which has always been slightly profitable for us and still shows some growth 10 years plus in. But really now, there's good analytics from cellphone data and other retail results where we can see the load of consumers in the shopping centers and areas and how long they stay and do they actually shop or just go through. That and having some success stories, it's easier for us to see the dynamics of where these stores do really well.

We're doing a combination of standalone branded stores and stores in these destination outlet centers, and both are doing well. It's amazing really, how quick these things can get nicely profitable when everything lines up. Really, a month or two in they're making money. We'll invest on average about \$0.5 million per store between build out and some inventory. If you can do \$1.5 million in your first 12 months at 30% or 35%, GAAP not EBITDA, then that's a pretty good place to put your money.

James Wilen

For sure.

Deborah Merrill

I would also add to that is just a reminder of a comment that Bob had made earlier that across all of our stores that were open fully in the fourth quarter last year and all through this year, the same store sales growth on those was 19%. You can see that it's not only those most recent stores but across the board we're seeing a strong same store sales growth, again being driven just from the consumer engagement and all of the efforts there driving that across all of our stores.

James Wilen

Fantastic. Last thing on DTG—go on.

Robert Humphreys

Well, I was going to say, I would add one other little tidbit that's unique to everything about Delta Apparel and it's just an example of it. But we made more than 50% of what's sold in these stores in our own manufacturing facilities, so certainly our source product and performance product is very important to us, and we work on that diligently. It drives the brand, and it drives profitability but unlike so many lifestyle brands, we have our core product being made on our supply platform.

James Wilen

All right, excellent. Lastly, on DTG2Go, is your internalization rate remaining constant and are you still looking at operating margins in the business north of somewhere in the 20% level?

Deborah Merrill

Yes, I would say absolutely. We are seeing the internal use of Delta products as strong as we have seen it and really growing every quarter. It's exciting that a lot of or really most all of the new business that we're talking about, those customers are realizing the benefit of the integrated supply model and are launching utilizing Delta products. I think what we've seen already with it north of 50% utilization of Delta, I think as we go through Fiscal 2022, we will see that continue to increase as we get the growth and that growth coming from the Delta products. Yes, we think absolutely the business should continue to operate at the levels we have disclosed in the past and certainly as we get these new programs going and can leverage

the equipment more fully throughout every quarter, which you can do more easily in these new channels that we're getting into, we think that that profitability can also continue to increase even above that.

James Wilen

Excellent results and exciting times ahead. Thanks fellas.

Deborah Merrill

Thanks, Jamie.

Operator

Thank you. That does conclude the question-and-answer session. I'll now turn the conference back over to you for any additional or closing remarks.

Robert Humphreys

Well, we certainly appreciate your interest in Delta Apparel and your questions today on the call. We'll look forward to updating you after our first quarter results. Thank you very much.

Operator

Well, thank you and that does conclude today's conference. We do thank you for your participation. Have an excellent day.