

April 15, 2024

**DIGITAL
BRANDS
GROUP**

Digital Brands Group Reports Fourth Quarter and Fiscal Year 2023 Financial Results

Net income loss was only \$0.6 million in the fourth quarter, excluding non-cash expenses

AUSTIN, Texas, April 15, 2024 /PRNewswire/ --**Digital Brands Group, Inc. ("DBG")** (NASDAQ: DBGI), a curated collection of luxury lifestyle, digital-first brands, today reported financial results for its fourth quarter and fiscal year ended December 31, 2023.

"The fourth quarter was the end of Sundry's bottom, which our first quarter results will reflect. Despite lower revenue contribution from Sundry in the fourth quarter, we almost achieved break even net income due to our cost savings (excluding non-cash expenses). Based on first quarter wholesale shipments and second quarter wholesale bookings, we are excited to see revenue growth meaningfully re-accelerate. This increase in the revenue trend will be coupled with a significantly lower operating expense structure," said Hil Davis, CEO of Digital Brands Group.

"We are excited to announce our first quarter earnings in May, which we believe will show the strength of the business. We will also have preliminary results from our outlet store opening in Allen, TX. Simply put, as we have stated, 2024 is the year we expected to experience the inflection point in our business."

Results for the Fiscal Year

- Net revenues increased 6.8% to \$14.9 million compared to \$14.0 million a year ago
 - This excludes revenue from Harper & Jones as it was spun out in the second quarter
 - This represents the lowest point of Sundry's wholesale revenues in the second half of 2023 versus the first and second quarter wholesale bookings for 2024
- Gross margin increased 10.2% to \$6.5 million compared to \$5.9 million a year ago
 - Gross profit margins increased to 43.9% from 42.5% a year ago
- G&A expenses, including non-cash items, decreased 12.7% to \$14.3 million compared to \$16.4 million a year ago
 - G&A expenses, excluding non-cash item expenses, decreased 35.7% to \$8.8

- million compared to \$13.7 million a year ago
- G&A expenses included \$5.5M in non-cash expenses associated with D&A and stock option expenses
- Sales & Marketing expenses decreased 18.5% to \$4.0 million compared to \$5.0 million a year ago
 - Sales and marketing expenses ratio was 27.1% compared to 35.4% a year ago
- Net loss per share attributable to common stockholders was \$10.2 million, or \$20.46 per share, compared to a loss of \$38.0 million, or a loss of \$1,233.10 per share, a year ago
 - Net loss, excluding the non-cash charges and add backs was \$8.0 million compared to a loss of \$28.8 million a year ago
 - Net loss per diluted share, excluding non-cash expenses and add backs, was \$18.81 per share compared to \$934.38 per share a year ago

Results for the Fourth Quarter

- Net revenues were \$2.8 million compared to \$3.4 million a year ago
 - This includes non-cash contra revenue adjustment of \$0.7 million. Excluding these, net revenues would have been \$3.5 million
 - This also represents one of the lowest points of Sundry's wholesale revenue based on both the first and second quarter wholesale bookings
- Gross profit decreased \$0.5 million compared to \$0.6 million a year ago
 - This includes non-cash expenses of \$0.3 million
 - Gross profit margins decreased to 18.3% from 19.0% a year ago, which includes the non-cash expenses to net revenues and cost of goods sold. Excluding these charges, gross profit margins would have been 43.5%
- G&A expenses, including non-cash items, decreased 30.6% to \$2.2 million compared to \$3.2 million a year ago
- Sales & Marketing expenses decreased 13.4% to \$0.8 million compared to \$1.0 million a year ago
- Net loss per diluted share attributable to common stockholders was \$3.7 million, or \$8.76 per share, compared to a loss of \$15.8 million, or a loss of \$511.54 per share, a year ago
 - Net loss was \$0.6 million, excluding the non-cash charges of \$3.1 million, compared to a loss of \$19.2 million a year ago
 - Net loss per diluted share, excluding non-cash expenses was \$1.48 per share compared to \$621.22 per share a year ago

Conference Call and Webcast Details Updated

Management will host a conference call on Monday, April 15 at 5:00 p.m. ET to discuss the results. The live conference call can be accessed by dialing 866-605-1828 from the U.S. or internationally. The conference I.D. code is 13746007 or referencing Digital Brands or via the web by using the following link: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=jg0EmFTQ>.

Forward-looking Statements

Certain statements included in this release are "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements are made based on our

expectations and beliefs concerning future events impacting DBG and therefore involve several risks and uncertainties. You can identify these statements by the fact that they use words such as "will," "anticipate," "estimate," "expect," "should," and "may" and other words and terms of similar meaning or use of future dates, however, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements regarding DBG's plans, objectives, projections and expectations relating to DBG's operations or financial performance, and assumptions related thereto are forward-looking statements. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements. DBG undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Potential risks and uncertainties that could cause the actual results of operations or financial condition of DBG to differ materially from those expressed or implied by forward-looking statements include, but are not limited to: risks arising from the widespread outbreak of an illness or any other communicable disease, or any other public health crisis, including the coronavirus (COVID-19) global pandemic; the level of consumer demand for apparel and accessories; disruption to DBG's distribution system; the financial strength of DBG's customers; fluctuations in the price, availability and quality of raw materials and contracted products; disruption and volatility in the global capital and credit markets; DBG's response to changing fashion trends, evolving consumer preferences and changing patterns of consumer behavior; intense competition from online retailers; manufacturing and product innovation; increasing pressure on margins; DBG's ability to implement its business strategy; DBG's ability to grow its wholesale and direct-to-consumer businesses; retail industry changes and challenges; DBG's and its vendors' ability to maintain the strength and security of information technology systems; the risk that DBG's facilities and systems and those of our third-party service providers may be vulnerable to and unable to anticipate or detect data security breaches and data or financial loss; DBG's ability to properly collect, use, manage and secure consumer and employee data; stability of DBG's manufacturing facilities and foreign suppliers; continued use by DBG's suppliers of ethical business practices; DBG's ability to accurately forecast demand for products; continuity of members of DBG's management; DBG's ability to protect trademarks and other intellectual property rights; possible goodwill and other asset impairment; DBG's ability to execute and integrate acquisitions; changes in tax laws and liabilities; legal, regulatory, political and economic risks; adverse or unexpected weather conditions; DBG's indebtedness and its ability to obtain financing on favorable terms, if needed, could prevent DBG from fulfilling its financial obligations; and climate change and increased focus on sustainability issues. More information on potential factors that could affect DBG's financial results is included from time to time in DBG's public reports filed with the SEC, including DBG's Annual Report on Form 10-K, and Quarterly Reports on Form 10-Q, and Forms 8-K filed or furnished with the SEC.

DIGITAL BRANDS GROUP, INC
STATEMENT OF OPERATIONS

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	\$			\$
Net revenues	2,789,287	\$ 3,375,245	\$ 14,916,422	13,971,178
Cost of net revenues	2,278,110	2,732,897	8,372,642	8,030,908
Gross profit	511,177	642,348	6,543,780	5,940,270

Operating expenses:				
General and administrative	2,183,799	3,145,228	14,299,389	16,371,536
Sales and marketing	847,781	979,355	4,035,835	4,950,635
Distribution	251,398	89,059	1,002,343	611,569
Impairment	-	15,539,332	-	15,539,332
Change in fair value of contingent consideration	-	(5,854,052)	(10,698,475)	564,303
Total operating expenses	<u>3,282,978</u>	<u>13,898,922</u>	<u>8,639,092</u>	<u>38,037,375</u>
Loss from operations	(2,771,801)	(13,256,574)	(2,095,312)	(32,097,105)
Other income (expense):				
Interest expense	(609,551)	(2,963,845)	(5,517,118)	(9,014,337)
Other non-operating income (expenses)	30,335	438,395	(704,166)	3,068,080
Total other income (expense), net	<u>(579,216)</u>	<u>(2,525,450)</u>	<u>(6,221,284)</u>	<u>(5,946,257)</u>
Income tax benefit (provision)	(368,034)	-	(368,034)	-
Net loss from continuing operations	<u>(3,719,051)</u>	<u>(15,782,024)</u>	<u>(8,684,630)</u>	<u>(38,043,362)</u>
Income (loss) from discontinued operations, net of tax	-	-	(1,562,503)	-
Net loss	<u><u>\$ (3,719,051)</u></u>	<u><u>\$ (15,782,024)</u></u>	<u><u>\$ (10,247,133)</u></u>	<u><u>\$ (38,043,362)</u></u>
Weighted average common shares outstanding - basic and diluted	<u>424,402</u>	<u>30,852</u>	<u>424,402</u>	<u>30,852</u>
Net loss from continuing per common share - basic and diluted	<u><u>\$ (8.76)</u></u>	<u><u>\$ (511.54)</u></u>	<u><u>\$ (20.46)</u></u>	<u><u>\$ (1,233.10)</u></u>

The accompanying notes are an integral part of these financial statements.

DIGITAL BRANDS GROUP, INC
STATEMENTS OF CASH FLOW

	Year Ended	
	December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (10,247,133)	\$(38,043,362)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,249,194	2,226,376
Amortization of loan discount and fees	3,937,007	6,506,384
Loss on extinguishment of debt	716,517	-
Loss on disposition of business	1,523,940	-
Stock-based compensation	408,810	602,038
Shares issued for services	1,656,428	-
Change in credit reserve	202,761	(118,840)
Change in fair value of contingent consideration	(10,698,475)	564,303
Deferred tax expense	368,034	-
Deferred offering costs	-	367,696
Fees incurred in connection with debt financings	-	568,149
Change in fair value of warrant liability	-	(18,223)
Change in fair value of derivative liability	-	(1,354,434)
Impairment of goodwill and intangible assets	-	15,539,331
Forgiveness of Payroll Protection Program	-	(1,760,755)
Changes in operating assets and liabilities:		
Accounts receivable, net	497,771	(475,036)
Due from factor, net	144,755	655,708
Inventory	375,682	471,831
Prepaid expenses and other current assets	551,259	(402,515)

Accounts payable	1,900	919,131
Accrued expenses and other liabilities	1,047,431	1,992,649
Deferred revenue	(183,782)	(74,268)
Due to related parties	-	278,590
Accrued interest	434,958	984,358
Net cash used in operating activities	(6,012,942)	(10,570,889)
Cash flows from investing activities:		
Cash acquired (consideration) pursuant to business combination	-	(7,247,303)
Purchase of property, equipment and software	(29,675)	(5,533)
Deposits	118,494	(60,548)
Net cash provided by (used in) investing activities	88,819	(7,313,384)
Cash flows from financing activities:		
Proceeds (repayments) from related party advances	(155,205)	-
Advances (repayments) from factor	154,073	(3,096)
Repayments of related party notes	-	(170,000)
Repayment of contingent consideration	-	(645,304)
Proceeds from venture debt	-	237,500
Issuance of loans and note payable	5,479,611	3,280,360
Repayments of convertible and promissory notes	(10,129,811)	(7,437,349)
Issuance of convertible notes payable	-	6,951,250
Proceeds from public offering	-	19,347,446
Offering costs	-	(2,921,646)
Issuance of common stock, net of offering costs	8,145,381	-
Exercise of warrants	1,167,566	-
Net cash provided by financing activities	4,661,614	18,639,161
Net change in cash and cash equivalents	(1,262,509)	754,888
Cash and cash equivalents at beginning of year	1,283,282	528,394
Cash and cash equivalents at end of year	20,773	1,283,282
Less: cash of discontinued operations	-	7,666
Cash of continuing operations at end of year	\$ 20,773	\$ 1,275,616

Supplemental disclosure of cash flow information:

Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 711,815	\$ 734,869

Supplemental disclosure of non-cash investing and financing activities:

Conversion of notes into preferred stock	\$ 5,759,177	\$ -
Conversion of notes into common stock	\$ -	\$ 11,983,389
Right of use asset	\$ 467,738	\$ 102,349
Warrants issued in connection with note	\$ -	\$ 1,368,741
Derivative liability in connection with convertible note	\$ -	\$ 559,957
Conversion of related party notes and payables into preferred and common stock	\$ -	\$ 6,300,000
Conversion of venture debt into preferred stock	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

**DIGITAL BRANDS GROUP, INC
STATEMENT OF BALANCE SHEETS**

	December 31,	
	2023	2022
ASSETS		
Current assets:		
	\$	\$
Cash and cash equivalents	20,773	1,275,616
Accounts receivable, net	74,833	583,368
Due from factor, net	337,811	839,400
Inventory	4,849,600	5,122,564
Prepaid expenses and other current assets	276,670	766,901

Assets per discontinued operations, current	-	241,544
Total current assets	5,559,687	8,829,393
Property, equipment and software, net	55,509	104,512
Goodwill	8,973,501	8,973,501
Intangible assets, net	9,982,217	12,906,238
Deposits	75,431	193,926
Right of use asset	689,688	102,349
Assets per discontinued operations	-	2,628,136
	\$	\$
Total assets	25,336,033	33,738,055

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:

	\$	\$
Accounts payable	7,538,902	8,016,173
Accrued expenses and other liabilities	4,758,492	3,936,920
Due to related parties	400,012	555,217
Contingent consideration liability	-	12,098,475
Convertible note payable, net	100,000	2,721,800
Accrued interest payable	1,996,753	1,561,795
Loan payable, current	2,325,842	1,829,629
Promissory note payable, net	4,884,592	9,000,000
Right of use liability, current portion	1,210,814	102,349
Liabilities per discontinued operations, current	-	1,071,433
Total current liabilities	23,215,407	40,893,791
Loan payable	150,000	150,000
Deferred tax liability	368,034	-
Liabilities per discontinued operations	-	147,438
Total liabilities	23,733,441	41,191,229

Commitments and contingencies

Stockholders' equity (deficit):

Undesignated preferred stock, \$0.0001 par, 10,000,000 shares authorized, 0 shares issued and outstanding as of both December 31, 2023 and 2022	-	-
Series A convertible preferred stock, \$0.0001 par, 6,300 shares designated, 6,300 shares issued and outstanding as of both December 31, 2023 and 2022, respectively	1	1
Series C convertible preferred stock, \$0.0001 par, 4,786 and 0 shares outstanding as of December 31, 2023 and 2022, respectively	1	-
Common stock, \$0.0001 par, 1,000,000,000 shares authorized, 1,114,359 and 178,758 shares issued and outstanding as of December 31, 2023 and 2022, respectively	110	18
Additional paid-in capital	115,596,930	96,294,123
Accumulated deficit	(113,994,449)	(103,747,316)
Total stockholders' equity (deficit)	1,602,592	(7,453,174)
	\$	\$
Total liabilities and stockholders' equity (deficit)	25,336,033	33,738,055

The accompanying notes are an integral part of these financial statements.

About Digital Brands Group

We offer a wide variety of apparel through numerous brands on a both direct-to-consumer and wholesale basis. We have created a business model derived from our founding as a digitally native-first vertical brand. We focus on owning the customer's "closet share" by leveraging their data and purchase history to create personalized targeted content and looks for that specific customer cohort.

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