Delta Apparel, Inc.

Fiscal Year 2013 Fourth Quarter and Year-End Results

August 28, 2013

Operator: Thank you and good afternoon to everyone participating in the Delta Apparel, Inc. Fiscal Year 2013 Fourth Quarter and Year-End Results Conference Call.

Joining us from Management are Bob Humphreys, Chairman and Chief Executive Officer; and Deb Merrill, Vice President, Chief Financial Officer and Treasurer. 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 statements suggest prediction and involve risk and uncertainty and actual results may differ materially.

Please refer to the periodic report filed with the Securities and Exchange Commission, including the Company's most recent Form-10K. This document contains and identifies important factors that could cause actual results to differ materially than those contained in the projections or forward-looking statements.

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

I will now turn the call over to Delta's CFO, Deb Merrill, who will provide the details of the Company's fiscal fourth quarter and year-end.

Deborah Merrill: Good afternoon. I'm happy to say that for the 10th consecutive year, Delta Apparel had record revenues, although, due to the continued softness in the Soffe business, it was closed. Nevertheless, thanks to the strong performances by all of our other business units, fiscal 2013 net sales increased to 490.5 million from 489.9 million in fiscal 2012.

Net income for fiscal 2013 was 9.2 million or $1.08 per diluted share, compared with a net loss in fiscal '12 of 2.4 million or $0.29 per diluted share. As you recall, the net loss in fiscal '12 was primarily due to the effects of the unprecedented record-high cost of cotton. Cotton prices have since moderated and while we continue to monitor them closely, they didn't present as great of a challenge in fiscal '13 as was experienced in 2012.

Delta Apparel's Basic segment had net sales of 270.9 million for fiscal 2013, a 6.3% increase compared to 254.7 million in fiscal '12. A 14% increase in volume drove the sales increase, offset partially by lower average selling prices. Our Lean Manufacturing and Six Sigma initiatives have been successful in lower manufacturing costs. This, along with more stable cotton prices, enabled us to significantly improve gross margins despite the lower selling prices.

All of Delta Apparel's Branded segment businesses, except for Soffe, experienced strong growth during fiscal '13. A 12% increase in the combined sales for Junkfood, The Game, and Art Gun was unfortunately offset by a 24% sales decline in the Soffe business. As a result, fiscal '13 Branded segment sales declined to 219.6 million from 235.2 million in fiscal 2012. Art Gun continued its rapid growth, nearly doubling its sales in fiscal 2013. The Game posted strong sales increases, heightened by the almost 50% growth seen in the Salt Life branded products. The popular Junkfood brand also had a strong showing with growth in specialty and boutique channels. All three of these businesses also experienced gross margin improvements.

For the fiscal '13 fourth quarter, net sales were 133.6 million compared to 135.4 million for the comparable 2012 quarter. The slight sales decline was entirely due to poor performance of the Soffe business, with each of our other businesses posting sales increases. Despite the sales decline, gross margins improved 130 basis points, primarily as a result of manufacturing efficiencies and successful merchandising strategies.

Net income for the 2013 fourth quarter was 4 million or $0.48 per diluted share compared to 4.8 million or $0.55 per diluted share in the prior year fourth quarter. While operating income for the 2013 fourth quarter was 10% higher than that of the prior year fourth quarter, net income was negatively impacted by a less favorable tax treatment in the 2013 period.

Net sales for the Basic segment in the 2013 fourth quarter were up slightly to 78 million compared with 77.5 million in the 2012 fourth quarter. Volume increases continue to drive the sales growth, offsetting lower average selling prices. Fourth quarter Branded segment sales totaled 55.5 million versus 57.9 million in the prior year fourth quarter. Sales gains posted by The Game, Junkfood, and Art Gun in the fourth quarter were offset by the previously mentioned softness in the Soffe business.

On a consolidated basis, SG&A expenses as a percentage of sales increased both in our 2013 fourth quarter and full fiscal year. SG&A was 17.6% of sales for the quarter compared to 17% in the prior year period. For the full year, SG&A was 19.4% of sales compared to 18.4 in the prior year. The increase in SG&A expenses was from performance-based compensation resulting from the improvement in earnings, as well as higher royalty expense from the sales growth in the Junkfood and Salt Life products. In addition, we have 1.3 million of legal and professional services in the first quarter related to the previously disclosed internal investigation.

Capital spending during the fourth quarter was 2.5 million, bringing capital spending for the full year to 7.9 million. Depreciation and amortization, including non-cash cost, was 2.3 million in the quarter and 8.9 million for the full year.

During the fourth quarter, we also took a 320,000 non-cash impairment reserve on the assets in our Wendell decoration facility, which on July 10th, we announced we were closing to consolidate domestic screen print operations as part of our continued focus on more efficient manufacturing and distribution operations.

We continued our stock repurchase program during the fourth quarter, spending 3.3 million to repurchase 228,000 of shares at an average price of 14.42 per share. We bought back 545,000 shares during the full year, spending a total of 7.8 million or 14.35 average per share. As of June 29th, we had 8 million remaining under our Board Authorization for Future Repurchases. There are many factors that go into our decision to repurchase shares including our current leverage, stock valuation in future business opportunities that exist for the capital.

Total debt at June 29th was 98.3 million, a reduction of 16.2 million during fiscal 2013. The acquisition of Salt Life notwithstanding, we remain committed to strategically reducing the capital used in the business to improve return on capital and reduce the leverage on the business.

As mentioned, we just completed the acquisition of the assets of Salt Life Holdings, including all domestic and international trademark rights to the Salt Life brand. We are excited to add this fast-growing lifestyle brand to our portfolio of brands. Bob will talk more about this in just a few minutes.

As stated in our press release issued earlier today, the purchase price consisted of 15 million of cash, 2 promissory notes in the aggregate amount of 22 million, and a contingent payment if certain performance targets are met with respect to sales levels in calendar 2019. We financed the

cash portion of the purchase price through an amendment to our U.S. asset-based secured revolving credit facility. While the total credit facility remains at 145 million, we increased our borrowing capacity through a higher borrowing base on our real estate and equipment, as well as on receivables and inventory. As part of the amendment, we also extended the term of the facility for an additional year to May 2017.

We've also decided to change our fiscal year end from June to September. This move will better align our planning, financial and reporting functions with the seasonality of the business and should provide investors with more timely information that better reflects the operations of the business. From now on, our fiscal year end will be the Saturday closest to September 30th. We'll have a three-month bridge period ending on September 28th, 2013. Our fiscal 2014 will then begin on September 29th, 2013, and end on September 27th of 2014.

For the three-month bridge period ending September 28th of 2013, we expect sales in the range of 130 to 132 million. This compares to sales of 131 million in the prior September quarter. We are expecting continued sales growth in each of our business units except Soffe, which is expected to have continued softness through the fall.

Earnings are expected to be $0.30 to $0.35 per share in this three-month period. This includes approximately $0.14 per share of a one-time cost comprising about $0.11 related to the Wendell closing and about $0.03 related to the Salt Life acquisition.

Looking ahead to the new fiscal year ending September 27th, 2014, we anticipate revenue to be in the 500 to 510 million range and earnings to come in at $2 to $2.10 per diluted share.

And looking at the upcoming 12 months, we are cautious about the retail environment and the overall economy in general. While we've considered these in determining our expectations, it's impossible to predict the ultimate impact these conditions may have on our business. That being said, I wanted to spend a few minutes walking everyone through some of the key assumptions used in setting our expectations for the upcoming year.

We are assuming organic sales growth in each of our businesses. The sales growth is expected to come from higher volumes, which in some cases will be offsetting lower-average selling prices. While cotton prices have moderated considerably from the volatility experienced in the past two years, speculators in the market continue to make cotton prices quite volatile. We are assuming cotton prices stay in the mid-$0.80 range and basic tees continued to be priced based on these cotton costs.

We anticipate gross margins continuing to improve anywhere from 100 to 200 basis points, driven by improved manufacturing costs as we gain efficiencies and further leverage our fixed expenses with our planned manufacturing expansion. The improved gross margins would be recognized in the back half of the fiscal year.

We will be marketing our brand, especially Salt Life, more heavily in the upcoming year. Even with the investment in our brands, we expect SG&A to decrease as a percentage of sales by up to 50 basis points. We are assuming an effective tax rate between 22 and 24% for the fiscal 2014. Interest expense will increase based on the higher debt levels from the Salt Life acquisition, including the non-cash interest expense that will be recorded on the zero-interest promissory notes. We're assuming no dramatic changes in monetary policy that will have short-term effects on our interest rates, however, we are taking prudent steps to mitigate some of the impacts longer-term increases in interest rates may have.

As mentioned back in April, we are expanding our manufacturing capacity to meet the expected volume growth. Our capital spending is expected to be about 15 million in the upcoming 12 months. Depreciation and amortization including non-cash cost is expected to be approximately 11 million. Free cash flows are expected to be approximately 20 million, which would be used to reduce debt obligations and for other corporate purposes.

As you can see, we've been busy taking actions to position Delta Apparel for continued growth and are looking forward to accomplishing our goals for fiscal 2014.

I'll now turn the call over to our Chairman and CEO, Bob Humphreys, for his comments on fiscal 2013 and how things are shaping up for fiscal '14.

Robert Humphreys: Thanks, Deb, and thank you, all, for being on the call with us today.

We had a good year across our business units with the exception of Soffe. As you can see from today's press releases, we've been very busy working on a number of initiatives that should have a very positive effect on our results as we go forward. We're certainly disappointed with the results we've had at Soffe over the past six quarters. Our Management Team continues to focus attention to address the problems experienced at Soffe and to take the steps to regain the sales and profitability we have historically enjoyed in that business.

Let me say that Soffe is a great business and with a very broad line of active wear products for men, ladies, juniors and kids. The Soffe signature junior fit reigns supreme with our customer base. We utilize technical fabrics as well as crossover fun fashion apparel in our juniors' and women's lines. As a supplier to the Military, the men's offerings are rooted in our Military heritage. The XT46 collection leverages performance fabrics and channels the Military's authenticity with the soldier, the elite athlete. We also support the on-the-field female athlete under Intensity Athletics, which incorporates fashion on the field with uniforms, practice gear and accessories.

Soffe's difficulties stem primarily from the high degree of turmoil that occurred in the retail industry and our failure to make adjustments in our go-to-market strategy and operations in a timely manner to address changes in fashion and the market direction. We now have new leaders in place directing merchandising, marketing and sales and soon expect to conclude our search for a new president to lead the entire business. In the meantime, we've not backed away from making the tough decisions to begin Soffe's return to profitability.

In the fourth quarter, we modernized Soffe's screen print operation, and in July, announced the closing of the Wendell, North Carolina decoration facility to consolidate these operations into the Fayetteville location. This has improved Soffe's printing capabilities and is expected to save approximately $1.5 million annually or about $0.12 per share. We are in the process of implementing improved systems and business processes to streamline our operations so they run more efficiently. Although this will take some time before we see the full benefits in our results, we should begin seeing improved operating margins as the year progresses.

We've taken steps to reduce our SG&A headcount at Soffe and continue to work on additional measures to lower SG&A cost. We're excited about the new Soffe product line designed for spring '14. We have shown this line to focus groups and key retailer accounts and have received very positive responses.

While we're working hard to resolve Soffe's difficulties, we haven't let that distract us from our other businesses that currently make up approximately 80% of our revenue. In 2013, we continued the consolidation of our bookstore business, which originally have been scattered among three separate operating divisions. Our Bookstore business is now being operated from The Game. We have integrated the merchandising, selling and administrative functions along with the decorations and retail packaging operations.

We recently introduced a new collegiate apparel line from The Game called American Threads. It's 100% made in the U.S.A., which

further appeals to the college consumer. The collection is in more than 300 college bookstores, and although American Threads has just hit the sales floor in August, initial indications are showing good sell-through. We are further encouraged by the interest we are receiving from other customers in made-in-America apparel and headwear products, creating another potential growth avenue for us.

The Junkfood business continued its growth in 2013 as well. Junkfood has been focused on its direct-to-consumer business and we're sharpening that focus. Before the end of this calendar year, we plan to open a Junkfood flagship retail store on Abbot Kinney Boulevard in Venice, California. Abbot Kinney is being touted as the hottest retail destination in the U.S. for hip and up-and-coming brands. The store will embrace the full-lifestyle approach, and in addition to our Junkfood graphic products and our new Straight Heart product line of contemporary non-graphic women's apparel, we'll offer contemporary brands and other product categories so the customer can purchase all the essentials for a complete outfit at our Junkfood store.

In conjunction with a new retail store, Junkfood is also re-launching its e-commerce site to take advantage of new technology. The new site will feature a wider array of products, both Junkfood and Straight Heart, along with web-exclusive opportunities. In addition, this site will have enhanced functionality with ease-of-navigation for the ultimate Junkfood experience.

In our Basic segment, in fiscal 2013, we completed the conversion of FunTees to the Catalog ERP platform, allowing us to streamline operations, consolidate administrative functions, and reduce our SG&A cost. With this, we are able to provide broader offerings to our customers using off-the-shelf blanks combined with our decoration and retail packaging services. This has allowed us to gain market share with retail licensing customers who previously had to deal with sourced products. We anticipate that convenience and a wider range of offerings will continue to allow us to gain traction with customers, driving further growth in the Basic segment.

During the year, we also completed the move of our Print Development offshore and have doubled the size of our El Salvador Screen Printing operations. The resources that we have invested in printing provide us with new technologies and printing techniques that should enable us to satisfy the growing demand for decoration services. Let me also mention that our Manufacturing Expansion Project is currently underway. As we discussed in April, we're adding new equipment to increase fabric production at our Ceiba Textile plant in Honduras. We are also relocating a sewing plant to a larger facility, facilitating an expansion of our sewing operations in that country.

We should see the increased output beginning in the March quarter, which will leverage our fixed cost, driving lower product cost and improve margins.

In January of this year, we opened a third-party-operated distribution center in Canada to support our growing customer base for blank tees in that country. Following in those footsteps, we're taking a further step to broadening our footprint with a distribution center in Dallas, Texas. The Dallas distribution center will also be third-party-operated, minimizing the need for capital investment on our part. Servicing tee markets throughout Texas and surrounding states, it allows us to offer one-day shipping to customers and serves as a customer pickup point.

In addition to better servicing our existing customer base and providing a platform to attract new customers, the new distribution center should also lower our overall freight cost to customers in the Southwest. We expect to begin shipping from the facility in the December quarter and be fully functional in the spring selling season.

Our business at Art Gun continues to grow rapidly, and we expect this trend to continue as we move through fiscal 2014. We added additional equipment to our operation last year and are running seven days a week to meet demand. We continue to win new business with our virtual inventory model combined with our reputation for service and quality.

And as I'm sure you're anxious to hear more about, just yesterday, we completed the acquisition of Salt Life, a lifestyle brand that has experienced tremendous growth for us over the past few years. Having worked with Salt Life under our license agreement for the past two years, we have grown the geographic distribution of the brand from a single market in Florida to more than 1,500 retail doors from Texas up the coast to the Northeast. We continue to get very positive feedback from retailers and directly from consumers on the growing product offerings we are introducing for Salt Life.

The acquisition of Salt Life continues our strategy of building lifestyle brands that take advantage of our creative capabilities, vertical manufacturing platform, and the international sourcing competencies. We are excited about the opportunities as owners of the Salt Life brand. We plan to greatly increase the investment in consumer advertising and point-of-sale branding to further build core consumer appeal for each of the group of enthusiasts: surfers, divers, fishermen and beachgoers and the millions of other consumers who long to live the Salt Life.

While this acquisition will have minimum impact on our revenue and earnings in the upcoming year, we expect it to be a key growth

catalyst in the future. We look forward to the many opportunities we'll build upon for a strong and continued growth with the Salt Life brand.

At this point, Operator, we'd like to open up the phone to questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing star, one, on your telephone keypad. If you are using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star, one, to ask a question.

We'll take our first question from James Fronda with Sidoti & Company.

James Fronda: Hi, guys. How are you?

Deborah Merrill: Good.

James Fronda: I guess with—you know retailers seem to be doing just okay right now, I guess why do you think you saw a decent revenue growth during the quarter?

Robert Humphreys: Well, we saw revenue growth really everywhere but Soffe, which declined during the quarter. So, we basically had a flat overall quarter for our fourth quarter.

James Fronda: Yes, but the other brands?

Robert Humphreys: Yes, the other brands are—you know, resonating with consumers, and that's key, when consumers go in and look for your product, then that trumps a weak retail environment. Salt Life remains very popular. We're growing the doors and we're seeing strong revenue growth with doors that have been opened a year.

Junkfood continues to get stronger distribution. We're seeing some rebound in the boutique business that got hit hard by the economic slowdown. We've got a new NFL product out there, so—just across-the-board growth with our Junkfood business. Art Gun, about doubled revenue and we see that continue to be really strong. Our business partners are having good growth with their direct-to-consumer model. And we're getting additional business partners on that platform based on our ability to get an electronic order today and get it shipped out the door the next day and have good international shipping capabilities.

So, all of that is driving that. And then, I think on the Basic sides, we have a good service model. We are providing good service to

our customers and that's leading to unit growth, which was offset some in pricing and driven principally by raw material prices in our fourth quarter but we do feel good about that. We shipped a little bit more product there than we were expecting and ended our fiscal year with really lean inventories in that business segment, which is encouraging as we go into this year that we'll be able to run our plants full and buy us the new capacity we have coming on stream.

James Fronda: Okay, and I guess back-to-school, do you think you'll see a significant growth from that area?

Robert Humphreys: I think Salt Life will be good in back-to-school. I think Junkfood will be good in back-to-school. There does seem to be some hold-up at major retailers about reorders for product right now for some other categories, so we'll just have to see how that works out.

James Fronda: Okay, and the guidance you gave, does that include the one-time $0.14 or that excludes it?

Deborah Merrill: No, that includes those one-time costs.

Robert Humphreys: So that would be net of those costs.

James Fronda: Okay, all right. I guess with kind of that $0.83, I guess that's a number that you're comfortable with for that hedging?

Deborah Miller: We didn't say that we weren't hedging. We were just saying that, including in our assumptions was basically a consistent cotton price with the product reflecting the current cotton prices, so if things changed dramatically in those areas that could impact but we still keep a close eye and take the same actions as we've been taking on to minimize our risk in cotton prices.

James Fronda: Okay, all right. Thanks guys.

Operator: And once again, it is star, one, to signal for a question. We'll go next to Jared Schramm with Roth Capital Partners.

Jared Schramm: Hi, good afternoon.

Deborah Miller: Hi there.

Jared Schramm: Looking at manufacturing costs, any more room for improvement there as most of the heavy-lifting already been done?

Robert Humphreys: No. You know, if you're a manufacturer there, you've got to have a continuous improvement program. It's really driven in our

operations from our Six Sigma methodology that we drive down cost. In addition to that, when we can grow our business and then can grow these manufacturing facilities, particularly within the four walls that are already there, it leverages our fixed cost. So as we continue to expand our textile operations and sewing operations in Central America, we'll see further cost reduction in manufacturing.

Jared Schramm: Okay. And looking to the ASPs, which have been lower recently, do you see some moderating event coming up in the future here or continued to be pressured down the road? And what's your visibility like as far as ASPs are looking out in three or six months?

Robert Humphreys: If I had to—from what we see right now, three to six months out, I would say about flat, short of some big change in raw material prices. I think they're primarily driven by raw material prices, and to a mixed extent, maybe changes in energy cost in producing product. I think another trend is the growing interest in sourcing in this hemisphere, and so I think demand for quality manufacturing, decorating, retail put-up, those types of things in Central America and Mexico is good and might provide a catalyst for us and other companies who have a strong quality manufacturing base in this hemisphere.

Jared Schramm: Okay. And looking at the Junkfood store you're rolling out in Abbott Kinney, if this is successful, is this a concept you're looking to branch throughout the U.S. and selected places or is this really just going to be a one-off type event?

Robert Humphreys: Well, I think initially, it's a one-off for us to prove our capability as a standalone store for Junkfood. I'd say, today, Junkfood does not have a broad-enough product line to support a retail store rollout, but we'll certainly experiment with that at this store and use it as a real branding opportunity and to show how we'd like to see the Junkfood product line merchandise in display. We've learned with our Salt Life store, we can do that very well, have a great destination for our retail partners to see that and make a little bit of money along the way, so that's the real step one for this store.

Jared Schramm: And lastly, I'm looking at the acquisition of Salt Life, any fundamental change in go-to market strategy here with this, or is it really just going to be a continuation of what you've been doing the past few years with the brand?

Robert Humphreys: No, I think we will have a fundamental change in go-to-market with Salt Life now. It will take several quarters to roll that out, but we were a licensee of Salt Life and had different terms, different leasing terms for different product categories. But, obviously, couldn't invest but at certain levels to really build the brand. Any brand-building we were doing was really approving to the current owners and so that's why we had been working on this for some

time to be able to really invest in the Salt Life brand and build that brand equity and then being able to leverage that over time and reap rewards from doing that.

So there'll be—we've seen tremendous success where we put in point-of-sale merchandising and telling the Salt Life story. I was just in a retailer today that we had just completed one last night. They are getting about a 20% increase in sell-through where we've done this for them. So we'll certainly step that up nationwide. We'll be more aggressive in going into geographic areas as well.

Jared Schramm: Okay, thank you.

Operator: We'll go next to Jamie Wilen with Wilen Management.

James Wilen: Hi fellows. We're quite a chock-full of stuff today and a lot of activity you've been involved in in the last couple months. Can I start off with Salt Life and look at the business as a whole? You were making royalty payments to Salt Life. Could you disclose how much those royalty payments have been versus what the new arrangement is going to be? Obviously, we're not going to be paying royalty payments since we own it.

Robert Humphreys: Yes, I didn't hear the second part of that—royalty payments versus what?

James Wilen: Well, the new arrangement, obviously, we are not paying royalty payments since we own the brand outright. So how much in the way of expense were you paying to them in fiscal 2013 as a royalty payment?

Deborah Merrill: Jamie, I don't want to say exactly what that royalty percentage was, but just to give you a range overall for royalty payments, we typically are paying an 8 to 12% range on royalty payments, so that can give you a range of what we were paying for Salt Life.

James Wilen: Okay. And as you're buying Salt Life, are you just buying the apparel part of the program where they had—obviously, there were some Salt Life retail stores or restaurants that they were getting royalty, where they were involved in a bunch of other activities that we were not a part of because we didn't—couldn't manage that. But now that we—are we buying the full brand and are we buying other things besides just apparel?

Deborah Merrill: No, we bought—Jamie, we acquired the full—the trademark for the Salt Life brand, both in the domestic and internationally. So we now own that—those IP rights. So what that means is those other areas that people were licensing the brand for, that becomes royalty income to us now and then we can grow and expand with what we want to do or with other people to help us grow that brand as well.

James Wilen: Okay. But since….

Deborah Merrill: We own the whole Salt Life brand.

James Wilen: The Salt Life restaurant that would pay a royalty to Salt life. Does that mean we'll now get that royalty and someone—at one point in time, someone was thinking of expanding that restaurant chain. Would we get any additional royalty from that?

Robert Humphreys: That's correct, Jamie. There's a person who has the rights to restaurants and they pay a royalty to the owners of the Salt Life mark.

James Wilen: Okay. You said we have two notes that we're paying to the previous owner. Did you say that they were zero-interest notes?

Deborah Merrill: Correct. Yes, that's correct. So the actual notes to them are zero interest now, as you have to record those in your financial statements. There will be interest expense, there will be—the fair value of those will be marked down and then there will be accrued interest that go on those. So, that's a non-cash interest charge that will flow through the P&L, but that's not paid then to the sellers.

James Wilen: And when are those notes due?

Deborah Merrill: They're due in different payment cycles but over the next five years.

James Wilen: Okay. The contingent payment you have is based upon 2019 performance. How do you arrive at something like that in the terms of the transaction?

Robert Humphreys: Well, it's just a part of the overall negotiation of the business and the valuation and what we believe the valuation is and what the sellers believe the valuation is. And, obviously, the long-term value to them was very important. But there's a lot of different considerations for them from tax consequences to—there's four different partners who are in different stages in their life and different needs. So anyway, it was a way to make what we think is a win-win situation.

James Wilen: Okay. And you've been—although you've been growing this brand tremendously, you basically have not wanted to fully commit since you didn't own it? It's what you said before. Now you're going to commit for a good bit more in the way of resources, both dollar-wise and management time to grow the brand?

Deborah Merrill: Absolutely.

Robert Humphreys: Exactly. And kind of circling back to your initial question on the loyalty rates, we currently pay different amounts in different products or how they are ultimately retailed, so it varies a bit. But we expect to invest in the 4 to 6 percentage of revenue into marketing of the brand now. So that will be a big increase from what has collectively happened between the current owners and us and other license partners.

James Wilen: Okay. Previously it was—could you describe what percentage that was?

Robert Humphreys: I'd say less than half of that.

James Wilen: Okay. On the Soffe side, you expect to have negative comparison through the March quarter? Is that what your game plan is?

Robert Humphreys: No. We expect to have negative comparison in this quarter that we're currently in. But anyway, by the March quarter, we would expect to see some revenue growth at Soffe. And we're seeing some encouraging light there.

James Wilen: Okay. Do gross margins on Soffe products, do you expect once we get to the other side, is valued to be similar to where the gross margins used to be on Soffe?

Robert Humphreys: Yes.

James Wilen: Okay. And in aggregate, how much in the way of costs have you taken out of that business, or will you take out from where you began fiscal '13 to where you will, let's say, end fiscal '14?

Robert Humphreys: You know, it's a little bit tricky because we did take the Bookstore business out of Soffe and put in The Game, so you've got some moving parts there, but we think about $7 million of operating cost will be taken out of the business.

James Wilen: Most of that coming—already happening or most of it—or gradually between here and the end of fiscal '14?

Robert Humphreys: A big chunk has happened, and particularly with the Wendell, I mean, that was inefficient operation. There's been some pretty significant SG&A reductions already.

Deborah Merrill: Product cost reductions.

Robert Humphreys: There's been product cost reductions and then we are going through some pretty big system changes to get the Soffe operating platforms, really, that work the same as The Game and Junkfood. That they have a dramatically lower, not only system cost, but then support staff to run those systems, and that will be improving over the next 12 to 15 months as we get those completed.

James Wilen: I congratulate you on the buyback, buying it back below book, and this multiple of earnings is incredible for the remaining shareholders. Were there any additional buybacks subsequent to the end of the fiscal year?

Robert Humphreys: Yes.

James Wilen: Would you quantify that, or just a yes is good enough, I guess?

Deborah Merrill: A "yes" is good.

James Wilen: Okay.

Robert Humphreys: We'll rethink that at the end of the quarter because, obviously, that program is ongoing.

James Wilen: Okay. And when you renegotiate the term loan, did you say there was any change in the terms other than extending the maturity?

Deborah Merrill: No, there were—we extended the maturity on it. We did increase our borrowing capacity. There is a piece of a component of that that does have a slightly higher interest rate of about 150 to 200 basis points higher on just an incremental piece of that, which would always remain less than $10 million of the loan, but otherwise, the terms remain the same on that, for the most part, in a few things that became more favorable to us. So, overall we believe it was a good move for us. It gives us the additional borrowing capacity to continue to grow our business in the short term, and the bank was very supportive of our acquisition of Salt Life.

James Wilen: Perfect. A bunch of outstanding stuff. Thanks, fellows.

Operator: And at this time, we have no other questions.

Robert Humphreys: Okay. Well, thanks very much for joining us, and we'll look forward to updating you after we complete the September quarter. Thank you.

Operator: This does conclude today's conference. We thank you for your participation.