Delta Apparel, Inc.

Fiscal 2023 First Quarter Earnings Conference Call

Operator

Thank you, and good afternoon to everyone participating in Delta Apparel's Fiscal Year 2023 First Quarter Earnings Conference Call.

Joining us from Management are Bob Humphreys, Chairman and Chief Executive Officer; Justin Grow, Executive Vice President and Chief Administrative Officer; and Nancy Bubanich, Chief Accounting Officer.

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 periodic reports filed with the Securities and Exchange Commission, including the Company's most recent Annual Report on Form 10-K and quarterly reports on Form 10-Q. 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.

It's now my pleasure to turn the call over to Mr. Humphreys. Please go ahead.

Robert W. Humphreys

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

Before we begin, I'd like to briefly introduce Justin Grow and Nancy Bubanich to those of you on the call. Justin recently re-joined Delta Apparel as our Executive Vice President and Chief Administrative Officer and has been with us for almost a decade in various roles including General Counsel and Vice President of Administration. Among the multiple hats Justin wears for the Company, he is heading up our investor relations efforts.

Nancy has been with the Company since 2006 and has held a variety of accounting and financial leadership roles during that time. Since 2021, Nancy has served as our Chief Accounting Officer and was recently appointed to serve as our principal financial officer. Nancy has a deep understanding of our financial affairs, including our manufacturing costing and inventory valuation systems. Additionally, Nancy has arranged and managed our offshore financing for years and recently she added an additional lender to support our investments in El Salvador. This past year she arranged capital lease financing for our Salt Life retail store build-outs. She also manages our relationship with Wells Fargo and the other lenders in our U.S. revolving debt facility. Nancy has been quite busy!

I'm very excited to have Justin and Nancy on the call with us today.

Now turning to our results for the first quarter of our 2023 fiscal year, we are extremely pleased to report double-digit sales growth across four of our five go-to-market channels including DTG2Go, Salt Life, Global Brands, and Retail Direct. These strong topline results were led by a record quarter in our on-demand digital print business, DTG2Go, including nearly 20% sales growth year-over-year. Our Salt Life business also brought in record sales for the quarter, with 17% growth over the prior year.

Our topline performance for the quarter provides a great example of the resiliency we've been able to build into our business over the years, with strength in the majority of our go-to-market channels allowing us to overcome some of the demand headwinds in the mass retail channel impacting our Delta Direct channel and the overall industry for several quarters now. Our topline performance also reflects the resiliency of our team of 8,500 associates across four countries and its ability to execute our strategies, serve our customers, and navigate what remains a fluid macro-economic and retail environment.

As expected, our profitability this quarter was impacted by the reduced demand in the mass retail supply chain as well as the elevated costs we continued to see in our business, particularly in our Delta Group segment with respect to cotton and other raw materials as well as energy and labor. Although cotton prices have somewhat normalized from the unusual highs last year, that high-cost cotton is now flowing through our cost of sales and pressured our bottom line this quarter. In addition, the manufacturing shutdowns that we and many across the industry initiated during the quarter to calibrate output with the lower demand also impacted profitability. We expect to continue to work through last year's higher-priced cotton in our second quarter and begin to see the benefits of lower input costs in our financial results as we progress through the back half of our fiscal year.

Let me now turn the discussion over to Justin, who will go through our business highlights in more detail, and then to Nancy, who will follow with a review of our financial results. I will then join them to open the call up to questions.

Justin Grow

Thanks Bob.

As Bob mentioned, we were pleased to deliver solid top-line performance this quarter, with net sales of $107.3 million that were down only slightly to our record first quarter sales last year of $110 million in what was a markedly different demand environment for basic tees compared to last year when the industry generally couldn't make product quickly enough to satisfy market demand.

In our Delta Group segment, the DTG2Go team executed well during the holiday season and posted record first quarter sales, including strong double-digit growth over last year and increased average selling prices. Customers continue to appreciate the lower inventory investment and better inventory risk management; quicker time from order to porch; more efficient replenishment, small order and quick activation programs; and unlimited color and design options that DTG2Go's digital print strategies offer. In addition, DTG2Go continues to leverage the competitive advantages provided by its multi-facility fulfillment network and internal source for blank garments. Its ability to reach 99% of U.S. consumers in 2 days or less and access Delta Direct's low cost blank tee and fleece supply are true market differentiators, and DTG2Go's margins and profitability should benefit from increases in customer adoption of Delta Direct garments going forward.

Demand for DTG2Go's digital first strategy continues to exceed current capacity and we are steadily improving our output on new technology that we were the first to implement in a full production environment only 15 months ago. We expect the learning and expertise gained during this early operational phase to solidify DTG2Go's position as not only the largest, but also the highest quality digital first printer in our market. In addition, DTG2Go's business with traditional eRetailer and other customers utilizing previously implemented technology continues to grow significantly.

We remain extraordinarily bullish on the long-range penetration of digital strategies across the printwear industry, which some experts predict this year to reach 3% of an overall market estimated at well over $20 Billion and to increase to 6% of a much larger overall market by 2028. DTG2Go's first mover advantages and industry leading position set the stage for what we believe should be many years of strong double-digit topline growth while targeting consistent operating margins in the low teens.

Although DTG2Go provided record output and much improved service to our customers in the important holiday season, we still have challenges ahead of us to further improve machine efficiencies, reduce maintenance expense, and reduce labor and supply cost. We have an experienced team driving these improvement initiatives and expect to start achieving our targeted cost during our fourth fiscal quarter.

Our Global Brands channel also delivered double-digit sales growth for the quarter and continues to serve as a valuable supply chain partner to large multi-national and regional brands, major branded sportswear companies, and all branches of the United States armed forces. The growth in that channel was accelerated by the expansion of business with new customers. We saw the same dynamics during the first quarter in our Retail Direct channel where we provide retail ready products directly to sporting goods and outdoor retailers, farm and fleet stores, department stores, and mid-tier and mass retailers. This channel also posted double-digit first quarter growth and continues to expand its customer base across both brick and mortar and eCommerce retailers, many of whom are benefitting from a recent shift in consumer focus toward products with price points in the range of those we offer.

Our team has worked extremely hard over the years to build a world-class platform that meets the high service levels and compliance sophistication required to do business with the world’s leading brands and retailers. It is rewarding to see these big players in our industry put more emphasis on nearshore sourcing strategies like those we offer in Central America and validate the investments we’ve made in the region. With these global sourcing strategy tailwinds, our vertical manufacturing including DTG2Go’s digital print offerings, and what we estimate to be an addressable Activewear market in the U.S. ranging from $8 to 10 Billion and growing, we believe our Global Brands and Retail Direct channels are positioned to generate further growth opportunities across our Delta Group segment.

In our Delta Direct channel, we saw the lower demand we expected within our retail licensing customer base that sells through to mass market retailers, which drove lower revenue in the channel. We continue to see indications of an over-inventoried environment in this channel and expect demand to improve as these higher inventory levels gradually work down throughout the year. In the meantime, we remain proactive in managing our manufacturing output to align inventories with market conditions. We idled our manufacturing facilities in Central America for an additional three weeks during the quarter and also operated several of them at less than full capacity and initiated related workforce reductions. Although these production curtailments come with associated expenses and margin impacts, which Nancy will touch on more in a moment, we plan to continue to leverage the flexibility we have in our vertical platform until we see better equilibrium between inventories and demand. We’ll also focus on opportunities in higher margin areas such as our ad specialty and promotional channel where we offer customers a one-stop shop for our Delta and Soffe products along with a selection of golf apparel, outerwear, work wear, hats, bags and accessories from other select brands.

Shifting gears to our Salt Life Group segment, the Salt Life team delivered record sales along with excellent bottom line performance for the quarter. The strong topline performance included over 25% growth across Salt Life’s direct-to-consumer retail and eCommerce channels as well as strong double-digit growth with its wholesale customer base. Salt Life continues to add significant new wholesale customers and its products are now sold in approximately 1,800 retail doors across 48 states and internationally. As Bob indicated in our press release, the Salt Life business truly hit on all cylinders this quarter and is off to a strong start as it moves into its spring selling season.

The momentum in Salt Life’s direct-to-consumer channels is particularly notable and the team deserves kudos for not only building out brick and mortar retail and digital footprints to keep pace with its growing consumer base across the country but doing so in a profitable manner. Salt Life currently operates 21 branded retail doors spanning Florida, Georgia, South Carolina, Texas, California, Alabama and Delaware, and is targeting 6 to 8 new openings this fiscal year including first locations in New Jersey and Virginia as well as three new full price stores and one outlet store in the Florida market. These retail locations are highly productive boxes typically averaging around $500 in sales per square foot and generating 4-wall profit in their first year of operation.

On the eCommerce side of Salt Life's direct-to-consumer business, the saltlife.com website now ships to all 50 states, including steady order flows to Midwest and Western states outside of the brand's traditional southeastern stronghold. Moreover, sales on the site during the quarter were up almost 24% over the prior year, with site traffic, order counts, and average order value all up significantly over the prior year. We expect our Salt Life eCommerce business to continue to grow and, importantly, grow profitably.

From a macro viewpoint, the Salt Life brand is clearly resonating with consumers and benefitting from the myriad of marketing initiatives the Salt Life team is advancing, including steadily growing the followings across YouTube and social channels like Instagram, as well as the brand's proprietary online content portal, The Daily Salt, and podcast, Above and Below. We continue to see a tremendous runway for growth for Salt Life across the US and internationally accompanied by operating margins in the mid-teens.

Let me now pass it over to Nancy for an overview of our financial results.

Nancy Bubanich

Thanks Justin.

For our fiscal year 2023 first quarter, net sales were $107.3 million, representing a 3.1% decline compared to the record net sales in our fiscal 2022 December quarter. However, as Bob and Justin mentioned, we did achieve double-digit sales growth across all but 1 of our 5 go-to-market channels.

Net sales in our Delta Group segment were $97.0 million, compared to $101.9 million in last year's December quarter, and were driven by record sales of $24 million in our DTG2Go channel and double-digit sales growth in our Global Brands and Retail Direct channels that was offset by the softness in Delta Direct's retail license channel.

Net sales in our Salt Life Group segment were $10.3 million, which represents 17% growth over the prior year. The double-digit increase was driven by continued organic growth in direct-to-consumer sales through the Salt Life brand's retail stores and eCommerce site, as well as growth in the wholesale channel.

Gross margins were 12.7% overall for the quarter compared to 20.8% in the prior year first quarter. The decline was driven by higher input costs in both our Activewear and DTG2Go businesses as well as a 250-basis point decline from the additional production curtailments initiated during the quarter that were partially offset by gross margin improvement in the Salt Life Group segment.

Gross margins in the Delta Group segment were 8% for the first quarter, a decline from the prior year first quarter gross margins of 18% primarily driven by the additional production curtailments as well as higher-cost inventory flowing through cost of sales, including elevated cotton, energy, dyes and chemicals, freight and labor costs.

The Salt Life Group segment's gross margins improved 370 basis points to 57.0% compared to 53.3% in the prior year first quarter. The improvement resulted from a favorable mix of sales, including increased direct-to-consumer retail store and eCommerce sales.

Selling, general, and administrative expenses were $18.9 million in the quarter, increasing 180 basis points year-over-year to 17.6% of sales. This increase was primarily driven by Salt Life retail store expansion including seven new locations opening since the prior year quarter as well as increased distribution labor and supply costs in our Activewear and Salt Life businesses. We currently expect SG&A for the full year to be generally in line with our SG&A for fiscal year 2022.

Our equity investment in the Green Valley Industrial Park in Honduras where our Ceiba Textiles facility is located provided dividends during the quarter of almost a $1 million and continues to generate profits recorded in other income that provide an excellent return on our investment in that entity.

Other income for the quarter also includes a one-time $2.5 million gain related to the settlement of a litigation claim.

We experienced an operating loss of $2.6 million for the first fiscal quarter, compared to operating income of $5.9 million in the prior year quarter, while our EBITDA for the quarter was $1.3 million compared to $9.5 million last year.

Interest expense was $2.9 million in quarter, up from the prior year first fiscal quarter expense of $1.6 million and due primarily to higher debt levels and interest rates.

Overall, we incurred a net loss for our first fiscal quarter of 2023 of $3.6 million, or $0.51 per diluted share, compared to net income of $3.6 million, or $0.51 per diluted share, in the prior year.

Turning to our balance sheet and liquidity, total inventory at quarter-end was $258.9 million, compared to $183.1 million a year ago when the market was generally in a low inventory position and transportation delays impacted the timing of deliveries in our Salt Life business. The year-over-year inventory expansion reflects higher raw material, transportation and labor cost inputs, as well as an increase in units on hand. As previously mentioned, we continue to take proactive measures in our Activewear business to balance our manufacturing output with demand and appropriately manage on-hand inventory. We expect our inventory to decrease sequentially by quarter as we progress through the year.

Net debt, including capital lease financing and cash on hand, was $185.2 million at quarter-end, up $14.6 million from September. We also expect our debt to decrease as we progress through the back half of the year.

During the quarter, we invested approximately $2 million in capital expenditures relating to Salt Life retail store openings and information technology initiatives.

Now I'll turn the call back over to Bob.

Robert W. Humphreys

Thanks Nancy.

Following two consecutive years of record Company performance, we are pleased to start our 2023 fiscal year with a solid topline quarter nearing last year's record first quarter results despite the much softer demand in our Delta Direct channel. Moving forward, we will continue to leverage the versatility of our multiple go-to-market strategies and believe we can drive organic growth through both new customer acquisition and expansion of existing customer relationships. We see tremendous potential and opportunities ahead from our investments in DTG2Go's leading-edge digital technology platform as well as Salt Life's authentic lifestyle brand positioning, and believe we are only at the beginning of the exciting growth trajectories in both of those businesses.

On the cost side, we are now seeing some welcome moderation in freight and distribution labor and expect these trends and lower-cost cotton in our inventory to positively impact profitability as we move through the back half of the year. As always, we will be keenly focused on managing our working capital and expenses, investing in our business opportunistically, and keeping the best interests of our stakeholders front of mind.

And now, operator, you can open up the call for any questions we may have.

Operator

Thank you. We will now be conducting a question-and-answer session.

Our first question today is coming from Dana Telsey from Telsey Advisory Group. Your line is now live.

Dana Telsey

Good afternoon, everyone.

Wanted to go through the puts and takes as we go through the balance of the year in terms of what you're seeing.

You mentioned the Delta Direct business being over-inventoried and demand to improve gradually. As you think of that inventory number, which was up significantly this quarter, I think, to around $258 million, how do you square the two as you go through the year? As you think about the second quarter where you mentioned that cotton costs should come down, how do you see the gross margin evolving as we go through the year?

Thank you.

Robert W. Humphreys

Okay. Several questions in there.

We see our gross margins improving sequentially by quarter throughout the fiscal year. Based on our current outlook, we would be back to a normalized, or more normalized, gross margin by the time we got to our fourth quarter. We see inventories going down sequentially, both from a unit standpoint and from a valuation standpoint as we go through the quarters.

Right now, we're shipping product with our highest-cost cotton in it, and of course, we're replacing that product with more current price cotton, so there's a significant difference in the per pound valuation in those cottons that are going out of our inventory versus what's coming in.

Those will be the big drivers of that, and we will continue to manage our manufacturing output, as we said in our call, to balance these inventories.

Dana Telsey

As you think about the customer base and the different customers, what's happening with order trends, and how do you see them changing?

Robert W. Humphreys

Well, it varies by type of customer. If you look at a product that's being sold in the mass markets, it's still very slow and very choppy, and we're not seeing a lot of people that feel like they have visibility into a forward order look. It's kind of hand-to-mouth buying when necessary.

If you look at our Global Brands customers, that business is strong from a shipment standpoint right now and ahead of last year, but we're also seeing hesitation, I'd say caution, about forward commitments as they work through their inventories.

If you just look at the apparel marketplace, while our inventories are high, and we don't like that, there's a lot of major brands out there whose inventories are much higher yet. Obviously, that has to be worked off over the course of the next year or so.

We are in our outlook—have built in a more cautionary look on our Global Brands business as our customers there work through their future inventories.

Dana Telsey

Got it. Can you give us any update on how the Fanatics partnership productivity is progressing?

Robert W. Humphreys

Well, it's progressing well. We always want to make more, and we want to make more faster. We had very strong growth in DTG2Go in the very important holiday season and shipped more product than we've ever shipped, in units and in dollar amount, and had our best quarter ever with Fanatics.

If we had been able to produce more of Fanatics and non-Fanatics, then we could have shipped more. We still had more orders than—or more capacity to sell product than we were making, and so our customers manage their order intake to make sure the service level is maintained. But in any event, there was robust demand from consumers for Fanatics and other people's e-commerce business and retailer business during the holiday season that we can fulfill through DTG2Go.

We continue to make productivity gains. Where we are today is we have capacity now that holiday is behind us to meet really full demand that is out there, and that full demand is considerably higher than it was this time last year.

Dana Telsey

Got it.

Just lastly on the balance sheet, given the current results and the loss, any adjustments to the balance sheet or how you're thinking on the puts and takes of the balance sheet side?

Robert W. Humphreys

Well, a couple of things. One is, we have dramatically reduced our capital expenditure budget for this year compared to the prior several years, so that keeps more cash in the house, and we're committed to reducing our inventories over time.

Those are the two drivers that will allow us to have a lower debt level by the time we get to fiscal year-end.

Dana Telsey

Thank you. I'll pass it on.

Operator

Thank you.

Next question is coming from Jamie Wilen from Wilen Management. Your line is now live.

Jamie Wilen

Hi, fellas.

Did you happen to mention the sales for DTG2Go for the quarter, the specific number?

Robert W. Humphreys

We did.

Nancy Bubanich

Twenty-four million.

Jamie Wilen

Twenty-four million. Okay. Obviously, a record sales quarter.

You talked about expecting to achieve your target expense ratios by the fourth quarter in that business. What are you doing to achieve it? What has to happen to get there?

Robert W. Humphreys

Well, I would say, we've got to continue to make productivity gains to run this equipment to the levels that we were expecting when we purchased it. While we've made tremendous strides over the last 15 months, you got to remember, 15 months ago, we started up with a beta test site equipment in our facility and started managing how we would develop this, and then, ultimately, the Fanatics business came in and wanted to work with us to develop that.

What we have found since then is this equipment was not ready to run in our type of production environment of seven days a week, 18 hours a day, and run at the productivity levels that we need to process it. Good strides have been made. The equipment manufacturers have had people in all of our facilities, learning and debugging and helping us build those productivity gains, but we're not yet where we need to be.

That's one of the things that we'll continue to work through and believe we have line of sight to be, not completely where we'd like to be, but where we're starting to achieve the financial performance that we expect in our fourth quarter.

We'll be transitioning to more Delta-Apparel-made blanks over the course of the next several quarters. Fanatics had a base of inventory that they needed us to process, and we've taken more time to do that than any of us expected. That hurts the profitability when we're processing that inventory that they've purchased from someone else, and then shipping cost to us, and those types of inefficiencies that we work hard to avoid in our business. Training our operators to be more efficient. Quality and quality defects need to come back down, but we're seeing good progress on that.

We've made some key hires over the last 120 days that have extensive experience in operating multiple facilities of digital printing, not necessarily on apparel, but digital printing, and we're seeing encouraging progress on that.

Jamie Wilen

The internalization rate, I assume, in the first quarter was lower than it's going to be moving forward as Fanatics was using their old inventory there.

What was your internalization rate? How much will, as that increases, have an impact on reducing your inventories to a greater extent?

Robert W. Humphreys

We used about 50% Delta-produced garments during our first quarter. I think at our peak use, we've been in the mid-70%.

There'll be some products that Fanatics wants to market that we either can't or don't want to make, so we'll never produce 100% of that. But both sides, for a lot of different reasons, want Delta to make all the garments that they can. It's just a better economic model and a simpler transaction there.

Jamie Wilen

Should that start to flow through in this quarter, or when will that actually start to happen?

Robert W. Humphreys

A little bit, but it's not going to move the needle this quarter, but by our third quarter and fourth quarter, it will start to move the needle.

Jamie Wilen

Okay. Then how do you get to where, next year, you can actually not have demand exceed capacity in the business?

Robert W. Humphreys

Well, I don't think you can, and we're not seeing that happen so far in digital print over holiday.

You think about it, you're trying to basically quadruple your output for about four weeks, and so you just think how daunting it is to have trained operators to come in and do that and make first-quality product. It just doesn't work particularly in today's labor market.

Now, the good news is our business is getting less seasonal for our digital print operations, being driven by a lot of different factors, and one of them being by the type of customers that we are going after that have a more year-round business. The more that we can get, the easier it is for us to have operators that can ramp up during holiday.

Jamie Wilen

Okay. You should see double-digit growth in subsequent quarters as well in this business?

Robert W. Humphreys

Yes.

Jamie Wilen

Okay. Moving over to Salt Life. One of the things you mentioned you had significant new wholesale customers. Could you expand on that a little bit?

Robert W. Humphreys

Well, I think it's more probably doors than necessarily customers. We continue to open up more local two or three store operations, but we are still seeing our major accounts add more doors to their portfolio that carry Salt Life.

Jamie Wilen

Okay. Your sales per store are very impressive. How many of your stores are doing more than $1 million a year right now? Could you talk about your top stores? What type of numbers they're doing, and what type of operating margins they might have at those peak numbers?

Robert W. Humphreys

Well, I'd love to tell you our best store is Estero, but Destin, Florida is right up there with it. We probably have about seven stores that are over $1 million in annual revenue, and just about all of our stores are still growing. The first quarter was choppy on same-store sales growth and some of the weather patterns that we've seen recently, but then we see weeks with outstanding same-store sales growth as well.

If you look at it at about $900,000 in revenue, it's about a 10% operating margin, but then once you get up to about $1.3 million or $1.4 million, it's about a 30% operating margin. Those things are powerful producers of cash flow and recordable earnings when they get to that level.

Jamie Wilen

Great. On inventory and production, you took three weeks of downturn. How much does it cost you per week to take things down and what…

Robert W. Humphreys

A little over a $1 million. It depends on what locations and where the fabric's coming from, and if we're taking production out of our textile facility as well. In round numbers, it's about $1.1 million per week of unscheduled downtime.

Jamie Wilen

Do you have any scheduled downtime for this first quarter? For the second quarter, excuse me?

Robert W. Humphreys

Second fiscal quarter. Yes, we do.

Jamie Wilen

Okay. As much as you took last quarter, or not ready to comment on that?

Robert W. Humphreys

No, it will be less than that, but we continue to look at a lot of ways to manage our inventory, and we'll continue to do that and look at the least disruptive way to get our inventories balanced with unit demand.

Jamie Wilen

Okay. In inventories, excluding Salt Life because you obviously have a bunch of more stores, you need a bunch more in the stores. How were units, excluding Salt Life, on inventory?

Nancy Bubanich

Compared to prior year or compared to September?

Jamie Wilen

Yes. Oh, compared to September would be better.

Nancy Bubanich

Okay. Compared to September, primarily the Delta Direct units were up. Like you said, the Salt Life retail store units were up, but also, as I mentioned, we had more imports come in for the busy Salt Life season.

As well, we have more DTG units because, the sales have increased and we're expecting them to increase.

Robert W. Humphreys

Nancy, correct me if I'm wrong, but in Activewear I believe we were up about 30%...

Nancy Bubanich

Yes.

Robert W. Humphreys

… from the prior-year level of units. Which, again, is daunting, and I'm not really comparing this to other companies we compete with, but just other people in the apparel business that I see, I'd say we're on the low side of average in unit growth in inventory, which is...

Jamie Wilen

Okay.

Robert W. Humphreys

Now, you think about the sophistications we all thought we had, I don't know how, as an industry, we were so wrong in so many places, and so many people were hoarding inventory or buying more than they needed. Then all of a sudden, the merry-go-round stopped, and everybody had too much inventory at every step.

Jamie Wilen

The inventory is all in finished goods as opposed to raw materials, or where does that stand now?

Robert W. Humphreys

Yes. It's either in finished goods or in process inventory, but the units are counted as finished goods.

Jamie Wilen

Okay. Lastly, back on Salt Life, the migration of new stores. How many do you expect per quarter, or is it all going to come near the Christmas season?

Robert W. Humphreys

No, actually, we got several that will be opening very quickly, and so our ones going up the East Coast, we have planned those to open for the season. There's no need to open them at the end of the season. We'll have a couple of new stores opening there. We've already opened a couple of new stores this fiscal year, so they'll be opening sooner than later.

Jamie Wilen

Okay. Good job. Thanks, Bob.

Operator

Thank you. The next question is coming from Sam Thompson, a Private Investor. Your line is now live.

Sam Thompson

Yes. Good afternoon.

You all issued a S3, I think, in December, ATL offering. It would be pretty brutal to raise money at these stock levels. Is there a way of avoiding that, or is that something you think you're going to have to take on in the next six months or so?

Robert W. Humphreys

No. That's a renewal of a shelf offering that's been in place for, I believe, the previous eight years, two cycles of that, and it simply was maturing, and we renewed what was in place.

Operator

Thank you. We've reached the end of our question-and-answer session.

I'd like to turn the floor back over to Management for any further or closing comments.

Robert W. Humphreys

Okay. Well, thank you for your interest today, and we'll look forward to communicating with you next quarter on second quarter results. Thank you.

Operator

Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation today.