

PHOENIX FOOTWEAR REPORTS SECOND HALF FISCAL 2022 RESULTS AND THE REFINANCING OF ITS SENIOR CREDIT FACILITY

CARLSBAD, Calif., August 12, 2022 -- Phoenix Footwear Group, Inc. (OTCMarkets.com: PXFG) today reported results for the 2022 fiscal second quarter, ended July 2, 2022.

Fiscal 2022 Second Quarter Highlights

- Net Sales for the quarter increased 3% to \$4.4 million, up from \$4.3 million in the second quarter of 2021. During 2021, due to the supply chain disruptions, the Company received much of its spring merchandise later into the season in turn shifting sales into the second quarter. Year to date, Net Sales grew 31% to \$8.9 million compared to \$6.8 million in the first half of 2021. All three of the Company's brands delivered double digit growth during the first half of 2022.
- Gross Margins for the quarter increased to 45.0%, a 110-basis point improvement from the 43.9% recorded in the first quarter of 2021. Margin improvements have been a direct result of the Company's continued sourcing migration to countries with more favorable duty rates combined with lean on hand inventories, minimizing pressure for off price sales and discounts.
- Operating Income for the fiscal quarter ended July 2, 2022, totaled \$344 thousand. Net Income for the period totaled \$60 thousand. These results compare to \$581 thousand of Operating Income for the second fiscal quarter of 2021 and Net Income of \$299 thousand. Results for the period reflect a return to a normalized cost structure as the Company exited the pandemic. For the first half of 2022, Operating Income totaled \$639 thousand compared to \$484 thousand for the comparable period in 2021.
- Phoenix also announced it has entered into a Credit Agreement with Alterna Capital Solutions LLC, to provide the Company with a new senior credit facility. The new facility will provide for additional working capital as the Company continues to grow. The Company projects this new facility will cut its interest expense approximately in half.

Commented James Riedman, CEO, "As we expected, our rate of growth moderated during the second quarter as product deliveries stabilized compared to the prior year. Entering the second half of the year we have yet to see a material slowdown of demand for our brands in the marketplace, although we are managing our inventories cautiously.

In the second quarter, we did deliver the first product under our license with Pendleton Woolen Mills. For the second half of this year, we expect Pendleton footwear will be a meaningful contributor of additional revenue.”

About Phoenix Footwear Group, Inc.

Phoenix Footwear Group, Inc., headquartered in Carlsbad, California, specializes in quality comfort women’s footwear with a design focus on fitting features. Phoenix Footwear designs, develops, markets and sells footwear in a wide range of sizes and widths under the brands Trotters® and SoftWalk®, and Bueno®. These brands are primarily sold through department stores, leading specialty and independent retail stores, mail order catalogues and internet retailers throughout the U.S. Phoenix Footwear has been engaged in the manufacture or importation and sale of quality footwear since 1882.

Forward-Looking Statements

This press release contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. These forward-looking statements include, but are not limited to, statements regarding Phoenix Footwear’s ability to repay its bank debt in a timely manner, future growth and performance of its individual brands, expected financial performance and condition for fiscal 2017 and/or statements preceded by, followed by or that include the words “believes,” “could,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “projects,” “seeks,” “exploring,” or similar expressions. Although Phoenix Footwear believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this press release will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by Phoenix Footwear or any other person that the objectives and plans of Phoenix Footwear will be achieved. All forward-looking statements included in this press release speak only as of the date of this press release and are based on Phoenix Footwear’s current expectations and projections about future events, based on information available at the time of the release, and Phoenix Footwear expressly disclaims any obligation to release publicly any update or revision to any forward-looking statement contained herein if there are changes in Phoenix Footwear’s expectations or if any events, conditions or circumstances on which any such forward-looking statement is based.

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PHOENIX FOOTWEAR GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	July 2, 2022	January 1, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7	\$ 45
Accounts receivable, net (less allowance for bad debt of \$112 and \$73 in 2022 and 2021, respectively)	3,520	3,976
Inventories (less allowance of \$196 and \$226 in 2022 and 2021, respectively)	7,484	5,977
Other current assets	804	776
Total current assets	11,815	10,774
PROPERTY, PLANT AND EQUIPMENT, net	78	92
RIGHT OF USE ASSETS, OPERATING	314	379
RIGHT OF USE ASSETS, FINANCED	66	102
OTHER ASSETS	—	—
TOTAL ASSETS	\$ 12,273	\$ 11,347
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving line of credit, current (Note 4)	\$ 4,142	\$ 3,417
Accounts payable	1,840	1,740
Accrued expenses	872	797
Returns and allowances liability	1,307	1,330
Current portion of right of use obligations, operating	150	145
Current portion of right of use obligations, financed	111	109
Current portion of convertible debt	2,293	2,244
Current portion of long term debt	—	37
Total current liabilities	10,715	9,819
OTHER LONG-TERM LIABILITIES		
Term notes payable, net of current portion (Note 4)	—	—
Convertible debt	—	—
Right of use obligations, operating, net of current portion	228	304
Right of use obligations, financed, net of current portion	13	69
Other non-current liabilities	22	34
Total liabilities	10,978	10,226
Commitments and contingencies (Note 3)		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.01 par value — 50,000 shares authorized; 13,799 and 13,380 shares issued and outstanding in 2022 and 2021	138	134
Additional paid-in-capital	48,367	48,315
Accumulated deficit	(44,567)	(44,685)
Treasury stock at cost, 217 shares in 2022 and 2021	(2,643)	(2,643)
Total stockholders' equity	1,295	1,121
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 12,273	\$ 11,347

PHOENIX FOOTWEAR GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net sales	\$ 4,447	\$ 4,314	\$ 8,941	\$ 6,813
Cost of goods sold	2,447	2,418	4,950	3,946
Gross profit	2,000	1,896	3,991	2,867
Operating expenses:				
Selling, general and administrative	1,657	1,315	3,352	2,383
Other expense, net	—	—	—	—
Total operating expenses	1,656	1,315	3,352	2,383
Operating income	344	581	639	484
Interest expense, net	284	282	521	547
Income (loss) before income taxes	60	299	118	(63)
Income tax expense (benefit)	—	—	—	—
Net income (loss)	\$ 60	\$ 299	\$ 118	\$ (63)
Net income (loss) per share	\$ 0.00	\$ 0.02	\$ 0.01	\$ (0.01)
Weighted average shares outstanding used to calculate per share information	13,255	13,535	13,210	13,038
Net income (loss)	\$ 60	\$ 299	\$ 118	\$ (63)