

PHOENIX FOOTWEAR REPORTS FISCAL 2022 YEAR END RESULTS

CARLSBAD, Calif., March 31, 2023 -- Phoenix Footwear Group, Inc. (OTCMarkets.com: PXFG) today reported results for the 2022 fiscal year, ended December 31, 2022.

“For the second year in a row our team delivered top line revenue growth exceeding 30%. Combined with effective management of our product and operating costs, this growth led to Operating Income of \$1.8 million and EBITDA in excess of \$2.1 million, a margin of 10%.

“I want to thank our team for their outstanding efforts and look forward to another successful year in 2023.”, commented James Riedman, CEO.

Fiscal Year 2021 Highlights

- Net Sales for fiscal 2022 increased 34% to \$21.7 million, up from \$16.2 million in the previous year. The Company generated double digit growth in each of its three brands Trotters, Softwalk and Bueno. The launch of Pendleton during the year also contributed to the Company’s growth.
- Gross Margins improved to 41.1% for fiscal 2022, compared to 40.9% in fiscal 2021 even with the dilutive impact of Pendleton sales.
- Operating Income for the fiscal year ended December 31, 2022 totaled \$1.8 million. Operating Income for the prior year totaled \$2.0 million which included the benefit of \$600 thousand of PPP loan forgiveness.
- Net Income for the period totaled \$1,429 thousand. Included in Net Income is a pending tax credit of \$699 thousand as a result of the Company’s participation in the Employee Retention Tax Credit program. These results compare to Net Income for the fiscal 2021 year of \$899 thousand, inclusive of \$600 thousand of PPP forgiveness.
- EBITDA for fiscal 2022 totaled \$2.1 million, an operating margin of 10%.

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 for per share data)

	December 31, 2022	January 1, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9	\$ 45
Accounts receivable, net (less allowance for bad debt of \$48 and \$73 in 2022 and 2021, respectively)	5,488	3,976
Inventories (less allowance of \$231 and \$226 in 2022 and 2021, respectively)	10,147	5,977
Income Tax Receivable – Employee Retention Tax Credit (Note 2)	699	—
Other current assets	847	776
Total current assets	17,190	10,774
PROPERTY, PLANT AND EQUIPMENT, net	65	92
RIGHT OF USE ASSETS, OPERATING	249	379
RIGHT OF USE ASSETS, FINANCED	48	102
TOTAL ASSETS	\$ 17,552	\$ 11,347
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving line of credit, current (Note 5)	\$ 7,484	\$ 3,417
Accounts payable	2,229	1,740
Accrued expenses	1,078	797
Returns and allowances liability	1,413	1,330
Current portion of right of use obligations, operating	157	145
Current portion of right of use obligations, financed	72	109
Current portion of convertible debt	—	2,244
Current portion of long term debt	—	37
Income Tax Payable	7	—
Total current liabilities	12,440	9,819
OTHER LONG-TERM LIABILITIES		
Term notes payable, net of current portion (Note 5)	—	—
Convertible debt (related parties)	2,333	—
Right of use obligations, operating, net of current portion	147	304
Right of use obligations, financed, net of current portion	14	69
Other non-current liabilities	12	34
Total liabilities	14,946	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	(43,256)	(44,685)
Treasury stock at cost, 217 shares in 2022 and 2021	(2,643)	(2,643)
Total stockholders' equity	2,606	1,121
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 17,552	\$ 11,347

PHOENIX FOOTWEAR GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Years Ended	
	December 31, 2022	January 1, 2022
Net sales	\$ 21,707	\$ 16,166
Cost of goods sold	<u>12,793</u>	<u>9,551</u>
Gross profit	8,914	6,615
Operating expenses:		
Selling, general and administrative	<u>7,132</u>	<u>4,613</u>
Total operating expenses	<u>7,132</u>	<u>4,613</u>
Operating income	1,782	2,002
Non-operating other (income) - Employee Retention Tax Credit	(699)	—
Interest expense, net	<u>1,031</u>	<u>1,106</u>
Income before income taxes	1,450	896
Income tax (expense) benefit	<u>(21)</u>	<u>3</u>
Net income	<u>\$ 1,429</u>	<u>\$ 899</u>
Net income per share:		
Basic	<u>\$ 0.11</u>	<u>\$ 0.07</u>
Diluted	<u>0.05</u>	<u>0.03</u>
Weighted average shares outstanding used to calculate per share information:		
Basic	13,396	13,101
Diluted	<u>37,508</u>	<u>36,192</u>

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