

PHOENIX FOOTWEAR REPORTS FISCAL 2023 SECOND QUARTER RESULTS

CARLSBAD, Calif., August 10, 2023 -- Phoenix Footwear Group, Inc. (OTCMarkets.com: PXFG) today reported results for the 2023 fiscal second quarter, ended July 1, 2023.

Fiscal Year 2023 Highlights

- Net Sales for the quarter increased 5.2% to \$4.7 million. For the first half of fiscal 2023, Net Sales grew 13.3% to \$10.1 million, up from \$8.9 million in the first half of 2022. During the second quarter, the Company continued to generate growth in Trotters and Bueno, while Softwalk was flat.
- Gross Margins decreased to 37.6% for the fiscal second quarter 2023, compared to 44.9% in fiscal 2022. Margins during the quarter were significantly impacted by the final sale of discontinued inventory of the Company's SAVA brand.
- Operating Income for the second quarter totaled \$31 thousand, a decrease of \$313 thousand compared to the second quarter of 2022.

Commented James Riedman, CEO "We are encouraged by our continued growth as we head into the second half of the 2023. Despite an uncertain retail landscape, our team delivered 13% growth for the season and we remain optimistic about the outlook for fall. We are in the midst of an initiative to migrate some of our fulfillment to a third-party facility and our actions liquidating inventory during the quarter are part of this effort. While impacting us negatively in the near term, this effort should lead to significantly improved margins over the longer term."

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)

	July 1, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 37	\$ 9
Accounts receivable, net (less allowance for bad debt of \$51 and \$48 in 2023 and 2022, respectively)	3,785	5,488
Inventories (less allowance of \$211 and \$231 in 2023 and 2022, respectively)	9,520	10,147
Income tax receivable – Employee Retention Tax Credit (Note 2)	813	813
Other current assets	689	847
Total current assets	14,844	17,304
PROPERTY, PLANT AND EQUIPMENT, net	53	65
RIGHT OF USE ASSETS, OPERATING	179	249
RIGHT OF USE ASSETS, FINANCED	16	48
TOTAL ASSETS	\$ 15,092	\$ 17,666
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving line of credit, current (Note 4)	\$ 6,011	\$ 7,484
Accounts payable	1,856	2,229
Consultant contingency fee for Employee Retention Tax Credit (Note 2)	114	114
Accrued expenses	1,013	1,078
Returns and allowances liability	1,018	1,413
Current portion of right of use obligations, operating	81	157
Current portion of right of use obligations, financed	16	72
Current portion of convertible debt	—	—
Current portion of long term debt	—	—
Income Tax Payable	—	7
Total current liabilities	10,109	12,554
OTHER LONG-TERM LIABILITIES		
Term notes payable, net of current portion (Note 4)	—	—
Convertible debt (related parties)	2,333	2,333
Right of use obligations, operating, net of current portion	147	147
Right of use obligations, financed, net of current portion	14	14
Other non-current liabilities	—	12
Total liabilities	12,603	15,060
Commitments and Contingencies (Note 3)		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.01 par value — 50,000 shares authorized; 14,727 and 13,799 shares issued and outstanding in 2023 and 2022	147	138
Additional paid-in-capital	48,461	48,367
Accumulated deficit	(43,476)	(43,256)
Treasury stock at cost, 217 shares in 2023 and 2022	(2,643)	(2,643)
Total stockholders' equity	2,489	2,606
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 15,092	\$ 17,666

PHOENIX FOOTWEAR GROUP, INC.

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

	(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net sales	\$ 4,680	\$ 4,447	\$ 10,131	\$ 8,941
Cost of goods sold	2,919	2,447	6,210	4,950
Gross profit	1,761	2,000	3,921	3,991
Operating expenses:				
Selling, general and administrative	1,730	1,656	3,680	3,352
Other expense, net	—	—	—	—
Total operating expenses	1,730	1,656	3,680	3,352
Operating income	31	344	241	639
Interest expense, net	226	284	461	521
Income (loss) before income taxes	(195)	60	(220)	118
Income tax expense (benefit)	—	—	—	—
Net income (loss)	\$ (195)	\$ 60	\$ (220)	\$ 118
Net income (loss) per share	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ 0.01
Weighted average shares outstanding used to calculate per share information	14,305	13,255	13,863	13,210
Net income (loss)	\$ (195)	\$ 60	\$ (220)	\$ 118

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