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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to _______________

Commission File Number 001-05869

SUPERIOR GROUP OF COMPANIES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Florida (State or Other Jurisdiction of Incorporation or Organization)	**11-1385670** (I.R.S. Employer Identification No.)

200 Central Avenue, Suite 2000
St. Petersburg, Florida 33701
(Address of Principal Executive Offices, including Zip Code)

Registrant's telephone number, including area code: (727) 397-9611

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	**SGC**	NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act: N/A

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐	Smaller Reporting Company ☒	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

At June 30, 2023, the aggregate market value of the registrant's common shares held by non-affiliates, computed by reference to the last sales price of $9.34 as reported by the NASDAQ Stock Market, was approximately $107.2 million (based on the assumption, solely for purposes of this computation, that all directors and officers of the registrant were affiliates of the registrant).

The number of shares of common stock outstanding as of February 27, 2024 was 16,709,591 shares.

Documents Incorporated by Reference:

Portions of the registrant's Definitive Proxy Statement to be filed with the Commission not later than 120 days after the conclusion of the registrant's fiscal year ended December 31, 2023, relating to its 2024 Annual Meeting of Shareholders, are incorporated by reference to furnish the information required by Items 10, 11, 12, 13 and 14 of Part III.

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PART I

Special Note Regarding Forward-Looking Statements

Certain matters discussed in this Form 10-K are “forward-looking statements” intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified by use of the words “may,” “will,” “should,” “could,” “expect,” “anticipate,” “estimate,” “believe,” “intend,” “project,” “potential,” or “plan” or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements in this Form 10-K may include, without limitation: (1) projections of revenue, income, and other items relating to our financial position and results of operations, including short-term and long-term plans for cash (2) statements of our plans, objectives, strategies, goals and intentions, (3) statements regarding the capabilities, capacities, market position and expected development of our business operations and (4) statements of expected industry and general economic trends.

Such forward-looking statements are subject to certain risks and uncertainties that may materially adversely affect the anticipated results. Such risks and uncertainties include, but are not limited to, the following: the impact of competition; uncertainties related to supply disruptions, inflationary environment (including with respect to the cost of finished goods and raw materials and shipping costs), employment levels (including labor shortages), and general economic and political conditions in the areas of the world in which the Company operates or from which it sources its supplies or the areas of the United States of America (“U.S.” or “United States”) in which the Company’s customers are located; changes in the healthcare, retail chain, food service, transportation and other industries where uniforms and service apparel are worn; our ability to identify suitable acquisition targets, discover liabilities associated with such businesses during the diligence process, successfully integrate any acquired businesses, or successfully manage our expanding operations; the price and availability of raw materials; attracting and retaining senior management and key personnel; the effect of the Company’s previously disclosed material weakness in internal control over financial reporting; the Company’s ability to successfully remediate its material weakness in internal control over financial reporting and to maintain effective internal control over financial reporting; and those risks discussed under Item 1A of this report entitled “Risk Factors.” Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements made herein and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date of this Form 10-K and we disclaim any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances, except as may be required by law.

Item 1. Business

Overview

Superior Group of Companies, Inc. (together with its subsidiaries, “the Company,” “Superior,” “we,” “our,” or “us”) was organized in 1920 and was incorporated in 1922 as a New York company under the name Superior Surgical Mfg. Co., Inc. In 1998, the Company changed its name to Superior Uniform Group, Inc. and redomiciled to Florida. In 2018, the Company changed its name to Superior Group of Companies, Inc.

On May 1, 2022, the Company, through BAMKO, acquired substantially all of the assets of Guardian Products, Inc. (“Guardian”) based in Norcross, Georgia. Guardian is a branded merchandise company that is one of the leading providers of promotional products to automotive dealers nationwide.

Superior is comprised of three reportable business segments: (1) Branded Products, (2) Healthcare Apparel, and (3) Contact Centers.

Superior’s Branded Products segment, primarily through its signature marketing brands BAMKO® and HPI®, produces and sells customized merchandise, promotional products and branded uniform programs. Branded products are manufactured through third parties or in Superior’s own facilities, and are sold to customers in a wide range of industries, including chain retailer, food service, entertainment, technology, transportation and a wide range of other industries. The segment currently has sales offices in the United States, Canada, Brazil, the United Kingdom and Colombia, with support services in China and India.

Superior’s Healthcare Apparel segment, primarily through its signature marketing brands Fashion Seal Healthcare®, CID Resources and Wink™, and its license with Carhartt® manufactures (through third parties or in its own facilities) and sells a wide range of healthcare apparel, such as scrubs, lab coats, protective apparel and patient gowns. This segment sells healthcare service apparel to healthcare laundries, dealers, distributors and physical and e-commerce retailers primarily in the United States.

Superior’s Contact Centers segment, through multiple The Office Gurus® entities, including subsidiaries in El Salvador, Belize, Jamaica, Dominican Republic and the United States (collectively, “TOG”), provides outsourced, nearshore business process outsourcing, contact and call-center support services to North American customers.

Products

The Company produces and manufactures (through third parties or in its own facilities) and sells a wide range of promotional products and branded uniforms in its Branded Products segment and healthcare apparel and accessories in its Healthcare Apparel segment.

The Company's principal products segments are:

Branded Products Segment:

Customized products to support:

- Branded marketing programs;
- Gifts with purchase;
- Branded uniform programs;
- Corporate awards, incentives and recognition programs;
- Event promotions;
- Employee and consumer rewards and incentives; and
- Specialty packaging and displays.

Healthcare Apparel Segment:

Career and service apparel for personnel of hospitals and healthcare facilities, such as:

- Fashionable scrubs;
- Institutional scrubs;
- Laboratory coats;
- Patient gowns;
- Miscellaneous products for use by linen suppliers and industrial launderers (e.g. industrial laundry bags);
- Clean room apparel;
- Personal protective equipment (e.g.; isolation gowns and barrier fabric lab wear); and
- Other mission-critical apparel to healthcare laundries, institutions and professionals.

Our products are either distributed through our distribution centers in the United States or shipped directly from our vendors to our customers.

For a depiction of net sales from external customers, Segment Adjusted EBITDA and total assets by segment for the years ended December 31, 2023 and 2022, please refer to Note 17 to our Consolidated Financial Statements included in Part II, Item 8 ("Financial Statements and Supplementary Data") (collectively referred to as "Financial Statements," and individually referred to as "statements of comprehensive income (loss)," "balance sheets," "statements of shareholders' equity," and "statements of cash flows" herein).

During the years ended December 31, 2023 and 2022, our Branded Products segment accounted for approximately 63% and 67%, respectively, of net sales. During the years ended December 31, 2023 and 2022, our Healthcare Apparel segment accounted for approximately 21% and 20%, respectively, of net sales.

For more information on our reportable business segments, please refer to " *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Business Outlook,*" which disclosure is incorporated herein by reference.

Services

Through the recruitment and employment of highly qualified English, Spanish and bilingual-speaking agents, we provide our customers with outsourced, nearshore business process outsourcing, contact and call-center support services to North American customers in our Contact Centers segment. During the years ended December 31, 2023 and 2022, our Contact Centers segment accounted for approximately 16% and 13%, respectively, of net sales.

Competition

Superior competes in its Branded Products segment with a multitude of national and regional companies, such as, BDA, Inc., HALO Branded Solutions, Inc., Staples, Inc., Cimpress PLC, HH Global Group Limited, Lands' End, Inc. and Workwear Outfitters, LLC. Superior also competes with local firms in most major metropolitan areas. The nature and degree of competition varies with the customer and the market. We believe our creative services, product development, proprietary web and technology capabilities and extensive global sourcing network, along with our major brands, enable us to be competitive and grow in this market.

Major competitors for our Healthcare Apparel segment include companies such as Medline Industries, Inc., Careismatic Brands, Barco Uniforms, Inc., FIGS, Inc., Encompass Medical and Standard Textile Co., Inc. We are a significant supplier of caregiver and patient apparel to hospitals, laundries and distributors that service hospitals and consumers. We believe that the strength of our brands and marketing, coupled with the quality of our products, allow us to compete effectively.

The market in which our Contact Centers segment operates has evolved into a global multi-billion dollar marketplace that is highly competitive and fragmented. TOG's competitors in the Contact Centers segment range in size from very small firms offering specialized services or short-term project completion to very large firms, and include the in-house operations of many customers and potential customers. We compete directly and indirectly with various companies that provide contact center and other business process solutions on an outsourced basis such as TaskUs, Transparent BPO, Concentrix + Webhelp, Focus Services, Ubiquity, CCI and RDI. TOG also competes with local entities in other offshore locations. The list of potential competitors includes both publicly traded and privately held companies.

Customers

Branded Products, Healthcare Apparel and Contact Centers segments have a substantial number of customers, none of which accounted for more than 10% of each segment's 2023 net sales.

Resources Material to Our Business

Raw Materials

The principal fabrics used in the manufacture of finished apparel goods for Superior's Branded Products segment and Healthcare Apparel segments are cotton, polyester, spandex, cotton-synthetic and poly-synthetic blends. The majority of such fabrics are sourced in China. If Superior or its suppliers are unable to source raw materials from China, it could significantly disrupt Superior's business as it also would for our competitors.

Superior does not have a concentration of suppliers of finished apparel in any single country or region of the world, however, it does contract to manufacture or source the majority of its apparel in Bangladesh, China, Haiti, Madagascar, Vietnam and the United States. Additionally, we generally source or manufacture apparel in parts of the world that may be affected by economic uncertainty, political unrest, labor disputes, health emergencies, or the imposition of duties, tariffs or other import regulations by the United States. The Company believes that its vast redundant network of suppliers, including its own manufacturing facilities in Haiti, provide sufficient capacity to mitigate most dependency risks on a single supplier.

The Branded Products segment also relies on the supply of other types of raw materials, including plastic, glass and metal. The vast majority of these raw materials are principally sourced from China, either directly by BAMKO or its suppliers. If we are unable to continue to obtain our raw materials and finished products from China or if our suppliers are unable to source raw materials from China, it could significantly disrupt our business.

Prices within the promotional products industry can be directly affected by the cost of raw materials. The market for promotional products is price sensitive and has historically exhibited price and demand cyclicality. The Branded Products segment has flexibility in its suppliers, as other suppliers of the same or similar products are widely available. Additionally, the nature of the promotional products industry is such that should specific types of raw materials undergo significant cost increases, it is possible that alternative products using different materials could be utilized for similar promotional activities. However, if cost increases cannot be entirely passed on to customers and alternative suppliers or suitable product alternatives are unavailable, profit margins could decline.

Intellectual Property

Superior owns and uses several trade names, trademarks and service marks relating to its brands that have significant value and are instrumental to its ability to market its products. Superior's most significant trade names are BAMKO® and HPI® within the Branded Products segment, CID Resources within the Healthcare Apparel segment and The Office Gurus® within the Contact Centers segment. Superior's most significant trademarks, which are critically important to the marketing and operation of Superior's Healthcare Apparel segment, are Fashion Seal Healthcare® and Wink™. For the year ended December 31, 2023, Fashion Seal Healthcare (presently registered with the United States Patent and Trademark Office until 2029) and Wink™ represented approximately 39% and 43%, respectively, of sales in that segment.

Seasonal Fluctuations

Our results of operations have not historically reflected material seasonal tendencies and we do not believe that seasonal fluctuations will have a material impact on us in the foreseeable future.

Effects of Compliance with Government Regulations

Trade Regulations

As disclosed above, the Company's suppliers generally source or manufacture finished goods in parts of the world that may be affected by the imposition of duties, tariffs or other import regulations by the United States. The Company believes that its redundant network of suppliers, including its own manufacturing facilities in Haiti, provide sufficient capacity to mitigate any dependency risks on a single supplier.

The Branded Products segment relies on raw materials that are principally sourced from China, either directly by BAMKO or its suppliers. If we are unable to continue to obtain our raw materials and finished products from China or if our suppliers are unable to source raw materials from China, it could significantly disrupt our business. Further, we are affected by economic, political and other conditions in China and the United States, including those resulting in the imposition or increase of import duties, tariffs and other import regulations and those relating to widespread health emergencies and deteriorating diplomatic relations with China, which could have a material adverse effect on this business segment.

Environmental Matters

Compliance with federal, state, and local laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has had no material effect upon our operations or earnings, capital expenditures or competitive position and we do not expect it to have a material impact in the foreseeable future.

Human Capital Resources

The Company's key human capital management objectives are to attract, retain and develop quality talent. To support these objectives, the Company's human resources initiatives are designed to: keep people safe and healthy; enhance the Company's culture; acquire and retain diverse talent; reward and support employees through competitive pay, benefits and other programs; and develop talent to prepare them for critical roles and leadership positions.

As of December 31, 2023, the Company had approximately 6,900 employees worldwide, of which approximately 6,800 were full-time employees and approximately 100 were part-time employees. As of December 31, 2023, approximately 830 employees were employed in the U.S. and approximately 6,070 employees were employed in foreign countries. The Contact Centers segment has the Company's largest labor force at approximately 4,300 full-time employees as of December 31, 2023.

Available Information

The Company maintains an internet website at the following address: www.superiorgroupofcompanies.com. The information on the Company's website is not incorporated by reference in this annual report on Form 10-K.

We make available on or through our website certain reports and amendments to those reports that we file with or furnish to the Securities and Exchange Commission (the "SEC") in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and Section 16 filings, and amendments thereto, by our officers, directors and 10% shareholders. We make this information available on our website free of charge as soon as reasonably practicable after we or they electronically file the information with, or furnish it to, the SEC. We also provide electronic copies of such filings free of charge upon request.

Item 1A. Risk Factors

Our business, operations and financial condition are subject to various risks, and many of those risks are driven by factors that we cannot control or predict. The following discussion addresses those risks that management believes are the most significant. You should take these risks into account in evaluating or making any investment decision involving the Company. Additional risks and uncertainties not presently known or that we currently believe to be less significant may also adversely affect us.

Risks Relating to Our Business and Operations

Shortages of sourced goods or raw materials from suppliers, interruptions in our manufacturing, and local conditions in the countries in which we operate could adversely affect our results of operations.

An interruption in any of our supply sources or facilities, such as widely occurred during 2021, could adversely affect our results of operations until alternate sources or facilities can be secured. Principal raw materials used to manufacture the Company's products include cotton, polyester, spandex, cotton-synthetic, poly-synthetic blends, textiles, plastic, glass, fabric and metal.

The majority of such raw materials are sourced in China, either directly by us or our suppliers. If we are unable to source our raw materials and finished products from China or if our suppliers are unable to source raw materials from China, it could significantly disrupt our business.

Furthermore, the Company and the Company's suppliers generally source or manufacture finished goods in parts of the world that have been and may be in the future affected by economic uncertainty, political unrest, logistical challenges (such as port strikes and embargos), foreign currency fluctuations, labor disputes, health emergencies, or the imposition of duties, tariffs or other import regulations by the United States, any of which could result in additional cost or limit our supply of necessary goods and raw materials.

See also "*Risks Relating to Our Industries - Increases in the price of finished goods, raw materials and labor used to manufacture our products could materially increase our costs and decrease our profitability*."

Our success depends upon the continued protection of our trade names, trademarks and other intellectual property rights and we may be forced to incur substantial costs to maintain, defend, protect and enforce our intellectual property rights.

Our owned intellectual property and certain of our licensed intellectual property have significant value and are instrumental to our ability to market our products. Our most significant trade names are BAMKO® and HPI® within the Branded Products segment, CID Resources within the Healthcare Apparel segment and The Office Gurus® within the Contact Centers segment. Our most significant trademarks, which are critically important to the marketing and operation of Superior's Healthcare Apparel segment, are Fashion Seal Healthcare® and Wink™. For the year ended December 31, 2023, Fashion Seal Healthcare and Wink represented approximately 39% and 43%, respectively, of sales in that segment.

We cannot assure that our owned or licensed intellectual property or the operation of our business does not infringe on or otherwise violate the intellectual property rights of others. It is possible that third parties will assert claims against us on such basis; if they do we cannot assure you that we will be able to successfully resolve such claims. In addition, although we seek international protection of our intellectual property, the laws of some foreign countries do not allow us to protect, defend or enforce our intellectual property rights to the same extent as the laws of the United States. We could also incur substantial costs to defend legal actions relating to the use of our intellectual property or prosecute legal actions against others using our intellectual property, either of which could have a material adverse effect on our business, results of operations or financial condition. There also is no guarantee that we will be able to negotiate and conclude extensions of existing license agreements on similar economic terms or at all.

Our customers may cancel or decrease the quantity of their orders, which could negatively impact our operating results.

Sales to many of our customers are on an order-by-order basis. If we cannot fill customers' orders on time, orders may be cancelled and relationships with customers may suffer, which could have an adverse effect on us, especially if the relationship is with a major customer. Furthermore, if any of our customers experience a significant downturn in their business, or fail to remain committed to our programs or brands, the customer may reduce or discontinue purchases from us, which has happened. The reduction in the amount of our products purchased by customers could have a material adverse effect on our business, results of operations or financial condition.

In addition, some of our customers have, from time to time experienced significant changes and difficulties, including consolidation of ownership, increased centralization of buying decisions, buyer turnover, restructurings, bankruptcies and liquidations. A significant adverse change in a customer relationship or in a customer's financial position could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer's receivables or limit our ability to collect amounts related to previous purchases by that customer, all of which could have a material adverse effect on our business, results of operations or financial condition.

If we experience problems with our distribution systems, our ability to meet customer expectations, manage inventory and complete sales may be harmed.

Our products are either distributed through our distribution centers in the United States or shipped directly from our vendors to our customers. Our distribution centers and storage locations include computer-controlled and automated equipment and rely on warehouse management systems to manage supply chain fulfillment operations, which means our operations are complicated, require coordination between our distribution centers and storage locations and are subject to a number of risks related to cybersecurity, the proper operation of software and hardware, including connections between software and/or hardware, electronic or power interruptions or other system failures. We maintain business interruption insurance, but it may not adequately protect us from the adverse effects that could result from significant disruptions to our distribution system, such as the long-term loss of customers or an erosion of our brand image. Moreover, if we are unable to adequately staff our distribution centers to meet demand or if the cost of such staffing is higher than historical or projected costs, our results of operations could be harmed.

Operating a distribution center comes with additional potential risks, such as workplace safety issues and employment claims for the failure or alleged failure to comply with labor laws or laws respecting union organizing activities. If we encounter problems with our distribution systems, our ability to meet customer expectations, manage inventory and fulfillment capacity, complete sales and fulfill orders in a timely manner could be harmed, which could also harm our reputation and our relationship with our customers.

If we are unable to accurately forecast customer demand, manage our inventory and plan for future expenses, our results of operations could be adversely affected.

We base our current and future inventory needs and expense levels on our operating forecasts and estimates of future demand. To ensure adequate inventory supply, we must be able to forecast inventory needs and expenses and place orders sufficiently in advance with our suppliers and manufacturers, based on our estimates of future demand for particular products. Our ability to forecast demand for our products has from time to time been and will continue to be affected by various factors, including unanticipated changes in general market conditions, and economic conditions or consumer confidence in future economic conditions. Failure to accurately forecast demand may result in inefficient inventory supply or increased costs.

In addition, if we experience increased volatility in shipping times from our suppliers and manufacturers and/or production disruptions, we may experience a shortage of products available for sale. Alternatively, if we advance the timing of inventory shipments to mitigate perceived freight transit time volatility and/or sales below our expectations, we may experience excess inventory levels. Inventory levels in excess of customer demand may also result in inventory write-downs or write-offs (as occurred in 2022) and the sale of excess inventory at discounted prices, which would cause our gross margin to suffer and could impair the strength and premium nature of our brands.

Further, lower than forecasted demand could also result in excess manufacturing capacity or reduced manufacturing efficiencies, which could result in lower margins. Conversely, if we underestimate customer demand, our suppliers and manufacturers may not be able to deliver products to meet our requirements, and we may be subject to higher costs in order to secure the necessary production capacity or we may incur increased shipping costs. An inability to meet customer demand and delays in the delivery of our products to our customers could result in reputational harm and damaged customer relationships and have an adverse effect on our business, financial condition and results of operations.

We pursue acquisitions from time-to-time to expand our business, which may pose risks to our business.

We selectively pursue acquisitions from time-to-time as part of our growth strategy. We compete with others within our industries for suitable acquisition candidates. This competition may increase the price of acquisitions and reduce the number of acquisition candidates available to us. As a result, acquisition candidates may not be available to us in the future on favorable terms.

Acquisition valuations require us to make certain estimates and assumptions to determine the fair value of the acquired entities (including the underlying assets and liabilities). If our estimates or assumptions on the valuation of the acquired assets and liabilities are not accurate, we may be exposed to losses, and/or unexpected usage of cash flow to fund the operations of the acquired businesses that may be material.

Even if we are able to acquire businesses on favorable terms, managing growth through acquisitions is a difficult process that includes: integration and training of personnel, combining facility and operating procedures, and additional processes related to the integration of acquired businesses within our existing organization.

Unanticipated issues related to integration may result in additional expense and in disruption to our operations, and may require a disproportionate amount of our management’s attention, any of which could negatively impact our ability to achieve anticipated benefits, such as revenue and cost synergies.

Growth of our business through acquisition generally increases our operating complexity and the level of responsibility for both existing and new management personnel. Managing and sustaining our growth and expansion may require substantial enhancements to our operational and financial systems and controls, as well as additional administrative, operational and financial resources. We may be required to invest in additional support personnel, facilities and systems to address the increased complexities associated with business or segment expansion. These investments could result in higher overall operating costs and lower operating profits for the business as a whole. There can be no assurance that we will be successful in integrating acquired businesses or managing our expanding operations.

In addition, although we conduct due diligence investigations prior to each acquisition, there can be no assurance that we will discover or adequately protect against all material liabilities of an acquired business for which we may be responsible as a successor owner or operator. The failure to identify suitable acquisitions, discover liabilities associated with such businesses in the diligence process, successfully integrate these acquired businesses, or successfully manage our expanding operations, could adversely affect our business, results of operations or financial condition.

In order to finance such acquisitions, we may need to obtain additional funds either through public or private financings, including bank and other secured and unsecured borrowings and/or the issuance of equity or debt securities. There can be no assurance that such financings would be available to us on reasonable terms. Any future issuances of equity securities or debt securities with equity features may be dilutive to our shareholders.

If our information technology systems suffer interruptions or failures, including as a result of cyber-attacks, our business operations could be disrupted and our reputation, results of operations and/or financial condition could suffer.

We rely on information technology systems to process transactions, communicate with customers, manage our business and process and maintain information. The measures we have in place to monitor and protect our information technology systems might not provide sufficient protection from catastrophic events, power surges, viruses, malicious software (including ransomware), attempts to gain unauthorized access to data or other types of cyber-based attacks. As cyber-attacks become more frequent, sophisticated, damaging and difficult to predict, any such event could negatively impact our business operations, such as by product disruptions that result in an unexpected delay in operations, interruptions in our ability to deliver products and services to our customers, loss of confidential or otherwise protected information, corruption of data and expenses related to the repair or replacement of our information technology systems. Compromising and/or loss of information could result in loss of sales or legal or regulatory claims which could adversely affect our revenues and profits or damage our reputation.

Failure to comply with data privacy and security laws and regulations could adversely affect our operating results and business.

In the ordinary course of our business, we might collect and store in our internal and external data centers, cloud services and networks sensitive data, including our proprietary business information and that of our customers, suppliers and business partners, as well as personal information of our customers, employees and others. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. The number and sophistication of attempted attacks and intrusions that companies have experienced from third parties has increased over the past few years. Despite our security measures, it is impossible for us to eliminate this risk.

Many U.S. states have enacted data privacy and security laws and regulations that govern the collection, use, disclosure, transfer, storage, disposal, and protection of personal information, such as social security numbers, financial information and other sensitive personal information. For example, all 50 states and several U.S. territories now have data breach laws that require timely notification to affected individuals, and at times regulators, credit reporting agencies and other bodies, if a company has experienced the unauthorized access or acquisition of certain personal information. Other state laws include the California Consumer Privacy Act, as amended (“CCPA”). The CCPA, among other things, contains disclosure obligations for businesses that collect personal information about California residents and affords those individuals new rights relating to their personal information that may affect our ability to collect and/or use personal information. Other states and the federal government are considering new data privacy and/or security laws. We will continue to monitor and assess the impact of these laws, which may impose substantial penalties for violations, impose significant costs for investigations and compliance, allow private class-action litigation and carry significant potential liability for our business.

Data protection laws enacted outside of the U.S., such as the EU General Data Protection Regulation (the “GDPR”), also might apply to some of our operations or business partners. Legal requirements in these countries relating to the collection, storage, processing and transfer of personal data/information continue to evolve. The GDPR imposes, among other things, data protection requirements that include strict obligations and restrictions on the ability to collect, analyze and transfer EU personal data/information, a requirement for prompt notice of data breaches to data subjects and supervisory authorities in certain circumstances, and possible substantial fines for any violations (including possible fines for certain violations of up to the greater of 20 million Euros or 4% of total company revenue). Other governmental authorities around the world have enacted or are considering similar types of legislative and regulatory proposals concerning data protection.

The interpretation and enforcement of the laws and regulations described above are uncertain and subject to change, and may require substantial costs to monitor and implement and maintain adequate compliance programs. Failure to comply with U.S. and international data protection laws and regulations could result in government enforcement actions (which could include substantial civil and/or criminal penalties), private litigation and/or adverse publicity and could negatively affect our operating results and business.

We are subject to international, federal, national, regional, state, local and other laws and regulations, and failure to comply with them may expose us to potential liability.

We are subject to international, federal, national, regional, state, local and other laws and regulations affecting our business, including but not limited to those promulgated under the Occupational Safety and Health Act, the Consumer Product Safety Act, the Flammable Fabrics Act, the Textile Fiber Product Identification Act, the rules and regulations of the Consumer Products Safety Commission, the Food, Drug, and Cosmetic Act, the rules and regulations of the Food and Drug Administration (FDA), the Foreign Corrupt Practices Act of 1977 (FCPA), various securities laws and regulations including but not limited to the Securities Exchange Act of 1934, the Securities Act of 1933, and the Nasdaq Stock Market LLC Rules, various labor, workplace and related laws, and environmental laws and regulations. Failure to comply with such laws and regulations may expose us to potential liability and have an adverse effect on our results of operations.

Our business may be impacted by non-performance by manufacturers to whom we made advance payments.

We have entered into agreements with manufacturers in which we make payments for raw materials and services in advance of the shipment and delivery of finished products. In the event that advance payments are made to manufacturers that do not have the ability to satisfy their contractual obligations due to their financial instability, geopolitical unrest or other factors, we may incur unrecoverable losses which could have a material adverse effect on our business, results of operations and financial condition.

Implementation of technology initiatives could disrupt our operations in the near term and fail to provide the anticipated benefits.

As our business grows, we continue to make significant investments in our technology, including in the areas of warehouse management, enterprise risk management and product design. The costs, potential problems and interruptions associated with the implementation of technology initiatives could disrupt or reduce the efficiency of our operations in the near term. They may also require us to divert resources from our core business to ensure that implementation is successful. In addition, new or upgraded technology might not provide the anticipated benefits, might take longer than expected to realize the anticipated benefits, might fail or might cost more than anticipated.

Failure to preserve positive labor relationships with our employees could adversely affect our results of operations.

Our operations rely heavily on our employees, and any labor shortage, disruption or stoppage caused by poor relations with our employees could reduce our operating margins and income. While we believe that our employee relations are good, and very few of our employees are currently subject to collective bargaining agreements, unions have traditionally been active in the U.S. apparel industry and recently have become more active generally. Our workforce has been subject to union organization efforts from time to time, and we could be subject to future unionization efforts as our operations expand or change. Unionization of our workforce could increase our operating costs or constrain our operating flexibility.

Our business may be impacted by unforeseen or catastrophic events, including the emergence of pandemics or other widespread health emergencies, terrorist attacks, extreme weather events or other natural disasters and other unpredicted events.

The occurrence of unforeseen or catastrophic events, such as the emergence of pandemics or other widespread health emergencies (or concerns over the possibility of such pandemics or emergencies), terrorist attacks, extreme weather events or other natural disasters or other unpredicted events, could create economic and financial disruptions, and could lead to operational difficulties (including travel limitations) that could impair our ability to source and supply products and services and manage our businesses, and could negatively impact our customers' ability or willingness to purchase our products and services.

Some of our locations and those of our suppliers, such as those located in the U.S., Central America and Haiti, also are exposed to hurricanes, earthquakes, floods and other extreme weather events; the damage that such events could produce could affect the supply of our products and services.

Risks Relating to Our Industries

Increases in the price of finished goods, raw materials and labor used to manufacture our products could materially increase our costs and decrease our profitability.

Principal raw materials used to manufacture the Company's finished goods include cotton, polyester, spandex, cotton-synthetic, poly-synthetic blends, textiles, plastic, glass, fabric and metal. The prices we pay for these fabrics and components and our finished goods are dependent on the market price for the raw materials used to produce them, primarily cotton and chemical components of synthetic fabrics including raw materials such as chemicals and dyestuffs.

These finished goods and raw materials are subject to price volatility caused by weather, supply conditions, government regulations, economic and political climate, currency exchange rates, labor costs, and other unpredictable factors. Fluctuations in petroleum prices also may influence the prices of related items such as chemicals, dyestuffs and polyester yarn.

An increase in raw material prices would likely increase our cost of sales and decrease our profitability unless we are able to pass the costs on to our customers in the form of higher prices. In addition, if one or more of our competitors is able to reduce their production costs by taking advantage of any reductions in raw material prices or favorable sourcing agreements, we may face pricing pressures from those competitors and may be forced to reduce our prices or face a decline in revenues, either of which could have a material adverse effect on our business, results of operations and financial condition.

We face intense competition within our industries and our revenue and/or profits may decrease if we are not able to respond to this competition effectively.

Customers in the uniform and corporate identity apparel, promotional products, and business process outsourcing industries choose suppliers primarily based upon the quality, price and breadth of products and services offered. We encounter competition from a number of companies in the geographic areas we serve.

Major competitors for our Branded Products segment include companies such as BDA, Inc., HALO Branded Solutions, Inc., Staples, Inc., Cimpress PLC, HH Global Group Limited and Lands' End, Inc.

Major competitors for our Healthcare Apparel segment include companies such as Medline Industries, Inc., Careismatic Brands, Barco Uniforms, Inc., FIGS, Inc., Encompass Medical and Standard Textile Co., Inc.

Major competitors for our Contact Centers segment include companies such as TaskUs, Transparent BPO, Concentrix + Webhelp, Focus Services, Ubiquity, CCI and RDI.

We also compete with a multitude of foreign, regional and local competitors that vary by market. If our existing or future competitors seek to gain or retain market share by reducing prices, we may be required to lower our prices, which would adversely affect our operating results. Similarly, if customers or potential customers perceive the products or services offered by our existing or future competitors to be of higher quality than ours or part of a broader product mix, our revenues may decline, which would adversely affect our operating results.

Global, national or regional economic slowdowns, high unemployment levels, fewer jobs, changes in tax laws or cost increases might have an adverse effect on our operating results.

Many of our products are used by workers and, as a result, our business prospects are dependent upon levels of employment and overall economic conditions on a global, national and regional level, among other factors. Our revenues are impacted by our customers' opening and closing of locations and reductions and increases in headcount, including from voluntary turnover and increased automation. If we are unable to offset these effects, such as through the addition of new customers or the expansion of relationships with existing customers through a broader mix of product and service offerings, our revenue growth rates will be negatively impacted. Likewise, increases in tax rates or other changes in tax laws or other regulations can negatively affect our profitability.

While we do not believe that our exposure is greater than that of our competitors, we could be adversely affected by increases in the prices of fabric, natural gas, gasoline, wages, employee benefits, insurance costs and other components of product cost unless we can recover such increases through proportional increases in the prices for our products and services. Competitive and general economic conditions might limit our ability and that of our competitors to increase prices to cover any increases in our product cost.

The branded uniforms, healthcare apparel and promotional products industries are subject to pricing pressures that may cause us to lower the prices we charge for our products and adversely affect our financial performance.

Many of our competitors also source their product requirements from developing countries to achieve a lower cost operating environment, possibly with lower costs than our offshore facilities, and those manufacturers may use these cost savings to reduce prices. Some of our competitors have more purchasing power than we do, which may enable them to obtain products at lower costs. To remain competitive, we may adjust our prices and margins from time-to-time in response to these industry-wide pricing pressures.

Additionally, increased customer demands for allowances, incentives and other forms of economic support could reduce our margins and affect our profitability.

Our financial performance will be negatively affected by these pricing pressures if we are forced to reduce our prices and we cannot reduce our product costs proportionally or if our product costs increase and we cannot increase our prices proportionally.

Our results of operations could be adversely affected by economic and political conditions globally and the effects of these conditions on our customers' businesses and levels of business activity.

Economic and political events in recent years have altered the landscape in which we and other U.S. companies operate in a variety of ways. In response to inflationary pressures, the U.S. Federal Reserve repeatedly has raised interest rates, resulting in an increase in the cost of borrowing for us, our customers, our suppliers, and other companies relying on debt financing. In light of continuing inflationary pressures, the Federal Reserve may decide to raise rates again.

World events, such as the Russian invasion of Ukraine and the resulting economic sanctions, have impacted the global economy, including by exacerbating inflationary and other pressures. In addition, the threat of a wider war in the Middle East after the Hamas terrorist attacks on Israel could affect oil prices and have other effects on the global economy. Both crises have potentially far-reaching impacts on energy and food markets and global trade.

An escalating war in the Middle East, prolonged inflationary conditions, high and/or increased interest rates, additional sanctions or retaliatory measures related to the Russia-Ukraine crisis, or other situations, could further negatively affect U.S. and international commerce and exacerbate or prolong the period of high energy prices. At this time, the extent and duration of these economic and political events and their effects on the economy and the Company are impossible to predict, but the impact on the Company's business could be material.

Changes to trade regulation, quotas, duties, tariffs or other restrictions caused by the changing U.S. and geopolitical environments or otherwise, such as those with respect to China, may materially harm our revenue and results of operations, such as by increasing our costs and/or limiting the amount of products that we can import.

Our operations are subject to various international trade agreements and regulations, such as the Dominican Republic–Central America Free Trade Agreement (CAFTA-DR), Caribbean Basin Trade Partnership Act (CBTPA), Haitian Hemispheric Opportunity through Partnership Encouragement Act, as amended (HOPE), the Food Conservation and Energy Act of 2008 (HOPE II), the Haiti Economic Lift Program of 2010 (HELP), the African Growth and Opportunity Act (AGOA), the Middle East Free Trade Area Initiative (MEFTA) and the activities and regulations of the World Trade Organization (WTO).

Generally, these trade agreements and regulations benefit our business by reducing or eliminating the quotas, duties and/or tariffs assessed on products manufactured in a particular country. However, trade agreements and regulations can also impose requirements that have a material adverse effect on our business, revenue and results of operations, such as limiting the countries from which we can purchase raw materials, limiting the products that qualify as duty free, and setting quotas, duties and/or tariffs on products that may be imported into the United States from a particular country.

Certain inbound products in our Branded Products and Healthcare Apparel segments to the United States are subject to tariffs assessed on the manufactured cost of goods at the time of import. As a result, we have had to increase prices for certain products and may be required to raise those prices further, or raise our prices on other products, which may result in the loss of customers and harm our operating performance. In response, in part, to tariffs levied on products imported from China we have shifted some production out of China and may seek to shift additional production out of China, which may result in additional costs and disruption to our operations.

The countries in which our products are manufactured or into which they are imported may from time-to-time impose new quotas, duties, tariffs and requirements as to where raw materials must be purchased to qualify for free or reduced duty. These countries also may create additional workplace regulations or other restrictions on our imports or adversely modify existing restrictions. Adverse changes in these costs and restrictions could harm our business.

We cannot assure that future trade agreements or regulations will not provide our competitors an advantage over us or increase our costs, either of which could have a material adverse effect on our business, results of operations or financial condition. Nor can we assure that the changing geopolitical and U.S. political environments will not result in a trade agreement or regulation being altered which adversely affects our company. The U.S. government may decide to impose or alter existing import quotas, duties, tariffs or other restrictions on products or raw materials sourced from those countries, which include countries from which we import raw materials or in which we manufacture our products. Any such quotas, duties, tariffs or restrictions could have a material adverse effect on our business, results of operations or financial condition.

The apparel industry, including branded uniforms and healthcare, is subject to changing fashion trends and if we misjudge consumer preferences, the image of one or more of our brands may suffer and the demand for our products may decrease.

The apparel industry, including branded uniforms and healthcare, is subject to shifting customer demands and evolving fashion trends and our success is also dependent upon our ability to anticipate and promptly respond to these changes. Failure to anticipate, identify or promptly react to changing trends or styles may result in decreased demand for our products, as well as excess inventories and markdowns, which could result in inventory write-downs which may have a material adverse effect on our business, results of operations and financial condition. In addition, if we misjudge consumer preferences, our brand image may be impaired. We believe our products are, in general, less subject to fashion trends compared to many other apparel manufacturers because the majority of what we manufacture and sell are branded uniforms, scrubs and other accessories.

Our Contact Centers business is dependent on the trend toward outsourcing.

Our Contact Centers business and growth within that segment depend in large part on the industry trend toward outsourced customer contact management services. There can be no assurance that this trend will continue, as organizations may elect to perform such services themselves. A significant change in this trend could have a material adverse effect on our business, financial condition and results of operations. We also compete with companies that utilize emerging technologies and assets, such as artificial intelligence and chatbots. These competitors may offer products and services that may, among other things, provide automated alternatives to the services that we provide in the marketplace or otherwise change the way that contact centers engage so as to make our outsourced customer contract management solution less attractive to existing and potential customers. We may face increased competition from these competitors as they mature and expand their capabilities.

Risks Relating to Our Indebtedness and Retirement Plan Obligations

Our indebtedness may limit cash flow available to invest in the ongoing needs of our business.

As of December 31, 2023, our total consolidated indebtedness was $94.4 million. Our outstanding indebtedness may have negative consequences on our business, such as requiring us to dedicate a sizable portion of our cash flow from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, dividends, stock buybacks and other general corporate purposes, and increasing our vulnerability to adverse economic or industry conditions.

Our credit agreement contains restrictions that limit our flexibility in operating our business.

Our senior secured credit agreement contains various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on, repurchase or make distributions in respect of our capital stock, or make other restricted payments;
- make certain investments;
- sell certain assets;
- acquire other businesses;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

Substantially all of the operating assets of the Company are pledged as collateral under our indebtedness. Our credit agreement requires compliance with certain financial ratios and covenants and satisfaction of specified financial tests. Failure to meet any financial ratios, covenants or financial tests could result in an event of default under our credit agreement. If an event of default occurs, our lenders could increase our borrowing costs, restrict our ability to obtain additional borrowings under our line of credit, accelerate all amounts outstanding or enforce its interest against collateral pledged under the credit agreement.

We have significant obligations under our unfunded supplemental executive retirement plan, and our available cash flow may be adversely affected in the event that payments become due under it.

The Company is the sponsor of an unfunded supplemental executive retirement plan ("SERP"). In the event that payments become due under the SERP, we will have to use cash flow from operations or other sources to fund our obligations. As of December 31, 2023, we had $13.6 million in unfunded obligations related to the SERP.

Risks Relating to Our Common Stock

Certain existing shareholders have significant control.

At December 31, 2023, our executive officers and directors, and certain of their family members collectively owned approximately 29.4% of our outstanding common stock. As a result, our executive officers and directors, and certain of their family members, have significant influence over the election of our Board of Directors, the approval or disapproval of any other matters requiring shareholder approval, and the affairs and policies of our company.

We have identified a material weakness in our internal control over financial reporting. If we are unable to remediate the material weakness and otherwise maintain an effective system of internal control over financial reporting, it could result in us not preventing or detecting on a timely basis a material misstatement of the Company's financial statements.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. As further disclosed in "Item 9A. Controls and Procedures" of this Annual Report on Form 10-K, management has identified a material weakness relating to segregation of duties, change management and user access within certain proprietary information technology systems of the Contact Centers segment. While these control deficiencies did not result in a misstatement to the consolidated financial statement, the material weakness could have resulted in a misstatement impacting account balances or disclosures that would have resulted in a material misstatement to the consolidated financial statements that would not have been prevented or detected on a timely basis.

Although we are implementing plans to remediate this material weakness, we cannot be certain of the success of the plans. If our remedial measures are insufficient to address the material weakness, or if one or more additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, or our disclosure controls and procedures are again determined to be ineffective, we may not be able to prevent or identify irregularities or ensure the fair and accurate presentation of our financial statements included in our periodic reports filed with the U.S. Securities and Exchange Commission. Additionally, the occurrence of, or failure to remediate, a material weakness and any future material weaknesses in our internal control over financial reporting or determination that our disclosure controls and procedures are ineffective may have other consequences that could materially and adversely affect our business, including an adverse impact on the market price of our common stock, potential actions or investigations by the U.S. Securities and Exchange Commission or other regulatory authorities, shareholder lawsuits, a loss of investor confidence and damage to our reputation.

We have recently recognized, and may recognize in the future, impairment charges, which could materially adversely affect our financial condition and results of operations.

We assess our intangible assets and long-lived assets for impairment when required by generally accepted accounting principles in the United States ("GAAP"). These accounting principles require that we record an impairment charge if circumstances indicate that the asset carrying values exceed their estimated fair values. For example, during the year ended December 31, 2022, the Company recorded non cash goodwill and indefinite lived trade name impairment charges totaling $45.9 million and $5.6 million respectively.

The estimated fair value of our intangible assets and long-lived assets is impacted by general economic conditions in the locations in which we operate. Deterioration in these general economic conditions may result in:

- declining revenue, which can lead to excess capacity and declining operating cash flow;
- reductions in management's estimates for future revenue and operating cash flow growth;
- increases in borrowing rates and other deterioration in factors that impact our weighted average cost of capital; and
- deteriorating real estate values.

If our assessment of intangible assets or long-lived assets indicates an impairment of the carrying value for which we recognize an impairment charge, this may again adversely affect our financial condition and results of operations, potentially materially so.

Our share price may change significantly, and our shareholders may not be able to resell shares of our common stock at or above the price they paid or at all, and they could lose all or part of their investment as a result.

The trading price of our common stock, as reported on the Nasdaq Stock Market, could fluctuate due to a number of factors such as those listed in "Risks Relating to Our Business" and include, but are not limited to, the following, some of which are beyond our control:

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- announcements by us, our competitors or our vendors of significant contracts, acquisitions, divestitures, joint marketing relationships, joint ventures or capital commitments;
- announcements by third parties of significant claims or proceedings against us; and
- general domestic and international economic conditions.

Furthermore, the stock market has experienced volatility that, in some cases, has been unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance.

In the past, following periods of market volatility, shareholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

There can be no assurance that we will continue to pay dividends on our common stock, and our indebtedness could limit our ability to pay dividends on our common stock.

Payment of cash dividends on our common stock is subject to our compliance with applicable law and depends on, among other things, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, business prospects and other factors that our board of directors may deem relevant. Our credit agreement contains, and the terms of any future indebtedness we incur may contain, limitations on our ability to pay dividends. Although we have paid cash dividends in the past, there can be no assurance that we will continue to pay any dividend in the future.

General Risk Factors

We are subject to periodic litigation in both domestic and international jurisdictions that may adversely affect our financial position and results of operations.

From time-to-time we may be involved in legal or regulatory actions regarding product liability, employment practices, intellectual property infringement, bankruptcies, telemarketing compliance, consumer protections and other litigation or enforcement matters. These proceedings may be in jurisdictions with reputations for aggressive application of laws and procedures against corporate defendants.

We are impacted by trends in litigation, including class-action allegations brought under various consumer protection and employment laws. Due to the inherent uncertainties of litigation in both domestic and foreign jurisdictions, we cannot accurately predict the ultimate outcome of any such proceedings. These proceedings could cause us to incur costs and may require us to devote resources to defend against these claims and could ultimately result in a loss or other remedies, such as product recalls, which could adversely affect our financial position and results of operations.

Volatility in the global financial markets could adversely affect results.

In the past, global financial markets have experienced extreme disruption, including, among other things, volatility in securities prices, diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. There might be further changes or volatility, which could lead to challenges in our business and negatively impact our financial results. Any future tightening of credit in financial markets could adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations and could result in a decrease in orders and spending for our products and services. We are unable to predict the likely duration and severity of any disruption in financial markets and adverse economic conditions and the effects they may have on our business and financial condition.

Furthermore, significant or sustained inflation could have an adverse impact on our operating and general and administrative expenses. Please see " *Our results of operations could be adversely affected by economic and political conditions globally and the effects of these conditions on our customers' businesses and levels of business activity*" above for a description of recent inflationary pressure. During inflationary periods, these costs could increase at a rate higher than our ability to offset them via customer-facing pricing adjustments, alternative supply sources or other measures. Inflation could also have an adverse effect on consumer spending, which could adversely impact demand for our products and services. If our operating and other expenses increase faster than anticipated due to inflation, our financial condition, results of operations and cash flow could be materially adversely affected.

Inability to attract and retain key management or other personnel could adversely impact our business and financial condition.

Our success is largely dependent on the skills, experience and efforts of our senior management and other key personnel. If, for any reason, one or more senior executive or key personnel was not to remain active in our company, or if we were unable to attract and retain senior management or key personnel or our costs to do so increase significantly, our results of operations could be adversely affected.

If we are unable to accurately predict our future tax liabilities, become subject to increased levels of taxation or our tax contingencies are unfavorably resolved, our results of operations and financial condition could be adversely affected.

Changes in tax laws or regulations in the jurisdictions in which we do business, including the United States, or changes in how the tax laws are interpreted, could further impact our effective tax rate, further restrict our ability to repatriate undistributed offshore earnings, or impose new restrictions, costs or prohibitions on our current practices and reduce our net income and adversely affect our cash flows.

We are also subject to tax audits in the United States and other jurisdictions and our tax positions may be challenged by tax authorities. Although we believe that our current tax provisions are reasonable and appropriate, there can be no assurance that these items will be settled for the amounts accrued, that additional tax exposures will not be identified in the future or that additional tax reserves will not be necessary for any such exposures. Any increase in the amount of taxation incurred as a result of challenges to our tax filing positions could result in a material adverse effect on our business, results of operations and financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

We recognize the increasing volume and sophistication of cyber threats and take our responsibility to protect the information and systems under our purview seriously. We consider cybersecurity threat risks alongside other Company risks as part of our overall risk assessment process.
Our cybersecurity processes aim to provide a comprehensive approach to assess, identify, manage, mitigate, and respond to cybersecurity threats.

We maintain a cybersecurity risk program predicated on a risk-based approach. We use cost-effective controls that are commensurate with the risk and sensitivity of our specific information systems, control systems and enterprise data. Our cybersecurity program incorporates best practices and industry standards from multiple sources and is designed to comply with applicable regulations. The cybersecurity program includes, but is not limited to, the following elements: risk assessment, policies and procedures, training and awareness, auditing, log collection and analysis, threat hunting and intelligence surveillance, compliance monitoring and testing, and incident response.

Our internal professionals collaborate with external subject matter specialists, as necessary. All third parties engaged for such matters are subjected to scrutiny to ensure they satisfy our security standards. We periodically review our third party engagements to ensure that the providers maintain the necessary levels of protection and competency, as well as to oversee and identify potential cybersecurity risks and/or threats from such engagements.

We describe how risks from cybersecurity threats could materially affect us, including our business strategy, results of operations, or financial condition, as part of our risk factor disclosures at Part I, Item 1A, “Risk Factors” of this Annual Report on Form 10-K.

Cybersecurity Governance

Cybersecurity is an important part of our risk management processes and an area of focus for our Board and management. Our Board and its Corporate Governance, Nominating and Ethics Committee are responsible for oversight of our cybersecurity risk, including the effectiveness of cybersecurity risk management policies and protocols, while our Chief Information Officer (CIO) is responsible for our cybersecurity strategy and execution.

As part of the Board’s oversight, its Corporate Governance, Nominating and Ethics Committee, which is comprised entirely of independent directors, receives quarterly reports from executive management about the prevention, detection, mitigation, and remediation of cybersecurity incidents. The Board receives at least an annual report from executive management. Additionally, we have processes by which a cybersecurity incident would be escalated internally and, when appropriate, reported to the Board (or appropriate committee), as well as for updating the Board regarding such incident until it has been resolved.

Our CIO has more than 25 years of technology and information systems leadership experience, including as CIO of multiple consumer-focused companies. Our CIO reports to our chief executive officer.

Item 2. Properties

The following table describes the material facilities we owned or leased as of December 31, 2023:

Location	Status	Square Feet	Uses
St. Petersburg, Florida	Leased	8,193	Corporate, Branded Products, Healthcare Apparel and Contact Centers
Belmopan, Belize	Leased	33,470	Contact Centers
Compton, California	Leased	24,449	Branded Products
Coppell, Texas	Leased	114,105	Healthcare Apparel
Eudora, Arkansas	Leased	260,000	Branded Products and Healthcare Apparel
Kingston, Jamaica	Leased	19,500	Contact Centers
La Libertad, El Salvador	Owned	52,591	Contact Centers
Lake Providence, Louisiana	Leased	215,000	Branded Products and Healthcare Apparel
Lexington, Mississippi	Owned	40,000	Healthcare Apparel
Monticello, Arkansas	Leased	92,000	Branded Products and Healthcare Apparel
Oak Grove, Louisiana	Leased	68,330	Branded Products
Ouanaminthe, Haiti	Leased	120,000	Branded Products and Healthcare Apparel
Peachtree Corners, Georgia	Leased	23,400	Branded Products
Phoenix, Arizona	Leased	116,850	Branded Products
Romeoville, Illinois	Leased	28,290	Branded Products
San Ignacio, Belize	Owned	11,732	Contact Centers
San Salvador, El Salvador	Leased	17,777	Contact Centers
Santiago, Dominican Republic	Leased	7,900	Contact Centers

The Company has an ongoing program designed to maintain and improve its facilities. The Company’s properties have adequate productive capacity to meet the Company’s present needs as well as those of the foreseeable future.

Item 3. Legal Proceedings

We are a party to certain lawsuits in the ordinary course of business. We do not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market on which Superior's common shares are traded is the NASDAQ Stock Market under the symbol "SGC."

We declared aggregate cash dividends of $0.56 per share during the fiscal year ended December 31, 2023, which were paid in the first, second, third and fourth quarters of 2023.

We intend to pay regular quarterly distributions to our holders of common shares, the amount of which may change from time to time; however, there can be no assurances that we will in fact pay such distributions on a regular basis. Future distributions will be declared and paid at the discretion of our Board of Directors, and will depend upon cash generated by operating activities, our financial condition, capital requirements, and such other factors as our Board of Directors deem relevant.

Under our credit agreement, if an event of default exists, we may not make distributions to our shareholders. The Company is in full compliance with all terms, conditions and covenants of such agreement.

On February 27, 2024, we had 126 shareholders of record.

Information regarding the Company's equity compensation plans is incorporated by reference to the information set forth in Item 12 of Part III of this Form 10-K under the section entitled "Equity Compensation Plan Information."

Issuer Purchases of Equity Securities

The table below sets forth information with respect to purchases made by or on behalf of Superior Group of Companies, Inc. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the three months ended December 31, 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1, 2023 to October 31, 2023	-	$ -	-	
November 1, 2023 to November 30, 2023	-	-	-	
December 1, 2023 to December 31, 2023	-	-	-	
Total	-	-	-	657,451

(1) On May 2, 2019, the Company's Board of Directors approved a stock repurchase program of up to 750,000 shares of the Company's outstanding common stock. There is no expiration date or other restriction governing the period over which the Company can make share repurchases under the program. All purchases under this program will be open market transactions.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Financial Statements, which present our results of operations for the years ended December 31, 2023 and 2022, as well as our financial positions at December 31, 2023 and 2022, contained elsewhere in this Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-K, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Special Note Regarding Forward Looking Statements" and "Risk Factors" sections of this Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Additionally, we use a non-GAAP financial measure to evaluate our results of operations. For important information regarding the use of such non-GAAP financial measure, including reconciliations to the most comparable GAAP measure, see the section titled "Non-GAAP Financial Measure" below.

Recent Acquisitions

On May 1, 2022, the Company, through BAMKO, acquired substantially all of the assets of Guardian Products, Inc. ("Guardian") based in Norcross, Georgia. Guardian is a branded merchandise company that is one of the leading providers of promotional products to automotive dealers nationwide. The purchase price for the acquisition consisted of the following: (a) $11.1 million in cash, (b) the issuance of 116,550 restricted shares of Superior's common stock (the "Guardian Stock") that vest ratably over a three-year period, and (c) estimated potential future payments of approximately $2.3 million in additional contingent consideration based on the results of the acquired business through April 2025. The Guardian Stock is subject to transfer restrictions over the three-year period following the closing of the acquisition.

Business Outlook

Superior is comprised of three reportable business segments: (1) Branded Products, (2) Healthcare Apparel and (3) Contact Centers. Beginning in the second quarter of 2022, the Company realigned its reportable segments to correspond with changes to its organizational responsibilities, management structure and operating model. Prior to implementing the current segment reporting, the Company's Uniforms and Related Products segment included both healthcare apparel and uniforms. As part of the change in reportable segments, the branded portion of the uniforms business was combined with the previous Promotional Products segment to form the Branded Products segment, the healthcare apparel business became its own segment named Healthcare Apparel and income and expenses related to corporate functions that are not specifically attributable to an individual reportable segment are no longer presented in segment results. The previous Remote Staffing Solutions segment was renamed Contact Centers segment. All prior period segment information has been recast to reflect this change in reportable segments.

Branded Products

In our Branded Products segment, we produce and sell customized merchandising solutions, promotional products and branded uniform programs to our customers. As a strategic branding partner, we offer our customers customized branding solutions and strategies that generate favorable brand impressions, bolster customer retention and enhance employee engagement. Our products are sold to customers in a wide range of industries, including retail, hotel, food service, entertainment, technology, transportation and other industries. Sales volumes in this segment are impacted by a number of factors, including marketing programs of our customers and turnover of our customers' employees, often times driven by the opening and closing of locations. From a long-term perspective, we believe that synergies within this segment will create opportunities to cross-sell products to new and existing customers.

Healthcare Apparel

In our Healthcare Apparel segment, we manufacture (through third parties or in our own facilities) and sell a wide range of healthcare apparel, such as scrubs, lab coats, protective apparel and patient gowns. We sell our brands of healthcare service apparel to healthcare laundries, dealers, distributors and retailers primarily in the United States. From a long-term perspective, we expect that demand for our signature marketing brands, including Fashion Seal Healthcare® and Wink™, will continue to provide opportunities for growth and increased market share.

Contact Centers

In our Contact Centers segment (also known as "The Office Gurus"), which operates in El Salvador, Belize, Jamaica, Dominican Republic, and the United States, we provide outsourced, nearshore business process outsourcing, contact and call-center support services to North American customers. These services are also provided internally to the Company's other two operating segments. The Office Gurus has become an award-winning business process outsourcer offering inbound and outbound voice, email, text, chat and social media support. The nearshore call-center market has grown as businesses look to reduce operating costs while maintaining high-quality customer support. Nearshore operators are able to provide comparable service to their U.S. counterparts at a fraction of the price. With an environment and career path designed to attract and maintain top talent across all sites, we believe The Office Gurus is positioned well to continue growing this business.

Global Economic and Political Conditions

Economic and political events in recent years have altered the landscape in which we and other U.S. companies operate in a variety of ways. In response to inflationary pressures, the U.S. Federal Reserve repeatedly has raised interest rates, resulting in an increase in the cost of borrowing for us, our customers, our suppliers, and other companies relying on debt financing.

World events, such as the Russian invasion of Ukraine and the resulting economic sanctions, have impacted the global economy, including by exacerbating inflationary and other pressures. In addition, the threat of a wider war in the Middle East after the Hamas terrorist attacks on Israel could affect oil prices and have other effects on the global economy. Both crises have potentially far-reaching impacts on energy and food markets and global trade.

An escalating war in the Middle East, prolonged inflationary conditions, high and/or increased interest rates, additional sanctions or retaliatory measures related to the Russia-Ukraine crisis, or other situations, could further negatively affect U.S. and international commerce and exacerbate or prolong the period of high energy prices. At this time, the extent and duration of these economic and political events and their effects on the economy and the Company are impossible to predict, but the impact on the Company's business could be material.

Summary of Results

Net Income (loss)

The Company generated net income of $8.8 million during the year ended December 31, 2023 and a net loss of $32.0 million during the year ended December 31, 2022. The increase in net income during the year ended December 31, 2023 compared to the year ended December 31, 2022 was primarily due to goodwill and indefinite-lived intangible asset impairment charges of $51.5 million incurred in the prior year period, a decrease in inventory write-downs of $11.2 million, partially offset by increases in income tax expense, Contact Centers selling and administrative expenses and interest expense.

Adjusted EBITDA

Adjusted EBITDA (a non-GAAP financial measure) was $33.5 million and $27.9 million during the years ended December 31, 2023 and 2022, respectively. Adjusted EBITDA during the year ended December 31, 2023 compared to the year ended December 31, 2022 increased primarily due to a decrease in inventory write-downs, partially offset by an increase in Contact Centers selling and administrative expenses. For a reconciliation of Adjusted EBITDA to net income (loss), its most directly comparable financial measure calculated and presented in accordance with GAAP, please read "Non-GAAP Financial Measure" below.

The Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

Operations

The following table provides highlights of our financial performance (in thousands, except percentages):

	For the Years Ended December 31,		
	2023	2022	% Change
Net sales:			
Branded Products	$ 342,680	$ 387,931	(11.7%)
Healthcare Apparel	113,878	113,321	0.5%
Contact Centers	91,500	84,218	8.6%
Net intersegment eliminations	(4,756)	(6,639)	(28.4%)
Consolidated net sales	543,302	578,831	(6.1%)
Gross margin:			
Branded Products	114,627	114,797	(0.1%)
Healthcare Apparel	42,281	32,602	29.7%
Contact Centers	49,148	49,779	(1.3%)
Net intersegment eliminations	(2,509)	(3,819)	(34.3%)
Consolidated gross margin	203,547	193,359	5.3%
Selling and administrative expenses:			
Branded Products	88,225	90,118	(2.1%)
Healthcare Apparel	38,209	39,295	(2.8%)
Contact Centers	39,682	33,631	18.0%
Intersegment Eliminations	(2,509)	(3,819)	(34.3%)
Other	19,598	17,095	14.6%
Consolidated selling and administrative expenses	183,205	176,320	3.9%
Goodwill impairment charge	-	45,918	(100.0%)
Intangible assets impairment charge	-	5,581	(100.0%)
Other periodic pension cost	855	2,116	(59.6%)
Interest expense	9,718	4,894	98.6%
Gain on sale of property, plant and equipment	-	3,435	(100.0%)
Income (loss) before income tax expense	9,769	(38,035)	(125.7%)
Income tax expense (benefit)	997	(6,065)	(116.4%)
Net income (loss)	$ 8,772	$ (31,970)	(127.4%)

Net Sales

Net sales for the Company decreased 6.1% from $578.8 million for the year ended December 31, 2022 to $543.3 million for the year ended December 31, 2023. The decrease was primarily driven by a net sales decline in Branded Products, partially offset by an increase in Healthcare Apparel and Contact Centers net sales.

Branded Products net sales decreased 11.7%, or $45.3 million, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease was primarily due to decreased demand during the first half of 2023 as a result of then-current market conditions that tightened our customers' advertising spending, the timing of new branded uniform rollout programs for certain customers and a decrease of $6.3 million in net sales of personal protective equipment driven by the easing of the COVID-19 pandemic. These decreases were partially offset by an increase in net sales of $12.8 million attributable to the acquisition of Guardian in May 2022.

Healthcare Apparel net sales increased 0.5%, or $0.6 million, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase was primarily due to an increase in digital sales, including the launch of a direct-to-consumer website during the year ended December 31, 2023, partially offset by challenging market conditions as a result of saturated inventory levels in the industry post-COVID-19 pandemic that led to a decrease in demand for healthcare apparel during 2023.

Contact Centers net sales increased 8.6% before intersegment eliminations and 11.8% after intersegment eliminations for the year ended December 31, 2023 compared to the year ended December 31, 2022. These increases were primarily attributed to onboarding of new customers in 2023.

Gross Margin

Gross margin is defined as net sales less cost of goods sold. Cost of goods sold consists primarily of direct costs of acquiring inventory, including cost of merchandise, inbound freight charges, purchasing costs, and inspection costs for our Branded Products and Healthcare Apparel segments. Cost of goods sold for our Contact Centers segment includes salaries and payroll related benefits for agents. The Company includes shipping and handling fees billed to customers in net sales. Shipping and handling costs associated with out-bound freight are recorded in cost of goods sold. The cost of occupancy and operating the Company's distribution centers are included in selling and administrative expenses. Gross margin rate is defined as gross margin divided by net sales.

Gross margin rate for the Company was 37.5% for the year ended December 31, 2023 and 33.4% for the year ended December 31, 2022. The rate increase was primarily due to a decrease in inventory write-downs of $11.2 million and an improvement in gross margin rate for our Branded Products segment, the Company's largest segment. Inventory write-downs during the year ended December 31, 2022 included write-downs of $11.4 million on excess and obsolete inventory related to discontinued styles and personal protective equipment within our Healthcare Apparel segment.

Gross margin rate for our Branded Products segment was 33.5% for the year ended December 31, 2023 and 29.6% for the year ended December 31, 2022. The rate increase was primarily driven by a favorable shift in the mix of pricing and customers, lower supply chain costs and a decrease in inventory write-downs of $1.4 million.

Gross margin rate for our Healthcare Apparel segment was 37.1% for the year ended December 31, 2023 and 28.8% for the year ended December 31, 2022. The rate increase was primarily due to decrease in inventory write-downs of $9.8 million, partially offset by the impact of challenging market conditions and strategic efforts to right size inventory levels resulting in lower selling prices.

Gross margin rate for our Contact Centers segment was 53.7% for the year ended December 31, 2023 and 59.1% for the year ended December 31, 2022. The rate decrease was primarily due to increased employee related costs of our agents, partially offset by price increases.

Selling and Administrative Expenses

As a percentage of net sales, total selling and administrative expenses was 33.7% for the year ended December 31, 2023 and 30.5% for the year ended December 31, 2022. The rate increase was primarily attributed to expense deleverage resulting from the 11.7% decrease in Branded Products net sales, an increase in selling and administrative expenses for our Contact Centers segment and unrealized losses of $0.5 million recognized in 2023 compared to unrealized gains of $1.6 million recognized in 2022 on written put options, partially offset by a decrease in bad debt expense. For more information on the written put options, please refer to the disclosure in Note 1 to the Financial Statements, which is incorporated herein by reference.

As a percentage of net sales, selling and administrative expenses for our Branded Products segment was 25.7% for the year ended December 31, 2023 and 23.2% for the year ended December 31, 2022. The rate increase was primarily due to expense deleverage on the 11.7% decrease in net sales and costs incurred during 2023 to consolidate warehouse facilities related to promotional products inventory, partially offset by a decrease in bad debt expense of $2.3 million due to improved collection efforts.

As a percentage of net sales, selling and administrative expenses for our Healthcare Apparel segment was 33.6% for the year ended December 31, 2023 and 34.7% for the year ended December 31, 2022. The rate decrease was primarily driven by reductions in overhead costs.

As a percentage of net sales, selling and administrative expenses for our Contact Centers segment was 43.4% for the year ended December 31, 2023 and 39.9% for the year ended December 31, 2022. The rate increase was primarily attributed to increased employee related expenses, including pay rate increases and costs associated with employees returning to the office, and an increase in depreciation expense.

Goodwill Impairment Charge

In conjunction with the re-segmentation during the second quarter of 2022, the Company performed a goodwill impairment analysis and determined that the estimated fair value of the previous Uniforms and Related Products segment was lower than its carrying value primarily as the result of current market conditions, decline in expected cash flows and decrease in the Company's stock price. During the third quarter of 2022, the Company determined that a triggering event occurred in relation to the depressed market price of the Company's common stock and corresponding significant decline in the Company's market capitalization. As a result, the Company performed a goodwill impairment analysis and determined that the estimated fair value of the Branded Products segment was lower than its carrying value. Consequently, the Company recorded a non-cash goodwill impairment charge of $45.9 million during the year ended December 31, 2022.

Intangible Assets Impairment Charge

In conjunction with the Company's realignment of its reportable segments during the second quarter of 2022, the Company began an effort to centralize certain branding and go-to-market strategies under the BAMKO brand and determined that it would no longer use certain trade names associated with branded products. The Company's rebranding efforts resulted in a $5.6 million impairment of indefinite-lived trade names related to its Branded Products segment during the year ended December 31, 2022.

Other Periodic Pension Plan Costs

Other periodic pension plan costs decreased to $0.9 million for the year ended December 31, 2023 from $2.1 million for the year ended December 31, 2022. This decrease was primarily due to a decrease in actuarial losses recognized on the supplemental executive retirement plan ("SERP").

Gain on Sale of Property, Plant and Equipment

During the year ended December 31, 2022, the Company sold its corporate headquarters building and related assets for net proceeds of $4.8 million and realized a gain on the sale of $3.4 million. This sale was part of management's plan to relocate the Company's corporate headquarters to St. Petersburg, Florida.

Interest Expense

Interest expense increased to $9.7 million for the year ended December 31, 2023 from $4.9 million for the year ended December 31, 2022. This increase was primarily due to an increase in interest rates on our outstanding borrowings, partially offset by $0.5 million of expense relating to the write-off of unamortized debt issuance costs associated with our former senior secured credit facility in the third quarter of 2022 and a decrease in outstanding borrowings. The weighted average interest rate on our outstanding borrowings for the year ended December 31, 2023 was 7.0% compared to 2.4% for the year ended December 31, 2022.

Income Taxes

The effective income tax rate was 10.2% and 15.9% for the years ended December 31, 2023 and 2022, respectively. Income tax expense and the effective tax rate for the year ended December 31, 2023 was primarily impacted by the variability in the mix of earnings across the Company's foreign and domestic operations subject to various statutory tax rates in those jurisdictions. Income tax expense and the effective tax rate for the year ended December 31, 2022 was impacted by a tax benefit of $7.0 million relating to the impairment of intangible assets and a nondeductible portion of the goodwill impairment charge totaling $21.1 million. For further discussion of changes in the effective tax rate, refer to Note 9 to the Financial Statements.

Liquidity and Capital Resources

Overview

Management uses a number of standards in measuring the Company's liquidity, such as: working capital, profitability ratios, cash flows from operating activities, and activity ratios. The Company's balance sheet generally provides the ability to pursue acquisitions, invest in new product lines and technologies and invest in additional working capital as necessary. As of December 31, 2023, approximately $16.8 million of our cash was held in our foreign subsidiaries, of which $11.6 million of cash was held at foreign subsidiaries from which the Company plans to repatriate the funds as needed for liquidity.

The Company's primary source of liquidity has been its net income and the use of credit facilities and term loans as described further below. The cost of borrowing increased in 2023, with the weighted average interest rate on outstanding borrowings under the revolving credit facility of 6.7% at December 31, 2023 compared to 6.2% at December 31, 2022. As of December 31, 2023, the Company had undrawn capacity of $100.0 million under the revolving credit facility.

In the future, the Company may continue to use credit facilities and other secured and unsecured borrowings as a source of liquidity. The Company may also begin relying on the issuance of equity or debt securities. There can be no assurance that any such financings would be available to us on reasonable terms. Any future issuances of equity securities or securities convertible into or exercisable for equity securities may be dilutive to our shareholders. Additionally, the cost of the Company's future sources of liquidity may differ from the costs of the Company's sources of liquidity to date.

Working Capital

Superior carries inventories of both raw materials and finished products, the practice of which requires substantial working capital, which we believe to be common in the industry.

Cash and cash equivalents increased by $2.2 million to $19.9 million as of December 31, 2023 from $17.7 million on December 31, 2022. Working capital decreased to $178.8 million at December 31, 2023 from $232.8 million at December 31, 2022. The decrease in working capital was primarily due to decreases in inventories, prepaid expenses and other current assets and contract assets and increases in other current liabilities and accounts payable. The decrease in inventories was primarily related to right-sizing inventory levels within our Healthcare Apparel and Branded Products segments. The decrease in prepaid expenses and other current assets was primarily related to a decrease in prepaid taxes. The decrease in contract assets was primarily related to the timing of shipments to customers and receipts from suppliers for finished goods with no alternative use within our Branded Products segment. The increase in other current liabilities was primarily related to increases in contract liabilities associated with deferred revenue within our Branded Products segment and new facility leases. The increase in accounts payable was primarily driven by the timing of payments for inventory purchases within our segments.

Material Short-Term Plans for Cash

For the next twelve months, our primary capital requirements are for capital to maintain our operations, meet the contractual obligations shown in the column titled "2024" in the contractual obligations table below, and to fund capital expenditures, dividends and other general corporate purposes. We currently anticipate that we will spend more in capital expenditures in 2024 than we spent in 2023. Management currently believes that the combination of our current cash level, cash flows provided by operating activities and availability under the revolving credit facility will be sufficient to satisfy the above requirements for the next twelve months.

Material Long-Term Plans for Cash

Beyond the next twelve months, our principal demand for funds will be for maintenance of our core business, to satisfy the requirements shown in the columns "2025-2026" and "2027-2028" in the contractual obligations table below, as well as the obligations described in footnote (3) to the table, and the continuation of the Company's ongoing capital expenditure program designed to improve the effectiveness and capabilities of its facilities and technology. The Company at all times evaluates its capital expenditure program in light of prevailing economic conditions. Management currently believes that the combination of our current cash level, cash flows provided by operating activities and availability under the revolving credit facility will be sufficient to satisfy the above requirements.

Contractual Obligations

The following table sets forth a summary of our material contractual obligations as of December 31, 2023 (in thousands):

	Payments Due by Period			
	2024	2025-2026	2027-2028	Thereafter
Debt:				
Revolving credit facility(1)	$ -	$ -	$ 25,000	$ -
Term Loan(1)	4,688	12,187	52,500	-
Operating leases	4,315	8,237	5,998	1,680
Acquisition-related contingent liabilities(2)	1,403	557	-	-
Total long term contractual cash obligations(3)	$ 10,406	$ 20,981	$ 83,498	$ 1,680

(1) Excludes estimates for interest payable as amounts are based on variable rates. See Note 8 to the Financial Statements.
(2) The amounts represent the expected cash payment. The amounts in our balance sheet are stated at fair value.
(3) Certain long-term liabilities have been excluded from this table as we cannot make a reasonable estimate of the period of cash settlement. These long-term liabilities include unrecognized tax benefits of $0.8 million, unfunded obligations related to the SERP of $13.6 million and deferred compensation liability of $7.9 million.

Cash Flows

Our cash flows from operating, investing and financing activities, as reflected in the statements of cash flows, are summarized in the following table (in thousands):

	For the Years Ended December 31,	
	2023	2022
Net cash provided by (used in):		
Operating activities	$ 78,929	$ (2,604)
Investing activities	(5,508)	(17,425)
Financing activities	(71,616)	28,846
Effect of exchange rates on cash	369	(30)
Net increase in cash and cash equivalents	$ 2,174	$ 8,787

Operating Activities. The increase in net cash provided by operating activities during the year ended December 31, 2023 compared to the year ended December 31, 2022 was primarily attributable to decreases in cash outflows for inventory, accounts payable and other current liabilities and an increase in cash inflows from contract assets, partially offset by a decrease in net sales and an increase in interest paid. Working capital cash changes during the year ended December 31, 2023 included a decrease of $24.7 million in inventory, an increase of $13.3 million in accounts payable and other current liabilities and a decrease of $4.3 million in contract assets. Working capital cash changes during the year ended December 31, 2022 included an increase of $15.9 million in inventories, an increase of $15.1 million in contract assets and a decrease of $14.6 million in accounts payable and other current liabilities.

Investing Activities. The decrease in net cash used in investing activities during the year ended December 31, 2023 compared to the year ended December 31, 2022 was attributable to $11.1 million of cash paid for the acquisition of Guardian in 2022 and a decrease in capital expenditures of $6.1 million primarily related to the expansion of our distribution facility in Eudora, Arkansas in the previous year. Additionally, the year ended December 31, 2022 included $4.8 million in net proceeds from the sale of the Company's corporate headquarters building and related assets.

Financing Activities. The increase in net cash used in financing activities during the year ended December 31, 2023 compared to the year ended December 31, 2022 was primarily attributable to an increase in net payments of $61.8 million in debt in 2023 compared to net borrowings of $39.4 million in 2022. Excess cash generated from operating activities during the year ended December 31, 2023 was used to repay outstanding borrowings under the revolving credit facility.

Credit Facilities (See Note 8 to the Financial Statements)

On August 23, 2022, the Company entered into a Credit Agreement (the “Credit Agreement”) among the Company, the domestic subsidiaries of the Company, as guarantors, the lenders party thereto (the “Lenders”), and PNC Bank, National Association, as administrative agent for the Lenders (the “Administrative Agent”), pursuant to which the Lenders are providing the Company senior secured credit facilities maturing in August 2027 consisting of a revolving credit facility in the aggregate maximum principal amount of $125.0 million and a term loan in the original aggregate principal amount of $75.0 million (collectively, the “Credit Facilities”), and the ability to request incremental revolving credit or term loan facilities in an aggregate amount of up to an additional $75.0 million, subject to obtaining additional lender commitments and satisfying certain other conditions.

As of December 31, 2023, the Company had $94.4 million in outstanding borrowings under its Credit Facilities, consisting of $25.0 million outstanding under the revolving credit facility and $69.4 million outstanding under a term loan.

Obligations outstanding under the Credit Facilities accrue interest at a variable rate equal to the secured overnight financing rate (“SOFR”) plus an adjustment between 0.10% and 0.25% (depending on the applicable interest period) plus a margin between 1.0% and 2.0% (depending on the Company’s net leverage ratio). The weighted average interest rate on our outstanding borrowings under the Credit Facilities was 6.7% at December 31, 2023. During the term of the revolving credit facility, the Company will pay a commitment fee on the unused portion of the revolving credit facility equal to between 0.125% and 0.250% (depending on the Company’s net leverage ratio). The available balance under the revolving credit facility is reduced by outstanding letters of credit. As of December 31, 2023, there were no outstanding letters of credit under the revolving credit facility. As of December 31, 2023, the Company had undrawn capacity of $100.0 million under the revolving credit facility.

Contractual principal payments for the term loan are as follows: 2024 - $4.6 million; 2025 - $5.6 million; 2026 - $6.6 million; and 2027 - $52.5 million. The term loan does not contain pre-payment penalties.

The Credit Facilities are secured by substantially all of the operating assets of the Company, and the Company’s obligations under the Credit Facilities are guaranteed by all of its domestic subsidiaries. The Company’s obligations under the Credit Facilities are subject to acceleration upon the occurrence of an event of default as defined in the Credit Agreement. The Credit Agreement contains customary events of default and negative covenants, including but not limited to those governing indebtedness, liens, fundamental changes, investments, restricted payments (including dividends and related distributions), liquidations, mergers, consolidations or acquisitions, affiliate transactions and sales of assets or subsidiaries. The Credit Agreement also requires the Company to comply with a fixed charge coverage ratio of at least 1.25 to 1.0 and a net leverage ratio not to exceed 4.0 to 1.0. The Company’s net leverage ratio (as defined in the Credit Agreement) is generally calculated as the ratio of (a) indebtedness minus unrestricted cash to (b) consolidated EBITDA for the four most recently ended fiscal quarters. As of December 31, 2023, the Company was in compliance with these ratios.

Dividends and Share Repurchase Program

During the years ended December 31, 2023 and 2022, the Company paid cash dividends of $9.2 million and $8.7 million, respectively. The Company anticipates that it will continue to pay dividends in the future as financial conditions permit.

On May 2, 2019, the Company’s Board of Directors approved a stock repurchase program of up to 750,000 shares of the Company’s outstanding common stock. There is no expiration date or other restriction governing the period over which the Company can make share repurchases under the program. All purchases under this program will be open market transactions. The Company did not reacquire and retire shares of its common stock under this program during the years ended December 31, 2023 and 2022. At December 31, 2023, the Company’s remaining repurchase capacity under its common stock repurchase program was 657,451 shares. Shares purchased under the common stock repurchase program are constructively retired and returned to unissued status. The Company considers several factors in determining when to make share repurchases, including among other things, the cost of equity, the after-tax cost of borrowing, the debt to total capitalization targets and its expected future cash needs.

Non-GAAP Financial Measure

Adjusted EBITDA, which is a non-GAAP financial measure, is defined as net income (loss) excluding interest expense, income tax expense, depreciation and amortization expense, impairment charges and the other items described in the following sentence. The Company believes Adjusted EBITDA is an important measure of operating performance because it allows management, investors and others to evaluate and compare the Company’s core operating results from period to period by removing (i) the impact of the Company’s capital structure (interest expense from outstanding debt), (ii) tax consequences, (iii) asset base (depreciation and amortization), (iv) the non-cash charges from asset impairments and (v) gains or losses on the sale of property, plant and equipment. The Company uses Adjusted EBITDA internally to monitor operating results and to evaluate the performance of its business. In addition, the compensation committee has used Adjusted EBITDA in evaluating certain components of executive compensation, including performance-based annual incentive programs.

Adjusted EBITDA is not a measure of financial performance under GAAP and should not be considered in isolation or as an alternative to net income (loss), cash flows from operating activities or any other measure determined in accordance with GAAP. The items excluded to calculate Adjusted EBITDA are significant components in understanding and assessing the Company’s results of operations. The presentation of the Company’s Adjusted EBITDA may change from time to time, including as a result of changed business conditions, new accounting pronouncements or otherwise. If the presentation changes, the Company undertakes to disclose any change between periods and the reasons underlying that change. The Company’s Adjusted EBITDA may not be comparable to a similarly titled measure of another company because other entities may not calculate Adjusted EBITDA in the same manner.

The following table reconciles net income (loss) to Adjusted EBITDA (in thousands):

	Years Ended December 31,	
	2023	2022
Net income (loss)	$ 8,772	$ (31,970)
Interest expense	9,718	4,894
Income tax expense (benefit)	997	(6,065)
Depreciation and amortization	13,995	13,004
Goodwill impairment charge	-	45,918
Intangible assets impairment charge	-	5,581
Gain on sale of property, plant and equipment	-	(3,435)
Adjusted EBITDA	$ 33,482	$ 27,927

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. Our accounting policies are more fully described in Note 1 to the Financial Statements included in this Form 10-K. The preparation of the financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate the estimates that we have made. These estimates are based upon our historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates under different assumptions or conditions.

Critical accounting estimates are those estimates made in accordance with generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. We believe that the following critical accounting policies and estimates have a higher degree of inherent uncertainty and require our most significant judgments.

Revenue Recognition

Revenue is measured at the amount of consideration we expect to receive in exchange for the goods or services. Variable consideration for estimated returns, allowances and other price variances is recorded based upon historical experience and current allowance programs. Contract termination terms may involve variable consideration clauses such as sales discounts and customer rebates, and revenue is adjusted accordingly for these provisions. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Inventories

The Company at all times carries inventories of both raw materials and finished products. Inventories are stated at the lower of cost or net realizable value. Judgments and estimates are used in determining the likelihood that goods on hand can be sold to customers. Historical inventory usage, current revenue trends and market conditions are considered in estimating both excess and obsolete inventories. During the year ended December 31, 2023, the Company recognized a $2.4 million charge to cost of goods sold to write-down inventory to its net realizable value, of which $1.6 million related to our Healthcare Apparel segment and $0.8 million related to our Branded Products segment. During the year ended December 31, 2022, the Company recognized a $13.6 million charge to cost of goods sold to write-down inventory to its net realizable value, of which $11.4 million related to our Healthcare Apparel segment and $2.2 million related to our Branded Products segment. If actual product demand and market conditions are less favorable than those projected by management, additional inventory write-downs may be required, which may be material. An additional write-down in value of 5% of inventories would result in additional expense of approximately $5.0 million.

Goodwill and indefinite-lived intangible assets

The Company has made acquisitions in the past that included goodwill and indefinite-lived intangible assets. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill and indefinite-lived intangible assets such as trade names are not amortized but are subject to an annual (or under certain circumstances more frequent) impairment test in the fourth quarter based on their estimated fair value. We test more frequently if there are indicators of impairment, or whenever such circumstances suggest that the carrying value of goodwill or trade names may not be recoverable. Examples of such events and circumstances that the Company would consider include the following:

- macroeconomic conditions such as deterioration in general economic conditions, limitations on accessing capital, or other developments in equity and credit markets;
- industry and market considerations such as a deterioration in the environment in which the Company operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for the Company’s products or services, or a regulatory or political development;
- cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows;
- overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods; and
- other relevant entity-specific events such as changes in management, key personnel, strategy, or customers.

An entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the impairment test is unnecessary. Goodwill and indefinite-lived intangible assets are tested at a level of reporting referred to as “the reporting unit.” The Company’s reporting units are defined as each of its three reporting segments.

In conjunction with the re-segmentation during the second quarter of 2022, the Company performed a goodwill impairment analysis and determined that the estimated fair value of the previous Uniforms and Related Products segment was lower than its carrying value primarily as the result of current market conditions, decline in expected cash flows and decrease in the Company's stock price. During the third quarter of 2022, the Company determined that a triggering event occurred in relation to the depressed market price of the Company's common stock and corresponding significant decline in the Company's market capitalization. As a result, the Company performed a goodwill impairment analysis and determined that the estimated fair value of the Branded Products segment was lower than its carrying value. Consequently, the Company recorded a non-cash goodwill impairment charge of $45.9 million during the year ended December 31, 2022. As of December 31, 2022, the Company had no remaining goodwill balance. The fair value of goodwill in each impairment test was determined using a combination of an income approach, which estimates fair value based upon projections of future revenues, expenses, and cash flows discounted to their respective present values, and a market approach. The valuation methodology and underlying financial information included in the Company's determination of fair value required significant judgments by management. The principal assumptions used in the Company's discounted cash flow analysis consisted of (a) long-term projections of financial performance and (b) the weighted-average cost of capital of market participants, adjusted for the risk attributable to the Company and the industry in which it operates. Under the market approach, the principal assumption included an estimate of a control premium.

In conjunction with the Company's realignment of its reportable segments during the second quarter of 2022, the Company began an effort to centralize certain branding and go-to-market strategies under the BAMKO brand and determined that it would no longer use certain trade names associated with branded products. The Company's rebranding efforts resulted in a $5.6 million impairment of indefinite-lived trade names related to its Branded Products segment during the year ended December 31, 2022.

For the year ended December 31, 2023, the Company completed its testing of indefinite-lived intangible assets and determined that the fair value was more than its carrying value. As of December 31, 2023 and 2022, indefinite-lived intangible assets of $13.6 million and $14.2 million were included in the Branded Products segment and the Healthcare Apparel segment, respectively.

Income Taxes

The Company is required to estimate and record income taxes payable for federal, state and foreign jurisdictions in which the Company operates. This process involves estimating actual current tax expense and assessing temporary differences resulting from differing accounting treatment between tax and book that result in deferred tax assets and liabilities. In addition, accruals are also estimated for federal and state tax matters for which deductibility is subject to interpretation. Taxes payable and the related deferred tax differences may be impacted by changes to tax laws, changes in tax rates and changes in taxable profits and losses. The Tax Cuts and Jobs Act ("Tax Act") enacted on December 22, 2017 imposes a U.S. tax on global intangible low taxed income ("GILTI") that is earned by certain foreign affiliates owned by a U.S. shareholder. GILTI is generally intended to impose tax on the earnings of a foreign corporation that are deemed to exceed a certain threshold return relative to the underlying business investment. In accordance with guidance issued by FASB, the Company made a policy election to treat future taxes related to GILTI as a current period expense in the reporting period in which the tax is incurred. The Company was impacted by GILTI relative to the earnings of its foreign subsidiaries, and is expected to be impacted in future periods, which may be material to our financial statements. Deferred income taxes are provided on undistributed earnings of foreign subsidiaries in the period in which the Company determines it no longer intends to permanently reinvest such earnings outside the United States. The Company expects to permanently reinvest the earnings from its wholly-owned Brazilian and UK subsidiaries, and accordingly, has not provided deferred taxes on the subsidiaries' undistributed net earnings or basis differences. The Company believes that the tax liability that would be incurred upon repatriation of the earnings from its Brazilian and UK subsidiaries is immaterial at December 31, 2023.

Reserves are also estimated for uncertain tax positions that are currently unresolved. The Company routinely monitors the potential impact of such situations and believes that it is properly reserved. For the year ended December 31, 2023, there was no significant change in total unrecognized tax benefits. As of December 31, 2023, we had an accrued liability of $0.8 million for unrecognized tax benefits. We accrue interest and penalties related to unrecognized tax benefits in income tax expense, and the related liability is included in other long-term liabilities in our balance sheet.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are subject to market risk exposure related to changes in interest rates on our debt. Interest on our Credit Facilities is based upon the secured overnight financing rate (“SOFR”). As SOFR is a relatively new reference rate with a limited history, there may or may not be more volatility than with other reference rates such as LIBOR, which may result in increased borrowing costs for the Company. A hypothetical increase in the SOFR of 100 basis points as of January 1, 2023 would have resulted in approximately $1.2 million in additional pre-tax interest expense for the year ended December 31, 2023. For further information regarding our debt instruments, see Note 8 to the Financial Statements.

Foreign Currency Exchange Risk

Sales to customers outside of the United States are subject to fluctuations in foreign currency exchange rates, which may negatively impact gross margin realized on our sales. Less than 5% of our sales contracts are denominated in foreign currencies. We cannot predict the effect of exchange rate fluctuations on our operating results. In certain cases, we may enter into foreign currency cash flow hedges to reduce the variability of cash flows associated with our sales and expenses denominated in foreign currency. As of December 31, 2023, we had no foreign currency exchange hedging contracts. There can be no assurance that our strategies will adequately protect our operating results from the effect of exchange rate fluctuations.

Financial results of our foreign subsidiaries in the Branded Products segment are denominated in their local currencies, which include the Hong Kong dollar, the Chinese renminbi, the British pound, the Indian rupee, the Brazilian real, Colombian peso and the Canadian dollar. These operations may also have net assets and liabilities not denominated in their functional currency, which exposes us to changes in foreign currency exchange rates that impact income. Excluding intercompany payables and receivables considered to be long-term investments, changes in exchange rates for assets and liabilities not denominated in their functional currency are reported as foreign currency transaction gains (losses) within selling and administrative expenses in our statements of comprehensive income (loss). During the years ended December 31, 2023 and 2022 foreign currency losses were not significant. We also have exposure to foreign currency exchange risk from the translation of foreign subsidiaries from the local currency into the U.S. dollar. Comprehensive income (loss) during the years ended December 31, 2023 and 2022, included a foreign currency translation adjustment gain of $0.7 million and a foreign currency translation adjustment loss of $0.2 million, respectively.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

Superior Group of Companies, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Superior Group of Companies, Inc. (a Florida corporation) and subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income (loss), shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 13, 2024 expressed an adverse opinion.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Indefinite-lived Intangible Assets – CID Resources Trade name

As described further in note 6 to the financial statements, the Company has an indefinite-lived intangible asset related to the CID Resources trade name of approximately $14.2 million. This indefinite-lived intangible asset is reviewed at least quarterly by the Company for impairment assessment. The Company considers historical and projected financial performance as well as industry information. We identified the quantitative fair value assessment of the CID Resources trade name in the fourth quarter as a critical audit matter.

The principal considerations for our determination that the impairment assessment of this indefinite-lived intangible asset is a critical audit matter are that the impairment assessment requires the Company to utilize subjective assumptions to estimate the discounted cash flows attributable to the CID Resources trade name, such as royalty rate and discount rate. This estimation process required a high degree of auditor judgement and an increased extent of effort.

Our audit procedures related to the CID Resources trade name included the following, among others.

- We obtained an understanding, evaluated the design and tested the operating effectiveness of key controls relating to management's quantitative impairment assessment process including review of assumptions used in the model and the completeness and accuracy of forecasted information.

- We reviewed revenue forecasts prepared by management that were utilized in the model and performed sensitivity analyses on those forecasts.

- We utilized a valuation specialist to assess the appropriateness of the model utilized and underlying assumptions including the royalty rate and discount rate.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2022.

Tampa, Florida
March 13, 2024

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

Superior Group of Companies, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Superior Group of Companies, Inc. (a Florida corporation) and subsidiaries (the "Company") as of December 31, 2023, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, because of the effect of the material weakness described in the following paragraphs on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2023, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment.

As of December 31, 2023, management identified a material weakness relating to segregation of duties, change management and user access within certain proprietary information technology systems of the Contact Centers segment. The Company determined that management's review controls over these areas are not designed effectively to detect a material misstatement related to the completeness, accuracy, and presentation of the financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2023. The material weakness identified above was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2023 consolidated financial statements, and this report does not affect our report dated March 13, 2024 which expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other information

We do not express an opinion or any other form of assurance on management’s remediation plans related to the currently reported material weakness in internal control over financial reporting as of December 31, 2023.

/s/ GRANT THORNTON LLP

Tampa, Florida
March 13, 2024

SUPERIOR GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands, except shares and per share data)

	Years Ended December 31, 2023	Years Ended December 31, 2022
Net sales	$ 543,302	$ 578,831
Costs and expenses:		
Cost of goods sold	339,755	385,472
Selling and administrative expenses	183,205	176,320
Goodwill impairment charge	-	45,918
Intangible assets impairment charge	-	5,581
Other periodic pension costs	855	2,116
Interest expense	9,718	4,894
	533,533	620,301
Gain on sale of property, plant and equipment	-	3,435
Income (loss) before income tax expense	9,769	(38,035)
Income tax expense (benefit)	997	(6,065)
Net income (loss)	$ 8,772	$ (31,970)
Net income (loss) per share:		
Basic	$ 0.55	$ (2.03)
Diluted	$ 0.54	$ (2.03)
Weighted average shares outstanding during the period:		
Basic	15,968,199	15,764,859
Diluted	16,159,308	15,764,859
Other comprehensive income (loss), net of tax:		
Defined benefit pension plans:		
Recognition of net losses included in net periodic pension costs	$ 163	$ 1,276
Current period gain (loss)	(172)	2,188
Loss on cash flow hedging activities	-	(47)
Foreign currency translation adjustment	735	(215)
Other comprehensive income	726	3,202
Comprehensive income (loss)	$ 9,498	$ (28,768)
Cash dividends per common share	$ 0.56	$ 0.54

See accompanying Notes to the Consolidated Financial Statements.

SUPERIOR GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and par value data)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,896	$ 17,722
Accounts receivable, less allowance for doubtful accounts of $ 4,237 and $7,622, respectively	103,494	104,813
Accounts receivable - other	307	3,326
Inventories	98,067	124,976
Contract assets	48,715	52,980
Prepaid expenses and other current assets	8,881	14,166
Total current assets	279,360	317,983
Property, plant and equipment, net	46,890	51,392
Operating lease right-of-use assets	17,909	9,113
Deferred tax asset	12,356	10,718
Intangible assets, net	51,160	55,753
Other assets	14,775	11,982
Total assets	$ 422,450	$ 456,941
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 50,520	$ 42,060
Other current liabilities	43,978	38,646
Current portion of long-term debt	4,688	3,750
Current portion of acquisition-related contingent liabilities	1,403	736
Total current liabilities	100,589	85,192
Long-term debt	88,789	151,567
Long-term pension liability	13,284	12,864
Long-term acquisition-related contingent liabilities	557	2,245
Long-term operating lease liabilities	12,809	3,936
Other long-term liabilities	8,784	8,538
Total liabilities	224,812	264,342
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock, $.001 par value - authorized 300,000 shares (none issued)	-	-
Common stock, $.001 par value - authorized 50,000,000 shares, issued and outstanding - 16,564,712 and 16,376,683 shares, respectively	16	16
Additional paid-in capital	77,443	72,615
Retained earnings	122,464	122,979
Accumulated other comprehensive income (loss), net of tax:		
Pensions	(1,122)	(1,113)
Foreign currency translation adjustment	(1,163)	(1,898)
Total shareholders' equity	197,638	192,599
Total liabilities and shareholders' equity	$ 422,450	$ 456,941

See accompanying Notes to the Consolidated Financial Statements.

SUPERIOR GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except shares and per share data)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, net of tax	Total Shareholders' Equity
Balance, January 1, 2022	16,127,505	$ 16	$ 69,351	$ 163,836	$ (6,213)	$ 226,990
Cumulative-effect adjustment from adoption of ASU 2016-13	-	-	-	$ (76)	-	$ (76)
Common shares issued upon exercise of options and SARs, net	80,434	-	886	(158)	-	728
Performance based shares issued	11,707	-	-	-	-	-
Restricted shares issued, net of forfeitures	48,044	-	-	-	-	-
Restricted shares issued in conjunction with acquisition of business	116,550	-	2,000	-	-	2,000
Share-based compensation expense	-	-	4,289	-	-	4,289
Tax withheld on vesting of restricted shares and performance based shares	(7,557)	-	(314)	-	-	(314)
Written put options	-	-	(3,597)	-	-	(3,597)
Cash dividends declared ($0.54 per share)	-	-	-	(8,653)	-	(8,653)
Comprehensive income (loss):						
Net loss	-	-	-	(31,970)	-	(31,970)
Cash flow hedges, net of taxes of $6	-	-	-	-	(47)	(47)
Pensions, net of taxes of $1,281	-	-	-	-	3,464	3,464
Change in currency translation adjustment, net of taxes of $0	-	-	-	-	(215)	(215)
Balance, December 31, 2022	16,376,683	$ 16	$ 72,615	$ 122,979	$ (3,011)	$ 192,599
Common shares issued upon exercise of options and SARs, net	29,835	-	274	(99)	-	175
Performance based shares issued	2,981	-	-	-	-	-
Restricted shares issued, net of forfeitures	155,213	-	-	-	-	-
Share-based compensation expense	-	-	3,787	-	-	3,787
Written put options	-	-	767	-	-	767
Cash dividends declared ($0.56 per share)	-	-	-	(9,188)	-	(9,188)
Comprehensive income (loss):						
Net income	-	-	-	8,772	-	8,772
Pensions, net of taxes of $3	-	-	-	-	(9)	(9)
Change in currency translation adjustment, net of taxes of $0	-	-	-	-	735	735
Balance, December 31, 2023	16,564,712	$ 16	$ 77,443	$ 122,464	$ (2,285)	$ 197,638

See accompanying Notes to the Consolidated Financial Statements.

SUPERIOR GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 8,772	$ (31,970)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,995	13,004
Goodwill impairment charge	-	45,918
Intangible assets impairment charge	-	5,581
Inventory write-downs	2,346	13,569
Provision for bad debts - accounts receivable	539	2,891
Share-based compensation expense	3,787	4,289
Deferred income tax benefit	(1,635)	(12,352)
Gain on sale of property, plant and equipment	-	(3,435)
Change in fair value of acquisition-related contingent liabilities	(189)	(450)
Change in fair value of written put options	489	(1,565)
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	1,051	680
Accounts receivable - other	3,019	1,347
Contract assets	4,310	(15,092)
Inventories	24,672	(15,898)
Prepaid expenses and other current assets	5,496	5,225
Other assets	(2,012)	1,858
Accounts payable and other current liabilities	13,310	(14,614)
Payment of acquisition-related contingent liabilities	(279)	(3,346)
Long-term pension liability	407	2,190
Other long-term liabilities	851	(434)
Net cash provided by (used in) operating activities	78,929	(2,604)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(4,963)	(11,018)
Proceeds from disposals of property, plant and equipment	-	4,795
Acquisition of businesses	-	(11,202)
Other investments	(545)	-
Net cash used in investing activities	(5,508)	(17,425)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings of debt	6,000	332,143
Repayment of debt	(67,750)	(292,773)
Debt issuance costs	(300)	(869)
Payment of cash dividends	(9,188)	(8,653)
Payment of acquisition-related contingent liabilities	(553)	(1,416)
Proceeds received on exercise of stock options	175	728
Tax withholdings on vesting of restricted shares and performance based shares and on exercise of stock rights	-	(314)
Net cash provided by (used in) financing activities	(71,616)	28,846
Effect of currency exchange rates on cash	369	(30)
Net increase in cash and cash equivalents	2,174	8,787
Cash and cash equivalents balance, beginning of year	17,722	8,935
Cash and cash equivalents balance, end of year	$ 19,896	$ 17,722
Supplemental disclosure of cash flow information:		
Income taxes paid (refunded), net	$ (978)	$ 1,348
Interest paid	$ 9,588	$ 4,767

See accompanying Notes to the Consolidated Financial Statements.

Superior Group of Companies, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE 1 – Description of Business, Basis of Presentation and Summary of Accounting Policies:

Description of business

Superior Group of Companies, Inc. (together with its subsidiaries, "the Company," "Superior," "we," "our," or "us") was organized in 1920 and was incorporated in 1922 as a New York company under the name Superior Surgical Mfg. Co., Inc. In 1998, the Company changed its name to Superior Uniform Group, Inc. and redomiciled to Florida. Effective on May 3, 2018, Superior Uniform Group, Inc. changed its name to Superior Group of Companies, Inc.

Superior's Branded Products segment, primarily through its signature marketing brands BAMKO® and HPI®, produces and sells customized merchandising solutions, promotional products and branded uniform programs. Branded products are manufactured through third parties or in Superior's own facilities, and are sold to customers in a wide range of industries, including retail, hotel, food service, entertainment, technology, transportation and other industries. The segment currently has sales offices in the United States, Canada, Brazil, the United Kingdom and Colombia, with support services in China and India.

Superior's Healthcare Apparel segment, primarily through its signature marketing brands Fashion Seal Healthcare®, Wink™ and CID Resources, manufactures (through third parties or in its own facilities) and sells a wide range of healthcare apparel, such as scrubs, lab coats, protective apparel and patient gowns. This segment sells healthcare service apparel to healthcare laundries, dealers, distributors, retailers and consumers primarily in the United States.

Superior's Contact Centers segment, through multiple The Office Gurus® entities, including subsidiaries in El Salvador, Belize, Jamaica, Dominican Republic and the United States (collectively, "TOG"), provides outsourced, nearshore business process outsourcing, contact and call-center support services to North American customers.

Basis of presentation

The accompanying consolidated financial statements of Superior included herein have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") ("U.S." or "United States") and the rules and regulations of the Securities and Exchange Commission (the "SEC"). The Company refers to the consolidated financial statements collectively as "financial statements," and individually as "statements of comprehensive income (loss)," "balance sheets," "statements of shareholders' equity," and "statements of cash flows" herein.

Reportable Segments

Beginning in the second quarter of 2022, the Company realigned its reportable segments to correspond with changes to its organizational responsibilities, management structure and operating model. Prior to implementing the current segment reporting, the Company's Uniforms and Related Products segment included healthcare apparel, uniforms and corporate overhead. As part of the change in reportable segments, the branded portion of the uniforms business was combined with the previous Promotional Products segment to form the Branded Products segment, the healthcare apparel business became its own segment named Healthcare Apparel and income and expenses related to corporate functions that are not specifically attributable to an individual reportable segment are no longer presented in segment results. The previous Remote Staffing Solutions segment was renamed the Contact Centers segment. As a result of this re-segmentation, the Company performed a quantitative goodwill impairment test. Refer to Note 6 for additional information.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, as well as the disclosures of contingent assets and liabilities. Because of the inherent uncertainties in this process, actual future results could differ from those expected at the reporting date.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Revenue recognition

Revenue is recognized when control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. See Note 15 for further discussion on revenue recognition.

Accounts receivable and allowance for doubtful accounts

Judgments and estimates are used in determining the collectability of accounts receivable and in establishing allowances for doubtful accounts. The Company analyzes specific accounts receivable and historical bad debt experience, customer credit worthiness, current economic trends and the age of outstanding balances when evaluating the adequacy of the allowance for doubtful accounts. Changes in estimates are reflected in the period they become known. Charge-offs of accounts receivable are made once all collection efforts have been exhausted. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Cost of goods sold and shipping and handling fees and costs

Cost of goods sold for our Branded Products segment and our Healthcare Apparel segment consist primarily of direct costs of acquiring inventory, including cost of merchandise, inbound freight charges, purchasing, receiving and inspection costs. Cost of goods sold for our Contact Centers segment includes salaries and payroll related benefits for agents. The Company includes shipping and handling fees billed to customers in net sales. Shipping and handling costs associated with out-bound freight are recorded in cost of goods sold. The cost of occupancy and operating the Company's distribution centers are included in selling and administrative expenses.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method or average cost) or net realizable value. Judgments and estimates are used in determining the likelihood that goods on hand can be sold to customers. Historical inventory usage and current revenue trends are considered in estimating both excess and obsolete inventories. If actual product demand and market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Major renewals and improvements are capitalized, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed in the period incurred. Costs of assets sold or retired and the related accumulated depreciation are eliminated from accounts and the net gain or loss is reflected in the statements of comprehensive income (loss) within selling and administrative expenses. During the year ended December 31, 2022, the Company sold its corporate headquarters building and related assets for net proceeds of $4.8 million and realized a gain on the sale of $ 3.4 million. This sale was part of management's plan to relocate the Company's corporate headquarters to St. Petersburg, Florida. This sale is presented within our statements of comprehensive income (loss) as a separate line item titled "gain on sale of property, plant and equipment."

Property, plant and equipment is recorded at cost and depreciated using the straight-line method over its estimated useful life as follows:

Buildings (in years)	20 to 40
Improvements (in years)	5 to 40
Machinery, equipment and fixtures (in years)	3 to 10

Leasehold improvements are depreciated over the terms of the leases to the extent that such improvements have useful lives of at least the terms of the respective leases.

Impairment of long-lived assets

Long-lived assets, such as property and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value. There were no impairments of long-lived assets for the years ended December 31, 2023 and 2022.

Goodwill and indefinite-lived intangible assets

The Company has made acquisitions in the past that included goodwill and indefinite-lived intangible assets. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill and indefinite-lived intangible assets such as trade names are not amortized but are subject to an annual (or under certain circumstances more frequent) impairment test in the fourth quarter based on their estimated fair value. We test more frequently if there are indicators of impairment, or whenever such circumstances suggest that the carrying value of goodwill or trade names may not be recoverable. Examples of such events and circumstances that the Company would consider include the following:

- macroeconomic conditions such as deterioration in general economic conditions, limitations on accessing capital, or other developments in equity and credit markets;
- industry and market considerations such as a deterioration in the environment in which the Company operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for the Company's products or services, or a regulatory or political development;
- cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows;
- overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods; and
- other relevant entity-specific events such as changes in management, key personnel, strategy, or customers.

An entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the impairment test is unnecessary. Goodwill and indefinite-lived intangible assets are tested at a level of reporting referred to as "the reporting unit." The Company's reporting units are defined as each of its three reporting segments.

In conjunction with the re-segmentation during the second quarter of 2022, the Company performed a goodwill impairment analysis and determined that the estimated fair value of the previous Uniforms and Related Products segment was lower than its carrying value primarily as the result of current market conditions, decline in expected cash flows and decrease in the Company's stock price. During the third quarter of 2022, the Company determined that a triggering event occurred in relation to the depressed market price of the Company's common stock and corresponding significant decline in the Company's market capitalization. As a result, the Company performed a goodwill impairment analysis and determined that the estimated fair value of the Branded Products segment was lower than its carrying value. Consequently, the Company recorded a non-cash goodwill impairment charge of $45.9 million during the year ended December 31, 2022. As of December 31, 2022, the Company had no remaining goodwill balance.

In conjunction with the Company's realignment of its reportable segments during the second quarter of 2022, the Company began an effort to centralize certain branding and go-to-market strategies under the BAMKO brand and determined that it would no longer use certain trade names associated with branded products. The Company's rebranding efforts resulted in a $5.6 million impairment of indefinite-lived trade names related to its Branded Products segment during the year ended December 31, 2022.

For the year ended December 31, 2023, the Company completed its testing of indefinite-lived intangible assets and determined that the fair value of each indefinite-lived intangible asset was more than its carrying value. As of December 31, 2023 and 2022, indefinite-lived intangible assets of $ 13.6 million and $14.2 million were included in the Branded Products segment and the Healthcare Apparel segment, respectively.

Contingent Consideration

Contingent consideration relating to consideration transferred in exchange for an acquired business is recognized at its estimated fair value at the acquisition date. The contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved. Recognition of any changes in fair value are included in selling and administrative expenses in our statements of comprehensive income (loss).

SERP

The Company is the sponsor of an unfunded supplemental executive retirement plan ("SERP") which includes one active participant. In calculating our obligations and related expense, we make various assumptions and estimates, after consulting with outside actuaries and advisors. The annual determination of expense involves calculating the estimated total benefits ultimately payable to plan participants. Significant assumptions related to the calculation of our obligations include the discount rates used to calculate the present value of benefit obligations to be paid in the future. We review these assumptions annually based upon currently available information, including information provided by our actuaries.

Insurance

The Company self-insures for certain obligations related to employee health programs. The Company also purchases stop-loss insurance policies to protect it from catastrophic losses. Judgments and estimates are used in determining the potential value associated with reported claims and for losses that have occurred, but have not been reported. The Company's estimates consider historical claim experience and other factors. The Company's liabilities are based on estimates, and, while the Company believes that the accrual for loss is adequate, the ultimate liability may be in excess of or less than the amounts recorded. Changes in claim experience, the Company's ability to settle claims or other estimates and judgments used by management could have a material impact on the amount and timing of expense for any period.

Taxes on income

Income taxes are provided for under the asset and liability method, whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The calculation of the Company's tax liabilities also involves dealing with uncertainties in the application of complex tax regulations. The Company recognizes liabilities for uncertain income tax positions based on estimates of whether, and the extent to which, additional taxes will be required. The Company also accrues interest and penalties related to uncertain income tax positions as income taxes. Refer to Note 9 for additional details.

Share-based compensation

The Company awards share-based compensation as an incentive for employees to contribute to the Company's long-term success. The Company grants options, stock-settled stock appreciation rights, restricted stock and performance shares. The Company recognizes share-based compensation expense for all awards granted to employees, which is based on the fair value of the award on the date of grant. Determining the appropriate fair value model and calculating the fair value of stock compensation awards requires the input of certain highly complex and subjective assumptions, including the expected life of the stock compensation awards and the Company's common stock price volatility, risk free interest rate and dividend rate. The assumptions used in calculating the fair value of stock compensation awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and the Company deems it necessary to use different assumptions, stock compensation expense could be materially different from what has been recorded in the current period.

Other comprehensive income (loss)

Comprehensive income (loss) includes net income (loss) and all other changes in equity during a period except those resulting from investments by or distributions to shareholders. Other comprehensive income (loss) consists of defined benefit pension plans activities, cash flow hedging activities and foreign currency translation adjustment. The related tax effects of these items are recorded in income tax expense (benefit) within the statements of comprehensive income (loss), upon reclassification from accumulated other comprehensive income (loss), net of tax.

Foreign Currency Translations and Transactions

Assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current rate of exchange on the last day of the reporting period. Changes in the carrying values of these assets and liabilities attributable to fluctuations in spot rates are recognized in net foreign currency translation adjustment, a component of accumulated other comprehensive income (loss), net of tax. Monetary assets and liabilities denominated in a currency that is different from a reporting entity's functional currency are remeasured from the applicable currency to the reporting entity's functional currency. Gains or losses resulting from transactions denominated in other currencies are recognized in net income (loss) each period. The majority of the Company's transactions are settled in U.S. dollars.

Risks and concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk include cash in banks in excess of federally insured amounts. The Company manages this risk by maintaining all deposits in high quality financial institutions and periodically performing evaluations of the relative credit standing of the financial institutions. When assessing credit risk the Company considers whether the credit risk exists at both the individual and group level. Consideration is given to the activity, region and economic characteristics when assessing if there exists a group concentration risk. At December 31, 2023 and 2022, the Company had no customer with an accounts receivable balance greater than 10% of the total accounts receivable. At December 31, 2023 and 2022, the five largest customer accounts receivable balances totaled $17.9 million and $21.4 million, respectively, or approximately 17% and 20% of the respective total accounts receivable balances. The Branded Products segment has a substantial number of customers, none of which accounted for more than 10% of the segment's 2023 net sales and no customer accounted for more than 10% of the Healthcare Apparel or Contact Center segment's 2023 net sales.

Principal raw materials used to manufacture the Company's finished goods include cotton, polyester, spandex, cotton-synthetic, poly-synthetic blends, textiles, plastic, glass, fabric and metal. The majority of such fabrics are sourced in China, either directly by us or our suppliers. If we are unable to continue to obtain our raw materials and finished products from China or if our suppliers are unable to source raw materials from China, it could significantly disrupt our business. Further, the Company and the Company's suppliers generally source or manufacture finished goods in parts of the world that may be affected by economic uncertainty, political unrest, logistical challenges (such as port strikes and embargos), foreign currency fluctuations, labor disputes, health emergencies, or the imposition of duties, tariffs or other import regulations by the United States, any of which could result in additional cost or limit our supply of necessary goods and raw materials.

Written Put Options

During the second quarter of 2022, the Company entered into written put options with a former employee that, if exercised by the former employee, requires the Company to repurchase up to 207,970 shares of its common stock at fair market value (as defined in the agreement), subject to certain limitations. The original fair value of the written put options upon entering into the agreement was $3.6 million. The written put options expire after twenty-four months and contain certain quarterly maximums. During the year ended December 31, 2023, a total of 75,046 written put options expired unexercised resulting in a $0.8 million reduction in other current liabilities with an offset to additional paid-in capital. The written put options are liabilities under ASC 480, Distinguishing Liabilities from Equity, because the options embody obligations to repurchase the Company's shares by paying cash. As of December 31, 2023 and 2022, the fair value of the written put options was $ 1.8 million and $2.0 million, respectively. The fair value of the written put options is based directly on the Company's stock price and included in other current liabilities in our balance sheets. We recognized unrealized losses of $0.5 million and unrealized gains of $1.6 million on written put options during the years ended December 31, 2023 and 2022, respectively. Unrealized gains and losses from changes in the fair value of the written put options are included within selling and administrative expenses in our statements of comprehensive income (loss). At December 31, 2023, the Company's remaining repurchase obligation under the written put options was 132,924 shares of its common stock.

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, receivables and accounts payable approximated fair value as of December 31, 2023 and 2022, because of the relatively short maturities of these instruments. The carrying amount of the Company's long-term debt approximated fair value as the rates are adjustable based upon current market conditions.

Recent Accounting Pronouncements

We consider the applicability and impact of all Accounting Standard Updates ("ASUs"). ASUs not listed below were assessed and determined to be not applicable.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, *"Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures"*. The ASU requires that an entity disclose significant segment expenses impacting profit and loss that are regularly provided to the chief operating decision maker ("CODM"). The update is required to be applied retrospectively to prior periods presented, based on the significant segment expense categories identified and disclosed in the period of adoption. The amendments in this ASU are required to be adopted for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The adoption of this guidance will not affect the Company's consolidated results of operations, financial position or cash flows and the Company is currently evaluating the effect the guidance will have on its disclosures.

In December 2023, the FASB issued ASU 2023-09, *"Income Taxes (Topic 740)—Improvements to Income Tax Disclosures"*. The ASU requires that an entity disclose specific categories in the effective tax rate reconciliation as well as provide additional information for reconciling items that meet a quantitative threshold. Further, the ASU requires certain disclosures of state versus federal income tax expense and taxes paid. The amendments in this ASU are required to be adopted for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued. The amendments should be applied on a prospective basis although retrospective application is permitted. The adoption of this guidance will not affect the Company's consolidated results of operations, financial position or cash flows and the Company is currently evaluating the effect the guidance will have on its disclosures.

NOTE 2 - Allowance for Doubtful Accounts Receivable:

The activity in the allowance for doubtful accounts receivable was as follows (in thousands):

	Years Ended December 31,	
	2023	2022
Balance at the beginning of year	$ 7,622	$ 6,393
Provision for bad debts	539	2,891
Charge-offs	(3,924)	(1,686)
Recoveries	-	24
Balance at the end of year	$ 4,237	$ 7,622

NOTE 3 - Reserve for Sales Returns and Allowances:

The activity in the reserve for sales returns and allowances was as follows (in thousands):

	Years Ended December 31,	
	2023	2022
Balance at the beginning of year	$ 2,090	$ 2,636
Provision for returns and allowances	4,678	4,512
Actual returns and allowances paid to customers	(5,360)	(5,058)
Balance at the end of year	$ 1,408	$ 2,090

NOTE 4 - Inventories:

Inventories consisted of the following amounts (in thousands):

	December 31, 2023	December 31, 2022
Finished goods	$ 72,370	$ 94,228
Work in process	671	401
Raw materials	25,026	30,347
Inventories	$ 98,067	$ 124,976

NOTE 5 - Property, Plant and Equipment, Net:

Property, plant and equipment, net, consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Land	$ 2,494	$ 2,494
Buildings, improvements and leaseholds	16,929	18,652
Machinery, equipment and fixtures	98,590	101,419
	118,013	122,565
Accumulated depreciation	(71,123)	(71,173)
Property, plant and equipment, net	$ 46,890	$ 51,392

Depreciation expense was $9.4 million and $7.9 million in 2023 and 2022, respectively.

NOTE 6 - Goodwill and Intangible Assets:

Goodwill

Beginning in the second quarter of 2022, the Company realigned its reportable segments to Branded Products, Healthcare Apparel and Contact Centers. Refer to Note 17 for further information on the Company's reportable segments. As a result of this re-segmentation, and in accordance with ASC 350, the Company performed a quantitative goodwill impairment test.

During the third quarter of 2022, the Company determined that a triggering event occurred in relation to the depressed market price of the Company's common stock and corresponding significant decline in the Company's market capitalization. As a result, the Company performed a quantitative goodwill impairment test.

The fair value of goodwill in each impairment test was determined using a combination of an income approach, which estimates fair value based upon projections of future revenues, expenses, and cash flows discounted to their respective present values, and a market approach. The valuation methodology and underlying financial information included in the Company's determination of fair value required significant judgments by management. The principal assumptions used in the Company's discounted cash flow analysis consisted of (a) long-term projections of financial performance and (b) the weighted-average cost of capital of market participants, adjusted for the risk attributable to the Company and the industry in which it operates. Under the market approach, the principal assumption included an estimate of a control premium.

Based on the goodwill impairment analysis performed, the Company determined that the estimated fair values of the previous Uniforms and Related Products segment and current Branded Products segment were lower than their carrying value primarily as the result of current market conditions, decline in expected cash flows and/or decrease in the Company's stock price. Consequently, the Company recorded a non-cash goodwill impairment charge of $45.9 million during the year ended December 31, 2022.

The following table presents the carrying amounts of goodwill attributable to each of the Company's reportable segments (dollars in thousands):

	Branded Products	Healthcare Apparel	Total
As of January 1, 2022:			
Gross goodwill	$ 19,111	$ 20,323	$ 39,434
Accumulated impairment losses	-	-	-
Net goodwill	$ 19,111	$ -	$ 39,434
Additions	$ 6,463	$ -	$ 6,463
Impairment charge	(25,595)	(20,323)	(45,918)
Foreign currency translation	21	-	21
Net goodwill, December 31, 2022	$ -	$ -	$ -
As of December 31, 2022:			
Gross goodwill	$ 25,595	$ 20,323	$ 45,918
Accumulated impairment losses	(25,595)	(20,323)	(45,918)
Net goodwill	$ -	$ -	$ -

Intangible Assets

In conjunction with the Company's realignment of its reportable segments during the second quarter of 2022, the Company began an effort to centralize certain branding and go-to-market strategies under the BAMKO brand and determined that it would no longer use certain trade names associated with branded products. The Company's rebranding efforts resulted in a $5.6 million impairment of indefinite-lived trade names related to its Branded Products segment during the year ended December 31, 2022. The carrying amounts of indefinite-lived trade names are summarized as follows (dollars in thousands):

Indefinite-lived Intangible Assets	Segment	Carrying Amount, December 31, 2021	Impairment Charges	Carrying Amount, December 31, 2022	Carrying Amount, December 31, 2023
Trade names:					
HPI	Branded Products	$ 4,700	$ -	$ 4,700	$ 4,700
BAMKO	Branded Products	8,900	-	8,900	8,900
Public Identity	Branded Products	470	(470)	-	-
Tangerine	Branded Products	3,200	(3,200)	-	-
Gifts By Design	Branded Products	1,170	(1,170)	-	-
Sutter's Mill	Branded Products	741	(741)	-	-
CID Resources(1)	Healthcare Apparel	14,160	-	14,160	14,160
Total		$ 33,341	$ (5,581)	$ 27,760	$ 27,760

(1) Includes trade names and trademarks associated with CID Resources, Wink™ and Zoey and Chloe.

Intangible assets as of December 31, 2023 and December 31, 2022 are summarized as follows (dollars in thousands):

Item	Weighted Average Life (In years)	December 31, 2023 Gross Carrying Amount	December 31, 2023 Accumulated Amortization	December 31, 2022 Gross Carrying Amount	December 31, 2022 Accumulated Amortization
Definite-lived intangible assets:					
Customer relationships (7-15 year life)	11.7	$ 50,198	$ (27,417)	$ 50,198	$ (23,330)
Non-compete agreements (3-7 year life)	5.4	1,712	(1,507)	1,712	(1,367)
Trademarks	10.0	414	(118)	379	(72)
Trade names	2.0	710	(592)	710	(237)
Total		$ 53,034	$ (29,634)	$ 52,999	$ (25,006)
Indefinite-lived intangible assets:					
Trade names		$ 27,760		$ 27,760	
Total intangible assets		$ 80,794	$ (29,634)	$ 80,759	$ (25,006)

Amortization expense for intangible assets for the years ended December 31, 2023 and 2022 was $4.6 million and $5.1 million, respectively.

Estimated future intangible amortization expense is as follows (in thousands):

2024	$ 3,719
2025	3,069
2026	3,061
2027	3,020
2028	2,671
Thereafter	7,860
Total	$ 23,400

NOTE 7 – Other Current Liabilities:

Other current liabilities consisted of the following (in thousands)

	December 31, 2023	December 31, 2022
Salaries, wages, commissions and other compensation	$ 14,599	$ 14,316
Contract liabilities	5,346	2,213
Accrued rebates	1,409	2,090
Current operating lease liabilities	4,231	3,135
Written put options	1,754	2,032
Other accrued expenses	16,639	14,860
Other current liabilities	$ 43,978	$ 38,646

NOTE 8 – Long-Term Debt:

Debt consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Credit Facilities:		
Revolving credit facility due August 2027	$ 25,000	$ 83,000
Term loan due August 2027	69,375	73,125
	$ 94,375	$ 156,125
Less:		
Payments due within one year included in current liabilities	4,688	3,750
Debt issuance costs	898	808
Long-term debt less current maturities	$ 88,789	$ 151,567

On August 23, 2022, the Company entered into a Credit Agreement (the “Credit Agreement”) among the Company, the domestic subsidiaries of the Company, as guarantors, the lenders party thereto (the “Lenders”), and PNC Bank, National Association, as administrative agent for the Lenders (the “Administrative Agent”), pursuant to which the Lenders are providing the Company senior secured credit facilities maturing in August 2027 consisting of a revolving credit facility in the aggregate maximum principal amount of $125.0 million and a term loan in the original aggregate principal amount of $ 75.0 million (collectively, the “Credit Facilities”), and the ability to request incremental revolving credit or term loan facilities in an aggregate amount of up to an additional $75.0 million, subject to obtaining additional lender commitments and satisfying certain other conditions.

Obligations outstanding under the Credit Facilities accrue interest at a variable rate equal to the secured overnight financing rate (“SOFR”) plus an adjustment between 0.10% and 0.25% (depending on the applicable interest period) plus a margin between 1.0% and 2.0% (depending on the Company’s net leverage ratio). The weighted average interest rate on our outstanding borrowings under the Credit Facilities was 6.7% at December 31, 2023. During the term of the revolving credit facility, the Company will pay a commitment fee on the unused portion of the revolving credit facility equal to between 0.125% and 0.250% (depending on the Company’s net leverage ratio). The available balance under the revolving credit facility is reduced by outstanding letters of credit. As of December 31, 2023, there were no outstanding letters of credit under the revolving credit facility.

Contractual principal payments for the term loan are as follows: 2024 - $4.6 million; 2025 - $5.6 million; 2026 - $6.6 million; and 2027 - $52.5 million. The term loan does not contain pre-payment penalties.

The Credit Facilities are secured by substantially all of the operating assets of the Company, and the Company’s obligations under the Credit Facilities are guaranteed by all of its domestic subsidiaries. The Company’s obligations under the Credit Facilities are subject to acceleration upon the occurrence of an event of default as defined in the Credit Agreement. The Credit Agreement contains customary events of default and negative covenants, including but not limited to those governing indebtedness, liens, fundamental changes, investments, restricted payments (including dividends and related distributions), liquidations, mergers, consolidations or acquisitions, affiliate transactions and sales of assets or subsidiaries. The Credit Agreement also requires the Company to comply with a fixed charge coverage ratio of at least 1.25 to 1.0 and a net leverage ratio not to exceed 4.0 to 1.0. The Company’s net leverage ratio (as defined in the Credit Agreement) is generally calculated as the ratio of (a) indebtedness minus unrestricted cash to (b) consolidated EBITDA for the four most recently ended fiscal quarters. As of December 31, 2023, the Company was in compliance with these ratios.

Debt Maturity Schedule

Contractual maturities of debt (excluding interest to be accrued thereon) at December 31, 2023 are as follows (in thousands):

2024	$	4,688
2025		5,625
2026		6,562
2027		77,500
2028		-
Thereafter		-
Total debt	$	94,375

NOTE 9 – Income Tax Expense (Benefit):

The components of income (loss) before income tax expense are as follows (in thousands):

	Years Ended December 31,			
	2023		2022	
Domestic	$	(6,585)	$	(59,407)
Foreign		16,354		21,372
Income (loss) before income tax expense	$	9,769	$	(38,035)

In 2022, the Company generated a loss before income tax expense of $ 38.0 million primarily due to goodwill and indefinite-lived intangible assets impairment charges totaling $51.5 million, these impairment charges were nonrecurring in 2023.

Aggregate income tax provisions consists of the following (in thousands):

	Years Ended December 31,			
	2023		2022	
Current:				
Federal	$	455	$	3,580
State and local		401		1,314
Foreign		1,776		1,399
		2,632		6,293
Deferred Taxes:				
Deferred tax benefit		(1,635)		(12,358)
Income tax expense (benefit)	$	997	$	(6,065)

The significant components of the deferred income tax asset (liability) are as follows (in thousands):

	December 31, 2023	December 31, 2022
Deferred income tax assets:		
Pension accruals	$ 3,578	$ 3,513
Operating reserves and other accruals	6,613	7,962
Book carrying value in excess of tax basis of intangibles	1,831	2,321
Capitalized research expenses	2,547	1,704
Disallowed interest	2,167	-
Deferred income tax liabilities:		
Book carrying value in excess of tax basis of property	(3,950)	(4,183)
Deferred expenses	(430)	(599)
Net deferred income tax asset (liability)	$ 12,356	$ 10,718

The difference between the total statutory Federal income tax rate and the actual effective income tax rate is accounted for as follows:

	Years Ended December 31, 2023	Years Ended December 31, 2022
Statutory federal income tax rate	21.0%	21.0%
State and local income taxes, net of federal income tax benefit	2.5%	3.4%
Rate impacts due to foreign operations	(12.8%)	4.3%
Compensation related	2.1%	(0.8%)
Pension termination	-	(0.3%)
R&D tax credits	(2.7%)	0.7%
Impairment charge	-	(11.7%)
Other	0.1%	(0.7%)
Effective income tax rate	10.2%	15.9%

The effective tax rate is the result of a variety of factors, and is primarily dependent on our jurisdictional mix of earnings across the Company's domestic and foreign operations as well as applicable statutory tax rates, the impact of goodwill and indefinite lived intangible impairments, and unrealized gains and losses associated with share-based compensation.

The Tax Cuts and Jobs Act of 2017 ("TCJA") included certain provisions that continue to affect our income taxes, which, among other things, include interest deduction limitations and global intangible low taxed income regulations ("GILTI").

The 2023 increase in the interest rates on our outstanding borrowings, along with the Company's level of income resulted in a current year limitation of interest expense deductibility. The deferred tax assets associated with the disallowed interest expense have an indefinite life and do not expire. Management believes these deferred tax assets are more likely than not to be realized and therefore no valuation allowance has been recorded.

The TCJA imposed a U.S. tax on GILTI that is earned by certain foreign affiliates owned by a U.S. shareholder. The computation of GILTI is generally intended to impose tax on the earnings of a foreign corporation that are deemed to exceed a certain threshold return relative to the underlying business investment. In accordance with guidance issued by FASB, the Company made a policy election to treat future taxes related to GILTI as a current period expense in the reporting period in which the tax is incurred. Deferred income taxes are provided on undistributed earnings of foreign subsidiaries in the period in which the Company determines it no longer intends to permanently reinvest such earnings outside the United States. The Company expects to permanently reinvest the earnings from its wholly-owned Brazilian and UK subsidiaries, and accordingly, has not provided deferred taxes on the subsidiaries' undistributed net earnings or basis differences. The Company believes that the tax liability that would be incurred upon repatriation of the earnings from its Brazilian and UK subsidiaries is immaterial at December 31, 2023.

Only tax positions that meet the more-likely-than- not recognition threshold are recognized in the financial statements. As of December 31, 2023 and 2022, we had $0.8 million of unrecognized tax benefits, all of which, if recognized, would favorably affect the annual effective income tax rate. We do not expect any significant amount of this liability to be paid in the next twelve months. Accordingly, the balance of $0.8 million as of December 31, 2023 is included in other long-term liabilities.

Changes in the Company's gross liability for unrecognized tax benefits, excluding interest and penalties, are as follows (in thousands):

	December 31,	
	2023	2022
Balance at the beginning of year	$ 807	$ 801
Additions for tax positions of prior years	105	129
Reductions due to lapse of statute of limitations	(116)	(123)
Balance at the end of year	$ 796	$ 807

We accrue interest and penalties related to unrecognized tax benefits in income tax expense, and the related liability is included in other long-term liabilities in our balance sheet. During the years ended December 31, 2023 and 2022 there was no significant reduction to the liability for interest and penalties due to any lapses in statute of limitations. At December 31, 2023 and 2022, we had $0.3 million and $0.2 million, respectively, accrued for interest and penalties, net of tax benefit.

We anticipate that it is reasonably possible that the total amount of unrecognized tax benefits could decrease by approximately $0.1 million within the next twelve months due to the closure of tax years by expiration of the statute of limitations and audit settlements related to various state tax filing positions.

As a global organization, we file a U.S. federal income tax return as well as income tax returns in various states, and in non U.S. jurisdictions. As of December 31, 2023, the statute of limitations for the U.S. federal tax years 2020 through 2022 remain open to examination. For U.S. state and local jurisdictions tax years 2017 through 2022 are open to examination. We are also subject to examination in various foreign jurisdictions for tax years 2017 through 2022.

NOTE 10 – Benefit Plans:

Defined Benefit Plans

The Company is the sponsor of an unfunded supplemental executive retirement plan ("SERP") which includes one active participant. As of December 31, 2023, the Company's projected benefit obligation under the unfunded SERP was $ 13.6 million. Contributions to the plan are made in accordance with statutory funding requirements and any additional funding that may be deemed appropriate.

The following tables present the changes in the benefit obligations and the various plan assets, the funded status of the plans, and the amounts recognized in the Company's balance sheets at December 31, 2023 and 2022 (in thousands):

	December 31, 2023	December 31, 2022
Changes in benefit obligation:		
Benefit obligation at beginning of year	$ 12,993	$ 15,523
Service cost	21	203
Interest cost	637	401
Actuarial (gain) loss	229	(3,031)
Benefits paid	(280)	(103)
Benefit obligation at end of year	13,600	12,993
Changes in plan assets:		
Employer contributions	280	103
Benefits paid	(280)	(103)
Fair value of plan assets at end of year	-	-
Funded status at end of year	$ (13,600)	$ (12,993)
Amounts recognized in balance sheets:		
Other current liabilities	$ (316)	$ (129)
Long-term pension liability	(13,284)	(12,864)
Net amount recognized	$ (13,600)	$ (12,993)
Amounts recognized in accumulated other comprehensive loss consist of:		
Net actuarial loss	$ 1,964	$ 1,953

Information for benefit plans with projected benefit obligation in excess of plan assets depicted as follows (in thousands):

	December 31, 2023	December 31, 2022
Projected benefit obligation	$ 13,600	$ 12,993
Fair value of plan assets	-	-
Underfunded	$ 13,600	$ 12,993

Components of net periodic benefit cost related to the SERP were as follows (in thousands):

	Years Ended December 31, 2023	Years Ended December 31, 2022
Service cost on benefits earned during the period	$ 21	$ 203
Interest cost on projected benefit obligation	637	401
Recognized actuarial loss	218	1,715
Net periodic pension cost after settlements	$ 876	$ 2,319

The service cost component is included in selling and administrative expenses in our statements of comprehensive income (loss) and the other components of net periodic pension cost are included in other periodic pension costs in our statements of comprehensive income (loss). The estimated net actuarial loss for the SERP that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year is $0.1 million.

The following table presents the weighted-average assumptions used to determine benefit obligations as of December 31, 2023 and 2022:

	Discount Rate	Long Term Rate of Return	Salary Scale
2022	4.93%	N/A	3.00%
2023	4.73%	N/A	3.00%

The following table presents the weighted-average assumptions used to determine net periodic benefit cost for years ended December 31, 2023 and 2022:

	Discount Rate	Long Term Rate of Return	Salary Scale
2022	2.59%	N/A	3.00%
2023	4.93%	N/A	3.00%

The following table includes projected benefit payments for the years indicated (in thousands):

Year	Projected Benefit Payments
2024	$ 324
2025	1,537
2026	977
2027	985
2028	975
2029-2033	4,733

Rabbi Trust

In connection with the Company's unfunded SERP, we have life insurance contracts on the lives of designated individuals. The insurance contracts associated with the SERP are held in a Rabbi trust. The trust is the owner and beneficiary of such insurance contracts. The policies are being utilized to help offset the costs and liabilities of the SERP. The cash surrender value of the life insurance contracts was $4.5 million and $3.9 million at December 31, 2023 and 2022, respectively. The cash surrender value of these policies is included in other assets in the balance sheets. During the years ended December 31, 2023 and 2022 we recognized an investment gain of $0.6 million and an investment loss of $0.8 million, respectively, on the cash surrender value of these life insurance contracts.

In 2013, we initiated a Non-Qualified Deferred Compensation Plan, and we have purchased life insurance contracts on the lives of designated individuals. The insurance contracts associated with the Non-Qualified Deferred Compensation Plan are also held in a Rabbi trust. The trust is the owner and beneficiary of such insurance contracts. The policies are being utilized to help offset the costs and liabilities of the Non-Qualified Deferred Compensation Plan. The cash surrender value of the life insurance contracts was $9.2 million and $7.7 million at December 31, 2023 and 2022, respectively. The cash surrender value of these policies is included in other assets in the balance sheets. The liability for participant deferrals was $7.9 million and $7.7 million as of December 31, 2023 and 2022, respectively, and is included in other long-term liabilities in the balance sheets.

Defined Contribution Plan

The Company provides a defined contribution plan covering qualified employees. The plan includes a provision that allows employees to make pre-tax contributions under Section 401(k) of the Internal Revenue Code. The plan provides for the Company to make a guaranteed match equal to 25% of each employee's eligible contributions. The plan also provides the Company with the option of making an additional discretionary contribution to the plan each year. The Company expensed employer matching contributions of $0.5 million and $0.6 million during the years ended December 31, 2023 and 2022, respectively.

NOTE 11 – Leases:

The Company primarily leases factories, warehouses, call centers, office space and equipment for various terms under long-term, non-cancelable operating lease agreements. A right-of-use asset represents the Company's right to use an underlying asset for the lease term and a lease liability represents the Company's obligation to make lease payments arising from the lease. The Company's leases generally have expected lease terms of one to eight years. In the normal course of business, it is expected that the Company's leases will be renewed or replaced by leases on other properties. Options to renew lease terms are included in determining the right-of-use asset and lease liability when it is reasonably certain that the Company will exercise that option. Certain of the lease agreements include rental payments adjusted periodically for inflation and generally require the Company to pay real estate taxes, insurance, and repairs. The Company's lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. As of December 31, 2023, the Company had $17.0 million of operating lease liabilities ($4.2 million in other current liabilities and $12.8 million in long-term operating lease liabilities), which represents the present value of the remaining lease payments, and $ 17.9 million of operating lease right-of-use assets, which includes prepaid rent of $1.6 million. As of December 31, 2022, the Company $7.0 million of operating lease liabilities ($3.1 million in other current liabilities and $3.9 million in long-term operating lease liabilities), which represents the present value of the remaining lease payments, and $9.1 million of operating lease right-of-use assets, which includes prepaid rent of $ 2.0 million. The depreciable-life of right-of-use assets is generally limited by the expected lease term. The Company does not have any material leases, individually or in the aggregate, classified as a finance leasing arrangement.

The components of lease cost were as follows (in thousands):

	Years Ended December 31,	
	2023	2022
Operating lease costs	$ 4,495	$ 4,027
Short-term lease costs	609	889
Total lease costs	$ 5,104	$ 4,916

Cash flow and noncash information related to our operating leases were as follows (in thousands):

	Years Ended December 31,	
	2023	2022
Operating cash flows – cash paid for operating lease liabilities	$ 3,368	$ 2,996
Non-cash – Operating lease right-of-use assets obtained in exchange for new lease liabilities	$ 13,908	$ 4,089

Other supplemental information related to our operating leases was as follows:

	Years Ended December 31,	
	2023	2022
Weighted-average remaining lease term (in years)	4.6	2.5
Weighted average discount rate	6.57%	5.66%

Maturities of operating lease liabilities as of December 31, 2023 were as follows (in thousands):

	Operating Leases
2024	$ 4,315
2025	4,243
2026	3,994
2027	3,187
2028	2,811
Thereafter	1,680
Total lease payments	20,230
Less imputed interest	3,190
Present value of lease liabilities	$ 17,040

NOTE 12 – Contingencies:

The purchase price to acquire substantially all of the assets of Sutter’s Mill Specialties, Inc. (“Sutter’s Mill”) in December 2021 included contingent consideration based on varying levels of Sutter’s Mill’s EBITDA in each measurement period from 2022 to 2024. In July 2023, management agreed to settle the remaining contingent consideration obligation associated with this acquisition for $0.5 million payable in the first quarter of 2024. The purchase price to acquire substantially all of the assets of Guardian Products, Inc. (“Guardian”) in May 2022 included contingent consideration based on varying levels of Guardian’s EBITDA in each measurement period through April 2025. The estimated fair value of Guardian acquisition-related contingent consideration payable as of December 31, 2023 was $1.4 million, of which $0.9 million is expected to be paid in the third quarter of 2024. During the year ended December 31, 2023 $0.8 million was paid for the 2022 measurement period. The total estimated undiscounted remaining payment related to this contingent consideration payable is between $1.9 million and $2.2 million. The Company will continue to evaluate the Guardian liability for remeasurement at the end of each reporting period and any changes will be recorded in the Company’s statements of comprehensive income (loss). The carrying amount of the liability may fluctuate significantly and actual amounts paid may be different from the estimated value of the liability.

The Company is involved in various legal actions and claims arising from the normal course of business. In the opinion of management, the ultimate outcome of these matters is not expected to have a material impact on the Company’s results of operations, cash flows, or financial position.

NOTE 13 – Share-Based Compensation:

In May 2013, the shareholders of the Company approved the 2013 Incentive Stock and Awards Plan (the "2013 Plan"), authorizing the granting of incentive stock options, non-qualified stock options, stock appreciation rights ("SARs"), restricted stock, performance shares and other stock based compensation. In May 2022, the shareholders of the Company approved the 2022 Equity Incentive and Awards Plan (the "2022 Plan"), authorizing the granting of incentive stock options, non-qualified stock options, stock appreciation rights ("SARs"), restricted stock, performance shares and other stock based compensation. A total of 2,000,000 shares of common stock have been reserved for issuance under the 2022 Plan. All options and SARs have been or will be granted with exercise prices at least equal to the fair market value of the shares on the date of grant. At December 31, 2023, the Company had 1,262,209 shares of common stock available for grant of share-based compensation under the 2022 Plan. The 2022 Plan replaced the 2013 Plan. No new awards will be granted under the 2013 Plan, but outstanding awards granted under the 2013 Plan will continue unaffected.

Share-based compensation is recorded in selling and administrative expense in the statements of comprehensive income (loss). The following table details the share-based compensation expense by type of award and the total related tax benefit for the periods presented (in thousands):

	Years Ended December 31,	
	2023	2022
Stock options and SARs	$ 1,279	$ 1,472
Restricted stock	2,560	2,598
Performance shares	(52)	219
Total share-based compensation expense	$ 3,787	$ 4,289
Related income tax benefit	$ 767	$ 804

Stock Options and Stock Appreciation Rights ("SARs")

The Company grants stock options and stock-settled SARs to employees that allow them to purchase shares of the Company's common stock. Stock options are also granted to outside members of the Board of Directors of the Company. The Company determines the fair value of stock options and SARs at the date of grant using the Black-Scholes valuation model. Assumptions regarding volatility, risk-free interest rate, expected term and dividend yield are required for the Black-Scholes model. The risk-free interest rate is based on the yield of a U.S. treasury bond with a similar maturity to the award's expected life. The expected life for awards granted is based on the historical exercise patterns experienced by the Company when the award is made. The determination of expected stock price volatility for awards is based on historical Superior common stock prices over a period commensurate with the expected life. The dividend yield assumption is based on the history and expectation of the Company's dividend payouts.

The following table summarizes significant assumptions utilized to determine the fair value of stock options and SARs:

	Years Ended December 31,	
	2023	2022
Stock Options:		
Risk free interest rate	3.5% - 4.9%	1.6% - 3.8%
Expected award life (years)	3-10	3-10
Expected volatility	46.9% - 67.8%	46.8% - 65.0%
Expected dividend yield	4.7% - 7.1%	2.4% - 5.6%
Weighted average fair value per share at grant date	$ 4.14	$ 5.39
SARs:		
Risk free interest rate	4.0%	1.6% - 3.8%
Expected award life (years)	3	3-4
Expected volatility	67.8%	61.6% - 64.8%
Expected dividend yield	4.7%	2.4% - 5.6%
Weighted average fair value per share at grant date	$ 4.58	$ 6.34

All stock options and SARs granted prior to August 3, 2018 vested immediately when granted. Awards issued thereafter vest between one and three years after the grant date. Employee awards expire five years after the grant date, and those issued to directors expire ten years after the grant date. The Company issues new shares upon the exercise of stock options and SARs. Stock options and SARs granted in tandem with stock options are subject to accelerated vesting under certain circumstances as outlined in the 2013 Plan and the 2022 Plan, as applicable.

A summary of stock option transactions during the year ended December 31, 2023 follows:

	No. of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding, January 1, 2023	962,775	$ 15.89	3.26	$ 301
Granted	200,091	11.37		
Exercised	(28,728)	9.55		
Lapsed or cancelled	(180,962)	17.99		
Outstanding, December 31, 2023	953,176	14.73	2.80	1,718
Exercisable, December 31, 2023	501,610	16.18	1.63	813

Intrinsic value is the difference between the market value of our common stock and the exercise price of each stock option multiplied by the number of stock options outstanding for those stock options where the market value exceeds their exercise price. Options exercised during the years ended December 31, 2023 and 2022 had intrinsic values of $0.1 million and $0.5 million, respectively. During the years ended December 31, 2023 and 2022 the Company received $0.2 million and $0.7 million, respectively, in cash from stock option exercises. No current tax benefits on stock option exercises were recognized during the years ended December 31, 2023 and 2022. Additionally, during the years ended December 31, 2023 and 2022 the Company received 7,627 and 9,738 shares, respectively, of its common stock as payment of the exercise price in the exercise of stock options for 9,115 and 11,784 shares, respectively, of its common stock. As of December 31, 2023, the Company had $0.9 million in unrecognized compensation related to nonvested stock options to be recognized over the remaining weighted average vesting period of 1.2 years.

A summary of stock-settled SARs transactions during the year ended December 31, 2023 follows:

	No. of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding, January 1, 2023	320,385	$ 15.23	2.23	$ 69
Granted	51,209	12.04		
Exercised	(41,226)	9.83		
Lapsed or cancelled	(37,860)	23.62		
Outstanding, December 31, 2023	292,508	14.35	2.07	506
Exercisable, December 31, 2023	184,245	14.29	1.10	361

SARs exercised during the years ended December 31, 2023 and 2022 had intrinsic values of $0.2 million and $0.1 million, respectively. No current tax benefits on SAR exercises were recognized during the years ended December 31, 2023 and 2022. As of December 31, 2023, the Company had $0.2 million in unrecognized compensation related to nonvested SARs to be recognized over the remaining weighted average vesting period of one year.

Restricted Stock

The Company has granted shares of restricted stock to directors and certain employees, which vest at a specified future date, generally after three years, over five years or when certain conditions are met. The shares are subject to accelerated vesting under certain circumstances as outlined in the 2013 Plan and the 2022 Plan, as applicable. Expense for each of these grants is based on the fair value at the date of the grant and is being recognized on a straight-line basis over the respective service period.

A summary of restricted stock transactions during the year ended December 31, 2023 follows:

	No. of Shares		Weighted Average Grant Date Fair Value
Outstanding, January 1, 2023	372,470	$	20.45
Granted	155,213		11.53
Vested	(99,317)		16.46
Forfeited	-		-
Outstanding, December 31, 2023	428,366		18.14

As of December 31, 2023, the Company had $ 3.8 million of unrecognized compensation cost related to nonvested restricted stock grants expected to be recognized over the remaining weighted average vesting period of 1.8 years.

Performance Shares

The Company has granted performance shares, which either contain only service-based vesting conditions or service-based and performance-based vesting conditions. The service-based awards vest after the service period is met, which is generally three to five years. Expense for these grants is based on the fair value on the date of the grant and is being recognized on a straight-line basis over the respective service period. The performance-based awards generally vest after five years if the performance and service targets are met. The Company evaluates the performance conditions associated with these grants each reporting period to determine the expected number of shares to be issued. Expenses for grants of performance shares are recognized on a straight-line basis over the respective service period based on the grant date fair value and expected number of shares to be issued. The awards are subject to accelerated vesting on a pro rata basis under certain circumstances as outlined in the 2013 Plan and the 2022 Plan, except in those circumstances in which award agreements or change in control agreements specify full vesting.

A summary of performance share transactions during the year ended December 31, 2023 follows:

	No. of Shares		Weighted Average Grant Date Fair Value
Outstanding, January 1, 2023	199,451	$	20.57
Granted	94,028		12.56
Vested	(4,558)		20.54
Forfeited	(5,400)		9.48
Outstanding, December 31, 2023	283,521		18.13

As of December 31, 2023, the Company had $ 1.1 million of unrecognized compensation cost related to nonvested performance share grants expected to be recognized over the remaining weighted average service period of 2.3 years.

NOTE 14 – Net Income (Loss) Per Share:

The Company's basic net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) per share includes the effect of the Company's outstanding stock options, stock appreciation rights, unvested shares of restricted stock and unvested performance shares, if the inclusion of these items is dilutive.

The following table presents a reconciliation of basic and diluted net income (loss) per share for the years ended December 31, 2023 and 2022:

	Years Ended December 31,	
	2023	2022
Net income (loss) used in the computation of basic and diluted net income per share (in thousands)	$ 8,772	$ (31,970)
Weighted average shares outstanding - basic	15,968,199	15,764,859
Dilutive common stock equivalents	191,109	-
Weighted average shares outstanding - diluted	16,159,308	15,764,859
Net income (loss) per share:		
Basic	$ 0.55	$ (2.03)
Diluted	$ 0.54	$ (2.03)

Diluted weighted average shares outstanding excludes shares of common stock of 400,381 for the year ended December 31, 2022 as their inclusion would have been antidilutive given the Company's net loss.

Awards to purchase 1,113,935 and 687,117 shares of common stock with weighted average exercise prices of $ 15.95 and $21.06, were outstanding during the years ended December 31, 2023 and 2022, respectively, but were not included in the computation of diluted net income (loss) per share because the awards' exercise prices were greater than the average market price of the common shares.

NOTE 15 – Net Sales:

For our Branded Products and Healthcare Apparel segments, revenue is primarily generated from the sale of finished products to customers. Revenues for our Branded Products and Healthcare Apparel segments are recognized when the performance obligations under the contract terms are satisfied. For certain contracts with customers in which the Company has an enforceable right to payment for goods with no alternative use, revenue is recognized over time upon receipt of finished goods into inventory. Revenue for goods that do have an alternative use or that the customer is not obligated to purchase under the terms of a contract is generally recognized when the goods are transferred to the customer. Revenue from the sale of personal protective equipment, including facemasks, isolation gowns, sanitizers and gloves, is generally recognized at a point in time when the goods are transferred to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contract. The Company includes shipping and handling fees billable to customers in net sales. Shipping and handling activities that occur after the transfer of promised goods are accrued as control is transferred to the customer rather than being treated as a separate performance obligation.

For our Contact Centers segment, revenue is generated from providing our customers with contact center services. Revenue for our Contact Centers segment is recognized as services are delivered.

Revenue is measured at the amount of consideration we expect to receive in exchange for the goods or services. Variable consideration for estimated returns, allowances and other price variances is recorded based upon historical experience and current allowance programs. Contract terms may involve variable consideration clauses such as sales discounts and customer rebates, and revenue is adjusted accordingly for these provisions. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The promised amount of consideration in a contract is not adjusted for the effects of a significant financing component when we expect, at contract inception, that the period between our transfer of a promised good or service to a customer and when the customer pays for that product or service will be one year or less. Sales taxes are excluded from the measurement of a performance obligation's transaction price. Sales commissions are expensed as incurred when we expect that the amortization period of such costs will be one year or less.

The following table presents disaggregated revenue by operating segment for the periods presented (in thousands):

	Years Ended December 31,	
	2023	2022
Branded Products Segment:		
Branded products	$ 342,456	$ 381,363
Personal protective equipment	224	6,568
Total Branded Products Segment	$ 342,680	$ 387,931
Healthcare Apparel Segment:		
Healthcare apparel	$ 110,871	$ 110,505
Personal protective equipment	3,007	2,816
Total Healthcare Apparel Segment	$ 113,878	$ 113,321
Contact Centers Segment:		
Contact centers services	$ 91,500	$ 84,218
Net intersegment eliminations	(4,756)	(6,639)
Total Contact Centers Segment	$ 86,744	$ 77,579
Consolidated Net Sales	$ 543,302	$ 578,831

Contract Assets and Contract Liabilities

The following table provides information about accounts receivable, contract assets and contract liabilities from contracts with customers (in thousands):

	December 31,	
	2023	2022
Accounts receivable	$ 103,494	$ 104,813
Current contract assets	48,715	52,980
Current contract liabilities	5,346	2,213

Contract assets relate to goods produced without an alternative use for which the Company has an enforceable right to payment but which has not yet been invoiced to the customer. The majority of the amounts included in contract assets on December 31, 2022 were transferred to accounts receivable during the year ended December 31, 2023. Contract liabilities relate to payments received in advance of the Company completing its performance under a contract. Contract liabilities are included in other current liabilities in our balance sheets. During the year ended December 31, 2023, $2.2 million of revenue was recognized from the contract liabilities balance as of December 31, 2022.

NOTE 16 – Stock Repurchase Plan:

On May 2, 2019, the Company's Board of Directors approved a stock repurchase program of up to 750,000 shares of the Company's outstanding common stock. There is no expiration date or other restriction governing the period over which the Company can make share repurchases under the program. All purchases under this program will be open market transactions. The Company did not reacquire and retire shares of its common stock under this program during the years ended December 31, 2023 and 2022. At December 31, 2023, the Company had 657,451 shares remaining under its common stock repurchase program. Shares purchased under the common stock repurchase program are constructively retired and returned to unissued status. The Company considers several factors in determining when to make share repurchases, including among other things, the cost of equity, the after-tax cost of borrowing, the debt to total capitalization targets and its expected future cash needs.

NOTE 17 – Operating Segment Information:

The Company manages and reports the following segments:

Branded Products segment: Primarily through our signature marketing brands BAMKO® and HPI®, we produce and sell customized merchandising solutions, promotional products and branded uniform programs. Branded products are sold to customers in a wide range of industries, including retail, hotel, food service, entertainment, technology, transportation and other industries. The segment currently has sales offices in the United States, Canada, Brazil, the United Kingdom and Colombia, with support services in China and India.

Healthcare Apparel segment: Primarily through our signature marketing brands Fashion Seal Healthcare®, Wink™ and CID Resources, we manufacture (through third parties or in our own facilities) and sell a wide range of healthcare apparel, such as scrubs, lab coats, protective apparel and patient gowns. This segment sells healthcare service apparel to healthcare laundries, dealers, distributors and retailers primarily in the United States.

Contact Centers: Through multiple The Office Gurus® entities, including our subsidiaries in El Salvador, Belize, Jamaica, Dominican Republic and the United States (collectively, "TOG"), we provide outsourced, nearshore business process outsourcing, contact and call-center support services to North American customers.

Intersegment eliminations include the elimination of revenues and costs from services provided by the Contact Centers segment to the Company's two other segments. Such costs are recognized as selling and administrative expenses in the Branded Products and Healthcare Apparel segments. Income and expenses related to corporate functions that are not specifically attributable to an individual reportable segment are presented within Other in the tables below.

No customer accounted for more than 10% of the Company's total net sales in 2023 or 2022.

During the fourth quarter of 2023, our chief operating decision maker began to evaluate the performance of our segments using Segment Adjusted EBITDA instead of income before income taxes. The Company has modified its presentation of segment performance to be consistent with this change, including prior periods presented for consistent and comparable presentation. Amounts included in income (loss) before income tax expense and excluded from Segment Adjusted EBITDA include: interest expense, depreciation and amortization expense, impairment charges and the other items not tied to the operational performance of the segment.

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The following tables set forth financial information related to the Company's operating segments (in thousands):

	Branded Products	Healthcare Apparel	Contact Centers	Intersegment Eliminations	Other	Total
As of and For the Year Ended December 31, 2023:						
Net sales	$ 342,680	$ 113,878	$ 91,500	$ (4,756)	$ -	$ 543,302
Segment Adjusted EBITDA	33,146	7,997	12,408	-	(20,069)	$ 33,482
Supplemental information:						
Depreciation and amortization	$ 6,744	$ 3,925	$ 2,942	$ -	$ 384	$ 13,995
Capital expenditures	$ 2,550	$ 960	$ 1,392	$ -	$ 61	$ 4,963
Total assets	$ 218,018	$ 131,168	$ 40,941	$ -	$ 32,323	$ 422,450

	Branded Products	Healthcare Apparel	Contact Centers	Intersegment Eliminations	Other	Total
As of and For the Year Ended December 31, 2022:						
Net sales	$ 387,931	$ 113,321	$ 84,218	$ (6,639)	$ -	$ 578,831
Segment Adjusted EBITDA	31,144	(2,747)	18,521	-	(18,991)	27,927
Supplemental information:						
Depreciation and amortization	$ 6,465	$ 3,946	$ 2,373	$ -	$ 220	$ 13,004
Capital expenditures	$ 4,643	$ 1,169	$ 4,876	$ -	$ 330	$ 11,018
Total assets	$ 224,116	$ 150,335	$ 43,368	$ -	$ 39,122	$ 456,941

The following table reconciles total Segment Adjusted EBITDA to income (loss) before income tax expense:

	Years Ended December 31,	
	2023	2022
Income (loss) before income tax expense	$ 9,769	$ (38,035)
Interest expense	9,718	4,894
Depreciation and amortization	13,995	13,004
Goodwill impairment charge	-	45,918
Intangible assets impairment charge	-	5,581
Gain on sale of property, plant and equipment	-	(3,435)
Segment Adjusted EBITDA	$ 33,482	$ 27,927

NOTE 18 – Acquisition of Businesses:

Guardian Products, Inc.

On May 1, 2022, the Company, through BAMKO, acquired substantially all of the assets of Guardian Products, Inc. ("Guardian") based in Norcross, Georgia. Guardian is a branded merchandise company that is one of the leading providers of promotional products to automotive dealers nationwide. The purchase price for the acquisition consisted of the following: (a) $11.1 million in cash, (b) the issuance of 116,550 restricted shares of Superior's common stock (the "Guardian Stock") that vest ratably over a three-year period, and (c) estimated potential future payments of approximately $ 2.3 million in additional contingent consideration based on the results of the acquired business through April 2025. The Guardian Stock is subject to transfer restrictions over the three-year period following the closing of the acquisition.

Fair Value of Consideration Transferred

A summary of the purchase price is as follows (in thousands):

Cash consideration	$	11,077
Restricted shares of Superior common stock issued		2,000
Contingent consideration		1,119
Total Consideration	$	14,196

Assets Acquired and Liabilities Assumed

The following table presents the allocation of the total fair value of consideration transferred, as shown above, to the acquired tangible and intangible assets and liabilities of Guardian based on their estimated fair values as of the effective date of the transaction (in thousands):

Accounts receivable	$	1,656
Inventories		621
Prepaid expenses and other current assets		272
Property, plant and equipment		15
Intangible assets		5,886
Goodwill		6,463
Total assets	$	14,913
Accounts payable		533
Other current liabilities		184
Total liabilities	$	717

The Company recorded $5.9 million in identifiable intangibles at fair value, consisting of $ 5.0 million in acquired customer relationships, $0.2 million for a non-compete agreement and $0.7 million for the Guardian Products trade name. The intangible assets associated with the customer relationships are being amortized for seven years, the non-compete agreement is being amortized for five years and the trade name is being amortized for two years.

The difference between the fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed was recorded as goodwill, which is primarily attributed to the assembled workforce and expanded market opportunities. The acquisition of Guardian was treated as an asset purchase for income tax purpose, and therefore, the resulting goodwill from this acquisition is deductible for U.S. income tax purposes. The goodwill associated with the Guardian acquisition was fully impaired during the year ended December 31, 2022 as a result of the Company's goodwill impairment test performed during the third quarter of 2022, which was triggered by the depressed market price of the Company's common stock and corresponding significant decline in the Company's market capitalization. See Note 6 for further details.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company conducted an evaluation, under supervision and with the participation of the Company’s principal executive officer, Michael Benstock, and the Company’s principal financial officer, Michael Koempel, of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report (the “Evaluation Date”). Based on such evaluation, the Company’s principal executive officer and principal financial officer concluded that, as of the Evaluation Date, the Company’s disclosure controls and procedures were not effective because of the material weakness in the Company’s internal control over financial reporting described below and as previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As of December 31, 2022, management identified a material weakness relating to segregation of duties, change management and user access within certain proprietary information technology systems of the Contact Centers segment. The Company determined that management’s review controls over these areas are not designed effectively to detect a material misstatement related to the completeness, accuracy, and presentation of the financial statements. This material weakness existed as of December 31, 2023.

Notwithstanding the identified material weakness, management, including our principal executive officer and principal financial officer have determined, based on the procedures we have performed, that the consolidated financial statements included in this Annual Report on Form 10-K present fairly, in all material respects, our financial condition, results of operations and cash flows at December 31, 2023 and for the periods presented in accordance with U.S. GAAP.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; and
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, and as described further above, management has identified a material weakness relating to segregation of duties, change management and user access within certain proprietary information technology systems of the Contact Centers segment. While these control deficiencies did not result in a misstatement to the consolidated financial statement, the material weakness could have resulted in a misstatement impacting account balances or disclosures that would have resulted in a material misstatement to the consolidated financial statements that would not have been prevented or detected on a timely basis. Given the material weakness, we have concluded that internal control over financial reporting was ineffective as of December 31, 2023.

Ongoing Remediation Efforts with Respect to the Material Weakness

The Company's management, under the oversight of the Audit Committee, has taken the following actions to remediate the material weakness relating to certain proprietary information technology systems of the Contact Centers segment identified as of December 31, 2022: (i) deployed enhanced change management software and reassessed approval authority levels in order to better manage access and program changes within our proprietary system; (ii) implemented processes and controls to better identify and manage segregation of duties; and (iii) designed and implemented additional enhanced review and monitoring controls.

While the Company was able to test the design effectiveness of the enhanced controls, the material weakness will not be considered remediated until the enhanced controls operate for a sufficient period of time, and management has concluded, through testing, that the related controls are effective. Therefore, the material weakness existed as of December 31, 2023. The Company will monitor the effectiveness of its remediation plan and will refine its remediation plan as appropriate.

The Company's independent registered public accounting firm, Grant Thornton LLP, has issued a report on the effectiveness of the Company's internal control over financial reporting, which is included "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

Except as discussed above under "Ongoing Remediation Efforts with Respect to the Material Weakness," there were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

During the quarter ended December 31, 2023, no director or officer adopted or terminated a contract, instruction or written plan disclosable under Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed in connection with its 2024 Annual Meeting of Shareholders.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed in connection with its 2024 Annual Meeting of Shareholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table provides information about our common stock that may be issued upon the exercise of options, warrants, rights and restricted stock under all our existing equity compensation plans as of December 31, 2023:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation Plans approved by Security holders	1,245,684	$ 14.64	1,262,209
Equity compensation Plans not approved by Security holders	-	-	-
Total	1,245,684		1,262,209

All other information required by this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed in connection with its 2024 Annual Meeting of Shareholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed in connection with its 2024 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed in connection with its 2024 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) *Financial Statements.* The following financial statements of Superior Group of Companies, Inc. are included in Part II, Item 8:

Report of Independent Registered Public Accounting Firm
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2023 and 2022
Consolidated Balance Sheets as of December 31, 2023 and 2022
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2023 and 2022
Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022
Notes to the Consolidated Financial Statements

(a)(2) *Financial Statement Schedules.*

All schedules are omitted because they are not applicable, or not required, or because the required information is included in the consolidated financial statements or notes thereto.

(a)(3) *Exhibits.*

See Exhibit Index

SUPERIOR GROUP OF COMPANIES, INC.
EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of Superior Group of Companies, Inc., as amended on May 3, 2018, filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
3.2	Amended and Restated Bylaws of the Registrant, filed as Exhibit 3.2 to the Form 8-K filed on May 4, 2018 and incorporated herein by reference.
4.1	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, filed as Exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2020 and incorporated herein by reference.
4.2	Form of Common Stock Certificate of Registrant, filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-3 (File No. 333-249760) on October 30, 2020 and incorporated herein by reference.
4.5	Registration Rights Agreement, filed as Exhibit 4.9 to the Registrant's Registration Statement on Form S-3 (File No. 333-249760) on October 30, 2020 and incorporated herein by reference.
10.1†	Form of Director/Officer Indemnification Agreement filed as Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and incorporated herein by reference.
10.2	1994 Superior Surgical Mfg. Co., Inc. Supplemental Pension Plan as amended and restated on July 30, 2013 , filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on August 2, 2013 and incorporated herein by reference.
10.3	1994 Superior Surgical Mfg. Co., Inc. Supplemental Pension Plan as amended and restated on November 7, 2008, filed as Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference.
10.4†	Severance Protection Agreement with Michael Benstock, dated November 23, 2005, filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on November 28, 2005 and incorporated herein by reference.
10.5†	Severance Protection Agreement with Andrew D. Demott, Jr., dated November 23, 2005, filed as Exhibit 99.4 to the Registrant's Current Report on Form 8-K filed on November 28, 2005 and incorporated herein by reference.
10.6†	2013 Incentive Stock and Awards Plan of the Registrant filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 7, 2013, and incorporated herein by reference.
10.7†	Form of Incentive Stock Option Agreement With Vesting Provisions , filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on May 7, 2013 and incorporated herein by reference.
10.8†	Form of Stock Appreciation Rights Agreement , filed as Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on May 7, 2013 and incorporated herein by reference.
10.9†	Form of Non-Qualified Stock Option Grant For Outside Directors , filed as Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on May 7, 2013 and incorporated herein by reference.
10.10†	Form of Incentive Stock Option Agreement With Vesting Provisions , filed as Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on May 7, 2013 and incorporated herein by reference.
10.11†	Form of Restricted Stock Agreement , filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on February 13, 2014 and incorporated herein by reference.
10.12†	Form of Performance Share Agreement, filed as Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.
10.13†	Form of Stock Appreciation Rights Agreement, filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 and incorporated herein by reference.
10.14†	Superior Uniform Group, Inc. Deferred Compensation Plan , filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on August 2, 2013 and incorporated herein by reference.
10.15†	Superior Uniform Group, Inc. Trust Agreement , filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on August 2, 2013 and incorporated herein by reference.

10.16	Stock Purchase Agreement by and among CID Resources, Inc., CID Resources Holdings LLC, the Direct and Indirect Equityholders of CID Resources Holdings LLC and Superior Uniform Group, Inc., dated as of May 2, 2018, filed as Exhibit 2.1 to the Form 8-K filed on May 3, 2018 and incorporated herein by reference.
10.17†,#	Employment Agreement, effective July 1, 2021, between Superior Group of Companies, Inc. and Philip Koosed, filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
10.18†,#	Employment Agreement, effective July 1, 2021, between The Office Gurus, LLC and Dominic Leide, filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
10.19†,#	Change in Control Agreement, made as of July 8, 2021, between Superior Group of Companies, Inc. and Jordan Alpert, filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
10.20†,#	Retention Agreement, made as of July 8, 2021, between Superior Group of Companies, Inc. and Jordan Alpert, filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
10.21†,#	Amended and Restated Performance Share Award, dated July 1, 2021, granted to Dominic Leide, filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
10.22†, #	Performance Share Award, dated July 1, 2021, granted to Philip Koosed, filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
10.23†	Restricted Stock Award, dated July 1, 2021, granted to Philip Koosed, filed as Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
10.24†	Restricted Stock Award, dated July 8, 2021, granted to Jordan Alpert, filed as Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
10.25†,#	Performance Share Award, dated July 1, 2021, granted to Jake Himelstein, filed as Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
10.26†	Restricted Stock Award, dated July 1, 2021, granted to Jake Himelstein, filed as Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
10.27†,#	Employment Agreement, effective July 1, 2021, between BAMKO, LLC and Jake Himelstein, filed as Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and incorporated herein by reference.
10.28	Superior Group of Companies, Inc. 2022 Equity Incentive and Awards Plan, incorporated by reference to Annex A to the Registrant's Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 31, 2022.
10.29†	Form of Incentive Stock Option Agreement, filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and incorporated herein by reference.
10.30†	Form of Non-Qualified Stock Option Grant For Outside Directors, filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and incorporated herein by reference.
10.31†	Form of Restricted Stock Agreement, filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and incorporated herein by reference.
10.32†	Form of Performance Share Agreement, filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and incorporated herein by reference.
10.33†	Form of Stock Appreciation Rights Agreement, filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and incorporated herein by reference.
10.34	Credit Agreement, dated as of August 23, 2022, among Superior Group of Companies, Inc., the Guarantors party thereto, the Lenders party thereto, and PNC Bank, National Association, as administrative agent for the Lenders filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 24, 2022, and incorporated herein by reference.
14.1	Code of Business and Ethical Conduct of the Registrant, filed as Exhibit 14.1 to the Form 8-K filed on August 6, 2018 and incorporated herein by reference.

21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Independent Registered Public Accounting Firm - Grant Thornton LLP
24.1*	Power of Attorney (included on the signature page hereto)
31.1*	Certification of Chief Executive Officer (Principal Executive Officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer (Principal Financial Officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Written Statement of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2**	Written Statement of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
97.1†*	Superior Group of Companies, Inc. Clawback Policy
101.INS+	Inline XBRL Instance Document.
101.SCH+	Inline XBRL Taxonomy Extension Schema.
101.CAL+	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF+	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB+	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE+	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

† Management contracts and compensatory plans and arrangements.
# Portions omitted in accordance with Item 601(b) of Regulation S-K.
* Filed herewith
** Furnished herewith
+ Submitted electronically with this Annual Report.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUPERIOR GROUP OF COMPANIES, INC.

By: /s/ Michael Benstock
Michael Benstock
Chief Executive Officer (Principal Executive Officer)

DATE: March 13, 2024

POWER OF ATTORNEY

BY THESE PRESENTS, each person whose signature appears below constitutes and appoints each of Michael Benstock, Michael Koempel and Jordan M. Alpert his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact or his or her substitute, each acting alone, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Michael Benstock
Michael Benstock, March 13, 2024
Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Michael Koempel
Michael Koempel, March 13, 2024
Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ Loreen Spencer
Loreen Spencer, March 13, 2024
(Director)

/s/ Andrew D. Demott, Jr
Andrew D. Demott, Jr., March 13, 2024
(Director)

/s/ Susan Lattmann
Susan Lattman, March 13, 2024
(Director)

/s/ Paul Mellini
Paul Mellini, March 13, 2024
(Director)

/s/ Venita Fields
Venita Fields, March 13, 2024
(Director)

/s/ Todd Siegel
Todd Siegel, March 13, 2024
(Director)

/s/ Robin Hensley
Robin Hensley, March 13, 2024
(Director)

Exhibit 21.1

SUPERIOR GROUP OF COMPANIES, INC.

LIST OF SUBSIDIARIES

As of December 31, 2023, the Registrant directly or indirectly owned the following subsidiaries:

Company	Incorporation
Fashion Seal Corporation	Nevada
Superior Group Holdings, Inc.	Texas
The Office Gurus, LLC	Florida
The Office Gurus Limited	Jamaica
SUG Holding	Cayman Islands
Superior Group Holdings (IL), LLC	Illinois
SGC Worldwide B.V.	Netherlands
Zing Manufacturing, LLC	Delaware
The Office Gurus LTDA. De C.V., a subsidiary of Superior Group Holdings (IL), LLC and Fashion Seal Corporation	El Salvador
The Office Masters, LTDA. De C.V., a subsidiary of Superior Group Holdings (IL), LLC and Fashion Seal Corporation	El Salvador
TOG, S.R.L., a subsidiary of Superior Group Holdings (IL), LLC and Fashion Seal Corporation	Dominican Republic
Superior Sourcing Dominican Republic SSDR S.R.L., a subsidiary of SUG Holding and Fashion Seal Corporation	Dominican Republic
The Office Gurus, Ltd., a subsidiary of SUG Holding and Fashion Seal Corporation	Belize
Superior Sourcing, a wholly owned subsidiary of SUG Holding	Cayman Islands
BAMKO, LLC	Delaware
BAMKO Importação, Exportação e Comércio de Brindes Ltda., a subsidiary of BAMKO, LLC and SUG Holding	Brazil
BAMKO Merch Inc., a wholly owned subsidiary of BAMKO, LLC	Canada
Logo Lineup, LLC, a wholly owned subsidiary of BAMKO, LLC	Delaware
Worldwide Sourcing Solutions Limited, a wholly owned subsidiary of BAMKO, LLC	Hong Kong
Guangzhou Ben Gao Trading Limited, a wholly owned subsidiary of Worldwide Sourcing Solutions Limited	China
BAMKO India Private Limited, a 99%-owned subsidiary of BAMKO, LLC	India
BAMKO UK, Ltd., a wholly owned subsidiary of BAMKO, LLC	United Kingdom
CID Resources, Inc.	Delaware
Superior Uniform Arkansas, LLC	Arkansas
Superior Uniform Group, LLC	Florida
BAMKO Colombia SAS	Colombia

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We have issued our report dated March 13, 2024, with respect to the consolidated financial statements included in the Annual Report of Superior Group of Companies, Inc. on Form 10-K for the year ended December 31, 2023. We consent to the incorporation by reference of said report in the Registration Statements of Superior Group of Companies, Inc. on Forms S-8 (File No. 333-188944 and File No. 333-264922).

/s/ Grant Thornton LLP
Tampa, Florida
March 13, 2024

Exhibit 31.1

CERTIFICATIONS

I, Michael Benstock, certify that:

1. I have reviewed this annual report on Form 10-K of Superior Group of Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2024

/s/ Michael Benstock
Michael Benstock
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Michael Koempel, certify that:

1. I have reviewed this annual report on Form 10-K of Superior Group of Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2024

/s/ Michael Koempel
Michael Koempel
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Written Statement of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chief Executive Officer of Superior Group of Companies, Inc. (the “Company”), hereby certify, based on my knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2023 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Benstock
Michael Benstock
Chief Executive Officer
(Principal Executive Officer)

March 13, 2024

Exhibit 32.2

Written Statement of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chief Financial Officer of Superior Group of Companies, Inc. (the “Company”), hereby certify, based on my knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2023 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Koempel
Michael Koempel.
Chief Financial Officer
(Principal Financial Officer)

March 13, 2024

Exhibit 97.1

SUPERIOR GROUP OF COMPANIES, INC.
CLAWBACK POLICY

I. <u>Overview</u>. The Board of Directors (the "**Board**") of Superior Group of Companies, Inc. (the "**Company**") has adopted this Clawback Policy (the "**Policy**") to provide for the recovery of erroneously awarded executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws. This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), Rule 10D-1 thereunder ("**Rule 10D-1**") and the applicable Nasdaq listing rules (the "**Nasdaq Rules**").

II. <u>Administration</u>. This Policy shall be administered by the Compensation Committee of the Board (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board) (the "**Committee**"). Any determinations made by the Committee shall be final and binding on all affected individuals.

III. <u>Covered Executives</u>. This Policy applies to the Company's current and former executive officers as defined in Rule 10D-1 from time to time, which at the Effective Date (as defined below) include the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company, and also applies to such other senior executives who may from time to time be deemed subject to the Policy by the Committee (the "**Covered Executives**").

IV. <u>Recovery of Erroneously Awarded Compensation; Accounting Restatement</u>. In the event the Company is required to prepare an accounting restatement due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement), the Committee shall determine the amount of any excess Incentive-based Compensation (as defined below) received (a) during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement (and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years) (b) by a person (i) on or after the effective date of the applicable Nasdaq listing rule, (ii) after beginning service as a Covered Executive, (iii) who served as a Covered Executive at any time during the performance period for the Incentive-based Compensation award, (c) while the Company has a class of securities listed on a national securities exchange or a national securities association.

The date on which the Company is required to prepare an accounting restatement is the earlier to occur of: (i) the date on which the Board, a committee of the Board, or any of the Company's officers authorized to take such action if Board action is not required, conclude or reasonably should have concluded that the Company is required to prepare such an accounting restatement or (ii) the date a court, regulator, or legally authorized body directs the Company to prepare such an accounting restatement.

The date on which Incentive-based Compensation is deemed received is the Company's first fiscal period during which the performance measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the income-based compensation occurs after the end of that period.

V. Incentive-based Compensation. For purposes of this Policy, "**Incentive-based Compensation**" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of any financial reporting measure, and includes, without limitation, any such compensation granted under the Company's short-term incentive compensation programs, executive employment agreements, 2013 Incentive Stock and Awards Plan, 2022 Equity Incentive and Awards Plan and any other compensation arrangements, programs or plans that the Company may adopt from time to time in the future. For these purposes, a "financial reporting measure" is a measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures, including non-GAAP financial measures, stock price or total shareholder return. For the avoidance of doubt, a financial reporting measure need not be presented in the Company's financial statements or included in a filing with the Securities and Exchange Commission ("**SEC**").

VI. Excess Incentive-based Compensation: Amount Subject to Recovery. The amount to be recovered shall be the excess of the Incentive-based Compensation paid to the Covered Executive based on the erroneous data over the Incentive-based Compensation that would have been paid to the Covered Executive had it been based on the restated results, computed without regard to any taxes paid, all as determined by the Committee.

If the Committee cannot determine the amount of excess Incentive-based Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

VII. Method of Recovery. The Company will recover the amounts of erroneously awarded Incentive-based Compensation reasonably promptly, as determined in compliance with the applicable Nasdaq Rules. The Committee will determine, in its sole discretion, the method for recovering Incentive-based Compensation hereunder which may include, without limitation:

(a) requiring reimbursement of cash Incentive-based Compensation previously paid;

(b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;

(c) offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;

(d)) cancelling outstanding vested or unvested equity awards; and/or

(e) taking any other remedial and recovery action permitted by law, as determined by the Committee.

To the extent that any Covered Executive fails to repay any erroneously awarded Incentive-based Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such any erroneously awarded Incentive-based Compensation from the Covered Executive. The applicable Covered Executive shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such erroneously awarded Incentive-based Compensation in accordance with the immediately preceding sentence.

VIII. Prohibition of Indemnification and Waiver. The Company shall not indemnify any Covered Executive against (a) the loss of any erroneously awarded Incentive-based Compensation or (b) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to a Covered Executive from the application of this Policy or that waives the Company's right to recovery hereunder, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

IX. **Disclosure Requirements**. The Company shall file all disclosures with respect to this Policy required by applicable SEC filings and rules.

X. **Interpretation**. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with Nasdaq Rules, Section 10D of the Exchange Act, Rule 10D-1 thereunder and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith.

XI. **Effective Date**. This Policy shall be effective as of the date it is adopted by the Board (the " **Effective Date**").

XII. **Amendment; Termination**. The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. The Committee may terminate this Policy at any time. Notwithstanding anything to the contrary in this Section XII, no amendment or termination of the Policy shall be effective if such amendment or termination would (after taking into account any action taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

XIII. **Other Recovery Rights**. The Board intends that this Policy will be applied to the fullest extent required by applicable law and the Nasdaq Rules. Any employment agreement, equity award agreement, compensatory plan or similar agreement or arrangement entered into with a Covered Executive shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by such Covered Executive to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company. However, to the extent that the Covered Executive has already reimbursed the Company for any erroneously awarded Incentive-based Compensation received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of erroneously awarded Incentive-based Compensation that is subject to recovery under this Policy.

XIV. **Impracticability**. The Committee shall recover any excess Incentive-based Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Committee, in accordance with Rule 10D-1 of the Exchange Act and the applicable Nasdaq listing rule.

XV. **Successors**. This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

ATTESTATION AND ACKNOWLEDGEMENT OF CLAWBACK POLICY

By my signature below, I acknowledge and agree:

1) that I have reviewed the attached Clawback Policy of Superior Group of Companies, Inc. (this “Policy”);

2) to abide by all of the terms of this Policy both during and after my employment with Superior Group of Companies, Inc., including, without limitation, by promptly repaying or returning any erroneously awarded Incentive-based Compensation to the Company as determined in accordance with this Policy; and

3) that in the event of any inconsistency between this Policy and the terms of any employment agreement to which I am a party, the terms of any compensation plan, program, agreement or arrangement under which any compensation has been granted, awarded, earned or paid, or any other contractual arrangement, I agree that the terms of this Policy shall govern.

Signature: __________________________

Printed Name: _______________________

Date: ______________________________