

REFINITIV

## DELTA REPORT

### 10-Q

SGC - SUPERIOR GROUP OF COMPANIES

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 1284

CHANGES	199
DELETIONS	518
ADDITIONS	567

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended **September 30, 2023** **March 31, 2024**

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

Exact name of registrant as specified in its charter:  
SUPERIOR GROUP OF COMPANIES, INC.

State or other jurisdiction of incorporation or organization: I.R.S. Employer Identification No.:  
Florida 11-1385670

Address of principal executive offices:  
200 Central Avenue, Suite 2000  
St. Petersburg, Florida 33701

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

Former name, former address and former fiscal year, if changed since last report:

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 \$0.001 par value per share	SGC	NASDAQ

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 (§232.405 of this chapter) 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of common stock of the registrant outstanding as of **October 30, 2023** **April 24, 2024** was **16,505,826** **16,745,192** shares.

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## PART I - FINANCIAL INFORMATION

### ITEM 1. Financial Statements

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

Three Months Ended September 30,

Three Months Ended March 31,

	2023	2022	2024	2023
Net sales	\$ 136,126	\$ 138,703	\$ 138,842	\$ 130,773
Costs and expenses:				
Cost of goods sold	82,928	88,066	83,525	83,665
Selling and administrative expenses	47,246	43,815	48,749	43,379
Goodwill impairment charge	-	21,460		
Other periodic pension costs	214	528	189	214
Interest expense	2,464	1,794	1,787	2,570
	<u>132,852</u>	<u>155,663</u>	<u>134,250</u>	<u>129,828</u>
Income (loss) before income tax expense	3,274	(16,960)		
Income tax expense (benefit)	160	(4,241)		
Net income (loss)	\$ 3,114	\$ (12,719)		
Income before income tax expense			4,592	945
Income tax expense			680	57
Net income			\$ 3,912	\$ 888
Net income (loss) per share:				
Net income per share:				
Basic	\$ 0.19	\$ (0.80)	\$ 0.24	\$ 0.06
Diluted	\$ 0.19	\$ (0.80)	\$ 0.24	\$ 0.06
Weighted average shares outstanding during the period:				
Basic	15,992,792	15,806,852	16,028,032	15,882,994
Diluted	16,155,355	15,806,852	16,453,452	16,118,329
Other comprehensive income (loss), net of tax:				
Recognition of net losses included in net periodic pension costs	\$ 41	\$ 319	\$ 23	\$ 41
Loss on cash flow hedging activities	-	(37)		
Foreign currency translation adjustment	<u>(424)</u>	<u>(521)</u>	<u>(481)</u>	<u>307</u>
Other comprehensive loss	<u>(383)</u>	<u>(239)</u>		
Comprehensive income (loss)	<u>\$ 2,731</u>	<u>\$ (12,958)</u>		
Other comprehensive income (loss)			(458)	348
Comprehensive income			\$ 3,454	\$ 1,236
Cash dividends per common share	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14

See accompanying Notes to the Condensed Consolidated Financial Statements.

**SUPERIOR GROUP OF COMPANIES, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Unaudited)

(In thousands, except shares and per share data)

	Nine Months Ended September 30,	
	2023	2022
Net sales	\$ 396,061	\$ 430,218
Costs and expenses:		
Cost of goods sold	248,159	281,667
Selling and administrative expenses	134,007	131,998
Goodwill impairment charge	-	45,918
Intangible assets impairment charge	-	5,581

Other periodic pension costs		642		1,584
Interest expense		7,658		2,676
		390,466		469,424
Income (loss) before income tax expense		5,595		(39,206 )
Income tax expense (benefit)		380		(5,042 )
Net income (loss)	\$	5,215	\$	(34,164 )
Net income (loss) per share:				
Basic	\$	0.33	\$	(2.17 )
Diluted	\$	0.32	\$	(2.17 )
Weighted average shares outstanding during the period:				
Basic		15,954,264		15,739,381
Diluted		16,132,832		15,739,381
Other comprehensive income (loss), net of tax:				
Recognition of net losses included in net periodic pension costs	\$	123	\$	957
Loss on cash flow hedging activities		-		(47 )
Foreign currency translation adjustment		160		(422 )
Other comprehensive income		283		488
Comprehensive income (loss)	\$	5,498	\$	(33,676 )
Cash dividends per common share	\$	0.42	\$	0.40

See accompanying Notes to the Condensed Consolidated Financial Statements.

#### SUPERIOR GROUP OF COMPANIES, INC. AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share shares and par value data)

	September 30,	December 31,	March 31,	December
	2023	2022	2024	31,
	(Unaudited)		(Unaudited)	2023
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 17,729	\$ 17,722	\$ 22,040	\$ 19,896
Accounts receivable, less allowance for doubtful accounts of \$5,267 and \$7,622, respectively	98,289	104,813		
Accounts receivable, less allowance for doubtful accounts of \$4,213 and \$4,237, respectively			93,737	103,494
Accounts receivable - other	86	3,326	119	307
Inventories	105,134	124,976	92,573	98,067
Contract assets	46,765	52,980	52,511	48,715
Prepaid expenses and other current assets	10,824	14,166	6,549	8,881
Total current assets	278,827	317,983	267,529	279,360
Property, plant and equipment, net	48,666	51,392	45,319	46,890
Operating lease right-of-use assets	18,806	9,113	17,484	17,909
Deferred tax asset	10,677	10,718	12,349	12,356
Intangible assets, net	52,098	55,753	50,150	51,160

Other assets	12,983	11,982	15,650	14,775
Total assets	\$ 422,057	\$ 456,941	\$ 408,481	\$ 422,450
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 45,168	\$ 42,060	\$ 41,653	\$ 50,520
Other current liabilities	37,433	38,646	40,414	43,978
Current portion of long-term debt	4,219	3,750	5,156	4,688
Current portion of acquisition-related contingent liabilities	1,321	736	942	1,403
Total current liabilities	88,141	85,192	88,165	100,589
Long-term debt	103,134	151,567	84,445	88,789
Long-term pension liability	13,262	12,864	13,361	13,284
Long-term acquisition-related contingent liabilities	387	2,245	612	557
Long-term operating lease liabilities	13,440	3,936	12,513	12,809
Other long-term liabilities	8,582	8,538	8,564	8,784
Total liabilities	226,946	264,342	207,660	224,812
Commitments and contingencies (Note 6)				
Commitments and contingencies (Note 5)				
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 16,505,826 and 16,376,683 shares, respectively	16	16	16	16
Common stock, \$.001 par value - authorized 50,000,000 shares, issued and outstanding 16,743,723 and 16,564,712 shares, respectively			16	16
Additional paid-in capital	76,515	72,615	79,602	77,443
Retained earnings	121,308	122,979	123,946	122,464
Accumulated other comprehensive loss, net of tax:				
Pensions	(990)	(1,113)	(1,099)	(1,122)
Foreign currency translation adjustment	(1,738)	(1,898)	(1,644)	(1,163)
Total shareholders' equity	195,111	192,599	200,821	197,638
Total liabilities and shareholders' equity	\$ 422,057	\$ 456,941	\$ 408,481	\$ 422,450

See accompanying Notes to the Condensed Consolidated Financial Statements.

**SUPERIOR GROUP OF COMPANIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**THREE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022**  
(Uncaudited)

(In thousands, except shares and per share data)

	Accumulated						Accumulated					
	Other			Comprehensive			Other			Comprehensive		
	Common	Common	Additional	Retained	Income (Loss),	Total	Common	Common	Additional	Retained	Income (Loss),	Total
	Shares	Stock	Paid-In	Earnings	net of tax	Shareholders' Equity	Shares	Stock	Paid-In	Earnings	net of tax	Shareholders' Equity
Balance, July 1, 2022	16,318,059	\$ 16	\$ 70,629	\$ 137,986	\$ (5,486)	\$ 203,145						

Balance, January 1, 2023					16,376,683	\$ 16	\$ 72,615	\$ 122,979	\$ (3,011)	\$
Common shares issued upon exercise of options and SARs, net	24,057	-	189	-	189	4,604	-	35	-	-
Restricted shares issued, net of forfeitures	(10,000)	-	-	-	-	117,025	-	-	-	-
Share-based compensation expense	-	-	928	-	928	-	-	1,080	-	-
Cash dividends declared (\$0.14 per share)	-	-	-	(2,209)	-	(2,209)	-	-	(2,295)	-
Comprehensive income (loss):										
Net loss	-	-	-	(12,719)	-	(12,719)	-	-	-	-
Cash flow hedges, net of taxes of \$5	-	-	-	-	(37)	(37)	-	-	-	-
Pensions, net of taxes of \$109	-	-	-	-	319	319	-	-	-	-
Comprehensive income:										
Net income								888		-
Pensions, net of taxes of \$14								-	41	-
Change in currency translation adjustment, net of taxes of \$0	-	-	-	-	(521)	(521)	-	-	307	-
Balance, September 30, 2022	16,332,116	\$ 16	\$ 71,746	\$ 123,058	\$ (5,725)	\$ 189,095				
Balance, March 31, 2023							16,498,312	\$ 16	\$ 73,730	\$ 121,572
Balance, July 1, 2023	16,499,312	\$ 16	\$ 75,078	\$ 120,490	\$ (2,345)	\$ 193,239				\$ (2,663)
Balance, January 1, 2024							16,564,712	\$ 16	\$ 77,443	\$ 122,464
										\$ (2,285)

Common shares issued upon exercise of options and SARs, net	6,514	-	54	-	54	53,311	-	549	(100)	-
Performance based shares issued						9,896	-	-	-	-
Restricted shares issued, net of forfeitures						115,804	-	-	-	-
Share-based compensation expense	-	-	1,103	-	-	1,103	-	-	1,015	-
Written put options	-	-	280	-	-	280	-	-	595	-
Cash dividends declared (\$0.14 per share)	-	-	-	(2,296)	-	(2,296)	-	-	(2,330)	-
Comprehensive income:										
Comprehensive income (loss):										
Net income	-	-	3,114	-	3,114	-	-	-	3,912	-
Pensions, net of taxes of \$13	-	-	-	-	41	41	-	-	-	-
Pensions, net of taxes of \$7										23
Change in currency translation adjustment, net of taxes of \$0	-	-	-	(424)	(424)	-	-	-	(481)	-
Balance, September 30, 2023	16,505,826	\$ 16	\$ 76,515	\$ 121,308	\$ (2,728)	\$ 195,111				
Balance, March 31, 2024						16,743,723	\$ 16	\$ 79,602	\$ 123,946	\$ (2,743)

See accompanying Notes to the Condensed Consolidated Financial Statements.

**SUPERIOR GROUP OF COMPANIES, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

**NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Unaudited)

(In thousands, except shares and per share data)

	Common	Common	Additional	Retained	Comprehensive Income (Loss),	Accumulated Other	Total Shareholders'

	Shares	Stock	Capital	Earnings	net of tax	Equity
	16,127,505	\$ 16	\$ 69,351	\$ 163,836	\$ (6,213)	\$ 226,990
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	72,068	-	842	(158 )	-	684
Performance based shares issued	11,707	-	-	-	-	-
Restricted shares issued, net of forfeitures	11,843	-	-	-	-	-
Restricted shares issued in conjunction with acquisition of business	116,550	-	2,000	-	-	2,000
Share-based compensation expense	-	-	3,382	-	-	3,382
Tax withheld on vesting of restricted shares and performance based shares	(7,557 )	-	(232 )	-	-	(232 )
Written put options	-	-	(3,597 )	-	-	(3,597 )
Cash dividends declared (\$0.40 per share)	-	-	-	(6,380 )	-	(6,380 )
Comprehensive income (loss):						
Net loss	-	-	-	(34,164 )	-	(34,164 )
Cash flow hedges, net of taxes of \$6	-	-	-	-	(47 )	(47 )
Pensions, net of taxes of \$329	-	-	-	-	957	957
Change in currency translation adjustment, net of taxes of \$0	-	-	-	-	(422 )	(422 )
Balance, September 30, 2022	<u>16,332,116</u>	<u>\$ 16</u>	<u>\$ 71,746</u>	<u>\$ 123,058</u>	<u>\$ (5,725)</u>	<u>\$ 189,095</u>
Balance, January 1, 2023	16,376,683	\$ 16	\$ 72,615	\$ 122,979	\$ (3,011 )	\$ 192,599
Common shares issued upon exercise of options and SARs, net	12,118	-	97	-	-	97
Restricted shares issued, net of forfeitures	117,025	-	-	-	-	-
Share-based compensation expense	-	-	3,523	-	-	3,523
Written put options	-	-	280	-	-	280
Cash dividends declared (\$0.42 per share)	-	-	-	(6,886 )	-	(6,886 )
Comprehensive income:						
Net income	-	-	-	5,215	-	5,215
Pensions, net of taxes of \$41	-	-	-	-	123	123
Change in currency translation adjustment, net of taxes of \$0	-	-	-	-	160	160
Balance, September 30, 2023	<u>16,505,826</u>	<u>\$ 16</u>	<u>\$ 76,515</u>	<u>\$ 121,308</u>	<u>\$ (2,728 )</u>	<u>\$ 195,111</u>

See accompanying Notes to the Condensed Consolidated Financial Statements.

#### SUPERIOR GROUP OF COMPANIES, INC. AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

Nine Months Ended September 30,		Three Months Ended March 31,	
2023	2022	2024	2023

CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)		\$	5,215	\$	(34,164)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Net income				\$	3,912
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	10,331		9,504	3,252	3,388
Goodwill impairment charge	-		45,918		
Intangible assets impairment charge	-		5,581		
Inventory write-downs	1,609		5,781	420	-
Provision for bad debts - accounts receivable	64		1,565	83	(97)
Share-based compensation expense	3,523		3,382	1,015	1,080
Deferred income tax benefit	-		(6,361)		
Change in fair value of acquisition-related contingent liabilities	(442)		284	152	(563)
Change in fair value of written put options	(460)		(1,791)	392	(442)
Changes in assets and liabilities, net of acquisition of businesses:					
Accounts receivable	6,410		3,521	9,419	10,150
Accounts receivable - other	3,240		978	188	2,928
Contract assets	6,208		(10,222)	(3,835)	1,590
Inventories	18,280		(19,242)	5,010	2,807
Prepaid expenses and other current assets	3,462		579	2,252	2,403
Other assets	(844)		2,677	(803)	(657)
Accounts payable and other current liabilities	2,148		(9,561)	(12,122)	1,596
Payment of acquisition-related contingent liabilities	(279)		(3,346)		
Long-term pension liability	561		1,662	108	209
Other long-term liabilities	362		(1,249)	4	(230)
Net cash provided by (used in) operating activities	59,388		(4,504)		
Net cash provided by operating activities				9,447	25,050
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment	(4,023)		(11,221)	(675)	(2,114)
Acquisition of businesses	-		(11,202)		
Net cash used in investing activities	(4,023)		(22,423)	(675)	(2,114)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings of debt	4,000		320,143	7,000	1,000
Repayment of debt	(51,813)		(274,898)	(10,937)	(12,938)
Debt issuance costs	(300)		(869)		
Payment of cash dividends	(6,886)		(6,380)	(2,330)	(2,295)
Payment of acquisition-related contingent liabilities	(553)		(1,416)	(557)	-
Proceeds received on exercise of stock options	97		684	449	35
Tax withholdings on vesting of restricted shares and performance based shares	-		(232)		
Net cash provided by (used in) financing activities	(55,455)		37,032		
Net cash used in financing activities				(6,375)	(14,198)
Effect of currency exchange rates on cash	97		(132)	(253)	140
Net increase in cash and cash equivalents	7		9,973	2,144	8,878
Cash and cash equivalents balance, beginning of period	17,722		8,935	19,896	17,722
Cash and cash equivalents balance, end of period	\$ 17,729		\$ 18,908	\$ 22,040	\$ 26,600

See accompanying Notes to the Condensed Consolidated Financial Statements.

**Superior Group of Companies, Inc. and Subsidiaries**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**NOTE 1 – Description of Business and Basis of Presentation:**

***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 its state of incorporation 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, chain, 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 WonderWink® (also referred to as "Wink™"), 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. apparel. This segment sells healthcare service apparel its products to healthcare laundries, dealers, distributors, retailers and retailers 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 unaudited condensed consolidated financial statements of Superior included herein have been prepared pursuant to 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, Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. Intercompany items have been eliminated in consolidation. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 2023, and filed with the Securities and Exchange Commission, SEC. Management believes that the information furnished includes all adjustments of a normal recurring nature that are necessary to fairly present our consolidated financial position, results of operations and cash flows for the periods indicated. The results of operations for any interim period are not necessarily indicative of results to be expected for the full year.

The Company refers to the condensed 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.

***Reclassifications***

The accompanying financial statements for the previous year contain certain reclassifications. Reclassifications only impact items within cash flows from operating activities Note 9 and have no effect on previously reported total net cash provided by (used in) operating activities, results of operations.

***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 three and ninemonths ended September 30, 2023, March 31, 2024, a total of 37,522 37,524 written put options expired unexercised resulting in a \$0.3 million \$0.6 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. The original fair value of the written put options upon entering into the agreement was \$3.6 million. As of September 30, March 31, 2024 and December 31, 2023, the fair value of the written put options was \$1.6 million, \$1.8 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. The decrease in the fair value We recognized an unrealized loss of the written put options resulted in the recognition of \$0.4 million and an unrealized gain of \$0.3 million and \$0.5 million \$0.4 million on written put options during the three and nine months ended September 30, March 31, 2024 and 2023, 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) income. At September 30, 2023, March 31, 2024, the Company's remaining repurchase obligation under the written put options was 170,448 comprised 95,400 shares of its common stock.

#### Recent Accounting Pronouncements

We consider the applicability and impact of all Accounting Standard Updates ("ASUs"). There have been ASUs no not new accounting pronouncements recently listed below were assessed and determined to not be applicable.

##### Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued or newly effective ASU 2023-07, "Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures". The ASU requires that had, or an entity disclose significant segment expenses impacting profit and loss that are expected regularly provided to have, a material impact 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 statements, 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, which for the Company is the calendar year beginning January 1, 2025. 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 – Inventories:

Inventories consisted of the following amounts (in thousands):

	September 30,	December 31,	March	December
	2023	2022	31, 2024	31, 2023
Finished goods	\$ 74,062	\$ 94,228	\$ 67,110	\$ 72,370
Work in process	1,465	401	834	671
Raw materials	29,607	30,347	24,629	25,026
Inventories	<u>\$ 105,134</u>	<u>\$ 124,976</u>	<u>\$ 92,573</u>	<u>\$ 98,067</u>

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#### NOTE 3 – Long-Term Debt:

Debt consisted of the following (in thousands):

	September 30,	December 31,	March 31,	December 31,
	2023	2022	2024	2023
Credit Facilities:				
Revolving credit facility due August 2027	\$ 38,000	\$ 83,000	\$ 22,000	\$ 25,000
Term loan due August 2027	70,313	73,125	68,438	69,375
	<u>108,313</u>	<u>156,125</u>	<u>90,438</u>	<u>94,375</u>
Less:				
Payments due within one year included in current liabilities	4,219	3,750	5,156	4,688
Debt issuance costs	960	808	837	898

Long-term debt less current maturities	\$ 103,134	\$ 151,567	\$ 84,445	\$ 88,789
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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.

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On May 4, 2023, the Company and its domestic subsidiaries entered into the First Amendment to its Credit Agreement with the Administrative Agent and the lenders, which (i) provides a covenant relief period through December 31, 2023, which the Company may opt to terminate during the fourth quarter of 2023 if it has a consolidated total net leverage ratio at or below 4.0 to 1.0 for the two preceding consecutive fiscal quarters; (ii) permits a maximum consolidated total net leverage ratio of 4.5 to 1.0, 4.8 to 1.0, 4.5 to 1.0 and 4.0 to 1.0 for the first, second, third and fourth quarters of 2023, respectively; (iii) amends the applicable margin pricing grid to add a tier of applicable margins (2.5% for secured overnight financing rate ("SOFR") rate loans) if the consolidated total net leverage ratio is greater than or equal to 4.0 to 1.0, which tier would only apply during the covenant relief period; (iv) prohibits capital expenditures during the covenant relief period that exceed \$10 million, with additional limitations imposed on a quarterly basis; (v) prohibits acquisitions and incremental loans during the covenant relief period; (vi) adds sale and leaseback transactions to the list of transactions that require the Company to use the net proceeds thereof to make a mandatory prepayment under the Credit Agreement; (vii) limits restricted payments to \$20 million in any fiscal year, and no more than \$10 million during the covenant relief period, with additional limitations imposed on a quarterly basis during the covenant relief period; and (viii) lowers the amount of permissible investments in non-loan party subsidiaries to \$5 million during the covenant relief period.

Obligations outstanding under the Credit Facilities accrue interest at a variable rate equal to the SOFR 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). During the covenant relief period described above, the applicable margin may reach 2.5% for SOFR rate loans. The weighted average interest rate on our outstanding borrowings under the Credit Facilities was 7.4% at 6.6% as of September 30, 2023 March 31, 2024. 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). During the covenant relief period, the commitment fee may reach 0.300%. The available balance under the revolving credit facility is reduced by outstanding letters of credit. As of September 30, 2023 March 31, 2024, there were no outstanding letters of credit under the revolving credit facility.

Contractual principal payments for the term loan are as follows: remainder of 2023 - \$0.9 million; 2024 - \$4.7 \$3.8 million; 2025 - \$5.6 million; 2026 - \$6.6 million and 2027 - \$52.5 \$52.4 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, except during the covenant relief period as described above. 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 September 30, 2023 March 31, 2024, the Company was in compliance with these ratios as the Company's fixed charge coverage and net leverage ratios were 2.1 to 1.0 and 2.9 to 1.0, respectively.

#### NOTE 4 – Periodic Pension Cost:

The Company is the sponsor of an unfunded supplemental executive retirement plan ("SERP") which includes one active participant.

The following table details the net periodic pension cost under the Company's SERP for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Service cost on benefits earned during the period	\$ -	\$ 51	\$ 21	\$ 153
Interest cost on projected benefit obligation	159	100	477	300
Recognized actuarial loss	55	428	165	1,284
Net periodic pension cost	\$ 214	\$ 579	\$ 663	\$ 1,737

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) ratios.

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**NOTE 54 – 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 For further information regarding our net sales disaggregated revenue by operating reportable segment for the periods presented (in thousands): see [Note 9](#).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Branded Products Segment:</b>				
Branded products	\$ 83,498	\$ 86,064	\$ 244,767	\$ 280,309
Personal protective equipment	14	705	188	5,582
<b>Total Branded Products Segment</b>	<b>\$ 83,512</b>	<b>\$ 86,769</b>	<b>\$ 244,955</b>	<b>\$ 285,891</b>
<b>Healthcare Apparel Segment:</b>				
Healthcare apparel	\$ 28,710	\$ 29,287	\$ 83,583	\$ 84,780
Personal protective equipment	939	752	2,292	2,115
<b>Total Healthcare Apparel Segment</b>	<b>\$ 29,649</b>	<b>\$ 30,039</b>	<b>\$ 85,875</b>	<b>\$ 86,895</b>
<b>Contact Centers Segment:</b>				
Contact centers services	\$ 24,121	\$ 23,363	\$ 68,935	\$ 62,803
Net intersegment eliminations	(1,156 )	(1,468 )	(3,704 )	(5,371 )
<b>Total Contact Centers Segment</b>	<b>\$ 22,965</b>	<b>\$ 21,895</b>	<b>\$ 65,231</b>	<b>\$ 57,432</b>
<b>Consolidated Net Sales</b>	<b>\$ 136,126</b>	<b>\$ 138,703</b>	<b>\$ 396,061</b>	<b>\$ 430,218</b>

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**Contract Assets and Contract Liabilities**

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

	September 30,	December 31,	March	December
	2023	2022	2024	2023
Accounts receivable	\$ 98,289	\$ 104,813	\$ 93,737	\$ 103,494

Current contract assets	46,765	52,980	52,511	48,715
Current contract liabilities	3,092	2,213	5,780	5,346

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 A portion of the amounts included in contract assets on December 31, 2022 2023 were transferred to accounts receivable during the nine three months ended September 30, 2023 March 31, 2024. 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 nine three months ended September 30, 2023 March 31, 2024, \$2.2 \$2.0 million of revenue was recognized from the contract liabilities balance as of December 31, 2022 2023.

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#### NOTE 65 – 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, which was paid 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 September 30, 2023 March 31, 2024 was \$1.2 \$1.6 million, of which \$0.8 \$0.9 million is expected to be paid in the third quarter of 2024. In the third quarter of 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). income. 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.

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#### NOTE 76 – Share-Based Compensation:

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,							
	2023		2022		2023		2024		2023			
	\$	319	\$	339	\$	1,018	\$	1,080	\$	268	\$	309
Stock options and SARs												
Restricted stock		599		446		1,956		2,050		654		590
Performance shares		185		143		549		252		93		181
Total share-based compensation expense		\$ 1,103		\$ 928		\$ 3,523		\$ 3,382		\$ 1,015		\$ 1,080

#### 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.

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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, as well as SARs granted in tandem with stock options, are subject to accelerated vesting under certain circumstances as outlined in the 2013 Incentive Stock and Awards Plan (the "2013 Plan") or 2022 Equity Incentive and Awards Plan (the "2022 Plan"), as applicable.

A summary of stock option transactions during the nine three months ended September 30, 2023 March 31, 2024 follows:

	No. of	Weighted Average		Remaining Life	Intrinsic Value	Weighted Average		Remaining Life	Intrinsic Value
		Shares	Exercise Price			Shares	Exercise Price		
				(in years)	(in thousands)			(in years)	(in thousands)
Outstanding, January 1, 2023	962,775	\$ 15.89		3.26	\$ 301				
Outstanding, January 1, 2024						953,176	\$ 14.73	2.80	\$ 1,718
Granted(1)	215,006	11.80				167,300	13.84		
Exercised	(12,118)	8.01				(53,042)	10.23		
Lapsed or cancelled	(165,998)	17.99				(136,527)	17.18		
Outstanding, September 30, 2023	999,665	14.76		3.02	8				
Exercisable, September 30, 2023	<u>524,910</u>	16.11		1.84	8				
Outstanding, March 31, 2024						930,907	14.47	3.41	3,311
Exercisable, March 31, 2024						<u>407,366</u>	17.36	2.20	1,009

(1) The weighted average grant date fair value of stock options granted was ~~\$4.42~~ \$13.84 per share.

As of ~~September 30, 2023~~ ~~March 31, 2024~~, the Company had \$1.2 million in unrecognized compensation cost related to nonvested stock options to be recognized over the remaining weighted average vesting period of ~~1.5~~ 1.4 years.

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A summary of stock-settled SARs transactions during the ~~nine~~ three months ended ~~September 30, 2023~~ ~~March 31, 2024~~ follows:

	No. of	Weighted Average		Remaining Life	Intrinsic Value	Weighted Average		Remaining Life	Intrinsic Value
		Shares	Exercise Price			Shares	Exercise Price		
				(in years)	(in thousands)			(in years)	(in thousands)
Outstanding, January 1, 2023	320,385	\$ 15.23		2.23	\$ 69				
Outstanding, January 1, 2024						292,508	\$ 14.35	2.07	\$ 506
Granted(1)	51,209	12.04				79,128	13.84		
Exercised	-	-				(17,920)	8.48		
Lapsed or cancelled	(37,860)	23.62				(54,064)	21.14		
Outstanding, September 30, 2023	333,734	13.79		2.16	3				
Exercisable, September 30, 2023	<u>225,471</u>	13.47		1.29	3				
Outstanding, March 31, 2024						299,652	13.34	2.89	1,159
Exercisable, March 31, 2024						<u>149,492</u>	13.96	1.41	587

(1) The weighted average grant date fair value of SARs granted was ~~\$4.58~~ \$13.84 per share.

As of ~~September 30, 2023~~ ~~March 31, 2024~~, the Company had ~~\$0.3~~ \$0.4 million in unrecognized compensation cost related to nonvested SARs to be recognized over the remaining weighted average vesting period of ~~1.3~~ 1.5 years.

#### 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 or 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.

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A summary of restricted stock transactions during the ~~nine~~ three months ended ~~September 30, 2023~~ ~~March 31, 2024~~ follows:

	No. of Shares	Grant Date	Weighted Average		No. of Shares	Weighted Average Grant Date Fair Value
			No. of Shares	Fair Value		
Outstanding, January 1, 2023	372,470	\$ 20.45				
Outstanding, January 1, 2024			428,366	\$ 18.14		
Granted	117,025	12.04	115,804	13.84		
Vested	(85,863 )	15.81	(13,039 )	25.78		
Forfeited	-	-	-	-		
Outstanding, September 30, 2023	403,632	19.00				
Outstanding, March 31, 2024			531,131	17.01		

As of **September 30, 2023** **March 31, 2024**, the Company had **\$4.1** **\$4.8** million of unrecognized compensation cost related to nonvested restricted stock grants expected to be recognized over the remaining weighted average vesting period of **2.1** **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. Expense for grants of performance shares is 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 or 2022 Plan, as applicable, except in those circumstances in which award agreements or change in control agreements specify full vesting.

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A summary of performance share transactions during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** follows:

	No. of Shares	Grant Date	Weighted Average		No. of Shares	Weighted Average Grant Date Fair Value
			No. of Shares	Fair Value		
Outstanding, January 1, 2023	199,451	\$ 20.57				
Outstanding, January 1, 2024			283,521	\$ 18.13		
Granted	94,028	12.56	-	-		
Vested	-	-	(14,068 )	17.77		
Forfeited	-	-	-	-		
Outstanding, September 30, 2023	293,479	18.00				
Outstanding, March 31, 2024			269,453	18.15		

As of **September 30, 2023** **March 31, 2024**, the Company had **\$2.0** **\$1.0** million of unrecognized compensation cost related to nonvested performance share grants expected to be recognized over the remaining weighted average service period of **3.0** **2.4** years.

#### NOTE 87 – Income Taxes:

The Company calculates its interim income tax provision in accordance with the accounting guidance for income taxes in interim periods. At the end of each interim period, the Company makes its best estimate of the annual expected effective tax rate and applies that rate to its ordinary year-to-date income or loss. The tax expense or benefit related to significant, unusual, or extraordinary items that will be separately reported or reported net of their related tax effect are individually computed and recognized in the interim period in which those items occur.

The computation of the annual expected effective tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected operating income for the year and permanent and temporary differences. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained or the tax environment changes.

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For the three months ended **September 30, March 31, 2024**, the Company recorded a provision for income taxes of \$0.7 million, which represents an effective tax rate of 14.8%. The income tax provision and the effective tax rate for the three months ended March 31, 2024 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 as well as the windfall benefits associated with the stock option exercises in the quarter.

For the three months ended **March 31, 2023**, the Company recorded a provision for income taxes of **\$0.2** **\$0.1** million, which represents an effective tax rate of **4.9%** **6.0%**. For the three months ended **September 30, 2022**, the Company recorded a benefit from income taxes of \$4.2 million, which represents an effective tax rate of 25.0%. For the nine months ended **September 30, 2023** the Company recorded a provision for income taxes of \$0.4 million, which represents an effective tax rate of 6.8%. For the nine months ended **September 30, 2022**, the Company recorded a benefit from income taxes of \$5.0 million, which represents an effective tax rate of 12.9%.

The income tax expense provision and the effective tax rate for the three and ninemonths ended **September 30, March 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.

The income tax benefit and the effective tax rate for the three months ended **September 30, 2022** was impacted by the impairment of goodwill in the amount of \$4.3 million. The income tax benefit and the effective tax rate for the nine months ended **September 30, 2022** was impacted by the impairments of goodwill and intangible assets in the amount of \$6.4 million, jurisdictions as well as the nondeductible portion favorable impact of discrete non-taxable gains on the goodwill impairment charge Company's written put option and income generated on the Company's SERP life insurance contracts totaling \$21.1 million, \$0.4 million and \$0.2 million respectively.

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#### NOTE 98 – 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, nonvested shares of restricted stock and nonvested 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 periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss) used in the computation of basic and diluted net income (loss) per share (in thousands)	\$ 3,114	\$ (12,719 )	\$ 5,215	\$ (34,164 )
Weighted average shares outstanding - basic	15,992,792	15,806,852	15,954,264	15,739,381
Dilutive common stock equivalents	162,563	-	178,568	-
Weighted average shares outstanding - diluted	16,155,355	15,806,852	16,132,832	15,739,381
Net income (loss) per share:				
Basic	\$ 0.19	\$ (0.80 )	\$ 0.33	\$ (2.17 )
Diluted	\$ 0.19	\$ (0.80 )	\$ 0.32	\$ (2.17 )

Diluted weighted average shares outstanding excludes shares of common stock of 389,915 and 455,774 for the three and nine months ended September 30, 2022, respectively, as their inclusion would have been antidilutive given the Company's net loss.

	Three Months Ended March 31,	
	2024	2023
Net income used in the computation of basic and diluted net income per share (in thousands)	\$ 3,912	\$ 888
Weighted average shares outstanding - basic	16,028,032	15,882,994
Dilutive common stock equivalents	425,420	235,335
Weighted average shares outstanding - diluted	16,453,452	16,118,329
Net income per share:		
Basic	\$ 0.24	\$ 0.06

Diluted	\$ 0.24	\$ 0.06
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Awards to purchase 1,198,603 400,075 and 683,499 1,008,972 shares of common stock with weighted average exercise prices of \$15.32 \$20.86 and \$21.37 \$17.03 per share were outstanding during the three months ended September 30, 2023 March 31, 2024 and 2022 2023, 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.

Awards to purchase 1,158,819 and 577,478 shares of common stock with weighted average exercise prices of \$15.84 and \$22.17 per share were outstanding during the nine months ended September 30, 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.

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#### NOTE 109 – 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, chain, 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 Wink™, 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 apparel its products to healthcare laundries, dealers, distributors, retailers and consumers 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.

The Company evaluates During the fourth quarter of 2023, our chief operating decision maker began to evaluate the performance of each operating our segments using Segment EBITDA instead of income before income taxes. The Company has modified its presentation of segment based on several factors of which the primary financial measures performance to be consistent with this change, including prior periods presented for consistent and comparable presentation. Amounts that are net sales and included in income before income tax expense and excluded from Segment EBITDA include the following: interest expense and depreciation and amortization expense.

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

As of and For the Three Months Ended	Branded Products	Healthcare Apparel	Contact Centers	Intersegment Eliminations	Other	Total
<u>September 30, 2023:</u>						
Net sales	\$ 83,512	\$ 29,649	\$ 24,121	\$ (1,156 )	\$ -	\$ 136,126
Cost of goods sold	54,588	18,165	10,724	(549 )	-	82,928
Gross margin	28,924	11,484	13,397	(607 )	-	53,198
Selling and administrative expenses	23,418	9,493	10,224	(607 )	4,718	47,246
Other periodic pension cost	-	-	-	-	214	214
Interest expense	-	-	-	-	2,464	2,464
Income (loss) before income tax expense	\$ 5,506	\$ 1,991	\$ 3,173	\$ -	\$ (7,396 )	\$ 3,274
Depreciation and amortization	\$ 1,452	\$ 1,064	\$ 880	\$ -	\$ 119	\$ 3,515
Capital expenditures	\$ 86	\$ 115	\$ 157	\$ -	\$ 22	\$ 380

	Branded Products	Healthcare Apparel	Contact Centers	Intersegment Eliminations	Other	Total
<b>As of and For the Three Months Ended March 31, 2024:</b>						
Net sales	\$ 87,068	\$ 29,237	\$ 23,552	\$ (1,015 )	\$ -	\$ 138,842
Segment EBITDA	9,947	2,635	2,946	-	(5,897 )	\$ 9,631
Supplemental information:						
Depreciation and amortization	\$ 1,500	\$ 937	\$ 723	\$ -	\$ 92	\$ 3,252
Capital expenditures	\$ 265	\$ 173	\$ 160	\$ -	\$ 77	\$ 675
<b>As of and For the Three Months Ended March 31, 2023:</b>						
Net sales	\$ 81,851	\$ 28,154	\$ 22,056	\$ (1,288 )	\$ -	\$ 130,773
Segment EBITDA	7,510	1,572	2,793	-	(4,972 )	6,903
Supplemental information:						
Depreciation and amortization	\$ 1,664	\$ 974	\$ 668	\$ -	\$ 82	\$ 3,388
Capital expenditures	\$ 1,271	\$ 462	\$ 381	\$ -	\$ -	\$ 2,114

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	Branded Products	Healthcare Apparel	Contact Centers	Intersegment Eliminations	Other	Total
<b>As of and For the Three Months Ended September 30, 2022:</b>						
Net sales	\$ 86,769	\$ 30,039	\$ 23,363	\$ (1,468 )	\$ -	\$ 138,703
Cost of goods sold	60,600	18,609	9,453	(596 )	-	88,066
Gross margin	26,169	11,430	13,910	(872 )	-	50,637
Selling and administrative expenses	22,257	10,161	9,520	(872 )	2,749	43,815
Goodwill impairment charge	21,460	-	-	-	-	21,460
Other periodic pension cost	-	-	-	-	528	528
Interest expense	87	32	-	-	1,675	1,794
Income (loss) before income tax expense	\$ (17,635 )	\$ 1,237	\$ 4,390	\$ -	\$ (4,952 )	\$ (16,960 )
Depreciation and amortization	\$ 1,724	\$ 973	\$ 653	\$ -	\$ 51	\$ 3,401
Capital expenditures	\$ 2,062	\$ 498	\$ 1,622	\$ -	\$ -	\$ 4,182

The following table reconciles income before income tax expense to Segment EBITDA (in thousands):

	Branded Products	Healthcare Apparel	Contact Centers	Intersegment Eliminations	Other	Total
<b>As of and For the Nine Months Ended September 30, 2023:</b>						
Net sales	\$ 244,955	\$ 85,875	\$ 68,935	\$ (3,704 )	\$ -	\$ 396,061
Cost of goods sold	164,492	53,872	31,545	(1,750 )	-	248,159
Gross margin	80,463	32,003	37,390	(1,954 )	-	147,902
Selling and administrative expenses	63,833	28,461	29,502	(1,954 )	14,165	134,007
Other periodic pension cost	-	-	-	-	642	642

Interest expense	-	-	-	-	7,658	7,658
Income (loss) before income tax expense	\$ 16,630	\$ 3,542	\$ 7,888	\$ -	\$ (22,465 )	\$ 5,595
Depreciation and amortization	\$ 4,826	\$ 3,014	\$ 2,210	\$ -	\$ 281	\$ 10,331
Capital expenditures	\$ 2,093	\$ 641	\$ 1,221	\$ -	\$ 68	\$ 4,023

	Three Months Ended March 31,	
	2024	2023
Income before income tax expense	\$ 4,592	\$ 945
Interest expense	1,787	2,570
Depreciation and amortization	3,252	3,388
Segment EBITDA	\$ 9,631	\$ 6,903

As of and For the Nine Months Ended	Branded Products	Healthcare Apparel	Contact Centers	Intersegment Eliminations	Other	Total
<u>September 30, 2022:</u>						
Net sales	\$ 285,891	\$ 86,895	\$ 62,803	\$ (5,371 )	\$ -	\$ 430,218
Cost of goods sold	202,422	56,066	25,438	(2,259 )	-	281,667
Gross margin	83,469	30,829	37,365	(3,112 )	-	148,551
Selling and administrative expenses	67,818	30,049	24,294	(3,112 )	12,949	131,998
Goodwill impairment charge	25,595	20,323	-	-	-	45,918
Intangible assets impairment charge	5,581	-	-	-	-	5,581
Other periodic pension cost	-	-	-	-	1,584	1,584
Interest expense	205	84	-	-	2,387	2,676
Income (loss) before income tax expense	\$ (15,730 )	\$ (19,627 )	\$ 13,071	\$ -	\$ (16,920 )	\$ (39,206 )
Depreciation and amortization	\$ 4,696	\$ 2,942	\$ 1,697	\$ -	\$ 169	\$ 9,504
Capital expenditures	\$ 5,006	\$ 1,748	\$ 4,393	\$ -	\$ 74	\$ 11,221

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#### NOTE 11 10 – Subsequent Events Acquisition of Businesses:

##### Guardian Products, Inc.

On May 1, 2022, 2024, the Compensation Committee approved the Company through BAMKO, acquired substantially all entering into a grant of 125,000 and 75,000 performance shares to Michael Benstock and Michael Koempel, respectively, under the 2022 Equity Incentive and Awards Plan. The performance shares agreements were executed on May 6, 2024. Each performance share represents a contingent right to receive one share of common stock. The performance shares will vest if, in each case and during a four-year performance period beginning on January 1, 2024, subject to additional requirements, the average closing price of the assets of Guardian Products, Inc. ("Guardian") of 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 Company's common stock (the "Guardian Stock") that vest ratably over a three-year rolling thirty (30) day 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 equals or exceeds the closing of the acquisition.

##### Fair Value of Consideration Transferred

A summary of the purchase share 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 on May 10, 2024 by 115%, 130%, 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 150% and the trade name executive is being amortized still employed by the Company twelve (12) months after the applicable stock price condition has been satisfied. Mr. Koempel's agreement provides protection for two years.

termination without Cause and for resignation for Good Reason during the period after the per share price has been satisfied. The difference between the fair value of the consideration transferred and shares, yet to be determined, will be amortized across 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 performance period based on 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.

**NOTE 12 – Goodwill and Intangible Assets Impairment:**

**Goodwill**

Beginning with the second quarter of fiscal 2022, the Company realigned its reportable segments to Branded Products, Healthcare Apparel and Contact Centers. 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 Monte Carlo 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 then-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 \$21.5 million and \$45.9 million during the three and nine months ended September 30, 2022, respectively.

**Intangible Assets**

In conjunction with the Company's realignment of its reportable segments, 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 nine months ended September 30, 2022.

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**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited financial statements and the notes thereto included in the Condensed Consolidated Financial Statements in Part I, Item 1 ("Financial Statements") of this report and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

### Cautionary Note Regarding Forward Looking Statements

Certain matters discussed in this Form 10-Q 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 Quarterly Report on Form 10-Q 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 and (5) the projected impact of the COVID-19 pandemic on our, our customers', and our suppliers' businesses, 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 hotel, 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 cotton and other manufacturing 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; lingering effects of the COVID-19 pandemic, including existing and possible future variants, on the United States and global markets, our business, operations, customers, suppliers and employees, including the length and scope of restrictions imposed by various governments and organizations and the continuing success of efforts to deliver effective vaccines and boosters, among other factors reporting; and other factors described in the Company's filings with the Securities and Exchange Commission, including those described in the "Risk Factors" section herein and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 and in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024. 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-Q 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.

### Recent Acquisitions

On May 1, 2022, the Company, through BAMKO, acquired substantially all of the assets of Guardian Products, Inc. ("Guardian") of 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 Group of Companies, Inc. (together with its subsidiaries, the "Company," "Superior," "we," "our," or "us") is comprised of three reportable business segments: (1) Branded Products, (2) Healthcare Apparel and (3) Contact Centers.

#### **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, chain, 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. apparel. We sell our brands of healthcare service apparel to healthcare laundries, dealers, distributors, retailers and retailers consumers primarily in the United States. In 2021, the Company saw increased demand for healthcare service apparel from laundries, dealers, distributors, service hospitals and other medical facilities. However, as a result of the effects from the COVID-19 pandemic, the healthcare apparel market in 2022 was oversupplied creating a slowdown in demand. This softening of demand has continued thus far in 2023. In an effort to capture additional market share, in the first quarter of 2023 the Company launched a direct-to-consumer website and began

rebranding its signature marketing brand WonderWink® to Wink™. From a long-term perspective, we expect that demand for our signature marketing brands, including Fashion Seal Healthcare® and Wink™ 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 experienced a period of growth 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 over the past several 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 has repeatedly 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, including 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 conflict in the Middle East after following the Hamas terrorist attacks on Israel on October 7, 2023 could continue to affect oil prices and have other negative effects on the global economy. Civil unrest in countries where we manufacture products, such as Haiti, may result in our facilities incurring damage or destruction that interrupts our manufacturing processes and adversely affects our reputation and our relationships with our customers. The effects and any escalation of the Israel-Hamas war or a wider conflict in the Middle East, prolonged inflationary conditions, high and/or increased interest rates, additional sanctions or retaliatory measures related to the Russia-Ukraine crisis, the Middle East crisis, the civil unrest in Haiti, or other situations, including deteriorating or prolonged diplomatic tension between the United States and China, could further negatively affect U.S. and international commerce and exacerbate or prolong the period of high energy prices.

Prolonged or recurring disruptions or instability in the United States and global economies, and how the world reacts to those disruptions or instability, could have long-term impacts on our business. These business impacts could negatively affect us in a number of ways, including, but not limited to, reduced demand for our core products and services, reductions to our revenue and profitability, costs associated with complying with new or amended laws and regulations affecting our business, declines in our stock price, reduced availability and less favorable terms of future borrowings, valuation of our pension obligations, reduced credit-worthiness of our customers, and potential impairment of the carrying value of indefinite-lived intangible assets. Some of these impacts, such as reduced demand in our Branded Products segment related to reduced advertising spending by our customers, and reduced demand in our Healthcare Apparel segment resulting from a continuation of challenging market conditions with saturated inventory levels after the COVID-19 pandemic, have materialized, and are described in "Operations" below.

#### Summary of Results

##### Net Income (Loss)

The Company generated net income of \$3.1 million and \$0.9 million during the three months ended September 30, 2023 March 31, 2024 and net loss of \$12.7 million during the three months ended September 30, 2022, 2023, respectively. The increase in net income during the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 was primarily due to goodwill impairment charges totaling \$21.5 million during the three months ended September 30, 2022 increases in sales and an increase of \$2.8 million gross margins across all segments, particularly in gross margin for our Branded Products segment, partially offset by an increase in income tax expense and unrealized gains of \$1.8 million recognized on written put options during the prior year period. The Company generated net income of \$5.2 million during the nine months ended September 30, 2023 and net loss of \$34.2 million during the nine months ended September 30, 2022. The increase in net income during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 was primarily due to goodwill and indefinite-lived intangible assets impairment charges totaling \$51.5 million during the nine months ended September 30, 2022 Healthcare Apparel segments, and a decrease in inventory write-downs of \$4.2 million, interest expense, partially offset by increases in income tax expense, interest expense and Contact Centers selling and administrative expenses.

##### Adjusted EBITDA

Adjusted EBITDA (a non-GAAP financial measure) was \$9.3 million and \$9.7 million during the three months ended September 30, 2023 and 2022, respectively. Adjusted EBITDA during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 decreased primarily due to unrealized gains recognized on written put options during the prior year period and increases in selling and administrative expenses for our Branded Products segment and Contact Centers segment, Corporate functions and an increase in income tax expense.

##### EBITDA

EBITDA (a non-GAAP financial measure) was \$9.6 million and \$6.9 million during the three months ended March 31, 2024 and 2023, respectively. EBITDA during the three months ended March 31, 2024 compared to the three months ended March 31, 2023 increased primarily due to increases in sales and gross margins across all segments, particularly in our Branded Products and Healthcare Apparel segments, partially offset by an increase in gross margin selling and administrative expenses for our Branded

Products segment. Adjusted EBITDA was \$23.6 million segment and \$24.5 million during the nine months ended September 30, 2023 and 2022, respectively. Adjusted EBITDA during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 decreased primarily due to an increase in Contact Centers selling and administrative expenses, partially offset by a decrease in inventory write-downs. Corporate functions. 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.

## Operations

Three Months Ended **September 30, 2023** **March 31, 2024** Compared to Three Months Ended **September 30, 2022** **March 31, 2023**

Net Sales (in thousands):

	Three Months Ended September 30,			% Change	
	2023		2022		
	\$	83,512	\$	86,769	
Branded Products				(3.8 %)	
Healthcare Apparel		29,649		30,039	(1.3 %)
Contact Centers		24,121		23,363	3.2 %
Net intersegment eliminations		(1,156 )		(1,468 )	(21.3 %)
Consolidated Net Sales	\$	136,126	\$	138,703	(1.9 %)
For the Three Months Ended March 31,					
	2024	2023	\$ Change	% Change	
Net sales:					
Branded Products	\$ 87,068	\$ 81,851	\$ 5,217	6.4 %	
Healthcare Apparel	29,237	28,154	1,083	3.8 %	
Contact Centers	23,552	22,056	1,496	6.8 %	
Net intersegment eliminations	(1,015 )	(1,288 )	273	(21.2 %)	
Consolidated net sales	138,842	130,773	8,069	6.2 %	
Gross margin:					
Branded Products	31,741	25,899	5,842	22.6 %	
Healthcare Apparel	11,510	10,100	1,410	14.0 %	
Contact Centers	12,644	11,789	855	7.3 %	
Net intersegment eliminations	(578 )	(680 )	102	(15.0 %)	
Consolidated gross margin	55,317	47,108	8,209	17.4 %	
Selling and administrative expenses:					
Branded Products	23,294	20,053	3,241	16.2 %	
Healthcare Apparel	9,812	9,502	310	3.3 %	
Contact Centers	10,421	9,664	757	7.8 %	
Intersegment Eliminations	(578 )	(680 )	102	(15.0 %)	
Other	5,800	4,840	960	19.8 %	
Consolidated selling and administrative expenses	48,749	43,379	5,370	12.4 %	
Other periodic pension cost	189	214	(25 )	(11.7 %)	
Interest expense	1,787	2,570	(783 )	(30.5 %)	
Income before income tax expense	4,592	945	3,647	385.9 %	
Income tax expense	680	57	623	1093.0 %	
Net income	\$ 3,912	\$ 888	\$ 3,024	340.5 %	
<i>Net Sales</i>					

Net sales for the Company decreased 1.9% increased 6.2%, or \$2.6 million, \$8.1 million, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023. The decrease increase was driven by net sales decreases increases in Branded Products and Healthcare Apparel, partially offset by an increase Contact Centers net sales, all three of our reportable segments.

Branded Products net sales decreased 3.8% increased 6.4%, or \$3.3 \$5.2 million, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023. The decrease increase was primarily due to the timing of new branded uniform rollout programs for certain higher order volume from larger customers, and customer attrition within branded uniforms, as well as, increased pricing.

Healthcare Apparel net sales decreased 1.3% increased 3.8%, or \$0.4 \$1.1 million, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023. The decrease increase was primarily due to a decrease in demand for healthcare apparel resulting from a continuation of challenging market conditions described above under "Business Outlook – Healthcare Apparel", partially offset by an increase in digital incremental online sales volume growth including the launch of a sales growth through our direct-to-consumer website which was launched in the second quarter of 2023.

Contact Centers net sales increased 3.2% 6.8%, before intersegment eliminations for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023. These increases were The increase in net sales was primarily attributed to the onboarding of new customers during the last twelve months, growth from existing customers.

#### Gross Margin

Gross margin rate for the Company was 39.1% 39.8% for the three months ended September 30, 2023 March 31, 2024 and 36.5% 36.0% for the three months ended September 30, 2022 March 31, 2023. The rate increase was primarily due to an improvement in gross margin rate for rates in all three of our Branded Products segment, the Company's largest segment, reportable segments.

Gross margin rate for our Branded Products segment was 34.6% 36.5% for the three months ended September 30, 2023 March 31, 2024 and 30.2% 31.6% for the three months ended September 30, 2022 March 31, 2023. The rate increase was primarily driven by a favorable shift in the mix of pricing and customers, and as well as, lower supply chain costs.

Gross margin rate for our Healthcare Apparel segment was 38.7% 39.4% for the three months ended September 30, 2023 March 31, 2024 and 38.1% 35.9% for the three months ended September 30, 2022 March 31, 2023. The rate increase was primarily driven by lower costs including improved manufacturing variances efficiencies from higher production increased volume in our Haiti facilities compared to the prior year period, period, as well as, improved market conditions.

Gross margin rate for our Contact Centers segment was 55.5% 53.7% for the three months ended September 30, 2023 March 31, 2024 and 59.5% 53.5% for the three months ended September 30, 2022 March 31, 2023. The rate decrease was primarily due to increased employee related costs of our agents, partially offset by price increases, remained relatively consistent between periods.

#### Selling and Administrative Expenses

As a percentage of net sales, total selling and administrative expenses was 34.7% 35.1% for the three months ended September 30, 2023 March 31, 2024 and 31.6% 33.2% for the three months ended September 30, 2022 March 31, 2023. The rate increase was primarily attributed driven by increased employee related costs, unrealized losses of \$0.4 million recognized in 2024 compared to a decrease in unrealized gains of \$1.5 \$0.4 million relating to recognized in the prior year period on written put options and increases an increase in expense relating to acquisition contingent liabilities driven by fair market value adjustments, bad debt expense and professional services, from a gain of \$0.6 million in 2023 to a loss of \$0.2 million in 2024.

As a percentage of net sales, selling and administrative expenses for our Branded Products segment was 28.0% 26.8% for the three months ended September 30, 2023 March 31, 2024 and 25.7% 24.5% for the three months ended September 30, 2022 March 31, 2023. The rate increase was primarily due attributed to increased employee related costs, including sales commissions, and an increase in expense of \$0.6 million relating to acquisition contingent liabilities driven by fair market value adjustments an increase in bad debt expense and lower net sales explained above, 2024 as compared to 2023.

As a percentage of net sales, selling and administrative expenses for our Healthcare Apparel segment was 32.0% 33.6% for the three months ended September 30, 2023 March 31, 2024 and 33.8% for the three months ended September 30, 2022 March 31, 2023. The rate decrease was primarily driven by reductions in overhead costs. Selling and administrative expenses as a percentage of net sales remained relatively constant.

As a percentage of net sales, selling and administrative expenses for our Contact Centers segment was 42.4% 44.2% for the three months ended September 30, 2023 March 31, 2024 and 40.7% 43.8% for the three months ended September 30, 2022. The rate March 31, 2023. The slight increase in selling and administrative expenses was primarily attributed

to increased investment in organizational infrastructure, employee related expenses, including personnel, to support future growth of this segment.

#### Goodwill Impairment Charge

During the third quarter of 2022, 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 primarily as the result of a decrease in the Company's stock price. Consequently, the Company recorded a non-cash goodwill impairment charge of \$21.5 million during the three months ended September 30, 2022, pay rate increases.

#### Interest Expense

Interest expense increased decreased to \$2.5 \$1.8 million for the three months ended September 30, 2023 March 31, 2024 from \$1.8 \$2.6 million for three months ended September 30, 2022 March 31, 2023. This increase decrease 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 \$53.7 million decrease in outstanding borrowings. The weighted average interest rate on our outstanding borrowings remained constant at 6.6% for the three months ended September 30, 2023 was 7.4% compared to 3.1% for the three months ended September 30, 2022, March 31, 2024 and March 31, 2023, respectively.

#### Income Taxes

Income tax expense increased to \$0.7 million for the three months ended September 30, 2023 compared to March 31, 2024 from \$0.1 million for the three months ended September 30, 2022 increased by \$4.4 million, March 31, 2023. The effective tax rate was 4.9% 14.8% and 25.0% 6.0% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The income tax expense and the effective tax rate for the three months ended September 30, 2023 March 31, 2024 and March 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. The income tax benefit and the effective tax rate for was further favorably impacted by the windfall benefits associated with the stock option exercises during the three months ended September 30, 2022 was impacted by March 31, 2024, as well as discrete non-taxable gains on the impairment of goodwill in Company's written put options and income generated on the amount of \$4.3 million. Company's SERP life insurance contracts, totaling \$0.4 million and \$0.2 million, respectively, during the three months ended March 31, 2023. The effective tax rate may vary from quarter to quarter due to discrete, unusual or non-recurring items, the resolution of income tax audits, changes in tax laws, the tax impact from employee share-based payments, or other items.

#### Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

##### Net Sales (in thousands):

	Nine Months Ended September 30,		% Change
	2023	2022	
Branded Products	\$ 244,955	\$ 285,891	(14.3 %)
Healthcare Apparel	85,875	86,895	(1.2 %)
Contact Centers	68,935	62,803	9.8 %
Net intersegment eliminations	(3,704 )	(5,371 )	(31.0 %)
Consolidated Net Sales	\$ 396,061	\$ 430,218	(7.9 %)

Net sales for the Company decreased 7.9%, or \$34.2 million, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The decrease was primarily driven by a net sales decline in Branded Products and Healthcare Apparel, partially offset by an increase in Contact Centers net sales.

Branded Products net sales decreased 14.3%, or \$40.9 million, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The decrease was primarily due to decreased demand as a result of current market conditions that have tightened our customers' advertising spending, the timing of new branded uniform rollout programs for certain customers and a decrease of \$5.4 million in net sales of personal protective equipment driven by the easing of the COVID-19 pandemic. These decreases were partially offset by net sales of \$11.2 million attributable to the acquisition of Guardian in May 2022.

Healthcare Apparel net sales decreased 1.2%, or \$1.0 million, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The decrease was primarily due to a decrease in demand for healthcare apparel resulting from a continuation of challenging market conditions with saturated inventory levels post-COVID-19 pandemic, partially offset by an increase in digital sales, including the launch of a direct-to-consumer website in the current year period.

Contact Centers net sales increased 9.8% before intersegment eliminations for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. These increases were primarily attributed to onboarding of new customers during the last twelve months and providing expanded services to our existing customers.

##### Gross Margin

Gross margin rate for the Company was 37.3% for the nine months ended September 30, 2023 and 34.5% for the nine months ended September 30, 2022. The rate increase was primarily due to a decrease in inventory write-downs of \$4.2 million and an improvement in gross margin rate for our Branded Products segment, the Company's largest segment. Inventory write-downs during the nine months ended September 30, 2022 included write-downs of \$4.1 million on excess inventory related to personal protective equipment and discontinued styles.

Gross margin rate for our Branded Products segment was 32.8% for the nine months ended September 30, 2023 and 29.2% for the nine months ended September 30, 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 \$0.8 million.

Gross margin rate for our Healthcare Apparel segment was 37.3% for the nine months ended September 30, 2023 and 35.5% for the nine months ended September 30, 2022. The rate increase was primarily driven by a decrease in inventory write-downs of \$3.4 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 54.2% for the nine months ended September 30, 2023 and 59.5% for the nine months ended September 30, 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 33.8% for the nine months ended September 30, 2023 and 30.7% for the nine months ended September 30, 2022. The rate increase was primarily attributed to expense deleverage resulting from the 14.3% decrease in Branded Products net sales, an increase in headcount to support growth in our Contact Centers segment and a decrease in unrealized gains of \$1.3 million relating to written put options, partially offset by a decrease in bad debt expense, expense related to acquisition contingent liabilities and sales commission expense.

As a percentage of net sales, selling and administrative expenses for our Branded Products segment was 26.1% for the nine months ended September 30, 2023 and 23.7% for the nine months ended September 30, 2022. The rate increase was primarily due to expense deleverage on the 14.3% decrease in net sales, partially offset by a decrease in bad debt expense, a decrease in expense of \$0.7 million related to acquisition contingent liabilities and a decrease in sales commission expense.

As a percentage of net sales, selling and administrative expenses for our Healthcare Apparel segment was 33.1% for the nine months ended September 30, 2023 and 34.6% for the nine months ended September 30, 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 42.8% for the nine months ended September 30, 2023 and 38.7% for the nine months ended September 30, 2022. The rate increase was primarily attributed to increased investment in organizational infrastructure, including personnel, to support future growth of this segment.

#### **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 then-current market conditions, decline in expected cash flows and/or decrease in the Company's stock price. During the third quarter of 2022, 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 primarily as the result of a decrease in the Company's stock price. Consequently, the Company recorded a non-cash goodwill impairment charge of \$45.9 million during the nine months ended September 30, 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 nine months ended September 30, 2022.

#### **Interest Expense**

Interest expense increased to \$7.7 million for the nine months ended September 30, 2023 from \$2.7 million for nine months ended September 30, 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 nine months ended September 30, 2023 was 7.0% compared to 1.9% for the nine months ended September 30, 2022.

#### **Income Taxes**

Income tax expense for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 increased by \$5.4 million. The effective tax rate was 6.8% and 12.9% for the nine months ended September 30, 2023 and 2022, respectively. The income tax expense and the effective tax rate for the nine months ended September 30, 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. The income tax benefit and the effective tax rate for the nine months ended September 30, 2022 was impacted by the impairments of goodwill and intangible assets in the amount of \$6.4 million, as well as the nondeductible portion of the goodwill impairment charge totaling \$21.1 million. The effective tax rate may vary from quarter to quarter due to discrete, unusual or non-recurring items, the resolution of income tax audits, changes in tax laws, the tax impact from employee share-based payments, or other items.

#### **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.

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. 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, including under its universal shelf registration statement (File No. 333-249760), to the extent available. 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 was \$17.7 \$22.0 million as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** \$19.9 million as of **December 31, 2023**. Working capital decreased to \$190.7 was \$179.4 million at **September 30, 2023** from \$232.8 **March 31, 2024** compared to \$178.8 million at **December 31, 2022** **December 31, 2023**. The decrease increase in working capital was primarily due to decreases in **inventory, accounts receivable, contract assets, prepaid expenses payable** and other current assets and other accounts receivable liabilities and an increase in **cash and cash equivalents**, offset by decreases in **accounts payable, receivable and inventory**. The decrease in **inventory and increase in accounts payable** were primarily driven by the timing of payments for inventory purchases within our Branded Products segment. The decrease in other current liabilities was primarily related to **vendors employee-related accruals** as of December 31, 2023 that were paid in 2024, including accrued bonus compensation. The decreases in accounts receivable was primarily related to lower sales in our Branded Products segment during the three months ended March 31, 2024 compared to the three months ended December 31, 2023 and the collection of customer payments. The decrease in inventory was primarily driven by a decrease in purchasing activities during the period. The decreases in accounts receivable and other accounts receivables were primarily related to decreased sales for our Branded Products segment and the collection of customer payments, including credit card payments. The decrease in prepaid expenses and other current assets was primarily due to a tax refund of \$5.0 million received in the current year period that related to the Company's U.S. 2021 federal tax return. The decrease in contract assets was primarily driven by the timing of shipments to customers and receipts from suppliers for finished goods with no alternative use within our Branded Products segment.

#### Material Short-Term Plans for Cash

For the **remainder of the year 2023**, **next twelve months**, our primary capital requirements are to maintain our operations, meet contractual obligations, fund capital expenditures, pay dividends and for other general corporate purposes. We currently anticipate that we will spend **less more** in capital expenditures in **2023** **2024** than we spent in **2022**, **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 long term contractual obligations and the continuation of the Company's ongoing capital expenditure program designed to improve the effectiveness and capabilities of our facilities and technology. The Company at all times evaluates its capital expenditure program in light of prevailing economic conditions. The Company's material contractual obligations include outstanding debt, operating leases, acquisition-related contingent liabilities, unfunded supplemental executive retirement plan liabilities and non-qualified deferred compensation plan liabilities. **In the first quarter of 2023, the Company's Branded Products segment entered into a new long-term lease for a warehouse in Phoenix, Arizona with total estimated rental payments of \$7.4 million. This new lease is part of management's plan to consolidate warehousing facilities related to promotional products inventory.** 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.

#### 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):

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
<b>Net cash provided by (used in):</b>				
Operating activities	\$ 59,388	\$ (4,504)	\$ 9,447	\$ 25,050
Investing activities	(4,023 )	(22,423 )	(675 )	(2,114 )
Financing activities	(55,455 )	37,032	(6,375 )	(14,198 )
Effect of exchange rates on cash	97	(132 )	(253 )	140
Net increase in cash and cash equivalents	\$ 7	\$ 9,973	\$ 2,144	\$ 8,878

**Operating Activities.** The **increase decrease** in net cash provided by operating activities during the **nine three** months ended **September 30, 2023** **March 31, 2024** compared to

the **nine** three months ended **September 30, 2022** **March 31, 2023** was primarily attributable to **decreases** **increases** in cash outflows for **inventory**, **accounts payable** and **income taxes** **other current liabilities** and **selling and administrative expenses**, partially offset by an increase in **cash inflows** from **accounts receivable** and **contract assets**, partially offset by a **decrease** in **net sales** and an **increase** in **interest paid**, **gross margin** of **\$8.2 million**. Working capital cash changes during the **nine** three months ended **September 30, 2023** **March 31, 2024** primarily included a **decrease** of **\$18.3 million** **\$12.1 million** in **inventory**, a **decrease** **accounts payable** and **other current liabilities**, an **increase** of **\$6.4 million** **\$3.8 million** in **contract assets** and **decreases** of **\$9.4 million** in **accounts receivable** and a **decrease** of **\$6.2 million** **\$4.5 million** in **contract assets**, **inventory**. Working capital cash changes during the **nine** three months ended **September 30, 2022** **March 31, 2023** primarily included an **increase** of **\$19.2 million** **\$1.6 million** in **inventory**, an **increase** **accounts payable** and **other current liabilities**, a **decrease** of **\$10.2 million** **\$1.6 million** in **contract assets** and a **decrease** of **\$9.6** **\$10.2 million** in **accounts payable** and **other current liabilities**, **receivable**.

**Investing Activities.** The decrease in net cash used in investing activities during the **nine** three months ended **September 30, 2023** **March 31, 2024** compared to the **nine** three months ended **September 30, 2022** **March 31, 2023** was attributable to **\$11.1 million** of cash paid for the acquisition of **Guardian** in 2022 and a **decrease** of **\$7.2** **\$1.4 million** in capital expenditures.

**Financing Activities.** The decrease in net cash **provided by used in** financing activities during the **nine** three months ended **September 30, 2023** **March 31, 2024** compared to the **nine** three months ended **September 30, 2022** **March 31, 2023** was primarily attributable to **\$47.8** a **decrease** of **\$8.0 million** in net repayments of **debt** in the **current year** period compared to **\$45.2 million** of net borrowings of **debt** in the prior year period. Excess cash generated from operating activities during the **nine** months ended **September 30, 2023** was used to repay outstanding borrowings under the revolving credit facility, **debt**.

#### *Credit Facilities (See [Note 3](#) to the Financial Statements)*

As of September 30, 2023, the Company had **\$108.3 million** in outstanding borrowings under its Credit Facilities (as defined below), consisting of **\$38.0 million** outstanding under the revolving credit facility and **\$70.3 million** outstanding under a term loan. As of September 30, 2023, the Company had undrawn capacity of **\$87.0 million** under the revolving credit facility.

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.

On May 4, 2023 As of March 31, 2024, the Company had **\$90.4 million** in outstanding borrowings under its Credit Facilities, consisting of **\$22.0 million** outstanding under the revolving credit facility and its domestic subsidiaries entered into **\$68.4 million** outstanding under a First Amendment to Credit Agreement with the Administrative Agent and the lenders, which (i) provides a covenant relief period through December 31, 2023 term loan. As of March 31, 2024, which the Company may opt to terminate during the fourth quarter had undrawn capacity of 2023 if it has a consolidated total net leverage ratio at or below 4.0 to 1.0 for the two preceding consecutive fiscal quarters; (ii) permits a maximum consolidated total net leverage ratio of 4.5 to 1.0, 4.8 to 1.0, 4.5 to 1.0 and 4.0 to 1.0 for the first, second, third and fourth quarters 2023, respectively; (iii) amends the applicable margin pricing grid to add a tier of applicable margins (2.5% for SOFR rate loans) if the consolidated total net leverage ratio is greater than 4.0 to 1.0, which tier would only apply during the covenant relief period; (iv) prohibits capital expenditures during the covenant relief period that exceed \$10 million, with additional limitations imposed on a quarterly basis; (v) prohibits acquisitions and incremental loans during the covenant relief period; (vi) adds sale and leaseback transactions to the list of transactions that require the Company to use the net proceeds thereof to make a mandatory prepayment **\$103.0 million** under the Credit Agreement; (vii) limits restricted payments to \$20 million in any fiscal year, and no more than \$10 million during the covenant relief period, with additional limitations imposed on a quarterly basis during the covenant relief period; and (viii) lowers the amount of permissible investments in non-loan party subsidiaries to \$5 million during the covenant relief period, revolving credit facility.

Obligations outstanding under the Credit Facilities accrue interest at a variable rate equal to the secured overnight financing rate ("SOFR") plus an adjustment of between 0.10% and 0.25% (depending on the applicable interest period) plus a margin of between 1.0% and 2.0% (depending on the Company's net leverage ratio). During the covenant relief period, the applicable margin may reach 2.5% for SOFR rate loans. The weighted average interest rate on our outstanding borrowings under the Credit Facilities was **7.4%** **6.6%** at **September 30, 2023** **March 31, 2024**. 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). During the covenant relief period, the commitment fee may reach 0.300%. The available balance under the revolving credit facility is reduced by outstanding letters of credit. As of **September 30, 2023** **March 31, 2024**, there were no outstanding letters of credit under the revolving credit facility.

Contractual principal payments for the term loan are as follows: remainder of **2023 - \$0.9 million**; **2024 - \$4.7** **\$3.8 million**; **2025 - \$5.6 million**; **2026 - \$6.6 million** and **2027 - \$52.5** **\$52.4 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, except during the covenant relief period. 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 September 30, 2023 March 31, 2024, the Company was in compliance with these ratios as the Company's fixed charge coverage and net leverage ratios were 2.1 to 1.0 and 2.9 to 1.0, respectively. ratios.

#### *Dividends and Share Repurchase Program*

During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company paid cash dividends of \$6.9 \$2.3 million and \$6.4 \$2.3 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. At September 30, 2023 March 31, 2024, 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.

#### Critical Accounting Estimates

See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

#### 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 and 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 and (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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 3,114	\$ (12,719 )	\$ 5,215	\$ (34,164 )
Interest expense	2,464	1,794	7,658	2,676
Income tax expense (benefit)	160	(4,241 )	380	(5,042 )
Depreciation and amortization	3,515	3,401	10,331	9,504
Goodwill impairment charge	-	21,460	-	45,918
Intangible assets impairment charge	-	-	-	5,581
<b>Adjusted EBITDA</b>	<b>\$ 9,253</b>	<b>\$ 9,695</b>	<b>\$ 23,584</b>	<b>\$ 24,473</b>

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 3,912	\$ 888
Interest expense	1,787	2,570
Income tax expense	680	57
Depreciation and amortization	3,252	3,388
EBITDA	\$ 9,631	\$ 6,903

### ITEM 3. 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 January 1, 2024 would have resulted in approximately \$1.0 \$0.2 million in additional pre-tax interest expense for the nine three months ended September 30, 2023 March 31, 2024. For further information regarding our debt instruments, see [Note 3](#) 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 September 30, 2023 March 31, 2024, 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. During the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023, 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 during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 included a foreign currency translation adjustment loss of \$0.5 million and a foreign currency translation adjustment gain of \$0.2 \$0.3 million, and a foreign currency translation adjustment loss of \$0.4 million, respectively.

### ITEM 4. Controls and Procedures

#### 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 Company's Annual Report on Form 10-K for the year years ended December 31, 2022, and 2023.

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 and 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 continues to exist as of March 31, 2024.

Notwithstanding the identified material weakness, management, including the Company's principal executive officer and principal financial officer have determined, based on the procedures they have performed, that the consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company's financial condition, results of operations and cash flows at the Evaluation Date, March 31, 2024 and for the periods presented in accordance with U.S. GAAP.

#### **Ongoing Remediation Efforts with Respect to the Material Weakness**

The Company's management, under the oversight of the Audit Committee, has developed a plan 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 which includes the following measures: (i) develop information technology general controls 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.

The While the Company was able to test the design effectiveness of the enhanced controls, the material weakness will not be considered remediated until management completes the remediation plan above, 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 continued to exist as of March 31, 2024. The Company will monitor the effectiveness of its remediation plan and will refine its remediation plan as appropriate.

#### **Changes in Internal Control over Financial Reporting**

Except as discussed above under "Remediation" "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 September 30, 2023 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. 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 1A. Risk Factors**

We are exposed to certain risks and uncertainties that could have a material adverse impact on our business, financial condition and operating results. Except as set forth below, there have been no material changes to the Risk Factors described in Part I, Item 1A-Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

**Our results manufacturing facilities and warehouses in Haiti are at risk of operations could be adversely affected by economic damage or disruptions from civil unrest and political conditions globally and the effects of these conditions on our customers' businesses and levels of business activity, other occurrences.**

Economic Our Healthcare Apparel segment relies on our manufacturing facilities and political warehouses in Haiti for the manufacturing and storage of finished goods. Our manufacturing facilities and warehouses may be damaged or our ability to use or access them may be disrupted as a result of civil unrest or other occurrences in Haiti. Such events in the past 20 months have altered the landscape in which we may interfere with our manufacturing processes, information systems, telecommunication services, and other U.S. companies operate in a variety of ways. In response product delivery for sustained periods and may also make it difficult or impossible for employees to inflationary pressures, the U.S. Federal Reserve repeatedly has raised interest rates, resulting in an increase in the cost of borrowing for us, reach our business locations. Damage or destruction that interrupts our manufacturing facilities could adversely affect our reputation, our relationships with our customers, our suppliers, leadership team's ability to administer and other companies relying supervise our business, and cause us to incur substantial additional expenditures to repair or replace damaged equipment or facilities or commence alternate production locations. While we currently have commercial liability insurance, our insurance coverage may not be sufficient or be renewed on debt financing. In light favorable terms or at all. Prolonged disruption of continuing inflationary pressures, the Federal Reserve our manufacturing processes in Haiti also may decide entitle some of our customers 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 amend or terminate their contracts with us. Worsening conditions in Haiti may also result 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 displacement of native Haitians looking for refuge in neighboring Dominican Republic which may result in the Middle East, prolonged inflationary conditions, high and/closure of roads and port access which may limit or increased interest rates, additional sanctions or retaliatory measures related to restrict our normal and recurring business in Haiti. Any of the Russia-Ukraine crisis, or other situations, could further negatively above factors may adversely affect U.S. our business, results of operations 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, financial condition.

## ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of equity securities during the quarter ended September 30, 2023 March 31, 2024, that were not previously reported in a current report on Form 8-K.

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 September 30, 2023 March 31, 2024.

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
	Purchased	Period			
July 1, 2023 2024 to July 31, 2023 January 31, 2024	-		\$ -	-	-
August 1, 2023 2024 to August 31, 2023 February 29, 2024	-		-	-	-
September 1, 2023 March 31, 2024 to September 30, 2023 March 31, 2024	-		-	-	-
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.

Under our Credit Agreement, if an event of default exists, we may not make distributions to our shareholders. The Credit Agreement also contains other restrictions. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Credit Facilities." The Company is in full compliance with all terms, conditions and covenants of such agreement.

## ITEM 3. Defaults upon Senior Securities

Not applicable.

## ITEM 4. Mine Safety Disclosures

Not applicable.

## ITEM 5. Other Information

Not applicable. On May 1, 2024, the Compensation Committee approved the Company entering into a grant of 125,000 and 75,000 performance shares to Michael Benstock and Michael Koempel, respectively, under the 2022 Equity Incentive and Awards Plan. The performance shares agreements were executed on May 6, 2024. Each performance share represents a contingent right to receive one share of common stock. The performance shares will vest if, in each case and during a four-year performance period beginning on January 1, 2024, subject to additional requirements, the average closing price of the Company's common stock over a rolling thirty (30) day period equals or exceeds the closing share price on May 10, 2024 by 115%, 130%, and 150% and the executive is still employed by the Company twelve (12) months after the applicable stock price condition has been satisfied. Mr. Koempel's agreement provides protection for termination without Cause and for resignation for Good Reason during the period after the per share price has been satisfied. The fair value of the shares, yet to be determined, will be amortized across the performance period based on a Monte Carlo valuation model.

**ITEM 6. Exhibits**

Exhibit No.	Description
10.1†*	<a href="#">Performance Shares Agreement, dated May 6, 2024, granted to Michael Benstock</a>
10.2†*	<a href="#">Performance Shares Agreement, dated May 6, 2024, granted to Michael Koempel</a>
31.1*	<a href="#">Certification by the Chief Executive Officer (Principal Executive Officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification by the Chief Financial Officer (Principal Financial Officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32**	<a href="#">Certification by the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
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.

\* Filed herewith.

\*\*Furnished herewith.

+ Submitted electronically herewith.

**SIGNATURES**

Pursuant to the requirements 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.

Date: **November 6, 2023** **May 7, 2024**

SUPERIOR GROUP OF COMPANIES, INC.

By

/s/ Michael Benstock

Michael Benstock

Chief Executive Officer

(Principal Executive Officer)

Date: **November 6, 2023** **May 7, 2024**

By

/s/ Michael Koempel

Michael Koempel



**CONFIDENTIAL**

SUPERIOR GROUP OF COMPANIES, INC.

**PERFORMANCE SHARES AGREEMENT**

THIS PERFORMANCE SHARES AWARD ("Agreement"), dated May 6, 2024 (the "Date of Grant"), is granted by Superior Group of Companies, Inc., a Florida corporation (the "Company") to Michael Benstock (the "Grantee") pursuant to the Company's 2022 Equity Incentive and Awards Plan (the "Plan"). Capitalized terms used but not otherwise defined in this Agreement shall have the respective meanings given to them in the Plan.

WHEREAS, the Company believes it to be in the best interests of the Company, its subsidiaries and its shareholders for its officers and other key employees to obtain or increase their stock ownership interest in the Company so that they will have a greater incentive to work for and manage the Company's affairs in such a way that its shares may become more valuable; and

WHEREAS, the Grantee is employed by the Company or one of its subsidiaries as an officer or other key employee and has been selected by the Board of Directors of the Company, directly or acting through its Compensation Committee (the "Committee"), to receive a Performance Shares award;

NOW, THEREFORE, in consideration of the premises and of the services to be performed by the Grantee, the Company and the Grantee hereby agree as follows:

**1. GRANT**

(a) Number of Performance Shares. Subject to the terms and conditions of this Agreement and the Plan, the Company grants to the Grantee an Award of 125,000 Performance Shares (as defined in the Plan) subject to vesting under Section 2 (the "Performance Shares").

(b) Performance Shares. Each Performance Share is a bookkeeping entry that records the equivalent of one Share. Upon the vesting of the Performance Shares as provided in Section 2, the vested Performance Shares will be settled as provided in Section 3.

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**2. VESTING**

(a) Vesting of Performance Shares. Subject to the Committee's ability to accelerate vesting pursuant to Section 11(c) of the Plan:

(i) One third (1/3) of the Performance Shares shall vest upon the following conditions being satisfied: (x) during January 1, 2024 through December 31, 2024, inclusive, and as of December 31, 2024, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred fifteen percent (115%) of the closing price of the Company's common stock on May 10, 2024 or (y) at any time during January 1, 2025 through December 31, 2027, inclusive, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred fifteen percent (115%) of the closing price of the Company's common stock on May 10, 2024, and (z) the Grantee remains continuously employed by the Company or one of its subsidiaries from the Date of Grant until twelve (12) months after the condition in subpart 2(a)(i)(x) or 2(a)(i)(y) has been satisfied ("Vesting Date #1");

(ii) One third (1/3) of the Performance Shares shall vest upon the following conditions being satisfied: (x) during January 1, 2024 through December 31, 2024, inclusive, and as of December 31, 2024, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred thirty percent (130%) of the closing price of the Company's common stock on May 10, 2024 or (y) at any time during January 1, 2025 through December 31, 2027, inclusive, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred thirty percent (130%) of the closing price of the Company's common stock on May 10, 2024, and (z) the Grantee remains continuously employed by the Company or one of its subsidiaries from the Date of Grant until twelve (12) months after the condition in subpart 2(a)(ii)(x) or 2(a)(ii)(y) has been satisfied ("Vesting Date #2");

(iii) One third (1/3) of the Performance Shares shall vest upon the following conditions being satisfied: (x) during January 1, 2024 through December 31, 2024, inclusive, and as of December 31, 2024, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred fifty percent (150%) of the closing price of the Company's common stock on May 10, 2024 or (y) at any time during January 1, 2025 through December 31, 2027, inclusive, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred fifty percent (150%) of the closing price of the Company's common stock on May 10, 2024, and (z) the Grantee remains continuously employed by the Company or one of its subsidiaries from the Date of Grant until twelve (12) months after the condition in subpart 2(a)(iii)(x) or 2(a)(iii)(y) has been satisfied ("Vesting Date #3" or "Final Vesting Date");

(iv) Each of Vesting Date #1, Vesting Date #2, and Vesting Date #3, may be referred to as an "applicable Vesting Date"; and

(v) Each vesting event listed in subsections 2(a)(i)-(iii) is independent. As such, it is possible for Grantee to earn more than one tranche of Performance Shares, and for multiple tranches to be earned either simultaneously or over separate periods of time depending on the Company's stock price. However, in no event shall the total number of Performance Shares that vest exceed the number of Shares determined in accordance with Section 1 and in no event shall the Grantee receive Shares multiple times for the same Performance Shares tranche being earned; once a tranche of Performance Shares is earned, the same tranche may not be earned again.

(b) Change of Control. Notwithstanding anything to the contrary in this Agreement, if a Change of Control of the Company occurs prior to the Final Vesting Date, then all of the unvested Performance Shares for which the stock price required for those Performance Shares to vest pursuant to this Agreement is equal to or less than the per share price of the Company's common stock paid as part of the Change of Control event shall immediately vest.

**3. SETTLEMENT**

The Company shall settle the vested Performance Shares after the applicable Vesting Date on a date selected by the Company (the "Settlement Date"), but not later than thirty (30) days after the applicable Vesting Date. On the Settlement Date, the vested Performance Shares shall be settled by issuing and delivering to the Grantee one Share for each vested Performance Share, and the Company shall enter the Grantee's name on the books of the Company as the shareholder of record with respect thereto. Upon such issuance, each settled Performance Share shall be cancelled.

#### 4. RESTRICTIONS

(a) No Transfer. The Performance Shares granted hereunder may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of; provided, that if the Grantee dies after an applicable Vesting Date but prior to the corresponding Settlement Date, the vested Performance Shares shall be transferable by will or the laws of descent and distribution. The Company has the right, by notice to the Grantee, to cause the Performance Shares to be forfeited effective as of the date of the prohibited transfer or purported prohibited transfer thereof. In addition, the Grantee acknowledges that any Shares issued upon settlement of the Performance Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed without (i) an effective registration statement or post-effective amendment to a registration statement under the Securities Act of 1933, as amended, with respect to such shares, or (ii) an opinion of counsel presented to the Company and satisfactory to the Company to the effect that the proposed disposition of such shares by the Grantee may lawfully be made otherwise than pursuant to an effective registration statement or post-effective amendment to a registration statement. Any prohibited transfer will be null and void ab initio and will be invalid and ineffective as to the Company, and the Company shall not be required (i) to transfer on its books any Performance Shares, or any shares issued upon settlement thereof, which shall have been sold, assigned, transferred, pledged, hypothecated or otherwise disposed of in violation of any of the provisions set forth in this Agreement, or (ii) to treat as owner of any such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares shall have been so sold, assigned, transferred, pledged, or hypothecated.

(b) No Rights of a Shareholder. Other than with respect to dividends, the Grantee shall not have any of the rights or privileges of a shareholder (including the right to vote) or otherwise be deemed the holder of the Shares underlying the Performance Shares for any purpose, and nothing in this Agreement shall be construed to confer upon the Grantee any of the rights, privileges or obligations of a shareholder of the Company, unless and until Common Stock is actually issued to and held of record by the Grantee upon settlement of the Performance Shares under this Agreement. With respect to dividends, the Grantee shall be entitled to receive dividends on Performance Shares prior to the Performance Shares vesting if and once the share price(s) condition specified in subsections 2(a)(i)-(iii) has been satisfied. The Grantee shall not be entitled to receive dividends on the Performance Shares prior to the share price(s) condition specified in subsections 2(a)(i)-(iii) being satisfied.

#### 5. FORFEITURE; TERMINATION OF EMPLOYMENT

(a) Forfeiture of Unvested Performance Shares. If the Grantee's employment with the Company and its subsidiaries terminates for any reason prior to the Final Vesting Date (including by reason of death, disability, retirement, resignation for any reason or termination by the Company or one of its subsidiaries for any reason (whether with or without cause)), then all of the unvested Performance Shares shall be forfeited to the Company under Section 5(c) simultaneously with the employment termination.

(b) Leave of Absence. In addition, if the Grantee takes a military, sick leave or other bona fide leave of absence from the Company and its subsidiaries, and the period of such leave exceeds 3 months (unless otherwise permitted by the Company), the Grantee will be considered to have terminated employment from the Company and its subsidiaries for purposes hereof on the later of (i) the first day immediately following such 3-month period, or (ii) the last day that the Grantee's right to reemployment following the end of such leave is guaranteed by law or contract with the Company or a subsidiary.

(c) Effect of Forfeiture. If Performance Shares are forfeited, then, effective as of the time of forfeiture, such Performance Shares shall be automatically and immediately cancelled and forfeited to the Company and shall no longer be outstanding, without payment of any consideration by the Company and without the need for notice from or any further action by the Company, and neither the Grantee nor any of Grantee's successors, heirs, assigns or personal representatives shall thereafter have any further right, title or interest in or to such forfeited Performance Shares or the benefits of ownership thereof.

#### 6. TAX WITHHOLDING

The Grantee shall make appropriate arrangements with the Company, in accordance with the Plan and in a manner deemed satisfactory to the Committee, to provide for the withholding or payment of the amount that the Company considers necessary to satisfy its withholding obligations upon the grant, vesting, lapse or settlement of the Performance Shares. The Grantee may satisfy any tax withholding obligation of the Company arising from settlement of this Award, in whole or in part, by paying such tax obligation in cash or by check made payable to the Company, or by electing to have the Company withhold shares of Common Stock having a Fair Market Value on the date of settlement equal to the amount required to be withheld, subject to such rules as the Committee may adopt. In any event, the Company reserves the right to withhold from any compensation otherwise payable to the Grantee such amount as the Company determines is necessary to satisfy the Company's tax withholding obligations arising from this Award.

#### 7. AMENDMENT OR MODIFICATION

Except as provided otherwise herein, no term or provision of this Agreement may be amended, modified or supplemented orally, but only by an instrument in writing signed by the party against which or whom the enforcement of the amendment, modification or supplement is sought; provided, however, that this Agreement may be amended, modified, supplemented or cancelled without the Grantee's consent in accordance with the terms of the Plan.

#### 8. LIMITED INTEREST

(a) No Right to Employment. The grant of this Award shall not confer on the Grantee any right to continue as an employee, nor interfere in any way with the right of the Company or any subsidiary to terminate the Grantee at any time.

(b) Capital Structure. The grant of this Award shall not affect in any way the right or power of the Company or any of its subsidiaries to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's or any subsidiary's capital structure or its business, or any merger, consolidation or business combination of the Company or any subsidiary, or any issuance or modification of any term, condition, or covenant of any bond, debenture, debt, preferred stock or other instrument ahead of or affecting the Common Stock or the rights of the holders of Common Stock, or the dissolution or liquidation of the Company or any subsidiary, or any sale or transfer of all or any part of its assets or business or any other Company or subsidiary act or proceeding, whether of a similar character or otherwise.

#### 9. GOVERNING LAW; PLAN

This Agreement shall be governed by the internal laws of the state of Florida as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. Any legal action or proceeding with respect to the Plan or the Performance Shares may only be brought and determined in a court sitting in the County of Hillsborough, or the Federal District Court for the Middle District of Florida sitting in the County of Hillsborough, in the State of Florida. The Company may require that the action or proceeding be determined in a bench trial.

ALL PARTIES ACKNOWLEDGE THAT THIS PERFORMANCE SHARES AWARD IS GRANTED UNDER AND PURSUANT TO THE PLAN, WHICH SHALL GOVERN ALL RIGHTS, INTERESTS, OBLIGATIONS, AND UNDERTAKINGS OF BOTH THE COMPANY AND THE GRANTEE. ALL CAPITALIZED TERMS NOT OTHERWISE DEFINED IN THIS PERFORMANCE SHARES AGREEMENT SHALL HAVE THE MEANINGS ASSIGNED TO SUCH TERMS IN THE PLAN.

#### 10. SEVERABILITY

If any provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable, or would disqualify this Award under any law the Committee deems applicable, then such provision will be construed or deemed amended to conform to the applicable law, or if the Committee determines that the provision cannot be construed or deemed amended without materially altering the intent of this Agreement, then the provision will be stricken and the remainder of this Agreement will remain in full force and effect.

#### 11. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Grantee has executed this Agreement all as of the day and date first above written.

SUPERIOR GROUP OF COMPANIES, INC.

/s/ Michael Koempel

By: Michael Koempel, Chief Financial Officer

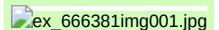
/s/ Michael Benstock

Michael Benstock

(Grantee)

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Exhibit 10.2



**CONFIDENTIAL**

SUPERIOR GROUP OF COMPANIES, INC.

**PERFORMANCE SHARES AGREEMENT**

THIS PERFORMANCE SHARES AWARD ("Agreement"), dated May 6, 2024 (the "Date of Grant"), is granted by Superior Group of Companies, Inc., a Florida corporation (the "Company") to Michael Koempel (the "Grantee") pursuant to the Company's 2022 Equity Incentive and Awards Plan (the "Plan"). Capitalized terms used but not otherwise defined in this Agreement shall have the respective meanings given to them in the Plan.

WHEREAS, the Company believes it to be in the best interests of the Company, its subsidiaries and its shareholders for its officers and other key employees to obtain or increase their stock ownership interest in the Company so that they will have a greater incentive to work for and manage the Company's affairs in such a way that its shares may become more valuable; and

WHEREAS, the Grantee is employed by the Company or one of its subsidiaries as an officer or other key employee and has been selected by the Board of Directors of the Company, directly or acting through its Compensation Committee (the "Committee"), to receive a Performance Shares award;

NOW, THEREFORE, in consideration of the premises and of the services to be performed by the Grantee, the Company and the Grantee hereby agree as follows:

#### 1. GRANT

(a) Number of Performance Shares. Subject to the terms and conditions of this Agreement and the Plan, the Company grants to the Grantee an Award of 75,000 Performance Shares (as defined in the Plan) subject to vesting under Section 2 (the "Performance Shares").

(b) Performance Shares. Each Performance Share is a bookkeeping entry that records the equivalent of one Share. Upon the vesting of the Performance Shares as provided in Section 2, the vested Performance Shares will be settled as provided in Section 3.

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#### 2. VESTING

(a) Vesting of Performance Shares. Subject to the Committee's ability to accelerate vesting pursuant to Section 11(c) of the Plan:

(i) One third (1/3) of the Performance Shares shall vest upon the following conditions being satisfied: (x) during January 1, 2024 through December 31, 2024, inclusive, and as of December 31, 2024, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred fifteen percent (115%) of the closing price of the Company's common stock on May 10, 2024 or (y) at any time during January 1, 2025 through December 31, 2027, inclusive, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred fifteen percent (115%) of the closing price of the Company's common stock on May 10, 2024, and (z) the Grantee remains continuously employed by the Company or one of its subsidiaries from the Date of Grant until twelve (12) months after the condition in subpart 2(a)(i)(x) or 2(a)(i)(y) has been satisfied ("Vesting Date #1");

(ii) One third (1/3) of the Performance Shares shall vest upon the following conditions being satisfied: (x) during January 1, 2024 through December 31, 2024, inclusive, and as of December 31, 2024, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred thirty percent

(130%) of the closing price of the Company's common stock on May 10, 2024 or (y) at any time during January 1, 2025 through December 31, 2027, inclusive, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred thirty percent (130%) of the closing price of the Company's common stock on May 10, 2024, and (z) the Grantee remains continuously employed by the Company or one of its subsidiaries from the Date of Grant until twelve (12) months after the condition in subpart 2(a)(ii)(x) or 2(a)(ii)(y) has been satisfied ("Vesting Date #2");

(iii) One third (1/3) of the Performance Shares shall vest upon the following conditions being satisfied: (x) during January 1, 2024 through December 31, 2024, inclusive, and as of December 31, 2024, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred fifty percent (150%) of the closing price of the Company's common stock on May 10, 2024 or (y) at any time during January 1, 2025 through December 31, 2027, inclusive, the thirty (30) day rolling average closing price of the Company's common stock equals or exceeds one hundred fifty percent (150%) of the closing price of the Company's common stock on May 10, 2024, and (z) the Grantee remains continuously employed by the Company or one of its subsidiaries from the Date of Grant until twelve (12) months after the condition in subpart 2(a)(iii)(x) or 2(a)(iii)(y) has been satisfied ("Vesting Date #3" or "Final Vesting Date");

(iv) Each of Vesting Date #1, Vesting Date #2, and Vesting Date #3, may be referred to as an "applicable Vesting Date"; and

(v) Each vesting event listed in subsections 2(a)(i)-(iii) is independent. As such, it is possible for Grantee to earn more than one tranche of Performance Shares, and for multiple tranches to be earned either simultaneously or over separate periods of time depending on the Company's stock price. However, in no event shall the total number of Performance Shares that vest exceed the number of Shares determined in accordance with Section 1 and in no event shall the Grantee receive Shares multiple times for the same Performance Shares tranche being earned; once a tranche of Performance Shares is earned, the same tranche may not be earned again.

(b) Change of Control. Notwithstanding anything to the contrary in this Agreement, if a Change of Control of the Company occurs prior to the Final Vesting Date, then all of the unvested Performance Shares for which the stock price required for those Performance Shares to vest pursuant to this Agreement is equal to or less than the per share price of the Company's common stock paid as part of the Change of Control event shall immediately vest.

### 3. SETTLEMENT

The Company shall settle the vested Performance Shares after the applicable Vesting Date on a date selected by the Company (the "Settlement Date"), but not later than thirty (30) days after the applicable Vesting Date. On the Settlement Date, the vested Performance Shares shall be settled by issuing and delivering to the Grantee one Share for each vested Performance Share, and the Company shall enter the Grantee's name on the books of the Company as the shareholder of record with respect thereto. Upon such issuance, each settled Performance Share shall be cancelled.

### 4. RESTRICTIONS

(a) No Transfer. The Performance Shares granted hereunder may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of; provided, that if the Grantee dies after an applicable Vesting Date but prior to the corresponding Settlement Date, the vested Performance Shares shall be transferable by will or the laws of descent and distribution. The Company has the right, by notice to the Grantee, to cause the Performance Shares to be forfeited effective as of the date of the prohibited transfer or purported prohibited transfer thereof. In addition, the Grantee acknowledges that any Shares issued upon settlement of the Performance Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed without (i) an effective registration statement or post-effective amendment to a registration statement under the Securities Act of 1933, as amended, with respect to such shares, or (ii) an opinion of counsel presented to the Company and satisfactory to the Company to the effect that the proposed disposition of such shares by the Grantee may lawfully be made otherwise than pursuant to an effective registration statement or post-effective amendment to a registration statement. Any prohibited transfer will be null and void ab initio and will be invalid and ineffective as to the Company, and the Company shall not be required (i) to transfer on its books any Performance Shares, or any shares issued upon settlement thereof, which shall have been sold, assigned, transferred, pledged, hypothecated or otherwise disposed of in violation of any of the provisions set forth in this Agreement, or (ii) to treat as owner of any such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares shall have been so sold, assigned, transferred, pledged, or hypothecated.

(b) No Rights of a Shareholder. Other than with respect to dividends, the Grantee shall not have any of the rights or privileges of a shareholder (including the right to vote) or otherwise be deemed the holder of the Shares underlying the Performance Shares for any purpose, and nothing in this Agreement shall be construed to confer upon the Grantee any of the rights, privileges or obligations of a shareholder of the Company, unless and until Common Stock is actually issued to and held of record by the Grantee upon settlement of the Performance Shares under this Agreement. With respect to dividends, the Grantee shall be entitled to receive dividends on Performance Shares prior to the Performance Shares vesting if and once the share price(s) condition specified in subsections 2(a)(i)-(iii) has been satisfied. The Grantee shall not be entitled to receive dividends on the Performance Shares prior to the share price(s) condition specified in subsections 2(a)(i)-(iii) being satisfied.

### 5. FORFEITURE; TERMINATION OF EMPLOYMENT

(a) Forfeiture of Unvested Performance Shares. If the Grantee's employment with the Company and its subsidiaries terminates for Cause (as defined in Grantee's Employment Agreement with the Company) or by reason of death, disability or retirement prior to the Final Vesting Date, then all of the unvested Performance Shares shall be forfeited to the Company under Section 5(c) simultaneously with the employment termination. If the Grantee's employment with the Company and its subsidiaries terminates without Cause or for Good Reason (each as defined in Grantee's Employment Agreement with the Company) prior to the Final Vesting Date but after the share price(s) condition specified in subsections 2(a)(i)-(iii) has been satisfied, then all of the unvested Performance Shares for which the share price(s) condition specified in subsections 2(a)(i)-(iii) has been satisfied shall vest simultaneously with the employment termination.

(b) Leave of Absence. In addition, if the Grantee takes a military, sick leave or other bona fide leave of absence from the Company and its subsidiaries, and the period of such leave exceeds 3 months (unless otherwise permitted by the Company), the Grantee will be considered to have terminated employment from the Company and its subsidiaries for purposes hereof on the later of (i) the first day immediately following such 3-month period, or (ii) the last day that the Grantee's right to reemployment following the end of such leave is guaranteed by law or contract with the Company or a subsidiary.

(c) Effect of Forfeiture. If Performance Shares are forfeited, then, effective as of the time of forfeiture, such Performance Shares shall be automatically and immediately cancelled and forfeited to the Company and shall no longer be outstanding, without payment of any consideration by the Company and without the need for notice from

or any further action by the Company, and neither the Grantee nor any of Grantee's successors, heirs, assigns or personal representatives shall thereafter have any further right, title or interest in or to such forfeited Performance Shares or the benefits of ownership thereof.

#### 6. TAX WITHHOLDING

The Grantee shall make appropriate arrangements with the Company, in accordance with the Plan and in a manner deemed satisfactory to the Committee, to provide for the withholding or payment of the amount that the Company considers necessary to satisfy its withholding obligations upon the grant, vesting, lapse or settlement of the Performance Shares. The Grantee may satisfy any tax withholding obligation of the Company arising from settlement of this Award, in whole or in part, by paying such tax obligation in cash or by check made payable to the Company, or by electing to have the Company withhold shares of Common Stock having a Fair Market Value on the date of settlement equal to the amount required to be withheld, subject to such rules as the Committee may adopt. In any event, the Company reserves the right to withhold from any compensation otherwise payable to the Grantee such amount as the Company determines is necessary to satisfy the Company's tax withholding obligations arising from this Award.

#### 7. AMENDMENT OR MODIFICATION

Except as provided otherwise herein, no term or provision of this Agreement may be amended, modified or supplemented orally, but only by an instrument in writing signed by the party against which or whom the enforcement of the amendment, modification or supplement is sought; provided, however, that this Agreement may be amended, modified, supplemented or cancelled without the Grantee's consent in accordance with the terms of the Plan.

#### 8. LIMITED INTEREST

(a) No Right to Employment. The grant of this Award shall not confer on the Grantee any right to continue as an employee, nor interfere in any way with the right of the Company or any subsidiary to terminate the Grantee at any time.

(b) Capital Structure. The grant of this Award shall not affect in any way the right or power of the Company or any of its subsidiaries to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's or any subsidiary's capital structure or its business, or any merger, consolidation or business combination of the Company or any subsidiary, or any issuance or modification of any term, condition, or covenant of any bond, debenture, debt, preferred stock or other instrument ahead of or affecting the Common Stock or the rights of the holders of Common Stock, or the dissolution or liquidation of the Company or any subsidiary, or any sale or transfer of all or any part of its assets or business or any other Company or subsidiary act or proceeding, whether of a similar character or otherwise.

#### 9. GOVERNING LAW; PLAN

This Agreement shall be governed by the internal laws of the state of Florida as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. Any legal action or proceeding with respect to the Plan or the Performance Shares may only be brought and determined in a court sitting in the County of Hillsborough, or the Federal District Court for the Middle District of Florida sitting in the County of Hillsborough, in the State of Florida. The Company may require that the action or proceeding be determined in a bench trial.

ALL PARTIES ACKNOWLEDGE THAT THIS PERFORMANCE SHARES AWARD IS GRANTED UNDER AND PURSUANT TO THE PLAN, WHICH SHALL GOVERN ALL RIGHTS, INTERESTS, OBLIGATIONS, AND UNDERTAKINGS OF BOTH THE COMPANY AND THE GRANTEE. ALL CAPITALIZED TERMS NOT OTHERWISE DEFINED IN THIS PERFORMANCE SHARES AGREEMENT SHALL HAVE THE MEANINGS ASSIGNED TO SUCH TERMS IN THE PLAN.

#### 10. SEVERABILITY

If any provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable, or would disqualify this Award under any law the Committee deems applicable, then such provision will be construed or deemed amended to conform to the applicable law, or if the Committee determines that the provision cannot be construed or deemed amended without materially altering the intent of this Agreement, then the provision will be stricken and the remainder of this Agreement will remain in full force and effect.

#### 11. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Grantee has executed this Agreement all as of the day and date first above written.

SUPERIOR GROUP OF COMPANIES, INC.

/s/ Michael Benstock

By: Michael Benstock, Chief Executive Officer

/s/ Michael Koempel

Michael Koempel  
(Grantee)

#### CERTIFICATIONS

I, Michael Benstock, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: **November 6, 2023** **May 7, 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 Quarterly Report on Form 10-Q 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: **November 6, 2023** **May 7, 2024**

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

Exhibit 32

**Written Statement of the Chief Executive Officer and the Chief Financial Officer**

Pursuant to 18 U.S.C. §1350

Solely for the purposes of complying with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Superior Group of Companies, Inc. (the "Company"), hereby certify, based on our knowledge, that the Quarterly Report on Form 10-Q of the Company for the period ended **September 30, 2023** **March 31, 2024** (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)

Date: **November 6, 2023** **May 7, 2024**

/s/ Michael Koempel

Michael Koempel  
Chief Financial Officer  
(Principal Financial Officer)

Date: **November 6, 2023** **May 7, 2024**

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