

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 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 No. 1-7604

Crown Crafts, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

58-0678148

(I.R.S. Employer Identification No.)

916 South Burnside Avenue, Gonzales, LA

(Address of principal executive offices)

70737

(Zip Code)

(225) 647-9100

(Registrant's telephone number, including area code)

(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, par value \$0.01 per share	CRWS	Nasdaq Capital Market

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

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

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

Large accelerated filer
Non-Accelerated filer

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, \$0.01 par value, of the registrant outstanding as of August 8, 2024 was 10,310,719.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CROWN CRAFTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2024 (UNAUDITED) AND MARCH 31, 2024
(amounts in thousands, except share and per share amounts)

	June 30, 2024	March 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,103	\$ 829
Accounts receivable (net of allowances of \$1,631 at June 30, 2024 and \$1,486 at March 31, 2024):		
Due from factor	11,224	18,584
Other	4,598	3,819
Inventories	30,610	29,709
Prepaid expenses	1,503	1,883
Total current assets	49,038	54,824
Operating lease right of use assets	14,071	14,949
Property, plant and equipment - at cost:		
Leasehold improvements	535	493
Machinery and equipment	5,354	5,062
Furniture and fixtures	477	477
Property, plant and equipment - gross	6,366	6,032
Less accumulated depreciation	4,560	4,376
Property, plant and equipment - net	1,806	1,656
Finite-lived intangible assets - at cost:		
Customer relationships	8,174	8,174
Other finite-lived intangible assets	4,766	4,766
Finite-lived intangible assets - gross	12,940	12,940
Less accumulated amortization	10,216	10,068
Finite-lived intangible assets - net	2,724	2,872
Goodwill	7,926	7,926
Deferred income taxes	581	277
Other	213	202
Total Assets	\$ 76,359	\$ 82,706
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,727	\$ 4,502
Accrued wages and benefits	662	813
Accrued royalties	354	290
Dividends payable	858	843
Operating lease liabilities, current	3,663	3,587
Other accrued liabilities	354	426
Total current liabilities	12,618	10,461
Non-current liabilities:		
Long-term debt	1,466	8,112
Operating lease liabilities, noncurrent	11,217	12,138
Reserve for unrecognized tax liabilities	402	394
Total non-current liabilities	13,085	20,644
Shareholders' equity:		
Common stock - \$0.01 par value per share; Authorized 40,000,000 shares at June 30, 2024 and March 31, 2024; Issued 13,208,226 shares at June 30, 2024 and March 31, 2024	132	132
Additional paid-in capital	58,090	57,888
Treasury stock - at cost - 2,897,507 shares at June 30, 2024 and March 31, 2024	(15,821)	(15,821)
Retained Earnings	8,255	9,402
Total shareholders' equity	50,656	51,601
Total Liabilities and Shareholders' Equity	\$ 76,359	\$ 82,706

See notes to unaudited condensed consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 THREE-MONTH PERIODS ENDED JUNE 30, 2024 AND JULY 2, 2023
 (amounts in thousands, except per share amounts)

	Three-Month Periods Ended	
	June 30, 2024	July 2, 2023
Net sales	\$ 16,212	\$ 17,123
Cost of products sold	<u>12,246</u>	<u>12,381</u>
Gross profit	3,966	4,742
Marketing and administrative expenses	<u>4,263</u>	<u>4,046</u>
(Loss) income from operations	<u>(297)</u>	<u>696</u>
Other (expense) income:		
Interest expense - net of interest income	(101)	(188)
Other income (expense) - net	<u>12</u>	<u>(2)</u>
(Loss) income before income tax expense	<u>(386)</u>	<u>506</u>
Income tax (benefit) expense	(64)	140
Net (loss) income	<u><u>\$ (322)</u></u>	<u><u>\$ 366</u></u>
Weighted average shares outstanding:		
Basic	10,311	10,154
Effect of dilutive securities	<u>-</u>	<u>9</u>
Diluted	<u>10,311</u>	<u>10,163</u>
Basic (loss) earnings per share	<u><u>\$ (0.03)</u></u>	<u><u>\$ 0.04</u></u>
Diluted (loss) earnings per share	<u><u>\$ (0.03)</u></u>	<u><u>\$ 0.04</u></u>

See notes to unaudited condensed consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
THREE-MONTH PERIODS ENDED JUNE 30, 2024 AND JULY 2, 2023

	Common Shares		Treasury Shares		Additional Paid-in Capital		Retained Earnings	Total Shareholders' Equity
	Number of Shares	Amount	Number of Shares	Amount	(Dollar amounts in thousands)			
Balances - April 2, 2023	13,051,814	\$ 131	(2,897,507)	\$ (15,821)	\$ 57,126	\$ 7,778	\$ 49,214	
Stock-based compensation	-	-	-	-	-	191	-	191
Net income	-	-	-	-	-	-	366	366
Dividend declared on common stock - \$0.08 per share	-	-	-	-	-	-	(812)	(812)
Balances - July 2, 2023	<u>13,051,814</u>	<u>\$ 131</u>	<u>(2,897,507)</u>	<u>\$ (15,821)</u>	<u>\$ 57,317</u>	<u>\$ 7,332</u>	<u>\$ 48,959</u>	
Balances - March 31, 2024	13,208,226	\$ 132	(2,897,507)	\$ (15,821)	\$ 57,888	\$ 9,402	\$ 51,601	
Stock-based compensation	-	-	-	-	-	202	-	202
Net loss	-	-	-	-	-	-	(322)	(322)
Dividends declared on common stock - \$0.08 per share	-	-	-	-	-	-	(825)	(825)
Balances - June 30, 2024	<u>13,208,226</u>	<u>\$ 132</u>	<u>(2,897,507)</u>	<u>\$ (15,821)</u>	<u>\$ 58,090</u>	<u>\$ 8,255</u>	<u>\$ 50,656</u>	

See notes to unaudited condensed consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE-MONTH PERIODS ENDED JUNE 30, 2024 AND JULY 2, 2023
(amounts in thousands)

	Three-Month Periods Ended	
	June 30, 2024	July 2, 2023
Operating activities:		
Net (loss) income	\$ (322)	\$ 366
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	184	217
Amortization of intangibles	148	146
Reduction in the carrying amount of right of use assets	1,136	1,037
Deferred income taxes	(304)	(324)
Reserve for unrecognized tax liabilities	8	14
Stock-based compensation	202	191
Changes in assets and liabilities:		
Accounts receivable	6,581	7,016
Inventories	(901)	(3,513)
Prepaid expenses	380	201
Other assets	(11)	-
Lease liabilities	(1,103)	(424)
Accounts payable	2,174	1,632
Accrued liabilities	(159)	(210)
Net cash provided by operating activities	8,013	6,349
Investing activities:		
Capital expenditures for property, plant and equipment	(284)	(355)
Net cash used in investing activities	(284)	(355)
Financing activities:		
Repayments under revolving line of credit	(21,329)	(20,427)
Borrowings under revolving line of credit	14,683	14,262
Dividends paid	(809)	(806)
Net cash used in financing activities	(7,455)	(6,971)
Net increase (decrease) in cash and cash equivalents	274	(977)
Cash and cash equivalents at beginning of period	829	1,742
Cash and cash equivalents at end of period	\$ 1,103	\$ 765
Supplemental cash flow information:		
Income taxes paid	\$ 11	\$ 357
Interest paid	92	268
Noncash activities:		
Property, plant and equipment purchased but unpaid	(51)	(8)
Dividends declared but unpaid	(858)	(821)

See notes to unaudited condensed consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2024 AND JULY 2, 2023

Note 1 – Interim Financial Statements

Basis of Presentation: The accompanying unaudited condensed consolidated financial statements include the accounts of Crown Crafts, Inc. (the "Company") and its subsidiaries and have been prepared pursuant to accounting principles generally accepted in the United States ("GAAP") applicable to interim financial information as promulgated by the Financial Accounting Standards Board ("FASB"). Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. References herein to GAAP are to topics within the FASB Accounting Standards Codification (the "FASB ASC"), which the FASB periodically revises through the issuance of an Accounting Standards Update ("ASU") and which has been established by the FASB as the authoritative source for GAAP recognized by the FASB to be applied by nongovernmental entities.

In the opinion of the Company's management, the unaudited condensed consolidated financial statements contained herein include all adjustments necessary to present fairly the financial position of the Company as of June 30, 2024 and the results of its operations and cash flows for the periods presented. Such adjustments include normal, recurring accruals, as well as the elimination of all significant intercompany balances and transactions. Operating results for the three-months ended June 30, 2024 are not necessarily indicative of the results that may be expected by the Company for its fiscal year ending March 30, 2025. For further information, refer to the Company's consolidated financial statements and notes thereto for the fiscal year ended March 31, 2024, included in the Company's Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the "SEC").

Fiscal Year: The Company's fiscal year ends on the Sunday that is nearest to or on March 31. References herein to "fiscal year 2025" or "2025" represent the 52-week period ending March 30, 2025 and references herein to "fiscal year 2024" or "2024" represent the 52-week period ended March 31, 2024.

Recently-Issued Accounting Standards: In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures*, the objective of which is to improve the disclosures about a public entity's reportable segments by providing more detailed information about a reportable segment's expenses. For disclosures associated with annual and interim periods, the amendments in ASU No. 2023-07 are required to be adopted for fiscal years beginning after December 15, 2023 and December 15, 2024, respectively, and early adoption is permitted. Upon adoption, a public entity must apply the amendments in ASU No. 2023-07 retrospectively to disclosures of all prior periods presented. The Company has adopted ASU No. 2023-07 effective as of April 1, 2024 and is evaluating the guidance of the ASU against its existing disclosures related to segment reporting.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740) – Improvements to Income Tax Disclosures*, the objective of which is to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU No. 2023-09 are required to be adopted for fiscal years beginning after December 15, 2024 and early adoption is permitted. The Company is evaluating the guidance of the ASU No. 2023-09 against its existing disclosures related to income tax disclosures.

The Company has determined that all other ASUs issued which had become effective as of June 30, 2024, or which will become effective at some future date, are not expected to have a material impact on the Company's consolidated financial statements.

Earnings (Loss) Per Share: Due to the net loss incurred by the Company in the three-month period ended June 30, 2024, diluted shares used in the calculation of the diluted loss per share represented basic shares because the inclusion of the potentially dilutive effect of the exercisable stock options would have resulted in anti-dilution.

Note 2 – Advertising Costs

Advertising expense is included in marketing and administrative expenses in the accompanying unaudited condensed consolidated statements of operations and amounted to \$127,000 and \$192,000 for the three months ended June 30, 2024 and July 2, 2023, respectively.

Note 3 – Segment and Related Information

The Company operates primarily in one principal segment, infant, toddler and juvenile products. These products consist of infant and toddler bedding, blankets, accessories, bibs, toys and disposable products. Net sales of bedding, blankets and accessories and net sales of bibs, toys and disposable products for the three months ended June 30, 2024 and July 2, 2023 are as follows (in thousands):

	Three-Month Periods Ended	
	June 30, 2024	July 2, 2023
Bedding, blankets and accessories	\$ 6,251	\$ 5,573
Bibs, toys and disposable products	9,961	11,550
Total net sales	<u>\$ 16,212</u>	<u>\$ 17,123</u>

Note 4 – Licensing Agreements

The Company has entered into licensing agreements that provide for royalty payments based on a percentage of sales with certain minimum guaranteed amounts. These royalty amounts are accrued based upon historical sales rates adjusted for current sales trends by customers. Royalty expense is included in cost of products sold in the accompanying unaudited condensed consolidated statements of operations and amounted to \$1.1 million and \$977,000 for the three months ended June 30, 2024 and July 2, 2023, respectively.

Note 5 – Income Taxes

The Company files income tax returns in the many jurisdictions in which it operates, including the U.S., several U.S. states and the People's Republic of China. The statute of limitations varies by jurisdiction; tax years open to examination or other adjustment as of June 30, 2024 were the fiscal years ended March 31, 2024, April 2, 2023, April 3, 2022, March 28, 2021, and March 29, 2020.

Although management believes that the calculations and positions taken on its filed income tax returns are reasonable and justifiable, the outcome of an examination could result in an adjustment to the position that the Company took on such income tax returns. Such adjustment could also lead to adjustments to one or more other state income tax returns, or to income tax returns for subsequent fiscal years, or both. To the extent that the Company's reserve for unrecognized tax liabilities is not adequate to support the cumulative effect of such adjustments, the Company could experience a material adverse impact on its future results of operations. Conversely, to the extent that the calculations and positions taken by the Company on the filed income tax returns under examination are sustained, the reversal of all or a portion of the Company's reserve for unrecognized tax liabilities could result in a favorable impact on its future results of operations.

Note 6 – Inventories

As of June 30, 2024 and March 31, 2024, the Company's balances of inventory were \$30.6 million and \$29.7 million, respectively, nearly all of which were finished goods.

Note 7 – Financing Arrangements

Factoring Agreements: To reduce its exposure to credit losses, the Company assigns the majority of its trade accounts receivable to The CIT Group/Commercial Services, Inc. ("CIT"), a subsidiary of First Citizens Bank, pursuant to factoring agreements, which have expiration dates that are coterminous with that of the financing agreement described below. Under the terms of the factoring agreements, CIT remits customer payments to the Company as such payments are received by CIT. As such, the Company does not take advances on the factoring agreements. CIT bears credit losses with respect to assigned accounts receivable from approved shipments, while the Company bears the responsibility for adjustments from customers related to returns, allowances, claims and discounts. CIT may at any time terminate or limit its approval of shipments to a particular customer. If such a termination or limitation occurs, then the Company either assumes (and may seek to mitigate) the credit risk for shipments to the customer after the date of such termination or limitation or discontinues shipments to the customer. Factoring fees, which are included in marketing and administrative expenses in the accompanying unaudited condensed consolidated statements of operations, amounted to \$74,000 and \$67,000 for the three-month period ended June 30, 2024 and July 2, 2023, respectively.

Credit Facility: The Company's credit facility as of June 30, 2024 consisted of a revolving line of credit under a financing agreement with CIT of up to \$35.0 million, which includes a \$1.5 million sub-limit for letters of credit, bearing interest at prime minus 0.5% or the Secured Overnight Financing Rate ("SOFR") plus 1.6%, and is secured by a first lien on all assets of the Company. At June 30, 2024, the Company had elected to pay interest on balances owed under the revolving line of credit under the SOFR option, which was 6.9%. The financing agreement also provides for the payment by CIT to the Company of interest at prime as of the beginning of the calendar month minus 2.0% on daily negative balances, if any, held at CIT. The financing agreement was scheduled to mature on July 11, 2028, but was amended on July 19, 2024 to extend the maturity date to July 19, 2029 and to increase the borrowing capacity on revolving line of credit to \$40.0 million.

At June 30, 2024 and March 31, 2024, the balances on the revolving line of credit were \$ 1.5 million and \$8.1 million, respectively, there was no letter of credit outstanding and \$17.6 million and \$19.2 million, respectively, was available under the revolving line of credit based on the Company's eligible accounts receivable and inventory balances. The financing agreement contains usual and customary covenants for agreements of that type, including limitations on other indebtedness, liens, transfers of assets, investments and acquisitions, merger or consolidation transactions, transactions with affiliates, and changes in or amendments to the organizational documents for the Company and its subsidiaries. The Company believes it was in compliance with these covenants as of June 30, 2024.

Credit Concentration: The Company's accounts receivable at June 30, 2024 amounted to \$15.8 million, net of allowances of \$1.6 million. Of this amount, \$11.2 million was due from CIT under the factoring agreements, which represents the maximum loss that the Company could incur if CIT failed completely to perform its obligations under the factoring agreements. The Company's accounts receivable at March 31, 2024 amounted to \$22.4 million, net of allowances of \$1.5 million. Of this amount, \$18.6 million was due from CIT under the factoring agreements, which represented the maximum loss that the Company could have incurred if CIT had failed completely to perform its obligations under the factoring agreements.

Note 8 – Goodwill

Goodwill represents the excess of the purchase price over the fair value of net identifiable assets acquired in business combinations. For the purpose of presenting and measuring for the impairment of goodwill, the Company has two reporting units: one that produces and markets infant and toddler bedding, blankets and accessories and another that produces and markets infant and toddler bibs, toys and disposable products. The Company's reporting units have recognized goodwill as of June 30, 2024 and March 31, 2024 of \$30.8 million, which is reflected in the accompanying condensed consolidated balance sheets net of accumulated impairment charges of \$22.9 million, for a net reported balance of \$7.9 million.

The Company measures for impairment the goodwill within its reporting units annually as of the first day of the Company's fiscal year. An additional interim measurement for impairment is performed during the year whenever an event or change in circumstances occurs that suggests that the fair value of either of the reporting units of the Company has more likely than not (defined as having a likelihood of greater than 50%) fallen below its carrying value. The annual or interim measurement for impairment is performed by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If such qualitative factors so indicate, then the measurement for impairment is continued by calculating an estimate of the fair value of each reporting unit and comparing the estimated fair value to the carrying value of the reporting unit. If the carrying value exceeds the estimated fair value of the reporting unit, then an impairment charge is calculated as the difference between the carrying value of the reporting unit and its estimated fair value, not to exceed the goodwill of the reporting unit.

On April 1, 2024, the Company performed a qualitative assessment to determine if it is more likely than not that the fair values of the Company's reporting units are less than their carrying values by evaluating relevant events and circumstances, including financial performance, market conditions and share price. Based on this assessment, the Company concluded that the goodwill for each of the Company's reporting units was not considered at risk of impairment.

Note 9 – Subsequent Events

On July 19, 2024 (the "Closing Date"), NoJo Baby & Kids, Inc. ("NoJo"), a wholly-owned subsidiary of the Company, acquired substantially all of the assets, and assumed certain specified liabilities, of Baby Boom Consumer Products, Inc. (the "Baby Boom Acquisition"), for a purchase price of \$18.0 million, subject to adjustments to the extent that actual net working capital as of the Closing Date differs from target net working capital of \$6.5 million. The purchase price was funded by the Company using proceeds of an \$8.0 million term loan from CIT and additional borrowings under the Company's revolving line of credit.

The Company and CIT also on July 19, 2024 amended the financing agreement to (i) provide for the \$ 8.0 million term loan mentioned above, which is payable by the Company in 48 equal monthly installments and which bears interest at SOFR plus 2.25%; (ii) extend the maturity date from July 11, 2028 to July 19, 2029; and (iii) increase the borrowing capacity on the revolving line of credit from \$ 35.0 million to \$40.0 million.

The Company is in the process of obtaining all relevant information relating to the Baby Boom Acquisition. As a result, the Company is not able to provide certain disclosures required by FASB ASC Topic 805. The initial accounting for the acquisition was incomplete at the time of the financial statements.

The Company has evaluated all other events which have occurred between June 30, 2024 and the date that the accompanying unaudited condensed consolidated financial statements were issued, and has determined that there are no other material subsequent events that require disclosure.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

Certain of the statements made in this Quarterly Report on Form 10-Q (this "Quarterly Report") within this Item 2. and elsewhere, including information incorporated herein by reference to other documents, are "forward-looking statements" within the meaning of, and subject to the protections of, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995. Such statements are based upon management's current expectations, projections, estimates and assumptions. Words such as "expects," "believes," "anticipates," "estimates," "predicts," "forecasts," "plans," "projects," "targets," "should," "potential," "continue," "aims," "intends," "may," "will," "could," "would" and variations of such words and similar expressions may identify such forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties that may cause future results to differ materially from those suggested by the forward-looking statements. These risks include, among others, general economic conditions, including changes in interest rates, in the overall level of consumer spending and in the price of oil, cotton and other raw materials used in the Company's products, changing competition, changes in the retail environment, the Company's ability to successfully integrate newly acquired businesses, the level and pricing of future orders from the Company's customers, the Company's dependence upon third-party suppliers, including some located in foreign countries with unstable political situations, the Company's ability to successfully implement new information technologies, customer acceptance of both new designs and newly-introduced product lines, actions of competitors that may impact the Company's business, disruptions to transportation systems or shipping lanes used by the Company or its suppliers, and the Company's dependence upon licenses from third parties. Reference is also made to the Company's periodic filings with the SEC for additional factors that may impact the Company's results of operations and financial condition. The Company does not undertake to update the forward-looking statements contained herein to conform to actual results or changes in the Company's expectations, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

The Company was originally formed as a Georgia corporation in 1957 and was reincorporated as a Delaware corporation in 2003. The Company operates indirectly through its three wholly-owned subsidiaries, NoJo Baby & Kids, Inc., Sassy Baby, Inc. and Manhattan Toy Europe Limited in the infant, toddler and juvenile products segment within the consumer products industry. The infant, toddler and juvenile products segment consists of infant and toddler bedding and blankets, bibs, disposables, toys and feeding products.

The Company's products are marketed under Company-owned trademarks, under trademarks licensed from others and as private label goods. Sales of the Company's products are made directly to retailers, such as mass merchants, large chain stores, juvenile specialty stores, value channel stores, grocery and drug stores, restaurants, wholesale clubs and internet-based retailers.

The infant, toddler and juvenile consumer products industry is highly competitive. The Company competes with a variety of distributors and manufacturers (both branded and private label), including large infant, toddler and juvenile product companies and specialty infant, toddler and juvenile product manufacturers, on the basis of quality, design, price, brand name recognition, service and packaging. The Company's ability to compete depends principally on styling, price, service to the retailer and continued high regard for the Company's products and trade names.

Foreign and domestic contract manufacturers produce most of the Company's products, with the largest concentration being in China. The Company makes sourcing decisions based on quality, timeliness of delivery and price, including the impact of ocean freight and duties. Although the Company maintains relationships with a limited number of suppliers, the Company believes that its products may be readily manufactured by several alternative sources in quantities sufficient to meet the Company's requirements.

The Company's products are warehoused and distributed domestically from leased facilities located in Compton, California and Eden Valley, Minnesota and internationally from third-party logistics warehouses in Belgium and England.

A summary of certain factors that management considers important in reviewing the Company's results of operations, financial position, liquidity and capital resources is set forth below, which should be read in conjunction with the accompanying condensed consolidated financial statements and related notes included in the preceding sections of this Quarterly Report.

RESULTS OF OPERATIONS

The following table contains the results of operations for the three-month periods ended June 30, 2024 and July 2, 2023 and the dollar and percentage changes for those periods (in thousands, except percentages):

	Three-Month Periods Ended		Change	
	June 30, 2024	July 2, 2023	\$	%
Net sales by category:				
Bedding, blankets and accessories	\$ 6,251	\$ 5,573	\$ 678	12.2%
Bibs, toys and disposable products	9,961	11,550	(1,589)	-13.8%
Total net sales	16,212	17,123	(911)	-5.3%
Cost of products sold	12,246	12,381	(135)	-1.1%
Gross profit	3,966	4,742	(776)	-16.4%
% of net sales	24.5%	27.7%		
Marketing and administrative expenses	4,263	4,046	217	5.4%
% of net sales	26.3%	23.6%		
Interest (expense) income - net	(101)	188	(289)	-153.7%
Other (expense) income - net	12	(2)	14	-700.0%
Income tax (benefit) expense	(64)	140	(204)	-145.7%
Net income (loss)	(322)	366	(688)	-188.0%
% of net sales	-2.0%	2.1%		

Net Sales: Sales decreased to \$16.2 million for the three months ended June 30, 2024, compared with \$17.1 million for the three months ended July 2, 2023, a decrease of \$911,000, or 5.3%. Sales of bedding, blankets and accessories increased by \$678,000, and sales of bibs, toys and disposable products decreased by \$1.6 million. The decline in sales is primarily due to a major retailer reducing inventory levels and the loss of a program at another major retailer.

Gross Profit: Gross profit decreased in amount by \$776,000 and decreased from 27.7% of net sales for the three-month period ended July 2, 2023 to 24.5% of net sales for the three-month period ended June 30, 2024. The reduction in gross profit relates to the timing of purchases, causing an unfavorable change in the absorption of costs into inventory.

Marketing and Administrative Expenses: Marketing and administrative expenses increased by \$217,000 and increased from 23.6% of net sales for the three-month period ended July 2, 2023 to 26.3% of net sales for the three-month period ended June 30, 2024. The current year period includes \$244,000 associated with the closure of the Company's subsidiary in the United Kingdom and \$116,000 in costs associated with the Baby Boom Acquisition.

Income Tax Expense: The Company's provision for income taxes is based upon an estimated annual effective tax rate ("ETR") from continuing operations of 21.8% for the three-month period ended June 30, 2024, as compared with an estimated annual ETR from continuing operations of 21.5% for the three-month period ended July 2, 2023.

As a result of the consideration of the relevant information regarding the state portion of its income tax provision, the Company did not record a discrete reserve for unrecognized tax liabilities during the three-month period ended June 30, 2024, and recorded a discrete reserve for unrecognized tax liabilities of \$5,000 during the three-month period ended July 2, 2023 in the unaudited condensed consolidated statements of operations. The Company also recorded discrete income tax charges of \$20,000 and \$27,000 during the three months ended June 30, 2024 and July 2, 2023, respectively, to reflect the effects of the tax shortfalls arising from the forfeiture and expiration of stock options and the vesting of non-vested stock.

The ETR on continuing operations and the discrete income tax charges and benefits set forth above resulted in an overall provision for income taxes of 16.6% and 27.7% for the three-month periods ended June 30, 2024 and July 2, 2023, respectively.

Although the Company does not anticipate a material change to the ETR from continuing operations for the remainder of fiscal year 2025, several factors could impact the ETR, including variations from the Company's estimates of the amount and source of its pre-tax income, and the actual ETR for the year could differ materially from the Company's estimates.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities increased from \$6.3 million for the three-month period ended July 2, 2023 to \$8.0 million for the three-month period ended June 30, 2024. The increase in the current year was partially the result of an increase in inventory in the current year that was \$2.6 million lower than the increase in the prior year and an increase in accounts payable in the current year that was \$542,000 higher than the increase in the prior year. This increase was partially offset by a decrease in accounts receivable in the current year that was \$435,000 lower than the decrease in the prior year and a \$688,000 decrease in net income from the prior year to the current year.

Net cash used in investing activities decreased from \$355,000 in the prior year to \$284,000 in the current year. The decrease in the current year is due to a decrease of \$71,000 in capital expenditures for property, plant and equipment.

Net cash used in financing activities, which were primarily associated with net repayments under the revolving line of credit, increased by \$484,000 from the prior year to the current year.

As of June 30, 2024, the balance on the revolving line of credit was \$1.5 million, there was no letter of credit outstanding and \$17.6 million was available under the revolving line of credit based on the Company's eligible accounts receivable and inventory balances.

To reduce its exposure to credit losses and to enhance the predictability of its cash flow, the Company assigns the majority of its trade accounts receivable to CIT under factoring agreements. Under the terms of the factoring agreements, CIT remits customer payments to the Company as such payments are received by CIT. As such, the Company does not take advances on the factoring agreements.

CIT bears credit losses with respect to assigned accounts receivable from approved shipments, while the Company bears the responsibility for adjustments from customers related to returns, allowances, claims and discounts. CIT may at any time terminate or limit its approval of shipments to a particular customer. If such a termination or limitation occurs, then the Company either assumes (and may seek to mitigate) the credit risk for shipments to the customer after the date of such termination or limitation or discontinues shipments to the customer. Factoring fees, which are included in marketing and administrative expenses in the accompanying unaudited condensed consolidated statements of operations, amounted to \$74,000 and \$67,000 for the three-month periods ended June 30, 2024 and July 2, 2023, respectively.

The Company's future performance is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors beyond its control. Based upon the current level of operations, the Company believes that its cash flow from operations and funds available under the revolving line of credit will be adequate to meet its liquidity needs.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of market risks that could affect the Company, refer to the risk factors disclosed in Item 1A. of Part 1 of the Company's Annual Report on Form 10-K for the year ended March 31, 2024.

INTEREST RATE RISK

As of June 30, 2024, the Company had \$1.5 million of indebtedness that bears interest at a variable rate, comprised of borrowings under the revolving line of credit. Based upon this level of outstanding debt, the Company's annual net income would decrease by approximately \$11,000 for each increase of one percentage point in the interest rate applicable to the debt.

COMMODITY RATE RISK

The Company sources its products primarily from foreign contract manufacturers, with the largest concentration being in China. The Company's exposure to commodity price risk primarily relates to changes in the prices in China of cotton, oil and labor, which are the principal inputs used in a substantial number of the Company's products. In addition, although the Company pays its Chinese suppliers in U.S. dollars, a strengthening of the rate of the Chinese currency versus the U.S. dollar could result in an increase in the cost of the Company's finished goods. There is no assurance that the Company could timely respond to such increases by proportionately increasing the prices at which its products are sold to the Company's customers.

MARKET CONCENTRATION RISK

The Company's financial results are closely tied to sales to its top two customers, which represented approximately 61% of the Company's gross sales in fiscal year 2024. In addition, 40% of the Company's gross sales in fiscal year 2024 consisted of licensed products, which included 24% of sales associated with the Company's license agreements with affiliated companies of the Walt Disney Company ("Disney"). The Company's results could be materially impacted by the loss of one or more of these licenses.

ITEM 4. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report, as required by paragraph (b) of Rules 13a-15 or 15d-15 of the Exchange Act. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this Quarterly Report, the Company's disclosure controls and procedures are effective.

During the three-month period ended June 30, 2024, there were no changes in the Company's internal control over financial reporting ("ICFR") identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is, from time to time, involved in various legal and regulatory proceedings relating to claims arising in the ordinary course of its business. Neither the Company nor any of its subsidiaries is a party to any such proceeding the outcome of which, individually or in the aggregate, is expected to have a material adverse effect on the Company's financial condition, results of operations or cash flow.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A of Part 1 of the Company's Annual Report on Form 10-K for the year ended March 31, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three-month period ended June 30, 2024, none of the Company's directors or officers informed the Company of the adoption, modification or termination of a "Rule 10-b5-1 trading arrangement" or "non-Rule 10-b5-1 trading arrangement," as those terms are defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibits required to be filed by Item 601 of Regulation S-K are included as Exhibits to this Quarterly Report are listed below.

The agreements included as Exhibits to this Quarterly Report are included to provide information regarding the terms of these agreements and are not intended to provide any other factual or disclosure information about the Company or its subsidiaries, our business or the other parties to these agreements. These agreements may contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to our investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time, and should not be relied upon by investors.

Exhibit Number	Description of Exhibit
2.1	Asset Purchase Agreement, dated as of July 19, 2024, between Crown Crafts, Inc., NoJo Baby & Kids, Inc., Baby Boom Consumer Products, Inc., and Elliot Betesh, Michael Betesh and Steven Betesh. (4) *
3.1	Amended and Restated Certificate of Incorporation of the Company. (1)
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company. (2)
3.3	Amended and Restated Bylaws of the Company, effective as of November 14, 2023. (3)
10.1	Seventeenth Amendment to Financing Agreement, dated July 19, 2024, by and among Crown Crafts, Inc., Sassy Baby, Inc., NoJo Baby & Kids, Inc., Manhattan Toy Europe Limited and The CIT Group/Commercial Services, Inc. (5)
10.2	Promissory Note, dated July 18, 2024, made by Crown Crafts, Inc., Sassy Baby Inc., NoJo Baby & Kids, Inc. and Manhattan Toy Europe, Limited, in favor of The CIT Group/Commercial Services, Inc. (6)
31.1	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer. (6)
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer. (6)
32.1	Section 1350 Certification by the Company's Chief Executive Officer. (6)
32.2	Section 1350 Certification by the Company's Chief Financial Officer. (6)
101	Interactive data files pursuant to Rule 405 of SEC Regulation S-T in connection with the Company's Form 10-Q for the quarterly period ended June 30, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Unaudited Condensed Consolidated Balance Sheets; (ii) Unaudited Condensed Consolidated Statements of Income; (iii) Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity; (iv) Unaudited Condensed Consolidated Statements of Cash Flows; and (v) Notes to Unaudited Condensed Consolidated Financial Statements.
104	Cover page Interactive Data File pursuant to Rule 406 of SEC Regulation S-T formatted in iXBRL (Inline eXtensible Business Reporting Language) and contained in Exhibit 101.

* Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally to the SEC a copy of any omitted schedules upon request; provided, however, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

- (1) Incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 28, 2003.
- (2) Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 9, 2011.
- (3) Incorporated herein by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2023.
- (4) Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed July 22, 2024.
- (5) Incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed July 22, 2024.
- (6) Filed herewith.

SIGNATURE

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.

CROWN CRAFTS, INC.

Date: August 14, 2024

/s/ Craig J. Demarest
CRAIG J. DEMAREST
Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting
Officer)

PROMISSORY NOTE

\$8,000,000.00

July 19, 2024

FOR VALUE RECEIVED, the undersigned, **CROWN CRAFTS, INC.**, a Delaware corporation ("CCI"), **SASSY BABY, INC. (f/k/a Hamco, Inc.)**, a Louisiana corporation ("Sassy"); **NOJO BABY & KIDS, INC.** (f/k/a Crown Crafts Infant Products, Inc.), a Delaware corporation; **MANHATTAN TOY EUROPE, Limited**, a United Kingdom limited company, (together with CCI, Sassy, Nojo and , the "Companies" and each a "Company"); promises to pay to the order of **THE CIT GROUP/COMMERCIAL SERVICES, INC.**, a New York corporation ("CIT"), at its office located at 201 South Tryon Street, Charlotte, North Carolina 28202, in lawful money of the United States of America and in immediately available funds, the principal amount of Eight Million and No/100 Dollars (\$8,000,000.00), in forty-eight (48) equal principal installments of \$166,666.00. The first such installment shall be due and payable on July 31, 2024 and subsequent installments (including the final installment) shall be due and payable on the last day of each month thereafter until this Note is paid in full.

The Companies further agree to pay interest at said office, in like money, on the unpaid principal amount owing hereunder from time to time from the date hereof on the dates and at the rates specified in Section 8 of the Financing Agreement, dated as of July 11, 2006, as amended, among the Companies and CIT (the "Financing Agreement"). Capitalized terms used in this Note and defined in the Financing Agreement shall have the meanings given to such terms in the Financing Agreement unless otherwise specifically defined herein.

This Note is the Promissory Note referred to in the Financing Agreement, evidences the Term Loan made to the Companies thereunder, and is subject to, and entitled to, all provisions and benefits thereof, including optional and mandatory prepayment, in whole or in part, as provided therein.

Notwithstanding any other provision of this Note to the contrary, upon the occurrence of any Event of Default specified in the Financing Agreement, or upon termination of the Financing Agreement for any reason, all amounts then remaining unpaid on this Note may become, or be declared to be, at the sole election of CIT, immediately due and payable as provided in the Financing Agreement.

[signatures appear on next page]

CROWN CRAFTS, INC.

By: /s/ Craig Demarest
Craig Demarest
CFO

SASSY BABY, INC.

By: /s/ Craig Demarest
Craig Demarest
CFO

NOJO BABY & KIDS, INC.

By: /s/ Craig Demarest
Craig Demarest
CFO

MANHATTAN TOY EUROPE, LIMITED

By: /s/ Craig Demarest
Craig Demarest
CFO

CERTIFICATION

I, Olivia W. Elliott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Crown Crafts, 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 we 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; and
5. The registrant's other certifying officer 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 function):
 - (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: August 14, 2024

/s/ Olivia W. Elliott

Olivia W. Elliott,
President and Chief Executive Officer,
Crown Crafts, Inc.

CERTIFICATION

I, Craig J. Demarest, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Crown Crafts, 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 we 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; and
5. The registrant's other certifying officer 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 function):
 - (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: August 14, 2024

/s/ Craig J. Demarest

Craig J. Demarest,
Vice President and Chief Financial Officer,
Crown Crafts, Inc.

SECTION 1350 CERTIFICATION

I, Olivia W. Elliott, the President and Chief Executive Officer of Crown Crafts, Inc. (the "Company"), do hereby certify, in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2024 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2024

/s/ Olivia W. Elliott

Olivia W. Elliott,
President and Chief Executive Officer,
Crown Crafts, Inc.

SECTION 1350 CERTIFICATION

I, Craig J. Demarest, a Vice President and the Chief Financial Officer of Crown Crafts, Inc. (the "Company"), do hereby certify, in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2024 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2024

/s/ Craig J. Demarest

Craig J. Demarest,
Vice President and Chief Financial Officer,
Crown Crafts, Inc.