

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 December 28, 2025

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 January 31, 2026 was 0,697,787.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CROWN CRAFTS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
DECEMBER 28, 2025 AND MARCH 30, 2025
(amounts in thousands, except share and per share amounts)

	December 28, 2025	March 30, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,402	\$ 521
Accounts receivable - net of allowances of \$1,898 and \$1,723, respectively		
Due from factor	14,669	21,854
Other	3,193	2,654
Inventories	31,151	27,800
Prepaid expenses	3,189	2,474
Total current assets	<u>54,604</u>	<u>55,303</u>
Operating lease right of use assets	9,270	12,253
Property, plant and equipment - net of accumulated depreciation of \$5,615 and \$5,037, respectively	1,938	1,888
Intangible assets - net of accumulated amortization of \$11,428 and \$10,840, respectively	6,462	7,050
Deferred income taxes	3,654	4,508
Other assets	176	152
Total Assets	<u>\$ 76,104</u>	<u>\$ 81,154</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,139	\$ 5,225
Accrued royalties	830	1,507
Dividends payable	921	876
Operating lease liabilities, current	3,975	3,987
Accrued liabilities	1,074	1,920
Current maturities of long-term debt	1,991	1,990
Total current liabilities	<u>15,930</u>	<u>15,505</u>
Non-current liabilities:		
Long-term debt	14,432	16,512
Operating lease liabilities, noncurrent	6,109	9,107
Reserve for unrecognized tax liabilities	434	411
Total non-current liabilities	<u>20,975</u>	<u>26,030</u>
Shareholders' equity:		
Common stock - \$0.01 par value per share; Authorized 40,000,000 shares at December 28, 2025 and March 30, 2025;		
Issued 13,611,749 shares at December 28, 2025 and 13,478,402 shares at March 30, 2025	136	135
Additional paid-in capital	59,213	58,637
Treasury stock - at cost -2,913,962 shares at December 28, 2025 and 2,910,859 shares at March 30, 2025	(15,889)	(15,880)
Retained Earnings (accumulated deficit)	(4,261)	(3,273)
Total shareholders' equity	<u>39,199</u>	<u>39,619</u>
Total Liabilities and Shareholders' Equity	<u>\$ 76,104</u>	<u>\$ 81,154</u>

See notes to consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
THREE- AND NINE-MONTH PERIODS ENDED DECEMBER 28, 2025 AND DECEMBER 29, 2024
(amounts in thousands, except per share amounts)

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 28, 2025	December 29, 2024	December 28, 2025	December 29, 2024
Net sales	\$ 20,717	\$ 23,351	\$ 59,890	\$ 64,023
Cost of products sold	15,855	17,253	44,939	47,002
Gross profit	4,862	6,098	14,951	17,021
Marketing and administrative expenses	4,968	4,397	14,393	14,108
(Loss) income from operations	(106)	1,701	558	2,913
Other (expense) income:				
Interest expense - net of interest income	(280)	(391)	(850)	(840)
(Loss) gain on sale of property, plant and equipment	-	(2)	-	(2)
Other income (expense) - net	2,494	(33)	2,597	(55)
Income before income tax expense	2,108	1,275	2,305	2,016
Income tax expense	598	382	742	585
Net income	<u>\$ 1,510</u>	<u>\$ 893</u>	<u>\$ 1,563</u>	<u>\$ 1,431</u>
Weighted average shares outstanding:				
Basic	10,701	10,394	10,635	10,353
Effect of dilutive securities	-	-	-	1
Diluted	10,701	10,394	10,635	10,354
Earnings per share - basic and diluted	<u>\$ 0.14</u>	<u>\$ 0.09</u>	<u>\$ 0.15</u>	<u>\$ 0.14</u>

See notes to consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
THREE- AND NINE-MONTH PERIODS ENDED DECEMBER 28, 2025 AND DECEMBER 29, 2024

	Common Shares		Treasury Shares			Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
	Number of Shares	Amount	Number of Shares	Amount	(Dollar amounts in thousands)			
Three-Month Periods								
Balances - September 29, 2024	13,299,402	\$ 132	(2,905,661)	\$ (15,860)	\$ 58,279	\$ 8,284	\$ 50,835	
Stock-based compensation	-	-	-	-	-	180	-	180
Net income	-	-	-	-	-	-	893	893
Dividend declared on common stock - \$0.08 per share, net of forfeitures	-	-	-	-	-	-	(832)	(832)
Balances - December 29, 2024	13,299,402	\$ 132	(2,905,661)	\$ (15,860)	\$ 58,459	\$ 8,345	\$ 51,076	
Balances - September 28, 2025	13,616,749	\$ 136	(2,913,962)	\$ (15,889)	\$ 59,026	\$ (4,916)	\$ 38,357	
Forfeiture of shares	(5,000)	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	187	-	187
Net income	-	-	-	-	-	-	1,510	1,510
Dividend declared on common stock - \$0.08 per share, net of forfeitures	-	-	-	-	-	-	(855)	(855)
Balances - December 28, 2025	13,611,749	\$ 136	(2,913,962)	\$ (15,889)	\$ 59,213	\$ (4,261)	\$ 39,199	
Nine-Month Periods								
Balances - March 31, 2024	13,208,226	\$ 132	(2,897,507)	\$ (15,821)	\$ 57,888	\$ 9,402	\$ 51,601	
Issuance of shares, net of forfeitures	91,176	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	571	-	571
Acquisition of treasury stock	-	-	(8,154)	(39)	-	-	-	(39)
Net income	-	-	-	-	-	-	1,431	1,431
Dividends declared on common stock - \$0.24 per share, net of forfeitures	-	-	-	-	-	-	(2,488)	(2,488)
Balances - December 29, 2024	13,299,402	\$ 132	(2,905,661)	\$ (15,860)	\$ 58,459	\$ 8,345	\$ 51,076	
Balances - March 30, 2025	13,478,402	\$ 135	(2,910,859)	\$ (15,880)	\$ 58,637	\$ (3,273)	\$ 39,619	
Issuance of shares, net of forfeitures	133,347	1	-	-	-	(1)	-	-
Stock-based compensation	-	-	-	-	-	577	-	577
Acquisition of treasury stock	-	-	(3,103)	(9)	-	-	-	(9)
Net income	-	-	-	-	-	-	1,563	1,563
Dividends declared on common stock - \$0.24 per share, net of forfeitures	-	-	-	-	-	-	(2,551)	(2,551)
Balances - December 28, 2025	13,611,749	\$ 136	(2,913,962)	\$ (15,889)	\$ 59,213	\$ (4,261)	\$ 39,199	

See notes to consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED DECEMBER 28, 2025 AND DECEMBER 29, 2024
(amounts in thousands)

	<u>Nine-Month Periods Ended</u>	
	<u>December 28, 2025</u>	<u>December 29, 2024</u>
Operating activities:		
Net income	\$ 1,563	\$ 1,431
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	578	501
Amortization of intangibles	588	574
Amortization of debt issuance costs	8	-
Reduction in the carrying amount of right of use assets	3,481	3,458
Deferred income taxes	854	(485)
Loss (gain) on sale of property, plant and equipment	-	2
Reserve for unrecognized tax liabilities	23	79
Stock-based compensation	577	571
Changes in assets and liabilities:		
Accounts receivable	6,646	665
Inventories	(3,351)	(678)
Prepaid expenses	(715)	(671)
Other assets	(24)	(52)
Lease liabilities	(3,558)	(3,330)
Accounts payable	1,903	3,528
Accrued liabilities	(1,475)	1,401
Net cash provided by operating activities	7,098	6,994
Cash used in investing activities:		
Capital expenditures for property, plant and equipment	(616)	(659)
Payment to acquire Baby Boom	-	(16,355)
Net cash used in investing activities	(616)	(17,014)
Financing activities:		
Repayments under revolving line of credit	(60,718)	(59,774)
Borrowings under revolving line of credit	60,131	65,387
Payments on term loan	(1,500)	(833)
Proceeds from term loan, net of issuance costs	-	7,964
Shares withheld to pay taxes on stock compensation	(9)	(39)
Dividends paid	(2,505)	(2,461)
Net cash (used in) provided by financing activities	(4,601)	10,244
Net increase in cash and cash equivalents	1,881	224
Cash and cash equivalents at beginning of period	521	829
Cash and cash equivalents at end of period	\$ 2,402	\$ 1,053
Supplemental cash flow information:		
Income taxes paid	\$ 621	\$ 629
Interest paid	854	693
Noncash activities:		
Property, plant and equipment purchased but unpaid	(11)	(12)
Dividends declared but unpaid	(905)	(869)

See notes to consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND NINE-MONTH PERIODS ENDED DECEMBER 28, 2025 AND DECEMBER 29, 2024

Note 1 – Interim Financial Statements

Basis of Presentation: The accompanying unaudited condensed consolidated financial statements include the accounts of Crown Crafts, Inc. and its subsidiaries (the “Company”) 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 “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 December 28, 2025 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- and nine-month periods ended December 28, 2025 are not necessarily indicative of the results that may be expected by the Company for its fiscal year ending March 29, 2026. For further information, refer to the Company’s consolidated financial statements and notes thereto for the fiscal year ended March 30, 2025, 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 2026” or “2026” represent the 52-week period ending March 29, 2026 and references herein to “fiscal year 2025” or “2025” represent the 52-week period ended March 30, 2025.

Recently-Issued Accounting Standards:

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 in the process of adopting ASU No. 2023-09 beginning with the Company’s Annual Report on Form 10-K for the period ending March 29, 2026. The Company does not expect ASU No. 2023-09 to have a material impact on the consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40) - Disaggregation of Income Statement Expenses*, the objective of which is to enhance the transparency and usefulness of financial statements by requiring public business entities to provide more detailed disclosures about their expenses. The amendments in ASU No. 2024-03 are required to be adopted for annual reporting periods beginning after December 15, 2026, and for interim periods within annual reporting periods beginning after December 15, 2027, and early adoption is permitted. The Company is evaluating the guidance of ASU No. 2024-03 against its existing disclosures related to income statement expenses.

The Company has determined that all other ASUs issued which had become effective as of December 28, 2025, or which will become effective at some future date, are not expected to have a material impact on the Company’s consolidated financial statements.

Note 2 – Segment Reporting

The Company’s operations are managed and reported to its Chief Executive Officer, the Company’s chief operating decision maker (“CODM”), on a consolidated basis. The Company operates in one principal segment, infant, toddler and juvenile products. These products consist of infant and toddler bedding, diaper bags, bibs, toys and disposable products. The CODM assesses performance and allocates resources based on the Company’s consolidated statements of income, which requires the CODM to manage and evaluate the results of the Company in a consolidated manner to drive efficiencies and develop uniform strategies. Segment asset information is not used by the CODM to allocate resources.

As a single reportable segment entity, the Company's segment performance measure is net income. The following table presents information about the Company's reportable segment (in thousands):

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 28, 2025	December 29, 2024	December 28, 2025	December 29, 2024
Net sales	\$ 20,717	\$ 23,351	\$ 59,890	\$ 64,023
Less:				
Cost of products sold	15,855	17,253	44,939	47,002
Marketing and administrative expenses	4,968	4,397	14,393	14,108
Interest expense, net and other	(2,214)	426	(1,747)	897
Income tax expense	598	382	742	585
Segment net income	<u>\$ 1,510</u>	<u>\$ 893</u>	<u>\$ 1,563</u>	<u>\$ 1,431</u>

Included in the profit or loss measure above are the following: depreciation expense and amortization expense were \$89 thousand and \$187 thousand, respectively, for the three months ended December 28, 2025 while for the three months ended December 29, 2024, depreciation and amortization expenses were \$158 thousand and \$228 thousand, respectively. Depreciation expense and amortization expense were \$578 thousand and \$588 thousand, respectively, for the nine months ended December 28, 2025 while for the nine months ended December 29, 2024 depreciation and amortization expenses were \$501 thousand and \$574 thousand, respectively.

Note 3 – Licensing Agreements

The Company has entered into licensing agreements that provide for royalty payments based on a percentage of the sales of products covered by the license agreements, subject to certain minimum guaranteed amounts. Royalty expense is calculated based upon sales at contractual rates under the licensing agreements and any applicable minimum guaranteed amounts. Royalty expense is included in cost of products sold in the accompanying unaudited condensed consolidated statements of income and amounted to \$1.8 million and \$1.7 million for the three months ended December 28, 2025 and December 29, 2024, respectively, and amounted to \$4.7 and \$4.5 million for the nine months ended December 28, 2025 and December 29, 2024, respectively.

Note 4 – Concentrations

Product Sourcing: Foreign and domestic contract manufacturers produce most of the Company's products, with the largest concentration being in China. The Company makes sourcing decisions on the basis of 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 maintains foreign representative offices located in Shanghai and Shenzhen, China, which are responsible for the coordination of production, purchases and shipments, seeking out new vendors and overseeing inspections for social compliance and quality. The Company's management and quality assurance personnel visit the third-party facilities regularly to monitor and audit product quality and to ensure compliance with labor requirements and social and environmental standards. In addition, the Company closely monitors the currency exchange rate. The impact of future fluctuations in the exchange rate or changes in safeguards cannot be predicted with certainty.

For the nine months ended December 28, 2025, purchases from the Company's three largest suppliers accounted for approximately 18%, 11% and 10% of purchases. To mitigate the risks associated with supplier concentration, the Company engages in ongoing efforts to identify alternative sources of supply, assess supplier reliability and performance, and negotiate favorable contractual terms where feasible. However, there can be no assurance that the Company will be successful in reducing its dependence on any single supplier or mitigating the impact of supplier-related risks in the future.

The U.S. government has tariffs on imports from certain countries, including China. During 2025, the U.S. government increased tariffs which have increased the cost of the products the Company sources from China and affected shipments from the Company's Chinese-based suppliers. The Company continues to evaluate the impact of the tariffs on imports from China to the Company's business and financial condition. The impact of the increased tariffs is uncertain because it is subject to a number of factors, including the duration of such tariffs, changes in the amount, scope and nature of the tariffs in the future, any countermeasures that China may take and any mitigation actions that may become available.

Licensed Products: Certain products are manufactured and sold pursuant to licensing agreements for trademarks. Also, many of the designs used by the Company are copyrighted by other parties, including trademark licensors, and are available to the Company through copyright license agreements. The licensing agreements are generally for an initial term of one to three years and may or may not be subject to renewal or extension. Sales of licensed products represented 50% of the Company's gross sales in fiscal year 2025, which included 21% of sales under the Company's license agreements with affiliated companies of The Walt Disney Company, which expire as set forth below:

License Agreement	Expiration
Infant and Toddler Bedding, Diaper Bags, Infant Feeding and Bath (USA and Canada), Bibs and Disposables (USA, Canada and Japan)	December 31, 2027
STAR WARS - Lego Plush	December 31, 2025

The STAR WARS – Lego Plush license expired December 31, 2025, in accordance with its terms.

Customers: The Company's customers consist principally of mass merchants, large chain stores, mid-tier retailers, juvenile specialty stores, value channel stores, grocery and drug stores, restaurants, internet accounts and wholesale clubs. The Company does not enter into long-term or other purchase agreements with its customers. The table below sets forth those customers that represented at least 10% of the Company's gross sales:

	Nine-Month Periods Ended	
	December 28, 2025	December 29, 2024
Walmart Inc.	44%	44%
Amazon.com, Inc.	20%	19%
Target Corporation	11%	10%

Note 5 – Inventories

The basis of accounting for inventories is cost, which includes the direct supplier acquisition cost, duties, taxes and freight, and the indirect costs to design, develop, source and store the product until it is sold. Once cost has been determined, the Company's inventory is then stated at the lower of cost or net realizable value, with cost determined using the first-in, first-out method, which assumes that inventory quantities are sold in the order in which they are acquired. The determination of the indirect charges and their allocation to the Company's finished goods inventories requires management judgment and estimates. If management made different judgments or utilized different estimates, then differences would result in the valuation of the Company's inventories and in the amount and timing of the Company's cost of products sold and the resulting net income for the reporting period. The Company's inventory is nearly all finished goods.

On a periodic basis, management reviews its inventory quantities on hand for obsolescence, physical deterioration, changes in price levels and the existence of quantities on hand which may not reasonably be expected to be sold within the Company's normal operating cycle. To the extent that any of these conditions is believed to exist or the market value of the inventory expected to be realized in the ordinary course of business is otherwise no longer as great as its carrying value, an allowance against the inventory value is established. To the extent that this allowance is established or increased during an accounting period, an expense is recorded in cost of products sold in the Company's consolidated statements of income.

As of December 28, 2025 and March 30, 2025, the Company's balances of inventory were \$31.2 million and \$27.8 million, respectively, net of an inventory obsolescence reserve of \$960 thousand and \$997 thousand, respectively.

Note 6 – Property, Plant and Equipment

Net property, plant and equipment consisted of the following (amounts in thousands):

	December 28, 2025	March 30, 2025
Property, plant and equipment - at cost:		
Machinery and equipment	\$ 6,464	\$ 5,845
Leasehold improvements	571	562
Furniture and fixtures	518	518
Property, plant and equipment - gross	7,553	6,925
Less accumulated depreciation	5,615	5,037
Property, plant and equipment - net	\$ 1,938	\$ 1,888

Depreciation expense amounted to \$189 thousand and \$158 thousand for the three months ended December 28, 2025 and December 29, 2024, respectively, and amounted to \$578 thousand and \$501 thousand for the nine months ended December 28, 2025 and December 29, 2024, respectively.

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 income, amounted to \$74 thousand and \$115 thousand for the three-month periods ended December 28, 2025 and December 29, 2024, respectively, and amounted to \$254 thousand and \$283 thousand for the nine-month periods ended December 28, 2025 and December 29, 2024, respectively.

Credit Facility: The Company’s credit facility includes a revolving line of credit and a term loan of \$8.0 million under a financing agreement with CIT. The Company may borrow up to \$40 million under the revolving line of credit, 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. The financing agreement for the revolving line of credit matures on July 19, 2029. On December 28, 2025, the Company elected to pay interest on balances owed under the revolving line of credit under the SOFR option, which was 5.5%. 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.

At December 28, 2025 and March 30, 2025, the balances on the revolving line of credit were \$11.3 million and \$11.9 million, respectively, there was no letter of credit outstanding and \$10.6 million and \$13.8 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.

On June 23, 2025, the Company and CIT amended the Company's financing agreement with CIT to: (i) provide that, until the Company's term loan is paid in full, the Company shall maintain at all times Excess Availability (as defined in the financing agreement) equal to or the greater of (a) the sum of the balance outstanding under the Company's term loan plus \$1.0 million or (b) \$4.0 million (the "Availability Covenant"); and (ii) reinstate the fixed charge coverage ratio; provided however, that the fixed charge coverage ratio shall not be tested at any fiscal quarter end in which, during the immediately preceding fiscal quarter, the Company at all times has been in compliance with the Availability Covenant. As of December 28, 2025, the Company was in compliance with the Excess Availability requirements.

The balance on the \$8.0 million term loan as of December 28, 2025 was \$5.2 million, including \$2.0 million classified as current. The term loan was issued July 19, 2024, is payable by the Company in 48 equal monthly installments and bears interest at SOFR plus 2.25% (6.1% at December 28, 2025).

Credit Concentration: The Company's accounts receivable at December 28, 2025 amounted to \$17.9 million, net of allowances of \$1.9 million. Of this amount, \$14.7 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 30, 2025 amounted to \$24.5 million, net of allowances of \$1.7 million. Of this amount, \$21.9 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.

Fair Value: The Company evaluates the fair value of its debt using the three level fair value hierarchy. Fair value should be based on the assumptions market participants would use when pricing the liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure fair value. The hierarchy requires companies to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs in the fair value hierarchy are as follows:

- Level 1 – Includes the most reliable sources, and includes quoted prices in active markets for identical assets or liabilities.
- Level 2 – Includes observable inputs. Observable inputs include inputs other than quoted prices that are observable for the liability, interest rates and forward rate curves, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the liabilities.
- Level 3 – Includes unobservable inputs and should be used only when observable inputs are unavailable.

The carrying value of financial instruments reported in the accompanying condensed consolidated balance sheets for cash, which is considered Level 1, accounts receivable, accounts payable, accrued expenses and other liabilities, which are all considered Level 2, approximate fair value due to the immediate or short-term nature of these financial instruments.

The following table presents fair value of debt as of December 28, 2025:

	Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Term loan	\$ 5,165	\$ -	\$ 5,165	\$ -
Revolving line of credit	\$ 11,175	\$ -	\$ 11,175	\$ -
Total debt	\$ 16,340	\$ -	\$ 16,340	\$ -

The Company uses a valuation model to determine the fair value of its revolving line of credit and the term loan with CIT. The Company uses a discounted cash flow model to project the future principal and interest payments over the remaining life of the loans. The significant inputs used in the model are observable market data including SOFR Forward Curves.

The aggregate maturities of long-term debt for each of the five years subsequent to December 28, 2025 are: \$500 thousand in fiscal 2026, \$2.0 million in fiscal 2027, \$2.2 million in fiscal 2028, \$500 thousand in fiscal 2029 and \$11.3 million in fiscal 2030.

Note 8 – Goodwill and Intangible Assets

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 impairment of goodwill, the Company has two reporting units: one that produces and markets bedding and diaper bags and another that produces and markets bibs, toys and disposable products. The Company measures for impairment annually as of the first day of the Company's fiscal year. The Company reported goodwill net of impairment charges of \$13.2 million at September 29, 2024. For the fiscal year ended March 30, 2025, 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. Based on the goodwill impairment analysis performed, the Company determined that the estimated fair values of its reporting units were lower than the carrying value, indicating the goodwill within these reporting units had been impaired. Consequently, the Company recorded a non-cash goodwill impairment charge of \$13.8 million during the three-month period ended March 30, 2025. The Company reported no goodwill at December 28, 2025.

Intangible Assets: Our finite-lived intangible assets consist primarily of the fair value of identifiable assets acquired in business combinations. The gross amount, accumulated amortization and net balances of the Company's intangible assets as of December 28, 2025 and March 30, 2025, are as follows (in thousands):

	Gross Amount		Accumulated Amortization		Net Amount	
	December 28, 2025	March 30, 2025	December 28, 2025	March 30, 2025	December 28, 2025	March 30, 2025
Tradename and trademarks	\$ 3,217	\$ 3,217	\$ 2,385	\$ 2,316	\$ 833	\$ 901
Non-compete covenants	98	98	98	98	-	-
Patents	1,601	1,601	1,199	1,160	402	441
Customer relationships	8,174	8,174	7,225	7,007	948	1,167
Licensing relationships	4,800	4,800	521	259	4,279	4,541
Total intangible assets	\$ 17,890	\$ 17,890	\$ 11,428	\$ 10,840	\$ 6,462	\$ 7,050

Amortization expense, which is included in marketing and administrative expenses in the accompanying unaudited condensed consolidated statements of income, amounted to \$187 thousand and \$228 thousand for the three-month periods ended December 28, 2025 and December 29, 2024, respectively, and amounted to \$588 thousand and \$574 thousand for the nine-month periods ended December 28, 2025 and December 29, 2024, respectively.

Note 9 – Acquisition

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

The Acquisition has been accounted for in accordance with FASB ASC Topic 805, *Business Combinations*. The identifiable assets acquired were recorded at their estimated fair value, which has been preliminarily determined based on available information and the use of multiple valuation approaches. The estimated useful lives of the identifiable intangible assets acquired were determined based upon the remaining time that these assets are expected to directly or indirectly contribute to the future cash flow of the Company. On December 23, 2025, the Company received \$2.5 million in proceeds from certain claims filed by the Company under a representations and warranties insurance policy purchased in connection with the Acquisition (the “Insurance Proceeds”). The Insurance Proceeds are recorded within other income in the accompanying unaudited condensed consolidated statements of income for the three-and nine-month periods ended December 28, 2025.

The acquisition cost paid on the Closing Date amounted to \$16.3 million, which included net working capital adjustment. The following table represents the Company's allocation of the acquisition cost (in thousands) to the identifiable assets acquired and the liabilities assumed based on their respective estimated fair values as of the Closing Date. The excess of the acquisition cost over the estimated fair value of the identifiable net assets acquired is reflected as goodwill.

Tangible assets:	
Accounts receivable	\$ 3,764
Inventories	1,989
Prepaid expenses and other current assets	354
Total tangible assets	<u>6,107</u>
Amortizable intangible assets:	
Tradename	350
Licensing relationships	<u>4,600</u>
Total amortizable intangible assets	<u>4,950</u>
Goodwill	<u>5,840</u>
Total acquired assets	<u>16,897</u>
Liabilities assumed:	
Accounts payable	601
Total liabilities assumed	<u>601</u>
Net acquisition cost	<u>\$ 16,296</u>

Based upon the initial allocation of the acquisition cost, the Company recognized \$5.3 million of goodwill as of the Closing Date, the entirety of which was assigned to the reporting unit of the Company that produces and markets infant and toddler bedding and diaper bags. The goodwill recognized primarily consists of synergies expected from combining operations of Baby Boom and the Company and intangible assets acquired that do not qualify for separate recognition. The following table represents adjustments made to the amount of goodwill during the fiscal year ended March 30, 2025 (in thousands):

Amount of goodwill recognized based upon the preliminary allocation of the acquisition cost	\$ 5,319
Adjustments made during the fiscal year ended March 30, 2025:	
Increase to pre-acquisition accounts payable	10
Decrease to tradename as of the Closing Date	70
Decrease to licensing relationships as of the Closing Date	500
Settlement of working capital adjustment	(59)
Net adjustments made during the fiscal year ended March 30, 2025	<u>521</u>

Goodwill is expected to be deductible for income tax purposes, net of the effects of the adjustments outlined in the table above and the Insurance Proceeds.

Amortization expense associated with the acquired amortizable intangible assets was \$88 thousand and \$98 thousand for the three months ended December 28, 2025 and December 29, 2024, respectively, and \$264 thousand and \$166 thousand for the nine months ended December 28, 2025 and December 29, 2024, respectively, which is included in marketing and administrative expenses in the accompanying unaudited condensed consolidated statements of income. Amortization is calculated using the straight-line method over the estimated useful lives of the assets, which are 15 years for the tradename, 14 years for the customer and licensing relationships and 14 years on a weighted-average basis for the grouping taken together.

Note 10 – Advertising Costs

Advertising expense is included in marketing and administrative expenses in the accompanying unaudited condensed consolidated statements of income and amounted to \$391 thousand and \$151 thousand for the three months ended December 28, 2025 and December 29, 2024, respectively, and amounted to \$1.2 million and \$411 thousand for the nine months ended December 28, 2025 and December 29, 2024, respectively.

Note 11 – Income Taxes

The Company's provision for income taxes includes all currently payable federal and state taxes and is based upon the Company's estimated annual effective tax rate ("ETR"). The Company's provisions for income taxes for the nine-month periods ended December 28, 2025 and December 29, 2024 are based upon an estimated annual ETR of 24.7% and 22.4%, respectively. The increase in the ETR primarily relates to the result of tax credits that were included in the prior year provision that were not applicable in the current year provision and increase in state taxes due to jurisdictional nexus. The Company provides for deferred income taxes based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates that will be in effect when the differences are expected to reverse.

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 primarily operates indirectly through its wholly-owned subsidiaries, NoJo Baby & Kids, Inc. and Sassy Baby, Inc. 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, toys, bibs, diaper bags, disposables and feeding products.

The Company's products are marketed under Company-owned trademarks, under trademarks licensed from others and as private label goods. The Company-owned trademarks include Sassy®, NoJo®, Manhattan Toy®, Baby Boom® and Neat Solutions®. 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, internet-based retailers and direct-to-consumers through the Company's websites.

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.

KNOWN TRENDS AND UNCERTAINTIES

The U.S. government has tariffs on imports from certain countries, including China. During 2025, the U.S. government increased tariffs which have increased the cost of the products the Company sources from China and affected shipments from the Company's Chinese-based suppliers. The Company continues to evaluate the impact of the tariffs on imports from China to the Company's business and financial condition. The impact of the increased tariffs is uncertain because it is subject to a number of factors, including the duration of such tariffs, changes in the rate or amount, scope and nature of the tariffs in the future, any countermeasures that China may take and any mitigation actions that may become available.

For additional discussion of trends, uncertainties and other factors that could impact the Company's operating results, 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 30, 2025.

RESULTS OF OPERATIONS

The following table contains the results of operations for the three- and nine-month periods ended December 28, 2025 and December 29, 2024 and the dollar and percentage changes for those periods (in thousands, except percentages):

	Three-Month Periods Ended		Change		Nine-Month Periods Ended		Change	
	December 28, 2025	December 29, 2024	\$	%	December 28, 2025	December 29, 2024	\$	%
Net sales by category:								
Bedding and diaper bags	\$ 7,847	\$ 11,184	\$ (3,337)	-29.8%	\$ 25,048	\$ 29,431	\$ (4,383)	-14.9%
Bibs, toys and disposable products	12,870	12,167	703	5.8%	34,842	34,592	250	0.7%
Total net sales	20,717	23,351	(2,634)	-11.3%	59,890	64,023	(4,133)	-6.5%
Cost of products sold	15,855	17,253	(1,398)	-8.1%	44,939	47,002	(2,063)	-4.4%
Gross profit	4,862	6,098	(1,236)	-20.3%	14,951	17,021	(2,070)	-12.2%
% of net sales	23.5%	26.1%			25.0%	26.6%		
Marketing and administrative expenses	4,968	4,397	571	13.0%	14,393	14,108	285	2.0%
% of net sales	24.0%	18.8%			24.0%	22.0%		
Interest expense - net	(280)	(391)	111	-28.4%	(850)	(840)	(10)	1.2%
Other income (expense) - net	2,494	(35)	2,529	7225.7%	2,597	(57)	2,654	4656.1%
Income tax expense	598	382	216	56.5%	742	585	157	26.8%
Net income	1,510	893	617	69.1%	1,563	1,431	132	9.2%
% of net sales	7.3%	3.8%			2.6%	2.2%		

Net Sales: Sales were \$20.7 million for the three months ended December 28, 2025, compared with \$23.4 million for the three months ended December 29, 2024, a decrease of \$2.6 million or 11.3%. Sales of bedding and diaper bags decreased by \$3.3 million, while the sales of bibs, toys and disposable products increased by \$0.7 million. Sales were \$59.9 million for the nine months ended December 28, 2025 compared with \$64.0 million for the nine months ended December 29, 2024, a decrease of \$4.1 million or 6.5%. Sales of bedding and diaper bags decreased by \$4.4 million and sales of bibs, toys and disposable products increased by \$0.3 million. The decrease in bedding and diaper bags was primarily due to the decrease in the number of items included in programs at a major retailer. Sales were also negatively affected by inventory shortages resulting from the Company's strategy to minimize the impact of increased tariffs in effect primarily during the first quarter of the current fiscal year.

Gross Profit: Gross profit decreased by \$1.2 million from the prior year reflecting a margin of 23.5% for the three-month period ended December 28, 2025 compared to 26.1% of net sales for the three-month period ended December 29, 2024. Gross profit decreased by \$2.1 million from the prior year reflecting a margin of 25.0% for the nine-month period ended December 28, 2025 compared to 26.6% of net sales for the nine-month period ended December 29, 2024. The primary cause of this decrease in gross profit relates to increased tariff costs associated with products imported from China.

Marketing and Administrative Expenses: Marketing and administrative expenses increased by \$0.6 million and changed to 24.0% of net sales for the three-month period ended December 28, 2025 from 18.8% of net sales for the three-month period ended December 29, 2024. The increase was due to severance expenses incurred in connection with operational consolidation efforts. Marketing and administrative expenses increased by \$0.3 million and changed to 24.0% of net sales for the nine-month period ended December 28, 2025 from 22.0% of net sales for the nine-month period ended December 29, 2024. The increase in the current year period is due to an increase in advertising costs and severance expense which were partially offset by acquisition costs in the prior period.

Other Income (Expense): Other income increased \$2.5 million from the three-month period ended December 29, 2024 to the three-month period ended December 28, 2025, and increased \$2.7 million from the nine-month period ended December 29, 2024 to the nine-month period ended December 29, 2025. The increase is primarily due to the \$2.5 million in Insurance Proceeds received during the quarter related to certain claims filed by the Company under a representation and warranties insurance policy purchased in connection with the Acquisition. The financial impact of the Insurance Proceeds, excluding certain legal and license related expenses, resulted in a net impact of \$2.1 million to income before income tax expense for the three months ended December 28, 2025.

Income Tax Expense: Income tax expense increased \$0.2 million from the three-month period ended December 29, 2024 to the three-month period ended December 28, 2025, and increased \$0.2 million from the nine-month period ended December 29, 2024 to the nine-month period ended December 29, 2025. The Company's estimated annual ETR was 24.7% and 22.3% for the three-month periods ended December 28, 2025 and December 29, 2024, respectively, and was 24.7% and 22.4% for the nine-month periods ended December 28, 2025 and December 29, 2024, respectively.

Although the Company does not anticipate a material change to the ETR for the remainder of fiscal year 2026, 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 \$7.0 million for the nine-month period ended December 29, 2024 to \$7.1 million for the nine-month period ended December 28, 2025. The increase in the current year was partially the result of a decrease of \$6.6 million in accounts receivable that was \$6.0 million higher than the decrease in the prior year. The increase in the current year was partially offset by an increase in inventories in the current year that was \$2.7 million higher than the increase in the prior year, a decrease of \$2.9 million in accrued liabilities from the prior year to the current year and an increase in accounts payable in the current year that was \$1.6 million lower than the increase in the prior year.

Net cash used in investing activities decreased from \$17.0 million in the prior year to \$616 thousand in the current year which were primarily associated with capital expenditures for property, plant and equipment. Prior year capital expenditures included \$16.4 million for the Acquisition.

Net cash used in financing activities, which were primarily associated with net repayments under the revolving line of credit and payments of the term loan, was \$4.6 million compared to net cash provided by financing activities in the prior year of \$10.2 million. This decrease was due to the issuance of an \$8.0 million term loan in the prior year as well as the Company paying down debt in the current year.

As of December 28, 2025, the balance on the revolving line of credit with CIT was \$11.3 million, there was no letter of credit outstanding and \$10.6 million was available under the revolving line of credit with CIT 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 income, amounted to \$74 thousand and \$115 thousand for the three-month periods ended December 28, 2025, and December 29, 2024, respectively, and amounted to \$254 thousand and \$283 thousand for the nine-month periods ended December 28, 2025 and December 29, 2024, respectively.

On June 23, 2025, the Company and CIT amended the Company's financing agreement with CIT to: (i) provide that, until the Company's term loan is paid in full, the Company shall maintain at all times Excess Availability (as defined in the financing agreement) equal to or the greater of (a) the sum of the balance outstanding under the Company's term loan plus \$1.0 million or (b) \$4.0 million (the "Availability Covenant"); and (ii) reinstate the fixed charge coverage ratio; provided however, that the fixed charge coverage ratio shall not be tested at any fiscal quarter end in which, during the immediately preceding fiscal quarter, the Company at all times has been in compliance with the Availability Covenant. As of December 28, 2025, the Company has complied with the Excess Availability requirements.

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 30, 2025.

INTEREST RATE RISK

As of December 28, 2025, the Company had \$16.4 million of indebtedness that bears interest at a variable rate, comprised of borrowings under the revolving line of credit and a term loan. Based upon this level of outstanding debt, the Company's annual net income would decrease by approximately \$124 thousand 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 66% of the Company's gross sales in fiscal year 2025. In addition, 50% of the Company's gross sales in fiscal year 2025 consisted of licensed products, which included 21% of sales associated with the Company's license agreements with affiliated companies of the Walt Disney Company. The Company's results could be materially impacted by the loss of one or more of these licenses.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, with the participation of the Company's principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report, the effectiveness of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on the evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as such term is defined in Rule(s) 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as of December 28, 2025 because of the material weaknesses in our internal control over financial reporting described below.

As previously reported in the Annual Report on Form 10-K for the year ended March 30, 2025, the Company's management including the principal executive officer and principal financial officer, concluded that disclosure controls and procedures were not effective as of March 30, 2025 because a material weakness in the internal control over financial reporting existed related to the Company's failure to effectively design and maintain controls related to the review and approval of all manual journal entries.

Notwithstanding the material weakness, management believes and has concluded that the condensed consolidated financial statements as included in this Quarterly Report present fairly, in all material respects, the Company's financial condition, results of operations and cash flows as of and for the periods presented in accordance with GAAP.

Remediation Efforts to Address Material Weaknesses

Management, with oversight from the Audit Committee of the Company's Board of Directors, is committed to the remediation of the material weakness described above. The Company has continued to implement measures to improve the internal control structure. Specifically, the Company is:

- Improving the Company's internal control policies and procedures to ensure that there is appropriate segregation of duties regarding the recording and approval of manual journal entries; and
- Enhancing the review of manual journal entries, including outlining policies and procedures to strengthen retention of contemporaneous documentation and ensure timely supervisory reviews by management.

Management is committed to a strong internal control environment and to remediating these material weaknesses as soon as possible. Management will determine that the material weaknesses have been fully remediated only after the Company has (i) implemented and tested necessary changes and (ii) observed the remediated controls operate for a sufficient period of time to determine that such controls are operating effectively. The Company will monitor and report on the effectiveness of our remediation plan.

Changes in Internal Control Over Financial Reporting

Other than changes related to the remediation of the material weaknesses described above, there were no changes in the Company's internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(f) and 15d-15(f) of the Exchange Act during the quarter ended December 28, 2025 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on Controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives. Further, benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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 30, 2025.

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 nine-month period ended December 28, 2025, 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 and 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
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*	Employment Agreement dated as of June 16, 2025 by and between Crown Crafts, Inc. and Claire K. Spencer (4)
10.2	Nineteenth Amendment to Financing Agreement, dated June 23, 2025, by and among Crown Crafts, Inc., Sassy Baby, Inc., NoJo Baby & Kids, Inc. and The CIT Group/Commercial Services, Inc. (5)
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 December 28, 2025, 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.

* Management contract or a compensatory plan or arrangement.

- (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 June 16, 2025.
- (5) Incorporated herein by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K filed June 25, 2025.
- (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: February 11, 2026

/s/ Claire K. Spencer
CLAIRES K. SPENCER
Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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: February 11, 2026

/s/ Olivia W. Elliott

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

CERTIFICATION

I, Claire K. Spencer, 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: February 11, 2026

/s/ Claire K. Spencer

Claire K. Spencer,
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 December 28, 2025 (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: February 11, 2026

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

SECTION 1350 CERTIFICATION

I, Claire K. Spencer, 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 December 28, 2025 (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: February 11, 2026

/s/ Claire K. Spencer

Claire K. Spencer,
Vice President and Chief Financial Officer,
Crown Crafts, Inc.