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 29, 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	**58-0678148**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
916 South Burnside Avenue, Gonzales, LA	**70737**
(Address of principal executive offices)	(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	☐	Accelerated filer	☐
Non-Accelerated filer	☑	Smaller Reporting Company	☑
		Emerging Growth Company	☐

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

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

The number of shares of common stock, $0.01 par value, of the registrant outstanding as of February 10, 2025 was10,393,741.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CROWN CRAFTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
DECEMBER 29, 2024 (UNAUDITED) AND MARCH 31, 2024
(amounts in thousands, except share and per share amounts)

	December 29, 2024	March 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,053	$ 829
Accounts receivable (net of allowances of $1,266 at December 29, 2024 and $1,486 at March 31, 2024):		
Due from factor	21,749	18,584
Other	3,753	3,819
Inventories	32,376	29,709
Prepaid expenses	2,908	1,883
Total current assets	61,839	54,824
Operating lease right of use assets	12,987	14,949
Property, plant and equipment - at cost:		
Leasehold improvements	502	493
Machinery and equipment	5,722	5,062
Furniture and fixtures	477	477
Property, plant and equipment - gross	6,701	6,032
Less accumulated depreciation	4,877	4,376
Property, plant and equipment - net	1,824	1,656
Finite-lived intangible assets - at cost:		
Customer relationships	8,174	8,174
Other finite-lived intangible assets	10,286	4,766
Finite-lived intangible assets - gross	18,460	12,940
Less accumulated amortization	10,640	10,068
Finite-lived intangible assets - net	7,820	2,872
Goodwill	13,255	7,926
Deferred income taxes	762	277
Other	254	202
Total Assets	$ 98,741	$ 82,706
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,643	$ 4,502
Accrued wages and benefits	1,194	813
Accrued royalties	1,272	290
Dividends payable	869	843
Operating lease liabilities, current	3,895	3,587
Other accrued liabilities	536	426
Current maturities of long-term debt	1,990	-
Total current liabilities	18,399	10,461
Non-current liabilities:		
Long-term debt	18,870	8,112
Operating lease liabilities, noncurrent	9,923	12,138
Reserve for unrecognized tax liabilities	473	394
Total non-current liabilities	29,266	20,644
Shareholders' equity:		
Common stock - $0.01 par value per share; Authorized 40,000,000 shares at December 29, 2024 and March 31, 2024; Issued 13,299,402 shares at December 29, 2024 and13,208,226 shares at March 31, 2024	132	132
Additional paid-in capital	58,459	57,888
Treasury stock - at cost -2,905,661 shares at December 29, 2024 and2,897,507 at March 31, 2024	(15,860)	(15,821)
Retained Earnings	8,345	9,402
Total shareholders' equity	51,076	51,601
Total Liabilities and Shareholders' Equity	$ 98,741	$ 82,706

See notes to unaudited condensed consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
THREE- AND NINE-MONTH PERIODS ENDED DECEMBER 29, 2024 AND DECEMBER 31, 2023
(amounts in thousands, except per share amounts)

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 29, 2024	December 31, 2023	December 29, 2024	December 31, 2023
Net sales	$ 23,351	$ 23,801	$ 64,023	$ 65,053
Cost of products sold	17,253	17,367	47,002	47,281
Gross profit	6,098	6,434	17,021	17,772
Marketing and administrative expenses	4,397	4,107	14,108	12,189
Income from operations	1,701	2,327	2,913	5,583
Other (expense) income:				
Interest expense - net of interest income	(391)	(208)	(840)	(560)
Gain (loss) on sale or disposition of property, plant and equipment	(2)	58	(2)	58
Other - net	(33)	17	(55)	(9)
Income before income tax expense	1,275	2,194	2,016	5,072
Income tax expense	382	492	585	1,182
Net income	$ 893	$ 1,702	$ 1,431	$ 3,890
Weighted average shares outstanding:				
Basic	10,394	10,241	10,353	10,198
Effect of dilutive securities	-	-	1	2
Diluted	10,394	10,241	10,354	10,200
Earnings per share - basic and diluted	$ 0.09	$ 0.17	$ 0.14	$ 0.38

See notes to unaudited condensed consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
THREE- AND NINE-MONTH PERIODS ENDED DECEMBER 29, 2024 AND DECEMBER 31, 2023

	Common Shares		Treasury Shares				
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
	(Dollar amounts in thousands)						
	Three-Month Periods						
Balances - October 1, 2023	13,138,226	$ 131	(2,897,507)	$ (15,821)	$ 57,509	$ 8,334	$ 50,153
Issuance of shares	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	190	-	190
Acquisition of treasury stock	-	-	-	-	-	-	-
Net income	-	-	-	-	-	1,702	1,702
Dividend declared on common stock - $0.08 per share	-	-	-	-	-	(820)	(820)
Balances - December 31, 2023	13,138,226	$ 131	(2,897,507)	$ (15,821)	$ 57,699	$ 9,216	$ 51,225
Balances - September 29, 2024	13,299,402	$ 132	(2,905,661)	$ (15,860)	$ 58,279	$ 8,284	$ 50,835
Issuance of shares	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	180	-	180
Acquisition of treasury stock	-	-	-	-	-	-	-
Net income	-	-	-	-	-	893	893
Dividend declared on common stock - $0.08 per share	-	-	-	-	-	(832)	(832)
Balances - December 29, 2024	13,299,402	$ 132	(2,905,661)	$ (15,860)	$ 58,459	$ 8,345	$ 51,076
	Nine-Month Periods						
Balances - April 2, 2023	13,051,814	$ 131	(2,897,507)	$ (15,821)	$ 57,126	$ 7,778	$ 49,214
Issuance of shares	86,412	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	573	-	573
Acquisition of treasury stock	-	-	-	-	-	-	-
Net income	-	-	-	-	-	3,890	3,890
Dividend declared on common stock - $0.24 per share	-	-	-	-	-	(2,452)	(2,452)
Balances - December 31, 2023	13,138,226	$ 131	(2,897,507)	$ (15,821)	$ 57,699	$ 9,216	$ 51,225
Balances - March 31, 2024	13,208,226	$ 132	(2,897,507)	$ (15,821)	$ 57,888	$ 9,402	$ 51,601
Issuance of shares	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	-	-	-	-	-	(2,488)	(2,488)
Balances - December 29, 2024	13,299,402	$ 132	(2,905,661)	$ (15,860)	$ 58,459	$ 8,345	$ 51,076

See notes to unaudited condensed consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED DECEMBER 29, 2024 AND DECEMBER 31, 2023
(amounts in thousands)

	Nine-Month Periods Ended	
	December 29, 2024	December 31, 2023
Operating activities:		
Net income	$ 1,431	$ 3,890
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	501	647
Amortization of intangibles	574	451
Reduction in the carrying amount of right of use assets	3,458	3,208
Deferred income taxes	(485)	(1,106)
(Gain) loss on sale or disposition of property, plant and equipment	2	(58)
Reserve for unrecognized tax liabilities	79	56
Stock-based compensation	571	573
Changes in assets and liabilities:		
Accounts receivable	665	765
Inventories	(678)	(1,112)
Prepaid expenses	(671)	(1,130)
Other assets	(52)	(14)
Lease liabilities	(3,330)	(2,497)
Accounts payable	3,528	(113)
Accrued liabilities	1,401	542
Net cash provided by operating activities	6,994	4,102
Cash used in investing activities:		
Capital expenditures for property, plant and equipment	(659)	(662)
Proceeds from sale of property, plant and equipment	-	105
Payment to acquire Baby Boom	(16,355)	-
Aggregate adjustment from the Manhattan and MTE acquisition	-	488
Net cash used in investing activities	(17,014)	(69)
Financing activities:		
Repayments under revolving line of credit	(59,774)	(55,099)
Borrowings under revolving line of credit	65,387	52,440
Payments on term loan	(833)	-
Proceeds from term loan, net of issuance cost	7,964	-
Shares withheld to pay taxes on stock compensation	(39)	-
Dividends paid	(2,461)	(2,433)
Net cash provided by (used in) financing activities	10,244	(5,092)
Net increase (decrease) in cash and cash equivalents	224	(1,059)
Cash and cash equivalents at beginning of period	829	1,742
Cash and cash equivalents at end of period	$ 1,053	$ 683
Supplemental cash flow information:		
Income taxes paid	$ 629	$ 1,628
Interest paid	693	650
Noncash activities:		
Property, plant and equipment purchased but unpaid	(12)	(9)
Dividends declared but unpaid	(869)	(833)

See notes to unaudited condensed consolidated financial statements.

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 December 29, 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- and nine-month periods ended December 29, 2024 are not necessarily indicative of the results that may be expected by the Company for its fiscal year endingMarch 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 onMarch 31. References herein to "fiscal year2025" or "2025" represent the 52-week period ending March 30, 2025 and references herein to "fiscal year2024" 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 is evaluating the guidance of ASUNo. 2023-07 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 afterDecember 15, 2024 and early adoption is permitted. The Company is evaluating the guidance of the ASUNo. 2023-09 against its existing disclosures related to income tax disclosures.

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 the 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 ofDecember 29, 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.

Note 2 – **Advertising Costs**

Advertising expense is included in marketing and administrative expenses in the accompanying unaudited condensed consolidated statements of income and amounted to $151,000 and $267,000 for the three months ended December 29, 2024 and December 31, 2023, respectively, and amounted to $411,000 and $631,000 for the nine months ended December 29, 2024 and December 31, 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, diaper bags, bibs, toys and disposable products. Net sales of bedding and diaper bags and net sales of bibs, toys and disposable products for the three- and nine- month periods ended December 29, 2024 and December 31, 2023 are as follows (in thousands):

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 29, 2024	**December 31, 2023**	**December 29, 2024**	**December 31, 2023**
Bedding and diaper bags	$ 11,184	$ 8,996	$ 29,431	$ 24,345
Bibs, toys and disposable products	12,167	14,805	34,592	40,708
Total net sales	$ 23,351	$ 23,801	$ 64,023	$ 65,053

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 income and amounted to $1.7 million and $1.3 million for the three months ended December 29, 2024 and December 31, 2023, respectively, and amounted to $4.5 and $3.8 million for the nine months ended December 29, 2024 and December 31, 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 December 29, 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 December 29, 2024 and March 31, 2024, the Company's balances of inventory were $32.4 million and $29.7 million, respectively, nearly all of which were finished goods.

Note 7 – Acquisition

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. ("Baby Boom") (the "Acquisition"), for a purchase price of $18.0 million in cash, subject to a dollar-for-dollar adjustment to the extent that the working capital at closing was greater or less than the target working capital of approximately $6.5 million. The Acquisition was funded by the Company using the proceeds of an $8.0 million term loan from The CIT Group/Commercial Services, Inc. ("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 Company is currently determining the allocation of the acquisition cost with the assistance of an independent third party. 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. Certain data necessary to complete the acquisition cost allocation is not yet available, including the final appraisals and valuations of the assets acquired and liabilities assumed.

The acquisition cost paid on the Closing Date amounted to $16.4 million, which included an estimate for the net working capital adjustment. The following table represents the Company's preliminary 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		6,107
Amortizable intangible assets:		
Tradename		420
Licensing relationships		5,100
Total amortizable intangible assets		5,520
Goodwill		5,329
Total acquired assets		16,956
Liabilities assumed:		
Accounts payable		601
Total liabilities assumed		601
Net acquisition cost	$	16,355

The Company expects to complete the acquisition cost allocation during the 12-month period following the Closing Date, during which time the values of the assets acquired and liabilities assumed, including the goodwill, may need to be revised as appropriate.

Based upon the preliminary 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, and the entirety of which is expected to be deductible for income tax purposes. 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. During the three-month period ended December 29, 2024, the Company increased the amount of goodwill recognized by $10,000 for the resolution of pre-acquisition accounts payable.

The assets acquired in the Acquisition generated net sales of $3.8 million of bedding and diaper bag products for the three-month period ended December 29, 2024, and net sales of $7.2 million of bedding and diaper bag products for the period from the Closing Date to December 29, 2024. Amortization expense associated with the acquired amortizable intangible assets was $99,000 and $164,000 during the three and nine months ended December 29, 2024, respectively, which is included in marketing and administrative expenses in the accompanying unaudited condensed consolidated statements of income. Amortization is computed 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.

The Company has determined, on a pro forma basis, that the combined net sales and the combined net income of the Company and Baby Boom, giving effect to the Acquisition as if it had been completed on April 3, 2023, would have been $69.1 million and $2.0 million, respectively, for the nine-month period ended December 29, 2024. The combined net sales and the combined net income would have been $29.3 million and $1.7 million, respectively, for the three-month period ended December 31, 2023, and would have been $81.7 million and $3.9 million, respectively, for the nine-month period ended December 31, 2023. The combined net income includes adjustments related to the amortization of the amortizable intangible assets acquired and estimates of the interest expense and income tax expense or benefit that would have been incurred, but otherwise do not reflect the costs of any integration activities or benefits that may result from the realization of future cost savings from operating efficiencies, or any revenue, tax or other synergies that may result from the Acquisition.

Note 8 – Financing Arrangements

Factoring Agreements: To reduce its exposure to credit losses, the Company assigns the majority of its trade accounts receivable to 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 $115,000 and $106,000 for the three-month periods ended December 29, 2024 and December 31, 2023, respectively, and amounted to $283,000 and $265,000 for the nine-month periods ended December 29, 2024 and December 31, 2023, 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. At December 29, 2024, the Company had elected to pay interest on balances owed under the revolving line of credit under the SOFR option, which was 6.1%. 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 29, 2024 and March 31, 2024, the balances on the revolving line of credit were $13.7 million and $8.1 million, respectively, there was no letter of credit outstanding and $15.3 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's credit facility as of December 29, 2024 includes an $8.0 million term loan, issued July 19, 2024, which is payable by the Company in 48 equal monthly installments and bears interest at SOFR plus 2.25% (6.7% at December 29, 2024). The balances on the term loan as of December 29, 2024 was $7.2 million, including $2.0 million classified as current.

On January 2, 2025, the Company and its subsidiaries entered into a letter agreement with CIT with respect to the financing agreement, pursuant to which CIT waived the Company's non-compliance with the fixed charge coverage ratio required under the financing agreement with respect to the Company's fiscal quarters ended September 29, 2024 and December 29, 2024. In addition, the letter agreement modified the financing agreement by changing the Excess Availability (as defined in the Financing Agreement) required to be maintained by the Company with respect to its revolving credit line under the financing agreement to $7,000,000 (from 50% of the outstanding balance of the Company's term loan under the financing agreement). Upon notice to the Company, CIT may reverse such modification.

Credit Concentration: The Company's accounts receivable at December 29, 2024 amounted to $25.5 million, net of allowances of $1.3 million. Of this amount, $21.7 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 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 9 – 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 and diaper bags and another that produces and markets infant and toddler bibs, toys and disposable products. 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 10 – 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'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.

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. No supplier represented at least 10% of the Company's total suppliers.

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 40% of the Company's gross sales in fiscal year 2024, which included 24% 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 Bedding	March 31, 2025
Infant Feeding and Bath	December 31, 2025
Toddler Bedding	March 31, 2025
Marvel	March 31, 2025
STAR WARS Toddler Bedding	March 31, 2025
STAR WARS - Lego Plush	December 31, 2025

The Company is currently negotiating with Disney with respect to the licenses set to terminate on March 31, 2025, and anticipates that they will be extended.

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 for the nine months ended December 29, 2024.

	2025
Walmart Inc.	44%
Amazon.com, Inc.	18%

Note 11 – **Subsequent Events**

On February 10, 2025, the Company and CIT amended the Company's financing agreement with CIT to: (i) waive, with respect to the fiscal year ending March 30, 2025, and through the fiscal year ending March 29, 2026, the Company's obligation to comply with the fixed charge coverage ratio; and (ii) increase the Excess Availability (as defined in the financing agreement) required to be maintained by the Company with respect to its revolving line of credit under the financing agreement from $7,000,000 to $7,500,000, until further notice to the Company by CIT. After such notice, the Excess Availability shall be 50% of the outstanding balance of the Company's term loan under the financing agreement.

The Company has evaluated all other events which have occurred between December 29, 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, diaper bags, 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.

KNOWN TRENDS AND UNCERTAINTIES

The Company sources its products primarily from foreign contract manufacturers, with the largest concentration being in China. On February 1, 2025, President Trump issued executive orders directing the United States to impose new tariffs on imports from several nations, including China, effective February 4, 2025. The new tariffs likely will increase the cost of products the Company sources from China and affect future shipments from the Company's Chinese-based suppliers. The Company is currently evaluating the potential impact of the imposition of the new tariffs on imports from China to the Company's business and financial condition. The actual impact of the new tariffs is uncertain because it is subject to a number of factors, including 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 mitigating actions that may become available.

RESULTS OF OPERATIONS

The following table contains the results of operations for the three- and nine-month periods ended December 29, 2024 and December 31, 2023 and the dollar and percentage changes for those periods (in thousands, except percentages):

	Three-Month Periods Ended		**Change**		**Nine-Month Periods Ended**		**Change**	
	December 29, 2024	**December 31, 2023**	**$**	**%**	**December 29, 2024**	**December 31, 2023**	**$**	**%**
Net sales by category:								
Bedding and diaper bags	$ 11,184	$ 8,996	$ 2,188	24.3%	$ 29,431	$ 24,345	$ 5,086	20.9%
Bibs, toys and disposable products	12,167	14,805	(2,638)	-17.8%	34,592	40,708	(6,116)	-15.0%
Total net sales	23,351	23,801	(450)	-1.9%	64,023	65,053	(1,030)	-1.6%
Cost of products sold	17,253	17,367	(114)	-0.7%	47,002	47,281	(279)	-0.6%
Gross profit	6,098	6,434	(336)	-5.2%	17,021	17,772	(751)	-4.2%
% of net sales	*26.1%*	*27.0%*			*26.6%*	*27.3%*		
Marketing and administrative expenses	4,397	4,107	290	7.1%	14,108	12,189	1,919	15.7%
% of net sales	*18.8%*	*17.3%*			*22.0%*	*18.7%*		
Interest (expense) income - net	(391)	(208)	(183)	88.0%	(840)	(560)	(280)	50.0%
Other (expense) income - net	(35)	75	(110)	-146.7%	(57)	49	(106)	-216.3%
Income tax expense	382	492	(110)	-22.4%	585	1,182	(597)	-50.5%
Net income	893	1,702	(809)	-47.5%	1,431	3,890	(2,459)	-63.2%
% of net sales	*3.8%*	*7.2%*			*2.2%*	*6.0%*		

Net Sales: Sales decreased to $23.3 million for the three months ended December 29, 2024, compared with $23.8 million for the three months ended December 31, 2023, a decrease of $450,000, or 1.9%. Sales of bedding and diaper bags increased by $2.2 million, and sales of bibs, toys and disposable products decreased by $2.6 million. Sales increased due to the impact of the Acquisition, which added $3.8 million in net sales of bedding and diaper bags during the three months ended December 29, 2024. This increase was primarily offset by a decrease in online toy sales as well as the loss of a program at a major retailer.

Sales decreased to $64.0 million for the nine months ended December 29, 2024, compared with $65.1 million for the nine months ended December 31, 2023, a decrease of $1.0 million, or 1.6%. Sales of bedding and diaper bags increased by $5.1 million due to the impact of the Acquisition, which added $7.2 million net sales for the nine months ended December 29, 2024, and sales of bibs, toys and disposable products decreased by $6.1 million, 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 $336,000 and decreased from 27.0% of net sales for the three-month period ended December 31, 2023 to 26.1% of net sales for the three-month period ended December 29, 2024. This decrease is considered to be materially consistent with the prior period and resulted from minor changes in product mix and increases in rent at our Compton facility.

Gross profit decreased in amount by $751,000 and decreased from 27.3% of net sales for the nine-month period ended December 31, 2023 to 26.6% of net sales for the nine-month period ended December 29, 2024. The decrease in the gross profit percentage is considered to be materially consistent with the prior period and primarily relates to an increase in rent at our Compton facility.

Marketing and Administrative Expenses: Marketing and administrative expenses increased by $290,000 and increased from 17.3% of net sales for the three-month period ended December 31, 2023 to 18.8% of net sales for the three-month period ended December 29, 2024. The current year period includes $186,000 in acquisition costs as well as increased marketing and administrative costs associated with the Acquisition.

Marketing and administrative expenses increased by $1.9 million and increased from 18.7% of net sales for the nine-month period ended December 31, 2023 to 22.0% of net sales for the nine-month period ended December 29, 2024. The current year period includes $244,000 associated with the closure of the Company's subsidiary in the United Kingdom and $1.1 million in costs associated with the 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 22.4% for the nine-month period ended December 29, 2024, as compared with an estimated annual ETR from continuing operations of 21.4% for the nine-month period ended December 31, 2023.

As a result of the consideration of relevant information regarding its income tax provision, the Company recorded discrete reserves for unrecognized tax liabilities of $46,000 and $9,000 during the three-month period ended December 29, 2024 and December 31, 2023, respectively, and $49,000 and $34,000 during the nine-month period ended December 29, 2024, and December 31, 2023, respectively, in the unaudited condensed consolidated statements of income.

The Company recorded discrete income tax charges of $34,000 and $43,000 during the nine-month periods ended December 29, 2024 and December 31, 2023, respectively, to reflect the effects of the tax shortfalls and excess tax benefits arising from the forfeiture and expiration of stock options and the vesting of non-vested stock. The Company recorded discrete income tax charges of $50,000 and $19,000 during the nine-month periods ended December 29, 2024 and December 31, 2023, respectively, to reflect adjustments to prior year tax provisions.

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 29.0% and 23.3% for the nine-month periods ended December 29, 2024 and December 31, 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 $4.1 million for the nine-month period ended December 31, 2023 to $7.0 million for the nine-month period ended December 29, 2024. The increase in the current year was partially the result of an increase in accounts payable in the current year that was $3.7 million higher than the decrease in the prior year and an increase in accrued liabilities in the current year that was $800,000 higher than the increase in the prior year. This increase was partially offset by a decrease in net income of $2.5 million from the prior year to the current year.

Net cash used in investing activities increased from $69,000 in the prior year to $17.0 million in the current year. The increase in the current year is primarily due to the $16.4 payment made in the current year to complete the Acquisition.

Net cash used in financing activities was $5.1 million for the nine-month period ended December 31, 2023 compared with $10.2 million in cash provided by financing activities for the nine-month period ended December 29, 2024. The Company incurred net borrowings under its revolving line of credit of $8.3 million and a term loan of $8.0 million that did not occur in the prior period, such borrowings primarily being required to fund the Acquisition.

As of December 29, 2024, the balance on the revolving line of credit was $13.7 million, there was no letter of credit outstanding and $15.3 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 income, amounted to $115,000 and $106,000 for the three-month periods ended December 29, 2024 and December 31, 2023, respectively, and amounted to $283,000 and $265,000 for the nine-month periods ended December 29, 2024 and December 31, 2023, respectively.

On January 2, 2025, the Company and its subsidiaries entered into a letter agreement with CIT with respect to the financing agreement, pursuant to which CIT waived the Company's non-compliance with the fixed charge coverage ratio required under the financing agreement with respect to the Company's fiscal quarters ended September 29, 2024 and December 29, 2024. In addition, the letter agreement modified the financing agreement by changing the Excess Availability (as defined in the Financing Agreement) required to be maintained by the Company with respect to its revolving credit line under the financing agreement to $7,000,000 (from 50% of the outstanding balance of the Company's term loan under the financing agreement). Upon notice to the Company, CIT may reverse such modification.

On February 10, 2025, the Company and CIT amended the Company's financing agreement with CIT to: (i) waive, with respect to the fiscal year ending March 30, 2025, and through the fiscal year ending March 29, 2026, the Company's obligation to comply with the fixed charge coverage ratio; and (ii) increase the Excess Availability (as defined in the financing agreement) required to be maintained by the Company with respect to its revolving line of credit under the financing agreement from $7,000,000 to $7,500,000, until further notice to the Company by CIT. After such notice, the Excess Availability shall be 50% of the outstanding balance of the Company's term loan under the financing agreement.

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 December 29, 2024, the Company had $20.9 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 $162,000 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. The Company's results could be materially impacted by the loss of one or more of these licenses. Since the filing of the Company's Annual Report on Form 10-K for the year ended March 31, 2024, the Company acquired Baby Boom, which designs and sells licensed and unlicensed bedding and diaper bag products.

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 December 29, 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, except as set forth below.

The imposition of tariffs on imports from China could adversely affect the cost and sourcing of the Company's products, among other things.

The Company sources its products primarily from foreign contract manufacturers, with the largest concentration being in China. On February 1, 2025, President Trump issued executive orders directing the United States to impose new tariffs on imports from several nations, including China, effective February 4, 2025. The new tariffs likely will increase the cost of the products the Company sources from China and affect future shipments from the Company's Chinese-based suppliers. The Company may not be able to pass along increases in tariffs and freight charges to its customers, and any alterations the Company may make to its business strategy or operations to adapt to the foregoing, including sourcing products from suppliers in other countries, would be time consuming and expensive.

The Company is currently evaluating the potential impact of the imposition of the new tariffs on imports from China to the Company's business and financial condition. The actual impact of the new 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 mitigating actions that may become available. The actual impact of the new tariffs may have a material adverse effect on the Company's business, cash flow, results of operations and financial condition.

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

On February 10, 2025, the Company and its subsidiaries entered into a letter agreement with CIT to amend the Company's financing agreement with CIT to: (i) waive, with respect to the fiscal year ending March 30, 2025, and through the fiscal year ending March 29, 2026, the Company's obligation to comply with the fixed charge coverage ratio; and (ii) increase the Excess Availability (as defined in the financing agreement) required to be maintained by the Company with respect to its revolving line of credit under the financing agreement from $7,000,000 to $7,500,000, until further notice to the Company by CIT. After such notice, the Excess Availability shall be 50% of the outstanding balance of the Company's term loan under the financing agreement.

During the three-month period ended December 29, 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)
10.3	Letter Agreement, dated December 27, 2024, among Crown Crafts, Inc., Sassy Baby, Inc., NoJo Baby & Kids, Inc. and The CIT Group/Commercial Services, Inc. (7)
10.4	Eighteenth Amendment to Financing Agreement, dated February 10, 2025, by and among Crown Crafts, Inc., Sassy Baby, Inc., NoJo Baby & Kids, Inc. and The CIT Group/Commercial Services, Inc. (7)
31.1	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer. (7)
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer. (7)
32.1	Section 1350 Certification by the Company's Chief Executive Officer. (7)
32.2	Section 1350 Certification by the Company's Chief Financial Officer. (7)

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 29, 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) Incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024.
(7) 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 12, 2025

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

Exhibit 10.3

CIT Commercial Services
A Subsidiary of First Citizens Bank

December 27, 2024

Crown Crafts, Inc.
Sassy Baby, Inc.
916 South Burnside Avenue
Gonzales, Louisiana 70737

Nojo Baby & Kids, Inc.
711 West Walnut Street
Compton, California 90220

Re: Financial Reporting – Fixed Charge Coverage

Ladies and Gentlemen:

We refer you to the Financing Agreement dated July 11, 2006 (as supplemented, amended and/or restated from time to time, the ‘Financing Agreement”). Capitalized terms used and not otherwise defined herein shall have the same meanings given them in the Financing Agreement.

The Financing Agreement requires you to meet a Fixed Charge Coverage Ratio at the end of each fiscal quarter all as provided in Section 7.3 of the Financing Agreement (the “Fixed Charge Covenant”). Based upon information provided to us, you have not met the Fixed Charge Covenant for the fiscal quarter ended September 29, 2024 (the “September FCC Failure”). Further, you have advised us that you do not anticipate meeting the Fixed Charge Covenant for the fiscal quarter ending December 29, 2024 (the “December FCC Failure”).

This letter confirms that we hereby waive the September FCC Failure and that upon the occurrence of the December FCC Failure, such breach will be deemed to be waived by us. Furthermore, until we advise you otherwise, you agree that this letter agreement shall modify the Financing Agreement by inserting the number “$7,000,000.00” in lieu of the text “50% of the outstanding balance of the Term Loan” in Section 7.3(b) thereof. Upon our written or electronic notice to you, such modification shall revert to the text in effect on the date hereof without further change to the Financing Agreement.

This letter may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original and, all of which, when taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this letter by electronic transmission in “PDF” or other imaging format shall be equally as effective as delivery of an original executed counterpart of the letter. This letter may be executed and authenticated by each party by electronic or digital means, and each of us expressly consents to the use of an electronic version of this letter to embody the entire agreement and understanding between us. An authorized, electronically-affixed or digitally-affixed signature, when received shall be binding for all purposes as if an original signature.

Except to the extent set forth herein, no other waiver of, or change in any of the terms, provisions or conditions of the Financing Agreement is intended or implied. If you are in agreement with the foregoing, please so indicate by signing and returning to us this letter.

Very truly yours,

THE CIT GROUP/COMMERCIAL SERVICES, INC.

By: /s/ Vernon R. Wells
Name: Vernon R. Wells
Title: Director

Read and Agreed to:

CROWN CRAFTS, INC.

By: /s/ Craig J. Demarest January 2, 2025
Name: Craig J. Demarest
Title: CFO

SASSY BABY, INC.

By: /s/ Craig J. Demarest January 2, 2025
Name: Craig J. Demarest
Title: CFO

NOJO BABY & KIDS, INC.

By: /s/ Craig J. Demarest January 2, 2025
Name: Craig J. Demarest
Title: CFO

Exhibit 10.4

February 10, 2025

Crown Crafts, Inc.
Sassy Baby, Inc.
916 South Burnside Avenue
Gonzales, Louisiana 70737

Nojo Baby & Kids, Inc.
711 West Walnut Street
Compton, California 90220

Re: Financing Agreement 18th Amendment– Fixed Charge Coverage and Availability

Ladies and Gentlemen:

We refer you to the Financing Agreement dated July 11, 2006 (as supplemented, amended and/or restated from time to time, the "Financing Agreement"). Capitalized terms used and not otherwise defined herein shall have the same meanings given them in the Financing Agreement.

A. Section 7.3 (a) of the Financing Agreement is hereby deleted and the following is inserted in lieu thereof:

(a) Fixed Charge Coverage. Until termination of this Financing Agreement and the full and final payment and satisfaction of all Obligations, the Companies agree to maintain a Fixed Charge Coverage Ratio, calculated in accordance with GAAP, on a consolidating basis for the trailing twelve fiscal month period and tested at the end of each fiscal quarter, of not less than (i) 1.15:1.0 at the end of each of each fiscal quarter until the Term Loan is paid in full; and (ii) thereafter, 1.0:1.0 tested as of the most recent fiscal quarter end, but only if at any month-end Excess Availability is less than $4,000,000. To the extent necessary, any requirement to maintain a specified Fixed Charge Coverage Ratio for the fiscal years ending 3/30/25 throughout the upcoming fiscal year ending 3/29/26 is hereby waived.

And;

B. Section 7.3 (b) of the Financing Agreement is hereby deleted and the following is inserted in lieu thereof:

(a) Availability Covenant. Until the Term Loan is paid in full, the Companies shall maintain: (i) at all times Excess Availability of not less $7,500,000 until further written or electronic notice to the Companies by CIT and (ii) at all times after the foregoing notice, Excess Availability of not less than 50% of the outstanding balance of the Term Loan.

This amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original and, all of which, when taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this amendment by electronic transmission in "PDF" or other imaging format shall be equally as effective as delivery of an original executed counterpart of this amendment. This amendment may be executed and authenticated by each party by electronic or digital means, and each of us expressly consents to the use of an electronic version of this amendment to embody the entire agreement and understanding between us. An authorized, electronically-affixed or digitally-affixed signature, when received shall be binding for all purposes as if an original signature.

Except to the extent set forth herein, no other waiver of, or change in any of the terms, provisions or conditions of the Financing Agreement is intended or implied. If you are in agreement with the foregoing, please so indicate by signing and returning to us this letter.

Very truly yours,

THE CIT GROUP/COMMERCIAL SERVICES, INC.

By: /s/ Vernon R. Wells
Name: Vernon R. Wells
Title: Director

Read and Agreed to:

CROWN CRAFTS, INC.

By: /s/ Craig J. Demarest February 10, 2025
Name: Craig J. Demarest
Title: CFO

SASSY BABY, INC.

By: /s/ Craig J. Demarest February 10, 2025
Name: Craig J. Demarest
Title: CFO

NOJO BABY & KIDS, INC.

By: /s/ Craig J. Demarest February 10, 2025
Name: Craig J. Demarest
Title: CFO

Exhibit 31.1

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 12, 2025

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

Exhibit 31.2

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: February 12, 2025

/s/ Craig J. Demarest

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

Exhibit 32.1

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 29, 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: February 12, 2025

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

Exhibit 32.2

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 December 29, 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: February 12, 2025

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