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

Form 10-Q

(Mark One)

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

OR

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

Commission File Number: 0-2585

THE DIXIE GROUP

THE DIXIE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Tennessee		**62-0183370**
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)
475 Reed Road, Dalton, Georgia	**30720**	**(706) 876-5800**
(Address of principal executive offices)	(zip code)	(Registrant's telephone number, including area code)

Not Applicable
(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, $3 Par Value	**DXYN**	**NASDAQ Stock Market, LLC**

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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 outstanding of each of the issuer's classes of Common Stock as of the latest practicable date.

Class	Outstanding as of April 26, 2024
Common Stock, $3 Par Value	14,640,554 shares
Class B Common Stock, $3 Par Value	1,249,302 shares
Class C Common Stock, $3 Par Value	0 shares

THE DIXIE GROUP, INC.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE DIXIE GROUP, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(amounts in thousands, except share data)

	March 30, 2024	December 30, 2023
ASSETS	**(Unaudited)**	
CURRENT ASSETS		
Cash and cash equivalents	**$ 55**	$ 79
Receivables, net of allowances for credit losses of $474 and $440	**28,225**	23,686
Inventories, net	**75,041**	76,211
Prepaid and other current assets	**10,803**	12,154
Current assets of discontinued operations	**260**	265
TOTAL CURRENT ASSETS	**114,384**	112,395
PROPERTY, PLANT AND EQUIPMENT, NET	**37,660**	31,368
OPERATING LEASE RIGHT-OF-USE ASSETS	**28,187**	28,962
OTHER ASSETS	**18,039**	17,130
LONG-TERM ASSETS OF DISCONTINUED OPERATIONS	**1,391**	1,314
TOTAL ASSETS	**$ 199,661**	$ 191,169
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	**$ 21,819**	$ 13,935
Accrued expenses	**17,438**	16,598
Current portion of long-term debt	**3,794**	4,230
Current portion of operating lease liabilities	**3,713**	3,654
Current liabilities of discontinued operations	**1,172**	1,137
TOTAL CURRENT LIABILITIES	**47,936**	39,554
LONG-TERM DEBT, NET	**80,610**	78,290
OPERATING LEASE LIABILITIES	**25,081**	25,907
OTHER LONG-TERM LIABILITIES	**15,500**	14,591
LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS	**3,618**	3,536
TOTAL LIABILITIES	**172,745**	161,878
COMMITMENTS AND CONTINGENCIES (See Note 17)		
STOCKHOLDERS' EQUITY		
Common Stock ($3 par value per share): Authorized 80,000,000 shares, issued and outstanding - 14,640,554 shares for 2024 and 14,409,281 shares for 2023	**43,922**	43,228
Class B Common Stock ($3 par value per share): Authorized 16,000,000 shares, issued and outstanding - 1,249,302 shares for 2024 and 1,121,129 shares for 2023	**3,748**	3,363
Additional paid-in capital	**158,177**	159,132
Accumulated deficit	**(179,194)**	(176,700)
Accumulated other comprehensive income	**263**	268
TOTAL STOCKHOLDERS' EQUITY	**26,916**	29,291
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 199,661**	$ 191,169

See accompanying notes to the consolidated condensed financial statements.

THE DIXIE GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)
(amounts in thousands, except per share data)

	Three Months Ended	
	March 30, 2024	April 1, 2023
NET SALES	**$ 65,254**	$ 67,084
Cost of sales	**49,445**	49,251
GROSS PROFIT	**15,809**	17,833
Selling and administrative expenses	**16,372**	16,409
Other operating expense, net	**52**	68
Facility consolidation and severance expenses, net	**242**	1,050
OPERATING INCOME (LOSS)	**(857)**	306
Interest expense	**1,532**	1,858
Other (income) expense, net	**5**	(14)
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES	**(2,394)**	(1,538)
Income tax provision	**16**	13
LOSS FROM CONTINUING OPERATIONS	**(2,410)**	(1,551)
Loss from discontinued operations, net of tax	**(84)**	(207)
NET LOSS	**$ (2,494)**	$ (1,758)
BASIC EARNINGS (LOSS) PER SHARE:		
Continuing operations	**$ (0.16)**	$ (0.11)
Discontinued operations	**(0.01)**	(0.01)
Net loss	**$ (0.17)**	$ (0.12)
BASIC SHARES OUTSTANDING	**14,850**	14,676
DILUTED EARNINGS (LOSS) PER SHARE:		
Continuing operations	**$ (0.16)**	$ (0.11)
Discontinued operations	**(0.01)**	(0.01)
Net loss	**$ (0.17)**	$ (0.12)
DILUTED SHARES OUTSTANDING	**14,850**	14,676
DIVIDENDS PER SHARE:		
Common Stock	**$ —**	$ —
Class B Common Stock	**—**	—

See accompanying notes to the consolidated condensed financial statements.

THE DIXIE GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(amounts in thousands)

	Three Months Ended	
	March 30, 2024	April 1, 2023
NET LOSS	**$ (2,494)**	$ (1,758)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Reclassification of net actuarial gain into earnings from postretirement benefit plans (1)	**(5)**	(5)
Income taxes	**—**	—
Reclassification of net actuarial gain into earnings from postretirement benefit plans, net	**(5)**	(5)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(5)**	(5)
COMPREHENSIVE LOSS	**$ (2,499)**	$ (1,763)

(1) Amounts for postretirement plans reclassified from accumulated other comprehensive income to net loss were included in selling and administrative expenses in the Company's consolidated condensed statements of operations.

See accompanying notes to the consolidated condensed financial statements.

THE DIXIE GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(amounts in thousands)

	Three Months Ended	
	March 30, 2024	April 1, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations	**$ (2,410)**	$ (1,551)
Loss from discontinued operations	**(84)**	(207)
Net loss	**(2,494)**	(1,758)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**1,519**	1,605
Net gain on property, plant and equipment disposals	**—**	(4)
Stock-based compensation expense	**156**	197
Expense (credit) for expected credit losses	**88**	(66)
Changes in operating assets and liabilities:		
Receivables	**(4,627)**	(5,147)
Inventories	**1,170**	47
Prepaid and other current assets	**(5,180)**	(2,990)
Accounts payable and accrued expenses	**5,924**	3,030
Other operating assets and liabilities	**3**	1,494
NET CASH USED IN OPERATING ACTIVITIES	**(3,357)**	(3,385)
NET CASH USED IN OPERATING ACTIVITIES - DISCONTINUED OPERATIONS	**(39)**	(674)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sales of property, plant and equipment	**—**	4
Purchase of property, plant and equipment	**(499)**	(359)
NET CASH USED IN INVESTING ACTIVITIES	**(499)**	(355)
NET CASH PROVIDED BY INVESTING ACTIVITIES - DISCONTINUED OPERATIONS	**—**	8
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on revolving credit facility	**3,061**	5,482
Payments on notes payable - buildings and other term loans	**(509)**	(152)
Payments on notes payable - other	**(702)**	(631)
Payments on finance leases	**(9)**	(81)
Change in outstanding checks in excess of cash	**2,062**	(37)
Repurchases of Common Stock	**(32)**	(44)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**3,871**	4,537
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(24)**	131
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**79**	363
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 55**	$ 494
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	**$ 1,656**	$ 1,756
Income taxes paid, net of tax refunds	**151**	65
Right-of-use assets obtained in exchange for new operating lease liabilities	**219**	—
Deposits utilized on property, plant & equipment purchases	**6,530**	—
Accrued purchases of equipment	**739**	—

See accompanying notes to the consolidated condensed financial statements.

THE DIXIE GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(amounts in thousands, except share data)

	Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 30, 2023	**$ 43,228**	**$ 3,363**	**$ 159,132**	**$ (176,700)**	**$ 268**	**$ 29,291**
Repurchases of Common Stock - 52,091 shares	(156)	—	124	—	—	(32)
Class B converted into Common Stock - 5,980 shares	18	(18)	—	—	—	—
Restricted stock grants issued - 411,537 shares	832	403	(1,235)	—	—	—
Stock-based compensation expense	—	—	156	—	—	156
Net loss	—	—	—	(2,494)	—	(2,494)
Other comprehensive loss	—	—	—	—	(5)	(5)
Balance at March 30, 2024	**$ 43,922**	**$ 3,748**	**$ 158,177**	**$ (179,194)**	**$ 263**	**$ 26,916**

	Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2022	**$ 43,360**	**$ 3,388**	**$ 158,331**	**$ (173,784)**	**$ 219**	**$ 31,514**
Repurchases of Common Stock - 55,994 shares	(168)	—	124	—	—	(44)
Class B converted into Common Stock - 8,029 shares	25	(25)	—	—	—	—
Stock-based compensation expense	—	—	197	—	—	197
Net loss	—	—	—	(1,758)	—	(1,758)
Cumulative effect of CECL adoption	—	—	—	(198)	—	(198)
Other comprehensive income	—	—	—	—	(5)	(5)
Balance at April 1, 2023	**$ 43,217**	**$ 3,363**	**$ 158,652**	**$ (175,740)**	**$ 214**	**$ 29,706**

See accompanying notes to the consolidated condensed financial statements.

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial statements which do not include all the information and notes required by such accounting principles for annual financial statements. In the opinion of management, all adjustments (generally consisting of normal recurring accruals) considered necessary for a fair presentation have been included in the accompanying financial statements. The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in The Dixie Group, Inc.'s and its wholly-owned subsidiaries (the "Company") 2023 Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 30, 2023. The balance sheet as of December 30, 2023 has been derived from the audited financial statements at that date but does not include all of the information and notes required by U.S. GAAP for complete financial statements. Operating results for the three month period ended March 30, 2024 are not necessarily indicative of the results that may be expected for the entire 2024 year.

Based on applicable accounting standards, the Company has determined that it has one reportable segment, Floorcovering. The Company's Floorcovering products have similar economic characteristics and are similar in all of the following areas: (a) the nature of the products and services; (b) the nature of the production processes; (c) the type or class of customer for their products and services; (d) the methods used to distribute their products or provide their services; and (e) the nature of the regulatory environment.

The consolidated condensed financial statements separately report discontinued operations and the results of continuing operations. Unless specifically noted otherwise, footnote disclosures reflect the results of continuing operations only. The results of discontinued operations are presented in Note 20.

Reclassifications

The Company reclassified certain amounts in 2023 in Note 9 Long-Term Debt and Credit Arrangements and Note 10 Leases to conform to the 2024 presentation. In 2023, the Company included its failed sales and leaseback transactions in its lease footnote with a note indicating they were included. In 2024, the Company included these transactions in its debt footnote and reclassified amounts in the comparative 2023 period.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Yet to Be Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which enhances reporting requirements under Topic 280. The enhanced disclosure requirements include: title and position of the Chief Operating Decision Maker (CODM), significant segment expenses provided to the CODM, extending certain annual disclosures to interim periods, clarifying single reportable segment entities must apply ASC 280 in its entirety, and permitting more than one measure of segment profit or loss to be reported under certain circumstances. This change is effective for fiscal years beginning after December 15, 2023 and interim periods beginning after December 15, 2024. This change will apply retrospectively to all periods presented. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*, which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. The new guidance requires consistent categorization and greater disaggregation of information in the rate reconciliation, as well as further disaggregation of income taxes paid. This change is effective for annual periods beginning after December 15, 2024. This change will apply on a prospective basis to annual financial statements for periods beginning after the effective date. However, retrospective application in all prior periods presented is permitted. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

(amounts in thousands, except per share data) (Continued)

NOTE 3 - REVENUE

Revenue Recognition Policy

The Company derives its revenues primarily from the sale of floorcovering products and processing services. Revenues are recognized when control of these products or services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products and services. Sales, value add, and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue. When the Company transfers control of its products to the customer prior to the related shipping and handling activities, the Company has adopted a policy of accounting for shipping and handling activities as a fulfillment cost rather than a performance obligation. Incidental items that are immaterial in the context of the contract are recognized as expense. While the Company pays sales commissions to certain personnel, the Company has not capitalized these costs as costs to obtain a contract as the Company has elected to expense costs as incurred when the expected amortization period is one year or less. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. The Company determined revenue recognition through the following steps:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the performance obligation is satisfied

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Company’s revenue by end-user markets for the three month periods ended March 30, 2024 and April 1, 2023:

	Three Months Ended	
	March 30, 2024	April 1, 2023
Residential floorcovering products	**$ 64,326**	$ 66,137
Other services	**928**	947
Total net sales	**$ 65,254**	$ 67,084

Residential floorcovering products. Residential floorcovering products include broadloom carpet, rugs, luxury vinyl flooring and engineered hardwood. These products are sold into the designer, retailer, mass merchant and builder markets.

Other services. Other services include carpet yarn processing and carpet dyeing services.

Contract Balances

Other than receivables that represent an unconditional right to consideration, which are presented in Note 4, the Company does not recognize any contract assets which give conditional rights to receive consideration, because the Company does not incur costs to obtain customer contracts that are recoverable. The Company often receives cash payments from customers in advance of the Company’s performance for limited production run orders resulting in contract liabilities. These contract liabilities are classified in accrued expenses in the consolidated condensed balance sheets based on the timing of when the Company expects to recognize revenue, which is typically less than a year. The net decrease or increase in the contract liabilities is primarily driven by order activity for limited runs requiring deposits offset by the recognition of revenue and the application of deposit on the receivables ledger for such activity during the period. The activity in the advanced deposits for the three month periods ended March 30, 2024 and April 1, 2023 is as follows:

	Three Months Ended	
	March 30, 2024	April 1, 2023
Beginning contract liability	**$ 966**	$ 1,055
Revenue recognized from contract liabilities included in the beginning balance	**(711)**	(753)
Increases due to cash received, net of amounts recognized in revenue during the period	**1,112**	681
Ending contract liability	**$ 1,367**	$ 983

(amounts in thousands, except per share data) (Continued)

Performance Obligations

For performance obligations related to residential floorcovering products, control transfers at a point in time. To indicate the transfer of control, the Company must have a present right to payment, legal title must have passed to the customer and the customer must have the significant risks and rewards of ownership. The Company's principal terms of sale are FOB Shipping Point and FOB Destination and the Company transfers control and records revenue for product sales either upon shipment or delivery to the customer, respectively. Revenue is allocated to each performance obligation based on its relative stand-alone selling prices. Stand-alone selling prices are based on observable prices at which the Company separately sells the products or services.

Variable Consideration

The nature of the Company's business gives rise to variable consideration, including rebates, allowances, and returns that generally decrease the transaction price, which reduces revenue. These variable amounts are generally credited to the customer, based on achieving certain levels of sales activity, product returns, or price concessions.

Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

Warranties

The Company generally provides product warranties related to manufacturing defects and specific performance standards for its products for a period of up to two years. The Company accrues for estimated future assurance warranty costs in the period in which the sale is recorded. The costs are included in cost of sales in the consolidated condensed statements of operations and the product warranty reserve is included in accrued expenses in the consolidated condensed balance sheets. The Company calculates its accrual using the portfolio approach based upon historical experience and known trends. The Company does not provide an additional service-type warranty. (See Note 8.)

NOTE 4 - RECEIVABLES, NET

The Company grants credit to its customers with defined payment terms, performs ongoing evaluations of the credit worthiness of its customers and generally does not require collateral. Accounts receivable are carried at their outstanding principal amounts, less an anticipated amount for discounts and an allowance for expected credit losses, which management believes is sufficient to cover potential credit losses based on historical experience and periodic evaluation of the financial condition of the Company's customers. The Company's allowance for credit losses is computed using a number of factors including past credit loss experience and the aging of amounts due from our customers, in addition to other customer-specific factors. The Company also considered recent trends and developments related to the current macroeconomic environment in determining its ending allowance for credit losses for accounts receivable. If the financial condition of the Company's customers were to deteriorate, resulting in a change in their ability to make payments, or additional changes in macroeconomic factors occur, additional allowances may be required. Receivables are summarized as follows:

	March 30, 2024	December 30, 2023
Customers, trade	**$ 27,942**	$ 22,461
Other receivables	**757**	1,665
Gross receivables	**28,699**	24,126
Less: allowance for expected credit losses (1)	**(474)**	(440)
Receivables, net	**$ 28,225**	$ 23,686

(1) The Company recognized an expense to the provision for expected credit losses of $88 and recognized write-offs, net of recoveries of $54 for the three months ended March 30, 2024. The Company recognized a credit to the provision for expected credit losses of $(66) and recognized write-offs, net of recoveries of $28 for the three months ended April 1, 2023.

(amounts in thousands, except per share data) (Continued)

NOTE 5 - INVENTORIES, NET

Inventories are summarized as follows:

	March 30, 2024	December 30, 2023
Raw materials	$ 24,082	$ 24,368
Work-in-process	11,710	12,275
Finished goods	61,114	60,553
Supplies and other	106	112
LIFO reserve	(21,971)	(21,097)
Inventories, net	$ 75,041	$ 76,211

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consists of the following:

	March 30, 2024	December 30, 2023
Land and improvements	$ 3,402	$ 3,402
Buildings and improvements	41,510	41,484
Machinery and equipment	163,456	155,312
Assets under construction	172	574
	208,540	200,772
Accumulated depreciation	(170,880)	(169,404)
Property, plant and equipment, net	$ 37,660	$ 31,368

Depreciation of property, plant and equipment, including amounts for finance leases, totaled $1,476 in the three months ended March 30, 2024 and $1,557 in the three months ended April 1, 2023.

NOTE 7 - ACCRUED EXPENSES

Accrued expenses are summarized as follows:

	March 30, 2024	December 30, 2023
Compensation and benefits	$ 5,148	$ 5,720
Provision for customer rebates, claims and allowances	5,363	6,199
Advanced customer deposits	1,367	966
Outstanding checks in excess of cash	2,506	444
Other	3,054	3,269
Accrued expenses	$ 17,438	$ 16,598

(amounts in thousands, except per share data) (Continued)

NOTE 8 - PRODUCT WARRANTY RESERVES

The Company generally provides product warranties related to manufacturing defects and specific performance standards for its products. Product warranty reserves are included in accrued expenses in the Company's consolidated condensed balance sheets. The following is a summary of the Company's product warranty activity for continuing operations:

	Three Months Ended	
	March 30, 2024	April 1, 2023
Product warranty reserve at beginning of period	**$ 735**	$ 942
Warranty liabilities accrued	**157**	189
Warranty liabilities settled	**(191)**	(227)
Product warranty reserve at end of period	**$ 701**	$ 904

NOTE 9 - LONG-TERM DEBT AND CREDIT ARRANGEMENTS

Long-term debt consists of the following:

	March 30, 2024	December 30, 2023
Revolving credit facility	**$ 50,680**	$ 47,619
Term loans	**23,366**	23,875
Notes payable - other	**11,598**	12,300
Finance lease obligations	**122**	131
Deferred financing costs, net	**(1,362)**	(1,405)
Total debt	**84,404**	82,520
Less: current portion of long-term debt	**3,794**	4,230
Long-term debt	**$ 80,610**	$ 78,290

Revolving Credit Facility

On October 30, 2020, the Company entered into a $75,000 Senior Secured Revolving Credit Facility with Fifth Third Bank National Association as lender. The loan is secured by a first priority security interest on all accounts receivable, cash, and inventory, and provides for borrowing limited by certain percentages of values of the accounts receivable and inventory. The revolving credit facility matures on October 30, 2025.

At the Company's election, advances of the revolving credit facility bear interest at annual rates equal to either (a) SOFR (plus a 0.10% SOFR adjustment) for 1 or 3 month periods, as defined with a floor of 0.75% or published SOFR, plus an applicable margin ranging between 1.50% and 2.00%, or (b) the higher of the prime rate plus an applicable margin ranging between 0.50% and 1.00%. The applicable margin is determined based on availability under the revolving credit facility with margins increasing as availability decreases. The applicable margin can be increased by 0.50% if the fixed charge coverage ratio is below a 1.10 to 1.00 ratio. As of March 30, 2024, the applicable margin on the Company's revolving credit facility was 2.50% for SOFR and 1.50% for Prime due to the fixed charge coverage ratio being below 1.10 to 1.00. The Company pays an unused line fee on the average amount by which the aggregate commitments exceed utilization of the revolving credit facility equal to 0.25% per annum. The weighted-average interest rate on borrowings outstanding under the revolving credit facility was 8.08% at March 30, 2024 and 8.15% at December 30, 2023.

The agreement is subject to customary terms and conditions and annual administrative fees with pricing varying on excess availability and a fixed charge coverage ratio. The agreement is also subject to certain compliance, affirmative, and financial covenants. The Company is only subject to the financial covenants if borrowing availability is less than $8,831, which is equal to 12.5% of the lesser of the total loan availability of $75,000 or total collateral available, and remains until the availability is greater than 12.5% for thirty consecutive days. As of March 30, 2024, the unused borrowing availability under the revolving credit facility was $14,998.

Term Loans

Effective October 28, 2020, the Company entered into a $10,000 principal amount USDA Guaranteed term loan with AmeriState Bank as lender. The term of the loan is 25 years and bears interest at a minimum 5.00% rate or 4.00% above 5-year treasury, to be reset every 5 years at 3.5% above 5-year treasury. The loan is secured by a first mortgage on the Company's Atmore, Alabama and Roanoke, Alabama facilities.

Effective October 29, 2020, the Company entered into a $15,000 principal amount USDA Guaranteed term loan with the Greater Nevada Credit Union as lender. The term of the loan is 10 years and bears interest at a minimum 5.00% rate or 4.00% above 5-year treasury, to be reset after 5 years at 3.5% above 5-year treasury. Payments on the loan are interest only over the first three years and principal and interest over the remaining seven years. The loan is secured by a first lien on a substantial portion of the Company's machinery and equipment and a second lien on the Company's Atmore and Roanoke facilities.

Debt Covenant Compliance and Liquidity Considerations

The Company's agreements for its Revolving Credit Facility and its term loans include certain compliance, affirmative, and financial covenants and, as of the reporting date, the Company is in compliance with all such applicable financial covenants. In the Company's self-assessment of going concern, with reflection on the Company's operating losses in 2024 and 2023, the Company considered its future ability to comply with the financial covenants in its existing debt agreements. Topic 205 requires Company management to perform a going concern self-assessment each annual and interim reporting period. In performing its evaluation, management considered known and reasonably knowable information as of the reporting date. The Company also considered the significant unfavorable impact if it were unable to maintain compliance with financial covenants by its primary lenders. As part of the evaluation, the Company considered the improved gross margins driven by cost reductions implemented under its East Coast Consolidation Plan. The financial statements do not include any adjustments that might result from the outcome of the uncertainty of the ability to maintain compliance with the financial covenants.

Notes Payable - Other

On January 14, 2019, the Company, entered into a purchase and sale agreement (the "Purchase and Sale Agreement") with Saraland Industrial, LLC, an Alabama limited liability company (the "Purchaser"). Pursuant to the terms of the Purchase and Sale Agreement, the Company sold its Saraland facility, and approximately 17.12 acres of surrounding property located in Saraland, Alabama (the "Property") to the Purchaser for a purchase price of $11,500. Concurrent with the sale of the Property, the Company and the Purchaser entered into a twenty-year lease agreement (the "Lease Agreement"), whereby the Company will lease back the Property at an annual rental rate of $977, subject to annual rent increases of 1.25%. Under the Lease Agreement, the Company has two (2) consecutive options to extend the term of the Lease by ten years for each such option. This transaction was recorded as a failed sale and leaseback. The Company recorded a liability for the amounts received, will continue to depreciate the asset, and has imputed an interest rate of 7.07% so that the net carrying amount of the financial liability and remaining assets will be zero at the end of the twenty-year lease term.

On September 15, 2023, the Company modified a note payable on equipment which had previously been recorded as a failed sale and leaseback. The note payable bears interest at 7.84% and matures on December 1, 2024.

The Company's other financing notes have terms up to 1 year, bear interest ranging from 6.34% to 6.50% and are due in monthly installments through their maturity dates. The Company's other notes do not contain any financial covenants.

Finance Lease Obligations

The Company's finance lease obligations are due in monthly installments through their maturity dates. The Company's finance lease obligations are secured by the specific equipment leased.

(amounts in thousands, except per share data) (Continued)

NOTE 10 - LEASES

Leases as Lessee

Balance sheet information related to right-of-use assets and liabilities is as follows:

	Balance Sheet Location	March 30, 2024	December 30, 2023
Operating Leases:			
Operating lease right-of-use assets	Operating lease right-of-use assets	$ 28,187	$ 28,962
Current portion of operating lease liabilities	Current portion of operating lease liabilities	$ 3,713	$ 3,654
Noncurrent portion of operating lease liabilities	Operating lease liabilities	25,081	25,907
Total operating lease liabilities		$ 28,794	$ 29,561
Finance Leases:			
Finance lease right-of-use assets	Property, plant, and equipment, net	$ 135	$ 138
Current portion of finance lease liabilities	Current portion of long-term debt	$ 26	$ 29
Noncurrent portion of finance lease liabilities	Long-term debt	96	102
Total financing lease liabilities		$ 122	$ 131

Lease cost recognized in the consolidated condensed financial statements is summarized as follows:

	Three Months Ended	
	March 30, 2024	April 1, 2023
Operating lease cost	$ 1,494	$ 1,047
Finance lease cost:		
Amortization of lease assets	$ 4	$ 43
Interest on lease liabilities	8	4
Total finance lease costs	$ 12	$ 47

(amounts in thousands, except per share data) (Continued)

Other supplemental information related to leases is summarized as follows:

	March 30, 2024	April 1, 2023
Weighted average remaining lease term (in years):		
Operating leases	**6.99**	6.41
Finance leases	**4.35**	0.55
Weighted average discount rate:		
Operating leases	**6.80 %**	6.40 %
Finance leases	**6.67 %**	6.19 %
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 1,485**	$ 1,028
Operating cash flows from finance leases	**2**	4
Financing cash flows from finance leases	**9**	81

The following table summarizes the Company's future minimum lease payments under non-cancellable contractual obligations for operating and financing liabilities as of March 30, 2024:

Fiscal Year	Operating Leases	Finance Leases
2024	$ 4,253	$ 26
2025	5,418	31
2026	5,133	31
2027	5,303	34
2028	5,330	19
Thereafter	11,348	—
Total future minimum lease payments (undiscounted)	36,785	141
Less: Present value discount	7,991	19
Total lease liability	$ 28,794	$ 122

Leases as Lessor

The Company leases or subleases to third parties certain excess space in its facilities, which are included as fixed assets. The leases are accounted for as operating leases and the lease or sublease income is included in other operating (income) expense, net. The Company recognizes lease income on a straight-line basis as collectability is probable, including any escalation or lease incentives, as applicable, and the Company continues to recognize the underlying asset. The Company has elected the practical expedient to combine all non-lease components as a combined component. The nature of the Company’s sublease agreements do not provide for variable lease payments, options to purchase, or extensions.

Lease income and sublease income related to fixed lease payments recognized in the consolidated condensed financial statements is summarized as follows:

	Three Months Ended	
	March 30, 2024	April 1, 2023
Operating lease income	**$ 375**	$ —

(amounts in thousands, except per share data) (Continued)

The following table summarizes the Company's undiscounted lease payments to be received under operating leases including amounts to be paid by the Company to the head lessor for the next five years and thereafter as of March 30, 2024:

Fiscal Year	Gross Lease Payments	Payments to Head Lessor	Net Lease Payments
2024	$ 935	$ 188	$ 747
2025	1,253	253	1,000
2026	1,278	256	1,022
2027	1,303	259	1,044
2028	766	163	603
Thereafter	—	—	—
Total	$ 5,535	$ 1,119	$ 4,416

NOTE 11 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange value of an asset or a liability in an orderly transaction between market participants. The fair value guidance outlines a valuation framework and establishes a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and disclosures. The hierarchy consists of three levels as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities as of the reported date;

Level 2 - Other than quoted market prices in active markets for identical assets or liabilities, quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other than quoted prices for assets or liabilities and prices that are derived principally from or corroborated by market data by correlation or other means; and

Level 3 - Measurements using management's best estimate of fair value, where the determination of fair value requires significant management judgment or estimation.

The carrying amounts and estimated fair values of the Company's financial instruments are summarized as follows:

	March 30, 2024		December 30, 2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	**$ 55**	**$ 55**	$ 79	$ 79
Financial liabilities:				
Long-term debt, including current portion	**$ 84,282**	**$ 81,762**	$ 82,389	$ 79,225
Finance leases, including current portion	**122**	**121**	131	130

The fair values of the Company's long-term debt and finance leases were estimated using market rates the Company believes would be available for similar types of financial instruments and represent level 2 measurements. The fair values of cash and cash equivalents approximate their carrying amounts due to the short-term nature of the financial instruments.

NOTE 12 - EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

The Company sponsors a 401(k) defined contribution plan that covers approximately 98% of the Company's current associates. This plan includes a mandatory Company match on the first 1% of participants' contributions. The Company matches the next 2% of participants' contributions if the Company meets prescribed earnings levels. The plan also provides for additional Company contributions above the 3% level if the Company attains certain additional performance targets. Matching contribution expense for this 401(k) plan was $96 and $88 for the three months ended March 30, 2024 and April 1, 2023, respectively.

Additionally, the Company sponsors a 401(k) defined contribution plan that covers associates at one facility who are under a collective-bargaining agreement. The number of associates under the plan represents approximately 2% of the Company's total current associates. Under this plan, the Company generally matches participants' contributions, on a sliding scale, up to a maximum of 2.75% of the participant's earnings. Matching contribution expense for the collective-bargaining 401(k) plan was $1 and $4 for the three months ended March 30, 2024 and April 1, 2023, respectively.

Non-Qualified Retirement Savings Plan

The Company sponsors a non-qualified retirement savings plan that allows eligible associates to defer a specified percentage of their compensation. The obligations for continuing operations owed to participants under this plan were $15,174 at March 30, 2024 and $14,289 at December 30, 2023 and are included in other long-term liabilities in the Company's consolidated condensed balance sheets. The obligations are unsecured general obligations of the Company and the participants have no right, interest or claim in the assets of the Company, except as unsecured general creditors. The Company utilizes a Rabbi Trust to hold, invest and reinvest deferrals and contributions under the plan. Amounts are invested in Company-owned life insurance in the Rabbi Trust and the cash surrender value of the policies for continuing operations was $15,498 at March 30, 2024 and $14,836 at December 30, 2023 and is included in other assets in the Company's consolidated condensed balance sheets.

Multi-Employer Pension Plan

The Company contributes to a multi-employer pension plan under the terms of a collective-bargaining agreement that covers its union-represented employees. Expenses related to the multi-employer pension plan were $7 and $3 for the three months ended March 30, 2024 and April 1, 2023, respectively. If the Company were to withdraw from the multi-employer plan, a withdrawal liability would be due, the amount of which would be determined by the plan. The withdrawal liability, as determined by the plan, would be a function of contribution rates, fund status, discount rates and various other factors at the time of any such withdrawal.

NOTE 13 - INCOME TAXES

The effective income tax rate for the three months ending March 30, 2024 was 0.67% compared with a effective income tax rate of 0.85% for the three months ending April 1, 2023. Because the Company maintains a full valuation allowance against its deferred income tax balances, the Company is only able to recognize refundable credits and a small amount of state taxes in the tax expense for the first three months of 2024. The Company is in a net deferred tax liability position of $91 at March 30, 2024 and December 30, 2023, which is included in other long-term liabilities in the Company's consolidated condensed balance sheets.

The Company accounts for uncertainty in income tax positions according to FASB guidance relating to uncertain tax positions. Unrecognized tax benefits were $562 and $555 at March 30, 2024 and December 30, 2023, respectively. Such benefits, if recognized, would affect the Company's effective tax rate. There were no significant interest or penalties accrued as of March 30, 2024 and December 30, 2023.

The Company and its subsidiaries are subject to United States federal income taxes, as well as income taxes in a number of state jurisdictions. The tax years subsequent to 2019 remain open to examination for U.S. federal income taxes. The majority of state jurisdictions remain open for tax years subsequent to 2019. A few state jurisdictions remain open to examination for tax years subsequent to 2018.

NOTE 14 - EARNINGS (LOSS) PER SHARE

The Company's unvested stock awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are considered participating securities and are included in the computation of earnings (loss) per share. Accounting guidance requires additional disclosure of earnings (loss) per share for common stock and unvested share-based payment awards, separately disclosing distributed and undistributed earnings. Undistributed earnings represent earnings that were available for distribution but were not distributed. Common stock and unvested share-based payment awards earn dividends equally. All earnings were undistributed in all periods presented.

(amounts in thousands, except per share data) (Continued)

The following table sets forth the computation of basic and diluted earnings (loss) per share from continuing operations:

	Three Months Ended	
	March 30, 2024	April 1, 2023
Basic earnings (loss) per share:		
Loss from continuing operations	**$ (2,410)**	$ (1,551)
Less: Allocation of earnings to participating securities	**—**	—
Loss from continuing operations available to common shareholders - basic	**$ (2,410)**	$ (1,551)
Basic weighted-average shares outstanding (1)	**14,850**	14,676
Basic earnings (loss) per share - continuing operations	**$ (0.16)**	$ (0.11)
Diluted earnings (loss) per share:		
Loss from continuing operations available to common shareholders - basic	**$ (2,410)**	$ (1,551)
Add: Undistributed earnings reallocated to unvested shareholders	**—**	—
Loss from continuing operations available to common shareholders - basic	**$ (2,410)**	$ (1,551)
Basic weighted-average shares outstanding (1)	**14,850**	14,676
Effect of dilutive securities:		
Stock options (2)	**—**	—
Directors' stock performance units (2)	**—**	—
Diluted weighted-average shares outstanding (1)(2)	**14,850**	14,676
Diluted earnings (loss) per share - continuing operations	**$ (0.16)**	$ (0.11)

(1) Includes Common and Class B Common shares, excluding unvested participating securities of 935 thousand as of March 30, 2024 and 742 thousand as of April 1, 2023.
(2) Shares issuable under stock option plans where the exercise price is greater than the average market price of the Company's Common Stock during the relevant period and directors' stock performance units have been excluded to the extent they are anti-dilutive. There were 539 thousand and 130 thousand aggregate shares excluded for the three months ended March 30, 2024 and April 1, 2023, respectively.

NOTE 15 - STOCK-BASED COMPENSATION EXPENSE

The Company recognizes compensation expense relating to share-based payments based on the fair value of the equity instrument issued and records such expense in selling and administrative expenses in the Company's consolidated condensed statements of operations. The Company's stock compensation expense was $156 and $197 for the three months ended March 30, 2024 and April 1, 2023, respectively.

On March 12, 2024, the Company issued 411,537 shares of restricted stock to certain key employees. The grant-date fair value of the awards was $251, or $0.61 per share, and is expected to be recognized as stock compensation expense over a weighted-average period of 5.0 years from the date the awards were granted. Each award is subject to a continued service condition. The fair value of each restricted stock awarded was equal to the market value of a share of the Company's Common Stock on the grant date.

NOTE 16 - ACCUMULATED OTHER COMPREHENSIVE INCOME

Components of accumulated other comprehensive income, net of tax, are as follows:

	Post-Retirement Liabilities
Balance at December 30, 2023	$ 268
Reclassification of net actuarial gain into earnings from postretirement benefit plans	(5)
Balance at March 30, 2024	**$ 263**

(amounts in thousands, except per share data) (Continued)

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Contingencies

The Company assesses its exposure related to legal matters, including those pertaining to product liability, safety and health matters and other items that arise in the regular course of its business. If the Company determines that it is probable a loss has been incurred, the amount of the loss, or an amount within the range of loss, that can be reasonably estimated will be recorded. The Company has not identified any legal matters that could have a material adverse effect on its consolidated condensed results of operations, financial position or cash flows.

Environmental Remediation

The Company accrues for losses associated with environmental remediation obligations when such losses are probable and estimable. Remediation obligations are accrued based on the latest available information and are recorded at undiscounted amounts. The Company regularly monitors the progress of environmental remediation. If studies indicate that the cost of remediation has changed from the previous estimate, an adjustment to the liability would be recorded in the period in which such determination is made (see Note 20).

Legal Proceedings

The Company has been sued together with 15 other defendants in a civil action filed January 22, 2024, in the Superior Court of Gordon County Georgia. The case is styled: Moss Land Company, LLC and Revocable Living Trust of William Darryl Edwards, by and through William Darryl Edwards, Trustee vs. City of Calhoun et al. Civil Action Number 24CV73929. The plaintiffs are two landowners located in Gordon County Georgia. The relief sought is compensation for alleged damages to the plaintiffs' real property, an injunction from alleged further damage to their property and abatement of alleged nuisance related to the presence of PFAS and related chemicals on their property. The Plaintiffs allege that such chemicals have been deposited on their property by the City of Calhoun as a byproduct of treating water containing such chemicals used by manufacturing operations in and around Calhoun Georgia. The defendants include the City of Calhoun Georgia, several other carpet manufacturers, and certain manufacturers and sellers of chemicals containing PFAS. No specific amount of damages has been demanded. The Company has denied liability and is vigorously defending the matter.

On March 1, 2024, the City of Calhoun Georgia served an answer and crossclaim for Damages and injunctive relief in the pending matter styled: In re: Moss Land Company, LLC and Revocable living Trust of William Darryl Edwards by and through William Darryl Edwards, Trustee v. The Dixie Group, Inc. In the Superior Court of Gordon County Georgia, case Number: 24CV73929. In its Answer and Crossclaim defendant Calhoun sues The Dixie Group, Inc. and other named carpet manufacturing defendants for unspecified monetary damages and other injunctive relief based on injury claimed to have resulted from defendant's use and disposal of chemical wastewater containing PFAS chemicals. The Company intends to deny liability and defend the matter vigorously.

NOTE 18 - OTHER (INCOME) EXPENSE, NET

Other operating (income) expense, net is summarized as follows:

	Three Months Ended	
	March 30, 2024	April 1, 2023
Other operating expense, net:		
Loss on currency exchanges	**$ 38**	$ 10
Retirement expense	**32**	74
Lease income, net	**(22)**	—
Miscellaneous (income) expense	**4**	(16)
Other operating expense, net	**$ 52**	$ 68

(amounts in thousands, except per share data) (Continued)

NOTE 19 - FACILITY CONSOLIDATION AND SEVERANCE EXPENSES, NET

2022 Consolidation of East Coast Manufacturing Plan

During 2022, the Company implemented a plan to consolidate its East Coast manufacturing in order to reduce its manufacturing costs. Under this plan, the Company consolidated its East Coast tufting operations into one plant in North Georgia, relocated the distribution of luxury vinyl flooring from its Saraland, Alabama facility to its Atmore, Alabama facility and identified space in its Saraland, Alabama and Atmore, Alabama facilities as available for lease or sublease. Costs for the plan include machinery and equipment relocation, inventory relocation, staff reductions and unabsorbed fixed costs during conversion of the Atmore facility.

Costs related to the facility consolidation plans are summarized as follows:

					As of March 30, 2024	
	Accrued Balance at December 30, 2023	2024 Expenses To Date (1)	2024 Cash Payments	Accrued Balance at March 30, 2024	Total Costs Incurred To Date	Total Expected Costs
Consolidation of East Coast Manufacturing Plan	$ 36	$ 105	$ 117	$ 24	$ 7,820	$ 8,102
Asset Impairments/Non-Cash Items	$ —	$ 137	$ —	$ —	$ 1,854	$ 2,267

	Accrued Balance at December 31, 2022	2023 Expenses To Date (1)	2023 Cash Payments	Accrued Balance at April 1, 2023
Consolidation of East Coast Manufacturing Plan	$ 1,011	$ 1,050	$ 1,558	$ 503
Asset Impairments/Non-Cash Items	$ —	$ —	$ —	$ —

(1) Costs incurred under these plans are classified as "facility consolidation and severance expenses, net" in the Company's consolidated condensed statements of operations.

NOTE 20 - DISCONTINUED OPERATIONS

The Company has either sold or discontinued certain operations that are accounted for as "Discontinued Operations" under applicable accounting guidance. Discontinued operations are summarized as follows:

	Three Months Ended	
	March 30, 2024	April 1, 2023
Loss from discontinued operations:		
Workers' compensation costs from former textile operations	**$ (33)**	$ (19)
Environmental remediation costs from former textile operations	**—**	(25)
Commercial business operations	**(51)**	(163)
Loss from discontinued operations, before taxes	**$ (84)**	$ (207)
Income tax benefit	**—**	—
Loss from discontinued operations, net of tax	**$ (84)**	$ (207)

Workers' compensation costs from former textile operations

Undiscounted reserves are maintained for the self-insured workers' compensation obligations related to the Company's former textile operations. These reserves are administered by a third-party workers' compensation service provider under the supervision of Company personnel. Such reserves are reassessed on a quarterly basis. Pre-tax cost incurred for workers' compensation as a component of discontinued operations primarily represents a change in estimate for each period from unanticipated medical costs associated with the Company's obligations.

(amounts in thousands, except per share data) (Continued)

Environmental remediation costs from former textile operations

Reserves for environmental remediation obligations are established on an undiscounted basis. The Company has an accrual for environmental remediation obligations related to discontinued operations of $2,191 as of March 30, 2024 and $2,205 as of December 30, 2023. The liability established represents the Company's best estimate of possible loss and is the reasonable amount to which there is any meaningful degree of certainty given the periods of estimated remediation and the dollars applicable to such remediation for those periods. The actual timeline to remediate, and thus, the ultimate cost to complete such remediation through these remediation efforts, may differ significantly from the Company's estimates. Pre-tax cost for environmental remediation obligations classified as discontinued operations were primarily a result of specific events requiring action and additional expense in each period.

Commercial business operations

In accordance with the Asset Purchase Agreement dated September 13, 2021, the Company sold assets that included certain inventory, certain items of machinery and equipment used exclusively in the Commercial Business, and related intellectual property. Additionally, the Company agreed not to compete with the specified commercial business and the Atlas|Masland markets for a period of 5 years following September 13, 2021. The agreement allowed for the Company to sell the commercial inventory retained by the Company after the divestiture.

The Company reclassified the following assets and liabilities for discontinued operations in the accompanying consolidated condensed balance sheets:

	March 30, 2024	December 30, 2023
Current Assets of Discontinued Operations:		
Receivables, net	**$ 149**	$ 158
Inventories, net	**111**	107
Current Assets Held for Discontinued Operations	**$ 260**	$ 265
Long Term Assets of Discontinued Operations:		
Property, plant and equipment, net	**$ 176**	$ 176
Other assets	**1,215**	1,138
Long Term Assets Held for Discontinued Operations	**$ 1,391**	$ 1,314
Current Liabilities of Discontinued Operations:		
Accounts payable	**$ 128**	$ 128
Accrued expenses	**1,044**	1,009
Current Liabilities Held for Discontinued Operations	**$ 1,172**	$ 1,137
Long Term Liabilities of Discontinued Operations:		
Other long term liabilities	**$ 3,618**	$ 3,536
Long Term Liabilities Held for Discontinued Operations	**$ 3,618**	$ 3,536

For the three months ended March 30, 2024 and April 1, 2023, the Company reclassified the following operations of the Commercial business included in discontinued operations in the accompanying consolidated condensed statements of operations:

	Three Months Ended	
	March 30, 2024	April 1, 2023
Net sales	**$ 11**	$ 140
Cost of sales	**118**	261
Gross profit	**(107)**	(121)
Selling and administrative expenses	**(56)**	45
Other operating income, net	**—**	(3)
Loss from discontinued Commercial business operations	**$ (51)**	$ (163)

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

The following discussion and analysis should be read in conjunction with our consolidated condensed financial statements and related notes appearing elsewhere in this report.

FORWARD-LOOKING INFORMATION

This Report contains statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include the use of terms or phrases such as "expects," "estimates," "projects," "believes," "anticipates," "intends," and similar terms and phrases. Such forward-looking statements relate to, among other matters, our future financial performance, business prospects, growth strategies or liquidity. The following important factors may affect our future results and could cause those results to differ materially from our historical results; these factors include, in addition to those “Risk Factors” detailed in item 1A of this report, and described elsewhere in this document, the cost and availability of capital, raw material and transportation costs related to petroleum price levels, the cost and availability of energy supplies, the loss of a significant customer or group of customers, the ability to attract, develop and retain qualified personnel, materially adverse changes in economic conditions generally in carpet, rug and floorcovering markets we serve and other risks detailed from time to time in our filings with the Securities and Exchange Commission.

OVERVIEW

Our business consists principally of marketing, manufacturing and selling floorcovering products to high-end customers through our various sales forces and brands. We focus primarily on the upper end of the floorcovering market where we believe we have strong brands and competitive advantages with our style and design capabilities and customer relationships. Our Fabrica, Masland, and DH Floors brands have a significant presence in the high-end residential floorcovering markets. Dixie International sells all of our brands outside of the North American market.

Historically, we participated in the upper end specified commercial flooring marketplace through our Atlas | Masland Contract brand. On September 13, 2021, we sold our Commercial business. The results of our Commercial business activity are included in discontinued operations in the included financial statements.

RESULTS OF OPERATIONS

The following tables provide information derived from our unaudited condensed consolidated financial statements for the periods indicated. Percentages used are expressed as a percent of net sales. The discussion that follows each table should be read in conjunction with our unaudited condensed consolidated financial statements as well as our 2023 Annual Report on Form 10-K for the year ended December 30, 2023.

Three Months Ended March 30, 2024 Compared with the Three Months Ended April 1, 2023

Net Sales from Continuing Operations

($ in thousands)	Three Months Ended **March 30, 2024**	 April 1, 2023	**Inc./(Dec.)**	**Inc./(Dec.)**
Net Sales	**$ 65,254**	$ 67,084	$(1,830)	(2.7)%

For the first quarter of 2024, our net sales from continuing operations decreased 2.7% compared with the first quarter of 2023. The lower net sales were attributed to lower demand within the floorcovering industry and related markets driven by continued high interest rates and inflation.

	Three Months Ended **March 30, 2024**	 April 1, 2023
Net sales	**100.0 %**	100.0 %
Cost of sales	**75.8 %**	73.4 %
Gross profit	**24.2 %**	26.6 %
Selling and administrative expenses	**25.1 %**	24.5 %
Other operating expenses, net	**— %**	0.1 %
Facility consolidation and severance expenses, net	**0.4 %**	1.5 %
Operating income (loss)	**(1.3)%**	0.5 %

Gross Profit

Gross profit as a percentage of net sales was 24.2% in the first quarter of 2024 compared with 26.6% in the first quarter of 2023. The lower gross profit percentage in 2024 was primarily driven by lower sales demand that resulted in higher unabsorbed fixed costs in manufacturing during the quarter. The higher gross profit percentage in 2023 was primarily driven by decreases in raw material costs, headcount reductions and operational efficiencies as the result of facility consolidations.

Selling and Administrative Expenses

Selling and administrative expenses were $16.4 million, or 25.1% of net sales, in the first quarter of 2024 compared with $16.4 million, or 24.5% of net sales in the year earlier period. Selling and administrative expenses as a percentage of net sales increased in the first quarter of 2024 as compared to the first quarter of 2023 primarily due to lower sales volume in the first quarter of 2024.

Other Operating Expense, Net

Net other operating expense was $52 thousand of expense in the first quarter of 2024 compared with $68 thousand of expense in the first quarter of 2023. The decrease in other operating expense was a result of lease revenue from excess warehouse capacity in 2024.

Facility Consolidation and Severance Expenses, Net

Facility consolidation and severance expenses in the first quarter of 2024 were $242 thousand compared with $1.1 million in the first quarter of 2023. The expenses in the first quarter of 2024 and 2023 were related to our restructuring plan for the consolidation of our east coast manufacturing.

Operating Income (Loss)

We reported an operating loss of $857 thousand in the first quarter of 2024 compared with operating income of $306 thousand in the first quarter of 2023. The decline in operating income was primarily the result of lower sales volume that resulted in higher unabsorbed fixed costs during the first quarter of 2024.

Interest Expense

Interest expense decreased $326 thousand in the first quarter of 2024 compared with the first quarter of 2023. The decrease is primarily the result of a lower debt level in 2024 offset by an increase in interest rates on our variable rate debt.

Other (Income) Expense, Net

Net other (income) expense was $5 thousand of expense in the first quarter of 2024 compared with $14 thousand of income in the first quarter of 2023.

Income Tax Provision

We recorded an income tax expense from continuing operations of $16 thousand in the first quarter of 2024 compared to a income tax expense of $13 thousand in the first quarter of 2023.

The effective income tax rate for the three months ending March 30, 2024 was 0.67% compared with a income rate of 0.85% for the three months ending April 1, 2023. Because we maintain a full valuation allowance against our deferred tax balances, we are only able to recognize refundable credits and a small amount of state taxes in the tax expense for the first quarter of 2024 and 2023. We are in a net deferred tax liability position of $91 thousand at March 30, 2024 and December 30, 2023, which is included in other long-term liabilities in our consolidated condensed balance sheets.

We account for uncertainty in income tax positions according to FASB guidance relating to uncertain tax positions. Unrecognized tax benefits were $562 thousand and $555 thousand at March 30, 2024 and December 30, 2023, respectively. Such benefits, if recognized, would affect our effective tax rate. There were no significant interest or penalties accrued as of March 30, 2024 and December 30, 2023.

Net Loss

Continuing operations reflected a loss of $2.5 million, or $0.16 per diluted share, in the first quarter of 2024 compared with a loss of $1.8 million, or $0.11 per diluted share, in the same period in 2023. The loss from discontinued operations was $84 thousand in the first quarter of 2024 compared to a loss of $207 thousand in the first quarter of 2023. See Note 20 to the consolidated condensed financial statements for additional details related to discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended March 30, 2024, cash used in operating activities in continuing operations was $3.4 million. An increase in accounts receivable used $4.6 million during the first three months of 2024. Prepaid and other current assets used $5.2 million primarily as a result of deferred sample and marketing expenses. A decrease in inventory generated $1.2 million and an increase in accounts payable and accrued expenses generated $5.9 million primarily driven by the quarter end timing of payments based on supplier terms.

Purchases of capital assets for the three months March 30, 2024 resulted in a $499 thousand cash out flow to the business. Depreciation and amortization for the three months ended March 30, 2024 were $1.5 million. We expect capital expenditures to be approximately $2.8 million in 2024 while depreciation and amortization is expected to be approximately $6.2 million.

During the three months ended March 30, 2024, cash provided by financing activities was $3.9 million. We had net borrowings on our revolving credit facility of $3.1 million and net payments on notes payable and financing leases of $1.2 million.

We believe, after having reviewed various financial scenarios, our operating cash flows, credit availability under our revolving credit facility and other sources of financing are adequate to finance our anticipated liquidity requirements under current operating conditions. We have specifically considered the impact of continued operating losses on our liquidity position and our ability to comply with financial covenants by our primary lenders. As part of our evaluation, we considered the improved gross margins driven by cost reductions implemented under our East Coast Consolidation Plan, the return from the elimination of cash discounts, lower planned sample investments and cost savings expected to be generated from the operations of our extrusion equipment. Availability under our Senior Secured Revolving Credit Facility on March 30, 2024 was $15.0 million. Significant additional cash expenditures above our normal liquidity requirements, significant deterioration in economic conditions or continued operating losses could affect our business and require supplemental financing or other funding sources. There can be no assurance that other supplemental financing or other sources of funding can be obtained or will be obtained on terms favorable to us. We cannot predict, and are unable to know, the long-term impact of the COVID-19 pandemic and the related economic consequences or how these events may affect our future liquidity.

Changes to Critical Accounting Policies

Our critical accounting policies were outlined in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2023 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Recent Accounting Pronouncements

Recent accounting pronouncements are disclosed in Note 2 to the consolidated condensed financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk (Dollars in thousands)

Our earnings, cash flows and financial position are exposed to market risks relating to interest rates, among other factors. It is our policy to minimize our exposure to adverse changes in interest rates and manage interest rate risks inherent in funding our Company with debt. We address this financial exposure through a risk management program that includes maintaining a mix of fixed and floating rate debt.

At March 30, 2024, $74,047, or approximately 86% of our total debt, was subject to short-term floating interest rates. A one-hundred basis point fluctuation in the variable interest rates applicable to this floating rate debt would have an annual after-tax impact of approximately $740. Included in the $74,047, is the amount outstanding for term loans of $23,366. Both loans are currently set to bear interest of 5% for five years. Every five years, these rates will be reset to reflect the then current 5-year treasury rate plus a margin. A one-hundred basis point fluctuation in the interest rates applicable to this floating rate debt would have an annual after-tax impact of approximately $234. See Note 9 to the consolidated condensed financial statements for further discussion of these loans.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms and is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management, under the supervision and with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such terms are defined in Rules 13(a)-15(e) and 15(d)-15(e)) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of March 30, 2024, the date of the financial statements included in this Form 10-Q (the “Evaluation Date”). Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of the Evaluation Date.

No changes in our internal control over financial reporting occurred during the quarter covered by this report that materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures, as well as diverse interpretation of U. S. generally accepted accounting principles by accounting professionals. It is also possible that internal control over financial reporting can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. These inherent limitations are known features of the financial reporting process; therefore, while it is possible to design into the process safeguards to reduce such risk, it is not possible to eliminate all risk.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We have been sued together with 15 other defendants in a civil action filed January 22, 2024, in the Superior Court of Gordon County Georgia. The case is styled: Moss Land Company, LLC and Revocable Living Trust of William Darryl Edwards, by and through William Darryl Edwards, Trustee vs. City of Calhoun et al. Civil Action Number 24CV73929. The plaintiffs are two landowners located in Gordon County Georgia. The relief sought is compensation for alleged damages to the plaintiffs' real property, an injunction from alleged further damage to their property and abatement of alleged nuisance related to the presence of PFAS and related chemicals on their property. The Plaintiffs allege that such chemicals have been deposited on their property by the City of Calhoun as a byproduct of treating water containing such chemicals used by manufacturing operations in and around Calhoun Georgia. The defendants include the City of Calhoun Georgia, several other carpet manufacturers, and certain manufacturers and sellers of chemicals containing PFAS. No specific amount of damages has been demanded. We have denied liability and are vigorously defending the matter.

On March 1, 2024, the City of Calhoun Georgia served an answer and crossclaim for Damages and injunctive relief in the pending matter styled: In re: Moss Land Company, LLC and Revocable living Trust of William Darryl Edwards by and through William Darryl Edwards, Trustee v. The Dixie Group, Inc. In the Superior Court of Gordon County Georgia, case Number: 24CV73929. In its Answer and Crossclaim defendant Calhoun sues The Dixie Group, Inc. and other named carpet manufacturing defendants for unspecified monetary damages and other injunctive relief based on injury claimed to have resulted from defendant's use and disposal of chemical wastewater containing PFAS chemicals. We intend to deny liability and defend the matter vigorously.

Item 1A. Risk Factors

In addition to the other information provided in this Report, the following risk factors should be considered when evaluating the results of our operations, future prospects and an investment in shares of our Common Stock. Any of these factors could cause our actual financial results to differ materially from our historical results, and could give rise to events that might have a material adverse effect on our business, financial condition and results of operations.

Our financial condition and results of operations have been and could likely be adversely impacted in the future by COVID-19 or other pandemics and the related negative impact on economic conditions.

Global and/or local pandemics, such as COVID-19, have negatively impacted areas where we operate and sell our products and services. The COVID-19 outbreak in the second quarter of 2020 had a material adverse effect on our ability to operate and our results of operations as public health organizations recommended, and many governments implemented, measures to slow and limit the transmission of the virus, including shelter in place and social distancing ordinances. Although the accessibility of vaccines and other preventive measures have lessened the impact, new variants or other pandemics may necessitate a return of such restrictive, preventive measures which may have a material adverse effect on our business for an indefinite period of time, such as the potential shut down of certain locations, decreased employee availability, disruptions to the businesses of our selling channel partners, and others. Our suppliers and customers may also face these and other challenges, which could lead to a disruption in our supply chain as well as decreased construction and renovation spending and consumer demand for our products and services. These issues may also materially affect our current and future access to sources of liquidity, particularly our cash flows from operations, and access to financing. The long-term economic impact and near-term financial impacts of the COVID-19 pandemic or other pandemics, including but not limited to, potential near term or long-term risk of asset impairment, restructuring, and other charges, cannot be reliably quantified or estimated at this time due to the uncertainty of future developments.

The floorcovering industry is sensitive to changes in general economic conditions and a decline in residential activity or home remodeling and refurbishment could have a material adverse effect on our business.

The floorcovering industry, in which we participate, is highly dependent on general economic conditions, such as interest rate levels, consumer confidence and income, corporate and government spending, availability of credit and demand for housing. We derive a majority of our sales from the replacement segment of the market. Therefore, unfavorable economic changes, such as an economic recession, could result in a significant or prolonged decline in spending for remodeling and replacement activities which could have a material adverse effect on our business and results of operations.

The residential floorcovering market is highly dependent on housing activity, including remodeling. The U.S. and global economies, along with the residential markets in such economies, can negatively impact the floorcovering industry and our business. Although the impact of a decline in new housing activity is typically accompanied by an increase in remodeling and replacement activity, these activities typically lag during a cyclical downturn. Additional or extended downturns could cause prolonged deterioration. A significant or prolonged decline in residential housing activity could have a material adverse effect on our business and results of operations.

We have significant levels of indebtedness that could result in negative consequences to us.

We have a significant amount of indebtedness relative to our equity. Insufficient cash flow, profitability, or the value of our assets securing our loans could have a material adverse effect on our ability to generate sufficient funds to satisfy the terms of our senior loan agreements and other debt obligations. Our senior loan agreement and term loans include certain compliance, affirmative, and financial covenants. The impact of continued operating losses on our liquidity position could affect our ability to comply with these covenants by our primary lenders. Additionally, the inability to access debt or equity markets at competitive rates in sufficient amounts to satisfy our obligations could adversely impact our business. Significant increases in interest rates tied to our floating rate debt could have a material adverse effect on our financial results. Further, our trade relations depend on our economic viability and insufficient capital could harm our ability to attract and retain customers and or supplier relationships.

Uncertainty in the credit market or downturns in the economy and our business could affect our overall availability and cost of credit.

Economic factors, including an economic recession, could have a material adverse effect on demand for our products and on our financial condition and operating results. Uncertainty in the credit markets could affect the availability and cost of credit. If banks and financial institutions with whom we have banking relationships enter receivership or become insolvent in the future, we may be unable to access, and we may lose, some or all of our existing cash and cash equivalents to the extent those funds are not insured or otherwise protected by the FDIC. Market conditions could impact our ability to obtain financing in the future, including any financing necessary to refinance existing indebtedness. The cost and terms of such financing is uncertain. Continued operating losses could affect our ability to continue to access the credit markets under our current terms and conditions.

If we are not able to maintain a minimum bid price of $1 per share for our common stock, we may be subject to delisting from The NASDAQ Stock Market.

NASDAQ Marketplace Rule 5550(a)(2) requires that, for continued listing on the exchange, we must maintain a minimum bid price of $1 per share. We received notice from NASDAQ on September 27, 2023 that our closing bid price was below $1 per share for 30 consecutive business days. We have requested, and have been granted, an additional 180 calendar days from March 25, 2024 to meet the applicable minimum bid price requirement. As a result of the extension, we now have until September 23, 2024 to regain compliance with the bid price requirement. We will continue to monitor the closing bid price and will consider all available options to regain compliance. If we do not regain compliance with the bid price requirement by September 23, 2024 NASDAQ will provide notification that our shares will be subject to delisting. At such time, we may appeal the delisting determination to a NASDAQ Hearings panel. We would remain listed pending the panel's decision. There can be no assurance that if we appeal a subsequent delisting determination that such appeal would be successful. To the extent that we are unable to stay in compliance with the relevant NASDAQ bid price listing rule, there is a risk that our common stock may be delisted from NASDAQ, which would adversely impact liquidity of our common stock and potentially result in even lower bid prices for our common stock.

Our stock price has been and could remain volatile, which could further adversely affect the market price of our stock, our ability to raise additional capital.

The market price of our common stock has historically experienced and may continue to experience significant volatility. Our progress in restructuring our business, our quarterly operating results, our perceived prospects, lack of securities analysts' recommendations or earnings estimates, changes in general conditions in the economy or the financial markets, adverse events related to our strategic relationships, significant sales of our common stock by existing stockholders, and other developments affecting us or our competitors could cause the market price of our common stock to fluctuate substantially. In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of our common stock. Such market price volatility could adversely affect our ability to raise additional capital.

We face intense competition in our industry, which could decrease demand for our products and could have a material adverse effect on our profitability.

The floorcovering industry is highly competitive. We face competition from a number of domestic manufacturers and independent distributors of floorcovering products and, in certain product areas, foreign manufacturers. Significant consolidation within the floorcovering industry has caused a number of our existing and potential competitors to grow significantly larger and have greater access to resources and capital than we do. Maintaining our competitive position may require us to make substantial additional investments in our product development efforts, manufacturing facilities, distribution network and sales and marketing activities. These additional investments may be limited by our access to capital, as well as restrictions set forth in our credit facilities. Competitive pressures and the accelerated growth of hard surface alternatives have resulted in decreased demand for our soft floorcovering products and in the loss of market share to hard surface products. As a result, competition from providers of other soft surfaces has intensified and may result in lower demand for our products. In addition, we face, and will continue to face, competitive pressures on our sales prices and cost of our products. As a result of any of these factors, there could be a material adverse effect on our sales and profitability.

If we are unable to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products, we may not be able to maintain or increase our net revenues and profitability.

Our success depends on our ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner. All of our products are subject to changing consumer preferences that cannot be predicted with certainty. In addition, long lead times for certain products may make it hard for us to quickly respond to changes in consumer demands. New products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of flooring products or away from these types of products altogether, and our future success depends in part on our ability to anticipate and respond to these changes. Failure to anticipate and respond in a timely manner to changing consumer preferences could lead to, among other things, lower sales and excess inventory levels, which could have a material adverse effect on our financial condition.

Raw material prices will vary and the inability to either offset or pass on such cost increases or avoid passing on decreases larger than the cost decrease to our customers could have a material adverse effect on our business, results of operations and financial condition.

We require substantial amounts of raw materials to produce our products, including nylon and polyester yarn, as well as wool yarns, synthetic backing, latex, and dyes. Substantially all of the raw materials we require are purchased from outside sources. The prices of raw materials and fuel-related costs have increased significantly due to market conditions and inflationary pressures, the duration and extent of which is difficult to predict. The fact that we source a significant amount of raw materials means that several months of raw materials and work in process are moving through our supply chain at any point in time. We are sourcing the majority of our new luxury vinyl flooring and wood product lines from overseas. We are not able to predict whether commodity costs will significantly increase or decrease in the future. If commodity costs continue to increase in the future and we are not able to reduce or eliminate the effect of the cost increases by reducing production costs or implementing price increases, our profit margins could decrease. If commodity costs decline, we may experience pressures from customers to reduce our selling prices. The timing of any price reductions and decreases in commodity costs may not align. As a result, our margins could be affected.

Disruption to suppliers of raw materials could have a material adverse effect on us.

Nylon yarn is the principal raw material used in our floorcovering products. The supply of all nylon yarn and yarn systems has been negatively impacted by a variety of overall market factors. The cost of nylon yarns has risen significantly and availability of nylon yarns has been restricted. An interruption in the supply of these or other raw materials or sourced products used in our business or in the supply of suitable substitute materials or products would disrupt our operations, which could have a material adverse effect on our business. Supply constraints may impact our ability to successfully develop products and effectively service our customers. We have developed and are developing products and product offerings using fiber systems from multiple external fiber suppliers as well as from vertically integrated production of our yarn supply through dedicated internal extrusion operations. There can be no certainty as to the success of our efforts to develop and market such products. We continually evaluate our sources of yarn and other raw materials for competitive costs, performance characteristics, brand value, and diversity of supply.

We rely on information systems in managing our operations and any system failure, cyber incident or deficiencies of such systems may have an adverse effect on our business.

Our businesses rely on sophisticated systems to obtain, rapidly process, analyze and manage data. We rely on these systems to, among other things, facilitate the purchase, manufacture and distribution of our products; receive, process and ship orders on a timely basis; and to maintain accurate and up-to-date operating and financial data for the compilation of management information. We rely on our computer hardware, software and network for the storage, delivery and transmission of data to our sales and distribution systems, and certain of our production processes are managed and conducted by computer. Any damage by unforeseen events or system failure which causes interruptions to the input, retrieval and transmission of data or increase in the service time, whether caused by human error, natural disasters, power loss, computer viruses, intentional acts of vandalism, various forms of cyber crimes including and not limited to hacking, ransomware, intrusions and malware or otherwise, could disrupt our normal operations. Depending upon the severity of the incident, there can be no assurance that we can effectively carry out our disaster recovery plan to handle a failure of our information systems, or that we will be able to restore our operational capacity within sufficient time to avoid material disruption to our business. The occurrence of any of these events could cause unanticipated disruptions in service, decreased customer service and customer satisfaction and harm to our reputation, which could result in loss of customers, increased operating expenses and financial losses. Any such events could in turn have a material adverse effect on our business, financial condition, results of operations, and prospects.

The long-term performance of our business relies on our ability to attract, develop and retain qualified personnel.

To be successful, we must attract, develop and retain qualified and talented personnel in management, sales, marketing, product design and operations. We compete with other floorcovering companies for these employees and invest resources in recruiting, developing, motivating and retaining them. The failure to attract, develop, motivate and retain key employees could negatively affect our business, financial condition and results of operations.

We are subject to various governmental actions that may interrupt our supply of materials.

We import most of our luxury vinyl flooring ("LVF"), some of our wood offering, some of our rugs and broadloom offerings. Though currently a small part of our business, the growth in LVF products is an important product offering to provide our customers a complete selection of flooring alternatives. There have been trade proposals that threatened these product categories with added tariffs which would make our offerings less competitive compared to those manufactured in other countries or produced domestically. These proposals, if enacted, or if expanded, or imposed for a significant period of time, would materially interfere with our ability to successfully enter into these product categories and could have a material adverse effect upon our cost of sales and results of operations.

Regulatory efforts to monitor political, social, and environmental conditions in foreign countries that produce products or components of products purchased by us will necessarily add complexity and cost to our products and processes and may reduce the availability of certain products. Regulatory efforts to prevent or reduce the risk that certain flooring products or elements of such products are produced in regions where forced or involuntary labor are known or believed to occur will result in increased cost to us as we attempt to ensure that none of our products or components of our products are produced in such regions. Such increased cost may make our products less competitive.

We may experience certain risks associated with internal expansion, acquisitions, joint ventures and strategic investments.

We continually look for strategic and tactical initiatives, including internal expansion, acquisitions and investment in new products, to strengthen our future and to enable us to return to sustained growth and to achieve profitability. Growth through expansion and acquisition involves risks, many of which may continue to affect us after the acquisition or expansion. An acquired company, operation or internal expansion may not achieve the levels of revenue, profitability and production that we expect. The combination of an acquired company's business with ours involves risks. Further, internally generated growth that involves expansion involves risks as well. Such risks include the integration of computer systems, alignment of human resource policies and the retention of valued talent. Reported earnings may not meet expectations because of goodwill and intangible asset impairment, other asset impairments, increased interest costs and issuance of additional securities or debt as a result of these acquisitions. We may also face challenges in consolidating functions and integrating our organizations, procedures, operations and product lines in a timely and efficient manner.

The diversion of management attention and any difficulties encountered in the transition and integration process could have a material adverse effect on our revenues, level of expenses and operating results. Failure to successfully manage and integrate an acquisition with our existing operations or expansion of our existing operations could lead to the potential loss of customers of the acquired or existing business, the potential loss of employees who may be vital to the new or existing operations, the potential loss of business opportunities or other adverse consequences that could have a material adverse effect on our business, financial condition and results of operations. Even if integration occurs successfully, failure of the expansion or acquisition to achieve levels of anticipated sales growth, profitability or productivity, or otherwise perform as expected, may have a material adverse effect on our business, financial condition and results of operations.

We are subject to various environmental, safety and health regulations that may subject us to costs, liabilities and other obligations, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to various environmental, safety and health and other regulations that may subject us to costs, liabilities and other obligations which could have a material adverse effect on our business. The applicable requirements under these laws are subject to amendment, to the imposition of new or additional requirements and to changing interpretations of agencies or courts. We could incur material expenditures to comply with new or existing regulations, including fines and penalties and increased costs of our operations. Additionally, future laws, ordinances, regulations or regulatory guidelines could give rise to additional compliance or remediation costs that could have a material adverse effect on our business, results of operations and financial condition. For example, producer responsibility regulations regarding end-of-life disposal could impose additional cost and complexity to our business.

The Environmental Protection Agency ("EPA") has declared an intent to focus on perceived risks posed by certain chemicals (principally PFOA and PFOAS) previously used by the carpet industry. Recently, such chemicals have been declared to be hazardous substances by the EPA. New or revised regulatory actions could result in requirements that industry participants, including us, incur costs related to testing and cleanup of areas affected by such chemical usage. Other chemicals or materials historically used by the industry and us could become the focus of similar governmental action.

Various federal, state and local environmental laws govern the use of our current and former facilities. These laws govern such matters as:

- Discharge to air and water;
- Handling and disposal of solid and hazardous substances and waste, and
- Remediation of contamination from releases of hazardous substances in our facilities and off-site disposal locations.

We are a manufacturer and distributor of flooring products which require processes and materials that necessarily utilize substantial amounts of carbon-based energy and accordingly involve the emission of “greenhouse gasses.” Regulatory monitoring, reporting and, more generally, efforts to eliminate or substantially reduce “greenhouse gasses” will necessarily add complexity and cost to our products and processes decreasing profitability and consumer demand. Additionally, consumer preferences may be affected by publicly announced issues related to “greenhouse gasses” which may negatively affect demand for our products. There can be no assurance that we can cost effectively respond to any such regulatory efforts or that demand for our products can be sustained under such pressures.

Our operations also are governed by laws relating to workplace safety and worker health, which, among other things, establish noise standards and regulate the use of hazardous materials and chemicals in the workplace. We have taken, and will continue to take, steps to comply with these laws. If we fail to comply with present or future environmental or safety regulations, we could be subject to future liabilities. However, we cannot ensure that complying with these environmental or health and safety laws and requirements will not adversely affect our business, results of operations and financial condition.

We may be exposed to litigation, claims and other legal proceedings in the ordinary course of business relating to our products or business, which could have a material adverse effect on our business, results of operations and financial condition.

In the ordinary course of business, we are subject to a variety of work-related and product-related claims, lawsuits and legal proceedings, including those relating to product liability, product warranty, product recall, personal injury, and other matters that are inherently subject to many uncertainties regarding the possibility of a loss to our business. Such matters could have a material adverse effect on our business, results of operations and financial condition if we are unable to successfully defend against or resolve these matters or if our insurance coverage is insufficient to satisfy any judgments against us or settlements relating to these matters. Although we have product liability insurance, the policies may not provide coverage for certain claims against us or may not be sufficient to cover all possible liabilities. Further, we may not be able to maintain insurance at commercially acceptable premium levels. Additionally, adverse publicity arising from claims made against us, even if the claims are not successful, could adversely affect our reputation or the reputation and sales of our products.

Our business operations could suffer significant losses from natural disasters, catastrophes, fire or other unexpected events.

Many of our business activities involve substantial investments in manufacturing facilities and many products are produced at a limited number of locations. These facilities could be materially damaged by natural disasters, such as floods, tornadoes, hurricanes and earthquakes, or by fire or other unexpected events such as adverse weather conditions or other disruptions to our facilities, supply chain or our customer's facilities. We could incur uninsured losses and liabilities arising from such events, including damage to our reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on our business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases of Common Stock

The following table provides information regarding our repurchases of our Common Stock Shares during the three months ended March 30, 2024:

Fiscal Month Ending	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or approximate dollar value) of Shares That May Yet Be Purchased Under Plans or Programs (2)
February 3, 2024	—	$ —	—	
March 2, 2024	—	—	—	
March 30, 2024	52,091	0.61	—	
Three Months Ended March 30, 2024	52,091	$ 0.61	—	$ 2,358,144

(1) During the three months ended March 30, 2024, 52,091 shares were withheld from employees in lieu of cash payments for withholding taxes due for a total amount of $31,776 pursuant to the terms of the applicable incentive plans.

(2) On August 3, 2022, our Board of Directors approved the repurchase of up to $3,000 of our Common Stock. Currently, we do not have an active 10b-5-1 plan to repurchase shares of Common Stock.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a.) Exhibits

31.1	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	CFO Certification pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE DIXIE GROUP, INC.
(Registrant)

Date: May 3, 2024

By: /s/ Allen L. Danzey

Allen L. Danzey
Vice President and Chief Financial Officer

EXHIBIT 31.1

Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Daniel K. Frierson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Dixie Group, Inc.;

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

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

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

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

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

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

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

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

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

Date: May 3, 2024	/s/ **DANIEL K. FRIERSON**
	Daniel K. Frierson
	Chief Executive Officer
	The Dixie Group, Inc.

EXHIBIT 31.2

Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Allen L. Danzey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Dixie Group, Inc.;

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

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

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

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

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

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

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

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

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

Date: May 3, 2024

/s/ **ALLEN L. DANZEY**
Allen L. Danzey
Chief Financial Officer
The Dixie Group, Inc.

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of The Dixie Group, Inc. (the "Company") on Form 10-Q for the quarter ended March 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel K. Frierson, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DANIEL K. FRIERSON
Daniel K. Frierson, Chief Executive Officer
Date: May 3, 2024

A signed original of this written statement required by Section 906 has been provided to The Dixie Group, Inc. and will be retained by The Dixie Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of The Dixie Group, Inc. (the "Company") on Form 10-Q for the quarter ended March 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Allen L. Danzey, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ALLEN L. DANZEY
Allen L. Danzey, Chief Financial Officer
Date: May 3, 2024

A signed original of this written statement required by Section 906 has been provided to The Dixie Group, Inc. and will be retained by The Dixie Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.