Earning Impact

Moving forward, we expect our financial performance to more closely reflect traditional retail seasonality with higher revenue and profit in the second half of the year.
Today I will focus on quarterly brand highlights, and in particular the retailer/wholesaler franchise and indirect revenue updates that occurred during our first fiscal quarter.
We now need more of it, and as time will progress we do expect that there will be more and more product available, and sales will grow.
We expect to see a reduction of the aforementioned expenses during the remainder of fiscal 2018 as we complete our integration activities and launch with our new licensees.
For the first time in our 20-year history we will follow revenue parameters that are more consistent with the retail and fashion industry metrics, whereby we expect to generate approximately 60% to 65% of our revenue in the back-half of the year.
Hawk revenues for Q1 were $1.3 million, an increase of almost 7% over the same period last year, reflecting continued growth in key international territories, including Canada.
Today, our business model is more balanced and demonstrative of our go-forward strategy, where revenues will be more balanced across brands, product category, and territory.
As we continue to evolve our model, we believe we will generate profits through diversified revenue streams and include direct to retail royalties along with wholesale royalties, franchisees, and gross profits through indirect sales, all of which are part of our deliberate diversification strategy.
The company's dependence on a select group of licensees for most of the Company's revenues makes them susceptible to changes in those organizations; and the Company's dependence on its key management personnel could leave them exposed to disruption on any termination of service.
And I believe that as we head into the future, the future will yield positive results.
Product exclusives, such as Richmond's Marvel Time Spider-Man is an example of our efforts that are expected to drive sales and increase consumer engagement.
And at the same time, we're focused on reducing corporate expenses with a focus on increased productivity, eliminating redundancies, and continued integration with our global operations to leverage the unique capabilities that we now control globally.
We will provide further updates to our guidance during our September earnings call as we head to the important fall and holiday season.
The year-over-year decrease of $5.5 million which excludes revenue from Hi-Tec reflects the expected decrease in North American revenues relating to the Cherokee brand as we transition from Target to our new wholesale licensees.

Forward Looking Sentences

In partnership with our licensees, we're expanding the distribution of our core footwear and introducing Apparel and Accessory program for men and women, and children throughout Western, Central, Eastern Europe and Middle East, while expanding our core footwear businesses in the U.S., Latin America, and a fast-growing footprint in Asia.
So we're in ongoing discussions with Cerberus.
The details of which we expect to announce in the coming weeks.
As previously announced, we expect retail availability for new category introductions, including apparel and accessories to begin as early as the third quarter of fiscal 2018.
Today, we have over 60 government contracts, and we're focused on strengthening distribution for these high-growth categories domestically and internationally by expanding our product assortment to include apparel and accessories which we will launch midway through calendar 2018.
Forward-looking statements are neither a prediction nor a guarantee of future events or circumstances, and are based on currently available market, operating, financial, and competitive information and assumptions.
Cerberus will terminate its obligations under the credit facility, accelerate the payment on any unpaid balance of the credit facility, and exercise any other rights it may have including foreclosing on the Company's assets disclosed as collateral to the loan, but the Company's quarterly report on Form 10-Q will not be filed as anticipated, and that further delays in such filing could cause the Company's lenders to exercise the rights under the credit agreement or the Company's stock to be de-listed from NASDAQ.
The anticipated benefits of the Hi-Tec acquisition will not be achieved; global economic conditions and the financial condition of the apparel and retail industry and/or adverse changes in licensee or consumer acceptance of products bearing the Company's brands may lead to reduced royalties; the ability and/or commitment of the Company's licensees to design, manufacture and market Cherokee, Hi-Tec, Magnum, 50 Peaks, Interceptor, Carole Little, Tony Hawk and Hawk Brands, Liz Lange, Everyday California and Sideout branded products could cause the Company's results to differ from its anticipations.
The company's dependence on a select group of licensees for most of the Company's revenues makes them susceptible to changes in

those organizations; and the Company's dependence on its key management personnel could leave them exposed to disruption on any termination of service.
On behalf of our Board and the entire management team, we couldn't be more pleased to have Bob assume greater responsibility where our team can benefit from his experience and strong industry knowledge.
Jess Ravich shall remain on the board of Cherokee Global Brands.
Jess has been and remains one of the strongest supporters of Cherokee Global Brands for which we offer our sincere gratitude for his availability, his guidance, and tireless support during these most interesting times.
Thank you for joining us today and for the continued interest in a more balanced, diversified enterprise.
I believe that our focus on our long-term strategic plan has allowed us to navigate through the many transitions that remain inherent in our industry.
Clearly, we are working on a new future and with the great portfolio of brands it's a combination of our pillars or platform in our portfolio that will allow the company to grow.
The year-over-year decrease of $5.5 million which excludes revenue from Hi-Tec reflects the expected decrease in North American revenues relating to the Cherokee brand as we transition from Target to our new wholesale licensees.
Moving forward, we expect our financial performance to more closely reflect traditional retail seasonality with higher revenue and profit in the second half of the year.
Henry Stupp I'd like to thank everyone for the continued support of Cherokee.
And we view that we must start developing direct connections with the end user of our products, whether it's through franchise retailer or direct through retail license relations, or wholesale license relations, in this particular case the ecommerce platform that we developed were Flip Flop Shops.
And subsequently we intend to introduce additional platforms for other brands like Hi-Tec which we're already marketing online in certain countries.
So we're not going to go into too much detail; everything will be obviously properly disclosed as we reach an amendment, which we're confident that all parties are working together, Cerberus has indicated that they will extend the forbearance period, while we work through the terms of the amendment.
Separate to the platforms that we own, we are of course marketing through the largest ecommerce retailers like Shoes.com, Zappers.com, Walmart.com, Amazon.com, and we continue to grow quite quickly with those retailers.
We expect to see a reduction of the aforementioned expenses during the remainder of fiscal 2018 as we complete our integration activities and launch with our new licensees.
Presently Hi-Tec brand office in Amsterdam is taken over design of our Tony Hawk footwear, which we'll be announcing our plan probably in August.
So we believe that in the particular case of Tony Hawk and Everyday California we're going to be able to accelerate our growth on those two brands internationally just by leveraging the existing distributor relationships that exist.
As you know, we have not yet filed our quarterly report on Form 10-Q, but we are optimistic that we will be filing in the next few days.
Of course the situation exposes us to risks, including Cerberus' right to terminate its obligations under the Cerberus credit facility and accelerate debt.
The fastest way for us to service that demand and that need for merchandise is to allow our U.S. licensees who already do business with Canada's larger retailers to just expand the territory, it'll be simple for us, products are already approved.
We will provide further updates to our guidance during our September earnings call as we head to the important fall and holiday season.
Additionally, the company expects to provide an outlook of its fiscal 2019 business specifically relating to brand and territory expansion and normalized run rate.
Today I will focus on quarterly brand highlights, and in particular the retailer/wholesaler franchise and indirect revenue updates that occurred during our first fiscal quarter.
I also look forward to updating you on Hi-Tec, our integration work, and other brand developments.
And we do expect to build up as we progress through the year, not only on Hi-Tec of course, but in all of our brands.
As each month progresses more and more business is being done and more and more doors are being opened.
As always, our priority is to remain focused on driving organic growth for our portfolio of high equity brands while we integrate these acquisitions.
We will continue to consider additional opportunistic acquisitions while still within our product competencies and our global distribution network.
For the first time in our 20-year history we will follow revenue parameters that are more consistent with the retail and fashion industry metrics, whereby we expect to generate approximately 60% to 65% of our revenue in the back-half of the year.
And at the same time, we're focused on reducing corporate expenses with a focus on increased productivity, eliminating redundancies, and continued integration with our global operations to leverage the unique capabilities that we now control globally.
Henry Stupp Yes, so in terms of the -- we can look at it sequentially going from Q4 into Q1.
Today, our business model is more balanced and demonstrative of our go-forward strategy, where revenues will be more balanced

across brands, product category, and territory.
As we continue to evolve our model, we believe we will generate profits through diversified revenue streams and include direct to retail royalties along with wholesale royalties, franchisees, and gross profits through indirect sales, all of which are part of our deliberate diversification strategy.
While we expect a shift in model, it will take time to be reflected in the Street's models, we're confident we're better positioned today to address retail's changing landscape than ever before.
Retail as I've mentioned, is moving fast, and it is clearly a time of tremendous change, and Cherokee Global Brands has been ahead of change from the beginning.
Just as we anticipated the needs to forge direct to retail license agreements and immersive brand relationships with retailers back in the early 90s, we're now pursuing a diversification strategy that over the next few years we bring our brands closer to consumers than ever before.
Nothing else we'll do as retailer shift their resources to digital, and as consumers have elevated expectations for making direct connections with brands.
As I mentioned earlier, coming September, we'll start to provide an indication of our business outlook as we head into next year.
As part of that, we must meet consumers, where they shop, which slowly aligns with our diversified go-to-market vision to include retail and wholesale and direct-to-consumer outreach on a global basis.
The constraints of our past DTR relationships will no longer limit our future.
Henry Stupp So we're in line with our plans on Cherokee.
I would like, in terms of our internal forecasting, we're in line with where we expected to be after the first quarter, and in the second quarter.
The combination of our capabilities platform and our lifestyle brand portfolio will propel our future growth, ensuring that our brands stands out and reach out to consumers in important new ways.
The growing diversity of our lifestyle brand portfolio will further balance and synergize each of our Brand Portfolio segments, such as our Active, Wear to Work, and Retail Life style categories.
The growing diversity of our capabilities platform drives similar synergies, leveraging our traditional strength in direct-to-retail, we're balancing it with expanded wholesale licensees and distributed partnerships and franchise retail, supported by our direct-to-consumer outreach.
So they are doubling down on Cherokee as we move forward by taking a bigger in-stock position because the initial sell-throughs were strong, albeit it was small, and I think I read somewhere that it was teaspooned in at the beginning, which is accurate.
We have a clear vision for our future and where we are taking our brands.
And I believe that as we head into the future, the future will yield positive results.
And so that's hopefully helpful to answer your question.
You can expect more products more often and in more doors as we continue our path towards realizing the full potential of our high-equity Namesake brand.
We now need more of it, and as time will progress we do expect that there will be more and more product available, and sales will grow.
Our strong performance of retail and expanded distribution increases our confidence in our brand prospects in the U.S. And I'll stress that we are taking a deliberate and strategic multiyear approach to replacing our legacy business in the U.S. for the Cherokee brand to ensure that it will continue to grow for many years to come.
Outside of the U.S., we remain very pleased with the growing consumer awareness, demand for Cherokee's iconic lifestyle products across the globe.
Hawk revenues for Q1 were $1.3 million, an increase of almost 7% over the same period last year, reflecting continued growth in key international territories, including Canada.
In addition to our very recent launches in Argentina, plus our future plans launches in South America, and our ongoing business in the U.K. with our planned expansion through our Europe later this year.
Further driving expansion for Tony Hawk would be our new U.S wholesale licensing relationships, which have began to seek new orders for an expanded distribution of our products starting now.
This newly expanded distribution will include additional categories that have been absent from retail for quite some time, including our recently signed Master Accessory Partner, and we're in final contract discussions with potential licensees for full leg socks, underwear, and sleep wear.
We are cautiously optimistic.
We're particularly excited to be expanding our Tony Hawk presence in this important region.
We are still very strong proponents of brick-and-mortar, but we also believe that we must market our brands to where consumers are shopping today more than ever before.
A robust integrated monthly marketing campaign and promotional events calendar is driving growth and success for our franchisees.
Product exclusives, such as Richmond's Marvel Time Spider-Man is an example of our efforts that are expected to drive sales and increase consumer engagement.

We're a growth-oriented company with solid fundamentals in place.
We're expanding Flip Flop shops footprint in partnership with large scale franchisee partners, and we intend to announce new partnerships in the coming months.
As I noted in previous calls, new distribution channels and format innovations, including freestanding stores, our floating retail, and shop-in-shop concept with specialty retailers are cornerstones of our strategic growth plan for Flip Flop Shops.
At the same time we we'll continue to explore synergies between our profile of high equity brands and our Flip Flop Shops e-commerce platform.
Overall, we continue to be very pleased with the acquisition of Hi-Tec, which builds upon a platform of high-equity brands while diversifying our global points of distribution.