UNISYNC Reports Record Q1 Fiscal 2023 Revenues and Improving Profitability

TORONTO, Feb. 14, 2023 -- **Unisync Corp.** (“Unisync") (TSX:"UNI") (OTCQX:“USYNF”) announces its audited financial results for the first quarter ended December 31, 2022 of its 2023 fiscal year (“Q1 2023”). Unisync operates through two business units: Unisync Group Limited (“UGL”) with operations throughout Canada and the USA and 90% owned Peerless Garments LP (“Peerless”), a domestic manufacturing operation based in Winnipeg, Manitoba. UGL is a leading customer-focused provider of corporate apparel, serving many leading Canadian and American iconic brands. Peerless specializes in the production and distribution of highly technical protective garments, including military operational clothing and accessories for a broad spectrum of Federal, Provincial and Municipal government departments and agencies.

Results for Q1 2023 versus Q1 2022

Consolidated revenue of $28.9 million for Q1 2023 rose by $7.1 million or 32% over Q1 2022 due to a $8.9 million revenue improvement in the UGL segment less a $1.8 million revenue decrease in the Peerless segment. UGL segment revenue of $26.4 million increased by 51% over the same period in the prior year on a $5.4 million or a 104% improvement in sales to the segment’s airline accounts, revenue of $1.5 million on the sale of inventory included in the divestiture of the New Jersey division and greater demand from the balance of the segment’s customers. The dramatic increase in sales to the Company’s airline accounts was the result of the post pandemic rebound in the airline industry where staffing levels have surged above pre -pandemic levels to compensate for the increased demand and employee turnover. The revenue decrease in the Peerless segment in the current quarter was due to lower uniform production caused by delays in the receipt of technical fabrics and the timely exercise of contract options by the DND.

Gross profit for the quarter of $5.3 million was up $1.0 million from the same quarter in fiscal 2022 although the gross profit margin declined to 18.5% of revenue from 20.0% on account of the lower volume of sales in the Peerless segment. The UGL segment realized a gross profit of $5.1 million or 20.5% (excluding the $1.5 million sold at cost in the New Jersey division divestiture) compared to $3.4 million or 19% of segment revenue in the same quarter of the prior fiscal year. Gross profit margins continue to be squeezed as UGL works through higher-than-normal landed costs for product acquired during the unprecedented increase in offshore shipping costs when 40 ft equivalent unit (FEU) container rates reached as high as 10 times pre-pandemic levels. The Peerless segment recorded gross profit of $0.4 million or 15% of segment revenue against $1.1 million or 25% of segment revenue in the same quarter of the prior fiscal year on account of reduced absorption of fixed costs on the lower volume of sales in the current period.

At $4.4 million, total general and administrative expenses for Q1 2023 increased $0.2 million or 5% over Q1 2022 on account of cost-of-living employee pay increases in the UGL segment.

Interest expense of $0.7 million in the current quarter was up $0.4 million from the same quarter of fiscal 2022 due to higher interest costs combined with the need for greater short-term borrowings to finance the growth in inventory and receivable levels.

The Company reported net income before tax of $0.7 million in the quarter compared to a net loss of $0.1 million in the same quarter last year. Adjusted EBITDA (before a $0.4 million gain on the sale of the New Jersey based hospitality business and assets) was $2.1 million for Q1 2023 versus $1.2 million for the corresponding quarter last year.

More detailed information is contained in the Company’s Consolidated Financial Statements for the quarter ended December 31, 2022 and Management Discussion and Analysis dated February 10, 2023 which may be accessed at www.sedar.com.

Business Outlook

With most of the world learning to live with the variants of COVID-19, the Company has experienced an improvement in demand from its customer base as restrictions are lifted and confidence returns. The Company’s North American airline accounts continue to experience strong demand and have returned to pre-pandemic passenger volumes. The Company expects that this will continue to result in strong uniform sales to its airline accounts throughout fiscal 2023. The flow of offshore ocean shipments continues to improve, and the costs of container shipments are starting to stabilize at pre-pandemic levels following the inflated levels experienced during the pandemic. New product orders are at an all-time high as evidenced by the increase in deferred revenue to $20.1 million at December 31, 2022 compared to $16.7 million as at September 30, 2022 and $5.0 million as at September 30, 2021. Approximately 57% of the deferred revenue at the end of Q1 2023 represents deposits on custom garment production in process, with the balance representing customer deposits at full selling prices covering slow moving inventory awaiting a disposition decision. The Company believes that these trends will allow the Company to continue to reduce its order delivery backlog and to right-size the quantity of uniform products held in its distribution centres over the balance of fiscal year

Following the transition to a more focused leadership structure announced on February 25, 2022, several major milestones have been achieved which should bode well for a more streamlined and cost-efficient business structure going forward. The recent amalgamation of Utility Garments Inc. and two other operating entities into UGL, combined with the integration of these business entities on to a common enterprise resource planning (“ERP”) system, is resulting in a more unified Canadian business operation. Although there is still some further work to do, the implementation of these unified ERP and related systems will provide the capability for management to achieve optimal performance and operating efficiency.

In addition to the reduction in ongoing administrative costs associated with right sizing our corporate and management structure, the above referenced strategic restructuring has allowed our key executives to concentrate on our core business and more actively pursue larger managed workwear opportunities.

UGL management continues to place strong focus on the US market. As indicated in our December 30, 2022 news release, UGL is in advanced discussions with a number of major corporations with respect to their image wear programs totalling close to US$100 million annually in potential new business. Additionally, UGL has been added as an approved supplier to an extensive list of major customers that are also scheduled to come to market during the 2023 calendar year.

Notwithstanding a disappointing first quarter at Peerless, we see an improving trend in the delivery schedule of key technical fabrics and new business opportunities which we expect to result in an improvement in revenue and profitability for the balance of Fiscal 2023.

Our primary strategy has been concentrated to date on building an infrastructure of strong management and advanced systems and a referenceable base of iconic clients to fuel future growth and profitability. As we move out of this platform building phase, management and your board are committed to achieving continued future growth and the development of an improved level of profitability to enhance shareholder value.

On Behalf of the Board of Directors

Douglas F Good
Executive Chairman

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Forward Looking Statements

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