UNISYNC Reports Q3 Fiscal 2023 Results

TORONTO, Aug. 15, 2023 -- **Unisync Corp.** ("Unisync") (TSX:"UNI") (OTC:"USYNF") announces its financial results for the third quarter ended June 30, 2023 of its 2023 fiscal year (“Q3 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 Q3 2023 versus Q3 2022

Revenue for Q3 2023 of $25.4 million rose by $0.7 million or 3% from Q3 2022, due to a $0.9 million revenue improvement in the UGL segment less a $0.4 million revenue decrease in the Peerless segment and less a $0.2 million decrease in intersegment revenue eliminations. UGL segment revenue of $22.7 million increased by 4% over the same period in the prior year on an improvement in sales to the segment’s airline accounts. The increase in sales to the Company’s airline accounts was caused by the continued post-pandemic rebound in the airline industry where staffing levels have surged above pre-pandemic levels. The revenue decrease in the Peerless segment in the current quarter was due to lower uniform product sales to the Department of National Defence (“DND”) on account of delays in the exercise of contract options and the lack of new contract orders.

Gross profit for Q3 2023 of $1.9 million was down $2.6 million from the third quarter of fiscal 2022 and the gross profit margin declined to 7.4% of revenue from 18.1%. The UGL segment experienced a decline in gross profit to $1.3 million or 6% of segment revenue compared to $3.9 million or 18% of segment revenue in the same quarter in the prior year because of a $1.8 million revaluation of the weighted average cost of inventory in the current period to adjust for the sharp drop in offshore container delivery costs since the peak experienced in June 2022, the absorption of higher outbound courier costs to deliver product to customers and costs associated with the startup of the new Guelph satellite 40,000 sq. ft. distribution facility which opened in July. Despite the decrease in Peerless segment revenue, gross profit of $0.6 million in that segment was unchanged from the prior year due to the higher margin mix of product sales.

At $4.0 million, total general and administrative expenses for Q3 2023 were down $0.4 million or 9% from Q3 2022 on a reduction in senior management and customer service staff levels from the same period in the prior period.

Interest expense of $0.8 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 a net loss before tax of $3.0 million in the quarter compared to a net loss of $0.5 million in the same quarter last year. Adjusted EBITDA, before the $1.8 million non-cash inventory revaluation in the quarter, was $1.0 million versus $1.2 million for the corresponding 3 month period last year.

More detailed information is contained in the Company’s Consolidated Financial Statements for the quarter ended June 30, 2023 and Management Discussion and Analysis dated August 10, 2023 which may be accessed at www.sedar.com.

Business Outlook

The Company’s North American airline accounts continue to experience strong demand and, although volumes are down from the unprecedented volumes experienced in the first half of fiscal 2023 due to a massive ramp-up in employee counts, ongoing orders have returned to pre-pandemic levels. The Company expects that this will continue to result in strong uniform sales to its airline accounts throughout the remainder of fiscal 2023 and thereafter. The lead time for offshore ocean shipments continues to improve, and the costs of container shipments have stabilized at pre-pandemic levels following the inflated levels experienced during the pandemic and into early fiscal 2023. New product orders are at an all-time high as evidenced by the increase in deferred revenue to $21.3 million at June 30, 2023 compared to $16.7 million as at September 30, 2022 and $5.0 million as at September 30, 2021. Approximately 60% of the deferred revenue at the end of Q3 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 continues to place strong focus on the US market. UGL is in advanced discussions with a number of major corporations with respect to their image wear programs totaling 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 and into 2024 calendar years.

The Peerless business segment is positioned to maintain its current level of revenues and profitability over the balance of fiscal 2023 although there has been a significant slowdown in new opportunities emanating from the DND.

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
CEO

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Forward-Looking Statements

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