



Unifi, Inc.

Preliminary Results  
For the Fourth Quarter and  
Fiscal Year Ended June 28, 2015

Conference Call  
Slide Presentation

# Cautionary Statement

Certain statements included herein contain forward-looking statements within the meaning of federal securities laws about the financial condition and results of operations of Unifi, Inc. (the “Company”) that are based on management’s beliefs, assumptions and expectations about our future economic performance, considering the information currently available to management. The words “believe,” “may,” “could,” “will,” “should,” “would,” “anticipate,” “estimate,” “project,” “expect,” “intend,” “seek,” “strive,” and words of similar import, or the negative of such words, identify or signal the presence of forward-looking statements. These statements are not statements of historical fact; they involve risk and uncertainties that may cause our actual results, performance or financial condition to differ materially from the expectations of future results, performance or financial condition that we express or imply in any forward-looking statement.

Factors that could contribute to such differences include, but are not limited to: the competitive nature of the textile industry and the impact of worldwide competition; changes in the trade regulatory environment and governmental policies and legislation; the availability, sourcing and pricing of raw materials; general domestic and international economic and industry conditions in markets where the Company competes, such as recession and other economic and political factors over which the Company has no control; changes in consumer spending, customer preferences, fashion trends and end-uses; the financial condition of the Company’s customers; the loss of a significant customer; the success of the Company’s strategic business initiatives; the continuity of the Company’s leadership; volatility of financial and credit markets; the ability to service indebtedness and fund capital expenditures and strategic initiatives; availability of and access to credit on reasonable terms; changes in currency exchange, interest and inflation rates; the ability to reduce production costs; the ability to protect intellectual property; employee relations; the impact of environmental, health and safety regulations; the operating performance of joint ventures and other equity investments; and the accurate financial reporting of information from equity method investees.

All such factors are difficult to predict, contain uncertainties that may materially affect actual results and may be beyond our control. New factors emerge from time to time, and it is not possible for management to predict all such factors or to assess the impact of each such factor on the Company. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, except as may be required by federal securities law. The above and other risks and uncertainties are described in the Company’s most recent annual report on Form 10-K, and additional risks or uncertainties may be described from time to time in other reports filed by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

# Net Sales and Gross Profit Highlights <sup>(1)</sup>

(Dollars in Thousands)

	Quarter over Quarter		Year over Year	
	For the Three Months Ended		For the Fiscal Years Ended	
	June 28, 2015 vs. June 29, 2014		June 28, 2015 vs. June 29, 2014	
	<u>Volume</u>	<u>Price</u>	<u>Volume</u>	<u>Price</u>
<b><u>Net Sales:</u></b>				
Polyester	(0.1%)	(6.9%)	(1.7%)	(1.4%)
Nylon	0.4%	(3.1%)	7.6%	(4.7%)
International	7.9%	(9.2%)	9.2%	(9.1%)
Subtotal	<u>2.1%</u>	<u>(6.9%)</u>	<u>2.2%</u>	<u>(3.2%)</u>
	For the Three Months Ended		For the Fiscal Years Ended	
	June 28, 2015		June 28, 2015	
	June 29, 2014		June 29, 2014	
<b><u>Gross Profit:</u></b>				
Polyester	\$ 13,257	\$ 15,609	\$ 48,707	\$ 46,779
Nylon	6,074	5,682	21,038	20,175
International	6,032	3,730	21,436	16,308
Subtotal	<u>\$ 25,363</u>	<u>\$ 25,021</u>	<u>\$ 91,181</u>	<u>\$ 83,262</u>

(1) Excludes presentation of All Other.

# Income Statement Highlights

(Dollars and Shares in Thousands)

	For the Three Months Ended			
	June 28, 2015		June 29, 2014	
Net sales	\$	174,951 100.0%	\$	181,752 100.0%
Gross profit		25,319 14.5%		25,021 13.8%
Selling, general and administrative expenses		12,406 7.1%		12,308 6.8%
Operating income		11,904 6.8%		11,331 6.2%
Interest expense, net		745		992
Equity in earnings of unconsolidated affiliates		7,014		4,233
Income before income taxes		18,173		14,446
Earnings per share (basic)	\$	0.86	\$	0.48
Weighted average shares outstanding		18,172		18,453

# Income Statement Highlights

(Dollars and Shares in Thousands)

	For the Fiscal Years Ended			
	June 28, 2015		June 29, 2014	
Net sales	\$	687,121 100.0%	\$	687,902 100.0%
Gross profit		90,705 13.2%		83,262 12.1%
Selling, general and administrative expenses		49,672 7.2%		46,203 6.7%
Operating income		38,486 5.6%		31,483 4.6%
Interest expense, net		3,109		2,539
Equity in earnings of unconsolidated affiliates		19,475		19,063
Income before income taxes		53,812		47,881
Earnings per share (basic)	\$	2.32	\$	1.52
Weighted average shares outstanding		18,207		18,919

# Equity Affiliates Highlights

(Dollars in Thousands)

	For the Three Months Ended		For the Fiscal Years Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
<b><u>Earnings:</u></b>				
Parkdale America	\$ 5,976	\$ 3,897	\$ 17,403	\$ 17,846
Other	1,038	336	2,072	1,217
Total	<u>\$ 7,014</u>	<u>\$ 4,233</u>	<u>\$ 19,475</u>	<u>\$ 19,063</u>
<b><u>Distributions:</u></b>				
Parkdale America	\$ 1,870	\$ 2,732	\$ 2,468	\$ 11,314
Other	1,250	650	1,250	1,900
Total	<u>\$ 3,120</u>	<u>\$ 3,382</u>	<u>\$ 3,718</u>	<u>\$ 13,214</u>

# Reconciliations of Net Income to Adjusted EBITDA

(Dollars in Thousands)

	For the Three Months Ended		For the Fiscal Years Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net income attributable to Unifi, Inc.	\$ 15,640	\$ 8,767	\$ 42,151	\$ 28,823
Interest expense, net	745	992	3,109	2,539
Provision for income taxes	3,263	6,010	13,346	20,161
Depreciation and amortization expense	4,564	4,460	17,367	17,334
EBITDA	24,212	20,229	75,973	68,857
Non-cash compensation expense	686	599	3,148	2,690
Loss on extinguishment of debt	-	-	1,040	-
Other	577	1,363	3,016	5,112
Adjusted EBITDA Including Equity Affiliates	25,475	22,191	83,177	76,659
Equity in earnings of unconsolidated affiliates	(7,014)	(4,233)	(19,475)	(19,063)
Adjusted EBITDA	\$ 18,461	\$ 17,958	\$ 63,702	\$ 57,596

# Reconciliations of GAAP Results To Adjusted Results

(Dollars in Thousands, Except Per Share Amounts)

	For the Three Months Ended June 28, 2015			For the Three Months Ended June 29, 2014		
	Income Before Income Taxes	Net Income	Basic EPS	Income Before Income Taxes	Net Income	Basic EPS
GAAP results	\$ 18,173	\$ 15,640	\$ 0.86	\$ 14,446	\$ 8,767	\$ 0.48
Change in tax valuation allowances	-	(1,749)	(0.10)	-	468	0.02
Change in deferred tax liability for unremitted foreign earnings assertion	-	(7,822)	(0.43)	-	60	-
Change in deferred tax asset for certain foreign currency transactions	-	3,008	0.17	-	-	-
Change in uncertain tax positions	-	3,046	0.17	-	(132)	(0.01)
Renewable energy tax credits	-	(254)	(0.01)	-	-	-
Bargain purchase gain for an equity affiliate	(3,190)	(1,962)	(0.11)	-	-	-
Net restructuring charges	-	-	-	(23)	(15)	-
Net loss on sale or disposal of assets	650	90	-	206	134	0.01
Adjusted results	<u>\$ 15,633</u>	<u>\$ 9,997</u>	<u>\$ 0.55</u>	<u>\$ 14,629</u>	<u>\$ 9,282</u>	<u>\$ 0.50</u>

  

	For the Fiscal Year Ended June 28, 2015			For the Fiscal Year Ended June 29, 2014		
	Income Before Income Taxes	Net Income	Basic EPS	Income Before Income Taxes	Net Income	Basic EPS
GAAP results	\$ 53,812	\$ 42,151	\$ 2.32	\$ 47,881	\$ 28,823	\$ 1.52
Change in tax valuation allowances	-	(3,009)	(0.17)	-	1,925	0.10
Change in deferred tax liability for unremitted foreign earnings assertion	-	(7,639)	(0.42)	-	249	0.01
Change in deferred tax asset for certain foreign currency transactions	-	3,008	0.17	-	-	-
Change in uncertain tax positions	-	2,879	0.16	-	(174)	(0.01)
Renewable energy tax credits	-	(1,036)	(0.06)	-	-	-
Bargain purchase gains for an equity affiliate	(4,696)	(2,888)	(0.16)	-	-	-
Loss on extinguishment of debt	1,040	676	0.03	-	-	-
Net restructuring charges	-	-	-	1,273	827	0.05
Interest income related to judicial claim	-	-	-	(1,084)	(715)	(0.04)
Net loss on sale or disposal of assets	778	134	0.01	475	309	0.02
Adjusted results	<u>\$ 50,934</u>	<u>\$ 34,276</u>	<u>\$ 1.88</u>	<u>\$ 48,545</u>	<u>\$ 31,244</u>	<u>\$ 1.65</u>



# Working Capital Highlights

(Dollars in Thousands)

	June 28, 2015	March 29, 2015	June 29, 2014
Receivables, net	\$ 83,863	\$ 88,492	\$ 93,925
Inventories	111,615	105,550	113,370
Accounts payable	(45,023)	(44,007)	(51,364)
Accrued expenses (1)	(16,482)	(15,147)	(18,487)
Adjusted Working Capital	<u>\$ 133,973</u>	<u>\$ 134,888</u>	<u>\$ 137,444</u>
Adjusted Working Capital	\$ 133,973	\$ 134,888	\$ 137,444
Cash	10,013	14,752	15,907
Other current assets	9,856	10,355	8,025
Accrued interest	(158)	(219)	(102)
Other current liabilities	(13,061)	(14,162)	(10,349)
Working capital	<u>\$ 140,623</u>	<u>\$ 145,614</u>	<u>\$ 150,925</u>

(1) Excludes accrued interest

# Capital Structure

(Dollars in Thousands)

	June 28, 2015	March 29, 2015	June 29, 2014
ABL Revolver	\$ 5,000	\$ 17,100	\$ 26,000
ABL Term Loan	82,125	84,375	68,000
Other	16,985	10,792	5,488
Total debt	<u>\$ 104,110</u>	<u>\$ 112,267</u>	<u>\$ 99,488</u>
Cash	10,013	14,752	15,907
Net debt	<u>\$ 94,097</u>	<u>\$ 97,515</u>	<u>\$ 83,581</u>
Cash	\$ 10,013	\$ 14,752	\$ 15,907
Revolver availability, net	75,933	67,767	61,103
Total liquidity	<u>\$ 85,946</u>	<u>\$ 82,519</u>	<u>\$ 77,010</u>

# Non-GAAP Financial Measures

Certain non-GAAP financial measures included herein are designed to complement the financial information presented in accordance with generally accepted accounting principles in the United States of America ("GAAP") because management believes such measures are useful to investors. These non-GAAP financial measures include, Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS.

EBITDA represents Net income or loss attributable to Unifi, Inc. before net interest expense, income tax expense, and depreciation and amortization expense. Adjusted EBITDA Including Equity Affiliates represents EBITDA adjusted to exclude non-cash compensation expense, gains or losses on extinguishment of debt, loss on previously held equity interest, and certain other adjustments. Such other adjustments include operating expenses for Repreve Renewables, restructuring charges and start-up costs, gains or losses on sales or disposals of property, plant and equipment, currency and derivative gains or losses, and other operating or non-operating income or expense items necessary to understand and compare the underlying results of the Company. Adjusted EBITDA represents Adjusted EBITDA Including Equity Affiliates adjusted to exclude equity in earnings and losses of unconsolidated affiliates.

Adjusted Net Income excludes certain amounts which management believes do not reflect the ongoing operations and performance of the Company. Adjusted Net Income represents Net income attributable to Unifi, Inc. calculated under GAAP, adjusted to exclude the approximate after-tax impact of changes in the deferred tax valuation allowances, change in deferred tax liability for unremitted foreign earnings assertion, change in deferred tax asset for certain foreign currency transactions, bargain purchase gains for an equity affiliate, change in uncertain tax positions, renewable energy tax credits, loss on extinguishment of debt, net restructuring charges, interest income related to a judicial claim and net gains or losses on sale or disposal of assets. Such amounts are excluded from Adjusted Net Income in order to better reflect the Company's underlying operations and performance.

Adjusted EPS represents Adjusted Net Income divided by the Company's basic weighted average common shares outstanding.

EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS are alternative views of performance used by management, and we believe that investors' understanding of our performance is enhanced by disclosing these performance measures. We believe that the use of EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS as operating performance measures provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles, and ages of related assets, among otherwise comparable companies. The Company may, from time to time, change the items included within Adjusted EBITDA, Adjusted Net Income and Adjusted EPS.

Management uses Adjusted EBITDA: (i) as a measurement of operating performance because it assists us in comparing our operating performance on a consistent basis, as it removes the impact of (a) items directly related to our asset base (primarily depreciation and amortization) and (b) items that we would not expect to occur as a part of our normal business on a regular basis; (ii) for planning purposes, including the preparation of our annual operating budget; (iii) as a valuation measure for evaluating our operating performance and our capacity to incur and service debt, fund capital expenditures and expand our business; and (iv) as one measure in determining the value of other acquisitions and dispositions. Adjusted EBITDA is also a key performance metric utilized in the determination of variable compensation.

# Non-GAAP Financial Measures - continued

We also believe Adjusted EBITDA is an appropriate supplemental measure of debt service capacity, because cash expenditures on interest are, by definition, available to pay interest, and tax expense is inversely correlated to interest expense because tax expense decreases as deductible interest expense increases; and depreciation and amortization are non-cash charges. Equity in earnings and losses of unconsolidated affiliates is excluded because such earnings or losses do not reflect our operating performance. The other items excluded from Adjusted EBITDA and Adjusted EPS are excluded in order to better reflect the performance of our continuing operations.

In evaluating EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS, you should be aware that, in the future, we may incur expenses similar to the adjustments included herein. Our presentation of EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS should not be construed as indicating that our future results will be unaffected by unusual or non-recurring items. EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS are not determined in accordance with GAAP and should not be considered as substitutes for net income, operating income or any other performance measures determined in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of our liquidity.

Each of our EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS measures has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- it is not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- it does not reflect the impact of earnings or charges resulting from matters we consider not indicative of our ongoing operations;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the cash requirements necessary to make payments on our debt;
- it does not reflect our future requirements for capital expenditures or contractual commitments;
- it does not reflect limitations on or costs related to transferring earnings from our subsidiaries to us; and
- other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA, Adjusted EBITDA Including Equity Affiliates, and Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations, including those under our outstanding debt obligations. You should compensate for these limitations by relying primarily on our GAAP results and using these measures only as supplemental information.

# Appendix A - Net Sales Highlights

(Dollars in Thousands)

	For the Three Months Ended		For the Fiscal Years Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
<b><u>Net Sales:</u></b>				
Polyester	\$ 95,113	\$ 102,239	\$ 377,281	\$ 389,172
Nylon	43,893	45,101	168,570	163,824
International	33,975	34,412	134,992	134,906
Subtotal	172,981	181,752	680,843	687,902
All Other	1,970	-	6,278	-
Consolidated	<u>\$ 174,951</u>	<u>\$ 181,752</u>	<u>\$ 687,121</u>	<u>\$ 687,902</u>