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UFI - Unifi Inc Annual Investor Update

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PRESENTATION

William Jasper - *UNIFI Inc. - Chairman,CEO*

Good afternoon. I want to welcome everybody to UNIFI's Annual Investor Day. Before starting, I would like to just introduce to you who's here; I'm Bill Jasper, Chairman and CEO. We've got Roger Berrier, President and COO, Chris Smosna who is Treasurer and our acting CFO, Steve Gates - our Controller, and A.J. Eaker who manages our external reporting. Also, we've got Sean Goodman here, who will be our CFO starting in January, and I was going to give Sean an opportunity to spend a couple of minutes to talk a little bit about his background.

Sean Goodman - *Landis+Gyr - Future CFO*

I'll be joining early next year, starting in January. Just to get a little bit of background on my past experience. I break my past experience into four key areas; one is starting in auditing. I started off with Deloitte, worked both in South Africa, where I'm originally from, and here in New York, actually. Secondary, I have experiences in investment banking. I worked at Morgan Stanley; I was the Vice President of M&A there. I worked in M&A and capital markets in Europe based in London. A third area of experience is strategy and business development. I was the Director of Strategic Business Development at The Home Depot and also Head of Strategy and Corporate Development at a company in the U.K. called GUS, a conglomerate that had a number of different companies, including Burberry and Experian, a number of retail interest in Europe as well.

And over the last eight years or so, I've been really focused on operational finance at Home Depot. And the company where I'm currently employed, which is Landis+Gyr, which is a green technology company; based in Switzerland, actually. So, I'm very much looking forward to joining UNIFI; I see the company as incredibly innovative in a relatively traditional industry and having a very unique position in that industry, so I'm excited to be joining the management team and look forward to getting to know all of you as well. Thank you. Thanks very much.

William Jasper - *UNIFI Inc. - Chairman,CEO*

Thanks, Sean. We are really looking forward to having Sean come onboard in early January.

Getting into the presentation, let me first start by giving a quick overview of UNIFI. Founded in 1971 by Allen Mebane, which I think most of you know. Had sales revenue of \$687 million last fiscal year and have over 3,000 employees globally. Many of our downstream customers are [on this] slide, and Roger is going to get into a little more detail about what we do with them shortly. We're a global company having manufacturing in the U.S., El Salvador, Colombia and Brazil. Also have a joint venture production in nylon, POY with Nilit in both Israel and in the U.S. We have sales offices in China and the E.U.

Looking at our sales; Brazil makes up about 15% of our consolidated sales, North and Central America, 80%, and the other, primarily China, makes up 5%. Looking at segments; nylon, 24% of our revenue, polyester, 55%, and international 20%, though I should mention that international is almost all polyester, so when you really look at UNIFI, you're looking at a 75% polyester company and 25% in nylon.

Operations; we start with, at least on the polyester side, we start with chip, either virgin chip purchased from Nanya, or recycled polyester chip, which we produce ourselves in our recycle center. From that, we make polyester POY, or partially oriented yarn, which is then textured into our final product. Majority of that is sold directly to knitters and weavers that we do much value-adding processing to our polyester textured yarn as well as our nylon textured yarn, which starts off as POY purchased from our joint venture.

We showed this slide last year; it basically shows our general business strategies. Our core objective, of course, is to increase shareholder value and the main areas of strategy for us are increasing sales and profitability, recycling and sustainability initiatives, operational excellence and product mix enrichment.

Looking at our stock performance since 2012; stock is going from roughly \$10 in 2012 to \$30 at the end of the last fiscal year, EBITDA from \$39 million to \$64 million, and our Adjusted EPS from \$0.54 a share to \$1.88 a share over the last four years. As far as stock ownership, inside ownership is 12.7% and the rest on the outside, we have 17.8 million shares outstanding.

And with that, I'm going to turn over to Roger to talk about our first strategic area, which is to increase sales profitability.

Roger Berrier - UNIFI Inc. - President, COO

Thanks Bill and good afternoon everyone. I'm Roger Berrier, the President and Chief Operating Officer here at UNIFI.

This afternoon I wanted to talk to you about our market segmentation; how we play in the different markets that we serve, also talk about our mix enrichment strategies, our PVA strategies, which is our premiere value added product strategy we refer to as PVA, talk about our capital investment updates, then speak a little bit to our international segments.

Starting off first with market segment; you can see apparel, including hosiery, makes up 65% of our market segmentation, so we're very big into the apparel segment. Apparel can be anything from knit tops, bottom weight, shoes. Hosiery as in socks, women's hosiery, leggings, tights. Moving over into industrial; that's umbrellas, tents, tarpaulins, like some military end uses. It can be boat covers, awnings that our customers serve. Furnishings, contract furnishings, that's a lot of office furnishings; when we talk about Reprave we do cross over a lot into office furnishings. Home furnishings can be top of the bed, pillow cases, sheets, things that we play in. And then automotive is primarily in the headliner business and also the cloth interior of the seats makes up our automotive segment. And then, as you can see, a small segment there for other.

Looking at the global textile fibers market, this is a very important slide just to understand the global nature of the dynamics of the market that we're playing in. Polyester makes up roughly 54% to 55% of the total demand for fibers globally; that is growing at roughly 4% and the total market is roughly growing at 3% a year, so you see that polyester is still the number one fiber of choice and also the fiber that is growing the most globally.

On the next slide, we look at U.S. synthetic apparel. Again, we've shown this slide in the past, and it really depicts the stability that we've seen here in our core market, being the North American, Central American region. And if you go back to 2000, roughly 56% of all the garments that were purchased at U.S. retail were produced in the region. So, starting from 2000 to 2008, 2009 is when you saw the steady decline of the off-shoring taking place. This is when a lot of the brands and retailers were moving a lot of their sourcing decisions to sourcing from Asia, a lot of the U.S. textile industry was under attack and going through a very major consolidation.

Since 2009, 2010 there's been a stability that's reached around 18% of the garments that are consumed at U.S. retail or made in the region. But, however, the total pie, if you will, continues to grow at roughly 5% to 6%, so as we're holding share at 18%, the opportunity continues to increase because the total consumption, as you see on the graph on the right, continues to increase. So, as we're holding a share at 18% and the total picture is increasing 5% to 6% a year, as we talk about growth opportunities in the CAFTA/NAFTA regions, this has given us the ability to grow our core business and to grow our commodity business. So, as we talk about mix enrichment and PVA and growth that's taking place in our PVA strategy, we're also seeing the underlying business, if you will, grow also, and it's based in the dynamics here that we see in these two graphs.

When we refer on the slide to the regional markets, NAFTA and CAFTA sourcing, this is the North American Free Trade Act and also the Central American Free Trade Act. Roughly 62% of our business is involved in these two trade agreements. What this means is when the customer orders yarn from us, DTY or other yarns, they ask for a compliance certification. So, as we ship the yarn to these customers, they are asking for the proper documentation so they can prove that the yarn originated in one of the member countries that's associated with these trade agreements. The reason that's important is for the yarn or the fabric or the garment to pass across the borders.



So, in Central America's case, whether the fabric or the garment's coming from El Salvador, Honduras, Guatemala back into the United States, for that garment or fabric to come back across the border duty-free, then the yarn forward agreement dictates that the yarn has to come from one of the member countries. So, as long as the customer or the end-supplier of that garment can say that the yarn came from one of the member countries, in our case it came from North Carolina and we provided the certification, then the garment can cross the borders duty-free. That's very important for CAFTA and NAFTA to be able to compete on the global scale.

As we segment our business, 62% of our customers are requiring and asking for the certification; 38% we would say is not a requirement for that. Within that 38%, that doesn't mean that we're necessarily competing with Asian imports for the 38%. It just means that that particular end use of that particular garment or that particular construction is not crossing the borders. We still sell PVA within that 38%, we still sell automotive yarns within the 38%. We offer some specialty products within that 38%. So, as we slice the 38%, roughly 10% or 15% is left that we do truly compete with Asian imports on service, on price, offering customer credit. So, that's probably a good way to look at our business.

Turning to the next slide, as we talked about the underlying growth that's occurring in NAFTA and CAFTA; with the total market growing, we have previously announced that we continue to add equipment. We add DTY machines; that's to support the PVA business, but also to support the growth that we're seeing in CAFTA. This has been a combination of polyester texturing machines and also air-jet texturing machines, which are two products, core products, in the polyester segment that we offer.

One of the announcements that we made in the past is we're installing new equipment that's very important for us, as we're constantly looking at new technology and what machinery do we have currently and then what machinery is being developed and offered in the market. And through our analysis, just recently in the last two years, the texturing machines that we have operating in our plants for 15 to 20 years, we've worked really hard to maintain this equipment to be top-notch. We put a lot of effort, a lot of energy, a lot of resources, a lot of investments to reinvest in these machines to keep them operating at a very, very high level.

When we went to add new machinery, we surveyed the world; we looked to see has there been any developments, any new technology that would step-change the world of texturing. It was fortunate and also unfortunate there's not been any revolutionary changes in technology, so the machinery that we currently have is still state-of-the-art machinery for our business and for us to service our customers. So, the machinery that we install was similar machinery that we already have. So, again, that's fortunate that the existing assets that we have are really in good condition; they're still state-of-the-art, we're able to be competitive globally with the machinery that we have. We continue to push the world of innovation around products, but we're also always looking for innovation around machinery technology that would enable us to make new products.

Turning to the next slide, I'll speak a little bit about our PVA products and technology. If you look at our global PVA growth in fiscal year of 2015, we did reach roughly 30% of our revenue net sales. It was made up of our PVA portfolio; again this is our premier value-added products. This segment of our business is growing roughly 10% to 15% a year. So, in fiscal year 2016 we project to reach around 33%, or 1/3 of our business, will be in that PVA segmentation.

Turning to the next slide, PVA brands and technologies; the first and foremost is performance and sustainability, Repreve. That is our flagship brand; that is the brand that we're getting the most recognition from a consumer level, and for the most part, from a business level currently. Repreve, as the general rule of thumb today, it makes up roughly half to maybe a little less than half of our PVA portfolio. But Repreve is one of the faster growing brands that we're offering now within that PVA segment.

The other things that we offer and talk to in our customers and the brands and retailers that we're working with, are products like Augusta. Augusta is the product that gives you the touch and feel of a cotton-like yarn and a cotton-like fabric, but it gives you all the performance benefits of a synthetic. So, the moisture management, the wicking, the quick drying, the features that people love about synthetic, but you get the more hand and the touch and the feel of a cotton product. We're able to engineer that feeling and that touch into a product that we promote with Augusta. We're very happy with Augusta; it's showing a lot of potential growth, particularly in the bottom weight category with customers like Haggard, Perry Ellis, just to name a few.

Stretch; if you're buying garments today you know that stretch is very important. Stretch at retail is on trend now. People are going away more from that rigid feel to more of a stretch, whether it's a two-way stretch or four-way stretch, the product that we've engineered that we offer is



Reflexx. Moisture management, Sorbtek, is our product that promotes quick moisture management, which accelerates the evaporation rate, which gives you that cooling effect. So, as brands and retailers promote quick drying and cooling, the product that we discuss with them is Sorbtek.

Solution dye; we promote under WaterWise, so the dye and the color is imported into the yarn during our manufacturing process, so the yarn or the fabric doesn't require further dyeing. The reason this is important is everyone talks about water conservation; how do we save water? The production of textiles uses and consumes a lot of water usage, so a lot of other brands and retailers are getting more conscientious around how can we save water, how can we reduce the consumption of water during the production of these garments? So, the product that we've listened, we've heard, we received feedback, the product that we developed is the WaterWise with the color added into the yarn as we produce the yarn.

Other technologies, just to mention a couple, is the cationic disperse where we create the heather effect, the melange effect. We're also looking at the different cross sections to have bright versus dull versus different looks of yarns. And also water repellency, so it's the opposite of the Sorbtek, the moisture management is repelling water. How can you build a yarn that repels water? So, we all know the windbreaker, or the water repellency, the rain resistance; how do we incorporate that into a yarn? So, you can engineer that yarn in different parts of the garment where some part of the garment you may want it to be water repellent and the other part of the garment you may want it to be moisture management. So, these are type of requests that we're getting on a daily basis that we continue to develop and innovate yarn technology.

What have we done? So, as we get orders for these types of yarns, the orders typically start small; so, we've had to invest in our mix enrichment program by taking some of our larger assets and taking those assets and splitting them into smaller machines. So, when we split those into smaller machines, we'll talk about small lot capability, and we've had to invest capital in creating flexibility around our PVA products, so we can produce these orders that we get from these types of products more efficiently and more effectively. So, when we get an order for the products in the past, we've been producing these on very large machines and these very large machines makes a lot of yarn at one time. So, we don't want to put the product on, run it for a day, and then have to take the product off; we have change over issues, we have a lot of inefficiencies in the changeover, so we go to the existing assets, we invested in new technology to convert that asset into a smaller asset so we can run this type of mix more efficiently. That's helped drive down our cost, it improves the profitability around these items so we can continue to offer these types of products.

Turning to the next slide is an overview of these capital projects, the history that we've had since 2012. If we backed up 2010, 2011 is when we first started making investments in Repeve.

Unidentified Participant

(Inaudible - Microphone Inaccessible)

Roger Berrier - UNIFI Inc. - President,COO

Yes?

Unidentified Participant

Do you mind me interrupting ...

Roger Berrier - UNIFI Inc. - President,COO

No, it's fine.

Unidentified Participant

Just go back to that other slide for a second. What is it that is - why is the customer requiring small runs of these types of things? What is it that they're doing differently than what (Unifi) brings?

Roger Berrier - UNIFI Inc. - President, COO

Right. So, our assets are -- when we built a lot of the assets that we have they were built more on a commodity platform, and when you're producing a commodity platform you like the machines to be very large, very efficient, and you run the same product day-in -day out for a long period of time. And so, you want, certainly, a scalable machine to make a lot of product at once. The orders that we receive on the mix enrichment - these more diversified products; I don't say they're small in nature, but they're smaller than a commodity order that you would typically receive.

So, typically, we can get set the machine up and running for 30 or 40 days continuously. We can't run 30 or 40 days continuously on these specialty items, but what we do want to do is run for 10 days, 15 days, so we don't have to constantly be stopping and starting the machine. So, if we can minimize stopping and starting the machine, we can make that more efficiently. When we have these big machines, we would run for two days, three days; we'd want to build up inventory of the specialized products because these are very seasonal-dependent products, so a customer may run this for a season or two seasons and then decides to change to another technology. So, we've managed our inventory position around these products very carefully.

Moving forward to the next slide was around our capital projects and the history of capital projects. You can see the trends that we've had currently in the year 2016 that we are seeing the spike that you see on the graph, and it's really predicated on the backward integration that we previously announced to get into bottle processing. So, why is this important? It's to support the growth of Repreve and the excitement that we're seeing around Repreve. And we've finally reached a position that we can scale the production of the backward integration of Repreve. So, as Repreve has grown, we've continued to grow and expand our recycle center, and this is where we have extruders that take either post-industrial waste, or it's been taking the flake from the bottles, and we can bond the flake and the waste to make chips, and then the chips go into the process that Bill mentioned around the partially oriented yarn and making DTY.

As we've been challenged continuously to drive down the cost and make Repreve more affordable compared to virgin, what we've continued to look at is how do we drive down cost, how do we continue to make Repreve more affordable, more comparable to virgin product? And we've seen, as we've closed the gap from Repreve to virgin, and offered a more competitive price, the growth rate just continues to accelerate. So, the next phase for us is now that we've reached the scale for investment, it makes sense for us invest in our own bottle processing plant. So, instead of buying the washed bottle flake, now we'll be actually buying the bottle itself, and we'll go into the business of washing and cleaning and taking the bottle, chopping bottle up into flake. That flake will feed the next step of our process, which we've already invested in, which is our recycling center. So, we've really backward integrated into the supply side of our Repreve.

Why is that important? Well, as I mentioned that the texturing machines really have not had a lot of revolutionary evolution in the technology, The recycling, however, has been just the opposite. There's been accelerated technology in recycling equipment and being able to take the new technology and do things with the recycled material is really taking off in the next two or three years. So, we're going to be investing in this latest state-of-the-art recycling bottle washing facility, but we'll have one of the most advanced recycling plants in the world sitting right here, producing Repreve. Why is this important? We've been contacted outside of the textile industry because people are taking notice about Repreve and what we're doing and what we are accomplishing with Repreve, that we may be able to sell Repreve into other market segments such as packaging and things like that.

First and foremost, we want to get our bottle processing facility up and running, making sure that it's servicing our own needs in the textile industry. We feel that there's opportunity to grow outside the textile industry, and this bottle processing facility may allow us to do that. So, we're really excited about that facility, it should start running around May or June of next year.



Unidentified Participant

But wouldn't pricing continue to drop (inaudible - microphone inaccessible) emerging products are. I would imagine that continuing to be an interesting challenge because, I would imagine, that just buying virgin's products a lot cheaper than the Repeve with [down] cost. Can you just address those? I understand recycling and green and all that (inaudible - microphone inaccessible), but at what point is that enough?

Roger Berrier - UNIFI Inc. - President, COO

Yes. So, for those who have dialed in that may not have heard the question, the question is with the climate in raw materials around virgin and the separation potentially of virgin pricing versus Repeve pricing, how is that affecting our outlook for Repeve, which is a great question and something that we've studied a lot and really analyzed a lot.

One thing we have to come in mind is the plastic bottles, which is a huge raw material for us; that's also made out of plastic polyester, and so, the waste market for those prices has also declined. So, the bottles that we're purchasing, before we were paying in X, now we're paying X minus something. So, the decline in virgin polyester, while it's not been the same in the bottle prices, but there has been a decline in bottle price. That's a piece of the answer, is the fact that the raw material feeding Repeve is also decreasing, but it's not decreasing on a one-to-one ratio.

What are we looking at? We've been able to work with the Nikes of the world, the Patagonias of the world, the North Faces of the world; we continue to see that they're making a commitment for the future. They are taking more of a longer-term look to say that number one, recycling is something that we want to be a part of. We want to get onboard with Repeve. We feel like, over time, whether it's two, three, four years, there's going to be an increase in polyester. It may not stay this low forever; we don't want to wait until the perfect time to jump in over Repeve, we want to go ahead and start now, show our commitment, get familiar with the product and go ahead and use it in a lot of applications.

We have been faced with some challenges in some of those discussions, but also we have opportunities to get aggressive when we need to get aggressive to make sure that we're getting the right orders and getting the right position in the market. So, we've continued over the last six months, when raw materials have declined, to keep getting new orders and keep getting new commitments, and we continue to see the Ford Motor Company and other companies give us more commitment to Repeve. So, we certainly see the challenge, but we're also receiving the positive signals from our customers that they keep doubling down on Repeve.

Moving forward, I'll get into the next slide, which is transitioning into our recycling and sustainability section. Again, we've mentioned Repeve is the flagship product within our PVA category. It's the one that we are certainly investing in; we're getting a lot of positive response in. This is the product and the brand that we feel like we really have something special. The feedback that we're receiving from our customers and also from the brands and retailers continues to just reinforce that we're going on the right track with the product. One thing to keep in mind is we have the only product in the world that is fully transparent and has traceability.

During the production of Repeve, we put in a tracer component, so that at any point in the process or even at retail, we can pull a garment off the retail rack and confirm that Repeve is in the garment. Why is this important to someone at Nike or to a Patagonia? Because when you melt polyester, whether you're melting a bottle or melting virgin polyester, once it's molten and you put into a yarn, it's almost impossible to tell whether it's recycled or if it's virgin. So, certainly, a lot of these companies want the assurance that if I'm buying Repeve and I'm promoting Repeve and I'm promoting that this garment is recycled and carries all these green benefits, then it's actually in there. It's actually certifiably in there and you can detect it.

We are the only company that has developed the technology; we call that our fiber-print technology to confirm that the presence of Repeve is in there. It's a good insurance policy; we promote the fact that we are a public company, we are traded on the New York Stock Exchange. Our integrity is at stake, and when you buy Repeve and partner with us, you're going to get that insurance that when we tell you it's recycled, it is recycled and we can certify it and can test post-production that it is Repeve that's in that garment. This plays very well; we do have competitors with a Repeve-like product. They don't go to the extent of branding and promoting like we do, but most of these competitors will be based in Asia and there's always a concern that you may be specking in a recycled product, but when the production occurs, they're substituting in a virgin product instead of a true recycled product.

Just to re-ground everyone on the process of Repeve, I wanted to play a short video here.

(Video Playing)

Roger Berrier - UNIFI Inc. - President, COO

That provides you just a little background about Repeve and how we're working through the bottle all the way into a finished garment. So, the next slide shows the growth of the brand. So, if we start back at 2007 to our early adopters being Polartec and Patagonia, you can just get a feel for all the brands now that are engaged in working and have commercial programs with Repeve. So, this why we're still excited about the brand Repeve and the adoptions that we're getting, the momentum that we have; it's very current, it's very on trend, and anyone that's talking, even with the younger generation, the millennials, you know that we believe that this trend is here to stay.

It's becoming expected; the garments, the apparel, the things that we do, the things that we buy is becoming expected that they all have some element of sustainability. In the world of textile, in the world of polyester, one of the things that we can offer is producing the products made out of recycled content, and so, the question we receive sometimes is how long will this last? We believe that it's a trend that's going to be part of our culture, part of our society, for a long time. We're seeing that every day with the new adoptions that we have in the brands that are already listed on here. We're going deeper and deeper into their product category. So, they may have started with one or two products; Nike is a great example, we started with one or two products and now we're running over 10.

You take someone like Adidas; if you follow Adidas, Adidas has made a public statement by 2020, all the polyester they use globally, they want it to be derived from recycled content. The North Face has made such another bold statement. So, there's a lot of momentum around incorporating more and more recycled content into the garments that are being produced. If you go back to the earlier graph, we showed that polyester is really the growing fiber of choice in a lot of the performance categories. There's another trend that people are referring to, it's called athleisure. It's taking the athletic component of a garment and the leisure component of a garment and combining the two where you would wear, maybe, the same thing that you're potentially going to the gym with, you would wear going to the grocery store, going shopping, or maybe going out for a more casual dinner. So, the trend and the opportunities that we have is really growing.

Going to the next slide, this just gives you a couple of visuals of some of the partners that we're working with. How many bottles? The bottle count is another popular theme that our brands are likely to talk about. The F-150 is a great program for us that we're working with Ford on; each F-150 seat cover utilizes 16 bottles. We're working with Nike on their new Flynit technology; all the Flynit tennis shoes use Repeve. Haggar, the number one selling dress pant, casual dress pant, utilizes Repeve. And then Volcom on their board shorts and swimwear uses Repeve. This gives you an idea of the diversity and that Repeve is not just singularly focused in a category; it can apply across all of our different market segments.

Next I want to play a little video for you, but before I play the video, I would like to set this up with the North Face. As we evolve Repeve and we talk about recycling, the North Face approached us in one of our development meetings, one of our innovation meetings, they said, "UNIFI, what you're doing is great, but can we take it to next level? As we produce jackets and we cut the fabric to make a jacket, we're producing waste. Could you ever recycle the jacket itself?" What we told them is the jacket has zippers and buttons and has labels; it has a lot of non-polyester components to it, so that presents a challenge from a labor standpoint.

But, as you cut the jacket, waste falls onto the floor; we could sweep up that waste and can recycle your waste. So, not the jacket itself, but the production of the jacket, we can incorporate that back into the Repeve supply chain. So, we've been able to do that with the North Face over the last 12 months, so that when they produce the Denali jacket, the waste that's generated during that production, they actually ship back to us now and we incorporate that back into Repeve. So, this video lives on the North Face's website as they explain the things that they're doing, so this is them talking about what the North Face is doing and Repeve becomes part of that story. I'll play this for you.

(Video Playing)



Roger Berrier - UNIFI Inc. - President, COO

That's fun little story, fun little video, that really shows how our relationships work with these various companies. We sat down with the North Face and we were talking about innovation and the things that we had in our capability based on our assets and based on the technology that we were implementing. They talked about some of the needs that they had and the direction that they wanted to take some of their initiatives, and together we came up with this great program. So, we have a lot of credibility, we have a lot of great conversations with North Face and we see that relationship continuing to grow. So, because of their commitment to Repreve and their commitment to UNIFI, this is why we keep remaining so excited about the opportunities that we have in front of us.

In saying that, in addition to the backward integration, the bottle processing, we continue to run more and more production in our recycling center, and this is the actual chip production where we're taking the bottles or we're taking the scrap material and converted it into a pellet form that we can further process and make yarn. So, we opened up the facility at 42 million pounds. Back in May of this year, we expanded that facility to 72 million pounds. And then, we originally announced that we were going to make a further expansion, and that's estimated now fall of 2016, so somewhere around October and November of this coming year, we will take that capacity up to 100 million pounds.

Today we're running, out of that 72 million pounds of capacity, we're running around 55 million to 58 million pounds of that utilization, so we have growth as we get to the new business and the new orders over the next six to nine months. We are growing into that 72 million pounds of capacity, and based on our forecast with the new orders coming in, we'll be reaching that maximum capacity about the time that we're installing the next wave of machinery, which will take us up to 100 million pounds of capacity. And that 100 million pounds of capacity will allow us to grow, probably, for another 18 to 24 months before we would look at, OK, what do we need to do beyond 100 million pounds of capacity?

Then I've already touched on -- we were talking about the CapEx, about the Repreve backward integration; here we'll be purchasing bottles as the raw material feedstock for this operation and that facility continues to go well. All the site preparation is on plan, the project remains on schedule. We'll actually start receiving some equipment here in the next couple of weeks, then we'll start the machine installation and we're looking forward to commissioning the machinery around May with operations beginning in June of next year.

In addition to all the things that we continue to do, we are also investing in marketing and marketing partnerships. I just wanted to touch on these partnerships; we talk about this in our investor updates each quarter, but just touching on few of the key ones, around Marvel Universe LIVE!; this is really taking a new life of its own. It's been really exciting for us to see the opportunity that working with Marvel and the way this is going, it really gets us excited because what Marvel Universe is doing in our partnership is we've picked 10 school districts across the U.S. We've picked school districts in Portland, we picked school districts in Baltimore, Maryland, in Denver, Colorado. We just recently finished up one in Charlotte, North Carolina with Mecklenburg County.

We have the superintendent of the school district, in some cases, the mayor of that area, go to the schools and we promote a recycling challenge and it's almost treated like a fundraiser; all the kids get involved and each school is challenged to see how many bottles they can recycle, how many bottles they can bring to the school, and each class, each grade, each school gets a bottle count. And the school that collects the most bottles with our partnership of Marvel Universe LIVE!, they get free tickets to go see the superhero show at the local coliseum. So, it turns into a neat event and it really gets everyone engaged in the community around recycling, and it just reinforces the power of the message that we can deliver out into the community.

This has been a great experience for us to see, from a marketing standpoint, what resonates with the consumer, how to fine tune our story, what responses that we're getting around telling the message and the story around recycling.

The Detroit Lions are owned by the Ford family, so we felt it was a great connection with the Detroit Lions to partner with them for a two year contract that we're just finishing up, where we take over one whole game and we turn that game green. If you know the Detroit Lions, they're Honolulu Blue. So, it's been very disruptive when we pass out 65,000 green rally towels. And at the game, everyone is waving the green towel, and on television it's -- the color is very disruptive and announcers are talking about why the Detroit Lions are going green, they're owned by the Ford family. You know, Ford's making the commitment to sustainability and Repreve, and the messaging really, really ties in very well with our partnership with Detroit.



We've done the same thing with the University of North Carolina; we've taken a basketball game and a football game and we've turned those events green. It really raises local awareness. Our next event with North Carolina will come on January the 30th when the team plays Boston College. It's going to be a nationally televised game and the whole lower arena of the University of North Carolina will be turned green with green t-shirts, the cheerleaders wearing green, the announcers will be prepped on the whole green event and Repeve, and the importance of recycling and their partnership with Repeve.

And then lastly the North Face, they sponsor a running series; it's called the North Face Endurance Challenge. We've teamed up with the North Face to be the t-shirt sponsor, so if you sign up to run one of the endurance challenge races, which is not your typical half marathon or marathon, you're running up and down mountains and on trails. We're a sponsor of the event and the t-shirts and the messaging that the North Face hands out is all produced with Repeve and co-marketed with the North Face as a Repeve partnership. So, that's been going very well for us this past summer.

The last video I have is the video that we worked with the Detroit Lions. This played on a Jumbotron during the football game. And I really want to show this as an illustration that we're moving away from promoting Repeve as recycling, but more Repeve as transformation. Repeve is more of a transformation story about how do you take a bottle and convert it into cool products. It's not just recycling.

One thing that our market research has shown is that everyone is talking about recycling, no one's really talking about transformation. When you recycle, what happens? What happens to the bottle when you put it in the recycling bin? So, that's the opportunity that we have to talk about Repeve. Repeve transforms those bottles into cool products.

This is just a very short video that illustrates the direction that we're taking our story.

(Video Presentation)

Roger Berrier - UNIFI Inc. - President, COO

Then last on our marketing efforts is we kicked off this past summer a mobile tour. Again, it's sort of coordinating with all the events that I mentioned around the turning green events, the North Face endurance challenge, some of the school activities that we're doing. We have the mobile tour, which is more around education and raising the awareness of what we're doing as a company with Repeve and getting the messaging out.

The next slide, consumer marketing point of sales; it gives you some indication of how we're tagging the Repeve product at different outlook, different end uses, also different distribution points. So, it's not only just working with POLARTEC or the North Face or Patagonia. We have Repeve placed in Wal-Mart, we have Repeve placed in Target, we have Chick-Fil-A converting all the uniforms that their in-store personnel wear, will be Repeve-based uniforms. That's a brand new program that's just kicking off in March and April this year. So, that's a great example of how Repeve grows -- what are the new programs that you're getting? Well, Chick-Fil-A is a great example. They've reached out to us, they're seeing the messaging, they're seeing the marketing, they're recognizing that hey, this is a great opportunity for us to get engaged in something that we like to do, which is another great growth platform for us.

And then lastly, I'd like to finish up by saying on our sustainability front that it's not just about products for us. You know, it's a company commitment that we've made around sustainability, whether it's energy; a lot of things that we're doing with labor, our packaging, our transportation. We're installing side skirts on all of our transportation fleets, we're using the wide-based tires that we've upgraded on our trucks to optimize fuel mileage and fuel economy. All of our U.S. operations are landfill-free; we send nothing to the landfill, we find a way to recycle everything.

Our solar farm started up in May this past year; it produces one megawatt of electricity. That's equivalent to around 10% of our needs in our recycle center. So, when we have visitors coming to us, all the brands, whether it's Ford, or Nike, or Under Armour, North Face; they're coming to visit our facilities. We want to make sure that we're walking the walk and talking the talk, and having things landfill-free, using solar energy, that all completes the whole messaging that we're delivering as a company. It's not just about product, but it's something that we really believe in, it's something that we're engaged in.



I'll transition over to our international businesses and then I'll hand it back to Bill.

Our international business is basically made up by Brazil and China and this is really the tale of two halves on this piece of paper. Historically, Brazil has been a great performer for us, but I think everyone understands and recognizes the challenges that Brazil faces today. The economy certainly is not growing as rapidly, or some experts say it's not growing at all now, it could be contracting. That's presented a lot of issues for us in terms of volume and market opportunities that we have. And then also the inflation issues that the economy is facing.

There's been a strong currency devaluation that we spoke about in the past. But in saying all this, when we look at our business and we look at it on a local currency basis, Brazil is still performing fairly well for us, even though we have a lot of headwinds around inflation, around imports coming in at very, very low prices. The volume opportunities, the total market opportunities, have decreased. Our management team down there has performed really well against these headwinds.

And on a local currency basis, our Brazilian operations are not that far off our expectations and off budget. But as we translate that back into U.S. dollars, certainly, we're reporting a completely different set of numbers on a U.S. dollar basis.

We stand behind our current strategy in Brazil; we're focused on mix enrichment, we're focused on process control, we continue to focus on our cost reduction efforts there. We believe that we have the right products, we have them positioned well in the market. We're getting opportunities, but the total market down there is a challenge. We're still committed to the Brazilian market, Brazil still is very profitable for us, it's just not meeting historical expectations, and we believe with our mix enrichment strategy that we have there, there's still good opportunities for us to grow into.

On the flip side when we look at China, China has been a great story for us. As we've gone into the brands and the retailers and we've talked about our ability to produce PVA and to produce Repeve globally, China has always been a platform for us that we needed to get into these discussions. When you're talking to Nike about being able to sell them Repeve and getting them to make a commitment to Repeve, not only are you selling them to choose Repeve, but the third or fourth question they're going to ask is, well, if I decide to source this program in Asia, can you supply in Asia? So, China gives us the ability to say yes, we can give you Repeve in Asia, we can give you Repeve anywhere you want it in the world.

And because we have that component, we've been able to start programs here in this region and then move those programs to Asia as different sourcing decisions have been made. In the last 12 months, one of our major customers has moved a very significant program to Asia. We've been able to follow that program to Asia with Repeve, and that was all predicated on the fact that we would start the program here and move it to Asia and that was part of the agreement upfront. Without our ability to make that commitment, we would never have gotten the program in the first place.

We're seeing the growth in China; we're seeing a lot of benefits from having that Chinese operation, and now these same customers and same people that have made that commitment to us, they're asking us to have that same model and the same availability of Repeve in Taiwan. We're having conversations about having Repeve availability and some of the PVA availability in Vietnam. And we're now exploring, based on one specific partner, having that availability in Sri-Lanka.

I think in the next six months to twelve months, you'll see us making more announcements about being able to offer Repeve and some of our PVA products in other parts of the world as these brands and retailers are asking us to supply these products in other areas of the world that they're sourcing, which is great for the company, it's great for our global platform. A lot of that technology and conversations are happening here regionally, and then we're using those to expand out globally.

With that as a backdrop, I'll turn it back over to Bill and he'll talk about where we are going from here. Bill?

William Jasper - UNIFI Inc. - Chairman, CEO

Before talking about the future, I'm going to talk about a few other items. First, joint ventures and equity affiliates.



First, as I mentioned before, we have a joint venture with Nilit, and Nilit is the largest type 6.6 nylon polymer supplier in the world. We have two joint ventures with them; one in Israel, one in Martinsville, Virginia. And, essentially, this joint venture supplies all of the POY for our nylon operation.

The main reason for having this joint venture is it provides a stable and high quality supply of POY. In addition to that, it allows us to participate in the earnings upstream in our nylon business.

Parkdale America is a 34% investment for Unifi. Parkdale today is an \$800 million cotton yarn spinning company. If you look at their EBITDA over the last five or six years, it's been, essentially, flat between \$50 million and \$65 million. Looking at the balance sheet, you'll note that the cash has come down considerably in the last two years, and this is really indicative of the amount of capital Parkdale has spent over the last two years. And really for three main areas; one, they bought out the 50% joint venture with International Textile Group in Mexico and they not only bought it out, but then spent about \$40 million renovating that plant. It's basically gone from a joint venture they had which made no money, to a wholly owned subsidiary today, which is considerably profitable. Secondly, they spent about \$100 million on renovating existing plants here in the U.S., much of that a result of the cotton rebate that they have to spend on capital investment in this country. And third, they recently bought Fruit of the Looms cotton spinning operation and have spent about \$20 million renovating that in order to take about half the people out.

Over the last two years, Parkdale has spent nearly \$200 million in capital and we would expect to see a significant return on that starting next fiscal year.

One thing I should've noted that the EBITDA shown on the left did not include cotton rebate money, and that ranges anywhere from \$15 million to \$25 million a year. That would need to be added if you wanted to show EBITDA including cotton rebate money.

Repreve Renewables; we own 60% of Repreve Renewables. I think you're all pretty much aware of this. I'm going to go through this quickly. Basically there's four markets for biomass; poultry bedding, bio energy, biofuels and biochemical. Both the biofuels and biochemical technologies are really embryonic and it's uncertain which technologies are going to win. Until such time that we know which technologies are going to win, we're not going to be in those markets. We've chosen to participate in poultry bedding and bio energy.

We've developed some I.P. and proprietary assets. The main I.P. we have is a system for processing rhizomes and planting rhizomes, which we believe is the most efficient in the world. And we've developed a planter here, which is now being built by a company that typically builds, potato planters; they're building our planter. I'll talk about that in a minute.

We've got the largest foundation of rhizome inventory in the U.S, and the business is headquartered in Greensboro, but we do have a processing center in Seven Springs, North Carolina where we dig up rhizomes, process them for planting, and that's really in the middle of the poultry bedding market in North Carolina.

Looking at the sales demand; we've got business with 60% of the U.S. market for poultry. Now, we're not providing all of the bedding for that 60%, but we're doing business with them. We also have trials going on with an additional 20% of the poultry business in the U.S.

And recently, we secured a multi-year contract with one of the two largest volume users of bedding in the U.S. We can't say the name of that producer, but it's a large turkey producer here in the U.S.

We've got the processing center running, as I said, and we also have Spudnik equipment company building our new planters and we have two coming into production this December.

We're going to plant 3,000 to 4,000 acres this fall and spring. All of that is dedicated to this new contract. We also have 1,800 acres that are existing today and producing miscanthus, which is really supplying the other poultry producers.

We are going to about double the acreage we have planted up in Iowa as part of our contract to supply biomass for the bio power project at University of Iowa.



And finally, we did obtain debt financing with CoBank of Denver, Colorado and the Carolina Farm Credit. That really, I think, is an indication of their belief that we've got a potentially very good business here.

Looking at some financial trends pre-tax income from 2012 to 2015, as shown here; we've gone from about \$9 million of pre-tax income to \$54 million. If you take out the equity affiliates, which is primarily Parkdale, you'll see that we've gone from negative \$11 million to \$34 million. And if you do the math, what you'll see here is most of the improvement we've shown over the last four years was really internal to Unifi. Our equity affiliate has been relatively flat in terms of income.

Looking at adjusted net income, we've gone from \$11 million to \$34 million and \$0.54 to \$1.88, which I mentioned before. And, of course, adjusted EBITDA margins have gone from 5.6% to 9.4%.

Looking at segments; segments we typically look at in terms of gross profits. So, we take out the uncertainty of how you allocate SG&A. If you look at the polyester segment, it's going from 5% to 12.9% gross profit as a percent of sales. Nylon from 10% to 12.5%. And our international segment has been kind of choppy, but, really, it's still doing very, very well.

Consolidated; we've gone from \$54 million to \$91 million of gross profit, and 7.7% up to 13.2% gross margin.

Finally, looking at cash flow and balance sheet; cash flow from operations is shown in the upper-left. The drop you see between 2014 and 2015 is primarily related to Parkdale distributions, they were much lower in 2015 than they were the previous two years.

Our adjusted working capital has come down. Our total debt has stayed relatively flat, around \$100 million, and our interest rate is 3.1%. And as you all know, we have been purchasing stock, or buying back stock, where we've gone from 19.2 million to 17.8 million shares outstanding.

Quickly on operational excellence; we've discussed this, certainly, many times in the past. We continue to focus on lean manufacturing, statistical process control and continuous process improvement to improve all aspects of our operations.

I think one thing that's very important that Roger mentioned, smaller lot sizes and explaining why we have smaller lot sizes. What that also means is in manufacturing, you have to make a lot more changes. In our texturing operation in polyester, we make twice as many changes per week to-date than we made five years ago. And our cost is relatively the same, which is really amazing. Making changes used to be a considerable cost to us, but we've been able to manage our changes now to the point where it doesn't cost us very much at all.

And finally, looking at the future; Roger mentioned our capital spending going up substantially. Our consolidated net sales are going to go from [\$687 million] in 2015 to approximately [\$735 million]. But really, this data is very, very misleading and I think I need to spend a few minutes talking about this.

One of the things I've been asked a lot is - you're spending all this money, you're doing all this mix enrichment, why isn't your revenue growing? Well, the simple answer is our revenue hasn't grown since 2012 because exchange rate devaluation in Brazil has accounted for about \$80 million in revenue loss. And raw materials polyester prices have dropped dramatically, which causes us to bring our prices down.

If you look at 2015 in terms of 2012 exchange rate and raw material price, 2015 would've been about \$750 million of revenue, which is about a \$50 million increase over what we did in 2012.

If you look at 2018, again, under the 2012 conditions, that \$735 million revenue would be about \$850 million. So, really, those two factors have affected revenues -- we are growing in terms of volume, we are growing in terms of the amount of machines that we're having to run to produce the yarn we're selling. What we're seeing here are two factors beyond our control, which are basically reducing our revenue -- I won't say in an artificial manner, but in a manner that isn't really indicative of our business. What is indicative is the margin that we're seeing and we've gone, again, from \$64 million up to about \$80 million in adjusted EBITDA in 2018.

Also, we do expect our debt to grow from [\$104 million] to about [\$125 million]; I know it says [\$126 million] here, which sounds like an exact number, that's obviously approximate. But you'll notice that our leverage ratio stays about the same. And, really, that growth in debt is primarily related to an increase in working capital we need because of the growth of our business. Majority of, or if not all of our capital spending will be paid for by cash generated from operations.

And with that, I'll open the floor up for questions.

QUESTIONS AND ANSWERS

William Jasper - UNIFI Inc. - Chairman,CEO

Yes?

Unidentified Participant

(Inaudible -- Microphone Inaccessible) You have a major capital program, and I'm wondering whether you feel like your business today is less cyclical than what it might have been, say, 5 to 10 years ago. You know, my sense is it would be because of your growth in your product, your value added product, and your additional customers that you're selling into. Can you comment about your cyclicity going forward?

William Jasper - UNIFI Inc. - Chairman,CEO

Yes. I mean, it really hasn't been very cyclical the last few years, which, obviously, is very, very good. I think it's a couple of factors. One is, as we grow PVA products, they tend to be less cyclical than the commodity products are. Secondly, really, raw materials, other than the recent drop from about \$0.80 down to about \$0.50, have been relatively stable for the last 2, 2.5-years, and I think that's also helped our business be somewhat stable. Third, the fact that share of apparel sold in the U.S. produced in this region has flattened out over the last seven years at about 18%, I think that's also provided some stability to our business.

Now, that all said, that doesn't mean if there's suddenly a big uproar in the Middle East and oil goes to \$140 a barrel, that we wouldn't become cyclical again very, very quickly, at least for that period of time with the spike in raw material prices. But, we've enjoyed a relatively stable environment in terms of raw material pricing here in the region. And then, of course, as we continue to grow our PVA product, we ought to become less affected by the cyclic nature of the commodity part of our business, which does follow raw materials up and down if they should become somewhat variable again.

Does that answer your question?

Unidentified Participant

Thank you.

William Jasper - UNIFI Inc. - Chairman,CEO

Thanks. Yes?



Unidentified Participant

(Inaudible -- Microphone Inaccessible) Two questions, and they tie together on the international expansion and then on the backward integration. So, you're now going to be taking your own bottle yourself...

William Jasper - UNIFI Inc. - Chairman,CEO

Yes.

Unidentified Participant

... and chop it and do whatever you did to it, extrude it and the like. Logistically, are you going to on your own -- are you going out and bringing it in with your own truck, or is it coming into you and you're paying to get that -- are you paying to get that product? Or is it coming into you?

And then, on the international expansion, you talked about China, obviously, you're there; Vietnam, Taiwan, potentially, Sri Lanka. Do I expect facilities in those particular markets as well, or how are we sourcing the chip in those regions?

William Jasper - UNIFI Inc. - Chairman,CEO

Let me answer the second one because it's easier to answer. We will likely not be putting facilities in any of those countries. In all likelihood, we'll copy the same model we're using in China today, which works very, very well for us.

On the first one, I'll let Roger expound on it. But, basically, we're setting up our own collection of the bottles from municipalities. And whether we truck it or somebody else trucks, it will depend on which is cheaper for us.

Roger Berrier - UNIFI Inc. - President,COO

So, our facility will be located at Reidsville, North Carolina. So, we'll be collecting, or working with, suppliers up and down the East Coast. So, the bottles will be primarily from the East Coast. And typically, you negotiate the purchase of the bottles and then you purchase a delivery price. So, there's third party freight carriers that we're working with that deliver the bottles to regional. We have our internal transportation, but the way our trucking is setup is not ideal for handling bottles.

And, certainly, as we get more and more into this, certainly, we can look at do we handle the [on] freight of the bottles.

Unidentified Participant

Do you know what the nature of the contract will be? Will it be on a yearly renewal with the municipality, because that becomes more competitive in other product lines, people doing other things, which we have talked about earlier, locking up that supply. How does that work?

Roger Berrier - UNIFI Inc. - President,COO

Typically, you do have a one year contract with municipalities. And we've started some of those conversations now and we've already talked with an expert bottle buyer, so to speak, in the industry that will be joining us early next year that will help us through those contracts.

Unidentified Participant

And then just one more mundane question. On Repreve from a competitive standpoint, what's the competitive product or product set that's out there? I'm a little ignorant to that, in what you're selling up against when you go out with a recycled product or recycled poly or anything like that? What do you see out there?

Roger Berrier - UNIFI Inc. - President,COO

Repreve is going to be competing with other rPETs, so recycled products. So, it's really Repreve versus unbranded version of recycled polyester. So, any brand that we're working with, for them to use a recycled product to go back into a first quality product, so a Patagonia or a Nike, they don't want to make any sacrifices to the product; they still want it to feel good, touch good, fit good. They want the color to be uniform. It has to be a first quality product.

For any brand to do that today, they're going to pay a premium for that, whether they're buying Repreve or if they're buying an unbranded version, they're still going to pay a premium. Repreve is very competitively priced with other recycled polyester. The advantage that we have is we bring the brand with it; we bring the market with it and we bring the integrity with it. So, typically, if it's going to be a recycled product, it's going to be Repreve. They do, the other unbranded programs, do get some orders, but if you look at the market share, the global market share of recycled polyester, Repreve is the category leader and we're the branded product.

William Jasper - UNIFI Inc. - Chairman,CEO

What other questions do we have?

Unidentified Participant

I guess just a follow up on a few of those questions. When you talked -- Roger, when you talked about the ideas going in 2020 to a full supply chain, at least, on the polyester side, who helps them get there? Is it open for you to take, or what are the other competing yarns or ways to get to a full supply chain that's recycled?

Roger Berrier - UNIFI Inc. - President,COO

So, I mean, if you follow Adidas, and you can go pull their public statements, they said by 2020 their vision is to do this. So, whether they recognize the full vision or if they get 20% there, 50% there, certainly that's for them to answer and look at.

But when they make that statement, they've contacted us and they said look, we want to work with Repreve; we source in Central America, we also source in Asia. And because Repreve is the leader in that category, we want to talk to you about pricing and supply availability or growth initiatives. And, realistically, how much can we convert to Repreve? How much would it cost us to convert to Repreve? And so, you start those conversations with Adidas, and we started those about nine months ago. And usually in programs like that it is a step-by-step approach. So, I believe our first program with Adidas would probably get in 2017 with Repreve, and then hopefully we're able to continue showing them our investment, our commitment to Repreve, continuing to drive down the cost of the Repreve differential between Repreve and Virgin, and continuing to get them to invest in Repreve as well.

Unidentified Participant

And then, just a follow up on the backward integration. What's the risk in terms of implementing this in your supply chain -- are you building a technology to cut up the waste and wash the bottles, or is that just the machine itself that you're buying? Can you maybe just walk where you think the biggest risk is to getting it to pellet form?

Roger Berrier - UNIFI Inc. - President,COO

Right. So, the industry already exists today where people have this type of technology and process. So, we're certainly not plowing new ground or being a pioneer in how to process bottles. What we're doing, though, is bringing an extra layer of process control and expectations around quality and raising the level of quality of product that is the output of this plant; we're doing that by investing in some of the latest technology. So, as I mentioned, the technology is rapidly developing around recycling because it is a new field and every day there's a new challenge about how to make it a higher quality.

We've been working with the suppliers throughout the past nine months ever since we decided to make the commitment to get into this field, about visiting operations and what is not working well for them, and what are their issues, and what are their obstacles, and what technology can we invest in when we build a new plant to solve some of their existing problems? And because the technology is rapidly developing, we're able to incorporate that into our plant, so we're very excited that some of the limitations that are being experienced today, we're going to solve some of those as we start our plant up.

William Jasper - UNIFI Inc. - Chairman,CEO

Who else? We have one up.

Unidentified Participant

Thank you. Three areas, if you could comment on one being the Trans-Pacific partnership and what that could hold in the future for Unifi. Secondly, on your raw materials inputs; plastic bottles, in particular, could you talk about the deeper risk that surrounds that business? I mean, it wasn't that long ago that we shifted from glass bottles to plastic bottles. You've got supply issues as competition for those bottles, I would presume, and that that will develop more over time. If you could address that. And then thirdly, if you could address the tipping point that you obviously see coming from the corporate importance or the brand importance of Repreve and renewables over to it becoming very important to the consumer and creating more of a pull-through demand as opposed to the companies having to push that and it becoming mainstream.

William Jasper - UNIFI Inc. - Chairman,CEO

I'll start with the Trans-Pacific partnership, that's probably the easiest one of the bunch. As I think most people here know, the Trans-Pacific partnership negotiation is being completed and the deal is basically set. Very simply, the textile industry in this country for the first time will likely support the deal as opposed to opposing it, which we typically have done. I think the main reason for that is we were given a seat at the table at the negotiations; we were able to negotiate the majority of the very important products in this region having the highest level of protection. Frankly, there is no good free trade agreement for the textile industry or for most industries in this country, to be quite honest, because this is the market of the world.

But in this case, I think the way it's been structured to, basically, incent Vietnam, which is the main issue here, to take share from China in the initial years as well as the amount of protection, and when I say protection, I mean high duties that most of the important products here will have for about 10 years.

It's a deal that the industry, I think, will continue to grow through as we have in the past. So, I'm fairly comfortable that we got as good a deal as we're going to get. The only fear I have is I don't think it will be taken up by Congress next year; it might be, but I tend to doubt it will, which means it will spill over, potentially, into 2017. If there's a Republican President, if he decide he wants to reopen negotiations. That might not be bad, because I don't think you're going to get 12 countries to agree to reopen negotiations, and if they do, it will take another five years to get it done. So, I think in all likelihood, it will pass through Congress, late 2016, early 2017, probably take another year to get through the other legislatures. So, we won't see any impact from it until probably 2018, in my opinion.



Roger Berrier - UNIFI Inc. - President,COO

As far as the bottles and the bottle collection and availability, one of the things we did when we were studying and doing our modeling and analysis of the backward integration was to look at the availability of the raw material bottle itself. So, we studied the market, we studied up and down the East Coast, the bottles, the bottle pricing. We studied trends; how many bottles are being produced, what's the likelihood of that going up or down? And as a result, we feel very confident that we will be able to get access to bottles; we see the trend continuing, we are very efficient, consumer-driven around convenience. And when we talked to Coke, we talked to Pepsi, we talked about, with them, what they see the market doing and are they going to switch away from polyester bottles, plastic bottles, to another technology? There's nothing on the horizon that makes us concerned.

The other thing around supply is one of the graphs I showed. Only 30% of the bottles are being collected today and put into a recycling bin. 70% of the bottles are still finding their way to the dump, if you will. So, they're being put into the regular trash and go into a landfill.

Part of the marketing that Pepsi and Coke and people like Repeve-Unifi is doing is the awareness factor and trying to make it more evident that if you recycle the bottle, there's something that the bottle can be transformed into. So, again, that's part of our marketing awareness and we're closely aligned with the way that Coke and Pepsi are going to be marketing that as well. So, we feel confident about that.

And as far as the migration from corporate America wanting to do the right thing and specking in Repeve to actually the consumer driving it. That's when we're excited, that's the upside for us, you know, is any time I go out and tell this story, the Repeve story, to a consumer the reaction I get is wow, that's cool; where can I find Repeve? So, that's the growth side for us, that's the wow factor.

For those here in the audience, you have some samples of Repeve; take those samples and go tell the story and see what kind of reaction you get. I guarantee you the reaction you'll get is the same one that we get, and that is, wow, that's really great, where can I find the product? And so, that's the opportunity that we have in front of us is getting that message out and getting consumers to engage with the brand and building that awareness to consumers directly.

William Jasper - UNIFI Inc. - Chairman,CEO

We had a question back there.

Unidentified Participant

I just wanted to know if you could talk a little bit more about Brazil and your expectations there, how are you building your thoughts into the overall long-term guidance?

William Jasper - UNIFI Inc. - Chairman,CEO

Well, I mean, nobody knows what's going to happen in Brazil over the next six months. I mean, there's the potential for a change in president, there's certainly a lot of corruption that is being exposed and will continue to be exposed, I think.

People I talk to, and there are people who know a lot more about international markets than I do, seem to feel that Brazil may be bottoming out right now in terms of both their economy and just a general national angst over everything that's going on. We're well-positioned there. We're not necessarily the last man standing, but we are certainly in control of the higher end of the polyester market there, which has maintained a pretty good business. If you look at our business in Real, it's as good today as it was -- it's almost as good today as it was two or three years ago, certainly not nearly as bad as the dollar translation would make it look. Actually, our revenue there in reals is actually a little higher today than it was two years ago, so our business has held up pretty well. It's really the exchange rate that's been affecting us mostly there.

Again, I don't know what's going to happen to Brazil in the future. I do believe this is a good asset for us, I think it's a valuable asset; it's very profitable today even in what may be the worst of times. That's not saying Brazil could spiral even further down, but, again, people I've talked to who are fairly knowledgeable about these things think that they may be bottoming out right now. I'm certainly hoping that's the case, but if it's not, we will certainly deal with it. But I don't see us divesting ourselves from Brazil any time in the near future. Did that answer your question?

Unidentified Participant

Yes, absolutely. And in terms of the joint ventures that you have, specifically PAL; just any thoughts in the long-term there?

William Jasper - UNIFI Inc. - Chairman,CEO

Well, we don't have a lot of rights in that joint venture, but it certainly is a very valuable joint venture. I don't see us divesting ourselves from it unless somebody was to make us one heck of an offer, to be quite honest. And, at least, at a value that I think it's worth. So, I mean, we expect to be getting more cash from it maybe in the next three to four years as their capital spending winds down a little bit. But, again, even today if you look at the last five years, we've averaged \$10 million or \$12 million of cash out of Parkdale. So, it's not a bad situation even when they're spending a lot of capital and I suspect we will stay in there, but if somebody made a great offer, I certainly would listen.

What else? Any other questions?

Unidentified Participant

A couple more. Easy one. Just when you talked about Adidas coming online, it competes with Nike. Can you maybe just talk about -- are they all going to highlight Repeve in their yarn [beats] program that you talked about? Or will be behind the cover, it won't be prominent on the tagging?

William Jasper - UNIFI Inc. - Chairman,CEO

Well, that's certainly up to the brand. When we said Repeve, we don't force the brand to talk about Repeve or use Repeve, but what we're doing in our marketing plan is really trying to tell a compelling story so they would want to use the Repeve story to talk to the consumer about.

Really, it's up to the brand; brand-by-brand makes that decision. What we're trying to do is, again, with such a great marketing platform, doing some of our own consumer research and talking about what's positive for the consumer where they would want to use the branding.

We're also working on some co-branding techniques that when we go to Adidas, we go to a Nike we have some co-branding initiatives where there would be some incentives for them to use the brand.

Unidentified Participant

And then you mentioned some stuff away from your traditional markets in terms of, maybe, nylon or polyester yarns. Can you, maybe, talk a little bit -- kind of like some with packaging, what are some other options that are out there for -- would that include Repeve as a chips? Can you just maybe walk through that a little bit?

William Jasper - UNIFI Inc. - Chairman,CEO

I mean, there's a whole merchant market outside of textiles for recycled flakes and also recycled resin; that's a market today that we don't play in, certainly we've learned about that market as we've been trying to source materials for our own benefit. We see what the competing products are for the recycle market.



And so, as we've invested in new technology, new state of the art technology, we're making a chip that's a little more valuable in terms of its efficiency and what it can deliver to the end consumer. And so, we've had some interest from packaging companies -- they want to use recycled material, but it causes a small problem for them, maybe inefficiency or maybe it's a processing issue. And they said if we can get just a little better quality of flake, or if we could get a little better quality of resin, it might solve this problem, and therefore, we could use more of it or we could use a higher content of recycled material in this end product.

And so, we've communicated to them that we have some new equipment and a new process coming online and once we have that online and stabilized, we'd like to sample you some of our materials. So, they're very interested in getting materials from us to start the conversation, to start the sampling process.

Again, our first and foremost priority is to make sure that we stabilize the plant and we get it up and running for our own needs. We do think that there's opportunity for us to branch out and use some of the things that we've developed around Repreve in other markets.

Unidentified Participant

Just so I'm clear, so on the recycled product, we are not moving away from creating chip to yarn, or are we going to go into another area using that same process? I'm trying to understand what next gen looks like. Is it just using it to take the chip and to extrude it into a polyester material to use for apparel, or are we going to other areas at this point?

William Jasper - UNIFI Inc. - Chairman,CEO

Just a follow up to your question; it's other people buying chips and then they manufacture -- it's like a thermal form, if you will. So, they melt that chip and then they make a plastic tray, or they make Tupperware or something like that. So, they're also in the market purchasing recycled chips. So, we would be a seller of chips.

Unidentified Participant

Right.

William Jasper - UNIFI Inc. - Chairman,CEO

We would not invest in the equipment to make a thermal form or make a tray or whatever.

Unidentified Participant

And I just have a question for Sean. So, what do you think the value add that you're going to bring at this point? You know, is it your recycle background in that area, the M&A, is it just general financial expertise? I mean, I'm just trying to understand, because they've had, obviously, a very good run in doing what they're doing. I just wanted to know where you think you fit at this point.

You don't get a free lunch.

Sean Goodman - Landis+Gyr - Future CFO

Well, look, firstly, I'm learning a lot about the business. I think there's a number of areas, I think more from a financial analysis, financial planning and analysis point of view; budgeting, looking at the investments that we make going forward, making sure that we get the right return on those

investments. That sort of thing, and really helping to plot the future going forward. And I think the combination of my strategy experience plus financial planning analysis, hopefully that would be quite helpful as we grow and develop the business going forward. Thanks.

Roger Berrier - UNIFI Inc. - *President,COO*

I can add to those expectations if you like. I was going to add to them, but I think it really fits with the answer I just gave, is we're looking into these other markets, these new markets; someone with Sean and his experience coming from a different set of eyes can really help us analyze these new markets that we want to get into, what's the return on these new markets based on the technology that we have feeding our own business.

William Jasper - UNIFI Inc. - *Chairman,CEO*

I think what I'd add to that, and, Sean, we're just going to keep piling stuff on you here. You know, if you look at our mindset over the last seven, eight years, over the last year or so, we've shifted, I think, from a survival mode and fix the business and try to make sure we're generating a lot of cash, to now having a view of -- OK, what's next, how do we grow this business in different ways than we've discussed in the past? And I think having someone with Sean's experience; both in the M&A side and the strategic side as well as some other experiences he's had, it just make him a very, very valuable addition to that next phase when we really start to strategically look at where we're going to take this company in the next 5 to 10 years, because it will be different. It will look different five years out than it looks today and it looks different today than it looked five years ago, but the difference today is we're not worried about going out of business anymore. So, that will help.

Any other questions?

PRESENTATION

Roger Berrier - UNIFI Inc. - *President,COO*

Well, look, I want to thank everybody here for your time and for your attention and for your interest and for your support and everything else. And thank you so very much for being a part of this. We're really excited about where we're heading, I just want you to hear that one more time. Thanks.

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