UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 26, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-10542

UNIFI, INC.
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	**11-2165495** (I.R.S. Employer Identification No.)
7201 West Friendly Avenue **Greensboro, North Carolina** (Address of principal executive offices)	**27410** (Zip Code)

(336) 294-4410
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.10 per share	UFI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 29, 2021, there were 18,528,972 shares of the registrant's common stock, par value $0.10 per share, outstanding.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that relate to our plans, objectives, estimates and goals. Statements expressing expectations regarding our future, or projections or estimates relating to products, sales, revenues, expenditures, costs, strategies, initiatives or earnings, are typical of such statements and are made under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management’s beliefs, assumptions and expectations about our future performance, considering the information currently available to management. The words “believe,” “may,” “could,” “will,” “should,” “would,” “anticipate,” “plan,” “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; and they involve risks 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 global 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, including economic and political factors over which the Company has no control;
- changes in consumer spending, customer preferences, fashion trends and end uses for the Company’s products;
- the financial condition of the Company’s customers;
- the loss of a significant customer or brand partner;
- natural disasters, industrial accidents, power or water shortages, extreme weather conditions and other disruptions at one of the Company’s facilities;
- the disruption of operations, global demand, or financial performance as a result of catastrophic or extraordinary events, including epidemics or pandemics such as the recent strain of coronavirus (“COVID-19”);
- the success of the Company’s strategic business initiatives;
- the volatility of financial and credit markets;
- the ability to service indebtedness and fund capital expenditures and strategic business initiatives;
- the availability of and access to credit on reasonable terms;
- changes in foreign currency exchange, interest and inflation rates;
- fluctuations in production costs;
- the ability to protect intellectual property;
- the strength and reputation of the Company’s brands;
- employee relations;
- the ability to attract, retain and motivate key employees;
- the impact of climate change or environmental, health and safety regulations;
- the impact of tax laws, the judicial or administrative interpretations of tax laws and/or changes in such laws or interpretations; and
- other factors discussed in “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended June 27, 2021 or in the Company’s other periodic reports and information filed with the Securities and Exchange Commission (“SEC”).

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 laws.

In light of all the above considerations, we reiterate that forward-looking statements are not guarantees of future performance, and we caution you not to rely on them as such.

UNIFI, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED SEPTEMBER 26, 2021

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share amounts)

	September 26, 2021	June 27, 2021
ASSETS		
Cash and cash equivalents	$ 49,556	$ 78,253
Receivables, net	103,031	94,837
Inventories	150,511	141,221
Income taxes receivable	3,368	2,392
Other current assets	12,816	12,364
Total current assets	319,282	329,067
Property, plant and equipment, net	203,339	201,696
Operating lease assets	9,561	8,772
Deferred income taxes	2,462	1,208
Other non-current assets	14,061	14,625
Total assets	$ 548,705	$ 555,368
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 57,528	$ 54,259
Income taxes payable	5,177	1,625
Current operating lease liabilities	2,150	1,856
Current portion of long-term debt	15,428	16,045
Other current liabilities	19,319	31,638
Total current liabilities	99,602	105,423
Long-term debt	68,465	70,336
Non-current operating lease liabilities	7,524	7,032
Deferred income taxes	4,473	6,686
Other long-term liabilities	7,644	7,472
Total liabilities	187,708	196,949
Commitments and contingencies		
Common stock, $0.10 par value (500,000,000 shares authorized; 18,523,978 and 18,490,338 shares issued and outstanding as of September 26, 2021 and June 27, 2021, respectively)	1,852	1,849
Capital in excess of par value	65,770	65,205
Retained earnings	353,477	344,797
Accumulated other comprehensive loss	(60,102)	(53,432)
Total shareholders' equity	360,997	358,419
Total liabilities and shareholders' equity	$ 548,705	$ 555,368

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Net sales	$ 195,992	$ 141,505
Cost of sales	169,895	126,944
Gross profit	26,097	14,561
Selling, general and administrative expenses	12,670	11,364
Benefit for bad debts	(80)	(887)
Other operating expense, net	256	1,178
Operating income	13,251	2,906
Interest income	(258)	(125)
Interest expense	696	871
Equity in earnings of unconsolidated affiliates	(280)	(93)
Income before income taxes	13,093	2,253
Provision (benefit) for income taxes	4,413	(1,179)
Net income	$ 8,680	$ 3,432
Net income per common share:		
Basic	$ 0.47	$ 0.19
Diluted	$ 0.46	$ 0.18

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Net income	$ 8,680	$ 3,432
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(6,926)	(182)
Changes in interest rate swaps, net of tax of $77 and $78, respectively	256	254
Other comprehensive (loss) income, net	(6,670)	72
Comprehensive income	$ 2,010	$ 3,504

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Shares	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at June 27, 2021	18,490	$ 1,849	$ 65,205	$ 344,797	$ (53,432)	$ 358,419
Options exercised	9	1	(1)	—	—	—
Conversion of restricted stock units	38	4	(4)	—	—	—
Stock-based compensation	—	—	582	—	—	582
Common stock withheld in satisfaction of tax withholding obligations under net share settle transactions	(13)	(2)	(12)	—	—	(14)
Other comprehensive loss, net of tax	—	—	—	—	(6,670)	(6,670)
Net income	—	—	—	8,680	—	8,680
Balance at September 26, 2021	18,524	$ 1,852	$ 65,770	$ 353,477	$ (60,102)	$ 360,997

	Shares	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at June 28, 2020	18,446	$ 1,845	$ 62,392	$ 315,724	$ (63,806)	$ 316,155
Options exercised	—	—	—	—	—	—
Conversion of restricted stock units	2	—	—	—	—	—
Stock-based compensation	—	—	425	—	—	425
Common stock withheld in satisfaction of tax withholding obligations under net share settle transactions	(1)	—	(7)	—	—	(7)
Other comprehensive income, net of tax	—	—	—	—	72	72
Net income	—	—	—	3,432	—	3,432
Balance at September 27, 2020	18,447	$ 1,845	$ 62,810	$ 319,156	$ (63,734)	$ 320,077

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Cash and cash equivalents at beginning of period	$ 78,253	$ 75,267
Operating activities:		
Net income	8,680	3,432
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Equity in earnings of unconsolidated affiliates	(280)	(93)
Depreciation and amortization expense	6,365	6,112
Non-cash compensation expense	660	509
Deferred income taxes	(3,463)	(2,072)
Other, net	(100)	(132)
Changes in assets and liabilities:		
Receivables, net	(9,462)	(23,499)
Inventories	(12,190)	4,853
Other current assets	(1,056)	2,083
Income taxes	2,606	191
Accounts payable and other current liabilities	(7,393)	15,314
Other, net	(175)	1,224
Net cash (used) provided by operating activities	(15,808)	7,922
Investing activities:		
Capital expenditures	(9,300)	(1,864)
Other, net	31	—
Net cash used by investing activities	(9,269)	(1,864)
Financing activities:		
Proceeds from ABL Revolver	—	—
Payments on ABL Revolver	—	—
Payments on ABL Term Loan	(2,500)	(2,500)
Proceeds from construction financing	882	—
Payments on finance lease obligations	(927)	(945)
Other, net	(222)	(7)
Net cash used by financing activities	(2,767)	(3,452)
Effect of exchange rate changes on cash and cash equivalents	(853)	222
Net (decrease) increase in cash and cash equivalents	(28,697)	2,828
Cash and cash equivalents at end of period	$ 49,556	$ 78,095

See accompanying notes to condensed consolidated financial statements.

1. Background

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, "UNIFI," the "Company," "we," "us" or "our"), is a multinational company that manufactures and sells innovative recycled and synthetic products, made from polyester and nylon, primarily to other yarn manufacturers and knitters and weavers (UNIFI's direct customers) that produce yarn and/or fabric for the apparel, hosiery, home furnishings, automotive, industrial and other end-use markets (UNIFI's indirect customers). We refer to these indirect customers as "brand partners." Polyester products include partially oriented yarn ("POY"), textured, solution and package dyed, twisted, beamed and draw wound yarns, and each is available in virgin or recycled varieties. Recycled solutions, made from both pre-consumer and post-consumer waste, include plastic bottle flake ("Flake"), polyester polymer beads ("Chip") and staple fiber. Nylon products include virgin or recycled textured, solution dyed and spandex covered yarns.

UNIFI maintains one of the textile industry's most comprehensive product offerings which include a range of specialized, value-added and commodity solutions, with principal geographic markets in the Americas, Asia and Europe. UNIFI has direct manufacturing operations in four countries and participates in joint ventures with operations in Israel and the United States ("U.S.").

2. Basis of Presentation; Condensed Notes

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP") for interim financial information. As contemplated by the instructions of the SEC to Form 10-Q, the following notes have been condensed and, therefore, do not contain all disclosures required in connection with annual financial statements. Reference should be made to UNIFI's year-end audited consolidated financial statements and related notes thereto contained in its Annual Report on Form 10-K for the fiscal year ended June 27, 2021 (the "2021 Form 10-K").

The financial information included in this report has been prepared by UNIFI, without audit. In the opinion of management, all adjustments, which consist of normal, recurring adjustments, considered necessary for a fair statement of the results for interim periods have been included. Nevertheless, the results shown for interim periods are not necessarily indicative of results to be expected for the full year. The preparation of financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the amounts reported and certain financial statement disclosures. Actual results may vary from these estimates.

All amounts, except per share amounts, are presented in thousands (000s), except as otherwise noted.

The fiscal quarter for each of Unifi, Inc., its primary domestic operating subsidiaries and its subsidiary in El Salvador ended on September 26, 2021. Unifi, Inc.'s remaining material operating subsidiaries' fiscal quarter ended on September 30, 2021. There were no significant transactions or events that occurred between Unifi, Inc.'s fiscal quarter end and such wholly owned subsidiaries' subsequent fiscal quarter end. The three-month periods ended September 26, 2021 and September 27, 2020 both consisted of 13 weeks.

3. Recent Accounting Pronouncements

Based on UNIFI's review of Accounting Standards Updates issued since the filing of the 2021 Form 10-K, there have been no newly issued or newly applicable accounting pronouncements that have had, or are expected to have, a material impact on UNIFI's consolidated financial statements.

4. Revenue Recognition

The following tables present net sales grouped by (i) classification of sales type and (ii) REPREVE® Fiber sales:

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Third-party manufacturer	$ 193,297	$ 138,841
Service	2,695	2,664
Net sales	$ 195,992	$ 141,505

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
REPREVE® Fiber	$ 71,906	$ 51,612
All other products and services	124,086	89,893
Net sales	$ 195,992	$ 141,505

Third-Party Manufacturer

Third-party manufacturer revenue is primarily generated through sales to direct customers. Such sales represent satisfaction of UNIFI's performance obligations required by the associated revenue contracts. Each of UNIFI's reportable segments derives revenue from sales to third-party manufacturers.

Service Revenue

Service revenue is primarily generated as services are rendered, through fulfillment of toll manufacturing of textile products or transportation services governed by written agreements. Such toll manufacturing and transportation services represent satisfaction of UNIFI's performance obligations required by the associated revenue contracts. The Polyester Segment derives service revenue for toll manufacturing and the All Other category derives service revenue for transportation services.

REPREVE® Fiber

REPREVE® Fiber represents our collection of fiber products on our recycled platform, with or without added technologies.

Beginning in the fourth quarter of fiscal 2021, as a result of its annual review of products meeting the REPREVE® Fiber definition, UNIFI began including certain product sales in the Asia Segment that were previously excluded from the REPREVE® Fiber sales metric. The prior period has been adjusted to reflect such sales and the amount reclassed was not material.

Variable Consideration

For all variable consideration, where appropriate, UNIFI estimates the amount using the expected value method, which takes into consideration historical experience, current contractual requirements, specific known market events and forecasted customer buying and payment patterns. Overall, these reserves reflect UNIFI's best estimates of the amount of consideration to which the customer is entitled based on the terms of the contracts. Variable consideration has been immaterial to UNIFI's financial statements for all periods presented.

5. Receivables, Net

Receivables, net consists of the following:

	September 26, 2021	June 27, 2021
Customer receivables	$ 86,997	$ 81,921
Allowance for uncollectible accounts	(2,396)	(2,525)
Reserves for quality claims	(598)	(703)
Net customer receivables	84,003	78,693
Other receivables	19,028	16,144
Total receivables, net	$ 103,031	$ 94,837

Other receivables includes $15,416 and $13,391 of banker's acceptance notes ("BANs") as of September 26, 2021 and June 27, 2021, respectively, in connection with the settlement of certain customer receivables generated from trade activity in the Asia Segment. The BANs are redeemable upon maturity from the drawing financial institutions, or earlier at a discount.

6. Inventories

Inventories consists of the following:

	September 26, 2021	June 27, 2021
Raw materials	$ 61,826	$ 54,895
Supplies	10,449	10,692
Work in process	8,701	7,516
Finished goods	72,090	70,525
Gross inventories	153,066	143,628
Net realizable value adjustment	(2,555)	(2,407)
Total inventories	$ 150,511	$ 141,221

7. Other Current Assets

Other current assets consist of the following:

	September 26, 2021	June 27, 2021
Vendor deposits	$ 3,604	$ 3,341
Recovery of non-income taxes	3,274	3,456
Prepaid expenses and other	3,265	2,753
Value-added taxes receivable	2,204	2,484
Contract assets	469	330
Total other current assets	$ 12,816	$ 12,364

Recovery of Non-Income Taxes

Brazilian companies are subject to various taxes on business operations, including turnover taxes used to fund social security and unemployment programs, commonly referred to as PIS/COFINS taxes. UNIFI, along with numerous other companies in Brazil, challenged the constitutionality of certain state taxes historically included in the PIS/COFINS tax base, alleging that such state taxes resulted in over-taxation.

On May 13, 2021, Brazil's supreme court ruled in favor of taxpayers, and on July 7, 2021, the Brazilian Internal Revenue Service withdrew its appeal. Following the supreme court decision, the federal government will not issue refunds for these taxes but instead will allow for the overpayments and associated interest to be applied as credits against future PIS/COFINS tax obligations.

There are no limitations or restrictions on UNIFI's ability to recover the associated overpayment claims as future income is generated. We expect to recover the entirety of our claims over the 40-month period following June 2021. Thus, UNIFI has reflected current and non-current assets accordingly.

8. Property, Plant and Equipment, Net

Property, plant and equipment ("PP&E"), net consists of the following:

	September 26, 2021	June 27, 2021
Land	$ 3,154	$ 3,184
Land improvements	16,372	16,372
Buildings and improvements	159,143	160,122
Assets under finance leases	22,000	22,000
Machinery and equipment	610,768	609,414
Computers, software and office equipment	24,792	24,848
Transportation equipment	10,558	10,461
Construction in progress	20,686	17,834
Gross PP&E	867,473	864,235
Less: accumulated depreciation	(657,668)	(656,576)
Less: accumulated amortization – finance leases	(6,466)	(5,963)
Total PP&E, net	$ 203,339	$ 201,696

9. Other Non-Current Assets

Other non-current assets consist of the following:

	September 26, 2021	June 27, 2021
Recovery of non-income taxes	$ 7,638	$ 8,063
Intangible assets, net	3,604	3,978
Investments in unconsolidated affiliates	2,377	2,159
Vendor deposits and other	442	425
Total other non-current assets	$ 14,061	$ 14,625

Recovery of Non-Income Taxes

As previously described in Note 7, "Other Current Assets," UNIFI recorded a recovery of non-income taxes and reflected current and non-current assets accordingly.

Investments in Unconsolidated Affiliates

As of September 26, 2021, UNIFI maintained investments in two entities classified as unconsolidated affiliates: U.N.F. Industries, Ltd. ("UNF"); and UNF America LLC ("UNFA") (collectively "UNFs").

U.N.F. Industries, Ltd.

Raw material and production services for UNF are provided by Nilit Ltd. under separate supply and services agreements. UNF's fiscal year end is December 31, and it is a registered Israeli private company located in Migdal Ha-Emek, Israel.

UNF America LLC

Raw material and production services for UNFA are provided by Nilit America Inc. under separate supply and services agreements. UNFA's fiscal year end is December 31, and it is a limited liability company treated as a partnership for income tax reporting purposes located in Ridgeway, Virginia.

In conjunction with the formation of UNFA, UNIFI entered into a supply agreement with UNF and UNFA whereby UNIFI agreed to purchase all of its first quality nylon POY requirements for texturing (subject to certain exceptions) from either UNF or UNFA. The supply agreement has no stated minimum purchase quantities and pricing is typically negotiated every six months, based on market rates. As of September 26, 2021, UNIFI's open purchase orders related to this supply agreement were $1,914.

UNIFI's raw material purchases under this supply agreement consisted of the following:

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
UNFA	$ 5,830	$ 3,527
UNF	71	—
Total	$ 5,901	$ 3,527

As of September 26, 2021 and June 27, 2021, UNIFI had combined accounts payable due to UNF and UNFA of $3,077 and $2,955, respectively.

UNIFI has determined that UNF and UNFA are variable interest entities and that UNIFI is the primary beneficiary of these entities, based on the terms of the supply agreement discussed above. As a result, these entities should be consolidated with UNIFI's financial results. As (i) UNIFI purchases substantially all of the output from the two entities; (ii) the two entities' balance sheets constitute 3% or less of UNIFI's current assets, total assets and total liabilities; and (iii) such balances are not expected to comprise a larger portion in the future, UNIFI has not included the accounts of UNF and UNFA in its consolidated financial statements. The financial results of UNF and UNFA are included in UNIFI's consolidated financial statements with a one-month lag, using the equity method of accounting and with intercompany profits eliminated in accordance with UNIFI's accounting policy. Other than the supply agreement discussed above, UNIFI does not provide any other commitments or guarantees related to either UNF or UNFA.

Condensed balance sheet and income statement information for UNIFI's unconsolidated affiliates (including reciprocal balances) are presented in the tables below.

	September 26, 2021	June 27, 2021
Current assets	$ 8,406	$ 7,931
Non-current assets	625	659
Current liabilities	4,281	3,967
Non-current liabilities	—	—
Shareholders' equity and capital accounts	4,750	4,623
UNIFI's portion of undistributed earnings	2,318	2,100

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Net sales	$ 6,150	$ 3,213
Gross profit	544	441
Income from operations	127	46
Net income	127	49
Depreciation and amortization	33	36
Distributions received	—	—

10. Other Current Liabilities

Other current liabilities consists of the following:

	September 26, 2021	June 27, 2021
Payroll and fringe benefits	$ 8,706	$ 10,204
Deferred revenue	2,654	2,691
Incentive compensation	2,377	12,356
Current portion of supplemental post-employment plan	1,097	1,087
Interest rate swaps	901	1,234
Other	3,584	4,066
Total other current liabilities	$ 19,319	$ 31,638

11. Long-Term Debt

Debt Obligations

The following table presents the total balances outstanding for UNIFI's debt obligations, their scheduled maturity dates and the weighted average interest rates for borrowings as well as the applicable current portion of long-term debt:

	Scheduled Maturity Date	Weighted Average Interest Rate as of September 26, 2021	Principal Amounts as of September 26, 2021	Principal Amounts as of June 27, 2021
ABL Revolver	December 2023	0.0%	$ —	$ —
ABL Term Loan	December 2023	3.2% (1)	75,000	77,500
Finance lease obligations	(2)	3.6%	7,548	8,475
Construction financing	(3)	2.3%	1,764	882
Total debt			84,312	86,857
Current ABL Term Loan			(12,500)	(12,500)
Current portion of finance lease obligations			(2,928)	(3,545)
Unamortized debt issuance costs			(419)	(476)
Total long-term debt			$ 68,465	$ 70,336

(1) Includes the effects of interest rate swaps.
(2) Scheduled maturity dates for finance lease obligations range from May 2022 to November 2027.
(3) Refer to the discussion below under the subheading "–*Construction Financing*" for further information.

ABL Facility

On December 18, 2018, Unifi, Inc. and certain of its subsidiaries entered into a Third Amendment to Amended and Restated Credit Agreement and Second Amendment to Amended and Restated Guaranty and Security Agreement (the "2018 Amendment"). The 2018 Amendment amended the Amended and Restated Credit Agreement, dated as of March 26, 2015, by and among Unifi, Inc. and a syndicate of lenders, as previously amended (together with all previous and subsequent amendments, the "Credit Agreement"). The Credit Agreement provides for a $200,000 senior secured credit facility (the "ABL Facility"), including a $100,000 revolving credit facility (the "ABL Revolver") and a term loan that can be reset up to a maximum amount of $100,000, once per fiscal year, if certain conditions are met (the "ABL Term Loan"). The ABL Facility has a maturity date of December 18, 2023.

ABL Facility borrowings bear interest at LIBOR plus an applicable margin of 1.25% to 1.75%, or the Base Rate (as defined in the Credit Agreement) plus an applicable margin of 0.25% to 0.75%, with interest currently being paid on a monthly basis. As of September 26, 2021 and June 27, 2021, ABL Facility borrowings carried interest at LIBOR plus 1.25%.

UNIFI currently maintains three interest rate swaps that fix LIBOR at approximately 1.9% on $75,000 of variable-rate debt. Such swaps are scheduled to terminate in May 2022.

Construction Financing

In May 2021, UNIFI entered into an agreement with a third party lender that provides for construction-period financing for certain texturing machinery anticipated in our capital allocation plans. UNIFI will record project costs to construction in progress and the corresponding liability to construction financing (within long-term debt). The agreement provides for monthly, interest-only payments during the construction period, at a rate of LIBOR plus 2.2%, and contains terms customary for a financing of this type.

The agreement provides for 60 monthly payments, which will commence upon the completion of the construction period with an interest rate of approximately 2.8%. In connection with this construction financing arrangement, UNIFI recorded long-term debt of $1,764 as of September 26, 2021.

Scheduled Debt Maturities

The following table presents the scheduled maturities of UNIFI's outstanding debt obligations for the remainder of fiscal 2022, the following four fiscal years and thereafter:

	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Thereafter
ABL Revolver	$ —	$ —	$ —	$ —	$ —	$ —
ABL Term Loan	10,000	10,000	55,000	—	—	—
Finance lease obligations	2,618	1,257	1,301	1,195	733	444
Total (1)	$ 12,618	$ 11,257	$ 56,301	$ 1,195	$ 733	$ 444

(1) Total reported excludes $1,764 for construction financing, described above.

12. Other Long-Term Liabilities

Other long-term liabilities consists of the following:

	September 26, 2021	June 27, 2021
Uncertain tax positions	$ 3,168	$ 3,045
Supplemental post-employment plan	2,168	2,090
Other	2,308	2,337
Total other long-term liabilities	$ 7,644	$ 7,472

13. Income Taxes

The provision (benefit) for income taxes and effective tax rate were as follows:

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Provision (benefit) for income taxes	$ 4,413	$ (1,179)
Effective tax rate	33.7%	(52.3)%

U.S. Tax Law Change

On July 20, 2020, the U.S. Treasury issued and enacted final regulations related to global intangible low-tax income (“GILTI”) that allow certain U.S. taxpayers to elect to exclude foreign income that is subject to a high effective tax rate from their GILTI inclusions. The GILTI high-tax exclusion is an annual election and is retroactively available for tax years beginning after December 31, 2017. The three-month period ended September 27, 2020 includes a discrete tax benefit of $4,789 related to the retroactive election.

Valuation Allowance

UNIFI regularly assesses whether it is more-likely-than-not that some portion or all of its deferred tax assets will not be realized. UNIFI considers the scheduled reversal of taxable temporary differences, taxable income in carryback years, projected future taxable income and tax planning strategies in making this assessment. Since UNIFI operates in multiple jurisdictions, the assessment is made on a jurisdiction-by-jurisdiction basis, taking into consideration the effects of local tax law. The three-month period ended September 27, 2020 includes discrete tax expense of $2,127 for a change in valuation allowance related to the GILTI regulations enacted during that period.

Income Tax Expense

UNIFI’s provision (benefit) for income taxes for the three months ended September 26, 2021 and September 27, 2020 was calculated by applying the estimated annual effective tax rate to year-to-date pre-tax book income and adjusting for discrete items that occurred during the period.

The effective tax rate for the three months ended September 26, 2021 was higher than the U.S. federal statutory rate primarily due to earnings taxed at higher rates in foreign jurisdictions, deferred tax on unremitted earnings, and foreign withholding taxes.

The effective tax rate for the three months ended September 27, 2020 was lower than the U.S. federal statutory rate primarily due to the retroactive GILTI high-tax exclusion for prior periods. This benefit was partially offset by the change in valuation allowance for deferred tax assets and current U.S. tax on GILTI.

Unrecognized Tax Benefits

UNIFI regularly assesses the outcomes of both completed and ongoing examinations to ensure that its provision for income taxes is sufficient. Certain returns that remain open to examination have utilized carryforward tax attributes generated in prior tax years, including net operating losses, which could potentially be revised upon examination.

14. Shareholders’ Equity

On October 31, 2018, UNIFI announced that its Board of Directors (the “Board”) approved a share repurchase program (the “2018 SRP”) under which UNIFI is authorized to acquire up to $50,000 of its common stock. Under the 2018 SRP, purchases may be made from time to time in the open market at prevailing market prices, through private transactions or block trades. The timing and amount of repurchases will depend on market conditions, share price, applicable legal requirements and other factors. The share repurchase authorization is discretionary and has no expiration date. Repurchases, if any, are expected to be financed through cash generated from operations and borrowings under the ABL Revolver, and are subject to applicable limitations and restrictions as set forth in the ABL Facility. UNIFI may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable.

The following table summarizes UNIFI's repurchases and retirements of its common stock under the 2018 SRP for the fiscal periods noted:

	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Approximate Dollar Value that May Yet Be Repurchased Under Publicly Announced Plans or Programs
Fiscal 2019	—	$ —	$ 50,000
Fiscal 2020	84	$ 23.72	$ 48,008
Fiscal 2021	—	$ —	$ 48,008
Fiscal 2022 (through September 26, 2021)	—	$ —	$ 48,008
Total	84	$ 23.72	$ 48,008

Repurchased shares are retired and have the status of authorized and unissued shares. The cost of the repurchased shares is recorded as a reduction to common stock to the extent of the par value of the shares acquired and the remainder is allocated between capital in excess of par value and retained earnings, on a pro rata basis.

15. Stock-Based Compensation

On October 29, 2020, UNIFI's shareholders approved the Unifi, Inc. Second Amended and Restated 2013 Incentive Compensation Plan (the "2020 Plan"). The 2020 Plan set the number of shares available for future issuance pursuant to awards granted under the 2020 Plan to 850. No additional awards can be granted under prior plans; however, awards outstanding under a respective prior plan remain subject to that plan's provisions.

The following table provides the number of awards remaining available for future issuance under the 2020 Plan as of September 26, 2021:

Authorized under the 2020 Plan	850
Plus: Awards expired, forfeited or otherwise terminated unexercised	—
Less: Awards granted to employees	(75)
Less: Awards granted to non-employee directors	(4)
Available for issuance under the 2020 Plan	771

There were no awards granted or issued from an equity compensation plan for the three month periods ending September 26, 2021 or September 27, 2020.

On October 27, 2021, UNIFI's shareholders approved the Unifi, Inc. Employee Stock Purchase Plan (the "ESPP") as described in the Company's definitive proxy statement on Schedule 14A filed with the SEC on September 2, 2021. The ESPP reserved 100 Company shares, is intended to be a qualified plan under applicable tax law, and allows eligible employees to purchase Company shares at a 15% discount from market value.

16. Fair Value of Financial Instruments and Non-Financial Assets and Liabilities

UNIFI uses derivative financial instruments such as foreign currency forward contracts or interest rate swaps to reduce its ongoing business exposures to fluctuations in foreign currency exchange rates or interest rates. UNIFI currently maintains three interest rate swaps that fix LIBOR at approximately 1.9% on $75,000 of variable-rate debt. UNIFI does not enter into derivative contracts for speculative purposes.

The following table presents details regarding UNIFI's hedging activities:

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Interest expense	$ 696	$ 871
Increase in fair value of interest rate swaps	(333)	(332)
Impact of interest rate swaps to increase interest expense	347	329

For the three months ended September 26, 2021 and September 27, 2020, there were no significant changes to UNIFI's assets and liabilities measured at fair value, and there were no transfers into or out of the levels of the fair value hierarchy.

UNIFI believes that there have been no significant changes to its credit risk profile or the interest rates available to UNIFI for debt issuances with similar terms and average maturities, and UNIFI estimates that the fair values of its debt obligations approximate the carrying amounts. Other financial instruments include cash and cash equivalents, receivables, accounts payable and accrued expenses. The financial statement carrying amounts of these items approximate the fair values due to their short-term nature.

17. Accumulated Other Comprehensive Loss

The components of and the changes in accumulated other comprehensive loss, net of tax, as applicable, consist of the following:

	Foreign Currency Translation Adjustments	Changes in Interest Rate Swaps	Accumulated Other Comprehensive Loss
Balance at June 27, 2021	$ (52,480)	$ (952)	$ (53,432)
Other comprehensive (loss) income	(6,926)	256	(6,670)
Balance at September 26, 2021	$ (59,406)	$ (696)	$ (60,102)

A summary of the after-tax effects of the components of other comprehensive (loss) income, net for the three-month periods ended September 26, 2021 and September 27, 2020 is included in the accompanying condensed consolidated statements of comprehensive income.

18. Earnings Per Share

The components of the calculation of earnings per share ("EPS") are as follows:

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Net income	$ 8,680	$ 3,432
Basic weighted average shares	18,515	18,447
Net potential common share equivalents	482	251
Diluted weighted average shares	18,997	18,698
Excluded from the calculation of common share equivalents:		
Anti-dilutive common share equivalents	287	546
Excluded from the calculation of diluted shares:		
Unvested stock options that vest upon achievement of certain market conditions	333	333

The calculation of EPS is based on the weighted average number of Unifi, Inc.'s common shares outstanding for the applicable period. The calculation of diluted EPS presents the effect of all potential dilutive common shares that were outstanding during the respective period, unless the effect of doing so is anti-dilutive.

19. Commitments and Contingencies

Collective Bargaining Agreements

While employees of UNIFI's Brazilian operations are unionized, none of the labor force employed by UNIFI's domestic or other foreign subsidiaries is currently covered by a collective bargaining agreement.

Environmental

On September 30, 2004, Unifi Kinston, LLC ("UK"), a subsidiary of Unifi, Inc., completed its acquisition of polyester filament manufacturing assets located in Kinston, North Carolina ("Kinston") from Invista S.a.r.l. ("INVISTA"). The land for the Kinston site was leased pursuant to a 99-year ground lease (the "Ground Lease") with E.I. DuPont de Nemours ("DuPont"). Since 1993, DuPont has been investigating and cleaning up the Kinston site under the supervision of the U.S. Environmental Protection Agency and the North Carolina Department of Environmental Quality ("DEQ") pursuant to the Resource Conservation and Recovery Act Corrective Action program. The program requires DuPont to identify all potential areas of environmental concern ("AOCs"), assess the extent of containment at the identified AOCs and remediate the AOCs to comply with applicable regulatory standards. Effective March 20, 2008, UK entered into a lease termination agreement associated with conveyance of certain assets at the Kinston site to DuPont. This agreement terminated the Ground Lease and relieved UK of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to UK's period of operation of the Kinston site, which was from 2004 to 2008. At this time, UNIFI has no basis to determine if or when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same. UK continues to own property (the "Kentec site") acquired in the 2004 transaction with INVISTA that has contamination from DuPont's prior operations and is monitored by DEQ. The Kentec site has been remediated by DuPont, and DuPont has received authority from DEQ to discontinue further remediation, other than natural attenuation. Prior to transfer of responsibility to UK, DuPont and UK had a duty to monitor and report the environmental status of the Kentec site to DEQ. Effective April 10, 2019, UK assumed sole remediator responsibility of the Kentec site pursuant to its contractual obligations with INVISTA and received $180 of net monitoring and reporting costs due from DuPont. In connection with monitoring, UK expects to sample and report to DEQ annually. At this time, UNIFI does not expect any active site remediation will be required but expects that any costs associated with active site remediation, if ever required, would likely be immaterial.

20. Related Party Transactions

There were no related party receivables as of September 26, 2021 or June 27, 2021.

Related party payables for Salem Leasing Corporation consisted of the following:

	September 26, 2021	June 27, 2021
Accounts payable	$ 457	$ 469
Operating lease obligations	1,049	1,133
Finance lease obligations	5,850	6,149
Total related party payables	$ 7,356	$ 7,751

The following are the Company's significant related party transactions:

		For the Three Months Ended	
Affiliated Entity	Transaction Type	September 26, 2021	September 27, 2020
Salem Leasing Corporation	Payments for transportation equipment costs and finance lease debt service	$ 1,028	$ 939

21. Business Segment Information

UNIFI defines operating segments as components of the organization for which discrete financial information is available and operating results are evaluated on a regular basis by UNIFI's principal executive officer, who is the chief operating decision maker (the "CODM"), in order to assess performance and allocate resources. Characteristics of UNIFI which were relied upon in making the determination of reportable segments include the nature of the products sold, the internal organizational structure, the trade policies in the geographic regions in which UNIFI operates and the information that is regularly reviewed by the CODM for the purpose of assessing performance and allocating resources.

UNIFI has four reportable segments.

- The operations within the Polyester Segment exhibit similar long-term economic characteristics and primarily sell into an economic trading zone covered by the USMCA, NAFTA and CAFTA (collectively, the regions comprising these economic trading zones are referred to as "NACA") to similar customers utilizing similar methods of distribution. These operations derive revenues primarily from manufacturing polyester-based products with sales primarily to other yarn manufacturers and knitters and weavers that produce yarn and/or fabric for the apparel, hosiery, automotive, home furnishings, industrial and other end-use markets. The Polyester Segment consists of sales and manufacturing operations in the U.S. and El Salvador.
- The operations within the Asia Segment exhibit similar long-term economic characteristics and sell to similar customers utilizing similar methods of distribution primarily in Asia and Europe, which are outside of the NACA region. The Asia Segment primarily sources polyester-based products from third-party suppliers and sells to knitters and weavers that produce fabric for the apparel, automotive, home furnishings, industrial and other end-use markets principally in Asia. The Asia Segment includes sales offices in China.
- The Brazil Segment primarily manufactures and sells polyester-based products to knitters and weavers that produce fabric for the apparel, automotive, home furnishings, industrial and other end-use markets principally in South America. The Brazil Segment includes a manufacturing location and sales offices in Brazil.
- The operations within the Nylon Segment exhibit similar long-term economic characteristics and primarily sell into the NACA region to similar customers utilizing similar methods of distribution. These operations derive revenues primarily from manufacturing nylon-based products with sales to knitters and weavers that produce fabric primarily for the apparel, hosiery and medical markets. The Nylon Segment includes an immaterial operating segment in Colombia that sells similar nylon-based textile products to similar customers in Colombia and Mexico utilizing similar methods of distribution. The Nylon Segment consists of sales and manufacturing operations in the U.S. and Colombia.

In addition to UNIFI's reportable segments, an All Other category is included in the tables below. All Other consists primarily of for-hire transportation services. For-hire transportation services revenue is derived from performing common carrier services utilizing UNIFI's fleet of transportation equipment.

The operations within All Other (i) are not subject to review by the CODM at a level consistent with UNIFI's other operations, (ii) are not regularly evaluated using the same metrics applied to UNIFI's other operations, and (iii) do not qualify for aggregation with an existing reportable segment. Therefore, such operations are excluded from reportable segments.

UNIFI evaluates the operating performance of its segments based upon Segment Profit, which represents segment gross profit (loss) plus segment depreciation expense. This measurement of segment profit or loss best aligns segment reporting with the current assessments and evaluations performed by, and information provided to, the CODM.

The accounting policies for the segments are consistent with UNIFI's accounting policies. Intersegment sales are omitted from segment disclosures, as they are (i) insignificant to UNIFI's segments and eliminated from consolidated reporting and (ii) excluded from segment evaluations performed by the CODM.

Selected financial information is presented below:

	For the Three Months Ended September 26, 2021					
	Polyester	Asia	Brazil	Nylon	All Other	Total
Net sales	$ 89,467	$ 51,428	$ 33,738	$ 20,159	$ 1,200	$ 195,992
Cost of sales	81,173	44,457	23,798	19,433	1,034	169,895
Gross profit	8,294	6,971	9,940	726	166	26,097
Segment depreciation expense	4,482	—	383	435	158	5,458
Segment Profit	$ 12,776	$ 6,971	$ 10,323	$ 1,161	$ 324	$ 31,555

	For the Three Months Ended September 27, 2020					
	Polyester	Asia	Brazil	Nylon	All Other	Total
Net sales	$ 69,076	$ 37,723	$ 22,606	$ 11,029	$ 1,071	$ 141,505
Cost of sales	64,444	33,145	17,993	10,364	998	126,944
Gross profit	4,632	4,578	4,613	665	73	14,561
Segment depreciation expense	4,403	—	430	442	164	5,439
Segment Profit	$ 9,035	$ 4,578	$ 5,043	$ 1,107	$ 237	$ 20,000

The reconciliations of segment gross profit to consolidated income before income taxes are as follows:

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Polyester	$ 8,294	$ 4,632
Asia	6,971	4,578
Brazil	9,940	4,613
Nylon	726	665
All Other	166	73
Segment gross profit	26,097	14,561
Selling, general and administrative expenses	12,670	11,364
Provision (benefit) for bad debts	(80)	(887)
Other operating expense, net	256	1,178
Operating income	13,251	2,906
Interest income	(258)	(125)
Interest expense	696	871
Equity in earnings of unconsolidated affiliates	(280)	(93)
Income before income taxes	$ 13,093	$ 2,253

The reconciliations of segment total assets to consolidated total assets are as follows:

	September 26, 2021	June 27, 2021
Polyester	$ 299,708	$ 285,939
Asia	72,417	41,121
Brazil	84,881	85,950
Nylon	43,355	68,034
Segment total assets	500,361	481,044
Other current assets	23,692	48,972
Other PP&E	20,253	21,175
Other operating lease assets	1,023	1,116
Other non-current assets	3,376	3,061
Total assets	$ 548,705	$ 555,368

22. Supplemental Cash Flow Information

Cash payments for interest and taxes consist of the following:

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Interest, net of capitalized interest of $106 and $45, respectively	$ 644	$ 836
Income tax payments, net	5,091	602

Cash payments for taxes shown above consist primarily of income and withholding tax payments made by UNIFI in both U.S. and foreign jurisdictions, net of refunds. The three months ended September 26, 2021 includes an income tax payment of $2,125 related to the recovery of non-income taxes described in Note 7, “Other Current Assets.”

Non-Cash Investing and Financing Activities

As of September 26, 2021 and June 27, 2021, $1,524 and $2,080, respectively, were included in accounts payable for unpaid capital expenditures. As of September 27, 2020 and June 28, 2020, $800 and $630, respectively, were included in accounts payable for unpaid capital expenditures.

During the three months ended September 26, 2021 and September 27, 2020, UNIFI recorded non-cash activity relating to finance leases of $0 and $878, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors that have affected UNIFI's operations, along with material changes in financial condition, during the periods included in the accompanying condensed consolidated financial statements. A reference to a "note" in this section refers to the accompanying notes to condensed consolidated financial statements. A reference to the "current period" refers to the three-month period ended September 26, 2021, while a reference to the "prior period" refers to the three-month period ended September 27, 2020. Such references may be accompanied by certain phrases for added clarity. The current period and the prior period each consisted of 13 weeks.

Our discussions in this Item 2 focus on our results during, or as of, the three months ended September 26, 2021 and September 27, 2020, and, to the extent applicable, any material changes from the information discussed in the 2021 Form 10-K or other important intervening developments or information. These discussions should be read in conjunction with the 2021 Form 10-K for more detailed and background information about our business, operations and financial condition. Discussion of foreign currency translation is primarily associated with the weakening of the Brazilian Real ("BRL") and changes in the Chinese Renminbi ("RMB") versus the U.S. Dollar ("USD"). In discussion of operating results in this report, we refer to our operations in the "NACA" region, which is the region comprised of the trade zones covered by USMCA, NAFTA and CAFTA-DR.

All amounts, except per share amounts, are presented in thousands (000s), except as otherwise noted.

Overview and Significant General Matters

UNIFI focuses on delivering products and solutions to direct customers and brand partners throughout the world, leveraging our internal manufacturing capabilities and an enhanced global supply chain that delivers a diverse range of synthetic and recycled fibers and polymers. This strategic and synergistic focus includes three supporting pillars: (1) engaging in strategic relationships with like-minded entities, (2) growing our existing portfolio of technologies and capabilities, and (3) expanding our supply chain to best serve our direct and indirect customers. UNIFI remains committed to this strategy, which we believe will increase profitability and generate improved cash flows from operations.

UNIFI has four reportable segments for its operations – the Polyester Segment, the Asia Segment, the Brazil Segment and the Nylon Segment – as well as certain ancillary operations that include for-hire transportation services, which comprise an All Other category. The ancillary operations classified within All Other are insignificant for all periods presented; therefore, UNIFI's discussion and analysis of those activities is generally limited to their impact on consolidated results, where appropriate.

COVID-19 Pandemic

The COVID-19 pandemic adversely impacted our operating results for the prior period as a result of global demand declines that pressured our sales and profitability performance. Despite the lingering effects and uncertainty of the COVID-19 pandemic, our operating results have improved significantly from the prior period to the current period, primarily due to the restoration of global demand levels and consumer spending.

Recent Trade Initiatives

UNIFI remains committed to pursuing relief from the elevated levels of low-cost and subsidized polyester textured yarn ("Subject Imports") entering the U.S. market from foreign countries. Trade petition efforts to slow Subject Imports from China and India were successful during calendar 2019.

Due to the continued pressure from Subject Imports on our Polyester Segment revenues and gross margins in the U.S. market, UNIFI is again a petitioner to the United States Department of Commerce ("Commerce Department") and the United States International Trade Commission ("ITC") relating to Subject Imports from Indonesia, Malaysia, Thailand, and Vietnam (the "Subject Countries"). For such countries, preliminary antidumping duty rates are currently in effect. On October 19, 2021, the Commerce Department announced final antidumping duty deposit rates on imports of polyester textured yarn from the Subject Countries. The ITC is expected to announce its final determination on November 30, 2021.

We believe both trade petitions on Subject Imports are necessary to normalize the U.S. polyester market for fair pricing and competition, and a positive outcome in the ongoing petition will aid in generating incremental revenue for the Polyester Segment.

Adverse Impacts of Elevated Input Costs and Global Production Volatility

The prior period benefited from stable, low raw material costs, although suppressed global demand levels prevented UNIFI from generating meaningful operating results. As fiscal 2021 concluded, global economic recovery, domestic weather events, supply constraints and general inflationary pressures have led to higher input costs in fiscal 2022. For the majority of our portfolio, we have been able to implement selling price adjustments to protect gross margins in the current period, and we have navigated the higher cost environment better than in recent prior years. However, the acceleration of input costs and the current elevated levels remain headwinds to our underlying performance.

In addition to the recent pressures from input costs, UNIFI is experiencing inefficiencies in the global supply chain in connection with (i) freight and logistics slowdowns in foreign markets; (ii) a tighter labor pool in the U.S.; and (iii) suppressed productivity resulting from (a) pandemic-related lockdowns in certain regions of Asia and (b) energy management measures taken in China during September and October 2021. While our businesses are not currently materially impacted by these adverse events and circumstances, the existing challenges could worsen and/or occur for prolonged periods and eventually become material impacts to our Asia and Polyester segments.

Key Performance Indicators and Non-GAAP Financial Measures

UNIFI continuously reviews performance indicators to measure its success. These performance indicators form the basis of management's discussion and analysis included below:

- sales volume and revenue for UNIFI and for each reportable segment;
- gross profit and gross margin for UNIFI and for each reportable segment;

- net income and diluted EPS;
- Segment Profit, which equals segment gross profit plus segment depreciation expense;
- unit conversion margin, which represents unit net sales price less unit raw material costs, for UNIFI and for each reportable segment;
- working capital, which represents current assets less current liabilities;
- Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), which represents Net income before net interest expense, income tax expense and depreciation and amortization expense;
- Adjusted EBITDA, which represents EBITDA adjusted to exclude, from time to time, certain other adjustments necessary to understand and compare the underlying results of UNIFI;
- Adjusted Net Income, which represents net income calculated under GAAP, adjusted to exclude certain amounts which management believes do not reflect the ongoing operations and performance of UNIFI and/or for which exclusion may be necessary to understand and compare the underlying results of UNIFI;
- Adjusted EPS, which represents Adjusted Net Income divided by UNIFI's diluted weighted average common shares outstanding;
- Adjusted Working Capital, which equals receivables plus inventories and other current assets, less accounts payable and other current liabilities; and
- Net Debt, which represents debt principal less cash and cash equivalents.

EBITDA, Adjusted EBITDA, Adjusted Working Capital and Net Debt (collectively, the "non-GAAP financial measures") are not determined in accordance with GAAP and should not be considered a substitute for performance measures determined in accordance with GAAP. The calculations of the non-GAAP financial measures are subjective, based on management's belief as to which items should be included or excluded in order to provide the most reasonable and comparable view of the underlying operating performance of the business. We may, from time to time, modify the amounts used to determine our non-GAAP financial measures. When applicable, management's discussion and analysis includes specific consideration for items that comprise the reconciliations of its non-GAAP financial measures. We believe that these non-GAAP financial measures better reflect UNIFI's underlying operations and performance and that their use, 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.

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 a key performance metric utilized in the determination of variable compensation. We also believe Adjusted EBITDA is an appropriate supplemental measure of debt service capacity because it serves as a high-level proxy for cash generated from operations and is relevant to our fixed charge coverage ratio.

Management uses Adjusted Net Income and Adjusted EPS (i) as measurements of net operating performance because they assist us in comparing such performance on a consistent basis, as they remove the impact of (a) items that we would not expect to occur as a part of our normal business on a regular basis and (b) components of the provision for income taxes that we would not expect to occur as a part of our underlying taxable operations; (ii) for planning purposes, including the preparation of our annual operating budget; and (iii) as measures in determining the value of other acquisitions and dispositions.

Management uses Adjusted Working Capital as an indicator of UNIFI's production efficiency and ability to manage inventories and receivables. Adjusted Working Capital is a metric used in the determination of variable compensation.

Management uses Net Debt as a liquidity and leverage metric to determine how much debt would remain if all cash and cash equivalents were used to pay down debt principal.

Review of Results of Operations

Three Months Ended September 26, 2021 Compared to Three Months Ended September 27, 2020

Consolidated Overview

The below tables provide:

- the components of net income and the percentage increase or decrease over the prior fiscal year amounts, and
- a reconciliation from net income to EBITDA and Adjusted EBITDA.

Following the tables is a discussion and analysis of the significant components of net income.

Net income

	For the Three Months Ended				
	September 26, 2021		September 27, 2020		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 195,992	100.0	$ 141,505	100.0	38.5
Cost of sales	169,895	86.7	126,944	89.7	33.8
Gross profit	26,097	13.3	14,561	10.3	79.2
SG&A	12,670	6.4	11,364	8.0	11.5
Benefit for bad debts	(80)	—	(887)	(0.6)	(91.0)
Other operating expense, net	256	0.1	1,178	0.8	(78.3)
Operating income	13,251	6.8	2,906	2.1	nm
Interest expense, net	438	0.2	746	0.5	(41.3)
Equity in earnings of unconsolidated affiliates	(280)	(0.1)	(93)	—	201.1
Income before income taxes	13,093	6.7	2,253	1.6	nm
Provision (benefit) for income taxes	4,413	2.3	(1,179)	(0.8)	nm
Net income	$ 8,680	4.4	$ 3,432	2.4	152.9

nm – Not meaningful

EBITDA and Adjusted EBITDA (Non-GAAP Financial Measures)

The reconciliations of the amounts reported under GAAP for Net income to EBITDA and Adjusted EBITDA were as follows:

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Net income	$ 8,680	$ 3,432
Interest expense, net	438	746
Provision (benefit) for income taxes	4,413	(1,179)
Depreciation and amortization expense (1)	6,308	6,052
EBITDA	19,839	9,051
Other adjustments (2)	—	—
Adjusted EBITDA	$ 19,839	$ 9,051

(1) Within this reconciliation, depreciation and amortization expense excludes the amortization of debt issuance costs, which are reflected in interest expense, net. Within the accompanying condensed consolidated statements of cash flows, amortization of debt issuance costs is reflected in depreciation and amortization expense.

(2) For the periods presented, there were no other adjustments necessary to reconcile Net income to Adjusted EBITDA.

Adjusted Net Income and Adjusted EPS (Non-GAAP Measures)

For the current and the prior period, there were no adjustments necessary to reconcile Net income to Adjusted Net Income or Adjusted EPS.

Net Sales

Consolidated net sales for the current period increased by $54,487, or 38.5%, and consolidated sales volumes increased 12.8%, compared to the prior period. The increases occurred primarily due to (i) a rebound in product demand following the adverse impact of the COVID-19 pandemic on sales volumes in the prior period, (ii) incremental sales growth for the Asia Segment led by REPREVE® branded products, and (iii) opportunistically improved market share and pricing levels in Brazil.

Consolidated average sales prices increased 25.7%, primarily attributable to higher selling prices associated with higher raw material costs.

REPREVE® Fiber products for the current period comprised 37% of consolidated net sales, up from 36% for the prior period.

Gross Profit

Gross profit for the current period increased by $11,536, or 79.2%, compared to the prior period. Despite input cost and supply chain pressures for each of our segments, gross profit performance was better than anticipated.

- For the Polyester Segment, gross profit benefited from the restoration of U.S. demand following the worst months of the COVID-19 pandemic and a better sales mix.
- For the Asia Segment, gross profit increased from the prior period primarily due to higher sales volumes and a stronger sales mix.
- For the Brazil Segment, gross profit increased significantly from the prior period primarily due to opportunistically improved market share and pricing levels.
- For the Nylon Segment, gross profit exhibited no relevant change.

SG&A

SG&A increased from the prior period, primarily due to higher amortization from customer list assets acquired in fiscal 2021 and higher discretionary expenses in the current period, following COVID-19 pandemic related restrictions and cost control in the prior period.

Benefit for Bad Debts

The current period benefit for bad debts reflects no material activity. The prior period reflects a benefit for general improvement in customer payment frequency following the adverse effects of the COVID-19 pandemic on customer health.

Other Operating Expense, Net

The current period and prior period primarily reflect foreign currency transaction losses of $233 and $281, respectively, in addition to $881 of severance costs recorded in the prior period.

Interest Expense, Net

Interest expense, net decreased from the prior period to the current period, primarily attributable to a lower average debt principal and interest rate.

Equity in Earnings of Unconsolidated Affiliates

There was no material activity for the current period or the prior period.

Income Taxes

Provision (benefit) for income taxes and the effective tax rate were as follows:

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Provision (benefit) for income taxes	$ 4,413	$ (1,179)
Effective tax rate	33.7%	(52.3)%

The effective tax rate is subject to variation due to a number of factors, including variability in pre-tax book income, the mix of income by jurisdiction, changes in deferred tax valuation allowances and changes in statutes, regulations and case law. Additionally, the impacts of discrete and other rate impacting items are greater when income before income taxes is lower.

The increase in the effective tax rate from the prior period to the current period is primarily attributable to a discrete benefit in the prior period for the retroactive GILTI high-tax exclusion. This increase is partially offset by an expense recorded in the prior period to increase the valuation allowance for deferred tax assets.

Net Income

Net income for the current period was $8,680, or $0.46 per diluted share, compared to net income of $3,432 or $0.18 per diluted share, for the prior period. The improvement in net income was primarily attributable to higher gross profit in the current period.

Adjusted EBITDA (Non-GAAP Financial Measure)

Adjusted EBITDA increased from the prior period to the current period, primarily due to higher gross profit.

Segment Overview

Following is a discussion and analysis of the revenue and profitability performance of UNIFI's reportable segments for the current period.

Polyester Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the Polyester Segment, were as follows:

	For the Three Months Ended						
	September 26, 2021			September 27, 2020			
			% of Net Sales			% of Net Sales	% Change
Net sales	$	89,467	100.0	$	69,076	100.0	29.5
Cost of sales		81,173	90.7		64,444	93.3	26.0
Gross profit		8,294	9.3		4,632	6.7	79.1
Depreciation expense		4,482	5.0		4,403	6.4	1.8
Segment Profit	$	12,776	14.3	$	9,035	13.1	41.4
Segment net sales as a percentage of consolidated amounts		45.6%			48.8%		
Segment Profit as a percentage of consolidated amounts		40.5%			45.2%		

The change in net sales for the Polyester Segment was as follows:

Net sales for the prior period	$	69,076
Net change in average selling price and sales mix		15,914
Increase in sales volumes		4,477
Net sales for the current period	$	89,467

The increase in net sales for the Polyester Segment from the prior period to the current period was primarily attributable to (i) higher average selling prices associated with higher polyester raw material costs, (ii) a better sales mix, and (iii) higher sales volumes in connection with demand restoration following the adverse impacts of the COVID-19 pandemic on the prior period.

The change in Segment Profit for the Polyester Segment was as follows:

Segment Profit for the prior period	$	9,035
Change in underlying margins and sales mix		3,155
Increase in sales volumes		586
Segment Profit for the current period	$	12,776

The increase in Segment Profit for the Polyester Segment from the prior period to the current period was primarily attributable to (i) the adverse impact of the COVID-19 pandemic on cost absorption and facility utilization following lower sales volumes during the prior period and (ii) a better sales and production mix in the current period.

Asia Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the Asia Segment, were as follows:

	For the Three Months Ended						
	September 26, 2021			September 27, 2020			
			% of Net Sales			% of Net Sales	% Change
Net sales	$	51,428	100.0	$	37,723	100.0	36.3
Cost of sales		44,457	86.4		33,145	87.9	34.1
Gross profit		6,971	13.6		4,578	12.1	52.3
Depreciation expense		—	—		—	—	—
Segment Profit	$	6,971	13.6	$	4,578	12.1	52.3
Segment net sales as a percentage of consolidated amounts		26.2%			26.7%		
Segment Profit as a percentage of consolidated amounts		22.1%			22.9%		

The change in net sales for the Asia Segment was as follows:

Net sales for the prior period	$	37,723
Net increase in sales volumes		11,191
Favorable foreign currency translation effects		2,420
Change in average selling price and sales mix		94
Net sales for the current period	$	51,428

The increase in net sales for the Asia Segment from the prior period to the current period was primarily attributable to the continued momentum of REPREVE®-branded products contributing to underlying sales growth, in addition to the adverse impacts of the COVID-19 pandemic on global demand in the prior period.

The RMB weighted average exchange rate was 6.47 RMB/USD and 6.91 RMB/USD for the current period and the prior period, respectively.

The change in Segment Profit for the Asia Segment was as follows:

Segment Profit for the prior period	$	4,578
Increase in sales volumes		1,358
Change in underlying margins and sales mix		742
Favorable foreign currency translation effects		293
Segment Profit for the current period	$	6,971

The increase in Segment Profit for the Asia Segment from the prior period to the current period was primarily attributable to higher sales volumes and a stronger sales mix in the current period.

Brazil Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the Brazil Segment, were as follows:

	For the Three Months Ended						
	September 26, 2021			September 27, 2020			
			% of Net Sales			% of Net Sales	% Change
Net sales	$	33,738	100.0	$	22,606	100.0	49.2
Cost of sales		23,798	70.5		17,993	79.6	32.3
Gross profit		9,940	29.5		4,613	20.4	115.5
Depreciation expense		383	1.1		430	1.9	(10.9)
Segment Profit	$	10,323	30.6	$	5,043	22.3	104.7
Segment net sales as a percentage of consolidated amounts		17.2%			16.0%		
Segment Profit as a percentage of consolidated amounts		32.7%			25.2%		

The change in net sales for the Brazil Segment was as follows:

Net sales for the prior period	$	22,606
Increase in average selling price and change in sales mix		11,397
Favorable foreign currency translation effects		620
Decrease in sales volumes		(885)
Net sales for the current period	$	33,738

The increase in net sales for the Brazil Segment from the prior period to the current period was primarily attributable to higher selling prices in connection with (i) higher input costs and (ii) a better competitive position.

The BRL weighted average exchange rate was 5.24 BRL/USD and 5.39 BRL/USD for the current period and the prior period, respectively.

The change in Segment Profit for the Brazil Segment was as follows:

Segment Profit for the prior period	$	5,043
Increase in underlying margins		5,343
Favorable foreign currency translation effects		135
Decrease in sales volumes		(198)
Segment Profit for the current period	$	10,323

The increase in Segment Profit for the Brazil Segment from the prior period to the current period was primarily attributable to an improved sales mix and conversion margin stemming from an improved competitive position in Brazil.

Nylon Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the Nylon Segment, were as follows:

	For the Three Months Ended				
	September 26, 2021		September 27, 2020		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 20,159	100.0	$ 11,029	100.0	82.8
Cost of sales	19,433	96.4	10,364	94.0	87.5
Gross profit	726	3.6	665	6.0	9.2
Depreciation expense	435	2.2	442	4.0	(1.6)
Segment Profit	$ 1,161	5.8	$ 1,107	10.0	4.9
Segment net sales as a percentage of consolidated amounts	10.3%		7.8%		
Segment Profit as a percentage of consolidated amounts	3.7%		5.5%		

The change in net sales for the Nylon Segment was as follows:

Net sales for the prior period	$	11,029
Increase in sales volumes		8,100
Net change in average selling price and sales mix		1,030
Net sales for the current period	$	20,159

The increase in net sales for the Nylon Segment from the prior period to the current period was primarily attributable to an increase in sales volumes in the current period following the adverse impacts of the COVID-19 pandemic on sales volumes in the prior period, in addition to higher selling prices in connection with higher raw material costs.

The change in Segment Profit for the Nylon Segment was as follows:

Segment Profit for the prior period	$	1,107
Increase in sales volumes		814
Net decrease in underlying margins		(760)
Segment Profit for the current period	$	1,161

Nylon Segment Profit was essentially unchanged due to the offsetting impacts of higher volumes of a less favorable sales and production mix.

Liquidity and Capital Resources

UNIFI's primary capital requirements are for working capital, capital expenditures, debt service and share repurchases. UNIFI's primary sources of capital are cash generated from operations and borrowings available under the ABL Revolver of its credit facility. For the current period, cash used by operations was $15,808, and, at September 26, 2021, excess availability under the ABL Revolver was $73,693.

As of September 26, 2021, all of UNIFI's $84,312 of debt obligations were guaranteed by certain of its domestic operating subsidiaries, while 76% of UNIFI's cash and cash equivalents were held by its foreign subsidiaries. Cash and cash equivalents held by foreign subsidiaries may not be presently available to fund UNIFI's domestic capital requirements, including its domestic debt obligations. UNIFI employs a variety of strategies to ensure that its worldwide cash is available in the locations where it is needed.

The following table presents a summary of cash and cash equivalents, borrowings available under financing arrangements, liquidity, working capital and total debt obligations as of September 26, 2021 for domestic operations compared to foreign operations:

	Domestic	Foreign	Total
Cash and cash equivalents	$ 12,051	$ 37,505	$ 49,556
Borrowings available under financing arrangements	73,693	—	73,693
Liquidity	$ 85,744	$ 37,505	$ 123,249
Working capital	$ 85,254	$ 134,426	$ 219,680
Total debt obligations	$ 84,312	$ —	$ 84,312

UNIFI's primary cash requirements, in addition to normal course operating activities (e.g. working capital and payroll), primarily include (i) capital expenditures that generally have commitments of up to 12 months, (ii) contractual obligations that support normal course ongoing operations and production, (iii) operating leases and finance leases, and (iv) debt service.

COVID-19 Pandemic Liquidity Considerations

Throughout the COVID-19 pandemic, UNIFI has not experienced any (i) substantial, prolonged headwinds relating to liquidity, (ii) significant outbreaks of COVID-19 among employees, nor (iii) other extensive disruptions to ongoing operations. The following reflect on UNIFI's strong liquidity position and access to capital resources during the COVID-19 pandemic:

- We have not accessed public or private capital markets for recent liquidity needs.
- We do not currently expect our cost of or access to existing capital and funding sources to materially change as a result of the COVID-19 pandemic; however, new capital and funding sources (if any) may carry higher costs than our current structure.
- We have not taken advantage of rent, lease or debt deferrals, forbearance periods or other concessions, nor have we modified any material agreements to provide concessions.
- We have not relied on supply chain financing, structured trade payables or vendor financing.
- We are not at material risk of not meeting our financial covenants.
- We continue to maintain significant borrowing availability on our existing credit facility.

Now that global demand pressures are less severe and the textile supply chain appears to be recovering, we expect our significant cash balances and available borrowings to continue to provide adequate liquidity during the lingering pressures of the COVID-19 pandemic. Accordingly, and because of the global demand recovery that has occurred thus far, we do not currently anticipate any adverse events or circumstances will place critical pressure on our liquidity position and/or ability to fund our operations, capital expenditures, and expected business growth during fiscal 2022. Should global demand and economic activity decline beyond the short-term, UNIFI maintains the ability to (i) seek additional credit or financing arrangements or extensions of existing arrangements and/or (ii) re-implement cost reduction initiatives to preserve cash and secure the longevity of the business and operations.

As we anticipate further business recovery to occur throughout fiscal 2022, we expect the majority of our capital will be deployed to upgrade the machinery in our Americas manufacturing facilities via capital expenditures.

Debt Obligations

The following table presents the total balances outstanding for UNIFI's debt obligations, their scheduled maturity dates and the weighted average interest rates for borrowings as well as the applicable current portion of long-term debt:

	Scheduled Maturity Date	Weighted Average Interest Rate as of September 26, 2021	Principal Amounts as of	
			September 26, 2021	June 27, 2021
ABL Revolver	December 2023	0.0%	$ —	$ —
ABL Term Loan	December 2023	3.2% (1)	75,000	77,500
Finance lease obligations	(2)	3.6%	7,548	8,475
Construction financing	(3)	2.3%	1,764	882
Total debt			84,312	86,857
Current ABL Term Loan			(12,500)	(12,500)
Current portion of finance lease obligations			(2,928)	(3,545)
Unamortized debt issuance costs			(419)	(476)
Total long-term debt			$ 68,465	$ 70,336

(1) Includes the effects of interest rate swaps.
(2) Scheduled maturity dates for finance lease obligations range from May 2022 to November 2027.
(3) Refer to the discussion below under the subheading "*—Construction Financing*" for further information.

As of September 26, 2021:

- UNIFI was in compliance with all financial covenants in the Credit Agreement,
- excess availability under the ABL Revolver was $73,693,
- the Trigger Level (as defined in the Credit Agreement) was $21,875, and
- $0 of standby letters of credit were outstanding.

UNIFI currently maintains three interest rate swaps that fix LIBOR at approximately 1.9% on $75,000 of variable-rate debt. Such swaps are scheduled to terminate in May 2022. Management will continue to monitor the expected termination of LIBOR and the impact on UNIFI's operations. However, management does not expect (i) significant efforts are necessary to accommodate a termination of LIBOR or (ii) a significant impact to UNIFI's operations upon a termination of LIBOR.

In addition to making payments in accordance with the scheduled maturities of debt required under its existing debt obligations, UNIFI may, from time to time, elect to repay additional amounts borrowed under the ABL Facility. Funds to make such repayments may come from the operating cash flows of the business or other sources and will depend upon UNIFI's strategy, prevailing market conditions, liquidity requirements, contractual restrictions and other factors.

Construction Financing

In May 2021, UNIFI entered into an agreement with a third party lender that provides for construction-period financing for certain texturing machinery anticipated in our capital allocation plans. UNIFI will record project costs to construction in progress and the corresponding liability to construction financing (within long-term debt). The agreement provides for monthly, interest-only payments during the construction period, at a rate of LIBOR plus 2.2%, and contains terms customary for a financing of this type. The agreement provides for 60 monthly payments, which will commence upon the completion of the construction period with an interest rate of approximately 2.8%.

Scheduled Debt Maturities

The following table presents the scheduled maturities of UNIFI's outstanding debt obligations for the remainder of fiscal 2022, the following four fiscal years and thereafter:

	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Thereafter
ABL Revolver	$ —	$ —	$ —	$ —	$ —	$ —
ABL Term Loan	10,000	10,000	55,000	—	—	—
Finance lease obligations	2,618	1,257	1,301	1,195	733	444
Total (1)	$ 12,618	$ 11,257	$ 56,301	$ 1,195	$ 733	$ 444

(1) Total reported excludes $1,764 for construction financing, described above.

Net Debt (Non-GAAP Financial Measure)

The reconciliations for Net Debt are as follows:

	September 26, 2021	June 27, 2021
Long-term debt	$ 68,465	$ 70,336
Current portion of long-term debt	15,428	16,045
Unamortized debt issuance costs	419	476
Debt principal	84,312	86,857
Less: cash and cash equivalents	49,556	78,253
Net Debt	$ 34,756	$ 8,604

Working Capital and Adjusted Working Capital (Non-GAAP Financial Measures)

The following table presents the components of working capital and the reconciliation of working capital to Adjusted Working Capital:

	September 26, 2021	June 27, 2021
Cash and cash equivalents	$ 49,556	$ 78,253
Receivables, net	103,031	94,837
Inventories	150,511	141,221
Income taxes receivable	3,368	2,392
Other current assets	12,816	12,364
Accounts payable	(57,528)	(54,259)
Other current liabilities	(19,319)	(31,638)
Income taxes payable	(5,177)	(1,625)
Current operating lease liabilities	(2,150)	(1,856)
Current portion of long-term debt	(15,428)	(16,045)
Working capital	$ 219,680	$ 223,644
Less: Cash and cash equivalents	(49,556)	(78,253)
Less: Income taxes receivable	(3,368)	(2,392)
Less: Income taxes payable	5,177	1,625
Less: Current operating lease liabilities	2,150	1,856
Less: Current portion of long-term debt	15,428	16,045
Adjusted Working Capital	$ 189,511	$ 162,525

Working capital decreased from $223,644 as of June 27, 2021 to $219,680 as of September 26, 2021, while Adjusted Working Capital increased from $162,525 to $189,511.

The decrease in cash and cash equivalents was primarily driven by the increase in receivables and inventories, the routine payment of incentive compensation earned in fiscal 2021, capital expenditures and scheduled debt service. The increase in receivables, net and inventories was primarily attributable to increased sales in the current period along with the impact of increased sales pricing and higher raw material costs. The changes in income taxes receivable and other current assets were insignificant. The increase in accounts payable was consistent with the increase in sales and production activity. The decrease in other current liabilities was primarily attributable to the payment of incentive compensation earned in fiscal 2021. The increase in income taxes payable primarily reflects the impact of the interim tax provision. The changes in current operating lease liabilities and current portion of long-term debt were insignificant.

Capital Projects

During the current period, UNIFI invested $9,300 in capital projects, primarily relating to (i) eAFK Evo texturing machinery, (ii) further improvements in production capabilities and technology enhancements in the Americas, and (iii) routine annual maintenance capital expenditures. Maintenance capital expenditures are necessary to support UNIFI's current operations, capacities and capabilities and exclude expenses relating to repairs and costs that do not extend an asset's useful life.

For the remainder of fiscal 2022, we expect to invest up to $34,700 in capital projects for an aggregate annual estimate of $40,000 to $44,000, to include (i) continuing the purchase and installation of new eAFK Evo texturing machines, (ii) making further improvements in production capabilities and technology enhancements in the Americas, and (iii) annual maintenance capital expenditures.

The total amount ultimately invested for fiscal 2022 could be more or less than the currently estimated amount depending on the timing and scale of contemplated initiatives and is expected to be funded primarily by existing cash and cash equivalents. UNIFI expects recent and future capital projects to provide benefits to future profitability. The additional assets from these capital projects consist primarily of machinery and equipment.

Share Repurchase Program

On October 31, 2018, the Board approved the 2018 SRP under which UNIFI is authorized to acquire up to $50,000 of its common stock. Under the 2018 SRP, purchases will be made from time to time in the open market at prevailing market prices or through private transactions or block trades. The timing and amount of repurchases will depend on market conditions, share price, applicable legal requirements and other factors. The share repurchase authorization is discretionary and has no expiration date.

As of September 26, 2021, UNIFI repurchased a total of 84 shares during fiscal 2020, at an average price of $23.72 (for a total of $1,994 inclusive of commission costs) pursuant to the 2018 SRP, leaving $48,008 available for repurchase under the 2018 SRP.

Liquidity Summary

UNIFI has met its historical liquidity requirements for working capital, capital expenditures, debt service requirements and other operating needs from its cash flows from operations and available borrowings. UNIFI believes that its existing cash balances, cash provided by operating activities and borrowings available under the ABL Revolver will enable UNIFI to comply with the terms of its indebtedness and meet its foreseeable liquidity requirements. Domestically, UNIFI's cash balances, cash provided by operating activities and borrowings available under the ABL Revolver continue to be sufficient to fund UNIFI's domestic operating activities as well as cash commitments for its investing and financing activities. For its foreign operations, UNIFI expects its existing cash balances and cash provided by operating activities will provide the needed liquidity to fund its foreign operating activities and any foreign investing activities, such as future capital expenditures. However, expansion of our foreign operations may require cash sourced from our domestic subsidiaries.

Operating Cash Flows

The significant components of net cash (used) provided by operating activities are summarized below.

	For the Three Months Ended	
	September 26, 2021	September 27, 2020
Net income	$ 8,680	$ 3,432
Equity in earnings of unconsolidated affiliates	(280)	(93)
Depreciation and amortization expense	6,365	6,112
Non-cash compensation expense	660	509
Deferred income taxes	(3,463)	(2,072)
Subtotal	11,962	7,888
Receivables, net	(9,462)	(23,499)
Inventories	(12,190)	4,853
Accounts payable and other current liabilities	(7,393)	15,314
Other changes	1,275	3,366
Net cash (used) provided by operating activities	$ (15,808)	$ 7,922

The decrease in net cash (used) provided by operating activities from the prior period to the current period was primarily due to an increase in working capital associated with (i) higher raw material costs and consolidated sales activity driving higher inventory and accounts receivable balances and (ii) lower other current liabilities resulting from the payment of incentive compensation earned in fiscal 2021, partially offset by an increase in net income.

Investing Cash Flows

Investing activities include $9,300 for capital expenditures, as previously described in *Capital Projects* above.

Financing Cash Flows

Financing activities include scheduled payments against the ABL Term Loan and finance leases during the current period.

Contractual Obligations

UNIFI has incurred various financial obligations and commitments in its normal course of business. Financial obligations are considered to represent known future cash payments that UNIFI is required to make under existing contractual arrangements, such as debt and lease agreements.

There have been no material changes in the scheduled maturities of UNIFI's contractual obligations as disclosed under the heading "Contractual Obligations" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2021 Form 10-K.

Off-Balance Sheet Arrangements

UNIFI is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on UNIFI's financial condition, results of operations, liquidity or capital expenditures.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The SEC has defined a company's most critical accounting policies as those involving accounting estimates that require management to make assumptions about matters that are highly uncertain at the time and where different reasonable estimates or changes in the accounting estimate from quarter to quarter could materially impact the presentation of the financial statements. UNIFI's critical accounting policies are discussed in the 2021 Form 10-K. There were no material changes to these policies during the current period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

UNIFI is exposed to market risks associated with changes in interest rates, fluctuations in foreign currency exchange rates, and raw material and commodity costs, which may adversely affect its financial position, results of operations or cash flows. UNIFI does not enter into derivative financial instruments for trading purposes, nor is it a party to any leveraged financial instruments.

Interest Rate Risk

UNIFI is exposed to interest rate risk through its borrowing activities. As of September 26, 2021, UNIFI had borrowings under its ABL Term Loan that totaled $75,000, for which all of the interest is currently hedged via interest rate swaps. After considering the variable rate debt obligations that have been hedged and UNIFI's outstanding debt obligations with fixed rates of interest, UNIFI's sensitivity analysis indicates that a 50-basis point increase in LIBOR as of September 26, 2021 would result in an increase in annual interest expense of less than $100.

Foreign Currency Exchange Rate Risk

UNIFI conducts its business in various foreign countries and in various foreign currencies. Each of UNIFI's subsidiaries may enter into transactions (sales, purchases, fixed purchase commitments, etc.) that are denominated in currencies other than the subsidiary's functional currency and thereby expose UNIFI to foreign currency exchange rate risk. UNIFI may enter into foreign currency forward contracts to hedge this exposure. UNIFI may also enter into foreign currency forward contracts to hedge its exposure for certain equipment or inventory purchase commitments. As of September 26, 2021, UNIFI had no outstanding foreign currency forward contracts.

A significant portion of raw materials purchased by the Brazil Segment are denominated in USDs, requiring UNIFI to regularly exchange BRL. A significant portion of sales and asset balances for the Asia Segment are denominated in USDs. During recent fiscal years, UNIFI has been negatively impacted by fluctuations of the BRL and the RMB. Discussion and analysis surrounding the impact of fluctuations of the BRL and the RMB on UNIFI's results of operations are included above in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations." UNIFI does not enter into foreign currency derivatives to hedge its net investment in its foreign operations.

As of September 26, 2021, foreign currency exchange rate risk concepts included the following:

		Approximate Amount or Percentage
Percentage of total consolidated assets held by UNIFI's subsidiaries outside the U.S. whose functional currency is not the USD		28.4%
Cash and cash equivalents held outside the U.S.:		
Denominated in USD	$	10,772
Denominated in RMB		17,391
Denominated in BRL		3,758
Denominated in other foreign currencies		226
Total cash and cash equivalents held outside the U.S.	$	32,147
Percentage of total cash and cash equivalents held outside the U.S.		64.9%
Cash and cash equivalents held inside the U.S. in USD by foreign subsidiaries	$	5,358

Raw Material and Commodity Risks

A significant portion of UNIFI's raw material and energy costs are derived from petroleum-based chemicals. The prices for petroleum and petroleum-related products and related energy costs are volatile and dependent on global supply and demand dynamics, including certain geo-political risks. A sudden rise in the price of petroleum and petroleum-based products could have a material impact on UNIFI's profitability. UNIFI does not use financial instruments to hedge its exposure to changes in these costs as management has concluded that the overall cost of hedging petroleum exceeds the potential risk mitigation. The costs of the primary raw materials that UNIFI uses throughout all of its operations are generally based on USD pricing, and such materials are purchased at market or at fixed prices that are established with individual vendors as part of the purchasing process for quantities expected to be consumed in the ordinary course of business. UNIFI manages fluctuations in the cost of raw materials primarily by making corresponding adjustments to the prices charged to its customers. Certain customers are subject to an index-based pricing model in which UNIFI's prices are adjusted based on the change in the cost of raw materials in the prior quarter. Pricing adjustments for other customers must be negotiated independently. UNIFI attempts to quickly pass on to its customers increases in raw material costs, but due to market pressures, this is not always possible. When price increases can be implemented, there is typically a time lag that adversely affects UNIFI's margins during one or more quarters. In ordinary market conditions in which raw material price increases have stabilized and sales volumes are consistent with traditional levels, UNIFI has historically been successful in implementing price adjustments within one to two fiscal quarters of the raw material price increase for its index-priced customers and within two fiscal quarters of the raw material price increase for its non-index-priced customers.

As fiscal 2021 concluded, UNIFI experienced cost increases for raw materials, primarily related to (i) increases in petroleum prices and (ii) supply chain disruptions that occurred in Texas during February 2021 due to abnormally cold weather. Our raw material costs remain elevated in fiscal 2022. However, we have been able to implement responsive selling price adjustments for the majority of our portfolio, and our underlying gross margin has not been significantly pressured by the elevated raw material costs. Nonetheless, such costs remain subject to the volatility described above and, should raw material costs increase unexpectedly, UNIFI's results of operations and cash flows are likely to be adversely impacted.

Other Risks

UNIFI is also exposed to political risk, including changing laws and regulations governing international trade, such as quotas, tariffs and tax laws. The degree of impact and the frequency of these events cannot be predicted.

The risks associated with climate change, localized energy management initiatives, and other environmental impacts could negatively affect UNIFI's business and operations.

UNIFI's business is susceptible to risks associated with climate change, including, but not limited to, disruptions to our supply chain, which could potentially impact the production and distribution of our products and availability and pricing of raw materials. Increased frequency and intensity of weather events due to climate change could lead to supply chain disruption, energy and resource rationing, or an adverse event at one of our manufacturing facilities. For example, the February 2021 winter storm in Texas impacted our U.S. supply chain and led to non-routine fees and surcharges applied to routine business activities and products. Further, the recent energy management initiatives in China are currently pressuring global supply chains and reducing supplier and customer activity. UNIFI remains focused on diversifying our product portfolio and manufacturing footprint while utilizing fewer resources to help address the risks associated with climate change. Nonetheless, the associated risks could adversely impact our results of operations and cash flows.

Item 4. Controls and Procedures

As of September 26, 2021, an evaluation of the effectiveness of UNIFI's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of UNIFI's management, including the principal executive officer and principal financial officer. Based on that evaluation, UNIFI's principal executive officer and principal financial officer concluded that UNIFI's disclosure controls and procedures are effective to ensure that information required to be disclosed by UNIFI in its reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that information required to be disclosed by UNIFI in the reports UNIFI files or submits under the Exchange Act is accumulated and communicated to UNIFI's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in UNIFI's internal control over financial reporting during the three months ended September 26, 2021 that have materially affected, or are reasonably likely to materially affect, UNIFI's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. With respect to all such lawsuits, claims and proceedings, we record reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe that any of these proceedings, individually or in the aggregate, would be expected to have a material adverse effect on our results of operations, financial position or cash flows. We maintain liability insurance for certain risks that is subject to certain self-insurance limits.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 6. Exhibits

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Unifi, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed October 31, 2016 (File No. 001-10542)).
3.2	Amended and Restated By-laws of Unifi, Inc., as of October 26, 2016 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed October 31, 2016 (File No. 001-10542)).
3.3	Declaration of Amendment to the Amended and Restated By-laws of Unifi, Inc. effective April 30, 2019 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed May 1, 2019 (File No. 001-10542)).
10.1*	Letter Agreement by and between Unifi, Inc. and Albert P. Carey, effective as of October 27, 2021 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed October 28, 2021 (File No. 001-10542)).
10.2*+	Form of Performance Share Unit Agreement.
31.1+	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1++	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2++	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

+ Filed herewith.
++ Furnished herewith.
* Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIFI, INC.
(Registrant)

Date: November 3, 2021

By: /s/ CRAIG A. CREATURO
Craig A. Creaturo
Executive Vice President & Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

PERFORMANCE SHARE UNIT AGREEMENT

This Performance Share Unit Agreement (this "***Agreement***") is made by and between Unifi, Inc., a New York corporation (the "***Company***"), and [EMPLOYEE], a key employee (the "***Grantee***") of the Company.

WITNESSETH:

WHEREAS, the Company has adopted the Unifi, Inc. Second Amended and Restated 2013 Incentive Compensation Plan (the "***Plan***"), which became effective on October 29, 2020; and

WHEREAS, the Compensation Committee (the "***Committee***") of the Board of Directors (the "***Board***") of the Company has determined that it is desirable and in the best interests of the Company to grant to the Grantee Performance Share Units ("***PSUs***") as an incentive for the Grantee to advance the interests of the Company;

NOW, THEREFORE, the parties agree as follows:

Section 1. Incorporation of Plan. The Plan is incorporated by reference and made a part of this Agreement, and this Agreement shall be subject to the terms of the Plan, as the Plan may be amended from time to time, provided that any such amendment of the Plan must be made in accordance with Section 14 of the Plan. Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings ascribed to them in the Plan.

Section 2. Grant of PSU; Notice of Grant. Pursuant to the Plan and subject to the terms and conditions set forth herein and therein, the Company has granted to the "***Grantee***," and effective as of the "***Grant Date***," a certain number of PSUs, all as set forth on the Notice of Grant attached hereto as Annex A, which Notice of Grant is incorporated by reference herein.

Section 3. Terms of PSUs. The PSUs granted under this Agreement are subject to the following terms, conditions and restrictions:

(a) No Ownership. The Grantee shall not possess any incidents of ownership (including, without limitation, dividend and voting rights) in shares of the Company Stock in respect of the PSUs until such PSUs have been converted into shares of Company Stock and such shares have been distributed to the Grantee in the form of shares of Company Stock.

(b) Transfer of PSUs. Except as provided in this Section 3(b), the PSUs and any interest therein may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution and subject to the conditions set forth in the Plan and this Agreement. Any attempt to transfer PSUs in contravention of this Section is void ab initio. PSUs shall not be subject to execution, attachment or other process.

(c) Vesting and Conversion of PSUs. If the Grantee remains in the continuous employment of the Company from the Date of Grant through the end of the "***Performance Period***" listed below, the ending date of which is the "***Vesting Date***", a percentage of the target PSUs awarded under this Agreement will become fully vested, as outlined on the Notice of Grant attached hereto as Annex A.

Performance Period Beginning Date	**Performance Period Ending Date**
[DATE]	[DATE]

On the Vesting Date, the vested PSUs shall be converted into an equivalent number of shares of Company Stock, and all such shares of Company Stock will be distributed to the Grantee within 75 days following the Vesting Date, subject to the following possible deferral election by the Grantee. The Grantee may irrevocably elect, on or before the "***Deferral Election Date***" indicated on Annex A, to instead receive distributions of shares of Company Stock upon the Grantee's "separation from service" (as such term is defined in Section 409A and described in Section 7, a "***Separation from Service***"), in either a single distribution or substantially equal annual distributions over a period of up to five years following the Grantee's Separation from Service. Such an election must be made by completing and submitting to the Company a Deferral Election Form in substantially the form included as part of Annex B hereto.

Upon any distribution of shares of Company Stock in respect of the PSUs, the Company shall (i) issue (or make available via electronic means) to the Grantee or the Grantee's personal representative a stock certificate representing such shares of Company Stock, or (ii) cause such number of shares to be registered in the name of the Grantee or the Grantee's personal representative via a book-entry or other share registry process that is effective to constitute the uncertificated delivery thereof, in either case free of any restrictions.

(d) Additional Vesting Provisions.

(i) If, prior to the Vesting Date, the Grantee dies or has a Separation from Service as a result of Disability, a *pro rata* portion, as determined on a *per diem* basis for the portion of the Performance Period that Grantee was in the continuous employment of the Company multiplied by the target number of PSUs on the Notice of Grant attached hereto as Annex A (the "***Target Number***"), of PSUs shall become fully vested, converted into an equivalent number of shares of Company Stock and distributed to the Grantee in a single distribution within 30 days following the Grantee's death or such Separation from Service, as the case may be, in either case without regard to any distribution deferral election.

(ii) If, prior to the Vesting Date, the Grantee has a Separation from Service due to the Grantee's Retirement, the Committee may elect to award a *pro rata* portion, as determined on a *per diem* basis for the portion of the Performance Period that Grantee was in the continuous employment of the Company, of the number of PSUs that would have become vested PSUs (if the Grantee's employment had continued to the Vesting Date) pursuant to the performance criteria described in Annex A and such PSUs shall be converted into an equivalent number of shares of Company Stock and distributed to the Grantee in accordance with the Grantee's Deferral Election Form, attached hereto as Annex B.

(iii) If, after the Grantee attains age 65 but prior to the Vesting Date, the Grantee has a Separation from Service due to an involuntary termination by the Company without Cause (as defined below), the Grantee shall vest in a *pro rata* portion, as determined on a *per diem* basis for the portion of the Performance Period that Grantee was in the continuous employment of the Company, of the number of PSUs that would have become vested PSUs (if the Grantee's employment had continue to the Vesting Date) pursuant to the performance criteria described in Annex A and such PSUs shall be converted into an equivalent number of shares of Company Stock and distributed to the Grantee in accordance with the Grantee's Deferral Election Form, attached hereto as Annex B.

(iv) If, prior to the Vesting Date, Grantee has a Separation from Service for any reason not covered in Section 3(d)(i), Section 3(d)(ii) or Section 3(d)(iii) above, then the Grantee shall forfeit the PSUs and shall not be entitled to receive any shares of Company Stock under this Agreement with respect to such forfeited PSUs.

(v) Notwithstanding the foregoing, the Grantee shall immediately forfeit all PSUs (whether or not vested) and any underlying shares of Company Stock for which distribution has been deferred pursuant to Section 3(c) upon the Grantee's Separation from Service for Cause, whether before or after the Vesting Date.

(vi) In the event of a Change in Control (as defined in the Plan), the Target Number of PSUs shall become fully vested, and such PSUs shall be converted into shares of Company Stock and distributed to the Grantee in a single distribution within 30 days following the Change in Control, without regard to any distribution deferral election.

(vii) For purposes of this Agreement, **"Cause"** means any of the following, as determined in good faith by the Committee: (A) an act of embezzlement, theft or misappropriation by the Grantee of any property of the Company or any Related Company; (B) any breach by the Grantee of any material provision of any material agreement to which the Grantee is a party with the Company or any Related Company that is not cured, to the extent the breach is susceptible to being cured, within fourteen (14) days after the Company gives express notice to the Grantee describing such breach; (C) gross negligence by the Grantee in the discharge of his or her lawful duties to the Company or any Related Company (after receiving express notice from the Company specifying the manner in which he or she is alleged to have been grossly negligent and having had the opportunity to cure the same within thirty (30) days from receipt of such notice); (D) any act by the Grantee constituting a felony or a crime that otherwise involves dishonesty or misrepresentation; (E) the Grantee's breach of any fiduciary duty, under applicable law, to the Company or any Related Company, regardless of whether such conduct constitutes gross negligence; or (F) any chemical or alcohol dependence by the Grantee that materially and adversely affects the performance of his or her duties or responsibilities to the Company or any Related Company.

Section 4. Equitable Adjustment. The aggregate number of shares of Company Stock subject to the PSUs shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Company Stock resulting from a subdivision or consolidation of shares or other capital adjustment, or the payment of a stock dividend or other increase or decrease in such shares, effected without the receipt of consideration by the Company, or other change in corporate or capital structure. The Committee shall make the foregoing changes and any other changes, including changes in the classes of securities available, to the extent reasonably necessary or desirable to preserve the intended benefits under this Agreement in the event of any other reorganization, recapitalization, merger, consolidation, spin-off, extraordinary dividend or other distribution or similar transaction involving the Company.

Section 5. Taxes. The Grantee, upon the distribution of the PSUs, shall pay to the Company in cash the amount of any Applicable Withholding Taxes as provided in the Plan. Notwithstanding the foregoing, the Grantee may satisfy the Applicable Withholding Taxes in whole or in part, by electing (a) to deliver to the Company shares of Company Stock owned by the Grantee at the time of the distribution, (b) to have the Company withhold a portion of the PSUs to which the Grantee would otherwise be entitled or (c) a combination of the foregoing. In the event that the Grantee does not notify the Company of the Grantee's preferred method of satisfaction of the Applicable Withholding Taxes for the Vesting Date prior to the Vesting Date, the Company shall withhold a portion of the PSUs vesting on the Vesting Date to satisfy such Applicable Withholding Taxes. Any shares of Company Stock delivered or to be withheld in satisfaction of any tax obligation of the Grantee shall have a value equal to their Fair Market Value on the day the PSUs are distributed, as provided in the Plan.

Section 6. No Right to Continued Employment. Nothing contained herein shall be deemed to confer upon the Grantee any right to continue in the employment of the Company.

Section 7.Section 409A.

(a) It is intended that this Agreement comply in all respects with the requirements of Section 409A of the Code and applicable Treasury Regulations and other generally applicable guidance issued thereunder (collectively, "***Section 409A***"), and this Agreement shall be interpreted for all purposes in accordance with this intent.

(b) Notwithstanding any other term or provision of this Agreement (including any term or provision of the Plan incorporated herein by reference), the parties hereto agree that, from time to time, the Company may, without prior notice to or consent of the Grantee, amend this Agreement to the extent determined by the Company, in the exercise of its discretion in good faith, to be necessary or advisable to prevent the inclusion in the Grantee's gross income pursuant to the applicable Treasury Regulations of any compensation intended to be deferred hereunder. The Company shall notify the Grantee as soon as reasonably practicable of any such amendment affecting the Grantee.

(c) If the amounts payable under this Agreement are subject to any taxes, penalties or interest under Section 409A, the Grantee shall be solely liable for the payment of any such taxes, penalties or interest.

(d) Except as otherwise specifically provided herein, the time and method for payment of the PSUs as provided in Section 3 and the Deferral Election Form shall not be accelerated or delayed for any reason, unless to the extent necessary to comply with, or as may be permitted under, Section 409A.

(e) If the Grantee is deemed on the date of a Separation from Service to be a "specified employee" (within the meaning of that term under Section 409A(a)(2)(B) of the Code and determined using any identification methodology and procedure selected by the Company from time to time, or the default methodology and procedure specified under Code Section 409A, if none has been selected by the Company), then with regard to any payment or the provision of any benefit that is "nonqualified deferred compensation" within the meaning of Section 409A and that is paid as a result of the Grantee's Separation from Service, such payment or benefit shall not be made or provided prior to the date that is the earlier of (i) the expiration of the six (6)-month period measured from the date of such Separation from Service of the Grantee, and (ii) the date of the Grantee's death (the "***Delay Period***"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this provision (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Grantee in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. For purposes of Section 409A, a distribution of shares of Company Stock following conversion of a PSU shall constitute a "payment" thereof.

Section 8. Recoupment of PSUs/Shares of Stock. Notwithstanding any provision in the Plan or this Agreement to the contrary, all PSUs and underlying shares of Company Stock awarded pursuant to this Agreement shall be subject to recoupment by the Company pursuant to the Company's Compensation Recoupment Policy, as it may be amended from time to time (or any successor policy thereto) (the "***Recoupment Policy***"). The terms of the Recoupment Policy are hereby incorporated by reference into this Agreement.

Section 9. General Matters.

(a) Heirs and Successors. This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. Subject to the terms of the Plan, any benefits distributable to the Grantee under this Agreement that are not distributed at the time of the Grantee's death shall be distributed, at the time and in the form determined in accordance with the provisions of this Agreement and the Plan, to the beneficiary designated by the Grantee in writing filed with the Company in such form and at such time as the Committee shall require. If a deceased Grantee failed to designate a beneficiary, or if the designated beneficiary of the deceased Grantee dies before the Grantee or before complete distribution of the benefits due under this Agreement, the amounts to be distributed under this Agreement shall be distributed to the legal representative or representatives of the estate of the last to die of the Grantee and any designated beneficiary.

(b) Amendments by the Committee. The Committee may, at any time prior to 75 days after the Final Vesting Date, amend this Agreement, provided that no amendment may, in the absence of written consent by the Grantee, adversely affect the rights of the Grantee under this Agreement prior to the date of such amendment.

(c) Administration. The authority to manage and control the operation and administration of this Agreement has been vested in the Committee, and the Committee shall have all powers with respect to this Agreement that it has with respect to the Plan. Any interpretation of the Agreement by the Committee, and any decision made by it with respect to the Agreement, are final and binding.

(d) Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of North Carolina without reference to principles of conflict of laws.

(e) Resolution of Disputes. Any disputes arising under or in connection with this Agreement shall be resolved by binding arbitration before a single arbitrator, to be held in North Carolina in accordance with the commercial rules and procedures of the American Arbitration Association. Judgment upon the award by the arbitrator shall be final and subject to appeal only to the extent permitted by law.

Each party shall bear such party's own expenses incurred in connection with any arbitration; provided, however, that the cost of the arbitration to the Grantee, including, without limitation, reasonable attorneys' fees of the Grantee, shall be borne by the Company if the Grantee is the prevailing party in the arbitration. Anything to the contrary notwithstanding, each party hereto has the right to proceed with a court action for injunctive relief or relief from violations of law not within the jurisdiction of an arbitrator. If any costs of the arbitration borne by the Company in accordance herewith would constitute compensation to the Grantee for Federal tax purposes, then (i) the amount of any such costs reimbursed to the Grantee in one taxable year shall not affect the amount of such costs reimbursable to the Grantee in any other taxable year, (ii) the Grantee's right to reimbursement of any such costs shall not be subject to liquidation or exchange for any other benefit, and (iii) the reimbursement of any such costs incurred by the Grantee shall be made as soon as administratively practicable, but in any event within ten (10) days, after the date the Grantee is determined to be the prevailing party in the arbitration. The Grantee shall be responsible for submitting claims for reimbursement in a timely manner to enable payment within the timeframe provided herein.

(f) Notices. Any notice or other communication required or permitted under this Agreement, to be effective, shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given (i) on the date delivered in person, (ii) on the date indicated on the return receipt if mailed postage prepaid, by certified or registered U.S. Mail, with return receipt requested, (iii) on the date transmitted by facsimile or e-mail, if sent by 5:00 P.M., Eastern Time, and confirmation of receipt thereof is reflected or obtained, or (iv) if sent by Federal Express, UPS or other nationally recognized overnight courier service or overnight express U.S. Mail, with service charges or postage prepaid, then on the next business day after delivery to the courier service or U.S. Mail (in time for and specifying next day delivery). In each case (except for personal delivery), any such notice or other communication shall be sent, as appropriate, (v) to the Grantee at the last address or facsimile number specified in the Grantee's records with the Company, or such other address or facsimile number as the Grantee may designate in writing to the Company, or (vi) to the Company, Attention: General Counsel, at its corporate headquarters address or main facsimile number at such address or such other address as the Company may designate in writing to the Grantee.

(g) Failure to Enforce Not a Waiver. The failure of either party hereto to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

(h) Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original but all of which together shall represent one and the same agreement.

(i) Modifications; Entire Agreement; Headings. This Agreement cannot be changed or terminated orally. This Agreement and the Plan contain the entire agreement between the parties relating to the subject matter hereof. The section headings herein are intended for reference only and shall not affect the interpretation hereof.

[Signatures Follow on Next Page]

IN WITNESS WHEREOF, the parties have executed this Agreement, including the Notice of Grant attached hereto as Annex A, effective as of the Grant Date set forth on Annex A.

UNIFI, INC.

By: ________________________
Name: [NAME]
Title: [TITLE]

GRANTEE

____
(Signature)

Annex A

NOTICE OF GRANT OF
PERFORMANCE SHARE UNITS

The following employee has been granted Performance Share Units pursuant to the Unifi, Inc. Second Amended and Restated 2013 Incentive Compensation Plan in accordance with terms as set forth in this Notice of Grant and the Performance Share Unit Agreement to which this Notice of Grant is attached.

The terms below shall have the following meanings when used in the Performance Share Unit Agreement.

Grantee	[EMPLOYEE]
Address of Grantee	[ADDRESS]
Grant Date	[DATE]
Deferral Election Date	[DATE]
Target Number of PSUs	[TARGET]

Further, the actual number of PSUs that shall vest on the Vesting Date shall be determined from the following table:

Actual [ACHIEVEMENT] Earnings per Share through the Performance Period	**% of Target Number of PSUs**
[AMOUNT]	[PERCENTAGE]
[AMOUNT]	[PERCENTAGE]
[AMOUNT]	[PERCENTAGE]
[AMOUNT]	[PERCENTAGE]
[AMOUNT]	[PERCENTAGE]

Annex B

<u>DEFERRAL ELECTION FORM AND INSTRUCTIONS</u>

*** * * INSTRUCTIONS * * ***

You have been granted Performance Share Units ("***PSUs***") pursuant to the Performance Share Unit Agreement to which this <u>Annex B</u> is attached as a part thereof (the "***Agreement***"). Unless otherwise defined herein or in the attached Deferral Election Form, capitalized terms have the meanings given them in the Agreement, which also includes <u>Annex A</u> attached thereto.

Payment of PSUs is made in shares of Company Stock after the vesting of the PSUs as described in the Agreement. You are taxed at ordinary income rates on the value of the shares of Company Stock at the time of such payment, which is the time that shares are distributed to you pursuant to the Agreement. Following such a distribution, you can sell some or all the shares at any time, subject to any applicable securities law restrictions. Or, in connection with a distribution, you can choose to have the Company withhold an appropriate number of the shares to satisfy your tax obligation.

As a general rule, your vested PSUs under the Agreement will be converted to shares of Company Stock that will be distributed to you in a single distribution within 30 days following the applicable Vesting Date. However, under <u>Section 3(c)</u> of the Agreement, you may elect instead to defer receipt of such shares of Company Stock until your Separation from Service, and then have the shares distributed to you in either a single distribution or substantially equal annual distributions over a period of up to five years following your Separation from Service. Such an election must be made by completing and submitting to the Company the attached Deferral Election Form on or before the Deferral Election Date.

However, if you become vested in your PSUs prior to the Vesting Date due to certain Separation from Service events as described in Section 3(d)(i) of this Agreement or a Change in Control of the Company, you will receive your shares of Company Stock in a single distribution within 30 days following the date of such event, regardless of any deferral election that you may have made.

There may be advantages and disadvantages to making a deferral election, depending on your individual situation and future events, including future tax rates. You should consider your particular tax and financial situation before making a deferral election. You are encouraged to consult your personal tax or financial planning advisor in making a decision.

**FOR A DEFERRAL ELECTION TO BE EFFECTIVE,
YOU MUST COMPLETE AND RETURN THE ATTACHED FORM
NO LATER THAN THE DEFERRAL ELECTION DATE
TO THE OFFICE OF THE GENERAL COUNSEL**

UNIFI, INC. PERFORMANCE SHARE UNITS

DEFERRAL ELECTION FORM

Name of Grantee: [EMPLOYEE]

All capitalized terms not defined herein have the meanings assigned to them in your [DATE] Performance Share Unit Agreement. ***Please complete the box on the left side or the box on the right side by using a check and your initials to indicate the one option being elected.***

DO NOT DEFER DISTRIBUTION:	**TO DEFER DISTRIBUTION:**
___________ I hereby elect to receive my shares of Company Stock in a single distribution within 75 days following the Vesting Date.	I hereby elect to receive distribution of the following percentage of my shares of Company Stock pursuant to my [DATE] Performance Share Unit Agreement, in payment of my vested PSUs thereunder, as follows: ___________ deferred percentage (must be a multiple of 10 up to 100%, and deferred shares will be rounded down to the nearest whole share) to be received in: (a) ___________ single distribution within 75 days following the later of the date of my Separation from Service or the Vesting Date **OR** (b)___________ (***maximum of 5***) equal annual installment distributions, commencing within 75 days following the later of the date of my Separation from Service or the Vesting Date for the first installment and with each subsequent distribution on the respective anniversary dates thereof.

I understand and acknowledge that:

- If I become vested in all or a portion of my PSUs prior to the Vesting Date due to certain events as described in Section 3(d)(i) of my Performance Share Unit Agreement or a Change in Control of the Company, my shares of Company Stock will be distributed to me in a single distribution within 30 days following the date of such event.
- ***If at any time I have a Separation from Service for Cause, I will forfeit all PSUs (whether or not vested) and all underlying shares of Company Stock that have not been distributed to me, including those deferred under this Deferral Election Form.***
- My deferrals will be subject to all requirements of Section 409A of the Internal Revenue Code and provisions of the Plan as amended to comply with Section 409A.

I understand that this election is irrevocable. I also understand that I am making this election in accordance with the terms of the Plan and that the terms of the Plan will be used to resolve any ambiguity or inconsistency that may arise in connection with this election.

Signature of Grantee

Date

Exhibit 31.1

CERTIFICATION

I, Edmund M. Ingle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Unifi, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

/s/ EDMUND M. INGLE
Edmund M. Ingle
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Craig A. Creaturo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Unifi, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

/s/ CRAIG A. CREATURO
Craig A. Creaturo
Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Unifi, Inc. (the “Company”) for the period ended September 26, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Edmund M. Ingle, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2021

/s/ EDMUND M. INGLE
Edmund M. Ingle
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Unifi, Inc. (the “Company”) for the period ended September 26, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Craig A. Creaturo, Executive Vice President & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:November 3, 2021

/s/ CRAIG A. CREATURO

Craig A. Creaturo
Executive Vice President & Chief Financial Officer
(Principal Financial Officer)