



SPECIAL SITUATIONS 2020 DARK HORSE PICKS

Trevor Reynolds | VP Research & Equity Analyst | 403.410.6842 | treynolds@acumencapital.com

Nick Corcoran | Equity Analyst | 403.410.6840 | ncorcoran@acumencapital.com

Jim Byrne | Equity Analyst | 403.571.0530 | jbyrne@acumencapital.com

Daniel Toft | Research Associate | 403.571.0319 | dtoft@acumencapital.com

January 14, 2020

2020 DARK HORSE PICKS

dark horse

noun

a candidate or competitor about whom little is known but who unexpectedly wins or succeeds

We are introducing our dark horse picks for 2020. In selecting our candidates, the collection of names have either lost a surprising amount of investor conviction or remain under the radar. This report is intended to offer investors some perspectives on the potential catalysts that could surprise to the upside in 2020.

FIGURE 1 | SPECIAL SITUATIONS COVERAGE LIST | 2020 DARK HORSE PICKS

Unisync Corp. (UNI-TSX)

Source: Acumen Capital Partners

A summary of our 2020 Dark Horse Ideas is included below. Comps and a full report on each company is included in this package.

Unisync Corp. (UNI-TSX)

\$4.50 Target Price, BUY Rating

UNI is a name that remains under the radar for most investors despite its products being some of the most widely seen in the country. UNI outfits some of Canada's most iconic brands such as Tim Hortons, Air Canada, and Shoppers Drug Mart. In 2020, we believe the company will generate significantly improved financial results, and that momentum will continue into 2021 and beyond. With the launch of its first U.S. airline, Alaska Airlines, in calendar 2020 and the uniform program for WestJet in calendar 2021, UNI is well positioned for success. In addition, 2020 could provide a major catalyst with the potential award of the Department of National Defence contract (OCFC2) later in the year. This contract has the potential to exceed \$1 billion in revenue over 20 years for the company.

2020 Dark Horse Pick

ACUMEN CAPITAL | RESEARCH

IDEAS. GROWTH. OPPORTUNITY.

UNISYNC CORP. (TSX: UNI)

Last Close: \$3.42

SPECIAL SITUATIONS RESEARCH

12-Month Target: \$4.50

Recommendation: BUY

Implied Total Return: 31.6%

COMPANY DESCRIPTION: Unisync Corp. ("Unisync", the "Company", or "UNI") is one of Canada's largest independent uniform providers. The Company operates through two business segments. Peerless Garments specializes in technical protective garments and military clothing and Unisync Group (UGL) provides corporate apparel serving clients such as Air Canada, WestJet, Telus, and Purolator.

Jim Byrne, P. Eng., CFA | Equity Analyst | 403.571.0530 | jbyrne@acumencapital.com

January 14, 2020

Summary. UNI is a name that remains under the radar for most investors despite its products being some of the most widely seen in the country. UNI outfits some of Canada's most iconic brands such as Tim Hortons, Air Canada, and Shoppers Drug Mart. In 2020, we believe the company will generate significantly improved financial results, and that momentum will continue into 2021 and beyond. With the launch of its first U.S. airline, Alaska Airlines, in calendar 2020 and the uniform program for WestJet in calendar 2021, UNI is well positioned for success. In addition, 2020 could provide a major catalyst with the potential award of the Department of National Defence contract (OCFC2) later in the year. This contract has the potential to exceed \$1 billion in revenue over 20 years for the company.

2019 Key Highlights.

- 2019 was not a highlight year for UNI financially. The company reported negative EBITDA for the full year of \$0.3M compared to 2018 levels of \$9.9M.
- UNI hired its new CEO, Matt Graham, in April. Mr. Graham brings a wealth of experience in the apparel industry, and we believe he is the right person to bring UNI to the next level.
- The DND finally began to renew its contracted work with Peerless. UNI announced more than \$20.5M in new contract options in the summer.

Reasons to Own in 2020.

- Financial performance should see a significant improvement. We estimate 2020 EBITDA of \$9.4M.
- U.S. growth opportunities could add to upside and provide longer term growth.
- OCFC2 contract award. This potential 20-year contract could add ~\$60M annually to revenues.

S/O (b.):	17.5M	Last Close:	\$3.42
S/O (f.d.):	17.8M	Implied Total Return:	31.6%
Market Cap:	\$60.0M		
Current EV:	\$90.0M		
Year End:	Sept. 30		

	FY/18	FY/19E	FY/20E	FY/21E
Sales	\$76.8M	\$78.0M	\$98.3M	\$108.5M
Y/Y Growth	17.2%	1.5%	26.0%	10.4%
Gross Margin	\$18.6M	\$14.2M	\$24.8M	\$28.2M
Gross Margin (%)	24.2%	18.2%	25.2%	26.0%
EBITDA	\$9.9M	(\$0.3M)	\$9.4M	\$11.5M
EBITDA Margin (%)	12.9%	(0.3%)	9.6%	10.6%
Net Earnings	\$7.1M	(\$4.1M)	\$3.9M	\$5.8M
EPS (f.d.)	\$0.52	(\$0.23)	\$0.21	\$0.31

	FY/18	FY/19E	FY/20E	FY/21E
P/E	6.5x	nmf	16.0x	11.0x
P/EBITDA	6.1x	nmf	6.4x	5.2x
EV/EBITDA	7.2x	nmf	9.5x	7.8x

Key Personnel

Matt Graham	President & CEO
Douglas Good	Executive Chairman
Richard Smith	CFO
Harold Geyer	President of UGL
Albert El Tassi	President of Peerless

Source: Acumen Capital Partners, Sedar

Figures subject to rounding



DISCUSSION

We initiated coverage on UNI in March 2019. We anticipated 2019 would be a 'transition' year for the company but underestimated the financial impact of that transition. The company was coming off 2018, which saw it generate nearly \$10M in EBITDA following the launch of its Air Canada employees' uniform contract earlier that year. Fiscal 2019 would not see a major new contract, and with the increased costs associated with a U.S. contract rollout and some unforeseen weakness at Peerless, UNI underperformed our estimates financially. Despite the weaker financial results, UNI was laying the groundwork for much stronger performance in the future. UNI shares are down 5% since our launch in March. Going forward, we believe the launch of Alaska Airlines, WestJet Airlines, and the potential award of the OCFC2 contract can meaningfully re-rate the shares higher.

The OCFC2 contract RFP was released in late-August 2019. Bids are due at the end of February 2020. The company anticipates the contract award could come in late-October this year. The magnitude of this potential contract is quite staggering for a company of UNI's size. An initial six-year term with 14 option years could bring a long-term, government backed, revenue stream to UNI. The company estimates a minimum \$60M annual value. When we look at UNI's current revenue stream of ~\$100M annually, and its market cap of ~\$60M, we believe this contract award would be a major catalyst for the shares. Of note, the financial impact would take some time (~2 years) to begin to hit the company's books, but the security of that revenue and earnings stream should not be taken too lightly.

VALUATION

Our \$4.50 target remains unchanged. The target is the average of an EV/EBITDA multiple of 9.0x F2021 EBITDA (small cap discount to peer group) and our DCF estimate. Our DCF estimate assumes a terminal growth rate of 2% and a 11% discount rate.

FIGURE 1: VALUATION SUMMARY

Valuation Metric	Factor	Implied 12-Month Share Price (CDN\$)
Target EV/EBITDA	9.0x	\$4.50
DCF	11%/2%	\$4.50
Implied Target		\$4.50

Source: Company Report, Acumen Capital Partners

RISKS

- Unforeseen delays associated with the launch of Alaska or WestJet contracts.
- UNI does not win the OCFC2 contract. Although we do not believe a successful contract win is priced into the shares, the lack of success could be seen as a negative for the company.

ACUMEN CAPITAL | STAFF LIST
RESEARCH

Trevor Reynolds	VP Research & Equity Analyst	(403) 410-6842	treyolds@acumencapital.com
Nick Corcoran	Equity Analyst	(403) 410-6840	ncorcoran@acumencapital.com
Jim Byrne	Equity Analyst	(403) 571-0530	jbyrne@acumencapital.com
Daniel Toft	Research Associate	(403) 571-0319	dtoft@acumencapital.com

INSTITUTIONAL SALES

Brian Parker	President & CEO, Institutional Sales	(403) 571-2514	bparker@acumencapital.com
Robert Cooper, CFA	Vice President, Institutional Sales	(403) 571-0324	rcooper@acumencapital.com
Jason Sawatzky	Institutional Sales	(403) 571-0685	jsawatzky@acumencapital.com
Carter Cranmer-Smith	Associate	(403) 571-0148	ccranmersmith@acumencapital.com

TRADING

David Waite	Vice President, Head of Institutional Trading	(403) 410-6730	dwaite@acumencapital.com
David Lovsin	Institutional Trading	(403) 571-0318	dlovsin@acumencapital.com
Crystal Bellefontaine	Associate	(403) 571-0314	cbellefontaine@acumencapital.com

INVESTMENT BANKING

Kelly Hughes	Head of Investment Banking	(403) 571-5036	khughes@acumencapital.com
Nancy Dai	Investment Banking Associate	(403) 571-0307	ndai@acumencapital.com

RETAIL SALES

Robert Laidlaw	Vice President	(403) 571-2522	rlaidlaw@acumencapital.com
Imran Mulji	Investment Advisor	(403) 571-0112	imulji@acumencapital.com
Loredana Alaia	Associate Investment Advisor	(403) 441-0536	lalaia@acumencapital.com
Sheldon LeLievre	Vice President, Sr. Investment Advisor	(403) 571-0315	sheldon@acumencapital.com
Craig Madill	Sr. Investment Advisor	(403) 410-6018	cmadill@acumencapital.com
Erin Williams	Investment Advisor Assistant	(403) 571-2416	ewilliams@acumencapital.com
Donny Woo	Vice President, Portfolio Manager	(403) 571-2510	donny@acumencapital.com
Darren Fong	Investment Advisor	(403) 441-2754	dfong@acumencapital.com
Leanne Bectold	Investment Advisor Assistant	(403) 441-5672	lbectold@acumencapital.com
Jason Stefanuk	Investment Advisor	(403) 571-2195	jstefanuk@acumencapital.com
Diana Ilic	Investment Advisor Assistant	(403) 571-0301	dilic@acumencapital.com
Darcia Siryjenko	Investment Advisor	(403) 571-0306	dsiryjenko@acumencapital.com
Alan Tolg	Investment Advisor	(403) 410-2042	atolg@acumencapital.com
Ron Cairns	Investment Advisor	(403) 410-2040	rcairns@acumencapital.com
Scott Barnett	Investment Advisor	(403) 571-0532	sbarnett@acumencapital.com
Curtis Schirrmacher	Investment Advisor	(403) 571-0113	curtiss@acumencapital.com
Alec Balfour	Investment Advisor	(403) 571-2505	abalfour@acumencapital.com
Grant Gowland	Investment Advisor	(403) 441-0537	ggowland@acumencapital.com
Bob Zarchekoff	Vice President, Sr. Investment Advisor	(403) 571-2500	bzarchekoff@acumencapital.com
Rod Zarchekoff	Investment Advisor	(403) 571-2501	rzarchekoff@acumencapital.com
Jane McKenna	Investment Advisor Assistant	(403) 571-2502	jmckenna@acumencapital.com

TREASURY AND OPERATIONS

Cindy Marthaller	Operations Manager	(403) 571-8045	cindy@acumencapital.com
Myja Miller	CFO, COO	(403) 571-0308	mmiller@acumencapital.com
Govind Achyuthan	Chief Compliance Officer	(403) 571-0689	govind@acumencapital.com
Ashleigh Boyechko	Client Services	(403) 571-0300	aboyechko@acumencapital.com

Acumen Capital Finance Partners Limited | Main Phone: 403-571-0300 | Trading Toll Free: 1-866-410-9039
 | Suite 800, 500 4th Avenue SW Calgary, AB T2P 2V6 |

www.acumencapital.com

ACUMEN CAPITAL | PARTNERS