UNISYNC Reports 19% Fiscal 2020 revenue improvement and expanding client base despite pandemic

VANCOUVER, British Columbia, Dec. 30, 2020 --

Unisync Corp. (the “Company”)(TSX:"UNI") is pleased to announce its audited financial results for the fourth quarter and fiscal year ended September 30, 2020. Unisync operates through two business units: Unisync Group Limited (“UGL”) with operations throughout Canada and the USA and 90% owned Peerless Garments LP (“Peerless”), a domestic manufacturing operation based in Winnipeg, Manitoba. UGL is a leading customer-focused provider of corporate apparel, serving many leading Canadian and American iconic brands. Peerless specializes in the production and distribution of highly technical protective garments, military operational clothing and accessories for a broad spectrum of Federal, Provincial and Municipal government departments and agencies.

Results for Fiscal 2020 versus Fiscal 2019

Revenue for the year ended September 30, 2020 of $93.1 million increased by $15.1 million or 19% from the prior year on a $7.4 million rise in revenue in the UGL segment to $73.6 million and a $8.9 million revenue increase to $20.7 million in the Peerless segment. Revenue rose in the UGL segment due to a $15 million increase in revenue from the segment’s second largest airline account on a new uniform rollout that was completed in the first half of the year prior to the onset of the covid-19 pandemic travel restrictions. Sales volumes during new uniform rollouts are typically three times that of normal steady state replenishment levels of uniform sales. Offsetting this new uniform rollout revenue was the $6 million decline in revenue experienced with the segment’s largest airline account due to covid-19 pandemic travel restrictions in the second half of the year and revenue to virtually all of our hospitality accounts being negatively affected by the pandemic. The Peerless segment’s revenue rose over the prior year with the release of new contracts and the exercise of outstanding options on existing contracts by the Department of National Defence (“DND”), the segment’s largest customer.

Gross profit of $17.4 million increased by $5.0 million or 40% year over year and improved to 19% of revenue from 16% of revenue in the prior year with the greater absorption of fixed costs on the increase in revenue leading to improved profitability. The UGL segment recorded a $1.9 million increase in gross profit to $13.7 million while the segment’s gross profit margin improved to 19% of revenue from 18% of revenue due to greater economies of scale with the increase in sales. Stimulus subsidies in an amount of $1.0 million received from the Federal Governments of Canada under the Canada Emergency Wage Subsidy (“CEWS”) and from the United States under Paycheck Protection Program ("PPP") to help offset the negative impact of the COVID-19 pandemic reduced direct payroll costs in the UGL segment and minimized layoffs for employees that would have been otherwise affected. The Peerless segment experienced a $2.0 million increase in gross profit to $4.1 million and the segment’s gross profit margin rose from 18% of revenue to 20% of revenue also on account of higher sales leverage on fixed costs.

Depreciation and amortization expense rose by $1.7 million from fiscal 2019 to $3.4 million in the current year primarily on account of the impact of the Company’s adoption of IFRS16 lease accounting as of October 1, 2019. Depreciation on right of use assets in the UGL segment was $1.5 million in 2020 fiscal year.

General and administrative expenses increased by $0.6 million or by 4% to $16.4 million for the year ended September 30, 2020 from the previous year but as a percentage of revenue fell from 20% to 18% on the higher volume of sales. General and administrative expenses rose by $0.8 million in the UGL segment due to a full year of operations at the segment’s New Jersey and Nevada locations while Corporate expenses were down $0.2 million and the Peerless segment’s expenses were flat. CEWS and PPP amounts of $0.8 million received by the UGL segment reduced administrative payroll costs and maintained employment and wages for employees that would have been otherwise affected by layoffs and wage reductions.

Total interest expense of $2.6 million for the year ended September 30, 2020 increased by $1.1 million from the prior year on account of a $0.6 million increase in carrying costs associated with $3.75 million in subordinated shareholder loans advanced in 2019 and $0.5 million of discounted interest expense on long-term lease obligations with the application of IFRS 16 lease accounting in the current year.

Adjusted EBITDA (comprehensive income before interest expense, income taxes, depreciation and amortization, share-based payment, and acquisition related costs) was a positive $4.5 million for fiscal 2020 compared to a loss of $0.2 million for fiscal 2019. The Company reported a net loss of $1.0 million for the year ended September 30, 2020 compared to a loss of $4.0 million in the year before.

Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation nor as a substitute for financial information reported under IFRS. Unisync uses non-IFRS measures, including Adjusted EBITDA, to provide shareholders with supplemental measures of its operating performance. Unisync believes adjusted EBITDA is a widely accepted indicator of an entity’s ability to incur and service debt and commonly used by the investing community to value businesses.

Results for Q4 2020 versus Q4 2019

Revenue for the three months ended September 30, 2020 of $21.1 million increased by $0.7 million or 4% over the three months ended September 30, 2019 as a $1.2 million revenue decrease in the UGL segment was more than offset by a $3.1 million revenue improvement in the Peerless segment. Notwithstanding the generation of $4.2 million in personal protective equipment ("PPE") sales to third parties, fourth quarter UGL segment revenues decreased by 7% over the same period in the prior year to $16.0 million due to the negative impact of the covid-19 pandemic on uniform sales to customers in the travel and hospitality sectors. The UGL segment began distributing PPE products for the first time during the third quarter of the current fiscal year with sales of $3.6 million in that quarter.

The increase in the Peerless segment in the current quarter was largely due to the inclusion of $1.9 million in PPE product sales of masks and manufactured gowns, products not previously sold in the prior year. This volume of PPE sales increased from $0.3 million sold in the third quarter of fiscal 2020.

At $3.7 million, consolidated general and administrative expenses for the three months ended September 30, 2020 were down $0.2 million or 5% from the three months ended September 30, 2019 from the same period in 2019 as a result of staff reductions, and lower travel expenses in the UGL segment.

Interest expense of $0.6 million for the current quarter was up $0.1 million from the same period as lower interest rates and utilization on the Company's operating loan facilities were more than offset by carrying costs associated with the subordinated shareholder loan advances and interest expense on long-term lease obligations with the application of IFRS 16 lease accounting in the current quarter.

Adjusted EBITDA was $0.7 million for the three months ended September 30, 2020 compared to $0.7 million for the three-month period ended September 30, 2019. The Company reported a net loss of $0.4 million in the quarter ended September 30, 2020 compared to a net loss of $0.2 million in the same quarter last year for the reasons cited above.

More detailed information is contained in the Company's Consolidated Financial Statements for the fiscal year ended September 30, 2020 and Management Discussion and Analysis dated December 29, 2020 which may be accessed at www.sedar.com.

Business Trends

With covid-19 vaccines beginning to be distributed worldwide, the Company believes that it will see a gradual improvement in the business conditions of its general customer base. In particular, the Company's North American airline accounts have been running at 20% to 30% of previous capacity levels during the pandemic, so it is expected that the Company will experience a strong rebound in sales with these major accounts as travel restrictions are lifted. The Company also expects increased revenues from hospitality accounts and from new accounts brought onboard this year. We also continue to take advantage of opportunities in the PPE space with committed business in this sector approaching $20 million to date and a number of responses to large PPE bid requests still outstanding.

An RFP document was released by the Canadian Federal Government in 2019 soliciting bidders for a 20-year $1 billion contract. The contract involves the DND's plans to outsource the procurement, warehousing and distribution of operational clothing, footwear, and personal equipment under one contract referred to as OCFC2. The contract is expected to include provisions for the development of a direct delivery system between the contractor and the individual military member for selected items and include a services component for the improvement and development of related items. UGL's Canadian distribution capabilities combined with Peerless' domestic manufacturing experience with the DND provide strong candidacy for the Company's bid. Responses to the OCFC2 RFP bid are now due in April 2021.

On Behalf of the Board of Directors

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Forward Looking Statements