Unisync Reports 17% Revenue Increase for Fiscal 2018

VANCOUVER, British Columbia, Jan. 02, 2019 -- Unisync Corp. (TSXV: "UNI") recorded a 17% or $11.3 million increase in revenue to $76.8 million for the year ended September 30, 2018 from $65.6 million in the prior year. Net income and total comprehensive income attributable to shareholders increased to $7.1 million or $0.53 per share from $0.7 million or $0.05 per share in Fiscal 2017.

The Company operates through two business segments: Unisync Group Limited ("UGL") with its North American head office in Mississauga, Ontario and Peerless Garments LP ("Peerless") of Winnipeg, Manitoba. UGL is a leading customer-focused provider of corporate and public sector apparel, serving a list of leading North American iconic brands and public entities. 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.

UGL Business Segment

In recent years this business segment has been awarded re-design projects involving a full range of corporate imagewear for a number of major corporations, including three major airlines and their affiliated entities – Air Canada, Alaska Airlines and WestJet. The launch of a re-designed uniform program for a large new or existing client is a major undertaking involving the pre-staging of resources from early in the design process to the actual launch. The re-design process and the resulting changeover can span a two to three year period and explains why it is often 10 years or more before companies undertake a re-design of their existing program. A launch involves the delivery of kits that may include two or more pieces of each uniform item per employee resulting in a significant revenue increase at that time. The following year understandably experiences lower replenishment deliveries until volumes return to normal "steady state" maintenance and replacement levels.

The UGL segment's 66% or $26.1 million year over year increase in revenue was due to the bulk shipment of a new uniform rollout to the employees of the Company's largest airline account during the second quarter of the year and the shipping of a large newly designed uniform program to Canada's largest drug store chain's employees during the third quarter of the year.

Peerless Business Segment

These successes in the UGL business segment were partially offset by an unusual and significant decline in the Peerless segment's revenue over the prior year caused by continued delays in the exercise of outstanding options on existing contracts with the Department of National Defence ("DND"). These delays combined with the production lead time required by suppliers of technical fabric, resulted in deliverables under a large DND contract option that was eventually exercised early in the fourth quarter being pushed into Fiscal 2019. As a result of these delays, revenue from the Peerless segment decreased from $25.6 million in Fiscal 2017 to $10.9 million in Fiscal 2018.

Fourth Quarter Results

The above factors were the major reasons why fourth quarter consolidated revenues declined to $11.8 million from $20.1 million in the same quarter last year. The lower level of revenue combined with a $0.5 million inventory provision and $0.2 million in Utility acquisition related expenses attributed to the Company reporting a net loss and total comprehensive loss attributable to shareholders of $1.3 million or $0.09 per share in the quarter ended September 30, 2018 compared to net income and total comprehensive income attributable to shareholders of $0.7 million or $0.5 per share in the comparable quarter last year. UGL segment revenue decreased by $4.6 million in the fourth quarter of Fiscal 2018 from the same period in the prior year when the Company's largest airline account's new pilots' uniforms were shipped. Peerless segment revenue fell $3.7 million from the same quarter last year for the reasons stated above.

Business Outlook

The Company is in the transitional phase of moving to a more consistent and higher maintainable revenue base with the recently announced addition of two new airline accounts and the expansion of its North American footprint.

The new uniform programs for our second and third largest airline clients are in the pre-production phase and not expected to have a positive impact on revenue until launched in Fiscal 2020 and Fiscal 2021 respectively.

The UGL segment is on track to leverage its October 2018 acquisition of Montreal based Utility Garments Inc. to better service the combined entities' existing and prospective Quebec clients as well as national customers with operations in Quebec. Although this acquisition is expected to be accretive to earnings per share before interest, taxes depreciation and amortization, acquisition related expenses and accounting treatment will impact net income in Fiscal 2019.

UGL's recently announced expansion into the US will be supported by the launch of our first US based airline group, Alaska Airlines, and the proposed acquisition of the hospitality business of Red the Uniform Tailor. It will set the stage to target growth opportunities in this much larger market and better facilitate the servicing of our current international clients with extensive operations in the US. Additionally, our North American footprint will now provide an opportunity for prospective US corporations with operations in Canada to utilize the uniform services of a more broadly based bi-lingual service provider to manage their

North American apparel programs.

With $31 million in firm contracts and options on hand as at September 30, 2018, the Peerless business segment is also well positioned to return to more normal levels of revenue and profitability commencing in the second quarter of fiscal 2019.

The combined operations of UGL and Peerless represent a vertically integrated North American enterprise with exceptional capabilities in garment design, domestic manufacturing and off-shore outsourcing, including state-of-the-art web based B2B ordering, distribution and program management systems. The Company will continue to build on these capabilities in 2019 and concentrate on the integration of its acquisitions.

In addition, the Company continues to position itself as a formidable contender for the large multi-billion dollar managed government clothing programs that are scheduled to be awarded by the Canadian Government in the 2019-2020 timeframe and to take advantage of the growth opportunities available through our acquisitions and expansion into the USA.

More detailed information is contained in the Company's Consolidated Financial Statements for the fiscal year ended September 30, 2018 and Management Discussion and Analysis dated December 31, 2018 which may be accessed at www.sedar.com.

On Behalf of the Board of Directors

Douglas F Good
CEO

Investor relations contact:
Douglas F Good CEO at 778-370-1725 Email dgood@unisyncgroup.com

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