# UNISYNC Reports Fiscal 2024 Financial Results

TORONTO, Dec. 13, 2024 -- **Unisync Corp. ("Unisync") (TSX:"UNI") (OTC:"USYNF")** announces its audited financial results for the fourth quarter and fiscal year ended September 30, 2024. 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 2024 versus Fiscal 2023**

Consolidated revenue for the year ended September 30, 2024 of $89.8 million was down $13.8 million or 13.3% from the prior year due to a decrease in revenue in both the UGL and Peerless segments. UGL segment revenue of $80.4 million was lower by $12.0 million or 12.9% and the Peerless segment revenue was lower by $1.4 million or 12.5%, compared to the prior year.

UGL revenues returned to more normal seasonal levels in the current year following the post pandemic rebound in airline industry revenues during 2023 when new hires and the resulting staffing levels surged above pre-pandemic levels, which resulted in a decrease of $3.9 million across all airline accounts in the segment. Additionally, the sale of the New Jersey division in the prior year contributed to $5.3 million of the decrease in the current year. Despite this lower level of revenues, the UGL segment experienced a $3.4 million increase in gross profit to $9.8 million or 12.2% of segment revenue compared to $6.4 million or 6.9% of segment revenue in the prior year. The improved margins were related to customer pricing adjustments, the gradual movement of offshore production to lower cost jurisdictions and relatively lower offshore container delivery costs. In addition, the recently completed consolidation of facilities and the discontinued use of 3PL services has further reduced fixed overhead costs and staffing levels. While gross margins improved year-over-year, the segment had a non-cash adjustment to inventory in the amount of $2.5 million that negatively impacted gross margins in the current fiscal year. This adjustment was related to the increase in container delivery costs originating from 2022 and 2023 that resulted in a timing difference in the recognition of the expense compared to when the product was shipped. Excluding this adjustment, the gross margin was $12.3 million or 15.3% of segment revenues. We continue to pursue a tenant to lease out the resulting 40,000+ square feet of unutilized space at its Saint-Laurent facility or an outright sale of the 60,000 square foot facility which, in either case, will further reduce UGL's direct overhead costs.

The revenue decrease in the Peerless segment was due to lower uniform product shipments to the Department of National Defence ("DND") as a result of delays in receipt of key fabric and the exercise of contract options by the DND experienced during the latter part of fiscal 2024. The segment experienced $0.6 million increase in gross profit or 26.5% compared to 18.0% in prior year due to a higher margin mix of product sales, while decreasing the use of subcontractors to perform a portion of manufacturing output.

Depreciation and amortization increased to $5.4 million in the current fiscal year from $4.9 million largely due to the increase in right of use assets related to a UGL lease extension in the current fiscal year.

At $14.0 million, consolidated general and administrative expenses were down $2.4 million or 14.6% from the prior year due to overhead reductions associated with the consolidation of UGL operations. Excluding $0.6 million in separation and other employee related UGL costs which pertained to a prior year, consolidated general & administrative costs were down $3.0 million from the prior year.

Interest expense of $3.8 million in the current fiscal year was higher than the prior year due to higher short term bank lending rates and an increase in average debt outstanding at UGL, which was partially offset by lower borrowing costs as a result of the August 2023 BDC mortgage loan financing replacing previously availed high interest rate shareholder loans.

The Company reported a net loss before tax of $6.6 million in the year ended September 30, 2024 compared to a loss of $12.4 million in the prior year. Adjusted EBITDA in the current year was $6.5 million versus $2.3 million for the prior year. More detailed information, including a breakdown of non-cash and non-recurring operating expenses deducted from Net Income Before Tax in arriving at Adjusted EBITDA, is contained in the Company's Management Discussion and Analysis dated December 12, 2024 which may be accessed at [www.sedarplus.com](http://www.sedarplus.com).

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 2024 versus Q4 2023**

Consolidated revenue for the three months ended September 30, 2024 of $20.0 million was down $0.7 million or 3.5% from the same period last year.

UGL revenues experienced a $1 million increase to $18.3 million due in most part to price increases that took effect during the year, while the Peerless segment experienced a $1.7 million decrease due to delays in receipt of key fabric and the exercise of contract options by DND. While revenues increased marginally quarter over quarter, the UGL segment experienced a gross profit increase of $3.7 million to $0.1M or 0.4% of segment revenues. The increase was attributed to price increases, lower product costs from offshore vendors, and a decrease in inventory write downs from the same quarter last year. In addition, the previously announced consolidation of facilities along with the discontinued use of 3PL services, reduced fixed overhead costs and staffing levels. This was partially offset by a non-cash adjustment to inventory in the amount of $2.5 million that negatively impacted gross margins in the current quarter but was related to the increased container delivery costs originating from 2022 and 2023. Excluding this noncash inventory adjustment, gross margins were $2.5 million or 13.9% of segment revenues.

The $1.7 million revenue decrease in the Peerless segment during the fourth quarter was due to lower uniform product deliveries to the Department of National Defence (“DND”) on account of delays in receipt of key fabric and the exercise of contract options by the DND. This segment experienced $0.1 million decrease in gross profit, while gross margin increased to 17.5% compared to 11.0% in same period last year due to a higher margin mix of product sales and a decrease in the use of subcontractors to perform a portion of manufacturing output.

Depreciation and amortization increased to $1.3 million in the quarter from $1.2 million due to a lease extension in the current year involving UGL right of use assets.

At $3.3 million, consolidated general and administrative expenses were lower by $0.4 million from the same quarter last year due to overhead reductions associated with the previously announced consolidation of UGL operations. Included in general and administrative expenses was $0.6 million related to separation and other related costs for UGL employee matters pertaining to a prior year. Excluding these costs, consolidated general & administrative costs were down $1.0 million from the same quarter last year.

Interest expense of $1.0 million was lower by $0.1 million from the same quarter last year due to lower borrowing costs resulting from the August 2023 BDC mortgage loan financing at UGL that replaced previously availed high interest rate shareholder loans.

The Company reported a consolidated net loss before tax of $4.9 million in the three months ended September 30, 2024 compared to a loss of $9.1 million in the same quarter last year. Adjusted EBITDA in the quarter was $1.4 million versus a loss of $1.8 million for the same quarter last year.

**Business Outlook**

There continues to be a buildup in large managed image wear opportunities coming to the market RFP stage at UGL. Some competitors have had performance issues during the economic turmoil experienced in recent years and/or have signalled withdrawing from this marketplace, leaving UGL well positioned for accelerated organic growth in both Canada and the USA. Our demonstrated capability to manage large complicated operational uniform programs, combined with a base of credible referenceable clients provides the opportunity for near-term accelerated growth.

The UGL segment continues to place strong focus on the US market. UGL is in advanced discussions with several major corporations with respect to their image wear programs totaling close to US$100 million annually in potential new business.

The Peerless business segment is also well positioned to maintain its current level of revenues and profitability through fiscal 2025 with $34 million in firm government contracts and options on hand covering deliveries in future years. The Company continues to pursue opportunities that will expand the potential for increased participation in DND contracts and in other domestic manufacturing verticals.

Due to the size and imminent nature of the opportunities in front of us, it is important that we restore our UGL capital base that has eroded from a multitude of global disruptions ranging from COVID to major wars and now the weakness in the Canadian dollar due to the threatened implementation of material tariffs on exports by the US President Elect. To this end, the Company’s Board is pursuing various capital raising opportunities to improve working capital and capitalize on the growth opportunities in front of us.

We wish to thank our shareholders for their continued support and understanding. Please be assured that management and your Board are committed to achieving continued future growth and the development of an improved level of profitability to enhance shareholder value.

**On Behalf of the Board of Directors**

Douglas F Good
Director & CEO

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**Forward Looking Statements**

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