UNISYNC Reports Improved Q1 Fiscal 2025 Operating Performance

TORONTO, Feb. 12, 2025 -- **Unisync Corp. (“Unisync") (TSX:"UNI") (OTC:“USYNF**”) announces its financial results for the first quarter ended December 31, 2024. Unisync operates through two business units: Unisync Group Limited (“UGL”) with operations throughout Canada and the USA and 92% 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 the quarter ended December 31, 2024 versus the quarter ended December 31, 2023

Revenue for the three months ended December 31, 2024 of $21.4 million was down $1.6 million or 7.0% from the same period last year due to a decrease in revenue in the UGL segment of $1.5 million from $20.6 million to $19.1 million. Peerless segment revenue of $2.4 million compared favourably to the $2.5 million recorded for the same period in the prior year.

UGL revenues experienced a decrease due to timing of product shipments, where product is now expected to ship later in the year based on customer demands, lost business with two smaller accounts, partially offset by an increase in revenue from airline accounts. While revenues decreased marginally quarter over quarter, the UGL segment experienced a gross profit decrease of $0.5 million from $3.1 million in the same period last year to $2.6 million or 13% of segment revenues. The decrease in gross profit in the quarter was mainly due to unrealized foreign exchange losses of $1.4 million on US$ denominated liabilities which occurred as a result of the appreciation of the United States dollar relative to the Canadian dollar from 1.35 as at Sept 30, 2024 to 1.44 as at December 31, 2024. The resulting decrease in gross profit was partially offset by improving margins attributed to price increases and lower product costs from offshore vendors and the realized savings from the previously announced consolidation of operations. Excluding the unrealized foreign exchange losses, operating gross profit was an impressive $4.3 million or 22.5% of segment revenues for the quarter.

The Peerless segment revenues were consistent with the same period in the prior year, with a slight decrease of $0.1 million to $2.4 million. The segment experienced a decrease in gross profit of $0.1 million mainly on a account of mix of product sales with lower margins.

Depreciation and amortization of $1.3 million was marginally lower than the $1.4 million reported for the same period in the prior year.

At $3.0 million, consolidated general and administrative expenses were lower by $0.7 million or 19% from the same quarter last year due to overhead reductions associated with the aforenoted consolidation of operations that began in September 2023.

Interest expense of $0.9 million was slightly higher from the same quarter last year due to higher US denominated borrowings.

As a result of the $1.4 million unrealized foreign exchange loss in the quarter, the Company reported a net loss before tax of $1.0 million in the three months ended December 31, 2024, compared to a loss of $1.1 million in the same quarter last year. EBITDA in the quarter before adjusting for non-operating unrealized foreign exchange losses, was $1.3 million versus $1.2 million for the same quarter last year. Adjusting for unrealized foreign exchange losses, net Income before tax for the quarter was $0.4 million and Adjusted EBITDA was $2.7 million.

Business Outlook

During the three months ended December 31, 2024, the UGL segment continued to benefit from positive contract pricing adjustments and relocating offshore production from factories with higher labour costs and/or who were import duty subject, to those that offered lower labour costs and/or duty-free status. These initiatives have yielded improved margins in the current quarter and are expected to continue to positively impact future margins for UGL as these reduced input costs get reflected in the weighted average cost of inventory. In addition, restructuring initiatives carried out in the last fiscal year have resulted in operational efficiencies that lowered staffing levels and administrative costs.

Notwithstanding the outlook for lower interest rates, the Company is still facing some possible headwinds in fiscal 2025 due to the risk of a continued lower Canadian dollar following the initiation of a tariff war by the recently elected President of the United States which, if sustained, will increase the cost of offshore production which is payable in US currency.

We continue to also aggressively pursue a tenant to lease out the resulting 40,000+ square feet of vacated space at its Saint-Laurent facility or an outright sale of the 60,000 square foot facility which, in either case, would materially reduce UGL’s direct overhead costs.

With $27.1 million in firm contracts and options on hand as at December 31, 2024, the Peerless business segment is positioned to maintain the Fiscal 2024 level of revenues and profitability in fiscal 2025.

UGL management is actively pursuing several material business opportunities that have come to market in both the Canadian and US marketplace. Due to the size and imminent nature of these, it is important that we restore our 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 ensure our ability to capitalize on the growth opportunities in front of us.

More detailed information is contained in the Company's Consolidated Financial statements for the quarter ended December 31, 2024 and Management Discussion and Analysis dated February 11, 2024 which may be accessed at www.sedarplus.ca.

On Behalf of the Board of Directors

Douglas F Good
CEO

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Adjusted EBITDA
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.

Forward Looking Statements
This news release may contain forward-looking statements that involve known and unknown risk and uncertainties that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Any forward-looking statements contained herein are made as of the date of this news release and are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company undertakes no obligation to publicly update or revise any such forward-looking statements to reflect any change in its expectations or in events, conditions or circumstances on which any such forward-looking statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements. Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.