

FORM 10-Q  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 27, 1994

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 1-10542

UNIFI, INC.  
(Exact name of registrant as specified its charter)

New York 11-2165495  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

P.O. Box 19109 - 7201 West Friendly Road  
Greensboro, NC 27419  
(Address of principal executive offices) (Zip Code)

(910) 294-4410  
(Registrant's telephone number, including area code)  
Same  
(Former name, former address and former fiscal year,  
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date.

Class	Outstanding at March 27, 1994
Common Stock, par value \$.10 per share	70,491,722 Shares

UNIFI, INC.  
Consolidated Condensed Balance Sheets

	Mar 27, 1994	Jun 27, 1993
	(Unaudited)	(Audited)
	(Amounts in Thousands)	
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$54,013	\$76,093
Short-Term Investments	\$77,833	\$119,848
Accounts Receivable, Net	\$190,273	\$200,678
Inventories:		
Raw Material/Supplies	\$40,648	\$41,498
Work in Process	12,954	13,181
Finished Goods	53,455	50,295
	\$107,057	\$104,974
Prepaid Expenses/Deposits	\$5,003	\$3,321
Total Current Assets	\$434,179	\$504,914
Property, Plant and Equipment, Net	515,519	468,291
Investments in Affiliates	10,413	11,040
Other Assets	32,016	33,204
Total Assets	992,127	1,017,449
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Notes Payable	3,797	4,664
Accounts Payable	78,266	121,492
Accrued Expenses	51,560	45,179
Income Taxes	9,844	13,364

Total Current Liabilities	143,467	184,699
Long-Term Debt	230,000	250,241
Deferred Income Taxes	30,913	36,956
Shareholders' Equity		
Common Stock	7,049	7,034
Capital in Excess of Par	201,615	196,133
Retained Earnings	385,763	348,821
Cumulative Translation Adjustment	(5,849)	(5,515)
Reserve for Investments	(831)	(920)
Total Shareholders' Equity	587,747	545,553
Total Liabilities and Shareholders' Equity	992,127	1,017,449

See Accompanying Notes to Consolidated Condensed Financial Statements

Consolidated Condensed Statements of Income  
(Unaudited)

For the Quarter Ended For the Nine Months Ended  
Mar 27, Mar 28, Mar 27, Mar 28,  
1994 1993 1994 1993  
(13 Weeks) (13 Weeks) (39 Weeks) (39 Weeks)

(Amounts in Thousands Except Per Share Data)

Net Sales	\$346,059	\$361,995	\$1,022,930	\$1,043,369
Cost and Expenses:				
Cost of Goods Sold	\$295,470	\$291,674	\$874,052	\$847,849
Selling, General & Administrative Expense	10,661	9,103	30,419	28,130
Interest Expense	4,432	5,645	13,711	19,976
Interest (Income)	(1,029)	(2,373)	(5,749)	(9,848)
Other (Income) Expense	(1,358)	(3,737)	(1,422)	(4,275)
	308,176	300,312	911,011	881,832
Income Before Income Taxes	37,883	61,683	111,919	161,537
Provision for Income Taxes	15,129	23,414	44,992	60,683
Net Income	22,754	38,269	66,927	100,854
Per Share Data:				
Primary	0.32	0.54	0.94	1.43
Fully Diluted	0.32	0.51	0.93	1.37
Cash Dividends Per Share	0.14	0.11	0.42	0.31
Average Shares Outstanding:				
Primary	71,027	70,922	71,048	70,684
Fully Diluted	78,780	78,707	78,810	78,471

See Accompanying Notes to Consolidated Condensed Financial Statements

UNIFI, INC.  
Consolidated Condensed Statements of Cash Flows  
(Unaudited)

For the Nine Months Ended

Mar. 27, Mar. 28,  
1994 1993

(Amounts in Thousands)

Cash Provided by Operating Activities	\$81,645	\$128,052
Investing Activities:		
Capital Expenditures	\$(98,994)	\$(108,491)
Sale of Capital Assets	3,061	122
Purchase of Investments	(62)	(69,372)
Sale of Investments	43,015	15,904
	\$(53,944)	\$(161,837)
Financing Activities:		
Issuance of Common Stock	\$499	\$(43)
Borrowing of Debt	7,453	22,997
Repayment of Debt	(28,545)	(1,507)
Cash Dividend	(29,198)	(18,475)
	\$(49,791)	\$2,972
Currency Translation Adjustment	\$10	\$(1,545)

Increase (Decrease) in Cash	\$(22,080)	\$(32,358)
Cash and Cash Equivalents - Beginning	76,093	139,047
Cash and Cash Equivalents - Ending	\$54,013	\$106,689

See Accompanying Notes to Consolidated Condensed Financial Statements

UNIFI, INC.  
Notes to Consolidated Condensed Financial Statements

The information furnished is unaudited and reflects all adjustments which are, in the opinion of Management, necessary to present fairly the financial position at March 27, 1994 and the results of operations and cash flows for the periods ended March 27, 1994 and March 28, 1993. Such adjustments consisted of normal recurring items. The Company has reclassified certain prior year information to conform with the current year presentation. Interim results are not necessarily indicative of results for a full year. It is suggested that the condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K.

Income Taxes

Deferred income taxes arise primarily from timing differences between financial and tax reporting associated with depreciable assets.

The difference between the statutory federal income tax rate and the effective tax rate is primarily due to the results of foreign subsidiaries that are taxed at rates below those of U.S. operations. The current periods were not significantly impacted by foreign operations; therefore, the current periods' rates approach the statutory rate. Foreign earnings were more significant last year and helped to lower the effective rate.

The increase in the statutory rate from 34% to 35%, such change being retroactive to January 1, 1993, has been provided for in the current periods and was not material to the results of the periods.

Per Share Information

Earnings per common share are computed on the basis of the number of shares outstanding, adjusted for the dilutive effect of stock options outstanding.

The Convertible Notes do not meet the test of a common stock equivalent, accordingly, conversion of these notes is only assumed for the calculation of the fully diluted earnings per share.

Computation of the average shares outstanding (in 000's):

	Quarters Ended		Nine Months Ended	
	Mar. 27, 1994	Mar. 28, 1993	Mar. 27, 1994	Mar. 28, 1993
Average Shares Outstanding	70,482	69,953	70,419	69,694
Add: Dilutive Options	545	969	629	990
Primary Average Shares	71,027	70,922	71,048	70,684
Incremental Shares Arising from				
Full Dilution Assumption	7,753	7,785	7,762	7,787
Average Shares Assuming				
Full Dilution	78,780	78,707	78,810	78,471

Computation of net income for per share data (in 000's):

	Quarters Ended		Nine Months Ended	
	Mar. 27, 1994	Mar. 28, 1993	Mar. 27, 1994	Mar. 28, 1993
Net Income - Primary	\$22,754	\$38,269	\$66,927	\$100,854
Add: Convertible Subordinated				
Interest Net of Tax	2,111	2,205	6,332	6,518
Net Income Assuming Full				
Dilution	\$24,865	\$40,474	\$73,259	\$107,372

On April 28, 1994, the Company's Board of Directors declared a cash dividend of 14 cents per share payable to shareholders of record on May 12, 1994, payable on May 19, 1994.

Management's Discussion and Analysis of  
Financial Condition and Results of Operations

The following is Management's discussion and analysis of certain significant factors which have affected the Company's operations and material changes in financial condition during the periods included in the accompanying consolidated condensed financial statements.

Results of Operations

Net sales decreased from \$362.0 million to \$346.1 million in the quarter or 4.4 percent and decreased in the nine month period from \$1.043 billion in 1993 to \$1.023 billion in 1994 or 2.0 percent. We experienced volume increases of 2.8 percent for the quarter and 3.6 percent for the year-to-date period over the prior year periods. Our average net sales price, based on the overall product mix, decreased 7.0 percent in the current quarter and decreased 5.3 percent for the current nine month period.

In the quarter, unit volume was strong in our domestic polyester business and improved in our spun yarn business. Demand from the automotive, home upholstery and export markets led the way for our polyester business, while a recovery in the fleece, tee shirt and women's apparel markets firmed up orders for our spun yarn products. However, margins in the spun yarn area remain down from year-ago levels due to escalating raw material prices and erratic retail demand.

Sales of our nylon and covered yarn products to the ladies' hosiery market were not as strong as in the previous quarter. Sales at the retail level have been down and adjustments in running schedules were made accordingly. Sales of nylon and covered yarns into the sock and apparel areas remained steady and we look for improvement in the next quarter.

The business environment in Europe is improving slowly and we continue to make progress in the areas of quality, product differentiation, and market position. Polyester operations ran at capacity in the quarter.

Cost of sales increased from \$291.7 million in last year's third quarter to \$295.5 million in this year's quarter or 1.3 percent. The nine month period increased from \$847.8 million to \$874.1 million or 3.1 percent. Cost of sales, as a percentage of net sales, increased from 80.6 percent last year to 85.4 percent during the quarter. For the nine months, cost of sales climbed from 81.3 percent to 85.4 percent of net sales.

Based on our average product mix, raw material prices decreased in both the current periods; however, the declines were not sufficient to offset the decreases mentioned above involving net sales prices. Manufacturing costs were unchanged in the current quarter. Fixed manufacturing costs increased slightly in the current nine month period as a result of capacity additions and upgrades in many of our divisions. These capacity improvements contributed to the sales volume increases previously mentioned.

Selling, general and administrative expenses as a percentage of net sales increased from 2.5 percent to 3.1 percent in the current quarter. For the nine month periods we experienced an increase from 2.7 percent in 1993 to 3.0 percent in 1994. During the quarter actual expense increased from \$9.1 million to \$10.7 million. For the nine month period expense increased from \$28.1 million in 1993 to \$30.4 million in 1994. The growth in expenditures was due to the volume increases previously mentioned and the current period's consolidation of administrative functions resulting from earlier mergers. S,G&A expenses, when expressed as a percentage of net sales, also increased due to the current periods having fewer net sales dollars even though we experienced increases in sales volume.

Interest expense decreased from \$5.6 million in the 1993 quarter to \$4.4 million in the current quarter. The same holds true for the nine month periods as interest expense decreased from \$20.0 million to \$13.7 million in the current period. The Company has used cash reserves generated from operations and the issuance of the subordinated debentures in prior periods to eliminate the debt of merged companies and thereby lower the overall interest costs of the consolidated group. As these reserves have decreased for the payment of debt, our investment base has also declined. As a result, interest income has decreased from \$2.4 million in last year's third quarter to \$1.0 million in the current quarter. For the nine month period, interest income has declined from \$9.8 million to \$5.7 million in the current period

Other (income) expense represents income in all periods presented. Other income decreased from \$3.7 million to \$1.4 million or \$2.3 million during the current quarter and decreased from \$4.3 million to \$1.4 million or \$2.9 million during the current nine month period. Last year's periods included a pretax gain of approximately \$4.0 million on the sale of an affiliate. The current periods amounts include gains on sale of property and equipment and a gain reported by a 45 percent owned affiliate from the disposal of an investment.

Our effective tax rate was 39.94% in the current quarter as compared with 37.96% in the prior quarter. For the year-to-date periods, the rate was 40.20% and 37.57% in 1994 and 1993, respectively. The higher rates of the current periods are due to taxable earnings of foreign subsidiaries comprising a smaller percentage of total consolidated pretax income in the current periods. Foreign earnings are normally taxed at rates lower than US rates. The current periods also reflect the higher US statutory rate that became effective in the current year.

Earnings per share decreased from \$.54 per share to \$.32 per share in the current quarter and decreased from \$1.43 per share to \$.94 for the current nine month period.

#### Financial Condition

We ended the current quarter with working capital of \$290.7 million of which \$131.8 million represents cash and short-term investments. This compares with working capital of \$320.2 million and cash reserves of \$195.9 million at year end. Net receivables and net payables decreased due to seasonal and timing differences between the Company's June year end and the March quarter end.

The primary sources of cash funds continue to be operations and the Company's access to debt and equity markets. The primary uses of funds during the current nine months were capital expenditures for the previously mentioned capacity expansions and upgrades totaling \$99.0 million, the reduction of net long-term debt by \$21.1 million and the payment of the Company's cash dividends of \$29.2 million. During this time period the Company generated \$43.0 million from the sale of short-term investments to supplement cash generated from operations to cover the aforementioned cash outlays. Management believes the current financial position of the Company in connection with its operations and its access to debt and equity markets are sufficient to meet its anticipated capital expenditure, strategic acquisition and working capital needs.

Total shareholders' equity increased from \$545.6 million at year end to \$587.7 million at quarterend. Net book value per share was \$8.34 at March 27, 1994.

UNIFI, INC.

#### Part II - OTHER INFORMATION

##### Item 6. Exhibits and Reports on Form 8-K

(b) No reports on Form 8-K have been filed during the quarter ended March 27, 1994.

UNIFI, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIFI, INC.

Date:

ROBERT A. WARD

Robert A. Ward  
Executive Vice President-  
Financial and Administration (Mr.  
Ward is the Principal Financial  
and Accounting Officer and has  
been duly authorized to sign on  
behalf of the Registrant.)

Date:

GREGG H. LOWE  
Gregg H. Lowe  
Vice President and  
Corporate Controller