UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 2, 2022

OR

☐ **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 in its charter)

New York **(State or other jurisdiction of incorporation or organization)**	**11-2165495** **(I.R.S. Employer Identification No.)**
7201 West Friendly Avenue **Greensboro, North Carolina** **(Address of principal executive offices)**	**27410** **(Zip Code)**

(336) 294-4410
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.10 per share	UFI	New York Stock Exchange

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 7, 2022, there were 18,035,684 shares of the registrant's common stock, par value $0.10 per share, outstanding.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that relate to our plans, objectives, estimates, and goals. Statements expressing expectations regarding our future, or projections or estimates relating to products, sales, revenues, expenditures, costs, strategies, initiatives, or earnings, are typical of such statements and are made under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management's beliefs, assumptions and expectations about our future performance, considering the information currently available to management. The words "believe," "may," "could," "will," "should," "would," "anticipate," "plan," "estimate," "project," "expect," "intend," "seek," "strive," and words of similar import, or the negative of such words, identify or signal the presence of forward-looking statements. These statements are not statements of historical fact; and they involve risks and uncertainties that may cause our actual results, performance or financial condition to differ materially from the expectations of future results, performance or financial condition that we express or imply in any forward-looking statement. Factors that could contribute to such differences include, but are not limited to:

- the competitive nature of the textile industry and the impact of global competition;
- changes in the trade regulatory environment and governmental policies and legislation;
- the availability, sourcing and pricing of raw materials;
- general domestic and international economic and industry conditions in markets where the Company competes, including economic and political factors over which the Company has no control;
- changes in consumer spending, customer preferences, fashion trends and end uses for the Company's products;
- the financial condition of the Company's customers;
- the loss of a significant customer or brand partner;
- natural disasters, industrial accidents, power or water shortages, extreme weather conditions and other disruptions at one of the Company's facilities;
- the disruption of operations, global demand, or financial performance as a result of catastrophic or extraordinary events, including epidemics or pandemics such as the recent strains of coronavirus ("COVID-19");
- the success of the Company's strategic business initiatives;
- the volatility of financial and credit markets;
- the ability to service indebtedness and fund capital expenditures and strategic business initiatives;
- the availability of and access to credit on reasonable terms;
- changes in foreign currency exchange, interest and inflation rates;
- fluctuations in production costs;
- the ability to protect intellectual property;
- the strength and reputation of the Company's brands;
- employee relations;
- the ability to attract, retain and motivate key employees;
- the impact of climate change or environmental, health and safety regulations;
- the impact of tax laws, the judicial or administrative interpretations of tax laws and/or changes in such laws or interpretations; and
- other factors discussed in "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2022 or in the Company's other periodic reports and information filed with the Securities and Exchange Commission ("SEC").

All such factors are difficult to predict, contain uncertainties that may materially affect actual results and may be beyond our control. New factors emerge from time to time, and it is not possible for management to predict all such factors or to assess the impact of each such factor on the Company. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, except as may be required by federal securities laws.

In light of all the above considerations, we reiterate that forward-looking statements are not guarantees of future performance, and we caution you not to rely on them as such.

UNIFI, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED OCTOBER 2, 2022

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share amounts)

	October 2, 2022	July 3, 2022
ASSETS		
Cash and cash equivalents	$ 47,200	$ 53,290
Receivables, net	90,755	106,565
Inventories	165,063	173,295
Income taxes receivable	1,432	160
Other current assets	14,336	18,956
Total current assets	318,786	352,266
Property, plant and equipment, net	219,430	216,338
Operating lease assets	8,247	8,829
Deferred income taxes	2,422	2,497
Other non-current assets	8,940	8,788
Total assets	$ 557,825	$ 588,718
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 44,428	$ 73,544
Income taxes payable	1,925	1,526
Current operating lease liabilities	2,075	2,190
Current portion of long-term debt	11,875	11,726
Other current liabilities	18,421	19,806
Total current liabilities	78,724	108,792
Long-term debt	114,919	102,309
Non-current operating lease liabilities	6,263	6,736
Deferred income taxes	4,935	4,983
Other long-term liabilities	4,685	4,449
Total liabilities	209,526	227,269
Commitments and contingencies		
Common stock, $0.10 par value (500,000,000 shares authorized; 18,011,873 and 17,979,362 shares issued and outstanding as of October 2, 2022 and July 3, 2022, respectively)	1,801	1,798
Capital in excess of par value	66,709	66,120
Retained earnings	345,302	353,136
Accumulated other comprehensive loss	(65,513)	(59,605)
Total shareholders' equity	348,299	361,449
Total liabilities and shareholders' equity	$ 557,825	$ 588,718

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
Net sales	$ 179,519	$ 195,992
Cost of sales	172,956	169,895
Gross profit	6,563	26,097
Selling, general and administrative expenses	11,773	12,670
Provision (benefit) for bad debts	174	(80)
Other operating (income) expense, net	(689)	256
Operating (loss) income	(4,695)	13,251
Interest income	(547)	(258)
Interest expense	1,247	696
Equity in earnings of unconsolidated affiliates	(295)	(280)
(Loss) income before income taxes	(5,100)	13,093
Provision for income taxes	2,734	4,413
Net (loss) income	$ (7,834)	$ 8,680
Net (loss) income per common share:		
Basic	$ (0.44)	$ 0.47
Diluted	$ (0.44)	$ 0.46

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)
(In thousands)

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
Net (loss) income	$ (7,834)	$ 8,680
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(5,908)	(6,926)
Changes in interest rate swaps, net of tax of nil and $77, respectively	—	256
Other comprehensive loss, net	(5,908)	(6,670)
Comprehensive (loss) income	$ (13,742)	$ 2,010

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Shares	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at July 3, 2022	17,979	$ 1,798	$ 66,120	$ 353,136	$ (59,605)	$ 361,449
Options exercised	3	—	17	—	—	17
Conversion of equity units	31	3	(3)	—	—	—
Stock-based compensation	—	—	591	—	—	591
Common stock withheld in satisfaction of tax withholding obligations under net share settle transactions	(1)	—	(16)	—	—	(16)
Other comprehensive loss, net of tax	—	—	—	—	(5,908)	(5,908)
Net loss	—	—	—	(7,834)	—	(7,834)
Balance at October 2, 2022	18,012	$ 1,801	$ 66,709	$ 345,302	$ (65,513)	$ 348,299

	Shares	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at June 27, 2021	18,490	$ 1,849	$ 65,205	$ 344,797	$ (53,432)	$ 358,419
Options exercised	9	1	(1)	—	—	—
Conversion of equity units	38	4	(4)	—	—	—
Stock-based compensation	—	—	582	—	—	582
Common stock withheld in satisfaction of tax withholding obligations under net share settle transactions	(13)	(2)	(12)	—	—	(14)
Other comprehensive loss, net of tax	—	—	—	—	(6,670)	(6,670)
Net income	—	—	—	8,680	—	8,680
Balance at September 26, 2021	18,524	$ 1,852	$ 65,770	$ 353,477	$ (60,102)	$ 360,997

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
Cash and cash equivalents at beginning of period	$ 53,290	$ 78,253
Operating activities:		
Net (loss) income	(7,834)	8,680
Adjustments to reconcile net (loss) income to net cash used by operating activities:		
Equity in earnings of unconsolidated affiliates	(295)	(280)
Depreciation and amortization expense	6,740	6,365
Non-cash compensation expense	633	660
Deferred income taxes	(373)	(3,463)
Other, net	324	(100)
Changes in assets and liabilities:		
Receivables, net	13,800	(9,462)
Inventories	6,475	(12,190)
Other current assets	4,026	(1,056)
Income taxes	(789)	2,606
Accounts payable and other current liabilities	(28,615)	(7,393)
Other, net	16	(175)
Net cash used by operating activities	(5,892)	(15,808)
Investing activities:		
Capital expenditures	(11,198)	(9,300)
Other, net	(222)	31
Net cash used by investing activities	(11,420)	(9,269)
Financing activities:		
Proceeds from ABL Revolver	65,500	—
Payments on ABL Revolver	(52,300)	—
Payments on ABL Term Loan	(2,500)	(2,500)
Proceeds from construction financing	2,449	882
Payments on finance lease obligations	(436)	(927)
Other, net	—	(222)
Net cash provided (used) by financing activities	12,713	(2,767)
Effect of exchange rate changes on cash and cash equivalents	(1,491)	(853)
Net decrease in cash and cash equivalents	(6,090)	(28,697)
Cash and cash equivalents at end of period	$ 47,200	$ 49,556

See accompanying notes to condensed consolidated financial statements.

1. Background

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, "UNIFI," the "Company," "we," "us" or "our"), is a multinational company that manufactures and sells innovative recycled and synthetic products, made from polyester and nylon, primarily to other yarn manufacturers and knitters and weavers (UNIFI's "direct customers") that produce yarn and/or fabric for the apparel, hosiery, home furnishings, automotive, industrial, and other end-use markets (UNIFI's "indirect customers"). We sometimes refer to these indirect customers as "brand partners." Polyester products include partially oriented yarn ("POY"), textured, solution and package dyed, twisted, beamed, and draw wound yarns, and each is available in virgin or recycled varieties. Recycled solutions, made from both pre-consumer and post-consumer waste, include plastic bottle flake ("Flake"), polyester polymer beads ("Chip"), and staple fiber. Nylon products include virgin or recycled textured, solution dyed, and spandex covered yarns.

UNIFI maintains one of the textile industry's most comprehensive product offerings that include a range of specialized, value-added and commodity solutions, with principal geographic markets in North America, Central America, South America, Asia, and Europe. UNIFI has direct manufacturing operations in four countries and participates in joint ventures with operations in Israel and the United States ("U.S.").

2. Basis of Presentation; Condensed Notes

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. As contemplated by the instructions of the SEC to Form 10-Q, the following notes have been condensed and, therefore, do not contain all disclosures required in connection with annual financial statements. Reference should be made to UNIFI's year-end audited consolidated financial statements and related notes thereto contained in its Annual Report on Form 10-K for the fiscal year ended July 3, 2022 (the "2022 Form 10-K").

The financial information included in this report has been prepared by UNIFI, without audit. In the opinion of management, all adjustments, which consist of normal, recurring adjustments, considered necessary for a fair statement of the results for interim periods have been included. Nevertheless, the results shown for interim periods are not necessarily indicative of results to be expected for the full year. The preparation of financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the amounts reported and certain financial statement disclosures. Actual results may vary from these estimates.

All amounts, except per share amounts, are presented in thousands (000s), except as otherwise noted.

The fiscal quarter for each of Unifi, Inc., its primary domestic operating subsidiaries and its subsidiary in El Salvador ended on October 2, 2022. Unifi, Inc.'s remaining material operating subsidiaries' fiscal quarter ended on September 30, 2022. There were no significant transactions or events that occurred between Unifi, Inc.'s fiscal quarter end and such wholly owned subsidiaries' fiscal quarter end. The three-month periods ended October 2, 2022 and September 26, 2021 both consisted of 13 weeks.

3. Recent Accounting Pronouncements

Based on UNIFI's review of Accounting Standards Updates issued since the filing of the 2022 Form 10-K, there have been no newly issued or newly applicable accounting pronouncements that have had, or are expected to have, a material impact on UNIFI's consolidated financial statements.

4. Revenue

The following tables present net sales disaggregated by (i) classification of customer type and (ii) REPREVE® Fiber sales:

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
Third-party manufacturer	$ 178,212	$ 193,297
Service	1,307	2,695
Net sales	$ 179,519	$ 195,992

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
REPREVE® Fiber	$ 49,179	$ 71,906
All other products and services	130,340	124,086
Net sales	$ 179,519	$ 195,992

Third-Party Manufacturer

Third-party manufacturer revenue is primarily generated through sales to direct customers. Such sales represent satisfaction of UNIFI's performance obligations required by the associated revenue contracts. Each of UNIFI's reportable segments derives revenue from sales to third-party manufacturers.

Service Revenue

Service revenue is primarily generated, as services are rendered, through fulfillment of toll manufacturing of textile products or transportation services governed by written agreements. Such toll manufacturing and transportation services represent satisfaction of UNIFI's performance obligations required by the associated revenue contracts.

REPREVE Fiber

REPREVE Fiber represents our collection of fiber products on our recycled platform, with or without added technologies.

Variable Consideration

For all variable consideration, where appropriate, UNIFI estimates the amount using the expected value method, which takes into consideration historical experience, current contractual requirements, specific known market events and forecasted customer buying and payment patterns. Overall, these reserves reflect UNIFI's best estimates of the amount of consideration to which the customer is entitled based on the terms of the contracts. Variable consideration has been immaterial to UNIFI's financial statements for all periods presented.

5. Long-Term Debt

Debt Obligations

The following table and narrative presents the detail of UNIFI's debt obligations.

	Scheduled Maturity Date	Weighted Average Interest Rate as of October 2, 2022	Principal Amounts as of October 2, 2022	Principal Amounts as of July 3, 2022
ABL Revolver	December 2023	4.5%	$ 54,500	$ 41,300
ABL Term Loan	December 2023	4.1%	62,500	65,000
Finance lease obligations	(1)	3.6%	7,554	7,261
Construction financing	(2)	1.8%	2,450	729
Total debt			127,004	114,290
Current ABL Term Loan			(10,000)	(10,000)
Current portion of finance lease obligations			(1,875)	(1,726)
Unamortized debt issuance costs			(210)	(255)
Total long-term debt			$ 114,919	$ 102,309

(1) Scheduled maturity dates for finance lease obligations range from March 2025 to November 2027.
(2) Refer to the discussion below under the subheading "*Construction Financing*" for further information.

ABL Facility

Since the filing of the 2022 Form 10-K, Unifi, Inc. entered into the Sixth Amendment to Amended and Restated Credit Agreement (the "Sixth Amendment") on September 2, 2022. The Sixth Amendment modified the Trigger Level (as defined in the Prior Credit Agreement and which relates to, among other things, the requirement to maintain a Fixed Charge Coverage Ratio (as defined in the Prior Credit Agreement)) such that it occurs when Excess Availability (as defined in the Prior Credit Agreement) falls below (a) for the period beginning on September 2, 2022 through and including the date that is 60 days after such date, $16,500 and (b) at all other times, the greatest of (i) $10.0 million, (ii) 20% of the Maximum Revolver Amount (as defined in the Prior Credit Agreement), and (iii) 12.5% of the sum of the Maximum Revolver Amount plus the outstanding principal amount of the Term Loan (as defined in the Prior Credit Agreement).

On October 28, 2022, Unifi, Inc. and certain of its subsidiaries entered into a Second Amended and Restated Credit Agreement (the "2022 Credit Agreement") with a syndicate of lenders. The 2022 Credit Agreement provides for a $230,000 senior secured credit facility (the "2022 ABL Facility"), including a $115,000 revolving credit facility and a term loan that can be reset up to a maximum amount of $115,000, once per fiscal year, if certain conditions are met. The 2022 ABL Facility has a maturity date of October 28, 2027.

Prior to entering the 2022 Credit Agreement, Unifi, Inc. and certain of its subsidiaries maintained a similar credit agreement that established a $200,000 senior secured credit facility (the "Prior ABL Facility"), including a $100,000 revolving credit facility (the "Prior ABL Revolver") and a term loan that could be reset up to a maximum amount of $100,000, once per fiscal year, if certain conditions were met (the "Prior ABL Term Loan"). The Prior ABL Facility had a maturity date of December 18, 2023.

Borrowings under the 2022 ABL Facility bear interest at SOFR plus 0.10% plus an applicable margin of 1.25% to 1.75%, or the Base Rate (as defined in the 2022 Credit Agreement) plus an applicable margin of 0.25% to 0.75%, with interest paid on a monthly basis. Prior ABL Facility borrowings bore interest at LIBOR plus an applicable margin of 1.25% to 1.75%, or the Base Rate (as defined in the Prior Credit Agreement) plus an applicable margin of 0.25% to 0.75%, with interest paid on a monthly basis.

Construction Financing

In May 2021, UNIFI entered into an agreement with a third party lender that provides for construction-period financing for certain texturing machinery included in our capital allocation plans. UNIFI records project costs to construction in progress and the corresponding liability to construction financing (within long-term debt). The agreement provides for monthly, interest-only payments during the construction period, at a rate of SOFR plus 1.25%, and contains terms customary for a financing of this type.

Each borrowing under the agreement provides for 60 monthly payments, which will commence upon the completion of the construction period with an interest rate of approximately 4.4%. In connection with this construction financing arrangement, UNIFI has borrowed a total of $5,672 and transitioned $3,222 of completed asset costs to finance lease obligations as of October 2, 2022.

Scheduled Debt Maturities

The following table presents the scheduled maturities of UNIFI's outstanding debt obligations:

	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Thereafter
ABL Revolver	$ —	$ 54,500	$ —	$ —	$ —	$ —
ABL Term Loan	7,500	55,000	—	—	—	—
Finance lease obligations	1,400	1,926	1,843	1,406	890	89
Total (1)	$ 8,900	$ 111,426	$ 1,843	$ 1,406	$ 890	$ 89

(1) Total reported excludes $2,450 of construction financing, described above.

6. Income Taxes

The provision for income taxes and effective tax rate were as follows:

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
Provision for income taxes	$ 2,734	$ 4,413
Effective tax rate	(53.6)%	33.7%

Income Tax Expense

UNIFI's provision for income taxes for the three months ended October 2, 2022 and September 26, 2021 was calculated by applying the estimated annual effective tax rate to year-to-date pre-tax book income and adjusting for discrete items that occurred during the period.

The effective tax rate for the three months ended October 2, 2022 was lower than the U.S. federal statutory rate primarily due to an increase in the valuation allowance for deferred tax assets and current U.S. tax on global intangible low-tax income ("GILTI").

The effective tax rate for the three months ended September 26, 2021 was higher than the U.S. federal statutory rate primarily due to earnings taxed at higher rates in foreign jurisdictions, deferred tax on unremitted earnings, and foreign withholding taxes.

Unrecognized Tax Benefits

UNIFI regularly assesses the outcomes of both completed and ongoing examinations to ensure that its provision for income taxes is sufficient. Certain returns that remain open to examination have utilized carryforward tax attributes generated in prior tax years, including net operating losses, which could potentially be revised upon examination.

7. Shareholders' Equity

On October 31, 2018, UNIFI announced that its Board of Directors (the "Board") approved a share repurchase program (the "2018 SRP") under which UNIFI is authorized to acquire up to $50,000 of its common stock. Under the 2018 SRP, purchases may be made from time to time in the open market at prevailing market prices, through private transactions or block trades. The timing and amount of repurchases will depend on market conditions, share price, applicable legal requirements and other factors. The share repurchase authorization is discretionary and has no expiration date. Repurchases, if any, are expected to be financed through cash generated from operations and borrowings under the ABL Revolver, and are subject to applicable limitations and restrictions as set forth in the ABL Facility. UNIFI may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable.

The following table summarizes UNIFI's repurchases and retirements of its common stock under the 2018 SRP for the fiscal periods noted:

	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Approximate Dollar Value that May Yet Be Repurchased Under Publicly Announced Plans or Programs
Fiscal 2019	—	$ —	$ 50,000
Fiscal 2020	84	$ 23.72	$ 48,008
Fiscal 2021	—	$ —	$ 48,008
Fiscal 2022	617	$ 14.84	$ 38,859
Fiscal 2023 (through October 2, 2022)	—	$ —	$ 38,859
Total	701	$ 15.90	$ 38,859

Repurchased shares are retired and have the status of authorized and unissued shares. The cost of the repurchased shares is recorded as a reduction to common stock to the extent of the par value of the shares acquired and the remainder is allocated between capital in excess of par value and retained earnings, on a pro rata basis.

8. Stock-Based Compensation

On October 29, 2020, UNIFI's shareholders approved the Unifi, Inc. Second Amended and Restated 2013 Incentive Compensation Plan (the "2020 Plan"). The 2020 Plan set the number of shares available for future issuance pursuant to awards granted under the 2020 Plan to 850. No additional awards can be granted under prior plans; however, awards outstanding under a respective prior plan remain subject to that plan's provisions.

The following table provides the number of awards remaining available for future issuance under the 2020 Plan as of October 2, 2022:

Authorized under the 2020 Plan	850
Plus: Awards expired, forfeited or otherwise terminated unexercised	1
Less: Awards granted to employees	(209)
Less: Awards granted to non-employee directors	(42)
Available for issuance under the 2020 Plan	600

On October 27, 2021, UNIFI's shareholders approved the Unifi, Inc. Employee Stock Purchase Plan (the "ESPP") as described in Unifi, Inc.'s Definitive Proxy Statement on Schedule 14A filed with the SEC on September 2, 2021. The ESPP reserved 100 Company shares, is intended to be a qualified plan under applicable tax law, and allows eligible employees to purchase Company shares at a 15% discount from market value. ESPP activity is reflected as options exercised in the condensed consolidated statements of shareholders' equity.

9. Fair Value of Financial Instruments and Non-Financial Assets and Liabilities

Financial Instruments

Grantor Trust

The UNIFI, Inc. Deferred Compensation Plan (the "DCP"), established in fiscal 2022, is an unfunded non-qualified deferred compensation plan in which certain key employees are eligible to participate. The fair value of the investment assets held by the grantor trust established in connection with the DCP were approximately $2,523 and $2,196 as of October 2, 2022 and July 3, 2022, respectively, and are classified as trading securities within Other non-current assets. The grantor trust assets have readily-available market values and are classified as Level 1 trading securities in the fair value hierarchy. Trading gains and losses associated with these investments are recorded to Other operating (income) expense, net. The associated DCP liability is recorded within Other long-term liabilities, and any increase or decrease in the liability is also recorded in Other operating (income) expense, net. During fiscal 2023, we recorded losses on investments held by the trust of $49.

Derivative Instruments

UNIFI uses derivative financial instruments such as foreign currency forward contracts or interest rate swaps to reduce its ongoing business exposures to fluctuations in foreign currency exchange rates or interest rates. UNIFI does not enter into derivative contracts for speculative purposes. As of October 2, 2022, there were no outstanding derivative instruments.

For the three months ended October 2, 2022 and September 26, 2021, there were no significant changes to UNIFI's assets and liabilities measured at fair value, and there were no transfers into or out of the levels of the fair value hierarchy.

UNIFI believes that there have been no significant changes to its credit risk profile or the interest rates available to UNIFI for debt issuances with similar terms and average maturities, and UNIFI estimates that the fair values of its debt obligations approximate the carrying amounts. Other financial instruments include cash and cash equivalents, receivables, accounts payable and accrued expenses. The financial statement carrying amounts of these items approximate the fair values due to their short-term nature.

10. Accumulated Other Comprehensive Loss

The components of and the changes in accumulated other comprehensive loss, net of tax, as applicable, consist of the following:

	Foreign Currency Translation Adjustments	Changes in Interest Rate Swaps	Accumulated Other Comprehensive Loss
Balance at July 3, 2022	$ (59,605)	$ —	$ (59,605)
Other comprehensive loss	(5,908)	—	(5,908)
Balance at October 2, 2022	$ (65,513)	$ —	$ (65,513)

A summary of the after-tax effects of the components of other comprehensive loss, net for the three-month period ended October 2, 2022 and September 26, 2021 is included in the accompanying condensed consolidated statements of comprehensive (loss) income.

11. Earnings Per Share

The components of the calculation of earnings per share ("EPS") are as follows:

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
Net (loss) income	$ (7,834)	$ 8,680
Basic weighted average shares	18,001	18,515
Net potential common share equivalents	—	482
Diluted weighted average shares	18,001	18,997
Excluded from the calculation of common share equivalents:		
Anti-dilutive common share equivalents	618	287
Excluded from the calculation of diluted shares:		
Unvested stock options that vest upon achievement of certain market conditions	333	333

The calculation of EPS is based on the weighted average number of Unifi, Inc.'s common shares outstanding for the applicable period. The calculation of diluted EPS presents the effect of all potential dilutive common shares that were outstanding during the respective period, unless the effect of doing so is anti-dilutive.

12. Commitments and Contingencies

Collective Bargaining Agreements

While employees of UNIFI's Brazilian operations are unionized, none of the labor force employed by UNIFI's domestic or other foreign subsidiaries is currently covered by a collective bargaining agreement.

Environmental

On September 30, 2004, Unifi Kinston, LLC ("UK"), a subsidiary of Unifi, Inc., completed its acquisition of polyester filament manufacturing assets located in Kinston, North Carolina ("Kinston") from Invista S.a.r.l. ("INVISTA"). The land for the Kinston site was leased pursuant to a 99-year ground lease (the "Ground Lease") with E.I. DuPont de Nemours ("DuPont"). Since 1993, DuPont has been investigating and cleaning up the Kinston site under the supervision of the U.S. Environmental Protection Agency and the North Carolina Department of Environmental Quality ("DEQ") pursuant to the Resource Conservation and Recovery Act Corrective Action program. The program requires DuPont to identify all potential areas of environmental concern ("AOCs"), assess the extent of containment at the identified AOCs and remediate the AOCs to comply with applicable regulatory standards. Effective March 20, 2008, UK entered into a lease termination agreement associated with conveyance of certain assets at the Kinston site to DuPont. This agreement terminated the Ground Lease and relieved UK of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to UK's period of operation of the Kinston site, which was from 2004 to 2008. At this time, UNIFI has no basis to determine if or when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same. UK continues to own property (the "Kentec site") acquired in the 2004 transaction with INVISTA that has contamination from DuPont's prior operations and is monitored by DEQ. The Kentec site has been remediated by DuPont, and DuPont has received authority from DEQ to discontinue further remediation, other than natural attenuation. Prior to transfer of responsibility to UK, DuPont and UK had a duty to monitor and report the environmental status of the Kentec site to DEQ. Effective April 10, 2019, UK assumed sole remediator responsibility of the Kentec site pursuant to its contractual obligations with INVISTA and received $180 of net monitoring and reporting costs due from DuPont. In connection with monitoring, UK expects to sample and report to DEQ annually. At this time, UNIFI does not expect any active site remediation will be required but expects that any costs associated with active site remediation, if ever required, would likely be immaterial.

13. Related Party Transactions

There were no related party receivables as of October 2, 2022 or July 3, 2022.

Related party payables for Salem Leasing Corporation consisted of the following:

	October 2, 2022	July 3, 2022
Accounts payable	$ 396	$ 432
Operating lease obligations	732	811
Finance lease obligations	4,624	4,933
Total related party payables	$ 5,752	$ 6,176

The following were the Company's significant related party transactions:

		For the Three Months Ended	
Affiliated Entity	Transaction Type	October 2, 2022	September 26, 2021
Salem Leasing Corporation	Payments for transportation equipment costs and finance lease debt service	$ 1,199	$ 1,028

14. Business Segment Information

UNIFI defines operating segments as components of the organization for which discrete financial information is available and operating results are evaluated on a regular basis by UNIFI's principal executive officer, who is the chief operating decision maker (the "CODM"), in order to assess performance and allocate resources. Characteristics of UNIFI which were relied upon in making the determination of reportable segments include the nature of the products sold, the internal organizational structure, the trade policies in the geographic regions in which UNIFI operates, and the information that is regularly reviewed by the CODM for the purpose of assessing performance and allocating resources.

In the fourth quarter of fiscal 2022, UNIFI realigned its operating and reportable segments to correspond with changes to its operating model, management structure, and organizational responsibilities, reflecting the manner in which business performance is evaluated, resources are allocated, and financial statement users can best understand the results of operations. Accordingly, UNIFI is now reporting the Americas Segment, Brazil Segment, and Asia Segment. The Americas Segment represents the combination of the previously reported Polyester Segment, Nylon Segment, and All Other category. There are no changes to the composition of the historical Brazil Segment and Asia Segment. Comparative prior period disclosures have been updated to conform to the new presentation.

UNIFI has three reportable segments.

- The operations within the Americas Segment exhibit similar long-term economic characteristics and primarily sell into an economic trading zone covered by the USMCA and CAFTA-DR to similar customers utilizing similar methods of distribution. These operations derive revenues primarily from manufacturing synthetic and recycled textile products with sales primarily to yarn manufacturers, knitters, and weavers that produce yarn and/or fabric for the apparel, hosiery, automotive, home furnishings, industrial, medical, and other end-use markets principally in North and Central America. The Americas Segment consists of sales and manufacturing operations in the U.S., El Salvador, and Colombia.
- The Brazil Segment primarily manufactures and sells polyester-based products to knitters and weavers that produce fabric for the apparel, automotive, home furnishings, industrial, and other end-use markets principally in Brazil. The Brazil Segment includes a manufacturing location and sales offices in Brazil.
- The operations within the Asia Segment exhibit similar long-term economic characteristics and sell to similar customers utilizing similar methods of distribution primarily in Asia and Europe. The Asia Segment primarily sources synthetic and recycled textile products from third-party suppliers and sells to other yarn manufacturers, knitters, and weavers that produce fabric for the apparel, automotive, home furnishings, industrial, and other end-use markets principally in Asia. The Asia Segment includes sales offices in China, Turkey, and Hong Kong.

UNIFI evaluates the operating performance of its segments based upon Segment Profit, which represents segment gross profit (loss) plus segment depreciation expense. This measurement of segment profit or loss best aligns segment reporting with the current assessments and evaluations performed by, and information provided to, the CODM.

The accounting policies for the segments are consistent with UNIFI's accounting policies. Intersegment sales are omitted from segment disclosures, as they are (i) insignificant to UNIFI's segments and eliminated from consolidated reporting and (ii) excluded from segment evaluations performed by the CODM.

Selected financial information is presented below:

	For the Three Months Ended October 2, 2022			
	Americas	Brazil	Asia	Total
Net sales	$ 107,644	$ 38,879	$ 32,996	$ 179,519
Cost of sales	112,513	32,092	28,351	172,956
Gross (loss) profit	(4,869)	6,787	4,645	6,563
Segment depreciation expense	5,480	470	—	5,950
Segment Profit	$ 611	$ 7,257	$ 4,645	$ 12,513

	For the Three Months Ended September 26, 2021			
	Americas	Brazil	Asia	Total
Net sales	$ 110,826	$ 33,738	$ 51,428	$ 195,992
Cost of sales	101,640	23,798	44,457	169,895
Gross profit	9,186	9,940	6,971	26,097
Segment depreciation expense	5,075	383	—	5,458
Segment Profit	$ 14,261	$ 10,323	$ 6,971	$ 31,555

The reconciliations of segment gross profit to consolidated (loss) income before income taxes are as follows:

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
Americas	$ (4,869)	$ 9,186
Brazil	6,787	9,940
Asia	4,645	6,971
Segment gross profit	6,563	26,097
Selling, general and administrative expenses	11,773	12,670
Provision (benefit) for bad debts	174	(80)
Other operating (income) expense, net	(689)	256
Operating (loss) income	(4,695)	13,251
Interest income	(547)	(258)
Interest expense	1,247	696
Equity in earnings of unconsolidated affiliates	(295)	(280)
(Loss) income before income taxes	$ (5,100)	$ 13,093

There have been no material changes in segment assets during fiscal 2023.

15. Investments in Unconsolidated Affiliates

Included within Other non-current assets are UNIFI's investments in unconsolidated affiliates: U.N.F. Industries, Ltd. ("UNF"); and UNF America LLC ("UNFA") (collectively "UNFs").

U.N.F. Industries, Ltd.

Raw material and production services for UNF are provided by Nilit Ltd. under separate supply and services agreements. UNF's fiscal year end is December 31, and it is a registered Israeli private company located in Migdal Ha-Emek, Israel.

UNF America LLC

Raw material and production services for UNFA are provided by Nilit America Inc. under separate supply and services agreements. UNFA's fiscal year end is December 31, and it is a limited liability company located in Ridgeway, Virginia. UNFA is treated as a partnership for its income tax reporting.

In conjunction with the formation of UNFA, UNIFI entered into a supply agreement with UNF and UNFA whereby UNIFI agreed to purchase all of its first quality nylon POY requirements for texturing (subject to certain exceptions) from either UNF or UNFA. The supply agreement has no stated minimum purchase quantities and pricing is typically negotiated every six months, based on market rates. As of October 2, 2022, UNIFI's open purchase orders related to this supply agreement were $1,180.

UNIFI's raw material purchases under this supply agreement consisted of the following:

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
UNFA	$ 7,401	$ 5,830
UNF	37	71
Total	$ 7,438	$ 5,901

As of October 2, 2022 and July 3, 2022, UNIFI had combined accounts payable due to UNF and UNFA of $5,190 and $5,565, respectively.

UNIFI has determined that UNF and UNFA are variable interest entities and that UNIFI is the primary beneficiary of these entities, based on the terms of the supply agreement discussed above. As a result, these entities should be consolidated with UNIFI's financial results. As (i) UNIFI purchases substantially all of the output from the two entities, (ii) the two entities' balance sheets constitute 3% or less of UNIFI's current assets and total assets, and (iii) such balances are not expected to comprise a larger portion in the future, UNIFI has not included the accounts of UNF and UNFA in its consolidated financial statements and instead is accounting for these entities as equity investments. As of October 2, 2022, UNIFI's combined investments in UNF and UNFA were $2,246. The financial results of UNF and UNFA are included in UNIFI's consolidated financial statements with a one-month lag, using the equity method of accounting and with intercompany profits eliminated in accordance with UNIFI's accounting policy. Other than the supply agreement discussed above, UNIFI does not provide any other commitments or guarantees related to either UNF or UNFA.

Condensed balance sheet and income statement information for UNIFI's unconsolidated affiliates (including reciprocal balances) are presented in the tables below.

	October 2, 2022	July 3, 2022
Current assets	$ 10,243	$ 10,705
Non-current assets	576	605
Current liabilities	7,550	8,056
Non-current liabilities	—	—
Shareholders' equity and capital accounts	3,269	3,254
UNIFI's portion of undistributed earnings	2,187	2,013

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
Net sales	$ 8,811	$ 6,150
Gross profit	489	544
Income from operations	25	127
Net income	15	127
Depreciation and amortization	28	33
Distributions received	—	—

16. Supplemental Cash Flow Information

Cash payments for interest and taxes consist of the following:

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
Interest, net of capitalized interest of $87 and $106, respectively	$ 767	$ 644
Income tax payments, net	2,928	5,091

Cash payments for taxes shown above consist primarily of income and withholding tax payments made by UNIFI in both U.S. and foreign jurisdictions, net of refunds. The three months ended September 26, 2021 includes an income tax payment of $2,125 related to the recovery of non-income taxes in Brazil.

Non-Cash Investing and Financing Activities

As of October 2, 2022 and July 3, 2022, $1,449 and $2,456, respectively, were included in accounts payable for unpaid capital expenditures. As of September 26, 2021 and June 27, 2021, $1,524 and $2,080, respectively, were included in accounts payable for unpaid capital expenditures.

During the three months ended October 2, 2022 and September 26, 2021, UNIFI recorded non-cash activity relating to finance leases of $729 and $0, respectively.

17. Other Financial Data

Select balance sheet information is presented in the following table.

	October 2, 2022	July 3, 2022
Receivables, net:		
Customer receivables	$ 86,183	$ 99,963
Allowance for uncollectible accounts	(1,632)	(1,498)
Reserves for quality claims	(746)	(860)
Net customer receivables	83,805	97,605
Banker's acceptance notes	5,792	7,849
Other receivables	1,158	1,111
Total receivables, net	$ 90,755	$ 106,565
Inventories:		
Raw materials	$ 65,609	$ 69,994
Supplies	11,963	11,953
Work in process	9,702	10,358
Finished goods	81,500	84,477
Gross inventories	168,774	176,782
Net realizable value adjustment	(3,711)	(3,487)
Total inventories	$ 165,063	$ 173,295
Other current assets:		
Recovery of non-income taxes, net	$ 4,762	$ 6,770
Vendor deposits	4,508	6,910
Prepaid expenses and other	2,615	3,004
Value-added taxes receivable	1,963	1,987
Contract assets	488	285
Total other current assets	$ 14,336	$ 18,956
Property, plant and equipment, net:		
Land	$ 3,145	$ 3,160
Land improvements	16,443	16,443
Buildings and improvements	165,565	164,252
Assets under finance leases	11,498	10,921
Machinery and equipment	638,747	635,699
Computers, software and office equipment	25,630	25,348
Transportation equipment	10,447	10,591
Construction in progress	18,556	20,397
Gross property, plant and equipment	890,031	886,811
Less: accumulated depreciation	(666,337)	(666,569)
Less: accumulated amortization – finance leases	(4,264)	(3,904)
Total property, plant and equipment, net	$ 219,430	$ 216,338
Other non-current assets:		
Grantor trust	$ 2,523	$ 2,196
Investments in unconsolidated affiliates	2,246	2,072
Intangible assets, net	2,154	2,500
Other	2,017	2,020
Total other non-current assets	$ 8,940	$ 8,788
Other current liabilities:		
Payroll and fringe benefits	$ 10,830	$ 9,414
Utilities	2,010	2,287
Deferred revenue	1,716	1,694
Incentive compensation	559	3,916
Property taxes and other	3,306	2,495
Total other current liabilities	$ 18,421	$ 19,806
Other long-term liabilities:		
Nonqualified deferred compensation plan obligation	$ 2,395	$ 1,982
Uncertain tax positions	1,751	1,575
Other	539	892
Total other long-term liabilities	$ 4,685	$ 4,449

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors that have affected UNIFI's operations, along with material changes in financial condition, during the periods included in the accompanying condensed consolidated financial statements. A reference to a "note" in this section refers to the accompanying notes to condensed consolidated financial statements. A reference to the "current period" refers to the three-month period ended October 2, 2022, while a reference to the "prior period" refers to the three-month period ended September 26, 2021. Such references may be accompanied by certain phrases for added clarity. The current period and the prior period each consisted of 13 weeks.

Our discussions in this Item 2 focus on our results during, or as of, the three months ended October 2, 2022 and September 26, 2021, and, to the extent applicable, any material changes from the information discussed in the 2022 Form 10-K or other important intervening developments or information. These discussions should be read in conjunction with the 2022 Form 10-K for more detailed and background information about our business, operations, and financial condition. Discussion of foreign currency translation is primarily associated with changes in the Brazilian Real ("BRL") and changes in the Chinese Renminbi ("RMB") versus the U.S. Dollar ("USD"). The BRL weighted average exchange rate was 5.25 BRL/USD and 5.24 BRL/USD for the current period and the prior period, respectively. The RMB weighted average exchange rate was 6.85 RMB/USD and 6.47 RMB/USD for the current period and the prior period, respectively.

All amounts, except per share amounts, are presented in thousands (000s), except as otherwise noted.

Overview and Significant General Matters

UNIFI focuses on delivering products and solutions to direct customers and brand partners throughout the world, leveraging our internal manufacturing capabilities and an enhanced global supply chain that delivers a diverse range of synthetic and recycled fibers and polymers. Our strategic initiatives include (i) leveraging our competitive advantages to grow market share in each of the major geographies we serve, (ii) expanding our presence in non-apparel markets with additional REPREVE® products, (iii) advancing the development and commercialization of innovative and sustainable solutions, and (iv) increasing brand awareness for REPREVE®. We believe our strategic initiatives will increase revenue and profitability and generate improved cash flows from operations.

COVID-19 Pandemic and the Current Economic Environment

UNIFI was able to navigate the negative effects of the COVID-19 pandemic to minimize the overall impact to UNIFI for fiscal 2022 and the first quarter of fiscal 2023. However, the current economic environment and significant decrease in textile product demand has adversely impacted our consolidated sales and profitability during the current period. In addition to the current unfavorable economic environment and the inventory destocking measures taken by brands and retailers, the following pressures have continued from fiscal 2022 into fiscal 2023: (i) the impact of inflation on consumer spending, (ii) rising interest rates, (iii) the Russia-Ukraine conflict, (iv) global input cost volatility, and (v) supply chain disruption and unpredictability. UNIFI will continue to monitor these and other aspects of the current economic environment, and work closely with stakeholders to ensure business continuity and liquidity.

Input Costs and Global Production Volatility

In addition to the escalation of input costs in fiscal 2022, UNIFI experienced inefficiencies in the global supply chain in connection with (i) freight costs and logistics slowdowns in foreign markets; (ii) a tighter labor pool in the U.S.; and (iii) suppressed productivity from our business partners resulting from pandemic-related lockdowns in certain regions, particularly Asia. Despite significant improvement in input and freight costs and a more stable labor pool during the current period, the global demand volatility and uncertainty that began in late fiscal 2022 has continued into the first quarter of fiscal 2023, as the threat of recession continues to create uncertainty for calendar 2022 and 2023. The existing challenges and future uncertainty, particularly for rising input costs, labor productivity, and global demand, could worsen and/or continue for prolonged periods, materially impacting our consolidated sales and gross profit. Also, the need for future selling price adjustments in connection with inflationary costs could impact our ability to retain current customer programs and compete successfully for new programs in certain regions.

Key Performance Indicators and Non-GAAP Financial Measures

UNIFI continuously reviews performance indicators to measure its success. These performance indicators form the basis of management's discussion and analysis included below:

- sales volume and revenue for UNIFI and for each reportable segment;
- gross profit and gross margin for UNIFI and for each reportable segment;
- net (loss) income and diluted EPS;
- Segment Profit, which equals segment gross profit plus segment depreciation expense;
- unit conversion margin, which represents unit net sales price less unit raw material costs, for UNIFI and for each reportable segment;
- working capital, which represents current assets less current liabilities;
- Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), which represents net (loss) income before net interest expense, income tax expense and depreciation and amortization expense;
- Adjusted EBITDA, which represents EBITDA adjusted to exclude, from time to time, certain other adjustments necessary to understand and compare the underlying results of UNIFI;
- Adjusted Net (Loss) Income, which represents net (loss) income calculated under GAAP, adjusted to exclude certain amounts which management believes do not reflect the ongoing operations and performance of UNIFI and/or for which exclusion may be necessary to understand and compare the underlying results of UNIFI;

- Adjusted EPS, which represents Adjusted Net (Loss) Income divided by UNIFI's diluted weighted average common shares outstanding;
- Adjusted Working Capital, which equals receivables plus inventories and other current assets, less accounts payable and other current liabilities; and
- Net Debt, which represents debt principal less cash and cash equivalents.

EBITDA, Adjusted EBITDA, Adjusted Net (Loss) Income, Adjusted EPS, Adjusted Working Capital, and Net Debt (collectively, the "non-GAAP financial measures") are not determined in accordance with GAAP and should not be considered a substitute for performance measures determined in accordance with GAAP. The calculations of the non-GAAP financial measures are subjective, based on management's belief as to which items should be included or excluded in order to provide the most reasonable and comparable view of the underlying operating performance of the business. We may, from time to time, modify the amounts used to determine our non-GAAP financial measures. When applicable, management's discussion and analysis includes specific consideration for items that comprise the reconciliations of its non-GAAP financial measures. We believe that these non-GAAP financial measures better reflect UNIFI's underlying operations and performance and that their use, as operating performance measures, provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets, among otherwise comparable companies.

Management uses Adjusted EBITDA (i) as a measurement of operating performance because it assists us in comparing our operating performance on a consistent basis, as it removes the impact of items (a) directly related to our asset base (primarily depreciation and amortization) and/or (b) that we would not expect to occur as a part of our normal business on a regular basis; (ii) for planning purposes, including the preparation of our annual operating budget; (iii) as a valuation measure for evaluating our operating performance and our capacity to incur and service debt, fund capital expenditures and expand our business; and (iv) as one measure in determining the value of other acquisitions and dispositions. Adjusted EBITDA is a key performance metric utilized in the determination of variable compensation. We also believe Adjusted EBITDA is an appropriate supplemental measure of debt service capacity because it serves as a high-level proxy for cash generated from operations and is relevant to our fixed charge coverage ratio.

Management uses Adjusted Net (Loss) Income and Adjusted EPS (i) as measurements of net operating performance because they assist us in comparing such performance on a consistent basis, as they remove the impact of (a) items that we would not expect to occur as a part of our normal business on a regular basis and (b) components of the provision for income taxes that we would not expect to occur as a part of our underlying taxable operations; (ii) for planning purposes, including the preparation of our annual operating budget; and (iii) as measures in determining the value of other acquisitions and dispositions.

Management uses Adjusted Working Capital as an indicator of UNIFI's production efficiency and ability to manage inventories and receivables.

Management uses Net Debt as a liquidity and leverage metric to determine how much debt would remain if all cash and cash equivalents were used to pay down debt principal.

Review of Results of Operations

Three Months Ended October 2, 2022 Compared to Three Months Ended September 26, 2021

Consolidated Overview

The below tables provide:

- the components of net (loss) income and the percentage increase or decrease over the prior period amounts, and
- a reconciliation from net (loss) income to EBITDA and Adjusted EBITDA.

Following the tables is a discussion and analysis of the significant components of net (loss) income.

Net (loss) income

	For the Three Months Ended				
	October 2, 2022		September 26, 2021		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 179,519	100.0	$ 195,992	100.0	(8.4)
Cost of sales	172,956	96.3	169,895	86.7	1.8
Gross profit	6,563	3.7	26,097	13.3	(74.9)
SG&A	11,773	6.6	12,670	6.4	(7.1)
Provision (benefit) for bad debts	174	0.1	(80)	—	nm
Other operating (income) expense, net	(689)	(0.4)	256	0.1	nm
Operating (loss) income	(4,695)	(2.6)	13,251	6.8	(135.4)
Interest expense, net	700	0.4	438	0.2	59.8
Equity in earnings of unconsolidated affiliates	(295)	(0.2)	(280)	(0.1)	5.4
(Loss) income before income taxes	(5,100)	(2.8)	13,093	6.7	(139.0)
Provision for income taxes	2,734	1.6	4,413	2.3	(38.0)
Net (loss) income	$ (7,834)	(4.4)	$ 8,680	4.4	(190.3)

nm = not meaningful

EBITDA and Adjusted EBITDA (Non-GAAP Financial Measures)

The reconciliations of the amounts reported under GAAP for Net (loss) income to EBITDA and Adjusted EBITDA were as follows:

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
Net (loss) income	$ (7,834)	$ 8,680
Interest expense, net	700	438
Provision for income taxes	2,734	4,413
Depreciation and amortization expense (1)	6,697	6,308
EBITDA	2,297	19,839
Other adjustments (2)	—	—
Adjusted EBITDA	$ 2,297	$ 19,839

(1) Within this reconciliation, depreciation and amortization expense excludes the amortization of debt issuance costs, which are reflected in interest expense, net. Within the accompanying condensed consolidated statements of cash flows, amortization of debt issuance costs is reflected in depreciation and amortization expense.

(2) For the periods presented, there were no other adjustments necessary to reconcile Net (loss) income to Adjusted EBITDA.

Adjusted Net (Loss) Income and Adjusted EPS (Non-GAAP Financial Measures)

For the current and the prior period, there were no adjustments necessary to reconcile Net (loss) income to Adjusted Net (Loss) Income or Adjusted EPS.

Net Sales

Consolidated net sales for the current period decreased by $16,473, or 8.4%, and consolidated sales volumes decreased 21.6%, compared to the prior period. The decreases occurred primarily due to lower volumes in the Americas and Asia Segments as a result of lower global demand, in addition to pandemic-related lockdowns in Asia, partially offset by higher selling prices in response to increasing raw material and input costs.

Consolidated weighted average sales prices increased 13.2%, primarily attributable to higher selling prices in response to higher raw material costs.

REPREVE® Fiber products for the current period comprised 27%, or $49,179, of consolidated net sales, down from 37%, or $71,906, for the prior period. The lower volumes and net sales in the Asia Segment, which has the highest portion of REPREVE® Fiber sales as a percentage of segment net sales, was the main driver for the lower REPREVE® Fiber sales.

Gross Profit

Gross profit for the current period decreased by $19,534, or 74.9%, compared to the prior period. Gross profit decreased as a result of the decline in net sales, combined with weak fixed cost absorption for the Americas Segment, where utilization and productivity are materially impactful to gross profit. Although raw material costs for the Americas Segment decreased meaningfully in the current period, the associated benefit was muted by low production levels, weak demand, and higher priced raw material inventory purchased in the fourth quarter of 2022.

- For the Americas Segment, gross profit decreased due to weaker global demand and weak fixed cost absorption in connection with lower production.
- For the Brazil Segment, gross profit decreased primarily due to the overall decrease in gross margin following the expected normalization of the competitive environment in Brazil, which was highly favorable during fiscal 2022.
- For the Asia Segment, gross profit decreased primarily due to lower sales volumes in connection with weaker global demand and pandemic-related lockdowns in Asia.

SG&A

SG&A for the current period decreased compared to the prior period, primarily due to (i) lower incentive compensation for the current period and (ii) lower discretionary expenses, including marketing and advertising.

Provision (Benefit) for Bad Debts

The current period and prior period bad debt changes reflect no material activity.

Other Operating (Income) Expense, Net

The current period and prior period include foreign currency transaction (gains) losses of $(725) and $233, respectively.

Interest Expense, Net

Interest expense, net increased in connection with higher debt principal following continued capital investments and higher interest rates.

Equity in Earnings of Unconsolidated Affiliates

There was no material activity for the current period or the prior period.

Income Taxes

Provision for income taxes and the effective tax rate were as follows:

	For the Three Months Ended	
	October 2, 2022	**September 26, 2021**
Provision for income taxes	$ 2,734	$ 4,413
Effective tax rate	(53.6)%	33.7%

The effective tax rate is subject to variation due to a number of factors, including: variability in pre-tax book income; the mix of income by jurisdiction; changes in deferred tax valuation allowances; and changes in statutes, regulations, and case law. Additionally, the impacts of discrete and other rate impacting items are more pronounced when income (loss) before income taxes is lower.

The decrease in the effective tax rate from the prior period to the current period is primarily attributable to an increase in the valuation allowance for deferred tax assets in the current period and increased U.S. tax on GILTI in the current period.

Net (Loss) Income

The decrease in net (loss) income was primarily attributable to the decrease in Americas gross profit and the associated adverse impact of lower U.S. earnings on the effective tax rate.

Adjusted EBITDA (Non-GAAP Financial Measure)

Adjusted EBITDA decreased primarily in connection with lower gross profit.

Adjusted Net (Loss) Income and Adjusted EPS (Non-GAAP Financial Measures)

Adjusted Net (Loss) Income and Adjusted EPS decreased from the prior period to the current period, commensurate with the decrease in net (loss) income.

Segment Overview

Following is a discussion and analysis of the revenue and profitability performance of UNIFI's reportable segments for the current period.

Americas Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the Americas Segment, were as follows:

	For the Three Months Ended					
	October 2, 2022		September 26, 2021			
			% of Net Sales		% of Net Sales	% Change
Net sales	$	107,644	100.0	$ 110,826	100.0	(2.9)
Cost of sales		112,513	104.5	101,640	91.7	10.7
Gross (loss) profit		(4,869)	(4.5)	9,186	8.3	(153.0)
Depreciation expense		5,480	5.1	5,075	4.6	8.0
Segment Profit	$	611	0.6	$ 14,261	12.9	(95.7)
Segment net sales as a percentage of consolidated amounts		60.0%		56.5%		
Segment Profit as a percentage of consolidated amounts		4.9%		45.2%		

The change in net sales for the Americas Segment was as follows:

Net sales for the prior period	$	110,826
Decrease in sales volumes		(22,989)
Net change in average selling price and sales mix		19,807
Net sales for the current period	$	107,644

The change in net sales for the Americas Segment from the prior period to the current period was primarily attributable to lower sales volumes following weaker global textile demand, and the change was partially offset by higher average selling prices in response to higher input costs.

The change in Segment Profit for the Americas Segment was as follows:

Segment Profit for the prior period	$	14,261
Change in underlying margins and sales mix		(10,692)
Decrease in sales volumes		(2,958)
Segment Profit for the current period	$	611

The decrease in Segment Profit for the Americas Segment from the prior period to the current period was primarily attributable to lower production volumes driving weaker fixed cost absorption along with lower sales volumes.

Brazil Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the Brazil Segment, were as follows:

	For the Three Months Ended					
	October 2, 2022		September 26, 2021			
			% of Net Sales		% of Net Sales	% Change
Net sales	$	38,879	100.0	$ 33,738	100.0	15.2
Cost of sales		32,092	82.5	23,798	70.5	34.9
Gross profit		6,787	17.5	9,940	29.5	(31.7)
Depreciation expense		470	1.2	383	1.1	22.7
Segment Profit	$	7,257	18.7	$ 10,323	30.6	(29.7)
Segment net sales as a percentage of consolidated amounts		21.7%		17.2%		
Segment Profit as a percentage of consolidated amounts		58.0%		32.7%		

The change in net sales for the Brazil Segment was as follows:

Net sales for the prior period	$	33,738
Increase in sales volumes		5,604
Decrease in average selling price and change in sales mix		(463)
Net sales for the current period	$	38,879

The increase in net sales for the Brazil Segment from the prior period to the current period was primarily attributable to higher sales volumes during strong market conditions in Brazil.

The change in Segment Profit for the Brazil Segment was as follows:

Segment Profit for the prior period	$	10,323
Decrease in underlying margins		(4,782)
Increase in sales volumes		1,716
Segment Profit for the current period	$	7,257

The decrease in Segment Profit for the Brazil Segment from the prior period to the current period was primarily attributable to an overall decrease in gross margin following the expected normalization of the competitive environment in Brazil, which was highly favorable for the Brazil Segment during fiscal 2022.

Asia Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the Asia Segment, were as follows:

	For the Three Months Ended						
	October 2, 2022			September 26, 2021			
			% of Net Sales			% of Net Sales	% Change
Net sales	$	32,996	100.0	$	51,428	100.0	(35.8)
Cost of sales		28,351	85.9		44,457	86.4	(36.2)
Gross profit		4,645	14.1		6,971	13.6	(33.4)
Depreciation expense		—	—		—	—	—
Segment Profit	$	4,645	14.1	$	6,971	13.6	(33.4)
Segment net sales as a percentage of consolidated amounts		18.4%			26.2%		
Segment Profit as a percentage of consolidated amounts		37.1%			22.1%		

The change in net sales for the Asia Segment was as follows:

Net sales for the prior period	$	51,428
Net decrease in sales volumes		(20,379)
Unfavorable foreign currency translation effects		(2,576)
Change in average selling price and sales mix		4,523
Net sales for the current period	$	32,996

The decrease in net sales for the Asia Segment from the prior period to the current period was primarily attributable to weaker global demand and pandemic-related lockdowns driving lower sales volumes, and such decrease was partially offset by a strong sales mix.

The change in Segment Profit for the Asia Segment was as follows:

Segment Profit for the prior period	$	6,971
Decrease in sales volumes		(2,754)
Unfavorable foreign currency translation effects		(369)
Change in underlying margins and sales mix		797
Segment Profit for the current period	$	4,645

The decrease in Segment Profit for the Asia Segment from the prior period to the current period follows the decline in net sales and sales volumes discussed above, as the comparable gross margin rate for the Asia Segment improved with a strong sales mix.

Liquidity and Capital Resources

Note 5, "Long-Term Debt" to the condensed consolidated financial statements includes the detail of UNIFI's debt obligations and terms and conditions thereof along with scheduled debt maturities. Further discussion and analysis of liquidity and capital resources follow.

UNIFI's primary capital requirements are for working capital, capital expenditures, debt service and share repurchases. UNIFI's primary sources of capital are cash generated from operations and borrowings available under the ABL Revolver of its credit facility. For the current period, cash used by operations was $5,892, and, at October 2, 2022, excess availability under the ABL Revolver was $26,243.

As of October 2, 2022, all of UNIFI's $127,004 of debt obligations were guaranteed by certain of its domestic operating subsidiaries, while approximately 93% of UNIFI's cash and cash equivalents were held by its foreign subsidiaries. Cash and cash equivalents held by foreign subsidiaries may not be presently available to fund UNIFI's domestic capital requirements, including its domestic debt obligations. UNIFI employs a variety of strategies to ensure that its worldwide cash is available in the locations where it is needed.

The following table presents a summary of cash and cash equivalents, borrowings available under financing arrangements, liquidity, working capital, and total debt obligations as of October 2, 2022 for domestic operations compared to foreign operations:

	Domestic	Foreign	Total
Cash and cash equivalents	$ 3,342	$ 43,858	$ 47,200
Borrowings available under financing arrangements	26,243	—	26,243
Liquidity	$ 29,585	$ 43,858	$ 73,443
Working capital	$ 104,197	$ 135,865	$ 240,062
Total debt obligations	$ 127,004	$ —	$ 127,004

UNIFI's primary cash requirements, in addition to normal course operating activities (e.g. working capital and payroll), primarily include (i) capital expenditures that generally have commitments of up to 12 months, (ii) contractual obligations that support normal course ongoing operations and production, (iii) operating leases and finance leases, (iv) debt service, and (v) share repurchases.

Liquidity Considerations

UNIFI navigated the impact on liquidity of the COVID-19 pandemic by diligently managing the balance sheet and operational spending, in addition to utilizing cash received from a minority interest divestiture in April 2020. Following the COVID-19 pandemic, global demand recovery allowed for strong results and cash generation in fiscal 2021. However, inflation and demand uncertainty in fiscal 2022 and during the current period have introduced new pressures to liquidity.

Currently, and following the establishment of the 2022 Credit Agreement, UNIFI's cash and liquidity positions are sufficient to sustain its operations and meet its long-term financial targets. However, further degradation in the macroeconomic environment could introduce additional liquidity risk and require UNIFI to limit cash outflows for capital expenditures and discretionary activities while further utilizing available and additional forms of credit. Since the onset of the COVID-19 pandemic and the date of this report, we have not:

- taken advantage of rent, lease or debt deferrals, forbearance periods, or other concessions; or
- relied on supply chain financing, structured trade payables, or vendor financing.

Although short-term global demand appears uncertain, we do not currently anticipate that any adverse events or circumstances will place critical pressure on our liquidity position or our ability to fund our operations, capital expenditures, and expected business growth. Should global demand, economic activity, or input availability decline considerably for a prolonged period of time, UNIFI maintains the ability to (i) seek additional credit or financing arrangements and/or (ii) re-implement cost reduction initiatives to preserve cash and secure the longevity of the business and operations.

Additionally, UNIFI considers opportunities to deploy existing cash to preserve or enhance liquidity. In August 2022, we repatriated approximately $14,000 from our operations in Asia to the U.S. via an existing intercompany note and, after remitting the appropriate withholding taxes, utilized the cash to reduce our outstanding revolver borrowings, thereby increasing the availability.

For the remainder of fiscal 2023, we expect the majority of our capital will be deployed to (i) upgrade the machinery in our U.S., El Salvador, and Brazil manufacturing facilities via capital expenditures and (ii) support working capital needs associated with recovering demand and product sales. Nonetheless, we understand the current global economic risks and we are prepared to act swiftly and diligently to ensure the vitality of the business.

The following outlines the attributes relating to our credit facility as of October 2, 2022 (the fiscal quarter end date while the Prior Credit Agreement remained effective) and October 28, 2022 (the day after the 2022 Credit Agreement was established):

- UNIFI was in compliance with all financial covenants on both such dates;
- excess availability under the ABL Revolver was $26,243 on October 2, 2022 and $80,362 on October 28, 2022;
- the Trigger Level (as defined in each credit agreement or applicable amendment) was $16,500 on October 2, 2022 and $23,000 on October 28, 2022; and
- $0 of standby letters of credit were outstanding on October 2, 2022 and October 28, 2022.

In addition to making payments in accordance with the scheduled maturities of debt required under its existing debt obligations, UNIFI may, from time to time, elect to repay additional amounts borrowed under the ABL Facility. Funds to make such repayments may come from the operating cash flows of the business or other sources and will depend upon UNIFI's strategy, prevailing market conditions, liquidity requirements, contractual restrictions, and other factors.

Liquidity Summary

UNIFI has met its historical liquidity requirements for working capital, capital expenditures, debt service requirements, and other operating needs from its cash flows from operations and available borrowings. UNIFI believes that its existing cash balances, cash provided by operating activities, and credit facility will enable UNIFI to meet its foreseeable liquidity requirements. Domestically, UNIFI's cash balances, cash provided by operating activities and borrowings available under the ABL Revolver continue to be sufficient to fund UNIFI's domestic operating activities as well as cash commitments for its investing and financing activities. For its foreign operations, UNIFI expects its existing cash balances, cash provided by operating activities and available foreign financing arrangements will provide the needed liquidity to fund the associated operating activities and investing activities, such as future capital expenditures. UNIFI's foreign operations in Asia and Brazil are in a position to obtain local country financing arrangements due to the strong operating results of each subsidiary.

Net Debt (Non-GAAP Financial Measure)

The reconciliations for Net Debt are as follows:

	October 2, 2022	July 3, 2022
Long-term debt	$ 114,919	$ 102,309
Current portion of long-term debt	11,875	11,726
Unamortized debt issuance costs	210	255
Debt principal	127,004	114,290
Less: cash and cash equivalents	47,200	53,290
Net Debt	$ 79,804	$ 61,000

There was no significant change in Net Debt in connection with the establishment of the 2022 Credit Agreement.

Working Capital and Adjusted Working Capital (Non-GAAP Financial Measures)

The following table presents the components of working capital and the reconciliation of working capital to Adjusted Working Capital:

	October 2, 2022	July 3, 2022
Cash and cash equivalents	$ 47,200	$ 53,290
Receivables, net	90,755	106,565
Inventories	165,063	173,295
Income taxes receivable	1,432	160
Other current assets	14,336	18,956
Accounts payable	(44,428)	(73,544)
Other current liabilities	(18,421)	(19,806)
Income taxes payable	(1,925)	(1,526)
Current operating lease liabilities	(2,075)	(2,190)
Current portion of long-term debt	(11,875)	(11,726)
Working capital	$ 240,062	$ 243,474
Less: Cash and cash equivalents	(47,200)	(53,290)
Less: Income taxes receivable	(1,432)	(160)
Less: Income taxes payable	1,925	1,526
Less: Current operating lease liabilities	2,075	2,190
Less: Current portion of long-term debt	11,875	11,726
Adjusted Working Capital	$ 207,305	$ 205,466

When comparing from July 3, 2022 to October 2, 2022, working capital decreased while Adjusted Working Capital increased.

The decrease in receivables, net was primarily due to (i) a decrease in sales following lower global demand and (ii) a decrease in banker's acceptance notes held by our Asia Segment. The decrease in inventories was primarily attributable to a decline in raw material purchases and costs in the current period. The decrease in other current assets was primarily due to utilization of Brazil's recovery of non-income taxes and lower vendor deposits. The decrease in accounts payable followed a decline in days payables outstanding, along with the decrease in sales and production activity in the current period. The changes in other current liabilities, current operating lease liabilities, current portion of long-term debt, income taxes receivable, and income taxes payable were insignificant.

Operating Cash Flows

The significant components of net cash used by operating activities are summarized below.

	For the Three Months Ended	
	October 2, 2022	September 26, 2021
Net (loss) income	$ (7,834)	$ 8,680
Equity in earnings of unconsolidated affiliates	(295)	(280)
Depreciation and amortization expense	6,740	6,365
Non-cash compensation expense	633	660
Deferred income taxes	(373)	(3,463)
Subtotal	(1,129)	11,962
Receivables, net	13,800	(9,462)
Inventories	6,475	(12,190)
Accounts payable and other current liabilities	(28,615)	(7,393)
Other changes	3,577	1,275
Net cash used by operating activities	$ (5,892)	$ (15,808)

The improvement in net cash used by operating activities was primarily due to changes in working capital associated with fluctuations in raw material costs and a decline in overall business activity in the current period.

Investing Cash Flows

Investing activities primarily includes $11,198 for capital expenditures.

During the current period, UNIFI invested $11,198 in capital projects, primarily relating to (i) eAFK Evo texturing machinery, (ii) further improvements in production capabilities and technology enhancements in the Americas, and (iii) routine annual maintenance capital expenditures. Maintenance capital expenditures are necessary to support UNIFI's current operations, capacities, and capabilities and exclude expenses relating to repairs and costs that do not extend an asset's useful life.

For the second quarter of fiscal 2023, we expect to invest $10,000 to $12,000 in capital projects, to include (i) continuing the purchase and installation of new eAFK Evo texturing machines, (ii) making further improvements in production capabilities and technology enhancements in the Americas, and (iii) annual maintenance capital expenditures.

The total amount ultimately invested for fiscal 2023 could be more or less than the currently estimated amount depending on the timing and scale of contemplated initiatives and is expected to be funded primarily by cash provided by operating activities and available borrowings. UNIFI expects recent and future capital projects to provide benefits to future profitability. The additional assets from these capital projects consist primarily of machinery and equipment.

Financing Cash Flows

Financing activities primarily include (i) scheduled payments against the ABL Term Loan and finance leases, (ii) proceeds and payments on the ABL Revolver, and (iii) proceeds from construction financing during the period.

Share Repurchase Program

As described in Note 7, "Shareholders' Equity," no share repurchases have been completed in fiscal 2023.

Contractual Obligations

UNIFI incurs various financial obligations and commitments in the ordinary course of business. Financial obligations are considered to represent known future cash payments that UNIFI is required to make under existing contractual arrangements, such as debt and lease agreements.

After considering the changes generated by the 2022 Credit Agreement, there have been no further material changes in the scheduled maturities of UNIFI's contractual obligations as disclosed under the heading "Contractual Obligations" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2022 Form 10-K.

Off-Balance Sheet Arrangements

UNIFI is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on UNIFI's financial condition, results of operations, liquidity or capital expenditures.

Critical Accounting Policies

UNIFI's critical accounting policies are discussed in the 2022 Form 10-K. There have been no changes to UNIFI's critical accounting policies in fiscal 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

UNIFI is exposed to market risks associated with changes in interest rates, fluctuations in foreign currency exchange rates, and raw material and commodity costs, which may adversely affect its financial position, results of operations or cash flows. UNIFI does not enter into derivative financial instruments for trading purposes, nor is it a party to any leveraged financial instruments.

Interest Rate Risk

UNIFI is exposed to interest rate risk through its borrowing activities. As of October 2, 2022, UNIFI had borrowings under its ABL Facility that totaled $117,000. UNIFI's sensitivity analysis indicates that a 50-basis point interest rate increase as of October 2, 2022 would result in an increase in annual interest expense of approximately $600.

Foreign Currency Exchange Rate Risk

A complete discussion of foreign currency exchange rate risk is included in the 2022 Form 10-K and is supplemented by the following disclosures.

As of October 2, 2022, UNIFI had no outstanding foreign currency forward contracts.

As of October 2, 2022, foreign currency exchange rate risk concepts included the following:

		Approximate Amount or Percentage
Percentage of total consolidated assets held by UNIFI's subsidiaries outside the U.S. whose functional currency is not the USD		28.1%
Cash and cash equivalents held outside the U.S.:		
Denominated in USD	$	10,107
Denominated in RMB		21,335
Denominated in BRL		10,247
Denominated in other foreign currencies		324
Total cash and cash equivalents held outside the U.S.	$	42,013
Percentage of total cash and cash equivalents held outside the U.S.		89.0%
Cash and cash equivalents held inside the U.S. in USD by foreign subsidiaries	$	1,845

Raw Material and Commodity Cost Risks

A complete discussion of raw material and commodity cost risks is included in the 2022 Form 10-K and is supplemented by the following disclosures.

As fiscal 2022 concluded, UNIFI experienced cost increases for raw materials related to inflationary pressures and competing alternatives to U.S. polyester production. Following the recent global demand deterioration, raw material costs have declined in fiscal 2023. We have been able to implement responsive selling price adjustments for the majority of our portfolio throughout fiscal 2022 and 2023. While our underlying gross margin is predominantly pressured by lower textile demand, we expect the impact of recent selling price adjustments to aid margin improvement throughout the remainder of fiscal 2023. Nonetheless, input costs remain subject to volatility, and, should inputs costs increase unexpectedly, UNIFI's results of operations and cash flows are likely to be adversely impacted.

Other Risks

UNIFI is also exposed to political risk, including changing laws and regulations governing international trade, such as quotas, tariffs, and tax laws. The degree of impact and the frequency of these events cannot be predicted.

Item 4. Controls and Procedures

As of October 2, 2022, an evaluation of the effectiveness of UNIFI's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of UNIFI's management, including the principal executive officer and principal financial officer. Based on that evaluation, UNIFI's principal executive officer and principal financial officer concluded that UNIFI's disclosure controls and procedures are effective to ensure that information required to be disclosed by UNIFI in its reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that information required to be disclosed by UNIFI in the reports UNIFI files or submits under the Exchange Act is accumulated and communicated to UNIFI's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in UNIFI's internal control over financial reporting during the three months ended October 2, 2022 that have materially affected, or are reasonably likely to materially affect, UNIFI's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. With respect to all such lawsuits, claims and proceedings, we record reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe that any of these proceedings, individually or in the aggregate, would be expected to have a material adverse effect on our results of operations, financial position or cash flows. We maintain liability insurance for certain risks that is subject to certain self-insurance limits.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 6. Exhibits

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Unifi, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed October 31, 2016 (File No. 001-10542)).
3.2	Amended and Restated By-laws of Unifi, Inc., as of October 26, 2016 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed October 31, 2016 (File No. 001-10542)).
3.3	Declaration of Amendment to the Amended and Restated By-laws of Unifi, Inc. effective April 30, 2019 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed May 1, 2019 (File No. 001-10542)).
4.1	Second Amended and Restated Credit Agreement, dated as of October 28, 2022, by and among Unifi Manufacturing, Inc. and certain of its domestic affiliates, as borrowers, Wells Fargo Bank, National Association, as administrative agent, sole lead arranger and sole book runner, and the lenders party thereto. (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed November 3, 2022 (File No. 001-10542)). Certain portions of the exhibit that include immaterial and confidential information have been omitted.
4.2	Second Amended and Restated Guaranty and Security Agreement, dated as of October 28, 2022, by and among the grantors from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent. (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed November 3, 2022 (File No. 001-10542)). Certain portions of the exhibit that include immaterial and confidential information have been omitted.
31.1+	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32++	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

+ Filed herewith.
++ Furnished herewith.

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.
(Registrant)

Date: November 9, 2022

By: /s/ CRAIG A. CREATURO
Craig A. Creaturo
Executive Vice President & Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Edmund M. Ingle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Unifi, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ EDMUND M. INGLE
Edmund M. Ingle
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Craig A. Creaturo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Unifi, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ CRAIG A. CREATURO

Craig A. Creaturo
Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Chief Executive Officer and Executive Vice President & Chief Financial Officer of Unifi, Inc. (the “Company”), do hereby certify that:

(1) the Quarterly Report on Form 10-Q of the Company for the fiscal period ended October 2, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2022

/s/ EDMUND M. INGLE
Edmund M. Ingle
Chief Executive Officer
(Principal Executive Officer)

/s/ CRAIG A. CREATURO
Craig A. Creaturo
Executive Vice President & Chief Financial Officer
(Principal Financial Officer)