

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-26**
SEC Accession No. **0000100726-95-000013**

([HTML Version](#) on secdatabase.com)

FILER

UNIFI INC

CIK: **100726** | IRS No.: **112165495** | State of Incorporation: **NY** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **001-10542** | Film No.: **95535903**
SIC: **2200** Textile mill products

Mailing Address
P O BOX 19109
GREENSBORO NC
24719-9109

Business Address
7201 WEST FRIENDLY RD
P O BOX 19109
GREENSBORO NC
27410-9109
9192944410

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

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

For the quarterly period ended March 26, 1995

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

For the transition period from to

Commission File Number 1-10542

UNIFI, INC.

(Exact name of registrant as specified its charter)

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

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

(910) 294-4410
(Registrant's telephone number, including area code)

Same
(Former name, former address and former fiscal year,
if changed since last report)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding at April 30, 1995
Common Stock, par value \$.10 per share	68,137,505 Shares

Part I. Financial Information

UNIFI, INC.

Condensed Consolidated Balance Sheets

	March 26, 1995 (Unaudited) (Amounts in Thousands)	June 26, 1994 (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$66,931	\$80,653
Short-Term Investments	69,450	71,483
Accounts Receivable, Net	204,387	200,537
Inventories		
Raw Materials and Supplies	\$57,003	\$29,797
Work in Process	14,235	12,937
Finished Goods	55,186	57,545
	\$126,424	\$100,279
Other Current Assets	9,367	3,605
Total Current Assets	\$476,559	\$456,557
Property, Plant and Equipment	\$891,413	\$848,637
Less: Accumulated Depreciation	380,748	336,375
	\$510,665	\$512,262
Investments in Affiliates	\$173	\$10,626
Other Assets	\$21,886	\$23,807
Total Assets	\$1,009,283	\$1,003,252
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes Payable	\$--	\$25
Accounts Payable	82,050	83,831
Accrued Expenses	50,390	56,295
Income Taxes	10,937	12,132
Total Current Liabilities	\$143,377	\$152,283
Long-Term Debt	\$230,000	\$230,000
Deferred Income Taxes	\$37,606	\$32,447
Shareholders' Equity		
Common Stock	\$6,811	\$7,043
Capital in Excess of Par	141,853	199,959
Retained Earnings	446,464	385,472
Cumulative Translation Adjustment	2,297	(3,060)
Reserve for Investments	875	(892)
Total Shareholders' Equity	\$598,300	\$588,522
Total Liabilities and Shareholders' Equity	\$1,009,283	\$1,003,252

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.

Condensed Consolidated Statements of Income

(Unaudited)

	For the Quarters Ended		For the Nine Months Ended	
	March 26, 1995	March 27, 1994	March 26, 1995	March 27, 1994
(Amounts in Thousands Except Per Share Data)				
Net Sales	\$403,001	\$346,059	\$1,149,492	\$1,022,930
Costs and Expenses:				
Cost of Goods Sold	\$344,699	\$295,470	\$987,741	\$874,052
Selling, General & Admin. Expense	11,055	10,661	31,016	30,419
Interest Expense	3,983	4,432	11,856	13,711
Interest Income	(2,507)	(1,029)	(7,560)	(5,749)
Other (Income) Expense	(4,526)	(1,358)	(7,364)	(1,422)
	\$352,704	\$308,176	\$1,015,689	\$911,011
Income Before Income Taxes	\$50,297	\$37,883	\$133,803	\$111,919
Income Taxes	19,247	15,129	51,944	44,992
Net Income	\$31,050	\$22,754	\$81,859	\$66,927
Earnings Per Share:				
Primary	\$.45	\$.32	\$1.17	\$.94
Fully Diluted	\$.43	\$.32	\$1.14	\$.93
Cash Dividends Per Share	\$.10	\$.14	\$.30	\$.42
Average Shares				
Outstanding: Primary	68,699	71,027	69,955	71,048
Fully Diluted	76,470	78,780	77,715	78,810

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the Nine Months
Ended
March 26, March 27,
1995 1994
(Amounts in Thousands)

Cash and Cash Equivalents Provided by Operating Activities	\$92,741	\$81,645
Investing Activities:		
Capital Expenditures	\$ (64,175)	\$ (98,994)
Sale of Capital Assets	2,078	3,061
Notes Receivable	4,983	(22)
Sale of Subsidiary	13,798	--
Sale of Investments	80,460	42,015
Purchase of Investments	(64,659)	(4)
Net Investing Activities	\$ (27,515)	\$ (53,944)
Financing Activities:		
Issuance of Common Stock	\$410	\$499
Borrowing of Debt	--	7,453
Repayment of Debt	(25)	(28,545)
Cash Dividend	(20,867)	(29,198)
Purchase and Retirement of Common Stock	(58,748)	--
Net Financing Activities	\$ (79,230)	\$ (49,791)
Currency Translation Adjustment	\$282	\$10
Increase (Decrease) in Cash	\$ (13,722)	\$ (22,080)
Cash and Cash Equivalents - Beginning	80,653	76,093
Cash and Cash Equivalents - Ending	\$66,931	\$54,013

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.

Notes to Condensed Consolidated Financial Statements

(a) Basis of Presentation

The information furnished is unaudited and reflects all adjustments which are, in the opinion of Management, necessary to present fairly the

financial position at March 26, 1995 and the results of operations and cash flows for the periods ended March 26, 1995 and March 27, 1994. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year. It is suggested that the condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K.

(b) Income Taxes

Deferred income taxes arise primarily from timing differences between the financial and tax basis of assets and liabilities, principally property and equipment.

The difference between the statutory federal income tax rate and the effective tax rate is primarily due to results of foreign subsidiaries which are taxed at rates below those of U.S. operations. The current periods' operating results were more favorably impacted by foreign operations than the prior periods' which contributed to the lower effective tax rates.

(c) Per Share Information

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

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

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

	Quarters Ended		Nine Months Ended	
	Mar.26, 1995	Mar.27, 1994	Mar.26, 1995	Mar.27, 1994
Average Shares Outstanding	68,127	70,482	69,427	70,419
Add: Dilutive Options	572	545	528	629
Primary Average Shares Incremental Shares Arising from Full Dilution Assumption	7,771	7,753	7,760	7,762
Average Shares Assuming Full Dilution	76,470	78,780	77,715	78,810

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

	Quarters Ended		Nine Months Ended	
	Mar.26, 1995	Mar.27, 1994	Mar.26, 1995	Mar.27, 1994
Net Income - Primary	\$31,050	\$22,754	\$81,859	\$66,927
Add: Convertible Subordinated Interest				
Net of Tax	2,147	2,111	6,442	6,332
Net Income Assuming Full Dilution	\$33,197	\$24,865	\$88,301	\$73,259

(d) Common Stock

On April 20, 1995, the Company's Board of Directors declared a cash dividend of 10 cents per share payable to shareholders of record on May 5, 1995, payable on May 12, 1995.

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

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

Results of Operations

Net sales increased from \$346.1 million to \$403.0 million in the quarter or 16.5% and increased in the nine month period from \$1.023 billion in 1994 to \$1.149 billion in 1995 or 12.4%. We experienced volume increases of 14.3% for the quarter and 14.9% for the year-to-date period over the prior year periods. Our average net sales price, based on the overall product mix, increased 1.9% in the current quarter and decreased 2.2% for the current nine month period.

Domestic unit volume increased 12.0% for the quarter and 13.6% year-to-date. Unit sales of our polyester yarns were favorable during the quarter compared to the corresponding period of the prior year consistent with the year-to-date results. We have begun an expansion in our domestic polyester texturing operations that will increase our capacity by approximately seven percent by the end of the first quarter of Fiscal 1996. Average unit price for polyester has improved for both the current quarter and year-to-date. Volume for our nylon operations in the current quarter improved over the corresponding period of the prior year but is down year-to-date. Average unit price for our nylon products has declined for both the current quarter and year-to-date. Capacity expansions in our spun facilities has resulted in volume increases for both the current quarter and year-to-date. Average unit price has also improved in both current periods.

Our European polyester yarn operation unit volume has increased in both the current quarter and year-to-date. Average unit price has also improved as we

have increased prices to partially offset the effect of higher raw materials costs. Average unit price in US dollar terms has also been impacted by the further weakening of the U.S. dollar over the corresponding periods of the prior year. European polyester yarn productive capacity will be increased approximately 30% over the period of the next three calendar quarters.

Cost of goods sold as a percentage of net sales remained relatively consistent at 85.5% in the current quarter compared to 85.4% in last year's March quarter as higher raw yarn costs were mostly offset by improved sales prices. The current quarter was also assisted by lower manufacturing expenses as our increased sales diluted our per unit costs. For the year-to-date periods, cost of goods sold increased from 85.4% to 85.9% of net sales due to the combination of lower average unit sales price and slightly higher per unit raw yarn costs. Lower per unit fixed manufacturing charges in the current period, however, have mitigated the effects of these changes.

During the quarter selling, general and administrative expenses increased from \$10.7 million in 1994 to \$11.1 million in 1995. For the nine month period selling, general and administrative expenses increased from \$30.4 million in 1994 to \$31.0 million in 1995. Selling, general and administrative expenses as a percentage of net sales decreased from 3.1% in the prior year quarter to 2.7% in the current quarter. For the nine month periods we experienced a decrease from 3.0% in 1994 to 2.7% in 1995. This improved ratio for both the current quarter and year-to-date reflects the absorption of the higher current period costs over larger net sales amounts.

Interest expense decreased from \$4.4 million in the 1994 quarter to \$4.0 million in the current quarter. For the nine month periods interest expense decreased from \$13.7 million in the prior year to \$11.9 million in the current year. The reduction in interest expense is attributed to lower debt levels as debt acquired in prior year mergers was retired throughout Fiscal 1994.

Interest income improved from \$1.0 million in the prior year quarter to \$2.5 million in the current quarter and from \$5.7 million in the prior year-to-date to \$7.6 million in the current nine month period.

Other (income) expense represents income in all periods presented. Other income increased from \$1.4 million to \$4.5 million or \$3.1 million during the current quarter and increased from \$1.4 million to \$7.4 million or \$6.0 million during the current nine month period. The year-to-date income includes the recognition of a \$3.1 million gain on the sale of an investment that had been previously deferred pending collection of a note receivable balance. In addition, a gain of \$2.7 million on the sale of an equity investment contributed to the increase noted in both the current quarter and year-to-date periods.

Our effective tax rate was 38.3% in the current quarter as compared with 39.9% in the prior year quarter. For the year-to-date periods, the rate was 38.8% and 40.2% in 1995 and 1994, respectively. The lower rates in the current periods are due to taxable earnings of foreign subsidiaries

comprising a larger percentage of total consolidated pretax income. These earnings are taxed at rates lower than US rates.

Earnings per share increased from \$.32 per share to \$.45 per share in the current quarter and increased from \$.94 per share to \$1.17 for the current nine month period.

Liquidity and Capital Resources

We ended the current quarter with working capital of \$333.2 million of which \$136.4 million represents cash and short-term investments. This compares with working capital of \$304.3 million and cash reserves of \$152.1 million at year end. Inventories increased \$26.1 million from \$100.3 million at June 26, 1994 to \$126.4 million at March 26, 1995 as we are maintaining higher levels of raw yarn inventories in anticipation of continued strong demand and capacity increases. This increase is also attributable to overall higher per unit raw material prices.

Our primary source of cash funds is from operating activities which generated \$92.7 million in cash and cash equivalents for the year-to-date period ended March 26, 1995. The Company utilized \$27.5 million and \$79.2 million for net investing and financing activities, respectively for the nine months ended March 26, 1995. These net investing and financing activities were primarily comprised of \$34.6 million received from net investment activity, including \$13.8 million from the sale of its French subsidiary, and funds used for capacity expansions and upgrades totaling \$64.2 million, the payment of the Company's cash dividends of \$20.9 million and the purchase and retirement of Company common stock of \$58.7 million.

Management believes the current financial position of the Company in connection with its operations and its access to debt and equity markets are sufficient to meet anticipated capital expenditure, strategic acquisition, working capital and other financial needs.

Part II. Other Information

UNIFI, INC.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit

(27) Financial Data Schedule

(b) No reports on Form 8-K have been filed during the quarter ended March 26, 1995.

UNIFI, INC.

Signatures

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

UNIFI, INC.

Date: MAY 9, 1995

WILLIS C. MOORE, III
Willis C. Moore, III
Vice President and Chief
Financial Officer (Mr. Moore is
the Principal Financial and
Accounting Officer and has been
duly authorized to sign on behalf
of the Registrant.)

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S QUARTERLY REPORT FOR THE NINE MONTH PERIOD ENDED MARCH 26, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1000

<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	JUN-25-1995
<PERIOD-END>	MAR-26-1995
<CASH>	66,931
<SECURITIES>	69,450
<RECEIVABLES>	204,387
<ALLOWANCES>	0
<INVENTORY>	126,424
<CURRENT-ASSETS>	476,559
<PP&E>	891,413
<DEPRECIATION>	380,748
<TOTAL-ASSETS>	1,009,283
<CURRENT-LIABILITIES>	143,377
<BONDS>	230,000
<COMMON>	6,811
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	591,489<F1>
<TOTAL-LIABILITY-AND-EQUITY>	1,009,283
<SALES>	1,149,492
<TOTAL-REVENUES>	1,149,492
<CGS>	987,741
<TOTAL-COSTS>	987,741
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	11,856
<INCOME-PRETAX>	133,803
<INCOME-TAX>	51,944
<INCOME-CONTINUING>	81,859
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	81,859
<EPS-PRIMARY>	1.17
<EPS-DILUTED>	1.14
<FN>	

<F1>OTHER STOCKHOLDERS' EQUITY OF \$591,489 IS COMPRISED OF CAPITAL IN EXCESS OF PAR OF \$141,853, RETAINED EARNINGS OF \$446,464, CUMULATIVE TRANSLATION

ADJUSTMENT OF \$2,297 AND RESERVE FOR INVESTMENTS OF \$875.
</FN>

</TABLE>