

Mossberg's Investor Digest

Best Idea Profile

Unifi, Inc. (NYSE:UFI)

DESCRIPTION:

Headquartered in Greensboro, NC; Unifi, Inc. is a diversified producer and processor of multi-filament polyester and nylon yarns. UFI's product offerings include specialty and premier value-added ("PVA") yarns with enhanced performance characteristics. Revenue is split roughly 72% polyester and 28% nylon. The Company has manufacturing operations in North, Central, and South America along with joint ventures in Israel and the U.S. In addition, the Company has a wholly-owned subsidiary in the People's Republic of China ("China") focused on the sale and promotion of the Company's specialty and PVA products in the Asian textile market, primarily in China.

KEY INVESTMENT CONSIDERATIONS:

Growing Demand for Product – Since 1980, global demand for polyester has grown steadily with polyester replacing cotton as the fiber with the largest percentage of sales worldwide in 2003. For 2009, global polyester consumption accounted for an estimated 46% of global fiber consumption and demand is projected to increase by approximately 4% annually through 2015. Also in 2009, global nylon consumption accounted for an estimated 5% of global fiber consumption and demand is projected to increase by approximately 1% annually through 2015. In the U.S., the polyester and nylon fiber sectors together accounted for approximately 55% of the textile consumption during calendar year 2009.

Market Stability – After a surge in Chinese textile products, the U.S. government imposed temporary safeguard quotas on various categories of Chinese-made products, citing "market disruption." These safeguard quotas remained in effect until December 31, 2008. Since the beginning of 2009, the share of trade from the regional trade areas has remained relatively stable and the Company is optimistic about the prospects of future stability and potential growth. During the last 12 months, approximately 27 companies have announced investments in North America for plant expansions in the textile and apparel sector.

Domestic Market Niche – The Berry Amendment requires the U.S. DoD to purchase textile and apparel articles which are manufactured in the U.S. of yarns and fibers produced in the U.S. The American Recovery and Reinvestment Act passed on Feb '09 contained a similar provision...the Kissell Amendment that requires the U.S. Dep't of Homeland Security's Transportation Security Administration and the Coast Guard to buy textile and apparel products made in the U.S.

Free Trade and Efficiency – Unifi benefits from requirements of the rules of origin and the associated duty-free cost advantages in the regional free trade agreements ("FTA"), such as NAFTA and CAFTA, together with the Berry and Kissell Amendments, and the growing need for quick response and inventory turns, ensures that a significant portion of the textile industry will remain based in the America regions.

Leader in Recycled Products – Repreve® is the brand name for Unifi's family of recycled goods. UFI's recycled performance fibers are manufactured to provide performance and/or functional properties to fabrics and end products such as flame retardation, moisture wicking, and performance stretch. UFI's branded portion of its yarn portfolio continues to grow to provide product differentiation to brands, retailers and consumers. Since introduced in '06, Repreve® has been UFI's most successful branded product. Repreve® can be found in well-known brands and retailers including the Wal-Mart's Starter and George brands, North Face, Patagonia, REI, LL Bean, Macy's and Kohl's.

VALUATION:

The company is underfollowed with only one analyst covering the stock. With steady improvement Unifi should get more attention from the Street. The expansion of earnings per share along with an E/V to EBITDA of 6x makes Unifi an interesting target to evaluate for investors.

(NASDAQ: UFI)

Investment Data (as of 9/24/10)

Recent Price	\$4.60
52-Week Range	2.70 - 4.65
Fiscal Year End	June
Shares Outstanding	60MM
Average Trading Volume (3 mos)	180,000
Market Capitalization	277MM
Cash	43MM
Long Term Debt	164MM
Enterprise Value (EV)	398MM
LT Debt/ Equity	0.6x
BV/ Share	\$4.33
TTM Revenue	\$617MM
P/ Revenue	0.4x
TTM EPS	\$0.17
P/ EPS	26x
FY 11 Projected EBITDA	65MM
EV/ EBITDA	6.12x

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