UNIFI INC
Form 10-K
August 26, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 26, 2016

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	**11-2165495**
(State or other jurisdiction of	*(I.R.S. Employer*

incorporation or organization) Identification No.)

7201 West Friendly Avenue

Greensboro, North Carolina 27410

(Address of principal executive offices)(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock	New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company

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

As of December 24, 2015, the aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant was approximately $463,197,360. The registrant has no non-voting stock.

As of August 18, 2016, the number of shares of the registrant's common stock outstanding was 17,975,945.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for its 2016 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 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 economic performance, considering the information currently available to management. The words “believe,” “may,” “could,” “will,” “should,” “would,” “anticipate,” “estimate,” “project,” “expect,” “intend,” “seek,” “strive” and words of similar import, or the negative of such words, identify o signal the presence of forward-looking statements. These statements are not statements of historical fact; 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 products;

the financial condition of the Company's customers;

the loss of a significant customer;

the success of the Company's strategic business initiatives;

volatility of financial and credit markets;

- the ability to service indebtedness and fund capital expenditures and strategic initiatives;
- availability of and access to credit on reasonable terms;
- changes in currency exchange, interest and inflation rates;
- fluctuations in production costs;
- the ability to protect intellectual property;
- employee relations;
- the impact of environmental, health and safety regulations;
- the operating performance of joint ventures and other equity investments;
- the accurate financial reporting of information from equity method investees; and
- other factors discussed below in “Item 1A. Risk Factors” or the Company’s other periodic reports and information filed with the Securities and Exchange Commission.

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 law.

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.

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UNIFI, INC.

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED JUNE 26, 2016

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Fiscal Year

The fiscal year end for the Company and its subsidiaries in El Salvador and China occurs on the last Sunday in June. The Company's fiscal years 2016, 2015 and 2014 ended on June 26, 2016, June 28, 2015 and June 29, 2014, respectively. The Company's Brazilian and Colombian subsidiaries' fiscal years end on June 30th. There were no significant transactions or events that occurred between the fiscal year ends of the Company and its subsidiaries. The Company's fiscal 2016, 2015 and 2014 all consisted of 52 weeks.

Presentation

All dollar and other currency amounts, as well as share amounts (except per share amounts), are presented in thousands (000s), except as otherwise noted.

PART I

Item 1. Business

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, "we," the "Company" or "Unifi"), is a multi-national manufacturing company that processes and sells high-volume commodity yarns, specialized yarns designed to meet certain customer specifications, and premium value-added ("PVA") yarns with enhanced performance characteristics. The Company sells yarns made from polyester and nylon to other yarn manufacturers and knitters and weavers that produce fabric for the apparel, hosiery, home furnishings, automotive upholstery, industrial and other end-use markets. The Company's polyester products include polyester polymer beads ("Chip"), partially oriented yarn ("POY"), textured, solution and package dyed, twisted, beamed and draw wound yarns. Each polyester product is available in virgin or recycled varieties, where the recycled is made from both pre-consumer yarn waste and post-consumer waste, including plastic bottles. The Company's nylon products include textured, solution dyed and spandex covered products.

The Company maintains one of the textile industry's most comprehensive yarn product offerings, and has manufacturing operations in four countries and participates in joint ventures in Israel and the United States ("U.S."). The Company's principal geographic markets for its products are in North America, Central America, South America and Asia.

The Company has three reportable segments. Operations and revenues for each segment are described below:

The Polyester Segment manufactures Chip, POY, textured, dyed, twisted, beamed and draw wound yarns, both virgin and recycled, with sales primarily to other yarn manufacturers and knitters and weavers that produce yarn and/or fabric for the apparel, hosiery, home furnishings, automotive upholstery, industrial and other end-use markets. The Polyester Segment consists of sales and manufacturing operations in the U.S. and El Salvador.

The Nylon Segment manufactures textured nylon yarns and spandex covered yarns, with sales to knitters and weavers that produce fabric primarily for the apparel and hosiery markets. The Nylon Segment consists of sales and manufacturing operations in the U.S. and Colombia.

The International Segment's products primarily include textured polyester and various types of resale yarns and staple fiber, both virgin and recycled. The International Segment sells its yarns and staple fiber to knitters and weavers that produce fabric for the apparel, automotive upholstery, home furnishings, industrial and other end-use markets primarily in the South American and Asian regions. The International Segment includes a manufacturing location and sales offices in Brazil and a sales office in China.

Other information for the Company's reportable segments is provided in Note 26 to the Consolidated Financial Statements in this Annual Report on Form 10-K. In addition to the Company's reportable segments, the Company conducts certain revenue-producing activities outside of its core business, classified within an All Other category. The operations within All Other do not relate to the direct production or sale of yarn and are insignificant to the consolidated financial statements.

In addition to the above consolidated operations, the Company maintains a 34% non-controlling partnership interest in Parkdale America, LLC ("PAL"), a significant unconsolidated affiliate. The investment in PAL provides diversity to the Company's overall business in response to global textile trends. PAL is a producer of cotton and synthetic yarns for sale to the textile industry and apparel market, both foreign and domestic. PAL is a limited liability company treated as a partnership for income tax reporting purposes.

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Principal Strategic and Operating Focus

The Company reported net income of $34,415, or $1.93 per basic share, for fiscal 2016. Such results reflect (i) growth in sales of PVA products, especially in the International Segment, (ii) lower selling, general and administrative ("SG&A") expenses than in fiscal 2015 and (iii) lower polyester raw material costs than in fiscal 2015. The International Segment, which was resilient in a difficult economic environment, exhibited strength as the year progressed (especially with sales of PVA products), despite unfavorable impacts from devaluation of the Brazilian currency and soft economic conditions in China. Strong PVA sales are expected to continue to drive favorable results in the Americas and Asia.

Core Business Strategies

The Company's successful performance reflects its core strategic focus: producing the highest quality, innovative and sustainable products for customers around the world. This strategic focus includes a number of supporting pillars, which include: continuously improving all operational and business processes; enriching the product mix by growing sales of higher-margin PVA products through all market opportunities; and deriving value from sustainability-based initiatives, including polyester and nylon recycling. The Company remains committed to these strategic initiatives, which it believes will increase profitability and generate improved cash flows from operations.

PVA Products and REPREVE®

The Company remains committed to growing the business for its PVA products and believes its research and development work with brands and retailers continues to create new, world-wide sales opportunities. The Company believes it can continue to increase its global PVA sales by more than 10% per year to generate overall mix enrichment and margin gains. The Company's PVA products now represent approximately 35% of consolidated net sales. The Company's strategy of enhancing its product mix through a focus on PVA products has helped establish the Company as an innovation leader in its core markets and we believe provides insulation from the pressures of low-priced commodity yarn imports.

REPREVE®, the flagship brand in the Company's PVA portfolio, continues to grow at a faster pace than other PVA products. As part of our efforts to expand consumer brand recognition of REPREVE®, the Company has developed recycling-focused sponsorships with Marvel Universe LIVE!, the National Football League's Detroit Lions, the University of North Carolina at Chapel Hill and The North Face Endurance Challenge Series. The increasing success and consumer awareness of the REPREVE® brand continues to provide new opportunities for growth, allowing us to expand into new end-uses and markets for REPREVE®, as well as continuing to grow the brand with current customers. The Company continues to expand efforts toward consumer engagement, awareness and activation through the "REPREVE® National Mobile Tour," a custom truck and trailer designed to travel across the country educating consumers about the importance of recycling and the transformation process of REPREVE®. Since October 2015, the REPREVE® National Mobile Tour has appeared at sponsored events and retailers throughout the U.S.

PVA Expansion and Capital Investments

During fiscal 2016, we invested approximately $60,000 in capital projects, as we (i) neared completion of a bottle processing plant at an existing facility in Reidsville, North Carolina, (ii) commenced another expansion of our REPREVE® Recycling Center which will allow the Company to increase its annual production capacity to approximately 100 million pounds, (iii) enhanced our automation systems in our Yadkinville, North Carolina POY facility to handle an increasingly-complex product mix, (iv) converted machinery to accommodate smaller production runs, and (v) further increased our air jet texturing capacity. These initiatives were designed to support our mix enrichment strategies, while also improving our ability to service customers.

In fiscal 2017, the Company expects to invest approximately $40,000 in capital projects, which includes (i) completing the fourth REPREVE® Recycling Center production line near the end of fiscal 2017, (ii) additional machinery modifications to meet the ever-changing demands of the market and (iii) investments in Asia to support growth as prominent brand and retail partners continue to respond well to our strategy to provide PVA products globally. As always, the Company will continue to ensure maintenance capital expenditures are sufficient to allow continued production at high efficiencies. As the bottle processing plant begins operating in August 2016, our goal is for continued support of REPREVE® by securing a stream of high-quality raw materials. Our pursuit of high quality, combined with technology advancements in recycling that will be incorporated into the fiscal 2017 recycling expansion, will enhance our ability to continue to grow REPREVE® into other markets such as nonwovens, carpet fiber and packaging.

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In addition to the Company's primary capital investment plan, certain business combinations have occurred in fiscal 2015 and 2014. Although such acquisitions do not comprise material business combinations, each has been relevant to the Company's recent performance, as described below:

On December 2, 2013, the Company acquired certain draw winding assets and the associated business for $2,500. The acquisition increased the Company's polyester production capacity and allowed the Company to expand its product offerings to include mid-tenacity flat yarns.

On August 28, 2014, PAL paid $10,125 to acquire the remaining 50% ownership interest in a yarn manufacturer based in Mexico in which PAL was historically a 50% member. The acquisition increases PAL's regional manufacturing capacity and expands its product offerings and customer base. PAL recorded acquired net assets of approximately $23,600.

On February 27, 2015, PAL purchased two manufacturing facilities, plus inventory, for approximately $13,000 cash, and entered into a yarn supply agreement with the seller. The acquisition increases PAL's regional manufacturing capacity and expands its product offerings and customer base. PAL recorded acquired assets of approximately $19,400.

Developments in Principal Markets

Apparel production is growing in the regions covered by the North American Free Trade Agreement ("NAFTA") and the Central American Free Trade Agreement ("CAFTA"), which regions comprise the principal markets for the Company's Polyester and Nylon Segments. The share of apparel production for these regions as a percentage of U.S. retail has stabilized at approximately 18%, while retail consumption has grown, especially for apparel made with synthetic yarns. The CAFTA region, which continues to be a competitive alternative to Asian supply chains for textile products, has maintained its share of synthetic apparel supply to U.S. retailers. The share of synthetic apparel versus cotton apparel has increased and provided growth for the consumption of synthetic yarns within the CAFTA region. The Company expects incremental growth in the CAFTA region for the foreseeable future, as retailers and brands maintain regional sourcing as part of their overall sourcing plans, retail sales grow, and consumer preferences continue to move from cotton to synthetic apparel.

Our Brazilian subsidiary is primarily impacted by price pressures from imported fiber, fabric and finished goods; the inflation rate in Brazil; and devaluation of the Brazilian Real. The Company continues to work on (i) aggressively pursuing mix enrichment by working with customers to develop programs using our differentiated products as well as our branded PVA yarns, including REPREVE®, and (ii) implementing process improvements and manufacturing efficiency gains that will help lower per-unit costs.

In Asia, our Chinese subsidiary remains an important part of the Company's global PVA strategy as it enhances our ability to service customers who have global supply chains. During fiscal 2016 and 2015, this subsidiary operated in soft market conditions with low capacity utilization rates throughout the Chinese textile industry. However, interest and demand for the Company's PVA products in the region helped support strong sales volumes during this period. We are encouraged by projects undertaken with key brands and retailers, which include certain PVA programs that recently transitioned from the Company's domestic operations.

We expect the success of our Chinese subsidiary will provide a solid foundation for expansion into certain key markets in Asia, such as Sri Lanka and Vietnam, where customers have expressed additional interest in sourcing the Company's products. As we expand our global operations, we will continue to evaluate the level of capital investment required to support the needs of our customers and appropriately allocate our resources accordingly.

Stock Repurchases

Pursuant to an initial stock repurchase program approved by the Board of Directors (the "Board") in January 2013, the Company began periodic strategic repurchases of its common stock. That $50,000 repurchase program was completed in March of 2014. In April 2014, the Board approved a second $50,000 stock repurchase program. As of August 18, 2016, the Company has repurchased a total of 3,147 shares, at an average price of $23.01, under these repurchase programs. The Company will continue to evaluate opportunities to use excess cash flow from operations or existing borrowings to repurchase additional stock, while maintaining sufficient liquidity to support its operational needs and fund future strategic growth opportunities.

Industry Overview[1]

The Company operates in the textile industry and, within that broad category, the respective markets for yarns, fabrics, fibers and end-use products such as apparel and hosiery, automotive upholstery, industrial products and home furnishings. Even though the textile industry is global, there are several distinctive regional or other geographic markets that often shape the business strategies and operations of participants in the industry. Because of free trade agreements and other trade regulations entered into by the U.S. government, the U.S. textile industry, which is otherwise a distinctive geographic market on its own, is often considered in conjunction with other geographic markets or regions in North, South and Central America, such as the regions covered by NAFTA and CAFTA. The Company's principal markets for its domestic operations are in the regions covered by NAFTA and CAFTA, which together include the countries of Canada, Mexico, Costa Rica, Guatemala, Honduras, El Salvador, Nicaragua, the Dominican Republic and the U.S.

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[1] Dollar amounts for market or industry data in this section are actual and not in thousands (000s).

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According to data compiled by PCI Xylenes & Polyesters, a global leader in research and analysis for the polyester and raw materials markets, global demand for polyester yarns, which includes both filament and staple yarns, has grown steadily since 1980, and in calendar year 2003, polyester replaced cotton as the fiber with the largest percentage of worldwide sales. In calendar year 2015, global polyester consumption accounted for an estimated 55% of global fiber consumption, and global demand is projected to increase by approximately 4% annually through 2020. In calendar year 2015, global nylon consumption accounted for an estimated 5% of global fiber consumption. Softness in the U.S. retail market during fiscal 2016 had unfavorable impacts to the Company's Nylon Segment. Additionally, there is a potential for focus on costs to drive the industry to transition from certain nylon-based products to polyester. The polyester and nylon fiber sectors together accounted for approximately 62% of North American textile consumption during calendar year 2015.

According to the National Council of Textile Organizations, the U.S. textile industry's total shipments were approximately $55.4 billion for calendar year 2015 as the U.S. textile and apparel industry exported nearly $23.7 billion of textile and apparel products, and the exports have grown by approximately 43% since 2009, an increase of over $7.1 billion. The U.S. textile industry remains a large manufacturing employer in the U.S.

Trade Regulation and Rules of Origin

The duty rate on imports into the U.S. of finished apparel categories that utilize polyester and nylon yarns generally range from 16% to 32%. For many years now, imports of fabric and finished goods into the U.S. have increased significantly from countries that do not participate in free trade agreements or trade preference programs, despite duties charged on those imports. The primary drivers for that growth were lower overseas operating costs, foreign government subsidization of textile industries, increased overseas sourcing by U.S. retailers, the entry of China into the World Trade Organization, and the staged elimination of all textile and apparel quotas. Although global apparel imports represent a significant percentage of the U.S. market, Regional FTAs (as described below), which follow general "yarn forward" rules of origin, provide duty free advantages for apparel made from regional fibers, yarns and fabrics, allowing the Company opportunities to participate in this growing market.

A significant number of the Company's customers in the apparel market produce finished goods that meet the eligibility requirements for duty-free treatment in the regions covered by NAFTA, CAFTA, and the Colombia and Peru free trade agreements (collectively, the "Regional FTAs"). These Regional FTAs contain rules of origin requirements in order for products covered by them to be eligible for duty-free treatment. In the case of textiles such as fabric, yarn (such as POY), fibers (filament and staple) and certain garments made from them, the products are generally required to be fully formed within the respective regions. The Company is the largest filament yarn manufacturer, and one of the few producers of qualifying synthetic yarns, in the regions covered by these agreements.

U.S. legislation commonly referred to as the "Berry Amendment" stipulates that certain textile and apparel articles purchased by the U.S. Department of Defense must be manufactured in the U.S. and must consist of yarns and fibers produced in the U.S. The Company is the largest producer of synthetic yarns for Berry Amendment compliant programs.

The Company refers to fibers sold with specific rules of origin requirements under the Regional FTAs and the Berry Amendment, as "Compliant Yarns." Approximately two-thirds of the Company's sales within the Polyester and Nylon Segments are sold as Compliant Yarns under the terms of the Regional FTAs or the Berry Amendment.

The Company believes the requirements of the rules of origin and the associated duty-free cost advantages in the Regional FTAs, together with the Berry Amendment and the growing demand for supplier responsiveness and improved inventory turns, will ensure that a portion of the existing textile industry will remain based in the Americas. The Company expects that the NAFTA and CAFTA regions will continue to maintain their share of apparel production as a percentage of U.S. retail. The Company believes the remaining synthetic apparel production within these regional markets is more specialized and defensible, and, in some cases, apparel producers are bringing programs back to the regions as part of a balanced sourcing strategy for some retailers and brands. Because the Company is the largest of only a few significant producers of Compliant Yarns under these Regional FTAs, one of the Company's business strategies is to continue to leverage its eligibility status for duty-free processing to increase its share of business with regional and domestic fabric producers who ship their products into these regions.

Over the longer term, however, the textile industry in the U.S. and the NAFTA and CAFTA regions is likely to be impacted if and when the Trans-Pacific Partnership ("TPP") trade agreement is implemented. Negotiations on the TPP were completed in October 2015 and the agreement was signed in February 2016. Signatory countries include Australia, Brunei, Canada, Chile, Malaysia, Mexico, Japan, New Zealand, Peru, Singapore, Vietnam and the U.S. The TPP includes a yarn forward rule of origin with limited exceptions and extended tariff phase-outs for sensitive textile and apparel products; initiatives that should help provide for the stability of the Western Hemisphere textile and apparel production chain in the initial stages of implementation. The U.S. and other TPP countries will need to ratify the agreement before it can be enacted. The Company's long-term business strategies are also focused on ways to maintain the Company's profitability if and when the TPP is implemented.

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Competition

The industry in which the Company operates is global and highly competitive. The Company competes not only as a global yarn producer, but also as part of a regional supply chain for certain textile products. For sales of Compliant Yarns, the Company competes with a limited number of foreign and domestic producers of polyester and nylon yarns. For sales of non-Compliant Yarns, the Company competes with a larger number of foreign and domestic producers of polyester and nylon yarns, who can meet the required customer specifications of quality, reliability and timeliness. The Company is affected by imported textile, apparel and hosiery products, which adversely impact demand for the Company's polyester and nylon products in certain of its markets. Several foreign competitors in the Company's supply chain have significant competitive advantages, including lower wages, raw material costs and capital costs, and favorable currency exchange rates against the U.S. Dollar, any of which could make the Company's products, or the related supply chains, less competitive. While competitors have traditionally focused on high-volume commodity products, they are now increasingly focused on specialty and value-added products for which the Company has been able to generate higher margins.

The Company's major competitors for polyester yarns are O'Mara, Inc. and NanYa Plastics Corp. of America ("NanYa") in the U.S.; AKRA, S.A. de C.V. in the NAFTA region; and C S Central America S.A. de C.V. in the CAFTA region. The Company's major competitor in Brazil is Avanti Industria Comercio Importacao e Exportacao Ltda., among other traders of imported yarns and fibers. The Company's major competitors for nylon yarns are Sapona Manufacturing Company, Inc. and McMichael Mills, Inc. in the U.S.

Raw Materials, Suppliers and Sourcing

The primary raw material supplier for the Polyester Segment for Chip and POY is NanYa. For the International Segment, Reliance Industries, Ltd ("Reliance") is the main supplier for POY. The primary suppliers of POY to the Nylon Segment are HN Fibers, Ltd., U.N.F. Industries Ltd. ("UNF"), UNF America, LLC ("UNFA"), Invista S.a.r.l. ("INVISTA"), Universal Premier Fibers, LLC, and Nilit US ("Nilit"). Each of UNF and UNFA is a 50/50 joint venture between the Company and Nilit. Currently, there are multiple domestic and foreign suppliers available to fulfill the Company's sourcing requirements for its recycled products.

The Company produces and buys certain of its raw material fibers for Compliant Yarns from a variety of sources in both the U.S. and Israel. The Company produces a portion of its Chip requirements in its REPREVE® Recycling Center and purchases the remainder of its requirements from external suppliers for use in its spinning facility. In addition, the Company purchases nylon and polyester products for resale from various suppliers. Although the Company does not generally have difficulty obtaining its raw material requirements, the Company has, in the past, experienced interruptions or limitations in the supply of certain raw materials.

Among the expected benefits to the Company's financial results, construction of its bottle processing facility is intended to secure a high-quality source of raw materials for the growing focus on recycled yarns. Therefore, in concert with the Company's commitment to sustainability and highly-innovative products and processes, along with the REPREVE® Recycling Center, the bottle processing facility is expected to provide a uniform, high-quality source of raw materials (i.e. plastic bottle flake) for internal consumption and potential sale to external parties. Combined with recent technology advancements in recycling, the bottle flake produced will enhance our ability to grow REPREVE® into other markets such as nonwovens, carpet fiber and packaging.

The price of the principal raw materials used by the Company fluctuates frequently, and it is difficult, and often impossible, to predict trends or upcoming developments. During the first three quarters of fiscal 2016, the Company operated under a predominantly declining polyester raw material cost environment. Polyester raw material prices increased slightly beginning in the fourth quarter of fiscal 2016 due to a short-term increase in crude oil prices, and stayed at those levels through the end of fiscal 2016. The Company believes that polyester raw material costs during most of fiscal 2016 were impacted by lower crude oil values, a lack of major unplanned raw material capacity outages and soft global demand for polyester raw materials. The continuing softness in global crude oil prices is likely to impact the Company's polyester and nylon raw material costs, but it is not possible to predict the timing or amount of the impact or whether the decline in crude oil prices will stabilize, continue or reverse. In any event, the Company monitors these dynamic factors closely.

Products, Technologies and Related Markets

The Company manufactures polyester yarn and related products in the U.S., El Salvador and Brazil, and nylon yarns in the U.S. and Colombia, for a wide range of end-uses. In addition, the Company purchases certain yarns and staple fiber for resale to its customers. The Company processes and sells POY, high-volume commodity yarns, and PVA and other specialty yarns in both domestic and international markets, with PVA yarns comprising approximately 35%, 30% and 27% of consolidated net sales for fiscal 2016, 2015 and 2014, respectively. The Company provides products to a variety of end-use markets, principally apparel, industrial, furnishings and automotive upholstery.

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The domestic apparel market, which includes hosiery, represents approximately 65% of the Company’s sales. Apparel retail sales, supply chain inventory levels and strength of the regional supply base are vital to this market. Generally, synthetic apparel consumed in the U.S. grows 4% to 6% per year and, over the last five years, the Regional FTAs share of supply of U.S. synthetic apparel has remained constant at approximately 18%.

The domestic industrial market represents approximately 16% of the Company’s sales. This market includes medical, belting, tapes, filtration, ropes, protective fabrics and awnings.

The domestic furnishings market, which includes both contract and home furnishings, represents approximately 9% of the Company’s sales. Furnishings sales are largely dependent upon the housing market, which in turn is influenced by consumer confidence and credit availability.

The domestic automotive upholstery market represents approximately 6% of the Company’s sales and has been less susceptible to import penetration because of the exacting specifications and quality requirements often imposed on manufacturers of automotive upholstery and the just-in-time delivery requirements. Effective customer service and prompt response to customer feedback are logistically more difficult for an importer to provide.

The Company also adds value to the overall supply chain for textile products, and increases consumer demand for the Company’s own products, through the development and introduction of branded yarns and technologies that provide unique sustainability, performance, comfort and aesthetic advantages. The Company’s branded portion of its yarn portfolio continues to provide product differentiation to brands, retailers and consumers, and it includes products such as:

REPREVE®, a family of eco-friendly yarns made from recycled materials. Since its introduction in 2006, REPREVE® has been the Company’s most successful branded product. The Company’s recycled fibers are manufactured to provide certain performance and/or functional properties to various types of fabrics and end products.

Sorbtek®, a permanent moisture management yarn primarily used in performance base-layer applications, compression apparel, athletic bras, sports apparel, socks and other non-apparel related items.

Reflexx®, a family of stretch yarns that can be found in a wide array of end-use applications, from home furnishings to performance wear and from hosiery and socks to work wear and denim.

aio® all-in-one performance yarns combine multiple performance properties into a single yarn.

Augusta®, a cotton-like yarn with a soft, lofty hand that looks and feels like cotton, but offers the superior performance of synthetic and no fading.

A.M.Y. ®, a yarn with permanent antimicrobial properties for odor control.

The Company's branded yarns can be found in a variety of products of well-known brands, retailers and department stores including Ford, Haggar, Polartec, The North Face, Patagonia, Quiksilver, Roxy, Volcom, Perry Ellis, Greg Norman, Pottery Barn, adidas, Reebok, Nike, New Balance, MJ Soffe, Dockers, Levi's, H&M, TARGET, Walmart, Costco Wholesale, REI, Cabela's, Sears, Macy's, Kohl's, Belk and more.

In addition to the above brands and products, the Company combines its research and development efforts with the demands of customers and markets to develop innovative technologies that enhance yarn characteristics. Application of these technologies allows for various, separate benefits, including, among other things, water repellency, flame retardation, enhanced color-fastness achieved with less water use and protection from ultra-violet rays.

Customers

The Company's Polyester Segment has approximately 350 customers, its Nylon Segment has approximately 150 customers and its International Segment has approximately 600 customers, all in a variety of geographic markets. The Company's products are manufactured according to customer specifications and are shipped based upon customer order requirements. Customer payment terms are generally consistent across the segments and are based on prevailing industry practices for the sale of yarn domestically or internationally.

The Company's consolidated net sales are not materially dependent on a single customer. No single customer accounts for ten percent or more of the Company's consolidated net sales. The Company's top ten customers accounted for approximately 33% of consolidated net sales for fiscal 2016 and approximately 32% of receivables as of June 26, 2016. The Company's net sales within its Nylon Segment are materially dependent upon a domestic customer that accounted for approximately 37% of the Nylon Segment's net sales for fiscal 2016.

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Sales and Marketing

The Company employs an internal sales force of approximately 40 persons operating out of sales offices in the U.S., Brazil, China, El Salvador, Colombia and Switzerland. The Company relies on independent sales agents for sales in several other countries. The Company seeks to create strong customer relationships and to build and strengthen those relationships throughout the supply chain. Through frequent communications with customers, partnering with customers in product development and engaging key downstream brands and retailers, the Company has created significant pull-through sales and brand recognition for its products. For example, the Company works with brands and retailers to educate and create demand for its PVA products. The Company then works with key fabric mill partners to develop specific fabrics for those brands and retailers utilizing its PVA products. In many of these regards, the Company draws upon and integrates the resources of its research and development personnel. In addition, the Company is enhancing co-branding activations with integrated point-of-sale and online marketing with popular brands and retailers to further enable consumers to find REPREVE® and other PVA brands in multiple retail channels. Based on the establishment of many commercial and branded programs, this strategy has been successful for the Company.

Product Customization and Manufacturing Processes

The Company uses advanced production processes to manufacture its high quality yarns cost-effectively in North America, Central America and South America. The Company believes that its flexibility and know-how in producing specialty polyester and nylon yarns provides important development and commercialization advantages.

The Company produces polyester POY and recycled polyester Chip for its commodity, PVA and other specialty yarns. Both the POY and Chip can be sold externally or further processed internally. Our REPREVE® Recycling Center in North Carolina is our primary operation for producing recycled polyester Chip, a critical component in growing the market for REPREVE®.

Additional processing of the Company’s polyester yarn products includes texturing, package dyeing, twisting, beaming and draw winding. The texturing process, which is common to both polyester and nylon, involves the use of high-speed machines to draw, heat and false-twist POY to produce yarn with different physical characteristics, depending on its ultimate end-use. Texturing gives the yarn greater bulk, strength, stretch, consistent dye-ability and a softer feel, thereby making it suitable for use in the knitting and weaving of fabric. Package dyeing allows for matching of customer-specific color requirements for yarns sold into the automotive upholstery, home furnishings and apparel markets. Twisting incorporates real twist into filament yarns, which can be sold for a variety of uses, such as sewing thread, home furnishings and apparel. Beaming places both textured and covered yarns onto beams to be used by customers in warp knitting and weaving applications. The draw winding process utilizes heat and draws POY to produce mid-tenacity, flat yarns.

Additional processing of the Company’s nylon yarn products primarily includes covering, which involves the wrapping or air entangling of filament or spun yarn around a core yarn, primarily spandex. This process enhances a fabric’s ability to stretch, recover its original shape and resist wrinkles while maintaining a softer feel.

The Company’s subsidiary in China offers the same high-quality and innovative PVA products and technologies to multiple of our international customers through contract manufacturing arrangements with trusted providers. This asset-light model currently in place in China allows for a seamless integration of our products into the global supply chain of our customers, especially as new yarns and technologies are adopted by major customers headquartered in the U.S. As we expand our Asian operations to meet the needs of our global customers, we will seek to continue to leverage the asset-light model where the existing Asian infrastructure can accommodate our highly-technical processes, but we will evaluate the need for additional Company assets in response to ever-changing market dynamics.

Research and Development

The Company employs approximately 90 persons who work closely with the Company’s customers and others to develop a variety of yarns and improvements to the performance properties of existing yarns and fabrics. Among other things, the Company evaluates trends and uses the latest technology to create innovative specialty and PVA yarns that meet the needs of evolving consumer preferences. Most of the Company’s branded yarns discussed above, including its flagship REPREVE® brand, were derived from its research and development initiatives.

The Company also includes, as part of its research and development initiatives, the use of continuous improvement methodologies to increase its manufacturing and other operational efficiencies, both to enhance product quality and to derive cost savings. For fiscal 2016, 2015 and 2014, the Company incurred $6,907, $8,113 and $7,921, respectively, for research and development (including salaries and benefits of the personnel involved in those efforts). In fiscal 2016, a portion of the activities traditionally attributed to research and development were allocated to certain of the significant, highly-technical capital projects discussed above.

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Intellectual Property

The Company has numerous U.S. registered trademarks. Due to its current brand recognition and potential growth opportunities, the Company believes that REPREVE® is its most significant trademark. Ownership rights in U.S. registered trademarks do not expire if the trademarks are continued in use and properly protected.

The Company licenses certain trademarks, including Dacron® and Softec™, from INVISTA.

Employees

The Company has approximately 2,700 employees, along with approximately 200 individuals working under temporary labor contracts. The number of employees in the Polyester Segment, Nylon Segment, International Segment and corporate office are approximately 1,500, 600, 500 and 100, respectively. While employees of the Company's Brazilian operations are unionized, none of the labor force employed by the Company's domestic or other foreign subsidiaries is currently covered by a collective bargaining agreement.

Geographic Data

Geographic information reported in conformance with generally accepted accounting principles is included in Note 26 to the Consolidated Financial Statements in this Annual Report on Form 10-K.

Seasonality

The Company is not significantly impacted by seasonality; however, the Company typically experiences its (i) highest sales volumes in the third and fourth quarters and (ii) its lowest gross margins in the first quarter of its fiscal years. Excluding the effects of fiscal years with 53 weeks rather than 52 weeks, the most significant effects on the Company's results of operations for particular periods during a year are due to planned manufacturing shutdowns by either the Company or its customers for certain holiday or traditional shutdown periods, which are not concentrated in any one particular season.

Backlog

The Company's level of unfilled orders is affected by many factors, including the timing of specific orders and the delivery time for specific products, as well as the customer's ability or inability to cancel the related order. As such, the Company does not consider the amount of unfilled orders, or backlog, to be a meaningful indicator of expected levels of future sales or to be material to an understanding of the Company's business as a whole.

Inflation

The Company expects costs to continue to rise for certain consumables used to produce and ship its products, as well as for its utilities and certain employee costs and benefits. While the Company attempts to mitigate the impacts of such rising costs through its operational efficiencies and increased selling prices, inflation may become a factor that negatively impacts the Company's profitability.

Environmental Matters

The Company is subject to various federal, state and local environmental laws and regulations limiting the use, storage, handling, release, discharge and disposal of a variety of hazardous substances and wastes used in or resulting from its operations (and to potential remediation obligations thereunder). These laws include the Federal Water Pollution Control Act, the Clean Air Act, the Resource Conservation and Recovery Act (including provisions relating to underground storage tanks) and the Comprehensive Environmental Response, Compensation, and Liability Act, commonly referred to as "Superfund" or "CERCLA," and various state counterparts. The Company's operations are also governed by laws and regulations relating to workplace safety and worker health, principally the Occupational Safety and Health Act and regulations thereunder, which, among other things, establish exposure standards regarding hazardous materials and noise standards, and regulate the use of hazardous chemicals in the workplace.

The Company believes that it has obtained, and is in compliance in all material respects with, all significant permits required to be issued by federal, state or local law in connection with the operation of its business. The Company also believes that the operation of its production facilities and the disposal of waste materials are substantially in compliance with applicable federal, state and local laws and regulations, and that there are no material ongoing or anticipated capital expenditures associated with environmental control facilities necessary to remain in compliance with such provisions. The Company incurs normal operating costs associated with the discharge of materials into the environment, but does not believe that these costs are material or inconsistent with its domestic competitors.

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On September 30, 2004, the Company completed its acquisition of the polyester filament manufacturing assets located in Kinston, North Carolina from INVISTA S.a.r.l ("Invista"). The land for the Kinston site was leased pursuant to a 99 year ground lease ("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 ("EPA") and the North Carolina Department of Environment and Natural Resources ("DENR") pursuant to the Resource Conservation and Recovery Act Corrective Action program. The Corrective Action program requires DuPont to identify all potential areas of environmental concern ("AOCs"), to assess the extent of containment at the identified AOCs and to clean it up to comply with applicable regulatory standards. Effective March 20, 2008, the Company entered into a Lease Termination Agreement associated with conveyance of certain assets at Kinston to DuPont. This agreement terminated the Ground Lease and relieved the Company of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to the Company's period of operation of the Kinston site, which was from 2004 to 2008. However, the Company continues to own a satellite service facility acquired in the INVISTA transaction that has contamination from DuPont's operations and is monitored by DENR. This site has been remediated by DuPont, and DuPont has received authority from DENR to discontinue remediation, other than natural attenuation. DuPont's duty to monitor and report to DENR will be transferred to the Company in the future, at which time DuPont must pay the Company for seven years of monitoring and reporting costs and the Company will assume responsibility for any future remediation and monitoring of the site. At this time, the Company 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.

Repreve Renewables, LLC

Repreve Renewables, LLC ("Renewables"), in which the Company has a 60% membership interest (and which is unrelated to the Company's REPREVE® products), is an agricultural company focused on the development, production and commercialization of miscanthus grass for use in the animal bedding, bio energy and bio-based products markets. Renewables' core crop is giant miscanthus. Renewables developed a proprietary suite of establishment (planting) technology marketed as ACCU YIELD System™ which allows giant miscanthus rhizomes to be dug, processed and planted mechanically.

Renewables was chosen to provide the agricultural and business development services for the University of Iowa's Biomass Fuel Project. Renewables' primary focus, however, has been supplying THRIVEZ®, a bedding product made from its proprietary varieties of giant miscanthus, to the U.S. poultry bedding market. Renewables has been trialing THRIVEZ® in poultry houses for a number of the largest poultry integrators, as Renewables believes THRIVEZ® offers competitive advantages to that potential market. Renewables has approximately 3,500 acres planted (on leased land and through contract grower agreements) across the U.S.

During fiscal year 2016, Renewables entered into a secured debt financing arrangement, consisting of a master loan agreement and corresponding term loan supplement having a borrowing capacity of $4,000, with CoBank, ACB and Carolina Farm Credit, ACA. Renewables borrowed $4,000 against such arrangement, which provided liquidity in fiscal 2016 to (i) construct a new processing center in North Carolina, (ii) secure additional land leases and (iii) plant additional acreage, all intended to accommodate the demand for giant miscanthus. In connection with this arrangement, a subsidiary of the Company is subject to joint and several liability in the event of recourse by the lenders.

Unconsolidated Affiliates

The Company participates in two joint ventures that are suppliers to the Company's Nylon Segment, with one located in the U.S. and one in Israel. The Company also participates in PAL, as discussed above. As of June 26, 2016, the Company had $117,412 recorded for these investments in unconsolidated affiliates. For fiscal 2016, $8,963 of the Company's $48,243 of income before income taxes was generated from its investments in these unconsolidated affiliates, of which $6,074 was attributable to PAL. Other information regarding the Company's unconsolidated affiliates is provided in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 23 to the Consolidated Financial Statements in this Annual Report on Form 10-K.

Available Information

The Company's website is: www.unifi.com. The information on our website is available for informational purposes and convenience only, and is not incorporated by reference in this Annual Report on Form 10-K or any other filing we make with the SEC.

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We make available, without charge, on our website certain reports and amendments to those reports, as applicable, that the Company files with or furnishes to the SEC pursuant to the Exchange Act as soon as practicable after such material is electronically filed with or furnished to the SEC. These include our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. In addition, many of our corporate governance documents are available on our website, including our Audit Committee Charter, Compensation Committee Charter, Corporate Governance and Nominating Committee Charter, Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Ethical Business Conduct Policy Statement. Copies of such materials, as well as any of our SEC reports, may also be obtained without charge by writing to Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410, Attention: Office of the Secretary.

Item 1A. Risk Factors

Our business, operations and financial condition, and the textile industry in which we operate, are subject to various risks. Some of these risks are described below, but they do not constitute all of the risks that may be applicable to us, our business or our industry. New risks may emerge from time to time, and it is not possible for us to predict all potential risks or to assess with certainty the likely impact of all risks. The discussion below is intended as a summary only of certain material risk factors. More detailed information concerning certain of the risk factors described below is contained in other sections of this Annual Report on Form 10-K, including in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." You should consider all such risks in evaluating the Company or making any investment decision involving the Company.

Risks Relating to Our Business

The Company faces intense competition from a number of domestic and foreign yarn producers and importers of textile and apparel products. Because the Company and the supply chains in which the Company operates do not typically operate on the basis of long-term contracts with textile and apparel customers, these competitive factors could cause the Company's customers to shift rapidly to other producers.

The Company competes not only against domestic and foreign yarn producers, but also against importers of foreign-sourced fabric and apparel into the U.S. and other countries in which the Company does business (particularly in Brazil with respect to commodity yarn products). The primary competitive factors in the textile industry include price, quality, product styling and differentiation, flexibility of production and finishing, delivery time and customer service. The needs of certain customers and the characteristics of particular products determine the relative importance of these various factors. A large number of the Company's foreign competitors have significant competitive advantages that may include lower labor and raw materials costs, government subsidies and favorable currency exchange rates against the U.S. Dollar. If any of these advantages increase, or if new and/or larger competitors emerge in the future, the Company's products could become less competitive, and its sales and profits may decrease as a result.

In particular, devaluation of Chinese currency against the U.S. Dollar could result in the Company's products becoming less competitive from a pricing standpoint and/or could result in the regions covered by NAFTA and CAFTA losing market share to Chinese imports, thereby adversely impacting the Company's sales and profits. Also, while these foreign competitors have traditionally focused on commodity production, they are now increasingly focused on value-added products, where the Company has been able to generate higher margins. The Company may not be able to continue to compete effectively with imported foreign-made textile and apparel products, which would materially adversely affect its business, financial condition, results of operations or cash flows.

In Brazil, Petrosuape-Companhia Petroquimica de Pernambuco ("Petrosuape"), a subsidiary of Petrobras Petroleo Brasileiro S.A., a public oil company controlled by the Brazilian government, has constructed a polyester manufacturing complex located in the northeast sector of the country. Petrosuape was expected to produce PTA, polyethylene terephthalate ("PET") resin, POY and textured polyester, with the potential to become a significant competitor of the Company's Brazilian operations. While there have been recent negative developments involving Petrosuape and its manufacturing complex, the PTA and PET facilities are fully operational and if the facility were to reach full commercial production of textured polyester, its operations could significantly impact the synthetic textile filament market in Brazil, thereby negatively impacting the operating results of the Company.

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Significant price volatility of the Company's raw materials and rising energy costs may result in increased production costs, which the Company may not be able to pass on to its customers, or be able to pass on without a time lag that adversely affects the Company during one or more periods.

A significant portion of the Company's raw materials are derived from petroleum-based chemicals. The prices for petroleum and petroleum-related products (and energy costs) are volatile and dependent on global supply and demand dynamics, including geo-political risks. While the Company enters into raw material supply agreements from time to time, these agreements typically provide index pricing based on quoted market prices. Therefore, supply agreements provide only limited protection against price volatility. While the Company has, at times in the past, been able to increase sales prices in response to increased raw material costs, the Company has not always been able to do so. The Company has lost in the past (and expects that it may lose in the future) customers to its competitors as a result of price increases. In addition, competitors may be able to obtain raw materials at a lower cost due to market regulations that favor local producers in certain foreign locations where the Company operates, and certain other market regulations that favor the Company over other producers may be amended or repealed. Additionally, inflation can have a long-term impact by increasing the costs of materials, labor and/or energy, any of which costs may adversely impact the Company's ability to maintain satisfactory margins. If the Company is not able to fully pass on such cost increases to customers in a timely manner (or if it loses a large number of customers to competitors as a result of price increases), the result could be material and adverse to its business, financial condition, results of operations or cash flows.

Depending on the price volatility of the Company's petroleum-based raw materials, the price gap between virgin raw materials and recycled bottle flake could make virgin raw materials more cost-effective than recycled raw materials, which could result in an adverse effect on the Company's ability to sell its REPREVE® brand recycled products profitably.

The Company depends upon limited sources for certain of its raw materials, and interruptions in supply could increase its costs of production, cause production inefficiencies or lead to a halt in production in an extreme case.

The Company depends on a limited number of third parties for certain raw material supplies, such as POY, Chip and recycled plastic bottles. Although alternative sources of raw materials exist, the Company may not be able to obtain adequate supplies of such materials on acceptable terms, or at all, from other sources. The Company is dependent on NAFTA, CAFTA and Berry Amendment qualified suppliers of raw materials for the production of Compliant Yarns. These suppliers are also at risk with their raw material supply chains. Any significant disruption or curtailment in the supply of any of its raw materials could cause the Company to reduce (or cease, in an extreme case) its production for an extended period, or require the Company to increase its pricing, which could have a material adverse effect on its business, financial condition, results of operations or cash flows.

The Company has significant foreign operations, and its consolidated results of operations may be adversely affected by the risks associated with doing business in foreign locations, including the risk of fluctuations in foreign currency exchange rates.

The Company has operations in Brazil, China, Colombia and El Salvador, and participates in a foreign joint venture located in Israel. The Company serves customers in Canada, Mexico, Central America, South America, Asia and various countries in Europe. The Company's foreign operations are subject to certain political, tax, economic and other uncertainties not encountered by its domestic operations that can materially impact the Company's supply chains or other aspects of its foreign operations. The risks of international operations include trade barriers, duties, exchange controls, national and regional labor strikes, social and political unrest, general economic risks, compliance with a variety of foreign laws (including tax laws), the difficulty of enforcing agreements and collecting receivables through foreign legal systems, taxes on distributions or deemed distributions to the Company or any of its U.S. subsidiaries, maintenance of minimum capital requirements, and import and export controls. The Company's results of operations and business could be adversely affected as a result of a significant adverse development with respect to any of these matters.

Through its foreign operations, the Company is also exposed to currency exchange rate fluctuations. Fluctuations in foreign exchange rates will impact period-to-period comparisons of the Company's reported results. Additionally, the Company operates in countries with foreign exchange controls. These controls may limit the Company's ability to transfer funds from its international operations and joint venture or otherwise to convert local currencies into U.S. Dollars. These limitations could adversely affect the Company's ability to access cash from these operations.

The Company's future success will depend in part on its ability to protect its intellectual property rights, and the Company's inability to enforce these rights could cause it to lose sales and its competitive advantage.

The Company's success depends in part upon its ability to protect and preserve its rights in the trademarks and other intellectual property it owns or licenses, including its proprietary know-how, methods and processes, and the intellectual property related to its REPREVE® brand. The Company relies on the trademark, copyright and trade secret laws of the U.S. and other countries, as well as nondisclosure and confidentiality agreements, to protect its intellectual property rights. However, the Company may be unable to prevent third parties, employees or contractors from using its intellectual property without authorization, breaching nondisclosure or confidentiality agreements with it, or independently developing technology that is similar to the Company's property. The use of the Company's intellectual property by others without authorization may reduce any competitive advantage that the Company has developed, cause it to lose sales or otherwise harm its business.

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The Company has investments in less than 100% owned affiliates that the Company does not control, which subjects the Company to uncertainties about the operating performance and quality of financial reporting of these affiliates.

The most significant of these investments is the Company's 34% minority interest in PAL, an entity that the Company does not control. While this investment is designed to advance important business interests of the Company, the Company does not have majority voting control of PAL or the ability otherwise to control PAL's policies, management or affairs. The interests of persons who control PAL may differ from the Company's, and those persons may cause PAL to take actions that are not in the Company's best interest. Among other things, the Company's inability to control PAL may adversely affect its ability to receive distributions from PAL or to fully implement its business plan. The incurrence of debt or entry into other agreements by PAL may result in restrictions or prohibitions on PAL's ability to make distributions to the Company. Even where PAL is not restricted by contract or by law from making distributions, the Company may not be able to influence the timing or amount of such distributions. In addition, if the controlling investor in PAL fails to observe its commitments, PAL may not be able to operate according to its business plan, or the Company may need to increase its level of investment commitment. If any of these events were to occur, the Company's business, results of operations, financial condition or cash flows could be adversely affected.

The Company also relies on accurate financial reporting from PAL for preparation of the Company's quarterly and annual financial statements. Errors in the financial information reported by PAL could be material to the Company and may require it to restate past financial statements. Any such restatements could have a material adverse effect on the Company or the market price of its common stock.

PAL receives economic adjustment payments from the Commodity Credit Corporation under the Economic Adjustment Assistance to Users of Upland Cotton. The economic assistance received under this program must be used to acquire, construct, install, modernize, develop, convert or expand land, plant, buildings, equipment or machinery directly attributable to the purpose of manufacturing upland cotton into eligible cotton products in the U.S. Should PAL no longer meet the criteria to receive economic assistance under the program, or should the program be discontinued, PAL's business could be significantly impacted, which would adversely affect the Company.

The Company requires cash to service its indebtedness and fund capital expenditures and strategic initiatives, and its ability to generate sufficient cash for those purposes depends on many factors beyond its control.

The Company's principal sources of liquidity are cash flows generated from operations and borrowings under its credit facility. The Company's ability to make payments on its indebtedness, to fund planned capital expenditures and to fund strategic initiatives will depend on its ability to generate future cash flows from operations. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Company's control. The business may not generate sufficient cash flows from operations, and future borrowings may not be available to the Company in amounts sufficient, to enable the Company to pay its indebtedness and to fund its other liquidity needs. Any such development would have a material adverse effect on the Company.

Risks Relating to the Textile Industry

A decline in general economic or political conditions, and changes in consumer spending, could cause a decline in demand for textile products.

The Company's products are used in the production of fabric primarily for the apparel, hosiery, home furnishings, automotive upholstery, industrial and other end-use markets. Demand for furniture and durable goods is often affected significantly by economic conditions that have global or regional industry-wide consequences. Demand for a number of categories of apparel also tends to be tied to economic cycles and customer preferences that affect the textile industry in general. Demand for textile products, therefore, tends to vary with the business cycles of the U.S. and other economies, as well as changes in global trade flows, and economic and political conditions.

Historic trends indicate weakening performance in the Nylon sector on a global basis. If the decline is significant in any one year, the impact could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

Unfavorable changes in trade policies and violations of existing trade policies could weaken the Company's competitive position significantly and have a material adverse effect on its business.

A number of markets within the textile industry in which the Company sells its products, particularly the apparel, hosiery and home furnishings markets, are subject to intense foreign competition. Other markets within the textile industry in which the Company sells its products may in the future become subject to more intense foreign competition. There are currently a number of trade regulations and duties in place to protect the U.S. textile industry against competition from low-priced foreign producers, such as those in China and Vietnam. Changes in such trade regulations or duties may make the price of the Company's products less attractive than the goods of its competitors or the finished products of a competitor in the supply chain, which could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

According to industry experts and trade associations, there has been a significant amount of illegal transshipments of apparel products into the U.S. and into certain other countries in the NAFTA and CAFTA regions in which the Company competes. Illegal transshipment involves circumventing duties by falsely claiming that textiles and apparel are products of a particular country of origin (or include yarn of a particular country of origin) to avoid paying higher duties or to receive benefits from regional free trade agreements, such as NAFTA and CAFTA. If illegal transshipments are not monitored, and if enforcement is not effective to limit them, these shipments could have a material adverse effect on the Company’s business, financial condition, results of operations or cash flows.

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The TPP trade agreement between the U.S., Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam was signed in February 2016. The timeline for consideration by the U.S. Congress and final enactment remains unclear at this time. When, and if, the TPP is implemented, Vietnam and other major textile and apparel exporting countries will receive beneficial duty that could have a material adverse effect on the Company's business.

A portion of the Company's revenues and profits are dependent on a relatively small number of key customers.

Our top ten customers accounted for approximately 33% of our net sales for fiscal 2016 and approximately 32% of receivables as of June 26, 2016. A decrease in sales to, or a complete loss of business from, a key customer could have an adverse impact on the Company's business. Dependence on a small number of large customers also creates credit risk should one or more of these key customers experience a decline in business and become unable to meet their obligations to the Company.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table contains information about the principal properties owned or leased by the Company as of June 26, 2016:

Location	Description
Polyester Segment Properties	
Domestic	
Yadkinville, NC	Five plants (1) and five warehouses (2)
Reidsville, NC	Two plants (1)
Foreign	
Ciudad Arce, El Salvador	One plant and one warehouse (3)

Nylon Segment Properties

Domestic

Madison, NC	One plant and one warehouse (1)

Foreign

Bogota, Colombia	One plant (1)

International Segment Properties

Foreign

Alfenas, Brazil	One plant and one warehouse (1)
Sao Paulo, Americana and Blumenau, Brazil	One corporate office (3) and two sales offices (3)
Suzhou, China	One sales office (3) and one warehouse (3)
Schaffhausen, Switzerland	One sales office (3)

(1) Owned in fee simple.
(2) Three warehouses are owned in fee simple and two warehouses are leased.

(3) Leased facilities.

In addition to the above properties, the Company owns property located at 7201 West Friendly Avenue in Greensboro, North Carolina, which includes a building that serves as the Company's corporate headquarters and administrative offices for all of its segments and a sales office. Such property consists of a tract of land containing approximately nine acres, and the building contains approximately 120,000 square feet.

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Repreve Renewables, LLC (i) owns a processing center in Seven Springs, North Carolina and (ii) has approximately 5,700 acres of farm land under lease or contract grower arrangements located in Georgia, Iowa, Maryland, Mississippi, North Carolina, Oklahoma and Wisconsin.

As of June 26, 2016, the Company owned approximately 4.8 million square feet of manufacturing, warehouse and office space. Management believes all of the Company's operating properties are well maintained and in good condition. In fiscal 2016, the Company's plants in the Polyester, Nylon and International Segments operated below capacity. Management does not perceive any capacity constraints in the foreseeable future.

Item 3. 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.

Item 4. Mine Safety Disclosures

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a description of the names and ages of the executive officers of the Company, indicating all positions and offices with the Company held by each such person and each person's principal occupations or employment during the past five years. Each executive officer of the Company is elected by the Board and holds office from the date of election until thereafter removed by the Board.

Thomas H. Caudle, Jr. — Age: 64 – Mr. Caudle has served as President and a director of Unifi since April 2016. Previously, he was Vice President of Manufacturing of the Company from October 2006 to April 2016 and Vice President of Global Operations of the Company from April 2003 until October 2006. Mr. Caudle joined Unifi in 1982 and, since that time, has served in a variety of other leadership roles, including Senior Vice President in charge of manufacturing for the Company and Vice President of Manufacturing Services.

Sean D. Goodman — Age: 51 – Mr. Goodman has been Vice President and Chief Financial Officer of Unifi since he joined the Company in January 2016. Prior to that, Mr. Goodman served as Senior Vice President and Chief Financial Officer of the Americas region of Landis+Gyr, a multinational corporation focused on energy management technologies, from April 2011 to December 2015. Mr. Goodman also previously served as Director of Strategic Business Development and Director of Finance at The Home Depot, Inc., Vice President of Investment Banking at Morgan Stanley, Head of Strategy and Corporate Development at GUS plc, and a Senior Manager at Deloitte & Touche LLP.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is listed for trading on the New York Stock Exchange ("NYSE") under the symbol "UFI." The following table sets forth the closing, high and low sales prices of the common stock for the Company's two most recent fiscal years.

	Close	High	Low
Fiscal 2016:			
Fourth quarter ended June 26, 2016	$26.29	$27.99	$20.71
Third quarter ended March 27, 2016	22.74	28.96	20.85
Second quarter ended December 27, 2015	28.66	32.99	25.76
First quarter ended September 27, 2015	29.35	34.80	25.75
Fiscal 2015:			
Fourth quarter ended June 28, 2015	$33.94	$37.54	$30.93
Third quarter ended March 29, 2015	36.08	36.30	28.55
Second quarter ended December 28, 2014	30.04	30.97	24.51
First quarter ended September 28, 2014	26.42	30.93	25.50

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As of August 18, 2016, there were 149 record holders of the Company's common stock. A significant number of the outstanding shares of common stock that are beneficially owned by individuals and entities are registered in the name of Cede & Co. Cede & Co. is a nominee of the Depository Trust Company, a securities depository for banks and brokerage firms. The Company estimates that there are approximately 5,600 beneficial owners of its common stock.

No dividends were paid in the past two fiscal years, and the Company does not intend to pay cash dividends in the foreseeable future. The Company's current debt obligations contain certain restricted payment and restricted investment provisions, including a restriction on the payment of dividends and share repurchases should its borrowing capacity fall below certain thresholds. Information regarding the Company's debt obligations is provided in Note 12 to the Consolidated Financial Statements in this Annual Report on Form 10-K.

Purchases of Equity Securities

On January 22, 2013, the Company announced a stock repurchase program (the "2013 SRP") to acquire up to $50,000 of the Company's common stock. The Company completed its repurchase of shares under the 2013 SRP in March 2014.

On April 23, 2014, the Company announced a new stock repurchase program (the "2014 SRP") to acquire up to an additional $50,000 of the Company's common stock. Under the 2014 SRP (as was the case under the 2013 SRP), the Company has been authorized to repurchase shares at prevailing market prices, through open market purchases or privately negotiated transactions at such times and prices and in such manner as determined by management, subject to market conditions, applicable legal requirements, contractual obligations and other factors. Repurchases, if any, are expected to be financed through cash generated from operations and borrowings, and are subject to applicable limitations and restrictions as set forth in the credit agreement governing the Company's debt obligations. The 2014 SRP has no stated expiration or termination date, and there is no time limit or specific time frame otherwise for repurchases. The Company may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable.

Through August 18, 2016, the Company has repurchased 3,147 shares of its common stock at a total cost of $72,438, including all associated commission costs, since the inception of the 2013 SRP and the 2014 SRP.

The Company did not purchase any of its common stock during the fourth quarter of fiscal 2016. As of August 18, 2016, $27,603 remained available for repurchases under the 2014 SRP.

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PERFORMANCE GRAPH - SHAREHOLDER RETURN ON COMMON STOCK

The below graphic comparison assumes the investment of $100 in each of Unifi, Inc. common stock, the NYSE Composite Index (a broad equity market index), the S&P Smallcap 600 Index (a benchmark index containing inclusion characteristics closely associated with the Company), and a peer group historically selected by the Company in good faith (the “Peer Group”), all at June 24, 2011. The resulting cumulative total return assumes that dividends, if any, were reinvested. Past performance is not indicative of future performance.

Including the Company, the Peer Group consists of eight publicly-traded textile companies, the other seven of which are: Albany International Corp., Culp, Inc., The Dixie Group, Inc., Hampshire Group, Limited, Interface, Inc., Lydall, Inc. and Mohawk Industries, Inc.

We have included the S&P Smallcap 600 Index in this year’s stock performance graph because we believe this index provides a better comparison and benchmark against which to measure our stock performance than the custom Peer Group previously used and provides a more appropriate comparison of our stock performance with that of other similar companies. We have retained the Peer Group for this year for comparison purposes, but do not intend to include the Peer Group in our stock performance graph going forward.

	June 24, 2011	June 22, 2012	June 28, 2013	June 27, 2014	June 26, 2015	June 24, 2016
Unifi, Inc.	$100.00	$98.85	$170.40	$226.88	$279.80	$216.74
NYSE Composite	100.00	96.28	116.06	142.46	143.59	143.11
S&P Smallcap 600	100.00	101.43	126.97	159.39	170.10	170.05
Peer Group	100.00	96.33	164.35	200.35	272.13	252.90

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Item 6. Selected Financial Data

The following table presents selected historical consolidated financial data (with dollars in thousands, except per share data). The data should be read in conjunction with the Company's historical consolidated financial statements for each of the periods presented, as well as "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

	For the Fiscal Year Ended				
	June 26, 2016	**June 28, 2015**	**June 29, 2014**	**June 30, 2013**	**June 24, 2012**
Number of fiscal weeks	52	52	52	53	52
Operations Data:					
Net sales	$643,637	$687,121	$687,902	$713,962	$705,086
Gross profit	93,632	90,705	83,262	73,104	54,396
Selling, general and administrative expenses	47,502	49,672	46,203	47,386	43,482
Operating income	42,198	38,486	31,483	22,463	8,632
Interest expense	3,528	4,025	4,329	4,489	16,073
Equity in earnings of unconsolidated affiliates [1]	(8,963)	(19,475)	(19,063)	(11,444)	(19,740)
Income from continuing operations before income taxes	48,243	53,812	47,881	29,014	8,849
Provision (benefit) for income taxes [2]	15,073	13,346	20,161	13,344	(1,979)
Income from continuing operations, net of tax	33,170	40,466	27,720	15,670	10,828
Net income attributable to Unifi, Inc.	34,415	42,151	28,823	16,635	11,491
Per common share:					
Net income attributable to Unifi, Inc.					
Basic	$1.93	$2.32	$1.52	$0.84	$0.57
Diluted	$1.87	$2.24	$1.47	$0.80	$0.56
Cash Flow Data:					
Net cash provided by operating activities	$55,975	$38,903	$56,357	$50,509	$43,309
Depreciation and amortization expenses	17,528	18,043	17,896	24,584	27,135
Capital expenditures	52,337	25,966	19,091	8,809	6,354
Distributions received from unconsolidated affiliates	4,732	3,718	13,214	14,940	10,616
Cash paid for share repurchases	6,211	10,360	36,551	19,315	—
Cash dividends declared per common share	$—	$—	$—	$—	$—

	June 26, 2016	**June 28, 2015**	**June 29, 2014**	**June 30, 2013**	**June 24, 2012**
Balance Sheet Data:					
Cash and cash equivalents	$16,646	$10,013	$15,907	$8,755	$10,886
Property, plant and equipment, net	185,101	136,222	123,802	115,164	127,090

Total assets	526,863	476,372	468,682	455,027	481,844
Total debt	123,012	104,110	99,488	97,753	121,552
Total shareholders’ equity	326,945	299,093	286,738	286,480	290,780

(1) Equity in earnings of unconsolidated affiliates for fiscal 2015 includes two bargain purchase gains recognized by Parkdale America, LLC for a combined impact to the Company of $4,696.

(2) Provision for income taxes for fiscal 2015 includes, among other items, the reversal of $7,639 for the deferred tax liability related to the Company’s indefinite reinvestment assertion, a $3,008 impact related to certain intercompany foreign currency transactions that originated in prior years and were settled in the fourth quarter of fiscal 2015, the release of $3,009 from the valuation allowance primarily in connection with an unconsolidated affiliate, renewable energy credits of $1,036 and net expense recognized for uncertain tax positions of $2,879.

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During fiscal 2014, the Company increased the valuation allowance for certain deferred tax assets, generating additional tax expense of $1,925.

During fiscal 2013, the Company increased the valuation allowance for certain deferred tax assets, generating additional tax expense of $3,243.

During fiscal 2012, the Company released previously recorded valuation allowances against certain of its domestic deferred tax assets, resulting in a $6,017 benefit recorded to income tax expense.

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Item 7. 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 the Company's operations, along with material changes in financial condition, during the periods included in the accompanying Consolidated Financial Statements included in this Annual Report on Form 10-K. Management's discussion and analysis should be read in conjunction with the remainder of this Annual Report on Form 10-K, with the understanding that "forward-looking statements" may be present. A reference to a "note" refers to the accompanying Notes to Consolidated Financial Statements.

Overview

The Company processes and sells high-volume commodity yarns, specialized yarns designed to meet certain customer specifications, and premium value-added ("PVA") yarns with enhanced performance characteristics. The Company sells yarns made from polyester and nylon to other yarn manufacturers and knitters and weavers that produce fabric for the apparel, hosiery, home furnishings, automotive upholstery, industrial and other end-use markets. The Company's polyester products include polyester polymer beads ("Chip"), partially oriented yarn ("POY"), textured, solution and package dyed, twisted, beamed and draw wound yarns. Each polyester product is available in virgin or recycled varieties, where the recycled is made from both pre-consumer yarn waste and post-consumer waste, including plastic bottles. The Company's nylon products include textured, solution dyed and spandex covered products.

The Company maintains one of the textile industry's most comprehensive yarn product offerings, and has manufacturing operations in four countries and participates in joint ventures in Israel and the U.S. The Company's principal geographic markets for its products are located in North America, Central America, South America and Asia. The Company has three reportable segments for its operations - the Polyester Segment, the Nylon Segment and the International Segment – as well as certain ancillary operations that include Repreve Renewables, LLC ("Renewables"), for-hire transportation services and consulting services, which comprise an All Other category. The ancillary operations classified within All Other are insignificant for all periods presented, therefore, the Company's discussion and analysis of those activities is generally limited to their impact on consolidated results, where appropriate.

The Company reported net income of $34,415, or $1.93 per basic share, for fiscal 2016. Such results reflect (i) growth in sales of PVA products, especially in the International Segment, (ii) lower selling, general and administrative ("SG&A") expenses than in fiscal 2015 and (iii) lower polyester raw material costs than in fiscal 2015. The International Segment, which was resilient in a difficult economic environment, exhibited strength as the year progressed (especially with sales of PVA products), despite unfavorable impacts from devaluation of the Brazilian currency and soft economic conditions in China. Strong PVA sales are expected to continue to drive favorable results in the Americas and Asia.

Significant Developments and Trends

The Company's operations in fiscal 2016 remained focused on making improvements to its core business, growing the market for its value-added products, and using cash flow from operations to fund select capital projects, strategic growth opportunities and share repurchases. This focus led to the continuing increase in the Company's PVA sales as a percentage of its overall sales volume, with sales of PVA products representing approximately 35%, 30% and 27% of consolidated net sales for fiscal 2016, 2015 and 2014, respectively. The Company's strategy of enriching its product mix through a focus on PVA products helps insulate it from the pressures of low-priced commodity yarn imports and helps to establish the Company as an innovation leader in its core markets.

The Company's REPREVE® flagship brand continued to grow at a faster pace than other PVA products during fiscal 2016. The increasing success and consumer awareness of the REPREVE® brand continues to provide new opportunities for growth, allowing us to expand into new end-uses and markets for REPREVE®, as well as continuing to grow the brand with current customers.

Fiscal 2016 marks the second of three fiscal years of a significant capital investment plan. Beginning with fiscal 2015, the Company invested approximately $35,000, adding machinery to support expansion of its draw-textured and air-jet textured businesses, launching its third production line in the REPREVE® Recycling Center and installing a 1-megawatt capacity solar farm. In fiscal 2016, the Company invested approximately $60,000 in capital projects, constructing a bottle processing facility, commencing another REPREVE® Recycling Center expansion and enhancing automation systems and existing machinery to handle the increasingly-complex product mix. The Company expects to invest approximately $40,000 in fiscal 2017 to complete the existing significant capital investment plan, completing the fourth production line in the REPREVE® Recycling Center, further enhancing existing assets for supporting growth of the PVA portfolio and fixed asset investments in Asia as prominent brand and retail partners continue to respond well to our strategy to provide PVA products globally.

Alongside its capital projects, the Company has maintained strategic repurchases of shares of its common stock pursuant to its second $50,000 stock repurchase program announced by the Company on April 23, 2014. During fiscal 2016, the Company repurchased a total of 206 shares at an average price of $30.13.

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Raw material components represent a significant portion of the Company's manufactured products. The price of the principal raw materials used by the Company fluctuates frequently, and it is difficult, and often impossible, to predict trends or upcoming developments. During fiscal 2016, 2015 and 2014, the Company operated under a predominantly declining polyester raw material cost environment. The Company believes that polyester raw material costs during most of this time were impacted by lower crude oil values, a lack of major unplanned raw material capacity outages and soft global demand for polyester raw materials. The continuing softness in global crude oil prices is likely to impact the Company's polyester and nylon raw material costs, but it is not possible to predict the timing or amount of the impact or whether the decline in crude oil prices will stabilize, continue or reverse. In any event, the Company monitors these dynamic factors closely.

During recent years, and most notably in fiscal 2015 and 2016, the Company has been negatively impacted by a devaluation of the Brazilian Real. This devaluation has a significant impact on our net sales and other performance metrics as the results of our Brazilian subsidiary are translated into U.S. Dollars at unfavorable rates. Specifically, the Brazilian Real declined approximately 40% in relation to the U.S. Dollar in fiscal 2015.

Results of Operations

Fiscal 2016, 2015 and 2014 all consisted of 52 weeks. The following table presents a summary of Net income attributable to Unifi, Inc.:

	For the Fiscal Year Ended		
	June 26, 2016	**June 28, 2015**	**June 29, 2014**
Net sales	$643,637	$687,121	$687,902
Cost of sales	550,005	596,416	604,640
Gross profit	93,632	90,705	83,262
Selling, general and administrative expenses	47,502	49,672	46,203
Provision for bad debts	1,684	947	287
Other operating expense, net	2,248	1,600	5,289
Operating income	42,198	38,486	31,483
Interest expense, net	2,918	3,109	2,539
Loss on extinguishment of debt	—	1,040	—
Other non-operating expense	—	—	126
Equity in earnings of unconsolidated affiliates	(8,963)	(19,475)	(19,063)
Income before income taxes	48,243	53,812	47,881
Provision for income taxes	15,073	13,346	20,161
Net income including non-controlling interest	33,170	40,466	27,720
Less: net loss attributable to non-controlling interest	(1,245)	(1,685)	(1,103)
Net income attributable to Unifi, Inc.	$34,415	$42,151	$28,823

See Note 26 to the Consolidated Financial Statements in this Annual Report on Form 10-K for reconciliations and detail regarding the Company's reportable segments, discussion and analysis of which follows below.

Key Performance Indicators and Non-GAAP Financial Measures

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

sales volume for the Company and for each of its reportable segments;

unit conversion margin, which represents unit net sales price less unit raw material costs, for the Company and for each of its reportable segments;

gross profit and gross margin for the Company and for each of its reportable segments;

working capital, which represents current assets less current liabilities;

net income and earnings per share for the Company;

Segment Profit, which equals segment gross profit, plus segment depreciation expense;

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), which represents net income attributable to Unifi, Inc. before net interest expense, income tax expense and depreciation and amortization expense;

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Adjusted EBITDA, which represents EBITDA adjusted to exclude equity in earnings of Parkdale America, LLC ("PAL"); losses on extinguishment of debt; and other operating or non-operating income or expense items necessary to understand and compare the underlying results of the Company. The Company may, from time to time, modify the amounts used to determine its non-GAAP financial measures. In the fourth quarter of fiscal 2016, the Company simplified the calculation of Adjusted EBITDA by eliminating certain adjustments. Most notably, the Company will no longer include an adjustment for non-cash compensation expenses. This simplification is intended to improve the transparency and consistency of management's primary non-GAAP performance metric. Below, the Company has reconciled Adjusted EBITDA under the new definition (applicable in the fourth quarter of fiscal 2016) to Adjusted EBITDA under the previous definition (i.e. as disclosed in the third quarter earnings release, dated April 20, 2016). The Company deems this dual disclosure helpful for external users, most notably in connection with Adjusted EBITDA amounts provided in prior disclosures;

Adjusted Net Income, which excludes certain amounts which management believes do not reflect the ongoing operations and performance of the Company. Adjusted Net Income represents Net income attributable to Unifi, Inc. calculated under GAAP, adjusted to exclude the approximate after-tax impact of certain income or expense items (as well as specific impacts to the provision for income taxes) necessary to understand and compare the underlying results of the Company. The Company may, from time to time, modify the amounts used to determine its non-GAAP financial measures. In the fourth quarter of fiscal 2016, the Company updated the calculation of Adjusted Net Income. Below, the Company has reconciled Adjusted Net Income under the new definition (applicable in the fourth quarter of fiscal 2016) to Adjusted Net Income under the previous definition (i.e. as disclosed in the third quarter earnings release, dated April 20, 2016). The Company deems this dual disclosure helpful for external users, most notably in connection with Adjusted Net Income amounts provided in prior disclosures;

Adjusted EPS (earnings per share), which represents Adjusted Net Income divided by the Company's basic weighted average common shares outstanding; and

Adjusted Working Capital (receivables plus inventory, less accounts payable and accrued expenses), which is an indicator of the Company's production efficiency and ability to manage its inventory and receivables.

EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted EPS and Adjusted Working Capital are not determined in accordance with generally accepted accounting principles ("GAAP") and should not be considered a substitute for performance measures determined in accordance with GAAP. EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted EPS and Adjusted Working Capital are non-GAAP financial measurements that management uses to facilitate its analysis and understanding of the Company's business operations. Management believes they are useful to investors because they provide a supplemental way to understand the underlying operating performance and debt service capacity of the Company. The calculations of EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted EPS and Adjusted Working Capital are subjective measures based on management's belief as to which items should be included or excluded in order to provide the most reasonable view of the underlying operating performance of the business. When applicable, management's discussion and analysis includes specific consideration for items that comprise the reconciliations of its non-GAAP metrics. See "Select Non-GAAP Reconciliation Information" below for reconciliations of non-GAAP metrics to most directly comparable GAAP metric.

Select Non-GAAP Reconciliation Information

The reconciliations of the amounts reported under GAAP for Net income attributable to Unifi, Inc. to EBITDA, Adjusted EBITDA (as newly defined) and Adjusted EBITDA (as previously defined) are as follows:

	For the Fiscal Year Ended		
	June 26, 2016	**June 28, 2015**	**June 29, 2014**
Net income attributable to Unifi, Inc.	$34,415	$42,151	$28,823
Interest expense, net	2,884	3,109	2,539
Provision for income taxes	15,073	13,346	20,161
Depreciation and amortization expense	16,893	17,367	17,334
EBITDA	69,265	75,973	68,857
Equity in earnings of Parkdale America, LLC	(6,074)	(17,403)	(17,846)
EBITDA excluding Parkdale, America LLC	63,191	58,570	51,011
Key employee transition costs	2,166	—	941
Loss on extinguishment of debt	—	1,040	—
Adjusted EBITDA, as newly defined	$65,357	$59,610	$51,952
Adjusted EBITDA, as newly defined	65,357	59,610	51,952
Non-cash compensation expense	2,501	3,148	2,690
Foreign currency transaction losses	397	448	504
Net loss on sale or disposal of assets	(13)	245	475
Restructuring charges, net	—	—	332
Other, net	399	871	1,420
Adjusted EBITDA, as previously defined	$68,641	$64,322	$57,373

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Amounts presented in the reconciliation above may not be consistent with amounts included in the Company's Consolidated Financial Statements due to the impact of the non-controlling interest in Repreve Renewables, LLC.

The reconciliations of Income before income taxes, Net income attributable to Unifi, Inc. ("Net Income") to Adjusted Net Income and Basic Earnings Per Share ("Basic EPS") to Adjusted EPS are detailed in the tables below. Excluding the GAAP results in the tables below, amounts reported under the Net Income columns are generally calculated by applying the statutory tax rate of the jurisdiction for which the amount relates, or, when no impact to Income before income taxes exists, amounts represent components of the respective period's provision for income taxes.

	Fiscal Year 2016			
	Income Before Income Taxes	**Tax Impact** (4)	**Net Income** (5)	**Basic EPS**
GAAP results	$48,243	$—	$34,415	$1.93
Key employee transition costs (1)	2,330	(673)	1,493	0.08
Adjusted results, as newly defined (2)	$50,573	$(673)	$35,908	$2.01
Adjusted results, as newly defined (2)	$50,573	$(673)	$35,908	$2.01
Change in certain valuation allowances	—	(461)	(461)	(0.02)
Net loss on sale or disposal of assets	nm	nm	nm	nm
Adjusted results, as previously defined (3)	$50,573	$(1,134)	$35,447	$1.99
Weighted average common shares outstanding				17,857

	Fiscal Year 2015			
	Income Before Income Taxes	**Tax Impact** (4)	**Net Income** (5)	**Basic EPS**
GAAP results	$53,812	$—	$42,151	$2.32
Change in deferred tax liability for unremitted foreign earnings assertion	—	(7,639)	(7,639)	(0.42)
Change in deferred tax asset for certain foreign currency transactions	—	3,008	3,008	0.17
Change in uncertain tax positions	—	2,879	2,879	0.16
Renewable energy tax credits	—	(1,036)	(1,036)	(0.06)
Bargain purchase gains for an equity affiliate (6)	(4,696)	—	(4,696)	(0.26)
Loss on extinguishment of debt	1,040	(364)	676	0.03
Adjusted results, as newly defined (2)	$50,156	$(3,152)	$35,343	$1.94
Adjusted results, as newly defined (2)	$50,156	$(3,152)	$35,343	$1.94
Change in certain valuation allowances	—	(1,506)	(1,506)	(0.08)
Net loss on sale or disposal of assets (1)	778	190	439	0.02

Adjusted results, as previously defined [3]	$50,934	$(4,468)	$34,276	$1.88
Weighted average common shares outstanding				18,207

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	Fiscal Year 2014			
	Income Before Income Taxes	Tax Impact (4)	Net Income (5)	Basic EPS
GAAP results	$47,881	$ —	$28,823	$1.52
Severance charges	941	(329)	612	0.04
Change in deferred tax liability for unremitted foreign earnings assertion	—	249	249	0.01
Change in uncertain tax positions	—	(174)	(174)	(0.01)
Interest income related to judicial claim	(1,084)	369	(715)	(0.04)
Adjusted results, as newly defined (2)	$47,738	$ 115	$28,795	$1.52
Adjusted results, as newly defined (2)	$47,738	$ 115	$28,795	$1.52
Change in certain valuation allowances	—	1,925	1,925	0.10
Net restructuring charges	332	(117)	215	0.01
Net loss on sale or disposal of assets	475	(166)	309	0.02
Adjusted results, as previously defined (3)	$48,545	$ 1,757	$31,244	$1.65
Weighted average common shares outstanding				18,919

(1) Includes transactions for Repreve Renewables, LLC. Therefore, the amounts reflected here consider impacts to the valuation allowances and non-controlling interest.

(2) Calculated under the Company's new definition, as discussed on the previous page.

(3) Calculated under the Company's previous definition, presented here to provide for a comparison to historical amounts discussed and disclosed in prior periods.

(4) Unless otherwise noted, the amount approximates the impact to the provision for income taxes for the respective line item, using a jurisdictional tax rate of 35% for U.S. and 34% for Brazil.

(5) Amounts in this table will not always sum across due to the impact of the non-controlling interest in Repreve Renewables, LLC.

(6) The bargain purchase gains recognized for an equity affiliate did not generate a tax impact for purposes of this reconciliation as the corresponding change in deferred tax expense is offset by a change in the valuation allowance for

the Company's investment in the equity affiliate.

nm - Not meaningful.

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Review of Fiscal 2016 Results of Operations Compared to Fiscal 2015

Consolidated Overview

The components of Net income attributable to Unifi, Inc., each component as a percentage of net sales, and the percentage increase or decrease over the prior year amounts are presented in the table below. Fiscal 2016 and 2015 both are comprised of 52 weeks.

	For the Fiscal Year Ended				
	June 26, 2016		June 28, 2015		
		% of Net Sales		% of Net Sales	% Change
Net sales	$643,637	100.0	$687,121	100.0	(6.3)
Cost of sales	550,005	85.5	596,416	86.8	(7.8)
Gross profit	93,632	14.5	90,705	13.2	3.2
Selling, general and administrative expenses	47,502	7.4	49,672	7.2	(4.4)
Provision for bad debts	1,684	0.2	947	0.2	77.8
Other operating expense, net	2,248	0.3	1,600	0.2	40.5
Operating income	42,198	6.6	38,486	5.6	9.6
Interest expense, net	2,918	0.5	3,109	0.4	(6.1)
Loss on extinguishment of debt	—	—	1,040	0.2	nm
Earnings from unconsolidated affiliates	(8,963)	(1.4)	(19,475)	(2.8)	(54.0)
Income before income taxes	48,243	7.5	53,812	7.8	(10.3)
Provision for income taxes	15,073	2.4	13,346	1.9	12.9
Net income including non-controlling interest	33,170	5.1	40,466	5.9	(18.0)
Less: net loss attributable to non-controlling interest	(1,245)	(0.2)	(1,685)	(0.2)	(26.1)
Net income attributable to Unifi, Inc.	$34,415	5.3	$42,151	6.1	(18.4)

nm – Not meaningful

Consolidated Net Sales

Consolidated net sales for fiscal 2016 decreased by $43,484, or 6.3%, as compared to fiscal 2015.

Consolidated sales volumes decreased 0.7%, concentrated in the Polyester and Nylon Segments, while volumes in the International Segment increased. The slight overall decline in sales volumes was attributable to (i) the Company's strategic exiting of specific low-margin business, (ii) domestic market softness and supply chain adjustments, partially offset by increased global demand for our PVA yarns.

The Company expects the domestic market softness experienced in fiscal 2016 to have an ongoing impact into the first half of fiscal 2017, but the Company has not identified this matter as a long-term trend.

Consolidated sales pricing declined 5.6%, primarily due to (i) the devaluation of certain foreign currencies versus the U.S. Dollar (approximately $31,000), (ii) a lower proportion of nylon in our product mix and (iii) lower pricing in the Polyester and Nylon Segments as a result of lower raw material costs, partially offset by pricing improvements attributable to the continued success of PVA programs. PVA products comprised approximately 35% of the Company's consolidated net sales for fiscal 2016 as compared to approximately 30% for fiscal 2015.

Consolidated Gross Profit

Gross profit for fiscal 2016 increased by $2,927, or 3.2%, as compared to fiscal 2015, reflecting strength in the International Segment, partially offset by decreases in the Polyester and Nylon Segments. Gross profit increased for the International Segment due to (i) an increase in sales volumes and margins for our China subsidiary from PVA sales growth and (ii) improved margins in Brazil, partially offset by unfavorable currency translation due to the devaluation of the Brazilian Real and Chinese Renminbi versus the U.S. Dollar. Lower gross profit for the Polyester Segment was primarily attributable to lower sales volumes. Gross profit decreased for the Nylon Segment primarily due to lower sales volumes and devaluation of the Colombian Peso versus the U.S. Dollar, partially offset by improved overall manufacturing efficiencies.

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Further details regarding the changes in net sales and gross profit from fiscal 2015 to fiscal 2016 by reportable segment follow.

As of the fourth quarter of fiscal 2016, the Company updated the composition of its Polyester and Nylon Segments for both the current and comparative prior periods, intending to better reflect downstream sales for the respective product lines.

Polyester 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 Polyester Segment are as follows:

	For Fiscal Year Ended				
	June 26, 2016		June 28, 2015		
		% of Net Sales		% of Net Sales	% Change
Net sales	$383,167	100.0	$396,239	100.0	(3.3)
Cost of sales	333,638	87.1	345,462	87.2	(3.4)
Gross profit	49,529	12.9	50,777	12.8	(2.5)
Depreciation expense	11,188	2.9	10,579	2.7	5.8
Segment Profit	$60,717	15.8	$61,356	15.5	(1.0)

The change in net sales for the Polyester Segment is as follows:

Net sales for fiscal 2015	$396,239
Decrease in average selling price	(8,150)
Decrease in sales volumes	(4,922)
Net sales for fiscal 2016	$383,167

The decrease in net sales was attributable to lower sales prices as a result of lower raw material costs (approximately 10% for virgin polyester raw materials), partially offset by an improved sales mix (due to our focus on growing PVA sales). Decreased sales volumes are primarily attributable to (i) the strategic exiting of specific lower-margin commodity business and (ii) lower demand in certain sectors of the retail market, partially offset by growth of PVA yarn volumes.

The change in Segment Profit for the Polyester Segment is as follows:

Segment Profit for fiscal 2015	$61,356
Decrease in sales volumes	(761)
Increase in underlying margins	122
Segment Profit for fiscal 2016	$60,717

The decrease in Segment Profit was attributable to lower sales volumes (as discussed above) and an increase in manufacturing costs, partially offset by the favorable impact of mix enrichment achieved through increased demand for our PVA yarns. Segment Profit, as a percentage of net sales, grew over fiscal 2015, demonstrating mix enrichment.

Polyester Segment net sales and Segment Profit as a percentage of total consolidated amounts were 59.5% and 56.0% for fiscal 2016, compared to 57.7% and 58.1% for fiscal 2015, respectively.

Nylon 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 Nylon Segment are as follows:

	For Fiscal Year Ended				
	June 26, 2016		June 28, 2015		
		% of Net Sales		% of Net Sales	% Change
Net sales	$131,715	100.0	$149,612	100.0	(12.0)
Cost of sales	113,906	86.5	130,644	87.3	(12.8)
Gross profit	17,809	13.5	18,968	12.7	(6.1)
Depreciation expense	1,899	1.5	1,798	1.2	5.6
Segment Profit	$19,708	15.0	$20,766	13.9	(5.1)

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The change in net sales for the Nylon Segment is as follows:

Net sales for fiscal 2015	$149,612
Decrease in sales volumes	(13,457)
Decrease in average selling price and change in sales mix	(3,173)
Unfavorable currency translation effects	(1,267)
Net sales for fiscal 2016	$131,715

The decrease in net sales was primarily attributable to (i) lower sales volumes as a result of domestic market weakness and certain inventory adjustments in the supply chain, (ii) a decrease in pricing following the decline in raw material costs, and (iii) currency devaluation of the Colombian Peso versus the U.S. Dollar.

The change in Segment Profit for the Nylon Segment is as follows:

Segment Profit for fiscal 2015	$20,766
Decrease in sales volumes	(1,867)
Unfavorable currency translation effects (Colombian Peso)	(329)
Improvement in underlying margins	1,138
Segment Profit for fiscal 2016	$19,708

The decrease in Segment Profit was primarily attributable to (i) lower sales volume (as discussed above), and (ii) the unfavorable impact of currency devaluation of the Colombian Peso versus the U.S. Dollar. These decreases were partially offset by improved manufacturing efficiencies.

Nylon Segment net sales and Segment Profit as a percentage of total consolidated amounts were 20.5% and 18.2% for fiscal 2016, compared to 21.8% and 19.7% for fiscal 2015, respectively.

International 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 International Segment are as follows:

	For Fiscal Year Ended				
	June 26, 2016		June 28, 2015		
		% of Net Sales		% of Net Sales	% Change
Net sales	$122,554	100.0	$134,992	100.0	(9.2)
Cost of sales	95,666	78.1	113,556	84.1	(15.8)
Gross profit	26,888	21.9	21,436	15.9	25.4
Depreciation expense	885	0.8	1,997	1.5	(55.7)
Segment Profit	$27,773	22.7	$23,433	17.4	18.5

The change in net sales for the International Segment is as follows:

Net sales for fiscal 2015	$134,992
Unfavorable currency translation effects (Brazilian Real and Chinese Renminbi)	(29,761)
Improvement in average selling price and change in sales mix	14,233
Increase in sales volumes	3,090
Net sales for fiscal 2016	$122,554

The decrease in net sales was primarily attributable to unfavorable currency translation due to the devaluation of the Brazilian Real versus the U.S. Dollar (using a weighted average exchange rate of 3.67 Real/U.S. Dollar versus 2.66) and weakening of the Chinese Renminbi versus the U.S. Dollar. PVA portfolio growth and favorable product and price mix in Brazil led to improvements in average selling price and sales mix. In addition, our Brazilian subsidiary gained market share during the second half of fiscal 2016 as a local competitor closed its operations.

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The change in Segment Profit for the International Segment is as follows:

Segment Profit for fiscal 2015	$23,433
Improvements in underlying margins	9,098
Increase in sales volumes	516
Unfavorable currency translation effects (Brazilian Real and Chinese Renminbi)	(5,274)
Segment Profit for fiscal 2016	$27,773

The increase in Segment Profit for the International Segment was attributable to (i) improved margins in Brazil based on a greater mix of higher-margin manufactured PVA products as well as increased unit conversion margin for both manufactured and resale yarns, (ii) improved margins in China due to the continued growth of PVA programs in Asia and (iii) higher sales volumes as noted in the net sales analysis above. The increase was partially offset by unfavorable currency translation effects due to the devaluation of both the Brazilian Real and Chinese Renminbi against the U.S. Dollar.

International Segment net sales and Segment profit as a percentage of total consolidated amounts were 19.0% and 25.6% for fiscal 2016, compared to 19.6% and 22.2% for fiscal 2015, respectively.

Consolidated Selling, General & Administrative Expenses

The change in SG&A expenses is as follows:

SG&A expenses for fiscal 2015	$49,672
Decrease in variable compensation	(1,231)
Decrease in non-cash compensation expenses	(647)
Decrease in depreciation and amortization expenses	(304)
Increase in consumer marketing and branding expenses	888
Decrease due to currency translation, and other net activity	(876)
SG&A expenses for fiscal 2016	$47,502

Total SG&A expenses were lower versus the prior year period, primarily attributable to (i) a decrease in variable compensation expense due to a smaller pool of executive officers in fiscal 2016, (ii) a decrease in non-cash compensation expense reflecting (a) lower expense for an unfunded supplemental retirement plan driven by lower market performance for an equity index during fiscal 2016 and (b) a comparative decline in the quantity of option awards vesting, (iii) a decrease in depreciation and amortization expenses due to lower amortization of customer lists and (iv) a decrease due to the impact of currency translation. These decreases were partially offset by an increase in consumer marketing and branding expenses resulting from the timing and magnitude of expenses for advertising and sponsorship agreements, primarily for REPREVE®.

Consolidated Provision for Bad Debts

Provision for bad debts increased from $947 for fiscal 2015 to $1,684 for fiscal 2016. The increase primarily reflects a provision for a specific Polyester customer balance, for which the Company has determined a full recovery to be unlikely.

Consolidated Other Operating Expense, Net

Other operating expense, net increased from $1,600 for fiscal 2015 to $2,248 for fiscal 2016, and reflected the following components:

	For the Fiscal Year Ended	
	June 26, 2016	**June 28, 2015**
Consulting and transition fees for former executive officers	$1,293	$—
Foreign currency transaction losses	397	448
Net (gain) loss on sale or disposal of assets	(13)	778
Other, net	571	374
Other operating expense, net	$2,248	$1,600

The increase was driven by the incurrence of consulting and transition fees related to former executives of the Company, partially offset by a year-over-year decrease in the net impact of asset disposals. Other, net consists of severance charges relating to the transition of certain key employees, partially offset by favorable fair value adjustments for a contingent consideration liability.

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During fiscal 2015, Renewables recorded a loss on disposal of assets of $1,322 (before non-controlling interest) relating to certain miscanthus grass which would not be used in the future. Also in fiscal 2015, the Company recognized a gain on sale of assets of $630 relating to the sale of certain land and building assets historically utilized for warehousing in the Polyester Segment.

Consolidated Interest Expense, Net

Interest expense, net decreased from $3,109 for fiscal 2015 to $2,918 for fiscal 2016, and reflected the following components:

	For the Fiscal Year Ended	
	June 26, 2016	**June 28, 2015**
Interest and fees on ABL Facility	$2,903	$3,290
Other interest	885	273
Subtotal of interest on debt obligations	3,788	3,563
Amortization of debt financing fees	407	505
Mark-to-market adjustment for interest rate swap	(20)	(83)
Reclassification adjustment for interest rate swap	77	231
Interest capitalized to property, plant and equipment, net	(724)	(191)
Subtotal of other components of interest expense	(260)	462
Total interest expense	3,528	4,025
Interest income	(610)	(916)
Interest expense, net	$2,918	$3,109

Interest and fees on the ABL Facility decreased in connection with a decline in the weighted average interest rate from 2.8% to 2.3%, partially offset by $177 of fees incurred in fiscal 2016 in connection with the first annual principal reset of the term loan.

The increase in other interest reflects an increase in the average capital lease obligation from $6,286 to $17,583.

The Company capitalized more interest in the current period, driven by increased capital expenditures, the majority of which relate to the construction of a plastic bottle processing facility.

Interest income in each period includes earnings recognized on cash equivalents held globally. Interest income decreased from the comparable prior year period due to a lower average balance of interest-bearing cash equivalents held by our Brazil subsidiary (where interest rates are highest among the Company's subsidiaries) and changes in currency translation attributable to the devaluation of the Brazilian Real against the U.S. Dollar.

Loss on Extinguishment of Debt

The Company's amendment of its credit facility during fiscal 2015 established substantially different terms for the term loan portion of the facility (including the replacement of an existing lender), and led the Company to record a loss on extinguishment of debt of $1,040 for the write-off of certain debt financing fees related to the previous credit agreement.

Consolidated Earnings from Unconsolidated Affiliates

For fiscal 2016, the Company generated $48,243 of income before income taxes, of which $8,963 was generated from its investments in unconsolidated affiliates. For fiscal 2015, the Company generated $53,812 of income before income taxes, of which $19,475 was generated from its investments in unconsolidated affiliates. For fiscal 2016, PAL's corresponding fiscal period consisted of 52 weeks. For fiscal 2015, PAL's corresponding fiscal period consisted of 53 weeks.

The components of earnings from unconsolidated affiliates are as follows:

	For the Fiscal Year Ended	
	June 26, 2016	**June 28, 2015**
Earnings from PAL	$(6,074)	$(17,403)
Earnings from nylon joint ventures	(2,889)	(2,072)
Total equity in earnings of unconsolidated affiliates	$(8,963)	$(19,475)
As a percentage of consolidated income before income taxes	18.6 %	36.2 %

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The Company's 34% share of PAL's earnings decreased from $17,403 in fiscal 2015 to $6,074 in fiscal 2016. The decrease is primarily attributable to (i) two bargain purchase gains (combined total of approximately $14,000 for PAL, which equates to approximately $4,700 for the Company) recognized in the prior year period by PAL from the acquisitions of (a) a yarn manufacturer based in Mexico for which PAL previously held a 50% ownership interest and (b) two cotton spinning facilities in the U.S., (ii) lower volumes related to domestic market weakness, (iii) higher start-up and depreciation expenses in connection with recent expansions and (iv) lower operating margins primarily as a result of competitive price pressure.

The remaining change in earnings from unconsolidated affiliates relates to improved combined operating results for the Company's two nylon extrusion joint ventures that supply POY to the Company's Nylon Segment, resulting from increased volumes and lower raw material costs.

Consolidated Income Taxes

The change in consolidated income taxes is as follows:

	For the Fiscal Year Ended	
	June 26, 2016	June 28, 2015
Income before income taxes	$48,243	$53,812
Provision for income taxes	15,073	13,346
Effective tax rate	31.2 %	24.8 %

The effective tax rates for fiscal 2016 and 2015 were favorably impacted by, among other things (i) a lower overall effective tax rate for the Company's foreign earnings (reflecting free-trade zone sales in El Salvador and lower statutory tax rates in both Brazil and China), (ii) net federal and state credits, (iii) a decrease in the valuation allowance reflecting the recognition of lower taxable income versus book income for the Company's investment in PAL (for which the Company maintains a full valuation allowance) and (iv) the domestic production activities deduction. Such favorable impacts to the fiscal 2016 and 2015 effective tax rates were partially offset by (a) an increase in the valuation allowance for net operating losses, including Renewables, for which no tax benefit could be recognized, (b) state and local taxes net of the assumed federal benefit and (c) a change in uncertain tax positions.

The effective tax rate increased from 24.8% in fiscal 2015 to 31.2% in fiscal 2016, primarily attributable to certain impacts to the fiscal 2015 effective tax rate that were not components of the fiscal 2016 effective tax rate. In fiscal

2015, the effective tax rate was driven lower by (i) the reversal of the deferred tax liability reflecting the Company's indefinite reinvestment assertion at that time, generating a benefit of $7,639 and (ii) renewable energy tax credits of $1,036 relating to the installation of a solar farm in Yadkinville, North Carolina. These benefits were partially offset by the unfavorable impact of settling certain intercompany transactions involving the Company's Brazilian subsidiary, approximating $6,000.

The Company believes activity related to the indefinite reinvestment assertion, combined tax impacts from certain intercompany transactions and renewable energy credits are unlikely to continue in future periods at such magnitude. However, identifying trends in certain components of the provision for income taxes is impracticable.

Consolidated Net Income Attributable to Unifi, Inc.

Net income attributable to Unifi, Inc. for fiscal 2016 was $34,415, or $1.93 per basic share, compared to $42,151, or $2.32 per basic share, for fiscal 2015. After considering the loss on extinguishment of debt of $1,040 recorded in fiscal 2015, the decrease in net income is primarily attributable to (i) a decrease in earnings from PAL (as discussed above), (ii) a more favorable effective tax rate in fiscal 2015, (iii) further unfavorable devaluation of the Brazilian Real versus the U.S. Dollar and (iv) an increase in the provision for bad debts, partially offset by (a) an increase in gross profit, (b) a decrease in SG&A expenses and (c) improved earnings from our nylon joint ventures.

Consolidated Adjusted EBITDA

From fiscal 2015 to 2016, Adjusted EBITDA increased from $64,322 to $68,641 under the Company's previous definition, while increasing from $59,610 to $65,357 under the Company's new definition. As discussed earlier, the improvement in gross profit was the primary driver for the increase in Adjusted EBITDA.

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Review of Fiscal 2015 Results of Operations Compared to Fiscal 2014

Consolidated Overview

The components of Net income attributable to Unifi, Inc., each component as a percentage of net sales, and the percentage increase or decrease over the prior year amounts are presented in the table below. Fiscal 2015 and 2014 are both comprised of 52 weeks.

	For the Fiscal Year Ended				
	June 28, 2015		June 29, 2014		
		% of Net Sales		% of Net Sales	% Change
Net sales	$687,121	100.0	$687,902	100.0	(0.1)
Cost of sales	596,416	86.8	604,640	87.9	(1.4)
Gross profit	90,705	13.2	83,262	12.1	8.9
Selling, general and administrative expenses	49,672	7.2	46,203	6.7	7.5
Provision for bad debts	947	0.2	287	—	230.0
Other operating expense, net	1,600	0.2	5,289	0.8	(69.7)
Operating income	38,486	5.6	31,483	4.6	22.2
Interest expense, net	3,109	0.4	2,539	0.4	22.4
Loss on extinguishment of debt	1,040	0.2	—	—	nm
Other non-operating expense	—	—	126	—	nm
Earnings from unconsolidated affiliates	(19,475)	(2.8)	(19,063)	(2.8)	2.2
Income before income taxes	53,812	7.8	47,881	7.0	12.4
Provision for income taxes	13,346	1.9	20,161	3.0	(33.8)
Net income including non-controlling interest	40,466	5.9	27,720	4.0	46.0
Less: net loss attributable to non-controlling interest	(1,685)	(0.2)	(1,103)	(0.2)	52.8
Net income attributable to Unifi, Inc.	$42,151	6.1	$28,823	4.2	46.2

nm – Not meaningful

Consolidated Net Sales

Consolidated net sales for fiscal 2015 decreased by $781, or 0.1%, as compared to fiscal 2014. The decrease was attributable to (i) unfavorable currency translation due to the devaluation of the Brazilian Real versus the U.S. Dollar and (ii) lower average pricing in the Polyester and Nylon Segments, driven by a reduction in raw material costs and a decline in sales volumes for certain product lines, partially offset by higher sales volumes for (a) regional texturing and (b) the Nylon and International Segments, in addition to revenues from ancillary activities categorized under All Other.

Consolidated sales volumes increased 2.2% from the fiscal 2014 as volumes increased 9.2% in the International Segment, driven by higher manufactured product volumes in Brazil and the success of new programs in China. Polyester Segment sales volumes declined 0.5% as the Company shifted certain production volumes from external sales to internal consumption. This decrease was partially offset by increased textured polyester sales volumes (driven by higher demand for our PVA yarns, primarily REPREVE® products), coupled with growth in the NAFTA and CAFTA regions. Nylon Segment sales volumes increased 0.2%, driven by increased sales of covered nylon yarn, partially offset by lower sales of textured yarns.

Consolidated sales pricing declined 2.3%, primarily due to (i) the devaluation of the Brazilian Real versus the U.S. Dollar and (ii) lower pricing in the Polyester Segment due to lower raw material costs, partially offset by pricing improvements attributable to continued success of PVA programs.

Consolidated Gross Profit

Gross profit for fiscal 2015 increased by $7,443, or 8.9%, as compared to fiscal 2014, reflecting increases in the Polyester and International Segments. Gross profit improvement for the Polyester Segment was primarily driven by higher margins attributable to increased demand for our PVA yarns, coupled with periods of declining raw material costs. Gross profit decreased for the Nylon Segment due to lower margins attributable to a shift in sales mix driven by certain sales programs transitioning from the Nylon Segment to the International Segment, partially offset by increased sales volume for certain covered products as a result of strong demand from the NAFTA and CAFTA regions. Increased gross profit for the International Segment reflects (i) higher sales volumes for Brazil due to favorable pricing conditions for manufactured product, (ii) higher sales volumes in China due to the transition of certain PVA programs from the Nylon Segment and (iii) improved margins and lower converting costs in Brazil on a local currency basis, partially offset by unfavorable currency translation due to the devaluation of the Brazilian Real against the U.S. Dollar. Unfavorable currency translation in the International Segment negatively impacted gross profit by $1,606. Further details regarding the changes in net sales and gross profit from the prior fiscal year follow.

Further details regarding the changes in net sales and gross profit from fiscal 2014 to fiscal 2015 by reportable segment follow.

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As of the fourth quarter of fiscal 2016, the Company updated the composition of its Polyester and Nylon Segments for both the current and comparative prior periods, intending to better reflect downstream sales for the respective product lines.

Polyester 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 Polyester Segment are as follows:

	For the Fiscal Year Ended				
	June 28, 2015		June 29, 2014		
		% of Net Sales		% of Net Sales	% Change
Net sales	$396,239	100.0	$403,699	100.0	(1.8)
Cost of sales	345,462	87.2	356,076	88.2	(3.0)
Gross profit	50,777	12.8	47,623	11.8	6.6
Depreciation expense	10,579	2.7	9,247	2.3	14.4
Segment Profit	$61,356	15.5	$56,870	14.1	7.9

The change in net sales from fiscal 2014 to fiscal 2015 for the Polyester Segment is as follows:

Net sales for fiscal 2014	$403,699
Decrease in average selling price	(5,622)
Decrease in sales volumes	(1,838)
Net sales for fiscal 2015	$396,239

The decrease in net sales was attributable to (i) a lower average selling price for several product lines related to lower raw material costs, partially offset by mix-related improvements and (ii) lower sales volumes for POY, Chip and dyed yarn and a lower average denier. These effects were partially offset by (i) improved sales of textured polyester yarn due to continued growth in the NAFTA and CAFTA regions with greater demand for the Company's PVA yarns and (ii) $612 of incremental sales associated with acquiring a draw winding business in December 2013. The average denier of our product mix decreased as demand for finer, or lighter weight, yarns, driven by consumer preferences in performance apparel, grew in fiscal 2015.

The change in Segment Profit from fiscal 2014 to fiscal 2015 for the Polyester Segment is as follows:

Segment Profit for fiscal 2014	$56,870
Improvements in underlying gross margins	4,745
Decrease in sales volumes	(259)
Segment Profit for fiscal 2015	$61,356

The increase in Segment Profit was primarily a result of (i) higher underlying gross margins driven by (a) a higher mix of PVA yarns due to increased demand and (b) declining raw material costs (average polyester raw material pricing decreased approximately 14% as compared to fiscal 2014), partially offset by a decrease in sales volumes driven by the factors described in the net sales analysis above.

Polyester Segment net sales and Segment Profit as a percentage of total consolidated amounts were 57.7% and 58.1% for fiscal 2015, compared to 58.7% and 58.3% for fiscal 2014, respectively.

Nylon 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 Nylon Segment are as follows:

	For the Fiscal Year Ended				
	June 28, 2015		**June 29, 2014**		
		% of Net Sales		**% of Net Sales**	**% Change**
Net sales	$149,612	100.0	$149,297	100.0	0.2
Cost of sales	130,644	87.3	129,966	87.0	0.5
Gross profit	18,968	12.7	19,331	13.0	(1.9)
Depreciation expense	1,798	1.2	2,022	1.3	(11.1)
Segment Profit	$20,766	13.9	$21,353	14.3	(2.7)

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The change in net sales from fiscal 2014 to fiscal 2015 for the Nylon Segment is as follows:

Net sales for fiscal 2014	$149,297
Increase in sales volumes	353
Decrease in pricing and change in sales mix	(38)
Net sales for fiscal 2015	$149,612

The increase in net sales was attributable to increased sales volumes for certain nylon covered yarn products, partially offset by lower sales volumes for textured nylon yarn. The average selling price remained relatively flat with transitioning of certain PVA sales programs from the U.S. to China, partially offset by other changes in sales mix.

The change in Segment Profit from fiscal 2014 to fiscal 2015 for the Nylon Segment is as follows:

Segment Profit for fiscal 2014	$21,353
Decrease in underlying gross margins	(637)
Increase in sales volumes	50
Segment Profit for fiscal 2015	$20,766

The decrease in Segment Profit was attributable to (i) lower underlying gross margins related to the transitioning of certain PVA sales programs from the U.S. to China, partially offset by (ii) an increase in sales volumes driven by the factors in the above net sales analysis.

Nylon Segment net sales and Segment Profit as a percentage of total consolidated amounts were 21.8% and 19.7% for fiscal 2015, compared to 21.7% and 21.9% for fiscal 2014, respectively.

International 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 International Segment are as follows:

	For the Fiscal Year Ended				
	June 28, 2015		June 29, 2014		
		% of Net Sales		% of Net Sales	% Change
Net sales	$134,992	100.0	$134,906	100.0	0.1
Cost of sales	113,556	84.1	118,598	87.9	(4.3)
Gross profit	21,436	15.9	16,308	12.1	31.4
Depreciation expense	1,997	1.5	3,032	2.2	(34.1)
Segment Profit	$23,433	17.4	$19,340	14.3	21.2

The change in net sales from fiscal 2014 to fiscal 2015 for the International Segment is as follows:

Net sales for fiscal 2014	$134,906
Increase in sales volumes	11,469
Improvement in pricing and change in sales mix	4,097
Unfavorable currency translation effects	(15,480)
Net sales for fiscal 2015	$134,992

The increase in net sales is primarily attributable to a 9.2% increase in sales volumes, reflecting volume increases for both Brazil and China. Brazil's volumes increased due to (i) growth in PVA sales of air covered and solution dyed polyester yarns for apparel and automotive end-uses, respectively, and (ii) volumes captured as a result of favorable pricing conditions, as devaluation of the local currency made locally manufactured product a more attractive alternative to U.S. Dollar-based competitive imports. China's sales volumes increased almost 40%, benefiting from several new sales programs, including the transitioning of certain PVA sales programs from the Company's U.S. operations. The benefit of increased sales volumes and improved pricing and sales mix was partially offset by unfavorable currency translation effects primarily due to the devaluation of the Brazilian Real against the U.S. Dollar (using a weighted average exchange rate of 2.65 Real/U.S. Dollar versus 2.29). China's average sales price increased more than 10% due to higher volumes of PVA products.

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The change in Segment Profit from fiscal 2014 to fiscal 2015 for the International Segment is as follows:

Segment Profit for fiscal 2014	$19,340
Improvements in underlying operating margins	3,633
Increase in sales volumes	1,562
Decrease in net utility costs	945
Unfavorable currency translation effects	(2,047)
Segment Profit for fiscal 2015	$23,433

The increase in Segment Profit was attributable to (i) an increase in sales volumes for both Brazil and China, driven by the factors described in the net sales analysis above, (ii) improved margins on certain PVA products for China, along with improved unit conversion margin in Brazil on a local-currency basis due to a higher proportion of manufactured product in the sales mix and lower raw material costs and (iii) lower net utility costs in Brazil. This increase was partially offset by unfavorable currency translation effects due to the devaluation of the Brazilian Real against the U.S. Dollar.

International Segment net sales and Segment Profit as a percentage of total consolidated amounts were 19.6% and 22.2% for fiscal 2015, compared to 19.6% and 19.8% for fiscal 2014, respectively.

Consolidated Selling, General & Administrative Expenses

The change in SG&A expenses from fiscal 2014 to fiscal 2015 is as follows:

SG&A expenses for fiscal 2014	$46,203
Increase for Renewables	1,396
Increase in consumer marketing and branding expenses	1,022
Increase in professional fees	1,255
Increase in non-cash compensation	458
Decrease in depreciation and amortization expenses	(142)
Decrease due to currency translation and other activity	(520)
SG&A expenses for fiscal 2015	$49,672

Total SG&A expenses were higher versus fiscal 2014, with changes among various components, including: (i) an increase in expenses recorded for Renewables classified as SG&A (in fiscal 2014, all expenses for Renewables were recorded to other operating expense, net), (ii) an increase in consumer marketing and branding expenses resulting from new sponsorship agreements involving Marvel Universe LIVE!, the National Football League's Detroit Lions, the University of North Carolina at Chapel Hill and the North Face Endurance Challenge Series, which exceeded the prior year period expenses related to the Company's sponsorship of the ESPN X Games Aspen 2014, (iii) an increase in professional fees related to out-sourced auxiliary services for tax and legal services and (iv) an increase in non-cash compensation primarily due to an increase in (a) the number of equity awards granted and (b) the fair value of equity awards granted as a result of the trending higher price of the Company's common stock leading up to the respective grant dates. These increases were partially offset by a decrease in depreciation and amortization expenses due to lower amortization of customer lists and a net decrease in currency translation.

Consolidated Provision for Bad Debts

Provision for bad debts increased from $287 for fiscal 2014 to $947 for fiscal 2015. The increase is primarily attributable to the net write-off of a customer receivable for $498 originating in the Company's Brazilian operations, for which recovery has been deemed unlikely.

Consolidated Other Operating Expense, Net

Other operating expense, net decreased from $5,289 for fiscal 2014 to $1,600 for fiscal 2015, and reflected the following components:

	For the Fiscal Year Ended	
	June 28, 2015	**June 29, 2014**
Net loss on sale or disposal of assets	$778	$475
Foreign currency transaction losses	448	504
Operating expenses for Renewables	—	2,749
Restructuring charges, net	—	1,273
Other, net	374	288
Other operating expense, net	$1,600	$5,289

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During fiscal 2015, Renewables recorded a loss on disposal of assets of $1,322 (before non-controlling interest) relating to certain miscanthus grass which would not be used in the future. Also in fiscal 2015, the Company recognized a gain on sale of assets of $630 relating to the sale of certain land and building assets historically utilized for warehousing in the Polyester Segment.

The operating expenses for Renewables in fiscal 2015 were charged to cost of sales and SG&A expenses for $2,396 and $1,396, respectively. In the prior year, all operating expenses for Renewables of $2,749 (net of $144 of revenues) were charged to other operating expense, net.

Restructuring charges of $1,273 were recorded in fiscal 2014 for certain (i) equipment relocation and reinstallation costs and (ii) severance charges in connection with a former executive officer. There were no restructuring charges recorded in fiscal 2015.

Consolidated Interest Expense, Net

Interest expense, net increased from $2,539 for fiscal 2014 to $3,109 for fiscal 2015, and reflected the following components:

	For the Fiscal Year Ended	
	June 28, 2015	June 29, 2014
Interest on ABL Facility	$3,290	$3,292
Other	273	192
Subtotal of interest on debt obligations	3,563	3,484
Amortization of debt financing fees	505	424
Mark-to-market adjustment for interest rate swap	(83)	39
Reclassification adjustment for interest rate swap	231	554
Interest capitalized to property, plant and equipment, net	(191)	(172)
Subtotal of other components of interest expense	462	845
Total interest expense	4,025	4,329
Interest income	(916)	(1,790)
Interest expense, net	$3,109	$2,539

Although comparatively flat, interest on debt obligations was impacted by (i) an increase in the annual average debt balance from $97,566 for fiscal 2014 to $110,640 for fiscal 2015, while (ii) the annual weighted average interest rate declined from 3.4% to 3.1%. The $13,074 increase in the average outstanding debt balance was primarily a result of new capital leases recognized in fiscal 2015, along with incremental capital expenditures. The annual weighted average interest rate decline is primarily due to favorable amended terms of the Company's credit agreement.

Interest income in each period includes earnings recognized on cash equivalents held globally. Interest income in fiscal 2014 also includes $1,084 of interest received related to the settlement of a judicial claim involving the Company's Brazilian subsidiary and $141 of interest received on the return of a deposit with a domestic utility company.

Loss on Extinguishment of Debt

The Company's amendment of its credit facility during fiscal 2015 established substantially different terms for the term loan portion of the facility (including the replacement of an existing lender), and led the Company to record a loss on extinguishment of debt of $1,040 for the write-off of certain debt financing fees related to the previous credit agreement.

Consolidated Earnings from Unconsolidated Affiliates

The components of earnings from unconsolidated affiliates are as follows:

	For the Fiscal Year Ended	
	June 28, 2015	**June 29, 2014**
Earnings from PAL	$(17,403)	$(17,846)
Earnings from nylon joint ventures	(2,072)	(1,217)
Total equity in earnings of unconsolidated affiliates	$(19,475)	$(19,063)
As a percentage of consolidated income before income taxes	36.2 %	39.8 %

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For fiscal 2015, PAL's corresponding fiscal period consisted of 53 weeks.

The Company's 34% share of PAL's earnings decreased from $17,846 in fiscal 2014 to $17,403 in fiscal 2015, primarily attributable to lower earnings recognized under the Farm Bill's economic adjustment assistance program (of approximately $6,100 for PAL, which equates to approximately $2,100 for the Company) in the current year as compared to the prior year and lower operating margins. The decrease is partially offset by two bargain purchase gains in fiscal 2015 (combined total of approximately $14,000 for PAL, which equates to approximately $4,700 for the Company) from PAL's acquisition of (i) a yarn manufacturer based in Mexico for which PAL previously held a 50% ownership interest and (ii) two cotton spinning facilities in the U.S.

The remaining change in earnings from unconsolidated affiliates relates to higher combined operating results, due to improved margins, for the Company's two nylon extrusion joint ventures that supply POY to the Company's Nylon Segment.

Consolidated Income Taxes

The change in consolidated income taxes is as follows:

	For the Fiscal Year Ended	
	June 28, 2015	**June 29, 2014**
Income before income taxes	$53,812	$47,881
Provision for income taxes	13,346	20,161
Effective tax rate	24.8 %	42.1 %

The effective tax rate for fiscal 2015 and fiscal 2014 reflects the following benefits: (i) free-trade zone favorability in El Salvador and lower statutory tax rates in both Brazil and China, (ii) the domestic production activities deduction and (iii) certain federal and state credits, such as the research credit. Such benefits are partially offset by: (a) state and local taxes assessed in the U.S., (b) withholding taxes on intercompany dividends in certain jurisdictions and (c) losses in jurisdictions for which no benefit can be recognized.

The effective tax rate decreased from 42.1% in fiscal 2014 to 24.8% in fiscal 2015, primarily attributable to certain impacts to the fiscal 2015 effective tax rate that were not components of the fiscal 2014 effective tax rate. In fiscal 2015, the effective tax rate was driven lower by (i) the reversal of the deferred tax liability reflecting the Company's indefinite reinvestment assertion at that time, generating a benefit of $7,639 and (ii) renewable energy tax credits of $1,036 relating to the installation of a solar farm in Yadkinville, North Carolina. These benefits were partially offset by the unfavorable impact of settling certain intercompany transactions involving the Company's Brazilian subsidiary, approximating $6,000. Lastly, the effective tax rate for fiscal 2015 was favorably impacted by a decrease in the valuation allowance for the Company's investment in PAL whereas the fiscal 2014 rate was unfavorably impacted by an increase in that same valuation allowance.

The Company believes activity related to the indefinite reinvestment assertion, combined tax impacts from certain intercompany transactions and renewable energy credits are unlikely to continue in future periods at such magnitude. However, identifying trends in certain components of the provision for income taxes is impracticable.

Consolidated Net Income Attributable to Unifi, Inc.

Net income attributable to Unifi, Inc. for fiscal 2015 was $42,151, or $2.32 per basic share, compared to $28,823, or $1.52 per basic share, for fiscal 2014. As discussed earlier, the increase is primarily attributable to a lower effective tax rate and higher gross profits, partially offset by higher SG&A expenses.

Consolidated Adjusted EBITDA

From fiscal 2014 to 2015, Adjusted EBITDA increased from $57,373 to $64,322 under the Company's previous definition, while increasing from $51,952 to $59,610 under the Company's new definition. As discussed earlier, the improvement in gross profit was the primary driver for the increase in Adjusted EBITDA.

Liquidity and Capital Resources

The Company's primary capital requirements are for working capital, capital expenditures, debt service and stock repurchases. The Company's primary sources of capital are cash generated from operations and borrowings available under the ABL Revolver of its credit facility. For fiscal 2016, cash generated from operations was $55,975, and at June 26, 2016, excess availability under the ABL Revolver was $68,612.

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As of June 26, 2016, $118,877 of the Company’s $123,012 of debt obligations were guaranteed by the Company or certain of its domestic operating subsidiaries, while nearly all of the Company’s cash and cash equivalents were held by other subsidiaries within the consolidated group (Renewables and foreign subsidiaries). Cash and cash equivalents held by such other subsidiaries may not be presently available to fund the Company’s domestic capital requirements, including its domestic debt obligations. The Company employs a variety of tax planning and financing 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, liquidity, working capital and total debt obligations as of June 26, 2016:

	U.S.	**Brazil**	**Renewables** (2)	**Others**	**Total**
Cash and cash equivalents	$12	$3,397	$ 1,483	$11,754	$16,646
Borrowings available under financing arrangements (1)	68,612	—	—	—	68,612
Liquidity	$68,624	$3,397	$ 1,483	$11,754	$85,258
Working capital	$71,677	$36,789	$ 1,642	$26,476	$136,584
Total debt obligations	$118,877	$—	$ 4,135	$—	$123,012

(1) Excludes consideration for amounts available under a construction financing arrangement as such borrowings are specific to a capital project. For additional information, see “—*Construction Financing*” within *Debt Obligations* below.

(2) Although Renewables operates in the U.S., presenting its liquidity measures separate from U.S. operations provides a more accurate depiction of the Company’s domestic liquidity.

As of June 26, 2016, U.S. income taxes were not provided for on a cumulative total of approximately $78,300 of undistributed earnings and profits of the Company’s foreign subsidiaries as the Company currently intends to reinvest these earnings in these foreign operations indefinitely. If at a later date, these earnings were repatriated to the U.S., the Company would be required to pay taxes on these amounts. Nevertheless, in future periods, the Company will continue to assess the existing circumstances, including any changes in tax laws, and reevaluate the necessity for any deferred tax liability. Determination of the amount of any deferred tax liability on these undistributed earnings is not practicable.

Debt Obligations

The following table presents the total balances outstanding for the Company’s debt obligations, their scheduled maturity dates and the weighted average interest rates for borrowings as well as the applicable current portion of long-term debt:

	Scheduled Maturity Date	Weighted Average Interest Rate as of June 26, 2016 (1)	Principal Amounts as of June 26, 2016	June 28, 2015
ABL Revolver	March 2020	2.5%	$6,200	$5,000
ABL Term Loan	March 2020	2.3%	90,250	82,125
Capital lease obligations	(2)	(3)	15,798	15,735
Construction financing	(4)	(4)	6,629	—
Renewables' term loan	August 2022	3.7%	4,000	—
Renewables' promissory note	September 2020	3.0%	135	—
Term loan from unconsolidated affiliate	(5)	(5)	—	1,250
Total debt			123,012	104,110
Current portion of Renewables' promissory note			(25)	—
Current portion of capital lease obligations			(4,261)	(3,385)
Current portion of long-term debt			(9,500)	(9,000)
Total long-term debt			$109,226	$91,725

(1) The weighted average interest rate as of June 26, 2016 for the ABL Term Loan includes the effects of the interest rate swap with a notional balance of $50,000.
(2) Scheduled maturity dates for capital lease obligations range from January 2017 to November 2027.
(3) Interest rates for capital lease obligations range from 2.3% to 4.6%.
(4) Refer to the discussion below under the subheading "—*Construction Financing*" for further information.
(5) Refer to the discussion below under the subheading "—*Term Loan from Unconsolidated Affiliate*" for further information.

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On March 26, 2015, the Company and its subsidiary, Unifi Manufacturing, Inc., entered into an Amended and Restated Credit Agreement (as subsequently amended, the "Amended Credit Agreement") for a $200,000 senior secured credit facility (the "ABL Facility") with a syndicate of lenders. The ABL Facility consists of a $100,000 revolving credit facility (the "ABL Revolver") and a term loan that can be reset up to a maximum amount of $100,000, once per fiscal year, if certain conditions are met (the "ABL Term Loan"). Such a principal increase occurred in November 2015, as described below under the subheading "—*Second Amendment.*" The ABL Facility has a maturity date of March 26, 2020.

The Amended Credit Agreement replaced a previous senior secured credit facility dated May 24, 2012 with a similar syndicate of lenders, which, after multiple amendments, would have matured on March 28, 2019 and consisted of a $100,000 revolving credit facility and a $90,000 term loan. As used herein, the terms "ABL Facility," "ABL Revolver" and "ABL Term Loan" shall mean the senior secured credit facility, the revolving credit facility or the term loan, respectively, under the Amended Credit Agreement or the previous senior secured credit facility, as applicable.

ABL Facility

The ABL Facility is secured by a first-priority perfected security interest in substantially all owned property and assets (together with proceeds and products) of Unifi, Inc., Unifi Manufacturing, Inc. and certain subsidiary guarantors (the "Loan Parties"). It is also secured by a first-priority security interest in all (or 65% in the case of certain first-tier controlled foreign corporations, as required by the lenders) of the stock of (or other ownership interests in) each of the Loan Parties (other than the Company) and certain subsidiaries of the Loan Parties, together with all proceeds and products thereof.

If excess availability under the ABL Revolver falls below the defined Trigger Level, a financial covenant requiring the Loan Parties to maintain a fixed charge coverage ratio on a monthly basis of at least 1.05 to 1.0 becomes effective. The Trigger Level as of June 26, 2016 was $23,781. In addition, the ABL Facility contains restrictions on particular payments and investments, including certain restrictions on the payment of dividends and share repurchases. Subject to specific provisions, the ABL Term Loan may be prepaid at par, in whole or in part, at any time before the maturity date, at the Company's discretion.

ABL Facility borrowings bear interest at the London Interbank Offer Rate ("LIBOR") plus an applicable margin of 1.50% to 2.00%, or the Base Rate plus an applicable margin of 0.50% to 1.00%, with interest currently being paid on a monthly basis. The applicable margin is based on (a) the excess availability under the ABL Revolver and (b) the consolidated leverage ratio, calculated by fiscal quarter. The Base Rate means the greater of (i) the prime lending rate as publicly announced from time to time by Wells Fargo, (ii) the Federal Funds Rate plus 0.5%, and (iii) LIBOR plus 1.0%. The Company's ability to borrow under the ABL Revolver is limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to certain conditions and limitations. There is also a monthly unused line fee under the ABL Revolver of 0.25%.

As of June 26, 2016, the Company was in compliance with all financial covenants and the excess availability under the ABL Revolver was $68,612. At June 26, 2016, the fixed charge coverage ratio was 1.93 to 1.0 and the Company had $200 of standby letters of credit, none of which have been drawn upon.

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