



Recycling Profits

By GREG PUGH on APRIL 2, 2013

If you believe in the economic recovery in the US, then you can believe that this textile maker will soar in profitability this year.

Recent financial reports indicate that the consumer is back to greater spending levels. **Unifi** (NYSE: UFI) is showing the same results, as its earnings per share (EPS) rebounded from a loss in the fourth quarter 2011 to significant profits in the same quarter 2012.

The company's strengths can be seen in multiple areas, such as its revenue growth, solid stock price performance, attractive valuation levels, good cash flow from operations and compelling growth in net income. Investors should look for continuex EPS growth throughout 2013 and 2014.

Unifi texturizes polyester and nylon filament fiber to produce polyester and nylon yarns, dyed yarns, and spandex yarns covered with nylon and polyester. The company sells its products to knitters and weavers that produce fabrics for the apparel, automotive upholstery, hosiery, home furnishings, industrial, and other end use markets.

The company's Repreve brand clothing product has been a flagship and success story for the company, which is marketing to consumers and educating them about the benefits of recycling and choosing products made with recycled content. Since Repreve is in many winter sports products from companies such as Patagonia, The North Face and Polartec, Unifi was a recycling partner for X Games Aspen, which aired on ESPN in late January 2013. This exposure will help accelerate the momentum for Repreve with brand and retail partners.

Unifi's revenue growth has slightly outpaced the industry average of 1.9 percent. Since the same quarter one year prior, revenues slightly increased by 3 percent. Growth in the company's revenue appears to have helped boost its EPS.

ABOUT THE ANALYST



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Greg Pugh has been investing and trading options for more than 15 years. He currently manages his own trading business that incorporates strategies to generate monthly income. He has an MBA from Vanderbilt Owen School of Business and a B.S. in finance from the University of Louisville. He publishes a newsletter called *Investing for Monthly Income* at

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The net income growth from the same quarter one year ago has significantly exceeded that of the S&P 500 and the Textiles, Apparel & Luxury Goods industry. Unifi's net income increased by 131.9 percent, compared to the same quarter one year prior, rising from -\$7.61 million to \$2.43 million.

The company reported net income of \$4.7 million, or \$0.23 per share, for the six months ended December 23, 2012, compared to a net loss of \$7.3 million, or \$0.36 per share, for the prior year period. Net sales increased \$6.8 million, or 2 percent, to \$345 million for the first six months of fiscal year 2013, compared to net sales of \$338 million for the prior year period.

Results for the first six months of fiscal 2013 were negatively impacted by a \$3.8 million reduction in earnings from the company's equity investment in Parkdale America, caused by margin pressures related to the softness in the cotton apparel market and differences in the recognition of earnings under the federal Farm Bill's economic adjustment payments program.

Cash-on-hand as of December 23, 2012 was \$15.2 million, an increase of \$4.3 million compared to \$10.9 million cash-on-hand as of June 24, 2012. Subsequent to the end of the fiscal quarter, the company prepaid the \$13.8 million remaining balance outstanding on its Term B loan using cash generated from domestic operations, distributions from Parkdale America and borrowings under the company's revolving credit facility.

The stock price is up 92 percent in the last 52-weeks. Most investors would run from such a strong price increase, but the stock is still trading at value levels. The stock is trading at a reasonable price with a price to sales ratio of 0.54 in the trailing twelve months. The price to earnings ratio is 16, which is in line with the industry average.

Zacks Investment has the company producing \$0.98 in EPS in 2013 which is a 37 percent increase from the prior year. EPS is projected to be \$1.21 in 2014, which is a hefty 23 percent increase from 2013. **Unifi has a 12-month price target of 25.**

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Name	Last	Change %
Dow	14572.85	-5.69 (-0.04%)
Nasdaq	3259.04	+19.87 (+0.61%)
S&P 500	1570.08	+7.91 (+0.51%)
NYSE	9100.00	-7.76 (-0.09%)
Gold	1599.00	+3.00 (+0.19%)
Oil	97.28	-0.18 (-0.18%)

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