



## UniFirst Announces Financial Results For the Second Quarter of Fiscal 2022

March 30, 2022

WILMINGTON, Mass., March 30, 2022 (GLOBE NEWSWIRE) -- UniFirst Corporation (NYSE: UNF) (the "Company," "UniFirst" or "we") today reported results for its second quarter ended February 26, 2022 as compared to the corresponding period in the prior fiscal year:

### Q2 2022 Financial Highlights

- Consolidated revenues for the second quarter increased 8.2% to \$486.7 million.
- Operating income was \$22.6 million, a decrease of 44.4%.
- The quarterly tax rate decreased to 19.0% compared to 22.7% in the prior year.
- Net income decreased to \$18.5 million, or 43.4%.
- Diluted earnings per share decreased to \$0.97 from \$1.71 in the prior year, or 43.3%.

The Company's financial results for the second quarter of fiscal 2022 included \$6.7 million of costs directly attributable to its CRM, ERP and branding initiatives (the "Key Initiatives"). Excluding these Key Initiative costs:

- Adjusted operating income was \$29.4 million.
- Adjusted net income was \$23.5 million.
- Adjusted diluted earnings per share was \$1.24.

Steven Sintros, UniFirst President and Chief Executive Officer, said, "Our second quarter results reflect a strong top-line performance as well as a margin trend that was largely in-line with our expectations while also reflecting continued inflationary pressure. I want to thank our thousands of Team Partners who, despite a challenging operating environment, continue to **Always Deliver** for each other and our customers."

### Segment Reporting Highlights

#### Core Laundry Operations

- Revenues for the quarter increased 8.7% to \$433.1 million.
- Organic growth, which excludes the effect of acquisitions and fluctuations in the Canadian dollar, was 8.0%
- Operating margin decreased to 4.3% from 8.9%.

The costs incurred during the quarter related to the Key Initiatives, discussed above, were recorded to the Core Laundry Operations' segment. Excluding these Key Initiative costs:

- Core Laundry adjusted operating margin was 5.9%. The decrease from prior year's operating margin was primarily due to higher merchandise amortization, energy and travel costs as a percentage of revenues as well as increased costs to hire and retain employees due to the challenging employment environment.

#### Specialty Garments

- Revenues for the quarter were \$35.5 million, an increase of 0.9%. This increase was driven by growth in the cleanroom and European nuclear operations which was partially offset by higher direct sale activity in the prior year.
- Operating margin decreased to 10.8% from 14.9% a year ago, primarily due to higher gross margin on its prior year direct sales as well as higher labor costs as a percentage of revenues.
- Specialty Garments consists of nuclear decontamination and cleanroom operations, and its results can vary significantly due to seasonality and the timing of reactor outages and projects.

### Balance Sheet and Capital Allocation

- Cash, cash equivalents and short-term investments totaled \$425.9 million as of February 26, 2022.
- The Company had no long-term debt outstanding as of February 26, 2022.
- Under its previously announced stock repurchase authorization, the Company repurchased 52,500 shares of common stock for \$10.0 million in the second quarter of fiscal 2022. As of February 26, 2022, the Company has \$87.3 million remaining under its current authorization.
- Weighted average shares outstanding – Diluted for each of the second quarters of fiscal 2022 and fiscal 2021 were 19.0 million.

### Financial Outlook

Mr. Sintros continued, "We now expect revenues for fiscal 2022 to be between \$1.967 billion and \$1.980 billion. We further expect diluted earnings per share to be between \$5.62 and \$5.82. This earnings per share guidance assumes an effective tax rate of 24.0% and now includes a revised estimate of \$30.0 million of costs directly attributable to our Key Initiatives that will be expensed in fiscal 2022. Please also note the following regarding our guidance:

- Core Laundry Operations' adjusted operating margin at the midpoint of the range is now 8.6%, which reflects continued pressure from the current inflationary environment including the recent surge in energy prices.
- Our adjusted tax rate for fiscal 2022 is 24.2%
- Adjusted diluted earnings per share is now expected to be between \$6.80 and \$7.00.
- Guidance does not include the impact of any future share buybacks or potential tax reform.
- Guidance assumes a stable economic environment with no pandemic-related headwinds."

See "Reconciliation of GAAP to Non-GAAP Financial Measures" below.

### **Conference Call Information**

UniFirst Corporation will hold a conference call today at 9:00 a.m. (ET) to discuss its quarterly financial results, business highlights and outlook. A simultaneous live webcast of the call will be available over the Internet and can be accessed at [www.unifirst.com](http://www.unifirst.com).

### **About UniFirst Corporation**

Headquartered in Wilmington, Mass., UniFirst Corporation (NYSE: UNF) is a North American leader in the supply and servicing of uniform and workwear programs, as well as the delivery of facility service programs. Together with its subsidiaries, the Company also provides first aid and safety products, and manages specialized garment programs for the cleanroom and nuclear industries. UniFirst manufactures its own branded workwear, protective clothing, and floorcare products; and with 260 service locations, over 300,000 customer locations, and 14,000-plus employee Team Partners, the Company outfits nearly 2 million workers each business day. For more information, contact UniFirst at 800.455.7654 or visit [UniFirst.com](http://UniFirst.com).

### **Forward-Looking Statements Disclosure**

This public announcement contains forward-looking statements within the meaning of the federal securities laws that reflect the Company's current views with respect to future events and financial performance, including projected revenues, operating margin and earnings per share. Forward-looking statements contained in this public announcement are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995 and may be identified by words such as "guidance," "outlook," "estimates," "anticipates," "projects," "plans," "expects," "intends," "believes," "seeks," "could," "should," "may," "will," "strategy," "objective," "assume," "strive," or the negative versions thereof, and similar expressions and by the context in which they are used. Such forward-looking statements are based upon our current expectations and speak only as of the date made. Such statements are highly dependent upon a variety of risks, uncertainties and other important factors that could cause actual results to differ materially from those reflected in such forward-looking statements. Such factors include, but are not limited to, uncertainties caused by adverse economic conditions, including, without limitation, as a result of significant increases in inflation or extraordinary events or circumstances such as geopolitical conflicts like the conflict between Russia and Ukraine or the COVID-19 pandemic, and their impact on our customers' businesses and workforce levels, disruptions of our business and operations, including limitations on, or closures of, our facilities, or the business and operations of our customers or suppliers in connection with extraordinary events or circumstances such as the COVID-19 pandemic, uncertainties regarding our ability to consummate and successfully integrate acquired businesses, uncertainties regarding any existing or newly-discovered expenses and liabilities related to environmental compliance and remediation, any adverse outcome of pending or future contingencies or claims, our ability to compete successfully without any significant degradation in our margin rates, seasonal and quarterly fluctuations in business levels, our ability to preserve positive labor relationships and avoid becoming the target of corporate labor unionization campaigns that could disrupt our business, the effect of currency fluctuations on our results of operations and financial condition, our dependence on third parties to supply us with raw materials, which such supply could be severely disrupted as a result of extraordinary events or circumstances such as the COVID-19 pandemic, any loss of key management or other personnel, increased costs as a result of any changes in federal or state laws, rules and regulations or governmental interpretation of such laws, rules and regulations, uncertainties regarding, or adverse impacts from increases in, the price levels of natural gas, electricity, fuel and labor, the negative effect on our business from sharply depressed oil and natural gas prices, including, without limitation, as a result of extraordinary events or circumstances such as the COVID-19 pandemic, the continuing increase in domestic healthcare costs, increased workers' compensation claim costs, increased healthcare claim costs, including as a result of extraordinary events or circumstances such as the COVID-19 pandemic, our ability to retain and grow our customer base, demand and prices for our products and services, fluctuations in our Specialty Garments business, political instability, supply chain disruption or infection among our employees in Mexico and Nicaragua where our principal garment manufacturing plants are located, including, without limitation, as a result of extraordinary events or circumstances such as the COVID-19 pandemic, our ability to properly and efficiently design, construct, implement and operate a new customer relationship management computer system, interruptions or failures of our information technology systems, including as a result of cyber-attacks, additional professional and internal costs necessary for compliance with any changes in or additional Securities and Exchange Commission, New York Stock Exchange, accounting or other rules, including, without limitation, recent rules proposed by the Securities and Exchange Commission regarding climate-related and cybersecurity-related disclosures, strikes and unemployment levels, our efforts to evaluate and potentially reduce internal costs, economic and other developments associated with the war on terrorism and its impact on the economy, the impact of foreign trade policies and tariffs or other impositions on imported goods on our business, results of operations and financial condition, general economic conditions, our ability to successfully implement our business strategies and processes, including our capital allocation strategies and the other factors described under "Part I, Item 1A. Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended August 28, 2021, "Part II, Item 1.A. Risk Factors" and elsewhere in our subsequent Quarterly Reports on Form 10-Q and in our other filings with the Securities and Exchange Commission. We undertake no obligation to update any forward-looking statements to reflect events or circumstances arising after the date on which they are made.

### **Investor Relations Contact**

Shane O'Connor, Executive Vice President & CFO  
UniFirst Corporation  
978-658-8888

**Consolidated Statements of Income**  
**(Unaudited)**

<b>(In thousands, except per share data)</b>	<b>Thirteen weeks ended February 26, 2022</b>	<b>Thirteen weeks ended February 27, 2021</b>	<b>Twenty-six weeks ended February 26, 2022</b>	<b>Twenty-six weeks ended February 27, 2021</b>
Revenues	\$ 486,696	\$ 449,764	\$ 972,860	\$ 896,617
Operating expenses:				
Cost of revenues (1)	324,816	289,455	634,946	565,255
Selling and administrative expenses (1)	112,406	93,329	216,794	182,032
Depreciation and amortization	26,861	26,287	53,717	52,595
Total operating expenses	<u>464,083</u>	<u>409,071</u>	<u>905,457</u>	<u>799,882</u>
Operating income	<u>22,613</u>	<u>40,693</u>	<u>67,403</u>	<u>96,735</u>
Other (income) expense:				
Interest income, net	(751)	(863)	(1,399)	(1,431)
Other (income) expense, net	594	(584)	1,330	165
Total other income, net	<u>(157)</u>	<u>(1,447)</u>	<u>(69)</u>	<u>(1,266)</u>
Income before income taxes	22,770	42,140	67,472	98,001
Provision for income taxes	<u>4,319</u>	<u>9,555</u>	<u>15,316</u>	<u>23,520</u>
Net income	<u>\$ 18,451</u>	<u>\$ 32,585</u>	<u>\$ 52,156</u>	<u>\$ 74,481</u>
<b>Income per share – Basic:</b>				
Common Stock	\$ 1.02	\$ 1.80	\$ 2.88	\$ 4.10
Class B Common Stock	\$ 0.81	\$ 1.44	\$ 2.30	\$ 3.28
<b>Income per share – Diluted:</b>				
Common Stock	\$ 0.97	\$ 1.71	\$ 2.75	\$ 3.91
<b>Income allocated to – Basic:</b>				
Common Stock	\$ 15,492	\$ 27,349	\$ 43,792	\$ 62,520
Class B Common Stock	\$ 2,959	\$ 5,236	\$ 8,364	\$ 11,961
<b>Income allocated to – Diluted:</b>				
Common Stock	\$ 18,451	\$ 32,585	\$ 52,156	\$ 74,481
<b>Weighted average shares outstanding – Basic:</b>				
Common Stock	15,210	15,223	15,225	15,235
Class B Common Stock	3,635	3,643	3,635	3,643
<b>Weighted average shares outstanding – Diluted:</b>				
Common Stock	18,967	19,037	18,999	19,032

(1) Exclusive of depreciation on the Company's property, plant and equipment and amortization on its intangible assets.

**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

<b>(In thousands)</b>	<b>February 26, 2022</b>	<b>August 28, 2021</b>
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 425,887	\$ 512,868
Receivables, net	237,237	208,331
Inventories	160,835	143,591
Rental merchandise in service	196,690	181,531
Prepaid taxes	9,475	16,580

Prepaid expenses and other current assets	48,743	40,891
Total current assets	<u>1,078,867</u>	<u>1,103,792</u>
Property, plant and equipment, net	627,924	617,719
Goodwill	457,718	429,538
Customer contracts and other intangible assets, net	90,221	84,638
Deferred income taxes	565	580
Operating lease right-of-use assets, net	51,237	42,115
Other assets	<u>106,064</u>	<u>102,683</u>
Total assets	<u>\$ 2,412,596</u>	<u>\$ 2,381,065</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 84,517	\$ 81,356
Accrued liabilities	151,743	159,578
Accrued taxes	—	743
Operating lease liabilities, current	<u>13,791</u>	<u>12,993</u>
Total current liabilities	<u>250,051</u>	<u>254,670</u>
Long-term liabilities:		
Accrued liabilities	134,263	134,085
Accrued and deferred income taxes	90,284	89,177
Operating lease liabilities	<u>39,023</u>	<u>30,181</u>
Total liabilities	<u>513,621</u>	<u>508,113</u>
Shareholders' equity:		
Common Stock	1,521	1,524
Class B Common Stock	363	364
Capital surplus	90,006	89,257
Retained earnings	1,833,579	1,806,643
Accumulated other comprehensive loss	<u>(26,494)</u>	<u>(24,836)</u>
Total shareholders' equity	<u>1,898,975</u>	<u>1,872,952</u>
Total liabilities and shareholders' equity	<u>\$ 2,412,596</u>	<u>\$ 2,381,065</u>

**Detail of Operating Results**  
**(Unaudited)**

**Revenues**

<b>(In thousands, except percentages)</b>	<b>Thirteen weeks ended February 26, 2022</b>	<b>Thirteen weeks ended February 27, 2021</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Core Laundry Operations	\$ 433,056	\$ 398,235	34,821	8.7 %
Specialty Garments	35,538	35,222	316	0.9 %
First Aid	18,102	16,307	1,795	11.0 %
Consolidated total	<u>\$ 486,696</u>	<u>\$ 449,764</u>	<u>\$ 36,932</u>	<u>8.2 %</u>

<b>(In thousands, except percentages)</b>	<b>Twenty-six weeks ended February 26, 2022</b>	<b>Twenty-six weeks ended February 27, 2021</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Core Laundry Operations	\$ 861,902	\$ 791,425	\$ 70,477	8.9 %
Specialty Garments	75,022	73,356	1,666	2.3 %
First Aid	35,936	31,836	4,100	12.9 %
Consolidated total	<u>\$ 972,860</u>	<u>\$ 896,617</u>	<u>\$ 76,243</u>	<u>8.5 %</u>

## Operating Income

(In thousands, except percentages)	Thirteen weeks ended February 26, 2022	Thirteen weeks ended February 27, 2021	Dollar Change	Percent Change
Core Laundry Operations	\$ 18,745	\$ 35,366	\$ (16,621)	(47.0)%
Specialty Garments	3,850	5,234	(1,384)	(26.4)%
First Aid	18	93	(75)	(80.6)%
Consolidated total	\$ 22,613	\$ 40,693	\$ (18,080)	(44.4)%

(In thousands, except percentages)	Twenty-six weeks ended February 26, 2022	Twenty-six weeks ended February 27, 2021	Dollar Change	Percent Change
Core Laundry Operations	\$ 55,252	\$ 84,236	\$ (28,984)	(34.4)%
Specialty Garments	12,479	12,393	86	0.7%
First Aid	(328)	106	(434)	(409.4)%
Consolidated total	\$ 67,403	\$ 96,735	\$ (29,332)	(30.3)%

## Operating Margin

	Thirteen weeks ended February 26, 2022	Thirteen weeks ended February 27, 2021
Core Laundry Operations	4.3%	8.9%
Specialty Garments	10.8%	14.9%
First Aid	0.1%	0.6%
Consolidated total	4.6%	9.0%

	Twenty-six weeks ended February 26, 2022	Twenty-six weeks ended February 27, 2021
Core Laundry Operations	6.4%	10.6%
Specialty Garments	16.6%	16.9%
First Aid	(0.9)%	0.3%
Consolidated total	6.9%	10.8%

## Consolidated Statements of Cash Flows (Unaudited)

(In thousands)	Twenty-six weeks ended February 26, 2022	Twenty-six weeks ended February 27, 2021
Cash flows from operating activities:		
Net income	\$ 52,156	\$ 74,481
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	53,717	52,595
Amortization of deferred financing costs	82	56
Share-based compensation	4,961	3,266
Accretion on environmental contingencies	298	224
Accretion on asset retirement obligations	491	492
Deferred income taxes	1,733	847
Other	(6)	19
Changes in assets and liabilities, net of acquisitions:		
Receivables, less reserves	(27,855)	(12,511)
Inventories	(17,189)	(4,287)
Rental merchandise in service	(13,317)	(338)
Prepaid expenses and other current assets and Other assets	(3,926)	2,267
Accounts payable	5,357	(1,923)
Accrued liabilities	(16,928)	11,460
Prepaid and accrued income taxes	5,319	1,368
Net cash provided by operating activities	44,893	128,016
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(42,325)	(7,018)
Capital expenditures, including capitalization of software costs	(60,178)	(66,855)

Proceeds from sale of assets	27	281
Net cash used in investing activities	<u>(102,476)</u>	<u>(73,592)</u>
Cash flows from financing activities:		
Proceeds from exercise of share-based awards	3	3
Taxes withheld and paid related to net share settlement of equity awards	(3,803)	(2,643)
Repurchase of Common Stock	(14,766)	(9,534)
Payment of cash dividends	<u>(9,976)</u>	<u>(9,069)</u>
Net cash used in financing activities	<u>(28,542)</u>	<u>(21,243)</u>
Effect of exchange rate changes	<u>(856)</u>	<u>1,544</u>
Net increase (decrease) in cash, cash equivalents and short-term investments	(86,981)	34,725
Cash, cash equivalents and short-term investments at beginning of period	<u>512,868</u>	<u>474,838</u>
Cash, cash equivalents and short-term investments at end of period	\$ 425,887	\$ 509,563

### Reconciliation of GAAP to Non-GAAP Financial Measures

The Company reports its consolidated financial results in accordance with generally accepted accounting principles (“GAAP”). To supplement these consolidated financial results, management believes that certain non-GAAP operating results provide a useful measure on which to evaluate and compare the Company’s results of operations for the periods presented. The Company believes these non-GAAP results provide useful supplemental information regarding the Company’s performance to both management and investors by excluding certain non-recurring amounts that impact the comparability of the results. A supplemental reconciliation of the Company’s consolidated operating income, consolidated net income and diluted earnings per share (“EPS”) on a GAAP basis to adjusted operating income, adjusted net income and adjusted diluted EPS on a non-GAAP basis is presented in the following table. In addition, Core Laundry Operations’ operating income and operating margin on a GAAP basis to adjusted operating income and adjusted operating margin on a non-GAAP basis is also presented in the following table. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures, which are provided below.

<b>Thirteen weeks ended February 26, 2022</b>							
<b>(In thousands, except percentages)</b>	<b>Consolidated</b>				<b>Core Laundry Operations</b>		
	<b>Revenue</b>	<b>Operating Income</b>	<b>Net Income</b>	<b>Diluted EPS</b>	<b>Revenue</b>	<b>Operating Income</b>	<b>Operating Margin</b>
As reported	\$ 486,696	\$ 22,613	\$ 18,451	\$ 0.97	\$ 433,056	\$ 18,745	4.3 %
Key Initiatives	—	6,739	5,080	0.27	—	6,739	1.6 %
As adjusted	\$ 486,696	\$ 29,352	\$ 23,531	\$ 1.24	\$ 433,056	\$ 25,484	5.9 %

<b>Twenty-six weeks ended February 26, 2022</b>							
<b>(In thousands, except percentages)</b>	<b>Consolidated</b>				<b>Core Laundry Operations</b>		
	<b>Revenue</b>	<b>Operating Income</b>	<b>Net Income</b>	<b>Diluted EPS</b>	<b>Revenue</b>	<b>Operating Income</b>	<b>Operating Margin</b>
As reported	\$ 972,860	\$ 67,403	\$ 52,156	\$ 2.75	\$ 861,902	\$ 55,252	6.4 %
Key Initiatives	—	12,661	9,543	0.50	—	12,661	1.5 %
As adjusted	\$ 972,860	\$ 80,064	\$ 61,699	\$ 3.25	\$ 861,902	\$ 67,913	7.9 %

Supplemental reconciliations of the Company’s fiscal 2022 financial outlook for consolidated operating income, consolidated net income, diluted earnings per share and operating margin on a GAAP basis to adjusted operating income, adjusted net income, adjusted diluted EPS and adjusted operating margin on a non-GAAP basis are presented in the following tables. In addition, a supplemental reconciliation of the fiscal 2022 financial outlook for Core Laundry Operations’ operating income and operating margin on a GAAP basis to adjusted operating income and adjusted operating margin on a non-GAAP basis is also presented in the following table. Investors are encouraged to review the reconciliation of the outlook for these non-GAAP measures to the outlook for their most directly comparable GAAP financial measures, which are provided below. The Company’s outlook contains forward-looking statements and information. Actual results may differ materially. See “Forward-Looking Statements Disclosure.”

<b>Fifty-two weeks ended August 27, 2022</b>							
<b>(In thousands, except percentages and per share amounts)</b>	<b>Consolidated</b>			<b>Core Laundry Operations</b>			
	<b>Guidance - at the midpoint</b>	<b>Key Initiative Costs</b>	<b>Adjusted</b>	<b>Guidance - at the midpoint</b>	<b>Key Initiative Costs</b>	<b>Adjusted</b>	<b>Adjusted</b>
Revenues	\$ 1,973,500	\$ —	\$ 1,973,500	\$ 1,753,500	\$ -	\$ 1,753,500	
Operating income	142,275	30,000	172,275	\$ 121,400	\$ 30,000	\$ 151,400	
Operating margin	7.2 %	1.5 %	8.7 %	6.9 %	1.7 %	8.6 %	
Income before income taxes	143,075	30,000	173,075				
Provision for income taxes	34,338	7,581	41,919				
Net income	<u>\$ 108,737</u>	<u>\$ 22,419</u>	<u>\$ 131,156</u>				
Effective tax rate	24.0 %	25.3 %	24.2 %				

Diluted earnings per share:

Low

High

	<u>Projected</u>	<u>Key Initiative Costs</u>	<u>Adjusted</u>
	\$ 5.62	\$ 1.18	\$ 6.80
	\$ 5.82	\$ 1.18	\$ 7.00



Source: UniFirst Corporation