Risk Factors Comparison 2023-08-25 to 2022-08-31 Form: 10-K

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UNIFI' s strategy involves the sale of products and solutions to other yarn manufacturers and knitters and weavers (UNIFI' s direct customers) that produce yarn and / or fabric for brands and retailers in the apparel, hosiery, home furnishings, automotive, industrial and other end- use markets (UNIFI' s indirect customers). We refer to these indirect customers as " brand partners. " Although we generally do not derive revenue directly from our brand partners, sales volumes to our direct customers are linked with demand from our brand partners because our direct sales generally form a part of our brand partners' supply chains. A significant portion of our overall sales is tied to ongoing programs for a limited number of brand partners. Our future operating results depend on both the success of our largest brand partners and on our success in diversifying our products and our indirect customer base. Because we typically do not operate on the basis of long- term contracts, our customers and brand partners can cease incorporating our products into their own with little notice to us and with little or no penalty. The loss of a large brand partner, and the failure to add new customers to replace the corresponding lost sales, would have a material adverse effect on our business, financial condition, results of operations, and cash flows. Significant price volatility of UNIFI' s raw materials and rising energy costs may result in increased production costs. UNIFI attempts to pass such increases in production costs on to its customers through responsive price increases. However, any such price increases are effective only after a time lag that may span one or more quarters, during which UNIFI and its margins are negatively affected. Petroleum- based chemicals and recycled plastic bottles comprise a significant portion of UNIFI' s raw materials. The prices for these products and related energy costs are volatile and dependent on global supply and demand dynamics, including geo- political risks. While UNIFI 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. UNIFI attempts to pass on to its customers increases in raw material costs, but at times it cannot. When it can, there is typically a time lag that adversely affects UNIFI and its margins during one or more quarters. Certain customers are subject to an index- based pricing model in which UNIFI' s prices are adjusted based on the change in the cost of certain raw materials in the prior quarter. Pricing adjustments for other customers must be negotiated independently. In ordinary market conditions in which raw material price increases have stabilized and sales volumes are consistent with traditional levels, UNIFI has historically been successful in implementing price adjustments within one to two fiscal quarters of the raw material price increase for its index priced customers and within two fiscal quarters of the raw material price increase for its non- index priced customers. UNIFI 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 UNIFI operates, and certain other market regulations that favor UNIFI 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 UNIFI' s ability to maintain satisfactory margins. If UNIFI is not able to 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 petroleum- based inputs, recycled bottles, and other raw materials, the price gap between virgin chip and recycled chip could make virgin raw materials more cost- effective than recycled raw materials, which could result in an adverse effect on UNIFI' s ability to sell its REPREVE brand recycled products profitably. The success of UNIFI' s business is tied to the strength and reputation of its brands. If the reputation of one or more of our brands erodes significantly, it could have a material impact on our financial results. UNIFI has invested heavily in branding and marketing initiatives, and certain of our brands, particularly our REPREVE brand, have widespread recognition. Our financial success is directly dependent on the success of our brands. The success of a brand can suffer if our marketing plans or product initiatives do not have the desired impact on a brand' s image or its ability to attract consumers. Our financial results could also be negatively impacted if one of our brands suffers substantial harm to its reputation due to a product recall, product- related litigation, the sale of counterfeit products, or other circumstances that tarnish the qualities and values represented by our brands. Part of our strategy also includes the license of our trademarks to brand partners, customers, independent contractors, and other third parties. For example, we license our REPREVE trademarks to brand partners that feature this trademark on their marketing materials as part of a co- branded environmental sustainability product narrative. Although we make concerted efforts to protect our brands through quality control mechanisms and contractual obligations imposed on our licensees, there is a risk that some licensees might not be in full compliance with those mechanisms and obligations. If the reputation of one or more of our brands is significantly eroded, it could adversely affect our sales, results of operations, cash flows, and / or financial condition. UNIFI' s future success will depend in part on its ability to protect and preserve its intellectual property rights, and UNIFI' s inability to enforce these rights could cause it to lose sales, reduce any competitive advantage it has developed **,** or otherwise harm its business. UNIFI' s future success depends in part on 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. UNIFI 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, UNIFI may be unable to prevent third parties, employees, or contractors from using its intellectual property without authorization, breaching nondisclosure or confidentiality agreements, or independently developing technology that is similar to UNIFI' s. The use of UNIFI' s intellectual property by others without authorization may cause it to lose sales, reduce any competitive advantage UNIFI has developed, or otherwise harm its business.

Financial Risks UNIFI has significant foreign operations, and its consolidated results of operations and business may be adversely affected by the risks associated with doing business in foreign locations, including the risk of fluctuations in foreign currency exchange rates. UNIFI has foreign operations in Brazil, China, Colombia, El Salvador, and Turkey and participates in joint ventures located in Israel **and the U. S** . In addition, to help service its customers, UNIFI from time to time engages with third- party independent contractors to provide sales and distribution, manufacturing, and other operational and administrative support services in locations around the world. UNIFI serves customers throughout the Americas and Asia, as well as various countries in Europe. UNIFI' s foreign operations are subject to certain political, tax, economic, and other uncertainties not encountered by its domestic operations that can materially impact UNIFI' 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 UNIFI or any of its U. S. subsidiaries, maintenance of minimum capital requirements, and import and export controls. UNIFI' s consolidated results of operations and business could be adversely affected as a result of a significant adverse development with respect to any of these risks. Through its foreign operations, UNIFI is also exposed to foreign currency exchange rate fluctuations. Fluctuations in foreign currency exchange rates will impact period- to- period comparisons of UNIFI' s reported results. Additionally, UNIFI operates in countries with foreign exchange controls. These controls may limit UNIFI' s ability to transfer funds from its international operations and joint ventures or otherwise to convert local currencies into USDs. These limitations could adversely affect UNIFI' s ability to access cash from its foreign operations. In addition, due to its foreign operations, a risk exists that UNIFI' s employees, contractors, or agents could engage in business practices prohibited by U. S. laws and regulations applicable to the Company, such as the Foreign Corrupt Practices Act or the anti- bribery and corruption laws and regulations of other countries in which we do business. UNIFI maintains policies prohibiting these practices but remains subject to the risk that one or more of its employees, contractors, or agents, specifically ones based in or from countries where such practices are customary, will engage in business practices in violation of these laws and regulations. Any such violations, even if in breach of UNIFI' s policies, could adversely affect its business or financial performance. UNIFI may be subject to greater tax liabilities. UNIFI is subject to income tax and other taxes in the U. S. and in numerous foreign jurisdictions. UNIFI' s domestic and foreign income tax liabilities are dependent on the jurisdictions in which profits are determined to be earned and taxed. Additionally, the amount of taxes paid is subject to UNIFI' s interpretation of applicable tax laws in the jurisdictions in which we operate. Changes in tax laws including further regulatory developments arising from U. S. tax reform legislation, judicial interpretations in the jurisdictions in which we operate, and multi- jurisdictional changes enacted in response to the action items provided by the Organization for Economic Co- operation and Development could have an adverse effect on UNIFI' s business, financial condition, operating results, and cash flows. Significant judgment, knowledge, and experience are required in determining our worldwide provision for income taxes. UNIFI requires cash to service its indebtedness and to fund capital expenditures and strategic initiatives, and its ability to generate sufficient cash for those purposes depends on many factors beyond its control. UNIFI' s principal sources of liquidity are cash flows generated from operations and borrowings under its credit facility. UNIFI' s ability to make payments on its indebtedness and to fund planned capital expenditures and strategic initiatives will depend on its ability to generate future cash flows from operations. This ability, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond UNIFI' s control. The business may not generate sufficient cash flows from operations, and future borrowings may not be available to UNIFI in amounts sufficient to enable UNIFI to pay its indebtedness and to fund its other liquidity needs. Any such development would have a material adverse effect on UNIFI **. During fiscal 2023, certain regional bank crises and failures generated additional uncertainty and volatility in the financial and credit markets. UNIFI currently holds the vast majority of its cash deposits with large foreign banks in our associated operating regions, and management believes that it has the ability to repatriate cash to the U. S. relatively quickly, although management recognizes that various inherent risks do exist in executing the repatriation of cash from foreign subsidiaries. If any of the financial institutions within our 2022 Credit Agreement or construction financing arrangement our lending counterparties are unable to perform on their commitments, our liquidity could be adversely impacted, and we may not be able to adequately fund our operations and pay our debts as they become due. We actively monitor all lending counterparties, and none have indicated that they may be unable to perform on their commitments. In addition, we periodically review our lending counterparties, considering the stability of the institutions and other aspects of the relationships. Based on our monitoring activities, we currently believe our lending counterparties will be able to perform their commitments** . Operational Risks UNIFI depends on 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. UNIFI depends on a limited number of third parties for certain raw material supplies, such as POY, Chip, dyes, and chemicals. Although alternative sources of raw materials exist, UNIFI may not be able to obtain adequate supplies of such materials on acceptable terms, or at all, from other sources. UNIFI is dependent on USMCA / NAFTA, CAFTA- DR, 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 UNIFI to reduce or cease its production for an extended period, or require UNIFI to increase its pricing, any of which could have a material adverse effect on its business, financial condition, results of operations, or cash flows. A disruption at one of our facilities could harm our business and result in significant losses, lead to a decline in sales, and increase our costs and expenses. Our operations and business could be disrupted by natural disasters, industrial accidents, power or water shortages, extreme weather conditions, pandemics, and other man- made disasters or catastrophic events. We carry commercial property damage and business interruption insurance against various risks, with limits we deem adequate, for reimbursement for damage to our fixed assets and resulting disruption of our operations. However, the occurrence of any of these business disruptions could harm our business and result in significant losses, lead to a decline in sales **,** and increase our costs and expenses. Any disruptions from these events could require substantial expenditures and recovery time to resume operations and could also have a material adverse effect on our operations and financial results to the extent losses are uninsured or exceed insurance recoveries and to the extent that such disruptions adversely impact our relationships with our customers. Our business and operations could suffer in the event of cybersecurity breaches. Attempts to gain unauthorized access to our information technology systems have become increasingly more sophisticated over time. These attempts, which might be related to industrial or other espionage, include covertly introducing malware to our computers and networks and impersonating authorized users, among others. We seek to detect and investigate all security incidents and to prevent their recurrence, but in some cases we might be unaware of an incident or its magnitude and effects. We carry **cyber** ~~data protection~~ liability insurance against cyber attacks, with limits we deem adequate for the reimbursement for damage to our computers, equipment, and networks and resulting disruption of our operations. ~~Any~~ **However, any** disruption from a cyber attack could require substantial expenditures and recovery time in order to fully resume operations and could also have a material adverse effect on our operations and financial results to the extent losses are uninsured or exceed insurance recoveries and to the extent that such disruptions adversely impact our relationships with our customers. We have been a target of cybersecurity attacks in the past and, while such attacks have not resulted in a material impact on our operations, business, or customer relationships, such attacks could in the future. The theft, unauthorized use **,** or publication of our intellectual property and / or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives, or otherwise adversely affect our business. To the extent that any cybersecurity breach results in inappropriate disclosure of our customers' or brand partners' confidential information, we may incur ~~a~~ **significant** liability **and reputational harm** as a result. In addition, devoting additional resources to the security of our information technology systems in the future could significantly increase the cost of doing business or otherwise adversely impact our financial results. A decline or change in general economic conditions, political conditions, and / or levels of consumer spending could cause a decline in demand for textile products, including UNIFI' s products. UNIFI' s products are used in the production of fabric primarily for the apparel, hosiery, home furnishings, automotive, industrial, and other end- use markets. Demand for furniture and other 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. Additionally, prolonged economic downturns that negatively impact UNIFI' s results of operations and cash flows could result in future material impairment charges to write- down the carrying value of certain assets, including facilities and equipment, amortizable intangible assets, and equity affiliates. **We recognize the disruption to global markets and supply chains caused by Russia' s invasion of Ukraine. While volatility and uncertainty continue, we have no significant customers or supply chain partners in the conflicted region, and we have not been directly impacted by the conflict. Indirectly, we recognize that additional or prolonged impacts to the petroleum or other global markets could cause further inflationary pressures to our raw material costs or unforeseen adverse impacts.** Changes in consumer spending, customer preferences, fashion trends, and end **-** uses for UNIFI' s products could weaken UNIFI' s competitive position and cause UNIFI' s products to become less competitive, and its sales and profits may decrease as a result. Additionally, the end-consumer retail and apparel markets may continue to experience difficult conditions ~~characterized by reduced retail traffic and growth in online sales channels, which may cause bankruptcies, store closures,~~ and other transformations ~~for traditional retail enterprises~~ , which could have an adverse effect on UNIFI' s business and financial condition ~~. Historic trends indicate weakening performance in the nylon sector on a global basis. If further declines are significant in any one year or the cumulative decline over a number of years is significant, the impact could have a material adverse effect on UNIFI' s business, financial condition, results of operations, or cash flows~~ . General Risks Unfavorable changes in trade policies and / or violations of existing trade policies could weaken UNIFI' s competitive position significantly and have a material adverse effect on its business. A number of markets within the textile industry in which UNIFI 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 UNIFI 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, India, and Vietnam. Political and policy- driven influences are subjecting international trade regulations to significant volatility. Future changes in such trade regulations or duties may make the price of UNIFI' 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 UNIFI' s business, financial condition, results of operations, or cash flows. Such changes in ~~U. S.~~ import duties **in the U. S. and other countries in which we operate** might also result in increased **direct and** indirect costs on items imported to support UNIFI' s ~~domestic~~ operations and / or countervailing or responsive changes applicable to exports of our products outside the U. S. According to industry experts and trade associations, there has been a significant amount of illegal transshipments of POY and apparel products into the U. S. and into certain other countries in the ~~NACA~~ **Americas** region in which UNIFI 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 USMCA / NAFTA and CAFTA- DR. If illegal transshipments are not monitored, and if enforcement is not effective to limit them, these shipments could have a material adverse effect on UNIFI' s business, financial condition, results of operations, or cash flows. In order to compete effectively, we must attract, retain, and motivate **qualified** key employees, and our failure to do so could harm our business and our results of operations. In order to compete effectively, we must attract and retain qualified employees. Our future operating results and success depend on retaining key personnel and management as well as expanding our technical, sales and marketing, innovation, and administrative support. The competition for qualified personnel is intense, particularly as it relates to hourly personnel in the domestic communities in which our manufacturing facilities are located. We cannot be sure that we will be able to attract and retain qualified personnel in the future, which could harm our business and results of operations. Catastrophic or extraordinary events, including epidemics or pandemics such as the COVID- 19 pandemic, could disrupt global economic activity and / or demand and negatively impact our financial performance and results of operations. The COVID- 19 pandemic ~~has~~ negatively impacted the global economy, disrupted consumer spending, and ~~affecting~~ **affected** global supply chains. **Specifically, containment efforts in China have impacted our supply chain, negatively impacting the results of our Asia Segment.** The ~~duration of the COVID- 19 pandemic and its~~ long- term impact on our businesses is currently unknown ~~. Ongoing containment efforts such as travel bans and restrictions, quarantines, and business shutdowns continue to negatively impact the global economy. Specifically, containment efforts in China have impacted our supply chain, negatively impacting the results of our Asia Segment. The duration of these containment efforts and future impact on our business is difficult to predict~~ . UNIFI will continue to monitor the COVID- 19 pandemic by prioritizing health and safety while delivering on customer demand. However, the COVID- 19 pandemic could resurge or another epidemic or pandemic could arise, and, accordingly, **could adversely affect our** ~~we will remain diligent and responsive to ensure the vitality of the~~ organization. The risks associated with climate change, localized energy management initiatives, and other environmental impacts could negatively affect UNIFI' s business and operations. UNIFI' s business is susceptible to risks associated with climate change, including, but not limited to, disruptions to our supply chain, which could potentially impact the production and distribution of our products and **the** availability and pricing of raw materials. Increased frequency and intensity of weather events ~~due to climate change~~ could lead to supply chain disruption, energy and resource rationing, or an adverse event at one of our manufacturing facilities or the facilities of our manufacturing partners. Further **, regulatory responses to climate change could adversely affect our operations. For instance** , the recent energy management initiatives in China temporarily constrained global supply chains and reduced supplier and customer activity. **Additionally** ~~UNIFI remains focused on diversifying our product portfolio and manufacturing footprint while utilizing fewer resources to help address the risks associated with climate change. Nonetheless~~ , ~~the associated risks~~ **weaknesses in energy infrastructure could result in supply disruptions that could indirectly affect our operations and** could adversely impact our results of operations and cash flows. **16** ~~Item 1B. Unresolved Staff Comments~~