



**UNISYNC CORP.  
MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2025**

**Unisync Corp.**  
**Management's Discussion and Analysis**  
**For the Three Months Ended December 31, 2025**

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## **BACKGROUND**

The following management discussion and analysis ("MD&A") was prepared as of February 10, 2026 and should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the years ended September 30, 2025 and the unaudited condensed consolidated financial statements and accompanying notes for the three months ended December 31, 2025 in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, and actual results could vary considerably from these statements (see section headed "Forward-Looking Information"). Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to Unisync Corp. is available for view on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

## **DESCRIPTION OF BUSINESS**

Unisync Corp. is a British Columbia corporation and reporting issuer in British Columbia, Alberta, Manitoba and Ontario. Unisync's voting Common Shares are listed and posted for trading on the TSX Exchange under the symbol "UNI" and on the OTC market under the symbol "USYNF". Unisync Corp. and its subsidiaries are hereinafter referred to collectively as "Unisync" or the "Company".

Unisync is a vertically integrated North American enterprise with exceptional capabilities in garment design, domestic manufacturing and offshore outsourcing, combined with state-of-the-art web based B2B and B2C ordering, distribution and program management systems.

Unisync operates through two business segments: Peerless Garments LP ("Peerless") of Winnipeg, Manitoba and Unisync Group Limited ("UGL") of Mississauga, Ontario. Peerless specializes in the production and distribution of highly technical protective garments, military operational clothing and accessories for a broad spectrum of Federal, Provincial and Municipal government departments and agencies. UGL is a leading customer-focused provider of corporate apparel, serving a list of leading iconic brands such as Air Canada, Alaska Airlines, Purolator, Canadian Coast Guard, Sobeys, Tim Hortons and WestJet.

UGL has a broad base of operations across Canada with four distribution and service facilities encompassing a total of 245,000 square feet which provide a unique capability to effectively service customers nationally. UGL's United States subsidiary, Unisync (Nevada) LLC ("UNV"), operates a 29,000 square foot distribution and service facility in Henderson, Nevada, as a base to distribute uniforms to its US clients and to develop new business in the US corporate apparel market.

## **BUSINESS STRATEGY**

The Company's strategy is to leverage its integrated manufacturing, sourcing, and distribution platform to expand its position as a North American leader in corporate and government uniform markets. Key elements of this strategy include:

- Deepening relationships with core national accounts in sectors such as airlines, quick-service restaurants, logistics, and public safety, through consistent service levels, product innovation, and competitive total program cost.
- Expanding the Company's presence in the United States, using its Nevada distribution facility as a base to support existing contracts and pursue new multi-year managed service programs.
- Delivering industry-leading service quality by maintaining high product standards, ensuring a seamless end-user experience and consistently achieving reliable on-time delivery and high fill rates.
- Pursuing complementary, revenue-producing acquisition opportunities that enhance scale, broaden sector exposure, or add capabilities aligned with the Company's core uniform and managed services offering.

This strategy is intended to enable sustainable growth and deliver long-term value for shareholders

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**OVERALL RESULTS OF OPERATIONS**

The overall results of operations include certain items that have been disclosed separately in order to provide an assessment of the Company's underlying results. In addition to IFRS measures, management uses certain non-IFRS measures in this MD&A, as management believes they are widely accepted financial indicators for evaluating the Company's results and its ability to incur and service debt. These non-IFRS measures do not have standardized meanings under IFRS and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. The following table sets out selected consolidated financial information for the three months ended December 31, 2025 and 2024.

(Canadian \$'s) (000's), except per share data

	Three Months Ending December 31,	
	2025	2024
Revenue	\$ 20,923	\$ 21,358
Direct expenses	15,109	15,803
Depreciation & amortization	851	1,340
General & administrative	3,123	2,965
Share-based payments	53	-
Interest expense	698	947
Foreign exchange (gains) losses	(149)	1,321
Net income (loss) before income taxes	1,238	(1,018)
Income tax expense (recovery)	358	(281)
Net income (loss)	880	(737)
Net income (loss) attributable to Unisync shareholders	880	(744)
Income (loss) attributable to minority partner	-	7
Basic income (loss) per share	0.05	(0.04)
Diluted income (loss) per share	0.05	(0.04)
<i>Supplemental data:</i>		
Gross profit <sup>(1)</sup>	4,963	4,215
Gross profit %	23.7%	19.7%

<sup>(1)</sup> The Company calculates gross profit as revenue less direct expenses and depreciation and amortization.

<sup>(2)</sup> Adjusted EBITDA is a non-IFRS financial measure. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation.

<sup>(3)</sup> Effective Q4 2024, the Company revised its definition of Adjusted EBITDA to exclude certain non-recurring expenses. Management believes this change aligns with evolving industry practices and provides greater comparability. Prior-year Adjusted EBITDA figures have been restated to reflect the new definition. The revised definition of Adjusted EBITDA excludes unusual inventory write-down adjustments and separation and related costs.

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The following table provides a reconciliation of IFRS “Net Income (loss)” to Non-IFRS “Adjusted EBITDA”:

	Three Months Ending December 31,	
	2025	2024
Net Income (Loss)	880	(737)
Income tax expense (recovery)	358	(281)
Interest expense	698	947
Unrealized Foreign exchange (gains) losses	(149)	1,321
Depreciation and amortization	851	1,340
Share-based payments	53	-
<b>Adjusted EBITDA</b> <sup>(2) (3)</sup>	<b>2,691</b>	<b>2,590</b>
<i>Adjusted EBITDA % of Revenue</i>	<i>12.9%</i>	<i>12.1%</i>

**Results for the three months ended December 31, 2025 versus the three months ended December 31, 2024**

**Revenues**

Consolidated revenue for the three months ended December 31, 2025 was \$20.9 million, a decrease of \$0.4 million, or 2.0% from the same period last year. The decline was driven by a \$0.4 million decrease in the UGL segment, a \$0.1 million decrease in the Peerless segment, partially offset by a decrease of \$0.1 million in inter-segment eliminations.

UGL segment revenues decreased slightly by \$0.4 million, or 2.0% year over year to \$19.1 million. The decrease in revenues was mainly attributed to lower volumes in public sector accounts, partially offset by a slight increase in sales volumes in airline accounts.

Peerless segment revenues decreased by \$0.1 million or 5.7% year-over-year mainly due to a delay in fabric components from a supplier resulting in a reduction in shipments in the quarter which has been subsequently rectified.

**Gross Profit and Gross Margin**

Consolidated gross profit increased in the first quarter to \$5.0 million, or 23.7% of revenue, from \$4.2 million, or 19.7% of revenue from the same period last year.

UGL segment continued to experience an improvement in profitability, despite a slight decrease in revenue. Segment gross profit increased \$0.8 million, from \$3.9 million (20.5% of revenue) in the three months ending December 31, 2024 to \$4.7 million (25.1% of revenue) in the three months ended December 31, 2025. The year-over-year margin improvement was driven by a more favourable sales mix, lower offshore input costs and a reduction in depreciation and amortization expense.

The Peerless segment gross profit of \$0.4 million was unchanged from the same period last year, while gross margins decreased to 16.4% from 16.9% due to a change in sales mix.

**Depreciation and Amortization**

Depreciation and amortization expense totaled \$0.9 million, down from \$1.3 million in the same period in the prior year, reflecting the full amortization of certain intangible assets and reduction in depreciation charge on other property, plant and equipment.

**General and Administrative Expenses**

General and administrative expenses were \$3.1 million, a slight increase of \$0.1 million, or 5.3%, compared to same period in the prior year. The increase was mainly due to inflationary increases in wages and benefits, and other general & administrative expenditure categories

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**Interest Expense**

Interest expense decreased by \$0.2 million, driven by lower average debt outstanding and lower interest rates compared to the same period in the prior year.

**Net Income and Adjusted EBITDA**

The Company reported net income before tax of \$1.2 million for the three months ended December 31, 2025, compared to a loss of \$1.0 million in the prior year. The company recorded an unrealized foreign exchange gain of \$0.2 million compared to an unrealized foreign exchange loss of \$1.3 million in the prior year. Adjusted EBITDA increased to \$2.7 million, up from \$2.6 million in the period in the prior year, reflecting stronger gross margin contributions from the UGL segment.

**BUSINESS OUTLOOK**

The UGL segment was awarded approximately \$7.5 million in annual new business during the three months ended December 31, 2025. This new business includes contracts in the telecommunications, quick-service restaurant, and government sectors, and contributes to a more diversified and resilient customer base. The new business awarded is expected to begin shipping in fiscal 2026.

UGL management continues to actively pursue a number of material business opportunities expected to come to market in both the Canadian and U.S. corporate apparel markets during the 2026 calendar year. The Company believes that the operating efficiencies realized in fiscal 2025, combined with its strengthened sales pipeline, provide a solid foundation for future growth.

As at December 31, 2025, the Peerless segment has \$25.3 million in firm contracts and options, subject to the timing of government orders and exercise of available options.

Notwithstanding these positive developments, the Company is mindful of ongoing external risks. A sustained lower Canadian dollar and the potential for increased tariffs could raise the cost of offshore production, which is largely payable in U.S. dollars. Management will continue to monitor these factors closely and will seek to mitigate their impact through pricing actions and ongoing sourcing optimization.

**LIQUIDITY**

The Company's liquidity position improved in first quarter of fiscal 2026, supported by stronger operating cash flows. As at December 31, 2025, Unisync remained in compliance with all covenants on its operating and mortgage loan facilities, and management believes that available credit capacity and internally generated cash flows are sufficient to support ongoing operations and planned business activities.

At December 31, 2025, Unisync holds two operating loan facilities totalling \$24.0 million and a loan facility of US\$5.0 million with a Canadian chartered bank to finance its working capital requirements. The maximum amount available under the facilities is based on certain margin requirements and covenants as stipulated in the loan facility agreements as described in accompanying notes 9 and 10 to the consolidated financial statements for the three months ended December 31, 2025.

The Company has three mortgage loan facilities with the Business Development Bank of Canada ("BDC") with amounts of \$3.5 million (the "Peerless" mortgage loan on the Winnipeg, Manitoba property) and amounts of \$5.5 million and \$7.3 million (the "Utility" mortgage loans on the Saint-Laurent, Quebec property) outstanding at September 30, 2025 on the properties having appraised values of \$5.7 million and \$15.7 million, respectively. The Peerless mortgage loan is repayable in blended monthly instalments of principal and interest of \$23,717 that began on November 1, 2021 over a 240 month

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term. The first Utility mortgage loan is repayable in blended monthly instalments of principal and interest of \$32,642 that began on November 1, 2021 over a 300 month term. Advances under the Peerless and the first Utility mortgage loan bear interest at a fixed rate of 4.10% until May 1, 2026 following which the interest rate will be adjusted to the BDC's fixed rate then in effect. The second Utility mortgage loan is repayable in blended monthly instalments of principal and interest of \$51,708 commencing on August 1, 2024 for a term of 25 years at a fixed interest rate of 6.7% for the first five years, following which the interest rate will be adjusted to the BDC's fixed rate then in effect.

Excluding the current portions of the mortgage loan and long-term lease facilities, and amounts due to its minority interest partner, Unisync had working capital of \$15.0 million at December 31, 2025 (September 30, 2025 - \$13.5 million). As at December 31, 2025, the Company had outstanding foreign exchange contracts of \$nil (September 30, 2025 - \$nil) and letters of credit of \$0.9 million (September 30, 2025 - \$0.9 million) in support of government contracts along with operating loans outstanding of \$19.3 million (September 30, 2025 - \$18.4 million) under its three operating loan facilities.

Cash flow from operations of \$0.8 million after changes in working capital was used to fund \$0.1 million of mortgage loan repayments, \$0.6 million in long-term lease facilities principal payments, interest payments on all debt facilities of \$0.5 million, and \$0.9 million increase in operating loans.

**Summary of Quarterly Results**

(Canadian \$'s) (000's), except per share data

	2026	2025				2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$ 20,923	\$ 16,720	\$ 21,873	\$ 24,527	\$ 21,358	\$ 19,991	\$ 21,194	\$ 25,683
Net income (loss)	880	(411)	1,369	63	(738)	(3,285)	(912)	450
Net income (loss) attributable to Unisync shareholders	880	(403)	1,351	1	(744)	(3,273)	(971)	390
Income (loss) attributable to minority partner	-	(7)	18	60	7	(12)	60	60
Basic income (loss) per share	0.05	(0.02)	0.07	0.00	(0.04)	(0.17)	(0.05)	0.02
Diluted income (loss) per share	0.05	(0.02)	0.07	0.00	(0.04)	(0.17)	(0.05)	0.02

**SHARE CAPITAL**

The following table sets out the share capitalization of the Company as at December 31, 2025 and the date of this MD&A.

Description	Authorized	Outstanding as at December 31, 2025	Outstanding as at the date of this MD&A
Common Shares	Unlimited	19,012,229	19,012,229
Stock Options – Common Shares	1,901,223	1,375,000	1,375,000
Class A Preferred Shares	Unlimited in series	Nil	Nil

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements other than letters of credit granted in the ordinary course of business as set out in the Section headed "Liquidity".

## **CRITICAL ACCOUNTING ESTIMATES**

### Measurement Uncertainty

The preparation of financial statements in conformity with IFRS® requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

### Impact of Trade Policies

The Company is subject to risks associated with changes in international trade policies, including the imposition of tariffs by the United States and reciprocal actions by other countries. Management has assessed the potential impact of these tariffs on the Company's operations, including cost of goods sold, pricing strategies and inventory valuation. While these tariff changes during the period end did not materially impact the company's financial performance, the tariff changes and geopolitical changes introduces heightened uncertainty that could materially impact supply chains and increase production costs.

### Impact of Rising Interest Rates

The impact of rising interest rates and economic uncertainty can be far reaching and difficult to predict and may potentially impact the Company's ability to continue as a going concern. Interest rates can affect many areas within the consolidated financial statements, including accounting estimates, concentration risks, impairment assessments, borrowing costs, debt covenants, and more.

The Company's operating loans with variable rates of interest may be faced with higher repayments because of increased interest rates and may be unable to meet immediate future repayments. The Company's fixed rate mortgage loans may be subject to higher interest rates at the expiry of the current fixed rate periods on the facilities, meaning higher repayments in the future. Although a significant portion of the Company's accounts receivables are insured and/or with government entities, rising interest rates may also result in expectations of increased credit losses.

These risks have been considered when forecasting future cash flows. The Company has taken steps to improve its cash flows through the restructuring of its Canadian distribution and sewing operations, right sizing the organization, the resourcing of offshore production to lower cost locations and the negotiation of customer contract pricing to respond to the inflationary post pandemic and higher interest rate environment.

Other key areas of estimates and judgments are listed in Note 6 to the consolidated financial statements and include but are not limited to the recognition of deferred income taxes, costing allocations of labour and overhead for inventories, the estimated useful lives of property, plant and equipment, recording of accrued liabilities and contingencies, due to minority partner, valuation of receivables and inventory obsolescence, valuation of goodwill and share based payments and the allocation of purchase consideration on the acquisition of businesses. Actual results could differ from these estimates.

## **EFFECTIVENESS OF THE INTERNAL AND DISCLOSURE CONTROLS AND PROCEDURES**

An evaluation has been carried out on the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures as defined in National Instrument 52-109. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operation of these internal and disclosure controls and procedures were effective.

The Company did not make any changes to the design of its internal controls over financial reporting in the three months ended December 31, 2025 that would have materially affected, or would be reasonably likely to materially affect the Company's internal controls over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Internal financial controls and procedures have been designed under the supervision of management.

It should be noted, that while the Company believes that the current disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance, it cannot be expected that existing disclosure controls and procedures or internal financial controls will prevent all human error and circumvention or overriding of the controls and procedures. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

## **FORWARD-LOOKING INFORMATION**

This Management Discussion and Analysis contains forward-looking information. Specific forward-looking statements included or incorporated by reference in this document include, but are not limited to, statements with respect to:

- that the Company's profitability will improve as a result of increased contract pricing, headcount reductions and operational efficiencies, the relocation of its offshore production from higher labour cost manufacturers and duty subject jurisdictions and the consolidation of the UGL segment's distribution operations at its main Guelph distribution facilities as outlined in the Business Outlook section;

Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "believes", "anticipates" or "does not anticipate", or variations of such words and phrases or states that certain actions, events, or results "may", "could", "would", "might", "will be taken", "occur", or "be achieved". Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Unisync to be materially different from any future results, performance or achievement expressed or implied by the forward-looking information. Although Unisync has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Known and unknown factors could cause actual results or events to differ materially from those projected in the forward-looking statements. Such material factors include, but are not limited to competition, operational risk, litigation, a change in the timing or bidding conditions of future government contracts, customer concentration/economic dependence, working capital, potential conflicts of interest, volatility of stock price, disruptions in production, government budgetary restraint, reliance on key personnel, reliance on few suppliers, reliance on subcontractors, technological milestones, operating cost fluctuations, increases in interest rates, decreases in the value of the Canadian dollar against the U.S. dollar and other foreign currencies, access to credit, and potential unknown liabilities. Accordingly, readers should not place undue reliance on forward-looking information. Unisync does not undertake any obligation to update forward-looking information except as otherwise required by law.

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**RELATED PARTY TRANSACTIONS**

The Company paid rent of \$7,317 (2024 - \$7,317) for the Company's head office location to a company having two members of the Company's Board of Directors in common.

The Company's minority partner in the Peerless segment, a member of management, received an income allocation of \$322 (2024 - \$7,160) and a distribution of \$nil (2024 - \$4,621) specifically related to his minority interest

Related party transactions are recorded at the exchange amounts, which are the amounts agreed upon by the related parties.

**SUBSEQUENT EVENTS**

None.

**INVESTOR RELATIONS**

Investor relations inquiries are handled by the Company's Chief Financial Officer.

Venture Liquidity Providers Inc. provides market-making services and assists in maintaining an orderly trading market for the shares of the Company.