

10 August 2022

## **Acquisition of Rhenoflex for €115m (c.\$117m)**

### **Complementary and synergistic addition to Texon, expanding Coats' leading position in the athleisure and sports footwear market**

Coats Group plc ('Coats', the 'Group' or the 'Company'), the world's leading industrial thread manufacturer, is pleased to announce it has signed a definitive agreement to acquire 100% of Rhenoflex GmbH ('Rhenoflex'), one of the leading global manufacturers of sustainable structural material solutions for the footwear industry, for an enterprise value of €115m (c.\$117m). Following the recent acquisition of Texon, this represents a synergistic bolt-on acquisition and a unique opportunity to strengthen Coats' position as a global leader in footwear components.

The consideration will be funded via the proceeds of an equity placing, of up to 10% of the Company's issued share capital (the "Placing"). The Placing is being conducted through an underwritten accelerated bookbuilding process which will be launched immediately following release of this announcement.

#### **Transaction Highlights**

- Acquisition of Rhenoflex consolidates Coats' presence in highly attractive and fast-growing athleisure and sports footwear market and strengthens positioning with key global footwear brands
- Highly complementary addition to Texon and Coats with complementary product offerings across footwear components and fashion accessories
- Combines two leading companies in structural footwear components with enhanced scale, reach and capability with attractive commercial opportunities to accelerate growth
- Strengthens platform with combined sales from Rhenoflex, Texon and Coats' Footwear and Accessories business at c.\$425m on a last twelve-month basis to June 2022
- Enhances credentials in sustainability and expands breadth of sustainable product innovations with addition of in-house R&D team
- Significant value creation potential through realisation of cost synergies through efficiencies in procurement and back-office of \$6m, incremental to \$5m synergies from Texon, with combined synergies of \$11m resulting from the two transactions
- Attractive purchase price represents 9.3x last twelve months to June 2022 EBITDA and 6.2x on a post-synergy basis
- Consideration to be funded via 10% equity placing, with leverage to remain within 1-2x target range maintaining strategic balance sheet flexibility

#### **Strategic Rationale**

Rhenoflex is a highly complementary addition to Texon, supplying high quality structural components to the premium global footwear market including heel counters, toe puffs, interlinings and eyelets, alongside sustainable material solutions for the luxury industry. Rhenoflex's strategic focus on sustainability together with its reputation as a technology leader, further enhances our portfolio of innovative offerings and strengthens our customer proposition to leading footwear brands.

The combination of Rhenoflex and Texon provides Coats with a compelling strategic opportunity to establish a global leader in the fragmented footwear and fashion accessories market, with significant combined growth opportunities through enhanced scale and capability. The acquisition is highly synergistic and expected to generate annual cost synergies of \$6m through efficiencies in procurement and headcount. These are expected to be delivered by the end of the first full year of ownership with a one-off cash cost of \$5m. Cost synergies from both Texon and Rhenoflex acquisitions are expected to total \$11m. Integration of the business with Coats will be overseen by a dedicated team.

### **Transaction Structure**

Under the terms of the transaction, Coats has agreed to pay an Enterprise Value of €115m (c.\$117m), which represents total cash consideration of €107m (c.\$110m) after deducting assumed retirement liabilities and other customary adjustments. This represents an attractive multiple of approximately 9.3x last twelve months to June 2022 EBITDA and 6.2x on a post-synergy basis.

The acquisition will be funded through an equity fundraising of up to 10 per cent of the Company's issued share capital, announced separately today. It is expected that following the placing, net leverage will remain well within our target range of 1-2x, maintaining our robust balance sheet for strategic flexibility. The combination of both Texon and Rhenoflex is EPS accretive to Coats from the first full year of ownership, whilst the acquisition of Rhenoflex on a standalone basis is marginally dilutive, given the equity placing. The acquisition is expected to complete by the end of August.

### **Rajiv Sharma, Coats Group Chief Executive, said:**

*"We are delighted to announce the acquisition of Rhenoflex, which presents an exciting and synergistic opportunity for Coats to establish a leading global platform in footwear components, expanding our presence in the fast-growing athleisure footwear market. Rhenoflex is a high quality business that is complementary to both Texon and Coats and its strategic focus on sustainability and innovation will significantly enhance our proposition to customers."*

Lazard is acting as financial adviser to the Company.

A presentation for analysts and investors will be held at 5.00pm BST today, available via:

<https://www.investis-live.com/coats/62f12fdd14e08212000bdfd3/po88>

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### **Additional Information on Rhenoflex**

Rhenoflex is a pioneer of sustainable reinforcement solutions in the footwear and lifestyle sector. The business supplies high quality structural footwear components including heel counters, toe puffs, interlinings and eyelets, alongside sustainable material solutions for the luxury industry. The business has a global footprint with manufacturing operations in Vietnam, China and Germany providing close proximity to major global footwear manufacturing hubs and luxury brands. For the year ended 31 December 2021, Rhenoflex reported revenue of c.€65m (c.\$66m) and operating profit of c.€7m (c.\$7m). Gross assets subject to the transaction are c.€63m (c.\$64m).

### **Important Notices**

This announcement contains inside information for the purposes of the Market Abuse Regulation (Regulation (EU) No 596/2014) including as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018. This announcement is issued on behalf of the Company by Jackie Callaway, Chief Financial Officer at 4.36pm BST on 10 August 2022.

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