



**Coats
Group plc**

Rx RhenoFlex

ACQUISITION OF RHENOFLEX

EXPANDING COATS' LEADING POSITION IN THE ATHLEISURE AND SPORTS FOOTWEAR MARKET

AUGUST 2022

TRANSACTION HIGHLIGHTS

Acquisition of Rhenoflex, a Leading Provider of Structural Footwear Components and Sustainable Reinforcement Solutions

Unique Opportunity for Coats to Further Expand its Footwear Platform Through a Synergistic Combination with Texon

Consolidates Existing Presence in Highly Attractive and Fast-Growing Athleisure and Sports Footwear Market

Highly Complementary Business to Texon and Coats with Expected Incremental Annual Recurring Cost Synergies of \$6m

Purchase Price of €115m (\$117m) Funded Through a 10% Equity Placing

RHENOFLEX AT A GLANCE



Footwear

~73% of 2021 Sales



Heel Counter



Heel Grip



Interlining



Toe Puff



Eyelet

Lifestyle ●

~27% of 2021 Sales



Reinforcement components to attach zippers, seams and patches

Engineered thermoplastic sheets and components for leather goods as well as orthopedics



Highly Complementary Addition to **Texon**

● Similar to Texon

~\$76m

June-22 LTM Revenue

~\$12m

June-22 LTM EBITDA

400+


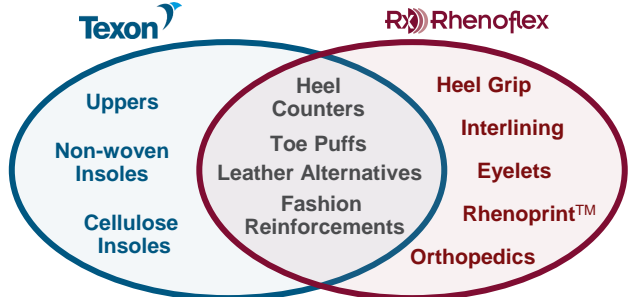
Customers

~250

Employees



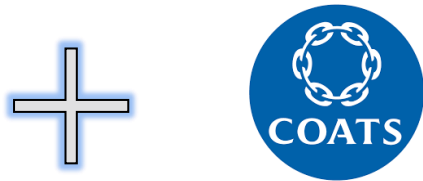
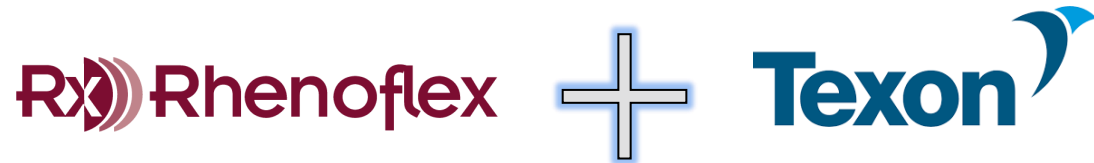
COMPELLING STRATEGIC RATIONALE

1	<h3>Strengthens Position as Global Leader in Footwear Components</h3>	<ul style="list-style-type: none"> • Combines two global leaders in structural footwear components with enhanced scale, global reach and capability • Consolidates Coats' presence in highly attractive and fast-growing athleisure and sports footwear market and positioning with key global brands • 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-22 	
2	<h3>Highly Complementary Addition to Texon and Coats</h3>	<ul style="list-style-type: none"> • Complementary product offerings across footwear components and fashion accessories • Strengthens credentials in sustainability and expands breadth of sustainable product innovations • Enhanced capability through addition of Rhenoflex's in-house R&D team • Attractive commercial opportunities to accelerate combined growth 	
3	<h3>Significant Value Creation Potential with Attractive Financial Rationale</h3>	<ul style="list-style-type: none"> • Compelling cost synergy potential of combination with SG&A savings, procurement efficiencies and operational improvements expected to deliver annual cost savings of \$6m • Attractive underlying revenue growth (expected FY22-26 CAGR of c.7%) • Represents 9.3x LTM June-22 EBITDA and 6.2x on post-synergy LTM EBITDA basis • Integration of businesses to be overseen by dedicated team 	<p>\$6m Annual synergies</p> <p>7% FY 22-26 Revenue CAGR</p>

COMBINATION ESTABLISHES GLOBAL LEADING FOOTWEAR PLATFORM

Consolidates Position in the Attractive Premium Athleisure and Sports Footwear Market

Establishes a Global Platform with Enhanced Scale and Reach



Footwear & Accessories

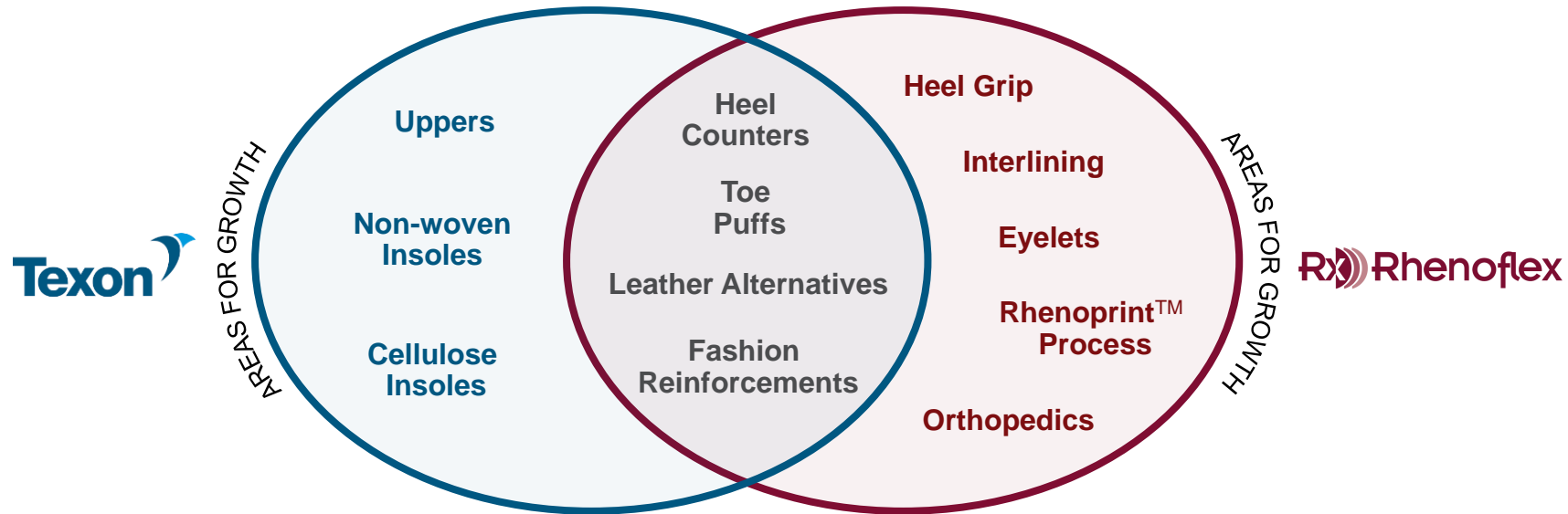
~\$425m

Combined LTM June-22 Revenue⁽¹⁾





HIGHLY COMPLEMENTARY TO TEXON AND COATS...



Complementary Product Offering Enhances Customer Proposition



Coats' Offerings

FOOTWEAR	LIFESTYLE
 <i>Threads</i>	 <i>Bags</i>
 <i>Engineered Yarns</i>	 <i>Belts</i>



End Markets and Applications



Customer Base



Sustainable Technologies

WITH FOCUS ON INNOVATION AND SUSTAINABILITY

Focus on Innovation and Technology

Pipeline of innovative new products



Rhenoprint™ Multi-zone
Proprietary zero-waste production technology



Vegan Product Line
Complementary to existing eco-friendly products



Product Digitization
RFID / NFC chip integration



Leather Waste Recycling
New reinforcement product

Focus on Sustainability

Eco-friendly manufacturing inputs



Recycled Materials
Use of recycled plastics and leather

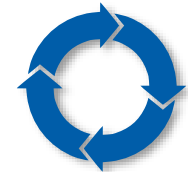


Renewable Materials
Use of decomposable, biological inputs

Sustainable production methods



Rhenoprint™ Process
Proprietary zero-waste production method



Circular Process
Closed loop production of sheets from factory waste

Industry technology leader with portfolio of innovative and sustainable offerings

SIGNIFICANT VALUE CREATION POTENTIAL

Highly Synergistic Combination Delivering Incremental Annual Cost Synergies of \$6m



Overview of Key Value Drivers

SG&A Savings







Procurement
Efficiencies

Operational
Improvements

Further Potential Upside
from Revenue Synergies

Cost synergies are to be realised by the end of the first full year of ownership with a one-off integration cost of \$5m

ATTRACTIVE FINANCIAL RATIONALE

			Combination	Attractive Outlook
Enterprise Value	\$237m	\$117m	\$354m	FY22-26 Expected Revenue CAGR
LTM June-22 EBITDA (\$m)	\$22m	\$12m	\$34m	 +  = +8%
Acquisition Multiple (Pre-Synergies)	10.9x	9.3x	10.3x	
Run-Rate Cost Synergies	\$5m	\$6m	\$11m	Medium Term EBITDA Margin (Including Synergies)
Acquisition Multiple (Post-Synergies)	8.9x	6.2x	7.8x	 +  = >20%

KEY TRANSACTION TERMS

Attractive Financial Rationale

- ✓ **Purchase price of €115m (\$117m) EV**
 - Represents 9.3x LTM June-22 EBITDA and 6.2x LTM EBITDA on a post-synergy basis
- ✓ **High Single Digit Revenue Growth (FY22-26 CAGR of c.7%)**
- ✓ **Expected Annual Cost Synergies of \$6m**
 - To be achieved in the first full year of ownership
 - \$5m one-off integration costs
- ✓ **Combination of both Texon and Rhenoflex EPS accretive to Coats from year 1**
 - Acquisition of Rhenoflex standalone marginally dilutive, given equity placing



Overview of Transaction Structure

- ✓ **Consideration to be funded with 10% equity placing at announcement**
- ✓ **Leverage to remain within 1-2x, prioritising strategic balance sheet flexibility**
- ✓ **Transaction expected to close by the end of August**
- ✓ **Integration to be overseen by dedicated team**

Q&A

Q&A will begin in 5 minutes

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Press *1 to ask a question, *2 to withdraw your question, or *0 for operator assistance.

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