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Coats Group PLC
16 July 2025

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.

Coats Group PLC

16 July 2025

Acquisition of OrthoLite Holdings LLC ("OrthoLite") and Proposed Capital Raise, accelerating Footwear growth strategy through combination with global leader in insole technology

Coats Group plc (**'Coats'**, the **'Company'** or the **'Group'**) is pleased to announce it has signed a definitive agreement to acquire OrthoLite Holdings LLC (**'OrthoLite'**) (the "**Acquisition**"), the global market leader of premium insoles, for an initial Enterprise Value of 770m.

The consideration will be funded through a combination of new debt facilities with Coats' existing lenders and proceeds of an equity placing of up to 19.99% of issued share capital (the "**Placing**"). The Placing follows the announcement of Coats 2025 Interim Results and is being conducted through an accelerated bookbuilding process which will be announced separately and launched immediately. In conjunction with the Placing, the Company intends to make an offer of new ordinary shares to retail investors, which will also be announced separately.

Coats has agreed to pay an initial Enterprise Value of 770m in respect of the Acquisition. This represents a multiple of 10.0x EV / EBITDA[1], reducing to less than 8.0x on a post-synergy basis, which includes 20m of initial joint annualised cost synergies to be delivered by 2028. A further contingent payment of up to 10m is payable based on potential EBITDA performance in 2025. The transaction is expected to close in Q4 2025.

Transaction Highlights

- Compelling strategic fit accelerating Coats' strategy to create a 'super tier 2' supplier for footwear components, significantly strengthening the existing Coats footwear business through expansion into the attractive, high-growth premium insole segment
- Highly complementary to Coats' existing footwear business, with significant overlap in customer base, route-to-market and operational footprint, providing attractive future commercial opportunities to accelerate growth through innovation and cross-selling
- Significant initial annualised joint cost synergies identified of 20m expected to be delivered by 2028 from savings in joint footprint optimisation, operational excellence, strategic procurement and support functions, leveraging Coats' experience of successfully delivering synergies from footwear acquisitions
- Attractive financial effects, accelerating the delivery of Coats' existing medium-term targets; enhancing Group EBIT margins and EPS accretive from the first full year, with ROIC exceeding WACC by 2028, and strong operating cash conversion of 90%+ supporting Group free cash flow growth
- Acquisition of a high-quality business further improves the quality of Group earnings, shifting balance towards the high-growth, high-margin footwear segment
- Consideration to be funded through a combination of new debt facilities with Coats' existing lenders and proceeds of an equity placing of up to 19.99% of issued share capital, with expected pro-forma net leverage of 2.2x at December 2025, falling to below 2.0x by the end of 2026

Commenting on the Acquisition, David Paja, Coats Group Chief Executive said:

"The combination of Coats and OrthoLite is fantastic news for both companies and for the footwear industry. It brings together two global leaders in adjacent segments of the footwear components sector with a shared vision for innovation and sustainability and with unparalleled brands and customer relationships.

We look forward to working with Glenn Barrett and the OrthoLite team, leveraging our combined strengths to reshape the future of the footwear components industry."

Glenn Barrett, founder and CEO of OrthoLite, added:

"I'm excited to merge OrthoLite, the footwear innovation business that I founded 28 years ago, with Coats Group plc.

This alliance forms a powerful partnership of industry leaders to provide a platform for OrthoLite and Cirql to continue to serve our customers with the most innovative and sustainable footwear components in the world."

Overview of OrthoLite

OrthoLite was founded in 1997 and is the global market leader in open-cell foam insoles with a c.36% share of the addressable market. It operates in an attractive, fast-growing segment of the footwear market with strong tailwinds for growth as brands increasingly adopt open-cell technology due to its superior benefits in terms of comfort, performance and sustainability. OrthoLite supplies over 500m pairs of insoles a year to around 550 brand customers and has more than 310 co-branding agreements. OrthoLite has a strategically-located global footprint of 14 production facilities, providing the business with operational flexibility to serve its customers locally.

The transaction also includes Cirql, a newly-developed proprietary foam technology targeting the midsole market with a biodegradable or fully recyclable offering. Cirql is at an early stage of commercial development, with over 30m invested to date by the previous owners, and the technology is secured by over 80 patents. Under Coats' ownership, the commercialisation plan will be further developed, and updates will be provided in due course. Ongoing operating costs for the team are expected to be c. 1.5m per quarter, achieving a break-even position in 2026. As part of the transaction terms, the estimated costs to deliver the business to profitability were deducted from the consideration paid to the seller.

Compelling Strategic Fit

The Acquisition accelerates Coats Footwear division's strategy to create a 'super tier 2' supplier in footwear components, strengthening its product offering to brands through the entry into the attractive fast growing open-cell premium insole segment of the market.

Based on results to 31 December 2024, the enlarged Coats Footwear division has pro-forma revenues of c. 700m.

The acquisition of a high-quality business improves the overall quality of Group earnings, shifting the balance towards its high growth, high margin footwear segment.

OrthoLite has strong similarities with Coats due to its customer base, route-to-market, focus on quality, innovation and sustainability, and global operational footprint. The combination provides exciting potential commercial opportunities to deepen customer relationships and accelerate growth, leveraging the combined strengths of the businesses in technology and access to customers.

Significant Value Creation

Initial joint annualised cost synergies of 20m have been identified and are expected to be delivered by 2028, for a c. 35m one-off cost, from savings in joint footprint optimisation, operational excellence, strategic procurement and support functions. Additional joint growth synergies have been identified through cross-sell opportunities, the upside potential from Cirql and the acceleration of innovation.

Coats has a successful track record of delivering synergies from the footwear acquisitions of Texon and Rhenoflex in 2022, and is confident in leveraging this recent experience.

Attractive Financial Effects

OrthoLite is a high-quality business, with a strong track-record of growth (8% revenue CAGR 2019-24), market-leading position and strong profitability (26% EBIT margin in 2024). The acquisition is accretive to Group EBIT margins (c.200bps margin enhancement from 2028 onwards post synergies) and EPS accretive to Coats from the first full year. ROIC is expected to exceed WACC by 2028. OrthoLite has an attractive operating cash conversion of 90%+ over the last three years, which will support and accelerate the Group's free cash flow growth over the medium term.

Alongside the Acquisition's attractive returns, the transaction also accelerates the delivery of the Coats' existing medium term targets. Once Coats has completed the acquisition of OrthoLite, the Company will review its medium-term targets to ensure they fairly reflect the ambitions for the Group.

Transaction Structure

Under the terms of the transaction, Coats has agreed to pay an initial Enterprise Value of 770m. This represents a multiple of 10.0x EV / EBITDA[2], reducing to less than 8.0x on a post-synergy basis, which includes 20m of initial annualised cost synergies to be delivered by 2028. A further contingent earn-out payment of up to 10m is payable based on FY25 EBITDA performance between 80m to 84m. Coats has also agreed to pay the current owners of OrthoLite a royalty of 5% on future sales of products using the newly developed Cirql technology over the next 5 years.

The acquisition will be funded through a combination of new debt facilities with Coats' existing lenders and proceeds of an equity placing of up to 19.99% of issued share capital, announced separately and launched immediately. It is expected that following the placing, pro-forma net leverage will be 2.2x by 31 December 2025, falling to below 2.0x by the end of 2026.

The transaction is subject to customary regulatory clearances and is expected to close in Q4 2025.

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Further Information

Board's views on the Acquisition

Considering all the information that is outlined above, the Board of Directors of Coats believes that the Acquisition is in the best interests of Coats' shareholders as a whole and is expected to be immediately accretive to Group margins and earnings per share.

UK Listing Rules

The Acquisition, because of its size in relation to Coats, constitutes a Significant Transaction for the purposes of the UK Listing Rules made by the Financial Conduct Authority (the "FCA") for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended), which came into effect on 29 July 2024 (the "UKLRs"), and is therefore notifiable in accordance with UKLR 7.3.1R and 7.3.2R. In accordance with the UKLRs, the Acquisition is not subject to shareholder approval. A further announcement will be made in due course in compliance with UKLR 7.3.2R.

Financial Information

The following table contains key historical financial information of OrthoLite for 12-month reporting periods ending 31

The following table contains key historical financial information of OrthoLite for 12-month reporting periods ending 31 December 2020 to 31 December 2024, which has been extracted from management accounts:

Year Ending 31-December	**2020**	**2021**	**2022**	**2023**	**2024**
Revenue (m)	176	241	278	217	258
Revenue Growth %	*n.a.*	*36.9%*	*15.2%*	*(21.7%)*	*18.4%*
Adjusted EBITDA Margin %	*26%*	*20%*	*24%*	*26%*	*28%*

Synergies

The estimated joint synergies summarised above under the heading "Significant Value Creation" reflect both the beneficial elements and relevant costs. These estimated synergies are contingent on the Acquisition completing and could not be achieved independently. The directors' belief that these synergies will be able to be achieved is underpinned by an extensive modelling exercise that was undertaken by management in collaboration with the Company's advisers, also being informed by the Company's successful track record of delivering synergies from the footwear acquisitions of Texon and Rhenoflex in 2022.

Risks of the Acquisition

<u>The Group may fail to realise, or it may take longer than expected to realise, the full expected benefits of the Acquisition</u>

The Group may not realise the full anticipated benefits that the Company expects will arise as a result of the Acquisition, or may encounter difficulties, higher costs or delays in achieving those anticipated benefits. Any failure to realise the anticipated benefits that the Company expects to arise as a result of the Acquisition, or any delay in achieving such anticipated benefits, could have a material and adverse impact on the Group. Accordingly, Coats has spent extensive time together with its advisers preparing its integration plan and is able to leverage experiences of successfully integrating footwear acquisitions.

<u>The target business may be adversely affected by general macroeconomic, political and financial market conditions</u>

OrthoLite's customers are leading global footwear brands. Any potential adverse change in the macroeconomic climate, or a significant deterioration of the global trade environment, may result in the business facing a decrease in customer demand and impact performance of OrthoLite. Coats has undertaken significant due diligence on the business, its customers and end-markets and has reflected this in the transaction terms.

<u>Coats may not be able to retain key employees of OrthoLite following the transaction</u>

The management team of OrthoLite are important to its future commercial success and financial performance and are expected to remain in the business. Following the transaction, key members of the OrthoLite team may decide not to continue in their roles as part of Coats, which could have a material and adverse impact on the financial performance of the business. Coats intends to put in place an employee retention scheme for key members of management to mitigate this risk.

<u>Completion of the Acquisition is subject to the satisfaction of certain regulatory conditions, and if the Acquisition does not complete because any of the conditions are not satisfied, the Company will not realize the perceived benefits of the Acquisition.</u>

Completion of the Acquisition is subject only to the satisfaction of various customary closing conditions including expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. There is no guarantee that these conditions will be satisfied. Failure to satisfy any of these conditions may result in the Acquisition not completing. If the Acquisition does not complete, the Group will not benefit from the expected benefits of the Acquisition. As a result, there is a risk that the Company may incur significant expenditure in connection with, or to satisfy, such condition which will be in addition to the actual costs of the Acquisition and the integration process. There can be no assurance that the conditions to the closing of the Acquisition will be satisfied, waived or fulfilled in a timely fashion or that the Acquisition will be completed.

IMPORTANT INFORMATION

This announcement contains inside information for the purposes of the Market Abuse Regulation (Regulation (EU) No596/2014) 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 Group by Hannah Nichols, Chief Financial Officer at 4:35pm BST on 16 July 2025.

This announcement is not intended to, and does not constitute, or form part of, any offer to sell or issue or any solicitation of an offer to purchase, subscribe for, or otherwise acquire, any securities or a solicitation of any vote or approval in any jurisdiction.

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The securities of the Company have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, delivered or transferred, directly or indirectly, in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There has not been or will not be any public offering of securities in the Company in the United States, This announcement may contain "forward-looking statements" with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance, strategic initiatives, objectives and results. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "seek", "may", "could", "outlook" or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they are based on numerous assumptions regarding the Company's present and future business strategies, relate to future events and depend on circumstances which are or may be beyond the control of the Company and OrthoLite which could cause actual results of trends to differ materially from those made in or suggested by the forward-looking statements in this announcement, including, but not limited to, domestic and global economic business conditions; market-related risks such as fluctuations in interest rates; the policies and actions of governmental and regulatory authorities; the effect of competition, inflation and deflation; the effect of legislative, fiscal, tax and regulatory developments in the jurisdictions in which the Company and OrthoLite and their respective affiliates operate; the effect of volatility in the equity, capital and credit markets on profitability and ability to access capital and credit; a decline in credit ratings of the Company and/or OrthoLite; the effect of operational and integration risks; an unexpected decline in sales for the Company and/or OrthoLite; inability to realise anticipated synergies; any limitations of internal financial reporting controls; and the loss of key personnel. Any forward-looking statements made in this announcement by or on behalf of the Company speak only as of the date they are made. Save as required by the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules, the UK Listing Rules or by law, the Company undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement.

No statement in this announcement is intended as a profit forecast or a profit estimate for any period and no statement in this announcement should be interpreted to mean that earnings, earnings per share of for the Company for current or future financial years would necessarily match or exceed the historical published earnings, earnings per share of the Company.

Certain figures included in this announcement have been subjected to rounding adjustments.

Appendix

"**Acquisition**" has the meaning given in paragraph 1 of this announcement;

"**BNPP**" means BNP PARIBAS;

"**CAGR**" means compound annual growth rate;

"Coats" or the **"Company"** means Coats Group plc;

"**Disclosure Guidance and Transparency Rules**" means the Disclosure Guidance & Transparency Rules as made by the Financial Conduct Authority;

"**EBITDA**" means earnings before interest, tax, depreciation and amortisation;

"**EPS**" means earnings per share;

"**FCA"** means the UK's Financial Conduct Authority;

"**FSMA**" means the Financial Services and Markets Act 2000 (as amended);

"**Group**" means the Company and its subsidiary undertakings from time to time and each of them as the context admits;

"**Interim Results**" means Coats Group plc's unaudited consolidated results for the six months ended 30 June 2025;

"**Lazard**" means Lazard & Co., Limited;

"**Lazard**" means Lazard & Co., Limited;

"**Market Abuse Regulation**" means the UK version of the Market Abuse Regulation (EU) No.596/2014, which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018);

"**OrthoLite"** means OrthoLite Holdings LLC ;

"**Peel Hunt**" means Peel Hunt LLP;

"**Placing**" has the meaning given in paragraph 2 of this announcement;

"**ROIC**" means return on invested capital;

"**Securities Act**" means the U.S. Securities Act of 1933, as amended;

"**UK Listing Rules**" means the rules and regulations for listed companies in the UK as made by the FCA;

"**United Kingdom or UK**" means the United Kingdom of Great Britain and Northern Ireland; and

"**United States or US**" means the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction and any political sub division thereof; and

"**WACC**" means weighted average cost of capital.

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[1] EBITDA is LTM adjusted.

[2] EBITDA is LTM adjusted.

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