

# The LYCRA Company

Q1 Investor Presentation

June 5, 2023

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This presentation includes operational and financial results for the quarter ended March 31, 2023. Certain of this information is based solely on management accounts and has not been reviewed or subject to audit procedures. Our financial information contained in this presentation has been prepared on a good faith basis based on internal reporting for the periods presented. The financial and operational information included in this presentation has not been prepared in a manner consistent with the financial information and results of operations included in the final offering memorandum related to the 7.500% Senior Secured Notes due 2025 and 5.375% Senior Secured Notes due 2023 issued by Eagle Intermediate Global Holding B.V. and Eagle US Finance LLC (the “final offering memorandum”). Similarly, because the operational and financial results for the quarter ended March 31, 2023, included in this presentation are prepared based solely on management accounts and estimates and has not been subject to audit procedures, such information may not be prepared on a basis consistent with future bondholder reports.

The historical financial information included herein includes financial information that is not required by or presented in accordance with generally accepted accounting principles in the United States of America (“GAAP”) or any other internationally accepted accounting principles, including “EBITDA” and “Adjusted EBITDA,” and the Company’s consolidated financial information for each of the three months ended March 31, and December 31, 2022.

This presentation and the oral remarks made in connection therewith may contain financial projections and forward looking statements. Such projections and statements are based on estimates and assumptions of management of The LYCRA Company regarding the Company’s future performance and operations. These forward looking statements appear in a number of places in this presentation and include statements regarding the Company’s future financial position and results of operations, its strategy, plans, objectives, goals and targets, future developments in the markets in which it participates or is seeking to participate or anticipated regulatory changes in the markets in which it operates or intends to operate. In some cases, you can identify forward looking statements by terminology such as “aim,” “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “may,” “plan,” “potential,” “predict,” “projected,” “risk,” “seek,” “should,” “target” or “will” or the negative of such terms or other comparable terminology. When considering these forward looking statements, you should keep in mind that a number of factors that are beyond the Company’s control could cause actual results to differ materially from the results contemplated by any such forward looking statements including the risks detailed under the heading “Risk Factors” in the quarterly report and the preceding annual report. We believe that the expectations reflected in these forward looking statements are reasonable but we cannot assure you that these expectations will prove to be correct and such forward looking statements included in this presentation should not be unduly relied upon. These statements speak only as of the date made.

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# Executive Summary

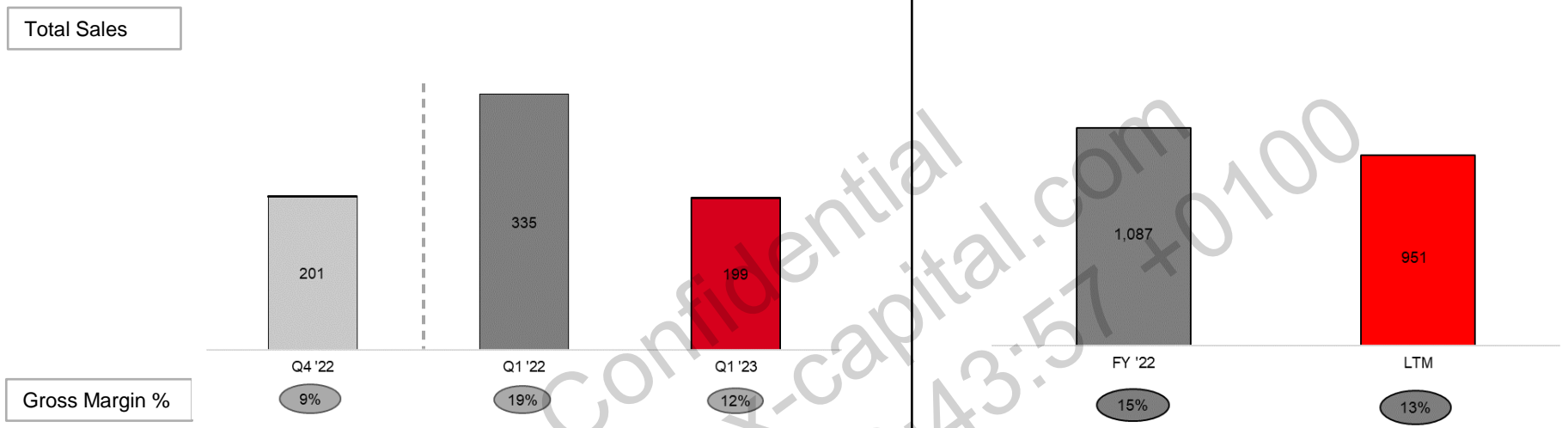
(Values in USD unless noted)

- Q1 '23 EBITDA was \$10 million, up \$6 million vs prior quarter and down \$39 million vs same quarter prior year.
- Higher EBITDA in Q1 '23 compared to Q4 '22 was primarily due to a lower cost of raw materials coming out of inventory, which led to improvements in variable unit margins for LYCRA® and LYCRA HyFit® fibers. In addition, the appreciation of the euro & RMB vs USD positively impacted LYCRA® fiber price by approximately \$0.30/kg during Q1' 23 compared to Q4 '22.
- Lower EBITDA in Q1 '23 compared to Q1 '22 was driven by lower volumes due to disappointing retail performance for winter collections, a weak China domestic and export market and some weakness in our North American nylon business.
- LYCRA® fiber price was up \$0.33/kg and LYCRA HyFit® fiber price was down \$0.70/kg as compared to Q4 '22. LYCRA HyFit® fiber prices were down in Q1 '23 vs Q4 '22, due to raw material market cost reductions being passed through to customers with minimal unit margin impact as variable cost decreased accordingly. Compared to Q1 '22, LYCRA® and LYCRA HyFit® fiber prices were down due to regional mix, targeted price reductions driven by cost declines and FX.
- During this period of demand softness, management has continued to curtail production to avoid further inventory build, resulting in global production at approximately 60% utilization, since end of Q1, rates have marginally increased, specifically at our China facility.
- Cash and cash equivalents as of March 31, 2023, were \$72 million, up \$10 million as compared to December 31, 2022, inclusive of paying approximately \$12 million in fees related to the restructuring of our financing positions.

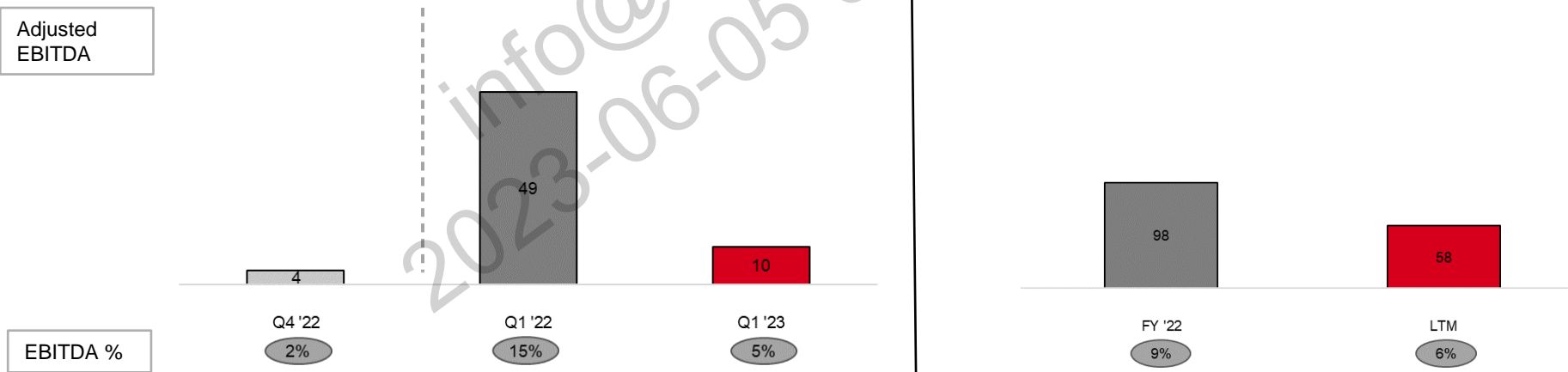
# Key Financial Metrics

(Values in millions of USD unless noted)

## Consolidated Total Sales & Gross Margin



## Adjusted EBITDA



Note: EBITDA and Adjusted EBITDA are not required by or presented in accordance with GAAP or any other internationally accepted accounting principles.

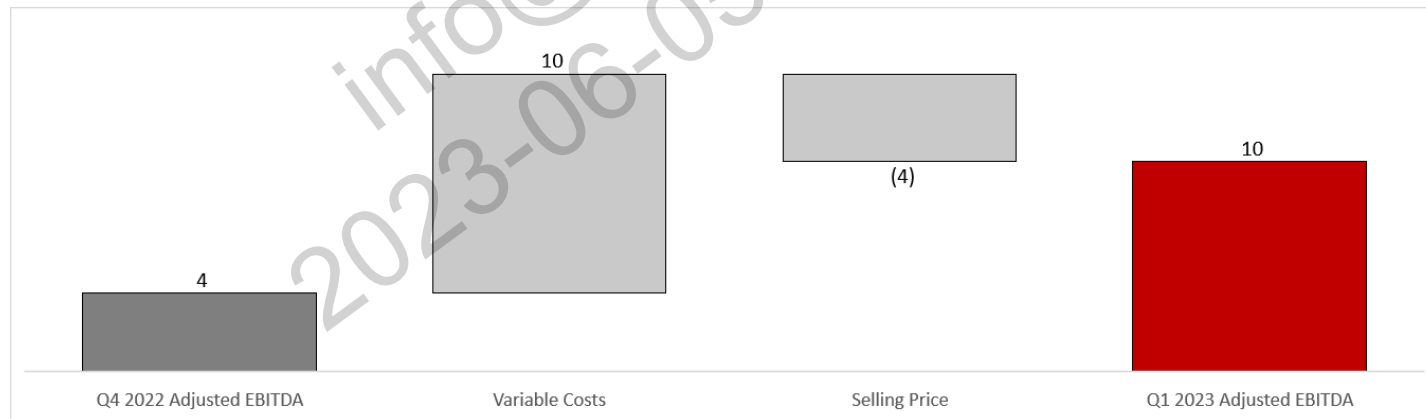
# Financial Performance

(Values in millions of USD unless noted)

## Adjusted EBITDA Q1 '22 to Q1 '23 Bridge



## Adjusted EBITDA Q4 '22 to Q1 '23 Bridge

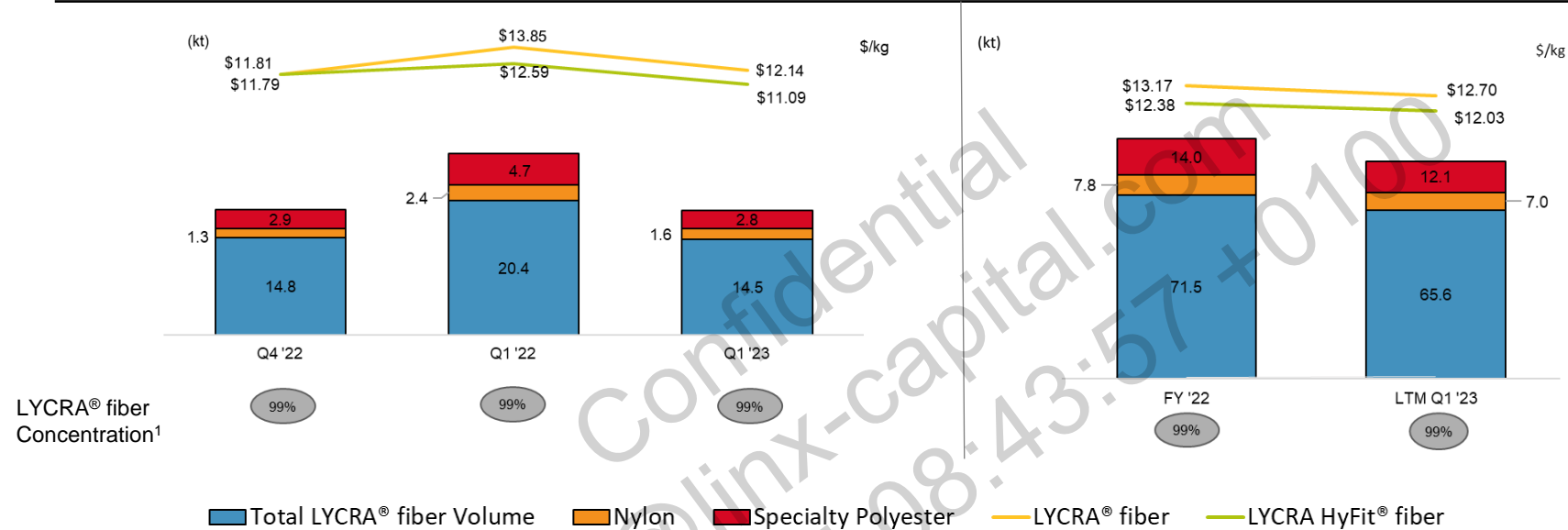


Note: EBITDA and Adjusted EBITDA are not required by or presented in accordance with GAAP or any other internationally accepted accounting principles.

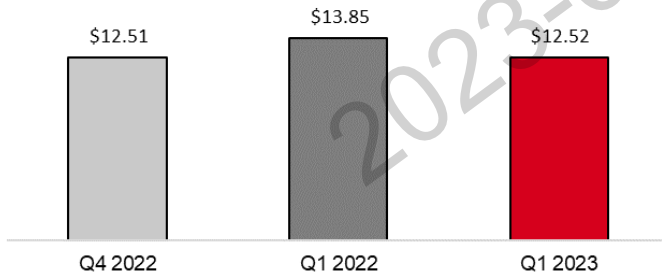
# Volume and Revenue

(Values in millions of USD unless noted)

## Volume (kt) & LYCRA® fiber Concentration<sup>1 2</sup>



## Currency Adjusted LYCRA® fiber Prices (\$/kg)



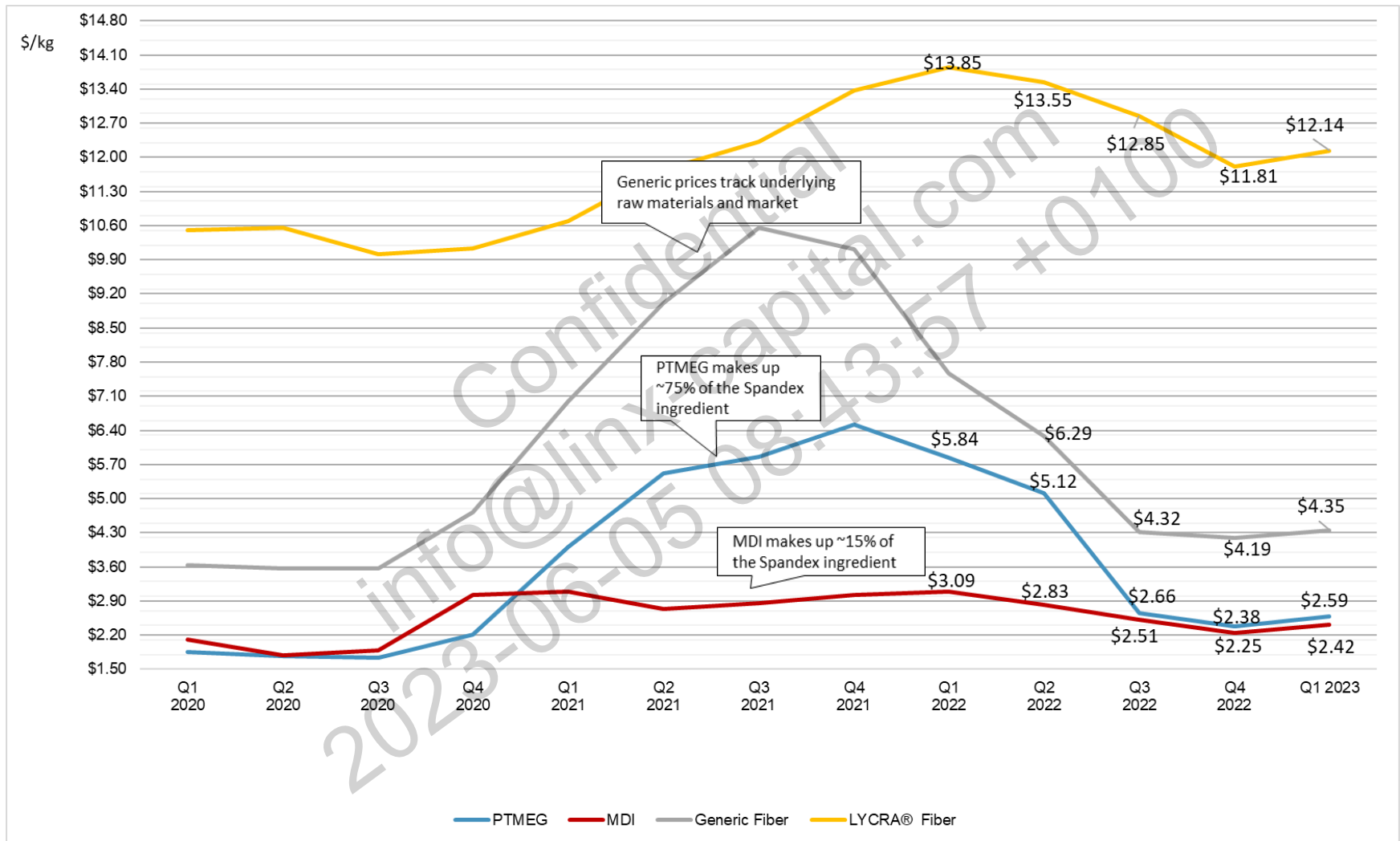
Constant currency prices measured against Q1 2022 FX rates.

Note: Volumes are unaudited management estimates.

<sup>1</sup> LYCRA® fiber concentration reflects LYCRA® fiber and LYCRA HyFit® fiber combined volumes as a percentage of Spandex volumes.

<sup>2</sup> Q4'22 price restated to remove Entry Product and OEM Outsourced LYCRA® fiber sales and for a rebate adjustment.

# Key Margin Drivers



Source: CCF index

# Q2 '23 Updates

(Values in USD unless noted)

- Successful refinancing of the Euro Notes through April 2025.
- Q2 demand is only modestly improved vs Q1. We do expect to see improved market conditions for fiber companies in the second half of 2023 as fiber and fabric inventories are reducing, garment inventories should further reduce, and Western retailers move their focus to their Fall/Winter 2024 buying season.
- In the second half of 2023, we expect to see improved demand for our branded fibers in Apparel from a modest market recovery. As we capitalize on commercial efforts to defend and gain market share, we should also benefit from the scale up of innovations and a solid pipeline of new retail specifications.
- In Personal Care, we are still seeing in Q2 softer and challenging diaper market conditions in Europe and Asia, but continued improvements in the Americas. We expect diaper sales to pick up in the second half.
- We do expect our EBITDA will continue to benefit from improved LYCRA® fiber and LYCRA HyFit® fiber variable unit margins as price erosion is, on average, more modest than raw material cost decline. By mid-year, we expect our variable margins to have fully recovered as high-cost inventories will have been completely flushed out and prices remain on average higher than pre-COVID.
- While we will continue with targeted curtailments at some of our manufacturing sites to avoid any further inventory build, our Q2 utilization rate is up to 70% as compared to approximately 60% during Q1.



# The LYCRA Company

## Appendix

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# Consolidated Statement of Operations

(Values in millions of USD unless noted)

	For the three months ended March 31,	
	2023	2022
Net sales	\$ 198	\$ 328
Sales to related parties	1	7
Total sales	199	335
Royalty and licensing income, net	1	2
Total revenue	200	337
Cost of goods sold and other operating expenses	177	273
Gross profit	23	64
Selling, general and administrative expenses	26	30
Research and development expenses	7	7
Restructuring (income) expense	1	4
Other (income) expense, net	7	(11)
Operating income (loss)	(18)	34
Equity in (income) loss of affiliates	(1)	(2)
Pension non-service cost (benefit)	(2)	—
Interest expense, net	27	19
Income (loss) before income taxes	(42)	17
Income tax expense (benefit)	3	3
Consolidated net income (loss)	(45)	14
Net (income) loss attributable to noncontrolling interest	—	(1)
Net income (loss) attributable to The LYCRA Company	\$ (45)	\$ 13

# Consolidated Statement of Cash Flows

(Values in millions of USD unless noted)

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Consolidated net income (loss)	\$ (45)	\$ 14
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	14	17
Amortization of deferred financing costs and discounts	7	2
Net impact of leases	1	—
Employee stock-based compensation	—	1
Exchange rate changes on cash and cash equivalents and restricted cash	—	—
Undistributed loss (earnings) in investments in equity affiliates	(2)	(2)
Deferred income taxes	(1)	—
Return on investments from equity affiliates	3	—
Changes in assets and liabilities: <sup>(1)</sup>		
Receivables	(3)	(6)
Inventories	31	(1)
Other assets	(8)	5
Payables	6	(27)
Other liabilities	18	12
Net cash provided by (used in) operating activities	<u>21</u>	<u>15</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(1)	(2)
Net cash provided by (used in) investing activities	<u>(1)</u>	<u>(2)</u>
<b>Cash flows from financing activities:</b>		
Short-term bank borrowings	4	—
Payments of short-term debt	(5)	—
Payment of deferred financing costs	(9)	—
Net cash provided by (used in) financing activities	<u>(10)</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	10	13
Effect of exchange rate changes on cash and cash equivalents and restricted cash	—	—
Cash and cash equivalents and restricted cash at beginning of period	<u>63</u>	<u>35</u>
Cash and cash equivalents and restricted cash at end of period	<u>\$ 73</u>	<u>\$ 48</u>

<sup>(1)</sup> Net of effect of translation

# Consolidated Balance Sheet

(Values in millions of USD unless noted)

	March 31, 2023	December 31, 2022 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 72	\$ 62
Restricted cash	1	1
Receivables, net	122	119
Inventories, net	217	248
Prepaid expenses and other current assets	30	15
<b>Total current assets</b>	<b>442</b>	<b>445</b>
Property, plant and equipment, net	265	274
Right of use lease assets, net	58	53
Goodwill	627	627
Other intangible assets, net	462	465
Investments in equity affiliates	166	167
Deferred income tax assets	7	6
Other assets	15	14
<b>Total assets</b>	<b>\$ 2,042</b>	<b>\$ 2,051</b>
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Current debt	5	300
Lease liabilities, current portion	6	5
Payables	59	57
Accrued and other current liabilities	76	59
<b>Total current liabilities</b>	<b>146</b>	<b>421</b>
Long-term debt, net	1,086	784
Lease liabilities, long-term	33	29
Pension and other post-retirement benefit liabilities	6	5
Deferred income tax liabilities	39	39
Other liabilities	2	1
<b>Total liabilities</b>	<b>\$ 1,312</b>	<b>\$ 1,279</b>
Shareholder's equity:		
Shareholder's equity	641	686
Accumulated other comprehensive income	7	4
<b>Total The LYCRA Company shareholder's equity</b>	<b>648</b>	<b>690</b>
Noncontrolling interest	82	82
<b>Total shareholder's equity</b>	<b>730</b>	<b>772</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 2,042</b>	<b>\$ 2,051</b>

# Management Adjusted EBITDA

(\$ in millions of USD unless noted)

	For the three months ended March 31,	
	2023	2022
Consolidated net income (loss)	(44.8)	13.6
Interest expense	27.2	19.7
Income tax expense	3.0	3.1
Depreciation and amortization	18.1	17.0
EBITDA	3.5	53.4
Joint venture EBITDA adjustment <sup>(a)</sup>	1.0	1.5
Noncontrolling interest EBITDA <sup>(b)</sup>	(0.8)	(1.3)
Foreign exchange adjustment <sup>(c)</sup>	(0.1)	0.2
Foreign exchange on bonds <sup>(d)</sup>	3.5	(9.5)
Other items <sup>(e)</sup>	(1.4)	0.2
La Porte restructuring <sup>(f)</sup>	—	(2.6)
Other restructuring <sup>(g)</sup>	1.4	7.0
Impact of PRC functional currency <sup>(h)</sup>	2.4	0.5
Financing costs <sup>(i)</sup>	0.1	—
Adjusted EBITDA	\$ 9.6	\$ 49.4

Note: EBITDA and Adjusted EBITDA are not required by or presented in accordance with GAAP or any other internationally accepted accounting principles.

# Management Adjusted EBITDA (cont.)

(Values in millions of USD unless noted)

- (a) Represents an adjustment to conform The LYCRA Company's share of equity earnings associated with the Toray Opelontex Co., Ltd, ISH-Toray Pte. Ltd, and Shinpont Industry, Inc. joint ventures from net income to EBITDA.
- (b) Represents the share of EBITDA attributable to the noncontrolling interest of The LYCRA Company Singapore Pte. Ltd.
- (c) Represents foreign currency remeasurement relating to income taxes, most significantly in the PRC, Hong Kong, Brazil, and Switzerland.
- (d) Represents the amount of foreign currency remeasurement on the Euro Notes.
- (e) Represents certain other unusual items in which current year primarily represents a gain upon termination of pension plan in Hong Kong.
- (f) Represents a reversal of certain accrued liabilities.
- (g) Represents professional fees and other costs incurred due to the Enforcement Action and subsequent change of ownership.
- (h) Represents impacts from the foreign currency remeasurement (gains) losses primarily on intercompany activity with our operations in the PRC, whose functional currency is the Chinese yuan and whose currency translation impacts are reflected within Other Comprehensive Income.
- (i) Represents costs related to factoring of accounts receivable.

*Note: EBITDA and Adjusted EBITDA are not required by or presented in accordance with GAAP or any other internationally accepted accounting principles.*