

# The LYCRA Company

Q3 Investor Presentation

December 5, 2022

# Disclaimer

This presentation has been prepared by The LYCRA Company (the “Company”) and is provided solely for discussion purposes. This presentation is incomplete without reference to, and should be viewed in conjunction with, the oral briefing discussing the results presented herein and the corresponding quarterly report. Neither this presentation nor any of its contents may be disclosed or used for any other purpose without the prior written consent of The LYCRA Company.

The presentation does not purport to contain all of the information that an investor in the Company may desire. Neither the presentation nor its delivery to any interested party shall constitute an offer to sell, a solicitation of an offer to buy, or a recommendation that any person should proceed with any acquisition of or investment in, the Company or any securities of the Company.

This presentation includes operational and financial results for the quarter ended September 30, 2022. 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 September 30, 2022, 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 the three months ended September 30, 2021, and the full year ended December 31, 2021.

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.

In furnishing the presentation, no Relevant Person undertakes any obligation, and no Relevant Person shall have any duty, to provide the recipient with access to any additional information or to update any information contained herein. Each Relevant Person expressly disclaims any and all liability for any loss or damage (whether foreseeable or not) suffered or incurred by any person or entity as a result of anything contained or omitted from the presentation. The Company and its affiliates, directors, officers, employees and agents (each a “Relevant Person”) make no representation or warranty as to the accuracy or completeness of the presentation and shall have no liability for any representations or warranties (expressed or implied), financial projections, or forward-looking financial statements contained in, or omitted from, the presentation or any other written or oral communications. By accepting the presentation, the recipient of the presentation (i) agrees and undertakes that it shall not seek to sue or otherwise hold any Relevant Person liable in any respect for the provision of the presentation, the information contained in the presentation, or the omission of any information from the presentation, and (ii) warrants that it is a person to whom it is lawful to provide a copy of the presentation in accordance with the applicable laws of its jurisdiction.

These materials are not to be printed, saved or distributed.

# Executive Summary

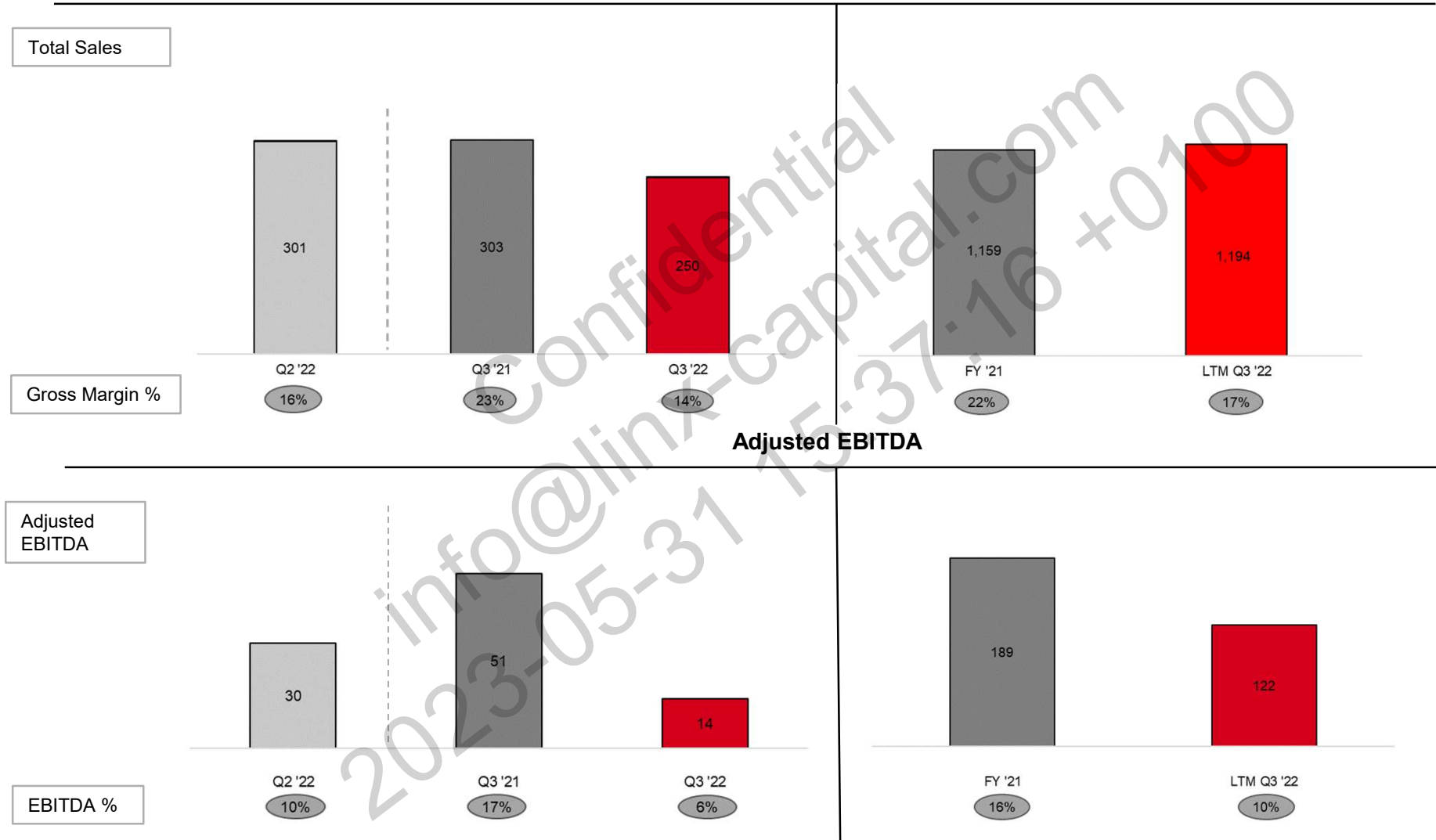
(Values in USD unless noted)

- Q3 '22 EBITDA was \$14 million, down \$16 million vs prior quarter and down \$37 million vs same quarter prior year.
- Lower EBITDA in Q3 '22 compared to Q2 '22 was primarily driven by lower volumes resulting from the continued effects of China's COVID policies, softer Western retail markets driven by challenging macro factors (inflation, recessionary concerns, geopolitics), and a 30-40% garment inventory overhang across the global apparel supply chain vs the same period last year.
- While LYCRA® fiber price was still up \$0.54/kg as compared to Q3 '21, in comparison to a sharp \$6.24/kg price decline of generic spandex during that same period, LYCRA® fiber prices were down in Q3 '22 vs Q2 '22. Combined with a slower than expected decline in raw material costs, as most of the benefits of lower PTMEG prices are still tied up in inventories, variable margin was down \$4 million vs Q2 '22 (excluding volume impact).
- The depreciation of the euro & RMB vs USD negatively impacted LYCRA® fiber price by \$0.30/kg during Q3 compared to Q2. In some cases, we have lowered price as a tactical concession to maintain share and stimulate sales volumes in a context of soft spandex demand and high price premium vs generics.
- Lower PTMEG prices began to move through inventory, however raw material and energy costs remained elevated as compared to Q3 '21. Compared to Q2 '22, a \$6 million reduction in variable costs was driven by \$9 million lower raw materials partially offset by \$3 million higher energy costs.
- During the period of demand softness, management chose to strategically curtail production to avoid further inventory build, resulting in global capacity utilization drop of 22% compared to Q3 '21.

# Key Financial Metrics

(Values in millions of USD unless noted)

## Consolidated Total Sales & Gross Margin

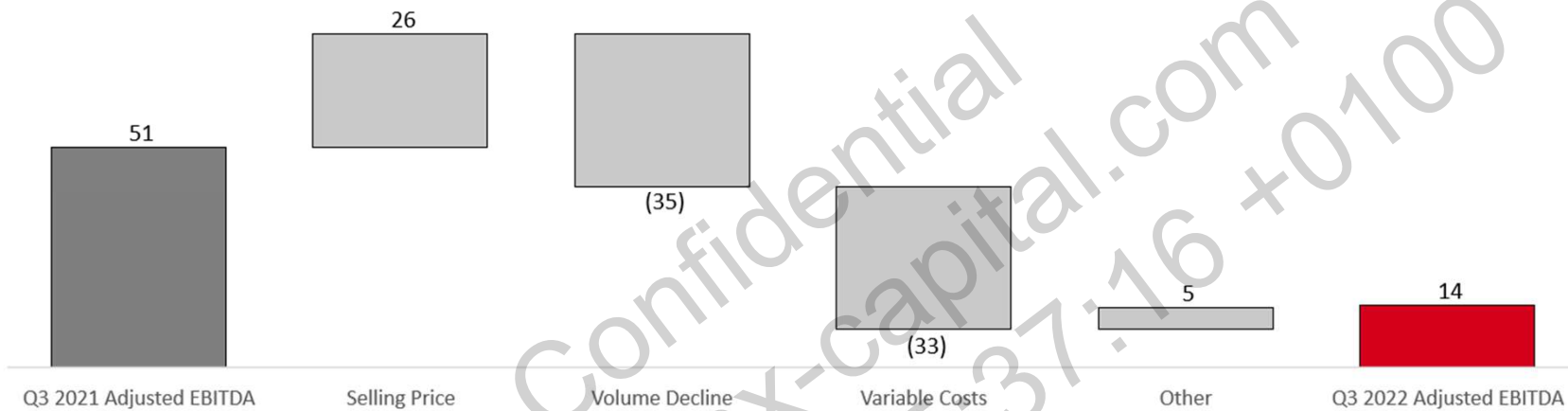


Note: EBITDA and Adjusted EBITDA are not required by or presented in accordance with GAAP or any other internationally accepted accounting principles.

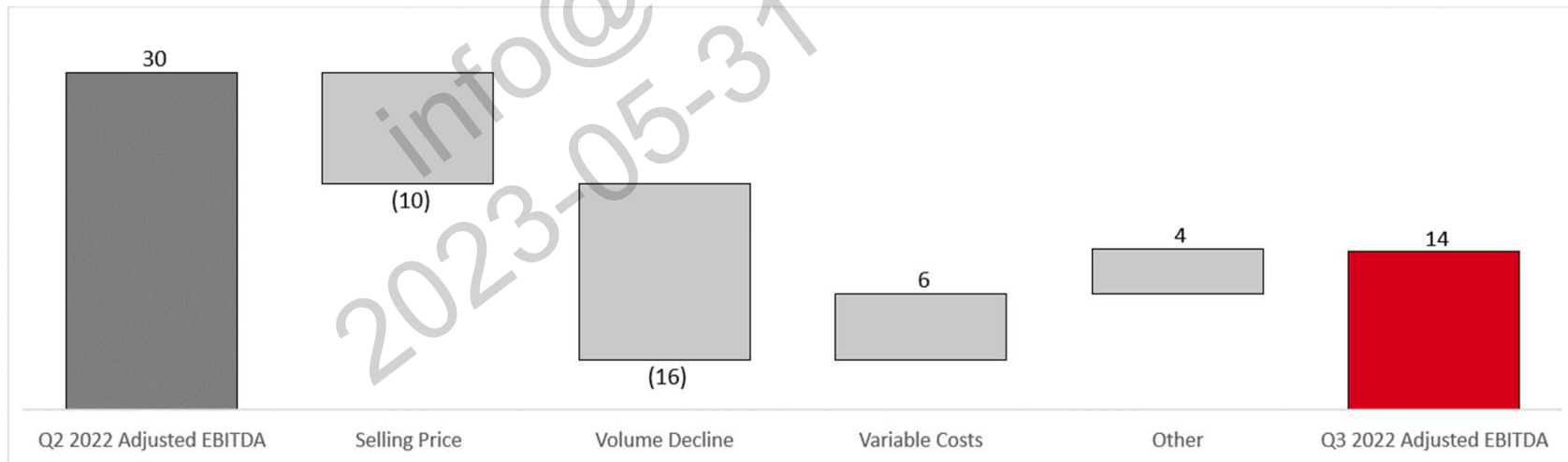
# Financial Performance

(Values in millions of USD unless noted)

**Adjusted EBITDA Q3 '21 to Q3 '22 Bridge**



**Adjusted EBITDA Q2 '22 to Q3 '22 Bridge**

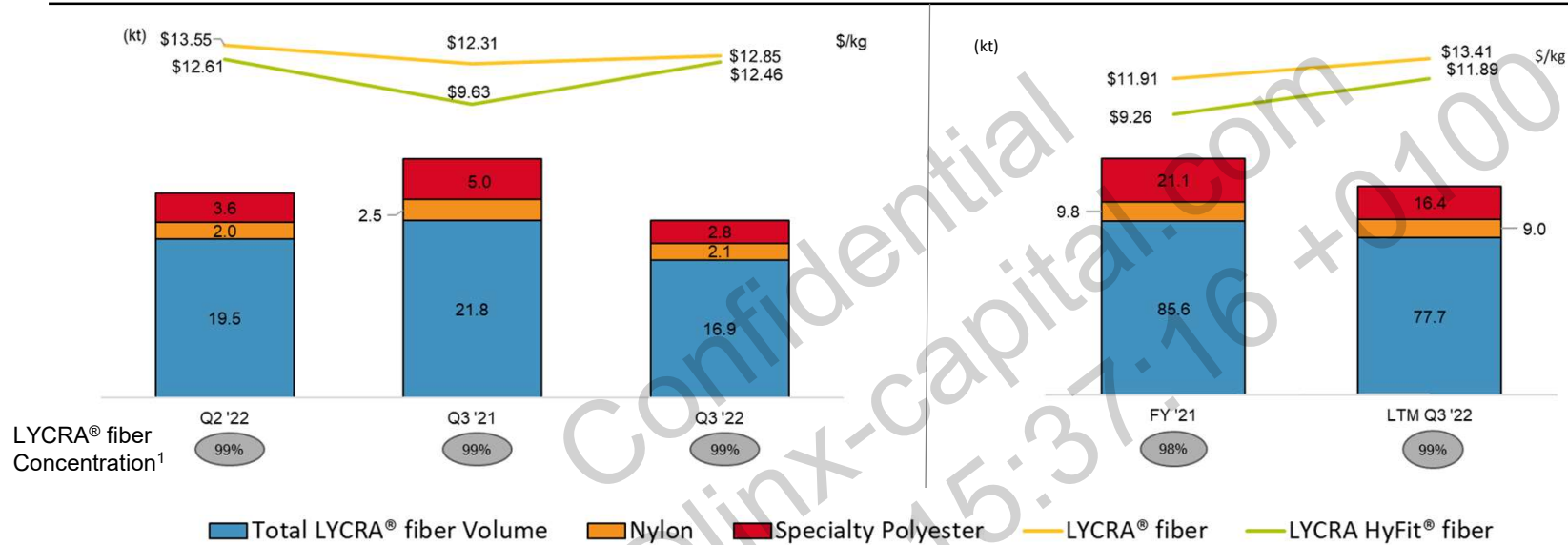


Note: EBITDA and Adjusted EBITDA are not required by or presented in accordance with GAAP or any other internationally accepted accounting principles.

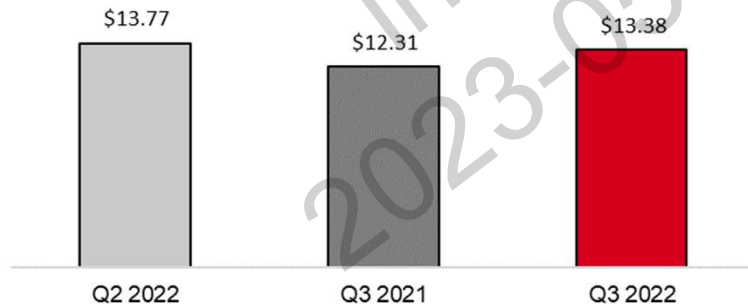
# Volume and Revenue

(Values in millions of USD unless noted)

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



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



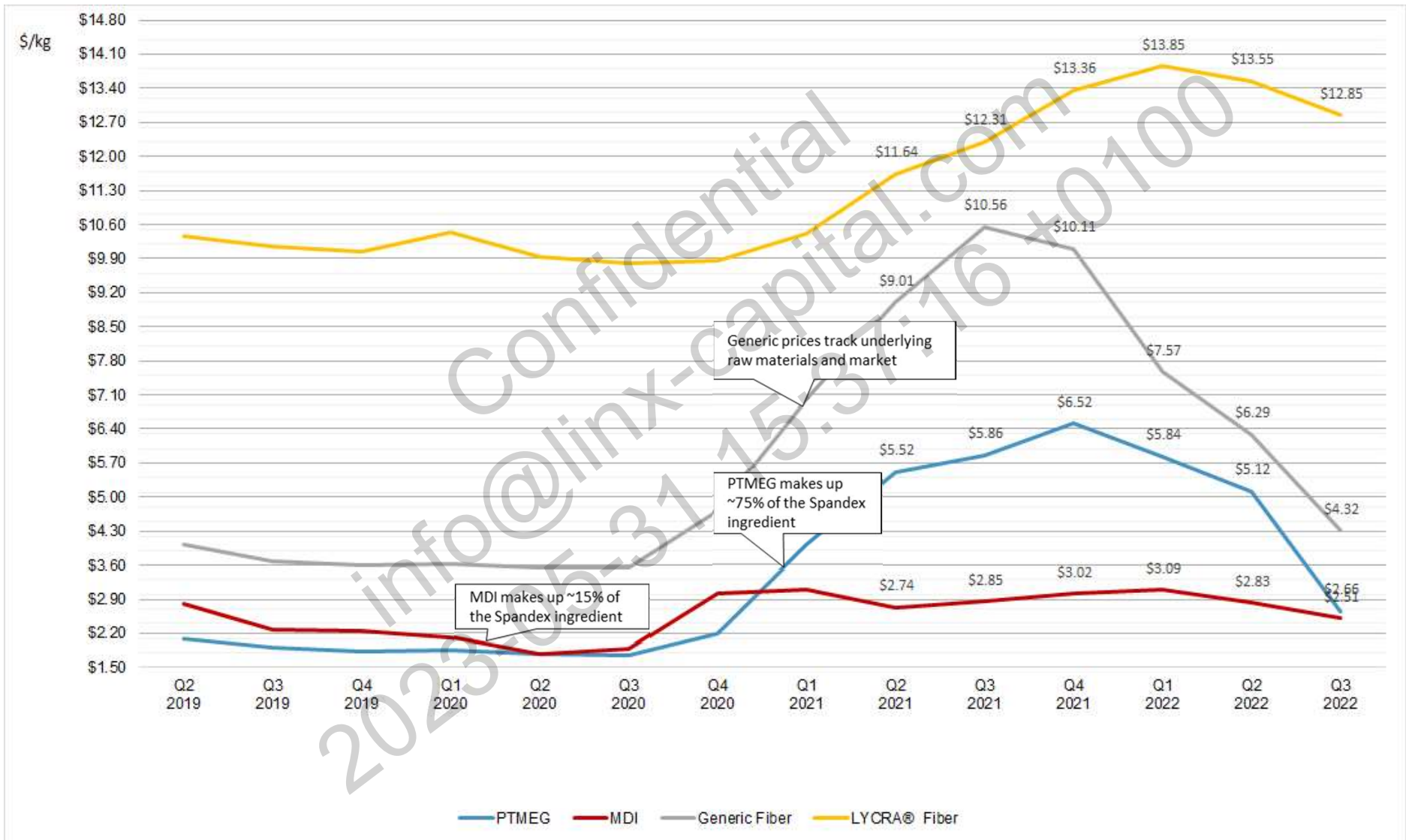
Constant currency prices measured against Q3 2021 FX rates.

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.

Confidential to The LYCRA Company

# Key Margin Drivers





# Q4 '22 Updates

(Values in USD unless noted)

- We expect volumes to continue to be impacted by COVID policies in China, where we have seen more lockdowns and still weak domestic retail activities, and inventory overhangs across the global supply chains into next year.
- In this environment of weak market demand and uncertainty, we are first focused on continuing to hold share and minimize price erosion, which we have accomplished so far thanks to our strong customer relationships, brand assets and innovation pipeline.
- We expect to see continued improvements of LYCRA® fiber variable unit margins as price erosion is more modest than raw material cost decline.
- We are also looking to further stimulate sales via tactical commercial actions, namely with a more competitive product line targeted at generic spandex accounts that should result in share gain in new market spaces and a better utilization of our Foshan manufacturing asset.
- We remain focused on accelerating the scale up of our key patented innovations, working with key customers as part of our Qore® and HeiQ partnerships, and growing our pipeline of fiber specifications for future apparel retail seasons, while in our Personal Care business extending key customers' annual supply arrangements.
- We will continue with targeted curtailments at some of our manufacturing sites to avoid further inventory build, while starting to implement a series of cost reduction measures that support EBITDA recovery efforts in the Q4 '22 and into 2023.



# The LYCRA Company

## Appendix

Confidential  
info@linx-digital.com  
2023-05-31 15:37:16 +0100

# Consolidated Statement of Operations

(Values in millions of USD unless noted)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 249	\$ 296	\$ 870	\$ 835
Sales to related parties	1	7	16	17
Total sales	250	303	886	852
Royalty and licensing income, net	1	—	4	2
Total revenue	251	303	890	854
Cost of goods sold and other operating expenses	217	234	745	649
Gross profit	34	69	145	205
Selling, general and administrative expenses	26	30	85	92
Research and development expenses	7	7	22	20
Restructuring (income) expense	8	(2)	34	(31)
Goodwill and other intangible assets impairment	—	—	821	—
Other (income) expense, net	(31)	(4)	(66)	(9)
Operating income (loss)	24	38	(751)	133
Equity in (income) loss of affiliates	26	(2)	21	(7)
Interest expense, net	24	19	65	58
Income (loss) before income taxes	(26)	21	(837)	82
Income tax expense	2	9	9	29
Consolidated net income (loss)	(28)	12	(846)	53
Net (income) loss attributable to noncontrolling interest	—	(1)	51	(5)
Net income (loss) attributable to The LYCRA Company	\$ (28)	\$ 11	\$ (795)	\$ 48

# Consolidated Statement of Cash Flows

(Values in millions of USD unless noted)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
<b>Cash flows from operating activities:</b>				
Consolidated net income (loss)	\$ (28)	\$ 12	\$ (846)	\$ 53
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	16	17	51	51
Amortization of bank financing costs	5	2	11	6
Net impact of leases	(1)	—	(1)	—
Employee stock-based compensation	—	1	1	1
Exchange rate changes on cash and cash equivalents and restricted cash	1	1	2	1
Undistributed loss (earnings) in investments in equity affiliates	26	(2)	21	(7)
(Gain) on sale of pipeline assets	—	—	—	(23)
Impairment of goodwill and other intangible assets	—	—	821	—
Disposals (Recoveries) of long-lived assets	—	(2)	1	(2)
Deferred income taxes	(6)	—	(9)	3
Pension expense, net of contributions	—	—	—	1
Return on investments from equity affiliates	—	—	4	6
Changes in assets and liabilities: <sup>(1)</sup>				
Receivables	25	(22)	36	(34)
Inventories	(2)	(29)	(26)	(71)
Other assets	18	(6)	26	(16)
Payables	(42)	5	(111)	5
Other liabilities	(8)	22	(17)	12
<b>Net cash provided by (used in) operating activities</b>	<b>4</b>	<b>(1)</b>	<b>(36)</b>	<b>(14)</b>
<b>Cash flows from investing activities:</b>				
Capital expenditures	(2)	(3)	(6)	(8)
Prepayment of long-lived asset	—	(33)	—	(33)
Proceeds from disposal of assets	—	—	—	24
Return of investment in equity affiliate	—	—	1	—
<b>Net cash provided by (used in) investing activities</b>	<b>(2)</b>	<b>(36)</b>	<b>(5)</b>	<b>(17)</b>
<b>Cash flows from financing activities:</b>				
Borrowings of revolvers	—	—	50	—
Repayments of revolvers	—	—	—	(20)
Borrowings from bank	5	—	5	—
Payments of short-term debt	—	—	—	(18)
Noncontrolling interest contribution	—	27	—	27
Dividends paid to noncontrolling interest	—	—	—	(6)
<b>Net cash provided by (used in) financing activities</b>	<b>5</b>	<b>27</b>	<b>55</b>	<b>(17)</b>
<b>Net increase (decrease) in cash and cash equivalents and restricted cash</b>	<b>7</b>	<b>(10)</b>	<b>14</b>	<b>(48)</b>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1)	(1)	(2)	(1)
Cash and cash equivalents and restricted cash at beginning of period	41	80	35	118
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>\$ 47</b>	<b>\$ 69</b>	<b>\$ 47</b>	<b>\$ 69</b>

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

# Consolidated Balance Sheet

(Values in millions of USD unless noted)

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 45	\$ 32
Restricted cash	2	3
Receivables, net	148	184
Inventories, net	265	239
Prepaid expenses and other current assets	21	43
<b>Total current assets</b>	<b>481</b>	<b>501</b>
Property, plant and equipment, net	284	329
Right of use lease assets, net	54	60
Goodwill	142	953
Other intangible assets, net	458	477
Investments in equity affiliates	140	166
Other assets	10	9
<b>Total assets</b>	<b>\$ 1,569</b>	<b>\$ 2,495</b>
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Current debt	\$ 343	\$ 50
Lease liabilities, current portion	5	5
Payables	68	134
Accrued and other current liabilities	88	75
<b>Total current liabilities</b>	<b>504</b>	<b>264</b>
Long-term debt, net	680	952
Lease liabilities, long-term	28	31
Pension and other post-retirement benefit liabilities	7	8
Other liabilities	3	7
Deferred income tax liabilities	31	40
<b>Total liabilities</b>	<b>\$ 1,253</b>	<b>\$ 1,302</b>
Shareholder's equity:		
Shareholder's equity	\$ 275	\$ 1,069
Accumulated other comprehensive income	(5)	27
<b>Total The LYCRA Company shareholder's equity</b>	<b>270</b>	<b>1,096</b>
Noncontrolling interest	46	97
<b>Total shareholder's equity</b>	<b>316</b>	<b>1,193</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 1,569</b>	<b>\$ 2,495</b>



# Management Adjusted EBITDA

(\$ in millions of USD unless noted)

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Consolidated net income (loss)	\$ (28.2)	12.0	(846.1)	52.8
Interest expense	23.9	18.9	64.9	57.9
Income tax expense	2.5	9.0	9.4	29.1
Depreciation and amortization	14.2	17.0	47.3	51.9
EBITDA	12.4	56.9	(724.5)	191.7
Joint venture EBITDA adjustment <sup>(a)</sup>	1.2	1.5	3.9	4.3
Noncontrolling interest EBITDA <sup>(b)</sup>	(0.1)	(2.1)	(2.4)	(6.5)
Foreign exchange adjustment <sup>(c)</sup>	0.2	(0.2)	0.2	(0.2)
Foreign exchange on bonds <sup>(d)</sup>	(24.5)	(5.8)	(44.0)	(12.7)
Goodwill and other intangible assets impairment <sup>(e)</sup>	—	—	821.3	—
Loss on investment in equity affiliate for 50% share of goodwill impairment <sup>(f)</sup>	26.0	—	26.0	—
Other nonrecurring items <sup>(g)</sup>	0.4	0.3	(2.9)	2.1
La Porte restructuring <sup>(h)</sup>	—	0.2	(2.8)	(28.3)
Other restructuring <sup>(i)</sup>	8.3	(2.4)	36.5	(2.4)
Impact of PRC functional currency <sup>(j)</sup>	(9.7)	—	(17.3)	2.9
La Porte post-closure costs <sup>(k)</sup>	—	2.3	—	9.6
Financing costs <sup>(l)</sup>	—	—	—	0.9
Adjusted EBITDA	\$ 14.2	\$ 50.7	\$ 94.0	\$ 161.4

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 PRC, Switzerland, Hong Kong, and Brazil.
- d) Represents the amount of foreign currency remeasurement on the Euro Notes.
- e) Represents the impairment loss on goodwill and other intangible assets, which is equal to the excess of the carrying value over the implied fair value.
- f) Represents a current year loss for 50% share in a goodwill impairment charge recognized by equity affiliate, ISH-Toray Pte. Ltd.
- g) Represents certain other nonrecurring costs which for 2022 primarily represents a gain upon extinguishment of liability.
- h) Represents a reversal of certain accrued liabilities and recognition of income from the sale of pipeline assets at La Porte, net of costs associated with the transaction in March 2021.
- i) Represents professional fees and other costs incurred due to the Enforcement Action and subsequent change of ownership.
- j) 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.
- k) Represents costs incurred at La Porte following the cessation of operations in the fourth quarter of 2020.
- l) Represents one-time costs related to the Revolving Credit Facility during 2021.

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