

# Duroc completes the acquisition of the Cotting Group – Opens for expansion opportunities in a new sector

The Duroc Group today completed the acquisition of the French/Belgian Cotting Group ([www.cotting-group.com](http://www.cotting-group.com)), including Griffine SA (France) and Plastibert NV (Belgium). By acquiring these two units, in business for more than 60 years and with strong positions in their respective areas, Duroc Group establishes itself in the internationally significant market for coated textiles. Products include PVC- and PU-coated textiles used in a number of areas, including automotive interiors, the fashion industry, protective clothing, hospital beds, dental chairs, furniture and wall coverings.

Globally, this market is estimated to amount to approximately SEK 170 billion, of which the European part where Cotting today sells most of its production, is judged to be close to SEK 40 billion. The Cotting companies have aggregate sales of approximately MSEK 750 and the production volume is about 7 million metres of coated textiles per year.

The market for coated textiles is one of long-term growth and is expected to increase by 4 percent per year, or about MSEK 7 billion per year. The industry is fragmented, at the same time as the barriers of entry are high. Operations are capital-intensive and customer demands for great delivery precision are obvious. There are clear similarities with existing fibre companies in the Group. The opportunities for Duroc to grow in this sector, organically as well as through continued opportunistic acquisitions, are judged to be good and the financially attractive Cotting Group constitutes a strong platform that gives Duroc the credibility on the basis of which to act from in such a growth scenario.

The purchase price for the two companies in Cotting adds up to about MSEK 190 (EUR 18). Equity in the companies amounts to MSEK 275 (MEUR 26). For the 2018 operating year, net sales of Griffine and Plastibert were approximately MSEK 50. Net sales for 2019 are expected to be at the same level, but narrower margins in the French operations are expected to lead a decline in profit compared to 2018. The profitability of relevant comparison objects will vary, primarily based on how specialized operations are, rather than on the scale of operations. An ROS margin of 5-7 percent seems to be a reasonable metric for the earnings capacity the industry offers a “typical” player.

The acquired companies are by and large free of debt and own their respective production plants, including the buildings in which operations are conducted.

Griffine SA has its operations in Nucourt, about 50 kilometres north-west of Paris. Here, the company has buildings with total space of 38,000 m<sup>2</sup> on a 92,000 m<sup>2</sup> lot. The property is located about 3 kilometres from a major route into the centre of Paris. The carrying value is approximately

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## PRESS INFORMATION FROM DUROC

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MSEK 25. Plastibert BV is based in Wielsbeke in central Belgium. This property is also well located relative to the country's main transportation routes. The 22,000 m<sup>2</sup> lot, including the industrial building with a total area of 22,000 m<sup>2</sup>, is carried on the company's books at a value of about MSEK 3. Together, the value of these properties is judged to exceed the book value by a significant amount. There is thus an opportunity to free up significant capital by, for instance, a sale-and-leaseback transaction.

The Cotting Group's companies will be operated as independent units within Duroc. Corporate managements within the Group operate with far-reaching delegated responsibility for their respective businesses and "entrepreneurship" is an important guiding principle for how the Group is organized. The Parent Company is represented on the Boards of Directors of the subsidiaries and support them, primarily on issues such as strategy, capital investments, acquisitions, recruitment and financing.

Including the now completed acquisitions, the Duroc Group has sales of approximately MSEK 3,700 and has a diversified portfolio of businesses in industry and industrial trading, with a total of 14 subsidiaries in 12 countries. Given Duroc's industrial and geographic diversification, together with a well-developed contact network, the opportunities for Duroc to identify financially attractive, opportunistic acquisitions in accordance with our over-arching strategy are good going forward, thus creating value for our shareholders. Much like the acquisition of the Cresco business in 2017, the now consummated acquisition of the Cotting Group, are examples of how Duroc operates in accordance with this strategy.

The information herein is such that Duroc AB is obliged to publish in accordance with EU's Market Abuse Regulation. The information was provided for publication at 4:30 p.m., 1 July 2019.

### **For further information**

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The Duroc Group manages and develops industrial and trading companies. With deep knowledge of technology and market, the Group's companies strive to achieve a leading position in their respective industries. As owner Duroc contributes actively to the development. Consolidated sales amount to approximately MSEK 2,800. The Group has approximately 800 employees. Duroc is listed on NASDAQ OMX Stockholm (symbol: DURC). [www.duroc.se](http://www.duroc.se)

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