

INVESTMENT CASE

There are six elements to our investment case – each element is a strength in itself but together they combine to set us apart from our competitors, giving us a solid platform from which we can innovate, grow and deliver consistently strong shareholder returns.

Throughout 2020 we continued to review each element of our investment case and looked to align these more closely to the future core operations of our key business segments and the ongoing integration of recent acquisitions.



Element

Which provides us as an organisation with:

Key attributes of this element

Highlights

1. Global market leader in Apparel & Footwear (A&F)

A strong and defensible core business representing some 71% of Group sales.

Global leader in A&F thread market, consistently increasing market share in a stable market (pre/post-Covid).

Leading the response to meet changing industry needs – speed, personalisation, innovation, cost, quality, responsibility and sustainability.

-21%

Revenue decline due to significant Covid impacts

Continued market share gains and customer wins

+6x

Increased demand for our EcoVerde product range

2. Leading player in Performance Materials market

Ability to build scale through technology, innovation and acquisition. Representing some 29% of Group sales.

Global presence in multiple but focused end use sectors; building scale both organically and inorganically.

Performance Materials offer products that guarantee performance and safety, and solve industry problems through applying our vast textile expertise.

Innovation in developing or acquiring new competencies and technologies – such as carbon and glass composites.

-14%

Organic revenue decline due to significant Covid impacts

Notable customer wins (e.g. in Transportation)

Encouraging and improving trend with year-on-year organic sales exit rate down only 2% in November / December

3. Focus on digital, innovation and sustainability

Ability to focus on the continuing challenges from macro trends that are shaping the world and give us the tools to enable us to deliver value to all our stakeholders.

Thinking ‘beyond the stitch line’ to collaborate with internal and external stakeholders to repurpose our products into new ones and use machine learning and AI for new ways of operating – fit for the digital age.

Innovation and big, bold game-changing ideas are crucial to our success.

Industry leader in sustainability agenda, giving us competitive advantage as well as to support our customers’ ambitious sustainability agendas.

At the start of 2021 we signed up to the Science Based Target initiative (SBTi), specifically to 1.5°C commitment and a longer-term commitment to achieving net-zero emissions by 2050

Continued Innovation focus – launched 22 new products, generating \$13m of incremental revenue and with a rich pipeline of opportunities

For more information visit coats.com/investor.



4. Track record of delivering continuous improvements and operational excellence

Focused improvement programmes and experienced management to deliver margin and other financial improvements.

Ensuring the Group is 'fit for purpose' and agile in the modern high-paced world.

Productivity gains and procurement initiatives.

Investing in energy / waste reduction to improve operational efficiencies.

General cost and cash discipline around the organisation, in order to mitigate the impacts of Covid and safely navigate.

-\$47m

Reduction in cost base (e.g. discretionary spend) in response to Covid impacts and lower demand

\$16m

Productivity benefits across manufacturing and sourcing



5. Track record of delivering free cash flow

Strong cash flow generation and high Return on Capital Employed (ROCE).

Balancing key cash demands of organic investment, pension schemes and shareholder returns.

1.2x

1.2x leverage (net debt excluding IFRS 16 / adjusted EBITDA) maintained at low end of target 1–2x range

\$330m

Committed facility headroom of \$330m providing significant liquidity (as at 31 December 2020)



6. Value-adding acquisitions

Ability to build scale in the strategic focus areas which are currently fragmented competitively.

Continuing to identify strategic acquisitions, including value-adding bolt-on acquisitions principally in the areas of highly engineered Performance Materials and software solutions for the Apparel & Footwear industry.

Completion of Pharr HP acquisition delivering further scale and presence in the attractive US Personal Protection growth market

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