



**Coats  
Group plc**

# **CAPITAL MARKETS DAY INTRODUCING COATS FOOTWEAR**

**TUESDAY  
11 OCTOBER 2022**



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Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.



# AGENDA



60 mins

## 01 Overview

**Rajiv Sharma**  
Group CEO

## 02 The Market

**Adrian Elliott**  
President, Apparel & Footwear

## 03 Footwear champion

**Frank Boettcher**  
MD, Texon & Rhenoflex

## 04 Value creation

## 05 Financial update

**Jackie Callaway**  
Group CFO

80 mins 30 mins

## 06 Q&A

## 07 Expert booth sessions

**Footwear experts**



# YOUR PRESENTERS



**Rajiv  
Sharma**

CEO



**Jackie  
Callaway**

CFO



**Adrian  
Elliott**

President, Apparel  
& Footwear



**Frank  
Boettcher**

MD, Texon  
& Rhonoflex



# COATS TODAY



01



**Global leader  
in industrial  
thread**

02



**Now global  
leader in  
footwear  
components**

03



**Leader in  
sustainability-led  
innovation**

04



**Offsetting  
inflation through  
pricing and  
self-help**

05



**34,000  
customers in  
100 countries**

06



**Asia centric,  
agile supply  
chain**

# TRANSFORMING GROUP TO ACCELERATE PROFITABLE SALES GROWTH



## 2011 revenue split



## 2021<sup>2</sup> revenue split (proforma)



EBIT margin

**8%<sup>1</sup>**



Factories<sup>4</sup>

**70**



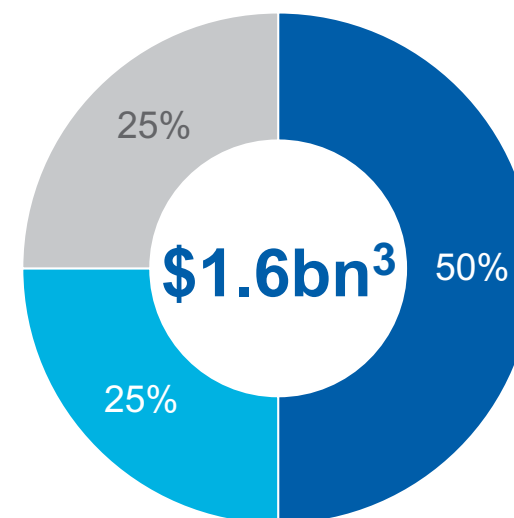
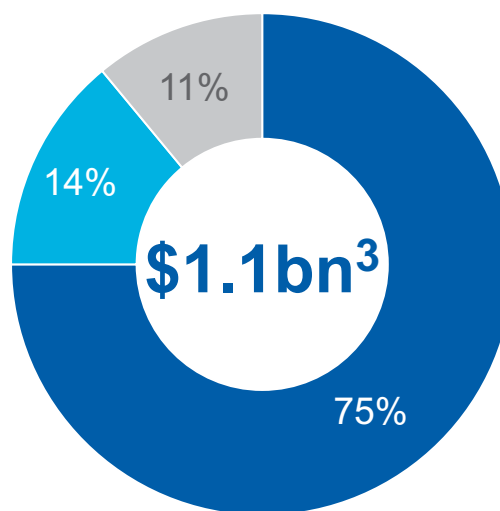
Employees<sup>4</sup>

**22,000**



Warehouses

**100**



■ Apparel ■ PM ■ FW

**12.8%**

**50**

**18,000**

**90**

# KEY FOOTWEAR MESSAGES



**+7-8%**  
growth

**Attractive Footwear market**



**3 x**  
increase  
in TAM

**Complementary capabilities**



**23%**  
combined  
share

**Strong competitive position**



**>20%**  
mid-term  
Footwear  
EBIT  
target

**Leading growth and profitability targets**





# AN ATTRACTIVE MARKET



## Market structure



**88%** of global footwear production now in Asia



Strong brand component specification – **90%+** brand specific

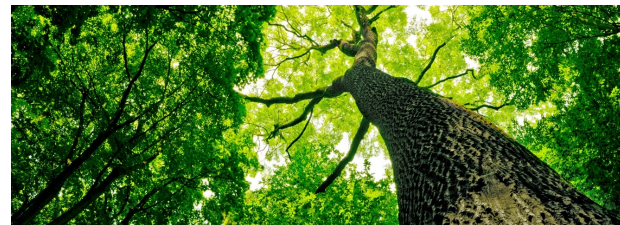


**Focus on engineered products** – highly differentiated

## Macro trends



Performance and athleisure footwear – growing at **6-8%** p.a.



Sustainability & innovation – **65%+** of consumers



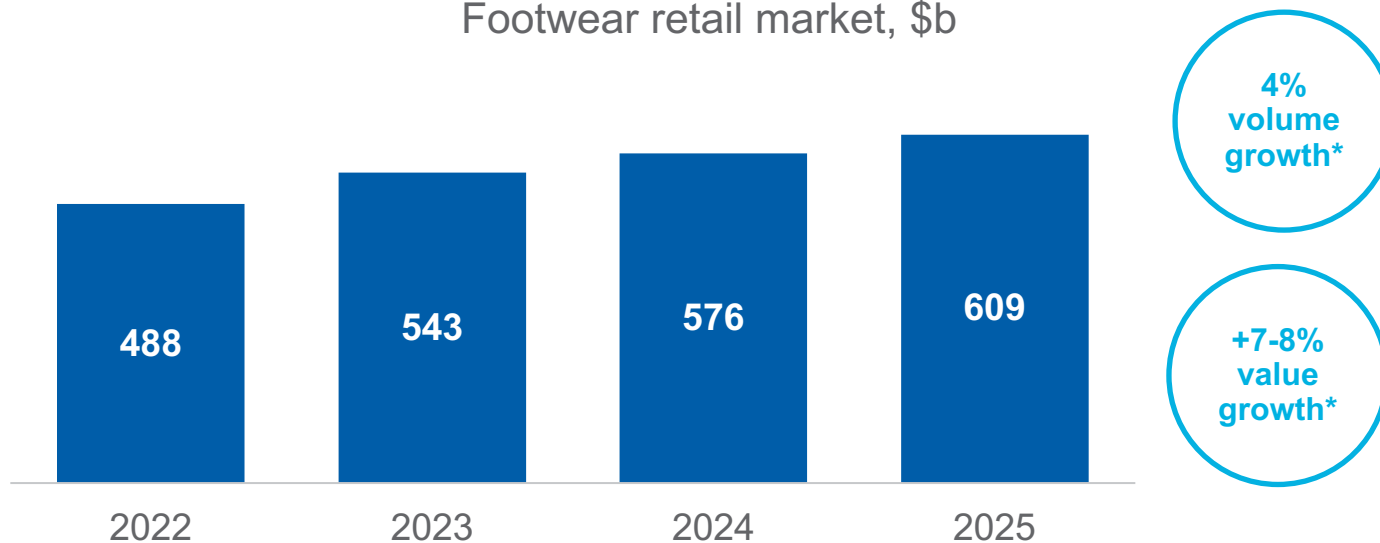
**Brand-led supplier consolidation**

# FOOTWEAR MARKET SIZE AND SEGMENTATION



## Attractive retail market

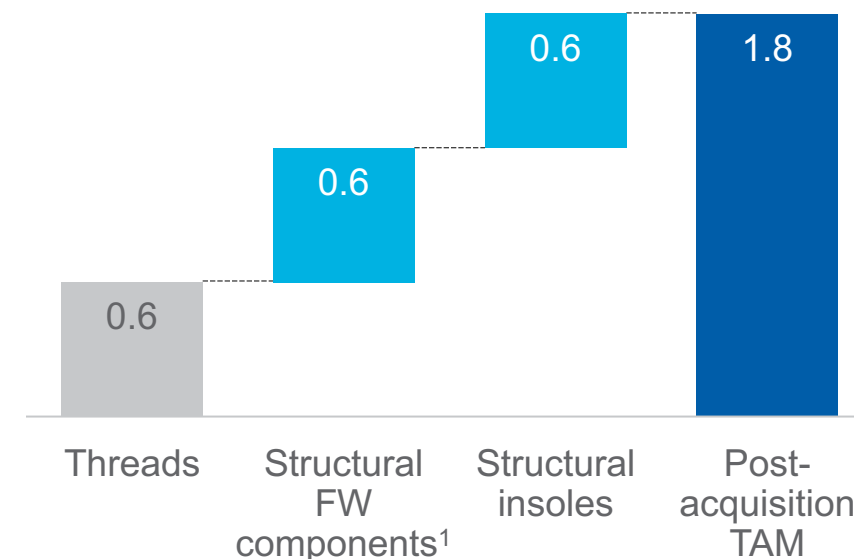
Footwear retail market, \$b



**Sports & athleisure positioned at premium pricing end expected to outperform vs footwear market**

## Footwear market size

Total addressable market, \$b



**Tripling our addressable market**

# ACCELERATING SALES GROWTH



## Historical CAGR



Footwear

3-4%



Apparel

6-9%



Performance Materials



Group

c.4-5%



## Medium-term CAGR



c.8%

3-4%

6-9%

c.6%



# CREATING THE GLOBAL FOOTWEAR CHAMPION



\$205m<sup>1</sup>



\$145m



\$77m

**Similar focus  
at the core**

Focus on premium quality, sports & athleisure brands

Sustainability & innovation

Strong SEA<sup>2</sup> presence



**Complementary  
products and  
capabilities**

Threads leader  
Strong profitability  
Vietnam & Indonesia presence

Insoles  
ProWeave Upper  
EMEA distribution

Rhenoprint™  
Fast growing lifestyle segment



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# THE FOOTWEAR OPPORTUNITY





# FOOTWEAR - ENERGETIC, PASSIONATE AND FINANCIALLY ATTRACTIVE





# FOOTWEAR - ENERGETIC, PASSIONATE AND FINANCIALLY ATTRACTIVE





# ACCESSORIES | LUXURY, SUSTAINABILITY AND MODERN-DAY LIFESTYLE





# AN ATTRACTIVE MARKET THAT PLAYS TO OUR STRENGTHS



Large and growing retail market with solid margins

**7-8% p.a.**  
growth '22-25



Outperforming Sports and Athleisure brands

**Up to 13% p.a.**  
growth for top brands



Importance of quality, innovation and sustainability

**+65%** of consumers  
preferring sustainable brands



# FAVOURABLE MARKET STRUCTURE



Geographical consolidation

88% of global footwear manufacturing in Asia



Strong brand component specification

~90% of top sportswear brands specify suppliers



Engineered products

Highly technical products (i.e., Nike Air Force 1 counters)



Clear winning category

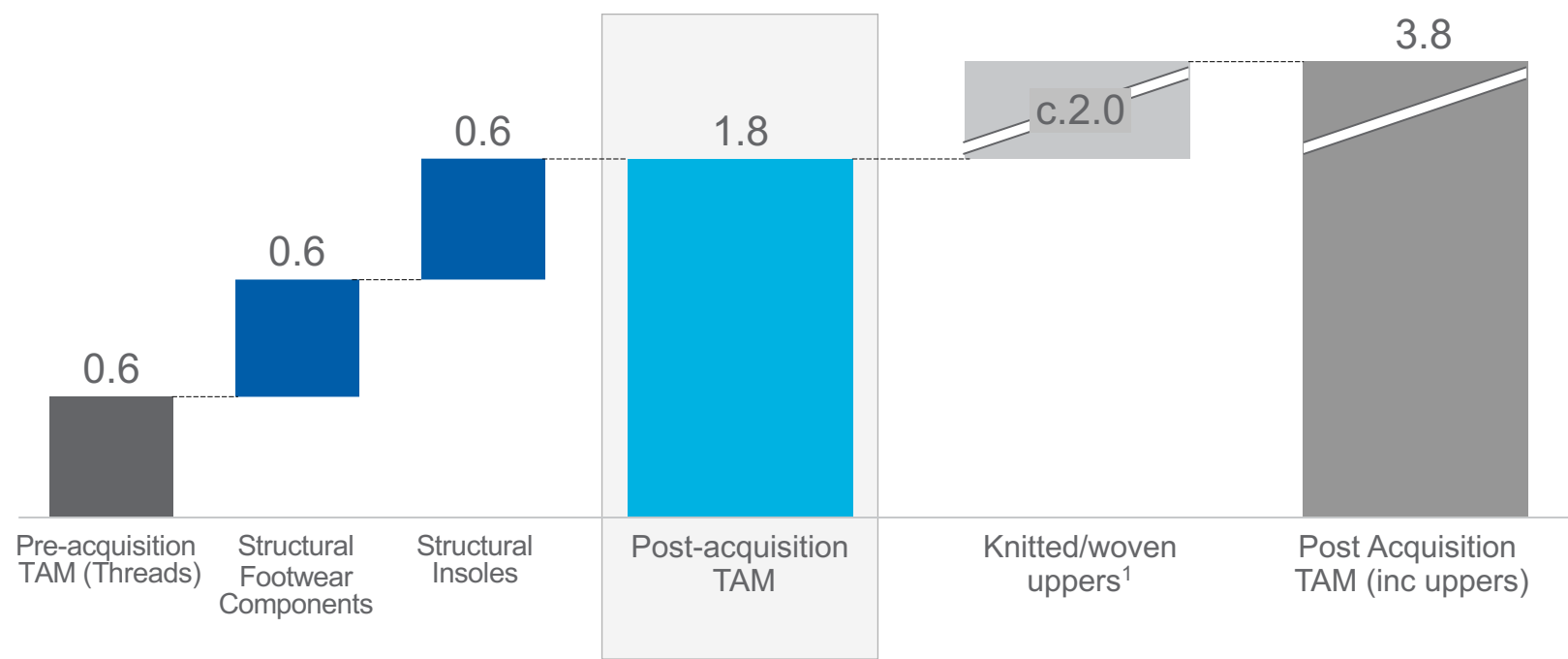
Sports and athleisure outgrowing broader footwear market



# ACQUISITIONS OPEN NEW MARKET OPPORTUNITIES



## Total addressable market, \$bn



Other  
adjacencies



New  
markets



# ICONIC BRANDS; PASSIONATE CONSUMERS



**Dr Martens:**  
Revenue £0.3bn to >£0.9bn



**Adidas Samba:** timeless classic: 1949



**Nike Air Force 1:**  
Launched 1982. Revenue >\$0.8bn



**OnRunning:** Founded 2010,  
2021 Revenue >\$0.7bn







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# GLOBAL FOOTWEAR COMPONENT CHAMPION





# COATS FOOTWEAR THREADS



Texon  
Rhenoflex

COATS

*gral EcoVerde*



100% RECYCLED  
CONTINUOUS  
FILAMENT POLYESTER

COATS

*sylko EcoVerde*



100% RECYCLED  
TRILOBAL  
POLYESTER

COATS

*match*



LIGHT WAXED  
POLYESTER BRAIDED



**No.1** Premium  
thread leader

Quality products  
for **>300** global brands

COATS

*brio*



LUBRICATED  
POLYESTER  
BRAID

COATS

*classic*



WAXED  
POLYESTER  
BRAID

COATS

*terko satin*



POLYESTER /  
COTTON  
CORESPUN GLACÉ



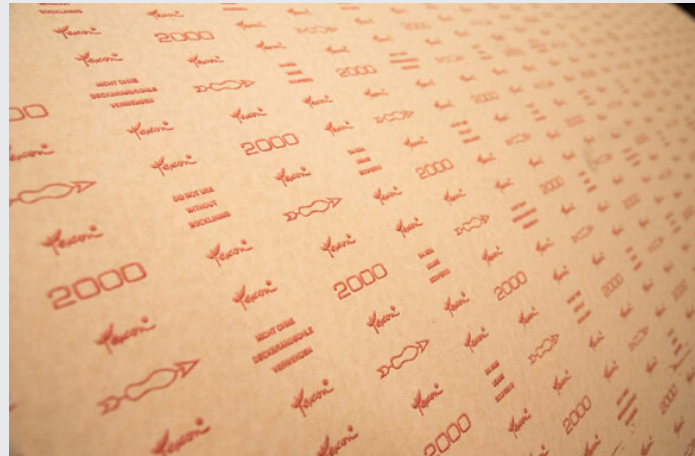
**25%**  
market share

**48%** of our combined  
footwear business

# THE WORLD'S LEADING FOOTWEAR COMPONENTS SUPPLIER

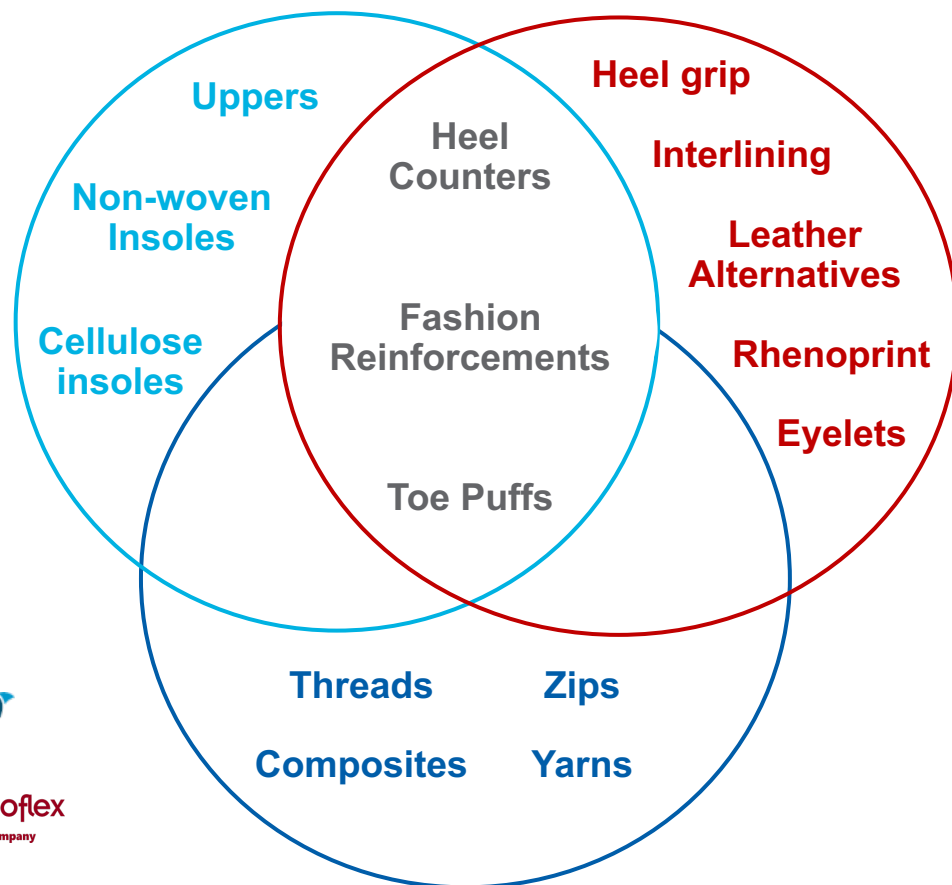


Combining three successful businesses and creating the world's leading Footwear components supplier





# MORE THAN THE SUM OF ITS PARTS



# SERVING 300 LEADING BRANDS AND 2,600 VENDORS







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# CUSTOMER AND INVESTOR VALUE CREATION

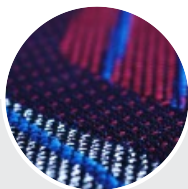


# THE WORLD'S LEADING FOOTWEAR COMPONENTS PARTNER



## USP

01



**Enhanced  
product  
portfolio**



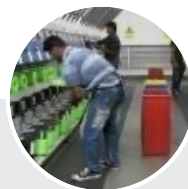
02



**Accelerated  
sustainability/  
innovation**



03



**Expanded  
global  
footprint**



04



**Improved  
technical  
support**



05



**Deep  
customer  
relationships**



## Customer Benefits

**Better  
products  
Faster design and  
development**

**Faster delivery  
of ESG goals  
Stronger  
innovation  
Consumer  
satisfaction**

**Speed to  
market  
Higher vendor  
satisfaction**

**Higher  
productivity  
Improved  
quality  
Lower costs**

**Trust and  
reliability**



# MARKET LEADING PRODUCTS



# COMPLEMENTARY PRODUCT PORTFOLIO<sup>1</sup>



## EYELETS



## THREADS



## WOVEN UPPERS



## HEEL COUNTERS



## TOE PUFFS



## ORTHOPEDICS



## NON-WOVEN INSOLES



## CELLULOSE INSOLES





# ATTRACTIVE PRICES AND PREMIUMS

## Casual

10c

HEEL  
COUNTERS

9c

THREADS

6c

TOE PUFFS

## Performance

HEEL  
COUNTERS

18c

THREADS

20c

TOE PUFFS

9c

# ACCELERATED SUSTAINABILITY & INNOVATION



## Sustainability



Net zero by 2050  
EcoVerde 100% recycled



>67% recyclable and renewable  
Zero waste by 2025



Proprietary zero-waste production  
>66% recycled and renewable by 2025

## Innovation

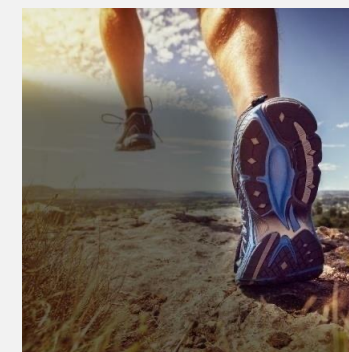
Recycled nylon threads  
Fibre-reinforced composites

ProWeave  
Verde  
Ecostrobe

Reform 2.0

15 innovations  
Rhenoprint™

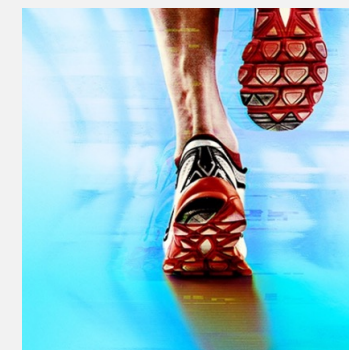
*lattice lite eco*



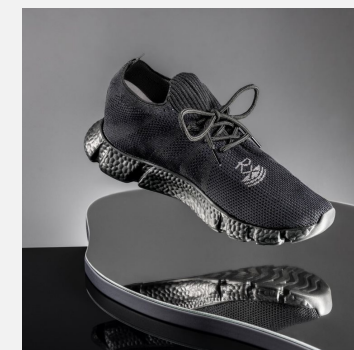
**Rhenoprint™**



**Texon Reform 2.0**

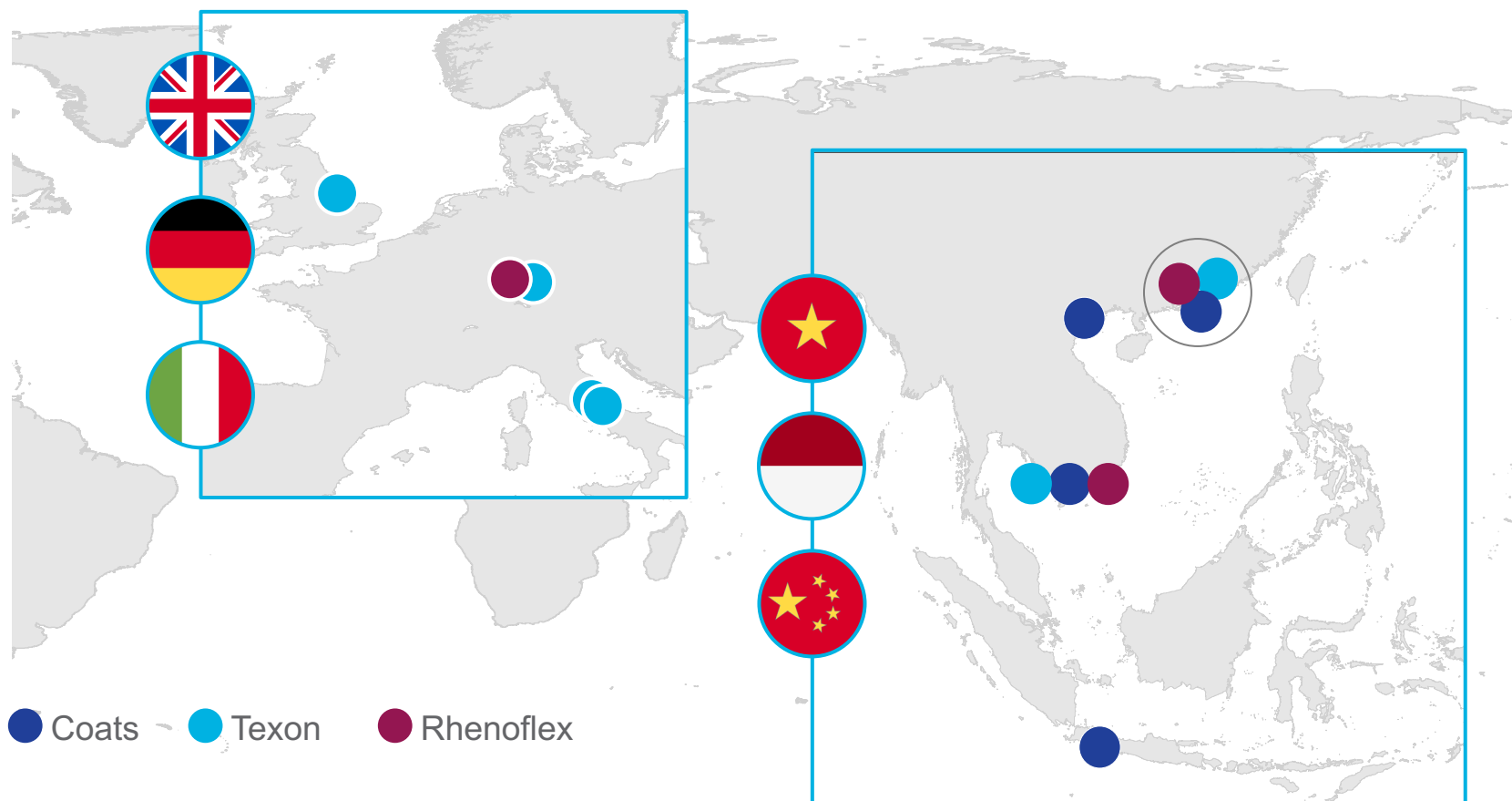


**Powerflex**





# OUR GLOBAL FOOTPRINT



**11 manufacturing plants<sup>1</sup>**

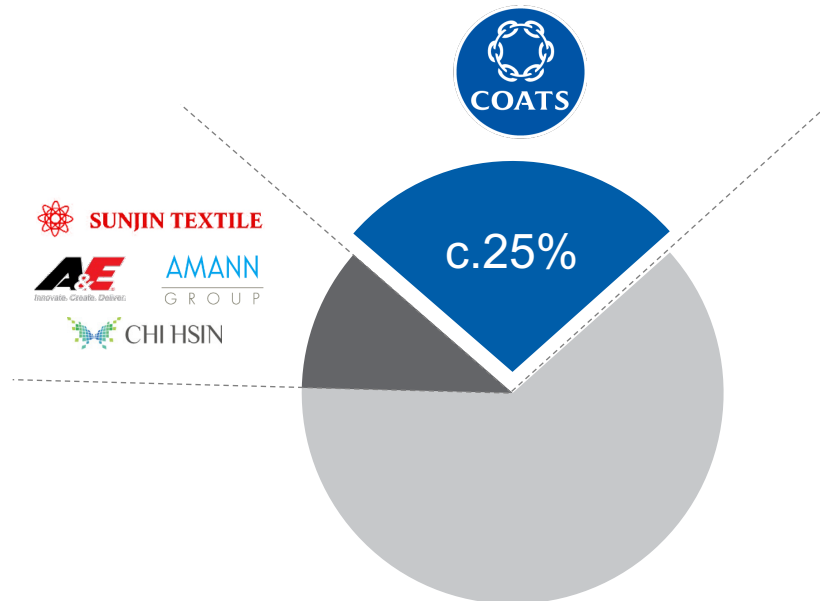
**Strong manufacturing, commercial and technical presence in all key markets**

**Strengthening footprint in growing geographies  
Indonesia, Vietnam, India, Bangladesh**

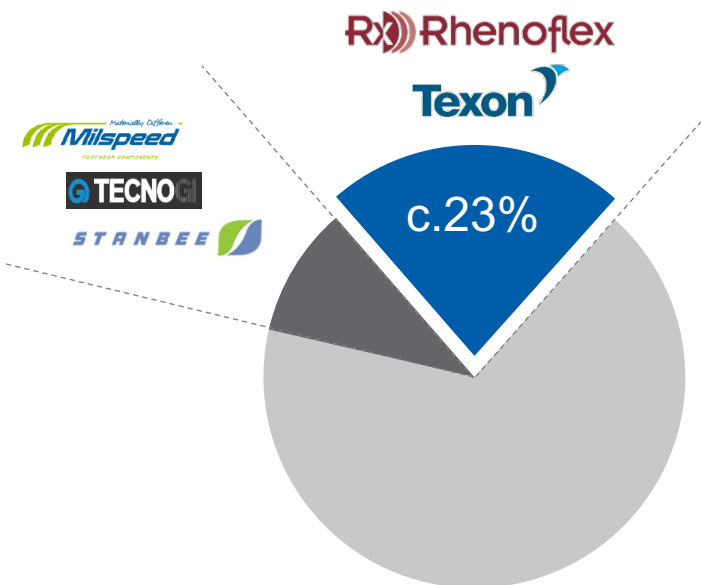
# LEADING COMPETITIVE POSITION



## Thread



## Structural components



Leading position  
in a highly  
fragmented market

Coats Footwear  
now on a  
different scale

● Long tail of other, smaller players<sup>1</sup> ● Other large players<sup>1</sup>



# CUSTOMER TESTIMONIALS

Winning with the winners  
What our customers say



# SUPERIOR CUSTOMER AND INVESTOR VALUE



## Above market top line growth

Enhanced product portfolio



Accelerated sustainability & innovation



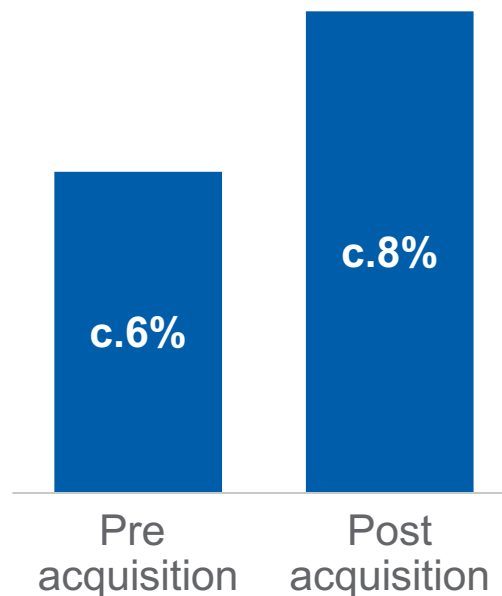
Global footprint & support



Deep customer relationships



**Superior customer value**



## Leading profitability

Connecting sales teams



Integrating G&A activities



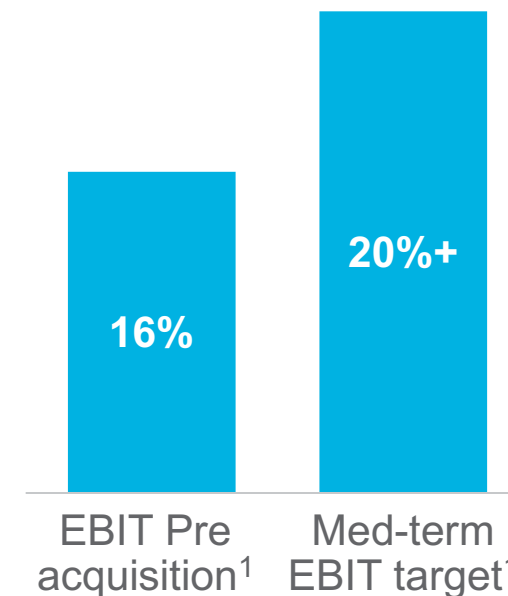
Leveraging procurement



Operational excellence



**Superior investor value**







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# FINANCIAL UPDATE



# H1 RECAP: OUTSTANDING RESULTS



## Accelerating sales and profits



**Accelerating  
sales growth**



**Up 19%**



**Price/mix  
and self-help  
programmes**



**Offsetting  
inflation**



**Adjusted  
operating  
profit \$125m**



**Margins  
up 180bps**



**Strong cash  
generation;  
0.8x leverage<sup>1</sup>**



**Adj. FCF \$30m**



**Strategic  
projects  
momentum**



**H1 \$5m  
FY \$15m**



# ACQUISITION METRICS



	Pre-synergies	Post-synergies*
Metrics	Combined	Combined
EV/EBITDA Multiples	10x	8x
Purchase price	\$354m	
ROIC (Dec-27E)	14%	16%
Payback Period (years)	c.8	c.7
IRR	c.17%	c.19%

# FOOTWEAR FINANCIALS



## Proforma, 2021



Combined

Sales  
\$m

185

132

66

383

EBIT  
%

>20%

13%

10%

c.16%

## Mid-term expectations

c8%  
Sales  
CAGR

>20%  
EBIT  
margin



# GROUP REVENUE GROWTH



## Historical CAGR



Footwear

3-4%



Apparel

6-9%



Performance Materials



Group

4-5%



## Mid-term goal



c.8%

3-4%

6-9%

c.6%

# GROUP EBIT MARGIN



## 2019 EBIT margins



Footwear

14.7%<sup>1</sup>



Apparel



Performance Materials

12.8%<sup>1</sup>



Group

14.3%



## 2024 goal



>20%

15-16%

13-14%

c.17%



# CAPITAL ALLOCATION POLICY



**Reinvesting in  
organic growth**



**Supporting  
pensions**



**Paying a  
progressive  
dividend**



**Acquisitions  
in line with  
disciplined  
strategy**

**Whilst maintaining a strong balance sheet  
(target leverage ratio of 1-2x net debt EBITDA)**

# KEY MESSAGES



**+7-8%**  
growth

**Attractive Footwear market**



**3 x**  
increase  
in TAM

**Complementary capabilities**



**23%**  
combined  
share

**Strong competitive position**



**>20%**  
mid-term  
Footwear  
EBIT  
target

**Leading growth and profitability targets**







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# Q&A SESSION

30 minutes

# OUR BOOTH PRESENTERS



## Group 1 Footwear



**Marco  
De Gier**



## Group 2 Luxury & Lifestyle



**Sonya  
Manolova**



## Group 3 Sustainability & Innovation



**Paul  
Mallory**



## Group 4 New Markets



**Gunter  
Scharfenberger**



**Bryan  
Whitfield**



**Alberto  
Meloni**



**Kim Garth**



**Paul  
Jackson**



**Matt  
Neville**



**Robert  
Grüneberg**



**Roksana  
Samborska-  
Skowron**



**Mike  
Hitchen**

