



**Coats  
Group plc**

# **Coats Pension Update**

**December 2022**

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## **Rounding**

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.

# Summary

## Major step to full de-risking



c. £350m buy-in delivered  
Fully hedges 20% of total  
scheme liabilities

In mid November 2022  
Technical Provisions deficit had  
reduced to c. £55m

Buy-in reduces Technical  
Provisions deficit by another  
c. £25-30m

Two key Group objectives:

1. Reduce Technical Provisions deficit to zero & cease cash payments. Resulting in a significant improvement in FCF
2. Fully insure the scheme and remove it from the Group balance sheet if cost effective to do so

## Key Points



- Coats Pension Scheme has transacted a c. £350m “buy-in” policy with Aviva
- Fully hedges financial and life expectancy risks for c. 20% of total scheme liabilities
- Builds on collaborative working relations with the scheme trustee with major progress during 2022:
  - Materially reduced Technical Provisions deficit: from £193m at March 2021 to c. £55m mid November
  - Post the buy-in the Technical Provisions deficit: will reduce a further c. £25-30m
  - Significantly reduced financial risk: 90%+ of interest rate and inflation risks now hedged
  - Strong liquidity position in place: Hedging levels maintained throughout September/October “LDI crisis”

## Key Points 2



- First “buy-in” helps deliver a significant step forward to achieving our key Group objectives:
  1. Reduce the Technical Provisions deficit to zero, cease cash payments, resulting in significant improvement in FCF:
    - Buy-in reduces Technical Provisions deficit by a further c. £25-30m
    - Now considering ways to cease cash payments when deficit is zero (will need Trustee approval)
  2. Fully insure the scheme and remove it from the Group balance sheet IF cost effective to do so
    - Full insurance solution now appears viable in short to medium term
- Further details on future scheme plans as part of March 2023 results presentations

# Pension Scheme Background



- Coats scheme created in 2018 on merger of three historic Group schemes, c. 24,000 members
- Now represents Coats' sole defined benefit obligation in the UK
- Last formal funding valuation as at 31 March 2021:
  - £193m Technical Provisions deficit
  - Deficit repair payments of c.£20m p.a. (indexing annually) to end 2028
- Next valuation effective no later than 31 March 2024
- Strong Coats/Trustee collaboration since 2018. Joint Working Group (JWG) set-up in 2022

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