



**Coats
Group plc**

**10% ORGANIC REVENUE AND
22% OPERATING PROFIT GROWTH,
WITH STRONG FREE CASH FLOW**

**2022 FULL YEAR
RESULTS**

THURSDAY 2 MARCH
2023

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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.

AGENDA

- 01** Highlights
- 02** Financial Performance
- 03** Segment Performance
- 04** Strategic Update
- 05** Summary and Outlook
- 06** Appendices



HIGHLIGHTS

**STRONG PERFORMANCE,
TRANSFORMATION
ONGOING**

Strong organic revenue (10%) and adjusted EBIT growth (22%)

>100bps gains in thread with market share to estimated c.24%

Acquisitions of Texon and Rhenoflex

Strategic projects momentum; benefits increased from \$50m to \$70m

Substantially delivered against ambitious 2022 sustainability targets; new 2026 targets

Significant UK pension scheme progress

Proposed final dividend of 1.73 cents per share, +15%, reflecting confidence in the business



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FY 2022 FINANCIAL PERFORMANCE



KEY FINANCIAL HIGHLIGHTS



Organic sales
growth
Up 10%



Price/mix and self-help
(\$150m) offsetting
inflation **(\$118m)**



Adjusted operating
profit **\$235m**; margins
up 120bps to **14.8%**



Strong cash generation;
Adj. FCF **\$114m**;
1.4x leverage¹



Strategic projects;
target increased from
\$50m to \$70m



Successful **\$250m** USPP
refinancing of acquisition
facility



Pension scheme
de-risking: **£350m**
buy-in completed



Pension contributions
on/off trigger; potential
FCF improvements

1. Proforma basis

KEY FINANCIAL METRICS

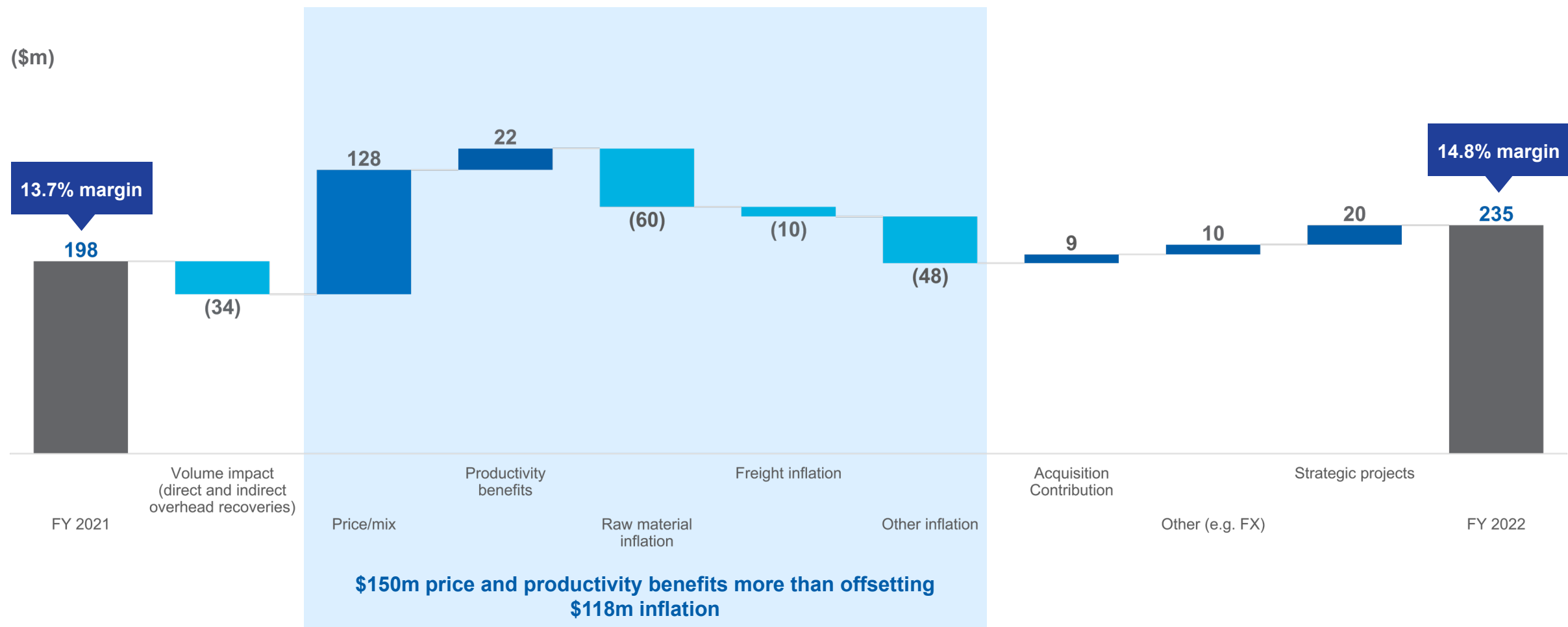
ACCELERATED SALES AND MARGIN GROWTH

| | FY 2022 | FY 2021 | Reported change | CER ¹ | Organic ¹ |
|---|--------------|--------------|-----------------|------------------|----------------------|
| Revenue (\$ million) | | | | | |
| Apparel & Footwear | 1,163 | 1,048 | 11% | 18% | 9% |
| Performance Materials | 420 | 399 | 5% | 13% | 13% |
| Group | 1,584 | 1,447 | 9% | 16% | 10% |
| Adj. operating profit (\$ million) | | | | | |
| Apparel & Footwear | 201 | 171 | 18% | 24% | 18% |
| Performance Materials | 34 | 27 | 26% | 47% | 47% |
| Group | 235 | 198 | 19% | 27% | 22% |
| Adj. operating margin (%) | | | | | |
| Apparel & Footwear | 17.3% | 16.3% | 100 bps | 90 bps | 140 bps |
| Performance Materials | 8.1% | 6.8% | 130 bps | 190 bps | 190 bps |
| Group | 14.8% | 13.7% | 120 bps | 120 bps | 150 bps |
| Adj. EPS (cents) | 8.2 | 7.2 | | | |
| Adj. free cashflow (\$ million) | 114 | 124 | | | |
| Final dividend per share (cents) | 1.73 | 1.50 | | | |

1. CER is 2021 figures at 2022 exchange rates. Organic is CER excluding contributions from acquisitions during the year. All 2021 numbers restated for Sales of Brazil and Argentina

GROUP OPERATING PROFIT AND MARGIN

STRONG PRICING AND SELF-HELP OFFSETTING INFLATION



PROACTIVE RESPONSES OFFSETTING INDUSTRY TRENDS

INFLATIONARY PRESSURES

\$60m

Raw materials
Moderating from 2022 highs



\$48m

Other incl. labour & energy
Remains a headwind at higher levels



\$10m

Freight
Moderating from 2022 highs



\$118m cost increases

MITIGATING ACTIONS

\$128m

Price / mix
Differentiation and premium positions



\$22m

Productivity & Procurement
Operational and commercial excellence



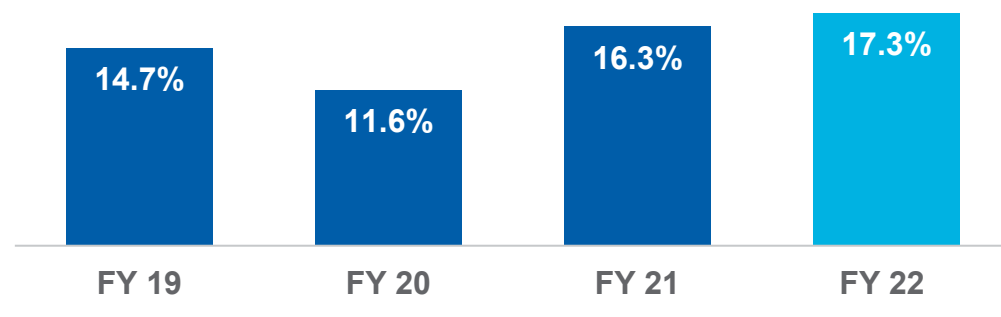
\$150m offset from actions

SEGMENTAL MARGINS

IMPROVING MARGINS IN BOTH SEGMENTS

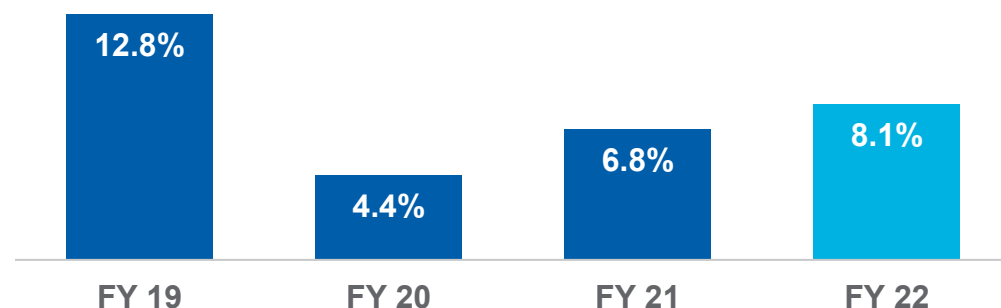
APPAREL & FOOTWEAR

(%)



PERFORMANCE MATERIALS

(%)



Numbers are reported

A&F margins up 100bps

17.3%

- Excellent commercial and operational delivery
- Pricing and procurement initiatives offsetting inflationary pressures
- Strategic project benefits and general cost discipline

PM margins up 130bps

8.1%

- Strategic initiatives improving margins in the US; still some labour availability issues
- Excluding the US, PM margins remain healthy double digits
- Pricing and procurement initiatives offsetting inflationary pressures

INCOME STATEMENT

STRONG EPS GROWTH DRIVEN BY OPERATING PROFIT PERFORMANCE

Exceptional / acquisition related items

- Strategic projects - \$31m (\$5m non-cash)
- Acquisition related items - \$24m

Finance costs

- Higher interest rates and acquisition facility – up \$9m
- MTM¹ losses due to GBP weakness – up \$6m
- Offset by lower pension finance charge – down \$4m

Underlying effective tax rate 29% (2021 30%)

Discontinued operations (sale of Brazil / Argentina)

- Cash payments incl. fees (\$20m), net assets disposed (\$49m), historic FX (\$15m),
- \$3m operating loss for 2022

Dividend

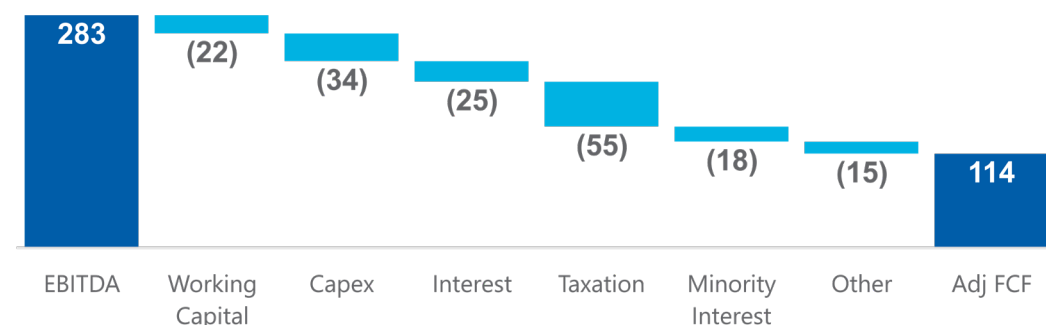
- Final dividend of 1.73 cents per share proposed, up 15% vs 2021

| \$m | FY 2022 ² | FY 2021 ² |
|--|----------------------|----------------------|
| Adjusted operating profit | 235 | 198 |
| Exceptional / acquisition related items | (54) | (20) |
| Operating profit | 181 | 178 |
| Share of profit from JVs | 1 | 1 |
| Finance costs | (31) | (21) |
| Profit before tax | 151 | 158 |
| Tax | (56) | (53) |
| Profit from continuing operations | 95 | 105 |
| Discontinued operations | (88) | 4 |
| Profit for the period | 7 | 109 |
| Minority interest | (22) | (20) |
| Attributable (loss) / Profit | (15) | 89 |
| Adjusted EPS (cents) | 8.2 | 7.2 |
| EPS (cents) | 4.8 | 5.8 |
| Final DPS (cents) | 1.73 | 1.50 |

CASH FLOW AND LEVERAGE

STRONG CASH GENERATION

FY 2022 CASHFLOW (\$m)



FY 2021

| | | | | | | | |
|-----|------|------|------|------|------|---|-----|
| 247 | (14) | (31) | (16) | (48) | (17) | 3 | 124 |
|-----|------|------|------|------|------|---|-----|

Adj. free cash flow; slightly behind 2021 which benefited from significant favourable non-recurring items

Well controlled net working capital: despite supply chain disruption and inflationary pressure

Capex on selective strategic initiatives and growth opportunities

Proforma leverage post Texon acquisition remains comfortably within 1-2x range

\$250m USPP refinancing completed

| \$m | FY 2022 | FY 2021 |
|--|--------------|--------------|
| Adjusted free cash flow | 114 | 124 |
| Pensions | (43) | (42) |
| Acquisitions | (346) | - |
| Other exceptional | (23) | (12) |
| Disposals and discontinued operations | (26) | (9) |
| Dividends paid to equity shareholders | (33) | (27) |
| Equity raise proceeds | 110 | - |
| Free cash flow | (247) | 33 |
| FX and other movements | 6 | 1 |
| Movement in leases (IFRS 16) | (13) | (33) |
| Change in net debt (incl IFRS 16) | (254) | 1 |
| Group net debt (excl IFRS 16) | (394) | (147) |
| Leases (IFRS 16) | (105) | (99) |
| Group net debt (incl IFRS 16) | (500) | (246) |
| Proforma leverage (excl IFRS 16) | 1.4x | 0.7x |



UK PENSIONS PROGRESS FUNDING UPDATE

Significant improved funding deficit

- Last triennial valuation – March 2021: £193m funding deficit
- Latest estimate – January 2023: approaching fully funded
- Driven by employer contributions, favourable market movements, and de-risking actions (incl. buy-in)

Future contributions

- Driven by improved funding position
- Switch off / switch on mechanism agreed with trustees
- Potential significant improvements in free cash flow so long as the scheme remains fully funded



UK PENSIONS PROGRESS DE-RISKING UPDATE

£350m buy-in transaction completed

- Fully hedges financial and life expectancy risks for c.20% of total scheme liabilities
- 90% of interest / inflation risks now hedged
- Further reduced funding deficit
- Completed with Aviva in December 2022

Future journey

- Further de-risking opportunities being explored
- Building on collaborative relationship with Trustees
- Ambition to de-risk in full (remove from balance sheet and cash contributions) in medium term, in a cost-effective manner

2023 MODELLING GUIDANCE

| Area | Guidance |
|--|--|
| Inflation | <p>Moderation in raw materials and freight inflation from 2022 highs, with prices returning to 2019 levels. Energy inflation to remain at higher levels, in particular in Europe. Continued levels of inflation on the remainder of our cost base e.g. labour.</p> <p>In line with past track record - we anticipate inflationary pressures to be offset by tactical pricing and other self help productivity measures</p> |
| Sourcing and productivity savings | c.\$20m |
| Strategic projects | c.\$50m cash exceptional costs; incremental EBIT \$70m by 2024 (\$20m delivered in 2022) |
| Capex | c.\$30-40m |
| Tax | Effective tax rate of 28-29% |
| Pension | 2023 annual deficit repair payments of \$32m (£26m) including admin costs and levies. Note - Switch off / switch on mechanism agreed with trustees. See earlier slide. |
| Interest | Total finance costs anticipated to be in the range of \$35-40m |
| Foreign exchange | At current exchange rates (31 December 2022) we expect 1% headwind on revenues and EBIT for the Full Year 2023 (excluding any impacts of Turkey hyperinflation accounting) |






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FY 2022 SEGMENT PERFORMANCE

THREE NEW DIVISIONS FROM 1 JANUARY 2023

REFLECTS CHANGING SHAPE OF THE GROUP

| | Apparel  | Footwear  | Performance Materials  | New structure facilitates |
|-----------------------------|---|--|---|---------------------------|
| Revenue ¹ | 50% | 25% | 25% | End-to-end accountability |
| Revenue Growth ² | 3-4% | c.8% | 6-9% | Customer intimacy |
| EBIT Margin ³ | 15-16% | >20% | 13-14% | Speed & agility |
| Customers | 25,000 | 3,000 | 6,000 | Enhanced transparency |
| Factories | 31 | 8 | 9 | |

1.Proforma FY2022 %age of Group revenue. 2.Medium-term CAGR 3.2024 goal

APPAREL & FOOTWEAR 2022 PERFORMANCE

GROWING MARKET SHARE YEAR-ON-YEAR

Strong revenue growth

18% CER growth

9% organic growth

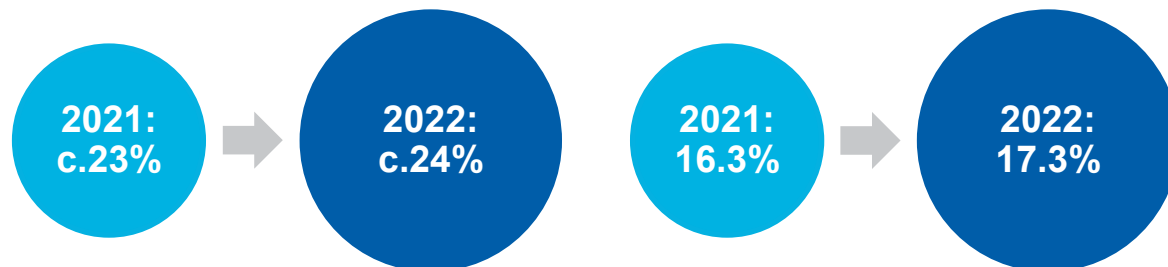
Early and effective pricing to offset inflation

Recycled products; revenue up 37% to \$127m¹

Delivering market share and profitability growth

>100bps market share gain

Solid EBIT margin progress



Proactively responding to market conditions

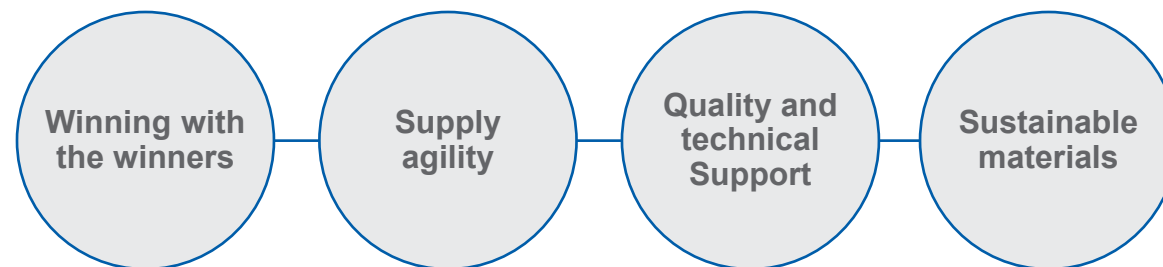
Profitable customer wins

Continuous improvement and operational excellence

Portfolio actions completed

Strategic projects

Premium differentiation and scale



PERFORMANCE MATERIALS 2022 PERFORMANCE

REVENUE GROWTH AND MARGIN IMPROVEMENT POTENTIAL

Strong organic revenue growth

| Sub-segments | Revenue | Organic Growth |
|--------------|---------|----------------|
|--------------|---------|----------------|

| | | |
|---------------------|--------|------|
| Personal Protection | \$179m | +19% |
|---------------------|--------|------|

| | | |
|------------|-------|------|
| Composites | \$76m | +21% |
|------------|-------|------|

| | | |
|--------------------|--------|-----|
| Performance Thread | \$166m | +4% |
|--------------------|--------|-----|

| | | |
|--------------|---------------|-------------|
| Total | \$420m | +13% |
|--------------|---------------|-------------|

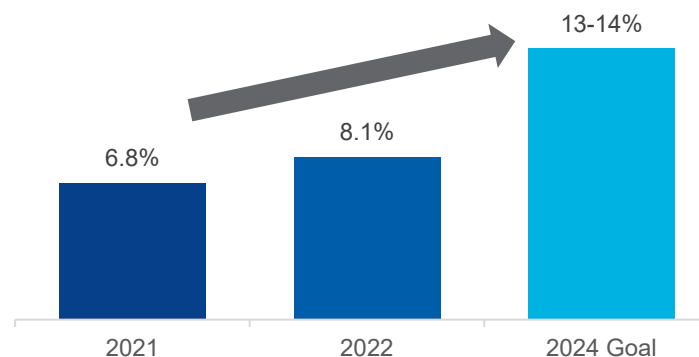


Self-help delivers margin improvement

Strategic projects benefits in 2023 and 2024

Exited legacy US facilities – Mexico operations commenced

Adjusted Operating Profit Margin

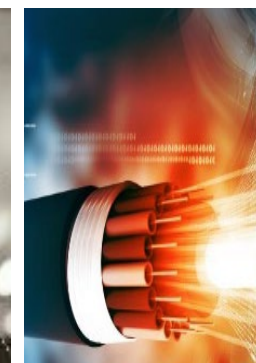


Continuing customer successes

Airbag thread on EV platforms

Composites for energy and data management provider

FlamePro Splash for US industrial PPE provider








FLAMEPRO SPLASH



SUSTAINABILITY

SUBSTANTIALLY DELIVERED AGAINST AMBITIOUS 2022 TARGETS; NEW TARGETS SET

| PILLAR | 2022 TARGET | % ACHIEVEMENT VS TARGET | PILLAR | METRIC | 2022 BASELINE | 2026 TARGET |
|---|---------------------------|-------------------------|-----------|----------------------------------|---------------|---------------|
|  WATER | 40% Reduction | 95% | WATER | Increase in Water Recycling Rate | 25% | 33% increase |
|  ENERGY | 7% Reduction | 143% | ENERGY | Reduction in Scope 1&2 | 212 kTonnes | 22% reduction |
|  EFFLUENT & EMISSIONS | 100% compliance with ZDHC | 92% | WASTE | Waste to Landfill | 1,959 tonnes | 0 |
| | | | | ZDHC compliance | 92% | 100% |
|  SOCIAL | 80% GPTW Coverage | 108% | PEOPLE | GPTW coverage | 86% | 88% |
| | | | | Women in leadership roles | 21% | 30% |
|  MATERIALS | 25% Waste Reduction | 100% | MATERIALS | Recycled or bio materials | 26% | 60% |



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STRATEGIC UPDATE

TEXON AND RHENOFLEX

WELL-POSITIONED IN FOOTWEAR COMPONENTS MARKETS

7-8%
growth

Large
addressable
market of
\$1.8bn



23%
combined
share

Clear
market
number 1



~13%
growth

Focus on
outperforming
sports and
athleisure
sub-segment



>65%
consumers

Preference
for
sustainable
brands



**c.1,000
people**

Talented,
innovative
people



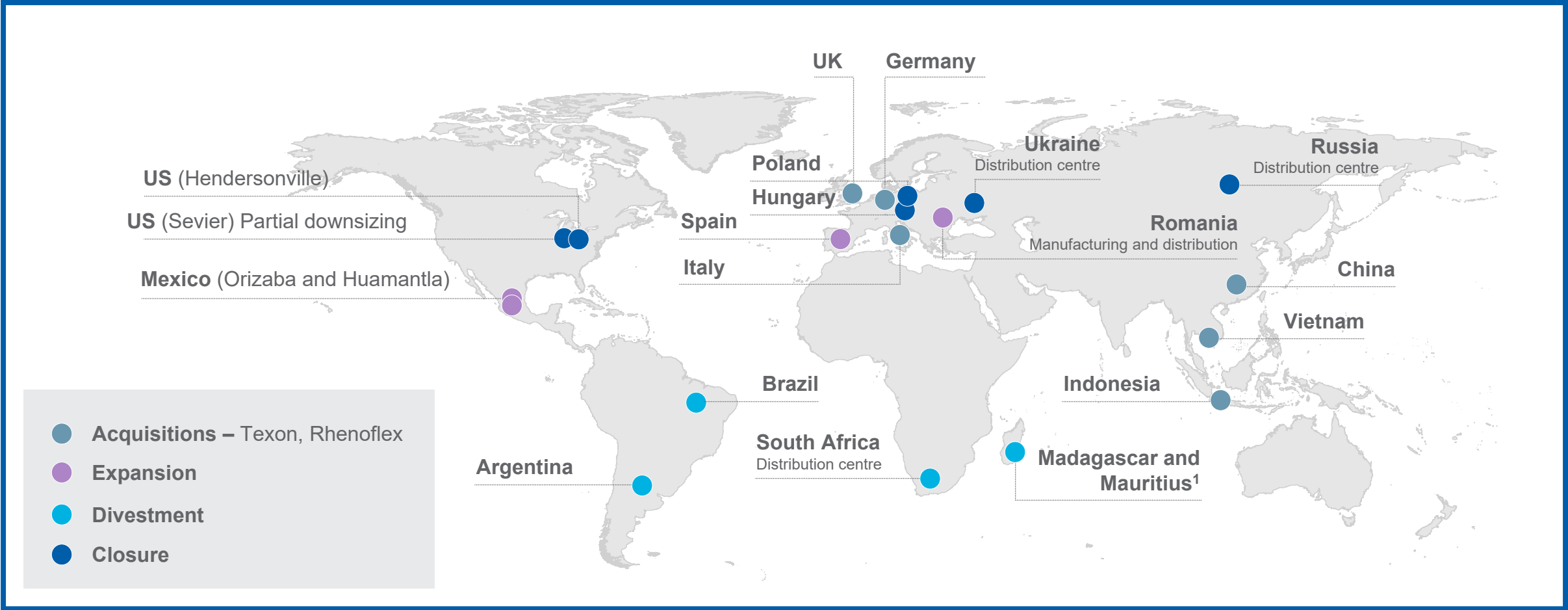
Rhenoprint™



**Texon
Reform 2.0**



TRANSFORMATIONAL FOOTPRINT PROJECTS



1. Completed in 2023

STRATEGIC PROJECTS

ACCELERATED PROGRESS & TOTAL SELF-HELP BENEFITS INCREASED TO \$70M



Benefits



Cash Cost

March 2022
Original Scope

\$50m

\$35m

March 2023
Expanded Scope












\$70m

\$50m

Delivered \$20m benefits (originally
\$5-10m) in 2022

TRANSFORMING THE BUSINESS

MARGIN EXPANSION POTENTIAL

| | 2019 EBIT margins ¹ | 2022 EBIT margins | > | 2024 margin goal |
|--|---|---|---|--|
|  Apparel |  14.7% |    17.3% | |    15-16% |
|  Footwear | 14.7% | 17.3% | | >20% |
|  Performance Materials | 12.8% | 8.1% | | 13-14% |
|  Group | 14.3% | 14.8% | | c.17% |

Note : Coats footwear segmental split based on Coats' estimates. Full segmental reporting (with comparatives) from 1 Jan 2023 1. As per 2019 annual report



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SUMMARY AND OUTLOOK



HIGHLIGHTS

**STRONG PERFORMANCE,
TRANSFORMATION
ONGOING**

Strong organic revenue (10%) and adjusted EBIT growth (22%)

>100bps gains in thread with market share to estimated c.24%

Acquisitions of Texon and Rhenoflex

Strategic projects momentum; benefits increased from \$50m to \$70m

Substantially delivered against ambitious 2022 sustainability targets; new 2026 targets

Significant UK pension scheme progress

Proposed final dividend of 1.73 cents per share, +15%, reflecting confidence in the business

OUTLOOK

IN LINE WITH BOARD EXPECTATIONS



Expect to deliver another year of **strategic and operational progress**

Destocking by customers has continued into the early part of the year, primarily in Apparel markets and to a lesser extent in Footwear



Continue to **proactively respond to the macroeconomic environment** and inflationary pressures using our **well-defined and tested playbook**, focusing on cash, costs, self-help initiatives, deep customer relationships and tactical pricing actions



Continue to anticipate full year 2023 performance **in line with the Board's expectations**, with second-half weighting, underpinned by the contribution from acquisitions, associated synergies and strategic projects



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THE Q&A SESSION WILL BEGIN SHORTLY

If you would like to ask a question, please dial

United Kingdom

United Kingdom (local)

United States

United States (local)

All other locations

0800 640 6441

020 3936 2999

1 855 9796 654

1 646 664 1960

+44 20 3936 2999

Participant access code

214629



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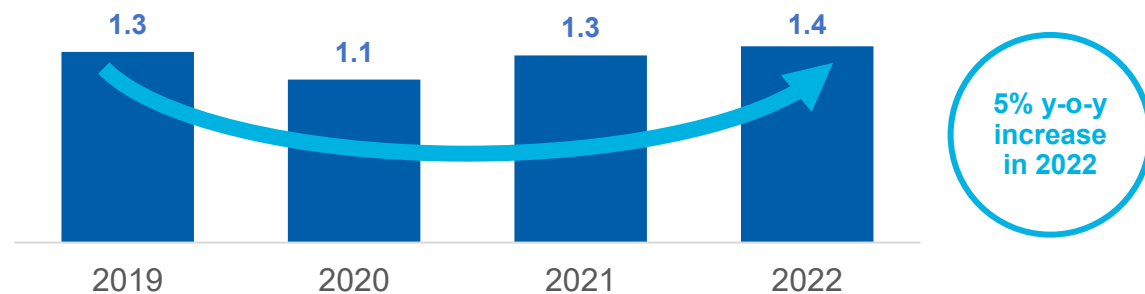
APPENDICES

APPAREL MARKET OVERVIEW 2022

WELL-POSITIONED AT PREMIUM AND SUSTAINABILITY END OF THE MARKET

Market recovered to above 2019 levels

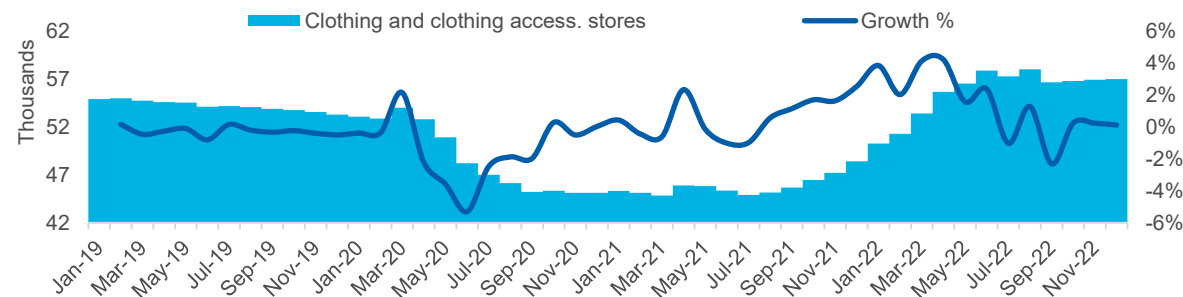
Apparel global retail sales (US\$tn)



SOURCE: Euromonitor Apparel Markets

Short-term inventory build during 2022

US retail inventories¹



1. December 2022 numbers provisional

Month on Month

Strong foundations

Industry growth and EBIT margins recovered

Fashion sales in 2023 expected to grow in US and China

Top three opportunities

Sustainability

Agility

Brand differentiation & customer experience

SOURCE: BoF - McKinsey The State of Fashion 2023

US consumer spending held up during holiday period

“ Consumers still engaged and shopping, despite everything happening around them ”

November and December 2022 retail sales rose Y-O-Y in 7 of 9 categories:

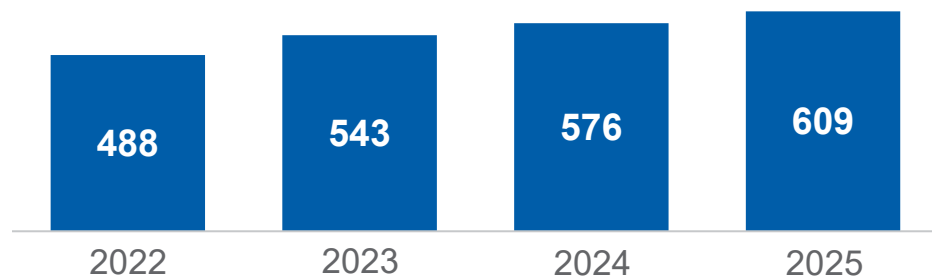
Apparel and accessories
2.2%

FOOTWEAR MARKET OVERVIEW 2022

STRONG MEDIUM-TERM GROWTH IN SPORTS AND ATHLEISURE

Good Medium Term Growth

Footwear retail market, \$bn



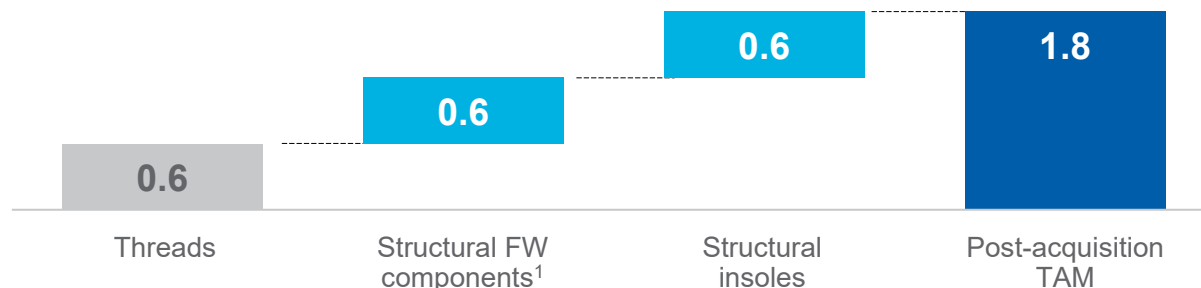
Source: Statista 2022 Footwear report

4%
volume
growth*

+7-8%
value
growth*

Tripled our Addressable Market

Total addressable market, \$bn

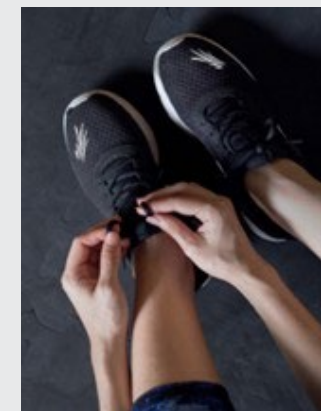


1. Excluding uppers *2022-2025

Market Resilience

Some de-stocking by major footwear brands commencing late 2022

De-stocking anticipated to be comparatively short and shallow – conclude around end Q1 2023



PERFORMANCE MATERIALS MARKET OVERVIEW 2022

WORKING IN DIVERSE MARKETS – GOOD GROWTH EXPECTATIONS

FY22
TRENDS

Personal Protection

Industrial Work Wear



Firefighter



Military



Composites

Telecommunications



Energy



Performance Thread

Industrial Applications



Household & Recreation



Transportation



KEY
DRIVERS

Slowdown in manufacturing sector

Ongoing need for protection

Growth in defence spending

5G roll-out

Increasing data-centre investment

Oil majors reducing
exploration capex

Steady growth from staple items

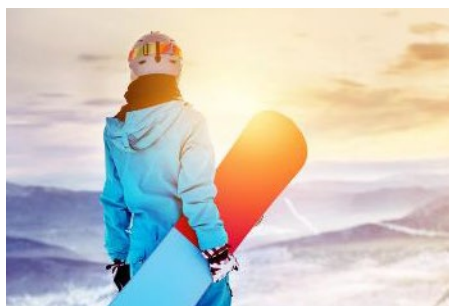
Reduced consumer
discretionary spend

Mixed OEM outlook in auto



FOCUS ON INNOVATION

TRANSITION TO RECYCLED AND SUSTAINABLE MATERIALS



INCREMENTAL NEW PRODUCTS

| 2020: | 2021: | 2022: |
|-----------|-----------|-----------|
| 22, \$13m | 21, \$37m | 17, \$34m |

Bringing new, innovative products to market



Apparel

EcoCycle:
low-cost separation
of components
for recycling and
re-use



Footwear

Ecostrobe:
components
made from
recycled plastic



Performance Materials

FlamePro: flame
resistant yarns for
protective wear