



# GPG Annual General Meeting presentation

## Paul Forman, Coats CEO

23 May 2013



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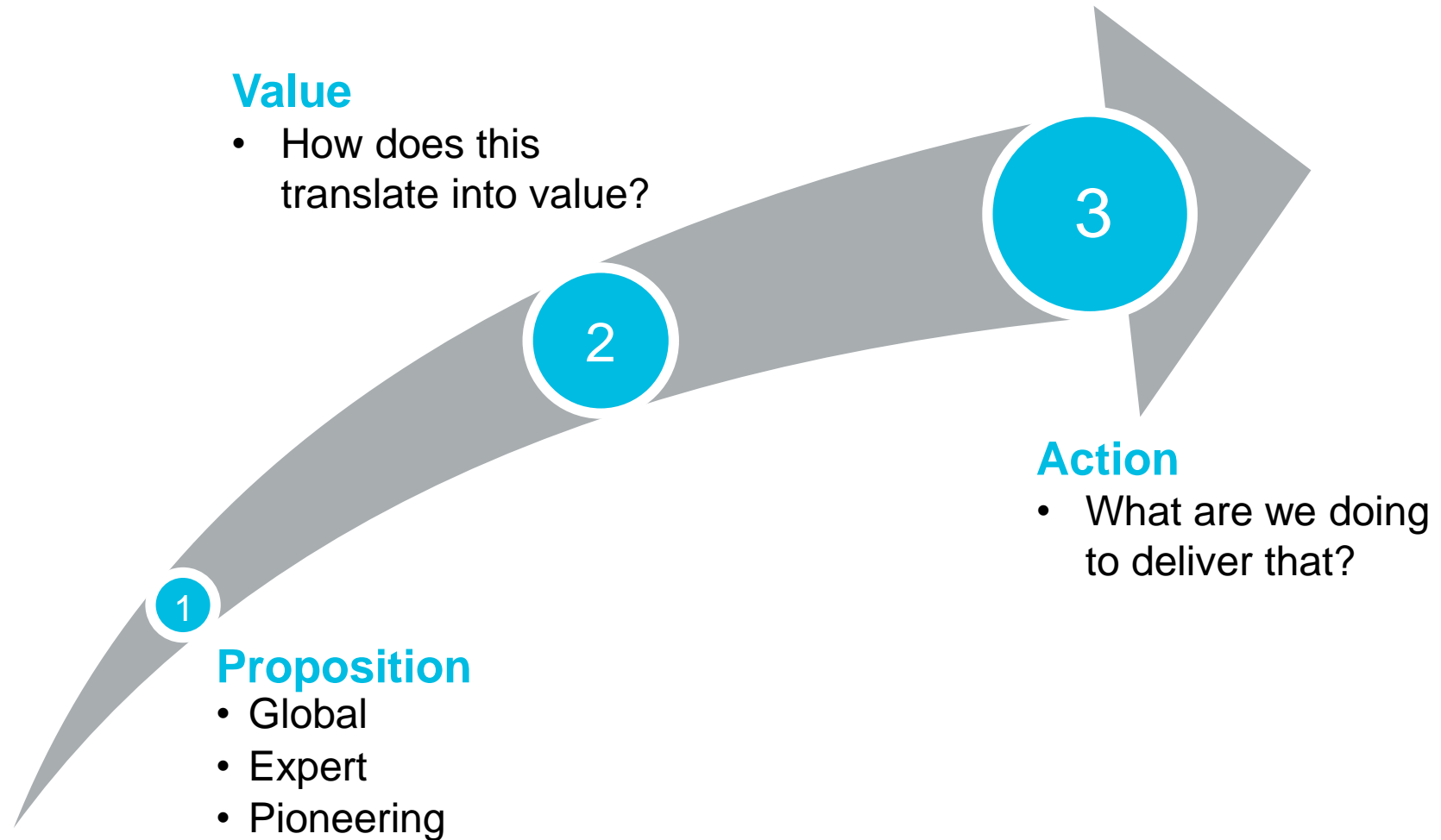
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## **Not a profit forecast**

*The financial information contained in this presentation is based on publicly available historic financial information of the GPG group and is not intended to be a profit forecast or profit estimate under applicable rules.*

# Coats – the way forward

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# Five elements to our value

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# Global market leader

**1 in 5**

garments around the world are held together using Coats' thread

**75million**

car airbags are made using Coats' thread every year

Coats produces enough yarn to knit

**65million** scarves a year

**300million**

pairs of shoes are made every year using Coats' thread

Coats produces enough thread to reach around the Equator every

**11 minutes**

**1million**

teabags using Coats' thread are brewed every 10 minutes

Thomas Edison used Coats' thread in

**1879**

to invent the light bulb

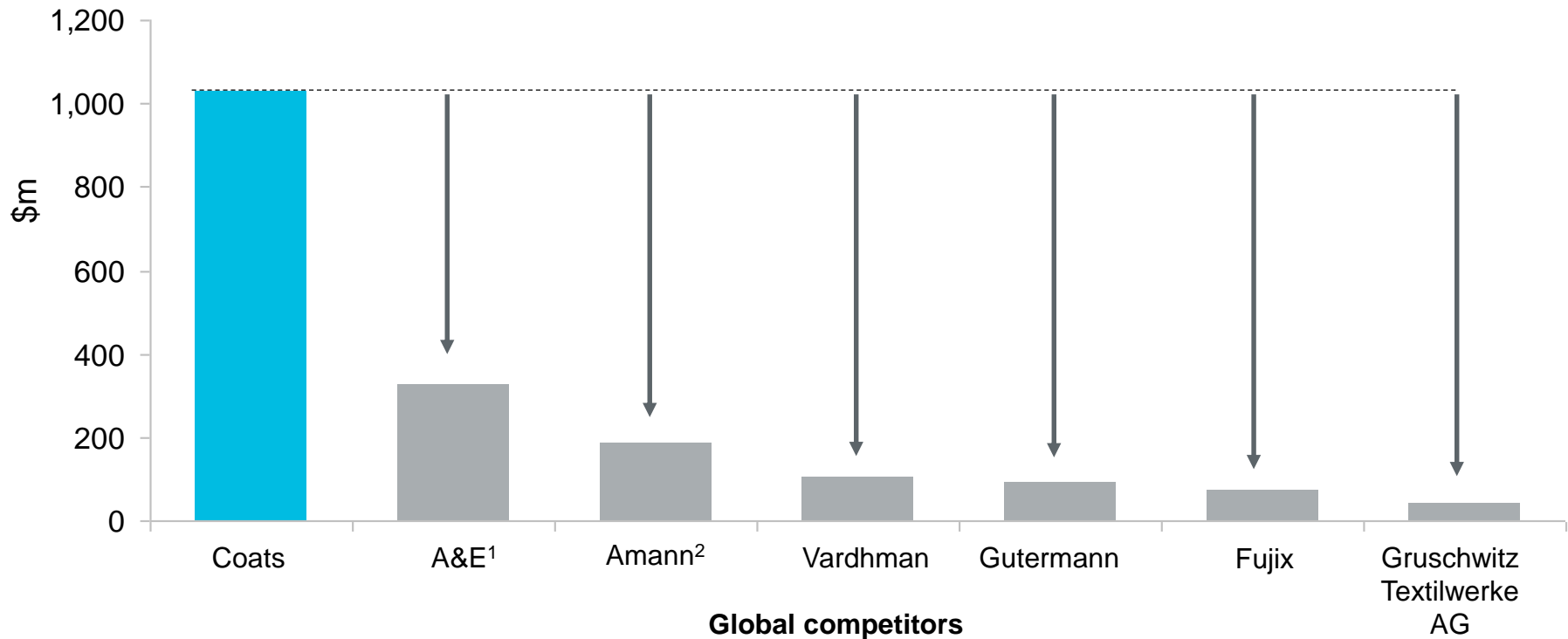
Coats is the **2<sup>nd</sup> largest** and fastest growing global zip manufacturer

Thousands of operations take place **every day** using Coats' thread



# Three times larger than next competitor

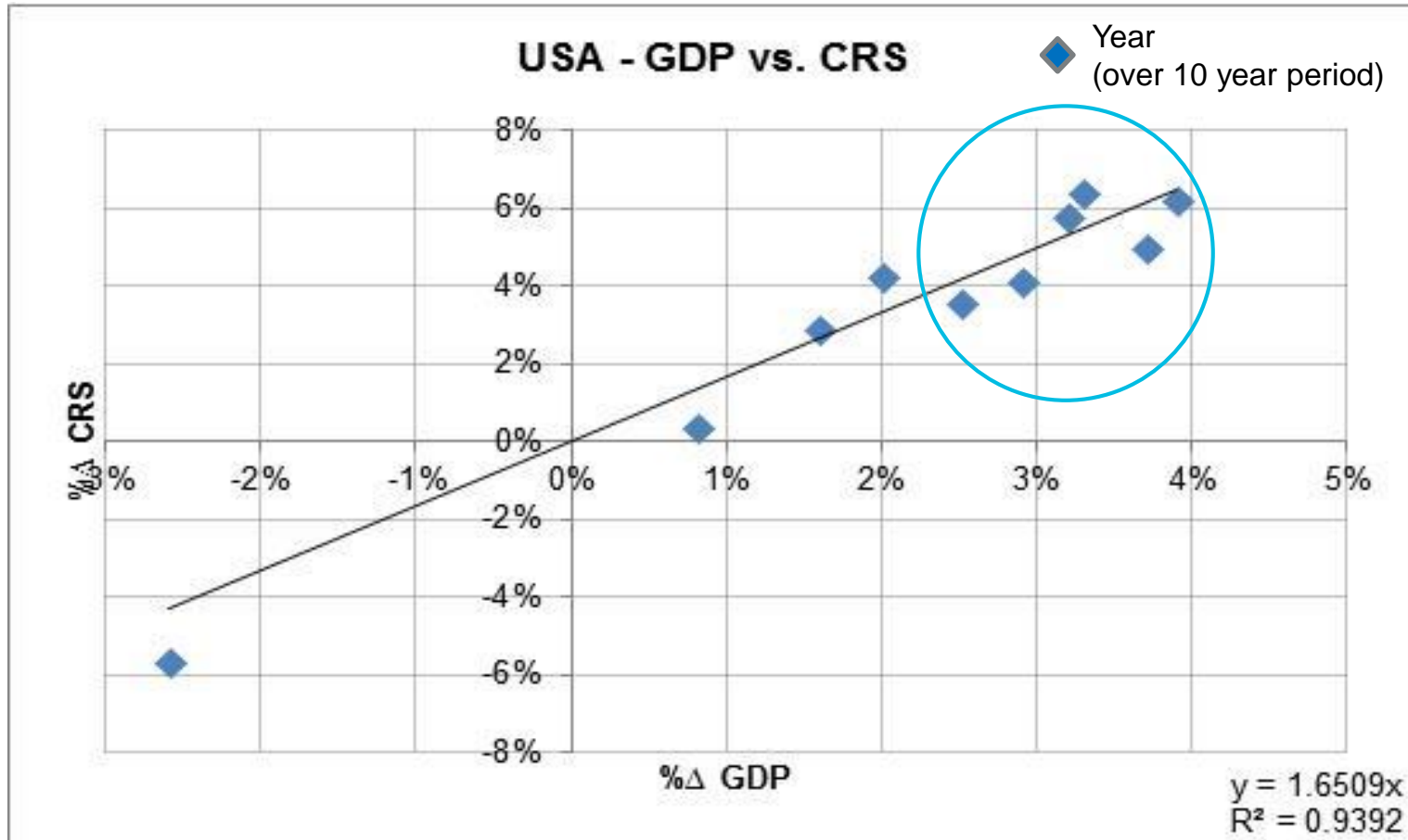
Industrial thread sales, by competitor 2012 (\$m)



1. A&E estimate based on 9 months actual sales 2011 2. 2010 data. Note: Converted from local currency at constant exchange rates (2012 year end)  
Source: Internal sales analysis at constant exchange rates (2012 year end) and Experts, Amadeus, Oriana, FT.com, Taiwan Stock Exchange, OANDA

# GDP correlation = market stability, underlying growth

Strong link between clothing retail sales and GDP growth. For the US, clothing retail sales growth is approximately 1.5 times GDP growth

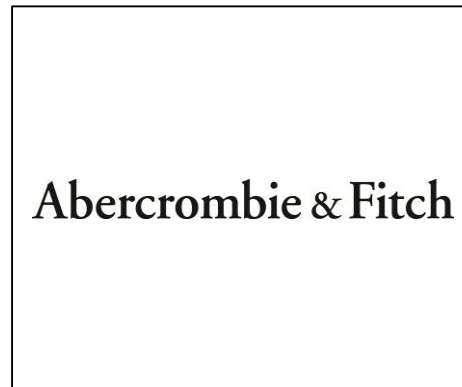


Source: GDP: Actual - Consensus forecasts; Projected – IMF / CRS: US - Census Bureau, EU15 - Eurostat, JP – METI / Analysis: Internal

# Barrier to entry – strong brand relationships

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We work with the world's leading brands across our apparel, footwear and speciality businesses, our long standing relationships present significant barriers to entry



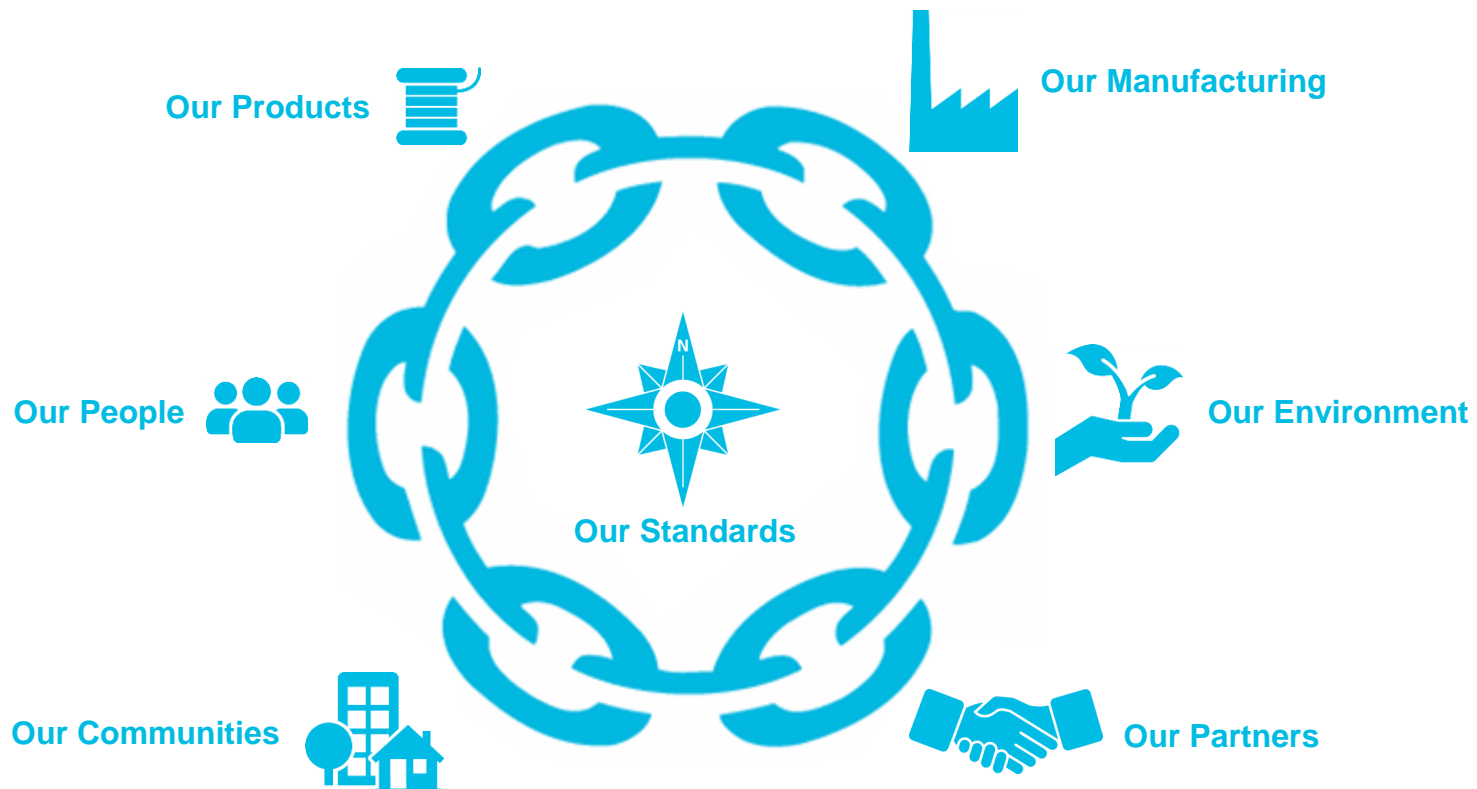


# Barrier to entry – embedded CR reliability

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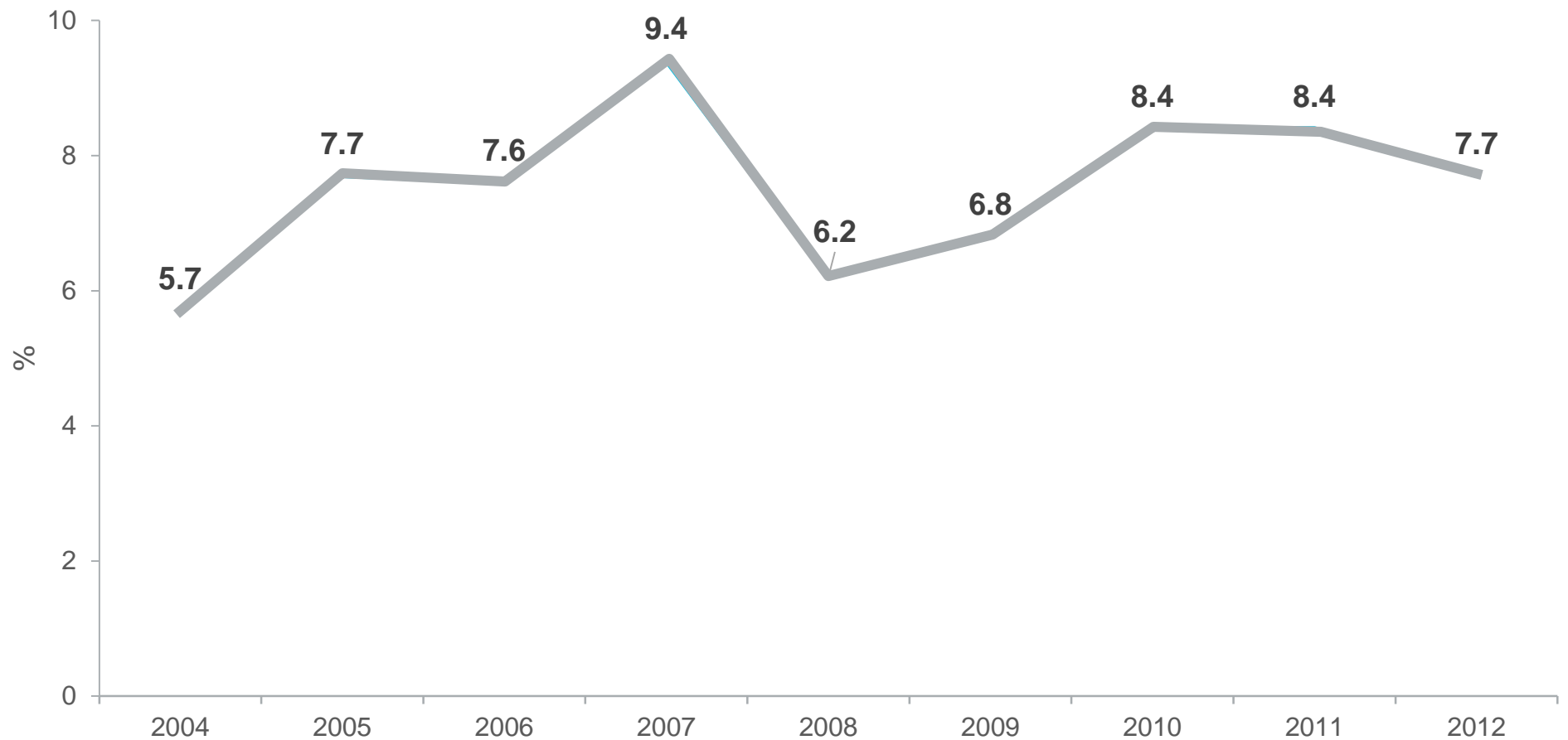
## Seven strategic CR themes

A part of the communities where we operate and we work to develop close relationships with local people, business partners and community groups



# Margin stability

Coats operating profit<sup>1</sup> margins since 2004

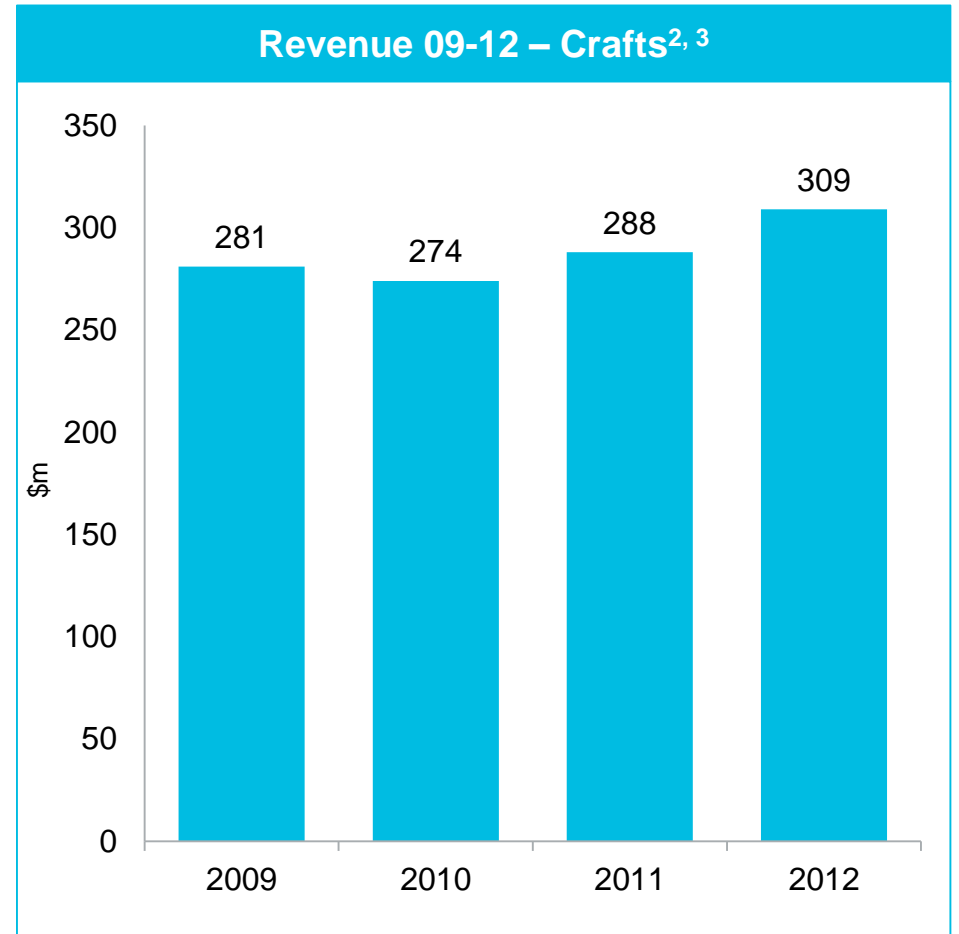
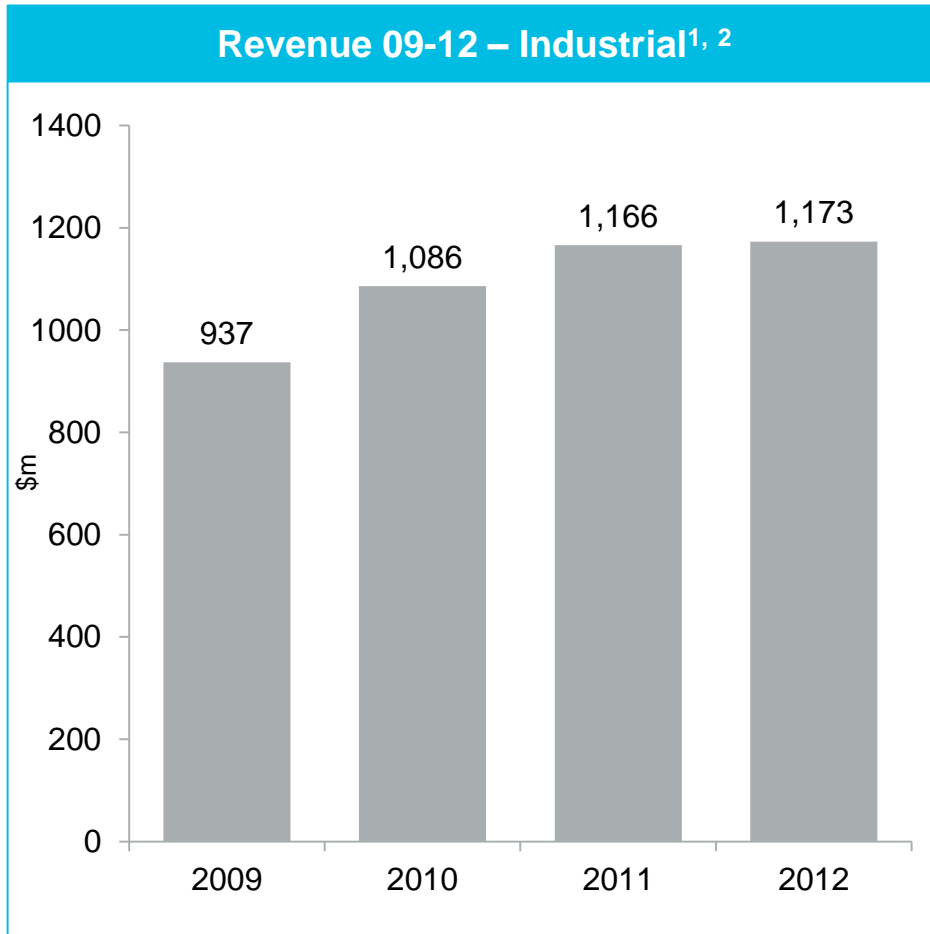


<sup>1</sup> Pre-exceptional items

Source: Coats Annual Report 2011, 2012 – Pre-exceptional operating margin

# Sales growth from 2009 to 2012

Q1 2013: Reported 5% **like for like** sales growth<sup>4</sup>

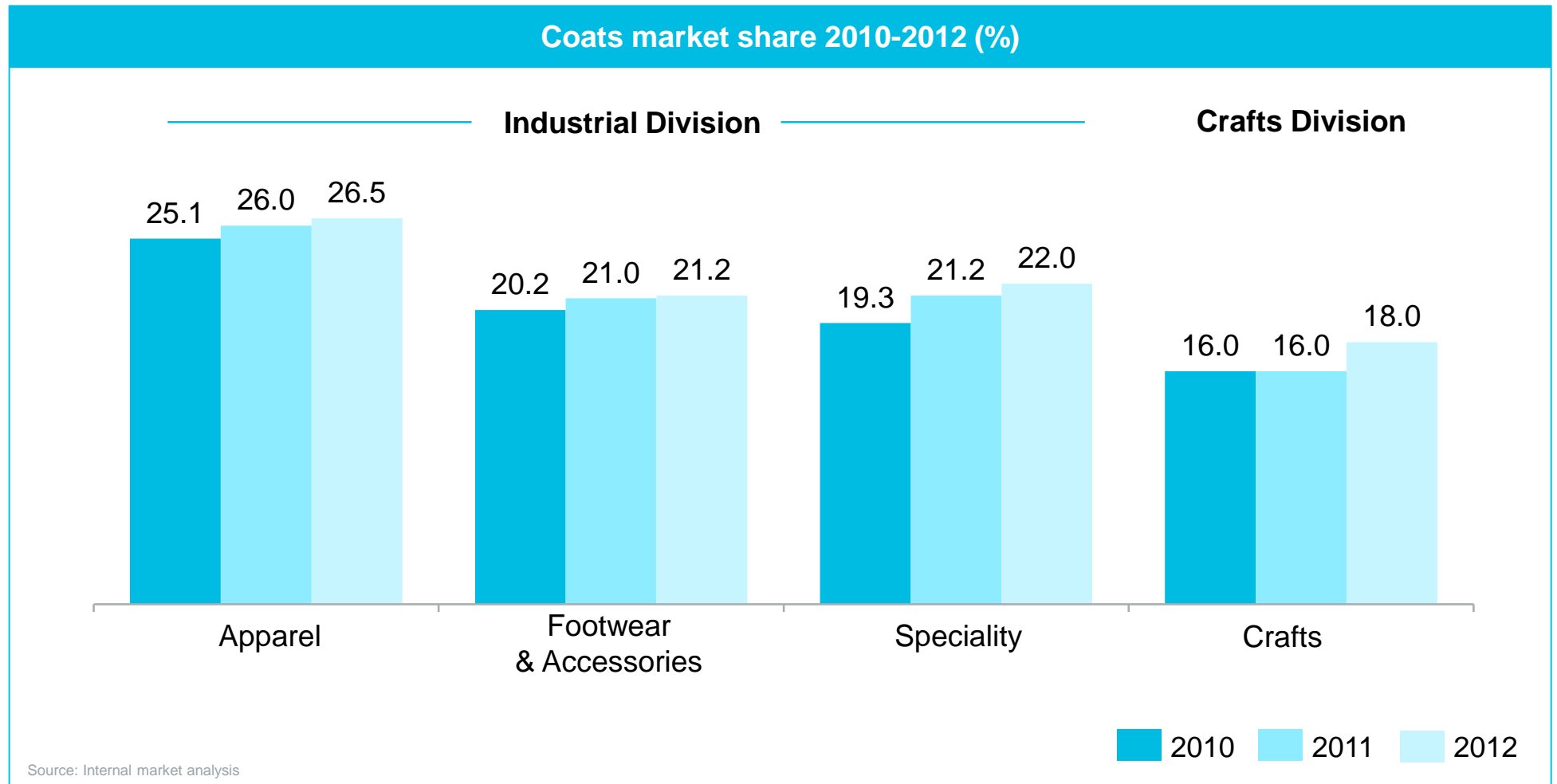


1. In line with changes in 2012 to the internal management structure, Asia & Australasia Crafts revenue for 2009 to 2011 is now also reported in Industrial Division 2. At constant exchange rates (2012 year end)

3. Crafts excludes EMEA 4. Like for like sales are adjusted for the number of working days in the period with 2012 sales restated at 2013 average exchange rates Source: Internal sales analysis

# Market stability and incremental share growth

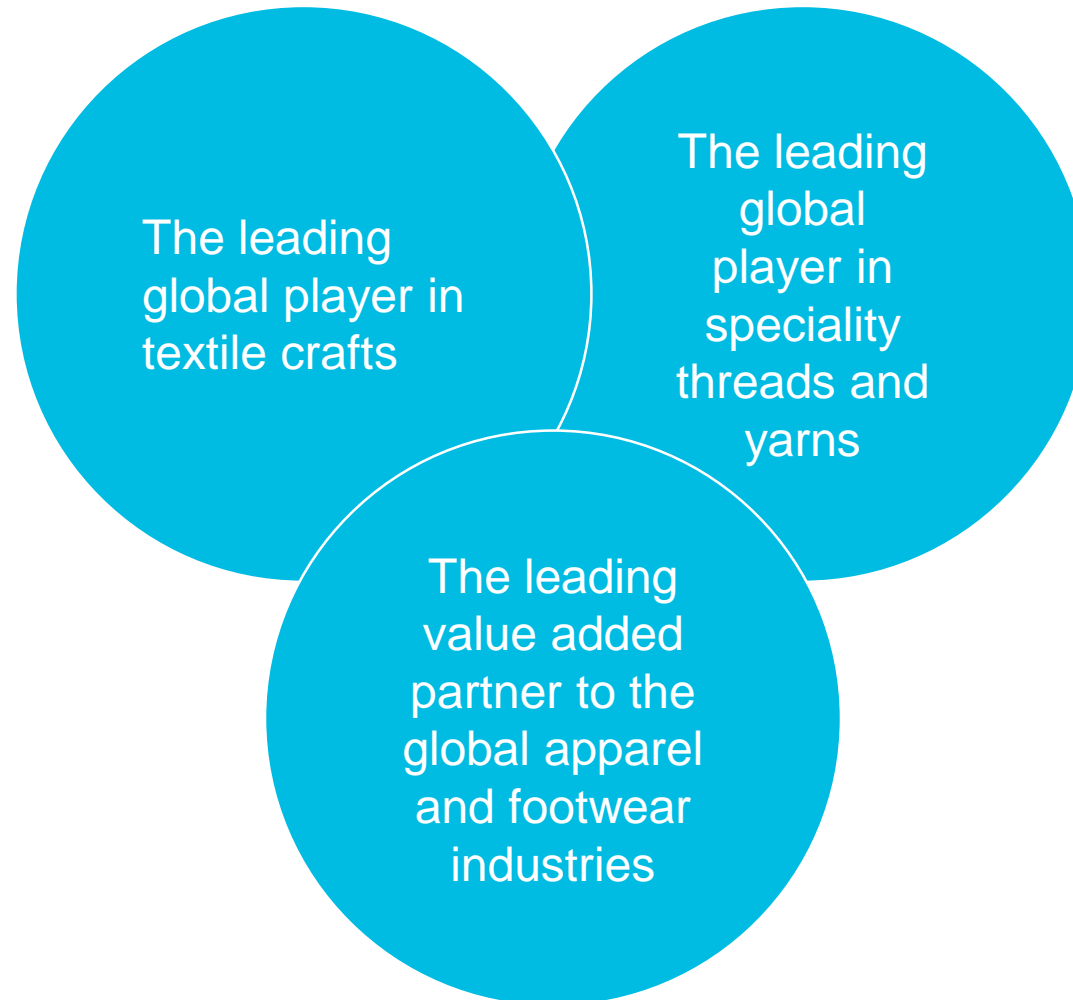
Market share increase in key segments and core markets delivered over last three years



# Our three Market Goals

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The Coats of 2015...



...based on a core of world class skills and infrastructure in the enabling units

# Supportive market fundamentals

Speciality thread and yarn	Brand relationships	Volume demand	Advisory services	Textile Crafts trends
<ul style="list-style-type: none"><li>• Very large (\$20bn+)</li><li>• Fragmented</li><li>• Growing</li></ul>	<ul style="list-style-type: none"><li>• Want speed and reliability</li><li>• Responsible behaviour</li></ul>	<ul style="list-style-type: none"><li>• Footwear and apparel demand holding up</li></ul>	<ul style="list-style-type: none"><li>• Growing need in footwear and apparel</li></ul>	<ul style="list-style-type: none"><li>• Growth in Asia for textile crafts</li><li>• Trends to individualism in the West</li></ul>

## Supportive market fundamentals

# Innovation pipeline

## Gaining market share through product and service innovations

- Coats Colour Express – world's fastest, most accurate web based colour sampling service
- Coats Fusion – a fusible yarn that securely attaches seams and buttons via stitching and bonding
- Coats Ultrabloc – a water swellable yarn used for protecting fibre optic cables
- Coats Protect – the world's first anti-microbial thread that inhibits the growth of microbes and bacteria around seams
- Coats Insectiban – a naturally occurring treatment for threads and zips that kills bed bugs but is harmless to pets and humans

## Partnerships

- Fulcrum – commercial agreement with a world leader in innovative nanotechnology for enhanced composite materials
- VTT – promotes a unique anti-counterfeiting technology, extensive opportunities in brand protection



# Global manufacturing footprint

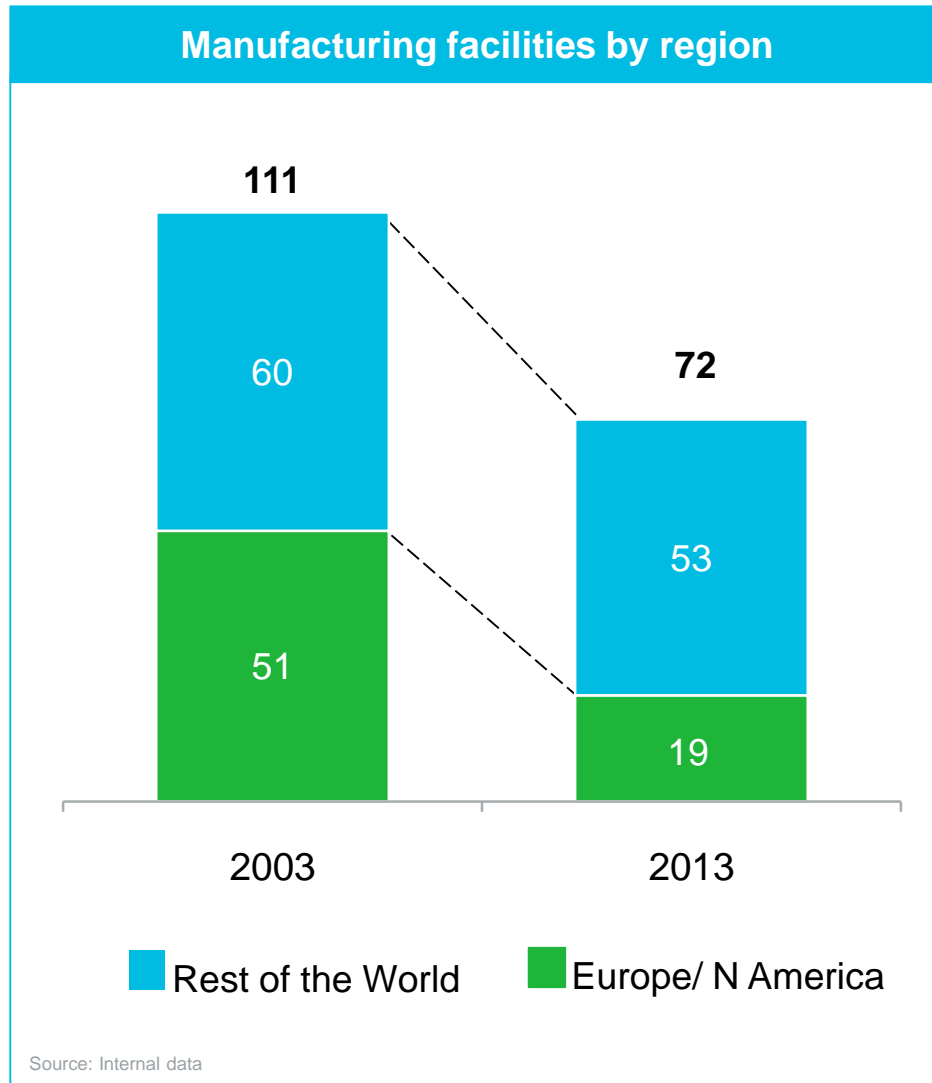
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Coats has a truly global manufacturing footprint with more than 70 facilities across the world





# Footprint evolution

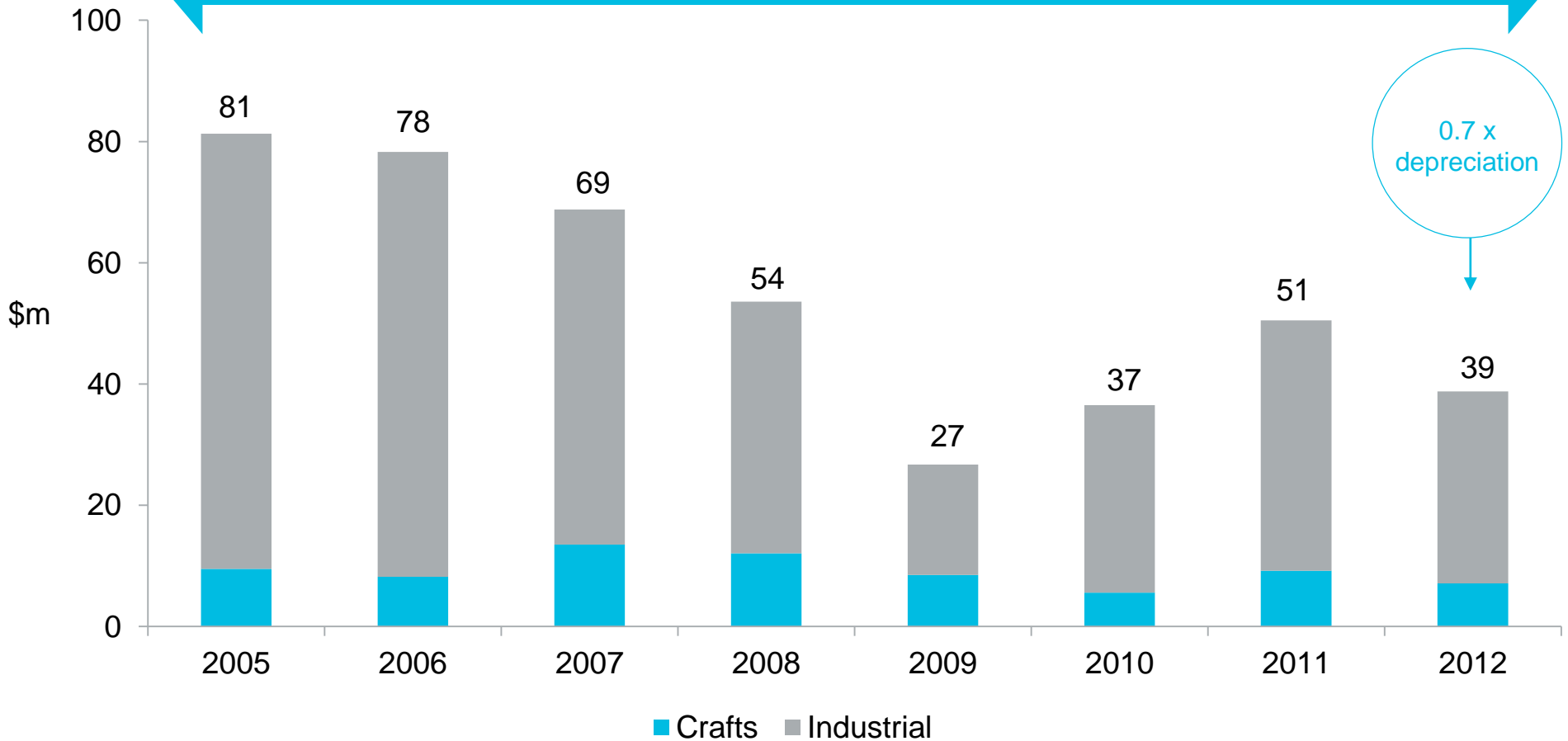


Manufacturing facilities have been consolidated from more than 110 in 2003 to 72 in 2013

# Capital investment

Focused on upgrading plant and systems to world class standards

← Total spend 2005 to 2012 of c.\$440m →



# Margin improvement actions

Global  
centralised  
purchasing



Increased  
employee  
productivity

- Lean Six Sigma
- Information Technology



Successful  
reorganisation  
programmes

- EMEA
- Latin America



Central  
cost growth  
control



Improved  
product  
mix across  
Industrial



# Cash generative profitable growth

2009-12 CAGR sales growth of

**5% pa** and operating profit growth of **10% pa**

Like for like sales<sup>1</sup> growth of

**5%** in Q1 2013

Net Working Capital as % sales

**reduced**

from 17.6%: 2011 to 17.1%: 2012<sup>2</sup>

Capex below depreciation, driven by

**historic** investment

Planned **cessation** of reorganisation programme

Robust capital structure with low cost

**five year** facility

Free cash flow of **\$45m**

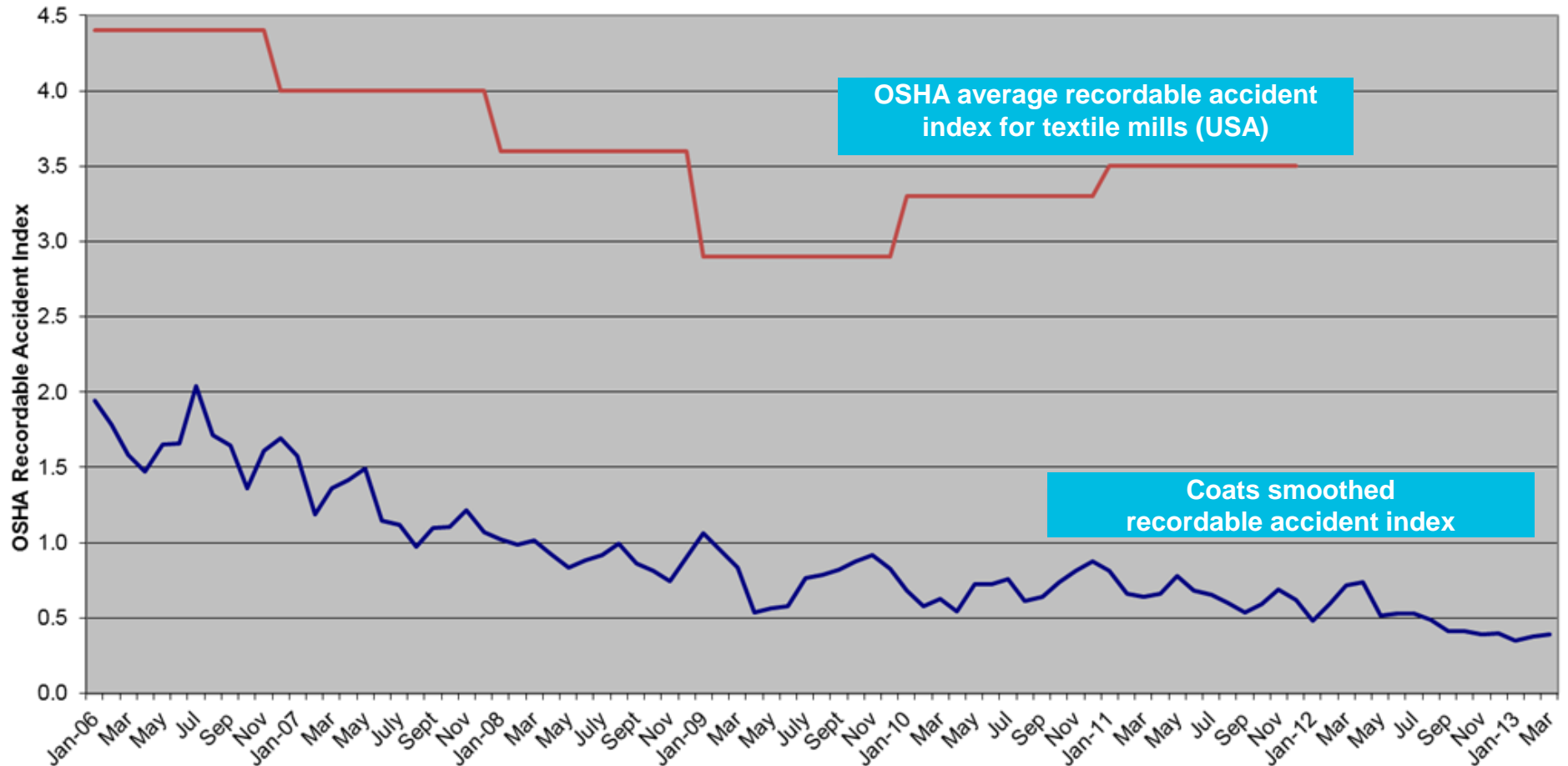
in 2012, after reorg spend<sup>3</sup>



1. Like for like sales are adjusted for the number of working days in the period with 2012 sales restated at 2013 average exchange rates, 2. At constant exchange rates (Dec 2012) 3. Pre-EC fine payment

# Health and safety record

Smoothed (Quarterly) global recordable accident rate v OSHA average (US textile mills)  
(Period: January 2006 – March 2013)



# Global employee engagement

## Upper quartile performance

Employee  
Engagement Survey  
2010

**66%**  
Employee  
Engagement Index

Employee  
Engagement Survey  
2011

**72%**  
Employee  
Engagement Index

Employee  
Engagement Survey  
2012

**77%**  
Employee  
Engagement Index

Employee  
Engagement Survey  
Norm (Kenexa)

**69%**  
Employee  
Engagement Index



# Five elements to our value

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