

17 May 2023

Coats Group plc

Trading update Trading in line with full year expectations

Coats Group plc ('Coats', the 'Company' or the 'Group'), the world's leading industrial thread and global footwear component manufacturer, today announces a trading update for the period 1 January 2023 to 30 April 2023 ('the period').

- Market conditions and Group trading in the period were in line with our expectations
- Constant currency revenue decline of 7%, with organic CER revenues down 20%, against a very strong prior year comparator
- Operating profit margins were resilient, supported by strategic projects and tight cost control
- Full year expectations unchanged

	1 st January to 30 th April 2023 vs same period in 2022		
	Reported	CER	Organic CER
Apparel	-27%	-22%	-22%
Footwear	58%	62%	-23%
Performance Materials	-16%	-13%	-13%
Total	-12%	-7%	-20%

All following references are on an CER basis unless specified.

The organic revenue decline of 20% in the period, against a very strong prior year comparator, reflects the continuation of the widespread industry destocking in Apparel and Footwear, together with previously disclosed customer contract in-sourcing in Performance Materials. This was in part offset by the annualised contribution from the prior year acquisitions in Footwear, with overall revenue declining by 7%.

As expected, Apparel revenues declined by 22% in the period reflecting a continuation of trends seen in Q4 2022, with destocking by customers adjusting to more subdued consumer demand and excess inventory levels.

Footwear revenue decreased by 23% organically, with similar destocking drivers to those seen in the Apparel markets. Reported divisional revenue increased by 58% year-on-year in the period, including the first time contribution from the acquisitions of Texon and Rhenoflex. The integration of both businesses is progressing to plan, with the realisation of synergy and efficiency benefits increasing, in line with expectations.

Revenue in Performance Materials reduced by 13% in the period. This was largely the result of the customer insourcing of a significant PPE contract in H2 2022.

Our strategic projects remain on-track and are delivering significant operational and financial benefits. These actions, alongside dynamic pricing, have supported operating margins at the beginning of 2023 and will continue to do so. Cash generation continues to be positive and a focus for the Group.

Outlook

With trading in the period in line with expectations we continue to anticipate full year 2023 performance consistent with the Board's expectations, with a second-half weighting, underpinned by the contribution from acquisitions, associated synergies and strategic projects.

With a significantly strengthened commercial and operational platform, the Group remains very well-positioned in its markets, as the global partner of choice for winning brands and with a clear leadership position in innovation and sustainability. Consequently, we remain excited about the growth and margin opportunities across the Group over the medium term, with improved cash generation providing an additional catalyst to our strategic ambitions.

The Group will release its interim results 2023 results on 1 August 2023.

Enquiry details

Investors	Chris Dyett/Victoria Huxster	Coats Group plc	+44 (0)797 497 4690
Media	Richard Mountain / Nick Hasell	FTI Consulting	+44 (0)20 3727 1374
