

22 November 2023

Coats Group plc

Trading Update

Strengthening margins and cash; signs of gradual market recovery; trading in line with 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 July to 31 October 2023 (the 'period').

	H1 2023	1 st July to 31 st October 2023 vs same period in 2022 ³		
	Organic ^{1,3} CER	Reported	CER ¹	Organic ¹ CER
Apparel	-20%	-7%	-5%	-5%
Footwear	-23%	0%	0%	-18%
Performance Materials	-14%	-21%	-20%	-20%
Group	-19%	-9%	-8%	-12%

All following references are at CER unless specified.

The Group traded as expected during the four month period. Group organic revenue is on an improving trend at 12% lower year-on-year (compared to H1 2023 down 19%), including early signs of the anticipated gradual recovery in Apparel, where organic revenue was 5% lower. Reflecting the timing lag of destocking having started later, Footwear organic revenue was 18% lower year-on-year in the period.

Performance Materials continues to be impacted by the previously disclosed customer insourcing of production, as well as customer phasing issues in some US end markets. As a result, organic revenue in Performance Materials was 20% lower.

The Group has continued to deliver significant benefits from its strategic projects which, together with agile and effective pricing, and the delivery of synergies from last year's footwear acquisitions, have resulted in adjusted operating margins strengthening further in the period. This increases our confidence of achieving our 2024 goal of c.17%.

As previously indicated, we have seen modest translational foreign exchange headwinds across the majority of our major currencies against the US dollar YTD, which we expect to accommodate within existing guidance. However, accounting requirements related to significant rate fluctuations from the Turkish Lira mean that the Group is likely to incur a specific incremental translation

impact to full year adjusted operating profit, which at current exchange rates we estimate would be c.\$5 million (see note 2).

Cash generation remained strong through the period, supporting the Group's robust balance sheet. As at 31 October 2023, leverage was 1.5 times, comfortably within the target range of 1-2 times.

Great Place to Work

On 16 November 2023, Coats was named one of the 2023 World's Best Workplaces by Great Place to Work (GPTW), being one of only 25 companies chosen globally. GPTW selects companies based on their dedication to creating exceptional workplace cultures, prioritising people, fostering a culture of trust and empowering colleagues worldwide to achieve their full potential.

Outlook

With early signs of a gradual recovery in Apparel, and our adjusted operating margin continuing to strengthen, we expect our full year performance to be in line with the Board's expectations. This is before any specific impact from Turkish Lira translation as described above.

We remain focused on delivering the significant operational and financial benefits of our strategic projects, acquisition synergies and delivering our other ongoing self-help actions. As a result, we remain confident of achieving our 2024 operating profit margin goal of c.17%. Over the medium term, our scale and global footprint, strong digital platform and technical support capabilities, alongside continued investment in innovation, sustainability and operational efficiency, will enable us to grow ahead of our market with strong profitability and cash generation.

The Group will release its Full Year 2023 results on 7 March 2024.

Enquiries

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1. Constant exchange rate (CER) figures are 2022 results restated at 2023 exchange rates. Organic CER figures are results on a CER basis and includes like-for-like contributions from Texon (post acquisition date of July 2022) and Rhenoflex (post acquisition date of August 2022).
2. Since mid-2022 hyperinflation accounting methodology has been required to be applied in our Turkey market. This requires the translation of local currency results for a reporting period at the spot rate at the end of the period (vs average rate for non-hyperinflation accounting

countries). As a result, and given significant depreciation of the Turkish Lira, reported results for our Turkey business in USD can be volatile and so no guidance has been able to be given YTD on the impact of this. The Turkish Lira has depreciated by over 50% during 2023. Based on latest exchange rates (31 Oct), and assuming no further significant Turkish Lira volatility for the rest of the year, we expect a \$5 million incremental adjusted operating profit headwind due to this impact vs previous FX guidance (which excluded Turkey).

3. Following the completion of the European Zips sale on 31 August 2023, reported, CER and organic CER numbers exclude European Zips sales from both 2023 and 2022.

About Coats Group plc

Coats is a world leader in thread manufacturing and structural components for apparel and footwear, as well as an innovative pioneer in performance materials. These critical solutions are used to create a wide range of products, including ones that provide safety and protection for people, data, and the environment. Headquartered in the UK, Coats is a FTSE250 company and a FTSE4Good Index constituent. Revenues in 2022 were \$1.6bn. Trusted by the world's leading companies to deliver vital, innovative, and sustainable solutions, Coats provides value-adding products, including apparel, accessory and footwear threads, structural components for footwear and accessories, fabrics, yarns, and software applications. Customer partners include companies from the apparel, footwear, automotive, telecoms, personal protection, and outdoor goods industries. With a proud heritage dating back more than 250 years and a spirit of evolution to constantly stay ahead of changing market needs, Coats has operations across some 50 countries with a workforce of over 18,000, serving its customers worldwide. Coats connects talent, textiles, and technology to make a better and more sustainable world. Worldwide, there are four dedicated Coats Innovation and Sustainability Hubs, where experts collaborate with partners to create the materials and products of tomorrow. It participates in the UN Global Compact and is committed to Science-Based sustainability targets for 2030 and beyond, with a goal of achieving net-zero by 2050. Coats is also committed to achieving its goals in Diversity, Equity and inclusion, workplace health and safety, employee and community wellbeing, and supplier social performance. To find out more about Coats, visit www.coats.com.

Cautionary statement

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.