



**Coats
Group plc**

ACCELERATED SALES GROWTH WITH STRONG PROFIT DELIVERY AND CASH GENERATION

2021 FULL YEAR RESULTS

THURSDAY 3 MARCH 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.

AGENDA

01 Highlights

02 Markets and our FY 21 performance

03 Strategic enablers

04 FY 21 financial performance

05 Key highlights and outlook

06 Appendices

HIGHLIGHTS

Accelerating revenue growth 29% (6% vs 2019)

Strong A&F thread market share growth up 2% to 23%

EcoVerde (recycled thread) up 159% to \$96m

21 new products with \$37m revenues

Strong cash generation, 0.7x leverage

Final dividend proposed of 1.50 cents per share, up 15%

Continued growth expected in 2022 – performance to be modestly ahead of Group's previous expectations

Strategic projects commenced; \$50m incremental EBIT expected by 2024



STRATEGIC PROJECTS

**\$50 MILLION
INCREMENTAL ADJUSTED
OPERATING PROFIT**

Strategic projects commenced to improve margins

- Optimising the portfolio and footprint
- Improving overall cost base efficiency

Incremental adjusted operating profit of \$50m anticipated by 2024

Exceptional cash costs expected to be circa \$35m split across 2022 and 2023



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FY 2021 MARKET AND OUR PERFORMANCE

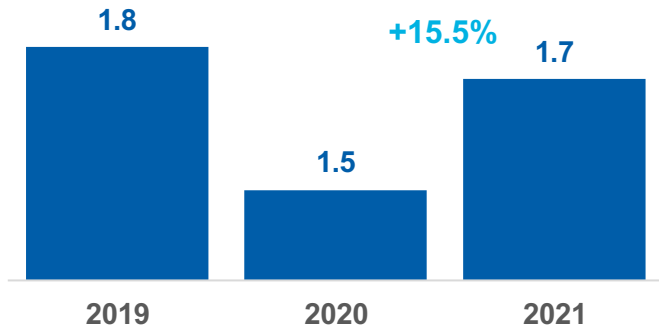


APPAREL & FOOTWEAR MARKET OVERVIEW 2021

DEMAND RECOVERY ALONGSIDE CHALLENGING BACKDROP

Strong market recovery – not yet back to 2019

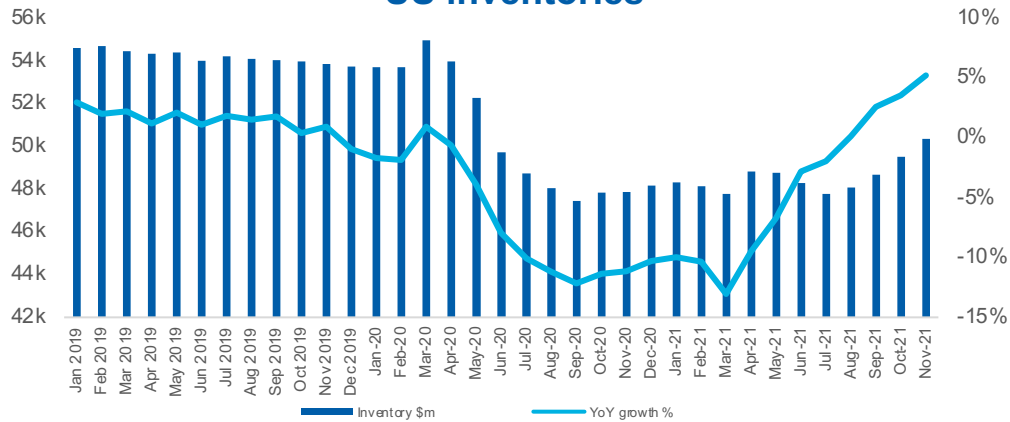
A&F global retail sales (US\$tn)



- China 7% above pre-pandemic level
- USA recovered well
- Western Europe slow recovery
- Continued growth in Online

Inventories increasing but still down vs 2019

US inventories



Unprecedented supply chain volatility

Customers are

Switching sourcing to different geographies	Competing for raw materials	Increasing usage of air freight
Prioritising certain end-products	Ordering with shorter notice	Pulling orders forward, increased order volatility

Consumer focused brands outperform

Most segments recovered well, but online, sports and athleisure, denim and value brands performed relatively better

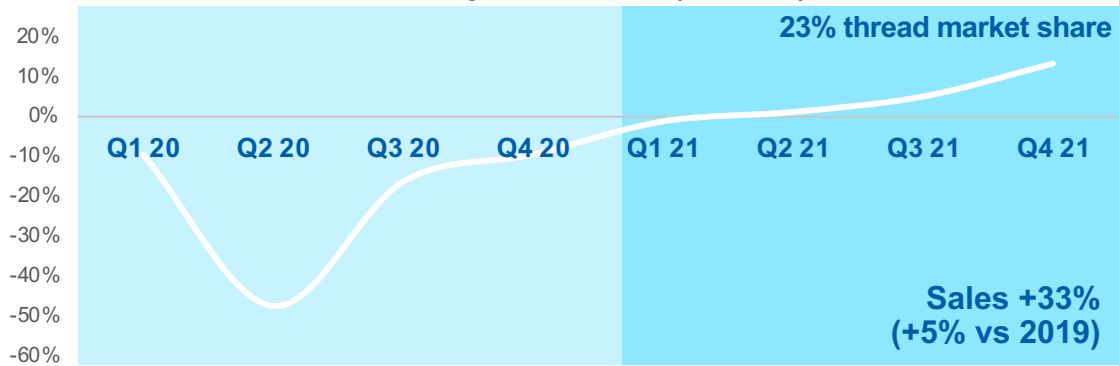


APPAREL & FOOTWEAR OUR 2021 PERFORMANCE

STRONG MARKET SHARE GAINS AND MARKET OUTPERFORMANCE

Continuing momentum and growth ahead of market

Quarterly sales trend (vs 2019)



Sustainability focus leads to differentiation and competitive advantage

Customer share gains

Premiumisation of products

Win with the winners

43 of our top 50 brands now have sustainability targets



Our customer focus is delivering results



Technical and product premiumisation



PERFORMANCE MATERIALS MARKET OVERVIEW 2021

GROWTH ACROSS END MARKETS, STRONG 2022 OUTLOOK

Personal Protection (c.40% PM revenue)

Increase in worker safety standards

Growth in energy markets as activity levels increase

Growth in premium thermal and cut protective wear and multi-hazard protection



Composites (c.25% PM revenue)

Rapid expansion of fibreoptic network

Accelerated shift to EVs

Growth in energy market and capex spend

Composites driving performance in sportswear



Performance Thread (c.35% PM revenue)

Car production recovering; not yet back to 2019 levels

EV model launches lead to opportunities for new suppliers

Strong demand for premium outdoor goods

Femcare and teabag markets remain strong

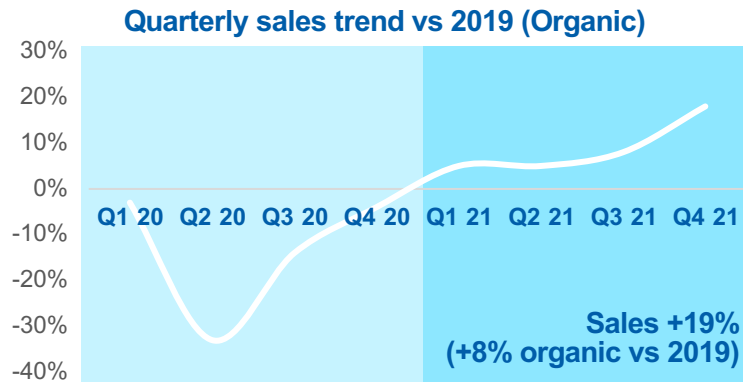
Sustainability driving premiumisation across Performance Thread segment



PERFORMANCE MATERIALS OUR 2021 PERFORMANCE

STRONG CUSTOMER SHARE WINS

Growth vs 2019 with volume recovery and price increases



Growing scale in all three segments

Personal Protection

Order book extremely strong, leveraging global footprint, 12% organic growth
Medium term growth expected: high single digit

Composites

US commercial wins and new factory in Spain, 32% growth
Medium term growth expected: double-digit

Performance Thread

Market share wins in automotive threads a key driver, 20% growth
Medium term growth expected: global GDP

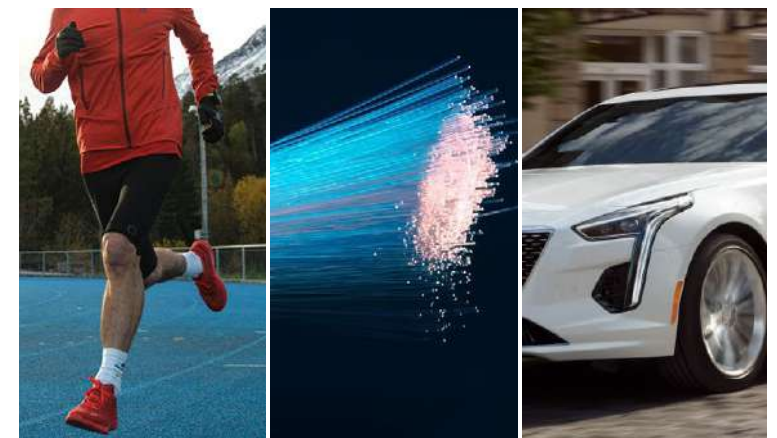


Customer share wins

Salomon launches premium Marathon shoe with Lattice Lite composite plates

Partnered with GM to work on Department of Energy project to design next generation composite battery trays using Lattice technology

Accelerated growth of composite rods used in fibreoptic cables



SUPPLY RESILIENCE AND AGILITY

SUPPORTING OUR CUSTOMERS AND KEEPING EMPLOYEES SAFE

Sourcing pressures identified early actions put in place



**Raw materials
secured**



**Utilisation of Coats
global network**



**Monthly rebalancing
of global supply
chain**



**Successful pricing
actions and productivity
programmes**

Service levels maintained



Manufacturing output
maintained despite
disruptions in key markets
and labour shortages



Leverage of supplier
relationships to maintain
supply despite global raw
material shortages



Targeted investment in
inventory to maintain
service levels

*"A big thank you to the Coats team for
helping us through the supply crisis.
Your support was invaluable"
(Senior Sourcing Director, Hong Kong)*

Strongest health and safety performance on record

During lockdown in selected markets in
Asia, workers voluntarily housed on site in
temporary accommodation with meals,
laundry, medical facilities

During 2021 **54,811** proactive safety
improvement actions taken – a new record

24% decrease in work-related recordable
injury rate vs FY 2020





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STRATEGIC ENABLERS

SUSTAINABILITY: PIONEERING A SUSTAINABLE FUTURE

Strong progress in 2021 across all five pillars



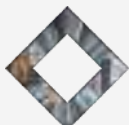


2022 targets for social and energy achieved one year ahead of target*

EcoVerde revenues up 159% to \$96m (2020 \$37m)

Launch of fourth sustainability report

www.coats.com/sustainability

*Energy target: 6.9% reduction achieved in 2021 vs 7% target for 2022

PILLAR	TARGET	2021 PROGRESS
 WATER	Water Intensity	(22)%
 ENERGY	Energy Intensity	(6.9)%
	Certified renewables	7%
 EFFLUENT & EMISSIONS	ZDHC compliance	82%
 SOCIAL	GPTW certification	83%
 LIVING SUSTAINABILITY	Waste reduction	(3)%
	Premium recycled sales	19% sales

SUSTAINABILITY: ACCELERATING OUR JOURNEY

Significantly increased ambitions to evolve sustainability strategy, increase momentum, and enhance competitive advantage



\$10m earmarked to fund the scaling up of green technologies and materials that are relevant to our industry supply chain



Our Innovation Hub in Shenzhen, China, is being re-purposed to focus on the application of biomaterials



NET ZERO

Coats commits to net zero by 2050. By 2030 70% of our global energy consumption will come from renewables



SOCIAL IMPACT

Coats commits to making sustained progress and will develop 2030 targets for: Diversity, Equity & Inclusion, workplace health & safety, employee & community wellbeing and supplier social performance



ECO MATERIALS

By 2030 all products will be made completely independently of new oil-extraction materials



CIRCULARITY

Coats will shift to circularity, creating products and packaging solutions that enable recycling and reuse, within its own operations and across the wider garment industry

SUSTAINABILITY

DELIVERING COMPETITIVE ADVANTAGE



INNOVATION

RICH PIPELINE OF OPPORTUNITIES

Our innovation focus areas

Personal Protection

Growth in flame retardant protective wear and multi-hazard protection



Composites

Trend towards light-weighting for cars and sports footwear, as well as protection of data cables and energy pipelines



Sustainability

Trend towards sustainable products for environmental and social reasons



INCREMENTAL NEW PRODUCTS

2019: 25, \$16m

2020: 22, \$13m

2021: 21, \$37m

Innovation Hub in
Shenzhen, China, being
re-purposed to focus
on the application of
biomaterials



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FY 2021 FINANCIAL PERFORMANCE

KEY FINANCIAL HIGHLIGHTS

POSITIVE MOMENTUM CONTINUES



Accelerating sales growth



Pricing and self-help programmes offsetting inflation



Adjusted operating profit \$193m



Strong cash generation; 0.7x leverage



Strategic projects; material improvement in margins

KEY FINANCIAL METRICS

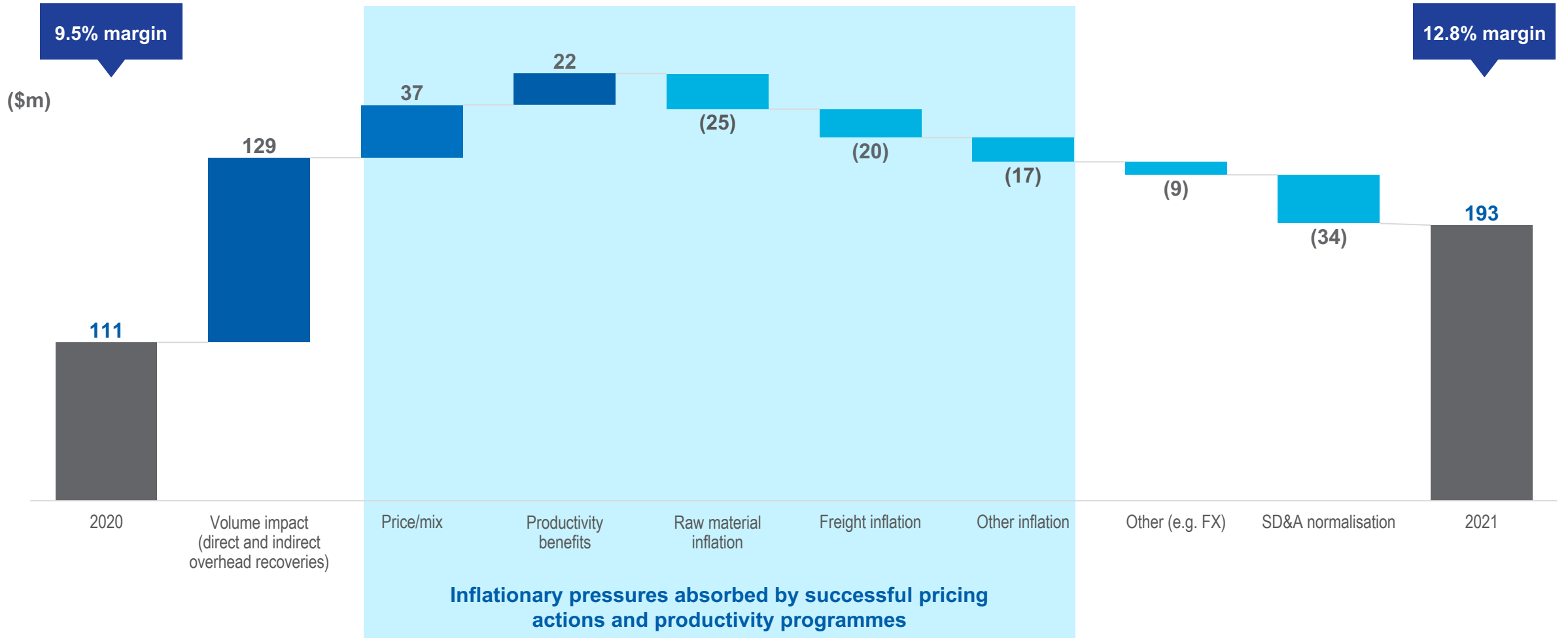
POSITIVE MOMENTUM CONTINUES – STRONG OPERATIONAL PERFORMANCE

	2021	2020	Reported change	CER ¹	Organic ¹	Vs 2019 Organic ¹
Revenue (\$ million)						
Apparel & Footwear	1,094	823	33%	33%	33%	5%
Performance Materials	409	341	20%	21%	19%	8%
Group	1,504	1,163	29%	29%	29%	6%
Adj. operating Profit (\$ million)						
Apparel & Footwear	164	96	72%	72%	72%	6%
Performance Materials	29	15	93%	92%	94%	(28)%
Group	193	111	75%	74%	75%	(1)%
Adj. operating margin (%)						
Apparel & Footwear	15.0%	11.6%	340 Bps	340 Bps	340 Bps	10 Bps
Performance Materials	7.1%	4.4%	270 Bps	260 Bps	280 Bps	(420) Bps
Group	12.8%	9.5%	330 Bps	330 Bps	340 Bps	(100) Bps
Adj. EPS (cents)	6.8	2.4				
Adj. free cashflow (\$ million)	113	28				
Interim dividend per share (cents)	0.61	nil				
Final dividend per share (cents)	1.50	1.30				

1) CER is 2019 and 2020 figures at 2021 exchange rates. Organic vs 2020 on a CER basis includes like-for-like contributions from Pharr HP (post acquisition date of February 2020). Organic vs 2019 on a CER basis includes like-for-like contributions from ThreadSol (post acquisition date of February 2019) and excludes contribution from Pharr HP (acquired in February 2020).

GROUP OPERATING PROFITS AND MARGINS

UNDERPINNED BY VOLUME GROWTH

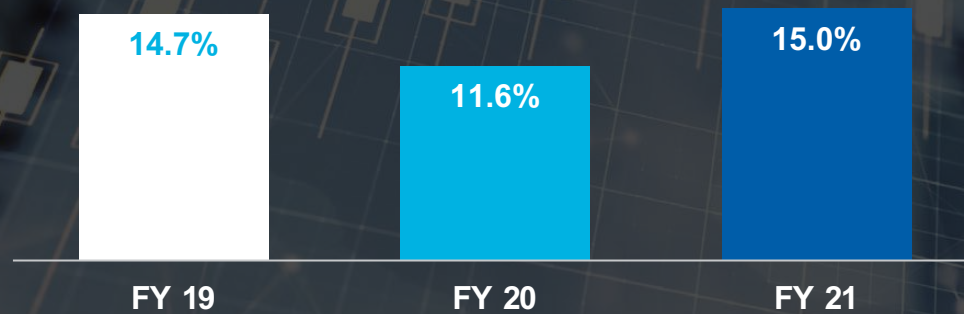


**figures relate to adjusted operating profit*

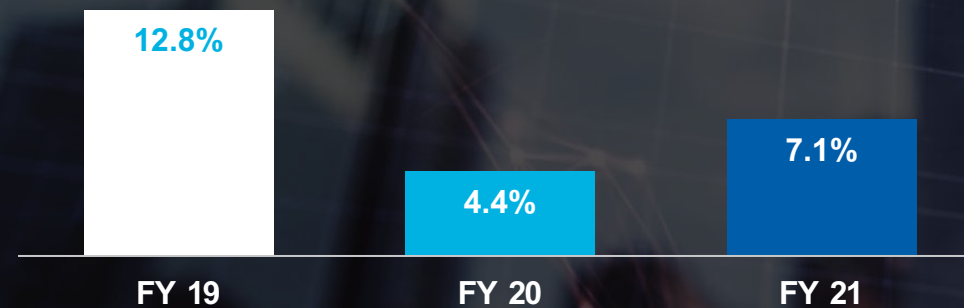
SEGMENTAL MARGINS

STRONG RECOVERY IN A&F MARGINS
PM MARGINS IMPACTED BY US LABOUR ISSUES

APPAREL AND FOOTWEAR (%)



PERFORMANCE MATERIALS (%)



Numbers are reported

A&F margins in 2021 up 340bps

15.0%

- Excellent commercial and operational delivery
- Pricing and procurement initiatives more than offsetting inflationary pressures and Covid disruptions

PM margins in 2021 up 270bps

7.1%

- PM margin in H2 increased to 7.8% vs H1 6.4% despite impact of US labour availability issues
- Excluding the US, PM margins were 14.4% with healthy margin recovery elsewhere in the Group

INCOME STATEMENT

EPS RECOVERY DRIVEN BY HIGHER PROFITABILITY AND NORMALISING TAX RATE

Exceptional / acquisition related items

- Acquisition opportunities and strategic projects
- With some offset from Brazilian tax reclaim

Finance costs

Lower in the year primarily due to

- Interest on historic Brazilian tax reclaims (exceptional)
- Lower interest on borrowings – lower floating interest rate and average debt level

Underlying effective tax rate

Decrease to 31% (2020 39%) due to

- Profit mix normalisation as profitability in 2021 broadly returned to pre-Covid levels

Dividend

- Final dividend of 1.50 cents per share proposed +15% vs 2020 final dividend

	2021	2020
\$m	Reported	Reported
Adjusted operating profit	193	111
Exceptional / acquisition related items	(14)	(7)
Operating profit	179	103
Share of profit from JVs	1	1
Finance costs	(18)	(24)
Profit before tax	163	80
Tax	(54)	(37)
Profit for the year	109	42
Minority interest	(20)	(16)
Attributable profit	89	26
Adjusted EPS (cents)	6.8	2.4
EPS (cents)	6.1	1.8
Final DPS (cents)	1.50	1.30

CASH FLOW AND LEVERAGE

STRONG CASH GENERATION

FY 2021 CASHFLOW (\$m)



\$113m adj. free cash flow significantly ahead of 2020 due to profit recovery

Well controlled net working capital: some investment in inventories to support customer service given supply chain disruption

Tax paid in line with 2020 higher P&L tax charge offset by some timing differences due to lower 2020 profitability

Net debt (excl. IFRS16) of \$147m; leverage 0.7x, \$330m committed headroom

\$m	2021	2020
Adjusted free cash flow	113	28
Pensions	(42)	(11)
Acquisitions	-	(37)
Dividends paid to equity shareholders	(27)	-
Exceptionals and other	(11)	(3)
Free cash flow	33	(23)
FX and other movements	1	(8)
Movement in leases (IFRS 16)	(33)	(1)
Change in net debt (incl IFRS 16)	1	(32)
Group net debt (excl IFRS 16)	(147)	(181)
Leases (IFRS 16)	(99)	(66)
Group net debt (incl IFRS 16)	(246)	(247)
Leverage (excl IFRS 16)	0.7x	1.2x

UK PENSION SCHEME: TRIENNIAL UPDATE CONTRIBUTION LEVELS UNCHANGED

UK triennial valuation
successfully
completed ahead of
schedule

Technical Provisions
deficit £193m
£59m below 2018
valuation

Future contributions
remain at £22m pa
until 2028
(£25m incl admin
expenses)

Balance sheet
position
\$108m surplus
(2020 \$129m deficit)

STRATEGIC PROJECTS - FINANCIAL IMPACTS

Overall financials

- \$50m incremental adjusted operating profit by 2024
- EBIT benefits to be broadly evenly weighted between cost base optimisation and footprint optimisation – the latter largely benefitting PM margins
- Total cash exceptional costs expected to be around \$35m

2022 impacts

- EBIT benefits of around \$5-10m
- Cash exceptional costs of around \$30m

2022 MODELLING GUIDANCE

Area	Guidance
Raw material inflation	
Other non raw material inflation	We anticipate inflationary pressures to be offset by pricing and other self help productivity measures – in line with past track record
Freight cost inflation	
Sourcing and productivity savings	c.\$20m
Strategic projects	c.\$35m cash exceptional costs; incremental adjusted operating profit \$50m by 2024 (see pg. 25)
Capex	c.\$35-45m
Tax	Effective tax rate of 29-30%
Pension	2022 annual deficit recovery payments \$34m including admin costs and levies, plus remaining \$12m of deferred 2020 payments (Covid underpinning measure)
Foreign exchange	At current exchange rates (31 December 2021) we expect a c.2% headwind on revenues for the Full Year 2022



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KEY HIGHLIGHTS AND OUTLOOK



HIGHLIGHTS

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Strong cash generation, 0.7x leverage

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Continued growth expected in 2022 – performance to be modestly ahead of Group's previous expectations

Strategic projects commenced; \$50m incremental EBIT expected by 2024

OUTLOOK



The strong end to the year has continued into the start of 2022, and despite some evidence of stock replenishment from customers during this period, we expect continued growth for 2022 as a whole. We remain confident in our ability to offset inflationary pressures through pricing and productivity actions.

We now anticipate the Group's FY 2022 performance to be modestly ahead of our previous expectations.



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THE Q&A SESSION WILL BEGIN SHORTLY

If you would like to ask a question, please dial

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0800 640 6441

United Kingdom (local)

020 3936 2999

All other locations

+44 203 936 2999

Participant access code

093355



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APPENDICES

OUR PURPOSE AND STRATEGY

TO CONNECT TALENT, TEXTILES AND TECHNOLOGY TO MAKE A BETTER, MORE SUSTAINABLE WORLD

01

Profitable sales growth

A&F increasing our market share
PM leading with innovation, operational efficiencies

02

Continuing to strengthen the core

Even more customer-centric
Investing in our employees

03

Disciplined use of capital

To fund inorganic opportunities to build scale and acquire new capabilities, technology and talent

Underpinned by
our strategic enablers



Digital



Innovation



Sustainability

DIVIDEND AND CAPITAL ALLOCATION



The Group aims to use the free cash flow it generates to balance its various capital demands



Whilst maintaining its strong Balance Sheet position (target leverage 1-2x net debt EBITDA)



Progressive dividend policy aiming to grow dividends along with underlying earnings and cash

The Board has set out clear allocation policies

Grow earnings and free cash flow by delivering on our 3 strategic goals – which will be used for

Reinvesting
in organic
growth

Supporting
pensions

Paying a
progressive
dividend

Acquisitions
in line with
disciplined
strategy

Whilst maintaining a strong balance sheet
(target leverage ratio of 1-2x net debt EBITDA)

GEOGRAPHICAL REVENUE SPLIT

\$m	2021	2020	Vs 2020 CER ¹ change %	Vs 2020 Organic ¹ change%	Vs 2019 Organic ¹ change%
Asia	846	629	33%	33%	6%
Americas	375	315	20%	19%	2%
EMEA	282	219	31%	31%	10%
Total	1,504	1,163	29%	29%	6%

Strong recovery across all regions

Asia

- Driven by key A&F markets
- Region recovering from Covid, despite India and Vietnam lockdowns in Q2/Q3
- China and Bangladesh performance notably strong
- PM also performed well with growth in China as well as India

Americas

- Improved second half and growth in Brazil and Colombia

EMEA

- Strong recovery in PM in telecom composites and transportation as fibreoptics and automotive sales remained robust, led by key markets in Spain and Turkey
- Zips saw a recovery in demand

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