

7 December 2023

## Coats Group plc

### Agreement with UK Pension Scheme Trustee to switch off Deficit Repair Payments

Coats Group plc ("Coats" or the "Group") is pleased to announce that it has reached agreement with the trustee of the Coats UK Pension Scheme ("scheme") to switch off pension deficit repair payments<sup>1</sup> from 1 January 2024.

The Group has agreed to pay the scheme a one-off lump sum payment of £10 million (\$12.6 million) to move it into an expected surplus position against the technical provisions funding basis and enable the switch off threshold to be comfortably met.

This agreement will result in a free cash flow benefit of £2 million (\$2.5 million) per month while the payments remain switched off. The deficit repair payments will remain switched off so long as the scheme's assets remain above 99% of its technical provisions<sup>2</sup>.

**Jackie Callaway, Chief Financial Officer, said:**

"We have made significant progress on pensions in recent years, and the news today is another major milestone that benefits all stakeholders. We remain focused on making further progress in order to maximise Coats' free cash flow generation. We are continuing to work with the trustee of the scheme on a collaborative basis, with the medium term aspiration of fully insuring the scheme, removing UK pension risk from the Group balance sheet and optimising our capital allocation framework to enable additional growth opportunities."

*This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014 as it forms part of UK Domestic Law by virtue of the European Union (Withdrawal) Act 2018 ("UK MAR").*

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#### Enquiries

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1. The scheme's last triennial actuarial valuation at 31 March 2021 showed a deficit between the scheme's assets and its pension liabilities (the "technical provisions"). Following the valuation, Coats agreed to pay monthly deficit repair payments at a rate of £21.6m (\$27.2m) per annum through to December 2028, increasing in line with capped price inflation each financial year. By FY24, these payments will have inflated to c.£24m (\$30m) per annum or £2m (\$2.5m) per month.
2. In the light of significant improvements in the scheme's funding position over FY 2022, including as a result of the pensioner buy-in transaction in December 2022, the scheme trustee and Coats agreed a funding mechanism. Under this mechanism, the monthly deficit repair payments would "switch off" if the scheme's updated position ever moves clearly into surplus (assets rise above 101% of updated technical provisions for two months). If the scheme then subsequently reverts into a clear deficit position (assets fall back below above 99% of updated technical provisions for two months), the repair payments would "switch on" again. Following any switch-on, monthly payments would restart at 150% of the normal rate for as long as necessary to make good any past payments not made as a result of prior switch-offs.
3. 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](http://www.coats.com).

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