COA XLON Coats Group PLC

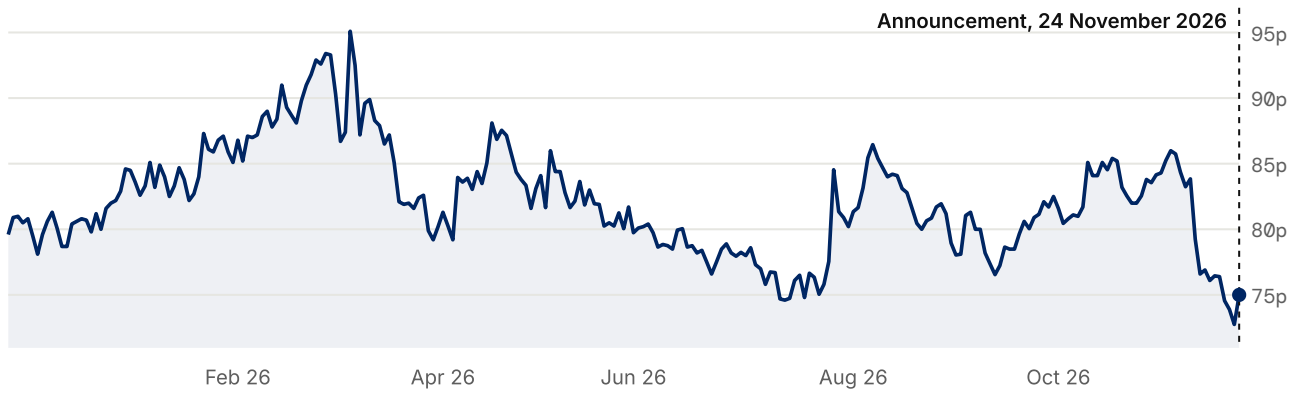
Trading Statement · RNS 3321E · 24 November 2026

Coats cuts full-year EBIT outlook as footwear destocking deepens, but holds cash guidance

Share price	75.2p
Market cap	£1.44bn
52-week range	58.25p - 97.2p
Shares in issue	1917.4m
12-month change	-5.8%

Ticker Data API, as at 23 Nov 2026, 16:29

SHARE PRICE, 12 MONTHS



SUMMARY

Coats Group's trading update today lowered its full-year profit outlook: EBIT will now come in below market expectations because footwear brands have stepped up destocking (running down the stock they hold) in recent weeks. Group organic revenue was flat for July to October, with Apparel up 3% and Footwear down 7%. The 18% reported rise reflects the OrthoLite acquisition. Coats now guides to around flat organic revenue and EBIT margins at or above 20%, while free cash flow and c2.0x year-end leverage stay on track. The cut comes four months after July's interim results left full-year expectations unchanged. With no cash or net-debt figure given, the 4 March 2027 results become the test of whether deleveraging is happening.

KEY FIGURES

FIGURE	VALUE	PERIOD	CHANGE
Group revenue, organic CER	0%	1 Jul to 31 Oct 2026	18% reported, including OrthoLite
Apparel revenue, organic CER	3%	1 Jul to 31 Oct 2026	2% reported
Footwear revenue, organic CER	(7)%	1 Jul to 31 Oct 2026	51% reported, including OrthoLite
Full-year EBIT margin guidance	at or above 20%	FY 2026	EBIT below current market expectations
Adjusted EBIT margin	19.8%	H1 2026	Unchanged on H1 2025
Net debt	$842m	30 June 2026	From $815m at 31 Dec 2025; leverage 2.3x, targeting c2.0x at year end
Free cash flow before shareholder distributions	$30m	H1 2026	H1 2025: $38m
Goodwill and intangibles vs equity	$373m goodwill, $1.00bn intangibles, $763m equity	31 Dec 2025	
Share price	75.20p	Close, 23 Nov 2026 (session before the statement)	+3.09% on the day
Disclosed short positions	7.10%	As at 16 Nov 2026	10 disclosed positions

Sources: Trading Statement RNS, 24 Nov 2026; Half-year Financial Report, 28 Jul 2026; Balance sheet (tagged accounts), 2025-12-31; Price & Valuation, company evidence; Disclosed short positions, evidence on record

THE ANNOUNCEMENT

- Full-year EBIT is now expected below current market expectations, with around flat organic revenue for 2026 and EBIT margins at or above 20%. EPS is still expected to grow year on year, partly because of a lower tax rate.
- Footwear destocking has become more pronounced in recent weeks, which Coats attributes to certain brand-specific challenges. It expects this to persist through the rest of 2026 and guides second-half Footwear performance modestly below the first half.
- In the four months to 31 October, Apparel revenue rose 3% organically on share gains, with strong growth in China domestic and automotive thread. Footwear fell 7% organically as brands cut inventory and Composites energy orders were phased later.
- Group EBIT margins were ahead of last year and the first half, helped by price increases, procurement and cost actions including OrthoLite synergies, offsetting heightened cost inflation.
- Free cash flow is in line with market expectations, leverage should be c2.0x at the year end, and Coats remains on track for c.$1bn of free cash flow over the next five years, with capital allocation optionality from 2027.

AGAINST GUIDANCE

On 28 July Coats left full-year expectations unchanged, forecast good year-on-year earnings growth and described Footwear as returning to solid growth in the second quarter, assuming only modest market declines in the second half. Today it guides full-year EBIT below current market expectations, with organic revenue around flat and Footwear's second half modestly below its first. The cash guidance did not move: free cash flow is in line with market expectations, the c2.0x year-end leverage target stands against 2.3x at June, and the c.$1bn five-year free cash flow ambition is reiterated. Apparel continues to perform as expected. Ticker's earnings surprise model had leaned slightly towards a statement ahead of expectations, an estimate the outcome contradicted.

BULL CASE

- Apparel, the larger division, grew 3% organically and took share, and Coats believes its channel inventory has already cleared. Footwear may be on the same path a few quarters behind, and OrthoLite traded better than in the first half.
- Group margins rose against both last year and the first half while revenue was flat, so pricing and cost actions are doing real work. If destocking ends around the turn of the year, a margin base of about 20% gives strong operating leverage as volumes return.
- The profit guidance was cut but the cash guidance was not, and cash plus leverage decide what can be paid to shareholders from 2027. With heavy selling before the statement and 7.10% of shares sold short, a credible full-year result could move the price sharply from a low base.

BEAR CASE

- Coats held its full-year view in July and has now cut it, with footwear destocking getting worse, so the reiterated c.$1bn five-year cash ambition deserves less weight. EPS growth now depends partly on a lower tax rate, which does not repair the EBIT shortfall.
- First-half free cash flow was $30m against an interim dividend costing roughly $20m, while net debt rose to $842m. Today's statement gives no cash or net-debt figure to show how leverage reaches c2.0x, and the working-capital gains it cites may be seasonal.
- After OrthoLite, goodwill of $373m and intangibles of $1.00bn exceed equity of $763m, so weak returns from the acquisition would surface as an impairment. If destocking spreads beyond a few brands or into Apparel, EBITDA falls below plan and the leverage target slips.

WHAT TO WATCH

- Full-year results on 4 March 2027: year-end net debt and whether leverage reached c2.0x, second-half free cash flow after capital expenditure and exceptional costs, how much came from working capital, and whether dividends were covered by free cash flow.
- Current covenant headroom and an updated debt maturity schedule, since the latest available schedule dates from December 2024, before OrthoLite.
- Commentary on Footwear orders for early 2027 and on Apparel growth, which will show whether brand destocking is ending or spreading, plus any OrthoLite impairment or further guidance change.
- The first full sessions after today's statement: whether the shares hold the 72.9p low of the 23 November session or clear resistance at 77.89p and then the 50-day average of 81.12p on above-average volume.

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