COA Coats Group PLC

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

Following the Trading Statement · 24 November 2026

GROUP ORGANIC REVENUE	FOOTWEAR ORGANIC REVENUE	FY26 EBIT MARGIN GUIDE	YEAR-END LEVERAGE TARGET
0%	(7)%	at or above 20%	c2.0x
1 July to 31 October, against the same period in 2025; reported +18%	▼ reported +51% including OrthoLite	▼ against 19.8% adjusted in H1 2026; full-year EBIT below market expectations	▼ against 2.3x net debt/EBITDA at 30 June 2026

Share price, past 12 months

Daily close; latest price as at 16:29 on 23 November 2026 · Ticker Data API



Coats Group's trading update today lowered its full-year profit outlook. The company now expects EBIT below current market expectations because footwear brands have stepped up destocking (running down the inventories they hold) in recent weeks. In the four months to 31 October, group revenue was flat at organic constant exchange rates, with Apparel up 3% and Footwear down 7%. Reported revenue rose 18%, but that comes from the OrthoLite acquisition, which contributed nothing in the same period last year. Coats now guides to around flat organic revenue for 2026 with EBIT margins at or above 20%, and expects Footwear's second half to be modestly below its first.

The cash message has not changed. Free cash flow is in line with market expectations, leverage should be c2.0x at the year end against 2.3x at June, and the c.$1bn five-year free cash flow ambition still stands. The harder questions are about timing and credibility. In July, Coats left full-year expectations unchanged and described Footwear returning to growth in the second quarter. Today's statement gives no cash or net-debt figure, and after OrthoLite, goodwill and intangibles exceed shareholders' equity. That makes the 4 March 2027 full-year results the point where deleveraging has to be shown in the numbers.

The shares closed at 75.20p on 23 November, the session before the statement, below the 77p price of the July 2025 placing that helped fund OrthoLite.

Apparel takes share while footwear brands run down stock

Coats is a Tier 2 supplier, meaning it sells thread, components and software to the factories (Tier 1) that make clothing and shoes for the big brands. It serves about 25,000 customers in more than 50 countries, mostly from manufacturing sites in Asia, and generated $1.5 billion of revenue in 2025 with c.19,000 employees. Two divisions report separately: Apparel, the larger, built around industrial sewing thread, and Footwear, which since 2025 has included the insole maker OrthoLite.

In the four months from 1 July to 31 October, the two divisions moved in opposite directions. Apparel revenue rose 3% organically. Coats puts this down to market share gains at a time of fragmented, volatile customer orders, with particularly strong growth in China domestic and automotive thread and further expansion in recycled thread. It also believes channel inventory in apparel is now lower, which has steadied conditions.

Footwear revenue fell 7% on an organic basis. Brands kept cutting inventory, and the Composites business was weaker because of the phasing of energy orders. Reported Footwear revenue rose 51%, but only because OrthoLite made no revenue contribution in the comparable period. OrthoLite traded better than in the first half, and synergies are progressing.

The outlook paragraph carries the news. In recent weeks destocking in footwear has become "more pronounced", which Coats attributes to "certain brand specific challenges". It expects this to continue for the rest of 2026, and Footwear has taken additional cost-saving measures in response.

FIGURE	VALUE	CHANGE
Apparel revenue, organic CER 1 Jul to 31 Oct 2026	3%	reported 2%
Footwear revenue, organic CER 1 Jul to 31 Oct 2026	(7)%	reported 51%, including OrthoLite
Group revenue, organic CER 1 Jul to 31 Oct 2026	0%	reported 18%
Group revenue 2025	$1.5bn	
Employees 2025	c.19,000	

Sources: Trading update RNS, 24 Nov 2026

Margins rose even as the profit outlook fell

BEFORE		NOW · ADJUSTED EBIT MARGIN
~~19%~~	→	19.8%

Coats cut its EBIT outlook while reporting better margins. Group EBIT margins in July to October were ahead of both last year and the first half of 2026. Coats credits price increases, procurement and cost management, including OrthoLite synergies, for offsetting what it calls heightened cost inflation. The July interim results had promised c.$15m of benefits from cost actions in the second half, and this suggests they are arriving.

The margin guidance is also a test. Adjusted EBIT margin was 19.8% in the first half, so a full-year margin at or above 20% requires the second half to beat the first, even though Footwear is guided lower. Revenue is the weak point. With organic revenue now expected to be around flat for the year, the full-year EBIT shortfall comes from volume, and price and cost savings can only offset part of it.

Earnings per share need careful reading. Coats expects EPS to grow year on year "partly driven by a lower tax rate", and a lower tax rate does not offset the lower EBIT. EPS also started the year weakly. First-half adjusted EPS fell to 4.4 cents from 4.7 cents and statutory EPS to 3.2 cents from 4.1 cents, partly reflecting the shares issued for OrthoLite. Adjusted EBIT of $166m in the half was $31m above statutory EBIT of $135m, a gap the full-year accounts should explain.

The last full year gives the base. In 2025, adjusted EBIT rose to $290m on an adjusted margin of 19.8%, up from 19%, while adjusted EPS slipped to 9.3 cents from 9.7 cents.

H1 2026 against the prior period

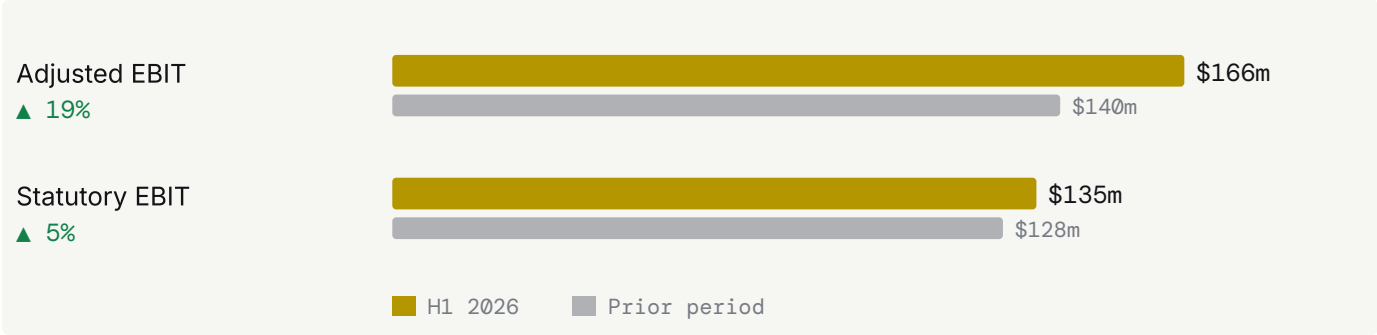

FIGURE	VALUE	CHANGE
Adjusted EBIT H1 2026	$166m	−2% from $140m; organic
Adjusted EBIT margin H1 2026	19.8%	unchanged at 19.8%
Statutory EBIT H1 2026	$135m	+5.5% from $128m
Adjusted EPS H1 2026	4.4 cents	−6.4% from 4.7 cents
Statutory basic EPS H1 2026	3.2 cents	−22% from 4.1 cents
H2 cost action benefits H2 2026	$15m	
Adjusted EBIT FY2025	$290m	+6.6% from $272m
Adjusted EPS FY2025	9.3 cents	−4.1% from 9.7 cents

Sources: Half-year Financial Report, 28 Jul 2026; 2025 Full Year Results, 5 Mar 2026

About $110m of debt reduction needed by December

Today's statement calls free cash flow in the period strong and keeps the target of c2.0x leverage (net debt divided by EBITDA) at the year end. It gives no cash figure, no net-debt balance and no bridge

between the two. At 30 June, net debt was $842m and leverage 2.3x, which implies about $366m of EBITDA on the company's definition. Holding EBITDA at that level, getting to 2.0x would require net debt to fall by roughly $110m in the second half. Second-half EBITDA, exchange rates and the exact debt definition will move that figure, and lower EBIT works against the target.

Cash generation in the first half was thin. Free cash flow before shareholder distributions was $30m, down from $38m, while net debt rose from $815m at December. Payment of the 2025 final dividend explains part of that rise. The 1.05-cent interim dividend paid on 12 November costs roughly $20m across 1,917,372,461 shares, which on a simple comparison absorbs most of the first-half free cash flow. Coats says working capital improvement initiatives helped July to October, but it does not quantify them or say whether they will repeat.

The annual record is better. Operating cash flow of $225m in 2025 was well above after-tax profit of $121m, although that figure comes before capital expenditure, and dividends paid were $68.8m with $9.00m of buybacks. The balance sheet changed with OrthoLite. At the end of 2025, goodwill of $373m and intangibles of $1.00bn together exceeded equity of $763m, leaving tangible equity negative. That does not breach a covenant on its own terms, but it puts weight on OrthoLite earning back its price, because any impairment would come out of the equity base.

Two further points complete the picture. The latest maturity schedule available dates from December 2024, before the acquisition, when $348m of borrowings fell due after five years. Ticker's refinancing model estimates that none of the debt is due within two years, but it relies partly on that older data. The 2024 results also set out an agreement with PIC on the pension scheme, expected to require up to c.£100 million of additional funding, including a £70 million upfront payment.

31 Dec 2025 against the prior period

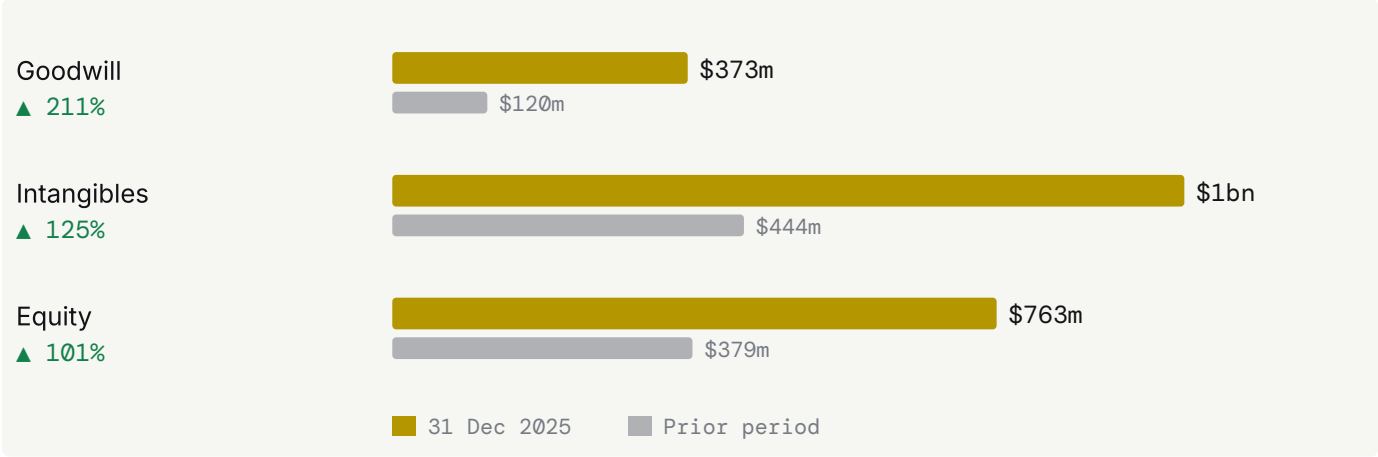

FIGURE	VALUE	CHANGE
Net debt 30 June 2026	$842m	+3.3% from $815m at 31 Dec 2025
Leverage, net debt/EBITDA 30 June 2026	2.3x	
Year-end leverage target 31 Dec 2026	c2.0x	
Free cash flow before distributions H1 2026	$30m	−21% from $38m
Operating cash flow FY2025	$225m	+135% from $95.8m

FIGURE	VALUE	CHANGE
Profit after tax FY2025	$121m	
Dividends paid FY2025	$68.8m	
Goodwill 31 Dec 2025	$373m	+211% from $120m
Intangibles 31 Dec 2025	$1bn	+125% from $444m
Equity 31 Dec 2025	$763m	+101% from $379m
Interim dividend H1 2026, paid 12 Nov 2026	1.05 cents	+5% from 1 cent

Sources: Half-year Financial Report, 28 Jul 2026; Trading update RNS, 24 Nov 2026; Cash flow (tagged accounts), 2025-12-31; Income statement (tagged accounts), 2025-12-31; Balance sheet (tagged accounts), 2025-12-31; Dividends declared, 28 Jul 2026

Four months after 'unchanged', footwear guidance moves lower

The guidance changed quickly. On 28 July, Coats said full-year expectations were unchanged and that it expected "good year-on-year earnings growth". Its forecast assumed modest market declines in the second half despite low inventory levels, and Footwear organic revenue was described as a return to solid growth in the second quarter. Today it guides to around flat organic revenue for 2026, EBIT margins at or above 20% and full-year EBIT below market expectations, with Footwear's second half modestly below its first.

Other guidance holds. Free cash flow is in line with market expectations, Apparel "has continued to perform as expected", and Coats remains "on track to generate c.$1bn of free cash flow over the next five years, providing capital allocation optionality starting in 2027". It also remains confident in its medium-term prospects and argues that 18 months of share gains have left it well placed for the end of destocking. None of this says when footwear brands will stop cutting stock, and the latest evidence points the other way.

The wider economy offers little help. UK Bank Rate was 4.00% on 19 November, up 0.25 points over three months, and CPIH inflation was 3.70% in October. Those conditions tend to make investors less patient with cyclical earnings disappointments, although UK data say little about global brands' orders to Asian factories. On apparel sourcing, Xinhua reported on 30 October that Bangladesh has three more years before losing least-developed-country trade benefits. Reuters reported fuel and logistics surcharges in the wider economy on 23 November, a cost risk Coats does not quantify.

Ticker's earnings surprise model had leaned slightly towards a statement ahead of expectations before today, an estimate the outcome has contradicted. The next fixed date is the full-year results on 4 March 2027.

FIGURE	VALUE	CHANGE
FY26 organic revenue guide FY2026	around flat	
FY26 EBIT margin guide FY2026	at or above 20%	−20% full-year EBIT below current market expectations

FIGURE	VALUE	CHANGE
Five-year free cash flow target next five years	$1bn	reiterated
Bank Rate 19 Nov 2026	4.00%	+0.25 points over three months
CPIH inflation October 2026	3.70%	+0.60 points over three months
Full-year results date	4 March 2027	

Sources: Trading update RNS, 24 Nov 2026; UK economy and markets

Trading below the price paid for the OrthoLite placing

Share price, close, 23 Nov 2026	Market capitalisation, 23 Nov 2026	52-week range
75.20p	£1.44bn	58.25p - 97.20p

At the 75.20p close on 23 November, the session before the statement, Coats was valued at £1.44bn on 1.92bn shares. That is below the 77p at which it raised £246m in a July 2025 placing to help fund OrthoLite, a placing that diluted existing holders by 20%. The shares are also well off their 52-week high of 97.20p.

The cash target is the main support for the valuation. A c.$1bn of free cash flow over five years is large against the market value, but it is free cash flow before debt reduction and dividends, so not all of it is available to shareholders. Coats paid 3.28 cents of dividends for 2025 and has a leverage target to meet first. Results, debt and dividends are in dollars while the shares trade in sterling, so exchange rates affect both reported figures and returns for UK holders.

Any estimate of how much of today's downgrade the price already reflects depends on the revised EBIT figure, which Coats has not given. A lower share price on lower expected earnings does not by itself make the shares cheaper.

FIGURE	VALUE	CHANGE
Placing price 16 Jul 2025	77p	raised £246m; 20.0% dilution
Dividend per share declared FY2025	3.28 cents	+5.1% from 3.12 cents

Sources: Fundraisings; Dividend policy; Price & Valuation

Most of the fall came in the fortnight before the statement

Day range, 23 Nov 2026	52-week low	52-week high
72.90p - 75.45p	58.25p	97.20p

The chart shows a falling share price before the statement. At the 75p close on 23 November, the shares sat below their 20, 50, 100 and 200-day moving averages, with the 50-day at 81.12p and the 200-day at 82.04p and still falling. The 50-day average crossed below the 200-day on 2 June (a "death cross", a

common signal of a downtrend) and has stayed there. A rally to 87.75p on 5 November was not confirmed by momentum indicators or by volume.

The heaviest selling came before the news. From 10 November the shares dropped from an 85.5p open to a 76.6p low over two sessions on volume of 4.59m and 4.24m shares, roughly double the recent daily average. They reached 72.75p on 20 November. On-balance volume, which adds volume on up days and subtracts it on down days, fell steadily from 3 November. The 3.09% rise to 75p on 23 November came on below-average volume and before the statement, so it cannot be read as the market's response to it.

Disclosed short positions stood at 7.10% of the shares as at 16 November, across ten positions. On the upside, the first resistance is 77.89p, last touched on 23 October. Below the 72.9p low of the latest session, the chart shows no support level before the 52-week low of 58.25p set on 31 March. The first full sessions after today's statement will show whether 72.9p holds.

AS AT 16 NOV 2026	VALUE	CHANGE
Disclosed short positions	7.10%	

Sources: Disclosed short positions; Price & Valuation

The case for and against

FOR

The case for rests on how well the business has held up in a downturn. Apparel, the larger division, grew 3% organically, took share, and Coats believes its channel inventory has already cleared. Footwear may be following the same path some quarters behind, and OrthoLite's improvement on the first half is early evidence that premium components are holding up. Group margins rose through the period despite cost inflation, and the cash guidance, unlike the profit guidance, was not cut. If footwear destocking ends around the turn of the year, a margin base of about 20% gives strong operating leverage as volumes return. With much of the selling done before the statement and 7.10% of the shares sold short, a credible full-year result could move the price sharply from a low base.

AGAINST

The case against starts with credibility. Coats held its full-year view in July and has now cut it, with destocking getting worse rather than easing, so the reiterated five-year cash ambition deserves less weight. Earnings growth now depends partly on tax. Cash in the first half was $30m against an interim dividend costing roughly $20m, while net debt rose to $842m, and today's statement gives no figure to show how leverage reaches c2.0x. After OrthoLite, goodwill and intangibles exceed equity, so a weak acquisition would show up as an impairment. If destocking spreads beyond a few brands or into Apparel, EBITDA falls below plan and the leverage target slips. The chart also shows a well-established downtrend, with no support level before 58.25p.

WHAT TO WATCH

The evidence to watch arrives on 4 March 2027. The full-year results should show the 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, current covenant headroom, and whether dividends were covered by free cash flow. Comments on Footwear orders for early 2027, and any sign that Apparel growth is slowing, will show whether destocking is ending or spreading. Any OrthoLite impairment or further guidance cut would support the case against. The share price adds a shorter-term check: a move above 77.89p and then the 50-day average on rising volume, or a break below 72.9p.

Risks

- Footwear destocking, which Coats says became more pronounced in recent weeks, could run well into 2027 or spread beyond the brands affected, pushing EBITDA below plan.
- The c2.0x year-end leverage target depends on second-half cash and EBITDA that today's statement does not quantify, and net debt was $842m at 2.3x in June.
- Working-capital gains behind recent free cash flow may be seasonal or one-off and reverse in 2027, leaving leverage higher and dividend cover thinner.
- Goodwill and intangibles exceed equity after the OrthoLite acquisition, so weaker trading there could lead to an impairment.
- Guidance credibility has been damaged by a cut four months after full-year expectations were left unchanged, and that also weighs on the c.$1bn five-year cash target.
- Cost inflation, including fuel and logistics surcharges reported in the wider economy, could outpace price increases and savings in a business that depends on freight.
- Coats reports in dollars and its shares trade in sterling, so exchange rates affect both translated results and returns for UK holders.

THE OTHER VIEW

A more positive reading of today's statement is that it is a narrow profit warning from a business that is otherwise holding up. The miss comes from one division, and part of that division's weakness, the phasing of energy orders in Composites, is about timing. Group margins rose against both last year and the first half while revenue was flat, which suggests pricing and cost control are doing real work. Coats changed its profit guidance but left its cash guidance alone, and cash, with the leverage ratio, decides what shareholders can be paid from 2027. Apparel shows what the end of destocking looks like: once channel inventory cleared, the division returned to growth and took share. On this reading, the steep, high-volume fall in the two weeks before the statement had already priced in much of the bad news, and the full-year results only need to confirm year-end leverage near 2.0x for the share price to recover. Against this, the July guidance turned out to be wrong, and the statement gives no figures for the cash it says is on track.

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