

## GPG Group

Conference call presentation for the  
Half Year ending 30 June 2013

9 September 2013

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## **Forward-looking statements**

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## **Not a profit forecast**

*The financial information contained in this presentation is based on publicly available historic financial information of the GPG group and is not intended to be a profit forecast or profit estimate under applicable rules.*

## **Currency assumptions**

*All NZ\$ comparatives to £ amounts are for illustrative purposes only, based on the NZ\$:GBP exchange rate on 30 June 2013, NZ\$1.9648:£1.00.*

# Update

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## Progress on value realisation

- Non-Coats investment portfolio cash generation in the 6 months to 30 June 2013
  - £172m (NZ\$338m)
- Cumulative net cash generated since 1 January 2011 – £634m (NZ\$1,246m)

## UK Pensions Regulator ('tPR') investigation

- tPR exploring whether scope to impose a Financial Support Direction or Contribution Notice
- To date requests for information and calculations pertinent to technical tests associated with FSDs have been received

## Coats

- Continued improved trading performance – profit before tax and exceptional items up 18%

## New Coats Chairman

- Mike Clasper appointed as Chairman of Coats plc with effect from 1 September 2013

# Summary for the period

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- Shareholders' funds – £472m (31 December 2012: £434m)
- Net asset backing per share – 33.5p (NZ\$0.66), an increase of 21% in the period
  - carrying value of Coats – £121m (NZ\$238m)
- Parent Group cash balance at 30 June 2013 – £347m (31 December 2012: £243m). Balance at 23 August 2013 – £344m
- Further progress on value realisation:
  - non-Coats investment portfolio cash generation in the 6 months to 30 June 2013 – £172m (NZ\$338m)
  - further £4m of cash proceeds received since 30 June 2013
  - cumulative net cash generated since 1 January 2011 of £634m (NZ\$1,246m)
- Net attributable profit for 6 months to 30 June 2013 – £28m (30 June 2012 loss – £49m and year ended 31 December 2012 loss – £29m)

# Simplified balance sheet

	30 Jun 2013		31 Dec 2012	
	£m	£m	£m	£m
Net held for sale assets	74		222	
Current asset investments	–		9	
Total investments, excluding Coats		74		231
Cash		347		243
<b>PGP assets</b>		<b>421</b>		<b>474</b>
PGP pension schemes		(58)		(74)
Other sundry Parent Group net liabilities		(12)		(14)
		351		386
<b>Coats</b>				
Other net assets	523		481	
Net debt	(254)		(226)	
Employee benefit obligations	(148)		(207)	
		<b>121</b>		<b>48</b>
<b>Shareholders' funds</b>		<b>472</b>		<b>434</b>
<b>NAV / share (NZ\$)</b>		<b>65.8</b>		<b>54.4</b>

Note: Cash at 30 June 2013 consisted of the following currencies:

	£m
GBP	116
NZD	128
AUD	51
USD	52
	347

- Primary components of the movement in shareholders' funds in the period were the improved IAS19 funding positions (£81m), partially offset by the share buy-backs (£45m)
- Overall result represents a 21% increase in the net asset backing per share

# Pensions

- Movement in the IAS19 deficits since the 2012 year end driven by increased nominal corporate bond yields, which reduce liabilities, and good asset performance
- Real discount rate increases required to eliminate the UK deficit:
  - Brunel: 210 bps
  - Staveley: 140 bps
  - Coats: 65 bps
- Coats UK Pension Plan 2012 triennial valuation completed:
  - agreement with Trustees reached to double annual past service contributions to £14m (NZ\$28m)
  - remains subject to bank approval and submission to tPR
- Current support provisions provide the Trustees of the Brunel and Staveley schemes with a contingent claim over the assets of GPG of some £124m (NZ\$243m)
- Will likely mean at least £124m (NZ\$243m) of asset realisation proceeds will be required to be retained by the GPG group
- The final support arrangements for the Brunel and Staveley schemes will be determined at the conclusion of tPR investigations
- Next triennial valuations:
  - Brunel: to be completed by 30 June 2014
  - Staveley: to be completed by 5 July 2015
  - Coats: to be completed by 1 July 2016

IAS19 deficit	30 Jun 2013 £m	31 Dec 2012 £m
Coats UK	(100)	(161)
Coats Other (net)	(48)	(46)
Coats Total	(148)	(207)
Brunel	(29)	(38)
Staveley	(29)	(36)
Total £m	(206)	(281)
<i>Total NZ\$m</i>	<i>(405)</i>	<i>(552)</i>

## tPR

- Investigations of the three UK defined benefit pension schemes currently underway
- Exploring whether grounds exist to impose Financial Support Directions ("FSD") or Contribution Notice
- Information and calculation requests received

## IAS 19

- Revised standard adopted 1 January 2013 with retrospective application

# Disinvestments and remaining portfolio (non-Coats)

## INVESTMENT PORTFOLIO 23 AUGUST 2013: TOWER

- GPG holds 33.6%, market value at 23 August 2013 – NZ\$120m
- Tower capital return of NZ\$119m in April 2013 (GPG share – £22m)
- Tower completed sale of bulk of life business – August 2013
- Tower reached agreement with RBNZ regarding licensing and solvency capital requirements – August 2013
- Tower board currently considering capital management strategy

## CAPITAL MANAGEMENT

- Net proceeds 1 January 2013 to 23 August 2013 – £176m (NZ\$346m)
- £70m on-market buyback announced on 25 October 2012: £25m bought in the period to 31 December 2012 and programme completed during H1
- Timing and amount of future returns will take account of the appropriate capital structure for 'New Coats', Group's obligation to pension schemes and outcome of tPR investigations

Disposals	£ million	NZ\$ million
<b>2011 Disposals</b>	144	283
<b>2012 Disposals</b>	314	617
<b>2013 Disposals</b>		
CIC Australia	35	69
Ridley	38	75
Capral	27	53
PrimeAg	26	51
Tower (capital return)	22	43
Tandou	10	20
AV Jennings	6	11
	164	322
Disposals less than £5million, dividend receipts and other investment activity	12	24
<b>Total generated in the period</b>	<b>176</b>	<b>346</b>
<b>Grand Total</b>	<b>634</b>	<b>1,246</b>

# Overhead costs

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- Significant advisory costs re:
  - Execution of the strategy to realise value and return capital to shareholders;
  - tPR's review of the group's UK pension schemes
- Staff costs including incentive schemes and redundancies: total £6m (six months to 30 June 2012: £7m; year ended 31 December 2012: £12m)
- Actions taken to manage costs:
  - Reduction in board fees
  - Closure during H2 of GPG's last Australian office and principal London office
  - Permanent headcount reduction from 15 at Dec 2012 to 8 by Dec 2013
  - Board meetings by conference call

# Coats Half Year summary

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- Continued improved trading performance despite mixed market conditions
- Like-for-like half year sales up 4% – both Divisions growing
- 13% like-for-like improvement in operating profit before exceptionals
- Underlying operating margins increased from 6.9% to 7.6%
- 18% increase in profit before tax, before exceptional items
- Reorganisation activity on track
- US antitrust litigation settled – exceptional net charge of \$2.7million net of tax
- H1 free cash flow profile in line with prior half year
- New Coats Chairman appointed

# Coats Half Year financial performance



\$'m	H1 2013			H1 2012 (restated) <sup>1</sup>		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Revenue	<b>839.7</b>		<b>839.7</b>	819.3	-	819.3
Operating profit / (loss)	<b>63.6</b>	<b>(4.2)</b>	<b>59.4</b>	56.8	(101.1)	(44.3)
Profit / (loss) before tax	<b>43.1</b>	<b>(4.2)</b>	<b>38.9</b>	36.6	(136.9)	(100.3)
Profit / (loss) from continuing operations	<b>15.7</b>	<b>(4.3)</b>	<b>11.4</b>	15.6	(135.3)	(119.7)
Retained profit / (loss)	<b>10.9</b>	<b>(4.3)</b>	<b>6.6</b>	9.4	(135.3)	(125.9)
Free cash flow <sup>2</sup>			<b>(15.4)</b>			10.7
EBITDA			<b>89</b>			84
Net debt			<b>387</b>			228
ROCE <sup>3</sup>			<b>19.0%</b>			16.6%

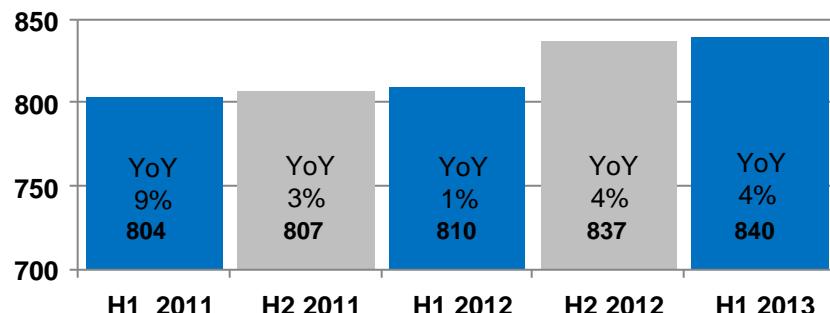
1) Includes the restatement of 2012 for adoption of IAS19 (revised)

2) 2012 free cash flow includes benefit of assignment of receivables to GPG (\$25 million)

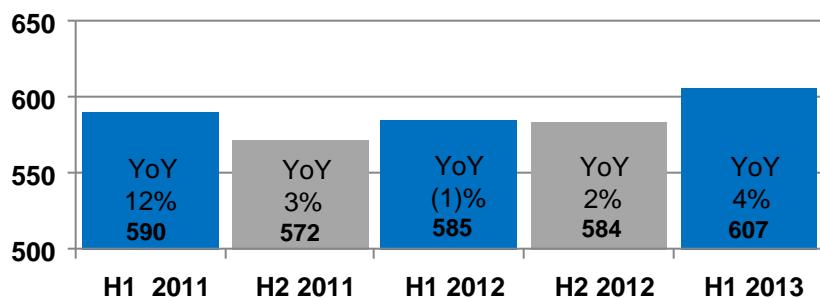
3) ROCE defined as last twelve months Operating profit before exceptions/Capital employed at period end

# Coats Underlying operating performance

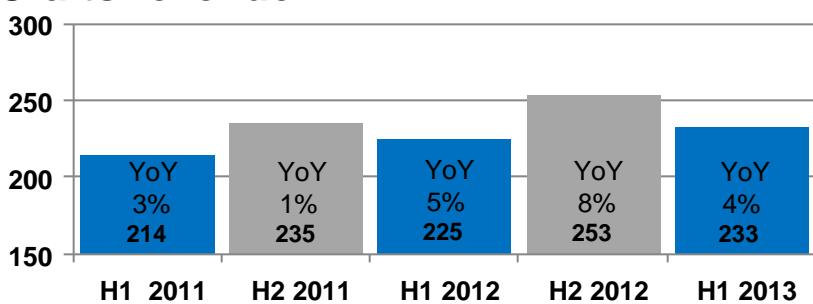
## Total revenue



## Industrial revenue



## Crafts revenue



## Operating profit and margin

\$'m	Six months ended		Six months ended June 2012 <sup>1,3</sup>
	June 2013	YoY%	

### Operating profit <sup>2</sup>

Industrial	54.6	8%	50.6
Crafts	9.0	61%	5.6
<b>Total</b>	<b>63.6</b>	<b>13%</b>	<b>56.2</b>

### Operating profit margin<sup>2</sup> %

Industrial	9.0%	40 bps	8.6%
Crafts	3.9%	140 bps	2.5%
<b>Total</b>	<b>7.6%</b>	<b>70 bps</b>	<b>6.9%</b>

1) Includes the restatement of 2012 for adoption of IAS19 (revised)

2) At like-for-like exchange rates before reorganisation and other exceptional items

3) In line with reporting of full year 2012 results and following changes during 2012 to the Group's internal management structure, results from Asia and Australasia are reported in Industrial division, and H1 2012 comparative figures have been restated accordingly.

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# Questions?