



# Proposed acquisition of Truth Hardware

1 May 2013



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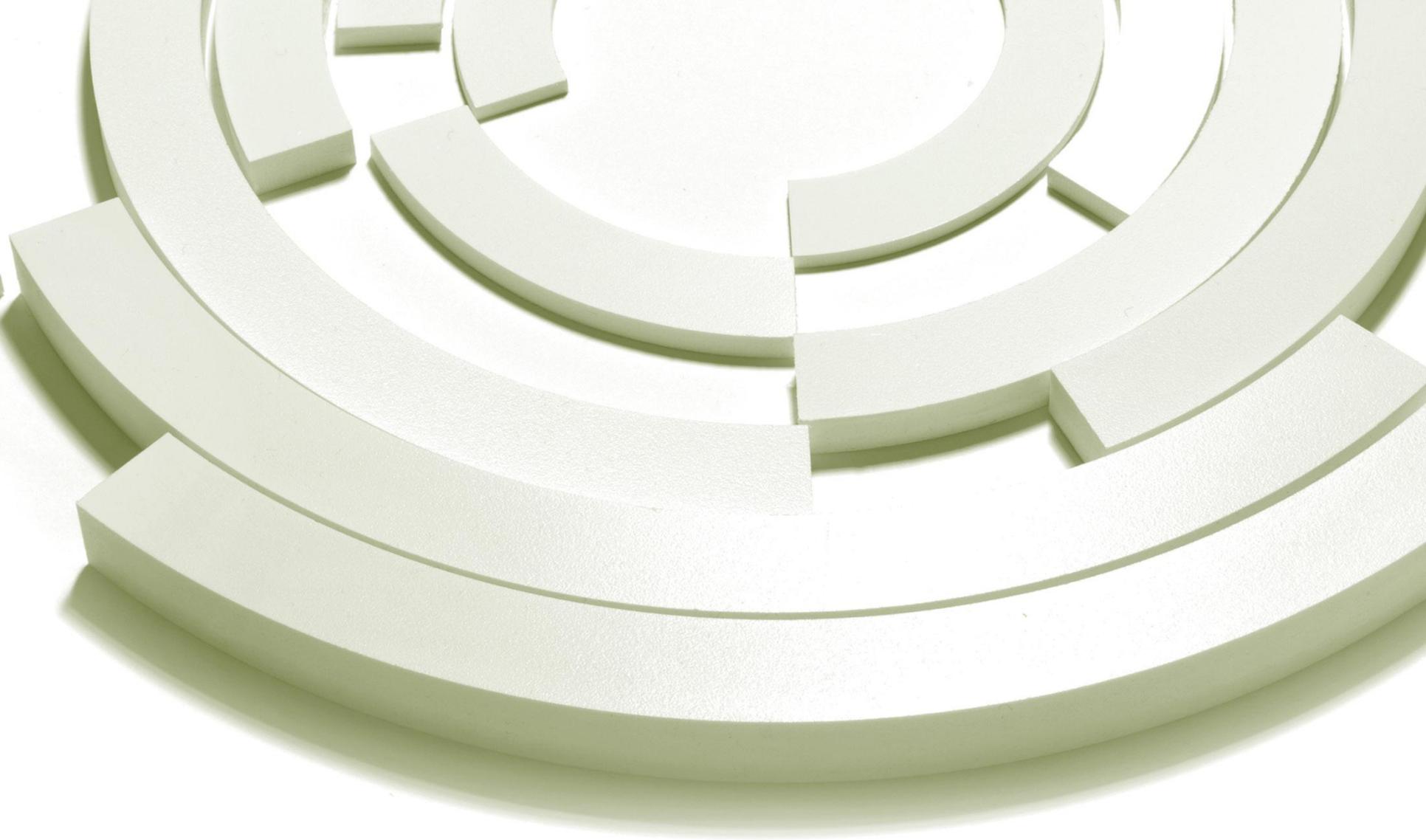
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# Transaction highlights

# Transaction highlights

- Truth Hardware is a North American manufacturer of window and door hardware
- Excellent strategic and operational fit
  - Complementary products, capabilities and customer relationships
  - Well known and understood business model with clear route to integration
- Consideration of \$200m (£129m<sup>1</sup>) on a cash / debt free basis
  - Multiple 8.9x EBITDA 2012A
- Estimated cost synergies of c. \$5m per annum fully realisable from 2015 onwards
  - One off costs of c. \$2.5m<sup>2</sup>

**Notes**

1. Converted at £1 : \$1.55 exchange rate
2. Includes an estimate to convert Truth Hardware to Amesbury's new ERP system – no final decision has been taken

# Transaction structure and effects

- \$100m (£65m<sup>1</sup>) new debt facility and c. £73m fully underwritten Equity Issue
  - Anticipated Firm Placing of c. £13m and Placing and Open Offer of c. £61m
  - Pro forma leverage of 2.6x on completion, reducing to within core target range by December 2013
- EPS accretive in the first full financial year of ownership
- Estimated completion by late June 2013
- Move to the Main Market shortly following completion



**Tyman current  
markets & trading**

# Tyman current markets & trading

## Amesbury

**Housing market in North America appears more robust today than at any point in the past five years**

- Further growth expected for Amesbury in 2013
- 2013 order intake ahead of 2012
- Well positioned to benefit from upcoming seasonally higher demand months

## grouphomesafe

**Overall market likely to contract in 2013; although the Group aims to take further market share**

- Business transformed by corporate activity
- Will grow market share in 2013 through organic growth, new product introductions and growing the Fab & Fix offering
- 2013 - import cost inflation potential factor

## Schlegel International

**Euro markets remain difficult; opportunities in emerging markets**

- Rebalancing of our European footprint gives us the right platform for seals in Europe
- Australasian markets more robust in 2013
- 2013 focus on S. America and SE Asia

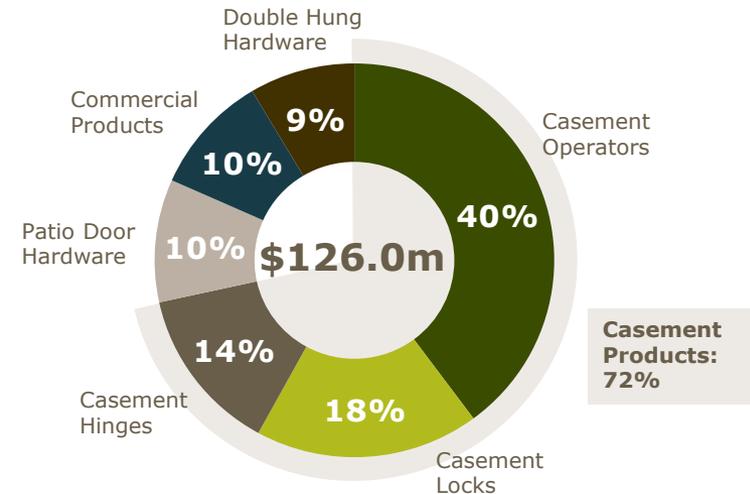


# Overview of Truth Hardware

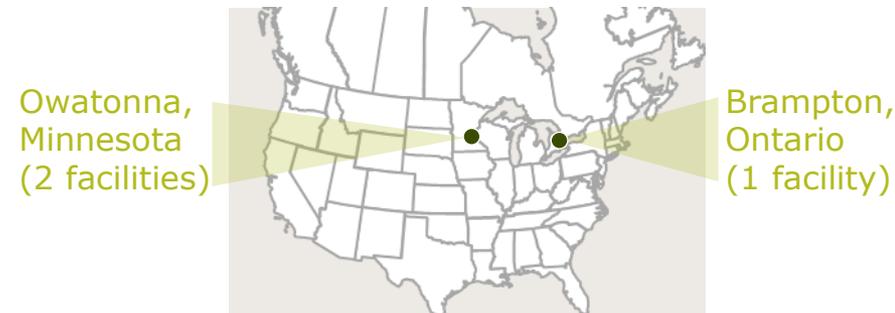
# Overview of Truth Hardware

- North American window and door hardware manufacturer
- Customer base of North American fenestration OEM's
- Track record of new product development
- Well-invested manufacturing base
- Employs c. 700 people throughout North America
- Revenues of \$126.0m and EBITDA of \$22.5m (17.9% EBITDA margin) in 2012
- c. 70% of sales were to US customers in 2012 and c. 30% to Canadian customers
- Owned by Melrose Industries PLC since 2008, formerly part of FKI plc

## Revenue split 2012



## Manufacturing footprint



# Product offering

## Casement Products

- Casement Operators
- Casement Tie Bar and Locks
- Casement Hinges



Percentage of  
2012 revenues

72%

## Patio Door Hardware

- Sentry Bi-fold Door Hardware
- Sidelite Hardware
- Custom Rollers for Sliding Doors



10%

## Commercial Products

- Push-Out Hardware
- Maxim Style Locks
- Euro Groove System



10%

## Double Hung Hardware

- Fusion Series
- Harmony Series



9%

# Complementary product offering

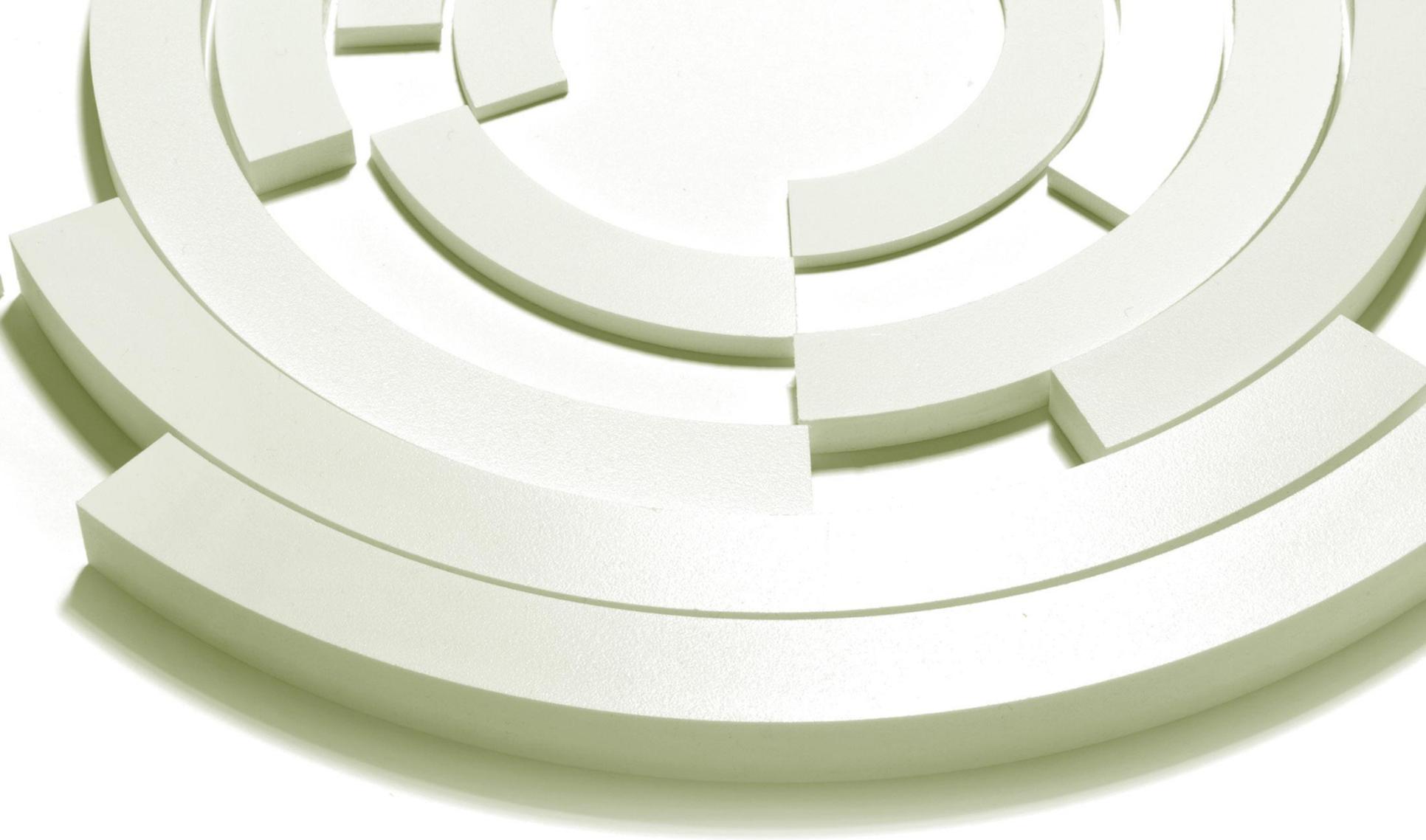
	Amesbury	Truth Hardware	Enlarged US Group
<b>Windows</b>			
Casement window hardware	✓	✓	✓
Hung window hardware	✓	✓	✓
Window extrusions	✓		✓
Window seals	✓		✓
<b>Doors</b>			
Patio door hardware - swing	✓	✓	✓
Patio door hardware - sliding	✓	✓	✓
Door extrusions	✓		✓
Door seals	✓		✓

**Enlarged combined product offering of window and door hardware products to the North American market**

**In particular, Truth Hardware provides the group with a highly complementary Casement offering where Amesbury has no significant sales**

**Opportunity to sell Truth Hardware products through group homesafe and Schlegel International networks**

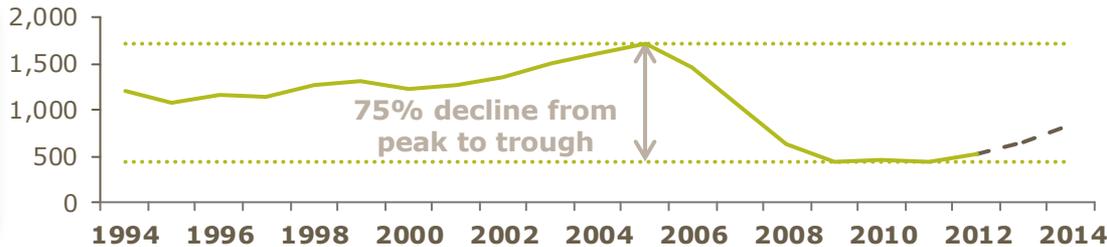
 Indicates core offering



**Acquisition rationale**

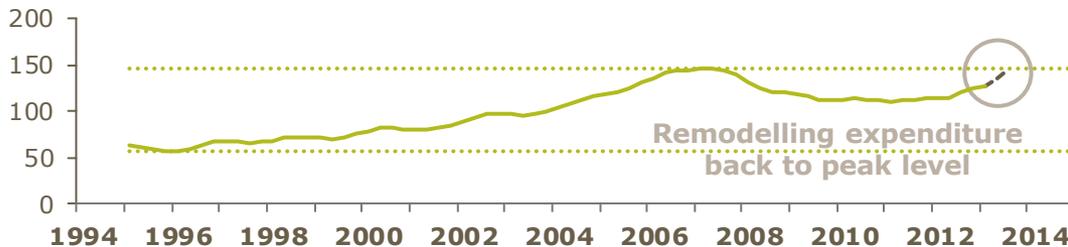
# US and Canada housing market outlook

**US Single Family Housing Starts ('000s per annum)**



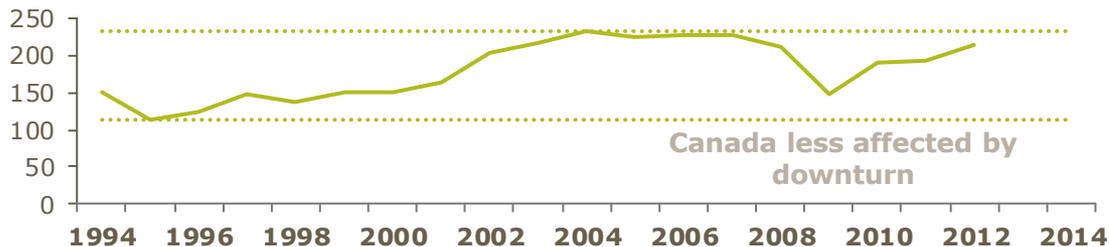
**Recovery from historic lows is underway and expected to continue**

**US Remodelling Expenditure (index)**



**Supported by a rebound in remodelling expenditure**

**Canada Housing Starts ('000s annualised)**



**Continued recovery from 2008 / 2009 downturn**

# Acquisition rationale

**Enhanced  
position in the  
North American  
market**

- Strategic opportunity in North America
  - Robust market outlook
- Significantly enhances Tyman's current position in a key market
  - Trusted brand
  - Expanded engineering, design and manufacturing capabilities
- Highly complementary product portfolio
  - 72% of 2012 revenues from casement product categories
  - Adds casement product offering where Amesbury has no significant sales
- Broadens and enhances OEM relationships
  - Access to new customers in Canada

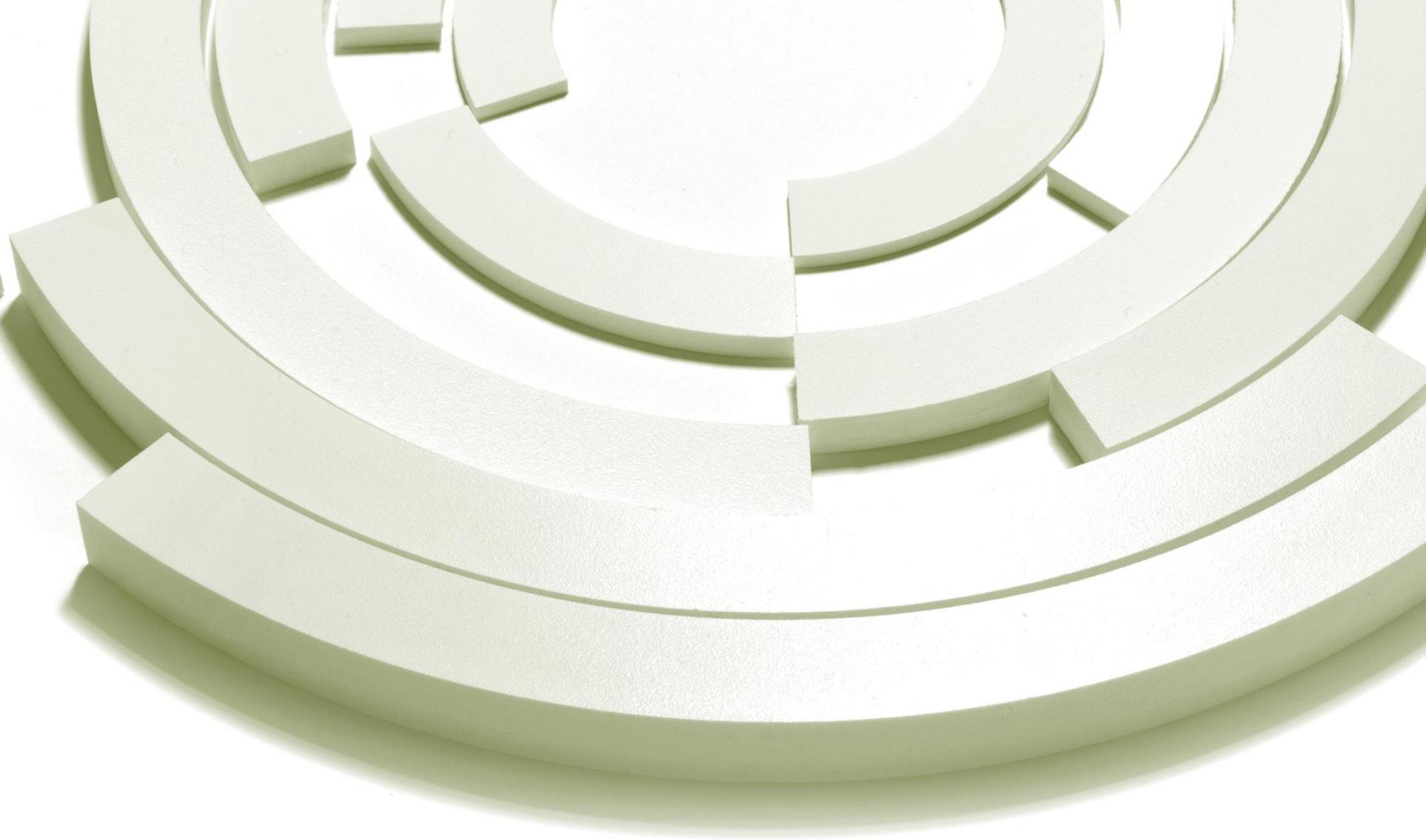
# Acquisition rationale

## Operational fit

- Well-invested, strategically positioned facilities
  - Targeted investment in automation
- Flexible business model
- Spare capacity eliminating the need for major investment for future growth
- An established Canadian manufacturing facility with potential for meaningful presence in the Canadian market

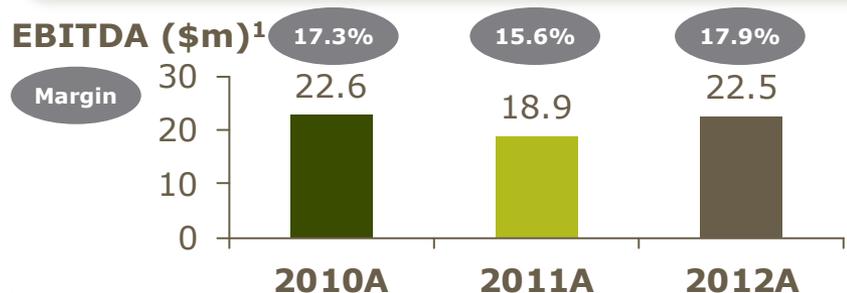
## Financial effects

- Track record of top-line performance
- Strong margins
- Strong cash generation
- Estimated synergies of c. \$5m per annum fully realisable from 2015 onwards
- EPS accretive in the first full financial year of ownership



**Financial effects**

# Truth Hardware – Key financials



- Consistent financial track record
- Profit and cash delivery during the market downturn
- Well-positioned for future growth

## Market highlights

- 2010 - New build incentives
  - R&R incentives
- 2011 - No incentives
  - Market contraction
- 2012 - Small growth in market

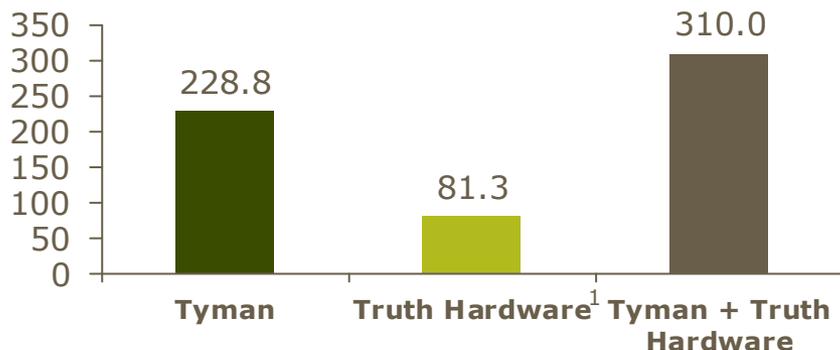
**Notes**

1. Underlying
2. Based on management reporting

# Tyman and Truth Hardware combined (2012)

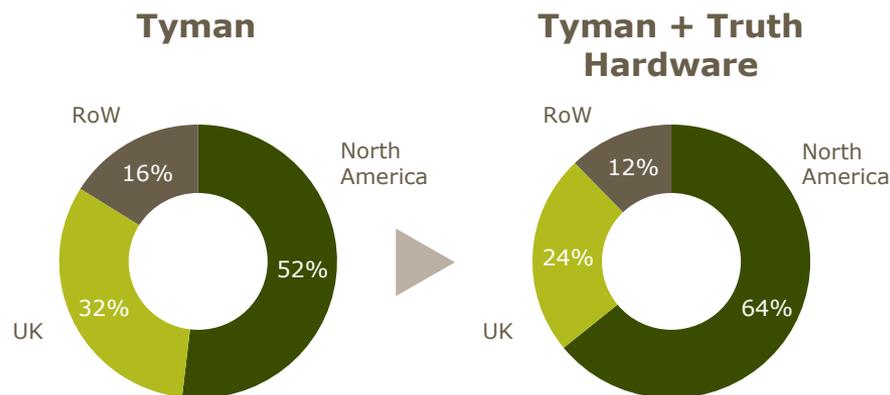
## Revenue (£m)

% increase



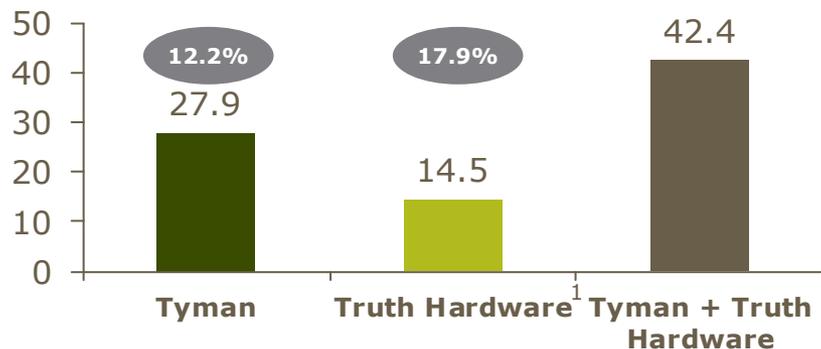
## Revenue (£m)

Geographical split



## EBITDA (£m)

% margin



**Strategic acquisition to enhance Tyman's market positioning in North America**

**Significant sales growth expected from increased exposure to the North American growth market**

**Significant EBITDA margin enhancement expected**

**Notes**

1. Truth Hardware financials converted at £1 = \$1.55 exchange rate
2. These figures represent the sum of Tyman and Truth Hardware standalone revenues and EBITDA and do not reflect synergies, acquisition related costs or any other effects of combination

# Cost synergies

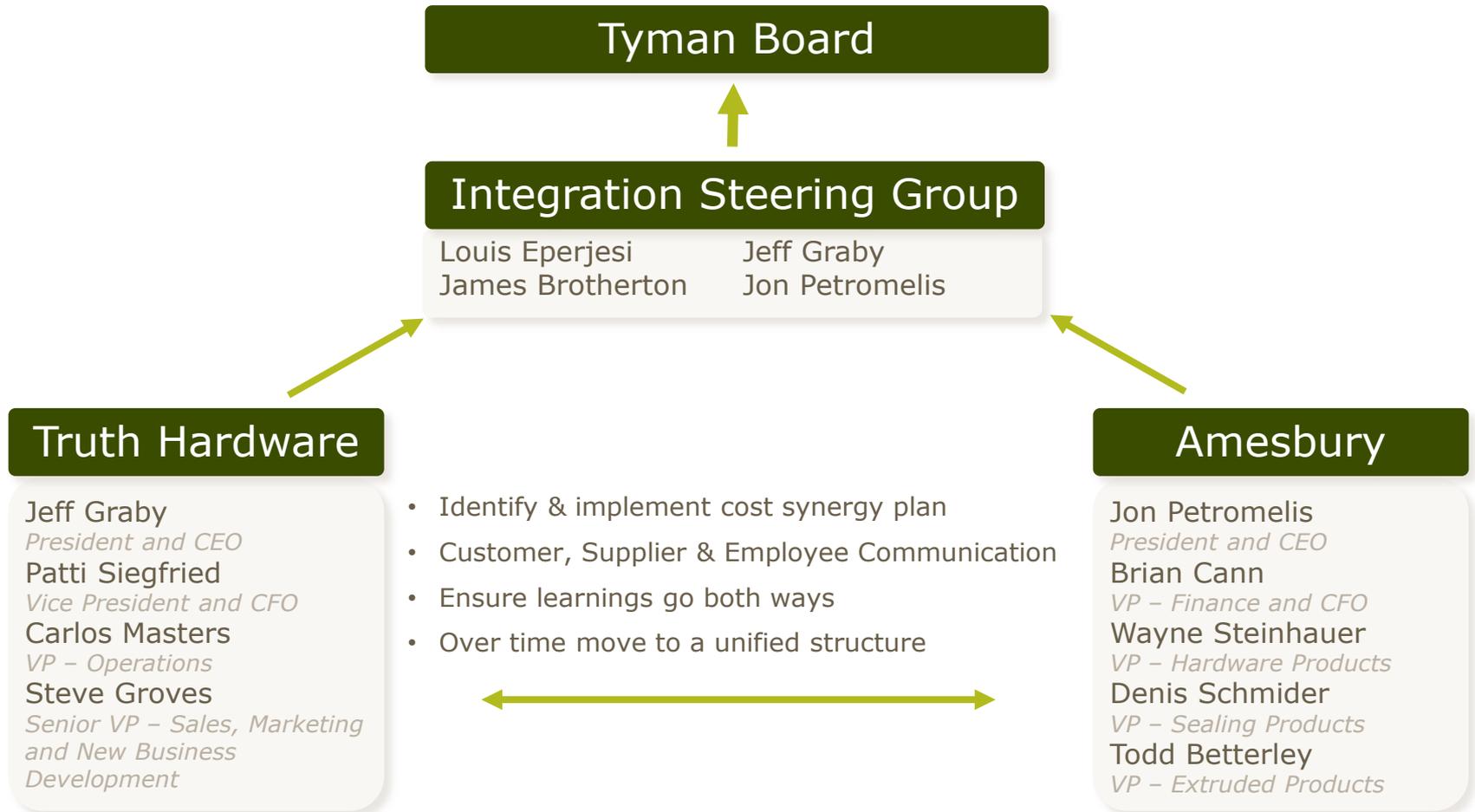
## Scope

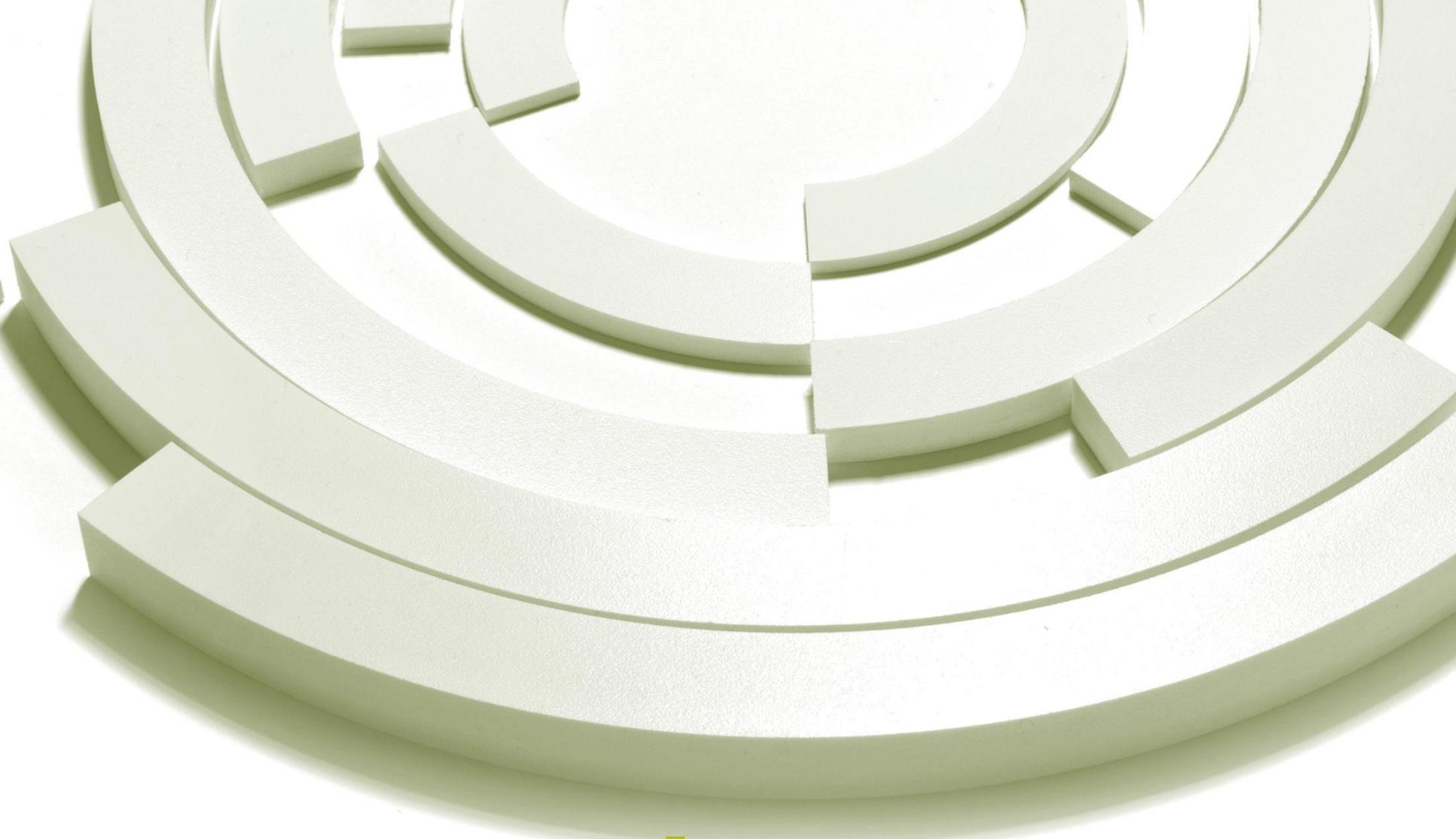
- Optimisation of overlapping product lines
- Consolidation of manufacturing processes, particularly in the areas of stamping, die-casting and plating
- Elimination of duplicate administrative overheads
- Alignment of sales and marketing resources
- Co-ordination of third party sourcing, freight and logistics

## Financial impact

- Estimated cost synergies of c. \$5m per annum fully realisable from 2015 onwards
- Expected one-off cash costs to implement the integration and deliver synergies are estimated at approximately \$2.5m
  - Includes an estimate to convert Truth Hardware to Amesbury's new ERP system – no final decision taken

# Integration plan





# **Transaction structure & timetable**

# Acquisition financing structure

Sources	£m	Uses	£m
<b>New debt facility</b>			
Term loan (June 2015)	c. 65	Purchase price (\$200m)	c. 129
<b>New debt (\$100m)</b>	<b>c. 65</b>	Transaction costs	c. 8
<b>New equity</b>			
Firm Placing	c. 13		
Placing and Open Offer	c. 61		
<b>Total new equity</b>	<b>c. 73</b>		
<b>Total sources</b>	<b>c. 138</b>	<b>Total uses</b>	<b>c. 138</b>

## Pro forma financial effects

### Leverage:

**2.6x Net Debt / EBITDA at completion**

**Reducing to within Tyman's stated through-the-cycle leverage target of 1.5x – 2.0x EBITDA by Dec 2013**

- New facility expected to be signed and committed prior to announcement
- New debt facility agreement to run to 30 June 2015, with no scheduled repayments until maturity
- The Group's current banking facilities run until March 2016, with limited scheduled repayments until maturity
- Average cost of debt on new facility 50bps lower than on existing facilities within expected leverage range
- The Firm Placing and Placing and Open Offer to be fully underwritten by Canaccord Genuity and HSBC

# Equity Issue details

## Firm Placing of c. £13m

- Firm Places to conditionally subscribe for 6.9m New Ordinary Shares equivalent to 4.99% of issued share capital<sup>1</sup> at the Issue Price

## Placing and Open Offer of c. £61m

- Placing subject to clawback to satisfy applications from shareholders under the Open Offer

## Other considerations

- Equity Issue fully underwritten by Canaccord Genuity and HSBC
- Equity Issue conditional, amongst other things, upon Admission to AIM
- In the event that the Acquisition does not complete, the Equity Issue will still proceed and Tyman intends that the net proceeds would be retained for a limited period for general corporate purposes and potential alternative acquisitions

Issue price per New Ordinary Share	185 per share
Open Offer basis	23 New Ordinary Shares for every 91 Existing Ordinary Shares
Estimated gross proceeds (including Firm Placing)	c. £73m
Estimated net proceeds	c. £65m

Number of Ordinary Shares currently in issue (including Treasury shares)	137.3m
Number of Firm Placing Shares to be issued pursuant to the Firm Placing	6.9m
Number of New Ordinary Shares to be issued pursuant to the Open Offer	32.8m
Number of Ordinary Shares in issue immediately following Admission to AIM	170.1m
New Ordinary Shares as a percentage of the Enlarged Share Capital immediately following Admission to AIM	23.4%

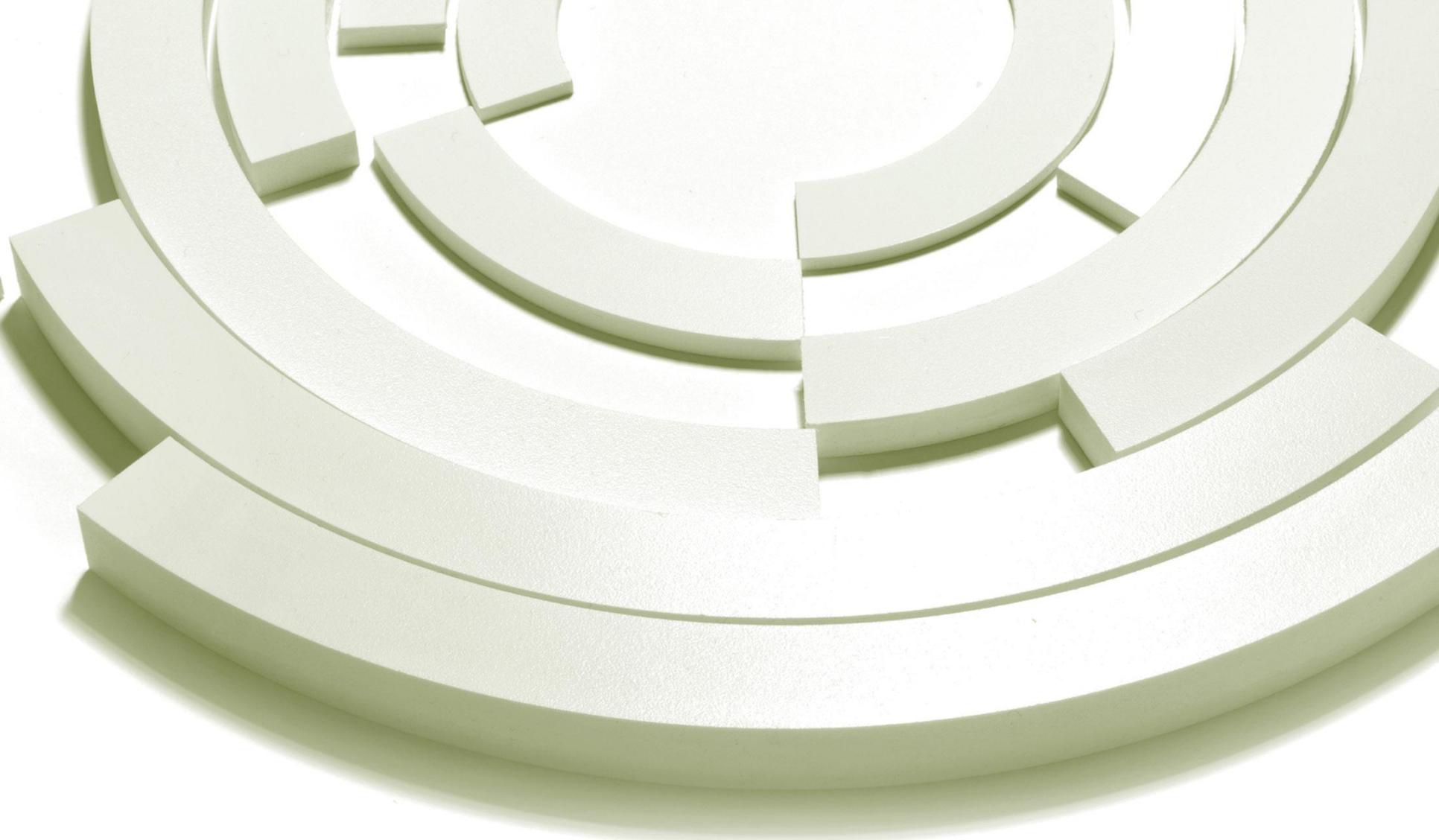
### Note

1. Issued share capital including treasury shares

# Expected timetable

Announcement of the Acquisition, Equity Issue and publication of Prospectus	1 May 2013
Ex-entitlement date for Open Offer	2 May 2013
Latest date for acceptance of Open Offer	20 May 2013
Results of Placing and Open Offer announced	21 May 2013
Admission of New Ordinary Shares to AIM and commencement of dealings on AIM	23 May 2013
Expected date of completion of the Acquisition	By late June 2013
Admission to the Official List and commencement of dealings on the Main Market	Shortly following completion of the Acquisition

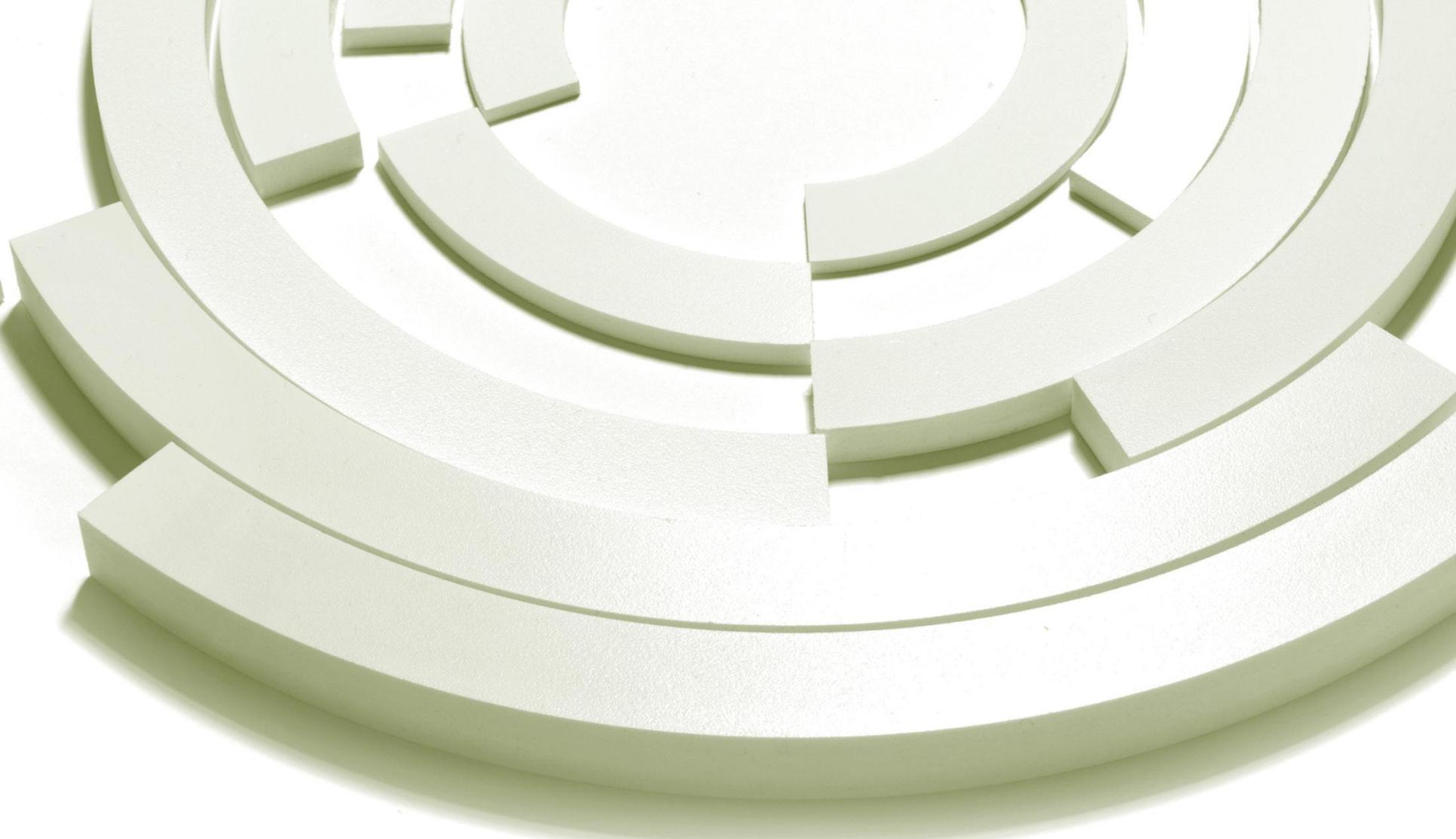
- On 12 March 2013 the Board announced that moving to the Official List would be an appropriate step in the continued development of the Group
- Tyman will proceed with this move shortly following completion of the Acquisition
- The move to the Official List and Main Market is contingent on completion of the Acquisition



**Q&A**

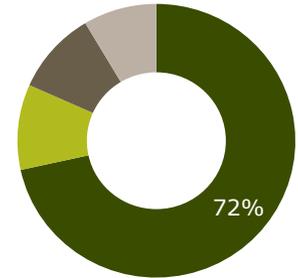


**Appendices**



**Further information  
on Truth Hardware**

# Casement products



## Casement Operators: \$50.5m sales (56%<sup>1</sup>)



## Casement Tie Bar and Locks: \$23.0m sales (25%<sup>1</sup>)



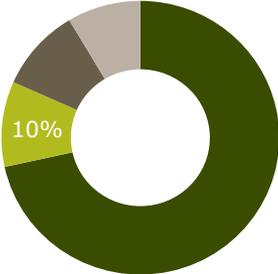
## Casement Hinges: \$17.2m sales (19%<sup>1</sup>)



**Notes**

1. Percentage of 2012 casement revenues
2. Percentage in the pie chart represents product contribution to 2012 Truth Hardware revenues

# Patio door hardware



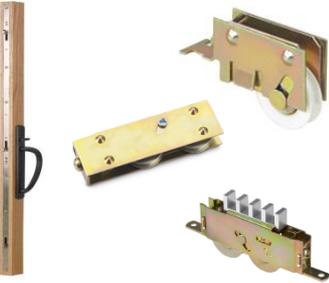
## The Sentry System



Sentry system



Sentry Side-lite



Nexus Sliding System



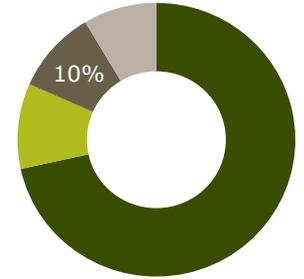
Bi-fold Hardware

## Sidelite Hardware



**Note**  
1. Percentage in the pie chart represents product contribution to 2012 Truth Hardware revenues

# Commercial products



## Push-Out Hardware



## Marvel Motorized Operations



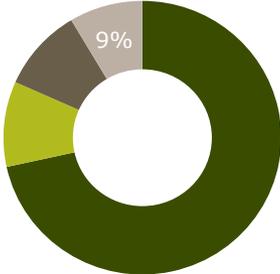
## Maxim Style Lock / Euro-Groove System



## Sentry II Motorized Operations



# Double hung hardware



## Fusion Series



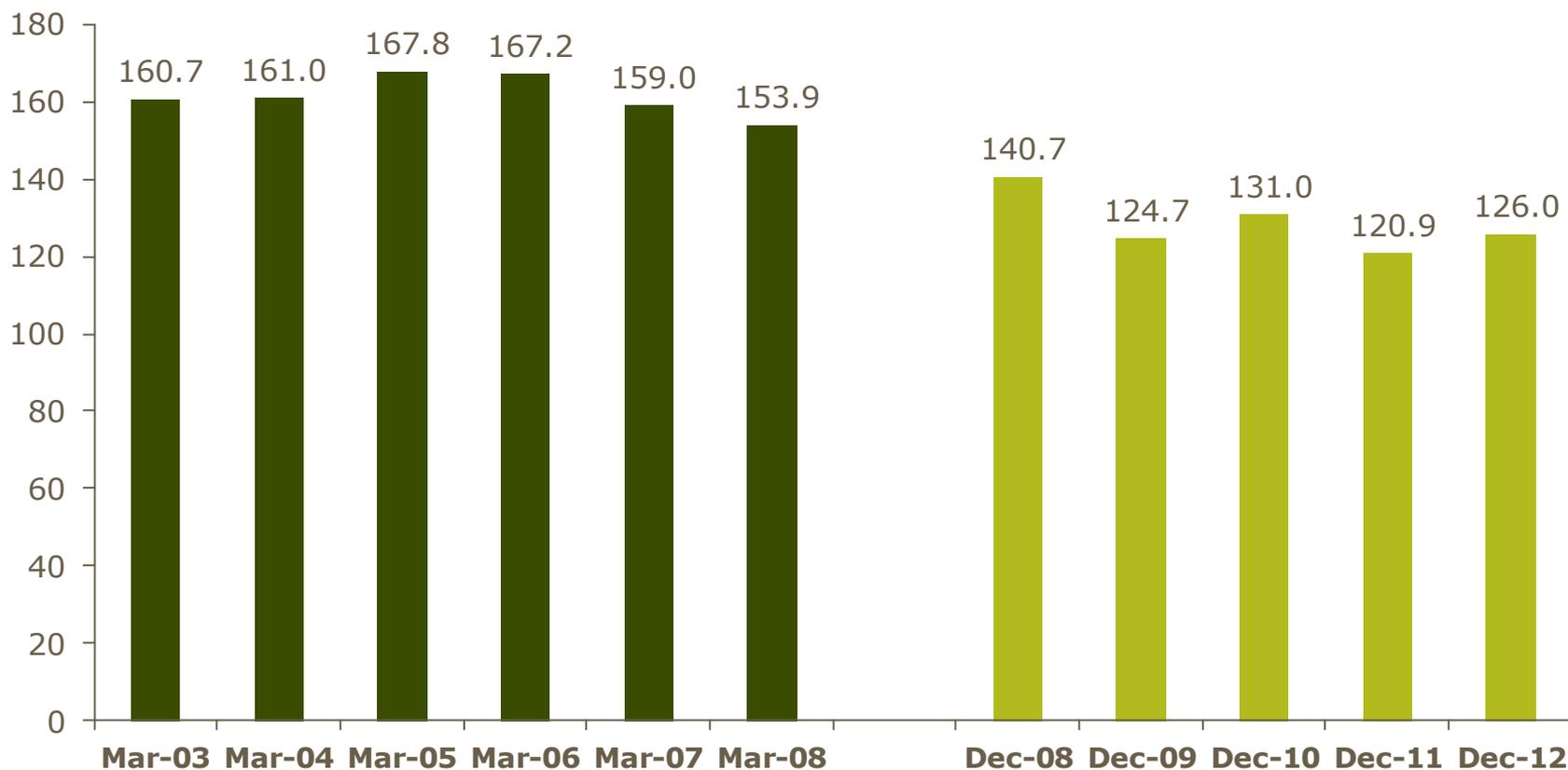
## Harmony Series



**Note**  
1. Percentage in the pie chart represents product contribution to 2012 Truth Hardware revenues

# Through-cycle revenue

Revenue (\$m)



# Senior management team

## **Jeff Graby**

President and Chief Executive Officer

- Joined Truth Hardware in April 2012 and prior to joining Truth Hardware Jeff Graby was Senior Vice President of Operations at Interface Solutions from March 2010 to March 2012
- From January 2004 to March 2010 Mr. Graby was President and Chief Operating Officer at RAM Industries/Schneider Electric
- From 1983 until January 2004 Mr. Graby was employed by FES/GEA and from 1996 to 2004 was President of FES/GEA

## **Patti Siegfried**

Vice President and Chief Financial Officer

- Joined Truth Hardware in 1981 and held numerous finance roles within Truth Hardware before being appointed to her most recent role as Chief Financial Officer

## **Carlos Masters**

Vice President of Operations

- Joined Truth Hardware in July 2011. Prior to joining Truth Hardware Carlos Masters was country manager for Freudenberg from September 2008 to July 2011
- From 2006 to 2008 Mr. Masters was Director of Operations at Kautex Textron
- From 2001 to 2006 Mr. Masters was VP of Operations at American Standard

## **Steve Groves**

Senior Vice President Sales, Marketing and New Business Development

- Joined Truth Hardware in March 2005. Prior to joining Truth Hardware he was a Director of Industrial Products at Donaldson Company from 2000 to 2005
- Mr. Groves also previously held management positions at Andersen Window and Doors from 1980 to 2000 mostly recently as Director of Strategic Planning

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