TYMAN

Tyman plc

Results for the year ended
31 December 2020

Highlights

Highlights

- Strong recovery from COVID-19 in H2 saw growth of 5% against H2 2019; full year LFL revenue down 6%
- Cost reductions and benefits of self-help initiatives mitigated the full year revenue shortfall, resulting in adjusted operating margin slightly ahead of 2019 and LFL adjusted operating profit down only 6%
- Good progress on self-help measures:
    - Encouraging level of North American customer wins
    - Successful execution of planned footprint realignments
    - Momentum gained with continuous improvement activities
- Strategic initiatives continued to bear fruit, driving market share gains across the Group
- Reduction in safety incidents of 22% indicative of operational excellence progress
- Strong cash generation with cash conversion of 131% and reduction in leverage to 1.1x, achieving low-end of new target range
- Repayment in December 2020 of £2.3m received under the UK Government's Job Retention Scheme
- Modest final dividend declared of 4p per share, reflecting the strong performance in H2 2020 and the robust balance sheet position

COVID-19

Balancing interests of stakeholders while ensuring our resilience

- Stakeholders
  - Top priority was safeguarding our people and communities, while continuing to serve our customers
  - Repaid UK government job retention receipts of £2.3m in H2
- Solid start to 2020
  - LFL growth in North America Q1
  - LFL growth in UK prior to impact of COVID-19
  - International markets remained challenging
- Trading progressively impacted from mid-March
- Strong rebound in demand from mid-May across most major markets
  - Driven by pent-up demand, increased time spent at home, higher savings levels, “nesting” and “urban flight”
  - Pressure on inventory and service levels due to rapid increase in demand
  - Some operational inefficiencies due to COVID-related absenteeism
- Momentum continued into early 2021

LFL revenue vs 2019

	Q1	Q2	Q3	Q4	FY 2020
North America	+2%	-24%	+1%	+11%	-3%
UK & Ireland	-1%	-54%	+3%	Flat	-13%
International	-17%	-27%	+9%	-1%	-9%
Group	**-2%**	**-29%**	**+3%**	**+7%**	**-6%**

Strategy

Focus our activities. Define 'One Tyman'. Grow in existing & adjacent markets

Focus

Drive Margin Expansion

- Rationalise: streamline footprint; harmonise product portfolio
- Optimise: integrate M&A; implement lean initiatives; tune systems/processes

Sustainable Operations

- Transform the safety and environmental performance of our operations & supply chain

Define

Create Stronger Base for Long-term Growth

- 'One Tyman': build cultural cohesion to facilitate synergy extraction
- Tyman Excellence System: establish a clearly-defined business system for best practice development and propagation

Sustainable Culture

- Ensure our culture enables our diverse talent to contribute to their best and our business to create long-term value

Grow

Deliver Sustainable Growth

- Organic: Strengthen share in core markets through excellent customer service, new product introductions and channel expansion initiatives
- Acquisitive: Supplement by targeted M&A in the mid-term as Tyman remains natural consolidator in fragmented market

Sustainable Solutions

- Ensure our solutions have a positive impact in making the world more sustainable

2020 strategic progress

Good progress on strategic priorities; sustainability embedded in strategy

FOCUS

Rationalise

- Successful execution of footprint realignments
- Divestment of Ventrolla
- Progressed portfolio harmonisation across Amesbury, Truth & Ashland brands

Optimise

- Accelerated improvement at Statesville
- Good progress in integrating and strengthening recent acquisitions

Sustainable operations

- Lost time incident frequency rate improved by 22%
- Defined environmental targets

DEFINE

Establish 'One Tyman'

- Shared purpose and values defined, underpinned by Code of Business Ethics
- Employee brand strategy finalised

Develop the 'Tyman Excellence System'

- Launch of Safety Excellence leadership training programme
- Established Lean Excellence roadmap & capability

Sustainable culture

- Extensive employee engagement
- Sustainability roadmap established

GROW

Executing well in serving customers

- North America net wins of c. $4m*
- Enhanced communication to manage demand

Innovation for differentiated value

- New launches for connected home & other sustainability-enhancing products

Channel expansion

- Further momentum with International 'all in one' strategy & system house partnerships
- Progress in developing e-commerce channel

Cross-portfolio leverage

- Cross-divisional teams established
- Created $4m* of additional door seals capacity

Sustainable solutions

- 17% of revenues positively contribute to SDGs
- First C2C product certification

* Annualised revenue

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Financial review

2020 financial highlights

Revenue	Operating profit[2]	EPS[2]
£572.8m *-7% (Reported)* *-6% (LFL[1])* 2019: £613.7m	**£80.3m (Margin: 14.0%)** *-6% (Reported)* *-6% (LFL[1])* 2019: £85.4m (13.9%)	**27.2p** *-1%* 2019: 27.5p

ROCE[3]	Cash conversion	Leverage[4]
12.3 % *+30 bps* 2019: 12.0%	**131%** *-130 bps* 2019: 132%	**1.1x** *-0.6x* 2019: 1.7x

Notes – for Definitions and reconciliation of APMs see the Results Announcement published on 4 March 2021

(1) Constant currency, excluding the impact of acquisitions and disposals

(2) Adjusted

(3) Adjusted Operating Profit divided by average capital employed

(4) Calculated in accordance with banking covenants on a frozen GAAP basis (excluding the impact of IFRS 16)

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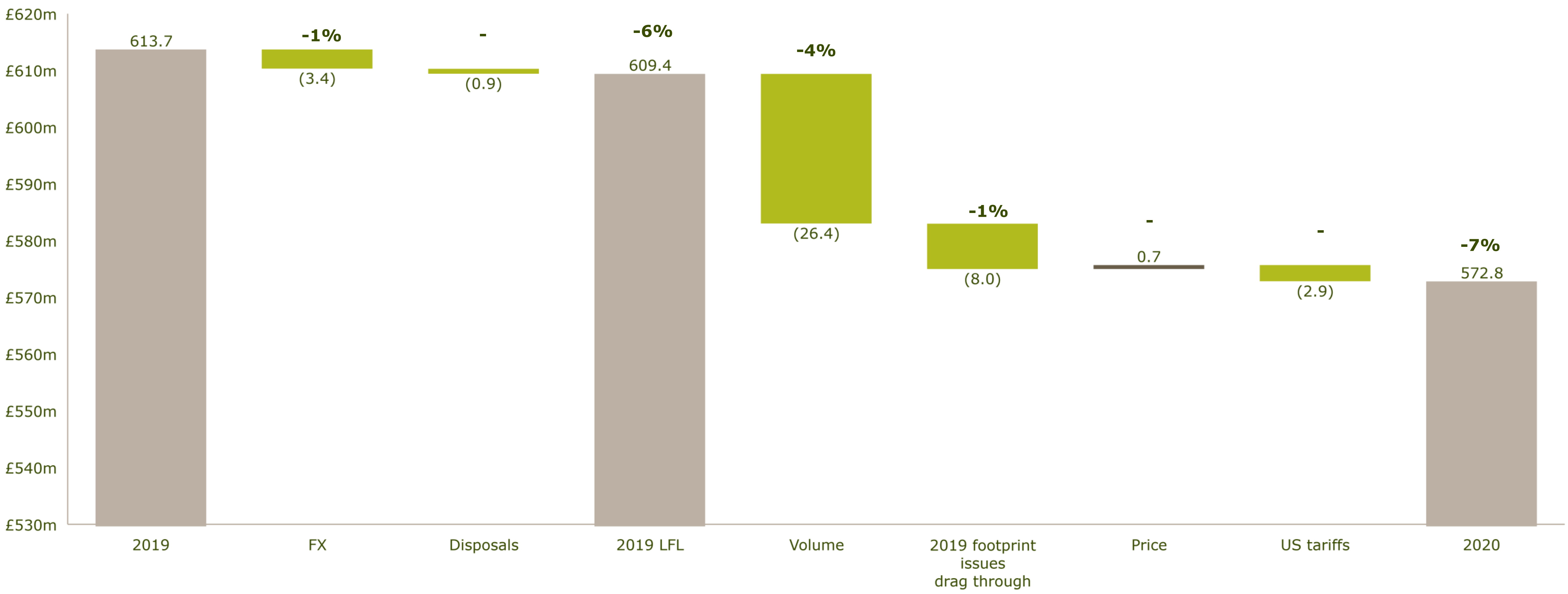
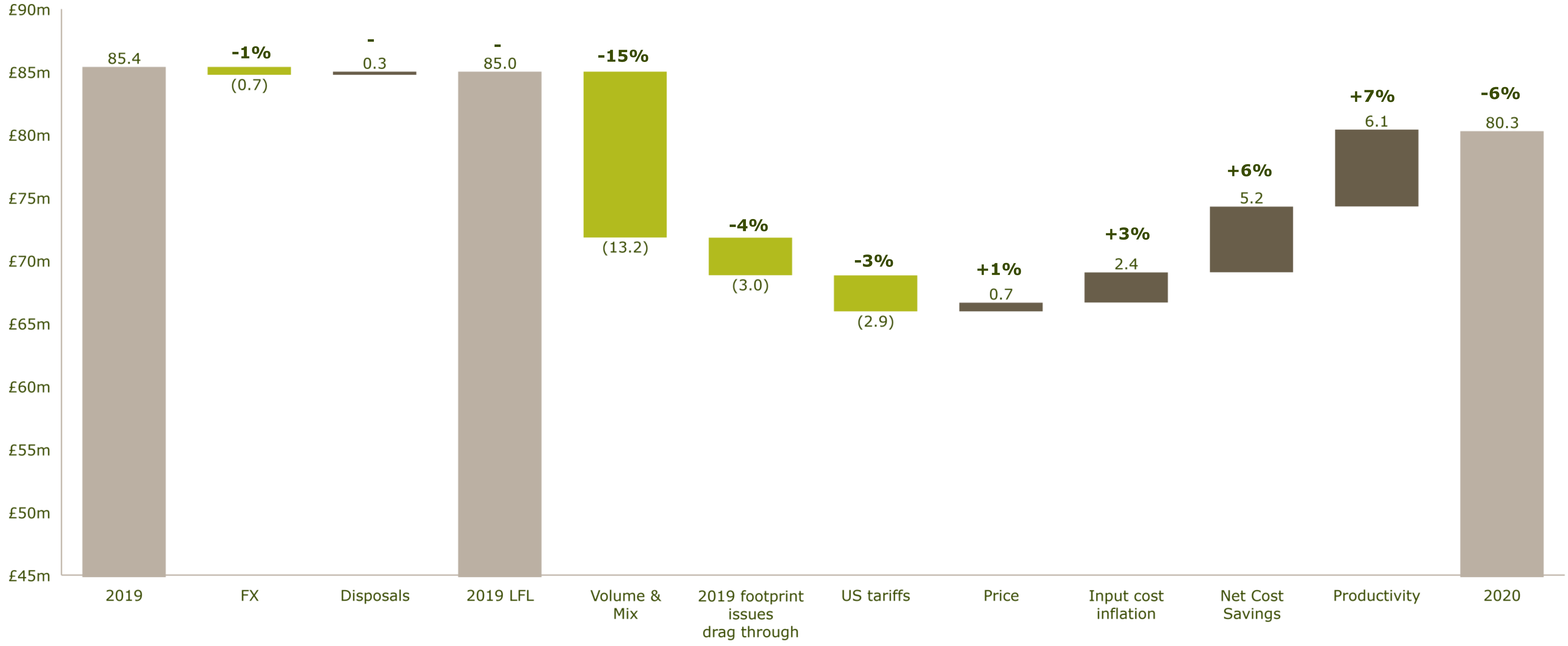
2020 revenue bridge

Bridge from reported 2019 to reported 2020



2020 adjusted operating profit bridge

Bridge from reported 2019 to reported 2020



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Divisional summary

Revenue (£m)	2020	2019	Change	LFL
North America	372.1	386.0	-4%	-3%
UK and Ireland	92.2	107.2	-14%	-13%
International	108.5	120.5	-10%	-9%

Adjusted operating profit (£m)	2020	2019	Change	LFL
North America	64.5	64.5	+0%	+1%
UK and Ireland	8.8	13.8	-36%	-37%
International	12.3	14.8	-17%	-17%

Adjusted operating margin	2020	2019
North America	17.3%	16.7%
UK and Ireland	9.5%	12.9%
International	11.3%	12.3%

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Cash flow

Free cash flow and operating cash conversion

Free cash flow

£m	2020	2019
Adjusted EBITDA[1]	**103.3**	108.3
Working capital[2]	**12.3**	15.3
Net capex	**(10.5)**	(10.7)
Operational cash flow	**105.1**	112.9
Pension contributions	**(1.7)**	(1.0)
Income tax paid	**(13.8)**	(14.2)
Net interest paid	**(12.5)**	(15.0)
Net exceptional cash costs	**(4.2)**	(11.3)
Free cash flow	**72.9**	71.4

Operating cash conversion

	2020	2019
Operating cash conversion[3]	**131%**	132%

(1) Adjusted EBITDA before non-cash items

(2) Excluding the effect of exceptional items in working capital

(3) Operating cash conversion is operational cash flow (which excludes lease payments) divided by adjusted operating profit

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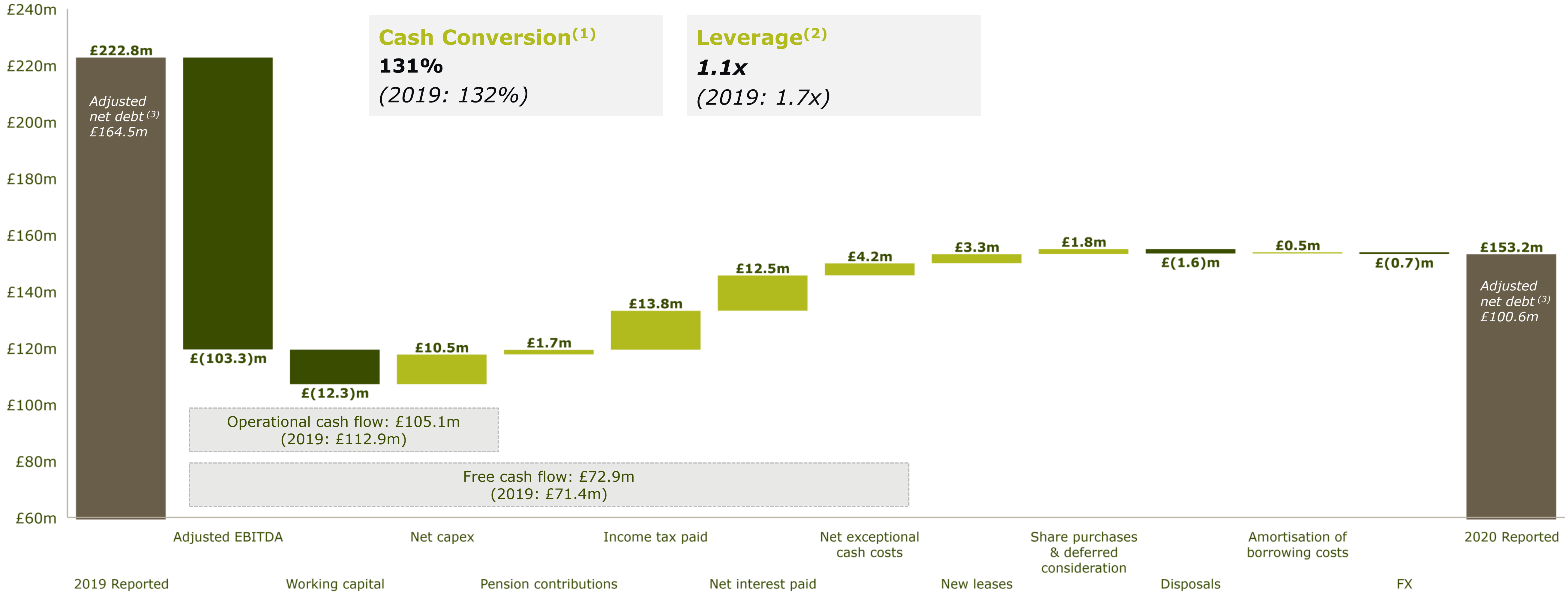
2020 net debt bridge

Bridge from reported 2019 to reported 2020 net debt



(1) Operating cash conversion is operational cash flow divided by adjusted operating profit
(2) Calculated in accordance with banking covenants on a frozen GAAP basis (excluding the impact of IFRS 16)
(3) Excluding lease liabilities of £53.8m (31 December 2019: £60.0m) and unamortised finance arrangement fees of £1.2m (31 December 2019: £1.7m)

Financial summary

- Strong recovery in H2 (+5%) left LFL revenue down 6% for the year
- Decisive action to manage costs resulted in slight margin improvement
- Robust balance sheet with leverage of 1.1x and liquidity headroom of £213m
- Modest final dividend declared of 4p per share, reflecting the strong performance in H2 2020 and the robust balance sheet position
- Momentum continues into 2021

2021 guidance

Revenue	↑
Operating margin	↑
Operating profit *(LFL)*	↑
Operating profit *(Reported)*	↑
Operating cash conversion	↓

Headwinds	Tailwinds
• COVID-19 uncertainty • Strengthening of £ translation effect (2020 average 1.28) • Reinstatement of discretionary spend • Raw material, freight & labour cost inflation; pricing to offset	• H2 2020 market momentum continuing into H1 • Further customer wins • Continuous improvement benefits

Impact of 1 cent change versus GBP	Revenue	Adj. operating profit
USD	£2.8m	£0.5m
EUR	£0.5m	£0.1m

Financial guidance

- Trade working capital trough to peak c. £25-£30 million; moderate full year outflow
- Capital expenditure £22 – £27 million
- Operating cash conversion c. 75% - 85%; long-term target remains at 90%
- Reinstatement of progressive dividend

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Divisional reviews

North America

Strong margin expansion from self-help alongside agile management through COVID-19

Highlights

- Strong rebound in demand since mid-May; carry-over of 2019 customer losses of c. $10m
- Net wins generated of c. $4m annualised revenue
- Planned footprint realignments successfully executed; further operational performance improvement at Statesville
- Portfolio harmonisation well underway
- Resilient performance by commercial access solutions business

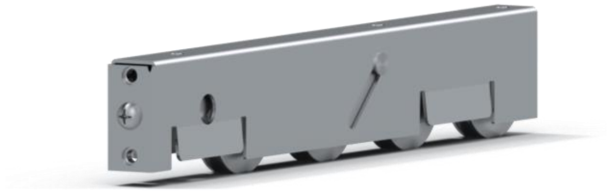
2021

- Cautious optimism: continued momentum in early 2021; strong housing fundamentals against ongoing effect of pandemic
- Commercial market to lag residential recovery
- Priorities:
  - Strengthen operational excellence to expand margin
  - Drive share gain through excellent execution & new products
  - Complete next phase of product portfolio harmonisation initiative

	2020	2019	Change	*LFL*
Revenue (£m)	**372.1**	386.0	-4%	*-3%*
Adj. Operating Profit (£m)	**64.5**	64.5	+0%	*+1%*
Adj. Operating Margin	***17.3%***	*16.7%*	*+60bps*	

	Q1	**Q2**	**Q3**	**Q4**	**FY 2020**
LFL revenue vs 2019	+2%	-24%	+1%	+11%	**-3%**

New product launches



Quad roller

Pawl lock

UK and Ireland

Strengthened portfolio with new product launches & divestment of Ventrolla

Highlights

- Strong start to year; good recovery since operations resumed in mid-May
- Ventrolla divested in November 2020
- Smartware range extensions and continued market traction
- Strong project pipeline in Access 360 despite weak commercial market

2021

- Uncertain outlook: Government support measures against expected rise in unemployment and weakened consumer confidence
- Priorities:
  - Drive traction of new product introductions
  - Further integrate and optimise Access 360 business
  - Drive e-commerce sales

	2020	2019	Change	*LFL*
Revenue (£m)	**92.2**	107.2	-14%	*-13%*
Adj. Operating Profit (£m)	**8.8**	13.8	-36%	*-37%*
Adj. Operating Margin	***9.5%***	*12.9%*	*-340bps*	

	Q1	**Q2**	**Q3**	**Q4**	**Full Year**
LFL revenue vs 2019	-1%	-54%	+3%	-0%	**-13%**

New product launches

ERA Protect

TrueGlide Balance

International

Self-help initiatives successfully executed; good progress with channel expansion activities

Highlights

- Weakness in core markets continued into early 2020; good demand recovery in H2
- Further momentum with ‘all in one’ strategy
  - Launch of fully-integrated website
  - Good traction with system houses
- Self-help initiatives executed as planned
  - Manufacturing ceased in Australia & China
  - Singapore & NZ closed
- Integration of Reguitti progressed

2021

- Uncertain outlook: diversity across markets on both macroeconomic fundamentals and risk of further COVID-19 restrictions
- Priorities:
  - Drive share gain in core markets through new product launches and channel expansion
  - Deliver further self-help initiatives

	2020	2019	Change	*LFL*
Revenue (£m)	**108.5**	120.5	-10%	*-9%*
Adj. Operating Profit (£m)	**12.3**	14.8	-17%	*-17%*
Adj. Operating Margin	***11.3%***	*12.3%*	*-100bps*	

	Q1	**Q2**	**Q3**	**Q4**	**Full Year**
LFL revenue vs 2019	-17%	-27%	+9%	-1%	**-9%**

New product launches

C.H.I.C door

Pull and slide system

Summary and outlook

Summary and outlook

- COVID-19 had a significant impact, but strength of market recovery through H2 significantly exceeded expectations
- Resilience of Tyman business model and strength of balance sheet demonstrated
- Good progress on self-help measures and strategic initiatives
- Outlook
  - Momentum continued into 2021; optimism this will continue through H1, but uncertainty beyond
  - Structural growth drivers remain positive, supported by new and emerging trends due to COVID-19
    - Low US housing stock, low interest rates, enhanced building codes, smart home uptake, design trends
    - Increased time at home, “nesting” and “urban flight” trends, higher savings, increased sustainability focus, accelerated adoption of e-commerce
- Group is well-placed to capitalise on opportunities and deliver further growth

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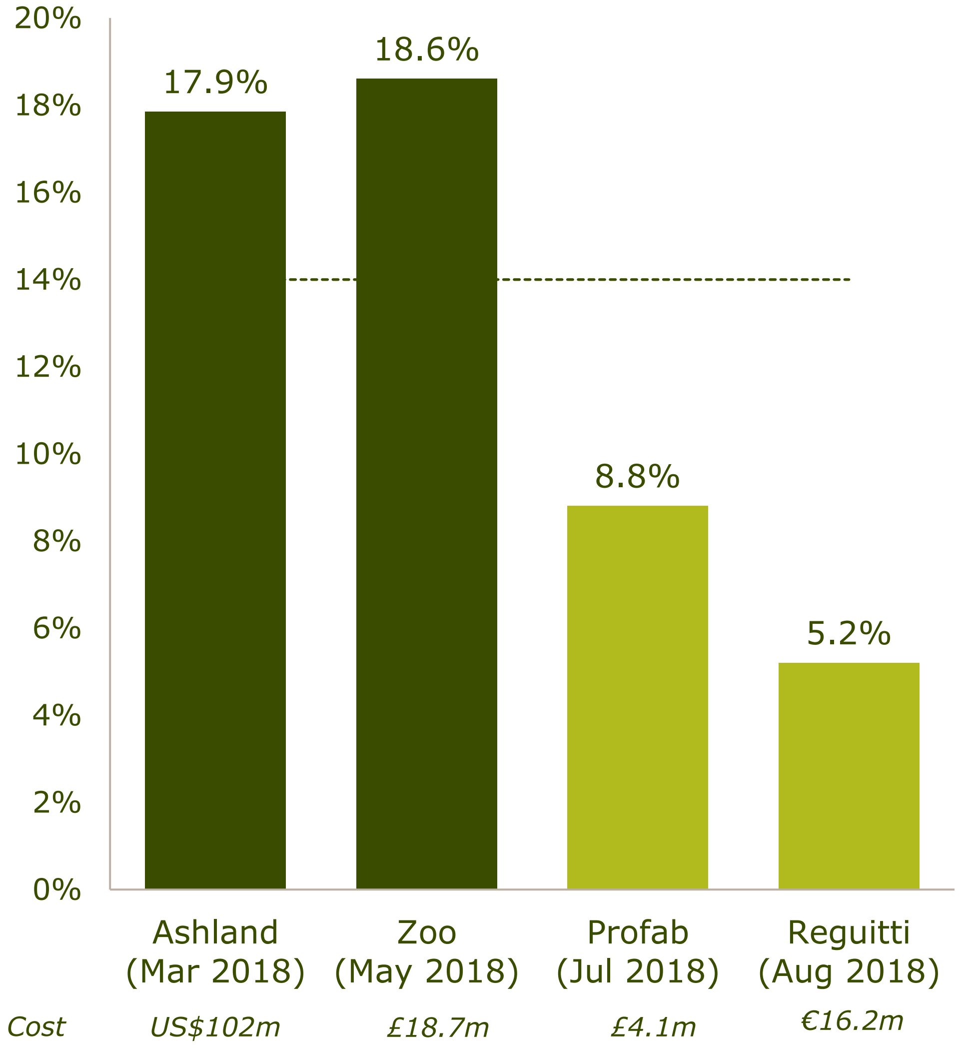
Appendices

Return on acquisition investment

Ashland and Zoo exceed minimum target return threshold after 2 years



- Ashland exceeds ROAI target after two years of ownership. US$5m of annualised synergy benefits achieved
- Zoo exceeds ROAI target after two years of ownership
- Profab performance impacted by operational bottlenecks in H2 2019 and COVID-19 in H1 2020. Sales and orders rebounded strongly since re-opening
- Reguitti performance significantly impacted by COVID-19, given location in Northern Italy

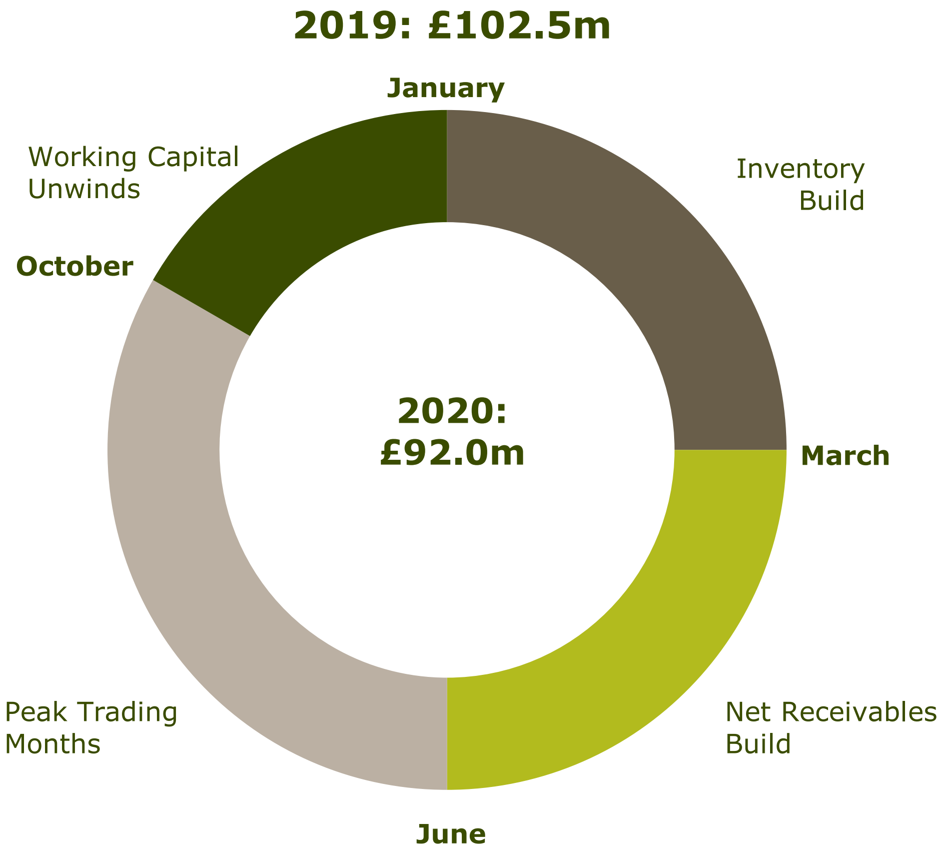
ROAI is measured over a two year period post-acquisition.

Ashland ROAI reflects run rate ROAI calculated over the twelve month period to 31 March 2020 and Zoo ROAI is calculated over the twelve month period to 30 May 2020, the two year acquisition anniversary. Profab ROAI is calculated over the twelve month period to 31 July 2020, the two year acquisition anniversary. Reguitti ROAI reflects run rate ROAI calculated over the twelve month period to 31 August 2020.

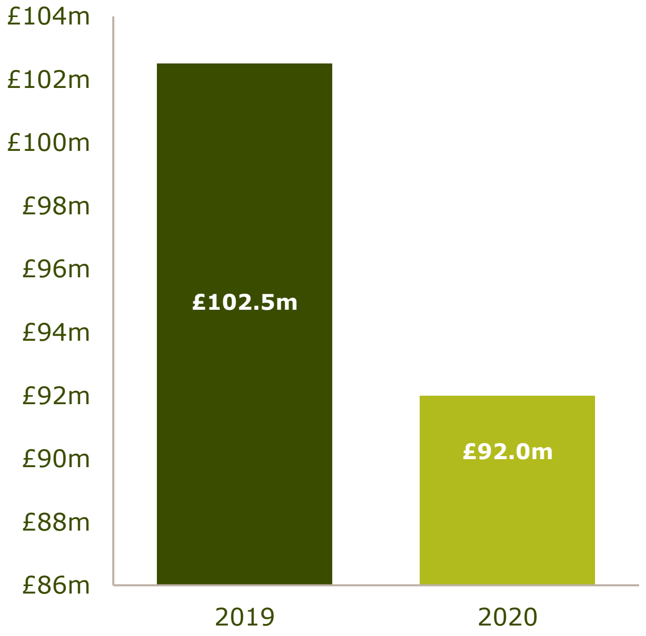
Working Capital

Reduced working capital levels due to impact of H2 demand

Trade working capital cycle



2020 trade working capital



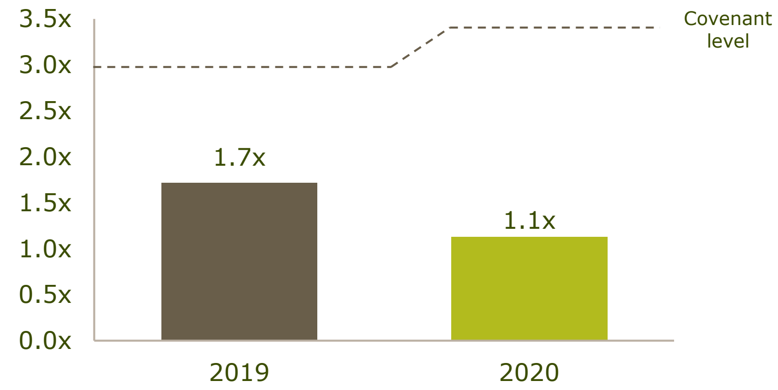
- Lower inventory due to rapid increase in demand after period of low production
- Higher trade payables due to increased activity towards end of year
- Exchange movement: -£1.4 million

Covenant performance

Leverage

- Total Net Debt to Adjusted[1] EBITDA must be < 3.5x
- Target Leverage range of 1.0x to 1.5x

(1) Includes annualised EBITDA of acquisitions and excludes 100% EBITDA of disposals



EBITDA headroom

63.1%

£60.1m

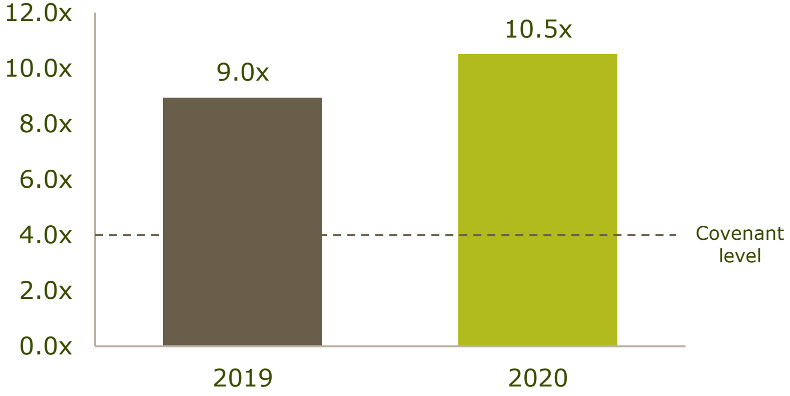
Relaxation of leverage covenant

- 3.5x at 31 Dec 2020
- 4.0x at 30 Jun 2021

This relaxation was agreed in June 2020 due to provide additional headroom due to the uncertainty driven by COVID-19

Interest Cover

- EBITDA to Net Finance Charges must be > 4.0x



EBITDA headroom

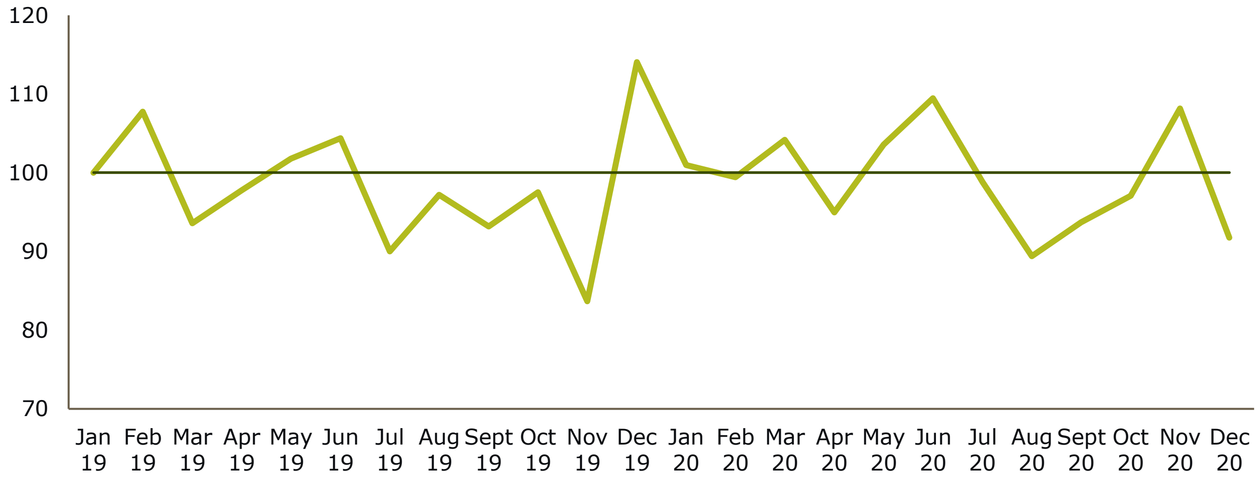
62.1%

£57.9m

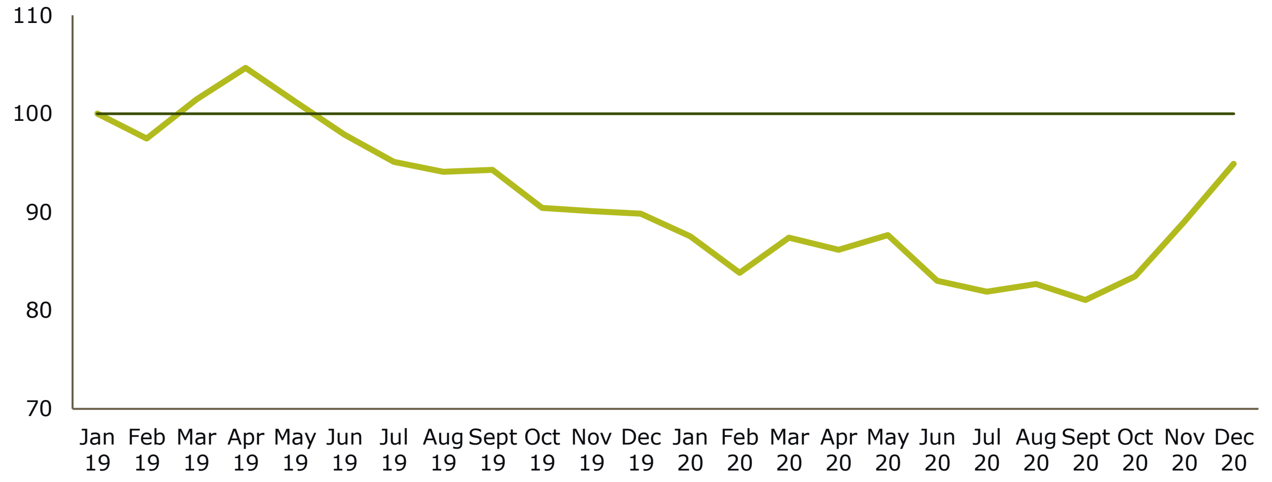
Metals input costs

Input costs moderated but began to rise in H2

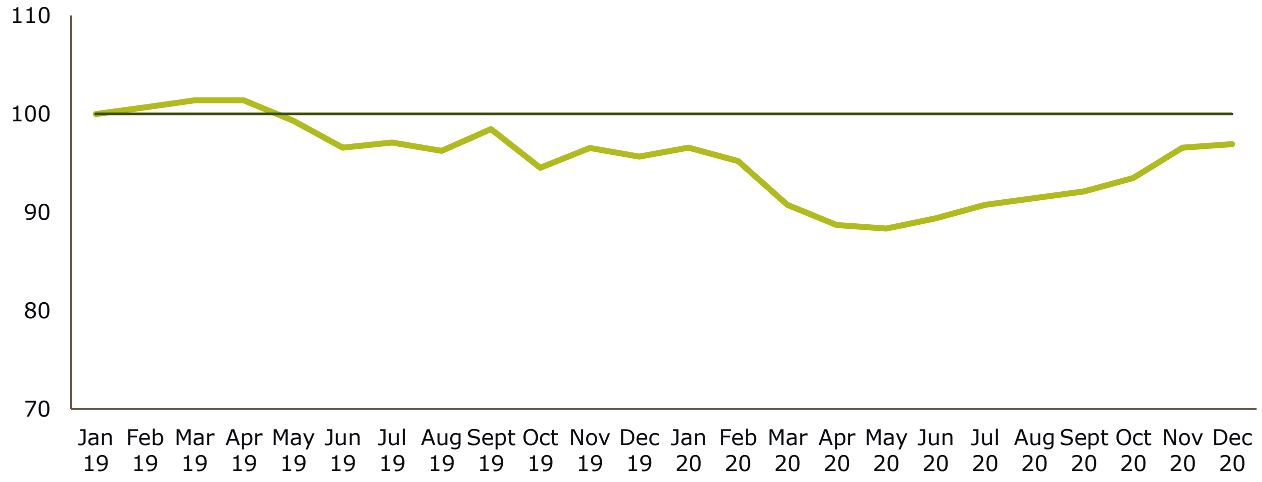
Stainless Steel (US)



Zinc (US)



Aluminum (Euro)



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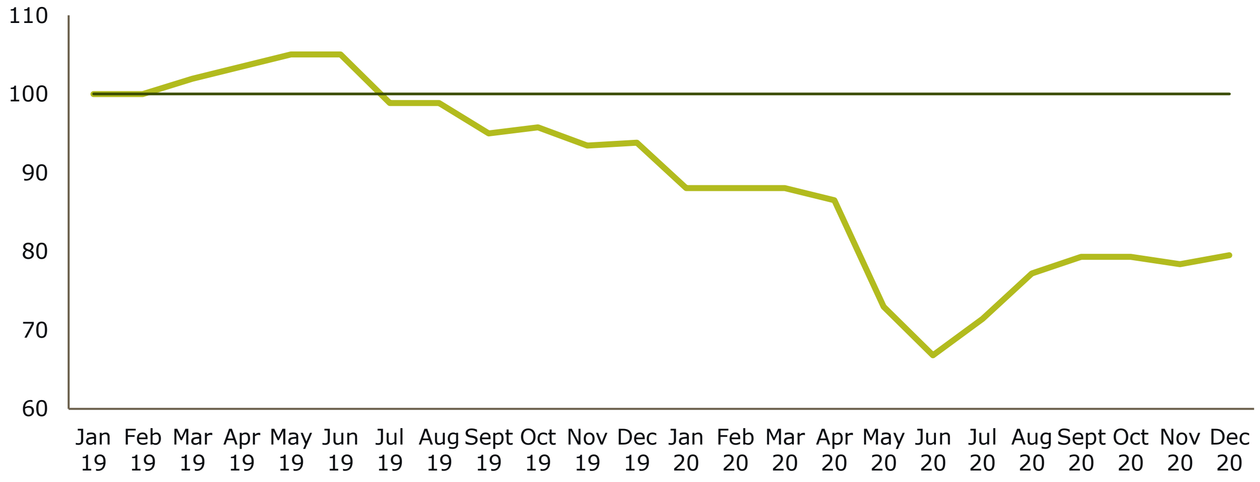
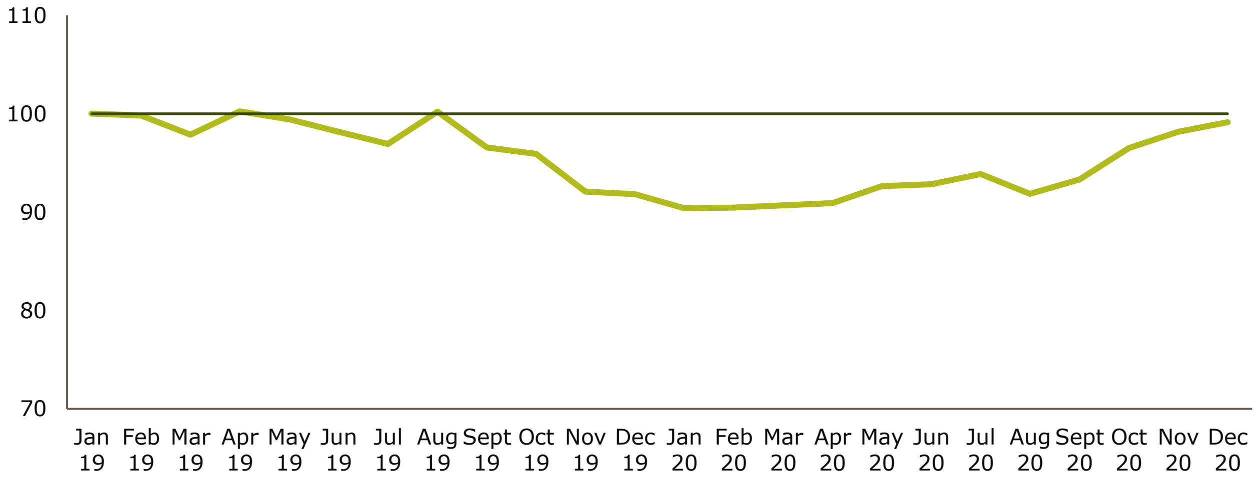
Oil derivatives and UK components input costs

Input costs moderated but began to rise in H2

Polypropylene (Euro)



Far East Components (UK)



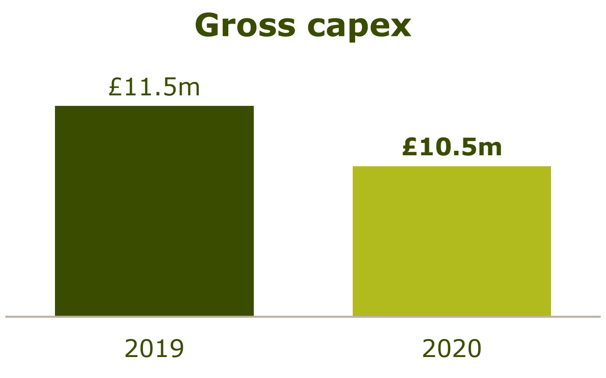
Pricing on a representative basket of components sourced from the Far East by ERA

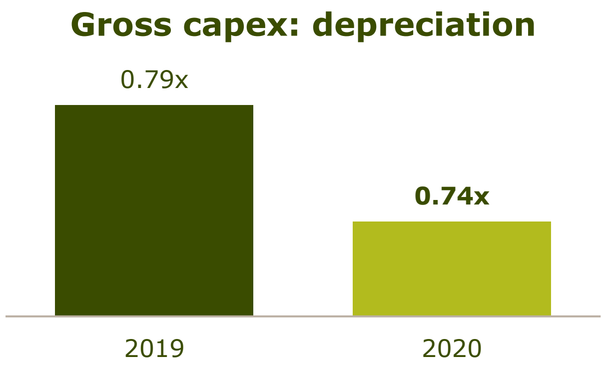
Other financial information

Capital Expenditure and Net Interest Payable

Capital expenditure

Gross Capex	(9)%
Net Capex	(2)%

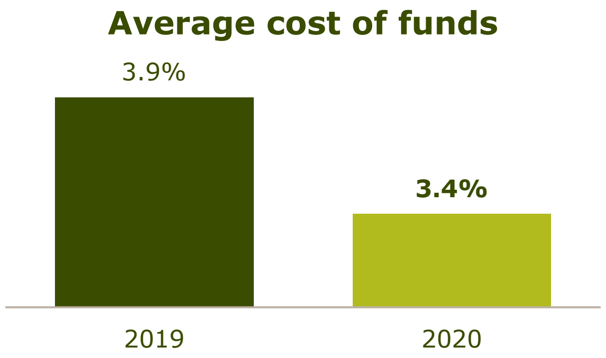


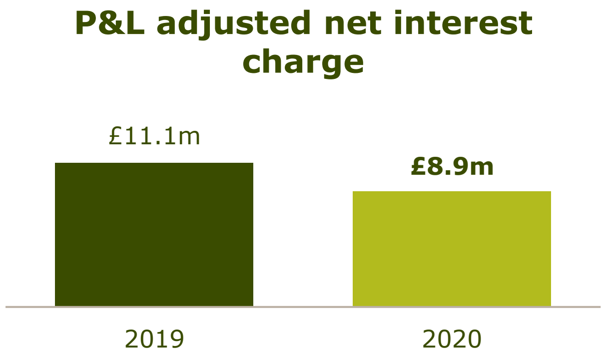


Managing capital allocation

Net interest(1)

Cost of funds	-50 bps
Int. Charge	(20)%





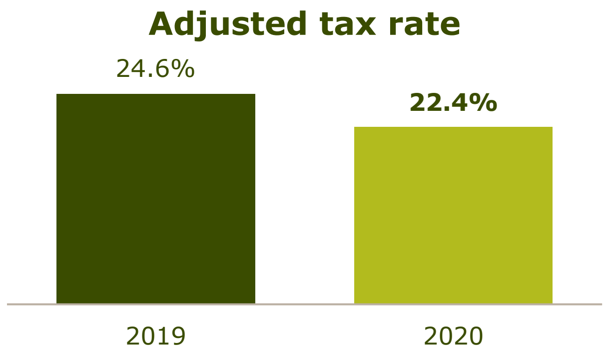
Decrease due to lower net debt and base interest rates

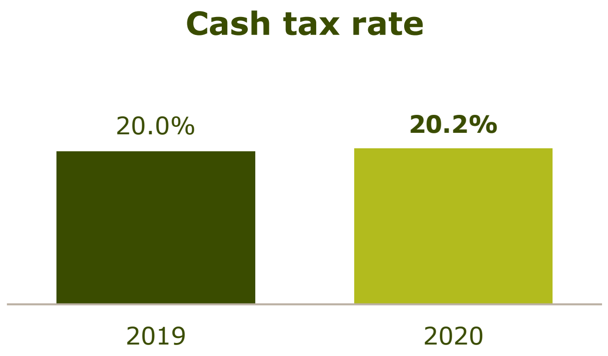
(1) Net interest receivable on cash deposits, payable on bank loans, private placement notes and overdrafts

Other financial information

Taxation

Adjusted	(2)%
Cash	+2 bps

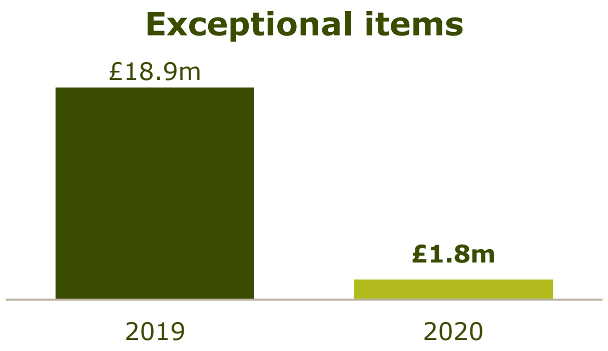


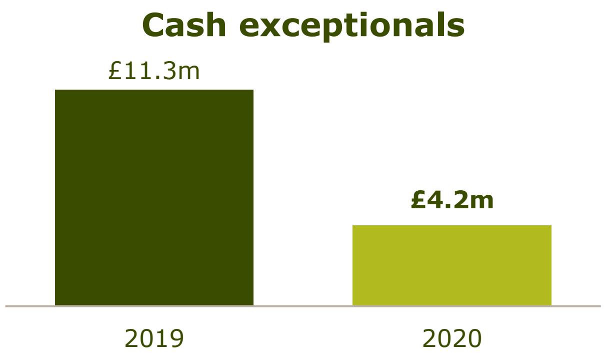


Fall in adjusted tax rate due to benefit of foreign tax credits and provision release

Exceptional items

Footprint	£0.2m
M&A	£(0.2)m
Disposal of business	£(1.8)m
Other	£nil

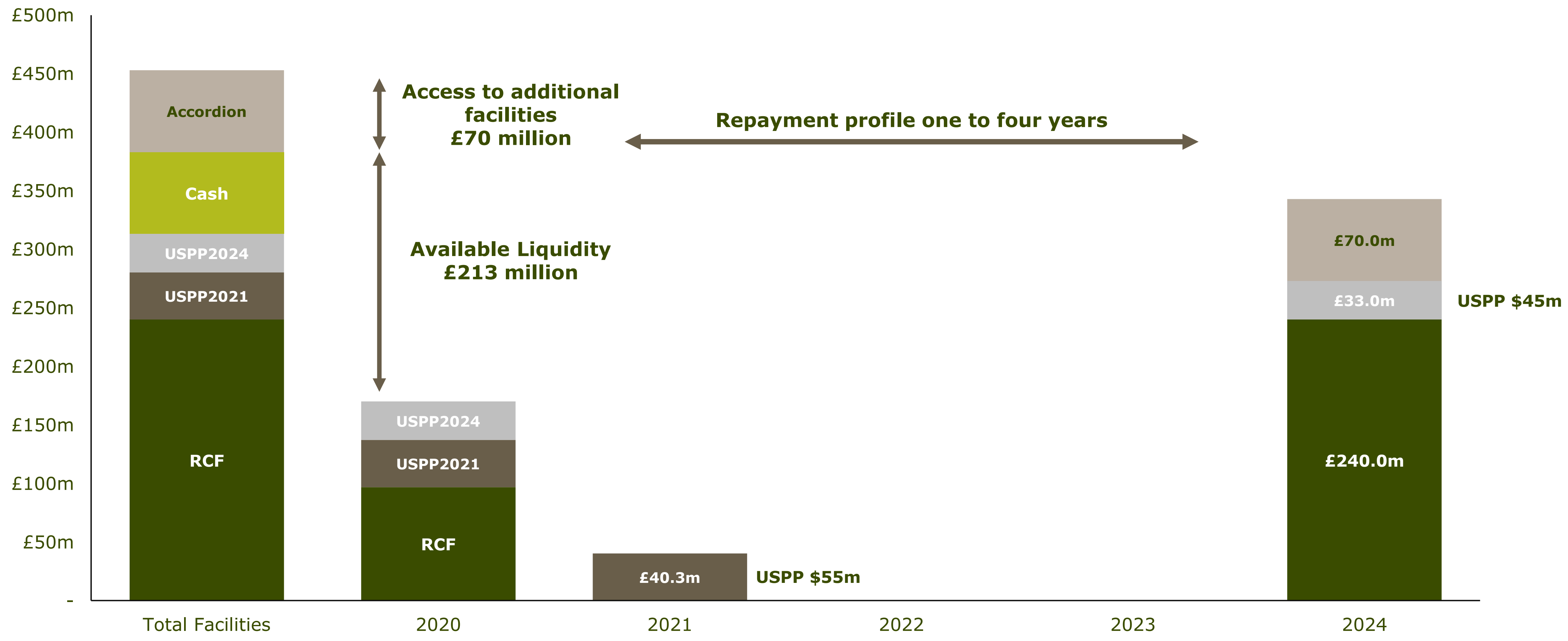




Reduction in exceptionals due to completion of North American footprint consolidation project

Group debt facilities

The Group has significant headroom, with available liquidity of £213m



For illustrative purposes, "other" facilities are assumed to be refinanced on the same date as the 2018 Facility matures in Feb 2024

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Currency ready reckoner

Translational exposure

Currency	US$	Euro	Aus$	CA$	Other	Total[1]
Average rate 2020	1.2836	1.1251	1.8626	1.7200		
Average rate 2019	1.2770	1.1406	1.8365	1.6943		
% movement in average rate	0.5%	(1.4)%	1.4%	1.5%		
£'m revenue impact	(1.9)	0.9	(0.1)	(0.1)	(3.0)	(4.2)
£'m profit impact[2]	(0.4)	0.1	(0.0)	(0.0)	(0.5)	(0.9)
1c decrease impact[3]	467k	68k	6k	5k	-	-

(1) *Impact of other currencies immaterial*

(2) *Adjusted Profit impact*

(3) *Defined as the approximate favourable translation impact of a 1c decrease in the Sterling exchange rate of the respective currency on the Group's Adjusted Operating Profit*

Consolidated income statement

For the year ended 2020

	2020 £m	2019 £m
Revenue	**572.8**	613.7
Cost of sales	**(380.7)**	(408.1)
Gross profit	**192.1**	205.6
Administrative expenses	**(132.4)**	(165.1)
Operating profit	**59.7**	40.5
Analysed as:		
Adjusted Operating profit	**80.3**	85.4
Exceptional items	**(1.8)**	(18.9)
Amortisation of acquired intangible assets	**(18.8)**	(23.5)
Impairment of acquired intangible assets	**-**	(2.5)
Operating profit	**59.7**	40.5
Finance income	**0.3**	-
Finance costs	**(12.4)**	(15.7)
Net finance costs	**(12.1)**	(15.7)
Profit before taxation	**47.6**	24.8
Income tax charge	**(10.4)**	(7.1)
Profit for the year	**37.2**	17.7

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Consolidated balance sheet

As at 31 December 2020

	2020 £m	2019 £m
ASSETS		
Non-current assets		
Goodwill	**361.9**	371.3
Intangible assets	**84.1**	104.0
Property, plant and equipment	**60.7**	65.8
Right of use assets	**51.8**	59.4
Financial assets at FVTPL	**1.1**	1.1
Deferred tax assets	**16.3**	17.2
	575.9	618.8
Current assets		
Inventories	**84.0**	88.6
Trade and other receivables	**72.8**	76.3
Cash and cash equivalents	**69.7**	49.0
	226.5	213.9
TOTAL ASSETS	**802.4**	832.7
LIABILITIES		
Current liabilities		
Trade and other payables	**(84.4)**	(84.9)
Derivative financial instruments	**(0.2)**	(0.7)
Borrowings	**(40.3)**	(0.3)
Lease liabilities	**(5.4)**	(6.0)
Current tax liabilities	**(6.8)**	(6.5)
Provisions	**(1.3)**	(2.5)
	(138.4)	(100.9)

	2020 £m	2019 £m
Non-current liabilities		
Borrowings	**(128.8)**	(211.5)
Lease liabilities	**(48.4)**	(54.0)
Deferred tax liabilities	**(26.8)**	(31.3)
Retirement benefit obligations	**(8.9)**	(11.2)
Provisions	**(7.6)**	(7.1)
Other payables	**(0.4)**	(0.4)
	(220.9)	(315.5)
TOTAL LIABILITIES	**(359.3)**	(416.4)
NET ASSETS	**443.1**	416.3
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**9.8**	9.8
Treasury reserves	**(3.4)**	(4.3)
Hedging reserve	**-**	(0.3)
Translation reserve	**46.8**	59.5
Retained earnings	**389.9**	351.6
TOTAL EQUITY	**443.1**	416.3

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Adjusted earnings per share

For the year ended 2020

	2020 £m	2019 £m
Profit before taxation	**47.6**	24.8
Exceptional items	**1.8**	18.9
(Gain)/Loss on revaluation of fair value hedge	**(0.3)**	0.8
Amortisation of borrowing costs	**0.5**	0.5
Amortisation of acquired intangible assets	**18.8**	23.5
Impairment of acquired intangible assets	**-**	2.5
Adjusted profit before taxation	**68.4**	71.0
Income tax charge	**(10.4)**	(7.1)
Adjusted tax effect[1]	**(4.9)**	(10.4)
Adjusted profit after taxation	**53.1**	53.5

Adjusted earnings per share:

Basic Adjusted earnings per share	**27.2P**	27.5p
Diluted Adjusted earnings per share	**27.1P**	27.4p

(1) Tax effect of exceptional items, amortisation of borrowing costs, amortisation of acquired intangible assets, gain or loss on revaluation of fair value hedge and unwinding of discount on provisions

Disclaimer

Forward Looking Statements

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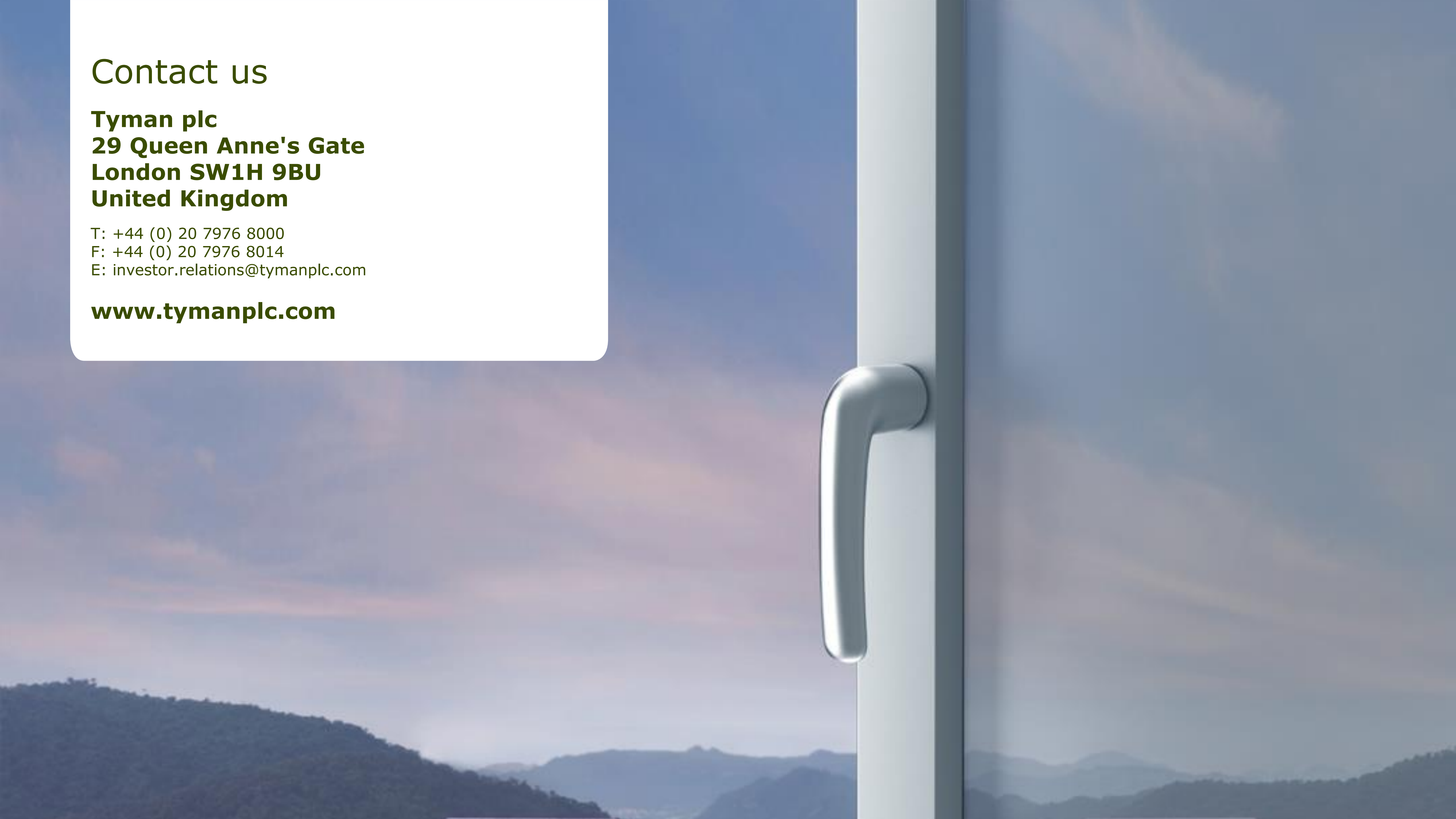

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