TYMAN

TYMAN PLC

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

Tyman plc (TYMN.L) announces results for the year ended 31 December 2022.

Summary Group Results

£m unless stated	**2022**	2021	*Change*	*LFL(1)*
Revenue	**715.5**	635.7	***+13%***	*+5%*
Adjusted operating profit*	**94.6**	90.0	***+5%***	*-3%*
*Adjusted operating margin**	***13.2%***	*14.2%*	***-100bps***	*-100bps*
Operating profit	**70.7**	73.1	**-3%**	
Adjusted profit before taxation*	**85.8**	81.5	**+5%**	
Profit before taxation	**61.4**	64.0	**-4%**	
Adjusted EPS*	**34.7p**	32.1p	**+8%**	
Basic EPS	**24.6p**	25.4p	**-3%**	
Dividend per share	**13.7p**	12.9p	**+6%**	
Leverage(2)	**1.0x**	0.9x	**+0.1x**	
Return on capital employed*	**13.3%**	14.5%	**-120bps**	

* *Alternative performance measures. These "Adjusted" metrics are before amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, and adjusting items. These measures provide additional information to shareholders on the underlying performance of the business and are used consistently through the statement. Further details can be found on page 39.*

(1) *LFL = constant currency like-for-like (see APMs on page 40).*

(2) *Leverage is calculated in accordance with the debt covenant methodology (see APMs on page 42).*

Highlights:

- Performance at upper end of expectations despite challenging macroeconomic backdrop
- Revenue growth of 13%, with LFL growth of 5% reflecting successful pricing actions and share gains, partially offset by lower market volumes, including the exit from Russia
- Adjusted operating profit growth of 5%, with a LFL decline of 3% reflecting lower volumes, including the exit from Russia; operating profit decline of 3%
- Adjusted operating margin decline principally reflects the dilutive impact of the pass-through of cost inflation
- Good progress with our strategic initiatives:
    - Share gains, driven by innovation, market expansion and executing well with customers
    - Structural margin enhancement activities, including further footprint optimisation, ERP upgrade, factory automation and process enhancement projects
- Further external recognition of our sustainability credentials; 90% of funding now linked to sustainability performance following successful debt refinancing
- Full year dividend increase of 6%, reflecting growth in adjusted EPS of 8% and confidence in the Group's future growth prospects

Jo Hallas, Chief Executive Officer, commented*: "The Group delivered a solid trading performance in 2022 against increasingly challenging market conditions. Our continued focus on share gains and improving our operational platform, together with successful implementation of pricing actions and strong cost control, enabled us to deliver full year adjusted operating profit at the upper end of market expectations.*

We made further progress on our sustainability roadmap and the issuance of new sustainability-linked financing bolsters the Group's commitments to a more sustainable world. Pleasingly, this progress has been recognised by external agencies, most recently with Tyman's inclusion in the FTSE4Good UK Index.

In 2023, pricing carryover, self-help measures and benefits from strategic initiatives are expected to partially mitigate lower volumes and ongoing cost inflation as we navigate the near-term economic challenges. The underlying fundamentals of the markets the Group operates in remain strong. Building on our portfolio of differentiated products, market-leading brands, deep customer relationships and sustainability credentials, together with our agile and resilient business model, Tyman is well positioned to take advantage of the positive structural industry growth drivers as housing market conditions improve."

2 March 2023

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Analyst and investor presentation

Tyman will host an analyst and investor presentation at 9.00a.m. today, Thursday 2 March 2023, at the offices of Numis Securities, 45 Gresham Street, London, EC2V 7BF.

The presentation will be webcast at:
https://stream.brrmedia.co.uk/broadcast/63c11b57ddbb3277238ea92c

The audio conference call details are:

Number	+44 (0) 33 0551 0200
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Notes to editors

Tyman (TYMN: LSE) is a leading international supplier of engineered fenestration components and access solutions to the construction industry. The company designs and manufactures products that enhance the comfort, sustainability, security, safety and aesthetics of residential homes and commercial buildings. Tyman's portfolio of leading brands serve their markets through three divisions: Tyman North America, Tyman UK & Ireland and Tyman International. Headquartered in London, the Group employs approximately 3,700 people with facilities in 16 countries worldwide. Further information is available at www.tymanplc.com.

Overview of results

Performance in 2022

Tyman delivered a solid trading performance in 2022 against a strong comparative period and despite increasingly challenging market conditions. Revenue for the year of £715.5 million (2021: £635.7 million) grew by 13% compared to 2021, reflecting like-for-like (LFL) growth of 5% together with 8% growth from foreign exchange movements. LFL revenue growth reflected the benefit of pricing actions implemented to recover cost inflation, and share gains, partially offset by lower volumes. In addition, the Group discontinued business with Russia and Belarus from February 2022 in response to the war in Ukraine, and this impacted LFL revenue growth by 1 percentage point.

Underlying demand in most of the Group's major markets began the year strongly, driven by favourable structural industry trends and a continuation of the post-COVID rebound in RMI activity, some of which was supported by government fiscal stimulus. Whilst the positive long-term structural trends remain intact, underlying demand levels began to moderate in the summer of 2022 as sharp increases in consumer inflation fed through to rapid rises in interest rates, the combination of which has caused a cost-of-living crisis across most major economies and led to a reduction in residential RMI and housebuilding activity. This moderation in demand became significantly more pronounced during the latter part of the year. Nevertheless, our scale and agility enabled us to win market share, notably in our North American and International divisions.

Input cost inflation remained a challenge in 2022 as, whilst many commodity prices and freight rates moderated as the year progressed, the conflict in Ukraine put upwards pressure on energy prices and raw material conversion costs. In addition, labour markets have remained highly competitive for the past 18 months, especially in the US, which has resulted in wage inflation above long-term averages. We have reacted with agility to these challenges and successfully passed on rising input cost inflation to customers in the form of general price increases and temporary surcharges, although there is an inevitable lag in recovery due to the size and frequency of these increases, as well as some backward-looking customer pricing mechanisms.

The Group responded to the moderation in demand in the second half of the year with adjustments to production shifts, reductions in temporary labour and various tactical cost-saving actions. The improving supply chain environment allowed the Group to implement inventory reduction plans, although these have been constrained to some extent by lower shipments. We are continuing to closely monitor developments in our supply chains, especially given heightened geopolitical tensions in many parts of the world. The Group also progressed structural cost-saving initiatives, including the exit of three manufacturing facilities in the UK and Germany which will complete in early 2023 and deliver annualised benefits of c. £3 million.

The Group's self-help measures partially mitigated the lower volumes, including the impact of the exit from Russia and Belarus (these markets contributed £3 million to adjusted operating profit in 2021). Adjusted operating profit for the year of £94.6 million (2021: £90.0 million) grew by 5% on a reported basis compared to 2021, reflecting a LFL decline of 3% and foreign exchange benefit of 8%. The pass-through of input cost inflation had a dilutive effect on adjusted operating profit margins due to the higher revenue base. Inflation and foreign exchange movements, together with the marked reduction in volumes shipped towards the end of the year, had a significant impact on inventory levels, in turn leading to a reduction in return on capital employed by 120bps to 13.3%. This also resulted in adjusted operating cash conversion of 64% (2021: 64%) remaining below the target average of 90%.

Health and safety

The health and safety of our people is the Group's top priority and is being embedded across our culture through our 'Safety is our First Language' programme. Pleasingly, the Group achieved a lost time incident frequency rate (LTIFR), excluding COVID-19 cases, of 1.4 in 2022, a 26% improvement on 2021 and a 71% improvement versus the 2018 baseline LTIFR of 4.8. Specific safety improvement plans were implemented at four locations with the highest incident rates in 2021; this led to lost time incidents and other recordables at these sites more than halving to 20 in 2022 (2021: 42).

Whilst the Group is yet to achieve its ambitious goal of a LTIFR of less than 1.0, the downward trend in work-related injuries and positively trending leading indicators give us confidence that the Group now has the solid foundations in place to deliver world-class levels of safety performance.

Strategic progress

The Group has continued to progress its Focus, Define, Grow strategy, which is underpinned by the three sustainability pillars of Sustainable Operations, Sustainable Culture and Sustainable Solutions.

The *Focus* activities seek to improve operational efficiency and structurally improve the cost base by optimising footprint, enhancing systems and processes and reducing complexity. Examples of such activity in 2022 included the exit of three manufacturing facilities in the UK and Germany, the optimisation of the distribution network for the western US market, investment in factory automation in Italy and the UK, and the continuation of a multi-year programme to roll out a global ERP template. The North American product portfolio harmonisation project made further progress, with work moving to the hinged patio door and casement product groups during the year. The *Sustainable Operations* activities included transitioning the Group's largest manufacturing facility in Europe to use 80% recycled aluminium content and installing solar panels at a major UK site. The Group has defined its Science Based Targets and submitted these to the SBTi for validation, with Scope 1 and 2 targets in line with a 1.5^{o}C pathway and Scope 3 targets in line with a 'well below 2^{o}C' pathway.

The *Define* strategic pillar, which aims to build cultural cohesion to facilitate ongoing synergy extraction, has continued to gain momentum through embedding the 'One Tyman' culture and expanding the 'Tyman Excellence System' for the development and deployment of best practice. Under Lean Excellence, the Group held its first cross-divisional Kaizen week at its Budrio site in Italy, creating stronger awareness and engagement with lean across site representatives from around the world, with more such events to be conducted in 2023. As part of the Sustainability Excellence work, a database was developed to facilitate groupwide sharing of best practice for reducing energy, water and waste, designing sustainable products, and transitioning to sustainable packaging. This has already helped to drive the development of sustainable packaging for retail customers seeking to eliminate single-use plastic.

Under *Sustainable Culture*, a groupwide employee engagement survey was conducted, followed up with focus groups to define local and cross-site action plans. An ethics leadership course was deployed to provide senior leaders with the skills to create an environment of psychological safety, further embedding the Group's Code of Business Ethics.

The *Grow* activities aim to deliver organic share gains through excellent customer service, new product development (NPD) and market expansion. In North America, there were net customer wins of c. US$9 million in 2022, in part reflecting the recent investment to expand Q-Lon capacity. In our international markets, strong progress was made with system houses, growing this channel by 26%, whilst in the UK there was further market penetration with innovative commercial access solutions products. The recent reduction in demand levels and moderation of supply chain disruption is enabling greater emphasis on innovation and NPD, and a series of new products were launched in 2022, with a strong pipeline of launches scheduled for 2023. In the US, shipments have begun from the new distribution centre in Phoenix which will enable greater market penetration in the western US, whilst new casement hardware designed for the Canadian market is aimed at strengthening share in 2023.

Enabling customers to innovate through more *Sustainable Solutions* is a key area of differentiation for the Group. Across Europe and the Middle East, sustainability is an enabler of share gains with system houses. In North America, the Group initiated high-level sustainability workshops with several of its largest customers during the second half of the year to understand their sustainability priorities and investigate ways to share insights and collaborate on new solutions. During 2023, the Group will be working with at least two of these customers to develop new returnable packaging solutions to eliminate transit packaging at their plants, enabling them to enhance their own sustainability credentials.

Tyman's commitment to achieving its sustainability targets is now linked to nearly 90% of its funding. During 2022 the Group successfully completed the refinancing of both US$75 million of US private placement notes and its syndicated revolving credit facility (providing £210 million of committed funding together with an accordion option of up to £100 million). In both cases, the financing included economic incentives for the achievement of sustainability performance targets which align with Tyman's sustainability roadmap.

It has been particularly pleasing that the Group's progress on its sustainability roadmap is leading to further external recognition. During 2022 MSCI awarded Tyman an "AA" leader rating and both S&P Global and Sustainalytics rank Tyman in the top 20% of building products peers globally. Tyman completed its first Carbon Disclosure Project (CDP) submission in 2022 and in December 2022 Tyman became a constituent of the FTSE4Good UK Index.

The Group is prepared for a disciplined return to M&A and has a good pipeline of targets that meet our commercial and strategic objectives. The strengthened platform and Tyman Excellence System should facilitate greater synergy extraction from acquired businesses in the future.

Outlook

The underlying fundamentals of the markets the Group operates in remain strong. For much of the last decade, housing supply has failed to keep pace with demand in most of the Group's key markets, causing a structural housing deficit. There are also positive structural growth drivers for residential RMI spending, including ageing housing stock, increased focus on the energy efficiency of buildings, strengthening building codes and a desire for greater comfort and flexibility of the home. Taken together, these factors are expected to provide an ongoing stimulus to the replacement and upgrade of windows and doors.

Nevertheless, the near-term outlook remains challenging, given high levels of inflation and interest rates are constraining housing market affordability and activity. The industry has limited forward visibility and it is difficult to quantify the amount of customer destocking that took place in the latter half of 2022, but the weakness in volumes experienced in the second half of 2022 is expected to continue at least during the first half of 2023, which will also be particularly impacted by a strong comparator.

The Group will continue to drive market share gains through executing well with customers, launching innovative new products, and expanding its channels and markets. In 2023, the Group is expected to benefit from new product launches in all its core markets, continued share gains with system houses, greater penetration of the western US and Canadian markets and pricing carryover. Activities to strengthen operational efficiency will be progressed, including supply chain improvements to reduce cost and enhance resilience. Together with the previously announced c. £3 million benefit from the structural cost-savings initiatives in the UK and Germany, these self-help measures are expected to partially mitigate lower volumes and ongoing wage and other cost inflation. Operating margins will remain under pressure given the volume impact as well as a continuing elevated level of inflation.

Tyman is well positioned to navigate the near-term macroeconomic challenges and take advantage of the positive structural industry growth drivers as housing market conditions improve. Our agile and resilient business model, together with our strategic initiatives, continues to position Tyman well for future growth, building on our portfolio of differentiated products, market-leading brands, deep customer relationships and sustainability credentials. We remain confident in our ability to deliver our margin targets over the medium term in a more normalised market environment.

Jo Hallas
Chief Executive Officer

Tyman North America

£m except where stated	2022	2021	Change	LFL
Revenue	**471.9**	397.7	**+19%**	***+7%***
Adjusted operating profit	**66.9**	65.1	**+3%**	***-8%***
Adjusted operating margin	***14.2%***	*16.4%*	***-220bps***	***-220bps***

Markets

The US residential housing market began 2022 robustly, but as rising inflation and interest rates took hold in the middle of the year, demand for both the RMI and new build segments of the market started to soften. This softening picked up pace towards the end of the year as 30-year fixed mortgage rates hit 7%, double the level at the beginning of the year. According to the US Census Bureau, US housing starts decreased by 3.1% to 1.555 million units in 2022, whilst single family housing starts, to which the division has proportionally higher exposure, decreased by 10.6%. The NAHB forecasts there was a 6.9% reduction (adjusted for inflation) in private residential improvement spending activity in 2022. In Canada, single family housing starts declined by 5.9% in 2022, as the Canadian housing market was also affected by rising inflation and interest rates.

The US commercial building sector has been more resilient in 2022, driven by domestic manufacturing and commercial building investment. The recently passed government infrastructure spend legislation will provide some degree of stimulus to the public infrastructure market in the coming years.

Business performance and developments

LFL revenue grew by 7% in 2022, despite the strong LFL growth recorded in the comparative period. Reported revenue growth of 19% reflected the impact of foreign exchange. LFL revenue growth benefitted from pricing actions and net customer wins, which more than offset a decline in volumes in the full-year period resulting from the challenging market backdrop. Volumes began to decline from the middle of the year as the US residential housing market slowed, with the pace of decline quickening as the second half of the year progressed.

The rapid change in market conditions provided operational challenges but, nevertheless, the division made good progress during 2022 with its strategic initiatives aimed at driving share gains, reducing cost and complexity, and improving operational resilience. Central to this is the implementation of a new ERP system to enable more streamlined ordering and logistics processes for customers, drive further back-office efficiencies and improve the business's decision support capabilities; this multi-year programme is progressing well.

Optimisation of the distribution footprint to provide enhanced service levels is also a key component of the strategy, and this progressed with the conversion of the Sioux Falls facility predominantly to distribution, together with the addition of a new distribution site in Phoenix to service the western US market. Shipments from Phoenix began in late 2022 as planned.

These enhancements, along with the launch of a new website, the ongoing portfolio harmonisation activity and new products, are enabling the business to go to market with an improved service level and more consistent customer experience. Coupled with ongoing close customer engagement and customer-specific projects, these activities have enabled further share gains. During 2022, the division achieved new net customer wins of c. US$9 million annualised revenue. Further success with the entry-price point sliding patio door solution for the US market and a new entry-price point casement lock solution for the Canadian market are expected to help drive additional net customer wins in 2023.

Labour availability and retention continued to be a challenge throughout the US manufacturing sector in 2022, particularly in certain locations, although the situation steadily improved as the year progressed. The division implemented a series of actions to alleviate the situation, including wage increases, recruitment programmes, retention and hiring incentive schemes, and flexible working patterns. The resultant workforce stabilisation helped to drive improvements in operational efficiency and a reduction in overtime. Across the division there is an emphasis on developing continuous improvement and lean management capabilities to further improve efficiency and reduce working capital. A series of supply chain resiliency projects, aimed at risk mitigation and reducing cost, were also initiated during 2022, including both dual sourcing and insourcing initiatives. Collectively, these self-help measures assisted in offsetting the adverse impact from the challenging market conditions.

Input cost inflation remained at elevated levels throughout 2022, and whilst there was an easing in the price of certain commodities and freight during the second half this was largely offset by an increase in energy conversion costs. The division successfully implemented a series of price increases and surcharges during the year to pass on the input cost inflation experienced in 2021 and 2022. Nevertheless, there was a natural lag in the recovery of input cost inflation via pricing actions given the quantum and frequency of such actions and reflecting the backward-looking indexation programmes with some of our largest customers. Along with the significant volume decline at the end of the year, this was the primary driver of the 8% decline in LFL adjusted operating profit (3% increase in adjusted operating profit on a reported basis, reflecting the impact of foreign exchange). The self-help measures noted above partially offset the negative operating leverage effect of lower volumes, administrative cost inflation and the operational inefficiencies that arose during the work to optimise the footprint. The pass-through of cost inflation had a dilutive impact on the adjusted operating margin, leading to a LFL adjusted operating margin decrease of 220 bps to 14.2%.

Outlook

The underlying fundamentals of the US residential housing market are strong, with years of supply lagging demand creating a significant housing deficit. Nevertheless, the near-term outlook remains challenging given high levels of inflation and interest rates are continuing to constrain housing market activity. The NAHB forecasts further double-digit declines in single family housing starts in 2023 to below 2019 levels. Having shown resilience in 2022, the commercial market is forecast to become more challenging in 2023, reflecting the more difficult economic environment in the US.

The division will maintain focus on gaining market share, notably in the western US, Canada and via its distribution partners whilst growing its new product pipeline. The benefits of prior-year pricing actions will help mitigate the adverse impact of lower volumes and continued cost inflation. Moreover, work to structurally improve the fixed cost base and return operational efficiencies across the network to normalised levels will remain a focus in 2023, through driving procurement benefits and continuous improvement from lean projects. In addition, a plan has been developed to consolidate two manufacturing sites into one in Owatonna, which is also expected to support profitability.

Tyman UK & Ireland

£m except where stated	2022	2021	Change	LFL
Revenue	**103.3**	105.8	**-2%**	***-2%***
Adjusted operating profit	**14.5**	14.8	**-2%**	***-2%***
Adjusted operating margin	***14.0%***	*14.0%*	**-**	***-***

Markets

Residential RMI, to which the UK&I division is predominantly exposed, softened as 2022 progressed, as household affordability was negatively impacted by rising inflation and interest rates. This was exacerbated by customer destocking, following the higher-than-normal levels of inventory built during the post-pandemic rebound and associated supply chain challenges. The latest CPA forecast expected spending in the residential RMI market to have shrunk by 4% in 2022 (having begun the year expecting flat growth), following 17% growth in 2021.

The commercial and public infrastructure segments were more resilient in 2022, supported by the continued growth in warehousing and government spending on transport projects such as HS2. The CPA estimates that spending on infrastructure new build grew by 5% and non-residential new build spend grew by 2% in 2022.

Overall, having signalled modest growth during the first five months of the year, the UK construction PMI has been at or around the neutral 50 level since June, indicating flat activity levels across the construction sector.

Business performance and developments

Revenue decreased by 2% in 2022 on a LFL and reported basis against a very strong comparative in 2021. The benefit of pricing actions to pass on input cost inflation was offset by a decline in hardware volumes, reflecting the softening in the residential RMI market.

As customers increasingly require products and solutions that meet ever more stringent environmental and safety regulations, with its expertise in certification requirements and in-house testing capabilities, the hardware business is well placed to benefit from these trends. In 2022, new business was secured with a major UK distributor as a result of the division's agility in developing a retail packaging solution using recyclable cardboard rather than plastic clam shells. Incremental revenue will flow from this contract from the middle of 2023.

The business also made good progress on its new product development plans. A key launch during the second half of 2022 was Touchkey®, an innovative smart security door locking system that can be accessed via fingerprint, Bluetooth, smartphone app, voice control or by traditional key method. Touchkey® is the first product of this type on the market with multi-operational 'smart' opening solution, allowing users to access their home without the need for a key, which is especially beneficial for residents with restricted mobility or where there is a need to give controlled temporary access, via encrypted electronic keys. The product is the only solution on the market whose IoT Kitemark certification includes fingerprint access.

In Access 360, the division's commercial access solutions business, sales grew modestly in the first half, reflecting the return of the two re-certified core product lines suspended in 2021. Work continues to optimise the business, with an integrated ERP system launched in the first half. A project to consolidate the three heritage Access 360 brands (Profab, Howe Green and Bilco) into a single highly automated facility is well-progressed, with the majority of operations transferred to the new site by the end of 2022.

LFL and reported adjusted operating profit decreased by 2%, reflecting lower hardware volumes offset by the benefit of pricing actions and close control of operating costs.

Outlook

The CPA currently expects the residential RMI segment to decline a further 9% in 2023, whilst both the industrial and infrastructure new build segments are expected to continue to be more resilient and show slight growth, supported by investment in government transport and warehousing projects. High levels of input cost inflation, including that caused by adverse foreign exchange movements, will continue to create headwinds in 2023, albeit to a lesser extent than those seen in 2022.

The division will continue to implement pricing actions as required to offset input cost inflation. Other key priorities are to gain share with the recent new product launches and strong pipeline of new products in place for launch in 2023.

Tyman International

£m except where stated	2022	2021	Change	LFL
Revenue	**140.3**	132.2	**+6%**	***+6%***
Adjusted operating profit	**21.3**	19.5	**+10%**	***+11%***
Adjusted operating profit margin	***15.2%***	*14.7%*	***+50bps***	***+70bps***

Markets

Market demand was strong during the first half of the year across the division's key geographies. However, momentum slowed in the middle of the year as the uncertain macroeconomic environment began to weigh on consumer confidence, most notably in Europe. Demand levels continued to reduce significantly as the second half of the year progressed. This was evidenced by the decline in the Eurozone construction PMI, which began the year at a healthy level of 56.6 but then faded to 42.6 by the end of the year.

The construction PMI for Italy, the division's largest market, has remained above the Eurozone average throughout the period and peaked at a record high of 68.5 in February 2022, boosted by government fiscal stimulus programmes. However, since May this has also slowed markedly as the funding for these programmes was reduced, remaining below 50 for much of the second half of the year.

Outside of Europe the picture was mixed. Demand across the GCC territories remained buoyant throughout the year due to the benefit of high oil prices. However, the Chinese market was significantly impacted by the regional lockdowns that were in place for most of the year as the government responded to the resurgence of COVID-19.

Business performance and developments

Revenue grew by 6% in 2022 on both a LFL and reported basis against a strong comparative period, driven by pricing actions and share growth in key markets. During 2022, volumes were broadly unchanged year over year; however, this masked a significant change from the first half of the year, when market conditions were buoyant, to the second half, when the macroeconomic backdrop became increasingly challenging. As previously reported, business with Russia and Belarus was discontinued from February 2022 in response to the war in Ukraine; these markets comprised c. 5% of divisional revenue in 2021.

Share growth was achieved through continued momentum with both systems houses and distribution partners, as well as delivery of the NPD pipeline. Revenue from system houses grew by 26% in 2022, with this channel now representing 16% of the division's revenue. Greater penetration has been driven with the system houses by establishing partnerships to develop solutions incorporating Tyman products in their custom systems. The Giesse CHIC concealed hinge range has been a particular success to date and there is a developing pipeline of system house products employing Tyman's innovative pull and slide system that will be delivered to the market from 2023 onwards.

There has been good progress with the strategic initiative to optimise and enhance the division's seals manufacturing business. A third Q-Lon urethane line was installed in the UK at the start of 2022 and the German seals manufacturing facility was closed at the end of 2022, with production moving to the UK. Once commissioning has been completed at the Aycliffe site, this consolidation will drive economies of scale and concentration of seals expertise, delivering structural improvements to profitability and enhanced customer service levels. Progress has also continued with the programme to drive greater levels of automation in the Budrio hardware manufacturing facility, which will lead to improvements in safety, efficiency and throughput.

Sustainability remains at the core of how the business operates, and during the year there was further progress with improving the energy efficiency of the division's own operations and developing a pipeline of new products with a reduced carbon footprint. Work has continued towards eliminating the lead content in hinges, increasing the recycled content of aluminium used across the hardware range and reformulating the chemical composition of Q-Lon urethane products. Having the expertise and capability to demonstrate and deliver strong sustainability credentials is an increasingly important differentiator for the business in the marketplace. New sustainable solutions include the Champion Plus Microvent locking solution for aluminium windows or sliding doors to help improve the ventilation of living and working spaces, and fire-retardant Q-Lon urethane seals that are certified to European standards for use in fire door applications.

Pricing actions were successfully implemented during the year to recover input cost inflation. Together with the structural actions to improve margins, the negative effect on fixed cost absorption from flat volumes and the exit of the business in Russia and Belarus (which contributed c. £3 million to adjusted operating profit in 2021) was more than offset. As a result, LFL adjusted operating profit grew 11%. On a reported basis adjusted operating profit increased by 10%, reflecting the impact of foreign exchange.

Outlook

The market environment in 2023 is expected to remain challenging; Globaldata currently forecasts the European construction sector will decline by 4% in 2023. Prospects for the GCC markets are more positive, buoyed by high oil prices, but the near-term outlook for the Chinese market remains highly uncertain.

The priorities for the division remain to protect and grow market share through new product launches and further penetration of system houses in Europe and the GCC. Work will also continue to optimise margins through completing the seals manufacturing footprint consolidation and further automation of hardware manufacturing.

Financial review

Income statement

Revenue and profit

Revenue for the year increased by 12.6% to £715.5 million (2021: £635.7 million), reflecting significant price increases of £54.2 million and tariffs and surcharges of £25.8 million to recover input cost inflation, as well as favourable foreign exchange movements of £44.5 million. This was offset by a decrease in volume and mix of £44.7 million driven by a significant weakening of global macroeconomic conditions in the second half of the year and the exit of business with Russia and Belarus. On a LFL basis, which excludes the foreign exchange benefit, revenue increased 5.2% compared to 2021.

Selling, general and administrative expenses increased to £151.2 million (2021: £138.5 million), predominantly due to foreign exchange movements of £7.2 million, and a charge relating to restructuring programmes of £6.3 million (2021: £0.6 million credit), with cost inflation being largely offset by tight cost management. Adjusted selling, general and administrative costs, increased to £127.3 million (2021: £121.7 million), largely due to of foreign exchange. On a LFL basis, adjusted selling, general and administrative expenses were broadly flat against 2021.

Operating profit decreased by 3.3% to £70.7 million (2021: £73.1 million). This was driven by lower sales volumes contributing a reduction of £14.2 million, and a charge relating to restructuring programmes of £6.3 million (2021: £0.6 million credit), partially offset by productivity improvements of £7.1 million due to continuous improvement initiatives and efficiency gains from better workforce stability, and favourable foreign exchange movements of £7.0 million. Pricing recovered significant material, freight and other inflation of £80.0 million and further benefits are to be realised in 2023 due to some of the customer pricing mechanisms being based on a look-back indexation. Adjusted operating profit, which excludes the restructuring charge and amortisation of acquired intangibles, increased by 5.1% to £94.6 million (2021: £90.0 million). Operating margin decreased by 162 bps to 9.9% (2021: 11.5%) and adjusted operating margin decreased by 94 bps to 13.2% (2021: 14.2%), largely as a result of the lower volumes and dilutive effect of pass-through pricing to recover cost inflation. On a LFL basis, excluding the benefit of foreign exchange, adjusted operating profit decreased 3.2%.

Profit before taxation decreased by 4.1% to £61.4 million (2021: £64.0 million), as a result of the lower operating profit and a marginal increase in net finance costs. Adjusted profit before tax increased by 5.3% to £85.8 million (2021: £81.5 million), as a result of the higher adjusted operating profit. On a LFL basis, excluding the foreign exchange benefit, this decreased by 1.8%.

Materials and input costs

£m except where stated	FY 2022 Materials[1]	Average[2]	Spot[3]
Aluminium	**21.5**	+42%	+3%
Polypropylene	**45.2**	+1%	-26%
Stainless steel	**80.2**	+45%	+38%
Zinc	**33.5**	+32%	+13%
Far East components[4]	**41.8**	+10%	-1%

(1) FY 2022 materials cost of sales for raw materials, components and hardware for overall category

(2) Average 2022 tracker price compared with average 2021 tracker price

(3) Spot tracker price as at 31 December 2022 compared with spot tracker price at 31 December 2021

(4) Pricing on a representative basket of components sourced from the Far East by Tyman UK & Ireland

Average prices across all categories increased further during the year, following significant inflation in 2021 and the impact of the invasion of Ukraine. Commodity prices began to moderate through the second half, although conversion costs remain high due to energy prices. Price increases and surcharges were implemented to recover cost increases, albeit due to customer pricing mechanisms in North America, there remains an inevitable timing lag in recovery.

Adjusting items

Certain items that are considered to be significant in nature and / or quantum have been excluded from adjusted measures, such that the effect of these items on the Group's results can be understood and to enable an analysis of trends in the Group's underlying trading performance.

	2022 £'m	2021 £'m
Footprint restructuring - costs	**(6.3)**	-
Footprint restructuring - credits	**-**	0.3
Footprint restructuring - net	**(6.3)**	0.3
M&A and integration - credits	**-**	0.6
M&A and integration - net	**-**	0.6
Impairment charges	**-**	(1.9)
Impairment credits	**-**	1.6
Impairment - net	**-**	(0.3)
	(6.3)	0.6

The footprint restructuring costs in 2022 relate to the closure of the Hamburg facility and the consolidation of the three UK Access solutions businesses into a single site. These are considered to be major restructuring programmes which required Board approval and therefore are drawn out separately as adjusting items. These programmes were substantially completed in 2022.

The M&A credit in the prior year related to the release of provisions made as part of the business combination accounting for previous acquisitions, which are no longer required. The impairment charge in the prior year related to impairment of certain of the Group's intangible assets following the commencement of a multi-year ERP upgrade. The impairment credit related to the release of a portion of provisions made in 2019 against inventory and other assets associated with the new door seals product in North America, which was no longer required.

Finance costs

Net finance costs increased marginally to £9.3 million (2021: £9.1 million).

Interest payable on bank loans, private placement notes and overdrafts increased to £6.9 million (2021: £5.9 million), predominantly reflecting higher net debt due to increased working capital and an unfavourable impact of foreign exchange. The weighted average interest rate increased to 3.4% (2021: 3.1%), with the improved coupon rates on the new USPP debt being largely offset by higher interest rates on the floating RCF debt, due to the increase in global interest rates. Interest on lease liabilities of £3.0 million increased slightly (2021: £2.5 million), reflecting foreign exchange and higher interest rates.

Net finance costs in the period also benefited from a gain on revaluation of derivative instruments of £0.1 million (2021: £0.1 million loss) due to the movement in foreign exchange rates. Interest income from short term bank deposits amounted to £0.9 million (2021: £Nil). Non-cash charges included in net finance costs included amortisation of capitalised borrowing costs of £0.6 million (2021: £0.5 million).

Forward exchange contracts

At 31 December 2022, the Group's portfolio of forward exchange contracts at fair value amounted to a net liability of £0.2 million (2021: net liability of £0.3 million). The notional value of the portfolio was £19.8 million (2021: £24.3 million), comprising US dollar and Euro forward exchange contracts with notional values of US$23.3 million and €0.7 million respectively (2021: US$28 million; RMB30 million). These contracts have a range of maturities up to 31 October 2023. During the year, a gain of £0.1 million (2021: loss of £0.1 million) was recognised directly in the income statement.

Interest rate swaps

During the year, the Group entered into a cross-currency interest rate swap, swapping US$10 million of the new USPP debt for £3.7 million and €5.0 million to fund the Group's UK and International operations. At 31 December 2022 the fair value of these swaps amounted to a net asset of £0.2 million (2021: £Nil), with a fair value gain through OCI of £0.2 million (2021: £Nil) recognised.

Taxation

The Group reported an income tax charge of £13.6 million (2021: £14.4 million), comprising a current tax charge of £17.6 million (2021: £17.3 million) and a deferred tax credit of £4.0 million (2021: credit of £2.9 million), reflecting an effective tax rate of 22.0% (2021: 22.5%). The decrease in the income tax charge reflects the decrease in profit before tax, and the benefit of the release of a transfer pricing provision no longer required.

The adjusted tax charge was £18.5 million (2021: £18.8 million) representing an adjusted effective tax rate of 21.6% (2021: 23.1%).

During the period, the Group paid corporation tax of £21.5 million (2021: £17.7 million). This reflects a cash tax rate on adjusted profit before tax of 25.1% (2021: 21.7%). The increase reflects the timing of payments on account.

Earnings per share

Basic earnings per share decreased by 3.0% to 24.6 pence (2021: 25.4 pence), reflecting the decrease in profit after tax, partially offset by a reduction in the weighted average number of shares due to the purchase of shares by the EBT in the year. Adjusted earnings per share increased to 34.7 pence (2021: 32.1 pence), reflecting the increase in adjusted profit after tax. There is no material difference between these calculations and the fully diluted earnings per share calculations.

Cash generation, funding and liquidity

Cash and cash conversion

£m	2022	2021
Net cash generated from operations	**60.6**	57.0
Add: Pension contributions	**0.2**	2.8
Add: Income tax paid	**21.5**	17.7
Less: Purchases of property, plant and equipment	**(19.2)**	(16.1)
Less: Purchases of intangible assets	**(4.9)**	(4.5)
Add: Proceeds on disposal of PPE	**0.1**	0.8
Add: Adjusting item cash costs	**1.8**	0.2
Adjusted operating cash flow[1]	**60.1**	57.9
Less: Pension contributions	**(0.2)**	(2.8)
Less: Income tax paid	**(21.5)**	(17.7)
Less: Net interest paid	**(9.5)**	(8.8)
Less: Adjusting item cash costs	**(1.8)**	(0.2)
Free cash flow[1]	**27.1**	28.4

[1] Alternative performance measures, details of which can be found on page 39.

Net cash generated from operations increased by 6.3% to £60.6 million (2021: £57.0 million), reflecting an increase in profit before tax after adding back non-cash provision movements, partially offset by a higher net working capital outflow, and higher income tax payments. Adjusted operating cash flow increased by 3.8% to £60.1 million, reflecting the increase in adjusted operating profit, partially offset by the higher net working capital outflow and increased capital expenditure after two years of deferral due to COVID-19 and the operational intensity of the recovery.

Adjusted operating cash conversion decreased slightly to 63.5% (2021: 64.3%), largely due to the working capital outflow. Adjusted operating cash conversion has been below the target average level of 90% in the last two years as a result of the significant investment in working capital made to protect against supply chain disruption, which has been magnified by inflation, with the reduction in demand in the second half of the year meaning that inventory did not reduce to the extent planned. Inventory reduction initiatives are expected to drive a much stronger cash conversion in 2023.

Free cash flow in the period was slightly lower than 2021 at £27.1 million (2021: £28.4 million), as a result of the higher adjusted operating cash flow offset by higher income tax payments on account, higher interest payments and adjusting item cash costs.

Debt facilities

Bank and US private placement facilities available to the Group as at 31 December 2022 were as follows:

Facility	Maturity	Currency	Committed	Uncommitted
2022 Facility	Dec 2026	Multi-currency	£210.0m	£100.0m
5.37% USPP	Nov 2024	US$	US$45.0m	–
3.51% USPP	April 2029	US$	US$40.0m	–
3.62% USPP	April 2032	US$	US$35.0m	–

In April 2022, the Group issued US$75 million of sustainability-linked US Private Placement notes. US$40 million of the notes have a maturity of 7 years and a base coupon rate of 3.51%, and US$35m have a maturity of 10 years and a base coupon rate of 3.62%.

In December 2022, the Group secured a new £210 million sustainability-linked revolving credit facility, which may be increased through an accordion option of up to £100 million. The facility matures in December 2026, with an option to extend for a further 12 months.

Both the USPP notes and the new RCF incorporate sustainability performance targets which align with Tyman's sustainability roadmap (see note 9). These incentive mechanisms result in a modest reduction or increase in the interest rate depending on performance against these targets.

Liquidity

At 31 December 2022, the Group had gross debt of £250.1 million (2021: £222.8 million) and net debt of £175.5 million (2021: £145.8 million). Adjusted net debt, which excludes lease liabilities and capitalised borrowing costs was £115.9 million (2021: £91.7 million), with the increase reflecting the significantly higher working capital and adverse foreign exchange movements.

The Group had cash balances of £74.6 million (2021: £77.0 million), bank overdrafts of £16.4 million (2021: £18.9 million), and committed but undrawn facilities of £125.8 million (2021: £123.6 million). This provides immediately available liquidity of £184.0 million (2021: £180.8 million). The Group also has potential access to the uncommitted £100.0 million accordion facility.

Covenant performance

At 31 December 2022	Test	Performance[(1)]	Headroom[(2)]	Headroom[(2)]
Leverage	< 3.0×	**1.0x**	£69.7m	65.0%
Interest Cover	> 4.0×	**18.2x**	£83.3m	78.0%

(1) *Calculated covenant performance consistent with the Group's banking covenant test (banking covenants exclude the effect of IFRS 16). See APMs on page 41 for interest cover and page 42 for leverage.*

(2) *The approximate amount by which covenant adjusted EBITDA would need to decline before the relevant covenant is breached*

At 31 December 2022, the Group retained significant headroom on its banking covenants. Leverage at the year-end was 1.0x (2021: 0.9x), reflecting the higher level of net debt, offset by the slight increase in covenant adjusted EBITDA. Interest cover at 31 December 2022 was 18.2x (2021: 17.4x).

Balance sheet – assets and liabilities

Working capital

£m	FY 2021	Mvt	FX	2022
Inventories	137.8	4.8	10.5	**153.1**
Trade receivables	69.9	(7.5)	5.1	**67.5**
Trade payables	(78.4)	28.0	(5.4)	**(55.8)**
Trade working capital	**129.3**	**25.3**	**10.2**	**164.8**

Trade working capital at the year end, net of provisions, was £164.8 million (2021: £129.3 million). The trade working capital increase at average exchange rates was £25.3 million (2021: £28.4 million).

The increase in inventory at average exchange rates was £4.8 million (2021: £53.9 million), largely reflecting the impact of inflation on inventory values. Inventory levels remain elevated following supply chain disruption and the need to de-risk key material availability early in the year. The Group has implemented a number of initiatives to bring inventory down to more normalised levels, whilst maintaining service levels. The planned reduction of inventory was negatively impacted by the shortfall in volume shipped towards the end of the year. Trade receivables and trade payables decreased due lower trading activity towards the period end, with purchasing significantly lower given the reduced demand and elevated inventory levels.

Trade working capital increased by a further £10.2 million due to foreign exchange movements.

Capital expenditure

Gross capital expenditure increased to £24.1 million (2021: £20.6 million) or 1.7x depreciation (excluding RoU asset depreciation) (2021: 1.6x), reflecting remaining catch up of expenditure deferred from 2021, investment in new product development, operational excellence, and ERP upgrades. Net capital expenditure was £24.0 million (2021: £19.8 million).

Goodwill and intangible assets

At 31 December 2022, the carrying value of goodwill and intangible assets was £457.0 million (2021: £430.1 million). The increase in goodwill and intangible assets is driven by foreign exchange movements, offset by the amortisation of intangible assets through the income statement of £19.6 million (2020: £18.8 million).

Provisions

Provisions at 31 December 2022 increased to £7.9 million (2021: £6.2 million), with the increase primarily reflecting the restructuring provision made for the costs of closure of the Hamburg facility of £3.3 million. This provision is expected to be settled in the first half of 2023.

Balance sheet – equity

Shares in issue

At 31 December 2022, the total number of shares in issue was 196.8 million (2021: 196.8 million) of which 0.5 million shares were held in treasury (2021: 0.5 million).

Employee Benefit Trust purchases

On 31 December 2022, the EBT held 2.1 million shares (2021: 0.8 million). During the period, the EBT purchased 2.0 million shares in Tyman plc at a total cost of £6.6 million (2021: 0.1 million shares at a total cost of £0.3 million).

Dividends

A final dividend of 9.5 pence per share (2021: 8.9 pence), equivalent to £18.4 million based on the shares in issue as at 31 December 2022, will be proposed at the Annual General Meeting (2021: £17.4 million). The total dividend declared for the 2022 financial year is therefore 13.7 pence per share (2021: 12.9 pence), in line with the Group's progressive dividend policy. This equates to a Dividend Cover of 2.5x, within the Group's target range of 2.0x to 2.5x adjusted EPS.

The ex-dividend date will be 27 April 2023 and the final dividend will be paid on 26 May 2023 to shareholders on the register at 28 April 2023.

Only dividends paid in the year have been charged against equity in the 2022 financial statements. Dividend payments of £25.4 million were paid to shareholders during 2022 (2021: £15.6 million).

Other financial matters

Return on capital employed

ROCE decreased by 120 bps to 13.3% (2021: 14.5%) as a result of significantly higher average working capital during the year and the impact of inflation and foreign exchange movements on capital employed, offset by a reduction in the average carrying value of intangible assets through amortisation.

Currency

Currency in the consolidated income statement

The principal foreign currencies that impact the Group's results are the US dollar and the Euro. In 2022, the Sterling was weaker against the US dollar and slightly stronger against the Euro when compared with the average exchange rates in 2021.

Translational exposure

Currency	**US$**	**Euro**	**Other**	**Total**
% mvt in average rate	(10.1%)	0.9%		
£m Revenue impact	37.7	(0.7)	0.8	**37.8**
£m Profit impact (1)	4.8	(0.1)	0.1	**4.8**
1c decrease impact (2)	£379k	£101k		

(1) Adjusted Operating Profit impact

(2) 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

The net effect of currency translation caused revenue and adjusted operating profit from ongoing operations to increase by £37.8 million and £4.8 million respectively compared with 2021.

Transactional exposure

Divisions that purchase or sell products in currencies other than their functional currency will potentially incur transactional exposures. For purchases by the UK and Ireland division from the Far East, these exposures are principally Sterling against the US dollar or Chinese renminbi.

The Group's policy is to recover adverse transactional currency movements through price increases or surcharges. Divisions typically buy currency forward to cover expected future purchases for up to six months. The objective is to achieve an element of certainty in the cost of landed goods and to allow sufficient time for any necessary price changes to be implemented.

The gain on foreign exchange derivatives in 2022 is £0.1 million (2021: minimal). The Group's other transactional exposures generally benefit from the existence of natural hedges and are immaterial.

The Group's gross borrowings (excluding leases) are denominated in the following currencies:

	2021		**2021**	
£m	**Gross**	**%**	**Gross**	**%**
GBP	**(24.2)**	**12.8**	(18.1)	11.1
US dollars	**(121.5)**	**64.5**	(105.2)	62.4
Euros	**(42.7)**	**22.7**	(44.7)	26.5
Gross borrowings	**(188.4)**		(168.0)	

2023 technical guidance

Working capital is expected to reduce from the current elevated level as supply chain disruption has subsided, with a net cash inflow of £20 - £30 million across the year and minimal build at the half year.

Capital expenditure is expected to be £22 - £27 million, reflecting ongoing investment in new product development, operational excellence, and systems upgrades.

The Group's operating cash conversion target average remains at 90% per annum. Operating cash conversion is expected to be higher than the target average in 2023, reflecting the expected working capital inflow.

Leverage is expected to be below the target range of 1.0x to 1.5x covenant adjusted EBITDA absent any M&A activity.

Net interest charge is expected to be £9 - £10 million, reflecting higher average interest rates, offset by lower net debt.

The adjusted effective tax rate is expected to be c. 23.0% - 25.0%.

Jason Ashton

Chief Financial Officer

Consolidated income statement

For the year ended 31 December 2022

	Note	**2022** **£'m**	2021 £'m
Revenue	3	**715.5**	635.7
Cost of sales		**(493.2)**	(424.0)
Gross profit		**222.3**	211.7
Selling, general and administrative expenses		**(151.2)**	(138.5)
Net impairment losses on financial assets		**(0.4)**	(0.1)
Operating profit		**70.7**	73.1
Analysed as:			
Adjusted[1] operating profit	3	**94.6**	90.0
Adjusting items	4	**(6.3)**	0.6
Amortisation of acquired intangible assets	7	**(17.6)**	(17.5)
Operating profit		**70.7**	73.1
Finance income		**1.0**	–
Finance costs		**(10.3)**	(9.1)
Net finance costs		**(9.3)**	(9.1)
Profit before taxation	3	**61.4**	64.0
Income tax charge	5	**(13.6)**	(14.4)
Profit for the year		**47.8**	49.6
Basic earnings per share	6	**24.6p**	25.4p
Diluted earnings per share	6	**24.5p**	25.3p
Non-GAAP alternative performance measures[1]			
Adjusted[1] operating profit		**94.6**	90.0
Adjusted[1] profit before taxation	6	**85.8**	81.5
Basic adjusted[1] earnings per share	6	**34.7p**	32.1p
Diluted adjusted[1] earnings per share	6	**34.5p**	32.0p

[1] Before amortisation of acquired intangible assets, deferred taxation on amortisation of acquired intangible assets, impairment of goodwill, adjusting items, unwinding of discount on provisions, gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs and the associated tax effect. See definitions and reconciliations on pages 39 to 43 for non-GAAP Alternative Performance Measures.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	2022 **£'m**	2021 £'m
Profit for the year	**47.8**	49.6
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	–	1.6
Total items that will not be reclassified to profit or loss	–	1.6
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations[1]	**54.1**	0.1
Change in fair value of net investment hedge[1]	**(11.7)**	2.3
Effective portion of changes in value of fair value hedges	**0.2**	–
Total items that may be reclassified to profit or loss	**42.6**	2.4
Other comprehensive income for the year, net of tax	**42.6**	4.0
Total comprehensive income for the year	**90.4**	53.6

1 Comparatives have been represented to show separately the change in fair value of net investment hedge for consistency with current year presentation.

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 5.

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Consolidated statement of changes in equity

For the year ended 31 December 2022

	Share capital £'m	Treasury reserve £'m	Hedging reserve £'m	Translation reserve £'m	Retained earnings £'m	Total equity £'m
At 1 January 2021	9.8	(3.4)	–	46.8	389.9	443.1
Profit for the year	–	–	–	–	49.6	49.6
Other comprehensive income	–	–	–	2.4	1.6	4.0
Total comprehensive income	–	–	–	2.4	51.2	53.6
Transactions with owners in their capacity as owners						
Share-based payments[1]	–	–	–	–	1.6	1.6
Dividends paid	–	–	–	–	(15.6)	(15.6)
Issue of own shares from Employee Benefit Trust	–	1.1	–	–	(1.1)	–
Purchase of own shares for Employee Benefit Trust	–	(0.3)	–	–	–	(0.3)
Total transactions with owners	–	0.8	–	–	(15.1)	(14.3)
At 31 December 2021	9.8	(2.6)	–	49.2	426.0	482.4
Profit for the year	–	–	–	–	47.8	47.8
Other comprehensive income	–	–	0.2	42.4	–	42.6
Total comprehensive income	–	–	0.2	42.4	47.8	90.4
Transactions with owners in their capacity as owners						
Share-based payments[1]	–	–	–	–	0.8	0.8
Dividends paid	–	–	–	–	(25.4)	(25.4)
Issue of own shares from Employee Benefit Trust	–	0.5	–	–	(0.5)	-
Purchase of own shares for Employee Benefit Trust	–	(6.6)	–	–	–	(6.6)
Total transactions with owners	–	(6.1)	–	–	(25.1)	(31.2)
At 31 December 2022	**9.8**	**(8.7)**	**0.2**	**91.6**	**448.7**	**541.6**

1 Share-based payments include a tax charge of £0.2 million (2021: tax credit of £0.3 million) and a credit due to issuance of shares under the deferred share bonus plan of £0.2 million (2021: £0.3 million).

Consolidated balance sheet

As at 31 December 2022

	Note	**2022 £'m**	2021 Restated[1] £'m	2020 Restated[1] £'m
TOTAL ASSETS				
Non-current assets				
Goodwill	7	**399.3**	363.3	361.9
Intangible assets	7	**57.7**	66.8	84.1
Property, plant and equipment		**74.6**	63.5	60.7
Right-of-use assets	8	**57.3**	52.0	51.8
Financial assets at fair value through profit or loss		**1.2**	1.1	1.1
Derivative financial instruments		**0.2**	–	–
Deferred tax assets		**1.7**	4.2	5.2
		592.0	550.9	564.8
Current assets				
Inventories		**153.1**	137.8	84.0
Trade and other receivables		**81.4**	81.0	72.8
Cash and cash equivalents		**74.6**	77.0	73.2
		309.1	295.8	230.0
TOTAL ASSETS		**901.1**	846.7	794.8
LIABILITIES				
Current liabilities				
Trade and other payables		**(88.2)**	(112.8)	(84.4)
Derivative financial instruments		**(0.2)**	(0.3)	(0.2)
Borrowings	9	**(15.9)**	(19.0)	(43.8)
Lease liabilities	8	**(6.8)**	(6.0)	(5.4)
Current tax liabilities		**(1.8)**	(6.0)	(6.8)
Provisions		**(5.0)**	(1.4)	(1.3)
		(117.9)	(145.5)	(141.9)
Non-current liabilities				
Borrowings	9	**(172.5)**	(149.0)	(128.8)
Lease liabilities	8	**(54.9)**	(48.8)	(48.4)
Deferred tax liabilities		**(6.9)**	(12.1)	(15.7)
Retirement benefit obligations		**(4.3)**	(4.0)	(8.9)
Provisions		**(2.9)**	(4.8)	(7.6)
Other payables		**(0.1)**	(0.1)	(0.4)
		(241.6)	(218.8)	(209.8)
TOTAL LIABILITIES		**(359.5)**	(364.3)	(351.7)
NET ASSETS		**541.6**	482.4	443.1
EQUITY				
Capital and reserves attributable to owners of the Company				
Share capital		**9.8**	9.8	9.8
Treasury reserve		**(8.7)**	(2.6)	(3.4)
Hedging reserve		**0.2**	–	–
Translation reserve		**91.6**	49.2	46.8
Retained earnings		**448.7**	426.0	389.9
TOTAL EQUITY		**541.6**	482.4	443.1

[1] See note 2.2 for details regarding reclassification adjustments to the comparative balance sheets.

Consolidated cash flow statement

For the year ended 31 December 2022

	Note	**2022 £'m**	2021 £'m
Cash flow from operating activities			
Profit before taxation	3	**61.4**	64.0
Adjustments	10	**53.0**	47.4
Changes in working capital:			
Inventories		**(4.8)**	(54.0)
Trade and other receivables		**5.6**	(9.1)
Trade and other payables		**(32.2)**	29.2
Provisions utilised		**(0.7)**	–
Pension contributions		**(0.2)**	(2.8)
Income tax paid		**(21.5)**	(17.7)
Net cash generated from operating activities		**60.6**	57.0
Cash flow from investing activities			
Purchases of property, plant and equipment		**(19.2)**	(16.1)
Purchases of intangible assets	7	**(4.9)**	(4.5)
Proceeds on disposal of property, plant and equipment		**0.1**	0.8
Interest received		**0.9**	–
Net cash used in investing activities		**(23.1)**	(19.8)
Cash flow from financing activities			
Interest paid		**(9.5)**	(8.8)
Dividends paid		**(25.4)**	(15.6)
Purchase of own shares for Employee Benefit Trust		**(6.6)**	(0.3)
Refinancing costs paid		**(2.1)**	–
Proceeds from drawdown of borrowings		**122.3**	40.0
Repayments of borrowings		**(113.0)**	(57.8)
Principal element of lease payments		**(6.2)**	(6.2)
Net cash used in financing activities		**(40.5)**	(48.7)
Net decrease in cash and cash equivalents and bank overdrafts		**(3.0)**	(11.5)
Exchange loss on cash and cash equivalents and bank overdrafts		**3.1**	(0.1)
Cash and cash equivalents and bank overdrafts at beginning of year		**58.1**	69.7
Cash and cash equivalents and bank overdrafts at end of year		**58.2**	58.1

Notes to the financial statements

For the year ended 31 December 2022

1. General information

Tyman plc is a leading international supplier of engineered fenestration and access solutions to the construction industry. The Group designs and manufactures products that enhance the comfort, sustainability, security, safety and aesthetics of residential homes and commercial buildings. Tyman serves its markets through three regional divisions. Headquartered in London, the Group employs approximately 3,700 people with facilities in 16 countries worldwide.

Tyman plc is a public limited company listed on the London Stock Exchange, incorporated and domiciled in the United Kingdom. The address of the Company's registered office is 29 Queen Anne's Gate, London SW1H 9BU.

2. Accounting policies and basis of preparation

The consolidated financial statements of Tyman plc have been prepared in accordance with the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated financial statements have been prepared on a historical cost basis, except for items that are required by IFRS to be measured at fair value, principally certain financial instruments.

The financial information included in the full year results announcement does not constitute statutory accounts of the Company for the years ended 31 December 2022 and 2021. Statutory accounts for the year ended 31 December 2021 have been reported on by the Company's auditor and delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2022 have been audited and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The report of the auditors for both years was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The consolidated financial statements have been prepared using consistent accounting policies with those of the previous financial year except as outlined in note 2.2 below.

These results were approved by the Board of Directors on 2 March 2023.

2.1 Going concern

The Group's business activities, financial performance and position, together with factors likely to affect its future development and performance, are described in the Chief Executive Officer's review on pages 3 to 6.

As at 31 December 2022, the Group had net cash and cash equivalents of £58.2 million, and an undrawn RCF available of £125.8 million, giving liquidity headroom of £184.0 million. The Group also has potential access to an uncommitted accordion facility of £100 million.

The Group is subject to leverage and interest cover covenants tested in June and December and had significant headroom on both covenants at 31 December 2022, with £69.7 million (65%) of

EBITDA headroom on the leverage covenant and £83.3 million (78%) of EBITDA headroom on the interest cover covenant.

The Group has performed an assessment of going concern through reviewing liquidity headroom and covenant compliance under the Board approved financial forecasts and modelling several downside scenarios. In all scenarios modelled, the Group would retain significant liquidity and covenant headroom throughout the going concern period.

Reverse stress-testing has also been performed to model a scenario that would result in elimination of covenant headroom within the going concern assessment period. Revenue would need to decrease significantly, to an extent not considered reasonably possible, for the covenants to be breached. As part of this assessment, the Group has considered the risks relating to climate change. As this risk relates to the medium to long term, there is no impact on the short-term going concern assessment.

Having reviewed the various scenario models, available liquidity and taking into account current trading, the Directors are satisfied that the Group has sufficient financial resources to continue in operation for the foreseeable future, which is considered to be a period of not less than twelve months from the date of this report. Accordingly, the consolidated and Company financial information has been prepared on a going concern basis.

2.2 Changes in accounting policies and disclosures

2.2.1 New, revised and amended standards and interpretations adopted by the Group

The accounting standards and interpretations that became applicable in the year did not materially impact the Group's accounting policies and did not require retrospective adjustments.

2.2.2 New, revised and amended accounting standards not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2.3 Prior year restatement

In September 2022, the Group received a letter from the Financial Reporting Council ("FRC") as part of its regular review and assessment of the quality of corporate reporting in the UK. The letter included a request for further information on the Group's Annual Report and Accounts for the year ended 31 December 2021. Following completion of the correspondence with the FRC, the Group undertook to restate the classification in two areas of the 2021 comparative balance sheets. As these reclassifications affected the information presented in the balance sheet as at the beginning of the earliest comparative period, a third balance sheet as at 31 December 2020 has been presented.

The review conducted by the FRC was performed solely on the Group's published 2021 Annual Report and Accounts and does not provide any assurance that the Annual Report and Accounts are correct in all material respects. The FRC's review did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into. The FRC accepts no liability for reliance on their review by the Company or any third party.

i. Offsetting of deferred tax assets and liabilities

The Group previously presented deferred tax assets and liabilities gross on the balance sheet. Certain of these assets and liabilities arose in the same tax jurisdiction and met the criteria for offset in IAS 12. These balances have therefore been restated to offset those that met the criteria. The effect of this was to reduce deferred tax assets and deferred tax liabilities as at 31 December 2021 by £8.4 million (31 December 2020: £11.1 million).

ii. Offsetting of bank overdrafts

The Group has cash pooling arrangements that were previously recorded as part of cash and cash equivalents, with the overdraft being disclosed in the notes to the financial statements. The Directors have concluded that the second criterion of IAS 32 paragraph 42 was not met. Consequently, a restatement has been made with the effect that cash and cash equivalents and current borrowings as at 31 December 2021 increased by £18.9 million (31 December 2020: £3.5 million).

These restatements did not affect the Group's income statement, net assets, cash flows, KPIs or compliance with covenants.

The previously reported and restated financial statement line items are summarised as follows:

31 December 2021	As previously reported £m	Impact of restatement £m	Restated £m
Cash and cash equivalents	58.1	18.9	77.0
Deferred tax asset	12.6	(8.4)	4.2
Borrowings - current	(0.1)	(18.9)	(19.0)
Deferred tax liability	(20.5)	8.4	(12.1)
Net assets	482.4	–	482.4
Total assets	836.2	10.5	846.7
Total liabilities	(353.8)	(10.5)	(364.3)

31 December 2020	As previously reported £m	Impact of restatement £m	Restated £m
Cash and cash equivalents	69.7	3.5	73.2
Deferred tax asset	16.3	(11.1)	5.2
Borrowings - current	(40.3)	(3.5)	(43.8)
Deferred tax liability	(26.8)	11.1	(15.7)
Net assets	443.1	–	443.1
Total assets	802.4	(7.6)	794.8
Total liabilities	(359.3)	7.6	(351.7)

3. Segment reporting

3.1 Segment information

The reporting segments reflect the manner in which performance is evaluated and resources are allocated. The Group operates through three clearly defined divisions: Tyman North America, Tyman UK & Ireland and Tyman International.

North America comprises all the Group's operations within the US, Canada and Mexico. UK & Ireland comprises the Group's UK and Ireland hardware business, together with Access 360 and Tyman Sourcing Asia. International comprises the Group's remaining businesses outside the US, Canada, Mexico and the UK (although includes the two UK seal manufacturing plants that are managed by the Tyman International leadership team). Centrally incurred functional costs that are directly attributable to a division are allocated or recharged to the division. All other centrally incurred costs and eliminations are disclosed as a separate line item in the segment analysis.

In the opinion of the Board, there is no material difference between the Group's operating segments and segments based on geographical splits. Accordingly, the Board does not consider geographically defined segments to be reportable.

The following tables present Group revenue and profit information for the Group's reporting segments, which have been generated using the Group accounting policies, with no differences of measurement applied, other than those noted above.

3.2 Revenue

	2022			2021		
	Segment revenue £'m	**Inter-segment revenue £'m**	**External revenue £'m**	Segment revenue £'m	Inter-segment revenue £'m	External revenue £'m
North America	**474.9**	**(3.0)**	**471.9**	400.5	(2.8)	397.7
UK & Ireland	**103.5**	**(0.2)**	**103.3**	106.2	(0.4)	105.8
International	**143.4**	**(3.1)**	**140.3**	135.2	(3.0)	132.2
Total revenue	**721.8**	**(6.3)**	**715.5**	641.9	(6.2)	635.7

Included within the Tyman International segment is revenue generated from the UK seals plants of £24.7 million (2021: £22.3 million). There are no single customers that account for greater than 10% of total revenue.

3.3 Profit before taxation

	Note	**2022 £'m**	2021 £'m
North America		**66.8**	65.1
UK & Ireland		**14.5**	14.8
International		**21.3**	19.5
Operating segment profit		**102.6**	99.4
Centrally incurred costs		**(8.0)**	(9.4)
Adjusted operating profit		**94.6**	90.0
Adjusting items	4	**(6.3)**	0.6
Amortisation of acquired intangible assets	7	**(17.6)**	(17.5)
Operating profit		**70.7**	73.1
Net finance costs		**(9.3)**	(9.1)
Profit before taxation		**61.4**	64.0

4. Adjusting items

	2022 £'m	2021 £'m
Footprint restructuring – costs	**(6.3)**	–
Footprint restructuring – credits	**–**	0.3
Footprint restructuring – net	**(6.3)**	0.3
M&A and integration – credits		0.6
M&A and integration – net	**–**	0.6
Impairment charges	**–**	(1.9)
Impairment credits	**–**	1.6
Impairment – net	**–**	(0.3)
	(6.3)	0.6

5. Taxation

5.1 Taxation – income statement and other comprehensive income

	2022 £'m	2021 £'m
Current taxation		
Current tax on profit for the year	**(19.1)**	(18.8)
Prior year adjustments	**1.5**	1.5
Total current taxation	**(17.6)**	(17.3)
Deferred taxation		
Origination and reversal of temporary differences	**4.6**	2.2
Rate change adjustment	**0.1**	0.4
Prior year adjustments	**(0.7)**	0.3
Total deferred taxation	**4.0**	2.9
Income tax charge in the income statement	**(13.6)**	(14.4)
Total (charge)/credit relating to components of other comprehensive income		
Current tax charge on translation	**(0.3)**	–
Current tax credit on share-based payments	–	0.1
Deferred tax charge on actuarial gains and losses	–	(0.5)
Deferred tax credit on share-based payments	**(0.2)**	0.2
Deferred tax charge on translation	–	(0.1)
Income tax charge in the statement of other comprehensive income	**(0.5)**	(0.3)
Total current taxation	**(17.9)**	(17.2)
Total deferred taxation	**3.8**	2.5
Total taxation	**(14.1)**	(14.7)

The Group's UK profits for this financial year are taxed at the statutory rate of 19.0% (2021: 19.0%). The deferred tax balances have been measured using the applicable enacted rates. In the UK, legislation to increase the standard rate of corporation tax from 19% to 25% from 1 April 2023 was substantively enacted in the Finance Act 2021 on 24 May 2021, and consequently deferred tax has been remeasured to reflect this.

Taxation for other jurisdictions is calculated at rates prevailing in those respective jurisdictions.

5.2 Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of tax in the UK of 19.0% (2021: 19.0%). The differences are explained below:

	2022 £'m	2021 £'m
Profit before taxation	**61.4**	64.0
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**(11.7)**	(12.2)
Effects of:		
Expenses not deductible for tax purposes	**(0.2)**	(0.9)
Overseas tax rate differences	**(2.5)**	(3.5)
Rate change adjustment	**0.1**	0.4
Prior year adjustments	**0.7**	1.8
Income tax charge in the income statement	**(13.6)**	(14.4)

5.3 Factors that may affect future tax charges

The estimated tax losses within the Group are as follows:

	Gross losses		**Tax effect of losses**	
	2022 £'m	2021 £'m	**2022 £'m**	2021 £'m
Capital losses	**10.8**	3.3	**(2.7)**	(0.6)
Trading losses	**14.1**	20.2	**(4.2)**	(5.4)
	24.9	23.5	**(6.9)**	(6.0)

In accordance with the Group's accounting policy, as the future use of these losses is uncertain, none of these losses have been recognised as a deferred tax asset.

An assessable temporary difference exists, but no deferred tax liability has been recognised because the Group is able to control the timing of any distributions from these subsidiaries and hence any tax consequences that may arise.

6. Earnings per share

6.1 Earnings per share

	2022	2021
Profit for the year (£'m)	**47.8**	49.6
Basic earnings per share (p)	**24.6p**	25.4p
Diluted earnings per share (p)	**24.5p**	25.3p

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares.

6.1.1 Weighted average number of shares

	2022 'm	2021 'm
Weighted average number of shares (including treasury shares)	**196.8**	196.8
Treasury shares	**(0.5)**	(0.5)
Employee Benefit Trust shares	**(2.1)**	(0.9)
Weighted average number of shares – basic	**194.2**	195.4
Effect of dilutive potential ordinary shares – LTIP awards and options	**1.0**	0.7
Weighted average number of shares – diluted	**195.2**	196.1

6.1.2 Non-GAAP Alternative Performance Measure: adjusted earnings per share

The Group presents an adjusted earnings per share measure which excludes the impact of exceptional items, certain non-cash finance costs, amortisation of acquired intangible assets and certain non-recurring items. adjusted earnings per share has been calculated using the adjusted profit before taxation and using the same weighted average number of shares in issue as the earnings per share calculation.

Adjusted profit after taxation is derived as follows:

	2022 £'m	2021 £'m
Profit before taxation	**61.4**	64.0
Adjusting items	**6.3**	(0.6)
(Gain)/loss on revaluation of derivative instrument	**(0.1)**	0.1
Amortisation of borrowing costs	**0.6**	0.5
Amortisation of acquired intangible assets	**17.6**	17.5
Adjusted profit before taxation	**85.8**	81.5
Income tax charge	**(13.6)**	(14.4)
Add back: Adjusted tax effect[1]	**(4.9)**	(4.4)
Adjusted profit after taxation	**67.3**	62.7

1 Tax effect of adjusting items, amortisation of borrowings costs, amortisation of acquired intangible assets, gain or loss on revaluation of fair value hedge and unwinding of discount on provisions.

Adjusted earnings per share is summarised as follows:

	2022	2021
Basic Adjusted earnings per share	**34.7p**	32.1p
Diluted Adjusted earnings per share	**34.5p**	32.0p

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7. Goodwill and intangible assets

7.1 Carrying amount of goodwill

	£'m
Net carrying value	
At 1 January 2021	361.9
Exchange difference	1.4
At 31 December 2021	363.3
Exchange difference	36.0
At 31 December 2022	**399.3**

Goodwill is monitored principally on an operating segment basis and the net book value of goodwill is allocated by CGU as follows:

	2022 £'m	2021 £'m
North America	**302.7**	268.5
UK & Ireland	**60.2**	60.2
International	**36.4**	34.6
	399.3	363.3

7.2 Carrying amount of intangible assets

	Computer software £'m	Acquired brands £'m	Customer relationships £'m	Other intangibles £'m	Total £'m
Cost					
At 1 January 2021	13.2	85.8	252.7	–	351.7
Additions	4.4	0.1	–	–	4.5
Disposals	(2.0)	(3.0)	–	–	(5.0)
Exchange difference	(0.1)	(0.8)	(0.2)	–	(1.1)
At 31 December 2021	15.5	82.1	252.5	–	350.1
Additions	4.7	–	–	0.2	4.9
Disposals	(0.4)	–	–	–	(0.4)
Transfer between categories	0.1	(0.1)	–	–	-
Exchange difference	1.8	7.8	24.3	–	33.9
At 31 December 2022	**21.7**	**89.8**	**276.8**	**0.2**	**388.5**
Accumulated amortisation					
At 1 January 2021	(7.1)	(57.4)	(203.1)	–	(267.6)
Amortisation charge for the year	(1.3)	(5.4)	(12.1)	–	(18.8)
Disposals	2.0	3.0	-	–	5.0
Impairment		-	-	–	(1.9)
Exchange difference	(0.1)	0.4	(0.3)	–	-
At 31 December 2021	(8.4)	(59.4)	(215.5)	–	(283.3)
Amortisation charge for the year	(2.0)	(5.4)	(12.2)	–	(19.6)
Disposals	0.4	-	-	–	0.4
Impairment	(0.1)	(0.1)	-	–	(0.2)
Exchange difference	(0.9)	(5.9)	(21.3)	–	(28.1)
At 31 December 2021	**(11.0)**	**(70.8)**	**(249.0)**	–	**(330.8)**
Net carrying value					
At 1 January 2021	6.1	28.4	49.6	–	84.1
At 31 December 2021	7.1	22.7	37.0	–	66.8
At 31 December 2022	**10.7**	**19.0**	**27.8**	**0.2**	**57.7**

The amortisation charge for the year has been included in selling, general and administrative expenses in the income statement and comprises £17.6 million (2021: £17.7 million) relating to amortisation of acquired intangible assets and £2.0 million (2021: £1.3 million) relating to amortisation of other intangible assets.

8. Leases

8.1 Carrying value of right of use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year.

	Land and buildings £'m	Plant and machinery £'m	Total £'m
At 1 January 2021	50.0	1.8	51.8
Additions	1.4	0.9	2.3
Lease extensions	4.7	–	4.7
Change in indexation	0.1	–	0.1
Disposals	(0.1)	–	(0.1)
Depreciation charge	(6.1)	(0.9)	(7.0)
Exchange difference	0.2	–	(0.2)
At 31 December 2021	50.2	1.8	52.0
Additions	6.8	1.5	8.3
Change in indexation	0.1	–	0.1
Disposals	(0.1)	–	(0.1)
Depreciation charge	(6.1)	(1.0)	(7.1)
Revaluation impairment	(0.2)	–	(0.2)
Exchange difference	4.3	–	4.3
At 31 December 2022	**55.0**	**2.3**	**57.3**

8.2 Carrying value of lease liabilities

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

	2022 £'m	2021 £'m
At 1 January	**(54.8)**	(53.8)
New leases	**(8.3)**	(2.3)
Lease extensions	–	(4.7)
Change in indexation	**(0.1)**	(0.2)
Lease disposals	**0.1**	0.2
Interest charge	**(3.0)**	(2.5)
Lease payments	**9.2**	8.6
Foreign exchange	**(4.8)**	(0.1)
At 31 December	**(61.7)**	(54.8)
Current liabilities	**(6.8)**	(6.0)
Non-current liabilities	**(54.9)**	(48.8)
At 31 December	**(61.7)**	(54.8)

8.3 Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss:

	2022 £'m	2021 £'m
Depreciation of ROU assets	**(7.1)**	(7.0)
Interest expense (included in finance cost)	**(3.0)**	(2.5)
Expense relating to short-term and low-value assets not included in lease liabilities (included in cost of sales and selling, general and administration expenses)	**(2.3)**	(1.3)
Expense relating to variable lease payments not included in lease liabilities (included in cost of sales and selling, general and administration expenses)	**(0.7)**	(0.5)
	(13.1)	(11.3)

9. Borrowings

9.1 Carrying amounts of borrowings

	2022 £'m	2021 £'m
Unsecured borrowings at amortised cost:		
Bank borrowings	**(74.9)**	(116.5)
Bank overdraft	**(16.4)**	(18.9)
Senior notes	**(99.2)**	(33.3)
Capitalised borrowing costs	**2.1**	0.7
Borrowings	**(188.4)**	(168.0)
Analysed as:		
Current liabilities	**(15.9)**	(19.0)
Non-current liabilities	**(172.5)**	(149.0)
	(188.4)	(168.0)

There were no defaults in interest payments in the year under the terms of the existing loan agreements. Non-cash movements in the carrying amount of interest-bearing loans and borrowings relate to the amortisation of borrowing costs.

The carrying amounts of interest-bearing loans and borrowings (excluding lease liabilities) are denominated in the following currencies:

	2022 £'m	2021 £'m
Sterling	**(24.2)**	(18.1)
US dollars	**(121.5)**	(105.2)
Euros	**(42.7)**	(44.6)
Other	–	(0.1)
	(188.4)	(168.0)

9.1.1 Bank borrowings

Multi-currency revolving credit facility

In December 2022, the Group refinanced its revolving credit facility, securing a new £210 million sustainability-linked Revolving Credit Facility, which may be increased through an accordion option of up to £100 million. The facility matures on 13 December 2026, with an option to extend by a further year. The banking facility is unsecured and is guaranteed by Tyman plc and its principal subsidiary undertakings. A portion of the loan margin is now linked to the performance of the Group on three sustainability metrics, which align with Tyman's immediate sustainability priorities and its 2030 sustainability roadmap:

- Reduction in Scope 1 and 2 emissions from the 2019 baseline.
- Year-on-year increase in percentage of revenue from positive-impact solutions that contribute to the United Nations Sustainable Development Goals.
- Reduction in the Total Recordable Incident Rate per one million hours worked (excluding the impact of COVID-19).

Progress against these sustainability metrics will be independently verified on an annual basis. If Tyman achieves some, or all of these metrics, then the loan pricing will be reduced for the following year; a shortfall against the metrics will result in Tyman paying a similar premium to a nominated charity.

As at 31 December 2022, the Group has undrawn amounts committed under the multi-currency revolving credit facility of £135.1 million (2021: £123.6 million). These amounts are floating rate commitments which expire beyond twelve months.

9.1.2 Private placement notes

The Group's private placement notes of US$120 million are notes issued to US financial institutions. These comprise:

- US$45.0 million issued in November 2014, with a 10-year maturity from inception at a coupon of 5.37%, due for repayment in November 2024.
- US$75 million issued in April 2022. US$40 million of these notes have a term of seven years maturing in April 2029, with a coupon rate of 3.51%, and US$35 million have a term of ten years maturing in April 2032, with a coupon rate of 3.62%. These notes incorporate three sustainability performance targets, which align with Tyman's sustainability roadmap. This incentive mechanism results in a modest reduction or increase in the coupon rate depending on performance against these targets. The targets are:
    - Reduction in Tyman's Scope 1 and 2 emissions by a series of milestones, including a reduction of 50% by 2026 and carbon neutrality by 2030 (relative to 2019 baseline).
    - Submission of Tyman's Scope 3 target to the Science Based Target initiative (SBTi) for verification by February 2023.
    - Participation in CDP in 2022 and annually thereafter.

9.2 Net debt

9.2.1 Net debt summary

	2022 £'m	2021 £'m
Borrowings	**(188.4)**	(149.1)
Lease liabilities	**(61.7)**	(54.8)
Cash	**74.6**	58.1
At 31 December	**(175.5)**	(145.8)

9.2.2 Net debt reconciliation

	Liabilities from financing activities[2]			Other assets[2]	
	Borrowings[1]	Lease liabilities	Sub total	Net cash and bank overdraft	Total
At 1 January 2021	(169.1)	(53.8)	(222.9)	69.7	(153.2)
Financing cash flows (excluding interest)	17.8	6.2	24.0	(11.5)	12.5
Interest expense	(5.9)	(2.5)	(8.4)	–	(8.4)
Interest payments	6.3	2.5	8.8		8.8
Disposals	–	0.2	0.2	–	0.2
New leases	–	(2.3)	(2.3)	–	(2.3)
Lease modifications	–	(0.2)	(0.2)	–	(0.2)
Lease extensions	–	(4.7)	(4.7)		(4.7)
Foreign exchange adjustments	2.3	(0.2)	2.1	(0.1)	2.0
Amortisation of borrowing costs	(0.5)	–	(0.5)	–	(0.5)
At 31 December 2021	**(149.1)**	**(54.8)**	**(203.9)**	**58.1**	**(145.8)**
Financing cash flows (excluding interest)	(9.3)	6.2	(3.1)	(2.9)	(6.0)
Interest expense	(6.9)	(3.0)	(9.9)	–	(9.9)
Interest payments	6.5	3.0	9.5	–	9.5
Disposals	–	0.1	0.1	–	0.1
New leases	–	(8.3)	(8.3)	–	(8.3)
Lease modifications	–	(0.1)	(0.1)	–	(0.1)
Foreign exchange adjustments	(14.7)	(4.8)	(19.5)	3.0	(16.5)
Financing costs capitalised	2.1	–	2.1	–	2.1
Amortisation of borrowing costs	(0.6)	–	(0.6)	–	(0.6)
At 31 December 2022	**(172.0)**	**(61.7)**	**(233.7)**	**58.2**	**(175.5)**

1 Borrowings exclude bank overdraft of £16.4 million (2021: £18.9 million).

2 Comparatives have been represented for consistency with current year presentation.

10. Adjustments to cash flows from operating activities

The following non-cash and financing adjustments have been made to profit before taxation to arrive at operating cash flow:

	Note	**2022 £'m**	2021 £'m
Net finance costs		**9.3**	9.1
Depreciation of PPE		**12.4**	11.5
Depreciation of right of use assets		**7.1**	7.0
Amortisation of intangible assets	7	**19.6**	18.8
Impairment of intangible assets	7	**0.2**	1.9
Impairment of property, plant and equipment		**0.7**	0.2
Impairment of right of use assets		**-**	0.2
Loss on disposal of property, plant and equipment		**0.2**	0.1
Pension service costs and expected administration costs		**0.1**	0.3
Non-cash provision movements		**2.1**	(2.4)
Share-based payments		**1.0**	1.0
		53.0	47.4

11. Events after the balance sheet date

There were no events after the balance sheet date.

Alternative performance measures

The Group uses adjusted figures as key performance measures in addition to those reported under IFRS, as management believe these measures enable management and stakeholders to assess the underlying trading performance of the businesses as they exclude certain items that are considered to be significant in nature and/or quantum, foreign exchange movements and the impact of acquisitions and disposals. The alternative performance measures ("APMs") are consistent with how the businesses' performance is planned and reported within the internal management reporting to the Board and Operating Committees. Some of these measures are used for the purpose of setting remuneration targets. The key APMs that the Group uses include like-for-like ("LFL") performance measures and adjusted measures for the income statement together with adjusted financial position and cash flow measure. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below.

Limitations of APMs

APMs should not be viewed in isolation and are designed to provide supplementary information. These may not be comparable to similarly labelled measures used by other companies. Other limitations of the Group's adjusted measures are that they exclude the amortisation of intangibles acquired in business combinations, but do not similarly exclude the related revenue and profits, and they exclude the cost of major restructuring programmes but do not similarly exclude the financial benefits derived from these.

Adjusted operating profit and adjusted operating margin

Definition

Operating profit before amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, and adjusting items.

Adjusted operating margin is adjusted operating profit divided by revenue.

Purpose

This measure is used to evaluate the trading operating performance of the Group.

Adjusting items are excluded from this measure to provide an understanding of the elements of financial performance during the year to facilitate comparison with prior periods and to assess the underlying trends in financial performance.

Adjusting items include significant one-off redundancy and restructuring costs, transaction costs and integration costs associated with merger and acquisition activity, any impairment charges for intangible asset upgrades, as well as credits relating to profit on disposal of businesses, and property provision releases. These items are not considered to be a part of the ordinary course of the Group's business.

Amortisation of acquired intangible assets is excluded from this measure as this is a significant non-cash fixed charge that is not affected by the trading performance of the business, but does not similarly exclude the related revenue and profits generated from the business acquisition.

Impairment of acquired intangible assets and goodwill is excluded, as this can be a significant non-cash charge.

Reconciliation/calculation

Adjusted operating profit is reconciled on the face of the Income Statement on page 22.

Like for like or LFL revenue and operating profit

Definition

The comparison of revenue or adjusted operating profit, as appropriate, excluding the impact of any acquisitions made during the current year and, for acquisitions made in the comparative year, excluding from the current year result the impact of the equivalent current year pre-acquisition period. For disposals, the results are excluded for the whole of the current and prior period. The prior period comparative is retranslated at the current period average exchange rate. The Group considers these amendments provide shareholders with a comparable basis from which to understand the organic trading performance in the year.

Purpose

This measure is used by management to evaluate the Group's organic growth in revenue and adjusted operating profit year on year, excluding the impact of M&A and currency movements.

Reconciliation/calculation

	2022 £'m	2021 £'m
Reported revenue	**715.5**	635.7
Effect of exchange rates	**-**	44.5
Like-for-like revenue	**715.5**	635.7
Adjusted operating profit	**94.6**	90.0
Effect of exchange rates	**-**	7.0
Like-for-like adjusted operating profit	**94.6**	97.0

Adjusted profit before tax and adjusted profit after tax

Definition

Profit before amortisation of acquired intangible assets, deferred tax on amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, adjusting items, unwinding of discount on provisions, gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs, accelerated amortisation of borrowing costs and the associated tax effect.

Purpose

This measure is used to evaluate the profit generated by the Group through trading activities. In addition to the items excluded from operating profit above, the gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs and the associated tax effect are excluded. These items are excluded as they are of a non-trading nature.

Reconciliation/calculation

A reconciliation is included in note 6.1.

Adjusted earnings per share

Definition

Adjusted profit after tax divided by the basic weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares.

Purpose

This measure is used to determine the improvement in adjusted EPS for our shareholders.

Reconciliation/calculation

A reconciliation of adjusted profit after tax and the number of shares can be found in note 6.

Covenant EBITDA and covenant adjusted EBITDA

Definition

Covenant EBITDA: Adjusted operating profit with depreciation, amortisation of computer software, and share-based payments expenses added back, less RoU depreciation and interest payable on lease liabilities.

Covenant adjusted EBITDA: EBITDA plus the pre-acquisition EBITDA of businesses acquired during the year covering the relevant pre-acquisition period less the EBITDA of businesses disposed of during the year.

Purpose

This measure is used as the numerator in calculating covenants under the terms of the Group's revolving credit facility.

Reconciliation/calculation

	2022 £'m	2021 £'m
Adjusted operating profit	**94.6**	90.0
Depreciation of property, plant and equipment	**19.5**	11.5
Amortisation of computer software	**2.0**	1.3
Interest payable on lease liabilities	**(3.0)**	(1.2)
ROU depreciation	**(7.1)**	–
Share-based payments expense – equity settled	**0.8**	1.0
Covenant EBITDA and covenant adjusted EBITDA	**106.8**	102.6

Interest cover

Definition

Covenant EBITDA divided by the net interest payable on bank loans, private placement notes and overdrafts and interest income from short-term bank deposits.

Purpose

This measure is used to evaluate the profit available to service the Group's interest costs. This is one of the covenants the Group is subject to under the terms of its revolving credit facility.

Reconciliation/calculation

	2022 £'m	2021 £'m
Covenant EBITDA	**106.8**	101.4
Net interest	**5.9**	5.8
Interest cover (x)	**18.2x**	17.4x

Gross Debt and Adjusted gross debt

Definition

Gross debt is borrowings and lease liabilities. Adjusted gross debt is gross debt, with capitalised borrowing costs added back.

Purpose

This gives a measure of the gross amount owed to lenders, without the effect of unamortised borrowing costs for which cash outflow has already occurred.

Reconciliation/calculation

	2022 £'m	2021 £'m
Borrowings	**(188.4)**	(203.9)
Lease liabilities	**(61.7)**	(54.8)
Gross Debt	**(250.1)**	(258.7)
Capitalised borrowing costs	**(2.1)**	(0.7)
Adjusted gross debt	**(252.2)**	(259.4)

Adjusted net debt and covenant net debt

Definition

Borrowings, net of cash and cash equivalents, plus capitalised borrowing costs and lease liabilities added back. For the purposes of bank covenants net debt used in the leverage calculation is calculated based on the weighted average exchange rates in line with the banking agreements.

Purpose

This gives a measure of the gross amount owed to lenders, without the effect of unamortised borrowing costs.

Reconciliation/calculation

	2022 £'m	2021 £'m
Net debt	**(175.5)**	(145.8)
Lease liabilities	**61.7**	54.8
Capitalised borrowing costs	**(2.1)**	(0.7)
Adjusted net debt	**(115.9)**	(91.7)
Adjustment to weighted average exchange rate	**4.4**	0.7
Covenant net debt	**(111.5)**	(91.0)

Leverage

Definition

Adjusted net debt translated at the average exchange rate for the year divided by covenant adjusted EBITDA, as defined in the banking agreements.

Purpose

This measure is used to evaluate the ability of the Group to generate sufficient cash flows to cover its contractual debt servicing obligations.

Reconciliation/calculation

	2022 £'m	2021 £'m
Covenant adjusted net debt (at average exchange rate)	**111.5**	91.0
Covenant adjusted EBITDA	**106.8**	102.6
Leverage (x)	**1.0x**	0.9x

Return on Capital Employed (ROCE)

Definition

Adjusted operating profit as a percentage of the last thirteen-month average capital employed.

Purpose

This measure is used to evaluate how efficiently the Group's capital is being employed to improve profitability.

Reconciliation/calculation

	2022 £'m	2021 £'m
Adjusted operating profit	**94.6**	90.0
Average capital employed	**710.7**	619.4
ROCE	**13.3%**	14.5%

Average capital employed can be reconciled to the balance sheet as follows:

	2022 £'m	2021 £'m
Inventories	**153.1**	137.8
Trade and other receivables	**81.4**	81.0
Intangible assets	**57.7**	66.8
Property, plant & equipment	**74.6**	63.5
Right-of-use asset	**57.3**	52.0
Goodwill	**399.3**	363.3
Deferred tax asset	**14.9**	4.2
Trade and other payables	**(88.2)**	(112.8)
Tax liabilities	**(1.8)**	(6.0)
Provisions – current	**(5.0)**	(1.4)
Provisions non – current	**(2.9)**	(4.8)
Deferred tax liabilities	**(20.1)**	(12.1)
Financial asset at FV through P&L	**1.2**	1.1
Total capital employed	**721.5**	632.6
Adjustment to 13-month average	**(10.8)**	(13.2)
Average capital employed	**710.7**	619.4

Adjusted operating cash conversion and adjusted operating cash flow

Definition

Adjusted operating cash flow

Net cash generated from operations before income tax paid, adjusting item costs cash settled in the year and pension contributions, and after proceeds on disposal of property, plant and equipment, payments to acquire property, plant and equipment and payments to acquire intangible assets.

Adjusted operating cash conversion

Adjusted operating cash flow divided by adjusted operating profit.

Purpose

These measures are used to evaluate the cash flow generated by operations in order to pay down debt, return cash to shareholders and make further investment in the business.

Reconciliation/calculation

A reconciliation is included in the financial review on page 16.

Definitions and glossary of terms

APM	Alternative Performance Measure
bps	Basis points
CGU	Cash Generating Unit
CHIC	Concealed hardware innovative components
CPA	Construction Products Association
EB Trust (EBT)	The Tyman Employees' Benefit Trust
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation
EPS	Earnings per Share
ERP	Enterprise resource planning
GAAP	Generally accepted accounting principles
GCC	Gulf Cooperation Council
IoT	Internet of Things
IFRS	International Financial Reporting Standards
KPI	Key performance indicator
LFL	Like-for-like
LTI	Lost time incident
LTIFR	Lost time incident frequency rate - a core safety metric expressing the number of lost time incidents as a ratio per 1 million hours worked
LTIP	Long term incentive plan
M&A	Mergers and acquisitions
NAHB	The National Association of Home Builders
NPD	New Product Development
OEM	Original equipment manufacturer
PMI	Purchasing Managers' Index
PPE	Property, plant and equipment
RCF	Revolving credit facility
RMI	Renovation, maintenance and improvement
ROCE	Return on capital employed
ROU	Right of use
SBTi	Science Based Target initiative
USPP	US private placement

Exchange rates

The following foreign exchange rates have been used in the financial information to translate amounts into Sterling:

Closing Rates:	**2022**	2021
US dollars	**1.2097**	1.3512
Euros	**1.1298**	1.1912
Australian dollars	**1.7743**	1.8607
Canadian dollars	**1.6386**	1.7159
Brazilian Real	**6.3937**	7.5285

Average Rates:	**2022**	2021
US dollars	**1.2370**	1.3757
Euros	**1.1732**	1.1631
Australian dollars	**1.7795**	1.8321
Canadian dollars	**1.6078**	1.7244
Brazilian Real	**6.3857**	7.4216

Roundings

Percentage numbers have been calculated using unrounded figures, which may lead to small differences in some figures and percentages quoted.