TYMAN

TYMAN PLC

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Tyman plc (TYMN.L) announces results for the year ended 31 December 2020.

Summary Group Results

£m unless stated	**2020**	2019	**Change**	*LFL(1) (adj*)*
Revenue	**572.8**	613.7	**-7%**	*-6%*
Adjusted operating profit*	**80.3**	85.4	**-6%**	*-6%*
*Adjusted operating margin**	***14.0%***	*13.9%*	***+10bps***	
Operating profit	**59.7**	40.5	**47%**	
Adjusted profit before taxation*	**68.4**	71.0	**-4%**	
Profit before taxation	**47.6**	24.8	**+92%**	
Adjusted EPS*	**27.2p**	27.5p	**-1%**	
Basic EPS	**19.1p**	9.1p	**+110%**	
Dividend per share(2)	**4.0p**	3.9p	**+4%**	
Leverage*(3)	**1.1x**	1.7x	**-0.6x**	
*Return on capital employed**	***12.3%***	*12.0%*	***+ 30bps***	

* *Alternative performance measures. These "Adjusted" metrics are before amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, and exceptional 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 40.*

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

(2) *Final dividend for 2019 of 8.35p was withdrawn due to COVID-19*

(3) *Leverage is calculated in accordance with the debt covenant methodology*

Highlights:

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

Jo Hallas, Chief Executive Officer, commented*: "2020 was a year of unprecedented challenges due to COVID-19 and I am incredibly proud of our people who continue to work tirelessly and show tremendous commitment in navigating the pandemic to serve our customers.*

"After being significantly impacted in the first half of the year, the strength of demand recovery through the second half exceeded our expectations. Our agility in responding to the rebound in demand demonstrated the robustness of the Tyman business model.

"We are cautiously optimistic that the momentum seen at the end of 2020 will continue through the first half of 2021. Beyond this there remains uncertainty over the ongoing impact of the pandemic on the macroeconomic environment. However, we are reassured by long-term structural industry growth drivers remaining favourable, and Tyman is well positioned to capitalise on a number of emerging trends as we exit the crisis. Our strategic initiatives continue to position the business well for future growth, building on our portfolio of differentiated products, market-leading brands and deep customer relationships."

4 March 2021

Enquiries

Tyman plc — investor.relations@tymanplc.com
Jo Hallas – Chief Executive Officer
Jason Ashton – Chief Financial Officer

MHP Communications — 020 3128 8100
Reg Hoare / Rachel Farrington / Ailsa Prestige — tyman@mhpc.com

Analyst and investor presentation

Tyman will host an analyst and investor presentation at 9.30 a.m. today, Thursday 4 March 2021, which will be webcast at:

https://webcasting.brrmedia.co.uk/broadcast/602e9bef1fc46330548faaee

The audio conference call details are:

Number	+44 (0) 330 336 9411
Confirmation code	5302055

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 and Ireland and Tyman International. Headquartered in London, the Group employs approximately 4,130 people with facilities in 17 countries worldwide. Further information is available at www.tymanplc.com.

Overview of results

Performance in 2020

The Group's performance in 2020 was inevitably impacted by COVID-19. Revenue for the year was £572.8 million (2019: £613.7 million), a decrease of 7% on a reported basis, and 6% on a LFL basis. Reported revenue was impacted by the slight strengthening of Sterling compared with 2019 and the divestment of the Ventrolla business in November 2020.

The Group had a solid start to the year before the impact of COVID-19 took effect, achieving LFL growth of 2% in Q1 in North America, where the housing market continued to be buoyant in line with the momentum experienced in Q4 2019. The UK reported LFL sales growth across January and February of 8% following the decisive election result in December 2019. The International division had a more challenging start to the year, with markets continuing to be weak coming into the year, and China and Italy impacted by COVID-19 earlier than other territories.

From mid-March until early May, trading was progressively impacted as increasingly stringent lockdowns took effect in our core markets. We responded accordingly, temporarily closing our facilities in Italy from the middle of March until the middle of April and in the UK from late March until early May. Our North American sites continued to operate throughout the period, apart from the two facilities in Juarez which were closed for most of May. However, we experienced a marked reduction in order intake through April and May. Most of the International division distribution and sales office sites were closed for various time periods in accordance with local guidelines.

From the resumption of operations in late April, trading rebounded strongly. This was driven in part by the pent-up demand created during lockdown, but underlying market dynamics were also very strong. Furthermore, in North America the normal peak season continued later into the year than usual, leading to exceptional growth of 20% in December for the Group. With the strength of recovery since initial lockdowns were eased, no government support was taken after 31 July, and in December the Group repaid the funds received under the UK government scheme of £2.3 million. The Group was also pleased to be able to repay the salary and benefit reductions taken by our employees below Board level. This included repaying government receipts and salary reductions in respect of Ventrolla business which had been divested in November 2020.

LFL revenue vs 2019	Q1	Q2	Q3	Q4	FY 2020
North America	+2%	-24%	+1%	+11%	**-3%**
UK & Ireland	-1%	-54%	+3%	Flat	**-13%**
International	-17%	-27%	+9%	-1%	**-9%**
Group	**-2%**	**-29%**	**+3%**	**+7%**	**-6%**

In the US, the combination of low mortgage rates, the lack of inventory for both new and existing homes and the increasing rate of millennial household formation has driven strong momentum in both single-family starts and RMI activity through the year. On top of this, the pandemic has created additional momentum with the increased time at home and reduced expenditure on travel and entertainment leading to expenditure on the home being prioritised, further heightened by a so-called "urban flight" trend as people seek to move out of cities into suburbs

and more rural areas. Finally, fiscal stimulus is also supportive in many markets, for example the 'green' schemes and stamp duty holiday in the UK. We have taken steps to increase production levels and are engaging closely with customers and suppliers to manage demand, as the rapid recovery in demand has put pressure on inventory and service levels industry-wide.

Implementation of COVID-safe working practices, production continuity and ramp-up measures, and global shipping disruptions resulted in additional costs being incurred as demand increased rapidly. The impact of this and the sales shortfall was partially mitigated by the swift cost management actions taken, as well as the benefits of self-help initiatives. Consequently, LFL adjusted operating profit declined 6% to £80.3 million. Reported adjusted operating profit decreased 6%, with the slightly unfavourable impact of exchange rates offset by a benefit from the disposal of the loss-making Ventrolla business. Adjusted operating margin increased from 13.9% to 14.0%, a pleasing result under the circumstances.

The close management of expenditure generated another year of strong operating cash conversion of 131% (2019: 132%). Combined with the savings from the cancellation of dividends, this resulted in a reduction in leverage to 1.1x adjusted EBITDA (2019: 1.7x), towards the bottom end of the target range announced in H2 2019.

Health and safety

The health and safety of our people is our top priority. We have continued to make good progress embedding this focus on safety within our culture through the 'safety is our first language' engagement programme. Pleasingly, the lost time incident frequency rate reduced by 22% to 3.1 incidents per million hours worked (2019: 4.0). This includes 12 positive COVID-19 cases resulting from transmission in the workplace. Excluding these COVID-19 cases, the lost time incident frequency rate was 1.5, a 63% reduction.

Strategic progress

Tyman's strategy of focus, define, grow will strengthen the Group and further enhance our portfolio of world class brands and differentiated products to deliver meaningful value to our stakeholders. The Group's strategy is underpinned by our three sustainability pillars – sustainable operations, sustainable culture, and sustainable solutions. Embedding sustainability and developing our action plan was a key focus during the year, and the importance of this to the Group and our stakeholders has only been heightened by COVID-19. A set of targets has been defined to help us increase our contribution to sustainability and our disclosures have been expanded as we take steps towards implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Further work will be completed during 2021.

Although the primary focus during the year has inevitably been intensive management of the COVID-19 crisis and the recovery in demand, good progress has also been made with our strategic priorities. The Group believes the strategy continues to be the right one in the context of COVID-19 and that there are opportunities to accelerate aspects of the strategy as we emerge from the crisis.

The *Focus* strategic pillar aims to streamline and strengthen the base for future growth. Over 2020, this pillar has progressed as planned. The activities to optimise the Statesville facility have delivered the improvements targeted for the year, with the benefits accelerating through the second half. Elsewhere in the Group, the various initiatives to streamline operations, which included closure of facilities and several inter-site production line transfers, have been executed

as planned with no customer disruption. The small Ventrolla business, which was non-core to our portfolio, was divested in November 2020.

The *Define* strategic pillar centres on building cultural cohesion across the Group to facilitate ongoing synergy extraction. This has continued to gain momentum, with all employee participation in the development of a shared purpose and set of values. Work is underway to deploy and embed our new 'One Tyman' culture and this will continue through 2021. Development of the 'Tyman Excellence System' which seeks to develop and share best practice has also progressed well, with Safety Excellence now well-embedded and a groupwide Lean Excellence programme now defined. Working groups have been established to progress other areas, including IT Excellence.

The *Grow* strategic pillar will in the near-term have the most impact from the divisional organic initiatives underway, including market share gains as a result of superior customer execution, accelerating new product launches and expansion of our existing channels to market. Despite COVID-19 headwinds, we have continued to progress the various initiatives, with the strengthened North America sales team delivering net customer wins of c. $4 million annualised revenue, and cross-divisional teams established to identify specific opportunities in order to better leverage the Group's portfolio. There were inevitably some delays to new product development and launches, but products launched in 2019 are continuing to gain traction and there is a strong 2021 pipeline.

Mid-term, Tyman continues to be the natural consolidator in a fragmented market and we would intend to supplement our organic growth with acquisitions that either bring products and technologies of future strategic importance, or balance out our geographic presence across our core markets.

We will present more about our mid-term plans at a Capital Markets Day, which we are planning to hold in May.

Changes to the Executive Committee

Helen Downer has been appointed to lead the UK & Ireland division from April 2021, replacing Darren Waters who is leaving to join Ibstock plc. Helen joined Tyman as the Commercial Director for the UK & Ireland division in 2019. She has over 20 years of experience in the building products industry across a range of functional and general management roles.

Outlook

The strength of the recovery has continued to exceed expectations, particularly in residential markets, supported by the positive market trends and low interest rates in core markets. This momentum has continued into early 2021, with order levels remaining robust. There is optimism that this will continue through at least the first half of the year. Beyond this, there remains uncertainty given the macro-economic impact of the crisis is currently masked by government support measures, and policy changes by the new US Administration are as yet unclear.

The recovery of commercial markets has lagged behind residential, with project planning activity being delayed through the crisis, reduced investment in retail and leisure infrastructure and multi-family housing starts falling, in favour of single-family. This slower recovery is expected to continue in 2021, although there may be benefit from further infrastructure stimulus.

Pressure on logistics and rising freight costs due to the level of disruption to global shipping caused by COVID-19 will create a headwind in 2021. The spike in demand for goods globally has also begun to impact raw material availability and costs. We are working closely with suppliers and customers to manage the impact. Pricing actions are being implemented where necessary to recover cost inflation.

Longer-term, structural trends are favourable to the Group, with some new and accelerated trends emerging as a result of the pandemic. These include increased time spent at home, "urban flight" driving more premium single-family housing activity, and accelerated adoption of e-commerce. The Group is well-placed to capitalise on these opportunities.

Summary

Whilst COVID-19 had a significant impact on the Group in 2020, the strength of the market recovery through the second half of the year significantly exceeded our expectations. The crisis has emphasised the strength of the Tyman business model, with the diversification across geographies and markets providing resilience, our innovation capabilities allowing us to quickly adapt to changing trends, and the cash generative nature of the business supporting our balance sheet. Despite the impact of COVID-19, good progress has been made on our self-help measures and strategic initiatives, including successful execution of footprint realignments, divestment of Ventrolla, development of our sustainability roadmap and launch of the 'One Tyman' culture platform.

In 2021, the focus will be on navigating the challenges and opportunities as the COVID-19 crisis recedes, implementing further self-help measures, and driving market share gains through new product launches and excellent execution. The resilience of our business model and inherent strengths including market-leading brands, innovation capabilities and deep customer relationships continue to position Tyman well for future growth.

Jo Hallas

Chief Executive Officer

TYMAN

Tyman North America

£ except where stated	**2020**	2019	**Change**	***LFL***
Revenue	**372.1**	386.0	**-4%**	**-3%**
Adjusted operating profit	**64.5**	64.5	**Flat**	**+1%**
Adjusted operating profit margin	***17.3%***	*16.7%*	***+60bps***	

LFL revenue growth by quarter vs 2019

	Q1	**Q2**	**Q3**	**Q4**
LFL revenue growth	+2%	-24%	+1%	+11%

Markets

The US residential market had a solid start to the year, with growth until late March when COVID-19 began to impact demand. Since mid-May, the market has rebounded strongly. Total housing starts for the year grew 7%, with single family starts, to which the division has proportionally higher exposure, increasing 12%. This has been driven in part by pent-up demand and the "urban flight" and "nesting" trends as people seek more space or to upgrade existing spaces due to increased time being spent at home. The US residential repair and renovation market also recovered well in the second half, driven by a combination of increased housing transactions and home values, supported by low interest rates, and a surge in DIY activity as homeowners prioritised investment in the home. The NAHB RMI average index for Q4 was significantly higher at 85 (2019: 54).

Commercial construction markets have not seen the same level of recovery, with non-residential building starts down 24% compared to 2019.

The Canadian construction market began the year with challenges in western Canada due to a weaker energy sector and concerns on elevated house prices in Toronto and Vancouver. Q2 was subject to restrictions in some provinces, resulting in a weak first half, but once restrictions were eased, the market recovered well, supported by lower interest rates, government support during the pandemic and low inventory. Total housing starts increased 4% in the year.

Business performance and developments

The North America division had a strong start to the year, with LFL growth of 2% in the first quarter, despite the carry-over effect of the 2019 customer losses associated with the previous door seal product and footprint-related issues. In April, there was a marked reduction in demand due to COVID-19 and the facilities in Juarez, Mexico were closed for most of May, although the business was able to quickly adapt and move production to other facilities. The recovery that began in June accelerated through the second half and momentum continued with new business wins, resulting in LFL revenue growth for H2 2020 of 5% against H2 2019. This growth was achieved despite the rapid increase in demand putting pressure on stock availability and service levels throughout the whole industry. Production levels in certain facilities were also impacted by high-levels of COVID-related absenteeism due to employees self-isolating. Further, there was difficulty in recruiting due to tight manufacturing labour markets throughout H2. There was

overall price deflation during the year due to a fall in tariffs and realignment of pricing with certain customers. Full year LFL revenue for 2020 was just 4% behind 2019. The slight unfavourable impact of exchange rates resulted in reported revenue of £370.3m, 4% below 2019.

The benefits generated from self-help initiatives, lower materials costs, as well as the swift action taken to manage production levels and costs in line with demand outweighed additional costs incurred as a result of COVID-19. LFL adjusted operating profit increased 1% and adjusted operating margin expanded 60bps to 17.3%. Cost management actions included savings in employee, marketing, travel, and bonus expenses. The additional costs incurred as a result of COVID-19 included implementing COVID-secure measures (e.g. enhanced sanitisation), as well as the cost of temporarily transferring production from Juarez to other facilities to ensure continuity of supply through the shutdown. In line with government requirements in Mexico, the division continued to pay salaries for all employees during the shutdown period. In addition, the rapid rebound in demand in the second half, effect of COVID-related absenteeism, and industry-wide shipping pressures resulted in higher levels of overtime and freight costs. The slight unfavourable impact of exchange rates resulted in reported adjusted operating profit of £64.5m, flat against 2019.

Despite the disruption caused by COVID-19, the results from the activities to resolve the operational inefficiencies at the Statesville facility accelerated through the year. The strengthened leadership team, continuous improvement activities undertaken and improved production scheduling methods generated improvements in yield and quality, in turn delivering gross margin expansion of 110 bps with upward trends across H2. Improvement activities are ongoing and further benefits will be realised in 2021.

Following the strengthening and realignment of the sales team, the momentum generated with new business wins in late 2019 continued in 2020, although the pace slowed in the second half as customers focused on serving their own market demand. The wins were achieved in part due to the strength of service provided through the crisis relative to peers. This enabled the division to capture share, generating net wins of c. $4 million annualised revenue. In addition, capacity of urethane window seals was expanded through incremental production as well as partnering with the Tyman International division. This capacity is being used to support existing customers and win new business for high-value, differentiated applications, with incremental revenue of $1 million generated in 2020.

Other self-help initiatives, including footprint realignments covering $20 million of revenue, were successfully executed with minimal customer disruption. This included the closure of the Fremont, Nebraska facility, through which c. $3m of low margin, non-fenestration business was exited. In addition, planned transfers of manufacturing activities between four facilities were accelerated due to COVID-19, as the North American "centres of excellence" were further optimised. These initiatives generated cost-savings in 2020 of c. $4 million.

Lean excellence initiatives completed in the year are delivering further cost reductions. The product rationalisation and repositioning initiative is also progressing as planned, with work well underway in the sash window hardware and sliding patio door hardware categories. This initiative will continue in 2021, eliminating product overlap and thereby allowing manufacturing and warehousing cost efficiencies, better engineering focus on innovation, and clearer range positioning to our customers; combined, these measures should continue to deliver market share gains.

The division's access solutions business, Bilco, was more resilient in the period as commercial construction largely continued through the COVID-19 crisis and our success in winning long-term, high visibility projects insulated us against softer overall markets. There was some impact from destocking by distributors as well as project delays and cancellations, but good growth in safety accessories and smoke vents was achieved, resulting in LFL revenue for the year declining just 2%.

New product development

The division continues to bring new products to market, with recent product launches delivering incremental revenue ahead of expectations. During 2020, two commercial access products were introduced, including an enhanced acoustical smoke vent and a new thermally broken smoke vent, which provide enhanced sound insulation and improve safety. The Quad Roller product, which provides easy gliding to address the trend towards larger doors with greater expanses of glass, was also brought to market, along with a variety of customer-specific product innovations. The main focus of development activity in the year was the pawl lock, a next generation inverted block and tackle balance that is expected to achieve significant revenue over the coming years as the intellectual property expires on the prior generation product. The pawl lock is designed to minimise customer SKUs and reduce space in the window jamb, enabling customers to add features or remove material and thereby cost from the window. The division is partnering with two industry leaders and will launch in early 2021.

Outlook

The momentum seen at the end of 2020 is expected to continue into Q1 2021, supported by high levels of backlog, providing cautious optimism. There remains uncertainty beyond this, given the potential impact on demand from the ongoing COVID-19 crisis and wider macroeconomic conditions. Single family residential starts are projected to increase 6% in 2021, supported by the "urban flight" trend. The strong growth in repair and remodelling spend is expected to continue in early 2021, with the growth rate tempering in the second half of the year. The commercial market recovery is expected to lag behind residential, with non-residential building starts forecast to increase 3% in 2021. The Canadian market is expected to be mixed, with support from low interest rates and higher household savings tempered by government support measures coming to an end.

Rising commodity costs, tight labour markets and continued pressures on global shipping lead times and costs will provide a headwind in 2021. The division will seek to manage these costs through pricing actions and productivity initiatives.

The division's main areas of focus in 2021 will continue to be strengthening operational excellence to expand margin, driving share gains, and completing the next phase of the product portfolio harmonisation and repositioning initiative.

Tyman UK and Ireland

£m except where stated	2020	2019	Change	LFL
Revenue	**92.2**	107.2	**-14%**	*-13%*
Adjusted Operating Profit	**8.8**	13.8	**-36%**	*-37%*
Adjusted Operating Margin	***9.5%***	*12.9%*	***-340bps***	

LFL revenue growth by quarter vs 2019

	Q1	Q2	Q3	Q4
LFL revenue growth	-1%	-54%	+3%	Flat

Markets

The UK market for doors and windows started the year positively, following the decisive election result in December 2019. Over the first two months of the year, the IHS Markit/CIPS UK Construction PMI rose to 53 in February 2020 and residential property transactions were up 4%. The COVID-19 lockdown measures introduced in late March led to the temporary closure of the majority of construction sites and prevented all but essential RMI activity. In early May, construction activity began to resume with social-distancing measures in place and the market gathered momentum very quickly through the second half. The PMI recovered to a level of 55 in December and the number of housing transactions are at the highest level since 2007. This has been supported by the UK Government stamp duty holiday as well as the additional time people are spending at home driving increased RMI activity. The recovery of the commercial market, to which the division is less exposed, has lagged behind the residential market. Overall, COVID-19 has led to a significant contraction in the UK and Ireland market in 2020 compared to 2019.

Business performance and developments

The UK and Ireland division had a strong start to the year, achieving LFL revenue growth of 8% to the end of February, with March also starting strongly. This reflected increased consumer confidence driving the hardware business, as well as strong project activity in the Access 360 business. From late March until early May, all sites were temporarily closed. Activity gradually resumed from May as lockdown measures were eased. Demand recovered much quicker than anticipated through the second half, driven by pent-up demand and the increased RMI activity. LFL sales in H2 2020 were 3% higher than H2 2019, despite Q4 2019 being a strong comparator due to the buoyant market and timing of commercial project activity. Overall, LFL revenue for the year was 13% lower than 2019.

Profitability was impacted by the sales shortfall as well as additional bad debt charges due to some customers experiencing financial difficulty, high freight costs due to global shipping disruption in H2 and continued strategic investments in smartware. This was partially mitigated by tight cost control measures, including reductions in discretionary spend and cancellation of the bonus scheme.

Hardware sales into both the OEM and distribution channels were strong in the first few months and rebounded strongly once lockdown restrictions were eased. The division benefitted from exposure to trade distributors who have a strong online presence, given that lockdown has accelerated the trend to online sales. Manufacturing of multi-point locks was transferred from the Far East to the UK in the period, with inventory benefits and cost-savings now being realised. Further opportunities to onshore manufacturing or assembly of certain products are being explored to reduce stock levels and ensure robustness of the supply chain.

Access 360, the division's commercial access portfolio, achieved strong revenue growth of 16% in the first two months of the year, reflecting the stronger projects pipeline and operational execution. Since construction activity recommenced in early May, sales have recovered well, although the commercial market has lagged behind the residential market as a result of reduced investment. Good progress has been made in better integrating and optimising the Access 360 business, with work on harmonising systems and streamlining the footprint underway, and the operational bottlenecks which arose in Profab in H2 2019 largely resolved. The business is also gaining traction in the growing specification market, having strengthened its engagement with architects and specifiers through enhancements to the website and social media presence, and increased online training.

The smartware offering continues to gain momentum, with the ERA Protect™ range being listed by a key national distributor in Q3 2020. The ERA website is being upgraded to enable homeowners to easily select an ERA accredited installer alongside purchasing their ERA Protect™ home security solution via the website. The ERA Protect™ range was the first home security portfolio to receive the BSI IoT Kitemark. The division has also enhanced its digital marketing capabilities and is further developing its digital strategy, to ensure it is well placed to capitalise on the shift to e-commerce.

In line with the Group's strategy to strengthen the base for future growth, Ventrolla, the division's sash window renovation and installation business, was divested on 5 November 2020 for nominal consideration. This business had been loss-making for a number of years and was non-core to the portfolio.

New product development

NPD activities were impacted by COVID-19 during the year and several new product launches were delayed. This includes several extensions to the ERA Protect™ range, including the WindowSense™ product, which will now be launched in early 2021. This is targeted at the OEM market as a pre-installed product and therefore expected to create further traction for the rest of the integrated range, all of which can be controlled through a single smartphone app. Also due for launch is the new TrueGlide custom-engineered spiral balance for vertical sliding sash windows, which provides silent, smooth operation, with only a light touch required by the user to open and close the window.

Outlook

Since lockdown measures were eased, demand in the residential RMI and new housing market has rebounded quickly, in part due to pent-up demand, the "nesting" trend and UK government measures to increase the stamp-duty threshold driving up housing transactions. This momentum is expected to continue through Q1, supported by the continued high level of housing transactions. Beyond this, there remains significant uncertainty over the impact of COVID-19 on

unemployment, consumer confidence and thereby the housing market as the stamp duty holiday and other government support measures come to an end.

In the commercial sector, the value of construction project awards and new project tender enquiries dropped significantly during the lockdown, and this is expected to impact activity in 2021. However, this sector may benefit from government stimulus targeted at infrastructure projects.

Rising material and shipping costs will create a headwind for 2021 and pricing actions are being taken to manage cost inflation. The division is also closely monitoring port congestion and amending order patterns to minimise supply chain disruption.

The division's focus in 2021 will continue to be driving momentum with new product launches, optimising the cost base through continued integration of the Access 360 business, and driving online sales through its e-commerce platform.

TYMAN

Tyman International

£m except where stated	**2020**	2019	**Change**	*LFL*
Revenue	**108.5**	120.5	**-10%**	*-9%*
Adjusted operating profit	**12.3**	14.8	**-17%**	*-17%*
Adjusted operating margin	***11.3%***	*12.3%*	***-100bps***	

LFL revenue growth by quarter vs 2019

	Q1	**Q2**	**Q3**	**Q4**
LFL revenue growth	-17%	-27%	+9%	-1%

Markets

The weakness seen in core markets in the second half of 2019 continued into early 2020, with challenging macroeconomic conditions and core markets impacted by COVID-19 earlier than other geographies. As of early February, markets were progressively impacted by COVID-19, with each market being affected at different times as the virus spread. Construction activity and customer operations were suspended in most markets for varying time periods in line with the lockdown measures imposed in each territory. The division's three largest markets of Italy, Spain, and China were subject to stringent lockdown measures between February and April.

Since restriction measures were eased, there has been a strong recovery in demand in core markets, supported by consumers prioritising investment in the home and government stimulus in certain territories. The IHS Markit Eurozone Construction PMI recovered to 46 in December from its low of 15 in April.

Business performance and developments

LFL revenue for the international division declined 9% in 2020, with slight foreign exchange headwinds resulting in reported revenue down 10%. The business had a challenging start to the year due to the weak market conditions and was significantly impacted by COVID-19. The division's third largest market, China, was impacted in early February, followed by most other core markets from mid-March. Since lockdown measures have been eased in each territory, momentum in sales and order levels has built steadily. The division's largest market, Italy was particularly impacted by COVID-19 and although there has a been a strong recovery through the second half, it ended the year 20% below 2019. Other major European markets were similarly affected. China and Australia, where the pandemic was contained more quickly achieved growth, with government stimulus in China driving strong project activity. The move to a new distribution site in China impacted timing of sales between Q3 and Q4, with customers bringing forward purchases into September ahead of the planned closure in October.

A reduction in overheads, including savings from the reduction in personnel costs which took effect in the second half of 2019, combined with additional cost management actions taken and utilisation of available government schemes partially offset the impact of the sales shortfall on adjusted operating profit. LFL adjusted operating profit was 17% below 2019 and adjusted operating margin fell from 12.3% to 11.3%.

Despite some inevitable delays caused by COVID-19, the division has made good progress on its strategic initiatives. Momentum continued with the 'all in one' strategy, with the launch of a new fully-integrated SchlegelGiesse website that brings together all of the division's brands and products and supports driving further penetration of the portfolio including showcasing new products. During the lockdown period, webinars and virtual innovation workshops were delivered to distributors and window makers to maintain relationships and further progress the channel expansion strategic initiative. This enabled strong partnership activity with System Houses, with many agreements reached to develop systems based on the innovative 'Pull and Slide' system.

Self-help initiatives were completed as planned. The restructuring programme to streamline operations in Australia, China, Singapore and New Zealand has been fully executed with no customer disruption. Manufacturing ceased and the business transitioned to a distribution model in both Australia and China, and direct sales operations in Singapore and New Zealand were exited. These restructuring activities have resulted in a reduced fixed cost-base, the avoidance of significant future capital expenditure and will allow management bandwidth across the region to be better focused.

The integration of Reguitti, which was acquired in August 2018, has progressed, albeit at a slower rate than planned due to lockdown measures. Reguitti's performance was particularly impacted by COVID-19 due to its location in northern Italy. The full functional integration has been completed, and cross-selling activities have gained traction following integration of the sales force. A new mid-price point brand for the German market has been launched to better align the product offer with current market trends.

New product development

The division continues to focus on innovation, although there have been delays to the launch of certain products due to COVID-19. New products launched in the year included the CHIC concealed door hinge range, which completes the minimal frame profile range for aluminium doors and windows, providing a coordinated modern aesthetic and brighter interiors, as a result of the higher glass to frame ratio. The hinge also allows easy installation, has a high load capacity and is reversible for left or right opening. The value-engineered range of bespoke products for the Chinese RMI market is also due for launch in early 2021, which supports the division's focus on this growing channel and will ensure it is well-placed to capture share as this market recovers. In addition, the Schlegel seal range achieved sustainability accreditation via the Cradle to Cradle™ certification in H2 2020, with other product lines expected to achieve this in 2021. The division continues to invest in developing and expanding its range of innovative products as a key driver of future growth.

Outlook

The recovery seen through the second half is expected to continue at least through the first quarter of 2021, driven by continued high levels of building and remodelling activity in core markets as well as market share gain initiatives. There remains uncertainty beyond the first quarter due to the ongoing macroeconomic impact of COVID-19 as government support measures come to an end and the risk of further lockdown restrictions in various territories.

The main priorities of the International division in 2021 are to drive share gains in core markets through new product launches and continued channel expansion; and to deliver further self-help initiatives to create a stronger foundation for growth.

Financial review

Income statement

Revenue and profit

Reported revenue for the year decreased by 6.7% to £572.8 million (2019: £613.7 million), primarily reflecting a volume reduction due to the impact of COVID-19, the drag through effect of the 2019 North America footprint consolidation related customer losses of c. £8.0 million, a reduction in US tariffs of £2.9 million, adverse foreign exchange movements of £3.4 million, and the disposal of Ventrolla of £0.9 million, offset by an encouraging level of customer wins. On a LFL basis, revenue declined 6.0% compared to the prior year.

Adjusted administrative expenses decreased to £111.8 million (2019: £120.2 million), largely due to the benefit of cost-management initiatives taken to mitigate the impact of COVID-19, which included the curtailment of discretionary expenditure and cancellation of the senior management bonus scheme, and the receipt of government support from various territories outside the UK of £1.7 million. The unfavourable impact of foreign exchange was £1.3 million.

Adjusted operating profit decreased by 6.0% to £80.3 million (2019: £85.4 million). This was negatively impacted by the reduction in volume driven by COVID-19 and by c. £3.0 million from the drag through effect of the 2019 North America footprint consolidation customer losses, and adverse foreign exchange movements of £0.7 million. This was offset by a reduction in input costs of £2.3 million due to moderation of materials prices, net cost savings of c. £5 million, and productivity improvements of c. £6 million. On a LFL basis, adjusted operating profit declined 5.5%. The Group’s adjusted operating margin increased by 10bps to 14.0% (2019: 13.9%).

Adjusted profit before taxation decreased by 3.7% to £68.4 million (2019: £71.0 million) and declined 3.4% on a LFL basis, benefiting from lower finance costs due to the reduction in net debt and the interest rate. Reported profit before taxation increased by 91.9% to £47.6 million (2019: £24.8 million), largely as a result of a decrease in exceptional items from £18.9 million to £1.8 million.

Materials and input costs

£m except where stated	FY 2020 Materials(1)	Average(2)	Spot(3)
Aluminium (Euro)	**14.8**	-6%	+1%
Polypropylene (Euro)	**30.9**	-21%	-16%
Stainless steel (US)	**54.8**	+1%	-20%
Zinc (US)	**27.5**	-11%	+6%
Far East components (UK)[4]	**37.4**	-4%	+8%

(1) FY 2020 materials cost of sales for raw materials, components and hardware for overall category

(2) Average 2020 tracker price compared with average 2019 tracker price

(3) Spot tracker price as at 31 December 2020 compared with spot tracker price at 31 December 2019

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

Raw material costs moderated in 2020, with average prices across all commodity categories excluding stainless steel lower than 2019. Costs across most categories began to rise towards

the end of the year, with the spot prices for all categories except polypropylene and stainless steel being higher than December 2019. Steel purchases in North America continue to be impacted by the direct and indirect effect of US tariffs. Surcharges are in place to recover these costs.

Exceptional items

Certain items that are material and non-trading in nature have been drawn out as exceptional such that the effect of these items on the Group's results can be better understood and to enable a clearer analysis of trends in the Group's underlying performance.

£m	**2020**	2019
Footprint restructuring – costs	**-**	(7.1)
Footprint restructuring – credits	**0.2**	0.6
Footprint restructuring – net	**0.2**	(6.5)
M&A and integration - costs	**(0.8)**	(5.3)
M&A and integration - credits	**0.6**	-
M&A and integration - net	**(0.2)**	(5.3)
Loss on disposal of business	**(1.8)**	(1.7)
Impairment charges	**-**	(5.4)
	(1.8)	(18.9)

Footprint restructuring

The footprint restructuring costs in prior periods related to directly attributable costs incurred in the multi-year North American footprint consolidation project, as well as provisions for costs associated with the closure of the Fremont, Nebraska facility and streamlining the international satellite operations which commenced in 2019. These projects were completed in 2020, with the small credit arising due to the actual costs being slightly less than estimated.

M&A and integration

M&A and integration costs of £0.8 million relate to costs associated with the integration of businesses acquired in 2018, predominantly Ashland. M&A and integration credits of £0.6 million relate to the release of an excess warranty provision made on a previous acquisition.

Loss on disposal of business

This charge relates to a loss on the disposal of the Ventrolla business, which was divested on 5 November 2020 for nominal consideration.

Impairment charges

Impairment charges in 2019 relate to the write down of assets and inventory associated with the slower than expected uptake of the door seal product in North America.

Finance costs

Net finance costs decreased to £12.1 million (2019: £15.7 million).

Interest payable on bank loans, private placement notes and overdrafts decreased to £8.9 million (2019: £11.1 million), predominantly reflecting the reduction in borrowings, as well as lower interest rates following reductions in the US federal interest rate and UK official bank rate. Interest on lease liabilities of £2.8 million reduced slightly, reflecting the reduction in lease liabilities (2019: £3.0 million).

The Group's average cost of funds and margin payable over the year decreased by 50 bps to 3.4% (2019: 3.9%) reflecting lower interest rates and a reduction in the US dollar denominated borrowings which carry a higher rate of interest.

Non-cash movements charged to net finance costs in the period include amortisation of capitalised borrowing costs of £0.5 million (2019: £0.5 million) and pension interest cost of £0.2 million (2019: £0.3 million).

Interest rate swap contracts

Until June 2020, the Group fixed a portion of floating rate borrowings under the RCF agreement via interest rate swap contracts. Due to the current low prevailing interest rates, these swaps were not replaced on expiry.

The Group has issued US$100 million in aggregate under its US Private Placement programme, all of which is held at fixed rates. In total, 43.0% (2019: 46.0%) of the Group's adjusted debt excluding lease liabilities is held at fixed rates of interest.

Forward exchange contracts

At 31 December 2020, the Group's portfolio of forward exchange contracts at fair value amounted to a net liability of £0.2 million (2019: net liability of £0.5 million). The notional value of the portfolio amounted to £23.7 million (2019: £34.1 million), comprising US dollar and Chinese renminbi forward exchange contracts with notional values of US$23 million and RMB60 million respectively (2019: US$39 million and RMB45 million). These contracts have a range of maturities up to 19 March 2021.

During the year, a fair value gain of £0.3 million (2019: fair value loss of £0.8 million) was recognised directly in the income statement.

Taxation

The Group reported an income tax charge of £10.4 million (2019: £7.1 million), comprising a current tax charge of £14.1 million (2019: £13.4 million) and a deferred tax credit of £3.7 million (2019: £6.3 million). The increase in the income tax charge reflects the increase in profit before tax.

The adjusted tax charge was £15.3 million (2019: £17.5 million) representing an effective adjusted tax rate of 22.4% (2019: 24.6%). The reduction in the adjusted effective tax rate of 230bps reflects the release of an excess provision and utilisation of available tax credits.

During the period, the Group paid corporation tax of £13.8 million (2019: £14.2 million). This reflects a cash tax rate on adjusted profit before tax of 20.2% (2019: 20.0%).

Earnings per share

Basic earnings per share increased by 109.9% to 19.1 pence (2019: 9.1 pence). Adjusted earnings per share decreased slightly to 27.2 pence (2019: 27.5 pence) as a result of the slight reduction 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	**2020**	2019
Net cash generated from operations	**95.9**	97.1
Add: Pension contributions	**1.7**	1.0
Add: Income tax paid	**13.8**	14.2
Less: Purchases of property, plant and equipment	**(9.9)**	(10.7)
Less: Purchases of intangible assets	**(0.6)**	(0.8)
Add: Proceeds on disposal of PPE	**-**	0.8
Operational cash flow after exceptional cash costs	**100.9**	101.6
Exceptional cash costs	**4.2**	11.3
Operational cash flow	**105.1**	112.9
Less: Pension contributions	**(1.7)**	(1.0)
Less: Income tax paid	**(13.8)**	(14.2)
Less: Net interest paid	**(12.5)**	(15.0)
Less: Exceptional cash costs	**(4.2)**	(11.3)
Free cash flow	**72.9**	71.4

Operational cash flow in the period decreased by 6.9% to £105.1 million, predominantly due to a lower working capital inflow following the focus on optimisation in 2019. This is after adding back £4.2 million (2019: £11.3 million) of exceptional costs cash settled in the period, which primarily related to costs associated with the footprint realignments provided for in 2019 and costs associated with the integration of Ashland. Operating cash conversion in 2020 continued to be very strong at 130.9% (2019: 132.2%).

Free cash flow in the period was slightly higher than 2019 at £72.9 million (2019: £71.4 million), with the lower operational cash flow being offset by the significant reduction in exceptional cash flows and reduction in interest payments due to lower net debt.

TYMAN

Debt facilities

Bank and US private placement facilities available to the Group, as at 31 December 2020, were as follows:

Facility	Maturity	Currency	Committed	Uncommitted
2018 Facility	Feb 2024	Multicurrency	£240.0m	£70.0m
4.97 % USPP	Nov 2021	US$	US$55.0m	–
5.37 % USPP	Nov 2024	US$	US$45.0m	–
Other facilities	Various	€	€0.3m	–

The Group received eligibility in June 2020 to draw up to £100 million through the Bank of England CCFF, albeit the Group has not made use of this and the Bank of England has announced this facility will be closed after 22 March 2021 and therefore this is no longer available for use.

Liquidity

At 31 December 2020 the Group had gross outstanding borrowings of £224.1 million (2019: £273.5 million), cash balances of £69.7 million (2019: £49.0 million) and committed but undrawn facilities of £143.1 million (2019: £102.8 million) as well as potential access to the uncommitted £70.0 million accordion facility. US$55.0 million of the USPP debt is due for repayment in November 2021 and is therefore classified as current. There is sufficient cash and committed but undrawn amounts under the 2018 revolving credit facility to repay this.

Net debt at 31 December 2020 was £154.5 million (2019: £224.5 million). Adjusted net debt, which excludes lease liabilities and unamortised finance arrangement fees was £100.6 million (2019: £164.5 million), with the reduction reflecting the strong operational cash generation and that dividends were not paid during the year.

Covenant performance

At 31 December 2020	Test	Performance(1)	Headroom(1)	Headroom(2)
Leverage	< 3.5×	1.1x	60.1m	63.1%
Interest Cover	> 4.0×	10.5x	57.9m	62.1%

(1) Calculated covenant performance consistent with the Group's banking covenant test (banking covenants set on a frozen GAAP basis and not impacted by IFRS 16)

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

At 31 December 2020, the Group retained significant headroom on its banking covenants. Leverage at the year end improved significantly to 1.1x (2019: 1.7x), reflecting the lower level of net debt. Interest cover increased to 10.5x (2019: 9.0x), largely reflecting the lower interest expense.

In July 2020, in order to provide additional headroom during the period of uncertainty, the Group agreed a temporary relaxation of the leverage covenant with its lenders from 3.0x adjusted EBITDA to 3.5x at December 2020 and 4.0x at 30 June 2021.

Balance sheet – assets and liabilities

Working capital

£m	FY 2019	Mvt	FX	2020
Inventories	88.6	(3.3)	(1.3)	84.0
Trade receivables	60.5	3.0	(0.4)	63.1
Trade payables	(46.6)	(8.8)	0.3	(55.1)
Trade working capital	**102.5**	**(9.1)**	**(1.4)**	**92.0**

Trade working capital at the year end, net of provisions, was £92.0 million (2019: £102.5 million).

Inventories decreased by £4.6 million to £84.0 million (2019: £88.6 million), driven by the significant increase in demand in the second half of 2020 following a period of reduced production due to COVID-19. The provision for slow moving and obsolete inventory is slightly lower at £18.9 million (2019: £19.9 million).

Trade receivables increased by £2.6 million to £63.1 million (2019: £60.5 million) due to higher sales toward the end of 2020 compared to the end of 2019. Trade payables increased by £8.5 million to £55.1 million (2019: £46.6 million) reflecting higher purchases towards the end of the year in line with increased activity levels.

Of the decrease in trade working capital, £1.4 million related to exchange.

Capital expenditure

Gross capital expenditure decreased to £10.5 million (2019: £11.5 million) or 0.74x depreciation (excluding RoU asset depreciation) (2019: 0.79x), as a result of tight management of capital expenditure early in the year due to COVID-19. Net capital expenditure was £10.5 million (2019: £10.7 million). Included within 2019 net capital expenditure was £0.8 million of proceeds from disposal of property, plant and equipment.

Goodwill and intangible assets

At 31 December 2020, the carrying value of goodwill and intangible assets was £446.0 million (2019: £475.3 million). The reduction in goodwill and intangible assets reflects amortisation of intangible assets through the income statement of £20.3 million (2019: £25.0 million), offset by exchange movements of £9.6 million due to the impact of the strengthening of Sterling on the translation of the underlying US dollar denominated carrying values into the Group's functional currency at the year end.

Provisions

Provisions at 31 December 2020 reduced to £8.9 million (2019: £9.6 million), primarily reflecting settlement of provisions related to the footprint realignments and the release of an excess warranty provision made on a previous acquisition, which is no longer needed.

Balance sheet – equity

Shares in issue

At 31 December 2020, the total number of shares in issue was 196.8 million (2019: 196.8 million) of which 0.5 million shares were held in treasury (2019: 0.5 million).

Employee Benefit Trust purchases

At 31 December 2020, the EBT held 1.1 million shares (2019: 1.4 million). During the period, the EBT purchased 0.1 million shares in Tyman plc at a total cost of £0.3 million.

Dividends

As a result of uncertainty surrounding the COVID-19 pandemic, the Board took the decision to cancel the 2019 final dividend of 8.35 pence per ordinary share that was proposed with the 2019 results announcement on 5 March 2020. Furthermore, no interim dividend was declared in 2020.

As a result of the strong performance in the second half of 2020 and the robust balance sheet position, the Board considers it appropriate to declare a modest final dividend for 2020. A final dividend of 4.0 pence per share (2019: nil pence), equivalent to £7.8 million based on the shares in issue as at 31 December 2020, will be proposed at the Annual General Meeting (2019: £nil). The total dividend declared for the 2020 financial year is therefore 4.0 pence per share (2019: 3.9 pence), an increase of 2.6%. This equates to a Dividend Cover of 6.8x. The Board intends to return to a progressive dividend policy when conditions allow.

The ex-dividend date will be 22 April 2021 and the final dividend will be paid on 28 May 2021 to shareholders on the register at 23 April 2021.

Only dividends paid in the year have been charged against equity in the 2020 financial statements. No dividend payments were made to shareholders during 2020 (2019: £23.6 million).

Other financial matters

Return on capital employed

ROCE increased by 30 bps to 12.3% (2019: 12.0%) due to a significant reduction in average working capital resulting from the lack of seasonal build due to COVID-19, lower capital expenditure, as well as a lower carrying value of intangible assets through amortisation.

TYMAN

Returns on Acquisition Investment

	Acquisition Date	Original Acquisition Investment	ROAI 2020[1]
Ashland	March 2018	US$102.4m	17.9%
Zoo Hardware	May 2018	£18.7m	18.6%
Profab	July 2018	£4.1m	8.8%
Reguitti	August 2018	€16.2m	5.2%

(1) See Alternative performance measures on page 40.

Ashland and Zoo Hardware have continued to perform well, with both exceeding the 14% minimum target return threshold after two years of ownership, in March 2020 and May 2020 respectively. Ashland achieved the planned £5 million of annualised synergy benefits in 2020.

Profab reached two years of ownership in August 2020, achieving an LTM run rate ROAI of 9%, which is significantly below the target threshold. The business suffered from operational bottlenecks in the second half of 2019, impacting productivity and was significantly impacted in H1 2020 by COVID-19 lockdown measures. Productivity has improved markedly, and sales rebounded well in the second half.

Reguitti reached two years of ownership in August 2020, achieving an LTM run rate ROAI of 5%, which is below the target threshold. Performance was significantly impacted by COVID-19, given its location in Northern Italy. The full functional integration been completed, and cross-selling activities have gained traction following integration of the sales force.

Currency

Currency in the consolidated income statement

The principal foreign currencies that impact the Group's results are the US dollar, the Euro, the Australian dollar and the Canadian dollar. In 2020, the Sterling was stronger against the US dollar, Australian dollar and Canadian dollar, and weaker against the Euro when compared with the average exchange rates in 2019.

Translational exposure

Currency	US$	Euro	AUS$	CA$	Other	Total
% mvt in average rate	0.5%	(1.4%)	1.4%	1.5%		
£m Revenue impact	(1.9)	0.9	(0.1)	(0.1)	(3.0)	(4.2)
£m Profit impact [1]	(0.4)	0.1	-	-	(0.5)	(0.9)
1c decrease impact [2]	467k	68k	6k	5k		

(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 decrease by £4.2 million and £0.9 million respectively compared with 2019.

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/US dollar or Chinese renminbi. For purchases by the International division's Australian business from the US and the Far East, these exposures are principally Australian dollar/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 around 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.

Foreign exchange hedges against the US dollar and renminbi held by the UK and Ireland division resulted in a gain of £0.3 million in 2020 compared to a loss of £0.8 million in 2019. The Group's other transactional exposures generally benefit from the existence of natural hedges and are immaterial.

Currency in the consolidated balance sheet

The Group aims to mitigate the translational impact of exchange rate movements by denominating a proportion of total borrowings in those currencies where there is a material contribution to Adjusted Operating Profit. Tyman's banking facility allows for funds to be drawn in those currencies.

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

	2020		**2019**	
£'m	**Gross**	**%**	**Gross**	**%**
US dollars	**(108.2)**	**63.5**	(146.7)	68.7
Euros	**(62.1)**	**36.5**	(66.8)	31.3
Gross borrowings	**(170.3)**		(213.5)	

2021 summary guidance

The market outlook is cautiously optimistic, with momentum seen at the end of 2020 expected to continue into the first half of 2021. There is however uncertainty beyond this as the full macroeconomic effect of COVID-19 is being masked to an extent by government stimulus. There may also be ongoing disruption due to further lockdowns or COVID-19 outbreaks as the vaccine roll-outs progress across territories.

Reported revenue and operating profit will be negatively impacted by a weakening US dollar due to the translation effect on the results of the US business.

The Group expects operating margin expansion due to increased volumes and the benefits of self-help activities, although headwinds are expected due to rising raw material and freight costs. The Group will continue to take pricing actions as necessary to recover input cost inflation.

Total working capital trough to peak for the year is expected to be c. £25–£30 million with the working capital peak occurring around the half year, due to the need to rebuild depleted inventory levels ahead of the peak selling period. The majority of this will unwind in the second half, with a moderate outflow across the full year.

Capital expenditure for the 2021 financial year is expected to be £22 - £27 million, reflecting catch up of expenditure deferred from 2020 and investment in new product development, operational excellence, and systems upgrades.

Operating cash conversion is expected to be c.75% - 85%, reflecting the investment in working capital, capital expenditure and reinstatement of discretionary expenditure necessary. This follows two years of well above average operating cash conversion. The Group's long term target remains at 90% per annum.

Leverage is expected to remain within the target range of 1.0× to 1.5× adjusted EBITDA.

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

Jason Ashton

Chief Financial Officer

TYMAN

Consolidated income statement

For the year ended 31 December 2020

	Note	**2020 £'m**	2019 £'m
Revenue	3	**572.8**	613.7
Cost of sales	3	**(380.7)**	(408.1)
Gross profit		**192.1**	205.6
Administrative expenses		**(132.4)**	(165.1)
Operating profit		**59.7**	40.5
Analysed as:			
Adjusted[1] operating profit	3	**80.3**	85.4
Exceptional items	4	**(1.8)**	(18.9)
Amortisation of acquired intangible assets	7	**(18.8)**	(23.5)
Impairment of acquired intangible assets	7	**-**	(2.5)
Operating profit		**59.7**	40.5
Finance income		**0.3**	-
Finance costs		**(12.4)**	(15.7)
Net finance costs		**(12.1)**	(15.7)
Profit before taxation	3	**47.6**	24.8
Income tax charge	5	**(10.4)**	(7.1)
Profit for the year		**37.2**	17.7
Basic earnings per share	6	**19.07p**	9.08p
Diluted earnings per share	6	**19.00p**	9.05p
Non-GAAP alternative performance measures[1]			
Adjusted[1] operating profit		**80.3**	85.4
Adjusted[1] profit before taxation	6	**68.4**	71.0
Basic Adjusted earnings per share	6	**27.22p**	27.46p
Diluted Adjusted earnings per share	6	**27.12p**	27.35p

1 Before amortisation of acquired intangible assets, deferred taxation on amortisation of acquired intangible assets, impairment of goodwill, exceptional 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 Alternative Performance Measures on page 40.

TYMAN

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	2020 **£'m**	2019 £'m
Profit for the year	**37.2**	17.7
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	**1.4**	(1.0)
Total items that will not be reclassified to profit or loss	**1.4**	(1.0)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(12.7)**	(11.9)
Effective portion of changes in value of cash flow hedges	**0.3**	-
Total items that may be reclassified to profit or loss	**(12.4)**	(11.9)
Other comprehensive income/(expense) for the year, net of tax	**(11.0)**	(12.9)
Total comprehensive income for the year	**26.2**	4.8

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.

TYMAN

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Share capital £'m	Share premium £'m	Treasury reserve £'m	Hedging reserve £'m	Translation reserve £'m	Retained earnings £'m	Total equity £'m
At 1 January 2019	9.8	132.2	(4.9)	(0.3)	71.4	225.6	433.8
Change in accounting policy[1]	-	-	-	-	-	2.4	2.4
Total comprehensive (expense)/ income	-	-	-	-	(11.9)	16.7	4.8
Profit for the year	-	-	-	-	-	17.7	17.7
Other comprehensive (expense)	-	-	-	-	(11.9)	(1.0)	(12.9)
Transactions with owners	-	(132.2)	0.6	-	-	106.9	(24.7)
Share-based payments[2]	-	-	-	-	-	0.9	0.9
Dividends paid	-	-	-	-	-	(23.6)	(23.6)
Capital reduction	-	(132.2)	-	-	-	132.2	-
Issue of own shares from Employee Benefit Trust	-	-	2.6	-	-	(2.6)	-
Purchase of own shares for Employee Benefit Trust	-	-	(2.0)	-	-	-	(2.0)
At 31 December 2019	9.8	-	(4.3)	(0.3)	59.5	351.6	416.3
Total comprehensive income/(expense)	-	-	-	0.3	(12.7)	38.6	26.2
Profit for the year	-	-	-	-	-	37.2	37.2
Other comprehensive income/(expense)	-	-	-	0.3	(12.7)	1.4	(11.0)
Transactions with owners	-	-	0.9	-	-	(0.3)	0.6
Share-based payments[2]	-	-	-	-	-	0.9	0.9
Issue of own shares from Employee Benefit Trust	-	-	1.2	-	-	(1.2)	-
Purchase of own shares for Employee Benefit Trust	-	-	(0.3)	-	-	-	(0.3)
At 31 December 2020	**9.8**	**-**	**(3.4)**	**-**	**46.8**	**389.9**	**443.1**

1 The change in accounting policy at 1 January 2019 relates to adoption of IFRS 16 'Leases'.

2 Share-based payments include a tax credit of £0.2 million (2019: tax credit of £0.1 million) and a release of the deferred share-based payment bonus accrual of £0.6 million (2019: £0.4 million).

TYMAN

Consolidated balance sheet

As at 31 December 2020

	Note	**2020 £'m**	2019 £'m
TOTAL ASSETS			
Non-current assets			
Goodwill	7	**361.9**	371.3
Intangible assets	7	**84.1**	104.0
Property, plant and equipment		**60.7**	65.8
Right of use assets	8	**51.8**	59.4
Financial assets at fair value through profit or loss		**1.1**	1.1
Deferred tax assets		**16.3**	17.2
		575.9	618.8
Current assets			
Inventories		**84.0**	88.6
Trade and other receivables		**72.8**	76.3
Cash and cash equivalents		**69.7**	49.0
		226.5	213.9
TOTAL ASSETS		**802.4**	832.7
LIABILITIES			
Current liabilities			
Trade and other payables		**(84.4)**	(84.9)
Derivative financial instruments		**(0.2)**	(0.7)
Borrowings	9	**(40.3)**	(0.3)
Lease liabilities	8	**(5.4)**	(6.0)
Current tax liabilities		**(6.8)**	(6.5)
Provisions		**(1.3)**	(2.5)
		(138.4)	(100.9)
Non-current liabilities			
Borrowings	9	**(128.8)**	(211.5)
Lease liabilities	8	**(48.4)**	(54.0)
Deferred tax liabilities		**(26.8)**	(31.3)
Retirement benefit obligations		**(8.9)**	(11.2)
Provisions		**(7.6)**	(7.1)
Other payables		**(0.4)**	(0.4)
		(220.9)	(315.5)
TOTAL LIABILITIES		**(359.3)**	(416.4)
NET ASSETS		**443.1**	416.3
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**9.8**	9.8
Treasury reserve		**(3.4)**	(4.3)
Hedging reserve		**-**	(0.3)
Translation reserve		**46.8**	59.5
Retained earnings		**389.9**	351.6
TOTAL EQUITY		**443.1**	416.3

TYMAN

Consolidated cash flow statement

For the year ended 31 December 2020

	Note	**2020 £'m**	2019 £'m
Cash flow from operating activities			
Profit before taxation	3	**47.6**	24.8
Adjustments	11	**55.9**	71.9
Changes in working capital[1]:			
Inventories		**3.3**	13.7
Trade and other receivables		**1.7**	7.7
Trade and other payables		**3.3**	0.7
Provisions utilised		**(0.4)**	(6.5)
Pension contributions		**(1.7)**	(1.0)
Income tax paid		**(13.8)**	(14.2)
Net cash generated from operations		**95.9**	97.1
Cash flow from investing activities			
Purchases of property, plant and equipment		**(9.9)**	(10.7)
Purchases of intangible assets	7	**(0.6)**	(0.8)
Proceeds on disposal of property, plant and equipment		**-**	0.8
Acquisitions of subsidiary undertakings, net of cash acquired	10	**(1.5)**	(0.9)
Net cash used in investing activities		**(12.0)**	(11.6)
Cash flow from financing activities			
Interest paid		**(12.5)**	(15.0)
Dividends paid		**-**	(23.6)
Purchase of own shares for Employee Benefit Trust		**(0.3)**	(2.0)
Refinancing costs paid		**-**	(0.3)
Proceeds from drawdown of revolving credit facility		**91.6**	33.5
Repayments of revolving credit facility		**(135.7)**	(73.4)
Principal element of lease payments		**(6.4)**	(5.6)
Net cash used in financing activities		**(63.3)**	(86.4)
Net increase/(decrease) in cash and cash equivalents		**20.6**	(0.9)
Exchange gains/(losses) on cash and cash equivalents		**0.1**	(2.0)
Cash and cash equivalents at the beginning of the year		**49.0**	51.9
Cash and cash equivalents at the end of the year		**69.7**	49.0

1 Excluding the effects of exchange differences on consolidation.

TYMAN

Notes to the financial statements

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 4,130 people with facilities in 17 countries worldwide.

Tyman plc is a public limited company listed on the London Stock Exchange, incorporated and domiciled in England and Wales. 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 2020 and 2019. Statutory accounts for the year ended 31 December 2019 have been reported on by the Company's auditor and delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2020 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.

These results were approved by the Board of Directors on 4 March 2021.

2.1 Going concern

The Group's business activities, financial performance and position, together with factors likely to affect its future development and performance including the impact of COVID-19, are described in the overview of results on pages 3 to 6.

As at 31 December 2020, the Group had cash and cash equivalents of £69.7 million and an undrawn RCF available of £143.1 million, giving liquidity headroom of £212.8 million. The Group also has potential access to an uncommitted accordion facility of £70 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 2020. In order to provide increased headroom during the period of uncertainty earlier in the year, the Group agreed a temporary relaxation of the leverage covenant from 3.0x adjusted EBITDA to 3.5x at 31 December 2020 and 4.0x at 30 June 2021.

The Group has performed an assessment of going concern through modelling several scenarios. The base case scenario reflects the budget for 2021 and the strategic plan financials for 2022, which assumes current market conditions are maintained. A severe but plausible downside scenario has also been modelled, which assumes a deterioration in revenue from the base case of 17%. This scenario could arise if further significant lockdown measures are introduced in key markets or the global economy enters a prolonged period of deep recession and reflects the level of deterioration

experienced in H1 2020 when the majority of the impact from COVID-19 was felt. This scenario includes additional cost reduction actions available, mainly in relation to further reductions in discretionary spend. There are further cost mitigating actions that could be taken by management in the event this became necessary.

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 which would result in elimination of covenant headroom within the going concern assessment period. This scenario was considered highly unlikely.

Having reviewed the various scenario models, availably liquidity and taking into account current trading, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the consolidated financial information has been prepared on a going concern basis.

Having reviewed the various scenario models, availably liquidity and taking into account current trading, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 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 EU-endorsed accounting standards

The accounting standards 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 currently EU-endorsed but not yet effective

A number of new, revised and amended accounting standards and interpretations are currently endorsed but are effective for annual periods beginning on or after 1 January 2021, and have not been applied in preparing these consolidated financial statements.

None of the standards which have been issued by the IASB but are not yet effective are expected to have a material impact on the Group.

2.2.3 Other changes to accounting policies

The Group has utilised available government job retention schemes across various territories. The amount of government support received outside of the United Kingdom in the year is £1.7 million, and this has been accounted for as a government grant under IAS 20. As the grant has been intended to cover employee costs, this has been recognised in the profit or loss within administrative expenses, offsetting the related expense. £2.3 million of government support income received during the year in the United Kingdom was repaid in December 2020.

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). 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.

Each reporting segment broadly represents the Group's geographical focus, being the North American, UK and International operations respectively. 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. For completeness, the Group discloses certain financial data for business carried on in the UK that is not accounted for in Tyman UK & Ireland in note 3.2.

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

		2020 £'m			2019 £'m	
	Segment revenue	**Inter-segment revenue**	**External revenue**	Segment revenue	Inter-segment revenue	External revenue
North America	**374.8**	**(2.7)**	**372.1**	388.3	(2.3)	386.0
UK & Ireland	**92.8**	**(0.6)**	**92.2**	107.5	(0.3)	107.2
International	**110.9**	**(2.4)**	**108.5**	122.8	(2.3)	120.5
Total revenue	**578.5**	**(5.7)**	**572.8**	618.6	(4.9)	613.7

Included within the Tyman International segment is revenue attributable to the UK of £17.2 million (2019: £19.4 million). There are no single customers which account for greater than 10% of total revenue.

3.3 Profit before taxation

	Note	**2020 £'m**	2019 £'m
North America		**64.5**	64.5
UK & Ireland		**8.8**	13.8
International		**12.3**	14.8
Operating segment result		**85.6**	93.1
Centrally incurred costs		**(5.3)**	(7.7)
Adjusted operating profit		**80.3**	85.4
Exceptional items	4	**(1.8)**	(18.9)
Amortisation of acquired intangible assets	7	**(18.8)**	(23.5)
Impairment of acquired intangibles	7	**-**	(2.5)
Operating profit		**59.7**	40.5
Net finance costs		**(12.1)**	(15.7)
Profit before taxation		**47.6**	24.8

4. Exceptional items

	2020 £'m	2019 £'m
Footprint restructuring - costs	**-**	(7.1)
Footprint restructuring - credits	**0.2**	0.6
Footprint restructuring - net	**0.2**	(6.5)
M&A and integration - costs	**(0.8)**	(5.3)
M&A and integration – credits	**0.6**	-
M&A and integration - net	**(0.2)**	(5.3)
Loss on disposal of business	**(1.8)**	(1.7)
Impairment charges	**-**	(5.4)
	(1.8)	(18.9)

TYMAN

5. Taxation

5.1 Taxation – income statement and other comprehensive income

	2020 £'m	2019 £'m
Current taxation		
Current tax on profit for the year	**(15.5)**	(15.0)
Prior year adjustments	**1.4**	1.6
Total current taxation	**(14.1)**	(13.4)
Deferred taxation		
Origination and reversal of temporary differences	**3.6**	6.8
Rate change adjustment	**0.1**	(0.1)
Prior year adjustments	**-**	(0.4)
Total deferred taxation	**3.7**	6.3
Income tax charge in the income statement	**(10.4)**	(7.1)
Total (charge)/credit relating to components of other comprehensive income		
Current tax (charge)/credit on translation	**(0.2)**	-
Current tax credit on share-based payments	**0.1**	0.2
Deferred tax charge on actuarial gains and losses	**0.1**	0.3
Deferred tax (charge)/credit on share-based payments	**0.1**	(0.1)
Deferred tax (charge)/credit on translation	**(0.2)**	0.3
Income tax (charge)/credit in the statement of other comprehensive income	**(0.1)**	0.7
Total current taxation	**(14.2)**	(13.2)
Total deferred taxation	**3.7**	6.8
Total taxation	**(10.5)**	(6.4)

The Group's UK profits for this financial year are taxed at the statutory rate of 19.0% (2019: 19.0%). The deferred tax balances have been measured using the applicable enacted rates. 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% (2019: 19.0%). The differences are explained below:

	2020 £'m	2019 £'m
Profit before taxation	**47.6**	24.8
Rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**(9.0)**	(4.7)
Effects of:		
Expenses not deductible for tax purposes	**(0.1)**	(1.6)
Overseas tax rate differences	**(2.8)**	(1.9)
Rate change adjustment	**0.1**	(0.1)
Prior year adjustments	**1.4**	1.2
Income tax charge in the income statement	**(10.4)**	(7.1)

5.3 Factors that may affect future tax charges

On 25 April 2019, the European Commission published its final decision regarding its investigation into the UK CFC rules, concluding that the exemption applied to income derived from UK activities constituted a breach of EU State Aid rules. On 12 June 2019, the UK government applied to the EU General Court to annul this decision. Like many other multinational Groups that have acted in accordance with UK legislation, the Group may be affected by the final outcome of this case. The Group estimates the potential range of exposure is between £nil and £4 million. The Group does not consider that a provision is required at this stage based on the level of uncertainty that exists over the potential liability. This is considered to be a contingent liability at 31 December 2020.

TYMAN

6. Earnings per share

6.1 Earnings per share

	2020 £'m	2019 £'m
Profit for the year	**37.2**	17.7
Basic earnings per share	**19.07p**	9.08p
Diluted earnings per share	**19.00p**	9.05p

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

	2020 'm	2019 'm
Weighted average number of shares (including treasury shares)	**196.8**	196.8
Treasury and Employee Benefit Trust shares	**(1.7)**	(1.9)
Weighted average number of shares - basic	**195.1**	194.9
Effect of dilutive potential ordinary shares - LTIP awards and options	**0.7**	0.8
Weighted average number of shares - diluted	**195.8**	195.7

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:

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

1 Tax effect of exceptional 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:

	2020	2019
Basic Adjusted earnings per share	**27.22p**	27.46p
Diluted Adjusted earnings per share	**27.12p**	27.35p

7. Goodwill and intangible assets

7.1 Carrying amount of goodwill

	£'m
Net carrying value	
At 1 January 2019	**382.1**
Acquisitions of subsidiaries	**0.9**
Exchange difference	**(11.7)**
At 31 December 2019	**371.3**
Exchange difference	**(9.4)**
At 31 December 2020	**361.9**

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

	2020 £'m	2019 £'m
North America	**265.6**	275.7
UK & Ireland	**60.2**	60.2
International	**36.1**	35.4
	361.9	371.3

7.2 Carrying amount of intangible assets

	Computer software £'m	Acquired brands £'m	Customer relationships £'m	Total £'m
Cost				
At 1 January 2019	14.9	88.9	266.9	370.7
Additions	0.7	-	-	0.7
Disposals	(1.8)	-	-	(1.8)
Acquisitions of subsidiaries	-	0.6	-	0.6
Transfers from property, plant and equipment	-	0.3	-	0.3
Exchange difference	(0.6)	(3.3)	(8.8)	(12.7)
At 31 December 2019	13.2	86.5	258.1	357.8
Additions	0.6	-	-	0.6
Disposals	(0.4)	-	-	(0.4)
Exchange difference	(0.2)	(0.7)	(5.4)	(6.3)
At 31 December 2020	**13.2**	**85.8**	**252.7**	**351.7**
Accumulated amortisation				
At 1 January 2019	(5.5)	(48.1)	(182.3)	(235.9)
Amortisation charge for the year	(1.5)	(6.4)	(17.1)	(25.0)
Disposals	0.5	-	-	0.5
Impairment	-	-	(2.5)	(2.5)
Exchange difference	0.6	2.0	6.5	9.1
At 31 December 2019	(5.9)	(52.5)	(195.4)	(253.8)
Amortisation charge for the year	(1.5)	(5.7)	(13.1)	(20.3)
Disposals	0.2	-	-	0.2
Exchange difference	0.1	0.8	5.4	6.3
At 31 December 2020	**(7.1)**	**(57.4)**	**(203.1)**	**(267.6)**

Net carrying value				
At 1 January 2019	9.4	40.8	84.6	134.8
At 31 December 2019	7.3	34.0	62.7	104.0
At 31 December 2020	**6.1**	**28.4**	**49.6**	**84.1**

The acquisition of subsidiaries in 2019 relates to the acquisition of Y-Cam in February 2019.

The amortisation charge for the year has been included in administrative expenses in the income statement and comprises £18.8 million (2019: £23.5 million) relating to amortisation of acquired intangible assets and £1.5 million (2019: £1.5 million) relating to amortisation of other intangible assets.

An impairment charge of £2.5 million was recognised on customer relationship intangibles in 2019 as a result of the closure of the Fremont, Nebraska facility. No impairment has been recognised in 2020.

8. Leases

8.1 The Group's leasing arrangements

The Group leases manufacturing and warehousing facilities, offices, and various items of plant, machinery, and vehicles used in its operations.

Leases of manufacturing and warehousing facilities and offices generally have lease terms between 5 and 25 years, while plant, machinery, and vehicles generally have lease terms between 6 months and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

8.2 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

	Note	Land and buildings £'m	Plant and machinery £'m	Total £'m
At 1 January 2019		62.8	2.2	65.0
Additions		1.9	1.2	3.1
Depreciation charge		(6.5)	(1.0)	(7.5)
Exchange difference		(1.2)	-	(1.2)
At 31 December 2019		57.0	2.4	59.4
Additions		2.9	0.4	3.3
Disposals		(1.6)	-	(1.6)
Depreciation charge		(6.7)	(1.0)	(7.7)
Revaluation impairment		(0.3)	-	(0.3)
Exchange difference		(1.3)	-	(1.3)
At 31 December 2020		**50.0**	**1.8**	**51.8**

TYMAN

8.3 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:

	2020 £'m	2019 £'m
At 1 January	**(60.0)**	(63.7)
New leases	**(3.3)**	(3.1)
Lease disposals	**1.6**	-
Interest charge	**(2.8)**	(3.0)
Lease payments	**9.2**	8.6
Foreign exchange	**1.5**	1.2
At 31 December	**(53.8)**	(60.0)
Current liabilities	**(5.4)**	(6.0)
Non-current liabilities	**(48.4)**	(54.0)
At 31 December	**(53.8)**	(60.0)

8.4 Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss

	2020 £'m	2019 £'m
Depreciation of RoU assets	**(7.7)**	(7.5)
Interest expense (included in finance cost)	**(2.8)**	(3.0)
Expense relating to short-term and low-value assets not included in lease liabilities (included in cost of sales and administration expenses)	**(1.0)**	(1.3)
Expense relating to variable lease payments not included in lease liabilities (included in cost of sales and administration expenses)	**(0.5)**	(0.5)
	(12.0)	(12.3)

8.5 Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

As at 31 December 2020, potential future cash outflows of £68.1 million (2019: £63.0 million) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

9. Interest-bearing loans and borrowings

9.1 Carrying amounts of interest-bearing loans and borrowings

		2020 £'m	2019 £'m
Unsecured borrowings at amortised cost:			
Bank borrowings		**(97.0)**	(137.7)
Senior notes		**(73.3)**	(75.8)
Capitalised borrowing costs		**1.2**	1.7
Borrowings		**(169.1)**	(211.8)
Lease liabilities	8	**(53.8)**	(60.0)
Total interest-bearing liabilities		**(222.9)**	(271.8)
Analysed as:			
Current liabilities		**(45.7)**	(6.3)
Non-current liabilities		**(177.2)**	(265.5)
		(222.9)	(271.8)

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:

	2020 **£'m**	2019 £'m
Sterling	**1.2**	1.7
US dollars	**(108.2)**	(146.7)
Euros	**(62.1)**	(66.8)
	(169.1)	(211.8)

9.1.2 Bank borrowings

Multi-currency revolving credit facility

On 19 February 2018, the Group entered into the 2018 Facility. The 2018 Facility gives the Group access to up to £310.0 million of borrowings and comprises a £240.0 million committed revolving credit facility and a £70.0 million uncommitted accordion facility, expiring in February 2024. The banking facility is unsecured and is guaranteed by Tyman plc and its principal subsidiary undertakings.

As at 31 December 2020, the Group has undrawn amounts committed under the multi-currency revolving credit facility of £143.1 million (2019: £102.8 million). These amounts are floating rate commitments which expire beyond 12 months.

Other borrowings

The Group acquired bank borrowings as part of the acquisition of Reguitti. At 31 December 2020, the remaining facility has a carrying value of £0.2 million (2019: £0.5 million) an undrawn value of £Nil (2019: £Nil). The facility has a maturity of 22 May 2022 and is unsecured.

9.1.3 Private placement notes

On 19 November 2014, the Group issued private debt placement notes with US financial institutions totalling US$100.0 million.

The debt placement is unsecured and comprises US$55.0 million debt with a seven-year maturity at a coupon of 4.97% and US$45.0 million with a 10-year maturity at a coupon of 5.37%. The US$55.0 million is due for repayment in November 2021 and is therefore classified as a current liability. The $45.0 million is due in 2024 and is classified as non-current.

9.2 Net debt

9.2.1 Net debt summary

	2020 **£'m**	2019 £'m
Borrowings	**(169.1)**	(211.8)
Lease liabilities	**(53.8)**	(60.0)
Cash	**69.7**	49.0
At 31 December	**(153.2)**	(222.8)

9.2.2 Net debt reconciliation

	Cash	Borrowings	Lease liabilities	Total
At 1 January 2019	51.9	(260.7)	(63.7)	(272.5)
Cash flows	-	40.4	8.6	49.0
Acquisitions	(0.9)	-	-	(0.9)
New leases	-	-	(3.0)	(3.0)
Lease modifications	-	-	(0.1)	(0.1)
Lease interest accretion	-	-	(3.0)	(3.0)
Foreign exchange adjustments	(2.0)	9.0	1.2	8.2
Amortisation of borrowing costs	-	(0.5)	-	(0.5)
At 31 December 2019	49.0	(211.8)	(60.0)	(222.8)
Cash flows	22.1	44.0	9.2	75.3
Acquisitions	(1.5)	-	-	(1.5)
Disposals	-	-	1.6	1.6
New leases	-	-	(3.3)	(3.3)
Lease interest accretion	-	-	(2.8)	(2.8)
Foreign exchange adjustments	0.1	(0.8)	1.5	0.8
Amortisation of borrowing costs	-	(0.5)	-	(0.5)
At 31 December 2020	**69.7**	**(169.1)**	**(53.8)**	**(153.2)**

10. Acquisitions and disposals

10.1 Acquisitions

During the year, £1.5 million of deferred consideration was settled in relation to Zoo Hardware Limited, which was acquired in 2018.

102. Disposals

The trade and certain assets of the Ventrolla business were divested on 5 November 2020, for consideration of £1. A loss on disposal of £1.8 million was recorded, reflecting the difference between the carrying value of assets sold and the fair value of consideration. This has been recognised in exceptional items in the income statement.

11. 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	**2020 £'m**	2019 £'m
Net finance costs		**12.1**	15.7
Depreciation of PPE		**12.7**	13.1
Depreciation of right of use assets		**7.7**	7.5
Amortisation of intangible assets	7	**20.3**	25.0
Impairment of intangible assets	7	**-**	2.5
Impairment of property, plant and equipment		**0.5**	4.3
Impairment of right of use assets		**0.3**	-
Loss on disposal of property, plant and equipment		**1.3**	1.4
Pension service costs and expected administration costs		**0.4**	0.3
Non-cash provision movements		**(0.1)**	1.3
Share-based payments		**0.7**	0.8
		55.9	71.9

12. Events after the balance sheet date

There were no events after the balance sheet date.

TYMAN

Alternative performance measures

The Group uses a number of alternative performance measures. APMs provide additional useful information to shareholders on the underlying performance of the business. These APMs are consistent with how business performance is measured internally by the Group, align with the Group's strategy, and remuneration policies. These measures are not recognised under IFRS and may not be comparable with similar measures used by other companies. APMs are not intended to be superior to or a substitute for GAAP measures.

The following summarises the key APMs used, why they are used by the Group, and how they are calculated. Where appropriate, a reconciliation to the nearest GAAP number is presented. Details of other APMs are included in the Group's Annual Report and Accounts. Measures formerly referred to as 'Underlying' are now referred to as 'Adjusted'.

Adjusted operating profit and adjusted operating margin

Definition

Operating profit before amortisation of acquired intangible assets, deferred tax on amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, and exceptional 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.

Exceptional items are excluded from this measure as they are largely one off and non-trading in nature and therefore drawing these out aids the understanding of performance.

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.

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 25.

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 result of Y-cam is not adjusted as it is not material. 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.

TYMAN

Reconciliation/calculation

	2020 **£'m**	2019 £'m
Reported revenue	**572.8**	613.7
Revenue from businesses disposed of in current year	**-**	(0.9)
Effect of exchange rates	**-**	(3.4)
Like-for-like revenue	**572.8**	609.4
Adjusted operating profit	**80.3**	85.4
Operating profit for businesses disposed of in current year	**-**	0.2
Effect of exchange rates	**-**	(0.6)
Like-for-like adjusted operating profit	**80.3**	85.0

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, exceptional 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.

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.

Leverage

Definition

Adjusted net debt translated at the average exchange rate for the year divided by 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

	2020 **£'m**	2019 £'m
Adjusted Net Debt (at average exchange rate)	**105.3**	170.1
Adjusted EBITDA (in accordance with covenants)	**95.2**	98.9
Leverage	**1.1x**	1.7x

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

	2020 **£'m**	2019 £'m
Adjusted operating profit	80.3	85.4
Average capital employed	653.8	709.9
ROCE	12.3%	12.0%

Return on acquisition investment (ROAI)

Definition

For acquisitions made in the current year, this reflects ROAI calculated on the basis of adjusted operating profit generated in the year since the acquisition date. For acquisitions made in previous years, this reflects ROAI calculated on the basis of adjusted operating profit generated in the year or the last 12 months to the end of the two-year period since acquisition.

Purpose

These measures are used to evaluate the efficiency and returns achieved by the Group from its investments in recent material business acquisitions. ROAI is measured over a two-year period following acquisition.

Reconciliation/calculation

	Ashland $m	*Zoo* £m	*Profab* £m	*Reguitti* €m
Adjusted operating profit	18.8	3.4	0.4	1.0
Acquisition enterprise value	106.9	19.1	4.4	16.7
Change in controllable capital employed	(1.9)	(0.8)	0.3	1.7
	105.0	18.3	4.7	18.4
ROAI	17.9%	18.6%	8.8%	5.2%

Operating cash conversion and operational cash flow

Definition

Operational cash flow

Net cash generated from operations before income tax paid, exceptional 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.

Operating cash conversion

Operational 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 18.

TYMAN

Definitions and glossary of terms

Access 360	The Access Solutions business, constituting Bilco UK, Profab and Howe Green
APM	Alternative Performance Measure
Ashland	Ashland Hardware Holdings Inc, acquired by AmesburyTruth on 15 March 2018
Bilco	The Bilco Company acquired by the Group's AmesburyTruth Division on 1 July 2016
bps	Basis points
CGU	Cash Generating Unit
CIPS	Chartered Institute of Purchasing and Supply
DSBP	Deferred share bonus plan
EB Trust (EBT)	The Tyman Employees' Benefit Trust
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation
EMEAI	Europe, Middle East and Africa and India region
EPS	Earnings per Share
ESSP	Employee Sharesave plan
ExCo	Executive Committee
FVPL	Fair value through profit or loss
Giesse	Giesse Group acquired by the Group's Schlegel International Division on 7 March 2016.
Howe Green	Howe Green Limited acquired by the Group on 3 March 2017
IoT	Internet of Things
LFL	Like-for-like
LTM	Last twelve months
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
Profab	Profab Access Solutions Limited acquired by ERA on 31 July 2018
Reguitti	Reguitti S.P.A acquired by SchlegelGiesse on 31 August 2018
ROAI	Return on acquisition investment
RMI	Renovation, maintenance and improvement
ROCE	Return on capital employed
SKU	Stock keeping unit
Smartware	Integrated and mechanical and electronic security solutions
TCFD	Taskforce for climate related financial disclosures
USPP	US private placement
Ventrolla	Sash window refurbishment business in ERA
Zoo or Zoo Hardware	Zoo Hardware Limited acquired by ERA on 10 May 2018

TYMAN

Exchange rates

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

Closing Rates:	**2020**	2019
US dollars	**1.3650**	1.3186
Euros	**1.1129**	1.1757
Australian dollars	**1.7708**	1.8801
Canadian dollars	**1.7393**	1.7164
Brazilian Real	**7.0898**	5.3005

Average Rates:	**2020**	2019
US dollars	**1.2836**	1.2770
Euros	**1.1251**	1.1406
Australian dollars	**1.8626**	1.8365
Canadian dollars	**1.7200**	1.6943
Brazilian Real	**6.6115**	5.0371

Roundings

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