Tyman plc

Results for the six months ended 30 June 2023

Highlights

Highlights

Solid first half performance despite challenging market backdrop & against strong comparative period

- **Revenue** decline reflected significant reduction in volumes partially offset by the carryover benefit of pricing actions
- **Adjusted operating profit** decline reflected negative operating leverage from significant reduction in volumes
- **North America LFL adjusted operating margin** increased by 70bps to 15.0%, with the carryover benefit of pricing actions more than offsetting input cost inflation
- **Operating cash conversion** of 100%, reflecting a £16 million reduction in inventory since year end
- Further progress on **strategic initiatives**, including our sustainability roadmap
- **Acquisition of Lawrence Industries**, expanding our market-leading portfolio of hardware for the North American market; proportion of adjusted operating profits generated in North America now over 70% on a proforma basis

TYMAN

Financial review

Financial highlights

H1 operating profit ahead of expectations, driven by North America

Revenue

£329.9m

H1 2022: £360.0m

-8% *(Reported vs H1 2022)*

-11% *(LFL[1] vs H1 2022)*

Operating profit [2]

£38.7m (margin: 11.7%)

H1 2022: £49.3m (margin 13.7%)

-22% *(Reported vs H1 2022)*

-24% *(LFL[1] vs. H1 2022)*

EPS [2]

13.3p

H1 2022: 17.6p

-24% *(vs H1 2022)*

ROCE [3]

11.5%

H1 2022: 13.9%

Cash conversion

100%

H1 2022: 34%

Leverage [4]

1.2x

H1 2022: 1.1x

Notes – for Definitions and reconciliation of APMs see the Results Announcement published on 25 July 2023

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

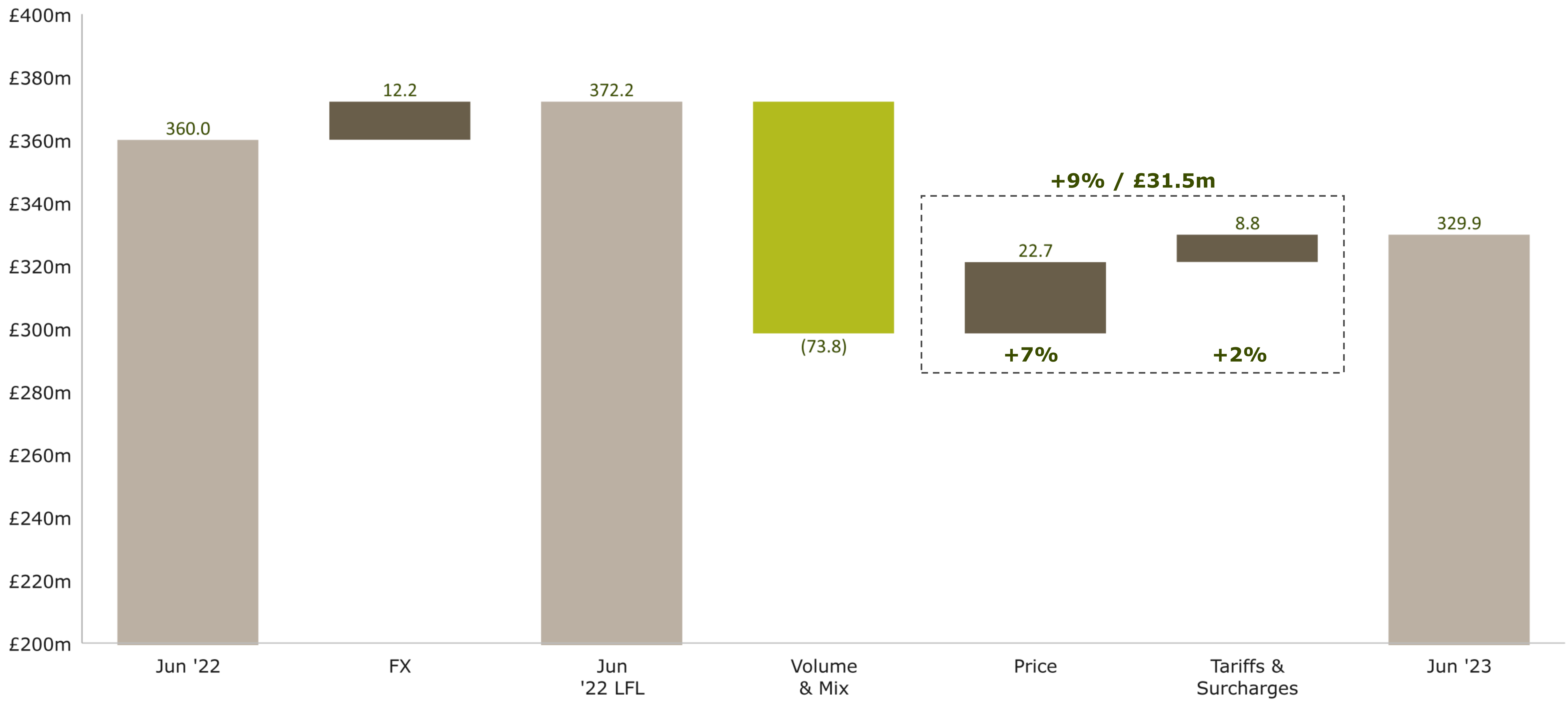
(2) Adjusted

(3) Adjusted operating profit divided by average capital employed

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

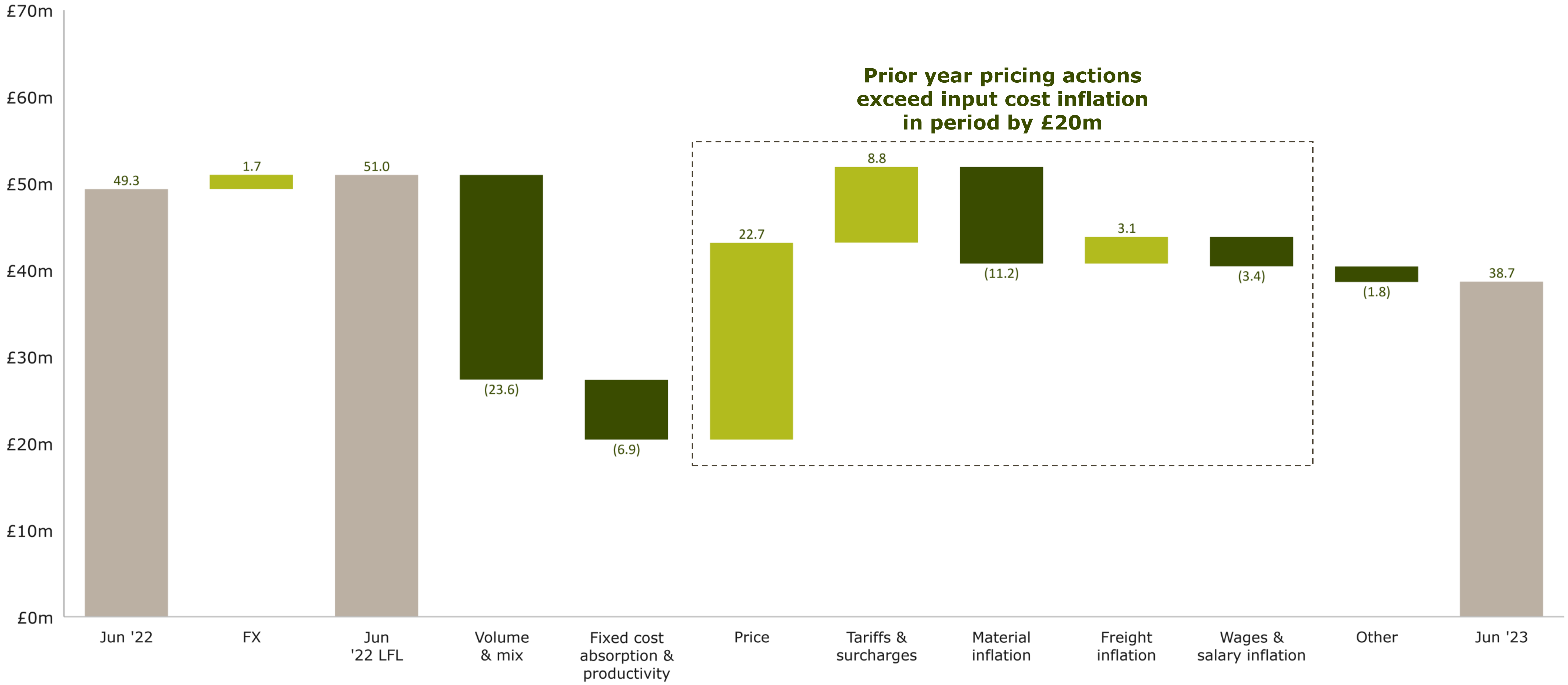
Revenue bridge

Volume reduction of 20% partially offset by 9% benefit from prior year pricing actions



Adjusted operating profit bridge

Prior year pricing benefits more than offset input cost inflation



TYMAN

Divisional summary

Strong North America performance

North America	H1 2023	LFL change
Revenue (£m)	215.4	-11%
Adjusted operating profit (£m)	32.4	-6%
Adjusted operating margin	15.0%	+70bps

- Margin expansion delivered despite significant reduction in volume
- Benefitting from reversal of prior year pricing lag & agile response to lower volumes

UK & Ireland	H1 2023	LFL change
Revenue (£m)	51.0	-5%
Adjusted operating profit (£m)	5.8	-25%
Adjusted operating margin	11.4%	-290bps

- Resilient hardware performance in challenging UK market
- Margin decline due to Access 360 (supplier delays for new automated equipment)

International	H1 2023	LFL change
Revenue (£m)	63.5	-18%
Adjusted operating profit (£m)	5.5	-60%
Adjusted operating margin	8.7%	-900bps

- Challenging market conditions in most markets
- Margin impacted by high operating leverage

TYMAN

Cash flow

Strong operating cash conversion driven by reduction in inventory

Free cash flow

£m	H1 2023	H1 2022
Adjusted EBITDA (1)	**48.5**	60.1
Working capital (2)	**(2.6)**	(32.3)
Net capex	**(7.3)**	(11.1)
Adjusted operating cash flow	**38.6**	16.7
Pension contributions	**(0.1)**	(0.1)
Income tax paid	**(7.3)**	(10.0)
Net interest paid	**(4.6)**	(3.3)
Exceptional cash costs	**(4.6)**	-
Free cash flow	**22.0**	3.3

Working capital (£m)	H1 2023	H1 2022
Inventories	**16.1**	(20.9)
Receivables	**(20.8)**	(20.4)
Payables	**2.1**	9.0
Total	**(2.6)**	(32.3)

- Good progress with inventory reduction initiatives, particularly in North America, leading to significant reduction in working capital cash outflow
- Capex now at c. 1x depreciation following catch up of spend in 2022 post COVID
- Higher net interest paid reflecting higher weighted average interest rate

Operating cash conversion

	H1 2023	H1 2022
Operating cash conversion (3)	**100%**	34%

(1) Adjusted EBITDA before non-cash items

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

(3) Adjusted operating cash conversion is adjusted operating cash flow divided by adjusted operating profit

TYMAN

Net debt bridge

Slight increase in leverage reflects lower LTM EBITDA, with adjusted net debt broadly flat

Leverage 1.2x (H1 2022: 1.1x)
(proforma 1.6x including Lawrence acquisition)

(1) Excluding lease liabilities of £57.2m (31 December 2022: £59.6m) and capitalised borrowing costs of £2.1m (31 December 2022: £2.1m)

2023 summary guidance

Expect FY adj. operating profit at top end of expectations, with Lawrence acquisition partially offset by FX

Headwinds	Tailwinds
• Market demand due to interest rate rises and cost-of-living pressures • Negative operating leverage • Labour cost inflation (c. 5% YoY) • **Foreign exchange**	• **Impact of customer destocking subsides** • Price carryover from 2022 actions • Further net customer wins • Easing in input cost inflation (excluding labour) • Self-help measures • Agile cost management

Impact of 1 cent change versus GBP	Revenue	Adj. operating profit
USD	£2.8m	£0.4m
EUR	£0.6m	£0.1m

Financial guidance

- **Lawrence H2 impact: £2 - £3m adjusted operating profit, £1.5m net interest charge**
- Working capital net cash inflow £20 - £30 million
- **Capital expenditure £17 – £22 million (previously £22 - £27 million)**
- Operating cash conversion significantly above the target average of 90%
- Leverage within target range 1.0x – 1.5x
- **Net interest charge £11 - £12 million (previously £9 - £10 million)**
- Adjusted effective tax rate c. 23% - 25%

TYMAN

Strategy

Strategic progress

Further progress on strategic initiatives

FOCUS

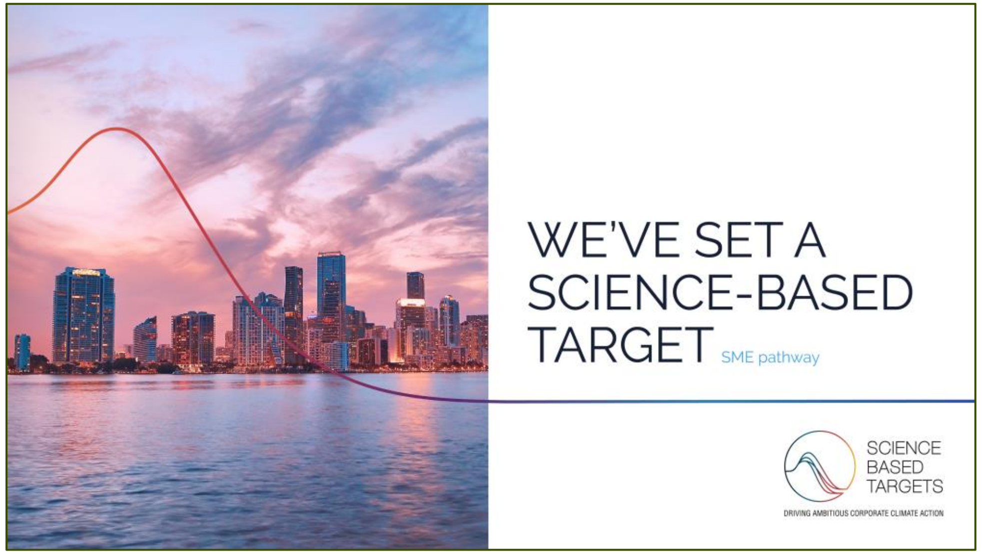
- Begun consolidation of 2 sites into 1 at Owatonna
- Progressed ERP deployment across North America
- Completed EU seals & UK access solutions footprint projects
- Received SBTi validation of carbon reduction targets
- 100% green electricity tariffs addressing c. 40% of Group's electricity consumption

DEFINE

- Cross-divisional supplier conference in China, engaging on quality, lead times, cost & sustainability

GROW

- Further incremental net customer wins in North America
- Good success with new product launches in UK
- Continued system houses momentum in International
- EPD product certification, expanding addressable market
- M&A: completed Lawrence acquisition (see next slide)



TYMAN

Acquisition of Lawrence

Strategic acquisition to enhance market-leading portfolio in North America

LAWRENCE INDUSTRIES, INC.

Financial rationale:

- Initial consideration of $57.0m (& contingent consideration of up to $12.5m)
- Unaudited 2022 revenue c.$20m, PBT c.$7.5m
- Immediately earnings accretive
- Proforma leverage c.1.6x, will be in target range of 1.0-1.5x by year end

Strategic rationale:

- High-performance composite window hardware for North American market
- Attractive, low-cost product category benefitting from the growing demand for affordable homes in US
- Expansion of AmesburyTruth's market-leading portfolio of window hardware

TYMAN

Summary and outlook

Summary and outlook

Solid H1 performance driven by North America, expect FY23 adj. operating profit at top end of market expectations

- **Solid H1 performance:**
  - Pricing carryover benefits, notably in North America, and strong cost control
  - Significant reduction in inventory and strong operating cash conversion of 100%
  - Continued focus on share gains and strategic initiatives to improve our operational platform
  - Good progress on sustainability roadmap, including SBTi validation of carbon reduction targets
  - Completed Lawrence Industries acquisition in early July

- **2023 outlook:**
  - North America: production normalising & continued pricing carryover benefits, Lawrence contribution offset by FX
  - UK & Ireland: hardware resilience despite challenging markets, improved Access 360 performance
  - International: continuation of challenging market conditions, benefits from EU seals footprint project
  - Group: expect FY 2023 adjusted operating profit to be at top end of market expectations

TYMAN

Appendices

TYMAN

Our sustainability credentials are being recognised

FTSE4Good UK index constituent, SBTi validation, MSCI Leader rating & top 20% ranking by Sustainalytics & S&P Global

FTSE4Good

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

MSCI ESG RATINGS

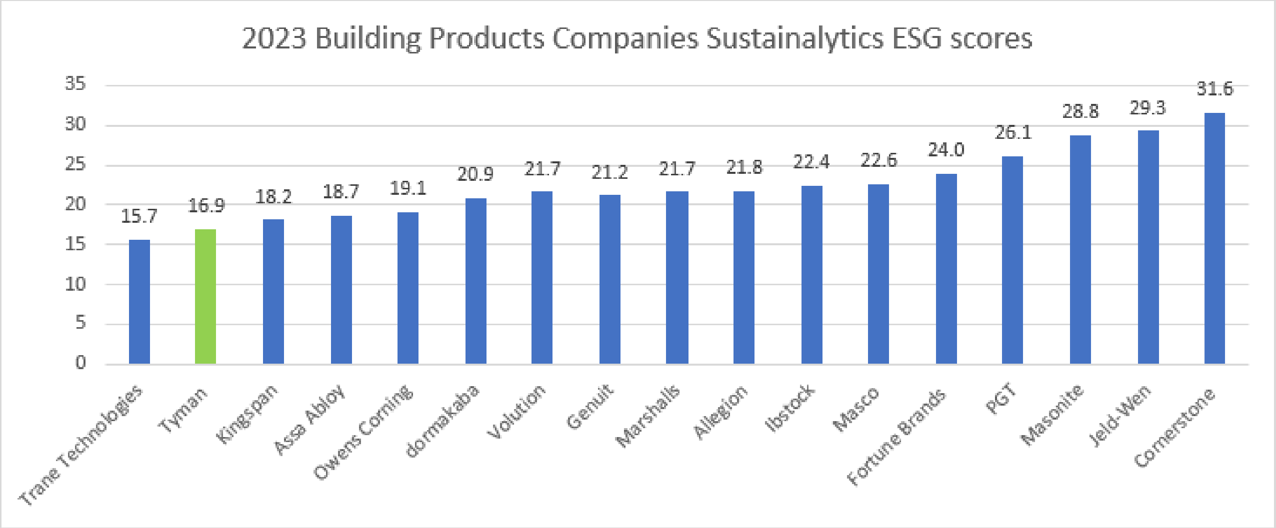
AA

CCC	B	BB	BBB	A	AA	AAA

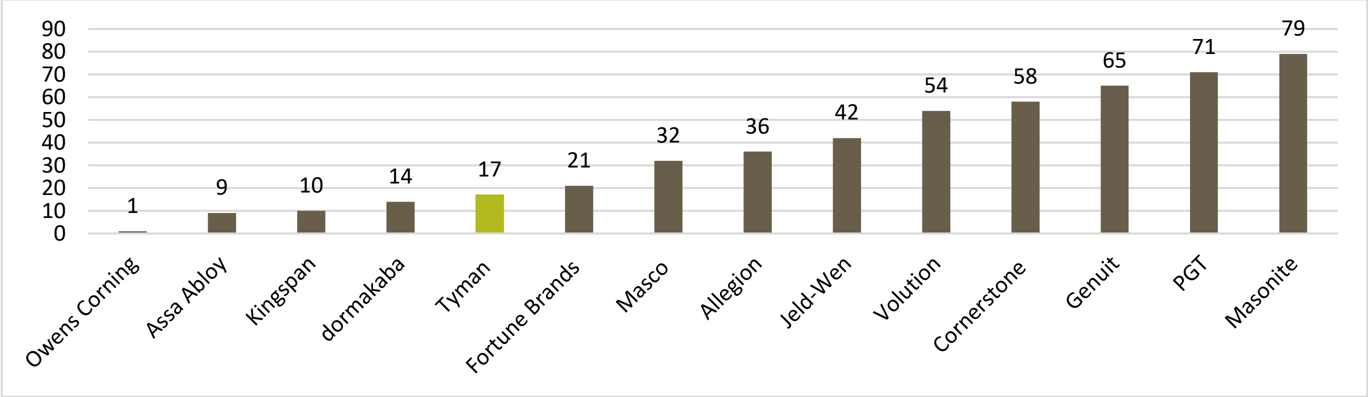
CDP

DISCLOSURE INSIGHT ACTION

SUSTAINALYTICS (15th out of 146 companies in sector)



S&P Global (relative ranking, 89 companies in sector)



TYMAN

Attractive end markets

Tyman's sizeable target markets are expected to benefit from strong growth drivers

Long-term megatrends provide favourable tailwinds …	… supported by Tyman's attractive value proposition …	… and the poor health of global housing stock
Demographic & Social Change	Comfort	Undersupply of housing
Sustainable Future	Sustainability	Ageing housing stock
Technology Disruption	Security	Remodelling Spending
	Safety	
	Aesthetics	

Margin targets over the medium term

Remain confident of delivering targets in a normalised demand & inflation environment

North America

Margin expansion drivers:

- Owatonna footprint optimisation
- CI & productivity
- Grow share in western US, Canada & with distributors
- Accelerate NPD

20% target

UK & Ireland

Margin expansion drivers:

- Access 360 footprint optimisation & automation
- CI & productivity
- Grow share with fabricators, distributors & AIs
- Accelerate NPD

15% target

International

Margin expansion drivers:

- Seals footprint optimisation
- Budrio automation
- CI & productivity
- Grow share in system houses
- Accelerate NPD

15% target

Capital allocation

Re-invest cash flow for further growth while returning a progressive dividend to shareholders

Grow FCF

Organic growth ahead of market

Margin expansion

Target RoS:

North America	*20%*
UK&I	*15%*
International	*15%*

Strong cash conversion

Use of cash

Invest for organic growth

- NPD / Channel expansion
- Efficiency / Optimisation
- Sustainability roadmap

Targeted M&A

- Strict discipline on returns

Shareholder returns

- Progressive dividend policy

Efficient balance sheet

- Balanced leverage

Targets

ROCE
14%

Dividend cover
2.0x – 2.5x

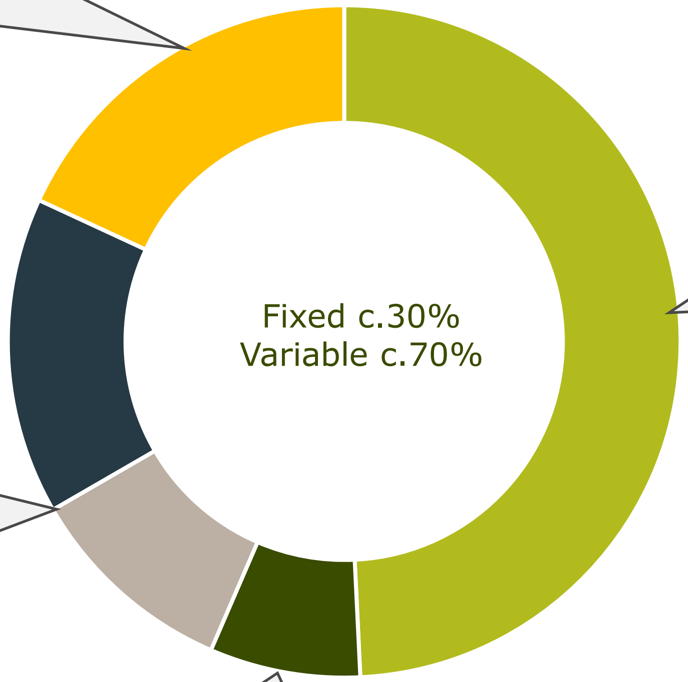
Leverage
1.0x – 1.5x
adj. EBITDA

TYMAN

Cost structure

Flexible cost base to help navigate challenging near-term market conditions

Other 19%
- Utilities, incl. energy
- Repairs & maintenance
- Depreciation
- Other overheads and SG&A costs



Direct materials 47%
- Inflation levels remain historically elevated
- Some moderation in 2023; conversion costs remain high

Indirect (18%) and Direct (10%) labour
- Labour inflation pressures remain
- Stability of workforce improved
- Labour base highly flexible

Freight and distribution 6%
- Container freight costs reduced significantly
- Road transport costs remain elevated

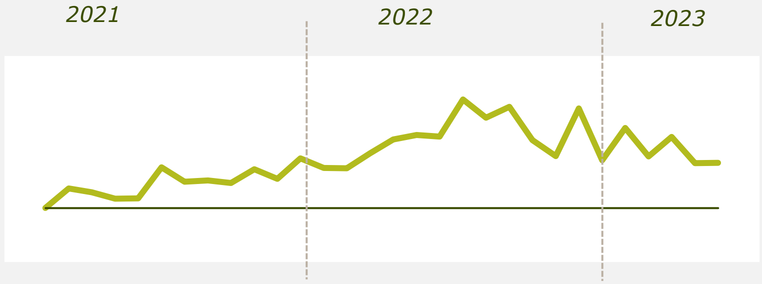
TYMAN

Cost inflation

Continued easing in input cost inflation in H1, albeit high conversion costs keeping purchase prices above market levels

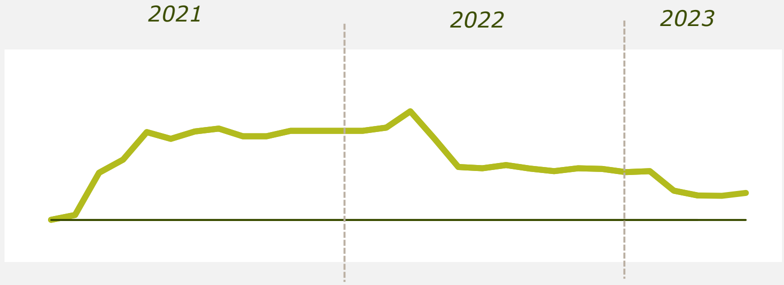
Stainless Steel (1)

£80.2m FY22 spend | **-1%** YoY Avg | **-17%** YoY Spot



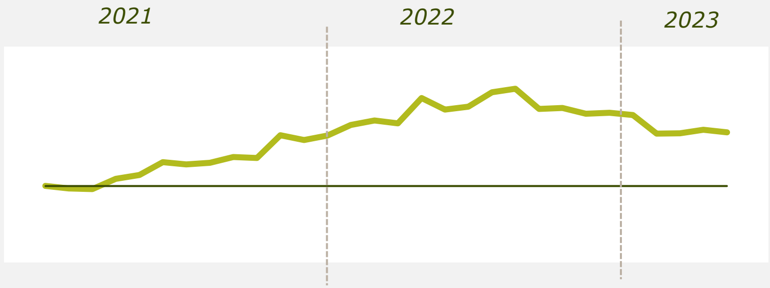
Polypropylene (1)

£45.2m FY22 spend | **-33%** YoY Avg | **-27%** YoY Spot



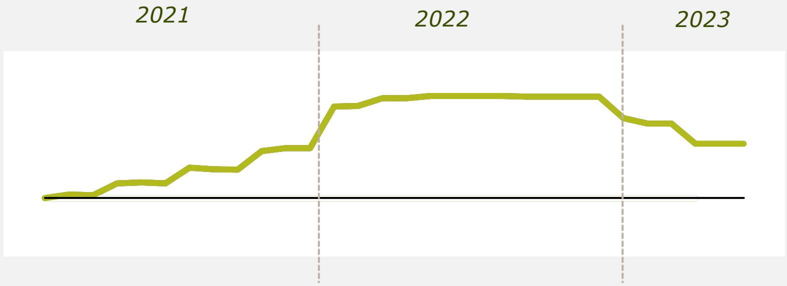
Zinc (1)

£33.5m FY22 spend | **-3%** YoY Avg | **-10%** YoY Spot



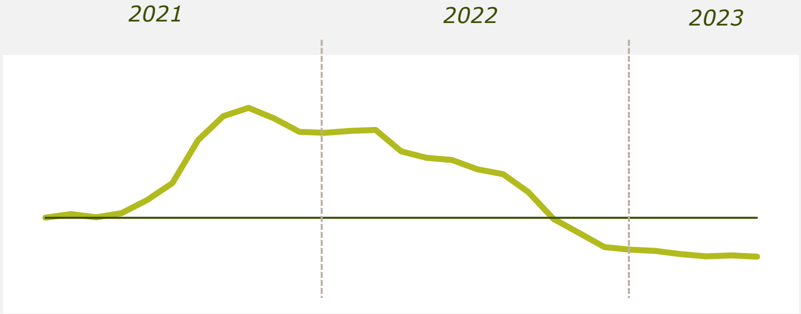
Aluminium (1)

£21.5m FY22 spend | **-19%** YoY Avg | **-24%** YoY Spot



Freight (container)

£42.0m FY22 spend | **-70%** YoY Avg | **-77%** YoY Spot



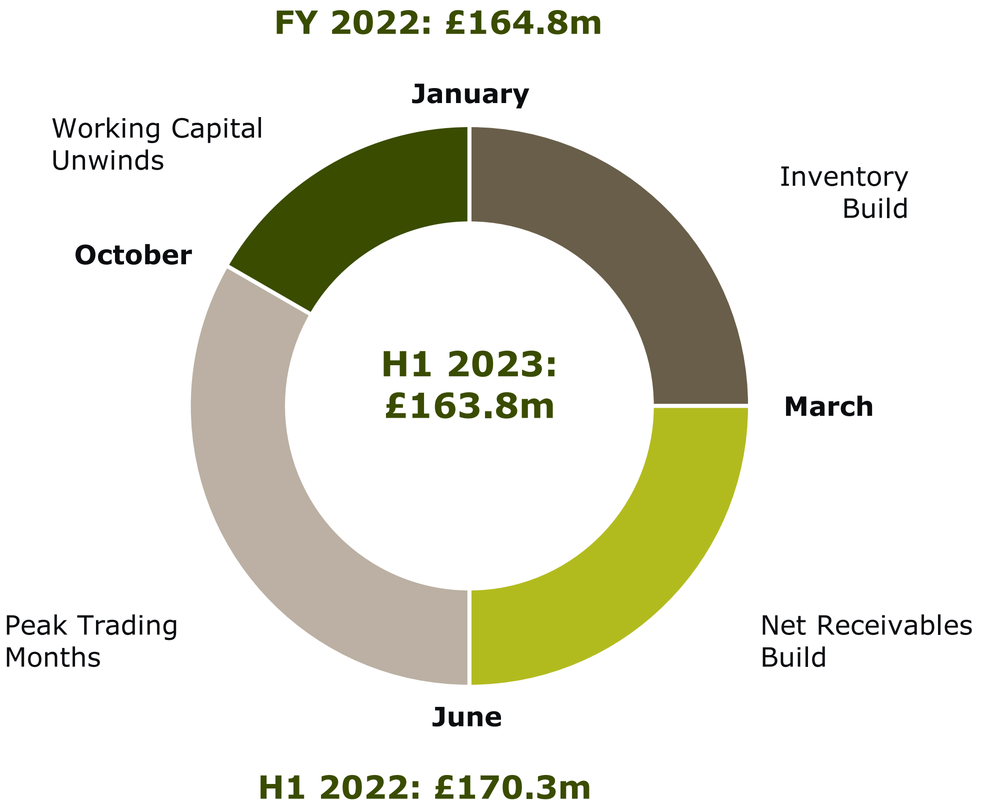
(1) Prices shown are purchase prices which include conversion costs

TYMAN

Working capital

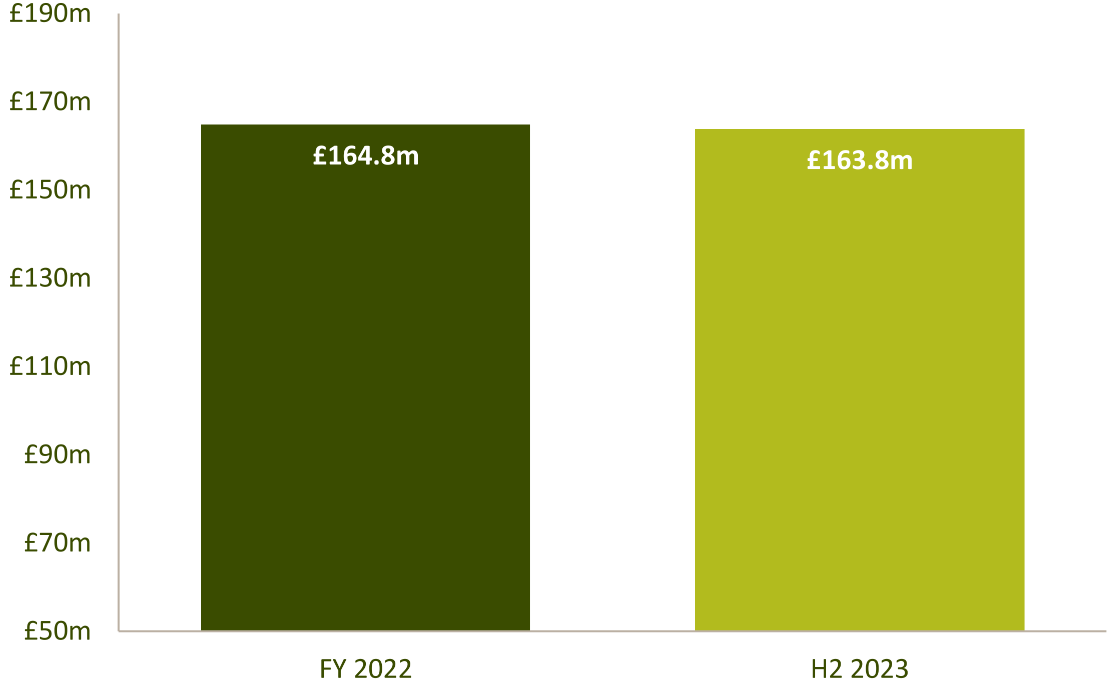
Good progress with inventory reduction plans; on track for £20 -£30 million working capital inflow in 2023

Trade working capital cycle



- 2021 and 2022 working capital above normalised levels, due to supply chain disruption and effect of inflation
- Significant reduction in inventory in the period as planned; offset by seasonal increase in receivables

H1 2023 trade working capital



- Decrease in inventory due to reduction from initiatives of -£16m and FX -£5m
- Trade receivables £17m higher due to seasonal trading
- Trade payables £3m lower due to lower inventory purchasing
- Overall exchange movement: -£6m

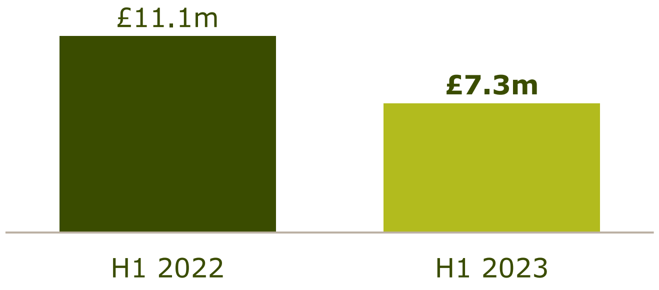
Other financial information

Capital expenditure and net interest payable

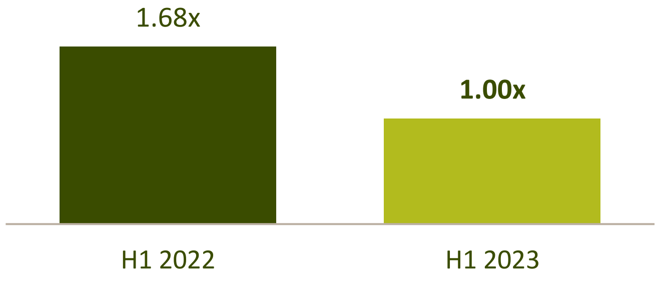
Capital expenditure

Gross capex	-34%
Net capex	-34%

Gross capex



Gross capex: depreciation

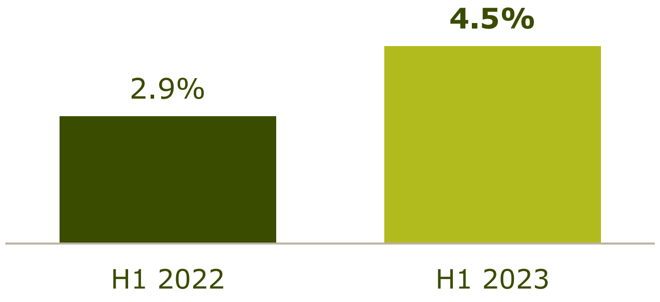


Decrease due to H1 2022 including catch up of expenditure deferred from 2021

Net interest (1)

Cost of funds	+160 bps
Interest charge	+60%

Average cost of funds



Adjusted net interest charge

Increase due to significantly higher weighted average interest rate, reflecting floating RCF debt

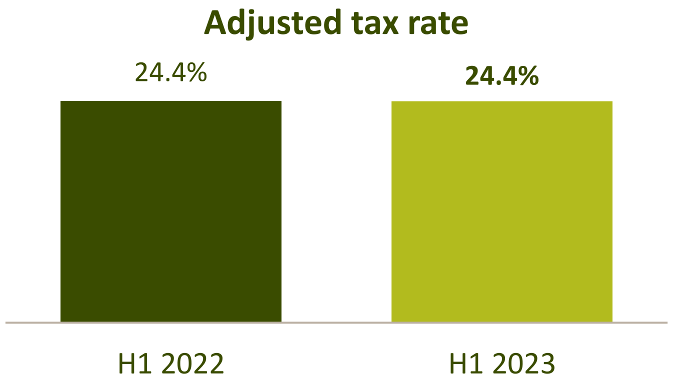
(1) Net interest receivable on cash deposits, payable on bank loans, private placement notes and overdrafts

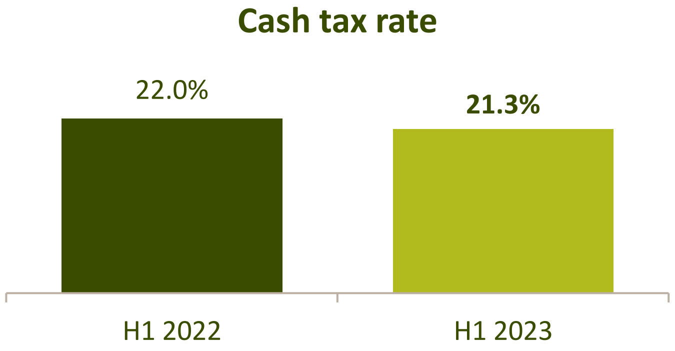
Other financial information

Taxation and exceptional items

Taxation

Adjusted	0 bps
Cash	-70 bps

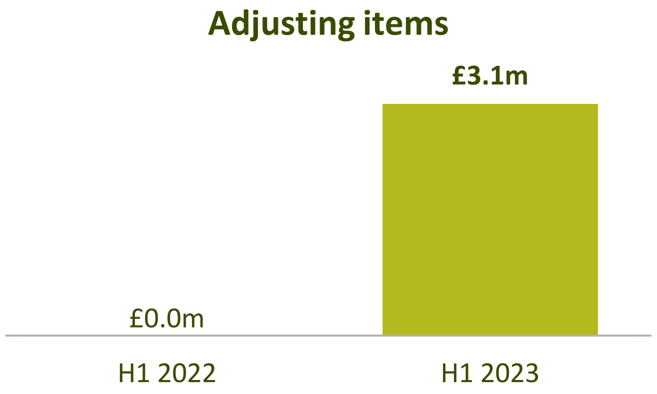


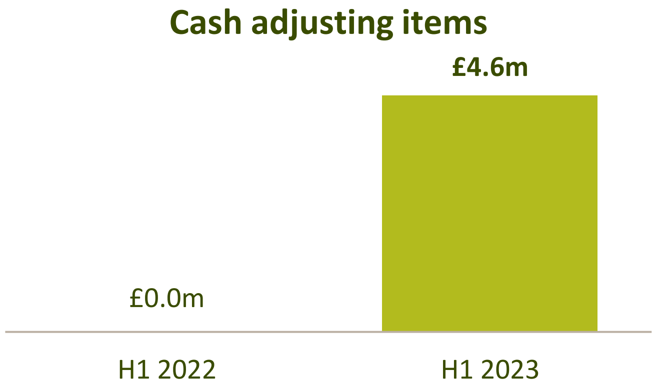


Slight decrease in cash tax rate reflects a refund of tax overpaid in 2021

Adjusting items

Redundancy & restructuring	£2.5m
M&A costs	£0.6m





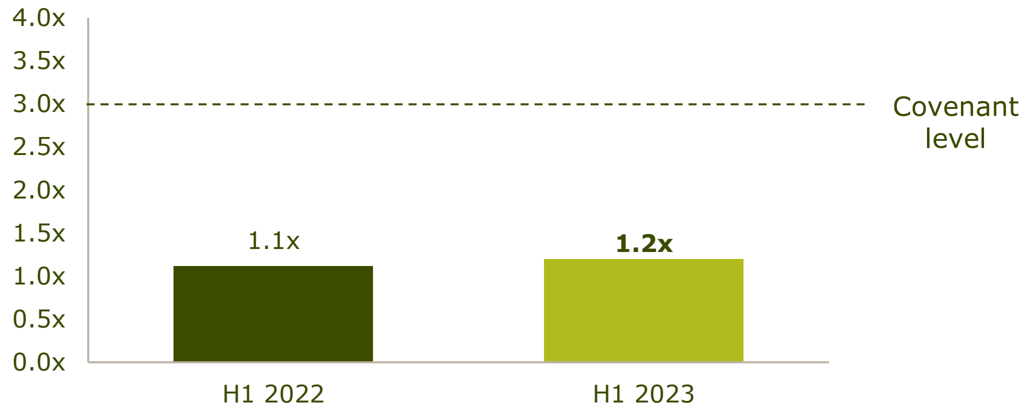
Adjusting items relate to redundancy and restructuring costs associated with projects commenced in H2 2022 and departure of CEO plus transaction costs related to acquisition of Lawrence Industries

Covenant performance

Leverage

- Total net debt to adjusted(1) EBITDA must be < 3.0x
- Target leverage range of 1.0x to 1.5x

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



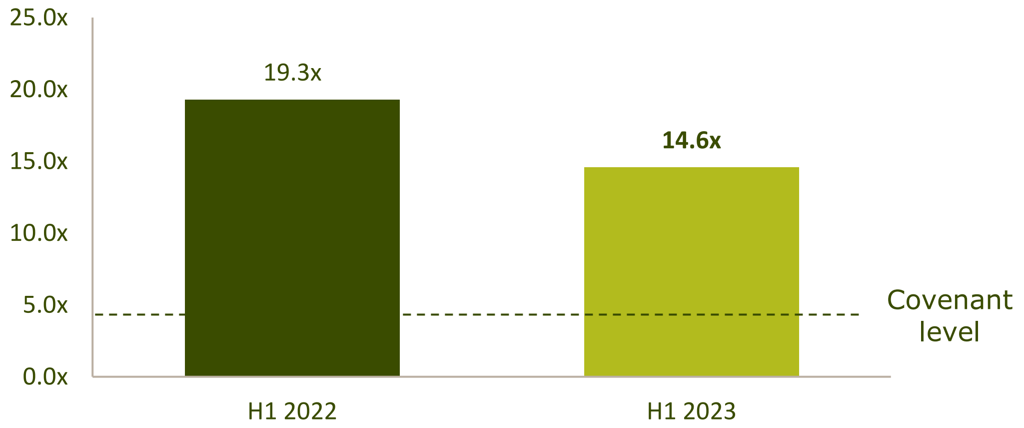
EBITDA headroom

60%

£58.3m

Interest Cover

- EBITDA to net finance charges must be > 4.0x



EBITDA headroom

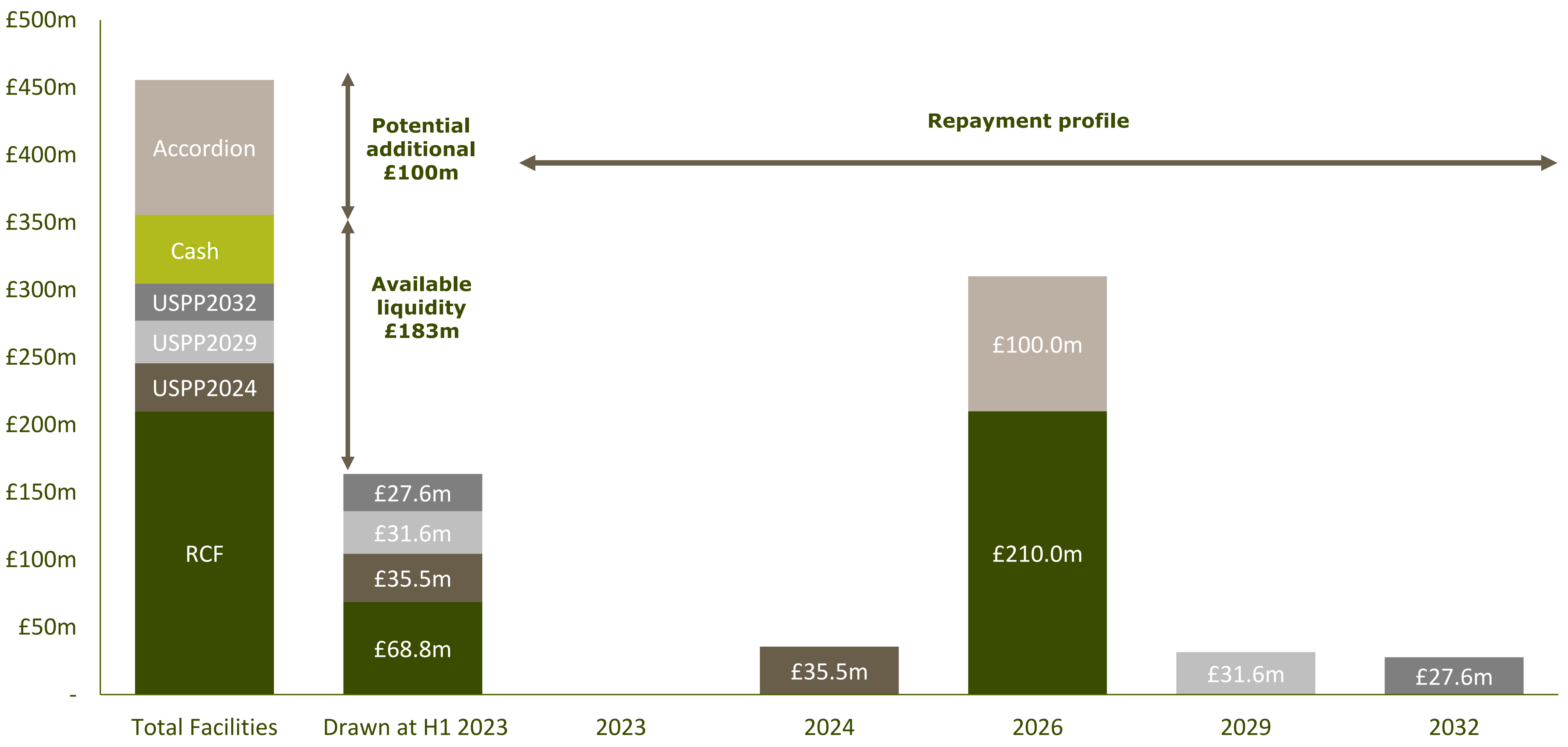
73%

£70.2m

TYMAN

Group debt facilities

The Group has significant headroom, with available liquidity of £183m



Currency impact

Translational exposure

Currency	US$	Euro	Other	Total[1]
Average rate H1 2023	1.2334	1.1412		
Average rate H1 2022	1.2992	1.1877		
% movement in average rate	(5.1)%	(3.9)%		
£'m revenue impact	10.8	1.6	(2.0)	10.4
£'m profit impact[2]	1.5	0.2	(0.3)	1.4

(1) Impact of other currencies immaterial

(2) Adjusted operating profit impact (based on H1 2023 financial information)

TYMAN

Consolidated income statement

For the six months ended 30 June 2023

	Six months ended 30 June 2023 (unaudited) £'m	Six months ended 30 June 2022 (unaudited) £'m
Revenue	**329.9**	360.0
Cost of sales	**(222.0)**	(243.6)
Gross profit	**107.9**	116.4
Selling, general and administrative expenses	**(79.9)**	(75.6)
Net impairment losses on financial assets	**(0.2)**	-
Operating profit	**27.8**	40.8
Analysed as:		
Adjusted operating profit	**38.7**	49.3
Adjusting items	**(3.1)**	-
Amortisation of acquired intangible assets	**(7.8)**	(8.5)
Operating profit	**27.8**	40.8
Finance income	**1.0**	0.9
Finance costs	**(6.1)**	(4.3)
Net finance costs	**(5.1)**	(3.4)
Profit before taxation	**22.7**	37.4
Income tax charge	**(5.6)**	(9.0)
Profit for the year	**17.1**	28.4

Consolidated balance sheet

As at 30 June 2023

	30 June 2023 (unaudited) £'m	30 June 2022 Restated[1] (unaudited) £'m
TOTAL ASSETS		
Non-current assets		
Goodwill	**383.8**	397.8
Intangible assets	**48.9**	64.7
Property, plant and equipment	**71.1**	71.3
Right of use assets	**53.4**	53.2
Financial assets at fair value through profit or loss	**1.2**	1.2
Derivative financial instruments	**-**	0.3
Deferred tax assets	**1.5**	4.4
	559.9	592.9
Current assets		
Inventories	**131.8**	169.9
Trade and other receivables	**99.3**	107.7
Cash and cash equivalents	**78.6**	86.7
	309.7	364.3
TOTAL ASSETS	**869.6**	957.2
LIABILITIES		
Current liabilities		
Trade and other payables	**(87.5)**	(130.3)
Derivative financial instruments	**(0.5)**	-
Borrowings	**(27.2)**	(23.4)
Lease liabilities	**(6.7)**	(6.4)
Current tax liabilities	**(1.7)**	(6.9)
Provisions	**(1.0)**	(1.2)
	(124.6)	(168.2)

	30 June 2023 (unaudited) £'m	30 June 2022 Restated[1] (unaudited) £'m
Non-current liabilities		
Borrowings	**(162.0)**	(188.4)
Lease liabilities	**(50.5)**	(50.5)
Deferred tax liabilities	**(4.7)**	(11.1)
Retirement benefit obligations	**(4.9)**	(4.1)
Provisions	**(3.5)**	(4.8)
Other payables	**-**	(0.2)
	(225.6)	(259.1)
TOTAL LIABILITIES	**(350.2)**	(427.3)
NET ASSETS	**519.4**	529.9
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**9.8**	9.8
Treasury reserve	**(7.1)**	(8.7)
Translation reserve	**71.6**	91.0
Retained earnings	**445.1**	437.8
TOTAL EQUITY	**519.4**	529.9

[1] Restated for reclassification between deferred tax assets and liabilities. For further details, see results announcement

Adjusted earnings per share

For the six months ended 30 June 2023

	Six months ended 30 June 2023 (unaudited) £'m	Six months ended 30 June 2022 (unaudited) £'m
Profit before taxation	**22.7**	37.4
Adjusting items	**3.1**	-
Loss/(gain) on revaluation of fair value hedge	**0.3**	(0.7)
Amortisation of borrowing costs	**0.3**	0.2
Amortisation of acquired intangible assets	**7.8**	8.5
Adjusted profit before taxation	**34.2**	45.4
Income tax charge	**(5.6)**	(9.0)
Add back: Adjusted tax effect[1]	**(2.8)**	(2.1)
Adjusted profit after taxation	**25.8**	34.3

Underlying earnings per share:

	Six months ended 30 June 2023 (unaudited) £'m	Six months ended 30 June 2022 (unaudited) £'m
Basic adjusted earnings per share	**13.3p**	17.6p
Diluted adjusted earnings per share	**13.2p**	17.6p

[1] Tax effect of exceptional items, amortisation of borrowing costs, amortisation of acquired intangible assets, and gain or loss on revaluation of derivatives

TYMAN

Disclaimer

Forward looking statements

This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire or dispose of securities in any company within the Tyman plc Group. This presentation contains forward-looking statements, including within the meaning of the US Private Securities Litigation Reform Act of 1995, which are subject to risks and uncertainties because they relate to future events. These forward-looking statements include, without limitation, statements in relation to Tyman plc’s financial outlook and future performance. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. We undertake no obligation to update or revise any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances.

This presentation also contains non-GAAP financial information which Tyman’s management believes is valuable in understanding the performance of the Group. However, non-GAAP information is not uniformly defined by all companies and therefore it may not be comparable with similarly titled measures disclosed by other companies, including those in Tyman plc’s industry. Although these measures are important in the assessment and management of the Group’s business, they should not be viewed in isolation or as replacements for, but rather as complementary to, the comparable GAAP measures. References to “Tyman”, “the Group” and “Company” are to Tyman plc and its subsidiaries unless otherwise stated.

Contact us

Tyman plc
29 Queen Anne’s Gate
London SW1H 9BU

T: +44 (0)20 7976 8000
E: investor.relations@tymanplc.com
www.tymanplc.com