



# Capital Markets Event - US Residential Housing Market

31 October 2023





**Welcome**

# Today's Speakers

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**Chris Beard**

**Director, Building Products Research,  
John Burns Research & Consulting**



**Bob Burns**

**President,  
Tyman North America**



# Agenda

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- Introduction 12.30-12.35 GMT, 08:30-08:35 EST  
Jason Ashton - Interim CEO, Tyman
- US Residential Housing Market & Industry Trends 12.35-13:00 GMT, 08:35-09:00 EST  
Chris Beard - Director of Building Products Research, John Burns Research & Consulting
- US Window & Door Market Trends 13:00-13:05 GMT, 09:00-09:05 EST  
Chris Beard - Director of Building Products Research, John Burns Research & Consulting
- Tyman's US Residential Value Proposition & Growth Strategy 13:05-13:30 GMT, 09:05-09:30 EST  
Bob Burns - President, Tyman North America
- Conclusion 13:30-13:35 GMT, 09:30-09:35 EST  
Jason Ashton - Interim CEO, Tyman
- Panel Q&A 13:35-14:00 GMT, 09:35-10:00 EST

# Housekeeping

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Exits



Phones on silent



Questions



Feedback



## **Introduction**

# Tyman's offer in the US

A comprehensive range of high quality, innovative products supported by value-added services

14%



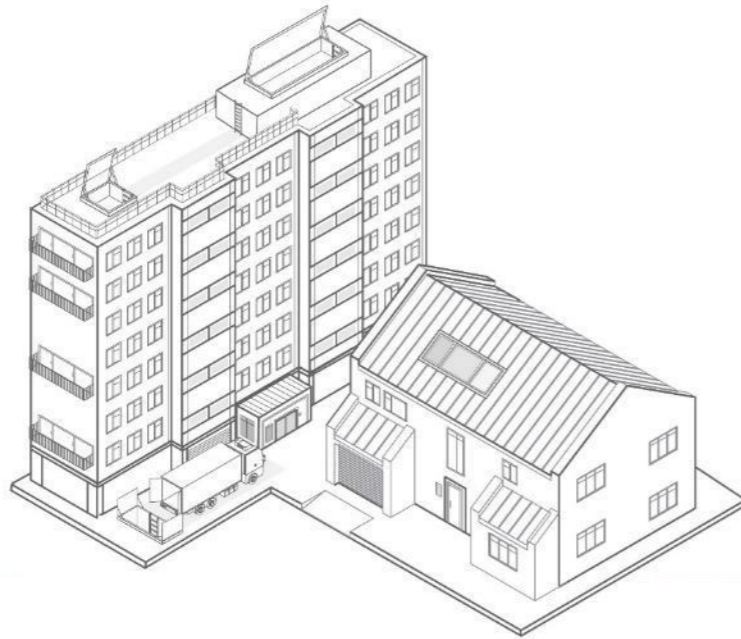
Access Solutions



Commercial Window Hardware



Commercial Door Hardware



## FOCUS FOR TODAY

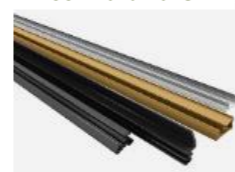
86%



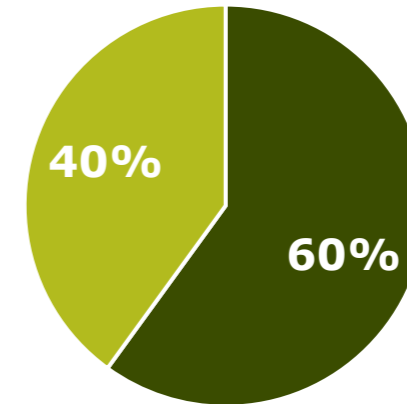
Residential Window Hardware



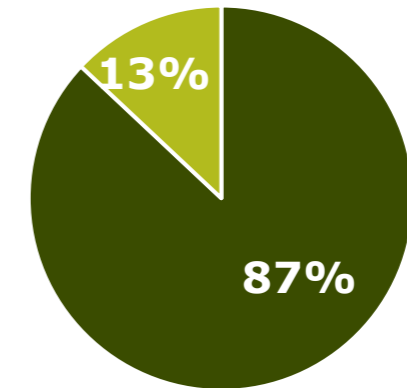
Residential Door Hardware



Seals and Extrusions



■ RMI/Remodelling ■ New build

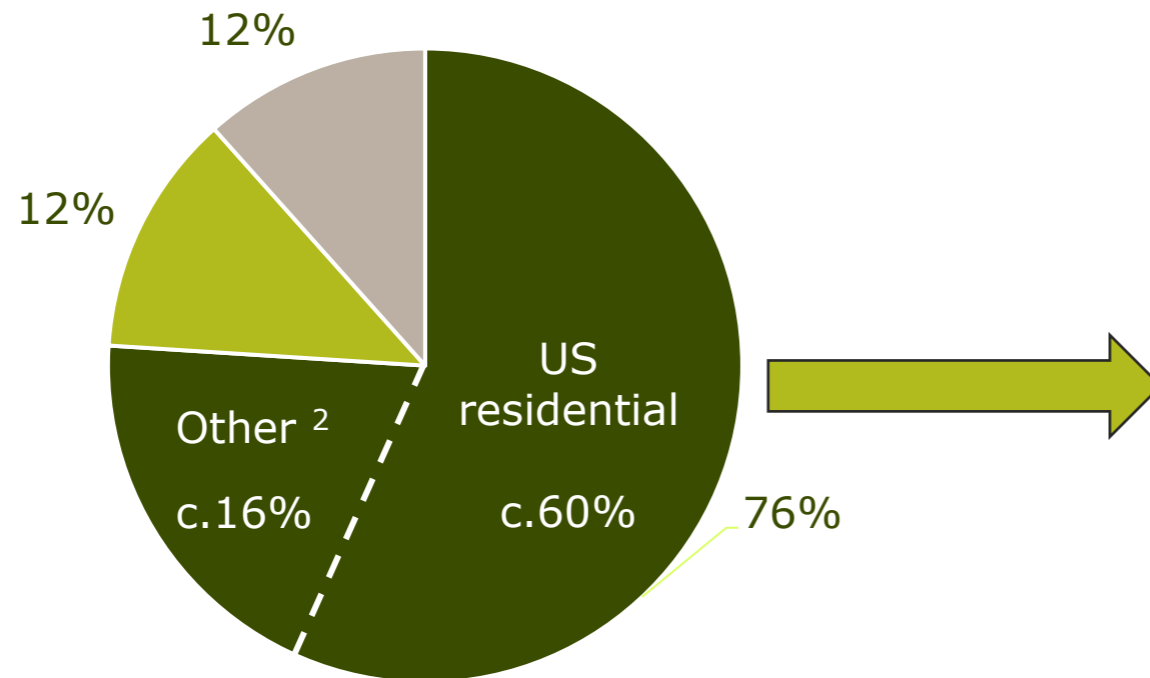


■ Window & door manufacturers  
■ Distributors

# North America is very significant to Tyman

Our earnings growth prospects are heavily influenced by the US residential new build & RMI markets

Adj. Operating Profit (AOP) by Division  
H1 2023 (%)<sup>1</sup>



■ North America ■ UK & Ireland ■ International

<sup>1</sup> Proforma including acquisition of Lawrence Industries

<sup>2</sup> Other = US commercial & Canada

Tyman North America generated **revenue of £472m** in 2022, employs **2,500 people**, and serves the US residential housing market through market-leading brands



These brands have **market shares of 40-45%** across the product categories they participate in



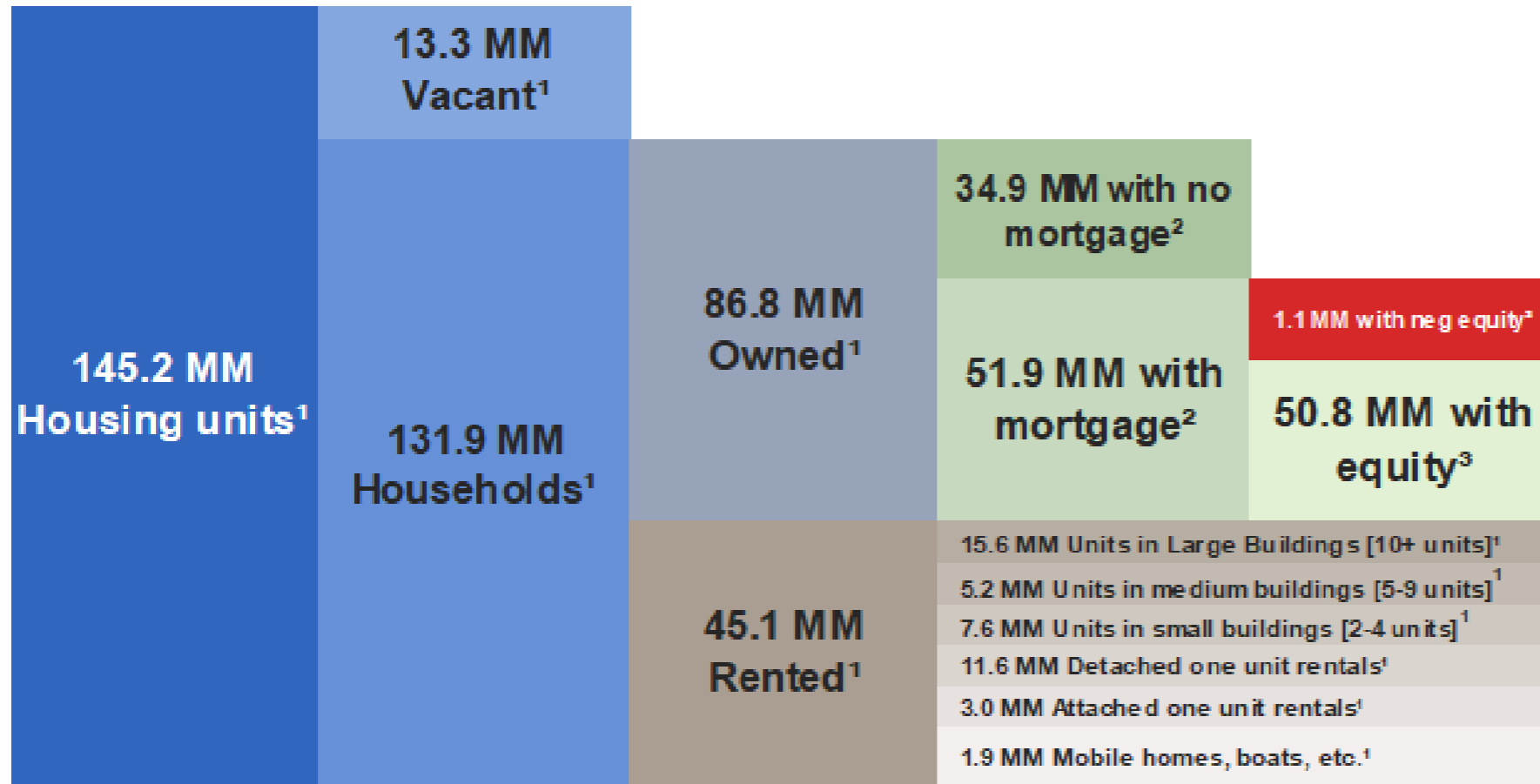


# Overview of US Residential Housing Market



# Current US housing supply overview

The US housing stock has grown to over 145M housing units today, up from 121M units 20 years ago



<sup>1</sup>JBREC estimates using 2010 Census figures and trending data from ACS / HVS

<sup>2</sup>Average of 1990 and 2000 Decennial Census

<sup>3</sup>JBREC extrapolation from Mortgage Bankers Association and Census

<sup>4</sup>JBREC estimate and extrapolation from CoreLogic and MBA.

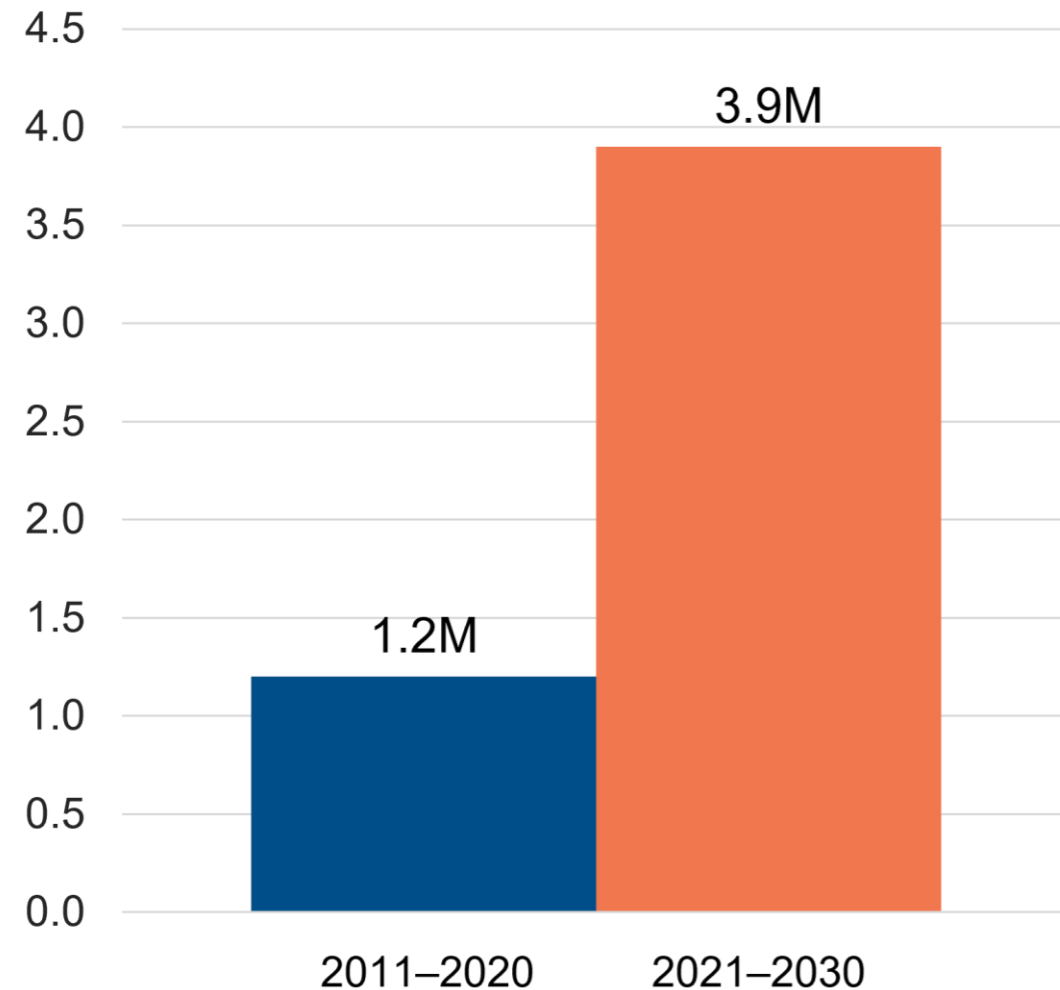
Note that figures are not perfect due to overlap (vacant homes with mortgages, etc.).

Sources: Census Bureau; John Burns Research and Consulting, LLC (Data: 2023, updated quarterly)

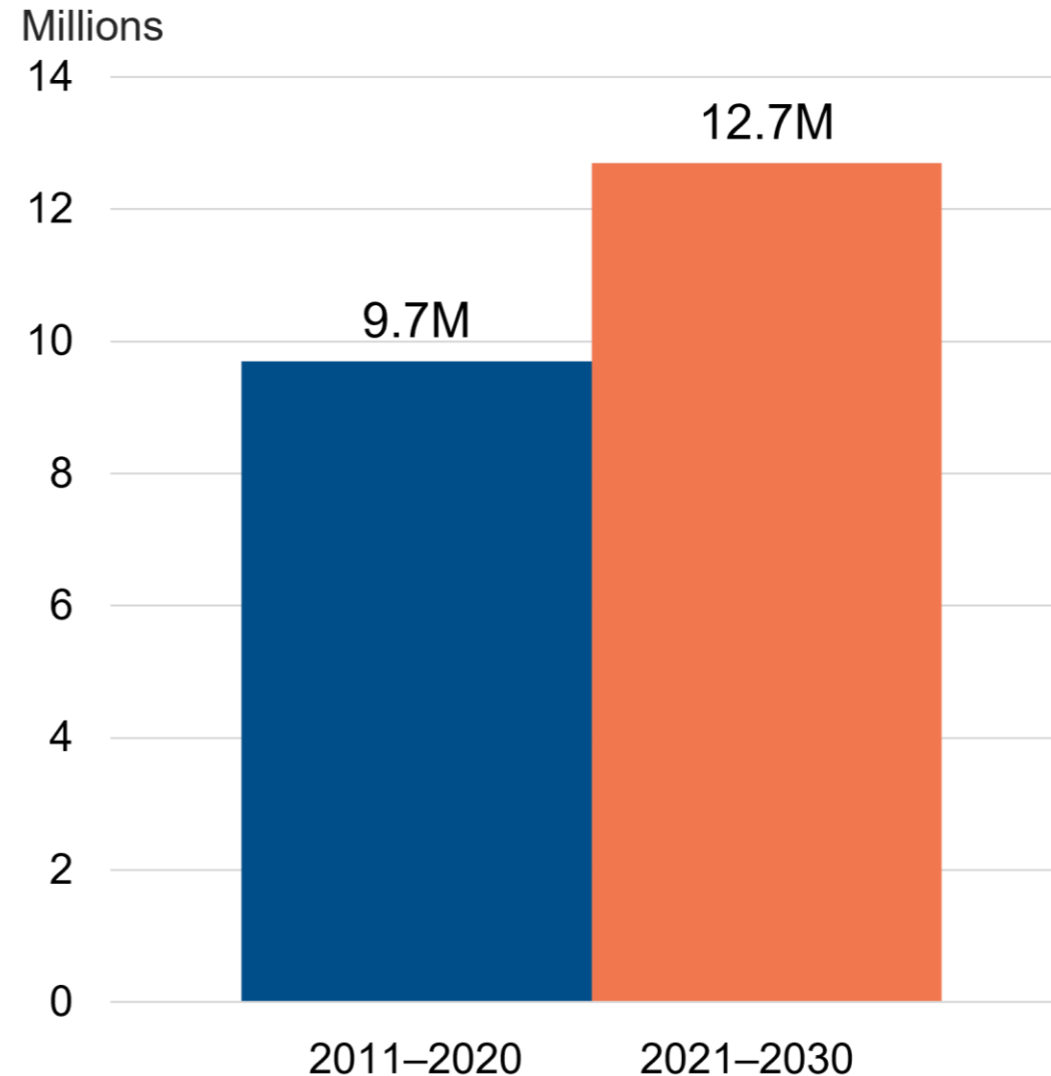
# Demographics is a powerful long-term tailwind for housing

Step-change in household formation expected in the 2020's, which will lead to increased demand for housing

## 35-44 Year-Old Population Growth by Decade



## New Households Formed by Decade



Source: US Census Bureau, Analysis John Burns Research and Consulting, LLC

# 17.1M new homes are needed in the 2020s

This represents a long-term tailwind driving new construction and building products demand

## Total homes needed in the 2020s

12.7M  
households  
formed



2.3M  
teardowns



1.7M  
undersupplied  
homes



500K  
new second  
homes



From 2020 through YTD 2023, new supply has **kept up with demand**, but not made any progress on reducing the undersupply

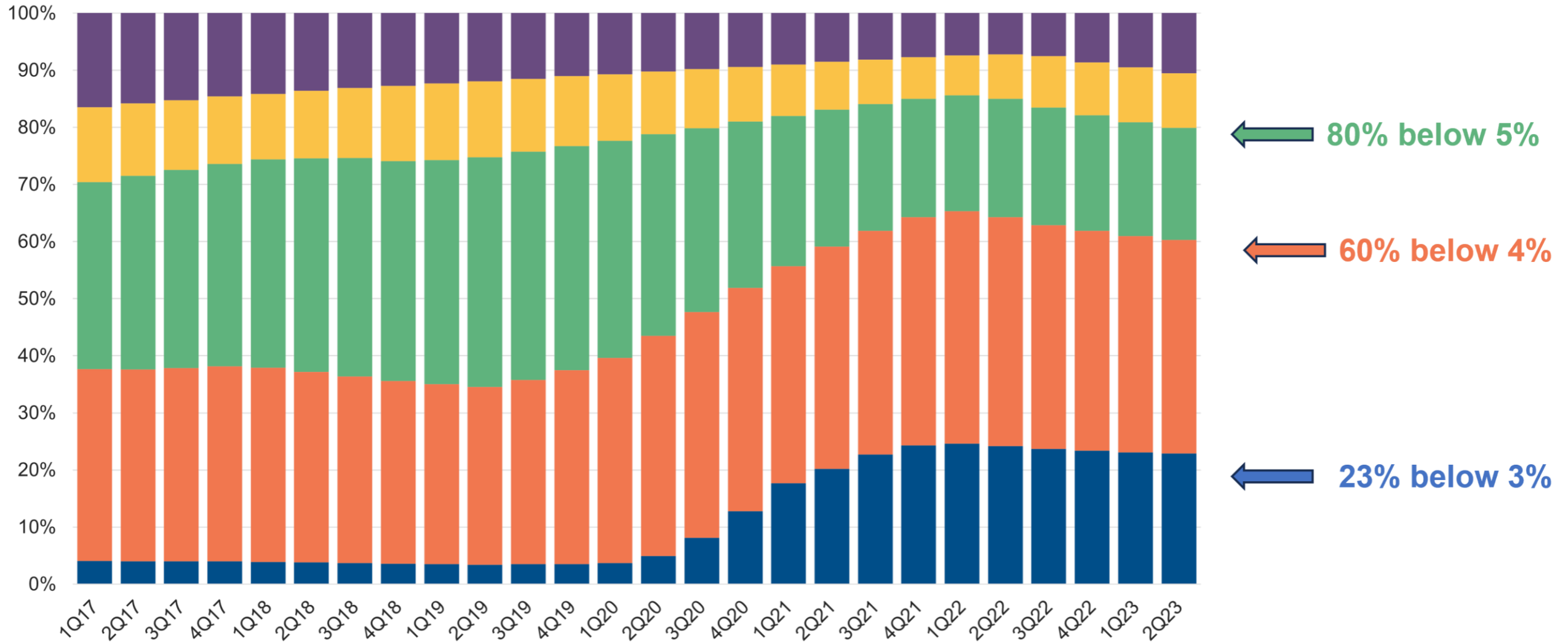
17.1 million total new homes needed

# 80% of mortgage borrowers are “locked in” at rates < 5%

Homeowners are less likely to re-mortgage in current environment and are therefore staying put

## Share of Mortgage Loans Outstanding by Mortgage Rate

■ ≤3% ■ 3.01%–4% ■ 4.01%–5% ■ 5.01%–6% ■ ≥6%

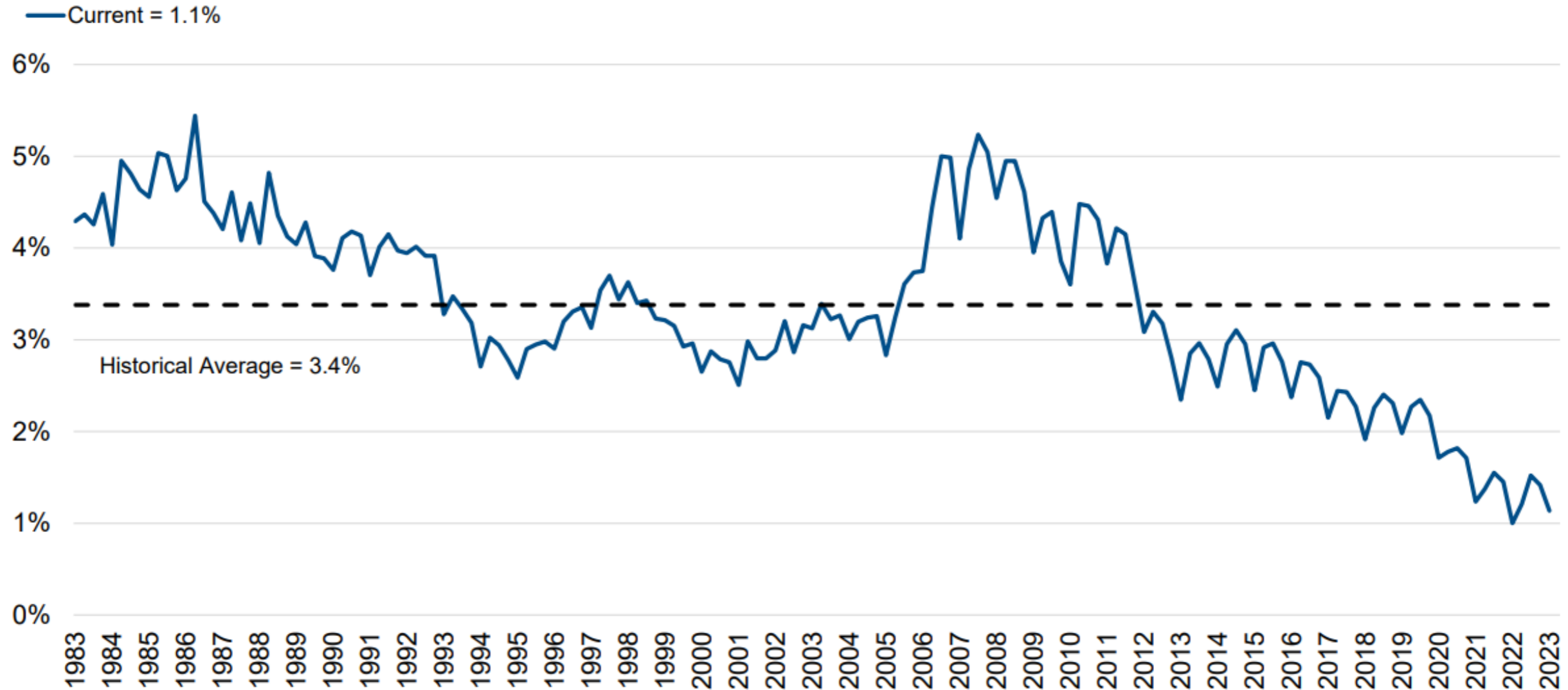


Source: FHFA; National Mortgage Database (NMD); John Burns Research and Consulting, LLC (Data: 2Q23, updated quarterly†)

# Just ~1% of today's owner-occupied homes are up for sale

Given US homeowners are increasingly staying put, existing home inventory is near all-time lows

## US Existing Home Inventory for Sale to Owner-Occupied Housing Units Ratio



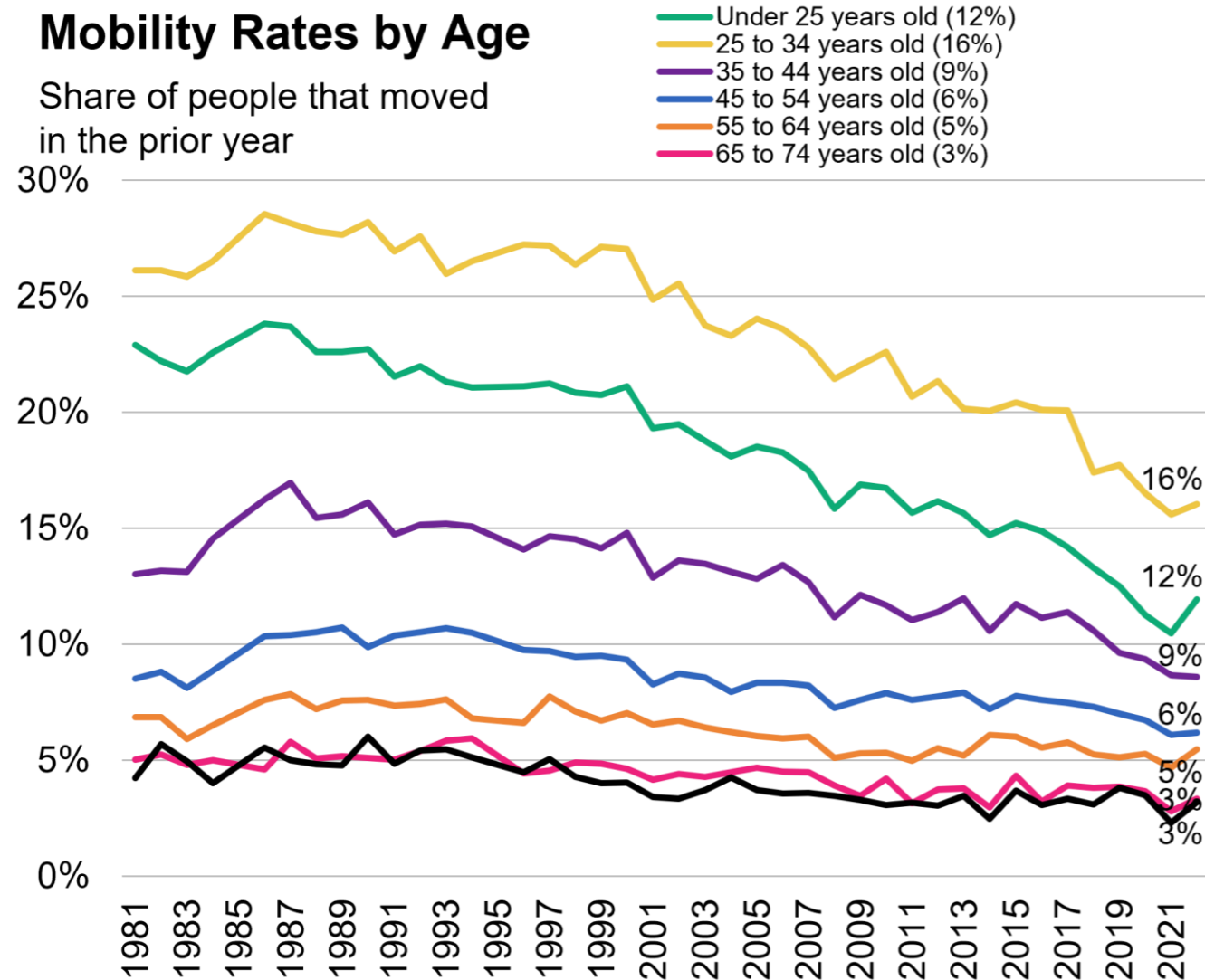
Source: National Association of Realtors, Census Bureau, John Burns Research and Consulting, LLC (Data Jun-23, Pub Aug-23)

# Households staying put and focusing on RMI/remodeling

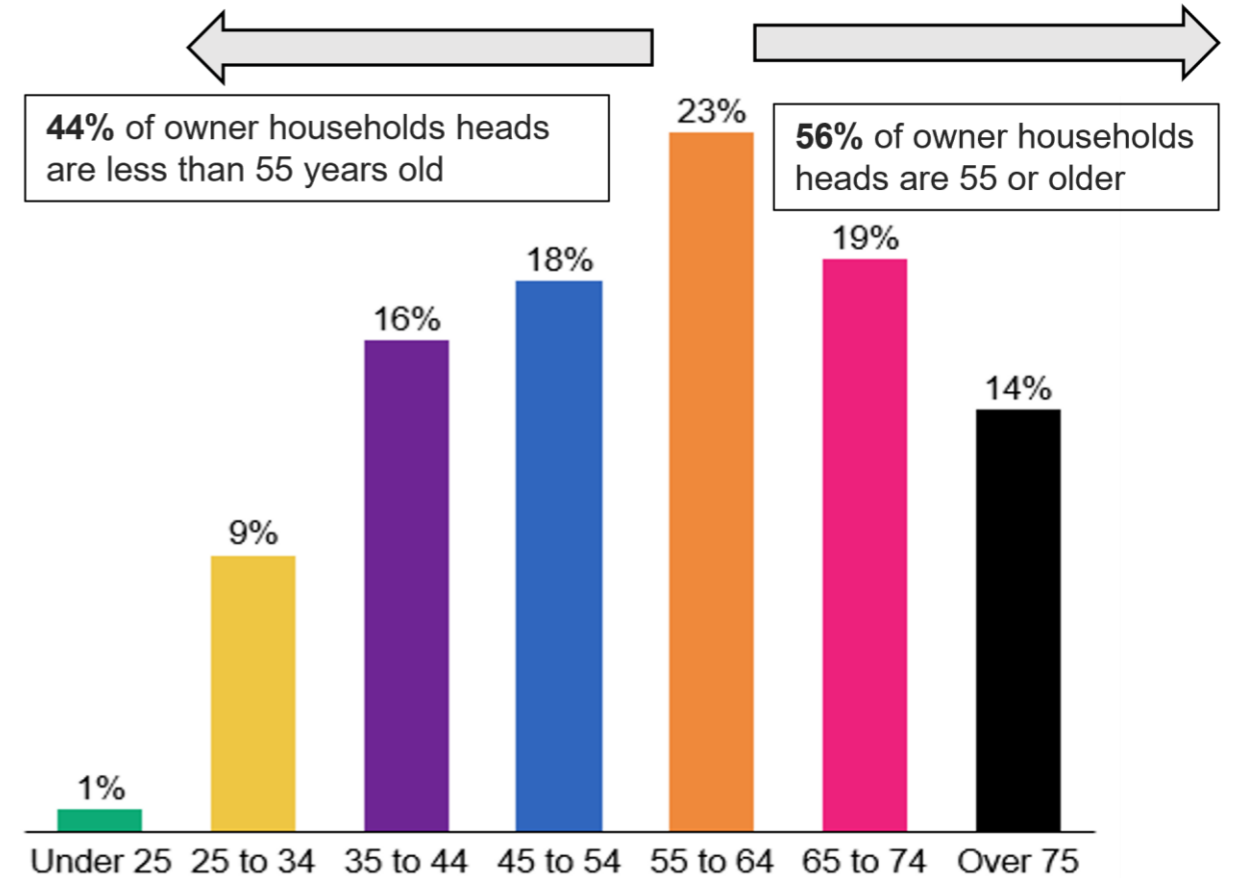
The age distribution of owner households is another factor driving this trend

## Mobility Rates by Age

Share of people that moved in the prior year



## Age Distribution of 85 Million Owner Households

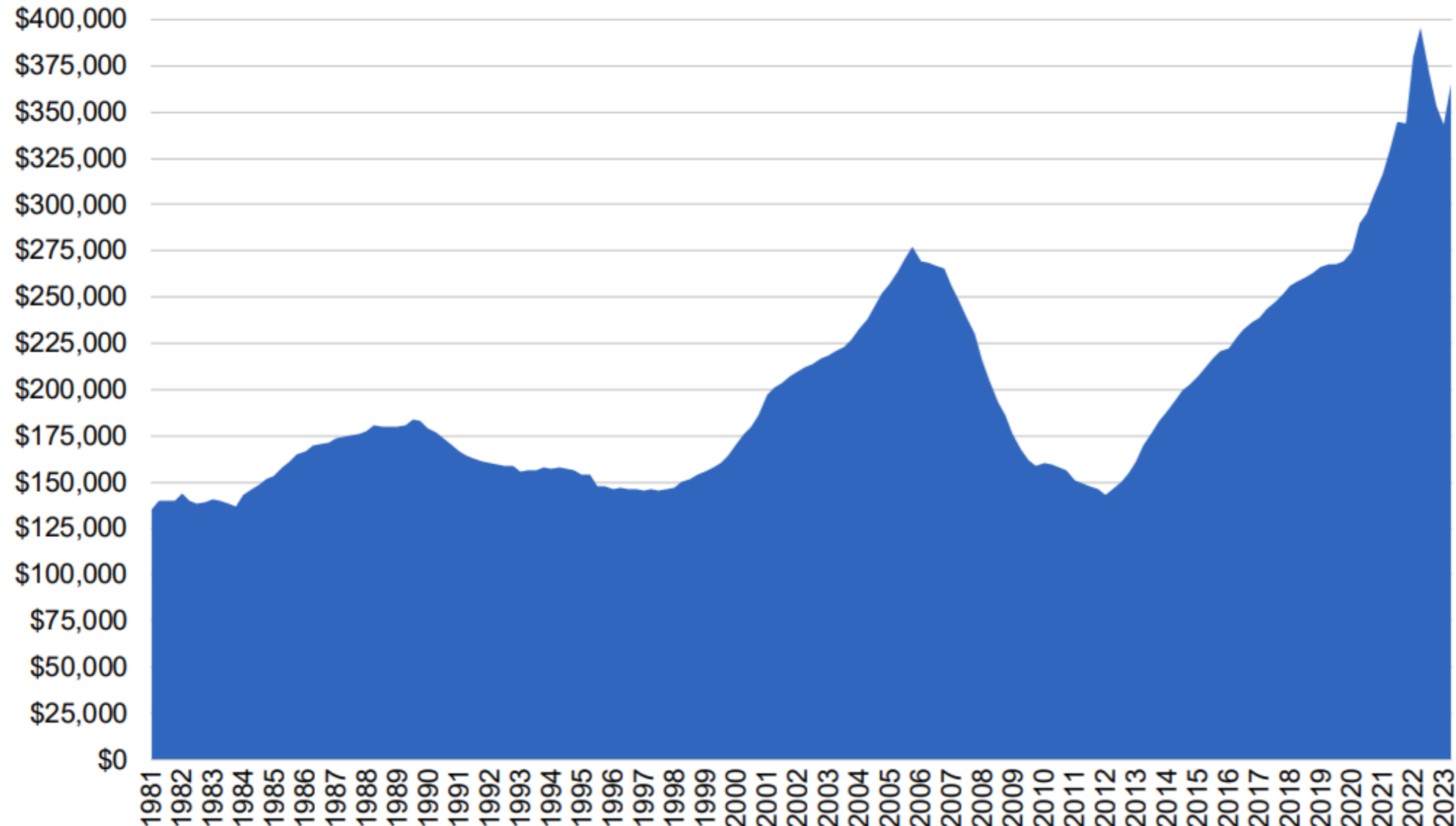


Source: U.S. Census Bureau, Current Population Survey (Data: 2022, updated annually†)

# Homeowner equity is strong, close to all-time highs

Homeowners are financially strong and can use their equity to finance RMI/remodelling work

## Inflation-Adjusted Homeowner Equity per Owned Household



Homeowners have an average of **\$365k equity** in their homes in Q2 2023, **near the all-time high** of \$388k in Q2 2022

Sources: Federal Reserve; Census Bureau; John Burns Research and Consulting, LLC (Data: 2Q23, updated quarterly†)

Pub: Sep-23

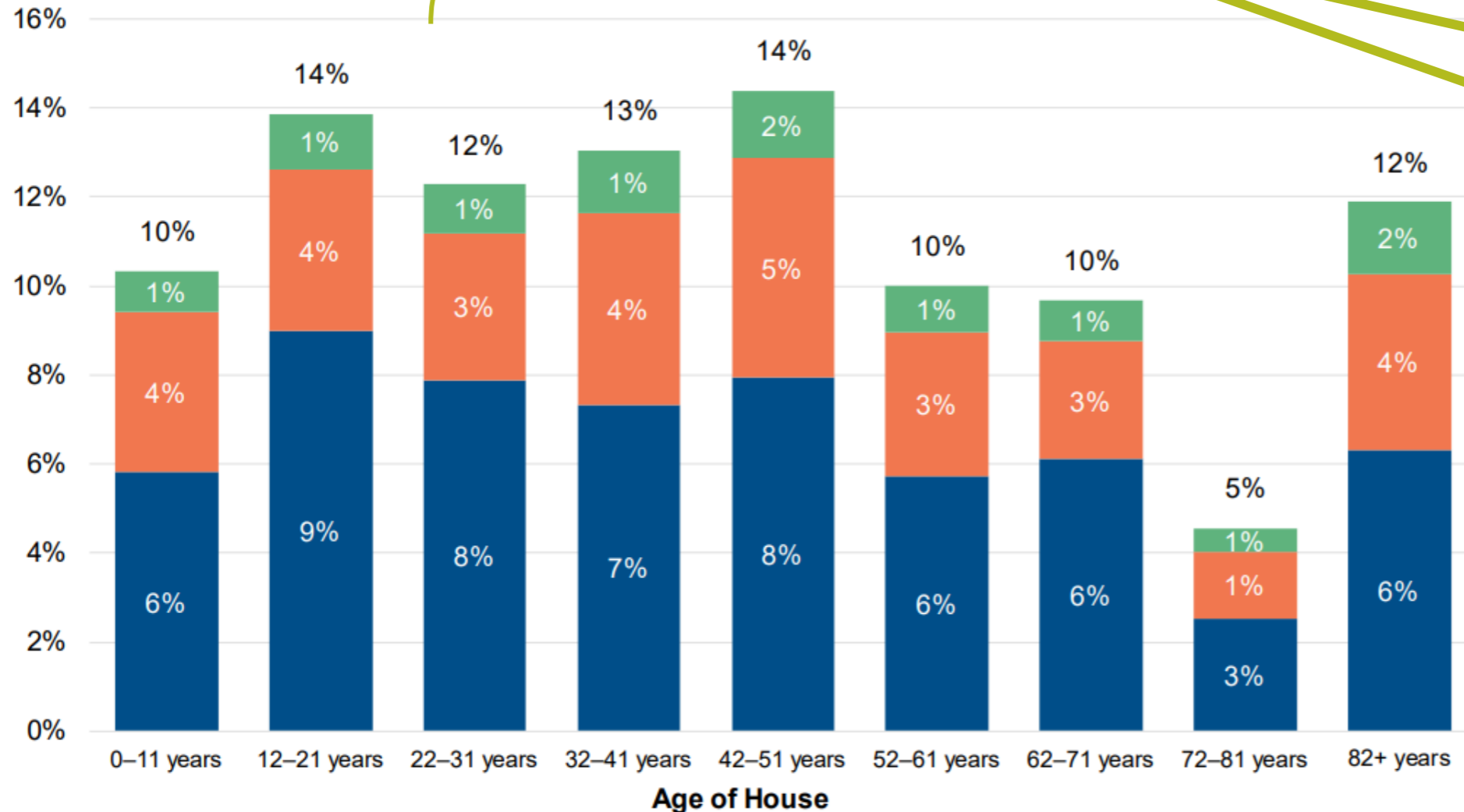


# The housing stock is old & ripe for RMI/remodelling work

51% of the nation's housing stock is at least 42 years old

## Percentage of Housing Units by Year Built

■ Owner occupied ■ Renter occupied ■ Vacant



76%

76% of the housing stock is ripe for RMI/remodelling work

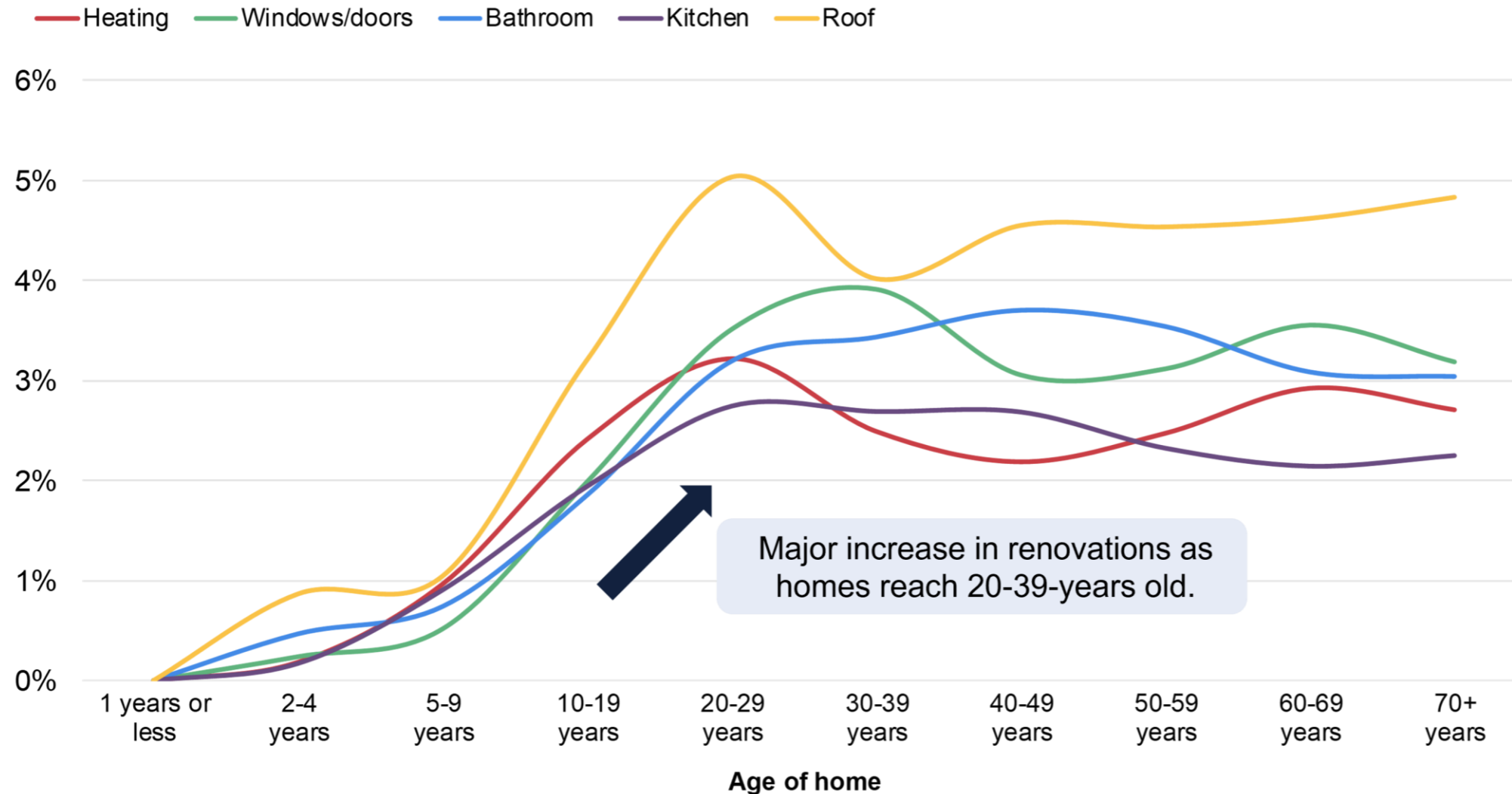
Source: Census Bureau (Data: 2021, updated annually)

Pub: Sep-23

# Homes undergo fairly predictable waves of RMI/remodelling

“Prime remodelling” age for homes is 20-39 years old

## Annual Share of Single-family Homes Renovated by Age of Home (%)



Source: American Housing Survey (2019), John Burns Research and Consulting, LLC

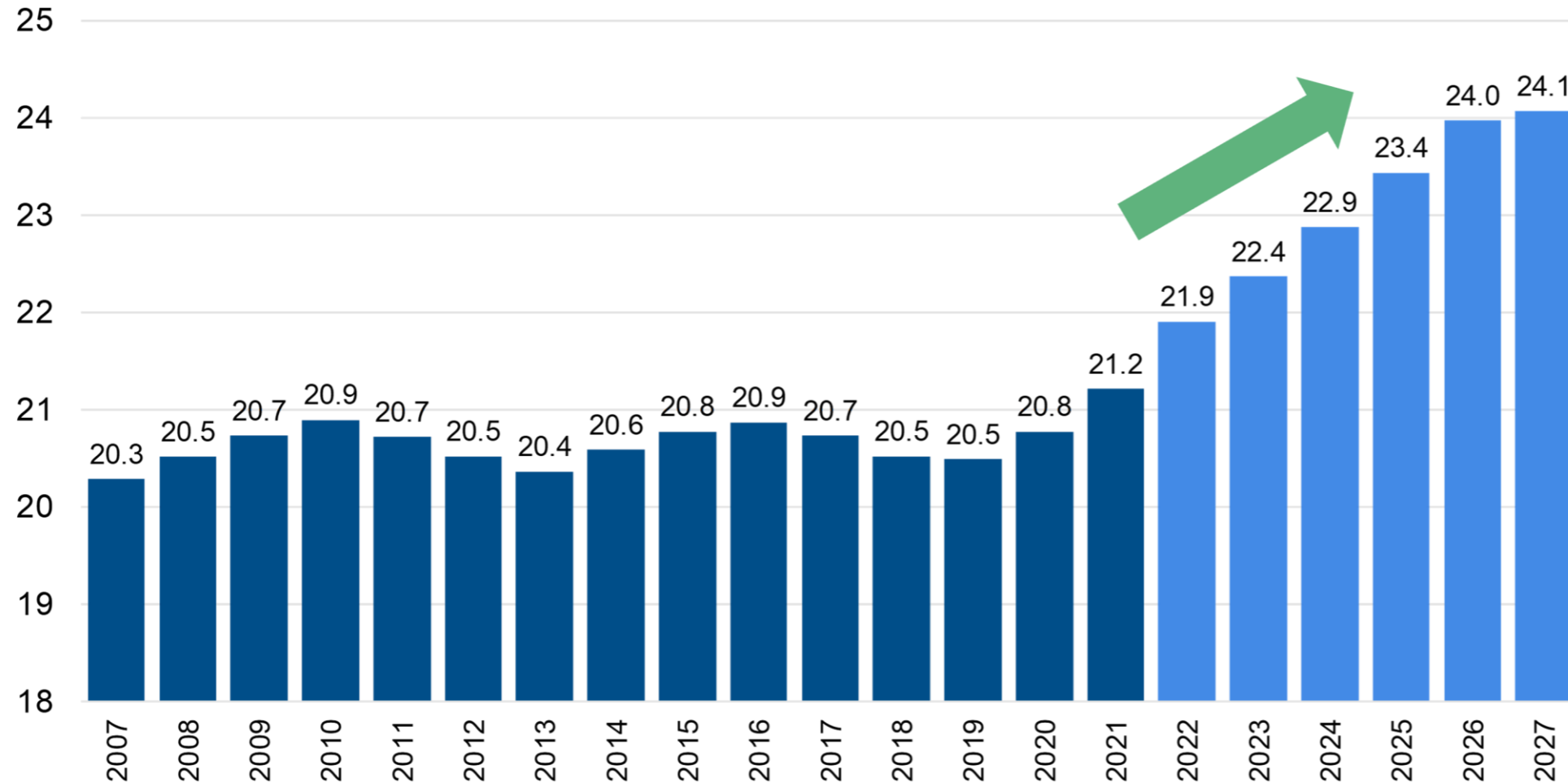
# 24M homes will reach prime RMI/remodelling years by 2027

The number of homes in "prime remodelling" age bracket will grow more than 2M from 2022 to 2027

## Single-Family Homes in "Prime Remodel" Years

Homes between 20-39-years-old

Millions



Source: US Census Bureau; John Burns Research and Consulting, LLC



# US Housing Market Trends



# Builder sentiment has changed since the start of the year

Builders have become more optimistic as the year has progressed

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## Heading into 2023:

Builder **pessimism** due to:

- High inflation
- Rising mortgage rates
- Development costs

## 2023 YTD:

Builder **optimism** due to:

- Low resale competition
- Builders filling supply void
- Public builders' 40% market share
- Resumed lot/land buying
- Bridging affordability gap
- Phenomenal margins



# Burns Affordability Index

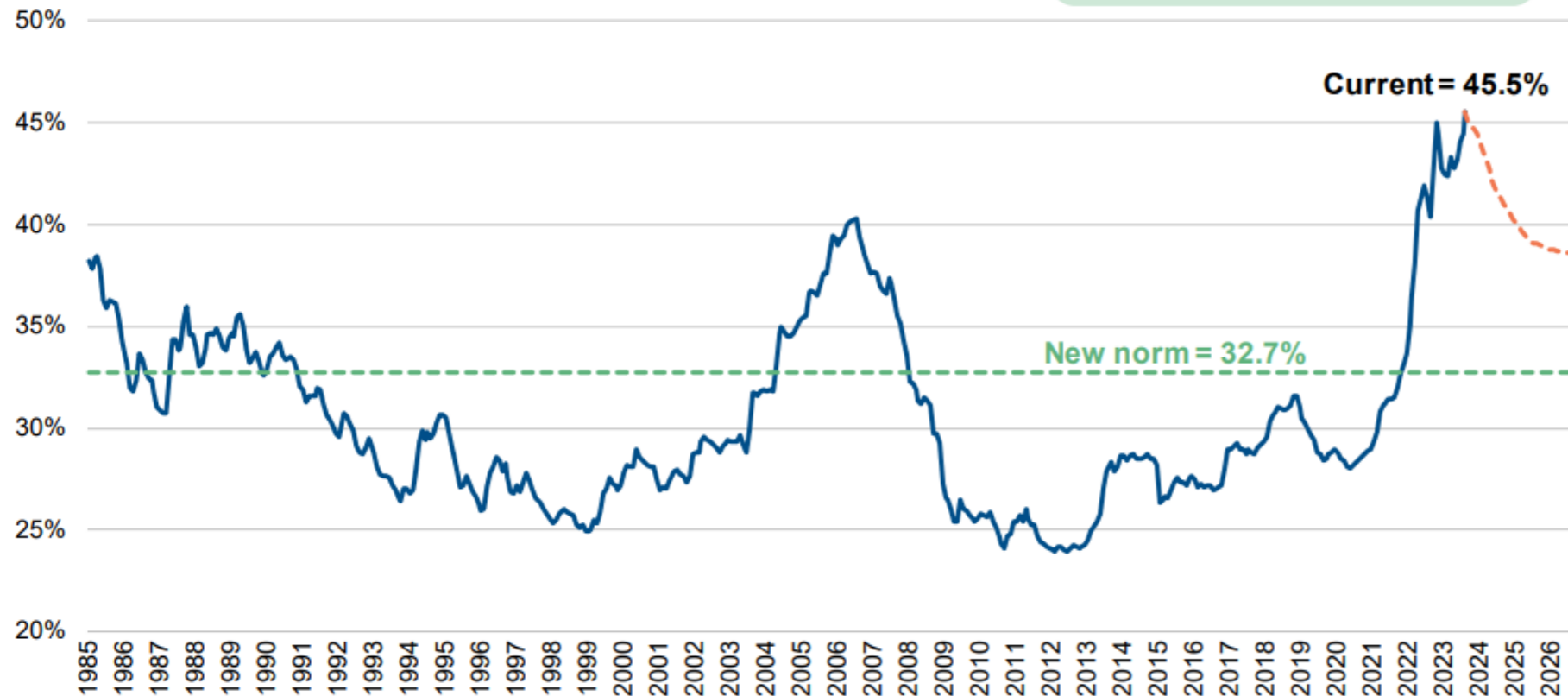
Index currently at 45.4%, an all-time high

## Housing-cost-to-income ratio for a home buyer

### Burns Affordability Index

Housing-cost-to-income ratio

Our New Norm Intrinsic HC/I ratio reflects fundamental shifts in the housing market, which we believe is now permanently more expensive.



We calculate the housing cost to income ratio (HC/I ratio) by dividing the market's median monthly housing costs by 125% of the median income. Housing cost assumes the purchase of a home equal to the market's median-priced existing home with a 10% down payment and a 30-year, fixed-rate mortgage. Payment includes PITI (principal, interest, taxes and insurance) plus mortgage insurance. To determine the intrinsic HC/I ratio, we look at the long-term trend of the market's HC/I ratio, with an emphasis on recent history and our forecasts. This intrinsic adjuster (the spread between the intrinsic HC/I ratio and the historical median HC/I ratio) is representative of fundamental shifts in several markets we feel are now permanently more/less expensive due to increased/decreased demand or limited supply.

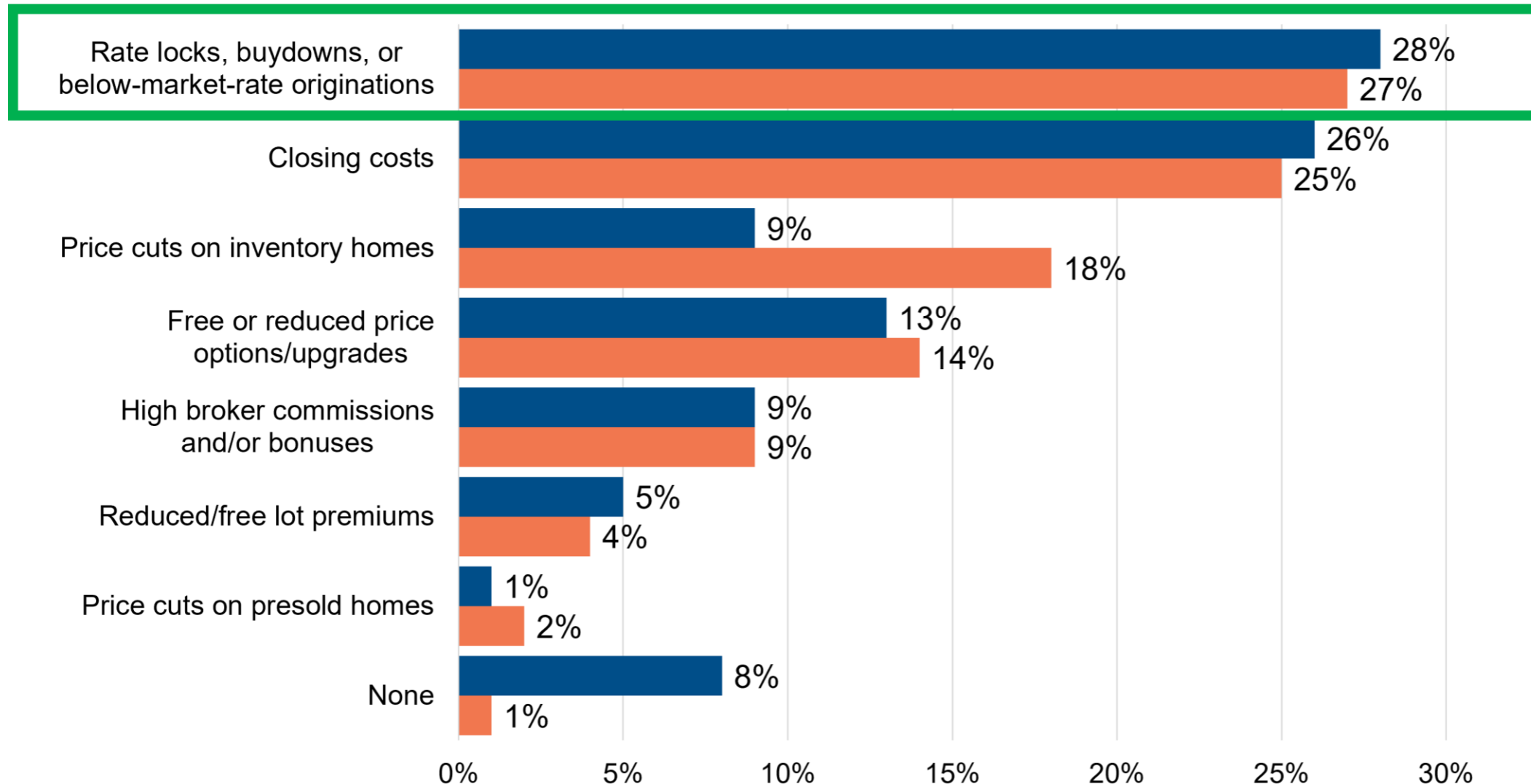
Source: John Burns Research and Consulting, LLC (Data: Aug-23; Pub: Sep-23)

# Builders are solving for affordability using incentives

Rate buydowns and closing costs are common incentives

## National: Incentives Most Commonly Offered by Competitors

Year-over-year comparison, weighted averages ■ 2022 ■ 2023

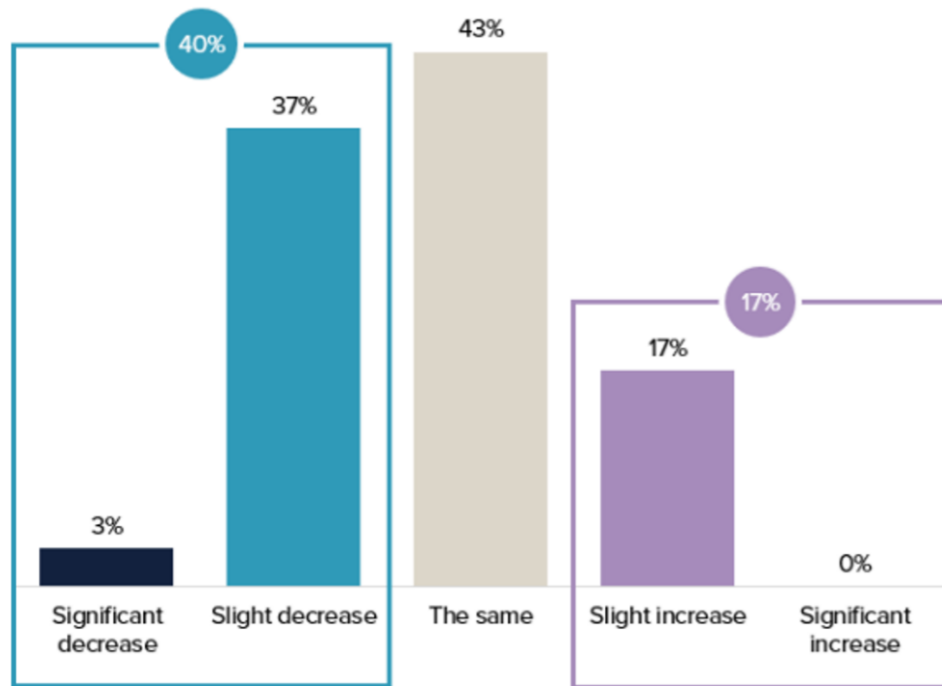


Source: John Burns Research and Consulting, LLC, independent survey of ~19% of all US new home sales, NSA (Data May-23, Pub Jun-23)

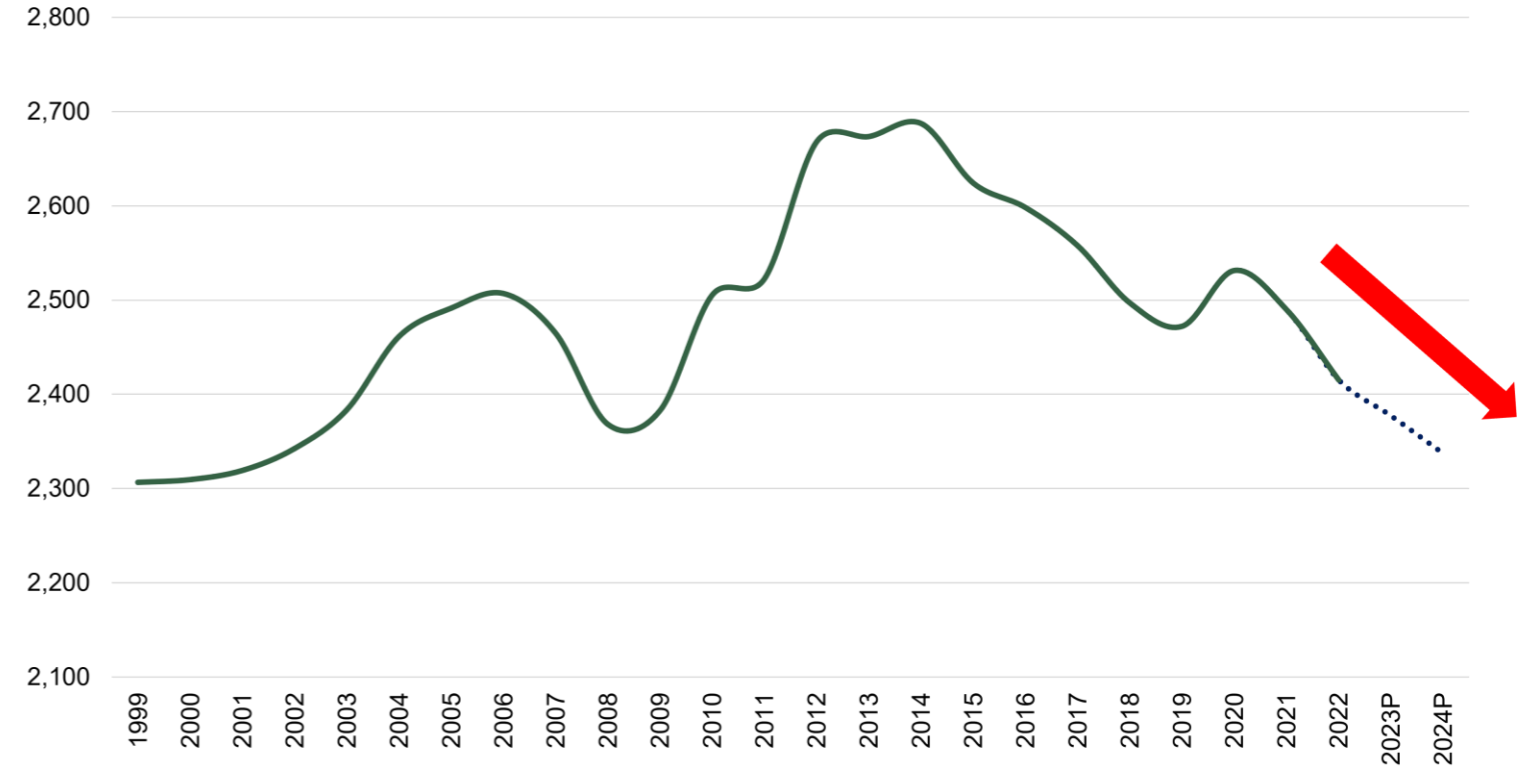
# And home sizes are getting smaller

A direct response by builders to an increasingly unaffordable market, but also a multi-year trend

Square footage (of conditioned space) of production residential projects in 2022, as compared to 2021  
Share of production residential designers



Average Square Feet of Single-family Housing Start



Source: US Census, New Home Trends Institute, John Burns Research and Consulting, LLC



# WFH, relocation & "flight to the suburbs" are key trends

Such trends are expected to continue and are tailwinds for the industry

## WFH remains important in the US

35% of employees worked at home in Q1 2023 – unchanged from 2021

## And has opened the door to migration

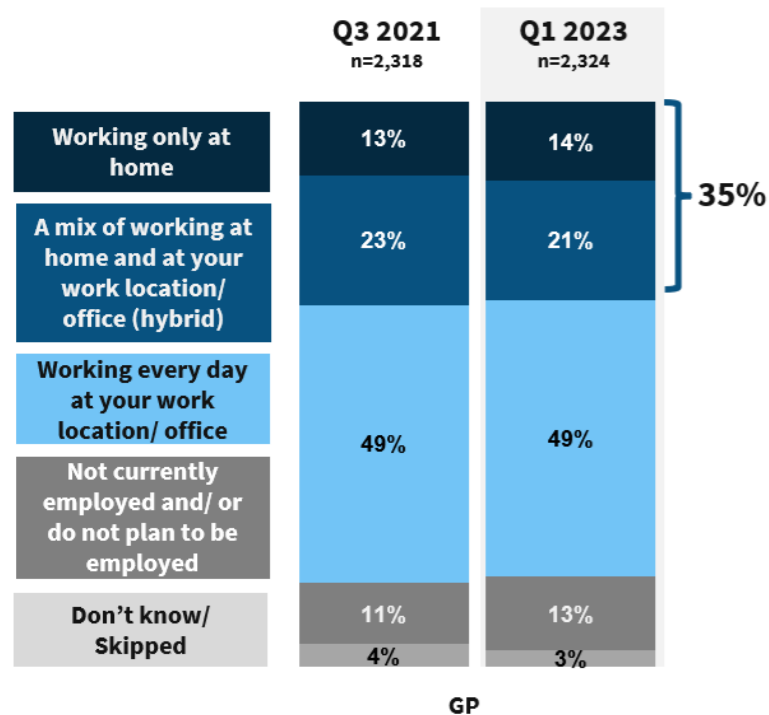
22% of workers willing to relocate to more affordable area or have 20+ mins longer commute vs 14% in 2021

## Suburbs are taking share from urban

7% increase in share of homeowners saying next move will be to suburbs in 2023 vs 2010

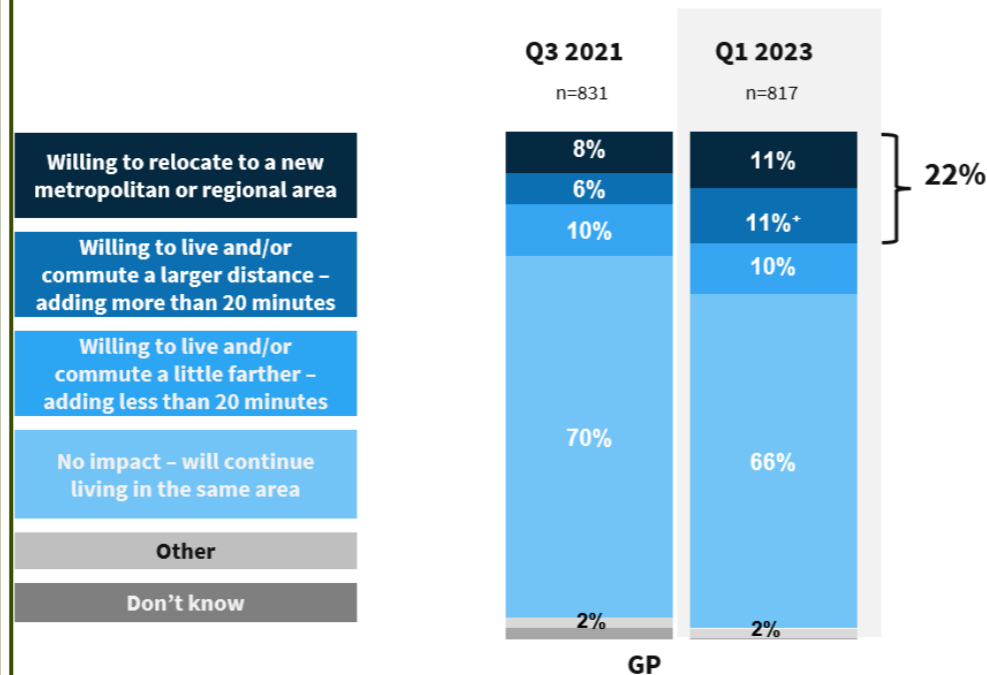
### Expected Work Situation by End of Year

General Population (excl. Retired Consumers), by Homeownership Status  
Q1 2023 and Q3 2021



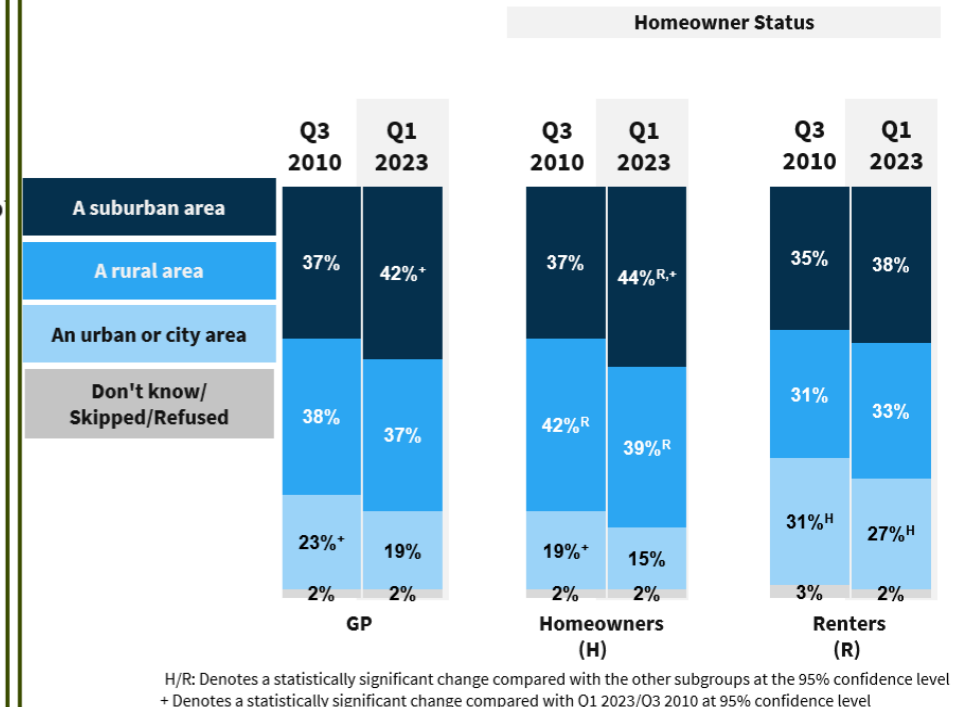
### Impact of Workplace Flexibility on Future Home Location

Consumers who currently work remote or hybrid by Homeowner Status  
Q1 2023 and Q3 2021



### Location of Next Home Purchase

General Population by Homeowner Status  
N=3,076



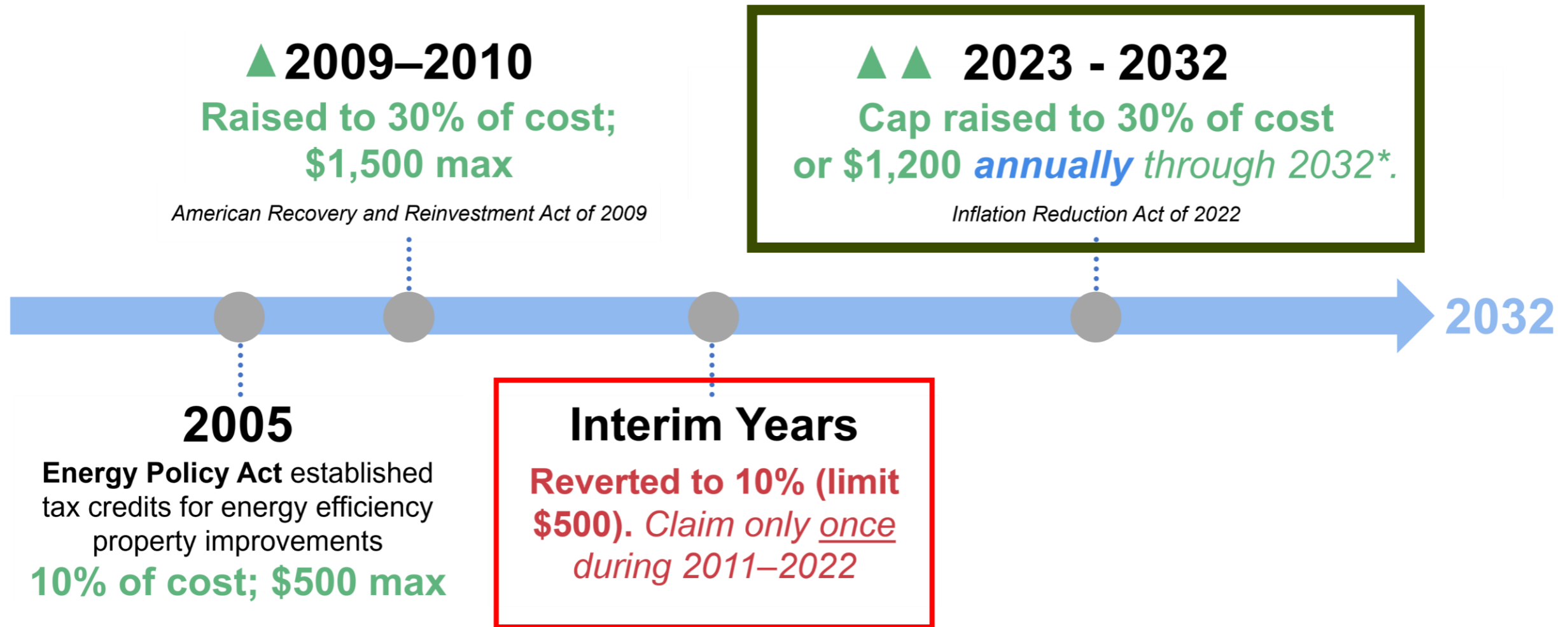
H/R: Denotes a statistically significant change compared with the other subgroups at the 95% confidence level  
+ Denotes a statistically significant change compared with Q1 2023/Q3 2010 at 95% confidence level

Source: Fannie Mae: Workplace Flexibility May Help Address Affordability Concerns, Aug-23

# Government stimulus for energy efficiency improvements

Inflation Reduction Act (IRA) 2022 will provide stimulus following a long period where this has been absent

## History of US Homeowner Tax Credits for Energy Efficiency Improvements

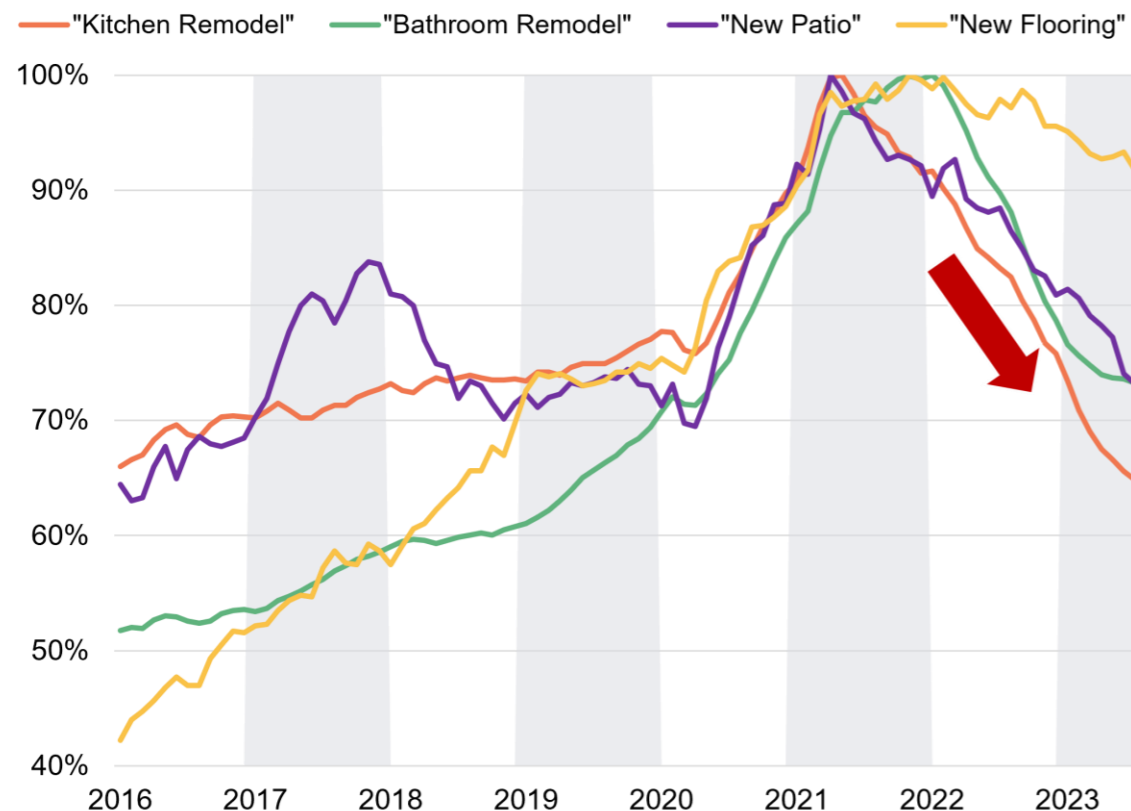


# Replacement RMI still strong, discretionary RMI weak

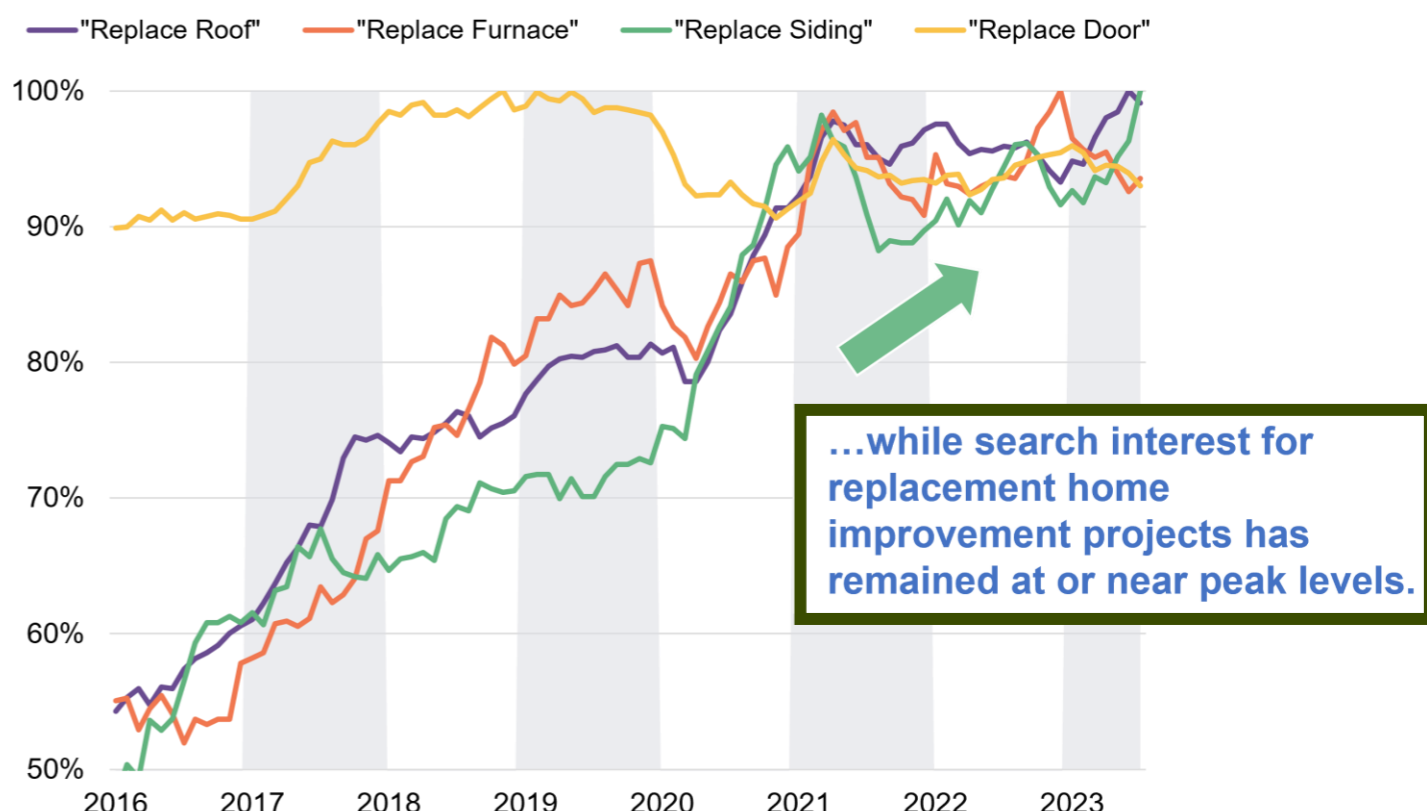
Google search data points to deferral of "nice-to-have" RMI work but replacement work is at or near peak levels

## Home Improvement Google Search Interest Relative to Peak, trailing 12-month average

### Discretionary Projects



### Replacement Projects



Note: Chart figures represent search interest relative to the highest point on the chart for the entire US. A value of 100% is the peak popularity for the term. A value of 50 means that the term is half as popular.  
Sources: John Burns Research and Consulting, LLC (Pub: Aug-23)



## **JBREC conclusions & outlook on US housing**



# Short-term cyclical headwinds to US housing

New construction neutral, RMI/remodelling weakening



## Short-term (Cyclical) Drivers: New Residential Construction and Repair and Remodeling

### New Construction



Builder **sales and starts activity is stronger than initially expected to start the year**, driven by low resale inventory and heavy use of incentives.



Offset by **builder response to unaffordability**:

- The **average size of home** is expected to decline through 2024.
- Builders are **installing less costly materials** and substituting out interior elements of the home.

### Repair and Remodeling



**Higher interest rates are weighing on big-ticket discretionary** remodeling projects.

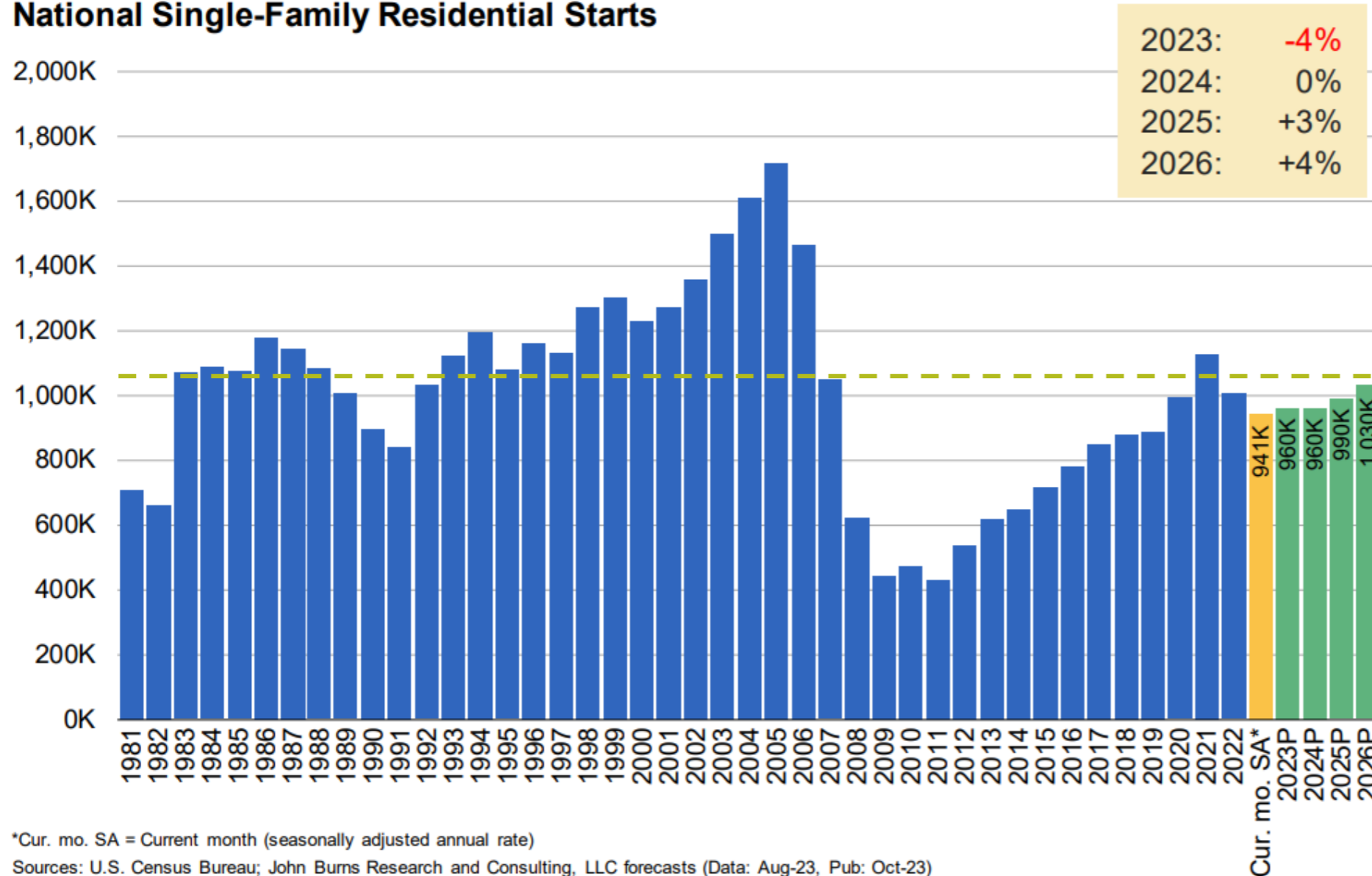


Remodeling customers are **becoming more price sensitive**, delaying discretionary projects and shifting **towards smaller projects**

# Single-family housing starts short & medium-term outlook

JBREC forecasts single-family starts to fall 4% to 960K in 2023 and remain flat in 2024

## National Single-Family Residential Starts



Average single-family starts 1.05M annually since 1981

\*Cur. mo. SA = Current month (seasonally adjusted annual rate)

Sources: U.S. Census Bureau; John Burns Research and Consulting, LLC forecasts (Data: Aug-23, Pub: Oct-23)

# Longer-term structural tailwinds to US housing

Both new build and RMI/remodelling markets have attractive structural tailwinds

## Structural Drivers for the Building Products Industry

### Repair & Remodel Drivers

- ↑ **Regions with a combination of older homes** (esp. those built during the late 1990s and 2000s) and higher disposable income will drive remodeling activity.
- ↑ ~80% of mortgage borrowers are “locked in” at rates below 5%, with **some regional variation**.
- ↑ The average homeowner has \$365K of equity in their home, near an all-time high.

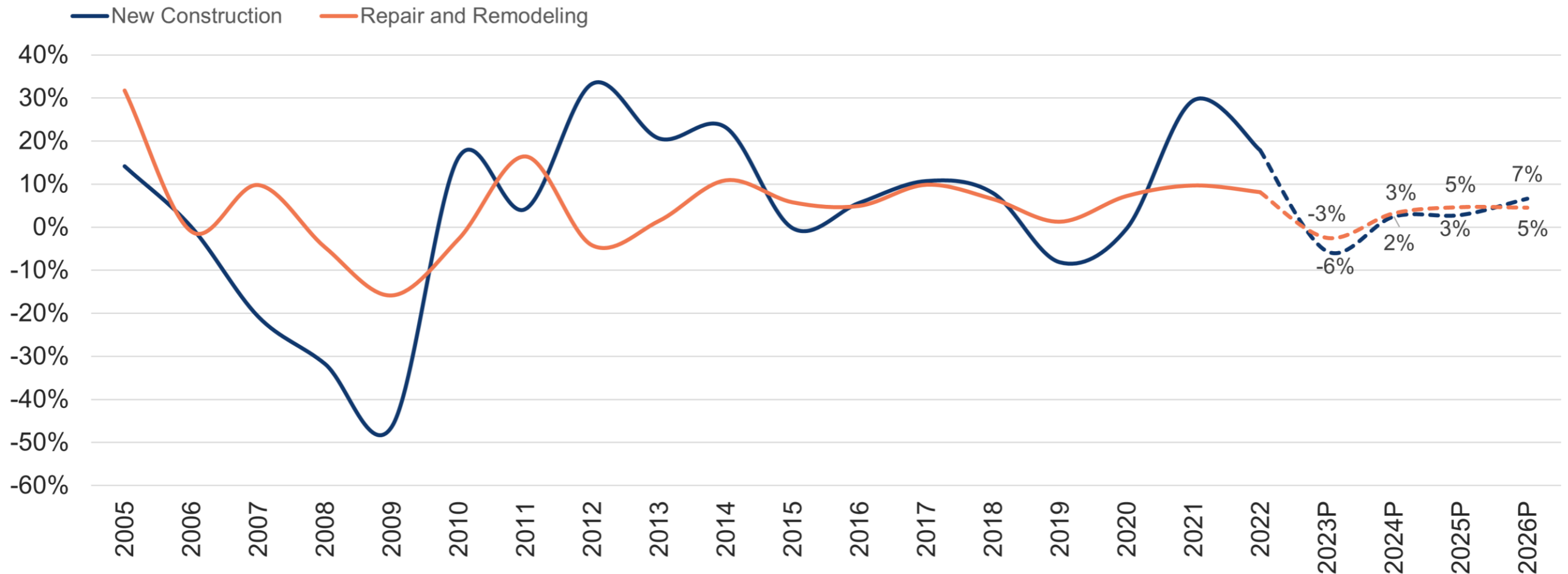
### New Construction Drivers

- ↑ Growing population, esp. millennials, will **drive 12.7 million new households** formed in the decade of the 2020s.
- ↑ **17 million new homes** are needed in the decade of the 2020s to meet demographic demand and to fill the current 1.7-million-unit undersupply of homes.

# Positive medium-term view on new build & RMI/remodelling

Low to mid single digit growth in spend expected over the next 3 years

## YOY Residential Building Products Spending Growth



Source: John Burns Research and Consulting, LLC, 2023



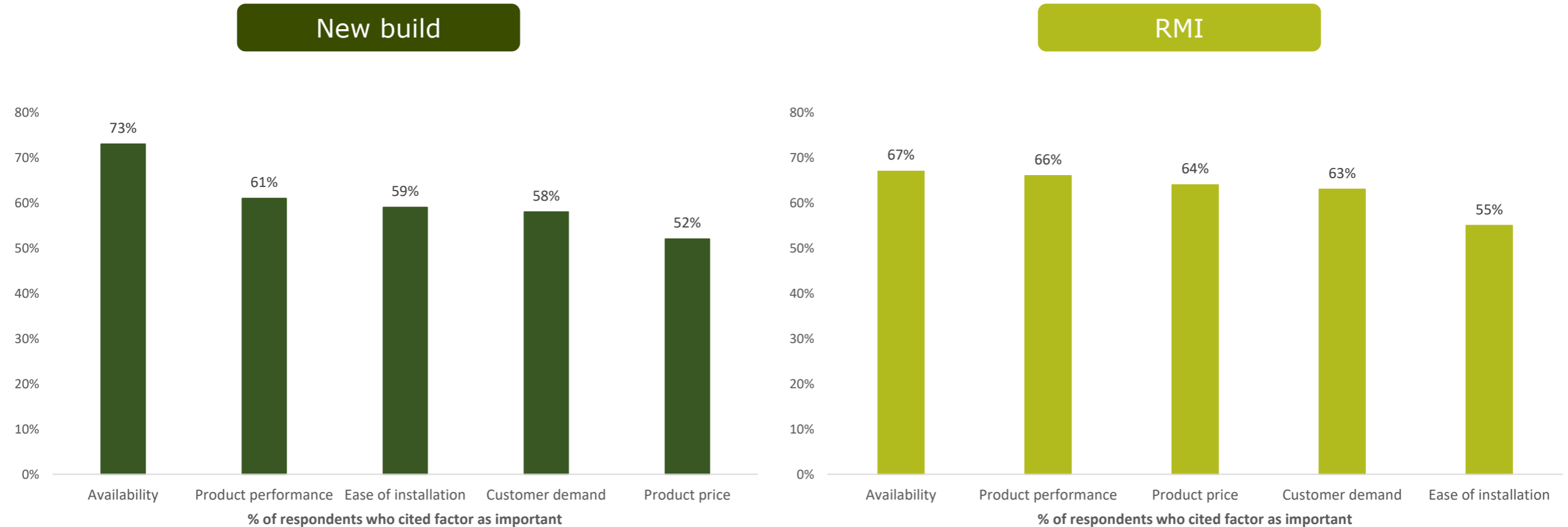


# US Window & Door Hardware Market Trends



# Key buying factors for windows and patio doors

Availability & product performance are leading factors in manufacturers buying decision

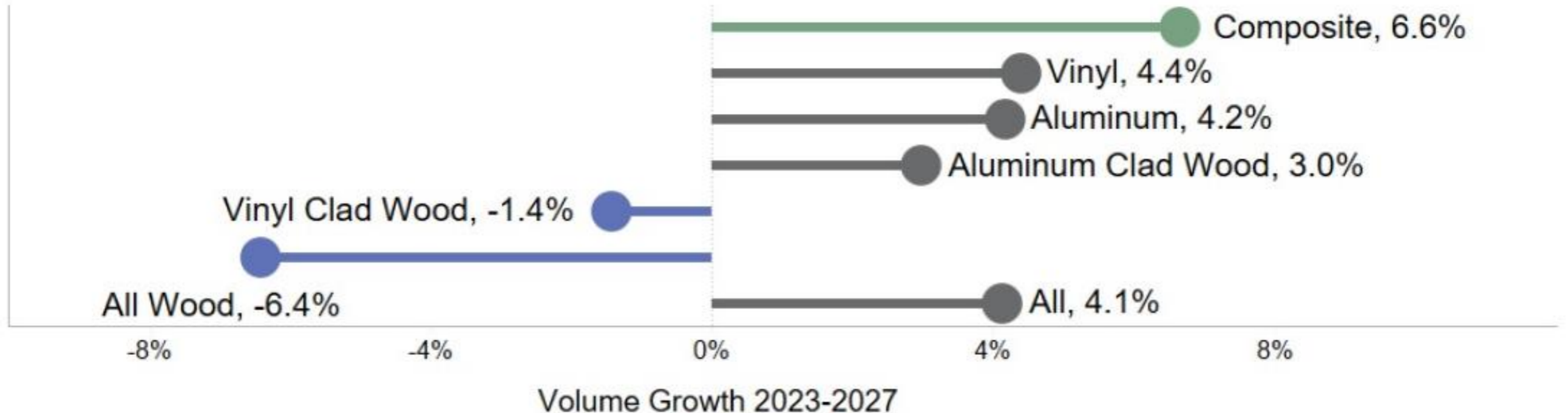


Source: Principia Consulting, Dodge Construction Network, 2023

# Future growth in windows by material used

Vinyl/uPVC continues to lead, composite expected to see strongest growth given affordability

Forecast with Lagging, Average, and Leading Demand, 2023-2027



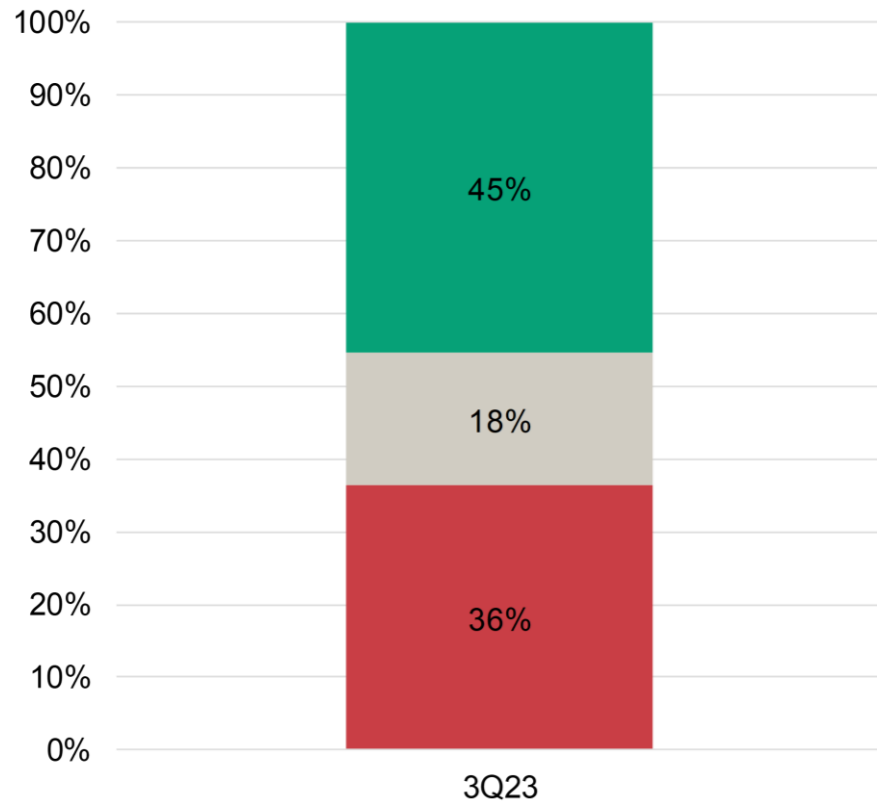
Source: Principia Consulting, Dodge Construction Network, 2023

# JBREC Quarterly Window, Door & Glass Survey

More companies saw higher volumes and revenue in Q3'23, but it remains a mixed picture

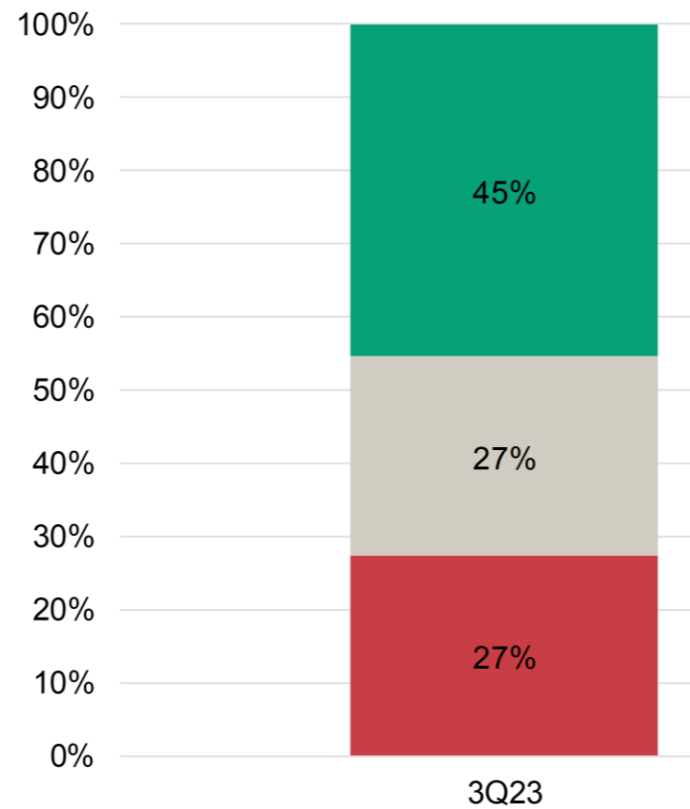
### Window and Door Shipments/Installations Volume Change YOY

■ Growing ■ Flat ■ Declining

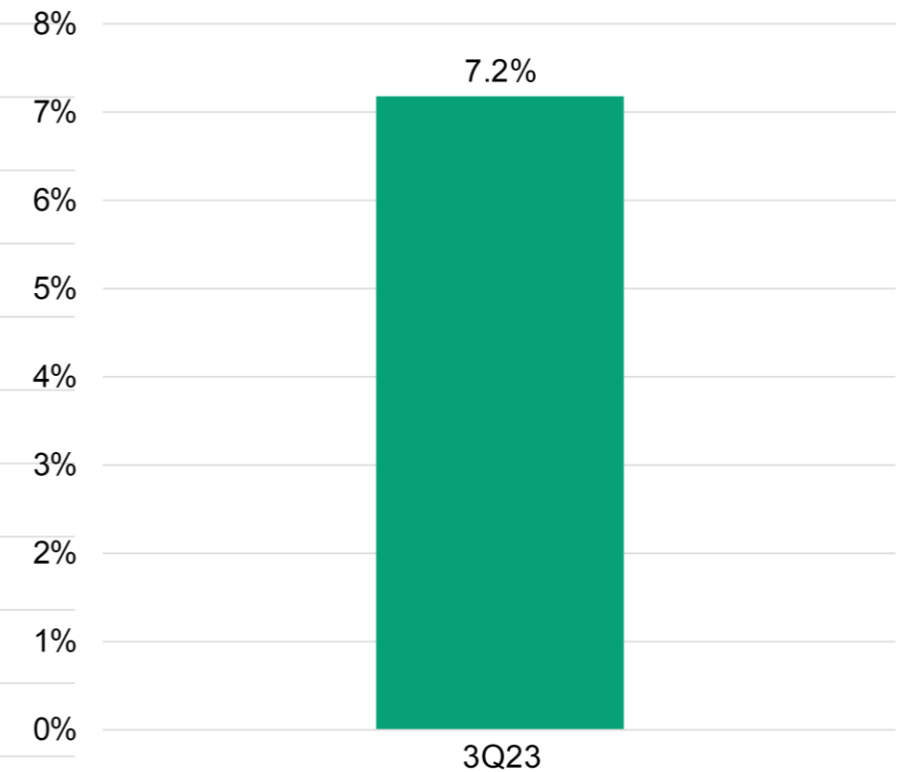


### Residential Window and Door Company Revenue Change YOY

■ Growing ■ Flat ■ Declining



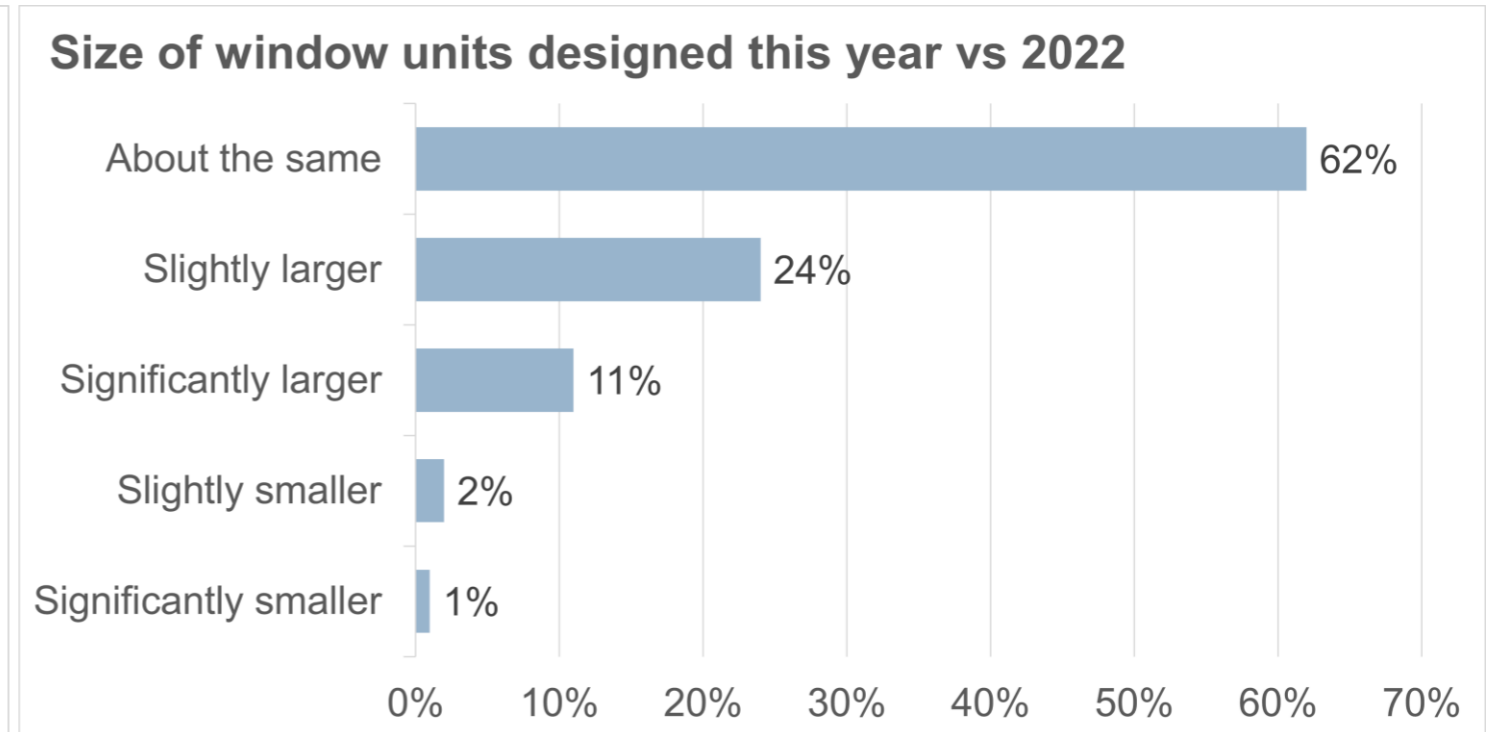
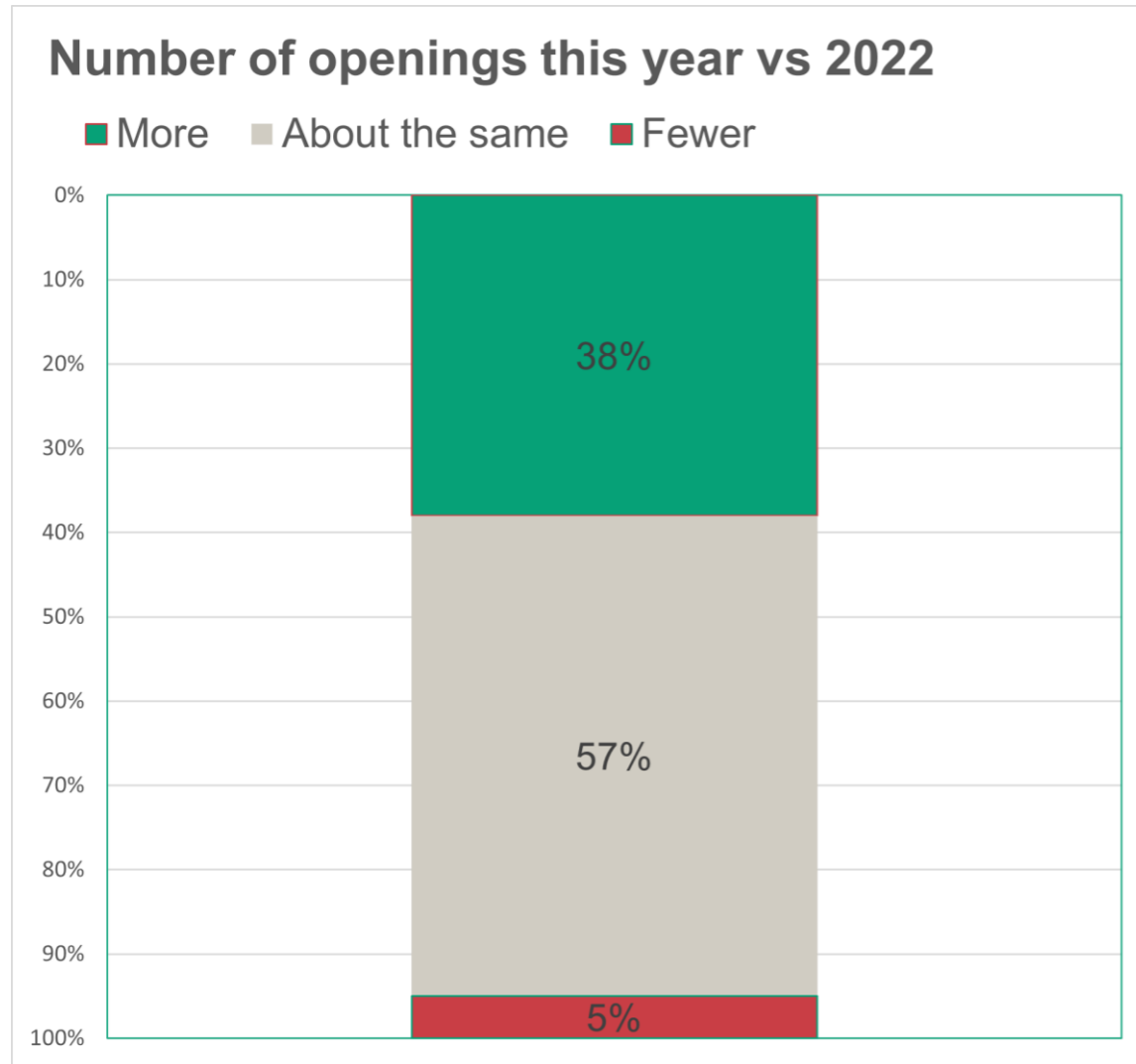
### Residential Window and Door Company Revenue Percent Change YOY



Source: Window + Door Magazine, John Burns Research and Consulting, LLC (Data 3Q23, Pub: Oct-23)

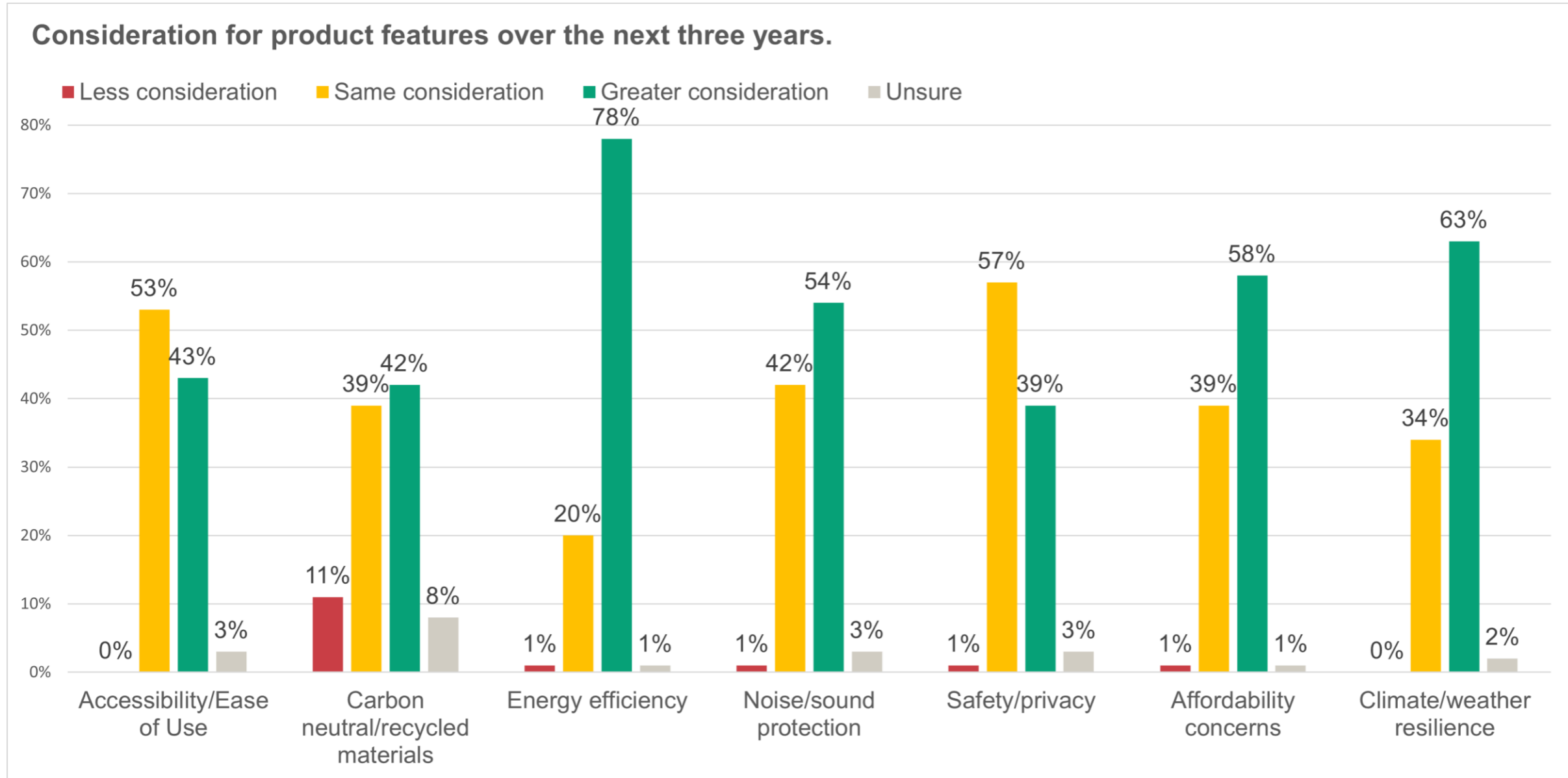
# Architects are specifying the same amount and sizes vs 2022

38% of architects are specifying more openings, 35% of architects are including larger window units



# Architects are giving greater consideration to many features

Energy efficiency, weather resilience, affordability and noise protection are key focus areas for specifiers



Source: Custom Residential Architecture Index, John Burns Research and Consulting, LLC (Data 3Q23, Pub Nov-23)



## **Tyman's US Residential Market Value Proposition & Growth Strategy**

# Tyman in the US – our key differentiators

Focused on enhancing the strengths of our business to sustainably grow both top and bottom line

Market-leading brands & share



Broadest product offering



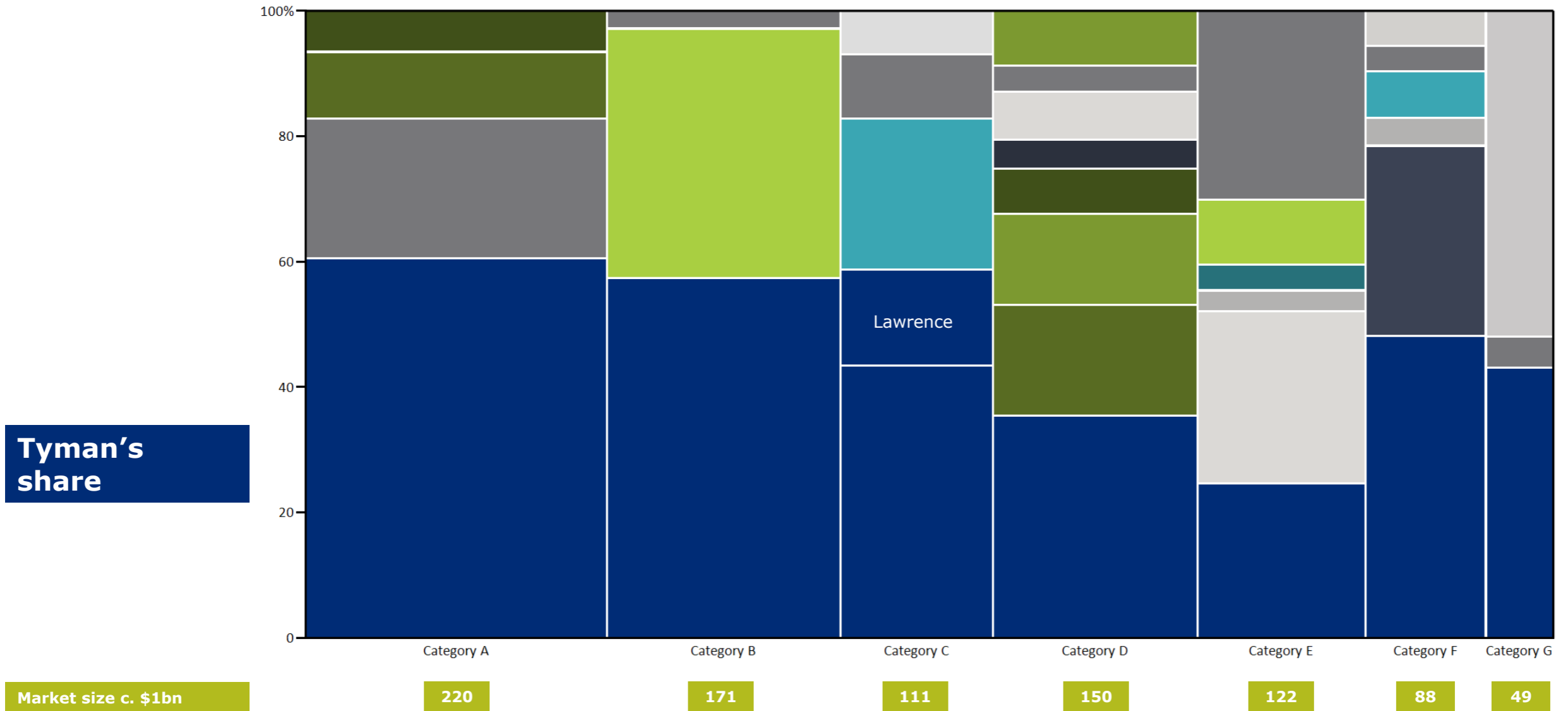
National coverage with leading customers





# US residential hardware & seals market share overview

~\$1bn market; Tyman is the only full solution provider, with 40-45% share across markets served



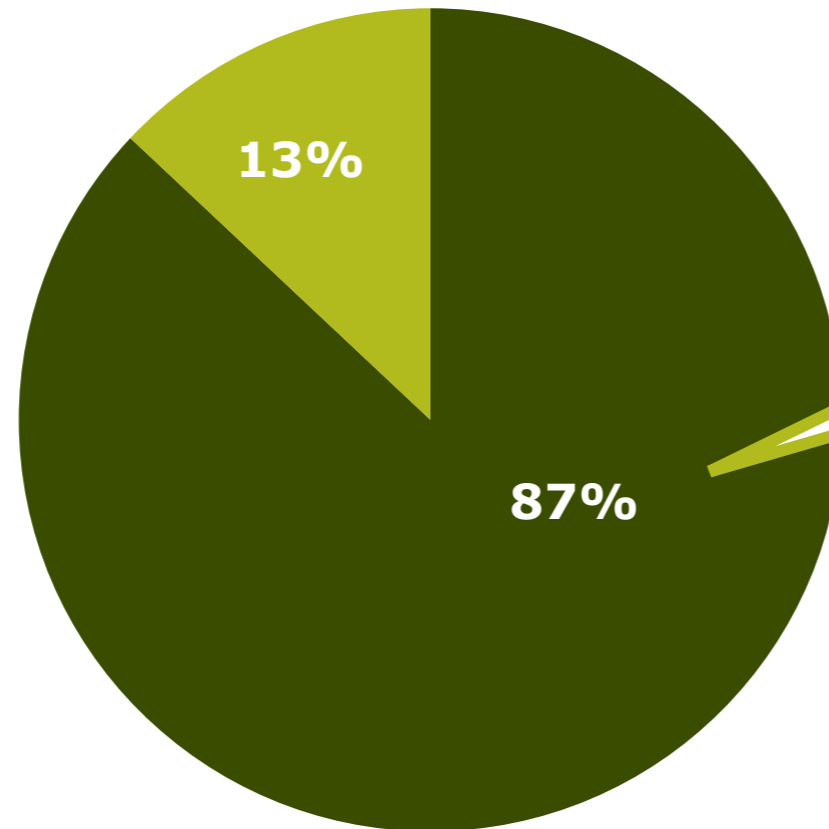
Note: This chart represents rough estimates using limited information only and may not accurately reflect our share or the full scope of companies participating in each category



# US window & door market structure

Highly concentrated market, our revenue split is similar to the overall market given our market position

## Routes to Market



**Top 5 manufacturers represent 40+% of the market by value and 50% of our revenues**

■ Manufacturers of doors & windows ■ Distributors & other

# Favourable US window & door market trends

We are embracing these trends, ensuring they protect and enhance our market position



Affordability

Larger windows, slimmer profiles, contemporary look

Sustainability & energy efficiency

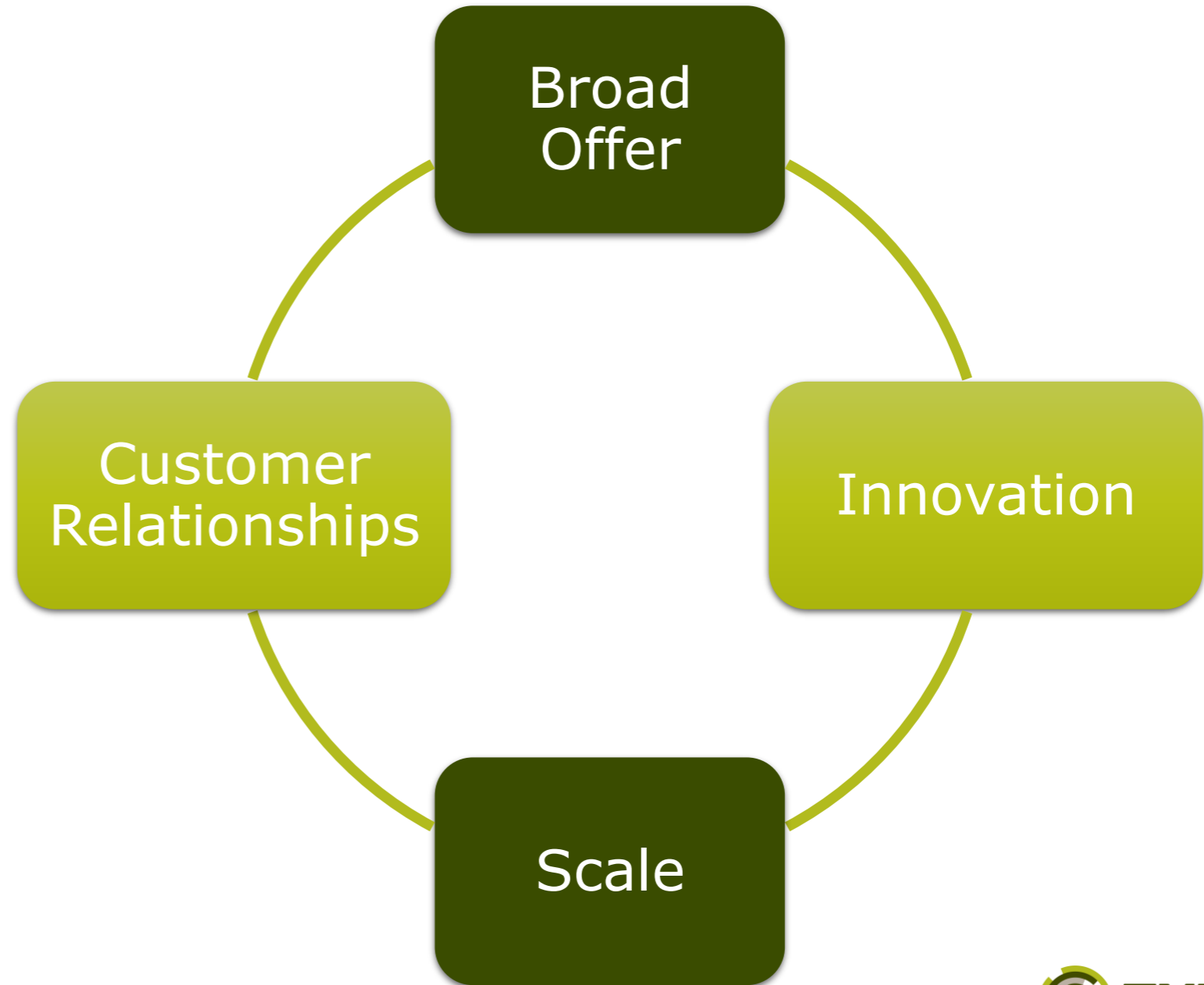
Compliance & building codes

Smart home applications

# Proven customer value proposition

Our unique proposition has been developed over time to create very high barriers to entry

**“Innovative hardware and seals provider of quality engineered solutions with the scale and broad portfolio to meet the needs of the fenestration industry.”**



# Tyman's broad offering to the US residential market

The broadest portfolio of hardware and sealing solutions in the window and door market

**Full hardware  
and sealing  
solution  
provider**



**Note: some categories on  
the building envelope  
remain unaddressed**

# A leader in customer-centric & market-driven innovation

Highly-engineered products, c.20% of revenue patent protected



**Pinnacle™**

## c. 50% of revenues from customer bespoke products

- Developed with high level of customer collaboration
- Helps to create customer “stickiness”
- Average between 10 to 15 customer specific developments annually



**Safeguard™ 2**

## c. 50% of revenues from market-driven products

- Developed against a market need with broad sales coverage and customer application support
- Aligned with regulatory trends
- Leading position with code-driven requirements; e.g., Safeguard 2 child fall prevention product with patented “push & slide” mechanism

## Product demo – Safeguard 2



# Strengthening the portfolio through NPD & acquisition

Recent launches aimed at addressing key industry trends

## Examples of recent additions to the portfolio

“Keystone” Sliding Patio Door Roller & Handle Solution



**Market need addressed:**  
*Affordability*

“Attraction” Magnetic Casement Handle



**Market need addressed:**  
*Lower profile,  
better aesthetics*

“Around The Corner” Seal



**Market need addressed:**  
*Energy efficiency  
Customer efficiency*

Lawrence Composite Sash Window Lock



**Market need addressed:**  
*Affordability*



# Product demo – 'Attraction' Magnetic Casement Handle

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 Amesbury Truth  
TYMAN group

# Creating long-term customer relationships

Providing value-add services, collaborating together & becoming an integrated part of their supply chain

## Examples of how we build deep customer relationships

### Balance Sequencing: Integrated Supply Chain

- Once built, balances in our Sioux Falls facility are placed in crates in a particular order to exactly match the customer's production sequence
- Customers take the crates from the inbound truck directly to their own production line where the balances are inserted into windows, eliminating the need for excess packaging and inventory locations
- Empty balance crates are returned to be used again
- Customer benefits:
  - ✓ *ease of handling*
  - ✓ *speed to the production line*
  - ✓ *reduced waste and inventory*

### Energy Kaizen Event: Customer Collaboration

- Recently held an energy usage reduction Kaizen event with one of our leading customers at our Statesville site to collaborate on our net zero journeys
- Working together, we identified almost 90 opportunities to reduce electricity, water and waste, with a combined estimated saving of \$400k
- Event proved so successful that the next Kaizen event with the customer is already being planned for one of their sites.
- Customer benefits:
  - ✓ *progress towards their net zero targets*
  - ✓ *sustainability learning and collaboration*

# Well-invested business with scale & resilience

Enabling improved customer service via optimised distribution network & manufacturing redundancy

c. 90% of our manufacturing is in North America

## Distribution network transformation

- Opened **new Glendale facility** end 2022
- Moving from location-based shipping model to **national network of distribution**
- Now have **17 active customers**



# High barriers to entry

Highly-engineered products supported by value-added services creates high customer stickiness

## Significant product differentiation

- ✓ Highly-engineered products with strong value impact for customers relative to cost
- ✓ Relevant innovation: c. 145 active patents with c. 50 pending
- ✓ c. 20% of sales from patent-protected products

## Integrated, long-term customer relationships

- ✓ Strategic partner for customers, with long-standing relationships – most 50 years plus
- ✓ Value-added services include co-development, application engineering & integrated supply chain

## World class brands

- ✓ Brands are #1 or #2 in their markets
- ✓ Strong brand recognition amongst industry professionals



# Focused and impactful medium-term organic growth strategy

Three key strategic pillars to grow share, earnings and margin

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## 1. One Owatonna

- Distribution transferred to Sioux Falls
- Improved throughput, efficiency & safety
- Consolidate two sites into one

## 2. Protect & Grow Share

- Western US Growth
- Hung hardware growth via Lawrence with AT sales coverage
- Growth through NPD & innovation

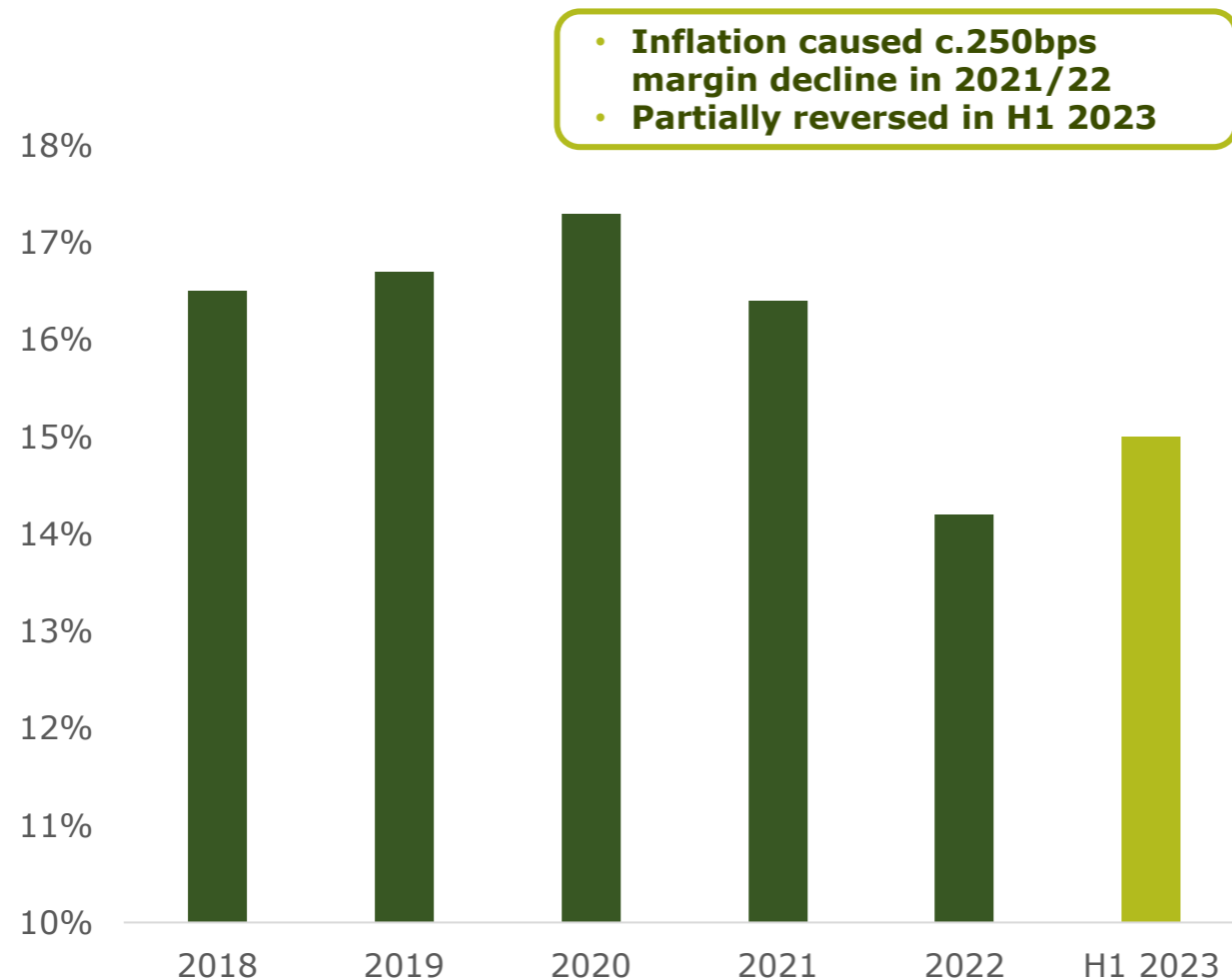
## 3. Enhanced Customer Experience

- Enhanced buying journey
- Improve customer OTIF and stabilise supply chain post-Covid
- Easier to do business with us – harmonized systems & offerings

# Healthy operating margins with expansion opportunities

Margin recovery following supply chain disruption and inflation

## Historical margin



## Drivers of margin expansion to 20%

- One Owatonna
- Continuous improvement & Lean initiatives (including groupwide Kaizen events)
- Geographic & market expansion (e.g., western US, hung hardware via Lawrence)
- New products & solutions
- Normalised market & inflation environment

# Tyman in the US – our key differentiators

Focused on enhancing the strengths of our business to sustainably grow both top and bottom line

Market-leading brands & share



Broadest product offering



National coverage with leading customers





## Conclusion



# Conclusion

Our earnings growth prospects are heavily influenced by the US residential new build & RMI markets

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- **US housing market offers very attractive growth prospects despite near-term headwinds**
  - ✓ >17M new homes needed in 2020s
  - ✓ 24M homes will reach “prime remodelling” years by 2027
  - ✓ demographic and WFH trends, together with government stimulus, provide further tailwinds
- **Tyman is well-placed to take advantage of these positive structural growth drivers**
  - ✓ leading brands with 40-45% share of served markets
  - ✓ compelling customer value proposition creates competitive advantage & high barriers to entry
  - ✓ clear, focused strategy to grow share, earnings and margin
- **Tyman offers a compelling way to benefit from the very attractive US residential market**



## Panel Q&A



## Speaker Biographies

# Speaker Biographies

**Jason Ashton**

**Interim CEO, Tyman**



Jason was appointed interim CEO of Tyman in April 2023. He joined Tyman in April 2019 and was appointed CFO in May 2019. Jason was formerly Interim Group CFO and Group FD of Nomad Foods inc. Prior to this, he was at Cadbury and Kraft where he held various senior finance and commercial positions based in the UK, Belgium, Poland, Russia and Turkey. Jason is a Chartered Accountant and has a degree in Economics from the University of Manchester.

**Chris Beard**  
**Director, Building Products**  
**Research,**  
**John Burns Research & Consulting**



Chris leads several focus areas for John Burns' building products research. Prior to joining John Burns, Chris worked in Corporate Strategy and Development for Pella Corporation, including market size and market share modelling and insights for industry associations and customers. Chris has worked in building products for most of his career. He holds a B.A. in Political Science and History from the Technical University of Dresden.

**Bob Burns**  
**President,**  
**Tyman North America**



Bob Burns was appointed President of Tyman North America in June 2019. Prior to this, Bob was President of Ashland (acquired by Tyman in 2018). From 2000 to 2012, Bob was Chief Operating Officer for Atrium Windows & Doors. Earlier in his career, he was VP Operations for Baldwin Hardware, a division of Masco. Bob has a degree in Political Science from the University of Kansas and an MBA from Thunderbird.

# Disclaimer

## Forward looking statements

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