Tyman plc

Results for the year ended
31 December 2022

Highlights

Highlights

Performance at upper end of expectations despite challenging macroeconomic backdrop

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

Financial review

2022 financial highlights

Adjusted EPS growth of 8%, leverage remains at bottom end of target range

Revenue

£715.5m

2021: £635.7m

+13% *(Reported vs 2021)*

+5% *(LFL[1] vs 2021)*

Operating profit[2]

£94.6m (margin: 13.2%)

2021: £90.0m (margin 14.2%)

+5% *(Reported vs 2021)*

-3% *(LFL[1] vs. 2021)*

EPS[2]

34.7p

2021: 32.1p

+8% *(vs 2021)*

ROCE[3]

13.3%

2021: 14.5%

Cash conversion

64%

2021: 64%

Leverage[4]

1.0x

2021: 0.9x

Notes – for Definitions and reconciliation of APMs see the Results Announcement published on 2 March 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)

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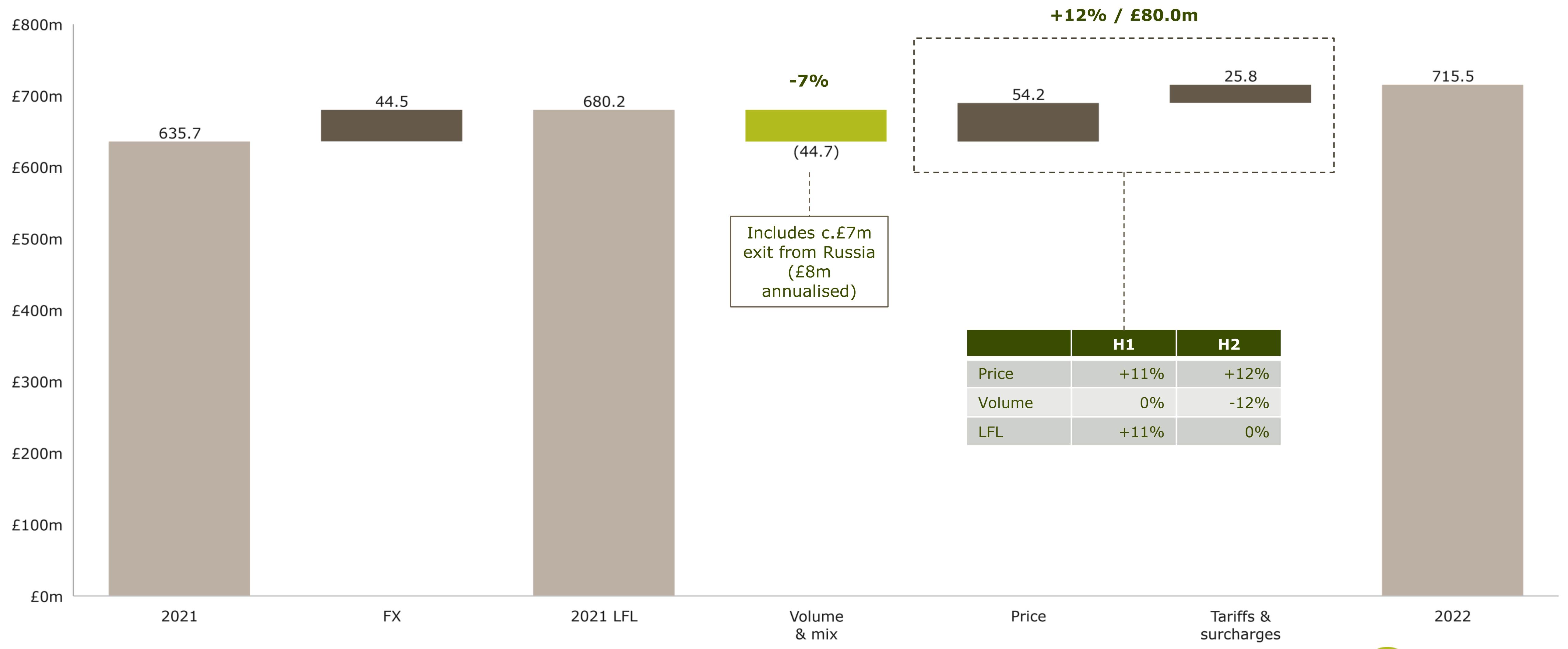
2022 revenue bridge

Pricing actions more than offsetting volume decline



	H1	H2
Price	+11%	+12%
Volume	0%	-12%
LFL	+11%	0%

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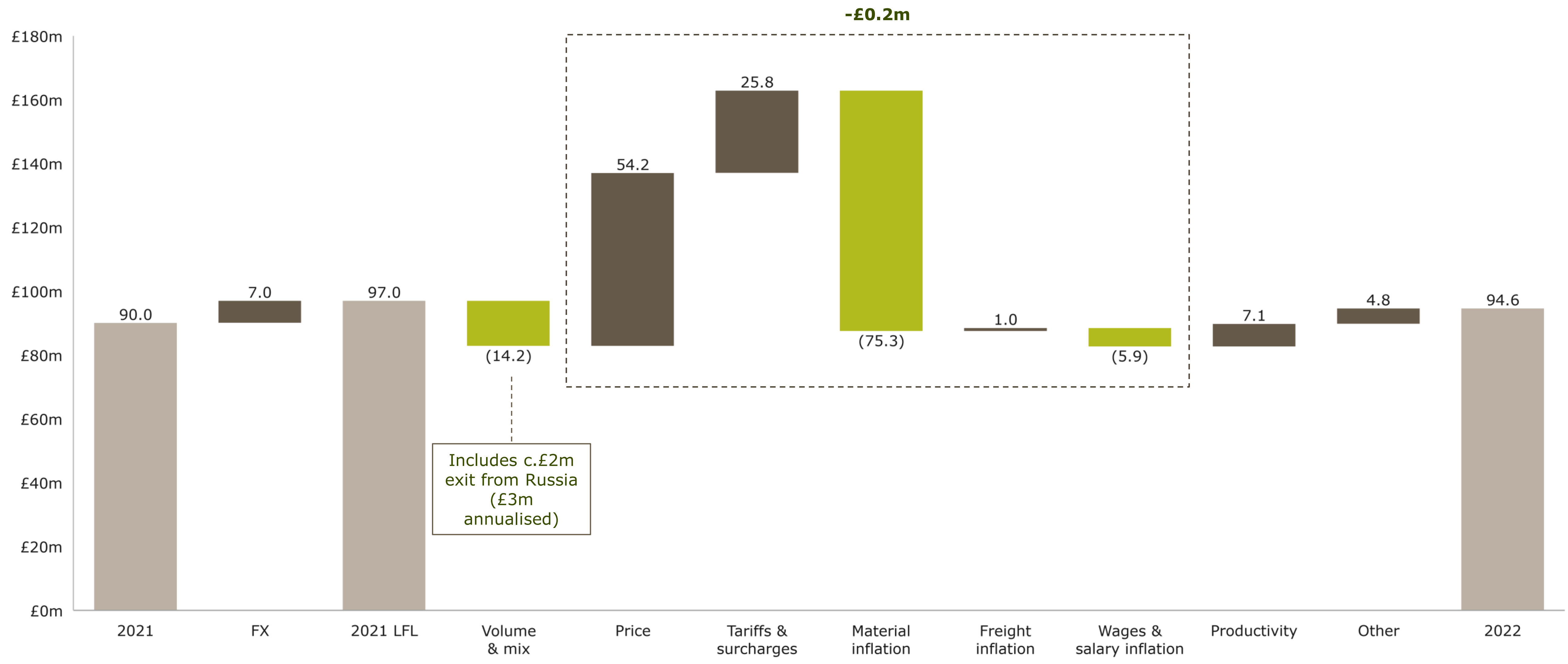
2022 adjusted operating profit bridge

Pricing recovers in-year cost inflation



Divisional summary

North America operating margin significantly impacted by dilution effect of inflation

	Division	2022	2021	Reported change	LFL change
Revenue (£m)	North America	471.9	397.7	+19%	+7%
	UK & Ireland	103.3	105.8	-2%	-2%
	International	140.3	132.2	+6%	+6%
Adjusted operating profit (£m)	North America	66.9	65.1	+3%	-8%
	UK & Ireland	14.5	14.8	-2%	-2%
	International	21.3	19.5	+10%	+11%
Adjusted operating margin	North America	14.2%	16.4%	-220bps	-220bps
	UK & Ireland	14.0%	14.0%	-	-
	International	15.2%	14.7%	+50bps	+70bps

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Cash flow

Opportunity for unwind of working capital build in 2023

Free cash flow

£m	2022	2021
Adjusted EBITDA(1)	**115.5**	111.6
Working capital(2)	**(31.4)**	(33.9)
Net capex	**(24.0)**	(19.8)
Adjusted operating cash flow	**60.1**	57.9
Pension contributions	**(0.2)**	(2.8)
Income tax paid	**(21.5)**	(17.7)
Net interest paid	**(9.5)**	(8.8)
Net exceptional cash costs	**(1.8)**	(0.2)
Free cash flow	**27.1**	28.4

Operating cash conversion

	2022	2021
Operating cash conversion(3)	**64%**	64%

- Cash conversion below 90% target average primarily due to a working capital outflow, principally creditors, and a further catch up of capex deferred from 2021:
  - Inventory levels remain elevated following supply chain disruption in early 2022 as well as inflation
  - A number of initiatives were implemented to reduce inventory. However, these were negatively impacted by significantly lower volumes shipped at the end of 2022.
- Inventory reduction initiatives are expected to drive a much stronger cash conversion in 2023.

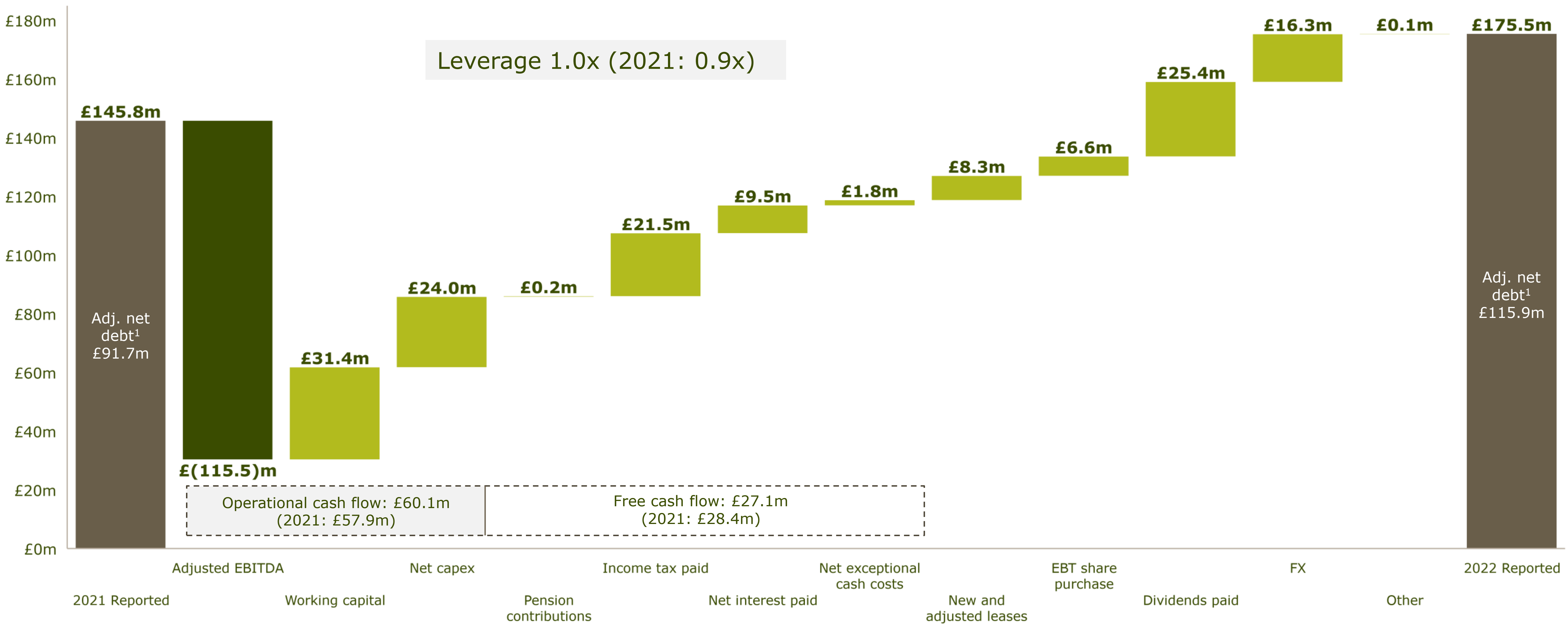
(1) *Adjusted EBITDA before non-cash items*

(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*

2022 net debt bridge

Leverage remains at bottom end of target range, despite FX impact



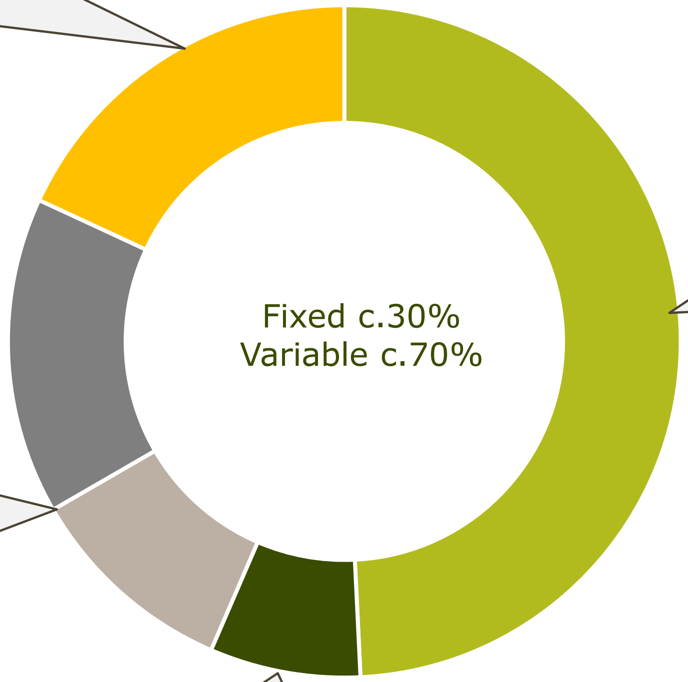
(1) Excluding lease liabilities of £59.6m (31 December 2021: £54.8m) and capitalised borrowing costs of £2.1m (31 December 2021: £0.7m)

Cost structure

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

Other 18%

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



Direct materials 49%

- Inflation levels remain elevated
- Some moderation in H2; conversion costs remain high
- Further moderation expected in 2023

Indirect (15%) and Direct (10%) labour

- Labour inflation pressures remain
- Stability of workforce improved
- Labour base highly flexible

Freight and distribution 8%

- Container freight costs reduced significantly
- Road transport costs remain elevated

2023 summary guidance

Normalisation of working capital to drive cash conversion above target average of 90%

Headwinds	Tailwinds
• Market demand due to interest rate rises and cost-of-living pressures • Negative operating leverage • Ongoing cost inflation, notably labour	• Price carryover from 2022 actions • Further net customer wins • Self-help measures • Agile cost management • Reduction in inventory

Impact of 1 cent change versus GBP	Revenue	Adj. operating profit
USD	£3.0m	£0.4m
EUR	£0.7m	£0.1m

Financial guidance
• Working capital net cash inflow £20 - £30 million • Capital expenditure £22 – £27 million • Operating cash conversion above the target average of 90% • Leverage below target range 1.0x – 1.5x absent any M&A • Net interest charge £9 - £10 million • Adjusted effective tax rate c. 23% - 25%

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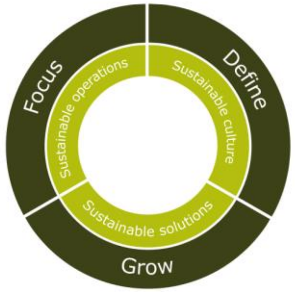
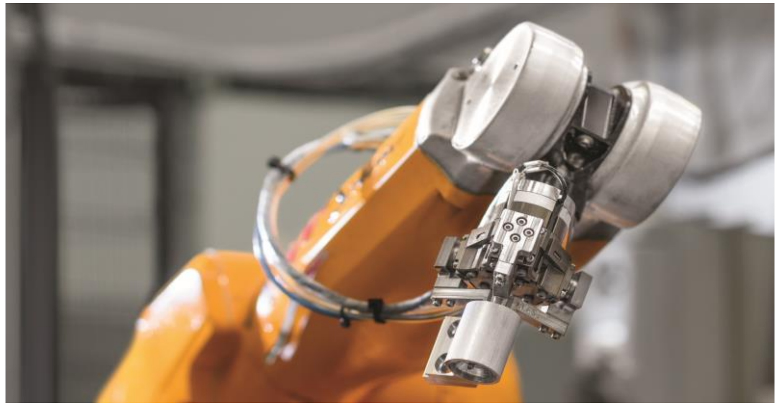
Strategy

2022 strategic progress



Continued strong momentum on strategy execution

Focus



- US distribution network optimisation
- Exit of facilities in UK and Germany
- Continued roll-out of global ERP template in North America
- Investment in factory automation in Italy and UK

Define

- 'Leading with Integrity' workshops to support 'One Tyman' culture
- Lean Excellence: first cross-divisional Kaizen event held
- Sustainability Excellence: database to share cross-divisional best practice

Grow

- North America FY net customer wins of $9m*
- Systems house channel growth of 26% in International
- New product launches with further NPD activity underway
- Active M&A pipeline in place

* Annualised revenue

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Attractive end markets

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

Long-term megatrends provide favourable tailwinds …

- Demographic & Social Change
- Sustainable Future
- Technology Disruption

… supported by Tyman's attractive value proposition …

- Comfort
- Sustainability
- Security
- Safety
- Aesthetics

… and the poor health of global housing stock

- Undersupply of housing
- Ageing housing stock
- Remodelling Spending

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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

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2022 sustainability performance

Continued progress towards our sustainability goals

FTSE4Good

Sustainable operations

- LTIFR decreased 26% to 1.4
- Ambitious Scope 3 emission targets agreed and submitted to SBTi for validation
- Budrio plant transitioned to use 80% recycled aluminium content

Sustainable culture

- Began roll-out of visual identity to support a cohesive 'One Tyman' culture
- Groupwide employee engagement survey completed
- Community engagement, e.g. Rise Against Hunger for Ukraine

Sustainable solutions

- 21% of revenues from products with positive sustainability impact in use
- New contract with UK distributor, providing retail packaging solution using recyclable cardboard
- Sustainability workshops with several of largest US customers

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Summary and outlook

Summary and outlook

Strategic initiatives and positive structural drivers position Tyman well for future growth

- Solid performance in 2022 against tough comparators and increasingly challenging market conditions:
  - ➢ Continued focus on share gains and improving our operational platform
  - ➢ Successful implementation of pricing actions and strong cost control

- 2023 outlook:
  - ➢ Tailwinds from pricing carryover, self-help measures and benefits from strategic initiatives
  - ➢ Headwinds from weakness in market volumes, which are likely to persist at least through H1 2023

- Well-positioned for future growth as housing market conditions improve:
  - ➢ Housing market fundamentals remain strong
  - ➢ Strategic initiatives to deliver share gain and strengthen operational platform

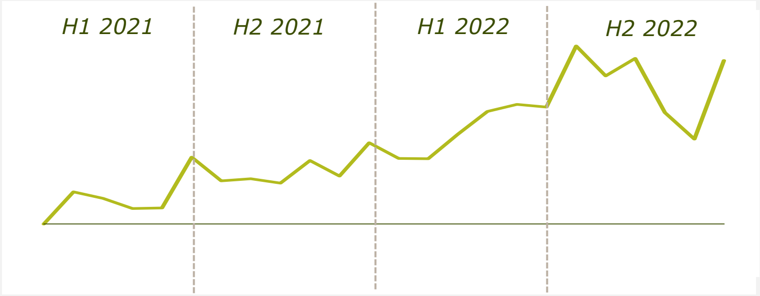
Appendices

Cost inflation

Dramatic input cost inflation in H1 with some easing in H2; significant pricing actions taken to mitigate

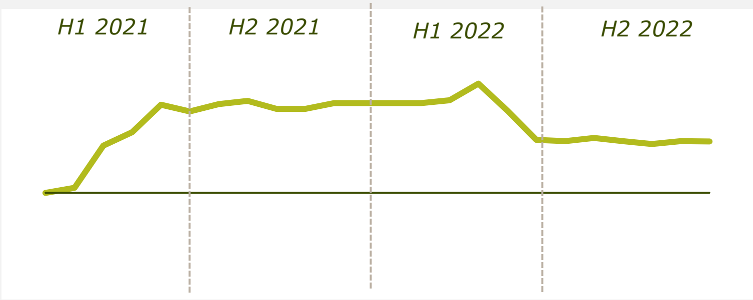
Stainless Steel (1)

£80.2m FY22 spend | **+45%** YoY Avg | **+38%** YoY Spot



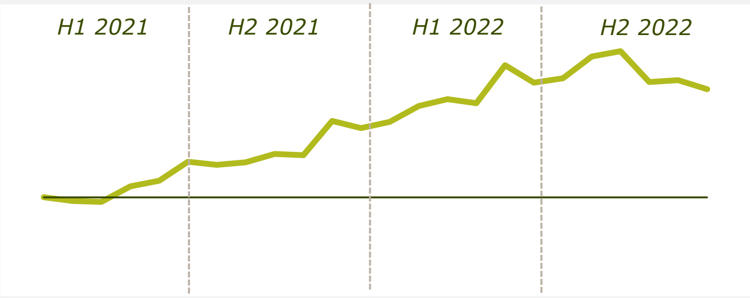
Polypropylene

£45.2m FY22 spend | **+1%** YoY Avg | **-26%** YoY Spot



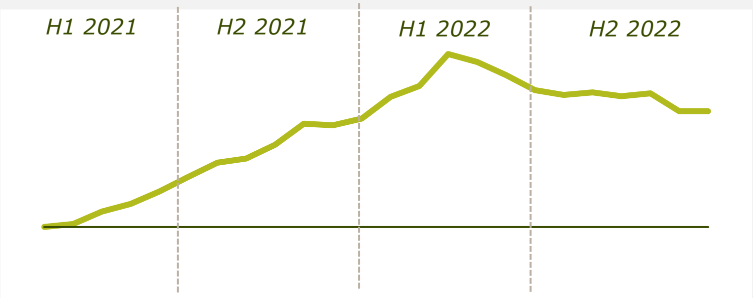
Zinc (1)

£33.5m FY22 spend | **+32%** YoY Avg | **+13%** YoY Spot



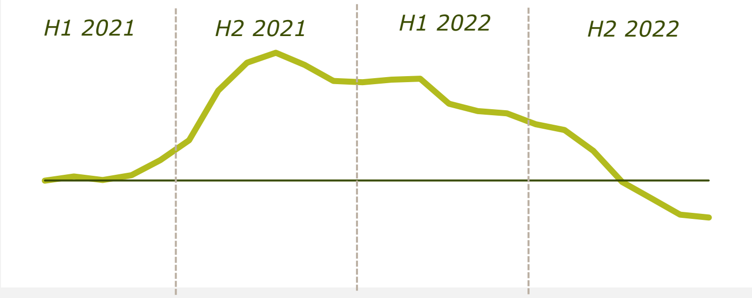
Aluminium (1)

£21.5m FY22 spend | **42%** YoY Avg | **+3%** YoY Spot



Freight (container)

£42m FY22 spend | **-16%** YoY Avg | **-77%** YoY Spot



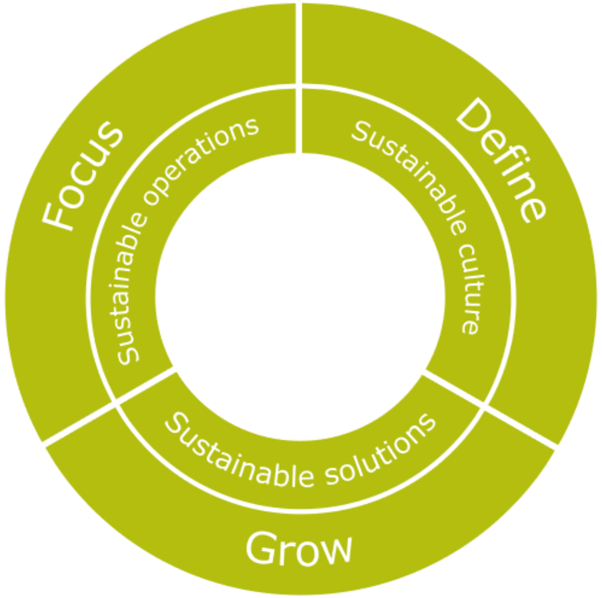
(1) Pricing includes conversion costs.

A strategy for long-term value creation

Clear strategy guided by our purpose, underpinned by our values and with sustainability at its core

Purpose

To transform the security, comfort and sustainability of living and working spaces through our expert touch.



- **Margin expansion**
- **Sustainable growth**
- **Engaged people**
- **Positive impact**

Long term value creation

Values

Do the right thing. Make it happen. Never stop growing.

Our Sustainability Excellence roadmap to 2030

A clear set of ambitious long-term targets is in place to drive our near-term plans

	Sustainable Operations	Sustainable Culture	Sustainable Solutions
Ambition	Transform our health, safety and environmental performance	Be recognised as an employer that people want to work for	Help our customers protect the planet and create safer, more inclusive communities
Plans	• Safety is our first language • Net Zero transition • Water stewardship • Waste management	• Employee engagement • Diversity, equity & inclusion • Growing our talent • Community partnerships	• Positive-impact solutions • Circular economy • Sustainable materials • Responsible sourcing
Targets	• Total Recordable Incident Rate < 3 by 2026 • -46% scope 1 & 2 and -28% scope 3 emissions by 2030[1] • Zero waste to landfill by 2026	• Gender diversity >30% at all levels	• 100% sustainable packaging by 2026 • YoY increase in % revenue from positive impact solutions

[1]SBTs using a 2019 baseline and "material" scope 3 emissions (i.e. purchased raw materials). Targets align to 1.5°C pathway for scope 1 and 2 emissions & well-below 2°C pathway for scope 3.

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Our sustainability credentials are being recognised

FTSE4Good UK index constituent, MSCI Leader Rating and top 20% ranking by S&P Global & Sustainalytics

FTSE4Good

First time in FTSE4Good UK index: December 2022

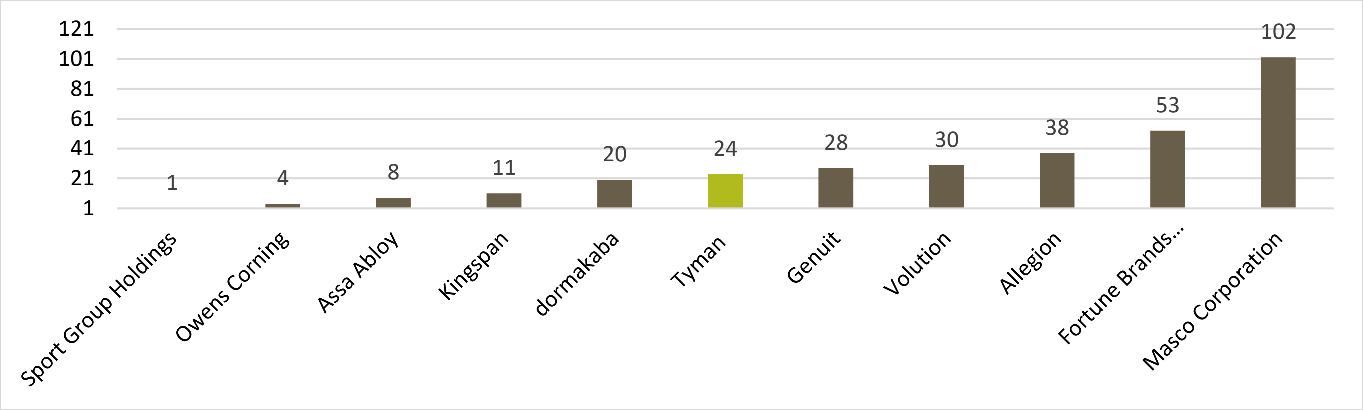
Up from 'A' rating in 2021

MSCI ESG RATINGS AA

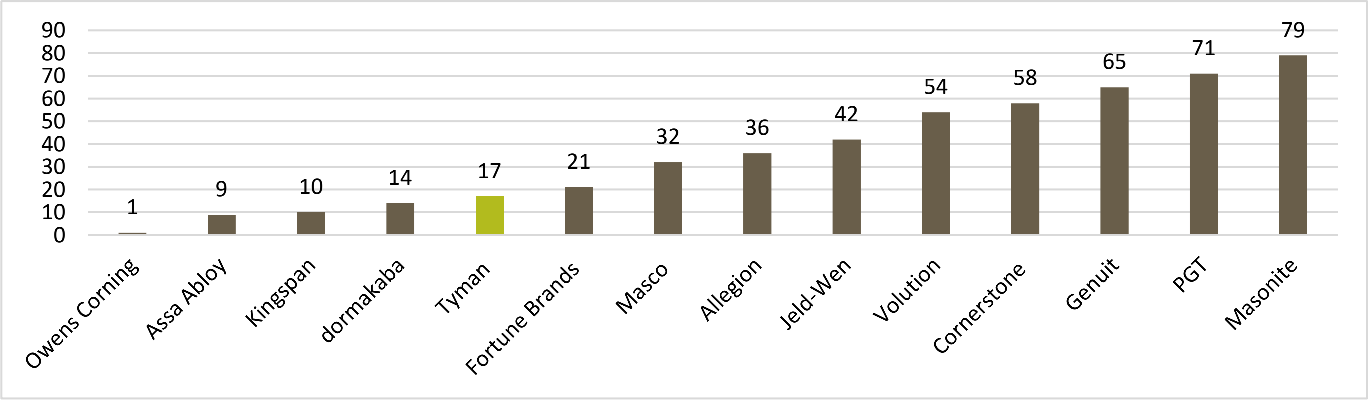
CCC	B	BB	BBB	A	AA	AAA

First time rating 2022: 'C'

SUSTAINALYTICS (relative ranking, 134 companies in sector)



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



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%

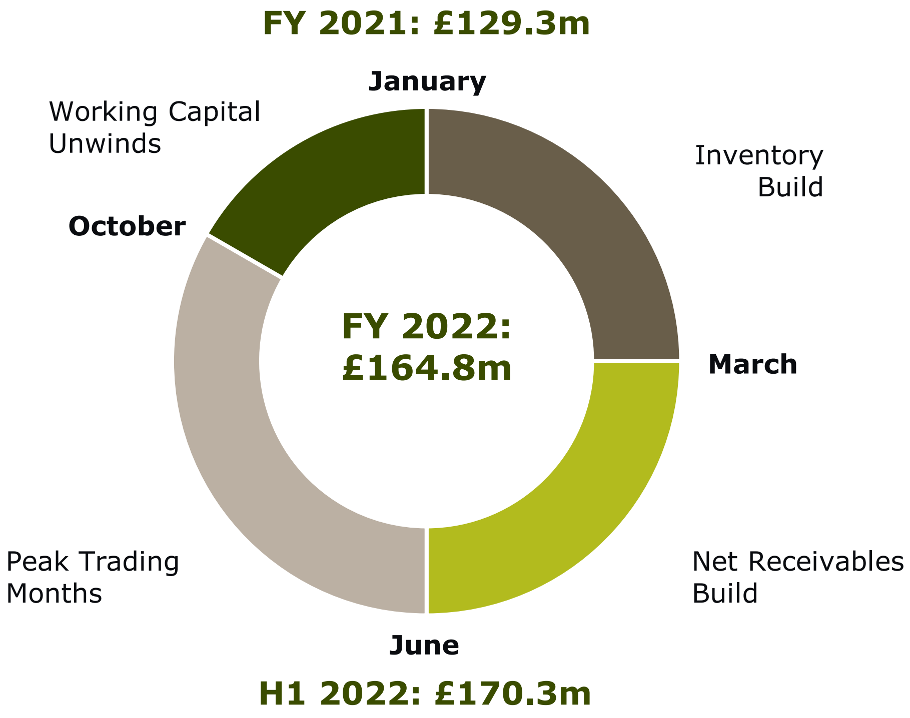
Dividend cover 2.0x – 2.5x

Leverage 1.0x – 1.5x adj. EBITDA

Working capital

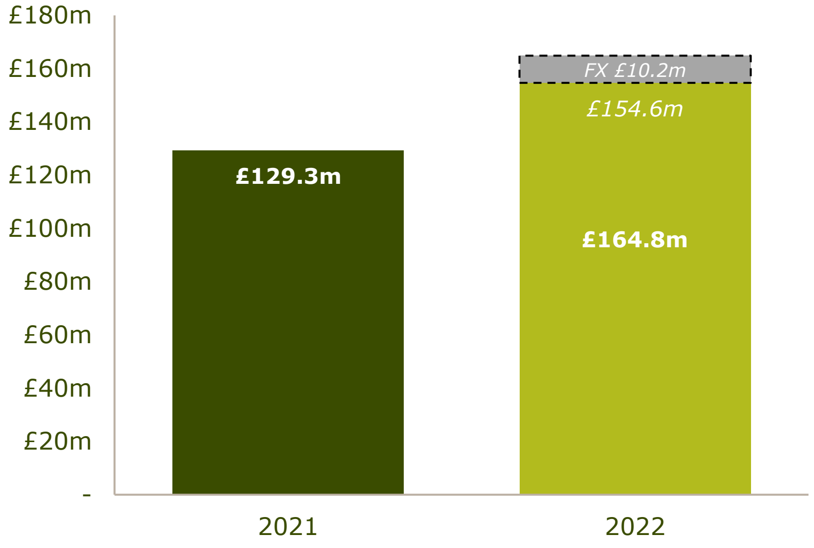
Working capital higher than normal levels due to inflation and supply chain disruption

Trade working capital cycle



- 2021 and 2022 working capital above normalised levels, due to supply chain disruption and effect of inflation
- 2022 trade working capital: sales of 23.0% vs 2021 of 20.3%

2022 trade working capital



- Increase in inventory due to inflation c.+£15m, FX +£11m, with unit reduction of -£10m. Reductions in H2 lower than planned due to fall in demand
- Trade receivables £2m lower due to reduced end of year trading and FX
- Trade payables £23m lower due to high inventory purchases at end of 2021 now settled
- Overall exchange movement: +£10.2 million

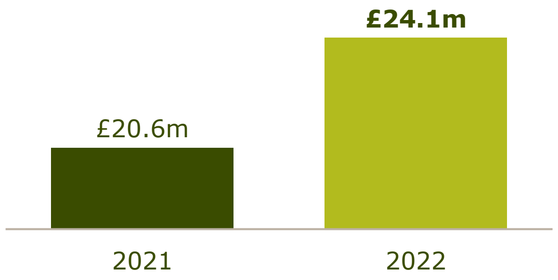
Other financial information

Capital expenditure and net interest payable

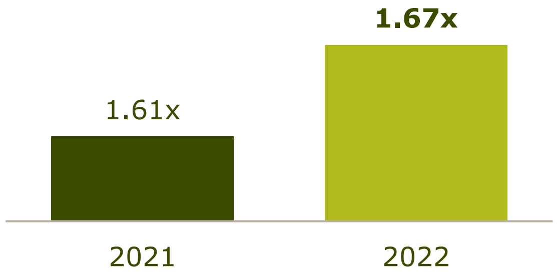
Capital expenditure

Gross Capex	+17%
Net Capex	+89%

Gross capex



Gross capex: depreciation

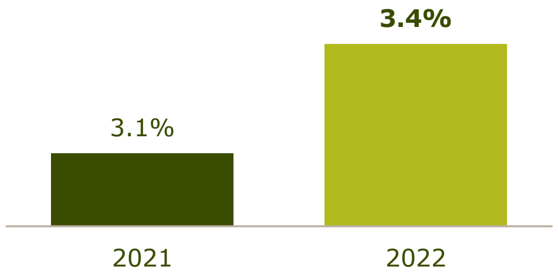


Increase due to catch up of expenditure deferred from 2021 and to support strategic initiatives

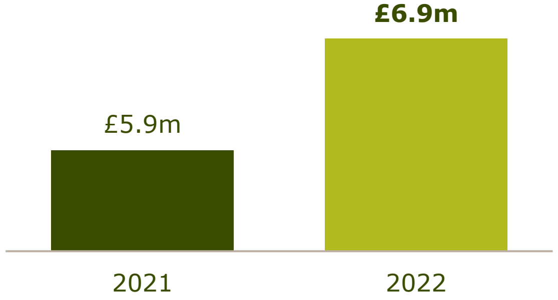
Net interest[1]

Cost of funds	+30 bps
Interest charge	+17%

Average cost of funds



Adjusted net interest charge



Increase due to higher debt, interest rate increases on floating debt and impact of FX

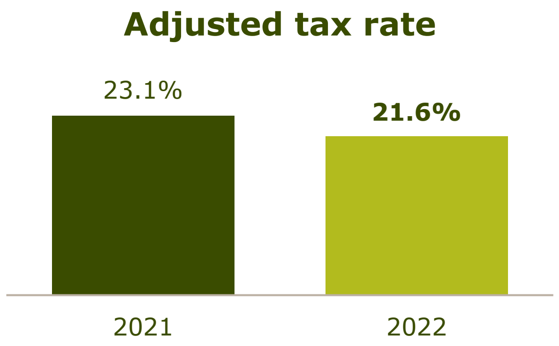
(1) Net interest receivable on cash deposits, payable on bank loans, private placement notes and overdrafts

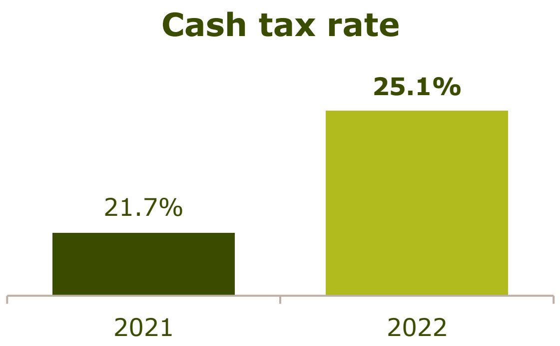
Other financial information

Taxation and exceptional items

Taxation

Adjusted	-15 bps
Cash	+33 bps

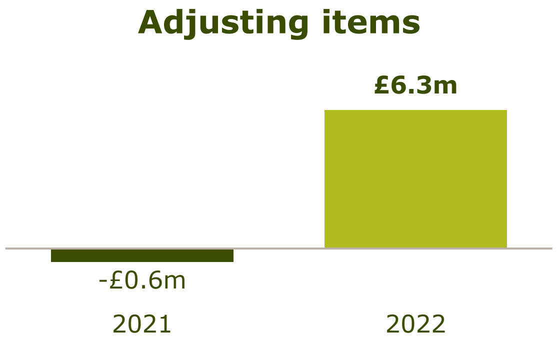


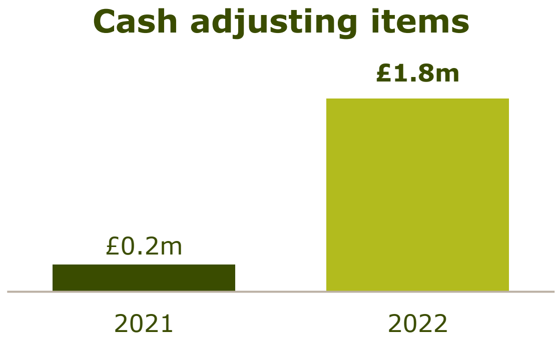


Decrease due to release of provisions no longer needed

Adjusting items

Footprint	£6.3m





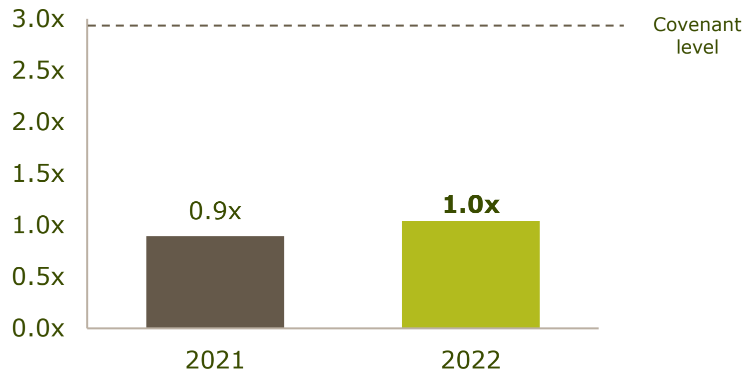
Adjusting items relate to costs of closure of Hamburg facility and UK Access solutions site consolidation

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



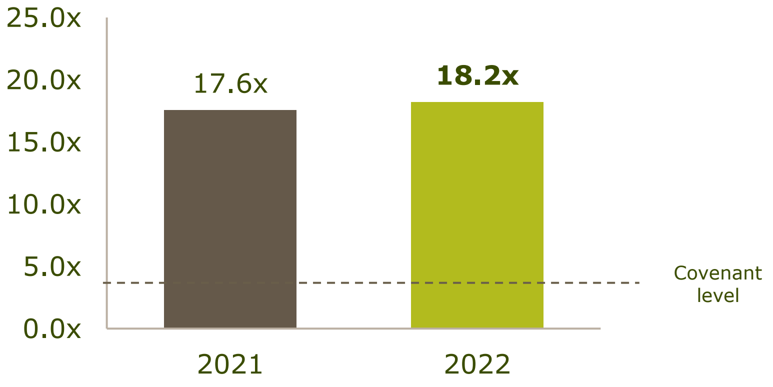
EBITDA headroom

65%

£69.7m

Interest Cover

- EBITDA to Net Finance Charges must be > 4.0x



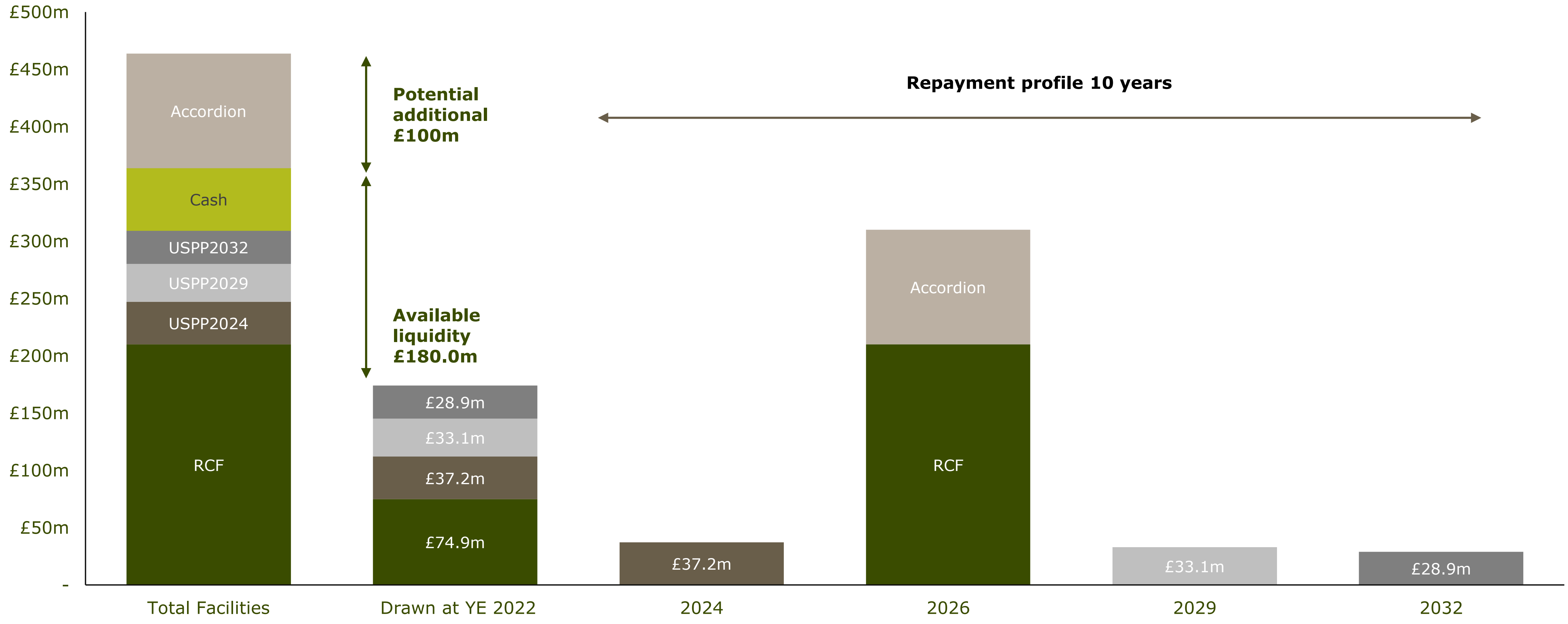
EBITDA headroom

78%

£83.3m

Group debt facilities

The Group has significant headroom, with available liquidity of £180m



Currency ready reckoner

Translational exposure

Currency	US$	Euro	Other	Total[(1)]
Average rate 2022	1.2370	1.1732		
Average rate 2021	1.3757	1.1631		
% movement in average rate	(10.1)%	0.9%		
£'m revenue impact	37.7	(0.7)	0.8	37.8
£'m profit impact[(2)]	4.8	(0.1)	0.1	4.8
1c decrease impact[(3)]	379k	101k	-	-

(1) Impact of other currencies immaterial

(2) Adjusted Profit impact (based on 2022 financial information)

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

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Consolidated income statement

For the year ended 31 December 2022

	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Revenue	**715.5**	635.7
Cost of sales	**(493.2)**	(424.0)
Gross profit	**222.3**	211.7
Selling, general and administrative expenses	**(151.2)**	(138.5)
Net impairment losses on financial assets	**(0.4)**	(0.1)
Operating profit	**70.7**	73.1
Analysed as:		
Adjusted operating profit	**94.6**	90.0
Exceptional items	**(6.3)**	0.6
Amortisation of acquired intangible assets	**(17.6)**	(17.5)
Operating profit	**70.7**	73.1
Finance income	**1.0**	-
Finance costs	**(10.3)**	(9.1)
Net finance costs	**(9.3)**	(9.1)
Profit before taxation	**61.4**	64.0
Income tax charge	**(13.6)**	(14.4)
Profit for the year	**47.8**	49.6

Consolidated balance sheet

For the year ended 31 December 2022

	31 December 2022 £'m	31 December 2021 Restated[1] £'m
TOTAL ASSETS		
Non-current assets		
Goodwill	**399.3**	363.3
Intangible assets	**57.7**	66.8
Property, plant and equipment	**74.6**	63.5
Right of use assets	**57.3**	52.0
Financial assets at fair value through profit or loss	**1.2**	1.1
Derivative financial instruments	**0.2**	-
Deferred tax assets	**1.7**	4.2
	592.0	550.9
Current assets		
Inventories	**153.1**	137.8
Trade and other receivables	**81.4**	81.0
Cash and cash equivalents	**74.6**	77.0
	309.1	295.8
TOTAL ASSETS	**901.1**	846.7
LIABILITIES		
Current liabilities		
Trade and other payables	**(88.2)**	(112.8)
Derivative financial instruments	**(0.2)**	(0.3)
Borrowings	**(15.9)**	(19.0)
Lease liabilities	**(6.8)**	(6.0)
Current tax liabilities	**(1.8)**	(6.0)
Provisions	**(5.0)**	(1.4)
	(117.9)	(145.5)

	31 December 2022 £'m	31 December 2021 Restated[1] £'m
Non-current liabilities		
Borrowings	**(172.5)**	(149.0)
Lease liabilities	**(54.9)**	(48.8)
Deferred tax liabilities	**(6.9)**	(12.1)
Retirement benefit obligations	**(4.3)**	(4.0)
Provisions	**(2.9)**	(4.8)
Other payables	**(0.1)**	(0.1)
	(241.6)	(218.8)
TOTAL LIABILITIES	**(359.5)**	(364.3)
NET ASSETS	**541.6**	482.4
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**9.8**	9.8
Treasury reserve	**(8.7)**	(2.6)
Hedging reserve	**0.2**	-
Translation reserve	**91.6**	49.2
Retained earnings	**448.7**	426.0
TOTAL EQUITY	**541.6**	482.4

[1] Restated for reclassification between deferred tax assets and liabilities and to reclassify bank overdrafts from cash and cash equivalents to borrowings. For further details, see results announcement

Adjusted earnings per share

For the year ended 31 December 2022

	31 December 2022 £'m	31 December 2021 £'m
Profit before taxation	**61.4**	64.0
Exceptional items	**6.3**	(0.6)
(Gain)/loss on revaluation of fair value hedge	**(0.1)**	0.1
Amortisation of borrowing costs	**0.6**	0.5
Amortisation of acquired intangible assets	**17.6**	17.5
Adjusted profit before taxation	**85.8**	81.5
Income tax charge	**(13.6)**	(14.4)
Add back: Underlying tax effect[1]	**(4.9)**	(4.4)
Adjusted profit after taxation	**67.3**	62.7

Underlying earnings per share:

	31 December 2022 £'m	31 December 2021 £'m
Basic underlying earnings per share	**34.7p**	32.1p
Diluted underlying earnings per share	**34.5p**	32.0p

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

Disclaimer

Forward Looking Statements

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