



Titon Holdings Plc Interim Results 31 March 2023



1

Established market player

- An established and leading company in the UK ventilation industry supplying ventilation and door and window products
- 50 years of experience and reputation
- Has led product developments in the market and continues to innovate whilst providing a strong voice into future market and regulatory developments

2

Strong market drivers and wider trends

- Building regulations and associated standards continue to support and drive the demand for natural and mechanical ventilation products; latest updates released in 2022
- Increasing focus on high air quality in UK, European and Korean markets underpin need for ventilation, especially given COVID-19
- The drive for energy efficiency means an increasing focus on ensuring buildings are adequately ventilated

3

Diversified global footprint and revenue streams

- Diversified revenue streams through exposure to both commercial and residential property markets as well as new build and RM&I projects in UK
- Also has established business activities in South Korea, Europe and the US
- Diversified product ranges covering both natural and mechanical ventilation as well as window and door hardware

4

Marketing leading and diverse product range

- Strong investment in R&D ensures market leading product offering across all product ranges
- Innovative, award winning products
- Strong pipeline of new products to meet future market requirements

5

Strong balance sheet

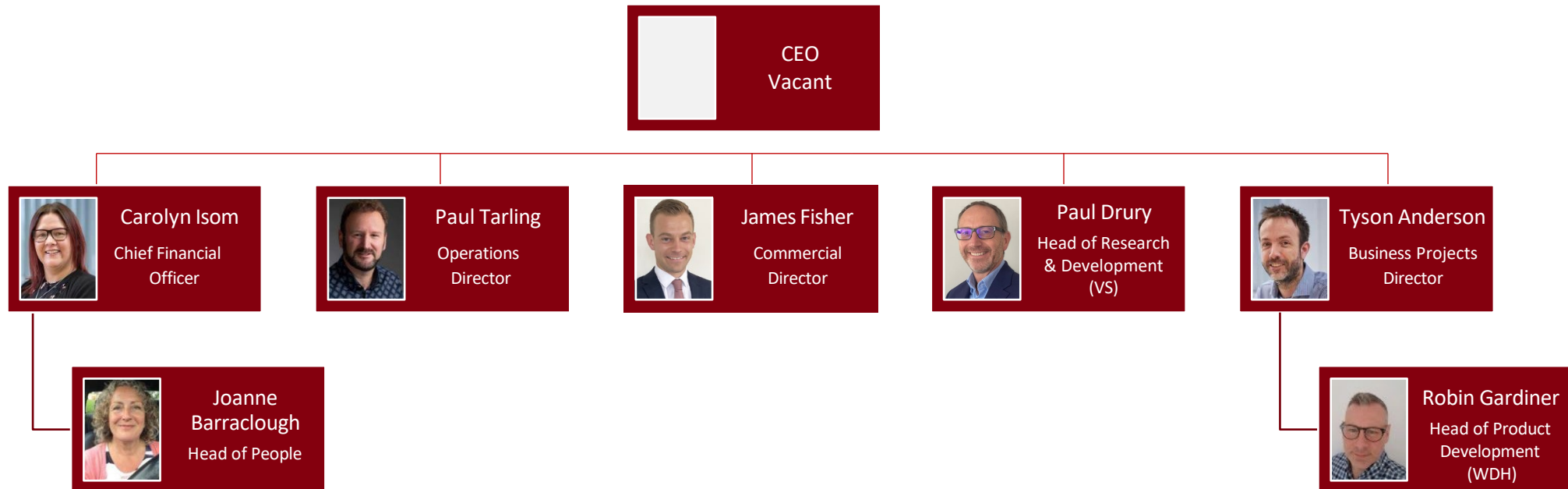
- £1.6m cash balance at 31 March 2023 and no borrowings
- Net assets of £15m at 31 March 2023



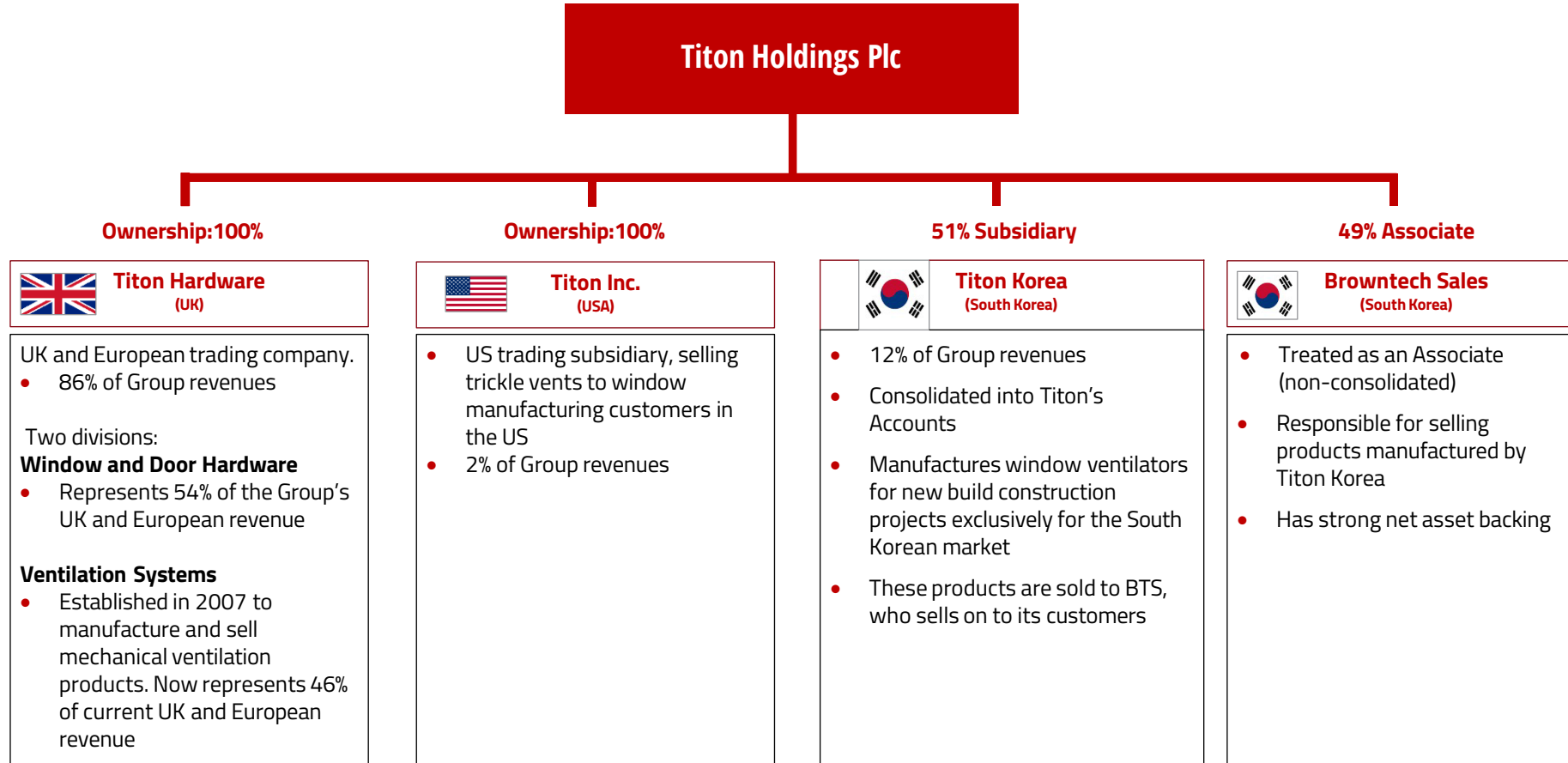
Business overview



The Executive Leadership Team has been strengthened with further appointments ongoing



A diverse business with two distinct product streams



Strong investment in research and development, which enables the company to keep its products both innovative and cost effective with leading technology

Mechanical ventilation products



MEV – CME Range



HRV – MVHR Range



Titon FireSafe[®] Air Brick



Titon Ultimate[®] dMEV

Natural ventilation and hardware products



Trimvent[®] Select Xtra S13 Vent



SF Xtra Vent

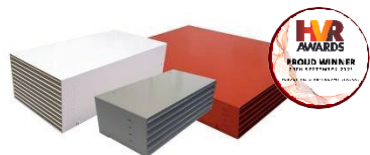


Venture - Standard duty friction hinge



Asterion door cylinder

We have recently launched several market leading and award winning products



- The Titon FireSafe[®] Air Brick launched in 2020 recently won 'Ancillary of Year' at the prestigious HVR awards. We developed this product in response to the terrible Grenfell disaster and subsequent legislation changes in building regulations Part B. It remains a market leading product. New round port metal airbrick now ready for market.



- The Titon Ultimate[®] dMEV launched in 2021 achieved the accolade of 'Highly Commended' at the recent Energy Saving Awards for Domestic Product of the Year. We developed this product to meet new June 2022 building regulations Part F and comply with new strict test procedures from Building Research Establishment (BRE). Changes to the BRE testing process for dMEV fans requires that the fan should now be more powerful to overcome external wind pressure. This means that a large number of traditional extract fans can no longer be used. The Titon Ultimate[®] dMEV is one of only a few fans to meet, and also exceed, the new test requirement and is therefore well placed to take advantage of these changes. The Titon Ultimate[®] dMEV was one of the first products listed when the new SAP10 database went live, initially being one of only two options.



- In 2022 we developed and launched our Asterion II 3-Star high security anti-manipulation profile cylinder to protect against ever increasing security threats and more stringent security testing requirements in the UK. It is BSI Kitemark certified and has been awarded Secured by Design (SBD) status.



- We have developed new advanced control systems, including Wi-Fi connectivity and control of MVHR units using a mobile phone App (Android and Apple). Our industry standard MODBUS interface also allows interfacing with Building Control Systems (BMS), enabling building owners to monitor the entire site for maintenance and fault detection purposes.



- During 2022 our popular ranges of HRV (MVHR) and CME (MEV) units were expanded to dual source critical components whilst maintaining high quality and high levels of performance. This enabled us to mitigate the continuing global supply chain issues and positions us well going forward.

UK and European business is organised into two divisions, with Window & Door Hardware comprising 47% of UK and Europe revenues and Ventilation Systems contributing 53% in H1 2022/23

Division	Window & Door Hardware	Ventilation Systems
	<i>Natural ventilation and window and door hardware</i>	<i>Integrated mechanical ventilation systems</i>
Products	<ul style="list-style-type: none"> Window trickle vents Door & window hardware <ul style="list-style-type: none"> 68% of sales are generated by trickle vents that are manufactured in Haverhill 25% of sales derive from hardware products sourced from European and Asian manufacturers Own range of products sourced from the Far East account for 12% of sales 	<ul style="list-style-type: none"> Mechanical ventilation systems and fans including: <ul style="list-style-type: none"> Mechanical Ventilation with Heat Recovery Central Mechanical Extract Decentralised and intermittent mechanical extract fans Range of ancillary products and ducting including the Titon FireSafe® Air Brick 87% own manufacture; 13% bought in
Market	<ul style="list-style-type: none"> UK residential new-build and RM&I UK commercial new-build 	<ul style="list-style-type: none"> Focused on UK and European residential new-build markets under building regulations
Route to market	<ul style="list-style-type: none"> Customers are door and window fabricators in the UK In Europe, products are normally sold via distributors 	<ul style="list-style-type: none"> In the UK, systems are sold direct to customers (housebuilders and contractors) In Europe, systems are sold via OEMs and distributors
FY23 Interim Revenue	<p>Total: £4.9m</p> <p>Legend: UK (Red), Export (Grey)</p>	<p>Total: £5.4m</p>



Market Overview

Residential ventilation systems UK

UK Building Regulations Part F (updated 2022) drive the need for ventilation products



Natural ventilation with background ventilators and intermittent extract fans



Continuous mechanical extract ventilation – Decentralised (dMEV)



Continuous mechanical extract ventilation – Centralised (MEV)



Mechanical ventilation with heat recovery (MVHR)



TIFC and TIFA Range of Intermittent Fans and Trickle Vents



Titon FireSafe® Single Air Brick



Titon Ultimate® dMEV, Solace and Solitude and Trickle Vents



Titon FireSafe® Single Air Brick



CME Q Plus range of Continuous Mechanical Ventilation Fans and Trickle Vents



Titon FireSafe® Single Air Brick



HRV Q Plus range of Mechanical Ventilation Fans



Titon FireSafe® Single Air Brick

Building regulations are a key driver of demand for ventilation products

UK Building Regulations

	Natural Ventilation	Continuous mechanical ventilation	Mechanical ventilation with heat recovery
System type	<ul style="list-style-type: none"> Background (trickle) ventilators and intermittent extract fans 	<ul style="list-style-type: none"> Continuous mechanical extract ventilation 	<ul style="list-style-type: none"> Continuous mechanical supply and extract with heat recovery
Share of new housing starts – Pre June 2023	<ul style="list-style-type: none"> c.56% 	<ul style="list-style-type: none"> c. 22% 	<ul style="list-style-type: none"> c. 22%
Share of new housing starts – Post June 2023	<ul style="list-style-type: none"> c.30% 	<ul style="list-style-type: none"> c. 48% 	<ul style="list-style-type: none"> c. 22%
Titon product	<ul style="list-style-type: none"> ✓ Trickle ventilators 	<ul style="list-style-type: none"> ✓ Ultimate dMEV ✓ CME Q Plus (MEV) 	<ul style="list-style-type: none"> ✓ MVHR units
Cost of installation (per unit/system)	<ul style="list-style-type: none"> c. £300 	<ul style="list-style-type: none"> c. £500 	<ul style="list-style-type: none"> c. £1,500

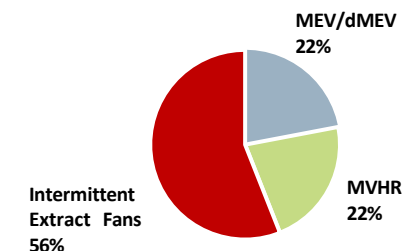
Source: Management estimates, Beama, ONS

- All new build properties are required to have one of the three ventilation systems laid down by Approved Document F of the Building Regulations 2021, which will come into full effect in June 2022.
 - Building regulations are expected to drive switch in demand away from intermittent towards continuous in the medium term
- There is also a requirement to fit trickle ventilators in replacement windows where trickle ventilators were already fitted and also in new replacement windows when efficiency measures are carried out to existing housing. This is expected to result in an increase in sales of trickle vents.

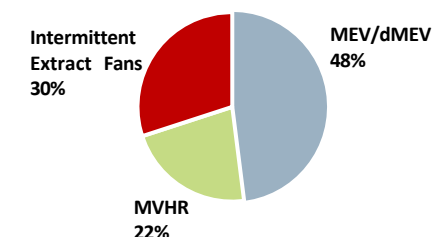
Overseas Building Regulations

- In many of Titon's export markets, ventilation is similarly required by local building regulations and Titon designs and manufactures products designed to fall within these regulations in each of the relevant countries

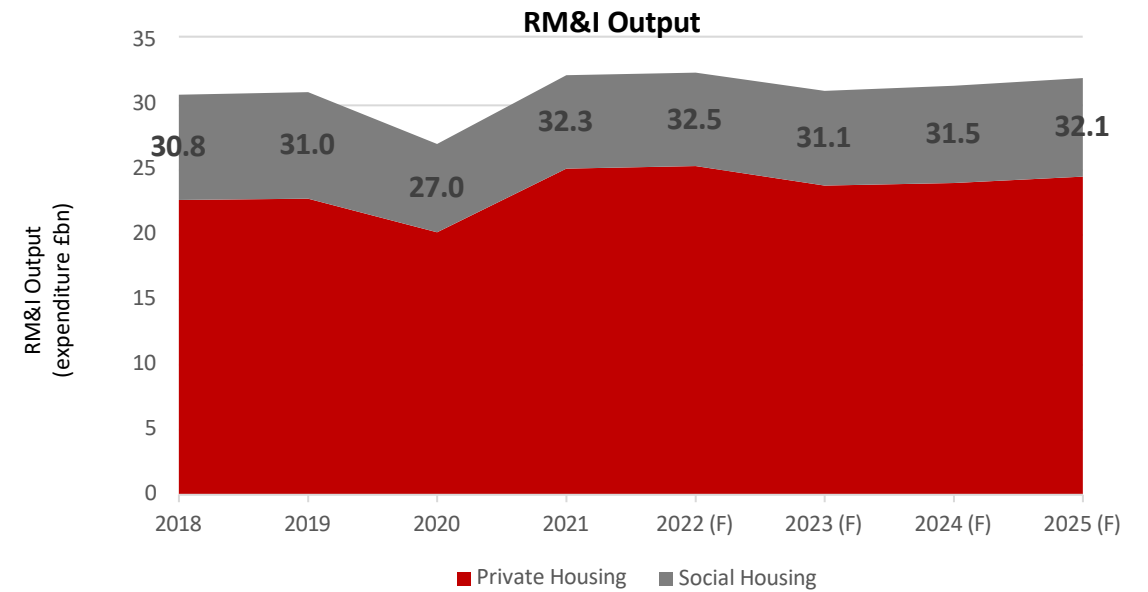
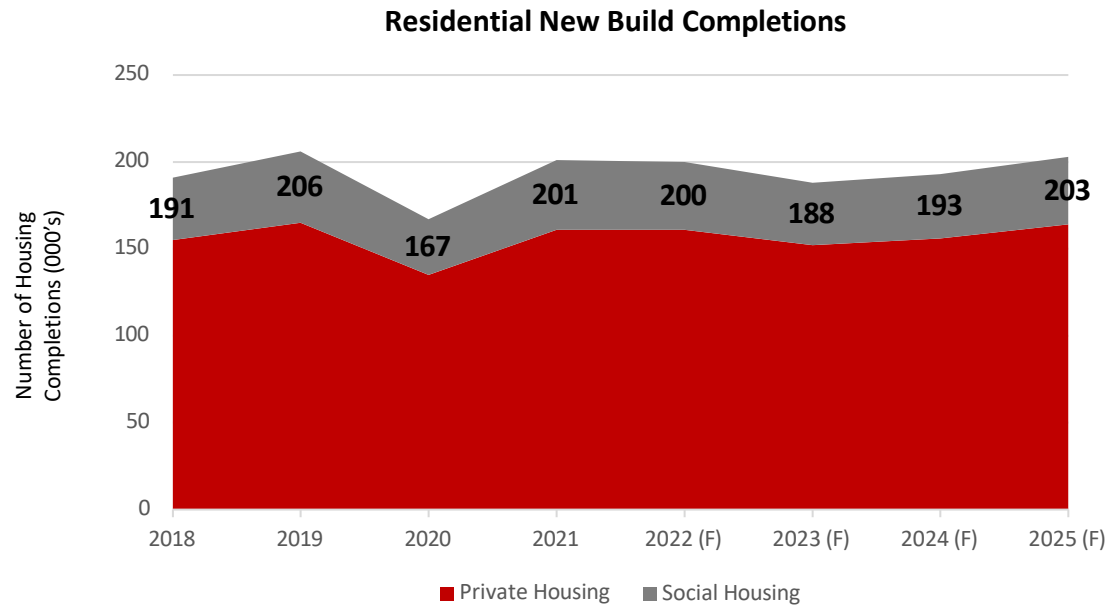
Residential Ventilation Market Mix by Product Type (Extract, MVHR, MEV, PIV) by Value 2020



Residential Ventilation Market Mix by Product Type Post June 2023



New Build and RM&I markets are expected to fall slightly in 2023



Source: Experian
Jan 2023 forecast



Short term business focus



Short term focus in 2023 is a return to profitability followed by a clear strategy for growth

- 1 Deliver short term business imperatives**
 - The crucial things we must achieve in 2023 to stabilise the business and position the Group for growth
 - A return to profitability in H2 2023
- 2 Margin improvement**
 - Continue to develop and implement strategies that will deliver margin improvements including product range rationalisation
 - Continue to implement price increases to achieve maximum price realisation
 - Strong supplier management with improved material/component costs and terms
 - Continue to introduce higher value products e.g. Titon FireSafe[®] Air Brick
- 3 Market penetration**
 - Increase penetration into the residential ventilation market through increased sales to new and existing customers; Revised regulations mean a likely move towards continuous running products such as Titon's CME, MVHR and Ultimate[®] dMEV
 - Increase sales into the social housing market with new and existing products
 - Increase sales of natural ventilation in the UK; Revised regulations now require trickle vents to be fitted on all virtually all replacement windows
- 4 Strengthen the organisation**
 - Strong leadership team in place; New Commercial and Operations Directors recruited
 - Search for new CEO commenced
 - Streamline the corporate structure and operations of the Korean business
- 5 Review of the business and growth strategy**
 - Develop plans and initiate a full review of the Group strategy

Our business imperatives are the crucial things that we must achieve in 2023 to stabilise the business and return it to profit



Our business imperatives

Our business imperative	Why it is important for us	What we are doing and will we be doing to achieve it
<p>Catch back on production arrears and maintain agreed finished goods stock levels</p> 	<ul style="list-style-type: none"> to enable increased sales to return to our previous high levels of customer service 	<ul style="list-style-type: none"> increasing production output through increased manning, operational efficiencies, process and planning improvements and capital investment once arrears are cleared, maintaining target finished good stocks for all make-to-stock products
<p>Improve working capital including reducing site inventory</p> 	<ul style="list-style-type: none"> to improve the balance sheet and release cash held in inventory to create space on site to optimise stock management and support delivery of production plans 	<ul style="list-style-type: none"> reducing raw material and obsolete finished goods stock holdings maintaining high inventory record accuracy ensuring strong supplier relationship management and implementing improved terms with top suppliers maintaining debtor tracking
<p>Achieve stable, engaged and present workforce</p> 	<ul style="list-style-type: none"> to ensure that we have sufficient and correct resources available to deliver each business imperative to ensure that we have the correct people resources to deliver a growth strategy 	<ul style="list-style-type: none"> implementing the appropriate organisational structures to meet the business needs implementing objective setting and performance reviews for all employees linked to these business imperatives conducting an employee survey and acting on the feedback providing required employee training and support
<p>Realise business benefits from new Microsoft D365 ERP system through improved business processes</p> 	<ul style="list-style-type: none"> to deliver operational efficiencies and higher output to improve visibility of data that drives key business decisions to enhance control of key processes 	<ul style="list-style-type: none"> use of embedded BI and other D365 reporting tools implementing workflows within D365 scoping and delivering end to end continuous improvement project with defined benefits case
<p>Deliver innovative new products to drive business growth</p> 	<ul style="list-style-type: none"> to ensure our product range meets future customer and regulatory requirements to remain market leading in our product offerings to enable increased sales 	<ul style="list-style-type: none"> launching several key new products to the market in 2023 maintaining and enhancing new product introduction process from idea through to launch
<p>Improve profitability and margin through hardware product range rationalisation</p> 	<ul style="list-style-type: none"> to improve business financials to improve operational efficiency through reduced product complexity 	<ul style="list-style-type: none"> reducing the hardware product range offering implementing optimised minimum order quantities reviewing and aligning pricing
<p>Develop strong sales pipeline through existing and new customers</p> 	<ul style="list-style-type: none"> to enable increased sales and position the Group for growth to rebuild and strengthen customer relationships after a challenging year to return to our previous high levels of customer service 	<ul style="list-style-type: none"> restructuring and strengthening the Customer Service team implementing an enhanced CRM within Microsoft D365 ongoing monitoring and analysis of sales funnel with defined growth targets
<p>Improve workplace safety by reducing workplace incidents</p> 	<ul style="list-style-type: none"> to ensure the health, safety and wellbeing of all our employees 	<ul style="list-style-type: none"> improving health and safety culture by setting an Environmental Health and Safety (EHS) objective for every employee ensuring visible felt leadership developing and improving our EHS Committee

Financials, current trading and outlook



Financial summary: Profit and loss

	2023	2022	Change (%)
Net revenue	£12.1m	£11.5m	5.2%
EBITDA	£0.18m	£0.28m	-36.2%
Group loss before tax	£(0.45)m	£(0.25)m	-80.0%
Loss per share	(2.86)p	(1.49)p	-92%
Interim dividends per share	0.5p	1.5p	-67%
Net cash	£1.7m	£3.7m	-57%

- Group net revenue rose by 5.2% due to stronger trading in the UK and Europe, which was slightly ahead of the Board's expectations
- EBITDA was £0.18 million (2022: £0.28m), reflecting lower gross margins (26% in H1 2023 against 28% in H1 2022) as the Group continued to manage labour, material and energy cost inflation
- Loss before tax of £0.45m after depreciation and amortisation charges of £0.49m (H1 2022 loss before tax: £0.25m)
- Cash balance of £1.6m at the end of the period (30 September 2022: £1.7m) after the payment of dividends to Titon shareholders. The balance includes a receipt of a dividend from the Group's Associate, Browntech Sales Co. Ltd
- Interim dividend of 0.5p per share approved by the Board to be paid on 7 July 2023.

Financial summary: Cash flow and balance sheet

- Strong balance sheet with no bank borrowings
- Net assets, including non-controlling interests, reduced to £15.4m (30 September 2022 : £16.0m)
- Net cash at £1.6m (30 September 2022: £1.7m), equivalent to 10.4% of net assets (30 September 2022: 10.8%)
- Cash generated by operations of £0.02 million (2022: cash used in operations £0.29 million), primarily due to actively improving our working capital management through accurate targeting of stock levels for the main product lines
- Inventories at £6.9m (30 September 2022 £6.6m)
- Capital expenditure in the period was £0.26 million (2022: £0.39 million)
- Dividend received from BTS in March 2023 of £0.3 million (net of withholding tax) (2022: nil)
- An interim dividend of 0.5 pence per share has been Board approved (2022: 1.50 pence per share). The interim dividend is payable on 7 July 2023
- Net current assets were £8.0m (30 September 2022 : £7.6m) with a Quick Ratio of 1.23 (30 September 2022: 1.2)
- ROCE was a loss of 5.9%, with the business continuing to operate in challenging trading conditions (Interim 2022: loss of 3.7%)

Segment and Divisional analysis

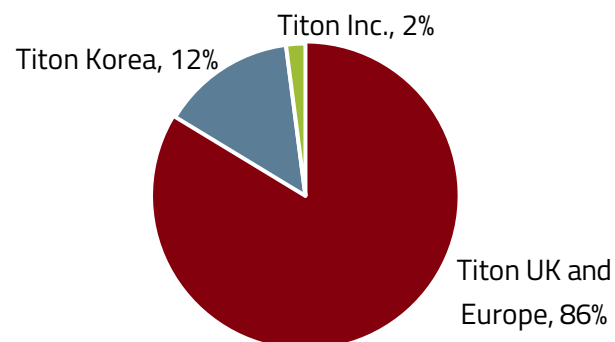
Window and Door Hardware division, comprising sales of our trickle vents plus window and door hardware

- Revenue lower by 12%:
 - In the UK sales of trickle vents were up 14% on the prior year which follows the introduction of the revised building regulations and associated standards for the UK in June 2022
 - Sales of window and door hardware products fell by 40% as our distribution agreement with Sobinco concluded in 2022 benefitting prior year revenues
 - Sales of Titon manufactured products rose by 16%
 - Sales of Titon branded bought-in products rose by 36% as the Asterion II range launched in 2022 continues to be recognised for its home security attributes

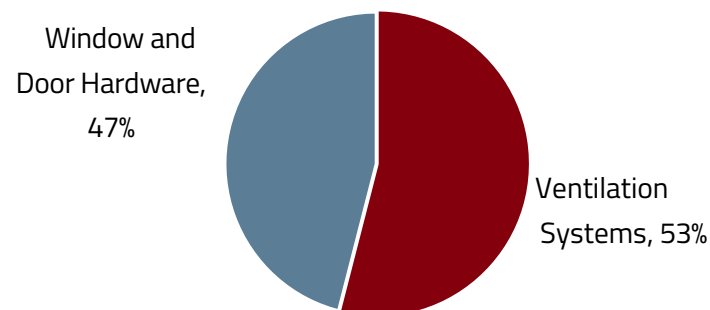
Ventilation Systems division for mechanical ventilation products

- Revenues increased by 31% as the backlog of orders were manufactured and despatched in the period
 - Sales in the UK were up by 6%
 - Sales in Europe up 124% with backlog cleared in the period
 - Sales of the new Titon Ultimate[®] dMEV extract fan started to increase with revenues growing by approximately four times in the period as some initial production issues were resolved. We expect sales of this product to continue to increase in the second half of the year

**Interim FY23 Revenue:
£12.1m**



UK and Europe product mix



The Board remains confident in the prospects of the Group

- In March 2023 the Office for Budget Responsibility forecast two quarters of negative growth in GDP before the economy starts growing again in Q3 2023. The Construction Products Association now forecasts that private housebuilding output will fall by 17% in 2023 before recovering by 4% in 2024 and with falls in RM&I of 9% in 2023 and rising by 2% in 2024 in the UK. The CPA is more bearish than the January 2023 Experian forecast
- The Board remains committed to achieving all of its business imperatives for the rest of the year and continues to focus on managing the cost base and improving efficiency throughout the business
- High quality range of products with continuing product development and an exciting pipeline of new products. High performing HRV4 unit launching June 2022, replacing a number of MVHR variants, attractive to both UK and European markets
- Expect H2 revenues from the UK and Europe will be slightly lower than H1 as the slowdown in the housing market activity occurs. On a full year basis, we continue to expect trading at our UK and European businesses to be in line with our prior expectations, supported by the H1 performance
- In South Korea we anticipate that trading conditions will remain difficult and we expect that losses will continue in H2. As a result of the weaker trading in South Korea, we anticipate that the Group's full year results will be lower than previously expected. As previously reported, we intend to streamline the corporate structure and operations of the Korean business
- Continue to have a strong balance sheet



Appendices



Appendix 1



C Isom
Chief Financial Officer

Carolyn joined Titon in December 2019 as Finance Director of Titon Hardware and was appointed to the Titon Holdings Board as CFO in December 2021. She is ACCA qualified and has worked for a number of companies in the construction sector.



K A Ritchie
Non-Executive Chair

Keith Ritchie became Executive Chairman as of 1 July 2012. Keith has had a long career in the City of London working for a number of financial institutions, including Bank of America Merrill Lynch and Deutsche Bank and is a member of the Institute of Chartered Accountants in England and Wales. Keith became Non-executive Chair of Titon as of 1 October 2022



T N Anderson
Deputy Chair

Tyson Anderson, has been with the Company since 1993 and was elected to the Board of Titon Hardware Limited in 1999. Tyson joined the main Board on 1 January 2004 as Marketing Director and was appointed Sales & Marketing Director on 1 February 2007. Tyson was appointed as Deputy Chairman in April 2022 and the role of Sales and Marketing Director was moved to Titon Hardware Ltd, where Tyson will continue in this position.



J Ward
Non-executive Director

Jeff Ward is currently CEO of Guardian Fall, one of the largest independent height safety companies in the world. He was previously CEO of Centurion Safety Products from December 2015 until July 2020 and before then held a number of leadership roles in hardware and safety businesses where he was responsible for a range of activities, including sales, marketing, supply chain and strategy. Jeff holds an MBA from Warwick Business School and also serves as a Director of the British Safety Industry Federation.



G P Hooper
Non-executive Director

Paul Hooper is currently Chief Executive of The Alumasc Group plc, a position he has held since April 2003. Alumasc is a UK-based supplier of sustainable building products and solutions. He joined Alumasc in April 2001 as Group Managing Director. His earlier career included a first Managing Director role with BTR plc in 1992. He subsequently joined Williams Holdings plc in Special Operations, implementing acquisitions in Europe and North America, prior to joining Rexam PLC as a Divisional Managing Director with responsibility for operations in Europe and South East Asia. Paul holds an MBA from Cranfield School of Management.



N C Howlett
Non-executive Director

Nick Howlett joined the Company in 1991 and has held a number of senior positions within the group since then. He was appointed to the Board in 2002 and became a Non-executive Director in October 2017.

Appendix 2

37% of share capital is held by the directors and their extended families, including the founder, John Anderson

All Shareholders exceeding 3%

Shareholder

Harwood Capital LLP	2,245,000	19.99%
John Anderson*	1,737,802	15.48%
Keith Ritchie (Non-Executive Chair)*	1,031,381	9.19%
Tyson Anderson (Deputy Chair)*	693,750	6.18%
Amanda Farrar	438,079	3.90%
David Jeremiah Barry	416,500	3.71%

* includes spouses' holdings

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Chief Financial Officer

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