

Tyman

Trading update

Meeting market expectations

With a share price that has been under pressure this year, an in-line trading performance should provide some reassurance to investors. A lack of improvement in Tyman's underlying markets should come as no surprise but, with steps being taken in each division, overall group progress is anticipated for the year as a whole. This provides grounds for greater confidence in the company's prospects, in our view.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/17	522.7	68.3	26.7	11.3	7.7	5.5
12/18	591.5	72.7	27.5	12.0	7.5	5.8
12/19e	621.0	70.0	26.1	12.3	7.9	6.0
12/20e	629.1	74.3	27.7	12.9	7.4	6.2

Note: *PBT and EPS (fully diluted) are normalised, as defined by Tyman, excluding intangible amortisation and exceptional items.

US stabilises, group progress expectation confirmed

Tyman's trading update points to flattish US markets and some weakening in the UK and RoW markets that it serves since the half year. Nevertheless, management expects to report small y-o-y progress in revenue and operating profit for the year as a whole, performing in line with consensus EBIT of £84.8m (slightly above our £83.9m estimate and versus the c £83.6m reported for FY18). As at the half year, favourable FX and full year acquisition effects contribute to this expected outturn, although to a lesser extent than seen in H1, we believe. There is some way to go to the year end, but management expects year-end gearing (frozen GAAP/pre-IFRS 16 basis) to be below 2x EBITDA. We believe a downward trend in core net debt will be well received as Tyman progresses towards its stated medium term 1–1.5x target.

In the US, **AmesburyTruth** (AT) customer service levels appear to have stabilised following factory move-related inefficiencies and are now said to be improving, but there is further to go. Options for problematic door seals line production (ie make or buy) are still under review. Otherwise, AT is seeing normal seasonal trading patterns in the group's largest market. Elsewhere, new next-generation smartware product launches by **ERA** in the UK and general cost reduction steps at **SchlegelGiesse** (RoW) operations are noted actions in mixed but generally soft market conditions.

Valuation: Unchanged estimates, low valuation

Tyman's share price has recovered somewhat from a 196p low following the interim results, but is yet to regain pre-results levels. The trading update – and our unchanged estimates – suggests grounds for further recovery with valuation multiples having compressed too far. A current year P/E and EV/EBITDA (adjusted for pensions cash) of 7.9x and 5.9x respectively are low historically and a prospective dividend yield of 6% reinforces this view.

Construction & materials

6 November 2019

Price **206.0p**
Market cap **£405m**

£/US\$ 1.29

Net debt (£m) at end June 2019 228.0

Shares in issue 196.2m

Free float 91%

Code TYMN

Primary exchange LSE

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(13.6)	5.6	(25.6)
Rel (local)	(16.4)	2.4	(28.6)

52-week high/low	279.5p	195.6p
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Business description

Tyman's product portfolio substantially addresses the residential RMI and building markets with increasing commercial sector exposure following acquisitions. It manufactures and sources window and door hardware and seals, reporting in three divisions: AmesburyTruth (North America; 64% of reported FY18 revenue), ERA (UK; 16%) and SchlegelGiesse (RoW; 20%).

Next events

FY19 year end	December 2019
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FY19 results announcement	5 March 2020
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Exhibit 1: Financial summary

	£m	2014	2015	2016	2017	2018	2019e	2020e	2021e
December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS									
Revenue		350.9	353.4	457.6	522.7	591.5	621.0	629.1	637.3
Cost of Sales		(236.1)	(234.0)	(290.4)	(331.8)	(383.3)	(388.9)	(385.9)	(387.6)
Gross Profit		114.8	119.4	167.3	190.9	208.3	232.1	243.2	249.8
EBITDA*		54.6	60.9	82.5	91.7	98.5	101.1	105.5	113.4
Operating Profit (Edison)		46.9	52.9	70.9	78.8	84.7	85.1	89.0	96.4
Net Interest		(4.5)	(6.0)	(6.9)	(8.0)	(10.1)	(10.8)	(10.3)	(9.8)
Other Finance		(2.2)	(0.6)	(0.4)	(0.8)	(1.3)	(3.5)	(3.5)	(3.5)
Share Based Payments		(0.9)	(1.0)	(1.0)	(2.0)	(1.1)	(1.2)	(1.2)	(1.2)
Intangible Amortisation		(17.8)	(19.6)	(21.7)	(22.9)	(25.8)	(28.2)	(28.2)	(28.2)
Exceptionals		(9.3)	(9.4)	(10.9)	(10.0)	(7.3)	(15.0)	(1.8)	0.0
Other		(0.3)	(0.4)	(0.5)	(0.6)	(0.2)	(0.2)	(0.2)	(0.2)
Profit Before Tax (Edison norm)		39.3	45.4	62.5	68.0	72.2	69.7	74.0	81.9
Profit Before Tax (Company norm)		41.6	45.4	62.1	68.3	72.7	70.0	74.3	82.2
Profit Before Tax (statutory)		11.9	16.1	29.4	34.5	38.9	26.3	43.9	53.5
Tax		(2.6)	(8.0)	(8.6)	(3.3)	(12.5)	(10.5)	(11.7)	(13.9)
Profit After Tax (norm)		36.8	37.3	53.8	64.7	59.7	59.1	62.3	68.0
Profit After Tax (statutory)		9.3	8.1	20.7	31.2	26.3	15.8	32.1	39.7
Average Number of Shares Outstanding (m)		167.8	168.2	173.0	177.2	191.4	194.9	194.9	194.9
EPS - Edison norm (p) FD		17.1	19.3	25.5	26.6	27.2	25.9	27.6	30.5
EPS - Company norm (p) FD		18.4	19.4	25.3	26.7	27.5	26.1	27.7	30.6
EPS - statutory (p)		5.6	4.8	12.0	17.6	13.8	8.1	16.5	20.4
Dividend per share (p)		8.0	8.8	10.5	11.3	12.0	12.3	12.9	13.5
Gross Margin (%)		32.7	33.8	36.5	36.5	35.2	37.4	38.7	39.2
EBITDA Margin (%)		15.6	17.2	18.0	17.5	16.7	16.3	16.8	17.8
Operating Margin (before GW and except.) (%)		13.4	15.0	15.5	15.1	14.3	13.7	14.1	15.1
BALANCE SHEET									
Fixed Assets		410.6	398.4	564.7	509.9	612.5	640.4	604.7	568.5
Intangible Assets		355.7	340.5	480.0	427.2	516.9	494.5	465.9	437.3
Tangible Assets		42.9	42.8	71.7	68.4	77.0	127.6	120.5	112.9
Investments		12.1	15.0	12.9	14.2	18.6	18.3	18.3	18.3
Current Assets		124.0	111.0	180.6	188.1	244.8	288.1	322.9	366.3
Stocks		47.6	46.0	70.7	75.3	105.3	104.8	104.0	104.5
Debtors		37.1	35.0	69.0	70.2	87.7	87.8	88.7	89.7
Cash		39.3	30.0	40.9	42.6	51.9	95.5	130.2	172.2
Current Liabilities		(52.3)	(44.4)	(86.4)	(82.0)	(102.9)	(108.8)	(109.2)	(111.4)
Creditors		(52.3)	(44.4)	(86.4)	(80.9)	(101.4)	(108.8)	(109.2)	(111.4)
Short term borrowings		0.0	0.0	0.0	(1.1)	(1.5)	0.0	0.0	0.0
Long Term Liabilities		(176.2)	(156.7)	(285.3)	(251.4)	(320.5)	(392.8)	(385.9)	(379.0)
Long term borrowings		(128.0)	(111.6)	(216.5)	(204.3)	(259.2)	(277.6)	(277.6)	(277.6)
Other long term liabilities		(48.2)	(45.1)	(68.8)	(47.0)	(61.3)	(115.2)	(108.3)	(101.4)
Net Assets		306.1	308.3	373.6	364.5	433.8	427.0	432.5	444.4
CASH FLOW									
Operating Cash Flow		40.1	49.4	79.9	67.0	85.0	96.8	109.1	117.8
Net Interest		(4.6)	(6.2)	(7.0)	(7.6)	(9.1)	(13.8)	(13.3)	(12.8)
Tax		(6.3)	(8.9)	(12.7)	(15.1)	(12.3)	(10.0)	(11.2)	(13.4)
Capex		(10.2)	(10.9)	(15.3)	(12.6)	(12.0)	(12.3)	(16.0)	(16.0)
Acquisitions/disposals		(6.5)	6.8	(96.1)	(6.3)	(106.4)	(1.0)	(1.5)	0.0
Financing		(4.3)	(2.6)	16.7	(0.8)	47.2	(2.0)	(2.0)	(2.0)
Dividends		(10.9)	(14.6)	(15.6)	(19.5)	(22.4)	(23.8)	(24.6)	(25.8)
Net Cash Flow		(2.8)	13.0	(50.0)	5.1	(30.1)	33.9	40.6	47.9
Opening net debt/(cash)		78.7	88.7	81.6	175.6	162.9	208.8	182.1	147.4
Finance leases initiated		0.0	0.0	0.0	0.0	(2.0)	0.0	0.0	0.0
Other		(7.2)	(5.9)	(44.0)	7.6	(13.9)	(7.2)	(5.9)	(5.9)
Closing net debt/(cash)*		88.7	81.6	175.6	162.9	208.8	182.1	147.4	105.4
Lease finance (under IFRS 16)							59.1	53.2	47.3

Source: Company accounts, Edison Investment Research. Note: *EBITDA and net debt both shown on a pre-IFRS 16 basis.

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