



Construction & Materials



Source: Refinitiv

Market data

EPIC/TKR	TON
Price (p)	92.5
12m High (p)	170.0
12m Low (p)	75.0
Shares (m)	11.1
Mkt Cap (£m)	10.3
EV (£m)	7.1
Free Float*	97%
Market	AIM

*As defined by AIM Rule 26

Description

Titon designs, manufactures and supplies a comprehensive range of passive and powered ventilation products; plus, handles, hinges and locking for doors and windows. "The home of domestic ventilation systems and door and window hardware".

Company information

Executive Chairman Keith Ritchie
Chief Executive David Ruffell

+44 1206 713 800

www.titonholdings.com

Key shareholders

Rights & Issues IT	11.4%
MI Discretionary UF	7.2%
Chairman	8.9%
Other Directors	7.9%
Founder/NED	15.7%
Family	6.8%

Diary

14 May Interim results

Analysts

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TITON HOLDINGS PLC

Condititoning

Initiation of our coverage was 16 March 2016 at 101.5p. In February 2018, the price was 215p and it stayed north of £2 for another year. In fiscal 2019, though, Titon weathered a perfect storm most notably in its largest profit earner, South Korea. Titon's PBT dropped by a fifth and, now, early in fiscal 2020, a profit warning. Titon is a veteran with branded products and core financial strength. It is battening down the hatches and cutting costs. It will prevail.

- ▶ **AGM:** On 18 February, Titon announced that trading conditions across its markets in the first four months of the year were tougher than anticipated; as a result, the board anticipates that underlying PBT for the year ending 30 September 2020 will be materially below management's expectations.
- ▶ **UK:** Sales of ventilation systems have risen slightly in the early fiscal year but window and door hardware have been lower than expected, as the UK economy showed little or no growth and "competition intensified". Nor has Titon seen any uplift in trading in 2020 following the General Election.
- ▶ **South Korea:** Activity levels in the new-build market have continued to fall as the Government intervenes to slow house price growth through restricting lending. This means that full-year sales at Titon Korea are expected to be ca.10% lower than forecast in December 2019.
- ▶ **Action:** Management is disappointed that current trading has continued to be challenging. However, it has taken steps to manage the cost base by reducing headcount and continuing "to bear down" on all costs in the business. Note, too, net cash at the end of January was just over £4m.
- ▶ **Condititoning:** In the past 12 months, Titon's total shareholder return (TSR) has been minus 39%. Remember, though, in the calendar years 2016 through 2018, its TSR averaged 31% p.a. The company was founded in 1972 and is empirically equipped to deal with slings and arrows. Hardman & Co's formal association with Titon ends this month (hence no forecasts) but we will be cheering from the bleachers.

Financial summary and valuation

Year-end Sep (£m)	2018	2019
Net revenue	29.8	27.2
EBITDA	2.67	2.58
Underlying EBIT	2.02	1.81
Underlying PBT	2.77	2.15
Underlying EPS (p)	18.2	14.5
Statutory EPS (p)	18.2	12.8
Net (debt)/cash	3.4	4.6
Shares issued (m)	11.1	11.1
P/E (x)	5.1	6.4
EV/EBITDA (x)	3.2	2.8
DPS (p)	4.75	4.75
Dividend yield	5.1%	5.1%

Source: Hardman & Co Research

AGM Statement: 18 February 2020

“As I noted in the 2019 preliminary results announcement on 12 December 2019, we continued to face political and economic uncertainties into our 2020 financial year, which made for a challenging first two months. These trends have continued and trading conditions across our geographies in the first four months of the year have been tougher than we anticipated; as a result, we anticipate that underlying profit before tax for the year ending 30 September 2020 will be materially below management's expectations.

“Sales in our Ventilation Systems business in the UK have risen slightly compared to the same period in 2019, but sales of our window and door hardware products in the UK have been lower than we expected as the UK economy suffered a very weak fourth quarter in 2019 and competition intensified. Despite reduced political uncertainty, we have not yet seen any uplift in trading in 2020 following the 2019 General Election and the UK leaving the EU on 31 January 2020.

“Activity levels in the Korean new-build market have continued to fall as the Government there has intervened to slow house price growth through restricting lending. This means that full year sales by Titon Korea are expected to be some 10% lower than we forecast at the time of the release of the preliminary results announcement in December 2019. Ventilation Systems sales in Europe have been significantly weaker than expected caused by customers over-stocking last year because of the original Brexit dates and by the postponement of a number of projects in Germany due to the weak economy there. Our Hardware business in the USA is also trading below expected levels.

“We are clearly disappointed that current trading has continued to be challenging for the first four months of the financial year, but we have taken steps to manage our cost base by reducing our workforce and continuing to bear down on all costs in the business for the rest of the year. Our financial position remains strong, with net cash balances at the end of January 2020 amounting to £4.03m.

“We will be reporting more fully on the first six months' trading in our Interim Report for the six-month period to 31 March 2020, which is due to be published on 14 May 2020.”

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