

Trading Update

TITON HOLDINGS PLC

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Titon Holdings PLC

22 February 2022

This announcement contains inside information

Titon Holdings Plc ("Titon", the "Group" or the "Company") provides the following update on trading for the current year to 30 September 2022 ("FY21/22").

UK and Europe

As indicated at the time of the Group's preliminary results for the year ended 30 September 2021 ("FY20/21"), trading conditions in the UK and Europe in 2022 were expected to be affected by shortages of materials and components, and price increases for materials, components, labour and energy. UK and European revenues for the first four months of year are slightly higher than FY20/21, but these supply chain issues have had a negative impact on our results in the financial year to date and we expect this to continue. Progress in our Ventilation Systems business has been held back by shortages of components, particularly fan motors from our main European suppliers and heat cells. In our Hardware business, revenues from bought-in Window and Door Hardware have increased over the prior period, but margins on these products are lower than on Ventilation Systems products. Sales of Titon manufactured hardware products have been flat in the first four months of the current year against last year. When combined with the supply chain difficulties we have faced in Ventilation Systems, net margins have been lower than anticipated to date in FY21/22 against the same period in FY20/21. We will seek to apply further price increases in the current financial year to recover higher input costs, but markets remain competitive.

As announced at the time of our preliminary results, we have continued to invest in new personnel hires during the year as we seek to secure the talent to improve the business. We will increase wages due to the very tight labour market and the increase in the National Living Wage in April 2022. Alongside this, we also decided to restructure some areas of our business to improve our efficiency and have accordingly incurred some restructuring costs, which will be treated as exceptional items in the current financial period.

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As a result of these items our results for the financial year will be significantly lower than our prior expectations. We continue to work hard to overcome these challenges but expect conditions to be difficult until at least the middle of 2022. We remain optimistic that when supply chain issues ease, we will see a return to good demand for our Ventilation Systems products. The changes in Building Regulations that were announced in December 2021 should also see increases in sales of our Hardware products in the second half of our financial year.

Rest of the World

Revenues from our subsidiary in South Korea, Titon Korea, have also been weaker than expected in the first four months of the year due to delays in site construction projects. It is expected that Titon Korea will incur a loss for the full year. Sales in Titon Inc. are higher than at the same time last year but have not been sufficient to avoid making a small loss for the period to date.

Strong balance sheet

The Group has consistently maintained a strong financial position with a rigorous focus on working capital management and various cost initiatives. At 31 January 2022, the Group had cash balances of approximately £4.2m and no indebtedness.

Update on Board recruitment processes

The process to appoint two new independent Non-executive Directors is progressing well and has reached an advanced stage. The Group's process to recruit a new CEO is also making progress and the Company will update shareholders on these appointments as soon as the respective processes are complete.

Keith Ritchie, Executive Chairman, commented:

"We are pleased that revenues for the first four months of the year have risen slightly against the same period last year in spite of the challenges we have faced. However, we expect that the Group's trading outlook for the full year will be lower than previously indicated. We will continue to bear down on all overhead costs in the business for the rest of the year, whilst we actively manage the market-wide supply chain and inflationary challenges.

"However, our financial position remains strong, with cash balances at the end of January amounting to £4.2m and no debt.

'The Group will report more fully on the first six months' trading at the time of our interim results which we expect to release on 12 May 2022.'

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