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This announcement contains inside information

22 July 2022

Titon Holdings Plc

Trading Update

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 we indicated at the time of the Group’s Interim results for FY21/22 trading conditions in the UK and Europe in 2022 were expected to be affected by shortages of raw materials and components, and price increases for materials, components, labour and energy, which would have a negative impact on our sales and margins. Although we have seen some easing in the supply chain constraints that held back our performance reported in the FY21/22 interim results, in the last three months we have continued to see margin erosion from cost inflation and this has had a significant bearing on our financial results for the second half of the year. We will be putting through further price increases for our own products before the year-end to seek to mitigate the margin impact of these cost increases going forwards.

Our trading has also been affected by unforeseen operational impacts associated with the implementation of the new internal ERP system for the UK and European operations. This new ERP system represents a key business improvement needed as part of our growth strategy, but the initial implementation led to short-term production and despatch delays which resulted in lower than expected revenues for the last three months of trading. This has been a source of great frustration for the Group as demand from our customers has remained strong during this time. We have also incurred some increased costs to implement the new ERP system and for system development, as well as increased labour costs to ramp up production output and to enhance staff retention as Titon has sought to address delays to the fulfilment of customer demand. The ERP implementation challenges are being resolved and our sales revenues have now returned to more normal monthly levels, but in the current financial year we do not expect sales in the final months of the year to be sufficient to recover the sales shortfall we have suffered. As a result of these items our results for the FY21/22 financial year will be lower than our prior expectations.

We are working very hard to increase the output of our Ventilation Systems products as supply shortages ease and have seen increased demand for sales of our Hardware products since the changes to Building Regulations came into effect in June 2022. We have also now filled the key management vacancies that we had identified earlier in the year.

Rest of the World

As set out in the FY21/22 Interim results, revenues from our subsidiary in South Korea, Titon Korea, have been disappointing this year due to delays in site construction projects and the shift in market demand to mechanical ventilation products from natural ventilation. Despite these lower revenues, we expect that results from Titon Korea and Browntech Sales Co. Ltd, our 49% owned associate company, will show a small profit for the full year, which is better

than anticipated at the time of the Interim results. We also expect to see revenues from sales of mechanical products bought-in by Browntech Sales Co. Ltd, start to accrue in FY 2022/23.

Strong balance sheet

The Group has consistently maintained a strong financial position with an on-going focus on working capital management and various cost efficiency initiatives. At 30 June 2022, the Group had cash balances of approximately £3.0m and no indebtedness.

Keith Ritchie, Executive Chairman, commented:

“We are obviously disappointed that the Group’s trading performance for the FY21/22 full year will be lower than previously indicated due to the margin pressures we have experienced and the production and despatch issues we have suffered from in the last three months as we implemented our new ERP system. We will continue to actively manage the market-wide supply chain and inflationary challenges and seek to increase our factory output for the remainder of the financial year. We thank all of our customers for their patience as we work to fulfil their orders and our employees for their continued hard work. Despite these difficulties we remain confident in our medium-term future, supported by our strong financial position.

We expect to provide a further update on trading in October 2022 ahead of our full year results for FY21/22.”

ENDS

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