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This announcement contains inside information

29 November 2022

Titon Holdings Plc

Trading Update

Titon Holdings Plc (“Titon”, the “Group” or the “Company”) provides the following update on the Group’s expected results for the year to 30 September 2022 (“FY21/22”) and on the outlook for the year to 30 September 2023 (“FY22/23”).

FY21/22 results

Trading in UK and Europe through to the end of the FY21/22 period continued in line with the Group’s expectations following its update on 22 July 2022, as the Group managed the inflationary environment, the ERP system implementation and the supply chain challenges that were present in FY21/22.

However, as a result of the previously reported weak housing market and shift in market demand to mechanical ventilation products from natural ventilation in the South Korean market, Titon’s South Korean business has reported to the Group a further decline in results for FY21/22. As a result, Titon now expects that the Group’s overall underlying loss before tax and exceptional items will be moderately larger than previously anticipated.

The Group’s financial results for FY21/22 remain subject to the completion of the Group’s audit. The Group expects that its final audited results for FY21/22 will be published in January 2023.

Current trading and outlook

Trading in the first two months of the Group’s current financial year to 30 September 2023 (“FY22/23”) has been in line with our expectations in the UK and Europe.

While supply chain shortages have eased, the Group continues to manage inflationary margin erosion through customer price increases, material cost savings and internal efficiencies. The Group has increased the output of Ventilation Systems products as supply shortages have eased and we have invested to increase capacity for our Hardware products to satisfy the increased demand resulting from the Building Regulation changes in June 2022.

In the UK and Europe, we currently expect to report a loss before tax and exceptional items in H1 FY22/23, but we expect to return to profitability in H2 FY22/23. Whilst FY22/23 results overall will be somewhat lower than our previous expectations, we expect FY22/23 will show a full year improvement in performance when compared to our expected FY21/22 results.

Having filled key management vacancies, we now have a strong and experienced leadership team in place whose focus is to improve business performance. In addition, we have an ongoing strong order book with our customers.

Titon Korea is expected to remain loss-making in FY22/23 due to the challenging market conditions, as the Group has yet to see significant sales of mechanical ventilation products launched in response to the shift in demand in that market.

Strong balance sheet

The Group continues to maintain a healthy balance sheet with no indebtedness. Group cash at 30 September 2022 was £1.7m. Following the investment in the Group's inventory holding during FY21/22 in order to mitigate the previous supply chain issues, a strategic focus in FY22/23 will be to reduce our inventory holding to normalised levels, to match order book demand and maximise our liquidity and overall working capital positions.

Alexandra French, CEO, commented:

"After a challenging year, we are comforted that the UK and Europe business performed in line with our revised expectations and has had a reasonable start to the new financial year. However, we are obviously disappointed to report that overall, the Group's trading performance for the FY21/22 full year will be lower than previously indicated due to the poor performance of our Korean subsidiary.

From a UK and European perspective, we now have a strong leadership team in place who have defined a clear vision for the business, and we are confident that this will enable us to deliver stability and ultimately a return to profit in these regions in H2 FY22/23. Titon Korea's return to profitability is now likely to be in the medium term while it develops its position in the mechanical ventilation market and we are therefore evaluating options for streamlining the corporate structure and operations of the Korean business.

We thank all of our customers for their valued business, and we look forward to returning to our strong levels of customer service. We also thank our employees for their continued hard work and commitment during what has been a difficult year. Despite these difficulties we remain confident in our medium-term future, supported by our strong financial position."

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For further information please contact:

Titon Holdings Plc

Keith Ritchie

Tel: +44 (0)7748 146834

Alexandra French

Tel: +44 (0)7949 409132

Shore Capital (Nominated Adviser and Broker)

Tel: +44 (0)20 7408 4090

Daniel Bush

Tom Knibbs

