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11 July 2024

Titon Holdings Plc

Trading Update and Board Change

Titon Holdings Plc ("Titon", the "Group" or the "Company") provides the following update on the Group's performance for the year to 30 September 2024 ("FY23/24").

Continued subdued market demand and construction delays, leading to slow conversion of orders into sales, have presented on-going challenging trading conditions since the update in the Company's interim results statement on 15 May 2024. As a result, trading in the UK and Europe through to the end of the FY23/24 period is expected to be below the Group's prior expectations, leading to an increased expected loss for the period. Through careful cost control and working capital management we are mitigating the effect on cash.

On a year-on-year basis, sales in our Ventilation Systems business unit have reduced. However, in recent months we have seen a reversal of this trend and are currently seeing modest growth returning. Encouragingly, we have seen strong growth in our order book, which has increased by 18% since the start of the calendar year but market delays have meant these orders are yet to convert into sales. Had they converted, revenues would have returned to the levels we saw during the first half of FY23. The Company believes that its product offering in this division is strong and margins are competitive, and whilst a wider go-to-market strategy needs to be further developed, we are confident that we will continue to grow our market share.

Sales in our Window and Door Hardware ("WDH") business unit have been slow in the UK throughout the financial year, balanced slightly by increasing sales into Europe, albeit from a low base. The UK sales trend is due to a combination of market-wide demand factors and our sales methodologies. We are addressing our WDH sales strategy accordingly.

Following the arrival of the Group's new Chief Executive two months ago, the Board and executive team have led an initial review of the strategy of the business. We have also outlined some initial cost reduction actions.

The forecast for Titon Korea remains unchanged since the previous update.

Healthy balance sheet

The Group continues to maintain a healthy balance sheet with no indebtedness and with cash of £2.1m.

Board Change

The Group also announces that Tyson Anderson will step down from the Board and leave the business with effect from today as a result of a wider restructuring to reduce the cost base of the business.

Tom Carpenter, Chief Executive, commented:

"It is well known that the UK and European new build market has been depressed which has affected many of Titon's customers and industry peers. As a result, the Company continues to face challenges with lower sales than last anticipated. We are now seeing growth in our Ventilation Systems sales and I am encouraged by the attractiveness of our product offering and recent, strong order intake in this division. Unfortunately, this growth is being offset by an erosion of sales in our WDH business unit. We are taking immediate actions to improve our sales approach in this division.

As a result of the strategic review, we have initiated several actions to return the Group to profitability:

- Ventilation Systems Growth:** *This market is expanding and offers competitive margins. We are seeing increases in order intake and anticipate further opportunities by winning specifications at the national construction company level and entering adjacent markets. To capitalise on these opportunities, we are creating a new Business Development role to drive sales in these segments.*
- WDH Sales Strategy:** *Our current approach to selling in the UK WDH market hasn't been meeting our expectations. Therefore, we are shifting our WDH sales approach, enhancing our website, and transitioning our direct sales team to focus on new business development.*
- Research and Development:** *While R&D remains crucial, spending will be adjusted to reflect our financial situation, focusing even more on projects that promise earlier returns and/or product margin improvements.*
- Marketing:** *To succeed, we need to improve our market positioning and have a clear value proposition for both our core business units. We are launching a new inbound marketing program to ensure decision-makers know who we are and why they should buy from us.*
- Margin Enhancement:** *We are not achieving the gross margins our products are capable of achieving. Therefore, we have initiated a company wide gross margin improvement program. Our goal is to realise meaningful gross margin improvements over the next 12-18 months.*
- Cost Reductions:** *We have achieved some cost efficiencies throughout the year and as of today we are undertaking some further reductions in headcount, while also continually exploring other cost saving opportunities.*

We also continue to explore options regarding the strategic fit of our Korean joint ventures.

Despite these challenges, I am optimistic about Titon's future. We have a great range of products and I am confident that with focus and hard work we will ultimately be successful. We are making good progress on our strategic plan

"With your focus and hard work we will ultimately be successful. We are marking your progress on our strategic plan and look forward to sharing this more widely in due course. We thank our employees, customers and shareholders for their continued support."

For further information please contact:

Titon Holdings Plc

Tel: +44 (0)1206 713 800

Tom Carpenter

Carolyn Isom

Shore Capital (Nominated Adviser and Broker)

Tel: +44 (0)20 7408 4090

Daniel Bush

Tom Knibbs

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