Tyman

FY14 results & AmesburyTruth focus

Planning ahead in North America

Construction & materials

Management sailed a very steady course during FY14. Momentum in the major trading regions is being taken into FY15 and we raised EPS estimates by c 15-16% following results. The next phase of development in North America has been announced, a wide-ranging plan to further enhance AmesburyTruth's leading position. Trading appears to be robust and we believe this should translate to renewed share price momentum.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/13	298.1	28.6	13.5	6.0	22.2	2.0
12/14	350.9	41.6	18.4	8.0	16.3	2.7
12/15e	378.0	46.6	19.8	8.3	15.1	2.8
12/16e	390.7	49.9	21.2	8.5	14.1	2.8

Note: PBT and EPS (fully diluted) are normalised, as defined by Tyman, excluding intangible amortisation and exceptional items.

Largest regional exposures drive profits ahead well

Tyman came in with a very solid set of FY14 results. Trading in North America and the UK (together 89% of revenue) was strong and both saw EBIT margin improvements of more than 200bp for the year. Ongoing weakness in European markets tempered this performance slightly. Group PBT rose by 23.4% y-o-y constant currency (CC) like-for-like (+45.6% reported) to £41.6m and was c £2m (c 6%) ahead of our estimate. DPS also moved ahead well (+33%) and was covered 2.3x by EPS, which rose slightly faster in the year. Net debt was slightly above our expected level at £89m, or c1.6x EBITDA. Following FY14 results we raised EBIT (Edison norm) estimates by c 13% (around half of which was FX-related), with slightly larger increases in PBT and EPS.

Next phase of development in North America to begin

The performance of AmesburyTruth in North America has been strong since a significant acquisition in 2013. Not resting on its laurels, management has announced a five-year programme to optimise its manufacturing footprint here, establishing manufacturing centres of excellence with attendant property, capex and supply chain realignment. The expected P&L cash cost of the programme is c US$10m (plus some non-cash charges) with a $10m annualised P&L saving anticipated by the end of the implementation period in 2020.

Valuation: US exposure to drive share price

Surprisingly, Tyman's share price is c 7% down year to date, underperforming the FT All-Share Index in the process, especially in the last month. We acknowledge that Tyman is not one of the cheaper stocks in the UK-quoted building materials RMI space (FY15 P/E 15.1x, EV/EBITDA 9.6x), but the company has delivered favourably against market expectations with a positive outlook. Also, factoring in significant US exposure with higher ratings seen in the sector in that region suggests to us that Tyman's share price retracement this year is unwarranted. We expect positive trading updates to translate to renewed share price momentum.

12 May 2015

Price	**299.5p**
Market cap	**£508m**
	£/US$1.54
Net debt (£m) at December 2014	88.7
Shares in issue* *Weighted average adjusts for EBT shares	169.5m
Free float	91%
Code	TYMN
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(4.9)	(1.8)	8.2
Rel (local)	(4.3)	(5.5)	3.4
52-week high/low		340.0p	234.8p

Business description

Tyman's product portfolio now solely addresses the residential RMI and building markets. It manufactures and sources window and door hardware and seals, largely for the North American (63%) and UK (26%) markets. (Percentages are for FY14 revenue).

Next events

AGM	15 May 2015

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FY14 results ahead of expectations

Directionally by region, Tyman's FY14 results contained few surprises including strong trading in AmesburyTruth and ERA partly offset by weakness in European markets at Schlegel International. At the headline level, PBT came in c 6% ahead of our estimate and was +23.4% y-o-y on a CC l-f-l basis (+45.6% reported). The North American and UK operations both contributed to this outperformance, demonstrating strong EBIT margin improvement in H2 (both up c 300bp vs H1 to 16.4% reported) and for the full year (up over 200bp y-o-y). The DPS step increase seen at the H1 stage was sustained for the financial year (+33%) and was covered 2.3x by EPS, which rose slightly faster in the year. Net debt was slightly above our expected level at £89m.

Divisional commentary

Tyman's two largest geographic operations (in North America and the UK) both delivered above market growth rates in generally more favourably trading conditions compared to the previous year. Moreover, both also managed a meaningful increase in EBIT margin, with the UK doing particularly well against our expectations. Overall, reported group EBIT came in c £2.4m above our estimates.

Exhibit 1: Tyman divisional and interim split analysis

£m	H1	H2	2014		H114 Actual y-o-y	FY14 Actual y-o-y	H114 CC l-f-l y-o-y	FY14 CC l-f-l y-o-y
Group revenue	**166.981**	**183.918**	**350.899**		**35.0%**	**17.7%**	**8.2%**	**7.4%**
AmesburyTruth	101.670	119.019	**220.689**		60.0%	**25.9%**	8.4%	**9.6%**
ERA (formerly grouphomesafe)	45.872	46.534	**92.406**		10.6%	**7.4%**	10.6%	**7.4%**
Schlegel International	19.439	18.365	**37.804**		4.1%	**2.9%**	2.9%	**-3.2%**
Group operating profit*	**19.382**	**26.695**	**46.077**		**79.3%**	**42.4%**	**21.1%**	**25.1%**
AmesburyTruth	13.697	19.471	**33.168**		120.9%	**49.1%**	26.2%	**28.9%**
ERA (formerly grouphomesafe)	6.088	7.651	**13.739**		25.6%	**30.9%**	25.6%	**30.9%**
Schlegel International	-0.403	-0.427	**-0.830**		70.8%	**108.5%**	-143.9%	**n/m**

Source: Company data. Note: *Company reported basis.

AmesburyTruth (North America: FY14 c 63% of revenue, c 72% of EBIT) hit its marks consistently in FY14 with sustained revenue and order book progress deep into the year, share gains in Canada (and probably in the US too) and post Truth acquisition synergy benefits of just over U$5m delivered as flagged. Given that there was a long tail to the US trading season in 2013, to compare well to this – implicitly with a faster H2 CC l-f-l growth rate – is an encouraging sign, in our view.

In North America, the US has been stronger in both new build and RMI segments. The Canadian market laboured at or below flat in 2014 but Tyman achieved +13% l-f-l revenue growth in the year through greater support for the acquired Truth operations from enhanced customer service and a broader offering, including Amesbury products. In the larger US residential market new build activity continued to recover strongly and RMI was also ahead (by a healthy +4.8%). Around 75% of AmesburyTruth 2014 revenue came from this segment and we estimate that its US revenues grew in the +7-8% l-f-l range in 2014. We believe that AmesburyTruth maintained market share in its core RMI market – despite exiting some lower-margin seal business – with door hardware sales in particular doing well. Increasing penetration of the commercial segment (ie non-residential +23.6% in the year to c 7% sales) also aided overall top-line progress in North America.

Operationally, progress was made on several fronts under the combined AmesburyTruth umbrella. A merger of the sales and marketing functions of Amesbury and Truth took place in H1, together with the implementation of a new sales structure with senior roles filled by employees from both companies, as well as by some new hires. The enlarged company footprint saw some investment in automation to enhance process efficiency, but relatively few location changes in the year (ie apart from warehouse consolidation in the Midwest and a relocation of extrusion lines from the closed Georgia facility). Towards the period end, the divisional head office was relocated to Minnesota.

The additional six months' contribution from Truth businesses in 2014 (compared to the six months' ownership in 2013) was around c U$60m revenue and c US$11m at the EBIT level. Over and above this, we estimate that a further c US$9m EBIT progress was generated by the enlarged operation. This includes c US$5m from operational synergies (through the actions outlined above) and the benefits of higher volume throughput and price inflation, net of some input cost increases. The actions taken and higher activity levels resulted in a 230bp increase in EBIT margin to 15.0% in 2014. A 5.3% adverse £/US$ movement (2014 average: 1.6479) represented an £11.9m revenue and £1.9m EBIT drag on sterling reported numbers.

ERA (UK: FY14 c 26% of revenue, c 30% of EBIT) is the renamed grouphomesafe operations, with effect from Q115. The name reflects strong brand heritage in Tyman's UK lock business and, we believe, will be the platform for gathering new product momentum. In 2014, outperformance of an improving market also characterised Tyman's UK operations; y-o-y increases of 7.4% in revenue (versus c +6% in its RMI-centric markets) and an exceptionally strong 30.9% in EBIT were generated from an unchanged business portfolio.

The 2014 growth pattern showed some variability with softer previous year comparators aiding H1 (+10.6%) but a flatter Q3, before a better end to the year diluted progress in H2 (+4.4%), resulting in the 7.4% overall increase for the year noted above. We understand that progress was made across the product portfolio, with demand from the OEM fabricator channel leading the way. Despite the variable sales pattern, EBIT moved ahead well in both half years, partly aided by sourcing benefits from relative sterling strength, especially in the traditionally stronger H2 trading period. Above average growth from the premium Fab & Fix hardware range suggests that customers are increasingly seeking to differentiate and increase fitting quality with positive margin mix effects for ERA. A wider supply base for Fab & Fix also positions the range for further growth and, at the same time, provides greater flexibility if required. Elsewhere, management also referenced new products (including bi-fold door and lock fittings) as a growth driver.

Schlegel International (FY14: 11% revenue, EBIT loss of £0.8m) again saw mixed country performances. As in H1, Australia and Singapore led the way, with impetus provided by the introduction of some Truth hardware products into the local product offering. After a lull in activity in Brazil around the World Cup tournament in June/July, business recovered towards the year end and the inclusion of Vedasil for 10 months following acquisition added £4.7m revenue and £1.3m EBIT to the divisional result. Northern European sales were patchy throughout the year and clearly lower y-o-y in H2 and, after a positive H1, Eastern Europe (chiefly Russia and Poland) was unsurprisingly also weaker in the second half.

An exit from Schlegel's small industrial products operation in Gistel, Belgium was not entirely unexpected following the relocation of its pile weatherstrip manufacturing to other facilities in the UK and Spain during FY13. A trading loss of £0.7m (on £1.7m revenue) from this facility accounted for virtually all of the reported divisional loss. Following closure of this non-core operation at year end, this drag will not recur in the current year. Elsewhere, Schlegel's distribution operation in Sao Paolo was relocated to Vedasil's weather seal manufacturing plant in Valinhos during H1.

Currency effects: at group level, sterling strength was a drag on reported revenue and EBIT (of £15.2m and £2.3m respectively), largely reflecting US dollar earnings translation. For the record, for the main overseas trading territories, the average £/US$ rate was 1.6479 (+5.3%) and £/€ was 1.2407 (+5.3%). More pronounced percentage gains were seen against the A$, C$ and real.

While the average rates were as described above, £/US$ weakened markedly from the c 1.71 peak around mid-year to close FY14 at 1.5533 versus 1.6490 a year earlier. Consequently, of the c £10m increase in reported net debt at the end of 2014 around half was due to this FX rate movement.

Strong underlying cash flow, but headline net debt higher

Net debt increased by c £10m over the course of 2014, ending the year at c £89m (excluding unamortised fees). In broad terms, the group headline EBITDA of £54m was applied to:

- £11m cash interest and tax payments;
- £11m working capital investment (inventory c £5m, trade payables c £5m); and
- £10m net capex (heavily oriented to North America).

Tyman's own measure of operating cash conversion (including capex) was 71.8% for 2014 (diluting the three-year average to c 90%), but the 100% medium-term is unchanged . After the above items and smaller, non-trading outflows (eg provisions and pensions), Tyman generated free cash flow of £19m. This more than funded cash dividends (of almost £11m) and the Vedasil acquisition. Equity purchases in H114 to service the group EBT and other finance effects resulted in a c £3m overall net cash outflow for 2014 as a whole. Reported net debt was further increased by a similar amount owing to year-end translation effects on US dollar-denominated borrowings, as mentioned earlier.

During the course of 2014, Tyman put in place revised financing facilities including an unsecured, floating rate £180m multi-currency RCF, together with an uncommitted £60m accordion facility (both running to June 2019). This was followed in November by a private placing of US$100m notes at an average rate of 5.15% (ie US$55m at 4.97% to November 2021 and US$45m at 5.37% to November 2024). Of the £128m gross debt employed at the end of 2014, almost three-quarters was denominated in US dollars. As at the end of December, Tyman's net debt stood at c 1.6x 2014 EBITDA. At that time, the company had headroom under committed facilities of £115m, cash of £39m plus the £60m accordion if required. This is clearly more than sufficient to accommodate the normal seasonal working capital build (a peak-to-trough movement of c £15-20m) while retaining flexibility to invest across the business and make bolt-on acquisitions should the opportunity arise.

Cash outflow from announced exceptionals

In 2014, Tyman recorded total P&L exceptional and impairment charges of £9.3m. The closure of Schlegel's Belgium facility accounting for 70% of this, spread across both categories. The near-term cash implications were an estimated £3m outflow (ie redundancy/reorganisation costs and M&A-related ones) in 2014 with a further £3m (the tail of redundancy costs plus some property exit costs) expected in 2015.

Estimates raised

Year-end momentum and forward-looking management comments referencing expected growth in FY15 were explicit positives with the FY14 results and, at the time of reporting, FY15 had started ahead of the previous year and in line with management expectations. As H114 saw some unprecedented weather conditions in the US and, to a lesser extent, UK market, this should be beneficial to y-o-y progress, especially in Q2.

In underlying terms, we have upgraded our FY15 and FY16 EBIT (Edison norm) estimates by 6% or slightly above. Factoring in updated currency assumptions (ie £/US$ of 1.5250 versus 1.67 used in estimates set in Q314) more than doubles the rate of increase to just above 13% in both years.

Exhibit 2: Tyman estimate revisions

	EPS FD norm (p)*			PBT norm (£m)*			EBIT (£m)		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
2014	15.5	17.1	+10.3%	36.9	39.3	+6.5%	44.4	46.9	+5.7%
2015e	16.9	19.7	+16.6%	40.4	46.4	+14.9%	47.5	54.0	+13.6%
2016e	18.2	21.0	+15.4%	43.4	49.6	+14.3%	50.2	57.0	+13.4%
2017e	N/A	23.2	N/A	N/A	54.7	N/A	N/A	61.5	N/A

Source: Edison Investment Research. Note: Edison norm includes Other finance (including borrowing cost amortisation) and excludes Other (pension net finance costs).

North America: a market overview

In 2014, North America accounted for 63% of group revenue and 72% of reported EBIT (equivalent to US$364m and US$54.7m respectively). In this, the US represented 86% of revenue and Canada 14%. We believe that sales to the residential segment – including newbuild and RMI – are c 90% of the total. Historically, Truth Hardware (acquired in July 2013) had a greater revenue percentage in Canada and this has improved market access for Amesbury product lines. In the following sections, we provide an overview of the market scale and structure in North America, majoring on the US.

US housing market – scale and recent trends

According to the US Census Bureau, the US population is approaching 320m people with 133m recorded housing units, of which just over a quarter are multi-occupancy dwellings. Home ownership is understood to account for almost two-thirds of the housing stock. (For the record, Canada's population is c 36m and the number of private dwellings stood just above 13m in 2011 - source: Statistics Canada.)

For AmesburyTruth, the **new build market represents c 40% of revenue**. During the last housing cycle, sales of new single homes reached a record high of almost 1.4m (July 2005, seasonally adjusted annual rate) and a record low of 270,000 five or so years later (February 2011, SAAR). Since the beginning of 2000, new single home SAAR sales have averaged around 722,000. As shown in Exhibit 3, current activity levels are somewhat below this but, taking permitting, starts and completions as lead indicators, should trend upwards.

Exhibit 3: US housing data bank

	2014												2015		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
New homes															
Building permits	598	593	611	612	617	639	632	634	641	643	654	675	661	623	636
Starts	583	589	635	649	634	593	652	641	663	716	674	725	678	592	618
Completions	609	617	614	606	628	591	631	611	627	614	613	667	674	597	602
Sales	457	432	403	413	458	409	399	448	456	469	448	496	514	543	481
Existing homes															
Sales	4110	4100	4140	4160	4310	4410	4470	4420	4500	4540	4350	4500	4280	4350	4590
Inventory	1670	1650	1700	1960	2000	2050	2070	2070	2020	1980	1850	1640	1670	1660	1740
Prices	13.2%	12.9%	12.4%	10.8%	9.3%	8.1%	6.7%	5.6%	4.8%	4.4%	4.3%	4.4%	4.5%	5.0%	N/A

Source: US Census Bureau – new home data (000s), National Association of Realtors – existing home sales and inventory (000s), S&P/Case-Shiller – existing home price data (% change year-on-year). Note: All data for single-family dwellings = SAAR.

The lower half of Exhibit 3 shows data for existing homes as drivers of **RMI spend, being c 60% of AmesburyTruth revenue**. The peak of the last cycle was c 6.2m sales (in 2005, SAAR) for existing single-family homes, with a subsequent low of c 3.4m (in 2010, SAAR). The latest reading in this series (ie a 4.59m SAAR in March 2015) is understood to be at the highest level for 18 months.

Housing RMI is a fragmented market with no formal official data source that registers specific activity levels. Harvard University's Joint Centre for Housing Studies produces a rolling 12-month forward view of the sector's prospects and an annual Emerging Trends publication. The January 2015 report valued total US remodelling spend at US$300bn, split between owners (c 82%) and rental (18%) segments. Drilling down further, home improvement spend, specifically on exterior windows and doors, was estimated to be US$10.6bn in 2013. This is in line with the annual average of the last 20 years (which included a 2007 peak of US$14.5bn). Tyman estimates that its addressable market is c 12-14% of this average. Clearly, these end market values are comprised of a number of elements, including supply chain mark-ups and other materials (eg glass and frames) and fabrication value added. So, while we are unable to quantify the value of the addressable market at product level, it is clear that AmesburyTruth is a supplier into an important and significant industry.

Features of the US window and door sub-sector

Tyman's primary customer focus is OEM fabricators of doors and windows for the residential market. There are 10 companies that are understood to have over US$500m revenue in this space:

- Andersen Corp
- Formosa Plastics (HQ: Taiwan)
- Fortune Brands (NYSE listed)
- Jeld-Wen Inc
- The Marvin Cos.
- Masonite International (NYSE listed)
- Pella Corp
- Ply Gem (NYSE listed)
- YKK AP Inc (HQ: Japan)
- VKR Holding (HQ: Denmark, includes Velux)

Allowing for some regional frame and product demand characteristics, we would expect these companies to effectively have national reach. Below this, a further 18 companies generate annual revenue in the US$100-500m range with a further 70 companies sub $100m. At this end of the spectrum, we would anticipate that the participants have more of a regional focus, most likely with a narrower range of product variants.

Reflecting this industry structure, AmesburyTruth has a heavy bias towards 'direct to OEM' customer sales, especially in the US (95% OEM, 5% via distributors) and, to a lesser extent, in Canada (c 80:20 respectively). Consequently, there is a degree of customer concentration, eg the largest five customers account for c 40% of the total (and the top 20 customers are c 60%) but also opportunities to gain share among smaller OEMs and distributors where it has perhaps been less well represented in the past.

AmesburyTruth: Focused on operational improvement

Overview

The acquisition of Truth Hardware from Melrose in the middle of 2013 (see our outlook note published in November 2013) bolted on a significant door and window hardware business to Tyman's existing operations in this sector in North America. The initial integration phase is well advanced, having yielded c US$5m synergy benefits to date, and further strategic initiatives have recently been announced to increase operational cohesion. Looking at reported numbers, financial progress to date is summarised as follows:

- **FY12: revenue US$314m, EBIT US$36.9m** (pre-acquisition – pro forma illustration); and
- **FY14: revenue US$364m (+15.9%), EBIT US$54.7m** (+48.2%), EBIT margin 15.0% (+320bp).

We now go on to describe the operations, some of the actions that have been taken to integrate the businesses and the announced strategic plan to further raise performance.

Senior management team formed

Amesbury and Truth were both well established and leading suppliers in the window and door industry at the time of their combination. While the business fit was very good on several levels, there was obviously a requirement to integrate the companies.

After an initial integration steering committee period, senior management was brought together under the leadership of Jeff Graby, who was previously president and CEO of Truth. The other six executives now comprise three people from Amesbury and three new external appointments, including CFO Jeff Johnson. At the beginning of 2014, the sales and marketing team was integrated in a new structure in which regional roles were again filled from a combination of Amesbury, Truth and new employees. We also note that, at the end of the year, the former Amesbury head office in Amesbury, MA was exited and relocated to Minneapolis to be closer to some of the primary manufacturing operations and leading customers.

Our observation, based on a visit to US operations in mid-2014, is that the unified management team functions well with a similar, progressive culture among the business leaders. This is not to say that team members had identical approaches beforehand. Indeed, their relative strengths have brought business cross-fertilisation opportunities, such as the migration of Amesbury's lean supply chain management to former Truth sites, with recognised expertise in production automation being a reciprocal benefit. Overall, we found that Tyman's approach to continuous business improvement – characterised by a detailed, multi-faceted programme – had percolated through to and was embraced by AmesburyTruth employees at all levels.

Ahead of the acquisition, Amesbury had begun the implementation phase for a new ERP system and this is currently being rolled out across other AmesburyTruth manufacturing sites. This is a significant facilitator for the forthcoming optimisation of the divisions manufacturing footprint and the benefit expected to accrue from it.

Integration costs and benefits

As well as improving market conditions and some share gains, the benefits to date of specific actions taken to integrate the two businesses have also been quantified. At the time of acquiring Truth, Tyman flagged US$5m of expected synergy benefits.

Synergy gains: in the first six months of ownership (ie H213), c $0.9m synergy gains were secured, followed by a further c $4.6m in 2014 including, we assume, annualised effects of previous year actions. In round terms, around $2m of the FY14 uplift related to personnel costs compared to pre-acquisition levels. A further c $2m was derived from the integrated sales and marketing team structure and the remainder split broadly equally between property overhead reductions and supply chain benefits.

Integration costs: to achieve this, Tyman has incurred c £5.4m exceptional integration costs to the end of FY14 for the enlarged business. This comprises c £1.6m cash (mainly redundancies), £3.2m of inventory-related write-downs and £0.6m onerous lease provisions for the exited Covington, Georgia site.

The initial synergy target was increased when FY13 results were announced to 'at least' US$8m, indicating an incremental c US$3m gains to come through in FY15. Additionally, exiting the Ontario, CA site at the beginning of 2015 (relocating lines to both Cannon Falls, SD and Fremont, NE as well as withdrawing from non-core, non-fenestration ones) should also make a positive contribution. The next stage of closer integration has recently been announced and is moving into the initial implementation phase now. We cover this in more detail later.

Operational complexity in process and production control

In North America, the decision to 'make or buy' is substantially skewed towards the former currently as the majority (over 90%) of revenues are own-manufactured products. Moreover, much of the component supply chain is also internalised and AmesburyTruth undertakes a number of different production processes. Product design is critical in the company as a focal point for new product introductions, efficient manufacture and gross profit contribution at unit level. It can be seen as the axis between the external sales and marketing face of the company and the co-ordinated capability of internal production and supply chain management.

The internal manufacture of components covers a variety of different processes including:

- Stamping
- Injection moulding
- Die casting
- Extrusion
- Painting/coating
- Spring production

Typically, these processes produce components in batch volumes to accommodate a number of different variants and, ultimately, end-product demand. To ensure that multiple product orders from

OEMs can be kitted together and delivered on time and in full, a master production schedule that co-ordinates all aspects simultaneously is required. Effective management of this is key to controlling levels of wip inventory, including seasonal swings. Having brought together the individual components, final assembly, quality testing and shipping represent the culmination of the process. End-product complexity varies, as does the final assembly task. Truth has historically used automation at this stage more extensively than Amesbury and its adoption is widening across AmesburyTruth's operations

An US analyst visit in 2014 incorporated two manufacturing sites (one existing Amesbury and one Truth) and provided exposure to senior and operational management teams. It served to contrast differences in products and production processes, highlighting also component flows between facilities and encapsulated issues to be addressed in a full strategic integration of the businesses.

Owatonna, Minnesota

Under Tyman's ownership, some site reorganisation and consolidation of the Truth facilities has already taken place, including exiting two warehouse facilities (selling one freehold and handing back a leased site). As well as reducing property and associated costs, these moves collectively simplified the movement of goods between sites and improved production flows.

Exhibit 4: Truth hardware facilities

	Function	Size sq ft	Tenure	Post-acquisition actions
Owatonna, MN - W Bridge St	Mfg	210,000	F/h	Reorganised die casting, absorbed lines from 24th Avenue.
Owatonna, MN - 24th Avenue	Mfg	100,000	F/h	Moved lines to Bridge St, absorbed finished goods.
Brampton, Ontario	Mfg	70,000	L/h	Lease renewed on reduced space (January 2014).
Owatonna, MN - Hoffman St	W/house		F/h	Exited – sold.
Owatonna, MN - 24th Avenue	W/house		L/h	Exited (lease expired December 2013).

Source: Tyman, Edison Investment Research

In the US, Truth's premium window and door hardware products are now made at two sites, less than a mile apart, near Minnesota. Following the relocation of some lines, West Bridge Street undertakes the majority of product manufacturing and customer shipment responsibility, while 24th Avenue now primarily houses paint and kitting lines as well as holding finished goods inventory. The Brampton satellite facility in Canada produces hardware components (eg bearings, roller assemblies, stampings).

Production comprises a range of cell-based, light assembly and finishing processes, depending on the final product, bringing together a range of component types. The majority of these are produced in house using a variety of techniques (including zinc die casting, stamping, coating). While the relocation of some assembly equipment has benefited production, there is more to be done. Some 160 projects were identified in what is now a rolling continuous improvement programme. Cell automation had been introduced under the previous owners, facilitated by new hires, and further investment is taking place in this area. Most obviously, this increases throughput potential subject to (internal and external) supply chains being aligned to this. The greatest gains to be had are where new products can be introduced with enhanced specifications and which lend themselves to semi-automated manufacture. This brings together premium product/pricing and reduced cycle times and manufacturing costs (subject to volumes) and the potential for higher margins.

Sioux Falls, South Dakota

Strategically well placed with good east/west and north/south transport links, this site was originally a door hardware supplier (including handles, multi-point locks and sliding door rollers). It has also become a significant producer of block and tackle balances (typically used for larger/heavier double-hung windows), being one of three sites in the existing Amesbury portfolio producing various balance types. Together with Juarez, Mexico and Stateville, NC, North American operations were expected to produce c 40m of this balance type in 2014, each unit with a throughput of c 10m units or more. These other two sites also produce constant force balances (c 17m units combined). Other specialisms including spiral balances and spring manufacture at Statesville and sub-assemblies at Juarez, the latter being more manual processes. All three sites were originally Amesbury operations and, following the acquisition of Truth, we believe there is evidence of increasing site co-ordination between related and interdependent product groups.

Compared to Owatonna, Sioux Falls has a greater focus on final product assembly with less on-site component production, drawing on other group companies. For example, it receives stampings from Fremont, NE, springs from Statesville, NC and part or sub-assembled balances from Juarez, Mexico. Its service proposition is to be able to offer a range of size, configuration and delivery quantity with a short order cycle by effective supply chain and production process management. For a small number of customers, the Sioux Falls site receives daily electronic orders, down to their production sequence level, which are delivered line-side, matching specific hardware and balance requirements to their throughput. This indicates a high level of integration and customer service facilitated by build-to-order, cell-based, lean manufacturing techniques. Investment in 3D printing technology in 2014 means that internal and customer product development can also now benefit from rapid prototyping capability.

2014-16 core objectives

Following early initial integration steps, AmesburyTruth established a broader three-year sales and marketing-led plan. In simple terms, this established a framework for customer engagement including a total portfolio/cross-selling strategy and development of mid-tier accounts, together with sales targets including identification of some higher growth opportunities. This external, customer-oriented approach was to be backed by product portfolio alignment (ie rationalisation of non-core/overlapping lines, adding complementary ones) and a focus on driving out cost. This operational plan set the desired shape of AmesburyTruth in the market place by the end of 2016.

The core objectives of the plan are summarised as:

- **Make it easy to do business with AmesburyTruth.**
- **Dual customer strategy** (segmenting strategic and transactional customer levels).
- **Cross-selling** (a total portfolio approach).
- **Optimise portfolio.**
- **Drive out costs and complexity.**

The core thrust of this plan is to become a value-based sales and marketing organisation, with individual customer-level strategies, rather than a traditional product-by-product, price-led one.

The Amesbury and Truth sales teams were combined at the beginning of 2014 under a redefined regional sales structure and management introduced a more sophisticated suite of sales performance tools.

Amesbury was in the early stages of implementing a new ERP system at the time of the Truth acquisition and the benefits of this common platform – both from internal reporting and external customer interface perspectives – would now be magnified across the enlarged entity. At the end of 2014, two locations (Amesbury, MA and Fremont, NE) had moved onto this system; a further three sites are expected to do so during 2015 and, hence, should feed in progressively into 2016.

With regard to the product portfolio, actions have been taken on several fronts. Initially, slow-moving and obsolete items were identified and scrapped or provided for. Subsequently, there has been investment in automation – often following the relocation of lines – to increase production efficiency. An ‘invest to win’ approach has been adopted, and extending to new product introductions. This area has not been overly emphasised to date, which is understandable given the integration agenda. However, we would expect an increased level of activity here to chime in with the enhanced organisational and sales and marketing structure. In terms of opportunities, management has highlighted three areas of particular strategic importance that offer above market growth prospects: the commercial sector, patio door hardware and Canada. Exhibit 5 shows 2013 revenue and market share levels in these three areas, reported 2014 growth and the 2016 target.

Exhibit 5: AmesburyTruth high opportunity segments

	Share (%)		Revenue (US$)		Growth %	Target (US$)	Uplift (US$)
Segment	2013	2016e	2013	2014	2014 vs 2013	2016e	2016e vs 2014
Commercial	6	22	15	19	23.6	70	+51
Patio door hardware	31	40	34	38	13.2	60	+22
Canada	38	44	36	41	13.0	51	+10

Source: Tyman

Compared to their shares in residential markets, both Amesbury and Truth separately had limited presence in the commercial segment and it is clearly in the process of rectifying this. Truth had a stronger position in Canada than Amesbury and this is a conduit for increasing sales from AmesburyTruth's enlarged product range.

The 'driving out costs and complexity' element of AmesburyTruth's core objective plan had a more extended planning phase, incorporating a formal review of the manufacturing footprint. Rather than aiming to optimise individual plants or product groups in isolation, this was a holistic approach to the North American manufacturing and service infrastructure as a whole. The conclusions of this planning process were announced with the FY14 results and we discuss them in more detail below.

Driving out cost and complexity: Plan to optimise the North American footprint

As mentioned earlier, some adjustments to the property footprint of the combined Amesbury and Truth operations have already taken place. Warehouse consolidation in Owatonna in 2013 related to Truth sites and two extrusion facilities that have been exited subsequently (including relocated lines) were both Amesbury adjustments.

The new 2020 plan has been outlined, although specific operational details have not been made public externally at this stage. It is intended to be a two-stage programme, from now to 2017 (to prepare and configure core ongoing sites) and, with some overlap, 2017 to 2019 (to execute site moves and rationalisation). More detail will emerge but, in advance of this, we provide an overview of the current position as a reference point for change. Exhibit 6 shows the current 11 locations and their manufacturing specialisms, while Exhibit 7 outlines the range of products in the portfolio.

Exhibit 6: AmesburyTruth facilities

	Hardware	Balances	Seals	Extrusion
2014 revenue: US$364m	**50%**	**20%**	**20%**	**10%**
Owatonna, MN - W Bridge St	●			
Owatonna, MN - 24th Avenue	●			
Brampton, Ontario	●			
Fremont, NE	●			
Canton, SD	●			
Sioux Falls, SD	●	●		
Juarez, Mexico		●		
Statesville, NC		●	●	
Amesbury, MA			●	
Rochester, NY			●	
Cannon Falls, MN				●
Ontario, CA (exited 2015)				●
Covington, GA (exited 2014)				●

Source: Tyman, Edison estimates

Exhibit 7: Product groups

	Doors	Windows		
Hardware	●	●	Locks Handles Hinges	Operators (manual/motorised) Latches Sash lifts
Balances		●	Block & Tackle Spiral	Constant force Hybrid
Seals	●	●	Woven pile weatherstrips (surface mount/slotted) Extruded foam compression seals	
Extrusion	●	●	Thermoplastic PVC profiles (eg beading) eg beading, protective strip, door sweep, seal	
		Includes: hung, casement, sliding windows (timber & vinyl)		
	Includes: hinged, sliding, bifold, screens, storm doors (timber & vinyl)			

Source: Tyman

Each of the product groups can have a number of variants, by function, size and specification (with 32,000 SKUs in total). As mentioned earlier, AmesburyTruth has an extensive internal supply chain producing the majority of components used, as well as an external supply chain that sources intermediate raw materials and the remaining, bought-in components. While product groups may have some common elements the internal component kitting supply chain and assembly process has to accommodate variations. Added to this, each of the primary product groups is manufactured in more than one location. Consequently, there is a significant flow of materials both within facilities and between them, with complex handling, logistics, inventory and transportation requirements.

Migrating to a new manufacturing model

Under the new proposed footprint, four manufacturing centres of excellence, each with product development responsibility, are expected to emerge. We believe these will be defined by core, high-volume finished product lines, but not necessarily aligned with one of the single product groups shown in Exhibit 6. Some existing locations, for example, already manufacture more than one group. The aim of achieving production flexibility suggests to us that similar processes (eg in final assembly) could be grouped together. An increase in production capacity may well result from this increased flexibility, but is not a near-term necessity given that management estimates headroom of 30-40% with facilities currently.

In addition to this four-centre structure, an unspecified number of feeder or satellite facilities are anticipated covering components, sub-assemblies and, possibly, secondary or back-up supply product lines. So, in a wider context, choosing the location of these primary and secondary locations concurrently (relative to each other and to leading customers and distributors) is necessary to optimise transport and logistics. Ancilliary sourcing decisions such as 'make or buy' and, if sourcing externally, whether the supplier should be US based or elsewhere are also relevant. We should add here that Tyman has formally established a South-East Asian sourcing team and now also has Vedasil (a manufacturer of pile weather seals) in Brazil as potential suppliers.

Financial implications of plant optimisation

Given the phased implementation, costs are to be spread over the full four-year period and benefits are expected to begin to flow from 2017 onwards. In headline terms, total P&L costs are expected to be US$18-20m (split broadly equally between cash and non-cash items) and the full run rate of annual P&L savings of US$10m is expected to be attained by 2020. This is to be supported by a net capex programme, which probably includes (unspecified) asset disposal proceeds. The phasing of all three elements is shown in Exhibit 8.

Exhibit 8: Financial implications of North American footprint optimisation

US$m	2015	2016	2017-19	Total
Cash	2.5	2.5	5.0	**10.0**
Non cash	1.0	3.0	4.0-8.0	**8.0-12.0**
P&L costs	**3.5**	**5.5**	**9.0-13.0**	**18.0-22.0**
P&L saving*	**---**	**---**	**2.0---7.0**	**10.0**
Net capex	2.0	5.0	8.0-16.0	**15.0-23.0**

Source: Tyman. Note: *P&L saving –US$2m in 2017, rising to US$7m in 2019 and US$10m in 2020.

Clearly, this should be taken as illustrative guidance from the company. Given the extended nature of the process there may well be some variability in timing of execution. Our published estimates cover the 2015-17 period. For the first of these years, we factor in the costs as shown above (with no benefit) and for 2017 we assume the same cost profile as in 2016, with US$2m P&L benefit in the year.

Sensitivities

Tyman is an international supplier of building products, primarily into window and door industry supply chains for residential markets. While financial markets and interest rates have a global context, local conditions in the key UK and North American market are sufficiently different to consider them as independent in our view. While economic policy linkages in Europe are stronger in some areas, individual country conditions vary and Schlegel International serves a wide range of countries. Hence, geographic diversity makes earnings less vulnerable to single market shocks, although Tyman is clearly very US centric.

Housing cycles and RMI lead indicators: in broad terms, ongoing GDP growth, high employment levels and real earnings growth and an expectation that these features will continue are characteristics of healthy housing market conditions. Rising disposable income and confidence in asset prices provide the platform for housing transactions at all levels, subject to affordability and availability of finance. Tyman addresses both RMI (where spending, which is typically thought to be most active in the 12-24 months following a house move) and newbuild segments. Hence, housing transactions are considered to be an important lead indicator for the industry, in the context of the wider economic cycle. With interest rates at historic lows, the impact of increases here are yet to be determined.

Market concentration, structure and supply chain management: Tyman is a B2B supplier of building products and services into multiple market channels including OEMs, fabricators, national and regional distributors. We believe that Tyman's North American customer base has a higher concentration (with the top five accounting for c 40% of sales) compared to the UK, which has a more fragmented window and door supply industry. This brings different service level and supply chain challenges. Note that AmesburyTruth and Schlegel sell a higher proportion of in-house manufactured products compared to ERA. All three have to balance relatively short demand visibility with the sourcing times for materials, components and third-party manufactured items, which are frequently sourced in the Far East.

Product portfolio approach: the markets addressed are well established. There are regional product differences (eg balances in North America, higher proportions of hardware in the UK and seals for Schlegel), but also common lines. We believe that offering customers multiple product lines is advantageous to Tyman's market position and pursuing a 'good/better/best' strategy widens the accessible market. At the same time, this approach requires design and investment in the portfolio to maintain leadership, robust pricing and stay abreast of OEM and end-customer trends. Security, performance, durability and appearance are central product features. Tyman companies are launching a number of new products across the regions in 2015.

Translational and transactional FX effects: given the contribution of AmesburyTruth to group earnings, £/US$ is the most important cross-rate and a 1c movement in the average rate equates to a £218k impact on reported EBIT. Also, ERA's US$ sourcing means there would be a similar impact on profitability, in the absence of hedging and other pricing adjustments. The other leading currencies used are the euro, Australian dollar, Canadian dollar and Brazilian real, but a 1c movement against sterling has less than a £10k impact on profit.

M&A: management has been very adept in changing the shape of the group through acquisition, disposals and footprint adjustments, as well as fundamental business investment. Tyman is conservatively financed and has headroom to make further bolt-on acquisitions. The scale, terms and timing of any such deals cannot be determined in advance, or guaranteed. We anticipate that the primary focus will be on the addition of complementary products that can be sold through the strong positions established in existing market channels.

Valuation

Tyman has undergone a transformation over the last five or so years. A focus on reorganisation and debt reduction in the early years was accelerated by a material non-core business disposal in 2011 to establish a clear position as an international building products supplier. This platform has been further developed through investment and acquisition to increase the scale and rate of the group's earnings progress. Timing here has been excellent, dovetailing with an upturn in activity levels in its primary regional markets. The investment case was initially built on turnaround and recovery, but for investors now we believe Tyman should be considered as a growth stock and rated accordingly.

Trading on a growth rating

On our revised estimates, Tyman is currently trading on an FY15 P/E of 15.1x followed by 14.1x one year further out. With an expected EPS three-year CAGR of 11% for our estimates, this represents a three-year PEG of c 1.4x. Note that our earnings estimates are believed to be c 6% and c 10% below consensus for the current year and next respectively. Based on this external consensus, the FY16 P/E would be c 13x. Turning to EV/EBITDA (adjusted for pension cash payments), on our estimates an FY15 multiple for Tyman of 9.6x reduces to 8.9x for FY16 (and 7.9x for FY17).

Premium to smaller peers, discount to larger ones

Compared to other UK-quoted companies active in the UK RMI space, Tyman is trading on a c 50% P/E premium to the smaller peers shown in Exhibit 9, but a c 20% discount to Howden in 2015. It is on a small discount against other, less adjacent, companies such as Polypipe and Travis Perkins (not shown).

Exhibit 9: UK RMI peer group table

Annualised	Price (p)	P/E (x)			EV/EBITDA (x)			Dividend yield (%)		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
Entu	138	10.3	9.1		6.8	5.8		6.9%	7.7%	
Epwin	118	10.3	9.9	9.5	6.0	5.5	5.0	5.4%	5.6%	5.7%
Howden Joinery*	465	18.9	16.8	15.6	12.2	11.0	9.9	2.1%	2.4%	2.6%
Norcros*	17	8.5	8.0		5.1	4.7		3.4%	3.8%	
Safestyle	182	10.5	9.7		6.7	5.9		5.3%	5.7%	
Tyman	299.5	15.1	14.1	12.8	9.6	8.9	7.9	2.7%	2.8%	2.8%

Source: Edison Investment Research. Note: *Consensus estimates. Entu and Norcros are calendarised. Prices at 29 April 2015.

As almost three-quarters of Tyman's 2014 EBIT was generated in North America, we should also consider prevailing valuations for quoted companies in that region. Our analysis of the quoted US building materials sector indicated an inflated near term P/E multiple above 20x, reducing to c 13x by 2017 and EV/EBITDA falling from 10x to 8.5x over the same period. As these companies are not direct comparators for Tyman and many of its customers are not quoted either, these multiples should be treated as loose proxies.

If we derived blended multiples (ie simple regional averages, weighted 30:70 for UK:North America, consistent with Tyman's 2014 regional EBIT contribution), this would result in P/Es of 20.5x for 2015, falling to 16.3x for 2016. EV/EBITDA multiples over the same time periods would be 9.2x and 8.2x respectively. In this context, Tyman is trading on a P/E discount and a small EV/EBITDA premium for these years, on our estimates. Tyman retains significant financial headroom that provides scope to invest – organically and by acquisition – to potentially increase headline growth rates. Its core markets in the UK and US are still recovering and below mid-cycle activity levels and, while European exposure may be a short-term drag on growth, it too should offer recovery potential in due course.

Financials

Following FY14 results, which were higher than anticipated, we have increased our PBT estimates for the next two years by around 15% and added an estimate for FY17 that indicates further growth. We expect the next three years to be characterised by healthy profit growth and good underlying cash flow to fund investment plans and reduce net debt in the absence of further acquisitions.

Earnings (Edison norm): Three-year EPS CAGR of 11%

In underlying terms, our estimates include revenue growth of between 2.5% and 3.5% over our forecast years (enhanced in 2015 by positive y-o-y currency effects). This is in line or slightly ahead of current OECD GDP growth expectations for the UK and US. RMI demand in these countries may be slightly better than this – although we expect some variability – and Tyman companies are tasked with increasing market share. In this context, we have incorporated a conservative view of top-line growth at this stage of the year. Beneath this, we expect the following features to prevail:

- **EBIT margin (company definition) rising from 13.1% in 2014 to 15.0% in 2017**; progress in North America, stability in the UK and a movement from loss to small profit in international.
- **EPS FD – three-year CAGR of 11%** (split approximately +15%, +7% and +10% for FY15-17). Below the EBIT line, higher initial interest costs following refinancing are expected to reduce with average net debt and a slightly higher but stable P&L tax charge.
- **DPS – steady rather than spectacular single-digit annual growth.** This lags EPS growth and sustains cover above 2x. This may prove conservative, but we see business investment and possible acquisitions as higher priorities. There is plenty of headroom for this under existing facilities, but a more measured dividend growth rate retains overall funding flexibility.

Cash flow: Strong underlying performance to fund investment

We expect the above trading performance to contribute to strong cash flow performance at all levels. This should not be at the expense of developing the business, with significant investment planned and cash costs associated with optimising the North American manufacturing footprint. Assuming for illustrative purposes that capex equals depreciation and before reorganisation costs, we estimate that Tyman will generate between £37m and £45m free cash flow on a rising trend across our three forecast years. This includes some working capital investment in FY15, but well below FY14 levels, and modest additions beyond this. Taking into account anticipated actual capex plans and expected reorganisation cash (incremental £4-6m pa and £5-6m pa respectively) absorbs c £10m pa of the above free cash flow illustration. Dividend payments are projected to be around twice covered by cash in each of the three years. Allowing for some share purchases in FY15 to meet share scheme obligations, we still see net cash generation overall of approaching £10m in FY15, rising to £20m by FY17. From a starting position of c £89m at the end of 2014, we see net debt below £50m three years later, well below EBITDA of almost £70m in that year.

Balance sheet: Well-invested and capacity for growth

As previously outlined, Tyman is currently conservatively geared – with plenty of headroom and healthy interest cover – and projected to be cash generative. Acquired intangibles (primarily goodwill) do form a material proportion of reported net assets, but we consider that the company has a sound and increasingly well-invested manufacturing asset base (as evidenced by rising ROCE – to 11.4% in 2014, with a 15% medium term target – and returns on tangible net assets/ controllable capital in excess of 50%). The management of seasonal working capital swings can be comfortably accommodated. Lastly, Tyman reported a small (£10m) net liability for retirement benefit obligations at the end of 2014. There is not expected to be a material additional cash requirement here over and above current levels in future years.

Exhibit 10: Financial summary

£'m	2010	2011	2012	2013	2014	2015e	2016e	2017e
December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS								
Revenue	266.2	216.3	228.8	298.1	350.9	378.0	390.7	403.8
Cost of Sales	(173.4)	(145.2)	(154.0)	(198.8)	(236.1)	(254.4)	(262.9)	(271.7)
Gross Profit	92.8	71.1	74.7	99.3	114.8	123.6	127.8	132.1
EBITDA	40.2	27.7	28.5	39.4	54.6	62.0	65.5	70.5
Operating Profit (Edison)	33.7	22.4	23.4	33.0	46.9	54.0	57.0	61.5
Net Interest	(8.9)	(5.9)	(3.3)	(3.4)	(4.5)	(6.3)	(6.0)	(5.5)
Other Finance	(2.9)	(3.6)	(0.9)	0.2	(2.2)	(0.5)	(0.5)	(0.5)
Share Based Payments	(0.1)	(0.2)	(0.5)	(0.7)	(0.9)	(0.9)	(0.9)	(0.9)
Intangible Amortisation	(11.7)	(10.6)	(10.8)	(16.6)	(17.8)	(18.0)	(18.0)	(18.0)
Exceptionals	(0.4)	0.7	(33.4)	(11.4)	(9.3)	(2.9)	(4.8)	(4.8)
Other	(0.3)	(0.1)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
Profit Before Tax (Edison norm)	21.9	12.7	18.7	29.2	39.3	46.4	49.6	54.7
Profit Before Tax (Company norm)	24.8	17.4	21.3	28.6	41.6	46.6	49.9	54.9
Profit Before Tax (FRS 3)	9.5	2.6	(25.8)	0.8	11.9	25.2	26.5	31.5
Tax	(2.5)	6.4	3.7	0.2	(2.6)	(7.6)	(8.5)	(9.9)
Profit After Tax (norm)	19.4	19.1	22.4	29.4	36.8	38.8	41.1	44.8
Profit After Tax (FRS 3)	7.0	9.1	(22.1)	1.0	9.3	17.6	18.0	21.6
Average Number of Shares Outstanding (m)	129.8	129.7	129.7	152.8	167.8	167.9	167.9	167.9
EPS - Edison normalised (p) FD	10.7	6.7	9.6	13.9	17.1	19.7	21.0	23.2
EPS - Company normalised (p) FD	11.4	9.4	10.2	13.5	18.4	19.8	21.2	23.3
EPS - FRS 3 (p)	5.3	6.8	(16.7)	0.6	5.6	10.5	10.7	12.9
Dividend per share (p)	2.0	3.4	4.5	6.0	8.0	8.3	8.5	9.0
Gross Margin (%)	34.9	32.9	32.7	33.3	32.7	32.7	32.7	32.7
EBITDA Margin (%)	15.1	12.8	12.5	13.2	15.6	16.4	16.8	17.5
Operating Margin (before GW and except.) (%)	12.7	10.4	10.2	11.1	13.4	14.3	14.6	15.2
BALANCE SHEET								
Fixed Assets	367.4	352.8	298.1	404.2	410.6	400.0	387.8	375.2
Intangible Assets	328.2	312.7	258.7	354.4	355.7	339.8	323.9	308.0
Tangible Assets	31.5	30.5	29.8	39.9	42.9	45.1	48.9	52.1
Investments	7.7	9.6	9.5	9.8	12.1	15.0	15.0	15.0
Current Assets	86.7	96.361	90.7	118.9	124.0	139.4	158.3	181.0
Stocks	26.0	26.6	27.6	40.7	47.6	51.3	53.0	54.7
Debtors	28.2	24.1	23.7	29.9	31.5	33.9	35.0	36.2
Cash	27.7	20.4	35.9	43.6	39.3	48.6	64.7	84.4
Current Liabilities	(51.8)	(55.1)	(44.2)	(60.8)	(52.3)	(54.7)	(58.8)	(62.9)
Creditors	(46.6)	(42.2)	(36.7)	(54.0)	(52.3)	(54.7)	(58.8)	(62.9)
Short term borrowings	(5.2)	(12.9)	(7.5)	(6.8)	0.0	0.0	0.0	0.0
Long Term Liabilities	(163.7)	(144.8)	(96.9)	(161.7)	(176.2)	(175.2)	(174.2)	(173.2)
Long term borrowings	(114.3)	(100.2)	(63.6)	(115.5)	(128.0)	(128.0)	(128.0)	(128.0)
Other long term liabilities	(49.4)	(44.6)	(33.3)	(46.2)	(48.2)	(47.2)	(46.2)	(45.2)
Net Assets	238.6	249.2	247.7	300.6	306.1	309.4	313.1	320.1
		0.000						
CASH FLOW								
Operating Cash Flow	38.6	32.6	23.6	38.9	40.1	51.3	57.7	62.7
Net Interest	(9.3)	(6.7)	(4.2)	(2.6)	(4.6)	(6.3)	(6.0)	(5.5)
Tax	(2.3)	(1.9)	(4.9)	(6.2)	(6.3)	(6.1)	(7.0)	(8.4)
Capex	(3.5)	(4.9)	(6.8)	(8.1)	(10.2)	(12.4)	(14.3)	(14.3)
Acquisitions/disposals	0.0	(10.3)	51.2	(131.2)	(6.5)	0.0	0.0	0.0
Financing	0.0	(0.3)	(1.1)	68.1	(4.3)	(3.5)	0.0	0.0
Dividends	0.0	(2.6)	(5.8)	(7.0)	(10.9)	(13.7)	(14.2)	(14.7)
Net Cash Flow	23.5	6.0	51.9	(48.2)	(2.8)	9.3	16.1	19.7
Opening net debt/(cash)	111.0	91.7	92.7	35.2	78.7	88.7	79.4	63.3
HP finance leases initiated	(0.0)	(2.7)	0.0	0.0	0.0	0.0	0.0	0.0
Other	(4.2)	(4.4)	5.6	4.7	(7.2)	(0.0)	(0.0)	0.0
Closing net debt/(cash)	91.7	92.7	35.2	78.7	88.7	79.4	63.3	43.6

Source: Tyman accounts, Edison Investment Research. Note: Compared to Tyman's definition of normalised earnings, our norm includes Other finance (including borrowing cost amortisation) and excludes Other (pension net finance costs). Both are represented in the P&L above. Group/reported for 2010 and for continuing operations subsequently.

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Revenue by geography

CAGR metrics		Profitability metrics		Balance sheet metrics		Sensitivities evaluation	
EPS 12-16e	19.9 %	ROCE 15e	11.6%	Gearing 15e	25.7%	Litigation/regulatory	◖
EPS 14-16e	7.3%	Avg ROCE 12-16e	10.9%	Interest cover 15e	8.6	Pensions	◖
EBITDA 12-16e	23.1%	ROE 15e	10.8%	CA/CL 15e	2.5	Currency	●
EBITDA 14-16e	9.5%	Gross margin 15e	32.7%	Stock days 15e	49.5	Stock overhang	○
Sales 12-16e	14.3%	Operating margin 15e	14.3%	Debtor days 15e	32.7	Interest rates	●
Sales 14-16e	5.5%	Gr mgn / Op mgn 15e	2.3	Creditor days 15e	51.4	Oil/commodity prices	◖

Management team

CEO: Louis Eperjesi

Loius Eperjesi has been CEO since February 2010. He was previously a main board director and divisional MD at Kingspan. Other industry experience in building products includes Baxi Group, Redland, Lafarge and Caradon.

CFO: James Brotherton

James Brotherton initially joined Tyman in 2004 as head of corporate development before becoming CFO in May 2010. He was previously a director in the Investment Banking division of Citigroup and is a chartered accountant.

Chairman: Jamie Pike

Jamie Pike has been non-executive chairman since November 2009, after heading Burmah Castrol and its subsequent MBO and IPO as Foseco. He is also currently chairman of RPC Group and the Lafarge Tarmac JV, and NED at Spirax Sarco.

Principal shareholders	(%)
Standard Life Investments	12.1%
Aviva Investors	8.7%
Schroder Investment Management	6.6%
Threadneedle Investments	4.9%
GVO Investment Management	4.8%
Blackrock Investment Management	4.7%
F&C Asset Management	4.6%
GMO	3.1%

Companies named in this report

Entu (UK), Epwin Group, Howden Joinery, Masonite International, Norcros, Polypipe, Safestyle