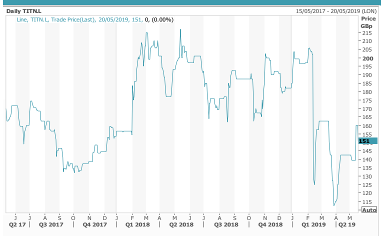
TITON HOLDINGS PLC

You need hands

Construction & Materials



Source: Eikon Thomson Reuters

Market data

EPIC/TKR	**TON**
Price (p)	160.0
12m High (p)	217.0
12m Low (p)	112.5
Shares (m)	11.1
Mkt Cap (£m)	17.7
EV (£m)	16.0
Free Float*	97%
Market	AIM

**As defined by AIM Rule 26*

Description

Titon designs, manufactures and supplies a comprehensive range of passive and powered ventilation products; plus, handles, hinges and locking for doors and windows. "The home of domestic ventilation systems and door and window hardware".

Company information

Executive Chairman	Keith Ritchie
Chief Executive	David Ruffell

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www.titonholdings.com

Key shareholders

Rights & Issues IT	11.4%
MI Discretionary UF	7.2%
Chairman	8.8%
Other Directors	7.9%
Founder/NED	15.7%
Family	6.8%

Diary

30 Sep '19	Year-end
Dec '19	Prelims

Analysts

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Failure to applaud is the original meaning of the idiom 'to sit on your hands'; it originated in the theatre, when an unimpressed audience refused to clap. In the modern lexicon, it means to remain idle when things go awry and when action is required. Titon has had a charmed run over the past three years but this year has met with a tough South Korean crowd. But "it is not in Titon's nature to sit on its hands" and its decisive action will produce results in fiscal 2020 and 2021 and win the critical success Titon is used to.

- **Hand 1:** On 15 May, Titon promulgated its half-year figures, which were impressive with EBITDA rising 29% to £1.35m, EBIT margins widening from 4.9% to 6.9% and underlying pre-tax profit surging 26% to £1.30m. However, the comparatives were flattered by the restatement of fiscal 2018 due to an accounting issue.
- **Hand 2:** On 14 February, Titon issued an unscheduled trading statement in respect of its star-turn South Korean business. There had been a slowdown in the new residential market and a structural shift in product preference, which meant that the trading performance would be substantially lower than forecast at that time.
- **Hand 3:** In South Korea, the group has been quick to act, lowering overheads and costs. At the same time, it has enacted plans to introduce new ventilation (mechanical and natural) to the market early in 2020. The South Korean economy, number 12 in the world, also continues to grow at 2.6% (2019) and 2.8% (2020) to the envy of its peers.
- **Hand 4:** The UK, meanwhile, is something of a Steady Eddie with Brexit-compliant GDP growth of 1%-2%. Continental Europe and the US should move from loss to profit this year. Fiscal 2019, however, will be an unpopular year with group pre-tax profit sharply lower (due to the current issues in South Korea). Revised numbers for 2020 and 2021, though, show Titon returning to growth and into double digits in the latter year.
- **Hand 5:** The Hardman UK Building Materials Sector comprises 23 companies with a market value of £8.57bn and a valuation of 9.2x EV/EBITDA on a trailing 12-month basis (priced on 15 May) or 12.3x weighted by market capitalisation. Titon is on just 6.0x (albeit rising to 6.8x prospective). At the same time, the Sector's Total Shareholder Return (TSR) is 2.9% actual or 8.3% weighted. Titon is at -18.9% having been at +17.7% in calendar 2018. Investors will stand up and clap again.

Financial summary and valuation

Year-end Sep (£m)	2018	2019E	2020E	2021E
Net revenue	29.9	28.3	30.1	31.8
EBITDA	2.67	2.42	2.47	2.75
Underlying EBIT	2.02	1.71	1.69	1.89
Underlying PBT	2.77	2.21	2.30	2.60
Underlying EPS (p)	18.2	16.1	16.7	18.9
Statutory EPS (p)	18.2	14.5	16.7	18.9
Net (debt)/cash	3.4	3.0	3.7	4.5
Shares issued (m)	11.1	11.1	11.1	11.1
P/E (x)	8.8	9.9	9.6	8.5
EV/EBITDA (x)	6.0	6.8	6.4	5.5
DPS (p)	4.75	4.75	5.00	5.50
Dividend yield	3.0%	3.0%	3.1%	3.4%

Source: Hardman & Co Research

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Prologue

An unimpressed audience refused to clap

Failure to applaud is the original meaning of the idiom 'to sit on your hands'. In fact, it came from the theatre, when an unimpressed audience refused to clap. Plus, theatres were not heated in days of yore, which meant it could be chilly, too – and punters, both figuratively and literally, sat on their hands. In the modern lexicon, 'to sit on your hands' means to remain idle when action is required – perhaps because of fear, ignorance, complacency, indecisiveness or dislike of the person(s) or situation. In fact, noted pragmatist and second US President, John Adams, embraced torpor: "when you see a good move, sit on your hands and find a better one". Similarly, someone with clearly too much time to spare (*sic*) discovered that if you sit on your hands for 15 minutes, it feels like someone else is wiping away your tears. This helps with regret apparently.

A wise man also once said that in the building and construction industry something can go wrong every day. But it is how management deals with it – and how decisively – which differentiates them and sets apart a high-quality business from an also ran.

Titon is a high-quality business

Titon is a high-quality business and, after a charmed run over the past three years or so, something did go wrong in the first half of its current fiscal year.

On 14 February 2019, Titon issued an unscheduled trading update in respect of its South Korean business, which cautioned the market about its businesses there; two factors were highlighted (and applause was mooted).

Firstly, the domestic residential development market had slowed much faster than anticipated, which was reflected in a 13.7% decline in the number housing permits in calendar 2018. At the same time, virulent dust-based air pollution, largely from China, had intensified (it travels across the Yellow Sea). The latter effect meant that demand for mechanical ventilation rose at the expense of natural ventilation products. Mechanical units clean the air more vigorously but consume limitless energy. In any event, this meant that the trading performance of Titon Korea was expected to be substantially lower than market forecasts at that time.

"It is not in Titon's nature to sit on its hands"

As Chairman Keith Ritchie said in his interim statement, "It is not in Titon's nature to sit on its hands" and, even in the half year, overheads have been reduced and the gross margin actually improved in the period (as did profits by some 40%).

The group has also said that it will commence selling its own mechanical ventilation units by early calendar 2020. At the same time, it initiated a re-design programme for existing natural ventilation products (where it is market leader with in excess of a 75% market share) and subsequent new products, here, will also be introduced to the South Korean market early next year.

Domestic building regulations continue to provide for the use of natural ventilation

In particular, these will feature a much higher level of filtering to deal with the intensity of the dust-borne pollution. Note, too, that natural ventilation products are significantly cheaper (even the new models will be) than mechanical ones; and they do not need to be plugged in. For these reasons, natural ventilation should remain a significant and growing market over the piece. Similarly, domestic building regulations in South Korea continue to provide for the use of natural ventilation.

BTS, the group's associate company, which primarily distributes ventilation products in South Korea, was also affected by lower sales in the half year. However, swift action on reducing costs has meant that its contribution has not been significantly affected. As noted later, the profit recognised in respect of associates (which is all BTS) was just 4% lower at £313,000 in the half. In addition to its trading activities, BTS invests and develops in the residential real estate market in Seoul. Currently, three projects are active and at various stages of evolution from simply funding to marketing and sale.

Something of a bow-wave

Nevertheless, even Titon cannot conjure a standing ovation willy-nilly and, in something of a bow-wave, the impact of the market trends in South Korea will take their toll on the second half of the year; and in 2020. For example, for the full year, we expect revenue in South Korea to reduce by a fifth before stabilising in 2020 (i.e. +5%). Similarly, its annual contribution looks set to fall by ca.£800,000 this year and to be lower again in 2020 by ca.£200,000 in what we believe are potentially worst-case scenarios. In 2021, however, we expect the housing market in South Korea to have recovered and Titon's new products to be selling in greater volume. This means that revenue (forecast at +10%) and contribution (20%) should rise.

The UK, however, is staging a more popular performance; revenue is forecast to grow at an average 4% per annum through 2021 with profitability set to rise modestly from 6.8% in 2018 to 8.0% in 2021. This reflects product mix, higher exports and cost reductions.

Continental Europe and the US hold great potential for Titon

Other regions, including Continental Europe and the US, accounted for 12% of group sales in fiscal 2018 and this should rise steadily to 15% in 2021. In the current year, on the back of rising sales, this operating segment should also move from loss to profit with a pre-tax margin of 2.5% rising to 5.0% in 2021. Continental Europe and the US hold great potential for Titon as markets per se and loading factors for UK manufacturing capacity.

Winding this through to the income statement, we have left the group's pre-tax profit and earnings in fiscal 2019 unchanged at £2.21m, i.e. we had already taken account, back in February, of trading in South Korea, with a forecast 20% reduction in pre-tax profit from £2.77m. That said, we needed to sharpen our red pencil in fiscal 2020 and 2021, with a reduction of £300,000 in pre-tax in each year to £2.3m and £2.6m. This represents reductions of 12% and 10%, respectively, in what we expect to be, as above, 'worst-case'. Note, too, that the reductions in EPS are broadly the same as for pre-tax.

Titon is a zealous financial housekeeper

In terms of the balance sheet, Titon is a zealous financial housekeeper (check out its quick ratio at around 1.9 in 1H) and it had net cash of £3.8m at the last balance sheet date (31 March). In the current year, we are forecasting a modest cash outflow (ca.£400,000), unsurprisingly, given the diminution in profits. However, normal service resumes in fiscal 2020 and 2021 with net cash generation of ca.£700,000 and £800,000 in each year, respectively, to £4.5m. This would also allow the group to be discretionary on any significant capex plans or acquisitions.

South Korea's GDP growth is the envy of its peers

Remember, too, that Titon has operated in South Korea since 2008 and it is the market leader in natural ventilation products. For a number of years, too, South Korea has been the group's largest profit contributor and in the half year, this remained the case with South Korea accounting for 63% of underlying profit after tax. The domestic economy also ranks number 12 in the world and, although GDP growth forecasts have been reduced, Statista is forecasting GDP growth of 2.6% in 2019 and 2.8% in 2020, which is the envy of many of South Korea's peers. Specifically, too, government expenditure is rising and serving to replace some private sector activity; and it is expected that this will underpin a modest return to growth in the housing market near term.

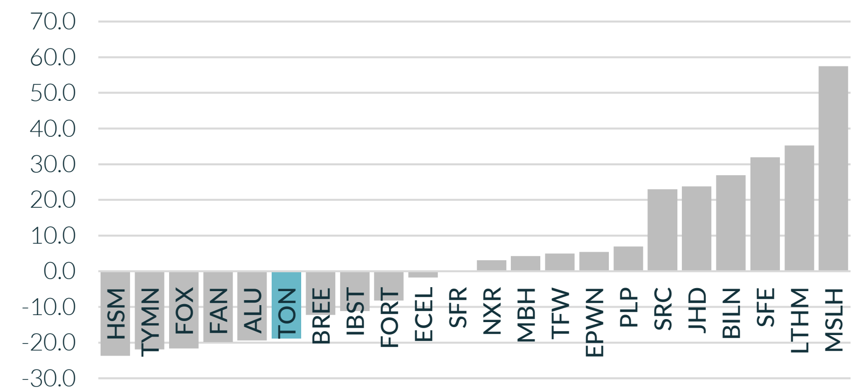
In the UK, GDP rose by 0.5% in the three months to end-January this year and, whilst GDP is set to grow below historical trends, consensus forecasts are for GDP to increase at between 1% and 2% p.a. in 2019 and 2020, respectively. Similarly, Experian is forecasting average volume growth in UK housebuilding of 3.3% p.a. in 2019 through to 2021 (as a thespian, I walk the boards with Experian). This assumes an orderly Brexit.

As for the half-year figures themselves, they were very good indeed with EBITDA rising 29% to £1.35m, EBIT margins widening from 4.9% to 6.9% and underlying pre-tax profit surging 26% to £1.30m. However, the comparatives were flattered by the restatement of fiscal 2018 following an accounting glitch in South Korea (see later comment). The above metrics also exclude a one-off £181,000 exceptional debit in the half year (see later too).

Titon generated a TSR of 23%, 52% and 18% in 2016, 2017 and 2018, respectively

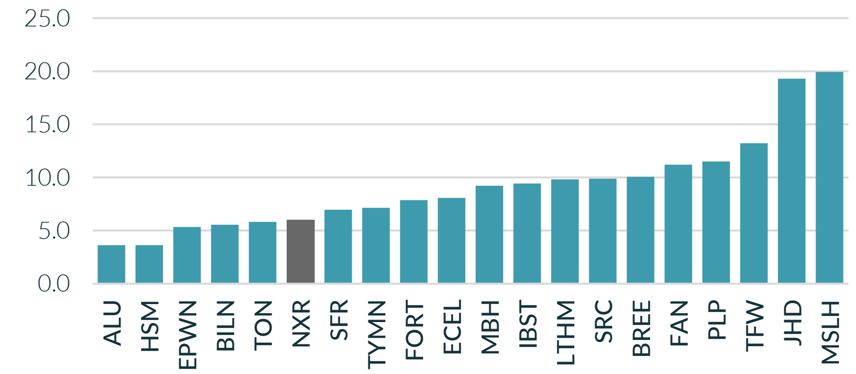
In the past three years, 2016, 2017 and 2018, Titon has generated a TSR of 23%, 52% and 18%, respectively – to sustained applause (and if they had existed in building and construction, a hatful of Tony Awards). 1H aside, fiscal 2019 will be difficult and profits will fall. However, the group is decisive and very good at what it does; and it has been around since 1972. Its core markets are expected to remain robust (the UK) and strong (South Korea) over the medium term. Profits will rise again in fiscal 2020 and 2021 and the desire for clean air prevails everywhere; and after the intermission, investors will stand up and clap again.

Hardman UK Building Materials Sector: TSR (%) 12 months (to 15 May 2019)



Source: Hardman & Co Research, Bloomberg – ex-LWB

Hardman UK Building Materials Sector: EV/EBITDA (x) TTM (at 15 May 2019)



Source: Hardman & Co Research; Bloomberg – ex FOX, LWB & SFE; TTM is Trailing 12-month basis
Legend: *Alumasc (ALU); Billington (BILN); Breedon (BREE); Epwin (EPWN); Eurocell (ECEL); Forterra (FORT); Fox Marble (FOX); J. Halstead (JHD); Samuel Heath (HSM); Ibstock (IBST); Low & Bonar (LWB); James Latham (LTHM); Marshalls (MSLH); Michelmersh (MBH), Norcros (NXR); Polypipe (PLP); Safestyle (SFE); Severfield (SFR); SigmaRoc (SRC); F W Thorpe (TFW); Titon (TON); Tyman (TYMN); and Volution (FAN).*

Interim results to 31 March 2019

Income statement

Revenue was level pegging

In the six months ending 31 March 2019, both Titon's gross and net revenue increased by ca.1% rounded up to £14.6m and £14.3m, respectively (and the £257,000 difference is derived from inter-segment trading exclusively in the UK). Note, too, there has been a restatement of the comparative half year to 31 March 2018, which is discussed below.

At the same time, the gross margin increased from 27.7% to 29.3%.

Administrative Expenses as a percentage of net revenue reduced 20bps to 15.8%. Meantime, distribution costs inched up from 5.0% to 5.1%, albeit R&D moved 10bps the other ways to 1.6%.

EBITDA leapt 29% to £1.35m with EBIT doing even better at +40% to £981,000. This meant that EBIT margins widened markedly from 4.9% to 6.9%. Note, too, these two metrics are on an underlying basis, i.e. they exclude a one-off £181,000 exceptional debit (see below).

Underlying pre-tax profit surged 20%

Net interest contributed £7,000 (1H 2018: £9,000) while the group's South Korean 49%-owned Associate, Browntech Sales Co. Limited (BTS), dipped 4% to £313,000.

In turn, underlying pre-tax profit surged 26% from £1.04m to £1.30m; with actual pre-tax profit rising 8% from £1.04m to £1.12m.

The taxation rate as a percentage increased by 60bps higher but was still only 9.1%. This was due to a variety of factors, the largest of which relates to R&D and the group's associate company.

Titon Korea, the group's 51%-owned eponymous business had a very good half year (see later section), which meant that the 'non-controlling interest' or minority debit was sharply higher at £220,000 (1H 2018: £163,000). Note, too, that Titon Korea accounts for 100% of the minorities. Unsurprisingly, too, group net profit added 21% with basic underlying EPS doing almost the same at +20% to 8.7p, i.e. there were 1.1% more shares in issue in the latest half year.

The dividend for the year was maintained 1.75p with cover of five times (1H 2017: 4.14x).

Restatement

One-off adjustment now signed off by BDO

In an announcement on 19 March 2019, the group explained that certain costs associated with products sold by Titon Korea in earlier accounting periods, up to and including 30 September 2018, had, in error, not been wholly taken into account in the relevant periods.

This related to the incorrect accounting apportionment of costs and revenues between first and second fix installations of products manufactured by its 51%-owned subsidiary Titon Korea and sold by BTS (the 49% associate). In turn, this led the total equity attributable to equity holders of Titon as at 30 September 2018 being reduced £826,000 (or 5.1%) from the figure shown in the 2018 Annual Report. Subsequently, this and other comparative 2018 numbers, where they were affected by the adjustment, have been restated.

In terms of the income statement, there has also been a restatement of the results for the six months to 31 March 2018 where revenue has been reduced by £248,000 to £14.2m and profit before tax by £301,000 to £1.04m. Similarly, in the fiscal year to 30 September 2018, revenue has been reduced by £172,000 to £29.8m and profit before tax has been reduced by £209,000 to £2.77m. Note, too, that all these changes have been signed off by the group's auditors, BDO.

An externality of this restatement, too, is that the prior years should also be re-stated but there are no data available earlier than 2018. This means that the group's historical record, which we traditionally show, is not there.

Income statement

Six months to 31 March (£m)	2019	2018	chg.
Gross revenue	14.547	14.441	1%
Inter-segment	-0.257	-0.204	
Net revenue	14.290	14.237	1%
Cost of sales	-10.097	-10.300	
Gross profit	4.193	3.937	7%
Administration	-2.258	-2.278	
Distribution	-0.728	-0.714	
R&D	-0.232	-0.247	
Other income	0.006	0.003	
EBIT	0.981	0.701	40%
Net interest	0.007	0.009	
Associate	0.313	0.326	
Profit before tax	1.301	1.036	26%
Tax	-0.191	-0.078	
Post-tax profit	1.183	0.958	22%
Minorities	-0.220	-0.163	
Net profit	0.963	0.795	21%
Dividends	-0.332	-0.295	
Other	-0.188	0.013	
Retained profit	0.433	0.513	
Basic EPS (p)	8.69	7.25	20%
DPS (p)	1.75	1.75	N/C
No. of shares (m)	11.084	10.964	

Source: Company data, Hardman & Co Research; EBITDA, EBIT, profit before tax and earnings are gross of a £181,000 exceptional charge in 1H 2019

Ratios

Margins	2019	2018
Gross	29.3%	27.7%
EBITDA	9.5%	7.3%
EBIT	6.9%	4.9%
PBT	9.1%	7.3%
Net	8.3%	6.7%
Retained	3.1%	3.6%
Tax (% rate)	*-9.1%*	*-7.5%*
DPS cover (x)	5.0	4.1
EBITDA (£m)		
EBIT	0.981	0.701
Depreciation	0.266	0.233
Amortisation	0.107	0.112
Total	**1.354**	**1.046**

Source: Company data, Hardman & Co Research

Exceptional item

The debit of £181,000 relates to a potential acquisition, which was under consideration in the half-year but did not proceed; and it is shown separately in the formal income statement. The target was a ventilation business, which would have been a good fit with Titon. Subsequently, the group embarked on due diligence; however, ultimately, it decided not to proceed, which was based on a number of factors but primarily one of timing. As noted above, this resulted in a one-off charge of £181,000 relating to legal and accounting costs, which have been separated out as transaction-related expenses.

Geographical analysis

UK revenue up 4%

The UK, with £7.6m of revenue, accounted for 53% of the group total in 1H 2019 (1H 2018: 51%) and it showed a gain of 4% in the half year, which actually was not bad given "a degree of economic uncertainty in and around the run up to the planned Brexit date of 29 March 2019".

Pre-tax profit in the group's home market, though, was disappointing as it dipped 5% to £461,000 of operating segment pre-tax profits, which also meant that profitability eased from 6.7% to 6.1%. Both metrics were influenced by higher costs in the Window and Door Hardware division. This was a pity because, within this latter business, demand for trickle vents rose, as it did for Titon's branded window and door hardware product. Similarly, the UK Ventilation Systems Division saw its sales increase by more than 6% in the period as the reorganisation of its sales force began to pay dividends. In addition, there are a number of new products in the R&D pipeline which should be useful contributors when they emerge.

Exports sales here grew 28%

Export sales of Ventilation Systems products also grew in the period by 28%. In fact, the majority of Titon's key markets in Western Europe have seen good growth and, in Eastern Europe, new levels of business are beginning to be established, particularly where the group has developed cold climate products.

Once again, Titon has expanded its range of mechanical ventilation products for UK and European markets and introduced its largest heat recovery unit to date. The latter should prove particularly popular in export markets, where house sizes are typically larger than in the UK.

Increased dust-based air pollution from China

On 14 February 2019, Titon issued an unscheduled trading update in respect of its South Korean business, which cautioned the market about is businesses here; and two factors were highlighted. Firstly, the domestic residential development market had slowed much faster than anticipated, which is reflected in a 13.7% decline in the number housing permits in calendar 2018. At the same time, virulent dust-based air pollution, largely from China, intensified. The latter effect meant that demand for mechanical ventilation units rose at the expense of natural ventilation products. In turn, this meant that the trading performance of Titon Korea was expected to be substantially lower than market forecasts at that time. However, overheads have been reduced and the gross margin actually improved in the period.

BTS, the group's associate company, which primarily distributes ventilation products in South Korea, was also being affected by lower sales in the half year. Here again, a focus on reducing costs has meant that its contribution has not been significantly affected. As noted earlier, the profit recognised in respect of associates (which is all BTS) was just 4% lower at £313,000 (1H 2018: £326,000). In addition to its trading activities, there have been no changes in the status of BTS's investments and developments in the residential real estate market in Seoul. Currently, three projects are active and at various stages of evolution from simply funding to marketing and sale.

South Korean profit +21%

In terms of the segmental contribution from South Korea, the two businesses, Titon Korea and BTS are added together. The revenue is solely Titon Korea (because the company's share of BTS's profits are accounted for as an associate), which was 12% lower at £4.8m (2018: £5.4m). The profit contribution for South Korea, however, was 21% higher at £864,000. Note, too, that South Korea is the largest contributor to group underlying profit before tax with a 66% share in the first six months of fiscal 2019 (2018: 69%). At the post-tax line, the contribution from South Korea for the period was £743,000 (2018: £629,000), which represents 63% (2018: 66%) of the group's underlying post-tax profits.

The group has continued to take steps to re-design its existing natural ventilation products (where it is market leader with in excess of a 75% market share) and to introduce new products for the South Korean market. We expect that that these will be available for sale early in 2020.

The US saw a 55% rise in revenue

Revenue at Titon Inc in the US improved significantly in the period following the sharp decline last year with sales in the first half rising 55% to £510,000 and "the pipeline of opportunities remains healthy". Yes, the business recorded a small statutory loss for the period under review (£12,000) but this was sharply reduced from the 2018 half-year loss (£77,000). Also, when the results are combined with the inter-segmental profits made in the group's UK factory on products sold in North America, the overall contribution is positive and exceeded budget.

'Other' nations (largely in Continental Europe) saw revenue increase by 17% to £1.45m; and, again, losses were reduced sharply from £85,000 to £12,000. This is all about building a market presence and position for the future. In the half year, too, 'Other' nations accounted for 10% of group revenue.

Operating segment revenue and profit		
Six months to 31 March 2019 (£m)	2019	2018
Revenue		
UK (net)*	7.562	7.253
South Korea	4.769	5.417
North America	0.510	0.330
Other	1.449	1.237
Total*	**14.290**	**14.237**
Segment profit (pre-tax)		
UK	0.461	0.484
South Korea**	0.864	0.714
North America	-0.012	-0.077
Other	-0.012	-0.085
Total	**1.301**	**1.036**
% changes in revenue**		
UK	4	
South Korea	-12	
North America	-	
Other	55	
Total	**17**	
% changes in profit**		
UK	-5	32
S. Korea***	21	11
North America	-	-
Other	-	-
Total	**26**	**-7**
**ex-inter-segment revenue*	*0.257*	*0.204*

Source: Company data; Hardman & Co Research
Notes:
** inter-segment revenue pertains to UK only;*
***2018 was restated and the percentage changes for South Korea are indicative not like-for-like*
****South Korea profit includes group share of associate BTS*

Balance sheet

RONA of 19.8%

Net assets, including minorities (*aka* non-controlling interest), increased 10% in the half year to 31 March 2019 from £16.0m to £17.6m; and this included a rise in net cash from £2.74m to £3.44m i.e. 22% of NAV (1H 2018: 17%).

RONA increased from 13.0% to 14.8% and, on an adjusted basis, from 16.3% to 19.8%. The latter excludes intangibles (at £530,000 and £687,000, respectively) and net cash (as above) from the denominator.

Quick ratio of 1.94

ROCE on an adjusted basis (as above) increased from 16.9% to 19.8% with annualised capital turn (revenue divided by capital employed) at 2.2x (2.3x in 1H 2018) on the same basis. As is our wont, we like the relatively neglected capital turn ratio because it measures how efficiently capital is utilised. For the uninitiated, there are two ways to make a profit: maximise revenue and constrain costs on the one hand, i.e. raise profitability; or use your capital efficiently/limit its extent on the other. Preferably, a combination of both. Capital turn can also be used to focus management and employees on using capital efficiently, avoiding waste and the like.

Turning to liquidity, we highlight the current and quick ratios, which are calculated by dividing current assets by current liabilities ('current') and current assets less stocks divided by current liabilities ('quick' – and where above 1.0 is good). The former was 2.97 (1H 2017: 2.35), while the quick ratio was 1.94 (1H 2018: 1.54), i.e. Titon knocks it out of the park here.

Capital employed

@ 31 March 2019 (£m)	2019	2018
Ordinary shares	1.113	1.113
Share premium account	1.049	1.049
Revaluation reserve, etc.	0.056	0.056
Profit & loss account	13.171	11.680
Other	0.342	0.324
Shareholders' funds	15.731	14.222
Minorities	1.840	1.760
Provisions for liabilities	0.000	0.000
Preference shares	0.000	0.000
Other loans/leases	0.000	0.000
Bank loans & ODs	0.000	0.000
Capital employed	**17.571**	**15.982**
Fixed assets	3.853	3.418
Investments	2.831	2.105
Stocks/WIP	5.246	5.721
Corporation tax	0.033	-0.156
Trade debtors	5.977	8.103
Other debtors	0.000	0.000
Deferred tax	0.193	0.385
Accruals/accrued income	0.000	0.000
Trade creditors	-5.088	-6.859
Other creditors	0.000	0.000
Intangibles/Other	0.687	0.530
Cash	3.839	2.735
Capital employed	**17.571**	**15.982**
Metrics:		
ROCE 1	11.2%	8.8%
ROCE 2*	19.8%	16.2%
Capital turn 1 (x)	1.6	1.8
Capital turn 2 (x)*	2.2	2.3
RONA 1	14.8%	13.0%
RONA 2*	19.9%	16.4%
Current ratio	2.97	2.35
Quick ratio	1.94	1.54
Stocks as % of revenue	40%	37%
Creditors as % of revenue	-48%	-36%
(Net debt)/cash (£,000)	3.839	2.735
Net assets (£,000)	17.571	15.982
Gearing (-ve)/+ve	22%	17%

Source: Company data, Hardman & Co Research;
**adjusted for intangibles and net cash; numerators include associates.*

Cashflow

Cash generated from operations was £1.45m in the half year year-on-year due to higher profits together with a reduction in debtors (£1.68m) and inventories (£335,000).

Cashflow statement		
Six months to 31 March (£m)	**2019**	**2018**
Profit before tax	1.120	1.036
Interest, etc.	0.000	0.000
Depreciation, etc.	0.373	0.345
Provisions	0.000	0.000
Asset sales	0.000	-0.012
Share issued/sold	0.031	0.092
Other	-0.313	-0.326
Sources	**1.211**	**1.135**
Capex	0.464	0.125
Disposals	-0.000	-0.034
Acquisitions	0.057	0.004
Inventories	-0.335	0.934
Debtors	1.675	1.235
Creditors	1.769	-0.845
Tax	0.175	-0.045
Dividends	0.332	0.295
Other	0.000	0.000
Uses	**0.787**	**1.669**
Surplus/(deficit)	**0.424**	**-0.534**
Adjustment	0.000	0.000
Movement (debt)/cash (six-months-on-six-months)	**0.424**	**-0.534**
Reconciliation & analysis of balance sheet debt:	2019	2018
(Net debt)/cash	**3.839**	**2.735**
Net assets	17.571	15.982
Gearing (negative denotes net cash)	-22%	-17%
Movement in (debt)/cash (six-months-on-six-months)	**0.424**	**-0.534**

Source: Company data, Hardman & Co Research

Almost £1.5m generated from operations

In terms of investing activities, taxation was higher (£175,000), while capex also increased (up £339,000) as did dividends: plus 13% to £332,000.

A net cash inflow of £424,000

In sum, then, there was a cash inflow of £424,000 in the half year (1H 2018: an outflow of £534,000), which took net cash to £3.84m (1H 2018: £2.74m) and which is equivalent to 22% of net assets. Of this number, too, £1.01m is held in Titon Korea and it is expected that "a proportion of this amount" will be distributed to Titon, the company, and to minority shareholders, as a dividend in the second half of the year.

Note, too, that the net cash tallies are half-year period ends, whereas the 'movement in (debt)/cash' is between the end of the previous fiscal year and the latest half year, i.e. between 30 September 2018 and 31 March 2019, when the group generated cash of £424,000.

Forecasts

South Korea will have difficult years in fiscal 2019 and 2020

The half-year figures from Titon were very good indeed with EBITDA rising 29% to £1.35m, EBIT margins widening from 4.9% to 6.9% and underlying pre-tax profit surging 26% to £1.30m. However, the comparatives were flattered by the restatement of fiscal 2018 following an accounting glitch in South Korea (see earlier comment).

Remember, too, that in February, Titon issued an unscheduled trading update in respect of its South Korean business. This cautioned the market about its businesses there. Firstly, the domestic residential development market had slowed much faster than anticipated and, in calendar 2018, the number housing permits fell by 13.7%. At the same time, virulent dust-based air pollution, largely from China, intensified. The latter effect meant that demand for mechanical ventilation rose at the expense of natural ventilation products, i.e. mechanical units clean the air more obtrusively (but are also large consumers of energy). In turn, this meant that the trading performance of Titon Korea was expected to be substantially lower than market forecasts at that time.

In something of a bow-wave, too, the impact of these trends will be felt in the second half of the year; and in 2020. For example, for the full year, we expect revenue in South Korea to fall by a fifth before stabilising in 2020 (i.e. +5%). Similarly, its contribution looks set to fall by ca.£800,000 this year and to be lower again in 2020 by ca.£200,000 in what believe are potentially worst-case scenarios. In 2021, however, we expect the housing market in South Korea to have recovered and Titon's new products to be selling in greater volume. This means that revenue (forecast at +10%) and contribution (20%) should rise.

UK revenue and profitability are set to rise over the piece

In the UK, revenue is forecast to grow modestly in each of the next three years 2019, 2020 and 2021 by an average 4% p.a. with profitability set to rise modestly from 6.8% in 2018 to 8.0% in 2021. This reflects product mix, higher exports and cost reductions.

Other regions are seed corn for the future

Other regions, including Continental Europe and the US, accounted for 12% of group sales in fiscal 2018 and this should rise steadily to 15% in 2021. In the current year, on the back of rising sales, this operating segment should move from loss to profit with a pre-tax margin of 2.5% rising to 5.0% in 2021. Continental Europe and the US hold great potential for Titon as markets per se and loading factors for UK manufacturing capacity.

Winding this through to the income statement, we have left pre-tax profit and earnings in fiscal 2019 unchanged at £2.21m, i.e. we had already taken account of trading in South Korea, with a forecast 20% reduction in pre-tax profit from £2.77m. That said, we need to sharpen our red pencil (as above for South Korea) in fiscal 2020 and 2021, with a reduction of £300,000 in pre-tax on each year to £2.3m and £2.6m. This represents reductions of 12% and 10%, respectively, in what we expect to be, as above, 'worst-case'. Note, too, that the reductions in EPS are broadly the same.

Excellent liquidity and strong cash generation

In terms of the balance sheet, Titon is a zealous financial housekeeper (check out its quick ratio at ca.1.9 in 1H) and it had net cash of £3.8m at the last balance sheet date (31 March). In the current year, we are forecasting an outflow (ca.£400,000), unsurprisingly, given the diminution in profits. However, normal service resumes in fiscal 2020 and 2021 with net cash generation of ca.£700,000 and £800,000 in each year, respectively, to £4.5m. This would also allow the group to be discretionary on any significant capex plans or acquisitions.

Segmental revenue and profit (£m)

Revenue	2018	2019E	2020E	2021E
UK	14.8	15.1	16.1	16.6
South Korea	11.4	9.1	9.6	10.5
Other	3.6	4.1	4.4	4.7
Total	**29.8**	**28.3**	**30.1**	**31.8**
Pre-tax profit				
UK	1.005	1.062	1.211	1.331
South Korea	1.875	1.020	0.813	0.979
Other	-0.110	0.128	0.276	0.292
Total	**2.770**	**2.210**	**2.300**	**2.602**

Source: Company data, Hardman & Co Research

The impact on the group is outlined below:

Changes to forecasts (revisions shown in red)

(£m)	2018	2019E	2020E	2021E
Net revenue	29.8	28.3	29.9	30.9
			30.1	31.8
PBT	2.77	2.21	2.61	2.91
			2.30	2.60
EPS (p)	18.2	16.1	18.8	21.1
			16.7	18.9

Source: Company data, Hardman & Co Research

Chairman's statement

"By any yardstick, the Group's first half performance was a very good one with both underlying profit before tax and earnings rising by a fifth or more. Despite the previously announced weak housing market in South Korea, Group net revenue was resilient and against these headwinds our Korean business performed well. Titon has a diversified and growing presence in international markets, together with an established and expanding range of products. We have a strong balance sheet and a team that I am proud of. As previously announced, testing conditions continue in South Korea but I look forward to results for the Group in the second half of the year in line with market expectations".

Income statement

In the six months to 31 March 2019, Titon's net revenue (which excludes inter-segment activity) rose 0.4%, to £14.3m (2018: £14.2m). The 2018 comparatives have been restated, where appropriate, due to an accounting change, which is explained below.

The gross margin improved to 29.3% (2018: 27.6%) due to the geographical mix of sales with the European and US operations providing an increased contribution in the period and an improvement in the profitability of mechanical ventilation systems in the UK and in Continental Europe. At the same time, underlying EBITDA[1] was 29% higher at £1.35m (2018: £1.05m*), whilst underlying operating profit[1] increased by 40% to £0.98m (2018: £0.70m*), which meant that the group's operating margin also rose to 6.9% (2018: 4.9%). The share of profits from the group's associate, Browntech Sales Co., Ltd (BTS) in South Korea, dipped marginally to £0.31m (2018: £0.33m) as a result of the previously announced weaker housing market in South Korea. In turn, underlying profit before tax[1] was 26% higher at £1.30m (2018: £1.04m).

Reported profit before tax rose by 8%, to £1.12m (2018: £1.04m*). This is stated net of £181,000 of costs relating to a potential acquisition under consideration during the period, which did not proceed, and which is shown separately in the income statement.

Underlying earnings per share[1] increased by a fifth to 8.69p (2018: 7.25p*) with the apportionment of profits to minority shareholders higher at £0.22m (2018: £0.16m), which reflected the higher contribution from the group's 51%-owned subsidiary, Titon Korea.

An unchanged interim dividend in respect of the six months ended 31 March 2019 of 1.75p per share (2018: 1.75p) was approved by the Directors of Titon Holdings Plc on 14 May 2019. The interim dividend is payable on 21 June 2019 to shareholders on the register at 24 May 2019. The ex-dividend date is 23 May 2019.

Restatement

In an announcement on 19 March 2019, the group explained that certain costs associated with products sold by Titon Korea in earlier accounting periods, up to and including 30 September 2018, had, in error, not been wholly taken into account in the relevant periods. This related to the incorrect accounting apportionment of costs and revenues between first and second fix installations of products manufactured by our 51%-owned subsidiary Titon Korea and sold by BTS, our 49%-owned associated company. We have now completed an analysis of this issue and I can confirm that the total equity attributable to equity holders of Titon as at 30 September 2018 has been reduced by £826,000 (or 5.1%) from the figure shown in the 2018 Annual Report. Subsequently, this and other comparative 2018 numbers, where they were affected by the adjustment, have been restated. In terms of the income statement, there has also been a restatement of the results for the six months to 31 March 2018 and for the year to 30 September 2018. In the six months to 31 March 2018, revenue has been reduced by £248,000 to £14.2m and profit before tax by £301,000 to £1.04m.

Similarly, in the fiscal year to 30 September 2018, revenue has been reduced by £172,000 to £29.8m and profit before tax has been reduced by £209,000 to £2.77m.

Balance sheet and cashflow

Net assets, including non-controlling interests, rose 9.9% or £1.59m to £17.6m (31 March 2018: £16.0m) with net cash of £3.84m (31 March 2018: £2.74m, 30 September 2018: £3.42m), which is equivalent to 21.8% of net assets (31 March 2018: 17.1%, 30 September 2018: 19.9%). Of this net cash, £1.01m (31 March 2018: £0.04m) is held in Titon Korea and we expect a proportion of this amount to be distributed to the company and to minority shareholders as a dividend in the second half of the year.

The half year saw cash generated from operations of £1.45m (2018: outflow of £0.28m). Of the £1.45m, almost £1.33m has been generated in Titon Korea where there has been a £0.75m reduction in inventories since the year-end and where other working capital components have fallen in line with reducing levels of activity as noted in the segmental and operational review below. In the UK, inventories have increased by £0.30m in the half year due to the decision to make additional purchases from Continental Europe ahead of the planned Brexit deadline of 29 March 2019. Capital expenditure in the period was also higher at £0.46m (2018: £0.13m) as we invested in new moulding machines, specialist tooling for new mechanical ventilation products plus the refurbishment of our showroom and meeting facilities at Haverhill. Net current assets were £10.0m (2018: £9.5m) with a quick ratio3 of 2.08 (2018: 1.67).

RONA was 19.9% (2018: 16.3%) with asset turn at 2.19 (2018: 2.24).

Segmental and operational review

UK and Continental Europe

Revenue in the UK increased 4% to £7.6m (2018: £7.3m) despite a degree of economic uncertainty in and around the run up to the planned Brexit date of 29 March 2019. In our Window and Door Hardware business in the UK, this included increased demand for our trickle vents, whilst sales of Titon's branded window and door hardware products also rose. I am pleased to report, too, that our UK Ventilation Systems division sales also increased by more than 6% in the period as the reorganisation of the sales force began to make itself felt. Titon also has a number of new products in the research and development pipeline, which management expects will contribute to leading market positions when they emerge. The UK's segmental underlying profit before tax[1] declined in the period by 5% to £461,000 (2018: £484,000), which was due to higher costs in the Window and Door Hardware division.

Export sales of Ventilation Systems products also grew in the period by 28%. In fact, the majority of our key markets in Western Europe have seen good growth and we are beginning to establish good levels of business in Eastern Europe, where we have developed cold climate products for our customers.

Once again, Titon has expanded the range of mechanical ventilation products for UK and European markets and has introduced its largest heat recovery unit to date. The latter should prove particularly popular in export markets, where house sizes are typically larger than in the UK.

South Korea

On 14 February 2019, we announced a trading update in respect of our South Korean business. During the period, two factors contributed to the group's performance in South Korea. Firstly, the domestic residential development market slowed down much faster than anticipated, which is reflected in a decline in housing permits issued of 13.7% in calendar 2018 in South Korea. At the same time, virulent dust-based air pollution, largely from China, intensified. The latter effect meant that demand for mechanical ventilation units rose at the expense of natural ventilation products. In turn, this meant that the trading performance of Titon Korea was expected to be substantially lower than market forecasts at that time. However, overheads have been reduced and the gross margin actually improved in the period.

BTS, the group's associate company, which primarily distributes ventilation products in South Korea, was also affected by lower sales in the half year. Here again, a focus on reducing costs has meant that its contribution has not been significantly impacted. As noted earlier, the profit recognised in respect of associates (which is all BTS) was just 4% lower at £313,000 (2018: £326,000). In addition to its trading activities, there have been no changes in the status of BTS's investments in the residential real estate market.

In terms of the segmental contribution from South Korea, the two businesses, Titon Korea and BTS are added together. The revenue is solely Titon Korea (because the company's share of BTS's profits are accounted for as an associate), which was 12% lower at £4.8m (2018: £5.4m). The profit contribution for South Korea, however, was 21% higher at £864,000. Note, too, that South Korea is the largest contributor to group underlying profit before tax[1] with a 66% share in the first six months of fiscal 2019 (2018: 69%). At the post-tax level, the contribution from South Korea for the period was £743,000 (2018: £629,000), which represents 63% (2018: 66%) of the group's underlying post-tax profits[1].

The group has continued to take steps to re-design its existing natural ventilation products and to introduce new products for the South Korean market. We expect that that these will be available for sale early in 2020.

United States

The results from our US business have improved significantly in the period following the sharp decline experienced last year. Sales for the six months increased by 55% year-on-year to £510,000 (2018: £330,000) and we are pleased that the pipeline of opportunities remains healthy. Although Titon Inc. recorded a small statutory loss for the period under review (£12,000) this was sharply reduced from the 2018 half-year loss (£77,000). It is important to note, too, that when the results are combined with the inter-segmental profits made in our UK factory on products sold in North America, the overall contribution is positive and exceeded our budget.

Website

I am pleased to report that we have upgraded our website to one which, we believe, possesses a much more contemporary feel. It also contains a lot more information about our products, which customers will find useful, plus we have added new product selector tools to assist users in easily finding the product they need. Please visit www.titon.com which also includes a new Investors tab.

Board

I would like to welcome Bernd Ratzke to the Titon Board. He joined at the end of March as an independent Non-Executive Director and brings a wealth of business experience from his long career as a corporate lawyer in the City and specifically as a former Head of Corporate at Baker & McKenzie. We look forward to his contribution and counsel.

Employees

Once again, I am indebted to all of Titon's employees for their talent and hard work. Without them, we would not have such a high quality and diversified business. To all of them, I offer my and the Board's sincere thanks.

Investors

We continue to work with Hardman & Co., the corporate research house, to raise our visibility in investment markets with, in my view, high quality research on the group. The company, last year, moved from the Main Market of the London Stock Exchange to AIM. The Board believes that AIM provides a more suitable regulatory environment for a business of Titon's size and structure, and provides more flexibility in relation to corporate transactions and equity fundraising, should such opportunities or initiatives arise or become relevant to the group in the future. Once again, I reiterate the existence of Titon's dividend reinvestment programme. This is a straightforward and cost-effective potential way to increase a shareholding in Titon; and it can be accessed by visiting the portal for our Registrars, Link Market Services Limited.

Outlook

By any yardstick, the group's first-half performance was a very good one with both underlying profit before tax[1] and earnings rising by a fifth or more. In February, however, we updated the market on current trading in our prime market of South Korea, where there has been a slowdown and a structural shift in product preference; both of which will impact the group this year. It is not in Titon's nature to sit on its hands and already we have reduced overheads in South Korea and will be bringing on new products early next year.

Titon has operated in South Korea since 2008 and it is the market leader in natural ventilation products. For a number of years, too, South Korea has been the group's largest profit contributor and in the half year, this remained the case with South Korea accounting for 63% of underlying profit after tax[1]. The domestic economy also ranks number 12 in the world and, although GDP growth forecasts have been reduced, Statista is forecasting GDP growth of 2.6% in 2019 and 2.8% in 2020, the envy of many of South Korea's peers. Specifically, too, government expenditure is rising and serving to replace some private sector activity; and we anticipate that this will underpin a modest return to growth in the housing market over the coming years.

However, we also believe that the growing popularity of mechanical ventilation units at the expense of natural products will continue and we have already agreed with our South Korean partners to develop and sell mechanical units, which will happen in 2020. At the same time, domestic building regulations in South Korea continue to provide for the use of natural ventilation, which is cost effective, sustainable and environmentally friendly. Consequently, we are designing new natural ventilation products with a much higher level of filtering to deal with the intensity of the dust-borne pollution, for our customers that wish to continue with this cost effective and environmentally friendly means of providing ventilation.

In the UK, we had reasonable growth in the markets for our products through the winter. UK GDP rose by 0.5% in the three months to end-January this year and, whilst GDP is set to grow below historical trends, consensus forecasts are for GDP to increase at between 1% and 2% per annum in 2019 and 2020 respectively. Similarly, Experian is forecasting average volume growth in UK housebuilding of 3.3% p.a. in 2019 through to 2021. This is despite the continued uncertainty surrounding the Brexit negotiations and the fact that the UK did not leave the EU, as scheduled, on 29 March 2019. The uncertainty is not helpful to business and particularly for medium-sized companies like Titon, which do not have the resources to cater for every possible outcome of Brexit.

The Government has announced that there will be a review of building regulations concerning ventilation, as part of its response to the Hackitt report following the desperately tragic Grenfell fire. A consultation paper is to be issued over the summer and any change in regulations may create new opportunities for Titon; I believe that we are very well positioned to benefit from these. Above all, the Government and the industry want to make buildings safer, more sustainable and healthier.

Titon has a diversified and growing spread of international markets together with an established and expanding range of attractive products. We have a strong balance sheet and a team that I am proud of. As previously announced, testing conditions continue in South Korea but I look forward to results for the group in the second half of the year in line with prevailing market expectations.

Notes

**Prior period figures for the year to 30 September 2018 and the six months to 31 March 2018 have been restated pursuant to the announcement made by the company on 19 March 2019, further details of which are included in note 2 of the Interim Statement.*

1. *Underlying EBITDA, operating profit, profit before tax and EPS in the period are calculated by adding back an exceptional item of £181,000, which relates to transaction-related costs in respect of a potential acquisition, which did not proceed.*

2. *RONA is calculated by dividing underlying profit before tax by net assets (including non-controlling interests, net of cash and intangibles) and expressed as an annualised figure. Asset turn is calculated by dividing the group's net revenue by net assets as defined above.*

3. *The quick ratio measures liquidity and is calculated by dividing current assets-less-inventories by current liabilities.*

Profit & Loss account

Year-end Sep (£m)	2018	2019E	2020E	2021E
Sales	**29.774**	**28.297**	**30.130**	**31.784**
COGS	-21.170	-21.093	-22.621	-23.754
Gross profit	8.604	7.204	7.509	8.030
SG&A	-5.504	-4.381	-4.612	-4.825
R&D	-0.446	-0.424	-0.452	-0.477
Depreciation and amortisation	-0.657	-0.712	-0.781	-0.865
Licensing/royalties	0	0	0	0
Other income	0.019	0.020	0.021	0.023
Underlying EBIT	**2.016**	**1.707**	**1.685**	**1.886**
Share-based costs	0	0	0	0
Exceptional items	0	0	0	0
Statutory operating profit	2.016	1.707	1.685	1.886
Finance income	0	0	0	0
Finance cost	0	0	0	0
Associates	0.741	0.489	0.600	0.700
Net financial income	0.013	0.014	0.015	0.016
Pre-tax profit	2.770	2.210	2.300	2.602
Exceptional items	0	-0.181	0	0
Reported pre-tax profit	**2.770**	**2.029**	**2.300**	**2.602**
Reported taxation	-0.315	-0.310	-0.322	-0.364
Minorities	-0.448	-0.112	-0.132	-0.143
Underlying net income	2.007	1.788	1.846	2.095
Statutory net income	2.007	1.607	1.846	2.095
Period-end shares (m)	11.1	11.1	11.1	11.1
Weighted average shares (m)	11.0	11.1	11.1	11.1
Fully diluted shares (m)	11.2	11.5	11.5	11.5
Underlying basic EPS (p)	18.2	16.1	16.7	18.9
Underlying fully diluted EPS (p)	17.9	15.5	16.1	18.2
Statutory basic EPS (p)	18.2	14.5	16.7	18.9
Statutory fully diluted EPS (p)	17.9	14.0	16.1	18.2
DPS (p)	**4.75**	**4.75**	**5.00**	**5.50**

Source: Hardman & Co Research

Balance sheet

@ 30 September 2018 (£m)	2018	2019E	2020E	2021E
Shareholders' funds	15.421	16.363	17.809	19.449
Cumulated goodwill	0	0	0	0
Total equity	**15.421**	**16.363**	**17.809**	**19.449**
Share capital	1.113	1.118	1.123	1.128
Reserves	14.308	15.245	16.686	18.321
Capitalised R&D	0	0	0	0
Minorities	1.706	1.765	1.834	1.909
Provisions	0	0	0	0
Deferred tax	-0.311	-0.020	-0.030	-0.040
Long-term loans	0	0	0	0
Bank overdrafts	0	0	0	0
less: cash & securities	-3.415	-3.033	-3.738	-4.531
less: marketable securities	0	0	0	0
less: non-core investments	0	0	0	0
Invested capital	**13.401**	**15.075**	**15.875**	**16.787**
Fixed assets	6.241	6.765	7.200	8.000
Intangible assets	0.737	0.719	0.840	0.594
Capitalised R&D	0	0	0	0
Goodwill	0	0	0	0
Stocks	5.667	5.500	5.000	4.000
Trade debtors	*7.799*	*2.800*	*2.700*	*2.500*
Other debtors	*0.000*	*4.600*	*4.500*	*4.100*
Trade creditors	*-6.901*	*-3.000*	*-2.000*	*-2.000*
Tax liability	*-0.142*	*-0.309*	*-0.365*	*-0.407*
Other creditors	*0.000*	*-2.000*	*-2.000*	*0.000*
Debtors less creditors	0.756	2.091	2.835	4.193
Invested capital	**13.401**	**15.075**	**15.875**	**16.787**
Net cash/(debt)	3.4	3.0	3.7	4.5
Net debt/equity	22.1%	18.5%	21.0%	23.3%
After-tax ROIC	15.0%	11.9%	11.6%	12.5%
Interest cover (x)	-	-	-	-
Dividend cover (x)	3.8	2.9	3.2	3.3
Capex/depreciation (x)	1.3	1.6	1.6	1.6
Capex/sales (%)	3.0%	3.5%	3.3%	3.1%
Net asset value/share (p)	139.1	147.6	160.7	175.5

Source: Hardman & Co Research

Cashflow

Year-end Sep (£m)	2018	2019E	2020E	2021E
Profit before tax	2.770	2.210	2.300	2.602
Depreciation	0.448	0.461	0.480	0.504
Amortisation	0.209	0.251	0.301	0.361
Stocks	-0.836	0.167	0.500	1.000
Working capital	0.074	-1.202	-0.600	-1.300
Exceptionals/provisions	0	-0.181	0	0
Disposals	-0.016	0	0	0
Other	-0.741	-0.753	-1.000	-1.100
Company operating cashflow	**1.908**	**0.953**	**1.981**	**2.067**
Net interest	0	0	0	0
Tax	-0.132	-0.309	-0.322	-0.364
Operational cashflow	1.776	0.644	1.659	1.703
Capital expenditure	-0.578	-0.700	-0.700	-0.700
Capitalised R&D	0	0	0	0
Sale of fixed assets	0	0	0	0
Free cashflow	**1.198**	**-0.056**	**0.959**	**1.003**
Dividends	-0.905	-0.526	-0.554	-0.610
Acquisitions, etc.	-0.315	0	0	0
Disposals	0.046	0	0	0
Other investments	0	0	0	0
Cashflow after investments	**0.024**	**-0.582**	**0.405**	**0.393**
Share repurchases	0	0	0	0
Share issues	0.122	0.200	0.300	0.400
Currency effect	0	0	0	0
Borrowings acquired	0	0	0	0
Change in net debt	0.146	-0.382	0.705	0.793
Opening net cash	3.269	3.415	3.033	3.738
Closing net cash	**3.415**	**3.033**	**3.738**	**4.531**

Source: Hardman & Co Research

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