

## Market Overview

*The level of UK economic activity, in particular the state of the repair, maintenance and improvement ('RMI') and new-build housing markets, are important drivers of our performance*

Despite a weak RMI market reflecting political and economic uncertainty throughout 2019, we are confident that our strategic initiatives (described in Our Strategy on pages 22 and 23), will continue to deliver above market level growth rates for Eurocell.

## EUROCELL MARKETS AND DRIVERS

### Private Home Improvement ('RMI')

The RMI market has been weak in 2019, reflecting: political and Brexit-related uncertainty, the prospect of redundancies in the event of an extended economic downturn and the relatively weak growth in real wages over the last few years. However, there is some expectation of a post-election recovery in 2020.

#### **Demand is influenced by the state of the economy**

– the resulting impact on the housing market and consumer confidence influence demand.

#### **Housing market**

– homeowners may choose to improve or extend their existing property rather than move house, which can be positive for Eurocell.

#### **Retirement housing**

– planned improvements to retirement housing and increased availability of funds following changes to pension scheme rules may provide support to the RMI market in the future.

### Public New-Build Housing

This sector represents a very small proportion of the UK housing market, as government policies are targeted towards increasing private sector affordable housing rather than public sector social housing.

#### **Right-to-Buy scheme**

– enables council and housing association tenants to buy their homes at a discount, therefore a reduction in public sector housing stock is expected as a result of the scheme.

#### **Rent caps**

– may reduce the financing available for new development.

#### **Rental property development**

– housing associations have relied on market sales to raise capital, weaker house price growth and fewer transactions will likely hamper this.

### Private New-Build Housing

Some of the large house builders reported a softening in demand in the lead up to the General Election at the end of 2019.

#### **Macroeconomic environment**

– uncertainty suggests affordability will likely remain a key issue.

#### **Help-to-Buy scheme**

– continues to support demand.

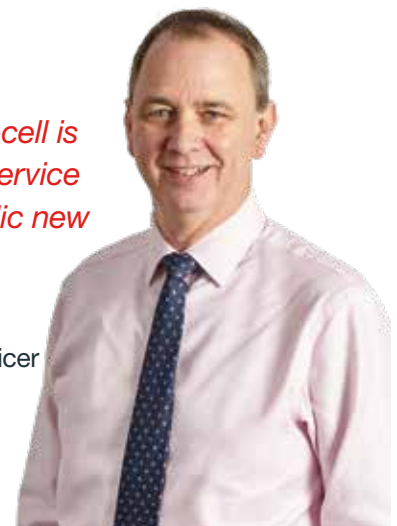
#### **Housing shortage**

– on-going positive government intervention remains a possibility.



*We believe Eurocell is well-placed to service private and public new build housing.*

**Mark Kelly**  
Chief Executive Officer



## EXTERNAL MARKET DRIVERS

### GDP

- Real UK GDP is forecast to grow by 1.6% in 2020 (2019 estimate: 1.0%).

### Consumer confidence

- Dropped in 2019 due to ongoing uncertainty over Brexit and fear of redundancies due to the uncertain political and macroeconomic outlook. However, there is some expectation of a post-election recovery in 2020.

### Interest rates

- UK interest rates increased in August 2018 (only the second increase since 2007). However, the UK Government announced a 50 bps rate reduction in March 2020.

### Construction

- Total construction activity was up 0.6% in 2019 and is forecast to be flat in 2020, before growing by 1% in 2021.
- Housing construction activity was down 2% in 2019 and is forecast to rise by 1% in 2020 and 2021.

### Housing market

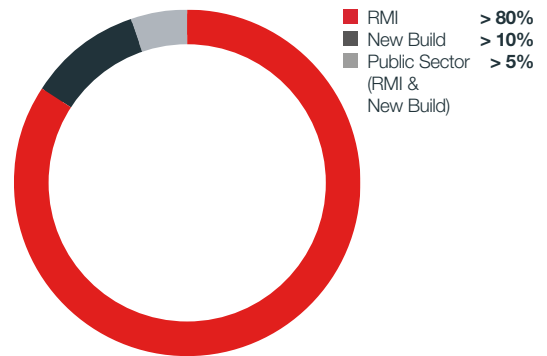
- Total housing starts were down 7.0% in 2019 and are forecast to decline by 1.6% in 2020, before increasing by 2% in 2021.
- Private housing starts were down 8% in 2019 and are forecast to decline by 2% in 2020 before rising by 2% in 2021.
- Private housing RMI1 market was down 3% in 2019 and is forecast to decline 1% in 2020 and rise by 1% in 2021.

1 RMI is Repair, Maintenance and Improvement market.

Sources: Bank of England Monetary Policy Committee statement September 2019, CPA: Construction Industry Forecasts 2019-21 (published January 2020), Office for Budgetary Responsibility Forecast (published October 2019).

## Eurocell Revenue by Market (%)

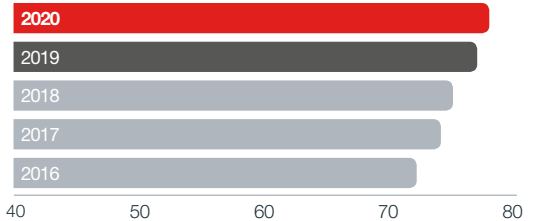
Private home improvement and, increasingly, new build housing are currently the most important market segments for Eurocell.



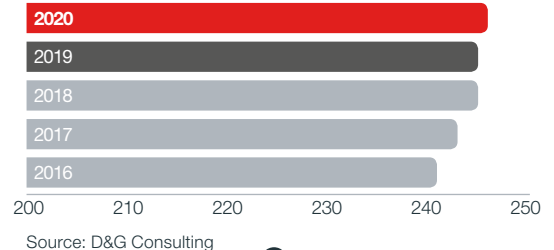
## Markets for Eurocell Products

The product groups specific to Eurocell are currently expected to show modest growth in 2020.

### Roofline (Tonnes 000s)



### Window Profile (Tonnes 000s)



Source: D&G Consulting

Key to potential impact on demand for Eurocell products:

- Positive
- Neutral
- Negative