



EUROCELL PLC
2016 Full Year Results

AGENDA

Operations and Business Review

Mark Kelly

Chief Executive

Financial Review

Michael Scott

Chief Financial Officer

Strategy and Outlook

Mark Kelly

Manufacturer



Distributor



Recycler



OVERVIEW

Mark Kelly – Chief Executive

Good financial results

Strong sales growth
Stable gross margin
Robust cash flow

Strong operational performance

Investment in business expansion
Growing market share
Increased use of recycled material

Outlook

Clear strategy
Opportunities for growth
Positive start to 2017

Revenue

£204.8m

▲ 16% (11% excluding acquisitions)

Adjusted EBITDA

£31.3m

▲ 5% (2015: £29.7m)

Total Dividends

8.5p per share

▲ 8% (2015: 7.9p per share)

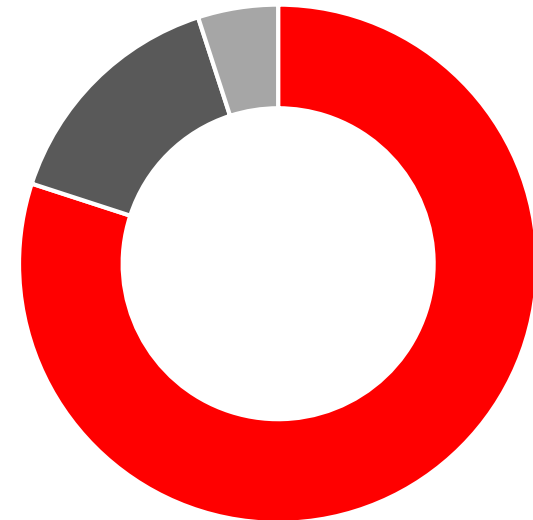
MARKET BACKDROP

Flat RMI Market

Driver	Description
GDP	UK GDP is forecast to grow by 2.0% in 2017 (2016: 2.2%)
Consumer confidence	Consumer confidence dropped sharply in the aftermath of the vote to leave the EU, but has quickly recovered to pre-vote levels
Interest rates	UK interest rates not forecast to increase until 2018
Construction	Housing construction activity remains below pre-recession peak, but is forecast to rise by 1% in 2017 and 2% in 2018
	Private housing starts are forecast to increase by 2% in 2017 and 3% in 2018
Housing market	Private housing RMI ⁽¹⁾ market CAGR ⁽²⁾ forecast 2016-2019 is broadly flat

Sources: CPA: Construction Industry Forecasts 2016-19 (published February 2017)
Bank of England Inflation Report (published February 2017)

Eurocell Revenue by Market (%)



RMI > 80%

Newbuild 10% - 15%

Public Sector (new build and RMI) < 5%

(1) RMI is Repair, Maintenance and Improvement market

(2) CAGR is compound annual growth rate

OPERATIONAL HIGHLIGHTS

Strong Operational Performance

- ▶ **Investment to expand branch network**
 - 159 branches, with 18 new sites opened in 2016
- ▶ **Investment in specifications team**
 - Customised product solutions unique to Eurocell
- ▶ **Increased use of recycled PVC in manufactured products**
 - 14%⁽¹⁾ in 2016 (2015: 9%)
- ▶ **Warehouse operations back in-house from Feb 2017**
 - Enhance customer service levels
- ▶ **Completed acquisitions**
 - Vista Panels in March 2016
 - Security Hardware in February 2017

(1) 6.0kt post-consumer recycled compound used in total consumption 44.4kt

New Branches



Recycling Operation



Vista Panels



DIVISIONAL REVIEW

Profiles

▶ Gaining market share in a flat market

- 4% organic sales growth
- Vista and S&S in line with expectations

▶ Positive trends across customer base

- Larger fabricators increasing capacity and growing share by supplying smaller fabricators

▶ Strong customer retention and good acquisitions

- Benefit from 2 new large fabricators in 2015
- Further 2 large wins towards the end of 2016

▶ Good growth in private new build sector

- Specification and business development teams
- Fabricator Forums

▶ Increased overheads

- Investment in specification and business development teams
- Costs related to outsourced warehouse logistics
- Provisions reassessed in 2015

Profiles Division P&L

£m	2016	2015	Change
3rd Party Revenue	87.4	73.9	▲ 18%
Organic	75.2	72.0	▲ 4%
S&S Plastics	4.8	1.9	n/a
Vista Panels	7.4	-	n/a
Inter-segment Revenue⁽¹⁾	39.8	32.1	▲ 24%
Total Revenue	127.2	106.0	▲ 20%
Adjusted EBITDA	22.7	21.6	▲ 5%

Note (1):

- Full manufacturing margin recorded in Profiles division
- Division therefore benefits from pull through demand generated by branch expansion

DIVISIONAL REVIEW

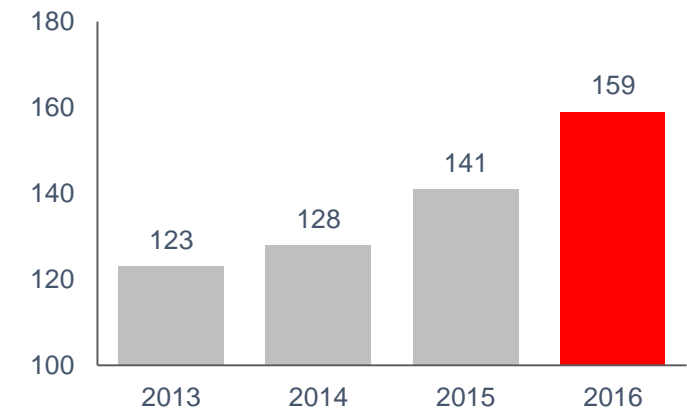
Building Plastics

- ▶ **Significant market share growth**
- ▶ **Like for like⁽¹⁾ sales up 10%**
 - Driven by maturing branches
 - Opened 2014 and prior
 - Bolstered by sales of windows through branches, Skypod and Equinox
 - £13.3m (2015: £8.4m)
 - 500 new product lines in the branches
 - Vista supporting growth in sales of doors through branches
- ▶ **18 new branches in 2016 (2015: 13 branches)**
- ▶ **Increased overheads**
 - Investment to accelerate branch expansion
 - Q1 branch commission scheme
- ▶ **Initiatives to protect margin**
 - Peer Pricing

Building Plastics Division P&L

£m	2016	2015	Change
3rd Party Revenue	117.5	102.1	▲ 15%
Inter-segment Revenue	0.7	0.6	▲ 18%
Total Revenue	118.2	102.7	▲ 15%
Adjusted EBITDA	8.8	8.4	▲ 5%

Number of Branches (at 31 December)



(1) Like for like includes branches open for the full years 2015 and 2016

BRANCH NETWORK EXPANSION

Investment for Growth

- ▶ **Accelerated investment in branch expansion**
 - Secure medium-term growth
- ▶ **Existing branch estate**
 - Up to 2 years to break-even
 - 4 years to maturity
- ▶ **Target 30 new branches in 2017**
 - In progress with all sites identified
 - Long-term target of c.350 branches
- ▶ **Trials to reduce start-up costs**
 - Share resources and leverage existing infrastructure
- ▶ **Other branch growth initiatives**
 - New branch format
 - Leverage Security Hardware acquisition
- ▶ **One-stop shop for customers**
 - All products required when fitting windows and/or roofline

Indicative Branch Economics (Rounded)

	Branch Open		
	< 2 years	2-4 years	>4 years
No. of Branches	33	12	114
Average Sales per Branch (£000)	200	500	800
Return on Sales per Branch (%) ⁽¹⁾	Break-even	>10%	Mid-teen %

New Branch Format



(1) EBITDA as % of sales, before regional infrastructure and central costs

FINANCIAL HIGHLIGHTS

Michael Scott – Chief Financial Officer

Revenue

£204.8m

▲ 16% (11% excluding acquisitions)

Gross Margin

52.0%

▲ 0.3% (2015: 51.7%)

Adjusted EBITDA

£31.3m

▲ 5% (2015: £29.7m)

Adjusted Basic EPS

20.0p

▲ 7% (2015: 18.6p)

Total Dividends

8.5p per share

▲ 8% (2015: 7.9p per share)

Net Debt

£20.3m

▼ £5.6m (2015: £25.9m)

▶ Strong sales growth

▶ Stable gross margin

- Mitigated raw material pricing pressure

▶ Operating costs

- Investment in business expansion
- Costs related to outsourced warehouse logistics
- Provisions reassessed in 2015

▶ Improved quality of earnings

▶ Robust cash flow

- Cash generated from underlying operations £32.2m
▲ 9% (2015: £29.6m)

▶ Final dividend of 5.7p (2015: 5.2p)

FINANCIAL PERFORMANCE

Good Financial Results

£m	2016	2015	Change
Revenue	204.8	175.9	▲ 16%
<i>Gross Margin %</i>	<i>52.0%</i>	<i>51.7%</i>	
Overheads	(75.2)	(61.3)	
Adjusted EBITDA⁽¹⁾	31.3	29.7	▲ 5%
Depreciation and Amortisation	(6.3)	(5.4)	
Finance Costs	(0.7)	(1.3)	
Adjusted Profit Before Tax⁽²⁾	24.3	23.0	▲ 5%
Tax	(4.3)	(4.4)	
Adjusted Profit After Tax	20.0	18.6	
Adjusted Basic EPS (pence)⁽³⁾	20.0	18.6	▲ 7%
Dividends per share (pence)	8.5	7.9	▲ 8%
Reported EPS (pence)⁽⁴⁾	19.6	15.5	▲ 26%

(1) Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and non-recurring costs

(2) Adjusted PBT represents profit before tax and non-recurring costs

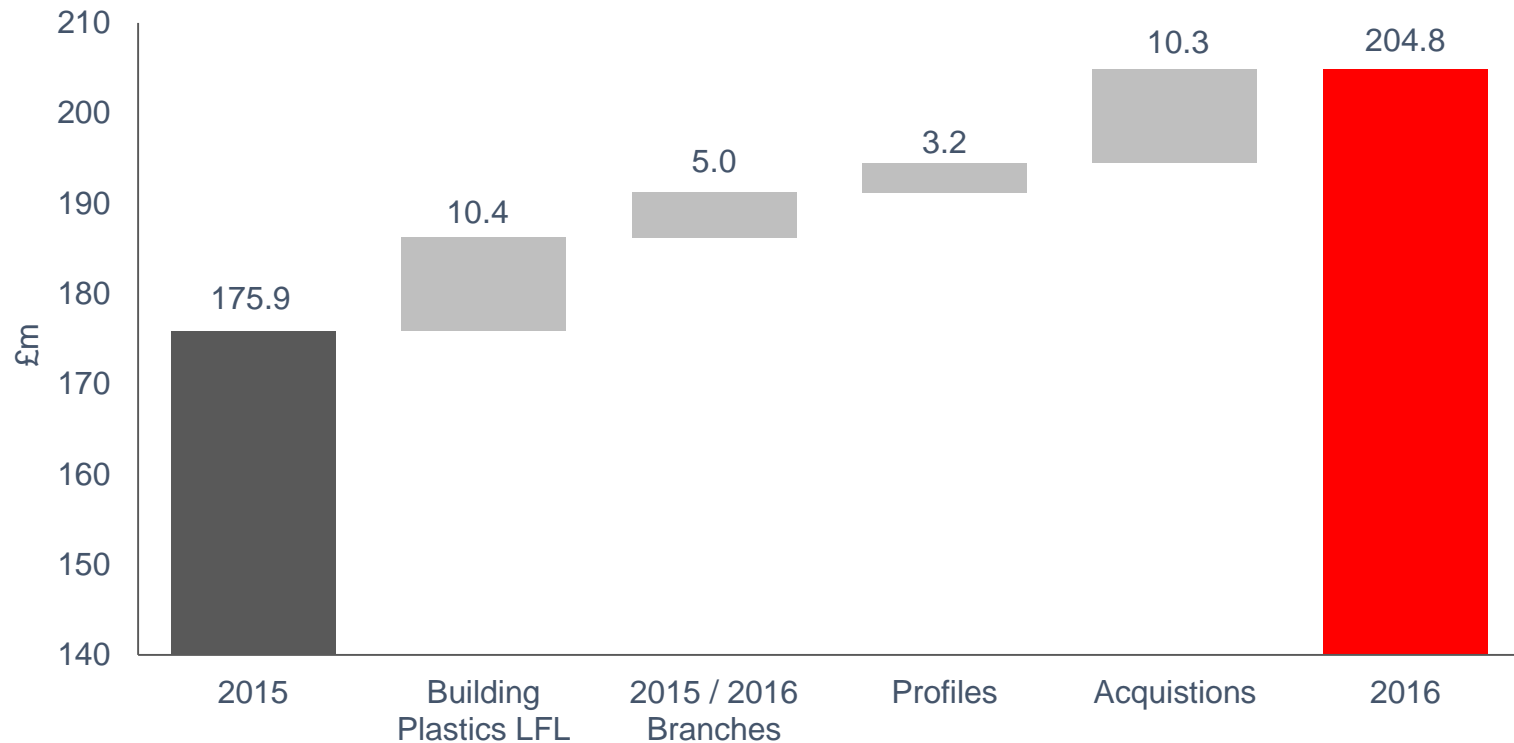
(3) Adjusted EPS excludes non-recurring costs and the related tax effect

(4) Reported EPS includes non-recurring costs of £0.5m (2015: £3.3m) and the related tax effect

SALES PERFORMANCE

Strong Sales Growth

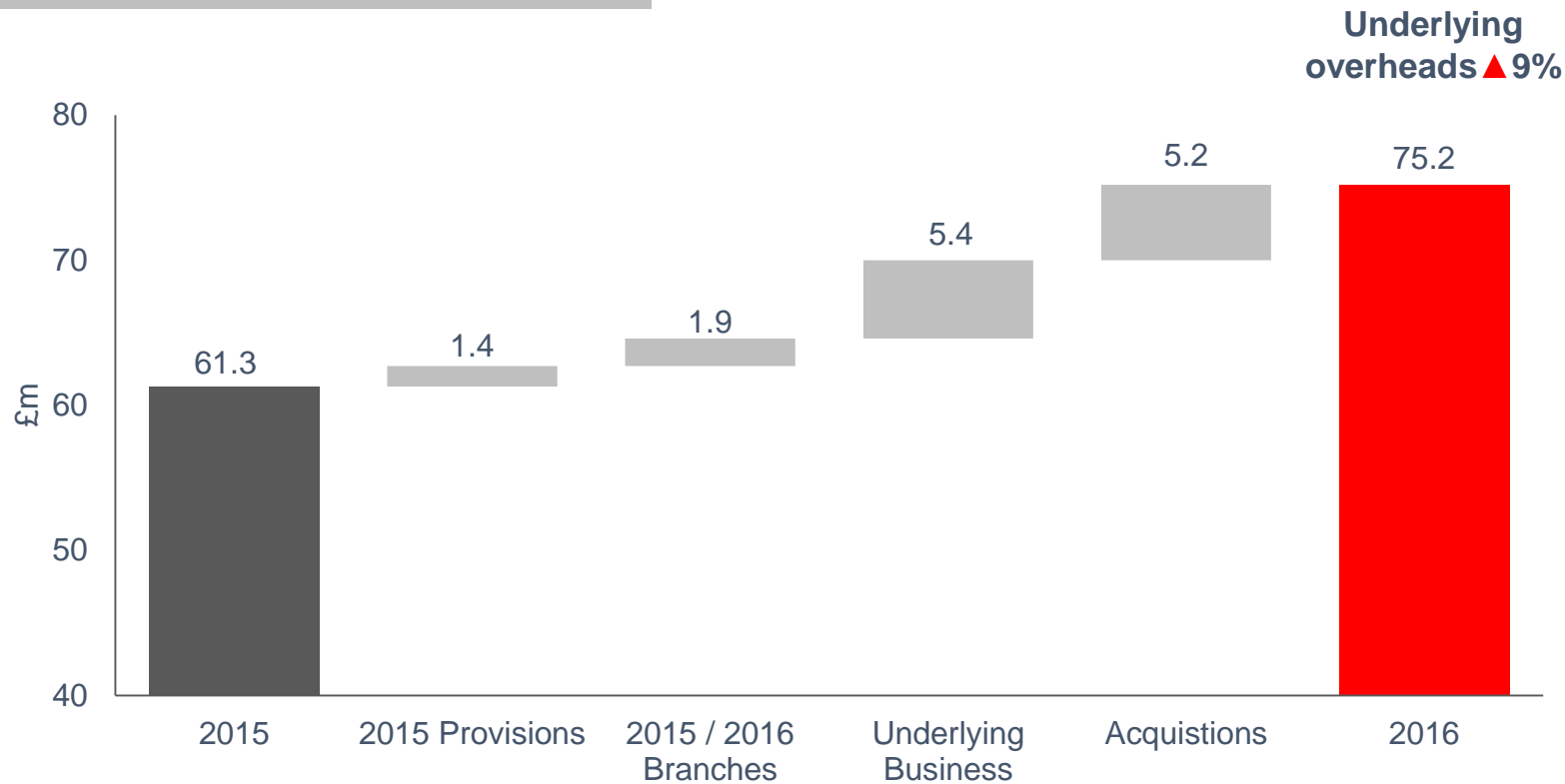
Sales ▲ 16%
(including acquisitions)



- ▶ Sales ▲ 11% excluding acquisitions
- ▶ Building Plastics: like for like growth 10%
- ▶ Building Plastics: 5% growth from branches opened in 2015 / 2016
- ▶ Profiles organic growth 4%
- ▶ Acquisitions: S&S (July 2015) and Vista (March 2016)

OVERHEADS

Investment in Business Expansion



▶ Reassessment of provisions in 2015

▶ 31 new branches in 2015 / 2016

▶ Acquisitions: S&S and Vista

▶ Careful control of underlying costs

▶ Underlying business cost increase:

- Investment in specification and business development teams
- Costs related to outsourced warehouse logistics (£1.3m)
- Q1 branch commission scheme (£0.3m)

CAPEX

Investment in Business Expansion

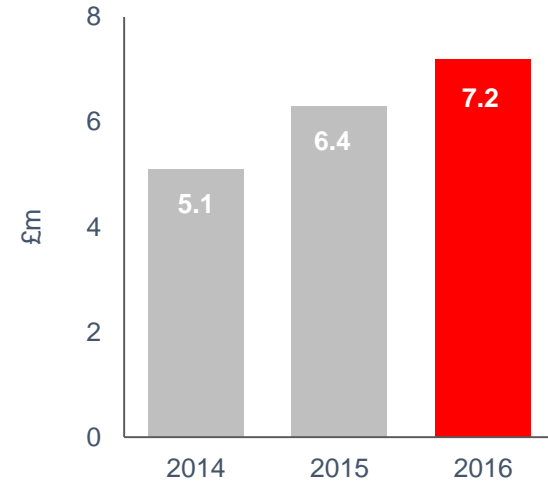
▶ 2016 capex £7.2m (2015: £6.4m)

- Growth capex £2.6m
 - Increase recycling capacity £1.1m
 - New branches £0.8m
 - Foiling machine £0.7m
- Recurring / maintenance capex £4.6m
 - Operations £3.2m includes tooling costs
 - Other £1.4m includes IT and branch refurbishments

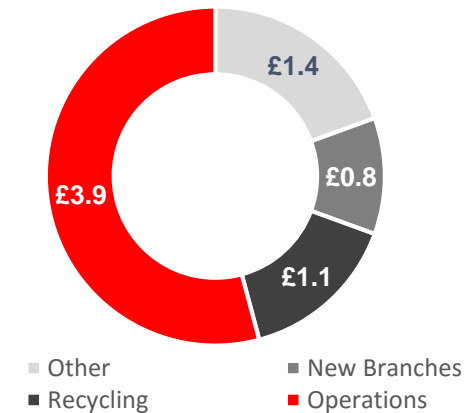
▶ 2017 capex guidance c.£7.5m

- Growth capex £2.8m
 - Increase recycling capacity £0.9m
 - New branches £1.9m
- Recurring / maintenance capex £4.7m
 - Operations, IT and branch refurbishment

Total Capital Expenditure



2016 Capital Expenditure Allocation

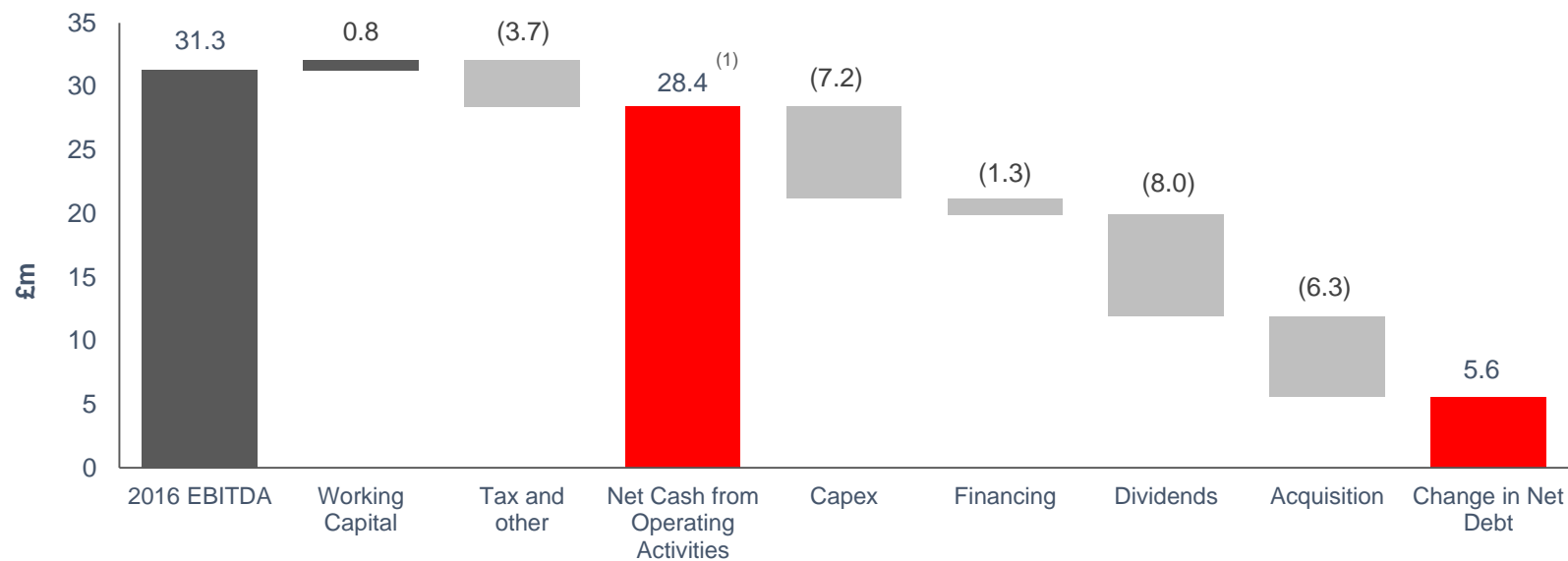


CASH FLOW

Robust Cash Flow Generation

Reconciliation of Net Debt

£m	2015	2016	Change
Cash	1.2	5.5	4.3
Borrowing	(27.1)	(25.8)	1.3
Net Debt	(25.9)	(20.3)	5.6



▶ Inflow from working capital £0.8m

- ▼ Stock £1.6m
- ▲ Receivables £0.6m
- ▼ Payables / provisions £0.2m

▶ Tax paid £3.5m

▶ Financing includes £0.5m re Vista acquisition

▶ Dividends

- Final 2015 £5.2m (5.2p)
- Interim 2016 £2.8m (2.8p)

▶ Acquisition of Vista Panels in March 2016

(1) Cash generated from underlying operations of £32.2m less tax and non-recurring costs paid

STRONG BALANCE SHEET

Capital Allocation

Investment in organic business expansion

- ▶ Min. 30 branches p.a. (subject to market conditions)
- ▶ Increase use of recycled material
- ▶ Manufacturing efficiencies

Dividend policy

- ▶ Target at least 40% of adjusted earnings

Disciplined approach to acquisitions

- ▶ Clear strategic and financial criteria
- ▶ Good track record

Efficient balance sheet

- ▶ £45m unsecured facility – matures 2020
- ▶ Net debt to EBITDA
 - Indicative through the cycle range 1.0x – 1.5x

STRATEGY AND GROWTH OPPORTUNITIES

Mark Kelly – Chief Executive

Sustainable Growth in Shareholder Value

Leverage the Eurocell Brand

Advantages of vertically integrated business model

Advantages of local distribution

5 Strategic Priorities

Sales

Distribution

Products

Operations

M&A

Grow market share

Expand branch network

Develop innovative new products

Increase use of recycled material

Explore bolt-on acquisition opportunities

▶ **Grow market share**

- Target new build, commercial and public sector work
- Pull through demand from expanding branch network

▶ **Expand branch network**

- 30 new branches in 2017
- Growth in window sales through branches
- Focus on other innovative products
- Leverage Vista and Security Hardware acquisitions

▶ **Develop innovative new products**

- Expansion of Modus range
- Further development of complementary product offerings
- Shorten time to market for new products

▶ **Increase use of recycled material**

- Complete expansion project
- Increase waste collections from fabricators and branch network

▶ **Explore bolt-on acquisition opportunities**

- Strategic and financial criteria
- No fabricators

SUMMARY

And Outlook

Good financial results

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Robust cash flow

Strong operational performance

Investment in business expansion

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Outlook

Clear strategy

Opportunities for growth

Positive start to 2017



Appendices



EUROCELL AT A GLANCE

EUROCELL PROFILES

Market position: the UK's leading manufacturer, distributor and recycler of window, door, conservatory and roofline products

Manufactures and sells: window, door and conservatory profiles to fabricators

Network of > 350 fabricators: supplying final products to installers, retail outlets and house-builders

Main customers: fabricators

Source: D&G, company information (unaudited)

EUROCELL BUILDING PLASTICS

Market position: ranked #1 PVC building products specialist outlet

Sells and distributes: a range of Eurocell branded roofline and third-party related products, as well as windows fabricated by 3rd parties using product supplied by Profiles division

Nationwide network: >150 branches

Main customers: installers, small builders, roofing contractors and independent stockists

Source: D&G, company information (unaudited)

DIFFERENTIATION

eurocell[®]

All together better

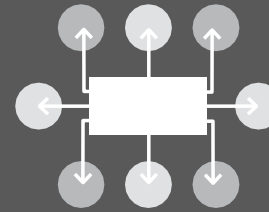
B2B supplier
of innovative PVC
building products



Sustainability
In-house
closed loop
recycling facility



**Vertically
integrated
business model**
Recycling,
manufacturing
and own branch
network



Clear strategy
Grow market share,
expand branch
network, develop
new products,
increase use of
recycled material,
bolt-on
acquisitions



Stable ownership
Fresh focus, with
new horizons

A COMPLETE PRODUCT RANGE



Modus windows and doors



Skypod pitched skylights



Aspect bi-folding doors



Conservatories and equinox tiled roofs



Fascias, soffits and guttering



Traded goods

LOCATIONS



Centrally located

HQ, Manufacturing,
Warehousing,
Injection Moulding
and Recycling



Extrusion centre

140,000 sq ft
45 extruders



Secondary operations

120,000 sq ft
6 extruders



Recycling factory

75,000 sq ft
12 extruders



Warehousing

260,000 sq ft



Injection Moulding

21,000 sq ft
22 Machines



Composite Door Manufacture

50,000 sq ft
The Wirral

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