



**EUROCELL PLC**  
**2017 Full Year Results**

# AGENDA

## 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

## Overview

More challenging backdrop and markets

Good progress with strategic priorities

Significant investments in business expansion

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## Financial results

Good sales growth

Raw material cost inflation

Solid profitability and robust cash flow conversion

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## Operational performance

Driving growth in new build

Investment in new branches

Increased use of recycled material

## Revenue

**£224.9m**

▲ 10% (8% excluding acquisitions)

## Adjusted PBT

**£24.5m**

▲ 1% (2016: £24.3m)

## Total Dividends

**9.0p per share**

▲ 6% (2016: 8.5p per share)

# MARKET BACKDROP

## Mixed Economic Indicators

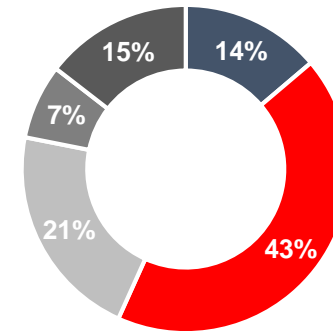
Driver	Description
<b>GDP</b>	UK GDP has slowed and is forecast to grow by 1.5% in 2018 (2017: 1.8%)
<b>Consumer confidence</b>	Consumer confidence dropped sharply in the aftermath of the vote to leave the EU. Consumers now fear the weak pound could impact living standards
<b>Interest rates</b>	First increase in UK interest rates for ten years in 2017, with further increases forecast for 2018
<b>Construction</b>	Housing construction activity remains below pre-recession peak, but is forecast to rise by 3% in 2018 and 2% in 2019  Private housing starts are forecast to increase by 2% in 2018 and 2% in 2019
<b>Housing market</b>	Private housing RMI <sup>(1)</sup> market CAGR <sup>(2)</sup> forecast 2016-2019 is broadly flat

(1) RMI is Repair, Maintenance and Improvement

(2) CAGR is compound annual growth rate

Sources: CPA: Construction Industry Forecasts 2017-19 (published Autumn 2017)  
Oxford Economic Data (via Factset) (February 2018)

Total Window Units Supplied to Each Sector of the Market (%)

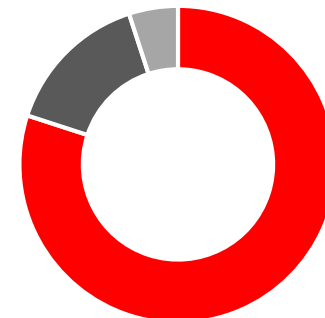


First time replacements  
Second time replacements  
Conservatories

Extensions  
New Build

Source: D&G Consulting – 2016 Annual PVC Window Industry Report

Eurocell Revenue by Market (%)



RMI > 80%

New Build > 10%

Public Sector (New Build and RMI) < 5%

# MARKET BACKDROP

## Subdued RMI Market

Gaining share in a flat RMI market

More challenging backdrop and markets in H2

### Sales Growth (%)

H1 2017    H2 2017    FY 2017

#### Group

Organic	9%	7%	8%
Like-for-like <sup>(1)</sup>	6%	2%	4%

#### Profiles

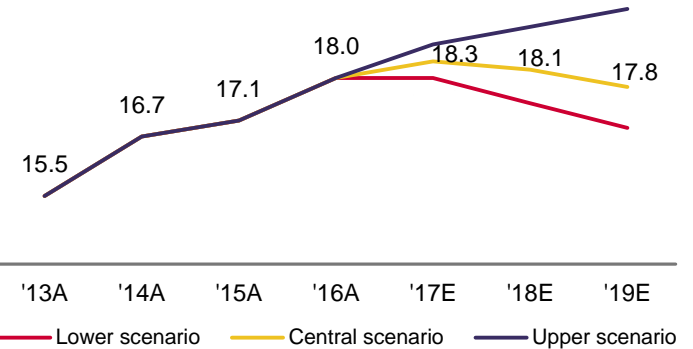
Organic / like-for-like <sup>(1)</sup>	6%	5%	6%
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#### Building Plastics

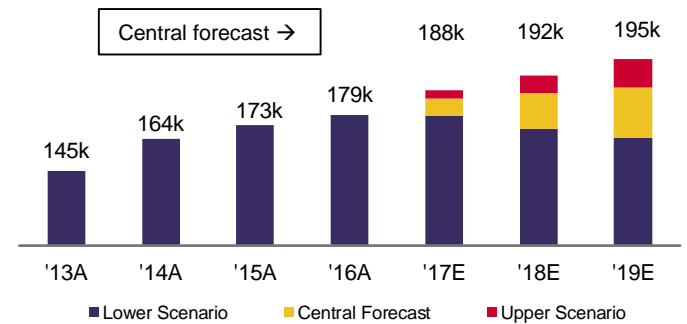
Organic	11%	8%	9%
Like-for-like <sup>(1)</sup>	6%	Flat	3%

(1) Like-for-like excludes acquisitions and branches opened in 2016 and 2017

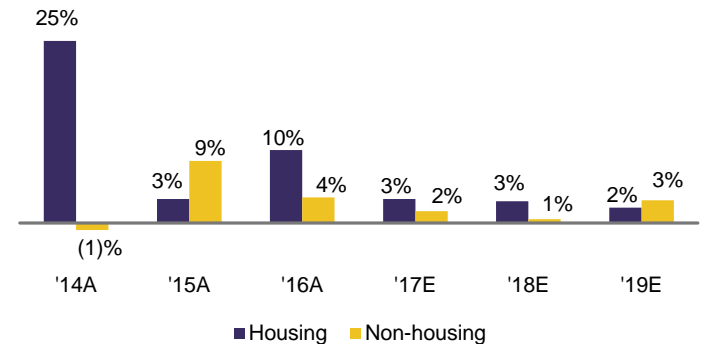
### Private Housing RMI Spend (£bn)



### Number of Housing Starts (thousands)



### Construction Output Growth (%)



# DIVISIONAL REVIEW

## Profiles – Performance in 2017

- ▶ **Gaining share – 6% like-for-like<sup>(1)</sup> growth**
  - More challenging backdrop in H2
- ▶ **Private new build up > 15% in 2017**
  - Dedicated specification and business development teams
  - Comprehensive product range
  - Successful fabricator forums
- ▶ **Larger fabricators continue to grow strongly**
  - Increasing their capacity and taking share from smaller fabricators
- ▶ **New account wins: > 20 in 2017 (no losses)**
  - Sales from new accounts started in Q4
- ▶ **Gross margin down year on year**
  - Raw material price inflation
  - Impact from growth in larger fabricators
- ▶ **Increased use of recycled PVC in manufacturing**
  - 17%<sup>(4)</sup> in 2017 (2016: 14%)

### Profiles Division P&L

£m	2017	2016	Change
<b>3<sup>rd</sup> Party Revenue</b>	<b>94.2</b>	<b>87.4</b>	<b>▲ 8%</b>
Organic / like-for-like	84.5	80.0	▲ 6%
Vista Panels <sup>(2)</sup>	9.7	7.4	▲ 31%
Inter-segment Revenue <sup>(3)</sup>	45.4	39.8	▲ 14%
<b>Total Revenue</b>	<b>139.6</b>	<b>127.2</b>	<b>▲ 10%</b>
<b>Adjusted EBITDA</b>	<b>23.1</b>	<b>22.7</b>	<b>▲ 2%</b>

(1) Like-for-like excludes acquisitions

(2) Vista Panels acquired in March 2016

(3) Inter-Segment Revenue

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

(4) 8.3kt post-consumer recycled compound used in total consumption of 48.8kt

# DIVISIONAL REVIEW

## Profiles – Focus for 2018

- ▶ **Continued focus on specifications**
  - New build, public sector and commercial work
- ▶ **Develop stronger partnerships with key customers**
  - Support large fabricator expansion plans
- ▶ **Build and exploit prospect pipeline**
  - New accounts already contracted for 2018
  - Target large competitor fabricators
- ▶ **Focus on off-site construction sector**
  - “In-site” construction hinge
- ▶ **Introduction of hardware offering to complement window profile**
  - Enables fabricators to offer fully certified common specification window, including hardware
  - Supports new build sales and windows through branches
  - Available in H2

### Off-site Construction

Windows fitted in factory: Eurocell profile and hinge



Wall panels including windows installed on site



# DIVISIONAL REVIEW

## Building Plastics – Performance in 2017

- ▶ **Gaining share – 9% organic growth**
  - More challenging backdrop in H2
- ▶ **Like for like<sup>(1)</sup> sales up 3%**
  - Driven by maturing branches – opened 2015 and prior
  - Bolstered by sales of windows through branches, Skypod and Equinox, up 17% – configuration software
  - One-stop shop: 500 new product lines in 2016/17
  - Vista supporting growth in sales of doors through branches, up 19%
- ▶ **Gross margin flat year on year**
  - Cost inflation mitigated with selling price increases
- ▶ **Accelerated investment in branch network expansion**
  - 31 new branches in 2017 (2016: 18 branches)
  - 2016/17 branches add £7.0m to 2017 sales
  - Significant investment – incremental 2017 EBITDA drag c.£1m
- ▶ **Security Hardware acquired in Feb 2017**
  - Integration and roll-out of spares proposition for branches substantially complete and gaining traction

### Building Plastics Division P&L

£m	2017	2016	Change
<b>3<sup>rd</sup> Party Revenue</b>	<b>130.7</b>	<b>117.5</b>	<b>▲ 11%</b>
Organic	128.2	117.5	▲ 9%
Security Hardware <sup>(2)</sup>	2.5	-	n/a
Inter-segment Revenue	1.1	0.7	▲ 56%
<b>Total Revenue</b>	<b>131.8</b>	<b>118.2</b>	<b>▲ 12%</b>
<b>Adjusted EBITDA</b>	<b>8.6</b>	<b>8.8</b>	<b>▼ 3%</b>

(1) Like-for-like excludes acquisitions and branches opened in 2016 and 2017

(2) Security Hardware acquired February 2017



# DIVISIONAL REVIEW

## Building Plastics – Focus for 2018

### ▶ 2018 focus on optimising existing estate

- Historically 2 years to break-even and 4 years to maturity
- 50 branches < 2 years old
- Significant improvement in performance for the division when new branches mature

### ▶ Initiatives to shorten time to break-even and maturity

- Share resources and leverage existing infrastructure
- Focused direct marketing campaigns
- Ensure consistent offering across the network - doors, hardware, promotions

### ▶ Revised target for 2018 of up to 15 new sites

- Including trials of smaller collect / cluster branches

### ▶ Medium-term target remains 250 branches

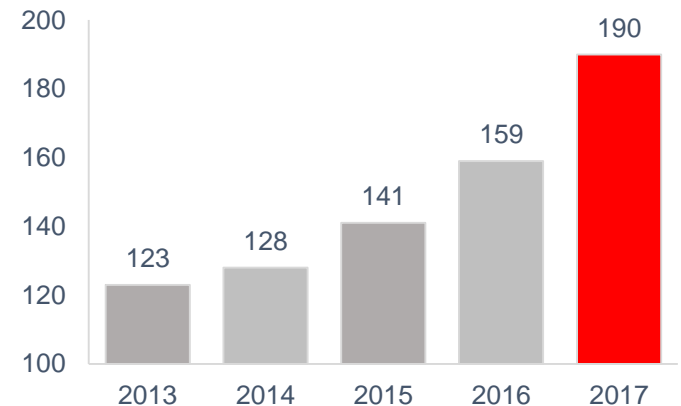
- Long-term aspiration of c.350 branches

### Indicative Branch Economics (Rounded)

	Branch Open		
	< 2 years	2-4 years	>4 years
No. of Branches	50	22	118
Average Sales per Branch (£000)	150	500	800
Return on Sales per Branch (%) <sup>(1)</sup>	Small loss	>10%	Mid-teen %

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

### Number of Branches (at 31 December)



# BUSINESS REVIEW

## Increasing Recycling Capability

### ► Significant increase in resin costs

- Up 13% in 2017 and by c.£150/t over last 2 years
- Driven by underlying commodity prices and currency
- Widening gap of recycled vs virgin compound

### ► 2016/17 investment to increase recycling capability

- Capex of £1.8m over 2 year period
- Boosted use from 9% in 2015 (4.1kt) to 17% in 2017 (8.3kt)

### ► Initiatives to increase supplies of in-feed stock

- Up 15% in 2017

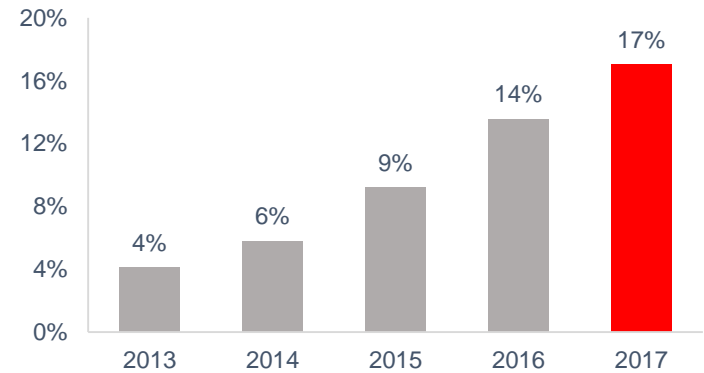
### ► 2018 further planned investment

- Case for further expansion of recycling now more compelling
- 2018 capex of c.£3m – recycling plant and extrusion tooling
- Expect usage to be c.20% (c.10kt)

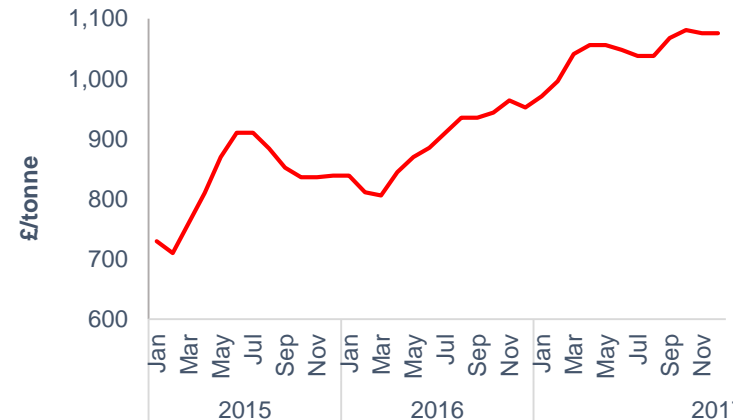
### ► Continue to evaluate opportunities to increase recycling

- Strong returns
- Improving sustainability of our products

Use of Recycled PVC in Manufacturing (%)



ICIS Resin Price Index 2015 – 2017



Source: ICIS PVC Index Report (published Jan 2018)  
Note: Eurocell price based on index less discount

# FINANCIAL HIGHLIGHTS

Michael Scott – Chief Financial Officer

## Revenue

£224.9m

▲ 10% (8% excluding acquisitions)

## Gross Margin

51.0%

▼ 1% (2016: 52.0%)

## Adjusted<sup>(2)</sup> PBT

£24.5m

▲ 1% (2016: £24.3m)

## Adjusted<sup>(2)</sup> Basic EPS

20.4p

▲ 2% (2016: 20.0p)

## Net Debt

£14.5m

▼ £5.8m (2016: £20.3m)

## Total Dividends

9.0p per share

▲ 6% (2016: 8.5p per share)

### ▶ Strong sales growth

- Like-for-like<sup>(1)</sup> ▲ 4%
- Subdued RMI market, especially in H2

### ▶ Gross margin

- Raw material cost inflation, with resin prices up 13%

### ▶ Overheads

- Impact of acquisitions and investment in new branches
- Like-for-like<sup>(1)</sup> operating cost increase ▲ 2%

### ▶ Robust cash flow conversion

- Cash generated from underlying operations £28.8m  
▼ 11% (2016: £32.2m)
- Working capital outflow £2.6m (2016: inflow £0.8m)

### ▶ Further reduction in net debt

- ▼ c.£20m since IPO

### ▶ Final dividend of 6.0p per share

- ▲ 5% (2016: 5.7p)

(1) Like-for-like sales and operating costs exclude acquisitions and branches opened in 2016 and 2017

(2) Non-underlying costs of £0.8m (2016: £0.5m), including Security Hardware acquisition costs / earn-out (£0.4m) and restructuring costs (£0.4m, reported in H1)

# FINANCIAL PERFORMANCE

## Solid Financial Results

<b>£m</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b>Revenue</b>	<b>224.9</b>	<b>204.8</b>	<b>▲ 10%</b>
<i>Gross Margin %</i>	<i>51.0%</i>	<i>52.0%</i>	
Overheads	(82.9)	(75.2)	
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>31.7</b>	<b>31.3</b>	<b>▲ 1%</b>
Depreciation and Amortisation	(6.7)	(6.3)	
Finance Costs	(0.5)	(0.7)	
<b>Adjusted Profit Before Tax<sup>(2)</sup></b>	<b>24.5</b>	<b>24.3</b>	<b>▲ 1%</b>
Tax	(4.1)	(4.3)	
<b>Adjusted Profit After Tax</b>	<b>20.4</b>	<b>20.0</b>	
<b>Adjusted Basic EPS (pence)<sup>(3)</sup></b>	<b>20.4</b>	<b>20.0</b>	<b>▲ 2%</b>
<b>Dividends per share (pence)</b>	<b>9.0</b>	<b>8.5</b>	<b>▲ 6%</b>
<b>Reported EPS (pence)<sup>(4)</sup></b>	<b>19.6</b>	<b>19.6</b>	<b>Flat</b>

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

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

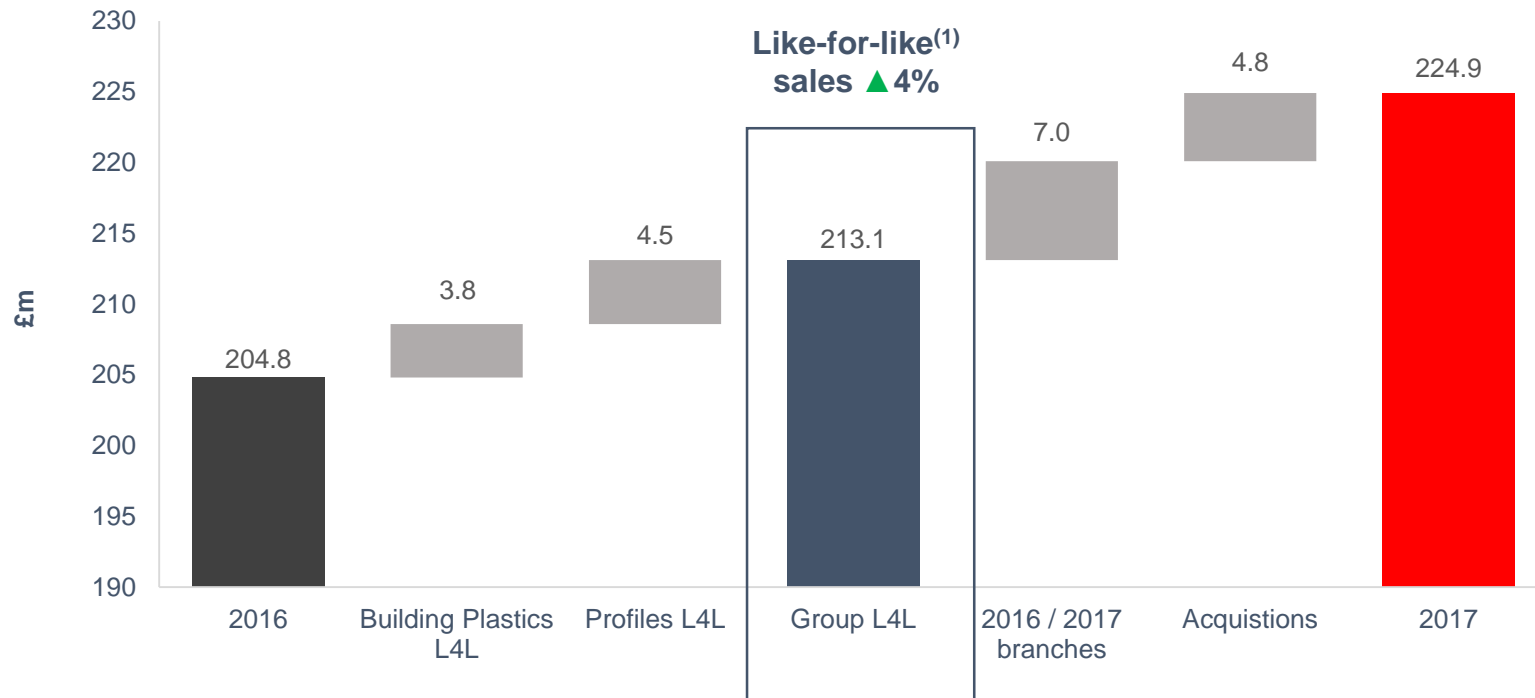
(3) Adjusted EPS excludes non-underlying costs and the related tax effect

(4) Reported EPS includes non-underlying costs of £0.8 (2016: £0.5m) and the related tax effect



# SALES PERFORMANCE

Good Sales Growth



▶ Sales ▲ 8% excluding acquisitions

- Group like-for-like<sup>(1)</sup> sales ▲ 4%
- Profiles: organic / like-for-like ▲ 6%
- Building Plastics: like-for-like ▲ 3%
- Lower growth rates in H2

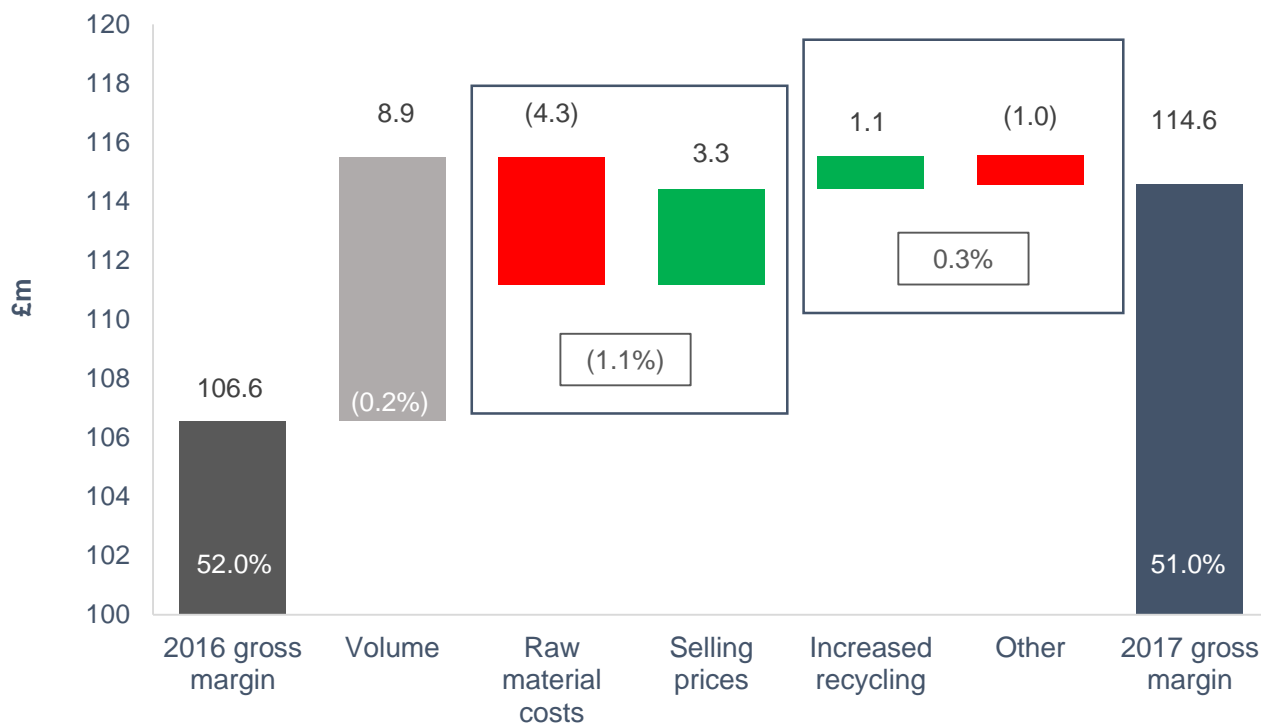
▶ Building Plastics: ▲ 6% from branches opened in 2016 / 2017

▶ Acquisitions: Vista (March 2016) and Security Hardware (February 2017)

(1) Like-for-like sales and overheads exclude acquisitions and branches opened in 2016 and 2017

# GROSS MARGIN PERFORMANCE

## Raw Material Cost Inflation



▶ Raw material cost increases ▲ £4.3m

- Resin £2.6m
- Other raw materials / traded goods £1.7m

▶ Selling price increases ▲ £3.3m

- Delay in capturing benefit

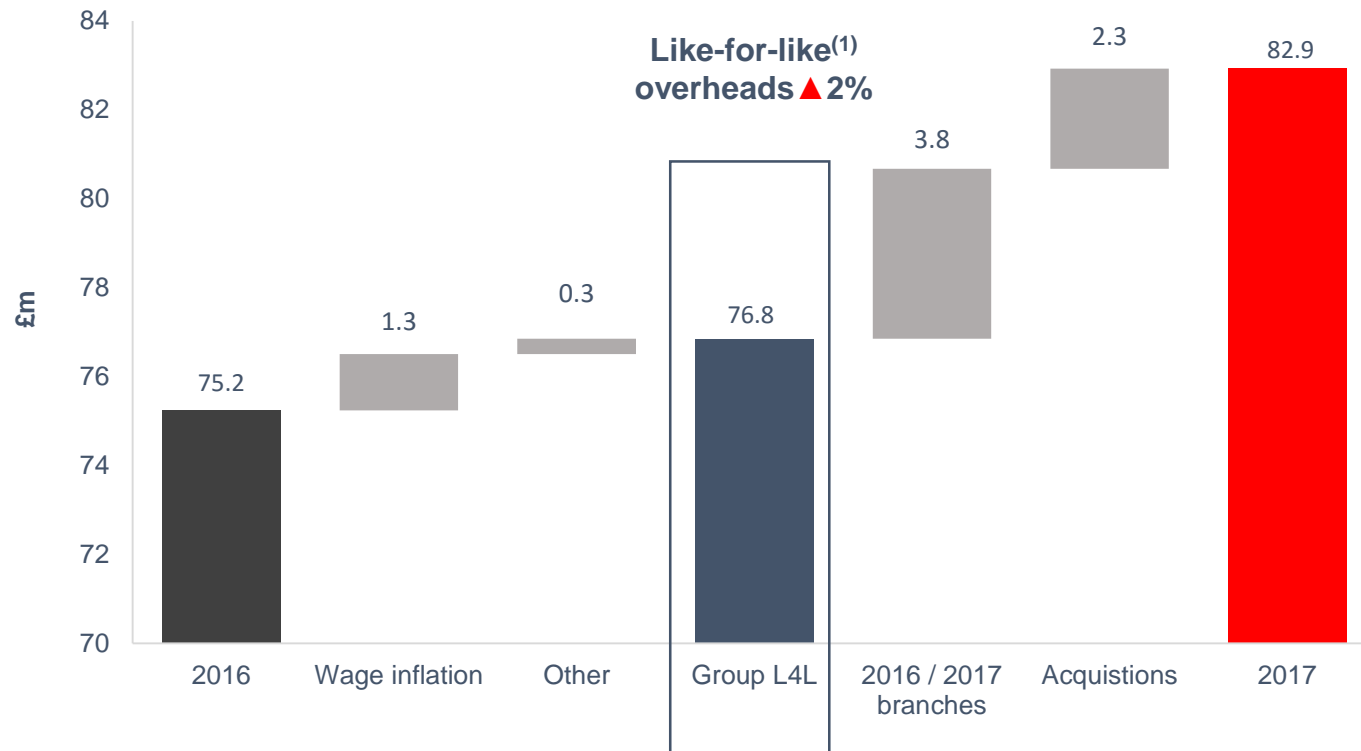
▶ Increased recycling

- Gross margin benefit of additional c.2kt recycled usage
- Further cost of converting waste material in overheads

▶ Other includes impact of customer mix and promotions

# OVERHEADS

## Investment in Business Expansion



▶ Like-for-like<sup>(1)</sup> cost increase ▲ 2%

- Impact of minimum wage, share based payments and distribution costs
- Careful control of underlying costs
- Underlying<sup>(1)</sup> sales ▲ 4%

▶ 49 new branches opened in 2016 / 2017

▶ Acquisitions: Vista and Security Hardware

(1) Like-for-like (L4L) sales and overheads exclude acquisitions and branches opened in 2016 and 2017

# CAPEX

## Investment in Business Expansion

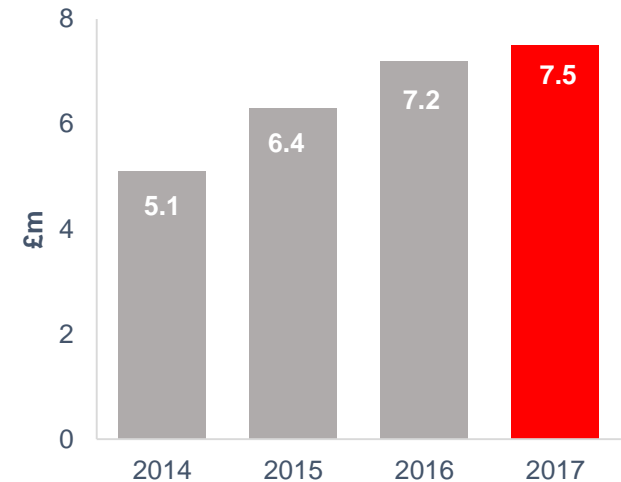
### ▶ 2017 capex £7.5m (2016: £7.2m)

- Growth capex £2.8m
  - Increase recycling capacity £0.9m
  - New branches £1.9m
- Recurring / maintenance capex £4.7m
  - Operations £3.1m includes tooling costs
  - Other £1.6m includes IT and branch refurbishments

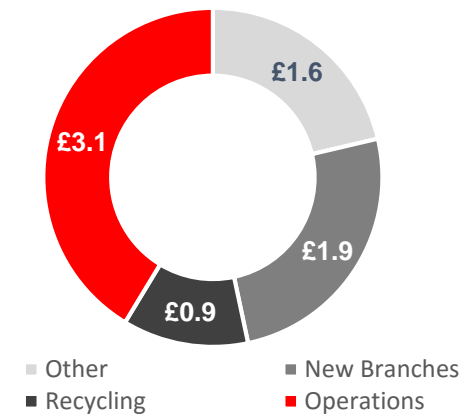
### ▶ 2018 capex guidance c.£8.5m

- Growth capex £3.5m
  - Increase recycling capacity
  - New branches
- Recurring / maintenance capex £5.0m
  - Operations, IT and branch refurbishment

Total Capital Expenditure



2017 Capital Expenditure Allocation (£m)





# WORKING CAPITAL

## Cash Flow Management

### ▶ Net outflow from working capital £2.6m

- Prior year inflow included stock reduction ▼ £1.6m

### ▶ Stock days at 55 vs 58 at Dec 2016

- Stocks ▲ £2.8m
- New branches (£1.2m) and new product lines (£1.0m)
- Increased safety stocks to support new build

### ▶ Debtor days at 37 vs 36 at Dec 2016

- Receivables ▲ £3.0m
- Business growth

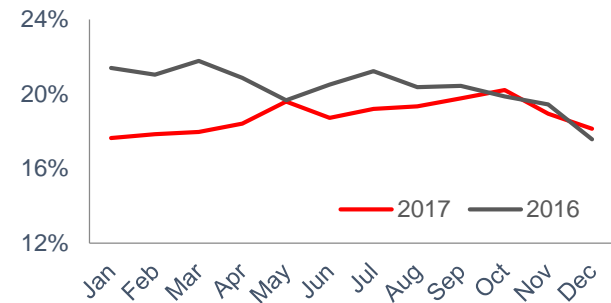
### ▶ Creditor days at 43 vs 40 at Dec 2016

- Payables ▲ £3.2m
- Stock increase
- Business growth

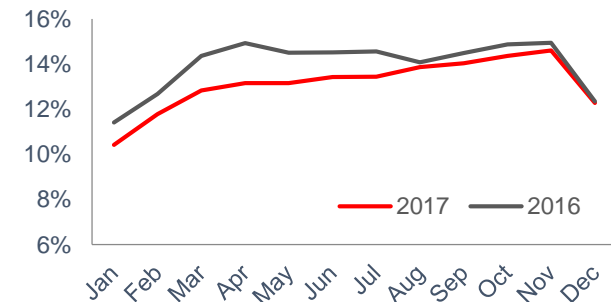
### Key Working Capital Metrics<sup>(1)</sup>

	Stock Days	Debtor Days	Creditor Days
Dec 2016	58	36	40
Dec 2017	55	37	43

### Inventory as a % of LTM Cost of Sales<sup>(1)</sup>



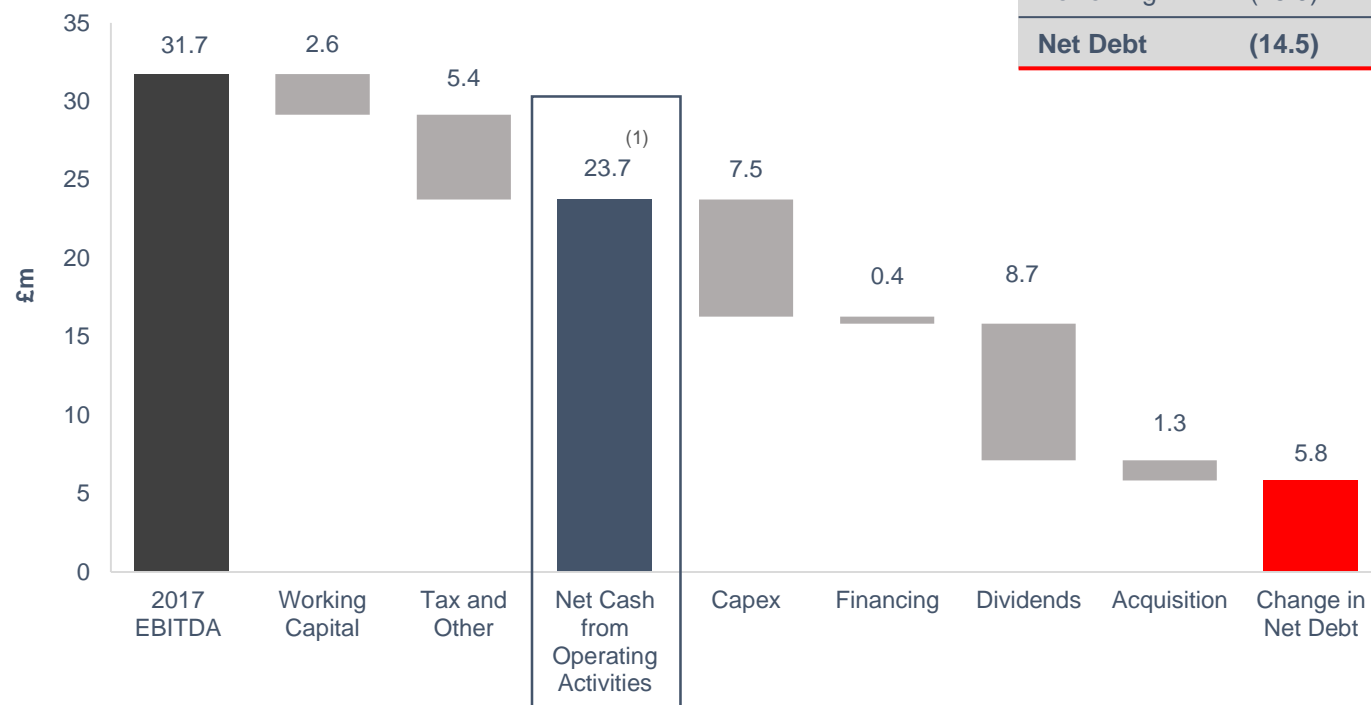
### Trade Receivables as a % of LTM Sales<sup>(1)</sup>



(1) Excludes Security Hardware, acquired February 2017

# CASH FLOW

## Robust Cash Flow Conversion



### Reconciliation of Net Debt

£m	2017	2016	Change
Cash	11.4	5.5	5.9
Borrowing	(25.9)	(25.8)	(0.1)
<b>Net Debt</b>	<b>(14.5)</b>	<b>(20.3)</b>	<b>5.8</b>

#### ▶ Outflow from working capital £2.6m

- ▲ Stock £2.8m
- ▲ Receivables £3.0m
- ▲ Payables / provisions £3.2m

#### ▶ Tax paid £4.6m

#### ▶ Dividends

- Final 2016 £5.7m (5.7p)
- Interim 2017 £3.0m (3.0p)

#### ▶ Acquisition of Security Hardware in Feb 2017

(1) Cash generated from underlying operations of £28.8m less tax and non-recurring costs paid

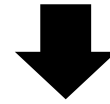
# STRATEGIC PRIORITIES

Mark Kelly – Chief Executive

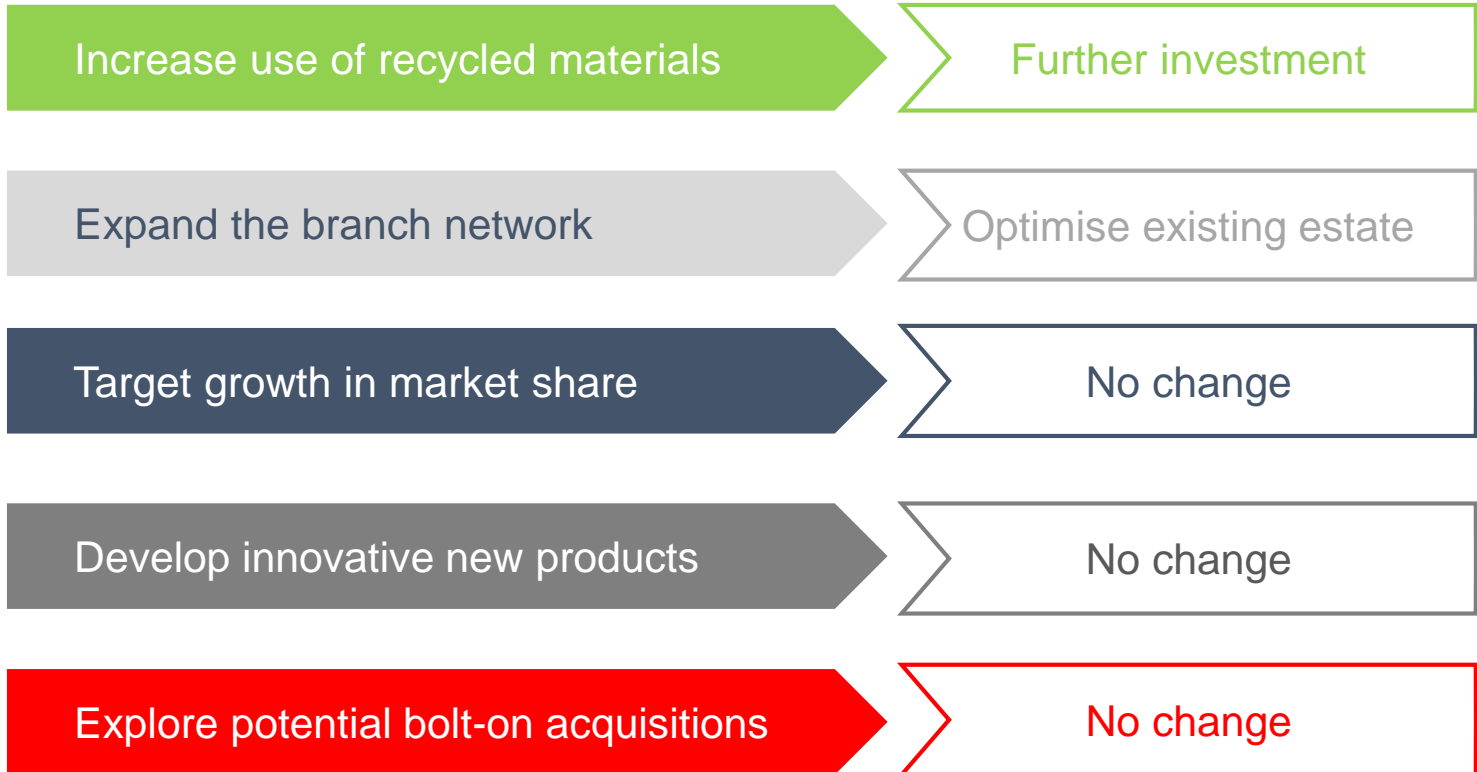
Clear strategy to create long term value



Focus in 2018



5  
strategic  
priorities



# STRATEGIC PRIORITIES

## Progress Report

### STRATEGIC PRIORITIES

### PROGRESS IN 2017

### FOCUS IN 2018

#### INCREASE USE OF RECYCLED MATERIALS

- ✓ 1<sup>st</sup> phase of expansion complete – with usage increased to 17% (8.3kt)
- ✓ Waste collection up 15% yr on yr

- 2<sup>nd</sup> phase of expansion – increase usage to c.20%
- Capex – recycling plant and tooling
- Evaluate opportunities for further expansion

#### EXPAND BRANCH NETWORK

- ✓ 31 new branches
- ✓ Investment in supporting infrastructure and teams
- ✓ Improved format, with more products on display
- ✓ Growth in windows through branches, Skypod and Equinox – up 17%
- ✓ Leveraged Vista (branch sales up 19%) and Security Hardware (up 20%) acquisitions

- Consolidate existing estate
- Reduce start-up cost, shorten time to break-even
- Maximise sales per branch
- Up to 15 new branches
- Trials of smaller collect / cluster branches

#### TARGET GROWTH IN MARKET SHARE

- ✓ Gaining share – Profiles L4L growth of 6%
- ✓ Trade fabricator wins – conversion starting in Q4
- ✓ Increasing new build exposure

- Continue to build and exploit prospect pipeline
- Seamless on-boarding process
- Target new build, commercial and public sector

#### DEVELOP INNOVATIVE NEW PRODUCTS

- ✓ Modus and Skypod range extension
- ✓ Offsite construction hinge
- ✓ Aluminium and improved StudioGlide bi-fold doors
- ✓ SlateSkin sheet tile roof system

- Further development of complementary products
- Shorten time to market for new products

#### EXPLORE POTENTIAL BOLT-ON ACQUISITIONS

- ✓ Integration of Security Hardware complete
- ✓ Several bolt on opportunities reviewed
- ✓ Developing pipeline

- Continue to develop acquisition pipeline and consider opportunities that arise



# SUMMARY

## And Outlook

### Financial results

Good sales growth

Raw material cost inflation

Solid profitability and robust cash flow conversion

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### Operational performance

Driving growth in new build

Investment in new branches

Increased use of recycled material

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### Strategy and outlook

Optimise existing branch estate

Further investment in recycling

Markets remain challenging and raw material cost inflation continues

2018 sales to date in line with our expectations

Manufacturer



Distributor



Recycler



# Appendices



# PRODUCT RANGE



Ranges of window and door profile



Skypod pitched skylights



Aspect bi-folding doors



Conservatories and Equinox tiled roofs

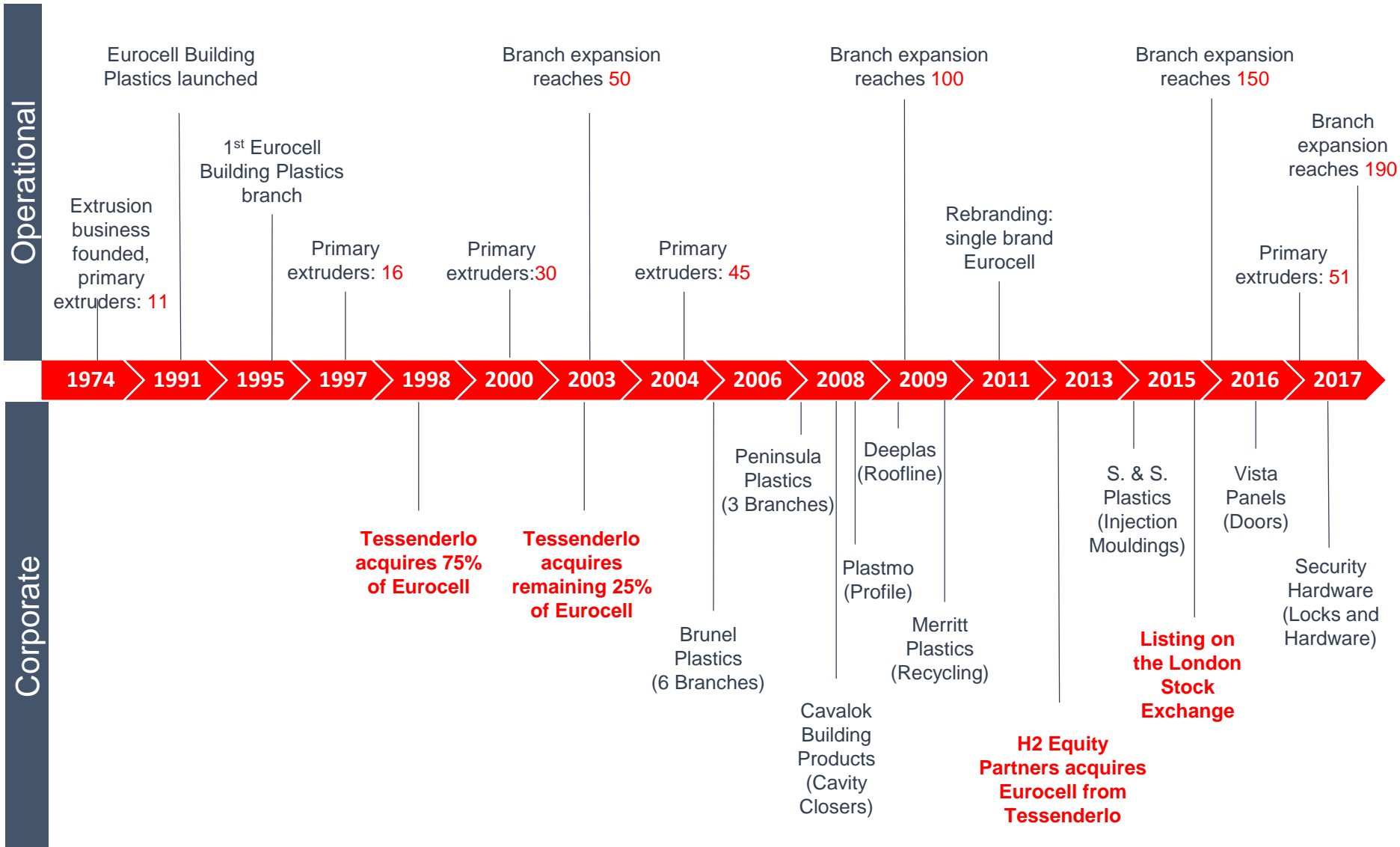


Fascias, soffits and guttering



Traded goods

# CORPORATE AND OPERATIONAL HISTORY





# LOCATIONS



## Centrally located

HQ, Manufacturing,  
Warehousing,  
Injection Moulding  
and Recycling



## Extrusion centre

140,000 sq ft  
51 extruders



## Secondary operations (foiling)

120,000 sq ft  
10 extruders



## Recycling Factory (Merritt)

75,000 sq ft  
12 extruders



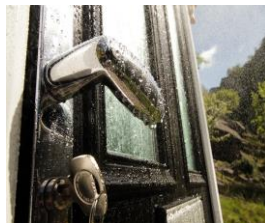
## Warehousing & Conservatory Roofs

260,000 sq ft



## Injection Moulding

21,000 sq ft  
22 Machines



## Composite Door Manufacture

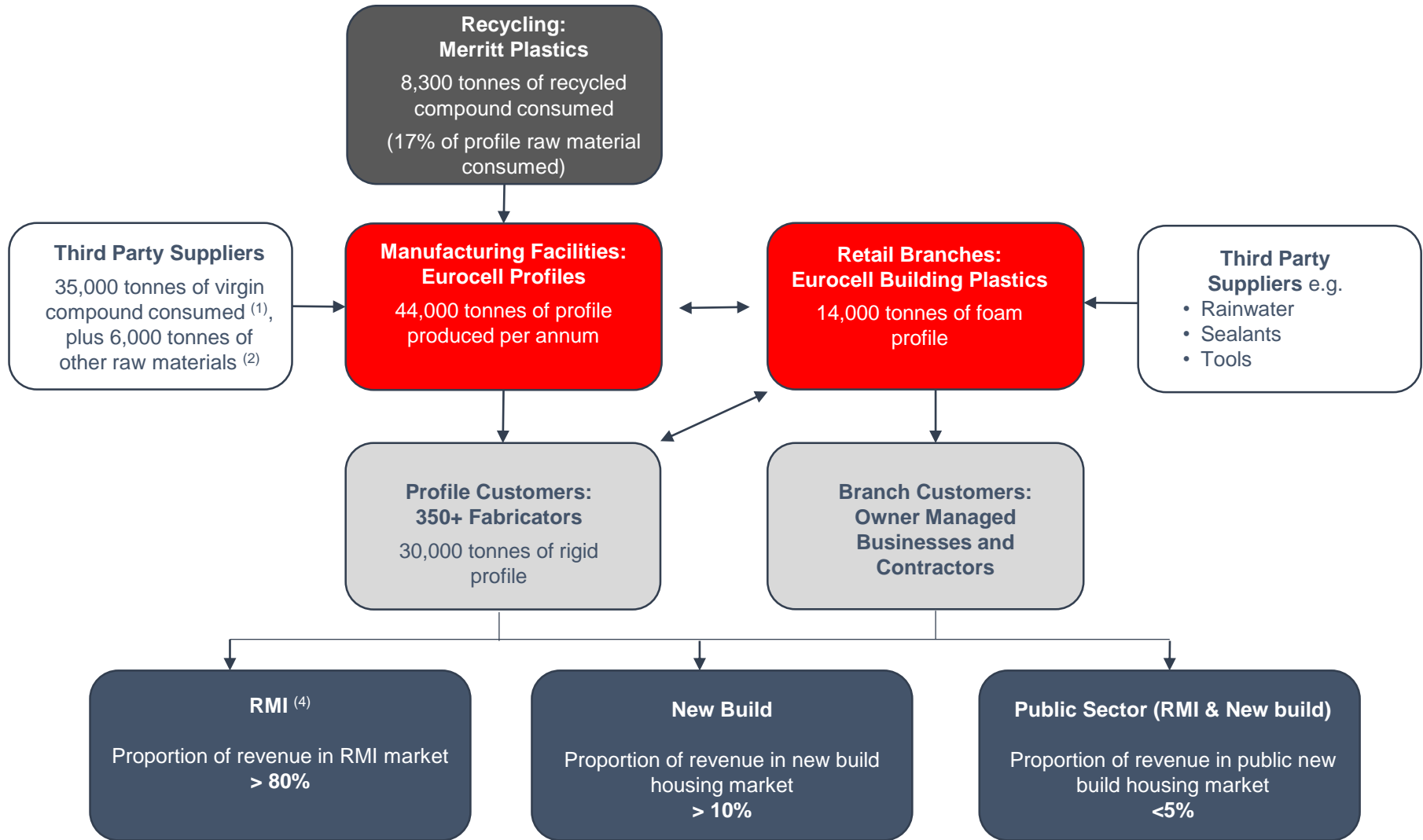
50,000 sq ft  
The Wirral



## Locks and hardware supplier

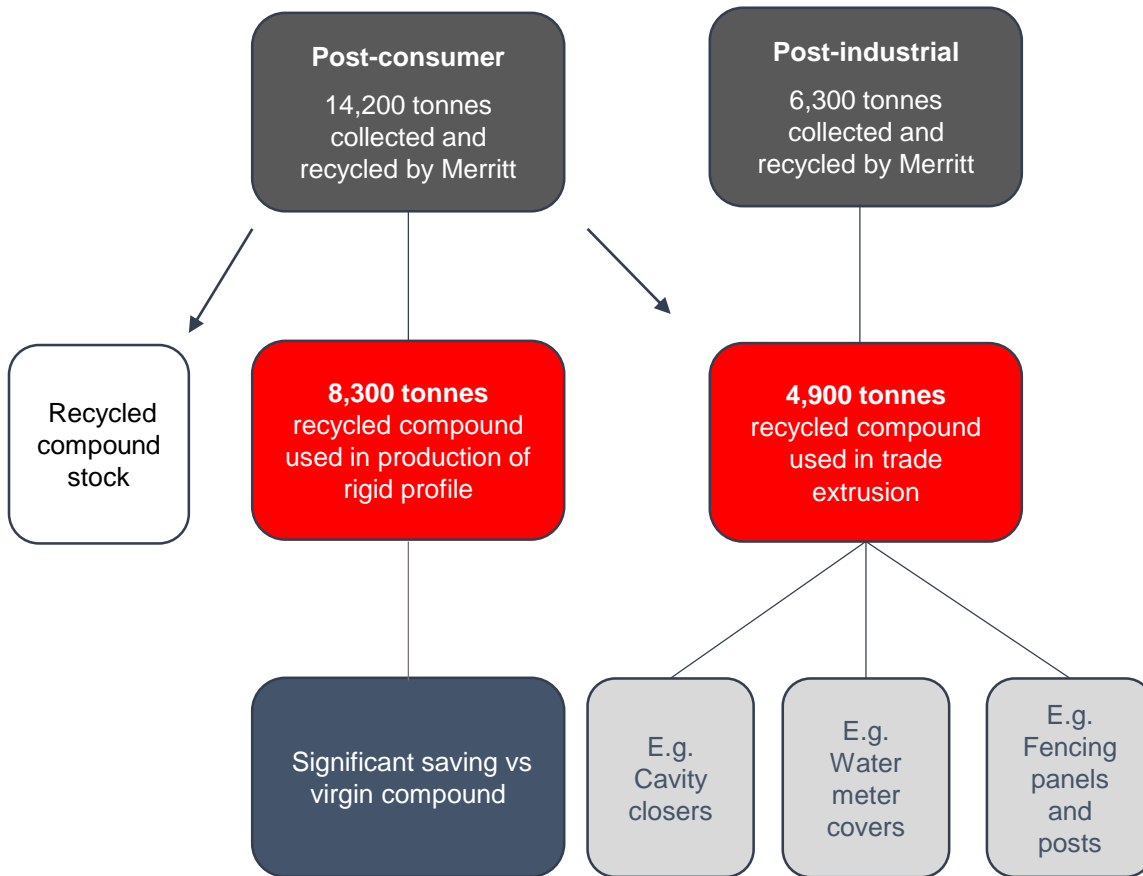
15,000 sq ft  
West Midlands

# ROUTE TO MARKET



- (1) Rigid Virgin Resin: stabiliser, titanium dioxide, impact modifier, filler
- (2) Other raw materials: e.g. skin and rubber flex
- (3) Tonnages shown are approximate based on 2017 volumes
- (4) Repairs, Maintenance and Improvements

# RECYCLING AT MERRITT PLASTICS



**2016/17 Investment of £1.8m  
to increase output capacity to  
c.14,000 tonnes**

(1) Tonnages shown are approximate based on 2017 volumes

# EUROCELL PROFILES

## ▶ Manufactures:

- Extruded rigid and foam PVC profiles
- Manufacturing margin recorded in Profiles – benefits from branch expansion

## ▶ Sells:

- Rigid PVC profiles to a network of > 350 third party fabricators and
- Foam PVC profiles to customers through our nationwide branch network in the Building Plastics Division

## ▶ Third party fabricators

- 250 produce windows, trims cavity closer systems for customers
- 100 make patio doors and conservatories

## ▶ Expansion through acquisitions

- the Profiles Division also includes S&S Plastics (injection moulding, acquired in 2015)
- and Vista Panels (composite and panel doors, acquired in 2016)



## Four types of fabricator:

- Commercial, retail, new build and trade frame
- Most of Eurocell's customers are trade frame fabricators
- New build is becoming increasingly important



# EUROCELL BUILDING PLASTICS

## ▶ Sells:

- Range of Eurocell manufactured and branded PVC foam roofline products
- Vista doors
- Third party manufactured ancillary products: sealants, tools and rainwater products
- Windows fabricated by third parties using products manufactured by the Profiles Division

## ▶ Distribution

- Through our nationwide network of > 190 branches

## ▶ Main customers

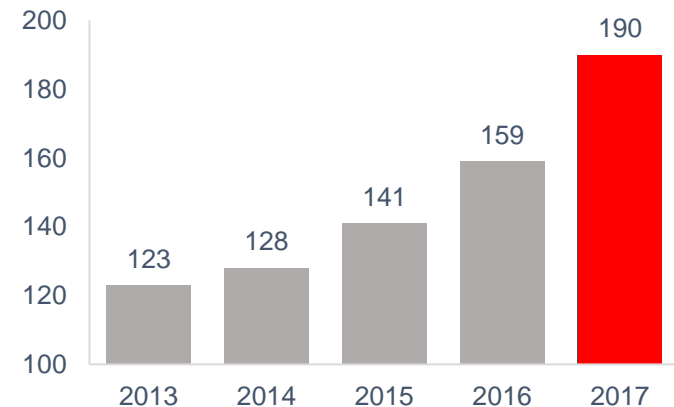
- Installers
- Small and independent builders, house builders
- Nationwide maintenance companies

## ▶ Expansion through acquisitions

- the Building Plastics Division also includes Security Hardware (hardware supplier to RMI market, acquired in 2017)



Number of Branches (at 31 December)



# DISCLAIMER

This Presentation may contain forward-looking statements that involve substantial risks and uncertainties, and actual results and developments may differ materially from those expressed or implied by these statements.

These forward-looking statements are statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, prospects, growth, strategies and the industry in which the Company operates. By their nature,

forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

These forward-looking statements speak only as of the date of this Presentation and the Company does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Presentation. Neither the issue of this Presentation nor any part of its contents is to be taken as any

form of commitment on the part of the Company to proceed with any transaction.

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