

Our Business Model

WHAT WE DO



WE MANUFACTURE

We are a leading manufacturer of rigid and foam PVC profiles, composite and PVC entrance doors for the window and building home improvement sectors. Our manufacturing process uses raw materials including PVC resin and our own produced recycled material.

44.4k tonnes
produced in 2017

 See Business Model in Action on page 14



WE DISTRIBUTE

The Profiles division supplies our manufactured profile to a network of fabricators, who in turn supply end products to installers, retail outlets and house builders.

The Building Plastics division sells, through its network of branches, our manufactured foam products and entrance doors, along with a range of third-party related products, as well as windows fabricated by third parties using products manufactured by the Profiles division. Customers are mainly installers, small builders, roofing contractors and independent stockists.

> 350,000 products
delivered in 2017

 See Business Model in Action on page 16



WE RECYCLE

We recycle both customer factory offcuts ('post-industrial' waste) and old windows that have been replaced with new ('post-consumer' waste). The recycled material is used to generate brand new extruded plastic products.

> 1 million old windows
recycled in 2017

 See Business Model in Action on page 18

HOW WE CREATE VALUE

Vertically integrated model

The coordination of our procurement, manufacturing and distribution processes enables us to capture margin throughout all stages of our value chain.

Our recycling activities help lower material costs and improve production stability.

Scale

We operate well-invested and modern extrusion facilities, with spare manufacturing capacity that can be exploited with little incremental cost.

We are the UK's largest window recycling operator.

Our extensive branch network is a driver of sales growth and market share. It also helps improve manufacturing efficiency, with pull-through demand driving higher factory utilisation.

Innovative products

We are committed to a strategy of continually developing new and existing products.

We support the use of Building Information Modelling ('BIM') software, giving architects and contractors access to a library of Eurocell products, making it easier to specify them.

Brand

We have a strong brand image and our marketing activities seek to maximise our brand awareness.

People and culture

Our experienced management team have a proven track record of achieving profitable growth.

Our corporate culture is one of openness, trust, encouragement and clarity of purpose. We train and empower our people to help our customers grow their businesses.

Local footprint

Our branches are conveniently located and have readily available inventory, thereby providing excellent service to local customers and national groups alike.

We also strive to help our customers through the provision of technical, business development and marketing support services.

 See our Chief Executive's Review on page 8

OUTPUTS

Sales growth

Our initiatives to support sales and deliver high levels of customer service differentiate Eurocell from our competitors. We expect this to drive good sales growth.

8% sales growth (excluding acquisitions)

Solid profitability

Utilisation of our spare manufacturing capacity can drive profit growth.

Expanding the branch network, whilst dilutive until new branches become established, should deliver strong medium-term returns.

Increased use of recycled materials can help mitigate raw material pricing pressure.

£23.7 million profit before tax

Good cash generation

Our operating cash flow conversion is good, particularly in the Building Plastics division, where a high proportion of customers pay at point of sale or shortly thereafter.

£23.7 million net cash generated from operating activities

Good return on sales

Our strong brand, well-invested facilities and capital-light branch expansion programme ensure a good return on sales.

14% return on sales⁽¹⁾

(1) Return on sales is Adjusted EBITDA/revenue.

 See Group Financial Review on page 26

KEY BENEFICIARIES

SHAREHOLDERS

Our overall strategic objective is to deliver sustainable growth in Shareholder value.

FABRICATORS

Through high-quality products and a strong focus on customer service, we have developed a very loyal customer base.

SMALL BUILDERS AND INSTALLERS

The independent sole traders that visit our branches benefit from the one-stop shop offering we provide.

HOME BUILDERS

Home builders appreciate the quality of our products and benefit from Eurocell coordinating our fabricators' offering to meet their requirements.

INSTALLERS

We aim to make our products as easy as possible to work with, which is very attractive to our direct or indirect installer base.

EMPLOYEES

We work hard to train and develop our people, and provide rewards commensurate with our goal to be an employer of choice.

 See Corporate Social Responsibility on page 30