

Well positioned FOR 2021



The business responded well to the unique challenges posed by COVID-19 and we continue to see good potential to outperform our markets and deliver sustainable growth in shareholder value."

Bob Lawson
Chair



Introduction

The business responded remarkably well to the unique challenges posed by COVID-19. So I start this year's report by offering, on behalf of shareholders and of the Board, my sincere thanks to our teams in every part of the Group. The progress we made during 2020 is testament to their commitment, hard work and dedication during a period of unprecedented uncertainty.

Our priority was to protect the business and ensure the safety of all our people, customers and suppliers by mandating COVID-safe working practices as detailed in the Chief Executive's Report. We also secured our financial position and substantially completed major investments in new operating capacity. This good work leaves the business well-placed for the future.

Financial and operating performance

The first half of the year was dominated by the impact of the first lockdown on our operational and financial performance, with the business closed from late March until mid-May. As a result, sales fell 31% in H1, and we reported an adjusted loss before tax.

However, we prepared well during this period for reopening, designing, testing and implementing a range of COVID-safe working practices, to protect our employees, suppliers and customers. We also took the opportunity to review and revise our operating, support and management structures, to ensure that the business is as efficient as possible.

We were therefore ready to capitalise on a strong repair, maintenance and improvement (RMI) market in the second half. We reported sales growth of 15%, and, thanks also to a good operational performance, delivered adjusted profit before tax up well up on H2 2019, signalling that the inefficiencies experienced in 2018 and 2019 are now behind us.

Sales for the full year were £258 million, or 8% below 2019 and adjusted profit before tax was £8.5 million (2019: profit of £22.7 million).

The measures we took in the first half to conserve cash were effective and we were grateful to receive support from investors with a share placing in April. Thereafter, cash conversion in H2 was good. As a result, net debt at 31 December 2020 on a pre-IFRS 16 basis reduced to £9.9 million (31 December 2019: £34.6 million), demonstrating significant headroom on our bank facility. We also have a strong balance sheet, which provides flexibility and options for the future.

Dividends

Due to the impact of COVID-19, the dividend declared in March 2020 was subsequently cancelled and no dividends will be paid in respect of 2020. However, it remains our intention to return to paying dividends in 2021.

Governance

As a Board, we are committed to the highest standards of corporate governance and ensuring effective communication with shareholders. We continue to comply with the UK Corporate Governance Code.

Strategy

Our overall strategic objective remains to deliver sustainable growth in shareholder value by increasing sales and profits above our market growth rates. Over the last five years, we have targeted five strategic priorities to deliver this objective. We have made good progress against each of them, with the key aspects of our performance described in the Chief Executive Officer's Report.

Early in 2021 we conducted a review of the Group's strategy, our markets and activities. We decided that, whilst the five existing priorities remain relevant, we would refine one of them and introduce two new priorities, making seven in all.

It is therefore our intention in 2021 to develop our existing strategic priority to increase the use of recycled material, into a 'sustainability strategy' for the whole business, thereby linking our own objectives to the relevant UN Sustainable Development Goals and the UK Government's transition towards a net zero carbon economy. We will communicate further on sustainability later in 2021.

We will also introduce a new strategic priority to 'deliver sustained operational excellence'. The project to fit-out our new warehouse progressed well throughout 2020 and I was delighted to see we reached a major milestone in January 2021, with commercial operations beginning from the new site. With recent operational constraints now substantially resolved through major investments in new manufacturing and warehousing capacity, we expect sustained operational excellence to result in the benefit of our sales growth flowing through to improved profits and margins.

Finally, we intend to introduce a new strategic priority to 'develop a sector-leading digital proposition'. Offering an end-to-end digital solution is becoming increasingly important to our stakeholders and will act as an enabler to our other priorities. Our objective is to improve the supplier, customer and employee experience, making Eurocell an even better business partner all round.

Overall, we are confident that, through the successful progression of our strategic priorities, we will outperform our markets and deliver sustainable growth in shareholder value.

Bob Lawson
Chair

INVESTMENT CASE

CLEAR STRATEGY

Clear strategic priorities

- Grow market share in profiles.
- Expand the brand network.
- Increase the use of recycled materials.
- Develop innovative new products.
- Deliver sustained operational excellence.
- Develop a sector-leading digital proposition.
- Explore potential bolt-on acquisition opportunities.

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STRONG ON SUSTAINABILITY

In-house, closed-loop recycling facility

We are the leading UK-based recycler of PVC windows. We recycle both customer factory offcuts ('post-industrial' waste) and old windows ('post-consumer' waste). The recycled material is used to generate brand new extruded plastic products. Recycling helps to lower material costs and improve product and business sustainability.

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COMPELLING BUSINESS MODEL

Recycling, manufacturing and own distribution network

We are a leading manufacturer of rigid and foam PVC profiles. Our branches are conveniently located, offering a wide range of products and providing excellent service to local customers and nationwide groups alike.

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EXPERIENCED LEADERSHIP

Strong and experienced team

We have an effective Board and a strong senior management team with the requisite and complementary skills, knowledge and experience to secure the future success of the business.

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