

OUR STRATEGY



Delivering
Value

Introduction

Following the arrival of Darren Waters as Chief Executive in the Spring of 2023, we commenced a review of our strategy.

By way of context, Eurocell was listed on the UK stock exchange in March 2015, when annual revenues were £176 million. Since then, sales have more than doubled, through a mixture of branch expansion, market share gains and acquisitions. We have also significantly increased our use of recycled PVC in primary manufacturing operations.

- Number of branches increased from 141 in 2015 to 214 in 2023
- New customer accounts in the Profiles division have supported strong market share gains
- Acquisitions include: S&S Plastics (2015, a specialist injection moulder), Vista Panels (2016, a composite doors and panel door manufacturer), and Ecoplas (2018, now Eurocell Recycle North, a PVC window recycler)

- Use of recycled PVC in manufacturing increased from 9% in 2015 to 32% in 2023
- In 2021, the business relocated its main warehousing operation and Head Office to a new facility near Alfreton.

Whilst the business has done well growing the top line, the quality of earnings has declined, with operating margins falling from 12% in 2015 to 8% in 2022. This has been driven by operational issues, now fixed with investment, and our ability to recover the full margin impact of input cost increases with selling prices. Margins were lower again in 2023, driven by the operational gearing impact of declining volumes.

Our ambition

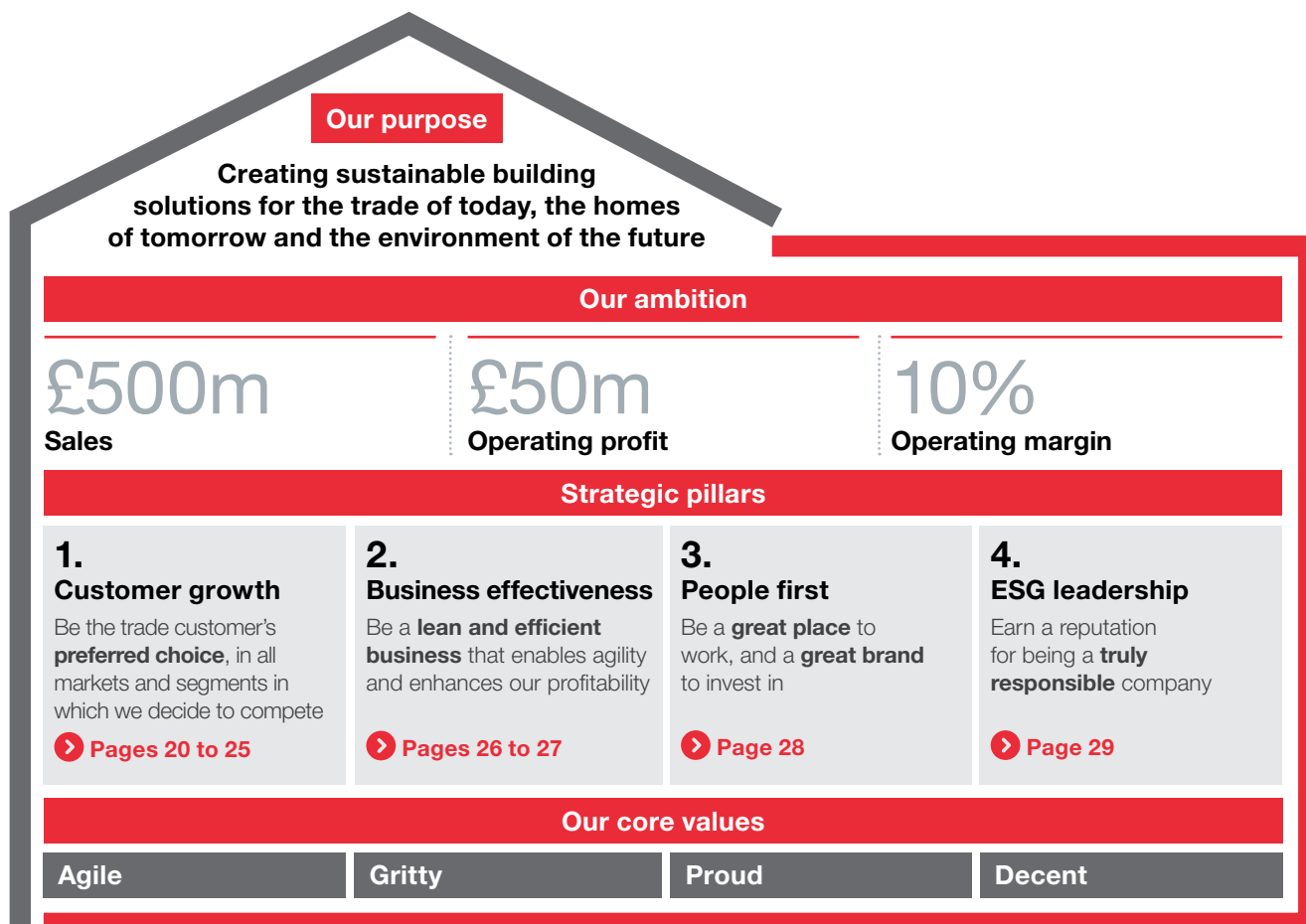
With this strategic review, we are resetting the ambition for the business, via:

- The delivery of significant organic growth through the transformation of the branch network and other commercial initiatives
- Continual operational improvements and footprint consolidation
- Simplification and digitalisation of business processes
- The creation of a strong, cohesive culture, where people are our priority.

Our new strategy identifies a pathway to building a £500m revenue business, generating a 10% operating margin over a five-year period. This is an ambitious vision, but when we aggregate the growth opportunities, and apply a degree of sensitivity, we believe it is an achievable target, with the potential to create significant shareholder value.

An operating margin of 10% is broadly equivalent to the margin of 12% achieved at the time of our IPO, when factoring in subsequent mix changes, including the faster growth of the branch network (which sells bought-in goods as well as our own manufactured products) and some of the natural dilution from higher raw material costs.

Our new purpose and core values underpin our strategy, which is built around four strategic pillars: Customer Growth, Business Effectiveness, People First and ESG Leadership. The following paragraphs describe what we mean by these pillars and the initiatives which support them.



1 Customer growth

Customer growth is predicated on us becoming the trade customer's preferred choice in all markets and segments where we operate.

We believe the biggest opportunity for growth will come from expansion of the branch network, including sales of windows and doors, plus our extended living spaces range of garden rooms and extensions.

Branch Network – new branches and existing estate

We have concluded that the optimum branch network is up to c.250 sites. This work included consideration of existing branch/competitor locations, customer demographics and recruitment challenges, to identify areas of low coverage with good potential. Therefore, after a two-year break, we are planning to recommence opening new branches from Spring 2024, with c.30 new sites over the next three to four years. This programme includes strengthening our coverage in Greater London on a cost-effective basis.

The new branches we open will be a blend of formats, to support our current and future branch proposition. It will include a good proportion of larger format stores (c.5,000 sq ft), to accommodate our new door and window proposition and extended living space range (see overleaf). As a result, we expect to have at least 25 large format branches in three to four years time, providing coverage within 40 minutes' drive time from the main UK conurbations, for customers and installers who want to visit a branch to view big ticket items.





At maturity, we would expect 30 new branches to deliver sales of around £30 million at an operating profit margin in line with our target.

In terms of the existing estate, we expect to complete a number of branch relocations (when leases come up for renewal) to optimise our existing footprint and ensure that we are located in the most appropriate places. This work has already started with new sites in Sheffield and Wembley. We will also continue our branch welfare improvement programme, to make sure our sites are great places to work for our colleagues and great places to visit for our customers.

Looking at branch operations, we intend to create centres of excellence throughout the network, to support the induction of new colleagues and drive all branches towards operational excellence. We plan to have at least one centre of excellence per region in place by the end of 2024.

Our People First strategic pillar is all about making Eurocell a great place to work and this is covered in detail in the relevant sections which follow. For the Branch Network, this includes development of an industry-leading reward scheme, embedding an enhanced induction programme, plus improved leadership development and training.

We are also working on a medium-term organisational-design project, which includes a plan to enhance the role and responsibilities of our branch managers, thereby increasing their autonomy and accountability for decision making and branch performance.

Branch Network – windows and doors

We currently sell an estimated 1,000 window frames per week through the branch network, which delivered revenues of c.£24 million in 2023.

Our research indicates there is a significant opportunity to sell more of these big ticket items in our branches, so we have been working to improve our door and window proposition. Our target customers are mostly professional window installers, although we estimate that around a quarter of the sales will come from builders and DIYers. We ran a trial across six branches in Q4 2023, and the results exceeded our expectations. We plan to add a further 24 branches progressively into the trial in 2024, which will take us close to the capacity of our existing fabricator supply chain.

The size of our branches dictates our capacity to drive increased window and door sales, which we estimate averages around 30 frames per week. If we fill 50% of the available capacity in our branch network over a five-year period, this would equate to incremental annual sales of around £35 million, at operating margins in line with our target.

Success is dependent on establishing a supply chain for the whole network and that is a key focus for 2024. With this resolved, our intent will be a roll-out into the remaining network through 2025. We are already in discussions with a number of our key fabricators to partner with us on this project. They stand to benefit from a large uplift in incremental sales, utilising spare capacity, thereby making them more efficient.

Training our branch and central processing teams in the various aspects of this project and the successful implementation of our new branch trading system (see Business Effectiveness) are also key to the success of this initiative.

OUR STRATEGY CONTINUED

Extended living spaces

Garden rooms and extensions

We classify extended living spaces as garden rooms and extensions.

Since launching our garden room range three years ago, we have steadily built a strong market presence, completing around 800 builds and competing well with the established market participants. Garden room sales in 2023 were c.£4 million. Our business model is based on an exceptional customer journey, with clear communication throughout, and a close working relationship with our fabrication partners, as a significant proportion of our own manufactured products are used on every building.

With our strong customer proposition, experienced sales professionals and efficient end-to-end process, we believe there is a good opportunity to gain market share and deliver incremental annual garden room sales of around £20 million in a five-year period.

The extensions market is vast; we estimate it to be c.£6 billion per annum. Extensions are often complex projects, typically involving builders and architects, with extended build times and disruption for the homeowner. We believe there is a gap in this market to provide an alternative solution for consumers, utilising the technology and skills from our existing fabricator and installer base, alongside our own technical expertise and customer journey management.

With our extensions range, we are using modern methods of construction (e.g. structural insulated panels) that piece together in an innovative kit form, thereby creating a cost-effective, energy-efficient building solution for homeowners who are looking to convert and extend their properties, with installation times of weeks not months. Based on a very encouraging launch for these products in 2023, we estimate annual sales could reach around £10 million within a five-year period.

Similar to windows and doors, we believe sales of garden rooms and extensions will generate operating profit margins in line with our target, after taking account of additional branch overheads, central processing team costs and marketing-related spend required to support these initiatives.

Our Garden Room Range Proposition

Kyube



Horizontal Coastline



Vertical Cladding

Kyube Korner



Horizontal Coastline



Vertical Cladding

Kyube Deluxe



Side Pergola/
Decking Option



High End Model

Our Extensions Range Proposition



Conservatory
Conversion



New Build
Warm Rooms



Single Storey Extensions

Roof lantern range

Our lantern range is key to the success of our extended living spaces proposition. For example, a large proportion of the extensions market utilises flat roofs with lanterns. There is also an opportunity to support the top-end garden room models we intend to launch in 2024. We introduced our Luma flat roof lantern successfully in 2023 and have plans to launch a new aluminium lantern in 2024. This new roof incorporates innovative design features that make it easier and quicker to install.

Select installer scheme

Our Select installer scheme drives customer demand for our product range through a national network of skilled installers who become advocates for Eurocell. Because our business is substantially trade focused, Select is our route to pull through consumer demand and is therefore also integral to the success of our entry into new markets such as garden rooms and extensions, as well as our plans to sell more windows and doors through the Branch Network.

New website – digital growth

Following the launch of our new website in 2023, we now have a stable future-proofed platform to build a competitive advantage in the online space. The website incorporates an integrated product information management system and an e-commerce platform. It is our brand shop window and has the potential to drive strong incremental growth at good margins.

The product information management system provides the capability to ensure we present our products, their features and benefits as comprehensively as possible.

The e-commerce platform drives an improved customer experience, including an intuitive account registration process and a mobile platform, as well as automated and personalised product recommendations.

To exploit the benefits of the new website, we have an ambitious digital strategy, to grow e-commerce sales, drive homeowner leads to buy big ticket items such as garden rooms, extensions, conservatories, windows and doors, and attract new trade accounts to our branches. This includes strengthening our web search strategy and extending key word targeting to drive more relevant traffic to our website. We will increase our pay-per-click (PPC) investment and leverage AI automation to increase contact and prospect targeting with product recommendations.

Our intent is to build homeowner brand awareness and become known for our extended living spaces range, where we currently pay more for leads as we compete for in-market customers. We plan to position Eurocell as the place to come for these products, such that customers consider us more during their research phase and come to us directly when they are ready to buy.

Profiles – protect and maintain existing business

Following a period of strong growth and market share gains, we believe we are now the leading supplier of rigid PVC profiles to the UK market.

The demand created by our specification and marketing teams has supported growth for our existing fabricator customers. We have also created a compelling case for trade fabricators to switch to Eurocell, including a strong product range, continued product development and increasing opportunities to supply our branches. Expanding our share of the new build market has also been a key driver of historic growth, driven by sales of cavity closers, where we are the clear market leader. We have strong relationships with large and medium-sized housebuilders, maintained by our specification and technical teams. Finally, our significant investment since 2018 in new manufacturing, recycling and warehousing capacity to drive improving and reliable service has proved attractive to existing and prospective fabricator accounts.

With markets currently weak, we believe targeting further significant share gains could lead to price erosion, which would have a detrimental effect on our business.

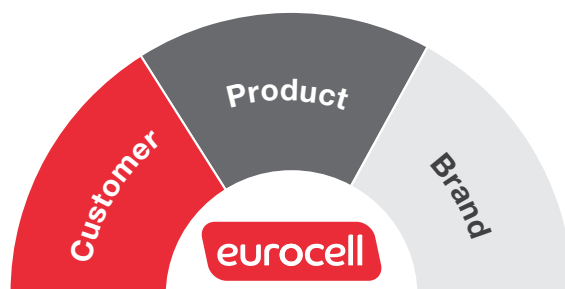
Our strategy for Profiles is, therefore, to protect our existing business and maintain our value-added service propositions that support our customers. We will continue to facilitate relationships between our direct partners (e.g. fabricators) and indirect partners (e.g. glass, hardware, machinery, software providers), and leverage our leading position with housebuilders and commercial developers, thus ensuring we maintain specifications to support a robust pipeline of work for our fabricator customers. We are recognised across the industry as the leading technical systems house, and we will continue to leverage this advantage.

OUR STRATEGY CONTINUED

Sector-led approach

We have a sector-led approach, with initiatives focused primarily on the trade and new build sectors, which together represent c.90% of Profiles sales (c.55% for trade and c.35% for new build). We also operate in the commercial sector, which represents 10% of Profiles sales.

Our overall strategic objectives by sector are summarised as follows:



Our ambition

“To become the number 1 sustainable choice for fabricators across the UK”

Profiles sales

Trade/Retail
55% of Sales

New Build
35% of Sales

Commercial
10% of Sales

Sector-led approach

“Be recognised as the number 1 choice for the Trade/Retail fabricator”

“Maintain our number 1 position in the New Build market”

“Establish ourselves as a credible solution for the Commercial market”

2024 Priorities

Protect

Maintain

Grow

Technical expertise

In each sector, we look at strategy through three filters: customer, product and brand.

Trade sector

Our customer, product and brand priorities for the trade sector are as follows:

Customer priorities

- Developing strategic fabricator partners to support windows through branches initiative
- Investing added value services for customers
- Ensuring small fabricators that cease manufacturing use Eurocell trade fabricators for supply.

Product priorities

- Leading a customer-centric approach to new product development that considers homeowner aesthetics and security
- Increasing the volume of recycled material used in our products.

Brand priorities

- Building a reputation within the industry that creates loyal trade partner advocates
- Reliability of operation underpins our approach.

New build sector

Building regulations for windows are becoming increasingly complex and our technical teams are working with our larger new build customers, enabling them to conform to the new standards, including development of new product applications to meet changing requirements. In addition, with a focus on sustainability, we believe our use of recycled material will become increasingly attractive to housebuilders. Our customer, product and brand priorities for the new build sector are as follows:

Customer priorities

- Leveraging our proposition within the regional new build market
- Connecting all aspects of the industry around legislative and regulatory changes
- Identifying future new build fabricator partners.

Product priorities

- Providing a fit-for-purpose solution for Future Homes
- Proactively engaging with our customer base for product development, including sustainable product solutions
- Providing a world-class technical support service.

Brand priorities

- Repositioning ourselves as the leading brand for both national and regional housebuilders
- Leading the sustainability agenda
- Being the knowledge-based experts for regulation, legislation and compliance.

With the consultation paper on the Future Homes and Building Standard now published, we are proactively working with housebuilders to develop solutions, which include our Modus triple glazed window.

c.90%

of Profiles sales represented by the trade/retail and new build sectors

c.10%

of Profiles sales represented by the commercial sector

Other commercial initiatives

Aluminium

The number of aluminium fabricators increased by more than 10% between 2014 and 2023, whereas the number of PVC fabricators fell by more than 20% over the same period (Source: AMA Research), indicating a growing trend towards aluminium fabrication for windows and doors.

Our StudioGlide residential door product is currently our only aluminium offering, with annual sales of c.£1.0m per annum. Whilst the use of aluminium within our existing fabricator base is limited, we believe there is an opportunity to grow our footprint in the aluminium market.

In the short term, we intend to fulfil demand through partnerships with existing Eurocell fabricators to offer a limited aluminium window and door range. In the longer term, we have the option to expand our range by partnering with an aluminium systems house to offer a full suite of products.

New product development

Our most recent product innovations have been covered earlier in this Strategic Report, including garden rooms, extensions and roof lanterns.

Looking ahead we will continue to seek opportunities to improve and augment our product portfolio.

We are committed to maintaining market leadership by offering the very latest in product improvement, both through development of existing products and the introduction of new ones. We work closely with our customers and technical advisers on development to maintain our product pipeline.

We believe opportunities will be provided by the continually evolving building standards and regulations, which are becoming more complex, and some of which, such as the Future Homes Standard, remain subject to clarification. These changes play well to Eurocell's technical expertise and we are working with the housebuilders and our customers to design fit-for-purpose solutions.

We are also focused on process innovation within our manufacturing facilities. Areas such as automated packaging and digital inkjet printing in place of foiling for profiles have the potential to reduce cost significantly.

Other initiatives

Other commercial initiatives which form part of our five-year plan include building on recent success to increase market share in new build for our composite doors business and bringing in-house the manufacture of certain injection moulding products we currently purchase from third parties.

2 Business effectiveness

Our second strategic pillar reflects our ambition to make Eurocell a lean and efficient company. As previously reported, we are upgrading our business systems and streamlining processes, thereby making us easier to do business with.

We are also embedding a continuous improvement philosophy, which is already highlighting significant opportunities, particularly in our manufacturing and recycling operations.

System replacement

Our systems should be an enabler to our strategic ambition, and improve the supplier, customer and employee experience.

Following a full review in 2022, we concluded that the age profile of our principal operating system had become a limiting factor in the development of our business. This conclusion recognised that our current SAP system was implemented in 2004, when the Group was primarily a manufacturer of PVC profiles, with no recycling operation and only a small Branch Network.

In 2023, we started a project to upgrade or replace SAP. The key components of our proposed new architecture are:

- A front-end trading system to support the branch network
- A back-end ERP System to support all other functions of the business, including manufacturing, recycling, warehousing, distribution and finance.



As described in the following paragraphs, we expect the new systems will drive major improvements in our customers' experience and significantly increase the efficiency of our operations. In total, we anticipate implementation to be a two-to-three-year process, and we estimate the total costs of the project will be in the region of £8-10 million.

Trading system

Following a comprehensive process, which concluded towards the end of 2023, we selected Intact IQ to provide a new customer-centric trading solution for the branch network. This system will provide:

- Customer quotation management, including pipeline visibility, version control and order conversion
- Simplification of transactions and processes for branch colleagues, including exception visibility, electronic point-of-sale functionality, cash drawer controls and handheld apps for stock and picking transactions
- Delivery management and transport planning, including customer notification
- Customer loyalty programmes and rebate options
- Instant information to aid decision making, including performance metrics and mobile availability for field sales personnel.

We are now planning the implementation of the trading system, which will take place during 2024, and we expect to go live in the first half of 2025.

ERP system

Our objective with a new ERP platform is to streamline operations and improve efficiency, through the automation and integration of business processes and reduction in manual data entry. We expect our new system to come with built-in data analytics and reporting tools to support analysis of historical data, prediction of trends, and the ability to make data-driven decisions for continuous improvement.

As well as delivering the core activities described above (i.e. manufacturing, recycling etc.), we intend to select a solution which will support the integration of various other functions which operate on standalone systems today, including customer relationship management, quality, plant maintenance and asset management.

For ERP, our objectives for 2024 are to select a system and commence the implementation process later in H2, with go-live around mid-2026.

Project risk management

We recognise that projects of this scale typically carry significant risk. With that in mind, we have established a Board-led, cross-functional steering group to provide oversight of the process and an escalation point to address issues and concerns.

Our IT Director is highly experienced, with several system implementations delivered, including a multi-year, multi-company rollout across another building materials plc. We expect to implement an out-of-the-box solution to remove complexity from the project.

We have enjoyed early and extensive engagement with business functional areas through requirements workshops, demos and vendor briefings, and will continue to benefit from third party expert support and guidance throughout all aspects of the project. Finally, in building our implementation team, we plan to utilise specialist third party resource.

As a result, we are confident that we will have the people and processes in place throughout the project to ensure that risk is appropriately managed.

Continuous improvement

As noted above, we are embedding a continuous improvement philosophy, particularly within our manufacturing, recycling and warehousing operations, where we delivered significant cost savings through operational efficiencies in 2023.

In our 2022/23 restructuring programmes, we identified savings from the consolidation of our extrusion activities from three sites onto two, and we believe there are further opportunities to reduce cost.

We are also now successfully using artificial intelligence to optimise our inventory levels, which has supported a reduction of c.£19 million over the last 18 months (this includes the benefit of lower input costs). We see scope to further deploy this technology in other areas of the business and support our ongoing work on inventory reduction, through tighter control of safety stocks and closer matching of the manufacturing plan to anticipated sales.

Looking forward, our most important continuous improvement activities will be focused on:

- Process innovation in manufacturing and recycling
- Material efficiency and yield improvements
- Scrap reduction and lower cost of poor quality
- Rapid tooling change-over
- Lost time analysis, including reducing unplanned stoppages, performance losses and labour shortages.

In addition, building on the successful execution of our customer growth initiatives, such as selling more doors and windows, we will utilise spare operating capacity that we have in our rigid extrusion manufacturing operations and composite door business, thereby making the business more efficient.

Finally, we are reviewing our organisational design across the whole business, to ensure that we have the right structures to deliver our strategic initiatives in the most efficient way possible. This may lead to further cost savings in due course.

3 People first

The objective of our strategic pillar is to make Eurocell a great place to work, through a relentless focus on health and safety, an enhanced employee value proposition, improved levels of engagement and effective talent management.



Full details for each of our strategy and these areas of focus are set out the People First section of the Sustainability Report which follows on pages 38 to 41.

OUR AMBITION	<p>“Our ambition is to have talented, engaged and motivated colleagues who work passionately to achieve clear business and personal goals”</p> <p>Eurocell will be a great place to work, where our culture make colleagues feel...</p>				
	<p>“I feel part of the Eurocell team and I’m passionate about my role within this team”</p>	<p>“I know what’s going on... I feel connected to the wider business – I’m a valued as a team member”</p>	<p>“I know how to contribute to the success of my business”</p>	<p>“I know how I can progress within Eurocell, I’m clear about my development”</p>	
OUR STRATEGY	HEALTH AND SAFETY	ENGAGEMENT	EMPLOYEE VALUE PROPOSITION	GROWING TALENT	
KEY PRIORITIES	<p>Develop health and safety leadership skills</p> <p>Develop health and safety education</p>	<p>Internal communications framework</p> <p>Colleague forum</p> <p>Community and charity engagement</p>	<p>Wellbeing framework</p> <p>Recognition scheme</p> <p>Induction and onboarding programme</p>	<p>Talent management and succession planning</p> <p>Talent development</p> <p>Maximising use of apprenticeships</p>	
SUCCESS MEASURES	IFR/LTIR/Severity Rate/ RIDDOR Rate	Attrition and Retention %	% of Internal Promotions	Apprenticeships Participation/Use of Levy	Culture Survey Feedback

4 ESG Leadership

We want to earn a reputation for being a truly responsible company. Eurocell is already a leader in PVC recycling, which is preventing millions of windows being sent to landfill. But that's just one aspect of ESG and, looking ahead, we aim to excel in all areas.

We are now working with CEN-ESG, a specialist ESG consultancy, to support the development of our ESG strategy and improve our ESG data and disclosures.

Full details of our strategy and the results of our work so far with CEN-ESG are set out in the Sustainability Report which follows on pages 32 to 49 and in our Task Force on Climate-related Financial Disclosures (TCFD) Report on pages 50 to 61.

