



EUROCELL PLC

2016 Half year results

AGENDA



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Chief Executive Officer



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Introduction and headlines

Financial performance

Group strategy and growth opportunities

Current trading and outlook

Eurocell at a glance



HIGHLIGHTS

- ▶ Strong first half performance in line with expectations, despite muted RMI market
- ▶ New and experienced management team in place
- ▶ Broader uncertainty due to EU referendum – positive start to the second half
- ▶ Significant opportunities for delivering long-term growth

OPERATIONAL HIGHLIGHTS

Operational improvements and initiatives in line with strategy

- ▶ Reviewed and aligned management structure
- ▶ Offset general cost increases with customer price increases
- ▶ Acquisition of Vista Panels performing in line with expectations
- ▶ Revision of major supply contracts to mitigate negative currency impact
- ▶ Further innovation in new Modus, Skypod and Equinox ranges
- ▶ Roll-out of additional 250 product lines to branches to increase margin and share of wallet
- ▶ First trials of reduced start-up cost branches
- ▶ Increased sales of windows through branches (£3.3m, up 102%)
- ▶ Increased focus on higher margin value added products to fabricators (Skypod, Equinox)
- ▶ Source post-consumer windows from fabricators and the branch network

MARKET BACKDROP

Above market growth

Demand for our products is driven by the UK economy and more specifically the housing market

Market segment	% of Eurocell revenue	Market growth ⁽¹⁾
Private home improvement	84%	▲ 2%
Private new build housing	12%	▲ 8%
Social housing improvement	4%	▼ 3%
Public new build housing		▼ 22%

⁽¹⁾ Source: Office for National Statistics (ONS), Output in the Construction Industry to June 2016

FINANCIAL HIGHLIGHTS

Strong financial performance, in line with market expectations

£m	H1 16	H1 15	Change
Revenue	97.2	82.5	▲ 17.8%
Gross margin %	52%	52%	
Adjusted EBITDA ⁽¹⁾	14.2	13.0	▲ 9.2%
Adjusted profit before tax ⁽²⁾	10.7	9.6	▲ 11.5%
Adjusted earnings per share (pence) ⁽³⁾	8.72	7.61	▲ 14.6%
Dividend per share (pence)	2.8	2.7	▲ 3.7%

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

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

⁽³⁾ Adjusted earnings per share excludes non-recurring costs and the related tax effect

FINANCIAL PERFORMANCE

Strong sales growth and robust profitability

£m	H1 16	H1 15	Change
Revenue			
Profiles	42.4	35.2	+20.5%
Building Plastics	54.8	47.3	+15.9%
	97.2	82.5	+17.8%
Direct costs	(46.5)	(39.4)	
Gross profit	50.7	43.1	
<i>Gross margin %</i>	<i>52.1%</i>	<i>52.2%</i>	
Overheads	(39.5)	(32.6)	
Operating profit	11.2	10.5	+6.7%
Depreciation & amortisation	3.0	2.5	
Adjusted EBITDA	14.2	13.0	+9.2%
<i>Adjusted EBITDA margin %</i>	<i>14.6%</i>	<i>15.8%</i>	

- ▶ **Strong underlying revenue growth**
 - Profiles +4.5%
 - Building Plastics L4L⁽¹⁾ +11.5%
- ▶ **Gross margin maintained**
 - Subdued RMI market
 - Lower average resin prices in H1 2016, but higher prices expected in H2
 - Increased recycling
- ▶ **Underlying overhead increase (£4.0m)**
 - Volume driven: new branches and branch infrastructure
 - Building Plastics commission scheme

⁽¹⁾ "L4L" = like for like sales: excludes branches opened or closed since 1 January 2015 and is calculated on a per trading day basis

FINANCIAL POSITION

Strong balance sheet

£m	Jun 16	Jun 15	Dec 15	
Intangible assets	20.1	13.9	14.5	▶ Intangible assets
Property plant and equipment	27.7	26.3	27.6	- Vista acquisition
Working capital				▶ Underlying working capital
Underlying	18.3	15.7	15.2	- Volume growth
Acquisitions	1.8	-	0.6	- New branches
	20.1	15.7	15.8	- Mix of customers
Net debt				▶ Financing
Cash and overdrafts	2.6	7.4	(0.1)	- £45m 5-year facility
Borrowings	(33.8)	(40.7)	(25.7)	- Interest at LIBOR plus 1.5%
	(31.2)	(33.3)	(25.8)	- Increased borrowings due to acquisition costs
Current and deferred tax	(5.0)	(3.3)	(3.7)	- Significant headroom in facilities
Provisions	(1.8)	(1.3)	(1.8)	
Net assets	29.9	18.0	26.6	

CASH FLOW

Improved free cash flow

£m	H1 16	H1 15	
Adjusted EBITDA	14.2	13.0	
Change in underlying working capital	(3.3)	(1.2)	
Other non-cash items	0.2	0.4	
Operating cash flow	11.1	12.2	▶ Operating cash conversion
Capital expenditure	(2.7)	(3.2)	- Increased working capital
Taxation	(1.1)	(3.6)	- To mitigate through targeted stock reductions
Free cash flow	7.3	5.4	▶ Capital expenditure
Acquisitions	(6.3)	-	- New branches
Equity dividends paid	(5.2)	-	- Expect H2 capex of c.£5m: recycling and maintenance
Finance expense	(0.3)	(3.7)	▶ Other cash flows
Net proceeds from borrowings	8.0	7.4	- Vista acquisition
Settlement of acquired debt	(0.5)	-	- Taxation includes prior period refund
Non recurring costs	(0.3)	(4.4)	
Change in cash	2.7	4.7	

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 300 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

Nationwide network: 150 branches

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

Source: D&G, company information (unaudited)

SEGMENT REVIEW

Profiles

- ▶ Strong growth in larger customers
- ▶ Continued growth in new build market
- ▶ Benefit from new customers secured in 2015
- ▶ Increased use of recycled material in profiles, following investment in extruders and tooling in late 2015: now accounts for 14% of usage (H1 2015: 8%)
- ▶ Vista Panels and S&S Plastics performing in line with expectations
- ▶ Renewed focus on improving lean principles

SEGMENT REVIEW

Building Plastics



- ▶ Like for like sales up 12%
- ▶ Increased emphasis on pulling through higher value-added manufactured product
- ▶ Growth significantly ahead of muted RMI market
- ▶ 7 new branches opened in H1 and a further 12 expected in H2
- ▶ Acquisition of Vista will benefit sales of doors through branches
- ▶ Continued growth in Equinox and Skypod roof products
- ▶ Fabricators benefiting from sales of windows through branches

GROUP STRATEGY AND GROWTH OPPORTUNITIES

Strategy

- ▶ Expand our branch network
- ▶ Develop new products
- ▶ Increased use of recycled material
- ▶ Bolt-on acquisitions

Growth opportunities

On track to open more branches than last year

Broaden the range of products

Further innovation in Modus, Skypod and Equinox

Expand waste collection service

Investment in recycling capacity (£2m in H2)

S&S and Vista performing in line with expectations

CURRENT TRADING AND OUTLOOK

▶ 7 weeks to 19 August 2016

Overall +17%

Excluding acquisitions +8%

▶ Full year outlook

Pressure on raw material prices – partially mitigate via price increase and use of recycled materials

Full year expectations in line with market forecasts

SUMMARY

- ▶ Strong first half performance in line with expectations, despite muted RMI market
- ▶ New and experienced management team in place
- ▶ Broader uncertainty due to EU referendum – positive start to the second half
- ▶ Significant opportunities for delivering long-term growth
 - Expand the branch network
 - Develop new products
 - Increased use of recycled material
 - Bolt-on acquisitions

Thank you

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All together better

Appendices



All together better

DIFFERENTIATION



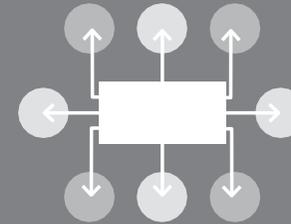
B2B supplier
of innovative PVC
building products



Sustainability
In-house
closed loop
recycling facility



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



Clear strategy
Branch roll-out, new
product
development,
operational
efficiency, 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 gutters



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

37,000 sq ft
The Wirral

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