EUROCELL PLC

2018 Half Year Results

AGENDA

Business Review

Mark Kelly

Chief Executive Officer

Financial Review

Michael Scott

Chief Financial Officer

Summary and Outlook

Mark Kelly

Manufacturer

Distributor

Recycler

OVERVIEW

Mark Kelly – Chief Executive

Good progress with strategic priorities

Further gains in market share

Optimising existing branch estate

Increasing use of recycled material

Acquisition of Ecoplas

Financial results in line with expectations

Strong sales growth

Gross profit in line

Gross margin % lower – short-term increase in manufacturing costs, following sharp uplift in demand in Q2

EBITDA down as anticipated, reflecting timing of branch openings

Revenue
£118.8m
▲ 10% (H1 2017: £108.1m)

Adjusted EBITDA
£14.2m
▼ 5% (H1 2017: £14.9m)

Interim Dividend
3.1p per share
▲ 3% (H1 2017: 3.0p per share)

MARKET BACKDROP

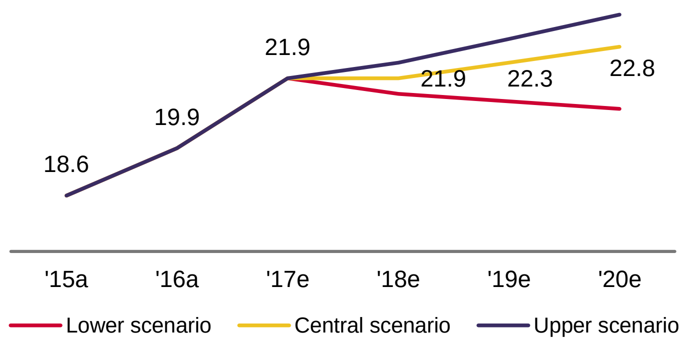
Mixed Economic Indicators

Driver	Description
GDP	UK GDP has slowed and is forecast to grow by 1.3% in 2018 and 1.4% in 2019 (2017: 1.7%)
Consumer confidence	Dropped sharply after vote to leave the EU, but quickly recovered to pre-vote levels. Has recently been drifting down again, with progress in the Brexit talks limited
Interest rates	First increase in UK interest rates for ten years in 2017, with further increases forecast for 2018
Housing market	Private housing RMI[1] market CAGR[2] forecast 2018 - 2020 is 1% (previous forecast flat)
Construction	Private housing starts are forecast to increase by 2% in 2018 and 2% in 2019 (no change to previous forecast)
	Housing construction activity remains below pre-recession peak, but is forecast to rise by 5% in 2018 and 2% in 2019 (previous forecast 3% and 2%)

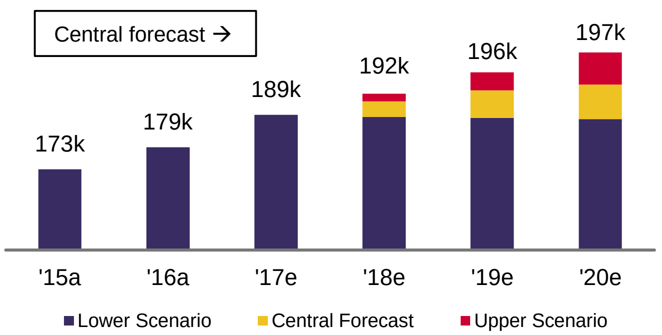
(1) RMI is Repair, Maintenance and Improvement
(2) CAGR is compound annual growth rate

Sources: CPA: Construction Industry Forecasts 2018-20 (published Spring 2018)
Oxford Economic Data (via Factset) (July 2018)

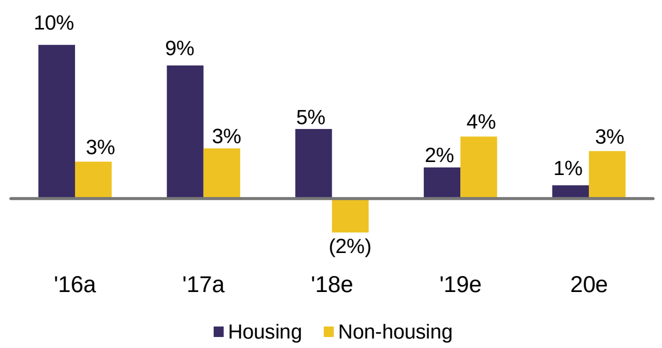
Private Housing RMI Spend (£bn)



Total Number of Housing Starts (thousands)



Construction Output Growth (%)



Source: CPA: Construction Industry Forecasts 2018-20 (published Spring 2018)

SALES OVERVIEW

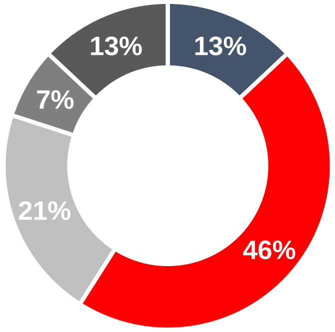
Gaining Share in Flat RMI Market

Sales Growth (%)	H1 2017	H2 2017	H1 2018
Group			
Organic	9%	7%	10%
Like-for-like[(1)]	6%	2%	5%
Profiles			
Organic / like-for-like[(1)]	6%	5%	9%
Building Plastics			
Organic	11%	8%	10%
Like-for-like[(1)]	6%	Flat	3%

- **H1 2018:**
  - Strong sales growth vs H1 2017
  - Improving trends vs H2 2017

(1) Like-for-like excludes acquisitions and branches opened in 2017 and 2018

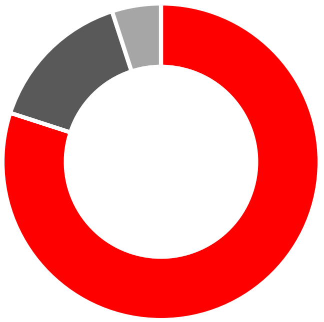
Total Window Units Supplied to Each Sector of the Market (%)



First time replacements
Second time replacements
Conservatories
Extensions
New Build

Source: D&G Consulting – 2017 Annual PVC Window Industry Report

Eurocell Revenue by Market (%)



RMI > 80%

New Build > 10%

Public Sector (New Build and RMI) < 5%

Profiles – Performance in H1 2018

- **Gaining share – 9% like-for-like growth**
- **Benefit of new account wins**
  - > 20 account wins in 2017
  - Good prospect pipeline, with 4 new accounts so far in 2018
- **Continued strong sales to private new build**
  - Up 8% in H1 2018 (following > 15% growth in 2017)
  - Specification and business development teams
  - Comprehensive product range
- **Gross margin % and return on sales down**
  - Short-term increase in manufacturing costs, following sharp uplift in demand in Q2
  - Incremental labour and distribution costs to maintain customer services
  - Raw material cost inflation offset with selling price increases, but dilutive to margin %
- **Increased use of recycled PVC**
  - 17%[2] in H1 2018 (H1 2017: 15%)

Profiles Division P&L

£m	H1 2018	H1 2017	Change
3rd Party Revenue	**50.5**	**46.4**	**▲9%**
Inter-segmental Revenue [1]	23.6	21.8	▲8%
Total Revenue	**74.1**	**68.2**	**▲9%**
Adjusted EBITDA	**11.5**	**11.7**	**▼2%**

(1) Inter-segmental Revenue
- Full manufacturing margin recorded in Profiles
- Division therefore benefits from pull through demand generated by branch expansion

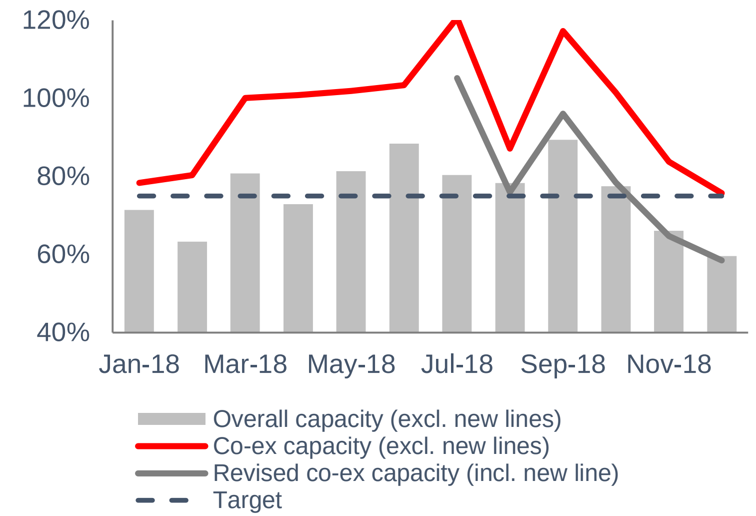
(2) 4.3kt post-consumer recycled compound used in total consumption of 25.7kt (H1 2017: 3.7kt post-consumer recycled compound used in total consumption of 23.9kt)

DIVISIONAL REVIEW

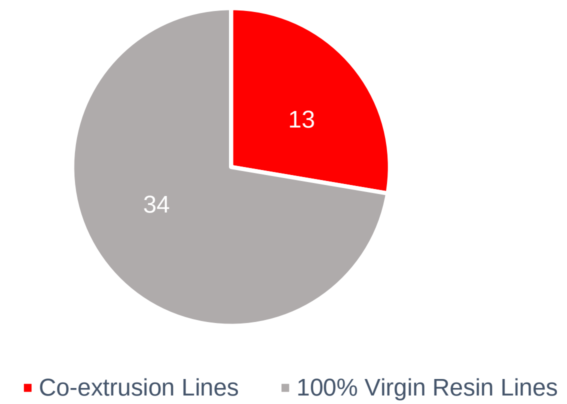
Profiles – Co-extrusion Capacity

- **Sharp uplift in demand and significant mix change in Q2**
  - Co-extruded products well ahead of expectations
  - Sales demand met partially via safety stocks
- **Shortage of co-extrusion capacity in Q2**
  - Exacerbated by 2 co-extrusion lines out of service for extended period
- **Short-term increase in manufacturing costs**
  - Making products with 100% virgin resin that would ordinarily include recycled material
  - Outages and tool changes – increased levels of scrap
- **Actions in progress to address capacity constraint and improve plant performance**
  - 2 new co-extrusion lines operational in July
  - Further 2 co-extrusion lines operational by end September
  - Increases capacity by c.25%
  - Also facilitates increase in planned maintenance

Estimated Capacity Utilisation Levels



Manufacturing Capacity: Extrusion Machines in H1



DIVISIONAL REVIEW

Building Plastics – Performance in H1 2018

- **Gaining share – 10% organic growth**
- **Like-for-like[1] sales up 3%**
  - Driven by maturing branches – opened 2016 and prior
  - One-stop shop: traded goods up 9%
- **Gross margin flat year on year**
  - Cost inflation mitigated with selling price increases
- **Continued investment in branch network expansion**
  - 31 new branches in 2017
  - Up to 15 new branches this year (including acquisitions), with 6 sites so far in 2018
  - Significant investment – incremental EBITDA drag vs H1 2017 of c.£0.5m
  - New management team driving operating standards

Building Plastics Division P&L

£m	H1 2018	H1 2017	Change
3rd Party Revenue	**68.3**	**61.8**	▲ **11%**
Organic	66.7	60.7	▲ **10%**
Acquisitions [2]	1.6	1.1	▲ **45%**
Inter-segmental Revenue	0.7	0.3	▲ **133%**
Total Revenue	**69.0**	**62.1**	▲ **11%**
Adjusted EBITDA	**2.7**	**3.2**	▼ **16%**

(1) Like-for-like excludes branches opened in 2017 and 2018
(2) Security Hardware acquired February 2017

DIVISIONAL REVIEW

Building Plastics – Focus for 2018

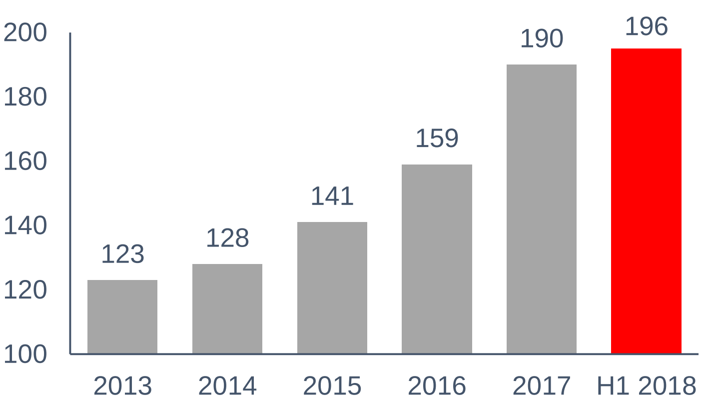
- **2018 focus on optimising existing estate**
  - Historically 2 years to break-even and 4 years to maturity
  - 37 branches < 2 years old
  - Good improvement in performance for the division when new branches mature
- **Progress with initiatives to shorten time to break-even and maturity**
  - Sharing resources to leverage existing infrastructure where practical
  - More focused direct marketing campaigns
  - Driving more consistent offering across the network
    - Sales of made-to-order value added products up 9% to £14.9 million
    - Improved participation in group-wide promotions
- **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	37	33	126
Average Sales per Branch (£000)	150	500	800
Return on Sales per Branch (%)(1)	Small loss	>10%	Mid-teen %

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

Number of branches



FINANCIAL HIGHLIGHTS

Michael Scott – Chief Financial Officer

Revenue
£118.8m
▲10% (H1 2017: £108.1m)

Gross Margin
50.0%
▼ 1.4% (H1 2017: 51.4%)

Adjusted[2] EBITDA
£14.2m
▼ 5% (H1 2017: £14.9m)

Adjusted[2] Basic EPS
8.8p
▼ 6% (H1 2017: 9.4p)

Interim Dividend
3.1p per share
▲ 3% (H1 2017: 3.0p per share)

Net Debt
£16.4m
▲ £1.9m (December 2017: £14.5m)

- **Strong sales growth – like-for-like[1]** ▲ 5%
- **Gross profit in line, but gross margin % lower**
  - Short-term increase in manufacturing costs
- **Overheads**
  - Impact of acquisitions and investment in new branches
  - Incremental costs to maintain customer service
  - Like-for-like[1] operating cost increase ▲ 4%
- **Adjusted[2] EBITDA down as anticipated**
  - Timing of branch opening programme
- **Greater phasing of EBITDA to H2**
  - Timing of branch openings and selling price increases
- **Net debt £4.4m lower than June 2017**
  - Net cash generated from operating activities £7.6m (H1 2017: £10.3m)

(1) Like-for-like sales and operating costs exclude acquisitions and branches opened in 2017 and 2018
(2) Non-underlying costs of £nil (H1 2017: £0.5m)

FINANCIAL PERFORMANCE

Group Profit and Loss

£m	H1 2018	H1 2017	Change
Revenue	**118.8**	**108.1**	▲ 10%
Gross Profit	59.4	55.6	
Gross Margin %	*50.0%*	*51.4%*	
Overheads	(45.2)	(40.7)	
Adjusted EBITDA(1)	**14.2**	**14.9**	▼ 5%
Depreciation and Amortisation	(3.4)	(3.3)	
Finance Costs	(0.3)	(0.3)	
Adjusted Profit Before Tax(2)	**10.5**	**11.3**	▼ 7%
Tax on Adjusted Profit	(1.7)	(1.9)	
Adjusted Profit After Tax	**8.8**	**9.4**	
Adjusted Basic EPS (pence)(3)	**8.8**	**9.4**	▼ 6%
Dividends per Share (pence)	**3.1**	**3.0**	▲ 3%
Reported Basic EPS (pence)(4)	8.8	8.9	▼ 1%

(1) Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and non-underlying costs of £nil (H1 2017: £0.5m)
(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 and the related tax effect

SALES PERFORMANCE

Strong Sales Growth

- Sales ▲ 10% excluding acquisitions
  - Group like-for-like[1] sales ▲ 5%
  - Profiles like-for-like[1] ▲ 9%
  - Building Plastics like-for-like[1] ▲ 3%
- Building Plastics: ▲ 7% from branches opened in 2017 / 2018
- Acquisition: Security Hardware (February 2017)

(1) Like-for-like sales exclude acquisitions and branches opened in 2017 and 2018

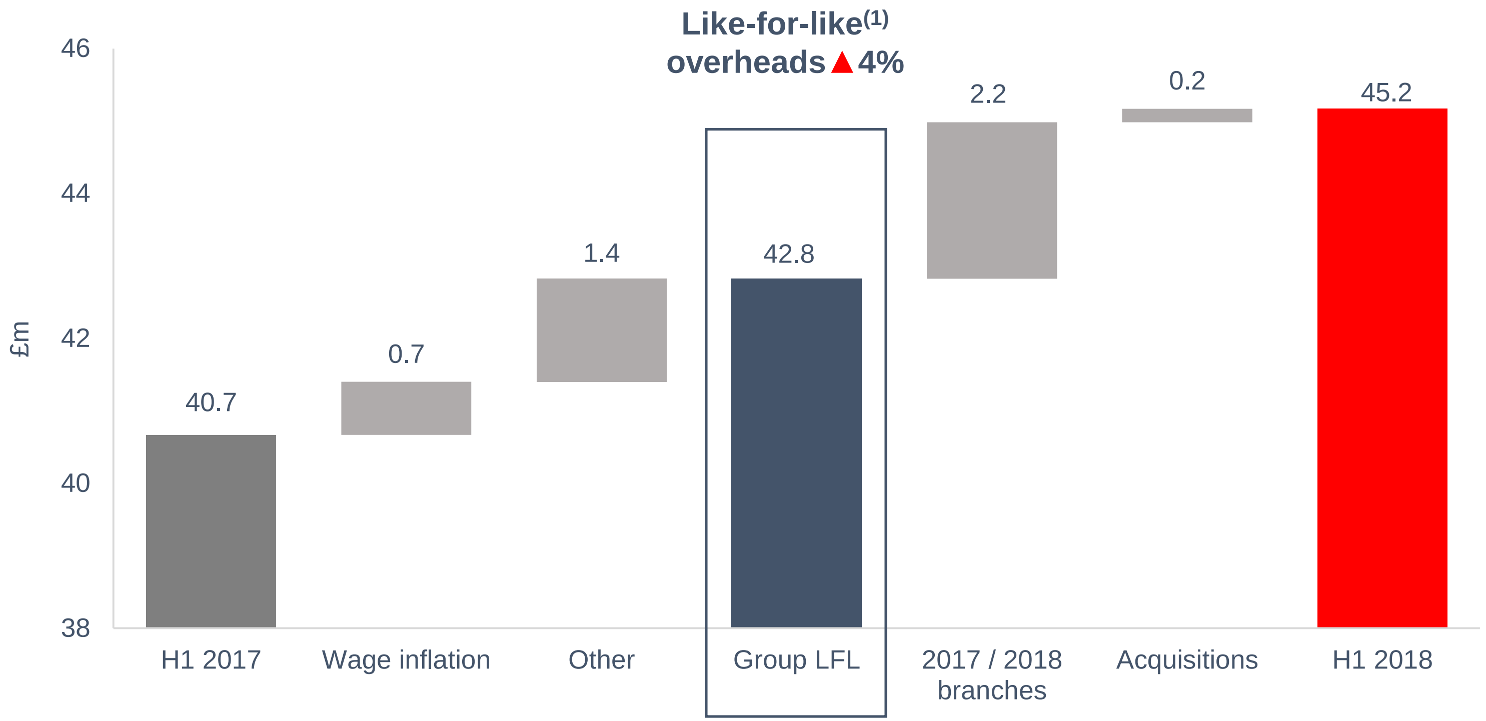
GROSS MARGIN

Increased Manufacturing Costs

- Underlying volume (-90 bps)
  - Short-term increase in manufacturing costs
    - Follows sharp uplift in demand in Q2
    - Cost of co-extrusion capacity constraint and unplanned plant outages
  - Also includes impact of product and customer mix
- Increased recycling (+30 bps)
  - Benefit of additional 600t recycled usage
- Raw material cost inflation and selling prices (-80 bps)
  - Resin ▲ £0.7m
  - Other raw materials / traded goods ▲ £1.4m
  - Selling price increases ▲ £2.2m
  - Net impact dilutive to gross margin % (-80bps)

OVERHEADS

Investment in Business Expansion



- Like-for-like(1) cost increase ▲ 4%
  - Impact of minimum wage, share-based payments and volume related distribution costs
  - Incremental labour and distribution costs to maintain customer services of £0.2m
  - Careful control of underlying costs
  - Like-for-like(1) sales ▲ 5%
- 37 new branches opened in 2017 / 2018
- Acquisition of Security Hardware in February 2017

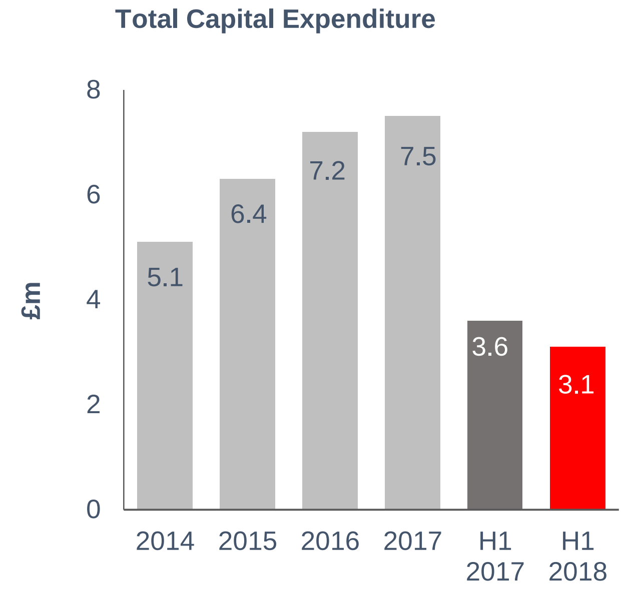
(1) Like-for-like overheads exclude acquisitions and branches opened in 2017 and 2018

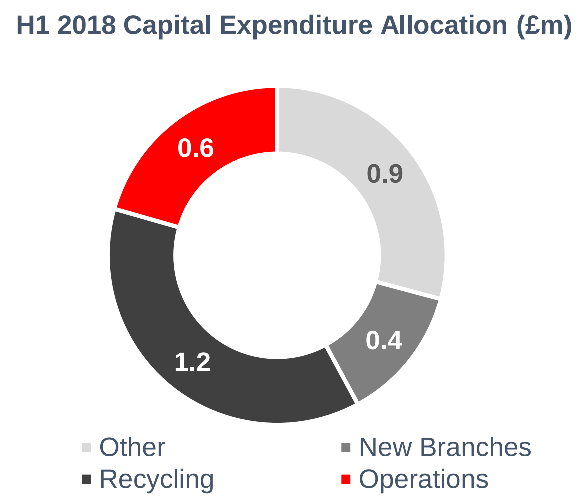
CAPEX

Investment in Business Expansion

- **H1 2018 capex £3.1m (H1 2017: £3.6m)**
  - Growth capex £1.6m
    - Increase recycling capacity £1.2m (includes new co-extrusion lines and tooling)
    - New branches £0.4m
  - Recurring / maintenance capex £1.5m
    - Operations £0.6m includes general maintenance capex
    - Other £0.9m includes new product showroom, branch refurbishments and IT costs

- **2018 capex guidance c.£9m (before Ecoplas)**
  - Growth capex £4m
    - Increase recycling capacity
    - New branches
  - Recurring / maintenance capex £5m
    - Operations, IT costs and branch refurbishment





WORKING CAPITAL

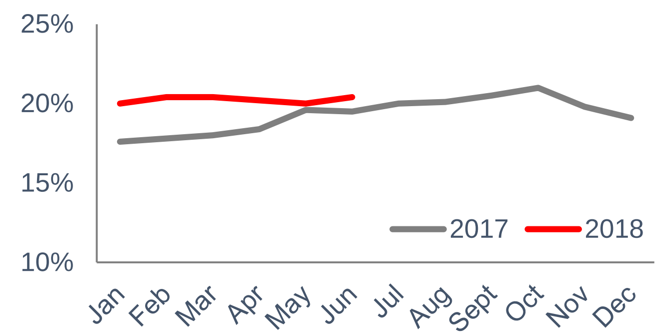
Cash Flow Management

- **Net outflow from working capital £4.7m**
  - H1 2017 outflow £1.9m
- **Debtor days at 43 vs 41 at June 2017**
  - H1 2018 receivables ▲ £8.7m
  - Seasonality
    - Normal Q4 cash collection and December factory shutdown
    - Also December 2017 / January 2018 timing difference c.£2m
  - Business growth
    - Increased sales to larger / new build fabricators
- **Stock days at 58 vs 58 at June 2017**
  - H1 2018 stocks ▲ £2.8m
  - Consumption of Profiles safety stocks, offset by increases:
    - Rebuild raw materials post December factory shutdown
    - New branches and range extension
    - Business growth
- **Creditor days at 56 vs 52 at June 2017**
  - H1 2018 increase in payables ▲ £6.8m
  - Normal seasonality, business growth, stock increase

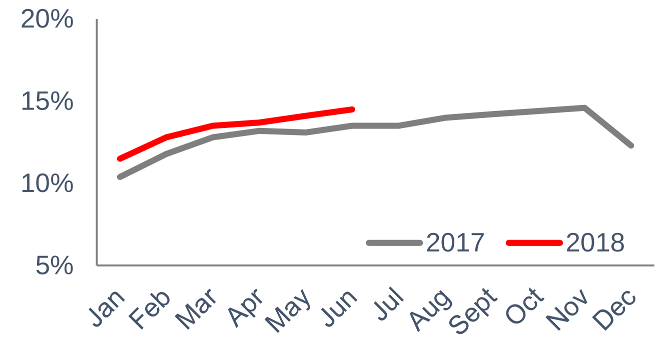
Key Working Capital Metrics(1)

	Stock Days	Debtor Days	Creditor Days
June 2017	58	41	52
Dec 2017	55	37	43
June 2018	58	43	56

Inventory as a % of LTM Cost of Sales(1)



Trade Receivables as a % of LTM Sales(1)



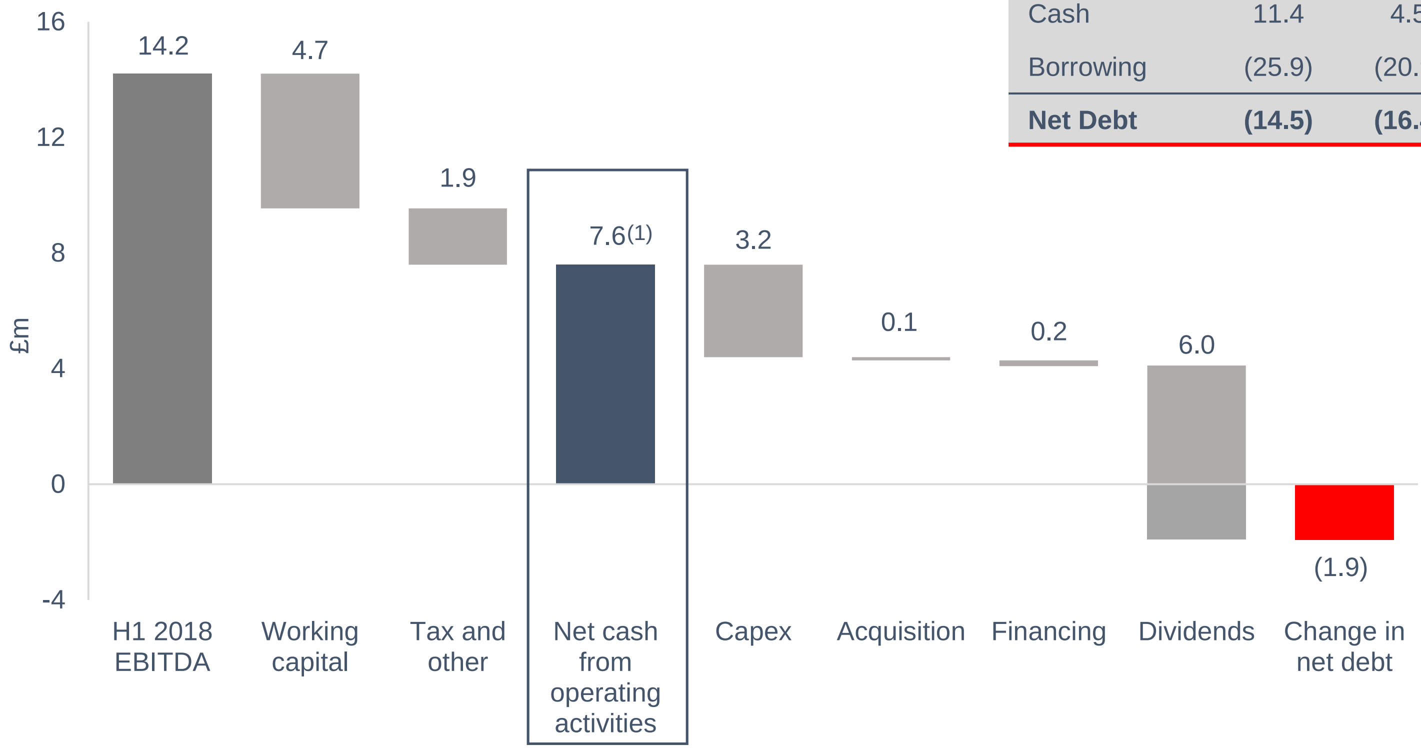
(1) Excludes Security Hardware, acquired February 2017

CASH FLOW

Robust Cash Flow Generation

Reconciliation of Net Debt

£m	Dec 2017	June 2018	Change
Cash	11.4	4.5	(6.9)
Borrowing	(25.9)	(20.9)	5.0
Net Debt	**(14.5)**	**(16.4)**	**(1.9)**



- Outflow from working capital £4.7m
  - ▲ Receivables £8.7m
  - ▲ Stocks £2.8m
  - ▲ Payables / provisions £6.8m
- Tax paid £2.1m
- Dividends
  - Final 2018 £6.0m (6.0p per share)
- Acquisition
  - Earn-out payment relating to acquisition of Security Hardware in February 2017

(1) Cash generated from underlying operations of £9.7m less tax paid

STRATEGIC PRIORITIES

Mark Kelly – Chief Executive

Clear strategy to create long term value	Focus in 2018
Increase use of recycled materials	• Investing to increase usage to c.10kt
Expand the branch network	• Improving consistency of offering • On track for up to 15 new branches
Target growth in market share	• New accounts – Profiles LFL growth 9% • New branches – EBP organic growth 10%
Develop innovative new products	• Coastline cladding introduced in Q2 • Modus and Skypod range extensions
Explore potential bolt-on acquisitions	• Continuing to develop pipeline • Acquisition of Ecoplas

5 strategic priorities

STRATEGIC PRIORITIES

Increased Recycling – Acquisition of Ecoplas

- **Strategic priority to increase use of recycled material**
  - Widening gap in price of recycled vs virgin compound
    - Resin up c.£150/t in last 2 years
  - Enhances product and business sustainability
- **Organic investment 2016-18 of c.£5m**
  - Recyclate usage from 4kt (9%) in 2015 to 10kt (c.20%) in 2018
- **Growth and tooling development indicate demand for recycled material > in-house capacity in 1-2 years**
  - Also need to establish larger presence in face of increased competition
- **Acquisition of Ecoplas on 1 August 2018**
  - Recycler of PVC windows
  - Current output of c.7kt recycled compound, sold into building trade (including windows)
  - Investment required in Ecoplas to improve environment and expand capacity
    - Improve reliability of plant, eliminate process bottlenecks
- **Eurocell usage of Ecoplas material expected to increase over time**
  - c.2kt in 2019 and c.4kt in 2020

Acquisition summary:

- **£5m for 95% of Ecoplas**
  - Remaining 5% for up to £1m in 3-5 years based on performance
- **Additional capex of c.£3m**
  - £2m in 2018 and £1m in 2019
  - Expand Ecoplas capacity
  - Co-extrusion tooling at HQ
- **Working capital of c.£1m**
  - Ease supply chain for waste materials (2018)
- **Return materially > cost of capital**
  - Earnings accretive in first full year

SUMMARY

And Outlook

Financial results in line with expectations and outlook unchanged

Strong sales growth

Gross profit in line

Gross margin % lower – short-term increase in manufacturing costs, following significant uplift in demand in Q2

EBITDA down as anticipated, reflecting timing of branch openings

Greater phasing of profit to H2, with full year expectations unchanged

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Good progress with strategic priorities

Further gains in market share

Optimising existing branch estate

Increasing use of recycled material

Acquisition of Ecoplas

Appendices

All together better

PRODUCT RANGE


Ranges of window and door profile


Skypod pitched skylights


Aspect bi-folding doors


Conservatories and Equinox tiled roofs


Fascias, soffits and guttering

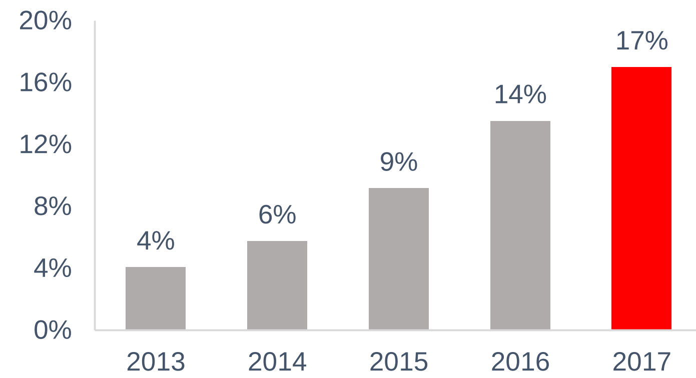
Traded goods

Products sold through two major trading divisions: Profiles and Building Plastics (branches)

PROFILES DIVISION

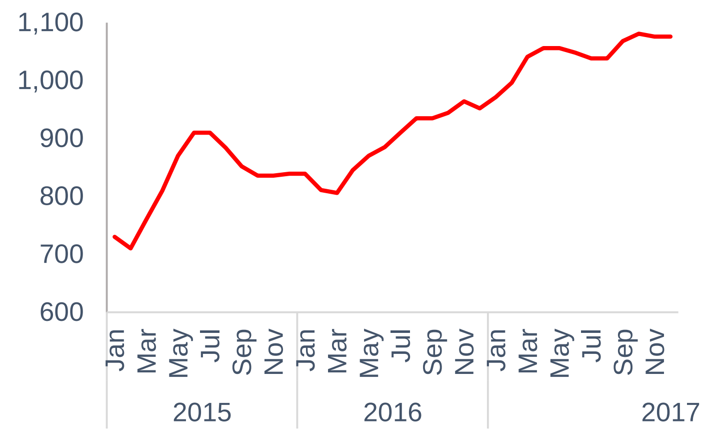
- **Manufactures:**
  - Extruded rigid and foam PVC profiles using virgin PVC compound
  - Rigid products also include recycled compound
  - Full manufacturing margin recorded in Profiles – benefits from branch expansion
- **Recycles:**
  - Factory offcuts (post-industrial) and old windows (post-consumer) waste
- **Sells:**
  - Rigid PVC profiles to a network of > 370 third party fabricators
    - Principally trade fabricators, but with new build becoming increasingly important
    - 270 produce windows, trims cavity closer systems for customers
    - 100 make patio doors and conservatories
- **Acquisitions since IPO**
  - Profiles Division also includes S&S Plastics (injection moulding, acquired in 2015)
  - Vista Panels (composite and panel doors, acquired in 2016)
  - and Ecoplas (PVC window recycler acquired in August 2018)

Use of Recycled PVC in Manufacturing (%)



- > 1m old windows recycled in 2017
- Produced > 8k tonnes of compound for use alongside virgin resin in primary extrusion

ICIS Resin Price Index 2015 – 2017



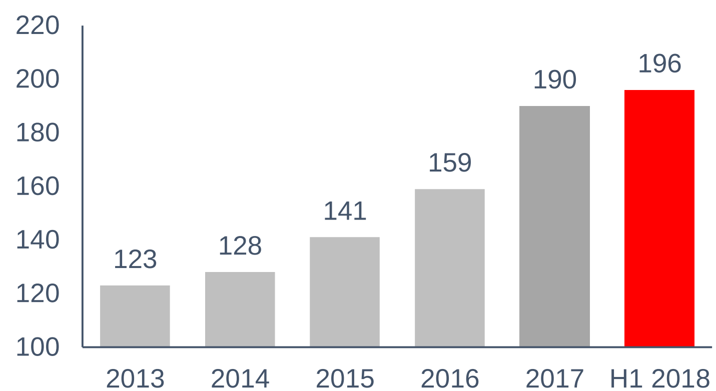
Source: ICIS PVC Index Report (published Jan 2018)
Note: Eurocell price based on index less discount

BUILDING PLASTICS DIVISION

- **Sells:**
  - Range of Eurocell manufactured and branded PVC foam roofline and window fitting / maintenance products
  - Third party manufactured ancillary products: sealants, tools and rainwater products
  - Vista doors
  - Windows fabricated by third parties using products manufactured by the Profiles Division
- **Distribution**
  - Through our nationwide network of > 190 branches
- **Main customers**
  - Roofline and window installers
  - Small and independent builders, house builders
  - Nationwide maintenance companies
- **Acquisitions since IPO**
  - the Building Plastics Division also includes Security Hardware (hardware supplier to RMI market, acquired in 2017)

Typical Branch Format

Number of Branches



LOCATIONS

Centrally located
HQ, Manufacturing, Warehousing, Injection Moulding and Recycling

Extrusion centre
140,000 sq ft
50 extruders

Secondary operations (foiling)
120,000 sq ft
10 foiling machines

Recycling Factory (Merritt)
75,000 sq ft

Warehousing & Conservatory Roofs
260,000 sq ft

Injection Moulding
21,000 sq ft
22 Machines

Composite Door Manufacture
50,000 sq ft
The Wirral

Security Hardware

Locks and hardware supplier
15,000 sq ft
West Midlands

ROUTE TO MARKET

Recycling:
Merritt Plastics
8,300 tonnes of recycled compound consumed
(17% of profile raw material consumed)

Third Party Suppliers
35,000 tonnes of virgin compound consumed (1), plus 6,000 tonnes of other raw materials (2)

Manufacturing Facilities:
Eurocell Profiles
44,000 tonnes of profile produced per annum

Retail Branches:
Eurocell Building Plastics
14,000 tonnes of foam profile

Third Party Suppliers e.g.
- Rainwater
- Sealants
- Tools

Profile Customers:
350+ Fabricators
30,000 tonnes of rigid profile

Branch Customers:
Owner Managed Businesses and Contractors

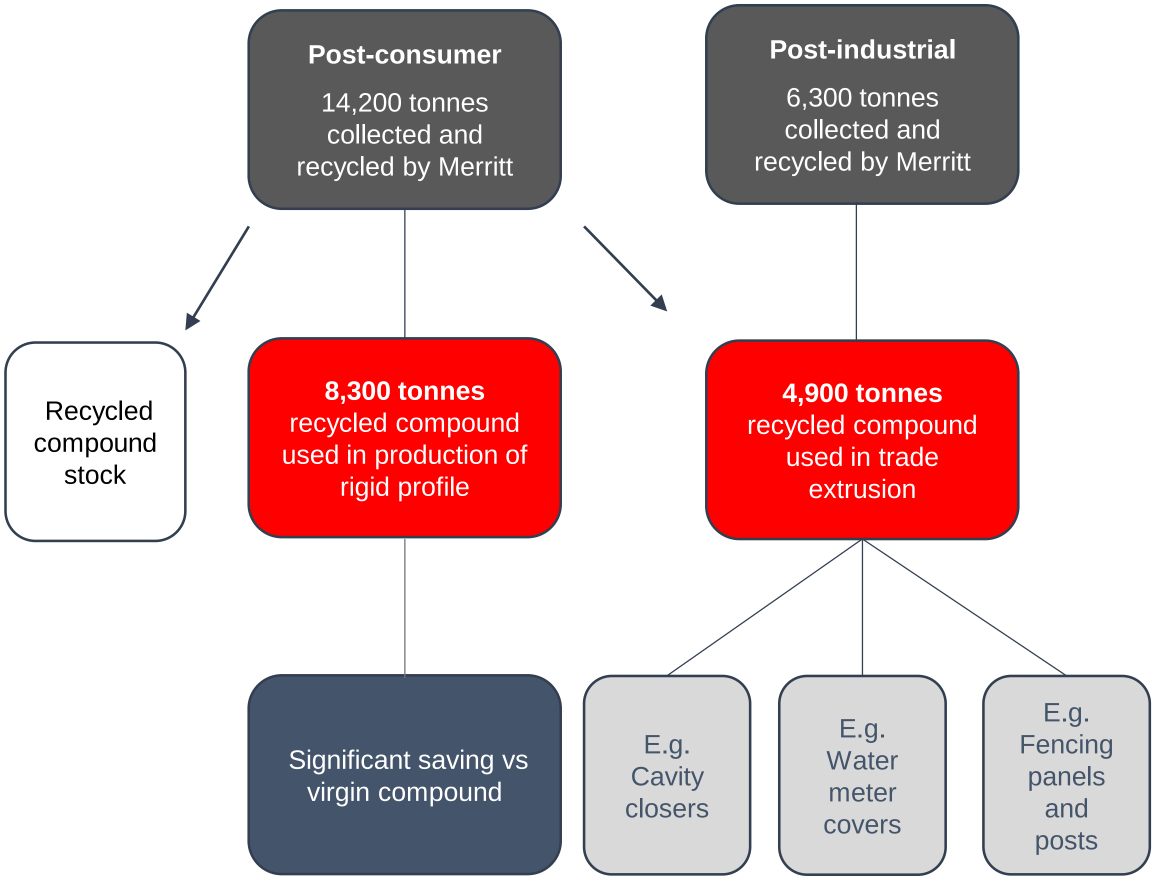
RMI (4)
Proportion of revenue in RMI market
> 80%

New Build
Proportion of revenue in new build housing market
> 10%

Public Sector (RMI & New build)
Proportion of revenue in public new build housing market
<5%

(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 £2m million to increase output capacity to 14,000 tonnes:**
  - Capital equipment £1.8m
  - Tooling £0.2m

(1) Tonnages shown are approximate based on 2017 volumes

DIFFERENTIATION

eurocell®
All together better

B2B supplier
of innovative PVC building products

Sustainability
In-house closed loop recycling facility

Vertically integrated business model
Recycling, manufacturing and own branch network

Stable ownership
Fresh focus, with new horizons

Clear strategy
Grow market share, expand branch network, develop new products, increase use of recycled material, bolt-on acquisitions

CORPORATE AND OPERATIONAL HISTORY

Operational

- Extrusion business founded, primary extruders: 11
- Eurocell Building Plastics launched
- 1st Eurocell Building Plastics branch
- Primary extruders: 16
- Primary extruders:30
- Branch expansion reaches 50
- Primary extruders: 45
- Branch expansion reaches 100
- Rebranding: single brand Eurocell
- Branch expansion reaches 150
- Branch expansion reaches 196
- Primary extruders: 50

1974 | 1991 | 1995 | 1997 | 1998 | 2000 | 2003 | 2004 | 2006 | 2008 | 2009 | 2011 | 2013 | 2015 | 2016 | 2017 | 2018

Corporate

- **Tessenderlo acquires 75% of Eurocell**
- **Tessenderlo acquires remaining 25% of Eurocell**
- Brunel Plastics (6 Branches)
- Peninsula Plastics (3 Branches)
- Cavalok Building Products (Cavity Closers)
- Plastmo (Profile)
- Deeplas (Roofline)
- Merritt Plastics (Recycling)
- **H2 Equity Partners acquires Eurocell from Tessenderlo**
- S. & S. Plastics (Injection Mouldings)
- **Listing on the London Stock Exchange**
- Vista Panels (Doors)
- Security Hardware (Locks and Hardware)
- Ecoplas (PVC windows recycler)

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