
16 May 2024

EUROCELL PLC
(“Eurocell” the “Group” or the “Company”)
Trading Update

Eurocell plc, the market leading, vertically integrated UK manufacturer, recycler and distributor of PVC window, door and roofline products, provides the following update for the first four months of 2024, in advance of the Annual General Meeting (“AGM”) later today.

Summary

Trading conditions in our key markets have remained challenging, with continuing macroeconomic uncertainty impacting activity levels in both the repair, maintenance and improvement (“RMI”) and new build markets. However, we continue to focus on closely managing costs and cash flow and have seen some further reduction in raw material cost pricing in 2024. As a result, our expectations for underlying profit before tax for the year remain unchanged.

We are on track with the delivery of the early stages of our new strategy. Our balance sheet is strong and the actions we have taken, including those on costs and cash flow, position us well to benefit when our end markets recover.

Trading Performance

Group sales for the four months to 30 April 2024 were down 6%⁽¹⁾ on the prior year, with volume down 4%⁽¹⁾. Comparisons by division were as follows:

Sales to 30 April 2024	vs 2023⁽¹⁾
Total Group	-6%
Profiles Division	-10%
Building Plastics Division	-4%

(1) On a trading day adjusted basis

Profiles – subdued RMI activity and a continuing weak new build market have resulted in sales volumes 9%⁽¹⁾ below 2023.

Building Plastics – although general RMI volumes in the branch network are down, sales include the initial benefit of good progress with our strategic initiatives for garden rooms, windows and doors, resulting in overall volumes level⁽¹⁾ with 2023. However, increased competition for limited demand continues to drive pressure on margins in the branch network.

There has been some moderation of input costs, particularly electricity (where we operate a rolling 12-month forward hedging policy for the majority of our requirements) and recycling infeed prices, and PVC resin prices have stabilised. We continue to see inflation elsewhere, including labour costs, which we have offset with selling price increases implemented towards the end of Q1 2024.

Capital Allocation

The Board is focused on enhancing shareholder returns and recognises the importance of our ordinary dividend. We will periodically consider supplementary distributions, whilst always seeking to maintain a strong financial position.

The £5 million share buyback programme (the “Buyback”) announced on 23 January 2024 has progressed well. As of 14 May 2024, we had purchased 3.3 million ordinary shares of £0.001 each (“Shares”) at a cash cost of £4.2 million. As previously announced, the first 642,000 Shares repurchased under the Buyback are held in treasury and will be used to satisfy employee share options over the next two years, with other Shares already purchased having been cancelled. All other Shares purchased under the Buyback in future will also be cancelled. The Buyback therefore reduces the share capital of the Company and enhances earnings per share.

Taking into account our strong balance sheet, expected organic investment needs and good cash management, the Board has taken the decision to extend the Buyback by up to a further £5 million, thereby increasing the maximum aggregate consideration to up to £10 million.

Eurocell has given irrevocable and non-discretionary instructions to Peel Hunt and Berenberg in relation to the Buyback, who will act as principal and make trading decisions concerning the timing of the purchases of Shares independently of the Company.

Assuming the applicable authority is granted at today’s AGM, the maximum number of Shares which can be purchased under the Buyback following the conclusion of the AGM is 10,969,731.

The Buyback will continue to be conducted within the parameters prescribed by the Market Abuse Regulation 596/2014 and the Commission Delegated Regulation (EU) 2016/1052 (also as in force in the UK, from time to time, including, where relevant, pursuant to the UK's European Union (Withdrawal) Act 2018 and the Market Abuse (Amendment) (EU Exit) Regulations 2019) as well as the applicable laws and regulations of the UK Financial Conduct Authority.

Save as set out herein, the Buyback will otherwise operate under the same terms as announced on 23 January 2024.

The Board will keep the Buyback under review and continue to assess it against market conditions and our capital allocation priorities. There is no guarantee that the Buyback will be implemented in full.

Board Changes

As previously announced, after nine years of service, Frank Nelson will step down from the Board at the conclusion of today’s AGM and we would like to thank him for his significant contribution to the Group. Alison Littlely will assume the role of Senior Independent Non-executive Director.

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