Celotex
Insulation Specialists

# United Kingdom
# Celotex Limited

## Budget 2015
## Les Miroirs -14th October 2014

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# Agenda

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# Safety

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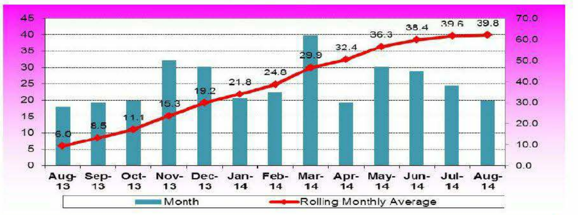
## TF1


## SMAT




## Highlights

1 **Review of accidents:**

TF1= YTD: 1 Rate: 2.8

TF2 = YTD: 0* Rate: 5.6 (*under GAIA recorded as 1)

TF3 = YTD: 13 Rate: 67.8

2 **2014 Main Actions**: focus on leadership engagement & raising employee awareness

SMATS completed ytd = 363
Behavioural safety programme – all employees completed
Driver passport programme launched
Pedestrian segregation – phases 1 & 2 completed
Preparation for 20 step Audit – Nov '14
Full risk assessment programme – completion Q3
XL gap audit – Nov. '14

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1. EHS
2. 2014 Overview
3. 2015 Budget Overview
4. Marketing & Sales
5. R&D projects
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# Business overview RF3 2014

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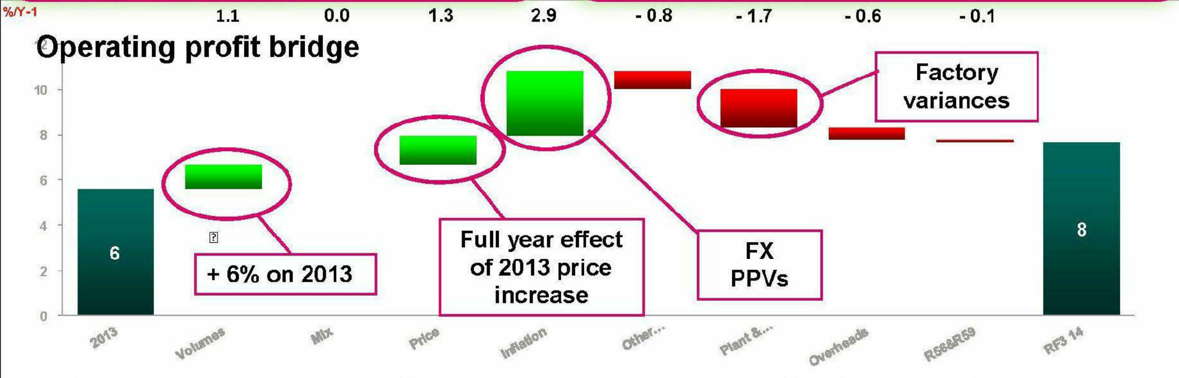
**Successes**

- OP forecast at **104%** of budget
- Volume growth at **6%**
- Cash flow forecast **+£7M**
- ROI forecast [redacted]
- NPD @ **£0.5M**
- VAP – **11.8% to 12.5%**

**Issues**

- High degree of training affecting scrap & efficiencies
- A number of critical plant areas need addressing
- Market pricing
- Engineering – recruitment & quality
- Customer concentration

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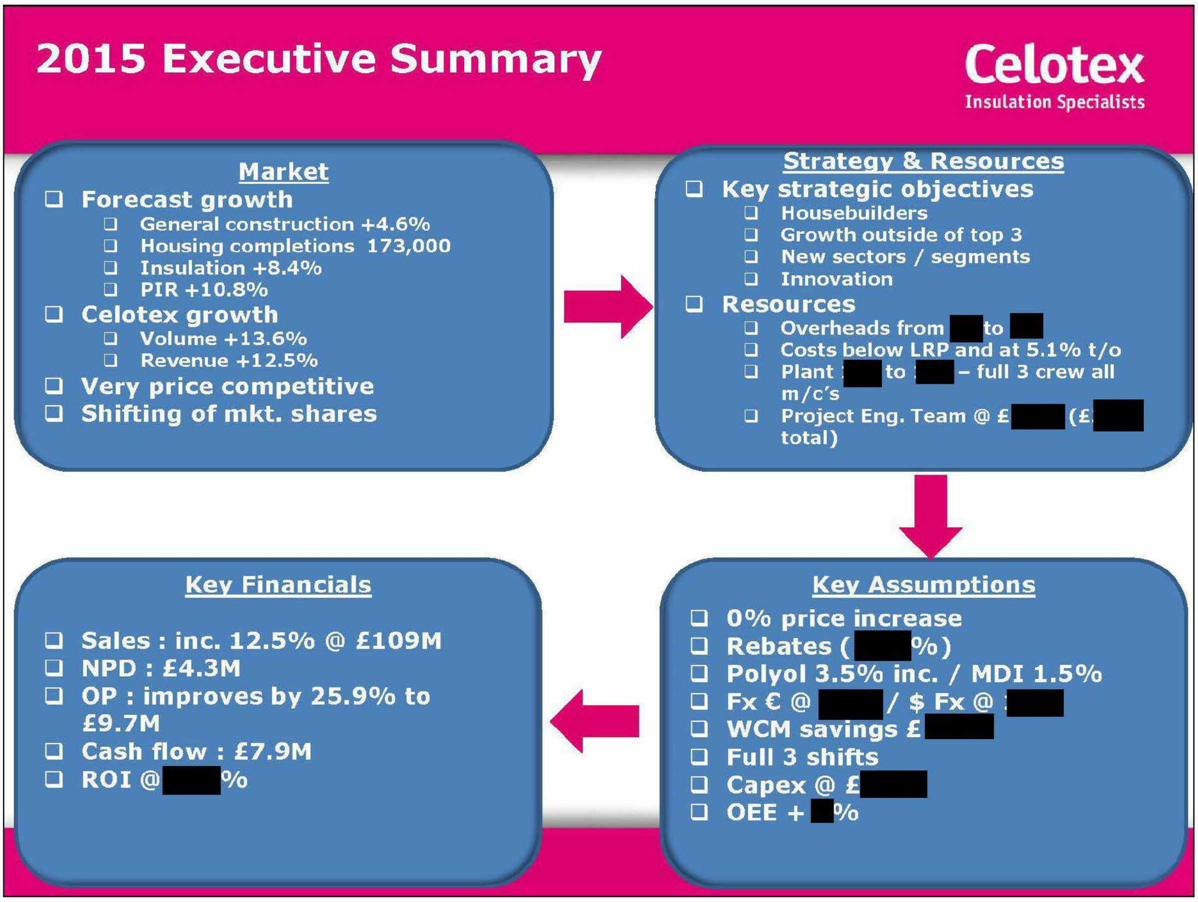


For 2015 we remain optimistic for the UK economy as whole and for construction output given the election in May in 2015. This generates a strong incentive for the conservative government to keep the economy stimulated through construction growth where latest forecasts are for an improvement of 4.6% and particularly through housebuilding where market forecasts predict an increase of some 20,000 completions yoy. This could of course be derailed by recessions in mainland Europe or house moves and house inflation stagnate in the UK, so this is a risk to our budget, but nevertheless we remain optimistic.

Celotex forecasts are for PIR growth to continue to outperform the insulation market by around two percentage points and for celotex to outperform this growth by a further 2 points, giving an ambitious yoy on growth figure of 13.6% on volume and 12.5% at the revenue level for our business.

We see the market remaining very price competitive so we have not budgeted for a price increase in the year and indeed have included some price regression in our rebates given that [redacted] are currently tendering there PIR and the fact that we aim to win business outside our current top 3 customers. If the Euro exchange rate does hit the budgeted 1.30 mark I do not believe Kingspan will push for an increase in 2015 as they look to restore lost market share, especially in phenolic.

Given our market forecasts and the improvements delivered through 2014 within our business as a result of adopting our strategy there is no reason for us to adjust our overall approach, so we aim to continue to focus on housing, diversification in our customer base and entry into new market segments. To underpin Celotex's growth we will move to a full third shift from January 2015 and through the course of the year recruit 4 personnel in overheads to reflect the organisation plans we set out in the LRP within sales and marketing. Additionally we have budgeted £[redacted] within overheads for the Project Engineering team with the remainder of these costs aiming to be covered by capex. These increases will see us hit capacities of [redacted] sq mtrs per week whilst overheads will be some [redacted] lower than LRP whilst hitting the targeted figure of [redacted]%.

So our key budget assumptions reflect this level of manning as well as the market pricing that I mentioned earlier. A

mixture of inflationary increases are forecast to impact in 2015, most notably Polyols where we forecast a 3.5% increase, and freight where ever tightening vehicle and driver availability is leading us to predict a 6% yoy increase in costs.
On plant costs we are targeting [redacted] in savings through WCM and an overall improvement in OEE of [redacted]%. A range of capex schemes across safety, reliability and most notably capacity expansion mean that we are asking for [redacted]M in 2015 to support our targeted growth.
The impact of all these factors will see us growing our profit performance by nearly 26% yoy to deliver 9.7M at R50 level and nearly 8M in cash whilst retaining an ROI of [redacted]%.

# 2015 Outlook

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**Macro Eco Environment**

- GDP 2.8%
- CPI 1.8%
- Interest rates – small step increases & probably H2
- Construction mkt – rising by £3,500M to £130,000M
- Unemployment falling to 6.3%

**Markets**

- Insulation mkt + 8.4%
- PIR mkt +10.8%
- Celotex +12.5%
- Residential mkt +4.6% yoy
- Non-Res +2.8% yoy

**Competition**

- Recticel looking to adjust reliance on SGBD
- Kingspan aggressive on mkt share
- All but Kingspan to reach capacity
- IKO threat of imports/own branding

**Others**

- Polyol prices increasing
- Freight costs & availability – increasing issue
- TP tender
- FX rates remain a key factor

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# UK Construction & Insulation Market

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| | 2014 | Growth vs. 2013 | 2015 | Growth vs. 2014 |
|---|---|---|---|---|
| Housing Completions* | 153,002 | 118.6% | 173,000 | 13.1% |
| Construction Market (£B)* | 94.558 | 3.9% | 98.865 | 4.6% |
| | | | | |
| Insulation Market (£M)+ | 696.716 | 4.4% | 755.525 | 8.4% |
| PIR Market (£M)+ | 298.572 | 6.3% | 330.763 | 10.8% |
| Celotex (£M) | 97.070 | 7.4% | 109.239 | 12.5% |

Source: * CPA Industry Forecasts – Summer 2014 – Construction market value excludes Infrastructure
+ Celotex Management Information

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# Market Drivers

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**Construction Market (4.6%)**

- New build housing remains primary growth driver
- Increased output from private commercial sector
- Commercial offices to grow 10% in 2014 and 8% in 2015
- Education construction to grow approx 2% after three years of falls
- Other public sector buildings to begin recovery from 2014

**Insulation Market (8.4%)**

- Housing completions to grow 18.7% in 2014 & 13.6% in 2015
- Traditional house types remain main build type over flats/apartments
- Commercial build offers large project opportunities
- New UK Building Regulations now in place for England & Wales though at reduced levels compared to previous years
- Some limited opportunities for refurbishment market through Green Deal/ECO

**PIR Market (10.8%)**

- PIR remains the main insulation category within certain housing and non-domestic applications
- Ongoing importance of 'whole house' vs. 'application' based performance
- Historically, new Regulations favour PIR insulation boards
- Cavity wall remains the main application attack from non PIR competitors
- Specification of insulation generally tighter within housebuilder market

**Celotex (12.5%)**

- Launch of new products into housebuilding and non-domestic sectors
- Relevant systems and solutions for funded IWI market
- Celotex positioned as main voice on Building Regulations
- Ongoing brand development programmes within UK housebuilder
- Value added/spec offering continued through Sales, Marketing & Technical

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# Competitors

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**Kingspan**

- Leadership changes in 2014
- Increasing price flexibility seen in Q3 2014
- Developing position in TP Group
- Growth in SIG +7%
- Extended lead times on Kingspan brand not seen on Ecotherm

**Xtratherm**

- Aggressive on innovation
- Keen for price increase reported in 2014

**Recticel insulation**

- New Management team
- Building on quality image and targeting specification
- Targeted volume gain in SIG on key volume items?
- Capacity available (at 75% in UK)

**Quinn'therm**

**Ballytherm** energy saving for the future

- Quinn MBO completed
- Taking share through Merchants only
- Reported capacity limits reached in 2014

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# Competitors

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- Glass fibre targeting increased housing share
- Third place manufacturer struggling for survival
- Knauf reportedly full
- Fire / smoke, Acoustics and as-built performance innovation

- Impacting IWI pricing with new offer

# Budget 2015 - Key assumptions

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**Sales**

- Volumes : +13.6%
- Price: no price increase for 2015
- Rebates: ([redacted])% - TP tender, Recticel pricing, revised SGBD deal
- Price pressure on PL products – reduction of 5%

**Industrial performance**

- WCM savings £[redacted]
- Winter density £[redacted]
- OEE – improving by [redacted]%
- 2015 capex £[redacted]

**Inflation / Purchasing price variances**

- Freight +[redacted]%
- Fx - €[redacted] / $[redacted]
- MDI +1.5% / Polyol + 3.5% / Others from 1% to 3%

# Budget 2015 - Key assumptions

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## Headcount

- Total headcount: Dec 2014 – [redacted], Dec 2015 - [redacted]
- Overheads headcount: Dec 2014 – [redacted], Dec 2015 – [redacted]
- Shift Manning - Full 3 shifts across all lines
- Salary reviews @ +2.5%

## Overheads

- Total overheads:
  - 2014 – 5.0% sales (£4.8M)
  - 2015 – 5.1% sales (£5.6M)
  - Run rate Q4 2015 – 4.3% sales
- Increases in following areas:
  - Support for NPD (+£248k) incl. testing, approvals and marketing costs
  - Sales and Marketing – Headcount (+ £164k)
  - Commercial costs = 3% of t/over

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# Key figures

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| In k or M local currency | 2013 | BU 14 | RF3 14 | BU 15 | RF3 14 /2013 | BU 15 /RF3 14 | LRP 15 |
|---|---|---|---|---|---|---|---|
| Sales (R05) | 90.4 | 98.3 | 97.1 | 109.2 | 7.4% | 12.5% | 114.1 |
| Overheads (R51-R52-R53) | -4.3 | -5.1 | -4.8 | -5.6 | -13.0% | -15.9% | -5.9 |
| Overheads (%) | -4.7% | -5.2% | -5.0% | -5.1% | - 0.2 | - 0.1 | -5.2% |
| Operating result - R50 | 5.6 | 7.5 | 7.7 | 9.7 | 37.2% | 25.4% | 9.4 |
| Operating result (%) | 6.2% | 7.6% | 7.9% | 8.9% | 1.7 | 0.9 | |

[redacted]

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# 5 Corporate Objectives – 2014 to 2017

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Commoditisation

Price

Power balance

Culture shift

1) NPD @ £17M 2017, VAP @ >20% 2017

2) Identify, assess potential and then enter targeted new sectors

3) Develop the new build housing sector to become No1 insulation provider & grow project business in the non-res sector to deliver £45m in 2019

4) Grow business outside of current top 3 to >15% of t/o

5) To be rated by our customers in third party market surveys, as;

- The most specified brand across PIR & Phenolic
- The leader technically - as measured across sales, marketing & technical teams
- The most innovative supplier in PIR / Phenolic market
- Service rated as no. 1 across insulation manf's & Quality as at least equivalent to Kingspan

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# 2015 - 2019 4 Strategic Offensives

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1) **Segmented Market Approach**

segmentation

2) **Differentiation**

Differentiation

3) **Envelope to Application Focus**

Application Focus

4) **Future Proofing**


Future proofing

# Housing Actions 2014

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| | Mktg | Sales | Tech |
|---|---|---|---|
| Prioritisation of Housebuilder calls into CTC | | | ✓ |
| Housing & SAP training for sales team | | ✓ | ✓ |
| Achievement of SWIGA & BBA accreditation for IW5000 | ✓ | ✓ | |
| NPD for cavity wall solutions specifically focused on housing | ✓ | | |
| Market research project | ✓ | ✓ | |
| Dedicated internal Housing project team | ✓ | ✓ | ✓ |
| Project tracking large housing schemes | | ✓ | |
| Focused marketing communications activities (e-shots, case studies, advertising) | ✓ | | |
| Specification literature for main housebuilder applications | ✓ | ✓ | |
| Appointment of new Housing BDM | | ✓ | |
| Developing NHBC ‘buy-in’ for Celotex RS5000 | ✓ | | ✓ |

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# 2015 Actions – New Build Housing

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| Initiative | Timing 2014 | Budget £ |
|---|---|---|
| NPD launch of flat roofing – phase 1 | Q1 – Q4 | 35,000 |
| Support 2014 NPD launch of full-fill cavity | Q1-Q4 | 15,000 |
| NHBC 'buy-in' for above 18m applications | Q1 | 20,000 |
| Develop technical/commercial positions highlighted as important within Housing market research | Q1-Q4 | TBC |
| In-house training on SAP calculations | Q1 | £5,000 |
| Dedicated 'housebuilder' communications including new Housebuilder App | Q1-Q2 | £30,000 |
| Housebuilder cost modelling | Q2 | £20,000 |

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# 2015 Actions – Spec Growth In Non-Res

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| Initiative | Timing 2014 | Budget £ |
|---|---|---|
| NPD launch of flat roofing – phase 1 | Q1 – Q4 | £35,000 |
| Continued support to rainscreen cladding/above 18m | Q1-Q4 | £20,000 |
| Investigate NPD opportunities for soffit liner boards | Q1 | £15,000 |
| Segmentation approach for Architects & Contractors | Q1-Q4 | £20,000 |
| Bespoke communication campaigns for non-residential applications (i.e. flat roofing) | Q1-Q4 | £25,000 |
| Enhancement of CEA & CTC offering to support spec growth | Q1-Q4 | £20,000 |

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# 2015 Actions – New Target Segments

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| Initiative | Timing 2014 | Budget £ |
|---|---|---|
| NPD launch of flat roofing – phase 1 to deliver £2.8m sales | Q1 – Q4 | £35,000 |
| Investigate opportunity for soffit liner product range | Q1-Q4 | £20,000 |
| IWI funded market projects to deliver £0.8m nett sales | Q1 | £10,000 |
| Understand 'real' opportunity for Celotex within OSM market | Q2-Q3 | £15,000 |
| Develop Celotex application experts | Q1-Q4 | £10,000 |

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# Digital Evolution

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Evolution and improvement to Celotex.co.uk

Bespoke distributor lead generation portals

Enhanced social media messages

Improved project tracking capability with CRM system

Celotex Learning

Online training and CPD

- Celotex 'Augmented Reality' app
- Digital loyalty scheme
- Enhanced number of Celotex videos

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# Other Key 2015 Actions

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## Habitat transversal actions

- Development of first suite of Celotex EPDs
- Introduce Technical Marketing position into Marketing department
- Ongoing support to relevant Habitat projects
  - BIM
  - Housebuilder
  - Off-site manufacture

## Specific operational actions

- Job structures for Product Management to focus more on application approach
- Creation of new Technical Marketing Manager position
- Continued training focus on specification selling
- Project Specification Manager & BDMs into Sales team

# SPRINT main actions and effects

| SPRINT effects (M.EUR) | 2013 Act Achieved | 2014 RF3 Target | 2015 Bud Target |
|---|---|---|---|
| | 0 | €400k | €400k |

| SPRINT Area | Actions 2014 | Actions 2015 |
|---|---|---|
| **Organization**<br>Meetings, roles & responsibilities<br>**People**<br>Trainings, motivation system<br>**Infrastructure**<br>Business Intelligence, detailed margin information, cost calculations | • Customer Classification<br>• Quarterly steering group<br>• VAP mix focus across BU<br>• Defined Pricing strategy<br>• Cost analysis of product<br>• Margin analysis by SKU<br>• Margin analysis by customer<br>• Specification training started | • *1st Spec. role for North*<br>• *2nd Spec role for South*<br>• *Continue spec. training*<br>• *Implement sales training programme*<br>• *New manufacturing standards built into budget* |
| **Customer value**<br>Value map, Service pricing, Price list optimization | • Customer value map at company level for existing and potential customer groups<br>• Reviewed delivery schedules to 3 lift minimum<br>• Product Comparison Workshops | • *Review price list format*<br>• *Review delivery load schedules*<br>• *Rounding analysis to assess impact*<br>• *Review price list format*<br>• *Implement load planning software* |
| **Transactions**<br>Sales condition system (Discounts and Bonuses, Low margin customers and products) | • Product rationalisation phase 1 & 2<br>• Separate Rebate deals by product family<br>• Multi year agreements – TP , Encon, MKM | • *Move to lift size only*<br>• *Implement 3 lift minmum across full customer base*<br>• *Order amendment rules to be reviewed* |

# New products & systems 2015
# Main product launches

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| LOCAL INNOVATION Market Segment | Product/System name | Related Strategic Objective | Date of Launch Y | Sales (R05) Y +1 | RBC % (R20/R05) Y + 1 | Targeted sales/yr at maturity |
|---|---|---|---|---|---|---|
| [redacted] | | | | | | |
| Improved lambda | Celotex 6000 | Housing & non res | Q4 2015 | £7.5m* | 18.5% | £10m |

*** Includes transition of existing lambda 21 sales - 2015 budget @ £6.2m**

# Sales evolution 2013-2015

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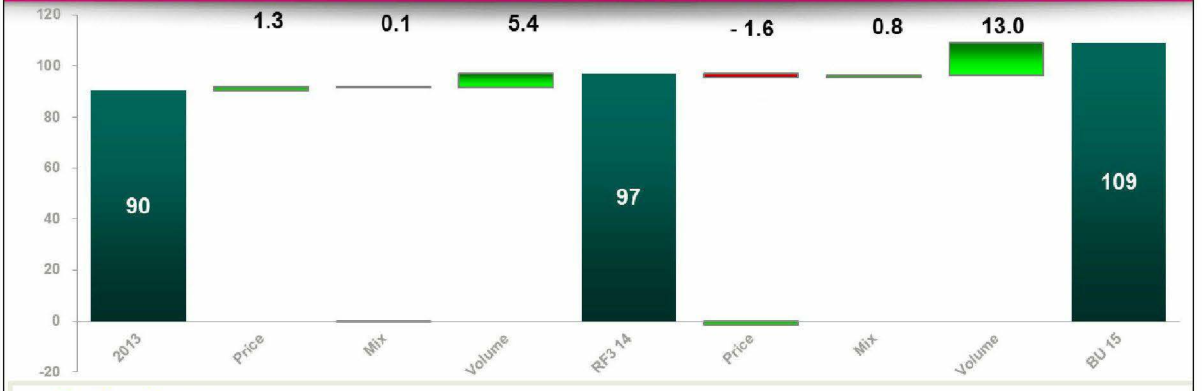


**Explanations:**

**2013 to 2014:**

- **Price (+£1.3m) is full year effect of 2013 increase**
- **Mix (-£139k) is slight move to more commodity products**

**2014 to 2015:**

- **Volume is + 13.6% year on year**
- **Price (-£1.6m) is reduction on PL product due to market pressure coupled with increased rebates for higher volumes**
- **Mix (+£762k) is due to increase of NPD at higher average selling price**

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# Customer Review

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SIG INSULATION

- 10.8% growth in 2014. Share remaining consistent at 40-45%
- Threat of Key Volume share being targeted by Recticel
- Holding price and Growing VAP focus, target for RS5000 in 2014 and flat roofing potential in 2015
- Targeted revenue of £48.7 by growing VAP and flat roofing sales

Travis Perkins plc

- 21% Growth across all brands in 2014
- Growth of market share >70%
- Increase in phenolic stock range
- Tendering for 2015 and leveraging scale
- Continued growth aspirations

## Customer Review

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[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

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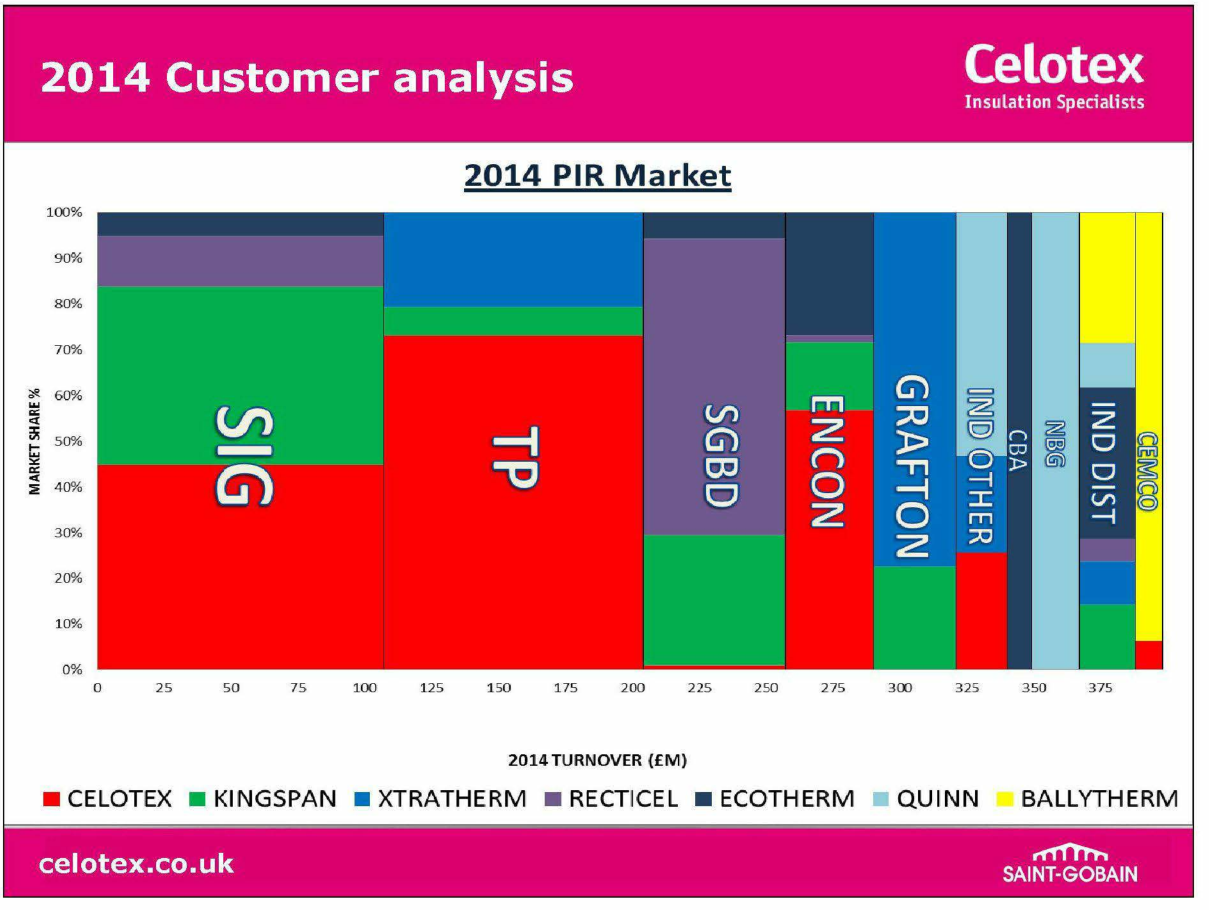
2014 Customer analysis
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2014 PIR Market
MARKET SHARE %
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
0
25
50
75
100
125
150
175
200
225
250
275
300
325
350
375
SIG
TP
SGBD
ENCON
GRAFTON
IND OTHER
CBA
NBG
IND DIST
CEMCO
2014 TURNOVER (£M)
CELOTEX
KINGSPAN
XTRATHERM
RECTICEL
ECOTHERM
QUINN
BALLYTHERM
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# 2015 Customer analysis

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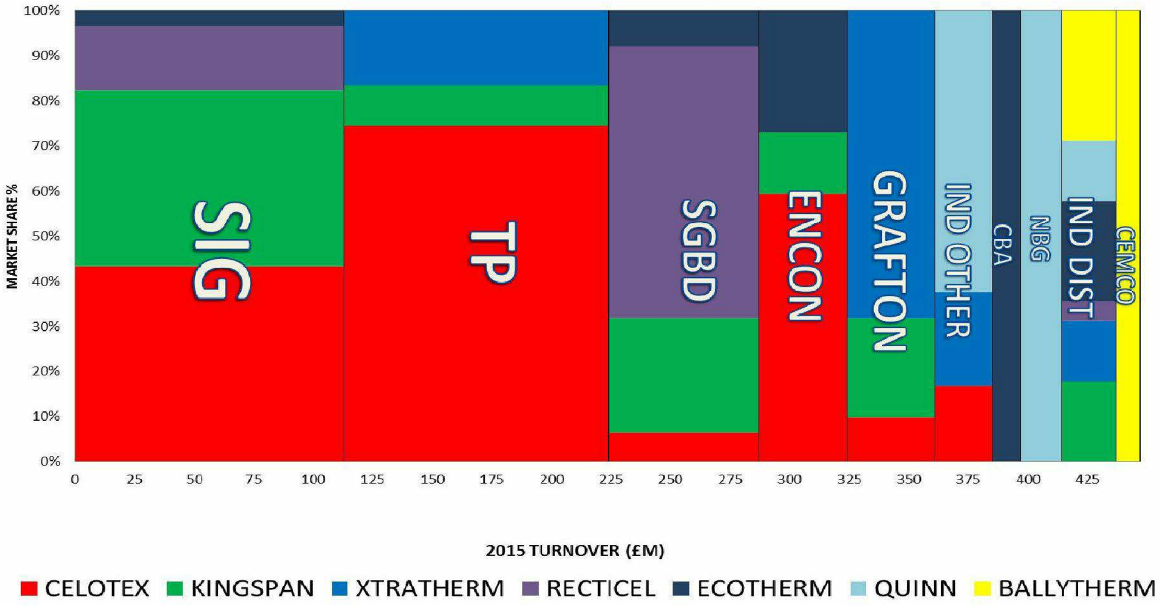
## 2015 PIR Market

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# 2014 Competitor Shares

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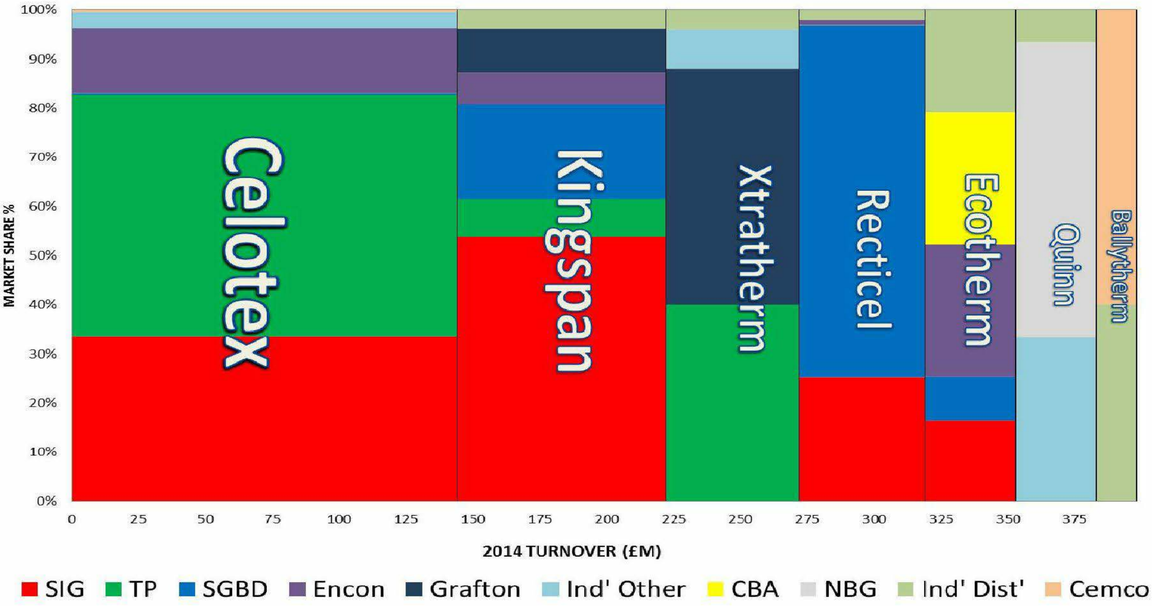
## 2014 PIR Market

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# 2015 Market Share Forecast

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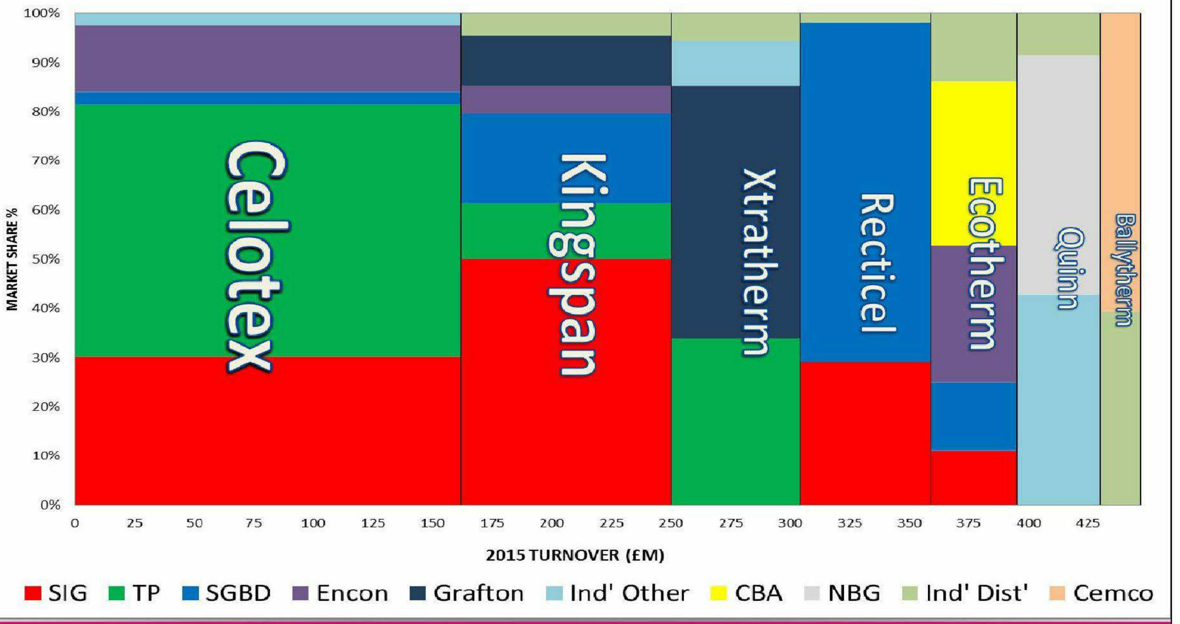
## 2015 PIR Market

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# R&D - Future Developments

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**Product innovation – on-going projects: launch in 2016 & onwards**

| Project | Strategic objective | Launch date target | Sales at maturity |
|---|---|---|---|
| Formaldehyde free | Toxicity | 2016 | To support improved 5000' series - £10m |
| 5000 Series - Euroclass B, s0, d0 | Fire Safety | 2017 | |

**Process innovation – on-going projects: implementation in 2016 & onwards**

| Project | Launch date target | Expected benefits |
|---|---|---|
| HV-MDI replacement | 2016 | Supplier rationalization |
| Hybrid Free / Restrained Rise | 2019 | Low cost high performance foam |

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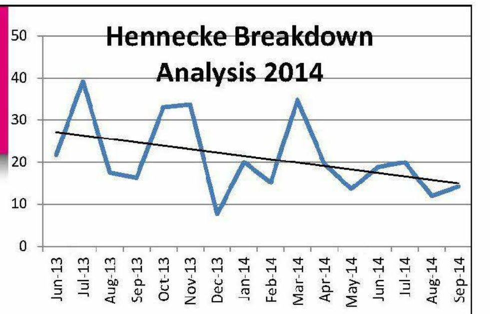
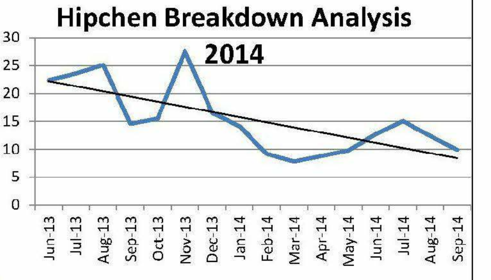
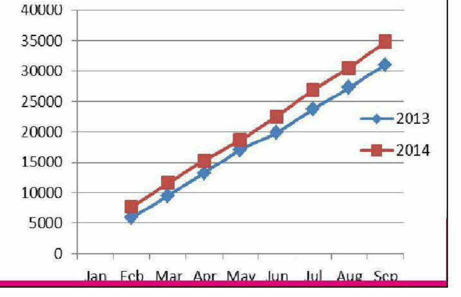
# 2014 Overview

- **Capacity**
  - **Output @ 112% of 2013**
  - **Capacity by year end [redacted] m2 per week**
  - **3rd Shift can fully flex across product range**
- **People**
  - **26 New people recruited**
  - **69 People trained in key positions**
  - **Training hours 2014 = 13,353**
  - **Flex 3rd shift by Sept '14**
  - **Prepared for full 3rd shift Jan. '15**
- **Reliability**
  - **41% reduction in mechanical breakdown on Hipchen**
  - **37% reduction in mechanical breakdown on Hennecke**
  - **Key issues**
    - **Execution of 100 day plan**
    - **Addressing obsolete and unsupported equipment**
    - **Resolution of Contimat performance**
    - **FI projects and/or Capex plan in place**
- **WCM**
  - **Launched safety and reliability pillars**
    - **Within 4 months pilot project AM Step / PM Step 1**
    - **Savings 2014 £[redacted]**
  - **Quality – yoy 25% reduction**
  - **Later Rejects - 0.2% reduction yoy**

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# Plant Ratios: Celotex

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| | 2013 | 2014 | B2015 |
|---|---|---|---|
| TF2 (for 2014 end of September) | 11.8 | 5.7 | 4 |
| WCM savings expected (in K £) | N/A | [redacted] | [redacted] |
| *% of delivered Costs* | *N/A* | *0.8%* | *1.8%* |
| Number of improvement Projects | 6 | 12 | 10 |
| WCM Audit absolut score | N/A | N/A | N/A |

[redacted]

**Comments / Action Plan**

- High levels of training diminish by end 2014
- Prepared move to full 3rd shift – Jan '15
- Winter density costs budgeted – protect quality
- OEE & efficiency progression targeted through the year

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## Plant Performance

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Seven Steps to World Class

- STEP 7 Fully automated World Class in Q.C.D.S
- STEP 6 Synchronisation between sales and marketing
- STEP 5 Rationalisation in manning & logistics
- STEP 4 Quality
- STEP 3 Yield
- STEP 2 Reliability ✓
- STEP 1 Safety ✓

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# 2015 Reliability – Key Actions

Celotex
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[redacted]

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# 2015 Reliability – Key Actions

Celotex
Insulation Specialists

[redacted]

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## Loss Areas

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[redacted]

# 2015 Reliability – Key Actions

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[redacted]

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# Major Losses Breakdowns – Action Plan

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[redacted]

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# Industrial investments (M£)

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[redacted]

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45

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## Agenda

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Insulation Specialists

1. EHS
2. 2014 Overview
3. 2015 Budget Overview
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5. R&D projects
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# Recruitments & core competencies

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**2015 Key appointments**

- Technical Marketing Manager
- Project Engineering Manager
- Specification Manager
- Merchant Sector Manager

**Engineering**

- Management
- Staff skills / competency development

**Shift Managers / Teamleaders**

- ILM level 3 for selected shift managers
- First line management course for selected teamleaders

**Leadership Group**

- ILM5 qualification
- Continue quarterly meetings

**WCM**

- Skills development
- Instructors course
- Continued consultant support
- WCM Facilitator introduced

# Actions to promote diversity

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Insulation Specialists

**School of Management and Explore**

- Ensure gender balance when nominations put forward
- Promote business to other Saint-Gobain brands

**Leadership Group population**

- 32% female population
- Increase gender balance to 40% by 2017

**Implement Graduate & Apprenticeship schemes**

- Marketing & Engineering key areas of concern

**Production areas**

- Look at part-time positions to attract female
- Greater flexibility & holiday cover etc.

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Insulation Specialists

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# Key figures

Celotex
Insulation Specialists

| In k or M local currency | 2013 | BU 14 | RF3 14 | BU 15 | RF3 14 /2013 | BU 15 /RF3 14 | LRP 15 |
|---|---|---|---|---|---|---|---|
| **Sales (R05)** | 90.4 | 98.3 | 97.1 | 109.2 | 7.4% | 12.5% | 114.1 |
| **Overheads (R51-R52-R53)** | -4.3 | -5.1 | -4.8 | -5.6 | -13.0% | -15.9% | -5.9 |
| Overheads (%) | -4.7% | -5.2% | -5.0% | -5.1% | - 0.2 | - 0.1 | -5.2% |
| Operating result - R50 | 5.6 | 7.5 | 7.7 | 9.7 | 37.2% | 25.4% | 9.4 |
| Operating result (%) | 6.2% | 7.6% | 7.9% | 8.9% | 1.7 | 0.9 | |

[redacted]



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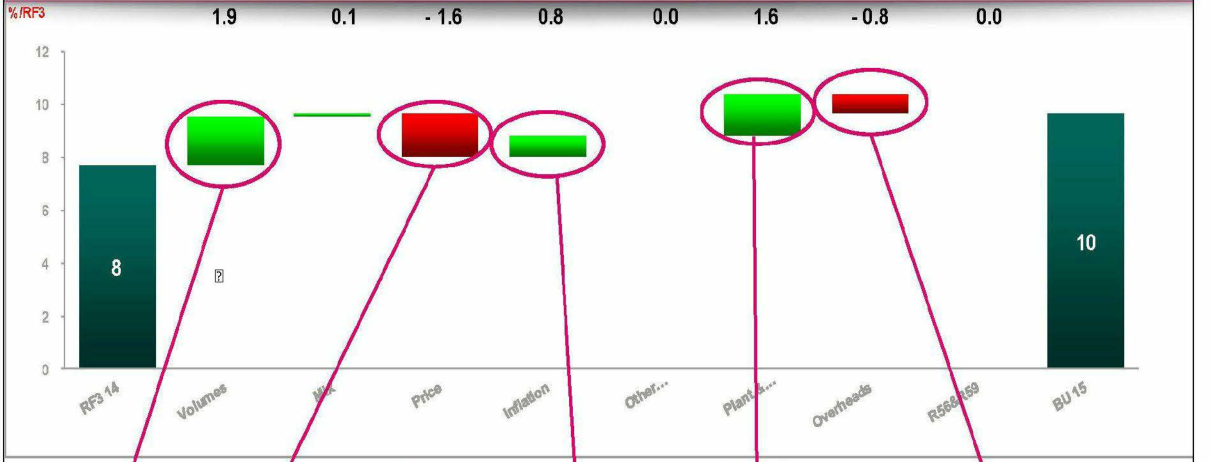
# Operating result evolution: RF3 2014 – B 2015

Celotex
Insulation Specialists




Increase of 13.6%

Pressure on PL prices -5%
Rebates increase of 1.35%

FX improvement +£[redacted]
Purchase price - £[redacted]
Freight - £[redacted]

WCM savings + £[redacted]
Imp of plant perf + £[redacted]
Offset by storage and dep'n

Additional heads – Sales and Mktg
New product launch costs

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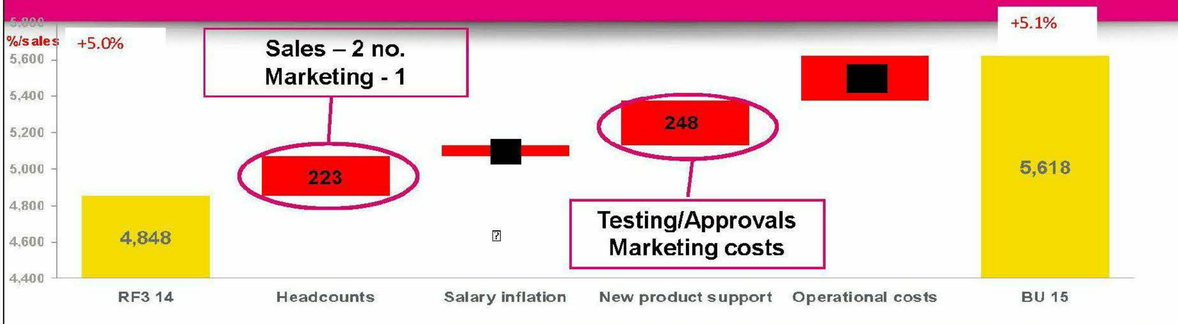
# Overheads

Celotex
Insulation Specialists




[redacted]

# Headcount / productivity

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Insulation Specialists

[redacted]

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## Operating Working Capital evolution (BFRC)

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Insulation Specialists

[redacted]

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# Agenda

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Insulation Specialists

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# Competitor - Geographic Locations

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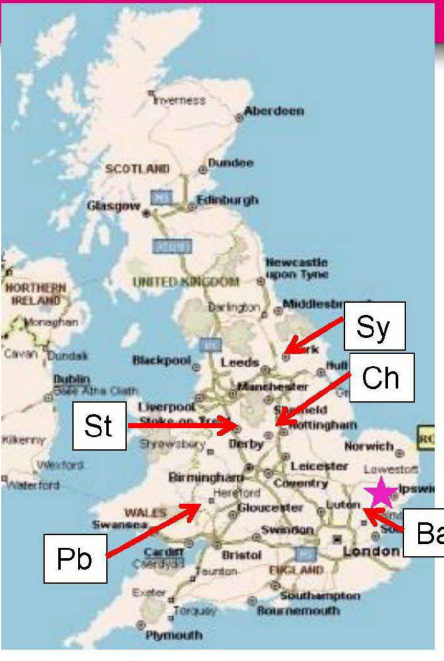


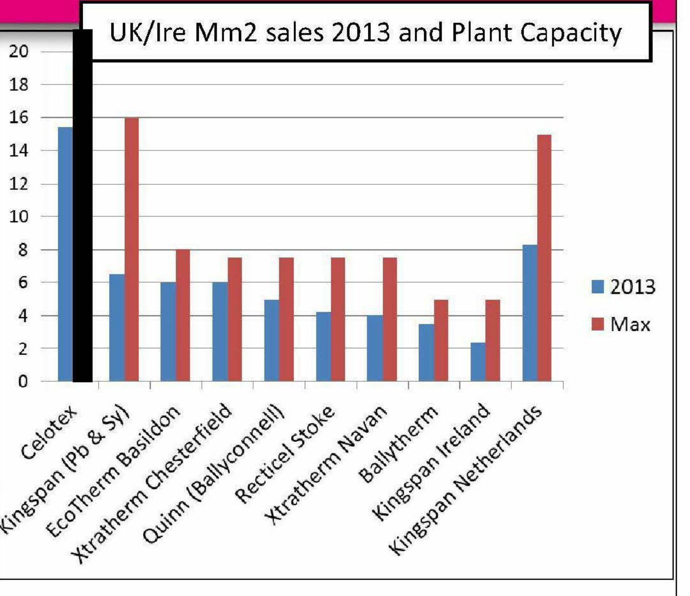


Total 3 shift x 5 days Capacity ~5.54Mm3 (@80% import from Ireland)
Market Demand 2014 ~3.66Mm3
Market Demand 2015 ~4.06Mm3 (73% utilisation)

# Capacities and Sales

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[redacted]

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Produced on behalf of Celotex Limited

C_03338

# Celotex Capacity versus Sales

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Insulation Specialists

[redacted]

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# Hadleigh Production Capacity (25mmeq)

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Insulation Specialists

[redacted]

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# Hadleigh Production Capacity

Celotex
Insulation Specialists

[redacted]

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# Hadleigh Production Capacity

Celotex
Insulation Specialists

[redacted]

[redacted]

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# Major Projects Team

Celotex
Insulation Specialists

Director of Project Engineering
David Marsh

Project Engineering Manager
tbc

Project Manager
Andrew Fella
(Hadleigh Infrastructure projects only)

Project Manager
Scott Appleyard
(Hadleigh Technical & Non Hadleigh projects)

Project Engineer
Jason Walker
(Seconded from the Hadleigh Engineering Team)

Director of Project Engineering (David Marsh) is available to support SG. Site visits and Info requests from;

- Isover France – visit, budget cost and layout for new plant.
- Isover Finland and Isover Germany – visit, info only.
- CertainTeed USA – info only.

## Agenda

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# Key Actions and Milestones

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- **Safety**
  - 0 TF1 and 0 TF2 as targets
  - Drive up Near Miss reporting
  - Phase 2 – Behavioural safety
- **Commercial**
  - NPD @ £4.3M for 2015
  - Accelerate SPRINT actions
  - Growth outside of top 3
  - Secure price increase if possible
- **Operational Performance**
  - Address all "no-back up" plant areas
  - High focus on safety / reliability pillars
  - Strengthen engineering – skills & competencies
  - Implement full 3rd shift
  - WCM roll-out

- **R&D**
  - Revised formulation to remove need for HV MDI
  - Lower Lambda formulation
- **Technical**
  - In-situ perfromance
  - Develop argumentations on
    - Fire / smoke
    - Moisture



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# Risks & Opportunities

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Insulation Specialists

## Commercial

- +/- Fortis tender
- +/- SGBD growth
- + Price increase
- - TP tender
- - IKO imports / own-branding
- - Market pricing

## Operations

- + WCM – improving plant performance above plan
- +/- Engineering to 7 day working
- - Freight costs / availability

## Financial

- +/- € / $ Exchange rates
- - Under recovery of inflation
- + Improving cash-flow
- + Better purchasing

## People

- +/- Safety
- + Leadership Group development
- + Growing experience of new personnel
- - Higher turnover of commercial personnel
- - Eng / commercial recruitment

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# Key figures – upside / downside scenarios

Celotex
Insulation Specialists

| In k or M local currency | 2013 | BU 14 | RF3 14 | BU 15 | Upside Sales price +2.5% Jly | Downside FX € = 1.275 |
|---|---|---|---|---|---|---|
| Sales (R05) | 90.4 | 98.3 | 97.1 | 109.2 | 110.7 | 109.2 |
| Overheads (R51-R52-R53) | -4.3 | -5.1 | -4.8 | -5.6 | -5.6 | -5.6 |
| Overheads (%) | -4.7% | -5.2% | -5.0% | -5.1% | -5.1% | -5.1% |
| **Operating result - R50** | **5.6** | **7.5** | **7.7** | **9.7** | **11.1** | **8.7** |
| Operating result (%) | 6.2% | 7.6% | 7.9% | 8.9% | 10.1% | 8.0% |

[redacted]

Celotex
Insulation Specialists

# Appendices and Comet Slides

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# Key Market Assumptions

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| | 2013 | 2014 RF3 | 2015 | | 2014/2013 | 2015/2014 |
|---|---|---|---|---|---|---|
| GDP [Mio Euro] | 2,001 | 2,057 | 2,107 | | 2.80% | 2.43% |
| New residential dwellings in 1.000 units | 128 | 153 | 173 | | 19.53% | 13.07% |
| **Construction market [£bn]** | | | | | | |
| Residential New | 21.669 | 23.610 | 25.686 | | 8.96% | 8.79% |
| Residential Reno | 20.956 | 21.521 | 22.183 | | 2.70% | 3.08% |
| Non-Residential New | 33.948 | 34.666 | 35.989 | | 2.11% | 3.82% |
| Non-Residential Reno | 14.401 | 14.762 | 15.007 | | 2.51% | 1.66% |
| Total Building | 90.974 | 94.559 | 98.865 | | 3.94% | 4.55% |
| **Insulation Market [1.000 m3]** | | | | | | |
| Residential New | 5,295 | 6,027 | 6,744 | | 13.82% | 11.90% |
| Residential Reno | 8,120 | 5,887 | 6,405 | | -27.50% | 8.80% |
| Non-Residential New | 4,229 | 4,490 | 4,822 | | 6.17% | 7.39% |
| Non-Residential Reno | 1,672 | 1,740 | 1,841 | | 4.07% | 5.80% |
| Total Building | 19,316 | 18,144 | 19,811 | | -6.07% | 9.19% |
| Technical market | 490 | 508 | 540 | | 3.67% | 6.30% |
| Total Insulation market | 19,806 | 18,652 | 20,351 | | -5.83% | 9.11% |
| **Celotex Market [1.000 m3]** | | | | | | |
| Residential New | 417 | 446 | 513 | | 6.95% | 15.02% |
| Residential Reno | 238 | 252 | 279 | | 5.88% | 10.71% |
| Non-Residential New | 275 | 295 | 343 | | 7.27% | 16.27% |
| Non-Residential Reno | 146 | 152 | 166 | | 4.11% | 9.21% |
| Total Building | 1,076 | 1,145 | 1,301 | | 6.41% | 13.62% |
| Technical market | 0 | 0 | 0 | | | |
| Total Insulation market | 1,076 | 1,145 | 1,301 | | 6.41% | 13.62% |

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# Cost of factors evolution

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[redacted]

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# 2014 - Financials

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Insulation Specialists

| MTD | | | | YTD | | | Full Year | | |
|---|---|---|---|---|---|---|---|---|---|
| Actual | Budget | Last Year | In k local currency | Actual | Budget | Last Year | RF3 | Budget | Last Year |
| 9,056 | 9,343 | 8,236 | Net Sales (R05) | 74,579 | 74,385 | 66,672 | 97,070 | 98,265 | 90,374 |
| [redacted] | | | | | | | | | |
| -416 | -426 | -391 | Overheads (R51-R52-R53) | -3,837 | -3,842 | -3,137 | -4,848 | -5,122 | -4,292 |
| -4.6% | -4.6% | -4.7% | Overheads (%) | -5.1% | -5.2% | -4.7% | -5.0% | -5.2% | -4.7% |
| 984 | 958 | 558 | Operating result - R50 | 6,102 | 5,549 | 3,884 | 7,713 | 7,486 | 5,620 |
| 10.9% | 10.3% | 6.8% | Operating result (%) | 8.2% | 7.5% | 5.8% | 7.9% | 7.6% | 6.2% |
| -122 | 0 | 0 | R6x (R64-R65-R66-R67) | -122 | 0 | -3 | 0 | 0 | 26,825 |
| [redacted] | | | | | | | | | |

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# P&L by sector of activity

Celotex
Insulation Specialists

| | In k or M local currency | 2012 | 2013 | BU 14 | RF3 14 | BU 15 |
|---|---|---|---|---|---|---|
| GW | R05 (k/M LC)<br>R30 (k/M LC & % of R05)<br>R50 (k/M LC & % of R05) | | | | | |
| ULT | R05 (k/M LC)<br>R30 (k/M LC & % of R05)<br>R50 (k/M LC & % of R05) | | | | | |
| SW | R05 (k/M LC)<br>R30 (k/M LC & % of R05)<br>R50 (k/M LC & % of R05) | | | | | |
| EPS | R05 (k/M LC)<br>R30 (k/M LC & % of R05)<br>R50 (k/M LC & % of R05) | | | | | |
| XPS | R05 (k/M LC)<br>R30 (k/M LC & % of R05)<br>R50 (k/M LC & % of R05) | | | | | |
| Others | R05 (k/M LC) | 25.6 | 90.4 | 98.3 | 97.1 | 109.2 |
| | [redacted] | | | | | |
| | R50 (k/M LC & % of R05) | 2.4 9% | 5.6 6% | 7.5 8% | 7.7 8% | 9.7 9% |
| | *R05 (k/M LC)* | 25.6 | 90.4 | 98.3 | 97.1 | 109.2 |
| | [redacted] | | | | | |
| | *R50 (k/M LC & % of R05)* | 2.4 9% | 5.6 6% | 7.5 8% | 7.7 8% | 9.7 9% |

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# Key figures

Celotex
Insulation Specialists

| In k or M local currency | 2012 | 2013 | BU 14 | RF3 14 | BU 15 | RF3 14 /2013 | BU 15 /RF3 14 |
|---|---|---|---|---|---|---|---|
| Sales (R05) | **25.6** | **90.4** | **98.3** | **97.1** | **109.2** | **7.4%** | **12.5%** |
| Domestic sales | 25.3 | 90.0 | 98.3 | 97.1 | 109.2 | **7.9%** | **12.5%** |
| [redacted] | | | | | | | |
| Overheads (R51-R52-R53) | -1.6 | -4.3 | -5.1 | -4.8 | -5.6 | **-13.0%** | **-15.9%** |
| Overheads (%) | -6.4% | -4.7% | -5.2% | -5.0% | -5.1% | - 0.2 | - 0.1 |
| **Operating result - R50** | **2.4** | **5.6** | **7.5** | **7.7** | **9.7** | **37.2%** | **25.4%** |
| Operating result (%) | 9.3% | 6.2% | 7.6% | 7.9% | 8.9% | 1.7 | 0.9 |

[redacted]



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# Material by Sub-application

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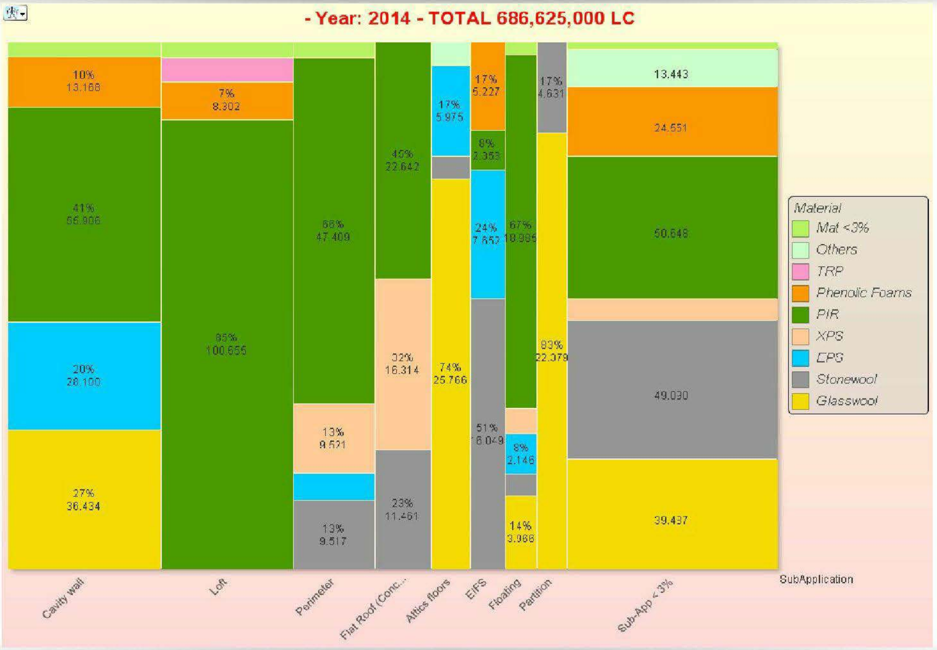
Insulation Specialists

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# Competition/Application 2014

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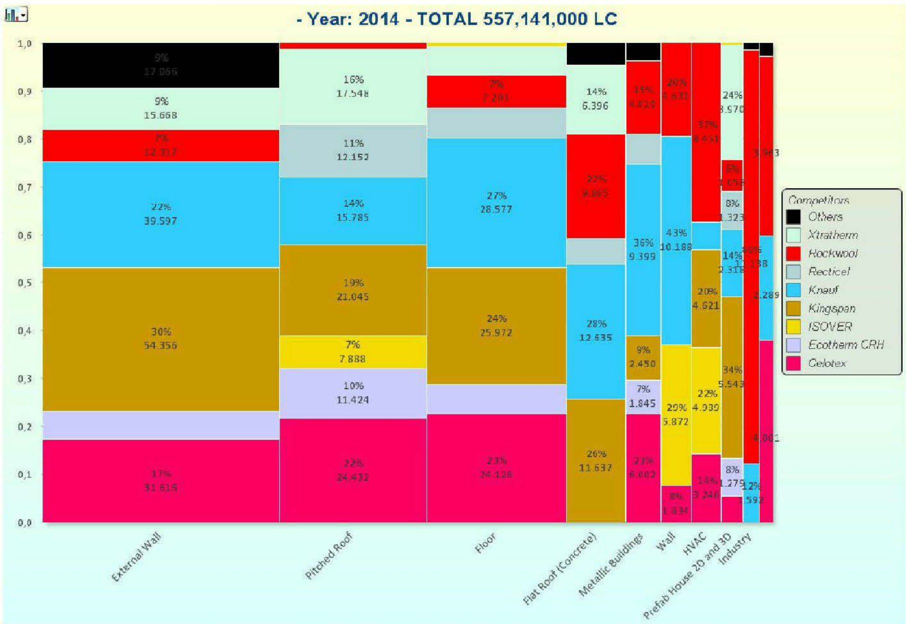
Insulation Specialists

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# Material Development

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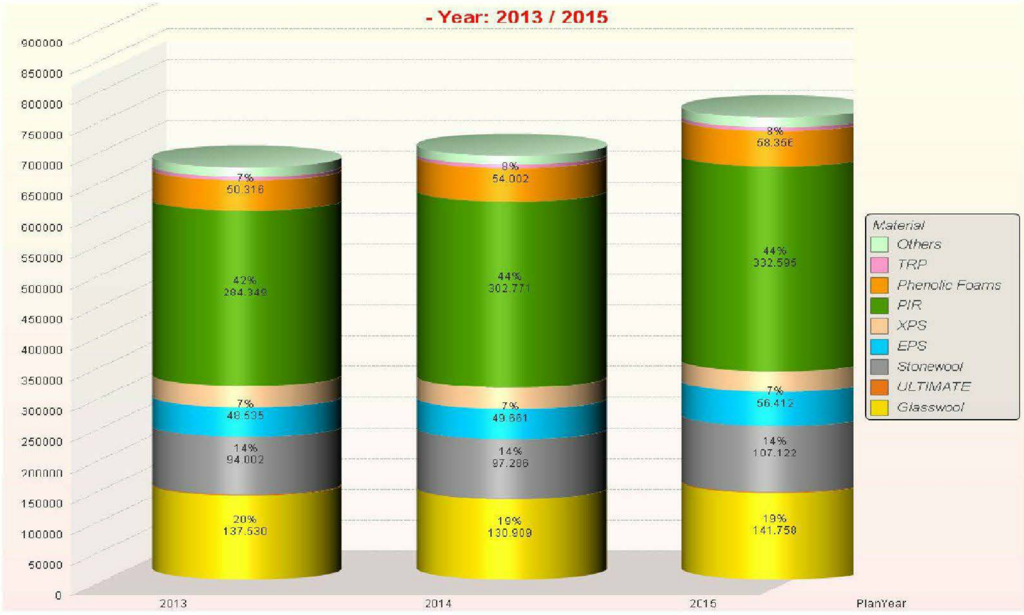


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# Competition Development

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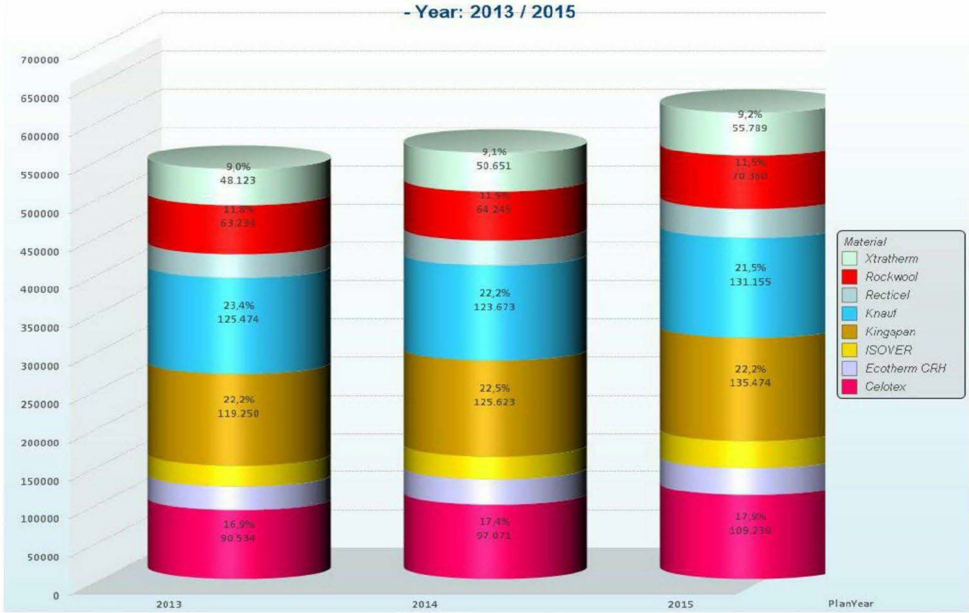


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