H+H International A/S

Q4/FY 2023 financial results – Roadshow at Carnegie

11 March 2024

PARTNERS IN WALL BUILDING

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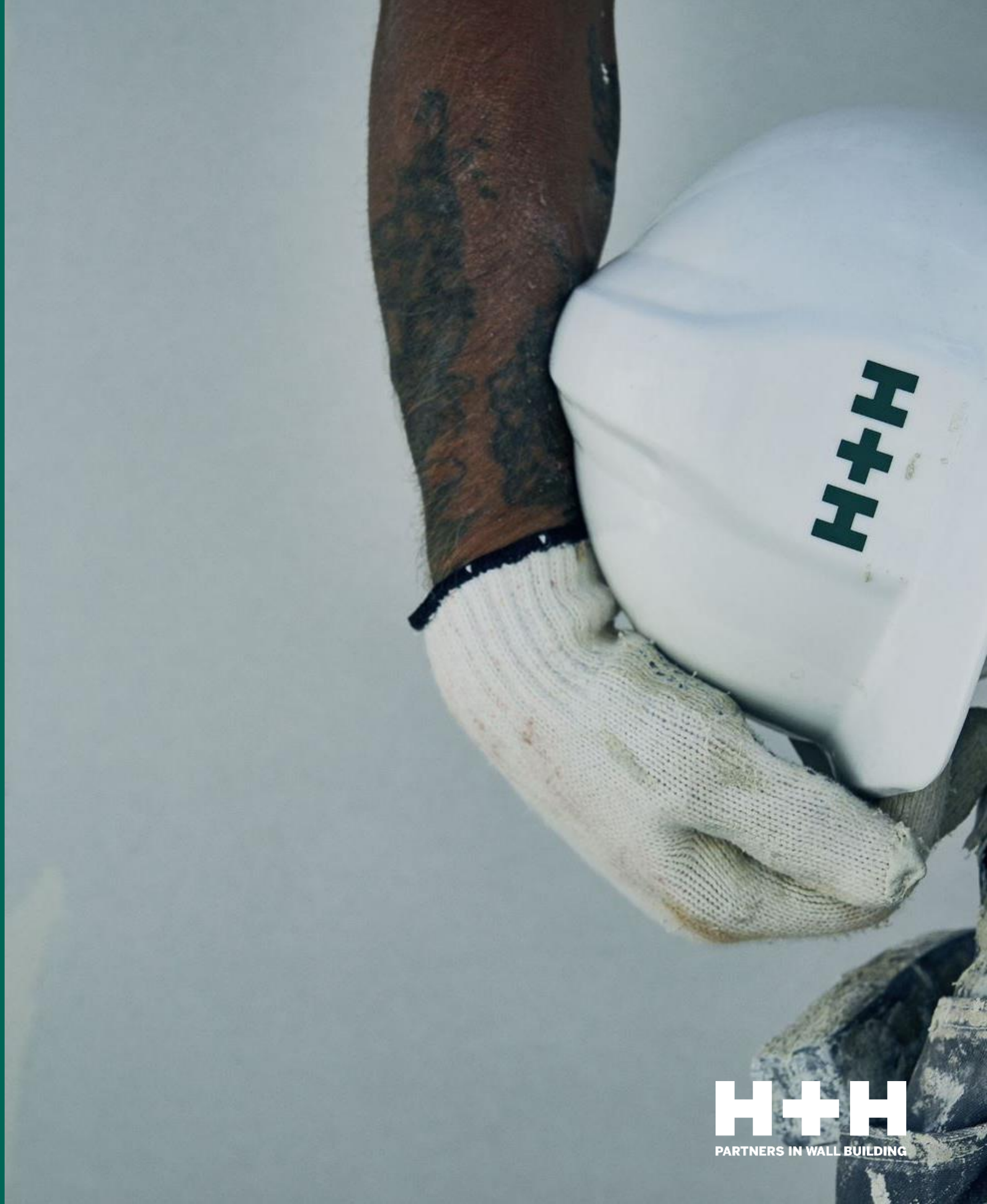

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Introduction

Performance highlights 2023

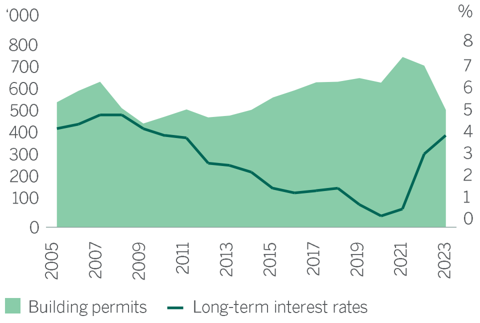
Markets

Sales volume
Percent

-34%

Inflation and interest rates have triggered a market downturn more severe than the 2008 financial crisis, leading to a 34% fall in sales volumes in line with building activity in our markets.

Building activity



Source: OECD, Destatis, NHBC, Statistics Poland

Financial

Organic growth
Percent

-25%

The sales volumes dropped by 34%, partly offset by price increases to counter inflation.

EBITDA before special items
DKKm

244

In 2023, EBITDA before special items was DKK 244 million corresponding to a margin of 9% against a margin of 18% last year.

In year cost savings
DKKm

150

Production was scaled back 30% after closing nine plants. A total of DKK 250 million in run rate savings from indirect cost and SG&A expenses.

Financial gearing before special items
DKKm

3.6x

EBITDA decline has increased the net interest bearing debt/EBITDA ratio.

Sustainability

Environment – Reduction in scope 1 and 2 CO_2
Kg/m^3

11%

We achieved 11% lower scope 1 and 2 intensity (kg/m^3) compared to last year, making us well-aligned and on track with our Science Based target.

Social - Lost time incidents frequency (LTIF)

3.4

In 2023, our LTIF rate fell from 3.6 to 3.4 - a record-low result.

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Market development

Key development

Germany

- Permits fell 25% compared to last year
- Factory network optimised from closures of 3 CSU plants and temporary mothballing 2 AAC plants
- Focus on integrating CWE and SG&A rationalization
- List price increase announced for 2024 by largest competitors but small/local competitors have not followed yet
- Different government initiatives but effect remains uncertain and currently no specific program to boost construction

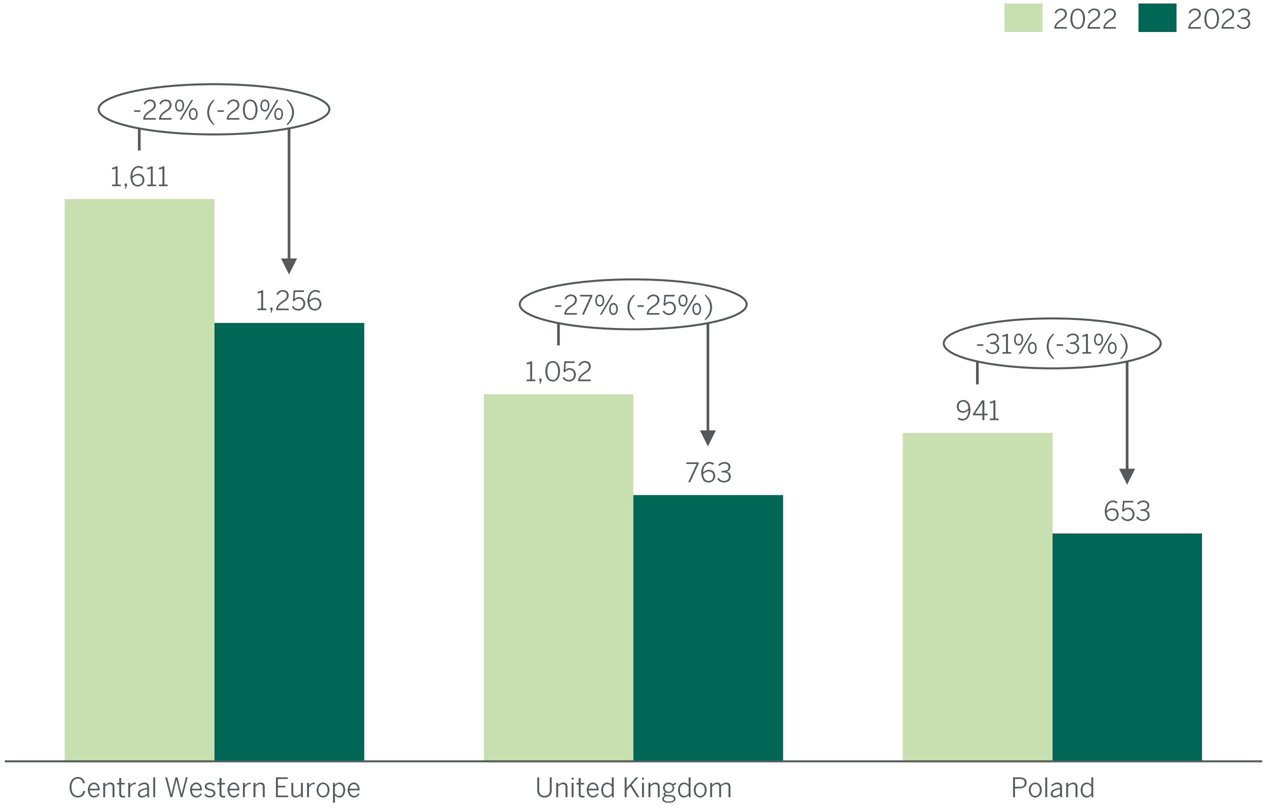
The United Kingdom

- Registrations declined 44% compared to last year
- Some pricing pressure is seen after maintaining price increases through 2023
- Mothballing of factory in the North has proceed as planned

Poland

- Permits fell 19% compared to last year
- AAC plant in Warsaw and CSU plant in Pisz have been closed as planned in Q2
- CSU factory in South has been temporarily closed in Q4 as announced
- 2% Safe Loan Programme launched in Summer 2023 has been fully utilised - "Successor" programme is being discussed

Full-year 2023 revenue by region
DKKm. Revenue growth (organic growth)



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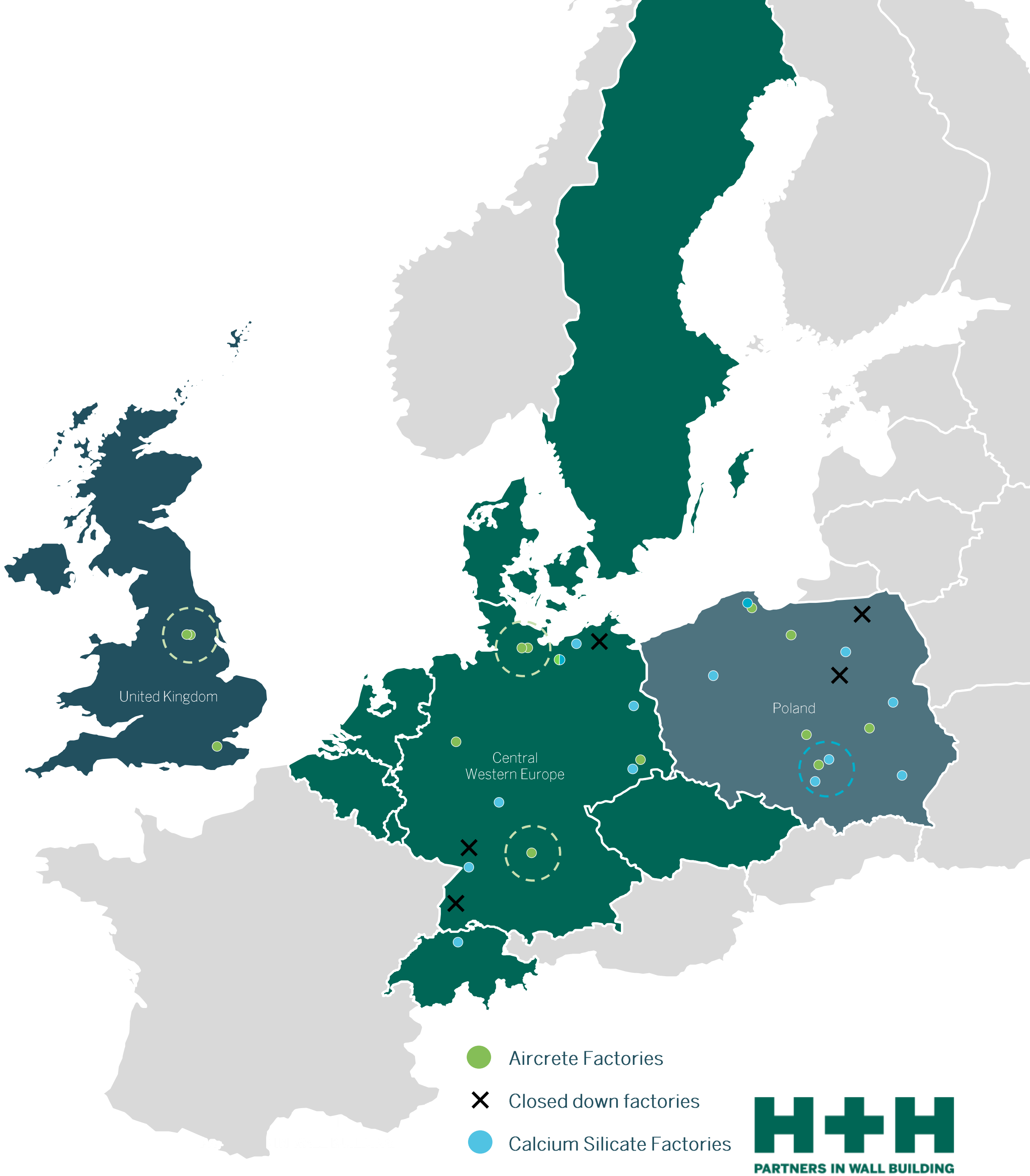
Transforming the business

	From 2022	To 2023
Volume *'000 m3*	4.187	2.745
Avg. price *Rev. per m3*	857	963
# of plants	32	23
# of employees	>1.700	>1.200
Fixed production cost *DKK million*		100 *Savings*
SG&A *DKK million*	392	346
Capex	266	165
Strategic focus	Growth	Network efficiencies
Germany	Acquisitions	Integrations



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Strategic focus areas for 2024

Key drivers

Price discipline. Focus on price discipline in a challenging market

Plant network efficiency. Further improving our operations through higher uptime, debottlenecking and continuous improvements

SG&A cost savings. Implementing further SG&A cost savings, mainly by integrating CWE into one organisation

Cash. Focus on cash management including stock decrease and tight capex management

Investing in plant efficiency:
20% more capacity at BG

- Way of thinking: Serving the market with fewer plants
- Optimising the efficiency of our remaining plants through higher uptime, debottlenecking and continuous improvements
- In 2023, works started in Borough Green to remove bottlenecks around autoclaving
- The project will be completed in Q2 2024 and will increase the plant capacity by 20%
- The total payback is less than 2 years
- This way of thinking will be replicated throughout the network

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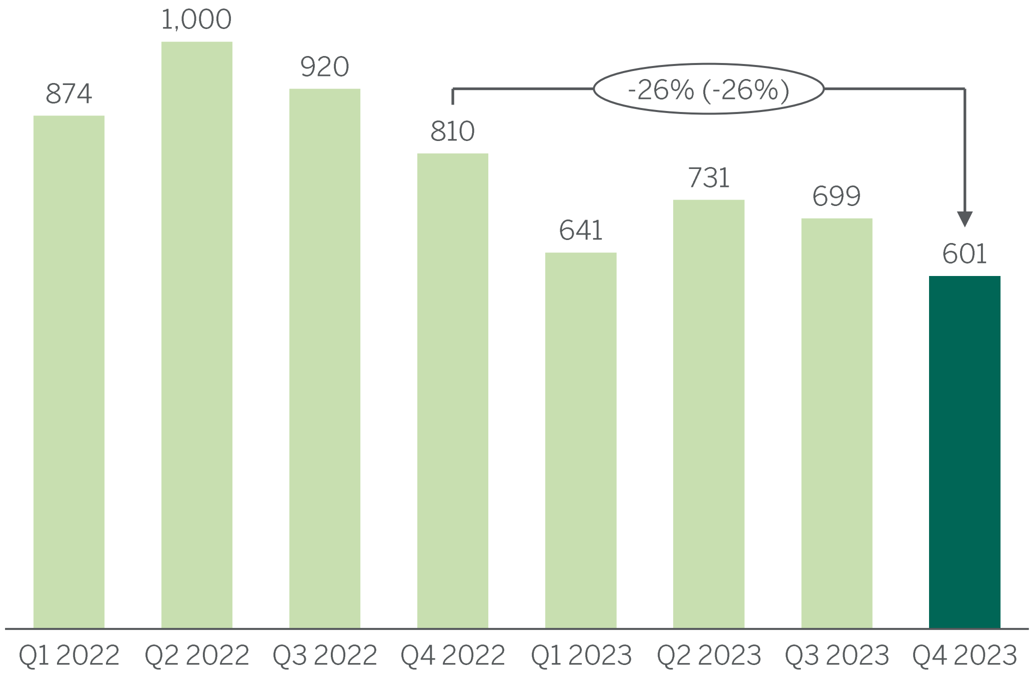
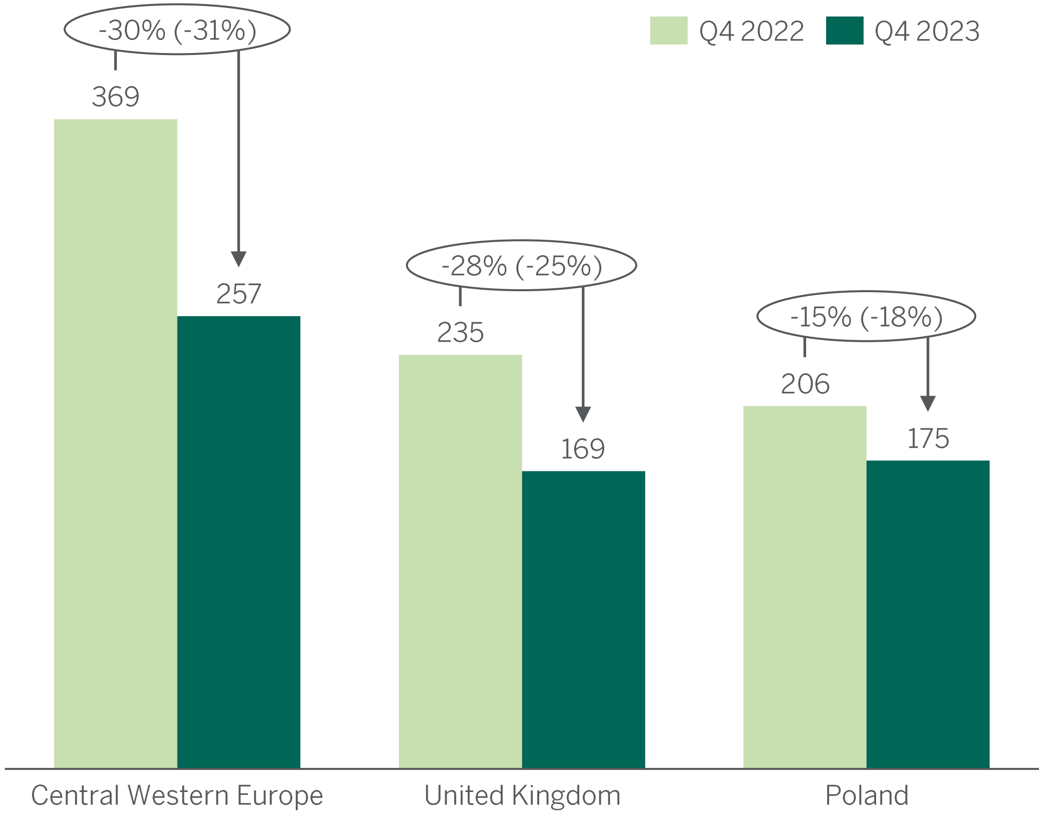
Q4 impacted by lower volumes partly offset by sales price increases

Consolidated revenue by quarter
DKKm. Revenue growth (organic growth)



Quarterly revenue pr region
DKKm. Revenue growth (organic growth)



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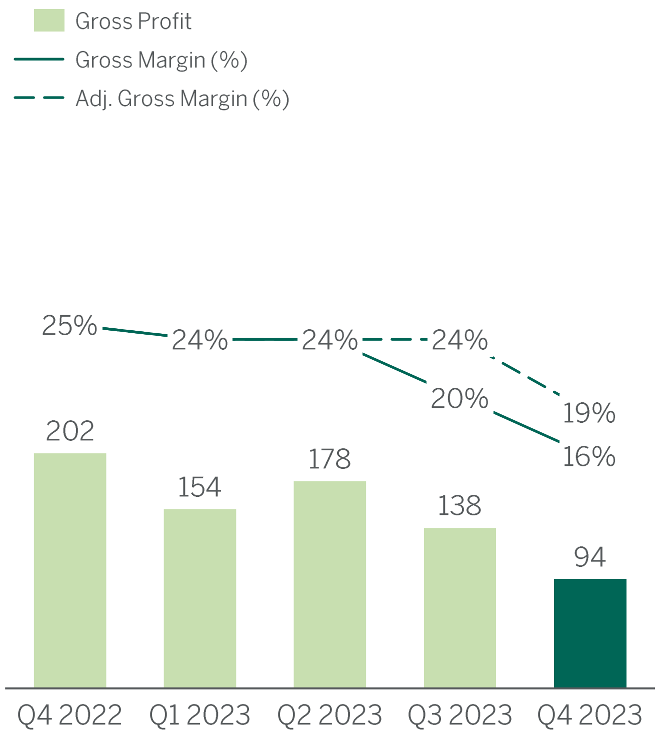
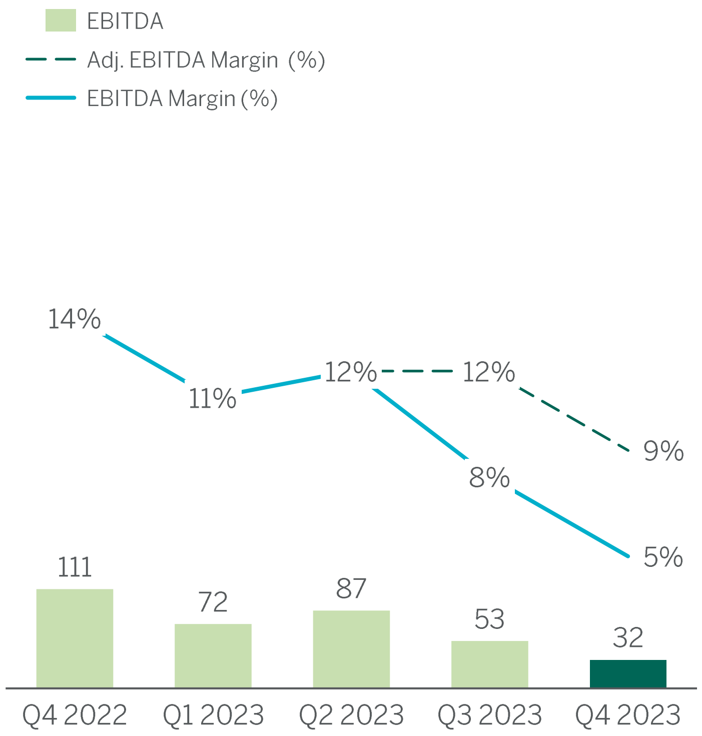
Profitability in Q4 impacted by continued lower volumes and high energy costs

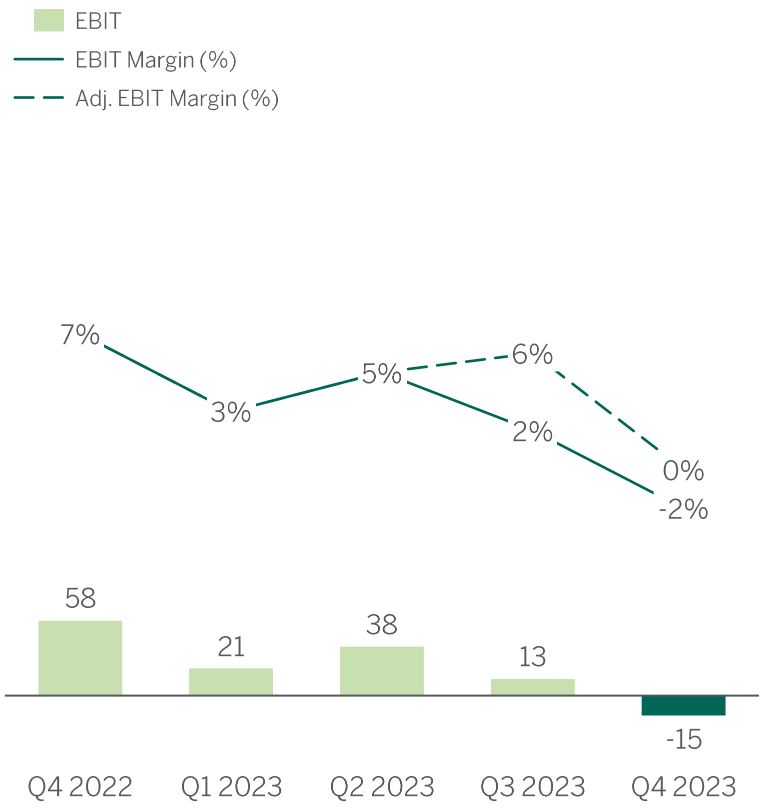
Gross profit and gross margin DKKm and percent



EBITDA and EBITDA margin DKKm and percent



EBIT and EBIT margin DKKm and percent



Note: All figures are before special items. Adjusted margin is before unfavourable gas hedges dating back to august 2022

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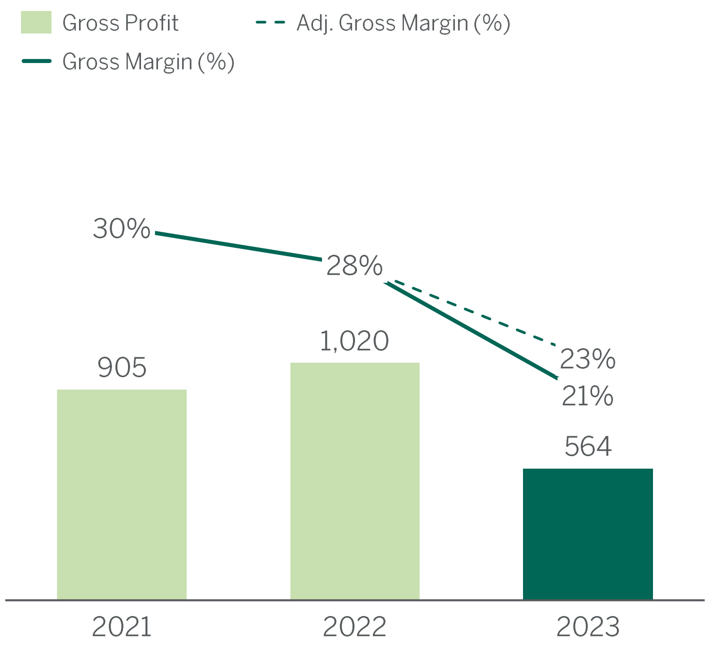
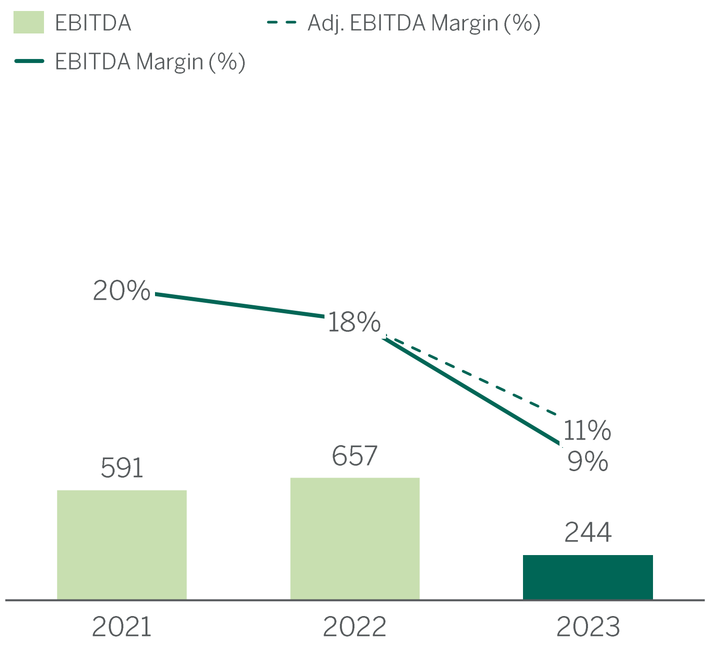
...and the same drivers impacted the full year

Gross profit and gross margin



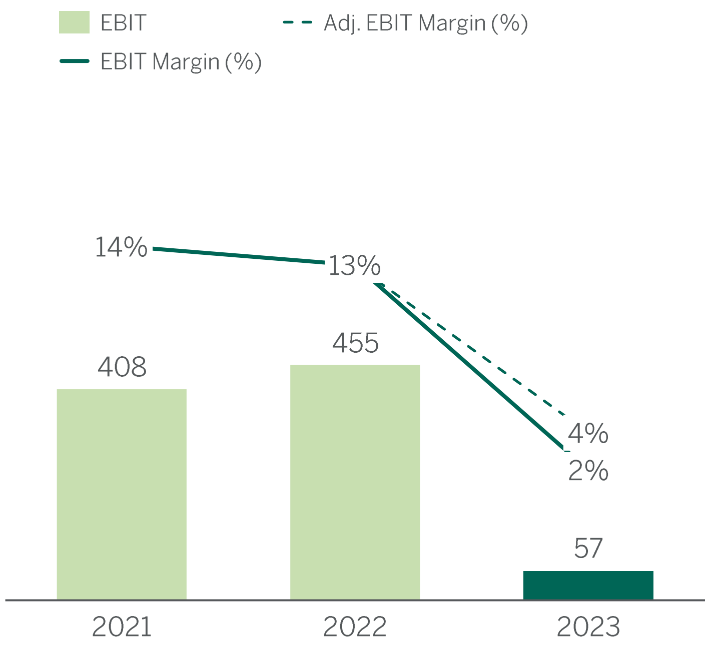
- Gross profit was DKK 564 million compared to DKK 1,020 million corresponding to gross margins of 21% and 28%, respectively
- The decrease in gross profit margin is driven by overhead costs spread over lower volumes and increased energy costs, which includes a negative impact of DKK 55 million from unfavourable gas hedges
- Through restructuring 100 million fixed savings In production cost was achieved

EBITDA and EBITDA margin



- EBITDA before special items in 2023 decreased by 63% to DKK 244 million compared to DKK 657 million in 2022, corresponding to EBITDA margins of 9% and 18%, respectively
- SG&A savings of 50 million in the year
- Adjusted for the unfavourable gas hedges EBITDA before special items would be DKK 299 million corresponding to a margin of 11%

EBIT and EBIT margin



- EBIT was DKK 57 million in 2023 compared to DKK 455 million in 2022
- Adjusted for the unfavourable gas hedges EBIT before special items would be DKK 112 million corresponding to a margin of 4%

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Note: All figures are before special items. Adjusted margin is before unfavourable gas hedges dating back to august 2022

Restructuring costs and special items

- Total restructuring cost for full year 2023 amounted to DKK 133 million resulting in total cost savings of DKK 150 million
- In addition, and as a result of the closure of plants, an impairment loss of DKK 101 million was acknowledged for production equipment for the year
- During the year, gas contracts agreed into in 2022 led to the sale of unused gas in the market, resulting in financial losses amounting to DKK 51 million as the fixed gas prices of the gas being sold off exceeds current market price. In addition, financial losses of DKK 2 million has also been recognised related to a fair value adjustment of the gas commodity forward contracts in the quarter

Special items, net Amounts in DKK million	2023 FY
Restructuring costs	133
Impairments of assets (Closed down factories)	101
Unused part of gas hedges	53
Total	287

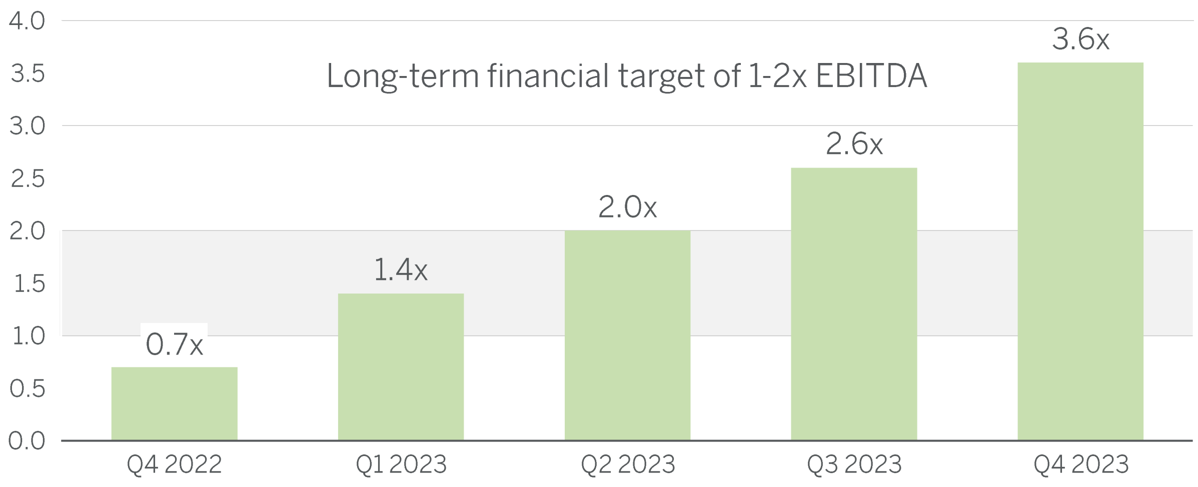
Financial leverage ratio impacted by lower EBITDA on a trailing 12-month basis

Net interest-bearing debt (NIBD)

Development in net interest-bearing debt	DKKm
NIBD Q3 2023	844
Cash flow from operating activities	-1
CAPEX excl. IFRS 16 and sales	68
Sale of assets	-33
IFRS 16 impact	13
FX adjustments	-4
NIBD Q4 2023	887

- Net interest-bearing debt amounted to DKK 887 million as of 31 December 2023 corresponding to an increase of DKK 395 million since 31 December 2022
- In the year, inventories increased by DKK 134 million partly offset by sale of idle assets
- Tight cash management resulted in significant reduction in capex and steady development in other working capital

Financial gearing
NIBD to EBITDA before special items



- On 31 December 2023, financial gearing was 3.6 times net interest
- The increase in net interest-bearing debt since the beginning of the year was primarily driven by negative net working capital development in Q1 due to inventory build-up and other cash flows from operations
- Since Q1 financial gearing was impacted by lower EBITDA on a trailing 12-month basis

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(1) Of the total net interest-bearing debt, lease liabilities amounted to DKK 88 million as of 30 September 2023

Unwinding gas contracts dating back to 2022

From 31 March 2024, we will unwind our gas contracts from 2022. This is expected to have following impact for 2024:

- An immediate one-off financial impact of around negative DKK 95 million in Q1 2024, classified as special items
- No effect on cash flow timing of the hedges, as the instalments will continue to follow the original payment terms
- Old contracts will impact the cost of goods sold by DKK 45 million in the first half of 2024 and lead to the sale of unused gas in the market in Q1 2024, resulting in financial losses classified as special items of around DKK 15 million

Special items, Gas impact 2024 Amounts in DKK million	2024 Q1
Unwinding of gas contracts	95
Unused part of gas hedges	15
Total	**110**

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Outlook for 2024

Revenue growth measured in local currencies (“organic growth”)

-5% to +5%

EBIT before special items is expected to be (DKKm)

50 to 150

Specific assumptions
H+H's financial outlook is based on several specific and general assumptions, with management identifying the most important assumptions as follows:

- Building activity in line with 2023 levels
- Price discipline in our key markets
- Exchange rate, primarily in GBP, EUR and PLN remain at end-February levels

And following general assumptions

- Sales volumes and product mix
- Price competition
- Developments in the market for building materials
- Distribution factors
- Weather conditions
- Macroeconomic and geopolitical devel-opments
- Operational uptime at H+H’s production plants including supply of energy and raw materials

Key takeaways

1. Decline in newbuild activity at an unprecedented speed impacted our business
2. Despite the market conditions, we passed through inflation as we successfully implemented price increases start of the year
3. Significant restructuring by closing nine of 32 plants. Total cost saving of DKK 150 million in 2023 and 250 million in total run rate
4. We also significantly improved on our carbon emissions with 11% improvement in scope 1 and scope 2 intensity and record low lost time incidents frequency
5. For 2024 we expect building activity in line with 2023 levels

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Questions and answers

Five-year summary

Income statement (DKK million)	2023	2022	2021	2020	2019
Revenue	2,672	3,604	3,020	2,654	2,840
Gross profit before special items	564	1,020	905	836	877
EBITDA before special items	244	657	591	521	539
EBITDA	58	615	567	521	531
EBIT before special items	57	455	408	332	366
EBIT	(230)	413	377	332	358
Profit before tax	(283)	398	356	307	205
Profit after tax for the period	(246)	317	321	251	150

Balance sheet (DKK million)	2023	2022	2021	2020	2019
Assets[1]	3,454	3,572	3,400	2,909	2,716
Invested capital	2,435	2,142	1,852	1,865	1,809
Investments in property, plant, and equipment[2]	165	266	197	134	126
Aquisition and divestment of enterprises	-	-	238	72	(20)
Net working capital	359	242	65	55	48
Equity	1,678	1,938	1,814	1,509	1,371
Net interest-bearing debt (NIBD)	887	492	350	230	407

Cash flow (DKK million)	2023	2022	2021	2020	2019
Cash flow from operating activities	(209)	316	454	425	369
Cash flow from investing activities	(137)	(255)	(427)	(206)	(105)
Cash flow from financing activities[1]	131	(80)	(25)	6	(131)
Free cash flow	(346)	61	27	219	264

Financial ratios and others	2023	2022	2021	2020	2019
Sales volume (thousand m^3)	2,745	4,187	4,326	4,022	4,494
Organic growth	(25%)	14%	13%	(6%)	6%
Gross margin before special items	21%	28%	30%	31%	31%
EBITDA margin before special items	9%	18%	20%	20%	19%
EBITDA margin	2%	17%	19%	20%	19%
EBIT margin before special items	2%	13%	14%	13%	13%
EBIT margin	(9%)	11%	12%	13%	13%
Return on invested capital (ROIC) (excl. goodwill)[3]	(9%)	19%	20%	18%	20%
Solvency ratio	46%	52%	50%	50%	49%
Financial gearing before special items	3.6x	0.7x	0.6x	0.4x	0.8x

ESG data	2023	2022	2021	2020	2019
Social					
Average number of FTEs	1,500	1,738	1,572	1,619	1,685
FTE's, end of reporting period	1,261	1,739	1,663	1,571	1,636
Lost-time incident frequency (LTIF)[4]	3.4	3.6	5.5	5.7	5.6
Sickness absence, short-term (days per FTE)	10	11	10	11	11
Environmental					
Total energy per m^3 (MJ)	575	567	554	551	565
Scope 1+2 intensity (kg/m^3)	36	40	45	46	46
Scope 1+2 emissions (tonnes)[4]	108,800	176,250	191,806	178,363	199,209
Scope 3 intensity (kg/m^3)	146	157	157	157	162
Total GHG emissions per net revenue (tonnes/DKKm)	206	240	287	302	315

1 2019 - 2021 numbers have not been adjusted to the change in accounting policy for presenting cash pool. For more details see general accounting policies page 87.
2 Investment in property, plant, and equipment excludes effects from IFRS 16.
3 Due to the acquisitions the method for calculating Return on invested capital (ROIC) has changed to better reflect a true and fair view.
ROIC for the period 2019-2021 has been calculated as Operating profit (EBIT) relative to average invested capital (excluding goodwill) on a twelve-month basis.
4 ESG figures for 2023 subject to limited assurance.

Note: Financial ratios and ESG measures have been calculated in accordance with recommendations from the Danish Society of Financial Analysts. See page 77 and 119.

For further information, please contact

Niclas Bo Kristensen
Head of Investor Relations and Treasury
nbk@HplusH.com

H+H International A/S
Lautrupsgade 7, 5th Floor
2100 Copenhagen Ø
Denmark

+45 35 27 02 00

info@hplush.com
www.hplush.com