



Danske Bank's Copenhagen Winter Seminar H+H International

30 November 2016

H+H

Content

Agenda

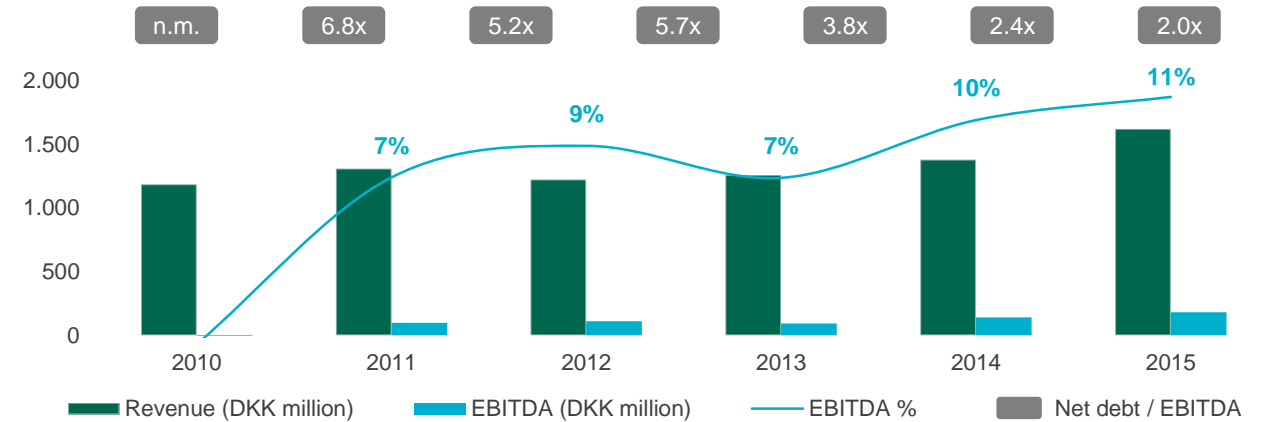
- Introduction
- Application examples
- Manufacturing process
- Strategy
- The H+H turnaround process 2011 – 2016



H+H is one of the leading aircrete manufacturer

- Modern production facilities across Europe with a cost efficient production and logistical setup
- 10 countries and approx. 1,000 employees
- Sells products to builders through own sales offices. H+H does not act as a contractor itself
- Leading market position in all of our markets (#1 or #2)
- Ways of building vary from country to country, but the H+H expertise does not!
- The largest shareholders comprise ATP (>10%), Handelsbanken Fonder (>5%) and Nordea Fund Management (>5%).

Strong financial development

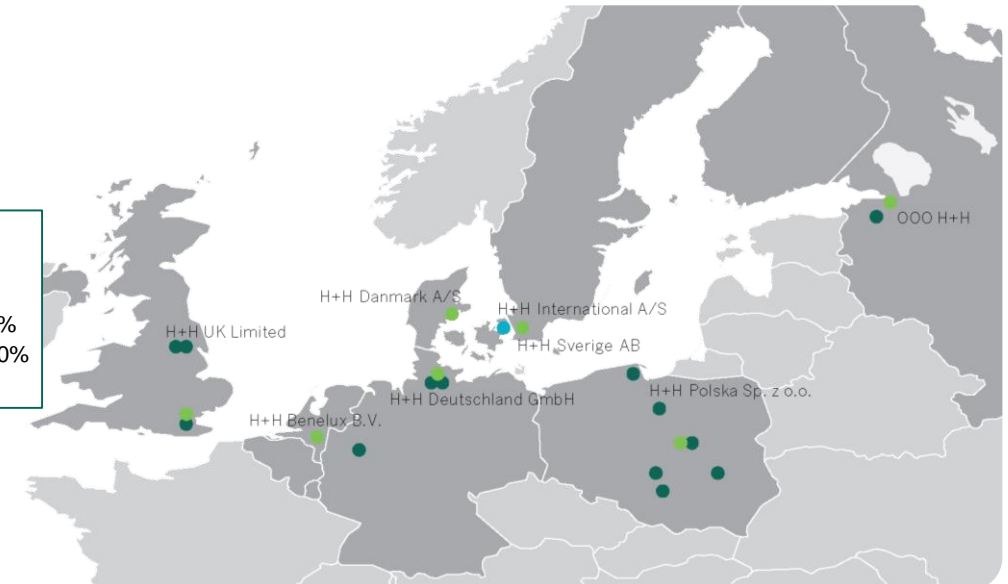


#1 or #2 in all markets

- 📍 Production facility
- 📍 Sales and administration
- 📍 Headquarter

Market share:

- The UK >45%
- The Nordics >45%
- East and Central Poland >30%
- Northern part of Germany >30%
- North-West Russia >30%



Current financial performance

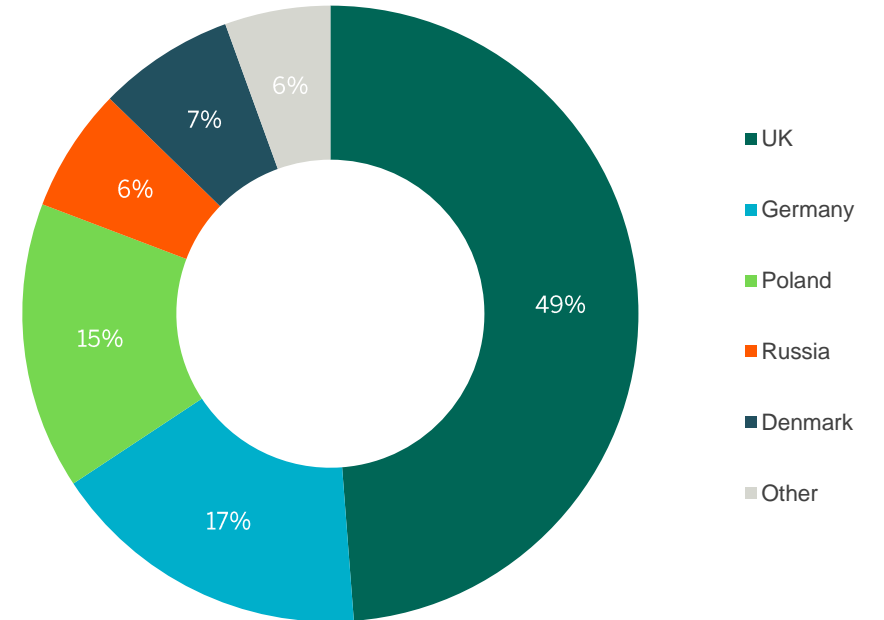
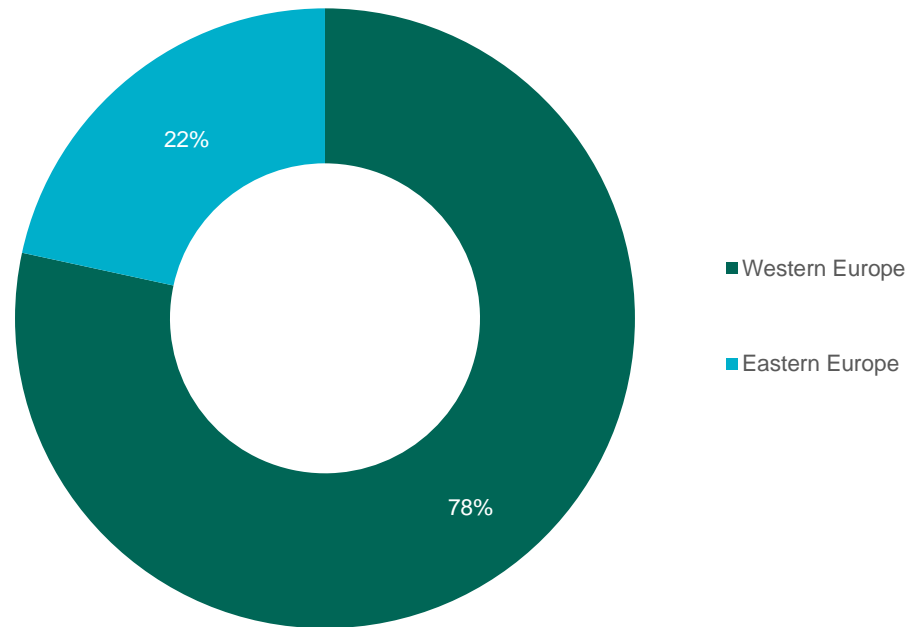
Financial performance Q1-Q3 2016

DKK million		Q1 - Q3		
		2016	2015	Variance
Revenue	Actual	1.264	1.246	1%
	Organic	1.351	1.246	8%
Gross margin		25%	24%	1%
EBITDA	Before special items	166	141	25
	After special items	163	169	(6)
EBIT margin	Before special items	8%	6%	2%
	After special items	8%	8%	0%
Return on invested capital		18%	15%	3%

Guidance to the stock market

DKK million	Outlook	Long-term financial targets
	Updated	
Organic growth	5-6%	
EBITDA *	190-210	
Investments	~ 80	
EBIT margin		Min. 6-8%
Return on invested capital		Min. 12%

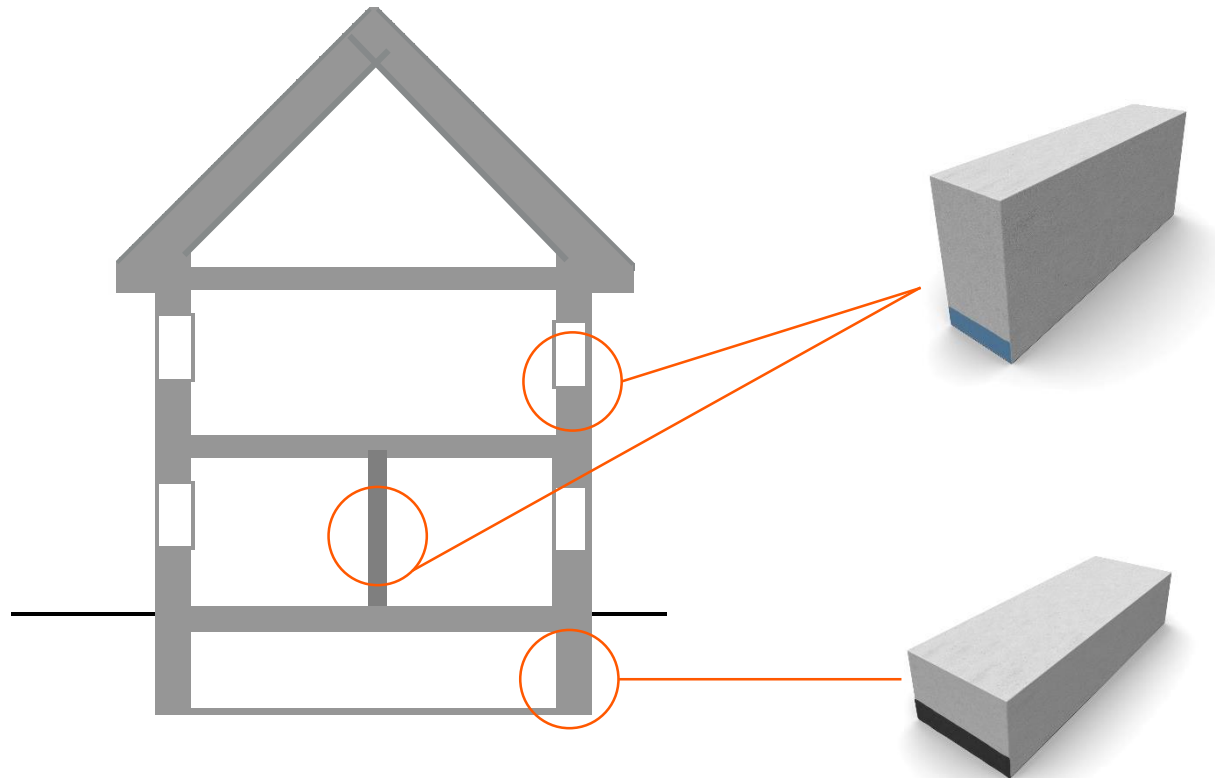
Revenue allocation 2015



Structural design – residential low rise

Example:

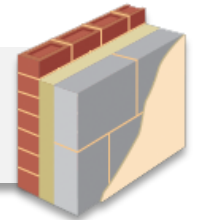
- Two and a half storey, single-family detached home



- External walls: Solid walls (render finish)



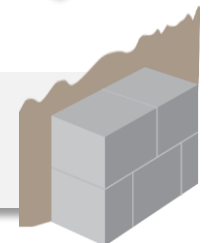
- External walls: Cavity walls (brick outer leaf)



- Internal partition walls, any internal finish



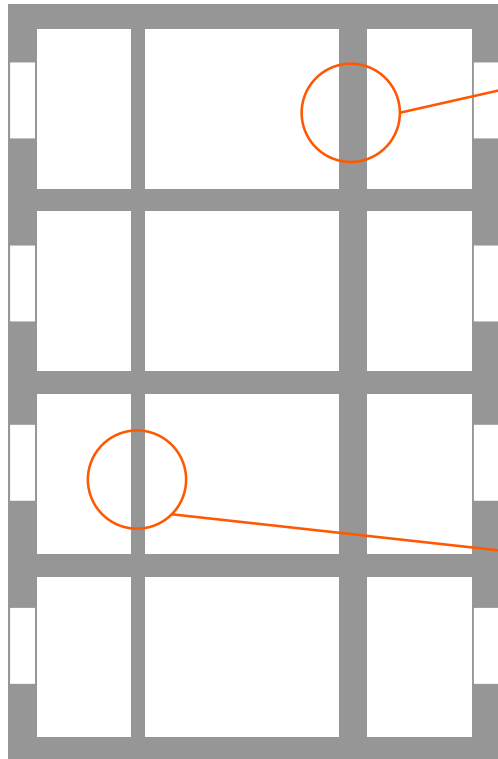
- Solid foundations



Structural design – residential high rise, inner wall

Example:

- Block of flats (high-rise)



- Separating wall:
aircrete+insulation+aircrete
(only as secondary wall with any internal
finish)



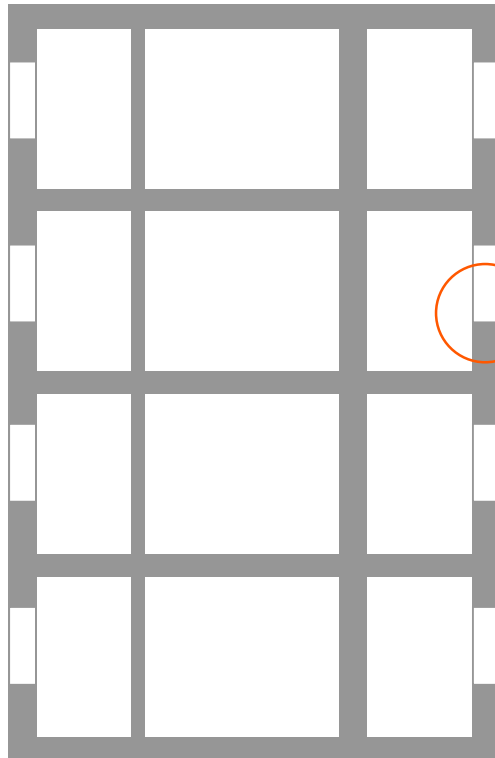
- Partition wall: Any internal finish



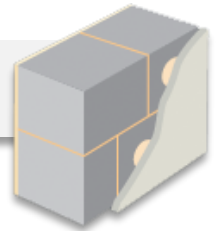
Structural design – residential high rise, external wall

Example:

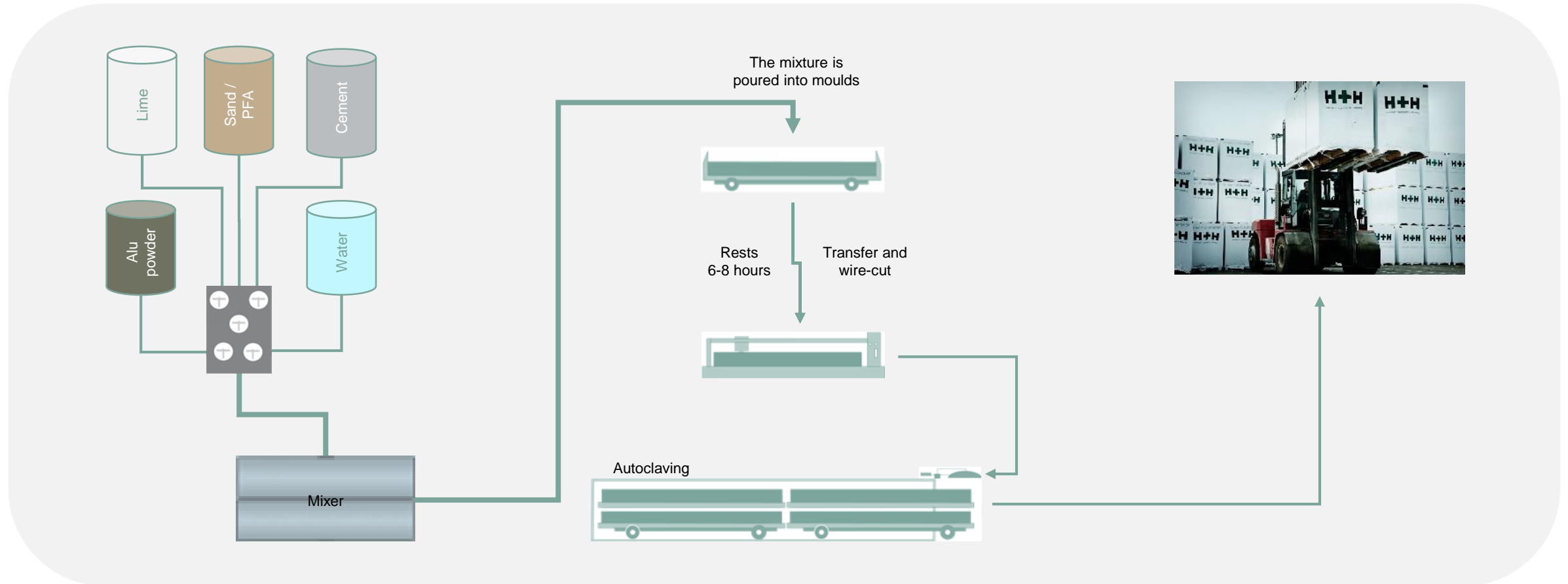
- Block of flats (high-rise)



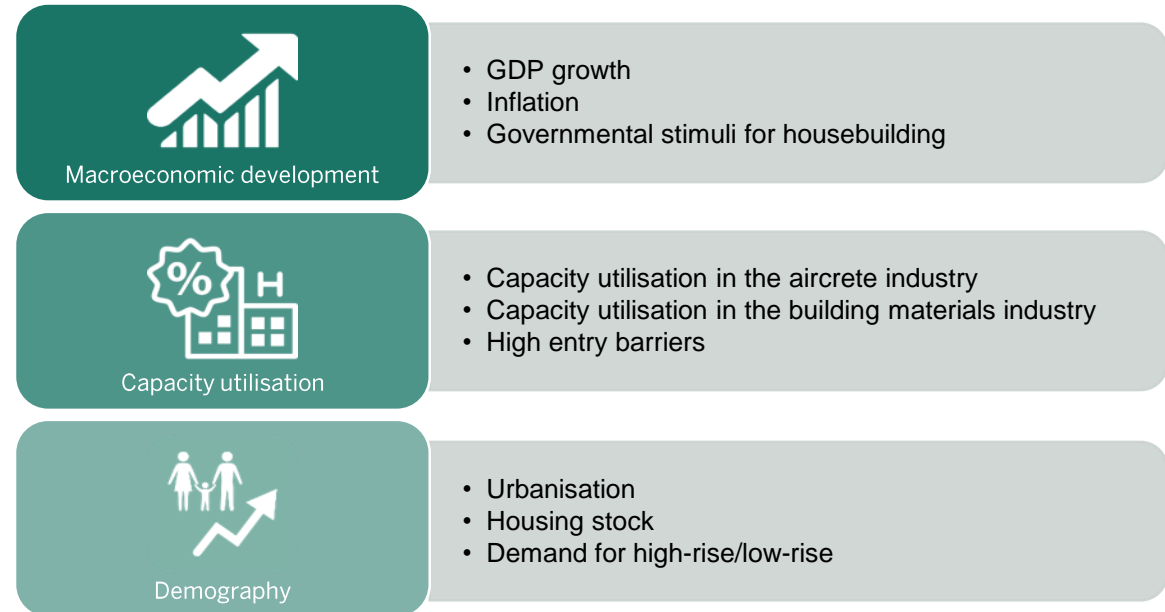
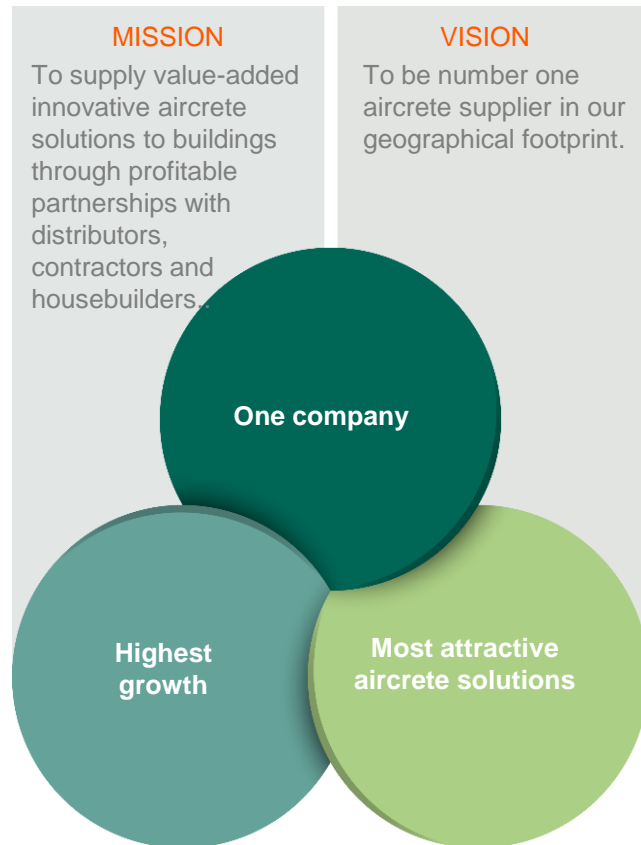
- External wall: Infill to concrete framed buildings (render finish)



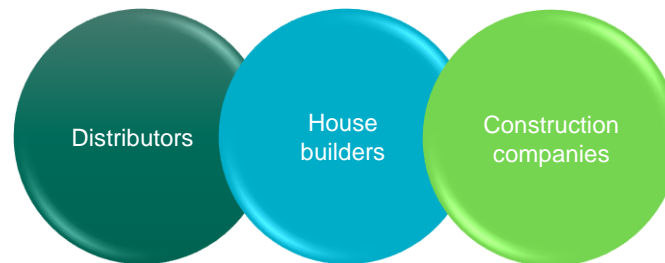
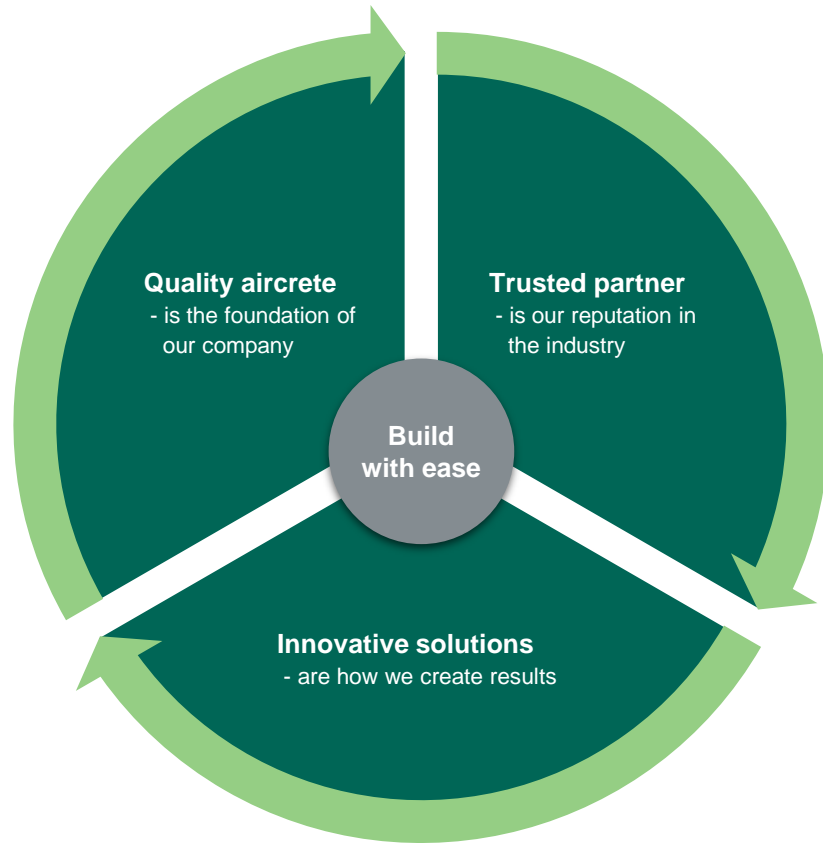
Manufacturing process



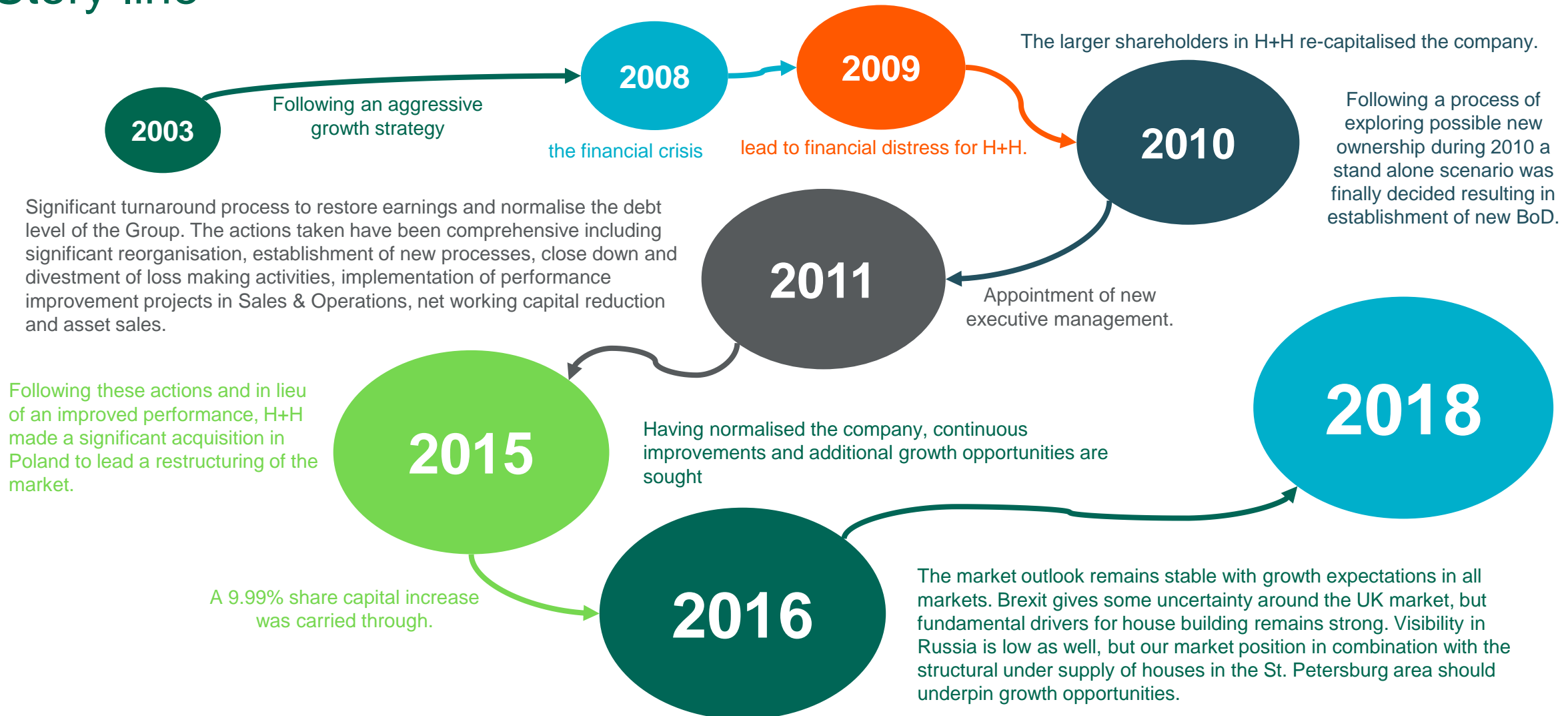
Strategy and external growth drivers



Commercial approach



Story line



H+H turnaround process 2011 – 2016

1/3

New management in place

- New executive management in 2011
- New and strong 1st and 2nd management layer have been recruited during the last five years – all the new local executives have vast experience from the building material industry

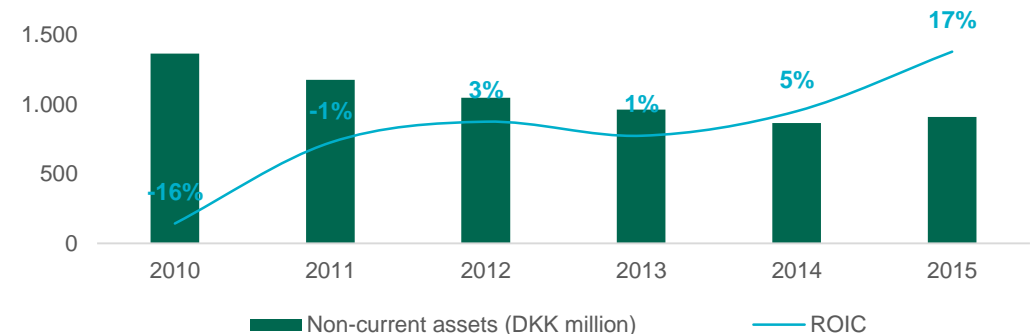
New strategy

- Execution of new focused and balanced growth strategy
- Termination of loss-making activities in the Baltics, Norway and Slovakia as well as in Finland and Poland
- Divestment of Czech assets to Xella for EUR 15 million (2012) and the Finnish company Jämerä for EUR 1 million (2012)
- Non-core asset sale program generating more than DKK 100 million in cash from 2011 to 2016
- Further assets held for sale and expected to be sold within 12 months – generating approx. DKK 32 million in cash

New organisational structure

- Reorganisation from being a highly decentralised organisation to be a functional organisation with centralised cross-border control and management in a matrix structure
- The new organisation encourages best practice sharing and helps to improve performance measurement
- Integration of uniform reporting systems

Divestment of non-core assets has helped improving ROIC



H+H turnaround process 2011 – 2016 2/3

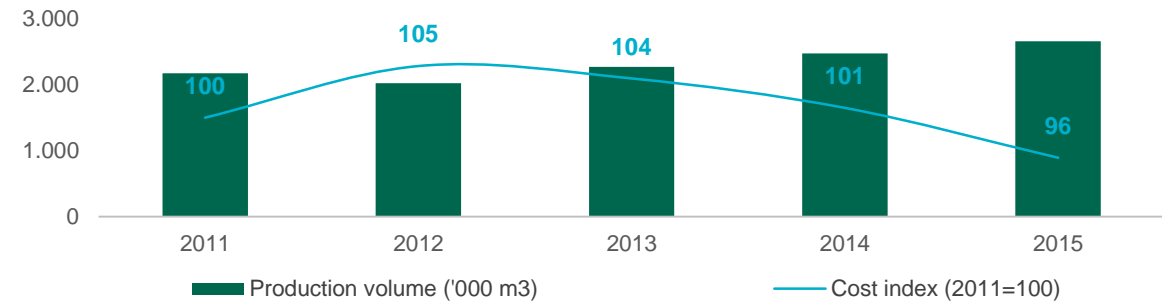
Strong operational efficiency improvements

- Targeted effort on continuous improvement projects
- Extensive best practice sharing
- Common ERP platform supports control and monitoring
- Net working capital reduction program has significantly reduced NWC relative to revenue
- Roll out of company-wide procurement improvement program is expected to further improve cost efficiency

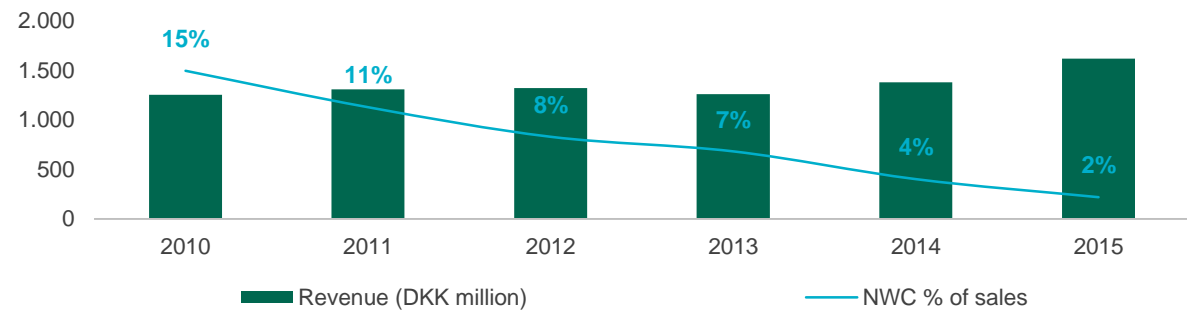
New market approach has fueled revenue growth

- The H+H "Build with ease" value proposition is the guiding principle on how we interact with customers
- Successful implementation of cross-border commercial excellence program
- Increased share of pull sales

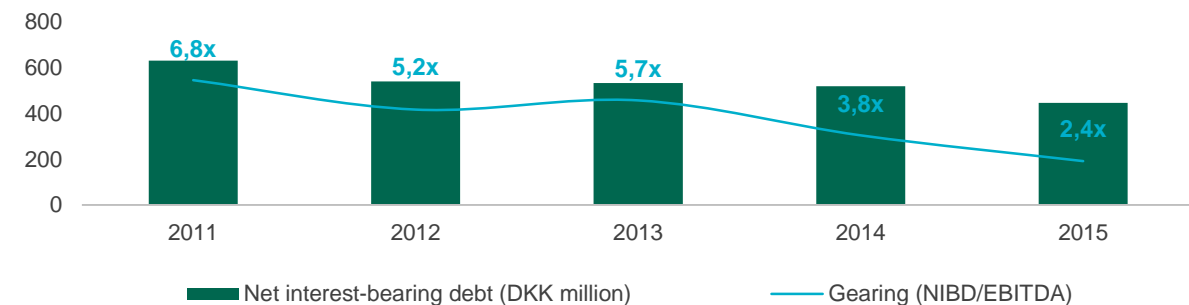
High increase in production volume followed by limited cost increases



Strong optimisation of NWC level



Financial leverage has been significantly reduced

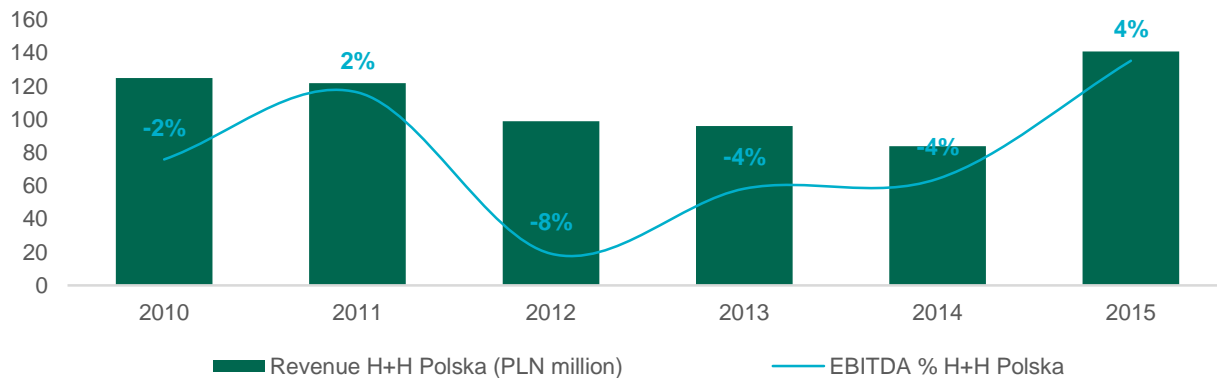


H+H turnaround process 2011 – 2016 3/3

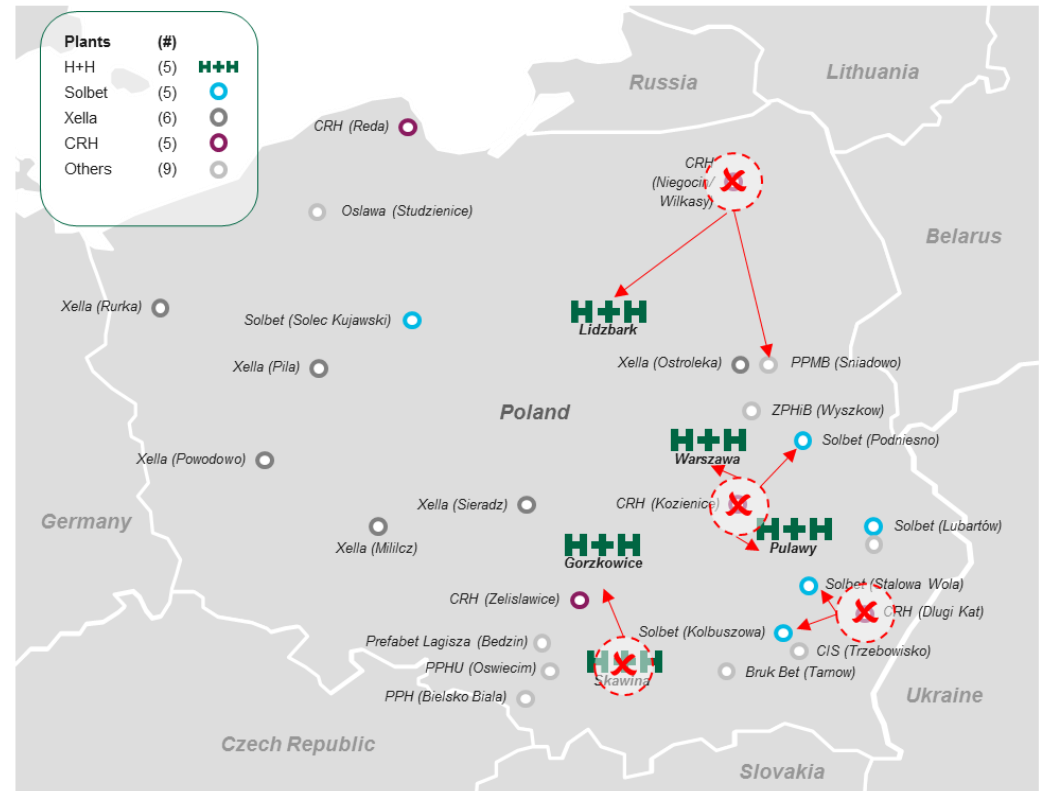
Acquisition of Grupa Prefabet in Poland

- The market had vast overcapacity, high competitor density and low building activity resulting in very low pricing and earnings
- H+H initiated a restructuring of the market, and immediately closed 4 plants removing almost 15% of total Polish capacity
- Prices have increased more than 15% and H+H has achieved significant cost synergies from better capacity utilisation
- This market restructuring project has been very successful for H+H

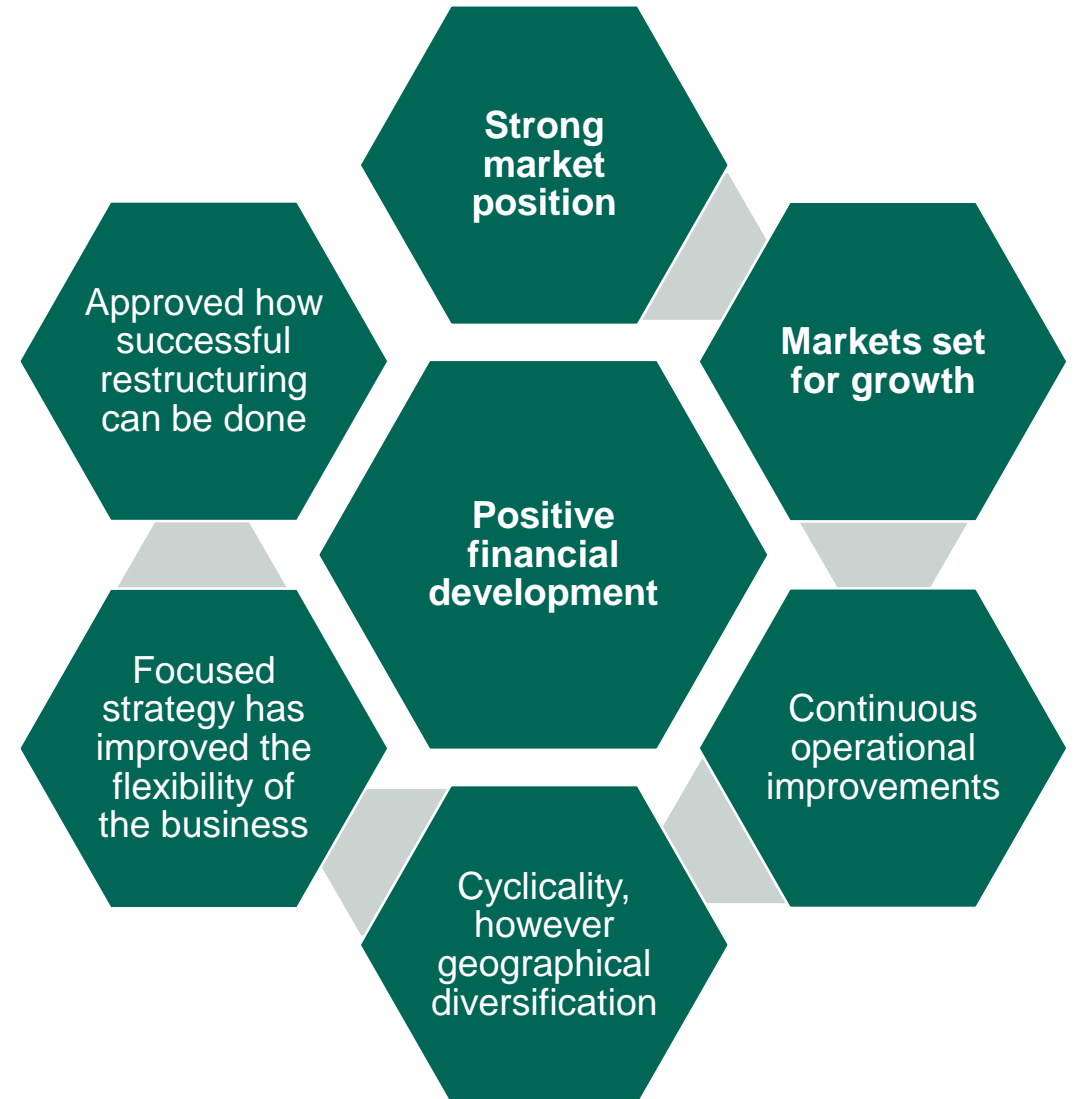
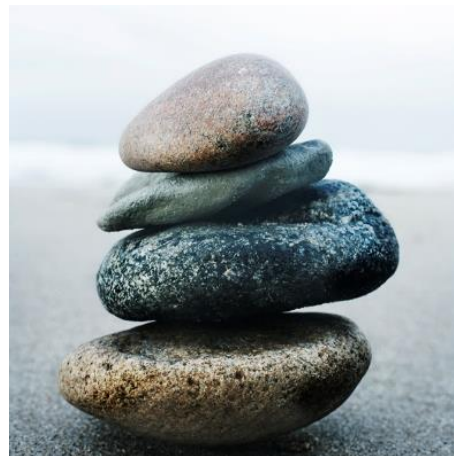
Successful restructuring of the Polish activities



Future market structure in Poland



A powerful platform for continuing the strong development



Q & A