

# Investor presentation Q1 2017

18 May 2017

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Porenbeton • Porebeton • Lättbetong  
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# Introduction

## Forward-looking statement

The statements on the future in this presentation, including expected sales and earnings, are associated with risks and uncertainties and may be affected by factors influencing the activities of the Group, e.g. the global economic environment, including interest and exchange rate developments, the raw material situation, production and distribution related issues, breach of contract or unexpected termination of contract, price reductions due to market driven price reductions, launches of competitive products and other unforeseen factors.

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All presented numbers are after special items unless otherwise stated.

## Agenda

- Highlights
- Financial performance
- Outlook and long-term financial targets
- Segments and market development
- Q&A

# Highlights

## Organic growth

- Positive 6% organic growth in the first quarter.

## EBITDA\*

- DKK 37 million in the first quarter on par with Q1 2016.
- Net adverse currency impact of DKK 5 million

## Investments

- DKK 23 million in the first quarter of 2017 against DKK 11 million in 2016.
- Borough Green project running to schedule.

## UK update

- Upcoming parliament election is not expected to have a significant impact on the market situation.
- Stock build impacts free cash flow adversely.

\* Before special items



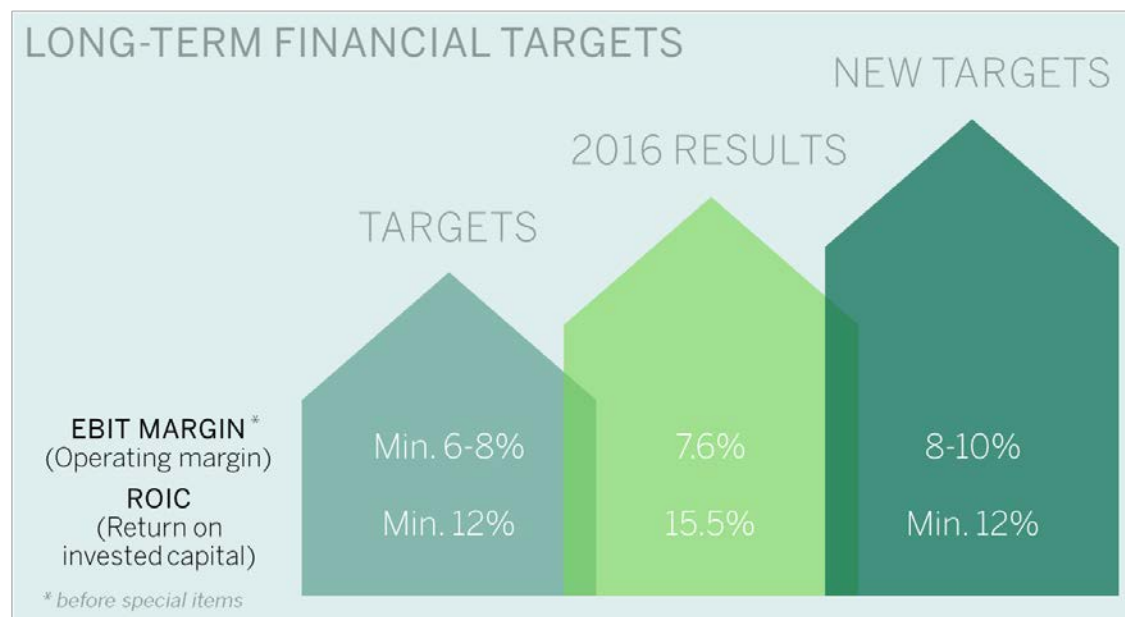
# Financial performance

DKK million		Q1		
		2017	2016	Variance
Revenue	Actual	377	368	2%
	Organic	390	368	6%
Gross margin		23%	24%	(1%)
EBITDA	Before special items	37	37	0
	After special items	31	35	(4)
EBIT margin	Before special items	5%	4%	1%
	After special items	3%	4%	(1%)
Return on invested capital		14%	13%	1%
Investments		23	11	12
Free cash flow		(95)	(41)	(54)
Net interest-bearing debt	DKK million	483	490	(7)
	Debt gearing	2.3x	2.2x	
Equity		322	259	63



# Outlook and long-term financial targets

DKK million	Outlook
Organic growth	5-7%
EBITDA before special items	220-240
Investments excluding mergers, acquisitions and divestments	~ 120



## Update on the UK

- We expect continuous growth from the UK, despite Brexit and the general election on 8 June 2017.
- Housebuilders report activity higher than last year.
- The Borough Green factory upgrade is running to schedule.
- We are planning the upgrade to be completed in the first half of 2018.
- Special items of approximately DKK 25 million cost are expected to be incurred in 2017 as a result of the Borough Green factory upgrade and resulting need to import products from Poland.
- The increased transportation cost will be expensed at the point of sale and treated as a special item.
- Special items amounted to DKK 5.6 million in Q1 2017

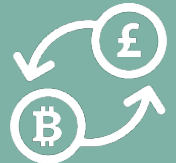
## Specific assumptions for outlook for 2017



- Economic growth of around 1-3% in our geographical footprint.



- The commercial and operational excellence programmes continue to deliver improvements.



- Exchange rates, primarily for GBP, EUR, PLN and RUB, hold at their mid-May 2017 levels.



- Energy and raw material prices rise only in line with inflation from their mid-May 2017 levels.



- The geopolitical situation does not result in changed market conditions.

## Other selected items

### Credit facility

- New three year credit facility in place until March 2020.

### Pension obligation

- Defined contribution obligation less deferred tax decreased approx. DKK 24 million.

### Free cash flow

- Free cash flow negatively influenced by increase in working capital, mainly due to higher debtors and building stock in the UK.

### Solvency

- Equity increased due to profit for the period and decrease in the pension obligation.
- Solvency ratio 25%.



## Western European segment

DKK million		Q1		
		2017	2016	Variance
Revenue	Actual	288	293	(2%)
	Organic	305	293	4%
EBITDA	Before special items	40	40	0
	After special items	35	40	(5)
Investments		19	7	12



- Slight decrease in sales volumes, mainly due to customers on allocation in the UK.
- Good price development in the UK.
- Continuous growth in the Nordic and Benelux markets.
- Adverse exchange rate impact from the GBP.
- Higher input costs in the UK due to PFA costs and in Germany, partly offset by better capacity utilization.

## Eastern European segment

DKK million		Q1		
		2017	2016	Variance
Revenue	Actual	89	75	18%
	Organic	85	75	13%
EBITDA	Before special items	6	0	6
	After special items	6	(2)	8
Investments		4	4	0



- Good volume and price development in Poland where the market delivers growth.
- Good production performance in Poland, partly boosted by production for the UK market, which increases capacity utilisation.
- Low sales volumes in Russia mainly due to firm execution of price increases.
- Due to high stocks, the factory in Russia was idle longer than originally planned.

# Q & A

# Thank you

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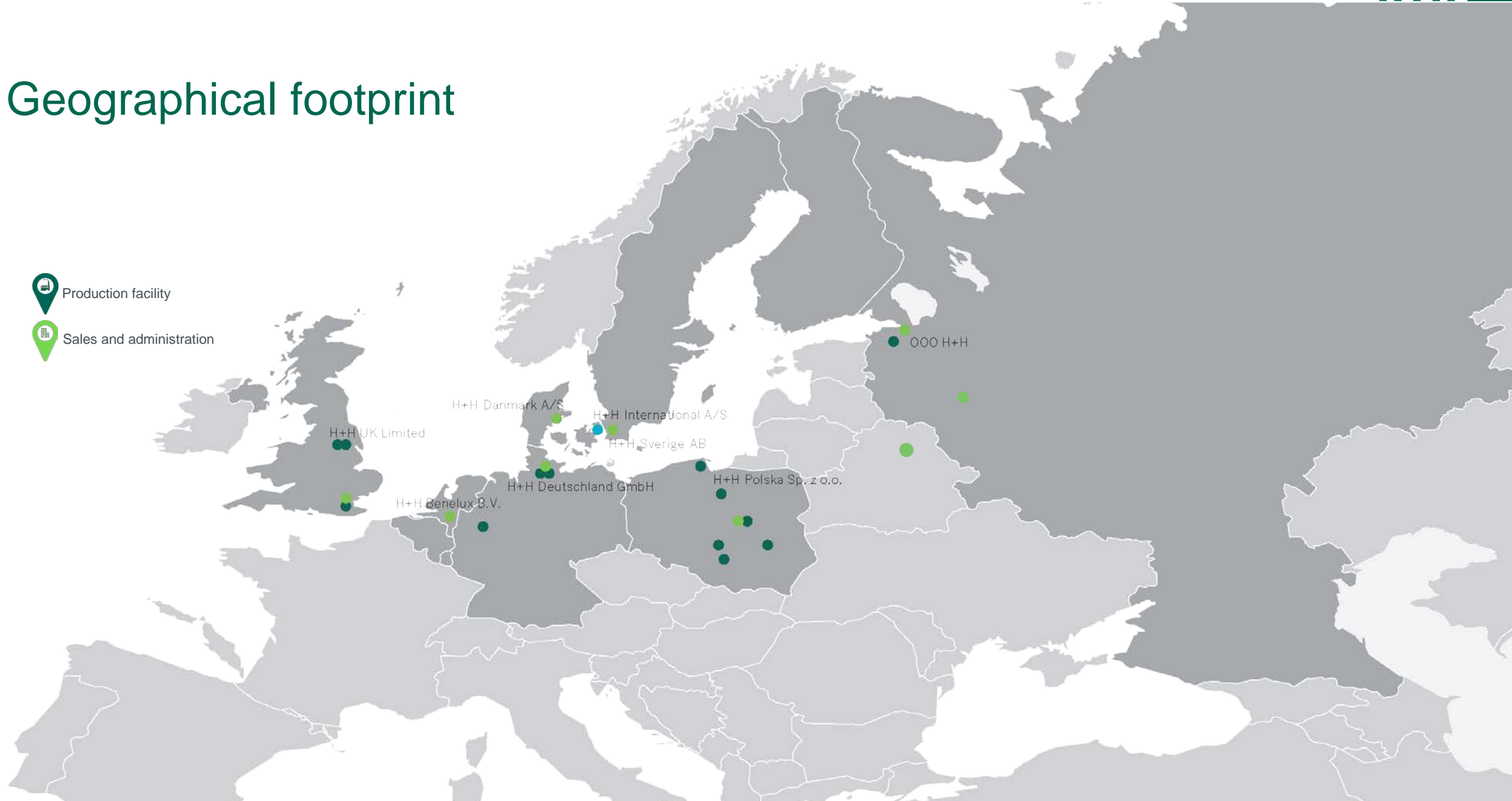
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# Appendices

# Geographical footprint

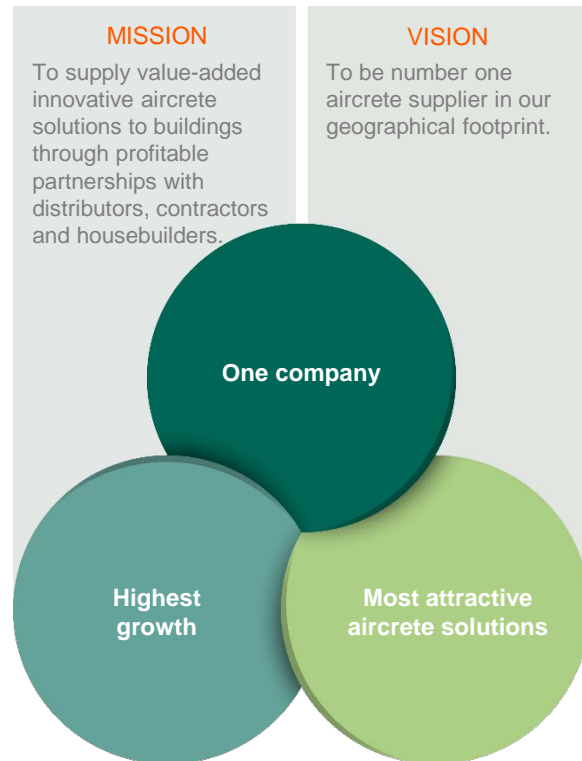
 Production facility

 Sales and administration





# Strategy and external growth drivers



- GDP growth
- Inflation
- Governmental stimuli of housebuilding



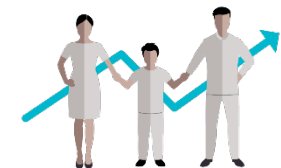
MACROECONOMIC DEVELOPMENT

- Capacity utilisation in the aircrete industry
- Capacity utilisation in the building materials industry
- High entry barriers



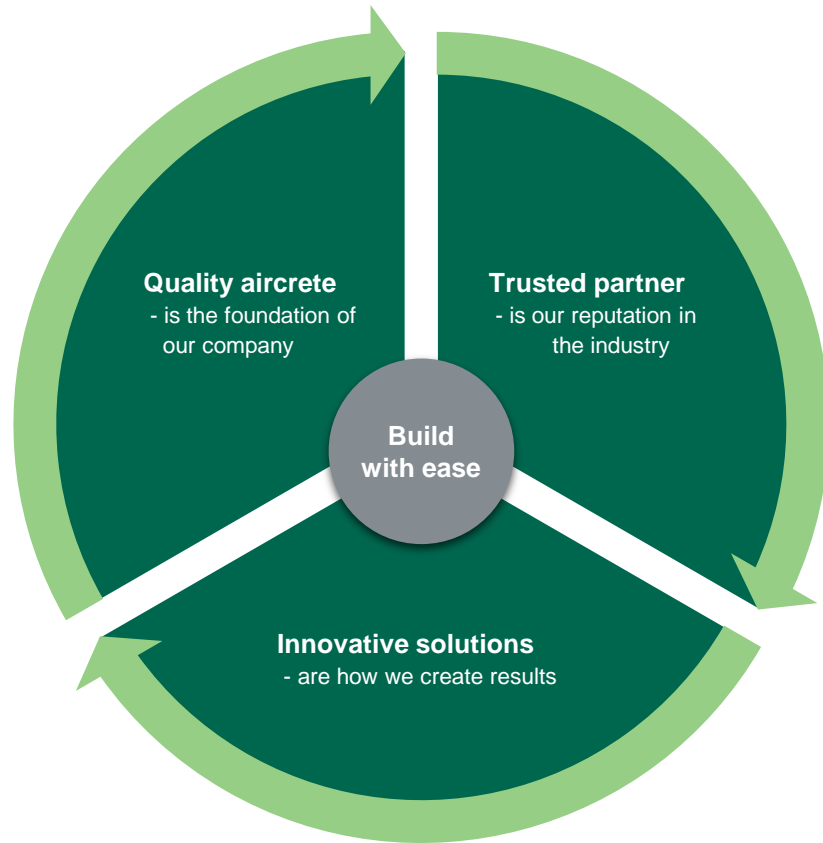
CAPACITY UTILISATION

- Urbanisation
- Housing stock
- Demand for high-rise/low-rise

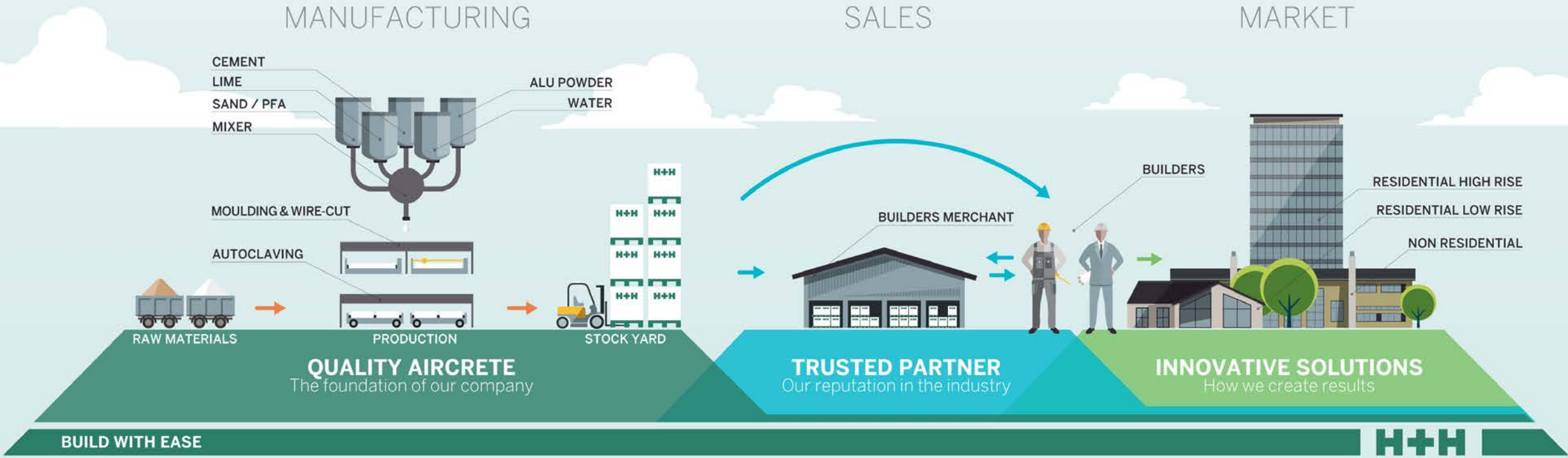


DEMOGRAPHY

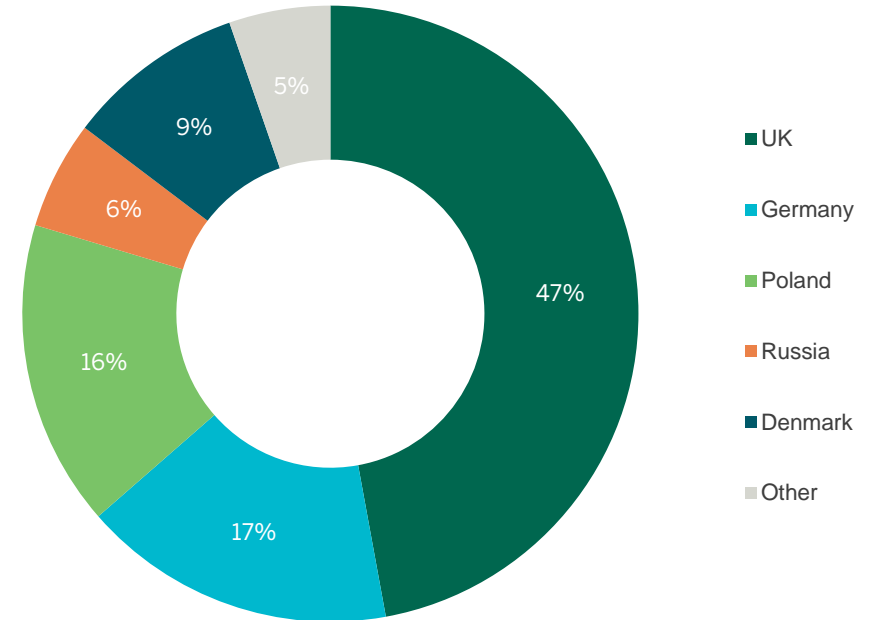
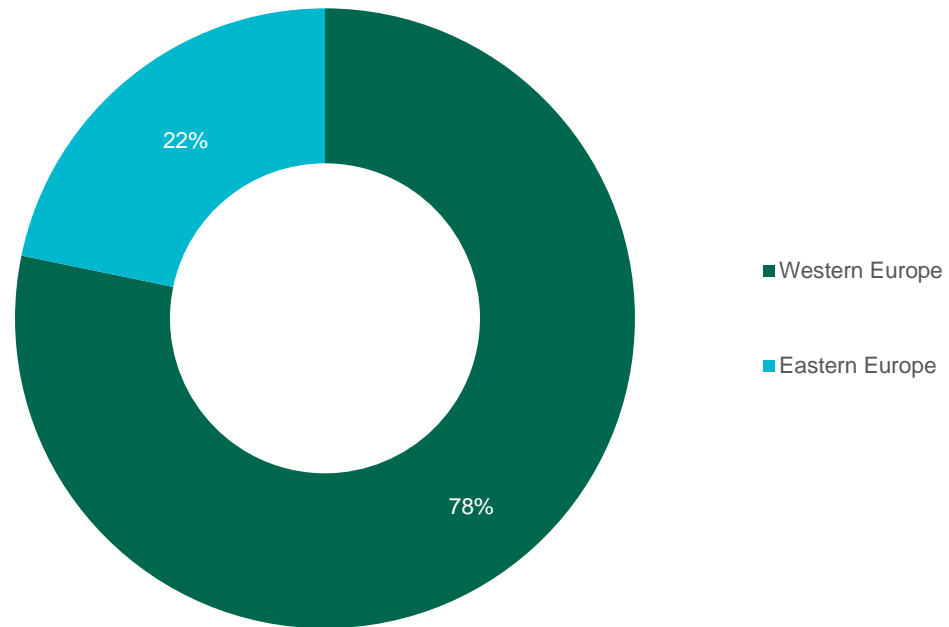
# Commercial approach



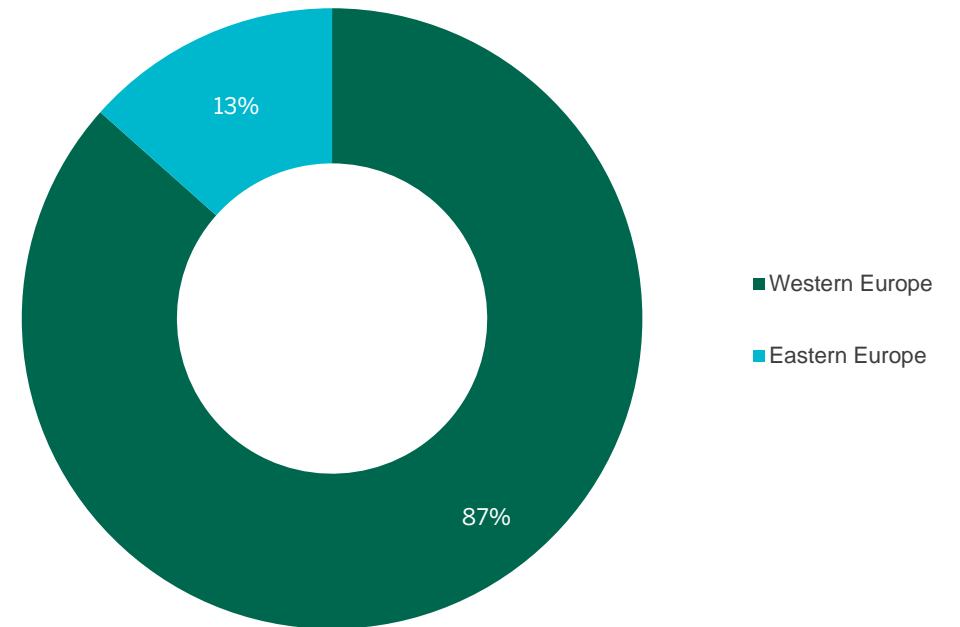
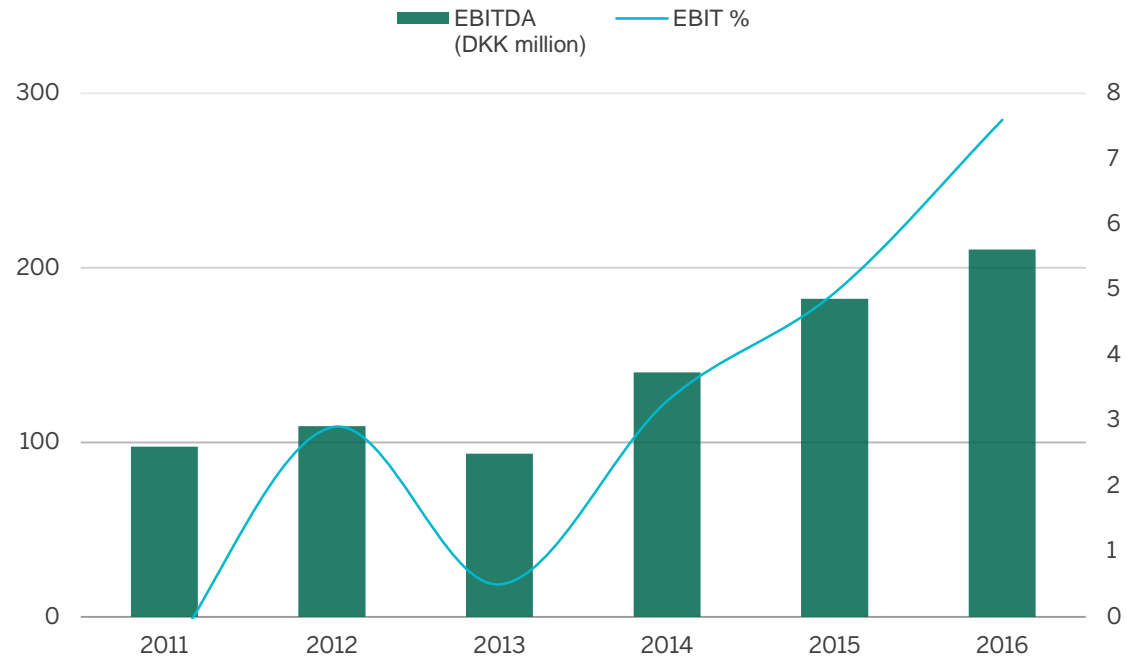
# Business model



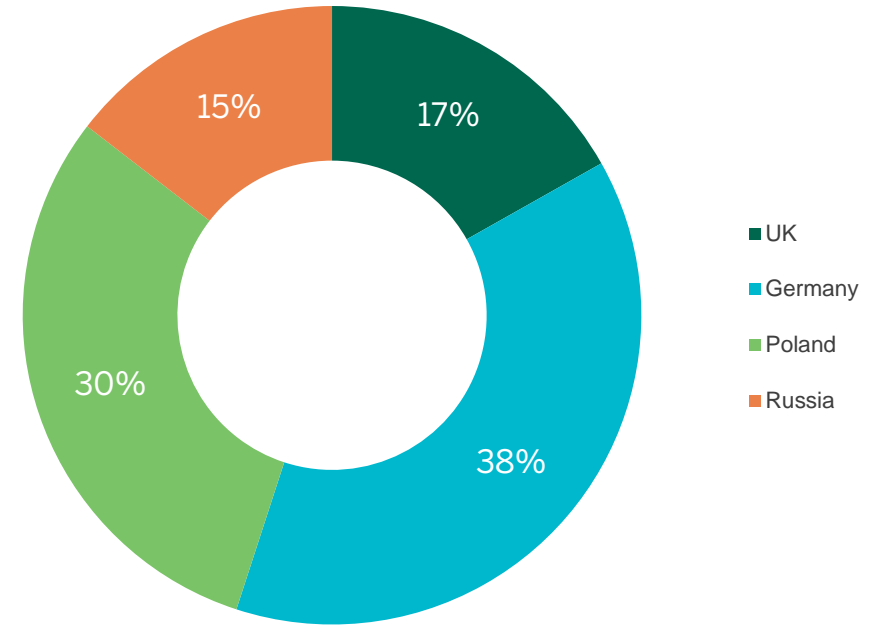
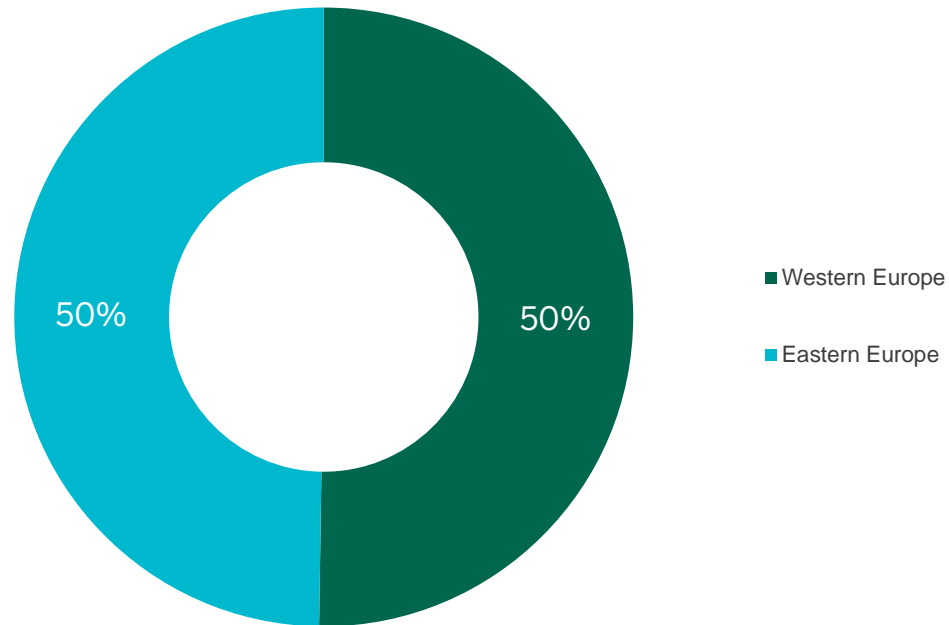
# Revenue allocation 2016



# EBITDA and EBIT margin development and EBITDA allocation 2016



# Non-current asset allocation as of 31 December 2016





# Net interest-bearing debt development and allocation as of 31 December 2016

