



Investor presentation Annual report 2018

15 March 2019



Introduction

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Financial performance

Strategy

Outlook and long-term financial targets

Segments and market development

ESG

Q&A

H+H is partner in wall building across Europe

H+H is a wall building materials provider. The core activity is production and sale of autoclaved aerated concrete (AAC or aircrete) and calcium silicate units (CSU or sand lime bricks). The products are building blocks used for wall building primarily in the residential new building segment.

The product range also includes more advanced products such as high-insulating blocks, larger elements and a range of traded goods used for wall building.

H+H has 28 factories in Northern and Central Europe and Northwest Russia with a total annual output of approximately four million cubic metres of wall building materials and a leading position in most of its markets. The Group has more than 1,600 employees.

The business is cyclical and H+H is always pursuing organic growth and margin improvements. In addition, restructuring of the markets in Central Europe is on the strategic agenda.

The parent company H+H International A/S has its headquarter in Copenhagen, Denmark and the company is listed on Nasdaq Copenhagen.

FORWARD-LOOKING STATEMENT

This document contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of H+H International A/S, may cause actual developments and results to differ materially from the expectations expressed in this document. In no event shall H+H International A/S be liable for any direct, indirect or consequential damages or any other damages whatsoever resulting from loss of use, data or profits, whether in an action of contract, negligence or other action, arising out of or in connection with the use of information in this document.

Highlights

Organic growth

Organic growth of

18% year-to-date

Organic growth of

30% in Q4 2018

EBITDA before special items

DKK million

410 year-to-date

242 last year

DKK million

110 in Q4 2018

161 last year

Acquired businesses

Integration of acquired businesses is running to schedule

Germany

Switzerland

Poland

Investments

Capital expenditure of

138 DKK million year-to-date

54 DKK million in Q4 2018

Acquisitions in 2018 amounts to

839 DKK million

Financial performance

DKK million		Q4			Q1-Q4		
		2018	2017	Variance	2018	2017	Variance
Revenue	Actual	660	370	78%	2,523	1,622	56%
	Organic	480	370	30%	1,917	1,622	18%
Gross margin*		27%	30%	(3%)	26%	27%	(1%)
EBITDA	Before special items	110	61	49	410	242	168
	After special items	84	50	34	345	212	133
EBIT margin	Before special items	7%	11%	(4%)	9%	10%	(1%)
	After special items	4%	8%	(4%)	6%	8%	(2%)
Return on invested capital**					10%	16%	(6%)
Investments		54	72	(18)	138	109	29
Free cash flow***		89	(18)	107	236	(61)	297
Net interest-bearing debt	DKK million				525	460	65
	Financial gearing				1.3x	1.9x	
Equity					1,000	377	623

* adjusted for special items and the planned standstill of the Borough Green factory the gross margin was 28% for Q4 2018 vs. 30% last year and 28% year-to-date vs. 28% last year

** adjusted for “one-off” depreciations from the purchase price allocation, the impact of special items and impairment of fixed assets in Russia return on invested capital would have been 17%

*** excluding acquisition of enterprises and related land, property and related deferred payments related hereto



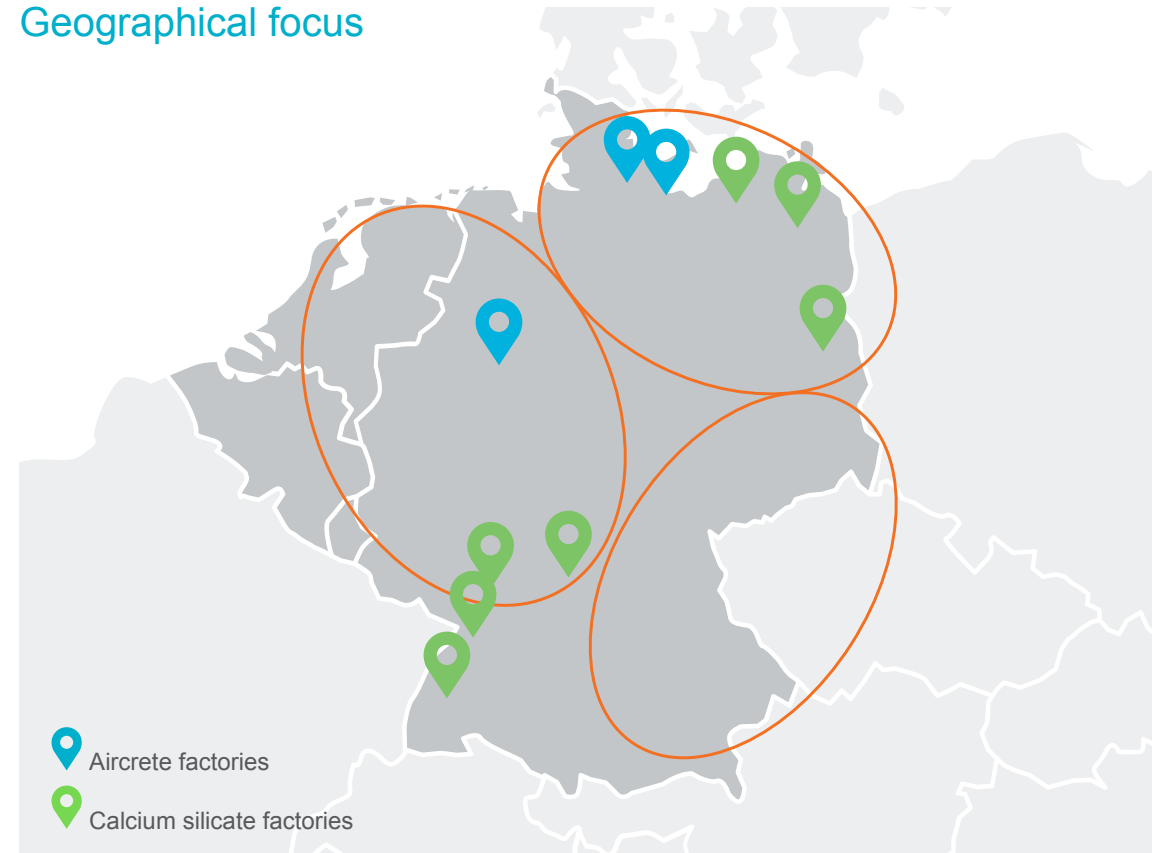
H+H supports customers from the very early planning stages with a complete range of sustainable wall building solutions, process expertise and guidance on how to optimize the wall building process.

Unique opportunity to participate in market restructuring

H+H is in a unique situation

- Overcapacity in the German aircrete market
- Proven track record in successful restructuring
- A number of potential acquisition targets identified and dialogue ongoing with some of these
- Limited impact from anti-trust regulation in Germany

Geographical focus



Delivering on the strategy

Reda CSU factory

- Investment for a CSU production line on current AAC site in Reda near Gdansk, Poland, has been approved
- Best location compared to competitors from a proximity perspective
- Low cost investment due to co-location with existing production facility

Dresden CSU factory

- Preliminary purchase agreement for 51% ownership
- Currently owned by HeidelbergCement
- Closing of the transaction is subject to prolongation of sand excavation rights
- Acquisition price is around DKK 67 million for 51% ownership



A powerful platform for continuing the strong development



Outlook 2019

- Revenue growth before acquisitions and measured in local currencies is expected to be around 7%
- EBITDA before special items is expected to be DKK 445-495 million
- EBIT before special items is expected to be DKK 270-320 million
- Investments excluding acquisitions and divestments are expected to be in the region of DKK 160 million including investments for establishing a CSU production line near Gdansk, Poland



We focus on **adding value** to our customers throughout the entire **wall building process**

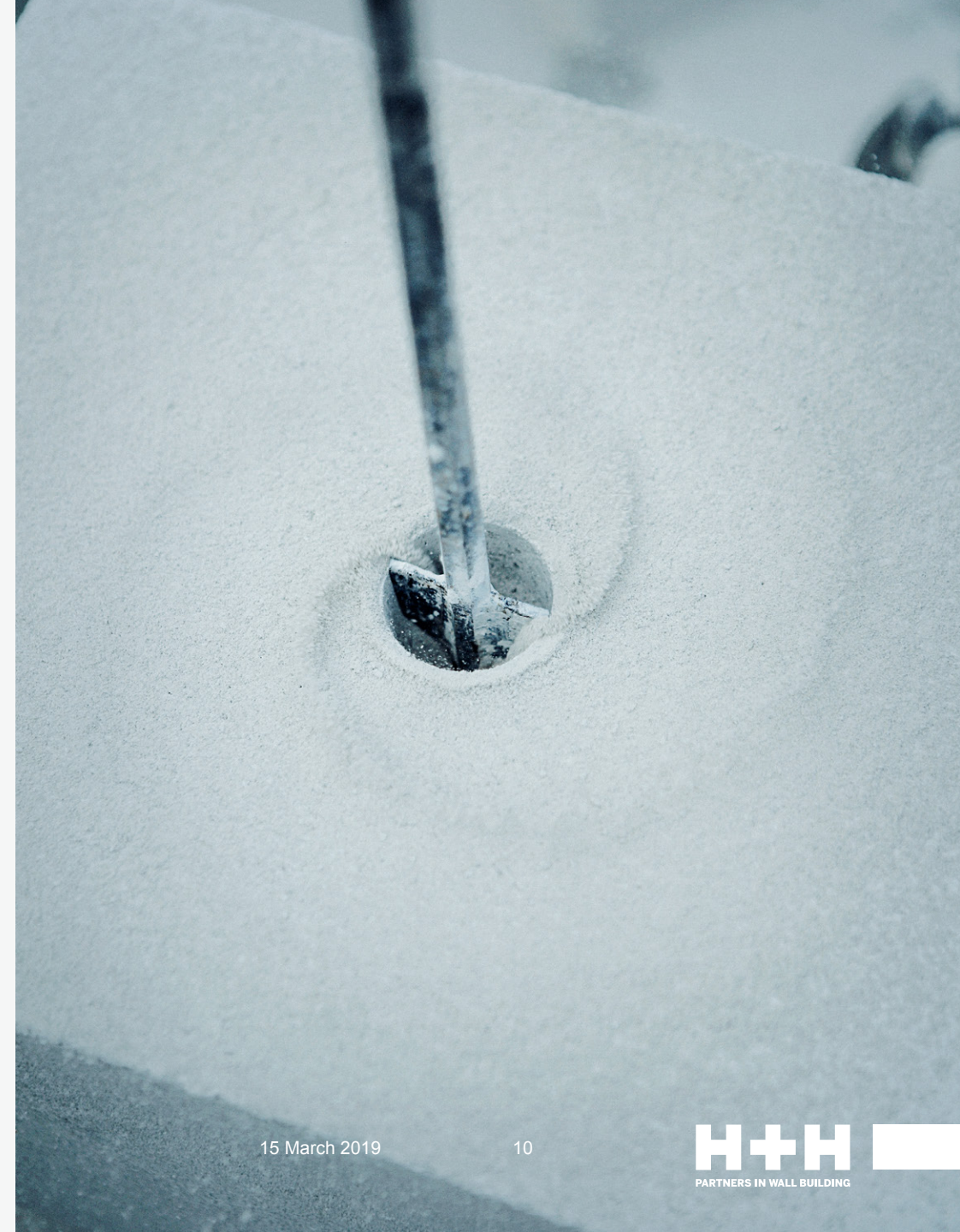
Outlook 2019

Assumptions for the outlook for 2019

Specific assumptions

The expectations for H+H's financial performance in 2019 are based in the following specific assumptions:

- Brexit will not lead to a significant decrease in demand
- Continuous economic growth in H+H's geographical footprint
- The excellence programs continue to deliver improvements
- Exchange rates, primarily for GBP, EUR and PLN, hold at their mid-March levels
- Positive impact from IFRS 16 on EBITDA is in the region of DKK 22 million
- Energy and raw material costs expected to rise at levels exceeding inflation



The UK – Brexit

- Around 10% of the UK AAC market is imported products
- H+H do not expect to import products in 2019
- In case of tariffs and/or a decline in the GBP, importing products will be less profitable
- All raw materials except one are sourced locally by H+H
- Safety stock of imported raw materials ensures H+H the ability to produce no matter how the Brexit process develops
- The prime minister has described resolving the housing crisis as *'the biggest domestic policy challenge of our generation'*



Long-term trends

Long-term financial targets

EBIT margin

(Operating margin before special items)

At least **11%**

ROIC

(Return on invested capital)

At least **12%**

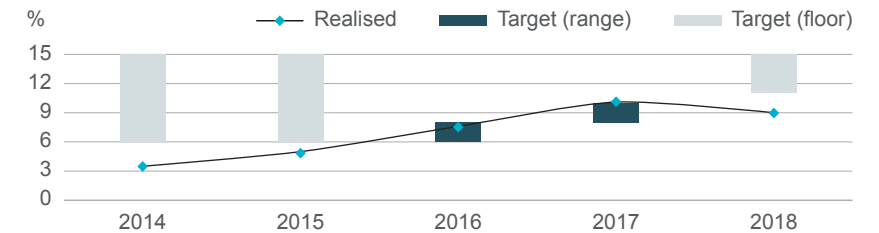
Financial gearing

(Net interest-bearing debt / EBITDA before special items)

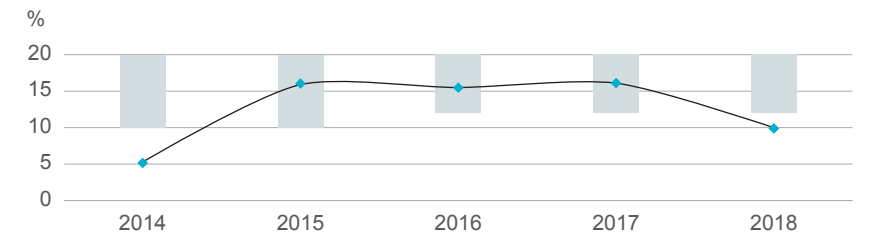
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Long-term financial performance

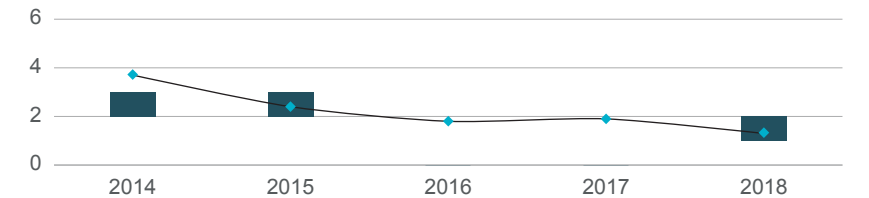
EBIT margin



ROIC



Financial gearing



Western European segment

DKK million		Q4			Q1-Q4		
		2018	2017	Variance	2018	2017	Variance
Revenue	Actual	473	277	71%	1,808	1,220	48%
	Organic	351	277	27%	1,365	1,220	12%
EBITDA	Before special items	58	28	30	268	194	74
	After special items	24	16	8	203	168	35
Investments		36	60	(24)	113	88	25

- Organic growth in the quarter is predominantly driven by higher sales volume
- Prices are higher than same period last year in all markets
- EBITDA improvement is a combination of contribution from acquisitions and the aircrete business
- Increasing cost pressure, partly due to internal transfer of products
- Integration of the acquired businesses running to schedule
- The upgraded Borough Green factory reached its expected output capability



Eastern European segment

DKK million		Q4			Q1-Q4		
		2018	2017	Variance	2018	2017	Variance
Revenue	Actual	187	93	101%	715	402	78%
	Organic	131	93	42%	551	402	37%
EBITDA	Before special items	31	7	24	150	52	98
	After special items	27	8	19	152	49	103
Investments		18	11	7	25	21	4

- The development is predominantly driven by Poland
- Continued strong market demand leading to higher sales volumes and higher prices
- Sales volumes capped by production output
- Integration of the acquired business completed
- EBITDA improvement is a combination of contribution from acquisitions and the aircrete business
- Implementation of excellence processes in the CSU factories has led to an increase in production volumes



ESG

ESG measures	2018	2017	2016
FTEs	1,651	1,062	1,041
Temp. workers ratio	2%	2%	2%
Gender diversity	15%	16%	16%
Leavers	228	142	137
Employee turnover ratio	14%	13%	13%
CO ₂ e (kg per m ³) - Scope 1	33	28	30
CO ₂ e (kg per m ³) - Scope 2	13	15	14
Total Energy per m ³ (GJ)	0.6	0.5	0.5
Share of renewable energy	4%	5%	5%
Water consumption per m ³ (litre)	364	373	415
Share of harvested water	2%	3%	3%



Sustainability incentives are inherent throughout the business model; **reducing water** content in the product leads to **lower distribution costs**

Q & A



Thank you

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H+H
PARTNERS IN WALL BUILDING

Appendices



External growth drivers



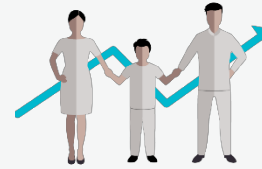
MACROECONOMIC

- GDP growth
- Inflation
- Governmental stimuli of housebuilding



CAPACITY UTILISATION















- Capacity utilisation in the aircrete and calcium-silicate industry
- Capacity utilisation in the wall building materials industry
- High entry barriers



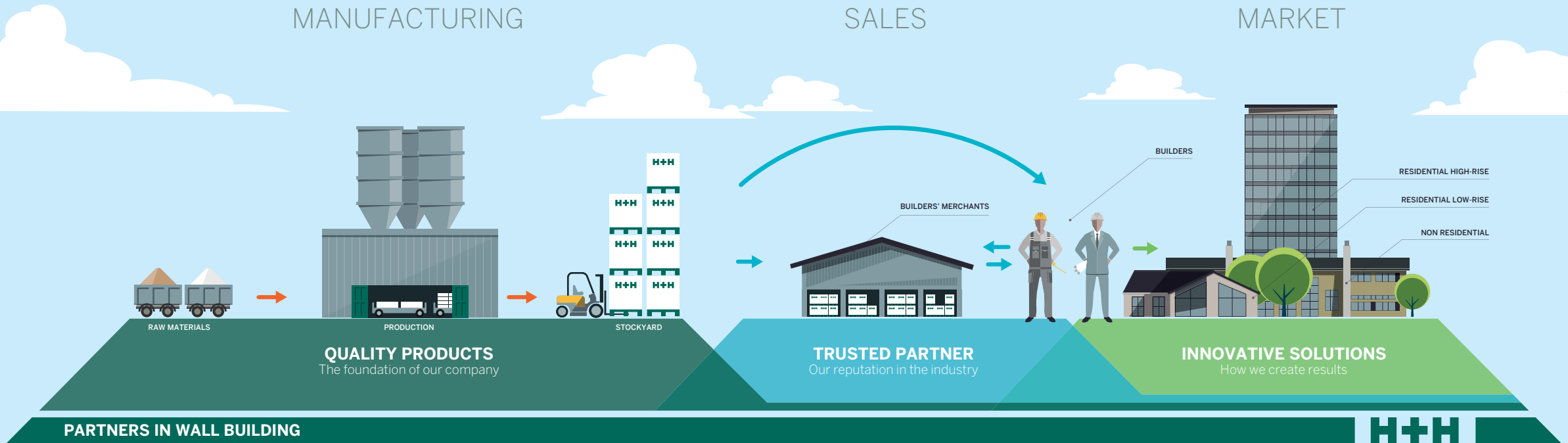
DEMOGRAPHY

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

Risk factors

Risk	Probability/impact		Scenario	Action
	2017	2018		
Market			With significant fixed costs, demand has a noticeable effect on H+H's financial performance. Developments in the global economy and especially the construction sector, as well as political risks such as Brexit, initiatives such as taxes or tax deductions targeting the building industry or home owners, or changes to the mortgage system, have a significant direct and indirect impact on H+H.	Monitoring economic and political developments in the various markets and effective sales follow-up on a weekly basis.
Production			A major production breakdown or fire in a factory could cause a long-term loss of production. This shortfall would impact overhead recovery and could have an effect on sales unless made up by other H+H factories, which could lead to increased transportation costs.	Plans are in place to limit the time to fix production issues. Business interruption due to natural disasters/fire/explosions etc. is covered by insurance, which includes the additional cost of servicing the market from other sourcing options.
Raw materials & energy			Production is dependent on the supply of raw materials. Production costs are exposed to the effects of higher energy prices, cost of transportation and price changes for cement, sand, pulverised fuel ash (PFA) and lime.	All critical raw materials have dual sourcing, and substitution of suppliers can be implemented relatively easily (although at a cost). The cost raw materials is monitored closely.
Competition and pricing			H+H is one of the largest players in the European wall-building industry. Excess production capacity in some markets could result in a price war as well as some competitors desire to acquire market share using price as their selling point.	Competitor monitoring to the extent possible. Strong market visibility to maintain market position. Price monitoring in the various markets on a weekly basis with possible price adjustments.
Foreign exchange rates			H+H's earnings are in GBP, EUR and PLN, while its borrowings are primarily in DKK and EUR. Any developments in the financial markets, especially in GBP and PLN, could have a significant impact on H+H.	Exchange rate risks are mitigated under established policies and are subject to ongoing follow-up and reporting. H+H does hedge currency to reduce the exposure and tries to match assets and liabilities within each country when possible.
Capital structure & cash flow			Net interest-bearing debt amounted to DKK 525 million at the end of 2018 and H+H will remain dependent on external financing in the future to fulfill its growth strategy.	H+H has entered into a new banking agreement with Nordea. The should allow sufficient funding for both normal trading and to support its growth strategy. Covenants do exist within the agreement, but the company does not expect to breach these.
Integration of acquired companies			During 2018 H+H has made two acquisitions and has indicated that further acquisitions are likely. The integration of the acquired businesses are now mostly complete but the integration process stretches a lean organisation.	H+H will ensure a successful integration by employ and hiring sufficient resources to effectively manage the integration along with the existing day to day business.

The business model



Quality Products

Key raw materials in H+H's products are nature's own sand, water and lime. In AAC cement and aluminium are added.

Trusted Partner

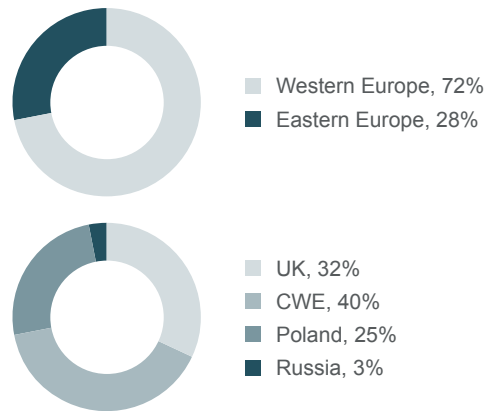
H+H focuses on adding value to customers throughout the entire building process.

Innovative Solutions

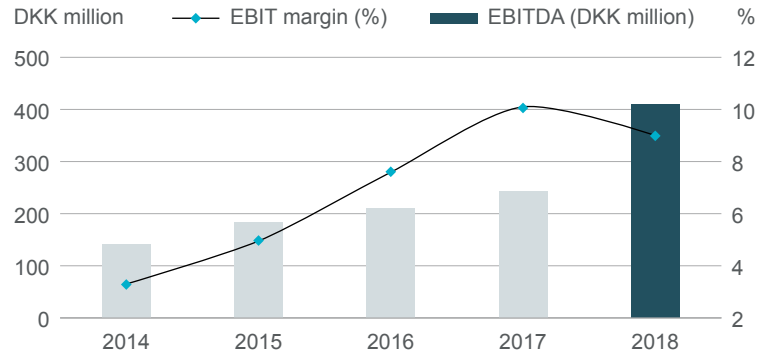
H+H supports the products with research and development programs and continuously improves and expands the product range through technological developments and design innovation.

Financial results

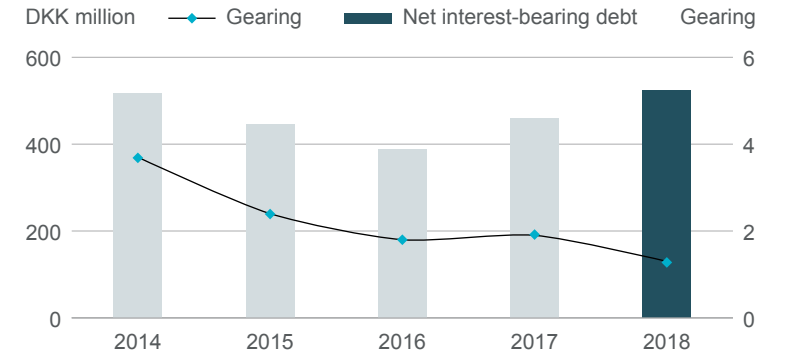
Revenue allocation 2018



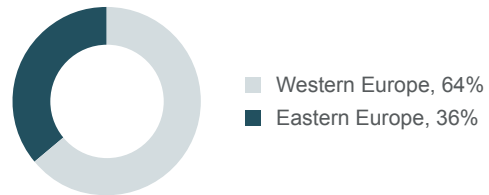
EBITDA and EBIT margin development



Financial gearing



EBITDA allocation 2018



Long-term target of EBIT margin

At least **11%**

Long-term target of EBIT margin

1-2x EBITDA
before special items