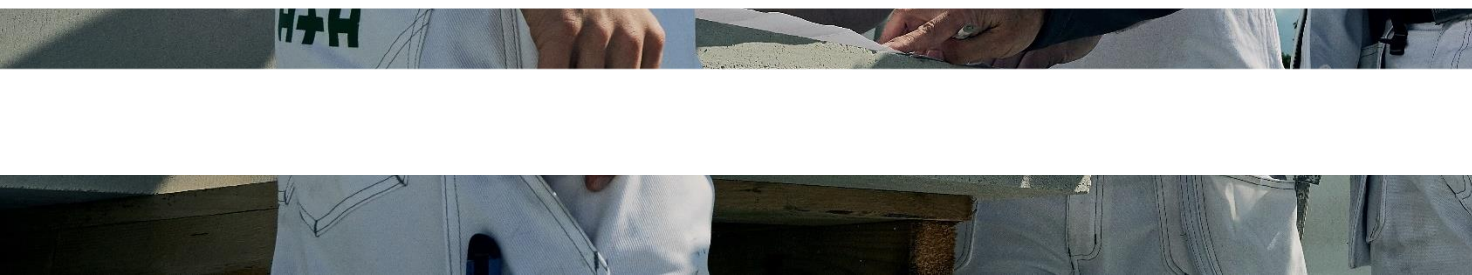




# Investor presentation Q1 2019

13 May 2019



# Introduction

## Agenda

### Financial performance

### Outlook

### Segments and market development

### Strategy

### 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 29 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.

# Financial highlights

DKK million		Q1		
		2019	2018	variance
Revenue	Actual	666	434	53%
	Organic	529	434	22%
Gross margin*		27%	22%	5%
EBITDA	Before special items	97	40	57
	After special items	97	24	73
EBIT	Before special items	55	13	42
	After special items	55	(3)	58
EBIT margin	Before special items	8%	3%	5%
	After special items	8%	(1%)	9%
Return on invested capital		13%	12%	1%
Investments**		11	29	(18)
Free cash flow**		(23)	(99)	76
Net interest-bearing debt	DKK million	659	1 352	(693)
	Financial gearing	1.4x	5.5x	
Equity		1 046	370	676

\* adjusted for special items and the planned standstill of the Borough Green factory the gross margin was 26% for Q1 2018

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



# Update of outlook 2019

- Revenue growth before acquisitions and measured in local currencies is expected to be around 7% (unchanged).
- EBITDA before special items is expected to be DKK 460-510 million (previously DKK 445-495 million).
- EBIT before special items is expected to be DKK 280-330 million (previously 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 (unchanged).

## Selected specific assumptions

The expectations for H+H's outlook 2019 are amongst other based on following assumptions:

- Brexit will not lead to a significant decrease in demand.
- Continuous economic growth in our geographical footprint.
- The excellence programs continue to deliver improvements.
- Energy and raw material costs expected to rise at levels exceeding inflation.

Please refer to the interim financial report for full set of assumptions.



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

# Brexit – kicking the can down the road...

## Timeline if Theresa May's deal is not signed by 22 May 2019

23-26 May: European Parliamentary elections (No deal on 1 June if UK doesn't take part).

20-21 June: European Council meeting (Brexit to be reviewed).

21-25 September: Labour Party conference.

29 September – 2 October: Conservative Party conference.

31 October: New EU exit date (assuming UK takes part in European elections).



# Western European segment

DKK million		Q1		
		2019	2018	variance
Revenue	Actual	464	307	51%
	Organic	389	307	27%
EBITDA	Before special items	66	34	32
	After special items	66	19	47
EBIT	Before special items	34	15	19
	After special items	34	0	34
Investments		5	28	(23)

- Organic growth in the quarter is predominantly driven by higher sales volume in the UK and favorable weather conditions.
- Prices are higher than same period last year in all markets.
- EBITDA improvement is a combination of contribution from acquisitions and the aircrete business.
- Stocks have been reduced during the first quarter.
- Increasing cost pressure, expected to continue throughout the year.
- Downgrade of macroeconomic outlook for the region does not impact the anticipated market development.



# Eastern European segment

DKK million		Q1		
		2019	2018	variance
Revenue	Actual	202	127	59%
	Organic	143	127	12%
EBITDA	Before special items	49	22	27
	After special items	49	21	28
EBIT	Before special items	40	14	26
	After special items	40	13	27
Investments		6	1	5

- The development is predominantly driven by Poland.
- The organic growth is predominantly price driven.
- Sales volumes capped by production output.
- EBITDA improvement is a combination of contribution from acquisitions and the aircrete business.
- Market outlook in Poland remain strong, although momentum is decelerating.
- Potential sale of Russia in line with the strategy to pursue opportunities to change the strategic position in the Russian market.



# Dialogue with potential buyers of H+H's Russian business

## Potential sale in line with the strategy from the Annual Report 2018

- H+H Russia LLC that has a modern aircrete factory producing high quality products and a strong and committed organization.
- H+H will pursue opportunities to change the strategic position but are only willing to inject a limited amount of cash into such restructuring.
- Limited restructuring opportunities.
- Significant improvements in the market and the geopolitical situation are required to get to satisfactory earnings.
- Further information on the negotiations will be provided either when a conditional SPA is executed or when negotiations are terminated definitively.







**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.**



**The new brand claim opens for further opportunities to expand the product portfolio into other wall building materials. For the time being, restructuring within our existing products in Central Europe is top of the agenda.**

# 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.
- The project is running to schedule – expected inauguration mid-2020 with an investment of around DKK 30 million.

## Dresden CSU factory

- The transaction has been closed.
- Acquisition price is around DKK 67 million for 51% ownership.
- Integration project in process.
- Financial impact included in guidance.



# Q & A



# Thank you

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# Appendices



# Geographical footprint

-  Sales and admin
-  Aircrete factories
-  Calcium silicate factories



# External growth drivers



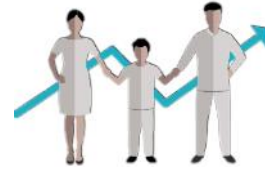
## Macroeconomic

- 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



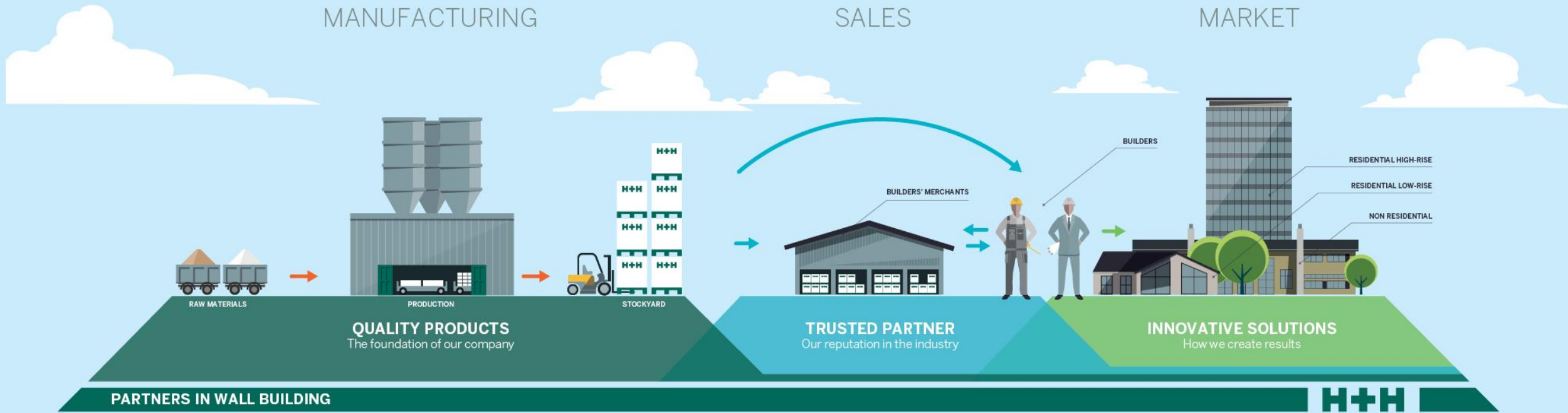
# Risk factors

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.

A powerful platform for continuing the strong development



# 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

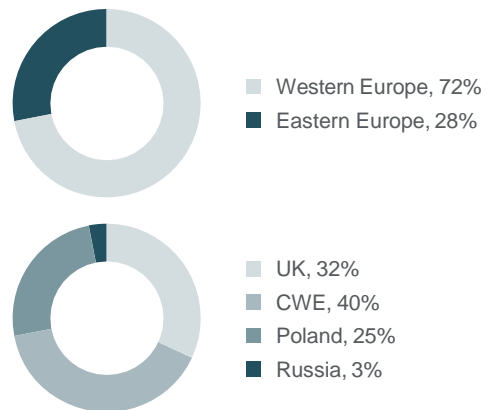
H+H focuses on adding value to costumers throughout the entire building process.

## Innovative Solutions

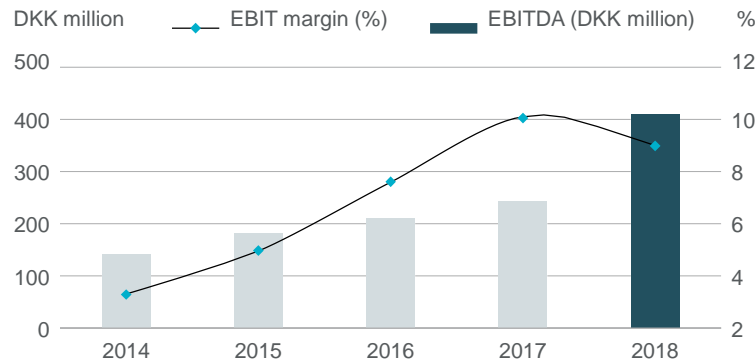
H+H supports the products with research and development programs and continuously improves and expands the product range through technological developments and design innovation.

# Financial results

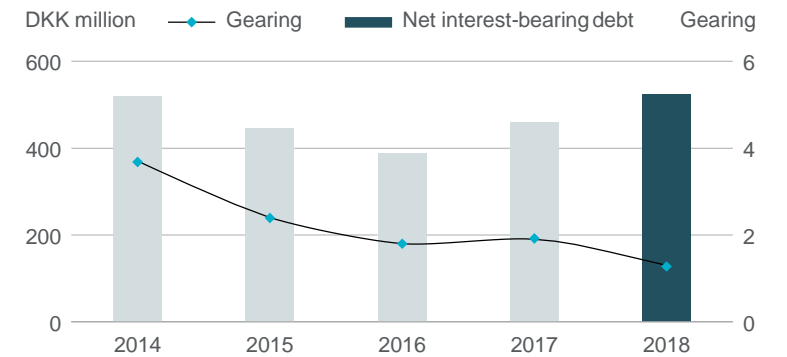
## Revenue allocation 2018



## EBITDA and EBIT margin development



## Financial gearing



## EBITDA allocation 2018



## Long-term target of EBIT margin

At least **11%**

## Long-term target for financial gearing

**1-2x** EBITDA  
before special items

# 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%**

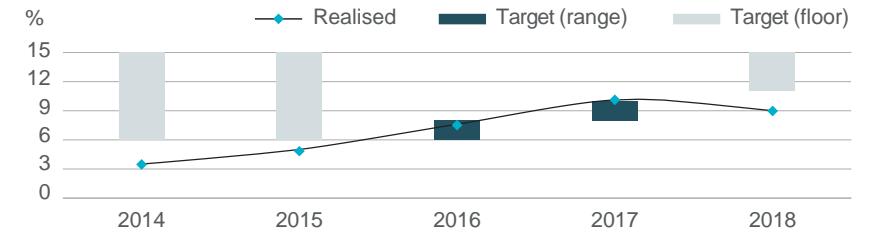
### Financial gearing

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

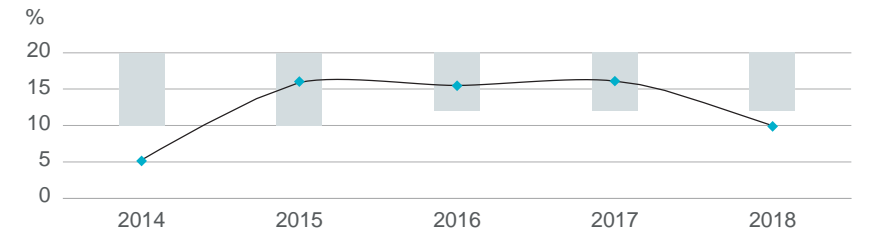
**1-2x**

## Long-term financial performance

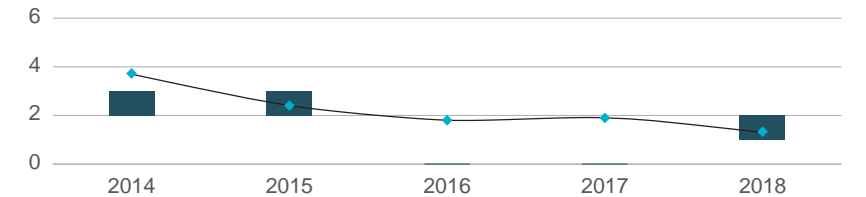
### EBIT margin



### ROIC



### Financial gearing



# More than 100 years of experience

