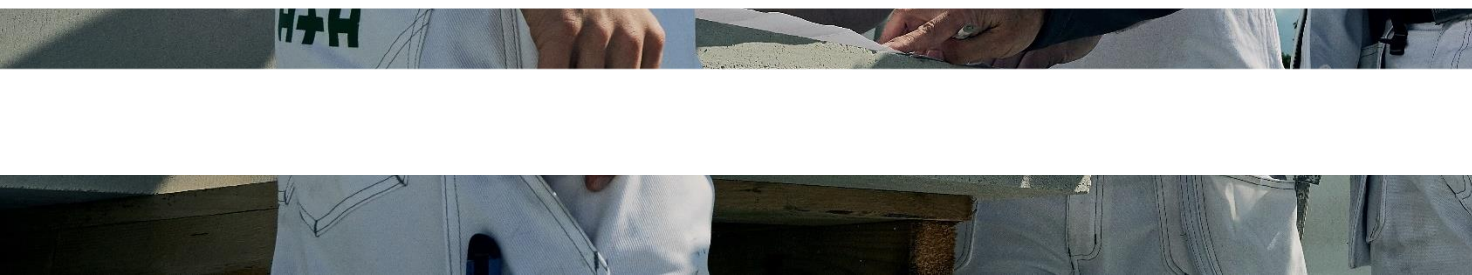




Investor presentation Q3 2019

13 November 2019



Introduction

Agenda

Financial performance

Cash flow

Outlook 2019

Segments and market development

Russian divestment

Optimizing geographic footprint

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 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		Q3			Q1-Q3		
		2019	2018	Variance	2019	2018	Variance
Revenue	Actual	779	720	8%	2.215	1.863	19%
	Organic	755	720	5%	2.044	1.863	10%
Gross margin*		34%	28%	6%	31%	26%	5%
EBITDA	Before special items	182	143	39	435	300	135
	After special items	182	127	55	435	261	174
EBIT margin	Before special items	18%	14%	3%	14%	10%	4%
	After special items	18%	12%	6%	14%	8%	6%
Return on invested capital		19%	13%	6%	19%	13%	6%
Investments**		(29)	(23)	(6)	(56)	(83)	27
Free cash flow***		136	131	5	261	156	105
Net interest-bearing debt	DKK million				471	598	(127)
	Financial gearing				0,9x	1,9x	
Equity					1.258	978	280

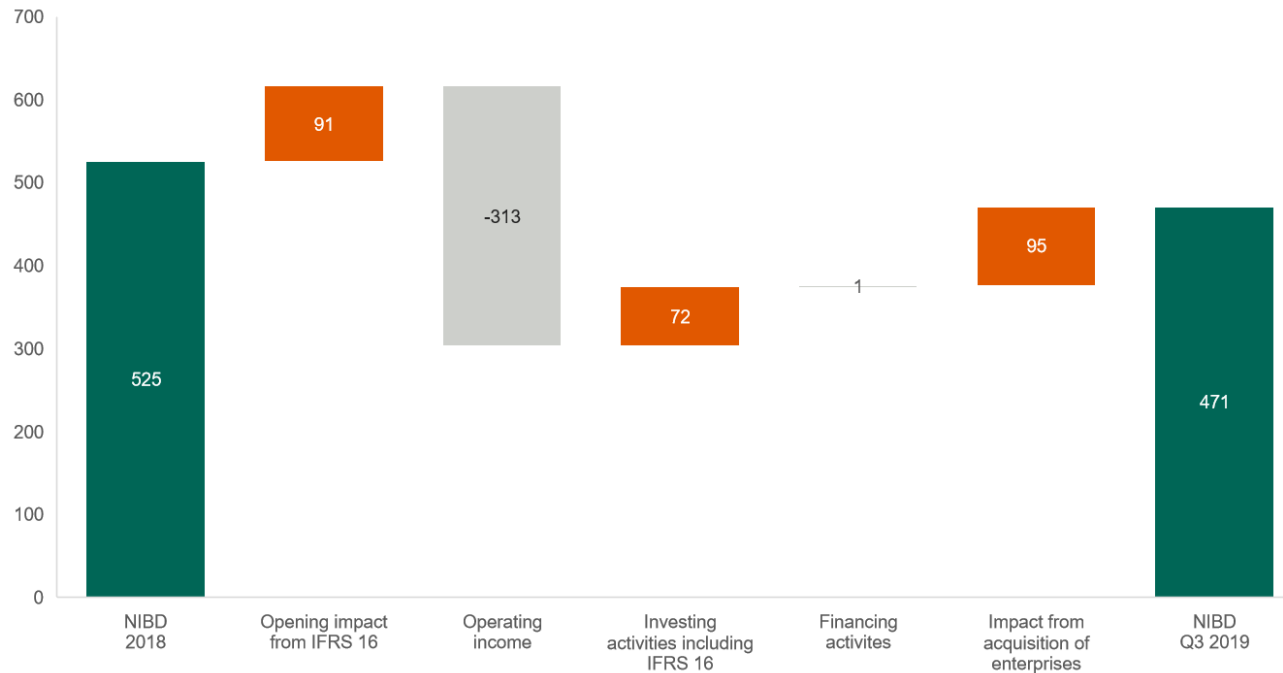
* adjusted for special items and the planned standstill of the Borough Green factory the gross margin was 29% for Q3 2018 and 27% for Q1-Q3 2018

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

*** The implementation of IFRS 16 has impacted the EBITDA by DKK 4 million, EBIT by DKK 1 million and operating cash flow by DKK 3 million for Q3 2019. For the first three quarters of 2019, the implementation of IFRS 16 has impacted the EBITDA by DKK 16 million, EBIT by DKK 3 million and operating cash flow by DKK 13 million

Cash flow

Cash flow for the first three quarters of 2019 adjusted for IFRS 16



Announced capital structure in Annual Report 2018

- For the time being, H+H expects to use the free cash flow to develop the existing business and pursue value-adding investments in the form of acquisitions, within the debt gearing indicated in the long-term financial targets.
- Surplus funds will be used for distribution to the shareholders by means of share buy-backs and dividends.

Long-term target for financial gearing

1-2x EBITDA
before special items

Outlook 2019

- Revenue growth before acquisitions and measured in local currencies is expected to be around 6% (adjusted from around 8%).
- EBITDA before special items is expected to be DKK 525-545 million (a narrowing of the interval from previously DKK 510-550 million).
- EBIT before special items is expected to be DKK 345-365 million (a narrowing of the interval from previously DKK 330-370 million).
- Investments excluding acquisitions and divestments are expected to be in the region of DKK 140 million including investments for establishing a CSU production line near Gdansk, Poland and IFRS 16 effect (unchanged).

Basis for the outlook

The expectations for H+H's outlook 2019 are primarily driven by following factors:

- Organic growth adjusted due to the recent market development in Germany.
- Operational improvements in operations to deliver extra output and reduce usage.
- Successful procurement efforts to optimise direct production costs.
- Higher central costs due to centralising IT and investing more in HR.

Please refer to the interim financial report for detailed assumptions.



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

Western European segment

DKK million		Q3			Q1-Q3		
		2019	2018	Variance	2019	2018	Variance
Revenue	Actual	531	511	4%	1.531	1.335	15%
	Organic	505	511	(1%)	1.418	1.335	6%
EBITDA	Before special items	115	96	19	288	210	78
	After special items	115	82	33	288	179	109
EBIT	Before special items	79	69	10	187	126	61
	After special items	79	55	24	187	95	92
Investments		18	19	(1)	31	77	(46)

- Adverse organic growth in the quarter due to lower volumes despite of better pricing in all regions
- Prices are higher in all markets compared to the same period last year
- In particular Germany was impacted by a volume decline, driven mainly by delay in customers execution of standing orders
- The adverse market development in Germany is more than offset by pricing and improvements in production, partly due synergies from recent acquisitions
- UK experienced a quarterly decline in revenue, which was a combination of stock movements last year and slower markets
- YTD the organic growth comprised a combination of both price and volume
- The improvement in EBITDA is a combination of higher prices and strong operational performance stemming from reduced usage, procurement and stable PFA supply



Eastern European segment

DKK million		Q3			Q1-Q3		
		2019	2018	Variance	2019	2018	Variance
Revenue	Actual	248	209	19%	684	528	30%
	Organic	250	209	20%	625	528	18%
EBITDA	Before special items	83	56	27	200	119	81
	After special items	83	56	27	200	125	75
EBIT	Before special items	73	42	31	172	93	79
	After special items	73	42	31	172	99	73
Investments		11	4	7	24	7	17

- Organic growth is predominantly driven by higher sales prices in Poland
- Sales volume was capped by production output
- Continuous positive impact from synergies from the acquisitions in 2018
- Market outlook in Poland remains strong, yet additional capacity from competition exceeds current market growth
- Expected cost pressure partly offset by optimizing supply, mix and usage
- H+H International A/S has on 31 October 2019 completed the divestment of its activities in Russia



H+H International A/S has divested its Russian business

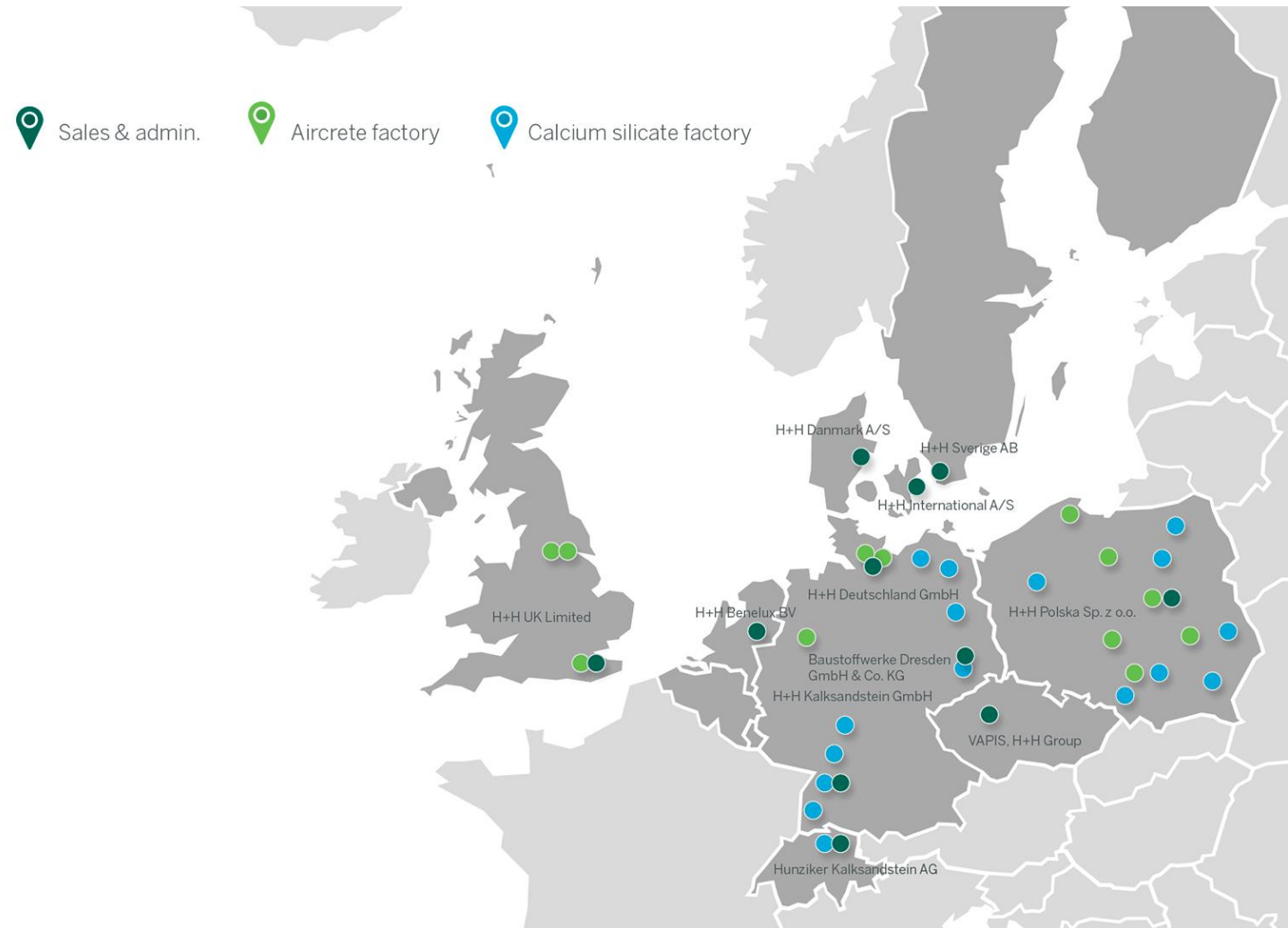
Sale in line with the strategy outlined in the Annual Report 2018

- In line with the current strategy 2018 H+H have pursued opportunities to change its strategic position in the Russian market.
- On 31 October 2019 H+H completed the sale of the Russian business by sale of all shares in H+H Russia LLC. The buyer is the Russian company “Limited Liability Company LSR. Wall Materials”
- The agreed enterprise value of the business was DKK 93 million. The net proceeds received are DKK 117 million and are payable in cash.
- The net proceeds will reduce the net interest-bearing debt and will be used to develop the existing business and pursue value-added investments in the form of acquisitions, within the debt gearing indicated in the long-term financial targets.



Optimizing geographic footprint

- Following the divestment of Russia, H+H can increase its focus on the three core markets UK, Continental Western Europe and Poland
- UK continues to be a strong market and has increased its earnings. Outlook in the mid-term remains strong
- Current UK exposure of around 30% of total revenue
- The Polish market has in recent year been consolidated and improved its returns; The market outlook continues to be positive
- M&A agenda continues for Central Europe



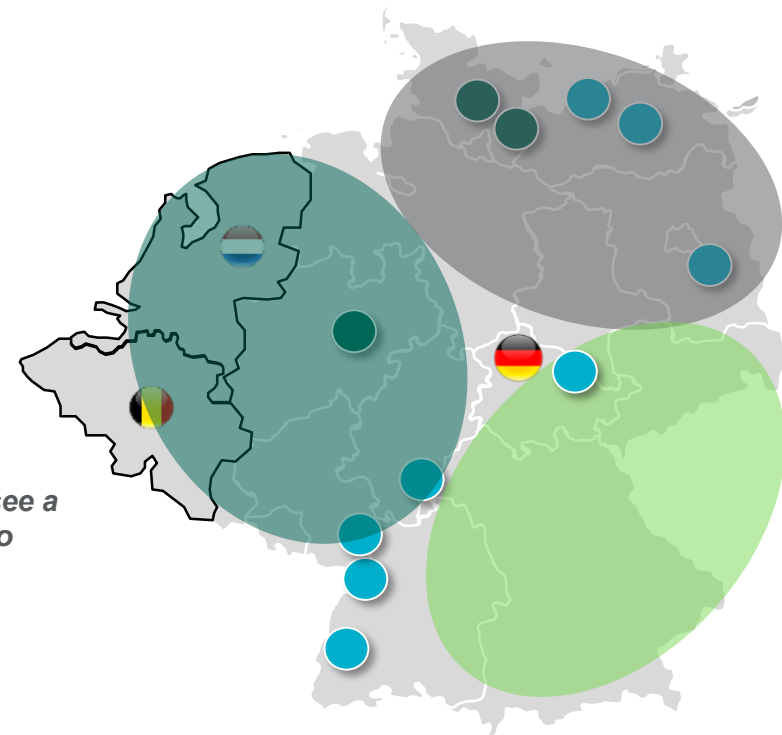
German M&A activities

Status

- Continuous dialog with potential sellers
- Market participants see a need for consolidation
- H+H is in a unique situation – anti trust regulation
- Different focus in the three regions

"We pursue further M&A opportunities in central Europe as we see a need for market restructuring, and H+H is in a unique situation to participate in such."

Geographic strategic focus on M&A activities



● H+H AAC plants ● Acquired CSU plants

13 November 2019

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Q & A



Thank you

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Investor presentation, Q3 2019



Appendices



Geographic footprint



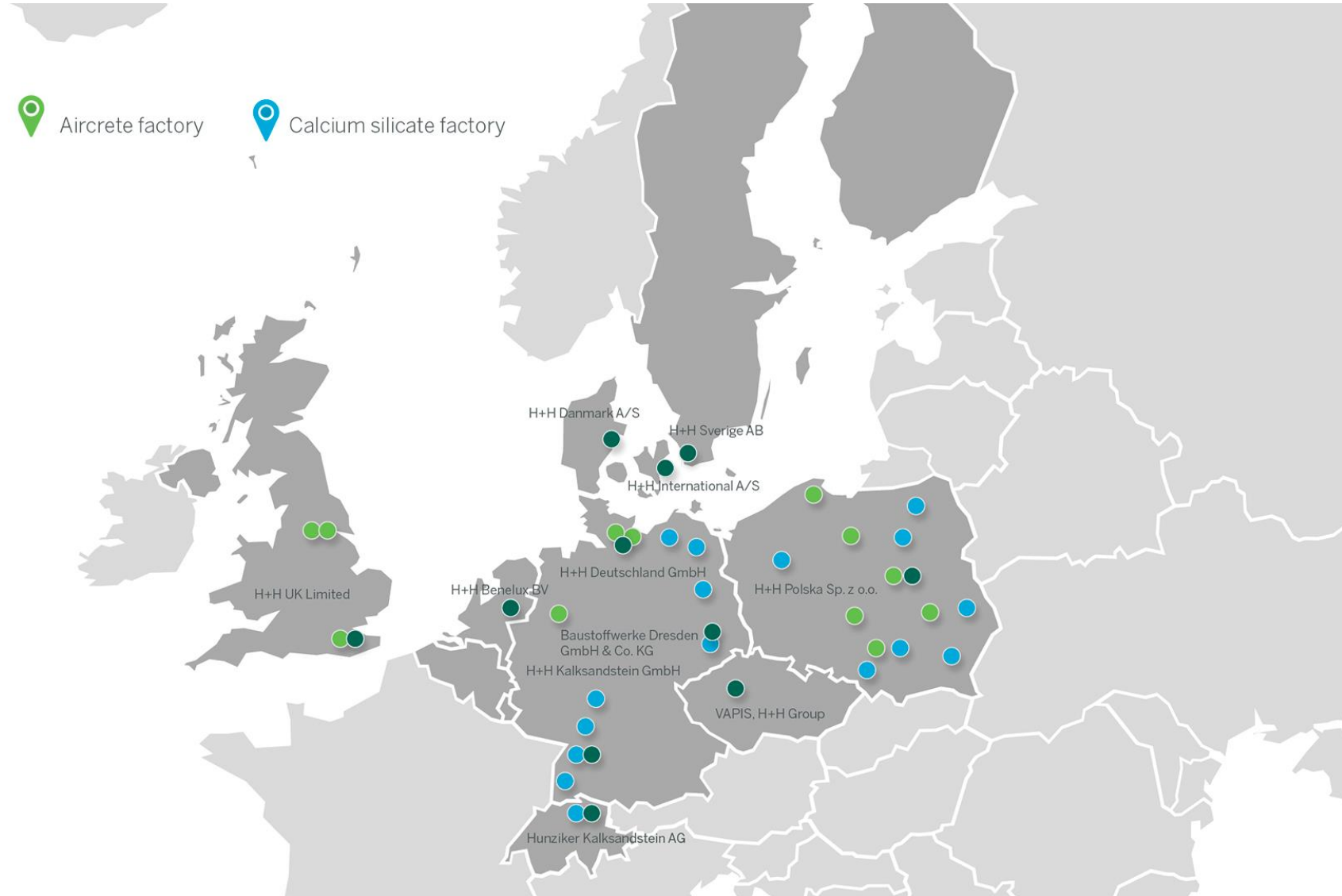
Sales & admin.



Aircrete factory



Calcium silicate factory



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

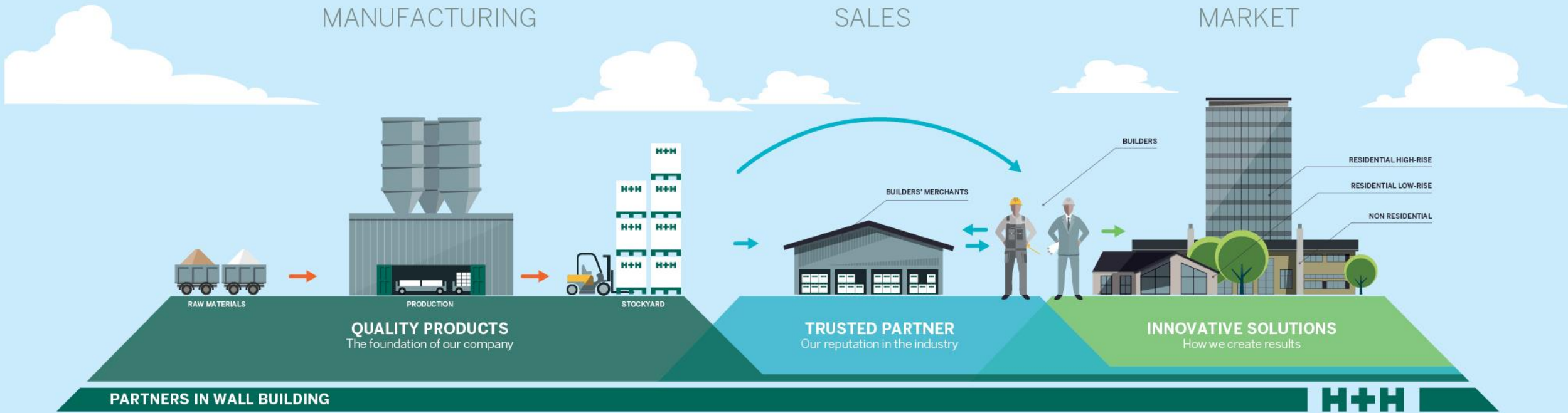
Risk factors

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

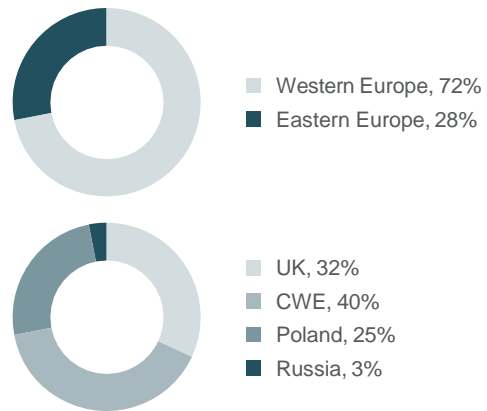
H+H focuses on adding value to costumers throughout the entire building process.

Innovative Solutions

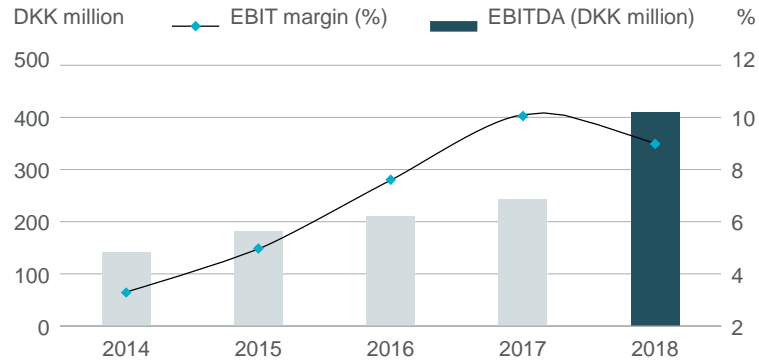
H+H supports the products with research and development programs and continuously improves and expands the product range through technological developments and design innovation.

Financial results

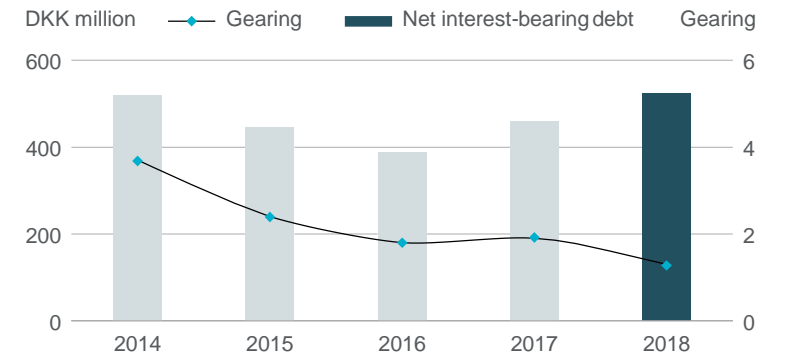
Revenue allocation 2018



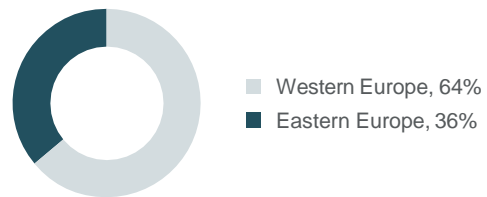
EBITDA and EBIT margin development



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%**

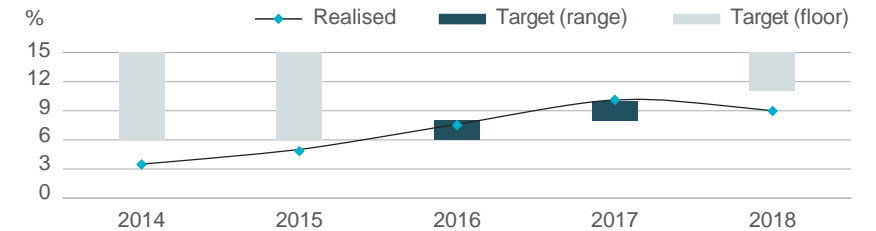
Financial gearing

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

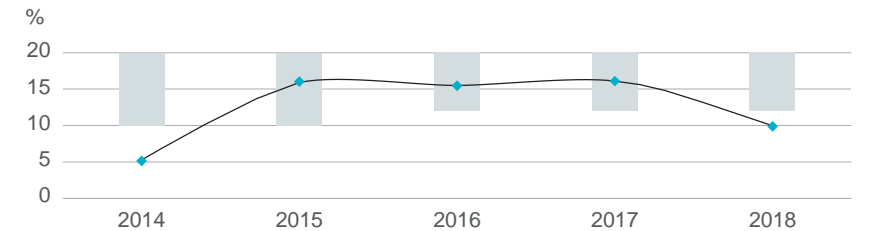
1-2x

Long-term financial performance

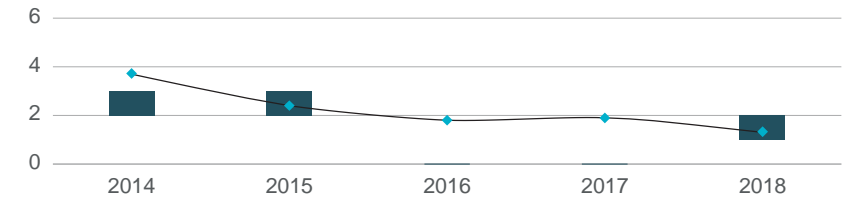
EBIT margin



ROIC



Financial gearing



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.





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.

More than 100 years of experience

