Investor presentation
FY 2019

11 March 2020

PARTNERS IN WALL BUILDING

Introduction

Agenda

Highlights FY 2019

Acquisitions and divestments

Financial performance

ESG

Cash flow

Markets

Next investment steps

Outlook 2020

Long-term targets

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 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 FY 2019

Revenue

DKK million

2,840

Organic growth of

6%

EBITDA before special items

DKK million

539

410 last year

EBIT before special items

366 DKK million

228 last year

Acquisitions and divestments

German Acquisitions:
One CSU and one AAC

Divestment of the Russian Business

ROIC

20%

Investments

Capital expenditure of

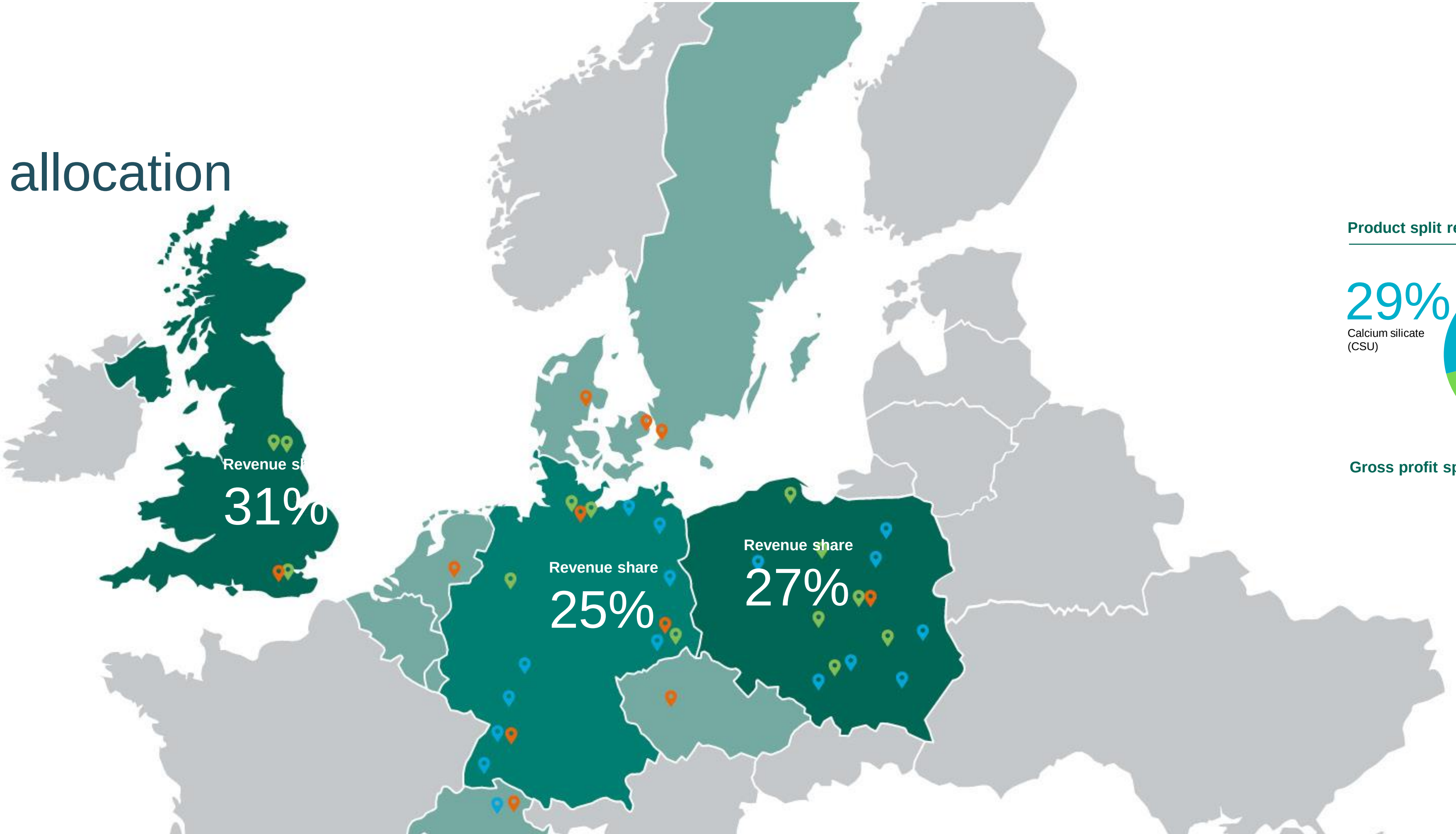
159 DKK million

33 DKK million IFRS 16 impact

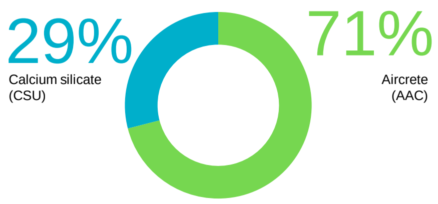
Financial gearing

0.8x NIBD/EBITDA (bsi)

Revenue allocation



Product split revenue



Gross profit split: CSU 30% / AAC 70%

Sales and Administration

Aircrete factories

Calcium silicate factories

Strong market positions

United Kingdom (31%)

#1

Marketshare **>40%**

Germany (25%)

#2

Marketshare **AAC >15%****

Marketshare **CSU ~12%**

** Incl acquired AAC factory in Dresden on 14 January 2020

Poland (27%)

#2

Marketshare **AAC 20-25%**

Marketshare **CSU 20-25%**

Other markets (17%)

#1 or #2

Marketshare **15-20%**

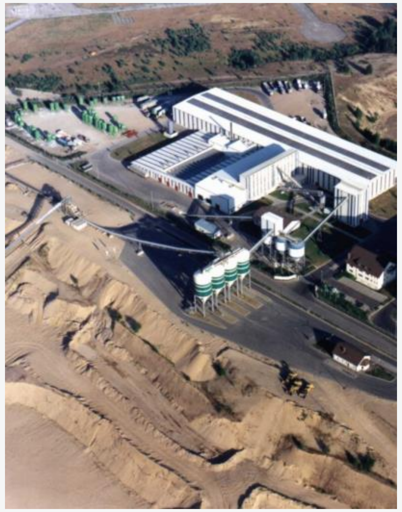
Includes Russia of 3 %, divested in October 2019.
*before special items

Acquisitions and divestments

Delivering on the strategy

CSU factory in Dresden, Germany

- The transaction was closed in April 2019.
- Acquisition price was DKK 67 million (EV) for 51% ownership.
- Integration project completed.

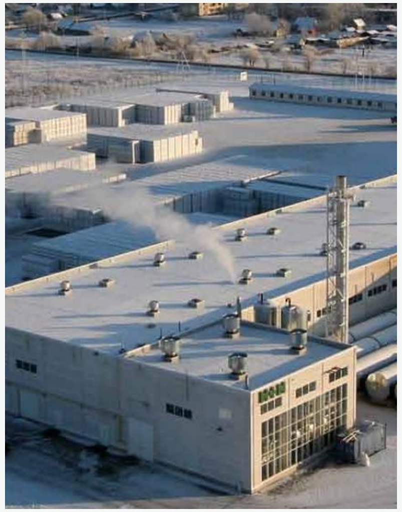


AAC factory in Laussnitz, Germany

- The transaction was closed in January 2020.
- Acquisition price was DKK 53 million (EV) for 51% ownership.
- Integration project in process.

Divestment of Russian Business

- Enterprise value of the business was DKK 96 million.
- The net proceeds received was DKK 117 million.
- One-off non cash IFRS adjustment of FX reserve impacting financial expense by DKK 121 million, with no impact on equity.

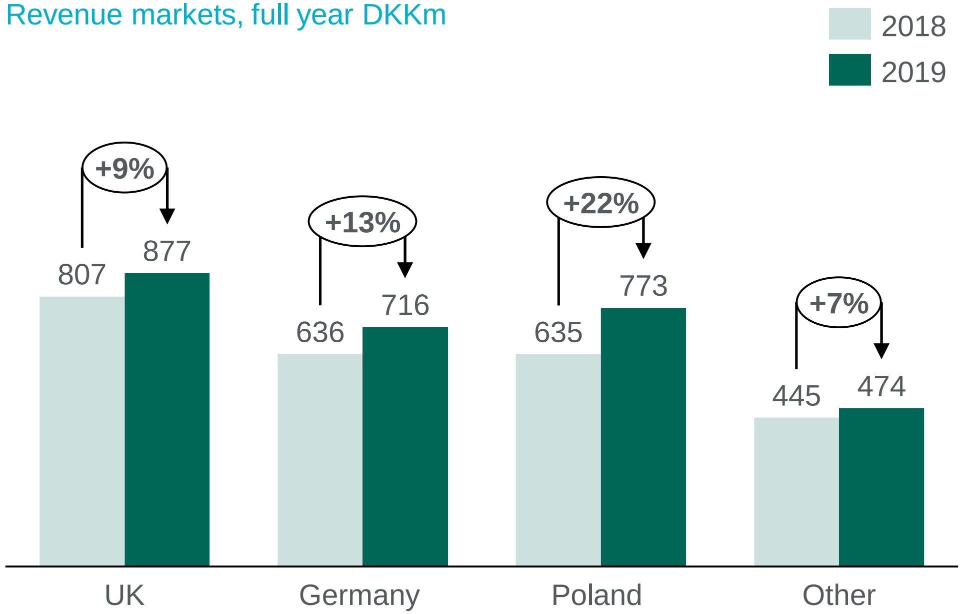


Strong revenue growth

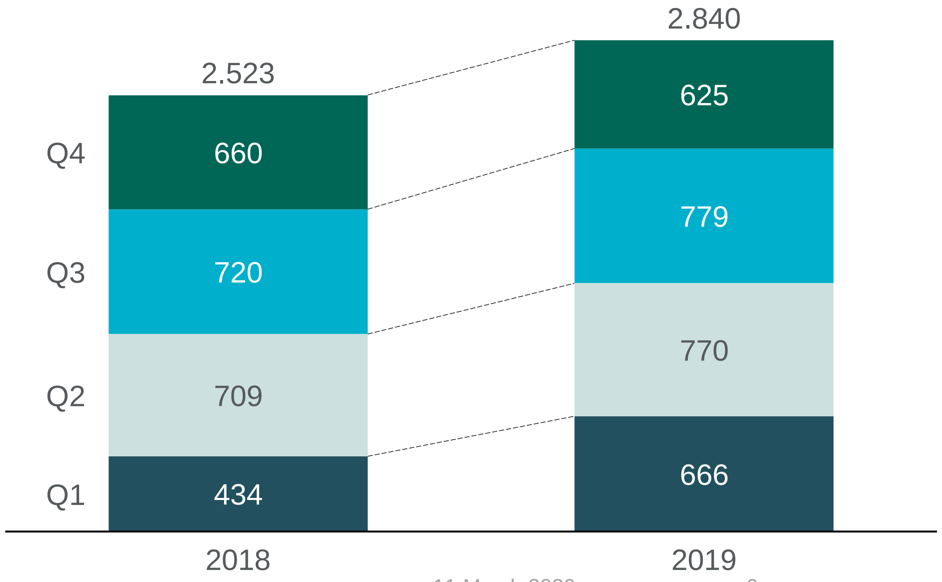
Revenue growth FY 2019 of 13%
- All areas contributed to growth
- Organic growth of 6%, mainly driven by prices in Germany, Poland and the UK
- UK increased capacity following the Borough Green upgrade

Q4 revenue development impacted by:
- Stable development in AAC market
- German high-rise market slowdown
- Divestment of Russia
- Strong Q4 2018 due to destocking following the Borough Green upgrade in the UK

Revenue markets, full year DKKm

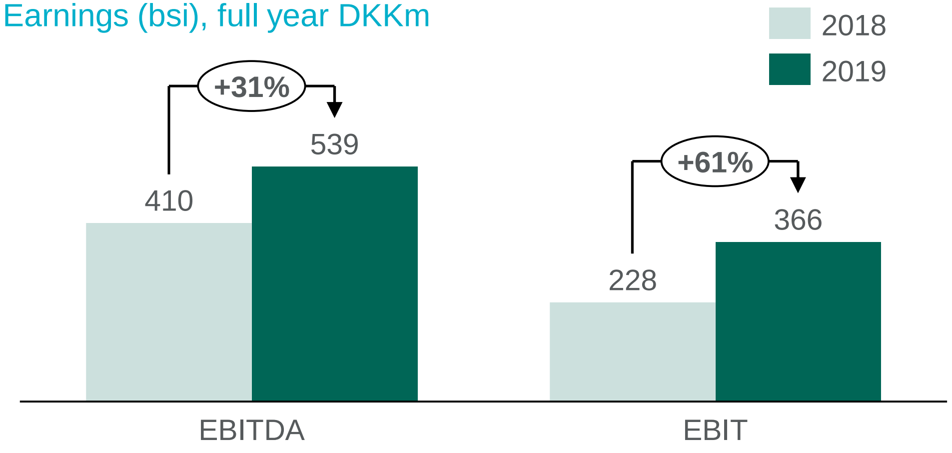


Revenue quarters, full year DKKm

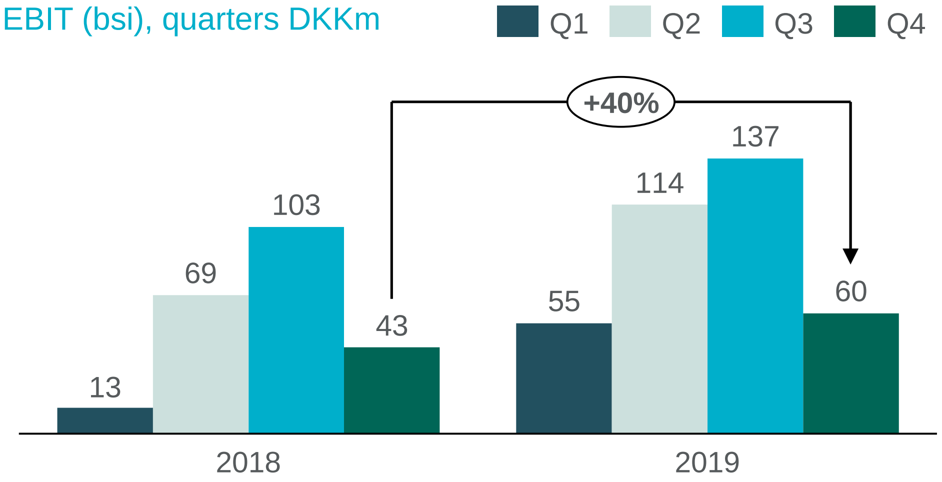


Record high earnings

Earnings (bsi), full year DKKm



EBIT (bsi), quarters DKKm



Q4 EBIT (bsi) up by DKK 17 million driven by:

UK

- UK positively impacted by product mix but partly offset by stock movements last year

Germany

- The German market was positively impacted by strong pricing, but negatively impacted by a volume decline, driven mainly by delay in customers execution of standing orders – stabilised at year-end

Poland

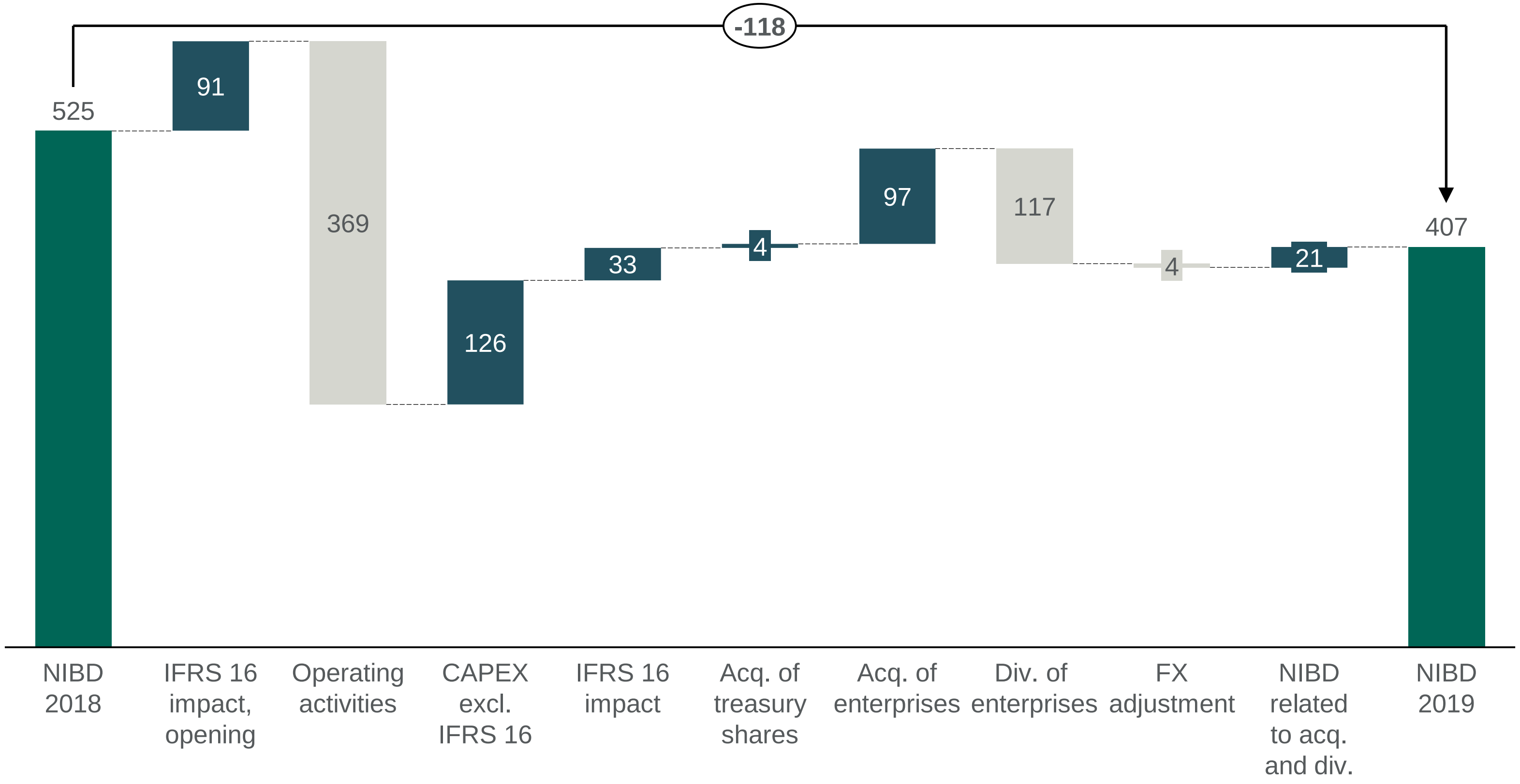
- Higher prices in the Polish market was partly offset by volume decline

Russia

- Impairment of fixed assets in Russia impacted negatively in 2018

PARTNERS IN WALL BUILDING

Strong development in Net debt



Key developments:

- Strong operational cash flow of DKK 369m
- Capital investments of DKK 126m
- Positive net cash from acquisitions and divestments
- Negatively impacted by IFRS 16
- Financial gearing of 0.8x at year-end
- Finance agreement extended to 2023

Financial highlights

DKK million		Q4 2019	Q4 2018	Q4 Variance	Q1-Q4 2019	Q1-Q4 2018	Q1-Q4 Variance
Revenue	Actual	625	660	(5%)	2,840	2,523	13%
	Organic	615	660	(7%)	2,662	2,523	6%
Gross margin*		31%	28%	3%	31%	27%	4%
EBITDA*		104	110	(6)	539	410	129
EBIT*		60	43	17	366	228	138
EBIT margin*		10%	7%	3%	13%	9%	4%
Special items		8	26	(18)	8	65	(57)
Profit/loss before tax		(80)	4	(84)	205	125	80
Profit/loss after tax		(75)	25	(100)	150	125	25
Return on invested capital		20%	10%	10%	20%	10%	10%
Investments in property, plant & equipment**		70	54	16	126	138	(12)
Free cash flow		104	89	15	264	(603)	867
Net interest-bearing debt	DKK million	407	525	(118)	407	525	(118)
	Financial gearing	0.8x	1.3x		0.8x	1.3x	
Equity		1,371	1,000	371	1,371	1,000	371

* Before special items

** Excluding effect from implementation of IFRS 16.

For 2019, the implementation of IFRS 16 has impacted the EBITDA by DKK 21 million, EBIT by DKK 3 million, operating cash flow by DKK 18 million and CAPEX by DKK 33 million

Setting ESG targets

The targets

- Frequency of accidents (FRA) improvement target is a rolling 50% reduction of the accident rate over a five-year period i.e. to be 3 in 2024. (from 2019 baseline of 6)
- Reduce energy consumption per m3 by 7% vs. 2019 base line of 565 MJ per m3 by 2024.
- Reduce water consumption per m3 5% vs. 2019 base line of 382 litre per m3 by 2024.
- Reduce Sickness Absence to 9 days by 2024 (from 2019 baseline of 13 days)

Investments

DKK 50 million have been allocated for the coming three years for investment purposes related to ESG.

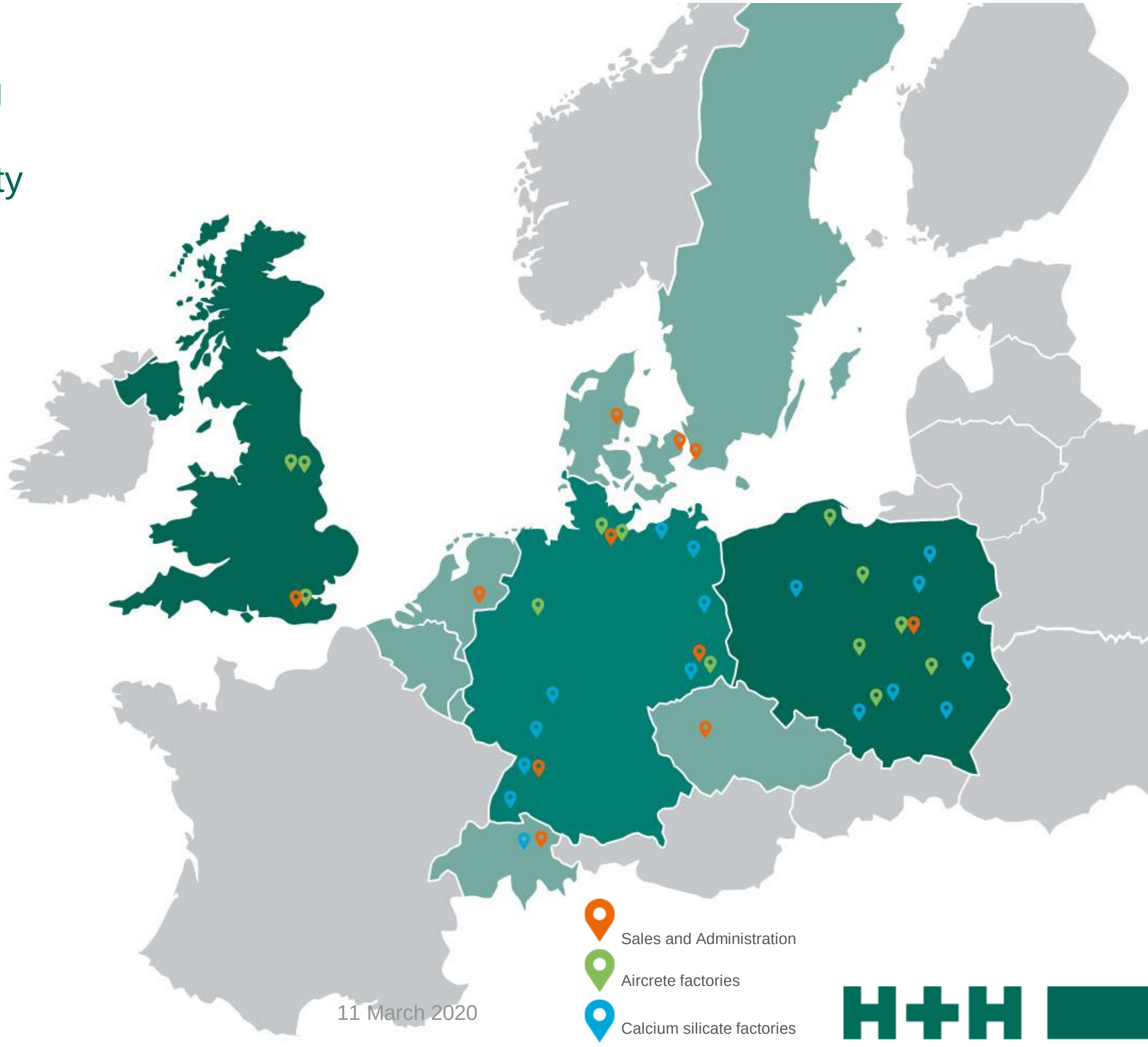
Market outlook

General
- First half of 2020, the indicators across markets are continued high building activity
- Second half of 2020, general demographic undersupply remains but visibility is low

UK
- Flat to modest growth is expected in 2020 on a very high activity level
- Positive signs after Brexit election:
  - Continued high activity from volume housebuilders
  - Indications of pick-up in builders merchant market

Germany
- Flat market for 2020 is expected, but at a relatively high activity level
- Labour constraints causes increasing order portfolios and continued undersupply

Poland
- Overall growth in Poland is expected
- Increased competition from new CSU capacity and AAC parallel imports



Next investment steps

Investing in existing infrastructure
- New CSU factory in Reda – totalling around DKK 30 million
- Investing in upgrading acquired CSU factories in Poland
- Investing in upgrading existing factory in UK – converting to sand
- Investing in upgrading existing AAC factory in Germany

M&A activities

Germany
- Continue with restructuring of the German market

New markets and product lines
- Pursue further growth in the European market

PARTNERS IN WALL BUILDING

Outlook 2020

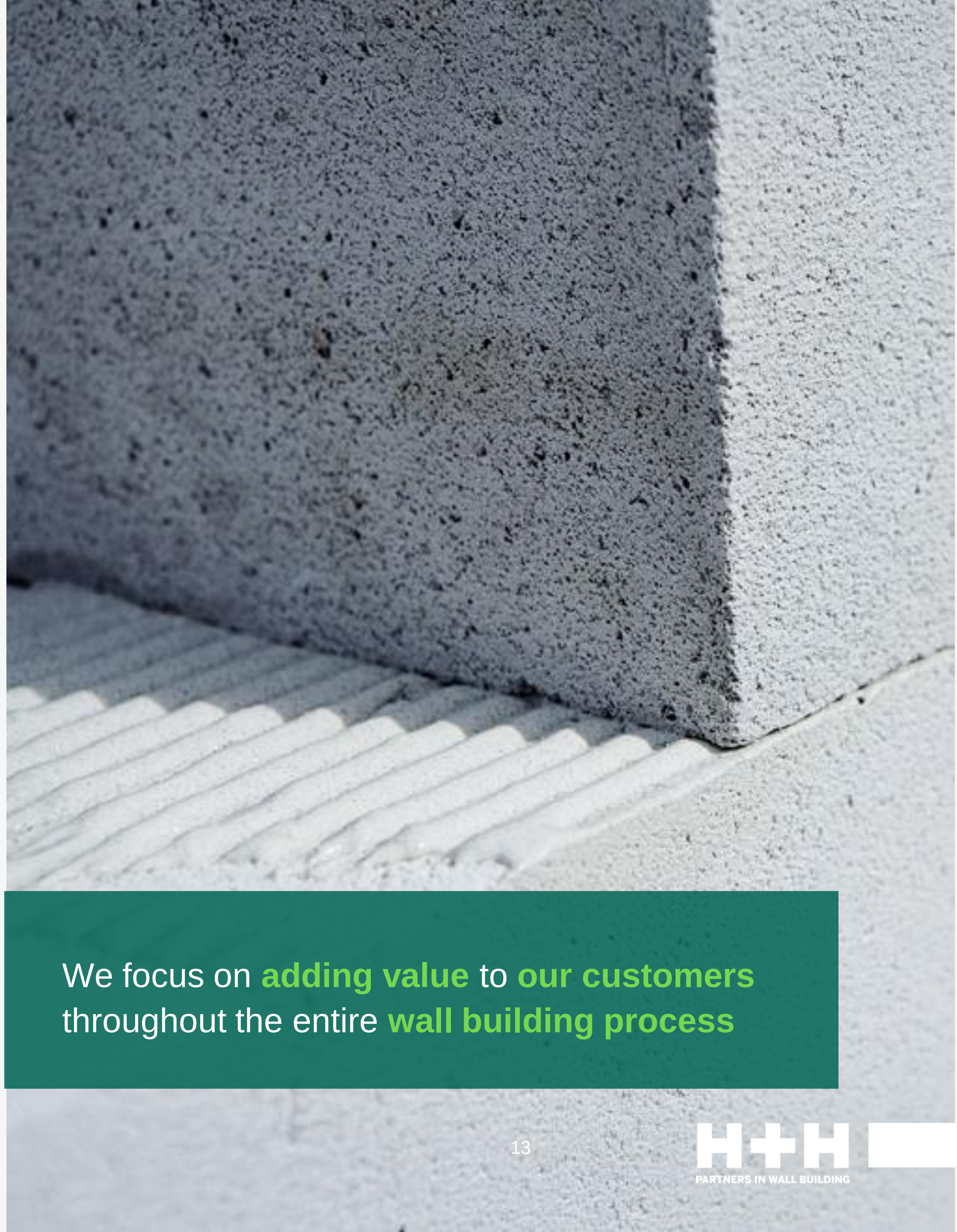
- Revenue growth before acquisitions and measured in local currencies is expected to be in the range -2% to 2%.
- EBIT before special items is expected to be DKK 300-360 million.
- Investments excluding acquisitions, divestments and IFRS 16 effect are expected to be DKK 140-180 million including investments for establishing a CSU production line near Gdansk, Poland.

Basis for the outlook

The expectations for H+H's outlook 2020 are driven by following assumptions:

- The outbreak of the Coronavirus (COVID-19) will not have severe impact on construction activity levels or supply chains
- Brexit will not lead to a significant decrease in demand
- Continuous stable economic growth in H+H's 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 annual report for detailed assumptions.

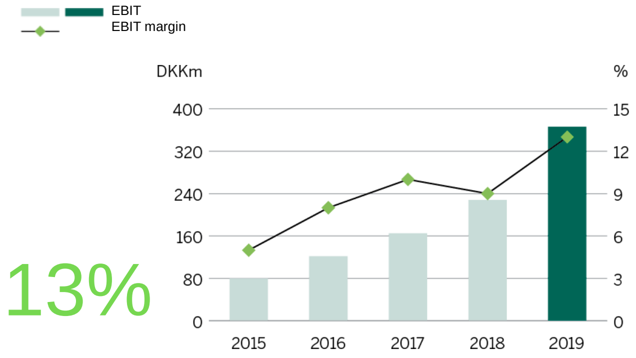


We focus on **adding value** to **our customers** throughout the entire **wall building process**

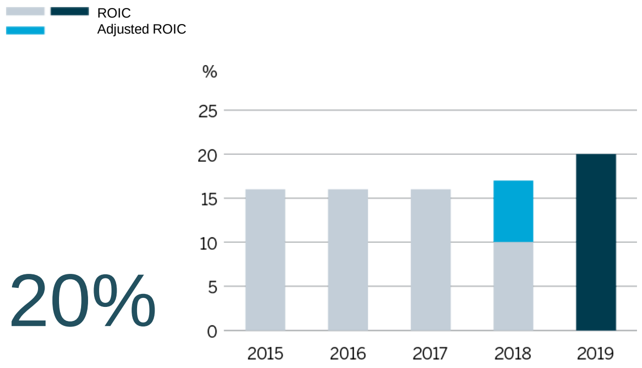
Long term financial targets

H+H expects to use free cash flow to develop the existing business and execute on the pipeline of strategic growth initiatives.

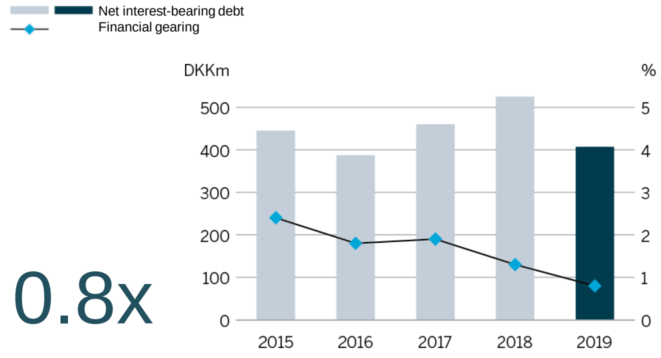
EBIT



Return on invested capital (ROIC)



Financial gearing



Long-term financial targets

EBIT margin
(Operating margin before special items)

11%

ROIC
(Return on invested capital)

12%

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

1-2x

In the annual report 2017 we laid out the current long-term targets. While exceeding the targets in high profitable years, the targets also reflect the ambition to keep average minimum levels through a full business cycle

Q & A

Thank you

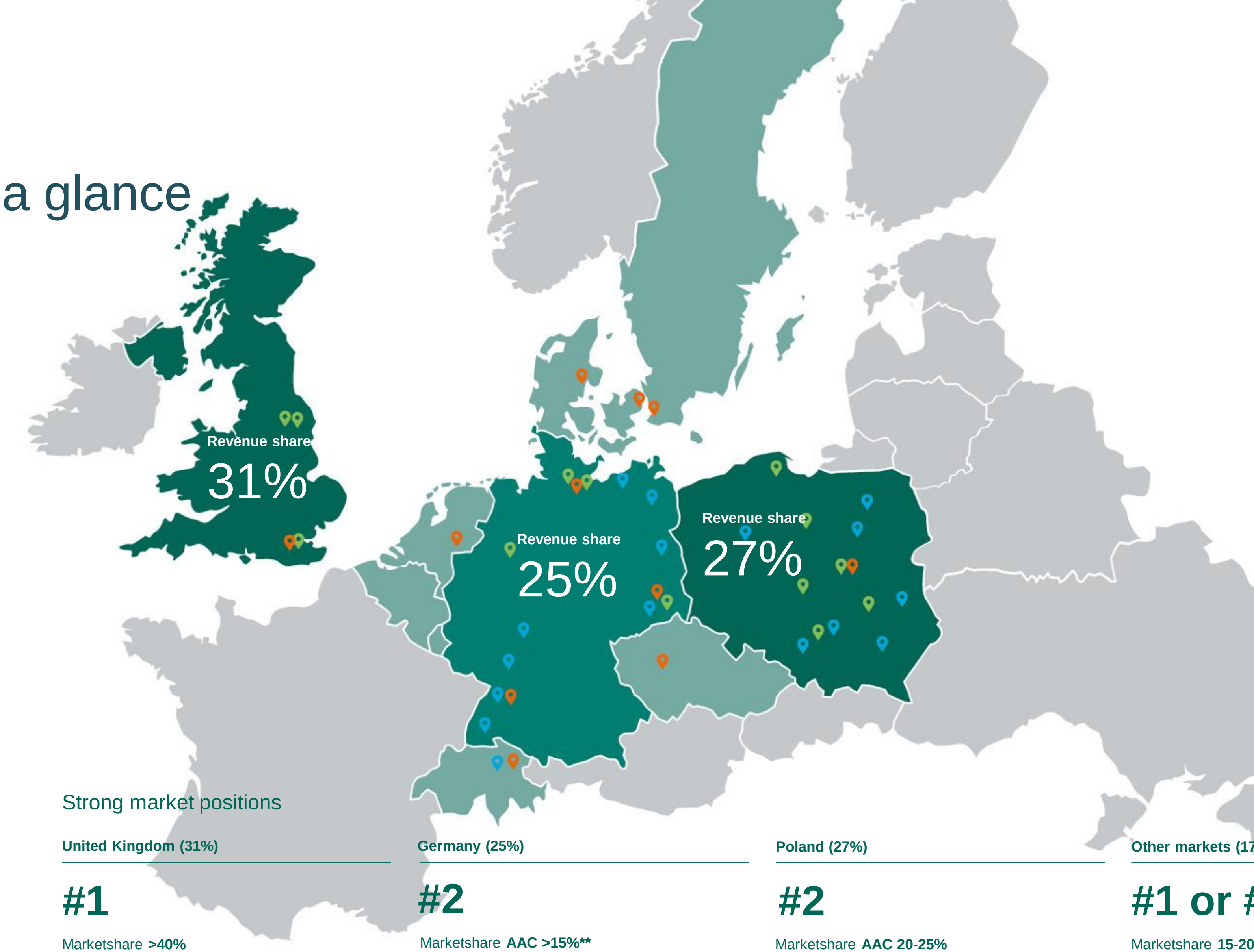
H+H International A/S
Lautrupsgade 7, 5th Floor
2100 Copenhagen Ø
Denmark

+45 35 27 02 00

info@hplush.com
www.hplush.com

Appendices

H+H – at a glance



2,840
Revenue in DKK million

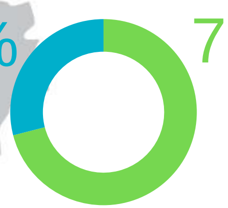
366
EBIT in DKK million*

29**
Number of factories

1,685
FTE

Product split revenue

29%
Calcium silicate (CSU)



71%
Aircrete (AAC)

Gross profit split: CSU 30% / AAC 70%

Sales and Administration
Aircrete factories
Calcium silicate factories

Strong market positions

United Kingdom (31%)

#1

Marketshare **>40%**

Germany (25%)

#2

Marketshare **AAC >15%****

Marketshare **CSU ~12%**

** Incl acquired AAC factory in Dresden on 14 January 2020

Poland (27%)

#2

Marketshare **AAC 20-25%**

Marketshare **CSU 20-25%**

Other markets (17%)

#1 or #2

Marketshare **15-20%**

Includes Russia of 3 %, divested in October 2019.
*before special items

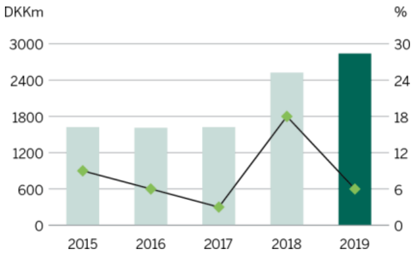
PARTNERS IN WALL BUILDING

Performance Highlights

Revenue and Profit

Revenue

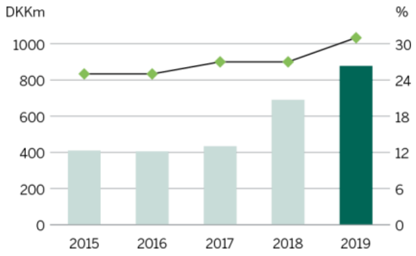
2,840



Revenue in DKKm

Gross profit and gross margin

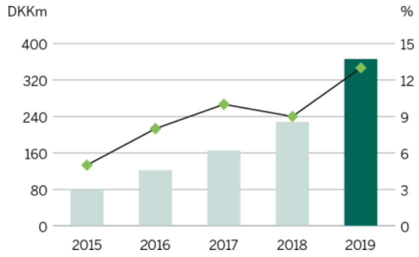
31%



Gross margin before special items

EBIT and EBIT margin

13%

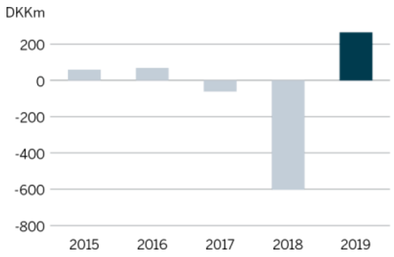


EBIT margin before special items
EBIT in 2018 was affected by a one-off effect related to the acquisition of the German CSU plants

Cash flow and balance sheet

Free cash flow

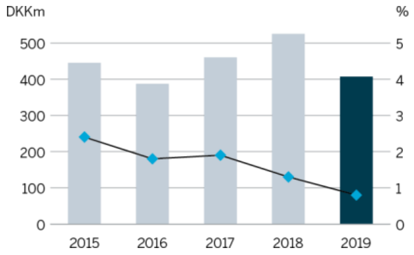
264



Free cash flow in DKKm

Financial gearing

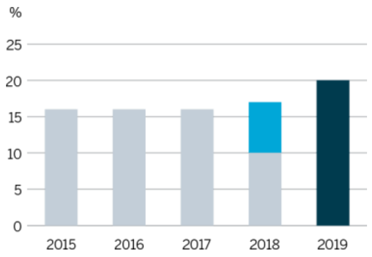
0.8x



NIBD/EBITDA (before special items) ratio. NIBD for 2019 incl. impact from IFRS 16

Return on invested capital (ROIC)

20%



ROIC in 2018 was negatively impacted by a one-off related to the acquisition and integration of the German and Polish businesses and impairment of fixed assets in Russia. Adjusted for this, ROIC would have been 17%.

PARTNERS IN WALL BUILDING

Business model – We focus on adding value to our customers throughout the entire wall building process

Quality Manufacturing
Quality products of nature's own material

Value-added Sales
Trusted partners in wall building

Diversified Market
Innovative product solutions for high-rise and low-rise

Key raw materials

- Nature's own sand, water and lime
- Cement and aluminium added for AAC

Quality products

- Autoclaved aerated concrete (Aircrete or AAC)
- Calsium silicate units (CSR)
- Quality products with sustainable features
- Eco friendly
- Improved energy savings

Partnerships
Partnerships with the customers
Solution selling

- Early involvement
- Supports customers in early planning stage
- Optimising building process
- Cooperation with planners, architects, distributers and builders

Delivery
Building site (75-80%)
Builders' merchant

- Premium brand
- Availability
- One-point of contact
- One-stop shop for wall building
- Transparency
- Realiable and timely delivery

Foundation
Inner & Exterior walls

High-rise (primarily CSU)

Residential low-rise (primarily AAC)

Non residential (primarily AAC)

- Sustainable building products
- High quality solutions
- On-site support
- Improved workflows and processes
- Technical support and material expertise
- Mixed product sales

H+H PARTNERS IN WALL BUILDING

Equity story

1. European market leading position in AAC and CSU products

- Top 2 positions in all key markets
- Geographic balanced market position
- Balanced product portfolio for low-rise and high-rise buildings

2. Unique market conditions for growth

- Structural under-supply of housing
- Governmental stimuli of housebuilding
- Demographic growth and urbanisation (megatrend)
- High entry investment barriers

3. M&A – Proven track record of strategy execution

- Fragmented markets with room for market share gains and consolidation through acquisitions
- Efficient integration process and agile organisation
- Scale – realisation of synergies

4. Sustainable solutions

- Long-lasting eco friendly products
- Energy saving products
- Excellent indoor climate
- Fire resistance
- Acoustic comfort

5. Unique market approach

- Value added customer relationship and assistance through entire building process
- Supplying sophisticated solutions
- Focusing on pull sale – knowing the customer
- High customer retention rate
- High degree of market adaptation

6. Strong financial performance and capital structure

- Earnings more than quadrubled since 2015
- EBIT from DKK 80 m to DKK 366 m in 2019 before special items
- NIBD/EBITDA before special items ratio of 0.8x
- ROIC of 20%
- Strong cash flow generation

Top six risks

	1. Market	2. Production	3. Financial
Probability/Impact			
Risk Description	Risk of a worsened global economy and especially in the sector for new residential and non-residential construction, could have a significant impact on H+H. The markets in which H+H operate tend to be cyclical and with some degree of correlation, which could cause a risk of imbalanced earnings. Risk related to EU or UK regulation is also present. Finally, risk related to competition could occur in case of excess production capacity or changes to our competitors' pricing strategies.	A major breakdown in a production facility could cause a long-term loss of production. Such a shortfall could impact overhead recovery and potentially sales. Risk also exists in relation to unplanned production stops due to lack of maintenance or availability of spare parts. Finally, production could be vulnerable to shortage of supply and raw materials.	Risk of insufficient cash or financing to execute the growth strategy and to comply with financial covenants. Also, volatility in foreign exchange rates could result in a risk of losses when funds are retrieved to the Group.
Risk Mitigation	At H+H, we continuously monitor our geographical footprint and have a good understanding of our core markets and demographic developments. A structured process for continuously updating mitigation plans exists, and H+H conducts weekly sales monitoring including key leading indicators for signs of a recession or price changes in order to anticipate potential impact and execute mitigating plans. Furthermore, H+H closely monitors economic, political and competition developments in and outside our footprint and participate in European interest organisations for AAC and CSU to impact the political environment. In addition, we have exited our activites in the Russian market.	H+H regularly conducts preventive maintenance checks as well as spare parts stock analysis to limit the down time of unplanned production stops. Also, H+H dual sources key raw materials to ensure steady supply. Should an unplanned production stop occur, other plants could mitigate as a short-term option. Finally, H+H is insured for breakdowns and business interruptions, so the isolated financial impact is considered low.	H+H entered into a committed credit facility with Nordea effective in March 2019, securing funding of daily operations and the growth strategy. The agreement was originally to mature in 2022, but in early 2020 it was extended to 2023. Financial covenants are monitored monthly and reported quarterly. Reports show significant headroom. The translation risk is reduced by FX hedging on a transactional basis.
Risk assesment	Operating in the construction sector, H+H is exposed to economic developments, but we believe that we have reduced the risk to an acceptable level through mitigating actions. Similarly, as we are market leading in most of our markets, we are able to reduce competition risk to an acceptable level.	Considering the mitigating plans and factory footprint, we believe the risk is medium but acceptable. However, H+H is continuously focusing on improving mitigating actions to production risk. Our aim is to reduce the risk by further initiatives including an updated approach to Enterprise Risk Management.	With the current financing agreement, H+H has low finance risk as credit facilities provides sufficient funding, long term maturities and excess covenant headroom.

PARTNERS IN WALL BUILDING

Top six risks

	4. Law and compliance	5. People	6. IT
Probability/Impact			
Risk Description	Risk of a lack of compliance with law and regulation, e.g. competition law, GDPR, transfer pricing etc. could result in loss of reputation and/or fines resulting in financial impact.	The main people risks are risk of scarcity of qualified labour as well as incidents and fatalities at our production facilities as they are inherently dangerous workplaces.	The growing dependence of the business on technology increases the IT risk. Therefore, ensuring an effective IT platform and mitigation of threats from cyber security, data leakage and data security are key focus areas for H+H. An extended period of down-time or lack of integration of acquired entities could result in delays and additional costs.
Risk Mitigation	H+H continuously monitors new regulations within all our markets. Where relevant, H+H will consult specialists before decisions are executed. Code of Conduct policies are deployed and the Management of H+H communicates the importance of compliance and regulation regularly. Also, whistle-blower policies are deployed and communicated across the organisation. H+H has established an ESG committee consisting of officers representing each related topic and regional compliance officers.	Heatlh & Safety are a key management area including KPI monitoring and part of Management renumeration programmes. Internal and external Health & Safety audits are conducted annually in rotation and actions are prioritised and carried out by skilled Heatlh & Safety Managers. Also, HR processes including retaining and recruiting talent are increasingly important to H+H. Therefore, HR resources have been added to the organisation.	H+H has defined its new information security framework, which includes updated policies, guidelines and tools which will take H+H to the desired information security level. Over the last year, H+H has taken several initiatives to improve the IT platform and the embedded security framework.
Risk assesment	Risk of a lack of compliance with law and regulations is considered low including mitigating actions taken.	The risk of incidents and fatalities does exist, but it is our assessment that considering the mitigating actions taken, the risk is reduced to an acceptable level. Also, improved HR processes contribute to a low people risk.	IT related risk is considered low but the likelihood of occurrence will be further reduced once the above mitigating actions are fully implemented.

PARTNERS IN WALL BUILDING

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

We partner to develop **sustainable end-products**

At the end of the day, homes, flats, offices and other buildings need to be comfortable, safe and sustainable. Our wall building solutions have been specially developed to deliver futureproof results. An improved indoor climate and energy savings due to better thermal insulation, fire-resistance and increased safety, as well as better acoustic insulation between rooms – these are just some of the many benefits people who use and live in buildings featuring H+H solutions will enjoy.

Flexibility and quality
A wall solution that can be designed in limitless ways and built to last for generations

Improved energy savings
Better insulation of external walls ensures improved energy savings

Improved indoor climate
Improved thermal and acoustic insulation increases comfort and indoor climate

Sustainable solutions
Responsible sourcing of raw materials for all our solutions and products across markets

PARTNERS IN WALL BUILDING

PARTNERS IN WALL BUILDING

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.

PARTNERS IN WALL BUILDING

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.