



Investor Presentation Danske Bank Winter seminar

2 December 2020



Introduction

Agenda

H+H Introduction

Equity story

Strategy execution

External growth drivers

UK Housing market

Key figures, Q3 2020

Financial outlook

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.

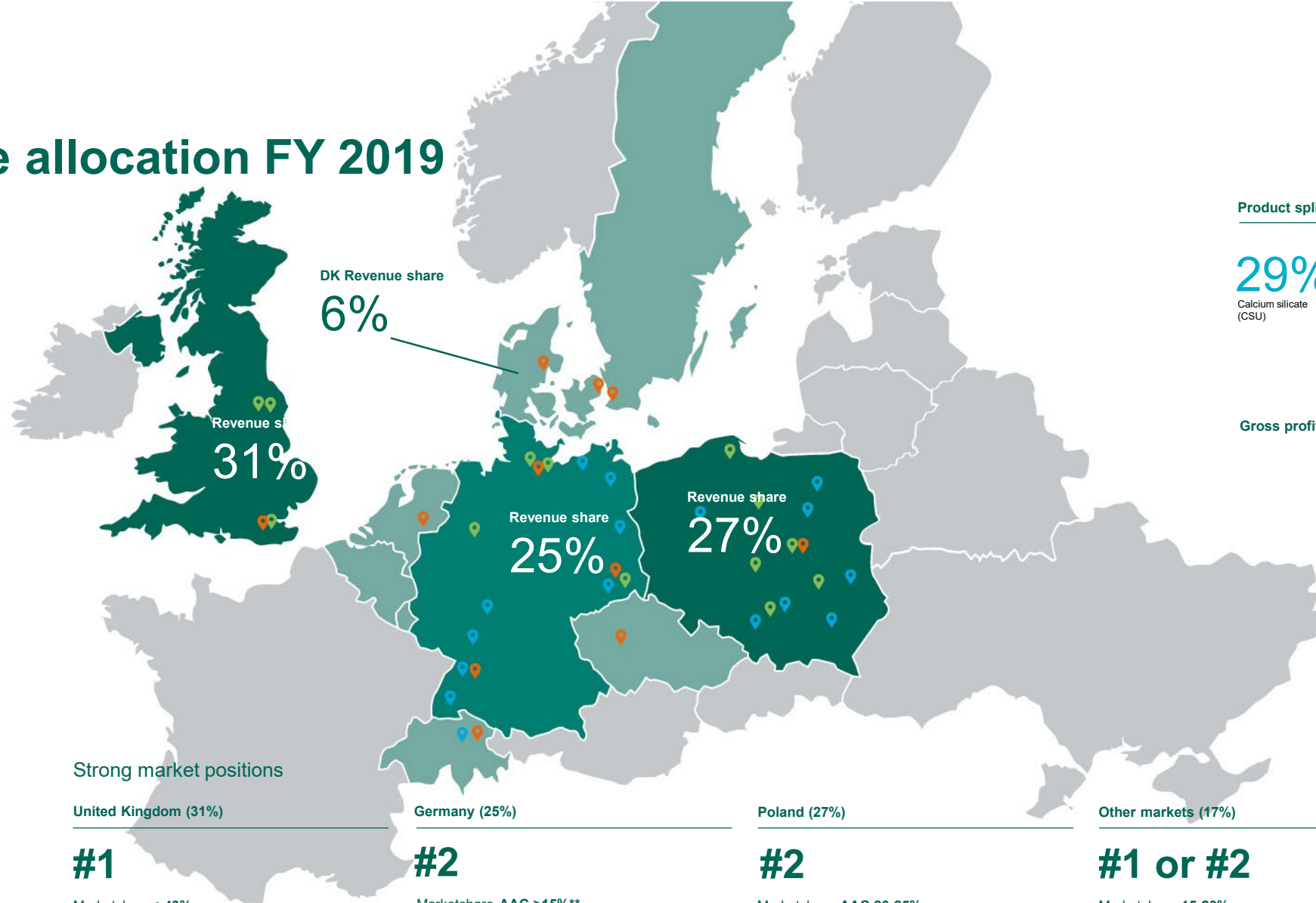
The business is cyclical and H+H is always pursuing organic growth and margin improvements. In addition, restructuring of the markets in Central Europe is on the strategic agenda.

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

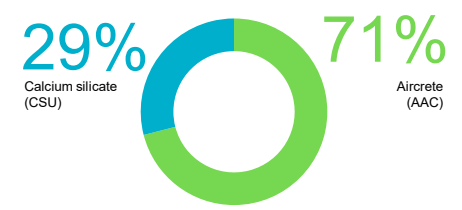
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Revenue allocation FY 2019






Product split revenue



Gross profit split: CSU 30% / AAC 70%

Strong market positions

-  Sales and Administration
-  Aircrete factories
-  Calcium silicate factories

United Kingdom (31%)

#1

Marketshare >40%

Germany (25%)

#2

Marketshare AAC >15%**
Marketshare CSU ~12%

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

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

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

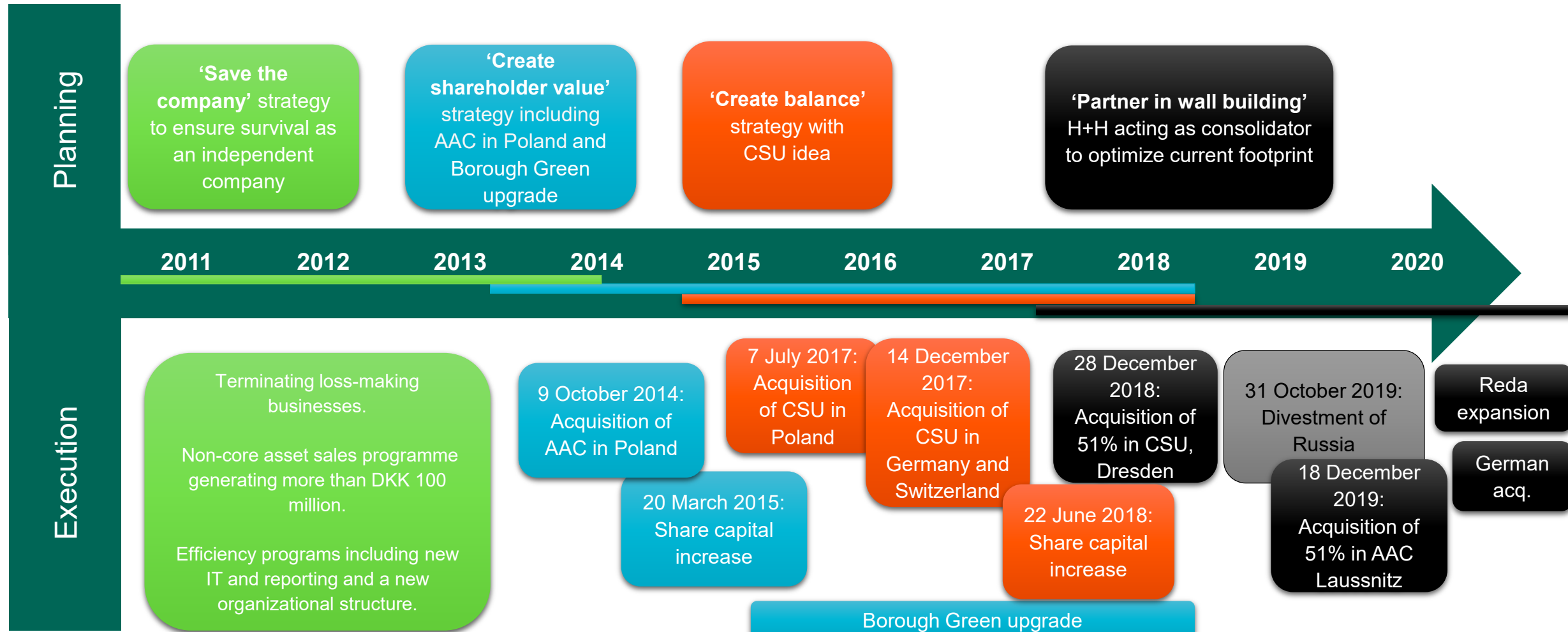
- Value added customer relationship and assistance through entire building process
- Supplying sophisticated solutions
- Focusing on pull sale – knowing the customer
- High customer retention rate
- High degree of market adaptation



6. Strong financial performance and capital structure

- Earnings more than quadrupled 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

H+H has a solid strategic execution...



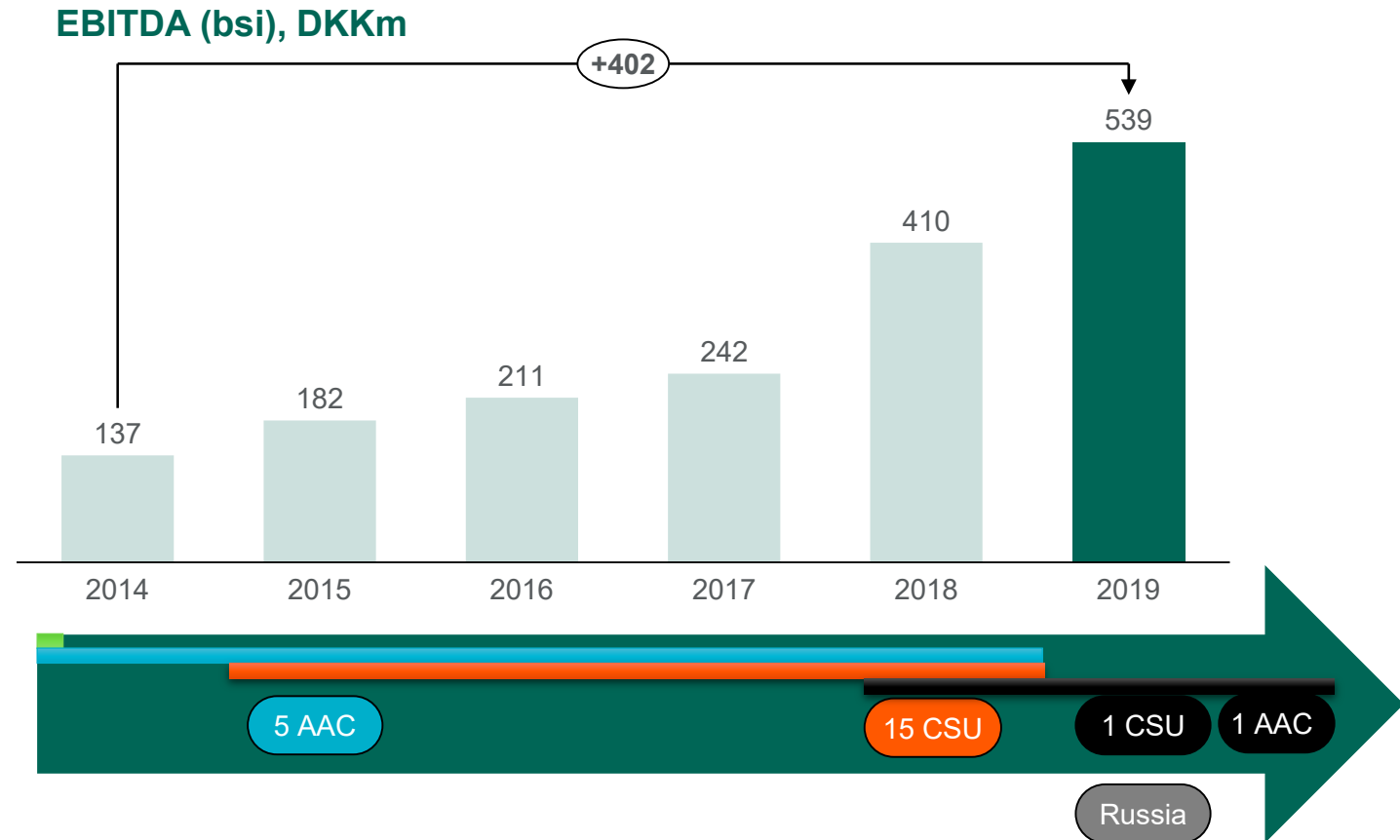
...which has created significant increase in earnings

EBITDA has increased with DKK 400 million from 2014-2019 stemming from:

- Consolidation
- Process improvement
- Synergies
- Higher market demand

M&A investments in the period:

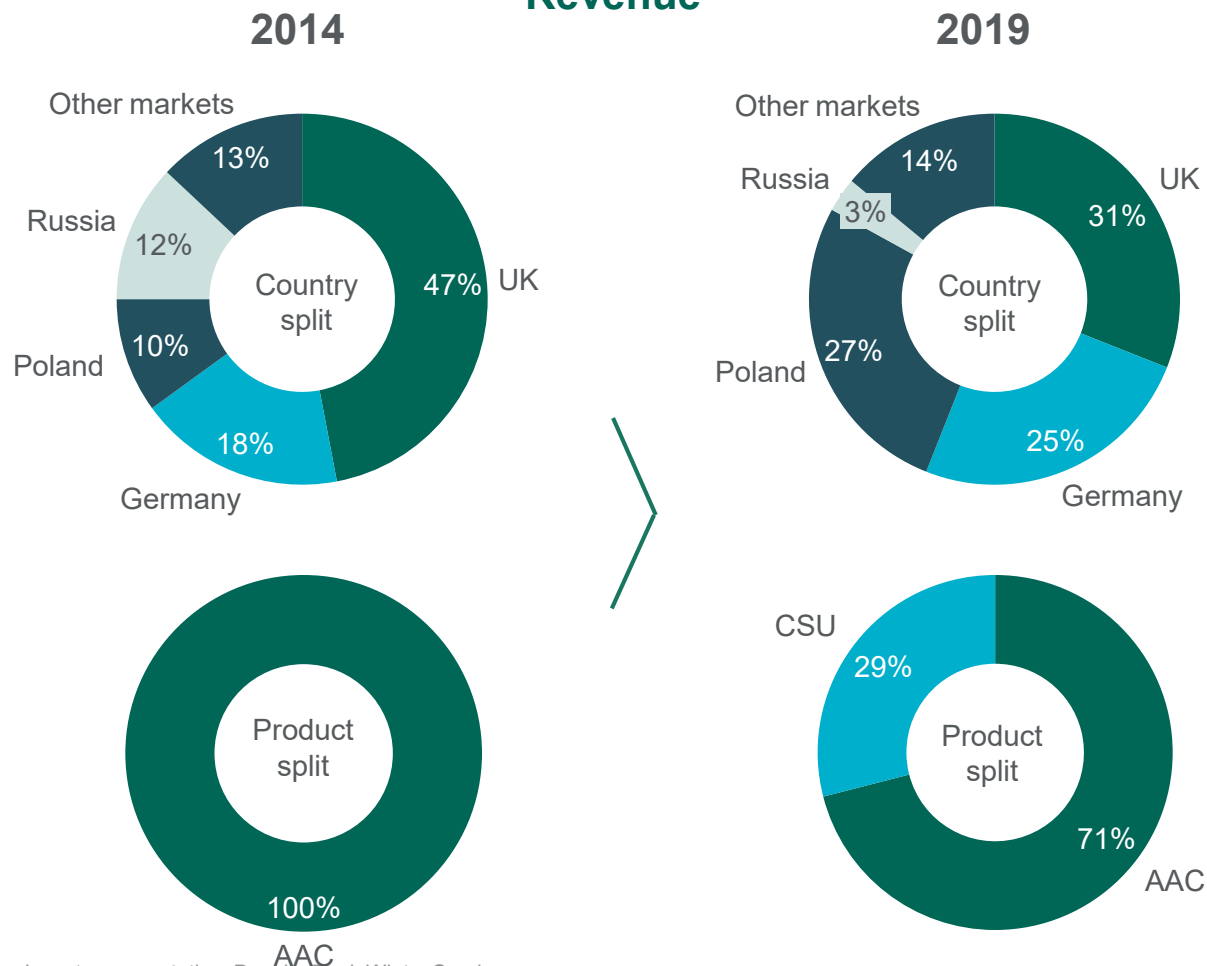
- DKK 1,110 million



Strategic development

Improved diversification to meet market challenges

Revenue



Diversified footprint

- Three core markets established in recent years – UK, Germany and Poland
- Two product lines – AAC and CSU
- Russian business divested in Q4 2019

M&A activities continues

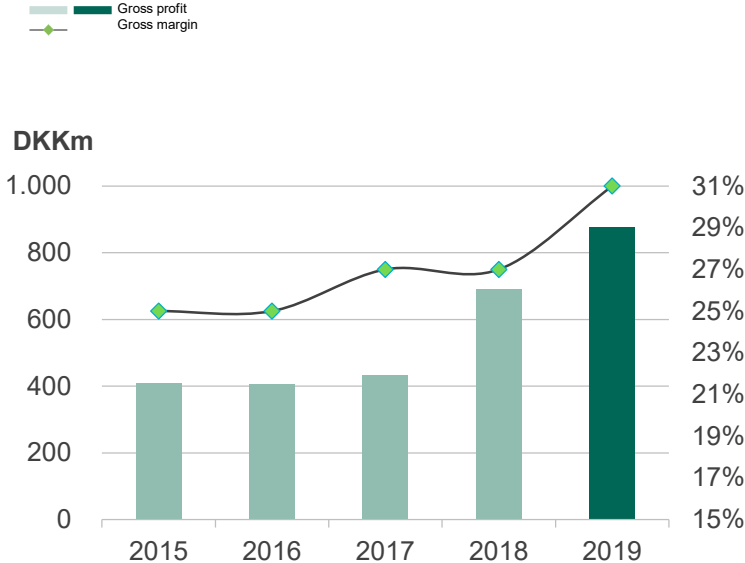
- finalising the German consolidation at focus
- AAC and CSU opportunities in the market
- Still good opportunities in the current market situation



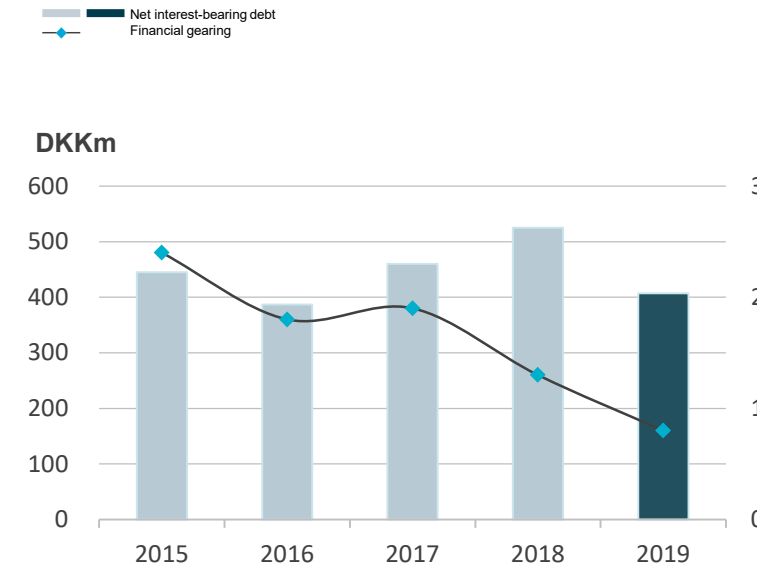
Continue the strategic direction

Performance Highlights 2015-2019

Gross profit (bsi) and gross margin 31%



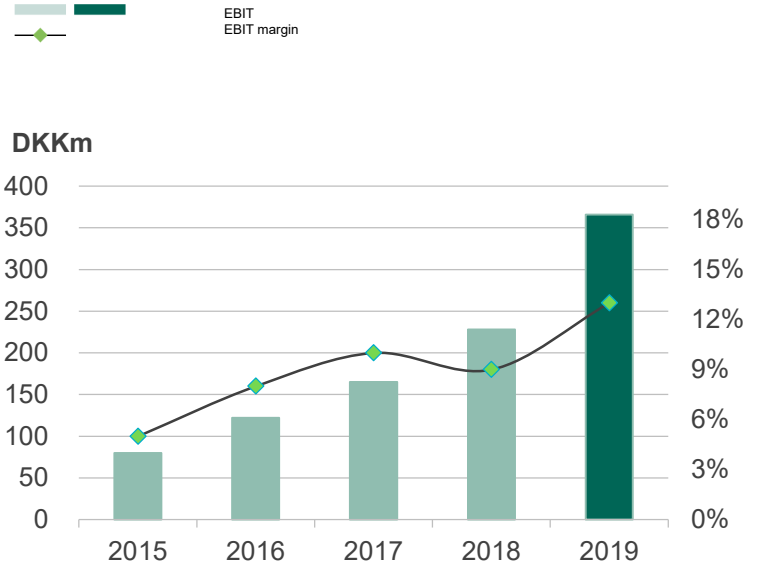
Financial Gearing 0.8x



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

NIBD exclusive leasing amounted to DKK 296 million in 2019 corresponding to a financial gearing of 0.6X

EBIT (bsi) and EBIT margin 13%



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

External growth drivers – market fundamentals

Structural undersupply of housing

Demand exceeds Supply

- UK target of 300,000 dwellings (2019: 240,000)
- German target of 375,000 dwellings (2019: 271,600)
- High entry investment barriers

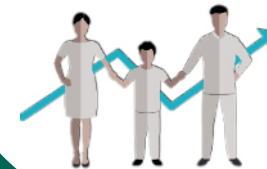
Governmental stimuli



Governmental housing programmes

- UK – Current Help to Buy program expires in Feb 2021
- UK – New Help to Buy program in place until March 2023
- UK- Stamp Duty Holiday
- UK – Planning permissions for more land availability

Demography



Housing demand continue to rise

- Demographic growth
- Urbanisation
- Immigration
- Demand for high-rise/low-rise

Sustainability

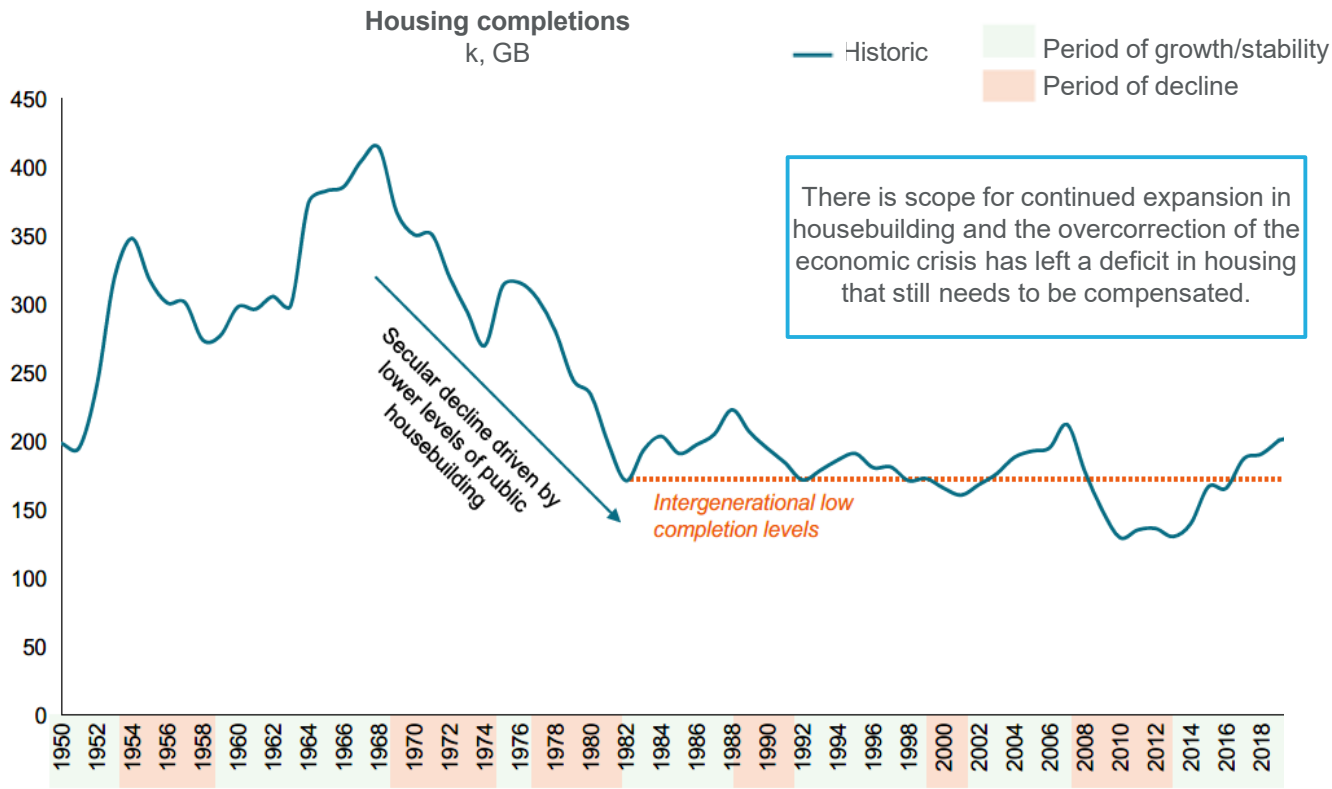


Opportunities for innovation

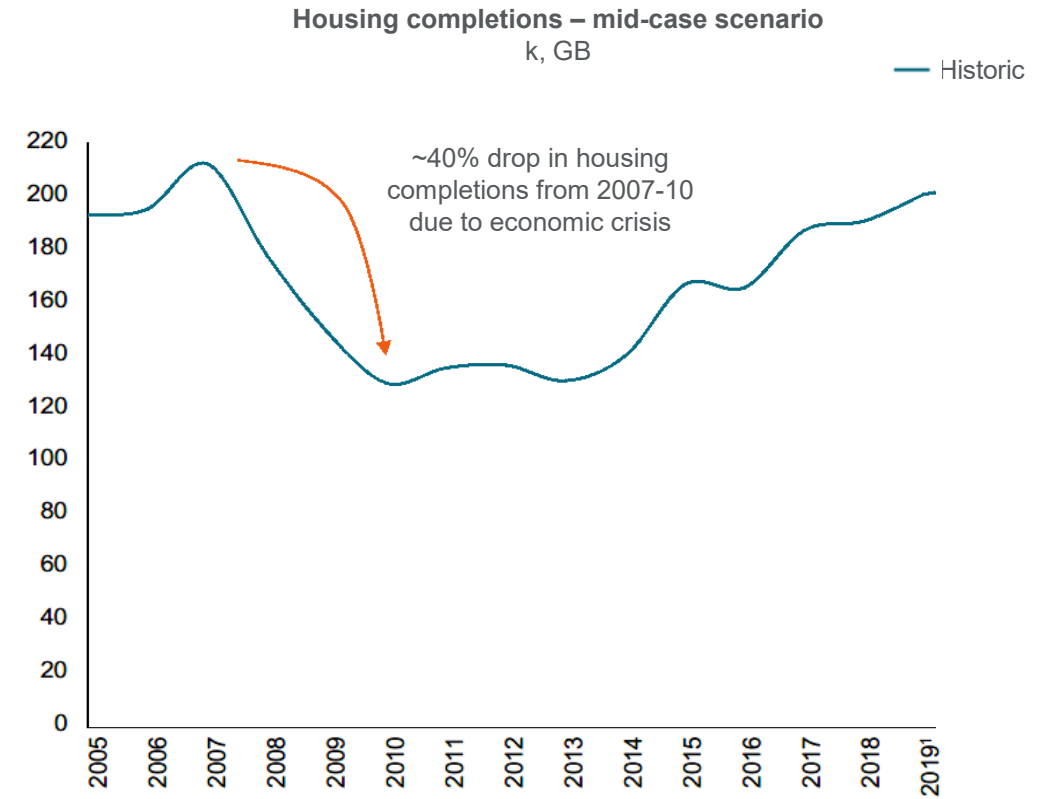
- Reduce Co2 emissions
- Increase productivity
- Energy renovation
- Building performance

History of UK Housing Market

Current completions are still at intergenerationally low levels, leaving scope for future growth in the housebuilding market.



Source: ONS, CIL market model
 Investor presentation, Danske Bank Winter Seminar



Source: ONS, CIL market model
 2 December 2020

UK - Housing Market Activity

Buyer Registrations – October 2020 vs 2019

	First-time buyers
Scotland / North	↑ 18%
Midlands	↑ 26%
Wales / South West	↑ 8%
East	↑ 24%
London	↑ 8%
South East	↑ 18%

Source: Connells Group

Sales Pipeline



- Record pipeline still growing by the day
- Deadline looming for new sales to be agreed
- Pressure in the system, delays with
 - Searches
 - Conveyancing
 - Lenders
 - Chains

Key figures

Q3 Figures

Revenue

712 DKK million
779 last year

Organic growth of

(7)%
(7)% excl. UK

EBIT(bsi)

116 DKK million
137 last year

Free cash flow

136 DKK million
136 last year

Q1-Q3 figures

Revenue

2,012 DKK million

EBIT(bsi)

258 DKK million

Capital expenditure of

65 DKK million
Excl. DKK 11m IFRS16 impact

EBIT margin (bsi)

13% **14%**
last year

ROIC

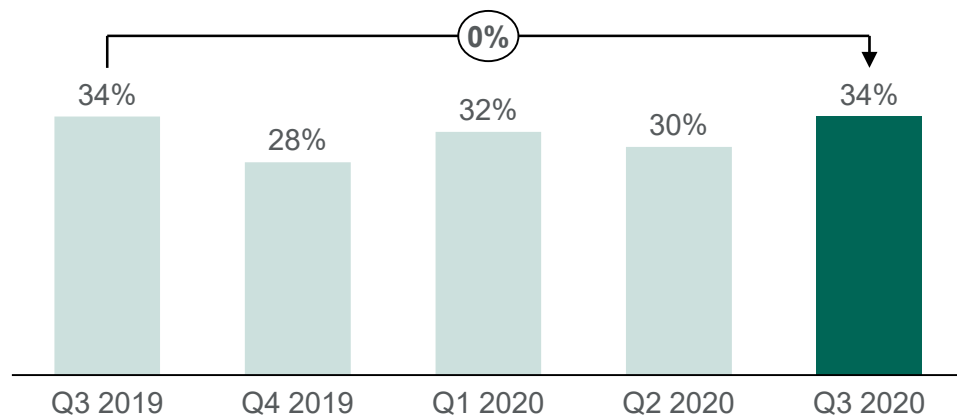
18% **19%**
last year

Financial gearing

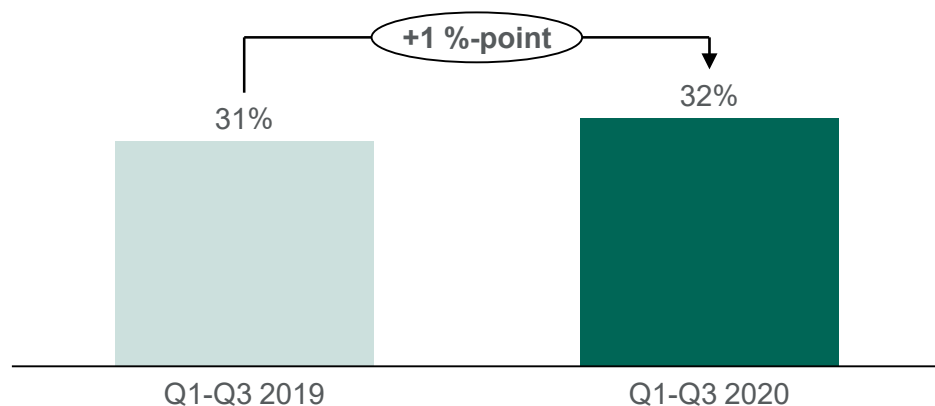
0.5x NIBD/EBITDA (bsi)
NIBD at 30 September 2020: DKK 273m

Gross margin kept at high level despite UK market in lockdown

Gross margin quarters, percentage



Gross margin YTD, percentage



Q3 gross margin of 34%, Q3 2019 level kept

- Lower volumes and higher input costs, offset by lower transport costs, efficiency improvements as well as overall price increases

Gross margin improved 1%-points against Q1-Q3 2019

- Mainly due to efficiency improvements, higher prices and government grants
- Government grant received totalled DKK 13m YTD of which DKK 11m impacted production cost.

Financial outlook updated

Upgrade due to higher than expected demand in the UK market for the remaining part of 2020

H+H Group	Initial financial outlook 2020	Financial outlook 2020 24 March 2020	Financial outlook 2020 reintroduced	Realised in YTD 2020	Updated financial outlook 2020
Org. growth	-2 to 2%	Suspended	-16 to -8 %	-9 %	-12 to -8%
EBIT	DKK 300-360m	Suspended	DKK 250-300m	DKK 258m	DKK 290-320m
CAPEX	DKK 140-180m	Suspended	DKK 100-130m	DKK 65m	DKK 120-130m

Assumptions for the outlook

- Any resurgence of covid-19 will not have severe impact in our markets
- No severe impact from disruption in supply chains and constructions sites due to the pandemic
- Financial liquidity is available in the markets to support housebuilding

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

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Appendices



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)
- Calcium 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, distributors and builders

Delivery

Building site (75-80%)
Builders' merchant

- Premium brand
- Availability
- One-point of contact
- One-stop shop for wall building
- Transparency
- Reliable 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

Top six risks



1. Market

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.

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 activities in the Russian market.

Risk assessment

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.

2. Production



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.

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.

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.

3. Financial



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.

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.

With the current financing agreement, H+H has low finance risk as credit facilities provides sufficient funding, long term maturities and excess covenant headroom.

Top six risks



4. Law and compliance



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.

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.

Risk assessment
Risk of a lack of compliance with law and regulations is considered low including mitigating actions taken.

5. People



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.

Health & Safety are a key management area including KPI monitoring and part of Management remuneration programmes. Internal and external Health & Safety audits are conducted annually in rotation and actions are prioritised and carried out by skilled Health & 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.

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.

6. IT



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.

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.

IT related risk is considered low but the likelihood of occurrence will be further reduced once the above mitigating actions are fully implemented.

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

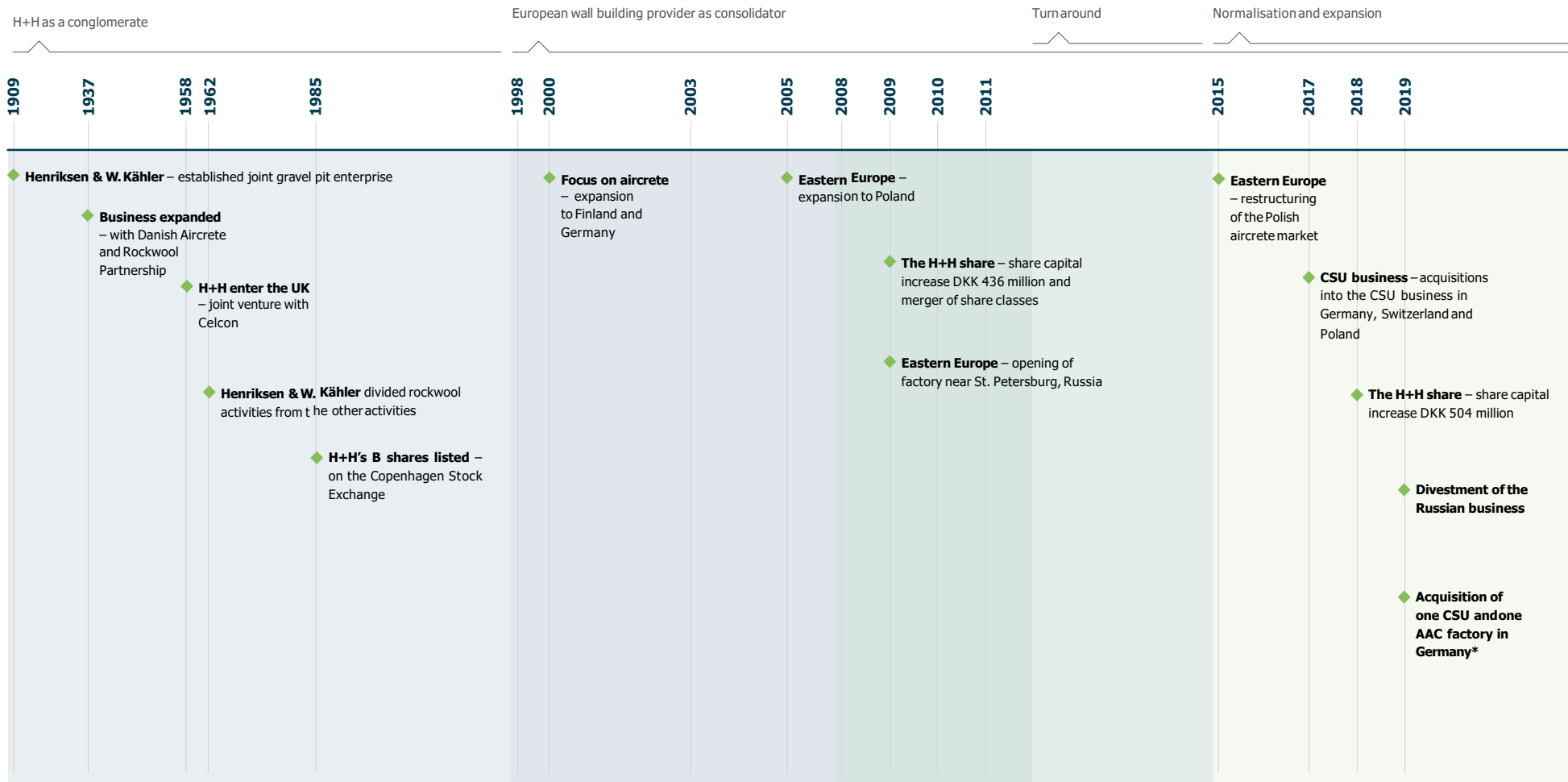
Improved thermal and acoustic insulation increases comfort and indoor climate



Sustainable solutions

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

More than 100 years of experience



Conglomerate (aircrete, sand lime bricks, prestressed concrete, paving stones, reuse of building materials and asphalt, kitchens and furnitures)

2 December 2020 *Closed 14 January 2020



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.