Investor presentation Q1 2020

15 May 2020

H+H
PARTNERS IN WALL BUILDING

Introduction

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Satisfactory Q1 2020

Covid-19 actions and contingency planning

Current market situation

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Cash flow

Financial outlook

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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.

Satisfactory Q1 2020

Q1 key highlights

- Limited impact by the Covid-19 outbreak
- Favourable weather conditions
- Pricing in line with expectations

Financial outlook suspended 24 March 2020

- Following measures taken by the UK Government on 23 March 2020 that caused closure of distribution centres and building sites
- Further lack of visibility due to the outbreak of Covid-19.

2020 Market outlook

- Very low visibility in the UK market
- Trading continues on expected levels on our other markets but low visibility for H2

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Covid-19 actions and contingency planning

Secure health and safety of our employees
- Enhanced safety precautions were implemented across all sites focusing on reducing contamination risk.
- To date there have been no production impact directly linked to contamination of Covid-19.

Safety actions towards customers and visitors
- Virtual sales contact
- Enhanced safety precautions for visitors and distribution

Contingency planning
- Agile capacity planning
- Utilizing government support programmes
- Reduced capex – CSU factory in Reda is postponed to 2021
- Cost containment to preserve cash
- Increased committed credit facilities

M&A activities continues

Safety first

Contingency planning

Continue the strategic direction

Current market situation - mid May 2020

The UK market

- Lockdown caused closing of building sites and distribution centres from end of March
- H+H adjusted production accordingly
- In early May a cautioned, phased reopening was initiated. We see increased demand from a low level
- Visibility on rate of recovery is low

The German market

- Lockdown did not impact building sites or distribution centres
- Current trading is operating at expected levels and above last year
- Pricing strategy continues as planned
- High order backlog in construction companies supports mid-term

The Polish Market

- Lockdown did not impact building sites or distribution centres
- Current trading is at expected levels and above last year
- Pricing strategy continues despite increased competition

In our other markets demand is intact and we continue production and sales on normal levels for the season

Key figures Q1 2020

Revenue

DKK million

704

666 last year

Organic growth of

2%

EBITDA before special items

DKK million

130

97 last year

EBIT before special items

85 DKK million

55 last year

Acquisitions and divestments

German acquisition: Closing of one AAC in January 2020

Investments

Capital expenditure of

21 DKK million

Excl. DKK 4m IFRS16 impact

EBIT margin (bsi)

12% 8% last year

ROIC

21% 13% last year

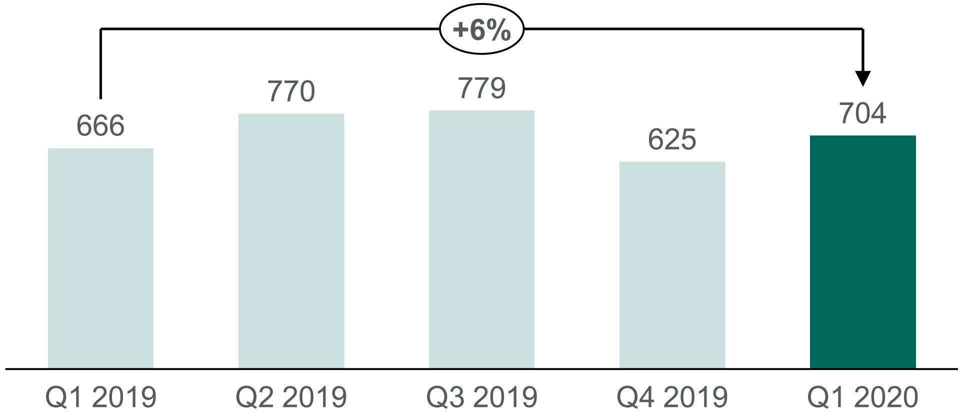
Financial gearing

0.9x NIBD/EBITDA (bsi)

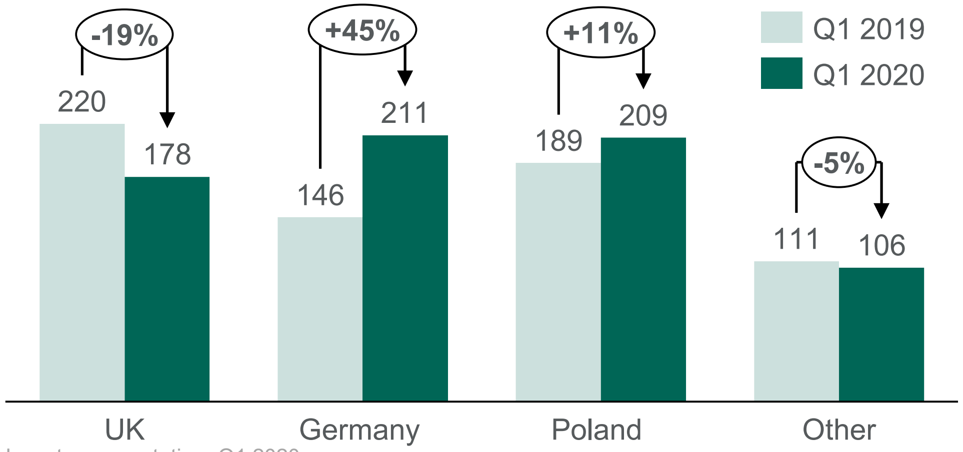
NIBD at 31 March 2020: DKK 504m

Strong revenue growth in Q1 despite uncertain times

Total revenue, DKKm



Revenue split, markets, DKKm



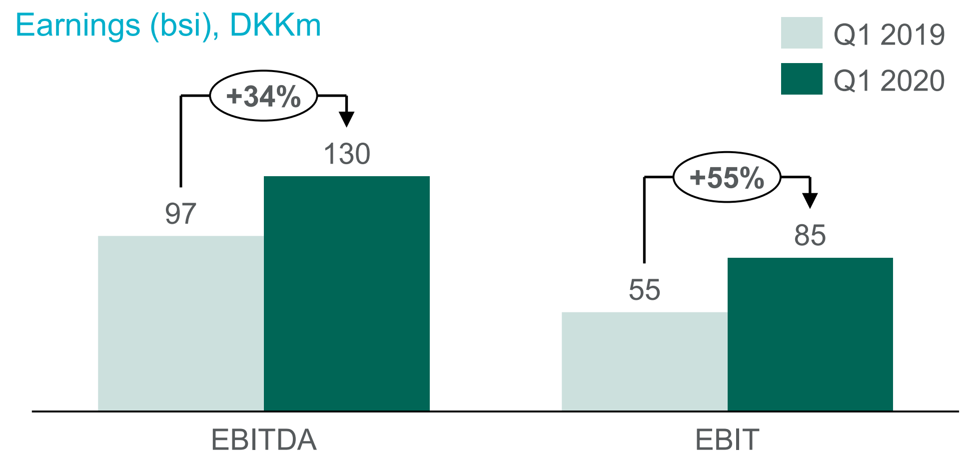
Organic growth of 2%

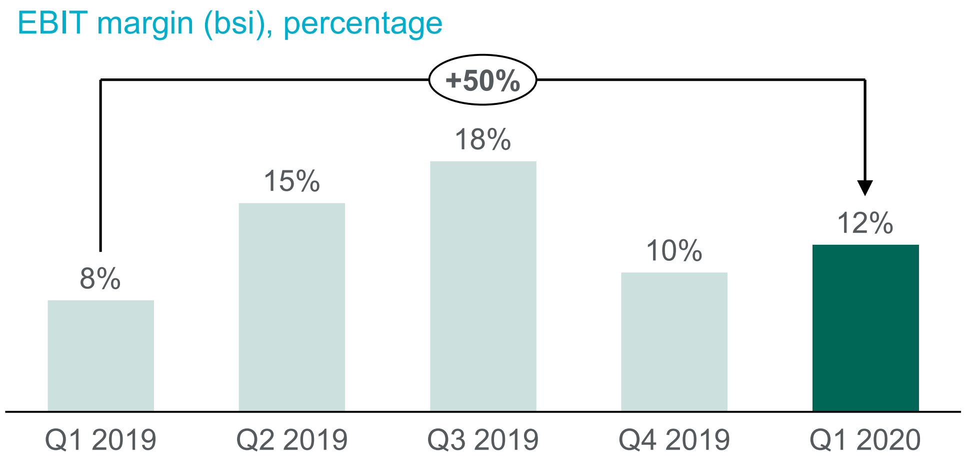
- Mainly driven by higher prices across all regions
- Favourable weather conditions had a positive impact across all our markets

Market development

- Strong markets in Germany and Poland with growth in both prices and volume
- Germany impacted by revenue from acquisitions compared to Q1 2019. Laussnitz acquisition contributed with DKK 18m.
- UK market impacted by lockdown of distribution centres and building sites end of March
- Strong Q1 2019 in the UK, due to destocking following the Borough Green upgrade.
- Other markets grew 8% adjusted for Russia, divested in Q4 2019. The Nordics, Benelux and Switzerland contributed to the organic growth in both pricing and volume

Increased earnings and margin

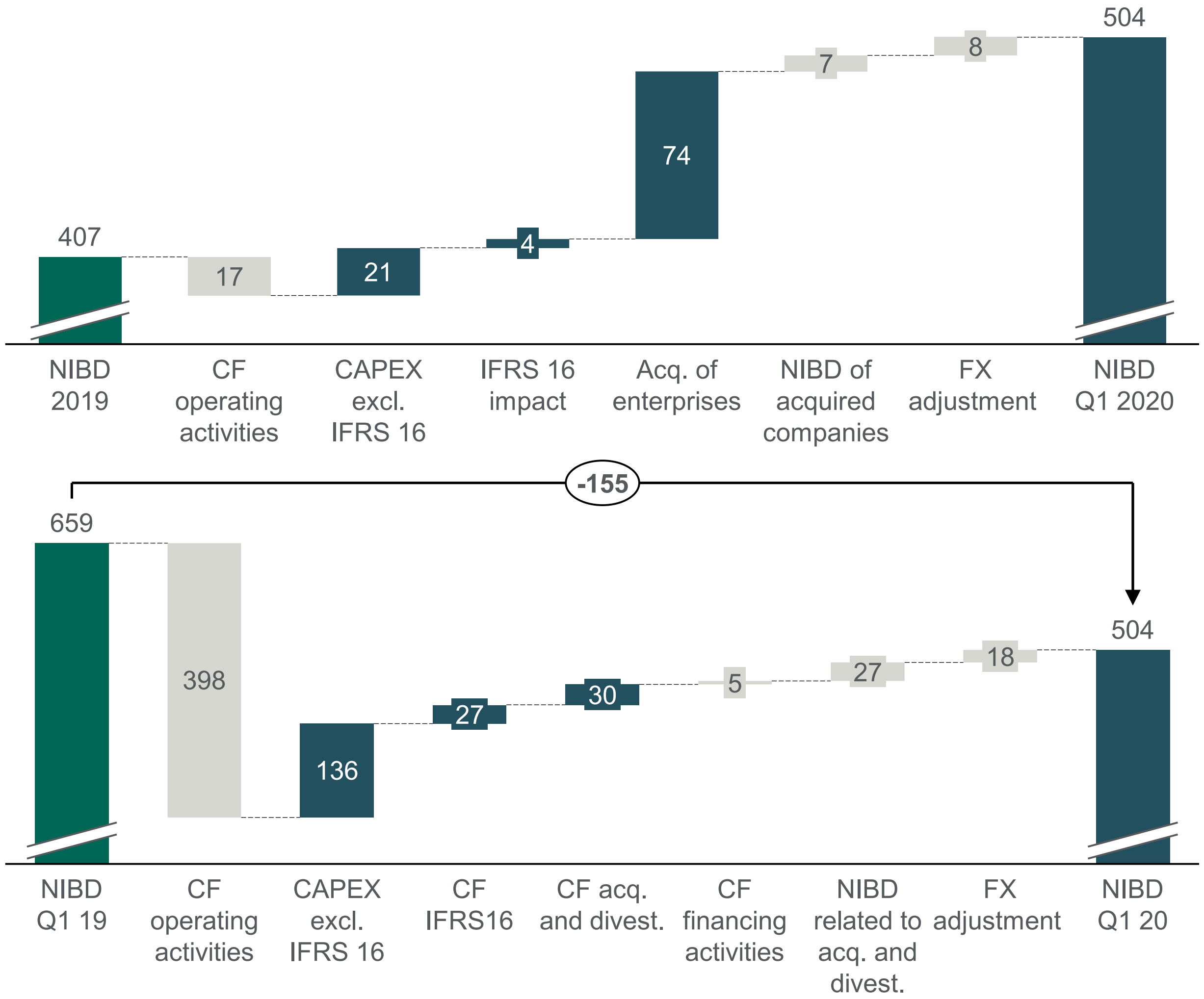




Q1 2020 EBIT (bsi) up by DKK 30 million driven by:

- Strong operational excellence across all markets incl. continuous improvements, purchasing initiatives and synergies from acquired companies
- Positive price developments and strong volume due to favourable weather conditions
- Partly offset by expected increased input cost, due to spill-over effect from delayed input cost increases.
- Improvement mainly driven by AAC as CSU is negatively impacted by phasing of cost and price increases

NIBD and financial gearing at low levels



Cash flow from operating activities

- Cash flow from operating activities up by DKK 29m compared to Q1 2019, driven by higher earnings partly offset by change in working capital due to seasonal fluctuations in trade receivables.

NIBD development

- Q1 2020 CAPEX related to maintenance and upgrade projects
- Paid for acquired German AAC factory in January and last preferred payment for Groupa Silicaty in Poland
- Extension of bank credit facility and increase of committed facility
- Financial gearing of 0.9x at end of March 2020
- NIBD excluding lease liabilities amounted to DKK 400m

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Financial highlights

DKK million		Q1 2020	Q1 2019	Q1 Variance
Revenue	Actual	704	666	6%
	Organic	682	666	2%
Gross margin*		32%	27%	5%
EBITDA*		130	97	33
EBIT*		85	55	30
EBIT margin*		12%	8%	4%
Special items		0	0	0
Profit/loss before tax		80	49	31
Profit/loss after tax		64	39	25
Return on invested capital		21%	13%	8%
Investments in property, plant & equipment**		21	11	10
Free cash flow		(78)	(47)	(31)
Net interest-bearing debt	DKK million	504	659	(155)
	Financial gearing	0.9x	1.4x	
Equity		1,461	1,046	415

* Before special items

** Excluding effect from implementation of IFRS 16 of DKK 4m.

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Financial outlook suspended 24 March 2020

H+H Group	Initial financial outlook 2020	Realised in Q1 2020	Financial outlook 2020
Revenue	-2 to 2%	2 %	Suspended
EBIT	DKK 300-360m	DKK 85m	Suspended
CAPEX	DKK 140-180m	DKK 21m	Suspended

- On 24 March, H+H suspended the financial outlook for 2020 following measures taken by the UK Government on 23 March 2020 that caused closure of distribution centres and building sites in the UK. This in combination with further lack of visibility due to the outbreak of covid-19

- As clarity is still limited on the recovery of the UK market and impact on other markets and demand from Covid-19, H+H will maintain the suspension of the financial outlook for 2020.

- The Group will provide the market with updated financial outlook as soon as an assessment of the full-year results with reasonable confidence is possible.

Q & A

Thank you

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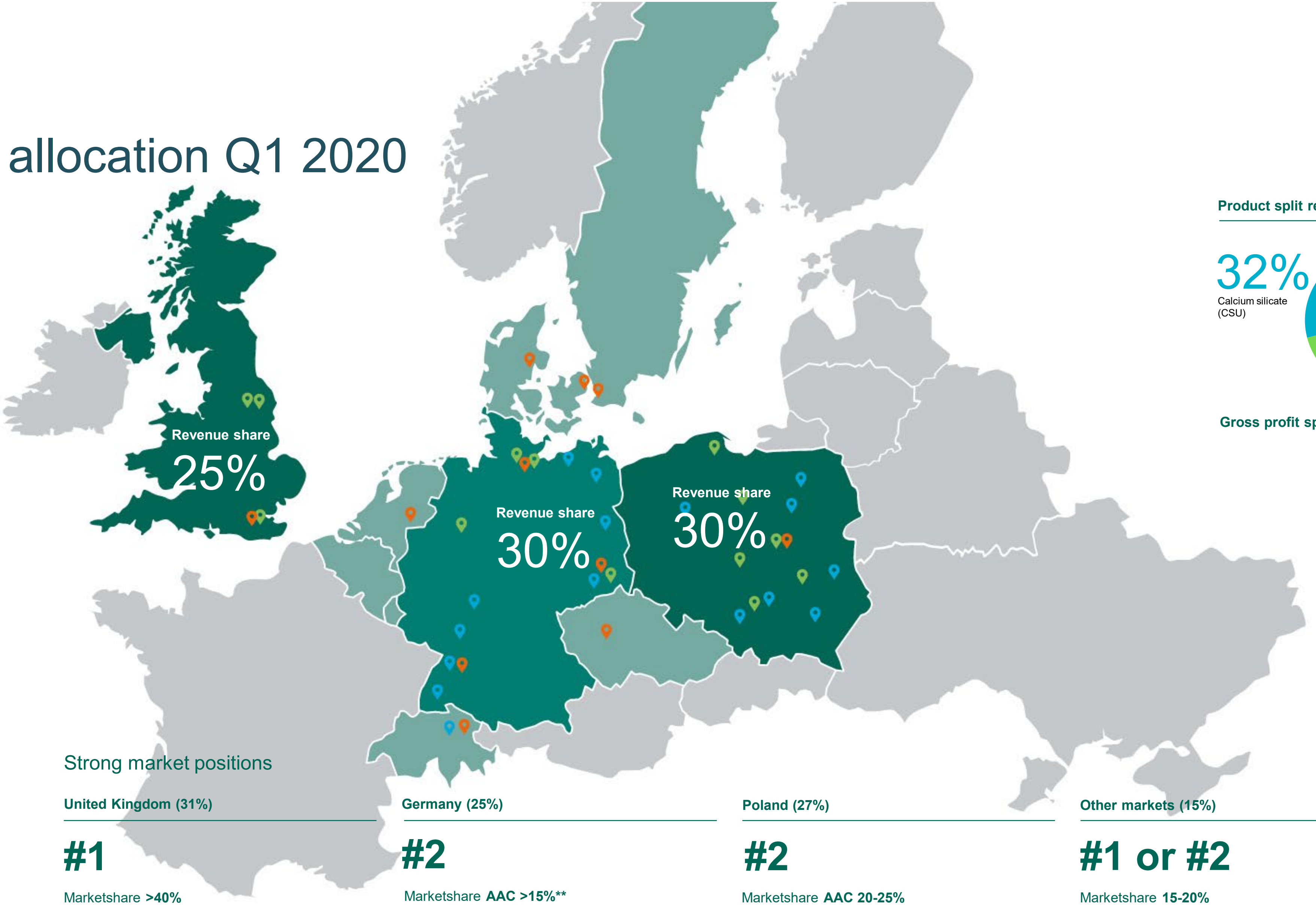
Appendices

Revenue allocation Q1 2020



Product split revenue

32%
Calcium silicate (CSU)

68%
Aircrete (AAC)

Gross profit split: CSU 27% / AAC 73%

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%**

Poland (27%)

#2

Marketshare **AAC 20-25%**

Marketshare **CSU 20-25%**

Other markets (15%)

#1 or #2

Marketshare **15-20%**

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

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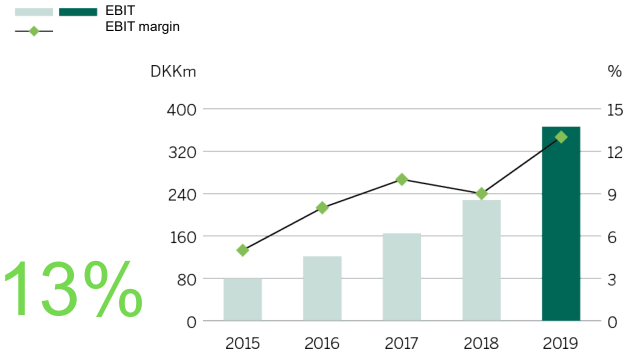
Long term financial targets

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

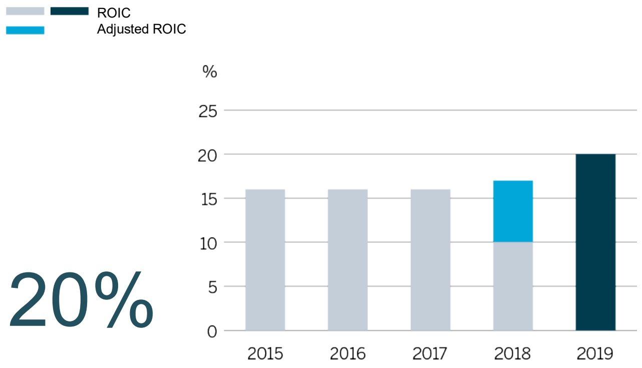
EBIT

13%



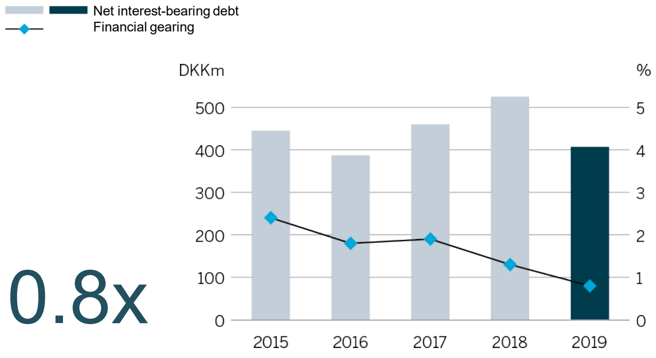
Return on invested capital (ROIC)

20%



Financial gearing

0.8x



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

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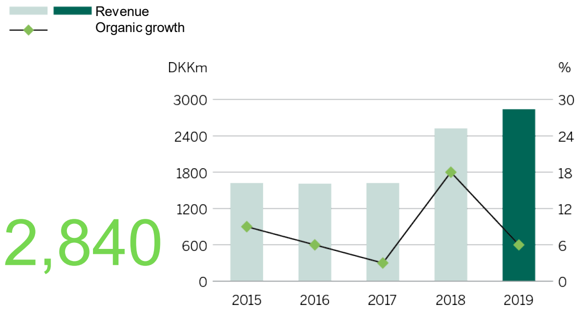
Performance Highlights

Revenue and Profit

Revenue

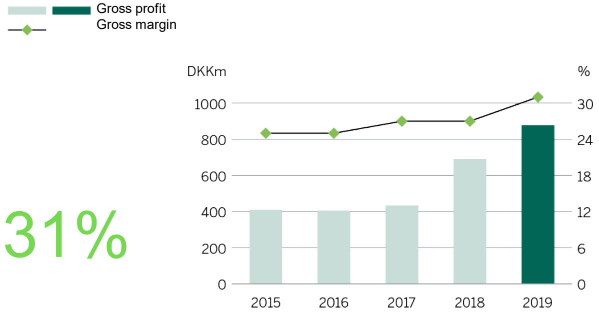
2,840



Revenue in DKKm

Gross profit and gross margin

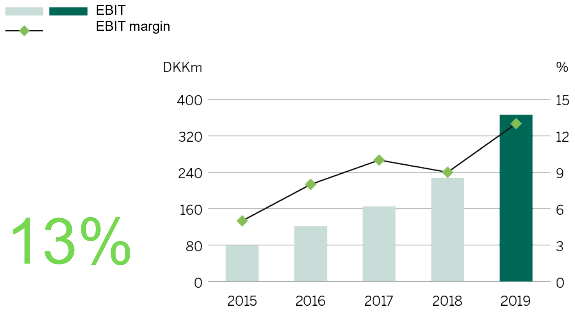
31%



Gross margin before special items

EBIT and EBIT margin

13%

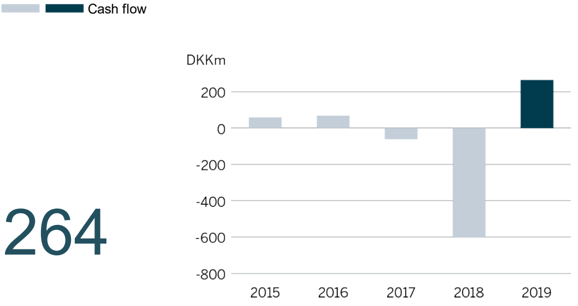


EBIT margin before special items
EBIT in 2018 was affected by a one-off effect related to the acquisition of the German CSU plants

Cash flow and balance sheet

Free cash flow

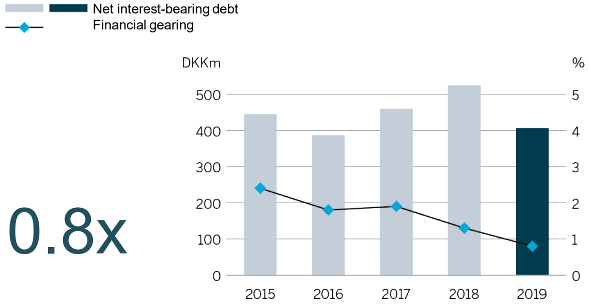
264



Free cash flow in DKKm

Financial gearing

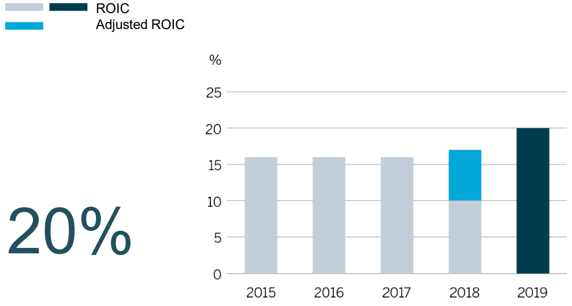
0.8x



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
- 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

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

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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

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.

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.

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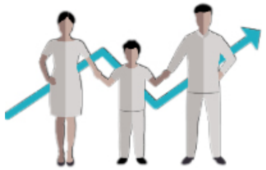
External growth drivers

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

More than 100 years of experience

H+H as a conglomerate | European wall building provider as consolidator | Turnaround | Normalisation and expansion

- **1909** – **Henriksen & W. Kähler** – established joint gravel pit enterprise
- **1937** – **Business expanded** – with Danish Aircrete and Rockwool Partnership
- **1958** – **H+H enter the UK** – joint venture with Celcon
- **1962** – **Henriksen & W. Kähler** divided rockwool activities from the other activities
- **1985** – **H+H's B shares listed** – on the Copenhagen Stock Exchange
- **1998**
- **2000** – **Focus on aircrete** – expansion to Finland and Germany
- **2003**
- **2005** – **Eastern Europe** – expansion to Poland
- **2008**
- **2009** – **The H+H share** – share capital increase DKK 436 million and merger of share classes
- **2009** – **Eastern Europe** – opening of factory near St. Petersburg, Russia
- **2010**
- **2011**
- **2015** – **Eastern Europe** – restructuring of the Polish aircrete market
- **2017** – **CSU business** – acquisitions into the CSU business in Germany, Switzerland and Poland
- **2018** – **The H+H share** – share capital increase DKK 504 million
- **2019** – **Divestment of the Russian business**
- **2019** – **Acquisition of one CSU and one AAC factory in Germany***

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

* Closed 14 January 2020

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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.

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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.