



2020 Annual Report Webcast presentation

4 March 2021



Introduction

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Strategy execution

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H+H is a partner in wall building across Europe

H+H is a wall-building materials provider. The core activity is the 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 and consolidation 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 the Nasdaq Copenhagen stock exchange under the ticker symbol, HH.

FORWARD-LOOKING STATEMENTS

This presentation 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 presentation. 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 presentation.

2020 financial results: highest-ever profit after tax a testament to strong execution

2020 selected financial figures

Figures in DKKm unless otherwise stated. 2019 figures in brackets

Organic growth

-6%

(6%)

EBIT⁽¹⁾

332

(366)

Profit after tax

251

(150)

Capital expenditures

134

(126)

Free cash flow

219

(264)

Financial gearing⁽²⁾

0.4x

(0.8x)

(1) Before special items (2) Net interest-bearing debt to EBITDA before special items ratio



Growth strategy maintained with meaningful strides made in 2020

Pursuing profitable growth

- Strong track record as a market consolidator maintained with the acquisition and integration of one AAC factory in Germany
- DKK 400m in annual EBITDA added⁽¹⁾ from DKK 1.1bn in total M&A investments since 2014
- Financial strength and proven track record of integration provides attractive potential for further growth
- H+H continues to have a pipeline of attractive acquisition targets

Defending margins and maintaining attractive returns

- Germany a strong contributor to earnings with a significant step-up in 2020
- Margin defence key during COVID-19 pandemic
- 'Continuous improvement programme' continues with increased focus on energy efficiency, productivity increases, and savings on raw materials

Driving innovation and IT

- Group Innovation function was established at the end of 2020
- New function to focus on innovation of products tailored towards improving CO₂ capabilities and customers' productivity
- Increased focus on suitable methods in the repair, maintenance and improvement market, with special attention to energy-efficiency improvements

Focus on sustainability and safety

- Sustainability is a strategic enabler of growth for H+H
- H+H remains committed to supporting the sustainable transformation of Europe's cities and communities
- Development of products and solutions which increase energy-efficiency and lower life-cycle emissions

(1) Relative to 2014 Group EBITDA before special items

Successful consolidation efforts and M&A pipeline lifts long-term ROIC target

EBIT margin before special items

11%

2020: 13%

Return on invested capital (ROIC)

↑ **14%**

2020: 18%

Financial gearing

1-2x

2020: 0.4x

Note: The Group's long-term financial targets reflects the ambition to maintain average minimum levels through a full business cycle



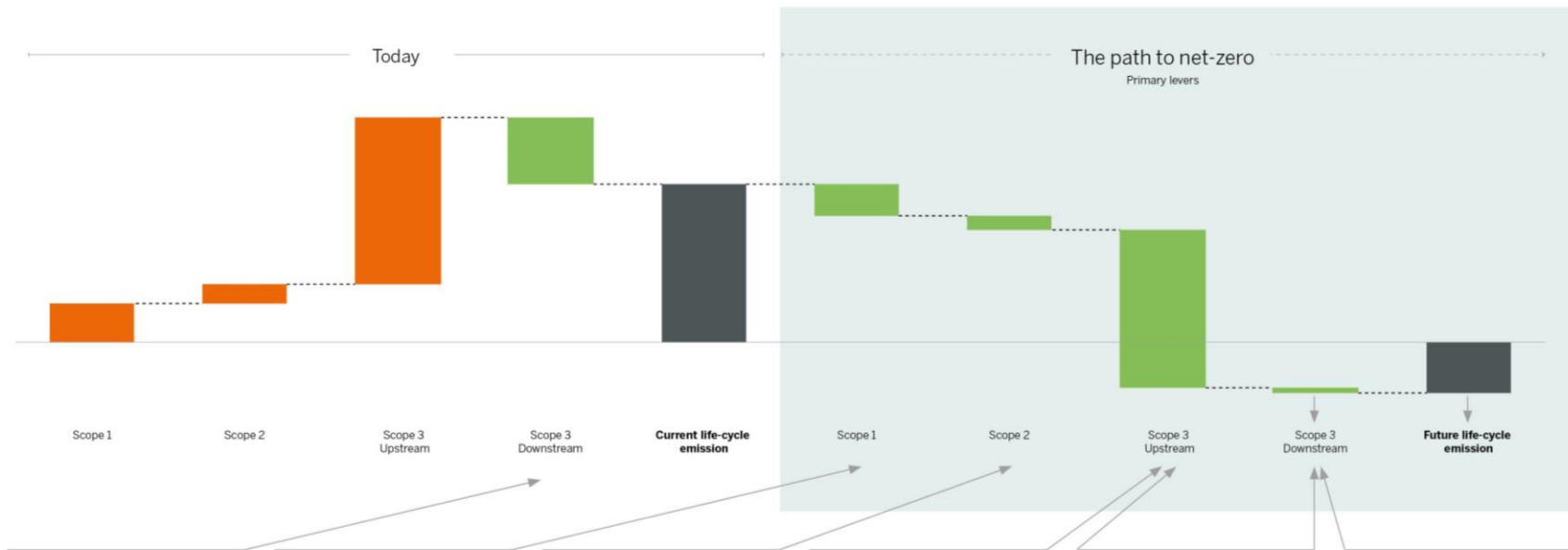


2020 marked an important milestone in H+H's sustainability journey

Sustainability highlights

- Committed to joining the UN Global Compact
- Release of first stand-alone sustainability report
- H+H has provided links to the UN Sustainable Development Goals for which H+H has the most impact
- Sustainability information is communicated in line with recommendations from Nasdaq and the SASB standard
- H+H targets net-zero emissions from its products and operations by 2050

Life-cycle assessment shows that H+H's products are on a path to net-zero—and possibly net-negative—emissions by 2050



Emissions-reduction roadmaps to be submitted for Science Based Target approval as soon as possible

Recarbonation

Most of the downstream scope 3 benefits come from recarbonation, where H+H products absorb CO₂ from the atmosphere during their lifetime of 100-150 years.

80% reduction

H+H can reduce a large amount of its own emissions through improvements to its factories, e.g. upgrading boilers.

80% reduction

H+H can reduce most of its scope 2 emissions by switching to renewable energy sources.

>90% reduction

Cement producers' pathway to net-zero targets >90% reduction of the embodied carbon in the raw-material production itself, through Carbon Capture Storage (CCS) and other pathways.^{1,2}

100% reduction (transport)

H+H can make transportation related emissions 100% CO₂ neutral through EV or hydrogen vehicles.

Further reductions

The insulation properties of H+H's products are not currently captured and enhances the net-negative potential.

Orange bar: GWP value from emission (Kg CO₂e) per m³.

Green bar: GWP value from recarbonation and emission reductions (Kg CO₂e) per m³.

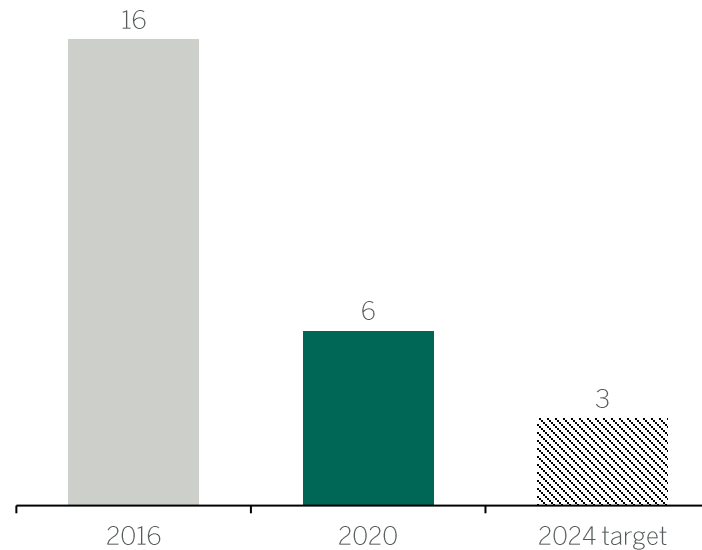
(1) Source: Cembureau – 2025 roadmap (the remaining approximately 20% reduction will come from in construction recarbonation). (2) Recarbonation is counted upstream with the cement producer only (i.e., it is not counted in H+H's span of control as this would be double counting (double counting of carbon reductions is an issue within every industry)).

Safety in even greater focus in 2020 due to COVID-19 pandemic

COVID-19 response

Throughout the pandemic, H+H has been able to ensure business continuity and improved safety performance through a dedicated focus on Zero Harm and the well-being of the employees

Lost-Time Incident Frequency⁽¹⁾



- H+H remains committed to reducing the Lost-Time Incident Frequency by a rolling 50% over a five-year period to 3 by 2024
- At year-end, 12 factories had been incident free for at least two years
- 19 out of the 29 locations recorded zero incidents in 2020
- A total of 16 factories has been added through acquisitions since 2016

(1) Incidents per million hours produced

CWE: positive results from consolidation efforts but market remains fragmented

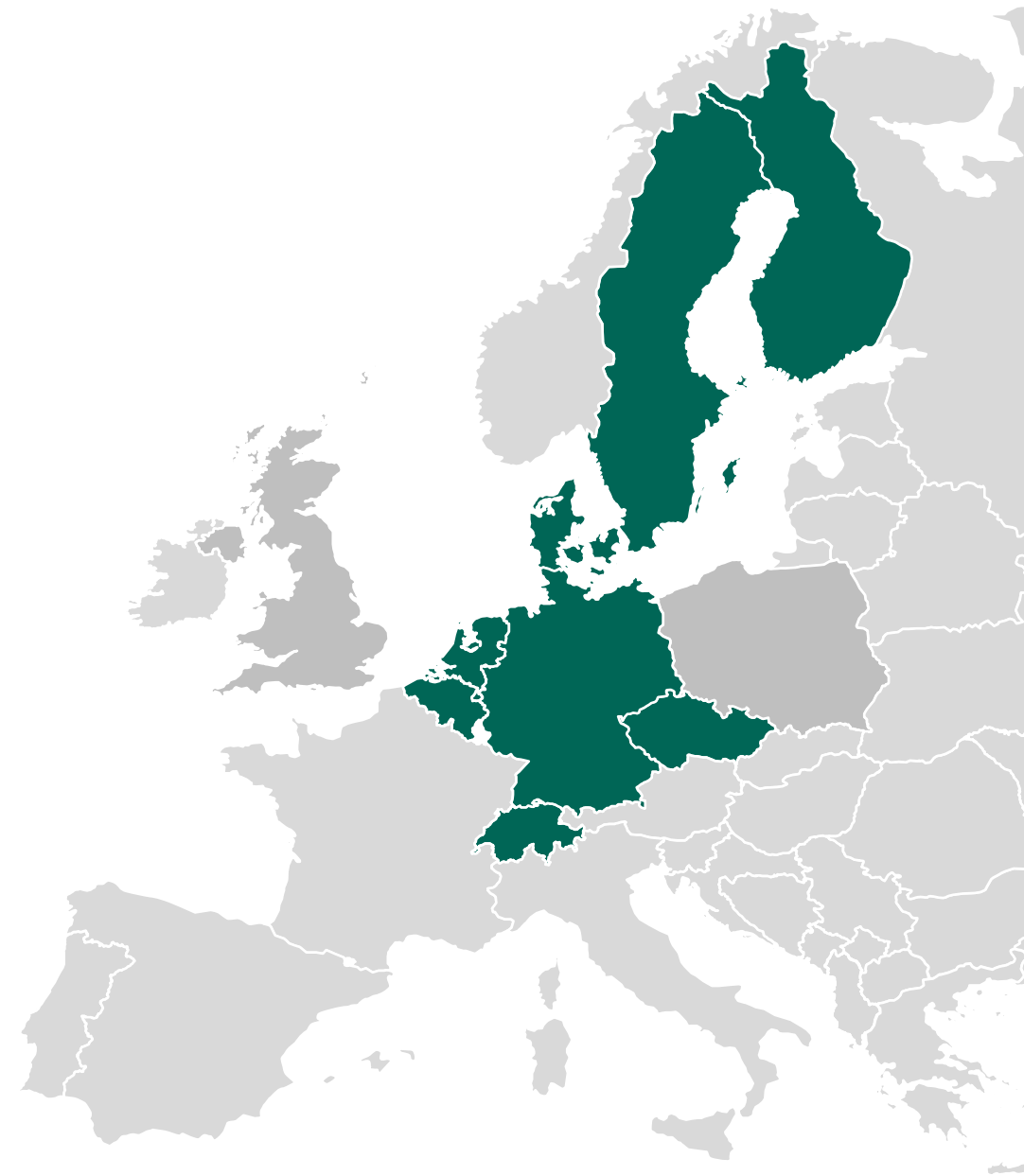
Market conditions and trends

Germany:

- Construction market relatively unaffected by COVID-19 during 2020
- Continued challenges from the structural undersupply of housing driven by growing urbanisation and general demographics
- Significant pipeline of permitted buildings awaiting completion due to lack of installation capacity
- Slow demand in early-2021 due to poor weather conditions
- Growth in low-rise segment restrained by lack of building plots and skilled labour

Other markets:

- In Denmark, increasing demand for housing and holiday homes has led to further growth—especially in the segment for family housing
- Activity in Sweden has been declining slightly, but mitigated through consolidation of the Nordic region
- Continued positive developments in the Swiss and Benelux markets



UK: strong second half of 2020, fuelled by Government stimuli programmes

Market conditions and trends

- Complete stand-still for three months in early-2020 due to lockdown measures, but strong second half of the year
- Continued structural undersupply of housing driven by growing population, shortage of affordable homes, and shortage of available land
- Private housebuilding market is in many areas moving away from the cities, likely as a result of the COVID-19 pandemic
- Slow demand in early-2021 due to poor weather conditions
- Brexit and its impact on consumer preferences are ever-present, but are expected to have limited short-term impact on H+H
- Strong forward sales from customer base and further Government support as a response to COVID-19
- British Government remains committed to increasing the housing output to 300,000 dwellings annually, but this journey appears to have been prolonged as a result of COVID-19



Poland: continued competition and pricing pressure in CSU business due to new entrants

Market conditions and trends

- 2020 was characterised by increased competition and pricing pressure due to new entrants, but H+H was able to mitigate impact through its differentiated product offering
- The first quarter of 2020 was very strong with good weather conditions and a high underlying demand
- The number of permits from developers indicate a slightly declining demand outlook for 2021 for the high-rise segment
- The number of permits from individual investors indicates a mildly increasing demand outlook for 2021 in the low-rise segment
- Slow demand in early-2021 due to poor weather conditions



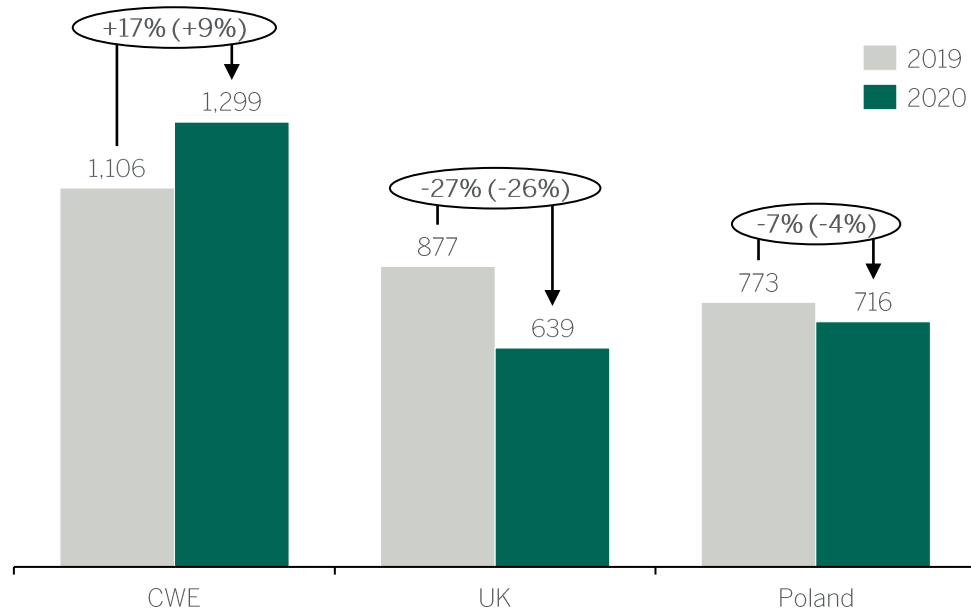
Resilience plan and risk management help navigating through a turbulent year

<u>Selected financial figures and ratios</u>	<u>2020</u>	<u>2019</u>	<u>Difference</u>
Revenue	2,654	2,840	(7%)
Cost of goods sold	(1,818)	(1,963)	(7%)
Gross profit before special items	836	877	(5%)
SG&A and other operating income, net	(315)	(338)	(7%)
EBITDA before special items	521	539	(3%)
Depreciation, amortisations and impairment losses	(189)	(173)	+9%
EBIT before special items	332	366	(9%)
Special items, net	-	(8)	-
EBIT	332	358	(7%)
Profit before tax	307	205	+50%
Profit after tax	251	150	+67%
Cash flow from operating activities	425	369	+15%
Cash flow from investing activities	(206)	(105)	+96%
Free cash flow	219	264	(17%)
EBIT margin before special items	13%	13%	-
Return on invested capital ("ROIC")	18%	20%	(2 pts.)
Financial gearing	0.4x	0.8x	(50%)

Despite strong results in CWE, revenue growth was negatively impacted by UK lock-down measures and softening of Polish market

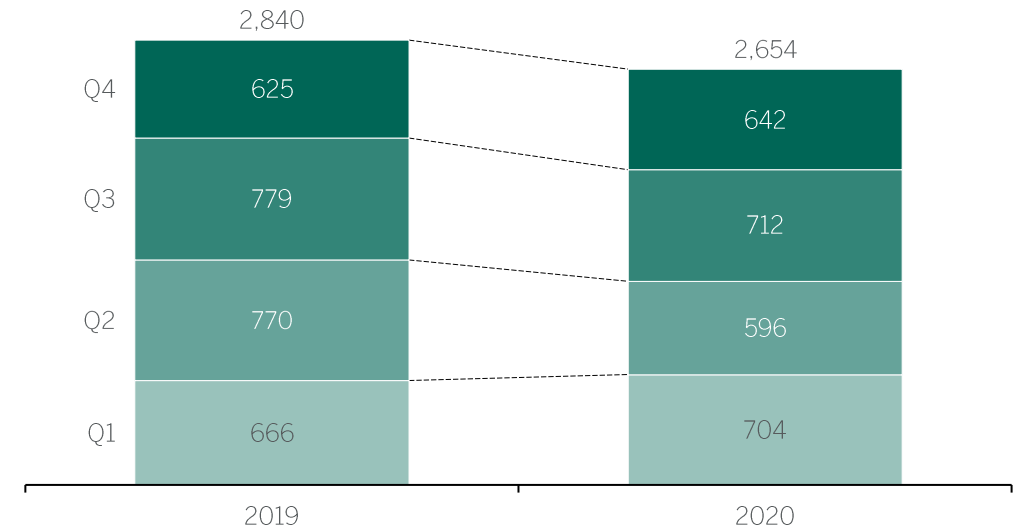
Revenue growth by market

DKKm. Bubbles show revenue growth (organic growth)



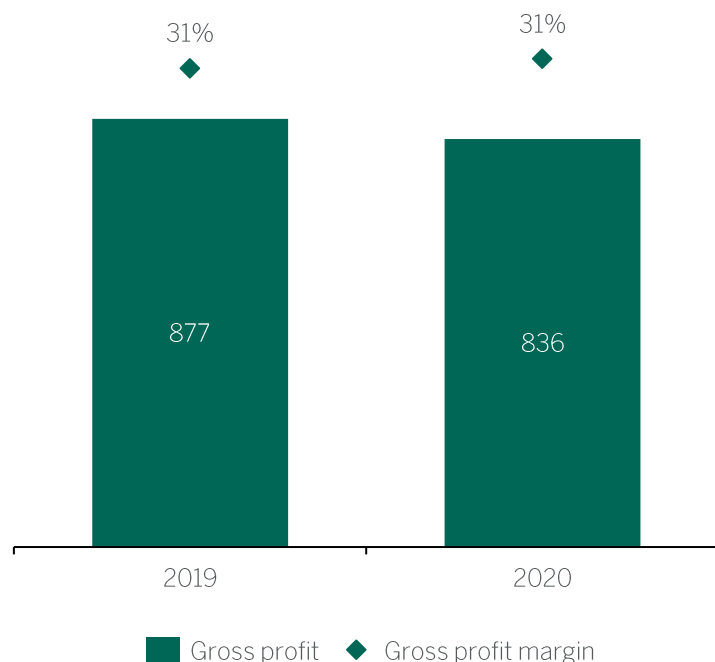
Consolidated revenue by quarter

DKKm

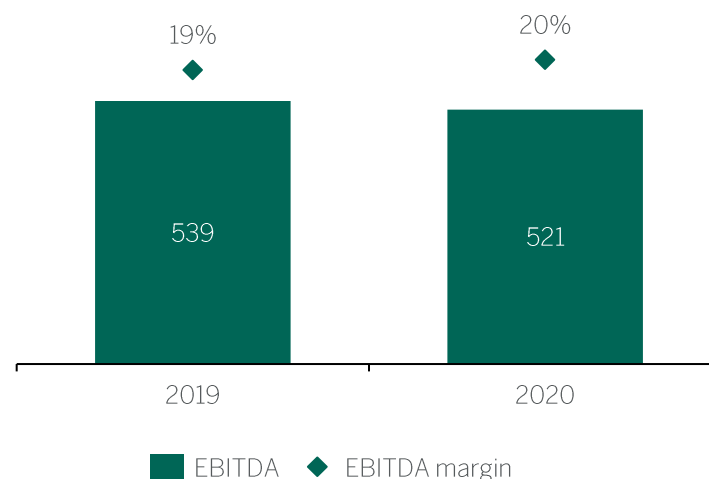


Financial robustness and scale flexibility allowed H+H to defend long-term margin target through pandemic

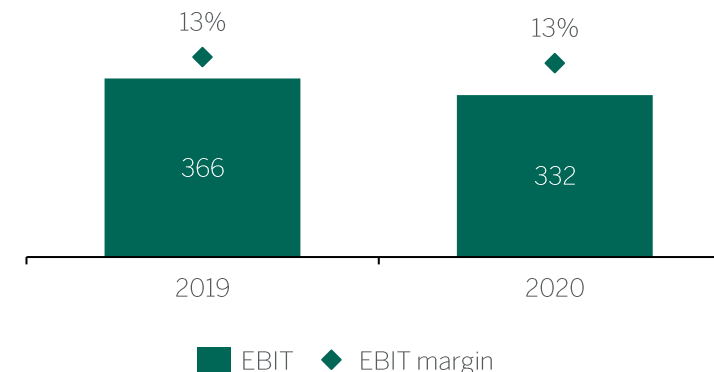
Gross profit and gross profit margin DKKm



EBITDA and EBITDA margin DKKm



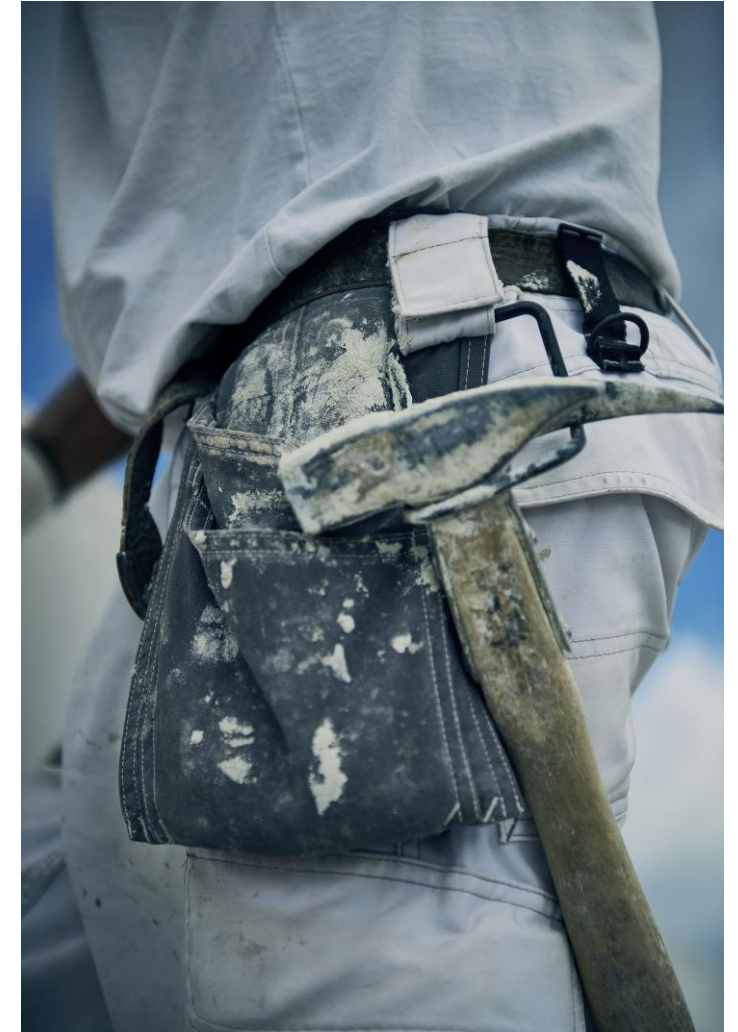
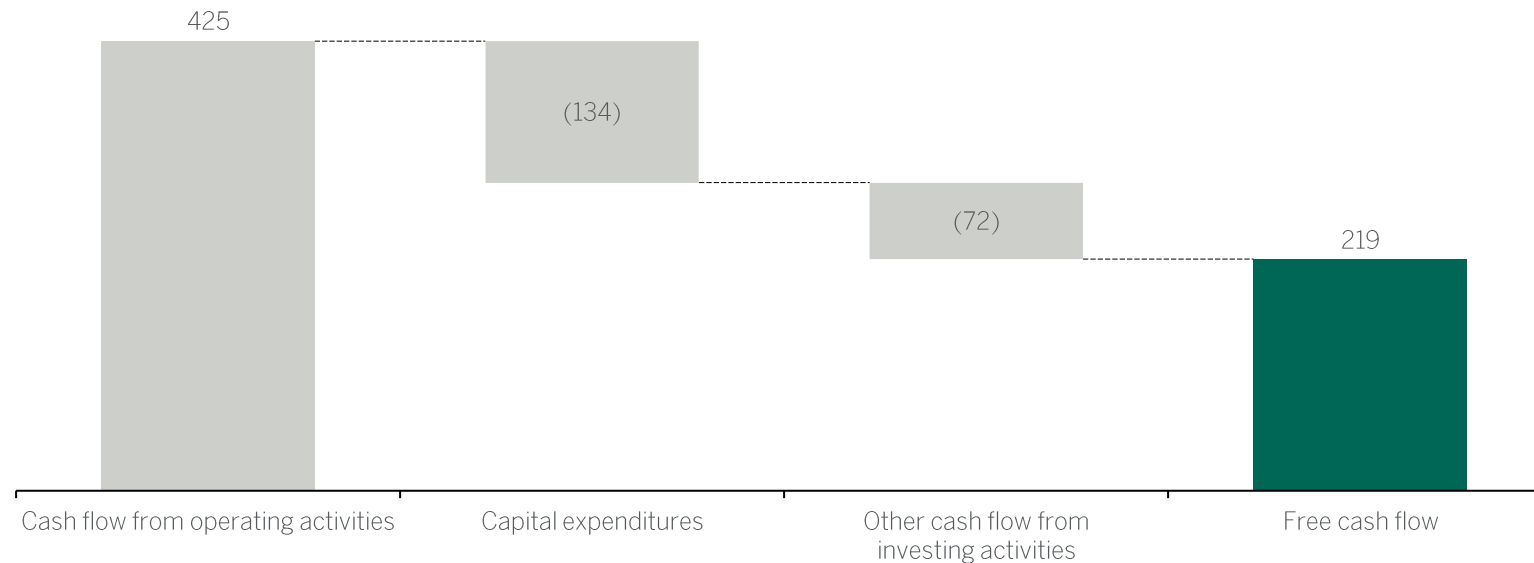
EBIT and EBIT margin DKKm



Note: All figures are before special items

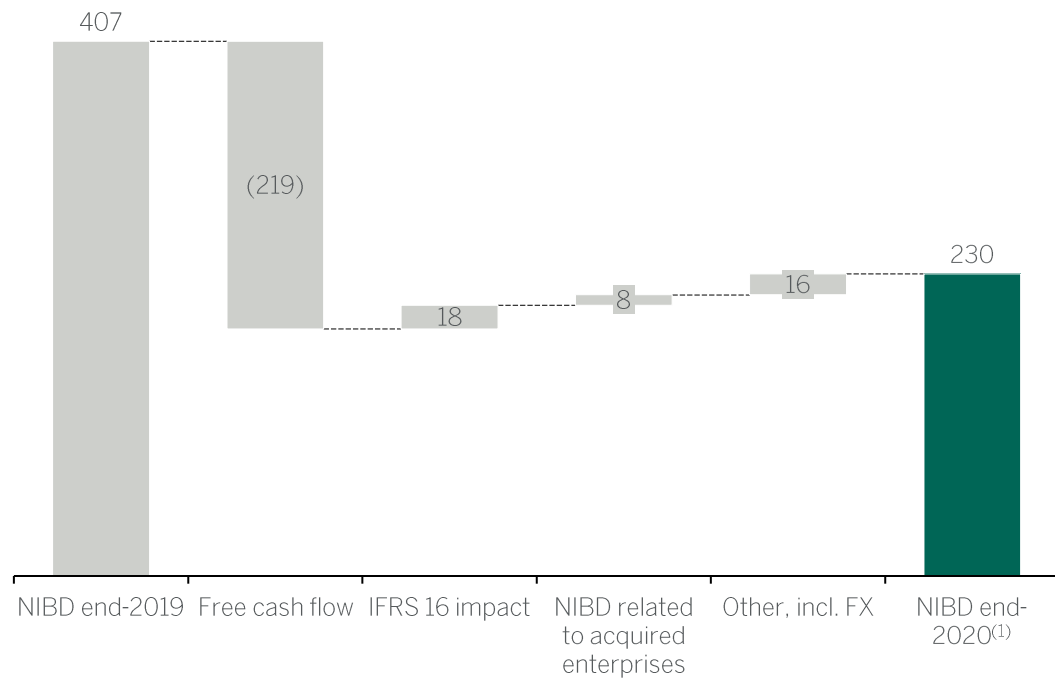
Strong free cash-flow generation to fund continued growth strategy

Free cash flow bridge DKKm



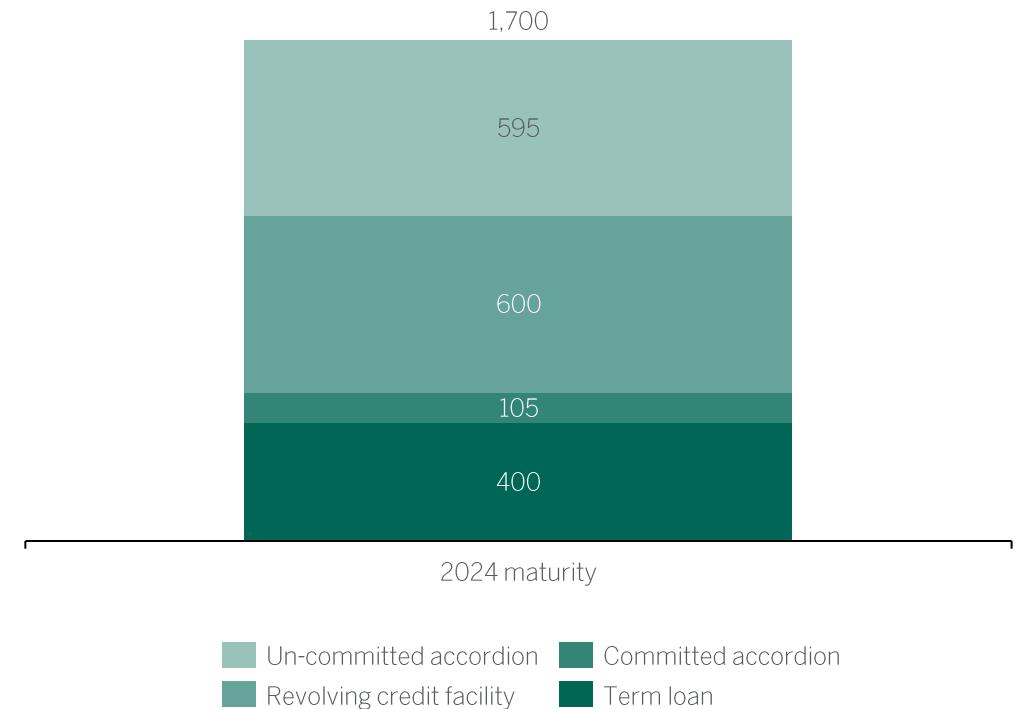
Available financing of DKK 1.6bn provides significant firing power for continued growth journey

Net interest-bearing debt (“NIBD”)



(1) Of the total net interest-bearing debt, lease liabilities amount to DKK 102 million as of 31 December 2020

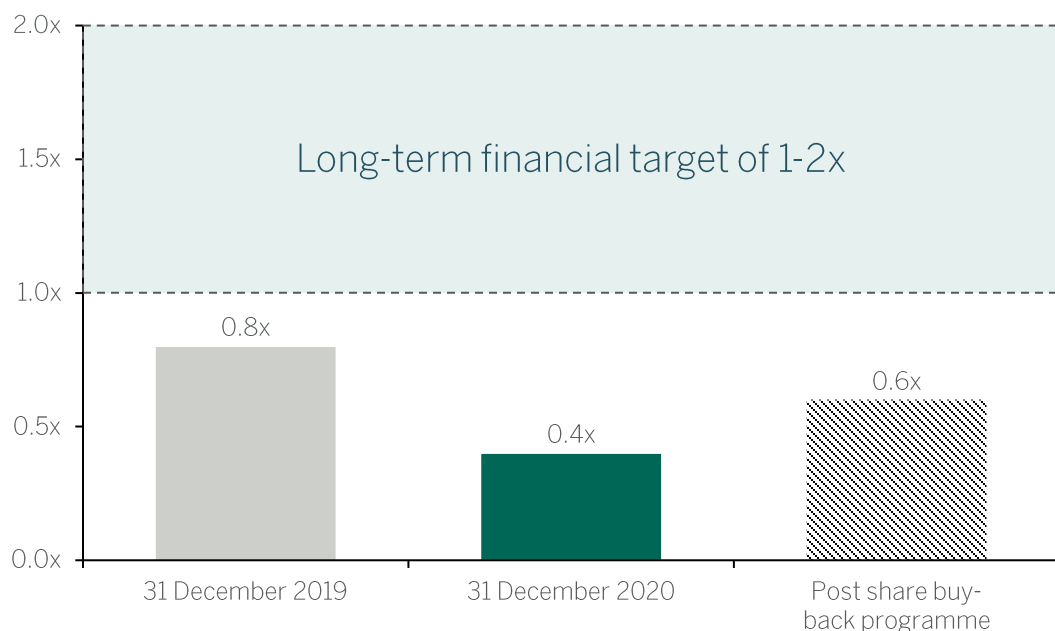
Available financing DKKm



Share buy-back programme of up to DKK 100 million to be initiated

Financial gearing

NIBD to EBITDA before special items ratio



Share buy-back programme

- The Board of Directors has decided to initiate a share buy-back programme of up to DKK 100 million
- The decision is supported by a continued strong cash-flow generation which has led to deleveraging of H+H to a level well-below the long-term target for financial gearing
- Acquisitive growth remains the key strategic focus for H+H, but given the headroom to the long-term target for financial gearing, there is an opportunity to return capital while still maintaining the ambition to pursue attractive growth opportunities
- The share buy-back programme is carried out with the objective of adjusting the capital structure of H+H
- It is expected that the shares bought back will be proposed cancelled at the Annual General Meeting in 2022



Larger investments to be made in existing production and sustainability

Timely care

- Since 2011, capital investments have been significantly below depreciation levels
- Increasing upsides from additional investments in current CSU plants in Poland
- No full-factory upgrades, but rather more focused upgrades within specific parts of the manufacturing chain
- Expected payback of three to six years

Sand conversion in the UK

- Sources of Pulverised Fuel Ash (“PFA”) are becoming increasingly unpredictable
- Conversion to sand would allow for fully-available, and more predictable sourcing
- Investment in conversion to a more flexible solution will take place over the coming five years

Sustainable investments

- ESG-related investment allocation of DKK 50m over three years
- Investment proposals with financial pay-backs exceeding the normal hurdle rates, but where the ESG impact supports H+H’s targets



Expected annual run-rate capex level of DKK 200m

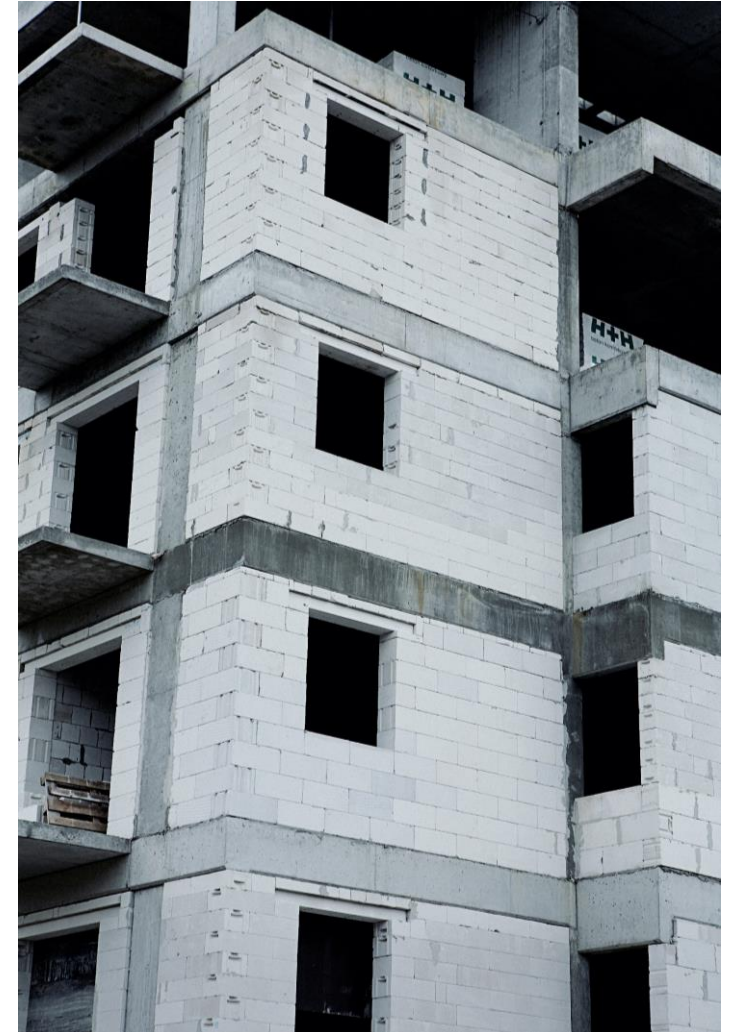
Financial outlook for 2021

Organic growth
0% to 5%

EBIT
310 to 370
(DKKm)

Specific assumptions:

- The COVID-19 pandemic is not expected to have any material impact on construction activity levels or supply chains
- Exchange rates, primarily GBP, EUR, and PLN remain at end-February levels
- Energy and raw material prices increase at greater levels than the current inflation



2020 financial results: highest-ever profit after tax a testament to strong execution

2020 key take-aways

- Strong results from continued consolidation efforts
- Long-term margin target maintained through pandemic
- Increasing focus on ESG, including net-zero emissions target
- Share buy-back of up to DKK 100 million to be initiated



Q&A



Thank you



Supplementary information



H+H at a glance

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. The Group has a leading position in most of its markets.



2020 financial highlights

Revenue in DKK million

2,654

EBIT in DKK million

332

Profit after tax

251

Financial gearing

0.4x

United Kingdom

Market position

#1

Market share

>40%

Germany

Market position

#2

Market share AAC

>15%

Market share CSU

~12%

Poland

Market position

#2

Market share AAC

20-25%

Market share CSU

20-25%

Revenue split by product line

32% 68%

Calcium silicate (CSU)

Aircrete (AAC)

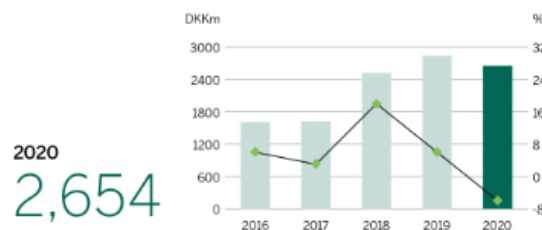


2020 performance highlights

Selected financial figures and ratios

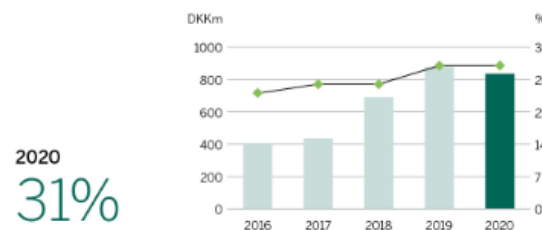
Revenue in DKKm

Revenue
Organic growth



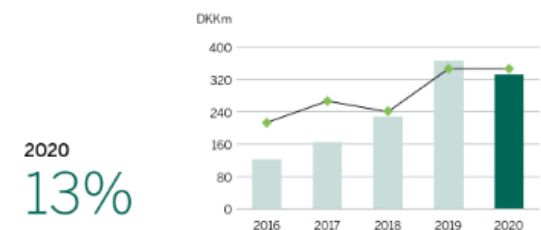
Gross profit and gross margin before special items

Gross profit before special items
Gross margin before special items



EBIT and EBIT margin before special items

EBIT before special items
EBIT margin before special items



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

Profit after tax in DKKm

Profit after tax



NIBD/EBITDA before special items ratio

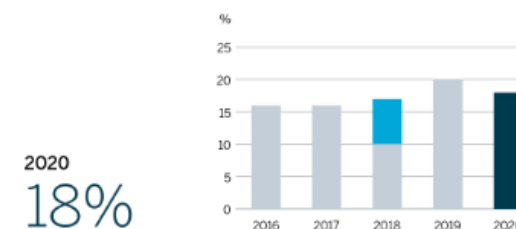
Interest-bearing debt
NIBD/EBITDA before special items ratio



NIBD for 2019 onwards includes impact from IFRS 16

Return on invested capital (ROIC)

ROIC
Adjusted ROIC



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%.

Business model—we focus on adding value to our customers throughout the entire wall-building process

Quality Manufacturing

Modern and carbon-friendly products

Value-added Sales

Trusted partners in wall building

Diversified Market

Innovative product solutions for high-rise and low-rise



Key raw materials

- Sand, water, and lime
- Cement and aluminium added for AAC

Quality products

- Autoclaved aerated concrete and calcium silicate units
- Quality products with sustainable features
- Carbon-friendly products
- 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

Equity story

H+H remains in a unique position for continued growth due to attractive market fundamentals, a differentiated market approach, sustainable products, and proven track record of strategy execution



Unique market conditions for growth

- Structural under-supply of housing
- Governmental stimuli of housebuilding
- Demographic growth and changing housing needs
- Fragmented markets with room for consolidation through acquisitions
- High entry barriers for new competitors



Differentiated market approach: Partners in Wall Building

- Value-added customer relationships and assistance through entire building process
- Supplying sophisticated and sustainable solutions
- High degree of local market adaption
- High customer retention rate



Sustainable solutions—net-zero emissions by 2050

- Long-lasting and reusable products
- Carbon-friendly products with increasing market penetration
- Insulating properties leading to energy savings and more sustainable buildings
- Excellent indoor climate and acoustic comfort
- Fire resistant products



Proven track record of strategy execution

- European market-leading position in AAC and CSU products established through M&A
- Consolidation of fragmented markets has led to the realisation of synergies
- Efficient integration process and agile organisation
- ROIC consistently above WACC
- Strong cash-flow generation to fund bolt-on acquisitions

Consolidated income statement and statement of comprehensive income

Income statement (DKK million)	2020	2019
Revenue	2,654	2,840
Cost of goods sold	(1,818)	(1,963)
Gross profit before special items	836	877
Sales costs	(151)	(159)
Administrative costs	(168)	(180)
Other operating income and costs, net	4	1
EBITDA before special items	521	539
Depreciation, amortisation and impairment losses	(189)	(173)
EBIT before special items	332	366
Special items, net	-	(8)
EBIT	332	358
Financial income	2	1
Financial expenses	(27)	(154)
Profit before tax	307	205
Tax on profit	(56)	(55)
Profit for the year	251	150
Profit for the year attributable to:		
H+H International A/S' shareholders	241	149
Non-controlling interests	10	1
Profit for the year	251	150
Earnings per share (EPS-basic) (DKK)	13.5	8.3
Diluted earnings per share (EPS-D) (DKK)	13.5	8.3

Statement of comprehensive income (DKK million)	2020	2019
Profit for the year	251	150
Other comprehensive income:		
Items that will not be reclassified subsequently to the income statement:		
Actuarial losses and gains	(110)	47
Tax on actuarial losses and gains	21	(8)
	(89)	39
Items that may be reclassified subsequently to the income statement:		
Foreign exchange adjustments, foreign entities	(48)	144
Tax on foreign exchange adjustments, foreign entities	-	-
	(48)	144
Other comprehensive income after tax	(137)	183
Total comprehensive income for the year	114	333

Consolidated balance sheet

Assets (DKK million)	2020	2019
Goodwill	211	196
Customer relations	244	231
Other intangible assets	14	12
Intangible assets	469	439
Land and buildings	709	714
Plant and machinery	642	671
Other equipment, fixtures and settings	87	74
Assets under construction	100	99
Property, plant and equipment	1,538	1,558
Deferred tax assets	18	12
Equity investments in subsidiaries	-	-
Investments in associated companies	1	1
Other receivables	5	7
Receivables from subsidiaries	-	-
Other non-current assets	24	20
Total non-current assets	2,031	2,017
Inventories	282	303
Trade receivables	80	101
Group debtors	-	-
Other receivables	29	28
Prepayments	6	5
Cash	481	262
Current assets	878	699
Total assets	2,909	2,716

Equity and liabilities (DKK million)	2020	2019
Share capital	180	180
Translation reserve	(147)	(99)
Retained earnings	1,405	1,253
Equity attributable to H+H International A/S's shareholders	1,438	1,334
Equity attributable to non-controlling interests	71	37
Equity	1,509	1,371
Pension obligations	147	64
Provisions	34	33
Deferred tax liabilities	130	137
Lease liabilities	84	96
Credit institutions	609	558
Non-current liabilities	1,004	888
Credit institutions	-	-
Trade payables	180	207
Lease liabilities	18	15
Income tax	30	18
Payables to subsidiaries	-	-
Deferred payment, acquisition of subsidiary	-	24
Provisions	6	11
Other payables	162	182
Current liabilities	396	457
Total liabilities	1,400	1,345
Total equity and liabilities	2,909	2,716

Consolidated cash flow statement

Cash flow statement (DKK million)	2020	2019
Operating profit (loss)	332	358
Financial income received	3	1
Financial items, paid	(23)	(26)
Depreciation, amortisation and impairment losses	189	173
Gain on disposal of property, plant and equipment	-	(1)
Loss on disposal of property, plant and equipment	4	-
Other adjustment with non-cash effect	1	2
Change in inventories	20	(33)
Change in receivables	21	45
Change in trade payables and other payables	(38)	(52)
Change in provisions and pension contribution	(28)	(33)
Income tax paid	(56)	(65)
Operating activities	425	369
Sale of property, plant and equipment	-	1
Change in borrowings to subsidiaries	-	-
Capital increase and reductions in subsidiaries	-	-
Dividend from subsidiaries	-	-
Acquisition of enterprises and related deferred payments	(72)	(97)
Disposal of enterprises	-	117
Acquisition of property, plant and equipment and intangible assets	(134)	(126)
Investing activities	(206)	(105)
Free cash flow	219	264

Cash flow statement (continued) (DKK million)	2020	2019
Change in borrowings	51	(95)
Debt from acquisitions	(15)	(13)
Change in lease liabilities	(21)	(19)
Dividend to non-controlling interests	(5)	-
Acquisition of treasury shares	(4)	(4)
Financing activities	6	(131)
Cash flow for the year	225	133
Cash and cash equivalents at 1 January	262	133
Cash related to the acquired and divested enterprises	8	(8)
Foreign exchange adjustments of cash and cash equivalents	(14)	4
Cash and cash equivalents at 31 December	481	262

For further information, please contact

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